

**Key data**

Target price [PLN]	30
DCF valuation [PLN]	37
Comparative valuation [PLN]	20
Market price [PLN]	31,0
Pot. of growth/decl. [%]	-2,74%
Mkt capitalisation [mn PLN]	73,0
Free float [mn PLN]	23,9
Sector	INDUSTRY CONSTRUCTION
WSE code	PRM
Bloomberg ticker	PRM PW

**Analyst:**

**Artur Wizner**  
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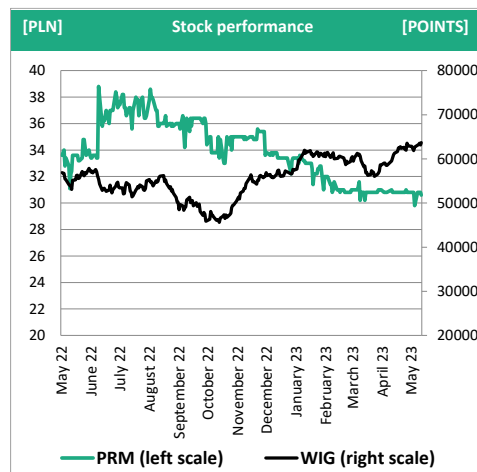
**Company profile:**

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](http://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 2022, as we expected, are weaker. Sales revenues amounted to PLN 221.8 million compared to PLN 247.8 million in 2021 (a decrease of 10.5% y/y). The gross profit on sales amounted to PLN 12.5 million (-29.5% y/y), the gross margin decreased from 7.2% to 5.6% (-1.6 p.p.). Operating profit amounted to PLN 2.6 million (-45.7% y/y), while net profit amounted to PLN 0.5 million compared to PLN 6.3 million in 2021 (the result in 2022 was significantly affected by a one-off event in the form of the sale of the Astrum Business Park office complex in Warsaw).

In our opinion, the foundations of Prochem remain strong, the Group has a solid portfolio of contacts that should generate stable revenues. The increase in costs (raw materials, construction materials, salaries, transport) translated into weaker results in 2022. In our opinion, these factors will also put pressure on the profitability of contracts executed in the general contracting formula this year as well, so we also expect weaker results this year (we are revising our forecasts downwards). At the same time, we believe that the chemical industry in Poland is strong and its prospects have not deteriorated. We expect a gradual rebuilding of margins starting from 2024. However, we do not see any factors that could have a positive impact on the increase in the value of Prochem shares in the short term, and we leave the valuation unchanged at PLN 30 at the end of 2023.

[in million PLN]	2022	2023F	2024F	2025F	2026F	2027F
Income from sales	222	228	242	249	257	265
EBITDA	9,3	8,0	8,6	9,8	10,4	10,7
EBITDA margin	4,2%	3,5%	3,6%	3,9%	4,1%	4,0%
EBIT	2,6	1,1	1,5	2,5	2,9	2,9
Net profit (loss)	0,5	0,9	1,5	2,5	2,9	3,0
Shareholders' equity	92,4	93,8	95,4	98,1	101,2	104,4
Net debt	-5,5	-7,1	-4,0	-7,3	-3,2	-6,5
P/E	138,8	82,8	48,2	28,7	25,6	24,3
P/BV	0,8	0,8	0,8	0,7	0,7	0,7
EV/EBITDA	7,3	8,3	8,0	6,7	6,7	6,2
EPS	0,2	0,4	0,6	1,1	1,2	1,3

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.

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Distribution of this study: 17 May 2023, 08:40

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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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.

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[https://dmbps.pl/informacje/228/Regulamin\\_zarzadzania\\_konfliktami\\_interesow\\_w\\_Domu\\_Maklerskim\\_Banku\\_BPS\\_SA](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)
PROCHEM	N/A	37	33,6	Analysis of results	17.05.2022	Artur Wizner
MONNARI TRADE	N/A	5,5	3,5	Analytical report	18.05.2022	Łukasz Bryl
VIVID GAMES	N/A	1,29	1,26	Analysis of results	26.05.2022	Łukasz Bryl
MONNARI TRADE	N/A	6,21	3,87	Analysis of results	31.05.2022	Łukasz Bryl
NTT SYSTEM	N/A	7,92	4,28	Analysis of results	31.05.2022	Łukasz Bryl
UNIBEP	N/A	11	8,1	Analysis of results	31.05.2022	Artur Wizner
PROTEKTOR	N/A	3,6	2,83	Analysis of results	01.06.2022	Artur Wizner
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	2,3	Analytical report	12.10.2022	Artur Wizner
PROCHEM	N/A	30,00	31	Analytical report	17.05.2023	Artur Wizner