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Apator Group opens 2023 with solid sales performance

Basing the business on 3 pillars - Electricity, Water&Heat and Gas - allows us to meet our business objectives in these challenging times.


- Consolidated sales revenue in Q1 2023 higher by PLN 51.4 million than last year's figures (PLN 288.5 million, +22% y-o-y) - mainly due to a very good situation in the Electricity (PLN 118.7 million, +47% y-o-y) and Water&Heat units (PLN 98.3 million, +22% y-o-y), with slightly lower y-o-y turnover in Gas (PLN 71.5 million, -5% y-o-y).
- Q1 2023 results significantly better y-o-y, although still under pressure from a difficult macro environment and cost-push inflation: y-o-y doubled consolidated EBITDA of PLN 31.6 million (+93% y-o-y), net profit of PLN 8.8 million (compared to a loss of PLN -3.8 million in Q1 2022).
- In line with announcements, further reduction of debt and the Net Debt-to-EBITDA ratio to 1.76x at the end of Q1 2023.
- Appointment of Maciej Wyczęsany to the position of President of the Management Board of Apator SA from 1 March 2023.

The Apator Group closed Q1 2023 with very good sales performance, mainly due to high sales in the Electricity and Water&Heat units, with slightly lower y-o-y turnover in Gas. Revenue generated in this period amounted to PLN 288.5 million and was 22% higher y-o-y. The performance continues to be impacted by adverse market factors (e.g. inflationary pressure, disruptions in component availability, unstable situation on the currency markets, high financing costs), nevertheless the Group is gradually rebuilding margins after a weaker performance for much of the previous year. Consolidated EBITDA of the Apator Group for the first three months of 2023 almost doubled y-o-y and reached PLN 31.6 million, while the net result amounted to PLN 8.8 million (compared to a loss of PLN -3.8 million in Q1 2022).

The Group maintains a diversified sales structure, with revenues split almost equally between Poland (the Group's largest market) and export. Consistently strengthening its position in existing foreign markets (Germany, Czech Republic, Belgium, Spain), Apator is also proactively approaching new directions (for example, sales of gas meters to Armenia, Romania and Lithuania and water meters to Iraq and Serbia).

There was a clear increase in sales in the Electricity segment (PLN 118.7 million, +47% y-o-y) thanks to double-digit revenue growth rate across all business lines, including the two largest, i.e. electricity metering and switchgear. Simultaneously, the Group is also developing equipment for network operation and supervision, protection automation and software solutions for both the power industry and new customers in the RES market. The high growth rate of the renewable energy sector in Poland brings challenges related to the need to connect an increasing number of prosumers and to stabilise the operation of the electricity grid and the management of "green" energy. Therefore, Apator is currently working on new R&D projects and operationalising strategic initiatives related to the development of this new and promising market sector.

The geopolitical and macroeconomic environment, including the unfavourable prospects for the gas sector in Europe, is not conducive to the development of the Group's Gas unit in its previous scope. In Q1 2023, sales revenue in this segment amounted to PLN 71.5 million and was slightly, i.e. 5%, lower y-o-y, which was the result of lower sales in the domestic market, but also unsatisfactory growth in foreign markets – the unit's main revenue-generating area.



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The lower y-o-y sales of gas meters in the country are mainly related to delays in orders of further batches of gas meters under contracts signed in 2022. Export sales were approx. 5% higher y-o-y and were mainly made to existing customers (Belgium, the Netherlands). This is the only unit in the Group that generated a lower y-o-y EBITDA result – the effect of a decrease in turnover with high cost pressure on the business.

The Water&Heat unit maintains a high turnover growth rate after the very good year in 2022, supported by favourable regulations (obligation to install remote reading heat and water meters by the end of 2026 resulting from the amendment of the Energy Efficiency Act) and the trend related to the need to save water and heat. The country's water supply and cooperative sector is catching up with last year's backlog of water meter replacements related to temporarily limited investments (high domestic turnover growth rate: +26% y-o-y). The segment's exports were nearly 20% higher y-o-y thanks to higher turnover in EU countries – in this way, sales on eastern markets from the first quarter of last year were effectively replaced by other geographical destinations. Development work on a family of water meters with a proprietary ultrasonic measurement method yields tangible results – ultrasound sales volumes are growing steadily, especially in exports.

The financial condition of the Apator Group is stable. The Group maintains the necessary level of net working capital and the debt that finances it to handle growing sales and secure components and materials for production. Costs are constantly monitored and optimised by working to further improve the efficiency of operations. At the end of March 2023, debt was lower y-o-y by PLN 13.6 million, and the Net Debt-to-EBITDA ratio at the end of March 2023 was at a safe level - in line with earlier announcements - i.e. 1.76x (compared to 2.08x at the end of 2022 and 2.26x at the end of Q1 2022).

"We are satisfied with the Q1 performance, but we remain cautious in our assessment of the near future, given the uncertainties and risks. In these difficult business conditions, we attach great importance to cash management. The challenge is to effectively manage working capital to smoothly handle growing sales and future large contracts, while also ensuring that it is turned over properly. The availability of components has improved somewhat compared to the recent, extremely difficult in this respect period of the pandemic and outbreak of war, but it still represents a significant challenge for our sector," sums up **Maciej Wyczęsany, President of the Management Board of Apator SA**. *"At the same time, we see many opportunities to further develop sales as well as improve efficiency and profitability, arising from both our internal processes and the environment. We have high hopes for the need to modernise the network, the development of RES and investments in saving and monitoring utility consumption. Energy transition and the growing role of efficient management of all utilities, as undeniably long-term trends, mean that these areas will continue to grow, fuelling the Group's sales growth,"* adds **Maciej Wyczęsany**.

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Basic financial data

PLN million	1Q 2023	1Q 2022	<i>growth rate</i>
sales	288.5	237.1	+22%
EBITDA	31.6	16.4	+93%
net result	8.8	-3.8	-

Revenue of the main units

PLN million	1Q 2023	1Q 2022	<i>growth rate</i>
domestic sales	147.7	113.1	+31%
foreign sales	140.8	124.0	+14%
Electricity unit	118.7	80.9	+47%
Water&Heat unit	98.3	80.7	+22%
Gas unit	71.5	75.5	-5%

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Apator SA operates as an international group of experienced manufacturers of measuring devices and systems, as well as suppliers of innovative solutions for the automation of the power network. As part of three business units (Electricity, Water&Heat, and Gas), the Group introduces technologically advanced products and services to the market, including smart solutions and systems for managing energy distribution networks.

Apator is one of the three largest entities of its kind on the Polish market and a leading, recognised supplier in selected prospective foreign markets. The company has been listed on the Warsaw Stock Exchange since 1997.