

Allterco

Buy

Maintained
Price: BGN 14.20
Price target: BGN 17.00
 (from BGN 10.83)

+60% sound good? Not yet, not for us

We keep our BUY rating on Allterco, and increase our 12M price target (PT) to BGN 17.00/share (from BGN 10.83), offering 20% upside potential. Since our initiation report, in January 2021, the stock has seen a 61% rally, on its very strong 4Q20 results (EBITDA at BGN 8.6m, vs. our forecast of BGN 3.5m), and solid preliminary sales of high-margin devices in 1Q21 (+90% yoy). Consequently, we have increased our 2021-22E EBITDA forecasts by 33-37%. We still like Allterco: i) for its growth profile (2020-23E CAGRs of 33% for revenues and 28% for EBITDA, on our forecasts); ii) for its 2021-23E net cash/EBITDA position (1.5-0.7x, on our numbers); and iii) as we see room for profit distribution (2021-23E dividend yields of 1.6-5.0%).

Solid 4Q20 results, and stellar sales of goods in 1Q21. Allterco's 4Q20 EBITDA reached BGN 8.6m, vs. our BGN 3.5m estimate. There were two drivers of this strong result: i) the recognition of profits from the disposal of c.0.6m shares of Link Holding in October 2020; and ii) an improved sales mix (high-margin goods, mainly IoT products, increased 117% yoy, while the revenues from low-margin telecoms services dropped 61% yoy). Moreover, in April, it announced that its 1Q21 preliminary goods sales were up 90% yoy, which bodes well for Allterco's profitability outlook, in our view.

This has encouraged us to increase our forecasts materially. Based on the solid figures reported so far, and management's belief that the pandemic should not have a material impact on the company's business in 2021E, we have raised our 2021-22E EBITDA forecasts by 33-37%, to BGN 15.1m and BGN 21.8m, respectively.

EBITDA CAGR of 28% for 2020-23E. On our updated numbers, we expect Allterco's EBITDA to expand by c.28% yoy over the next three years. We see slightly higher dynamics for the top line (a 2020-23E CAGR of 33%), which implies EBITDA margin erosion (down from 27% in 2020 to 24% in 2023E), and reflects the greater competition that the company may be exposed to while maintaining such dynamic growth.

Net cash position allows for profit distribution. Taking into consideration our profit forecasts, we expect Allterco to remain net cash positive (2021-23E net cash/EBITDAs of 1.5-0.7x). This should allow for some moderate dividend payments (2021-23E yields at 1.6-5.0%, on our figures). We stress, however, that the dividend is just a sweetener for the core growth story, for us.

We keep our BUY rating on Allterco, with a new 12M price target (PT) of BGN 17.00/share, implying 20% upside potential. Our PT is based only on our DCF analysis. Our peers-based valuation indicates a PT of BGN 20.99 (48% upside potential), but we do not include this in our final PT. On our numbers, Allterco trades at 2021-23E EV/EBITDAs of only 15.5-8.9x.

Risks: competition; production; the pandemic; selling its Asian subsidiaries; FX; a shortage of key employees; the certification of goods; technology changes; and data security.

Expected events

1Q21 results	31 May (TBC)
2Q21 results	30 August (TBC)
3Q21 results	29 November (TBC)

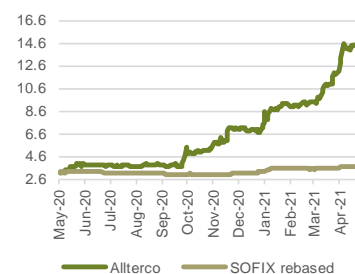
Key data

Market cap	USD 155m
3M ADTV	USD 0.05m
Free float	33%
Shares outstanding	18m
Major shareholders	
	Dimitar Dimitrov (32.48%)
	Svetlin Todorov (32.48%)
Bloomberg code	A4L BU
SOFIX index	522

Price performance

52-w range	BGN 3.12-14.60
52-w performance	+344%
Relative performance	+329%

Allterco 12M share price performance



	Revenues	EBITDA	EBIT	NI	EPS	DPS	P/E	EV/EBITDA	Div. yield	ND/EBITDA
	BGNm	BGNm	BGNm	BGNm	BGN	BGN	x	x	%	x
2019	33.5	1.0	0.1	7.3	0.49	0.01	29.2	216.8	1.2%	-7.4
2020	46.5	12.5	12.1	13.9	0.77	0.23	18.4	18.7	0.1%	-1.8
2021E	63.9	15.1	14.4	12.5	0.69	0.42	20.5	15.5	1.6%	-1.5
2022E	86.4	21.8	20.8	18.2	1.01	0.71	14.1	10.7	2.9%	-1.0
2023E	108.4	26.4	25.2	22.1	1.23	0.86	11.6	8.9	5.0%	-0.7

Analysts: Pawel Wieprzowski, PhD; Piotr Raciborski, CFA
 E-mail: pawel.wieprzowski@wood.com, piotr.raciborski@wood.com

Warsaw: +48 22 222 1549
 Website: www.wood.com

Contents

Company snapshot – BUY, PT BGN 17.00/share	3
Valuation.....	4
Financial forecasts	6
Risks	7
Financials	8
Important disclosures	10

Closing Prices as of 13 May 2021

© 2021 by WOOD & Company Financial Services, a.s.

All rights reserved. No part of this report may be reproduced or transmitted in any form or by any means electronic or mechanical without written permission from WOOD & Company Financial Services, a.s. This report may not be lent, resold, hired out or otherwise disposed of by way of trade in any form of binding or cover other than that in which it is published without written permission from WOOD & Company Financial Services, a.s.

Requests for permission to make copies of any part of this report should be mailed to:

WOOD & Company Financial Services a.s.
Palladium, Namesti Republiky 1079/1a,
110 00 Prague 1 – Czech Republic
tel.: +420 222 096 111
fax: +420 222 096 222
<http://www.wood.cz>

Company snapshot – BUY, PT BGN 17.00/share

Allterco		SHARE PRICE PERFORMANCE		COMPANY DESCRIPTION							
BUY											
Bloomberg ticker	A4L BU Equity			<p>Allterco is a Bulgarian Internet of Things (IoT) company, established in 2003, which operates in the telecommunications business. In 2010, the firm started developing its IoT segment, which it now perceives as a key part of its business. In 2019, Allterco disposed of its European telecommunications business, and is now considering selling its Asian telecoms subsidiaries. The two most important markets in terms of 2019 goods sales through distributors were Germany (28% top line) and Italy (24%). For the online sales channel, the share of the two countries was 43% and 14%, respectively. The company's founders – Dimitar Dimitrov and Svetlin Todorov – are still the major shareholders and key managers.</p>							
Closing price (BGN/share)	14.20										
PT (BGN/share)	17.00										
Upside to PT	20%										
Shares outstanding (m)	18										
Market cap (USDm)	155										
Free float	33%										
Average daily turnover (USDk)	47.00										
52 Week performance	344%										
52 Week relative performance	329%										
52 Week Range (BGN)	3.2-14.6										
RATIOS											
BGN/share	2019	2020	2021E	2022E	2023E	VALUATION RATIOS	2019	2020	2021E	2022E	2023E
EPS	0.5	0.8	0.7	1.0	1.2	EV/EBITDA	216.8x	18.7x	15.5x	10.7x	8.9x
DPS (from the given year's net profit)	0.0	0.2	0.4	0.7	0.9	P/E	29.2x	18.4x	20.5x	14.1x	11.6x
Dividend pay-out ratio	6%	30%	60%	70%	70%	FCF yield	-1.4%	0.1%	1.6%	3.1%	3.9%
						Dividend yield	1.2%	0.1%	1.6%	2.9%	5.0%
FINANCIAL RATIOS						FCF BREAKDOWN (BGNm)					
	2019	2020	2021E	2022E	2023E	EBIT*	2019	2020	2021E	2022E	2023E
EBITDA margin	2.8%	26.8%	23.6%	25.2%	24.3%	D&A	0.1	12.1	14.4	20.8	25.2
Net margin	21.8%	29.8%	19.5%	21.0%	20.4%	NO PAT	0.1	10.9	12.2	17.7	21.4
Effective tax rate	12.2%	10.0%	15.0%	15.0%	15.0%	D&A	0.8	0.4	0.7	1.0	1.2
ROE	24.7%	31.7%	20.3%	25.7%	27.3%	CAPEX	-1.8	-2.9	-4.0	-3.2	-5.2
ROA	17.8%	26.2%	17.9%	22.9%	24.7%	Change in WC	-2.1	-8.2	-4.7	-7.6	-7.4
ROIC	0.3%	22.9%	18.9%	24.0%	25.9%	FCF	-3.0	0.2	4.2	7.9	10.0
COMPANY FINANCIALS											
INCOME STATEMENT, BGNm						BALANCE SHEET, BGNm					
	2019	2020	2021E	2022E	2023E		2019	2020	2021E	2022E	2023E
Revenues	33.5	46.5	63.9	86.4	108.4	PPE	4.6	5.1	6.6	7.6	9.6
o/w goods	21.0	38.5	55.8	78.1	100.0	Intangibles	3.2	3.6	5.4	6.6	8.6
o/w services	12.3	7.2	7.4	7.5	7.7	Goodwill	3.3	2.8	2.8	2.8	2.8
EBITDA	1.0	12.5	15.1	21.8	26.4	Others	6.5	7.1	7.1	7.1	7.1
D&A	0.8	0.4	0.7	1.0	1.2	Total non-current assets	17.7	18.6	21.9	24.1	28.1
EBIT*	0.1	12.1	14.4	20.8	25.2	Inventories	1.3	3.7	3.5	4.7	5.9
FBT	8.3	14.9	14.2	20.7	25.2	Trade accounts receivable	5.7	14.7	20.1	27.2	34.2
Income tax	1.0	1.5	2.1	3.1	3.8	Cash and cash equivalents	10.9	26.1	25.6	26.0	23.3
Minorities	0.0	0.4	0.4	0.5	0.7	Others	4.3	2.7	2.7	2.7	2.7
Net profit	7.3	13.9	12.5	18.2	22.1	Total current assets	22.2	47.1	52.0	60.7	66.1
						Total assets	39.9	65.7	73.9	84.8	94.2
CASH FLOW STATEMENT, BGNm						BALANCE SHEET, BGNm					
	2019	2020	2021E	2022E	2023E		2019	2020	2021E	2022E	2023E
CF from operations	6.4	4.0	8.2	11.1	15.2	Total shareholders equity	30.3	56.8	64.8	74.9	83.6
D&A	0.8	0.4	0.7	1.0	1.2	Long-term borrowings	2.6	2.5	2.2	2.2	2.2
Changes in WC	-2.1	-8.2	-4.7	-7.6	-7.4	Other LT liabilities	0.0	0.0	0.0	0.0	0.0
CF from investments	8.3	1.9	-4.0	-3.2	-5.2	Total non-current liabilities	2.6	2.5	2.2	2.2	2.2
o/w capex (PPE & int. ass.)	-1.8	-2.9	-4.0	-3.2	-5.2	ST Debt	1.2	1.3	1.3	1.3	1.3
CF from fin. activities	-3.7	9.2	-4.6	-7.5	-12.8	ST trade payables	1.4	1.5	2.1	2.9	3.6
o/w borrowings	-1.0	0.1	-0.3	0.0	0.0	Other ST liabilities	1.4	0.8	0.8	0.8	0.8
o/w dividends	-2.6	-0.2	-4.2	-7.5	-12.7	Total current liabilities	4.0	3.6	4.2	4.9	5.6
						Total equity and liabilities	39.9	65.7	73.9	84.8	94.2
						Gross debt	3.9	3.9	3.6	3.6	3.6
						Net debt	-7.0	-22.2	-22.0	-22.4	-19.7
						ND/EBITDA	-7.4x	-1.8x	-1.5x	-1.0x	-0.7x
Revenues by segment											
BGNm	2019	2020	2021E	2022E	2023E						
Revenues	33.5	46.5	63.9	86.4	108.4						
yoy	-25%	39%	37%	35%	25%						
Services	12.3	7.2	7.4	7.5	7.7						
yoy	-64%	-41%	2%	2%	2%						
Goods	21.0	38.5	55.8	78.1	100.0						
yoy	92%	83%	45%	40%	28%						
ND/EBITDA and capex						FCF and FCF yield					

Source: Company data, Bloomberg, WOOD Research; *EBIT calculated as revenues minus opex (Allterco includes net financial result in its calculations of operating profit)

Valuation

We rate Allterco a BUY, with a 12M price target (PT) of BGN 17.00, implying 20% upside potential. Our PT is based solely on our DCF analysis (a 100% weight), as was the case in our initiation report. The reason for assigning a 0% weight to its peers is that it is hard to find peers for a small-cap company (market cap of USD 155m), with such limited liquidity (3M ADTV below USD 0.05m), with similar business profiles.

Valuation summary

	Weight	PT	Current price	Upside
DCF	100%	17.00	14.20	20%
Peer-based valuation	0%	20.99	14.20	48%
Weighted PT	100%	17.00	14.20	20%

Source: WOOD Research

DCF: 12M PT at BGN 17.00/share

We base our DCF valuation on the following assumptions:

- ✓ A WACC of c.11%.
- ✓ EBIT is calculated as revenues minus opex (Allterco includes the net financial result in its operating profit calculations).
- ✓ A present value of the discounted free cash flows of BGN 77m for 2021-29E.
- ✓ End-2020 net cash of BGN 22m.
- ✓ A present value of the terminal value of BGN 165m.
- ✓ A terminal growth rate of 4.0%.

DCF valuation

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal
Revenues	63.9	86.4	108.4	128.6	150.3	171.7	191.4	208.0	219.1	227.9
Yoy	37%	35%	25%	19%	17%	14%	11%	9%	5%	4%
EBIT	14.4	20.8	25.2	29.1	33.3	35.5	38.9	40.7	42.7	44.6
EBIT margin	22%	24%	23%	23%	22%	21%	20%	20%	20%	20%
Cash tax (15%)	2.2	3.1	3.8	4.4	5.0	5.3	5.8	6.1	6.4	6.7
NOPAT	12.2	17.7	21.4	24.8	28.3	30.2	33.0	34.6	36.3	37.9
(+) D&A	0.7	1.0	1.2	1.5	1.9	2.4	3.0	3.4	3.7	4.0
(-) Capex	-4.0	-3.2	-5.2	-7.0	-7.4	-7.9	-8.0	-7.4	-7.2	-8.5
(-) Working capital growth	-4.7	-7.6	-7.4	-6.8	-7.3	-7.2	-6.6	-5.6	-3.7	-3.7
Net investment	-8.0	-9.8	-11.4	-12.3	-12.8	-12.7	-11.6	-9.6	-7.2	-8.2
FCF	4.2	7.9	10.0	12.5	15.4	17.5	21.4	25.1	29.0	29.7
Terminal growth [g(t)]	4.0%									
PV TV	165									
PV FCF 2021-29E	77									
Enterprise value (EURm)	242									
Net debt (end-2020)	-22									
Minorities (end-2020)	0									
Equity value (BGNm)	265									
Number of shares (m)	18									
Value per share (BGN, 1 Jan 2021)	14.70									
12M PT (BGN)	17.00									

Source: WOOD Research

DCF sensitivity

		WACC						
		6.7%	7.7%	8.7%	11%	10.7%	11.7%	12.7%
Terminal growth rate	1.0%	14.16	14.04	13.93	13.81	13.70	13.60	13.49
	2.0%	15.01	14.88	14.76	14.64	14.52	14.41	14.29
	3.0%	16.07	15.94	15.80	15.67	15.55	15.42	15.30
	4.0%	17.43	17.29	17.14	17.00	16.86	16.73	16.59
	5.0%	19.25	19.09	18.93	18.77	18.62	18.47	18.32
	6.0%	21.80	21.61	21.43	21.25	21.07	20.90	20.73
	7.0%	25.62	25.40	25.18	24.96	24.75	24.55	24.35

Source: WOOD Research

Peers valuation: 12M PT at BGN 20.99/share

Allterco should grow broadly in line with its peers, but it still trades at a discount to them. On our figures, the company is valued at 2021-23E P/Es of 20.5-11.6x, indicating 16-41% discounts vs. its peers, while its profit growth (a 2020-23E EBITDA CAGR of 28%, on our forecasts) is above its peers figure of 20% (according to the Bloomberg consensus).

Allterco: peers

	Country	Mcap		ND/ EBITDA	P/E			EBITDA CAGR 20-23E	EV/EBITDA			Dividend yield		
		USDm	EBITDA		2021E	2022E	2023E		2021E	2022E	2023E	2021E	2022E	2023E
Allterco	Bulgaria	155	-1.5x	20.5	14.1	11.6	28%	15.5	10.7	8.9	1.6%	2.9%	5.0%	
Somfy SA	France	6,298	-1.6x	24.5	22.1	19.5	5%	15.1	13.4	11.8	1.3%	1.3%	1.5%	
Alarm.Com	US	3,994	-1.8x	47.7	41.8	37.2	20%	29.2	24.4	21.9	n.a.	n.a.	n.a.	
Vivint Smart Home	US	2,447	n.a.	n.a.	n.a.	n.a.	n.a.	7.5	6.8	5.2	n.a.	n.a.	n.a.	
Viomi Technology	China	478	-4.9x	9.6	7.0	6.7	30%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Median				24.5	22.1	19.5	20%	15.1	13.4	11.8	1.3%	1.3%	1.5%	
Allterco vs. peers' median				-16%	-36%	-41%	8.6pp	3%	-20%	-24%	0pp	2pp	3pp	

Source: WOOD Research, Bloomberg

Peer valuation

	P/E (x)			EV/EBITDA (x)		
	2021E	2021E	2023E	2021E	2022E	2023E
Total weighted median (x)	24.50	22.07	19.47	15.08	13.36	11.76
EPS (BGN) for P/E and EBITDA (BGNm) for EV/EBITDA	0.7	1.0	1.2	15	22	26
Implied enterprise value				228	291	310
Implied equity value	306	401	430	251	314	332
Implied equity value per share (BGN)	16.97	22.30	23.87	13.92	17.47	18.44
Weight (%)	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Implied weighted equity value per share (BGN)						18.83
12M price target (PT)						20.99

Source: Bloomberg, WOOD Research

Financial forecasts

On the back of the solid 2020 figures, the 1Q21 preliminary sales data and management's comments that the pandemic should not have a material impact on Allterco's business in 2021E, we have increased our forecasts for its 2021-22E EBITDA by 33% and 37%, respectively.

At this stage, Allterco has received an offer of EUR 2.1m for its Asian telecoms business, although this is still subject to negotiations after thorough due diligence. As we do not know, at this stage, if or when, or for what price the business may be sold, we do not assume the disposal of the Asian telecoms business in our forecasts.

WOOD's forecasts revisions

	2020			2021E			2022E		
	Actual	WOOD	Diff.	Old	New	Diff.	Old	New	Diff.
Revenues	46.5	39.0	19%	55.7	63.9	15%	79.1	86.4	9%
EBITDA	12.5	10.3	21%	11.4	15.1	33%	15.9	21.8	37%
Operating profit	12.1	9.4	29%	10.3	14.4	40%	14.6	20.8	42%
Net income	13.9	8.6	60%	6.2	12.5	102%	9.9	18.2	83%
EBITDA margin	27%	26%	0pp	20%	24%	3pp	20%	25%	5pp
Operating margin	26%	24%	2pp	18%	22%	4pp	18%	24%	6pp
Net margin	30%	22%	8pp	11%	20%	8pp	13%	21%	8pp

Source: Company data, WOOD Research

WOOD vs. Allterco's forecasts

Taking into consideration our 1Q21E preview, we pencil in BGN 15.1m of EBITDA for 2021E. This is 28% more than the company's forecast, but we stress that Allterco released its forecast in its capital raising prospectus back in October 2020, i.e., more than six months ago. The results delivery since then has proved, in our view, that the company was too conservative; hence, we feel comfortable with our forecasts for the coming years.

WOOD vs. Allterco's forecasts

	2021E			2022E			2023E		
	WOOD	Allterco	Diff.	WOOD	Allterco	Diff.	WOOD	Allterco	Diff.
Revenues	63.9	54.5	17%	86.4	82.1	5%	108.4	103.5	5%
EBITDA	15.1	11.8	28%	21.8	19.8	10%	26.4	25.5	3%
Operating profit*	14.4	10.3	39%	20.8	18.2	14%	25.2	23.7	6%
Net income	12.5	8.9	41%	18.2	15.9	14%	22.1	20.6	7%
EBITDA margin	24%	22%	2pp	25%	24%	1pp	24%	25%	0pp
Operating margin	22%	19%	4pp	24%	22%	2pp	23%	23%	0pp
Net margin	20%	16%	3pp	21%	19%	2pp	20%	20%	0pp

Source: Company data, WOOD Research; *we calculate the operating profit as revenues minus opex (Allterco includes the net financial result in the profit)

Risks

- ✓ Competition.
- ✓ Production risks and the pandemic.
- ✓ Risk of selling its Asian subsidiaries.
- ✓ FX risk.
- ✓ A shortage of key employees.
- ✓ Certification of goods.
- ✓ Changes in technology.
- ✓ Data security.
- ✓ A worldwide shortage of semiconductors and microchips. In March 2021, Reuters reported that, amid a combination of factors (sanctions against Chinese tech companies, consumers buying larger quantities of laptops and other electronic devices during the COVID-19 pandemic, and cars, than industry officials expected), there is a shortage of semiconductors and microchips. Allterco monitors the market for signals of problems with the supply of components (including microchips) and, when potential shortages are identified, it starts to place orders for critical components 6-12 months ahead. If this situation persists over a longer period of time, we see a risk that Allterco may be unable to sell as many devices as it would like to, or that its clients would like to buy.

Financials

Profit and loss

BGN m	2019	2020	2021E	2022E	2023E
Revenues	33.5	46.5	63.9	86.4	108.4
Yoy	15%	-25%	39%	37%	35%
o/w goods	21.0	38.5	55.8	78.1	100.0
Yoy	48%	92%	83%	45%	40%
o/w services	12.3	7.2	7.4	7.5	7.7
Yoy	7%	-64%	-41%	2%	2%
EBITDA	1.0	12.5	15.1	21.8	26.4
D&A	0.8	0.4	0.7	1.0	1.2
Operating profit*	0.1	12.1	14.4	20.8	25.2
PBT	8.3	14.9	14.2	20.7	25.2
Income tax	1.0	1.5	2.1	3.1	3.8
Minorities	0.0	0.4	0.4	0.5	0.7
Net profit	7.3	13.9	12.5	18.2	22.1

Source: Company data, WOOD Research; *we calculate the operating profit as revenues minus opex (Allterco includes the net financial result in the profit)

Cash flow statement

BGN m	2019	2020	2021E	2022E	2023E
CF from operations	6.4	4.0	8.2	11.1	15.2
D&A	0.8	0.4	0.7	1.0	1.2
Changes in WC	-2.1	-8.2	-4.7	-7.6	-7.4
CF from investments	8.3	1.9	-4.0	-3.2	-5.2
o/w capex (PPE & int. ass.)	-1.8	-2.9	-4.0	-3.2	-5.2
CF from fin. activities	-3.7	9.2	-4.6	-7.5	-12.8
o/w borrowings	-1.0	0.1	-0.3	0.0	0.0
o/w dividends	-2.6	-0.2	-4.2	-7.5	-12.7
Cash – beginning of the period	0.5	10.9	26.1	25.6	26.0
Net change in cash	10.4	15.1	-0.4	0.4	-2.7
Cash end of period	10.9	26.1	25.6	26.0	23.3

Source: Company data, WOOD Research

Balance sheet

BGN m	2019	2020	2021E	2022E	2023E
PPE	4.6	5.1	6.6	7.6	9.6
Intangibles	3.2	3.6	5.4	6.6	8.6
Goodwill	3.3	2.8	2.8	2.8	2.8
Others	6.5	7.1	7.1	7.1	7.1
Total non-current assets	17.7	18.6	21.9	24.1	28.1
Inventories	1.3	3.7	3.5	4.7	5.9
Trade accounts receivables	5.7	14.7	20.1	27.2	34.2
Cash and cash equivalents	10.9	26.1	25.6	26.0	23.3
Others	4.3	2.7	2.7	2.7	2.7
Total current assets	22.2	47.1	52.0	60.7	66.1
Total assets	39.9	65.7	73.9	84.8	94.2
Total shareholders' equity	30.3	56.8	64.8	74.9	83.6
Long-term borrowings	2.6	2.5	2.2	2.2	2.2
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0
Total non-current liabilities	2.6	2.5	2.2	2.2	2.2
Short-term debt	1.2	1.3	1.3	1.3	1.3
Short-term trade payables	1.4	1.5	2.1	2.9	3.6
Other short-term liabilities	1.4	0.8	0.8	0.8	0.8
Total current liabilities	4.0	3.6	4.2	4.9	5.6
Total equity and liabilities	39.9	65.7	73.9	84.8	94.2
Gross debt	3.9	3.9	3.6	3.6	3.6
Net debt	-7.0	-22.2	-22.0	-22.4	-19.7
ND/EBITDA	-7.4x	-1.8x	-1.5x	-1.0x	-0.7x

Source: Company data, WOOD Research

Valuation multiples

	2019	2020	2021E	2022E	2023E
P/E	29.2x	18.4x	20.5x	14.1x	11.6x
EV/EBITDA	216.8x	18.7x	15.5x	10.7x	8.9x
FCF yield	-1.4%	0.1%	1.6%	3.1%	3.9%
Dividend yield	1.2%	0.1%	1.6%	2.9%	5.0%

Source: Company data, WOOD Research

Important disclosures

This investment research is published by WOOD & Company Financial Services, a.s. ("WOOD&Co") and/or one of its branches who are authorised and regulated by the Czech National Bank (CNB) as Home State regulator and in Poland by the Polish Financial Supervision Authority (KNF), in Slovakia by the National Bank of Slovakia (NBS), in Italy by the Companies and Stock Exchange Commission (CONSOB) and in the UK by the Financial Conduct Authority (FCA) as Host State regulators.

This investment research was prepared by WOOD&Co with financial assistance from Taipei China through the TaiwanBusiness EBRD Technical Cooperation Fund managed by the European Bank for Reconstruction and Development ("EBRD"). Neither EBRD nor Taipei China has had any editorial rights or other influence on the content of this investment research. Neither EBRD nor Taipei China makes any representation or warranty or assumes any responsibility or liability in relation to the contents of this investment research or reliance thereon. The views expressed in this investment research are those of WOOD&Co and can in no way be taken to reflect the official opinion of EBRD or of Taipei China. EBRD may, as of the date hereof or in the future, have an investment in, provide other advice or services to, or otherwise have a financial interest in, certain of the companies and parties contained or named in this investment research or in their affiliates.

This investment research was completed on 14/05/2021 at 15:45 CET and disseminated on 17/05/2021 at 07:30 CET.

WOOD&Co's rating and price target history for Allterco in the preceding 12-month period:

Date	Rating	Date	PT
27/01/2021	BUY – initiation of coverage	27/01/2021	BGN 10.83
		17/05/2021	BGN 17.00

A history of all WOOD&Co's investment research disseminated during the preceding 12-month period can be accessed via our website at <https://research.wood.com>.

The meanings of recommendations made in WOOD&Co's investment research are as follows:

BUY: The stock is expected to generate total returns of over 15% during the next 12 months as measured by the price target.

HOLD: The stock is expected to generate total returns of 0-15% during the next 12 months as measured by the price target.

SELL: The stock is expected to generate a negative total return during the next 12 months as measured by the price target.

RESTRICTED: Financial forecasts, and/or a rating and/or a price target is restricted from disclosure owing to Compliance or other regulatory/legal considerations such as a blackout period or a conflict of interest.

NOT RATED: Suspension of rating after 30 consecutive weekdays where the current price vis-à-vis the price target has been out of the range dictated by the current BUY/HOLD/SELL rating.

COVERAGE IN TRANSITION: Due to changes in the Research team, the disclosure of a stock's rating and/or price target and/or financial information are temporarily suspended.

As of the end of the last calendar quarter, the proportion of all WOOD&Co's investment research vis-à-vis the proportion of subject companies that were investment banking clients over the previous 12 months is as follows:

	BUY	HOLD	SELL	Restricted	NOT RATED	Coverage in transition
Equity Research Coverage	50%	44%	5%	1%	n.a.	1%
IB Clients	1%	1%	n.a.	n.a.	n.a.	n.a.

Any prices of financial instruments quoted in this investment research are taken as of the previous day's market close on the home market unless otherwise stated.

Details of the methodologies used to determine WOOD&Co's price targets and risk assessment related to the achievement of the targets are outlined throughout the most recent substantive report/note on the subject company.

It should be assumed that the risks and valuation methodology presented in daily news or flash notes, and not changing WOOD&Co's estimates or ratings, are as set out in the most recent substantive research report/note on the subject company and can be found on our website at <https://research.wood.com>.

WOOD&Co's policy is to update investment research as it deems appropriate, based on developments in the subject company, sector or market that may have a material impact on the views or opinions stated in the investment research.

WOOD Research Disclosures (as of 17 May 2021)

Company	Disclosures
Alior Bank	5
AmRest	5
ANY Security Printing Company PLC	5
Banca Transilvania	5
Bank of Cyprus	4
BRD	5
Bucharest Stock Exchange	5
Santander Bank Polska	5
CCC	5
CD Projekt	5
Ceska zbrojovka Group	1, 2, 3
CEZ	5
CME	5
Dino	5
DO&CO	5
Electrica	5
Erste Group Bank	5
Eurobank	4
Eurocash	4, 5
Fortuna	5
Fondul Proprietatea	1, 2, 3, 4, 5
Graphisoft Park	5
ING BSK	5
Kazatomprom	5
Kernel	5
Kety	5
KGHM	5
Kofola CS	5
Komerční	4, 5
Kruk	5
Lotos	5
MedLife	4
MONETA Money Bank	5
O2 Czech Republic	1, 4, 5
OMV Petrom	3, 5
Orange PL	5

Piraeus Financial Holdings S.A.	1, 2, 3
Pekao	4, 5
PGE	5
PGNiG	5
Philip Morris CR	5
PKN Orlen	5
PKO BP	4, 5
PZU	4, 5
Romgaz	5
Santander Bank Polska	5
Siauliu Bankas	1, 2, 4
Tauron	5
TBC Bank	3
Ten Square Games	3
Transelectrica	5
Transgaz	5
Warsaw Stock Exchange	5

#	Description
1	The company currently is, or in the past 12 months was, a client of WOOD&Co or any of its affiliates for the provision of corporate finance/investment banking services.
2	In the past 12 months, WOOD&Co or any of its affiliates have received compensation for corporate finance/investment banking services from the company.
3	In the past 12 months, WOOD&Co or any of its affiliates have been lead manager or co-lead manager of a publicly disclosed offer of the company's financial instruments.
4	In the past 12 months, WOOD&Co or any of its affiliates have acted as broker to the company
5	WOOD&Co or any of its affiliates are market maker(s) or liquidity provider(s) in relation to financial instruments of the company.
6	In the past 12 months, WOOD&Co or any of its affiliates have provided to the company any services set out in Sections A and B or Annex I to the Directive 2014/65/EU of the European Parliament and of the Council, other than services listed under points 1, 3, 4 or 5 above, or received compensation for such services from the company.
7	The authoring analyst or any individual involved in the preparation of this investment research have purchased/received shares in the company prior to a public offering of those shares; and the price at which they were acquired along with the date of acquisition are disclosed above.
8	The authoring analyst or any individual involved in the preparation of this investment research has a direct ownership position in securities issued by the company.
9	A partner, director, officer, employee or agent of WOOD&Co and its affiliates, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the company.
10	WOOD&Co or its affiliates hold a net long or short position exceeding the threshold of 0.5% of the total issued share capital of the company, calculated in accordance with Article 3 of Regulation (EU) No 236/2012 and with Chapters III and IV of Commission Delegated Regulation (EU) No 918/2012.
11	The company owns more than 5% of the total issued share capital in WOOD&Co or any of its affiliates.

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the overall profits of WOOD&Co, which includes corporate finance/investment banking, sales and trading and principal trading revenues. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific activities, or to recommendations contained in the investment research. One factor in equity research analyst compensation is arranging corporate access events/meetings between institutional clients and the management teams of covered companies (with the company management being more likely to participate when the analyst has a positive view of the company).

WOOD&Co and its affiliates may have a corporate finance/investment banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their clients, in good faith or in the normal course of market making. Accordingly, WOOD&Co or their affiliates, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

WOOD&Co manages conflicts of interest arising as a result of preparation and publication of research through its use of internal databases, notifications by the relevant employees and Chinese Walls as monitored by Compliance. For further details, please see our website at <https://www.wood.cz/mifid-information/>.

The information contained in this investment research has been compiled by WOOD&Co from sources believed to be reliable, but (with the exception of the information about WOOD&Co) no representation or warranty, express or implied, is made by WOOD&Co, its affiliates or any other person as to its fairness, accuracy, completeness or correctness. WOOD&Co has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute WOOD&Co's judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

WOOD&Co salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. WOOD&Co's affiliates, proprietary trading desk and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute or form part of an offer or invitation or solicitation to engage in investment activity or to buy or sell any designated investments discussed herein in any jurisdiction. As a result, the designated investments discussed in this investment research may not be eligible for offer or sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction.

This investment research does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should consider this report as only a single factor in making their investment decision and obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of WOOD&Co, its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from or in connection with the use of this investment research.

For United Kingdom or EU Residents:

This investment research is for persons who are eligible counterparties or professional clients within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 (or any analogous legislation) on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described

in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended).

For United States Residents:

This investment research distributed in the United States by WOOD&Co, and in certain instances by Brasil Plural Securities LLC ("Brasil Plural"), a U.S. registered broker dealer, only to "major U.S. institutional investors", as defined under Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC"). This investment research is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research and are not a major U.S. institutional investor, you are instructed not to read, rely on or reproduce the contents hereof, and to destroy this research or return it to WOOD&Co or to Brasil Plural. Analyst(s) preparing this report are employees of WOOD&Co who are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore the analyst(s) are not be subject to Rule 2711 of the Financial Industry Regulatory Authority ("FINRA") or to Regulation AC adopted by SEC which, among other things, restrict communications with a subject company, public appearances and personal trading in securities by a research analyst. Any major U.S. Institutional investor wishing to effect transactions in any securities referred to herein or options thereon should do so by contacting a representative of Brasil Plural. Brasil Plural is a broker-dealer registered with the SEC and a member of FINRA and the Securities Investor Protection Corporation. Its address is 545 Madison Avenue, 8th Floor, New York, NY 10022 and its telephone number is 212-388-5613. WOOD&Co is not affiliated with Brasil Plural or any other U.S. registered broker-dealer.

The views and sentiments expressed in this investment research and any findings thereof accurately reflect the analyst's truthful views about the subject securities and or issuers discussed herein.

This page has been left blank intentionally

This page has been left blank intentionally

This page has been left blank intentionally

CONTACTS

Czech Republic

namesti republiky 1079/1a
Palladium
110 00 Praha 1
Czech Republic
Tel +420 222 096 111
Fax +420 222 096 222

Romania

Metropolis Center
89-97 Grigore Alexandrescu St.
010624 Bucharest 1
Tel.: +40 316 30 11 81

Poland

Skylight Zlote Tarasy
Zlota 59
00 120 Warszawa
Poland
Tel +48 22 222 1530
Fax +48 22 222 1531

UK

City Point, 11th Floor
1 Ropemaker Street
London EC2Y 9HT

Tel +44 20 3530 0691

Italy

Via Luigi Settembrini, 35
20124 Milan
Italy

Tel +39 02 36692 500

Kristen Andrasko

Head of Equities
+420 222 096 253
kristen.andrasko@wood.com

Bloomberg page
WUCO

www.wood.com

Research

Co-Head of Research/ Head of Research Poland

Marta Jezewska-Wasilewska
+48 22 222 1548
marta.jezewska-wasilewska@wood.com

Head of Turkey Research

Atinc Ozkan
+90 542 202 3632
atinc.ozkan@wood.com

Head of Financials

Can Demir
+44 20 3530 0623
can.demir@wood.com

Consumer/Real Estate

Jakub Caithaml
+420 222 096 481
jakub.caithaml@wood.com

Financials

David Lojkasek
+420 222 096 256
david.lojkasek@wood.com

Co-Head of Research/Head of Greek Research

Alex Boulougouris
+30 211 106 9447
alex.boulougouris@wood.com

Head of Russia Research

Ildar Davletshin
+44 203 530 0631
ildar.davletshin@wood.com

Head of TMT

Piotr Raciborski
+48 22 222 1551
piotr.raciborski@wood.com

Energy/Utilities

Ondrej Slama
+420 222 096 484
ondrej.slama@wood.com

Greece

Fani Tzioukalia
+30 211 106 9449
fani.tzioukalia@wood.com

Head of Consumer/Industrials

Lukasz Wachelko
+48 22 222 1560
lukasz.wachelko@wood.com

Head of Romania Research

Iuliana Ciopraga
+40 316 30 1185
iuliana.ciopraga@wood.com

Energy

Jonathan Lamb
+44 20 3530 0621
jonathan.lamb@wood.com

Poland

Pawel Wieprzowski
+48 22 222 1549
pawel.wieprzowski@wood.com

Russia

Dmitry Vlasov
+44 750 714 6702
dmitry.vlasov@wood.com

Macroeconomics

Raffaella Tenconi
+44 20 3530 0685
raffaella.tenconi@wood.com

Macroeconomics

Alessio Chiesa
+44 75177 06102
alessio.chiesa@wood.com

Utilities/Mining/Pharma

Bram Buring
+420 222 096 250
bram.buring@wood.com

Consumer

Jakub Mician
+420 222 096 320
jakub.mician@wood.com

Gaming/Mid-caps

Maria Mickiewicz
+48 602 450 718
maria.mickiewicz@wood.com

Sales

Head of Sales

Kristen Andrasko
+420 222 096 253
kristen.andrasko@wood.cz

Grzegorz Skowronski
+48 22 222 1559
grzegorz.skowronski@wood.com

Jan Koch
+48 22 222 1616
jan.koch@wood.com

Jarek Tomczynski
+44 203 530 0688
jarek.tomczynski@wood.com

Piotr Kopec
+48 22 222 1615
piotr.kopec@wood.com

Kostas Tsigkourakos
+30 694 082 5810
kostas.tsigkourakos@wood.com

Ioana Pop
+44 20 3530 0693
ioana.pop@wood.com

Tatiana Sarandinaki
Brasil Plural in association with WOOD&Co.
1 212 388 5613
tsarandinaki@wood-brasilplural.com

Sales Trading and Execution Services

Zuzana Mora
+420 222 096 283
zuzana.mora@wood.com

Ermir Shkurti
+420 222 096 847
ermir.shkurti@wood.com

Vladimir Vavra
+420 222 096 397
vladimir.vavra@wood.com

RECENTLY PUBLISHED REPORTS

Date	Company/Sector	Title	Analyst
14/05/21	WOOD's Universe	Seeking ESG alpha among CEE/SEE utilities	Bram Buring, Ondrej Slama
13/05/21	Raiffeisen Bank International	Riding the recovery	Marta Jezewska-Wasilewska, David Lojkasek
11/05/21	Bittnet Systems	High growth for a high price	Piotr Raciborski, Iuliana Ciopraga
11/05/21	Siauliu Bankas	A return to the growth path	Alex Boulougouris, David Lojkasek
10/05/21	Astarta Holding	Sweet rebirth at the peak of the cycle	Pawel Wieprzowski, Maria Mickiewicz
07/05/21	Kety	Strong stuff (40%+)... but we want more	Pawel Wieprzowski, Maria Mickiewicz
05/05/21	EME Macro/Strategy: Greece	The state of play	Raffaella Tenconi, Alessio Chiesa
05/05/21	Greece	A fresh comeback	Alex Boulougouris, Raffaella Tenconi
04/05/21	EME Macro/Strategy: Turkey	Modest growth prospects, with worrying inflation	Raffaella Tenconi, Alessio Chiesa
04/05/21	The Rear-View Mirror – EME markets	Greece performs well again, but volumes down	Research Team
04/05/21	North Macedonian Banks	Growth story to continue after COVID-19	David Lojkasek, Alex Boulougouris
30/04/21	EME Macro/Strategy: Czech Republic	Improving and prudent, deep labour market divide	Raffaella Tenconi, Alessio Chiesa
30/04/21	EME Macro/Strategy: Euro area	Economic recovery shifts gear in April	Raffaella Tenconi, Alessio Chiesa
30/04/21	EME Macro/Strategy: Romania	Economic recovery healthier than rest of CE4	Raffaella Tenconi, Alessio Chiesa
30/04/21	EME Macro/Strategy: Hungary	Economic recovery broadened in April	Raffaella Tenconi, Alessio Chiesa
30/04/21	EMEA Refining	A great or Greta future?	Jonathan Lamb, Ondrej Slama

Although the information contained in this report comes from sources WOOD & Company believes to be reliable, we do not guarantee its accuracy, and such information may be incomplete or condensed. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice. This report is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.