

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	2021	2022	
Price [PLN]	6,70	P/E	36,2	13,1	9,4	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	154,3	EV/EBITDA	6,4	5,7	4,8	
		EV/EBIT	14,5	10,9	8,5	
		P/BV	1,0	0,9	0,9	

Last recommendation BDM: BUY with target price 7,76 PLN/share (12.09.2023) [LINK](#)

Q3'23 results [million PLN]

	Q3'22	Q3'23	y/y	Q3'23E comp.	dev.	Q3'23F BDM	dev.	Q1-3'22	Q1-3'23	y/y
Sales	256,0	359,0	40,2%	359,0	0,0%	263,6	36,2%	629,3	900,7	43,1%
Gross profit	9,0	11,4	26,0%	11,3	0,5%	10,4	9,5%	30,0	30,2	0,4%
Profit on sales	2,8	3,4	23,1%	---	---	3,6	-7,0%	11,3	7,9	-29,9%
Other operating activity net	0,2	3,9	1778,0%	---	---	0,5	---	0,6	5,3	764,4%
EBITDA	6,4	11,0	70,3%	---	---	7,6	43,2%	22,1	24,3	9,9%
EBIT	3,0	7,2	144,5%	7,6	-5,0%	4,1	74,6%	11,9	13,2	11,1%
Profit before tax	3,0	7,8	159,9%	---	---	4,2	83,7%	14,8	13,5	-8,5%
Net profit before the excl. of minorities	1,8	5,9	226,5%	5,9	-0,6%	3,4	---	11,4	10,2	-10,9%
Net profit	1,6	5,9	280,2%	---	---	3,2	85,3%	10,8	10,1	-7,0%
Gross margin	3,5%	3,2%		3,2%		3,9%		4,8%	3,3%	
EBITDA margin	2,5%	3,1%		---		2,9%		3,5%	2,7%	
EBIT margin	1,2%	2,0%		2,1%		1,6%		1,9%	1,5%	
Net margin	0,6%	1,7%		---		1,2%		1,7%	1,1%	

Source: Dom Maklerski BDM S.A., ZUE

- The company presented its full Q3'23 report on 15 November. The company had already reported preliminary results at the end of October, which we referred to in a separate commentary on 3 November ([link](#)).
- The final results differed marginally downwards at the EBIT level. Other items were in line with estimates.
- At the revenue level, ZUE posted PLN 359.0m in Q3'23 (+40% y/y). EBIT amounted to PLN 7.2m (vs. PLN 3.0m a year ago), while net income was PLN 5.9m (vs. PLN 1.6m in Q3'22).
- Gross margin remained under pressure (3.2% in Q3'23 vs. 3.5% a year ago and 3.5% in 1H'23). At the same time, gross profit itself is higher y/y thanks to significantly higher revenues (the company booked much more than we expected).
- Revenues from the Romanian market amounted to PLN 48m (vs. PLN 3m in Q2'23).
- EBIT increased by 146% year-on-year. The positive result on the balance of other operating activities (ca. PLN +3.9m, mainly the result on the sale of fixed assets) had a significant impact.
- The financial balance was slightly positive (PLN +0.6m). The tax rate was 25%.
- Net debt after Q3'23 amounted to PLN 50.5m. Operating CF in Q3'23 was negative (mainly due to an increase in contract valuations).
- Backlog is currently at PLN 2,048m.

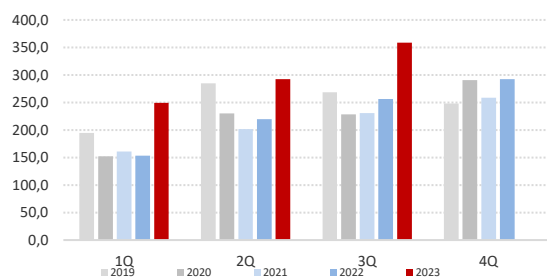
BDM Comment: We view the Q3'23 results as neutral. They are quite a bit higher than we had anticipated, among others due to a significant increase in revenues y/y and a one-off result on the sale of fixed assets. On the gross margin, the company continues to feel the effect of the final phase of old contracts from 2017. Contracts from the Romanian market are already contributing more clearly to revenue, which is linked to an increase in working capital commitment.

Results in previous quarters [PLN m]

	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23
Sales	152,3	230,1	228,3	290,6	160,9	201,5	230,6	258,4	153,6	219,6	256,0	292,2	249,3	292,4	359,0
Construction	143,6	211,9	213,5	276,2	141,1	190,9	211,8	237,0	140,8	191,5	236,1	262,6	223,8	273,2	340,6
Trade	6,3	15,7	12,2	12,5	8,1	18,7	16,5	20,0	11,1	26,2	17,5	23,0	23,5	17,2	18,0
Design	2,4	2,5	2,6	1,5	1,5	1,9	2,3	1,2	1,8	1,7	2,4	2,6	1,7	2,2	0,4
Exclusion	0,0	0,0	0,0	0,4	0,2	0,1	0,0	0,2	0,0	0,2	0,0	3,9	0,3	-0,1	0,0
Gross profit	5,7	9,1	8,2	8,4	5,4	4,7	10,2	14,8	8,3	12,7	9,0	12,8	8,5	10,3	11,4
Construction	5,1	8,0	7,2	7,8	4,8	2,8	8,8	13,4	7,4	8,6	5,7	9,4	6,4	8,6	10,0
Trade	0,3	0,9	0,7	0,7	0,5	1,0	1,0	1,5	1,0	4,1	3,0	2,9	1,8	0,9	1,1
Design	0,5	0,4	0,4	-0,1	0,3	0,7	0,5	0,0	0,2	0,1	0,5	0,4	0,3	0,7	0,1
Exclusion	-0,2	-0,1	-0,1	0,1	-0,2	0,1	-0,1	-0,2	-0,2	-0,1	-0,2	0,0	-0,1	0,1	0,2
SG&A	6,1	5,4	5,8	6,0	6,2	5,5	6,4	7,0	5,3	7,2	6,3	7,4	6,8	7,5	8,0
Profit on sales	-0,5	3,7	2,4	2,3	-0,8	-0,8	3,8	7,7	3,1	5,5	2,8	5,3	1,7	2,8	3,4
Other operat. activity net	0,3	-1,1	0,4	3,2	0,6	2,9	0,8	-0,1	0,6	-0,1	0,2	0,9	0,2	1,3	3,9
EBITDA	3,2	5,9	6,1	8,8	2,8	5,2	8,0	11,1	7,0	8,7	6,4	9,8	5,5	7,8	11,0
EBIT	-0,2	2,5	2,8	5,5	-0,3	2,2	4,7	7,6	3,6	5,3	3,0	6,2	1,9	4,1	7,2
Profit before tax	-0,6	2,2	2,6	5,7	-0,6	2,1	4,4	9,4	4,9	6,9	3,0	7,3	2,0	3,7	7,8
Net profit	-0,7	1,7	2,0	1,3	-0,7	1,4	3,3	7,8	3,8	5,5	1,6	5,5	1,1	3,0	5,9
Gross margin	3,7%	3,9%	3,6%	2,9%	3,3%	2,3%	4,4%	5,7%	5,4%	5,8%	3,5%	4,4%	3,4%	3,5%	3,2%
Construction	3,5%	3,8%	3,4%	2,8%	3,4%	1,5%	4,2%	5,7%	5,2%	4,5%	2,4%	3,6%	2,9%	3,1%	2,9%
Trade	4,3%	5,5%	5,5%	5,5%	5,7%	5,6%	5,8%	7,4%	9,0%	15,5%	17,1%	12,5%	7,7%	5,0%	5,9%
Design	18,9%	14,5%	15,1%	-9,5%	17,9%	38,1%	21,7%	0,7%	10,9%	8,2%	21,2%	16,3%	19,8%	32,0%	---
EBITDA margin	2,1%	2,6%	2,7%	3,0%	1,7%	2,6%	3,5%	4,3%	4,5%	4,0%	2,5%	3,4%	2,2%	2,7%	3,1%
EBIT margin	-0,1%	1,1%	1,2%	1,9%	-0,2%	1,1%	2,0%	2,9%	2,3%	2,4%	1,2%	2,1%	0,8%	1,4%	2,0%
Net margin	-0,5%	0,7%	0,9%	0,5%	-0,4%	0,7%	1,4%	3,0%	2,4%	2,5%	0,6%	1,9%	0,4%	1,0%	1,7%
CFO	-21,4	28,8	-10,1	19,0	-0,6	15,3	-6,7	101,8	-28,9	-9,5	-35,9	31,8	-29,6	4,2	-34,1
Net debt	44,6	19,3	27,7	15,6	17,6	8,7	18,6	-80,2	-49,5	-35,5	2,3	-14,6	17,3	20,1	50,5
Backlog	1 821	1 763	1 565	1 498	1 413	1 226	1 398	1 500	1 498	1 523	1 532	1 832	1 666	1 458	2 053

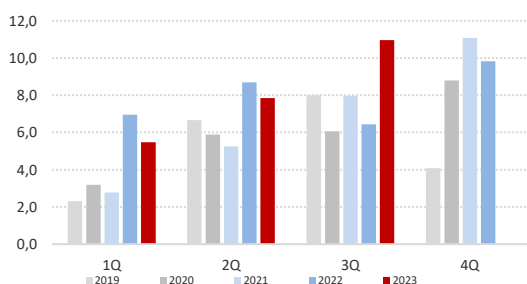
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



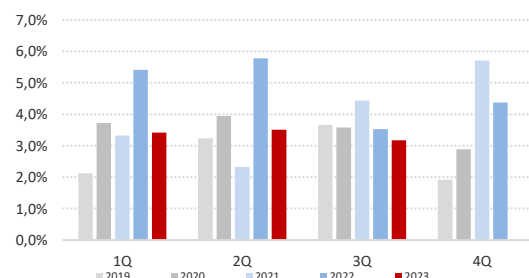
Źródło: BDM S.A., spółka

EBITDA [PLN m]



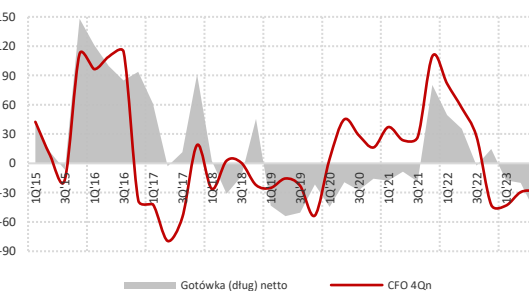
Źródło: BDM S.A., spółka

Gross margin



Źródło: BDM S.A., spółka

Net cash (debt) and OCF [PLN m]



Źródło: DM BDM S.A., spółka

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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	7,76	relaunch	---	12.09.2023*	13:45 CEST	5,62	66 241
Buy	11,8	---	---	17.02.2017	14:39 CEST	9,94	58 348

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

Distribution of BDM's recommendations in Q4'23*:

, 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%	0	0%
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 is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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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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- There are other significant connections between BDM or its related affiliates and the issuer of financial instruments**
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