May 29, 2024

ASBISC ENTERPRISES PLC
(WSE: ASB)

Founded in 1990, Cyprus-based ASBISc Enterprises PLC is a leading Value Add Distributor, developer and provider of Information Technology (IT), Internet of Things (IoT) products, solutions and services to markets in Europe, the Middle East and Africa (EMEA). It has local operations in Central and Eastern Europe, the Baltic Republics, most countries of the former Soviet Union, the Middle East and North Africa.

COMPANY HIGHLIGHTS

* **Swift Return to Growth**: In our view, ASBISc continues to successfully navigate near-term disruptions that began in early 2022, with the onset of the Russia/Ukraine war. In 2021, ASBISc had achieved record revenue and net income, with Russia and Ukraine accounting for approximately one-third of its revenue. The company decisively moved to expand sales in unaffected regions and then exited Russia entirely in 2023. By the end of 2023, revenue had nearly returned to the record 2021 levels.
* **Investing in High-Growth and Innovative Products:** Over the past few years, ASBISc has reshaped its product development pipeline to focus on innovative, private label products, ranging from home appliances to industrial robotics, which we expect will drive long-term growth. We see the company experiencing some near-term challenges from supply and demand trends for some of its current markets, particularly from nonofficial imports in some categories, which has impacted its pricing leverage. Thus, we expect a continued focus on reselling premium brands like Apple products to drive sales growth until these new internal products, such as robotics, enter the market broadly.
* **Margin Expansion Potential**: Although we see a near-term reset of gross margins, as product shortages over the past few years normalize, we expect ASBISc's long-term margin profile to benefit from this wholly owned, premium product focus, as well as from providing value-added distribution services, increasing

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PRICE CHART

KEY STATISTICS

Key Stock Statistics	
Recent price (5/28/24), (PLN)	24.84
Fair Value Estimate (PLN)	53.00
52 week high/low (PLN)	32.50/24.00
Shares oustanding (M)	55.5
Market cap (M, PLN)	1378.6
Dividend ($)	0.5
Yield	8.1%

Sector Overview	
Sector	Information Technology
Sector % of S&P 500	29.6%

Financials ($M, as of 3/31/24)	
Cash & Mkt Securities	114.0
Debt	265.2
Working Capital	240.6
Current Ratio	1.3
Total Debt/Equity (%)	90.2
Payout ratio	47.1%
Revenue, TTM	3052.4
Net Income, TTM	49.7
Net Margin, TTM	1.6%

Risk	
Beta	0.54
Inst. ownership	3%

Valuation	
P/E forward EPS	5.3
Price/Sales (TTM)	0.1
Price/Book (TTM)	1.2

Top Holders

Dimensional Fund Advisors LP
AgioFunds Towarzystwo Funduszy Inwestycyjnych S.A.
Goldman Sachs Asset Management LP

Management	
CEO	Mr. Siarhei Kostevitch
Deputy CEO	Mr. Constantinos Tziamalis
CFO	Mr. Marios Christou
Company website	https://www.asbis.com

warehouse capacity, leveraging distribution efficiencies, and increasing its use of e-commerce. We expect costs that have been elevated over the past few years due to investments in new growth initiatives to begin to moderate and see its growing smartphone segment and Apple product sales and category reselling unit supporting an attractive organic growth outlook.

* **Healthy Balance Sheet**: As of March 31, 2024, ASBISc had $114.0 million in cash and equivalents on its balance sheet, compared with $143.6 million at the end of 2023. In our view, first quarter declines are typical due to seasonality, though we note the 2024 operating cash flow decline was 70% narrower than the one during the same period in 2023. We expect ASBISc to remain cash flow positive on a full-year basis, despite recent investments in new business lines, product inventories, and higher debt-related costs. We view ASBISc as sufficiently capitalized to support an expanding dividend program, which currently yields 8.1%, using its final dividend from 2023 profits, to be paid in June 2024.
* **Socially Responsible Leader**: Since 2021, the company has been recognized by its inclusion on the WIG-ESG index, which includes Warsaw Stock Exchange-listed (WSE-listed) companies cited as socially responsible in the fields of ESG (environmental, social, economic, and corporate governance). We believe such recognition could lead to its inclusion in more ESG investor portfolios over time.
* **Fair Value:** ASBISc's valuation gap to global technology distributor peers has narrowed somewhat over the past few years. Still, we think its strong fundamentals and attractive growth prospects remain underappreciated by investors. Based on our forward P/E analysis, we arrive at a fair value estimate of 53 Polish zloty (PLN) per share, well above the current share price around 24 PLN.

COMPANY/INDUSTRY BACKGROUND

Founded in 1990, Cyprus-based ASBISc Enterprises PLC specializes in the distribution of computer hardware and software, mobile solutions, and other IT products and digital equipment. ASBISc currently sells products in 60 countries, including those purchased from leading global technology manufacturers such as Apple, Intel, AMD, Samsung, Microsoft, Dell, Logitech, and Lenovo.

As of May 2024, ASBISc had subsidiaries in 34 countries. In 2023, the company opened new subsidiaries in multiple new high growth markets, including Armenia, Georgia, Azerbaijan, Moldova, Morocco, and South Africa. We see these new local operating entities improving the company's business-to-business (B2B) sales efforts. ASBISc is also an official distributor of Apple products in 10 countries of the former Soviet Union, excluding Russia and Belarus.

By the end of 2023, the company's footprint had expanded to include distribution among 16,000 resellers, IoT solutions to more than 19,000 enterprises, consumer distribution across 7,400 points of sale, and a retail presence with more than 40 internally operated locations of brands, including Apple and premium audio brand Bang & Olufsen.

The company also generates revenue from the sale of legacy private-label products, including Prestigio (tablets, external storage, GPS devices, car DVRs, multiboards, etc.), Canyon (power banks, networking products, and other peripheral devices), and Perenio (IoT products and building control and security systems), with several new brands recently launched.

The company's centralized distribution platform leads to greater efficiency and lower transportation costs, thus boosting its margins. Its two main distribution centers in Prague and Dubai receive products from vendors and then distribute these products in individual countries. In 2022, the company opened regional distribution centers in Tbilisi, Georgia, and Johannesburg, South Africa.

In late 2023, the company expanded existing warehouse capacity and commenced the construction of a new distribution center in Kazakhstan, which it expects will be online by early 2025. In total, we foresee warehouse space of around 80,000 square meters at that time, up 30% from previous levels. We think this infrastructure is pivotal to helping its distribution mix to mitigate disruptions.

Its top four markets remained consistent in 2022 and 2023, led by Kazakhstan (22% in both periods), Ukraine (12%, 13%), United Arab Emirates (10%, 9%), and Slovakia (9% in both periods). Prior to 2022, Russia (19%) was ASBISc's largest market, but that country's subsidiary was divested and closed in 2023. The exit from Russia resulted in a one-time, $25 million impact on ASBISc's net profit in 2023 ($11.5 million settlement of an exchange rate loss and an impairment loss of $13.5 million), with no further exposure to that market. We note that in the 1Q24, Kazakhstan saw a 6% decline due to an expanding gray market for Apple products, while United Arab Emirates saw 28% growth to become the second largest market.

Regionally, in 2023, CIS countries (Commonwealth of Independent States, formerly of the Soviet Union) accounted for approximately 51% of revenue, down from 52% in 2022, and well below 58% in 2020, as the company has diversified its geographic sales footprint.

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PEER COMPARISON

Company	Ticker	Recent Price ($)	52-Week High ($)	52-Week Low ($)	Mkt. Cap ($MIL)	1-yr Price Change (%)	1-yr Rev Growth (%)	1 YR EPS Growth (%)	P/E Ratio	Beta	Yield (%)
ASBISC ENTERPRISES PLC	**WSE: ASB**	**24.84***	**32.50***	**24.00***	**1379***	**-15**	**14**	**NM**	**6.2**	**0.54**	**8.1**
ARROW ELECTRONICS INC	NYSE: ARW	130.22	147.42	108.51	7000	2	NM	NM	8.2	1.39	NA
AVNET INC	NASDAQ: AVT	54.86	55.00	42.67	4966	22	9	19	6.6	1.23	2.3
INSIGHT ENTERPRISES INC	NASDAQ: NSIT	205.62	212.44	131.59	6783	51	NM	NM	27.2	1.50	NA

** Stock Statistics in PLN*

Regionally, Central and Eastern Europe and Western Europe expanded to 25.8% and 8.4% from 24.3% and 6.8%, respectively. In 1Q24, CIS countries accounted for 46.3% of sales (down from 56% in the same period in 2023), Central and Eastern Europe accounted for 26.2% (up from 22.2%), Middle East and Africa accounted for 17% (up from 12.7%), and Western Europe accounted for 9.6% (up from 8.4%). In recent years, a majority of the company's sales have come from three product categories: smartphones (40.6% in 2023, up from 35% in 2022 and 29% in 2021), central processing units (10.1% in 2023, up from 9.25% in 2022 but below the 14.4% of 2021), and laptops (8.2% in 2023, down from 9.4% in 2022 and 10% in 2021). We view positively ASBISc's participation in higher growth categories and operating market geographies.

We see the smartphone category being boosted by ASBISc's status as an authorized distributor of Apple products in 10 CIS countries, and as an operator of 35 iSpace/monobrand stores in high-growth markets led by Kazakhstan, Georgia, and, most recently, Uzbekistan. In 4Q23, ASBISc signed a distribution agreement with Apple that authorized the company to become a distributor in South Africa.

In 2021, ASBISc launched Breezy to purchase used electronic devices that have retained value, in exchange for discounts on new purchases through its partner network. It then resells these products in secondary markets. Breezy works with over 40 local and global partners, including nationally recognized electronics retailers with more than 2,500 stores, including Apple, Samsung, Vodafone, and Kcell and retail chains Rozetka.ua, Sulpak, Mechta, and Technodom. Breezy operates in a number of countries including Kazakhstan, Ukraine, Cyprus, Georgia, Poland, and Moldova.

Throughout 2023, Breezy opened several retail stores called Breezy Island, and the company plans additional retail openings in 2024. ASBISc aims to support the reuse of up to 30,000 devices monthly, and we think that expansion of this operating footprint positions the company to secure authorized distributor status and enhanced commercial terms with leading international suppliers.

INVESTMENT THESIS

In our view, ASBISc benefits from the strong relationships it has developed with key IT vendors over more than 30 years and is well positioned to source high-demand products thanks to its robust distribution network that has enabled a strong presence in multiple fast-growing markets. In our view, this established history is important, as many technology leaders have recently undertaken cost-cutting measures by limiting their own distribution networks, and we see ASBISc maintaining its preferred status amid such macroeconomic challenges.

We believe that ASBISc has also made great strides to expand its gross margin profile by investing in value-added distributor capabilities. For example, its servers are certified to support cloud-based services through the Microsoft Azure platform, which enables customers to transfer data centers to the cloud. The company is focused on expanding its product portfolio to support customers that are upgrading their digitization and remote capabilities, which we view as a high-growth priority across many areas of operation at many companies in numerous countries.

ASBISc has made progress in expanding its gross margin profile in recent years. In 2023, the company's gross margin of 8.2% was modestly below 2022's 8.5%, which had represented an all-time high, but was up significantly from 7.1% in 2021 and 5.8% in 2020. We attribute the improvement to changes in the geographic sales mix, product shortages in the market, and the smartphone category, among others. Margins have also benefited from an increase in online transactions and from an automated system that coordinates supply-chain management activities. As of the end of 2022, ASBISc noted that 60% of its transactions take place online.

Despite some near-term challenges to gross margins due to industry supply dynamics impacting product prices as well as higher investments in growth initiatives, we see the company's strategy shifting to focus on the development and commercialization of new internally developed private label brands, thus complementing its legacy Prestigio and Canyon brands and driving enhanced margins over the long-term. Supporting this commitment to new product growth and innovation, ASBISc opened a technology hub in Cyprus.

In 2021, ASBISc launched a new brand called AENO in the small household appliances segment, contributing to a low-power-consuming "smart home" concept. Initial products have included eco-friendly smart heaters with energy-saving infrared and convection heating methods and robotic vacuum cleaners. Planned products include air purifiers and humidifiers, cooking appliances, and personal hygiene products.

We see these products as positioned for solid commercial uptake, given the company's strong existing distribution channels and vendor relationships. At the end of 2023, AENO's global footprint included 32 countries, including prominent retailers, both on and offline.

In 2021, the company also launched gaming brand Lorgar, featuring a new line of gaming accessories, including mice, keyboards, chairs, microphones, web cameras, headsets, and other peripherals, which are planned to be marketed as a comprehensive gaming product suite.

In late 2022, ASBISc launched a new internal business division: ASBIS Robotic Solutions (AROS). AROS targets multiple commercial applications, including industrial, cleaning, service, delivery, logistics/warehouse solutions, and security surveillance patrolling applications. ASBISc is investing in its robotics group to be a first mover in the field that is more akin to a service provider to its target markets, rather than merely a product developer. In our view, the robotics market is poised for expansion beyond its current portfolio of brands and represents a compelling opportunity for further sales and market expansion over the coming years.

AROS's flagship brand, CRON Robotics, will initially serve the automated beverage kiosk and storage markets, as well as offer industrial and commercial robotic arms. Other brands under this unit will include Aubo and Dobot (industrial arms), DH Robotics (grippers), and Gausium (cleaning products). Across 2023, AROS focused on building its partner network and on market engagement, resulting in the establishment of sales teams in nine countries and a reseller network of 37 companies in eight countries at year-end. We are encouraged by the company maintaining solid profitability despite the capital investments required to launch AROS as well as its other growth initiatives highlighted above.

As of the end of 2023, ASBISc had approximately 15 corporate venture investments in various high-growth markets, including medical devices, regenerative medicine, and clean energy. In December 2021, ASBISc invested 1 million euros to take a 20% stake in privately held EMBIO Diagnostics Ltd., which develops and commercializes medical devices for professional (B2B) and individual (B2C) settings. EMBIO recently entered commercialization for its CE mark–issued, innovative, biosensor-based breakthrough device B.EL.D. for rapid diagnostics in the fields of food safety, air quality testing, and environmental research. In 2022, the company invested 800,000 euros for a 16% stake in Cyprus-based Promed Bioscience Ltd., which is developing advanced collagen biomaterials for research and clinical applications. The funds are expected to be used to expand production capacity, and ASBISc has cited a strong commercial backlog emerging for the products.

We also view positively ASBISc's recognition as a socially responsible company, which we think can lead to its inclusion in global ESG investor portfolios over time. To that end, in September 2021, the company entered the WIG-ESG index, which includes WSE-listed companies cited as being socially responsible, specifically in regard to environmental, social, economic, and corporate governance issues. We note that Breezy is already being recognized for its sustainability, as it aims to ensure that electronic devices get extended life cycles, thus delaying their being discarded in landfills.

Since 2020, ASBISc has been selected three times among a select group of WSE-listed companies with the highest ratings and cited as a "Climate Aware Company" in the exchange's annual Companies Climate Awareness Survey. Lastly, we view positively its commitment to humanitarian efforts, with its launch of an aid fund called UkraineHelpFund, which has supplied needed medical, industrial, and food products to Ukraine. In 2023, ASBISc donated $2 million to help efforts in Ukraine.

RECENT DEVELOPMENTS

ASBISc shares trade on the WSE under the ticker ABS. In 2023, the shares increased by 20%, compared with a 31% increase for the WIG 20. Year-to-date in 2024, the shares have declined 12% compared with a 9% increase for the WIG 20.

In May 2024, ASBISc reported a 1% revenue decline for the 1Q24 and a 4% increase in operating expenses, resulting in net profit of $14 million (EPS of $0.25) compared with net profit of $17.4 million during the same period in 2023 (EPS of $0.31). Still, the company announced a final dividend from 2023 profits of $0.30 to be paid in June 2024 that marks the largest annual dividend paid to date.

In May 2024, ABSISc issued its official financial forecast for 2024 that assumed revenue between $3.1 billion and $3.4 billion and after-tax net profit between $60.0 million and $64.0 million, with continued positive operating cash flow for the year.

In 1Q24, ASBISc opened its first Apple store in Tashkent, the capital of Uzbekistan.

In February 2024, ASBISc announced that it had commenced the construction of a 20,000-square-meter distribution center in Kazakhstan, which is expected to be operational by early 2025.

In December 2023, ASBISc announced that it had increased warehouse space in its Prague and Johannesburg distribution centers by 5,500 square meters.

In October 2023, ASBISc announced that it had disposed of its subsidiary in Russia, thus ending operations in that country.

In July 2023, ASBISc opened subsidiaries in six new countries — Armenia, Georgia, Azerbaijan, Moldova, Morocco, and South Africa — bringing its total to 34 subsidiaries focused on operating in these countries.

In June 2023, the company announced that it opened its first Apple resell store in the high-growth market of Moldova, in the capital city of Chisinau.

In February 2023, ASBISc's Breezy trade-in subsidiary began operations in two new markets, Poland and Moldova.

In November 2022, it announced the launch of a new business division related to robotics. AROS will distribute collaborative robots (cobots) from leading global brands, as well as its own robotic platforms under its own brands.

In September 2021, ASBISc was added to the WIG-ESG index, which recognizes WSE-listed companies that are responsible on environmental, social, economic, and corporate governance issues.

EARNINGS & GROWTH ANALYSIS

We forecast revenue of $3.3 billion in 2024 and $3.68 billion in 2025, representing 8% growth in 2024 and 12% in 2025. In 2024, we see revenue growth to be concentrated in the second half of the year, as ASBISc continues to diversify its business, both in products and geographically.

On the product front, we expect smartphones to continue to drive revenue growth, since this category continues to show higher growth potential compared with other product categories. Because of an expanded retail presence brought about by reselling Apple products, smartphones now account for more than 40% of sales. We expect product portfolio expansion to include new, private-label brands, with the robotics unit supporting an attractive long-term growth profile.

As mentioned earlier, ASBISc has been successful in expanding its gross and operating margins. The company generated an 8.2% gross margin in 2023, down modestly from a record high 8.5% in 2022. We expect gross margins to stabilize around 8% over the near term, as ASBISc continues to invest in new growth initiatives, including robotics. In addition, we see investments previously undertaken to develop new private-label brands to begin to realize economies of scale over the coming years. We also see ASBISc benefiting from an optimized geographic sales mix over time. Thus, we project gross margins of 8.0% in 2024 and 8.1% in 2025. We see SG&A expenses as a percentage of sales around 4.8% in 2024 and 4.6% in 2025, at the high end of the recent range, as the company invests in new products while navigating higher administrative costs and humanitarian donations to support Ukraine in its war efforts.

We forecast EPS of $1.11 in 2024 and $1.50 in 2025, which would represent growth of 16% in 2024 and 35% in 2025We note that ASBISc's financial results going forward reflect no impact from operations in Russia, which were disposed of during 2023. For 2024, we see ASBISc's weighted average cost of debt beginning to decline from the 11.9% seen in 2023 before easing modestly toward 11% in 2025.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating for ASBISc is High. As of March 31, 2024, the company had $114 million in cash and equivalents on its balance sheet, down from $143.6 million at the end of 2023. We note that the first quarter is typically a period of negative operating cash flow generation, but we view positively that the 1Q24 cash used by operations of $41.5 million compares favorably with the $100 million used in the same period in 2023. We expect ASBISc to achieve positive operating cash flow for the full year of 2024.

As of March 31, 2024, ASBISc had a current ratio of 1.3. This ratio has been stable since 2015 but below the peer average of 1.6. At year-end 2023, the total debt/capitalization ratio was 47.4%, well below its recent peak above 60% at the end of 2020. We view the company's liquidity position as strong and underappreciated by investors, as more than 90% of its debt relates to short-term borrowing to help finance the expansion of inventory and product distribution.

Prior to 2022, ASBISc's cash conversion metrics were positive compared with its peer group, underscoring the efficiency of its selling infrastructure and strong relationships with suppliers. In 2022, however, ASBISc increased its inventory, which raised the average cash conversion cycle to 55.8 days, compared with 33-34 days over the prior three years. In 2023, this figure was reduced to 50 days, which still compares favorably to 57 days for its global peer group. Average days sales outstanding was 40.2 days for 2023, down from 46.2 days in 2022 and closer to its prior four-year average around 38 days but well below the peer average of 81.3 days.

Days sales of inventory was 60.3 days in 2023, down from 62.2 days in 2022 but above 38.4 days at the end of 2021 and above the peer average of 54.3 days. We view this metric as important given that tech products can quickly become obsolete as new products reach the market. Lastly, average days payable outstanding was 50.5 days, down from 52.6 days in 2022. While this metric is up from 42.5 days at the end of 2021, it remains well below the peer average of 79 days.

Net cash generated by operating activities in 2023 was $45.4 million, compared with $56.0 million in cash used during 2022. As mentioned earlier, inventories declined 20% at the end of 2023 to approximately $414 million, from $515 million as of December 31, 2022, which had increased by 59% over the end of 2021. In 2023, net cash outflows from investing activities were $11.7 million, compared with cash used of $11.1 million as of December 31, 2022. Net cash used by financing activities in 2023 was $17.7 million, compared with net cash generated of $8.6 million in 2022, which we attribute to higher dividend payments and lower borrowing levels in 2023.

In addition to investing in growth initiatives, ASBISc has focused on shareholder returns, which we view as a significant positive. The company currently distributes up to 50% of net profits as dividends. It paid total dividends of $0.45 per share in 2022 ($0.20 and $0.25 installments). Upon the distribution of a final dividend from 2023 profits to be paid in June 2024, ASBISc will have paid $0.50 in 2023 ($0.20 and $0.30 installments), with each year representing the largest in company history to date. The current annualized dividend implies a yield of 8.1% at the current valuation.

In 2022, ASBISc conducted a new share-repurchase program and bought back more than 300,000 shares. In July and August 2023, the company sold all of its Treasury stock of these previously repurchased shares to selected employees and the Provident Fund of ASBIS Group for an average price of 13.32 PLN. The transactions represented 0.59% of ASBISc's share capital and added 328,800 votes to the company's next General Meeting of Shareholders.

With liquidity supported by growing revenue, prospects for a return to positive operating cash flow, rising net income, and access to borrowed capital, we believe that ASBISc is well capitalized for the foreseeable future.

MANAGEMENT

Siarhei Kostevitch is the founder, president and CEO of ASBISc. Mr. Kostevitch received a master's degree in radio engineering design at the Radio Engineering University of Minsk in 1987. Between 1987 and 1992, he worked at the Research Centre at the Radio Engineering University. Mr. Kostevitch, through KS Holdings Ltd., holds approximately 37% of the company's shares and voting power.

The company's board has eight directors. In June 2023, the board was expanded by two members, including Constantinos Petrides, who has served in multiple ministry positions for the Republic of Cyprus, where he helped the country successfully navigate the COVID-19 pandemic period compared with other EU countries. The board has three independent directors, two of whom chair the company's audit and compensation committees.

RISKS

Risks for ASBISc include increased competition from both established companies and new entrants, including nonofficial products that can impact ASBISc's pricing power; the potential for economic and political developments that are currently impacting business conditions in major markets such as Kazakhstan and Ukraine and thus possibly limiting the ability to expand to new countries; the potential for unfavorable changes to its product selections and quality, inventory, prices, customer services, and credit availability; and changes in foreign exchange rates and fluctuations in the weighted average cost of debt due to variable borrowing costs in various operating markets. To mitigate the latter, ASBISc has been negotiating improved terms with some of its lenders and working to limit financing costs.

ASBISc's reporting currency is the U.S. dollar, which accounted for 85% of trade payables (90% in Q12024) and half of its operating expenses in 2023. As such, a stronger U.S. dollar in recent years has pressured both revenues and gross profits. We see potential for customer concentration risk in this industry but view ASBISc positively in this regard as well, given its expanding network and diversification strategies.

VALUATION

In our view, ASBISc's current valuation remains compelling based on multiple metrics and does not fairly reflect the company's strong underlying fundamentals, near-term uncertainties notwithstanding.

Its recent market capitalization of approximately $330 million (1.38 billion PLN) implies an enterprise value multiple around 0.1-times our 2024 revenue estimate of $3.3 billion. That is below the average multiple of 0.4 for a group of global electronics distribution peers. The stock also trades at a trailing-12-month enterprise value/EBITDA around 4-times, below the peer average of over 9-times. Lastly, ASBISc is trading at a forward P/E around 5.4 times our 2024 EPS estimate of $1.11, which is well below the peer group's average above 15-times.

We think that recent initiatives (including reselling Apple products and focusing on marketing innovative, private-label products such as the new robotics unit) are likely to leverage ASBISc's robust infrastructure network across Europe and should enhance the company's reputation among investors over time.

Further, we view the company's overall liquidity position as strong, as most of its debt relates to short-term borrowing to help finance inventory purchases and product distribution. We believe that as its inventory is sold through and reduced, and as ASBISc weathers higher borrowing costs over the near term, its results will benefit from its strong revenue growth and supply-chain efficiency, thus improving cash flow. Lastly, we see the solid dividend, which recently yielded 8.1% using the total dividend from 2023 profits of $0.50, as underappreciated.

Given the ongoing geopolitical climate across the company's European footprint, some challenges in navigating industry supply dynamics, and our view of reliance on establishing a presence for a rapidly expanding product roster, we believe that ASBISc warrants a discount to the industry average, albeit a narrower one. Applying a multiple of 12-times to our 2024 EPS estimate of $1.11 (4.44 PLN, using a six-month average PLN-to-USD exchange rate around 4:1), we arrive at what we view as a fair value estimate for ASB of 53 PLN per share, well above the current price near 24 PLN.

Steve Silver,
Argus Research Analyst

INCOME STATEMENT

Growth Analysis ($MIL)	2021	2022	2023	Q1 2024	Q2 2024E	Q3 2024E	Q4 2024E	2024E	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E
Revenue	3078.0	2690.0	3061.2	713.2	711.2	866.0	1009.6	3300.0	795.2	785.9	963.0	1136.0	3680.1
Gross Profit	218.5	227.8	252.3					262.4					299.1
SG&A	104.8	116.8	139.8					158.3					169.7
R&D	NA	NA	NA					NA					NA
Operating Income	113.7	111.00	112.5					104.2					129.4
Interest Expense	-17.0	-22.2	-32.2					-29.3					-28.0
Pretax Income	94.3	91.1	65.0					74.9					101.4
Tax Rate (%)	18	17	18					18					18
Net Income	77.1	75.9	53.0					61.5					83.2
Diluted Shares	55.5	55.3	55.5					55.5					55.5
EPS	1.39	1.37	0.96	0.25	0.15	0.28	0.43	1.11	0.31	0.28	0.39	0.52	1.50
Dividend	0.30	0.45	0.50					0.50					NA
Growth Rates (%)													
Revenue	30	-13	14					8					12
Operating Income	101	NM	1					-7					24
Net Income	111	NM	NM					16					35
EPS	111	NM	NM					16					35
Valuation Analysis													
Price (PLN): High	28.2	25.96	32.50					NA					NA
Price (PLN):Low	6.10	8.60	20.78					NA					NA
PE: High	NA	NA	NA					NA					NA
PE: Low	NA	NA	NA					NA					NA
PS: High	NA	NA	NA					NA					NA
PS: Low	NA	NA	NA					NA					NA
Yield: High	NA	NA	NA					NA					NA
Yield: Low	NA	NA	NA					NA					NA
Financial & Risk Analysis ($MIL)													
Cash	184.6	134.6	143.6					NA					NA
Working Capital	147.5	194.7	253.5					NA					NA
Current Ratio	1.2	1.2	1.3					NA					NA
LTDebt/Equity (%)	2.7	3.8	5.2					NA					NA
Total Debt/Equity (%)	112	95.2	90.1					NA					NA
Ratio Analysis													
Gross Profit Margin	7.1%	8.5%	8.2%					8.0%					8.1%
Operating Margin	3.7%	4.1%	3.7%					3.2%					3.5%
Net Margin	2.5%	2.8%	1.7%					1.9%					2.3%
Return on Assets (%)	8.3	9.7	6.8					NA					NA
Return on Equity (%)	47.4	48.5	20.2					NA					NA
Op Inc/Int Exp	6.7	5.0	3.5					3.6					4.6
Div Payout	22%	33%	NA					NA					NA

DISCLAIMER

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