

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

			2020	2021F	2022F	2023F	
Price [PLN]	62,0	P/E	36,0	8,3	8,6	8,1	Analyst: Adrian Górnjak gorniak@bdm.pl tel.: 668 516 977
MC [mln PLN]	138,5	EV/EBITDA MSSF 16	8,1	5,0	4,6	4,2	
		EV/EBIT MSSF 16	23,7	8,4	7,6	6,9	
		P/BV	2,6	2,2	1,8	1,6	

Last recommendation BDM: Buy with target price 57,1 PLN/share (31.08.2021) [LINK](#)

BDM Comment:

The results of Esotiq in Q3'21 were higher than we expected on gross margin/EBITDA/net profit level (respectively +2,3 p.p./+47%/+112%). Moreover, the results were better y/y. We suppose the selling area was close y/y and in spite of that the revenues were higher by 16% y/y (COVID-19 restrictions were gradually endured). The company improved gross margin (due to better sales mix and positive trends in fx), EBITDA IFRS 16 grew to 12,5 PLNm (+51% y/y) and net profit was close to 7,5 PLNm (+128% y/y). We point out the reduction of net debt (ND/EBITDA IFRS 16 fell by 1,0x y/y to 1,3x). In our opinion, the most important for the future results will be the prompt deliveries of goods (especially from China) and the impact of USD/PLN rates on futures gross margins.

Q3'21 results [PLNm]

	Q3'20	Q3'21	change Y/Y	Q3'21F BDM	div.
Sales	51,7	59,9	15,8%	52,2	14,6%
Gross profit from operations	31,8	38,6	21,4%	32,4	18,9%
EBITDA IFRS 16	8,3	12,5	50,7%	8,5	47,2%
EBITDA MR 17	5,3	9,6	79,8%	5,6	71,2%
EBIT IFRS 16	4,4	8,9	102,8%	4,8	86,1%
EBIT MSR 17	3,7	8,6	129,0%	4,5	91,6%
Profit before tax	4,1	8,6	110,4%	4,4	96,0%
Wynik netto	3,3	7,5	127,5%	3,5	111,6%
Gross margin	61,4%	64,4%		62,1%	
EBITDA IFRS 16 margin	16,0%	20,8%		16,2%	
EBITDA MSR 17 margin	10,3%	16,1%		10,8%	
EBIT IFRS 16 margin	8,4%	14,8%		9,1%	
Net margin	6,4%	12,5%		6,8%	

Source: BDM S.A., company, PAP

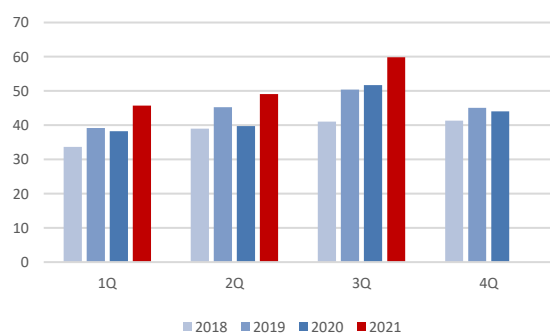
- In Q3'21 the group achieved 60 PLNm of sales (+16% y/y).
- Gross profit rose to 39 PLNm and the gross margin was close to 64,4% (+3,0 p.p. y/y).
- Esotiq reported 12,5 PLNm of EBITDA IFRS 16 (+51% r/r).
- Net profit was close to 7,5 PLNm (vs 3,3 PLNm last year).
- The results were higher y/y mainly because of re-opening of the shops (COVID-19 restrictions were endured).
- Cash flow from operating activities was close to -2 PLNm (vs -1 PLNm last year).
- Net debt/EBITDA IFRS 16 was equal to 1,3x (-1,0x y/y and +0,1x Q/Q).

Results in previous quarters [PLNm]

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Sales	39,1	45,2	50,4	45,1	38,3	39,7	51,7	44,0	45,7	49,1	59,9
Gross profit from operations	22,4	29,5	29,7	29,3	21,8	24,4	31,8	29,4	28,9	32,0	38,6
EBITDA IFRS 16	2,7	6,2	5,8	7,0	1,9	7,1	8,3	5,5	6,8	9,3	12,5
EBITDA MR 17	0,3	3,7	3,0	4,7	-0,7	4,7	5,3	3,1	4,2	6,9	9,6
EBIT IFRS 16	-0,3	3,1	2,5	3,6	-1,7	3,4	4,4	1,7	3,0	5,7	8,9
EBIT MSR 17	-0,6	2,8	2,1	3,3	-1,9	3,7	3,7	1,5	3,2	6,0	8,6
Profit before tax	-1,0	2,6	1,5	2,9	-2,0	2,6	4,1	1,1	2,7	5,1	8,6
Wynik netto	-1,1	1,9	1,0	2,1	-2,0	2,0	3,3	0,5	2,3	4,4	7,5
Gross margin	57,2%	65,2%	58,9%	65,0%	57,1%	61,4%	61,4%	66,7%	63,1%	65,0%	64,4%
EBITDA IFRS 16 margin	7,0%	13,6%	11,6%	15,5%	4,9%	17,8%	16,0%	12,5%	14,9%	18,9%	20,8%
EBITDA MSR 17 margin	0,7%	8,1%	6,0%	10,4%	-	11,9%	10,3%	7,0%	9,1%	14,0%	16,1%
EBIT IFRS 16 margin	-	6,8%	4,9%	7,9%	-	8,6%	8,4%	3,9%	6,6%	11,5%	14,8%
Net margin	-	4,2%	1,9%	4,6%	-	5,0%	6,4%	1,2%	5,0%	8,9%	12,5%
ND/EBITDA IFRS 16	-	-	-	2,4x	2,9x	2,1x	2,3x	2,1x	1,7x	1,2x	1,3x
ND/EBITDA MSR 17	2,0x	1,8x	2,1x	1,2x	2,3x	0,6x	0,8x	0,0x	0,3x	-0,3x	0,2x

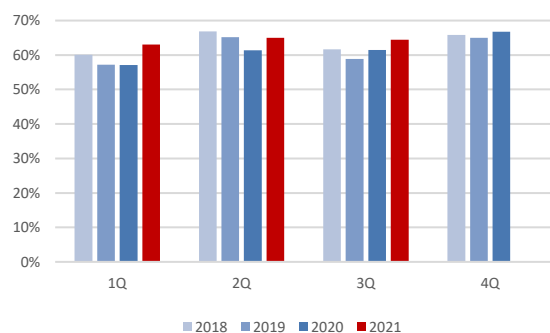
Source: BDM S.A., company, PAP; according to IFRS 16 from '19

Quarterly sales [PLNm]



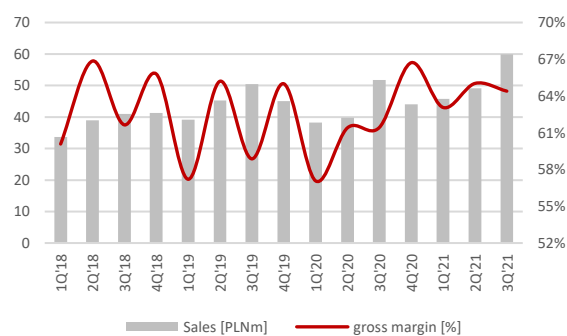
Source: Dom Maklerski BDM S.A., company

Quarterly gross margin [%]



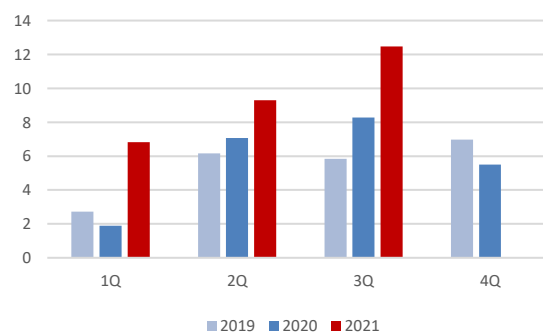
Source: Dom Maklerski BDM S.A., company

Gross margin and sales



Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA [PLNm]



Source: Dom Maklerski BDM S.A., company; according to IFRS 16 from '19



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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.

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	57,1	---	---	31.08.2021*	07:00 CEST	33,7	70 527

Distribution of BDM's recommendations in Q4'21*:

	number	%	number	%
Buy	2	100%	3	100%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

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

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

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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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