



A double-axle vehicle (SUMMARY)

We are maintaining our Hold recommendation and increasing our target price to PLN 86.0.

A lot of good has been happening recently at Oponeo. We have raised our result path for the next three years by approx. 22% on average.

In our opinion, Oponeo is still expanding its share in the Polish passenger car tyre market (now approx. 36% in our view), but its share in the growing online segment may be contracting slightly. Online sales on the market have probably already significantly exceeded 50% of total sales.

Gross sales profitability at Oponeo itself increased sharply in 2Q24 to the highest levels in years. Perhaps competitive pressure in the online market has eased somewhat. Coupled with the main owners' faith in the company (they increased their stake by 10pp in 1Q24), one might hope it is a fairly permanent change. However, nothing is really certain in such a volatile market.

Oponeo's subsidiary Dadelo (in which Oponeo holds a 59% share) is growing very well. Its performance is improving rapidly with revenue growth exceeding 50% and improving profitability. Dadelo is quickly expanding its market share (currently around 6%). Operating leverage has been significantly improving its performance. In 2024, Dadelo is expected to generate 17% of the group's EBIT (last year's profitability was close to zero). In 2025, the market should be supported by subsidies for electric bikes (which may increase the value of the whole market by around 10%). We expect Dadelo's results to improve much faster than Oponeo's.

The recent profitability hike is among key risks. We hope this change is fairly permanent, instead of triggered by better purchasing conditions (including the appreciation of the PLN). The same applies to Dadelo; in addition, the company is managing to maintain a high growth rate with a relatively high gross margin.

PLN mn	2022	2023	2024F	2025F	2026F
Revenues	1,695	1,872	2,025	2,231	2,408
EBITDA	82	87	119	129	140
EBIT	63	64	95	104	114
Net profit	41	54	63	70	76
P/E	14.8	8.8	14.2	12.9	11.8
P/BV	1.6	1.7	3.0	2.9	2.7
EV/EBITDA	5.9	7.1	8.4	7.9	7.3
EPS	2.92	4.85	5.63	6.19	6.75
DPS	1.36	2.00	5.00	5.50	6.00
FCF	-45	50	31	58	66
CAPEX	31	14	20	21	22

F - forecast by PKO BP Securities

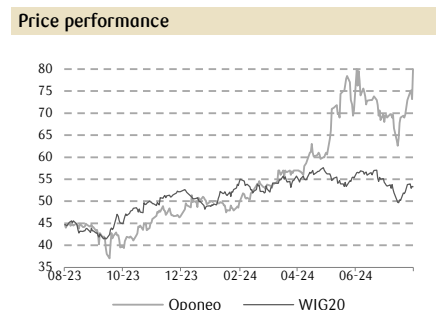
Key data	
Market price (PLN)	80.00
Upside	8%
No. of shares (mn)	11.24
Market Cap (PLNmn)	898.88
Free float	29%
Free float (PLNmn)	264
Free float (USDmn)	68
EV (PLNmn)	1,002.17
Net debt (PLNmn)	103.29

ESG	
ESG	7.5

Dividend	
Div yield	6.3%
Ex-div	21.06.2024

Major Shareholders	% of shares
Dariusz Topolewski	26.25
Ryszard Zawieruszyński	25.04
Oponeo	19.38
-	-

Previous recomm.	Date & target price	
Hold	10-05-24	63.50
Buy	23-08-23	51.00



	WIG20	Company
1 month	-3.3%	14.6%
3 months	-6.0%	32.0%
6 months	-1.9%	61.0%
12 months	19.4%	86.0%
Min 52 weeks PLN		37.00
Max 52 weeks PLN		80.00
Av. turnover/day PLN mn		0.25

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VALUATION

Our valuation is based on the DCF model. We have additionally presented a peer valuation, taking into consideration distribution companies. The DCF model consists of two phases. In the first phase (2024F-2027F) 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. Risk-free rate has been assumed at 5.5% which reflects the 10-year treasury bond yield. Beta has been assumed at 1.0x (due to a strong balance sheet). We have adopted an equity risk premium at 5.5%. We have discounted all free cash flows for the company as at 31 December 2024 and deducted the forecast net debt excluding leasing (adjusting for seasonal correction) and minority share. We have used the number of shares less treasury shares (the underlying assumption is that these shares will be redeemed and cancelled).

DCF model						
PLN mn	2023	2025F	2025F	2026F	2027F	2028F<
EBIT	63.9	94.9	103.7	113.8	125.0	128.2
Tax rate	19%	19%	19%	19%	19%	19%
NOPLAT	51.8	76.8	84.0	92.2	101.3	103.9
CAPEX	14.2	20.2	21.3	22.4	23.6	23.6
Depreciation	23.4	24.2	25.0	25.8	26.6	26.6
Leasing	10.5	15.5	15.8	16.9	18.1	18.1
Changes in working capital	0.5	34.4	13.9	12.1	13.4	8.9
FCF	50.0	30.9	58.0	66.5	72.8	79.8
WACC	0.0%	9.5%	9.5%	9.5%	9.4%	
Discount ratio		0.00	0.91	0.83	0.76	
DFCF		0.0	53.0	55.5	55.5	
Growth in Phase II	2.5%					
DFCF Sum - Phase I	164.0					
DFCF Sum - Phase II	888.8					
Enterprise Value (EV)	1,052.8					
Net debt	17.0					
Seasonal correction of net debt	40.0					
Minorities	-90.0					
Fair value	905.7					
Number of shares (million)	11.2					
Fair value per share as at 31.12.2022	80.6					
Target price in 12 mths (PLN)	86.0					
Current price	80.0					
Expected rate of return	7%					

Source: forecasts of PKO BP Securities



Financial Forecasts

Profit and loss account	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Sales of products, goods and materials	962	1,063	1,515	1,695	1,872	2,025	2,231	2,408	2,598
Costs of sold products, goods and materials	-775	-846	-1,205	-1,361	-1,501	-1,568	-1,727	-1,864	-2,007
Gross profit on sales	187	217	309	335	371	457	503	545	591
EBITDA	41	49	94	82	87	119	129	140	152
Selling costs	-146	-169	-215	-271	-307	-362	-400	-431	-466
Operating profit	29	37	79	63	64	95	104	114	125
Financial expenses net	2	-2	-1	-10	5	-7	-10	-11	-11
Pre-tax profit	30	35	78	53	69	87	94	103	114
Income tax	-10	-3	-16	-10	-14	-19	-18	-20	-22
Net profit (loss) attributable to non-controlling interest	20	32	60	41	54	63	70	76	83
Net Profit (loss)	20	32	60	41	54	63	70	76	83
Balance Sheet	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Fixed assets	124	175	169	258	262	276	288	301	316
Intangible assets	40	89	87	87	87	87	88	88	89
Tangible assets	82	83	78	167	172	185	196	209	223
Other long-term assets	1	3	4	3	4	4	4	4	4
Current assets	223	207	450	429	417	415	457	494	533
Inventories	100	100	159	242	261	294	323	349	377
Receivables	44	50	78	61	71	81	89	96	104
Cash and cash equivalents	79	56	213	126	85	41	45	48	52
Other short-term assets	0	0	0	0	0	0	0	0	0
Total Assets	347	381	619	687	679	692	745	795	849
Equity capital	172	226	350	364	288	300	314	330	349
Long-term liabilities	15	14	35	98	90	116	126	135	145
Loans and borrowings	0	0	24	21	17	41	50	58	66
Trade liabilities and other	15	14	11	78	73	74	76	77	79
Short-term liabilities	160	141	233	224	301	276	305	329	355
Loans and borrowings	1	5	10	12	53	16	20	23	26
Employee benefit obligations	151	124	214	202	228	238	262	283	305
Trade liabilities and other	8	12	9	10	21	21	22	23	24
Total Equity & Liabilities	347	381	619	687	679	692	745	795	849
Cash flow statement	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Cash flow on operating activity	23	21	96	-19	79	59	91	101	110
Cash flow on investment activity	-3	-43	-22	-28	-7	-20	-21	-22	-24
Cash flow on financial activity	-11	-3	81	-37	-112	-67	-57	-69	-75
Indicators (%)	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
ROE	12.1%	16.1%	20.9%	11.4%	16.7%	21.5%	22.6%	23.5%	24.4%
Net Debt	-63.3	-32.7	-167.0	-12.6	68.0	103.3	114.5	123.7	133.2

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

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

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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
						2023	2024F	2025F	2023	2024F	2025F	
Oponeo	Buy	2023-08-23	51,00	43,00	610,5							Piotr Łopaciuk
MLP Group	Buy	2023-09-08	115,00	78,20	1876,4							Piotr Zybala
Oponeo	Hold	2024-05-10	63,50	44,70	707,9							Piotr Łopaciuk
MLP Group	Buy	2024-05-28	110,00	80,00	1919,6	nm	9,0	5,8	19,4	20,9	17,5	Piotr Zybala
Oponeo	Hold	2024-08-23	86,00	80,00	898,9	8,8	14,2	12,9	7,1	8,4	7,9	Piotr Łopaciuk

*at the time of publication