

Pilulka.cz

Nothing to brag about

18 October 2023

Czech Republic

Retail

mm CZK	2022	2023E	2024E	2025E
Sales	2447	2221	2497	2819
% growth	3%	-9%	12%	13%
EBITDA	-1	-12	20	61
EBITDA margin	0,0%	-0,6%	0,8%	2,2%
NOPAT	-48	-62	-15	16
CAPEX	-77	-40	-27	-37
D&A	53	52	36	49
WACC	n.a.	11,4%	11,4%	11,4%
FCF	-115	-52	-7	20
Debt	85	84	83	82

The first half of this year has been quite underwhelming for Pilulka. Disappointing SPO has forced the company to exit the Romanian market and to introduce a series of cost saving measures. Additionally, **the financials are a huge disappointment, considering that together with the guidance they imply a 10% slide in revenue.** The planned CZK 2.2bn lags by CZK 400m behind guidance from SPO prospectus. This has significantly hit the growth thesis of Pilulka and has put even more emphasis on reaching profitability. Therefore, we are **again lowering the target price from CZK 362 to CZK 329 per share while switching the recommendation from REDUCE back to SELL.**

- ◆ Market environment for e-commerce continues to be influenced by inflation and by **a rising probability of the Czech GDP contraction.**
- ◆ Underwhelming SPO of new shares of Pilulka has necessitated **exiting the Romanian market** as well as introducing a series of cost saving measures.
- ◆ Results for 1H23 are highly unsatisfying and **have ended far behind the guidance introduced for SPO** (revenue CZK 2.2 bn vs CZK 2.6bn).
- ◆ The company puts the blame squarely on the breakup of its cooperation with Benefity Management (impact of CZK 300mm), however **this was already anticipated in February 2023.**
- ◆ IPO prospectus from 2021 guided for the revenue of CZK 3.4bn for the current year (**shortfall of CZK 1.2bn**).
- ◆ Slide in revenue **has hit the growth investment thesis of Pilulka** and will necessitate even stricter cost saving measures if the company wants to avoid another round of capital raise.
- ◆ We are currently expecting **the CAGR of PINK revenue to be around 8.5% between 2023 and 2032** reaching CZK 4.6bn in 2032.
- ◆ Our discount rate **WACC for the whole period is set at 11.4%.**
- ◆ Under certain favourable circumstances, funds from the SPO should still be sufficient, **we are not expecting additional funding rounds.**

With these in mind, we are lowering the target price of our DCF model **from CZK 362 to CZK 329 per share** which at the current market price of CZK 370 (-11%) corresponds to a **SELL recommendation.**

SELL

6M Target Price	329 CZK
Previous Target Price	362 CZK
6M Dividend	0 CZK
Current price	370 CZK
6M Total Return	-11%

ISIN CZ0009009874
Bloomberg PINK CP EQUITY

Market cap CZK 0,99bn
Dil. shares out. 2,67mn
Free float 32%

Performance **1M 3M 12M**
Absolute -2,1% -17,2% -52,4%
Rel. to PX Index -2,2% -20,7% -83,9%



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Patria uses an absolute rating system including terms such as Buy, Accumulate, Hold, Reduce and Sell (see definitions below).

Stock rating	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between -15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

Due to external factors and in exceptional cases, Patria allows the use of ratings such as Accept the Offer, Black Out, No Recommendation or Suspended.

Patria will provide periodic updates on companies/industries based on company-specific developments or announcements, market conditions or any other publicly available information.

Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	60%	0,00%
ACCUMULATE	20%	0,00%
HOLD	0%	0,00%
REDUCE	20%	0,00%
SELL	0%	0,00%

Recommendation History:

Financials

Erste Bank	2.9.22 (Buy; EUR 37), 6.9.21 (Buy; EUR 41), 26.8.20 (Buy; EUR 26), 2.4.20 (Under review), 17.10.17 (Accum; EUR 39), 14.3.16 (Accum; EUR 26.5), 21.9.15 (Buy; EUR 30), 30.4.15 (Buy; EUR 28), 26.1.15 (Buy; EUR 24)
Komerční Banka	2.9.22 (Buy; CZK 866), 6.9.21 (Buy; CZK 934), 24.5.21 (Buy; CZK 833), 3.6.20 (Buy; CZK 715), 2.4.20 (Under review), 30.4.19 (Accum; CZK 990), 28.6.18 (Accum; CZK 980), 8.11.16 (Reduce; CZK 820), 3.11.16 (Under review), 14.3.16 (Buy; CZK 1 140*), 23.11.15 (Buy; CZK 1 170*), 30.4.15 (Hold; CZK 1 120*)
Moneta	2.9.22 (Accum; CZK 85), 6.9.21 (Hold; CZK 92), 4.6.20 (Buy; CZK 72), 2.4.20 (Under review), 22.11.19 (Buy; CZK 86), 25.3.19 (Buy; CZK 83), 2.5.18 (Buy; CZK 86.8), 6.5.16 (Buy; CZK 83)
OTP Bank Nyrt.	2.4.20 (Under review), 8.1.20 (Akum; HUF 15,500), 26.6.19 (Akum; HUF 12,501)

* zohledněn split 1:5 (pře počítáno)

Utilities

CEZ	29.3.22 (Buy; CZK 1317), 23.2.21 (Under review), 8.4.20 (Buy; CZK 545), 12.7.18 (Reduce; CZK 526), 17.3.17 (Reduce; CZK 395), 15.10.15 (Accum; CZK 555), 10.4.14 (Hold; CZK 625), 23.3.14 (Hold; CZK 600), 12.2.14 (Hold; CZK 600)
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Consumer Staples

Philip Morris	30.9.20 (Under review), 8.10.19 (Accum; CZK 15 200), 13.10.15 (Hold; CZK 11 850), 17.2.15 (Hold; CZK 11 000), 17.10.14 (Buy; CZK 11 000), 19.9.14 (Accum; CZK 11 000)
Pilulka	18.10.23 (Sell; CZK 329); 30.6.23 (Reduce; CZK 362); 5.6.23 (Reduce; CZK 393); 10.10.22 (Sell; CZK 597); 19.5.22 (Sell; CZK 677); 11.11.21 (Sell; CZK 968); 30.3.21 (Sell; CZK 804)

IT

Avast	1.2.21 (Suspended), 22.9.20 (Hold; GBp 496), 26.2.20 (Accum; GBp 478), 3.10.19 (Buy; GBp 440), 24.9.18 (Buy; GBp 333)
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The company disclosures can be consulted on our website <http://www.patria.cz/stocks/research/recommendation.html>

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PINK	-

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