



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	2021F	2022F	2023F	
Price [PLN]	6,58	P/E	3,9	6,2	9,0	7,5	Analyst: Krystian Brymora krystian.brymora@bdm.pl tel.: (+48) 501 238 443
MC [mln PLN]	65,5	EV/EBITDA	1,9	3,4	4,2	3,6	
		EV/EBIT	2,4	4,6	6,5	5,4	
		P/BV	0,9	0,8	0,8	0,8	

Last recommendation BDM: BUY with target price 10,2 PLN/share (2021/08/23) [LINK](#)

BDM comment: the results are in line with the company's estimates from 09/21/2021, much above our assumptions in the last [Elektrotim Buy PLN 10.2 /share](#) analytical report. Seasonal decline in cash slightly lower than expected (net debt of PLN 4.6m vs. PLN 6.4m expected). Higher backlog (PLN 313m vs. PLN 305m estimates), which improves q / q not only in the parent company (PLN 240m), but also in subsidiaries (PLN 73.7m). Capital Group acquired PLN 88.5 million in new orders compared to PLN 112 million a year ago.

The results of the Capital Group are burdened with a negative one-offs and losses of subsidiaries (ZEUS). The company states that "in July 2021, an increase in the share capital of the subsidiary ZEUS S.A. was made. by issuing new shares. ELEKTROTIM S.A. acquired 367,518 newly issued shares of ZEUS S.A. ". In cash flow ET S.A. is the amount of PLN 2.7 million, which is responsible for the decrease in cash, which we did not assume in our assumptions. In this context, the key questions at the conference may be questions about the prospects of this company operating in the attractive defense segment (in view of the record expenditures of the Ministry of National Defense). Please note that the connections of ET S.A. ZEUS also relate to loan guarantees for PLN 3.5 million, but on the scale of the Capital Group it is not a large exposure.

The management board hopes that revenues in 2H'21 will be higher than 1H'21 but with less dynamics (we assume PLN 150-160m vs PLN 130m in 1H'21). The management board is counting on an improvement in the results of the subsidiaries (Procom, Zeus), which recorded a loss in H1'21, however Zeus is unlikely to achieve a positive financial result at the end of the year. **The Management Board maintains that "the entire year 2021 should end with a consolidated result similar to 2020, excluding one-off events", but (...)** the results of companies from the Capital Group, in particular ZEUS S.A., may pose a threat to its achievement. Our forecasts from the last analytical report of August 23, 21 assumed a decrease in net profit to ca. PLN 9m in 2021 vs PLN 16.6m in 2020 (PLN 10.4m after real estate sale adjustment). Thus, we maintain the assumptions made in the last recommendation.

Conference with management tomorrow (Friday 10/01/2021) at 14:00 on MS Teams.

Q2'21 results [PLNm]

	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	YoY	2Q'21S 21.09.21	2Q'21F BDM	difference
Revenues	57,1	65,3	53,3	82,8	52,6	49,9	70,6	103,7	52,2	77,7	56%	77,7	71,4	8,8%
ETSA	39,5	43,5	36,5	54,5	35,7	34,4	51,6	77,9	39,3	64,3	87%	64,3	59,2	8,7%
subsidiaries	17,6	21,8	16,8	28,3	16,9	15,5	19,0	25,8	13,0	13,4	-14%	13,4	12,3	9,2%
EBIT	-4,4	-8,9	-0,5	-2,3	5,5	3,7	3,6	10,4	-0,6	4,1	13%	4,1	2,5	68,2%
ETSA	-3,1	-8,4	0,5	-5,1	5,2	3,3	1,5	8,1	-0,2	5,9	81%	5,9	2,0	190,3%
subsidiaries	-1,4	-0,5	-1,0	2,8	0,3	0,4	2,1	2,3	-0,5	-1,8		-1,8	0,4	
EBIT adj.	-4,5	-7,6	-2,7	1,6	-0,4	1,3	4,0	10,1	-0,8	4,9	289%		2,5	98,6%
Net profit	-4,3	-9,1	-1,1	0,0	4,2	2,7	2,0	7,7	-1,5	3,1	16%	3,1	1,8	74,4%
ETSA	-2,9	-8,9	-0,5	-2,0	4,3	2,5	0,6	9,3	-0,7	7,6	208%	7,6	1,5	422,1%
subsidiaries	-1,4	-0,2	-0,7	2,1	-0,1	0,2	1,4	-1,5	-0,8	-4,5		-4,5	0,3	
EBIT margin	-7,8%	-13,6%	-0,9%	-2,8%	10,5%	7,3%	5,1%	10,0%	-1,2%	5,3%				3,4%
ETSA	-7,7%	-19,3%	1,4%	-9,3%	14,6%	9,5%	2,9%	10,4%	-0,4%	9,2%				3,4%
subsidiaries	-7,8%	-2,2%	-6,0%	9,9%	2,1%	2,6%	11,2%	8,7%	-3,6%	-13,2%				3,4%
Net margin	-7,6%	-13,9%	-2,1%	0,0%	8,0%	5,4%	2,8%	7,5%	-2,9%	4,0%				2,5%
ETSA	-7,3%	-20,4%	-1,3%	-3,8%	11,9%	7,2%	1,1%	11,9%	-1,7%	11,9%				2,5%
subsidiaries	-8,1%	-1,0%	-3,9%	7,3%	-0,3%	1,3%	7,4%	-6,0%	-6,3%	-33,9%				2,5%
Backlog	235,8	224,4	313,9	306,4	294,3	356,2	301,6	291,2	302,6	313,4			305,2	3%
RMK net	41,9	36,9	32,9	20,7	0,4	-2,3	11,3	3,7	-3,1	23,0			14,3	61%
Net working capital	13,9	19,1	22,4	22,4	34,3	20,8	28,4	31,7	44,1	26,9			39,0	-31%
Net debt	23,7	35,7	36,8	21,8	10,1	-10,5	5,5	-10,9	-3,9	4,6			6,4	-28%
P/E									6,0	5,8				
EV/EBITDA									2,7	3,0				

Source: BDM S.A., company

**RESEARCH DEPARTMENT:****Krystian Brymora**

Director

tel. (+48) 501 238 443

e-mail: krystian.brymora@bdm.pl

[strategy, chemicals, industry, energy](#)**Michał Fidelus**

Analityk rynku akcji

tel. (+48) 666 073 972

e-mail: michal.fidelus@bdm.pl

[banking, financial services](#)**Adrian Górniak**

Analyst

tel. (+48) 668 516 977

e-mail: adrian.gorniak@bdm.pl

[Real estate, retail, media](#)**Krzysztof Tkocz**

Junior analyst

e-mail: krzysztof.tkocz@bdm.pl

tel. (+48) 516 086 705

[Gaming](#)**INSTITUTIONAL SALES DEPARTMENT:****Leszek Mackiewicz**

Director

tel. (022) 62-20-848

e-mail: leszek.mackiewicz@bdm.pl

Tomasz Ilczyszyn

tel. (022) 62-20-854

e-mail: tomasz.ilczyszyn@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855

e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski

tel. (022) 62-20-851

e-mail: piotr.komorowski@bdm.pl

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.

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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	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 Coverage Support Programme

Distribution of BDM's recommendations in Q3'21*:

	number	%	number	%
Buy	9	82%	3	100%
Accumulate	2	18%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

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

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