

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] | 10,95 | P/E | 21,4 | 15,4 | 12,0 | Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250 |
| MC [mln PLN] | 252,2 | EV/EBITDA | 6,4 | 7,4 | 2,6 | |
| | | EV/EBIT | 12,1 | 13,1 | 3,9 | |
| | | P/BV | 1,5 | 1,4 | 1,3 | |

Last recommendation BDM: HOLD with target price 11,1 PLN/share (22.04.2024) [LINK](#)

Q1'24 results [million PLN]

| | Q1'23 | Q1'24 | y/y | Q1'24F BDM | dev. |
|---|-------|-------|--------|------------|--------|
| Sales | 249,3 | 316,2 | 26,8% | 224,9 | 40,6% |
| Gross profit | 8,5 | 12,6 | 47,5% | 10,0 | 25,3% |
| Profit on sales | 1,7 | 4,7 | 171,7% | 3,2 | 44,9% |
| Other operating activity net | 0,2 | 1,0 | --- | 0,0 | --- |
| EBITDA | 5,5 | 9,5 | 73,3% | 6,9 | 37,7% |
| EBIT | 1,9 | 5,7 | 198,2% | 3,2 | 76,7% |
| Profit before tax | 2,0 | 3,0 | 49,6% | 3,1 | -3,9% |
| Net profit before the excl. of minorities | 1,2 | 0,9 | -21,7% | 2,5 | -62,8% |
| Net profit | 1,1 | 1,0 | -13,7% | 2,4 | -60,4% |
| Gross margin | 3,4% | 4,0% | | 4,5% | |
| EBITDA margin | 2,2% | 3,0% | | 3,1% | |
| EBIT margin | 0,8% | 1,8% | | 1,4% | |
| Net margin | 0,5% | 0,3% | | 1,1% | |

Source: Dom Maklerski BDM S.A., ZUE

- The company reported Q1'24 results yesterday after the trading session.
- In Q1'24, ZUE generated revenue of PLN 316m (+27% y/y). EBIT amounted to PLN 5.7m (vs. PLN 1.9m a year ago), and net profit was PLN 1.0m (vs. PLN 1.1m in Q1'23).
- The revenue results are clearly above our expectations. EBIT, despite a lower-than-expected gross margin, but supported by a positive balance of other operating activities, is also well above our forecasts. The net result, on the other hand, was burdened by rather high financial costs and a high tax rate.
- Revenue from the Romanian market amounted to PLN 40m in Q1'24 (vs. PLN 49m in Q4'23 and PLN 0m a year ago). Of great importance for the recognised revenue in Q1'24 was a contractor (PLN 124m), which a year ago was not recognised above the 10% revenue threshold ('Contractor D' - any of the tram orderers?).
- Gross margin is slightly higher y/y and lower q/q (4.0% vs 3.4% vs 4.4%). SG&A costs are 16% higher y/y.
- EBIT tripled y/y to PLN 5.7m. The balance of other operating activities was PLN +1.0m.
- The financial balance was negative (PLN -2.7m). The tax rate was 69%.
- Net profit amounted to PLN 1.0m and was slightly lower year-on-year.
- Very weak operating CF in Q1'24 (PLN -181m - reversal of almost all flows from Q4'23 - repayment of trade payables and increase in unbilled contract work).
- Net debt after Q1'24 is PLN 50m (vs. PLN 17m net debt a year ago and PLN 134m net cash after Q4'23).
- Backlog currently stands at PLN 1,647m (-1% y/y, -5% q/q).
- The company points to strong price competition on tenders. The supply of new orders is both rail and urban markets is currently in a slowdown.
- The company reached a settlement in April'24 with PKP PLK for the Okęcie contract. ZUE will receive PLN 3.3m (it had demanded PLN 2.9m), and a similar amount will support gross profit in 2024 (in Q2'24?).

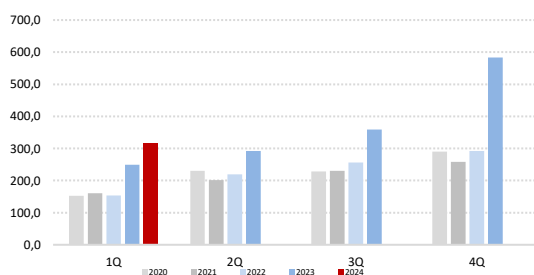
BDM Comment: Q1'24 results to EBIT came as a positive surprise, mainly due to the booking of high revenues (very large scale of revenues from one of the contractors which was not crucial in previous periods). In contrast, the net result is slightly weaker y/y, burdened by high financial costs and high tax. Operating cash flow was very weak, with the company giving away all the excess cash it reported after Q4'23 (net debt level after Q1'24 is PLN 50m). The company's backlog declined slightly q/q and y/y. Management points to strong price competition on tenders.

Results in previous quarters [PLN m]

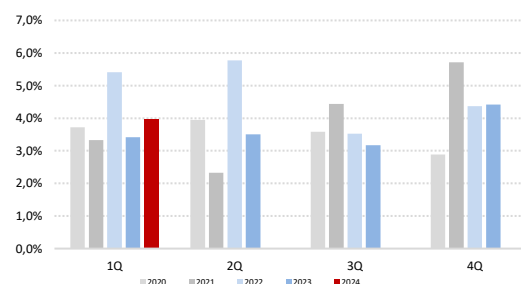
| | 1Q'20 | 2Q'20 | 3Q'20 | 4Q'20 | 1Q'21 | 2Q'21 | 3Q'21 | 4Q'21 | 1Q'22 | 2Q'22 | 3Q'22 | 4Q'22 | 1Q'23 | 2Q'23 | 3Q'23 | 4Q'23 | 1Q'24 |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Sales | 152,3 | 230,1 | 228,3 | 290,6 | 160,9 | 201,5 | 230,6 | 258,4 | 153,6 | 219,6 | 256,0 | 292,2 | 249,3 | 292,4 | 359,0 | 583,5 | 316,2 |
| 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 | 305,4 |
| 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 | 10,8 |
| 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 | 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 | 0,0 |
| Gross profit | 5,7 | 9,1 | 8,2 | 8,4 | 5,4 | 4,7 | 10,2 | 14,8 | 8,3 | 12,7 | 9,0 | 12,8 | 8,5 | 10,3 | 11,4 | 25,8 | 12,6 |
| 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 | 11,7 |
| 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 | 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 | 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 | 0,0 |
| 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 | 7,9 |
| Profit on sales | -0,5 | 3,7 | 2,4 | 2,3 | -0,8 | -0,8 | 3,8 | 7,7 | 3,1 | 5,5 | 2,8 | 5,3 | 1,7 | 2,8 | 3,4 | 17,6 | 4,7 |
| 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 | 1,0 |
| EBITDA | 3,2 | 5,9 | 6,1 | 8,8 | 2,8 | 5,2 | 8,0 | 11,1 | 7,0 | 8,7 | 6,4 | 9,8 | 5,5 | 7,8 | 11,0 | 20,9 | 9,5 |
| 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 | 5,7 |
| 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 | 3,0 |
| Net profit | -0,7 | 1,7 | 2,0 | 1,3 | -0,7 | 1,4 | 3,3 | 7,8 | 3,8 | 5,5 | 1,6 | 5,5 | 1,1 | 3,0 | 5,9 | 10,9 | 1,0 |
| Gross margin | 3,7% | 3,9% | 3,6% | 2,9% | 3,3% | 2,3% | 4,4% | 5,7% | 5,4% | 5,8% | 3,5% | 4,4% | 3,4% | 3,5% | 3,2% | 4,4% | 4,0% |
| 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% | 3,8% |
| 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% | 7,5% |
| 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% | --- | --- | --- |
| Exclusion | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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% | 3,0% |
| 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% | 1,8% |
| 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% | 0,3% |
| CFO | -21,4 | 28,8 | -10,1 | 19,0 | -0,6 | 15,3 | -6,7 | 101,8 | -28,9 | -9,5 | -35,9 | 31,8 | -29,6 | 4,2 | -34,1 | 196,9 | -180,6 |
| Net debt | 44,6 | 19,3 | 27,7 | 15,6 | 17,6 | 8,7 | 18,6 | -80,2 | -49,5 | -35,5 | 2,3 | -14,6 | 17,3 | 20,1 | 50,5 | -134,2 | 50,2 |
| Backlog | 1 821 | 1 763 | 1 565 | 1 498 | 1 413 | 1 226 | 1 398 | 1 500 | 1 498 | 1 523 | 1 532 | 1 832 | 1 666 | 1 458 | 2 053 | 1 731 | 1 647 |

Source: Dom Maklerski BDM S.A., company

Sales [PLN m]

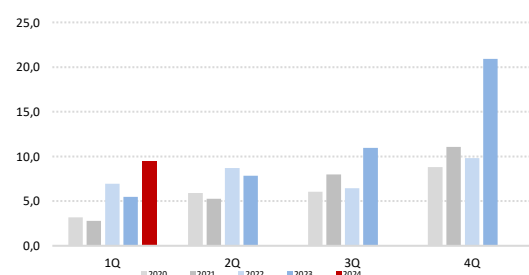


Gross margin



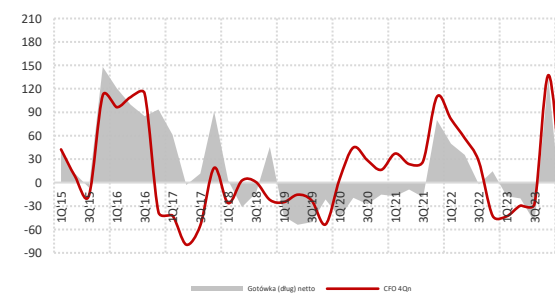
Źródło: BDM S.A., spółka

EBITDA [PLN m]



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.

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 |
|------------|--------------|-----------------|-----------------------|-------------|--------------------|-------|--------|
| Hold | 11,1 | Accumulate | 8,43 | 22.04.2024* | 14:28 CEST | 11,10 | 84 109 |
| 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 Q2'24*:

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

| | number | % | number | % |
|------------|--------|-----|--------|----|
| Buy | 6 | 60% | 0 | 0% |
| Accumulate | 2 | 20% | 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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- There are other significant connections between BDM or its related affiliates and the issuer of financial instruments**
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**BDM acts as an issue sponsor for ZUE

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