

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

			2021	2022	2023	
Price [PLN]	8,02	P/E	15,7	11,3	8,8	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	184,7	EV/EBITDA	3,9	5,3	1,1	
		EV/EBIT	7,4	9,4	1,7	
		P/BV	1,1	1,0	0,9	

Last recommendation BDM: HOLD with target price 11,0 PLN/share (22.08.2024) [LINK](#)

Q3'24 preliminary results [million PLN]

	Q3'23	Q3'24E	y/y	Q3'24F BDM	dev.	Q1-3'23	Q1-3'24E	y/y
Sales	292,4	301,0	2,9%	322,5	-6,7%	541,7	617,2	13,9%
Gross profit	10,3	14,9	45,6%	14,2	5,5%	18,8	27,5	46,4%
EBIT	4,1	6,6	62,4%	6,3	5,5%	6,0	12,3	105,9%
Net profit*	3,1	6,2	98,4%	6,1	0,8%	4,3	7,1	65,2%
Gross margin	3,5%	5,0%		4,4%		3,5%	4,5%	
EBIT margin	1,4%	2,2%		1,9%		1,1%	2,0%	
Net margin*	1,1%	2,0%		1,9%		0,8%	1,2%	

Source: Dom Maklerski BDM S.A., ZUE, * before the excl. of minorities

- The company reported preliminary consolidated Q2'24 results on Wednesday.
- In Q2'24, ZUE generated revenue of PLN 301m (+3% y/y, -5% q/q). EBIT amounted to PLN 6.6m (vs. PLN 4.1m a year ago), while net profit (before minority income) was PLN 6.2m (vs. PLN 3.1m in Q2'23).
- Gross margin is better q/q and y/y (4.0% in Q1'24 and 3.5% a year ago). At the same time, we note that the company previously communicated that Q2'24 would include a settlement (we assumed it in our forecasts) of the Okęcie contract (PLN +1.5m on gross margin, resulting in +0.5ppt on margin and an additional PLN +1.5m on finance income).
- EBIT in Q2'24 increased to PLN 6.6m (+62% y/y). Net profit amounted to PLN 6.2m and is significantly higher y/y (positive financial balance).
- At the end of Q2'24, the company had PLN 30.9m in cash (PLN 35.6m after Q1'24). Financial debt was not disclosed (after Q1'24 it amounted to PLN 85.8m).
- Backlog is currently at PLN 1,500m (vs. PLN 1,647m after Q1'24, PLN 1,458m a year ago).
- The company will present its full report on 21 August 2024.
- The company announced its preliminary consolidated Q3'24 results on Tuesday.
- At the revenue level, ZUE posted PLN 304m in Q3'24 (-15% y/y).
- Gross margin is weaker q/q and y/y (5.0% in Q2'24 and 3.2% a year ago).
- EBIT amounted to PLN 1.1m (vs. PLN 7.2m a year ago, with the balance of other operating activities then at PLN +3.9m), while net income (before minority income) was PLN -0.2m (vs. PLN 5.9m in Q3'23).
- At the end of Q3'24, the company had PLN 22.9m in cash (vs. PLN 34.2m after Q2'24). Financial debt was not disclosed (after Q2'24 it was PLN 110.0m).
- Backlog is currently at PLN 1,200m (vs. PLN 1,467m after Q2'24 and PLN 2,053m a year ago).
- The company will present its full report on 14 November 2024.

BDM Comment: Q3'24 results are below our expectations on profitability. Gross margin fell more than we expected q/q. Net debt is likely to have increased slightly vs Q2'24. A falling backlog is a concern, which raises the risk of having to fight price wars on tenders. PKP PLK has announced a number of new tenders in recent months, but bidding deadlines keep getting pushed back - no major tenders have been opened so far in Q4'24. It may be difficult to measure Q4'24 results against last year's high base.

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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
Hold	11,0	Hold	11,1	22.08.2024*	11:55 CEST	10,60	84 528
Hold	11,1	Accumulate	8,43	22.04.2024*	14:28 CEST	11,10	84 109
Accumulate	8,43	Buy	7,76	04.01.2024*	09:55 CEST	7,86	77 054
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 Q4'24*:

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	4	50%	0	0%
Accumulate	2	25%	0	0%
Hold	1	13%	0	0%
Reduce	1	13%	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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