Masterplast

01. 07. 2025.

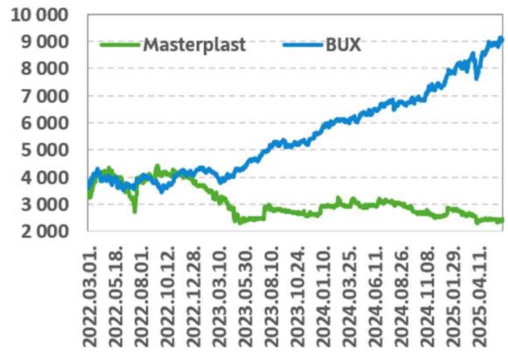
Recommendation: HOLD

(prev. Hold)

12-month target price: 2 552 Ft

(prev. 3 015 Ft)

Upside potential: 5,5%



Performance	3 months	6 months	YTD	1 year
Masterplast	-5%	-4%	-4%	-20%
BUX	6%	23%	23%	38%

m EUR	2024	2025e	2026e
Revenue	136	150	182
EBITDA	2,2	8,7	18,5
EBIT	-5,3	1,5	11,5
Net profit	-4,8	-0,5	8,0
EBITDA margin	1,6%	5,8%	10,2%
EBIT margin	-3,9%	1,0%	6,3%
EPS (EUR)	-0,3	0,0	0,4
DPS (HUF)	0	0	0
Payout ratio	0%	0%	0%
EV/EBITDA	83,3	21,1	9,9
P/E	-	-	14,5
Dividend yield	0,0%	0,0%	0,0%
Share price (30.06.2025):			2 420
Number of shares (m):			19,3
Market cap. (m HUF):			46 587
Free float:			40,0%
Daily turn. (m HUF):			31,60
Bloomberg:			MASTERPL HB

Masterplast had a rather weak Q1 performance, with revenue being essentially flat compared to a similarly weak base period and it had an operating loss as well. On the upside, the EBITDA was positive and slightly higher YoY. While no turnaround can be seen yet in 2025, but there have been some positive signs here and there on a segment level (contribution of own-produced XPS and new revenue stream from the sale of Certified Energy Savings). The Home Renovation Program and the Rural Home Renovation Program may also have a positive impact on revenues in H2, and commercial production in the company's new glass wool plant in Szerencs is scheduled to begin in Q3. We view these developments favourably, but the overall business outlook is still characterized by significant uncertainty.

We have revised our DCF model and earnings estimates. We have lowered our 12-month target price to HUF 2552 (from HUF 3015 as of 01.08.2024), while we maintain our HOLD recommendation. The lower target price is primarily the result of a slower than expected rebound in the construction industry and due to shareholder dilution after the recent capital raise (~14.2% increase in share count).

The macroeconomic environment seems mixed: revenue-weighted GDP growth expectations in Masterplast's countries point to a 1.8% increase in 2025 vs. 1.4% in 2024. However, this estimate was 3.1% a year ago and growth projections for later years are also slightly lower.

The recent capital raise significantly improved the company's liquidity situation (albeit at the cost of dilution). We think that Masterplast has enough liquidity to cover 2025 obligations provided that short-term working capital loans are rolled over. However, over the long-term the company's cash generating ability must improve to be able to cover future obligations, notably bond repayments at the end of 2026.

Given the still weak construction environment we have revised downwards our revenue expectations for the main product segments this year, which was partially offset by the significant revenue stream expected from the sale of Certified Energy Savings (especially in light of the tightening regulation). Overall, we still expect an ~10% increase in 2025 revenues YoY, which will be tilted towards H2. Figures should improve from 2026 as the industry starts to recover and the new glass wool plant ramps-up production.

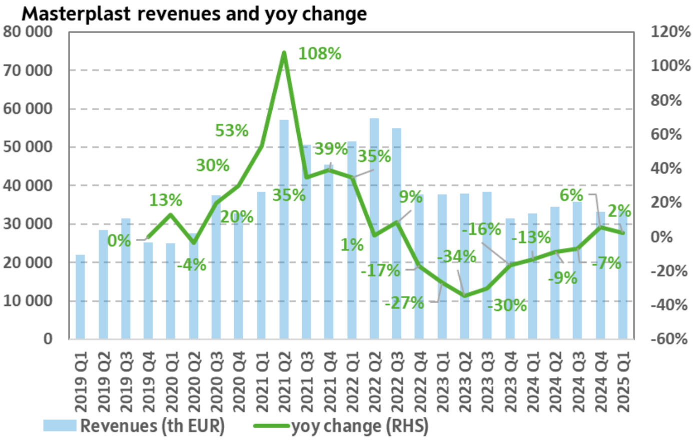
Due to the unfavourable industry environment, we expect a lower EBITDA margin of 5.8% this year, which could start to rise to 10.2% in 2026 and 12.4% in 2027 due to improving market conditions and increase in share of own-production. Our EBITDA and net profit expectations have been also lowered for 2025 and later. For this year we still expect a small after-tax loss.

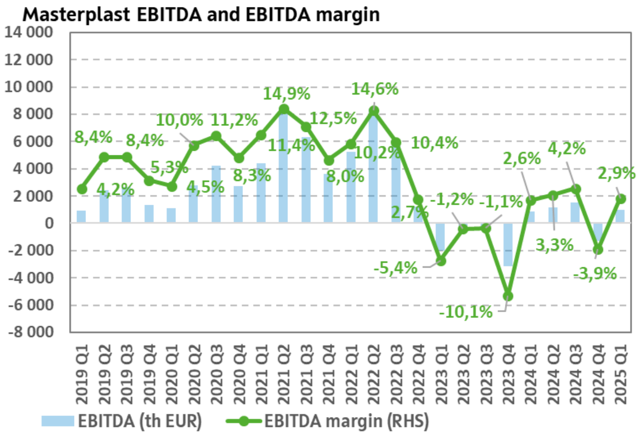
Ákos Szemán
Senior Analyst

Ádám Békési
Junior Analyst

No turnaround yet in 2025

The first quarter of the year was still rather weak for the company with revenue up 2% YoY compared to an already weaker base period and there was an operating loss of 835k EUR (essentially flat YoY). On the upside, the EBITDA was positive and slightly higher YoY (+13.7%). The after-tax loss was 2.2m EUR due to the operational and net financial losses (higher interest expense and unfavourable FX effects). Overall, no turnaround can be seen yet in 2025, but there were some positive signs here and there on a segment level.

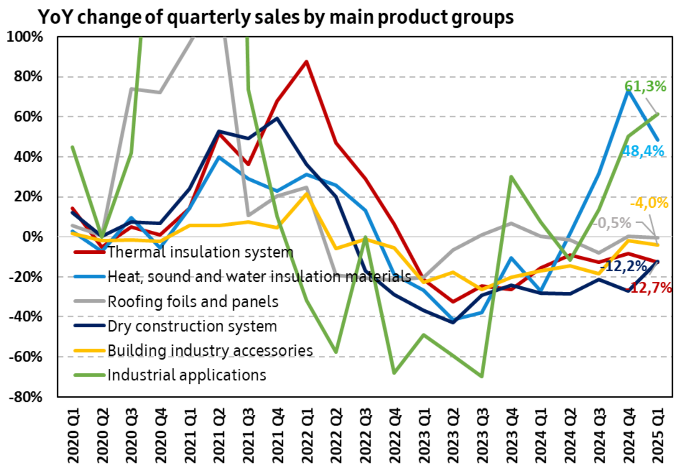


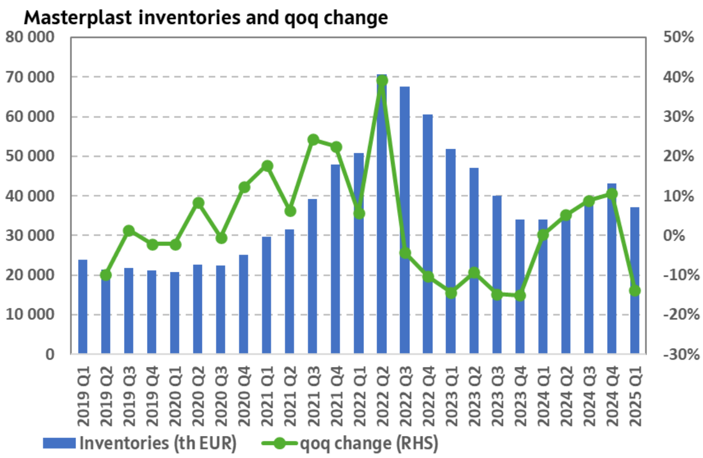


Source: Masterplast, OTP Multi-Asset Strategies

1, Demand remains weak, but some bright spots: the first quarter of the year was still charactherized by weak overall demand, but some segments performed better than others. Revenue in the most exposed construction segments were flat to down YoY (in the range of -1% to -12%) with the exception of 'Heat, sound and water insulation materials', which was up by 48% YoY. The good performance here can be attributed to an increase in sales in own-produced XPS (launched during last year), but glass and rock wool also sold well. At the same time, revenue in the thermal insulation systems segment, which is more exposed to renovations – the most strategically focused – has dropped by 13% YoY in Q1. We note that the new Hungarian 'Home Renovation Program' and the 'Rural Home Renovation Program' will likely only have an effect on revenues in H2.

Finally, the industrial applications segment had a stellar performance in Q1, up by 61% YoY. The reason for this is that the company records the revenues generated by the sale of Certified Energy Savings (HEM) under this product group, which was significant during the period. HEMs are limited-transferability rights generated by energy efficiency investments and can be sold to entities subject to mandatory energy savings targets under the Energy Efficiency Obligation Scheme (EKR).





Source: Masterplast, OTP Multi-Asset Strategies

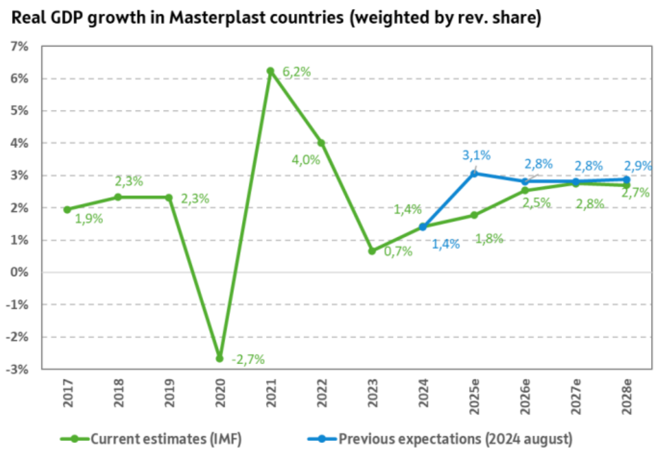
2, No long-term guidance provided: at its investor briefing in April this year, the company noted that they will no longer publish numerical financial forecasts given that the economic environment has become very unpredictable. The management will focus on internal flexibility and apply a scenario-based approach with the aim to maintain profitability and financial stability.

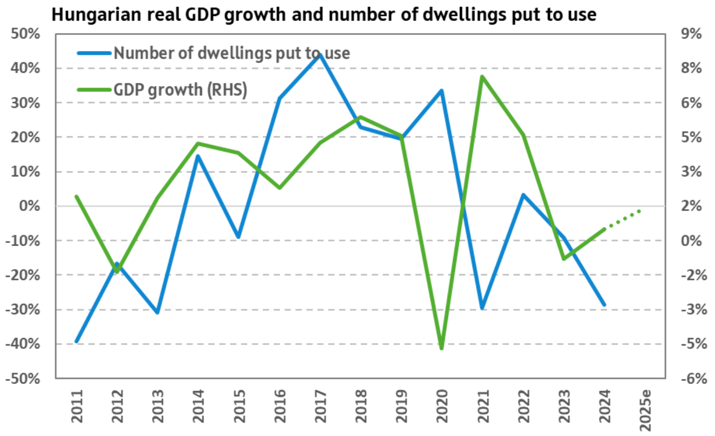
Last year the company provided a 2027 sales target of 405m EUR, 43.9m EUR EBITDA and 30.8m EUR after-tax profit. We assume that these targets are no longer applicable and realistically would be achieved only under very favourable circumstances.

Some downward adjustments in expectations

1, Lower GDP growth expectations: in the countries covered by Masterplast, revenue-weighted GDP growth expectations have become lower since our last update (based on IMF's forecasts). The downward adjustment is especially significant for this year (1.8% vs. 3.1% previously), but it is also slightly lower for later years.

2, Reaching the lowpoint in the construction sector: the number of dwellings put to use in Hungary is closely correlated with GDP growth dynamics, which is the main driver of Masterplast's key product segments. According to the Hungarian Central Statistical Office (KSH) in the first quarter of this year 2,704 new dwellings were built, 2.7% less than a year earlier (2,779). The number of homes to be built based on issued dwelling construction permits and simple declarations was 5,651, 25% more than in the same period of 2024 (4,524), which may be a sign of a rebound. Developers are sensing a positive shift in housing construction and renovation from the low point, however, a significant positive turn at the sectoral level can only be expected from 2026. Businesses are taking efficiency measures in the face of strong competition. 2025 is the year of survival and gathering strength in the construction industry, emphasizes László Koji, the President of the National Federation of Hungarian Building Contractors (ÉVOSZ). Overall, the vast majority of businesses expect their revenue and profitability to decline further this year and expect that the impact of government support programs and more favorable financing options will only appear in the actual figures for 2026.





Source: IMF, KSH, ÉVOSZ, OTP Multi-Asset Strategies

3, New investments: Trial production is expected to start in Q2 2025, while commercial operations will commence in Q3 2025 in the company's Szerencs glass-wool factory (full planned capacity of 19k tons / annum). Polish Selena Group has a 50% stake in the project. For this year we assume only a low capacity utilisation that gets progressively higher as production ramps-up in 2026. Masterplast's other project related to rock wool production in Halmajugra is essentially on hold. The company and its partner, Market Építő Zrt. is looking for a new investor with a strong financial background given the complexity and higher than planned capital requirements of the project.

4, New subsidy programmes: the new Hungarian Home Renovation Programme was launched on 1 July last year and continued on 20 January this year with more favourable conditions. The scheme now covers single-family and multi-family houses built before 31 December 2006, increasing the number of eligible households by 300,000 compared to the original scheme. A remaining budget of HUF 73 billion is available for the programme, with the potential to upgrade up to 15,000 additional homes. As part of the project, a reduction in primary energy consumption of at least 30% per building is required. The financing amount including the loan and non-repayable portions is in the range of 2.5-6 million HUF. The expected level of own funds is a minimum of 14.3% of the eligible cost of the project. The proportion of interest free loan and non-refundable grant will depend on the income of the applicant, the term of the loan is up to 12 years (monthly repayment schedule in equal installments). Eligible renovation activities include among others installation of modern doors and windows, thermal insulation (EPS, XPS, stone-wool), heating modernization, heat pump heating system.

Another relevant government programme, the Rural Home Renovation Programme, was launched on 1 January 2025. It has no energy requirements and is available for a wide range of renovation works. It is open to any adult residing in a municipality with fewer than 5,000 inhabitants, provided they have no outstanding public debt and have a child under the age of 25. Under the scheme, a maximum of 3 million HUF in state aid is available to cover up to 50% of renovation costs (i.e. for a total cost of 6 million HUF, it can be maximised). 50% of the grant can be used for material costs and 50% for labour costs. In addition, an interest-subsidised home renovation loan of HUF 6 million is available to pre-finance the works. As this programme can be used for a wide range of renovation projects, only a small proportion of orders are expected to fall within the scope of Masterplast's interest compared to the Hungarian Home Renovation Programme but it still has a positive affect.

Overall, we view the programmes positively, considering them to be a necessary tailwind for the Hungarian construction industry. However, we note that only some of this will translate into additional demand for building material manufacturers such as Masterplast. The main reason for this is that a significant proportion of the costs are associated with implementation, such as workers' wages (see the subsidy structure for the rural home renovation programme: 50-50% material costs and labour), and some renovation activities are not covered by Masterplast (e.g. heat pumps). Nevertheless, this will result in an increase in the company's revenue, although the extent of this is uncertain at this stage.

5, Certified Energy Savings (HEM) – a new revenue stream: in addition, Masterplast is affected by the tightening of the Energy Efficiency Act, which was adopted this year and will significantly increase the energy savings benchmarks for obligated parties under the Energy Efficiency Obligation Scheme (EKR). From the second half of 2025, obligated parties will be required to achieve an annual efficiency improvement of 1.4%, instead of the current 0.5%. This level will remain unchanged in 2026, decreasing to 1% in 2027 and to 0.5% from 2028 onwards. Thus, in the short term, more energy savings will need to be verified for final energy consumers. The savings generated by energy efficiency investments will be verified by energy auditing organisations, resulting in Certified Energy Savings (HEM). These HEMs will subsequently become tradable as marketable asset rights and can be sold to energy traders obligated by the ERA, in order to meet their own energy savings targets. Masterplast can generate HEMs, by improving energy efficiency through its insulation services, which can then be sold to obligated energy traders at a profit.

6, Liquidity, credit rating and recent capital raise: last November Scope Ratings downgraded Masterplast's credit rating to 'CCC' and placed it under review for a possible downgrade due to liquidity concerns and deterioration of credit metrics. On 25 November, the company's bondholders provided a waiver, which allowed Masterplast to raise additional debt (up to 7.6m EUR with a maturity of June 2027) and stabilise its short-term liquidity position (ie. repayment of bond obligations). As a result of this, Scope Ratings has affirmed Masterplast's credit rating at 'CCC' with a stable outlook in December but noted that the Hungarian construction market is still weak.

At the end of February this year, the company announced a private placement of HUF 6bn (~15m EUR) via the issuance of 2.4 million new shares at a price of HUF 2,500 / share. The investor was MFB Vállalati Beruházási és Tranzakciós Magántőkealap (private equity fund). This resulted in a shareholder dilution of ~14.2% (share count increased from 16,850,631 to 19,250,631). While the dilution itself is negative the capital raise significantly improved the company's liquidity situation.

Masterplast had 12.2m EUR cash at the end of Q1 compared to 11.4m EUR a year ago and 4.4m EUR at the end of December. The company had minimal investment activity in Q1 and we don't expect a significant change in this over 2025. The glass wool plant in Szerencs is scheduled to begin commercial production in Q3 and there are no other large ongoing investment activities. On the financing side the company also had some loan and interest payments in Q1 at ~1.7m EUR.

In terms of obligations, Masterplast had ~18.9m EUR short-term loans, ~7.3m EUR short-term bond obligations, ~16.1m EUR long-term loans and ~33.6m EUR long-term bond obligations (total of ~76m EUR obligations). We assume that the majority of the short-term loans will be rolled over (mostly working capital loans), but these remain a major source of uncertainty until there is a significant improvement in operational results and cash flow generating ability.

The short-term bond obligations are related to the repayment of two bonds that were issued earlier under the Hungarian Central Bank's Bond Funding for Growth Scheme. One of the bonds was issued in December 2019 with a nominal value of HUF 6bn, has a 7-year tenor (2026 Dec maturity) and the principal is amortised between years 4-7 in equal instalments. The other bond was issued in December 2020 with similarly HUF 6bn nominal value, 7-year tenor and same years 4-7 amortisation schedule. This results in a bond repayment obligation of HUF 3bn (~7.3m EUR) this year, but this will be also payable in 2026 as well. Over and above this, Masterplast also has interest expenses (~2.5m EUR net in 2024).

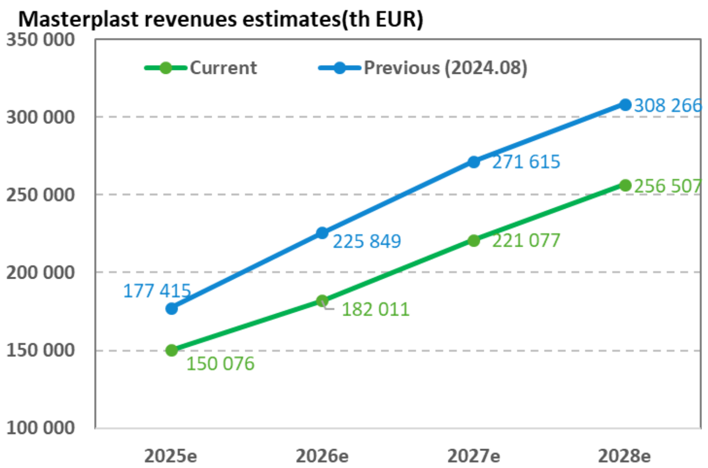
Overall, we think that Masterplast has enough liquidity at the moment to cover 2025 obligations provided that the short-term working capital loans are rolled over. However, over the long-term the company's cash generating ability must improve to be able to cover future obligations (notably bond repayment obligations at the end of 2026).

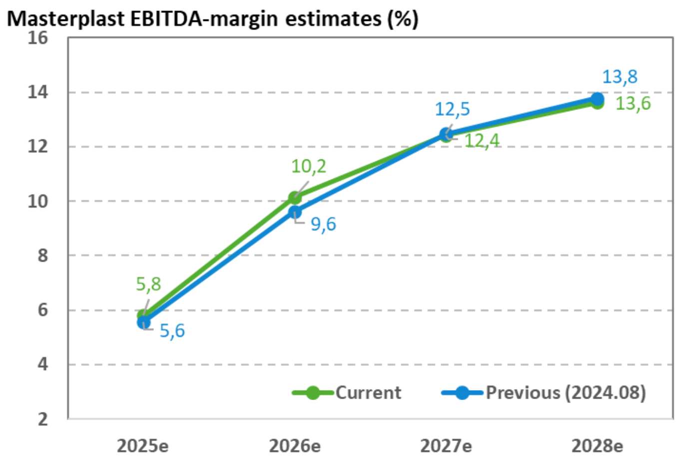
Earnings revision

With 2025 expected to be somewhat weaker than previously anticipated, our revenue expectations have been revised downwards for this year and later compared to our previous estimates last year. For 2025: 150.1m EUR vs. 177.4m, 2026: 182m EUR vs. 225.8m EUR. Similarly, we have lowered our EBITDA (2025: 8.7m EUR vs. 9.9m EUR, 2026: 18.5m EUR vs. 21.7m EUR) and net profit expectations (2025: -487k EUR vs. 1.1m EUR, 2026: 8m EUR vs. 11.2m EUR) as well. The company's peak EPS of EUR 1.09 in 2021 expected to be reached and exceeded only in 2028.

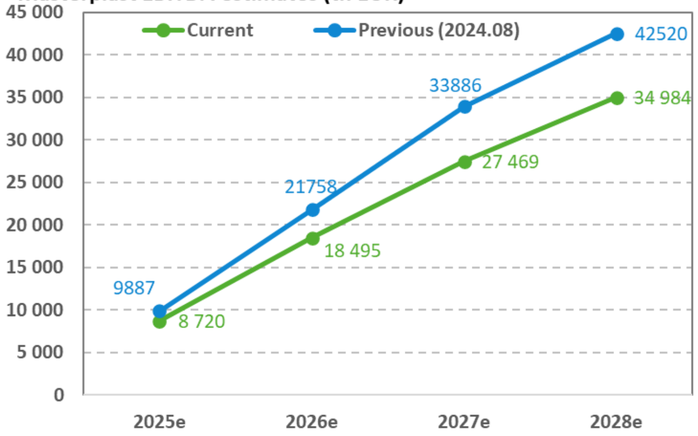
Main P&L lines	2025 e Prev.	2025 e Current	Change	2026 e Prev.	2026 e Current	Change
Sales revenues	177 415	150 076	-15%	225 849	182 011	-19%
Cost of materials and services	-136 678	-119 880	-12%	-170 935	-138 387	-19%
EBITDA	**9 887**	**8 720**	**-12%**	**21 758**	**18 495**	**-15%**
Depreciation	-6 626	-7 251	9%	-6 422	-6 973	9%
EBIT	**3 261**	**1 468**	**-55%**	**15 336**	**11 522**	**-25%**
Financial income/loss	-1 786	-1 807	1%	-2 227	-2 217	0%
Profit before tax	1 574	-316	-	13 575	9 483	-30%
Profit after tax (parent)	**1 089**	**-487**	**-**	**11 221**	**7 955**	**-29%**

Source: Masterplast, OTP Multi-Asset Strategies

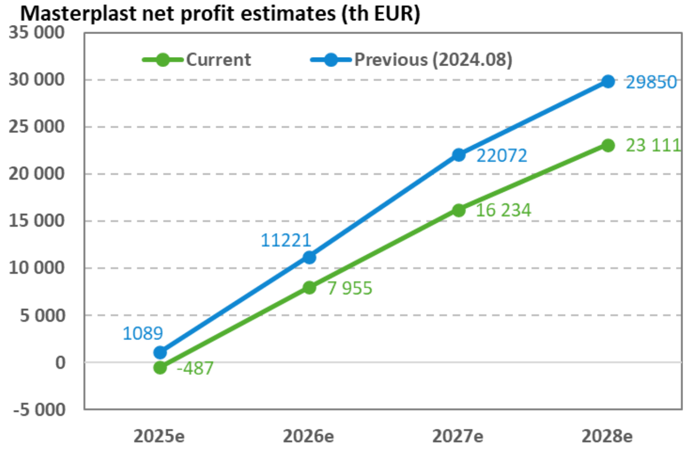




Masterplast EBITDA estimates (th EUR)



Masterplast net profit estimates (th EUR)



Source: Masterplast, OTP Multi-Asset Strategies

DCF valuation

As our expectations for 2025 and later periods have been revised somewhat downwards and due to shareholder dilution as a result of the recent capital raise, our DCF model based 12-month target price has also been lowered to HUF 2552 from HUF 3015, while we keep our HOLD recommendation.

Assumptions used in the model:

Our expectations for profit generation in the coming years are as detailed earlier.

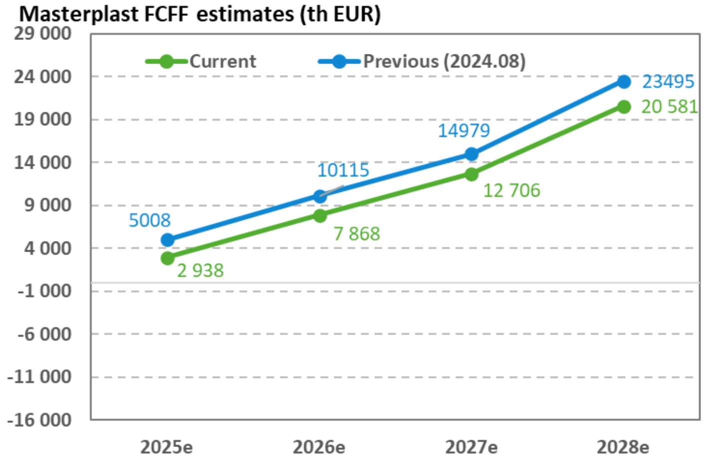
Our FCFF expectation for 2025 is somewhat lower than previously estimated as a result of a weaker business environment and lowered operational profits. We still assume that maintenance and investment CAPEX will be kept at a minimum for the time being and there have been also significant cost saving measures implemented. The FCFF figures are similarly lower for later years as the rebound in the construction industry seems to be slower than expected and the company's rock wool project in Halmajugra was also put on hold.

We calculate the fair value with ~405 HUF/EUR.

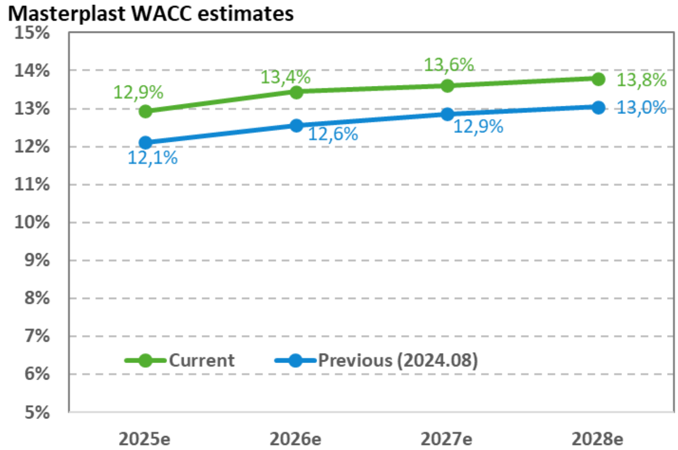
We used a weighted average for the share count figure taking into account that the new shares from the capital raise were only introduced in April on the exchange.

We expect slightly higher WACC figures than previously over our forecast horizon mostly due to higher cost of equity (higher levered beta). The risk free rates are based on OTP Research Center's forecast.

Masterplast FCFF estimates (th EUR)



Masterplast WACC estimates



Source: Masterplast, OTP Multi-Asset Strategies

Masterplast WACC calculation					
	2025e	2026e	2027e	2028e	2029e
Risk free rate	6,9%	7,0%	7,0%	7,0%	7,0%
Levered beta	1,7	1,6	1,6	1,6	1,5
Equity risk premium	6,5%	6,5%	6,5%	6,5%	6,5%
Cost of equity	**18,0%**	**17,6%**	**17,2%**	**17,1%**	**16,8%**
Cost of debt	3,4%	4,4%	4,3%	5,0%	4,4%
Tax rate	13%	13%	13%	13%	13%
After tax cost of debt	**2,9%**	**3,8%**	**3,8%**	**4,3%**	**3,8%**
D/E	51%	44%	37%	35%	31%
WACC	**12,9%**	**13,4%**	**13,6%**	**13,8%**	**13,7%**

Source: OTP Multi-Asset Strategies

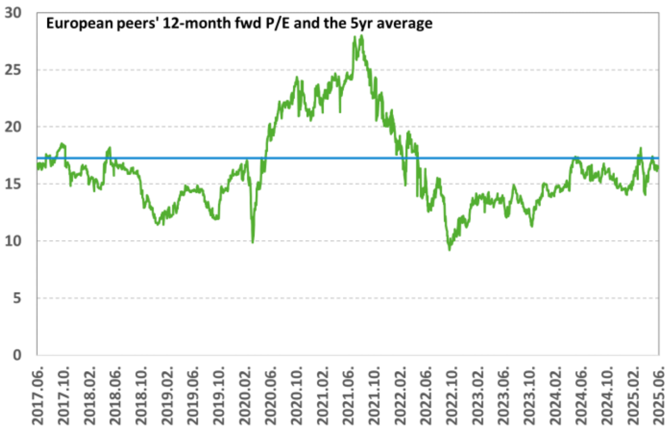
Masterplast DCF-model						
m EUR		2025e	2026e	2027e	2028e	2029e
EBIT		1,5	11,5	20,5	28,0	29,8
Tax		-0,2	-1,5	-2,7	-3,8	-4,0
NOPLAT		**1,3**	**10,0**	**17,8**	**24,3**	**25,8**
D&A		7,3	7,0	6,9	6,9	7,0
Change in WC		2,6	2,6	5,1	3,4	1,8
CAPEX		3,0	6,5	6,9	7,2	7,6
FCFF		**2,9**	**7,9**	**12,7**	**20,6**	**23,3**
TV growth						3,0%
TV						223,9
PV FCFF		2,6	6,1	8,7	12,4	131,2
EV (eoy 2024)	**161,1**					
Net debt	68,8					
Minority	0,7					
Equity value	**91,7**					
Share count (million)	18,7					
Fair value (EUR/share)	**4,9**					
EURHUF	405					
Fair value (HUF/share)	**1991**					
Cost of equity	18,0%					
12-month target price (HUF)	**2552**					

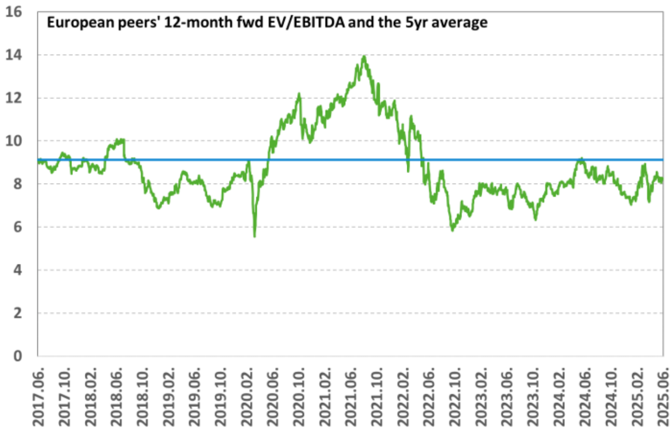
Source: OTP Multi-Asset Strategies

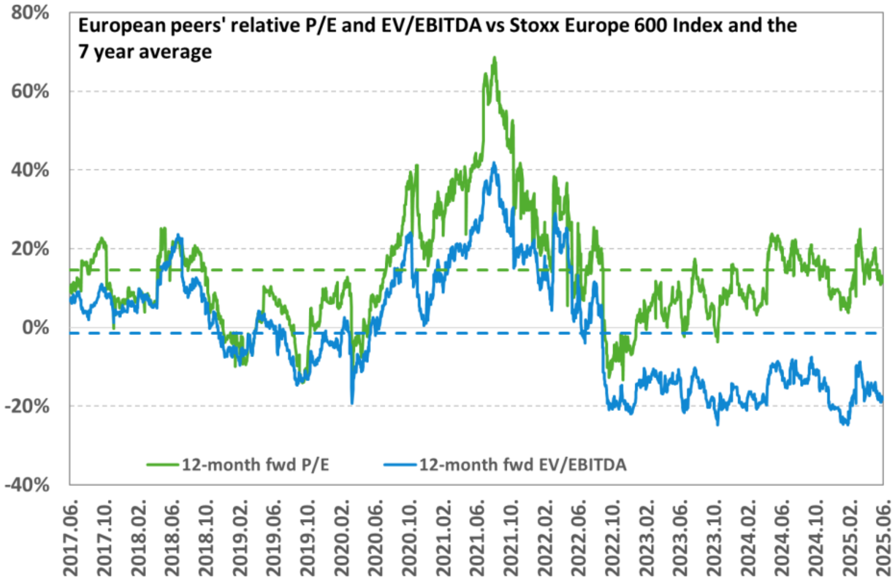
Source: Masterplast, OTP Multi-Asset Strategies

Peer group analysis

Masterplast's peers are currently being traded at a small discount to their five-year historical average P/E (16.4 vs. 17.3) and EV/EBITDA (8.3 vs. 9.1). The premium to the Stoxx 600 index on a P/E basis is 11.7% (vs. seven-year average of 14.5%), while the discount on an EV/EBITDA basis is 18.1% (vs. the seven-year average of 1.5%).



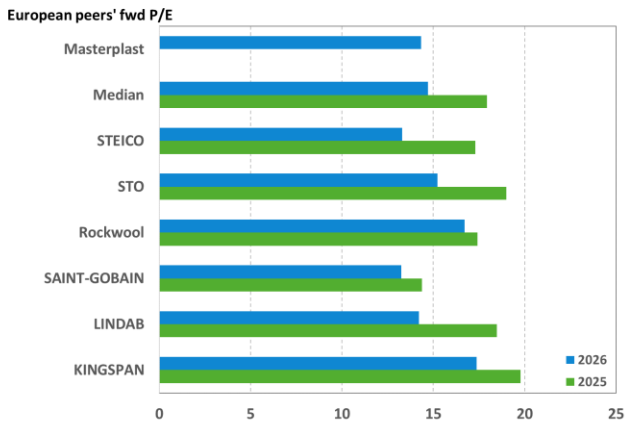


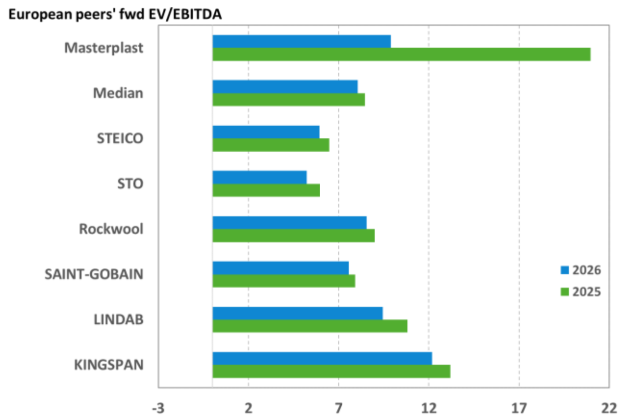


Source: Masterplast, OTP Multi-Asset Strategies

Compared to sector peers, Masterplast's EV/EBITDA ratio of 21 is higher than the sector median of 8.5, while the P/E ratio is not applicable as we expect slightly negative net income this year (the sector median P/E ratio is 17.9). In 2026, we expect significantly better operational and earnings performance, with improved forward-loking valuation metrics: EV/EBITDA of 9.9 vs. 8.1, P/E: 14.3 vs. 14.7 in the sector.

Masterplast may reach its lowest point this year and rebound may begin in the second half of the year, which reflects a less favourable picture compared to sector peers based on valuation multiples for this year. However, if we look beyond this cyclically weak period, we expect dynamic improvement in earnings generation in 2026, which shows a much more favourable picture for valuation ratios.





Source: Masterplast, OTP Multi-Asset Strategies

Income statement (th EUR)	2022	2023	2024	2025e	2026e
Sales revenues	**201 780**	**145 204**	**136 137**	**150 076**	**182 011**
Cost of materials and	-170 965	-121 437	-112 964	-119 880	-138 387
Payroll costs and	-26 976	-24 350	-27 509	-28 092	-31 857
Depreciation	-5 463	-6 421	-7 524	-7 251	-6 973
Change in inventories	13 230	-1 867	5 368	5 442	5 555
Other operating result	3 524	-3 677	1 173	1 173	1 173
EBIT	**15 130**	**-12 548**	**-5 319**	**1 468**	**11 522**
EBIT margin (%)	*7,5%*	*-8,6%*	*-3,9%*	*1,0%*	*6,3%*
Interest revenues	1 057	1 263	771	852	426
Interest expenses	-2 511	-3 290	-3 238	-2 659	-2 642
Other financial result	3 937	-2 503	2 510	0	0
Financial income/loss	**2 483**	**-4 530**	**43**	**-1 807**	**-2 217**
Profit/loss from assoc.	325	460	-82	23	178
Profit before tax	**17 938**	**-16 618**	**-5 358**	**-316**	**9 483**
Tax	2 238	-1 008	-717	-42	1 269
Effective tax rate (%)	*12%*	*6%*	*13%*	*13%*	*13%*
Profit after tax	**15 700**	**-15 610**	**-4 641**	**-274**	**8 214**
Minority	9	201	185	213	259
Net profit (owners of parent)	**15 691**	**-15 811**	**-4 826**	**-487**	**7 955**
Net profit margin	*7,8%*	*-10,9%*	*-3,5%*	*-0,3%*	*4,4%*

EBITDA	**20593**	**-6127**	**2205**	**8720**	**18495**
EBITDA margin (%)	*10,2%*	*-4,2%*	*1,6%*	*5,8%*	*10,2%*
EPS (EUR)	1,1	-1,0	-0,3	0,0	0,4
EPS (HUF)	421	-364	-112	-11	170
DPS (HUF)	55	0	0	0	0
Payout ratio	14%	0%	0%	0%	0%

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Balance Sheet (th EUR)	2022	2023	2024	2025e	2026e
Land, buildings and equipmer	109 530	119 200	110 865	106 614	106 140
Shares in related companies	2 084	14 655	15 651	15 674	15 851
Total fixed assets	**112 332**	**138 373**	**132 629**	**128 400**	**128 105**
Inventories	59 939	34 291	40 018	40 759	42 900
Trade accounts receivable	17 465	12 858	11 201	13 261	16 083
Liquid assets	25 882	18 210	7 491	8 529	6 285
Total current assets	**116 242**	**71 683**	**65 469**	**69 309**	**72 027**
TOTAL ASSETS	**228 574**	**210 056**	**198 098**	**197 709**	**200 131**
Subscribed capital	6 049	6 049	6 049	6 652	6 652
Reserves	60 123	79 129	60 671	70 173	69 686
Parent share of interests	15 691	-15 811	-4 825	-487	7 955
Equity attributable to the own	79 912	67 331	59 778	74 221	82 175
Minority interests	689	627	705	918	1 177
Total capital and reserves	**80 601**	**67 958**	**60 483**	**75 139**	**83 353**
Long- term loans	14 680	12 008	15 920	9 806	8 135
Bonds payable	48 664	43 055	32 893	25 543	18 599
Total long-term liabilities	**94 641**	**88 537**	**83 337**	**69 873**	**61 258**
Short-term loans	17 218	18 302	19 843	21 167	21 613
Trade accounts payable	16 533	13 841	15 186	15 402	17 780
Other short-term liabilities	5 039	7 464	4 523	4 523	4 523
Total short-term liabilities	**53 332**	**53 561**	**54 277**	**52 697**	**55 521**
TOTAL CAPITAL AND LIABILITI	**228 574**	**210 056**	**198 098**	**197 709**	**200 131**
Net debt	54 931	63 254	68 750	52 451	46 527
Indebtedness	41%	48%	53%	41%	36%
Net debt / EBITDA	2,7	-10,3	31,2	6,0	2,5
Liquidity ratio	2,2	1,3	1,2	1,3	1,3
Leverage ratio	35%	32%	31%	38%	42%

Cash Flow statement (th EUR)	2022	2023	2024	2025e	2026e
CFO	-6 639	20 671	-9 623	6 177	14 641
CFI	-27 413	-22 461	-3 954	-2 148	-6 074
CFF	41 284	-2 559	-4 050	131	-10 811
CF	**7 232**	**-4 349**	**-17 627**	**4 159**	**-2 245**

Source: Masterplast, OTP Multi-Asset Strategies

OTP Bank Plc's recommendations and price targets history for Masterplast in the past twelve months:

Date	Recommendation	Target Price	Publication
22.08.2022	Buy	HUF 6,050	Initiation report
17.03.2023	Buy	HUF 4,240	Equity note
22.08.2023	Buy	HUF 3,880	Equity note
01.08.2024	Hold	HUF 3,015	Equity note

Analysis completion date: 01.07.2025.

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