

Dadelo

Strong omnichannel sales momentum, improved conversions, supports profitability

1Q24 estimates: (1) The company reported Q1 revenue of PLN 84m (+84% y/y). We assume that the sales dynamics in the online channel exceeded 60% y/y, while the contribution of showrooms did not exceed 10%. The high sales dynamics are a result of both higher volumes and an improvement in the average basket value. The company used last year to significantly expand its range (now 50k SKUs) and the overstock in the market favoured purchase prices. In our view, the expanded collection has improved the conversion rate. An important driver of revenue momentum remains, in our view, AOV growth driven by the expanded bicycle offering. (2) Supply chains returned to normal after the pandemic fever and the global boom in the industry and the oversupply of goods from suppliers supported improved purchasing conditions. As has the current strengthening of the zloty. As a result, we expect a better y/y gross margin, in the region of 28%. (3) The high sales momentum will support cost dilution, in parallel the higher conversion of visits to the platform supports ROAS in our view, which further serves the downside of the metrics. SG&A. We expect a similar trend in the following quarters.

Focus on scaling the business may weigh on results less than we had previously assumed. The key to building DAD's value now is to scale the business. The Q1 results are in line with this scenario, and for the full year we now see room to exceed PLN 260m in revenue (+42% YoY) in 2024. In the following quarters, we expect further expansion of the offering, while at the same time the high sales momentum should not exacerbate store rotation. A key aspect of profitability levels beyond gross margin is the scale of expenditure on performance marketing. It is apparent that the company has improved efficiency in this area, helped by the expansion of the in-house marketing department's remit and the development of collections to support conversion. In turn, improved brand recognition should gradually support an increase in the share of free traffic on the platform, while high sales growth should support cost dilution and reduce the impact of further implementation of the omnichannel strategy on performance. Translated with www.DeepL.com/Translator (free version)

Updated forecasts. We assume that the company will further strengthen its market position, while benefiting from the weakness of its competitors. In 2026, we believe the company will approach PLN 500m turnover (3-year CAGR of 35%), which would imply ca. 10% market share. We reflect the above assumptions in our updated forecasts and valuation, which is 100% based on an income approach, the DCF method.

PLNm	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	1Q24E	y/y	q/q
Revenues	19	41	34	22	29	70	58	32	53	84%	68%
EBITDA	1	3	3	1	0	4	2	-1	2	-	-
EBIT	0	2	2	0	-1	3	1	-2	1	-	-
Net profit	0	2	2	0	-1	3	1	-2	1	-	-
P/E 12M trailing	38.7	52.5	49.0	52.2	72.0	58.7	81.9	220.4	82.8		
EV/EBITDA 12M trailing	22.7	26.9	25.3	28.8	32.6	27.6	45.4	45.4	31.6		
revenues growth y/y	49%	37%	51%	30%	49%	70%	70%	42%	84%		
EBITDA margin	3.0%	7.3%	7.8%	2.6%	-	5.5%	3.7%	-	4.1%		
EBIT margin	-	5.9%	6.1%	-	-	4.1%	1.9%	-	1.2%		
Net profit margin	0.4%	4.9%	5.2%	0.1%	-	3.8%	1.4%	-	1.0%		

1Q24 Earnings
29.04.2024

FACT SHEET	RECOMMENDATIONS	Date	Valuation
Ticker	DAD	Buy	11.12.2023 18.5
Sector	Distribution	Buy	23.10.2023 18.5
Price (PLN)	17.5	Buy	24.07.2023 20.0
52W range (PLN)	12.35 / 17.95	Buy	22.05.2023 19.0
Shares outstanding (m)	11.7	Buy	24.04.2023 15.0
Market Cap (PLNm)	204	Buy	12.12.2022 12.1
S&P Global ESG Scores	-	Buy	24.10.2022 11.5
3M Avg. Vol. (PLNm)	0.02	Hold	21.07.2022 13.1
Price perf.	1M 3M 1Y		
	9.2% 11.9% 35.4%		

Buy

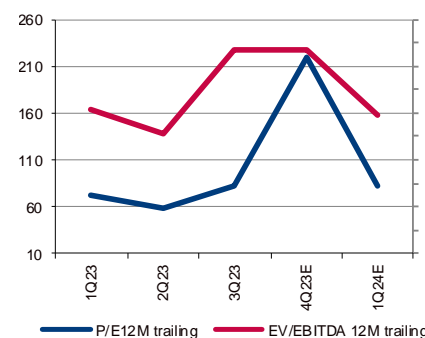
(Previous: Buy; 18.5 PLN)

Target Price: 23 PLN

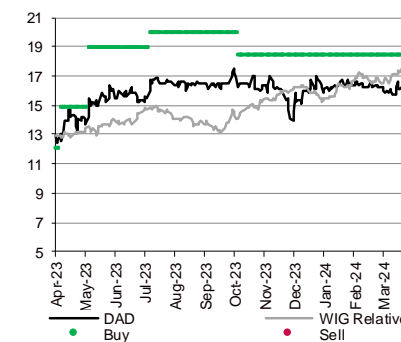
Current Price: 17.5 PLN

Upside: 31%

P/E 12M vs EV/EBITDA 12M



DAD RELATIVE SHARE PRICE vs WIG



PLNm	2021	2022	2023E	2024E	2025E	2026E
Revenues	83	117	189	268	366	485
EBITDA	9	7	5	13	16	23
EBIT	7	4	1	7	10	18
Net profit	6	4	1	6	8	15
EPS (PLN)	0.52	0.3	0.1	0.5	0.7	1.3
DPS (PLN)	0.0	0.1	0.0	0.0	0.0	0.0
P/E (x)	33.9	52.2	220.4	36.3	24.2	13.9
EV/EBITDA (x)	20.0	28.8	45.4	17.8	14.2	9.7
P/BV (x)	2.0	1.9	1.9	1.8	1.7	1.5
DY (%)	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%

Quarterly update 1Q'24

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Valuation	Current		Previous		Change
DCF	23.0	100%	18.5	100%	24%
Multiples	13.7	0%	10.4	0%	31%

PLNm	2024E			2025E			2026E		
	Curr.	Prev.	Chg.	Curr.	Prev.	Chg.	Curr.	Prev.	Chg.
Revenues	268	279	-4%	366	391	-7%	485	531	-9%
EBITDA	13	10	35%	16	12	33%	23	18	28%
EBIT	7	4	95%	10	6	63%	18	13	40%
Net profit	6	3	95%	8	5	63%	15	10	40%
P/E (x)	36.3	70.7		24.2	39.5		13.9	19.5	
EV/EBITDA (x)	17.8	21.2		14.2	16.5		9.7	11.2	
P/BV (x)	1.8			1.7			1.5		
DY (%)	0.0%			0.0%			0.0%		

Multiples	2022	2023E	2024E	2025E	2026E
	P/E (x)	52.2	220.4	36.3	24.2
adj. P/E (x)	52.2	220.4	36.3	24.2	13.9
P/BV (x)	1.9	1.9	1.8	1.7	1.5
EV/EBITDA (x)	28.8	45.4	17.8	14.2	9.7
adj. EV/EBITDA (x)	28.8	45.4	17.8	14.2	9.7
EV/Sales (x)	1.7	1.2	0.9	0.6	0.5

FCF Yield (%)	-18.0%	-8.2%	-11.8%	-10.6%	-6.2%
DY (%)	0.8%	0.0%	0.0%	0.0%	0.0%

KPIs	2022	2023E	2024E	2025E	2026E
EPS (PLN)	0.3	0.1	0.5	0.7	1.3
adj. EPS (PLN)	0.3	0.1	0.5	0.7	1.3
DPS (PLN)	0.1	0.0	0.0	0.0	0.0
BVPS (PLN)	9.1	9.2	9.6	10.4	11.6

Operational ratios	2022	2023E	2024E	2025E	2026E
Gross margin (%)	30.5%	27.9%	28.0%	28.1%	28.4%
adj. EBITDA margin (%)	5.9%	2.6%	4.9%	4.5%	4.8%
EBIT margin (%)	3.8%	0.6%	2.6%	2.9%	3.7%
Net profit adj. margin (%)	3.3%	0.5%	2.1%	2.3%	3.0%

ROE (%)	3.7%	0.9%	5.0%	7.0%	10.8%
ROA (%)	3.3%	0.6%	3.1%	4.0%	6.2%
CAPEX/Sales (%)	2.4%	3.4%	1.1%	0.9%	0.7%
CAPEX/D&A (x)	1.2	1.7	0.5	0.6	0.7
Net debt/Equity (x)	-0.1	0.2	0.2	0.2	0.2
Net debt/EBITDA (x)	-0.9	3.9	2.1	1.8	0.9

Cash conversion cycle (days)	310	247	214	178	146
Inventory turnover (days)	291	256	236	208	183
Receivables turnover (days)	48	27	17	13	9
Payables turnover (days)	29	35	39	43	46

Income Statement (PLNm)	2021	2022	2023E	2024E	2025E	2026E
Revenues	83	117	189	268	366	485
COGS	56	81	136	193	263	347
Gross Profit	27	36	53	75	103	138
Selling costs	16	27	46	61	81	107
G&A costs	3	4	6	8	10	12
Profit on sales	7	5	1	7	12	20
Other operating items, net	0	0	0	0	-1	-2
EBITDA	9	7	5	13	16	23
adj. EBITDA	9	7	5	13	16	23
D&A	2	2	4	6	6	5
EBIT	7	4	1	7	10	18
Net financial costs	0	0	0	0	0	0
EBT	8	5	1	7	10	18
Income tax	1	1	0	1	2	3
Minority interest	0	0	0	0	0	0
Net profit	6	4	1	6	8	15
adj. net profit	6	4	1	6	8	15

Balance Sheet (PLNm)	2021	2022	2023E	2024E	2025E	2026E
Non-current Assets	14	16	18	15	12	10
Current Assets	96	104	136	168	201	225
Inventories	51	78	112	138	162	186
Receivables	16	15	13	13	13	12
Cash and cash equivalents	29	10	11	17	26	28
Assets	110	120	153	182	214	236
Equity	104	106	107	113	121	136
Minority Interests	0	0	0	0	0	0
Non-current Liabilities	2	3	8	14	17	13
Long-term borrowings	2	3	8	14	17	13
Current Liabilities	4	11	39	56	76	88
Short-term borrowings	1	1	23	32	39	38
Payables	3	10	16	25	37	50
Equity and Liabilities	110	120	153	182	214	236

Cash Flow Statement (PLNm)	2021	2022	2023E	2024E	2025E	2026E
Cash flow from operating activities	-28	-13	-19	-6	2	11
Changes in working capital	-36	-20	-25	-17	-12	-9
D&A	2	2	4	6	6	5
Cash flow from investing activities	-17	-3	-6	-3	-3	-4
CAPEX	-4	-3	-6	-3	-3	-4
Cash flow from financing activities	72	-2	26	15	10	-5
Dividend/Buy-back	0	-2	0	0	0	0
Net change in cash	28	-19	1	6	9	2
Cash opening balance	1	29	10	11	17	26
Cash closing balance	29	10	11	17	26	28

Valuation

#DCF

ND (mln PLN)	2023E
Interest-bearing liabilities	30
Reverse factoring	0
Cash	11
Net debt	19

DCF (mln PLN)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	>2033E
EBIT	7	10	18	27	36	45	52	57	61	66	
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	
NOPLAT	6	8	15	22	29	36	42	46	49	53	
D&A	6	6	5	5	5	5	5	5	5	4	
CAPEX	-3	-3	-4	-4	-8	-4	-4	-4	-4	-4	
Change in NWC	-17	-12	-9	-10	-8	-15	-14	-5	-6	-7	
FCF	-9	-1	7	13	18	22	29	42	43	47	49
Risk-free rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	4.3%
Market premium	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Releveraged Beta	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0
Cost of equity (CAPM)	12.8%	13.3%	13.6%	13.8%	13.7%	13.6%	13.5%	13.4%	13.2%	12.7%	11.5%
Cost of debt after tax	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	4.9%
Debt (Debt/Equity)	1%	9%	13%	15%	14%	14%	12%	10%	8%	0%	0%
WACC	12.7%	12.8%	12.8%	12.9%	12.9%	12.9%	12.8%	12.8%	12.8%	12.7%	11.5%
DFCF	-8	-1	5	9	10	11	13	16	15	15	
Present value FCF 2023-32	85										
FCF growth rate after '32	2.5%										
Terminal value	545										
Discounted TV	170										
EV	255										
Net debt	19										
Equity value (PLN m)	236										
Shares outstanding* (m)	12										
Value of 1 share (PLN)	20.4										
Target price 12M (PLN)	23.0										
Upside	33%										

Source: Trigon DM, *includes full realisation of MP

#Comparative valuation

Comparative valuation	P/E			EV/EBITDA		
	2023P	2024P	2025P	2023P	2024P	2025P
Dadelo SA	86.4	29.9	19.7	29.3	15.9	12.5
e-commerce						
Etsy Inc	18.2	16.1	14.9	11.8	10.5	9.0
Zalando SE	30.7	22.8	18.5	8.1	6.3	5.4
Wayfair Inc	61.3	29.9	20.4	15.9	12.1	8.8
About You Holding SE	-	-	21.5	35.6	15.1	9.9
Boozt AB	24.4	19.8	16.3	10.8	9.3	8.3
boohoo Group PLC	-	70.6	29.4	7.9	6.3	4.7
ASOS PLC	-	-	-	7.1	4.5	3.2
Answear.com SA	12.4	8.6	-	7.8	6.0	-
Oponeo.pl SA	18.1	13.7	8.9	9.1	8.1	6.1
Bike24 Holding AG	-	-	21.7	19.9	8.8	4.7
Median	21.3	19.8	19.5	10.0	10.2	7.7
<i>DAD premium/discount</i>	306%	51%	1%	194%	56%	63%
Implied value of 1 share (PLN)	10.3	12.3	18.5	8.7	10.7	13.5
weight of the year		50%	50%		50%	50%
weight of a coefficient		50%			50%	
Value of 1 share (PLN)	13.7					

Source: Trigon DM, Bloomberg

Risk factors

Company-specific risk factors:

- (1) lower-than-assumed business scale-up path in the omnichannel model (lower-than-assumed evolution of the average basket so-called AOV, worse-than-assumed platform traffic and lower conversion);
- (2) weaker-than-assumed gross sales margin (stronger-than-assumed focus on market share growth at the expense of margin, competitive pressures, deterioration of store rotation resulting in deeper promotions);
- (3) higher SG&A ratio (greater support of sales with activity on the performance marketing and ATL marketing side, expansion of the network of stationary stores, higher return ratio dragging on external logistics costs);
- (4) longer payback period on investments in stationary shops, as part of the implementation of the omnichannel strategy;
- (5) a worse-than-assumed normalisation path of the cash conversion cycle, mainly due to weaker inventory turnover and consequently a higher increase in working capital requirements.

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**NAGRÓDY
PSIK
2023**

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Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares
 free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company
 min/max 52 wks – lowest/highest share price over the previous 52 weeks
 average turnover – average volume of share trading over the previous month

EBIT – operating profit
 EBITDA – operating profit before 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 a company's operating activities
 FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets
 ROA – rate of return on assets
 ROE – rate of return on equity
 ROIC – rate of return on invested capital
 NWC – net working capital
 cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services
 gross profit margin – ratio of gross profit to net revenue
 EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue
 EBIT margin – ratio of operating profit to net revenue
 net margin – ratio of net profit to net revenue
 EPS – earnings per share
 DPS – dividend per share
 P/E – ratio of market price to earnings per share
 P/BV – ratio of market price to book value per share
 EV/EBITDA – ratio of a company's EV to EBITDA
 EV – sum of a company's current capitalisation and net debt
 DY – dividend yield, ratio of dividends paid to share price
 RFR – risk free rate
 WACC – weighted average cost of capital

Recommendations of the Brokerage House

Issuer – DADELO S.A.
 BUY – we expect the total return on an investment to reach at least 10%
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 Document prepared by: Grzegorz Kujawski

Valuation methods used

SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.
 - Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.
 - Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (NPV)
 - Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.
 - Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)
 - Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.
 - Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)
 - Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.
 - Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)
 - Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.
 - Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.

Target multiple method
 - Advantages: the method can be applied to any company.
 - Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.
 - Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.
 - Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.
 - Advantages: the method can capture the lowest threshold of a company's value.
 - Disadvantages: it may be hard to capture the value of a company's intangibles.

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