

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]	6,10	P/E	12,1	7,6	7,8	18,5	Analyst: Krystian Brymora krystian.brymora@bdm.pl tel.: (+48) 501 238 443
MC [mln PLN]	58,6	EV/EBITDA	4,9	3,6	3,8	4,4	
		EV/EBIT	9,7	6,3	6,4	10,5	
		P/BV	0,7	0,7	0,6	0,6	

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

On Thursday, March 17, 2022, during the trading session, the Company published its estimated standalone results for 2021, which were probably affected by one-offs. In the short term, the negative impact of the war on results, in the long term, the opportunity for order growth as a result of potential shortening of supply chains by European customers.

BDM comment: the reported results were below our expectations in terms of standalone EBITDA by ca. -21%. despite comparable sales and a relatively high gross margin. Thus, the results had to be affected by either higher SG&A expenses or other operating expenses (write-downs). As a result of the war in Ukraine, the Company was able to write down the value of its shares in DP Altera to zero (ca. PLN -0.4m), and the results could also be affected by the liquidation of Relpol Elektronik, which the Company announced in an ESPI 11.01.22 (resulting from the expansion of the plant in Żary). **Without the write-downs the results would have been in line with our expectations. The Company will publish a full report on 28.04.2022.**

Due to the outbreak of war in Ukraine and the need to move relay assembly to Poland, we see a serious risk that our 2022 forecasts will be revised. In our last analyst report in August 2021, we expected comparable EBITDA in 2022 y/y (ca. PLN 16m). **We note and reiterate that the Ukrainian plant accounted for ca. 10% of Relpol's EBITDA, however the transfer of assembly to Poland will certainly contribute to an increase in personnel costs, which is difficult to estimate at this point.**

The impact of the war in Ukraine: The Company informed in the ESPI 23.02.2022 about reorganization of production (relay assembly to be moved from Ukraine to Żary within 4 months), only to stop assembly 2 days later after the outbreak of war. We commented the situation on an ongoing basis in the morning bulletins of 24.02.2022 ([link](#)) and 28.02.2022 ([link](#)).

According to the management in the current announcement, after 2.5 weeks of stoppage, the plant has resumed operations to a limited extent, as it is safe for the employees of that company.

In 2021, Relpol's sales to the target market of Russia and Belarus amounted to approximately PLN 7.6m (5.9%). Due to military operations and the resulting limitations, deliveries to those customers of the Company whose target customers come from the Ukrainian market were also suspended after 24 February. In 2021, the value of such transactions amounted to ca. PLN 2.4 million (1.9%). **The company's total exposure to the markets of Russia, Ukraine and Belarus accounts for 7.8% of Relpol sales.**

We see significant risks to our 2022 forecasts in our last RA for the company on August 30, 2021. [Relpol Buy PLN 16.5 / share](#)

Q4'21 estimated results [PLNm]

	IVQ'19	IQ'20	IIQ'20	IIIQ'20	IVQ'20	IQ'21	IIQ'21	IIIQ'21	IVQ'21E	YoY	IVQ'21F BDM	Diff	2018	2019	2020	2021E	YoY
Revenues	26,2	34,0	30,1	31,0	25,8	32,2	34,5	34,4			31,3		130,2	122,2	121,0		
Relpol SA	25,9	33,0	28,1	29,5	27,4	30,8	33,3	33,1	31,4	15%	31,3	0,2%	121,6	115,4	117,9	128,6	9%
Poland	9,2	9,3	7,6	8,8	7,2	9,9	10,5	9,3			7,6		36,9	36,1	32,9		
Export	17,0	24,8	22,6	22,2	18,6	22,3	24,0	24,0			23,7		93,3	86,2	88,1		
Gross profit on sales	6,2	6,7	6,1	6,8	4,3	7,1	7,2	7,0	5,6	30%	5,1	10,3%	28,0	25,2	23,9	27,0	13%
EBITDA	3,0	3,3	4,2	5,4	3,3	4,3	4,3	4,6			3,7		14,8	13,1	16,2		
Relpol SA	2,5	3,6	3,5	5,1	2,4	3,7	3,9	4,3	2,6	8%	3,3	-21,2%	15,4	12,7	14,6	14,5	-1%
EBITDA adj.	3,0	3,8	3,2	4,0	3,1	4,3	4,2	4,6			3,7		15,8	13,8	14,0		
EBIT	1,3	1,6	2,4	3,7	1,6	2,7	2,5	2,9			1,9		8,6	6,7	9,2		
Gross profit	1,0	2,2	2,1	3,9	1,9	2,8	2,2	3,2			1,4		8,7	6,4	10,1		
Net profit	0,8	1,7	1,7	3,1	1,3	2,2	1,7	2,5			1,1		6,5	4,9	7,7		
Relpol SA	0,4	2,0	1,2	2,8	1,1	1,8	1,8	2,4	0,1	-89%			6,7	5,1	7,1	6,0	-15%
Gross margin on sales	23,6%	19,6%	20,2%	22,1%	16,8%	22,0%	20,9%	20,5%			16,4%		21,5%	20,7%	19,8%		
EBITDA margin	11,4%	9,8%	13,9%	17,5%	12,8%	13,4%	12,3%	13,4%			11,7%		11,4%	10,7%	13,4%		
Relpol SA	9,8%	10,8%	12,5%	17,4%	8,8%	12,1%	11,6%	13,0%	8,3%		10,5%		12,7%	11,0%	12,4%	11,3%	
Net margin	3,1%	5,1%	5,5%	10,0%	4,9%	6,9%	5,0%	7,2%			3,6%		5,0%	4,0%	6,4%		
Dynamics YoY																	
Sales	-23%	2%	-10%	7%	-1%	-5%	15%	11%					10%	-10%	-1%	9%	
Poland	-8%	0%	-18%	6%	-21%	7%	39%	5%					11%	-9%	-9%	13%	
Export	-30%	2%	-7%	7%	10%	-10%	6%	8%					10%	-10%	2%	7%	
EBITDA	-36%	-10%	7%	114%	11%	30%	2%	-15%					28%	-27%	24%	4%	
Relpol SA	-52%	4%	-3%	65%	-5%	4%	10%	-16%	8%				21%	-18%	15%	-1%	
EBITDA adj.	-40%	2%	-28%	54%	2%	15%	32%	16%					27%	-27%	2%	20%	
Net working capital	51,3	50,3	51,0	53,1	49,4	51,1	55,8	53,9			53,2		52,3	51,3	49,4		
FCF	-2,5	3,1	0,8	-0,1	0,4	1,4	-4,1	-1,2			-0,1		4,1	3,7	4,2		
FCF 12m/MC	6%	13%	10%	2%	7%	4%	-4%	-6%			-5%		6,9%	6,3%	7,1%		
Net debt	6,0	3,1	2,2	2,3	-0,2	-0,7	3,4	4,7			5,3		2,8	6,0	-0,2		
P/E 12m					7,7	7,3	7,2	7,8								7,7	
EV/EBITDA 12m					3,7	3,4	3,7	3,9								3,7	

Source: BDM S.A., company



RESEARCH DEPARTMENT:

Krzystian Brymora

Director

tel. (+48) 501 238 443

e-mail: krystian.brymora@bdm.pl

[strategy, chemicals, industry, energy](#)**Krzysztof Tkocz**

Analyst

e-mail: krzysztof.tkocz@bdm.pl

tel. (+48) 516 086 705

[Gaming](#)**Anna Madziar**

Junior analyst

tel. (+48) 666 073 972

e-mail: anna.madziar@bdm.pl

Kajetan Sroczyński

Junior analyst

tel. (+48) 668 516 977

e-mail: kajetan.sroczyński@bdm.pl

INSTITUTIONAL SALES DEPARTMENT:

Leszek Mackiewicz

Director

tel. (022) 62-20-848

e-mail: leszek.mackiewicz@bdm.pl

Tomasz Ilczyszyn

tel. (022) 62-20-854

e-mail: tomasz.ilczyszyn@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855

e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski

tel. (022) 62-20-851

e-mail: piotr.komorowski@bdm.pl

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.

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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	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

Distribution of BDM's recommendations in Q1'22*:

, 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%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

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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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