



ESP, ASR fully functional

We maintain our Hold recommendation and increase the target price to PLN 42 (from PLN 37).

Oponeo should be fine despite weaker volume sales in 2022 and a record level of inventories at the end of 3Q22. After relatively OK sales in 4Q22, we think the excess inventory may shrink to only around 150k tires. Coupled with the high double-digit inflation of tires, this should be a valuable inventory for 2023.

The year 2023 may not be an easy year due to high inflation and the weakening purchasing power of clients. However, Oponeo should offer more of cheaper Asian tires – which became much more affordable after a decrease in freight prices.

Of course, as usual – the tires market is volatile and weather-driven. We expect stable sales – a mix of decreasing volumes and still high inflation.

Taking all this into consideration, we do not assume a sharp deviation from current gross profitability levels.

We estimate that the market share of Oponeo was more or less stable in 2022. The sales of tires (in PLN terms) in the whole of 2022 grew by 10% - this can be a mix of around a 10% volume decrease and a 20% price increase.

We expect that the stabilisation (and returning to net cash position) should grant dividend pay-outs (the policy is a maximum of 35% of net profit).

We do not expect the daughter companies Dadelo (where we observe gradual stabilisation) or Rotopino (exposure to the weakening construction segment) to be game changers for the value of Oponeo.

PLN mn	2020	2021	2022F	2023F	2024F
Revenues	1,063	1,515	1,690	1,723	1,896
EBITDA	49	94	80	77	83
EBIT	37	79	61	54	60
Net profit	32	60	38	35	40
P/E	12.6	12.4	14.4	15.4	13.8
P/BV	1.8	2.1	1.5	1.4	1.3
EV/EBITDA	11.1	7.7	6.7	6.2	5.5
EPS	2.31	4.32	2.71	2.54	2.84
DPS	0.10	1.00	1.36	0.95	0.95
FCF	-	-72	81	32	36
CAPEX	1	9	13	14	15

F - forecast by PKO BP Securities

Key data		
Market price (PLN)		39.10
Upside		7%
No. of shares (mn)		13.94
Market Cap (PLNmn)		545.01
Free float		59%
Free float (PLNmn)		323
Free float (USDmn)		74
EV (PLNmn)		534.86
Net debt (PLNmn)		-10.04
ESG		
ESG		7.7
Dividend		
Div yield		3.5%
Ex-div		-
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	08-09-22	37.00
Hold	28-04-22	50.50
Price performance		



	WIG20	Company
1 month	4.5%	9.2%
3 months	22.2%	18.1%
6 months	12.9%	-5.6%
12 months	-12.3%	-29.9%
Min 52 weeks PLN		30.70
Max 52 weeks PLN		56.00
Av. turnover/day PLN mn		0.24

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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 2.5% per year. We have used a WACC-based discount rate. Risk-free rate is assumed at 6% which reflects the 10-year treasury bond yield. Beta is set at 1.0x. 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 forecasted net debt (added net cash).

DCF model						
PLN mn	2022	2023F	2024F	2025F	2026F	2027F<
EBIT	60.8	54.2	59.6	64.9	70.1	71.9
Tax rate	19%	19%	19%	19%	19%	19%
NOPLAT	49.2	43.9	48.3	52.6	56.8	58.2
CAPEX	12.8	13.8	14.6	15.4	16.2	16.2
Depreciation	19.5	22.5	23.3	24.1	24.9	24.9
Leasing	-8.0	-8.6	-9.2	-9.8	-10.5	-10.5
Changes in working capital	119.5	-32.0	11.0	10.9	10.6	8.0
FCF	-71.6	76.0	36.8	40.6	44.4	48.5
WACC	0.0%	10.4%	10.4%	10.3%	10.3%	
Discount ratio		0.91	0.82	0.74	0.67	
DFCF		68.9	30.2	30.2	30.0	
Growth in Phase II	2.5%					
DFCF Sum - Phase I	159.3					
DFCF Sum - Phase II	429.3					
Enterprise Value (EV)	588.6					
Net debt	-10.0					
Seasonal correction of net debt	50.0					
Minorities	-36.0					
Fair value	512.6					
Number of shares (million)	13.8					
Fair value per share as at 31.12.2022	37.3					
Target price in 12 mths (PLN)	42.0					
Current price	39.1					
Expected rate of return	7%					

Source: forecasts of PKO BP Securities

WACC						
	2022	2023F	2024F	2025F	2026F	2027F<
Risk-free rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Equity premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
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	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Debt cost	6.0%	6.1%	6.1%	6.1%	6.1%	6.1%
Weight of equity	79.5%	79.4%	79.0%	78.5%	78.0%	74.5%
Weight of debt	20.5%	20.6%	21.0%	21.5%	22.0%	25.5%
WACC	10.4%	10.4%	10.4%	10.3%	10.3%	10.1%

Source: forecasts of PKO BP Securities

Sensitivity

Growth in Phase II						
		1.5%	2.0%	2.5%	3.0%	3.5%
WACC	9.1%	42.0	44.5	47.3	50.6	54.5
	9.6%	39.9	42.0	44.5	47.3	50.6
	10.1%	38.0	39.9	42.0	44.5	47.3
	10.6%	36.3	38.0	39.9	42.0	44.5
	11.1%	34.8	36.3	38.0	39.9	42.0

Source: PKO BP Securities

Peer Comparison

Automotive parts manufacturers and distributors: multiples

Automotive parts manufacturers and distributors multiples							
Company	Mcap mEUR	P/E			EV/EBITDA		
		2022F	2023F	2024F	2022F	2023F	2024F
Polish distributors							
Auto Partner	428.5	9.8	9.3	8.1	7.7	7.4	6.7
Inter Cars	1,371	8.1	7.4	6.8	6.6	6.1	5.7
Global distributors							
Car Parts	347.1	122.8	73.7	18.2	15.5	13.3	10.9
Parts iD	25.1	-	-	-	-	10.4	2.7
Delti.com	35.2	12.5	9.9	5.5	7.8	6.6	4.9
Autozone	42,564	21.7	19.7	17.3	14.3	13.8	12.9
Median for all peers		12.5	9.9	8.1	7.8	8.9	6.2
Oponeo		14.3	15.2	13.6	5.9	6.2	5.8
premium/discount		14%	54%	67%	-24%	-30%	-7%

Source: Bloomberg, PKO BP securities

Based on market consensus, Oponeo is traded at roughly in line with its peers (premium in the case of P/E multiple and discount in the case of EV/EBITDA).



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	1,690	1,723	1,896	2,066
Costs of sold products, goods and materials	-577	-681	-775	-846	-1,205	-1,349	-1,379	-1,516	-1,653
Gross profit on sales	131	162	187	217	309	340	345	379	413
EBITDA	20	30	41	49	94	80	77	83	89
Selling costs	-111	-132	-146	-169	-215	-279	-290	-320	-348
Operating profit	16	24	29	37	79	61	54	60	65
Financial expenses net	6	0	2	-2	-1	-9	-8	-8	-8
Pre-tax profit	21	24	30	35	78	51	46	52	57
Income tax	-4	-11	-10	-3	-16	-12	-9	-10	-11
Net profit (loss) attributable to non-controlling interest	18	13	20	32	60	38	35	40	44
Net Profit (loss)	18	13	20	32	60	38	35	40	44
Balance Sheet	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Fixed assets	104	114	124	175	169	227	225	224	224
Intangible assets	46	47	40	89	87	88	88	89	89
Tangible assets	56	66	82	83	78	136	133	132	131
Other long-term assets	2	1	1	3	4	4	4	4	4
Current assets	170	186	223	207	450	488	521	580	639
Inventories	60	76	100	100	159	270	241	265	289
Receivables	27	39	44	50	78	101	103	114	124
Cash and cash equivalents	82	71	79	56	213	116	177	200	226
Other short-term assets	0	0	0	0	0	0	0	0	0
Total Assets	274	300	347	381	619	715	747	804	863
Equity capital	152	163	172	226	350	371	396	424	456
Long-term liabilities	8	7	15	14	35	95	97	100	104
Loans and borrowings	0	0	0	0	24	24	25	27	30
Trade liabilities and other	8	7	15	14	11	71	72	73	75
Short-term liabilities	114	130	160	141	233	249	254	279	303
Loans and borrowings	1	0	1	5	10	10	10	11	12
Employee benefit obligations	112	128	151	124	214	229	234	258	281
Trade liabilities and other	1	2	8	12	9	10	10	10	11
Total Equity & Liabilities	274	300	347	381	619	715	747	804	863
Cash flow statement	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Cash flow on operating activity	24	11	23	21	96	-54	97	59	64
Cash flow on investment activity	-38	-17	-3	-43	-22	-13	-14	-15	-15
Cash flow on financial activity	1	-5	-11	-3	81	-29	-23	-21	-23
Indicators (%)	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F
ROE	12.4%	8.5%	12.1%	16.1%	20.9%	10.5%	9.2%	9.6%	9.9%
Net Debt	-81.1	-70.8	-63.3	-32.7	-167.0	-10.0	-68.1	-86.7	-107.4

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 BUY recommendation means that the recommendation author thinks that company shares have the potential for at least a 10% price growth.

A HOLD recommendation means that the recommendation author thinks that company shares have the potential for growth between 0 and a 10%.

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Oponeo	1: NO, 2: NO, 3: NO, 4: NO, 5: NO, 6: NO, 7: NO, 8: NO, 9: NO

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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.
7. PKO BP's net long position exceeds 0.5% of the issuer's share capital.
8. PKO BP's net short position exceeds 0.5% of the issuer's share capital.
9. Employees involved in drafting the recommendation have a net long position or a net short position exceeding 0.5% of the issuer's share capital.

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The time and date stipulated on the front page of the report are the time and date of completing the process of drafting the Recommendation.

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".

Company	Recommendation	Date of reco.	Target price	Relevant Market Price*	Market cap. (PLN mn)	P/E			EV/EBITDA			Analyst
						2021	2022F	2023F	2021	2022F	2023F	
MLP Group	Buy	2022-04-05	97,00	73,80	1680,0	3,4	3,0	5,7	32,4	29,1	25,8	Piotr Zybala
Oponeo	Hold	2022-04-28	50,50	46,20	545,0	12,4	14,4	15,4	7,7	6,7	6,2	Adrian Skłodowski
Pekabex	Buy	2022-05-19	16,00	13,85	424,5	14,0	7,4	16,0	8,5	4,2	6,7	Piotr Łopaciuk
MLP Group	Buy	2022-09-01	98,00	71,20	1680,0	3,4	3,0	5,7	32,4	29,1	25,8	Piotr Zybala
Oponeo	Hold	2022-09-08	37,00	36,50	545,0	12,4	14,4	15,4	7,7	6,7	6,2	Piotr Łopaciuk
Pekabex	Buy	2022-10-20	15,00	11,55	424,5	14,0	7,4	16,0	8,5	4,2	6,7	Jakub Bronicki
Oponeo	Hold	2023-02-06	42,00	39,10	545,0	12,4	14,4	15,4	7,7	6,7	6,2	Piotr Łopaciuk

*at the time of publication