

Wednesday, December 03, 2014 | update

Tarczyński: buy (reiterated)

TAR PW; TARP.WA | Food Producers, Poland

Poised For Buoyant FY2015

Tarczyński is expected to grow sales volumes by 12% in 2015 thanks to the launch of a new processing plant, expansion into the new markets of Czech Republic and Slovakia under the Lidl label, and growing deli meat sales in the UK. What is more, the Company has renewed its partnership with the meat distributor Bruno Tassi which before the 2012 IPO accounted for over 10% of total sales. The outlook for Q4 2014 and Q1 2015 is buoyed by falling prices of raw pig meat which today are 10.5% lower than the average for the last eleven months. We believe the new processing plant will not drive up Tarczyński's D&A expenses which in 2015 are expected to drop by PLN 1m to PLN 19m through extended depreciation periods (compared to local rivals, to date, the depreciation rate at TAR has been 13% higher than at PKM Duda and 90% higher than at ZM Kania). As a result, we project that 2015 EBIT and net profit will show growth at respective annual rates of 22% and 51%. Tarczyński is currently trading at respective discounts of 25% and 4% on 2015E and 2016E P/E. We are raising our price target for TAR from PLN 12.20 to PLN 14.60 (on higher EBITDA and net profit projections) and we maintain the stock at buy.

Low costs of raw meat

The Russian imports ban is keeping down European prices of raw pig meat, with the ytd euro price per kilogram at EUR 1.56 after a y/y drop of 5.8% and the ytd zloty price at PLN 6.54 after falling 6.5% from last year. For the last eight weeks, prices have consolidated at EUR 1.40/kg (10.5% below the ytd average), supporting the profit margins of meat packing firms like Tarczyński.

Net debt set for reduction

The completion of the new processing plant means that by the end of 2014 Tarczyński's net debt/EBITDA ratio will increase to 3.7x from 3.0x at year-end 2013. In 2015, after settlement of the PLN 14.4m subsidy obtained for the plant in the first quarter, the ratio is expected to go down to 2.8x, giving rise to expectations of the first dividend payout in 2016 since the 2012 WSE debut (DY 5.5%).

Tarczyński delivers stellar results in Q3

At PLN 127.2m, the Q3 2014 revenue of Tarczyński was 9.1% lower than our forecast after year-on-year growth of 5.3%. On sales volumes 2% lower than in Q2 2013, the Company achieved 9.1% higher revenue per ton thanks to an increased share in the sales mix of premium deli meats. Thanks to falling prices of raw meat and preemptive stockpiling done in the first quarter, EBITDA in Q3 2014 came 27.3% ahead of our estimate and showed a year-on-year surge of 72.4% and net profit beat our forecast by a whopping 54.8% after 87.4% y/y growth.

(PLN m)	2012	2013	2014E	2015E	2016E
Revenue	386.7	448.3	484.8	540.5	592.0
EBITDA	33.3	32.9	39.2	42.4	43.5
EBITDA margin	8.6%	7.3%	8.1%	7.8%	7.3%
EBIT	21.2	17.3	19.1	23.3	25.1
Net profit	10.8	9.3	9.5	14.4	15.3
Dyiel	6.1%	1.0%	0.0%	0.0%	5.5%
P/E	6.8	14.1	13.7	9.1	8.6
P/CE	3.2	5.3	4.4	3.9	3.9
P/BV	1.1	1.1	1.0	0.9	0.9
EV/EBITDA	4.9	7.0	7.1	5.9	5.6

Current Price	PLN 11.55
Target Price	PLN 14.60
MCap	PLN 131m
Free Float	PLN 52m
ADTV (3M)	PLN 0.20m

Ownership

EJT Investment S.à r.l.	38.31%
ING OFE	13.15%
AVIVA OFE	8.81%
Others	39.73%

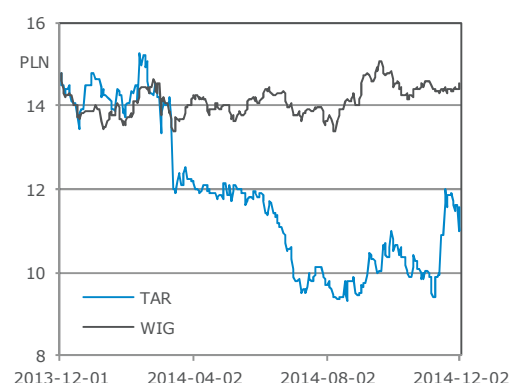
Sector Outlook

European prices of fresh pig meat posted sharp declines in the second quarter of 2014, led by seasonal patterns combined with low prices of grains. On lower costs, meat processors are expected to report stronger margins in the second half of the year.

Company Profile

Tarczyński produces deli meats, smoked ham, meat loaf, sausages and meat preparations. The Company focuses on premium meats characterized by high added value. Its flagship product is kabanos extra sausage. Tarczyński grows by increasing sales to big -box stores whose share in total revenues is close to 50%. In 2015, the Company is also planning to boost exports and increase its share in total revenue from 5% to 30%.

TAR vs. WIG



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Valuation

Using DCF analysis and relative valuation, we set our nine-month per-share price target for Tarczyński at PLN 14.60.

(PLN)	weight	price
Relative Valuation	50%	11.8
DCF Analysis	50%	15.4
	price	13.6
9M Target Price		14.6

Relative Valuation

The relative valuation model is a comparison of Tarczyński's financial multiples with the multiples of a peer group of Polish and international food processing companies comprising Atria, Colian, Cranswick, HK Scan, JBS, Marfrig Alimentos, Mieszko, Otmuchów, PKM Duda, Tyson Foods, Wawel, and ZM Kania.

The financial multiples compared are forward price-to-earnings and Enterprise Value-to-EBITDA ratios.

Finland's Atria produces and distributes meat and processed meat products using beef, pork, chicken and turkey. It operates in Finland and Sweden. Colian is a Polish producer of sweets, pralines, spices, and non-alcoholic beverages. Cranswick produces and supplies meat products to UK retailers, including fresh port, sausages, cold meats, precooked meat and smoked bacon. HK Scan processes and sells pork, poultry, beef and turkey

in the form of fresh meat, sausages, frankfurters, salami, salads, and precooked meals. It is present in Sweden, Finland, Poland and the Baltic countries. JBS processes beef and pork, selling roast, smoked and other products all over the world. Marfrig Alimentos processes beef, pork, mutton and poultry, as well as producing frozen vegetables, canned meat, precooked meals, and pasta. Mieszko is a Polish confectionery producer. Otmuchów is a Polish producer of confectionery, cornflakes, and other breakfast cereals. It markets a variety of foods including frozen barbecue meat, chili, and pork meats using traditional and modern distribution channels as well as e-commerce. PKM Duda is a Polish supplier of port parts with its own slaughter operations. Smithfield Foods is a pork producer involved in animal farming, slaughter and dressing. Tyson Foods produces and distributes poultry, beef and pork, selling its products under its own brand as well as store brands. Wawel is a Polish confectionery producer. The products are distributed via hypermarket chains. ZM Kania is a Polish producer of luncheon meats operating on a similar scale as Tarczyński.

Multiples Comparison

	P/E				EV/EBITDA			
	2013	2014E	2015E	2016E	2013	2014E	2015E	2016E
ATRIA PLC	14.8	10.7	9.1	8.1	6.3	6.1	5.5	5.4
COLIAN SA	-	14.3	9.4	8.7	-	8.0	5.6	5.4
CRANSWICK PLC	19.2	18.1	16.4	15.2	12.0	10.2	9.7	8.9
HKSCAN OYJ-A SHS	15.6	23.8	12.1	8.7	6.0	3.0	4.2	3.8
JBS SA	19.6	18.0	10.5	8.7	8.8	5.9	5.4	4.9
MARFRIG ALIMENTOS SA	-	-	17.5	10.7	5.3	5.9	5.3	4.9
MIESZKO SA	12.0	-	-	-	7.2	-	-	-
OTMUCHOW SA	12.9	11.0	9.7	9.0	6.1	6.0	5.4	4.9
PKM DUDA SA	8.7	12.2	10.4	9.6	5.5	6.2	6.2	4.7
TYSON FOODS INC-CL A	18.5	14.5	12.1	11.7	8.8	7.4	7.0	6.5
WAWEL SA	13.2	18.8	16.0	14.2	11.7	13.0	10.6	9.4
ZAKLADY MIESNE HENRYK KANIA	20.5	15.7	12.3	8.1	14.8	10.5	9.2	6.9
Maximum	20.5	23.8	17.5	15.2	14.8	13.0	10.6	9.4
Minimum	8.7	10.7	9.1	8.1	5.3	3.0	4.2	3.8
Median	15.2	15.1	12.1	9.0	7.2	6.2	5.6	5.4
Tarczyński	14.1	13.7	9.1	8.6	7.0	7.1	5.9	5.6
Premium (discount)	-7.6%	-9.1%	-24.8%	-4.4%	-2.9%	14.5%	5.4%	4.4%
Implied valuation								
Median		15.1	12.1	9.0		6.2	5.6	5.4
Discount		0%	0%	0%		0%	0%	0%
Multiple weight			50%				50%	
Year weight		20%	40%	40%		20%	40%	40%
Valuation	11.8							

DCF Analysis

DCF Model Assumptions:

- Risk-free rate: 4.25% (10Y Treasury bond yield).
- FCF growth rate after FY2023: 2%.
- Beta is set at 1.2 to reflect Tarczyński's ongoing capital investment which will not start producing returns until 2015 and in the meantime there is a risk of volatility in market conditions, including meat prices.
- Net debt is as at year-end FY2013.
- When projecting other operating income, we assume that over the next 24 years Tarczyński will be recognizing the subsidy used to fund plant expansion in Ujeździec Mały (PLN 20m), and that over the next 8

years it will be recognizing a subsidy for machinery purchases (PLN 0.7m). We also assume that, starting in 2015, the Company will be recognizing a PLN 14.5m subsidy for the expansion of the Ujeździec facility over a period of 20 years. The non-cash subsidies do not affect valuation.

- We assume that Tarczyński will continue to incur sponsorship costs on the American football club KS Devils Wrocław on an annual basis. 2014 sponsorship costs are estimated at PLN 150,000.

- 2014 marketing expenses are projected at PLN 4.6m vs. PLN 4.8m incurred in 2013.

- Future cash flows are discounted to their present value as of early December 2014.

Additional assumptions

Sales ('000 tons)	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Sales of processed meats	25.2	26.4	29.7	32.1	33.7	34.7	35.4	36.1	36.9	37.6	37.6
Sales of fresh meat	1.1	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total	26.3	26.9	30.1	32.5	34.1	35.2	35.9	36.6	37.3	38.1	38.1
Pork purchases	23.3	25.3	28.4	30.8	32.5	33.6	34.4	35.3	36.1	37.0	37.1
Poultry meat purchases	5.3	5.9	6.7	7.2	7.6	7.9	8.1	8.3	8.5	8.7	8.7
Total	28.6	31.2	35.1	38.0	40.1	41.5	42.5	43.5	44.6	45.7	45.9
Capacity utilization (%)	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Tarczyński	75%	76%	71%	77%	81%	83%	85%	86%	88%	90%	90%
Percentage meat content	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Tarczyński	109%	116%	117%	117%	118%	118%	119%	119%	120%	120%	121%
Prices (PLN/kg)	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Average sales price	16.75	17.73	17.67	17.94	18.16	18.35	18.58	18.83	19.08	19.36	19.64
Price of pork (ZMP)	7.14	6.54	6.51	6.64	6.67	6.67	6.67	6.67	6.67	6.67	6.67
Price of broiler chicken meat	3.88	3.60	3.58	3.66	3.67	3.67	3.67	3.67	3.67	3.67	3.67
Employment	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Headcount	1016	1039	1101	1145	1174	1192	1203	1215	1228	1240	1240
Average monthly salary (PLN '000)	4.3	4.5	4.7	4.8	5.0	5.1	5.3	5.4	5.6	5.8	5.9

DCF Model

(PLN m)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	+
Revenue	484.8	540.5	592.0	628.8	654.0	675.6	698.0	721.4	746.4	757.3	767.1
change	8.2%	11.5%	9.5%	6.2%	4.0%	3.3%	3.3%	3.4%	3.5%	1.5%	1.3%
EBITDA	39.2	42.4	43.5	45.2	45.1	46.0	47.0	48.2	50.2	50.2	50.5
EBITDA margin	8.1%	7.8%	7.3%	7.2%	6.9%	6.8%	6.7%	6.7%	6.7%	6.6%	6.6%
D&A expenses	20.1	19.1	18.4	16.6	16.0	15.3	15.0	19.0	19.8	18.1	18.7
EBIT	19.1	23.3	25.1	28.6	29.1	30.7	31.9	29.2	30.4	32.2	31.8
EBIT margin	3.9%	4.3%	4.2%	4.5%	4.5%	4.5%	4.6%	4.1%	4.1%	4.2%	4.1%
Tax on EBIT	2.8	3.4	3.6	4.1	4.2	4.7	4.9	4.5	4.7	5.1	5.1
NOPLAT	16.3	19.9	21.5	24.5	24.9	26.1	27.0	24.8	25.7	27.1	26.7
CAPEX	-56.0	1.5	-10.5	-11.6	-12.7	-14.0	-15.2	-16.5	-17.6	-18.7	-18.7
Working capital	-35.8	-7.2	-7.1	-5.3	-3.7	-3.3	-3.4	-3.6	-3.9	-1.7	-1.6
FCF	-55.4	33.2	22.4	24.3	24.5	24.2	23.4	23.7	23.9	24.7	25.1
WACC	7.6%	8.0%	8.1%	8.1%	8.2%	8.3%	8.4%	8.5%	8.6%	8.7%	8.8%
discount factor	0.99	0.92	0.85	0.79	0.72	0.67	0.61	0.56	0.51	0.47	0.43
PV FCF	-55.1	30.6	19.0	19.1	17.8	16.1	14.3	13.3	12.3	11.6	10.7
WACC	7.6%	8.0%	8.1%	8.1%	8.2%	8.3%	8.4%	8.5%	8.6%	8.7%	8.8%
Cost of debt	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Risk-free rate	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Risk premium	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Effective tax rate	22.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Net debt / EV	52.9%	47.9%	46.2%	44.5%	42.5%	40.5%	38.7%	36.8%	34.6%	32.5%	29.4%
Cost of equity	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2

FCF after the forecast period

2.0%

Terminal value

370.0

Present value of residual value (PV TV)

174.0

Present value of FCF in the forecast period

99.1

Enterprise value

273.1

Net debt

98.5

Equity value

174.7

Number of shares (millions)

11.3

Equity value per share (PLN)

15.4

9M cost of equity

7.5%

Target price

16.5

EV/EBITDA ('15) at target price

6.8

P/E ('15) at target price

13.0

TV / EV

63.7%

Sensitivity Analysis

FCF growth in perpetuity		0.0%	1.0%	2.0%	4.0%	5.0%
WACC +1.0pp	10.0	11.2	12.7	17.3	21.0	
WACC +0.5pp	11.3	12.7	14.5	20.1	24.8	
WACC	12.8	14.4	16.5	23.4	29.6	
WACC -0.5pp	14.4	16.4	18.9	27.5	35.8	
WACC -1.0pp	16.3	18.6	21.7	32.8	44.2	

Income Statement

(PLN m)	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Revenue	275.4	313.8	378.8	386.7	448.3	484.8	540.5	592.0	628.8	654.0
change		13.9%	20.7%	2.1%	15.9%	8.2%	11.5%	9.5%	6.2%	4.0%
Sales of products	271.2	298.0	370.1	377.8	440.1	476.5	532.0	583.4	620.0	645.0
Sales of goods	4.2	15.8	8.7	8.9	8.1	8.3	8.5	8.6	8.8	9.0
COGS	225.9	251.2	311.6	309.5	362.4	390.0	435.0	477.6	505.5	526.0
Selling expenses – products	222.4	238.0	303.6	301.2	354.8	382.3	427.1	469.6	497.3	517.6
Selling expenses – goods	3.4	13.2	8.0	8.3	7.6	7.7	7.9	8.0	8.2	8.4
Gross profit	49.5	62.6	67.2	77.2	85.9	94.8	105.5	114.4	123.3	128.0
margin	18.0%	19.9%	17.7%	20.0%	19.2%	19.6%	19.5%	19.3%	19.6%	19.6%
Administrative expenses	9.5	11.0	11.2	11.5	14.3	17.5	18.6	19.1	19.6	19.9
Selling expenses	27.1	35.1	48.1	45.3	56.4	59.2	65.1	71.7	76.7	80.5
Other net operating gains/losses	2.5	2.5	1.8	0.9	2.1	1.0	1.5	1.5	1.5	1.5
of which subsidies	1.5	1.4	1.1	0.0	1.1	0.9	1.6	1.6	1.6	1.6
EBIT	15.4	19.0	9.6	21.2	17.3	19.1	23.3	25.1	28.6	29.1
change		23.3%	-49.3%	120.7%	-18.5%	10.3%	22.0%	7.6%	14.0%	1.9%
EBIT margin	5.6%	6.1%	2.5%	5.5%	3.9%	3.9%	4.3%	4.2%	4.5%	4.5%
Financing gains / losses	-4.2	-4.0	-4.9	-7.1	-5.4	-6.9	-5.5	-6.2	-7.2	-6.9
Pre-tax profit	11.2	15.0	4.7	14.1	11.9	12.2	17.8	18.9	21.3	22.2
Tax	2.4	-3.6	0.8	3.3	2.6	2.7	3.4	3.6	4.1	4.2
Net profit	8.8	18.7	3.9	10.8	9.3	9.5	14.4	15.3	17.3	18.0
change		111.7%	-79.3%	179.4%	-13.8%	2.5%	51.2%	5.9%	13.0%	4.0%
margin	3.2%	5.9%	1.0%	2.8%	2.1%	2.0%	2.7%	2.6%	2.7%	2.7%
D&A expenses	9.6	10.0	11.1	12.0	15.6	20.1	19.1	18.4	16.6	16.0
EBITDA	25.0	29.0	20.8	33.3	32.9	39.2	42.4	43.5	45.2	45.1
change		15.9%	-28.4%	60.2%	-1.1%	19.1%	8.1%	2.7%	3.9%	-0.1%
EBITDA margin	9.1%	9.2%	5.5%	8.6%	7.3%	8.1%	7.8%	7.3%	7.2%	6.9%
Shares at year-end (millions)	6.3	6.6	7.6	6.3	11.3	11.3	11.3	11.3	11.3	11.3
EPS	1.4	2.8	0.5	1.7	0.8	0.8	1.3	1.3	1.5	1.6
CEPS	2.9	4.4	2.0	3.6	2.2	2.6	3.0	3.0	3.0	3.0
ROAE	15.8%	23.0%	4.2%	16.6%	8.1%	7.6%	10.4%	10.4%	11.0%	10.8%
ROAA	5.5%	8.9%	1.5%	4.6%	2.8%	2.6%	3.8%	4.1%	4.4%	4.4%

Balance Sheet

(PLN m)	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
ASSETS	159.4	210.2	257.1	236.4	329.9	373.6	376.1	376.5	391.1	404.3
Fixed assets	115.5	147.7	156.4	155.0	210.5	247.3	228.4	222.1	218.6	216.9
Intangible assets	1.5	2.0	4.8	4.8	4.9	4.5	2.8	1.9	1.9	2.2
Property, plant and equipment	112.8	137.4	142.6	142.1	198.9	230.2	211.5	204.6	199.7	196.2
Equity value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term receivables	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Long-term investment	0.3	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Long-term prepayments	0.9	8.1	8.7	8.0	6.5	12.4	13.9	15.4	16.9	18.3
Current assets	43.9	62.5	100.7	81.4	119.4	126.3	147.8	154.5	172.5	187.4
Inventories	10.9	16.4	25.2	22.7	35.0	46.7	52.0	57.0	60.5	62.9
Current receivables	29.1	39.5	67.4	51.6	46.4	63.4	72.9	81.9	88.6	93.2
Current investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash	2.8	2.8	2.4	1.0	23.3	1.5	8.1	0.7	8.5	16.4
Current prepayments	0.4	0.0	1.0	0.0	0.4	0.4	0.4	0.5	0.5	0.5
(PLN m)	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
EQUITY AND LIABILITIES	159.4	210.2	257.1	236.4	329.9	373.6	376.1	376.5	391.1	404.3
Equity	55.7	81.1	91.3	65.1	115.4	125.0	139.4	147.5	156.9	166.6
Share capital	6.3	7.0	7.6	6.3	11.3	11.3	11.3	11.3	11.3	11.3
Supplementary capital	0.0	9.3	18.7	0.0	37.5	37.5	37.5	37.5	37.5	37.5
Reserves	42.2	45.7	57.1	43.8	56.8	56.8	56.8	56.8	56.8	56.8
Undistributed earnings	8.1	19.0	7.5	14.9	10.1	19.6	34.0	42.1	51.5	61.2
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities	37.7	53.4	57.1	55.1	69.6	73.7	73.7	73.7	73.7	73.7
Debt	37.7	53.4	57.1	55.1	69.6	73.7	73.7	73.7	73.7	73.7
Current liabilities	45.1	54.2	86.6	92.7	121.9	150.1	135.3	125.1	128.4	130.6
Trade creditors	31.0	45.5	70.2	56.3	69.7	60.8	65.6	69.9	73.0	75.1
Debt	14.1	8.6	16.5	36.4	52.2	74.3	54.3	39.3	39.3	39.3
Provisions for accounts payable	0.0	0.0	0.0	0.0	0.0	15.0	15.4	15.8	16.0	16.2
Other	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
	20.5	21.2	21.8	23.2	22.7	24.6	27.4	30.0	31.8	33.1
Debt	51.8	62.0	73.5	91.5	121.8	148.0	128.0	113.0	113.0	113.0
Net debt	49.1	59.3	71.1	90.6	98.5	146.5	119.9	112.3	104.4	96.6
(Net debt / Equity)	88.1%	73.1%	77.9%	139.1%	85.3%	117.2%	86.0%	76.1%	66.6%	58.0%
(Net debt / EBITDA)	2.0	2.0	3.4	2.7	3.0	3.7	2.8	2.6	2.3	2.1
BVPS	8.8	12.3	12.1	10.3	10.2	11.0	12.3	13.0	13.8	14.7

Cash Flow

(PLN m)	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Cash flow from operating activities	19.8	18.3	8.6	34.4	28.3	-0.9	30.1	31.2	34.2	35.6
Net profit	8.8	18.7	3.9	10.8	9.3	9.5	14.4	15.3	17.3	18.0
D&A expenses	9.6	10.0	11.1	12.0	15.6	20.1	19.1	18.4	16.6	16.0
Working capital	-2.4	-8.3	-9.7	2.6	-2.8	-35.8	-7.2	-7.1	-5.3	-3.7
Other	3.8	-2.1	3.3	8.9	6.2	5.3	3.8	4.5	5.6	5.3
Cash flow from investing activities	-0.9	-28.7	-13.1	-9.1	-48.2	-56.0	1.5	-10.5	-11.6	-12.7
CAPEX	-0.6	-28.8	-13.1	-9.1	-48.2	-56.0	1.5	-10.5	-11.6	-12.7
Equity investment	-0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-18.1	10.4	4.1	-26.7	42.2	35.0	-25.0	-28.0	-14.9	-15.0
Debt	-9.5	6.9	2.0	18.0	0.6	26.2	-20.0	-15.0	0.0	0.0
Interest on debt	-3.8	-2.9	-3.8	-6.5	-4.8	-6.7	-5.9	-6.6	-7.8	-7.7
Dividend	-4.8	-4.3	-4.0	-4.5	-1.3	0.0	0.0	-7.2	-7.9	-8.2
Buy-back	0.0	0.0	0.0	-32.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	10.0	9.8	0.0	43.5	0.0	0.0	0.0	0.0	0.0
Change in factoring positions	0.0	0.0	0.0	0.0	0.0	15.0	0.4	0.4	0.2	0.2
Other	0.0	0.7	0.0	-1.7	4.2	0.5	0.4	0.5	0.5	0.8
Change in cash	0.8	0.0	-0.4	-1.4	22.3	-21.8	6.6	-7.3	7.8	7.9
Cash at period end	2.8	2.8	2.4	1.0	23.3	1.5	8.1	0.7	8.5	16.4
DPS (PLN)	0.00	0.65	0.53	0.71	0.11	0.00	0.00	0.64	0.69	0.73
FCF	20.6	-4.2	-3.1	23.3	-20.7	-55.4	33.2	22.4	24.3	24.5
(CAPEX / Sales)	-0.2%	-9.2%	-3.5%	-2.4%	-10.7%	-11.6%	0.3%	-1.8%	-1.8%	-1.9%

Trading Multiples

	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
P/E	8.3	4.1	22.6	6.8	14.1	13.7	9.1	8.6	7.6	7.3
P/CE	4.0	2.7	5.8	3.2	5.3	4.4	3.9	3.9	3.9	3.9
P/BV	1.3	0.9	1.0	1.1	1.1	1.0	0.9	0.9	0.8	0.8
P/S	0.3	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2
FCF/EV	16.8%	-3.1%	-2.0%	14.2%	-9.0%	-20.0%	13.2%	9.2%	10.3%	10.8%
EV/EBITDA	4.9	4.7	7.6	4.9	7.0	7.1	5.9	5.6	5.2	5.0
EV/EBIT	7.9	7.1	16.5	7.7	13.3	14.5	10.8	9.7	8.2	7.8
EV/S	0.4	0.4	0.4	0.4	0.5	0.6	0.5	0.4	0.4	0.3
CFO/EBITDA	79.1%	63.0%	41.4%	103.3%	86.0%	-2.2%	71.0%	71.7%	75.7%	78.8%
DYield	6.49%	5.59%	4.58%	6.15%	0.97%	0.00%	0.00%	5.51%	6.00%	6.29%
Price (PLN)	11.55	11.55	11.55	11.55	11.55	11.55	11.55	11.55	11.55	11.55
Shares at year-end (millions)	6.3	6.6	7.6	6.3	11.3	11.3	11.3	11.3	11.3	11.3
MC (PLN m)	73.3	76.0	87.3	73.3	131.1	131.1	131.1	131.1	131.1	131.1
Minority interests (PLN m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV (PLN m)	122.4	135.3	158.4	163.9	229.5	277.5	251.0	243.3	235.5	227.6

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- HOLD** – we expect that the rate of return from an investment will range from -5% to +5%
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Previous ratings issued for Tarczyński

rating	Buy	Hold	Buy
rating day	2014-01-15	2014-06-04	2014-07-17
price on rating day	14.15	11.89	10.00
WIG on rating day	50605.74	52326.40	51445.92

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