



A growing market share (SUMMARY)

We are raising our recommendation to Buy from Hold and our TP to PLN 51 from PLN 42.

Oponeo's business model is proving its worth. The company is continuing to increase its market share, as was clearly evident in the 2Q23 results: despite the Polish market contracting by 13% y/y, Oponeo's sales volume grew by 19.5% y/y. Admittedly, the company paid for it with a slightly lower gross sales margin (with good control of overheads), but in our opinion, it is on the right path.

Oponeo still has growth potential, given that offline sales in Poland exceed 50%. The size of the aftersales tyre market in Poland per capita is over 2x smaller than in Germany.

In our view, the future trading model certainly has room for large specialised online sellers (in addition to broad marketplaces), which should continue to grow at the expense of offline sales and small players. As a market leader, Oponeo is driving its competitive edge by investing in automation and logistics.

Growing dividends and ongoing share buybacks are a confirmation of sound corporate governance.

The valuation seems attractive enough to more than offset the risks associated with high business volatility (weather, consumer sentiment, high working capital).

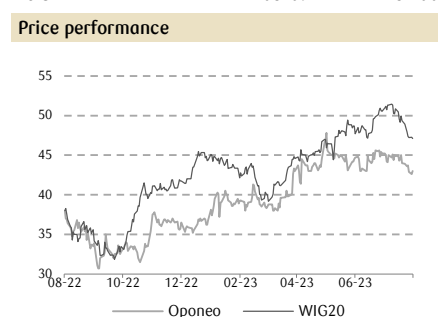
Key data	
Market price (PLN)	43.00
Upside	19%
No. of shares (mn)	13.94
Market Cap (PLNmn)	599.38
Free float	59%
Free float (PLNmn)	355
Free float (USDmn)	86
EV (PLNmn)	581.79
Net debt (PLNmn)	-17.45

ESG	
ESG	7.7

Dividend	
Div yield	4.7%
Ex-div	-

Major Shareholders	% of shares
Dariusz Topolewski	20.82
Ryszard Zawieruszyński	19.98
OFE Generali	16.15
TFI Allianz	7.07

Previous recomm.	Date & target price	
Hold	06-02-23	42.00
Hold	08-09-22	37.00



	WIG20	Company
1 month	-6.8%	-4.9%
3 months	0.2%	-7.7%
6 months	11.8%	9.7%
12 months	21.3%	17.8%
Min 52 weeks PLN		30.70
Max 52 weeks PLN		47.80
Av. turnover/day PLN mn		0.23

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PLN mn	2021	2022	2023F	2024F	2025F
Revenues	1,515	1,695	1,865	2,051	2,236
EBITDA	94	82	84	93	100
EBIT	79	63	62	70	76
Net profit	60	41	44	48	53
P/E	12.4	14.8	13.6	12.5	11.4
P/BV	2.1	1.6	1.6	1.5	1.4
EV/EBITDA	7.7	5.9	6.9	6.2	5.8
EPS	4.32	2.92	3.15	3.43	3.77
DPS	1.00	1.36	2.00	2.10	2.20
FCF	37	38	43	47	50
CAPEX	9	31	23	24	25

F - forecast by PKO BP Securities



VALUATION

Our valuation is based on the DCF model. We have additionally presented a peer valuation, taking into consideration pharmaceutical distribution companies. The DCF model consists of two phases. In the first phase (2022F-2026F), we have forecast in detail all the key parameters required for the company valuation, including, in particular, the value of revenue, capital expenditure, cost level, and balance sheet items. The second phase starts after 2027F. In it, we have assumed a constant free cash flow growth rate at the level of 2.5% per year. We have used a WACC-based discount rate. The risk-free rate is assumed at 5.5%, which reflects the 10-year treasury bond yield. Beta is assumed at 0.9x (due to the strong balance sheet). We have adopted an equity risk premium of 5.5%. We have discounted all free cash flows for the company as at 31 December 2023 and deducted the forecast net debt (added net cash).

DCF model						
PLN mn	2023F	2024F	2025F	2026F	2027F	2028F<
EBIT	61.6	69.8	76.1	82.2	88.7	91.0
Tax rate	19%	19%	19%	19%	19%	19%
NOPLAT	49.9	56.5	61.6	66.5	71.9	73.7
CAPEX	22.9	24.1	25.4	26.7	28.2	28.2
Depreciation	22.5	23.3	24.1	25.0	25.8	25.8
Leasing	-6.0	-6.4	-6.9	-7.4	-7.9	-7.9
Changes in working capital	6.3	11.1	10.7	10.4	11.2	9.0
FCF	37.2	38.2	42.8	47.0	50.4	54.4
WACC	0.0%	9.5%	9.5%	9.4%	9.4%	
Discount ratio		0.91	0.83	0.76	0.70	
DFCF		34.9	35.7	35.9	35.1	
Growth in Phase II	2.5%					
DFCF Sum - Phase I	141.6					
DFCF Sum - Phase II	563.4					
Enterprise Value (EV)	704.9					
Net debt	-17.5					
Seasonal correction of net debt	40.0					
Minorities	-36.0					
Fair value	646.4					
Number of shares (million)	13.5					
Fair value per share as at 31.12.2022	47.8					
Target price in 12 mths (PLN)	51.0					
Current price	43.0					
Expected rate of return	19%					

Source: forecasts of PKO BP Securities



FINANCIAL FORECASTS

Profit and loss account	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F
Sales of products, goods and materials	843	962	1,063	1,515	1,695	1,865	2,051	2,236	2,415
Costs of sold products, goods and materials	-681	-775	-846	-1,205	-1,361	-1,505	-1,653	-1,802	-1,946
Gross profit on sales	162	187	217	309	335	360	398	434	468
EBITDA	30	41	49	94	82	84	93	100	107
Selling costs	-132	-146	-169	-215	-271	-298	-328	-358	-386
Operating profit	24	29	37	79	63	62	70	76	82
Financial expenses net	0	2	-2	-1	-10	-5	-9	-9	-9
Pre-tax profit	24	30	35	78	53	56	61	67	73
Income tax	-11	-10	-3	-16	-10	-11	-12	-13	-14
Net profit (loss) attributable to non-controlling interest	13	20	32	60	41	44	48	53	57
Net Profit (loss)	13	20	32	60	41	44	48	53	57
Balance Sheet	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F
Fixed assets	114	124	175	169	258	265	274	283	294
Intangible assets	47	40	89	87	87	88	88	89	89
Tangible assets	66	82	83	78	167	174	182	191	202
Other long-term assets	1	1	3	4	3	3	3	3	3
Current assets	186	223	207	450	430	501	544	588	633
Inventories	76	100	100	159	242	261	287	313	338
Receivables	39	44	50	78	61	103	113	123	133
Cash and cash equivalents	71	79	56	213	126	137	144	152	162
Other short-term assets	0	0	0	0	0	0	0	0	0
Total Assets	300	347	381	619	688	766	817	872	928
Equity capital	163	172	226	350	364	382	402	426	452
Long-term liabilities	7	15	14	35	98	106	110	114	118
Loans and borrowings	0	0	0	24	21	27	29	32	35
Trade liabilities and other	7	15	14	11	78	79	81	82	84
Short-term liabilities	130	160	141	233	225	278	305	331	357
Loans and borrowings	0	1	5	10	12	11	12	13	14
Employee benefit obligations	128	151	124	214	202	256	281	306	331
Trade liabilities and other	2	8	12	9	11	12	12	12	13
Total Equity & Liabilities	300	347	381	619	688	766	817	872	928
Cash flow statement	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F
Cash flow on operating activity	11	23	21	96	-19	66	65	71	76
Cash flow on investment activity	-17	-3	-43	-22	-28	-23	-24	-25	-27
Cash flow on financial activity	-5	-11	-3	81	-37	-33	-34	-36	-40
Indicators (%)	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F
ROE	8.5%	12.1%	16.1%	20.9%	11.4%	11.8%	12.2%	12.7%	13.0%
Net Debt	-70.8	-63.3	-32.7	-167.0	-13.1	-17.5	-18.1	-21.5	-25.6

Source: forecasts of PKO BP Securities

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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

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 recommendation 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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A SELL recommendation means that the recommendation author thinks that company shares have the potential for a price decline.

A recommendation may be assigned an "UNDER REVIEW" rating, which means that the recommendation ceases to be binding for an unexpected reason and that PKO BP Securities is conducting investment research aimed at its update. Said investment research will result in issuing a new recommendation.

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6. The Issuer holds shares of PKO Bank Polski, whose organisational unit is PKO BP Securities, in a total number constituting at least 5% of share capital.
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The date of the first distribution of the Recommendation is identical with the date stipulated on the front page. The time of the first distribution is 7:40.

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

The list below sets out all the recommendations drafted by PKO BP Securities in the last 12 months, within the scope of the "Analytic Coverage Support Programme 4.0".

Company	Recommendation	Date of reco.	Target price	Relevant Market Price*	Market cap. (PLN mn)	P/E			EV/EBITDA			Analyst
						2022	2023F	2024F	2022	2023F	2024F	
Oponeo	Buy	2023-08-23	51,00	43,00	599,4	14,8	13,6	12,5	5,9	6,9	6,2	Piotr Łopaciuk

*at the time of publication