

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]	16,5	P/E	-	20,6	29,0	21,2	Analyst: Adrian Górniak gorniak@bdm.pl tel.: 032 208 14 38
MC [mln PLN]	2 296,2	EV/EBITDA MSSF 16	-	-	5,8	5,4	
		EV/EBIT MSSF 16	-	-	19,0	17,3	
		P/BV	2,2	2,2	2,4	2,5	

Last recommendation BDM: Accumulate with target price 23,9 PLN/share (22.11.2019)

Results of Q4'2019 [mln PLN]

	Q4'18	Q4'19	change y/y	Q4'19P BDM	odchyl.	Q4'19P kons	odchyl.	2018	2019	change y/y
Sales	5 801	6 258	7,9%	6 061	3,3%	6 155	1,7%	22 833	24 852	8,8%
Gross profit	809	852	5,3%	870	-2,1%	-	-	2 882	3 243	12,5%
SG&A	780	772	-1,1%	763	1,1%	-	-	2 735	3 029	10,7%
Other op.income/expenses	73	8	-89,0%	7	-	-	-	67	30	-
EBITDA MSSF 16	-	237	-	251	-5,4%	-	-	-	794	-
EBITDA MSR 17	157	141	-10,1%	134	5,3%	125	12,7%	419	430	2,7%
EBITDA adj. MSR 17	109	129	17,9%	122	5,4%	-	-	371	413	11,4%
EBIT MSSF 16	-	88	-	114	-22,4%	-	-	-	245	-
EBIT MSR 17	102	80	-21,8%	80	0,0%	73	10,2%	214	208	-2,8%
Profit before tax	77	57	-26,0%	82	-30,9%	-	-	156	113	-27,1%
Net profit	56	47	-15,4%	67	-29,4%	37	26,8%	112	79	-29,1%
Gross margin	14,0%	13,6%		14,4%		-		12,6%	13,0%	
EBITDA MSSF 16 margin	-	3,8%		4,1%		-		-	3,2%	
EBIT MSSF 16 margin	-	1,4%		1,9%		-		-	1,0%	
Net margin	1,0%	0,8%		1,1%		0,6%		0,5%	0,3%	

Source: BDM S.A., company, PAP

- In Q4'19 the group achieved 6,26 bln PLN of sales (+8% y/y). Gross margin was close to results from previous year and amounted 13,6% (-0,4 bp. y/y), which is caused by higher share of tobacco products in overall sales. Eurocash reported 237 mln PLN of EBITDA (according to MSR 17 = 141 mln PLN; EBITDA MSR 17 margin = 2,3%). Net profit was close to 47 mln PLN.
- Wholesale achieved 4,6 bln PLN of sales (+6% y/y) and 212 mln PLN of EBITDA (according to MSR 17 = 132 mln PLN). Cash&carry reached 1,12 bln PLN of sales (+6% y/y), EC Distribution (including EC Alcohol) achieved 1,70 bln PLN of sales (-3% y/y). Tobacco reported higher sales of about 21% y/y to 1,71 bln PLN and EC Gastronomy reached 88 mln PLN of sales (-28,9% y/y).
- Sales of retail segment was around 1,56 bln PLN and EBITDA was close to 62 mln PLN (according to MSR 17 = 47 mln PLN).
- Retail segment gained 3 pb in overall sales to 25% (mainly due to organic growth).
- Like-for-like sales in wholesale segment in Q4'19 amounted to 6,0%. LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum” franchise stores amounted to 3,5% and LFL growth of retail sales of Delikatesy Centrum amounted to 5,0%.
- Cash flow from operating activities was close to 155 mln PLN (including IFRS 16 vs 281 mln PLN last year).
- The company expects to acquire 56% of Frisco in Q2'20 and will pay c.a. 130 mln PLN.
- Eurocash notices higher demand due to coronavirus, but does not see any delay in supply chain. The company pointed out that Frisco needs more time to accomplish deliveries.
- The group expects further growth of comparable sales (lfl) and financial results in '20. Eurocash is going to pay the divined, but the amount still is not established.

Summary of Q4'19 results:

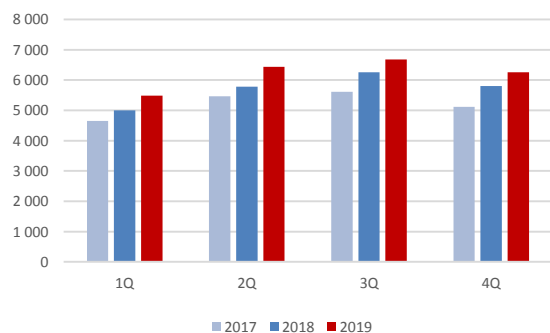
Eurocash' results in Q4'19 were slightly above our expectations and consensus (EBITDA MSR 17; similar there was a growth of adjusted results, excluding one-offs in Q4'18). We see as positive a strong growth of like-for-like sales and improvement of EBITDA (including margin) in wholesale. Retail segment has continued growth of results, but it was not as big as in Q3'19 (in our opinion it was caused by closing the integration). We are disappointed because of lower operating cash flow.

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	Q3'19	Q4'19	2017	2018	2019
Sales	4 651	5 467	5 612	5 120	5 000	5 775	6 256	5 801	5 483	6 438	6 673	6 258	20 849	22 833	24 852
Wholesale	3 715	4 441	4 515	4 055	3 983	4 607	4 787	4 349	4 108	4 886	5 087	4 629	16 726	17 726	18 710
Retail	794	855	915	872	817	954	1 261	1 286	1 327	1 499	1 523	1 556	3 436	4 319	5 905
Projects	112	136	148	156	164	174	168	174	16	23	27	38	551	680	105
Other	31	35	34	36	36	41	41	-9	32	30	35	35	136	108	132
Gross profit	531	655	628	651	582	706	785	809	712	844	835	852	2 465	2 882	3 243
SG&A	553	581	575	610	583	635	736	780	733	778	774	772	2 319	2 735	3 056
Other op.income/expenses	15	-113	5	11	-5	-3	3	73	2	6	14	8	-83	67	30
EBITDA MSSF 16	37	6	101	101	40	117	105	157	121	216	219	237	246	419	794
EBITDA MSR 17	37	6	101	101	40	117	105	157	33	126	129	141	246	419	430
EBITDA adj. MSR 17	37	120	101	101	40	117	105	109	33	126	125	129	361	371	413
EBIT MSSF 16	-7	-40	58	51	-7	68	52	102	-10	81	84	88	63	214	245
EBIT MSR 17	-7	-40	58	51	-7	68	52	102	-19	72	75	80	63	214	208
Profit before tax	-16	-48	49	35	-17	59	37	77	-37	56	38	57	20	156	113
Net profit	-15	-62	37	10	-19	36	38	56	-40	47	25	47	-30	112	79
Net debt (cash)	584	486	464	370	469	684	609	382	2 554	2 416	2 285	2 348	370	382	2 348
Sales change y/y	-	-	-	-	7,5%	5,6%	11,5%	13,3%	9,7%	11,5%	6,7%	7,9%	-	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%	-10,1%	-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%	-15,4%	-	-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%	13,6%	11,8%	12,6%	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%	1,9%	2,3%	1,2%	1,8%	1,7%
Net margin	-	-	0,7%	0,2%	-	0,6%	0,6%	1,0%	-	0,7%	0,4%	0,8%	-	0,5%	0,3%

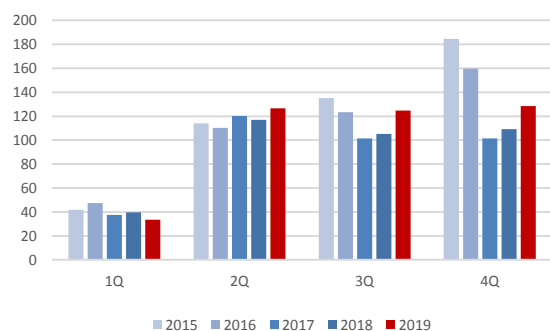
Źródło: BDM S.A., spółka, PAP

Quarterly sales [mln PLN]



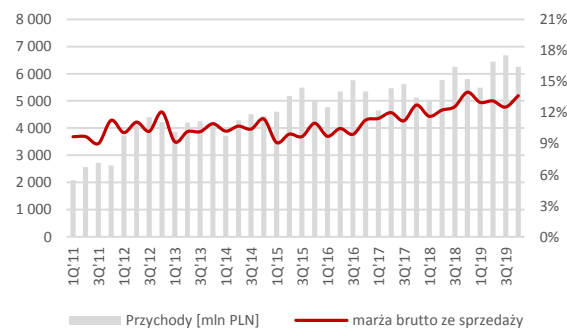
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA adj. MSR 17 [mln PLN]



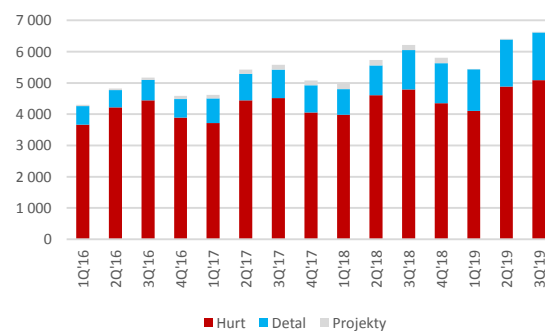
Source: Dom Maklerski BDM S.A., company

Gross margin



Source: Dom Maklerski BDM S.A., company

Sales by divisions [mln PLN]



Source: Dom Maklerski BDM S.A., company

**RESEARCH DEPARTMENT:****Krzysztof Tkocz**

Director

tel. (032) 20-81-435

e-mail: krzysztof.tkocz@bdm.pl[chemicals, energy, wood industry, strategy](#)**Michał Fidelus**

Analyst

tel. (+48) 666 073 972

e-mail: michal.fidelus@bdm.pl[banking, financial services](#)**Adrian Górniak**

Analyst

tel. (032) 20-81-438

e-mail: adrian.gorniak@bdm.pl[Real estate, retail, media](#)**Krzysztof Tkocz**

Junior analyst

tel. (032) 20-81-438

e-mail: krzysztof.tkocz@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**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
Accumulate	23,9	Hold	20,8	22.11.2019	14:00 CEST	22,2	57 956
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 Q4'20*:

	number	%	number	%
Buy	4	50%	0	0%
Accumulate	2	25%	0	0%
Hold	1	13%	0	0%
Reduce	0	0%	0	0%
Sell	1	13%	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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