

R22

BUY

Hosting expansion with economies of scale

We believe that the Company will see a record-breaking year in terms of financial results, with the Hosting segment as the major catalyst. In our view, the result increase in Hosting will be driven by: (1) optimisation of hosting services price lists; (2) organic growth in customer volumes on the CEE market; (3) consolidation of hosting brands (cost synergies) and improved H88 brand recognition. We think that the temporarily weak margin in the Omnichannel segment is a thing of the past and once the GDPR has been implemented and products carrying higher margins, such as Push notifications, have been introduced, the Company will return to an EBITDA margin of over 20%. Given the above, we start issuing recommendations for R22 with a “BUY” investment recommendation and a 12-month target price of PLN 26.0 (+34% upside).

Hosting: ARPU growth in PL and expansion in CEE. The aggressive acquisition path chosen by the Company when building its market position in Poland and abroad should bring tangible financial results in the coming periods. Our thesis is that the optimisation of price lists in Poland and full consolidation of brands will translate into an increase in ARPU and, consequently, in the EBITDA margin, bridging the gap between the Company and its greatest competitors, namely home.pl and nazwa.pl. On the other hand, the acquired Romanian and Croatian companies provide exposure to a double-digit, organic growth in customer volumes, geographic diversification and further prospects for acquisitions in the CEE region with a better negotiating position.

Omnichannel: growth with a view to margin recovery. We believe that the margin-related problems in the Omnichannel segment caused e.g. by the implementation of the GDPR are a thing of the past. In our opinion, the continued expansion of e-commerce marketing databases and products carrying higher margins, such as Push notifications, will translate into a rebound in margins generated in the coming periods, with revenues dynamics remaining in the double digits.

Valuation. To determine the target price of R22, we rely 100% on the DCF Sum-of-the-Parts method. Based on the SOTP valuation, which returns PLN 26.0 per share (+34% upside), we start issuing recommendations with a ‘BUY’ investment recommendation. The market multiples valuation based on EV/EBITDA multiple returns PLN 23.5 per share (+21% upside).

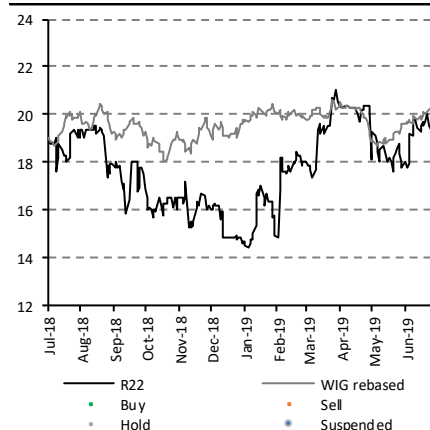
Risk factors. For the risk factor description, see p. 5.

TP: PLN 26
Upside: +34%

FACT SHEET

Ticker	R22		
Sector	TMT		
Price (PLN)	19,5		
52wk Range (PLN)	14,22 / 21,8		
Number of share (m)	14,2		
Market Cap (mPLN)	276		
Free-float	36,7%		
Avg Vol 3M (mPLN)	0,0		
Price performance	1M	3M	1Y
	-1,0%	-6,9%	1,2%

RELATIVE SHARE PRICE PERFORMANCE



Recommendation history	Date	Price
Buy	10.07.2019	26

Shareholders	Share %
Jacek Duch	31%
Jakub Dwernicki	18%
Robert Dwernicki	13%
Rockbridge TFI	5%
Others	33,7%

Important dates

Analyst

Kacper Koproń

PLN m	2016/17	2017/18	2018/19E	2019/20E	2020/21E	2021/22E
Sales	74,1	110,6	144,1	168,3	183,9	197,9
EBITDA	18,6	25,0	37,0	47,6	53,6	58,6
EBIT	13,9	16,8	25,4	35,7	41,2	45,6
Net profit	4,3	6,8	11,9	19,9	25,8	29,0
EPS (PLN)	0,3	0,5	0,8	1,4	1,8	2,0
P/E (x)	64,8	40,6	23,1	13,9	10,7	9,5
EV/EBITDA (x)	17,5	13,0	9,3	8,5	7,2	6,2
P/BV (x)	8,6	2,9	2,6	2,3	2,0	1,8
DY (%)	0,0%	0,0%	0,0%	2,2%	3,6%	4,7%

Source: company data, Trigon DM; fiscal year 2018/2019 ends 06.30.2019

Valuation

Income-based valuation. For R22 we use the DCF Sum-of-the-Parts method. The SOTP method consists of individual valuations of each of the three segments. In our approach to valuation we assume that R22 holds 98.2% of H88 shares (it redeems the 2nd tranche of 3TS on its own, without Vercom's participation), 74.9% of Vercom shares and 98.7% of Oxyllion shares. Our target price of R22 shares is 100% based on the DCF SOTP valuation, which implies a 12-month target price at **PLN 26.0 per share (+34% upside)**.

Main assumptions of DCF SOTP valuation:

- 10-year forecast period until 2028/29
- Market premium – 6.0% (Trigon DM methodology: 6.0% for sWIG80)
- Unlevered beta – 1.0
- RFR – 2.7%
- Debt cost after tax – 4.9%
- Residual growth rate: (1) Hosting: $g=2\%$; (2) Omnichannel Communication: $g=1\%$; (3) Telecommunication: $g=0\%$
- CAPEX/Sales: Hosting – 8%; Omnichannel Communication – 4% Telecommunication – 14%
- Hosting: CAPEX in 2019/20 burdened with the EUR 5m payment for recent acquisitions in Romania and Croatia (EUR 2m will be incurred already in 2018/19) + in 2023/24 with the payment for the remaining 40% of NetDesign shares, whose PV for 2Q18/19 was valued in the balance sheet at PLN 11.5m, which – assuming our WACC – implies FV of PLN 17.7m
- Omnichannel: CAPEX in 2019/20 and 2020/21 burdened with payments for UserEngage shares of PLN 4m and PLN 1.5m, respectively

Source: Trigon DM estimates

WACC calculation

	2019/20E	2020/21E	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E
D/(E+D)	33%	25%	21%	18%	17%	14%	12%	11%	9%	8%
10Y bond yield	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%
Levered beta	1,4	1,3	1,2	1,2	1,2	1,1	1,1	1,1	1,1	1,1
Market premium	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
Cost of debt after tax	4,9%	4,9%	4,9%	4,9%	4,9%	4,9%	4,9%	4,9%	4,9%	4,9%
Cost of Equity	11,1%	10,3%	10,0%	9,8%	9,7%	9,5%	9,4%	9,3%	9,2%	9,1%
WACC	9,0%	9,0%	8,9%	8,9%	8,9%	8,8%	8,8%	8,8%	8,8%	8,8%

Source: Trigon DM estimates

Hosting - DCF valuation

DCF PLN m	2019/20E	2020/21E	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E
EBIT	21,4	25,2	28,3	30,4	32,2	33,5	34,8	36,0	37,2	38,1
Tax Rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
NOPLAT	17,4	20,4	22,9	24,7	26,1	27,2	28,2	29,2	30,1	30,9
Amortization	7,4	7,9	8,4	8,9	9,4	9,9	10,4	10,9	11,4	11,9
CAPEX*	-27,8	-7,5	-8,2	-8,7	-26,7	-9,5	-9,8	-10,1	-10,4	-10,7
Working Capital, net	2,7	1,5	0,8	0,6	0,5	0,4	0,3	0,3	0,2	0,2
FCF	-0,3	22,2	23,9	25,5	9,3	28,0	29,1	30,2	31,2	32,2
WACC (%)	9,0%	9,0%	8,9%	8,9%	8,9%	8,8%	8,8%	8,8%	8,8%	8,8%
Present value of FCF	-0,3	18,8	18,6	18,2	6,1	16,8	16,1	15,3	14,6	13,8
Total DCFC	138									
g	2,0%									
TV	191									
PV + RV	329									

Source: Trigon DM

*including: (1) 2019/20E EUR 5m payment related to hosting acquisition and (2) 2023/24 acquisition of the remaining 40% of NetDesign (FV=PLN 17,7m)

Source: Trigon DM estimates

Omnichannel Communication - DCF valuation

DCF PLN m	2019/20E	2020/21E	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E
EBIT	12,3	14,2	15,7	17,1	18,1	18,8	19,2	19,7	20,2	20,7
Tax Rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
NOPLAT	10,0	11,5	12,7	13,9	14,7	15,2	15,6	16,0	16,4	16,8
Amortization	1,7	1,8	1,9	2,0	2,1	2,2	2,3	2,4	2,5	2,6
CAPEX*	-6,8	-4,6	-3,3	-3,5	-3,7	-3,8	-3,9	-4,0	-4,1	-4,2
Working Capital, net	-0,4	-0,4	-0,3	-0,3	-0,3	-0,2	-0,2	-0,2	-0,2	-0,2
FCF	4,4	8,4	11,0	12,0	12,8	13,3	13,7	14,1	14,5	14,9
WACC (%)	9,0%	9,0%	8,9%	8,9%	8,9%	8,8%	8,8%	8,8%	8,8%	8,8%
Present value of FCF	4,1	7,1	8,5	8,6	8,4	8,0	7,6	7,2	6,8	6,4
Total DCFC	73									
g	1,0%									
TV	76									
PV + RV	149									

Source: Trigon DM

*including UserEngage and Appchance payments in 2019/20 and 2020/21

Source: Trigon DM estimates

Telecommunication - DCF valuation

DCF PLN m	2019/20E	2020/21E	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E
EBIT	1,9	1,7	1,6	1,5	1,3	1,2	1,2	1,1	1,0	0,9
Tax Rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
NOPLAT	1,5	1,4	1,3	1,2	1,1	1,0	0,9	0,9	0,8	0,7
Amortization	2,8	2,8	2,7	2,7	2,6	2,6	2,5	2,5	2,4	2,4
CAPEX	-1,9	-1,8	-1,8	-1,8	-1,7	-1,7	-1,7	-1,7	-1,6	-1,6
Working Capital, net	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
FCF	2,5	2,3	2,2	2,1	2,0	1,9	1,8	1,7	1,6	1,5
WACC (%)	9,0%	9,0%	8,9%	8,9%	8,9%	8,8%	8,8%	8,8%	8,8%	8,8%
Present value of FCF	2,3	2,0	1,7	1,5	1,3	1,1	1,0	0,8	0,7	0,6
Total DCFC	13									
g	0,0%									
TV	7									
PV + RV	20									

Source: Trigon DM

Source: Trigon DM estimates

Sum-of-the-Parts valuation

	Hosting	Omnichannel	Telco
PV + RV (PLN m)	329	149	20
R22 share*	98,2%	74,9%	98,7%
Value attributable to R22 (PLN m)	323	112	19
Net debt (06.20.2019E)		70	
3TS buyout		58	
Investments in affiliates		6	
Equity value (PLN m)		332	
Equity value per share		23,4	
12M TP		26,0	
Upside		34%	

* share of R22 assuming the purchase of the first tranche of 3TS by R22 & Vercom (50:50) and the second tranche in 100% by R22

Source: Trigon DM estimates

Market multiples valuation: In our approach to the market multiples valuation, similarly to the previous method, the components include the individual partial valuations of the R22 Group companies. The peer groups for individual R22 companies differ in their business models, growth profiles and, consequently, also in their multipliers, thus we have decided to value each segment of the Group independently. Given the high leverage of the company and the lack of information on the net profit structure of individual holding companies (R22 does not report net profit broken down by segments), we believe that the best valuation multiplier to base our valuation on is EV/EBITDA. It is worth remembering that R22's financial year is shifted. We address this fact by calculating the valuation based on averaged multipliers of individual peer groups for two consecutive forecast years (e.g. the multiplier for 2019/20 is an arithmetic mean of the peers' multipliers from 2019 and 2020). The market multiples valuation returns the R22 share price of **PLN 23.5 apiece (+21% upside)**.

EV/EBITDA of comparative companies divided into segments

Company name	MC (USD m)	EV/EBITDA			
		2019E	2020E	2021E	2022E
Hosting & Domains					
GoDaddy Inc	12 708	18,4	15,7	14,6	11,9
United Internet AG	6 578	6,0	5,7	5,3	5,4
Tucows Inc	666	14,2	10,5	8,9	7,8
iomart Group PLC	491	9,7	9,2	8,6	-
VeriSign Inc	25 902	29,8	27,8	-	-
Median		14,2	10,5	8,7	7,8
Omnichannel Communication					
M&C Saatchi PLC	387	8,4	7,9	7,3	-
1000mercis	83	7,1	6,6	6,1	-
dotdigital group plc	389	15,9	14,3	-	-
HubSpot Inc	7 427	86,0	59,7	43,2	-
MailUp SpA	74	12,1	8,8	6,6	-
WPP PLC	15 509	7,4	7,3	6,9	-
Publicis Groupe SA	12 554	6,3	5,7	5,1	4,7
Omnicom Group Inc	18 547	9,7	9,4	9,1	-
Interpublic Group of Cos Inc/The	8 985	9,8	9,3	8,9	9,0
Syzygy AG	137	11,7	10,9	10,1	-
Median		9,7	9,1	7,3	6,9
Telecommunication					
BT Group PLC	24 686	4,4	4,3	4,3	4,2
Deutsche Telekom AG	82 479	6,4	6,1	5,8	5,9
Orange SA	41 557	5,2	5,1	5,0	5,0
Hellenic Telecommunications Organization SA	6 838	5,6	5,5	5,4	5,5
Koninklijke KPN NV	12 599	5,1	4,9	4,7	4,5
Magyar Telekom Telecommunications PLC	1 510	4,3	4,3	4,3	4,4
Telecom Italia SpA/Milano	11 650	5,7	5,7	5,6	5,5
Telekom Austria AG	4 935	5,4	5,3	5,1	4,9
Turk Telekomunikasyon AS	3 152	3,5	3,1	2,8	2,6
Orange Polska SA	2 307	5,7	5,5	5,4	5,2
PLAY Communications SA	2 190	6,4	6,2	6,0	5,7
Cyfrowy Polsat SA	5 243	7,8	7,6	7,4	7,2
Median		5,5	5,4	5,3	5,1

Source: Bloomberg, Trigon DM estimates

Market multiples valuation

R22 - EBITDA (PLN m)	2019/20E	2020/21E	2021/22E
Hosting	28,8	33,1	36,7
Omnichannel	14,0	16,0	17,6
Telco	4,7	4,5	4,3
EV/EBITDA blended	2019/20E	2020/21E	2021/22E
Hosting	12,4	9,6	8,3
Omnichannel	9,4	8,2	7,1
Telco	5,4	5,3	5,2
Implied EV	2019/20E	2020/21E	2021/22E
Hosting	357	319	304
Omnichannel	131	131	124
Telco	26	24	22
EV attributable to R22	2019/20E	2020/21E	2021/22E
Hosting (96,4%)	351	313	298
Omnichannel (74,9%)	99	98	93
Telco (98,7%)	25	24	22
EV total	475	435	413
Net debt (PLN m)	127	108	87
Equity value (PLN m)	347	327	326
Equity value (PLN m)		334	
Equity value per share (PLN)		23,5	

Source: Bloomberg, Trigon DM estimates

Risk factors

- **Share issue risk.** In our opinion, the main risk of investing in R22 is the share issue risk. To date, the Company has been pursuing an aggressive acquisition policy in Hosting, financed mainly with debt (2.7x ND/EBITDA for 2019/20); the announced 3TS redemption (PLN 60m), dividend payments (PLN 6m; 50% DPR assumed by TDM) and own share buyback (PLN 2m) increase – in our view – the risk of a stock issue at the end of the financial year 2019/20 that could potentially be aimed at a potentially attractive acquisition of a company from the Hosting segment in the CEE region or from the Omnichannel Communication segment, expanding Vercom's product portfolio. We believe the payments envisaged for the next financial year limit R22's acquisition capacity. Thus, instead of making the issue, the Company could alternatively decide not to distribute capital to the shareholders in the form of dividends or to leverage the Group even more (highest on record ~3.0 ND/EBITDA).
- **Acquisition risk.** Following the acquisitions planned by the Group on the misjudged investment, a decline is likely in ARPU, customer dynamics or profitability of the entire business due to poorly identified parameters of the acquired entities and the failure to achieve cost or revenue synergy effects.
- **Risk of Hosting model change.** There is a risk of increasing popularity of web domain sales and cloud hosting, such as the Google Domains service or the domain registration services as part of Amazon Web Services. We note the risk that, in the future, access to these platforms may even be a free alternative to traditional domain registration and hosting services, significantly pressuring ARPU in the segment.
- **Risk related to the legal aspect of domain registration.** NASK's monopoly as a web domain registrar poses a risk of growing domain registration and renewal costs that may not be transferred onto the customer in the short term (NASK charges PLN 10 for a .pl domain registration and PLN 40 for renewal).
- **Risk of technological advances.** The Omnichannel Communication segment is particularly vulnerable to the risk of significant technological advances, which – with continuous innovation – may supersede the currently used multichannel communication technologies, such as e-mail or SMS. The identified technologies that may change the perception of business-to-customer communication include social media messaging apps, such as WeChat or WhatsApp, or increasingly popular Push notifications.
- **Risk of an economic downturn in the CEE region.** The Company benefits from trends related to the economic growth in the CEE region, such as the increasing number of Internet users or SMEs. A potential economic downturn in CEE, translating into a higher unemployment rate, lower wages and constrained consumption, may lead to a drop in R22's scale of business and hamper its growth rate.

Income statement (PLN m)

	2016/17	2017/18	2018/19E	2019/20E	2020/21E	2021/22E
Sales	74,1	110,6	144,1	168,3	183,9	197,9
COGS	60,3	93,8	118,7	132,7	142,7	152,3
Gross profit from sales	13,9	16,8	25,4	35,7	41,2	45,6
Cost of sales	0,0	0,0	0,0	0,0	0,0	0,0
General administrative expenses	0,0	0,0	0,0	0,0	0,0	0,0
Profit from sales	0,0	0,0	0,0	0,0	0,0	0,0
Result on other operating activities, net	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA	18,6	25,0	37,0	47,6	53,6	58,6
EBITDA adj.	18,6	25,0	37,0	47,6	53,6	58,6
D&A	5,6	8,3	11,3	11,9	12,4	13,0
EBIT	13,9	16,8	25,4	35,7	41,2	45,6
Results on financial operations, net	-4,4	-3,3	-4,0	-5,2	-5,6	-5,6
Profit before tax	9,5	13,5	21,4	30,5	35,6	40,0
Income tax	2,2	2,8	4,2	5,8	6,8	7,6
Minority interest	2,2	3,7	5,5	4,8	3,0	3,4
Net profit	4,3	6,8	11,9	19,9	25,8	29,0
Net profit adj.	4,3	6,8	11,9	19,9	25,8	29,0

Gross profit from sales margin	18,7%	15,2%	17,7%	21,2%	22,4%	23,0%
EBITDA margin (%)	25,1%	22,6%	25,7%	28,2%	29,2%	29,6%
EBITDA adj. margin (%)	25,1%	22,6%	25,7%	28,2%	29,2%	29,6%
Operating profit margin (%)	18,7%	15,2%	17,7%	21,2%	22,4%	23,0%
Net profit adj. margin (%)	5,7%	6,1%	8,3%	11,8%	14,0%	14,7%

change in sales y/y	75%	49%	30%	17%	9%	8%
change in gross profit from sales y/y	24%	21%	52%	40%	15%	11%
change in EBITDA adj. y/y	26%	35%	48%	28%	13%	9%
change in EBIT y/y	24%	21%	52%	40%	15%	11%
change in net profit adj y/y	-35%	59%	76%	66%	30%	12%

Source: Company,, Trigon DM

	3Q17/18	4Q17/18	1Q18/19	2Q18/19	3Q18/19	4Q18/19E
Sales	29,1	30,6	31,0	37,2	37,3	38,6
COGS	-24,9	-26,4	-25,8	-31,7	-30,2	-30,7
Gross profit from sales	4,2	4,2	5,2	5,6	7,1	7,9
Cost of sales	0,0	0,0	0,0	0,0	0,0	0,0
General administrative expenses	0,0	0,0	0,0	0,0	0,0	0,0
Profit from sales	0,0	0,0	0,0	0,0	0,0	0,0
Result on other operating activities, net	-0,2	-0,1	0,1	-0,1	-0,2	0,0
EBITDA	6,4	6,2	7,9	8,4	10,0	10,8
EBITDA adj.	6,4	6,2	7,9	8,4	10,0	10,8
D&A	-2,3	-2,1	-2,6	-2,9	-2,9	-2,9
EBIT	4,1	4,1	5,3	5,5	7,1	7,9
Results on financial operations, net	-0,8	-0,6	-0,8	-1,1	-0,9	-1,0
Profit before tax	3,3	3,5	4,5	4,3	6,0	6,9
Income tax	-0,7	-0,7	-0,8	-1,1	-1,0	-1,3
Minority interest	0,9	0,8	1,0	1,1	1,5	1,9
Net profit	1,7	1,9	2,7	2,1	3,4	3,7
Net profit adj.	1,7	1,9	2,7	2,1	3,4	3,7

Gross profit from sales margin	14,5%	13,7%	16,7%	15,0%	18,9%	20,4%
EBITDA adj. margin (%)	21,9%	20,2%	25,5%	22,5%	26,8%	27,9%
Operating profit margin (%)	14,0%	13,4%	17,0%	14,7%	18,9%	20,4%
Net profit adj. margin (%)	6,0%	6,4%	8,9%	5,7%	9,1%	9,5%

change in sales y/y	44,5%	34,7%	34,3%	34,1%	28,0%	26,2%
change in gross profit from sales y/y	28,4%	-3,8%	5,3%	53,1%	66,7%	87,5%
change in EBITDA adj. y/y	9,4%	1,8%	17,9%	44,7%	56,7%	74,5%
change in EBIT y/y	14,7%	-7,8%	8,3%	46,8%	73,5%	92,5%
change in net profit adj y/y	84,2%	38,0%	70,8%	42,3%	95,0%	89,1%

Source: Company,, Trigon DM

Balance Sheet (PLN m)

	2016/17	2017/18	2018/19E	2019/20E	2020/21E	2021/22E
Fixed assets	113,9	186,0	224,6	249,2	250,7	251,0
Tangible fixed assets	21,4	24,5	28,9	32,9	32,9	33,0
Intangible assets	57,4	77,2	84,6	90,8	90,8	90,9
Goodwill	32,5	79,6	100,2	110,7	110,7	110,7
Long-term investments	0,0	0,0	0,0	0,0	0,0	0,0
Other	0,0	0,0	0,0	0,0	0,0	0,0
Current assets	2,5	4,8	10,9	14,9	16,4	16,4
Inventory	35,2	31,9	30,8	33,7	58,3	61,6
Inventories	0,0	0,0	0,0	0,0	0,0	0,0
Trade receivables	8,4	12,3	14,1	19,0	21,9	24,3
Other	23,6	3,9	7,3	8,1	8,6	9,1
Cash	3,3	15,8	9,4	6,6	27,8	28,2
Assets	149,1	218,0	255,4	282,9	309,0	312,5
Equity	32,3	94,9	106,9	118,8	134,7	150,8
Share capital	2,3	0,3	0,3	0,3	0,3	0,3
Other	25,7	87,8	94,7	98,7	108,6	121,5
Net profit (loss)	4,3	6,8	11,9	19,9	25,8	29,0
Minority capital	11,2	10,2	17,2	-35,9	-32,9	-29,6
Long-term liabilities	53,8	67,7	79,4	127,4	129,4	121,4
Interest-bearing liabilities	41,3	51,3	65,2	111,2	112,2	103,2
Other	12,5	16,4	14,2	16,2	17,2	18,2
Short-term liabilities	51,8	45,1	51,8	72,6	77,8	69,8
Interest-bearing liabilities	12,5	15,1	13,9	22,9	23,4	11,9
Trade liabilities	9,3	10,2	12,5	15,7	17,2	18,4
Other	30,0	19,8	25,3	33,9	37,1	39,5
Liabilities	149,1	218,0	255,4	282,9	309,0	312,5
Net working capital	-1	2	2	3	5	6
Net debt	50	51	70	127	108	87
Net debt adj.	50	51	70	127	108	87
Net debt /EBITDA adj. (x)	2,7	2,0	1,9	2,7	2,0	1,5
Net debt /equity (x)	1,6	0,5	0,7	1,1	0,8	0,6
ROE (%)	17%	11%	12%	18%	20%	20%
ROA (%)	4%	4%	5%	7%	9%	9%
Cash conversion cycle (days)	-8	-4	-2	-3	-1	0
Inventory turnover (days)	0	0	0	0	0	0
Receivables turnover ratio (days)	33	34	33	36	41	43
Accounts payable turnover ratio (days)	41	38	35	39	42	43

Cash flows (PLN m)

	2016/17	2017/18	2018/19E	2019/20E	2020/21E	2021/22E
Cash flows from operating activities	15,2	19,0	32,8	49,7	49,1	52,7
Net profit (loss)	6,5	10,6	17,4	24,7	28,8	32,4
Amortization	5,6	8,3	11,3	11,9	12,4	13,0
Changes in working capital	1,3	-3,0	1,9	2,3	1,1	0,5
Inventory changes	0,1	0,0	1,7	4,0	2,5	1,6
Trade receivables change	-2,7	-3,5	-1,7	-4,9	-2,9	-2,4
Trade liabilities change	3,9	0,5	2,0	3,2	1,5	1,2
Other	1,8	3,1	2,2	10,9	6,7	6,8
Cash flows from investment activities	-56,5	-64,7	-45,5	-36,5	-13,9	-13,3
CAPEX	-44,2	-65,7	-43,9	-36,5	-13,9	-13,3
Other	-12,4	1,0	-1,6	0,0	0,0	0,0
Cash flows from financial activities	42,7	58,3	6,3	-16,0	-14,0	-39,0
Interest-bearing liabilities change	8,9	8,7	6,3	49,9	-4,1	-26,1
Revenues from shares emission	37,2	56,7	0,0	0,0	0,0	0,0
Dividend	0,0	0,0	0,0	-6,0	-9,9	-12,9
Other	-3,4	-7,1	0,0	-59,9	0,0	0,0
Net cash flows	1,3	12,5	-6,4	-2,8	21,1	0,4
Cash opening balance	2,0	3,3	15,8	9,4	6,6	27,8
Closing balance of cash	3,3	15,8	9,4	6,6	27,8	28,2

Source: Company, 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 – R22 S.A.

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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: Kacper Kopron

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