

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

			2017	2018	2019F	2020F	
Price [PLN]	18,9	P/E	-	23,5	25,7	27,5	Analyst: Adrian Górniak gorniak@bdm.pl tel.: 032 208 14 38
MC [mln PLN]	2 626,0	EV/EBITDA MSSF 16	-	-	6,2	6,4	
		EV/EBIT MSSF 16	-	-	19,3	21,2	
		P/BV	2,5	2,5	2,6	2,8	

Last recommendation BDM: Reduce with target price 18,1 PLN/share (22.07.2018)

Q2'19 results [mln PLN]

	Q2'18	Q2'19	zmiana r/r	Q2'19F BDM	odchyl.	Q2'19F kons	odchyl.	H1'18	H1'19	zmiana r/r
Sales	5 775	6 438	11,5%	6 133	5,0%	6 235	3,3%	10 776	11 921	10,6%
Gross profit	706	844	19,6%	811	4,1%	-	-	1 288	1 556	20,8%
SG&A	635	768	20,9%	-	-	-	-	1 219	1 492	22,4%
Other op.income/expenses	-3	6	-	-	-	-	-	-8	8	-
EBITDA MSSF 16	-	216	-	210	2,7%	-	-	-	338	-
EBITDA MSR 17	117	126	8,1%	123	2,6%	124	2,3%	157	160	2,1%
EBITDA adj. MSR 17	117	126	8,1%	123	2,6%	-	-	157	160	2,1%
EBIT MSSF 16	-	81	-	79	2,7%	-	-	-	72	-
EBIT MSR 17	68	72	6,8%	71	2,2%	69	4,1%	61	53	-12,2%
Profit before tax	59	56	-4,5%	48	18,4%	-	-	42	19	-54,7%
Net profit	36	47	30,2%	39	21,8%	42	12,5%	18	7	-61,5%
Gross margin	12,2%	13,1%		13,2%		-		11,9%	13,0%	
EBITDA MSSF 16 margin	-	3,4%		3,4%		-		-	2,8%	
EBIT MSSF 16 margin	-	1,3%		1,3%		-		-	0,6%	
Net margin	0,6%	0,7%		0,6%		0,7%		0,2%	0,1%	

Source: BDM S.A., company, PAP

- In Q2'19 the group achieved 6,44 bln PLN of sales (+12% y/y). Gross margin rose to 13,1% (+0,9 p.p. r/r), which is caused by higher share of retail segment in overall sales. Eurocash reported 126 mln PLN of EBITDA (according to MSR 17 = 126 mln PLN; EBITDA MSR 17 margin = 2,0%). Net profit was close to 47 mln PLN.
- Wholesale achieved 4,9 bln PLN of sales (+6% y/y) and 177 mln PLN of EBITDA (according to MSR 17 = 127 mln PLN). Cash&carry reached 1,22 bln PLN of sales (+1,2% y/y), EC Distribution (without EC Alcohol) achieved 1,3 bln PLN of sales (+12,2% y/y). Tobacco report higher sales of about 11% y/y to 1,72 bln PLN and Eurocash Alcohol had 501 mln PLN of sales (-8,8% y/y). EC Gastronomy reached 133 mln PLN of sales (+12,6% y/y).
- Sales of retail segment was around 1,5 bln PLN (+34% y/y) and EBITDA was close to 77 mln PLN (according to MSR 17 = 39 mln PLN).
- Retail segment gained 7 pb in overall sales to 23% (mainly due to full consolidation of Mila).
- Like-for-like sales in Q2'19 amounted to 1,2%. LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum” franchise stores amounted to 6,7% and LFL growth of retail sales of Delikatesy Centrum amounted to 8%.
- Cash flow from operating activities was close to 399 mln PLN (vs 233 mln PLN last yearfull consolidation of Mila, high LFL in retail segment, double-digit).

Summary of Q2'19 results:

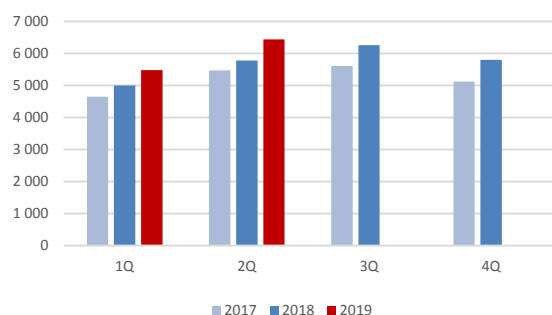
Eurocash' results were slightly above our expectations and consensus. We see as positive higher sales, which rose by almost 12% y/y (full consolidation of Mila, high LFL in retail segment, double-digit growth of sales in EC Distribution and in Tobacco; lower dynamics we noted in cash & carry). We also don't underestimate cash flow from operating activities. In perspective of H2'19 the most important will be closing the integration in retail segment and in longer perspective development of Delikatesy Centrum chain.

Results in previous quarters [mln PLN]

Results Q [mln PLN]	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	H1'17	H1'18	H1'19
Sales	4 651	5 467	5 612	5 120	5 000	5 775	6 256	5 801	5 483	6 438	10 118	10 776	11 921
Wholesale	3 715	4 441	4 515	4 055	3 983	4 607	4 787	4 349	4 108	4 886	8 155	8 590	8 995
Retail	794	855	915	872	817	954	1 261	1 286	1 327	1 499	1 649	1 771	2 826
Projects	112	136	148	156	164	174	168	174	16	23	247	338	39
Other	31	35	34	36	36	41	41	-9	32	30	66	76	62
Gross profit	531	655	628	651	582	706	785	809	712	844	1 186	1 288	1 556
SG&A	553	581	575	610	583	635	736	780	733	778	1 134	1 219	1 510
Other op.income/expenses	15	-113	5	11	-5	-3	3	73	2	6	-98	-8	8
EBITDA MSSF 16	37	6	101	101	40	117	105	157	121	216	43	157	338
EBITDA MSR 17	37	6	101	101	40	117	105	157	33	126	43	157	160
EBITDA adj. MSR 17	37	120	101	101	40	117	105	109	33	126	158	157	160
EBIT MSSF 16	-7	-40	58	51	-7	68	52	102	-10	81	-47	61	72
EBIT MSR 17	-7	-40	58	51	-7	68	52	102	-19	72	-47	61	53
Profit before tax	-16	-48	49	35	-17	59	37	77	-37	56	-64	42	19
Net profit	-15	-62	37	10	-19	36	38	56	-40	47	-77	18	7
Net debt (cash)	584	486	464	370	469	684	609	382	2554	2416	486	684	2416
Sales change y/y	-	-	-	-	7,5%	5,6%	11,5%	13,3%	9,7%	11,5%	-	6,5%	10,6%
EBITDA MSR 17 change y/y	-20,8%	-94,7%	-17,7%	-36,4%	5,6%	1894,4%	3,6%	54,6%	-15,5%	8,1%	-72,5%	261,2%	2,1%
Net profit change y/y	-	-	-39,3%	-86,7%	-	-158,3%	2,0%	473,6%	-	30,2%	-	-122,8%	-61,5%
Gross margin	11,4%	12,0%	11,2%	12,7%	11,6%	12,2%	12,5%	14,0%	13,0%	13,1%	11,7%	11,9%	13,0%
EBITDA MSR 17 margin	0,8%	0,1%	1,8%	2,0%	0,8%	2,0%	1,7%	2,7%	0,6%	2,0%	0,4%	1,5%	1,3%
Net margin	-	-	0,7%	0,2%	-	0,6%	0,6%	1,0%	-	0,7%	-	0,2%	0,1%

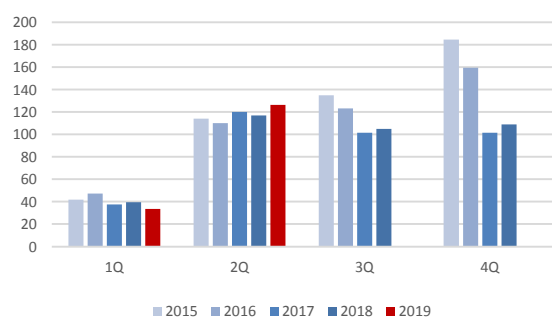
Źródło: BDM S.A., spółka, PAP

Quarterly sales [mln PLN]



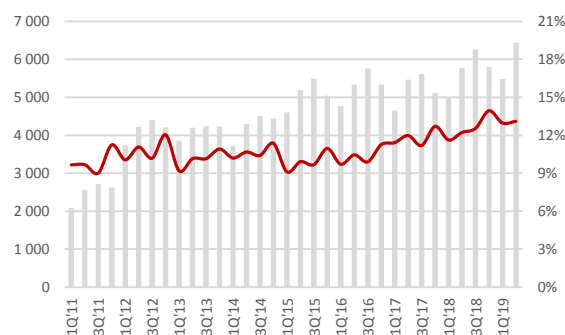
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA adj. MSR 17 [mln PLN]



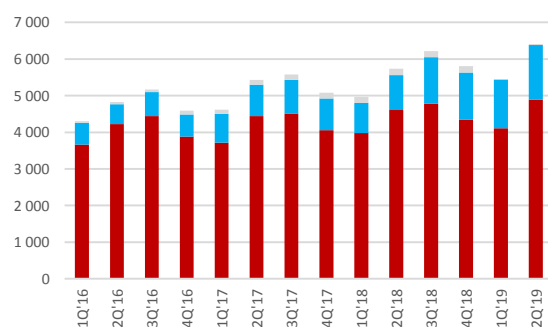
Source: Dom Maklerski BDM S.A., company

Gross margin and sales



Source: Dom Maklerski BDM S.A., company

Sales by divisions [mln PLN]



Source: Dom Maklerski BDM S.A., company

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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
Reduce	18,1	Reduce	17,9	22.07.2019	11:15 CEST	19,4	60 851
Reduce	17,9	Hold	18,3	06.02.2019	10:55 CEST	19,4	61 147
Hold	18,3	Accumulate	22,5	07.12.2018	12:10 CEST	17,9	58 787
Accumulate	22,5	Accumulate	32,6	19.10.2018	13:50 CEST	20,9	56 561
Accumulate	32,6	Accumulate	38,2	12.12.2017	11:45	28,3	62 001
Accumulate	38,2	Reduce	38,0	16.08.2017	10:37	34,6	62 313
Reduce	38,0	---	---	10.08.2015	---	42,5	52 638

Distribution of BDM's recommendations in 3Q'19*:

	number	%	number	%
Buy	2	22%	0	0%
Accumulate	4	44%	0	0%
Hold	1	11%	0	0%
Reduce	2	22%	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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