

October 11th, 2021

Europe | Hungary | Industrials

DR. KALLIWODA  
RESEARCH GmbH

## Comprehensive Update

BUY

Target price: HUF 6152

## Masterplast Nyrt.

Such a great Performance &amp; such a great success of the German division

Industry: Construction Materials  
 Country: Hungary  
 ISIN: HU0000093943  
 Reuters: -  
 Bloomberg: MASTERPL:LN  
 Website: www.masterplastgroup.com

Last price in EUR: 12.04  
 High 13.24 Low 2.11  
 Price 52 W. 13.24 2.11  
 Market cap. (EUR '000) 159,641.53  
 Number of shares (thousands) 13,255.04

## Shareholders

Dávid Tibor 31.15%  
 Balázs Ács 26.55%  
 SOH Kft. & LPH Kft. Jointly 5.47%  
 Róbert Nádasi 0.46%  
 Minority shareholders 36.4%

## Performance

4 weeks -4.03%  
 24 weeks 63.98%  
 52 weeks 463.15%  
 3 years 579.36%

## Dividend

	in EUR	in %
2015	0.00	0.00%
2016	0.07	1.98%
2017	0.09	3.54%
2018	0.04	1.98%
2019	0.10	5.27%
2020	0.00	0.00%
2021	0.12	2.22%

## Chart: 1 Year



DR. KALLIWODA RESEARCH on Bloomberg Page: KALL

## Analyst

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- Relying on its steady supply chain, high inventories and a strong market position, Masterplast could increase its total sales revenue to 57.138 kEUR in the second quarter of 2021.
- Not only has the profitability of subsidiaries increased, but also the production efficiency and the capacity utilization of the company's production units were improved.
- Therefore, the Company's EBITDA was three times higher in the same period last year with a result of 8.505 kEUR. The profit after tax was 6.349 kEUR, which was also three times higher than in Q2 2020.
- Due to the new manufacturing company located in Germany, the turnover jumped to a new all-time high, while the turnover in the core business also increased significantly compared to the low base.
- Given the ownership structure of the company where roughly 58% of the shares belong to board and management, minority shareholders can expect a long-term sustainable strategy and ownership-oriented management.
- Masterplast completed its biggest investment by the end of the second quarter. As a result of the investment in Sárszentmihály, the company is able to satisfy the regional markets with non-woven products produced for healthcare in the long run. According to the economic plans, the rising output will produce competitible finished goods in the third quarter with furthermore advancing production volumes and efficiencies.

	in '000 EUR	2019	2020	2021E	2022E	2023E	2024E	2025E
Net sales	107,104.24	122,672.71	186,462.52	199,514.90	212,483.36	224,169.95	238,741.00	
EBITDA	7,327.17	10,819.99	22,160.62	23,665.22	26,744.81	28,352.50	30,094.19	
EBIT	5,242.12	7,994.16	18,151.68	19,076.38	21,857.69	23,196.59	24,603.14	
Net income	4,762.92	6,247.47	14,289.82	14,981.25	17,454.16	18,619.13	19,982.35	
EPS	0.32	0.32	0.83	0.87	1.02	1.08	1.16	
BVPS	2.23	2.43	3.67	3.81	4.02	4.25	4.43	

RoE	14.61%	17.61%	26.68%	26.93%	29.77%	30.02%	30.88%
EBIT margin	4.90%	6.52%	9.73%	9.56%	10.29%	10.35%	10.31%
P/E	17.57	53.47	20.57	19.62	16.84	15.79	14.71
P/BVPS	7.66x	7.04x	4.67x	4.49x	4.26x	4.03x	3.86x
EV/EBITDA	37.38x	27.23x	13.80x	13.19x	11.81x	11.28x	10.83x

Source: Dr. Kalliwoda Research GmbH © 2021 &amp; Masterplast Nyrt.

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## 1 Q2 Report 2021

### a. Summary

With a slight improvement in the situation of the covid-19 pandemic, global construction demand increased significantly, while the supplier side was restricted by problems with raw material shortages and price increases. Relying on its steady supply chain, high inventories and a strong market position, Masterplast could increase its total sales revenue to 57.138 kEUR in the second quarter of 2021. The company achieved a big growth in all product groups. Not only has the profitability of subsidiaries increased, but also the production efficiency and the capacity utilization of the company's production units were improved. Therefore, the Company's EBITDA was three times higher in the same period last year with a result of 8.505 kEUR. The profit after tax was 6.349 kEUR, which was also three times higher than in Q2 2020. Due to the new manufacturing company located in Germany, the turnover jumped to a new all-time high, while the turnover in the core business also increased significantly compared to the low base. In addition, the EBIT was 7.388 kEUR which led to an increase of 245% compared to the previous base period.

Financial Data Q2 2021 - Masterplast Nyrt.				
Data in 1000 EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Sales revenues	57.138	27.499	95.418	52.451
EBITDA	8.505	2.757	12.877	3.883
EBITDA ratio	15%	10%	14%	7%
Profit/loss after taxation	6.349	1.838	9.147	2.110
Net income ratio	11%	7%	10%	4%

Source: Dr. Kalliwoda Research GmbH ©, Masterplast 2021

Because of the renovation sector, the Company still expects a tumultuous raw materials market, but its strong market and production positions guaranties a high level of exploitation of the opportunities provided by the demand side. It is important to mention that the export limitations introduced by the Hungarian government doesn't define the variation of products manufactured and marketed by the company.

Summarized, the Company will show a similar sales revenue for the end of the year. The progress of the raw material market situation, is expected to result in a low decrease in trade margins in the construction segment. With all this information gathered, the Group expects a declining EBITDA ratio, but at the same time forecasts a significantly higher profit than in the previous year's base for the following quarters.

## b. External economic and industrial environment

The **Hungarian market** is the most important market for Masterplast. The actual data from KSH shows that the volume of construction output as well as the demand for the construction of buildings in Q2 2021 is a lot higher than compared to the previous year in the second quarter. Due to the governmental support by expanding the support in this sector in 2021 with new elements, the housing renovation support that was introduced also from the beginning of the year has been increasingly felt in the development of industry demand. The Company's market expectations in Hungary are therefore very positive for the upcoming periods, with a forecast on further sales and profit growth.

Even though the Hungarian government introduced an export restriction to the price of construction materials, it doesn't affect the company directly. Therefore, the products manufactured and supplied by Masterplast is still being unaffected by limitations.

Meanwhile the **German Market** was below expectations in the second quarter 2021. The worldwide shortage of raw materials has a huge impact in the construction industry in the German country. Therefore, the increased demand can still not be met. Increasing number of suppliers are unable to fulfil the increased orders, which is holding back construction. The demand side on the other hand, is supported by the government's subsidies for the energy modernization of buildings, which have been introduced to achieve climate-neutral goals for example using power saving insulation material in new building houses.

Quarterly change of building permits - Masterplast Nyrt.					
Country	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Croatia	-15,2	20,9	-3,4	4,2	10,8
Hungary	-9,5	-28,6	5,2	-1,7	39,7
Poland	-3,0	-1,5	11,4	15,3	10,6
Romania	-2,1	-25,7	31,8	7,3	10,9
Slovakia	-2,0	-29,4	23,6	-11,8	5,5
Serbia	23,9	-17,4	-16,0	2,4	37,4

Source: Dr. Kalliwoda Research GmbH ©, Masterplast 2021

### c. Sales by main product groups

The sales of Masterplast were 57.137 kEUR in Q2 2021, which is more than twice the turnover of the same period in the base year 2020.

Sales by main product groups - Masterplast Nyrt.						
Data in 1000 EUR	Q2 2021	Q2 2020	Change to base period	H1 2021	H1 2020	Change to base period
Thermal insulation system	21.044	13.882	52%	34.840	25.967	34%
Roofing foils and accessoires	8.255	3.717	122%	14.257	6.768	111%
Dry construction system	4.418	2.895	53%	8.606	6.271	37%
Heat, sound and water insulation materials	4.697	3.360	40%	7.952	6.211	28%
Building industry accessories	1.658	1.567	6%	2.856	2.702	6%
Industrial applications	17.065	2.078	721%	26.907	4.532	494%
<b>Total sales revenue</b>	<b>57.137</b>	<b>27.499</b>	<b>108%</b>	<b>95.418</b>	<b>52.451</b>	<b>82%</b>

Within the Group's sales revenue, the thermal insulation systems continued to generate for the highest sales proportion with a share of 37% of the total sales revenue, where in the quarter the sales increased to 52%.

Looking further at the markets, the product group's sales of roofing foils and accessories increased significantly in all countries except the Croatian, Slovak and Northern Macedonian markets.

In the regard of the industrial applications product group, the turnover increased more than eightfold in Q2 compared to the base. The growth was essentially due to the sales of German plant's healthcare products and that of a special protective clothing to Hungarian healthcare.

The following table describes the contribution of product groups to the total sales revenue:

Contribution of product groups in % to the total sales revenue - Masterplast Nyrt.				
Main product groups	Q2 2021	Q2 2020	H1 2021	H1 2020
Thermal insulation system	37%	49%	37%	49%
Roofing foils and accessoires	14%	14%	15%	13%
Dry construction system	8%	11%	9%	12%
Heat, sound and water insulation materials	8%	12%	8%	12%
Building industry accessories	3%	6%	3%	5%
Industrial applications	30%	8%	28%	9%
<b>Total sales revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Dr. Kalliwoda Research GmbH ©, Masterplast 2021

### d. Sales by countries

The Allocation of the sales by countries shows the revenue realized in countries where Masterplast has its own subsidiary, regardless of which subsidiary has sold in the country.

In the most relevant Hungarian market, the turnover increased by 153% in Q2 2021 compared to the base period.

The cause for this large growth partially was the entry into the healthcare finished products market. The sales of protective clothing to Hungarian healthcare started in the last quarter of last year in large quantities, and represented in the industrial applications product group.

Sales by countries in TEUR - Masterplast Nyrt.						
Country	Q2 2021	Q2 2020	change to base period	H1 2021	H1 2020	change to base period
Hungary	28.362	11.218	153%	46.290	22.420	106%
Export	7.035	3.575	97%	11.972	6.890	74%
Germany	3.883	553	602%	7.807	927	742%
Poland	4.220	1.675	152%	6.966	3.356	108%
Romania	3.992	3.330	20%	6.453	6.253	3%
Serbia	3.413	2.406	42%	5.739	4.324	33%
Ukraine	2.670	2.104	27%	4.143	3.422	21%
Slovakia	1.934	1.357	43%	3.130	2.346	33%
Croatia	1.099	883	24%	2.037	1.802	13%
North Macedonia	530	399	33%	880	712	24%
<b>Total sales revenue</b>	<b>57.138</b>	<b>27.500</b>	<b>108%</b>	<b>95.417</b>	<b>52.452</b>	<b>82%</b>

Source: Dr. Kalliwoda Research GmbH ©, Masterplast 2021

Contribution of countries in % to the total sales revenue - Masterplast Nyrt.						
Country	Q2 2021	Q2 2020	Absolute change to base period	H1 2021	H1 2020	Absolute change to base period
Hungary	50%	41%	+ 9%	49%	44%	+ 5%
Export	12%	13%	-1%	13%	13%	0%
Germany	7%	2%	+ 5%	8%	2%	+ 6%
Poland	7%	6%	+ 1%	7%	6%	+ 1%
Romania	7%	12%	-5%	7%	12%	-5%
Serbia	6%	9%	-3%	6%	8%	-2%
Ukraine	5%	8%	-3%	4%	7%	-3%
Slovakia	3%	5%	-2%	3%	4%	-1%
Croatia	2%	3%	-1%	2%	3%	-1%
North Macedonia	1%	1%	0%	1%	1%	0%
<b>Total sales revenue</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>100%</b>	<b>100%</b>	<b>-</b>

Source: Dr. Kalliwoda Research GmbH ©, Masterplast 2021

In the first half of 2020, the Company also revised and changed the distribution of its sales by country. With the purchase of Masterplast Nonwoven GmbH, the company split up the German market from the Export category to a separate category, as from the last half of 2020 Masterplast has own subsidiary in the country.

Reclassifications for base period - Masterplast Nyrt.						
Data in TEUR	Q2 2020			H1 2020		
	Sales revenue by previous classification	Reclassification	Sales revenue according to the new classification	Sales revenue by previous classification	Reclassification	Sales revenue according to the new classification
Country						
Hungary	11.218		11.218	22.420		22.420
Export	4.128	-533	3.575	7.817	-927	6.890
Romania	3.330		3.330	6.253		6.253
Serbia	2.406		2.406	4.324		4.324
Ukraine	2.104		2.104	3.422		3.422
Germany	0	+533	553	0	+927	927
Poland	1.675		1.675	3.356		3.356
Slovakia	1.357		1.357	2.346		2.346
Croatia	883		883	1.802		1.802
North Macedonia	399		399	712		712
<b>Total sales revenue</b>	<b>27.500</b>	<b>0</b>	<b>27.500</b>	<b>52.452</b>	<b>0</b>	<b>52.452</b>

Source: Dr. Kalliwoda Research GmbH ©, Masterplast 2021

All in all, the demand in the industry market is in an expansion, besides the challenges posed by raw material shortages, Masterplast has gained a strong and stable market position by relying on a strong supply chain to achieve an outstanding sales performance.

Overall, the sales revenue could more than double in the second quarter of 2021, compared to the same period of the previous year, in connection with which it is important to mention that the period was mostly caused by the covid-19 pandemic in 2020.

The new German manufacturing company and the healthcare segment also contributed a large gain to the sales performance. Not only all members of its product groups could increase but also the turnover of all the Company's key markets could be increased.

#### e. Segments at Masterplast

The sales revenue of the sales segment in the first half of 2021 was 98.859 kEUR, which is 31.542 kEUR higher than in the base period. In addition to the increase in turnover, the trade margin also increased compared to the first half of 2020.

Sales segment's EBITDA was 6.633 kEUR and the EBITDA margin was 6,71%. In terms of the Production segment, the sales revenue in the first half of 2021 was 46.637 kEUR, which is 29.716 kEUR higher than in the base period.

Presentation of the segments for H1 2021 - Masterplast Nyrt.					
Data in EUR	Sales	Production	Unallocated costs	Segment elimination	Consolidated
Sales revenues	80.961.873	14.410.104	46.158		95.418.135
Sales between segments	17.897.383	32.227.238	1.024.245	-51.148.866	0
Depreciation	-492.120	-1.342.678	-143.801		-1.978.599
Operating expenses	-92.226.514	-39.242.145	-2.221.666	51.148.866	-82.541.459
<b>EBITDA</b>	<b>6.632.742</b>	<b>7.395.197</b>	<b>-1.151.263</b>	<b>0</b>	<b>12.876.676</b>
<i>EBITDA ratio</i>	<i>6,71%</i>	<i>15,86%</i>	<i>-107,55%</i>		<i>13,49%</i>
<b>EBIT</b>	<b>6.140.622</b>	<b>6.052.519</b>	<b>-1.295.064</b>	<b>0</b>	<b>10.898.077</b>
<i>EBIT ratio</i>	<i>6,21%</i>	<i>12,98%</i>	<i>-120,99%</i>		<i>11,42%</i>
Fixed Assets	11.972.307	61.796.003	5.817.824		79.586.134
Inventories	25.109.472	7.882.066	19.051		33.010.589

Source: Dr. Kalliwoda Research GmbH ©, Masterplast 2021



Presentation of the segments for H1 2020 - Masterplast Nyrt.					
Data in EUR	Sales	Production	Unallocated costs	Segment elimination	Consolidated
Sales revenues	52.451.214	0	0	0	52.451.214
Sales between segments	14.865.692	16.920.846	0	-31.786.538	0
Depreciation	-564.370	-557.813	-127.043	0	-1.249.226
Operating expenses	-63.531.580	-15.846.065	-977.472	31.786.538	-48.568.579
<b>EBITDA</b>	<b>3.785.326</b>	<b>1.074.781</b>	<b>-977.472</b>	<b>0</b>	3.882.635
<i>EBITDA ratio</i>	5,6%	6,4%	0,0%		7,4%
<b>EBIT</b>	<b>3.220.956</b>	<b>516.968</b>	<b>-1.104.515</b>	<b>0</b>	2.633.409
<i>EBIT ratio</i>	4,7%	3,1%	0,0%		5,0%
Fixed Assets	10.867.456	18.938.598	6.188.340	0	35.994.394
Inventories	15.423.021	7.121.312	0	0	22.544.333

Source: Dr. Kalliwoda Research GmbH ©, Masterplast 2021

Masterplast completed its biggest investment by the end of the second quarter. As a result of the investment in Sárszentmihály, the company is able to satisfy the regional markets with non-woven products produced for healthcare in the long run. According to the economic plans, the rising output will produce competitible finished goods in the third quarter with furthermore advancing production volumes and efficiencies.

## 2 New Healthcare Investment supported from the Government

MASTERPLAST launched a new investment in the healthcare industry to create a finished product manufacturing capacity for personal protective equipment for the health industry, supported by the Hungarian State.

The Project will be established at the Company's headquarters in Sárszentmihály. With the new production capacity, it will be possible to produce finished health care products such as protective coveralls, medical gowns, disposable medical suits, foot bags, head protection and isolation sheets. The total value of the Investment is HUF 2 590 803 496.

20% of the Project are sourced from the company and 80% are non-refundable state subsidy. The amount of state subsidy is HUF 2 072 642 796, granted under the title "Investment subsidy for the production of products relevant to Covid19". The Expected labor requirements of the factory are 40 people and the scheduled start of production is end of September 2021. The State subsidy is based on the Health Industry Support Program and named "Non-repayable resource for investments in the development or production of a product relevant to the control of the coronavirus epidemic of domestic small, medium and large enterprises, as well as support for



strengthening domestic health production". It is a non-repayable source, and it is disbursed by the Ministry of Finance and the agreement was signed by the Parties on 31 March 2021.

The Project is related to the large investment in the production of raw materials for the healthcare industry, which started in December 2020. With the implementation of the two projects, the total value of Masterplast's manufacturing developments in the healthcare industry will exceed HUF 12 billion. Based on Masterplast's whole value chain, the company will be able to produce products for the healthcare industry with a growing demand even after the end of the pandemic situation.

### 3 Company Profile

Masterplast Nyrt. is a young and leading European company in the industrials sector. Despite being only 23 years old, the company has managed to grow from its only subsidiary in Székesfehérvár, Hungary, to having currently other subsidiaries of the Group in 9 different countries which are: Slovakia, Romania, Croatia, Serbia, Macedonia, Ukraine, Poland, and most recently Germany. In addition to these direct subsidiaries, the Company cooperates with over 6000 partners that make up for the presence of its products in 41 countries.

#### Masterplast Nyrt. History

- 2020 Begin of operation of manufacturing site in Aschersleben, Germany
- 2017 Included in the premium category of the Budapest Stock Exchange
- 2012 Begin of fiberglass mesh production, six years later it would become the 3rd largest producer
- 2011 IPO at the Budapest Stock Exchange
- 2008 Opening of second manufacturing site in Subotica, Serbia
- 2005 Begin of manufacturing activities in Kál, Hungary
- 1999 First international expansion to Slovakia
- 1997 Foundation by Dávid Tibor and Balázs Ács

Source: Masterplast Nyrt.

Source: Masterplast Nyrt.



## Products

Masterplast produces a great variety of products ranging that are divided in 6 different product categories: façade insulation systems, roof underlayments and accessories, dry construction system elements, heat, sound and water insulation materials, construction accessories, and industrial applications. These 6 product categories can be divided into further 17 product groups, accounting at the end for 2000 products.



Source: Masterplast Nyrt.

## Production



Source: Masterplast Nyrt.

While being present in the countries mentioned above, the production had been, before the acquisition of the German site, focused on three sites, two in Hungary, Kál and Sárszentmihály as well as a further one in Subotica, Serbia. As would be expected from an efficient production company, each manufacturing site is focused on

specific product lines. The company counts with a production staff of ca. 600. The distribution of staff and production lines is as follows:

Subotica: this plant counts with 500 workers and the plant produces fiberglass mesh as well as EPS polystyrene and ETICS profiles with a high degree of automation. Kál: expanded polyethylene foam and dry construction profiles following quality standards dictated by the TÜV as well as the rules ISO9001 and ISO14001. The purposes of the products manufactured at this site include construction as well as packaging. Sárszentmihály: roof underlayment production (lamination) and customization, focused on manufacturing subtasks and meeting customer requirements.

## Sector

Having been several years in existence, Masterplast had a clear vision in terms of the quality of the products that it delivered and this is why in 2005 it became a manufacturer itself; since then, it has belonged to the broad sector of industrials and the subsector of construction materials. Its construction materials offer ranges from fiberglass mesh to accessories and screws. An in-depth discussion about the sector will take place in section 3. Industry Overview.

## Corporate Governance

Beyond financial donations, the Company has engaged with the society that surrounds it. Under its activities for social responsibility, donations are focused on child welfare and Masterplast contributes to the organization of competitions in the areas of sustainable development and architecture, urban development as well as environmental protection. It also works together with the city council of the city where it is based through the initiative KÉPES to work on current challenges that require a solution.

## New major investment in the healthcare industry

The subsidiary of the Company MASTERPLAST Kft. in Sárszentmihály is launching a major investment in the **healthcare industry** by establishing a production plant for the production of raw materials for the production of protective equipment, supported by the Hungarian State.

The Project will be implemented at the Company's headquarters in Sárszentmihály. It will be new production plant with a floor area of 7700 m<sup>2</sup> and the installation of a vlies production technology.

The new factory will supply raw materials for manufacturers of medical protective clothing, mouth masks and other hygiene devices used in healthcare for pandemic protection. The new factory will consist of innovative manufacturing technology with a high level of automation. Single or multi-layered health care textiles with special product properties will be produced based on the knowledge and experience gained through the Company's acquisition in Germany. Additionally the company aims to develop new, innovative raw materials tailored to the needs of the healthcare industry.

The healthcare project costs approx. 27 Mio EUR whereas 20% comes from own resources and 80% from non-refundable state subsidy. The exact figures and terms are as follows: Source: Masterplast:

“1. The total value of the Investment: HUF 9,460,286,426, i.e. HUF nine billion-four hundred and sixty million-two hundred and eighty-six thousand four hundred and twenty-six Hungarian forints. 2. Source of the Project: 20% own resources and 80% non-refundable state subsidy. The amount of state subsidy is HUF 7,504,736,260, of which the amount of subsidy granted under the title “Investment subsidy for the production of products relevant to Covid19” is HUF 7,320,917,905, and the amount of subsidy granted under the title “Subsidy for research and development relevant to Covid19” is HUF 183,818,355.”

The project assures a capacity of the vlies production of 7 thousand tons / year whereas the expected labor requirements of the factory are 50 people. The production will start in June 2021 and the planned sales of the healthcare business are EUR 15-20 million in 2021. The state subsidy is based on the Health Industry Support Program and named "Non-repayable resource for investments in the development or production of a product relevant to the control of the coronavirus epidemic of domestic small, medium and large enterprises. It is as well a support for strengthening the domestic health production", which is a non-repayable source, and it is disbursed by the Ministry of Finance. Definitely this is the Groups largest production development investment in its history assuring a big regional production plant in the entire Carpathian Basin. It will strengthen Hungary's pandemic defense capacity. Annual sales can be circa EUR 20 million for the Masterplast Group. In the future, the healthcare division will be a key part of the Group's strategy.

## 4 SWOT Analysis

### Strengths

- **Long-term mentality:** with members of the board and management owning over 50 % of the company, minority shareholders can profit from the alignment of interests which seek sustainable growth and stability.
- **Product diversification:** although having been focused on construction materials while strengthening its position, Masterplast saw the right timing to enter a new market, namely the industrial textiles for the healthcare market.
- **Social competence:** the company has been constantly involved in activities for the benefit of the society. Financial donations and the promotion of voluntary work are part of Masterplast's strategy, also cooperation with the local city council addressing current problems and supporting the organization of events where sustainable development is the focus.
- **Environmental focus:** besides the strong engagement with the society and promoting welfare, Masterplast also focuses on the environmental sustainability by producing insulation products that reduce waste of energy.

### Opportunities

- **Digitalization:** given its early participation in the development of Bauapp, it can profit from the first mover advantage by offering clients better resource management and real time tracking of the products sold.
- **New markets:** through the already successful entrance in the German market within the healthcare sector, Masterplast is now able to not only supply the German market but also begin targeting other markets such as the French or Benelux while serving them from the plant in Germany. This could also serve as gateway for the construction materials.
- **Urbanization:** housing scarcity in some markets such as the Romanian provide for a stable demand backed by government support from which Masterplast can profit.

### Weaknesses

- **Geographical diversification:** despite directly being present in 9 countries through subsidiaries, most revenue in last quarters was earned in Hungary, this represents a considerable exposure to domestic conditions.

### Threats

- **Currency:** disregarding the export markets, Masterplast is currently exposed to seven different currencies and adverse movements may have an impact of the performance of the company. Using tools such as hedging can reduce the risk.
- **Political:** the current government headed by Viktor Orbán has been controversial and at times finds itself at odds over several topics with the EU. Currently the country faces harsher measures to reduce the impact of the pandemic.
- **Industry trends:** multifamily houses have increased their popularity in recent years, these require less materials per unit.

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2021

## 5 Industry Overview

Despite being a central European player, Masterplast has become a global company as the combined revenue from all the export countries is higher than any single market, other than the home market.

Prior to the pandemic, the construction industry had been having a remarkably positive development as a whole and it was common to see how as some subsectors such as commercial buildings decreased, others picked up the slack. According to Roland Berger, the construction market in North America, driven by the residential sector, grew 11,6% per annum between 2014 and 2016 (2017). In the report of the European Commission in 2018, the prospects for the construction market in Hungary was positive, with expected growth rate at 12.0% in 2018 and 7.1% in 2019, stimulated by residential construction and transport infrastructure.

Coming to Europe and in relation to the current pandemic, S&P Global commented on the 16<sup>th</sup> of June, 2020 that it expects revenues in the sector to decrease by 15% to 20% on a year over year basis. The pre-pandemic levels should be attained by the end of 2022. According to S&P, the need for infrastructure investment in the region provides for a faster recovery in this sector while residential and commercial might take longer. The renovation segment, also important to Masterplast, should show signs of recovery in 2021 as collective efforts for green housing start to show their effect. However, S&P also reveals that companies with diversified footprint and activities mainly in central and Northern Europe are expected to report a stronger operating performance compare to companies in West and Southern Europe. In other words, we can anticipate a stable if not positive growth rate of Masterplast during this Coronavirus crisis.

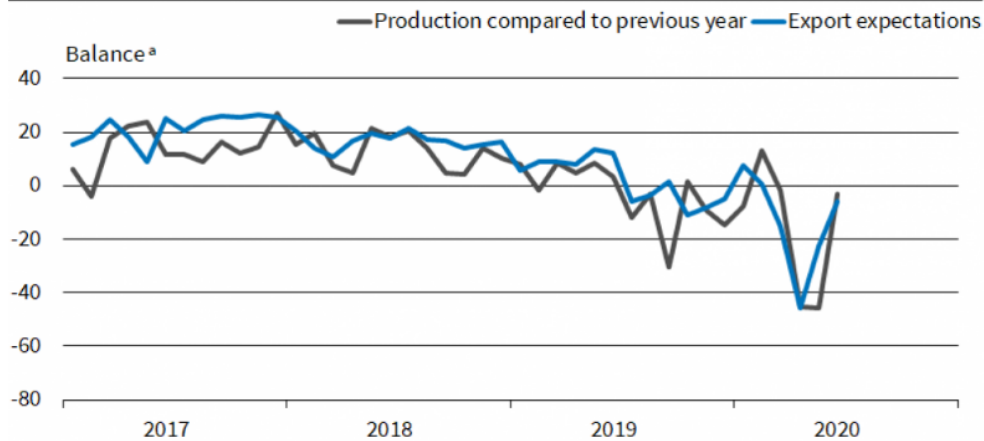


Source: Masterplast Nyrt.

According to the report of ifo Business Survey, there was a decrease in demand of building materials at the beginning of this year until the end of March 2020 due to the impact of Corona pandemic. Nevertheless, since April, the demand has significantly improved and export of building materials are now in an upward trend again.



### Export Expectations and Demand in the Building Materials Industry



<sup>a</sup> Balance of positive and negative company assessments in %.  
Source: Ifo Business Survey, June 2020.

© Ifo Institute

The research of ifo Institute regarding the building material industry also presents that the German government has provided “economic stimulus package” in June 2020, which has positive effects on the industry. In addition, the building material market could be stimulated by the plan to offer financial support for local authorities, the rise in CO2 building renovation program, and the temporary reduction of the EEG levy. Despite the inevitable impacts of the corona crisis, we anticipate the possibility of quick recovery of the building material industry.

Also relevant to the current situation and to Masterplast is the recently released paper by Roland Berger, which discusses the new normal for the construction industry. With better hopes of a slighter decline in revenues of 8%, Roland Berger sees the industry experiencing a reduction in residential investment given the anxiety concerning income security. Furthermore, governments before the pandemic were already looking at the possibility of rent control and it remains to be seen what the effect of the pandemic will be on these policies. As such, the incentive to invest in real estate might diminish and less capital expenditure for commercial buildings is also expected. Specific to the residential new build and renovation, Roland Berger expected a return to growth in Q2 2021 and Q1 2021 respectively. And this happened what Roland Berger had estimated.



Source: Masterplast Nvrt.



## 6 Shareholder Structure

Masterplast Nyrt. Shareholder Structure	
Shareholders	
Dávid Tibor	31.15%
Balázs Ács	26.55%
SOH Kft. & LPH Kft. Jointly	5.47%
Róbert Nádas	0.46%
Minority shareholders	36.37%

Source: Masterplast Nyrt.

## 7 Valuation

To value Masterplast Nyrt., we used a traditional DCF model, which derives a 12-months target price for the stock of **HUF 6152**. Compared to the current market level, this corresponds to an upside of approximately 42%.

WACC assumptions	
<b>Growth assumptions</b>	
Long-term growth rate	1.1%
<b>Equity</b>	
Risk-free rate	2.79%
Market risk premium	17.7%
Beta	1.45
<b>Equity costs</b>	<b>28.39%</b>
<b>Debt costs</b>	
Debt costs (before tax)	1.90%
Tax rate on interest	16.03%
<b>Debt costs (after tax)</b>	<b>1.60%</b>
Equity	27%
Debt	73%
<b>WACC</b>	<b>8.79%</b>

Source: Dr. Kalliwoda Research GmbH © 2021

## Discounted Cash Flow Model (2021), calculated on the 8th of October 2021

in EUR '000	2021E	2022E	2023E	2024E	2025E
<b>Net sales</b>	<b>186,462.52</b>	<b>199,514.90</b>	<b>212,483.36</b>	<b>224,169.95</b>	<b>238,741.00</b>
(y-o-y change)	52.0%	7.0%	6.5%	5.5%	6.5%
<b>EBIT</b>	<b>18,151.68</b>	<b>19,076.38</b>	<b>21,857.69</b>	<b>23,196.59</b>	<b>24,603.14</b>
EBIT margin	9.7%	9.6%	10.3%	10.3%	10.3%
<b>NOPLAT</b>	<b>15,241.29</b>	<b>16,017.73</b>	<b>18,353.09</b>	<b>19,477.31</b>	<b>20,658.34</b>
+ Depreciation	4,008.94	4,588.84	4,887.12	5,155.91	5,491.04
= Net operating cash flow	19,250.23	20,606.57	23,240.20	24,633.22	26,149.38
- Total investments (Capex and WC)	63,652.68	- 1,222.41	- 497.04	473.42	508.71
Capital expenditure	7,894.23	4,236.57	3,237.95	3,399.85	3,569.84
Working capital	55,758.44	- 5,458.98	- 3,734.99	- 2,926.43	- 3,061.13
= Free Cash Flow (FCF)	- 44,402.45	21,828.98	23,737.24	24,159.80	25,640.67
<b>PV of FCFs</b>	<b>- 44,402.45</b>	<b>20,065.63</b>	<b>20,057.13</b>	<b>18,765.12</b>	<b>18,306.55</b>
<b>Terminal Value</b>					<b>337,187.42</b>
Source: Dr. Kalliwoda Research GmbH © 2021					
PV of FCFs in explicit period	32,791.98				
PV of terminal period	240,740.18				
<b>Implied Enterprise value (EV)</b>	<b>273,532.16</b>				
- Net debt	43,742.87				
+ Investments / - Minorities	-121.40				
<b>Shareholder value</b>	<b>229,667.89</b>				
<b>Number of shares outstanding (thousands)</b>	<b>14,601.16</b>				
WACC	8.79%				
Equity costs	28.4%				
Debt costs before tax	1.9%				
Tax rate	16.0%				
Debt costs after tax	1.6%				
Equity ratio	26.8%				
Debt ratio	73.2%				
<b>Fair value per share in EUR/HUF today</b>	<b>15.73</b>	<b>5,655.05</b>			Upside
<b>Fair value per share in EUR/HUF in 12 months</b>	<b>17.11</b>	<b>6,152.01</b>			42.1%
Source: Dr. Kalliwoda Research GmbH © 2021					

## 8 Profit and Loss Statement

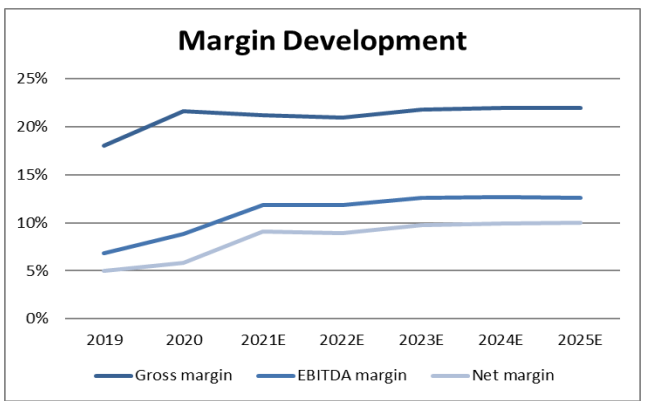
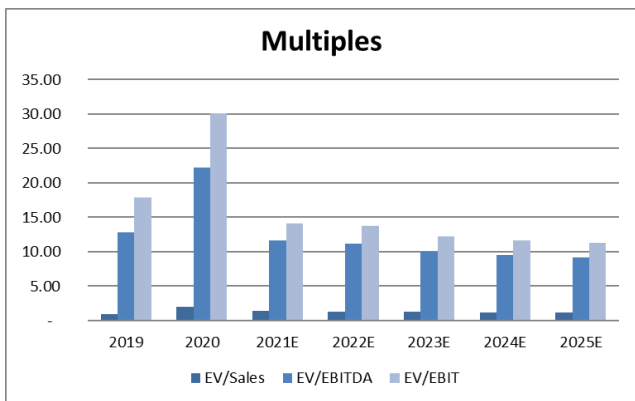
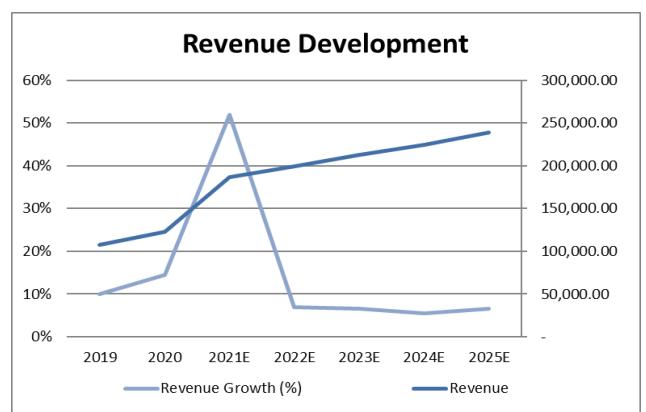
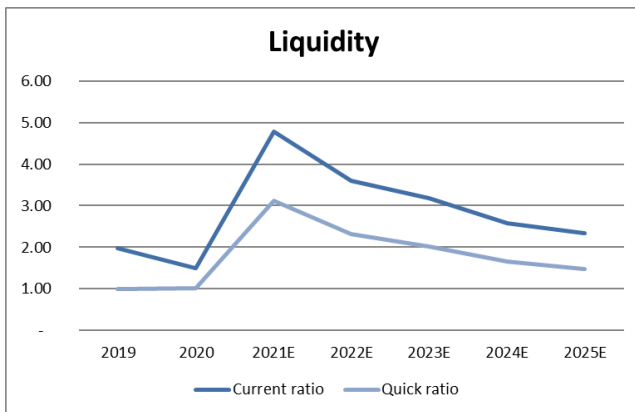
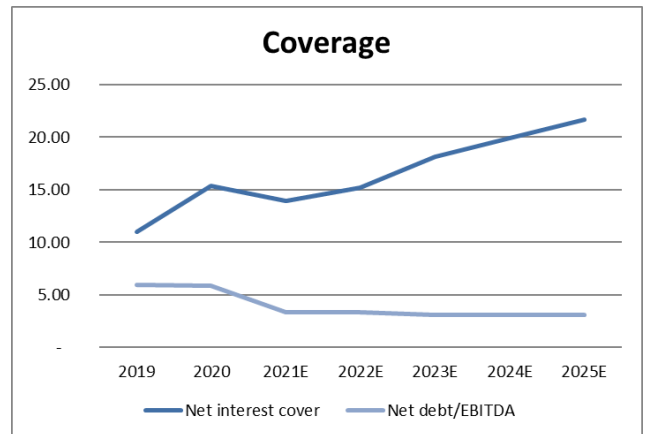
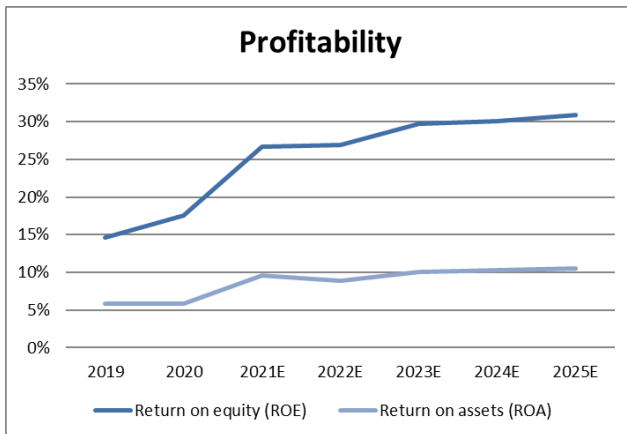
Profit and Loss Statement - Masterplast Nyrt.							
all figures in '000 EUR unless otherwise indicated	Fiscal Year						
	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue	107,104.24	122,672.71	186,462.52	199,514.90	212,483.36	224,169.95	238,741.00
Materials and Services Used	- 87,807.54	- 96,142.63	- 146,932.47	- 157,616.77	- 166,161.99	- 174,852.56	- 186,217.98
<b>Gross Profit</b>	<b>19,296.70</b>	<b>26,530.08</b>	<b>39,530.05</b>	<b>41,898.13</b>	<b>46,321.37</b>	<b>49,317.39</b>	<b>52,523.02</b>
Payments to personnel	- 14,026.92	- 16,247.27	- 17,547.05	- 18,248.93	- 19,526.36	- 20,893.20	- 22,355.73
Movements in self produced inventories	1,837.97	840.43	420.22	210.11	105.05	52.53	26.26
Other operating income (expense)	219.43	- 303.25	- 242.60	- 194.08	- 155.26	- 124.21	- 99.37
<b>EBITDA</b>	<b>7,327.17</b>	<b>10,819.99</b>	<b>22,160.62</b>	<b>23,665.22</b>	<b>26,744.81</b>	<b>28,352.50</b>	<b>30,094.19</b>
Depreciation, Amortization and Impairment	- 2,085.06	- 2,825.83	- 4,008.94	- 4,588.84	- 4,887.12	- 5,155.91	- 5,491.04
<b>EBIT</b>	<b>5,242.12</b>	<b>7,994.16</b>	<b>18,151.68</b>	<b>19,076.38</b>	<b>21,857.69</b>	<b>23,196.59</b>	<b>24,603.14</b>
Interest Received	77.43	388.43	414.11	399.33	383.64	370.53	360.95
Interest Paid	- 553.57	- 908.25	- 1,714.42	- 1,653.21	- 1,588.26	- 1,533.99	- 1,494.32
Other Financial income (expense)	571.66	324.64	164.25	11.38	127.01	134.00	320.14
Profit and Loss Attributable to Associates	- 11.77	9.63	2.90	8.11	7.03	7.41	8.15
<b>EBT</b>	<b>5,325.87</b>	<b>7,159.33</b>	<b>17,018.52</b>	<b>17,841.99</b>	<b>20,787.10</b>	<b>22,174.54</b>	<b>23,798.07</b>
Income Tax	- 562.95	- 911.86	- 2,728.70	- 2,860.74	- 3,332.95	- 3,555.41	- 3,815.72
<b>Net Income</b>	<b>4,762.92</b>	<b>6,247.47</b>	<b>14,289.82</b>	<b>14,981.25</b>	<b>17,454.16</b>	<b>18,619.13</b>	<b>19,982.35</b>
Profit Attr. to Parent Company Shareholders	4,572.94	4,572.94	12,146.34	12,734.06	14,836.03	15,826.26	16,985.00
Profit Attr. to Non-Controlling Interests	189.98	1,674.53	2,143.47	2,247.19	2,618.12	2,792.87	2,997.35
Earnings per Share	0.32	0.32	0.83	0.87	1.02	1.08	1.16
Diluted Earnings per Share	0.32	0.32	0.83	0.87	1.02	1.08	1.16
Price/Earnings (X)	17.57	51.36	19.76	18.85	16.18	15.16	14.13
Net interest coverage	11.01	15.38	13.96	15.21	18.14	19.94	21.71

## 9 Balance Sheet

Balance Sheet - Masterplast Nyrt.							
all figures in '000 EUR unless otherwise indicated	Fiscal Year						
	2019	2020	2021E	2022E	2023E	2024E	2025E
Non Current Assets							
PPE	37,193.40	52,628.22	60,522.45	64,759.02	67,996.97	71,396.82	74,966.66
Intangible assets	190.68	176.67	230.01	246.11	258.41	271.33	284.90
Investments in associates	320.84	300.06	408.39	436.98	458.83	481.77	505.86
Deferred tax assets	362.25	703.27	625.37	669.15	702.61	737.74	774.62
<b>Total Non-Current Assets</b>	<b>38,067.16</b>	<b>53,808.21</b>	<b>61,786.22</b>	<b>66,111.26</b>	<b>69,416.82</b>	<b>72,887.66</b>	<b>76,532.04</b>
Current Assets							
Inventories	21,256.79	25,453.01	35,858.18	37,644.32	38,987.77	40,758.17	43,407.45
Trade Receivables	14,471.41	16,754.93	24,425.33	26,135.10	27,833.89	29,364.75	31,273.46
Taxes Receivable	784.09	900.52	1,884.27	2,016.17	2,147.22	2,265.32	2,412.57
Other current financial assets	2.33	19.71	55.59	59.48	63.35	66.83	71.18
Other current assets	1,767.43	1,995.78	2,992.12	3,201.56	3,409.66	3,597.20	3,831.01
Cash and Cash Equivalents	4,530.34	33,266.36	38,497.43	36,813.25	33,818.91	37,874.86	35,983.60
<b>Total Current Assets</b>	<b>42,812.39</b>	<b>78,390.31</b>	<b>103,712.92</b>	<b>105,869.89</b>	<b>106,260.81</b>	<b>113,927.13</b>	<b>116,979.27</b>
<b>Total Assets</b>	<b>80,879.55</b>	<b>132,198.53</b>	<b>165,499.14</b>	<b>171,981.15</b>	<b>175,677.63</b>	<b>186,814.79</b>	<b>193,511.31</b>
Equity							
Share Capital	5,503.94	5,503.94	5,504.00	5,504.00	5,504.00	5,504.00	5,504.00
Reserves	22,437.94	23,318.46	33,722.13	35,042.90	35,796.10	38,065.41	39,429.89
Redeemed Treasury Shares	381.45	450.18	524.47	534.96	545.66	556.57	567.70
Parent Company's Share of the Profit or Loss	4,572.94	5,648.06	12,146.34	12,734.06	14,836.03	15,826.26	16,985.00
<b>Equity Attributable to Parent Company's Shareholders</b>	<b>32,133.38</b>	<b>34,020.28</b>	<b>50,848.00</b>	<b>52,746.01</b>	<b>55,590.48</b>	<b>58,839.10</b>	<b>61,351.19</b>
Non-Controlling Interests	472.96	1,464.42	2,704.56	2,893.87	3,038.57	3,190.50	3,350.02
<b>Total Equity</b>	<b>32,606.339</b>	<b>35,484.694</b>	<b>53,552.560</b>	<b>55,639.887</b>	<b>58,629.044</b>	<b>62,029.600</b>	<b>64,701.212</b>
Long-Term Liabilities							
Long-Term Loans	3,863.60	3,952.49	3,755.55	3,902.64	3,986.52	4,239.25	4,391.20
Liabilities from Issued Bonds	18,136.17	32,771.80	57,322.34	56,175.89	55,052.37	53,951.33	52,872.30
Deferred Tax Assets	265.72	237.99	373.28	387.90	396.24	421.36	436.46
Deferred Income	3,748.35	3,034.79	22,984.71	20,403.64	18,819.88	17,194.97	16,662.64
Other Long-Term Liabilities	694.77	4,566.89	5,796.66	6,141.19	5,337.67	4,929.64	4,285.57
<b>Total Non-Current Liabilities</b>	<b>26,708.61</b>	<b>44,563.95</b>	<b>90,232.54</b>	<b>87,011.27</b>	<b>83,592.68</b>	<b>80,736.54</b>	<b>78,648.18</b>
Current Liabilities							
Short-Term Loans	5,852.62	5,928.40	16,578.90	10,376.70	7,878.78	1,420.16	3,994.43
Trade Payables	10,727.78	13,418.04	17,309.85	18,784.46	19,575.25	20,455.35	22,193.10
Short Term Financial Leasing Liabilities	289.98	173.71	365.12	379.42	387.57	412.14	426.92
Other Current Financial Liabilities	92.09	3,487.68	3,804.95	3,953.97	4,038.96	4,295.01	4,448.97
Taxes Payable	1,047.45	2,860.45	6,818.45	7,148.37	8,328.33	8,884.20	9,534.66
Current Part of Deferred Income	625.66	625.66	833.35	891.69	949.65	1,001.88	1,067.00
Provisions	218.82	550.67	628.67	653.29	667.33	709.64	735.08
Other Current Liabilities	2,710.21	25,105.27	8,532.56	7,895.49	7,387.60	6,870.27	7,761.76
<b>Total Current Liabilities</b>	<b>21,564.60</b>	<b>52,149.88</b>	<b>21,714.04</b>	<b>29,329.99</b>	<b>33,455.90</b>	<b>44,048.65</b>	<b>50,161.92</b>
<b>Total Liabilities</b>	<b>48,273.21</b>	<b>96,713.83</b>	<b>111,946.58</b>	<b>116,341.26</b>	<b>117,048.58</b>	<b>124,785.19</b>	<b>128,810.10</b>
<b>Equity and Liabilities</b>	<b>80,879.55</b>	<b>132,198.53</b>	<b>165,499.14</b>	<b>171,981.15</b>	<b>175,677.63</b>	<b>186,814.79</b>	<b>193,511.31</b>

Source: Dr. Kalliwoda Research GmbH © 2021

## 10 Financial Ratios



Source: Dr. Kalliwoda Research GmbH © 2021

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<b>3</b>	The company significantly contributes to the goal.

From adding up the given numbers, it is being set in a ratio to the maximum points (e.g. 51). The following model shows the note procurement:

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<b>B</b>	<b>70% - 50%</b>	The company promotes the transition to sustainability.



<b>C</b>	<b>50% - 30%</b>	The company is on the way to sustainability.
<b>D</b>	<b>30% - 10%</b>	The company minimizes its negative impact.
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### 3. Date of first publication of this document: 11th of October 2021

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