

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	2022	
Price [PLN]	11,76	P/E	7,1	17,8	5,3	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [PLN m]	117,4	EV/EBITDA	3,7	7,3	1,8	
		EV/EBIT	4,6	11,6	2,0	
		P/BV	1,6	1,5	1,2	

Last recommendation BDM: BUY with target price 13,0 PLN/share (2023/05/10) [LINK](#)

Q1'22 results [PLN m]

	Q1'22	Q1'23	y/y	Q1'23F BDM	dev.
Sales	52,4	97,5	86,1%	88,0	10,7%
Gross profit	0,7	14,7	2064,3%	7,8	87,4%
Profit on sales	-4,9	9,0	---	2,1	322,8%
Other operating activity net	0,5	-1,5	---	0,0	---
EBITDA	-3,1	8,6	---	3,5	146,2%
EBIT	-4,4	7,5	---	2,1	254,2%
Profit before tax	-4,8	7,9	---	2,3	241,4%
Net profit	-5,4	5,8	---	1,9	205,0%
Gross margin	1,3%	15,1%		8,9%	
EBITDA margin	-5,9%	8,9%		4,0%	
EBIT margin	-8,4%	7,7%		2,4%	
Net margin	-10,3%	5,9%		2,1%	

Source: BDM S.A., company

- The company published its Q1'23 results on Tuesday before the trading session. A results conference call with management is scheduled for Thursday (12:00).
- Q1'23 revenue amounted to PLN 97.5m (+86% y/y), slightly above our expectations.
- On a standalone basis, the Installations segment (which accounts for the contract at the Belarusian border) generated revenue of PLN 54m (vs. PLN 157m in Q4'22 and PLN 14m in Q1'22). After Q4'22, we estimated that about PLN 90m of revenue remained from the border contract to be recognized in 2023, and we tentatively estimate that more than half of that value could remain after Q1'23. The current expected completion date for the contract is June 2023.
- Gross margin (15.1%) significantly higher y/y and above our assumptions.
- SG&A costs as much as 2% higher y/y.
- Impact of other operating activities negative in Q1'23 (PLN -1.5m). EBITDA amounted to PLN 8.6m in Q1'23 (vs. PLN -3.1m a year ago). A much better result than we had anticipated (we expected PLN 3.5m).
- Financial activities slightly positive at PLN +0.3m.
- Q1'23 net profit at PLN 5.8m (effective tax rate at 26%), we expected PLN 1.9m.
- Cash flows from operations amounted to PLN +9m in Q1'23. Prepayments at PLN 16m (down sharply vs. Q4'22 - settlement of prepayments on a border contract).
- The company had PLN 60m in net cash at the end of the period.
- Backlog: PLN 618m (vs. PLN 558m after Q4'22 and PLN 598m a year ago).

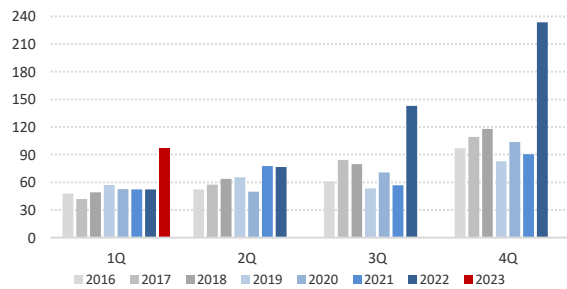
BDM Comment: The company's Q1'23 results were above our forecasts. The main reason for this was the gross margin, which was very high for Q1. At the end of Q1'23, the company recorded a very good cash position, which even increased compared to Q4'22. The contract on the barrier on the border with Belarus will still have an impact on Q2'23 results, at the same time the company has a significant portfolio in other areas as well (the portfolio is now even marginally larger than a year ago). An earnings conference call with management is scheduled for Thursday (12:00).

Results in previous quarters [PLN m]

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Sales	52,6	49,9	70,6	103,7	52,2	77,7	56,7	90,5	52,4	76,5	143,0	233,7	97,5
Installations	18,6	15,2	25,4	41,7	30,3	36,9	29,5	46,2	21,8	30,4	80,9	170,3	59,9
Distribution	24,8	26,5	35,1	49,3	15,7	33,6	20,2	30,4	19,8	33,8	48,9	56,4	37,6
Automation	9,3	8,3	10,1	12,6	6,3	7,3	7,0	14,0	10,8	12,3	13,1	6,0	0,0
Gross profit	5,3	7,5	9,6	16,4	4,4	11,2	7,0	9,8	0,7	4,8	21,5	40,5	14,7
Installations	-0,1	1,3	1,8	4,6	2,2	3,7	2,0	4,6	-0,9	0,6	13,2	35,0	9,5
Distribution	4,0	4,6	5,2	8,7	0,9	6,0	4,2	2,6	0,1	3,2	6,2	3,9	5,2
Automation	1,4	1,7	2,5	3,1	1,4	1,6	0,8	2,5	1,5	0,9	2,1	1,6	0,0
SG&A	5,7	6,3	5,6	6,3	5,2	6,3	5,1	6,0	5,6	6,6	6,1	9,8	5,7
Profit on sales	-0,4	1,3	4,0	10,1	-0,8	4,9	1,9	3,8	-4,9	-1,8	15,4	30,7	9,0
Other operat. activity net	5,9	2,4	-0,4	0,3	0,2	-0,7	0,8	-0,8	0,5	1,2	-2,5	-5,4	-1,5
EBITDA	6,7	8,3	1,8	11,8	0,7	5,5	4,1	4,4	-3,1	0,8	13,9	26,6	8,6
EBIT	5,5	6,9	0,4	10,4	-0,6	4,1	2,7	3,0	-4,4	-0,6	12,9	25,3	7,5
Net financial activity	-0,2	-0,2	-0,5	-0,7	-0,4	-0,2	-0,3	-0,9	-0,3	0,3	0,6	-3,3	0,3
Profit before tax	5,4	6,7	-0,2	9,7	-1,0	4,0	2,5	2,2	-4,8	-0,3	13,5	22,0	7,9
Net profit	4,2	5,9	-1,3	7,7	-1,5	3,1	1,9	3,1	-5,4	0,7	11,1	15,6	5,8
OCF	11,0	22,9	-16,8	17,3	-6,7	21,5	-21,2	8,2	-2,4	11,8	10,5	17,6	9,2
Net debt	10,1	-10,5	5,5	-10,9	-3,9	4,6	-2,6	-10,1	-4,6	-18,4	-26,6	-50,5	-59,7
Sales change y/y	-7,9%	-23,5%	32,3%	25,2%	-0,8%	55,6%	-19,6%	-12,7%	0,3%	-1,6%	152,2%	158,2%	86,1%
Installations	-31,9%	-43,2%	18,6%	27,2%	63,2%	142,5%	16,3%	10,8%	-28,1%	-17,5%	174,1%	268,7%	175,1%
Distribution	17,2%	-4,6%	77,8%	51,1%	-36,8%	26,8%	-42,4%	-38,4%	26,3%	0,5%	142,2%	85,7%	89,9%
Automation	7,9%	-22,6%	-17,1%	-27,2%	-32,4%	-12,0%	-31,0%	10,4%	71,9%	69,6%	88,3%	-57,0%	-100,0%
Gross margin	10,0%	15,0%	13,5%	15,8%	8,5%	14,4%	12,4%	10,8%	1,3%	6,3%	15,1%	17,3%	15,1%
Installations	-0,6%	8,3%	7,2%	11,0%	7,3%	9,9%	6,8%	10,0%	-4,1%	2,0%	16,3%	20,5%	15,8%
Distribution	16,2%	17,2%	15,0%	17,6%	5,5%	17,9%	20,6%	8,7%	0,3%	9,6%	12,8%	7,0%	13,9%
Automation	14,6%	20,4%	24,6%	24,5%	21,5%	21,4%	12,2%	18,0%	13,9%	7,6%	15,8%	26,1%	---
S&G&A/sales	10,7%	12,5%	7,9%	6,1%	10,0%	8,2%	9,0%	6,6%	10,6%	8,6%	4,3%	4,2%	5,8%
Margin on sales	-0,8%	2,5%	5,7%	9,7%	-1,5%	6,3%	3,4%	4,2%	-9,3%	-2,4%	10,8%	13,1%	9,2%
EBITDA margin	12,8%	16,5%	2,6%	11,3%	1,4%	7,1%	7,2%	4,9%	-5,9%	1,0%	9,7%	11,4%	8,9%
EBIT margin	10,5%	13,8%	0,6%	10,0%	-1,2%	5,3%	4,8%	3,3%	-8,4%	-0,8%	9,0%	10,8%	7,7%
Net margin	8,0%	11,8%	-1,8%	7,5%	-2,9%	4,0%	3,3%	3,4%	-10,3%	0,9%	7,8%	6,7%	5,9%
P/E	---	13,0	13,2	7,1	10,8	14,5	10,5	17,8	43,9	444,7	12,4	5,3	3,5
EV/EBITDA	---	7,3	7,8	3,7	5,0	6,2	5,2	7,3	10,3	16,0	5,7	1,8	1,2

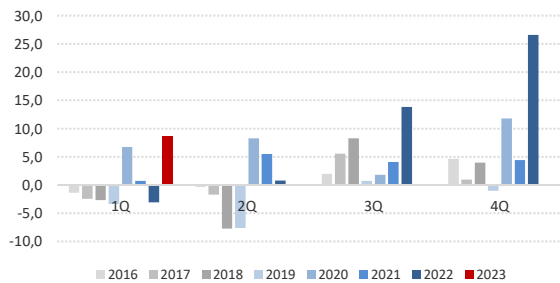
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



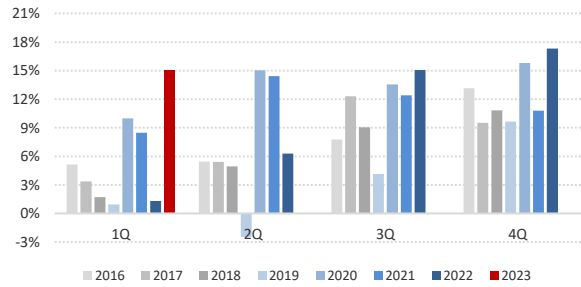
Source: Dom Maklerski BDM S.A., company

EBITDA [PLN m]



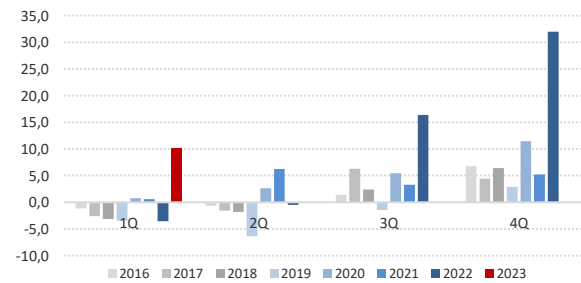
Source: Dom Maklerski BDM S.A., company

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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This report (hereinafter also referred to as an analysis, a document) has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565. The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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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	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 Support Programme.

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

Distribution of BDM's recommendations in Q2'23*:

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

	number	%	number	%
Buy	7	54%	0	0%
Accumulate	2	15%	0	0%
Hold	4	31%	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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The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical “Monthly Report”.

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The report was not transferred to the issuer prior to its publication.

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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 a market maker or liquidity provider in the financial instruments of the issuer,
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- 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,
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*BDM is a party to the “ANALYTICAL REPORT PREPARATION AGREEMENT” concluded with the WSE.

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