4 July 2024

Research

CEE | Equity Research

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Dadelo

Buy

Previous: Buy 23 PLN

Grips the trail with exceptional performance

Target price: 27.5 PLN

(from date: 19.04.2024)

Upside: 26%

The 1H'24 sales performance (revenue +59% y/y) is in line with DAD's key strategic objective from a value-building perspective of scaling the business. We see room to grow revenues to PLN 290m this year (+51% y/y), and we estimate the revenue CAGR in 2023-26 at 38%. In the quarters ahead, we see room to improve shopping conditions and expand market advantages relative to the traditional channel, which is losing market share. After an assumed surge in EBIT margin to 4.9% this year, we expect a temporary decline to 4.4-4.5% in 2025-26 on the back of higher price investments, which will lower gross margin levels, and faster growth of the stationary shop network, whose maturation will weaken positive operating leverage.

We estimate the 5-year CAGR of the bicycle market in Poland at 9%, i.e. much above the forecasted average annual GDP growth in that period. At the same time, DAD's share in the market will grow, in our opinion, from below 2% in 2020 to 6% in 2024 and to 10% in the perspective of the next 3 years. Thus, the company's high growth profile limits the usefulness of assessing the company's fundamentals through the lens of market multiples. Following the revision of our model assumptions, we reiterate our Buy investment rating for DAD shares, raising the 12-month target price of the stock relative to our last recommendation by 20% to PLN 27.5 (upside 26%).

Market consolidation is progressing faster than we assumed so far. We identify two main areas of customer flow on the bicycle, parts and accessories market in Poland. The first is connected with the decreasing importance of the traditional channel, whose offer is very limited in relation to DAD (currently over 50k SKUs with next day delivery and over 10k SKUs in stationary shops) and at the same time less competitive in terms of price. As a consequence, we expect a further decline in the number of stationary shops specialising in bicycle assortment, of which there are currently ~2000 in Poland. The second factor of the flow of customers are changes in the e-commerce segment, where, despite the dynamic growth of the market, we do not observe the emergence of new players managing platforms specialising in this assortment, apart from minor exceptions (e.g. Sportano). DAD's advantage over other specialist e-stores, in addition to the breadth of its offer and logistics, is the free cost of delivery regardless of the value of the order.

The global bicycle market continues to grapple with "cleaning up" excess inventory in an environment of normalising demand across the chain, an improvement in sentiment expected in 2025. From component manufacturers (e.g. Shimano, KMC), sourced bicycle manufacturers to wholesalers and shops (e.g. Bike24), the theme of a further improvement in the industry's stock turnover remains alive, which, due to weaker demand, could translate into a further erosion of the industry's profitability in 2024. At the same time, the guided decline in production by significant bicycle and component manufacturers (LINK to Shimano's guidance for 2024), cost restructuring and focus on deleveraging offer the potential to balance the market after this year. This, in addition to a gradual recovery in demand after a period of significant deceleration due to the earlier boom following the pandemic outbreak in 2020, should support the market environment in 2025. We do not have hard data on the growth of the bicycle market in Poland this year. Based on a survey of the Polish Cycling Association (LINK to the article on Rzeczpospolita.pl) the cycling industry seems to be moderately optimistic. The market growth should be supported by a growing share of electric bicycles, the sales of which in 2023 were estimated in Poland at less than 10% of the 0.9million new bicycles, while on average in the EU at 27% in 2022 and 30% in 2023 (CONEBI, LINK to historical market reports).

Valuation & key risk factors. We base our valuation of Dadelo on a 100% income approach, the DCF method, which implies a 12-month TP of 1 DAD share of PLN 27.5 (Buy, upside 26%). A comparative valuation returns a present value of 1 share of PLN 22.9. However, this approach has very limited utility for a company with a high growth profile. The key specific risk factors for DAD are described on page 9 of the report.

PLNm	2021	2022	2023	2024E	2025E	2026E
Revenues	82.8	117.2	189.1	285.6	384.0	496.0
EBITDA	8.9	6.9	3.6	18.5	23.1	30.0
EBIT	7.1	4.4	0.3	14.0	17.0	22.5
Net profit	6.0	3.9	0.1	11.0	13.8	18.2
EPS (PLN)	0.5	0.3	0.0	0.9	1.2	1.6
P/E (x)	42.3	65.0	-	23.1	18.5	14.0
EV/EBITDA (x)	25.6	36.1	72.1	14.1	11.2	8.3
P/BV (x)	2.5	2.4	2.4	2.2	1.9	1.7
DY (%)	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%

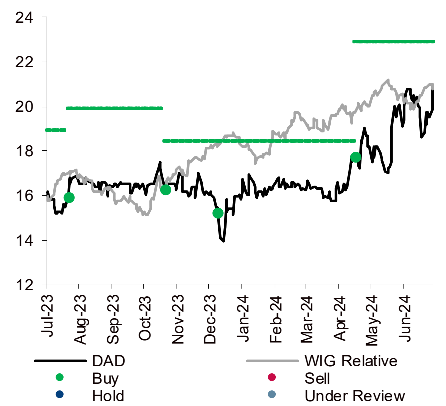
Source: Company, Trigon DM

FACT SHEET

Ticker	**DAD**
Sector	**E-commerce**
Price (PLN)	**21.8**
52W range (PLN)	**13.9 / 21.4**
Shares outstanding (m)	**11.7**
Market Cap (PLNm)	**254**
Free-float	**41%**
3M Avg. Vol. (PLNm)	**0.0**

	1M	3M	1Y
Price performance	**-0.9%**	**6.1%**	**16.6%**

RELATIVE SHARE PRICE VS WIG INDEX



RECOMMENDATIONS

	DATE	TP
Buy	19.04.2024	23.0
Buy	11.12.2023	18.5
Buy	23.10.2023	18.5
Buy	24.07.2023	20.0
Buy	22.05.2023	19.0
Buy	24.04.2023	15.0

SHAREHOLDERS

	Share %
Oponeo.pl	58.8%
TFI Allianz Polska SA	8.5%
TFI Santander SA	5.9%
OFE Generali	5.6%

INVESTOR CALENDAR

2Q'24 report	14.08.2024
3Q'24 report	07.11.2024

ANALYST

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Dadelo

Bloomberg ticker	DAD PW
Recommendation	**Buy**
Target Price (PLN)	**27.5**
Price (PLN)	**21.8**
Upside	**26%**
Shares outstanding (m)	11.7
Market Cap (PLNm)	254
EV (PLNm)	248

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Multiples	2022	2023	2024E	2025E	2026E
P/E (x)	65.0	3,141.8	23.1	18.5	14.0
adj. P/E (x)	65.0	3,141.8	23.1	18.5	14.0
P/BV (x)	2.4	2.4	2.2	1.9	1.7
EV/EBITDA (x)	36.1	72.1	14.1	11.2	8.3
adj. EV/EBITDA (x)	36.1	72.1	14.1	11.2	8.3
EV/Sales (x)	3.3	2.1	1.4	1.0	0.8
FCFF Yield (%)	-4.1%	-2.2%	0.0%	0.2%	3.0%
DY (%)	0.4%	0.0%	0.0%	0.0%	0.0%

KPIs	2022	2023	2024E	2025E	2026E
EPS (PLN)	0.3	0.0	0.9	1.2	1.6
adj. EPS (PLN)	0.3	0.0	0.9	1.2	1.6
DPS (PLN)	0.1	0.0	0.0	0.0	0.0
BVPS (PLN)	9.1	9.1	10.0	11.2	12.8
Shares outstanding (m)	11.67	11.67	11.67	11.67	11.67
Market Cap (mPLN)	254	254	254	254	254
EV (mPLN)	248	260	260	259	248

Income Statement (PLNm)	2022	2023	2024E	2025E	2026E
Revenues	**117**	**189**	**286**	**384**	**496**
COGS	81	137	201	275	356
Gross profit	36	52	85	109	140
EBITDA	**7**	**4**	**18**	**23**	**30**
adj. EBITDA	**7**	**4**	**18**	**23**	**30**
D&A	2	3	4	6	7
EBIT	**4**	**0**	**14**	**17**	**23**
EBT	5	1	14	17	23
Minority interest	0	0	0	0	0
Net profit	**4**	**0**	**11**	**14**	**18**
adj. Net profit	**4**	**0**	**11**	**14**	**18**

Cash Flow (PLNm)	2022	2023	2024E	2025E	2026E
Cash flow from operating activities	**-13**	**0**	**6**	**9**	**21**
Cash flow from investing activities	**-3**	**-8**	**-6**	**-8**	**-9**
CAPEX	-3	-9	-6	-8	-9
Cash flow from financing activities	**-2**	**-2**	**8**	**0**	**-5**
Dividend/Buy-back	-2	0	0	0	0
FCFF	**-16**	**-9**	**0**	**1**	**12**
Net change in cash	-19	-9	8	1	7

Balance Sheet (PLNm)	2022	2023	2024E	2025E	2026E
Assets	**120**	**142**	**167**	**195**	**224**
PPE	9	19	21	23	25
Intangibles	6	6	6	5	4
Goodwill	0	0	0	0	0
Cash and cash equivalents	10	1	9	10	17
Equity and Liabilities	**120**	**142**	**167**	**195**	**224**
Equity	106	106	117	131	149
Minority interests	0	0	0	0	0
Interest-bearing liabilities	4	7	15	15	10
Net debt	-7	6	6	5	-7
Net working capital	84	86	96	108	112

Operational ratios	2022	2023	2024E	2025E	2026E
Sales growth y/y (%)	42%	61%	51%	34%	29%
EPS adj. growth y/y (%)	-35%	-98%	13476%	25%	32%
Gross margin (%)	30.5%	27.4%	29.6%	28.3%	28.2%
EBITDA adj. margin (%)	5.9%	1.9%	6.5%	6.0%	6.0%
EBIT margin (%)	3.8%	0.2%	4.9%	4.4%	4.5%
Net profit adj. margin (%)	3.3%	0.0%	3.8%	3.6%	3.7%
ROE (%)	3.7%	0.1%	9.4%	10.5%	12.2%
ROA (%)	3.3%	0.1%	6.6%	7.1%	8.1%
CAPEX/Sales (%)	2.4%	4.8%	2.0%	2.0%	1.8%
CAPEX/D&A (x)	1.2	2.8	1.3	1.3	1.2
Net debt/Equity (x)	-0.1	0.1	0.0	0.0	0.0
Net debt/EBITDA (x)	-0.9	1.6	0.3	0.2	-0.2
Cash conversion cycle (days)	354	221	168	138	112
Inventory turnover (days)	351	274	214	189	169
Receivables turnover (days)	46	22	17	13	9
Payables turnover (days)	44	76	63	65	66

Source: Company, Trigon DM

Investment summary

Market consolidation is progressing faster than we assumed so far. We identify two main areas of customer flow on the bicycle, parts and accessories market in Poland. The first is connected with the decreasing importance of the traditional channel, whose offer is very limited in relation to DAD (currently over 50k SKUs with next day delivery and over 10k SKUs in stationary shops) and at the same time less competitive in terms of price. As a consequence, we expect a further decrease in the number of stationary shops specialising in the bicycle assortment, of which there are currently ~2000 in Poland. The second factor of customer flow is the changes in the e-commerce segment, where, despite the dynamic growth of the market, we do not observe the appearance of new players managing platforms specialising in this assortment apart from minor exceptions (e.g. Sportano). At the same time, we identify business closures in the last year (e.g. Bikester, which was one of the significant competitors at the time of DAD's IPO). DAD's advantage vis-à-vis specialist e-stores, in addition to the breadth of the offer and logistics, is the free delivery cost regardless of the order value. The lack of an order value threshold for free delivery of the so-called MOV is also an advantage vis-à-vis ecommerce platforms (at allegro.pl MOV excluding courier deliveries is PLN 45).

DAD's key strategic objective remains dynamic market share growth. The 1H'24 sales performance (revenue +59% y/y) is in line with DAD's key strategic objective from a value-building perspective of scaling the business. This year, we see room to grow revenues to PLN 290m (+51% y/y), and we estimate the revenue CAGR in 2023-26 at 38%. In the quarters ahead, we see room for improved buying conditions, so further expansion of the portfolio should not materially increase working capital requirements. At the same time, high sales momentum should further improve inventory turnover. After an assumed jump in EBIT profitability to 4.9% this year, we expect a decline to 4.4-4.5% in 2025-26 due to higher price investments, which will weaken gross margin levels, and the development of the stationary shop network, whose maturation will weaken positive operating leverage.

Forecasts' changes vs. last recommendation

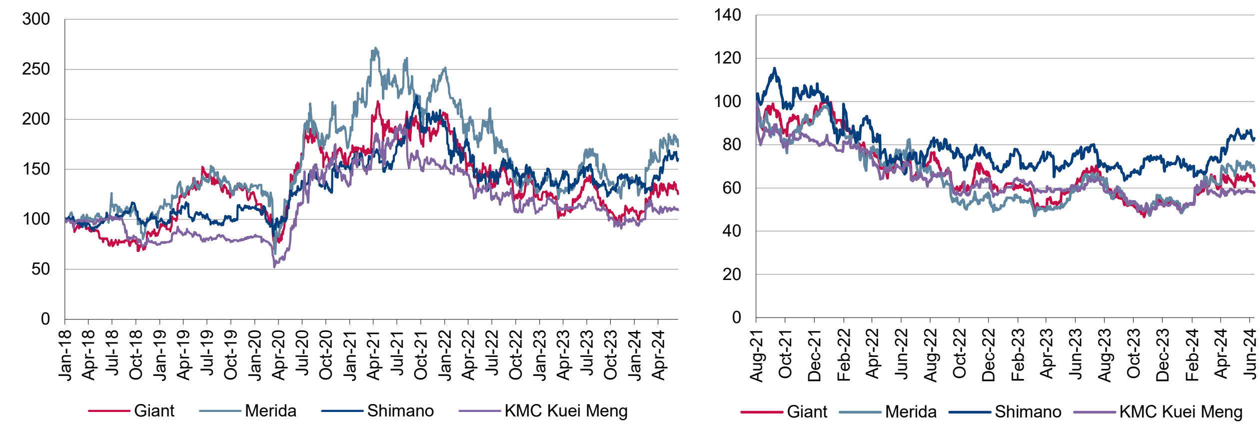
	2024E			2025E			2026E		
PLNm	Curr.	Prev.	Chg.	Curr.	Prev.	Chg.	Curr.	Prev.	Chg.
Revenues	285.6	267.9	7%	384.0	365.5	5%	496.0	484.6	2%
EBITDA	18.5	13.0	42%	23.1	16.4	41%	30.0	23.4	28%
EBIT	14.0	6.9	102%	17.0	10.4	63%	22.5	18.1	24%
Net profit	11.0	5.6	95%	13.8	8.4	63%	18.2	14.7	24%

Source: Company, Trigon DM

Summary of the conference call with CEO following Q1 results. **(1) Trading update**: (**a**) The company is positively surprised with sales growth also in Q2, assumes maintaining higher y/y profitability for the full year; **(b)** Challenging market environment and high inventory levels at European wholesalers have improved availability of bikes and parts, which supports collection growth (currently over 50k SKUs) and margin, which in the case of private labels is also positively impacted by the strengthening of the PLN; **(c)** In parallel, the company is improving terms of trade with suppliers, which limits the use of its credit line despite growing purchases. **(2) Outlook 2024**: **(a)** Revenues in 2024 may approach PLN 300m, net result exceed PLN 10m, CEO upholds average annual sales growth of over 35% in the medium term; **(b)** Further development of stationary stores is planned, up to 8-10 in the medium term, the shop in Warsaw should reach profitability this year (in 2023 it generated ~PLN 1m EBITDA loss), and the newly opened shop in Wrocław should reach breakeven within 12 months of operation.

The global bicycle market continues to grapple with "cleaning up" excess inventory in an environment of normalising demand across the chain, an improvement in sentiment expected in 2025. From component manufacturers (e.g. Shimano, KMC), sourced bicycle manufacturers to wholesalers and shops (e.g. Bike24), the theme of a further improvement in the industry's stock turnover remains alive, which, due to weaker demand, could translate into a further erosion of the industry's profitability in 2024. At the same time, the guided decline in production by significant bicycle and component manufacturers (LINK to Shimano's guidance for 2024), cost restructuring and focus on deleveraging offer the potential to balance the market after this year. This, in addition to a gradual recovery in demand after a period of significant deceleration due to the earlier boom following the pandemic outbreak in 2020, should support the market environment in 2025. We do not have hard data on the growth of the bicycle market in Poland this year. Based on a survey of the Polish Cycling Association (LINK to the article on rzeczpospolita.pl) the cycling industry seems to be moderately optimistic. The market growth should be supported by a growing share of electric bicycles, the sales of which in 2023 were estimated in Poland at less than 10% of the 0.9million new bicycles, while on average in the EU at 27% in 2022 and 30% in 2023 (CONEBI, LINK to historical market reports).

Selected bike and bike components producers stock performance since 2018 (left) and pick in 2021 (right)



Source: Bloomberg, Trigon DM

High sales momentum maintained in Q2 and profitability expected to improve on Q1 pattern. According to the sales report, in Q2 the company generated revenues of PLN 104m (+47% y/y). Q2 is seasonally the best period in terms of both sales and gross margin levels. Additionally, given DAD's growing negotiating position with suppliers and the strengthening of the zloty in Q2, we expect gross margin to improve y/y (gross margin 30.3%, +1.7pp y/y). Profitability on lower lines will be supported by operating leverage, in our view (2Q SG&A -2.7pp y/y). As a result, we expect Q2 EBIT of PLN 9m (EBIT margin 8.5%, +4.4bps y/y). High sales momentum and improving trading conditions should support a further shortening of the cash conversion cycle. The Group should improve its pre-IFRS 16 net cash position q/q to PLN 20-25m by end-June.

2Q24 Forecasts

PLNm	2Q23	3Q23	4Q23	1Q24	2Q24E	Y/Y	Q/Q
Revenues	70.4	57.8	32.1	54.4	103.7	47%	91%
EBITDA	3.9	2.1	-2.1	4.0	9.9	157%	148%
EBIT	2.9	1.1	-2.7	3.0	8.8	208%	197%
Net profit	2.7	0.8	-2.4	1.9	7.2	169%	272%
Gross margin	28.6%	27.4%	26.0%	30.1%	30.3%	1.7p.p.	0.2p.p.
SG&A ratio	24.4%	25.7%	33.7%	24.3%	21.8%	-2.7p.p.	-2.6p.p.
EBITDA margin	5.5%	3.7%	-6.5%	7.3%	9.6%	4.1p.p.	2.2p.p.
EBIT margin	4.1%	1.9%	-8.4%	5.4%	8.5%	4.4p.p.	3.0p.p.
Net profit margin	3.8%	1.4%	-7.4%	3.6%	6.9%	3.1p.p.	3.4p.p.
P/E12M trailing	72.7	101.7	-	83.8	33.6		
EV/EBITDA 12M trailing	34.7	39.8	71.6	33.1	18.6		

Source: Company, Trigon DM

Model assumptions

Value of the bicycle market. In Poland ~900 thousand bikes are sold annually, in the structure of sales the share of e-bikes is growing, although it does not exceed 10%, but due to significantly higher prices it supports the growth of the market value. Assuming the average net value in retail prices of conventional and e-bikes at the level of 2k PLN 2k and PLN 5k PLN 5 thousand, we estimate the value of the new bicycle market in Poland at over PLN 2.0 billion. Taking into account, however, the sales of bicycle parts, accessories, clothing and footwear, we estimate the value of the broadly defined bicycle market in Poland at the level of over PLN 4 billion. The estimation of the market value is based on our expert assumptions and on the basis of industry press and interviews with industry representatives. We estimate the 5-year CAGR of the bicycle market in Poland at ~9%. At the same time the share of DAD will grow, in our opinion, from below 2% in 2020 to 6% in 2024 and to about 10% in the perspective of the next 3 years.

DAD: Forecast for the Bicycle Industry

PLN m	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E
Estimated value of the bicycle market	**3,313**	**3,657**	**4,036**	**4,269**	**4,512**	**4,874**	**5,246**	**5,623**	**6,003**	**6,373**
y/y		10.4%	10.4%	5.8%	5.7%	8.0%	7.6%	7.2%	6.8%	6.2%
DAD revenues	**65**	**83**	**117**	**189**	**286**	**384**	**496**	**627**	**777**	**933**
DAD's implied market share	**1.9%**	**2.3%**	**2.9%**	**4.4%**	**6.3%**	**7.9%**	**9.5%**	**11.1%**	**12.9%**	**14.6%**
Bicycles	**1,713**	**1,865**	**2,029**	**2,062**	**2,017**	**2,105**	**2,200**	**2,302**	**2,417**	**2,536**
y/y		8.9%	8.8%	1.6%	-2.1%	4.3%	4.5%	4.7%	5.0%	4.9%
Bicycles (ths. of units)	900	925	949	912	897	892	889	886	891	897
y/y		2.7%	2.7%	-4.0%	-1.6%	-0.5%	-0.4%	-0.3%	0.6%	0.6%
Average price of a bicycle (net, excl. VAT)	1,903	2,017	2,137	2,262	2,249	2,359	2,476	2,600	2,713	2,829
y/y		6.0%	5.9%	5.8%	-0.6%	4.9%	5.0%	5.0%	4.3%	4.3%
Conventional bicycles	**1488**	**1593**	**1706**	**1686**	**1602**	**1618**	**1633**	**1648**	**1672**	**1697**
y/y		7.1%	7.1%	-1.2%	-4.9%	0.9%	0.9%	0.9%	1.5%	1.5%
Conventional bicycles (ths. of units)	850	867	884	840	815	799	783	767	759	752
y/y		2.0%	2.0%	-5.0%	-3.0%	-2.0%	-2.0%	-2.0%	-1.0%	-1.0%
Average price of a bicycle (net, excl. VAT)	1750	1,838	1,929	2,007	1,966	2,025	2,086	2,149	2,202	2,258
y/y		5.0%	5.0%	4.0%	-2.0%	3.0%	3.0%	3.0%	2.5%	2.5%
E-bikes	**225**	**272**	**322**	**376**	**415**	**487**	**567**	**654**	**744**	**839**
y/y		20.8%	18.7%	16.6%	10.4%	17.4%	16.4%	15.4%	13.8%	12.8%
E-bikes (ths. of units)	50	58	65	71	82	94	106	119	132	145
y/y		15.0%	13.0%	10.0%	15.0%	14.0%	13.0%	12.0%	11.0%	10.0%
Share of e-bikes in purchases	6%	6%	7%	8%	9%	11%	12%	13%	15%	16%
Average price of E-bikes (net, excl. VAT)	4500	4,725	4,961	5,259	5,049	5,200	5,356	5,517	5,655	5,796
y/y		5.0%	5.0%	6.0%	-4.0%	3.0%	3.0%	3.0%	2.5%	2.5%
Parts, accessories, clothing	**1,600**	**1,792**	**2,007**	**2,208**	**2,495**	**2,769**	**3,046**	**3,320**	**3,586**	**3,837**
y/y		12.0%	12.0%	10.0%	13.0%	11.0%	10.0%	9.0%	8.0%	7.0%

Source: CONEBI (https://www.conebi.eu), Trigon

DAD: Model assumptions

mln PLN	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Revenues	**64.5**	**82.8**	**117.2**	**189.1**	**285.6**	**384.0**	**496.0**	**626.9**
y/y	93%	28%	42%	61%	51%	34%	29%	26%
Online	62.4	77.8	106.7	168.0	254.2	341.8	431.5	539.1
y/y	90%	25%	37%	58%	51%	34%	26%	25%
% of revenues	97%	94%	91%	89%	89%	89%	87%	86%
Offline	0.0	0.0	0.0	20.5	37.0	52.7	66.9	82.3
Y/Y	-	-	-	-	80%	42%	27%	23%
% of revenues	3%	6%	9%	11%	11%	11%	13%	14%
Gross margin	**29.4%**	**32.4%**	**30.5%**	**27.4%**	**29.6%**	**28.3%**	**28.2%**	**28.1%**
y/y	4.5p.p.	3.0p.p.	-1.9p.p.	-3.0p.p.	2.2p.p.	-1.3p.p.	-0.1p.p.	-0.1p.p.
SG&A costs	**12.7**	**19.5**	**31.2**	**51.4**	**70.4**	**91.6**	**116.0**	**144.3**
SG&A cost	19.6%	23.6%	26.6%	27.2%	24.7%	23.8%	23.4%	23.0%
EBITDA	**7.1**	**8.9**	**6.9**	**3.6**	**18.5**	**23.1**	**30.0**	**39.0**
y/y	561%	26%	-23%	-47%	412%	25%	29%	30%
EBITDA margin	**11.0%**	**10.8%**	**5.9%**	**1.9%**	**6.5%**	**6.0%**	**6.0%**	**6.2%**
y/y	7.8p.p.	-0.2p.p.	-4.9p.p.	-3.9p.p.	4.6p.p.	-0.4p.p.	0.0p.p.	0.2p.p.
EBIT	**6.3**	**7.1**	**4.4**	**0.3**	**14.0**	**17.0**	**22.5**	**30.2**
y/y	2181%	14%	-38%	-93%	4341%	21%	32%	34%
EBIT margin	**9.7%**	**8.6%**	**3.8%**	**0.2%**	**4.9%**	**4.4%**	**4.5%**	**4.8%**
y/y	8.9p.p.	-1.1p.p.	-4.8p.p.	-3.6p.p.	4.7p.p.	-0.5p.p.	0.1p.p.	0.3p.p.
OCF	-1.8	-27.7	-13.3	0.3	5.5	8.6	20.8	21.8
CAPEX	-1.1	-4.4	-2.8	-9.1	-5.7	-7.8	-8.9	-9.4
FCF	**-2.9**	**-32.1**	**-16.1**	**-8.8**	**-0.2**	**0.8**	**12.0**	**12.4**
Inventory turnover (days)	143	335	351	274	214	189	169	154
Receivables turnover (days)	4	70	46	22	20	15	10	7
Payables turnover (days)	65	20	44	76	75	75	75	70
Cash conversion cycle (days)	**82**	**386**	**354**	**221**	**159**	**129**	**104**	**91**

Source: Company data, Trigon

Valuation:

Valuation summary. Our target price for Dadelo shares is based on a 100% income approach, the DCF method, which implies a 12-month TP value of PLN 27.5 per share (Buy, upside 26%).

DCF

Main technical assumptions of the valuation:

(1) a risk-free rate of 5.5% (4.5% in the residual value calculation);

(2) market premium of 7.0%;

(3) Unleveraged beta factor of 1.0x;

(4) Terminal growth rate of 2.5%;

(5) Effective tax rate of 19%;

Net debt (PLN m)	2023
Interest-bearing liabilities	0
Cash	1
Net debt	**-1**

DCF (PLN m)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	>2033E
EBIT	**14**	**17**	**23**	**30**	**38**	**47**	**53**	**58**	**62**	**66**	
EBIT margin (%)	**4.9%**	**4.4%**	**4.5%**	**4.8%**	**4.9%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	
NOPLAT	**11**	**14**	**18**	**24**	**31**	**38**	**43**	**47**	**50**	**53**	
D&A	5	6	7	9	10	10	11	11	12	13	
CAPEX	-6	-8	-9	-9	-10	-10	-11	-11	-12	-12	
Change in NWC	-10	-11	-5	-12	-10	-16	-7	-9	-11	-11	
FCF	**0**	**1**	**12**	**12**	**21**	**22**	**36**	**38**	**39**	**42**	**47**
Risk-free rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	4.5%
Market premium	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Releveraged Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity (CAPM)	12.3%	12.3%	12.4%	12.4%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	11.3%
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%	2%	4%	3%	2%	2%	2%	1%	1%	1%	1%
WACC	**12.2%**	**12.2%**	**12.3%**	**12.3%**	**12.2%**	**12.2%**	**12.2%**	**12.2%**	**12.2%**	**12.2%**	**11.2%**
DFCF	**0**	**1**	**9**	**8**	**12**	**11**	**17**	**16**	**15**	**14**	

Present value FCF 2024-33	104
FCF growth rate after '33	2.5%
Terminal value	539
Discounted TV	180
EV	**284**
Net debt	-1
Equity value (PLN m)	**285**
Shares outstanding* (m)	12
Value of 1 share (PLN)	**24.4**
Target price 12M (PLN)	**27.5**
Upside	*26%*

		WACC change (in p.p.)					
	0.0	-1.0%	-0.5%	**0.0%**	0.5%	1.0%
	1.5%	30.6	28.5	26.5	24.8	23.3
	2.0%	31.3	29.0	27.0	25.2	23.6
g	**2.5%**	32.1	29.6	27.5	25.6	23.9
	3.0%	32.9	30.4	28.1	26.1	24.3
	3.5%	33.9	31.1	28.7	26.6	24.7

*Source: Trigon DM, *includes ESOP dilution*

Comparative valuation

DAD: Peer group

	P/E			EV/EBIT			EV/EBITDA			EBIT margin			CAGR	CAGR EBITDA
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	Revenue '24-26	'24-26
Dadelo SA	**22.9**	**18.3**	**13.8**	**18.4**	**15.2**	**10.9**	**13.8**	**11.0**	**8.1**	**4.9%**	**4.4%**	**4.5%**	**32%**	**27%**
E-commerce discretionary														
Etsy Inc	15.7	14.3	13.7	21.6	17.6	14.4	10.4	9.4	8.1	13.3%	14.9%	16.1%	6%	8%
Zalando SE	27.9	19.8	15.6	13.0	9.6	7.3	7.1	5.7	4.6	3.7%	4.6%	5.3%	6%	18%
Wayfair Inc	45.7	24.1	16.4	47.3	26.0	14.7	13.3	10.2	7.3	1.4%	2.2%	3.2%	7%	24%
Boozt AB	24.2	19.5	16.0	16.7	13.5	11.1	11.0	9.3	7.9	5.2%	5.8%	6.4%	9%	16%
About You Holding SE	-	-	-	-	-	44.3	32.5	13.5	8.8	-2.8%	-1.3%	0.7%	8%	93%
boohoo Group PLC	-	-	116.4	-	-	101.8	8.2	6.6	5.6	-1.1%	0.0%	0.3%	6%	22%
ASOS PLC	-	-	171.7	-	79.6	22.4	11.5	5.0	4.0	-2.6%	0.3%	1.0%	4%	67%
Pierce Group AB	14.8	11.9	10.2	23.5	13.7	10.0	9.1	6.8	5.4	2.4%	3.7%	4.3%	5%	18%
Answear.com SA	23.5	12.5	8.8	15.3	11.2	8.6	10.4	7.9	6.4	2.8%	3.4%	3.9%	16%	30%
Bike24 Holding AG	-	-	20.4	-	44.6	7.6	30.7	8.5	4.6	-2.5%	0.8%	4.2%	9%	158%
Median	**23.8**	**16.9**	**16.0**	**19.2**	**15.6**	**12.8**	**10.7**	**9.9**	**7.6**	**1.9%**	**2.8%**	**4.0%**	**7%**	**23%**
DAD premium/discount	*-4%*	*8%*	*-14%*	*-4%*	*-3%*	*-14%*	*29%*	*11%*	*7%*					
Implied value of 1 share (PLN)	**22.4**	**19.9**	**25.0**	**22.5**	**22.3**	**25.2**	**16.5**	**19.2**	**20.1**					
weight of the year	33%	33%	33%	33%	33%	33%								
weight of a coefficient		50%			50%									
Value of 1 share (PLN)	**22.9**													

Source: Trigon DM, Bloomberg

DAD: Comparison of multiples at the current price and at the target price

	Current price			Target price		
	2024E	2025E	2026E	2024E	2025E	2026E
P/E (x)	23.1	18.5	14.0	29.2	23.3	17.6
EV/EBITDA (x)	14.1	11.2	8.3	17.7	14.1	10.5
P/BV (x)	2.2	1.9	1.7	2.7	2.5	2.2
DY (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Trigon DM

Risk factors

Company-specific risk factors:

(1) lower-than-assumed growth path of business scale in the omnichannel model (lower-than-assumed evolution of the average basket of so-called AOV, worse-than-assumed platform traffic and lower conversion);

(2) weaker-than-assumed gross margin on sales (greater focus on market share growth at the expense of margin than we assume, competitive pressures, deterioration in 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 stationary showroom network, higher return ratio dragging down external logistics costs);

(4) a longer payback period on investments in stationary shops, as part of the implementation of an omnichannel strategy;

(5) Worse-than-assumed normalisation path of the cash conversion cycle, mainly due to weaker inventory turnover and weaker improvement in supplier terms of trade, resulting in a higher increase in working capital requirements.

Income statement (PLNm)

	2021	2022	2023	2024E	2025E	2026E
Revenues	**83**	**117**	**189**	**286**	**384**	**496**
COGS	56	81	137	201	275	356
Gross profit	**27**	**36**	**52**	**85**	**109**	**140**
Selling costs	16	27	46	64	84	107
G&A costs	3	4	5	6	8	9
Profit on sales	7	5	1	14	17	24
EBITDA	**9**	**7**	**4**	**18**	**23**	**30**
adj. EBITDA	**9**	**7**	**4**	**18**	**23**	**30**
D&A	2	2	3	4	6	7
EBIT	**7**	**4**	**0**	**14**	**17**	**23**
adj. EBIT	**7**	**4**	**0**	**14**	**17**	**23**
Net financial costs	0	0	0	0	0	0
EBT	**8**	**5**	**1**	**14**	**17**	**23**
Income tax	1	1	1	3	3	4
Minority interest	0	0	0	**0**	**0**	**0**
Net profit	**6**	**4**	**0**	**11**	**14**	**18**
adj. Net profit	6	4	0	11	14	18
Gross margin (%)	32.4%	30.5%	27.4%	29.6%	28.3%	28.2%
adj. EBITDA margin (%)	10.8%	5.9%	1.9%	6.5%	6.0%	6.0%
EBIT margin (%)	8.6%	3.8%	0.2%	4.9%	4.4%	4.5%
adj. Net profit margin (%)	7.3%	3.3%	0.0%	3.8%	3.6%	3.7%
change in revenue y/y	28.4%	41.5%	61.3%	51.1%	34.4%	29.2%
change in gross profit y/y	41.7%	33.1%	45.2%	63.2%	28.4%	28.5%
change in adj. EBITDA y/y	25.5%	-23.2%	-47.4%	411.6%	25.3%	29.4%
change in EBIT y/y	14.0%	-37.9%	-92.9%	4340.6%	21.2%	32.3%
change in adj. net profit y/y	18.6%	-35.0%	-97.9%	13476.4%	25.3%	32.3%

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E
Revenues	**29**	**70**	**58**	**32**	**54**	**104**
COGS	21	50	42	24	38	72
Gross profit	**8**	**20**	**16**	**8**	**16**	**31**
Selling costs	7	16	14	9	12	21
G&A costs	1	1	1	1	1	2
Profit on sales	-1	3	1	-2	3	9
Other operating items, net	0	0	0	0	0	0
EBITDA	**0**	**4**	**2**	**-2**	**4**	**10**
adj. EBITDA	0	4	2	-2	4	10
D&A	1	1	1	1	1	1
EBIT	**-1**	**3**	**1**	**-3**	**3**	**9**
Net financial costs	0	0	0	0	0	0
EBT	**-1**	**3**	**1**	**-2**	**2**	**9**
Income tax	0	0	0	0	1	2
Minority interest	0	0	0	0	0	0
Net profit	**-1**	**3**	**1**	**-2**	**2**	**7**
adj. Net profit	-1	3	1	-2	2	7
Gross margin (%)	26.3%	28.6%	27.4%	26.0%	30.1%	30.3%
adj. EBITDA margin (%)	-	5.5%	3.7%	-	7.3%	9.9%
EBIT margin (%)	-	4.1%	1.9%	-	5.4%	8.8%
adj. Net profit margin (%)	-	3.8%	1.4%	-	3.6%	7.2%
change in revenue y/y	48.7%	69.7%	69.6%	44.1%	88.5%	47.4%
change in gross profit y/y	31.3%	59.1%	54.6%	18.2%	115.4%	56.3%
change in adj. EBITDA y/y	-	26.9%	-20.7%	-	-	166.8%
change in EBIT y/y	-	16.6%	-47.4%	-	-	220.2%
change in adj. net profit y/y	-	31.4%	-55.5%	-	-	179.6%

Source: Company, Trigon DM

Balance Sheet (PLNm)

	2021	2022	2023	2024E	2025E	2026E
Non-current Assets	**14**	**16**	**25**	**27**	**28**	**30**
PPE	6	9	19	21	23	25
Intangibles	7	6	6	6	5	4
Goodwill	0	0	0	0	0	0
Other	0	0	0	0	0	0
Current assets	**96**	**104**	**116**	**141**	**167**	**195**
Inventories	51	78	103	118	143	165
Receivables	16	15	12	13	14	12
Cash and cash equivalents	29	10	1	9	10	17
Other	0	0	0	0	0	0
Assets	**110**	**120**	**142**	**167**	**195**	**224**
Equity	**104**	**106**	**106**	**117**	**131**	**149**
Issued capital	2	2	2	2	2	2
Net profit	6	4	0	11	14	18
Non-current Liabilities	**2**	**3**	**5**	**5**	**5**	**3**
Long-term borrowings	2	3	5	5	5	3
Current Liabilities	**4**	**11**	**31**	**46**	**60**	**73**
Short-term borrowings	1	1	2	11	11	8
Payables	3	10	28	35	49	65
Equity and Liabilities	**110**	**120**	**142**	**167**	**195**	**224**
Net working capital	64	84	86	96	108	112
Net debt	-26	-7	6	6	5	-7
Net debt/EBITDA (x)	-2.9	-0.9	1.6	0.3	0.2	-0.2
Net debt/Equity (x)	-0.3	-0.1	0.1	0.0	0.0	0.0
ROE (%)	5.8%	3.7%	0.1%	9.4%	10.5%	12.2%
ROA (%)	5.5%	3.3%	0.1%	6.6%	7.1%	8.1%
Cash conversion cycle (days)	386	354	221	168	138	112
Inventory turnover (days)	335	351	274	214	189	169
Receivables turnover (days)	70	46	22	17	13	9
Payables turnover (days)	20	44	76	63	65	66

Cash Flows (PLNm)

	2021	2022	2023	2024E	2025E	2026E
Cash flow from operating activities	**-28**	**-13**	**0**	**6**	**9**	**21**
Pre-tax profit	6	4	4	11	14	18
D&A	2	2	3	5	6	7
Changes in working capital	-36	-20	-4	-10	-11	-5
Change in inventories	-36	-27	-25	-15	-25	-23
Change in receivables	0	1	3	-1	-1	2
Change in payables	0	6	17	6	14	16
Cash flow from investing activities	**-17**	**-3**	**-8**	**-6**	**-8**	**-9**
CAPEX	-4	-3	-9	-6	-8	-9
Cash flow from financing activities	**72**	**-2**	**-2**	**8**	**0**	**-5**
Net borrowings	-5	0	0	8	0	-5
Share issuance	79	0	0	0	0	0
Dividend/Buy-back	0	-2	0	0	0	0
Net change in cash	28	-19	-9	8	1	7
Cash opening balance	1	29	10	1	9	10
Cash closing balance	29	10	1	9	10	17

Source: Company, Trigon DM

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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 15%
HOLD – we expect the price of an investment to be largely stable, with potential upside of up to 15%
SELL – we expect negative total return on an investment of more than -0%

Recommendations of the Brokerage House are valid for a period of 12 months from their issuance or until the price target of the financial instrument is achieved.
The Brokerage House may update its recommendations at any time, depending on the prevailing market conditions or the judgement of persons who produced a given recommendation.
Short-term recommendations (particularly those designated as speculative) may be valid for shorter periods of time. Short-term recommendations designated as speculative involve a higher investment risk.
Document prepared by: Grzegorz Kujawski

Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.
- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.
- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn’t consider market sentiment or short-term fluctuations.
The comparable valuation method values a company by comparing it to similar publicly traded companies.
- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.
- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.
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 (rNPV)
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.

Basis of the valuation or methodology and the underlying assumptions used to evaluate the financial instrument or the issuer, or to set a price target for the financial instrument: DCF.
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