

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]	7,9	P/E	9,8	11,5	60,6	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	75,7	EV/EBITDA	4,7	5,1	7,1	
		EV/EBIT	4,7	5,1	7,1	
		P/BV	0,9	0,8	0,8	

Last recommendation BDM: BUY with target price 8,03 PLN/share (16.05.2023) [LINK](#)

Q1'23 results [PLN m]

	Q1'22	Q1'23	y/y	Q1'23F BDM	dev.
Sales	40,6	53,3	31,5%	43,7	22,0%
Gross profit	7,2	12,4	71,6%	7,6	61,8%
Profit on sales	2,9	7,4	155,1%	3,1	139,1%
EBITDA	4,7	9,0	91,5%	4,8	88,4%
EBIT	3,1	7,4	140,0%	3,1	139,0%
Profit before tax	3,1	7,1	129,0%	2,9	146,3%
Net profit	2,3	5,7	142,7%	2,3	149,0%
Gross margin	17,8%	23,2%		17,5%	
EBITDA margin	7,2%	13,9%		7,1%	
EBIT margin	7,6%	13,9%		7,1%	
Net margin	5,8%	10,7%		5,2%	

Source: BDM S.A., company

- The company published its Q1'23 results on Monday before the trading session.
- Q1'23 revenue amounted to PLN 53.3m (+32% y/y). Sales on the Polish market increased by 15% y/y. Export sales increased by 39% y/y (including 52% y/y in Germany, where relays for solar inverters posted very good sales).
- Gross margin improved significantly (23% in Q1'23 vs 18% a year ago and 16% in Q4'22). We note the stabilisation of material costs, the effects of increased automation and high demand in the RES area. The Ukrainian plant is currently operating at full capacity.
- Production profitability was 21% (sales of goods and others have a higher profitability, but their share is negligible in sales).
- EBITDA was PLN 9.0m (vs. PLN 4.7m a year ago), We expected PLN 4.8m. In general, we were cautious in our Q1'23 forecasts; the base was not low. At the same time, in our last analyst report we already pointed to positive trends that should materialise in 2023 results.
- Net income amounted to PLN 5.7m (vs. PLN 2.3m in Q1'22).
- Operating cash flow: PLN -6.9m (vs. PLN -3.9m a year ago). The increase in sales was also followed by an increase in receivables (although the turnover ratio calculated on a quarterly basis is more favourable than a year ago). Inventories and trade payables declined quarter-on-quarter.
- CAPEX: PLN 1.5m.
- Net debt after Q1'23: PLN 20.7m (vs. PLN 13.9m after Q4'22).
- The company indicated that the order backlog, for certain product groups related to the energy transition, has been growing since Q3-Q4'22 and is filled several months ahead, with some customers already placing orders for 2024. Management also points to the stabilisation of raw material and material costs.

BDM Comment: The Q1'23 results are a quarterly record in the company's history (PLN 9.0m EBITDA vs. PLN 4.7m a year ago). The Q1'22 earnings base was not as low as in subsequent quarters, which makes our assessment all the more positive. The company showed strong export growth (Germany: +42% y/y) and gross margin returned >20% for the first time since 2021. We can look critically at this point mainly at working capital (operating cash flow: PLN -6.9m), although the receivables turnover ratio is better than after Q1'22.

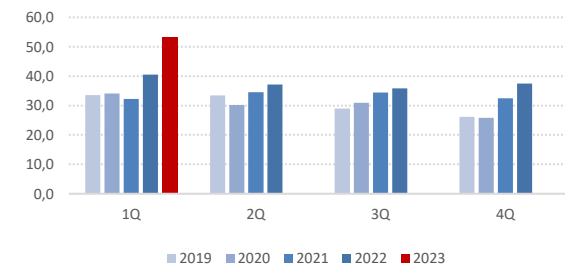


Results in previous quarters [PLN m]

	Q'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	Q4'22	Q1'23
Sales	33,5	33,5	29,0	26,2	34,0	30,1	31,0	25,8	32,2	34,5	34,4	32,5	40,6	37,1	35,8	37,5	53,3
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	14,5	14,6
Germany	13,5	12,8	1,6	19,0	15,6	13,1	12,4	10,3	12,0	12,9	12,3	11,7	15,1	13,7	15,3	12,9	23,0
Russia	2,7	2,9	2,4	2,2	2,0	3,5	1,1	1,3	1,8	1,9	1,9	2,2	2,1	3,0	0,0	0,0	0,0
Europe - other	5,4	6,4	15,4	-6,5	5,0	5,2	6,9	5,3	6,6	7,2	8,4	5,2	7,0	6,4	10,1	4,5	11,3
Asia	1,5	1,0	0,8	1,3	1,9	0,3	1,0	1,3	1,7	1,1	1,5	1,8	2,7	1,1	1,8	4,0	2,5
Other	1,0	1,2	0,5	0,9	0,4	0,4	0,8	0,5	0,3	0,9	1,1	1,0	1,0	0,5	0,8	1,5	1,9
Automation components	---	---	---	---	---	---	---	---	26,9	28,8	27,7	26,4	33,5	28,0	31,2	32,0	46,9
Goods	---	---	---	---	---	---	---	---	4,4	4,1	6,2	4,1	6,0	7,4	3,5	4,0	4,5
Other	---	---	---	---	---	---	---	---	0,9	1,5	0,6	1,9	1,0	1,7	1,2	1,4	2,0
Gross profit	6,5	6,8	5,2	6,2	6,7	6,1	6,8	4,2	7,1	7,2	7,0	6,4	7,2	6,2	4,8	6,0	12,4
Automation components	---	---	---	---	---	---	---	---	5,6	4,4	4,1	5,1	4,9	2,9	3,3	3,7	9,9
Goods	---	---	---	---	---	---	---	---	1,3	2,5	2,6	-1,1	2,1	2,9	1,3	1,6	1,8
Other	---	---	---	---	---	---	---	---	0,2	0,3	0,3	2,3	0,2	0,4	0,2	0,8	0,7
SG&A	4,3	4,5	4,3	4,9	4,7	4,7	4,6	3,0	4,4	4,7	4,2	4,9	4,3	4,6	3,9	4,4	4,9
Other operating activity	0,0	0,0	0,0	-0,1	-0,4	1,0	1,5	0,4	0,0	0,0	0,0	-0,4	0,2	-0,9	-0,3	0,0	0,0
EBITDA	3,7	3,9	2,5	3,0	3,3	4,2	5,4	3,3	4,3	4,3	4,6	2,7	4,7	2,4	2,3	3,2	9,0
EBIT	2,2	2,3	0,9	1,3	1,6	2,4	3,7	1,6	2,7	2,5	2,9	1,0	3,1	0,7	0,6	1,6	7,4
Net financial activity	-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	-0,3	-0,3
Profit before tax	2,2	2,1	3,9	1,9	2,8	2,2	3,2	0,3	3,1	-2,2	0,6	1,3	2,7	2,3	2,4	1,6	3,1
Net profit	1,5	1,8	0,7	0,8	1,7	1,7	3,1	1,3	2,2	1,7	2,5	0,2	2,3	-2,3	0,7	0,5	5,7
CFO	1,7	4,4	7,8	-0,6	3,7	3,6	4,1	1,2	3,7	-1,5	6,8	-0,6	-3,9	2,7	-1,7	1,1	-6,9
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	0,9	1,5
Net debt	3,6	0,9	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	13,9	20,7
Sales change y/y	-2,4%	0,0%	-	-	1,5%	-	6,6%	-1,3%	-5,4%	14,5	11,2	25,6%	26,0	7,6%	4,1%	15,4	31,5
Poland	-14%	3%	-17%	-8%	0%	-18%	6%	-21%	7%	39%	5%	47%	28%	18%	-15%	37%	15%
Germany	2%	7%	-87%	59%	15%	2%	656%	-46%	-23%	-2%	0%	14%	26%	6%	24%	10%	52%
Russia	39%	-27%	-19%	-33%	-27%	24%	-54%	-43%	-10%	-45%	74%	72%	16%	55%	-	-	-
Europe - other	-4%	2%	151%	-217%	-9%	-18%	-55%	-	33%	38%	20%	-3%	6%	-11%	21%	-13%	61%
Asia	-16%	-50%	-41%	-37%	22%	-75%	21%	1%	-12%	322%	54%	38%	62%	4%	19%	129%	-6%
Other	26%	239%	-16%	-30%	-61%	-64%	66%	-49%	-21%	112%	36%	118%	215%	-41%	-31%	42%	95%
Gross margin	19,4	20,4	17,9%	23,6%	19,6	20,2%	22,1	16,2%	22,0	20,9	20,5	19,6%	17,8	16,6%	13,3%	16,1	23,2
Automation components	---	---	---	---	---	---	---	---	20,9	15,2	14,9	19,4%	14,5	10,3	10,5%	11,5	21,1
Goods	---	---	---	---	---	---	---	---	28,5	60,8	42,0	-26,4%	35,7	39,6	36,6%	39,1	39,8
Other	---	---	---	---	---	---	---	---	22,8	21,4	59,7	119,6	20,1	20,4	18,6%	56,6	35,0
S&GA/sales	12,8	13,5	14,7%	18,5%	13,7	15,5%	14,9	11,6%	13,6	13,7	12,1	15,2%	10,6	12,4	10,8%	11,9	9,3%
EBITDA margin	11,0	11,6	8,7%	11,4%	9,8%	13,9%	17,5	12,8%	13,4	12,3	13,5	8,3%	11,6	6,5%	6,5%	8,6%	17,0
EBIT margin	6,6%	6,9%	3,0%	4,9%	4,6%	7,9%	12,0	6,1%	8,4%	7,3%	8,5%	3,2%	7,6%	1,9%	1,7%	4,2%	13,9
Net margin	4,5%	5,4%	2,5%	3,1%	5,1%	5,5%	10,0	4,9%	6,9%	5,0%	7,2%	0,5%	5,8%	-6,3%	2,0%	1,4%	10,7

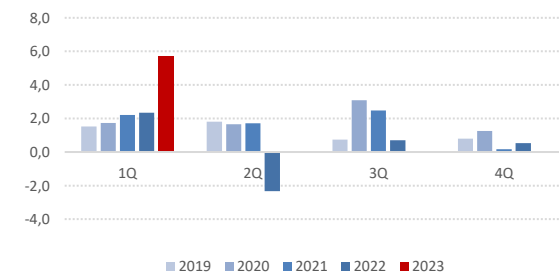
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



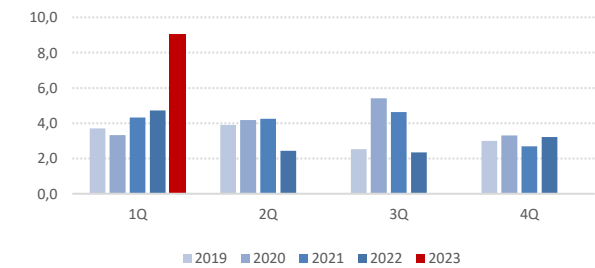
Source: Dom Maklerski BDM S.A., company

EBITDA [PLN m]



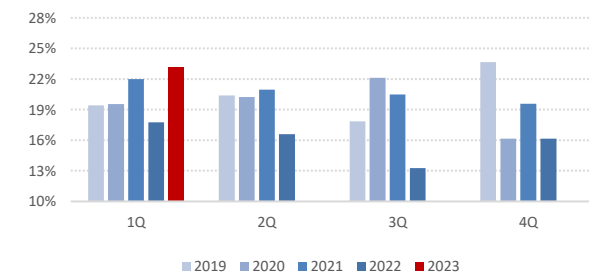
Source: Dom Maklerski BDM S.A., company

Gross margin



Source: Dom Maklerski BDM S.A., company

Net profit [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	8,03	Hold	5,62	16.05.2023*	8:55 CEST	6,14	63 691
Hold	5,62	Accumulate	6,32	16.12.2022*	11:40 CET	5,60	55 850,6
Accumulate	6,32	Buy	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
-- the author of the reports on Relpol between 10.2022 to 12.2022 was Kajetan Sroczyński

Distribution of BDM's recommendations in Q2'23*:

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

	number	%	number	%
Buy	7	64%	0	0%
Accumulate	1	9%	0	0%
Hold	3	27%	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>

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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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For the first time this report has been made available to the public on 23.05.2023 (08:30 CET). 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.

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- BDM is not a party to an agreement with the issuer relating to the production of the recommendation,
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*BDM is a party to the “ANALYTICAL REPORT PREPARATION SERVICES AGREEMENT” concluded with the WSE.

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