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Elektrotim – 2014 Q4 Results

current price: PLN 9.95

ELT PW; ELT.WA | Construction, Poland

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Elektrotim's operating profit for Q4 2014 showed a 10% increase from the same period in 2013 at PLN 5.2m, but net profit suffered a 25% drop to PLN 3.8m from a high year-ago base which had been boosted by negative tax. While slightly missing our expectations, the fourth-quarter results can be considered good, with the operating profit reaching such a high level for just the second time in three years. On a full-year basis, Elektrotim reported a disappointing 82% plunge to PLN 1.4m in the 2014 annual net profit, however we believe it can still afford to pay per-share dividends of PLN 0.60 this year. With the 2014 standalone net profit totaling PLN 2.9m, if we add to this reserves of PLN 3.7m, we get a total dividend base of ca. PLN 6.5m (PLN 0.65/share). Note also that Elektrotim ended 2014 with net cash of PLN 36.3m (+50% y/y), the highest ending cash balance since 2010. We expect Elektrotim to improve its financial performance considerably in 2015 based on a high order backlog (PLN 259.7m, +81% y/y) and a low year-ago base, and we maintain an overweight recommendation for the stock.

lektrotim generated revenue of PLN 73.5m (+1% y/y) and posted a gross profit of PLN 11.6m (-5% y/y) in Q4 2014. The gross margin contracted to 15.8% from 16.7% the year before, however it is worth noting that the Company achieved solid double-digit margins across all of its business segments (Installations, Networks, Automation). Administrative expenses amounted to PLN 5.2m in Q4 after a 10% y/y drop, and other operating activity produced a loss of PLN 1.3m, lower than the year-ago loss of PLN 1.6m. Financing activity was neutral to earnings in Q4, and the quarterly tax amounted to PLN 1.4m vs. PLN -0.2m in Q4 2013.

Q4 2014 results

(PLN m)	4Q'14	4Q'13	change	2014	2013	change	2015E	2014	change
Revenue	73.5	72.8	0.9%	198.0	221.6	-10.7%	239.2	198.0	20.8%
EBITDA	5.9	5.5	6.9%	5.8	12.7	-54.3%	14.9	5.8	156.1%
EBITDA margin	8.0%	7.5%	-	2.9%	5.7%	-	6.2%	2.9%	-
EBIT	5.2	4.7	10.0%	3.0	9.7	-69.4%	12.0	3.0	304.7%
Pre-tax profit	5.3	4.5	17.7%	3.3	8.1	-59.0%	12.2	3.3	268.6%
Net profit	3.8	5.1	-25.3%	1.4	7.5	-82.1%	9.4	1.4	595.8%

Source: Elektrotim

List of abbreviations and ratios contained in the report.

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
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