

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]	31,60	P/E	47,8	14,3	14,1	<b>Analyst:</b> Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [PLN m]	315,5	EV/EBITDA	20,7	7,0	7,5	
		EV/EBIT	33,0	8,0	8,4	
		P/BV	4,0	3,2	3,1	

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

Q2'24 results [PLN m]

	Q2'23	Q2'24	y/y	Q2'24F BDM	dev.	H1'23	H1'24	y/y
Sales	128,3	111,6	-13,0%	95,0	17,5%	225,8	173,6	-23,1%
Gross profit	20,3	18,0	-11,4%	13,2	36,6%	34,9	26,1	-25,4%
Profit on sales	14,7	9,2	-37,8%	5,7	62,2%	23,7	10,9	-53,9%
Other operating activity net	0,0	-0,5	---	0,0	---	-1,4	5,7	---
EBITDA	15,9	9,7	-38,9%	6,8	42,8%	24,5	18,7	-23,9%
EBIT	14,8	8,7	-41,3%	5,7	53,5%	22,3	16,6	-25,6%
Profit before tax	14,2	9,3	-34,2%	5,0	86,2%	22,1	31,6	43,3%
Net profit	11,2	8,0	-28,1%	4,1	97,7%	16,9	29,1	71,7%
Gross margin	15,8%	16,1%		13,8%		15,5%	15,0%	
EBITDA margin	12,4%	8,7%		7,2%		10,9%	10,8%	
EBIT margin	11,5%	7,8%		5,9%		9,9%	9,6%	
Net margin	8,7%	7,2%		4,3%		7,5%	16,8%	

Source: BDM S.A., company

- The company published its Q2 results on Wednesday and held an earnings conference call with management.
- Revenues in Q2'24 amounted to PLN 111.6m (-13% y/y), the y/y decrease was less than our expectations.
- YoY growth was recorded in the segments: Industry, Defence Ministries and Local Government. In contrast, the decrease was most significant in Energy and less significant in Traction.
- Gross margin (16.1%) - marginally higher y/y and above our assumptions (we assumed 13.8% vs. 16.1% a year ago). The margin in the Industry segment in particular was a positive surprise.
- SG&A expenses significantly higher y/y (PLN 8.8m vs. PLN 5.5m).
- Minimal negative impact from other operating activities in Q2'24 (PLN -0.5m).
- EBITDA in Q2'24 amounted to PLN 9.7m (vs. PLN +15.9m a year ago and PLN 6.8m our expectations).
- Financial balance with positive impact at PLN +0.7m.
- Consolidated net profit in Q2'24 at PLN 8.0m (we expected PLN 4.1m).
- Cash flows from operations amounted to PLN -39.5m in Q2'24 (twice as negative a year ago). At the end of the period, the company had PLN 4m in net debt.
- Backlog: PLN 644m (vs. PLN 648m after Q1'24 and PLN 626m a year ago).
- At the results conference, management highlighted the apparent recovery in tenders in areas concerning the company (while the extent of this recovery varies by segment). It was indicated that the flood does not threaten the execution of significant contracts, including the contract for perimetry on the Bug River (one smaller road order may be an issue). The company is present at the liquidation of damages after the floods. The current portfolio is mainly built on contracts with a lead time of up to 12 months. The company does not identify any significant problematic contracts. Revenues in H2'24 will be significantly impacted by rework on the Bug River perimeter contract (with potential pressure on cash flow in the short term). The contract for the land perimeter on the border with Belarus has been completed and settled. The company did not want to express approximate expectations for 2024 (the previous conference indicated that the target should be to repeat the 2023 standalone results). The company views the higher management costs as an investment in the structure under the assumed portfolio and revenue growth. Management is concerned that the accumulation of several investment programmes in the market may result in cost pressures in the longer term.

**BDM Comment:** The company's Q2'24 results were weaker year-on-year, but better than our assumptions. Among other things, the margin in the Industry segment surprised positively. The Energy segment is mainly responsible for the y/y decline in revenue. Working capital commitment increased seasonally (the increase will probably also be seen in Q3'24). The company maintained its order backlog at a level similar to Q1'24. Revenue-wise, the 2H'24 period should be strong in our view due to the start of construction work on the Bug perimeter contract. At the same time, the revenue mix in H2'24 may be slightly different than in 2Q'24, which may affect the margin - the Defence Ministries segment showed a below-average margin for the whole company in 2Q'24 (and this segment will be important in 2H'24), while the Industry segment, for example, had a very high margin in 2Q'24, which may be hard to maintain. At the same time, with high revenues, operating leverage should be visible (the increase in SG&A costs should not be as noticeable for EBIT as in Q2'24). At the earnings conference, the management emphasised above all the recovery on the supply side of new tenders.



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	Q2'24
<b>Sales</b>	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	111,6
<b>Gross profit</b>	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	18,0
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	8,8
<b>Profit on sales</b>	-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	9,2
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	-0,5
<b>EBITDA</b>	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	9,7
<b>EBIT</b>	-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	8,7
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	0,7
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	9,3
<b>Net profit</b>	-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	8,0
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	-39,5
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	4,2
<b>Sales change y/y</b>	-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%	-13,0%
<b>Gross margin</b>	63,2%	142,5%	16,3%	10,8%	-28,1%	-17,5%	174,1%	268,7%	175,1%	29,4%	-56,9%	-75,8%	-40,3%	80,6%
S&GA/sales	-36,8%	26,8%	-42,4%	-38,4%	26,3%	0,5%	142,2%	85,7%	89,9%	163,5%	203,2%	71,4%	-30,2%	-54,5%
<b>Margin on sales</b>	-32,4%	-12,0%	-31,0%	10,4%	71,9%	69,6%	88,3%	-57,0%	---	---	---	---	---	---
<b>EBITDA margin</b>	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%	16,1%
<b>EBIT margin</b>	7,3%	9,9%	6,8%	10,0%	-4,1%	2,0%	16,3%	20,5%	15,8%	12,8%	11,6%	-20,3%	19,2%	17,2%
<b>Net margin</b>	5,5%	17,9%	20,6%	8,7%	0,3%	9,6%	12,8%	7,0%	13,9%	17,1%	15,8%	22,8%	4,8%	14,2%
P/E	29,0	39,0	28,1	47,8	117,9	1 194,9	33,3	14,3	9,5	7,2	7,5	14,1	8,4	9,1
EV/EBITDA	13,8	16,1	14,2	20,7	28,4	47,9	18,1	7,0	5,1	5,1	4,8	7,5	7,1	9,7

Source: Dom Maklerski BDM S.A., company

New business segmentation [PLN m]

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24
<b>Sales</b>	97,5	128,3	183,2	137,9	62,0	111,6
Industry	16,3	12,1	---	---	12,6	26,5
Energy	29,4	68,1	---	---	22,2	31,6
Local authorities	11,9	14,0	---	---	12,9	22,0
Defence Ministries	37,8	20,8	---	---	10,2	22,5
Traction	2,0	13,3	---	---	4,0	8,9
<b>Gross profit</b>	14,7	20,3	27,5	13,7	8,1	18,0
Industry	3,4	0,5	---	---	1,7	6,6
Energy	2,7	9,9	---	---	1,2	4,7
Local authorities	2,3	2,4	---	---	1,2	3,1
Defence Ministries	6,2	5,6	---	---	4,0	2,5
Traction	0,1	1,8	---	---	0,0	1,0
<b>Sales change y/y</b>	86,1%	67,8%	28,1%	-41,0%	-36,4%	-13,0%
Industry	---	---	---	---	-22,7%	118,7%
Energy	---	---	---	---	-24,4%	-53,6%
Local authorities	---	---	---	---	8,3%	57,5%
Defence Ministries	---	---	---	---	-73,0%	8,1%
Traction	---	---	---	---	101,2%	-33,1%
<b>Gross margin</b>	15,1%	15,8%	---	---	13,1%	16,1%
Industry	20,8%	4,2%	---	---	13,4%	24,9%
Energy	9,3%	14,6%	---	---	5,5%	14,9%
Local authorities	19,1%	17,1%	---	---	9,2%	13,9%
Defence Ministries	16,3%	27,1%	---	---	39,1%	11,3%
Traction	5,5%	13,4%	---	---	0,6%	11,7%

Source: Dom Maklerski BDM S.A., company



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e-mail: [andrzej.wodecki@bdm.pl](mailto: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.

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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 Q3'24\*:**

	number	%	number	%
Buy	8	62%	0	0%
Accumulate	2	15%	0	0%
Hold	1	8%	0	0%
Reduce	1	8%	0	0%
Sell	1	8%	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>

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

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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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