

SFD

1Q23 results review

SFD reported its 1Q23 results broadly in line with our expectations with operating profit of PLN 6.1m (vs. our forecast PLN 5.9m) and net profit of PLN 4.2m (vs. our forecast PLN 4.6m). On positives we point at improvement of profitability (operating margin up by 1.6pp y/y) and solid operating cash flow (PLN 15.0m related to optimization of inventory). Below please find key highlights:

- **Revenues** came in at PLN 96.8m (+37% y/y, in line with monthly data). The company informed that e-commerce sales accounted for over 56% of total sales (vs. 55% in 1Q22) and amounted to ca. PLN 54m (+39% y/y). Average basket value in e-commerce increased by 10% y/y to PLN 159.
- **Gross profit** amounted to PLN 34.6m (+40% y/y), implying gross margin of 35.8% (+0.8pp y/y, below our expectation 36.5%). The management pointed that with lower cost of materials, it also decided to decrease its product prices.
- **EBITDA** reached PLN 6.9m (+74% y/y, broadly in line with our forecast PLN 7.0m). Operating costs increased by 35% y/y with cost of materials and external services higher by 44%/46% y/y, respectively. Salaries increased by 20% y/y to PLN 8.9m at that time. EBITDA margin amounted to 7.2% (+1.5pp y/y). Operating profit came in at PLN 6.1m (vs. our forecast PLN 5.9m).
- **Net profit** amounted to PLN 4.2m (vs. our forecast PLN 4.6m) with net financial costs of PLN 0.6m (vs. our assumption PLN 0.2m).
- The company had inventory of PLN 56.2m as of end-1Q23 (+13% y/y and -14% q/q). Inventory turnover ratio improved from 113 days as of end-4Q22 to 91 days as of end-1Q23 (in line with the management's previous target of 85-90 days).
- **Operating cash flow** amounted to PLN 15.0m (vs. PLN -1.6m in previous year). The company had net debt of PLN 14.2m (-42% q/q), resulting in ND/EBITDA ratio of 0.6x.

Opinion: Slightly positive. Although reported 1Q23 results were broadly in line with our expectations, we highlight improvement of EBITDA margin (driven by solid sales and operating leverage, especially in e-commerce) and solid operating cash flow (related to optimization of inventory level and improved cash conversion cycle). As a reminder, we forecast FY23E revenues of PLN 386m (+18% y/y) and EBITDA PLN 26.8m (+30% y/y).

Figure 1. SFD results summary (PLNm)

	1Q22	2Q22	3Q22	4Q22	1Q23	y/y	1Q23E
Revenues	70.8	91.0	81.7	83.1	96.8	37%	96.8
Operating costs	-67.0	-82.6	-77.8	-80.8	-90.5	36%	-90.9
Cost of materials and energy	-38.7	-50.6	-46.6	-49.0	-55.8	42%	-55.0
External services	-11.2	-14.6	-14.2	-15.5	-16.5	55%	-17.5
Salaries	-7.5	-8.1	-7.7	-7.9	-8.9	16%	-8.6
Cost of goods sold	-7.3	-6.8	-5.8	-5.7	-6.4	-11%	-6.5
Other	-2.8	-2.7	-3.6	-2.9	-3.2	18%	-3.3
EBITDA	4.0	9.0	4.7	3.1	6.9	76%	7.0
EBIT	3.3	8.2	3.8	2.2	6.1	81%	5.9
Pre-tax profit	3.1	7.9	3.3	2.1	5.5	82%	5.7
Net profit	2.3	6.0	2.9	1.6	4.2	104%	4.6
Gross margin (%)	35.0%	36.9%	35.9%	34.2%	35.8%		36.5%

Source: Company, IPOPEMA Research

E-commerce

SFD

BUY

FV PLN 4.15

9% downside

Price as of 15 May 2023 PLN 4.58

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NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value – price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

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Buy	9	90%
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Rating History – SFD

Date	Recommendation	Fair Value	Price at recommendation	Author
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13/12/2021	BUY	PLN 5.51	PLN 3.90	Marek Szymański
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