

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	2023E	
Price [PLN]	11,95	P/E	23,4	16,8	13,4	<b>Analyst:</b> Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	275,2	EV/EBITDA	7,2	8,2	2,4	
		EV/EBIT	13,8	14,4	3,5	
		P/BV	1,7	1,5	1,4	

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

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

	Q4'22	Q4'23E	y/y	Q4'23F BDM	dev.	2022	2023E	y/y
Sales	292,2	583,4	99,7%	358,9	62,6%	921,4	1 484,1	61,1%
Gross profit	12,8	25,7	101,7%	14,7	75,5%	42,8	55,9	30,7%
EBIT	6,2	17,2	175,3%	7,1	142,1%	18,1	30,4	67,6%
Net profit*	5,9	10,8	84,1%	5,8	85,9%	17,3	21,0	21,5%
Gross margin	4,4%	4,4%		4,1%		4,6%	3,8%	
EBIT margin	2,1%	2,9%		2,0%		2,0%	2,0%	
Net margin*	2,0%	1,9%		1,6%		1,9%	1,4%	

Source: Dom Maklerski BDM S.A., ZUE, \* before the excl. of minorities

- The company today reported preliminary consolidated results for 2023 and Q4'23.
- In Q4'23, ZUE posted revenue of PLN 583m (+100% y/y). EBIT amounted to PLN 17.2m (vs. PLN 6.2m a year ago), while net income (before minority income) was PLN 10.8m (vs. PLN 5.9m 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 profit itself is higher y/y thanks to significantly higher revenues (the company booked much more than we expected).
- EBIT is up 175% y/y. The balance of other operating activities should be rather neutral in our view. Net profit amounted to PLN 10.8m and is significantly higher y/y (we tentatively estimate that it is somewhat burdened by a negative financial balance or a high effective tax rate).
- At year-end, the company had PLN 212.2m in cash. It did not say what its financial debt was (after Q3'23 it was PLN 43.7m).
- The company reported that subsidiaries Railway gft and P.B.I. Energopol generated positive net results throughout 2023.
- Backlog now stands at PLN 1,800m (vs. PLN 2,053m after Q3'23).
- The company said it is making further bids in Poland and preparing to bid in other European markets.
- The company will present its full report on 26 March 2024.

**BDM Comment:** We view the Q4'23 results positively, with the quarter being a record in the company's history in terms of revenue and EBIT. The results are much higher than we had anticipated, partly due to a twofold year-on-year increase in revenues (much higher than we had estimated), which also drove up the bottom line. The company reported that it had as much as PLN 212m in cash at the end of the year (the level of interest-bearing debt was not given; after Q3'23 it was PLN 44m). At this point, we assume this is a seasonality issue, compounded by the settlement of EU funds from the 2014-20 perspective. In 1H'24, we expect a large portion of cash to be consumed by the payment of trade payables. Given the current backlog and its duration, we tentatively expect that it may be difficult for the company to replicate 2023 revenue levels in 2024; possibly winning a significant "build" order in the short term could help.

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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.

Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

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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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