

The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2019	2020	2021	
Price [PLN]	5,62	P/E	11,0	6,9	8,2	<b>Analyst:</b> Kajetan Sroczyński Kajetan.sroczyński@bdm.pl tel.: (+48) 668 516 977
MC [mln PLN]	54,0	EV/EBITDA	4,6	3,3	3,7	
		EV/EBIT	9,0	5,8	6,4	
		P/BV	0,7	0,6	0,6	

**Last recommendation BDM: ACCUMULATE with target price 6,32 PLN/share (11.10.2022) [LINK](#)**

**Q3'22 results vs BDM predictions [million PLN]**

	Q3'21	Q3'22	y/y	Q3'22E BDM	deviaton	Q1-Q3'21	Q1-Q3'22	y/y
<b>Sales</b>	<b>34,4</b>	<b>35,8</b>	<b>4,1%</b>	<b>36,8</b>	<b>-2,5%</b>	<b>101,1</b>	<b>113,5</b>	<b>12,3%</b>
Poland	9,3	7,9	-15,2%	10,3	-23,5%	29,6	32,9	11,0%
eksport	25,2	28,0	11,2%	26,5	5,6%	71,5	80,6	12,8%
Gross profit	7,0	4,8	-32,6%	6,4	-25,4%	21,4	18,1	-15,1%
Profit on sales	1,4	0,9	-38,7%	2,0	-57,0%	8,1	5,3	-34,2%
Other operating activity net	0,0	-0,3	-	0	-	0,0	-0,9	-
<b>EBITDA</b>	<b>4,6</b>	<b>2,3</b>	<b>-49,3%</b>	<b>3,8</b>	<b>-38,3%</b>	<b>13,2</b>	<b>9,5</b>	<b>-28,1%</b>
EBIT	2,9	0,6	-79,1%	2,0	-69,6%	8,2	4,4	-46,1%
Profit before tax	3,2	0,6	-80,4%	1,7	-64,2%	8,1	1,5	-81,5%
<b>Net profit</b>	<b>2,5</b>	<b>0,7</b>	<b>-71,5%</b>	<b>1,4</b>	<b>-49,4%</b>	<b>6,4</b>	<b>0,7</b>	<b>-89,0%</b>
Net Debt	4,7	15,2	223,4%	12,1	25,1%	4,7	15,2	223,4%
Gross margin	20,5%	13,3%		17,3%		21,1%	16,0%	
EBITDA margin	13,4%	6,5%		10,3%		13,1%	8,4%	
EBIT margin	8,5%	1,7%		5,5%		8,1%	3,9%	
Net margin	7,2%	2,0%		3,8%		6,3%	0,6%	

Source: Dom Maklerski BDM S.A., Relpol

- Q3'22 revenue was PLN 35.8m (+4% y/y), 2.5% below our forecasts. As anticipated, foreign exchange rates and product price increases had a positive impact on revenues.
- Sales on the Polish market fell 15.2% to PLN 7.9m, 23.5% below our assumptions. The Polish market share fell to 22%. By comparison, it was 27% in Q3'21 and 33% in Q2'22. The increase in domestic product prices was not sufficient to close the gap created by the negative sentiment in industry and domestic construction.
- Export sales increased by 11.2% y-o-y, above our expectations. Sales in Germany rose to PLN 15.3m (+ 25% y/y). This market now accounts for 43% of revenues (36% in Q3'21, 37% in Q2'22).
- Revenues from the Italian market increased by 52% y/y, q/q remains flat. Revenues from the Russian market fell to 0.
- The rest of the European market performed better than expected, with revenue growth of 52% y/y and 77% q/q.
- Gross profit margin declined sharply, well below our expectations. Cost pressures related to material prices, labour costs, third-party services and energy were higher than our expectations.
- Despite lower-than-expected general and administrative expenses as well as cost of sales, the EBITDA margin also fell sharply. The margin erosion is due to the high cost of sales.
- Operating cash flow amounted to PLN -2.5 million, the change in working capital amounted to PLN -3.8 million.
- CAPEX in the last quarter amounted to PLN 6.4 million, of which PLN 4.1 million was the acquisition of intangible assets. Working capital requirements increased. Receivables turnover increased from 86 days in Q2'22 to 97 days, inventory turnover increased from 91 to 100 days respectively.
- Net debt increased significantly (to PLN 15.2 million, from PLN 9.9 million in Q2'22). The net debt/EBITDA ratio currently stands at 1.1.

**BDM Comment:** We view Q3'22 results negatively. Although the company's revenues were close to our forecasts, cost pressures proved to be greater than we had anticipated. Domestic sales were hit hard by the low PMI and the slowdown in construction. Sales in Germany were close to our forecasts and rose in EUR terms. Sales in Europe excluding Italy and Germany were also a positive surprise. It was able to fill the gap left by the revenue generated in Russia. The company managed to reduce selling and general and administrative expenses, but cost of sales was too high to generate satisfactory profits. Accounts receivable and inventory turnover raised and consequently, working capital requirements increased.

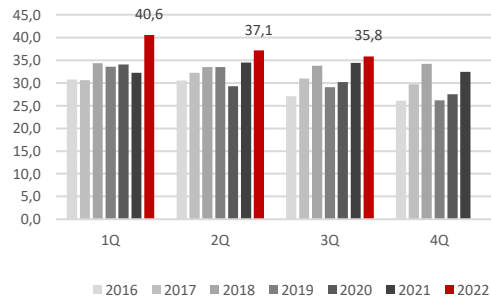


Results in previous quarters [million PLN]

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
<b>Sales</b>	<b>33,5</b>	<b>33,5</b>	<b>29,0</b>	<b>26,2</b>	<b>34,0</b>	<b>29,2</b>	<b>30,2</b>	<b>27,5</b>	<b>32,2</b>	<b>34,5</b>	<b>34,4</b>	<b>32,5</b>	<b>40,6</b>	<b>37,1</b>	<b>35,8</b>
Poland	9,3	9,3	8,3	9,2	9,3	7,6	8,8	7,2	9,9	10,5	9,3	10,6	12,7	12,4	7,9
Europe	21,7	19,1	22,3	14,7	22,4	20,9	21,3	17,0	20,3	22,8	21,8	19,1	24,2	23,1	25,5
-Germany	13,5	10,8	12,6	10,0	15,6	12,6	12,9	10,3	12,0	12,9	12,3	11,7	15,1	13,7	15,3
-other	8,2	8,3	9,7	4,7	6,8	8,3	8,5	6,7	8,4	9,9	9,5	7,4	9,1	9,4	10,1
Asia	1,5	0,8	1,0	1,3	1,9	0,6	0,6	1,3	1,7	1,3	1,3	1,8	2,7	1,1	1,8
Other	1,0	0,8	0,9	0,9	0,4	0,6	0,6	0,5	0,3	1,0	1,0	1,0	1,0	0,5	0,8
COGS	27,0	26,6	23,9	17,8	27,4	23,6	23,6	22,7	25,1	27,3	27,4	26,1	33,4	31,0	31,1
<b>Profit on sales</b>	<b>6,5</b>	<b>6,8</b>	<b>5,2</b>	<b>6,2</b>	<b>6,7</b>	<b>5,7</b>	<b>6,6</b>	<b>4,8</b>	<b>7,1</b>	<b>7,2</b>	<b>7,0</b>	<b>6,4</b>	<b>7,2</b>	<b>6,2</b>	<b>4,8</b>
SG&A	4,3	4,5	4,3	2,3	4,7	3,8	4,1	4,3	4,4	4,7	4,2	4,9	4,3	4,6	3,9
Other operating activity net	0,0	0,0	0,0	-0,1	-0,4	1,2	1,5	0,2	0,0	0,0	0,0	-0,4	0,2	-0,9	-0,3
<b>EBITDA</b>	<b>3,7</b>	<b>3,9</b>	<b>2,5</b>	<b>3,0</b>	<b>3,3</b>	<b>4,8</b>	<b>5,6</b>	<b>2,4</b>	<b>4,3</b>	<b>4,3</b>	<b>4,6</b>	<b>2,7</b>	<b>4,7</b>	<b>2,4</b>	<b>2,3</b>
<b>EBIT</b>	<b>2,2</b>	<b>2,3</b>	<b>0,9</b>	<b>1,3</b>	<b>1,6</b>	<b>3,0</b>	<b>3,9</b>	<b>0,7</b>	<b>2,7</b>	<b>2,5</b>	<b>2,9</b>	<b>1,0</b>	<b>3,1</b>	<b>0,7</b>	<b>0,6</b>
Financial balance	-0,2	0,0	0,3	-0,3	0,7	-0,3	0,2	0,3	0,1	-0,3	0,2	-0,8	0,0	-2,9	0,0
Profit before tax	2,0	2,3	1,2	1,0	2,2	2,7	4,1	1,0	2,8	2,2	3,2	0,3	3,1	-2,2	0,6
<b>Net profit</b>	<b>1,5</b>	<b>1,8</b>	<b>3,2</b>	<b>-1,6</b>	<b>1,7</b>	<b>1,7</b>	<b>3,1</b>	<b>1,3</b>	<b>2,2</b>	<b>1,7</b>	<b>2,5</b>	<b>0,2</b>	<b>2,3</b>	<b>-2,3</b>	<b>0,7</b>
S&G/sales	12,8%	13,5%	14,7%	9,0%	13,7%	13,0%	13,7%	15,6%	13,6%	13,7%	12,1%	15,2%	10,6%	12,4%	10,8%
<b>Gross margin</b>	<b>19,4%</b>	<b>20,4%</b>	<b>17,9%</b>	<b>23,6%</b>	<b>19,6%</b>	<b>19,4%</b>	<b>21,9%</b>	<b>17,5%</b>	<b>22,0%</b>	<b>20,9%</b>	<b>20,5%</b>	<b>19,6%</b>	<b>17,8%</b>	<b>16,6%</b>	<b>13,3%</b>
<b>EBITDA margin</b>	<b>11,0%</b>	<b>11,6%</b>	<b>8,7%</b>	<b>11,5%</b>	<b>9,8%</b>	<b>16,4%</b>	<b>18,7%</b>	<b>8,9%</b>	<b>13,4%</b>	<b>12,3%</b>	<b>13,4%</b>	<b>8,3%</b>	<b>11,6%</b>	<b>6,5%</b>	<b>6,5%</b>
<b>Net margin</b>	<b>4,6%</b>	<b>5,4%</b>	<b>2,7%</b>	<b>3,1%</b>	<b>5,2%</b>	<b>5,7%</b>	<b>10,3%</b>	<b>4,5%</b>	<b>6,9%</b>	<b>5,0%</b>	<b>7,2%</b>	<b>0,5%</b>	<b>5,9%</b>	<b>-6,4%</b>	<b>2,0%</b>
OCF	1,5	4,7	7,8	-0,6	3,7	3,6	1,5	3,8	3,7	-1,5	5,3	0,9	-3,9	2,7	-2,5
CAPEX	-2,5	-2,2	-3,6	-1,9	-0,6	-2,8	-4,2	-1,4	-3,1	-2,8	-6,7	-1,7	-2,3	-2,4	-6,4
FCF	-1,0	2,4	4,3	-2,5	3,1	0,8	-2,7	2,4	0,5	-4,3	-1,4	-0,8	-6,2	0,3	-8,9
Net debt	3,6	1,5	2,8	5,9	3,1	2,2	2,3	-0,2	-0,7	3,4	4,7	4,8	10,9	9,9	15,2
<b>Sales change y/y</b>	<b>-2,4%</b>	<b>0,0%</b>	<b>-14,0%</b>	<b>-23,4%</b>	<b>1,5%</b>	<b>-12,7%</b>	<b>4,0%</b>	<b>5,1%</b>	<b>-5,4%</b>	<b>18,0%</b>	<b>14,0%</b>	<b>18,0%</b>	<b>26,0%</b>	<b>7,6%</b>	<b>4,1%</b>
Poland	-13,6%	2,8%	-17,1%	-8,3%	0,1%	-18,1%	5,8%	-21,4%	6,7%	38,5%	5,2%	46,5%	28,3%	17,7%	-15,2%
Europe	3,5%	-13,4%	2,5%	-29,3%	3,1%	9,6%	-4,6%	15,3%	-9,2%	9,0%	2,2%	12,5%	19,0%	1,3%	16,8%
-Germany	1,7%	-9,4%	-0,5%	-16,2%	14,8%	16,8%	1,7%	2,3%	-23,1%	2,2%	-4,2%	14,3%	26,4%	6,0%	24,5%
-other	-20,2%	-17,5%	-1,9%	-69,3%	-13,7%	3,5%	-9,9%	185,3%	42,4%	26,7%	18,8%	-15,9%	0,2%	-30,3%	29,7%
Asia	-16,1%	-58,8%	-26,7%	-37,2%	21,9%	-28,0%	-37,3%	1,3%	-11,6%	116,8%	103,2%	37,5%	61,6%	-14,1%	41,3%
Other	26,3%	119,7%	56,6%	-30,3%	-61,1%	-20,7%	-31,0%	-48,7%	-21,4%	68,0%	57,5%	117,4%	215,3%	-48,1%	-22,9%
P/E	6,3	6,5	8,3	11,0	10,5	10,8	7,4	6,9	6,6	6,5	7,0	8,2	8,0	20,3	61,6
EV/EBITD	3,4	3,2	3,8	4,6	4,5	4,1	3,4	3,3	3,1	3,4	3,8	3,7	4,0	4,4	5,7

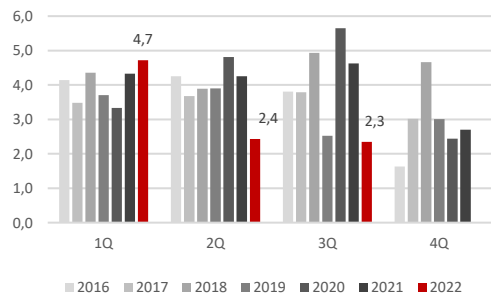
Source: Dom Maklerski BDM S.A., Relpol

Sales [million PLN]



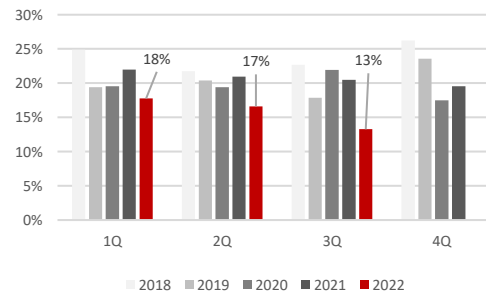
Source: Dom Maklerski BDM S.A., Relpol

EBITDA [million PLN]



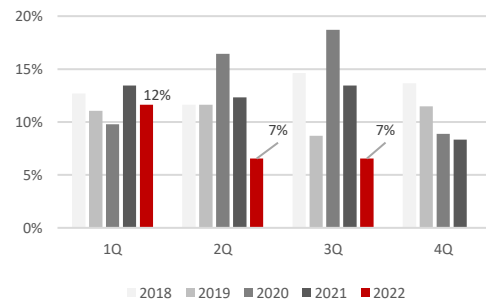
Source: Dom Maklerski BDM S.A., Relpol

Gross margin



Source: Dom Maklerski BDM S.A., Relpol

EBITDA margin



Source: Dom Maklerski BDM S.A., Relpol

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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
Akumuluj	6,32	kupuj	11,1	11.10.2022*	16:20 CEST	5,68	46 402,8
Buy	11,1	Buy	16,5	23.05.2022*	20:30 CEST	5,4	57 168
Buy	16,5	---	---	30.08.2021*	7:00 CEST	7,8	69 775

\* 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 Relpol between 2021 to 05.2022 was Krystian Brymora

**Distribution of BDM's recommendations in Q4'22\*:** , distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	6	55%	1	100%
Accumulate	2	18%	0	0%
Hold	2	18%	0	0%
Reduce	0	0%	0	0%
Sell	1	9%	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 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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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.

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