

## Dadelo

**Hold**

(Previous: Hold; PLN 13,1)

**TP: 11,5 PLN**

**Cur. price: 9,08 PLN**

**Upside: 27%**

### Expanding collections promotes increased AOV and conversions

**#Estimates3Q'22:** The company reported Q3'22 earnings of PLN 35m (+57% y/y). We assume that collection development supported basket value and conversion growth, while broader marketing activities supported platform traffic. (2) In Q3, we assume a similar q/q GM (30%, -1.2p y/y). (3) DAD is scaling up marketing ventures, and following the example of apparel platforms, the company has also been more supportive of website traffic with performance marketing in our view. Additionally, the company continues to rapidly expand its operational structures and has acquired new warehouse space. As a result, we expect an over 80% y/y increase in OPEX, including a 2x y/y increase in marketing spend (OPEX/revenue 26, +2.5bps y/y); (4) We estimate EBITDA in the bicycle segment at PLN 1.6m.

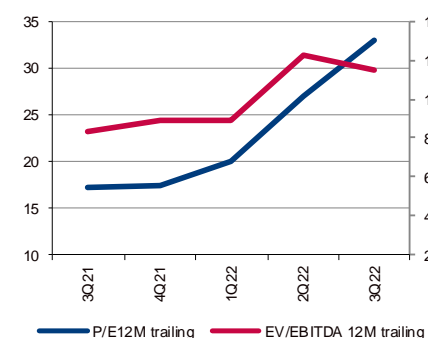
**# The market environment supports the purchase of collections, but increases the risk of extended stock turnover and higher mark-downs.** After a strong '21, the bicycle industry is experiencing a deterioration in consumer sentiment and a slowdown in sales this year, which some players including DAD are selectively using to expand their collections. In our view, the value of the stock could exceed PLN 75m at the end of Q3 (2x y/y growth). Warehouse turnover may have extended, but as long as the company reports high sales growth, this phenomenon should not be a concern. We also expect lower upward pressure on the purchase price of next year's collection in Asia, where an increase in factory spare capacity due to reduced orders and worse pre-orders will improve retailers' negotiating position. Freight prices are also falling. The depreciation of the zloty and the uncertain economic climate remains a concern.

**A more conservative approach to the cost side (headcount growth, marketing, footprint growth, omnichannel) and an increase in WACC were key factors in lowering TP relative to our last recommendation. We reiterate an investment recommendation of BUY. Management's key strategic objective remains market share growth, which we believe will weigh on profitability in the coming years.**

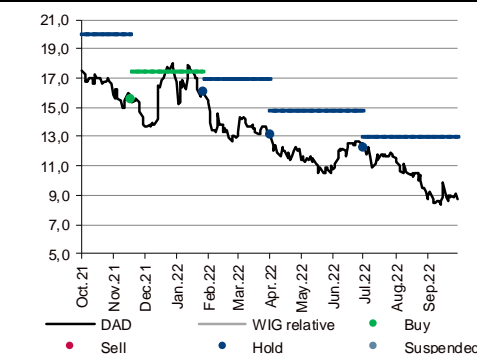
Financial report  
**09.11.2022**

Company data		Recommendation history	Date	Price
Ticker	DAD	Hold	21.07.2022	13,1
Sector	Distribution	Hold	22.04.2022	14,8
Price (PLN)	9,1	Hold	17.02.2022	17,0
52w min/max (PLN)	8,32 / 17,92	Buy	09.12.2021	17,5
Shares (m)	11,6	Hold	21.10.2021	20,0
MC (PLNm)	105,4	Buy	07.09.2021	23,0
Free-float	0,5	Hold	20.07.2021	23,0
Avg. 3M turnover (PLNm)	0,0	Hold	26.04.2021	25,1
Price chng.	1M 3M 1Y			
	16,3% 28,5% -29,9%			

P/E 12M vs EV/EBITDA 12M



WIG vs. DAD chart



mPLN	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	y/y	q/q
Sales	19	12	13	30	23	17	19	41	35	57%	-15%
EBITDA	2	1	1	5	2	1	1	3	2	-24%	-48%
EBIT	2	1	1	4	2	0	0	2	1	-37%	-59%
Net profit	1	0	1	3	2	0	0	2	1	-46%	-60%
P/E12M trailing	-	-	-	17,7	17,2	17,5	19,9	27,1	32,9		
EV/EBITDA 12M trailing	-	-	-	9,0	8,3	8,9	8,9	12,3	11,4		
sales growth y/y	90%	53%	47%	25%	18%	37%	49%	37%	57%		
EBITDA margin	10,2%	6,9%	8,1%	15,6%	9,2%	6,4%	3,0%	7,3%	4,4%		
EBIT margin	9,1%	5,1%	5,8%	14,3%	7,1%	2,8%	-	5,9%	2,8%		
Net margin	6,9%	3,2%	6,2%	11,4%	6,7%	1,6%	0,4%	4,9%	2,3%		

mPLN	2019	2020	2021	2022E	2023E	2024E
Sales	33	65	83	120	162	217
EBITDA	1	7	9	6	7	11
EBIT	0	6	7	3	5	8
Net profit	0	5	6	3	4	6
EPS (PLN)	0,01	0,4	0,5	0,2	0,3	0,5
DPS (PLN)	0,0	0,0	0,0	0,1	0,0	0,1
P/E (x)	740,1	20,7	17,5	38,2	27,8	16,9
EV/EBITDA (x)	98,7	14,6	8,9	12,9	11,9	8,7
P/BV (x)	8,6	6,3	1,0	1,0	1,0	0,9
DY (%)	0,0%	0,0%	0,0%	1,6%	0,3%	1,4%

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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

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

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