

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] | 14,6 | P/E | 25,7 | 29,8 | 27,9 | 22,5 | Analyst: Adrian Górniak gorniak@bdm.pl tel.: 032 208 14 38 |
| MC [mln PLN] | 2 031,8 | EV/EBITDA MSSF 16 | 5,5 | 5,8 | 5,8 | 6,3 | |
| | | EV/EBIT MSSF 16 | 17,9 | 18,6 | 20,6 | 32,9 | |
| | | P/BV | 2,1 | 2,0 | 2,0 | 2,0 | |

Last recommendation BDM: Buy with target price 25,2 PLN/share (23.03.2021)

Results of Q1'2021 [mln PLN]*

| | Q1'20 | Q1'21 | change y/y | Q1'21P BDM | div. | Q1'21 cons | div. |
|--------------------------|-------|-------|------------|------------|-------|------------|-------|
| Sales | 5 919 | 5 812 | -1,8% | 5 644 | 3,0% | 5 700 | 2,0% |
| Gross profit | 788 | 743 | -5,6% | 755 | -1,5% | - | - |
| SG&A | 796 | 791 | -0,6% | 770 | 2,7% | - | - |
| Net result on sales | -8 | -48 | - | -15 | - | - | - |
| Other op.income/expenses | -2 | 14 | - | -11 | - | - | - |
| EBITDA MSSF 16 | 126 | 116 | -8,1% | 107 | 7,9% | 97 | 19,8% |
| EBIT MSSF 16 | -10 | -34 | - | -34 | - | -23 | - |
| Profit before tax | -66 | -66 | - | -70 | - | - | - |
| Net profit | -62 | -71 | - | -57 | - | -53 | - |
| Gross margin | 13,3% | 12,8% | | 13,4% | | - | |
| EBITDA MSSF 16 margin | 2,1% | 2,0% | | 1,9% | | 1,7% | |
| EBIT MSSF 16 margin | - | - | | - | | - | |
| Net margin | - | - | | - | | - | |

Source: BDM S.A., company, PAP; *according to estimates from the latest "Quarterly estimates" (26.04.2021)

- In Q1'21 the group achieved 5,8 bln PLN of sales (-2% y/y). Gross margin was a little bit lower than in previous year and amounted 12,8% (-0,5 bp. y/y). Eurocash reported 116 mln PLN of EBITDA (EBITDA margin = 2,0%; the company reported net other operating profit = 14 mln PLN vs -2 mln PLN in Q1'20). Net loss was close to 71 mln PLN.
- Wholesale achieved 4,2 bln PLN of sales (-4% y/y) and 120 mln PLN of EBITDA (vs 107 mln PLN last year). Cash&carry reached 0,94 bln PLN of sales (-12,6% y/y), EC Distribution (including EC Alcohol) achieved 1,52 bln PLN of sales (-1% y/y). Tobacco reported higher sales of about 0,3% y/y to 1,68 bln PLN and EC Gastronomy reached 30 mln PLN of sales (-47% y/y).
- Sales of retail segment was around 1,48 bln PLN and EBITDA was close to 35,8 mln PLN (previous year = 60,1 mln PLN).
- Retail segment achieved 27% share in overall sales (+1 bp. y/y).
- Like-for-like sales in wholesale segment in Q1'21 amounted to -12,6%. LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum” franchise stores amounted to 2,5% and LFL growth of retail sales of Delikatesy Centrum amounted to -4,0%.
- Cash flow from operating activities was close to -22 mln PLN (including IFRS 16 vs -40 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 Q1'21 results:

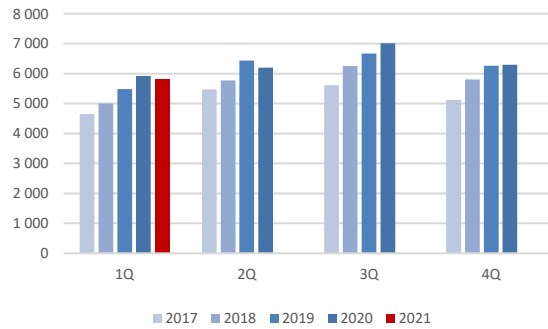
Eurocash' results un Q1'21 seem to us as a little negative. The company reported negative like-for-like sales in cash & carry (challenging results in Q1'20) and Delikatesy Centrum own stores (c.a. 180 are under restructuring) . Moreover, the company reported positive net other operating income (+14 mln PLN). However, the consensus was much lower than reported EBITDA, what can cause neutral reaction. In long term we uphold assumptions from our latest recommendation (23.03.2021, Buy with target price 25,2 PLN/share).

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 | Q4'20 | Q1'21 | 2018 | 2019 | 2020 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Sales | 5 000 | 5 775 | 6 256 | 5 801 | 5 483 | 6 438 | 6 673 | 6 258 | 5 919 | 6 196 | 7 006 | 6 290 | 5 812 | 22 833 | 24 852 | 25 411 |
| 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 | 4 184 | 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 | 1 611 | 1 541 | 4 319 | 5 905 | 6 193 |
| Projects | 164 | 174 | 168 | 174 | 16 | 23 | 27 | 38 | 38 | 44 | 49 | 57 | 55 | 680 | 105 | 198 |
| Other | 36 | 41 | 41 | -9 | 32 | 30 | 35 | 35 | 32 | 18 | 69 | 8 | 32 | 108 | 132 | 127 |
| Gross profit | 582 | 706 | 785 | 809 | 712 | 844 | 835 | 852 | 788 | 843 | 886 | 850 | 743 | 2 882 | 3 243 | 3 367 |
| SG&A | 583 | 635 | 736 | 780 | 723 | 768 | 765 | 772 | 796 | 783 | 793 | 793 | 791 | 2 735 | 3 029 | 3 165 |
| Other op.income/expenses | -5 | -3 | 3 | 73 | 2 | 6 | 14 | 8 | -2 | 13 | -5 | 43 | 14 | 67 | 30 | 49 |
| EBITDA MSSF 16* | 40 | 117 | 105 | 157 | 121 | 216 | 219 | 237 | 126 | 210 | 225 | 242 | 116 | 419 | 794 | 804 |
| EBIT MSSF 16* | -7 | 68 | 52 | 102 | -10 | 81 | 84 | 88 | -10 | 72 | 88 | 101 | -34 | 214 | 245 | 250 |
| Profit before tax | -17 | 59 | 37 | 77 | -37 | 56 | 38 | 57 | -66 | 54 | 54 | 66 | -66 | 156 | 113 | 108 |
| Net profit | -19 | 36 | 38 | 56 | -40 | 47 | 25 | 47 | -62 | 42 | 34 | 55 | -71 | 112 | 79 | 68 |
| Net debt (cash) | 469 | 684 | 609 | 382 | 2 554 | 2 416 | 2 285 | 2 348 | 2 538 | 2 634 | 2 517 | 2 616 | 2 902 | 382 | 2 348 | 2 616 |
| 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% | -1,8% | 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% | 14,3% | - | -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% | 13,5% | 12,8% | 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% | 2,0% | 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% |

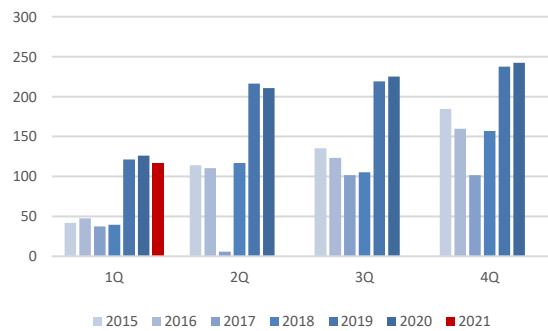
Źródło: BDM S.A., spółka, PAP; *from Q1'19 according to IFRS 16

Quarterly sales [mln PLN]



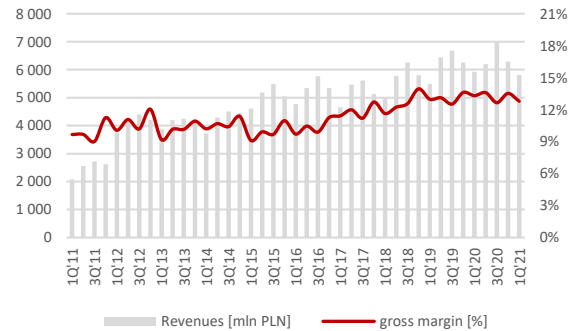
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mln PLN]*



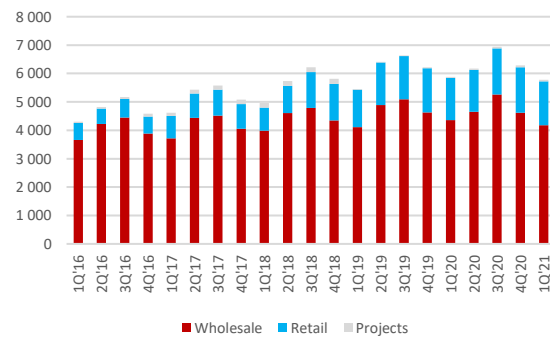
Source: Dom Maklerski BDM S.A., company; * from Q1'19 according to IFRS

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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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 | 25,2 | Buy | 20,1 | 23.03.2021* | 07:00 CEST | 14,0 | 57 789 |
| 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 Q2'21*:

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

| | number | % | number | % |
|------------|--------|-----|--------|------|
| Buy | 2 | 29% | 0 | 0% |
| Accumulate | 2 | 29% | 0 | 0% |
| Hold | 2 | 29% | 0 | 0% |
| Reduce | 1 | 14% | 1 | 100% |
| 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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