

19 May 2025

GEVORKYAN (GEV CP)

BUY

GEVORKYAN: strong 1Q25 - EBITDA 15% above our expectations; 2025E conservative guidance

GEV CP	
Market Cap (USD mil)	180
Price	240
Price target	348
Upside (%)	45.0

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GEVORKYAN has reported strong 1Q25 results, which exceeded our expectations, with EBITDA of EUR 8.4m, 15% above our estimate, and net profit of EUR 3.0m, double our forecast. The company achieved a record-high EBITDA margin of 40%, reflecting efficiency gains in lower costs of materials and energy. Despite the strong start to the year, GEVORKYAN maintained a conservative outlook, guiding for 2025E revenue growth of 9% yoy and an EBITDA margin of c.32%. In our view, this is cautious, particularly given that it delivered EBITDA margins of c.34-35% in 2023 and 2024, respectively. We also view the long-term margin (2025-29E) guidance of c.32% as conservative. As of today, 94% of the 2025E revenues are secured under signed contracts and, with increasing exposure to higher-margin segments such as defence, oil & gas, aviation, and marine, we believe the company has the potential to outperform its own guidance. Management has indicated that many of these new contracts should achieve EBITDA margins above 30%, with some exceeding 35%. At current levels, the stock trades at 9.2x 2025E EV/EBITDA, based on the company's EBITDA guidance.

POSITIVE

Record-high EBITDA margin of 40% in 1Q25. On 15 May, GEVORKYAN published a trading update its the IFRS figures, reporting revenues of EUR 20.9m (+11% yoy), 1% below our expectations. EBITDA came in at EUR 8.4m (+14% yoy), with an EBITDA margin of 40%. This represents a 15% beat vs. our estimates, driven by lower-than-expected materials and energy consumption. The company continues to benefit from its self-sufficient infrastructure, including in-house photovoltaic panels and its own nitrogen and hydrogen generators. GEVORKYAN reported EBIT of EUR 4.2m (+7% yoy), 38% above our estimate, which was a function of the higher EBITDA margin, as D&A was in line with our expectations. The net profit came in at EUR 3.0m (+26% yoy), double our forecast of EUR 1.5m. The bottom line was supported by lower financial costs, due to the green bond coupon payment: this is anticipated in 2Q25E, whereas in the previous bond tranche, the coupon was payable in 1Q24.

GEVORKYAN: 1Q25 results

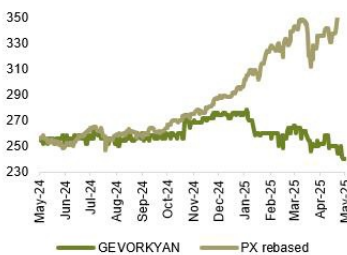
EURm	1Q25	1Q24	yoy	WOOD	diff
Revenues	20.9	18.8	11%	21.1	-1%
EBITDA	8.4	7.3	14%	7.3	15%
EBIT	4.2	3.9	7%	3.1	38%
Net profit	3.0	2.4	26%	1.5	96%
EBITDA margin	40.0%	38.9%		34.5%	
EBIT margin	20.2%	20.9%		14.5%	
Net profit margin	14.3%	12.6%		7.2%	

Source: Company data, WOOD Research

Leverage at 3.2x net debt/EBITDA. As of end-1Q25, the company had EUR 88m in total debt inc. leases, and EUR 3.4m in cash. If we take the 2025E EBITDA guidance, this would translate into 3.2x net debt/EBITDA, unchanged vs. end-4Q24.

Conservative 2025E guidance. The company also published its 2025E guidance, with anticipated revenues of EUR 82.5m, representing a 9% yoy increase. GEVORKYAN expects an EBITDA margin of 32.2% for 2025E (in 2023 and 2024, it delivered EBITDA margins of 34.2% and 34.8%, respectively). Also, with a strong 1Q25 EBITDA margin of 40%, at an all-time-high, we see the EBITDA margin guidance as very conservative. We note that management has stated that its target EBITDA margin is around 35%, but that it prefers to be more conservative, so as not to miss the expectations of investors or analysts. The company forecasts its net profit at EUR 5.7m (50% yoy) in 2025E. The 2025E capex may come in below EUR 20m, as per the company statements, and should be spent on land acquisitions, tools and forms related to the new contracts, and the purchase and maintenance of machinery. This is lower than the spend in 2023 and 2024 (c.EUR 29m) and might imply an end to the company's 4Y capex cycle.

2025-29E management guidance implies a revenue CAGR of 10%, with a c.32% EBITDA margin. GEVORKYAN also published its long-term (2025-29E) guidance, in which it expects a 5Y revenue CAGR of 10%, with a c.32% EBITDA margin throughout the period. D&A should come in lower, as the company should end its capex cycle, boosting the EBIT margin, *ceteris paribus*. This should be visible on the bottom line, which should see a 28% CAGR for 2024-29E, on GEVORKYAN's projections. As for 2025E, the long-term (2025-29E) guidance seems conservative on revenue growth (but does not account for the acquisitions in Italy, which are at a very advanced stage and could add c.EUR 12-14m in annual sales), as well as the EBITDA margin.



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GEVORKYAN has signed contracts for over 90% of its projected sales in 2025-26E. Based on company statements, signed contracts make up c.94% and 90% of the projected 2025-26E sales, respectively. It has been able to secure nine new long-term projects in the European and American defence markets. One of these is for the European manufacture of optoelectronic devices using night vision, thermal imaging and laser technology. It has also obtained a contract for personal safety equipment for marine and aviation, as well as a project for US petrol stations and the oil industry. The company is moving away strategically from the automotive industry and is well-diversified by segments, in our view.

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04/04/2024	BUY - initiation of coverage	04/04/2024	CZK 348
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