

Ilirija d.d.

Buy

Upgraded from Hold

Price: HRK 178

Price target: HRK 209
(from HRK 192)

Stronger prices drive upgrade

Following the 2Q22 numbers, we make small upwards adjustments to our model again and raise our 12M price target (PT) by c.9%, to HRK 209. Accordingly, we also upgrade our recommendation from Hold to BUY, with potential upside of 17%. Ilirija's 2Q numbers provide an even clearer picture of how management is positioning the business, ahead of the peak summer season; as we observed in 1Q22, the message, we believe, is stronger pricing. Going forward, we maintain that Ilirija's strong balance sheet positions it for a new growth capex cycle, as well as a return to regular dividends. In July, the company was also more active with its share buyback, its 6M ADTV improved to EUR 7.0k; of this, however, nearly two-thirds was generated in just two trading days. This low liquidity remains an issue, in our view, for investors seeking exposure to the story.

Our updated forecasts reflect the stronger pricing in the camping and hotel segments during the peak season. In total, we have raised our 2022-24E revenues forecasts by another c.5%, on average, specifically for: 1) higher average rates or mobile homes and individual pitches (camping segment); and 2) hotel ADRs. Camping revenues grew nearly 50% yoy on c.10% more pitch days sold and c.32% more higher revenues per sold pitch. The 1H22 hotel revenues rose c.360% yoy – the driver here, naturally, was occupancy, but with 28% yoy higher average revenues per sold. We observe a similar, albeit less dramatic, trend in the nautical rates (with revenues +9% yoy). Only in real estate do we see revenues remaining flat, around the 2020-21 levels.

We have lifted our 2022E net profit estimate by c.8%, to HRK 32.7m, on revenues of HRK 186m and EBITDA of HRK 59.5m (increases of 4% and 5%, respectively). Again, we note that our numbers imply a c.400bps yoy compression in the EBITDA margin, to 32.0% (+30bps vs. previous estimates), but still above the 2019 level. Assuming that the 2022 season price adjustment will stick, even with the current cost pressure, we see the 2023-24E EBITDA margin stabilising around 31%. Following our revisions, we see 2022-24E revenues and net profit CAGRs of 4.7% (+50bps) and 4.4% (-140bps), respectively; Ilirija's 2017-19 CAGRs were 5.6% and 7.3%, respectively.

On our 2022E earnings, Ilirija trades at an EV/EBITDA of 7.9x and a PER of 13.1x, the former a 50% discount versus its global hospitality peers. In our view, the significant discount reflects its peers' 2022E earnings being below potential, while the stocks are pricing in, in full, a recovery from 2023E-onwards. The stock's EV/EBITDA discounts for 2023-24E narrow to c.32%, or in line with its 2016-19 discount vs. its peers.

Croatian tourist nights returned to pre-pandemic levels in June, according to the latest statistical office release. At 13.1m, tourist nights in June doubled yoy, fully in line with the 2019 figure; this, in our view, suggests a promising start to the 3Q high season. June tourist arrivals of 2.66m were 91% of 2019, i.e., average nights stayed grew c.12%, to 5.14. Specifically, in Zadar County, where Ilirija is situated, tourist arrivals were 102% of the 2019 level and tourist nights were at 92%, or 1.27m nights.

Expected events

3Q22 results	End-October
4Q22 results	End-February
1Q23 results	End-April

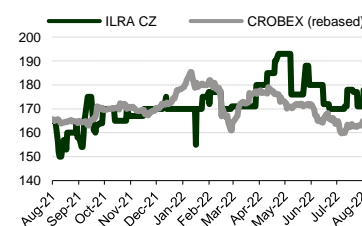
Key data

Market Cap	EUR 57m
Free float	47.1%
6M ADTV	EUR 7.0k
Shares outstanding	2.4m
Major Shareholder	Arsenal (59.2%)
Reuters Code	ILRA.ZA
Bloomberg Code	ILRA CZ
CROBEX Index	1,219

Price performance

52-w range	HRK 193-150
52-w performance	7.9%
Relative performance	7.9%

Ilirija 12M share price performance



Year	Sales HRK m	EBITDA HRK m	Net profit HRK m	EPS HRK	EPS % yoy	DPS HRK	P/E (x)	EV/EBITDA (x)	P/CE (x)	Div yield %
2019	163.5	50.2	31.3	13.03	-15%	0.00	14.0	10.8	10.0	0.0%
2020	97.6	21.2	1.0	0.42	-97%	0.00	n.m.	21.5	16.2	0.0%
2021	134.5	48.4	22.2	9.21	n.m.	3.50	17.3	9.2	8.7	2.2%
2022E	186.0	59.5	32.7	13.58	47%	3.50	13.1	7.9	9.1	2.0%
2023E	197.4	59.5	32.7	13.59	0%	3.50	13.1	7.5	8.5	2.0%
2024E	204.0	64.1	35.6	14.81	9%	3.71	12.0	6.6	8.0	2.1%

Analysts: Bram Buring, CFA; Alex Boulougouris, CFA
E-mail: bram.buring@wood.cz; alex.boulougouris@wood.com

Prague: +420 222 096 250
Website: www.wood.com

Contents

Company snapshot – BUY, HRK 209	3
Valuation	4
Financials	6
Important disclosures	8

Closing Prices as of 10 August 2022

© 2022 by WOOD & Company Financial Services, a.s.

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

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

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

Company snapshot – BUY, HRK 209

BUY		COMPANY DESCRIPTION											
Bloomberg ticker	ILRA CZ	<p>Compared to the traditional Croatian resort operators, which rely primarily streams of beachgoers during the summer season, Ilirija's business also adds its Marina Komati, one of the largest marinas on the Croatian Adriatic coast, and nautical tourism. The marina's primary earnings driver is providing year-round mooring for charter and private vessels; it is a stable business that last year, alone, generated HRK 30.1m for Ilirija, or 23% of its total revenues. In addition to moorings and other associated services, Ilirija also operates four mid-sized hotels, not only for visitors to the marina, a c.1,200 pitch campsite for more traditional holidaymakers, plus sports and dining facilities. The company also provides event management at its own sites, as well as hosting the annual Biograd Boat Show, one of the largest floating boat shows in the region. In 2016, the company acquired the Shopping Center City Galleria in nearby Zadar, a six-floor, c.10k m2 shopping mall near the old city centre, which it financed with proceeds from a small capital increase and debt; we view this an opportunistic purchase, having little synergy with the tourism core business, but with >99% occupancy and a yield to book value of >10%.</p>											
Closing price (HRK)	178												
Price target (HRK)	209												
Upside to PT	17.4%												
Shares outstanding (m)	2.4												
MCAP (EUR m)	57												
Free float	47.1%												
6M ADTV (EUR '000)	7.0												
52 Week Range (HRK)	193-150												
RATIOS													
PER SHARE RATIOS							VALUATION RATIOS						
	2019	2020	2021	2022E	2023E	2024E		2019	2020	2021	2022E	2023E	2024E
EPS	13.0	0.4	9.2	13.6	13.6	14.8	P/E	14.0x	356.6x	17.3x	13.1x	13.1x	12.0x
CEPS	18.3	9.3	18.3	19.6	20.9	22.3	EV/EBITDA	10.8x	21.5x	9.2x	7.9x	7.5x	6.6x
BVPS	144.2	144.6	153.8	163.9	174.0	185.3	P/CF	10.0x	16.2x	8.7x	9.1x	8.5x	8.0x
DPS	0.0	0.0	3.5	3.5	3.5	3.7	P/BV	1.3x	1.0x	1.0x	1.1x	1.0x	1.0x
FINANCIAL RATIOS													
EBITDA margin	30.7%	21.7%	36.0%	32.0%	30.1%	31.4%	EV/Capital Employed	1.2x	1.0x	0.9x	1.0x	0.9x	0.9x
EBIT margin	21.9%	5.7%	21.8%	23.1%	21.4%	22.7%	EV/Sales	3.3x	4.7x	3.3x	2.5x	2.3x	2.1x
Net margin	19.2%	1.0%	16.5%	17.6%	16.6%	17.5%	EV/EBIT	15.1x	82.6x	15.1x	10.9x	10.5x	9.1x
ROE	9.3%	0.3%	6.2%	8.5%	8.0%	8.2%	Cash flow from ops, HRK m	44.0	22.5	44.1	47.2	50.3	53.6
ROCE	7.9%	1.2%	5.2%	7.3%	7.2%	7.8%	EV, HRK m	541	456	444	468	446	421
Net debt/EBITDA	2.0x	4.3x	1.2x	0.7x	0.3x	(0.1)x	FCF, HRK m	17.8	8.6	31.8	28.2	30.7	33.4
Net debt/(cash) to equity	0.3x	0.3x	0.2x	0.1x	0.0x	(0.0)x	FCF yield	4.0%	2.4%	8.3%	6.6%	7.2%	7.8%
							Dividend yield	0.0%	0.0%	2.2%	2.0%	2.0%	2.1%
COMPANY FINANCIALS													
INCOME STATEMENT, HRK m							BALANCE SHEET, HRK m						
	2019	2020	2021	2022E	2023E	2024E		2019	2020	2021	2022E	2023E	2024E
Total operating revenues	163.5	97.6	134.5	186.0	197.4	204.0	Current Assets	34.0	27.8	52.9	99.2	106.5	117.1
Materials and energy	-24.4	-11.1	-17.1	-29.5	-31.1	-31.5	Cash and equivalents	15.2	23.4	3.7	39.4	45.9	56.0
Services	-21.7	-16.3	-18.5	-24.3	-25.8	-26.6	Trade receivables	15.8	3.4	3.1	12.6	13.4	13.8
Staff cost	-47.4	-31.8	-36.0	-49.7	-56.7	-56.5	Inventories	1.8	1.1	1.0	2.0	2.1	2.2
Other operating expenses	-19.9	-17.3	-14.4	-23.0	-24.4	-25.2	Other	1.2	0.0	45.1	45.1	45.1	
EBITDA	50.2	21.2	48.4	59.5	59.5	64.1	Non-current assets	451.2	448.9	442.0	444.4	446.9	449.4
D&A	-14.4	-15.7	-19.1	-16.6	-17.1	-17.7	PP&E	374.0	370.8	363.6	367.6	371.8	376.0
EBIT	35.8	5.5	29.4	42.9	42.3	46.4	Intangible assets	0.5	0.1	0.2	0.4	0.5	0.7
Net financial expenses	-4.5	-4.5	-3.0	-3.1	-2.4	-2.9	Investment property	76.7	77.9	78.2	76.4	74.5	72.7
Profit before taxation	31.3	1.0	26.4	39.9	39.9	43.5	Other	0.0	0.0	0.0	0.0	0.0	0.0
Income tax	0.0	0.0	-4.2	-7.2	-7.2	-7.8	Total Assets	485.3	476.7	494.9	543.6	553.5	566.5
Net profit	31.3	1.0	22.2	32.7	32.7	35.6	Total Current Liabilities	40.1	22.7	30.2	37.8	38.1	37.0
CASH FLOW, HRK m													
	2019	2020	2021	2022E	2023E	2024E	Trade payables	20.1	11.9	14.2	22.7	24.1	24.9
Net profit	31.3	1.0	26.4	32.7	32.7	35.6	ST loans	18.2	9.1	14.1	13.1	12.0	10.1
Depreciation	14.4	15.7	19.0	16.6	17.1	17.7	Other	1.9	1.8	2.0	2.0	2.0	2.0
Change in retained profit	0.0	0.0	0.0	0.0	0.0	0.0	Total Non-current Liabilities	98.4	105.8	94.4	111.4	96.7	83.6
Sale of PP&E	0.0	0.5	0.0	0.0	0.0	0.0	Long-term debt	98.4	105.8	94.4	111.4	96.7	83.6
Share bonuses	0.0	0.0	0.0	0.0	0.0	0.0	Other	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	-1.7	5.2	-1.3	-2.0	0.5	0.3	Total shareholders' equity	346.8	348.1	370.2	394.4	418.7	446.0
CF from operating activities	44.0	22.5	44.1	47.2	50.3	53.6	Total liab. & equity	485.3	476.7	494.9	543.6	553.5	566.5
CAPEX	-26.2	-13.9	-12.3	-19.1	-19.6	-20.2	Net Debt/(Cash)	101.3	91.6	59.7	40.0	17.7	-7.4
Other	0.6	1.2	-45.1	0.0	0.0	0.0	Gearing	2.0	4.3	1.2	0.7	0.3	-0.1
CF from investments	-25.6	-12.7	-57.3	-19.1	-19.6	-20.2	Capital Employed, HRK m	451.8	443.2	479.0	483.4	485.4	487.6
Issuing of new shares	0.0	-	0.0	0.0	0.0	0.0							
Purchase of treasury shares	-0.4	0.0	0.0	0.0	0.0	0.0							
Dividend paid	-8.4	-	0.0	-8.4	-8.4	-8.4							
Increase/(decrease) in long-term borrowings	-5.0	7.5	2.7	17.0	-14.7	-13.1							
Increase/(decrease) in short-term borrowings	5.4	-9.1	-9.1	-1.0	-1.1	-1.9							
Cash from financing activities	-8.4	-1.7	-6.4	7.5	-24.2	-23.4							
Operational highlights							Gross revenues (HRK m) by segment						
	2019	2020	2021	2022E	2023E	2024E							
Nautical													
Vessels on berth contract	740	717	717	720	730	730							
Transit berths - inbound vessels	3,418	1,585	2,667	2,993	3,150	3,350							
Transit berth overnight stays	11,227	9,799	10,219	9,878	10,395	11,055							
Average contract rate (HRK)	40,686	41,827	43,724	45,002	46,577	48,208							
Revenues per transit vessel	820.8	1,246.2	940.7	1,012.0	1,027.2	1,042.6							
Transit berth ADR	249.9	201.6	245.5	306.7	311.3	315.9							
Hotels													
Number of accommodation units	443	443	443	443	443	443							
Open days	229	108	149	230	230	230							
Rooms Available ('000)	102	46	66	102	102	102							
Accommodation units sold ('000)	73.3	14.5	35.5	66.3	70.3	71.1							
Occupancy on open day basis	72.1%	30.4%	53.9%	65.1%	69.0%	69.8%							
Revenues per sold room	762.1	805.5	790.1	895.7	922.5	954.8							
Camps													
Maximum pitch days ('000)	335.5	332.2	239.2	321.9	321.9	321.9							
Total pitch days ('000)	182.7	141.0	118.9	164.1	168.3	168.3							
Occupancy	54.4%	42.4%	49.7%	51.0%	52.3%	52.3%							
Revenues per sold pitch	174.2	127.7	253.3	288.4	299.6	307.9							

Valuation

DCF valuation

We value Ilirija using a 10Y DCF model, with a multiples valuation as a sanity check. On this basis, we arrive at a DCF-based 12M PT of HRK 209/share, or upside of c.17% to the current level. The key assumptions in our DCF model include:

- ✓ A WACC of 9.4% (previously 9.8%), starting with a risk free rate of 6.0% for Croatia (previously 6.5%) and an equity risk premium of 5.5% (unchanged).
- ✓ We apply a levered beta of 0.95x (previously 0.69x), based on an unlevered beta of 0.86x from the Damodaran sector beta database for hotel and gaming companies.
- ✓ A terminal value calculated as the average of the perpetuity, with a 0% terminal growth rate, and an exit EV/EBITDA of 8.0x (both unchanged).

DCF valuation

HRK m	2022E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	42.9	42.3	46.4	47.9	49.3	50.9	52.5	54.1	55.8	57.6
NOPLAT	35.2	34.7	38.0	39.2	40.5	41.7	43.0	44.4	45.8	47.3
Depreciation	16.6	17.1	17.7	18.3	18.9	19.5	20.2	20.8	21.5	22.2
Change in NWC	-2.0	0.5	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Capex	-19.1	-19.6	-20.2	-20.8	-21.4	-22.0	-22.7	-23.4	-24.1	-24.8
FCF	30.7	32.7	35.8	37.0	38.2	39.5	40.8	42.1	43.5	45.0
PV of FCF	30.7	29.9	29.9	28.2	26.6	25.1	23.7	22.4	21.1	20.0

	I. Perpetuity (g=0%)	II. Exit EV/EBITDA 8.0x	Risk-Free Rate	6.0%
Sum of PV	258	258	Levered Beta	0.95
PV of Terminal value	224	319	Risk premium	5.5%
Total EV	481	576	Cost of Equity	11.2%
Net Debt (2021A)	-60	-60	Cost of Debt	3.1%
Dividend paid	-8	-8	Tax Rate	18.0%
Equity value	413	508	Effective Cost of Debt	2.5%
Equity value (HRK/sh)	171.3	210.6	Weight of Equity	79.8%
Average (HRK/sh)	191		Weight of Debt	20.2%
12M PT (HRK/sh)	209		WACC	9.4%

Source: WOOD Research

PT sensitivity to WACC and terminal growth rate

WACC/terminal growth	-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%
7.4%	233	240	248	257	268	279	293	309	328
7.9%	220	227	234	241	250	260	272	285	300
8.4%	209	215	221	227	235	243	253	264	277
8.9%	199	203	209	215	221	229	237	246	257
9.4%	189	193	198	203	209	215	222	230	239
9.9%	181	184	188	193	198	203	210	216	224
10.4%	173	176	180	184	188	193	198	204	211
10.9%	165	168	171	175	179	183	188	193	199
11.4%	158	161	164	167	171	174	178	183	188

Source: WOOD Research

Peer multiples

Peer multiples

Name	Country	Price (LCU)	Mkt Cap (EUR)	P/E			EV/EBITDA			EBITDA margin		
				22E	23E	24E	22E	23E	24E	22E	23E	24E
ILIRIJA DD	HR	178	57	13.1	13.1	12.0	7.9	7.5	6.6	36%	32%	30%
ARENA HOSPITALITY GROUP DD	HR	240	164	13.4	13.2	12.5	7.7	7.3	7.6	26%	28%	29%
PPHE HOTEL GROUP LTD	NE	1,445	727	n.a.	28.4	18.0	17.5	12.5	10.9	29%	32%	33%
MELIA HOTELS INTERNATIONAL	SP	6.37	1,404	48.0	15.9	10.8	11.3	9.0	7.1	24%	26%	27%
NH HOTEL GROUP SA	IR	3.59	1,564	232.2	16.1	11.8	9.1	6.7	5.5	27%	30%	32%
ACCOR SA	SP	26.5	6,969	54.2	23.8	18.1	15.7	11.1	9.5	16%	20%	21%
LEMON TREE HOTELS LTD	FR	75.5	736	n.a.	80.4	43.7	61.9	21.5	17.0	30%	48%	49%
INDIAN HOTELS CO LTD	IN	267.95	4,680	n.a.	57.9	42.4	85.1	28.4	23.3	13%	28%	30%
HUAZHU GROUP LTD-ADR	IN	38.72	12,182	n.a.	36.3	25.5	60.0	20.0	14.9	10%	26%	29%
SH JINJIANG INTL HOTELS - B	CH	2.018	7,958	54.2	23.8	18.1	15.7	11.1	9.5	16%	20%	21%
MINOR INTERNATIONAL PCL	CH	33.75	4,879	89.5	29.6	20.5	12.4	10.1	8.2	26%	26%	27%
Peer median				n.m.	23.8	18.1	15.7	11.1	9.5	26%	28%	29%
<i>Ilirija vs peer median</i>				<i>n.m.</i>	<i>-45%</i>	<i>-34%</i>	<i>-50%</i>	<i>-33%</i>	<i>-31%</i>			

Source: Bloomberg, WOOD Research

Compared to the 2017-19 levels, the 2022E median consensus peer multiples remain elevated, in our view, but are reverting to the mean for 2023-24E. A “normal” median peer group EV/EBITDA multiple would be closer to 13x (currently, our peers trade at a 2023-24E average of 10.3x) and around 22x for PERs (vs. our average of 20.9x for 2023-24E). For our multiples valuation, we apply: 1) the “normalised” figures for 2022E; and 2) the 2023-24E peer multiples to the average 2022-24E earnings (which are, themselves, more or less, normalised). We also apply the same historic (2016-19) discounts vs. its domestic peers (34% on PER, 2% on EV/EBITDA) as we used in our initiation report in. On these numbers, we reach a fair value for the stock, on PER, of HRK 196/share, and HRK 250 on EV/EBITDAs. The average of the two valuation methods is HRK 223/share, 7% above our DCF price target and an upside of 25% from the current levels.

Peer multiple valuation

	P/E	EV/EBITDA
Peer group avg. multiples	21.3	11.2
Trailing 3yr premium/(discount)	-34%	-2%
Average 2022-24E earnings (HRK m)	33.7	61.0
EV		672
Net debt (2021)		-60
Dividend paid		-8
Equity value	473	603
Equity value per share	196	250
Weight	50%	50%
Fair value (HRK/sh)		223

Source: WOOD Research

Financials

Income statement

HRK m	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Sales	154.9	160.9	90.0	128.5	184.1	195.4	201.8	207.4
Other operating revenues	1.5	2.6	7.6	6.0	1.9	2.0	2.1	2.3
Total operating revenues	156.4	163.5	97.6	134.5	186.0	197.4	204.0	209.7
Materials and energy	-23.3	-24.4	-11.1	-17.1	-29.5	-31.1	-31.5	-32.2
Services	-19.3	-21.7	-16.3	-18.5	-24.3	-25.8	-26.6	-27.4
Staff cost	-41.9	-47.4	-31.8	-36.0	-49.7	-56.7	-56.5	-58.1
Other operating expenses	-19.5	-19.9	-17.3	-14.4	-23.0	-24.4	-25.2	-25.9
Total operating expenses	-116.7	-127.7	-92.1	-105.1	-143.0	-155.1	-157.6	-161.8
EBITDA	52.5	50.2	21.2	48.4	59.5	59.5	64.1	66.2
D&A	-12.8	-14.4	-15.7	-19.1	-16.6	-17.1	-17.7	-18.3
Profit from operations	39.7	35.8	5.5	29.4	42.9	42.3	46.4	47.9
Net financial expenses	-2.8	-4.5	-4.5	-3.0	-3.1	-2.4	-2.9	-2.7
Profit before taxation	36.9	31.3	1.0	26.4	39.9	39.9	43.5	45.2
Income tax	0.0	0.0	0.0	-4.2	-7.2	-7.2	-7.8	-8.1
Net profit	36.9	31.3	1.0	22.2	32.7	32.7	35.6	37.0
EPS (HRK)	15.3	13.0	0.4	9.2	13.6	13.6	14.8	15.4
DPS (HRK)	3.5	0.0	0.0	3.5	3.5	3.5	3.7	3.9
Dividend yield	1.9%	n.m.	n.m.	2.2%	2.0%	2.0%	2.1%	0.0%
EBITDA margin	33.6%	30.7%	21.7%	36.0%	32.0%	30.1%	31.4%	31.5%
Net margin	23.6%	19.2%	1.0%	16.5%	17.6%	16.6%	17.5%	17.7%

Source: Company data, WOOD Research

Balance statement

HRK m	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Intangible assets	0.4	0.5	0.1	0.2	0.4	0.5	0.7	0.8
PP&E	361.5	374.0	370.8	363.6	367.6	371.8	376.0	380.1
Investment property	77.7	76.7	77.9	78.2	76.4	74.5	72.7	70.9
Investment in subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long-term assets	439.6	451.2	448.9	442.0	444.4	446.9	449.4	451.9
Inventories	2.3	1.8	1.1	1.0	2.0	2.1	2.2	2.3
Receivables	13.4	15.8	3.4	3.1	12.6	13.4	13.8	14.2
Financial investments	1.8	1.2	0.0	45.1	45.1	45.1	45.1	45.1
Cash	5.2	15.2	23.4	3.7	39.4	45.9	56.0	66.9
Total current assets	22.8	34.0	27.8	52.9	99.2	106.5	117.1	128.4
Total assets	462.4	485.3	476.7	494.9	543.6	553.5	566.5	580.3
Share capital	229.1	229.1	229.1	229.1	229.1	229.1	229.1	229.1
Treasury shares	-1.1	-1.4	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Capital reserves	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Reserves	27.0	29.2	38.6	38.6	38.6	38.6	38.6	38.6
Retained earnings	29.4	55.6	77.6	78.6	92.3	116.6	140.9	167.6
Profit for the period	36.9	31.3	1.0	22.2	32.7	32.7	35.6	37.0
Total equity	324.2	346.8	348.1	370.2	394.4	418.7	446.0	474.1
Long-term loans	103.4	98.4	105.8	94.4	111.4	96.7	83.6	63.7
Total long term liabilities	103.4	98.4	105.8	94.4	111.4	96.7	83.6	63.7
Trade payables	20.1	20.1	11.9	14.2	22.7	24.1	24.9	25.6
Short-term loans	12.8	18.2	9.1	14.1	13.1	12.0	10.1	15.0
Deferred income	1.9	1.9	1.8	2.0	2.0	2.0	2.0	2.0
Total current liabilities	34.8	40.1	22.7	30.2	37.8	38.1	37.0	42.5
Total liabilities	138.2	138.5	128.6	124.7	149.1	134.7	120.5	106.2
Total equity and liabilities	462.4	485.3	476.7	494.9	543.6	553.5	566.5	580.3
Gross debt	116.2	116.6	114.9	108.6	124.5	108.7	93.7	78.7
Net debt	111.0	101.3	91.6	59.7	40.0	17.7	-7.4	-33.2
Gearing	2.1	2.0	4.3	1.2	0.7	0.3	-0.1	-0.5
Capital employed	439.1	451.8	443.2	479.0	483.4	485.4	487.6	489.8
NOPAT	39.7	35.8	5.5	24.7	35.2	34.7	38.0	39.2
ROCE	9.0%	7.9%	1.2%	5.2%	7.3%	7.2%	7.8%	8.0%

Source: Company data, WOOD Research

Cash flow statement

HRK m	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Net profit	36.9	31.3	1.0	26.4	32.7	32.7	35.6	37.0
Depreciation	12.8	14.4	15.7	19.0	16.6	17.1	17.7	18.3
Change in retained profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of PP&E	0.1	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Share bonuses	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	-1.3	-1.7	5.2	-1.3	-2.0	0.5	0.3	0.2
Cash from operations	49.2	44.0	22.5	44.1	47.2	50.3	53.6	55.6
Purchase of intangible assets	-0.3	-0.3	0.0	0.0	-0.3	-0.3	-0.3	-0.3
Purchase of tangible assets	-40.3	-25.7	-11.4	-10.2	-18.8	-19.3	-19.9	-20.5
Purchase of investment property	-0.1	-0.2	-2.5	-2.1	0.0	0.0	0.0	0.0
Decrease in investments in subsidiaries	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
Decrease in loans and deposits	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
Decrease/(increase) in short-term investments	0.4	0.6	1.2	-45.1	0.0	0.0	0.0	0.0
Net cash from investing activities	-40.3	-25.6	-12.7	-57.3	-19.1	-19.6	-20.2	-20.8
Issuing of new shares	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
Purchase of treasury shares	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	-7.2	-8.4	-	0.0	-8.4	-8.4	-8.4	-8.9
Increase/(decrease) in long-term borrowings	0.5	-5.0	7.5	2.7	17.0	-14.7	-13.1	-19.9
Increase/(decrease) in short-term borrowings	1.8	5.4	-9.1	-9.1	-1.0	-1.1	-1.9	4.9
Net cash from financing activities	-5.2	-8.4	-1.7	-6.4	7.5	-24.2	-23.4	-23.9
Change in cash	3.7	10.0	8.1	-19.6	35.7	6.5	10.0	10.9
Previous year	1.5	5.2	15.2	23.4	3.7	39.4	45.9	56.0
Current year	5.2	15.2	23.4	3.7	39.4	45.9	56.0	66.9
FCF	8.5	17.8	8.6	31.8	28.2	30.7	33.4	34.8
FCF yield	2.0%	3.9%	2.4%	8.3%	6.6%	7.2%	7.8%	8.1%

Source: Company data, WOOD Research

Important disclosures

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

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

This investment research was completed on 10/08/2022 at 18:00 CET and disseminated on 11/08/2022 at 07:35 CET.

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

Date	Rating	Date	PT
28/10/2020	BUY – initiation of coverage	28/10/2020	HRK 178
		17/12/2021	HRK 231
05/07/2022	HOLD	05/07/2022	HRK 192
11/08/2022	BUY	11/08/2022	HRK 209

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

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

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

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

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

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

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

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

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

	BUY	HOLD	SELL	Restricted	NOT RATED	Coverage in transition
Equity Research Coverage	61%	32%	6%	1%	n.a.	n.a.
IB Clients	1%	1%	n.a.	n.a.	n.a.	n.a.

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

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

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

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

WOOD Research Disclosures (as of 11 August 2022)

Company	Disclosures
Alior Bank	5
Alpha Services and Holdings	1, 2, 3
AmRest	5
Astarta Holding	4
Banca Transilvania	5
Bank of Cyprus	4
Benefit Systems	1, 2, 3
BRD	5
Bucharest Stock Exchange	5
CCC	5
CD Projekt	5
CEZ	3
Colt CZ Group SE	3, 5
Dino	5
DO&CO	5
Electrica	5
Erste Group Bank	5
Eurobank	4
Eurocash	5
Fondul Proprietatea	4, 5
Globe Trade Centre	1, 2, 3
Kazatomprom	5
Kernel	5
KGHM	5
Kofola CS	5
Komercni	4, 5
Kruk	5
Lotos	5
MedLife	4
MONETA Money Bank	5
NLB Group	5
Nuclearelectrica	5
O2 Czech Republic	4, 5
OMV Petrom	5
Orange PL	5
Piraeus Financial Holdings	1, 2, 3
Pekao	4, 5
PGE	5
PGNIG	5

Philip Morris CR	5
PKN Orlen	5
PKO BP	4, 5
PZU	4, 5
Romgaz	5
Santander Bank Polska	5
Shoper	1, 2, 3
Siauliu Bankas	5
STS	1, 2, 3
Ten Square Games	3
Transelectrica	5
Transgaz	5

Description

- 1 The company currently is, or in the past 12 months was, a client of WOOD&Co or any of its affiliates for the provision of corporate finance/investment banking services.
- 2 In the past 12 months, WOOD&Co or any of its affiliates have received compensation for corporate finance/investment banking services from the company.
- 3 In the past 12 months, WOOD&Co or any of its affiliates have been lead manager or co-lead manager of a publicly disclosed offer of the company's financial instruments.
- 4 In the past 12 months, WOOD&Co or any of its affiliates have acted as broker to the company
- 5 WOOD&Co or any of its affiliates are market maker(s) or liquidity provider(s) in relation to financial instruments of the company.
- 6 In the past 12 months, WOOD&Co or any of its affiliates have provided to the company any services set out in Sections A and B or Annex I to the Directive 2014/65/EU of the European Parliament and of the Council, other than services listed under points 1, 3, 4 or 5 above, or received compensation for such services from the company.
- 7 The authoring analyst or any individual involved in the preparation of this investment research have purchased/received shares in the company prior to a public offering of those shares; and the price at which they were acquired along with the date of acquisition are disclosed above.
- 8 The authoring analyst or any individual involved in the preparation of this investment research has a direct ownership position in securities issued by the company.
- 9 A partner, director, officer, employee or agent of WOOD&Co and its affiliates, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the company.
- 10 WOOD&Co or its affiliates hold a net long or short position exceeding the threshold of 0,5% of the total issued share capital of the company, calculated in accordance with Article 3 of Regulation (EU) No 236/2012 and with Chapters III and IV of Commission Delegated Regulation (EU) No 918/2012.
- 11 The company owns more than 5% of the total issued share capital in WOOD&Co or any of its affiliates.

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

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

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

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

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

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

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

For United Kingdom or EU Residents:

This investment research is for persons who are eligible counterparties or professional clients within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 (or any analogous legislation) on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended).

For United States Residents:

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

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

CONTACTS

Czech Republic

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

Romania

Lamda Building
7A Bucuresti-Ploiesti Street
4th Floor
013682 Bucharest 1
Tel.: +40 316 30 11 81

Poland

Centrum Marszalkowska
Marszalkowska 126/134
7th Floor
00 008 Warszawa
Poland
Tel +48 22 222 1530
Fax +48 22 222 1531

UK

16 Berkeley Street
London
W1J 8DZ
Tel +44 20 3530 0691

Italy

Via Luigi Settembrini, 35
20124 Milan
Italy
Tel +39 02 36692 500

Kristen Andrasko

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

Bloomberg page
WUCO

www.wood.com

Research

Co-Head of Research/ Head of Research Poland

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

Head of Turkey Research

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

Head of Financials

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

Consumer/Real Estate

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

Gaming/Mid-caps

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

Russia

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

Co-Head of Research/Head of Greek Research

Alex Boulougouris
+30 216 200 5261
alex.boulougouris@wood.com

Head of Russia Research

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

Head of TMT

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

Poland

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

Financials

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

CEE

Aidar Ulan
+420 739 627 170
aidar.ulan@wood.cz

Head of Consumer/Industrials

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

Head of Romania Research

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

Energy

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

Energy/Utilities

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

Turkey

Can Yurtcan
+420 222 096 780
can.yurtcan@wood.com

Financials

Miguel Dias
+420 735 729 418
miguel.dias@wood.com

Macroeconomics

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

Macroeconomics

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

Utilities/Mining/Pharma

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

Metals/Mining

Artem Bagdasaryan
+79 163 393 842
artem.bagdasaryan@wood.com

Greece

Fani Tzioukalia
+30 216 200 5260
fani.tzioukalia@wood.com

Sales

Head of Sales

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

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

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

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

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

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

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

Sales Trading and Execution Services

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

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

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

RECENTLY PUBLISHED REPORTS

Date	Company/Sector	Title	Analyst
09/08/22	Zagreb Stock Exchange	Remains BUY, following the share price dip	David Lojkasek, Alex Boulougouris
09/08/22	NLB Banka	Solid performance ytd, but price remains high	David Lojkasek, Alex Boulougouris
08/08/22	European Oil and Gas Monthly	July 2022	Jonathan Lamb, Ondrej Slama
08/08/22	Siauliu Bankas	Growth mindset	Alex Boulougouris, Miguel Dias
05/08/22	EME Macro/Strategy	When is the turning point?	Alessio Chiesa, Raffaella Tenconi
05/08/22	Alkaloid AD Skopje	Near-term prospects are looking up	Bram Buring, Alex Boulougouris
02/08/22	Rear-View Mirror – EME markets	Markets mostly up in July, amid a rebound	Research Team
02/08/22	Mytilineos	One more upgrade	Alex Boulougouris, Fani Tzioukalia
01/08/22	Erdemir	Attractive dividend yield, offset by cost pressures	Artem Bagdasaryan, Atinc Ozkan
01/08/22	Titan Cement	Recovering lost ground	Alex Boulougouris, Fani Tzioukalia
29/07/22	Pilulka Lekarny	Blowing with the e-commerce wind	Aidar Ulan, Bram Buring
27/07/22	Grupa Pracuj	Dangerous liaisons with the macro	Piotr Raciborski, Maria Mickiewicz
22/07/22	Kazatomprom	Radiant future	Ildar Davletshin, Dmitry Vlasov

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