

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	2019P	2020P	
Price [PLN]	23,1	P/E	-	28,8	33,4	36,3	Analyst: Adrian Górniak gorniak@bdm.pl tel.: 032 208 14 38
MC [mln PLN]	3 220,2	EV/EBITDA MSSF 16	-	-	6,8	7,1	
		EV/EBIT MSSF 16	-	-	20,5	23,5	
		P/BV	3,1	3,1	3,3	3,5	

Last recommendation BDM: Hold with target price 20,8 PLN/share (03.09.2019)

Results of Q3'2019 [mln PLN]

	Q3'18	Q3'19	zmiana r/r	Q3'19P BDM	odchyl.	Q3'19P kons	odchyl.	1-3Q'18	1-3Q'19	zmiana r/r
Sales	6 256	6 673	6,7%	6 298	6,0%	6 570	1,6%	17 032	18 594	9,2%
Gross profit	785	835	6,4%	815	2,5%	-	-	2 073	2 391	15,4%
SG&A	736	765	3,9%	737	3,8%	-	-	1 955	2 257	15,4%
Other op.income/expenses	3	14	424,1%	-1	-	-	-	-6	22	-
EBITDA MSSF 16	-	219	-	212	3,4%	-	-	-	557	-
EBITDA MSR 17	105	129	22,7%	116	11,2%	126	2,6%	262	289	10,4%
EBITDA adj. MSR 17	105	129	22,7%	116	11,2%	-	-	262	289	10,4%
EBIT MSSF 16	-	84	-	77	9,5%	-	-	-	156	-
EBIT MSR 17	52	75	45,9%	62	21,2%	72	4,2%	112	128	14,5%
Profit before tax	37	38	1,7%	44	-14,0%	-	-	79	57	-28,1%
Net profit	38	25	-34,4%	35	-28,3%	45	-44,6%	56	32	-42,9%
Gross margin	12,5%	12,5%		12,9%		-		12,2%	12,9%	
EBITDA MSSF 16 margin	-	3,3%		3,4%		-		-	3,0%	
EBIT MSSF 16 margin	-	1,3%		1,2%		-		-	0,8%	
Net margin	0,6%	0,4%		0,6%		0,7%		0,3%	0,2%	

Source: BDM S.A., company, PAP

- In Q3'19 the group achieved 6,67 bln PLN of sales (+7% y/y). Gross margin was close to results from previous year and amounted 12,5%, which is caused by higher share of tobacco products in overall sales. Eurocash reported 219 mln PLN of EBITDA (according to MSR 17 = 129 mln PLN; EBITDA MSR 17 margin = 1,9%). Net profit was close to 25 mln PLN.
- Wholesale achieved 5,1 bln PLN of sales (+7% y/y) and 177 mln PLN of EBITDA (according to MSR 17 = 130 mln PLN). Cash&carry reached 1,25 bln PLN of sales (+0,7% y/y), EC Distribution (without EC Alcohol) achieved 1,36 bln PLN of sales (+11,4% y/y). Tobacco reported higher sales of about 17% y/y to 1,87 bln PLN and Eurocash Alcohol had 447 mln PLN of sales (-22% y/y). EC Gastronomy reached 147 mln PLN of sales (+13,9% y/y).
- Sales of retail segment was around 1,5 bln PLN (+8% y/y) and EBITDA was close to 74 mln PLN (according to MSR 17 = 33 mln PLN).
- Retail segment gained 3 pb in overall sales to 23% (mainly due to organic growth).
- Like-for-like sales in wholesale segment in Q3'19 amounted to 0,7%. LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum” franchise stores amounted to 4% and LFL growth of retail sales of Delikatesy Centrum amounted to 4,1%.
- Cash flow from operating activities was close to 263 mln PLN (without IFRS 16 ca. 177 mln PLN vs 115 mln PLN last year).

Summary of Q3'19 results:

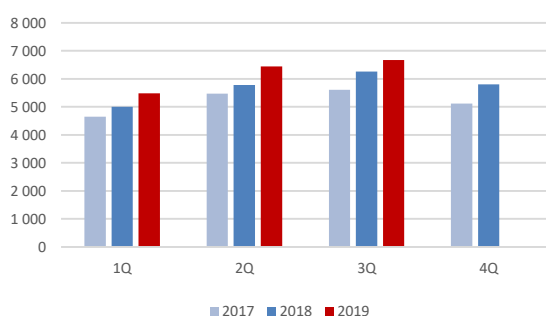
Eurocash' results in Q3'19 were slightly above our expectations and consensus (EBITDA MSR 17). We see as positive strong growth of EBITDA in retail segment and strong cash flow from operating activities. In perspective of next months the most important will be closing the integration in retail segment (the board pointed out the process is in-line with company's expectations and will end in '19) and in longer perspective development of Delikatesy Centrum chain (we will get more details by the way of publication of Q4'19 results). The company expects that like-for-like sales will be positive in retail and wholesale segments in '20 (target sales >25 bln PLN). The company communicated also that does not intend to do any acquisitions in the near future.

Results in previous quarters [mIn PLN]

Results Q [mIn PLN]	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	1-3Q'17	1-3Q'18	1-3Q'19
Sales	4 651	5 467	5 612	5 120	5 000	5 775	6 256	5 801	5 483	6 438	6 673	15 730	17 032	18 594
Wholesale	3 715	4 441	4 515	4 055	3 983	4 607	4 787	4 349	4 108	4 886	5 087	12 671	13 377	14 082
Retail	794	855	915	872	817	954	1 261	1 286	1 327	1 499	1 523	2 564	3 032	4 349
Projects	112	136	148	156	164	174	168	174	16	23	27	395	506	66
Other	31	35	34	36	36	41	41	-9	32	30	35	100	117	97
Gross profit	531	655	628	651	582	706	785	809	712	844	835	1 814	2 073	2 391
SG&A	553	581	575	610	583	635	736	780	733	778	774	1 709	1 955	2 285
Other op.income/expenses	15	-113	5	11	-5	-3	3	73	2	6	14	-94	-6	22
EBITDA MSF 16	37	6	101	101	40	117	105	157	121	216	219	145	262	557
EBITDA MSR 17	37	6	101	101	40	117	105	157	33	126	129	145	262	289
EBITDA adj. MSR 17	37	120	101	101	40	117	105	109	33	126	129	259	262	289
EBIT MSSF 16	-7	-40	58	51	-7	68	52	102	-10	81	84	12	112	156
EBIT MSR 17	-7	-40	58	51	-7	68	52	102	-19	72	75	12	112	128
Profit before tax	-16	-48	49	35	-17	59	37	77	-37	56	38	-14	79	57
Net profit	-15	-62	37	10	-19	36	38	56	-40	47	25	-39	56	32
Net debt (cash)	584	486	464	370	469	684	609	382	2 554	2 416	2 285	464	609	2 285
Sales change y/y	-	-	-	-	7,5%	5,6%	11,5%	13,3%	9,7%	11,5%	6,7%	-	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%	22,7%	-72,5%	261,2%	2,1%
Net profit change y/y	-	-	-39,3%	-86,7%	-	-158,3%	2,0%	473,6%	-	30,2%	-34,4%	-	-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%	12,5%	11,5%	12,2%	12,9%
EBITDA MSR 17 margin	0,8%	0,1%	1,8%	2,0%	0,8%	2,0%	1,7%	2,7%	0,6%	2,0%	1,9%	0,9%	1,5%	1,6%
Net margin	-	-	0,7%	0,2%	-	0,6%	0,6%	1,0%	-	0,7%	0,4%	-	0,3%	0,2%

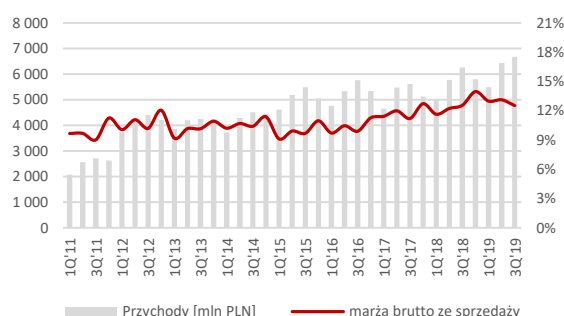
Źródło: BDM S.A., spółka, PAP

Quarterly sales [mIn PLN]



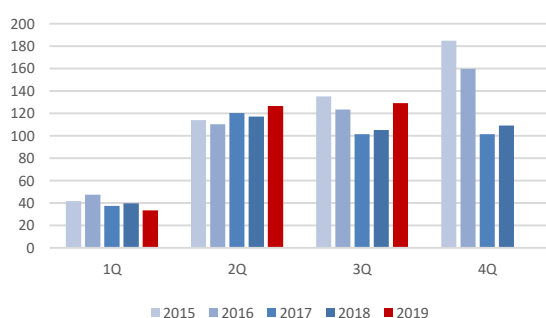
Source: Dom Maklerski BDM S.A., company

Gross margin



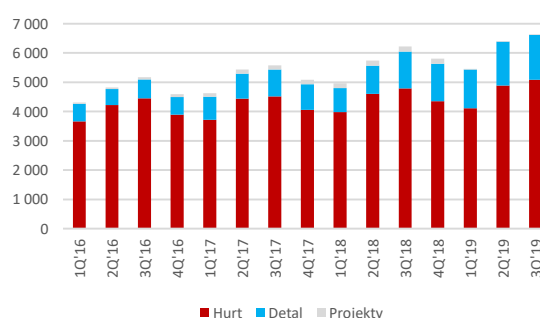
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA adj. MSR 17 [mIn PLN]



Source: Dom Maklerski BDM S.A., company

Sales by divisions [mIn PLN]



Source: Dom Maklerski 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.

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Hold	20,8	Reduce	18,1	03.09.2019	14:00 CEST	20,2	56 247
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 Q4'19*:

	Distribution of BDM's recommendations in Q4'19*:		, 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	100%	0	0%
Accumulate	0	0%	0	0%
Hold	0	0%	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 1 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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