

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

			2019	2020	2021	2022F	
Price [PLN]	5,96	P/E	11,8	7,4	8,7	17,5	Analyst: Krystian Brymora krystian.brymora@bdm.pl tel.: (+48) 501 238 443
MC [mln PLN]	57,3	EV/EBITDA	4,8	3,5	3,9	4,8	
		EV/EBIT	9,5	6,2	6,8	11,3	
		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](#)

Final Q4'21 results in line with preliminary, burdened with write-downs and increased management costs. Ukrainian plant operates on a limited basis, so potential earnings erosion in 2022 not as big as we thought – neutral

BDM's comments: Relpol's standalone results are consistent with our 17.03.22 estimates. As suggested in our commentary following the estimates, **they were affected by a PLN 0.4m impairment charge on fixed assets of the Ukrainian company DP Altera, as well as an extraordinary increase in administrative expenses (bonuses).** The balance of other operating activities amounted to PLN -0.39m vs. PLN +0.22m a year ago. Management expenses amounted to PLN 4.6m vs. PLN 3.8m in Q3'21, resulting in an 18% y/y drop in reported EBITDA to PLN 2.7m. Adjusted EBITDA came in at PLN 3.1m, comparable to the same period a year ago, and 16% below our estimate due to higher administrative expenses. **We are reiterating that the company has practically met our full-year forecasts in our last analyst report of August '21.** Adjusted EBITDA amounted to PLN 16.2m (+16% y/y), the second highest result in the company's history.

In letter to shareholders CEO points out: "We entered 2022 with a higher number of orders and with optimism for both sales revenues and results from operations. However, Russia's invasion of Ukraine made it necessary to revise plans and adjust operations to the new conditions." The company is reducing capital expenditures to a minimum. Strategic expenditures will continue to be made on R&D, development of miniature relays and investments to maintain the machine park.

Impact of the war in Ukraine: The Company informed in ESPI 23.02.2022 about reorganization of production (relay assembly transfer from Ukraine to Żary in the perspective of 4 months), to stop assembly 2 days later after the outbreak of war. We commented on the situation on an ongoing basis in the morning bulletins of 24.02.2022 ([link](#)) and 28.02.2022 ([link](#)) and in the comment after the estimated unit data of 17.03.2022 ([link](#)).

After a 2.5 week shutdown, the plant has resumed operations to the limited extent that it is safe for the employees of that company to do so (until curfew). Production capacities lost due to this at the Ukrainian company are being restored at the Company's headquarters in Relpol S.A.

In 2021, Relpol S.A.'s sales to the target market of Russia and Belarus amounted to approximately PLN 7.6 mn (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 represents 7.8% of Relpol's sales.**

We note and maintain that the plant in Ukraine accounted for approximately 10% of Relpol's EBITDA, however the transfer of assembly to Poland will certainly contribute to an increase in personnel costs, which is currently difficult to estimate. At the same time, we would like to emphasize that the plant has resumed work after the break to a limited extent. In our last analyst report in August 2021, [Relpol Buy PLN 16.5/share](#), we expected comparable EBITDA in 2022 y/y (ca. PLN 16m). We expect it to fall by ca. -20%.

Q4'21 estimated results [PLNm]

	IQ'20	IIQ'20	IIIQ'20	IVQ'20	IQ'21	IIQ'21	IIIQ'21	IVQ'21	YoY	IVQ'21E*	IVQ'21F BDM	różnica	2018	2019	2020	2021	YoY
Revenues	34,0	30,1	31,0	25,8	32,2	34,5	34,4	32,5	26%		31,3	3,7%	130,2	122,2	121,0	133,6	10%
Relpol SA	33,0	28,1	29,5	27,4	30,8	33,3	33,1	31,4	15%	31,4	31,3	0,2%	121,6	115,4	117,9	128,6	9%
Poland	9,3	7,6	8,8	7,2	9,9	10,5	9,3	10,6	47%		7,6	39,5%	36,9	36,1	32,9	40,3	22%
Export	24,8	22,6	22,2	18,6	22,3	24,0	24,0	21,9	17%		23,7	-7,8%	93,3	86,2	88,1	92,2	5%
Gross profit on sales	6,7	6,1	6,8	4,3	7,1	7,2	7,0	6,4	46%		5,1	24,0%	28,0	25,2	23,9	27,7	16%
EBITDA	3,3	4,2	5,4	3,3	4,3	4,3	4,6	2,7	-18%		3,7	-26,4%	14,8	13,1	16,2	15,9	-2%
Relpol SA	3,6	3,5	5,1	2,4	3,7	3,9	4,3	2,6	8%	2,6	3,3	-21,2%	15,4	12,7	14,6	14,5	-1%
EBITDA adj.	3,8	3,2	4,0	3,1	4,3	4,2	4,6	3,1	0%		3,7	-15,8%	15,8	13,8	14,0	16,2	16%
EBIT	1,6	2,4	3,7	1,6	2,7	2,5	2,9	1,0	-35%		1,9	-45,7%	8,6	6,7	9,2	9,2	-1%
Gross profit	2,2	2,1	3,9	1,9	2,8	2,2	3,2	0,3	-86%		1,4	-81,3%	8,7	6,4	10,1	8,4	-17%
Net profit	1,7	1,7	3,1	1,3	2,2	1,7	2,5	0,2	-87%		1,1	-85,4%	6,5	4,9	7,7	6,6	-15%
Relpol SA	2,0	1,2	2,8	1,1	1,8	1,8	2,4	0,1	-89%	0,1			6,7	5,1	7,1	6,0	-15%
Gross margin on sales	19,6%	20,2%	22,1%	16,8%	22,0%	20,9%	20,5%	19,6%			16,4%		21,5%	20,7%	19,8%	20,7%	
EBITDA margin	9,8%	13,9%	17,5%	12,8%	13,4%	12,3%	13,4%	8,3%			11,7%		11,4%	10,7%	13,4%	11,9%	
Relpol SA	10,8%	12,5%	17,4%	8,8%	12,1%	11,6%	13,0%	8,3%		8,3%	10,5%		12,7%	11,0%	12,4%	11,3%	
Net margin	5,1%	5,5%	10,0%	4,9%	6,9%	5,0%	7,2%	0,5%			3,6%		5,0%	4,0%	6,4%	4,9%	
Dynamics YoY																	
Sales	2%	-10%	7%	-1%	-5%	15%	11%	26%					10%	-10%	-1%	10%	
Poland	0%	-18%	6%	-21%	7%	39%	5%	47%					11%	-9%	-9%	22%	
Export	2%	-7%	7%	10%	-10%	6%	8%	17%					10%	-10%	2%	6%	
EBITDA	-10%	7%	114%	11%	30%	2%	-15%	-18%					28%	-27%	24%	-2%	
Relpol SA	4%	-3%	65%	-5%	4%	10%	-16%	8%					21%	-18%	15%	-1%	
EBITDA adj.	2%	-28%	54%	2%	15%	32%	16%	0%					27%	-27%	2%	16%	
Net working capital	50,3	51,0	53,1	49,4	51,1	55,8	53,9	54,2			53,2		52,3	51,3	49,4	51,1	
FCF	3,1	0,8	-0,1	0,4	1,4	-4,1	-1,2	-2,0			-0,1		4,1	3,7	4,2	-6,0	
FCF 12m/MC	13%	11%	2%	7%	4%	-4%	-6%	-10%			-5%		7,2%	6,5%	7,4%	4,4%	
Net debt	3,1	2,2	2,3	-0,2	-0,7	3,4	4,7	4,8			5,3		2,8	6,0	-0,2	4,8	
P/E 12m				7,4	7,0	6,9	7,5	8,7							7,4	8,7	
EV/EBITDA 12m				3,5	3,3	3,5	3,8	3,9							3,5	3,9	

Source: BDM S.A., company. *- 17.03.2022



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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.
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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

Distribution of BDM's recommendations in Q2'22*:

	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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