

# SSIF BRK Financial Group S.A.

## Who Dares, Wins

We initiate coverage on SSIF BRK Financial Group SA with a RON 0.39 fair value, representing a potential upside of 38% and a BUY recommendation. BRK Financial Group is currently the intermediary of the largest IPO locally since 2018 - of One United Properties. This listing is expected to solidify BRK Financial Group's position as top broker and its reputation on the market. In addition, the company is well positioned to take advantage of various upcoming catalysts. Beginning in 2022, the newly established central counterparty project should increase trading volumes. Romania's market capitalization to GDP ratio was 10.4% in 2020, thus lagging behind that of other regional countries; we anticipate an increase in the overall market capitalization. In Sep 2020 FTSE reclassified the Romanian market from frontier to emerging and expect in a couple of years for MSCI to also promote Romania to emerging market status.

**Underwriting the largest IPO since 2018.** Currently, BRK Financial Group is the underwriter for One United Properties - one of the largest real estate developers in Romania; the IPO lasts from 22 June to 2 July 2021. The established price range for the IPO implies an overall value exceeding EUR 550m, making it the largest IPO on the BVB over the past three years.

**The central counterparty to increase liquidity.** CCP.RO was established two years ago by BVB's participation in its share capital with a stake of 59.52%, together with eight other shareholders, including BRK Financial Group. BVB's intention is to increase the long-term liquidity of shares traded and to provide investors with the necessary tools to make the Romanian capital market even more attractive by relaunching the derivatives market and, in future stages, by creating the possibility for sophisticated investors to access new types of instruments.

**Romania's market capitalisation to GDP ratio was 10.4% in 2020, one of the lowest in the CEE.** Romania has consistently achieved higher GDP growth rates than the EU27 counterparts, thus creating the potential for economic convergence. That, together with an expected increase in the overall market capitalization ratio to GDP, should be a trigger for further growth.

**In Sep 2020 FTSE reclassified the Romanian market from frontier to emerging.** We expect MSCI to lift Romania to emerging market status within the next couple of years. These events should further improve the interest and liquidity on the local stock market in forthcoming years.

**Key risks:** Global and local economies could experience a sharper slowdown and, as a result, the company may derive weaker revenues. Liquidity risk as the trading volume for the company shares is low.

Figure 1. BRK Financial Group key financial summary

	2019	2020	2021E	2022E	2023E	2024E
Revenues (RON m)	8.5	15.8	28.1	30.1	33.1	36.2
EBITDA (RON m)	-1.9	4.0	11.2	12.3	13.9	15.6
EBIT (RON m)	-2.9	3.1	10.3	11.3	12.8	14.4
Net profit (RON m)	7.3	1.5	15.5	16.3	16.8	18.2
Dividends (RON)	0.0	0.0	0.0	0.0	0.0	0.0
EPS (RON)	0.0216	0.0044	0.0458	0.0483	0.0498	0.0538
DPS (RON)	0.00	0.00	0.00	0.00	0.00	0.00
EV/EBITDA (x)	nmf	22.4	8.0	7.4	6.5	5.8
P/E (x)	13.1	63.9	6.2	5.9	5.7	5.3
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, IPOPEMA Research

Financial services, Romania

## BRK Financial Group

### BUY

Coverage initiation

FV RON 0.39

38% upside

Price as of 23 June 2021 RON0.283



#### Share data

Number of shares (m)	337.75
Market cap (EUR m)	19.12
12M avg daily volume (k)	1,200
12M avg daily turnover (EUR)	50,000
12M high/low (RON)	0.415/0.067
Bloomberg	BRK RO

#### Total performance

1M	-1.3%
3M	-1.0%
12M	308%

#### Shareholders

SIF Muntenia (SIF 4)	18.5%
Other shareholders	81.5%

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## SSIF BRK Financial Group SA

FV 0.39 RON

Mkt Cap EUR 19.12 m

Upside/downside +38%

Valuation multiples	2020	2021	2022E	2023E	2024E
P/E (x)	63.9	6.2	5.9	5.7	5.3
EV/EBITDA adj (x)	22.4	8.0	7.4	6.5	5.8
EV/Sales (x)	5.7	3.2	3.0	2.7	2.5
P/BV (x)	1.8	1.8	1.8	1.8	1.8
FCF yield (%)	4.4%	2.4%	2.1%	8.7%	3.1%
DY (%)	0%	0%	0%	0%	0%
Payout ratio	0%	0%	0%	0%	0%

Per share	2020	2021	2022E	2023E	2024E
No. of shares (m units)	337.7	337.7	337.7	337.7	337.7
EPS (RON)	0.00	0.05	0.05	0.05	0.05
BVPS (RON)	0.2	0.2	0.2	0.2	0.2
FCFPS (RON)	0.0	0.0	0.0	0.0	0.0
DPS (RON)	0.00	0.00	0.00	0.00	0.00

Change yoy (%)	2020	2021	2022E	2023E	2024E
Revenues	86%	78%	7%	10%	9%
EBITDA	nmf	179%	9%	13%	12%
EBIT	nmf	231%	10%	14%	13%
Net profit	nmf	935%	5%	3%	8%
Tax rate	2%	16%	16%	16%	16%

Leverage and return	2020	2021	2022E	2023E	2024E
Gross margin (%)	nmf	nmf	nmf	nmf	nmf
EBITDA margin	26%	40%	41%	42%	43%
EBIT margin	20%	37%	37%	39%	40%
Net debt/EBITDA (x)	(1.3)	(0.7)	(0.6)	(0.6)	-0.5739
Net debt/Equity	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)
Net debt/Assets	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
ROE	3%	29%	30%	31%	34%
ROA	1%	8%	7%	7%	7%

Assumptions	2020	2021	2022E	2023E	2024E
<b>Revenues</b>					
Operating income	11.5	19.0	20.6	23.1	25.7
Market making activities	3.9	8.8	9.2	9.7	10.2
Total revenues	15.5	27.8	29.8	32.8	35.9
<b>Margins (% of revenues)</b>					
Staff costs	33.7%	19.5%	18.7%	18.7%	16.5%
Fee and commission exp	16.2%	16.2%	16.2%	16.2%	16.2%
Total operating exp.	80.3%	63.4%	62.6%	61.3%	60.1%
<b>WC assumptions</b>					
A/R (days sales)	27.4	27.4	27.0	27.0	27.0
Bank deposits (days sale)	1,197	900	950	1,000	1,000
A/P (days at Op. exp)	353.8	353.8	353.8	353.8	353.8
Guarantee and clearing funds	15.5%	15.5%	15.5%	15.5%	15.5%

P&L (RON m)	2019	2020	2021	2022E	2023E	2024E
<b>Revenues</b>	<b>8.5</b>	<b>15.8</b>	<b>28.1</b>	<b>30.1</b>	<b>33.1</b>	<b>36.2</b>
Operating income	7.0	11.5	19.0	20.6	23.1	25.7
Market making activities	1.2	3.9	8.8	9.2	9.7	10.2
G&A	11.4	12.7	17.8	18.8	20.3	21.8
<b>EBITDA</b>	<b>-1.9</b>	<b>4.0</b>	<b>11.2</b>	<b>12.3</b>	<b>13.9</b>	<b>15.6</b>
Depreciation	1.0	0.9	0.9	1.0	1.1	1.1
<b>EBIT</b>	<b>-2.9</b>	<b>3.1</b>	<b>10.3</b>	<b>11.3</b>	<b>12.8</b>	<b>14.4</b>
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	7.3	1.5	18.4	19.4	20.0	21.6
Income tax	0.04	0.03	2.95	3.11	3.20	3.46
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>7.3</b>	<b>1.5</b>	<b>15.5</b>	<b>16.3</b>	<b>16.8</b>	<b>18.2</b>
<b>Dividend</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

BALANCE SHEET (RON m)	2019	2020	2021	2022E	2023E	2024E
<b>Non-current assets</b>	<b>116.9</b>	<b>173.2</b>	<b>173.1</b>	<b>173.0</b>	<b>172.8</b>	<b>172.6</b>
Net fixed assets	47.4	53.5	53.5	53.4	53.2	52.9
Deferred tax	0.0	0.0	0.0	0.0	0.0	0.0
Intangibles and goodwill	3.3	1.7	1.7	1.7	1.7	1.7
Others	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>	<b>68.0</b>	<b>66.1</b>	<b>87.8</b>	<b>97.8</b>	<b>111.9</b>	<b>122.3</b>
Cash and equivalents	1.2	5.4	7.7	7.4	8.2	8.9
Accounts receivables	1.1	1.2	2.1	2.2	2.5	2.7
Client bank accounts	53.6	51.7	69.3	78.4	90.8	99.3
Loans granted	12.1	7.8	8.8	9.8	10.6	11.3
<b>Total assets</b>	<b>143.5</b>	<b>193.7</b>	<b>215.4</b>	<b>225.3</b>	<b>239.3</b>	<b>249.3</b>
<b>Equity</b>	<b>54.0</b>	<b>54.0</b>	<b>54.0</b>	<b>54.0</b>	<b>54.0</b>	<b>54.0</b>
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>60.8</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>
Bank debt	0.0	0.0	0.0	0.0	0.0	0.0
Leasing	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>19.8</b>	<b>15.2</b>	<b>22.5</b>	<b>23.9</b>	<b>25.8</b>	<b>27.9</b>
Bank debt	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	12.5	12.3	17.3	18.3	19.7	21.1
Leasing	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
<b>Equity and liabilities</b>	<b>143.5</b>	<b>193.8</b>	<b>215.5</b>	<b>225.4</b>	<b>239.3</b>	<b>249.4</b>
WK as % of sales	568%	322%	233%	246%	260%	260%
<b>Gross debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net debt</b>	<b>-1</b>	<b>-5</b>	<b>-8</b>	<b>-7</b>	<b>-8</b>	<b>-9</b>

CASH FLOW (RONm)	2019	2020	2021	2022E	2023E	2024E
<b>Cash flow from operations</b>	<b>8.3</b>	<b>-0.2</b>	<b>2.0</b>	<b>2.8</b>	<b>9.2</b>	<b>7.2</b>
Net profit	7.3	1.5	15.5	16.3	16.8	18.2
Depreciation and amortisation	1.0	0.9	0.9	1.0	1.1	1.1
Changes in WC	0.0	-2.6	-14.5	-14.5	-8.6	-12.2
Other, net	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investment</b>	<b>-0.9</b>	<b>4.4</b>	<b>0.3</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-4.2</b>
Additions to PPE	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Additions to intangibles	0.0	0.0	0.0	0.0	0.0	0.0
Change in long-term investments	0.0	0.0	0.0	0.0	0.0	0.0
Other, net	0.0	5.3	1.2	0.0	0.0	-3.3
<b>Cash flow from financing</b>	<b>-9.9</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.2</b>	<b>-7.6</b>	<b>-2.2</b>
Change in long-term borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Change in short-term borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Leasing payments	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Other, net	-9.9	0.0	0.0	-2.2	-7.6	-2.2
<b>Net change in cash and equiv</b>	<b>-2.5</b>	<b>4.2</b>	<b>2.3</b>	<b>-0.2</b>	<b>0.8</b>	<b>0.8</b>
<b>Beginning cash and equivalent</b>	<b>3.7</b>	<b>1.2</b>	<b>5.4</b>	<b>7.7</b>	<b>7.4</b>	<b>8.2</b>
<b>Ending cash and equivalents</b>	<b>1.2</b>	<b>5.4</b>	<b>7.7</b>	<b>7.4</b>	<b>8.2</b>	<b>8.9</b>

Source: Company data, IPOPEMA Research

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## Valuation

**Discounted cash flow to equity (DCF) valuation method.** The company is currently operating in a growing environment as the trading value of all types of financial instruments (shares, fixed income instruments, structured products, unit funds, and ETFs) on the Bucharest Stock Exchange (BVB) has reached RON 18.3bn, a 54% increase vs the value achieved in 2019. The central counterparty (CCP.RO Bucharest S.A., or CCP.RO) was registered in November 2019 and it was established by BVB's participation in its share capital with a stake of 59.52%, together with eight other shareholders, including BRK Financial Group. BVB's intention is to increase the medium and long-term liquidity of shares traded and to provide investors with the necessary tools to make the Romanian capital market even more attractive by relaunching the derivatives market and, in future stages, by creating the possibility for sophisticated investors to access new types of instruments. Thus, BVB – in its base case scenario – envisions reaching RON 87.7m in daily trading by 2029.

Romania's market capitalisation to GDP ratio was 10.4% in 2020, thus lagging behind other regional countries such as Poland, Hungary, and Slovenia. Romania has consistently achieved higher GDP growth rates than the EU27, thus creating the potential for economic convergence. That, together with an increase in its overall market capitalization ratio to GDP, should be a trigger for further growth.

In Sep 2020 FTSE reclassified the Romanian market from frontier to emerging. We expect MSCI to promote Romania to emerging market status within the next couple of years. These events should further improve the liquidity on the local stock market in ensuing years.

Currently, BRK Financial Group is the underwriter for One United Properties; the IPO lasts from 22 June to 2 July. The established price range for the IPO implies an overall value exceeding EUR 550m, making it the largest IPO on the BVB over the past three years.

Therefore, to best capture this expansion, we used the Discounted Cash Flow to Equity, or "DCF", method for the valuation of BRK Financial Group. As the company is not a traditional dividend payer, and we have not identified any close relevant peers, we believe DCF is the most relevant method. We estimated 10 years into the future, i.e. the time period in which we assume the company will enter into "normality". By discounting BRK Financial Group's free cash flow to equity, with a cost of equity, "CAPM", of 14% (3.2% "risk-free rate" which is the equivalent of a Romanian 10-year bond yield, 6.85% market risk premium, 1.5x Beta and a small-size premium) and applying 3% terminal growth, **we derive at an intrinsic value per share of RON 0.39 for the company, which is 38% higher than the current share price. We base our BUY rating upon this analysis.**

Figure 2. DCF valuation

RON m	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	
Net profit	15.5	16.3	16.8	18.2	19.6	21.1	21.9	22.9	23.8	24.9	27.4
+ depreciation	0.9	1.0	1.1	1.1	1.2	1.2	1.3	1.4	1.4	1.5	
+ increase/-decrease of long term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
-increase/+decrease in working capital	-14.5	-8.6	-12.2	-8.3	-8.6	-8.9	-5.6	-5.9	-6.2	-6.5	-0.1
-Capex	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	
<b>Equity - Free cash flow</b>	1.1	7.8	4.8	10.1	11.4	12.6	16.7	17.4	18.1	18.9	27.2
Discount rate (CAPM)	14.0%										
Discount factor	0.97	0.85	0.75	0.65	0.57	0.50	0.44	0.39	0.34	0.30	0.31
Present value of cash flows	0.5	6.6	3.6	6.6	6.5	6.3	7.4	6.7	6.2	5.6	
Sum of present values of cash flows	56.2										
Residual growth	3.0%										
Present value of residual value	76.4										248.0
Less: Non-controlling interests	-0.00061										
<b>Equity value (RON m)</b>	<b>132.6</b>										
Shares (m)	337.75										
<b>Equity value per share (RON)</b>	<b>0.392</b>										
Current Share Price (RON)	0.283										
<b>Upside (%)</b>	<b>38.7%</b>										

Source: Company, IPOPEMA Research

**Sensitivity Analysis.** In our analysis, we have relied on what we considered to be reasonable assumptions and conservative estimations. Below we show a sensitivity analysis by varying a few parameters such as discount rate and residual growth.

**Figure 3. Sensitivity analysis**

RON/share		Residual Growth Rate				
		2.00%	2.50%	3.00%	3.50%	4.00%
Discount Rate	12.0%	0.47	0.49	0.51	0.52	0.55
	13.0%	0.42	0.43	0.44	0.46	0.47
	<b>14.0%</b>	0.37	0.38	<b>0.39</b>	0.40	0.42
	15.0%	0.33	0.34	0.35	0.36	0.37
	16.0%	0.30	0.31	0.31	0.32	0.33

Source: Company, IPOPEMA Research

**Revenue assumptions.** We incorporate into our assumptions the expected evolution of commissions derived from the spot and international markets, corporate revenues, revenues from administration of investment funds, and revenues from market making activities. We also analysed the company's 2021 budget. The company presents its fees and commissions at gross value, which includes market costs, and commissions charged by the Bucharest Stock Exchange and the Financial Supervisory Authority (ASF).

Currently there are 23 brokerage houses operating in Romania. In the table below, it can be seen that for the five months ending May 31, 2021, the total value traded was approximately RON 15.9bn (or EUR 3.2bn) which results in a daily value traded of approximately RON 32m. BRK Financial Group currently ranks 6<sup>th</sup>. In the year 2020, the top 10 intermediaries held a market share of 92% based on the value traded.

BVB – in its base case scenario – envisions reaching RON 87.7m in daily trading by 2029. We estimate that value will be reached earlier and consider this overall increase is doable with the IPO pipeline expected and implicitly the increase in the market capitalization of the companies listed, and the central counterparty which should go live in 2022. Therefore, the forecasted value traded in 2026 could more than triple to RON 55,000m. Provided the top 10 brokerage houses slightly increase their market shares, they would hold approximately 98.5% of the market.

**Figure 4. Top 10 intermediaries on Bucharest Stock Exchange (all segments, all spot instruments)**

Rank May-21	Intermediary	Value traded FY2019 (RON m)	% from total	Value traded FY2020 (RON m)	% from total	Value traded Jan - May 2021 (RON m)	% from total		Value traded FY2026F (RON)	% from total
1	BCR	4,004.4	16.2%	4,716.0	12.6%	3,733.0	23.4%	...	7,700	14.0%
2	BT Capital Partners	3,816.8	15.5%	7,543.0	20.1%	2,752.7	17.2%	...	11,000	20.0%
3	BRD Groupe Soc Gen	563.3	2.3%	4,442.0	11.9%	2,209.7	13.8%	...	6,600	12.0%
4	Swiss Capital	4,482.9	18.2%	7,064.7	18.9%	1,710.1	10.7%	...	11,000	20.0%
5	Tradeville	1,164.6	4.7%	3,143.7	8.4%	1,582.7	9.9%	...	4,400	8.0%
<b>6</b>	<b>SSIF BRK Financial Group</b>	<b>616.1</b>	<b>2.5%</b>	<b>1,385.2</b>	<b>3.7%</b>	<b>986.7</b>	<b>6.2%</b>	...	<b>7,700</b>	<b>14.0%</b>
7	Wood & co	2,594.1	10.5%	3,691.3	9.9%	778.4	4.9%	...	4,950	9.0%
8	Goldring	376.7	1.5%	711.6	1.9%	382.3	2.4%	...	275	0.5%
9	IBF Finwest	487.7	2.0%	900.6	2.4%	345.4	2.2%	...	275	0.5%
10	Raiffeisen Centrobank	1,908.5	7.7%	865.6	2.3%	295.0	1.8%	...	275	0.5%
11-23	...	8,666.9	35.1%	7,702.0	20.6%	4,937.3	30.9%	...	825	1.5%
	<b>Total Value Traded (RON m)</b>	<b>RON 24,678</b>	100.0%	<b>RON 37,450</b>	100.0%	<b>RON 15,980</b>	100.0%	...	<b>RON 55,000</b>	100.0%
	<b>Total Value Traded (EUR m)</b>	<b>EUR 4,936</b>		<b>EUR 7,490</b>		<b>EUR 3,196</b>		...	<b>EUR 11,000</b>	

Source: Bucharest Stock Exchange, IPOPEMA Research

**Cost assumptions.** Based on the historical split of costs and including management's estimates from the 2021 budget for costs, we model the evolution of costs going forward.

**Income statement.** With the estimated revenues and costs, we built the income statements. Below we show only the estimates for the upcoming five years. We calculate the depreciation separately in the investment schedule. In year 2020 the company incurred a loss for tax purposes, from previous years, hence the low income tax amount paid. From 2021, going forward, we used a 16% tax rate.

The management of BRK Financial Group has determined that it meets the criteria required by IFRS 10 and is defined as an investment entity. Therefore, up to the last fiscal year (2020) it values certain subsidiaries at fair value without consolidating them while in the consolidation perimeter for 2020 were kept only two companies: SSIF BRK Financial Group S.A. and SAI Broker SA.

Figure 5. Income statements: Historical and forecast

Type of expense/revenue RON m	2019	2020	% op income	Year 1 2021	% op income	Year 2 2022	% op income	Year 3 2023	% op income	Year 4 2024	% op income	Year 5 2025	% op income
Revenues	8.5	15.8	100.0%	28.1	100.0%	30.1	100.0%	33.1	100.0%	36.2	100.0%	39.5	100.0%
<i>Growth</i>		<i>85.9%</i>		<i>78.0%</i>		<i>7.2%</i>		<i>10.0%</i>		<i>9.4%</i>		<i>8.9%</i>	
Depreciation	1.0	0.9	5.8%	0.9	3.4%	1.0	3.3%	1.1	3.2%	1.1	3.1%	1.2	3.0%
Staff costs and benefits	5.6	5.3	33.7%	5.5	19.5%	5.6	18.7%	5.8	17.5%	6.0	16.5%	6.2	15.6%
Fee and commission expenses	1.1	2.6	16.2%	4.5	16.2%	4.9	16.2%	5.4	16.2%	5.9	16.2%	6.4	16.2%
Expenses with external benefits	2.3	2.4	15.2%	4.3	15.2%	4.6	15.2%	5.0	15.2%	5.5	15.2%	6.0	15.2%
Expenses with services provided by third parties	0.32	0.53	3.3%	0.94	3.3%	1.01	3.3%	1.11	3.3%	1.21	3.3%	1.32	3.3%
Other expenses	1.03	0.92	5.9%	1.64	5.9%	1.76	5.9%	1.94	5.9%	2.12	5.9%	2.31	5.9%
Adjustments related to intangibles	0.037	0.038	0.2%	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%
Total operating expenses	11.4	12.7	80.3%	17.8	63.4%	18.8	62.6%	20.3	61.3%	21.8	60.1%	23.3	59.1%
<b>Operating profit</b>	<b>-2.9</b>	<b>3.1</b>	<b>19.7%</b>	<b>10.3</b>	<b>36.6%</b>	<b>11.3</b>	<b>37.4%</b>	<b>12.8</b>	<b>38.7%</b>	<b>14.4</b>	<b>39.9%</b>	<b>16.1</b>	<b>40.9%</b>
Financial income (from cash)	0.0	0.0	0.0%	0.2	0.5%	0.2	0.5%	0.2	0.5%	0.2	0.5%	0.2	0.5%
Net gains/(losses) from financial instruments ("House")	8.2	-3.7	-23.3%	8.0	28.5%	8.0	26.6%	7.0	21.1%	7.0	19.3%	7.0	17.7%
Net gains/(losses) from financial assets at FV through profit and loss	5.7	-1.4	-8.6%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Net gains/expense from provisions related to financial instruments	-2.9	3.1	19.9%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other net interest gain/(loss)	1.8	0.5	3.3%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Net gain/(expense) from provisions related to risk	-2.9	-0.4	-2.6%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other net gain/(loss)	0.4	0.2	1.3%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Exceptional expenses	0.0	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
<b>Profit before tax (PBT)</b>	<b>7.318</b>	<b>1.526</b>	<b>9.7%</b>	<b>18.4</b>	<b>65.6%</b>	<b>19.4</b>	<b>64.5%</b>	<b>20.0</b>	<b>60.4%</b>	<b>21.6</b>	<b>59.7%</b>	<b>23.3</b>	<b>59.1%</b>
Tax rate: 16.0%													
<b>Income tax</b>	<b>0.035</b>	<b>0.030</b>	<b>0.2%</b>	<b>2.949</b>	<b>10.5%</b>	<b>3.108</b>	<b>10.3%</b>	<b>3.202</b>	<b>9.7%</b>	<b>3.464</b>	<b>9.6%</b>	<b>3.7</b>	<b>0.095</b>
<b>NET PROFIT (LOSS)</b>	<b>7.282</b>	<b>1.496</b>	<b>9.5%</b>	<b>15.5</b>	<b>55.1%</b>	<b>16.3</b>	<b>54.2%</b>	<b>16.8</b>	<b>50.7%</b>	<b>18.2</b>	<b>50.2%</b>	<b>19.6</b>	<b>49.7%</b>

Source: Company, IPOPEMA Research

**Capex and depreciation.** We do not include any acquisitions into our modelling. Per management's budget, the company plans to invest in IT (hardware and software) and in the maintenance of its headquarters.

For 2021, the investment budget allocated was RON 0.88m. Also, for the company to deliver on its expected growth, in order to maintain its historical rate of net fixed assets to total assets, the company should allocate at minimum an amount of RON 0.88m per year - as shown below - for capex.

In the financial services industry where BRK Financial Group operates, an increasing amount of investments in IT may be needed going forward. We depreciate the new investments using a straight line, over 15 years (as an average).

**Figure 6. Investment and depreciation schedule forecast**

Investment schedule	Year 0 2020	Year 1 2021F	Year 2 2022F	Year 3 2023F	Year 4 2024F	Year 5 2025F	Year 6 2026F	Year 7 2027F	Year 8 2028F	Year 9 2029F	Year 10 2030F
Fixed assets already in place, at book value - beginning of year		9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Write-offs		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets already in place at year 0 end, at book value, including investment in progress	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Capex (RON m)		0.880	0.880	0.880	0.880	0.880	0.880	0.880	0.880	0.880	0.880
Capex to revenue ratio		3.1%	2.9%	2.7%	2.4%	2.2%	2.1%	2.0%	1.9%	1.8%	1.7%
Average depreciation period all new assets		15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Total fixed assets at book value	9.8	10.7	11.6	12.5	13.3	14.2	15.1	16.0	16.9	17.7	18.6
<b>Depreciation schedule</b>											
Annual depreciation, fixed assets already in place at the end of year 0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Average depreciation period		15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Annual depreciation for new acquisitions											
2021		0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
2022			0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
2023				0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
2024					0.0	0.1	0.1	0.1	0.1	0.1	0.1
2025						0.0	0.1	0.1	0.1	0.1	0.1
2026							0.0	0.1	0.1	0.1	0.1
2027								0.0	0.1	0.1	0.1
2028									0.0	0.1	0.1
2029										0.0	0.1
2030											0.0
Total annual depreciation for new equipment acquisitions		0.0	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.5	0.6
Total annual depreciation, all fixed assets	0.9	0.9	1.0	1.1	1.1	1.2	1.2	1.3	1.4	1.4	1.5
Accumulated depreciation	1.8	2.7	3.7	4.8	5.9	7.1	8.3	9.6	11.0	12.4	13.9
Net fixed assets	8.0	8.0	7.8	7.7	7.4	7.1	6.8	6.3	5.9	5.3	4.7

Source: Company, IPOPEMA Research



**Balance Sheet.** Based on the company's historical ratios, we derived the ratios for the components of the working capital, which we used in building up the balance sheet items.

BRK Financial Group relies primarily on its own capital for operational financing. The company has contracted a credit line with a ceiling of RON 5.2m (EUR 1.0m)

**Figure 7. Balance sheet: Historical and forecast**

RON m	2019	2020	Year 1 2021F	Year 2 2022F	Year 3 2023F	Year 4 2024F	Year 5 2025F	Year 6 2026F	Year 7 2027F	Year 8 2028F	Year 9 2029F	Year 10 2030F
<b>Current assets</b>												
Cash and equivalent	1.2	5.4	7.7	7.4	8.2	8.9	9.7	10.6	11.1	11.6	12.2	12.8
Accounts receivable	1.1	1.2	2.1	2.2	2.5	2.7	2.9	3.2	3.3	3.5	3.7	3.8
Client bank accounts	53.6	51.7	69.3	78.4	90.8	99.3	108.1	117.2	123.1	129.3	135.7	142.5
Loans granted	12.1	7.8	8.8	9.8	10.6	11.3	12.1	13.0	13.6	14.2	14.8	15.5
<b>Total current assets</b>	<b>68.0</b>	<b>66.1</b>	<b>87.8</b>	<b>97.8</b>	<b>111.9</b>	<b>122.3</b>	<b>132.9</b>	<b>143.9</b>	<b>151.1</b>	<b>158.5</b>	<b>166.4</b>	<b>174.6</b>
Financial assets measured at FV through profit or loss	41.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5
Fixed assets	8.0	9.8	10.7	11.6	12.5	13.3	14.2	15.1	16.0	16.9	17.7	18.6
less: accumulated depreciation	-2.1	-1.8	-2.7	-3.7	-4.8	-5.9	-7.1	-8.3	-9.6	-11.0	-12.4	-13.9
<b>Net fixed assets</b>	<b>47.4</b>	<b>53.5</b>	<b>53.5</b>	<b>53.4</b>	<b>53.2</b>	<b>52.9</b>	<b>52.6</b>	<b>52.3</b>	<b>51.8</b>	<b>51.4</b>	<b>50.8</b>	<b>50.2</b>
Other financial assets	24.8	72.5	72.5	72.5	72.5	72.5	72.5	72.5	72.5	72.5	72.5	72.5
Intangible assets	3.3	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
<b>Total assets</b>	<b>143.5</b>	<b>193.7</b>	<b>215.4</b>	<b>225.3</b>	<b>239.3</b>	<b>249.3</b>	<b>259.7</b>	<b>270.3</b>	<b>277.0</b>	<b>284.0</b>	<b>291.4</b>	<b>299.0</b>
<b>Current liabilities</b>												
Payables	12.5	12.3	17.3	18.3	19.7	21.1	22.6	24.2	25.2	26.4	27.6	28.8
Short term bank liabilities	4.2	2.4	4.3	4.7	5.1	5.6	6.1	6.6	7.0	7.3	7.7	8.1
Provisions	3.1	0.5	0.9	0.9	1.0	1.1	1.2	1.3	1.4	1.5	1.5	1.6
Current portion of financial leasing	0.003	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current liabilities</b>	<b>19.8</b>	<b>15.2</b>	<b>22.5</b>	<b>23.9</b>	<b>25.8</b>	<b>27.9</b>	<b>30.0</b>	<b>32.1</b>	<b>33.6</b>	<b>35.2</b>	<b>36.8</b>	<b>38.5</b>
Amounts due to customers	60.8	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7
<b>Total long term liabilities</b>	<b>60.8</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>	<b>111.7</b>
Equity	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Adjustment of share capital	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Treasury shares	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
Retained earnings	-6.4	-5.9	8.5	17.0	29.0	37.1	45.3	53.8	59.0	64.5	70.2	76.1
Premiums	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other reserves	11.2	14.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6
<b>Net worth</b>	<b>62.9</b>	<b>66.9</b>	<b>81.3</b>	<b>89.8</b>	<b>101.8</b>	<b>109.8</b>	<b>118.1</b>	<b>126.6</b>	<b>131.8</b>	<b>137.2</b>	<b>142.9</b>	<b>148.9</b>
Non-controlling interests	0.0004	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006
<b>Total liabilities and sharehold. cap</b>	<b>143.5</b>	<b>193.7</b>	<b>215.4</b>	<b>225.3</b>	<b>239.3</b>	<b>249.3</b>	<b>259.7</b>	<b>270.3</b>	<b>277.0</b>	<b>284.0</b>	<b>291.4</b>	<b>299.0</b>

Source: Company, IPOPEMA Research

## Risks to fair value

- **Sustained negative performance of the capital market** in Romania, providing downside to both the underwriting business and the performance of company's assets under management.
- **Economic slowdown.** The US, as well as other major economies, including the economies in the CEE and Romania, could experience a sharper slowdown, and as a result the company may have weaker revenues.
- **Employee/talent retention.** The investment sector in Romania is becoming more competitive, placing pressure on salaries, and making it more difficult to recruit and keep professionals.
- **Romanian currency depreciating** against the USD and also the EUR presents downside risk to earnings.
- **Reputational damage.** The potential legal risk faced by firms in the financial services industry defined as exposure to fines, penalties or punitive damages.
- **Increasing competition.**



## Company description

BRK Financial Group operates as a financial investment services company. The company offers a range of financial products and services, such as online trading, securities brokerage, and intermediation in stocks. BRK Financial Group was founded as a joint stock company on October 26 1994 and in 2005 it became the first publicly listed domestic investment company. BRK Financial Group's shares are included in the BETPlus index. The company is headquartered in Cluj-Napoca, Romania and offers a nationwide presence through offices in Bucharest, Timisoara, Iasi, and Suceava. BRK Financial Group's fundamental activity is comprised of the following operations:

- **Intermediation:** Includes brokerage services (intermediation of transactions on the domestic and international markets) and specialized services for issuers and potential issuers (listing of companies and investment funds on the capital market through IPOs, consulting for financing through issues of shares and bonds or promotion on the capital market, etc);
- **Asset management:** The management of its own portfolio of financial assets;
- **Market making:** Establishing and maintaining bid/ask quotes for various financial instruments. The benefit for the company of these types of transactions is the spread between the bids and asks. BRK is currently an issuer's market maker for eight issues on BVB such as for the shares of Antibiotice, Aages, Impact Developer & Contractor, MedLife, Romcarbon, TeraPlast, Purcari Wineries, as well as for IMP26E bonds;
- **Issuance of structured products and liquidity:** The company has a variety of issued structured products (ex: structured products with protected capital), as well as the range of instruments that constitute the underlying assets of the issued products (international shares, domestic shares or commodities).

### Consolidated performance

- The direct participation of BRK Financial Group in the group's subsidiaries refer to the participation in SAI Broker S.A.;
- The management of BRK Financial Group has determined that it meets the criteria required by IFRS 10 and is defined as an investment entity. Therefore, up to its latest fiscal year (2020) it values certain subsidiaries at fair value without consolidating them while in the consolidation perimeter for 2020 were kept only two companies: SSIF BRK Financial Group S.A. and SAI Broker S.A.;
- SAI Broker SA offers fund management and administers 9 funds.

BRK Financial Group relays mainly on its own capital for operational financing. The company has contracted a credit line with a ceiling of RON 5.2m. The company is a founding member of the Bucharest Stock Exchange, and Romanian Investors Compensation Fund.

### The Central Counterparty

In 2019, BRK Financial Group became a founding member of the Romanian Central Counterparty (CCP.RO Bucharest S.A.) and has a 0.6% ownership.

**Figure 8. Shareholders of CCP.RO**

	% participation	EUR m
BVB	59.5%	10.00
OPCOM	19.1%	3.20
Enel	9.5%	1.60
Banca Transilvania	3.0%	0.50
Tinmar	3.0%	0.50
SIF 1	1.8%	0.30
SIF 3	1.8%	0.30
SIF 4	1.8%	0.30
BRK Financial Group	0.6%	0.10

Source: Company, IPOPEMA Research

Bucharest Stock Exchange (BVB) established the CCP.RO - in which it has a controlling ownership of 59.52% - in order to increase the medium and long-term liquidity of shares traded, to make the Romanian capital market even more attractive by relaunching the derivatives market and, in future stages, by creating the possibility for sophisticated investors to access new types of instruments.

### **Services to issuers, potential issuers, and corporate operations**

BRK Financial Group also offers a range of specialized services to issuers and potential issuers. In the past, BRK was involved in listing some of the most prestigious companies in Romania on the Bucharest Stock Exchange, and listed Antibiotice Iași, Azomureș Targu-Mures, Terapia Cluj-Napoca, Artrom Slatina, Astra Vagoane Arad and others.

In 2020 BRK brokered two private equity placements (Holde Agri Invest and Star Residence Invest), three private bond placements (Golden Foods Snacks and Chronostyle International), as well as other specific services provided to issuers (share repurchases, takeover bids, etc.). So far in 2021, BRK Financial Group completed the listing of Star Residence Invest and Firebyte Games.

Over time, BRK Financial Group has gained broad experience in corporate operations: consulting services on primary or secondary public offerings, purchase offers, takeovers, delisting, consulting on admission to trading in a regulated market, issues and offers of public bond sales, mandatory purchase offers, share repurchase operations, company divisions, etc.

BRK Financial Group's share price already reflects the various accomplishments, increasing by over 260% YTD and approximately 300% over the past 12 months.

### **Underwriting the largest IPO since 2018.**

Currently, BRK Financial Group is the underwriter for One United Properties - one of the largest real estate developers in Romania; the IPO lasts from 22 June to 2 July 2021. The established price range for the IPO implies an overall value exceeding EUR 550m, making it the largest IPO on the BVB over the past three years.

### **Workforce, supervision, and strategy**

Per company's annual report, in 2020, the average number of employees was 36 while at the end of 2020, the number of employees was 39. The company hired more stockbrokers and professionals in the analysis department in accordance with the strategy to provide its clients with research reports on as many issuers as possible and with an appropriate frequency.

The company relies on internal compliance, and risk management; in addition it relies on the following groups for supervision, strategy and to represent its shareholders:

- **Board of directors:** The board consists of three members: Mr. Robert Danila, Mr. Gabriel Goia, and Mr. Sorin Constantin. All of them have received approval from the Financial Supervisory Authority.
- **Internal auditing:** During 2020, the internal audit was provided by Asconcor SRL, which operates independently and has the role of verifying the correlation of the clients' balances with analytical records, the verification of capital adequacy reports, the verification by sampling of the clients' cash availabilities, etc.
- **External auditing:** The financial-accounting statements and the operations of BRK Financial Group are audited by an independent financial auditor - auditor JPA Audit & Consultancy SRL - who meets the criteria established by the Financial Supervisory Authority. JPA Audit & Consultancy SRL performed the audit for years 2019 and 2020, and was approved to perform the audit for 2021.

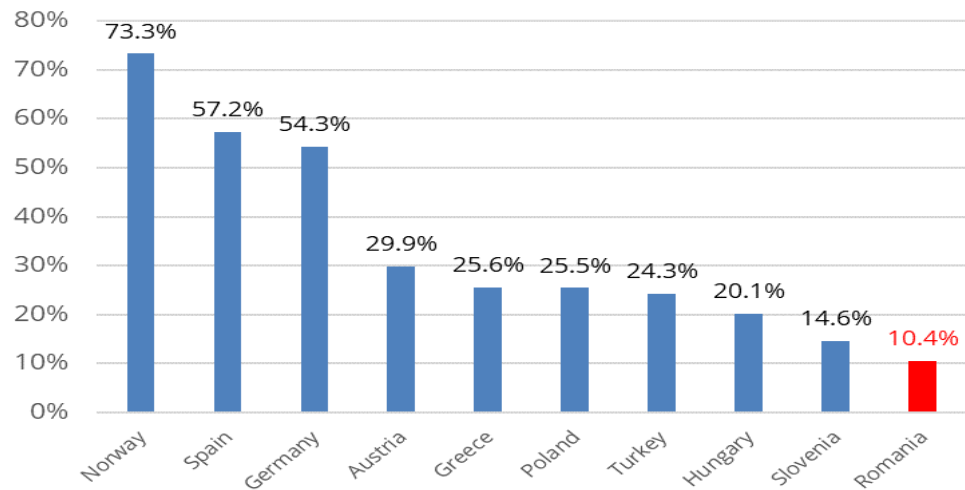
### **Objectives for 2021**

Increasing the market share to at least 5% in terms of turnover at BVB and maintaining the market share on the structured products segment (BVB); Listing of structured products on other exchanges in the region (Austria, Poland and Hungary); Development of the research department and offering coverage with analysis on as large a number of issuers as possible.

## Romanian capital market performance

Romania's market capitalisation to GDP ratio was 10.4% in 2020, thus lagging behind the ratio seen in other regional countries such as Poland, Hungary, and Slovenia. Romania has consistently achieved higher GDP growth rates than the EU27, thus creating the potential for economic convergence. That, together with an increase in its overall market capitalization ratio to GDP, should be a trigger for BVB.

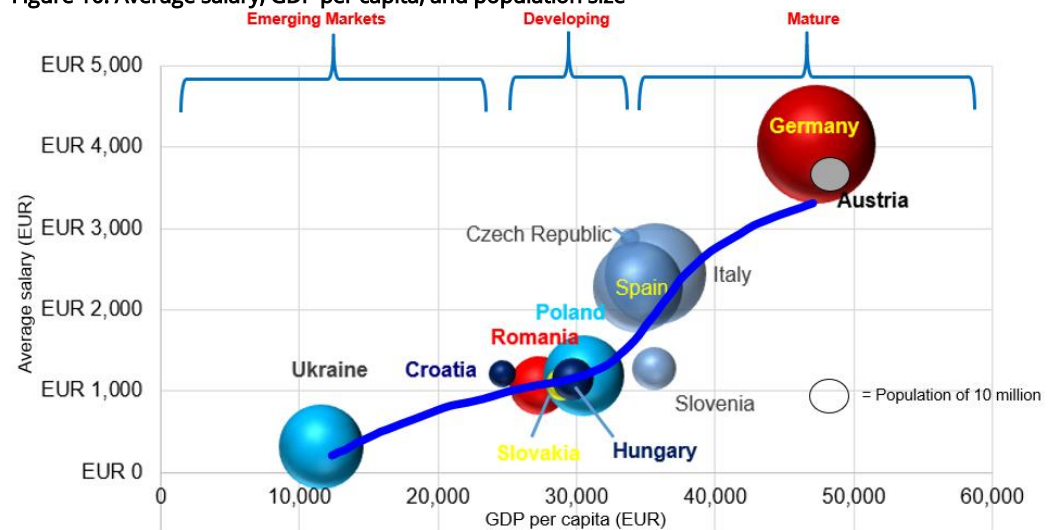
Figure 9. Market cap to GDP



Source: The global economy; Eurostat; IPOPEMA Research

Convergence potential for Romania: To foster convergence, the EU has been transferring funds from the states in the developing and mature markets towards those in the emerging markets. As a result, Romania could reach developing status within the next 10 years and, as a result, the average salary per capita could more than double from the current EUR 1,075/capita. This would result in more investors on the BVB.

Figure 10. Average salary, GDP per capita, and population size

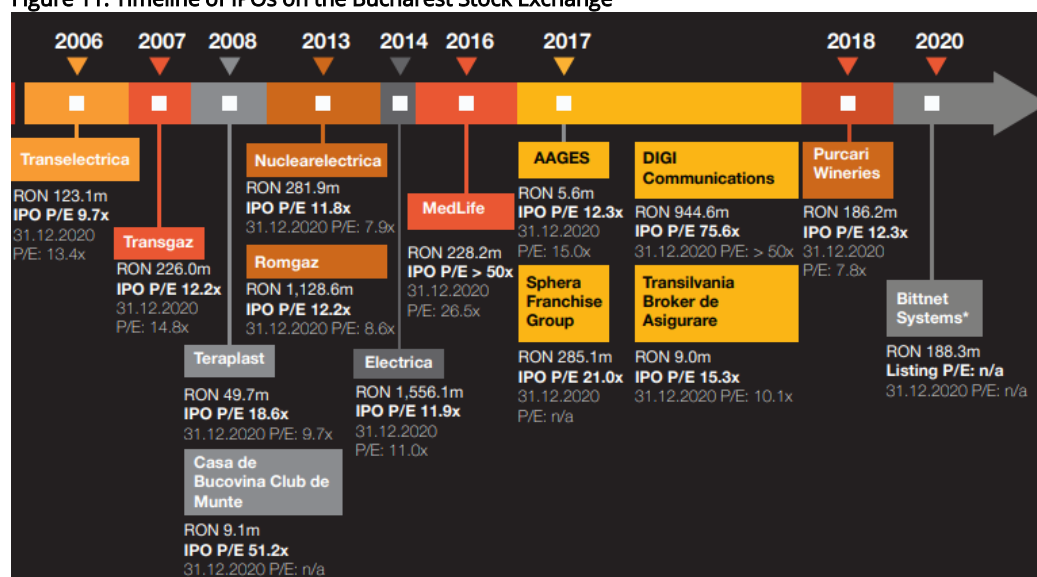


Source: Eurostat; Digital Economy, IPOPEMA Research

The official data published by the BVB in 2020 underlines the scarcity of new IPOs concluded on the main segment, with the latest taking place in 2018 (Purcari Wineries) and 2017 (DIGI Communications, Sphera Franchise Group, AAGES and Transilvania Broker de Asigurare). However, despite the pandemic, 2020 and early 2021 showed an increased dynamic in the MTS segment (also known as AeRO), with 12 listings over the past year and a half – to mention just a few: three IT companies (2Performant Network, Safetech Innovations, and Firebyte Games), two agriculture sector companies (Norofert and Holde Agri Invest), two specialty store companies (Agroland and MAM Bricolaj), one real estate investor (Star Residence Invest) and one industrial producer (Raiko Transilvania). With those new listings, the MTS market capitalisation increased by approximately 7% in 2020, then by almost 10% in 1Q 2021 to EUR 2.2bn (RON 10.8bn) capitalisation at the end of March 2021.

The timeline below presents all successful IPOs of companies listed on the regulated segment of the BVB from 2006 – 2018, along with the value obtained and an estimated P/E ratio calculated at the IPO price and the P/E ratio as of 31 Dec 2020. In the last two years, no IPOs have been concluded on this market segment, but Bittnet Systems transferred from the AeRO to the main BSE market in 2020.

Figure 11. Timeline of IPOs on the Bucharest Stock Exchange



Source: PwC study from May 2021; Company, IPOPEMA Research

The BSE has been included in the Secondary Emerging markets category according to the FTSE Russell classification since 21 September 2020. Romania’s promotion to Secondary Emerging market status was successful only after Banca Transilvania and Nuclearelectrica met the upgrade criteria to be included in FTSE All-Cap indices. Bittnet Systems and TeraPlast were also included in the Micro-Cap index dedicated to emerging markets.

## Liquidity analysis – BVB’s regulated market

Based on a [study by PwC Romania](#) from 18 May 2021:

- From 2013 – 2020, the total market capitalisation of all companies listed on the regulated market (including domestic and international tiers) oscillated in the range of RON 130 – 180bn, while the value traded as a percentage of market capitalisation stayed within the 5% – 10% range.
- The number of companies listed on the regulated market fell from 87 as of 31 Dec 2018 to 82 as of 31 Mar 2021, following the delisting of Oltchim, Boromir Prod, Amonil Slobozia, Petrolexportimport, TMK-Artrom and Transilvania Constructii. Of the 82 currently listed companies, two are suspended from trading due to insolvency (UCM Resita and Natura Quattuor Energia Holdings) and one resumed trading in March 2021 (Romcab).
- BVB market capitalisation as of 31 Mar 2021 reached RON 179bn, thus posting 16% YoY growth, whereas the average monthly traded value in Q1 2021 was 20% below the 2020 average.
- The trading value for equities on the BSE regulated market increased by more than 25% in 2020 from that in the previous year (2020: RON 12.2bn vs. 2019: RON 9.7 billion). For now we estimate only the value traded on the BVB (without CCP).
- The trading value of all types of financial instruments (shares, fixed income instruments, structured products, unit funds, ETFs) reached in 2020 RON 18.3bn, a 54% increase vs the value reached in 2019.

**Figure 12. Equity market turnover on BVB; historical and forecast**

RON (m)	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
Equity market capitalization	141,490	152,470	152,770	171,770	151,914	189,200	180,000	182,800	188,050	193,050
Total value of equities traded	13,200	8,900	9,500	12,000	11,700	9,678	12,226	13,274	14,298	15,329
Total value traded (all types of financial instruments)						11,864	18,265	19,830	21,360	22,900
Equity market velocity	9.3%	5.8%	6.2%	7.0%	7.7%	5.1%	6.8%	7.3%	7.6%	7.9%

Source: Company, IPOPEMA Research

- The top five most-traded shares on the regulated market in 2020 were the same as in the previous few years: Banca Transilvania (TLV RO), Fondul Proprietatea (FP RO), OMV Petrom (SNP RO), Romgaz (SNG RO) and BRD - Groupe Société Générale SA (BRD RO).

## AeRO: A market dedicated to SMEs and start-ups

In 2015, BVB launched AeRO, a market dedicated to entrepreneurs looking to finance their businesses and investors looking for new investment opportunities where their money can not only grow but also support some of Romania’s future top companies.

Since the beginning of 2020, 12 companies listed their shares on AeRO, having raised in excess of EUR 25m, with a cumulated market cap in excess of EUR 250m. With those new listings, AeRO’s market capitalisation increased by approximately 7% in 2020, then by almost 10% in 1Q 2021 to EUR 2.2bn (RON 10.8bn) capitalisation at the end of March 2021. As of May 2021, the trading volume of AeRO reached 14% of the volume of the regulated market, a 330% increase YoY.

Although the individual values of the companies listed on AeRO are small, the overall trend points to a higher contribution of this segment, especially considering the accelerating trend and the rich pipeline of companies scheduled to join AeRO in the second half of 2021.

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The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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**IPOPEMA Research - Distribution by rating category (January 1 – March 31, 2021)**

	Number	%
Buy	15	94%
Hold	0	0%
Sell	1	6%
Total	16	100%

**Rating History – SSIF BRK Financial Group SA**

Date	Recommendation	Fair Value	Price at recommendation	Author
25.06.2021	BUY	RON0.39	RON0.283	Florin-Adrian Ciocoi