

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

			2018	2019	2020P	2021P	
Price [PLN]	14,6	P/E	18,2	25,7	24,2	9,9	Analyst: Adrian Górniak gorniak@bdm.pl tel.: 032 208 14 38
MC [mln PLN]	2 031,8	EV/EBITDA MSSF 16	-	5,5	5,3	4,6	
		EV/EBIT MSSF 16	-	17,9	16,2	11,4	
		P/BV	2,0	2,1	2,0	1,9	

Last recommendation BDM: Buy with target price 20,1 PLN/share (07.09.2020)

Results of Q3'2020 [mln PLN]*

	Q3'19	Q3'20	change y/y	Q3'20P BDM	odchyl.	Q3'20P kons	odchyl.
Sales	6 673	7 006	5,0%	6 753	3,8%	6 837	2,5%
Gross profit	835	886	6,1%	871	1,7%	-	-
SG&A	765	793	3,6%	785	1,1%	-	-
Other op.income/expenses	14	-5	-137,3%	-11	-	-	-
EBITDA MSSF 16	219	225	2,7%	217	4,0%	218	3,2%
EBIT MSSF 16	84	88	4,2%	75	17,1%	79	11,5%
Profit before tax	38	54	42,8%	41	31,5%	-	-
Net profit	25	34	34,3%	33	1,2%	33	1,8%
Gross margin	12,5%	12,6%		12,9%		-	
EBITDA MSSF 16 margin	3,3%	3,2%		3,2%		3,2%	
EBIT MSSF 16 margin	1,3%	1,3%		1,1%		1,2%	
Net margin	0,4%	0,5%		0,5%		0,5%	

Source: BDM S.A., company, PAP; *according to estimates from the latest recommendation (07.09.2020)

- In Q3'20 the group achieved 7,0 bln PLN of sales (+5% y/y). Gross margin was a little bit higher than in previous year and amounted 12,6% (+0,1 bp. y/y), which is caused by higher share of retail segment in overall sales. Eurocash reported 225 mln PLN of EBITDA (EBITDA margin = 3,2%). Net profit was close to 34 mln PLN.
- Wholesale achieved 5,31 bln PLN of sales (+4,4% y/y) and 185 mln PLN of EBITDA (vs 172 mln PLN last year). Cash&carry reached 1,26 bln PLN of sales (+0,4% y/y), EC Distribution (including EC Alcohol) achieved 1,80 bln PLN of sales (-0,5% y/y). Tobacco reported higher sales of about 14,5% y/y to 2,14 bln PLN and EC Gastronomy reached 54 mln PLN of sales (-63,1% y/y).
- Sales of retail segment was around 1,58 bln PLN and EBITDA was close to 76,4 mln PLN (previous year = 79,0 mln PLN).
- Retail segment gained 1 pb in overall sales to 23% (mainly due to organic growth).
- Like-for-like sales in wholesale segment in Q3'20 amounted to 0,4%. LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum” franchise stores amounted to 5,4% and LFL growth of retail sales of Delikatesy Centrum amounted to 1,8%.
- Cash flow from operating activities was close to 218 mln PLN (including IFRS 16 vs 263 mln PLN last year).
- The company acquired 56% of Frisco in Q2'20 and paid c.a. 129 mln PLN (c.a. 36 mln PLN of sales in Q3'20).
- Due to COVID-19 Eurocash notices higher demand in retail segment and wholesale segment. At the same time, the group noticed lower sales in Horeca, Kontigo and Inmedio. The company reported additional salary costs and due to purchase of personal protective equipment.

Summary of Q3'20 results:

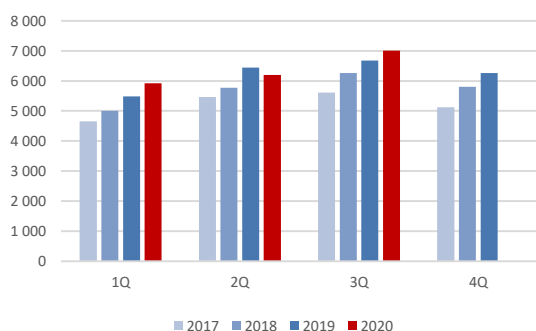
Eurocash' results in Q2'20 seem to us as neutral, because EBITDA/net profit were close to our expectations and market consensus. The like-for-like sales in both segments were flat, the same as EBITDA margins in retail and wholesale segments. In our opinion cash flow from operating activities seem to be mediocre (strong positive change in trade receivables in Q3'19). The company remains strong cash position.

Results in previous quarters [mln PLN]

Results Q [mln PLN]	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	2017	2018	2019
Sales	5 000	5 775	6 256	5 801	5 483	6 438	6 673	6 258	5 919	6 196	7 006	20 849	22 833	24 852
Wholesale	3 983	4 607	4 787	4 349	4 108	4 886	5 087	4 629	4 362	4 657	5 259	16 726	17 726	18 710
Retail	817	954	1 261	1 286	1 327	1 499	1 523	1 556	1 486	1 477	1 628	3 436	4 319	5 905
Projects	164	174	168	174	16	23	27	38	38	44	49	551	680	105
Other	36	41	41	-9	32	30	35	35	32	18	69	136	108	132
Gross profit	582	706	785	809	712	844	835	852	788	843	886	2 465	2 882	3 243
SG&A	583	635	736	780	723	768	765	772	796	783	793	2 319	2 735	3 029
Other op.income/expenses	-5	-3	3	73	2	6	14	8	-2	13	-5	-83	67	30
EBITDA MSSF 16*	40	117	105	157	121	216	219	237	126	210	225	246	419	794
EBIT MSSF 16*	-7	68	52	102	-10	81	84	88	-10	72	88	63	214	245
Profit before tax	-17	59	37	77	-37	56	38	57	-66	54	54	20	156	113
Net profit	-19	36	38	56	-40	47	25	47	-62	42	34	-30	112	79
Net debt (cash)	469	684	609	382	2 554	2 416	2 285	2 348	2 538	2 634	2 517	370	382	2 348
Sales change y/y	7,5%	5,6%	11,5%	13,3%	9,7%	11,5%	6,7%	7,9%	8,0%	-3,8%	5,0%	-	6,5%	10,6%
Net profit change y/y	-	-158,3%	2,0%	473,6%	-	30,2%	-34,4%	-15,4%	54,4%	-	34,3%	-	-122,8%	-61,5%
Gross margin	11,6%	12,2%	12,5%	14,0%	13,0%	13,1%	12,5%	13,6%	13,3%	13,6%	12,6%	11,8%	12,6%	13,0%
EBITDA margin*	0,8%	2,0%	1,7%	2,7%	2,2%	3,4%	3,3%	3,8%	2,1%	3,4%	3,2%	1,2%	1,8%	3,2%
Net margin	-	0,6%	0,6%	1,0%	-	0,7%	0,4%	0,8%	-	0,7%	0,5%	-	0,5%	0,3%

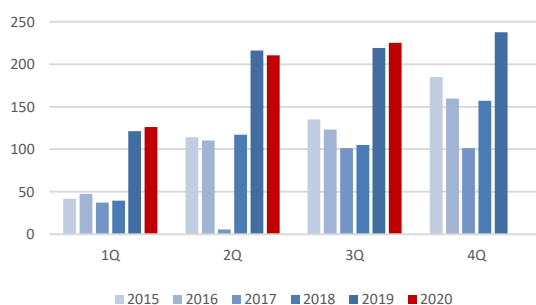
Źródło: BDM S.A., spółka, PAP; *from Q1'19 according to IFRS 16

Quarterly sales [mln PLN]



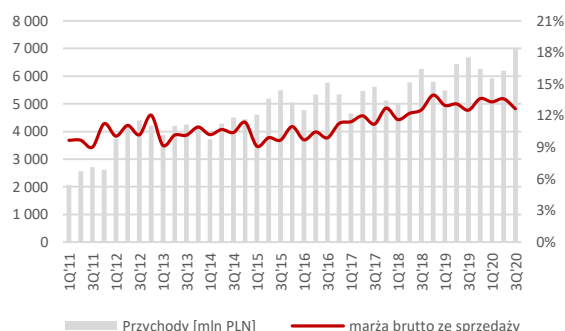
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mln PLN]*



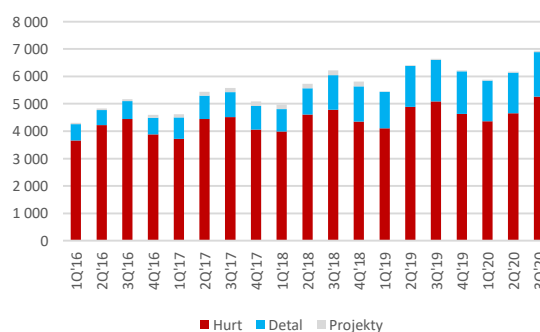
Source: Dom Maklerski BDM S.A., company; * from Q1'19 according to IFRS 16

Gross margin



Source: Dom Maklerski BDM S.A., company

Sales by divisions [mln PLN]



Source: Dom Maklerski BDM S.A., company

**RESEARCH DEPARTMENT:****Krystian Brymora**

Director

tel. (+48) 501 238 443

e-mail: krystian.brymora@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. (+48) 668 516 977

e-mail: adrian.gorniak@bdm.pl

Real estate, retail, media**Krzysztof Tkocz**

Junior analyst

tel. (+48) 516 086 705

e-mail: krzysztof.tkocz@bdm.pl

Gaming**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
Buy	20,1	Accumulate	21,0	07.09.2020*	07:00 CEST	15,2	50 522
Accumulate	21,0	Buy	21,3	03.06.2020	08:00 CEST	18,5	48 879
Buy	21,3	Accumulate	23,9	03.04.2020	08:00 CEST	18,5	41 220
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*:

Distribution of BDM's recommendations in Q4'20*:		distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
number	%	number	%
Buy	4 67%	0	0%
Accumulate	1 17%	0	0%
Hold	0 0%	0	0%
Reduce	1 17%	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

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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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