

Asbis

Valuation range: PLN 1,114-1,271 mn

FX shield

Following the materialisation of geopolitical risks to Asbis' business (the war between Russia and Ukraine), changes in the retail sector (consumer weakening, pressure on disposable income), and the spectre of recession partially mitigated by the efficient management of sales processes, we are cutting our 2022-25 forecast. Our valuation assumes a 17% decline in sales y/y to USD 2.5bn in 2022 (vs. the company's May guidance of USD 2.2-2.4bn) and a slight reduction in revenue growth for 2022-24 (2022-24 CAGR: 3.5%; previously: 4.5%).

Valuation supported by a strong USD

Based on the DCF model, we estimate the company's 12M valuation at PLN 1114-1271m, implying P/E 2023 at 5.2-6x. We note that the valuation is significantly affected by a record high USD/PLN exchange rate.

Unthreatened dividend payments

The company's cash position should allow it to pay out dividends going forward. We have assumed a dividend payment of USD 0.27 per share this year (dividend yield: 9%) and USD 0.29 per share next year.

Political risks materialising

The outbreak of the Russian-Ukrainian war was a blow to Asbis' largest markets, which together accounted for about 35% of the company's revenue in 2021. Asbis currently conducts no sales in Russia (approx. 19% of revenue in 2021). Ukraine, on the other hand, is seeing a slow rebound in orders after an initial dip. However, we do not expect any significant contribution to this year's revenue on their part. The efficiency with which the company has redirected sales to other markets, such as Kazakhstan (1Q22 revenue growth at 3.4pp to 18%) was a big and positive surprise.

2023 slowdown

According to our expectations, globally persistent 1) high inflation, 2) interest rate hikes, and 3) rising energy prices will translate into weaker consumer purchasing power. Nevertheless, following a considerable drop in 2022, our scenario assumes a 5% y/y revenue growth in 2023, while operating profit will decline by about 10% y/y (we estimate a decline in gross margin to about 6.8%, from the 7.4% assumed for 2022).

	2020	2021	2022F	2023F	2024F
Revenues	2,366.4	3,078.0	2,542.2	2,669.3	2,722.7
EBITDA	61.4	119.0	90.3	82.5	69.6
EBIT	57.1	113.9	85.0	76.1	62.9
Net profit	36.5	77.0	49.8	45.7	39.6
P/E	4.6	2.2	3.4	3.7	4.3
EV/EBITDA	5.5	2.6	3.3	3.3	3.5
FCF			119.3	56.3	56.3
CAPEX	4.4	14.0	11.6	7.8	8.0

Source: Company, PKO Securities

Key data

Stock price (PLN)	14.19
Number of shares	55.5
Market Cap (PLN mn)	788
Free float	63%
Free float (PLN mn)	497
EV 2022 (USD mn)	298
Net debt 2022 (USD mn)	129
Bloomberg	ASB PW Equity
ISIN	CY1000031710

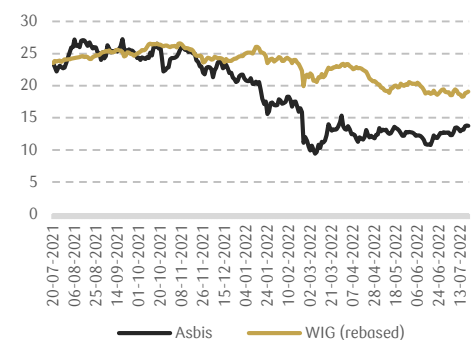
ESG Rating

ESG	6.9
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Major shareholders

Siarhei Kostevitch	37%
-	-
-	-
-	-

Price chart



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DCF model

Our valuation is based on the DCF model. Additionally, we have presented a comparative valuation, taking into consideration companies from the retail sector. The DCF model consists of two phases. In the first phase, for the years 2023-2026F, we forecast in detail all the key parameters required for company valuation, in particular the value of revenue, capital expenditure, cost level and balance sheet items. The second stage will begin after 2026F. In it, we have based our valuation on a constant free cash flow growth rate. We have applied a WACC-based discount rate. The risk-free rate has been adopted at 1.5%. Beta has been assumed at 1.9x (substantial sensitivity to declining margins, uncertain outlook for demand, F/X exposure). We have adopted an equity risk premium of 7%. We have discounted all free cash flows for the company as at 31 December 2022 and deducted net debt.

DCF model					
mUSD	2022F	2023F	2024F	2025F	2026F
EBIT	85.0	76.1	62.9	55.6	47.3
Tax rate	19.0%	19.0%	19.0%	19.0%	19.0%
NOPLAT	68.8	61.6	51.0	45.0	38.3
CAPEX	-11.6	-7.8	-8.0	-8.2	-8.3
D&A	6.0	6.4	6.6	6.8	7.0
Changes in WC	-56.0	3.9	-6.7	-10.2	-23.9
FCF	119.3	56.3	56.3	53.9	60.9
WACC		10.9%	11.3%	11.8%	12.9%
Discount ratio		0.90	0.81	0.72	0.64
DFCF		107.6	45.6	40.8	34.6
Terminal growth		0.0%	0.5%	1.0%	1.5%
	5.50%	968	963	958	952
	5.75%	1,114	1,114	1,115	1,115
Gross margin in 2026	6.00%	1,259	1,265	1,271	1,278
	6.25%	1,404	1,415	1,427	1,441
Valuation range (mn PLN)	1114-1271				

Source: PKO BP Securities

Our DCF valuation indicates 12-month forward valuation range between PLN 1,114-1,271.

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Peer comparison

The comparative valuation indicates that in the case of assuming the forecasts of PKO BP Securities, Asbis is traded at a discount in terms of P/E and EV/EBITDA.

In our view, AB is the best peer for Asbis, due to the direct competition in the CEE region (Poland, Czech Republic, and Slovakia).

Peers: multiples

Company	P/E			EV/EBITDA			Dividend yield (%)
	2022F	2023F	2024F	2022F	2023F	2024F	
AB SA	4.9	4.2	4.8	5.0	4.1	4.7	1.1
AVNET INC	6.6	6.6	7.3	5.1	5.0	5.4	-
ARROW ELECTRONICS INC	5.4	6.2	5.6	4.8	5.6	5.4	-
WPG HOLDINGS LTD	7.3	8.7	10.1	14.2	15.4	15.6	-
REDINGTON INDIA LTD	7.4	7.2	6.9	3.9	3.6	3.4	-
ALSO HOLDING AG-REG	13.9	11.9	11.0	9.4	8.6	8.0	2.5
INSIGHT ENTERPRISES INC	11.2	10.2	9.0	8.4	7.7	-	-
DATATEC LTD	16.5	10.9	9.0	4.5	4.0	3.8	3.0
MEDIAN	7.4	8.0	8.1	5.0	5.3	5.4	2.5
Asbis (PKO BP Securities)	3.4	3.7	4.3	3.3	3.3	3.5	9.2
Premium/discount to PKO BP Securities forecast	-54%	-54%	-48%	-35%	-37%	-35%	268%

Source: based on Bloomberg consensus, PKO BP Securities

Asbis: Summary of comparative valuation

	2022F	2023F	2024F	Average 2022-2024F
Asbis net profit forecast (USDm)	49.8	45.7	39.6	
Asbis EBITDA forecast (USDm)	90.3	82.5	69.6	
Peer companies: P/E median	7.4	8.0	8.1	
Asbis Valuation (PLNm)	1,708.8	1,697.9	1,500.7	1,635.8
Peer companies: EV/EBITDA median	5.0	5.3	5.4	
Asbis Valuation (PLNm)	1,521.3	1,543.3	1,399.3	1,488.0

Source: Bloomberg, PKO Securities

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Profit and loss account	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Sales of products, goods and materials	2,069.6	1,914.9	2,366.4	3,078.0	2,542.2	2,669.3	2,722.7	2,749.9
Costs of sold products, goods and materials	-1,971.5	-1,810.7	-2,228.2	-2,859.4	-2,354.0	-2,489.1	-2,552.5	-2,584.9
Gross profit on sales	98.1	104.1	138.3	218.5	188.3	180.2	170.2	165.0
EBITDA	31.9	37.2	61.4	119.0	90.3	82.5	69.6	62.4
Selling costs	-46.0	-42.9	-48.5	-62.3	-59.9	-58.7	-60.7	-62.1
General administrative expenses	-22.7	-28.1	-33.1	-42.5	-43.3	-45.8	-47.0	-47.7
Other operating income	-0.1	0.1	0.4	0.2	0.0	0.4	0.4	0.4
Operating profit	29.3	33.2	57.1	113.9	85.0	76.1	62.9	55.6
Financial expenses net	-14.2	-14.2	-12.4	-19.7	-23.5	-19.7	-14.0	-8.4
Pre-tax profit	15.1	19.0	44.7	94.2	61.5	56.4	48.9	47.2
Income tax	-3.1	-3.7	-8.2	-17.2	-11.7	-10.7	-9.3	-9.0
Net profit (loss) attributable to non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (loss)	12.0	15.3	36.5	77.0	49.8	45.7	39.6	38.2
Balance Sheet	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Fixed assets	29.2	33.3	37.1	48.4	53.5	55.1	56.5	57.9
Intangible assets	3.1	2.6	2.4	2.1	2.1	2.1	2.1	2.1
Tangible assets	25.3	29.7	32.7	43.7	49.3	50.7	52.1	53.4
Other long-term assets	0.9	1.0	1.9	2.6	2.2	2.3	2.3	2.3
Current assets	474.6	599.5	751.8	874.8	797.6	826.6	831.4	827.1
Inventories	180.2	266.0	277.6	324.6	264.8	273.8	274.4	271.4
Receivables	174.6	212.2	295.8	352.3	324.1	333.7	333.5	330.0
Other long-term assets	18.4	17.6	19.5	13.3	25.4	26.7	27.2	27.5
Cash and cash equivalents	101.4	103.7	158.9	184.6	183.2	192.4	196.2	198.2
Total Assets	503.8	632.8	788.9	923.2	851.2	881.6	887.9	885.0
Equity capital	99.2	108.2	135.6	189.5	223.7	253.8	278.8	303.4
Liabilities	404.6	524.6	653.3	733.7	627.4	627.9	609.1	581.6
Long-term liabilities	0.7	4.5	6.8	6.2	5.4	4.9	4.3	3.5
Loans and borrowings	0.1	3.3	5.7	5.1	4.5	4.0	3.3	2.5
Trade liabilities and other	0.6	1.1	1.0	1.1	0.9	1.0	1.0	1.0
Short-term liabilities	403.9	520.1	646.5	727.5	622.0	622.9	604.9	578.1
Loans and borrowings	146.6	136.3	212.4	207.0	181.0	160.6	132.6	100.7
Trade liabilities and other	208.1	321.3	336.0	386.3	364.9	385.8	395.6	400.7
Other	49.2	62.6	98.1	134.2	76.2	76.5	76.6	76.7
Total Equity & Liabilities	503.8	632.8	788.9	923.2	851.2	881.6	887.9	885.0

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Cash flow	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Operating cash flow	18.7	33.6	41.9	41.4	74.6	78.2	74.2	69.8
Investment cash flow	-3.1	-3.6	-4.8	-14.9	-11.6	-7.8	-8.0	-8.2
Financial cash flow	-3.4	-9.7	-1.8	10.9	-74.8	-67.5	-65.0	-61.0
Other	2018	2019	2020	2021	2022F	2023F	2024F	2025F
DPS	0.11	0.11	0.17	0.40	0.28	0.28	0.26	0.24
Net debt	116.2	108.5	170.4	144.2	129.3	105.7	75.8	42.5

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Explanation of the specialist terminology used

min (max) 52 weeks: minimum (maximum) of the market share price during the previous 52 weeks

Capitalisation: product of the share market price and the number of shares

EV: sum of the company's capitalisation and net debt

free float (%): share of the total number of shares decreased by 5% stakes held by one shareholder and own shares held by the company in the total number of shares

Average trading/month: average trading per month calculated as total trading value over previous 12 months divided by 12

ROE: rate of return on equity

ROA: rate of return on assets

EBIT: operating profit

EBITDA: operating profit + depreciation and amortization

EPS: earnings per share

ESG: a non-financial measure used for evaluating companies on how advanced they are with sustainability. It consists of environmental, social, and governance factors. The more sustainable business, the higher the PKO Securities ranking (score scale: 1-10).

DPS: dividend per 1 share

CEPS: sum of net profit and depreciation and amortization per 1 share

P/E: quotient of share market price and EPS

P/BV: quotient of share market price and book value of one share

EV/EBITDA: quotient of capitalisation increased by the company's net debt and EBITDA

Gross sales margin: relation of gross sales profit to net sales proceeds

EBITDA margin: relation of the sum of operating profit and depreciation to net sales proceeds

EBIT margin: relation of operating profit to net sales proceeds

Net profitability: relation of net profit to net sales proceeds

Valuation methods applied

A PKO BP Securities valuation is based on at least two out of four valuation methods: DCF (discounted cash flow model), ratio analysis method (comparing the values of basic market ratios with similar ratios of other companies representing a given sector), sum of the parts of assets method (SOTP) and discounted dividends model. A disadvantage of the DCF and the discounted dividends model is their high sensitivity to adopted assumptions, including, in particular, those pertaining to determining the residual value. Furthermore, the discounted dividends model cannot be applied to the valuation of companies without a determined dividend policy. The advantages of both these methods include their independence from current market valuations of peer companies. On the other hand, the advantage of the ratio analysis is the fact that it is based on a measurable market valuation of a given sector. Its disadvantage lies in the risk that at any given time, the market might not value peer companies correctly. The sum of the parts method (SOTP) consists in summing up the values of various assets of the company, calculated using one of the above methods.

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Issuer:	Reservation
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Whenever this Analysis quotes a price for the financial instrument, it will be understood as the closing price from the last trading day.