

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

			2021	2022	2023	
Price [PLN]	6,8	P/E	10,0	52,6	7,7	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	65,7	EV/EBITDA	4,4	6,3	5,2	
		EV/EBIT	7,7	13,3	8,0	
		P/BV	0,7	0,7	0,6	

Last recommendation BDM: HOLD with target price 7,42 PLN/share (05.02.2024) [LINK](#)

Q4'23 results [PLN m]

	Q4'22	Q4'23	y/y	2022	2023	y/y
Sales	37,5	27,8	-25,7%	151,0	159,5	5,6%
Gross profit	6,0	4,7	-22,8%	24,2	32,4	34,0%
Profit on sales	1,6	-0,3	-117,3%	6,9	12,9	85,9%
EBITDA	3,2	3,6	11,4%	12,7	17,2	35,1%
EBIT	1,6	2,0	28,9%	6,0	11,1	85,8%
Profit before tax	1,3	1,4	12,3%	2,8	10,0	259,5%
Net profit	0,5	1,5	181,0%	1,2	8,6	586,5%
Gross margin	16,1%	16,8%		16,0%	20,3%	
EBITDA margin	8,6%	12,8%		8,4%	10,8%	
EBIT margin	4,2%	7,3%		4,0%	7,0%	
Net margin	1,4%	5,4%		0,8%	5,4%	

Source: BDM S.A., company

Standalone 2023 results vs preliminary results [PLN m]

	2022S	2023S	y/y	2023S E	dev.
Sales	146,5	159,5	8,9%	159,5	0,0%
Gross profit	22,3	30,4	36,0%	30,6	-0,7%
EBITDA	12,5	15,7	25,2%	13,2	18,5%
EBIT	5,9	9,7	63,1%	7,2	33,9%
Net profit	4,4	7,2	64,8%	---	---
Gross margin	15,2%	19,0%		19,2%	
EBITDA margin	8,5%	9,8%		8,3%	
EBIT margin	4,0%	6,1%		4,5%	
Net margin	3,0%	4,5%		---	

Source: BDM S.A., company

- The company already reported preliminary standalone results for 2023 in mid-February'24. The final standalone results are higher mainly due to the final settlement of a grant from NCBiR (in Q3'23, the company wrote off R&D project costs of PLN 3.9m, and in Q4'23 a grant of PLN 1.8m was booked, which was not included in the preliminary results).
- Below is a commentary on the final consolidated results.
- Relpol's Q4'23 revenue was PLN 27.8m (-26% y/y). Sales on the Polish market fell by 39% y/y. Export sales fell by -17% y/y (including in Germany by -4% y/y).
- Gross margin was slightly higher y/y (17% vs 16% a year ago, but these levels are quite lower than in 1H'23). We note the stabilisation of material costs, but on the other hand, the strong PLN may have limited export margins.
- Q4'23 production profitability was only 4% and merchandise sales were 66% - the question is whether the company made any adjustments here relative to Q1-3'23 results as such margins indicate a large deviation from the norm.
- EBITDA was PLN 3.6m (vs. PLN 3.2m a year ago). The result is supported by a PLN +2.3m balance of other operating activities (including a PLN 1.8m grant).
- Net income was PLN 1.5m (vs. +PLN 0.5m in Q4'22).
- Operating cash flow: PLN +0.4m (vs. PLN +1.1m a year ago).
- CAPEX: PLN 8.8m in Q4'23 (PLN 15.5m in FY2023).
- Net debt after Q4'23: PLN 23.7m (vs. PLN 13.9m a year ago).
- In March 2024, the company completed an investment in the creation of a new bistable relay and a prototype automatic assembly line (the line provides the ability to produce both bistable relays and will increase the production potential of industrial monostable relays). In 2024, products from this line will be incorporated into sales.
- According to the management, the current year will be a challenging one for the company, primarily related to a period of lower order books and the continuing economic slowdown. The most important task ahead of the company in 2024 will be to acquire new customers and projects in existing markets and to expand the sales reach to new markets for the built-up production potential. Management points out that it has recently succeeded in acquiring new projects from the Middle East (Saudi Arabia, UAE). The company is counting on the economic recovery in 2H'24 in Europe and the impact of KPO funds on the Polish market. At the same time, management points out that competitive pricing pressure has intensified since 2H'23.
- The company estimates that, on average, on an annual basis, the excess of foreign exchange inflows over outflows is approximately EUR 6.0 million. The company did not enter into hedging transactions in 2022 and 2023.
- The company has indicated that Q1'24 revenue could be 40% lower y/y, at c. PLN 32m (a level similar to Q1'21). Negative dynamics are influenced by a high base, continued weakness since H2'23, and the impact of sanctions on Russia on the order backlogs of some of the company's customers).
- Management also indicated that, according to the Relays Global Market Report 2024 of January 2024, the global relay market will grow from USD 6.86bn in 2023 to USD 7.05bn in 2024, and is expected to reach USD 8.65bn in 2028. Growth is expected to be driven by investment in solar power projects and the growing number of electric vehicles.

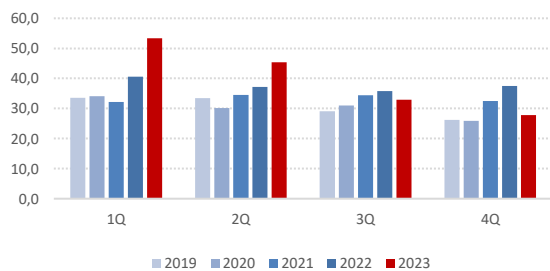
BDM Comment: Q4'23 results are not surprising in light of the preliminary standalone results presented earlier (apart from the booking of grant, which we assumed earlier for Q1'24). The company reported a strong decline in revenues and gross margin on sales has clearly corrected against 1H'23. The start of the year promises to be weak (large y/y revenue decline in 1Q'24). The Company points to increasing price pressure, and the appreciation of the PLN vs. the EUR is also unfavourable. The Company completed a key investment project at the beginning of the year. The company now faces the challenge of acquiring new markets and customers. Management is counting on an upturn in H2'24.

Results in previous quarters [PLN m]

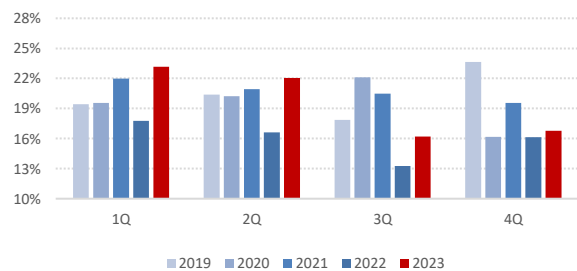
	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Sales	34,0	30,1	31,0	25,8	32,2	34,5	34,4	32,5	40,6	37,1	35,8	37,5	53,3	45,4	32,9	27,8
Poland	9,3	7,6	8,8	7,2	9,9	10,5	9,3	10,6	12,7	12,4	7,9	14,5	14,6	11,7	9,4	8,8
Germany	15,6	13,1	12,4	10,3	12,0	12,9	12,3	11,7	15,1	13,7	15,3	12,9	23,0	21,1	14,5	12,4
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	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	3,1
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	1,8
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	1,7
Automation components	---	---	---	---	26,9	28,8	27,7	26,4	33,5	28,0	31,2	32,0	46,9	40,9	29,5	24,2
Goods	---	---	---	---	4,4	4,1	6,2	4,1	6,0	7,4	3,5	4,0	4,5	3,1	2,3	2,9
Other	---	---	---	---	0,9	1,5	0,6	1,9	1,0	1,7	1,2	1,4	2,0	1,4	1,2	0,8
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	4,7
Automation components	---	---	---	---	5,6	4,4	4,1	5,1	4,9	2,9	3,3	3,7	9,9	9,2	4,4	0,8
Goods	---	---	---	---	1,3	2,5	2,6	-1,1	2,1	2,9	1,3	1,6	1,8	0,8	0,7	1,9
Other	---	---	---	---	0,2	0,3	0,3	2,3	0,2	0,4	0,2	0,8	0,7	0,0	0,2	1,9
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	4,9
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	2,3
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	3,6
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	2,0
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	-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	-2,7	1,4	0,6	2,5	1,5	0,6
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	1,5
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	0,4
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	8,8
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	23,7
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%	-25,7%
Poland	0%	-18%	6%	-21%	7%	39%	5%	47%	28%	18%	-15%	37%	15%	-5%	20%	-39%
Germany	15%	2%	656%	-46%	-23%	-2%	0%	14%	26%	6%	24%	10%	52%	54%	-5%	-4%
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%	-31%
Asia	22%	-75%	21%	1%	-12%	322%	54%	38%	62%	4%	19%	129%	-6%	181%	-20%	-56%
Other	-61%	-64%	66%	-49%	-21%	112%	36%	118%	215%	-41%	-31%	42%	95%	215%	219%	19%
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%	16,8%
Automation components	---	---	---	---	20,9%	15,2%	14,9%	19,4%	14,5%	10,3%	10,5%	11,5%	21,1%	22,5%	15,0%	3,5%
Goods	---	---	---	---	28,5%	60,8%	42,0%	-26,4%	35,7%	39,6%	36,6%	39,1%	39,8%	25,9%	32,2%	66,4%
Other	---	---	---	---	22,8%	21,4%	59,7%	120%	20,1%	20,4%	18,6%	56,6%	35,0%	2,6%	14,3%	246,4%
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%	17,8%
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%	12,8%
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%	7,3%
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%	5,4%

Source: Dom Maklerski BDM S.A., company

Sales [PLN m]

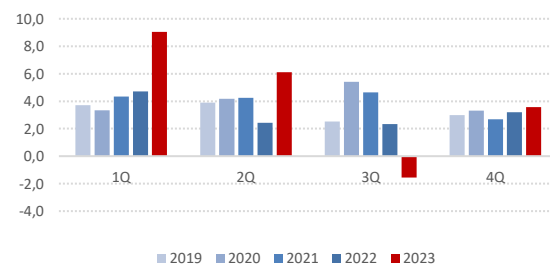


Gross margin



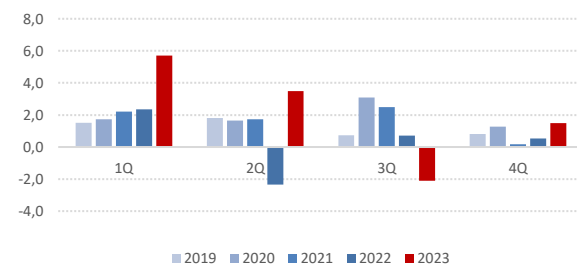
Source: Dom Maklerski BDM S.A., company

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
Hold	7.42	Hold	8.62	05.02.2024*	14:30 CET	7.10	80 119
Hold	8.62	Buy	10.48	26.09.2023*	12:20 CET	8.52	65 687
Buy	10.48	Buy	8.03	9.06.2023*	10:50 CET	8.90	66 513
Buy	8.03	Hold	5.62	16.05.2023*	08:55 CET	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 Q2'24*: , 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	40%	0	0%
Accumulate	2	40%	0	0%
Hold	1	20%	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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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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For the first time this report has been made available to the public on 25.04.2024 (10:55 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”.

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Each of the above-mentioned persons could carry out transaction relating to the financial instruments concerned prior to this publication. At the same time, however, the instruments concerned are entered in the restrictive list for employees of the Analysis Department immediately at the start of work on the report.

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 25.04.2024:

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- 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.

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