Friday, 19 September 2025 | research report

Newag: buy (new)

NWG PW; NWGP.WA |, Poland

On the Right Track

We initiate coverage of Newag with a 'buy' recommendation and a target price of PLN 98.00, implying an 18% upside from the current market price. We expect Newag to generate EBITDA of PLN 410m in 2025, followed by an increase to PLN 505m in 2026 driven by a favorable product mix and full deployment of manufacturing capacity. On our estimates, NWG is trading at 9.2x 2025E EV/EBITDA, 13.7x P/E, and a PEG ratio of 0.3, which we consider attractive relative to the peer group. Poland's railway network, which is among the largest in the EU, is facing an urgent need to modernize its rolling stock. Funding mechanisms such as the Social Climate Plan, Recovery and Resilience Facility, FEnIKS, and CPK provide a stable and long-term demand backdrop for rolling stock manufacturers like Newag.

An aging rolling stock fleet and multi-billion-zloty investments under the National Railway Program (KPK) create a favorable environment for rolling stock manufacturers. At 19,600 kilometers, Poland's railway network ranks as the fourth largest in the EU. Polish rolling stock manufacturers are currently benefiting from rising passenger volumes (407.5 million in 2024) and state infrastructure investment with a budget of PLN 163.8 billion to 2030. Modernization efforts include electrification, high-speed routes (>160 km/h), and safety systems. While the share of freight rail has declined, intermodal transport continues to grow. Aging rolling stock is driving sustained demand, particularly in the EMU and DMU segments.

RRF, FEnIKS, SCP, and CPK funding mechanisms set the pace for future procurement. Rolling stock demand in Poland is primarily driven by PKP Intercity and regional rail operators, including POLREGIO, which is expected to require approx. 100 new trains. Funding mechanisms such as RRF, FEnIKS, SCP, and CPK, shape the procurement schedules. Funding from the Social Climate Plan is allocated to regions with limited transport access, boosting demand for EMUs, bimodal units, and diesel units. In the locomotive segment, growth potential is supported by option contracts from PKP Intercity, anticipated purchases by PKP Cargo, and increasing demand from private operators. The total addressable market by 2030 is estimated at 130–150 locomotives and 100–140 EMUs.

Current backlog ensures full capacity utilization through 2027. Newag's current backlog and upcoming tender activity should enable sustained production at peak levels in the next 3-4 years. Locomotive production is expected to peak in 2026 (up to 71 units), and EMU production in 2027 (up to 39 units). Newag has achieved 69% of its locomotive target and 12% of the EMU target in 2025. The company is targeting EBITDA upwards of PLN 400m and a margin of ca. 19%, which we consider a realistic target. In the medium term, the greatest growth potential lies in the SCP, RRF, FEnIKS, and CPK programs.

Attractive valuation. Our valuation of Newag is based exclusively on a discounted cash flow (DCF) methodology, reflecting the limited relevance of peers based in more diversified markets. A 12-month target price of PLN 98.00 implies an 18% upside from current levels, with Newag trading at approximately 9.2x EV/EBITDA and 13.7x P/E on 2025 estimates. Newag's PEG ratio of 0.3 vs. a peer median of 0.6 and average of 1.0 highlights meaningful undervaluation relative to growth. A key risk lies in dependence on domestic public orders and sales concentration among a few large clients. Additional challenges include cost pressure, homologation delays, and the need to adapt to new regulations, as well as competition from battery-powered and hydrogen-powered manufacturers.

Current Price*	PLN 83.00
Target Price	PLN 98.00
MCap	PLN 4.4bn
Free Float	PLN 1.15bn
ADTV (3M)	PLN 0.9m

*Price as of 18 September 2025, 5 pm

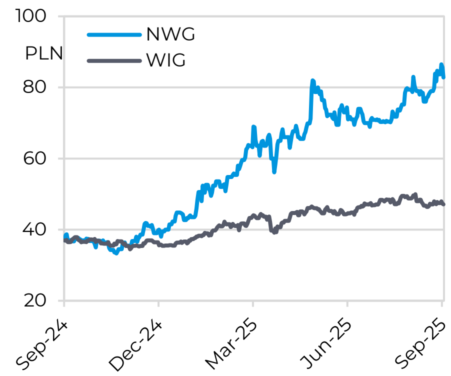
Shareholders

Jakubas Investments	54.3%
NN OFE	8.8%
Allianz OFE	8.0%
Generali OFE	7.4%
PZU OFE	7.3%
Others	14.2%

About

Newag is a Polish rolling stock manufacturer specializing in the design, modernization and production of electric multiple units, locomotives and specialized rail vehicles. The company operates mainly in Poland, serving regional carriers and PKP Intercity, while developing competencies in vehicle service and maintenance.

NWG vs. WIG



Company	Target Price		Recommendation	
	New	Old	New	Old
Newag	98.00	-	Buy	-

Company	Current Price	Target Price	Upside
Newag	83.00	98.00	18%

(PLN m)	2023	2024	2025E	2026E	2027E
Revenue	1,231.1	1,589.4	2,164.0	2,682.0	2,800.0
EBITDA	186.1	210.8	409.5	558.5	566.0
Margin	15.1%	13.3%	18.9%	20.8%	20.2%
EBIT	141.8	160.4	357.0	505.6	513.0
Net profit	95.2	122.2	278.9	401.8	413.4
P/E	40.0	31.2	13.7	9.5	9.2
P/S	3.1	2.4	1.8	1.4	1.4
EV/EBITDA	19.0	17.5	9.2	6.5	6.1
DPS	0.00	0.96	2.00	2.48	3.57
Div. Yield	0.0%	1.2%	2.4%	3.0%	4.3%

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Key Risks

1) Customer concentration (demand risk). A breakdown of Newag's 2024 revenue revealed an overreliance on a single customer. Sales to PKP Group, Poland's national railway holding company, accounted for 47.83% of the total revenue for the year, with two major local government procurers – the West Pomeranian and Pomeranian Voivodeships – accounting for 13.21% each. Such a structure indicates significant dependence on a handful of customers and makes Newag highly sensitive to any variations triggered by competitive bidding outcomes, budget shifts, and contractual risks, such as adjustments to delivery deadlines. In addition, Newag generates the bulk of its sales in Poland, which means demand for its services remains highly correlated with the public sector's investment cycle.

2) Inadequate Contract Price Indexation vs. Inflation in Material Costs (Margin Pressure)

In 2024, the costs of materials and energy at Newag amounted to PLN 1.1bn, the largest cost item, representing 72% of total operating costs. Newag's contracts with customers contain price adjustment clauses based on metrics by Statistics Poland (GUS), however, the adjustments are often subject to caps. Whenever the pace of increase in the prices of steel, copper, and electronic components, exceeds these limits, an "indexation gap" is created which puts a squeeze on Newag's margins. According to our estimates, a 1 p.p. increase in material costs can reduce operating profit by as much as PLN 10.7 million, an equivalent of ~5% of 2024 EBITDA (PLN 210.8 million) – before any price pass-through or clause effects.

3) Liquidity and Working Capital Cycle Risk, Homologation Delays

The operating model used by the rolling stock industry, which spans pre-sales, production, technical inspections, and homologation, entails a time lag between when a product is manufactured and when it is paid for. At the same time, the homologation process, identified by the management as a key source of delays, increases pressure on liquidity.

4) Delivery, Warranty and Contractual Risks

The advanced technology used in Newag's products gives rise to risk of claims for damages due to defects and repair costs, as well as late fines. Additionally, liquidated damages clauses are a source of risk to Newag's financial results in case of contractual default.

5) Supply Chain and Long-Term Components

The war in Ukraine has not had a significant impact on Newag's financial results to date, but it does give rise to significant potential operational risks. These include supply chain disruptions, extended lead times, and exchange rate fluctuations. Where there are long lead times, such as in case of traction drives, electronics and semiconductors, events like this can cause production delays and generate additional costs associated with the need to accelerate orders and reorganize operational processes

6) Dependence of Demand on Public Funding (RRF/FEnIKS/CEUPT) and Missed Deadline Risk

In early 2025, the Centre for EU Transport Projects (CEUTP) updated the list of rolling stock projects funded under the EU's Recovery and Resilience Facility (RRF). Unfortunately, some of these projects, despite making the main list, may fall through due to missed RRF deadlines. More tenders (metropolitan and supra-regional calls for bids, projects funded under the European Funds for Infrastructure, Climate, Environment (FEnIKS) program) are expected in 2025, but their schedules are a risk factor from the point of view of contract acquisition and execution.

7) Labor Market and Wage Pressure

Newag observed a limited supply of skilled workers. In 2024, the company's headcount increased by 11% y/y, and the labor costs for the year amounted to PLN 214.3 million (including salaries of PLN 171.5 million). A 10% pay rise before passthrough could reduce Newag's EBITDA by approximately PLN 21.4 million, equivalent to 10% of 2024 EBITDA. Talent constraints also give rise to risk of missing project deadlines due to turnover and skill gaps.

8) Reputational and Compliance Risk

In 2024, Newag faced public allegations of intentionally embedding software in Impuls trains that purportedly restricted maintenance by third-party service providers. In response to these widely commented allegations, Newag initiated two civil proceedings: one by Newag IP Management Sp. z o.o. (June 2024, District Court in Warsaw), and the other by Newag S.A. (September 2024, District Court in Gdańsk). Both lawsuits are directed against the rail vehicle maintenance provider, Serwis Pojazdów Szynowych (SPS), and members of the hacker group Dragon Sector. Newag is seeking an injunction and compensation of PLN 5.82 million and PLN 5.10 million, respectively. As of June 2025, the cases remain at an early procedural stage – no judgments have been issued, no settlements reached, and no financial penalties imposed.

Newag's management assesses the risk associated with these legal and reputational issues as moderate and does not expect any significant financial or operational impact. No customers have filed claims related to the alleged software restrictions, and there has been no loss of clients or contracts. To date, the only consequence has been a rise in legal and communication costs. The fact that the company operates solely in the B2B sector further mitigates the risk of broader market consequences.

9) Technological and Regulatory Risk (TSI, ETCS, EU Taxonomy)

New EU regulations require the use of ERTMS/ETCS systems, low-emission solutions, and compliance with taxonomy criteria. Failure to adapt designs to changing requirements can give rise to risk of exclusion from certain tender procedures. Additionally, there is technological pressure from competitors offering battery and hydrogen-powered trains, whereas Newag is only beginning to develop its portfolio.

Valuation

Newag's valuation is derived entirely from a discounted cash flow (DCF) model, with no contribution from peer-based multiples due to limited comparability We set our 12-month per-share price target for Newag stock at PLN 98.00.

The comparative valuation method was excluded due to significant structural differences between Newag, and its listed peers Peer companies operate in broader, more diversified markets, while Newag remains focused on domestic public-sector contracts. The limited comparability of financial metrics supports exclusive reliance on the DCF approach.

Valuation Summary

	Weight	Price (PLN)
Relative valuation	0%	117.0
DCF Analysis	100%	89.5
	price	90.0
	12M Target Price	**98.0**

Source: mBank

Relative Valuation

Due to the absence of directly comparable listed peers in the domestic market, Newag's valuation metrics are benchmarked against global rail sector companies. The valuation incorporates P/E and EV/EBITDA multiples as reference metrics.

Multiples Comparison

Name	Country	MCap (USDm)	P/E 25E	P/E 26E	P/E 27E	EV/EBITDA 25E	EV/EBITDA 26E	EV/EBITDA 27E	PEG
ALSTOM	FR	10,620	13.9	12.0	9.9	6.8	6.1	5.3	0.5
STADLER RAIL AG	SZ	2,602	19.7	11.6	9.2	8.5	6.2	5.3	0.4
CONSTRUCC Y AUX DE FERROCARR	SP	2,057	12.8	10.7	9.4	5.9	5.6	5.0	0.6
TALGO SA	SP	422	29.3	18.5	11.8	12.8	11.2	9.6	1.7
WABTEC CORP	US	33,079	21.6	19.2	17.3	14.7	13.0	12.7	1.5
GREENBRIER COMPANIES INC	US	1,440	7.2	9.4 -		6.4	7.0 -		n.a.
KNORR-BREMSE AG	GE	16,403	22.0	18.7	16.7	11.6	10.3	9.5	1.5
HYUNDAI ROTEM COMPANY	SK	15,560	27.0	20.2	16.2	18.7	14.8	11.2	0.6
Minimum			7.2	9.4	9.2	5.9	5.6	5.0	0.4
Maximum			29.3	20.2	17.3	18.7	14.8	12.7	1.7
Median			**20.6**	**15.3**	**11.8**	**10.0**	**8.6**	**9.5**	**0.6**
Newag			13.6	9.4	9.2	9.2	6.5	6.1	0.3
Premium (discount)			-34%	-38%	-22%	-9%	-25%	-36%	
Implied valuation									
Median			20.6	15.3	11.8	10.0	8.6	9.5	0.6
Premium (discount)			0%	0%	0%	0%	0%	0%	100%
Multiple weight				50%			50%		
Year weight			33%	33%	33%	33%	33%	33%	33%
Equity value per share (PLN)			**117.0**						

Source: mBank

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DCF Valuation

DCF model assumptions:

- The DCF valuation is based on free cash flow projections for the 2025–2034 period.
- Risk-free rate in the residual period = 4.5% beta=1.0x.
- We assume that FCF after 2034 will grow at an annual rate of 3.00%.
- We include an equity risk premium of 5.5%.

(PLN m)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	+
Revenue	**2,164**	**2,682**	**2,800**	**2,318**	**2,316**	**2,310**	**2,334**	**2,418**	**2,460**	**2,496**	**2,534**
change	36.2%	23.9%	4.4%	-17.2%	-0.1%	-0.3%	1.0%	3.6%	1.7%	1.5%	3.0%
EBITDA	**410**	**558**	**566**	**425**	**434**	**419**	**408**	**419**	**417**	**414**	**459**
EBITDA margin	18.9%	20.8%	20.2%	18.3%	18.7%	18.1%	17.5%	17.3%	16.9%	16.6%	18.1%
D&A expenses	53	53	53	53	53	54	54	54	54	54	54
EBIT	**357**	**506**	**513**	**371**	**381**	**365**	**354**	**365**	**362**	**360**	**405**
EBIT margin	16.5%	18.9%	18.3%	16.0%	16.4%	15.8%	15.2%	15.1%	14.7%	14.4%	16.0%
Tax on EBIT	68	96	97	71	72	69	67	69	69	68	77
NOPLAT	**425**	**602**	**610**	**442**	**453**	**435**	**421**	**434**	**431**	**428**	**482**
CAPEX	-55	-55	-55	-55	-55	-55	-55	-55	-55	-55	-54
Working capital	-269	-167	-61	-162	-92	-113	-82	-142	-98	-122	0
FCF	**17**	**241**	**353**	**138**	**215**	**182**	**203**	**152**	**194**	**169**	**328**
WACC	8.1%	8.4%	8.9%	9.4%	9.7%	9.4%	9.9%	10.2%	10.2%	10.4%	8.3%
Discount factor	0.9	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.4	
PV FCF	16.2	205.3	276.1	98.6	140.4	108.4	110.3	75.0	87.0	68.3	
WACC	**8.1%**	**8.4%**	**8.9%**	**9.4%**	**9.7%**	**9.4%**	**9.9%**	**10.2%**	**10.2%**	**10.4%**	**8.3%**
Cost of debt	4.9%	5.2%	5.8%	6.3%	6.7%	6.5%	7.0%	7.4%	7.5%	7.7%	5.5%
Risk-free rate	3.9%	4.2%	4.8%	5.3%	5.7%	5.5%	6.0%	6.4%	6.5%	6.7%	4.5%
Risk premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Net debt / EV	22.9%	23.8%	24.7%	25.6%	26.5%	27.3%	28.2%	29.1%	30.0%	30.0%	30.0%
Cost of equity	9.4%	9.7%	10.3%	10.8%	11.2%	11.0%	11.5%	11.9%	12.0%	12.2%	10.0%
Risk premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

FCF growth in the terminal period	3.0%
Terminal value	6,153.5
Present value of terminal value	2,492.4
Present value of FCF in the forecast period	1,063.3
Enterprise value	3,555.7
Net debt	-127.5
Minority interests	0.7
Equity value	3,682.5
Million shares outstanding	45.0
Equity value per share	**81.8**
12M cost of equity	9.4%
Target price (PLN)	**89.5**
EV/EBITDA ('25) at target price	9.5
P/E ('25) at target price	14.4
TV/EV	70.1%

Source: mBank

Sensitivity Analysis

	FCF growth in perpetuity				
	1.0%	2.0%	3.0%	4.0%	5.0%
WACC +1.0 p.p.	67.0	72.6	79.9	90.1	104.9
WACC +0.5 p.p.	69.4	75.8	84.3	96.4	114.8
WACC	72.1	79.5	89.5	104.2	127.7
WACC -0.5 p.p.	75.3	83.8	95.8	114.0	145.1
WACC -1.0 p.p.	79.0	88.9	103.5	126.8	170.0

P&L

(PLN m)	2022	2023	2024	2025E	2026E	2027E
Revenue	**964**	**1,231**	**1,589**	**2,164**	**2,682**	**2,800**
Gross profit	148	263	336	560	756	774
Margin	15%	21%	21%	26%	28%	28%
SG&A	99	119	141	197	244	255
EBITDA	97	186	211	410	558	566
Margin	10%	15%	13%	19%	21%	20%
D&A	44	44	50	53	53	53
EBIT	**54**	**142**	**160**	**357**	**506**	**513**
Margin	6%	12%	10%	16%	19%	18%
Financing costs. Net	-32	-29	-10	-12	-9	-2
Gross profit	22	113	150	345	497	511
ETR	-5%	16%	18%	19%	19%	19%
Minority int,	0.0	-0.1	0.6	0.6	0.6	0.6
Net profit	**23**	**95**	**122**	**279**	**402**	**413**

CF

(PLN m)	2022	2023	2024	2025E	2026E	2027E
Operating CF	**-7**	**694**	**-11**	**62**	**288**	**405**
D&A	44	44	50	53	53	53
Working capital	178	-616	235	269	167	61
Investing CF	**5**	**-27**	**-52**	**-55**	**-55**	**-55**
CAPEX	-13	-33	-68	-55	-55	-55
Financing CF	**-80**	**-230**	**-153**	**56**	**-155**	**-333**
Dividend	-11	0	-43	-90	-112	-161
CF	**-82**	**438**	**-216**	**63**	**78**	**18**
OCF/EBITDA	-7.4%	373.1%	-5.3%	15.2%	51.6%	71.6%
FCFF	-20.6	661.8	-79.2	7.3	233.0	350.4
FCFF/EV	**-0.5%**	**18.7%**	**-2.1%**	**0.2%**	**6.4%**	**10.1%**
FCFE	-52.6	633.0	-89.2	-4.6	224.1	348.5
FCFE/MCAP	**-1.4%**	**16.6%**	**-2.3%**	**-0.1%**	**5.9%**	**9.1%**
ROIC	1.3%	3.4%	3.6%	7.7%	11.2%	12.0%
ROCE	6.4%	15.9%	16.4%	31.3%	36.0%	31.7%
DPS	0.3	0.0	1.0	2.0	2.5	3.6
Div. Payout Ratio	15.7%	0.0%	45.4%	73.6%	40.0%	40.0%
DYield	**0.3%**	**0.0%**	**1.2%**	**2.4%**	**3.0%**	**4.3%**

Balance Sheet

(PLN m)	2022	2023	2024	2025E	2026E	2027E
Fixed assets	**485**	**541**	**557**	**560**	**562**	**564**
PP&E	442	431	450	453	455	457
Intangible assets	7	5	21	21	21	21
Other	36	105	86	86	86	86
Current assets	**936**	**1,190**	**1,176**	**1,493**	**1,867**	**1,975**
Inventory	535	493	612	649	831	896
Accounts receivable	332	168	254	476	590	616
Cash	46	484	267	325	402	420
Other	23	46	43	43	43	43
Equity	**709**	**802**	**881**	**1,064**	**1,355**	**1,607**
Minority interest	0	0	1	1	1	1
Noncurrent liab.	**133**	**141**	**127**	**209**	**185**	**88**
Loans and borrowings	0	3	6	161	136	39
Other	133	138	121	48	48	48
Current liab.	**579**	**788**	**725**	**779**	**890**	**844**
Loans and borrowings	291	107	36	124	105	30
Trade payables	171	580	550	541	671	700
Other	117	100	139	114	114	114
Net debt	**362**	**-268**	**-127**	**-39**	**-161**	**-350**
Net debt / EBITDA	8.3	-6.1	-2.5	-0.7	-3.0	-6.6

Source: mBank

Key Ratios

(PLN m)	2022	2023	2024	2025E	2026E	2027E
P/E	167.5	40.0	31.2	13.7	9.5	9.2
EV/EBITDA	**42.9**	**19.0**	**17.5**	**9.2**	**6.5**	**6.1**
P/S	4.0	3.1	2.4	1.8	1.4	1.4
P/BV	0.2	0.2	0.2	0.3	0.4	0.4
P/CF	-	8.7	-	60.6	49.1	215.3
P/FCFE	**-**	**6.0**	**-**	**-**	**17.0**	**10.9**
EBITDA margin	**10.1%**	**15.1%**	**13.3%**	**18.9%**	**20.8%**	**20.2%**
Y/Y % EBITDA change	-29.2%	91.3%	13.3%	94.3%	36.4%	1.4%
Net profit margin	2.4%	7.7%	7.7%	12.9%	15.0%	14.8%
Y/Y EPS change	**-68.2%**	**318.2%**	**28.4%**	**128.2%**	**44.1%**	**2.9%**
Price (PLN)	85	85	85	85	85	85
Shares outst. (millions)	45.00	45.00	45.00	45.00	45.00	45.00
mCap	3,812	3,812	3,812	3,812	3,812	3,812
EV	4,173	3,543	3,684	3,772	3,651	3,461

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List of abbreviations and ratios used by mBank:
EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases); **EBITDA margin** – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

Recommendations of Biuro maklerskie mBanku:
A recommendation is valid for a period of 12 months, unless a subsequent recommendation is issued in this period. Expected returns from individual recommendations are as follows:
BUY – we expect that the rate of return from an investment will be at least 10%
HOLD – we expect that the rate of return from an investment will range from 0% to +10%
SELL – we expect that an investment will bear a loss
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mBank did not issue any recommendations for Newag in the 12 months prior to this publication

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