

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program. 3.0.

71/2023/AR

February 3, 2023

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
Action	Buy	19.4	Neutral	Jakub K. Viscardi

Event: 4Q22 results' forecasts.

On April 26 Action will release its 4Q22 financial results. Based on reported monthly sales and gross margin on sales we forecast a single-digit yoy decline of revenues in 4Q22. Despite a high margin on sales maintained we expect a deterioration of 4Q22 operating figures due to falling revenues and growing pressure on a cost of sales.

Based on the reported data for October, November and December we forecast a 4% decline of revenues yoy to c. PLN 676.7 million; we expect decreasing sales of IT equipment on the one hand, while on the other a growth of sales of the remaining offer. In October/ November/ December Action reported a 7.5%/7.8%/8.0% gross margin on sales vs 7.8%/7.7%/7.7% a year ago (preliminary data). We assume that the final gross margin on sales in 4Q22 will be higher than the data reported monthly (which was the case in previous quarters) and we forecast it at 9.0% vs 9.1% in 4Q21.

Given (i) a 4% yoy decline of revenues expected (negative operating leverage effect), (ii) increasing pressure on a cost of sales (costs of logistics, packaging (stretch foil and cardboard) and of salaries) on the one hand with (i) positive effects of the ongoing restructuring and (ii) high gross margin on sales we forecast the Company's adj EBITDA at c. PLN 22.9 million (down 19% yoy) and adj EBITDA margin at 3.5% (down 0.6 pp yoy). Assuming D&A at c. PLN 2.2 million we expect 4Q22 adj EBIT to reach PLN 20.7 million (down 22% yoy). We expect the effective tax rate at 19% and thus forecast Action's 4Q22 NI to arrive at c. PLN 16.3 million (down 29% yoy).

Action; 4Q22 financial results preview

IFRS, consolidated (PLN million)	4Q22E			1-4Q22E			FY forecasts realized in:	
	4Q21	chg yoy	1-4Q21	1-4Q21	chg yoy	4Q22	4Q21	
Sales	676,7	706,4	-4%	2 369,1	2 307,1	3%	29%	31%
Gross profit on sales	60,6	64,0	-5%	207,8	201,7	3%	29%	32%
Gross profit margin on sales	9,0%	9,1%	-	8,8%	8,7%	-	-	-
EBITDA	22,9	34,7	-34%	62,3	124,3	-50%	37%	28%
EBITDA margin	3,4%	4,9%	-	2,6%	5,4%	-	-	-
Adj EBITDA	22,9	28,3	-19%	62,3	80,6	-23%	37%	35%
Adj EBITDA margin	3,4%	4,0%	-	2,6%	3,5%	-	-	-
EBIT	20,7	32,7	-37%	53,7	116,1	-54%	38%	28%
EBIT margin	3,1%	4,6%	-	2,3%	5,0%	-	-	-
Adj EBIT	20,7	26,3	-22%	53,7	72,4	-26%	38%	36%
Adj EBIT margin	3,1%	3,7%	-	2,3%	3,1%	-	-	-
PBT	20,1	32,5	-38%	56,2	113,6	-51%	36%	29%
PBT margin	3,0%	4,6%	-	2,4%	4,9%	-	-	-
Adj PBT	20,1	26,1	-23%	56,2	69,9	-20%	36%	37%
Adj PBT margin	3,0%	3,7%	-	2,4%	3,0%	-	-	-
NI	16,3	28,2	-42%	46,0	100,9	-54%	35%	28%
NI margin	2,4%	4,0%	-	1,9%	4,4%	-	-	-
Adj NI	16,3	23,0	-29%	46,0	59,7	-23%	35%	39%
Adj NI margin	2,4%	3,3%	-	1,9%	2,6%	-	-	-

Guide to adjusted profits: Profits adjusted for a release of a provision for VAT tax
 Source: Company, DM BOS SA

Given our 4Q22 results expectations we update our financial forecasts for 2022 and onwards (table below).

Action: DM BOS forecasts change

IFRS, consolidated (PLN million)	2022E			2023E			2024E		
	(current)	(previous)	chg	(current)	(previous)	chg	(current)	(previous)	chg
Sales	2 369,1	2 463,7	-4%	2 520,9	2 621,5	-4%	2 640,1	2 745,4	-4%
EBITDA	62,3	66,0	-6%	64,8	67,1	-4%	66,2	67,3	-2%
Adj EBITDA	62,3	66,0	-6%	64,8	67,1	-4%	66,2	67,3	-2%
EBIT	53,7	57,7	-7%	56,0	58,6	-4%	57,3	58,6	-2%
Adj EBIT	53,7	57,7	-7%	56,0	58,6	-4%	57,3	58,6	-2%
NI	46,0	48,1	-4%	43,9	46,0	-5%	45,1	46,2	-2%
Adj NI	46,0	48,1	-4%	43,9	46,0	-5%	45,1	46,2	-2%
Net debt	-16,5	-6,8	144%	-78,8	-71,3	10%	-131,6	-124,9	5%

Source: DM BOS SA

Expected impact: Depending on the divergence between reported results and our expectations.

The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.