

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

			2021	2022	2023P	
Price [PLN]	33,1	P/E	4,5	9,2	8,6	Analyst: Anna Tobiasz anna.tobiasz@bdm.pl tel.: (+48) 666 073 972
MC [mln PLN]	73,9	EV/EBITDA	2,3	4,2	3,5	
		EV/EBIT	3,8	9,2	6,7	
		P/BV	1,2	1,3	1,2	

Last recommendation BDM: BUY with target price 39,2 PLN/share (2023/05/19) [LINK](#)

Q1'23 results below our expectations - cost growth continues to progress, but at a slower pace (slightly negative)

Q1'23 was very successful for the company in terms of revenue (+20.3% y/y) and gross margin on sales (62.7% vs. 62.0% a year earlier). Internet sales did particularly well, reaching a record PLN 13.3 million, according to monthly sales data.

At the level of operating expenses, Q1'22 represents a high base. It was the last quarter before a jump in sales costs, yet the company recorded a significant increase in operating profit (+54.2% y/y). The company is focusing on cost savings and improving profitability. Process automation and optimization projects have been implemented, which is expected to allow for increased efficiency without hiring additional personnel.

The company reduced inventory levels by about PLN 3 million q/q, which we view positively, given the high Q1 gross sales margin. The company's target for the whole of 2023 is to reduce inventory levels by several million PLN. The margin increase may be the result of a change in pricing policy - currently prices are stickered in the store, rather than at the production stage. This is expected to reduce foreign exchange risk and transportation costs.

BDM's comments: The Q1'23 results turned out to be lower than our forecasts. This was mainly due to underestimation of selling expenses and increased costs of other operations. General and administrative expenses increased along with other operating income, so we expect this was due to higher the RfiD project expenses and subsidy. Net profit amounted to PLN 0.2 million, down -90.7% from the previous year. However, it should be remembered that in that period there was a gain on the disposal of own shares in the amount of about PLN 2.5 million, which significantly distorted the Q1'22 picture. We view the Q1'23 results slightly negatively - at the operating profit level, we expected larger increases relative to the same period in 2022. Cost growth dynamics is slowing down, so we stand by our medium- and long-term assumptions described in our last recommendation ([link](#)). We note that Q1 has historically been the weakest period of the year for the company in terms of sales and one of the weaker in terms of margins.

Q1'23 results [PLNm]

	Q1'22	Q1'23	y/y	Q1'23 BDM	div.
Sales	51,3	61,1	19,1%	60,5	1,0%
Gross profit from operations	31,8	38,3	20,5%	37,9	1,0%
EBITDA	4,6	5,4	16,7%	6,1	-11,3%
EBIT	1,0	1,5	54,2%	2,3	-32,4%
Profit before tax	2,8	0,3	-87,9%	0,8	-58,8%
Net profit	2,3	0,2	-90,7%	0,7	-67,2%
Gross margin	62,0%	62,7%		62,7%	
EBITDA margin	9,0%	8,8%		10,0%	
EBIT margin	2,0%	2,5%		3,8%	
Net margin	4,5%	0,4%		1,4%	

Source: BDM S.A., company



Dom Maklerski BDM S.A.

ANALYST COMMENT – ESOTIQ&HENDERSON

Q1'23 RESULTS

2023/05/29, 11:45 CEST

RESEARCH DEPARTMENT:

Maciej Bobrowski

Director

tel. (032) 208 14 12

e-mail: maciej.bobrowski@bdm.pl

Strategy, industry, media/entertainment, TMT

Krzysztof Pado

Deputy Director

Investment Adviser

tel. (032) 208 14 35

e-mail: krzysztof.pado@bdm.pl

oil&gas, construction, building materials, real estate

Krzysztof Tkocz

Analyst

tel. (+48) 516 086 705

e-mail: krzysztof.tkocz@bdm.pl

Gaming

Anna Tobiasz

Junior analyst

Investment Adviser

tel. (+48) 666 073 972

e-mail: anna.tobiasz@bdm.pl

INSTITUTIONAL SALES DEPARTMENT:

Leszek Mackiewicz

Director

tel. (022) 62-20-848

e-mail: leszek.mackiewicz@bdm.pl

Tomasz Ilczyszyn

tel. (022) 62-20-854

e-mail: tomasz.ilczyszyn@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855

e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski

tel. (022) 62-20-851

e-mail: piotr.komorowski@bdm.pl

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.

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	39,2	Accumulate	32,8	18.05.2023*	13:15 CEST	33,0	64 469
Accumulate	32,8	Buy	29,6	14.02.2023*	14:20 CET	30,7	60 348
Buy	29,6	Hold	37,0	07.10.2022*	14:55 CEST	21,6	47 158
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	70 572

* 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 Q2'23*: , distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	7	54%	0	0%
Accumulate	2	15%	0	0%
Hold	4	31%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	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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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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