

## Asbis

Valuation range: PLN 948-1,080 mn

### Record high earnings ahead

We are upgrading our valuation range of Asbis to PLN 948-1080mn on the back of higher EBITDA estimates for 2021-2024. Our updated earnings forecasts reflect higher sales and profitability relative to our previous assumptions. We estimate 2021F EBITDA at USD 75mn (+23% y/y), USD 68mn (-10% y/y) in 2022F, and then moving to USD 65mn (-4% y/y) in 2023F.

#### Very good 4Q20 results and for the beginning of 2021

The company reported very strong 4Q20 results (revenue +30% y/y, net profit +166% y/y, and a record-breaking gross margin of 6.3%). High sales figures are also continuing this year. Monthly data released by the company are a source for optimism: sales grew by 32% y/y in January and by 36% y/y in February. We assume, however, that sales dynamics will be slowing down in the coming months to approx. 10% in 2H21 (primarily because of a high base).

#### The pandemic continues fueling sales

Lower mobility and limited consumption of services on the part of households in favour of e.g. consumer electronics, resorting to remote working and learning on a mass scale, and a growing demand for data centre solutions are just some of the key factors that will continue to boost Asbis's sales. Hence we see 2.4% revenue CAGR in 2020-2024F.

#### High forecasts for 2021

Our assumptions take into account 2021 forecasts released by the company (revenue at USD 2.7-2.9bn; net profit at USD 47-51m). However, given that we are still expecting a slowdown in demand following a period of intense purchases, we have assumed in our forecasts that this year's revenue will reach USD 2.74bn, with net profit at USD 46mn.

#### An attractive dividend

The company's solid cash position should allow it to pay out higher dividends than we have previously expected. Asbis's board recommended to general shareholders' meeting paying dividend of USD 0.20 per share from 2020 profits (dividend yield at 4.5%).

	2019	2020	2021F	2022F	2023F
Revenues	1,914.9	2,366.4	2,741.1	2,535.5	2,573.5
EBITDA	37.2	61.4	75.4	67.7	65.2
EBIT	33.2	57.1	70.6	62.5	59.6
Net profit	15.3	36.5	45.7	42.7	41.8
P/E	20.6	16.2	6.8	5.4	5.8
EV/EBITDA	7.8	9.6	6.8	5.9	5.7
FCF	15.9	-72.5	-1.3	76.6	39.3
CAPEX	2.9	4.4	8.0	8.6	9.2

Source: Company, PKO Securities

#### Key data

Stock price (PLN)	17.78
Number of shares	55.5
Market Cap (PLN mn)	987
Free float	63%
Free float (PLN mn)	622
EV 2020 (USD mn)	443
Net debt 2020 (USD mn)	195.0
Bloomberg	ASB PW Equity
ISIN	CY1000031710

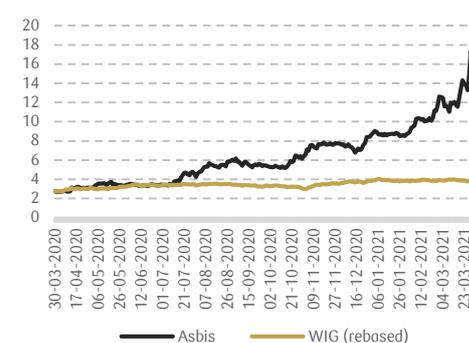
#### ESG Rating

ESG	7.1
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#### Major shareholders

KS Holdings Ltd	37%
-	-
-	-
-	-

#### Price chart



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## Asbis

### DCF model

Our valuation is based on the DCF model. Additionally, we have presented a comparative valuation, taking into consideration companies from the retail sector. The DCF model consists of two phases. In the first phase, for the years 2021-2025F, we forecast in detail all the key parameters required for company valuation, in particular the value of revenue, capital expenditure, cost level and balance sheet items. The second stage will begin after 2025F. In it, we have assumed a constant free cash flow growth rate at a level of 1.0% per year. We have applied a WACC-based discount rate. The risk-free rate has been adopted at 1.5%. Beta has been assumed at 2.0x (substantial sensitivity to declining margins, F/X exposure). We have adopted an equity risk premium of 5.5%. We have discounted all free cash flows for the company as at 31 December 2020 and deducted net debt.

#### DCF model

mUSD	2020	2021F	2022F	2023F	2024F	2025F
<b>EBIT</b>	<b>57.0</b>	<b>70.6</b>	<b>62.5</b>	<b>59.6</b>	<b>59.4</b>	<b>55.4</b>
Tax rate	18.3%	19.0%	19.0%	19.0%	19.0%	19.0%
<b>NOPLAT</b>	<b>46.6</b>	<b>57.2</b>	<b>50.6</b>	<b>48.3</b>	<b>48.2</b>	<b>44.9</b>
CAPEX	-4.4	-8.0	-8.6	-9.2	-9.3	-9.5
D&A	4.4	4.8	5.2	5.7	6.1	6.6
Changes in WC	119.1	55.3	-29.3	5.5	7.6	-9.8
<b>FCF</b>	<b>-72.5</b>	<b>-1.3</b>	<b>76.6</b>	<b>39.3</b>	<b>37.4</b>	<b>51.7</b>
WACC		9.7%	10.1%	10.3%	10.4%	10.9%
Discount ratio		0.91	0.83	0.75	0.68	0.61
<b>DFCF</b>		<b>-1.2</b>	<b>63.4</b>	<b>29.5</b>	<b>25.4</b>	<b>31.7</b>
Revenues dynamics in 2025		-10%	-5%	0%	5%	
	5.3%	829	830	831	832	
	5.5%	941	<b>948</b>	<b>956</b>	963	
Gross margin in 2025	5.7%	1,052	<b>1,066</b>	<b>1,080</b>	1,094	
	5.9%	1,163	1,184	1,205	1,225	

**Valuation range (mnPLN) 948-1080**

Source: PKO BP Securities

Our DCF valuation indicates 12-month forward valuation range between PLN 948-1080mn.

## Asbis

### Peer comparison

The comparative valuation indicates that in the case of assuming the forecasts of PKO BP Securities, Asbis is traded at a discount in terms of P/E and EV/EBITDA.

In our view, AB is the best peer for Asbis, due to the direct competition in the CEE region (Poland, Czech Republic, and Slovakia).

#### Peers: multiples

Company	P/E			EV/EBITDA			Dividend yield (%)
	2020	2021F	2022F	2020	2021F	2022F	
AB SA	11.4	9.2	10.5	9.3	7.2	7.7	1.0
AVNET INC	29.2	20.8	14.5	11.9	10.8	9.6	2.0
ARROW ELECTRONICS INC	15.3	10.8	10.0	9.7	7.7	7.3	0.0
ELECTROCOMPONENTS PLC	27.4	33.3	25.3	18.6	20.5	15.8	1.9
WPG HOLDINGS LTD	11.0	10.3	9.8	13.9	12.9	11.6	6.2
REDINGTON INDIA LTD	14.1	12.1	10.2	5.6	4.9	4.4	2.2
DIGITAL CHINA GROUP CO LTD-A	17.7	11.9	8.8	14.6	11.3	8.8	-
ALSO HOLDING AG-REG	26.3	21.6	19.1	14.0	12.4	11.3	1.6
INSIGHT ENTERPRISES INC	16.3	14.3	12.9	11.0	9.6	8.9	-
DATATEC LTD	35.9	17.6	11.0	-	3.6	3.0	1.9
<b>MEDIAN</b>	<b>17.0</b>	<b>13.2</b>	<b>10.8</b>	<b>11.9</b>	<b>10.2</b>	<b>8.8</b>	<b>1.9</b>
<b>Asbis (PKO BP Securities)</b>	<b>6.8</b>	<b>5.4</b>	<b>5.8</b>	<b>6.8</b>	<b>5.9</b>	<b>5.7</b>	<b>4.5</b>
<b>Premium/discount to PKO BP Securities forecast</b>	<b>-60%</b>	<b>-59%</b>	<b>-46%</b>	<b>-43%</b>	<b>-42%</b>	<b>-36%</b>	<b>131%</b>

Source: based on Bloomberg consensus, PKO BP Securities

#### Asbis: Summary of comparative valuation

	2020	2021F	2022F	Average 2020-2022F
Asbis net profit forecast (USDm)	36.5	45.7	42.7	
Asbis EBITDA forecast (USDm)	61.4	75.4	67.7	
Peer companies: P/E median	17.0	13.2	10.8	
<b>Asbis Valuation (PLNm)</b>	<b>2,471.4</b>	<b>2,389.8</b>	<b>1,827.4</b>	<b>2,229.5</b>
Peer companies: EV/EBITDA median	11.9	10.2	8.8	
<b>Asbis Valuation (PLNm)</b>	<b>2,227.1</b>	<b>2,285.8</b>	<b>1,835.1</b>	<b>2,116.0</b>

Source: Bloomberg, PKO Securities

## Asbis

<b>Profit and loss account</b>	2017	2018	2019	2020	2021F	2022F	2023F	2024F
Sales of products, goods and materials	1,484.9	2,069.6	1,914.9	2,366.4	2,741.1	2,535.5	2,573.5	2,625.0
Costs of sold products, goods and materials	-1,408.2	-1,971.5	-1,810.7	-2,228.2	-2,577.7	-2,385.9	-2,425.5	-2,475.3
Gross profit on sales	76.7	98.1	104.1	138.3	163.4	149.6	148.0	149.6
<b>EBITDA</b>	<b>25.7</b>	<b>31.9</b>	<b>37.2</b>	<b>61.4</b>	<b>75.4</b>	<b>67.7</b>	<b>65.2</b>	<b>65.6</b>
Selling costs	-34.7	-46.0	-42.9	-48.5	-56.2	-52.0	-52.8	-53.8
General administrative expenses	-17.6	-22.7	-28.1	-33.1	-37.0	-35.5	-36.0	-36.7
Other operating income	-1.0	-0.1	0.1	0.4	0.4	0.4	0.4	0.4
Operating profit	23.4	29.3	33.2	57.1	70.6	62.5	59.6	59.4
Financial expenses net	-14.4	-14.2	-14.2	-12.4	-14.2	-9.7	-8.0	-6.2
Pre-tax profit	9.0	15.1	19.0	44.7	56.4	52.8	51.6	53.3
Income tax	-2.1	-3.1	-3.7	-8.2	-10.7	-10.0	-9.8	-10.1
Net profit (loss) attributable to non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (loss)	7.0	12.0	15.3	36.5	45.7	42.7	41.8	43.1
<b>Balance Sheet</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Fixed assets	28.4	29.2	33.3	37.1	40.6	43.8	47.3	50.5
Intangible assets	3.2	3.1	2.6	2.4	2.4	2.4	2.4	2.4
Tangible assets	24.5	25.3	29.7	32.7	35.9	39.3	42.8	46.0
Other long-term assets	0.7	0.9	1.0	1.9	2.2	2.1	2.1	2.1
Current assets	495.6	474.6	599.5	751.8	870.1	806.0	818.6	835.1
Inventories	145.0	180.2	266.0	277.6	321.1	298.2	303.2	309.4
Receivables	238.2	174.6	212.2	295.8	342.7	317.0	321.7	328.2
Other long-term assets	19.0	18.4	17.6	19.5	22.6	20.9	21.3	21.7
Cash and cash equivalents	93.4	101.4	103.7	158.9	183.7	169.9	172.4	175.9
Total Assets	523.9	503.8	632.8	788.9	910.6	849.8	865.9	885.7
Equity capital	94.5	99.2	108.2	135.6	171.9	203.5	235.3	269.6
<b>Liabilities</b>	<b>429.5</b>	<b>404.6</b>	<b>524.6</b>	<b>653.3</b>	<b>738.8</b>	<b>646.3</b>	<b>630.6</b>	<b>616.1</b>
<b>Long-term liabilities</b>	<b>0.6</b>	<b>0.7</b>	<b>4.5</b>	<b>6.8</b>	<b>7.4</b>	<b>5.8</b>	<b>5.3</b>	<b>4.7</b>
Loans and borrowings	0.2	0.1	3.3	5.7	6.2	4.7	4.1	3.6
Trade liabilities and other	0.4	0.6	1.1	1.0	1.2	1.1	1.1	1.2
<b>Short-term liabilities</b>	<b>428.9</b>	<b>403.9</b>	<b>520.1</b>	<b>646.5</b>	<b>731.3</b>	<b>640.5</b>	<b>625.3</b>	<b>611.4</b>
Loans and borrowings	136.5	146.6	136.3	212.4	243.6	182.2	160.9	139.3
Trade liabilities and other	253.0	208.1	321.3	336.0	388.7	359.8	365.8	373.3
Other	39.3	49.2	62.6	98.1	99.0	98.5	98.6	98.8
<b>Total Equity &amp; Liabilities</b>	<b>523.9</b>	<b>503.8</b>	<b>632.8</b>	<b>788.9</b>	<b>910.6</b>	<b>849.8</b>	<b>865.9</b>	<b>885.7</b>

## Asbis

<b>Cash flow</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Operating cash flow	42.1	18.7	33.6	41.9	29.6	83.2	56.1	54.7
Investment cash flow	-2.1	-3.1	-3.6	-4.8	-8.0	-8.6	-9.2	-9.3
Financial cash flow	-0.6	-3.4	-9.7	-1.8	-80.5	-78.7	-46.2	-44.4
<b>Other</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
DPS	0.03	0.11	0.11	0.17	0.20	0.18	0.16	0.18
Net debt	108.6	116.2	108.5	170.4	195.0	136.1	113.6	90.4

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##### Explanation of the specialist terminology used

min (max) 52 weeks: minimum (maximum) of the market share price during the previous 52 weeks

Capitalisation: product of the share market price and the number of shares

EV: sum of the company's capitalisation and net debt

free float (%): share of the total number of shares decreased by 5% stakes held by one shareholder and own shares held by the company in the total number of shares

Average trading/month: average trading per month calculated as total trading value over previous 12 months divided by 12

ROE: rate of return on equity

ROA: rate of return on assets

EBIT: operating profit

EBITDA: operating profit + depreciation and amortization

EPS: earnings per share

ESG: a non-financial measure used for evaluating companies on how advanced they are with sustainability. It consists of environmental, social, and governance factors. The more sustainable business, the higher the PKO Securities ranking (score scale: 1-10).

DPS: dividend per 1 share

CEPS: sum of net profit and depreciation and amortization per 1 share

P/E: quotient of share market price and EPS

P/BV: quotient of share market price and book value of one share

EV/EBITDA: quotient of capitalisation increased by the company's net debt and EBITDA

Gross sales margin: relation of gross sales profit to net sales proceeds

EBITDA margin: relation of the sum of operating profit and depreciation to net sales proceeds

EBIT margin: relation of operating profit to net sales proceeds

Net profitability: relation of net profit to net sales proceeds

#### Valuation methods applied

A PKO BP Securities valuation is based on at least two out of four valuation methods: DCF (discounted cash flow model), ratio analysis method (comparing the values of basic market ratios with similar ratios of other companies representing a given sector), sum of the parts of assets method (SOTP) and discounted dividends model. A disadvantage of the DCF and the discounted dividends model is their high sensitivity to adopted assumptions, including, in particular, those pertaining to determining the residual value. Furthermore, the discounted dividends model cannot be applied to the valuation of companies without a determined dividend policy. The advantages of both these methods include their independence from current market valuations of peer companies. On the other hand, the advantage of the ratio analysis is the fact that it is based on a measurable market valuation of a given sector. Its disadvantage lies in the risk that at any given time, the market might not value peer companies correctly. The sum of the parts method (SOTP) consists in summing up the values of various assets of the company, calculated using one of the above methods.

Analysis issued by PKO BP Securities are binding for a period of 12 months from their issue, unless they are updated in the meantime. PKO BP Securities updates analysis depending on the market situation and the analysts' subjective opinion.

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PKO BP Securities has the following connections with the Issuer:

Issuer:	Reservation
Asbis	3, 4, 5

#### Explanations:

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6. PKO BP Securities and PKO Bank Polski, whose organisational unit is PKO BP Securities, hold shares of the Issuer, which are the object of this analysis, in a total number constituting at least 5% of share capital.

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Excluding the above, no other contractual relations exist between the Issuer and DM PKO BP that could influence the objectivity of this Analysis.

#### Disclosures

The Analysis has not been disclosed to the Issuer.

#### Other disclosures

No person involved in preparing the report or any of their next of kin hold any functions on the governing bodies of the Issuer or a managerial position in the Issuer's organisation and no such person or their next of kin are party to any agreement with the Issuer concluded under the terms different from other agreements concluded between the Issuer and consumers. There are no people holding shares in the Issuer or financial instruments whose value is connected in any significant manner with the value of financial instruments issued by the Issuer among persons involved in drafting the analysis or persons who were not involved in drafting it, but who had or could have access to it.

PKO Bank Polski, its subsidiaries, representatives or employees may occasionally conclude transactions or be interested in purchasing financial instruments of companies which are indirectly or directly connected with the analysed company.

PKO BP Securities is bound by internal regulations managing conflicts of interests; in particular, these regulations determine internal organisational solutions and limitations regarding information flow to prevent uncontrolled information flow between respective organisational entities or PKO BP Securities' employees in order to prevent and avoid conflicts of interests regarding analysis; in particular, the Chinese wall procedure has been implemented. The internal organisational structure of PKO BP Securities ensures that respective kinds of brokering operations are executed separately.

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This Analysis has been drafted subject to due diligence to the best knowledge of the Recommending Entity; there exist no other connections between PKO BP Securities and the analyst drafting this Analysis on one part and the Issuer on the other.

The time and date stipulated on the front page of the report are the time and date of completing the process of drafting the Analysis.

The time and date of the first distribution of the Analysis are identical with the time and date of delivering this Analysis in electronic form to customers.

Whenever this Analysis quotes a price for the financial instrument, it will be understood as the closing price from the last trading day.