

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	2022P	
Price [PLN]	37,50	P/E	21,6	21,8	5,1	8,8	<b>Analyst:</b> Anna Madziar anna.madziar@bdm.pl tel.: (+48) 666 073 972
MC [mln PLN]	83,8	EV/EBITDA	6,2	5,6	2,7	4,2	
		EV/EBIT	15,3	16,4	4,4	9,2	
		P/BV	1,6	1,5	1,3	1,3	

**Last recommendation BDM: HOLD with target price 37,0 PLN/share (2021/08/31) [LINK](#)**

### Q1'22 results above our expectations - net profit boosted by financial revenue (positive)

In Q1'22, the company increased sales revenues to PLN 51.3m (+12.2% y/y), and maintained a high gross margin (62%). The sales mix also changed, with customers returning to stores doubling sales revenues in this channel and decreasing them in the e-commerce channel by 23.5% y/y. The Company recorded an increase in general and administrative expenses to PLN 6.1m (+34.6% y/y), and made PLN 0.2m allowances for overdue receivables from Ukrainian customers. Esotiq increased inventories to PLN 69.2m (+53% y/y) due to the Zero-Covid policy in China and possible turbulence related to it. This reduced operating cash flow by PLN 9.7m to PLN 6.4m (vs. PLN 1.2m in Q1'21). Net debt adjusted for the value of treasury shares was PLN 33.6m, equal to 0.96x EBITDA.

The company is working on launching sales on Zalando's German platform and opening a Vosedo online store, with sales expected to start in late Q2-Q3'22. It is also planning to open stores in the United Arab Emirates, Kuwait and Saudi Arabia.

**BDM's comments:** Q1'22 results came well ahead of our expectations. Sales and gross sales margin were very close to our forecasts. In line with our assumptions, general expenses increased to PLN 6.1m. We assume this is due to higher salaries and rents (due to the higher EUR exchange rate), and the inclusion of expenses related to the development of RFID labels. In Q1'22, the Company made further allowances for past due receivables from Ukrainian customers in the amount of PLN 0.2m. The operating profit was boosted by other operating income of PLN 0.7m. The significant difference between our expectations and the published gross profit resulted from a different method of calculating the profit on the sale of shares to one of the Supervisory Board members. Our assumptions underestimated this amount, and in the end, the profit on the transaction amounted to PLN 2.4m, resulting in gross profit of PLN 2.8m and net profit of PLN 2.3m.

### Q1'22 results [PLNm]

	Q1'21	Q1'22	y/y	Q1'22F BDM	div.
Sales	45,7	51,3	12,2%	49,9	2,8%
Gross profit from operations	28,9	31,8	10,2%	31,0	2,6%
EBITDA	6,8	4,6	-32,3%	3,8	22,5%
EBIT	3,0	1,0	-67,1%	0,1	664,5%
Profit before tax	2,7	2,8	3,0%	0,2	1 337,3%
Net profit	2,3	2,3	1,1%	0,2	1 382,4%
Gross margin	63,1%	62,0%		62,1%	
EBITDA margin	14,9%	9,0%		7,5%	
EBIT margin	6,6%	2,0%		0,3%	
Net margin	5,9%	5,4%		0,4%	

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 target price	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 Q2'22\*:** , distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	3	60%	3	100%
Accumulate	0	0%	0	0%
Hold	2	40%	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 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](http://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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