

## Asbis

Valuation range: PLN 1,638-1,931 mn

### Strong margins, high profits

Due to the upgraded financial forecasts for 2021-2026, we are increasing the valuation range for Asbis to PLN 1,638-1,931m. Our updated forecasts assume higher sales and profitability than previously anticipated. We assume EBITDA in 2021 at USD 110m (+79% y/y), in 2022: USD 106m (-4% y/y), in 2023: USD 104m (-2% y/y).

#### Very good results for H1 2021; strong sales in July

The company reported very good results for H1 2021 (revenue +60% y/y, net profit +538% y/y, record-breaking gross margin: 6.4% in Q1 '21, 6.9% in Q2 '21; vs. 5.1% in Q1 '20 and 5.8% in Q2 '20). Strong sales were also reported in July (+26% y/y). We assume that sales will slow down in the later months of the year, mainly due to a high base.

#### Forecast upgrades

In late August, the company decided to raise its forecasts for 2021. Asbis expects revenue to reach USD 2.9-3.1bn in 2021 (forecast from March: USD 2.7-2.9bn), and net profit to reach a hefty USD 71-74m (previously: USD 47-51m). We assume that the company will achieve USD 3.2bn in revenue and USD 71m in net profit this year, which is in line with Asbis's estimates. The significant upward revision to net profit forecasts despite a relatively modest increase in revenue forecasts is a result of record-high gross margins. However, we believe it may be difficult to maintain such a high margin in the long run, and we expect it to normalize in the coming years.

#### Strong consumer as the main sales growth driver

In our opinion, the sales support related to the increase in demand for remote work/learning equipment has weakened, and the current momentum is driven by strong demand for consumer goods. High demand, together with component shortages faced by the ICT equipment market, is resulting in higher prices and margins.

#### We assume a record-high dividend

We assume that the company's cash position will allow it to pay out a record-high dividend from this year's profits (we assume a dividend of USD 0.57 per share; including USD 0.17 DPS as an interim dividend to be paid this year).

|            | 2019    | 2020    | 2021F   | 2022F   | 2023F   |
|------------|---------|---------|---------|---------|---------|
| Revenues   | 1,914.9 | 2,366.4 | 3,181.1 | 3,499.2 | 3,604.2 |
| EBITDA     | 37.2    | 61.4    | 109.9   | 105.5   | 103.5   |
| EBIT       | 33.2    | 57.1    | 105.1   | 99.4    | 97.0    |
| Net profit | 15.3    | 36.5    | 70.8    | 65.7    | 65.0    |
| P/E        | 30.3    | 23.8    | 10.0    | 5.2     | 5.5     |
| EV/EBITDA  | 11.4    | 12.7    | 8.7     | 5.3     | 5.6     |
| FCF        | 15.9    | -72.5   | -3.2    | 32.8    | 63.0    |
| CAPEX      | 2.9     | 4.4     | 14.8    | 11.5    | 8.2     |

Source: Company, PKO Securities

#### Key data

|                        |               |
|------------------------|---------------|
| Stock price (PLN)      | 27.25         |
| Number of shares       | 55.5          |
| Market Cap (PLN mn)    | 1,512         |
| Free float             | 63%           |
| Free float (PLN mn)    | 953           |
| EV 2020 (USD mn)       | 600           |
| Net debt 2020 (USD mn) | 214           |
| Bloomberg              | ASB PW Equity |
| ISIN                   | CY1000031710  |

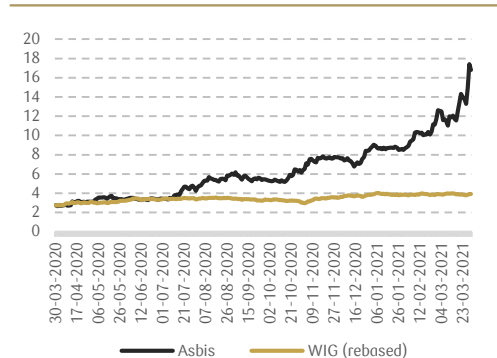
#### ESG Rating

|     |     |
|-----|-----|
| ESG | 7.0 |
|-----|-----|

#### 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 2021-2026F, 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 2026F. 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, uncertain outlook for demand, 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 2021 and deducted net debt.

#### DCF model

| mUSD                            | 2021F            | 2022F       | 2023F        | 2024F        | 2025F       | 2026F       |
|---------------------------------|------------------|-------------|--------------|--------------|-------------|-------------|
| <b>EBIT</b>                     | <b>105.1</b>     | <b>99.4</b> | <b>97.0</b>  | <b>94.4</b>  | <b>95.3</b> | <b>92.5</b> |
| Tax rate                        | 19.0%            | 19.0%       | 19.0%        | 19.0%        | 19.0%       | 19.0%       |
| <b>NOPLAT</b>                   | <b>85.1</b>      | <b>80.6</b> | <b>78.6</b>  | <b>76.4</b>  | <b>77.2</b> | <b>74.9</b> |
| CAPEX                           | -14.8            | -11.5       | -8.2         | -8.3         | -8.5        | -8.7        |
| D&A                             | 5.1              | 6.0         | 6.5          | 6.8          | 7.0         | 7.3         |
| Changes in WC                   | 78.7             | 42.4        | 13.9         | 4.7          | 4.9         | -0.1        |
| <b>FCF</b>                      | <b>-3.2</b>      | <b>32.8</b> | <b>63.0</b>  | <b>70.1</b>  | <b>70.8</b> | <b>73.6</b> |
| WACC                            |                  | 10.1%       | 10.2%        | 10.4%        | 10.5%       | 10.8%       |
| Discount ratio                  |                  | 0.91        | 0.82         | 0.75         | 0.68        | 0.61        |
| <b>DFCF</b>                     |                  | <b>29.7</b> | <b>27.0</b>  | <b>47.1</b>  | <b>47.4</b> | <b>43.2</b> |
| Revenues dynamics in 2026       |                  | -9.0%       | -3.0%        | 3.0%         | 9.0%        |             |
|                                 | 5.55%            | 1,376       | 1,396        | 1,416        | 1,436       |             |
|                                 | 5.85%            | 1,602       | <b>1,638</b> | <b>1,674</b> | 1,709       |             |
| Gross margin in 2026            | 6.15%            | 1,828       | <b>1,880</b> | <b>1,931</b> | 1,982       |             |
|                                 | 6.45%            | 2,054       | 2,121        | 2,188        | 2,254       |             |
| <b>Valuation range (mn PLN)</b> | <b>1638-1931</b> |             |              |              |             |             |

Source: PKO BP Securities

Our DCF valuation indicates 12-month forward valuation range between PLN 1,638-1,931mn.

## 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 (%) |
|-------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|
|                                                       | 2021F       | 2022F       | 2023F       | 2021F       | 2022F       | 2023F       |                    |
| AB SA                                                 | 7.8         | 7.0         | 6.4         | 6.2         | 5.7         | 5.4         | 0.7                |
| AVNET INC                                             | 15.5        | 8.5         | 8.3         | 9.9         | 6.2         | 6.4         | 2.5                |
| ARROW ELECTRONICS INC                                 | 8.4         | 7.9         | 8.0         | 6.3         | 6.0         | 6.4         | -                  |
| ELECTROCOMPONENTS PLC                                 | 36.3        | 26.7        | 23.4        | 22.7        | 16.9        | 15.1        | 1.5                |
| WPG HOLDINGS LTD                                      | 7.7         | 8.3         | 9.2         | 12.7        | 13.0        | 13.0        | -                  |
| REDINGTON INDIA LTD                                   | 16.3        | 10.8        | 9.5         | 6.9         | 5.5         | 4.9         | -                  |
| DIGITAL CHINA GROUP CO LTD-A                          | 13.2        | 10.2        | 7.8         | 13.8        | 11.4        | 9.3         | -                  |
| ALSO HOLDING AG-REG                                   | 20.7        | 18.6        | 16.9        | 12.7        | 11.6        | 10.7        | -                  |
| INSIGHT ENTERPRISES INC                               | 13.3        | 11.9        | 10.9        | 9.3         | 8.5         | -           | -                  |
| DATATEC LTD                                           | 23.3        | 17.9        | 13.3        | 4.3         | 3.6         | 3.2         | 2.1                |
| <b>MEDIAN</b>                                         | <b>14.4</b> | <b>10.5</b> | <b>9.3</b>  | <b>9.6</b>  | <b>7.3</b>  | <b>6.4</b>  | <b>1.8</b>         |
| <b>Asbis (PKO BP Securities)</b>                      | <b>5.5</b>  | <b>5.9</b>  | <b>6.0</b>  | <b>5.5</b>  | <b>5.8</b>  | <b>5.8</b>  | <b>5.3</b>         |
| <b>Premium/discount to PKO BP Securities forecast</b> | <b>-62%</b> | <b>-44%</b> | <b>-36%</b> | <b>-43%</b> | <b>-20%</b> | <b>-11%</b> | <b>201%</b>        |

Source: based on Bloomberg consensus, PKO BP Securities

#### Asbis: Summary of comparative valuation

|                                  | 2021F          | 2022F          | 2023F          | Average 2021-2023F |
|----------------------------------|----------------|----------------|----------------|--------------------|
| Asbis net profit forecast (USDm) | 70.8           | 65.7           | 65.0           |                    |
| Asbis EBITDA forecast (USDm)     | 109.9          | 105.5          | 103.5          |                    |
| Peer companies: P/E median       | 14.4           | 10.5           | 9.3            |                    |
| <b>Asbis Valuation (PLNm)</b>    | <b>3,975.5</b> | <b>2,691.8</b> | <b>2,371.5</b> | <b>3,012.9</b>     |
| Peer companies: EV/EBITDA median | 9.6            | 7.3            | 6.4            |                    |
| <b>Asbis Valuation (PLNm)</b>    | <b>3,279.4</b> | <b>2,131.5</b> | <b>1,786.0</b> | <b>2,399.0</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      | 3,181.1      | 3,499.2        | 3,604.2        | 3,640.2        |
| Costs of sold products, goods and materials                | -1,408.2     | -1,971.5     | -1,810.7     | -2,228.2     | -2,970.3     | -3,277.8       | -3,381.6       | -3,419.0       |
| Gross profit on sales                                      | 76.7         | 98.1         | 104.1        | 138.3        | 210.8        | 221.4          | 222.6          | 221.2          |
| <b>EBITDA</b>                                              | <b>25.7</b>  | <b>31.9</b>  | <b>37.2</b>  | <b>61.4</b>  | <b>109.9</b> | <b>105.5</b>   | <b>103.5</b>   | <b>101.1</b>   |
| Selling costs                                              | -34.7        | -46.0        | -42.9        | -48.5        | -65.8        | -73.5          | -75.7          | -76.4          |
| General administrative expenses                            | -17.6        | -22.7        | -28.1        | -33.1        | -40.1        | -49.0          | -50.5          | -51.0          |
| Other operating income                                     | -1.0         | -0.1         | 0.1          | 0.4          | 0.2          | 0.6            | 0.6            | 0.6            |
| Operating profit                                           | 23.4         | 29.3         | 33.2         | 57.1         | 105.1        | 99.4           | 97.0           | 94.4           |
| Financial expenses net                                     | -14.4        | -14.2        | -14.2        | -12.4        | -17.4        | -18.3          | -16.8          | -14.4          |
| Pre-tax profit                                             | 9.0          | 15.1         | 19.0         | 44.7         | 87.7         | 81.1           | 80.3           | 79.9           |
| Income tax                                                 | -2.1         | -3.1         | -3.7         | -8.2         | -16.9        | -15.4          | -15.2          | -15.2          |
| 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         | 70.8         | 65.7           | 65.0           | 64.7           |
| <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         | 47.4         | 53.1           | 54.8           | 56.5           |
| 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         | 42.4         | 47.8           | 49.5           | 51.1           |
| Other long-term assets                                     | 0.7          | 0.9          | 1.0          | 1.9          | 2.6          | 2.8            | 2.9            | 3.0            |
| Current assets                                             | 495.6        | 474.6        | 599.5        | 751.8        | 920.3        | 1,013.4        | 1,044.4        | 1,055.2        |
| Inventories                                                | 145.0        | 180.2        | 266.0        | 277.6        | 311.9        | 344.2          | 355.1          | 359.0          |
| Receivables                                                | 238.2        | 174.6        | 212.2        | 295.8        | 381.7        | 419.9          | 432.5          | 436.8          |
| Other long-term assets                                     | 19.0         | 18.4         | 17.6         | 19.5         | 26.3         | 28.9           | 29.8           | 30.1           |
| Cash and cash equivalents                                  | 93.4         | 101.4        | 103.7        | 158.9        | 200.4        | 220.5          | 227.1          | 229.3          |
| Total Assets                                               | 523.9        | 503.8        | 632.8        | 788.9        | 967.7        | 1,066.5        | 1,099.2        | 1,111.7        |
| Equity capital                                             | 94.5         | 99.2         | 108.2        | 135.6        | 185.8        | 220.3          | 255.8          | 291.3          |
| <b>Liabilities</b>                                         | <b>429.5</b> | <b>404.6</b> | <b>524.6</b> | <b>653.3</b> | <b>782.0</b> | <b>846.2</b>   | <b>843.4</b>   | <b>820.3</b>   |
| <b>Long-term liabilities</b>                               | <b>0.6</b>   | <b>0.7</b>   | <b>4.5</b>   | <b>6.8</b>   | <b>8.0</b>   | <b>8.7</b>     | <b>8.3</b>     | <b>7.6</b>     |
| Loans and borrowings                                       | 0.2          | 0.1          | 3.3          | 5.7          | 6.6          | 7.1            | 6.7            | 6.0            |
| Trade liabilities and other                                | 0.4          | 0.6          | 1.1          | 1.0          | 1.4          | 1.5            | 1.6            | 1.6            |
| <b>Short-term liabilities</b>                              | <b>428.9</b> | <b>403.9</b> | <b>520.1</b> | <b>646.5</b> | <b>773.9</b> | <b>837.6</b>   | <b>835.2</b>   | <b>812.8</b>   |
| Loans and borrowings                                       | 136.5        | 146.6        | 136.3        | 212.4        | 258.0        | 277.8          | 260.6          | 232.9          |
| Trade liabilities and other                                | 253.0        | 208.1        | 321.3        | 336.0        | 415.8        | 458.9          | 473.4          | 478.7          |
| Other                                                      | 39.3         | 49.2         | 62.6         | 98.1         | 100.1        | 100.9          | 101.1          | 101.2          |
| <b>Total Equity &amp; Liabilities</b>                      | <b>523.9</b> | <b>503.8</b> | <b>632.8</b> | <b>788.9</b> | <b>967.7</b> | <b>1,066.5</b> | <b>1,099.2</b> | <b>1,111.7</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        | 52.4         | 65.2         | 83.3         | 87.4         |
| Investment cash flow | -2.1        | -3.1        | -3.6        | -4.8        | -14.8        | -11.5        | -8.2         | -8.3         |
| Financial cash flow  | -0.6        | -3.4        | -9.7        | -1.8        | -100.3       | -48.6        | -73.4        | -78.4        |
| <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        | 0.37         | 0.56         | 0.53         | 0.53         |
| Net debt             | 108.6       | 116.2       | 108.5       | 170.4       | 213.7        | 228.9        | 209.6        | 180.6        |

|                                                              |                                                     |                           |                                   |
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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.

#### Connections which could influence the objectivity of Analysis

Entities associated with PKO BP Securities may, insofar as is legally permissible, participate or invest in financial transactions in relations with the Issuer, render services to or assist in rendering services to the Issuer or have the option to or conclude transactions on financial instruments issued by the Issuer ("financial instruments"). PKO BP Securities may, insofar as permissible under Polish law, conclude transactions on financial instruments before this instrument is presented to recipients.

PKO BP Securities has the following connections with the Issuer:

| Issuer: | Reservation |
|---------|-------------|
| Asbis   | 3, 4, 5     |

#### Explanations:

1. During the previous 12 months, PKO BP Securities was party to agreements on offering financial instruments issued by the Issuer or connected with assessing financial instruments issued by the Issuer. During the previous 12 months, PKO BP Securities was a member of a consortium offering financial instruments issued by the Issuer.
2. PKO BP Securities purchases and sells financial instruments issued by the Issuer in its own name, in order to perform service or investment underwriting agreements.
3. PKO BP Securities has the role of market animator for the Issuer's financial instruments under the terms stipulated in the Regulations of the Warsaw Stock Exchange.
4. PKO BP Securities has the role of the Issuer's animator for the Issuer's financial instruments under the terms stipulated in the Regulations of the Warsaw Stock Exchange.
5. PKO BP Securities and PKO Bank Polski, whose organisational unit is PKO BP Securities, are parties to an agreement on drafting analysis with the Issuer.
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

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#### Other disclosures

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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.