

Key data

Target price [PLN]	32,7
DCF valuation [PLN]	39,6
Comparative valuation [PLN]	25,5
Market price [PLN]	29,6
Pot. of growth/decl. [%]	10,74%
Mkt capitalisation [mn PLN]	59,3
Free float [mn PLN]	18,0
Sector	INDUSTRY CONSTRUCTION
WSE code	PRM
Bloomberg ticker	PRM PW

Analyst:
Artur Wizner

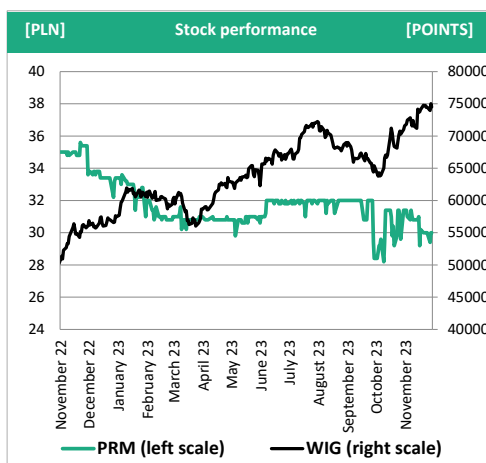
Phone: (22) 53 95 548

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	50,00
PTE PZU S.A.	14,21
Jean Jaques Alphandery oraz	
APUS SA	5,46
Pozostali	30,33



PROCHEM S.A.

Analytical Report

The expected improvement in results arrived

Prochem results for the third quarter of 2023, as we expected, are better than in the previous quarter and a year ago. Sales revenues amounted to PLN 66.8 million compared to PLN 47.9 million in the third quarter of 2022 (an increase of 39.5% y/y). The company recorded a gross profit on sales of PLN 5.5 million compared to PLN 2.5 million in the third quarter of 2022. EBIT amounted to PLN 1.3 million compared to a PLN 1.2 million loss in the third quarter of last year, while the net profit amounted to 439 thousand PLN vs. 247 thousand PLN in the same period last year.

In our opinion, Prochem's results reflect the problems that the construction industry in Poland is currently struggling with. The most important include: increase in costs (energy, raw materials, construction materials, wages, transport) and difficulties with contract indexation. We believe that the weaker results of Prochem in the first half of the year were caused by the termination of contracts signed under the general contracting formula before February 2022. New contracts (including with BIOAGRA S.A., ElectroMobility Poland S.A., Elemental Strategic Metals sp. z o.o.) should, in our opinion, not only provide the Company with stable revenues, but also contribute to the gradual rebuilding of margins and improvement of results in the following quarters. Keeping optimistic attitude towards the Company and at the same time conservative in valuation, we keep the target price of PLN 32.7 in the horizon until the end of 2023 at an unchanged level with an almost 10% growth potential compared to current market quotations.

[in million PLN]	2022	2023F	2024F	2025F	2026F	2027F
Income from sales	222	302	317	329	343	356
EBITDA	9,3	4,4	10,9	12,0	12,5	13,8
EBITDA margin	4,2%	1,5%	3,4%	3,6%	3,7%	3,9%
EBIT	2,6	-2,5	3,8	4,6	5,0	6,0
Net profit (loss)	0,5	-5,7	1,2	2,6	3,0	3,7
Shareholders' equity	92,4	86,5	87,7	90,4	93,4	97,1
Net debt	-3,9	7,1	-1,9	10,5	19,8	-3,1
P/E	112,8	-10,5	48,9	22,5	19,6	16,1
P/BV	0,6	0,7	0,7	0,7	0,6	0,6
EV/EBITDA	6,0	15,2	5,3	5,8	6,3	4,1
EPS	0,3	-2,8	0,6	1,3	1,5	1,8

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

Financials and earnings estimates

Prochem - Key data, 2021-2027e

thds. unless otherwise stated

Ratio	2021	2022	2023E	2024E	2025E	2026E	2027E
EPS	3,13	0,26	-2,83	0,61	1,32	1,51	1,84
Revenue	247 848	221 822	301 678	316 762	329 432	342 610	356 314
Gross Margin	17 753	12 519	6 094	17 446	18 963	20 062	21 822
EBIT	4737	2574	-2521	3 818	4 647	4 992	6 021
EBITDA	11 048	9 333	4 175	10 715	11 751	12 309	13 557
Pre-Tax Profit	8 148	1 178	-5 668	1537	3 345	3 831	4 676
Net Profit	6 280	526	-5 668	1 215	2 643	3 027	3 694
Net Debt	12 966	-3 892	7 073	-1 923	10 512	19 807	10 109
BPS	51,3	46,1	43,2	43,7	45,1	46,6	48,5
DPS	-	-	-	-	-	-	-
ROE	6,1%	0,6%	-6,6%	1,4%	2,9%	3,2%	3,8%
ROA	2,6%	0,3%	-2,7%	0,5%	1,1%	1,2%	1,4%
Amortization	6 759	6 696	6 897	7 104	7 317	7 536	7 762
Free Cash Flow	-	- 9 237	8 013	5 517	-4 435	-4 027	4 752
CAPEX	-1 527	-1 174	-3 245	-14 283	-14 321	-3 861	-3 880

Source: Company, DM Banku BPS SA 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.

BPS – Book Value per share

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).

DPS – Dividend per share

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 4.0. ". Dom Maklerski Banku BPS S.A. will receive remuneration for the report.

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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>.

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

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List of recommendations issued within the last 12 months:

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
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
PROTEKTOR	N/A	2,80	2,27	Analytical report	09.06.2023	Artur Wizner
MONNARI TRADE	N/A	7,28	5,10	Analytical report	13.06.2023	Łukasz Bryl
UNIBEP	N/A	13,30	10,50	Analytical report	14.06.2023	Artur Wizner
WITTCHEN	BUY	39,50	36,60	Analytical report	03.07.2023	Łukasz Bryl
CCC	HOLD	42,70	42,70	Analytical report	11.07.2023	Artur Wizner
WITTCHEN	BUY	30,40	23,80	Analytical report	06.10.2023	Łukasz Bryl
PROCHEM	N/A	32,70	29,80	Analytical report	19.10.2023	Artur Wizner
ESOTIQ & HENDERSON	N/A	38,70	33,40	Analytical report	07.11.2023	Łukasz Bryl
PROCHEM	N/A	32,70	29,60	Analytical report	01.12.2023	Artur Wizner