

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 4.0.

698/2024/AR/November 29, 2024

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
Action	Buy	25.0	Neutral	Jakub K. Viscardi

Event: 3Q24 financial results released – earnings slightly above our forecasts; much weaker yoy CFO.

On Thursday, after the market close, Action released 3Q24 financial results.

- Revenues at PLN 627.5 million (down 2% yoy) are close to our estimations.
- The gross margin on sales reached 8.0%** and was below our forecast at 8.8% and just a tad ahead of earlier published monthly data which implied 7.8%.
- EBIT and EBITDA at PLN 10.1 million** (down 18% yoy) and **PLN 7.3 million** (down 26% yoy) were lower than our expectations (28% and 24%, respectively).
- The **SG&A costs to sales** ratio stood at **6.9%** vs **7.0%** a year ago while we expected this ratio to deteriorate to **8.0%**, similarly to 2Q24.
- The **EBITDA margin fell to 1.6%** vs our expectations at 1.3% and 1.9% in 3Q23.
- 3Q24 gross profit reached PLN 7.7 million (down 26% yoy) and was decreased/ elevated by a discount on liabilities arising from the arrangement with creditors (PLN 0.6 million)/ interests on deposits and valuation of financial instruments (PLN 1.2 million) vs our expectations at PLN 6.8 million.
- The Company's **net profit reached PLN 6.1 million** (down 25% yoy) vs our forecast at PLN 5.4 million. **The effective tax rate** in the discussed quarter was **21%** vs our expectations at 19.0%.
- CFO in 3Q24** were negative and materially weaker yoy reaching **PLN -50.8 million** vs PLN -8.0 million in 3Q23. Cumulative CFO for 1-3Q24 reached PLN 22.4 million vs PLN 34.8 million in 3Q23.

Action: 3Q24 financial results

IFRS consolidated (PLN m)	3Q24	3Q24 (DM BOŚ forecast)	Results vs forecasts	3Q23	yoy chg
Revenues	627.5	626.0	→	641.0	-2%
Gross profit on sales	50.3	55.1	↓	54.5	-8%
Gross margin on sales	8.0%	8.8%	-	8.5%	-
EBITDA	10.1	7.9	↑	12.2	-18%
EBITDA margin	1.6%	1.3%	-	1.9%	-
EBIT	7.3	5.9	↑	10.0	-26%
EBIT margin	1.2%	0.9%	-	1.6%	-
Gross profit	7.7	6.8	↑	10.4	-26%
Gross margin	1.2%	1.1%	-	1.6%	-
Net profit	6.1	5.4	↑	8.1	-25%
Adj net margin	1.0%	0.9%	-	1.3%	-

Source: Company, DM BOŚ SA

Expected impact: *Neutral; although reported figures are slightly above our forecasts, the erosion of profits in yoy terms is still high. The decomposition of profits is surprising and points at a definitely lower gross margin on sales than in previous quarters (an average gross margin for the previous 4 quarters was 8.8% vs 8.0% in 3Q24). On the other hand, the SG&A to sales ratio marginally improved yoy vs its visible deterioration in previous quarters. Besides, CFO were materially weaker yoy and cumulatively for 1-3Q24 likewise (down 36% yoy).*

The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.