

Colt CZ Group SE

Twin Engine: Acquisitions and Organic Growth

Buy

Price	14.07.25	CZK 738
12m target		CZK 893
Upside to TP		21.0%
Dividend		CZK 36.8
Total return		26.0%

Sector stance
Overweight

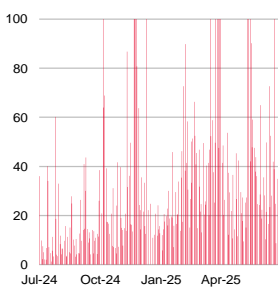
Investment type
Growth story

1 year performance



Source: Bloomberg

Trading volume (in ths of shares)



Source: Bloomberg

Share data

RIC	CZG.PR	Bloom	CZG	CP
52-week range		582	-	776
Market cap. (CZKb)		38.8		
Market cap. (EURb)		1.6		
Free float (%)		19		
Performance (%)	1m	3m	12m	
Share	1.8	7.7	11.0	
Rel. to PX Index	0.8	0.6	-18.6	

Source: Bloomberg

The latest analysis and report:

https://bit.ly/Colt_swissAA_EN

https://bit.ly/Colt_2Q23_EN

https://bit.ly/Colt_3Q23_EN

https://bit.ly/Colt_perrollamSB_EN

SOCIETE
GENERALE
GROUP

Investment Recommendation: We reiterate our "Buy" recommendation for Colt CZ Group SE. Our updated Target Price is now CZK893 per share. Our previous Target Price was CZK921 (February 9, 2024). Our new Target Price indicates an upside potential of +21% compared to the current market price. Therefore, we confirm our Buy recommendation, which remains unchanged.

There are three main markets that are most important for Colt. The first is the commercial market in the United States. This sector accounts for approximately 40% of total sales. The Czech Republic accounts for about 20%. Supplies to the Czech Army dominate this market. The third market is Europe (excluding the Czech Republic), which accounts for 28%. The significant increase in earnings in 2024 is due to the integration of the acquired company, Sellier & Bellot, into the group. Ammunition sales improved the results. There was a decline in Canada, where an order from the Canadian government related to delivery to Ukraine was not repeated. We expect the US market to gradually recover. We see opportunities in European markets, where we anticipate rearmament. We also anticipate growth among African and Asian customers in the M&LE sector.

Colt is a very active player in M&A. Given that Colt aims to double in size over the next five years, acquisitions will continue to be a key channel of growth for the company. The acquisition of Sellier & Bellot in May 2024 was successful. Just a few days ago, Colt announced the purchase of VSS, a manufacturer of firearm parts. These acquisitions should deepen vertical integration and increase margins. In addition to acquiring ammunition manufacturers, Colt may also target manufacturers of firearms, equipment, or optics.

Dividends: This year, Colt will pay CZK15 per share. This is a decrease from CZK30 a year earlier. However, Colt plans to buy back shares in an amount equivalent to the proposed dividend. The CZK15 dividend corresponds to a payout ratio of 44% and a gross yield of 2.1%. Given Colt's ability to generate cash, we expect 80% of net profit to be distributed in the coming years. The gross yield could be around 4-6%.

We used a discounted free cash flow model to value Colt's shares. We estimated the target price, or fair value, at CZK893 per share. This values Colt a P/E ratio of 19.4x (2025) and 17.3x (2026) and an EV/EBITDA multiple of 11.6x (2025) and 10.8x (2026). Compared to peer companies in the sector, Colt is trading at a premium.

Financial data	2024	2025e	2026e	2027e	Ratios	2024	2025e	2026e	2027e
Revenues (CZK m)	22,376	25,233	26,303	26,734	P/E (x)	18.6	19.4	17.3	16.6
EBITDA margin (%)	20.6	21.5	22.0	22.2	Price/free cash flow (x)	-38.0	31.3	17.8	15.8
Net income (CZK m)	1,933	2,599	2,911	3,046	Dividend yield (%)	4.7	1.7	4.1	4.6
EPS (CZK)	34.2	46.0	51.6	54.0	Price/book (x)	1.8	2.3	2.2	2.2
Dividend/share (CZK)	30.0	15.0	36.8	41.3	P/S (x)	1.6	2.0	1.9	1.9
Interest cover (x)	3.8	10.4	9.4	10.7	EV/S (x)	2.1	2.5	2.4	2.3
Payout (%)	73.7	43.8	80.0	80.0	EV/EBITDA (x)	10.4	11.6	10.8	10.3
Net debt/EBITDA	2.6	2.3	2.0	1.8	EV/IC (x)	1.3	1.6	1.5	1.5

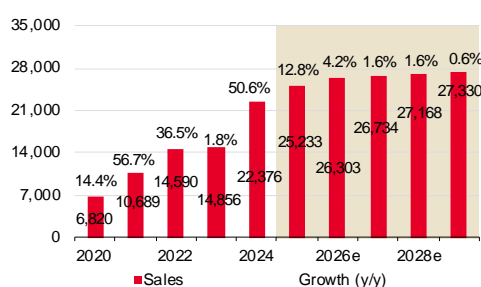


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Company overview

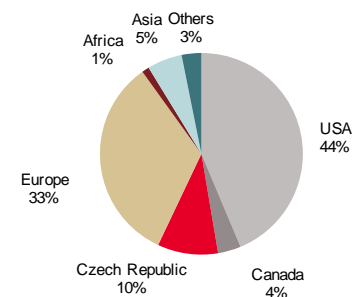
Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Recognized international firearms manufacturer with global reach ▪ Strong focus on R&D ▪ Highly skilled workforce ▪ Attractive financial profile - low debt and strong cash flow generation ▪ Diversification in terms of geography and market segments 	<ul style="list-style-type: none"> ▪ Any event that would result in a production outage ▪ The labor market in the Czech Republic is very tight. There is an outflow of highly skilled employees, and there is an inability to find new ones ▪ Liquidity, low free float
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Great potential for organic growth ▪ Expansion into new markets ▪ Increasing market share in the M&LE sector ▪ Active role in M&A ▪ Ability to meet overall demand for firearms, accessories, equipment, ammunition, etc. 	<ul style="list-style-type: none"> ▪ Highly competitive market. Inability to compete could affect the company's performance ▪ Currency risk (FX). A large portion of revenue is generated in USD and EUR, while most costs are in CZK. ▪ Legislation and regulation: The manufacture, sale, use, handling, etc., of firearms are subject to strict controls. Changes in legislation could adversely affect the company's operations.

Revenues (CZK m)

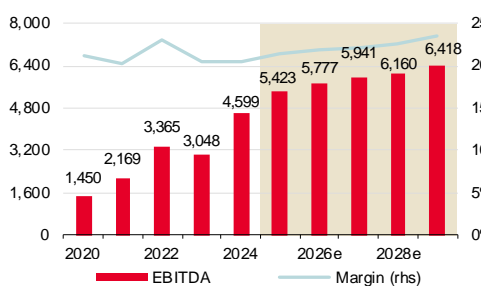


Source: Colt CZ, Economic and Strategy Research, Komerční banka

Geographical breakdown of sales (1Q25)

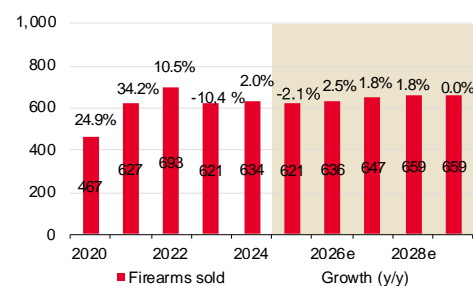


EBITDA (CZK m)



Source: Colt CZ, Economic and Strategy Research, Komerční banka

Products sold (k units)



Trends in the sector

Firearms sales should account for 60% of total sales, and ammunition sales should account for 40%

Firearms sales should account for around 60% of total revenues, with ammunition sales accounting for the remaining 40%.

In 2024, firearms accounted for approximately 64% of total sales, while ammunition sales accounted for the remaining 26%. However, the ratio will shift more in favor of ammunition sales this year (2025). A significant increase in ammunition sales has been reported since Sellier & Bellot's consolidation in mid-May 2024, which is why we expect this shift. We estimate that the respective shares will be around 60% and 40%.

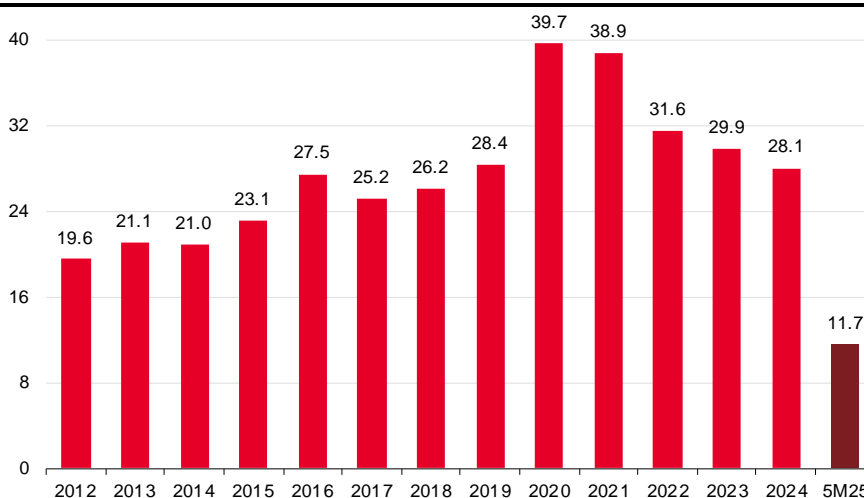
Sales in the U.S. seem to be picking up

Demand for firearms in the U.S. appears to be picking up.

In terms of geographical distribution of sales, the US commercial market is Colt's most important region. As can be seen in the following chart, demand for firearms rose during the crisis years of 2020 and 2021. Subsequently, in 2022 and 2023, demand returned to its usual level. Last year, the number of firearms sold in this region decreased by 5.9% compared to the previous year. However, we consider this level to be standard. From January to May of this year, firearm sales were about 1.2% lower than last year. (Measured by the NICS system, which monitors new firearm purchases.)

The US is a key market for Colt. In 2024, the company generated over 40% of its total revenue in the US. In the first quarter of 2025, this figure was nearly 38%.

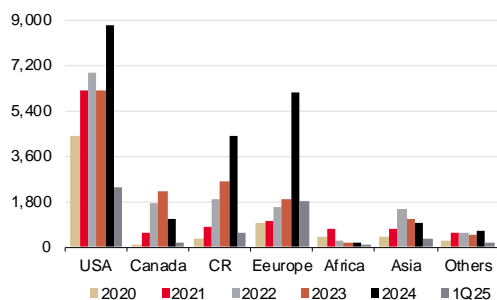
Demand for small arms in the USA (m)



Source: FBI

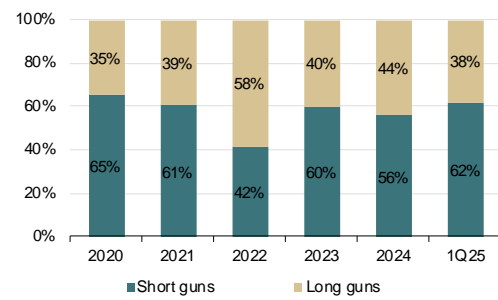
The following graphs illustrate the regional distribution of revenues and product mix. The dominance of the U.S. market is clearly visible (see above).

Regional distribution of sales (CZKm)



Source: Colt CZ

Product mix



Company results

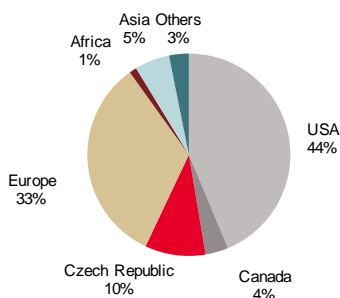
The first quarter of 2025

Colt CZ reported significantly higher revenues in the first quarter of 2025 compared to the same period last year. These results were driven by the ammunition sector (S&B), primarily in Europe. The recovery of the U.S. firearms market also helped, as it remains key for Colt CZ. Adjusted EBITDA exceeded the consensus by +12%.

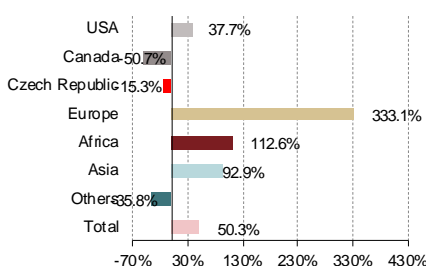
Sales of ammunition are on the rise in European countries, including the Czech Republic.

Revenues in the US once again exceeded 40% of total sales, reaching 43.7%, which was up 37.7% yoy. Meanwhile, sales in the Czech Republic fell by 15.3%. This decline is due to the high comparative base, as deliveries to the Czech army occurred in the previous year. Canadian revenues decreased by 50.7%. The contract with the Canadian government for aid to Ukraine was not renewed. In Europe (excluding the Czech Republic), revenues grew by 333%, mainly due to the consolidation of S&B. European markets are the main market for ammunition sales, generating 53% of revenues. The Czech Republic and the US follow closely behind with 17% each.

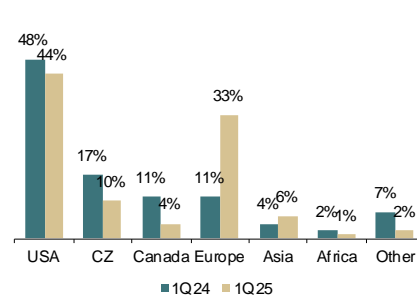
Geographical breakdown of sales (1Q25) Sales yoy development by region (1Q25) Revenue breakdown (1Q25)



Source: Colt CZ



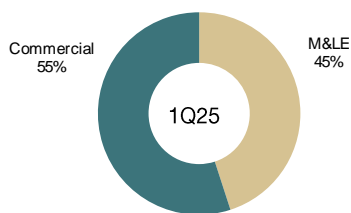
Source: Colt CZ



Source: Colt CZ

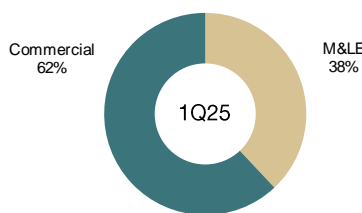
In the first quarter of 2025, total sales were almost evenly split between commercial customers (55%) and the M&LE (45%). Compared to the previous year, sales to the M&LE decreased slightly, while the commercial segment's share increased. Of the firearm segment's sales in 1Q25, 62% came from the commercial market, compared to 38% from M&LE customers. The M&LE segment accounted for a larger share of ammunition sales (53%) than the commercial segment (47%).

Revenues by customer type



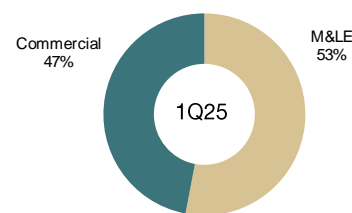
Source: Colt CZ

Firearms



Source: Colt CZ

Ammunition



Source: Colt CZ

1Q25 results

CZKm	1Q24	1Q25	y/y	KB	vs KB	Cons.	vs Cons.
Revenue	3,667	5,512	50%	5,335	3.3%	5,303	3.9%
EBITDA	421	1,205	186%	883	36.5%		
margin	11.5%	21.9%	10.4pps	16.5%	5.3pps		
EBITDA adj.	488	1,212	148%	1,144	6.0%	1,082	12.0%
margin	13.3%	22.0%	8.7pps	21.4%	0.5pps	20.4%	1.6pps
EBIT	221	819	271%	499	64%	531	54%
Net profit	303	524	73%	245	114%		
Net profit adj.	360	547	52%	427	28%	377	45%

Source: Colt CZ, Economic and Strategy Research, Komerční banka

EBITDA reached CZK1.2bn in the first quarter. This represents a 148% yoy increase. The margin increased by 8.7pps to 22.0%, mainly due to the ammunition business, where the margin is 33% (compared to 14% for firearms). Net profit reached CZK547m, a 51.8% yoy increase.

Colt CZ exceeded its quarterly projections with its published results. The company had expected revenues of CZK5.2bn. It also expected EBITDA of CZK1.0bn.

Projection 2025

This year marks the first year of full consolidation of S&B, effective May 16, 2024. Colt's financial performance should improve for this and other reasons. According to our projections, Colt will achieve total revenues of CZK25.2bn and EBITDA of CZK5.4bn this year. Colt's full-year projections estimate revenues of CZK25bn (±10%, or CZK22.5-27.5bn) and EBITDA of CZK5.5bn (±10%, or CZK5.0-6.05bn). This means yoy revenues will increase by almost +12%, and EBITDA will increase by +20%. Recent acquisitions will undoubtedly help achieve these ambitious targets.

Colt has also provided an outlook for each quarter. The projection shows seasonality. The slight growth in results toward the end of the year is likely due to increased budget spending.

CZKbn	1Q25*	2Q25	3Q25	4Q25	FY 2025
Sales	5.5	6.0	6.0	7.5	25.0
EBITDA	1.2	1.3	1.3	1.7	5.5

Source: Colt CZ Group; * reported

Colt's Ambitious Goals for 2030

According to its latest presentation, Colt CZ aims to achieve total **revenues of EUR2bn** (approximately CZK50bn) and an **EBITDA of EUR400m** (approximately CZK10bn) by 2030. This means that **Colt CZ will double in size compared to this year's target.**

Of course, Colt is counting on organic growth, but acquisitions will play a significant role in its ambitious plan. Our estimates only consider acquisitions that have already been announced, including VSS.

The Impact of U.S. Tariffs on Colt CZ

Goods from the European Union are subject to a 10% customs duty. The 90-day deferral period ended on July 9. Starting August 1, a 30% tariff should be applied to goods from Europe. We anticipate that the tariffs will negatively impact the company's margins. We also assume that Colt's projections for this year account for this to some extent. However, the tariff increase could negatively impact the company and jeopardize its full-year targets. Please note that Colt has production facilities in the US that are not subject to tariffs. The tariffs will mainly affect firearms and ammunition manufactured in the Czech Republic (CZ and S&B). According to Colt's statement, the company is likely to raise the prices of some products but will absorb part of the tariffs. It is also possible that Colt could transfer some of its production from the Czech Republic to the US in the future.

Long-term forecasts

In 2024, Colt's total revenue was CZK22.4bn. The firearm segment was the main contributor to this result, accounting for 64% of the total revenue. Ammunition sales accounted for an additional 26%, while trading accounted for the remaining 10%. Since S&B joined the group on May 16, 2024, the share of ammunition sales in total revenue has increased. We estimate that the ammunition sector will grow to around 40% of total sales this year. However, arms sales will remain crucial, accounting for around 60% of total sales.

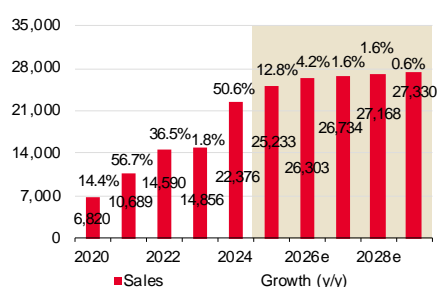
The number of firearms sold in the first quarter of 2025 increased by +12.3% yoy (+2.0% yoy in 2024). Sales of short firearms increased by +18.8% yoy in the first quarter of 2025. Sales of long firearms grew at a slower pace (+3.0% yoy). The difference compared to 2024 is due to the pace of rifle sales, likely reflecting the recovery of the U.S. commercial market. In the first quarter of this year, total US sales were up +37.7% yoy, with ammunition sales contributing positively in addition to higher firearms sales. We estimate that the average annual revenue growth rate (CAGR) will increase by +4.1% in the projected period (2025-2029). Additionally, we see potential in the M&LE segment in Africa and Asia.

Introduction of Tariffs in the USA.

Total revenues will be boosted by the acquisition of ammunition business.

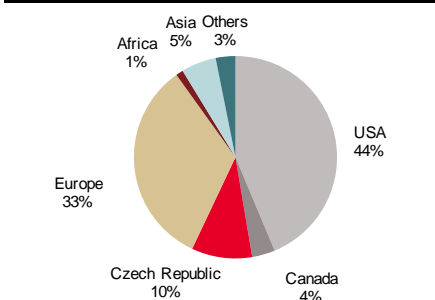
The volume of firearms produced will increase slightly.

Total sales (CZKm)



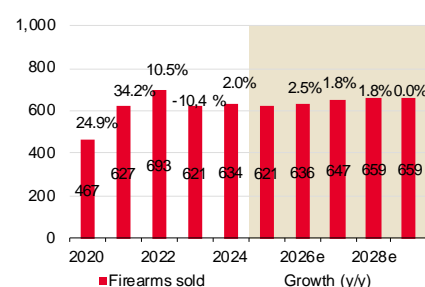
Source: Colt CZ, Economic and Strategy Research, Komerční banka

Geographical breakdown of sales (1Q25)



Source: Colt CZ

Products sold (k units)

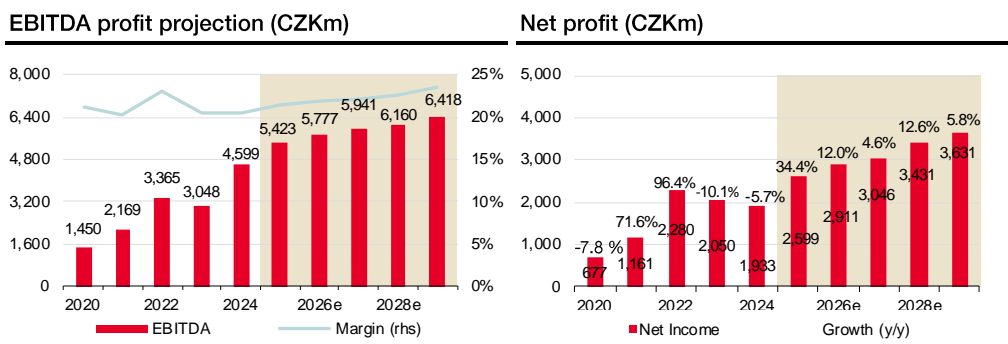


Source: Colt CZ, Economic and Strategy Research, Komerční banka

EBITDA margin will grow above 20%.

Last year, EBITDA reached CZK4.6bn. This represents yoy growth of +51%. As with revenues, a significant portion of this growth is due to the consolidation of S&B. Expected growth for this year will be largely acquisition-driven. S&B was integrated into the group in mid-May. Therefore, more than the entire first quarter is not included in the reported results for all of 2024. For the last projected year (2029), we estimate EBITDA at CZK6.4bn. The average annual growth rate (CAGR) for the period 2025-2029 should be +6.9%. The EBITDA margin should gradually increase to over 23%.

According to our model, Colt should report a net profit of CZK2.6bn this year. Compared to last year's result, this represents a +34% yoy improvement. We estimate the CAGR in the projected period to be +13.4%. Net profit would then reach CZK3.6bn in 2029.



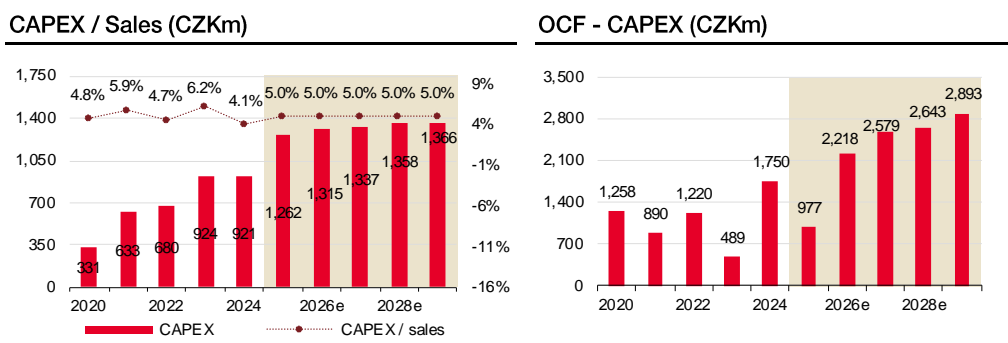
Source: Colt Economic and Strategy Research, Komerční banka

Capital Expenditure (CAPEX) and Leverage

CAPEX up to 5% of revenues.

Colt should maintain capital expenditure (CAPEX) at no more than 5% of total revenue. CAPEX has remained nearly identical over the past two years. In 2023, it was CZK924m; in 2024, it was CZK921m. These figures correspond to 6.2% and 4.1% of total revenues, respectively. This year, Colt CZ expects investments to be between CZK1.1bn and CZK1.3bn. This aligns with Colt CZ's full-year projection of a maximum of 5% of total revenues. According to our estimates, investments should be directed toward modernizing, automating, and expanding production and logistics processes.

The charts below show investments on the left and compare them with operating cash flow. They demonstrate Colt's ability to generate sufficient cash to execute its investment plans.



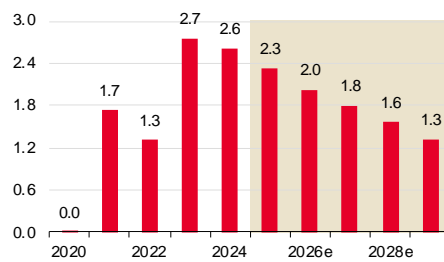
Source: Colt CZ, Economic and Strategy Research, Komerční banka

Leverage after the acquisition of S&B decreased and should continue to decline in the coming years.

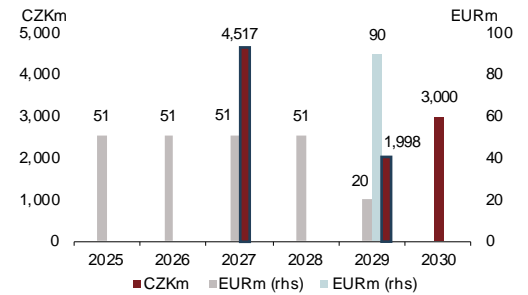
According to the net debt/EBITDA ratio, leverage decreased last year from 2.80x at the end of 2023 to 2.24x. This decline occurred after the issuance of new shares (SPO) and the repayment of part of the acquisition loan for S&B, amounting to EUR94m. Given the company's ability to generate cash, the leverage ratio should continue to decline. In our projection, we expect the

ratio to fall below 2.0x in the coming years. This would create room for potential acquisitions. The charts below show the leverage and maturity of debt.

Debt (net debt / EBITDA)



Maturity profile



Source: Colt, Economic and Strategy Research, Komerční banka

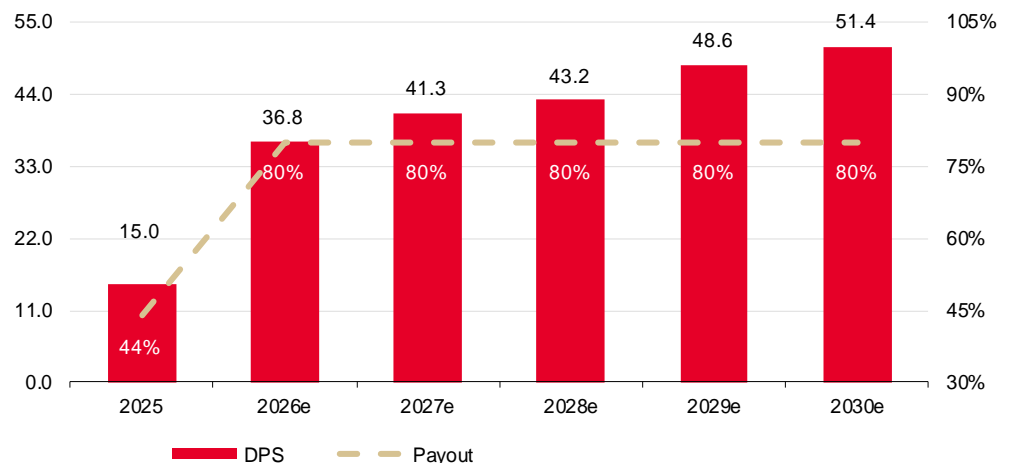
Dividend Policy

On the occasion of the publication of its results for 4Q24/FY24, **Colt's management proposed a dividend of CZK847m** to shareholders for approval. This equates to **CZK15 per share**, half of last year's payout of CZK30 per share. At first, this probably caused a negative reaction. However, **Colt also plans to buy back shares in the same amount as the proposed dividend, i.e., a total of CZK847m. Therefore, the remuneration for shareholders will remain unchanged yoy. The payout ratio of the proposed dividend of CZK15 is just under 44%** of net profit. Compared to the market price, this represents a gross **yield of 2.1%**. Shareholders approved the proposed dividend outside of a meeting (per rollam). Shares have been trading without the right to this dividend since Thursday, July 3, 2025.

As a reminder, Colt paid a dividend of CZK30 in 2024 (from 2023 profits). The payout ratio was 74%.

We expect the dividend to reach CZK36.80 per share next year. This offers a gross yield of 5.0%, compared to the market price. According to our model, this equates to an 80% payout ratio. We only anticipate a cash dividend. Past dividends were a combination of cash payments and new shares. Given Colt's ability to generate cash, we expect Colt to pay 80% of net profit to shareholders in the form of dividends in the coming years.

Dividend projection (CZK per share)



Source: Colt, Economic and Strategy Research, Komerční banka

Several factors may affect the ability to share profits with shareholders. Some of these factors include acquisitions and leverage. For instance, if leverage increased significantly due to new acquisitions or if the company's outlook worsened, profit distribution would likely be restricted.

M&A Activity

Colt is expected to remain active in M&A.

Colt CZ is currently very active in mergers and acquisitions, and this should continue. The company plans to double in size over the next few years (see above). Much of this growth will be through acquisitions rather than organically. The target should be companies in the firearms, ammunition, parts, accessories, or optics sector.

We consider Colt's recent acquisitions to be successful. One example is the purchase of Sellier & Bellot, which has been part of Colt since May 16, 2024. Another example is the acquisition of Colt itself. After the acquisition was completed, the entire company was renamed Colt CZ. Prior to S&B, Colt acquired 100% of the shares of Swiss small-caliber ammunition manufacturer swissAA in July 2023.

The recent acquisition of New England Expert Technologies Corp., which owns Valley Steel Stamp Inc. (VSS), is very recent. VSS manufactures firearms parts. The purchase price was USD59.5m (approximately CZK1.28bn) before adjusting for working capital and cash, which represents five times EBITDA for 2024. Colt financed the acquisition exclusively with its own cash. In our view, the VSS's multiple is lower than Colt's alone. Colt did not overpay for the acquisition. VSS's figures represent approximately 4% of Colt's revenue and 5% of EBITDA.

We have already included VSS in our estimates. However, our model does not account for any other potential acquisitions.

We expect Colt CZ to continue monitoring consolidation opportunities in the sector closely. Therefore, it will remain a significant player in the M&A arena.

Valuation

Peer comparison approach

Premium relative to the sector.

We have chosen relative comparison as an additional method to value Colt. Unfortunately, there are not many companies in the same sector for comparison. Additionally, the companies in this comparison differ from each other, particularly in terms of size, product mix, and geographical coverage. We consider this method to be supplementary only.

	P/E	P/E	P/E	P/S	P/S	EV/ Sales	EV/ Sales	EV/ EBITDA	EV/ EBITDA	EV/ EBITDA	Div. výnos	Div. výnos	Div. výnos
	akt.	2025	2026	akt.	2025	akt.	2025	akt.	2025	2026	akt.	2025	2026
Colt CZ Group SE	23.8	19.4	17.3	2.1	2.0	2.6	2.5	11.8	11.6	10.8	1.7	4.1	4.6
Sturm Ruger & Co Inc	19.5	20.3	17.0	1.1	1.1	0.9	0.9	8.6	8.7	7.6	1.9	2.0	2.3
Smith & Wesson Brands Inc	29.4	54.1	n/a	0.8	0.8	1.0	0.9	8.3	7.6	6.4	n/a	n/a	n/a
Taurus Armas SA	11.8	n/a	n/a	0.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SEKTOROVÝ MEDIÁN	19.5	37.2	17.0	0.8	1.0	1.0	0.9	8.4	8.1	7.0	1.9	2.0	2.3
Colt vs sektor	22.1%	-47.8%	2.1%	157.4%	102.4%	164.0%	168.4%	40.3%	43.0%	53.9%	-12.9%	102.1%	104.0%

Source: Bloomberg, Economic and Strategy Research, Komerční banka

Colt trades at a premium relative to the median of its peer group for almost all monitored multipliers. In our opinion, this premium is justified by Colt's strong balance sheet, growth potential through M&A, cash generation capacity, and decent dividend yield.

Discounted Cash Flow

The new Target Price is CZK893.

We used the discounted free cash flow (DCF) method to determine the target price. For the DCF valuation, we assumed a cost of capital (WACC) of 6.7%-7.0% for the period under review and 7.0% for the terminal phase. We expect long-term growth of 2%. Using the discounted cash flow method presented in the table below, we arrived at a fair value of CZK893 per Colt share. This indicates growth potential of +21%.

Discounted cash flow (DCF) valuation

Calculation of the required rate of return						
WACC	6.7%	6.7%	6.8%	6.9%	7.0%	7.0%
CoE	8.2%	8.2%	8.1%	8.1%	8.1%	8.1%
Beta	0.748	0.748	0.748	0.748	0.748	0.748
Risk-free	4.0%	4.0%	3.9%	3.9%	3.9%	3.9%
Equity risk premium	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Country risk premium	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Cost of debt	4.1%	3.8%	3.8%	3.8%	3.8%	3.8%
Discounted cash flow model (CZKm)						
EBITDA	5,423	5,777	5,941	6,160	6,418	
Taxes paid	-1,412	-1,516	-1,589	-1,796	-1,903	
WC change	-1,139	-106	183	248	351	
CAPEX	-1,262	-1,315	-1,337	-1,358	-1,366	
FCFF	1,610	2,841	3,198	3,253	3,499	
Discounted FCFF	1,510	2,496	2,632	2,506	2,519	
Sum of discounted FCFF	11,663					
Terminal value	51,384					
Long-term growth	2%					
Enterprise value	63,047					
Net debt	12,604					
Equity value	50,444					
Fair value / Target price (CZK)	893					

Source: Economic and Strategy Research, Komerční banka

The chart below shows how our valuation is sensitive to two major factors: the discount rate (WACC) in the terminal phase and the terminal growth rate.

Sensitivity analysis of DCF valuation

		WACC				
		6.0%	6.5%	7.0%	7.5%	8.0%
LT Growth	1.0%	893	807	734	673	621
	1.5%	999	893	807	734	673
	2.0%	1,132	999	893	807	734
	2.5%	1,303	1,132	999	893	807
	3.0%	1,530	1,303	1,132	999	893

Source: Economic and Strategy Research, Komerční banka

Risk factors

Any event that would result in a production outage would affect the company's operations.

Rising costs. The inability to effectively manage costs could have an adverse impact on the company's performance and/or competitiveness. For example, a very tight labour market in the Czech Republic could lead to an unexpected rapid increase in personnel costs.

Loss of qualified staff. Colt relies on highly qualified employees. An outflow of its skilled workforce and an inability to replace them could adversely affect the company's future operations.

FX risk. A large proportion of sales are generated in USD and EUR.

Highly competitive market. As mentioned above, the small arms market remains crowded and highly competitive. An inability to compete in terms of product or price could affect the company's business performance.

Failed acquisitions: Risk of overpayment and integration.

Effects of changes in regulations. The production, sale, use and handling of firearms is subject to strict controls. An unexpected adverse change in legislation could negatively affect the company's performance.

Financial statements - annual

Profit and loss account

CZKm	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e	2029e
INCOME STATEMENT										
Sales	6,820	10,689	14,590	14,856	22,376	25,233	26,303	26,734	27,168	27,330
Other Operating Income	68	62	133	90	160	233	243	247	251	253
Changes in Inventories of Finished Goods and Works in Proc	-380	167	521	888	-630	643	263	267	272	273
Own Work Capitalized	124	140	152	173	339	270	53	53	54	55
Raw Materials and Consumables Used	-2,736	-5,113	-7,326	-8,065	-11,336	-12,666	-12,716	-13,209	-13,716	-13,990
Services	-1,095	-1,765	-1,769	-1,960	-2,488	-2,738	-2,630	-2,406	-2,173	-1,913
Personnel Costs	-1,299	-2,088	-2,889	-3,083	-4,490	-5,304	-5,533	-5,531	-5,472	-5,358
Depreciation and Amortization	-393	-790	-910	-802	-1,479	-1,470	-1,481	-1,472	-1,206	-1,212
Other Operating Expenses	-123	-190	-238	-210	-332	-303	-263	-267	-272	-273
Operating Profit	1,056	1,011	2,199	1,862	2,001	3,891	4,238	4,416	4,907	5,163
Interest Income	17	50	440	757	785	884	835	859	847	853
Interest Expense	-77	-205	-612	-895	-1,308	-1,258	-1,283	-1,271	-1,277	-1,274
Other Financial Income	1	32	173	252	113	3	58	31	45	38
Other Financial Expenses	-66	-169	-134	-72	-203	-334	-268	-301	-285	-293
Others, net	-80	211	290	606	-8	69	29	49	39	44
Pre-tax	851	1,422	2,641	2,518	2,554	3,324	3,685	3,856	4,344	4,596
Profit for the Period	677	1,161	2,280	2,050	1,933	2,599	2,911	3,046	3,431	3,631
EBITDA	1,450	2,169	3,365	3,048	4,599	5,423	5,777	5,941	6,160	6,418
BALANCE SHEET										
Total Non-Current Assets	3,948	9,057	10,248	14,073	29,031	30,077	29,912	29,777	29,931	30,086
Total Current Assets	4,829	7,957	9,255	11,904	17,001	17,783	19,144	20,332	21,575	22,690
Total Assets	8,776	17,013	19,504	25,977	46,032	47,860	49,056	50,109	51,506	52,776
Total Equity	4,523	5,242	7,681	9,275	20,028	21,755	22,527	23,187	24,128	24,962
Total Non-Current Liabilities	2,926	6,892	8,338	10,458	19,883	19,607	19,982	20,364	20,754	21,151
Total Current Liabilities	1,328	4,879	3,484	6,244	6,121	6,497	6,548	6,559	6,625	6,663
Total Liabilities	4,254	11,771	11,822	16,702	26,004	26,105	26,529	26,923	27,379	27,814
Total Liabilities and Equity	8,776	17,013	19,504	25,977	46,032	47,860	49,056	50,109	51,506	52,776
CASH FLOW										
Profit before tax	851	932	2,356	2,510	1,380	3,256	3,608	3,784	4,276	4,532
Depreciation	393	790	910	802	1,479	1,470	1,481	1,472	1,206	1,212
Other non-cash items	180	226	1,330	-89	-292	437	513	477	497	489
Change in working capital	456	-128	-2,115	-926	1,403	-1,139	-106	183	248	351
Interest paid, net	-79	-39	-127	-123	-501	-374	-448	-411	-430	-421
Income tax paid	-214	-257	-454	-759	-797	-1,412	-1,516	-1,589	-1,796	-1,903
Net cash flow from operating activities	1,588	1,523	1,900	1,413	2,671	2,239	3,533	3,915	4,001	4,260
Cash flow from investing activities	-399	-4,978	-1,484	-4,205	-4,774	-2,537	-1,315	-1,337	-1,358	-1,366
Dividends paid	-332	-261	-843	-864	-260	-847	-2,079	-2,329	-2,437	-2,745
Cash flow from financing activities	373	4,671	-1,178	3,293	4,603	-847	-1,729	-1,972	-2,073	-2,373
Change in cash	1,563	1,216	-762	502	2,500	-1,145	489	607	570	520

Source: Colt, Economic and Strategy Research, Komerční banka

Financial data

	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e	2029e
RATIOS (%)										
EBITDA margin	21.3	20.3	23.1	20.5	20.6	21.5	22.0	22.2	22.7	23.5
Operating margin	15.5	9.5	15.1	12.5	8.9	15.4	16.1	16.5	18.1	18.9
Net margin	9.9	10.9	15.6	13.8	8.6	10.3	11.1	11.4	12.6	13.3
EBIT/Interest (x)	17.8	6.5	12.8	13.5	3.8	10.4	9.4	10.7	11.4	12.3
Net debt/Equity (x)	0.0	0.7	0.6	0.9	0.6	0.6	0.5	0.5	0.4	0.3
Net debt/EBITDA (x)	0.0	1.7	1.3	2.7	2.6	2.3	2.0	1.8	1.6	1.3
ROE	15.0	22.2	29.7	22.1	9.7	11.9	12.9	13.1	14.2	14.5
ROA	7.7	6.8	11.7	7.9	4.2	5.4	5.9	6.1	6.7	6.9
ROCE	2.0	1.0	1.1	1.0	1.2	1.4	1.4	1.4	1.4	1.4
Dividend payout	44.7	37.4	73.4	45.3	73.7	43.8	80.0	80.0	80.0	80.0
DATA PER SHARE (CZK)										
EPS	20.7	34.4	66.9	58.3	34.2	46.0	51.6	54.0	60.8	64.3
Book value	138.2	155.4	225.2	263.8	354.7	385.3	399.0	410.7	427.3	442.1
Free cash flow	41.7	34.1	3.4	-8.1	-16.8	28.5	50.3	56.6	57.6	62.0
Gross dividend	11.0	7.5	25.0	30.0	30.0	15.0	36.8	41.3	43.2	48.6
MARKET VALUATION										
P/E (x)	14.2	14.8	8.3	1.3	18.6	19.4	17.3	16.6	14.7	13.9
Price/Operating cash flow (x)	6.0	11.3	9.9	14.1	13.5	22.5	14.3	12.9	12.6	11.8
Price/free cash flow (x)	7.0	14.9	162.3	-69.6	-38.0	31.3	17.8	15.8	15.5	14.4
Price/book value (x)	2.1	3.3	2.5	2.1	1.8	2.3	2.2	2.2	2.1	2.0
Price/sales (x)	1.4	1.6	1.3	1.4	1.6	2.0	1.9	1.9	1.9	1.8
Dividend yield (%)	3.7	1.5	4.5	5.2	4.7	1.7	4.1	4.6	4.8	5.4
EV/revenues (x)	1.4	2.0	1.6	2.0	2.1	2.5	2.4	2.3	2.2	2.2
EV/EBITDA (x)	6.6	9.6	6.9	9.5	10.4	11.6	10.8	10.3	9.7	9.2
EV/IC (x)	1.4	1.7	1.6	1.4	1.3	1.6	1.5	1.5	1.4	1.3

Source: Colt, Economic and Strategy Research, Komerční banka

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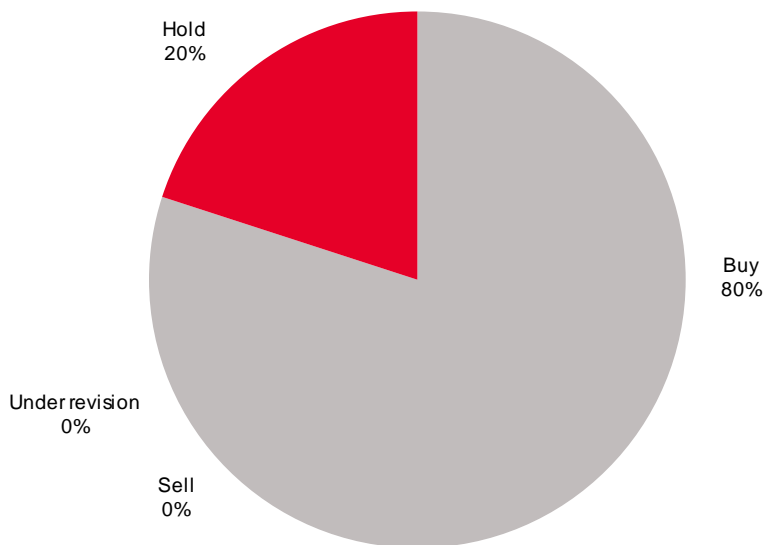
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The chart below shows the structure of the grades of valid investment recommendations of KB Economic and Strategic Research equity analysts (5 recommendations).

Investment recommendations of KB Equity Research



Source: economic and strategic research, Komerční banka

KB Equity Research recommendations for a 12-month horizon

BUY: estimated total return of 15% or more over the next 12 months

HOLD: estimated total return of 0 to 15% over the next 12 months

SELL: estimated total return of less than 0% over the next 12 months.

Total shareholder return means the estimated share price appreciation plus any estimated cash dividends, including any income from extraordinary dividends paid in the following 12 months. The specific recommendation is determined by the estimated total return stated above at the time the share coverage commences or the recommendation is changed. In the interim, price movements or other market situations may occur that may imply a different recommendation. Such interim deviations from the original recommendation are possible but are subject to review by KB Equity Research.

Overview of recommendations published by KB and relationships with particular issuers

	CEZ	Colt CZ Group SE	Kofola	MONETA Money Bank	Philip Morris CR	Avast	O2 CR
Overview of last investment research and recommendations related to stocks of particular issuers							
Recommendation	Hold	Buy	Buy	Buy	Buy	End	End
Target price	CZK923	CZK893	CZK402	CZK143.3	CZK17,041	of coverage	of coverage
Date	15.11.2024	14.07.2025	03.09.2024	16.01.2025	21.03.2024	07.09.2022	25.02.2022
Price on the day of the publication	CZK907	CZK738	CZK299	CZK128.8	CZK15,400	CZK205.1	CZK270
Investment horizon	12 months	12 months	12 months	12 months	12 months		
Author	B. Trampota	B. Trampota	B. Trampota	B. Trampota	B. Trampota		
Overview of investment researches and recommendations							
Recommendation	Buy	Buy	Buy	In revision	Hold	Buy	Buy
Target Price	CZK1,034	CZK921	CZK313	In revision	CZK18,349	GBp600	CZK362
Date	07.09.2023	09.02.2024	29.05.2023	25.07.2024	03.03.2023	11.02.2021	26.03.2021
Recommendation	Buy	Buy	Buy	Buy	Buy	Buy	Buy
Target Price	CZK1,393	CZK652	CZK381	CZK104.6	CZK18,183	GBp466	CZK293
Date	07.06.2022	16.12.2022	12.05.2022	05.09.2022	11.02.2022	30.08.2019	08.01.2020
Recommendation	In revision	Buy	In revision	Buy	Buy	In revision	Buy
Target Price	In revision	CZK645	In revision	CZK104.6	CZK16,512	In revision	CZK298
Date	10.05.2022	17.01.2022	15.02.2022	05.09.2022	20.11.2020	14.08.2019	12.12.2018
Recommendation	Buy	In revision	Buy	Buy	Buy	Buy	Hold
Target Price	CZK905	In revision	CZK367	CZK109.7	CZK18,308	GBp342	CZK270
Date	10.12.2021	31.03.2021	12.01.2021	31.08.2021	03.12.2018	15.06.2018	18.08.2017
Valuation methods	DFCF	DFCF	DFCF	DFCF DDM ERM	DDM	DFCF	DFCF DDM
Frequency of rec. (per year)	once	once	once	once	once	once	once
Direct or indirect share (5% or more) of the issuer of the registered capital of KB	no	no	no	no	no	no	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	no	no	no	no	no	no
KB direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Author's direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Signific. fin. interest in the issuer of the persons partic. in elaboration of inv. research and rec.	no	no	no	no	no	no	no
Relationships of Komerční banka with particular issuers							
KB Management or co- management of public offerings in the past 12 month	no	yes	no	no	no	no	no
Agreements or contractual relations for providing investment services with the issuer	KB can have concluded agreements with the issuer for providing investment services. This information is protected by bank secret and could not be disclosed.						
Agreement with the issuer on production and dissemination of the research	no	no	no	no	no	no	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model
 Source: Economic & Strategy Research, Komerční banka