

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]	21,80	P/E	33,0	9,9	9,7	<b>Analyst:</b> Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [PLN m]	217,6	EV/EBITDA	14,1	4,4	4,9	
		EV/EBIT	22,4	5,0	5,6	
		P/BV	2,8	2,2	2,1	

**Last recommendation BDM: BUY with target price 19,1 PLN/share (2024/01/04) [LINK](#)**

**Q4'23 results [PLN m]**

	Q4'22	Q4'23	y/y	Q4'23F BDM	dev.	2022	2023	y/y
Sales	233,7	137,9	-41,0%	171,0	-19,4%	505,6	546,9	8,2%
Gross profit	40,5	13,7	-66,2%	23,2	-40,9%	67,5	76,1	12,8%
Profit on sales	30,7	4,8	-84,4%	13,2	-63,8%	39,4	50,8	29,0%
Other operating activity net	-5,4	-7,7	---	0,0	---	-6,2	-16,6	---
<b>EBITDA</b>	<b>26,6</b>	<b>-1,7</b>	---	<b>14,4</b>	---	<b>38,1</b>	<b>38,7</b>	<b>1,5%</b>
EBIT	25,3	-2,9	---	13,2	---	33,2	34,2	3,1%
Profit before tax	22,0	-3,9	---	12,7	---	30,4	32,3	6,1%
<b>Net profit</b>	<b>15,6</b>	<b>-4,3</b>	---	<b>10,3</b>	---	<b>22,0</b>	<b>22,4</b>	<b>1,8%</b>
Gross margin	17,3%	9,9%		13,5%		13,3%	13,9%	
EBITDA margin	11,4%	-1,2%		8,4%		7,5%	7,1%	
EBIT margin	10,8%	-2,1%		7,7%		6,6%	6,3%	
Net margin	6,7%	-3,1%		6,0%		4,3%	4,1%	

Source: BDM S.A., company

**Standalone Q4'23 results [PLN m]**

	Q4'22	Q4'23	y/y	2022	2023	y/y
<b>Przychody</b>	<b>213,4</b>	<b>140,8</b>	<b>-34,0%</b>	<b>428,2</b>	<b>532,2</b>	<b>24,3%</b>
Zysk brutto ze sprzedaży	32,5	17,5	-46,2%	52,8	78,9	49,5%
EBIT	20,8	10,7	-48,5%	29,5	53,9	82,6%
<b>Zysk netto</b>	<b>15,5</b>	<b>7,5</b>	<b>-51,5%</b>	<b>23,1</b>	<b>40,7</b>	<b>76,5%</b>
Marża brutto ze sprzedaży	15,3%	12,4%		12,3%	14,8%	
Marża EBIT	9,7%	7,6%		6,9%	10,1%	
Marża zysku netto	7,3%	5,3%		5,4%	7,7%	

Source: BDM S.A., company

- The company published its Q4'23/2023 results today ahead of the trading session. An earnings conference call with management is scheduled for Thursday (14:00).
- Q4'23 revenues amounted to PLN 137.9m (-41% y/y), 19% below our expectations. The Distribution segment continued to contribute high revenues (PLN 97m, +71% y/y), but at a lower level than in Q3'23. The Installations segment contributed PLN 41m in revenue (-76% y/y, +18% q/q, the effect of a decrease in the importance of a perimeter contract on the border with Belarus).
- Gross margin (9.9%) - significantly lower y/y and clearly below our assumptions (we assumed 13.5% vs. 17.3% a year ago). Profitability was probably affected by the further consolidation of Zeus.
- On a standalone level, profitability was 12.4%, weaker y/y but reasonably close to our assumptions. On the other hand, we note that the Installations segment at the standalone level (the contract on the Belarusian border was included here so far) had PLN 44m in revenue and a gross loss of PLN -4.6m on sales (-10.3% margin, compared to 15.0% in Q1-3'23).
- We note an increase in long-term warranty provisions at the standalone level from PLN 2.0m after Q3'23 to PLN 12.2m at the end of Q4'23. The company reports that PLN 9.5m of the provision relates to a contract with the Border Guard (border with Belarus).
- Zeus had a net loss of PLN -23.5m in 2023, after Q1-3'23 loss of PLN -11.6m. Revenues, on the other hand, were PLN 14.0m in 2023 vs. PLN 17.2m after Q1-3'23. The carrying values were reported at liquidation value, which affected Q4'23 results. This implies Elektrotim's consolidation of Zeus' ca. PLN -12m EBIT loss and 'negative' revenues in Q4'23 (the difference between consolidated and standalone results assuming that the results of the subsidiary Ostoya were negligible in Q4'23).
- At the same time, Elektrotim sold its stake in Zeus at the end of Q1'24 (amount not stated). Management indicates that in Q1'24 it will show a PLN 20.5m consolidated gain on the sale of the Zeus stake (the excess of the sale price over the negative net asset value).
- Strongly negative Q4'23 other operating income (PLN -7.7m, we assumed PLN 0m, probably due to Zeus consolidation)
- EBITDA in Q4'23 amounted to PLN -1.7m (vs. PLN +26.6m a year ago). Note that the loss is a result of: a) further consolidation of Zeus's losses in Q4'23 (bringing balance sheet values to liquidation level), b) setting up high guarantee reserves.
- Financial activities with a slightly negative impact of PLN -1.0m.
- Consolidated net loss in Q4'23 at PLN -4.3m.
- Cash flows from operations amounted to PLN +33m in Q4'23. The Company had PLN 27m net cash at the end of the period.

This report 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. Detailed contents of legal notes is located on the last page of this report. The report has been prepared and made available for distribution by BDM. GPW shall be a copyright holder to this report from the date of its publication. The report can be published and made available without limitation by GPW through any mass communication media as decided by GPW.

This document is a summary of a full version of the report prepared in Polish. In case of any disputes the Polish version shall prevail.



- The board recommends a dividend of PLN 2.5 per share.
- Backlog: PLN 329m (vs. PLN 474m after Q3'23). In Q1'24, it will be expanded by a PLN 227m contract on the Bug river.

**BDM Comment:** The company's Q4'23 results are influenced by one-off, non-cash events: the reduction of Zeus's carrying values to liquidation level, and a large provision for warranty repairs on a perimeter contract. At the end of Q4'23, the company recorded a marked improvement in its cash position. The order backlog fell sharply vs Q3'23, but will be rebuilt by new contracts in Q1'24. Q1'24 consolidated profit will be supported by the settlement of the Zeus sale transaction (ca. +PLN 20m, accounting nature). 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	Q2'23	Q3'23	Q4'23
<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>	<b>183,2</b>	<b>137,9</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	34,9	41,3
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	148,3	96,7
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	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>	<b>27,5</b>	<b>13,7</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	4,1	-8,4
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	23,4	22,1
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	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	5,2	8,9
<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>	<b>22,3</b>	<b>4,8</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	-7,5	-7,7
<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>15,8</b>	<b>-1,7</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>	<b>14,8</b>	<b>-2,9</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	-0,7	-1,0
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	14,1	-3,9
<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>	<b>9,7</b>	<b>-4,3</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	29,8	32,8
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	5,2	-27,1
<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>	<b>28,1%</b>	<b>-41,0%</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%	-56,9%	-75,8%
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%	203,2%	71,4%
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>	<b>15,0%</b>	<b>9,9%</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%	11,6%	-20,3%
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%	15,8%	22,8%
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&GA/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%	2,8%	6,4%
<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>12,2%</b>	<b>3,5%</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>8,6%</b>	<b>-1,2%</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>8,1%</b>	<b>-2,1%</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>	<b>5,3%</b>	<b>-3,1%</b>
P/E	---	24,2	24,5	13,1	20,0	26,9	19,4	33,0	81,4	824,4	23,0	9,9	6,6	5,0	5,1	9,7
EV/EBITDA	---	14,1	14,1	7,2	9,5	11,2	9,7	14,1	19,5	32,1	12,0	4,4	3,2	3,6	3,3	4,9

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
Accumulate	19,1	Buy	17,1	04.01.2024*	09:55 CEST	17,48	77 054
Buy	17,1	Buy	15,8	10.10.2023*	11:20 CEST	14,70	66 149
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 Q4'23\*:**

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

	number	%	number	%
Buy	2	40%	0	0%
Accumulate	2	40%	0	0%
Hold	1	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>

**A Legal note:**

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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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