Oponeo

Bloomberg: OPN PW Equity, Reuters: OPN.WA

Hold, PLN 37

Maintained

08 September 2022, 07:30

The wheel weaves as the wheel wills

We maintain our Hold recommendation, lowering our TP to PLN 37. The recommendation downgrading follows from the rising cost of capital and the risks associated with the looming crisis.

Tyre sales are already clearly affected by inflation burdening customers. In the first half of the year, sales figures declined by approx. 9% (volume). We expect this burden to deepen following the accelerating inflation and the unfolding crisis. High fuel prices give rise to reduced traffic and resulting lower tyre wear.

The overall downturn could clearly affect sales and margins in the crucial fourth quarter, although weather conditions will as usual also have a significant impact. Risks are exacerbated and visibility diminished by product inflation exceeding 20%.

1H22 results were burdened by several one-offs (previous year's bonus costs, moving to a new warehouse, Dadelo marketing). We are assuming normalisation in 2H22, through it unfortunately might be offset by potential pressure on margins.

Recently, there has been a visible increase in working capital, which we associate with price growth. However, Oponeo maintains a safe balance sheet structure. We expect the existing dividend policy to continue.

The last two years have been exceptionally successful for Oponeo and we believe a normalisation may now ensue. The ever-increasing popularity of all-season tires may also be a factor hindering market growth. On the other hand, we still see room for e-commerce growth in the segment (now approx. 30% of the market).

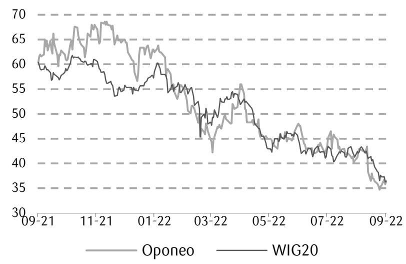
PLN mn	2020	2021	2022F	2023F	2024F
Revenues	1,063	1,515	1,638	1,720	1,892
EBITDA	49	94	61	62	76
EBIT	37	79	40	40	53
Net profit	32	60	28	28	38
P/E	12.6	12.4	18.2	18.5	13.3
P/BV	1.8	2.1	1.4	1.3	1.2
EV/EBITDA	11.1	7.7	7.9	6.8	5.0
EPS	2.31	4.32	2.00	1.98	2.74
DPS	0.10	1.00	1.36	0.70	0.80
FCF	-	-116	69	40	43
CAPEX	1	9	88	16	18

F - forecast by PKO BP Securities

Key data	
Market price (PLN)	36.50
Upside	1%
No. of shares (mn)	13.94
Market Cap (PLNmn)	508.77
Free float	59%
Free float (PLNmn)	301
Free float (USDmn)	63
EV (PLNmn)	478.59
Net debt (PLNmn)	-30.08
ESG	
ESG rating	7.1
Dividend	
Div yield	3.7%
Ex-div	12.07.2021
Major Shareholders	**% of shares**
Dariusz Topolewski	20.82
Ryszard Zawieruszyński	19.98
OFE Generali	14.98
OFE Aegon	6.83

Previous recomm.	Date & target price	
Hold	28-04-22	50.50
Buy	07-09-21	69.00

Price performance



	WIG20	Company
1 month	-12.1%	-9.9%
3 months	-20.5%	-24.0%
6 months	-24.3%	-18.5%
12 months	-39.0%	-39.6%
Min 52 weeks PLN		34.70
Max 52 weeks PLN		68.60
Av. turnover/day PLN mn		0.41

Analyst

Piotr Łopaciuk, CFA

+48 609 091 976

piotr.lopaciuk@pkobp.pl

Address:

PKO BP Securities

ul. Puławska 15

02-515 Warszawa

DCF 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 will start in 2027F. In it, we have assumed a constant free cash flow growth rate at the level of 2.0% per year. We have used a WACC-based discount rate. Risk-free rate is assumed at 5% which reflects the 10-year treasury bond yield. Beta is set at 1.1x. We have adopted an equity risk premium at 5.5%. We have discounted all free cash flows for the company as at 31 December 2022 and deducted the forecast net debt (added net cash).

DCF model

PLN mn	**2021**	**2023F**	**2024F**	**2025F**	**2026F**	**2027F<**
EBIT	40,4	40,4	40,0	53,4	57,2	58,3
Tax rate	19%	19%	19%	19%	19%	19%
NOPLAT	**32,7**	**32,7**	**32,4**	**43,3**	**46,3**	**47,2**
CAPEX	87,8	16,1	17,5	19,2	21,0	24,4
Depreciation	20,2	22,0	22,8	23,6	24,4	24,4
Changes in working capital	81,0	-30,1	-2,4	5,0	4,6	3,4
FCF	**-115,9**	**68,7**	**40,0**	**42,7**	**45,2**	**43,9**
WACC	0,0%	9,5%	9,5%	9,5%	9,5%	
Discount ratio		0,91	0,83	0,76	0,70	
DFCF		62,7	33,3	32,5	31,4	
Growth in Phase II	**2,0%**					
DFCF Sum - Phase I	**160,0**					
DFCF Sum - Phase II	**402,6**					
Enterprise Value (EV)	**562,7**					
Net debt	-30,1					
Seasonal correction of net debt	-70,0					
Minorities	-49,0					
Fair value	**473,7**					
Number of shares (million)	13,8					
Fair value per share as at 31.12.2022	34,4					
Target price in 12 mths (PLN)	**37,0**					
Current price	36,5					
Expected rate of return	1%					

Source: forecasts of PKO BP Securities

WACC	2021	2023F	2024F	2025F	2026F	2027F<
Risk-free rate	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Equity premium	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%
Beta	1,1	1,1	1,1	1,1	1,1	1,1
Debt risk premium	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Tax rate	20,0%	19,0%	19,0%	19,0%	19,0%	19,0%
Equity cost	11,1%	11,1%	11,1%	11,1%	11,1%	11,1%
Debt cost	5,2%	5,3%	5,3%	5,3%	5,3%	5,3%
Weight of equity	74,4%	74,0%	73,5%	73,0%	72,6%	74,5%
Weight of debt	25,6%	26,0%	26,5%	27,0%	27,4%	25,5%
WACC	**9,6%**	**9,5%**	**9,5%**	**9,5%**	**9,5%**	**9,6%**

Source: forecasts of PKO BP Securities

Sensitivity

		Growth in Phase II				
		1,0%	**1,5%**	**2,0%**	**2,5%**	**3,0%**
	8,6%	37,0	39,2	41,8	44,8	48,3
	9,1%	35,1	**37,0**	**39,2**	**41,8**	44,8
WACC	**9,6%**	33,3	**35,1**	**37,0**	**39,2**	41,8
	10,1%	31,8	**33,3**	**35,1**	**37,0**	39,2
	10,6%	30,4	31,8	33,3	35,1	37,0

Source: PKO BP Securities

Financial Forecasts

Profit and loss account	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Sales of products, goods and materials	**709**	**843**	**962**	**1,063**	**1,515**	**1,638**	**1,720**	**1,892**	**2,025**
Costs of sold products, goods and materials	-577	-681	-775	-846	-1,205	-1,317	-1,388	-1,518	-1,624
Gross profit on sales	**131**	**162**	**187**	**217**	**309**	**321**	**332**	**375**	**401**
EBITDA	**20**	**30**	**41**	**49**	**94**	**61**	**62**	**76**	**81**
Selling costs	-111	-132	-146	-169	-215	-281	-292	-321	-344
Operating profit	**16**	**24**	**29**	**37**	**79**	**40**	**40**	**53**	**57**
Financial expenses net	6	0	2	-2	-1	-3	-2	-3	-3
Pre-tax profit	**21**	**24**	**30**	**35**	**78**	**38**	**38**	**51**	**54**
Income tax	-4	-11	-10	-3	-16	-7	-7	-10	-10
Net profit (loss) attributable to non-controlling interest	18	13	20	32	60	28	28	38	41
Net Profit (loss)	**18**	**13**	**20**	**32**	**60**	**28**	**28**	**38**	**41**

Balance Sheet	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Fixed assets	**104**	**114**	**124**	**175**	**169**	**236**	**230**	**225**	**221**
Intangible assets	46	47	40	89	87	88	88	89	89
Tangible assets	56	66	82	83	78	145	139	133	128
Other long-term assets	2	1	1	3	4	4	4	4	4
Current assets	**170**	**186**	**223**	**207**	**450**	**463**	**505**	**567**	**624**
Inventories	60	76	100	100	159	229	206	216	231
Receivables	27	39	44	50	78	98	103	114	122
Cash and cash equivalents	82	71	79	56	213	135	195	238	272
Other short-term assets	0	0	0	0	0	0	0	0	0
Total Assets	**274**	**300**	**347**	**381**	**619**	**699**	**735**	**792**	**845**
Equity capital	**152**	**163**	**172**	**226**	**350**	**362**	**383**	**413**	**443**
Long-term liabilities	**8**	**7**	**15**	**14**	**35**	**94**	**97**	**100**	**104**
Loans and borrowings	0	0	0	0	24	23	25	27	29
Trade liabilities and other	8	7	15	14	11	71	72	73	75
Short-term liabilities	**114**	**130**	**160**	**141**	**233**	**243**	**256**	**279**	**298**
Loans and borrowings	1	0	1	5	10	9	10	11	12
Employee benefit obligations	112	128	151	124	214	224	236	258	276
Trade liabilities and other	1	2	8	12	9	10	10	10	11
Total Equity & Liabilities	**274**	**300**	**347**	**381**	**619**	**699**	**735**	**792**	**845**

Cash flow statement	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Cash flow on operating activity	24	11	23	21	96	32	86	70	67
Cash flow on investment activity	-38	-17	-3	-43	-22	-88	-16	-18	-19
Cash flow on financial activity	1	-5	-11	-3	81	-23	-11	-10	-14

Indicators (%)	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F
ROE	12.4%	8.5%	12.1%	16.1%	20.9%	7.8%	7.4%	9.6%	9.6%
Net Debt	-81.1	-70.8	-63.3	-32.7	-167.0	-30.1	-86.7	-124.4	-153.9

Source: forecasts of PKO BP Securities

CONTACTS

Equity Research

Emil Łobodziński	(Investment Advisor)	(+4822) 521 89 13	emil.lobodzinski@pkobp.pl
Konrad Maślankiewicz	(analyst)	(+4822) 521 52 04	konrad.maslankiewicz@pkobp.pl
Paweł Małmyga	(technical analysis)	(+4822) 521 65 73	pawel.malmyga@pkobp.pl
Przemysław Smoliński	(technical analysis)	(+4822) 521 79 10	przemyslaw.smolinski2@pkobp.pl
Piotr Łopaciuk	(gaming, ecommerce)	(+4822) 521 48 12	piotr.lopaciuk@pkobp.pl

Strategic Individual Clients Department

Paweł Kodym	(director)	(+4822) 521 80 14	pawel.kodym@pkobp.pl
Michał Petruczeńko		(+4822) 521 79 69	michal.petruczenko@pkobp.pl
Ewa Kalinowska		(+4822) 521 79 88	ewa.kalinowska.2@pkobp.pl
Grzegorz Klepacki		(+4822) 521 78 76	grzegorz.klepacki@pkobp.pl
Joanna Makowska		(+4822) 342 99 34	joanna.makowska@pkobp.pl
Jacek Gaszewski		(+4822) 342 99 28	jacek.gaszewski@pkobp.pl
Ewald Wyszomirski		(+4822) 521 78 39	ewald.wyszomirski@pkobp.pl
Przemysław Lasota		(+4822) 580 33 14	przemyslaw.lasota@pkobp.pl
Tomasz Zabrocki		(+4822) 521 82 13	tomasz.zabrocki@pkobp.pl

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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

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Issuer:	Reservation
Oponeo	-

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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".

Company	Recommendation	Date of reco.	Target price	Relevant Market Price*	Market cap. (PLN mn)	P/E 2021	P/E 2022F	P/E 2023F	EV/EBITDA 2021	EV/EBITDA 2022F	EV/EBITDA 2023F	Analyst
MLP Group	Buy	2021-07-30	95.00	77.80	1504.7	3.4	2.7	5.1	32.4	27.7	24.8	Piotr Zybała
Oponeo	Buy	2021-09-07	69.00	60.40	508.8	12.4	18.2	18.5	7.7	7.9	6.8	Adrian Skłodowski
Pekabex	Hold	2021-09-07	24.50	22.90	302.9	14.0	9.9	9.9	8.5	6.0	5.6	Piotr Łopaciuk
MLP Group	Buy	2022-04-05	97.00	73.80	1504.7	3.4	2.7	5.1	32.4	27.7	24.8	Piotr Zybała
Oponeo	Hold	2022-04-28	50.50	46.20	508.8	12.4	18.2	18.5	7.7	7.9	6.8	Adrian Skłodowski
Pekabex	Buy	2022-05-19	16.00	13.85	302.9	14.0	9.9	9.9	8.5	6.0	5.6	Piotr Łopaciuk
MLP Group	Buy	2022-09-01	98.00	71.20	1504.7	3.4	2.7	5.1	32.4	27.7	24.8	Piotr Zybała
Oponeo	**Hold**	**2022-09-08**	**37.00**	**36.50**	**508.8**	**12.4**	**18.2**	**18.5**	**7.7**	**7.9**	**6.8**	**Piotr Łopaciuk**

*at the time of publication