

# Dadelo

## Collection development as a test for increasing market share

If compared to the most recent recommendation update on DAD, the sentiment to the e-commerce business further deteriorated, partly for fear of the ambitious growth assumptions for these businesses materialising based on the forecasts developed amid a significant acceleration in e-commerce penetration following the pandemic outbreak. Worse sentiment is also confirmed by stock prices dropping by over 50% since the August '21 IPO of the Dadelo's closest peer – Bike24. This resulted in the industry undergoing further downward multiple re-rating.

Compared to e-commerce businesses, medium-term DAD multiples do not look attractive. Moreover, the growth profile of the bicycle e-store (revenue CAGR'22-24 at 29%) is similar to that of pure player peers offering discretionary goods, which we believe will weigh on the sentiment to DAD. In the medium-term forecasts, we expect the MB to be more focused on increasing the market share at the expense of profitability, with this strategy made possible by the dynamic collection expansion in recent quarters. Given the above and the increased cost of capital, we downgrade our investment recommendation for Dadelo's shares from Buy to Hold (TP PLN 17.0).

**4Q21 estimates.** According to the sales report, DAD's revenue dynamics accelerated q/q in Q4 (+38% y/y). We assume that at the same time GM slightly eroded as compared to previous quarters. We believe that this, combined with a growing expense base (increase in employment, warehouse space expansion), will result in a similar EBITDA y/y in Q4. In addition, Q4 is seasonally a time to build inventory for the following year. Consequently, we expect it to grow further in Q4 to PLN ~55m (PLN 43m at end-Sept'21).

**Market environment.** Shimano's MB guidance for '22 ([presentation](#)) assumes sales growth at 6% y/y, including stronger momentum in H1 vs H2, and a slight improvement in the y/y EBIT margin compared to the record high 2021 (+0.7pp y/y to 27.8%). We see the significant decrease in the sales dynamics as compared to '21 as a reduction in the Company's capacity (this year's forecast assumes sales to grow by 55% compared to '20, while the investment plan in '21 was 20% lower than in '20). This is confirmed by the expected improvement in the Company's profitability amid a significant increase in raw material prices, which contribute significantly to the rise in production costs observed worldwide (in China in January PPI grew by +9% y/y). Consequently, the market in '22 will be affected by supply chain disturbances, which we expect to abate at the turn of the year.

**Strategy implementation.** In '21, the Company continued its strategy of intense collection expansion (in the whole '21, NWC growth could exceed PLN 40m). In addition, among its potential strategic actions, the Company indicated the development of omnichannel (it is still analysing the opening of a chain of physical stores, with the first of them opened possibly this year) and acquisitions. As for the latter, given the NWC growth rate, we believe that, depending on the acquisition scale, DAD may need additional financing.

**Valuation/risk factors.** Under the income-based approach, we estimate the value of Dadelo at PLN 181m (i.e. PLN 15.5 per share), while under the relative approach – at PLN 189–195m (i.e. PLN 16.3–16.8 per share). Our 12M price target per share resulting from the income-based approach is PLN 17.0, which implies a downgrade of the investment recommendation from BUY to HOLD. Currently, the major risk factors specific for the Company include: (1) significant collection expansion implying a higher than before risk of inventory write-offs, (2) deeper than we assume in our forecasts GM erosion necessary for accelerated sales growth dynamics, (3) higher sales support than we assume in our forecasts, mainly in marketing performance, (4) changes in the competitive environment.

PLN m	2018	2019	2020	2021E	2022E	2023E
Revenue	28,7	33,4	64,5	82,9	114,1	152,9
EBITDA	-0,8	1,1	6,6	9,0	9,0	12,2
EBIT	-1,6	0,3	5,7	7,4	7,5	10,5
Net profit	-1,6	0,1	4,6	6,3	6,1	8,5
EPS (PLN)	-0,2	0,0	0,4	0,5	0,5	0,7
P/E (x)	-	1313,5	41,1	29,5	30,6	22,1
EV/EBITDA (x)	-	174,5	28,2	20,2	19,7	14,8
P/BV (x)	15,4	15,2	11,1	1,8	1,8	1,7
DY(%)	0%	0%	0%	0%	1,4%	1,3%

Source: company data, Trigon DM

# HOLD

(Previous: Buy)

Target price: 17 PLN

Upside potential: +5%

### FACT SHEET

Ticker	DAD		
Sector	E-commerce		
Price (PLN)	16,2		
52wk Range (PLN)	13,5 / 27,99		
Number of share (m)	11,5		
Market Cap (mPLN)	187,0		
Free-float	35%		
Avg Vol 3M (mPLN)	0,1		
Price performance	1M	3M	1Y
	-6,6%	-3,0%	-

### RELATIVE SHARE PRICE PERFORMANCE



Recommendation history	Date	Price
Buy	07.12.2021	17,5
Hold	21.10.2021	20,0
Buy	07.09.2021	23,0
Hold	20.07.2021	23,0
Hold	26.04.2021	25,1
Buy	19.02.2021	24,2

Shareholders	Share %
Oponeo.pl	59,9%
Santander TFI	6,2%
Generali OFE	0,0%

Important dates	
2021 Report	06.04.2022
1Q'22 Report	24.05.2022
2H'22 Report	18.08.2022
3Q'22 report	09.11.2022

Analyst
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**Income statement (PLN m)**

	2018	2019	2020	2021E	2022E	2023E
<b>Revenue</b>	<b>28,7</b>	<b>33,4</b>	<b>64,5</b>	<b>82,9</b>	<b>114,1</b>	<b>152,9</b>
COGS	21,5	25,1	45,6	55,7	80,2	107,0
<b>Gross Profit</b>	<b>7,2</b>	<b>8,3</b>	<b>18,9</b>	<b>27,2</b>	<b>33,9</b>	<b>45,9</b>
<b>SG&amp;A</b>	<b>7,9</b>	<b>7,5</b>	<b>12,6</b>	<b>19,1</b>	<b>25,1</b>	<b>33,1</b>
<b>Marketing expenses</b>	-	-	-	<b>6,6</b>	<b>10,0</b>	<b>13,8</b>
<b>Logistics expenses</b>	-	-	-	<b>8,5</b>	<b>10,3</b>	<b>13,0</b>
Sales expenses	6,3	6,4	10,6	-	-	-
Administrative expenses	1,6	1,1	2,0	3,2	4,8	6,3
<b>Sales profit</b>	<b>-0,7</b>	<b>0,8</b>	<b>6,4</b>	<b>8,1</b>	<b>8,8</b>	<b>12,8</b>
Result on other operating activities, net	-0,9	-0,5	-0,6	-0,7	-1,3	-2,3
<b>EBITDA</b>	<b>-0,8</b>	<b>1,1</b>	<b>6,6</b>	<b>9,0</b>	<b>9,0</b>	<b>12,2</b>
<b>EBITDA adj.</b>	<b>-0,8</b>	<b>1,1</b>	<b>6,6</b>	<b>9,0</b>	<b>9,0</b>	<b>12,2</b>
D&A	0,8	0,8	0,8	1,6	1,5	1,7
<b>EBIT</b>	<b>-1,6</b>	<b>0,3</b>	<b>5,7</b>	<b>7,4</b>	<b>7,5</b>	<b>10,5</b>
Result on financial operations, net	0,0	-0,1	-0,1	0,5	0,0	0,0
<b>EBT</b>	<b>-1,7</b>	<b>0,2</b>	<b>5,7</b>	<b>7,9</b>	<b>7,5</b>	<b>10,5</b>
Income Tax	0,0	0,0	1,1	1,6	1,4	2,0
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0
<b>Net profit</b>	<b>-1,6</b>	<b>0,1</b>	<b>4,6</b>	<b>6,3</b>	<b>6,1</b>	<b>8,5</b>
<b>Net profit adj.</b>	<b>-1,6</b>	<b>0,1</b>	<b>4,6</b>	<b>6,3</b>	<b>6,1</b>	<b>8,5</b>

Gross margin	25,2%	24,8%	29,4%	32,9%	29,7%	30,0%
EBITDA adj. Margin (%)	-	3,2%	10,2%	10,8%	7,9%	7,9%
EBIT margin (%)	-	0,8%	8,9%	8,9%	6,6%	6,8%
Net profit adj. Margin (%)	-	0,4%	7,1%	7,6%	5,4%	5,5%

change in sales y/y	-7,0%	16,1%	93,3%	28,5%	37,7%	34,0%
change in gross profit y/y	-4,6%	14,5%	128,7%	43,8%	24,5%	35,2%
change in EBITDA adj. y/y	-	-	511,8%	36,1%	0,8%	34,4%
change in EBIT y/y	-	-	1989,5%	28,8%	1,9%	38,9%
change in net profit adj. y/y	-	-	3098,6%	39,0%	-3,5%	38,9%

	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21E
<b>Revenue</b>	<b>19,1</b>	<b>12,5</b>	<b>13,0</b>	<b>30,2</b>	<b>22,5</b>	<b>17,2</b>
COGS	13,6	8,5	8,6	19,7	15,5	11,9
<b>Gross Profit</b>	<b>5,4</b>	<b>4,0</b>	<b>4,4</b>	<b>10,5</b>	<b>7,0</b>	<b>5,3</b>
Sales expenses	3,5	3,2	2,3	2,7	5,4	4,6
Administrative expenses	0,4	0,9	0,8	0,6	0,7	1,2
Sales profit	1,9	0,7	0,9	4,6	1,8	0,8
Result on other operating activities, net	-0,2	-0,1	-0,2	-0,3	-0,2	-0,1
<b>EBITDA</b>	<b>1,9</b>	<b>0,9</b>	<b>1,1</b>	<b>4,7</b>	<b>2,1</b>	<b>1,1</b>
<b>EBITDA adj.</b>	<b>1,9</b>	<b>0,9</b>	<b>1,1</b>	<b>4,7</b>	<b>2,1</b>	<b>1,1</b>
D&A	0,2	0,2	0,3	0,4	0,5	0,4
<b>EBIT</b>	<b>1,7</b>	<b>0,6</b>	<b>0,7</b>	<b>4,3</b>	<b>1,6</b>	<b>0,7</b>
Result on financial operations, net	0,0	0,0	0,3	0,0	0,3	0,0
<b>EBT</b>	<b>1,7</b>	<b>0,6</b>	<b>1,0</b>	<b>4,3</b>	<b>1,9</b>	<b>0,7</b>
Income Tax	0,4	0,2	0,2	0,9	0,4	0,1
Minority Interest	2,0	3,0	4,0	5,0	6,0	7,0
<b>Net profit</b>	<b>1,3</b>	<b>0,4</b>	<b>0,8</b>	<b>3,4</b>	<b>1,5</b>	<b>0,6</b>
<b>Net profit adj.</b>	<b>1,3</b>	<b>0,4</b>	<b>0,8</b>	<b>3,4</b>	<b>1,5</b>	<b>0,6</b>

Gross margin	18,9%	11,8%	6,8%	12,7%	6,2%	3,4%
EBITDA adj. Margin (%)	6,8%	2,6%	1,6%	5,7%	1,8%	0,7%
EBIT margin (%)	6,0%	1,9%	1,2%	5,2%	1,4%	0,5%
Net profit adj. Margin (%)	4,5%	1,2%	1,3%	4,1%	1,3%	0,4%

change in sales y/y	116,2%	-34,5%	4,1%	132,3%	-25,4%	-23,8%
change in gross profit y/y	167,0%	-27,2%	11,5%	139,2%	-33,2%	-25,3%
change in EBITDA adj. y/y	-	-	22,7%	349,9%	-56,2%	-45,7%
change in EBIT y/y	-	-	18,4%	476,5%	-63,0%	-54,6%
change in net profit adj. y/y	-	-	103,4%	322,9%	-56,2%	-60,8%

Source: company data, Trigon DM

**Balance sheet (PLN m)**

	2018	2019	2020	2021E	2022E	2023E
<b>Fixed assets</b>	<b>5,2</b>	<b>4,5</b>	<b>5,2</b>	<b>6,1</b>	<b>6,8</b>	<b>10,8</b>
Tangible assets	0,2	0,2	1,6	2,3	3,3	7,5
Intangible assets	5,0	4,2	3,5	3,7	3,4	3,2
Long-term receivables	0,0	0,0	0,0	0,0	0,0	0,0
Other	0,1	0,0	0,1	0,1	0,1	0,1
<b>Current assets</b>	<b>8,7</b>	<b>12,0</b>	<b>20,1</b>	<b>100,9</b>	<b>105,2</b>	<b>108,9</b>
Inventory	7,2	11,2	17,8	56,0	62,0	66,6
Trade receivables	0,2	0,6	0,7	0,8	1,1	1,5
Other	0,1	0,1	0,4	37,9	33,4	33,4
Cash	1,3	0,1	1,2	6,2	8,6	7,4
<b>Assets</b>	<b>13,9</b>	<b>16,4</b>	<b>25,3</b>	<b>107,1</b>	<b>111,9</b>	<b>119,8</b>
<b>Equity</b>	<b>12,1</b>	<b>12,3</b>	<b>16,8</b>	<b>102,0</b>	<b>105,5</b>	<b>111,6</b>
Share Capital	1,4	1,4	1,4	1,4	1,4	1,4
Other	12,4	10,8	10,9	94,3	98,1	101,7
Retained earnings	-1,6	0,1	4,6	6,3	6,1	8,5
<b>Minority Capital</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Long-term liabilities</b>	<b>0,0</b>	<b>0,0</b>	<b>0,3</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>
Long-term interest-bearing liabilities	0,0	0,0	0,0	0,0	0,0	0,0
Other	0,0	0,0	0,1	0,1	0,1	0,1
<b>Short-term liabilities</b>	<b>1,8</b>	<b>4,1</b>	<b>8,2</b>	<b>4,9</b>	<b>6,2</b>	<b>8,1</b>
Short-term interest-bearing liabilities	0,0	1,0	0,0	0,0	0,0	0,0
Trade payables	1,0	2,5	8,1	4,9	6,1	8,0
Other	0,7	0,7	0,1	0,1	0,1	0,1
<b>Liabilities</b>	<b>14</b>	<b>16</b>	<b>25</b>	<b>107</b>	<b>112</b>	<b>119,8</b>
NWC	6	9	10	52	57	60
Net debt	-1	1	-1	-6	-9	-7
Net debt adj.	-1	1	-1	-6	-9	-7
ND/EBITDA adj. (x)	1,6	0,8	-0,2	-0,7	-1,0	-1
ND/E (x)	-0,1	0,1	-0,1	-0,1	-0,1	0
ROE (%)	-13%	1%	27%	6%	6%	0
ROA (%)	-12%	1%	18%	6%	5%	0
Cash conversion cycle	107	134	82	336	253	200
Inventory turnover	122	163	143	367	282	227
Receivables turnover	2	6	4	4	4	4
Payables turnover	17	36	65	35	33	31

**Cash flows (PLN m)**

	2018	2019	2020	2021E	2022E	2023E
<b>CFO</b>	<b>-0,1</b>	<b>-2,0</b>	<b>-1,8</b>	<b>-58,6</b>	<b>-5,4</b>	<b>7,0</b>
Net profit	-1,6	0,1	4,6	6,3	6,1	8,5
D&A	0,8	0,8	0,8	1,6	1,5	1,7
Change in working capital	1,0	-3,0	-7,0	-41,5	-5,0	-3,2
Inventory	0,7	-4,1	-6,6	-38,2	-6,0	-4,6
Receivables	0,6	-0,4	-0,1	-0,1	-0,3	-0,4
Payables	-0,3	1,4	-0,3	-3,2	1,3	1,8
Other	-0,2	0,1	-0,2	-25,0	-8,0	0,0
<b>CFI</b>	<b>0,8</b>	<b>-0,1</b>	<b>-1,0</b>	<b>-15,0</b>	<b>10,4</b>	<b>-5,8</b>
CAPEX	0,0	-0,1	-1,1	-2,5	-2,2	-5,8
Other	0,8	0,0	0,0	-12,5	12,5	0,0
<b>CFF</b>	<b>-2,1</b>	<b>0,9</b>	<b>4,0</b>	<b>78,6</b>	<b>-2,5</b>	<b>-2,4</b>
Interest-bearing liabilities change	-2,1	1,0	4,0	0,0	0,0	0,0
Stock issuance	0,0	0,0	0,0	78,8	0,0	0,0
Dividend	0,0	0,0	0,0	0,0	-2,5	-2,4
Other	0,0	-0,1	0,0	-0,2	0,0	0,0
Net cash flow	-1,4	-1,2	1,1	5,0	2,4	-1,2
Opening balance	2,7	1,3	0,1	1,2	6,2	8,6
Closing balance	1,3	0,1	1,2	6,2	8,6	7,4

Source: company data, Trigon DM

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### Definitions

capitalisation – market price multiplied by the number of a company's shares

free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company

min/max 52 wks – minimum/maximum share price within the last 52 weeks

average turnover – average volume of share trading within the last month

EBIT – operating profit

EBITDA – operating profit increased by depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

capex – sum of investment expenditures on fixed assets

ROA – rate of return on assets

ROE – rate of return on equity

gross profit margin – a ratio of gross profit to net revenue

EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – a ratio of operating profit to net revenue

net margin – a ratio of net profit to net revenue

EPS – earnings per share

DPS – dividends per share

P/E – a ratio of market price to earnings per share

P/BV – a ratio of market price to book value per share

EV/EBITDA – a company's EV to EBITDA ratio

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, dividend paid to share price ratio

ISSUER – Dadelo S.A..

### Recommendations of the Brokerage House

BUY – we expect that the rate of return on an investment will be at least 10%

NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%

SELL – we expect that an investment will make a loss greater than 0%

Recommendation prepared by: Grzegorz Kujawski

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