

# Aforti S.A.



Fair Value: PLN 15.60

Update

Rating: n.a

In Q3/21, Aforti's (AFH) positive development continued. In 9M/21, the transaction volume of Aforti Exchange (AE), the largest segment relating to B2B currency exchange, grew by 179.8% y-o-y and was the driver of results. With +11.6% and -66.1% respectively in Jan-Sep 2021, the other segments, Aforti Collections (AC, debt collection) and Aforti Factor (AF, factoring solutions), performed significantly weaker in terms of transaction volumes. Aforti PLC, the 100% owner of AE and AF that also develops the SaaS-based online financing platform Aforti.BIZ, raised additional GBP 124k in Q3/21 from retail investors and remains on track for a listing in London, which could be conducted at a GBP >30m/PLN >166m valuation next year. We have adjusted our estimates again, which results in a new 12-months FV (50% DCF, 50% Residual income model, discounted by 30% due to uncertainty) of PLN 15.60 vs. current market price of PLN 5.70. As main driver for AFH, we see the B2B FX exchange business and the highly promising financing platform Aforti.BIZ. The planned listing in London, which is one of the main FinTech hubs in Europe, should result in a much better valuation of AFH's business. But risks remain 1. The use of Polish Accounting Standards, which makes a comparison to peers that use IFRS not possible, and 2. high level of debt (30/09/2021: net debt equalled PLN 199.6m or 3.9x AFH's current market cap.).

In Jan-Sep 2021, Aforti generated total fee income of PLN 1.6bn (+174% y-o-y), EBIT of PLN -18m (9M/20: PLN -23.2m) and net income of PLN 2.5m (PLN 2.3m). In 9M/21, the cost structure was significantly better y-o-y. Also, positive was the strong improvement of operating cash flow (PLN -11.9m vs. PLN -24.5m in 9M/20). However, negative was the increase of net debt as of 30/09/21 to PLN 199.6m after two quarters when it had declined.

Aforti.BIZ, which is supposed to be introduced on the market in 2022E, should increase the share of recurring revenues and stability of AFH's cash flows. We see high growth potential for the online platform as its target group, CEE-based SMEs, is rather neglected by traditional banks. The platform is supposed to offer FX exchange first, and later factoring and money transfer services. We expect first revenues from it in Q1/22E.

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Total fee income	1,036.53	1,010.42	2,235.93	2,459.49	2,705.40	2,975.90
EBITDA	-28.91	-29.52	-23.25	3.69	17.59	34.22
EBIT	-30.66	-31.01	-24.60	1.23	14.88	31.25
Net income	0.24	3.72	0.32	12.64	20.76	31.39
EPS	0.03	0.41	0.04	1.40	2.30	3.47
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	0.68%	12.85%	1.44%	44.07%	45.76%	43.93%
Net gearing	317.45%	840.01%	761.99%	423.27%	204.68%	86.96%
P/Tangible BV	2.36x	neg	neg	20.90x	2.22x	0.94x
P/FCF	neg	neg	neg	3.90x	2.00x	1.66x
P/E	212.98x	13.87x	neg	4.08x	2.48x	1.64x

## Company profile

Aforti Holding provides financial services for SMEs in Poland and Romania. In the coming years, it plans to expand to other countries of the CEE/SEE region.

Date of publication	24 Nov 2021 / 6:30 am
Website	www.aforti.pl
Sector	Financial Services
Country	Poland
ISIN	PLMNTHL00016
Reuters	AFH.WA
Bloomberg	AFH.PW

## Share information

Last price	5.70
Number of shares (m)	9.04
Market cap. (PLNm)	51.54
Market cap. (EURm)	10.92
52-weeks range	PLN 10.30 / PLN 5.24
Average volume	2,802

## Performance

4-weeks	-1.04%
13-weeks	5.95%
26-weeks	-19.72%
52-weeks	-17.99%
YTD	-36.67%

## Shareholder structure

Klaudiusz Sytek (CEO)	61.65%
Kamila Sytek-Konieczna	5.57%
Aforti Exchange S.A.*	4.68%
Aforti Collections S.A.*	2.43%
Aforti Factor S.A.*	2.56%
Free float	23.11%

\* fully consolidated subsidiaries of Aforti S.A.

## Financial calendar

Q4/21 report (exp.)	February 15, 2022
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## Analyst

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## 9M/21 results

### Revenues and Profitability

In 9M/21, Aforti generated total fee income of PLN 1.6bn, which corresponds to a growth of 174% y-o-y. The currency exchange platform Aforti Exchange accounted for 85.3% of the total turnover in Jan-Sep, Aforti Collections (Debt collection) for 14.5% and Aforti Factor (Factoring) for 0.2%. Between January and September 2021, the by far strongest segment in terms of business volume was Aforti Exchange (+179.8% y-o-y), while in case of Aforti Factor it declined (-66.1%). In our view, Aforti Factor faces intense competition in Poland.

At the end of 9M/21, Aforti had 6,483 clients and we estimate the customer churn in the whole group at <1%.

in PLNm	9M/21	9M/20	change (%)
<b>Total fee income</b>	<b>1552.21</b>	<b>566.48</b>	174.0%
<b>EBITDA</b>	<b>-17.07</b>	<b>-22.03</b>	-22.5%
<i>EBITDA margin</i>	<i>-1.1%</i>	<i>-3.9%</i>	
<b>EBIT</b>	<b>-17.99</b>	<b>-23.19</b>	-22.4%
<i>EBIT margin</i>	<i>-1.2%</i>	<i>-4.1%</i>	
<b>Net income</b>	<b>2.53</b>	<b>2.25</b>	12.7%
<i>Net margin</i>	<i>0.2%</i>	<i>0.4%</i>	

Source: Company information, East Value Research GmbH

As the table below shows, the transaction volume of AFH's subsidiary Aforti Exchange in January-September 2021 exhibited a strong increase y-o-y.

in PLNm	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	2020
<b>Aforti Exchange</b>	<b>111.99</b>	<b>111.39</b>	<b>94.65</b>	<b>97.33</b>	<b>81.57</b>	<b>145.96</b>	<b>223.59</b>	<b>173.14</b>	<b>216.92</b>	<b>290.18</b>	<b>255.05</b>	<b>415.21</b>	<b>2216.97</b>
<i>change y-o-y</i>	<i>-47.8%</i>	<i>-43.2%</i>	<i>-52.2%</i>	<i>-58.5%</i>	<i>-64.7%</i>	<i>-37.8%</i>	<i>11.5%</i>	<i>-36.5%</i>	<i>-14.1%</i>	<i>11.7%</i>	<i>28.4%</i>	<i>191.0%</i>	
<b>Aforti Collections</b>	<b>18.18</b>	<b>31.84</b>	<b>71.14</b>	<b>68.17</b>	<b>50.32</b>	<b>70.20</b>	<b>81.15</b>	<b>43.01</b>	<b>82.45</b>	<b>46.11</b>	<b>81.84</b>	<b>32.15</b>	<b>676.55</b>
<i>change y-o-y</i>	<i>-43.6%</i>	<i>-27.6%</i>	<i>145.6%</i>	<i>88.1%</i>	<i>4.8%</i>	<i>38.2%</i>	<i>154.3%</i>	<i>55.2%</i>	<i>295.0%</i>	<i>243.2%</i>	<i>-1.0%</i>	<i>-6.1%</i>	
<b>Aforti Factor</b>	<b>1.67</b>	<b>2.01</b>	<b>4.01</b>	<b>3.44</b>	<b>2.90</b>	<b>2.60</b>	<b>2.17</b>	<b>2.00</b>	<b>2.87</b>	<b>1.27</b>	<b>1.19</b>	<b>1.15</b>	<b>27.29</b>
<i>change y-o-y</i>	<i>-55.2%</i>	<i>-31.8%</i>	<i>59.2%</i>	<i>101.3%</i>	<i>-10.2%</i>	<i>-42.4%</i>	<i>-46.1%</i>	<i>-43.5%</i>	<i>-56.5%</i>	<i>-54.1%</i>	<i>-47.7%</i>	<i>-42.8%</i>	
<b>Total volume</b>	<b>132.39</b>	<b>146.24</b>	<b>170.44</b>	<b>168.95</b>	<b>134.90</b>	<b>219.00</b>	<b>306.91</b>	<b>218.14</b>	<b>302.25</b>	<b>337.57</b>	<b>338.08</b>	<b>448.51</b>	<b>2,920.81</b>

in PLNm	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
<b>Aforti Exchange</b>	<b>241.71</b>	<b>259.23</b>	<b>439.32</b>	<b>357.64</b>	<b>374.38</b>	<b>377.32</b>	<b>404.16</b>	<b>391.44</b>	<b>532.02</b>	<b>463.37</b>
<i>change y-o-y</i>	<i>115.8%</i>	<i>132.7%</i>	<i>364.1%</i>	<i>279.1%</i>	<i>359.0%</i>	<i>207.4%</i>	<i>89.5%</i>	<i>126.1%</i>	<i>145.3%</i>	<i>59.7%</i>
<b>Aforti Collections</b>	<b>46.82</b>	<b>75.78</b>	<b>102.33</b>	<b>46.17</b>	<b>77.81</b>	<b>53.51</b>	<b>35.99</b>	<b>42.36</b>	<b>92.59</b>	<b>25.64</b>
<i>change y-o-y</i>	<i>157.6%</i>	<i>138.0%</i>	<i>43.9%</i>	<i>-32.3%</i>	<i>54.6%</i>	<i>-23.8%</i>	<i>-55.2%</i>	<i>-1.5%</i>	<i>12.3%</i>	<i>-44.4%</i>
<b>Aforti Factor</b>	<b>0.76</b>	<b>0.94</b>	<b>1.48</b>	<b>2.21</b>	<b>0.98</b>	<b>0.59</b>	<b>0.56</b>	<b>0.29</b>	<b>0.26</b>	<b>0.38</b>
<i>change y-o-y</i>	<i>-54.5%</i>	<i>-59.5%</i>	<i>-63.4%</i>	<i>-35.8%</i>	<i>-66.2%</i>	<i>-77.5%</i>	<i>-74.4%</i>	<i>-85.7%</i>	<i>-88.2%</i>	<i>-70.1%</i>
<b>Total volume</b>	<b>289.29</b>	<b>335.95</b>	<b>543.13</b>	<b>406.02</b>	<b>453.17</b>	<b>431.42</b>	<b>440.71</b>	<b>434.09</b>	<b>624.87</b>	<b>489.39</b>

Source: Company information, East Value Research GmbH

Due to a much better cost structure y-o-y, especially related to personnel (0.3% vs. 0.9% in 9M/20) and other operating expenses (0.3% vs. 1.8%), the EBIT margin improved from -4.1% in 9M/20 to -1.2%. Cost of Sales (PLN 1.6bn vs. PLN 574m in 9M/20) mainly reflected costs associated with purchasing currencies.

At the end of September 2021, the Aforti Group (Poland, Bulgaria, Romania, Cyprus and UK) employed 56 full-time employees and 87 people based on civil or management contracts. In the previous year, these figures equalled 57 and 84 respectively.

Net profit, which in 9M/21 went up by 12.7% to PLN 2.5m y-o-y, was impacted by a weaker net financial result (PLN 21.5m vs. PLN 26m in 9M/20) stemming from a revaluation of investments worth PLN 35.3m last year, higher goodwill write-off (PLN 4.3m vs. PLN 1.6m) related to treasury shares and higher tax expense (PLN -1.8m vs. PLN 27k).

### **Balance sheet and Cash flow**

At the end of September 2021, Aforti had consolidated equity excl. own shares worth PLN 2.6m, which corresponds to an equity ratio of just 0.8%. Interest-bearing debt amounted to PLN 201.5m incl. PLN 98.3m bonds/bills of sale with an interest rate of 5-10% per year. Positive was the high share of long-term debt of 62.8%. Fixed assets (cars, computer hardware etc.) equalled PLN 1.2m (9M/20: PLN 1.9m), while intangible assets (predominantly software) amounted to PLN 1.8m (9M/20: PLN 2.1m). Goodwill (PLN 28.2m vs. PLN 40.2m in 9M/20) was lower than at the end of H1/21 (PLN 29.6m) as in Q3/21 AFH bought more shares in its subsidiaries. Long-term and short-term prepaid expenses of PLN 3.3m (9M/20: PLN 4.6m) and PLN 9m (PLN 10.3m) respectively relate to costs of bonds/bills of sale that are repaid over time, advertising and sponsoring costs and insurance that are paid upfront. Deferred revenues (PLN 34.6m vs. PLN 18.6m in 9M/20) stem from acquired debt portfolios.

Between January and September 2021, Aforti generated an operating cash flow of PLN -11.9m vs. PLN -24.5m in 9M/20. It was positively impacted by a much smaller correction related to investment gains (PLN -19m vs. PLN -35.5m in 9M/20) and other corrections (PLN -7.9m vs. PLN -32.6m). Cash flow from investing e.g. related to investments in IT equalled PLN -4.3m (9M/20: PLN 85k), while cash flow from financing amounted to PLN 16.2m (PLN 26.3m). Between January and September 2021, Aforti's cash position declined by PLN 65k to PLN 1.9m.

## Changes to our forecasts

### Revenues and Profitability

After very strong results of Aforti Exchange in 9M/21, we have decided to adjust our estimates for 2021E again. We now believe that the Aforti Exchange segment will grow its fee income this year by 122% to PLN 2.2bn (previously: PLN 1.7bn). However, for Aforti Collections and Aforti Factor we have lowered our estimates to PLN 3.7m (+8% y-o-y; prev. PLN 4.8m) and PLN 519k (-70%; PLN 692k) respectively. In our view, AFH's EBIT will reach in 2021E PLN -24.6m (2020: PLN -31m; previously: PLN -22.6m) and net income PLN 319k (2020: PLN 3.7m; PLN 1.9m) respectively.

In the long run, we expect a >2x higher CAGR 2020-2029E of Aforti Exchange than Aforti Collections (17.5% and 7% respectively), while we believe that Aforti Factor's business will shrink when compared to 2020 levels due to strong competition. Other growth drivers should be the expansion in CEE/SEE countries as well as, from 2022E, the new Aforti.BIZ SaaS-based online financing platform for SMEs (for now, not accounted for in our estimates).

in PLNm	2021E	2022E	2023E	2024E
<b>Aforti Exchange</b>	<b>2,231.74</b>	<b>2,454.91</b>	<b>2,700.40</b>	<b>2,970.44</b>
<i>(% of sales)</i>	<i>99.8%</i>	<i>99.8%</i>	<i>99.8%</i>	<i>99.8%</i>
Total transaction volume (PLNk)	4,921,690	5,413,859	5,955,245	6,550,769
Average commission	45.3%	45.3%	45.3%	45.3%
<b>Aforti Collections</b>	<b>3.68</b>	<b>4.05</b>	<b>4.45</b>	<b>4.90</b>
<i>(% of sales)</i>	<i>0.2%</i>	<i>0.2%</i>	<i>0.2%</i>	<i>0.2%</i>
Total transaction volume (PLNk)	730,669	803,736	884,109	972,520
Average commission	0.5%	0.5%	0.5%	0.5%
<b>Aforti Factor</b>	<b>0.52</b>	<b>0.53</b>	<b>0.55</b>	<b>0.57</b>
<i>(% of sales)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Total transaction volume (PLNk)	8,186	8,432	8,685	8,946
Average commission	6.3%	6.3%	6.3%	6.3%
<b>Total fee income</b>	<b>2,235.93</b>	<b>2,459.49</b>	<b>2,705.40</b>	<b>2,975.90</b>
<i>(change y-o-y)</i>	<i>121.3%</i>	<i>10.0%</i>	<i>10.0%</i>	<i>10.0%</i>

Source: East Value Research GmbH

in PLNm	2021E		2022E		2023E		2024E	
	new	old	new	old	new	old	new	old
<b>Total fee income</b>	<b>2235.93</b>	<b>1714.45</b>	<b>2459.49</b>	<b>1971.29</b>	<b>2705.40</b>	<b>2266.64</b>	<b>2975.90</b>	<b>2606.26</b>
<b>EBITDA</b>	<b>-23.25</b>	<b>-21.26</b>	<b>3.69</b>	<b>2.96</b>	<b>17.59</b>	<b>14.73</b>	<b>34.22</b>	<b>29.97</b>
<i>EBITDA margin</i>	<i>-1.0%</i>	<i>-1.2%</i>	<i>0.2%</i>	<i>0.2%</i>	<i>0.7%</i>	<i>0.6%</i>	<i>1.2%</i>	<i>1.1%</i>
<b>EBIT</b>	<b>-24.60</b>	<b>-22.63</b>	<b>1.23</b>	<b>0.99</b>	<b>14.88</b>	<b>12.47</b>	<b>31.25</b>	<b>27.37</b>
<i>EBIT margin</i>	<i>-1.1%</i>	<i>-1.3%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.6%</i>	<i>0.6%</i>	<i>1.1%</i>	<i>1.1%</i>
<b>Net income</b>	<b>0.32</b>	<b>1.93</b>	<b>12.64</b>	<b>12.46</b>	<b>20.76</b>	<b>18.83</b>	<b>31.39</b>	<b>28.27</b>
<i>Net margin</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.5%</i>	<i>0.6%</i>	<i>0.8%</i>	<i>0.8%</i>	<i>1.1%</i>	<i>1.1%</i>

Source: East Value Research GmbH

in PLNm	Q1/19	Q2/19	Q3/19	Q4/19	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21	Q3/21	Q4/21E	2021E
<b>Total fee income</b>	<b>203.80</b>	<b>232.08</b>	<b>236.31</b>	<b>364.34</b>	<b>1036.53</b>	<b>142.25</b>	<b>140.25</b>	<b>283.99</b>	<b>443.94</b>	<b>1010.42</b>	<b>435.11</b>	<b>510.07</b>	<b>607.03</b>	<b>683.72</b>	<b>2235.93</b>
<i>y-o-y change</i>	104.0%	61.4%	93.7%	76.6%	81.2%	-30.2%	-39.6%	20.2%	21.8%	-2.5%	205.9%	263.7%	113.8%	54.0%	121.3%
<b>EBITDA</b>	<b>-4.50</b>	<b>-4.59</b>	<b>-6.12</b>	<b>-13.70</b>	<b>-28.91</b>	<b>-8.50</b>	<b>-6.11</b>	<b>-6.16</b>	<b>-8.75</b>	<b>-29.52</b>	<b>-3.74</b>	<b>-5.73</b>	<b>-6.18</b>	<b>-7.61</b>	<b>-23.25</b>
<i>EBITDA margin</i>	-2.2%	-2.0%	-2.6%	-3.8%	-2.8%	-6.0%	-4.4%	-2.2%	-2.9%	-0.9%	-1.1%	-1.0%	-1.1%	-1.0%	
<b>EBIT</b>	<b>-5.25</b>	<b>-5.33</b>	<b>-6.84</b>	<b>-13.25</b>	<b>-30.66</b>	<b>-9.32</b>	<b>-7.33</b>	<b>-6.54</b>	<b>-7.82</b>	<b>-31.01</b>	<b>-5.49</b>	<b>-6.05</b>	<b>-6.46</b>	<b>-6.60</b>	<b>-24.60</b>
<i>EBIT margin</i>	-2.6%	-2.3%	-2.9%	-3.6%	-3.0%	-6.6%	-5.2%	-2.3%	-1.8%	-3.1%	-1.3%	-1.2%	-1.1%	-1.0%	
<b>Net income</b>	<b>0.30</b>	<b>0.30</b>	<b>0.27</b>	<b>-0.62</b>	<b>0.24</b>	<b>0.46</b>	<b>0.73</b>	<b>1.06</b>	<b>1.47</b>	<b>3.72</b>	<b>0.60</b>	<b>0.57</b>	<b>1.36</b>	<b>-2.21</b>	<b>0.32</b>
<i>Net margin</i>	0.1%	0.1%	0.1%	-0.2%	0.0%	0.3%	0.5%	0.4%	0.3%	0.4%	0.1%	0.1%	0.2%	-0.3%	0.0%

Source: Company information, East Value Research GmbH

## CAPEX and Working capital

Due to the development of Aforti.BIZ we now assume that gross CAPEX will reach PLN 6.5m in 2021E and PLN 10.5m in 2022E-2024E. Afterwards, it should equal roughly the yearly depreciation & amortization. We expect that in the long run the share of working capital as percentage of sales will decline to 0.3% compared to 1.5% in 2020. In our view, the cash conversion cycle will grow from -1.2 days to >1 day over the same period.

## Valuation

We have valued Aforti by using a weighted average of a DCF model (50% weight) and Residual Income Model (50%). A peer group valuation does not seem to be appropriate as Aforti's stock is illiquid and no peer is 100% comparable to it in terms of business model and accounting methodology. With updated estimates after 9M/21 and a 30% discount due to uncertainty, our approach derives a 12-months Fair Value of PLN 15.60 (previously: PLN 14.20), which implies an upside of 173.8% at present. In our valuation, we have accounted for 874k of own shares.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 2.26% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: Levered beta of 2.55x
- (3) *Equity risk premium (Poland)*: 5.54% (Source: www.damodaran.com)
- (4) *Equity cost*: 16.4%
- (5) *Target equity ratio*: 60%
- (6) *After-tax cost of debt*: 11%
- (7) *WACC*: 15%
- (8) *Sales growth in the terminal period*: 2%
- (9) Free cash flows and residual values are discounted to November 23, 2021

## DCF model

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>Net sales</b>	<b>2,235.93</b>	<b>2,459.49</b>	<b>2,705.40</b>	<b>2,975.90</b>	<b>3,273.21</b>	<b>3,469.53</b>	<b>3,816.18</b>	<b>4,045.07</b>	<b>4,287.70</b>
(y-o-y change)	121.3%	10.0%	10.0%	10.0%	10.0%	6.0%	10.0%	6.0%	6.0%
<b>Operating profit</b>	<b>-24.60</b>	<b>1.23</b>	<b>14.88</b>	<b>31.25</b>	<b>50.73</b>	<b>71.13</b>	<b>99.22</b>	<b>101.13</b>	<b>102.45</b>
(operating margin)	-1.1%	0.1%	0.6%	1.1%	1.6%	2.1%	2.6%	2.5%	2.4%
<b>NOPLAT</b>	<b>-19.92</b>	<b>1.00</b>	<b>12.05</b>	<b>25.31</b>	<b>41.10</b>	<b>57.61</b>	<b>80.37</b>	<b>81.91</b>	<b>82.99</b>
+ Depreciation & amortisation	1.34	2.46	2.71	2.98	3.27	3.47	3.82	4.05	4.29
= Net operating cash flow	-18.58	3.46	14.76	28.29	44.37	61.08	84.18	85.96	87.28
- Total investments (Capex and WC)	-5.30	-1.87	2.28	-3.38	-4.51	-4.48	-6.75	-6.99	-7.34
Capital expenditures	-6.50	-3.17	-3.49	-3.84	-4.22	-4.10	-4.93	-4.78	-5.06
Working capital	1.20	1.30	5.77	0.46	-0.29	-0.39	-1.83	-2.22	-2.28
= Free cash flow (FCF)	-23.88	1.58	17.04	24.91	39.86	56.60	77.43	78.96	79.93
<b>PV of FCF's</b>	<b>-23.53</b>	<b>1.36</b>	<b>12.69</b>	<b>16.13</b>	<b>22.43</b>	<b>27.69</b>	<b>32.94</b>	<b>29.20</b>	<b>25.69</b>
PV of FCFs in explicit period	144.60								
PV of FCFs in terminal period	207.91								
<b>Enterprise value (EV)</b>	<b>352.51</b>								
+ Net cash / - net debt (30 September 2021)	-199.64								
+ Investments / - minorities	-8.28								
<b>Shareholder value</b>	<b>144.58</b>								
<b>Number of shares excl. own stock (m)</b>	<b>8.17</b>								
							<b>Terminal EBIT margin</b>		
<b>WACC</b>	<b>11.0%</b>	<b>-0.6%</b>	<b>0.4%</b>	<b>1.4%</b>	<b>2.4%</b>	<b>3.4%</b>	<b>4.4%</b>	<b>5.4%</b>	
Cost of equity	16.4%	-18.44	5.21	28.87	52.52	76.17	99.82	123.48	
Pre-tax cost of debt	13.0%	12.0%	-17.46	2.34	22.14	41.94	61.74	81.55	101.35
Normal tax rate	19.0%	13.0%	-16.90	-0.15	16.61	33.37	50.12	66.88	83.63
After-tax cost of debt	10.5%	14.0%	-16.63	-2.32	11.98	26.29	40.59	54.90	69.20
Share of equity	60.0%	15.0%	-16.55	-4.25	8.06	20.36	32.67	44.97	57.28
Share of debt	40.0%	16.0%	-16.63	-5.98	4.68	15.33	25.99	36.64	47.29
<b>Fair value per share in PLN</b>	<b>17.70</b>	<b>17.0%</b>	-16.81	-7.53	1.75	11.02	20.30	29.58	38.85
<b>Fair value per share in PLN (in 12 months)</b>	<b>20.36</b>	<b>18.0%</b>	-17.06	-8.94	-0.82	7.29	15.41	23.53	31.65

Source: East Value Research GmbH

## Residual Income Model

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net profit	0.32	12.64	20.76	31.39	44.55	59.65	80.99	81.12	80.78
Equity	22.36	34.99	55.76	87.15	131.70	191.34	272.33	353.45	434.23
Return-on-Equity	1.44%	44.07%	45.76%	43.93%	40.71%	36.93%	34.93%	25.93%	20.51%
Cost-of-equity	16.39%	16.39%	16.39%	16.39%	16.39%	16.39%	16.39%	16.39%	16.39%
ROE - CoE	-14.95%	27.68%	29.37%	27.55%	24.32%	20.54%	18.55%	9.54%	4.12%
<b>Residual profit</b>	<b>-3.34</b>	<b>9.69</b>	<b>16.38</b>	<b>24.01</b>	<b>32.03</b>	<b>39.31</b>	<b>50.51</b>	<b>33.71</b>	<b>17.91</b>
Discount factor	1.0159	1.1824	1.3762	1.6017	1.8641	2.1696	2.5252	2.9390	3.4206
<b>Disc. residual profit</b>	<b>-3.29</b>	<b>8.19</b>	<b>11.90</b>	<b>14.99</b>	<b>17.18</b>	<b>18.12</b>	<b>20.00</b>	<b>11.47</b>	<b>5.23</b>
Sum disc. residual profit	103.80								
Terminal value	37.11								
<b>Sum</b>	<b>140.91</b>								
Equity (30/09/2021)	2.60								
<b>Fair equity value</b>	<b>143.51</b>								
No of shares excl. own stock	8.17								
<b>Fair equity value per share (today)</b>	<b>17.57</b>								
<b>Fair equity value per share (in 12 months)</b>	<b>20.45</b>								

Source: East Value Research GmbH

## Price target calculation

Valuation method	Fair value	Weight
DCF model	17.70	50%
Residual income model	17.57	50%
<b>Weighted average (present value)</b>	<b>17.63</b>	
<b>Discounted by 30%</b>	<b>13.56</b>	
<b>In 12-months (PV * (1+WACC))</b>	<b>15.60</b>	

Source: East Value Research GmbH

## Peer Group Analysis

In its business segments, Aforti competes with different companies, which are both listed and privately held. In the area of currency exchange, its competitors also include online FX exchanges of banks.

Currency exchange:

- (1) *Revolut Ltd.*: Revolut, which is based in London and was founded in 2013, is a financial services company that specializes in mobile banking, card payments, money remittance, and foreign exchange. Its offering includes e.g. a pre-paid debit card, currency exchange, and peer-to-peer payments. The company, which is already valued at USD >1bn, has among others Index Ventures, Ribbit Ventures, Baring and Balderton Capital among its investors.
- (2) *Walutomat Sp. z.o.o.*: Walutomat was founded in 2009 and is based in Poznan. It is a Polish online currency exchange platform, where users can directly exchange foreign currencies between themselves, by setting the rates at which they sell and buy. Thus, they are able to omit the costly mediation of banks and traditional currency exchange offices. Since 2009, 455,000 users of Walutomat's platform have exchanged PLN >20bn.

(3) *Conotoxia/Cinkciarz Sp. z.o.o.*: Conotoxia Holding group provides a professional financial platform on Conotoxia.com and Cinkciarz.pl, which offers a broad spectrum of services, including online currency exchange (28 currencies), money transfers (e.g. US citizens can transfer money to 30 European countries), multi-currency cards, online payment services and access to Forex trading. The Group provides its services to customers in Europe and the US. Cinkciarz is sponsor of the NBA team Chicago Bulls.

Debt collection:

(4) *Kruk S.A.*: Kruk, which is based in Wroclaw and was founded in 1998, manages debt for institutional clients in Poland, Romania, Italy, the Czech Republic, Slovakia, Germany, and Spain. It purchases and manages debt portfolios, including consumer, mortgage-backed, and SME/corporate debts; and offers consumer unsecured loans, mortgage loans, SME/corporate loans, and credit management services. The company manages the receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunication operators, cable TV operators, digital TV operators, and FMCG companies. It also provides Novum loan services; detective services; financial intermediation agency services, and support for small and medium-sized enterprises; credit information exchange systems; investment fund management services; receivable management services; and portfolio underwriting services. Moreover, it invests in receivables and offers certificates of securitization funds. Based on data from marketscreener.com, the stock is currently trading at a P/E 2021E of 11x.

(5) *Hoist Finance AB*: Hoist Finance, which was founded in 1994 and is headquartered in Stockholm, provides solutions for the acquisition and management of non-performing loans (NPLs) in Europe. It purchases NPLs originated by international banks and other financial institutions. The company also provides current account and fixed-term deposits. Currently, it is trading at a negative P/E 2021E.

(6) *BEST S.A.*: BEST, which is based in Gdynia, operates in the Polish debt collection industry and provides debt collection services for banks, borrowing companies, telecommunication operators, power companies, among others. In addition, it manages securitized assets of securitization funds, as well as invests in non-performing debt portfolios through the issue of investment certificates and bonds.

(7) *Intrum AB*: The Swedish company Intrum offers credit optimization services, including credit monitoring, credit decision, factoring, and credit information services; and debt collection, surveillance, and purchase services. It also provides payment guarantee and VAT services, credit management, payment solutions and factoring. The stock is currently trading at a P/E 2021E of 9.8x.



(8) *Kredyt Inkasso S.A.*: Kredyt Inkasso, which is based in Warsaw and controlled by the Dutch fund Waterland Private Equity, provides debt management services in Poland, Russia, Romania, Bulgaria, and Croatia. The company offers payment monitoring services and debt collection services relating to court and enforcement procedures. It serves banks, insurances and telecommunication companies.

Factoring:

(9) *Banca Farmafactoring S.p.A.*: BFF, which is based in Milan/Italy, engages in the management and non-recourse sale of trade receivables due from public administrations and national healthcare systems. It operates in Italy, Croatia, the Czech Republic, France, Greece, Poland, Portugal, the Slovak Republic, and Spain. Currently, the stock is trading at a P/E 2021E of 5x.

(10) *Banca IFIS S.p.A.*: Banca IFIS, which is based in Mestre/Italy, engages in the purchase/management of non-performing loan portfolios. It is currently trading at a P/E 2021E of 8.6x.

(11) *PragmaGO S.A.*: PragmaGO, which is headquartered in Katowice/Poland, has been on the market since 1996. It offers factoring, leasing, debt collection, legal services, financing and loans, acquisition of receivables, business intelligence, securitization fund, debt exchange, and debt collection stamp services.

Since recently, the company has been owned by the Polish Enterprise Fund of the well-known private equity company Enterprise Investors.

Company	Market cap	Sales	EBITDA margin	EBITDA margin	Net gearing	P/Tangible BVPS	ROE	ROE
		2020	2020	2019	Latest	Latest	2020	2019
Kruk S.A. (PLN)	6,184.21	1156.66	32.8%	42.5%	93.2%	2.6x	4.0%	14.1%
Hoist Finance AB (SEK)	2,732.70	2368.00	15.2%	29.0%	152.1%	0.6x	0.8%	12.4%
BEST S.A. (PLN)	598.39	295.14	32.3%	41.8%	11.1%	1.1x	6.8%	4.1%
Intrum AB (SEK)	29,450.40	16848.00	68.9%	71.6%	241.0%	neg.	9.8%	-1.6%
Kredyt Inkasso S.A. (PLN)	255.37	129.40	3.6%	46.1%	-85.0%	1.0x	-17.2%	3.1%
Banca Farmafactoring S.p.A. (EUR)	1,278.30	211.00	43.2%	45.2%	-24.6%	1.6x	19.7%	24.7%
Banca IFIS S.p.A (EUR)	846.50	468.00	40.2%	47.1%	303.4%	0.5x	4.5%	8.0%
Aforti Holding S.A. (PLN)	51.54	1,010.42	-2.9%	-2.8%	7676.6%	neg.	12.8%	0.7%

Source: CapitalIQ, marketscreener.com, bankier.pl, East Value Research GmbH

## Profit and loss statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
<b>Total fee income</b>	<b>1,036.53</b>	<b>1,010.42</b>	<b>2,235.93</b>	<b>2,459.49</b>	<b>2,705.40</b>	<b>2,975.90</b>
Cost of goods sold	-1,046.99	-1,020.94	-2,231.46	-2,422.60	-2,651.29	-2,904.48
<b>Gross profit</b>	<b>-10.46</b>	<b>-10.52</b>	<b>4.47</b>	<b>36.89</b>	<b>54.11</b>	<b>71.42</b>
Other operating income	0.50	0.93	0.95	0.97	0.99	1.01
Personnel costs	-8.51	-7.10	-6.71	-7.38	-8.12	-8.93
Other operating expenses	-10.45	-12.83	-21.97	-26.79	-29.40	-29.28
<b>EBITDA</b>	<b>-28.91</b>	<b>-29.52</b>	<b>-23.25</b>	<b>3.69</b>	<b>17.59</b>	<b>34.22</b>
Depreciation	-1.75	-1.49	-1.34	-2.46	-2.71	-2.98
<b>Operating income</b>	<b>-30.66</b>	<b>-31.01</b>	<b>-24.60</b>	<b>1.23</b>	<b>14.88</b>	<b>31.25</b>
Net financial result	19.36	31.96	26.96	16.96	13.96	10.96
Gain/loss from sale of shares	0.00	4.22	0.00	0.00	0.00	0.00
Write-down of goodwill	-1.59	-2.69	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>-12.89</b>	<b>2.48</b>	<b>2.37</b>	<b>18.19</b>	<b>28.84</b>	<b>42.21</b>
Income taxes	2.73	-0.03	-0.45	-3.46	-5.48	-8.02
Minorities	10.40	1.26	-1.60	-2.10	-2.60	-2.80
<b>Net income / loss</b>	<b>0.24</b>	<b>3.72</b>	<b>0.32</b>	<b>12.64</b>	<b>20.76</b>	<b>31.39</b>
EPS	0.03	0.41	0.04	1.40	2.30	3.47
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<b>Share in total sales</b>						
Total fee income	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-101.01 %	-101.04 %	-99.80 %	-98.50 %	-98.00 %	-97.60 %
Gross profit	-1.01 %	-1.04 %	0.20 %	1.50 %	2.00 %	2.40 %
Other operating income	0.05 %	0.09 %	0.04 %	0.04 %	0.04 %	0.03 %
Personnel costs	-0.82 %	-0.70 %	-0.30 %	-0.30 %	-0.30 %	-0.30 %
Other operating expenses	-1.01 %	-1.27 %	-0.98 %	-1.09 %	-1.09 %	-0.98 %
EBITDA	-2.79 %	-2.92 %	-1.04 %	0.15 %	0.65 %	1.15 %
Depreciation	-0.17 %	-0.15 %	-0.06 %	-0.10 %	-0.10 %	-0.10 %
Operating income	-2.96 %	-3.07 %	-1.10 %	0.05 %	0.55 %	1.05 %
Net financial result	1.87 %	3.16 %	1.21 %	0.69 %	0.52 %	0.37 %
Gain/loss from sale of shares	0.00 %	0.42 %	0.00 %	0.00 %	0.00 %	0.00 %
Write-down of goodwill	-0.15 %	-0.27 %	0.00 %	0.00 %	0.00 %	0.00 %
EBT	-1.24 %	0.25 %	0.11 %	0.74 %	1.07 %	1.42 %
Income taxes	0.26 %	0.00 %	-0.02 %	-0.14 %	-0.20 %	-0.27 %
Minorities	1.00 %	0.12 %	-0.07 %	-0.09 %	-0.10 %	-0.09 %
Net income / loss	0.02 %	0.37 %	0.01 %	0.51 %	0.77 %	1.05 %

\* Aforti Holding uses Polish Accounting Standards

## Balance Sheet

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Cash and equivalents	0.60	1.98	4.64	3.88	19.87	40.22
Shares/other assets in associated companies	22.01	63.17	64.43	65.72	67.04	68.38
Loans/other assets in external companies	78.14	65.09	55.33	47.03	39.97	33.98
Inventories	0.00	0.03	0.07	0.08	0.08	0.09
Trade accounts and notes receivables	3.36	1.17	4.25	6.49	9.14	12.26
Other current assets	46.42	66.17	59.55	53.60	48.24	43.41
<b>Current assets, total</b>	<b>150.52</b>	<b>197.62</b>	<b>188.27</b>	<b>176.80</b>	<b>184.35</b>	<b>198.34</b>
Property, plant and equipment	2.52	1.76	1.76	1.76	1.76	1.76
Other intangible assets	1.70	2.00	7.15	7.87	8.66	9.52
Goodwill	13.92	32.53	32.53	32.53	32.53	32.53
Long-term investments (shares, loans, other ass	4.52	0.28	0.29	0.29	0.30	0.30
Other long-term assets	7.62	4.40	4.49	4.58	4.67	4.76
Deferred tax assets	8.69	8.48	0.00	0.00	0.00	0.00
<b>Non-current assets, total</b>	<b>38.97</b>	<b>49.45</b>	<b>46.22</b>	<b>47.03</b>	<b>47.92</b>	<b>48.88</b>
<b>Total assets</b>	<b>189.49</b>	<b>247.07</b>	<b>234.50</b>	<b>223.83</b>	<b>232.27</b>	<b>247.22</b>
Trade payables	11.05	4.43	4.54	4.43	9.68	10.50
Other short-term liabilities	21.78	48.23	45.82	43.53	41.35	39.29
Short-term financial debt	38.37	60.91	75.00	62.00	54.00	46.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
<b>Current liabilities, total</b>	<b>71.20</b>	<b>113.57</b>	<b>125.36</b>	<b>109.96</b>	<b>105.03</b>	<b>95.79</b>
Long-term financial debt	75.87	126.19	100.00	90.00	80.00	70.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	17.61	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.17	0.09	0.00	0.00	0.00	0.00
<b>Long-term liabilities, total</b>	<b>93.65</b>	<b>126.28</b>	<b>100.00</b>	<b>90.00</b>	<b>80.00</b>	<b>70.00</b>
<b>Total liabilities</b>	<b>164.85</b>	<b>239.85</b>	<b>225.36</b>	<b>199.96</b>	<b>185.03</b>	<b>165.79</b>
<b>Shareholders equity, total</b>	<b>35.80</b>	<b>22.04</b>	<b>22.36</b>	<b>34.99</b>	<b>55.76</b>	<b>87.15</b>
Minority interests	-11.16	-14.82	-13.22	-11.12	-8.52	-5.72
<b>Total equity and debt</b>	<b>189.49</b>	<b>247.07</b>	<b>234.50</b>	<b>223.83</b>	<b>232.27</b>	<b>247.22</b>

\* Aforti Holding uses Polish Accounting Standards

## Cash Flow Statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net income / loss	0.24	3.72	0.32	12.64	20.76	31.39
Depreciation	1.75	1.49	1.34	2.46	2.71	2.98
Change of working capital	12.85	26.49	1.20	1.30	5.77	0.46
Others	-39.93	-65.98	-8.39	0.00	0.00	0.00
<b>Net operating cash flow</b>	<b>-25.09</b>	<b>-34.29</b>	<b>-5.53</b>	<b>16.40</b>	<b>29.24</b>	<b>34.83</b>
<b>Cash flow from investing</b>	<b>-8.45</b>	<b>0.93</b>	<b>-6.50</b>	<b>-3.17</b>	<b>-3.49</b>	<b>-3.84</b>
Free cash flow	-33.55	-33.36	-12.03	13.22	25.75	30.99
<b>Cash flow from financing</b>	<b>32.30</b>	<b>34.74</b>	<b>14.69</b>	<b>-13.98</b>	<b>-9.76</b>	<b>-10.64</b>
Change of cash	-1.25	1.38	2.66	-0.76	15.99	20.34
Cash at the beginning of the period	1.84	0.60	1.98	4.64	3.88	19.87
Cash at the end of the period	0.60	1.98	4.64	3.88	19.87	40.22

## Financial ratios

	2019	2020	2021E	2022E	2023E	2024E
<b>Profitability and balance sheet quality</b>						
Gross margin	-1.01%	-1.04%	0.20%	1.50%	2.00%	2.40%
EBITDA margin	-2.79%	-2.92%	-1.04%	0.15%	0.65%	1.15%
EBIT margin	-2.96%	-3.07%	-1.10%	0.05%	0.55%	1.05%
Net margin	0.02%	0.37%	0.01%	0.51%	0.77%	1.05%
Return on equity (ROE)	0.68%	12.85%	1.44%	44.07%	45.76%	43.93%
Return on assets (ROA)	-10.09%	-11.43%	-11.36%	-1.93%	2.93%	8.26%
Return on capital employed (ROCE)	-20.43%	-23.00%	-18.25%	0.87%	9.47%	16.71%
Economic Value Added (in PLNm)	-41.95	-50.77	-36.33	-16.12	-7.07	2.55
Net debt (in PLNm)	113.65	185.12	170.36	148.12	114.13	75.78
Net gearing	317.45%	840.01%	761.99%	423.27%	204.68%	86.96%
Equity ratio	18.89%	8.92%	9.53%	15.63%	24.01%	35.25%
Current ratio	2.11	1.74	1.50	1.61	1.76	2.07
Quick ratio	0.36	0.58	0.58	0.69	0.91	1.26
Net interest cover	-1.58	-0.97	-0.91	0.07	1.07	2.85
Net debt/EBITDA	-3.93	-6.27	-7.33	40.15	6.49	2.21
Tangible BVPS	2.42	-1.16	-1.12	0.27	2.57	6.04
Capex/Sales	1.92%	1.94%	0.29%	0.13%	0.13%	0.13%
Working capital/Sales	-0.06%	1.46%	0.60%	0.50%	0.24%	0.20%
Cash Conversion Cycle (in days)	-3	-1	-1	-1	0	0
<b>Trading multiples</b>						
P/Tangible BVPS	2.36	-4.91	-5.07	20.90	2.22	0.94
P/E	212.98	13.87	161.47	4.08	2.48	1.64
P/FCF	-1.54	-1.54	-4.29	3.90	2.00	1.66

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