

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	2021P	2022P	
Price [PLN]	14,9	P/E	26,2	30,5	22,2	17,0	<b>Analyst:</b> Adrian Górniak gorniak@bdm.pl tel.: 032 208 14 38
MC [mln PLN]	2 073,5	EV/EBITDA MSSF 16	5,6	5,8	5,8	5,6	
		EV/EBIT MSSF 16	18,1	18,7	18,6	16,5	
		P/BV	2,2	2,1	2,2	2,2	

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

**Results of Q4'2020 [mln PLN]\***

	Q4'19	Q4'20	change y/y	Q4'20P BDM	odchyl.	Q4'20P kons	odchyl.	2019	2020	change y/y
Sales	6 258	6 290	0,5%	6 205	1,4%	6 454	-2,5%	24 852	25 411	2,2%
Gross profit	852	850	-0,2%	853	-0,3%	-	-	3 243	3 367	3,8%
SG&A	772	793	2,8%	754	5,2%	-	-	3 029	3 165	4,5%
Net result on sales	80	57	-28,8%	99	-42,2%	-	-	214	202	-5,9%
Other op.income/expenses	8	43	443,1%	-10	-	-	-	30	49	61,6%
EBITDA MSSF 16	237	242	2,1%	229	5,8%	229	6,0%	794	804	1,2%
EBIT MSSF 16	88	101	13,9%	89	13,5%	87	15,9%	245	250	2,4%
Profit before tax	57	66	15,7%	54	20,4%	-	-	113	108	-4,9%
Net profit	47	55	15,3%	44	23,6%	38	42,1%	79	68	-14,0%
Gross margin	13,6%	13,5%		13,8%		-		13,0%	13,2%	
EBITDA MSSF 16 margin	3,8%	3,9%		3,7%		3,5%		3,2%	3,2%	
EBIT MSSF 16 margin	1,4%	1,6%		1,4%		1,3%		1,0%	1,0%	
Net margin	0,8%	0,9%		0,7%		0,6%		0,3%	0,3%	

Source: BDM S.A., company, PAP; \*according to estimates from the latest "Quarterly estimates" (25.01.2021)

- In Q4'20 the group achieved 6,3 bln PLN of sales (+1% y/y). Gross margin was a little bit lower than in previous year and amounted 13,5% (-0,1 bp. y/y). Eurocash reported 242 mln PLN of EBITDA (EBITDA margin = 3,9%; the company reported net other operating profit = 43 mln PLN vs 8 mln PLN in Q4'19). Net profit was close to 55 mln PLN.
- Wholesale achieved 4,6 bln PLN of sales (similar y/y) and 170 mln PLN of EBITDA (vs 180 mln PLN last year). Cash&carry reached 1,0 bln PLN of sales (-1,6% y/y), EC Distribution (including EC Alcohol) achieved 1,67 bln PLN of sales (-2% y/y). Tobacco reported higher sales of about 4% y/y to 1,77 bln PLN and EC Gastronomy reached 35 mln PLN of sales (-61% y/y).
- Sales of retail segment was around 1,55 bln PLN and EBITDA was close to 97,2 mln PLN (previous year = 93,8 mln PLN).
- Retail segment maintained 25% share in overall sales to 23%.
- Like-for-like sales in wholesale segment in Q4'20 amounted to 1,6%. LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum” franchise stores amounted to 7,1% and LFL growth of retail sales of Delikatesy Centrum amounted to 3,3%.
- Cash flow from operating activities was close to 117 mln PLN (including IFRS 16 vs 155 mln PLN last year).
- The company acquired 56% of Frisco in Q2'20 and paid c.a. 129 mln PLN (the company reached the break-even).
- 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 Q4'20 results:**

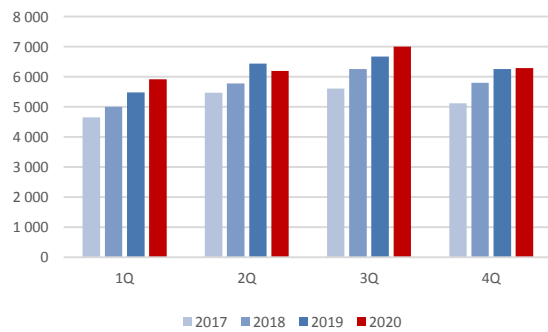
Eurocash' results in Q4'20 seem to us as a little negative. The group reported EBITDA a little higher than our expectations and market consensus (+6%), however the company reported positive net other operating income (+43 mln PLN). Additionally, Eurocash reported lower cash flows from operating activity and lower margin in wholesale segment (-0,2 p.p. y/y). On the other hand, we do not underestimate higher EBITDA margin in retail segment and break-even in Frisco. 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	1Q'20	2Q'20	3Q'20	4Q'20	2017	2018	2019	2020
<b>Sales</b>	<b>5 000</b>	<b>5 775</b>	<b>6 256</b>	<b>5 801</b>	<b>5 483</b>	<b>6 438</b>	<b>6 673</b>	<b>6 258</b>	<b>5 919</b>	<b>6 196</b>	<b>7 006</b>	<b>6 290</b>	<b>20 849</b>	<b>22 833</b>	<b>24 852</b>	<b>25 411</b>
Wholesale	3 983	4 607	4 787	4 349	4 108	4 886	5 087	4 629	4 362	4 657	5 259	4 614	16 726	17 726	18 710	18 893
Retail	817	954	1 261	1 286	1 327	1 499	1 523	1 556	1 486	1 477	1 628	1 602	3 436	4 319	5 905	6 193
Projects	164	174	168	174	16	23	27	38	38	44	49	67	551	680	105	198
Other	36	41	41	-9	32	30	35	35	32	18	69	8	136	108	132	127
<b>Gross profit</b>	<b>582</b>	<b>706</b>	<b>785</b>	<b>809</b>	<b>712</b>	<b>844</b>	<b>835</b>	<b>852</b>	<b>788</b>	<b>843</b>	<b>886</b>	<b>850</b>	<b>2 465</b>	<b>2 882</b>	<b>3 243</b>	<b>3 367</b>
SG&A	583	635	736	780	723	768	765	772	796	783	793	793	2 319	2 735	3 029	3 165
Other op.income/expenses	-5	-3	3	73	2	6	14	8	-2	13	-5	43	-83	67	30	49
<b>EBITDA MSSF 16*</b>	<b>40</b>	<b>117</b>	<b>105</b>	<b>157</b>	<b>121</b>	<b>216</b>	<b>219</b>	<b>237</b>	<b>126</b>	<b>210</b>	<b>225</b>	<b>242</b>	<b>246</b>	<b>419</b>	<b>794</b>	<b>804</b>
EBIT MSSF 16*	-7	68	52	102	-10	81	84	88	-10	72	88	101	63	214	245	250
Profit before tax	-17	59	37	77	-37	56	38	57	-66	54	54	66	20	156	113	108
<b>Net profit</b>	<b>-19</b>	<b>36</b>	<b>38</b>	<b>56</b>	<b>-40</b>	<b>47</b>	<b>25</b>	<b>47</b>	<b>-62</b>	<b>42</b>	<b>34</b>	<b>55</b>	<b>-30</b>	<b>112</b>	<b>79</b>	<b>68</b>
<b>Net debt (cash)</b>	<b>469</b>	<b>684</b>	<b>609</b>	<b>382</b>	<b>2 554</b>	<b>2 416</b>	<b>2 285</b>	<b>2 348</b>	<b>2 538</b>	<b>2 634</b>	<b>2 517</b>	<b>2 616</b>	<b>370</b>	<b>382</b>	<b>2 348</b>	<b>2 616</b>
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%	0,5%	-	6,5%	10,6%	1,6%
Net profit change y/y	-	-158,3%	2,0%	473,6%	-	30,2%	-	-15,4%	54,4%	-	34,3%	15,3%	-	-122,8%	-61,5%	-399,4%
Gross margin	11,6%	12,2%	12,5%	14,0%	13,0%	13,1%	12,5%	13,6%	13,3%	13,6%	12,6%	13,5%	11,8%	12,6%	13,0%	13,2%
EBITDA margin*	0,8%	2,0%	1,7%	2,7%	2,2%	3,4%	3,3%	3,8%	2,1%	3,4%	3,2%	3,9%	1,2%	1,8%	3,2%	3,2%
Net margin	-	0,6%	0,6%	1,0%	-	0,7%	0,4%	0,8%	-	0,7%	0,5%	0,9%	-	0,5%	0,3%	0,3%

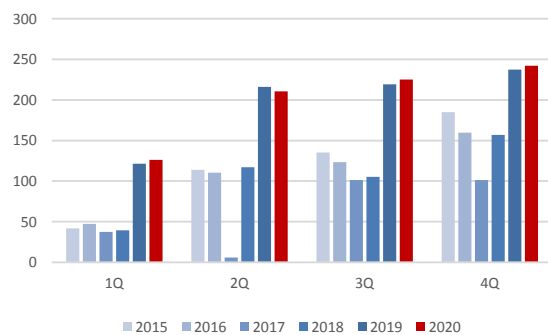
Źródło: BDM S.A., spółka, PAP; \*from Q1'19 according to IFRS 16

Quarterly sales [mln PLN]



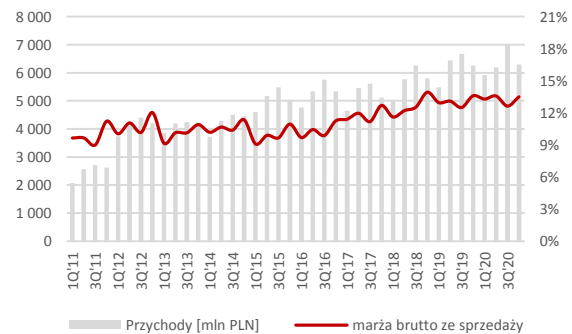
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mln PLN]\*



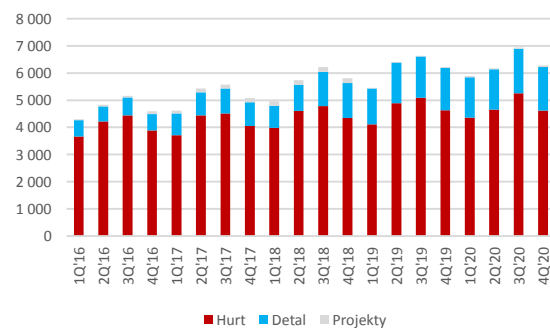
Source: Dom Maklerski BDM S.A., company; \* from Q1'19 according to IFRS

Gross margin



Source: Dom Maklerski BDM S.A., company

Sales by divisions [mln PLN]



Source: Dom Maklerski BDM S.A., company

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e-mail: [maciej.fink-finowicki@bdm.pl](mailto: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 Q1'21\*:****, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months**

	number	%	number	%
Buy	7	78%	0	0%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	1	11%	0	0%
Sell	1	11%	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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