

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]	7,80	P/E	15,3	11,0	8,5	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [mln PLN]	179,6	EV/EBITDA	3,7	5,2	1,0	
		EV/EBIT	7,0	9,1	1,5	
		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 results [million PLN]

	Q3'23	Q3'24	y/y	Q3'24E comp.	dev.	Q3'24F BDM	dev.	Q1-3'23	Q1-3'24	y/y
Sales	359,0	304,3	-15,2%	304,3	0,0%	293,0	3,9%	900,7	921,5	2,3%
Gross profit	11,4	7,0	-38,2%	7,0	0,0%	11,3	-37,8%	30,2	34,5	14,4%
Profit on sales	3,4	-1,0	---	---	---	3,8	---	7,9	10,5	33,0%
Other operating activity net	3,9	2,2	-44,2%	---	---	0,0	---	5,3	2,9	-44,9%
EBITDA	11,0	5,2	-52,5%	---	---	7,8	-33,4%	24,3	25,0	3,0%
EBIT	7,2	1,2	-83,9%	1,1	3,5%	3,8	-69,4%	13,2	13,4	1,7%
Profit before tax	7,8	-1,3	---	---	---	3,7	---	13,5	8,0	-40,9%
Net profit before the excl. of minorities	5,9	-0,2	---	-0,2	---	3,0	---	10,2	6,9	-32,2%
Net profit	5,9	-0,2	---	---	---	3,0	---	10,1	6,9	-31,7%
Gross margin	3,2%	2,3%		2,3%		3,9%		3,3%	3,7%	
EBITDA margin	3,1%	1,7%		---		2,7%		2,7%	2,7%	
EBIT margin	2,0%	0,4%		0,4%		1,3%		1,5%	1,5%	
Net margin	1,6%	-0,1%		-0,1%		1,0%		1,1%	0,7%	

Source: Dom Maklerski BDM S.A., ZUE

- The company presented its full Q3'24 report. Last week the company already reported preliminary results, which we referred to in a separate commentary ([link](#)).
- The final results do not contain major differences.
- ZUE posted revenue of PLN 304m in Q3'24 (-15% y/y). EBIT amounted to PLN 1.2m (vs. PLN 7.2m a year ago), while net profit was PLN -0.2m (vs. PLN +5.9m in Q3'23).
- Gross margin was weaker y/y and q/q (2.3% in Q3'24 vs 3.2% a year ago and 5.0% in Q2'24).
- Revenues from the Romanian market amounted to PLN 65m in Q3'24 (vs. PLN 52m in the entire H1'24 and PLN 48m in Q3'23).
- EBIT fell by -84% y/y. The balance of other operating activities was PLN +2.2m, vs. PLN +3.9m a year ago.
- The financial balance was slightly negative (PLN -2.4m).
- Net loss amounted to PLN -0.2m (vs. PLN +5.9m profit a year ago).
- Net debt after Q3'24 amounted to PLN 73m (vs. PLN 76m after Q2'24). Q3'24 operating CF was slightly positive (+PLN 7m).
- The backlog is currently at PLN 1,227m (vs. PLN 1,467m a quarter ago and PLN 2,053m a year ago). Several large, old contracts for PKP PLK (Zduńska Wola, Sandomierz, Kutno) and the contract for the Annapol tram depot fell out of the list of ongoing contracts relative to the previous quarter, meaning they have been terminated.
- In October, ZUE Construct was registered in Romania, which will conduct independent bidding and production activities based on the resources and experience gained from the contracts currently being executed on the Romanian market. On the other hand, in September, ZUE Bahnbau was registered in Germany.

BDM Comment: Preliminary results for Q3'24 were already published last week, so the final results are not a surprise. The results are below our expectations on profitability. Gross sales margin fell more than we expected q/q. Net debt finally fell 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.

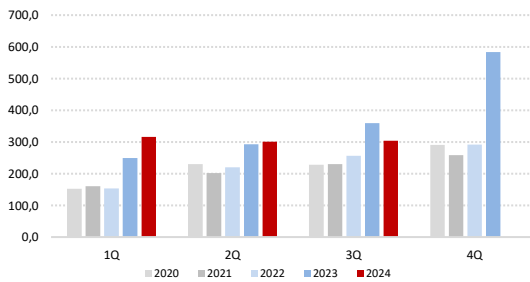


Results in previous quarters [PLN m]

	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24
Sales	160,9	201,5	230,6	258,4	153,6	219,6	256,0	292,2	249,3	292,4	359,0	583,5	316,2	301,0	304,3
Construction	141,1	190,9	211,8	237,0	140,8	191,5	236,1	262,6	223,8	273,2	340,6	567,6	305,4	282,0	286,4
Trade	8,1	18,7	16,5	20,0	11,1	26,2	17,5	23,0	23,5	17,2	18,0	15,8	10,8	19,0	17,9
Design	1,5	1,9	2,3	1,2	1,8	1,7	2,4	2,6	1,7	2,2	0,4	0,0	0,0	0,0	0,0
Exclusion	0,2	0,1	0,0	0,2	0,0	0,2	0,0	3,9	0,3	-0,1	0,0	0,1	0,0	0,0	0,0
Gross profit	5,4	4,7	10,2	14,8	8,3	12,7	9,0	12,8	8,5	10,3	11,4	25,8	12,6	14,9	7,0
Construction	4,8	2,8	8,8	13,4	7,4	8,6	5,7	9,4	6,4	8,6	10,0	24,9	11,7	13,7	5,8
Trade	0,5	1,0	1,0	1,5	1,0	4,1	3,0	2,9	1,8	0,9	1,1	0,8	0,8	1,3	1,3
Design	0,3	0,7	0,5	0,0	0,2	0,1	0,5	0,4	0,3	0,7	0,1	0,0	0,0	0,0	0,0
Exclusion	-0,2	0,1	-0,1	-0,2	-0,2	-0,1	-0,2	0,0	-0,1	0,1	0,2	0,1	0,0	-0,1	0,0
SG&A	6,2	5,5	6,4	7,0	5,3	7,2	6,3	7,4	6,8	7,5	8,0	8,1	7,9	8,1	8,0
Profit on sales	-0,8	-0,8	3,8	7,7	3,1	5,5	2,8	5,3	1,7	2,8	3,4	17,6	4,7	6,8	-1,0
Other operat. activity net	0,6	2,9	0,8	-0,1	0,6	-0,1	0,2	0,9	0,2	1,3	3,9	-0,5	1,0	-0,2	2,2
EBITDA	2,8	5,2	8,0	11,1	7,0	8,7	6,4	9,8	5,5	7,8	11,0	20,9	9,5	10,3	5,2
EBIT	-0,3	2,2	4,7	7,6	3,6	5,3	3,0	6,2	1,9	4,1	7,2	17,2	5,7	6,6	1,2
Profit before tax	-0,6	2,1	4,4	9,4	4,9	6,9	3,0	7,3	2,0	3,7	7,8	15,4	3,0	6,3	-1,3
Net profit	-0,7	1,4	3,3	7,8	3,8	5,5	1,6	5,5	1,1	3,0	5,9	10,9	1,0	6,2	-0,2
Gross margin	3,3%	2,3%	4,4%	5,7%	5,4%	5,8%	3,5%	4,4%	3,4%	3,5%	3,2%	4,4%	4,0%	5,0%	2,3%
Construction	3,4%	1,5%	4,2%	5,7%	5,2%	4,5%	2,4%	3,6%	2,9%	3,1%	2,9%	4,4%	3,8%	4,9%	2,0%
Trade	5,7%	5,6%	5,8%	7,4%	9,0%	15,5%	17,1%	12,5%	7,7%	5,0%	5,9%	5,1%	7,5%	6,9%	7,1%
Design	17,9%	38,1%	21,7%	0,7%	10,9%	8,2%	21,2%	16,3%	19,8%	32,0%	---	---	---	---	---
EBITDA margin	1,7%	2,6%	3,5%	4,3%	4,5%	4,0%	2,5%	3,4%	2,2%	2,7%	3,1%	3,6%	3,0%	3,4%	1,7%
EBIT margin	-0,2%	1,1%	2,0%	2,9%	2,3%	2,4%	1,2%	2,1%	0,8%	1,4%	2,0%	2,9%	1,8%	2,2%	0,4%
Net margin	-0,4%	0,7%	1,4%	3,0%	2,4%	2,5%	0,6%	1,9%	0,4%	1,0%	1,7%	1,9%	0,3%	2,0%	-0,1%
CFO	-0,6	15,3	-6,7	101,8	-28,9	-9,5	-35,9	31,8	-29,6	4,2	-34,1	196,9	-180,6	9,0	6,7
Net debt	17,6	8,7	18,6	-80,2	-49,5	-35,5	2,3	-14,6	17,3	20,1	50,5	-134,2	50,2	75,8	73,0
Backlog	1 413	1 226	1 398	1 500	1 498	1 523	1 532	1 832	1 666	1 458	2 053	1 731	1 647	1 467	1 227

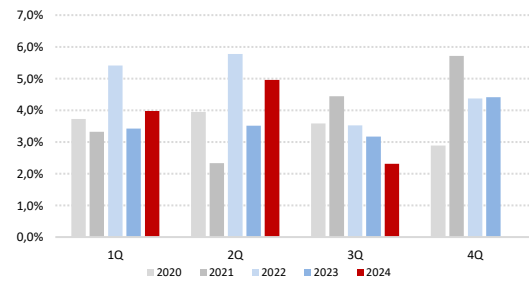
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



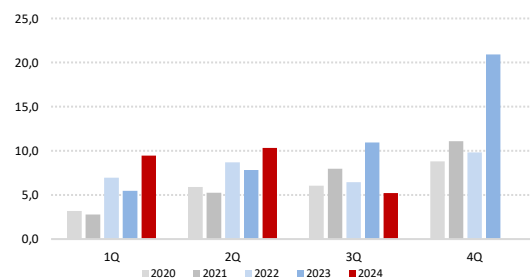
Źródło: BDM S.A., spółka

Gross margin



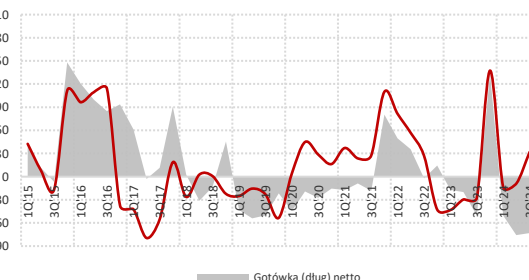
Źródło: BDM S.A., spółka

EBITDA [PLN m]



Źródło: BDM S.A., spółka

Net cash (debt) and OCF [PLN m]



Źródło: DM BDM S.A., spółka

RESEARCH DEPARTMENT:

Maciej Bobrowski

Director
tel. (032) 208 14 12
e-mail: maciej.bobrowski@bdm.pl
[strategv, industry, media/entertainment, TMT](#)

Krzysztof Pado

Deputy Director
Investment Adviser
tel. (032) 208 14 35
e-mail: krzysztof.pado@bdm.pl
[oil&gas, construction, building materials, real estate](#)

Krzysztof Tkocz

Analyst
tel. (032) 208 14 38
e-mail: krzysztof.tkocz@bdm.pl
[gaming](#)

Anna Tobiasz

Junior analyst
Investment Adviser
tel. (032) 208 14 35
e-mail: anna.tobiasz@bdm.pl

Andrzej Wodecki

Junior analyst
Investment Adviser
tel. (032) 208 14 39
e-mail: andrzej.wodecki@bdm.pl

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.

INSTITUTIONAL SALES DEPARTMENT:

Leszek Mackiewicz

Director
tel. (022) 62-20-848
e-mail: leszek.mackiewicz@bdm.pl

Piotr Dedecjus

tel. (022) 62-20-100
e-mail: piotr.dedecjus@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855
e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski

tel. (022) 62-20-851
e-mail: piotr.komorowski@bdm.pl

Tomasz Grzeszczyk

tel. (022) 62-20-854
e-mail: tomasz.grzeszczyk@bdm.pl

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/analiza-i-informacje/analiza/historia-rekomendacji>

A Legal note:

This report (hereinafter also referred to as an analysis, a document) has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565.

The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwpa>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>

The report has been prepared and made available for distribution by BDM.

GPW shall be a copyright holder to this report from the date of its publication. The report can be published and made available without limitation by GPW through any mass communication media as decided by GPW.

This report does not constitute an investment, legal, accounting advice or any other, and BDM shall not be responsible for damages arising from or connected with the use of the data presented in the report or the use of any elements of the report by recipients. The report or any copy of it cannot be disseminated, directly or indirectly, in the United States, Canada, Australia or Japan, or transmitted to citizens or residents of a state where its distribution can be restricted by law, which does not limit the possibility of publishing the report on internet websites of the issuer, BDM or GPW. Persons who disseminate this document should be aware of the necessity to comply with such restrictions.

The document can be intended for professional or institutional customers of BDM as well as for other BDM qualified customers entitled to receive general recommendations based on agreements for brokerage services. This report can also reach other entities through media distribution channels based on a decision of the manager of the analysis department. The fact that a recipient has obtained this report does not mean that he shall be treated as a BDM customer. The compilation cannot be published or copied without a prior written consent of BDM.

Persons who will receive this report and who are not professional customers or qualified investors should consult an independent financial advisor before making any investment decision based on this analysis in order to obtain any necessary and crucial explanations concerning the contents of this analysis.

To prepare this analytical report BDM has not considered individual needs or situations of customers. BDM is not obliged to guarantee that a financial instrument or financial instruments covered by this report are appropriate for a given investor.

Opinions of an analyst and any recommendations included in this report neither constitute an investment, legal, accounting or tax advice or a statement that any investment strategy is adequate or appropriate because of individual circumstances concerning the customer, nor constitute personal recommendation.

The analysis is for information purposes only and does not constitute an advertisement or an offer or an invitation to subscribe or purchase financial instruments.

An investor should be aware that each investment decision in the capital market is subject to numerous risks that finally can result in a financial loss suffered by him. The return rate on individual investments can fluctuate depending on various factors beyond the control of the investor. Therefore, a customer who makes a single investment decision should not only check currency and correctness of individual assumptions made by the analyst in the report but also have an independent assessment and own analysis (also based on scenarios other than the ones presented in the report) taking into consideration the level of acceptable risk. When deciding on activity on the capital market the investor should take into consideration the fact that the investment portfolio structure (diversification of investment through possessing more than one financial instrument) can reduce risk exposure to an individual instrument bringing a negative rate of return in a given period. At the same time, however, it can lead to limitation of a positive rate of return the investor could achieve in the case of a single financial instrument in a given time period. The investor should be aware that the investment portfolio structure and any investment strategy for the stock market do not guarantee the achievement of a positive rate of return and do not protect him against final loss.

For the first time this report has been made available to the public on 15.11.2024 (07:50 CEST). Date of preparing the report is the date of making it accessible. Before the recommendation was made accessible, information included in it had been confidential.

The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical “Monthly Report”.

In the opinion of BDM this report has been prepared observing principles of methodological correctness and objectivity on the basis of sources available to the public which BDM considers reliable. The sources of information used in recommendation are all data related to financial instruments concerned and available to an analyst, including current and periodic reports of the company, current and periodic reports of entities used for comparative valuation, business reports, press releases and other. However, BDM S.A., in no case, guarantees the accuracy and completeness of this report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. The forecasts presented in the report are solely based on the analysis made by BDM without consultations with companies or other entities and are based on a number of assumptions which could prove to be wrong in the future. BDM does not guarantee that the presented forecasts will prove right.

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.

Any opinions, forecasts or estimates made in the report are merely an expression of analyst assessment as of the day of preparation of the report and at any moment they can be changed without notice. BDM does not guarantee that the opinions or assumptions made by an analyst/analysts and included in this report are compatible with other analysis prepared by BDM. BDM updates issued recommendations depending on the market situation and analyst assessment, and the frequency of such updates is not defined.

According to BDM this report has been made with due diligence and reliability. However, BDM shall not be held liable for any damages incurred as a result of decisions made on the basis of information included in this report.

The report was not transferred to the issuer prior to its publication.

An analyst (analysts) preparing this document receives a fixed remuneration and the BDM Management Board has the right to grant them additional remuneration. Additional remuneration may indirectly depend on the results of other services offered by BDM, including investment banking services, but it shall not depend directly on financial results resulting from other services, including financial banking, which have been or could have been reached by BDM.

The investor should assume that BDM employees or proxies or shareholders may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares; this particularly concerns the situation of holding not more than 5% of the capital, and they may also carry out transactions on them as proxies.

Each of the above-mentioned persons could carry out transaction relating to the financial instruments concerned prior to this publication. At the same time, however, the instruments concerned are entered in the restrictive list for employees of the Analysis Department immediately at the start of work on the report.

We have not identified significant conflicts of interest between BDM and persons associated with BDM and the financial instrument issuer. If a conflict of interest arises BDM shall manage it by applying the principles defined in the “Policy of management of conflicts of interest at the BDM S.A.”. We point out that as for 15.11.2024:

- BDM states and assures that BDM is not involved financially in financial instruments of the issuer.
- BDM is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The person that participated in preparing recommendation is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
- BDM is not a market maker or liquidity provider in the financial instruments of the issuer,
- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005,
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to section A and B od Annex I to the Directive 2014/65/EU of the European Parliament and of the Council (hereinafter the Directive 2014/65/EU),
- BDM is not a party to an agreement with the issuer relating to the production of the recommendation,
- There is other significant financial interest that BDM or its related affiliates have in relation to the issuer of financial instruments*
- There are other significant connections between BDM or its related affiliates and the issuer of financial instruments**
- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares,
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them,
- The person affiliated with BDM who was involved in the preparation of recommendations was not rewarded in any form by the issuer, to whom the recommendation relates directly or indirectly, or was not directly connected with any possible transactions concerning services defined in art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.

According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

*BDM is a party to the "ANALYTICAL REPORT PREPARATION AGREEMENT" concluded with the WSE.

**BDM acts as an issue sponsor for ZUE

According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

BDM is subject to supervision by the Polish Financial Supervision Commission.

This document is a summary of a full version of the report prepared in Polish. In case of any disputes the Polish version shall prevail.