



The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2019	2020	2021	
Price [PLN]	25,2	P/E	14,5	14,6	3,4	Analyst: Anna Tobiasz anna.tobiasz@bdm.pl tel.: (+48) 666 073 972
MC [mln PLN]	56,3	EV/EBITDA	4,9	4,4	1,8	
		EV/EBIT	12,1	12,9	3,0	
		P/BV	1,1	1,0	0,9	

Last recommendation BDM: BUY with target price 29,6 PLN/share (2022/10/07) [LINK](#)

Q3'22 results above our expectations - high revenues and lower margin decline (positive)

Q3'22 was a record quarter in the company's history in terms of revenue. The high USD exchange rate and sales to reduce inventory levels resulted in a decline in gross margin on sales, but the margin turned out to be higher than our forecasts (58.8% vs. 57.3% expected) Cumulatively after 9 months 2022, the margin was 62.4%, which means that the company is, for the time being, delivering its target of maintaining the ratio above 60%.

Due to store closures in Ukraine there was a slight decrease in store space (-1% y/y). The company also closed a store in Romania, where it currently maintains an online presence, wholesale and multibrands. Esotiq intends to expand its e-commerce network in Moldova and Germany. There are also underway efforts to start selling on Zalando in Austria and Switzerland. A mobile application was launched in late October'22. The company notes that in this sales channel, the sales per customer is 15% higher than the standard, and the number of items per receipt is also higher. In the first month of the app's operation, Esotiq recorded about 20,000 downloads, and the conversion rate was 17%.

In Q3'22, the company paid a dividend of PLN 3.9 million, while keeping positive cash flow from financing activities, mainly due to proceeds from loans and borrowings. Net debt after equity was PLN 55.1 million, or 1.7x EBITDA.

In Q3'22, the Vosedo.com platform, a project in cooperation with Oponeo.pl, has launched and generated first sales. Due to the continued lack of an investment agreement, it was not included in the company's results.

BDM's comments: Q3'22 results, despite lower y/y figures, surprised positively. First of all, revenues and gross sales margin turned out to be higher than the company's initial estimates. As a result, gross profit on sales turned out to be PLN 2.6 million higher than our forecasts. Further, there was a higher-than-expected increase in general and administrative expenses, which may be due to increased expenditures on a project related to the development of RFID technology. Ultimately, the company achieved PLN 9.9 million in EBITDA and PLN 4.6 million in net profit. In the current reality of rising costs and a strong USD exchange rate, we view the results positively. Note that Q3'21 represents a high base due to lower store operating costs and then ongoing trend of a return to in-store shopping, which was conducive to selling products at first prices and not exerting selling pressure. We also note the high level of inventories, which, given the tightened pandemic restrictions in China, the geopolitical situation and the steady increase in sales, seems justified.

Q3'22 results [PLNm]

	Q3'21	Q3'22	y/y	Q3'22 BDM	div.	Q1-Q3'21	Q1-Q3'22	y/y
Sales	59,9	74,8	25,0%	72,2	3,7%	154,8	181,6	17,4%
own stores	12,7	17,7	39,4%	20,8	-14,7%	27,6	42,8	55,1%
franchise stores	25,9	31,3	20,8%	31,7	-1,4%	65,0	77,0	18,5%
Internet	9,1	11,5	26,7%	10,9	5,2%	30,4	28,3	-7,0%
other sales	11,6	13,0	12,1%	8,8	47,8%	30,6	31,2	2,0%
Gross profit from operations	38,6	44,0	14,2%	41,4	6,5%	99,4	113,4	14,1%
EBITDA	12,5	9,9	-20,9%	8,3	18,3%	28,6	22,7	-20,5%
EBIT	8,9	6,2	-30,1%	4,9	26,8%	17,6	11,4	-35,2%
Profit before tax	8,6	5,1	-40,2%	3,6	40,9%	16,3	10,8	-33,6%
Net profit	7,5	4,6	-38,1%	2,9	57,5%	14,1	9,2	-35,1%
Gross margin	64,4%	58,9%		57,3%		64,2%	62,4%	
EBITDA margin	20,8%	13,2%		11,5%		18,5%	12,5%	
EBIT margin	14,8%	8,3%		6,8%		11,4%	6,3%	
Net margin	12,5%	6,2%		4,1%		9,1%	5,1%	

Source: BDM S.A., company



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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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Ratings and price targets history:

rating	price target	previous rating	previous price target	report date	report date (hour)	price	WIG
Hold	37,0	Buy	57,1	18.05.2022	17:30 CEST	37,4	56 293
Buy**	57,1	---	---	31.08.2021*	07:00 CEST	33,7	70 527

* 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 report was Adrian Górniak

Distribution of BDM's recommendations in Q4'22*:

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

	number	%	number	%
Buy	9	64%	1	100%
Accumulate	2	14%	0	0%
Hold	2	14%	0	0%
Reduce	0	0%	0	0%
Sell	1	7%	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>

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