

Monnari Trade SA

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Key data

Target price [PLN]	8,6
DCF Valuation [PLN]	5,8
Comparative Valuation [PLN]	14,1
Market price [PLN]	4,8
Growth/decrease potential [%]	79,0%
Market cap [mln PLN]	147,1
Free float [%]	61,3%
Industry	clothes retail
WSE code	MON
Bloomberg code	MON PW

Analyst

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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

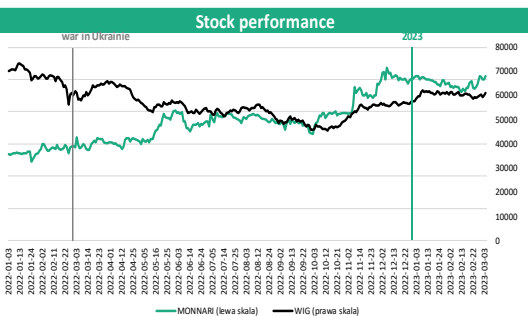
Misztal Mirosław	33,1
MONNARI TRADE S.A.	15,04
Fair Sp. z o.o.	8,29

Growth factors

Sales network growth
Competitive offer
High cash amount

Risk factors

Risk of recession
Costs pressure



Source: DM Banku BPS SA calculations

Analytical report

Monnari Trade's results for 2022 are very good. After three quarters, the Company generated revenues of PLN 194.9 million, which means an increase of 31.8% y/y. Preliminary estimates for the fourth quarter suggest that in 2022 the Company increased total sales by 24.5% (PLN 288.4 million compared to PLN 231.6 million in 2021). At the level of the gross margin on sales, an improvement is also visible - the margin increased by 2.6 p.p. y/y to 57.3%. The greatest gains, however, took place at the level of profits. The operating profit after three quarters amounted to PLN 21.9 million compared to minus PLN 1.5 million of the operating loss in 2021. The net profit increased more than 13 times and amounted to PLN 56.5 million. However, the net result was under the influence of one-off events (profit on the sale of part of Geyer's Ogrody in the amount of PLN 43.9 million and redemption of the PFR loan in the amount of PLN 11.4 million).

We assess the Company's fundamentals as solid, mainly due to low debt and high cash surpluses. The debt ratio was at a low and safe level (0.21). At the end of the third quarter, the Company had PLN 51 million in cash (current liquidity at a high level of 3.9). We assume that the loan granted in January in the amount of EUR 6,382.4 million to Rank Progress will reduce cash resources, but will also positively contribute to the net result through earned interest.

Finally, we increase our valuation to PLN 8.6 per share at the end of 2023, which results from the upward revision of our forecasts at the level of both revenues (we expect that our earlier concerns about the economic slowdown may not materialize) and profits.

PLN thd	2021	2022P	2023P	2024P	2025P	2026P
Sales	232 422	288 416	312 427	324 812	330 221	345 592
EBITDA	30 072	44 699	31 660	33 782	34 697	36 686
EBITDA margin	12,9%	15,5%	10,1%	10,4%	10,5%	10,6%
EBIT	19 337	37 378	20 954	22 300	22 450	23 639
Net income	20 696	69 542	18 633	21 401	20 649	21 651
Equity	211 451	281 495	307 940	335 070	357 954	382 143
Net debt	-34 983	-52 343	-27 897	-33 845	-66 390	-75 353
P/E	7,1	2,1	7,9	6,9	7,1	6,8
P/BV	0,7	0,5	0,5	0,4	0,4	0,4
EV/EBITDA	3,7	2,1	3,8	3,4	2,3	2,0
EPS	0,7	2,3	0,6	0,7	0,7	0,7

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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