

The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2021	2022	2023	
Price [PLN]	12,70	P/E	24,9	17,8	13,9	<b>Analyst:</b> Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	292,5	EV/EBITDA	7,8	8,7	3,5	
		EV/EBIT	15,0	15,3	5,2	
		P/BV	1,8	1,6	1,5	

**Last recommendation BDM: ACCUMULATE with target price 8,43 PLN/share (04.01.2024) [LINK](#)**

**Q4'23 results [million PLN]**

	Q4'22	Q4'23	y/y	Q4'23E comp.	dev.	Q4'23F BDM	dev.	2022	2023	y/y
Sales	292,2	583,5	99,7%	583,4	0,0%	358,9	62,6%	921,4	1 484,1	61,1%
Gross profit	12,8	25,8	101,7%	25,7	0,0%	14,7	75,6%	42,8	55,9	30,7%
Profit on sales	5,3	17,6	230,3%	---	---	7,1	148,7%	16,6	25,6	53,7%
Other operating activity net	0,9	-0,5	---	---	---	0,0	---	1,5	4,9	221,8%
EBITDA	9,8	20,9	113,0%	---	---	10,1	107,3%	31,9	45,2	41,7%
EBIT	6,2	17,2	175,6%	17,2	0,1%	7,1	142,4%	18,1	30,4	67,7%
Profit before tax	7,3	15,4	110,8%	---	---	7,2	113,8%	22,1	28,9	30,9%
Net profit before the excl. of minorities	5,9	11,0	86,3%	10,8	1,2%	5,8	88,1%	17,3	21,1	22,2%
Net profit	5,5	10,9	97,4%	---	---	5,5	99,4%	16,4	21,0	28,3%
Gross margin	4,4%	4,4%		4,4%		4,1%		4,6%	3,8%	
EBITDA margin	3,4%	3,6%		---		2,8%		3,5%	3,0%	
EBIT margin	2,1%	2,9%		2,9%		2,0%		2,0%	2,0%	
Net margin	2,0%	1,9%		1,9%		1,6%		1,9%	1,4%	

Source: Dom Maklerski BDM S.A., ZUE

- The company presented its full Q4'23 report. The company had already reported preliminary results at the beginning of March, which we referred to in a separate commentary ([link](#)).
- The final results do not contain major differences.
- ZUE posted revenue of PLN 583m in Q4'23 (+100% y/y). EBIT amounted to PLN 17.2m (vs. PLN 6.2m a year ago), while net profit was PLN 10.9m (vs. PLN 5.5m in Q4'22).
- Gross margin was comparable y/y and better than in Q1-3'23 (4.3% in Q4'23 vs. 4.4% a year ago and 3.3% in Q1-3'23). At the same time, the gross sales result itself is higher y/y thanks to significantly higher revenues.
- Revenues from the Romanian market amounted to PLN 49m in Q4'23 (vs. PLN 51m in Q2-3'23).
- EBIT increased by 17% y/y. The balance of other operating activities was marginally negative.
- The financial balance was negative (PLN -1.8m). The tax rate amounted to 29%.
- Net profit amounted to PLN 10.9m and was significantly higher year-on-year
- Net cash after Q4'23 amounted to PLN 134m. Operating CF was strongly positive in Q4'23 (+PLN 197m - the main contribution on the liabilities side).
- Backlog is currently at PLN 1,731m.
- In December 2023, the company's list of lawsuits against ordering parties was increased by two items: 1) a lawsuit against PKP PLK for PLN 24 million for the contract for LK93 (Trzebinia-Czechowice) and 2) a lawsuit against PKP Cargo for PLN 12 million for the contract for the terminal in Zduńska Wola.
- In a letter to shareholders, the CEO stressed that ZUE continues to look for its business opportunities outside the country (including in Latvia) and is preparing to bid on other European markets. The company expects a revival of the domestic infrastructure investment market in 2024.

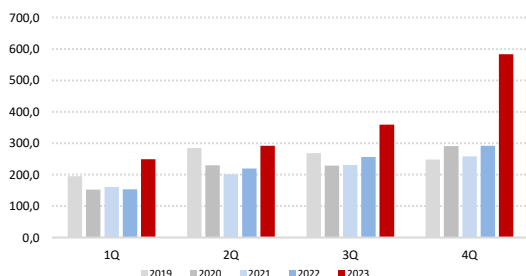
**BDM Comment:** Preliminary results for Q4'23 were already published a few weeks ago, so the final results are not a surprise. We view them positively; the quarter is a record one in the company's history in terms of revenue and EBIT. The company had as much as PLN 134m in net cash at the end of the year. At this point, we assume it is a matter of seasonality and much of the cash will be consumed in 1H'24 to pay off liabilities. Given the current backlog and its duration, we tentatively expect it may be difficult for the company to replicate 2023 revenue levels in 2024; possibly winning a major build order in the short term could help. More information on the earnings outlook may come from today's earnings conference call (12:00).

Results in previous quarters [PLN m]

	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23	4Q'23
<b>Sales</b>	<b>152,3</b>	<b>230,1</b>	<b>228,3</b>	<b>290,6</b>	<b>160,9</b>	<b>201,5</b>	<b>230,6</b>	<b>258,4</b>	<b>153,6</b>	<b>219,6</b>	<b>256,0</b>	<b>292,2</b>	<b>249,3</b>	<b>292,4</b>	<b>359,0</b>	<b>583,5</b>
Construction	143,6	211,9	213,5	276,2	141,1	190,9	211,8	237,0	140,8	191,5	236,1	262,6	223,8	273,2	340,6	567,6
Trade	6,3	15,7	12,2	12,5	8,1	18,7	16,5	20,0	11,1	26,2	17,5	23,0	23,5	17,2	18,0	15,8
Design	2,4	2,5	2,6	1,5	1,5	1,9	2,3	1,2	1,8	1,7	2,4	2,6	1,7	2,2	0,4	0,0
Exclusion	0,0	0,0	0,0	0,4	0,2	0,1	0,0	0,2	0,0	0,2	0,0	3,9	0,3	-0,1	0,0	0,1
<b>Gross profit</b>	<b>5,7</b>	<b>9,1</b>	<b>8,2</b>	<b>8,4</b>	<b>5,4</b>	<b>4,7</b>	<b>10,2</b>	<b>14,8</b>	<b>8,3</b>	<b>12,7</b>	<b>9,0</b>	<b>12,8</b>	<b>8,5</b>	<b>10,3</b>	<b>11,4</b>	<b>25,8</b>
Construction	5,1	8,0	7,2	7,8	4,8	2,8	8,8	13,4	7,4	8,6	5,7	9,4	6,4	8,6	10,0	24,9
Trade	0,3	0,9	0,7	0,7	0,5	1,0	1,0	1,5	1,0	4,1	3,0	2,9	1,8	0,9	1,1	0,8
Design	0,5	0,4	0,4	-0,1	0,3	0,7	0,5	0,0	0,2	0,1	0,5	0,4	0,3	0,7	0,1	0,0
Exclusion	-0,2	-0,1	-0,1	0,1	-0,2	0,1	-0,1	-0,2	-0,2	-0,1	-0,2	0,0	-0,1	0,1	0,2	0,1
SG&A	6,1	5,4	5,8	6,0	6,2	5,5	6,4	7,0	5,3	7,2	6,3	7,4	6,8	7,5	8,0	8,1
<b>Profit on sales</b>	<b>-0,5</b>	<b>3,7</b>	<b>2,4</b>	<b>2,3</b>	<b>-0,8</b>	<b>-0,8</b>	<b>3,8</b>	<b>7,7</b>	<b>3,1</b>	<b>5,5</b>	<b>2,8</b>	<b>5,3</b>	<b>1,7</b>	<b>2,8</b>	<b>3,4</b>	<b>17,6</b>
Other operat. activity net	0,3	-1,1	0,4	3,2	0,6	2,9	0,8	-0,1	0,6	-0,1	0,2	0,9	0,2	1,3	3,9	-0,5
<b>EBITDA</b>	<b>3,2</b>	<b>5,9</b>	<b>6,1</b>	<b>8,8</b>	<b>2,8</b>	<b>5,2</b>	<b>8,0</b>	<b>11,1</b>	<b>7,0</b>	<b>8,7</b>	<b>6,4</b>	<b>9,8</b>	<b>5,5</b>	<b>7,8</b>	<b>11,0</b>	<b>20,9</b>
EBIT	-0,2	2,5	2,8	5,5	-0,3	2,2	4,7	7,6	3,6	5,3	3,0	6,2	1,9	4,1	7,2	17,2
Profit before tax	-0,6	2,2	2,6	5,7	-0,6	2,1	4,4	9,4	4,9	6,9	3,0	7,3	2,0	3,7	7,8	15,4
<b>Net profit</b>	<b>-0,7</b>	<b>1,7</b>	<b>2,0</b>	<b>1,3</b>	<b>-0,7</b>	<b>1,4</b>	<b>3,3</b>	<b>7,8</b>	<b>3,8</b>	<b>5,5</b>	<b>1,6</b>	<b>5,5</b>	<b>1,1</b>	<b>3,0</b>	<b>5,9</b>	<b>10,9</b>
<b>Gross margin</b>	<b>3,7%</b>	<b>3,9%</b>	<b>3,6%</b>	<b>2,9%</b>	<b>3,3%</b>	<b>2,3%</b>	<b>4,4%</b>	<b>5,7%</b>	<b>5,4%</b>	<b>5,8%</b>	<b>3,5%</b>	<b>4,4%</b>	<b>3,4%</b>	<b>3,5%</b>	<b>3,2%</b>	<b>4,4%</b>
Construction	3,5%	3,8%	3,4%	2,8%	3,4%	1,5%	4,2%	5,7%	5,2%	4,5%	2,4%	3,6%	2,9%	3,1%	2,9%	4,4%
Trade	4,3%	5,5%	5,5%	5,5%	5,7%	5,6%	5,8%	7,4%	9,0%	15,5%	17,1%	12,5%	7,7%	5,0%	5,9%	5,1%
Design	18,9%	14,5%	15,1%	-9,5%	17,9%	38,1%	21,7%	0,7%	10,9%	8,2%	21,2%	16,3%	19,8%	32,0%	---	---
EBITDA margin	2,1%	2,6%	2,7%	3,0%	1,7%	2,6%	3,5%	4,3%	4,5%	4,0%	2,5%	3,4%	2,2%	2,7%	3,1%	3,6%
EBIT margin	-0,1%	1,1%	1,2%	1,9%	-0,2%	1,1%	2,0%	2,9%	2,3%	2,4%	1,2%	2,1%	0,8%	1,4%	2,0%	2,9%
Net margin	-0,5%	0,7%	0,9%	0,5%	-0,4%	0,7%	1,4%	3,0%	2,4%	2,5%	0,6%	1,9%	0,4%	1,0%	1,7%	1,9%
<b>CFO</b>	<b>-21,4</b>	<b>28,8</b>	<b>-10,1</b>	<b>19,0</b>	<b>-0,6</b>	<b>15,3</b>	<b>-6,7</b>	<b>101,8</b>	<b>-28,9</b>	<b>-9,5</b>	<b>-35,9</b>	<b>31,8</b>	<b>-29,6</b>	<b>4,2</b>	<b>-34,1</b>	<b>196,9</b>
<b>Net debt</b>	<b>44,6</b>	<b>19,3</b>	<b>27,7</b>	<b>15,6</b>	<b>17,6</b>	<b>8,7</b>	<b>18,6</b>	<b>-80,2</b>	<b>-49,5</b>	<b>-35,5</b>	<b>2,3</b>	<b>-14,6</b>	<b>17,3</b>	<b>20,1</b>	<b>50,5</b>	<b>-134,2</b>
<b>Backlog</b>	<b>1 821</b>	<b>1 763</b>	<b>1 565</b>	<b>1 498</b>	<b>1 413</b>	<b>1 226</b>	<b>1 398</b>	<b>1 500</b>	<b>1 498</b>	<b>1 523</b>	<b>1 532</b>	<b>1 832</b>	<b>1 666</b>	<b>1 458</b>	<b>2 053</b>	<b>1 731</b>

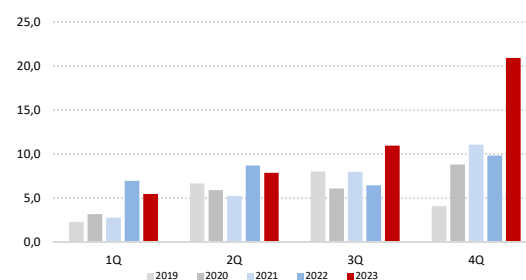
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



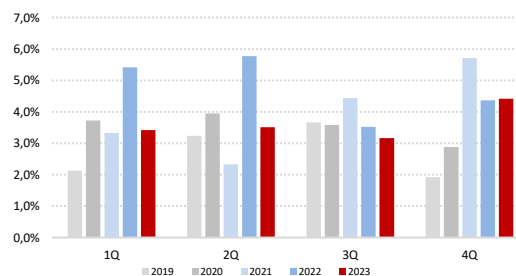
Źródło: BDM S.A., spółka

EBITDA [PLN m]



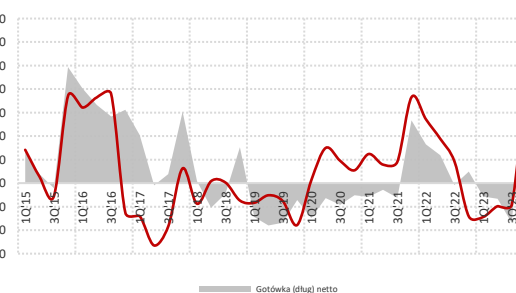
Źródło: BDM S.A., spółka

Gross margin



Źródło: BDM S.A., spółka

Net cash (debt) and OCF [PLN m]



Źródło: DM BDM S.A., spółka

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**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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**Ratings and price targets history:**

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Accumulate	8,43	Buy	7,76	04.01.2024*	09:55 CEST	7,86	77 054
Buy	7,76	relaunch	---	12.09.2023*	13:45 CEST	5,62	66 241
Buy	11,8	---	---	17.02.2017	14:39 CEST	9,94	58 348

\* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme.

	Distribution of BDM's recommendations in Q1'24*:		, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
	number	%	number	%
Buy	8	53%	0	0%
Accumulate	3	20%	0	0%
Hold	2	13%	0	0%
Reduce	2	13%	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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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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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 27.03.2024:

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- 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 not 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 25<sup>th</sup> 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,
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- There are other 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 25<sup>th</sup> July 2005.

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.

\*BDM is a party to the "ANALYTICAL REPORT PREPARATION AGREEMENT" concluded with the WSE.

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