

SFD

4Q21 results review

SFD reported its 4Q21 results with EBIT of PLN 1.7m and net profit of PLN 1.0m, below our expectations (PLN 3.2m and PLN 2.5m, respectively), due to lower gross margin (-2.9pp y/y, and 1.7pp below our expectations). Below please find key highlights:

- **Revenues** reached PLN 61.7m (+26% y/y), in line with preliminary monthly results. The company reported that e-commerce sales accounted for 55% of total sales (vs. 70% reported in 4Q20), that was related to development of stationary stores and lower impact of COVID restrictions. In FY2021 SFD reported revenues of PLN 246m (+24% y/y) with e-commerce share of 61%.
- As of end-4Q21 the company had 21 own and 69 franchising stores.
- **Gross profit** came in at PLN 20.1m (+16% y/y), implying gross margin of 32.6% (-2.9% y/y and 1.7pp below our expectations). The company pointed at higher costs of materials (especially protein and creatine), while disruptions in supply chain resulted in ca. 10% shortage of inventory.
- **EBITDA** amounted to PLN 2.4m (-33% y/y and 39% below our expectations), mainly related to lower gross margin, but also increase of salaries and external services (+26% y/y and +27% y/y respectively), that was related to lower share of e-commerce sales.
- **Net profit** came in at PLN 1.0m (vs. PLN 2.2m in 4Q20 and our expectation of PLN 2.5m).
- As of end-4Q21, the company had inventory of PLN 38.7m (+22% y/y). Operating cash flow amounted to negative PLN 2.4m (vs. negative PLN 3.3m in 4Q20). As of end-4Q21, the company had net debt of PLN 8.5m (vs. PLN 2.4m as of end-3Q20 and PLN 12.4m as of end-4Q20).

Opinion: Negative, as reported 4Q21 results are significantly below our expectations due to lower gross margin related to pressure on cost of materials that may negatively affect profitability in the quarters ahead. FY2021 reported net profit amounted to PLN 11.9m, thus comparable y/y, despite 24% growth of revenues. What is more, the company points that due to supply disruptions, ca. 20% of its TOP500 assortment was unavailable, thus the company decided to end wholesale in Poland and limit sale to pharmacies (both accounted for ca. 6% of total sales in 2021). Given the above mentioned, we point at downside risks to our current forecasts.

Figure 1. SFD results summary (PLNm)

	4Q20	1Q21	2Q21	3Q21	4Q21	y/y	4Q21E	vs. IPOPEMA
Revenues	48.9	64.7	59.5	59.8	61.7	26%	61.7	0%
Operating costs	-45.9	-57.7	-55.3	-56.8	-60.1	31%	-58.5	3%
Cost of materials and energy	-23.4	-30.8	-29.5	-31.1	-34.7	48%	-31.6	10%
External services	-8.1	-10.2	-9.5	-9.5	-10.2	27%	-10.0	2%
Salaries	-4.8	-5.2	-6.0	-6.1	-6.1	26%	-6.1	-1%
Cost of goods sold	-8.1	-9.6	-8.2	-8.1	-6.9	-15%	-8.9	-22%
Other	-1.5	-2.1	-2.2	-2.1	-2.2	47%	-1.9	17%
EBITDA	3.5	7.4	4.7	3.6	2.4	-33%	3.9	-39%
EBIT	3.0	6.8	4.1	2.9	1.7	-43%	3.2	-47%
Pre-tax profit	2.9	6.8	4.0	2.9	1.4	-50%	3.2	-55%
Net profit	2.2	5.4	3.2	2.3	1.0	-54%	2.5	-61%
Gross margin (%)	35.5%	37.6%	36.6%	34.5%	32.6%		34.3%	

Source: Company, IPOPEMA Research

E-commerce

SFD

BUY

FV PLN 5.51

72% upside

Price as of 14 February 2022 PLN 3.20

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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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	Number	%
Buy	44	64%
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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