

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]	8,9	P/E	11,1	13,0	68,5	<b>Analyst:</b> Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	85,5	EV/EBITDA	5,3	5,7	7,8	
		EV/EBIT	5,3	5,7	7,8	
		P/BV	1,0	0,9	0,9	

**Last recommendation BDM: BUY with target price 10,48 PLN/share (09.06.2023) [LINK](#)**

**Q2'23 results [PLN m]**

	Q2'22	Q2'23	y/y	Q2'23F BDM	dev.	H1'22	H1'23	y/y
Sales	37,1	45,4	22,3%	45,2	0,4%	77,7	98,7	27,1%
Gross profit	6,2	10,0	62,5%	9,2	8,9%	13,4	22,4	67,4%
Profit on sales	1,6	5,0	217,5%	3,9	27,2%	4,5	12,4	176,9%
EBITDA	2,4	6,1	151,6%	5,6	9,2%	7,2	15,2	111,9%
EBIT	0,7	4,7	575,4%	3,9	21,2%	3,8	12,1	220,5%
Profit before tax	-2,2	4,2	---	3,5	19,4%	0,9	11,3	1179,0%
Net profit	-2,3	3,5	---	2,8	24,6%	0,0	9,2	---
Gross margin	16,6%	22,1%		20,4%		17,2%	22,7%	
EBITDA margin	4,2%	10,9%		8,6%		5,8%	12,5%	
EBIT margin	1,9%	10,4%		8,6%		4,9%	12,3%	
Net margin	-6,3%	7,7%		6,2%		0,0%	9,3%	

Source: BDM S.A., company

- The company published its Q1'23 results on Thursday before the trading session.
- Q2'23 revenue amounted to PLN 45.4m (+22% y/y). Sales on the Polish market fell by 5% y/y. Export sales increased by 38% y/y (including a 54% y/y increase in Germany - the impact of a good situation in the solar PV industry).
- Gross margin improved significantly y/y (22% in Q2'23 vs 17% a year ago and 23% in Q1'23). 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 22% vs 10% a year ago and 21% in Q1'23 (goods and other sales have higher profitability, but it was weaker both q/q and y/y).
- EBITDA was PLN 6.1m (vs. PLN 2.4m a year ago), We expected PLN 5.6m. Last year's base was not challenging (the outbreak of war in Ukraine led to perturbations in the company on both the revenue and production and cost sides). At the same time, we failed to repeat the record result of Q1'23, when EBITDA amounted to PLN 9.0m, mainly due to very good sales (in Q2'23, the economic situation in the industry was weaker with each month).
- Net income amounted to PLN 3.5m (vs. PLN -2.3m in Q2'22).
- Operating cash flow: PLN +3.9m (vs. PLN +2.7m a year ago).
- CAPEX: PLN 1.2m (PLN 2.7m in H1'23).
- Net debt after Q1'23: PLN 14.9m (vs. PLN 20.7m after Q1'23 - the decline was driven mainly by a PLN 4.8m subsidy).
- The company indicated that the order backlog for the main product groups is filled by the end of the year. The backlog of orders entering with longer lead times has declined sharply, and some have been postponed. Given the slowdown in demand in Europe, management expects weaker revenues and results in H2'23 vs H1'23. At the same time, management expects the full year 2023 to be better than last year.

**BDM Comment:** Q2'23 results were clearly better y/y (low base) and slightly better than our forecasts on profitability. The company showed strong export growth (Germany: +54% y/y), with weaker y/y domestic sales. At the same time, as we expected, a repeat of the record Q1'23 was not possible due to the deteriorating macro environment. The company is also taking a cautious approach to expectations for 2H'23, in which it may be difficult to repeat the 1H'23 results (we also pointed to such a scenario in our last recommendation of June'23, when we assumed PLN 13.7m net profit'23 - the 1H'23 execution is 67%). We point out that CAPEX is quite low after 1H'23; we expect higher expenses in 2H'23 due to ongoing investments, which should be completed in 2023.

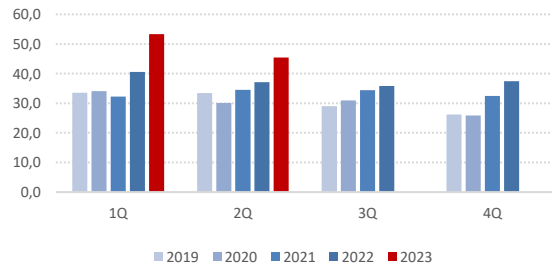


Results in previous quarters [PLN m]

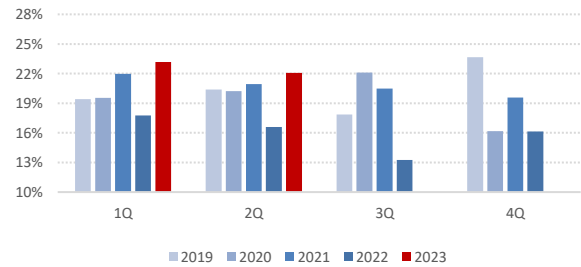
	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
<b>Sales</b>	<b>34,0</b>	<b>30,1</b>	<b>31,0</b>	<b>25,8</b>	<b>32,2</b>	<b>34,5</b>	<b>34,4</b>	<b>32,5</b>	<b>40,6</b>	<b>37,1</b>	<b>35,8</b>	<b>37,5</b>	<b>53,3</b>	<b>45,4</b>
Poland	9,3	7,6	8,8	7,2	9,9	10,5	9,3	10,6	12,7	12,4	7,9	14,5	14,6	11,7
Germany	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	21,1
Russia	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	0,0
Europe - other	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	7,8
Asia	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	3,2
Other	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	1,7
Automation components	---	---	---	---	26,9	28,8	27,7	26,4	33,5	28,0	31,2	32,0	46,9	40,9
Goods	---	---	---	---	4,4	4,1	6,2	4,1	6,0	7,4	3,5	4,0	4,5	3,1
Other	---	---	---	---	0,9	1,5	0,6	1,9	1,0	1,7	1,2	1,4	2,0	1,4
<b>Gross profit</b>	<b>6,7</b>	<b>6,1</b>	<b>6,8</b>	<b>4,2</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>	<b>6,0</b>	<b>12,4</b>	<b>10,0</b>
Automation components	---	---	---	---	5,6	4,4	4,1	5,1	4,9	2,9	3,3	3,7	9,9	9,2
Goods	---	---	---	---	1,3	2,5	2,6	-1,1	2,1	2,9	1,3	1,6	1,8	0,8
Other	---	---	---	---	0,2	0,3	0,3	2,3	0,2	0,4	0,2	0,8	0,7	0,0
SG&A	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	5,1
Other operating activity net	-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	-0,2
<b>EBITDA</b>	<b>3,3</b>	<b>4,2</b>	<b>5,4</b>	<b>3,3</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>3,2</b>	<b>9,0</b>	<b>6,1</b>
EBIT	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	4,7
Net financial activity	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	-0,6
Profit before tax	2,8	2,2	3,2	0,3	3,1	-2,2	0,6	1,3	7,1	4,2	3,5	3,0	5,2	4,2
<b>Net profit</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>	<b>0,5</b>	<b>5,7</b>	<b>3,5</b>
CFO	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	3,9
CAPEX	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	1,2
Net debt	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	14,9
<b>Sales change y/y</b>	<b>1,5%</b>	<b>-10,0%</b>	<b>6,6%</b>	<b>-1,3%</b>	<b>-5,4%</b>	<b>14,5%</b>	<b>11,2%</b>	<b>25,6%</b>	<b>26,0%</b>	<b>7,6%</b>	<b>4,1%</b>	<b>15,4%</b>	<b>31,5%</b>	<b>22,3%</b>
Poland	0%	-18%	6%	-21%	7%	39%	5%	47%	28%	18%	-15%	37%	15%	-5%
Germany	15%	2%	656%	-46%	-23%	-2%	0%	14%	26%	6%	24%	10%	52%	54%
Russia	-27%	24%	-54%	-43%	-10%	-45%	74%	72%	16%	55%	-100%	-100%	-100%	-100%
Europe - other	-9%	-18%	-55%	-183%	33%	38%	20%	-3%	6%	-11%	21%	-13%	61%	21%
Asia	22%	-75%	21%	1%	-12%	322%	54%	38%	62%	4%	19%	129%	-6%	181%
Other	-61%	-64%	66%	-49%	-21%	112%	36%	118%	215%	-41%	-31%	42%	95%	215%
<b>Gross margin</b>	<b>19,6%</b>	<b>20,2%</b>	<b>22,1%</b>	<b>16,2%</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>16,1%</b>	<b>23,2%</b>	<b>22,1%</b>
Automation components	---	---	---	---	20,9%	15,2%	14,9%	19,4%	14,5%	10,3%	10,5%	11,5%	21,1%	22,5%
Goods	---	---	---	---	28,5%	60,8%	42,0%	-26,4%	35,7%	39,6%	36,6%	39,1%	39,8%	25,9%
Other	---	---	---	---	22,8%	21,4%	59,7%	120%	20,1%	20,4%	18,6%	56,6%	35,0%	2,6%
S&GA/sales	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%	11,1%
<b>EBITDA margin</b>	<b>9,8%</b>	<b>13,9%</b>	<b>17,5%</b>	<b>12,8%</b>	<b>13,4%</b>	<b>12,3%</b>	<b>13,5%</b>	<b>8,3%</b>	<b>11,6%</b>	<b>6,5%</b>	<b>6,5%</b>	<b>8,6%</b>	<b>17,0%</b>	<b>13,5%</b>
EBIT margin	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%	10,4%
<b>Net margin</b>	<b>5,1%</b>	<b>5,5%</b>	<b>10,0%</b>	<b>4,9%</b>	<b>6,9%</b>	<b>5,0%</b>	<b>7,2%</b>	<b>0,5%</b>	<b>5,8%</b>	<b>-6,3%</b>	<b>2,0%</b>	<b>1,4%</b>	<b>10,7%</b>	<b>7,7%</b>

Source: Dom Maklerski BDM S.A., company

Sales [PLN m]

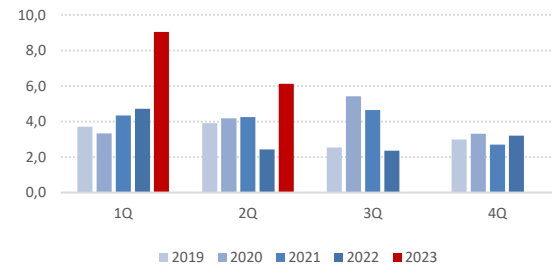


Gross margin



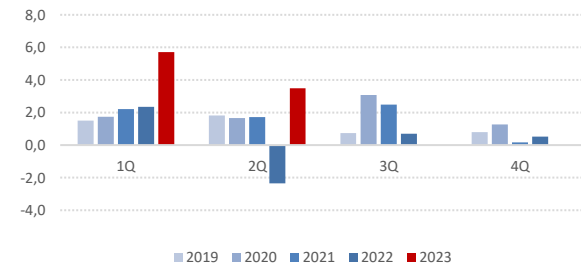
Source: Dom Maklerski BDM S.A., company

EBITDA [PLN m]



Source: Dom Maklerski BDM S.A., company

Net profit [PLN m]



Source: Dom Maklerski BDM S.A., company

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	10,48	Buy	8,03	09.06.2023	10:50 CET	8,90	66 513
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 Sroczynski

**Distribution of BDM's recommendations in Q3'23\*:** , distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	9	69%	0	0%
Accumulate	2	15%	0	0%
Hold	1	8%	0	0%
Reduce	1	8%	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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This report (hereinafter also referred to as an analysis, a document) 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.

The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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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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For the first time this report has been made available to the public on 14.09.2023 (11:25 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.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical “Monthly Report”.

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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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- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25<sup>th</sup> July 2005,
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- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares,
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\*BDM is a party to the “ANALYTICAL REPORT PREPARATION SERVICES AGREEMENT” concluded with the WSE.

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