

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]	7,2	P/E	8,9	10,5	55,2	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	69,0	EV/EBITDA	4,2	4,6	6,5	
		EV/EBIT	7,5	8,0	13,9	
		P/BV	0,8	0,7	0,7	

Last recommendation BDM: HOLD with target price 8,62 PLN/share (26.09.2023) [LINK](#)

Q3'23 results [PLN m]

	Q3'22	Q3'23	y/y	Q3'23F BDM	dev.	Q1-3'22	Q1-3'23	y/y
Sales	35,8	32,9	-8,1%	36,2	-8,9%	113,5	131,7	16,0%
Gross profit	4,8	5,3	12,4%	7,1	-24,8%	18,1	27,7	52,9%
Profit on sales	0,9	0,8	-6,9%	2,5	-67,5%	5,3	13,2	147,1%
EBITDA	2,3	-1,6	---	0,3	---	9,5	13,6	43,2%
EBIT	0,6	-3,1	---	-1,3	---	4,4	9,1	106,2%
Profit before tax	0,6	-2,7	---	-1,8	---	1,5	8,6	469,5%
Net profit	0,7	-2,1	---	-1,4	---	0,7	7,1	886,5%
Gross margin	13,3%	16,2%		19,6%		16,0%	21,0%	
EBITDA margin	2,4%	2,4%		6,8%		4,7%	10,0%	
EBIT margin	1,7%	-9,3%		-3,7%		3,9%	6,9%	
Net margin	2,0%	-6,4%		-3,8%		0,6%	5,4%	

Source: BDM S.A., company

- The company published its Q3'23 results before the trading session today.
- Q3'23 revenue amounted to PLN 32.9m (-8% y/y). Sales on the Polish market increased by 20% y/y. Export sales fell by -17% y/y (including -5% y/y in Germany; sales to other European markets fell significantly; sales to Russia were already zero a year ago).
- Gross margin improved markedly y/y (16% in Q3'23 vs. 13% a year ago, but these levels are quite lower than in H1'23). We note the stabilisation of material costs but, on the other hand, the strong PLN in July and August, which limited export margins.
- Production profitability was 15% vs. 10% a year ago and 22% in 1H'23 (goods sales have higher profitability, but its contribution is small).
- EBITDA was PLN -1.6m (vs. PLN 2.3m a year ago). We expected PLN 0.3m.
- Last year's base was undemanding, and we also factored in a PLN 3.85m write-down of R&D expenditures in our forecasts (after the project's final settlement with NCBiR, the amount may be finally reduced by the PLN 1.7m grant received).
- The result is weaker than we expected, both in terms of sales and production profitability.
- The net result was PLN -2.1m (vs. PLN +0.7m in Q3'22).
- Operating cash flow: PLN +4.2m (vs. PLN -1.7m a year ago).
- CAPEX: PLN 4.0m in Q3'23 (vs. PLN 2.7m in the entire H1'23).
- Q3'23 net debt: PLN 18.8m (vs. PLN 14.9m in Q2'23, with CAPEX and a "negative" grant balance responsible for the increase).
- The Company expects stagnation in the domestic and European markets in Q4'23, the level of orders placed with delivery dates for Q4'23 and early 2024 is low. An improvement is expected at the turn of Q1/2'24. The company's hopes are pinned on a slight rebound in PMI indicators, the unlocking of funds for the green transition or investments in the modernisation of the energy sector. Customer inventories should also decrease, which should generate new orders.

BDM Comment: Q3'23 results were weaker y/y and below our expectations. EBITDA was weighed down by an R&D write-down (which we had already signalled in our forecasts). We had assumed that the H1'23 results were not repeatable due to the weakening macro, but at the same time both sales and profitability in Q3'23 were weaker than expected. Sales to European markets other than Germany were particularly weak. The company expects weak demand in Q4'23 and early Q1'24, with an improvement expected in Q1/2'24. After Q1-3'23, net profit is PLN 7.1m. With a repeat of the clean Q3'23 result in Q4'23, we would expect an addition of a few hundred thousand PLN to this figure in Q4'23 (plus a possible reversal of a PLN 1.7m charge). In our last recommendation from September, we expected a net profit of PLN 12.6m in 2023 (before the information about the write-down that appeared in Q3'23), which seems to be beyond the company's reach at the moment.

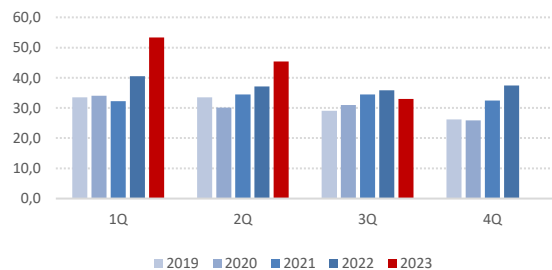


Results in previous quarters [PLN m]

	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	Q3'23
Sales	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	45,4	32,9
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	9,4
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	14,5
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	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	5,2
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	1,4
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	2,4
Automation components	---	---	---	---	26,9	28,8	27,7	26,4	33,5	28,0	31,2	32,0	46,9	40,9	29,5
Goods	---	---	---	---	4,4	4,1	6,2	4,1	6,0	7,4	3,5	4,0	4,5	3,1	2,3
Other	---	---	---	---	0,9	1,5	0,6	1,9	1,0	1,7	1,2	1,4	2,0	1,4	1,2
Gross profit	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	10,0	5,3
Automation components	---	---	---	---	5,6	4,4	4,1	5,1	4,9	2,9	3,3	3,7	9,9	9,2	4,4
Goods	---	---	---	---	1,3	2,5	2,6	-1,1	2,1	2,9	1,3	1,6	1,8	0,8	0,7
Other	---	---	---	---	0,2	0,3	0,3	2,3	0,2	0,4	0,2	0,8	0,7	0,0	0,2
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	4,5
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	-3,9
EBITDA	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	6,1	-1,6
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	-3,1
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	0,3
Profit before tax	2,8	2,2	3,2	0,3	3,1	-2,2	0,6	1,3	7,1	4,2	-2,7	4,0	4,8	3,8	2,4
Net profit	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	3,5	-2,1
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	2,3	4,2
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	4,0
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	18,8
Sales change y/y	1,5%	-10,0%	6,6%	-1,3%	-5,4%	14,5%	11,2%	25,6%	26,0%	7,6%	4,1%	15,4%	31,5%	22,3%	-8,1%
Poland	0%	-18%	6%	-21%	7%	39%	5%	47%	28%	18%	-15%	37%	15%	-5%	20%
Germany	15%	2%	656%	-46%	-23%	-2%	0%	14%	26%	6%	24%	10%	52%	54%	-5%
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%	-49%
Asia	22%	-75%	21%	1%	-12%	322%	54%	38%	62%	4%	19%	129%	-6%	181%	-20%
Other	-61%	-64%	66%	-49%	-21%	112%	36%	118%	215%	-41%	-31%	42%	95%	215%	219%
Gross margin	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%	22,1%	16,2%
Automation components	---	---	---	---	20,9%	15,2%	14,9%	19,4%	14,5%	10,3%	10,5%	11,5%	21,1%	22,5%	15,0%
Goods	---	---	---	---	28,5%	60,8%	42,0%	-26,4%	35,7%	39,6%	36,6%	39,1%	39,8%	25,9%	32,2%
Other	---	---	---	---	22,8%	21,4%	59,7%	120%	20,1%	20,4%	18,6%	56,6%	35,0%	2,6%	14,3%
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%	13,8%
EBITDA margin	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%	13,5%	-4,7%
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%	-9,3%
Net margin	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%	7,7%	-6,4%

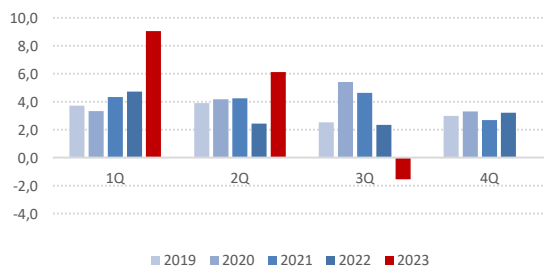
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



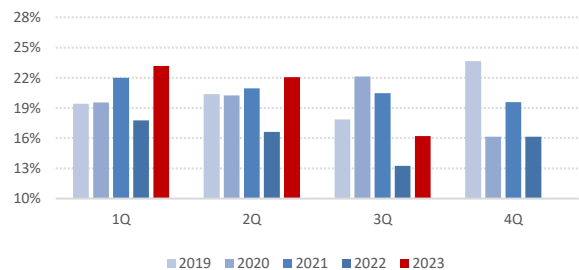
Source: Dom Maklerski BDM S.A., company

EBITDA [PLN m]



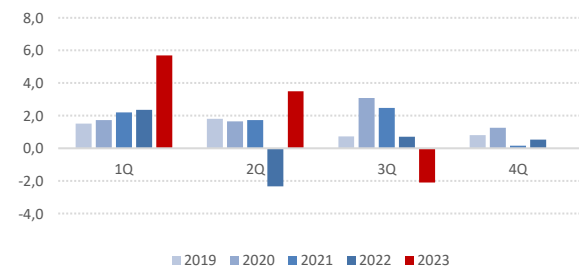
Source: Dom Maklerski BDM S.A., company

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
Hold	8,62	Buy	10,48	26.09.2023*	12:20 CET	8,52	65 687
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 Sroczyski

Distribution of BDM's recommendations in Q4'23*:

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

	number	%	number	%
Buy	2	100%	0	0%
Accumulate	0	0%	0	0%
Hold	0	0%	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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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>), 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 20.11.2023 (14:55 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".

In the opinion of BDM this report has been prepared observing principles of methodological correctness and objectivity on the basis of sources available to the public which BDM considers reliable. The sources of information used in recommendation are all data related to financial instruments concerned and available to an analyst, including current and periodic reports of the company, current and periodic reports of entities used for comparative valuation, business reports, press releases and other. However, BDM S.A., in no case, guarantees the accuracy and completeness of this report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. The forecasts presented in the report are solely based on the analysis made by BDM without consultations with companies or other entities and are based on a number of assumptions which could prove to be wrong in the future. BDM does not guarantee that the presented forecasts will prove right.

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We have not identified significant conflicts of interest between BDM and persons associated with BDM and the financial instrument issuer. If a conflict of interest arises BDM shall manage it by applying the principles defined in the "Policy of management of conflicts of interest at the BDM S.A.". We point out that as for 20.11.2023:

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- BDM is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The person that participated in preparing recommendation is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
- BDM is not a market maker or liquidity provider in the financial instruments of the issuer,
- 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 25th July 2005,
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to section A and B of Annex I to the Directive 2014/65/EU of the European Parliament and of the Council (hereinafter the Directive 2014/65/EU),
- BDM is not a party to an agreement with the issuer relating to the production of the recommendation,
- There is other significant financial interest that BDM or its related affiliates have in relation to the issuer of financial instruments*
- There are no significant connections between BDM or its related affiliates and the issuer of financial instruments,
- 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,
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them,
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*BDM is a party to the "ANALYTICAL REPORT PREPARATION SERVICES AGREEMENT" concluded with the WSE.

According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

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