

**24/2020/GPW (98) July 30, 2020**

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Pilot Program. This is a translation of the Polish version of DM BOŚ SA's research report.

**Analyst:** Maciej Wewiórski

**Sector:** Consumer discretionary

**Fundamental rating:** Hold (→)

**Market relative:** Neutral (→)

**Price:** PLN 5.92

**12M EFV:** PLN 5.1 (→)

**Market Cap:** US\$ 119 m

**Bloomberg code:** TOA PW

**Av. daily turnover:** US\$ 0.02 m

**12M range:** PLN 3.32-6.90

**Free float:** 17%

# Toya

## 2Q20E financial results

According to our estimates, the Company should deliver good financial results in 2Q20. It is worth noting that stores selling construction and building materials stayed open during the lockdown. Besides, the construction materials sector data indicate that 2Q20 witnessed surprisingly strong interest in renovations. We believe that quite a few keen do-it-yourselfers threw themselves into renovations as the lockdown forced them to stay home. Based on these data we expect Toya's 2Q20 financial performance to be decent.

We forecast slightly positive sales dynamics yoy and expect the EBIT margin at 14% (flat yoy). Given the yoy higher sales and flat margin expected the Company is likely to deliver a higher NI than a year ago that we forecast at a moderate 8%.

We would like to point out that the visibility of our forecasts for 2Q20 is low due to the COVID-19 pandemic. The described above assumptions seem to be the most probable out of the possible scenarios we have taken into account.

### Guide to adjusted profits

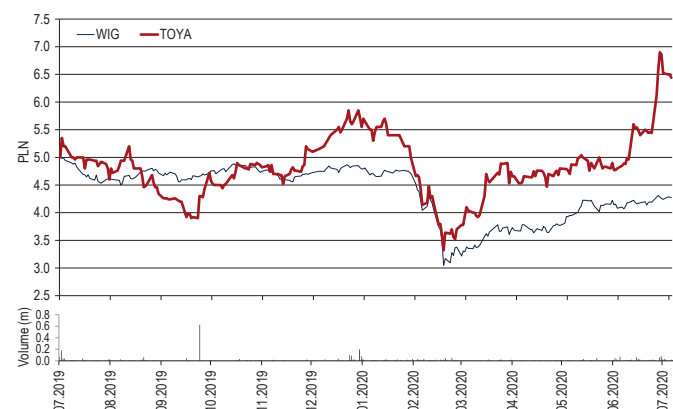
No factors necessitating adjustments.

### Key data

IFRS consolidated		2019	2020E	2021E	2022E
Sales	PLN m	440.0	382.5	387.2	391.0
EBITDA	PLN m	65.2	49.0	50.0	50.9
EBIT	PLN m	58.2	42.2	43.3	44.1
Net profit	PLN m	44.9	32.9	34.5	35.2
EPS	PLN	0.60	0.44	0.46	0.47
EPS yoy chg	%	2.5	-26.7	4.9	2.1
FCFF	PLN m	58.8	7.9	4.2	0.6
Net debt	PLN m	9.9	13.5	12.9	12.6
P/E	x	8.6	11.2	10.8	10.6
P/CE	x	7.7	9.2	9.0	8.7
EV/EBITDA	x	8.6	10.7	10.4	10.1
EV/EBIT	x	1.1	1.2	1.2	1.1
DPS	PLN	0.0	0.0	6.3	6.6
Gross dividend yield	%	0.00	0.00	0.37	0.39
No. of shares (eop)	m	75.0	75.0	75.0	75.0

Source: Company, DM BOŚ SA estimates

### Stock performance



Source: Bloomberg

**Tabela 1. Toya; 2Q20 results' forecast**

IFRS, consolidated (PLN m)	yoy chg		1-2Q20E		yoy chg		Realization of the full-year figures in 2Q:		Realisation of the full-year figures in 1-2Q:	
	2Q20E	2Q19	1-2Q20E	1-2Q19	2020E	2019	2020E	2019		
Sales	115.0	109.5	221.7	216.2	30%	25%	58%	49%		
EBITDA	18.3	17.3	35.0	33.9	37%	27%	71%	52%		
EBITDA margin	15.9%	15.8%	15.8%	15.7%	-	-	-	-		
EBIT	16.1	15.6	31.1	30.5	38%	27%	74%	52%		
EBIT margin	14.0%	14.2%	14.0%	14.1%	-	-	-	-		
Pre-tax profit	15.6	15.1	30.0	29.5	38%	27%	74%	52%		
Pre-tax margin	13.6%	13.8%	13.5%	13.6%	-	-	-	-		
Net profit	12.6	12.0	24.2	23.5	38%	27%	74%	52%		
Net margin	11.0%	10.9%	10.9%	10.9%	-	-	-	-		

Source: Company, DM BOŚ SA

## BASIC DEFINITIONS

**A/R turnover** (in days) =  $365/(\text{sales}/\text{average A/R})$   
**Inventory turnover** (in days) =  $365/(\text{COGS}/\text{average inventory})$   
**A/P turnover** (in days) =  $365/(\text{COGS}/\text{average A/P})$   
**Current ratio** =  $(\text{current assets} - \text{ST deferred assets})/\text{current liabilities}$   
**Quick ratio** =  $(\text{current assets} - \text{ST deferred assets} - \text{inventory})/\text{current liabilities}$   
**Interest coverage** =  $(\text{pre-tax profit before extraordinary items} + \text{interest payable})/\text{interest payable}$   
**Gross margin** =  $\text{gross profit on sales}/\text{sales}$   
**EBITDA margin** =  $\text{EBITDA}/\text{sales}$   
**EBIT margin** =  $\text{EBIT}/\text{sales}$   
**Pre-tax margin** =  $\text{pre-tax profit}/\text{sales}$   
**Net margin** =  $\text{net profit}/\text{sales}$   
**ROE** =  $\text{net profit}/\text{average equity}$   
**ROA** =  $(\text{net income} + \text{interest payable})/\text{average assets}$   
**EV** =  $\text{market capitalization} + \text{interest bearing debt} - \text{cash and equivalents}$   
**EPS** =  $\text{net profit}/\text{no. of shares outstanding}$   
**CE** =  $\text{net profit} + \text{depreciation}$   
**Dividend yield (gross)** =  $\text{pre-tax DPS}/\text{stock market price}$   
**Cash sales** =  $\text{accrual sales corrected for the change in A/R}$   
**Cash operating expenses** =  $\text{accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes}$

DM BOŠ S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

## KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:

**Buy** – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;  
**Hold** – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;  
**Sell** – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:

**Overweight** – expected to perform better than the benchmark (WIG) over the next quarter in relative terms  
**Neutral** – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms  
**Underweight** – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM BOŠ S.A.'s recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first.

Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

### Distribution of DM BOŠ's current recommendations

	Buy	Hold	Sell	Suspended	Under revision
Numbers	32	36	8	9	0
Percentage	38%	42%	9%	11%	0%

### Distribution of DM BOŠ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision
Numbers	28	34	14	9	0
Percentage	33%	40%	16%	11%	0%

## Banks

**Net Interest Margin (NIM)** =  $\text{net interest income}/\text{average assets}$   
**Non interest income** =  $\text{fees\&commissions} + \text{result on financial operations (trading gains)} + \text{FX gains}$   
**Interest Spread** =  $(\text{interest income}/\text{average interest earning assets})/(\text{interest cost}/\text{average interest bearing liabilities})$   
**Cost/Income** =  $(\text{general costs} + \text{depreciation})/(\text{profit on banking activity} + \text{other net operating income})$   
**ROE** =  $\text{net profit}/\text{average equity}$   
**ROA** =  $\text{net income}/\text{average assets}$   
**Non performing loans (NPL)** = loans in 'basket 3' category  
**NPL coverage ratio** =  $\text{loan loss provisions}/\text{NPL}$   
**Net provision charge** =  $\text{provisions created} - \text{provisions released}$

DM BOŠ S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the fundamental target fair P/E and target fair P/BV multiples method is its independence of the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc. Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

### Distribution of DM BOŠ's current recommendations for the companies which DM BOŠ has supplied with material investment services within the last 12 months

	Buy	Hold	Sell	Suspended	Under revision
Numbers	4	7	1	2	0
Percentage	29%	50%	7%	14%	0%

### Distribution of DM BOŠ's current market relative recommended weightings for the companies which DM BOŠ has supplied with material investment services within the last 12 months

	Overweight	Neutral	Underweight	Suspended	Under revision
Numbers	4	6	2	2	0
Percentage	29%	43%	14%	14%	0%

**LT fundamental recommendation tracker**

Analyst	Recommendation	Report date	Reiteration date	Distribution date	Expiry date	Performance	Relative performance	Price at issue/reiteration*	EFV (12 months)	
<b>Toya</b>										
Maciej Wewiórski	Buy	-	21.07.2019	-	22.07.2019	19.04.2020	-2%	32%	4.98	8.70 -
Maciej Wewiórski	-	→	-	30.07.2019	31.07.2019	-	-	-	5.00	8.70 →
Maciej Wewiórski	-	→	-	29.08.2019	30.08.2019	-	-	-	4.94	8.70 →
Maciej Wewiórski	-	→	-	01.09.2019	02.09.2019	-	-	-	4.94	8.70 →
Maciej Wewiórski	-	→	-	13.10.2019	14.10.2019	-	-	-	3.92	8.70 →
Maciej Wewiórski	-	→	-	23.10.2019	24.10.2019	-	-	-	4.52	8.70 →
Maciej Wewiórski	-	→	-	24.10.2019	25.10.2019	-	-	-	4.50	8.70 →
Maciej Wewiórski	-	→	-	11.11.2019	12.11.2019	-	-	-	4.86	8.70 →
Maciej Wewiórski	-	→	-	17.11.2019	18.11.2019	-	-	-	4.88	8.70 →
Maciej Wewiórski	-	→	-	03.12.2019	04.12.2019	-	-	-	4.68	8.40 ↓
Maciej Wewiórski	-	→	-	08.12.2019	09.12.2019	-	-	-	4.66	8.40 →
Maciej Wewiórski	-	→	-	09.01.2020	10.01.2020	-	-	-	5.45	8.40 →
Maciej Wewiórski	-	→	-	04.02.2020	05.02.2020	-	-	-	5.65	8.40 →
Maciej Wewiórski	-	→	-	05.02.2020	06.02.2020	-	-	-	5.70	8.40 →
Maciej Wewiórski	-	→	-	06.02.2020	07.02.2020	-	-	-	5.60	8.40 →
Maciej Wewiórski	-	→	-	03.03.2020	04.03.2020	-	-	-	4.48	8.40 →
Maciej Wewiórski	-	→	-	30.03.2020	31.03.2020	-	-	-	4.00	8.40 →
Maciej Wewiórski	Hold	↓	19.04.2020	-	20.04.2020	Not later than 19.04.2021	21%	10%	4.88	5.10 ↓
Maciej Wewiórski	-	→	-	22.04.2020	23.04.2020	-	-	-	4.74	5.10 →
Maciej Wewiórski	-	→	-	10.05.2020	11.05.2020	-	-	-	4.76	5.10 →
Maciej Wewiórski	-	→	-	19.05.2020	20.05.2020	-	-	-	4.72	5.10 →
Maciej Wewiórski	-	→	-	15.06.2020	16.06.2020	-	-	-	5.00	5.10 →
Maciej Wewiórski	-	→	-	13.07.2020	14.07.2020	-	-	-	5.50	5.10 →
Maciej Wewiórski	-	→	-	30.07.2020	31.07.2020	-	-	-	5.92	5.10 →

\* prices at issue/reiteration are the closing prices at the report or reiteration date

**Market-relative recommendation tracker**

Analyst	Relative Recommendation	Report date	Reiteration date	Distribution date	Expiry date	Price at issue/reiteration*	Relative performance
<b>Toya</b>							
Maciej Wewiórski	Neutral	-	21.07.2019	-	22.07.2019	13.07.2020	45%
Maciej Wewiórski	-	→	-	30.07.2019	31.07.2019	-	5.00 -
Maciej Wewiórski	-	→	-	29.08.2019	30.08.2019	-	4.94 -
Maciej Wewiórski	-	→	-	01.09.2019	02.09.2019	-	4.94 -
Maciej Wewiórski	-	→	-	13.10.2019	14.10.2019	-	3.92 -
Maciej Wewiórski	-	→	-	23.10.2019	24.10.2019	-	4.52 -
Maciej Wewiórski	-	→	-	24.10.2019	25.10.2019	-	4.50 -
Maciej Wewiórski	-	→	-	11.11.2019	12.11.2019	-	4.86 -
Maciej Wewiórski	-	→	-	17.11.2019	18.11.2019	-	4.88 -
Maciej Wewiórski	-	→	-	03.12.2019	04.12.2019	-	4.68 -
Maciej Wewiórski	-	→	-	08.12.2019	09.12.2019	-	4.66 -
Maciej Wewiórski	-	→	-	09.01.2020	10.01.2020	-	5.45 -
Maciej Wewiórski	-	→	-	04.02.2020	05.02.2020	-	5.65 -
Maciej Wewiórski	-	→	-	05.02.2020	06.02.2020	-	5.70 -
Maciej Wewiórski	-	→	-	06.02.2020	07.02.2020	-	5.60 -
Maciej Wewiórski	-	→	-	03.03.2020	04.03.2020	-	4.48 -
Maciej Wewiórski	-	→	-	30.03.2020	31.03.2020	-	4.00 -
Maciej Wewiórski	-	→	-	19.04.2020	20.04.2020	-	4.88 -
Maciej Wewiórski	-	→	-	22.04.2020	23.04.2020	-	4.74 -
Maciej Wewiórski	-	→	-	10.05.2020	11.05.2020	-	4.76 -
Maciej Wewiórski	-	→	-	19.05.2020	20.05.2020	-	4.72 -
Maciej Wewiórski	-	→	-	15.06.2020	16.06.2020	-	5.00 -
Maciej Wewiórski	Neutral	→	13.07.2020	-	14.07.2020	Not later than 13.07.2021	5.50 -
Maciej Wewiórski	-	→	-	30.07.2020	31.07.2020	-	5.92 -

\* prices at issue/reiteration are the closing prices at the report or reiteration date

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