

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]	15,30	P/E	9,2	23,2	6,9	<b>Analyst:</b> Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [PLN m]	152,7	EV/EBITDA	5,0	9,7	2,7	
		EV/EBIT	6,1	15,4	3,1	
		P/BV	2,1	2,0	1,5	

**Last recommendation BDM: BUY with target price 15,8 PLN/share (2023/06/13; 14.3 PLN ex-dividend) [LINK](#)**

**Q2'22 results [PLN m]**

	Q2'22	Q2'23	y/y	Q2'23F BDM	dev.	H1'22	H1'23	y/y
Sales	76,5	128,3	67,8%	95,0	35,1%	128,9	225,8	75,2%
Gross profit	4,8	20,3	322,6%	13,1	54,8%	5,5	34,9	538,3%
Profit on sales	-1,8	14,7	---	6,1	141,4%	-6,7	23,7	---
Other operating activity net	1,2	0,0	---	-1,0	---	1,7	-1,4	---
EBITDA	0,8	15,9	>2000%	6,3	152,3%	-2,3	24,5	---
EBIT	-0,6	14,8	---	5,1	189,7%	-5,0	22,3	---
Profit before tax	-0,3	14,2	---	5,6	153,6%	-5,1	22,1	---
Net profit	0,7	11,2	>1500%	4,6	143,1%	-4,7	16,9	---
Gross margin	6,3%	15,8%		13,8%		4,2%	15,5%	
EBITDA margin	1,0%	12,4%		6,6%		-1,8%	10,9%	
EBIT margin	-0,8%	11,5%		5,4%		-3,9%	9,9%	
Net margin	0,9%	8,7%		4,8%		-3,7%	7,5%	

Source: BDM S.A., company

- The company published its Q2'23 results on Wednesday before the trading session. A results conference call with management is scheduled for Thursday (10:00).
- Q2'23 revenue amounted to PLN 128.3m (+68% y/y), above our expectations. The Distribution segment, which generated PLN 89m in revenue (+164% y/y), surprised positively. The Installations segment generated PLN 39m in revenue (+29% y/y, -34% q/q).
- On a standalone basis, the Installations segment (which accounts for the contract at the Belarusian border) had PLN 33m in revenue (vs. PLN 54m in Q1'23). After Q1'23, there was still ca. PLN 44m of revenue left from the border contract to be recognized in 2023. We tentatively estimate that only a small portion of this value remains after Q2'23 (but it is difficult for us to say this unequivocally at the moment). At the beginning of August, the company signed an annex for additional works.
- Gross margin (15.8%) clearly higher y/y and above our assumptions.
- SG&A costs lower y/y.
- Impact of other operating activities neutral in Q2'23 (PLN -1.5m).
- EBITDA in Q2'23 amounted to PLN 15.9m (vs. PLN 0.8m a year ago). A much better result than we had anticipated (we expected PLN 6.3m), driven by high leverage on higher-than-expected revenue.
- Financial activities slightly negative at PLN -0.6m.
- Q2'23 net profit at PLN 11.2m (effective tax rate at 23%), we expected PLN 4.6m.
- Cash flows from operations amounted to PLN -76m in Q2'23 (strong increase in working capital).
- The company had already signaled that Q2'23 and the beginning of Q3'23 could be cash-intensive (e.g. railway contracts, border settlement shifts - an annex was signed in August).
- The company had PLN 17m in net debt at the end of the period. The dividend was not paid until July.
- Backlog: PLN 626m (vs. PLN 618m after Q1'23 and PLN 648m a year ago).
- Weak performance at Zeus, the company was boosted by a PLN 2.5m loan, and "processes are underway regarding the potential sale of a majority stake". On a standalone level, 100% of the value of Zeus shares (PLN 1.9m) was written off.

**BDM Comment:** The company's Q2'23 results were clearly above our forecasts. The main reason for this was the high level of revenues in the Distribution segment and high margins. At the same time, at the end of Q2'23, the company recorded a marked deterioration in its cash position (a significant increase in demand for working capital; we expect the situation to gradually improve in H2'23). Despite strong sales in Q2'23 and the already limited size of the contract on the border with Belarus (final settlement in Q3'23?), the order book is marginally larger than after Q1'23. An earnings conference call with management is scheduled for Thursday (10:00).

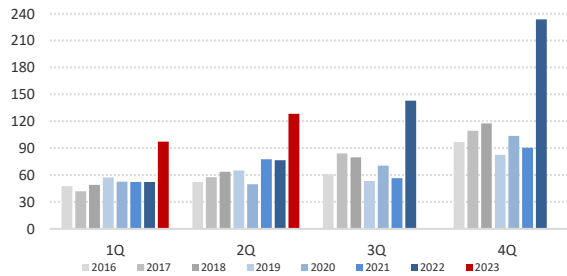


Results in previous quarters [PLN m]

	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	Q2'23
<b>Sales</b>	<b>52,6</b>	<b>49,9</b>	<b>70,6</b>	<b>103,7</b>	<b>52,2</b>	<b>77,7</b>	<b>56,7</b>	<b>90,5</b>	<b>52,4</b>	<b>76,5</b>	<b>143,0</b>	<b>233,7</b>	<b>97,5</b>	<b>128,3</b>
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	39,4
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	89,0
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	0,0
<b>Gross profit</b>	<b>5,3</b>	<b>7,5</b>	<b>9,6</b>	<b>16,4</b>	<b>4,4</b>	<b>11,2</b>	<b>7,0</b>	<b>9,8</b>	<b>0,7</b>	<b>4,8</b>	<b>21,5</b>	<b>40,5</b>	<b>14,7</b>	<b>20,3</b>
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	5,0
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	15,3
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	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	5,5
<b>Profit on sales</b>	<b>-0,4</b>	<b>1,3</b>	<b>4,0</b>	<b>10,1</b>	<b>-0,8</b>	<b>4,9</b>	<b>1,9</b>	<b>3,8</b>	<b>-4,9</b>	<b>-1,8</b>	<b>15,4</b>	<b>30,7</b>	<b>9,0</b>	<b>14,7</b>
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	0,0
<b>EBITDA</b>	<b>6,7</b>	<b>8,3</b>	<b>1,8</b>	<b>11,8</b>	<b>0,7</b>	<b>5,5</b>	<b>4,1</b>	<b>4,4</b>	<b>-3,1</b>	<b>0,8</b>	<b>13,9</b>	<b>26,6</b>	<b>8,6</b>	<b>15,9</b>
<b>EBIT</b>	<b>5,5</b>	<b>6,9</b>	<b>0,4</b>	<b>10,4</b>	<b>-0,6</b>	<b>4,1</b>	<b>2,7</b>	<b>3,0</b>	<b>-4,4</b>	<b>-0,6</b>	<b>12,9</b>	<b>25,3</b>	<b>7,5</b>	<b>14,8</b>
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	-0,6
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	14,2
<b>Net profit</b>	<b>4,2</b>	<b>5,9</b>	<b>-1,3</b>	<b>7,7</b>	<b>-1,5</b>	<b>3,1</b>	<b>1,9</b>	<b>3,1</b>	<b>-5,4</b>	<b>0,7</b>	<b>11,1</b>	<b>15,6</b>	<b>5,8</b>	<b>11,2</b>
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	-75,7
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	16,7
<b>Sales change y/y</b>	<b>-7,9%</b>	<b>-23,5%</b>	<b>32,3%</b>	<b>25,2%</b>	<b>-0,8%</b>	<b>55,6%</b>	<b>-19,6%</b>	<b>-12,7%</b>	<b>0,3%</b>	<b>-1,6%</b>	<b>152,2%</b>	<b>158,2%</b>	<b>86,1%</b>	<b>67,8%</b>
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%	29,4%
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%	163,5%
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%	---	---
<b>Gross margin</b>	<b>10,0%</b>	<b>15,0%</b>	<b>13,5%</b>	<b>15,8%</b>	<b>8,5%</b>	<b>14,4%</b>	<b>12,4%</b>	<b>10,8%</b>	<b>1,3%</b>	<b>6,3%</b>	<b>15,1%</b>	<b>17,3%</b>	<b>15,1%</b>	<b>15,8%</b>
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%	12,8%
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%	17,1%
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%	4,3%
<b>Margin on sales</b>	<b>-0,8%</b>	<b>2,5%</b>	<b>5,7%</b>	<b>9,7%</b>	<b>-1,5%</b>	<b>6,3%</b>	<b>3,4%</b>	<b>4,2%</b>	<b>-9,3%</b>	<b>-2,4%</b>	<b>10,8%</b>	<b>13,1%</b>	<b>9,2%</b>	<b>11,5%</b>
<b>EBITDA margin</b>	<b>12,8%</b>	<b>16,5%</b>	<b>2,6%</b>	<b>11,3%</b>	<b>1,4%</b>	<b>7,1%</b>	<b>7,2%</b>	<b>4,9%</b>	<b>-5,9%</b>	<b>1,0%</b>	<b>9,7%</b>	<b>11,4%</b>	<b>8,9%</b>	<b>12,4%</b>
<b>EBIT margin</b>	<b>10,5%</b>	<b>13,8%</b>	<b>0,6%</b>	<b>10,0%</b>	<b>-1,2%</b>	<b>5,3%</b>	<b>4,8%</b>	<b>3,3%</b>	<b>-8,4%</b>	<b>-0,8%</b>	<b>9,0%</b>	<b>10,8%</b>	<b>7,7%</b>	<b>11,5%</b>
<b>Net margin</b>	<b>8,0%</b>	<b>11,8%</b>	<b>-1,8%</b>	<b>7,5%</b>	<b>-2,9%</b>	<b>4,0%</b>	<b>3,3%</b>	<b>3,4%</b>	<b>-10,3%</b>	<b>0,9%</b>	<b>7,8%</b>	<b>6,7%</b>	<b>5,9%</b>	<b>8,7%</b>
P/E	---	17,0	17,2	9,2	14,0	18,9	13,6	23,2	57,1	57,6	16,1	6,9	4,6	3,5
EV/EBITDA	---	9,7	10,0	5,0	6,6	7,9	6,8	9,7	13,5	21,6	7,9	2,7	1,9	2,6

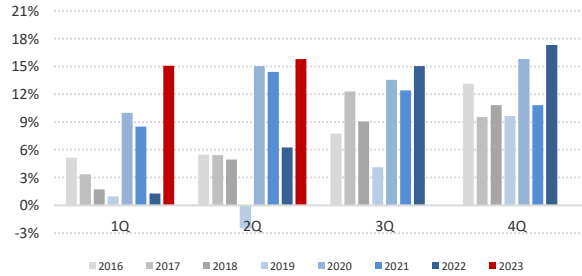
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



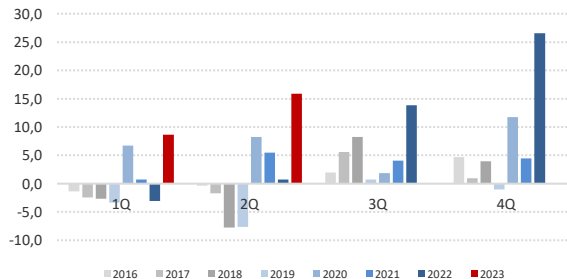
Source: Dom Maklerski BDM S.A., company

Gross margin



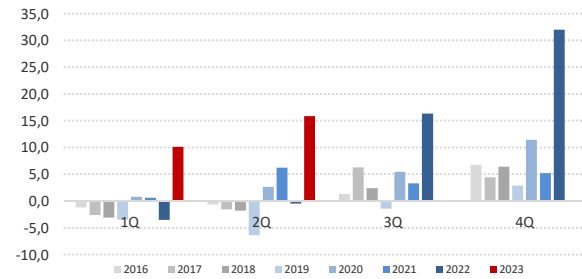
Source: Dom Maklerski BDM S.A., company

EBITDA [PLN m]



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	15,8	Buy	13,0	13.06.2023*	08:30 CEST	13,26	66 298
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 Q3'23\*:**

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

	number	%	number	%
Buy	10	71%	0	0%
Accumulate	2	14%	0	0%
Hold	1	7%	0	0%
Reduce	1	7%	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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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.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwpa>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>

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An investor should be aware that each investment decision in the capital market is subject to numerous risks that finally can result in a financial loss suffered by him. The return rate on individual investments can fluctuate depending on various factors beyond the control of the investor. Therefore, a customer who makes a single investment decision should not only check currency and correctness of individual assumptions made by the analyst in the report but also have an independent assessment and own analysis (also based on scenarios other than the ones presented in the report) taking into consideration the level of acceptable risk. When deciding on activity on the capital market the investor should take into consideration the fact that the investment portfolio structure (diversification of investment through possessing more than one financial instrument) can reduce risk exposure to an individual instrument bringing a negative rate of return in a given period. At the same time, however, it can lead to limitation of a positive rate of return the investor could achieve in the case of a single financial instrument in a given time period. The investor should be aware that the investment portfolio structure and any investment strategy for the stock market do not guarantee the achievement of a positive rate of return and do not protect him against final loss.

For the first time this report has been made available to the public on 20.09.2023 (09:55 CEST). Date of preparing the report is the date of making it accessible. Before the recommendation was made accessible, information included in it had been confidential.

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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