

Monnari Trade SA

One-time events increases the net result,
profitability remains a priority for 2023

12.05.2023 08:30

Key data

Target price [PLN]	7,8
DCF Valuation [PLN]	5,4
Comparative Valuation [PLN]	13,2
Market price [PLN]	5,3
Growth/decrease potential [%]	46,8%
Market cap [mln PLN]	163,2
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	32,94
MONNARI TRADE S.A.	15,07
Fair Sp. z o.o.	8,29

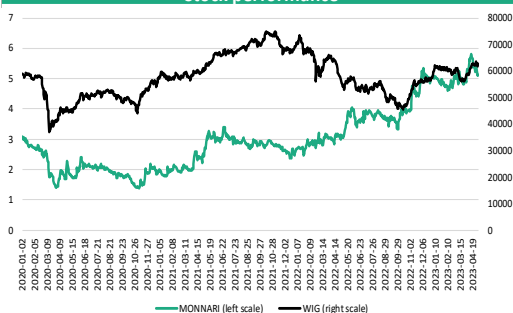
Growth factors

Sales network growth
Competitive offer
High cash amount

Risk factors

Risk of recession
Costs pressure
High write-offs

Stock performance



Source: DM Banku BPS SA calculations

The results for 2022 are very good. The company exceeded the level of revenues before the pandemic and generated a record profit of PLN 57.4 million, but such a good result was due to the two one-off events: the sale of part of the Geyer Gardens plot for PLN 59.5 million (as a result PLN 43,9 million was entered into the income statement) and cancellation of 75% of the loan from PFR in the amount of PLN 11.4 million. **Excluding the one-off event, the net result is much lower and below our expectations.** The fourth quarter was particularly poor in terms of profits, which resulted from high write-downs on inventories and receivables, as well as from the dynamic and disproportionate to revenue increase in selling costs. **Thus, cost discipline remains the biggest challenge for Monnari Trade.** The gross margin on sales will be positively influenced by the recent strengthening of the PLN against the USD, while in an environment of high inflation and low unemployment, the Company's profitability will be negatively affected by the pressure on salaries.

Nevertheless, the Company's financial situation remains very good. Thanks to the sale of part of the Geyer Gardens, the Company had significant cash resources at the end of 2022 (PLN 62.9 million), which probably, in a high inflation environment, prompted the Management Board to use these funds for investments (a loan to Rank Progress S.A. and a preliminary declaration of purchase of property belonging to Orbis S.A. in Wrocław).

Finally, we are lowering our valuation to PLN 7.8 (from PLN 8.6) per share at the end of 2023, which results from our downward revision of our earnings forecasts.

PLN thd	2022	2023P	2024P	2025P	2026P	2027P
Sales	287 730	315 107	327 612	333 233	348 715	375 169
EBITDA	33 527	27 203	29 442	31 168	33 811	39 482
EBITDA margin	11,7%	8,6%	9,0%	9,4%	9,7%	10,5%
EBIT	28 134	19 755	22 035	23 678	26 207	31 757
Net income	57 443	14 789	18 457	19 268	21 422	26 296
Equity	266 521	287 753	312 652	337 764	365 528	398 870
Net debt	-47 849	-17 754	-65 201	-67 964	-84 788	-111 900
P/E	2,8	11,0	8,8	8,5	7,6	6,2
P/BV	0,6	0,6	0,5	0,5	0,4	0,4
EV/EBITDA	3,4	5,3	3,3	3,1	2,3	1,3
EPS	1,9	0,5	0,6	0,6	0,7	0,9

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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The work on this study has been completed on: 12th May 2023, 8:30

Distribution of this study: 12th May 2023, 8:45

This report is published on the day of its completion on the publicly available <https://dmbps.pl/wsparcie-analityczne/program-wsparcia-pokrycia-analitycznego-gpw/monnari-trade-s-a>

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https://dmbps.pl/informacje/228/Regulamin_zarzadzania_konfliktami_interesow_w_Domu_Maklerskim_Banku_BPS_SA

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List of recommendations issued within the last 12 month

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
VIVID GAMES	N/A	1,25	1,17	Analysis of results	13.05.2022	Łukasz Bryl, Tomasz Czarniecki
PROTEKTOR	N/A	3,6	2,8	Analytical report	13.05.2022	Artur Wizner
PROCHEM	N/A	37	33,6	Analysis of results	17.05.2022	Artur Wizner
MONNARI TRADE	N/A	5,5	3,5	Analytical report	18.05.2022	Łukasz Bryl
VIVID GAMES	N/A	1,29	1,26	Analysis of results	26.05.2022	Łukasz Bryl
MONNARI TRADE	N/A	6,21	3,87	Analysis of results	31.05.2022	Łukasz Bryl
NTT SYSTEM	N/A	7,92	4,28	Analysis of results	31.05.2022	Łukasz Bryl
UNIBEP	N/A	11	8,1	Analysis of results	31.05.2022	Artur Wizner
PROTEKTOR	N/A	3,6	2,83	Analysis of results	01.06.2022	Artur Wizner
JSW	BUY	74	38,7	Analytical report	12.09.2022	Artur Wizner
UNIBEP	N/A	10	7,2	Analytical report	20.09.2022	Artur Wizner
VIVID GAMES	N/A	1,07	1,03	Analytical report	29.09.2022	Łukasz Bryl
SNIEZKA	HOLD	67	64,2	Analytical report	29.09.2022	Artur Wizner
NTT SYSTEM	N/A	7,03	3,95	Analytical report	04.10.2022	Łukasz Bryl
PROCHEM	N/A	30	34,8	Analytical report	05.10.2022	Artur Wizner
PROTEKTOR	N/A	2,9	2,6	Analytical report	12.10.2022	Artur Wizner
MONNARI TRADE	N/A	6,74	3,87	Analytical report	21.10.2022	Łukasz Bryl
PROCHEM	N/A	30	35	Analysis of results	15.11.2022	Artur Wizner
UNIBEP	N/A	10	8,84	Analysis of results	18.11.2022	Artur Wizner
VIVID GAMES	N/A	1,09	1,05	Analysis of results	29.11.2022	Łukasz Bryl
MONNARI TRADE	N/A	7,20	4,85	Analysis of results	01.12.2022	Łukasz Bryl
NTT SYSTEM	N/A	7,50	4,12	Analysis of results	02.12.2022	Łukasz Bryl
PROTEKTOR	N/A	2,90	2,19	Analysis of results	06.12.2022	Artur Wizner
MONNARI TRADE	BUY	8,63	4,82	Analytical report	13.03.2023	Łukasz Bryl
PROTEKTOR	HOLD	2,70	2,36	Analytical report	13.03.2023	Artur Wizner
ESOTIQ & HENDERSON	BUY	47,23	29,2	Analytical report	13.03.2023	Łukasz Bryl
COCCODRILLO	BUY	26,77	17,75	Analytical report	13.03.2023	Łukasz Bryl
WITTCHEN	BUY	40,83	27	Analytical report	13.03.2023	Łukasz Bryl
VRG	BUY	5,07	3,3	Analytical report	13.03.2023	Artur Wizner
WOJAS	BUY	11,75	7,96	Analytical report	13.03.2023	Artur Wizner
LPP	HOLD	9328,17	9430	Analytical report	13.03.2023	Artur Wizner
CCC	SELL	27,57	35,43	Analytical report	13.03.2023	Artur Wizner
SILVANO GROUP	BUY	14,14	5,45	Analytical report	13.03.2023	Łukasz Bryl
SNIEZKA	BUY	83,00	71,6	Analytical report	17.03.2023	Artur Wizner
JSW	BUY	71,00	45,78	Analytical report	05.04.2023	Artur Wizner
NTT SYSTEM	N/A	7,90	5	Analytical report	12.04.2023	Łukasz Bryl
VIVID GAMES	N/A	1,05	0,82	Analytical report	05.05.2023	Łukasz Bryl
UNIBEP	N/A	13,30	10,4	Analytical report	09.05.2023	Artur Wizner
MONNARI TRADE	N/A	7,84	5,34	Analytical report	12.05.2023	Łukasz Bryl