

# Pilulka.cz

## Clouds above e-commerce

19 May 2022

Czech Republic

Retail

mn CZK	2021	2022E	2023E	2024E
Sales	2380	2800	3372	4240
% growth	34%	18%	20%	26%
EBITDA	29	-5	16	51
EBITDA margin	1,2%	-0,2%	0,5%	1,2%
NOPAT	-14	-35	-20	8
CAPEX	-82	-50	-64	-67
D&A	35	31	38	44
WACC	n.a.	10,2%	10,2%	10,2%
FCF	-57	-34	-23	3
Debt	21	20	20	20

2021 has been a relatively successful year for Pilulka, marked with strong growth in its revenue (+35% yoy) and an EBITDA margin of 1.2%. Lowered guidance has not fully come to fruition and revenue has reached 2.38bn CZK (guidance 2.3bn CZK). On the other hand, **overall slowdown in e-commerce activity has crystallized in the guidance for this calendar year in which management expects the revenue to grow 18% yoy.** According to our estimates, in the next two years revenue will grow under long-term trend. Additionally, due to an increase in the risk-free rate, we had to raise the discount rate WACC from 9.3% to 10.2%. Therefore, we are lowering **the target price from 968 CZK to 677 CZK per share while keeping the SELL recommendation.**

- ◆ Year-over-year growth of revenue **has slowed down from 44% in 2020 to 34% yoy in 2021.** Nevertheless, expectations have been surpassed.
- ◆ **EBITDA has reached 29mn CZK (margin 1.2%)** exceeding our own expectations of 20mn CZK.
- ◆ Management has guided **to a revenue growth of 18% yoy for this year (2.8mn CZK)** which is in line with our own expectations.
- ◆ According to our updated forecasts, **the revenue CAGR between the years 2022 and 2031 will be around 13%** and revenue will reach 8.1bn CZK in 2031.
- ◆ Due to **an overall slowdown in e-commerce activity**, we are accounting for slower revenue growth for the next two years. 2024 and 2025 will be marked **with a return to an above-trend growth** that we normalize in subsequent years toward 3% in the terminal period.
- ◆ Valuation is also weighed down by **a higher discount rate WACC** which grew due to higher risk-free rate. We are applying the discount rate of 10.2 % (before 9.3%) for the whole model.
- ◆ **76% of the company's value remains in the terminal period**, which makes the valuation highly susceptible to any changes in WACC.

With these in mind, we are lowering the target price of our DCF model **from 968 CZK to 677 CZK per share** which at the current market price of 1,190 CZK (-43%) corresponds to a **SELL recommendation.**

### SELL

<b>6M Target Price</b>	<b>677 CZK</b>
Previous Target Price	968 CZK
6M Dividend	0 CZK
Current price	1190 CZK
<b>12M Total Return</b>	<b>-43%</b>

ISIN CZ0009009874  
Bloomberg PINK CP EQUITY

Market cap CZK 2.98bn  
Dil. shares out. 2.5mn  
Free float 32%

Performance	1M	3M	12M
Absolute	-7,4%	-17,8%	-10,7%
Rel. to PX Index	-7,1%	-13,6%	-35,7%



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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.

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Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	54,5%	0,00%
ACCUMULATE	9,1%	0,00%
HOLD	9,1%	0,00%
REDUCE	0,0%	0,00%
SELL	9,1%	0,00%

### Recommendation History:

Sektor	Doporučení (datum, cílová cena)
<b>Financials</b>	
Erste Bank	6.9.21 (Koupit; EUR 41), 26.8.20 (Koupit; EUR 26), 2.4.20 (V revizi), 17.10.17 (Akum; EUR 39), 14.3.16 (Akum; EUR 26.5), 21.9.15 (Koupit; EUR 30), 30.4.15 (Koupit; EUR 28), 26.1.15 (Koupit; EUR 24)
Komerční Banka	6.9.21 (Koupit, CZK 934), 24.5.21 (Buy, CZK 833), 3.6.20 (Koupit, CZK 715), 2.4.20 (V revizi), 30.4.19 (Akum, CZK 990), 28.6.18 (Akum, CZK 980), 8.11.16 (Redukovat, CZK 820), 3.11.16 (v revizi), 14.3.16 (Koupit; CZK 1 140*), 23.11.15 (Koupit, CZK 1 170*), 30.4.15 (Držet; CZK 1 120*)
Moneta	6.9.21 (Držet, CZK 92), 4.6.20 (Koupit, CZK 72), 2.4.20 (V revizi), 22.11.19 (Koupit, CZK 86), 25.3.19 (Koupit, CZK 83), 2.5.18 (Koupit, CZK 86.8), 6.5.16 (Koupit, CZK 83)
OTP Bank Nyrt.	2.4.20 (V revizi), 8.1.20 (Akum, HUF 15,500), 26.6.19 (Akum, HUF 12,501)
* zohledněn split 1:5 (přečítáno)	
<b>Utilities</b>	
CEZ	23.2.21 (V revizi), 8.4.20 Koupit; CZK 545), 12.7.18 (Redukovat; CZK 526), 17.3.17 (Redukovat; CZK 395), 15.10.15 (Akum; CZK 555), 10.4.14 (Držet; CZK 625), 23.3.14 (Držet; CZK 600), 12.2.14 (Držet; CZK 600)
<b>Consumer Staples</b>	
Philip Morris	30.9.20 (V revizi), 8.10.19 (Akum; CZK 15 200), 13.10.15 (Držet; CZK 11 850), 17.2.15 (Akum; CZK 11 000), 17.10.14 (Koupit; CZK 11 000), 19.9.14 (Akum; CZK 11 000),
Pilulka	19.5.21 (Prodat; CZK 677); 11.11.21 (Prodat; CZK 968); 30.3.21 (Prodat; CZK 804)
<b>IT</b>	
CD Projekt	12.05.21 (Koupit; PLN 217), 21.12.20 (Koupit; PLN 303), 15.1.20 (Prodat; 229), 18.12.2019 (V revizi), 15.05.19 (Prodat; PLN 159), 28.6.18 (Držet; PLN 149), 9.4.18 (Koupit; PLN 133)
Avast	1.2.21 (Suspendováno), 22.9.20 (Držet GBp 496), 26.2.20 (Akumulováno GBp 478), 3.10.19 (Koupit; GBp 440), 24.9.18 (Koupit; GBp 333)

The company disclosures can be consulted on our website <http://www.patria.cz/stocks/research/recommendation.html>

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