

SFD

4Q22 results review

SFD reported its 4Q22 results with EBIT of PLN 2.2m and net profit of PLN 1.6m (22% and 12% below our expectations, respectively) driven by a 35% y/y growth in revenues, improvement of gross margin by 1.6pp y/y and further pressure on operating costs (external costs up by 51% y/y). Below please find key highlights:

- **Revenues** reached PLN 83.1m (+35% y/y, 1% above already reported monthly data). We estimate that e-commerce sales increased by 18% y/y to ca. PLN 42m and accounted for 50% of total sales (-7pp y/y; 50% share in FY22). In 4Q22 the company has launched its sales in Austria. SFD had 31 own stores (+3 q/q) and 71 franchising stores (+4 q/q).
- **Gross profit** came in at PLN 28.4m (+41% y/y), implying gross margin of 34.2% (+1.6pp y/y, slightly below our expectation of 34.6%).
- **EBIT** came in at PLN 2.2m (+30% y/y, 22% below our expectations). Operating costs at that time increased by 35% y/y to PLN 80.8m (2% above our estimates), mainly driven by increase in external services (+51% y/y to PLN 15.5m) and salaries (+30% y/y to PLN 7.9m). EBITDA amounted to PLN 3.1m (+29% y/y).
- **Net profit** amounted to PLN 1.6m (+65% y/y, 12% below our expectations) with net financial costs of PLN 0.1m (vs. our assumption PLN 0.5m).
- SFD had **inventory** of PLN 65.1m as of end-4Q22 (+70% y/y). The increase in inventory is mainly related to low base (low availability of products in 4Q21 due to turmoils) and company's plan to secure future sales (+56% y/y growth in sales in January 2023).
- **Operating cash flow** amounted to PLN -1.5m (vs. PLN -2.4m in 4Q21). The company had **net debt** of PLN 24.6m as of end-4Q22 (+14% q/q), implying ND/EBITDA of 1.2x.
- The company expects improvement of gross margin in the coming quarters (driven by decrease in cost of materials), further development of product offer (new products in 1Q/2Q23).

Opinion: Neutral. The company reported 4Q22 results below our expectations (-18% on EBITDA and -12% on net profit levels, mainly due to higher external costs); however, we highlight y/y improvement of gross margin (+1.6pp y/y). We remind that SFD has already reported solid PLN 33m sales in January 2023 (+56% y/y) and plans to develop its product offer in 1Q/2Q23, what with improvement of gross margin should support financial results in the coming quarters.

Figure 1. SFD results summary (PLNm)

	4Q21	1Q22	2Q22	3Q22	4Q22	y/y	4Q22E
Revenues	61.7	70.8	91.0	81.7	83.1	35%	82.2
Operating costs	-60.1	-67.0	-82.6	-77.8	-80.8	35%	-79.4
Cost of materials and energy	-34.7	-38.7	-50.6	-46.6	-49.0	41%	-47.9
External services	-10.2	-11.2	-14.6	-14.2	-15.5	51%	-14.3
Salaries	-6.1	-7.5	-8.1	-7.7	-7.9	30%	-7.7
Cost of goods sold	-6.9	-7.3	-6.8	-5.8	-5.7	-18%	-5.9
Other	-2.2	-2.8	-2.7	-3.6	-2.9	34%	-3.7
EBITDA	2.4	4.0	9.0	4.7	3.1	29%	3.7
EBIT	1.7	3.3	8.2	3.8	2.2	30%	2.8
Pre-tax profit	1.4	3.1	7.9	3.3	2.1	47%	2.3
Net profit	1.0	2.3	6.0	2.9	1.6	65%	1.9
Gross margin (%)	32.6%	35.0%	36.9%	35.9%	34.2%		34.6%

Source: Company, IPOPEMA Research

E-commerce

SFD

HOLD

FV PLN 2.94

25% downside

Price as of 14 February 2023 PLN 3.90

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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.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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	Number	%
Buy	58	75%
Hold	16	21%
Sell	3	4%
Total	77	100%

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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