

SFD

## Growing the top line

We maintain a BUY recommendation on SFD and cut our FV from PLN 6.50 to PLN 5.51 per share. In 9M21 the company reported a net profit of PLN 10.9m (vs. PLN 9.8m reported in 9M20). Although revenues increased at that time by nearly 24% y/y and gross margin improved by 1.3pp y/y, operating margin was negatively affected by higher costs of materials and external services. In FY2021E we forecast SFD to reach revenues of PLN 242m (upgraded by 3%) and EBIT of PLN 17m (forecast down by 10%), while given sound top line growth (driven by the dietary nutrition segment and foreign expansion), we slightly upgrade our forecasts for FY2022E with revenues of PLN 282m and EBIT cut by 10% to PLN 20m. On our forecasts, SFD currently trades at a P/E of 13.1x in 2021E and PLN 10.5m in 2022E, while assuming a 30% payout ratio, we expect DPS of PLN 0.09/share from 2021E results (including proposed PLN 0.04/share of an advance dividend) and PLN 0.11/share from 2022E results.

### Growing scale of operations...

SFD reported 24% y/y growth of revenues in 9M21 (to PLN 184m). In the coming quarters, we expect the trend to be maintained and top line to be driven by growth of the dietary nutrition segment (in line with the market) and development of sales in foreign markets (already launched in Czechia and Slovakia). As a result, we slightly increase our forecasts to PLN 282m in 2022E (+17% y/y) and PLN 318m in 2023E (+13% y/y).

### ...supporting margins expansion

We note that the increasing scale of operations together with a more favourable sales mix (increasing the share of its own brand products) should support improvement in gross margins by SFD. Although profitability might be under pressure on increasing costs of materials and the USDPLN rate, we expect SFD to transfer the majority of the above-mentioned on to the final customer. As a result, we forecast gross margins to improve from 35.1% in 2020 to 35.8% in 2021E and 36.0% in 2022E. At the same time, we highlight increasing minimum wages and expansion on foreign markets to have a negative impact on profitability, though operating leverage should allow for slight improvement in 2022E.

### Valuation and dividend policy

On our forecasts SFD currently trades at a P/E of 13.1x in 2021E and 10.5x in 2022E. In our forecasts, we assume a 30% payout ratio, implying a DPS of PLN 0.09/share from 2021E net profit (including PLN 0.04/share proposed as an advance dividend) and PLN 0.11/share from 2022E results (DY of 2.3% and 2.9%, respectively).

Figure 1. SFD – Financial summary (PLNm)

	2019	2020	2021E	2022E	2023E	2024E
Revenues	142.3	196.9	241.9	282.4	318.3	349.6
EBITDA	5.5	16.6	19.2	24.2	28.7	32.3
EBIT	3.9	14.7	16.6	20.3	22.2	22.8
Net profit	2.4	11.5	13.1	16.3	17.5	18.1
P/E (x)	5.5	14.2	13.1	10.5	9.8	9.5
P/BV (x)	4.9	10.6	9.1	6.9	6.5	5.7
DPS (PLN)	0.00	0.04	0.06	0.09	0.11	0.12

Source: Company, IPOPEMA Research

Retail

## SFD

### BUY

FV PLN 5.51 from PLN 6.50

41% upside

Price as of 9 December 2021 PLN 3.90

BUY maintained



### Share data

Number of shares (m)	44.0
Market cap (EUR m)	37.2
12M avg daily volume (k)	17.7
12M avg daily turnover (EUR m)	0.02
12M high/low (PLN)	6.28/2.96
WIG weight (%)	n.a.
Reuters	SFDP.WA
Bloomberg	SFD PW

### Total performance

1M	-15.8%
3M	-26.1%
12M	24.6%

### Shareholders

Mateusz Dominik Pazdan	76.24%
Other	23.76%

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## SFD

## BUY

mkt Cap EUR 37m

FV PLN 5.51

Upside 41%

Valuation multiples	2020	2021E	2022E	2023E	2024E
P/E (x)	14.2	13.1	10.5	9.8	9.5
EV/EBITDA (x)	10.6	9.1	6.9	6.5	5.7
EV/Sales (x)	0.9	0.7	0.6	0.6	0.5
P/BV (x)	7.51	4.12	3.18	2.58	2.16
FCF yield (%)	9.3%	5.1%	11.1%	-3.2%	10.1%
DY (%)	1.3%	1.5%	2.3%	2.9%	3.1%

Per share	2020	2021E	2022E	2023E	2024E
No. of shares (m units)	42.2	44.0	44.0	44.0	44.0
EPS (PLN)	0.27	0.30	0.37	0.40	0.41
BVPS (PLN)	0.52	0.95	1.23	1.51	1.81
FCFPS (PLN)	0.36	0.20	0.43	-0.13	0.39
DPS (PLN)	0.05	0.06	0.09	0.11	0.12

Change y/y (%)	2020	2021E	2022E	2023E	2024E
Revenues	38.3%	22.8%	16.8%	12.7%	9.8%
EBITDA	205.2%	15.2%	26.3%	18.7%	12.3%
EBIT	274.7%	12.7%	21.9%	9.4%	2.9%
Net profit	374.1%	13.6%	24.5%	7.1%	3.7%

Leverage and return	2020	2021E	2022E	2023E	2024E
Gross margin (%)	35.1%	35.8%	36.0%	36.3%	36.5%
EBITDA margin (%)	8.5%	7.9%	8.6%	9.0%	9.2%
EBIT margin (%)	7.5%	6.9%	7.2%	7.0%	6.5%
Net margin (%)	5.9%	5.4%	5.8%	5.5%	5.2%
Net debt / EBITDA (x)	0.75	0.15	-0.16	0.53	0.34
Net debt / Equity (x)	0.57	0.07	-0.07	0.23	0.14
Net debt / Assets (x)	0.23	0.04	-0.04	0.11	0.08
ROE (%)	64.6%	41.3%	34.1%	28.9%	24.8%
ROA (%)	24.9%	19.9%	18.0%	14.5%	12.9%
ROIC (%)	39.0%	34.2%	34.7%	27.2%	21.4%

Assumptions	2020	2021E	2022E	2023E	2024E
<b>Revenues</b>	<b>196.9</b>	<b>241.9</b>	<b>282.4</b>	<b>318.3</b>	<b>349.6</b>
products and services	141.9	195.0	236.5	273.3	305.5
goods and materials	55.0	46.9	45.9	45.0	44.1

Cost/revenues	2020	2021E	2022E	2023E	2024E
<b>D&amp;A</b>	<b>1.0%</b>	<b>1.1%</b>	<b>1.4%</b>	<b>2.1%</b>	<b>2.7%</b>
Cost of materials and e	44.3%	50.1%	52.0%	53.3%	54.3%
External services	15.8%	16.0%	16.2%	16.4%	16.5%
Taxes	0.3%	0.4%	0.4%	0.4%	0.4%
Salaries	8.9%	9.6%	9.1%	8.8%	8.8%
Social benefits	1.5%	1.6%	1.5%	1.5%	1.5%
Other operating costs	0.1%	0.2%	0.2%	0.2%	0.2%
Cost of goods sold	20.6%	14.1%	12.0%	10.4%	9.2%

Cash conv. (days)	2020	2021E	2022E	2023E	2024E
<b>Inventory</b>	<b>68</b>	<b>66</b>	<b>65</b>	<b>64</b>	<b>63</b>
Receivables	102	100	98	96	95
Payables	8	8	8	7	7
Payables	42	41	40	40	39

P&L (PLN m)	2019	2020	2021E	2022E	2023E	2024E
Revenues	142.3	196.9	241.9	282.4	318.3	349.6
Operating costs	-138.0	-182.0	-224.9	-262.2	-296.2	-326.8
D&A	-1.5	-1.9	-2.5	-4.0	-6.6	-9.5
Cost of materials and energy	-55.6	-87.3	-121.1	-146.9	-169.7	-189.7
External services	-21.1	-31.1	-38.6	-45.7	-52.1	-57.6
Taxes	-0.4	-0.5	-1.0	-1.2	-1.3	-1.4
Salaries	-13.0	-17.5	-23.1	-25.8	-28.1	-30.7
Social benefits	-2.5	-2.9	-3.9	-4.3	-4.7	-5.2
Other operating costs	-0.2	-0.3	-0.4	-0.4	-0.5	-0.6
Cost of goods sold	-43.6	-40.5	-34.2	-34.0	-33.1	-32.2
Other operating income/cost	-0.4	-0.2	-0.4	0.0	0.0	0.0
<b>EBITDA</b>	<b>5.5</b>	<b>16.6</b>	<b>19.2</b>	<b>24.2</b>	<b>28.7</b>	<b>32.3</b>
<b>EBIT</b>	<b>3.9</b>	<b>14.7</b>	<b>16.6</b>	<b>20.3</b>	<b>22.2</b>	<b>22.8</b>
Financial income (cost) net	-0.8	-0.4	-0.2	-0.1	-0.6	-0.4
<b>Pre-tax profit</b>	<b>3.2</b>	<b>14.4</b>	<b>16.4</b>	<b>20.2</b>	<b>21.6</b>	<b>22.4</b>
Income tax	-0.7	-2.8	-3.3	-3.8	-4.1	-4.3
<b>Net profit</b>	<b>2.4</b>	<b>11.5</b>	<b>13.1</b>	<b>16.3</b>	<b>17.5</b>	<b>18.1</b>

BALANCE SHEET (PLN m)	2019	2020	2021E	2022E	2023E	2024E
<b>Non-current assets</b>	<b>13.9</b>	<b>14.4</b>	<b>21.9</b>	<b>23.1</b>	<b>50.8</b>	<b>56.3</b>
Goodwill and intangible assets	6.0	5.4	5.4	5.4	5.5	5.5
PP&E	5.7	6.8	14.2	15.5	43.2	48.6
LT investments	1.9	1.9	1.9	1.9	1.9	1.9
Other non-current assets	0.3	0.3	0.3	0.3	0.3	0.3
<b>Current assets</b>	<b>25.3</b>	<b>39.0</b>	<b>56.3</b>	<b>80.1</b>	<b>87.3</b>	<b>86.7</b>
Inventories	19.4	31.8	38.6	45.0	50.4	55.2
Trade receivables	4.2	3.8	4.7	5.5	6.2	6.8
Cash and equivalents	0.5	0.6	10.2	26.9	27.9	21.9
Other current assets	1.1	2.8	2.8	2.8	2.8	2.8
<b>Total assets</b>	<b>39.2</b>	<b>53.4</b>	<b>78.3</b>	<b>103.3</b>	<b>138.1</b>	<b>143.0</b>
<b>Equity</b>	<b>13.9</b>	<b>21.8</b>	<b>41.7</b>	<b>54.1</b>	<b>66.7</b>	<b>79.5</b>
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Provisions</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
<b>Non-current liabilities</b>	<b>2.3</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
Loans and borrowings	2.3	2.7	2.7	2.7	2.7	2.7
Other non-current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>22.5</b>	<b>28.5</b>	<b>33.5</b>	<b>46.1</b>	<b>68.4</b>	<b>60.4</b>
Trade payables	9.5	13.1	16.0	18.6	20.9	22.8
Loans and borrowings	11.2	10.3	10.3	20.3	40.3	30.3
Other current liabilities	1.8	5.1	7.2	7.2	7.2	7.2
<b>Equity &amp; liabilities</b>	<b>39.2</b>	<b>53.4</b>	<b>78.3</b>	<b>103.3</b>	<b>138.1</b>	<b>143.0</b>
Gross debt (PLN m)	13.6	13.0	13.0	23.0	43.0	33.0
<b>Net debt (PLN m)</b>	<b>13.1</b>	<b>12.4</b>	<b>2.8</b>	<b>-3.9</b>	<b>15.2</b>	<b>11.1</b>

CASH FLOW (PLN m)	2019	2020	2021E	2022E	2023E	2024E
<b>Operating cash flow</b>	<b>3.1</b>	<b>7.2</b>	<b>13.7</b>	<b>16.3</b>	<b>21.2</b>	<b>25.0</b>
Net income	2.4	11.5	13.1	16.3	17.5	18.1
D&A	1.5	1.9	2.9	4.0	6.6	9.5
Change in WC	-2.2	-6.6	-4.9	-4.5	-3.9	-3.4
Other	1.3	0.3	2.5	0.6	1.1	0.8
<b>Investment cash flow</b>	<b>-1.0</b>	<b>-1.4</b>	<b>-10.4</b>	<b>-5.2</b>	<b>-34.3</b>	<b>-14.9</b>
Change in intangible assets	0.6	0.6	-0.6	-0.6	-0.6	-0.6
Change in PP&E	-3.2	-3.0	-9.8	-4.5	-33.7	-14.3
Other	1.6	1.0	0.0	0.0	0.0	0.0
<b>Financial cash flow</b>	<b>-1.8</b>	<b>-5.7</b>	<b>6.4</b>	<b>5.5</b>	<b>14.0</b>	<b>-16.1</b>
Change in equity	0.0	0.0	9.3	0.0	0.0	0.0
Change in debt	0.0	-0.8	0.0	10.0	20.0	-10.0
Dividend	0.0	-2.1	-2.5	-3.9	-4.9	-5.2
Other	-1.8	-2.7	-0.3	-0.6	-1.1	-0.8
<b>Change in cash</b>	<b>0.3</b>	<b>0.0</b>	<b>9.6</b>	<b>16.7</b>	<b>1.0</b>	<b>-5.9</b>
<b>Cash as of eop</b>	<b>0.5</b>	<b>0.6</b>	<b>10.2</b>	<b>26.9</b>	<b>27.9</b>	<b>21.9</b>

Source: Company data, IPOPEMA Research

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# Valuation

We value SFD using the discounted cash flow method (75% weight) and discounted dividend method (weight of 25%). We add a multiples valuation for presentation purpose only.

**Figure 2. SFD – Valuation summary**

Valuation method	Weight (%)	FV (PLN/share)
DCF valuation	75%	5.77
DDM valuation	25%	4.73
Peer comparison	0%	4.70
<b>Fair value</b>		<b>5.51</b>
Current price		3.90
Upside/downside		41%

Source: Company, IPOPEMA Research

## DCF valuation

We base our DCF valuation on our free cash flow forecasts for 2021-31E. We apply a risk-free rate of 3.3-3.5% in forecasted years and 3.5% in terminal, equity risk premium at 5.0% and unlevered beta of 1.3x and assume a terminal growth rate of 3.0%.

**Figure 3. SFD – DCF valuation (PLNm)**

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	TV
Revenues	241.9	282.4	318.3	349.6	376.5	405.7	437.4	470.7	506.9	546.2	588.9	
EBITDA	19.2	24.2	28.7	32.3	35.0	38.2	41.4	45.7	50.4	55.6	61.3	
EBIT	16.6	20.3	22.2	22.8	24.6	26.1	27.1	31.1	33.8	39.5	46.3	
Tax on EBIT	-3.2	-3.8	-4.2	-4.3	-4.7	-5.0	-5.1	-5.9	-6.4	-7.5	-8.8	
NOPAT	13.5	16.4	17.9	18.5	19.9	21.1	21.9	25.2	27.4	32.0	37.5	
D&A	2.9	4.0	6.6	9.5	10.4	12.1	14.4	14.6	16.6	16.1	15.0	
Change in WC	-4.9	-4.5	-3.9	-3.4	-2.9	-3.2	-3.5	-3.7	-4.0	-4.3	-4.7	
Capex	-10.4	-5.2	-34.3	-14.9	-9.7	-15.6	-17.3	-14.6	-14.9	-17.0	-16.4	
<b>FCF</b>	<b>1.1</b>	<b>10.7</b>	<b>-13.7</b>	<b>9.7</b>	<b>17.7</b>	<b>14.4</b>	<b>15.5</b>	<b>21.5</b>	<b>25.1</b>	<b>26.8</b>	<b>31.4</b>	<b>34.0</b>
Discount factor (%)	100%	91%	83%	75%	69%	62%	57%	52%	47%	43%	39%	
FCF PV (PLNm)	1.1	9.7	-11.3	7.3	12.1	9.0	8.8	11.1	11.8	11.5	12.2	
FCF PV 2021-31E (PLNm)	83											
Residual growth rate (%)	3.0%											
Discounted residual value (PLNm)	186											
EV (PLNm)	269											
Dividend paid (PLNm)	3											
Net debt (PLNm)	12											
<b>Equity value (PLNm)</b>	<b>254</b>											
Number of shares(m)	44.0											
<b>FV (PLN)</b>	<b>5.77</b>											

		WACC (%)				
		9.1%	9.6%	10.1%	10.6%	11.1%
Residual growth rate (%)	2.0%	5.28	5.26	5.24	5.23	5.21
	2.5%	5.52	5.51	5.49	5.47	5.45
	3.0%	5.80	5.78	<b>5.77</b>	5.74	5.72
	3.5%	6.12	6.10	6.08	6.06	6.04
	4.0%	6.50	6.47	6.45	6.43	6.40

Source: Company, IPOPEMA Research

**Figure 4. SFD – WACC calculation**

WACC	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	TV
RFR	3.3%	3.4%	3.3%	3.3%	3.3%	3.3%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Beta leveraged	1.6	1.7	2.0	1.7	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of Equity	11.4%	12.1%	13.2%	12.0%	11.1%	10.4%	10.5%	10.4%	10.4%	10.3%	10.3%	10.3%
Debt risk premium	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	0.0%
After tax cost of debt	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.4%	4.4%	4.4%	4.4%	4.4%	5.5%
% D	23.8%	29.8%	39.2%	29.3%	19.7%	10.7%	9.4%	8.3%	7.3%	6.4%	5.6%	5.6%
% E	76.2%	70.2%	60.8%	70.7%	80.3%	89.3%	90.6%	91.7%	92.7%	93.6%	94.4%	94.4%
<b>WACC</b>	<b>9.7%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.9%</b>	<b>9.9%</b>	<b>9.9%</b>	<b>9.9%</b>	<b>9.9%</b>	<b>10.1%</b>

Source: Company, IPOPEMA Research

## DDM valuation

We value SFD using the DDM method based on our financial forecasts and assumptions regarding the dividend payout ratio. The company has established its dividend policy for 2020-22 with a dividend payout ratio of at least 20%. In the forecasted years, we assume a dividend payout ratio of 30%.

Figure 5. SFD – DDM valuation (PLNm)

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	TV
Net profit (PLNm)	13.1	16.3	17.5	18.1	19.8	21.2	22.1	25.6	28.0	32.9	38.7	39.9
change y/y	14%	25%	7%	4%	9%	7%	5%	16%	10%	17%	18%	3%
Pay-out ratio (%)	22%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	88%
<b>Dividend paid (PLNm)</b>	<b>2.5</b>	<b>3.9</b>	<b>4.9</b>	<b>5.2</b>	<b>5.4</b>	<b>5.9</b>	<b>6.4</b>	<b>6.6</b>	<b>7.7</b>	<b>8.4</b>	<b>9.9</b>	<b>34.0</b>
Equity (PLNm)	41.7	54.1	66.7	79.5	93.9	109.1	124.9	143.8	164.2	188.7	217.6	222.5
ROE (%)	41%	34%	29%	25%	23%	21%	19%	19%	18%	19%	19%	24%
Cost of equity (%)	11%	12%	13%	12%	11%	10%	11%	10%	10%	10%	10%	10%
Discount factor (%)	99%	89%	77%	71%	65%	61%	55%	50%	45%	41%	37%	
Discounted dividend payment (PLNm)	0.0	3.5	3.8	3.7	3.5	3.6	3.5	3.3	3.5	3.5	3.7	
Growth rate (%)		3%										
Discounted dividend payments 2021-30E (PLNm)		36										
Terminal value (PLNm)		462										
Discounted terminal value (PLNm)		173										
<b>Equity value (PLNm)</b>		<b>208</b>										
Number of shares (m)		44.0										
<b>FV/share (PLN)</b>		<b>4.73</b>										

Source: Company, IPOPEMA Research

## Peer comparison

We present a multiple valuation by comparing SFD to retail and e-commerce companies, based on the P/E, EV/EBITDA and EV/Sales multiples. Due to different business models and scale of operation, we give 0% weight to the method.

Figure 6. SFD – peer comparison

Company	mCap (PLNm)	P/E (x)			EV/EBITDA (x)			EV/Sales (x)		
		2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Xiamen Kingdonway Group	12,351	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Natural Food International Holding	607	14.0	9.0	7.7	4.0	2.5	1.8	0.2	0.2	0.1
NewTree Co.	724	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Naturhouse Group	531	8.7	8.3	7.7	4.2	4.0	3.6	1.5	1.4	1.3
Bellring Brands	13,929	26.4	24.1	19.0	29.4	26.0	22.4	3.1	2.8	2.5
Usana Health Sciences	7,995	16.8	16.2	15.5	n.a.	n.a.	n.a.	1.4	1.4	1.4
Herbalife Nutrition	17,092	7.7	7.4	6.3	n.a.	n.a.	n.a.	1.1	1.1	1.1
Median		14.0	9.0	7.7	4.2	4.0	3.6	1.4	1.4	1.3
<b>SFD</b>		<b>13.1</b>	<b>10.5</b>	<b>9.8</b>	<b>9.1</b>	<b>6.9</b>	<b>6.5</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>
Premium/discount (%)		-6%	17%	27%	116%	74%	81%	-50%	-57%	-54%
Implied FV/share (PLN)		4.2	3.3	3.1	1.8	2.3	2.0	7.8	8.9	8.9
<b>Average implied FV/share (PLN)</b>		<b>4.70</b>								

Source: Bloomberg, IPOPEMA Research

- **Xiamen Kindomway Group** produces and sells fortified food and feed additives.
- **Natural Food**, through its subsidiaries, processes and sells natural health food products made of grains, beans, nuts, dried fruits, and other natural ingredients.
- **NewTree** manufactures and sells collagen health food, weight loss health products, stomach health food, and others.
- **Naturhouse** provides retail sale of health related products promoting healthy eating, medicinal herbs and natural cosmetics.
- **Bellring Brands** produces nutritional items such as protein shakes, powders, bars.
- **Usana Health Sciences** develops, manufactures, and markets nutritionals, personal care, and weight management products.
- **Herbalife Nutrition** manufactures and sells weight management, meals and snacks, sports and fitness, energy, and nutritional products, personal care products.

## Financial forecasts

Figure 7. SFD – Change of financial forecasts (PLNm)

	2021E			2022E			2023E		
	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Revenues	241.9	235.1	3%	282.4	274.4	3%	318.3	308.9	3%
sale of products and services	195.0	188.7	3%	236.5	229.0	3%	273.3	264.4	3%
sale of goods and materials	46.9	46.3	1%	45.9	45.4	1%	45.0	44.5	1%
Operating costs	-224.9	-216.3	4%	-262.2	-251.8	4%	-296.2	-284.7	4%
D&A	-2.5	-2.6	-2%	-4.0	-4.5	-13%	-6.6	-7.8	-15%
Cost of materials and energy	-121.1	-113.6	7%	-146.9	-137.8	7%	-169.7	-159.1	7%
External services	-38.6	-38.0	2%	-45.7	-44.9	2%	-52.1	-51.1	2%
Taxes	-1.0	-1.2	-19%	-1.2	-1.4	-19%	-1.3	-1.6	-19%
Salaries	-23.1	-22.9	1%	-25.8	-25.5	1%	-28.1	-27.9	1%
Social benefits	-3.9	-3.9	-1%	-4.3	-4.4	-1%	-4.7	-4.8	-1%
Other operating costs	-0.4	-0.2	138%	-0.4	-0.2	138%	-0.5	-0.2	138%
Cost of goods sold	-34.2	-34.0	1%	-34.0	-33.1	3%	-33.1	-32.2	3%
Profit from operations	17.0	18.7	-9%	20.3	22.6	-10%	22.2	24.3	-9%
Other operating profit	0.4	0.2	124%	0.0	0.0	n.m.	0.0	0.0	n.m.
Other operating costs	-0.8	-0.5	55%	0.0	0.0	n.m.	0.0	0.0	n.m.
<b>EBITDA</b>	<b>19.2</b>	<b>21.0</b>	<b>-9%</b>	<b>24.2</b>	<b>27.1</b>	<b>-11%</b>	<b>28.7</b>	<b>32.0</b>	<b>-10%</b>
<b>EBIT</b>	<b>16.6</b>	<b>18.4</b>	<b>-10%</b>	<b>20.3</b>	<b>22.6</b>	<b>-10%</b>	<b>22.2</b>	<b>24.3</b>	<b>-9%</b>
Financial income	0.1	0.2	-48%	0.5	0.4	12%	0.5	0.5	4%
Financial cost	-0.3	-0.6	-46%	-0.6	-0.6	0%	-1.1	-1.1	0%
<b>Pre-tax profit</b>	<b>16.4</b>	<b>18.0</b>	<b>-9%</b>	<b>20.2</b>	<b>22.5</b>	<b>-10%</b>	<b>21.6</b>	<b>23.7</b>	<b>-9%</b>
Income tax	-3.3	-3.5	-6%	-3.8	-4.3	-10%	-4.1	-4.5	-9%
<b>Net profit</b>	<b>13.1</b>	<b>14.5</b>	<b>-9%</b>	<b>16.3</b>	<b>18.2</b>	<b>-10%</b>	<b>17.5</b>	<b>19.2</b>	<b>-9%</b>

Source: Company, IPOPEMA Research

## Risk factors

As major risk factors we point to:

- **Risk related to the cost of materials.** The company offers its own-branded and third-party-brand products, thus potential delays in deliveries or any increase in the cost of materials may result in higher product prices or lower margins.
- **Risk related to the competitive outlook.** The OTC drug and supplement market in Poland is still highly fragmented, thus any potential tightening of competitions, market consolidation, and lower positioning of SFD's websites on search platforms may negatively affect the company's revenue generation.
- **Risk related to health protection.** Potential changes in regulations may affect trade conditions and product offer. We note that the European Union is currently planning to introduce minimum and maximum doses of vitamins and minerals, which might negatively affect the company's operations (new regulations are planned to be introduced in 1Q24).
- **Risk related to the macroeconomic situation.** Potential slowdown might negatively affect demand on SFD's products and services.
- **Risk related to expansion on foreign markets.** The company has decided to launch its e-commerce platforms in Czechia and Slovakia, what might negatively affect operating costs (mainly in terms of logistics and marketing).
- **Risk related to FX rates.** The company's results depend on EUR and USD currencies (purchase of goods from the USA and sale of products in European countries).

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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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#### Rating History - SFD

Date	Recommendation	Fair Value	Price at recommendation	Author
07/09/2021	BUY	PLN 6.50	PLN 4.69	Marek Szymański
13/12/2021	BUY	PLN 5.51	PLN 3.90	Marek Szymański