

Key data

| | |
|-----------------------------|-----------------------|
| Target price [PLN] | 33 |
| DCF valuation [PLN] | 41 |
| Comparative valuation [PLN] | 22 |
| Market price [PLN] | 31,2 |
| Pot. of growth/decl. [%] | 5,06% |
| Mkt capitalisation [mn PLN] | 73,5 |
| Free float [mn PLN] | 24,0 |
| Sector | INDUSTRY CONSTRUCTION |
| WSE code | PRM |
| Bloomberg ticker | PRM PW |

Analyst:

Artur Wizner
Phone: (22) 53 95 548

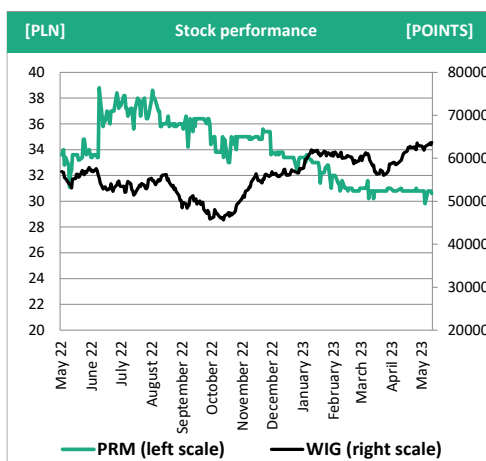
Company profile:

An engineering company which specializes in providing a full range of design and construction services. It also offers project management and organization services, advisory services, development, project engineer, project supervisor, FIDIC contract engineer or a general contractor. It also offers consulting services related to contracts financed with EU assistance funding.

Source: www.gpw.pl

Major Stockholders: [%]

| | |
|----------------|-------|
| Steven Trappan | 42,46 |
| Prochem SA | 12,74 |
| PTE PZU S.A. | 12,10 |
| Pozostali | 32,70 |



PROCHEM S.A.

Analytical Report

Results under the rising costs pressure

Prochem results for the first quarter 2023, as we expected, are weaker than a year ago. Sales revenues amounted to PLN 60.5 million compared to PLN 57.3 million in Q1 2022 (increase by 5.6% y/y). The company recorded a gross loss on sales in the amount of PLN 329 thousand PLN 6.2 million in Q1 2022. Operating profit amounted to PLN 1.1 million (-58.4% y/y), while net profit amounted to PLN 152 thousand. PLN compared to PLN 2.0 million profit in the same period last year.

In our opinion, Prochem's results reflect the problems currently faced by the construction industry in Poland. The most important include: increased costs (energy, raw materials, construction materials, salaries, transport) and difficulties with valorization of contracts. We believe that Prochem's weaker results in the first quarter were caused by the completion of contracts concluded in the general contracting formula before February 2022. In our opinion, new contracts (including BIOAGRA S.A., ElectroMobility Poland S.A., Elemental Strategic Metals sp. z o.o.) should, in our opinion, not only to ensure stable revenues for the Company, but also to contribute to the gradual rebuilding of margins and improvement of results in the following quarters. Remaining optimistic about the Company, and at the same time conservative in the valuation, we are raising the target price from PLN 30 to PLN 32.7 until the end of 2023.

| [in million PLN] | 2022 | 2023F | 2024F | 2025F | 2026F | 2027F |
|----------------------|-------|-------|-------|-------|-------|-------|
| Income from sales | 222 | 228 | 251 | 261 | 272 | 283 |
| EBITDA | 9,3 | 10,3 | 10,1 | 10,8 | 11,8 | 12,4 |
| EBITDA margin | 4,2% | 4,5% | 4,0% | 4,1% | 4,3% | 4,4% |
| EBIT | 2,6 | 3,4 | 3,0 | 3,5 | 4,3 | 4,6 |
| Net profit (loss) | 0,5 | 1,7 | 2,4 | 2,9 | 3,5 | 3,7 |
| Shareholders' equity | 92,4 | 94,5 | 97,1 | 100,1 | 103,8 | 107,8 |
| Net debt | -5,5 | -6,2 | -3,0 | -4,9 | -0,9 | -5,9 |
| P/E | 139,7 | 44,3 | 30,9 | 25,7 | 21,0 | 19,8 |
| P/BV | 0,8 | 0,8 | 0,8 | 0,7 | 0,7 | 0,7 |
| EV/EBITDA | 7,3 | 6,5 | 7,0 | 6,3 | 6,1 | 5,5 |
| EPS | 0,2 | 0,7 | 1,0 | 1,2 | 1,5 | 1,6 |

Source: DM Banku BPS S.A., E - Estimates

Basic definitions

CAPEX (capital expenditures) - investment expenditures on product development, system implementation (including intangible assets) or tangibles assets in the part in which the capital is intended to maintain the company's current ability to generate income.

DCF (discounted cash flows) - discounted cash flows; all future cash flows are estimated and discounted in order to determine their present value. The value of the discount rate used corresponds to the cost of capital and includes an assessment of the risk related to future cash flows.

DFCF - Discounted FCF (Free Cash Flows to Firm).

EBIT (earnings before interest and taxes) - operating income i.e. the income before deduction of taxes and interest.

EBITDA (earnings before interest, taxes, depreciation and amortization) - the company's operating profit before deducting interest on interest-bearing liabilities (loans, bonds), taxes, amortization and depreciation of tangible and intangible assets; here EBITDA = operating income + amortization of tangible fixed assets + depreciation of intangible assets.

EV (Enterprise Value) - total enterprise value; here EV = current stock market capitalization + net debt.

EV / EBITDA - the ratio is calculated by dividing the present value of the enterprise (EV) by the value of EBITDA.

FCFF (Free Cash Flow to Firm) - free cash flows for owners of equity capital and creditors, which can be defined as flows resulting from the company's operating and investment activities, after all financial expectations of capital donors, i.e. all parties financing the company, have been settled.

WSE - Warsaw Stock Exchange.

NOPLAT - net operating result less adjusted taxes; here NOPLAT = EBIT * (1 - tax rate).

P / BV (price / book value) - the ratio is calculated by dividing the current capitalization of a listed company by the book value of its equity, which is provided in the company's balance sheet.

P / E (price earnings ratio) - stock exchange ratio. It is calculated by dividing the market price of one share by the net profit per share.

PV TV - Present Value, ie the residual value (TV) discounted at the present moment.

CR - current report.

SB - Supervisory Board.

TV (Terminal Value) - residual value; enterprise value after the forecast period; here estimated with the help of the Gordon model.

WACC - weighted average cost of capital; financial indicator informing about the average relative cost of capital engaged in financing the enterprise.

Information and legal disclaimer

This analytical report was prepared by Dom Maklerski Banku BPS S.A. at the request of the Warsaw Stock Exchange on the basis of an agreement concluded between Dom Maklerski Banku BPS S.A. and WSE under the "Analytical Coverage Support Program 3.0.". Dom Maklerski Banku BPS S.A. will receive remuneration for the report.

The work on this study has been completed on: 6 June 2023, 17:20

Distribution of this study: 6 June 2023, 17:30

This report is published on the day of its completion on the publicly available website <https://dmbps.pl/wsparcie-analityczne/program-wsparcia-pokrycia-analitycznego-gpw/prochem-s-a>.

This study reflects the knowledge and views of the authors as of the date of its preparation. The authors do not take into account in the study any individual investment objectives, financial standing, or the needs or demands of potential addressees of the study or its principals.

This study does not constitute: (1) a personal recommendation; or (2) investment, legal or other advice; or (3) an offer, incentive to act, invest or dispose of an investment in a particular way; or (4) an assessment or assurance of the profitability of investments in financial instruments covered by it.

This study has been prepared in accordance with legal requirements ensuring independence, in particular in accordance with Commission Delegated Regulation (EU) No 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards on technical measures for the objective presentation of investment recommendations or other information recommending or suggesting investment strategy and the disclosure of special interests or indications of conflicts of interest.

The report constitutes an investment survey within the meaning of Article 36, section 1 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

This study constitutes an investment survey not carried out as part of investment advisory services or portfolio management within the meaning of the Act of 29 July 2005 on trading in financial instruments.

The study is intended for distribution only in the Republic of Poland and it may not be distributed or transmitted, directly or indirectly, to the United States of America, Canada, Japan or Australia, or to any other jurisdiction where such distribution would constitute a violation of the relevant laws of that jurisdiction or require registration in that jurisdiction.

The study has been prepared with due diligence and on the basis of information available to the public on the date of publication of the study such as: financial statements, current and periodic reports, industry and press publications or those obtained from sources reliable for Dom Maklerski Bank BPS S.A.

Dom Maklerski Banku BPS S.A. does not guarantee the completeness, truthfulness or accuracy of the source data. Dom Maklerski Banku BPS S.A. shall not be liable for any investment decisions taken on the basis of this report or for any damage incurred as a result of such investment decisions. The study may not be regarded as an assurance or guarantee that losses will be avoided or that potential or expected results will be achieved, in particular profits or other benefits from, or in connection with, the failure to carry out such transactions.

The data presented here relate to the past, and past performance does not guarantee future results.

Dom Maklerski Banku BPS S.A. and its shareholder or employees may hold shares of the Issuer which are the subject of this study.

During the 12 months preceding the issue of the study, Dom Maklerski Banku BPS S.A. did not offer the Issuer's financial instruments in primary trading or in an initial public offering, nor did it act as an animator for the newly issued financial instruments to which the study relates.

During the 12 months preceding the issue of the study, Dom Maklerski Banku BPS S.A. did not purchase or sell the Issuer's financial instruments on its own account in order to perform investment or service underwriting agreements.

It is probable that in the course of its statutory activity, Dom Maklerski Banku BPS S.A. will make an offer to the Issuer to provide services within the framework of its permit, and that as a result of making such an offer, agreements may be concluded with the Issuer.

Detailed information on the valuation or methodology and the assumptions, models and meaning of recommendations is available at the address: https://dmbps.pl/informacje/221/Materialy_Analityczne.

A description of the actual internal organisational and administrative solutions and any information barriers established in order to prevent and avoid conflicts of interest concerning recommendations can be found in the Conflict of Interest Management Regulations of Dom Maklerski Banku BPS S.A. available at the address:

https://dmbps.pl/informacje/228/Regulamin_zarzadzania_konfliktami_interesow_w_Domu_Maklerskim_Banku_BPS_SA

A general description of the financial instrument and the risks associated with investing in particular financial instruments is presented at the Website. This information has been prepared with due diligence, in particular in a reliable manner and to the best of DM BPS' knowledge, but it may not be exhaustive and in the specific situation in which the recipient is or will be, other risk factors than those indicated in the above information by DM BPS may exist or appear. The recipient should bear in mind that investments in individual financial instruments may result in the loss of some or all of the funds invested and may even involve additional costs.

Copying or publishing this study, or any part hereof, in any form whatsoever, and using the material for one's own publications, without the written consent of Dom Maklerski Banku BPS S.A., is prohibited. This study is legally protected under the Act of 4 February 1994 on Copyright and Related Rights. Copyright to the study is vested with the Warsaw Stock Exchange.

The authority supervising the operations of Dom Maklerski Banku BPS S.A. is the Polish Financial Supervision Authority with its registered office in Warsaw, at ul. Piękna 20.

List of recommendations issued within the last 12 months:

| Company | Recommendation | Target price | Market price | Type of recommendation | Date of Issue | Analyst(s) |
|--------------------|----------------|--------------|--------------|------------------------|---------------|--------------|
| JSW | BUY | 74 | 38,7 | Analytical report | 12.09.2022 | Artur Wizner |
| UNIBEP | N/A | 10 | 7,2 | Analytical report | 20.09.2022 | Artur Wizner |
| VIVID GAMES | N/A | 1,07 | 1,03 | Analytical report | 29.09.2022 | Łukasz Bryl |
| SNIEZKA | HOLD | 67 | 64,2 | Analytical report | 29.09.2022 | Artur Wizner |
| NTT SYSTEM | N/A | 7,03 | 3,95 | Analytical report | 04.10.2022 | Łukasz Bryl |
| PROCHEM | N/A | 30 | 34,8 | Analytical report | 05.10.2022 | Artur Wizner |
| PROTEKTOR | N/A | 2,9 | 2,6 | Analytical report | 12.10.2022 | Artur Wizner |
| MONNARI TRADE | N/A | 6,74 | 3,87 | Analytical report | 21.10.2022 | Łukasz Bryl |
| PROCHEM | N/A | 30 | 35 | Analysis of results | 15.11.2022 | Artur Wizner |
| UNIBEP | N/A | 10 | 8,84 | Analysis of results | 18.11.2022 | Artur Wizner |
| VIVID GAMES | N/A | 1,09 | 1,05 | Analysis of results | 29.11.2022 | Łukasz Bryl |
| MONNARI TRADE | N/A | 7,20 | 4,85 | Analysis of results | 01.12.2022 | Łukasz Bryl |
| NTT SYSTEM | N/A | 7,50 | 4,12 | Analysis of results | 02.12.2022 | Łukasz Bryl |
| PROTEKTOR | N/A | 2,90 | 2,19 | Analysis of results | 06.12.2022 | Artur Wizner |
| MONNARI TRADE | BUY | 8,63 | 4,82 | Analytical report | 13.03.2023 | Łukasz Bryl |
| PROTEKTOR | HOLD | 2,70 | 2,36 | Analytical report | 13.03.2023 | Artur Wizner |
| ESOTIQ & HENDERSON | BUY | 47,23 | 29,2 | Analytical report | 13.03.2023 | Łukasz Bryl |
| COCCODRILLO | BUY | 26,77 | 17,75 | Analytical report | 13.03.2023 | Łukasz Bryl |
| WITTCHEN | BUY | 40,83 | 27 | Analytical report | 13.03.2023 | Łukasz Bryl |
| VRG | BUY | 5,07 | 3,3 | Analytical report | 13.03.2023 | Artur Wizner |
| WOJAS | BUY | 11,75 | 7,96 | Analytical report | 13.03.2023 | Artur Wizner |
| LPP | HOLD | 9328,17 | 9430 | Analytical report | 13.03.2023 | Artur Wizner |
| CCC | SELL | 27,57 | 35,43 | Analytical report | 13.03.2023 | Artur Wizner |
| SILVANO GROUP | BUY | 14,14 | 5,45 | Analytical report | 13.03.2023 | Łukasz Bryl |
| SNIEZKA | BUY | 83,00 | 71,6 | Analytical report | 17.03.2023 | Artur Wizner |
| JSW | BUY | 71,00 | 45,78 | Analytical report | 05.04.2023 | Artur Wizner |
| NTT SYSTEM | N/A | 7,90 | 5 | Analytical report | 12.04.2023 | Łukasz Bryl |
| VIVID GAMES | N/A | 1,05 | 0,82 | Analytical report | 05.05.2023 | Łukasz Bryl |
| UNIBEP | N/A | 13,30 | 10,4 | Analytical report | 09.05.2023 | Artur Wizner |
| MONNARI TRADE | N/A | 7,84 | 5,34 | Analytical report | 12.05.2023 | Łukasz Bryl |
| PROTEKTOR | N/A | 2,70 | 2,30 | Analytical report | 12.05.2023 | Artur Wizner |
| PROCHEM | N/A | 30,00 | 31,00 | Analytical report | 17.05.2023 | Artur Wizner |
| VIVID GAMES | N/A | 0,90 | 0,90 | Analytical report | 05.06.2023 | Łukasz Bryl |
| NTT SYSTEM | N/A | 8,62 | 4,89 | Analytical report | 05.06.2023 | Łukasz Bryl |
| PROCHEM | N/A | 32,70 | 31,20 | Analytical report | 06.06.2023 | Artur Wizner |