



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	2021F	2022F	2023F	
Price [PLN]	7,60	P/E	15,0	9,4	9,8	10,0	<b>Analyst:</b> Krystian Brymora krystian.brymora@bdm.pl tel.: (+48) 501 238 443
MC [mln PLN]	73,0	EV/EBITDA	6,0	4,5	4,7	4,0	
		EV/EBIT	11,9	7,9	7,9	6,9	
		P/BV	0,9	0,8	0,8	0,7	

**Last recommendation BDM: BUY with target price 16,5 PLN/share (2021/08/30) [LINK](#)**

**BDM comment:** The results for Q3'21 turned out to be in line with our expectations in terms of revenues and gross margin, hence **we assess them neutral**. The positive surprise at the EBITDA level (PLN 4.6m, + 15.5% vs. expectations) is the result of lower administrative costs by approx. PLN 0.5m. **Please note that the result base is overestimated by one-off events**. In Q3'20, the company cleared PLN 1.3 million of support for FGŚP, hence, as we wrote in the last analytical report and the [results forecast for Q3'21](#), we expected a decline in the reported data. We expect an upward trend in Q4'21.

The lower FCF than our assumptions and, consequently, an increase in net debt is the result of a higher increase in receivables and working capital as well as higher CAPEX. Capital expenditures in 3Q'21 amounted to PLN 6.5 million, which probably resulted from the investment schedule for the new hall. Its commissioning is to be completed in Q4'21 (total project cost PLN 9 million). The hall will enable the power of miniature relays to increase by 30%.

The Management Board commented on the results for Q1-3'21 positively. "Customers concerned about the extended delivery times for materials and goods, especially from Asia, as well as the rising prices, placed and continues to place orders well in advance. Thus, high demand and growing order backlog were conducive to generating revenues, but the **challenge was to provide materials to fulfill these orders**. The availability of raw materials and materials was deteriorating with each passing month and their prices were rising, which in turn resulted in an increase in production costs. ". According to the management board, the company is optimizing production processes and increasing inventories. This situation is also expected to continue in Q4'21.

We note the currently high demand for electromagnetic relays and significant increases in the valuations of foreign competitors. Thus, the **normalization of the availability of electronic components would provide the basis for raising the assumptions for 2022**. In addition, the high demand for relays allows you to successfully transfer the growing costs to the price of final products, which means at least maintaining the current margins.

We maintain our assumptions from the last RA for the company on August 30, 2021. [Relpol Buy PLN 16.5 / share](#)

**Q3'21 results [PLNm]**

	IQ'19	IIQ'19	IIIQ'19	IVQ'19	IQ'20	IIQ'20	IIIQ'20	IVQ'20	IQ'21	IIQ'21	IIIQ'21	YoY	IIIQ'21F BDM	Diff.	2018	2019	2020	YoY	
Revenues	33,5	33,5	29,0	26,2	34,0	30,1	31,0	25,8	32,2	34,5	34,4	11%	34,7	-0,7%	130,2	122,2	121,0	-1%	
Relpol SA	31,7	30,7	27,1	25,9	33,0	28,1	29,5	27,4	30,8	33,3	33,1	12%			121,6	115,4	117,9	2%	
Poland	9,3	9,3	8,3	9,2	9,3	7,6	8,8	7,2	9,9	10,5	9,3	5%	9,2	0,2%	36,9	36,1	32,9	-9%	
Export	24,3	24,2	20,7	17,0	24,8	22,6	22,2	18,6	22,3	24,0	24,0	8%	25,4	-5,6%	93,3	86,2	88,1	2%	
Gross profit on sales	6,5	7,4	5,2	6,2	6,7	6,1	6,8	4,3	7,1	7,2	7,0	3%	7,0	0,8%	28,0	25,2	23,9	-5%	
EBITDA	3,7	3,9	2,5	3,0	3,3	4,2	5,4	3,3	4,3	4,3	4,6	-15%	4,0	15,5%	14,8	13,1	16,2	24%	
Relpol SA	3,4	3,6	3,1	2,5	3,6	3,5	5,1	5,1	3,7	3,9	4,3	-16%			15,4	12,7	17,3	37%	
EBITDA adj.	3,7	4,4	2,6	3,0	3,8	3,2	4,0	3,1	4,3	4,2	4,6	16%	4,0	14,7%	15,8	13,8	14,0	2%	
EBIT	2,2	2,3	0,9	1,3	1,6	2,4	3,7	1,6	2,7	2,5	2,9	-21%	2,3	27,1%	8,6	6,7	9,2	39%	
Gross profit	2,0	2,3	1,2	1,0	2,2	2,1	3,9	1,9	2,8	2,2	3,2	-19%	1,9	69,9%	8,7	6,4	10,1	56%	
Net profit	1,5	1,8	0,7	0,8	1,7	1,7	3,1	1,3	2,2	1,7	2,5	-20%	1,5	68,9%	6,5	4,9	7,7	59%	
Relpol SA	1,4	1,9	1,3	0,4	2,0	1,2	2,8	1,1	1,8	1,8	2,4	-15%			6,7	5,1	7,1	41%	
Gross margin on sales	19,4%	22,0%	17,9%	23,6%	19,6%	20,2%	22,1%	16,8%	22,0%	20,9%	20,5%		20,2%		21,5%	20,7%	19,8%		
EBITDA margin	11,0%	11,6%	8,7%	11,4%	9,8%	13,9%	17,5%	12,8%	13,4%	12,3%	13,4%		11,5%		11,4%	10,7%	13,4%		
Net margin	4,5%	5,4%	2,5%	3,1%	5,1%	5,5%	10,0%	4,9%	6,9%	5,0%	7,2%		4,2%		5,0%	4,0%	6,4%		
Dynamics YoY																			
Sales	-2%	0%	-14%	-23%	2%	-10%	7%	-1%	-5%	15%	11%				10%	-10%	-1%		
Poland	-14%	3%	-17%	-8%	0%	-18%	6%	-21%	7%	39%	5%				11%	-9%	-9%		
Export	3%	-1%	-13%	-30%	2%	-7%	7%	10%	-10%	6%	8%				10%	-10%	2%		
EBITDA	-15%	0%	-49%	-36%	-10%	7%	114%	11%	30%	2%	-15%				28%	-27%	24%		
EBITDA adj.	-29%	9%	-43%	-40%	2%	-28%	54%	2%	15%	32%	16%				27%	-27%	2%		
Net working capital	53,3	53,8	49,1	51,3	50,3	51,0	53,1	49,4	51,1	55,8	53,9	2%	51,7	4,2%	52,3	51,3	49,4	-4%	
FCF	-0,7	2,2	4,7	-2,5	3,1	0,8	-0,1	0,4	1,4	-4,1	-1,2		3,3		4,1	3,7	4,2	13%	
FCF 12m/MC	2%	3%	9%	5%	10%	8%	2%	6%	3%	-3%	-5%		1%		5,6%	5,1%	5,8%		
Net debt	3,6	1,5	2,8	6,0	3,1	2,2	2,3	-0,2	-0,7	3,4	4,7	106%	0,6	>8x	2,8	6,0	-0,2		
P/E 12m											8,8	9,5							
EV/EBITDA 12m											4,4	4,7							

This report 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. Detailed contents of legal notes is located on the last page of this report. The report has been prepared and made available for distribution by BDM. GPW shall be a copyright holder to this report from the date of its publication. The report can be published and made available without limitation by GPW through any mass communication media as decided by GPW. This document is a summary of a full version of the report prepared in Polish. In case of any disputes the Polish version shall prevail.

*Source: 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

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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.  
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rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	16,5	---	---	30.08.2021*	07:00 CEST	7,8	69 774,9

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

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, 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%	3	100%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

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