# Strategic Financial Assessment: Asseco Poland S.A.

*Performance Review & Cash Flow Analysis (FY 2025)*

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## Executive Scope & Objective

This report presents a comprehensive assessment of the financial condition of Asseco Poland S.A. (the parent company) from a management perspective (FP&A). The analysis aims to verify the quality of reported results (Quality of Earnings), assess the ability to generate cash (Cash Generation), and identify key cost risks in an environment of wage pressures. The report verifies the thesis regarding the company's dividend stability and the effectiveness of its acquisition-based model..

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## 1. Business Context: The Holding Structure

**Business model:**

Asseco Poland focuses primarily on providing comprehensive IT systems for key sectors of the economy that require a high level of security.

- The company operates the following main business lines:
    1. Banking and Finance: The most important pillar. It includes core systems for the largest banks in Poland (e.g., PKO BP, Pekao), systems for insurers, and brokerage houses.
    2. Public Administration: A key supplier to state institutions. This segment supports strategic systems such as the KSI ZUS (Comprehensive Information System), systems for the Agricultural Social Insurance Fund (KRUS), and the Ministry of Digital Affairs.
    3. Healthcare: A dominant position in the market for systems for hospitals, clinics, and pharmacies (AMMS, Kamsoft systems).
    4. Energy, Gas, and Telecommunications: Providing billing, CRM, and network asset management systems (e.g., for Tauron and PGE).

- The company's revenues are stable, thanks to the following structure:
    1. High share of maintenance services: The business model is based on an "implement and maintain" strategy. Because Asseco owns the copyrights to most of the software offered, it derives consistent profits from its updates and maintenance.
    2. Backlog: The company is building its order portfolio well in advance for 2026. Maintenance revenues are considered a "safe cushion" because it is difficult for

customers to abandon a system that handles, for example, pension payments or bank transfers.

3. Long-term contracts: Contracts with entities such as the Social Insurance Institution (ZUS) and large banks are typically multi-year, guaranteeing a steady cash flow.
4. Project revenues: These result from new tenders for building systems from scratch or extensively modernizing them. In 2026, these revenues are primarily driven by funds from the National Digitalization Program (KPO) and the energy transition.
5. Transition to a subscription model (SaaS): Although on-premise licenses (installed at the customer's premises) still dominate in the Polish segment, Asseco is increasingly offering cloud solutions, which translates the one-time profit from the license into smaller but regular monthly fees.

**Cost Structure:**

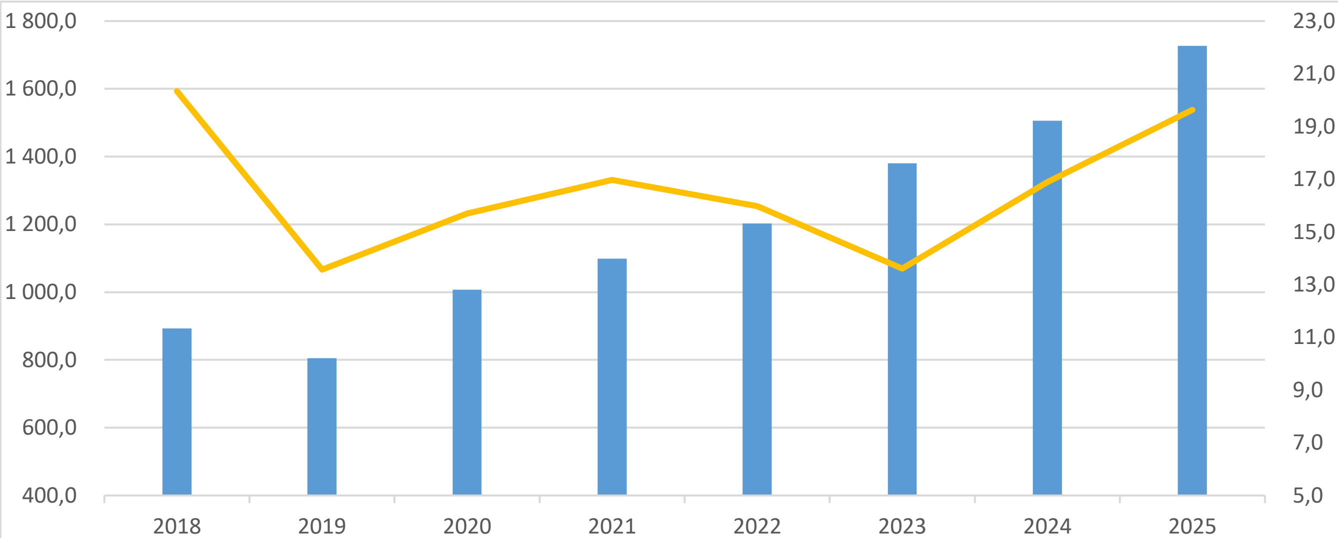
- Personnel costs: This is the most important element (approximately 60–70% of costs), encompassing the salaries of highly qualified programmers and experts responsible for developing proprietary software. The company emphasizes maintaining key competencies within the organization to ensure the continuity of critical systems.
- Subcontractors and IT: These constitute approximately 20–30% of costs and include support from external IT companies for large projects, the purchase of technology licenses (e.g., Oracle, Microsoft), and cloud infrastructure fees. These allow the company to flexibly manage capacity during implementation peaks.
- Other operating costs: These primarily include amortization of development work (expenditures on new products), office maintenance costs, and expenses related to acquiring contracts in the public and commercial sectors. The high proportion of fixed costs in this area builds strong operating leverage while driving sales growth.

**Key analytical assumption:**

- The Asseco Poland segment is based on three main drivers:
  1. Team efficiency and utilization (Main driver): Profitability depends on optimally assigning experts to high-margin projects and minimizing downtime. Activating labor costs as expenditures on proprietary software is crucial, allowing for the settlement of expenses over time (through depreciation) rather than a one-time charge to the bottom line.
  2. Contract pricing and indexation: In the face of wage pressure in IT, the ability to pass on rising costs to customers is a key driver. Success depends on indexation provisions in long-term contracts with the public sector (e.g., ZUS) and banks, which protects the operating margin.
  3. High-margin revenue mix (Proprietary software): The share of proprietary products in total sales drives the result. Increasing the volume in the subscription model (SaaS) and limiting low-margin hardware trading (reselling) allows for dynamic profit growth with a relatively constant cost base (operating leverage).

# 2. Profitability Analysis: Operating Leverage & Cost Control

## 2.1 Financial Trends (8 years)




*The chart shows Operating Revenue (blue, PLN million) and EBIT margin (yellow, %) YoY*

| | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|
| **Operating Revenue** | 893,3 | 805,5 | 1006,9 | 1099 | 1202,8 | 1380,1 | 1506,3 | 1727,18 |
| **EBITDA** | 238,3 | 173 | 221,7 | 242,2 | 250,3 | 248,2 | 316,9 | 321,5 |
| **EBIT** | 181,7 | 109,3 | 158,1 | 186,5 | 192,2 | 187,8 | 254,3 | 267,9 |
| **EBIT MARGIN** | 20,34 | 13,57 | 15,70 | 16,97 | 15,98 | 13,61 | 16,88 | 19,63 |
| **Cost of sales** | (585,2) | (571,8) | (720,9) | (769,0) | (863,7) | (1 042,6) | (1 090,9) | (1 141,8) |

### Comment:

Operating revenue growth was observed almost every year. Operating revenue growth is trending at a 9.88% CAGR, while Cost of sales is at a similar 10.02% CAGR. This indicates that business is growing in line with costs. However, 2020 and 2023 have a significant impact on the statistics, with costs rising significantly relative to revenues due to global events. Margins are volatile, remaining above 13%, while recent years have seen cost stabilization, resulting in a recovery of the EBIT margin to 19.63%. The table includes estimated results for Q4 2025, using statistical methods based on historical trends and market forecasts.

## 2.2 Drivers

- The company operates in the IT industry, offering services to businesses and institutions facing increasing challenges in adapting their systems to security and performance requirements. According to estimates, software spending will increase by 13% in the coming years in Europe. Revenues grew despite events related to the 2020 coronavirus epidemic, as well as the conflict in the east in 2022, which had consequences in 2023..
- Mentioned events had a significant impact on COGS growth, due to high inflation and uncertainty about planned investments, which were difficult to achieve in order to secure operating leverage with high fixed costs. Recent years have, however, provided favorable conditions for the company's development..
- The acquisition of an 18.4% stake by the Canadian holding company Constellation Software in 2025, which focuses on the development of IT companies through increased margins and cost discipline. In addition, the conditions of economic recovery, unblocked KPO funds for investment development, a decline in inflation and a slower pace of wage growth mean that in the coming years there is expect cost stabilization, with increased revenue growth, achieving an operational leverage effect.

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## 2.3 Cost Control

Operating Cost Sampling (2022-2024)

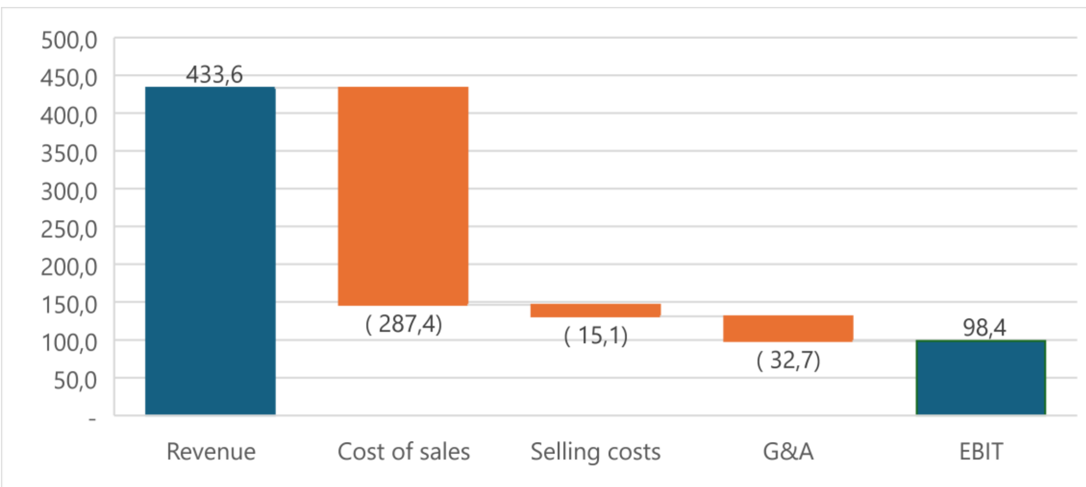
| Operating costs | **2022** | **2023** | **2024** |
|---|---|---|---|
| Cost of goods, materials and third-party services sold | (80,4) | (100,6) | (85,9) |
| **Employee benefits** | (463,1) | (536,0) | (601,4) |
| Depreciation and amortization | (58,1) | (60,4) | (62,6) |
| **Third-party services** | (305,3) | (373,2) | (369,2) |
| Other | (105,9) | (124,0) | (147,8) |
| Total | (1 012,8) | (1 194,2) | (1 266,9) |
| Wage dynamics (Employee benefits + Third-party services / revenue) | (0,6388) | (0,6588) | (0,6444) |

- Employee benefits represent expenses allocated to employment contract (EC) payments, while third-party services costs include employee benefits under B2B contracts. Cost of goods, materials and third-party services sold (COGS) includes the costs of purchasing equipment, licenses, and external services, while other costs include property maintenance, company vehicles, and advertising costs.
- Over this period, employee benefits (EC) increased at a 14% CAGR, while B2B earnings increased at a 10% CAGR. Revenue growth during the same period was 12% CAGR.

**Efficiency:**

- There is a clear correlation between revenue and salary growth rates. This indicates that the company is unable to grow using operating leverage. Furthermore, fixed costs are rising faster than variable costs (EC vs. B2B), which could pose a structural problem if revenue growth slows.
- The share of salary costs relative to revenue is stable at approximately 64%, which is normal for IT companies. However, the highest growth rate is observed for the remaining costs, at 18% CAGR. This is unfavorable because this cost does not contribute to revenue growth, but is necessary to maintain the infrastructure at the current growth rate.

Presentation of the impact of costs on operating profit in Q3 2025, using a calculation system where cost of goods sold (COGS) includes employee salaries (EC, B2B) for software production.

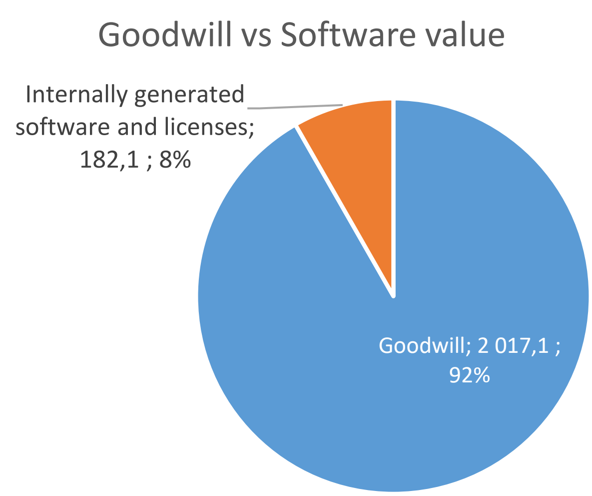



- COGS accounts for the largest share of costs, with payroll being the primary factor. Selling, management, and administrative costs account for 11% of revenue, meaning the cost of acquiring and retaining customers is low.
- In Q3, the EBIT margin was 22%, which is better than historical averages and demonstrates optimistic forecasts for the coming months.

## 3. Balance Sheet Quality: Asset Structure & Solvency

### Quality of profits - analysis of selected intangible assets

| | Goodwill | Internally generated software and licenses | Costs of R&D projects in progress |
|---|---|---|---|
| Gross book value as at 1 January 2024 | 2 017,1 | 182,1 | 25,2 |
| Additions, of which: | - | 13,6 | 11,3 |
| Purchases and modernization | - | - | - |
| Capitalization of the costs of research and development projects | - | - | 11,3 |
| Transfers from the costs of research and development projects in progress | - | 13,6 | - |
| Reductions, of which: | - | (24,1) | (13,6) |
| Liquidation | - | (24,1) | - |
| Transfers to internally generated software | - | - | (13,6) |
| Gross book value as at 31 December 2024 | 2 017,1 | 171,6 | 22,9 |
| **Net book value as at 31 December 2024** | 1 936,90 | 76,6 | 13 |




- The largest share of the company's value comes from mergers between 2007 and 2020, with a total value of PLN 1,936.9 million.
- The gross value of software, PLN 182.1 million, is insignificant compared to the company's value of PLN 2,017.1 million. This means that the acquisitions were made at a significant premium. If results deteriorate, the company is exposed to impairment testing and a decrease in net profit.
- Therefore, goodwill is not subject to amortization, but to annual impairment testing, which explains the absence of this item in the balance sheet.
- The net value of software, PLN 76.6 million, represents approximately 40% of the gross value, meaning the software is in the middle of its life cycle.
- The " *Costs of R&D projects in progress*" item indicates that the company only extracted PLN 11.3 million from current costs, while transferring PLN 13.6 million to " *Internally generated software and licenses*", meaning the work has been commissioned.
- The above data indicates that the company is not artificially inflating profit by transferring costs to the balance sheet. The company maintains conservative accounting in this regard, so the profit presented in the results is of high quality.

- With the EC costs of PLN 601.4 million, “*Costs of R&D projects in progress*” amount to ~2% of the costs

## Working Capital:

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 289,6 | 286,7 | 284,0 |
| Intangible assets | 2 212,0 | 2 203,7 | 2 192,4 |
| of which goodwill from mergers | 1 936,9 | 1 936,9 | 1 936,9 |
| Right-to-use assets | 86,5 | 104,9 | 75,9 |
| Investments in subsidiaries and associates | 2 073,0 | 1 975,1 | 1 962,1 |
| **Current assets** | | | |
| Inventories | 10,6 | 3,3 | 9,6 |
| Trade receivables | 175,0 | 241,2 | 291,2 |
| Contract assets | 228,1 | 172,8 | 161,3 |
| Prepayments and accrued income | 26,4 | 22,9 | 25,4 |
| Cash and short-term deposits | 306,4 | 260,7 | 214,3 |

- During the analyzed period, trades receivables increased by 29% CAGR, while contract assets decreased by 15% CAGR, which means that the company increased the implementation of projects with customers and recorded invoices awaiting payment.
- Maintaining the growth rate of receivables may result in a loss of financial liquidity and the need to borrow funds.
- The value of non-current assets shows volatility, with no consistent upward/downward trend.

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | 0 | 826,1 | 630,6 |
| Lease liabilities | 60,1 | 76 | 47,6 |
| Contract liabilities | 27,1 | 36,2 | 25,4 |
| Trade payables and other liabilities | 0,9 | 0,6 | 5,4 |
| **Current liabilities** | | | |
| Bank loans | 0 | 100,4 | 96 |
| Lease liabilities | 12,8 | 13,4 | 13,1 |
| Trade payables | 84,6 | 101,6 | 94,1 |
| Contract liabilities | 71,7 | 73,4 | 123,8 |
| Other liabilities | 73,5 | 75,9 | 95,2 |
| Net debt | (233,5) | 755,2 | 573 |

- In 2023, the company took out a loan for a share buyback. Given the company's good financial condition and positive forecasts for future borrowing costs, this was intended to demonstrate the company's management's confidence in the strength of the business and improve market indicators.
- Other long-term liabilities listed remain at a similar level, with the exception of "*Trade payables*", which are related to the company's operating activities and have a negligible impact.
- Liabilities arising from customer contracts increased significantly by 31.4% CAGR, which is a very positive sign, as it indicates an increase in the order book and the receipt of an advance payment for future contract performance.
- "*Trade payables*" are at a high level of ~PLN 85-100 million, meaning the company is using supplier products and services, using cash for other operational purposes, taking advantage of the "free credit" mechanism.
- Other operating liabilities are at a similar level.

**Liquidity:**

- Cash on hand exceeds short-term debt; the company has no liquidity issues.
- Growing backlog and contract execution increase financing of short-term costs with cash from the company's current operations.
- Net debt in 2024 amounted to PLN 573 million, decreasing year-on-year.

**Comment:**

The company is achieving growth with cash from operating activities, repaying loans, maintaining operating costs at a similar level, while increasing its backlog, implementing projects, and utilizing "free credit" by using products and services with extended payment terms.

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## 5. Liquidity & Cash Flow: The Dividend Engine

### Cash Flow Operating - analysis of selected indicators

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Pre-tax profit | 384,7 | 391,0 | 385,2 |
| Total adjustments: | (161,0) | (84,1) | (62,1) |
| Depreciation and amortization | 58,1 | 60,4 | 62,6 |
| Changes in working capital | (28,9) | 42,0 | 7,8 |
| Interest income/expenses | 0,5 | 19,5 | 60,1 |
| Dividend income | (191,3) | (215,8) | (195,9) |
| Cash generated from operating activities | 223,7 | 306,9 | 323,1 |
| (Corporate income tax paid) / Corporate income tax receipts | (29,4) | (28,5) | (41,2) |
| **Net cash provided by (used in) operating activities** | 194,3 | 278,4 | 281,9 |
| EBITDA | 250,3 | 248,2 | 316,9 |
| Dividends paid out | (278,9) | (290,5) | (249,6) |
| Conversion (CFO / EBITDA) | 0,78 | 1,12 | 0,89 |
| **FCF (Free Cash Flow)** | 125,5 | 232,3 | 240,8 |

### Operating Cash Flow vs EBITDA:

- Asseco Poland, as a company with a book value of PLN 2,017.1 million, is the parent company and holds shares in subsidiaries (including Asseco International and Asseco Formula Systems), and benefits from dividends of PLN 195.9 million in 2024, which explains the company's structure and M&A activity.
- In 2024, CAPEX costs amounted to PLN 41.1 million, which, given the scale of the business, indicates that Asseco does not need to incur high capital expenditures to scale. This also emphasizes that its greatest asset is its employees who create software, while its greatest expense is salaries.
- With such a low investment scale, Asseco can redirect cash flows by paying dividends or acquiring additional companies, increasing its market share.
- The difference between the gross operating cash flow adjustment in 2022 and 2024 is primarily due to changes in working capital, which means an increase in cash receivables from customers.
- The CFO/EBITDA conversion ratio remains high, exceeding 78%.
- It is worth emphasizing the high level of dividend income of PLN 190-215 million, due to the complex structure of the Asseco Group and its connections with other company entities.

**Free Cash Flow vs Dividend:**

- In 2024, the dividend payout decreased due to lower profits resulting from a share buyback loan..
- The company is able to finance the dividend with cash from operating activities without the need to incur debt, gradually increasing free cash flow to PLN 240 million in 2024.
- The company pays dividends based on 60-70% of dividend income from subsidiaries.

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## 6. Variance Analysis: Actuals vs. LY Baseline

The analysis was performed for selected financial indicators for the next full fiscal year (2024). The assumptions included repeating the results from the previous year (2023), due to the lack of access to budget plans for the year under review.

| | Actual (2024) | PY Actuals (2023) | Variance | Variance % |
|---|---|---|---|---|
| Operating revenue | 1 506,3 | 1 380,1 | 126,2 | 9,14% |
| Wages and salaries | (970,6) | (909,2) | (61,4) | 6,75% |
| EBIT | 254,3 | 187,8 | 66,5 | 35,41% |
| EBITDA | 316,9 | 248,2 | 68,7 | 27,68% |
| EBITDA MARGIN | 21,04% | 17,98% | 3,1 p.p. | - |
| Net debt | 573,0 | 755,2 | (182,2) | -24,13% |

- Revenue Driver: Implementation of projects for the public sectors related to banking, healthcare, energy, and public administration.
- Salary Driver: The increase of approximately 7% resulted from a slowdown in inflation, including a decrease in salary growth from previous years.
- EBIT/EBITDA Profit Driver: Favorable conditions, including economic recovery and a slowdown in inflation, translated into a phenomenal increase in operating profit of 35% YOY, as well as EBITDA of 27% YOY, meaning receivables from completed contracts are being credited to the account faster.
- EBITDA MARGIN Driver: The faster pace of revenue growth relative to salaries resulted in a rebuilding of the EBITDA margin of 17% YOY.
- Net Debt Driver: Regular loan repayments resulted in a decrease in debt by as much as 24%, demonstrating the company's very good financial condition.

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## 7. Summary: Risks and Opportunities

Asseco Poland is currently in a position to be optimistic about the future. The company operates in the technology sector, and forecasts for the sector indicate further room for growth, while simultaneously generating high cash flows from its holding structure. The company is increasing revenues and profits, achieving high cash conversion, and distributing dividends from its profits to shareholders. Asseco also faces numerous risks, being dependent primarily on disciplined employee costs. The deterioration of the sector and economic situation could be the main driver of the company's stagnation.

The company faces numerous risks operating in the demanding technology industry.

- The company's revenues are strongly correlated with salary expenditures. Increases in inflation and salary dynamics may pose a risk of loss of profitability.
- The company operates in the IT sector, which requires a rapid pace of growth. Asseco is currently pursuing balanced growth within its sector, which in the long term could result in a loss of position in the industry.
- Margins are high in the sector, but the impact of competition may impact the company's profits and lead to margin erosion.
- Asseco PL operates in an area where geopolitical events have a significant impact on the company's operations, creating the risk of capital outflow from clients in times of uncertainty and impacting the future backlog.
- Operational risk related to outdated software (according to the balance sheet, the software is in the middle of its life cycle), late implementation of SaaS and AI solutions, which will be crucial for the operation of IT companies in the coming years.
- Founder risk carries the risk of disrupting the long-term business strategy.

Despite many threats, the coming years offer grounds for optimism.

- The company's strategy, focused on M&A, allows for rapid revenue growth. The company's history has demonstrated the effectiveness of its strategy, thanks to the generation of high free cash flow surpluses.
- The acquisition of an 18.4% stake by Canadian venture capitalist Constellation Software is a strong signal that, despite years of sustained growth, the company has broad prospects. The Canadian company specializes in developing IT companies with growth potential, primarily by driving efficiency through reduced operating costs and increased margins, supporting its M&A strategy, which aligns with the Polish company's strategy.
- The IT transformation of key sectors provides solid forecasts for the company's further development,
- The economic situation in the coming years predicts economic recovery and an increase in investment funds, along with a simultaneous decline in inflation, which will allow for operating leverage.