



Dom Maklerski BDM S.A.

ELEKTROTIM

ANALYTICAL REPORT - SUMMARY

Recent months have brought a long-awaited bidding revival in several key areas of the company's business (Elektrotim has collectively secured >PLN 225m of contracts in the last five months of the company's preferred medium scale). The company is positioning itself well for investments in the defence sector (including announcements of more perimeter sections, the Shield East programme, etc.) and the power sector (over the past few months, DSO entities have announced that they will increase spending on distribution networks 2-3x the average of recent years). On the other hand, of the main risks, we note that maintaining the profitability of recent quarters (close to 17% gross sales margin in Q1-3Q'24) may be a challenge (among other things, new contracts for DSOs are won after a longer time gap). The company's rather unique exposure (both power and defence) compared to other WSE construction players should continue to support positive sentiment, while at the same time it should be remembered that the multiples at which the company is trading are no longer low. We reiterate our Accumulate recommendation. We set our target price at PLN 47.7 (previously PLN 36.7, the upside is driven mainly by an increase in the growth rate in the 2026+ period).

Recent results

In Q1-3'24, the company generated PLN 336m in revenue (-18% y/y) and PLN 45.5m in net profit (with PLN 18.2m attributable to the result on the sale of its subsidiary Zeus). In Q3'24 alone, revenue amounted to PLN 162m (-11% y/y), and net profit amounted to PLN 16.4m (+68% y/y). The company's Q3'24 results were ca. 30% above our EBITDA/net assumptions. As in Q2'24, we were positively surprised by the margin in the Industrial segment (a major optimisation on one of the contracts). Revenue-wise, the end of the year should be strong in our view due to construction work on the Bug perimeter. At the end of Q3'24, the company had net debt of PLN 31m (vs. PLN 5m net debt a year ago and PLN 27m net cash at the end of 2023).

Backlog

After Q3'24, the group's backlog amounted to PLN 590m (+24% y/y, -8% q/q). In Q1'24, a perimeter contract on the Bug River entered it. In the following months, the portfolio was fed by smaller-scale contracts, and the company signalled a recovery on the supply side of contracts in areas of interest (including power distribution networks). We assume that at the end of 2024, the portfolio stood at around PLN 540-550m. We expect it to grow q/q in Q1'25 (the company has already signed significant contracts for ca. PLN 134m in Q1'25). The goal, signalled before the change in CEO at the end of 2024, is to enter the scale of >PLN1bn backlog and revenues in a few years' time.

Segmental positioning

The company's business is based on two areas: Installations (defence, industrial and maintenance) and Networks (distribution and traction). We maintain that, in the medium/long term, the company should be the beneficiary of increased expenditure on the power distribution network, derived from the development of RES and the maintenance of increased expenditure on the military area. Also, the maintenance and traction divisions are exposed to the inflow of EU funds. In addition, the company is signalling interest in contracts for PSE, where the contracting authority's announcements for the coming years are very ambitious.

Profit forecasts, ratios

We assume that the company will generate PLN 515m in revenue and PLN 55.2m in net profit in 2024 (of which PLN 18.5m is a gain on the loss of control of Zeus). In 2025, we currently assume a several per cent increase in revenue and slightly lower y/y cleared net profit (derived from a decline in gross sales margin). In 2026-27, we currently estimate c. 20% y/y revenue growth (emphasis on the power and defence segments, we have raised our forecasts given the recently announced OSD strategies of the power companies and the announcement of a significant increase in defence spending). Our forecasts imply EV/EBITDA'25=7.5x, P/E'25=12.4x.

	2022	2023	2024P*	2025P	2026P	2027P
Sales [PLN m]	505,6	546,9	515,0	550,5	664,7	794,2
Profit on sales [PLN m]	39,4	50,8	49,4	44,1	49,4	58,8
EBITDA [PLN m]	38,1	38,7	58,6	48,7	53,8	63,3
EBIT [PLN m]	33,2	34,2	54,3	44,1	49,4	58,8
Profit before tax [PLN m]	30,4	32,3	64,4	42,6	49,6	59,1
Net profit [PLN m]	22,0	22,4	55,2	34,5	40,2	47,9
Net debt (cash) [PLN m]	-50,5	-27,1	-33,6	-64,7	-71,5	-81,2
DPS [PLN/share]	0,00	1,55	2,50	2,78	2,59	3,02
P/BV	4,3	4,2	3,2	3,1	2,8	2,5
P/E	19,5	19,2	7,8	12,4	10,7	9,0
P/E adj.	19,5	19,2	12,4	12,4	10,7	9,0
EV/EBITDA	9,9	10,4	6,8	7,5	6,6	5,5
EV/EBIT	11,4	11,8	7,3	8,3	7,2	5,9

*earnings forecasts for 2024 include a +€18.5 million result on the deconsolidation of the Zeus subsidiary at gross and net profit levels (we have adjusted the P/E ratio in the table above for this event)

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ACCUMULATE

(PREVIOUS: ACCUMULATE)

TARGET PRICE 47,7 PLN

6th MARCH 2025, 12:30 CET

DCF valuation [PLN]	47,0
Peer valuation [PLN]	50,9
Target price [PLN]	47,7
Price upside/downside	11,0%
Cost of capital	13,8%
Price [PLN]	43,0
Market cap [PLNm]	429,3
No. of shares [mn]	10,0
Max. price 6M [PLN]	47,0
Min. price 6m [PLN]	28,3
Rate of return 3M	8,4%
Rate of return 6M	46,0%
Rate of return 9M	44,7%
Shareholders	
Vesper Fundacja Rodzinna	13,2%
Krzysztof i Ewa Folta	10,4%
Futuro Fundacja Rodzinna	6,0%
NN OFE	5,9%
OFE Allianz	5,1%
Pozostali	59,4%

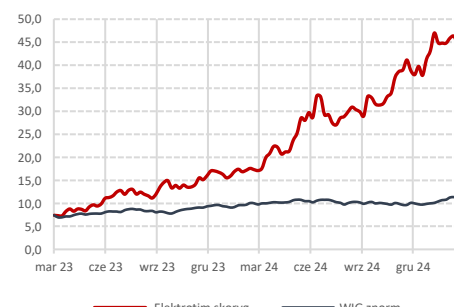
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Valuation summary

	Share	Valuation
DCF valuation	80%	47,0
Peer valuation:	20%	50,9
Target price [PLN]		47,7

Source: Dom Maklerski BDM S.A.

DCF valuation

	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Revenues [PLN m]	550,5	664,7	794,2	863,5	906,6	931,5	955,0	975,9	993,9	1 010,2
EBIT [PLN m]	44,1	49,4	58,8	64,6	68,3	70,7	73,0	75,1	76,9	78,7
Tax rate	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%
Tax on EBIT [PLN m]	8,4	9,4	11,2	12,3	13,0	13,4	13,9	14,3	14,6	14,9
NOPLAT [PLN m]	35,7	40,0	47,6	52,4	55,3	57,3	59,1	60,8	62,3	63,7
Amortization [PLN m]	4,6	4,5	4,5	4,5	4,5	4,5	4,5	4,6	4,6	4,6
CAPEX [PLN m]	-4,3	-4,6	-4,5	-4,6	-4,6	-4,6	-4,6	-4,6	-4,6	-4,6
Working capital movement [PLN m]	23,7	-8,5	-9,2	-3,6	-1,1	-0,1	0,1	0,3	0,6	0,8
FCF [PLN m]	59,8	31,3	38,3	48,7	54,1	57,1	59,1	61,1	62,9	64,5
DFCF [PLN m]	53,8	24,8	26,7	29,8	29,1	27,0	24,5	22,3	20,1	18,1
Total DFCF [PLN m]	276,1									
Terminal value [PLN m]	557,7									
Discounted terminal value [PLN m]	156,9									
Enterprise value [PLN m]	433,0									
Net debt 2024F [PLN m]	-33,6									
Dividend [PLN m]	0,0									
Minority interests [PLN m]	-2,2									
Equity value [PLN m]	468,8									
Number of shares [m]	10,0									
Value per share [PLN]	47,0									

Terminal growth rate: +2,0%

WACC calculation

	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Risk-free rate	5,80%	5,80%	5,80%	5,80%	5,80%	5,80%	5,80%	5,80%	5,80%	5,80%
Risk premium	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%
Beta	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
Credit premium	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%
Cost of equity	13,8%	13,8%	13,8%	13,8%	13,8%	13,8%	13,8%	13,8%	13,8%	13,8%
Contribution of equity	98,4%	99,0%	99,5%	99,8%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Cost of debt after tax	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%
Contribution of debt	1,6%	1,0%	0,5%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
WACC	13,7%	13,7%	13,8%	13,8%	13,8%	13,8%	13,8%	13,8%	13,8%	13,8%

Source: Dom Maklerski BDM S.A.

DCF - sensitivity analysis

	Terminal growth rate				Risk premium	Terminal growth rate				Risk premium	Beta		
	0,9	1,00%	2,00%	3,00%		7,0%	1,00%	2,00%	3,00%		0,9	1,0	1,1
beta	0,9	48,6	50,2	52,2	8,0%	49,4	51,1	53,2	8,0%	54,5	51,1	48,1	
	1,0	45,6	47,0	48,6	8,0%	45,6	47,0	48,6	8,0%	50,2	47,0	44,1	
	1,1	43,0	44,1	45,4	9,0%	42,4	43,5	44,7	9,0%	46,6	43,5	40,8	

Source: Dom Maklerski BDM S.A.

Peer valuation

	P/E			EV/EBITDA		
	2025F	2026F	2027F	2025F	2026F	2027F
Aترم	11,6	12,9	16,6	7,9	7,8	8,9
Budimex	20,7	17,3	13,7	11,2	9,1	6,9
Intral	7,3	7,6	7,5	3,7	3,5	3,2
Mostostal Zabrze	12,1	10,8	10,0	3,8	3,7	3,3
Onde	24,1	24,2	14,8	12,8	14,0	9,7
Median	12,1	12,9	13,7	7,9	7,8	6,9
Elektrotim	12,4	10,7	9,0	7,5	6,6	5,5
Premium/discount	3%	-17%	-34%	-5%	-14%	-20%
Valuation [PLN/share]	41,8	52,0	65,6	45,1	49,0	51,6
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]		53,2			48,6	
Multiple's contribution		50%			50%	
Value per share [PLN]	50,9					

Main risks:

- risk of a surge in material costs translating into a decrease in margins during project execution,
- the risk of significant ongoing or potential contracts for the Border Guard resulting from the value of the contracts and tight deadlines
- risk of lack of qualified employees
- potential supply of shares by major shareholders
- payment bottlenecks and bankruptcies in the construction industry;
- problems with obtaining financing and bank guarantees;
- risk of not obtaining new orders and high competition;

	2021	2022	2023	2024F	2025F	2026F
EPS, Adj+	0,66	2,20	2,24	5,53	3,45	4,03
Revenue	277,2	505,6	546,9	515,0	550,5	664,7
Gross Margin %	11,7%	13,3%	13,9%	15,9%	14,4%	13,8%
EBIT	9,3	33,2	34,2	54,3	44,1	49,4
EBITDA	14,8	38,1	38,7	58,6	48,7	53,8
Net Income Adj+	6,6	22,0	22,4	55,2	34,5	40,2
Net Debt	-10,1	-50,5	-27,1	-33,6	-64,7	-71,5
BPS	7,63	9,82	10,55	13,58	14,25	15,69
DPS	0,00	0,00	1,55	2,50	2,78	2,59
Return on Equity %	8,7%	22,4%	21,2%	40,7%	24,2%	25,7%
Return on Assets %	3,6%	8,2%	8,3%	20,9%	12,4%	12,6%
Depreciation	4,8	4,7	4,3	4,2	4,5	4,3
Amortization	0,7	0,2	0,1	0,1	0,1	0,2
Free Cash Flow	1,6	43,0	-1,4	31,4	58,9	33,0
CAPEX	1,1	1,7	1,8	4,4	4,3	4,6

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Accumulate	47,7	Accumulate	36,7	06.03.2025*	12:30 CET	43,00	92 242
Accumulate	36,7	Accumulate	31,0	28.10.2024*	08:15 CEST	33,00	80 756
Accumulate	31,0	Accumulate	19,1	20.05.2024*	08:00 CEST	27,85	88 735
Accumulate	19,1	Buy	17,1	04.01.2024*	09:55 CEST	17,48	77 054
Buy	17,1	Buy	15,8	10.10.2023*	11:20 CEST	14,70	66 149
Buy	15,8	Buy	13,0	13.06.2023*	08:30 CEST	13,26	66 298
Buy	13,0	Accumulate	8,17	10.05.2023*	09:22 CEST	10,60	63 285
Accumulate	8,17	Hold	6,79	09.12.2022*	16:00 CEST	7,16	55 651
Hold	6,79	Buy	11,0	18.10.2022*	12:00 CEST	6,48	47 309
Buy	11,0	Buy	10,2	15.06.2022*	07:00 CEST	6,50	53 247
Buy	10,2	---	---	23.08.2021*	07:00 CEST	6,54	67 966

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme.
 -- the author of the reports on Elektrotim in 2021-06'2022 was Krystian Brymora

Explanations of terminology:

EBIT - earnings before interest and tax
 EBITDA — earnings before interest, taxes, depreciation, and amortization
 Net debt – interest bearing debt minus cash and equivalents
 WACC - weighted average cost of capital
 CAGR - cumulative average annual growth
 EPS - earnings per share
 DPS - dividend per share
 CEPS - net profit plus depreciation per share
 EV – market capitalization plus interest bearing debt minus cash and equivalents
 EV/S – market capitalization / sales
 EV/EBITDA – EV / sales
 P/EBIT – market capitalization / EBIT
 MC/S – market capitalization / sales
 P/E – market capitalization / net profit
 P/BV – market capitalization / book value
 P/CE - market capitalization / net profit plus depreciation
 ROE – net profit / equity
 ROA - net income / assets
 Gross margin - gross profit on sales / sales
 EBITDA margin – EBITDA / sales
 EBIT margin – EBIT / sales
 Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);
 Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);
 Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);
 Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);
 Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).
 Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.
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DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).
 DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.
 Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Distribution of BDM's recommendations in 1Q'25*:			, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
	numbers	%	numbers	%
Buy	5	50%	0	0%
Accumulate	3	30%	0	0%
Hold	2	20%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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BDM is not obliged to take any actions which could cause financial instruments that are the subject of the valuation contained in this document to be valued by the market in accordance with the valuation contained in this document.

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Each of the above-mentioned persons could carry out transaction relating to the financial instruments concerned prior to this publication. At the same time, however, the instruments concerned are entered in the restrictive list for employees of the Analysis Department immediately at the start of work on the report.

We have not identified significant conflicts of interest between BDM and persons associated with BDM and the financial instrument issuer. If a conflict of interest arises BDM shall manage it by applying the principles defined in the “Policy of management of conflicts of interest at the BDM S.A.”. We point out that as for 06.03.2025:

- BDM states and assures that BDM is involved financially in financial instruments of the Issuer.
- BDM is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The person that participated in preparing recommendation is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
- BDM is a market maker or liquidity provider in the financial instruments of the issuer,
- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005,
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to section A and B od Annex I to the Directive 2014/65/EU of the European Parliament and of the Council (hereinafter the Directive 2014/65/EU),
- BDM is not a party to an agreement with the issuer relating to the production of the recommendation,
- There is other significant financial interest that BDM or its related affiliates have in relation to the issuer of financial instruments*
- There are significant connections between BDM or its related affiliates and the issuer of financial instruments**
- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares,
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them,
- The person affiliated with BDM who was involved in the preparation of recommendations was not rewarded in any form by the issuer, to whom the recommendation relates directly or indirectly, or was not directly connected with any possible transactions concerning services defined in art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.

*BDM is a party to the “ANALYTICAL REPORT PREPARATION SERVICES AGREEMENT” concluded with the WSE.

**BDM acts as an issue sponsor for Elektrotim

According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

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