

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]	29,85	P/E	45,2	13,6	13,3	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [PLN m]	298,0	EV/EBITDA	19,5	6,5	7,0	
		EV/EBIT	31,1	7,5	7,9	
		P/BV	3,8	3,0	2,9	

Last recommendation BDM: ACCUMULATE with target price 31,0 PLN/share (2024/05/20) [LINK](#)

Q1'24 results [PLN m]

	Q1'23	Q1'24	y/y	Q1'24F BDM	dev.
Sales	97,5	62,0	-36,4%	80,0	-22,6%
Gross profit	14,7	8,1	-44,7%	9,3	-12,3%
Profit on sales	9,0	1,8	-80,3%	3,9	-53,9%
Other operating activity net	-1,5	6,2	---	20,0	---
EBITDA	8,6	9,0	3,8%	25,0	-64,1%
EBIT	7,5	7,9	5,3%	23,9	-66,7%
Profit before tax	7,9	22,3	183,1%	24,9	-10,3%
Net profit	5,8	21,1	265,7%	20,1	4,6%
Gross margin	15,1%	13,1%		11,6%	
EBITDA margin	8,9%	14,5%		31,3%	
EBIT margin	7,7%	12,8%		29,8%	
Net margin	5,9%	34,0%		25,2%	

Source: BDM S.A., company

Standalone Q1'24 results [PLN m]

	Q1'23	Q1'24	y/y
Przychody	91,6	61,8	-32,5%
Zysk brutto ze sprzedaży	13,2	8,0	-39,2%
EBIT	7,5	7,2	-4,3%
Zysk netto	6,0	4,8	-19,3%
Marża brutto ze sprzedaży	14,4%	13,0%	
Marża EBIT	8,2%	11,6%	
Marża zysku netto	6,5%	7,8%	

Source: BDM S.A., company

- The company published its Q1'24 results today ahead of the trading session. An earnings conference call with management is scheduled for Wednesday (12:00).
- Q1'24 revenue was PLN 62.0m (-36% y/y), a decline deeper than our expectations.
- The company has changed its segment presentation in the report. Revenue and gross sales result are now presented by the following areas: Industry, Energy, Defence Ministries, Local Government, Traction. Revenues y/y increased only in the last two segments. The sales decline in Defence Ministries was most pronounced (in Q1'23 the contribution of the perimeter contract on the land border with Belarus was still high).
- Gross margin (13.1%) - lower y/y but above our assumptions (we assumed 11.6% vs. 15.1% a year ago).
- SG&A expenses slightly higher y/y (PLN 6.3m vs. PLN 5.7m).
- Positive impact of other operating expenses in Q1'24 (PLN +6.2m). We had assumed PLN +20.0m, but the main impact of the Zeus deconsolidation (PLN +18.2m) was only shown below EBIT. Other operating income, on the other hand, is built by the 'Other' item (+PLN 7.6m), which includes income from the release of a provision for contractual penalties, damages received and items related to the deconsolidation of Zeus (ca. PLN +2.5m).
- EBITDA in Q1'24 amounted to PLN 9.0m (vs. +PLN 8.6m a year ago).
- Below the EBIT line, the aforementioned gain on loss of control was shown (+PLN 18.2m, as a result of the sale of Zeus for a symbolic PLN 1, which had negative equity - such an event was signalled in Q4'23 results).
- The financial balance with a negative impact of PLN -3.9m, of which PLN -3.4m is accounted for by the 'Other' item (another item from the settlement of the deconsolidation of Zeus at ca. PLN -2.5m and a discount on long-term receivables).
- Consolidated net profit in Q1'24 at PLN 21.1m (we expected PLN 20.1m).
- Operating cash flow was PLN +18m in Q1'24. The company had PLN 40m net cash at the end of the period.
- Backlog: PLN 648m (vs. PLN 329m after Q4'23).



BDM Comment: The company's Q1'24 results are influenced by the deconsolidation of the subsidiary Zeus (the company was sold for PLN 1, while it had strongly negative equity, which allowed us to show a significant profit on the transaction). The settlement of the transaction is shown mainly in a separate line below EBIT (we assumed in other operating income). In the end, net profit is marginally above our forecasts, although pure operating results were impacted by a deeper-than-assumed decline in revenues. At the same time, it should be remembered that Q1 is not seasonally significant from the point of view of annual results. On the positive side, we point to a higher-than-our-forecast gross margin. At the end of Q1'24, the company recorded a further improvement in its cash position (we assume from, among other things, the settlement of traction contracts). The backlog increased significantly vs Q4'23 (numerous new contracts, including perimetry on the Bug River). An earnings conference call with management is scheduled for Wednesday (12:00).

Results in previous quarters [PLN m]

	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Sales	52,2	77,7	56,7	90,5	52,4	76,5	143,0	233,7	97,5	128,3	183,2	137,9	62,0
Gross profit	4,4	11,2	7,0	9,8	0,7	4,8	21,5	40,5	14,7	20,3	27,5	13,7	8,1
SG&A	5,2	6,3	5,1	6,0	5,6	6,6	6,1	9,8	5,7	5,5	5,2	8,9	6,3
Profit on sales	-0,8	4,9	1,9	3,8	-4,9	-1,8	15,4	30,7	9,0	14,7	22,3	4,8	1,8
Other operat. activity net	0,2	-0,7	0,8	-0,8	0,5	1,2	-2,5	-5,4	-1,5	0,0	-7,5	-7,7	6,2
EBITDA	0,7	5,5	4,1	4,4	-3,1	0,8	13,9	26,6	8,6	15,9	15,8	-1,7	9,0
EBIT	-0,6	4,1	2,7	3,0	-4,4	-0,6	12,9	25,3	7,5	14,8	14,8	-2,9	7,9
Net financial activity	-0,4	-0,2	-0,3	-0,9	-0,3	0,3	0,6	-3,3	0,3	-0,6	-0,7	-1,0	14,3
Profit before tax	-1,0	4,0	2,5	2,2	-4,8	-0,3	13,5	22,0	7,9	14,2	14,1	-3,9	22,3
Net profit	-1,5	3,1	1,9	3,1	-5,4	0,7	11,1	15,6	5,8	11,2	9,7	-4,3	21,1
OCF	-6,7	21,5	-21,2	8,2	-2,4	11,8	10,5	17,6	9,2	-75,7	29,8	32,8	18,1
Net debt	-3,9	4,6	-2,6	-10,1	-4,6	-18,4	-26,6	-50,5	-59,7	16,7	5,2	-27,1	-39,8
Sales change y/y	-0,8%	55,6%	-19,6%	-12,7%	0,3%	-1,6%	152,2%	158,2%	86,1%	67,8%	28,1%	-41,0%	-36,4%
Gross margin	8,5%	14,4%	12,4%	10,8%	1,3%	6,3%	15,1%	17,3%	15,1%	15,8%	15,0%	9,9%	13,1%
S&GA/sales	10,0%	8,2%	9,0%	6,6%	10,6%	8,6%	4,3%	4,2%	5,8%	4,3%	2,8%	6,4%	10,2%
Margin on sales	-1,5%	6,3%	3,4%	4,2%	-9,3%	-2,4%	10,8%	13,1%	9,2%	11,5%	12,2%	3,5%	2,9%
EBITDA margin	1,4%	7,1%	7,2%	4,9%	-5,9%	1,0%	9,7%	11,4%	8,9%	12,4%	8,6%	-1,2%	14,5%
EBIT margin	-1,2%	5,3%	4,8%	3,3%	-8,4%	-0,8%	9,0%	10,8%	7,7%	11,5%	8,1%	-2,1%	12,8%
Net margin	-2,9%	4,0%	3,3%	3,4%	-10,3%	0,9%	7,8%	6,7%	5,9%	8,7%	5,3%	-3,1%	34,0%
P/E	27,3	36,9	26,6	45,2	111,4	1 128,8	31,5	13,6	9,0	6,8	7,0	13,3	7,9
EV/EBITDA	13,0	15,3	13,4	19,5	26,8	45,0	17,0	6,5	4,8	4,8	4,5	7,0	6,6

Source: Dom Maklerski BDM S.A., company

New business segmentation [PLN m]

	1Q'23	1Q'24
Sales	97,5	62,0
Industry	16,3	12,6
Energy	29,4	22,2
Local authorities	11,9	12,9
Defence Ministries	37,8	10,2
Traction	2,0	4,0
Gross profit	14,7	8,1
Industry	3,4	1,7
Energy	2,7	1,2
Local authorities	2,3	1,2
Defence Ministries	6,2	4,0
Traction	0,1	0,0
Sales change y/y	86,1%	-36,4%
Industry	---	-22,7%
Energy	---	-24,4%
Local authorities	---	8,3%
Defence Ministries	---	-73,0%
Traction	---	101,2%
Gross margin	15,1%	13,1%
Industry	20,8%	13,4%
Energy	9,3%	5,5%
Local authorities	19,1%	9,2%
Defence Ministries	16,3%	39,1%
Traction	5,5%	0,6%

Source: Dom Maklerski BDM S.A., company

RESEARCH DEPARTMENT:

Maciej Bobrowski

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

Krzysztof Pado

Deputy Director
Investment Adviser
tel. (032) 208 14 32
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

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 Dedećus

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
Accumulate	31,0	Accumulate	19,1	20.05.2024*	08:00 CEST	27,85	88 735
Accumulate	19,1	Buy	17,1	04.01.2024*	09:55 CEST	17,48	77 054
Buy	17,1	Buy	15,8	10.10.2023*	11:20 CEST	14,70	66 149
Buy	15,8	Buy	13,0	13.06.2023*	08:30 CEST	13,26	66 298
Buy	13,0	Accumulate	8,17	10.05.2023*	09:22 CEST	10,60	63 285
Accumulate	8,17	Hold	6,79	09.12.2022*	16:00 CEST	7,16	55 651
Hold	6,79	Buy	11,0	18.10.2022*	12:00 CEST	6,48	47 309
Buy	11,0	Buy	10,2	15.06.2022*	07:00 CEST	6,50	53 247
Buy	10,2	---	---	23.08.2021*	07:00 CEST	6,54	67 966

* 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 Elektrotim in 2021-06/2022 was Krystian Brymora

Distribution of BDM's recommendations in Q2'24*:

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

	number	%	number	%
Buy	7	54%	0	0%
Accumulate	3	23%	0	0%
Hold	3	23%	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>

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 28.05.2024 (8:40 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 28.05.2024:

- BDM states and assures that BDM is 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 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 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 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 Elektrotim

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.