

MASTERPLAST – Q4 2021 SUMMARY

Masterplast also posted strong numbers in the fourth quarter, and the company continued to grow in terms of key numbers and margins. In 2021 the company generated sales of EUR 191.5 million, while net profit was EUR 16.1 million. The company realized an operating profit of 18.3 million euros.

Q4 RESULT

The total revenue of the Group amounted to EUR 45389 thousand in Q4 2021, which was 39% higher than in Q4 2020. The increase in turnover, the trade margin and margin rate also increased in Q4 2021 compared to the base period. In addition to more efficient production, the purchase price increase effect was handled effectively in the sales prices. The efficiency of Masterplast's own production has further improved. Output of the EPS and mesh edge plant in Serbia increased compared to a year ago, and fiberglass mesh production performed well above the strong emission levels of the base period. The foam unit in Kál produced at the output level of the base period, and the German fleece production unit operated in the fourth quarter with full capacity utilization.

thousand EUR	Q4 2021	Q4 2020
Sales revenue	45389	32672
EBITDA	3616	2983
EBITDA ratio	8.0%	9.1%
Profit after tax	1916	1706
Net income ratio	4.2%	5.2%

Source: Masterplast, MKB

The Group's EBITDA amounted to EUR 3616 thousand in Q4 2021 (8% EBITDA ratio) compared to the EUR 2983 thousand (9.1% EBITDA ratio) in the Q4 2020 base period, which showed a 21% growth. The operating profit (EBIT) reached EUR 2251 thousand in Q4 2021, which rose by 7% compared to the EUR 2098 thousand level of the base period. The Group PAT (profit after tax) was EUR 1916 thousand in Q4 2021.

SALES BY PRODUCT GROUP

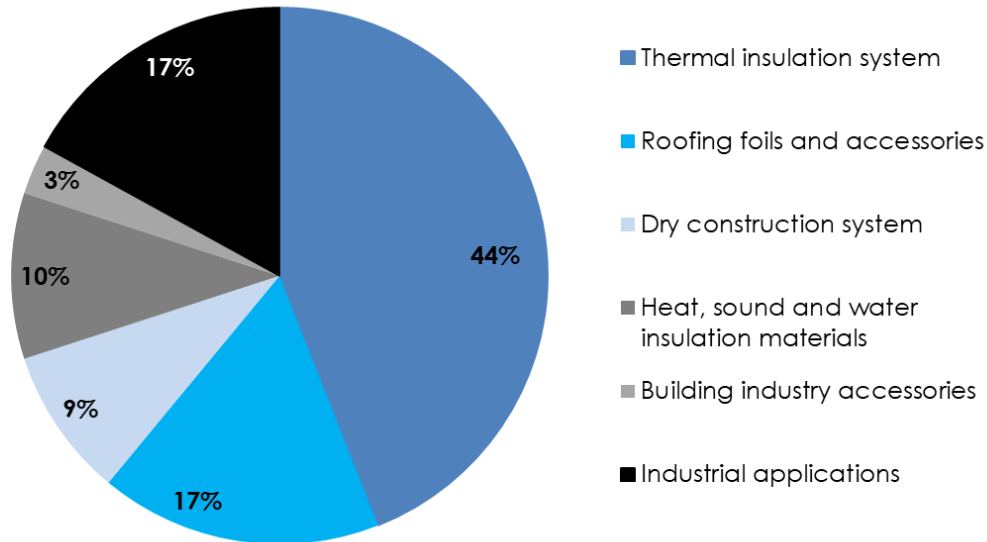
In terms of the revenue slate, **thermal insulation systems** provided the biggest share (45%): its sales increased by 68% in the fourth quarter compared to the base period.

Turnover of **Roofing foils and accessories** in Q4 2021 was 21% higher than in the same period in 2020. Within the product group, the rates of sales growth of diffusion and conventional roofing foils were similar.

In the **Industrial applications product group**, the Masterplast achieved higher sales level in Q4 2021 by 10% than those of the base period. Sales of healthcare products decreased compared to the strong base, while the turnover of packaging products and non-strategic raw material trade increased.

In the **dry construction system** improved in Q4 2021 by 59% compared to the base. In the **building industry accessories**, the sale of products increased by 4% in the third quarter of 2021. In the **Heat, sound and water insulation** materials product group the sales increased by 23% in Q4 2021 compared to the same period in 2020.

Contribution of product groups in percentage to the total sales revenue



Source: Masterplast, MKB

SALES BY COUNTRIES

The Group has increased its total sales by 39% in Q4 2021 compared to the Q4 2020 base period.

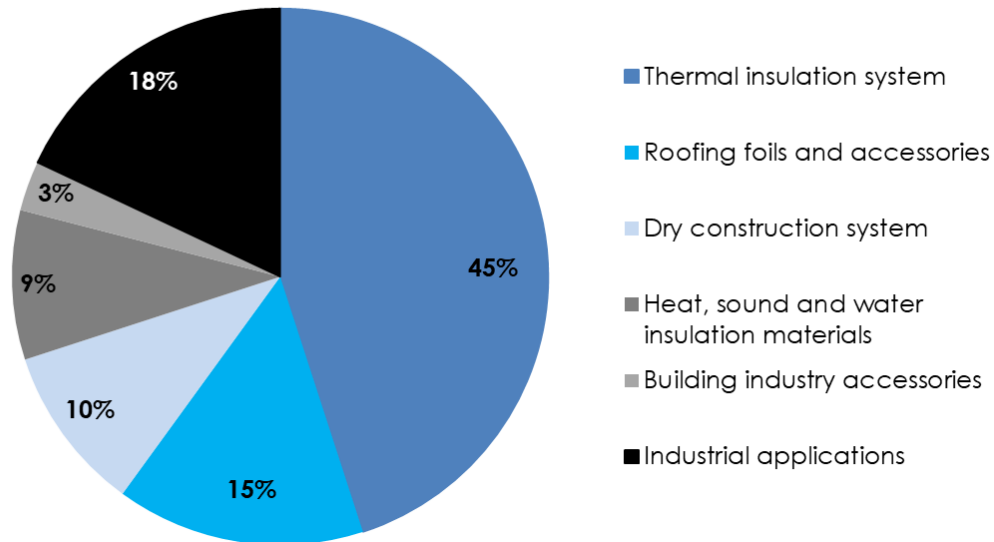
The breakdown of the sales by countries shows the revenue realized in countries where Masterplast has its own subsidiary, regardless of which subsidiary has registered the sales in the country. For countries where there is no Group subsidiary, sales are reported on the Export line.

On the most relevant **Hungarian** market the turnover increased by 54% in Q4 2021 compared to the base period. The Company achieved strong growth in the construction product groups. The turnover of finished products in the health industry decreased on the Hungarian market compared to the strong base.

In the **Export** market in Q4 2021, the turnover increased by 63% compared to the same period of the previous year. The sales revenue of the self-manufactured fiberglass mesh belonging to the product group of thermal insulation system increased the most, but the turnover of dry construction products also developed well thanks to drywall profiles. There was also a notable increase in the Czech and Greek territories, regarding the underperforming areas, the UK and the Netherlands had a significant decline in turnover.

Sales in the **German** market increased by 21% in the fourth quarter compared to the corresponding period last year. The increase was mainly due to the sales of self-manufactured diffusion roofing foils, but fiberglass mesh sales also increased in the thermal insulation systems group.

Contribution of product groups in percentage to the total sales revenue



Source: Masterplast, MKB

On the key **Romanian** market, sales increased by 11% in Q4 2021 compared to the base period. Sales of thermal insulation systems and roofing foil product groups contributed the most to the growth.

In **Serbia**, sales increased by 18% in 2021 Q4. The turnover of the thermal insulation system elements product group increased significantly due to the increase in fiberglass mesh and EPS sales.

On the **Croatian** market the Group sales increased by 38% in Q4 2021 compared to the base term. On the **Polish** market the sales decreased by 21% in Q4 2021 compared to the base. Sales of roofing foils and accessories fell sharply compared to the strong performance of the base quarter.

SUMMARY

Masterplast published very strong fourth quarter and 2021 results. Our annual sales of EUR 191.5 million in 2021 exceeded management's expectations of EUR 190.3 million. According to the company, favorable industry trends, Masterplast's strong market, economic position, stable supply chain, manufacturing background and investments provide powerful base for achieving the Company's strategic turnover and profit forecasts.

Rising energy prices have led to a pick-up in insulation works in the construction segment in several countries, and the demand side is also being boosted by government subsidies in many markets. In order to achieve its climate protection goals, the European Union provides significant financial resources for building energy renovation programmes, which, together

with stricter energy regulations and high energy prices, will result in increasing demand for the Company's products in the longer term.

The Russian-Ukrainian conflict does not significantly affect the company's operations. The Ukrainian subsidiary has a small weight in the company's revenue and earnings, in 2021 the Ukrainian subsidiary accounted for 6% of total sales. Masterplast has developed an emergency scenario. Should the situation worsen, the company will evacuate its supplies and goods from Eastern Ukraine to Western Ukraine.

We sent out our latest model update on February 3rd, which already included updated forecasts from Masterplast. According to the medium-term strategy, turnover might exceed EUR 300 million in 2024 and the profit after tax could rise to more than EUR 26 million.

Due to the strong quarterly figures, we are also reiterate our target price (HUF 6.394) and the buy recommendation.

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Change from the prior research

Our first research was published on 15. December 2017. In that Initial Coverage our price target was HUF 823. The changes in fundamental factors and the operation in the Company required regular updates of our model and the target price. Based on the recent changes, we have revised our target price, the new target price is HUF 6394, which is 24 % higher than the previous target price of HUF 5167 (2021.nov 22th).

Prior researches

MKB Bank wrote an initiation report on 15 December 2017. The research is available on the web page of the BSE (Budapest Stock Exchange):

<https://www.bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/Tozsdetagok-elemzesei/MKB-Bank-Masterplast-initiation-report-20171215.pdf>

The flash notes are available on the web page of the BSE (Budapest Stock Exchange):

https://www.bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/Tozsdetagok-elemzesei/MKB_Bank_Zrt._-Masterplast_elemzoi_kommentar_-2018.01.10..pdf

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Methodology used for equity valuation and recommendation of covered companies

The discounted cash flow valuation is a method of valuing a company (or project, assets, business, etc.) with the time value of the money. The model forecasts the company's free cash flow (free cash flow to firm) and discounts it with the average cost of capital (WACC). The cash flow is simply the cash that is generated by a business and which can be distributed to investors. The free cash flow represents economic value, while accounting metric like net earning doesn't. The WACC represents the required rate of return by the investors. If a business is risky the required rate of return, the WACC will be higher.

Discounted cash flow model (DCF): We analyze the companies using five year forecast period and set a terminal value based on the entity's long term growth or on different exit multiples like EV/EBITDA or EV/EBIT. In certain cases the forecast period may differ from five years. In this case the analysts must define the reason for difference. The cash flows are discounted by the company's WACC unless otherwise specified.

In the first step we have to forecast the company's cash flow. The free cash flow to firm (FCFF) is based on the earnings before interest and taxes (EBIT), the tax rate, depreciation and amortization (D&A), net change in working capital (which is based on the current assets and current liabilities) and the capital expenditures (CAPEX). The model requires a terminal value which can be based on the long term growth or on an exit multiple like EV/EBITDA, or EV/EBIT. Forecasting the terminal value is a crucial point because in most cases it makes up more than 50% of the net present value.

The discount rate (WACC): The average cost of capital of the company is dependent on the industry, the risk free rate, tax, the cost of debt and the equity risk premium. The cost of equity is calculated by the CAPM model, where the independent variables are the risk free rate, the industry specific levered beta, and the equity risk premium. The WACC is dependent on the capital structure, so the forecast of the equity/debt mix is crucial.

At the end we get the enterprise value (EV). The EV is the market capitalization plus the total debt and preferred equity and minority interest, minus the company's cash. In the last step we have to reduce the EV with the net debt. This figures divided by the shares outstanding we arrive at the target share price.

The discounted cash flow model includes sensitivity analysis which takes the effects of the change in the WACC, the long term growth or the used exit multiples on which the terminal value is based.

Our target price is based on a 12 month basis, ex-dividend unless stated otherwise.

Peer group valuation: For comparison we use peer group valuation. The analysis based on important indicators and multiples like P/E, EV/EBITDA, EV/EBIT, market capitalization, P/S, EBITDA margin, net debt to EBITDA, EBITDA growth, dividend yield and ROIC. If the industry justifies we may use other multiples. The peer group is compiled according to the companies' main business, with respect to the region (DM or EM market).

Recommendations

- **Overweight:** A rating of overweight means the stock's return is expected to be above the average return of the overall industry, or the index benchmark over the next 12 months.
- **Underweight:** A rating of underweight means the stock's return is expected to be below the average return of the overall industry, or the index benchmark over the next 12 months.
- **Equal-weight:** A rating of equal-weight means the stock's return is expected to be in line with the average return of the overall industry, or the index benchmark over the next 12 months.
- **Buy:** total return is expected to exceed 10% in the next 12 months.
- **Neutral:** Total return is expected to be in the range of -10 - +10% In the next 12 months.
- **Sell:** Total return is expected to be below -10% in the next 12 months.

- Under revision: If new information comes to light, which is expected to change the valuation significantly.