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Key data

Target price [PLN]	5,3
DCF Valuation [PLN]	5,3
Comparative Valuation [PLN]	5,1
Market price [PLN]	2,8
Growth/decrease potential [%]	89,3%
Market cap [mIn PLN]	85,0
Free float [mIn PLN]	68,0%
Industry	retail sale of clothing
WSE code	MON
Bloomberg code	MON PW

Analysts

Tomasz Czarnecki

Tel.: +48 (22) 53 95 542

Łukasz Bryl

Tel.: 785 500 874

Company profile

The company focuses on creating own comprehensive collections, aimed mainly at women over 30, in the attractive segment of brand clothing. Production is outsourced, the collections are sold through a network of own showrooms and online.

Source: www.gpw.pl

Shareholders:

[%]

Misztal Mirosław	26,2
NN OFE	5,7

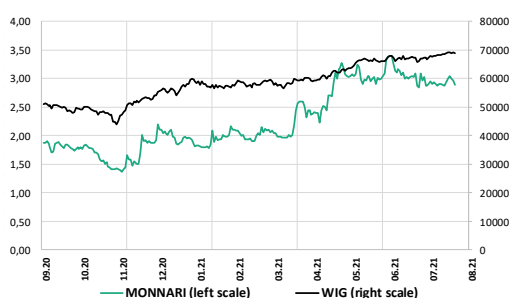
Growth factors

Strong consumer demand
Competitive offer
Diversified supplies
New distribution channels

Risk factors

Lockdown
Supply chain disruptions
Transport cost increase
Exchange rate fluctuations

Stock performance



Source: DM Banku BPS SA calculations

Monnari Trade SA

Analytical report

Open economy and online sales as chances for gradual recovery after the pandemic

After a drop in revenues in Q1 2021 by 26.9% y/y and a net loss of PLN 6.27 million, caused by the COVID-19 pandemic and closed shopping centers above 2,000 sq m, Monnari is slowly rebuilding its revenues in Q2 (increase by 23% y/y). In quarterly terms, revenues in 2021 increased by 13%. We forecast that in the Q3 and Q4 2021, the Company will continue the upward sales trend due to **open shopping malls, online sales** and traditionally **high turnover in the fall and winter season**.

Among the **greatest threats** we identify the epidemiological situation in the country and possible, partial lockdown, negatively impacting sales through traditional distribution channels, which are the basis of the Company's revenues. We are also concerned about potential disruptions in supply chains from Asian countries, which is accompanied by rising costs of transport by container ships.

Among the **opportunities** we recognize the development of the franchise network and online sales, which may partially mitigate the effects of a possible lockdown. Strong consumer demand is also favorable, as the Company provides wide and attractive market offer.

We **estimate the value of Monnari Trade SA at PLN 5,3**, by employing both DCF and comparative method, assigning equal weights to both methods. The target price is a premium of 90,6% compared to the current price (2,8 PLN).

PLN thd	2020	2021E	2022E	2023E	2024E	2025E
Sales	209 408	230 084	249 259	278 738	311 743	348 697
EBITDA	-9 098	8 893	21 320	23 690	26 343	31 169
<i>EBITDA margin</i>	-4,3%	3,9%	8,6%	8,5%	8,5%	8,9%
EBIT	-28 129	-1 810	9 073	9 718	10 439	11 247
Net income	-30 439	-4 637	4 774	4 981	5 220	5 493
Equity	190 951	180 609	190 157	200 120	210 560	221 546
Debt	-6 204	40 593	60 486	75 321	92 211	121 291
P/E	-2,8	-18,3	17,8	17,1	16,3	15,5
P/BV	0,4	0,5	0,4	0,4	0,4	0,4
EV/EBITDA	-10,0	5,0	1,1	0,4	-0,3	-1,2
DY	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Source: DM Banku BPS SA, E - estimates

Basic definitions

CAPEX (capital expenditures) - investment expenditures on product development, system implementation (including intangible assets) or tangibles assets in the part in which the capital is intended to maintain the company's current ability to generate income.

DCF (discounted cash flows) - discounted cash flows; all future cash flows are estimated and discounted in order to determine their present value. The value of the discount rate used corresponds to the cost of capital and includes an assessment of the risk related to future cash flows.

DFCF - Discounted FCF (Free Cash Flows to Firm).

EBIT (earnings before interest and taxes) - operating income i.e. the income before deduction of taxes and interest.

EBITDA (earnings before interest, taxes, depreciation and amortization) - the company's operating profit before deducting interest on interest-bearing liabilities (loans, bonds), taxes, amortization and depreciation of tangible and intangible assets; here EBITDA = operating income + amortization of tangible fixed assets + depreciation of intangible assets.

EV (Enterprise Value) - total enterprise value; here EV = current stock market capitalization + net debt.

EV / EBITDA - the ratio is calculated by dividing the present value of the enterprise (EV) by the value of EBITDA.

FCFF (Free Cash Flow to Firm) - free cash flows for owners of equity capital and creditors, which can be defined as flows resulting from the company's operating and investment activities, after all financial expectations of capital donors, i.e. all parties financing the company, have been settled.

WSE - Warsaw Stock Exchange.

NOPLAT - net operating result less adjusted taxes; here NOPLAT = EBIT * (1 - tax rate).

P / BV (price / book value) - the ratio is calculated by dividing the current capitalization of a listed company by the book value of its equity, which is provided in the company's balance sheet.

P / E (price earnings ratio) - stock exchange ratio. It is calculated by dividing the market price of one share by the net profit per share.

PV TV - Present Value, ie the residual value (TV) discounted at the present moment.

CR - current report.

SB - Supervisory Board.

TV (Terminal Value) - residual value; enterprise value after the forecast period; here estimated with the help of the Gordon model.

WACC - weighted average cost of capital; financial indicator informing about the average relative cost of capital engaged in financing the enterprise.

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List of recommendations issued within the last 12 months as part of the Analytical Coverage Support Program 3.0.

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
NTT SYSTEM	N/A	8,30	5,98	Initial report	2021-09-01	Łukasz Bryl, Tomasz Czarniecki
UNIBEP	N/A	17,00	12,90	Initial report	2021-09-07	Artur Wizner
MONNARI TRADE	N/A	5,30	2,80	Initial report	2021-09-07	Łukasz Bryl, Tomasz Czarniecki