

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

			2020	2021	
Price [PLN]	6,38	P/E	3,8	9,7	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [PLN m]	63,7	EV/EBITDA	1,8	3,6	
		EV/EBIT	2,3	5,8	
		P/BV	0,9	0,8	

Last recommendation BDM: BUY with target price 11,0 PLN/share (2022/06/15) [LINK](#)

Q2'22 results [PLN m]

	Q2'21	Q2'22	y/y	Q2'22F BDM	dev.	H1'21	H1'22	y/y
Sales	77,7	76,5	-1,6%	67,1	14,0%	129,9	128,9	-0,8%
Gross profit	11,2	4,8	-57,2%	6,6	-27,32%	15,6	5,5	-65,0%
Profit on sales	4,9	-1,8	---	0,6	---	4,1	-6,7	---
Other operating activity net	-0,7	1,2	---	0,0	---	-0,6	1,7	---
EBITDA	5,5	0,8	-86,2%	2,0	-62,20%	6,2	-2,3	---
EBIT	4,1	-0,6	---	0,6	---	3,5	-5,0	---
Profit before tax	4,0	-0,3	---	0,3	---	3,0	-5,1	---
Net profit	3,1	0,7	-77,9%	0,3	127,67%	1,6	-4,7	---
Gross margin	14,4%	6,3%		9,8%		12,0%	4,2%	
EBITDA margin	7,1%	1,0%		3,0%		4,8%	-1,8%	
EBIT margin	5,3%	-0,8%		0,9%		2,7%	-3,9%	
Net margin	4,0%	0,9%		0,4%		1,2%	-3,7%	

Source: BDM S.A., company

- Revenues in Q2'22 amounted to PLN 76.5m (-2% y/y), above our expectations.
- Gross margin (6.3%) significantly lower y/y and below our assumptions. The company points to rising costs and a deep decline in revenues at constant prices given CPI/PPI. Profitability declines in every segment. The company has been working to revalue contracts, but this has not yielded final results at the end of June. The company significantly reduced the number of smaller contracts in H1'22, due to the mobilisation of resources for the contract for the electronic barrier on the border with Belarus.
- SG&A costs marginally higher y/y.
- Impact of the other operating activities slightly positive in Q2'22 (PLN +1.2m).
- EBITDA in Q2'22 amounted to PLN 0.8m (vs. PLN 5.5m a year ago). A result weaker than our assumptions (we expected PLN 2.0m and did not assume a positive impact from the other operating activities).
- Financial activities slightly positive at PLN +0.3m.
- Q2'22 net profit at PLN 0.7m (weaker y/y, above our assumptions only due to recognition of 'negative' income tax).
- Cash flows from operations activities amounted to PLN +11.8m in Q2'22. We note an increase in prepayments for deliveries to PLN 34.6m (vs. PLN 8.3m after Q1'22).
- At the end of the period, the company had PLN 18m in net cash.
- Backlog: PLN 648m (vs. PLN 598m after Q1'22 and PLN 313m after Q2'21).

BDM Comment: Slightly Negative. The company's Q2'22 results are below our expectations at the EBITDA level, while the net result was supported by a 'negative' income tax. Management points to rising costs and a deep decline in revenue at constant prices given CPI/PPI. The company significantly reduced the number of smaller contracts in 1H'22, due to the mobilisation of resources for the largest contract ever, which is being executed in 2H'22 (electronic barrier on the border with Belarus for PLN 279m). We associate the improved cash position in Q2'22 mainly with the advance payment received for the contract. Due to the scale of the contract, 2H'22 results will be determined by the progress of the work and recognized profitability (in 2H'21 revenues amounted to PLN 147m). The company signed the contract in March 2022, and in August 2022 an annex was signed increasing its value by ca. PLN 9m and extending the completion date to 120 days after the completion of construction works by other parties (previously: 90 days).

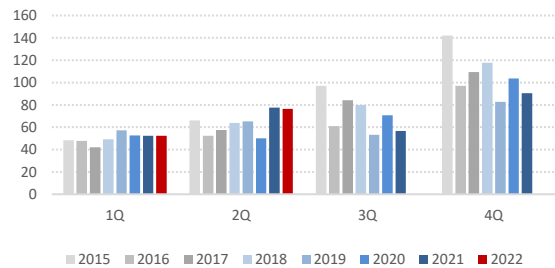


Results in previous quarters [PLN m]

	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22
Sales	57,1	65,3	53,3	82,8	52,6	49,9	70,6	103,7	52,2	77,7	56,7	90,5	52,4	76,5
Installations	27,2	26,8	21,4	32,8	18,6	15,2	25,4	41,7	30,3	36,9	29,5	46,2	21,8	30,4
Distribution	21,1	27,8	19,7	32,6	24,8	26,5	35,1	49,3	15,7	33,6	20,2	30,4	19,8	33,8
Automation	8,6	10,7	12,2	17,4	9,3	8,3	10,1	12,6	6,3	7,3	7,0	14,0	10,8	12,3
Gross profit	0,5	-1,6	2,2	8,0	5,3	7,5	9,6	16,4	4,4	11,2	7,0	9,8	0,7	4,8
Installations	-1,6	-5,4	-2,0	0,9	-0,1	1,3	1,8	4,6	2,2	3,7	2,0	4,6	-0,9	0,6
Distribution	1,5	3,0	2,5	2,0	4,0	4,6	5,2	8,7	0,9	6,0	4,2	2,6	0,1	3,2
Automation	0,6	0,7	1,7	5,2	1,4	1,7	2,5	3,1	1,4	1,6	0,8	2,5	1,5	0,9
SG&A	5,1	6,0	4,9	6,4	5,7	6,3	5,6	6,3	5,2	6,3	5,1	6,0	5,6	6,6
Profit on sales	-4,5	-7,6	-2,7	1,6	-0,4	1,3	4,0	10,1	-0,8	4,9	1,9	3,8	-4,9	-1,8
Other operat. activity net	0,1	-1,3	2,1	-3,9	5,9	2,4	-0,4	0,3	0,2	-0,7	0,8	-0,8	0,5	1,2
EBITDA	-3,4	5,4	-12,3	-1,0	6,7	8,3	1,8	11,8	0,7	5,5	4,1	4,4	-3,1	0,8
EBIT	-4,4	4,1	-13,5	-2,3	5,5	6,9	0,4	10,4	-0,6	4,1	2,7	3,0	-4,4	-0,6
Net financial activity	-0,3	-0,4	-0,5	-0,7	-0,2	-0,2	-0,5	-0,7	-0,4	-0,2	-0,3	-0,9	-0,3	0,3
Profit before tax	-4,8	3,7	-14,0	-3,0	5,4	6,7	-0,2	9,7	-1,0	4,0	2,5	2,2	-4,8	-0,3
Net profit	-4,3	3,9	-14,1	0,0	4,2	5,9	-1,3	7,7	-1,5	3,1	1,9	3,1	-5,4	0,7
OCF	0,8	-8,2	-0,4	7,8	11,0	22,9	-16,8	-17,2	-6,7	21,5	-21,2	6,4	-2,4	11,8
Net debt	23,7	35,7	36,8	21,8	10,1	-10,5	5,5	-10,9	-3,9	4,6	-2,6	-10,1	-4,6	-18,4
Sales change y/y	16,4%	2,3%	-33,1%	-29,7%	-7,9%	-23,5%	32,3%	25,2%	-0,8%	55,6%	-19,6%	-12,7%	0,3%	-1,6%
Installations	15,8%	-7,9%	-51,2%	-39,4%	-31,9%	-43,2%	18,6%	27,2%	63,2%	142,5%	16,3%	10,8%	-28,1%	-17,5%
Distribution	19,4%	32,2%	-23,7%	-27,6%	17,2%	-4,6%	77,8%	51,1%	-36,8%	26,8%	-42,4%	-38,4%	26,3%	0,5%
Automation	10,2%	-22,7%	22,0%	0,1%	7,9%	-22,6%	-17,1%	-27,2%	-32,4%	-12,0%	-31,0%	10,4%	71,9%	69,6%
Gross margin	1,0%	-2,5%	4,1%	9,7%	10,0%	15,0%	13,5%	15,8%	8,5%	14,4%	12,4%	10,8%	1,3%	6,3%
Installations	-5,9%	-20,3%	-9,5%	2,9%	-0,6%	8,3%	7,2%	11,0%	7,3%	9,9%	6,8%	10,0%	-4,1%	2,0%
Distribution	7,0%	10,7%	12,6%	6,0%	16,2%	17,2%	15,0%	17,6%	5,5%	17,9%	20,6%	8,7%	0,3%	9,6%
Automation	7,5%	7,0%	14,2%	30,0%	14,6%	20,4%	24,6%	24,5%	21,5%	21,4%	12,2%	18,0%	13,9%	7,6%
S&G/A/sales	8,9%	9,2%	9,1%	7,7%	10,7%	12,5%	7,9%	6,1%	10,0%	8,2%	9,0%	6,6%	10,6%	8,6%
Margin on sales	-7,9%	-11,7%	-5,0%	2,0%	-0,8%	2,5%	5,7%	9,7%	-1,5%	6,3%	3,4%	4,2%	-9,3%	-2,4%
EBITDA margin	-5,9%	8,2%	-23,0%	-1,3%	12,8%	16,5%	2,6%	11,3%	1,4%	7,1%	7,2%	4,9%	-5,9%	1,0%
EBIT margin	-7,8%	6,3%	-25,3%	-2,8%	10,5%	13,8%	0,6%	10,0%	-1,2%	5,3%	4,8%	3,3%	-8,4%	-0,8%
Net margin	-7,6%	6,0%	-26,5%	0,0%	8,0%	11,8%	-1,8%	7,5%	-2,9%	4,0%	3,3%	3,4%	-10,3%	0,9%
P/E	---	7,9	---	---	---	---	7,2	3,8	5,8	7,9	5,7	9,7	23,8	241,3
EV/EBITDA	78,4	7,0	---	---	---	31,8	4,4	1,8	2,6	3,4	2,8	3,6	5,4	7,3

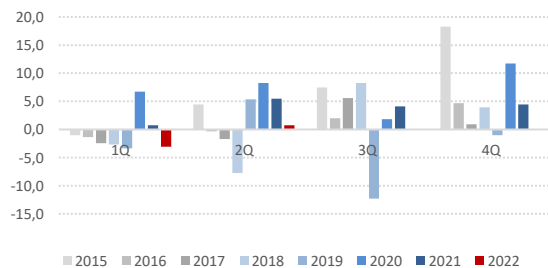
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



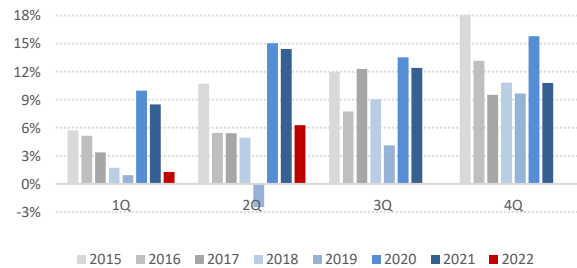
Source: Dom Maklerski BDM S.A., company

EBITDA [PLN m]



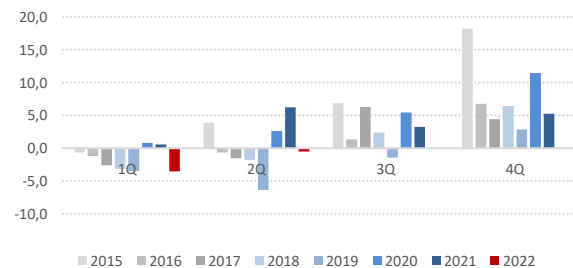
Source: Dom Maklerski BDM S.A., company

Gross margin



Source: Dom Maklerski BDM S.A., company

EBITDA adj. [PLN m]



Source: Dom Maklerski BDM S.A., company

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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
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 Support Programme.

-- the author of the reports on Elektrotim in 2021-06'2022 was Krystian Brymora

Distribution of BDM's recommendations in Q3'22*: , distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	2	50%	2	100%
Accumulate	2	50%	0	0%
Hold	0	0%	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 and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

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

**BDM acts as an issue sponsor for ELEKTROTIM company.

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