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Apator Group published good results for Q3 2023 - it actively participates in energy and technological transformation of economically key industries

After three quarters of 2023, Apator Group increases sales of smart metering devices and solutions for the automation of power and water network operations, realising a 10% year-on-year increase in consolidated turnover, with sales revenues of PLN 852.8 m. Activity in the Gas unit remains under pressure from the overall situation of the gas sector in Europe, energy policy and EU regulation.

- Consolidated sales revenues in Q1–3 2023 higher by 10% y/y (PLN 852.8 m), thanks to very good results in the Electricity (PLN 375.5 m, +24% y/y) and Water & Heat (PLN 293.8 m, +14% y/y) units, with lower y/y turnover in Gas (PLN 183.5 m, -15% y/y).
- Consolidated EBITDA in Q1–3 2023 at PLN 90.4 m (+25% compared to last year's EBITDA adjusted for non-recurring events), net profit adjusted for tax asset write-down of PLN 28.2 m (more than 3 times the adjusted result for Q1–3 2022).
- Q3 2023 results: consolidated revenues higher by 3% y/y (PLN 288.7 m), thanks to good sales results in the Electricity (PLN 142.5 m, +19% y/y) and Water & Heat (PLN 95.9 m +7% y/y) units, with lower sales in Gas (PLN 50.3 m, -30% y/y).
- Consolidated EBITDA in Q3 2023 at PLN 31.4 m (+9% y/y, compared to adjusted EBITDA), and net profit adjusted for tax asset write-down of PLN 8.4 m (+14% y/y on a comparable basis).
- Debt on safe level: net debt/EBITDA LTM (adjusted) ratio at the end of Q3 2023 was 1.96x (vs. 2.79 at the end of Q3 2022).

Apator Group results in Q1–3 2023

After three quarters of 2023, the Apator Group significantly increases sales and improves profitability in its two largest units – Electricity and Water & Heat. The Group expands its existing portfolio of metering solutions, switchgear and control equipment, as well as systems supporting the work of energy services. At the same time, it is active in the field of research and development, reaching out to clients with new technological solutions necessary for automation, network balancing and adaptation of dynamically growing RES sources in the electric power system.

Revenues of Apator Group in Q1–3 2023 were higher by ca. 10% y/y and reached PLN 852.8 m, thanks to very good results in the Electricity and Water & Heat units, with lower y/y turnover in Gas. Domestic sales accounted for approximately 54% of the Group's turnover, while the main export destinations were still EU countries (with a dominant share of the German, Czech, Romanian, Belgian, Spanish and Dutch markets) and the United Kingdom. Consolidated EBITDA was PLN 90.4 m, while the net result adjusted for tax asset write-down (made in Q2 2023) was PLN 28.2 m.

In the current macroeconomic situation, the key challenge for Apator Group companies is still consistent work on cost efficiency in all areas of the Group's activity (due to persistently high inflation and an increase in the costs of services, cooperation, wages) as well as effective and flexible inventory management (due to long delivery times for component parts) The Group is also continuing its medium-term project to optimise the level of NWC and reduce debt. Due to increased orders and contracts won in the Electricity and Gas units, an increased level of working capital will be temporarily maintained. Debt was reduced in Q3 2023 and the net debt/adjusted EBITDA LTM ratio reached 1.96x (vs. 2.79 at the end of Q3 2022).

Q3 2023 results and prospects for Apator Group units

The Electricity unit, responsible for 44% of the total turnover of Apator Group in the period Q1–3 2023, achieved a record level of quarterly sales in 3Q 2023 (PLN 142.5 m, +19% y/y). Intensive work with clients and on the offer in the domestic and export markets brought very good results in all business lines of this unit. Apator started to supply smart meters for PGE Dystrybucja and Enea Operator under newly acquired major contracts, as well as fulfilled orders for other domestic and foreign clients. There was a significant increase in the sales of the Group's solutions to the commercial power sector for the effective operation of network infrastructure: switchgear as well as substation automation solutions and safety features. The third quarter of this year will also be remembered as one of the historically best in terms of the EBITDA level generated (PLN 18.5 m) and the EBITDA margin (13.0%).

The unit's prospects are very good due to the ongoing energy transformation process, which will definitely accelerate once the National Recovery Plan funds are unlocked. The expected investments in the security, stabilisation and automation of power grids should translate, both in the near and longer term, into increased interest in and sales of the unit's advanced solutions for transmission system operators and distribution networks, but also for private entities, aggregators, investors, energy communities and other participants in the gradually liberalising energy market. The clear acceleration of the rollout of smart meters and low market entry barriers in Poland attract suppliers from distant regions of the world, including so-called high-risk vendors (in accordance with the NIS2 directive and the amended Act on the National Cyber Security System). Apator reports to decision-makers and communicates to the public the necessity to strengthen Europe's technological sovereignty and to raise the level of cyber security in critical public sectors, including power grids, including by introducing additional digital security criteria in tenders for smart meters – following the example of other European countries.

The trend of year-on-year increase in turnover also continues in the second-largest unit, Water & Heat, which accounted for more than 34% of total Group sales in Q1–3 2023. After a very good 2022, sales of water and heat meters continue to grow (revenues in Q3 2023 amounted to PLN 95.9 m i.e. +7% y/y). There is a gradual increase in demand for advanced technologies for electronic measurement of water flow and consumption, including ultrasonic water meters. In the domestic market, there was a slight slowdown in demand on the part of national local governments and cooperatives due to the reduced liquidity of these entities. Providers of solutions for the district heating and water & sewerage industries in Poland expect the situation to improve once the funding streams from the National Recovery Plan foreseen for, among other things, the transformation of the district heating sector and investments and support for sustainable water and wastewater management are unlocked. The bulk of the Water & Heat unit's revenues is generated through exports (nearly 60% for Q1–3 2023), and – in addition to the traditional markets in the EU – water meters from the plant near Poznań were delivered to clients in Serbia, South Korea, and Turkey, among others. The unit consistently maintains a high level of profitability (in Q3 2023, EBITDA amounted to PLN 13.5 m with a margin of 14.1%).

The difficult situation in the Gas unit continued in Q3 2023, with domestic and export turnover down by 30% y/y due to lower gas meter deliveries under already signed contracts and a limited number of new orders. EBITDA of this unit amounted to PLN 0.7 m with a margin of 1.4%. At present, the situation in the gas market is very dynamic, but the Group expects it to stabilise in the long term. Metering solutions for the gas sector continue to be an important part of Apator Group's strategy; at the same time, works on diversification of the offer and development of products for clients from other segments and industries are in progress.

"The implementation of the smart meter rollout in the energy sector is gaining momentum. We actively participate in most market tenders, where the technical qualities of our products, the safety of their use and good after-sales support and service are appreciated. Our electricity unit products are also gaining increasing recognition in foreign markets – especially our range of specialised switchgear. We are also very pleased – in terms of revenues and profitability – with the Water & Heat unit, where we are recording growth despite a high base. It is worth recalling that just 3 years ago the average quarterly



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sales level of this unit was around PLN 60 million. For the last four quarters, it is already at the level of PLN 100 million.

Gas is still facing market challenges due to an unfavourable macroeconomic environment, but we expect that over the next several months it should already be slowly reversing these trends," says **Maciej Wyczesany, President of the Management Board of Apator SA**. "The forthcoming months and years will be very important and at the same time extremely interesting for the transforming energy sector. The key issue will be unblocking funding streams under the National Recovery Plan, which Polish energy, district heating and water & sewage sectors need in order to provide the whole economy with safe, reliable and effective supplies of energy utilities and water, and our solutions perfectly fit into this trend," adds **Maciej Wyczesany**.

Key financial data

PLN m	Q1-3 2023	Q1-3 2022	dynamics
sales	852.8	776.4	+10%
EBITDA	90.4	61.6	+47%
adjusted EBITDA*	90.4	72.3	+25%
net result	21.3	-2.0	-
adjusted net result*	28.2	8.6	+226%

*) EBITDA and net profit for Q1-3 2022 adjusted for the write-down of the development work value of the British company GWi (PLN 10.7 m), net profit for Q1-3 2023 adjusted for tax asset write-down related to GWi (PLN 6.9 m).

Revenue of the main units

PLN m	Q1-3 2023	Q1-3 2022	dynamics
domestic sales	459.8	407.8	+13%
foreign sales	393.0	368.6	+7%
Electricity unit	375.5	303.2	+24%
Gas unit	183.5	215.2	-15%
Water & Heat unit	293.8	258.0	+14%

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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 Group also offers solutions supporting the energy transition and the development of renewable energy, including systems for automation and supervision of RES, energy storage systems and many others.

The company has been listed on the Warsaw Stock Exchange since 1997.