

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	
Price [PLN]	5,48	P/E	10,8	6,8	8,0	Analyst: Krystian Brymora krystian.brymora@bdm.pl tel.: (+48) 501 238 443
MC [mln PLN]	52,7	EV/EBITDA	4,5	3,2	3,6	
		EV/EBIT	8,8	5,7	6,3	
		P/BV	0,7	0,6	0,6	

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

Q1'22 results - revenues and EBITDA over 20% above our expectations. Relpol limits the influence of the Ukrainian company on the Group's results. Cash flow affected by increased accounts receivable with no deterioration in days sales - slightly positive

BDM's comments: In Q1'22, sales exceeded a record PLN 40m quarterly (+26% y/y), with similar growth recorded in the main markets of Poland and Germany. Despite the suspension of sales to Russia, revenues from this market increased by 16% y/y to PLN 2m. In 2022, sales there are expected to fall by -85% y/y (PLN 7.8m in 2021). In the case of the Ukrainian market (PLN 2.4m sales in 2021), sales may fall by -50% y/y. The Company is feeling the increasing impact of higher production costs, boosted by the reorganization and relocation of part of the assembly to Poland following the outbreak of war in Ukraine. In Q1'22, the gross margin fell to 17.8% vs. 19.3% expected. EBITDA was boosted by PLN 0.2m in other operating income resulting from a grant settlement. **At PLN 4.7m, the reported EBITDA was 29% ahead of our expectations.**

As quoted by the Management Board in the commentary, "[...] demand for the company's products remains high, which Relpol is trying to meet. Due to increasing costs, the company is forced to increase the prices of its products. Taking into consideration the current political and market situation and the very good results achieved by the capital group in Q1'22 it is difficult to predict how the following months will look like. It is expected that we will continue to see rising prices and difficulties in the raw materials market.

Impact of war in Ukraine (update): "The outbreak of war in Ukraine has increased the risk of revenue loss and the need to review plans for current and investment activities, including adjusting operations to the new reality. The situation in Ukraine has stabilized compared to late February or March this year, but is still unpredictable. Therefore, the scale of the impact of this armed conflict remains difficult to estimate. DP Relpol Altera, after 2.5 weeks has resumed its operations, however the situation in the country is not stable. Once the restrictions there have been lifted, the plant is planned to return to full production capacity." **We point out that the company's total exposure to the markets of Russia, Ukraine and Belarus accounts for 7.8% of Relpol CG's sales.** "Rebuilding the manufacturing potential in Ukraine and allocating a portion of production in Relpol S.A. will allow the availability of all products to be restored to the level of demand. **Relpol's Management Board estimates that due to the situations described above, Relpol S.A.'s sales revenues may be lower by approximately 4.5%."**

The Management Board recommends allocating profit to reserve capital in connection with the investment programme. **The recommendation is consistent with our expectations. We expect a return to the dividend policy in 2023 after a 3-year break.**

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%.

Q1'22 results [PLNm]

	IQ'20	IIQ'20	IIIQ'20	IVQ'20	IQ'21	IIQ'21	IIIQ'21	IVQ'21	IQ'22	YoY	IQ'22F BDM	różnica	2018	2019	2020	2021
Revenues	34,0	30,1	31,0	25,8	32,2	34,5	34,4	32,5	40,6	26%	33,3	21,7%	130,2	122,2	121,0	133,6
Relpol SA	33,0	28,1	29,5	27,4	30,8	33,3	33,1	31,4	39,3	28%			121,6	115,4	117,9	128,6
Poland	9,3	7,6	8,8	7,2	9,9	10,5	9,3	10,6	12,7	28%	10,9	16,6%	36,9	36,1	32,9	40,3
Export	24,8	22,6	22,2	18,6	22,3	24,0	24,0	21,9	27,9	25%	22,4	24,2%	93,3	86,2	88,1	92,2
Gross profit on sales	6,7	6,1	6,8	4,3	7,1	7,2	7,0	6,4	7,2	2%	6,4	12,3%	28,0	25,2	23,9	27,7
EBITDA	3,3	4,2	5,4	3,3	4,3	4,3	4,6	2,7	4,7	9%	3,7	28,7%	14,8	13,1	16,2	15,9
Relpol SA	3,6	3,5	5,1	2,4	3,7	3,9	4,3	2,6	4,9	32%			15,4	12,7	14,6	14,5
EBITDA adj.	3,8	3,2	4,0	3,1	4,3	4,2	4,6	3,1	4,5	5%	3,7	23,8%	15,8	13,8	14,0	16,2
EBIT	1,6	2,4	3,7	1,6	2,7	2,5	2,9	1,0	3,1	14%	1,9	61,9%	8,6	6,7	9,2	9,2
Gross profit	2,2	2,1	3,9	1,9	2,8	2,2	3,2	0,3	3,1	12%	1,5	104,2%	8,7	6,4	10,1	8,4
Net profit	1,7	1,7	3,1	1,3	2,2	1,7	2,5	0,2	2,3	6%	1,2	94,7%	6,5	4,9	7,7	6,6
Relpol SA	2,0	1,2	2,8	1,1	1,8	1,8	2,4	0,1	2,5	41%			6,7	5,1	7,1	6,0
Gross margin on sales	19,6%	20,2%	22,1%	16,8%	22,0%	20,9%	20,5%	19,6%	17,8%		19,3%		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%	11,6%		11,0%		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%	12,5%				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%	5,8%		3,6%		5,0%	4,0%	6,4%	4,9%
Dynamics YoY																
Sales	2%	-10%	7%	-1%	-5%	15%	11%	26%	26%				10%	-10%	-1%	10%
Poland	0%	-18%	6%	-21%	7%	39%	5%	47%	28%				11%	-9%	-9%	22%
Export	2%	-7%	7%	10%	-10%	6%	8%	17%	25%				10%	-10%	2%	6%
EBITDA	-10%	7%	114%	11%	30%	2%	-15%	-18%	9%				28%	-27%	24%	-2%
Relpol SA	4%	-3%	65%	-5%	4%	10%	-16%	8%	32%				21%	-18%	15%	-1%
EBITDA adj.	2%	-28%	54%	2%	15%	32%	16%	0%	5%				27%	-27%	2%	16%
Net working capital	50,3	51,0	53,1	49,4	51,1	55,8	53,9	54,2	60,7		54,4	11,5%	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	-6,2		-1,4		4,1	3,3	4,2	-6,0
FCF 12m/MC	14%	12%	3%	8%	5%	-5%	-7%	-11%	-26%				7,8%	6,3%	8,0%	-11,4%
Net debt	3,1	2,2	2,3	-0,2	-0,7	3,4	4,7	4,8	10,9		6,6	66,0%	2,8	6,0	-0,2	4,8
P/E 12m				6,8	6,4	6,4	6,9	8,0	7,8						6,8	8,0
EV/EBITDA 12m				3,2	3,0	3,2	3,5	3,6	3,9						3,2	3,6

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

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.

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 Q2'22*:

, 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	67%	2	100%
Accumulate	0	0%	0	0%
Hold	1	33%	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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