

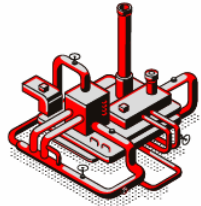
# Mo-Bruk SA

OUR LBO CANDIDATE

Presented by David Stolt & Alessandro Merlini

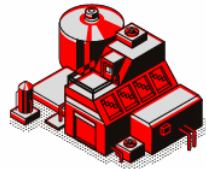
2025-05-13

# OVERVIEW AND INVESTMENT RATIONALE



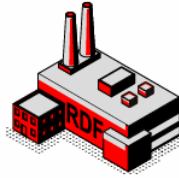
**Incineration of industrial and medical waste**

35.3%



**Solidification and stabilisation of waste**

40%



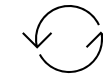
**Production of RDF**

24,7%

- **Revenue**
  - PLN 200 million (9M 24; +18% yoy)
- **EBITDA**
  - PLN 84.7 million (42% margin; 49.3% core operations)
- **Net Profit**
  - PLN 55 million (27% margin)

## WHY MO-BRUK?

- Strong industry tailwinds
- Industry leader (21% market share)
- High barriers to entry (government regulations and NIMBY)
- Strong and stable cash flows generation



## VALUE CREATION



## TIMING



Organic Growth



Operational improvements



Financial structuring



Buy-and-Build

Mo-Bruk's 5y return: 75% vs index; 149,84 % and -30% from its high in 2021

VALUATION AND ASSUMPTIONS


VALUATION

- **Current Price:** PLN 310 per share (8x EBITDA); average: 7,73x
- **Offer:** 30% premium (PLN 405/share); valuing Mo-BRUK at PLN ~ 1.4 billion (12x EBITDA)
- **Intrinsic Valuation Check:** APV method; used due to leverage change.

**CoE:** 10.14%

**CoD:** Risk adjusted, based on EBIT and ICR (Damodaran)

**Adj. Beta:** 0.81



**PLN 578,78/share**

43% above our proposed offer price

KEY ASSUMPTIONS

- **Hazardous Waste**
  - Expected market size of 290k ton/year in 2029
  - Mo-BRUK to double capacity to 70k ton/year;
  - Capacity utilization of 85-86%
  - Price growth 3% CAGR
- **Stabilization & RDF**
  - Gradual capacity and volume growth (total capacity to reach 600k ton/year by 2029)
  - Capacity utilization from 85% in 2025 to 90% by 2029
  - Steady pricing (more volatile and difficult to predict)

EBITDA at Exit	247
Exit Multiple	12,0x
<b>Enterprise Value</b>	<b>2 956</b>
Net Debt	451
Management Incentive Program (4,5% MIP)	113
<b>Sponsor Equity Value</b>	<b>2 393</b>



IRR: 30,24 %

## CAPITAL STRUCTURE

- **Uses:** PLN 1,593m equity purchases
- **Sources:** PLN 638m sponsor equity, 55m cash, 900m debt
- **Structure:** 60 % debt / 40 % equity, 7.1× Debt/EBITDA, target ICR  $\geq 2.0\times$
- **Key covenants & hedging:** ICR  $\geq 2\times$ ; no dividends first 3 y; swap fixes 60 % of the debt at 8.1 % for 3 y
- **Equity & governance:** PE fund 95.5 %, management 4.5 % (MIP) that vest at exit.

Uses			
	<u>Amount</u>	<u>xEBITDA</u>	<u>% Capital</u>
Equity payment	1 423	11,3x	89%
Debt refinancing	115	0,9x	7%
Transaction fee	38	0,3x	2%
Financing fees	18	0,1x	1%
<b>Total</b>	<b>1 593</b>	<b>12,6x</b>	<b>100%</b>

Capital Structure							
	<u>Amount</u>	<u>xEBITDA</u>	<u>Interest (%)</u>	<u>Ink. 3y. interest swap</u>	<u>Total debt (%)</u>	<u>Spread ex. swap 10y</u>	<u>Term</u>
Revolver	0	0,0x	8,80%		0,00%	296	6 yrs
Senior debt - PLN Term loan A	540	4,3x	7,81%	8,01%	60,00%	197	6 yrs
Senior debt - PLN Term loan B	140	1,1x	7,94%		15,56%	210	5 yrs
Subordinate debt - PLN Second Lien	220	1,7x	10,31%		24,44%	447	6 yrs
<b>Total</b>	<b>900</b>	<b>7,1x</b>	<b>8,44%</b>		<b>100,00%</b>		

## POST-INVESTMENT STRATEGY

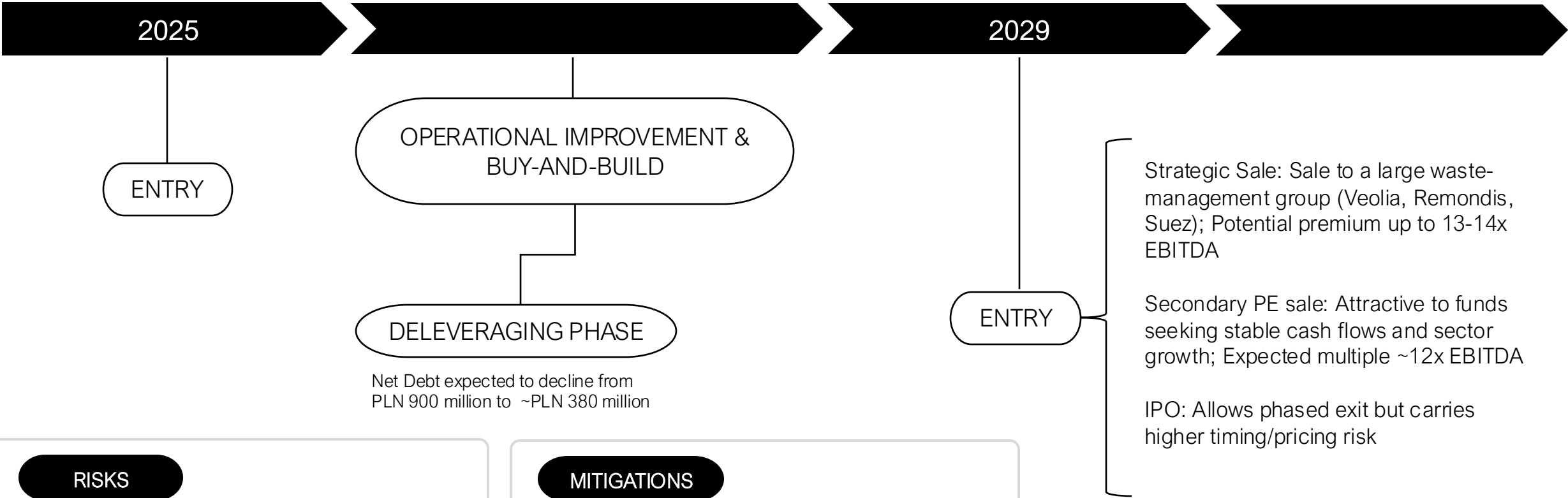
### OPERATIONAL IMPROVEMENTS & EBITDA GROWTH

- Focus on the core business
- Capacity expansions in the Incineration and Solidification segments
- Contracts for Eco-Bombs as a «call-option» to grow faster. Importing waste
- Treating waste imported from neighboring countries
- Cost efficiency: enhance integration between segments (ex. ORC turbines)

### BUY-AND-BUILD

- Small-scale acquisitions
- Same niches to leverage economies of scale
- Start of the M&A strategy 2-3 years after the deal (debt constraints)
- Focus on the Incineration and Solidification segments to leverage EL-KAJO's capacity

# EXIT STRATEGIES



RISKS

- Market Risk: Recession could reduce buyer interest
- Regulatory Risk: Changes in environmental laws; Antitrust Regulation could limit a strategic sale

MITIGATIONS

- Market Risk: Mo-BRUK's defensive appeals to infrastructure funds even in downturns
- Regulatory Risk: Stricter environmental laws could benefit Mo-BRUK; Secondary PE sale or IPO

Sensitivity Table

		IRR				
		Weighted average interest rate				
		6,44%	7,44%	8,44%	9,44%	10,44%
Exit multiple	11,0x	27,86%	27,65%	27,43%	27,19%	26,94%
	11,5x	29,21%	29,01%	28,80%	28,57%	28,34%
	12,0x	30,51%	30,32%	30,11%	29,90%	29,67%
	12,5x	31,76%	31,57%	31,38%	31,17%	30,95%
	13,0x	32,96%	32,78%	32,59%	32,39%	32,18%

QUESTIONS?

# EXHIBITS

Capital Structure					
	<u>Amount</u>	<u>Ink. 3y. interest swap</u>	<u>Total debt (%)</u>	<u>Spread ex. swap 10y</u>	<u>Term</u>
Revolver	0		0,00%	296	6 yrs
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Subordinate debt - PLN Second Lien	220		24,44%	447	6 yrs
Total	900		100,00%		

Sources and Uses						
Sources			Uses			
	<u>Amount</u>	<u>xEBITDA</u>		<u>Amount</u>	<u>xEBITDA</u>	<u>% Capital</u>
Revolver	0	0,0x	Equity payment	1 488	11,8x	90%
Senior debt - PLN Term loan A	540	4,3x	Debt refinancing	115	0,9x	7%
Senior debt - PLN Term loan B	140	1,1x	Transaction fee	39	0,3x	2%
Subordinate debt - PLN Second Lien	220	1,7x	Financing fees	18	0,1x	1%
Cash on hand	55	0,4x				
Sponsor equity	705	5,6x				
Total	1 660	13,2x	Total	1 660	13,2x	100%

# EXHIBITS

Assumptions (blue)	2021	2022	2025E	2026E	2027E	2028E	2029E
Revenue growth		-8,9%	22,1%	11,8%	11,1%	10,4%	10,5%
Gross margin	61,8%	50,9%	46,9%	48,5%	48,7%	48,7%	48,7%
OpEx margin	7,2%	5,0%	7,2%	7,2%	7,2%	7,2%	7,2%
Tax rate	19,4%	18,9%	19,0%	19,0%	19,0%	19,0%	19,0%
<b>EBITDA Calculation</b>							
EBIT	146	112	140	163	181	200	221
D&A	8	8	17	19	21	23	26
<b>EBITDA</b>	<b>154</b>	<b>119</b>	<b>157</b>	<b>181</b>	<b>202</b>	<b>223</b>	<b>247</b>
EBITDA margins	57,5%	48,9%	44,5%	46,1%	46,3%	46,3%	46,3%
<b>Operating Model</b>							
Revenue	267	243	352	393	437	482	533
% growth		(8,9%)	22,1%	11,8%	11,1%	10,4%	10,5%
COGS	102	120	187	202	224	247	273
% of sales	38,2%	49,1%	53,1%	51,5%	51,3%	51,3%	51,3%
Gross Profit	165	124	165	191	213	235	259
% of sales	61,8%	50,9%	46,9%	48,5%	48,7%	48,7%	48,7%
OpEx	19	12	25	28	31	34	38
% of sales	7,2%	5,0%	7,2%	7,2%	7,2%	7,2%	7,2%
<b>EBIT</b>	<b>146</b>	<b>112</b>	<b>140</b>	<b>163</b>	<b>181</b>	<b>200</b>	<b>221</b>
% of sales	<b>54,6%</b>	<b>45,9%</b>	<b>39,7%</b>	<b>41,3%</b>	<b>41,5%</b>	<b>41,5%</b>	<b>41,5%</b>
(-) Interest Expense	2,18	0,48	76	72	67	59	50
Interest Income	0,08	2,34	0,5	0,5	0,5	0,5	0,5
EBT	148,3	114,4	65	91	115	142	172
% of sales	55,5%	47,0%	18,3%	23,1%	26,4%	29,3%	32,2%
(-) Taxes	29	22	12	17	22	27	33
% tax rate	19,4%	18,9%	19,0%	19,0%	19,0%	19,0%	19,0%
<b>Net Income</b>	<b>177,1</b>	<b>136,1</b>	<b>52,3</b>	<b>73,6</b>	<b>93,5</b>	<b>114,6</b>	<b>138,9</b>
% of sales	<b>66,3%</b>	<b>55,9%</b>	<b>14,9%</b>	<b>18,7%</b>	<b>21,4%</b>	<b>23,8%</b>	<b>26,1%</b>
<b>Change in Net Working Capital</b>							
	-14,9	5,5	9,5	10,6	11,8	13,1	14,4
% of sales	(5,6%)	2,3%	2,7%	2,7%	2,7%	2,7%	2,7%
<b>D&amp;A</b>							
	7,6	7,5	16,8	18,8	20,9	23,1	25,5
% of sales	2,8%	3,1%	4,8%	4,8%	4,8%	4,8%	4,8%
<b>CapEx</b>							
	1,8	11,2	28,1	23,6	21,8	24,1	26,6
% of sales	0,7%	4,6%	8,0%	6,0%	5,0%	5,0%	5,0%

# EXHIBITS

Levered Free Cash Flow	2021	2022	2025E	2026E	2027E	2028E	2029E
Net Income	177,1	92,2	52	74	93	115	139
D&A	7,6	7,5	16,8	18,8	20,9	23,1	25,5
CapEx	1,8	11,2	28,1	23,6	21,8	24,1	26,6
Change in NWC	-14,9	5,5	9,5	10,6	11,8	13,1	14,4
Mandatory Debt Repayments			4	4	4	4	4
Levered Free Cash Flow (Pre-revolver)			27	54	77	97	120
Revolver			0	0	0	0	0
Levered Free Cash Flow (Post-revolver)			27	54	77	97	120
Debt Schedule							
Debt Paydown	2021	2022	2025E	2026E	2027E	2028E	2029E
<b>Cash</b>							
Beginning Balance			55	55	55	55	55
Inflow / (Outflow)			0	0	0	0	0
Ending Balance			55	55	55	55	55
<b>Revolver</b>							
Beginning Cash Balance			55	55	55	55	55
Minimum Cash			55	55	55	55	55
Beginning Excess Cash			0	0	0	0	0
Free Cash Flow Generated			27	54	77	97	120
Cash Available to Paydown / (Draw From) Revolver			27	54	77	97	120
Beginning Balance			0	0	0	0	0
Increase / (Decrease)			0	0	0	0	0
Ending Balance			0	0	0	0	0
Maximum Availability			75	75	75	75	75
<b>Senior debt - PLN Term loan A</b>							
Beginning Balance			540	513	459	382	285
Paydown			27	54	77	97	120
Ending Balance			513	459	382	285	165
<b>Senior debt - PLN Term loan B</b>							
Beginning Balance			140	136	132	128	124
Mandatory paydown			4	4	4	4	4
Paydown			0	0	0	0	0
Ending Balance			136	132	128	124	120
<b>Subordinate debt - PLN Second Lien</b>							
Beginning Balance			220	220	220	220	220
Mandatory paydown			0	0	0	0	0
Paydown			0	0	0	0	0
Ending Balance			220	220	220	220	220
<b>Total Debt</b>							
Beginning Balance			900	869	810	730	629
Paydown			31	58	81	101	123
Ending Balance			869	810	730	629	506
CHECK			0,0000	0,0000	0,0000	0,0000	0,0000

# EXHIBITS

IRR					
EBITDA at Exit					247
Exit Multiple					14,0x
<b>Enterprise Value</b>					<b>3 450</b>
Net Debt					451
Management Incentive Program (4,5% MIP)					113
<b>Sponsor Equity Value</b>					<b>2 393</b>
Sponsor Equity at Entry					705
<b>Multiple on Invested Capital (MOIC)</b>					<b>3,7x</b>
<b>IRR</b>					<b>30,24%</b>
<b>ICR (EBITDA)</b>	<b>2,07</b>	<b>2,51</b>	<b>3,04</b>	<b>3,76</b>	<b>4,90</b>

# EXHIBITS

<b>FCFF</b> (unlevered, no interest deducted)	107	130	147	159	173
<b>Unlevered Cost of Capital</b> (tax shield not included)	10,14%	10,14%	10,14%	10,14%	10,14%
<b>PV of FCFF</b>	97	107	110	108	107
<b>Interest cost</b>	76	72	67	59	50
<b>Tax shield</b>	14	14	13	11	10
<b>Cost of debt</b>	8,32%	7,17%	6,85%	6,22%	5,71%
<b>Pv of tax shield</b>	13	12	10	9	7

APV method	
<b>Unlevered Cost of Capital</b>	
Tax rate	19%
Debt	142
Market cap	1 091
Debt/Equity Ratio	13%
Adjusted Beta	0,81
Unlevered Beta	0,74
<b>Unlevered Cost of Equity</b>	<b>10,14%</b>

Cost of Debt	2025	2026	2027	2028	2029
<b>Long Term risk free rate</b>	5,85%	5,85%	5,85%	5,85%	5,85%
<b>EBIT</b>	140	163	181	200	221
<b>Interest costs</b>	75,79	72,20	66,64	59,38	50,42
<b>Interest coverage ratio</b>	1,84	2,25	2,72	3,37	4,39
<b>Spread (Risk premium)</b>	4,42%	3,00%	2,61%	1,83%	1,20%
<b>Cost of Debt before Tax</b>	10,27%	8,85%	8,46%	7,68%	7,05%
<b>Tax rate</b>	19,00%	19,00%	19,00%	19,00%	19,00%
<b>Cost of Debt after Tax</b>	<b>8,32%</b>	<b>7,17%</b>	<b>6,85%</b>	<b>6,22%</b>	<b>5,71%</b>