

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]	5,66	P/E	11,1	7,0	8,3
MC [mln PLN]	54,4	EV/EBITDA	4,6	3,3	3,7
		EV/EBIT	9,0	5,9	6,4
		P/BV	0,7	0,6	0,6

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Last recommendation BDM: BUY with target price 11,1 PLN/share (23.05.2022) [LINK](#)

Q2'22 results vs BDM predictions [million PLN]

	Q2'21	Q2'22	y/y	Q2'22E BDM	deviaton	H1'21	H1'22	y/y
Sales	34,5	37,1	7,6%	34,3	8,3%	66,7	77,7	16,5%
Poland	10,5	12,4	17,7%	11,0	12,3%	20,4	25,0	22,8%
eksport	24,0	24,8	3,2%	23,3	6,3%	46,3	52,6	13,7%
Gross profit	7,2	6,2	-14,7%	5,8	6,3%	14,3	13,4	-6,5%
Profit on sales	2,9	1,6	-46,0%	1,1	42,0%	5,2	4,5	-14,3%
Other operating activity net	0,0	-0,9	-	0	-	0,0	-0,7	-
EBITDA	4,3	2,4	-42,8%	2,8	-13,2%	8,6	7,2	-16,7%
EBIT	2,5	0,7	-72,3%	1,1	-36,4%	5,2	3,8	-27,6%
Profit before tax	2,2	-2,2	-	0,8	0,0%	5,0	0,9	-82,2%
Net profit	1,7	-2,4	-	0,7	0,0%	3,9	0,0	-99,7%
Gross margin	20,9%	16,6%		16,9%		21,4%	17,2%	
EBITDA margin	12,3%	6,5%		8,2%		12,9%	9,2%	
EBIT margin	7,3%	1,9%		3,2%		7,8%	4,9%	
Net margin	5,0%	-6,4%		2,0%		5,9%	0,0%	

Source: Dom Maklerski BDM S.A., Relpol

- Revenues in Q2'22 amounted to PLN 37.1 million (+8% y/y), 8% above our assumptions. The dynamics was influenced by high demand for industrial automation components and higher selling prices.
- The German market (+6% y/y) still had the largest share in the sales structure. The increase in revenues is largely the result of the higher EUR/PLN exchange rate. We estimate that sales in EUR in Germany increased by 3% y/y.
- Sales in Poland maintained good dynamics (+18% y/y). Domestic revenues were 12% above our expectations.
- Revenues from the Russian market (Relpol Eltim) amounted to PLN 3.0 million in Q2'22. The subsidiary's assets were written off at the end of June (a PLN 2.7 million write-off included in financial costs). Relpol Eltim's net loss was PLN 91 thousands in H1'22.
- The gross margin dropped significantly to 17% (slightly below our expectations). Profitability was adversely affected by the cost of manufacturing products (material prices, labour costs, the creation of additional assembly stations due to the reduction in production in Ukraine). According to the management, the Ukrainian plant is currently operating at 85% of its pre-war capacity. Over the next two months, it is planned to increase the production and return to the pre-war potential.
- EBITDA amounted to PLN 2.4 million, 13% below our assumptions. R&D write-offs in the amount of PLN 0.7 million had a negative impact.
- Q2'22 gross profit was encumbered by the aforementioned write-downs on Russian assets. Due to sanctions and communication problems, the control over the Russian company is severely limited.
- The net loss in Q2'22 amounted to PLN -2.4 million. Two one-off events that were not included in our assumptions had a large impact.
- Cash flows from operating activities amounted to PLN +2.7 million, CAPEX in the last quarter amounted to PLN 2.1 million.
- Net debt amounted to PLN 9.9 million (PLN 3.4 million a year earlier). It was higher than our expectations.

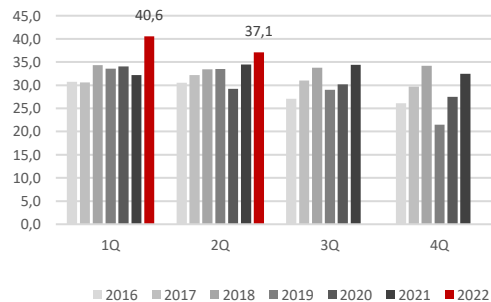
BDM Comment: Due to the write-offs, the company reported a net loss in Q2'22. Note that at the end of August Relpol announced the planned asset write-off in Russia. Revenues were above our expectations. This is the result of taking into account the revenues from the Russian company, which will not be consolidated in subsequent periods. We assume that the company will want to allocate this volume to other markets. The gross margin on sales in Q2'22 was the lowest for several years. However, the company emphasizes that the increase in product prices, the fall in raw material prices and the restoration of production potential in Ukraine may help to gradually rebuild the margin. In the report, the management board also points to the deteriorating market conditions and macro outlook, which makes it difficult for it to assess the outlook for H2'22.

Results in previous quarters [million PLN]

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
Sales	33,5	33,5	29,0	21,5	34,0	29,2	30,2	27,5	32,2	34,5	34,4	32,5	40,6	37,1
Poland	9,3	9,3	8,3	9,2	9,3	7,6	8,8	7,2	9,9	10,5	9,3	10,6	12,7	12,4
Europe	21,7	19,1	22,3	14,7	22,4	20,9	21,3	17,0	20,3	22,8	21,8	19,1	24,2	23,1
-Germany	13,5	6,7	7,8	19,0	15,6	12,6	12,9	10,3	12,0	12,9	12,3	11,7	15,1	13,7
-other	8,2	12,4	14,6	-4,3	6,8	8,3	8,5	6,7	8,4	9,9	9,5	7,4	9,1	9,4
Asia	1,5	0,8	1,0	1,3	1,9	0,6	0,6	1,3	1,7	1,3	1,3	1,8	2,7	1,1
Other	1,0	0,8	0,9	0,9	0,4	0,6	0,6	0,5	0,3	1,0	1,0	1,0	1,0	0,5
COGS	27,0	26,6	23,9	17,8	27,4	23,6	23,6	22,7	25,1	27,3	27,4	26,1	33,4	31,0
Profit on sales	6,5	6,8	5,2	3,7	6,7	5,7	6,6	4,8	7,1	7,2	7,0	6,4	7,2	6,2
SG&A	4,3	4,5	4,3	2,3	4,7	3,8	4,1	4,3	4,4	4,7	4,2	4,9	4,3	4,6
Other operating activity net	0,0	0,0	0,0	-0,1	-0,4	1,2	1,5	0,2	0,0	0,0	0,0	-0,4	0,2	-0,9
EBITDA	3,7	3,9	2,5	3,0	3,3	4,8	5,6	2,4	4,3	4,3	4,6	2,7	4,7	2,4
EBIT	2,2	2,3	0,9	1,3	1,6	3,0	3,9	0,7	2,7	2,5	2,9	1,0	3,1	0,7
Financial balance	-0,2	0,0	0,3	-0,3	0,7	-0,3	0,2	0,3	0,1	-0,3	0,2	-0,8	0,0	-2,9
Profit before tax	2,0	2,3	1,2	1,0	2,2	2,7	4,1	1,0	2,8	2,2	3,2	0,3	3,1	-2,2
Net profit	1,5	1,8	3,2	-1,6	1,7	1,7	3,1	1,3	2,2	1,7	2,5	0,2	2,3	-2,3
S&G/sales	13%	14%	15%	11%	14%	13%	14%	16%	14%	14%	12%	15%	11%	12%
Gross margin	19%	20%	18%	17%	20%	19%	22%	18%	22%	21%	20%	20%	18%	17%
EBITDA margin	11%	12%	9%	14%	10%	16%	19%	9%	13%	12%	13%	8%	12%	7%
Net margin	5%	5%	3%	4%	5%	6%	10%	5%	7%	5%	7%	0%	6%	-6%
OCF	1,5	4,7	7,8	-0,6	3,7	3,6	1,5	3,8	3,7	-1,5	5,3	0,9	-3,9	2,7
CAPEX	-2,5	-2,0	-3,6	-1,2	-0,4	-2,6	-4,0	-1,3	-2,3	-2,6	-6,5	-0,9	-1,7	-2,1
FCF	-1,0	2,7	4,3	-1,7	3,3	1,0	-2,5	2,5	1,4	-4,1	-1,2	0,0	-5,6	0,6
Net debt	3,6	1,5	2,8	5,9	3,1	2,2	2,3	-0,2	-0,7	3,4	4,7	4,8	10,9	9,9
Sales change y/y	-2%	0%	-14%	-37%	2%	-13%	4%	28%	-5%	18%	14%	18%	26%	8%
Poland	-14%	3%	-17%	-8%	0%	-18%	6%	-21%	7%	39%	5%	47%	28%	18%
Europe	3%	-13%	2%	-29%	3%	10%	-5%	15%	-9%	9%	2%	12%	19%	1%
-Germany	2%	-44%	-39%	59%	15%	90%	65%	-46%	-23%	2%	-4%	14%	26%	6%
-other	-20%	49%	77%	-232%	-14%	-43%	-50%	-166%	42%	27%	19%	-16%	0%	-30%
Asia	-16%	-59%	-27%	-37%	22%	-28%	-37%	1%	-12%	117%	103%	38%	62%	-14%
Other	26%	120%	57%	-30%	-61%	-21%	-31%	-49%	-21%	68%	57%	117%	215%	-48%
P/E	6,4	6,6	8,4	11,1	10,6	10,9	7,4	7,0	6,6	6,6	7,1	8,3	8,1	20,5
EV/EBITD	3,4	3,2	3,9	4,6	4,5	4,1	3,4	3,3	3,1	3,5	3,8	3,7	4,0	4,4

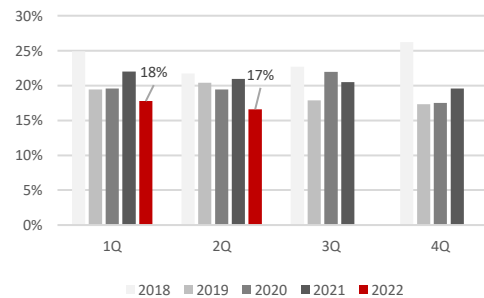
Source: Dom Maklerski BDM S.A., Relpol

Sales [million PLN]



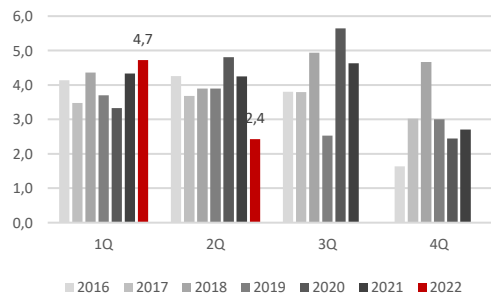
Source: Dom Maklerski BDM S.A., Relpol

Gross margin



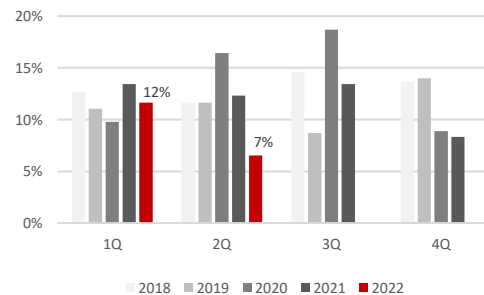
Source: Dom Maklerski BDM S.A., Relpol

EBITDA [million PLN]



Source: Dom Maklerski BDM S.A., Relpol

EBITDA margin



Source: Dom Maklerski BDM S.A., Relpol

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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
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

Distribution of BDM's recommendations in Q3'22*:

, 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	50%	2	100%
Accumulate	2	50%	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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