

Dadelo

Focus on sales momentum and wider marketing support will affect profitability

#Significant expansion of the collection: The company continued to expand its collection in Q1 (a PLN 13m q/q increase in inventory to PLN 65m). At the same time, the value of prepayments presented in receivables increased (PLN 5m at the end of Q1'22 vs. PLN 2m in Q4'21), which means further growth of the collection before the start of the '22 season. Combining this with the cash balance (PLN 15m vs. PLN 52m), the company should be getting closer to its target offer level, and in our opinion, much more focus should now be put on inventory rotation. The risk of inventory write-downs is significantly higher than a year ago, but this will be better assessed after the season (i.e. at the end of Q3'22).

#Q2'22 estimates : (1) The company reported Q2'22 sales of PLN 42m (+39% y/y); (2) Given the significant increase in stocking, management's current priority is to boost sales, also at the expense of GM, which was skewed to the upside a year ago due to strong demand accompanied by a shortage of goods (supply chain disruption). As a result, we assume an erosion of GM in Q2 (31%, -3pp y/y). (3) In addition, the company has opted for more sales marketing support, including a TV campaign and cinema advertising. The ~3x increase in marketing expenditure, which we estimate, will be the main reason for the projected increase in OPEX/revenue ratio (26 vs. 20% last year); (4) We estimate EBITDA in the bicycle parts segment at PLN 2.5m.

The key influence in lowering the TP to PLN 13.1 relative to the last recommendation was the increase in WACC. We are reiterating an investment recommendation of HOLD.

mPLN	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22E	v/y	q/q
Sales	24	19	12	13	30	23	17	19	42	39%	116%
EBITDA	4	2	1	1	5	2	1	1	2	-54%	278%
EBIT	3	2	1	1	4	2	0	0	2	-62%	-
Net profit	3	1	0	1	3	2	0	0	1	-62%	1705%
P/E 12M trailing	-	-	-	25,7	24,8	24,0	24,5	27,9	46,5		
EV/EBITDA 12M trailing	-	-	-	19,5	17,2	8,5	13,5	14,2	18,3		
sales growth y/y	138%	90%	53%	47%	25%	18%	37%	49%	39%		
EBITDA margin	15,3%	10,2%	6,9%	8,1%	15,6%	9,2%	6,4%	3,0%	5,2%		
EBIT margin	14,4%	9,1%	5,1%	5,8%	14,3%	7,1%	2,8%	-	3,9%		
Net margin	13,3%	6,9%	3,2%	6,2%	11,4%	6,7%	1,6%	0,4%	3,1%		

Hold

(Previous: Hold; PLN 14,8)

TP: 13,1 PLN

Cur. price: 12,7 PLN

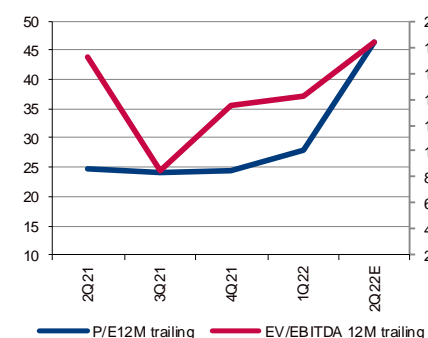
Upside: 3%

Financial report

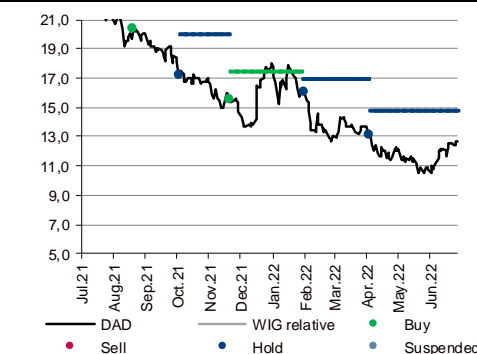
18.08.2022

Company data		Recommendation history	Date	Price
Ticker	DAD	Hold	22.04.2022	14,8
Sector	Distribution	Hold	17.02.2022	17,0
Price (PLN)	12,7	Buy	09.12.2021	17,5
52w min/max (PLN)	8,32 / 17,92	Hold	21.10.2021	20,0
Shares (m)	11,6	Buy	07.09.2021	23,0
MC (PLNm)	147,4	Hold	20.07.2021	23,0
Free-float	0,5	Hold	26.04.2021	25,1
Avg. 3M turnover (PLNm)	0,0	Buy	19.02.2021	24,2
Price chng.	1M	3M	1Y	
	16,3%	28,5%	-29,9%	

P/E 12M vs EV/EBITDA 12M



WIG vs. DAD chart



mPLN	2019	2020	2021	2022E	2023E	2024E
Sales	33	65	83	116	153	192
EBITDA	1	7	9	7	10	14
EBIT	0	6	7	5	7	11
Net profit	0	5	6	4	6	9
EPS (PLN)	0,01	0,4	0,5	0,3	0,5	0,7
DPS (PLN)	0,0	0,0	0,0	0,1	0,0	0,2
P/E (x)	1 029,1	28,8	24,3	36,4	25,7	17,1
EV/EBITDA (x)	136,9	20,4	13,5	15,2	12,5	8,8
P/BV (x)	11,9	8,7	1,4	1,4	1,3	1,2
DY (%)	0,0%	0,0%	0,0%	1,2%	0,3%	1,6%

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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

OCF – cash generated through the operational activities of the company

FCF – cash generated by the company after taking into account outflows to support operations and retained capital

ROA – rate of return on assets

ROE – rate of return on equity

NWC – net working capital

Cash conversion cycle – period from the moment of expenditure of cash for the purchase of production factors until the moment of receipt of cash revenues from the sale of manufactured goods or services.

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

RFR - risk-free rate

WACC - weighted average cost of capital

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, Maciej Marcinowski, David Sharma, Dominik Niszcz, Michał Kozak, Kacper Koproń, Katarzyna Kosiorek, Łukasz Rudnik, Piotr Rychlicki, Piotr Chodyra

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