



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

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

Net loss in Q1'22 was higher than expected due to lower revenue and negative revaluation of long-term contracts at ET SA. Fortunately, cash was stronger, and the backlog was boosted to nearly PLN 500m by a contract on the Belarusian border

BDM's comments: Q1'22 loss came in excess of our expectations. Sales amounted to PLN 52.4m (0% y/y), including PLN 34.1m posted by ET SA (-13% y/y). Subsidiaries reported higher revenues. Revenue came in 14% below our expectations. The gross margin amounted to a mere 1.3% (YTD 10.3% vs. 13.7% a year ago) due probably to the negative valuation of long-term contracts (the effect of higher raw material costs, which the Company announced it was negotiating with investors). As a result, EBIT loss amounted to PLN 4.4m vs. Net loss amounted to PLN 5.4m vs. our PLN 1.2m estimate.

As in previous quarters, cash flow looked much better in Q1'22. OCF amounted to PLN 3.2m, mainly due to a decrease in liabilities. **Cash decreased by PLN 4.2m q/q to PLN 14.6m.** As a result, net debt (net cash) was negative at PLN -4.6m at the end of Q1'22 (vs. PLN -10.1m in Q4'21). We expected a bigger deterioration in cash and PLN 2m net debt.

The backlog as of 31 December amounted to PLN 498.6m (PLN 231.8m on a standalone basis), falling slightly short of our expectations. Elektrotowa secured PLN 224.2m in new orders in Q1 2022, including PLN 34.1m from ET SA. Elektrotim's key role is played by an electronic barrier agreement on the border with Belarus, which we described in a separate commentary on 24 March 2022 [Elektrotim \(the agreement on the Belarusian border\)](#) and in the morning bulletin of 28 March 2022 ([LINK](#)).

Aside from the record-breaking order on the Belarusian border (which we expect to be executed in 2022/2023), we note that Elektrotim already had a record backlog after Q3'21 (PLN 373m GK Elektrotim including PLN 271m ET SA) with over PLN 200m worth of orders at relatively good prices in Q2-3'21. As a result, **Elektrotim can afford to more than double last year's net income.** Back in January, we were expecting a net income of ca. PLN 9m (due to cost inflation and margin erosion) vs. PLN 6m in our previous recommendation.

The Q1'22 earnings conference has not been scheduled. Below is a summary of our previous meeting as of 04.05.22

Q4'21 results [PLNm]

	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	YoY	1Q'22F BDM	difference
Revenues	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	0%	60,8	-13,9%
ETSA	39,5	43,5	36,5	54,5	35,7	34,4	51,6	77,9	39,3	64,3	42,1	62,3	34,1	-13%	53,0	-35,6%
subsidiaries	17,6	21,8	16,8	28,3	16,9	15,5	19,0	25,8	13,0	13,4	14,6	28,2	18,2	41%	7,9	131,6%
EBIT	-4,4	-8,9	-0,5	-2,3	5,5	3,7	3,6	10,4	-0,6	4,1	2,7	3,0	-4,4		-1,0	
ETSA	-3,1	-8,4	0,5	-5,1	5,2	3,3	1,5	8,1	-0,2	5,9	3,5	2,1	-3,9		-0,9	
subsidiaries	-1,4	-0,5	-1,0	2,8	0,3	0,4	2,1	2,3	-0,5	-1,8	-0,7	0,9	-0,5		-0,1	
EBIT adj.	-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		-1,0	
Net profit	-4,3	-9,1	-1,1	0,0	4,2	2,7	2,0	7,7	-1,5	3,1	1,9	3,1	-5,4		-1,2	355,6%
ETSA	-2,9	-8,9	-0,5	-2,0	4,3	2,5	0,6	9,3	-0,7	7,6	2,7	-0,1	-4,5		-2,7	
subsidiaries	-1,4	-0,2	-0,7	2,1	-0,1	0,2	1,4	-1,5	-0,8	-4,5	-0,8	3,2	-0,9		1,5	
EBIT margin	-7,8%	-13,6%	-0,9%	-2,8%	10,5%	7,3%	5,1%	10,0%	-1,2%	5,3%	4,8%	3,3%	-8,4%		-1,6%	
ETSA	-7,7%	-19,3%	1,4%	-9,3%	14,6%	9,5%	2,9%	10,4%	-0,4%	9,2%	8,3%	3,3%	-11,5%		-1,6%	
subsidiaries	-7,8%	-2,2%	-6,0%	9,9%	2,1%	2,6%	11,2%	8,7%	-3,6%	-13,2%	-5,1%	3,3%	-2,6%		-1,6%	
Net margin	-7,6%	-13,9%	-2,1%	0,0%	8,0%	5,4%	2,8%	7,5%	-2,9%	4,0%	3,3%	3,4%	-10,3%		-2,0%	
ETSA	-7,3%	-20,4%	-1,3%	-3,8%	11,9%	7,2%	1,1%	11,9%	-1,7%	11,9%	6,3%	-0,1%	-13,3%		-5,1%	
subsidiaries	-8,1%	-1,0%	-3,9%	7,3%	-0,3%	1,3%	7,4%	-6,0%	-6,3%	-33,9%	-5,4%	11,2%	-4,7%		19,3%	
Backlog	235,8	224,4	313,9	306,4	294,3	356,2	301,6	291,2	302,6	313,4	373,4	326,7	498,6	65%	575,1	-13,3%
RMK net	41,9	36,9	32,9	20,7	0,4	-2,3	11,3	3,7	-3,1	23,0	15,7	7,6	27,7		7,3	279,7%
Net working capital	13,9	19,1	22,4	22,4	34,3	20,8	28,4	31,7	44,1	26,9	30,2	36,4	14,8	-66%	47,7	-69,0%
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		2,0	
P/E										5,8	5,8	9,9	24,5			
EV/EBITDA										3,0	2,9	3,8	5,6			

Source: 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.
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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 Q2'22*:

	number	%	number	%
Buy	3	60%	2	100%
Accumulate	0	0%	0	0%
Hold	2	40%	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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