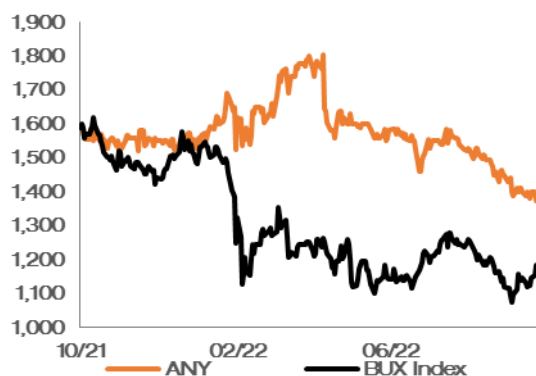


ANY Security printing

BUY (unch.)

Target price (12m ex-div): HUF 1,940 (prev. HUF 2,000)

HUF million	2020	2021F	2022F	2023F
Revenues	27,424	40,658	43,725	47,247
EBITDA	2,996	6,663	5,816	5,168
EBIT	1,498	4,952	3,537	2,806
Net profit	785	3,607	2,178	1,646
EPS (HUF)	55	251	152	115
Export ratio	43%	35%	37%	39%
EBITDA margin	10.9%	16.4%	13.3%	10.9%
EBIT margin	5.5%	12.2%	8.1%	5.9%
Profit margin	2.9%	8.9%	5.0%	3.5%



Share price close as of 21/10/2022	1,360	Bloomberg	ANY HB
Number of shares [million]	14.7	Reuters	ANYH.BU
Market capitalization [HUF bn/EUR mn]	18.9/46.2	Free float	58%
Daily turnover 12M [EUR th]	37	52 week range	HUF 1,360-1,805

Changing conditions, but a solid outlook

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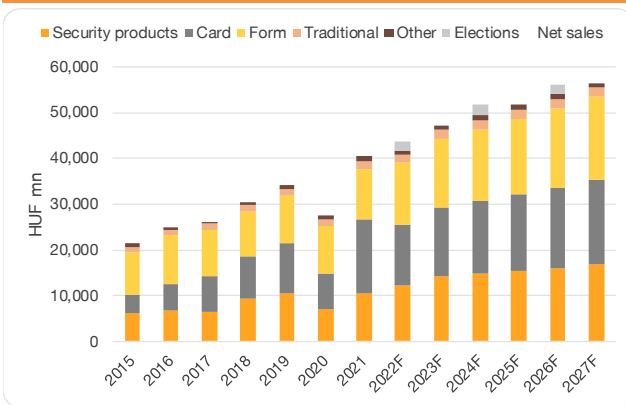
- Though the market environment is very challenging and recession fears overtook covid-19 as the primary risk, we don't expect huge and prolonged disruption at ANY thanks to the nature of its defensive business model. Given historical patterns, the Company will certainly be able to pass on the cost pressure to its customers, so changing conditions don't necessarily mean deteriorating outlook with regard to ANY, in our view.
- The stock might have lost its attractiveness due to the rapid rise in risk-free rates in Hungary. Having said that, shares in ANY are significantly outperforming the BUX index YTD. They are down by only 1% in total return terms, adjusted for a DPS of 168 HUF, which was distributed to the shareholders in May.
- Current risk-free yields overshadow ANY's growth story at this stage as ANY is typically classified as a dividend stock. However, the stock may become an appropriate inflation hedge if investors can overlook short-term challenges. It is underpinned by (1) the growing proportion of FX income on the back of the expansion abroad and (2) the value-accretive shift in the product mix as well. We suppose that ANY will be able to grow faster than inflation due to widening margins.
- We therefore remain BUY-rated, but we cut our 12-m ex-div TP to HUF 1,940, which reflects on the decisive rate hikes in Hungary and moderate rate hikes in Romania (core markets of ANY), resulting in higher WACC for valuation purposes. In addition, we raised our earnings estimates for 2022, driven by decent H1/22 results. Our new TP implies a 54% total return upside potential (adj. for DPS of HUF 152) to Friday's closing price.
- ANY Security Printing Co. reported a solid set of results for H1/22. Net profit amounted to HUF 1,635mn, translated into an EPS of HUF 114. Considering our previous EPS forecast of HUF 120 for 2022, ANY was very close to meeting this by the end of June. As a result,

we had to make some major and reasonable changes to our estimates, which favourably affected our short-term expectations.

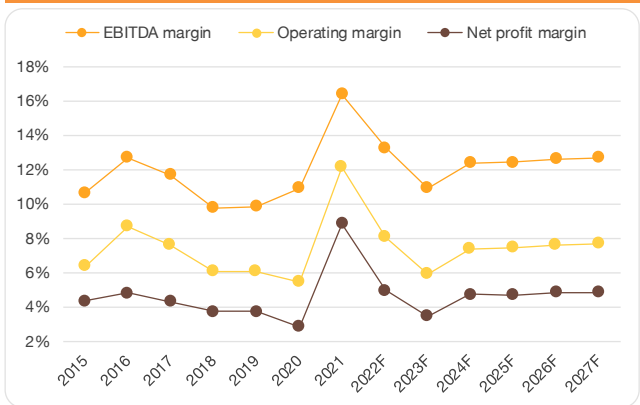
- We have come to the conclusion that the Company may achieve a net profit of HUF 2,178 million (EPS of HUF 152) in 2022, significantly above our previous forecast of HUF 1,714mn. The difference is attributed predominantly to the rising demand for passports in Hungary after the war broke out in Ukraine, as well as the higher-than-expected Romanian form sales, which trend can be sustainable in the longer run after the restructuring of ANY's Romanian subsidiary. Considering the financial performance of the first half of 2022, **this assumes a net profit of only HUF 543 million for H2/2022**, driven by the sharp rise in energy costs and the continuous pressure because of the tight labour market. Overall, **our new projection implies a decent DIV yield of c.11% for 2023 from 2022 profit.**
- There is no doubt that rising material and energy costs will weigh on ANY's profitability in the next 6-9 months. As we expect ANY to be able to pass on rising costs gradually to customers, this prompts us to model +8% YoY increase in net sales, but to lower net margin estimate (by 1ppt to 3.5%). Net profit may amount to HUF 1,646mn (EPS of HUF 115) next year, a touch lower compared to our previous forecast. **Also noteworthy is that our estimates are based on a cautious and conservative approach**, taking into account the rising likelihood of a global recession for 2023. For 2024, we expect a decent EPS of HUF 171 as ANY will likely generate higher cash return, driven by the positive impact of the production of ballots for European parliamentary and Hungarian municipal elections.
- We continue to value ANY by using both DCF and DDM based approach, assuming a TV growth rate of 2%, a levered beta of c.1.0x, a WACC of 9.7% and a CoE of 11.3%. Our TP trades at a P/E of 9.1x '22 EPS, 12.0x of '23 EPS, 8.1x of '24 EPS.

ANY IN CHARTS

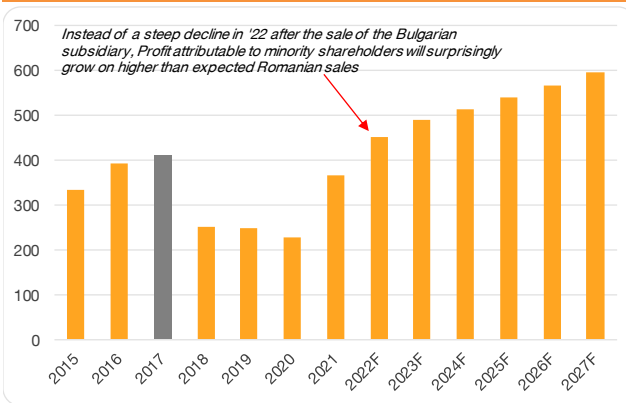
Revenues



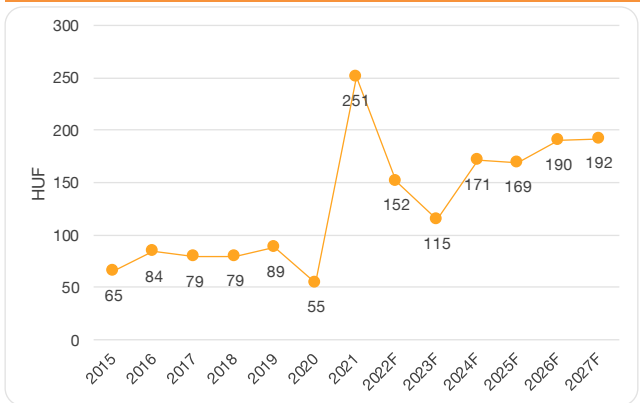
Margins



Evolution of the profit of the non-controlling interest (HUF mn)



Estimated EPS



Source: Concorde Research

P&L	22F Old	22F New	Chg (%)	23F Old	23F New	Chg (%)
Net sales	38,043	43,725	15%	37,032	47,247	28%
Cost of Sales	-26,518	-31,363	18%	-25,228	-34,089	35%
Gross profit	11,525	12,362	7%	11,804	13,158	11%
SG&A	-8,934	-8,524	-5%	-9,204	-9,883	7%
Gain on sale of fixed assets	10	2	-84%	10	0	-100%
Foreign currency (loss)/gain	0	84		0	0	
Other expenses	-100	-387	287%	-100	-470	370%
EBITDA	4,251	5,816	37%	4,213	5,168	23%
Depreciation	1,750	2,279	30%	1,703	2,362	39%
Operating profit	2,501	3,537	41%	2,510	2,806	12%
Interest inc./exp., net	-78	-174	122%	-83	-170	104%
EBT	2,423	3,363	39%	2,427	2,636	9%
Deferred tax inc./exp.	0	0		0	0	
Income tax expenses	-460	-732	59%	-461	-501	9%
Profit after tax	1,962	2,631	34%	1,966	2,135	9%
Minority interest	248	452	82%	248	489	97%
Net profit	1,714	2,178	27%	1,718	1,646	-4%
EPS	120	152	27%	120	115	-4%

Source: Concorde Research

APPENDIX

MAIN INDICATORS

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
EPS (HUF)	79	89	55	251	152	115	171	169
EPS growth (%)	0.6	11.7	-38.4	359.6	-39.6	-24.4	49.2	-1.3
EPS (EUR)	0.2	0.3	0.2	0.7	0.4	0.3	0.4	0.4
EPS growth (%)	-2.2	7.7	-38.4	316.6	-47.7	-24.4	49.2	-1.3
DPS (common shares, HUF)	82	91	0	163	152	115	171	169
CFPS (HUF)	153	308	137	295	380	291	359	375
CFPS growth (%)	79.7	101.7	-55.7	102.2	28.7	-23.3	23.5	4.4
CFPS (EUR)	0.5	0.9	0.4	0.8	0.9	0.7	0.9	0.9
CFPS growth (%)	74.8	94.4	-55.7	83.3	11.6	-23.3	23.5	4.4
BVPS (HUF)	412	419	452	635	624	587	642	639
Total no. of shares (th)	14,795	14,795	14,795	14,795	14,795	14,795	14,795	14,795

MARGINS (%)

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
EBITDA margin (%)	9.8	9.9	10.9	16.4	13.3	10.9	12.4	12.5
Operating margin (%)	6.1	6.1	5.5	12.2	8.1	5.9	7.4	7.5
Net profit margin (%)	3.7	3.7	2.9	8.9	5.0	3.5	4.7	4.7

VALUATION

	2018	2019	2020F	2021	2022F	2023F	2024F	2025F
P/E	17.0x	15.2x	24.7x	6.2x	9.1x	12.0x	8.1x	8.2x
P/CF	8.8x	4.4x	9.9x	5.3x	3.6x	4.7x	3.8x	3.7x
P/BV	3.3x	3.2x	3.0x	2.4x	2.2x	2.3x	2.1x	2.2x
EV/sales	0.9x	0.8x	1.0x	0.7x	0.6x	0.6x	0.5x	0.5x
EV/EBITDA	9.0x	7.9x	9.0x	4.3x	4.5x	5.2x	4.1x	4.2x
Dividend yield (%)	6.1	6.5	0.0	10.5	11.0	8.3	12.4	12.2
FCF yield (%)	0.3	8.7	-0.1	13.8	15.2	8.4	12.1	13.7

OTHER RATIOS

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Sales growth (%)	16.6	11.8	-19.6	48.3	7.5	8.1	9.8	-0.5
ROE (%)	18.7	20.6	11.0	38.4	23.6	18.9	25.9	25.6
ROA (%)	5.9	6.2	3.4	15.6	8.5	6.3	8.7	8.4
Net debt/EBITDA	2.0x	1.6x	1.9x	0.7x	0.7x	1.0x	0.7x	0.8x
CAPEX/Depreciation	1.9x	2.2x	1.5x	0.7x	1.1x	1.1x	1.1x	1.1x
Depreciation/Sales (%)	3.7	3.8	5.5	4.2	5.2	5.0	5.0	5.0

REVENUE BREAKDOWN (%)

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Security	31.0	30.9	25.3	26.0	32.4	30.2	33.4	29.8
Card	30.3	32.2	28.8	39.9	30.1	32.0	30.7	32.5
Form	31.7	30.0	37.6	26.7	31.0	31.5	30.1	31.7
Traditional printing	4.9	4.7	5.5	4.5	4.4	4.3	4.0	4.0
Other	2.1	2.2	2.8	2.9	2.2	2.1	1.9	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

EXPORT AS % OF TOTAL SEGMENT REVENUES

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Security	9%	14%	15%	24%	11%	14%	13%	16%
Card	14%	13%	10%	5%	11%	11%	11%	11%
Form	86%	87%	89%	91%	91%	91%	91%	91%
Traditional printing	3%	1%	1%	4%	11%	11%	11%	12%
Other	83%	68%	84%	85%	71%	80%	80%	80%

BALANCE SHEET [HUF MILLION]

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Cash and equivalents	1,020	1,287	2,330	1,298	2,267	1,767	2,519	2,764
Accounts receivable	4,737	5,042	4,248	5,683	6,708	7,249	7,962	7,925
Inventories	3,519	2,961	4,008	3,279	3,594	3,883	4,265	4,245
Other current assets	1,013	630	1,090	1,617	1,617	1,617	1,617	1,617
Total current assets	10,289	9,920	11,676	11,876	14,187	14,516	16,363	16,551
Property, plant, equipment	8,550	10,194	10,954	10,939	11,167	11,403	11,662	11,843
Intangibles, goodwill	372	461	349	337	336	336	336	336
Other assets	5	11	10	10	10	10	10	10
Total non-current assets	9,016	10,553	11,301	11,285	11,513	11,749	12,008	12,189
Total assets	19,304	20,473	22,977	23,161	25,699	26,265	28,372	28,740
Trade accounts payable	3,372	3,337	3,658	3,185	4,432	4,789	5,260	5,236
Other payables & accruals	1,337	2,571	2,541	2,794	3,594	3,883	4,265	4,245
Short term loan	4,887	4,896	2,508	2,315	2,715	3,115	3,515	3,915
Other short-term liabilities	386	513	463	473	473	473	473	473
Total current liabilities	10,060	11,317	9,170	8,767	11,215	12,261	13,514	13,870
Deferred tax liability	328	342	399	669	669	669	669	669
Long term loan	1,253	1,046	4,478	3,088	3,088	3,088	3,088	3,088
Other long-term liabilities	521	470	441	196	196	196	196	196
Total long term liabilities	2,102	1,858	5,318	3,952	3,952	3,952	3,952	3,952
Minority interest	1,052	1,105	1,356	1,048	1,300	1,360	1,409	1,460
Share capital	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Capital reserve	251	251	251	251	251	251	251	251
Retained earnings	4,875	4,988	5,766	8,054	7,892	7,352	8,157	8,118
Treasury shares	-455	-455	-455	-455	-455	-455	-455	-455
Other comp. income	-31	-40	123	94	94	94	94	94
Total shareholders' equity	6,090	6,193	7,134	9,394	9,232	8,691	9,497	9,458
Total liabilities and equity	19,304	20,473	22,977	23,161	25,699	26,265	28,372	28,740

PROFIT AND LOSS [HUF MILLION]

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Net sales	30,527	34,131	27,424	40,658	43,725	47,247	51,893	51,652
Cost of Sales	-22,488	-25,413	-20,287	-26,730	-31,363	-34,089	-37,028	-36,363
Gross profit	8,039	8,718	7,137	13,927	12,362	13,158	14,865	15,289
SG&A	-6,125	-6,453	-6,096	-8,712	-8,524	-9,883	-10,497	-10,920
Gain on sale of fixed assets	5	16	64	507	2	0	0	0
Foreign currency loss/gain	60	10	48	36	84	0	0	0
Other expenses	-126	-208	345	-807	-387	-470	-519	-517
EBITDA	2,986	3,372	2,996	6,663	5,816	5,168	6,444	6,435
Depreciation	1,133	1,289	1,498	1,712	2,279	2,362	2,595	2,583
Operating profit	1,853	2,083	1,498	4,952	3,537	2,806	3,849	3,852
Int. income/expense, net	-101	-102	-145	-70	-174	-170	-183	-193
Profit before tax	1,752	1,981	1,353	4,882	3,363	2,636	3,666	3,659
Deferred tax expenses	-9	-4	-57	-270	0	0	0	0
Income tax expenses	-352	-455	-284	-639	-732	-501	-697	-695
Profit after tax	1,391	1,522	1,012	3,972	2,631	2,135	2,970	2,964
Minority interest	251	249	227	365	452	489	514	539
Net profit	1,140	1,273	785	3,607	2,178	1,646	2,456	2,424

CASH FLOW STATEMENT [HUF MILLION]

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Incomes before tax	1,752	1,981	1,353	4,882	3,363	2,636	3,666	3,659
Depreciation	1,133	1,289	1,498	1,712	2,279	2,362	2,595	2,583
Change in working capital	-204	1,614	-530	-1,686	707	-183	-242	13
Other items	-422	-327	-163	-545	-734	-509	-702	-702
Operating cash flow	2,259	4,557	2,158	4,362	5,615	4,306	5,318	5,552
Investing cash flow	-2,195	-2,812	-2,181	-1,196	-2,507	-2,599	-2,854	-2,763
Cash before financing	64	1,746	-24	3,166	3,108	1,708	2,463	2,788
Financing cash flow	89	-1,479	1,068	-4,199	-2,138	-2,208	-1,711	-2,544
Cash at the beginning	867	1,020	1,287	2,330	1,298	2,267	1,767	2,519
Cash at the end	1,020	1,287	2,330	1,298	2,267	1,767	2,519	2,764

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Accumulate	Total return is expected to be in the range of 10-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10-(-20%)
Sell	Total return is expected to be lower than -20%
Under Revision	The stock is put Under Revision if covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

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Valuations and risks:

Analysis of specific risks to set stock target prices highlighted in our investment case(s) are outlined throughout the report. For details of methodologies used to determine our price targets and risks related to the achievement of the targets referred to in the main body of the report or at [Rating Methodology](https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038) on our website. (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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