DINO

Reuters: DNPP.WA Bloomberg: DNP PW

CEE Equity Research

Food retail, Poland
06/04/2022 09:34 CET

Good inflation hedge

Upgrade to Outperform, TP at PLN406

We are upgrading our recommendation to Outperform from Neutral with the Target Price of PLN406 pointing to the total return of 19.0%. We are increasing our 2022-23E EBITDA/net profit forecast by 2.1%/1.5% and 6.7%/7.2% following an update of our assumptions after 4Q21 results release. We think that rising food inflation should (1) boost FY22E LFL to record high levels, (2) help cover pressure from food PPI and opex inflation and (3) EBITDA margin should flatten y/y since 2Q22E. Our view is supported by Dino's guidance, which indicates a flattish y/y operating margin in 2022E. This implies sales/EBITDA growth at 35%/35% y/y in 2022E and 0.9x PEG (based on 2021-23E EPS CAGR), which we see attractive.

1H22E results preview. We expect Dino to report sales of PLN3,784mn (+37% y/y), EBITDA of PLN319.3mn (+32% y/y) and net profit of PLN190mn (+31% y/y) at 1Q22E. We see that increasing LFL (SANe 19.0% y/y) should drive up sales, while opex pressure should continue to drag down EBITDA margin (-40bps y/y). In 2Q22E, we expect sales of PLN4,507mn (+39% y/y), EBITDA of PLN450mn (+45% y/y) and net profit of PLN291mn (+49% y/y). We think that LFL should be even higher (20.5% y/y), boosted additionally by different calendar schedule of Easter (2Q22 vs. 1Q21). All in all, we increased sales/EBITDA/net profit forecast for 1H22 by 7.3%/10.7%/13.1%, respectively.

CPI and pressure on opex. We assume that surging food inflation should boost Dino's FY22E LFL to 16.7% y/y (vs. prior 10.6% y/y), which should help reduce inflationary pressure on opex reflected mainly in labour costs (+35% y/y or +11% per store). We also expect stabilization of food CPI/PPI spread, which means easing pressure on the gross margin in the forthcoming quarters. In this light, we expect operating margins to start flattening y/y since 2Q22E, which is line with company's guidance (flattish EBITDA margin y/y).

Refugee crisis. So far, over 2mn Ukrainians entered Poland following the Russian invasion of Ukraine, which represents (c. 5% of Poland's population) with further potential of increase if the war continues. We think that the majority of Ukrainians might stay in Poland for longer increasing potential consumption and labour supply in the mid/long term. We view all this as a considerable advantage for Consumer goods sector.

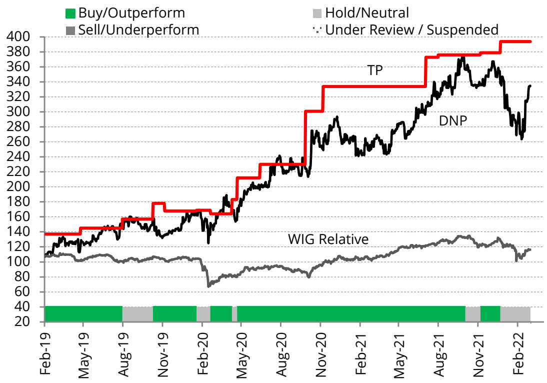
Valuation and risks. We are increasing our valuation by 3.0% to PLN406 (vs. prior PLN394). The DCF valuation decreased to PLN446/sh (down by 6%, 50% weight), while the comparable valuation is PLN365/sh (up by 16%, 50% weight) on rolling NTM profit forecasts. The DCF valuation went down due to higher WACC (8.7% vs. prior 8.1%). In the comparable valuation, we used 34x/21x target P/E & EV/EBITDA (10% discount to historical avg. P/E of 38x and avg. EV/EBITDA of 23x). We decreased discount to 10% (vs. prior 15%) due to faster growth (now at 21-23E EBITDA CAGR of 31% vs. prior 27%). Key downside risks to our TP include: a sudden slowdown in new stores rollout, same-store sales growth, increased competition from discounters, new government measures aiming at curbing rising food inflation, such as a regulatory cap on prices.

Dino: Financial summary (year to December)

PLNmn	2019	2020	2021	2022E	2023E	2024E
Revenue	7,647	10,126	13,362	17,985	23,571	29,321
EBITDA	725	1,036	1,271	1,714	2,277	2,862
EBIT	562	838	1,024	1,404	1,907	2,431
Net profit	411	644	805	1,086	1,494	1,920
P/E (x)	34.4	44.0	44.2	30.8	22.4	17.4
EV/EBITDA (x)	20.3	28.4	29.0	20.1	14.9	11.4
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Recommendation	Outperform
Price (PLN, 04 April 2022)	341.0
Target price (PLN, Dec'22)	406
Market cap. (PLNmn)	33,814
Free float (%)	49.0
Number of shares (mn)	98.0
Average daily turnover 3M (mn)	20.1
USDPLN	4.22



The chart measures performance against the WIG20 index.

Main shareholders	% of votes
Mr T. Biernacki	51.0
Free float	49.0

Source: stooq.pl

Company description

Dino is a FMCG retail stores operator under the 'Dino' brand in Poland.

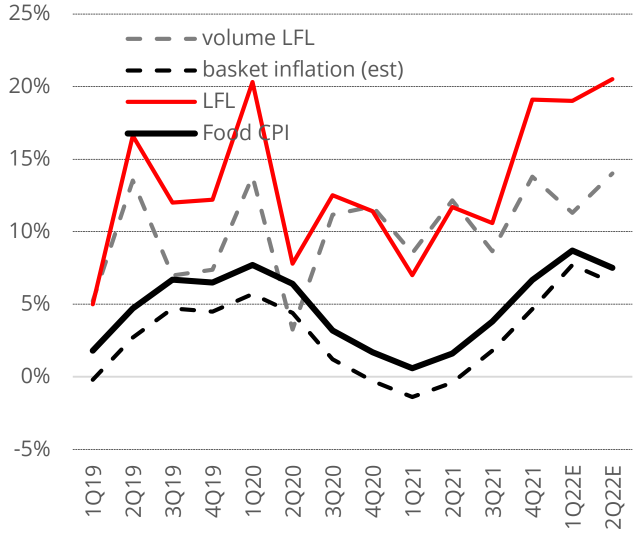
Analyst

Tomasz Sokolowski
Equity Analyst

+48 22 586 82 36 tomasz.sokolowski@santander.pl

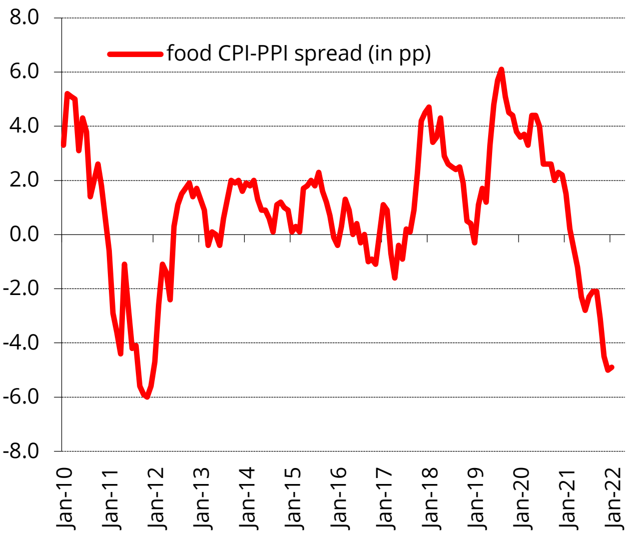
Equity story

Fig. 1. Food inflation drives LFL helping to cover pressure on opex due to rising PPI



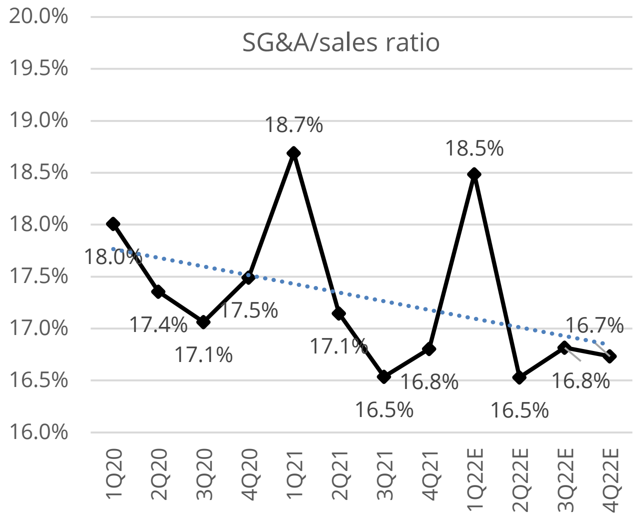
Source: Company data, CSO, Santander Brokerage Poland estimates

Fig. 2. Pressure on gross margin might stabilize in 1Q22E



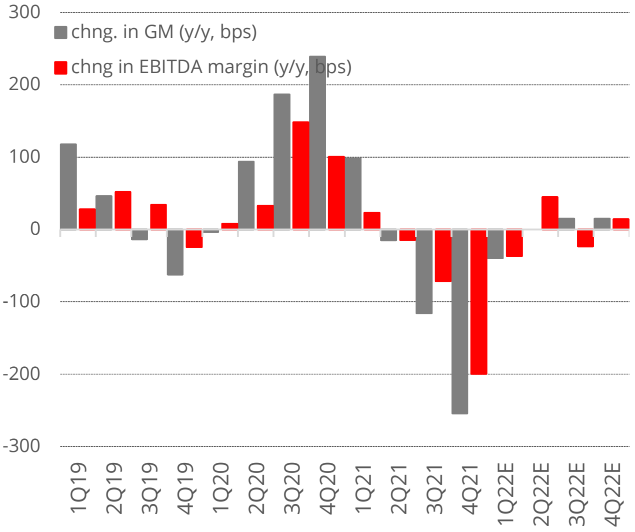
Source: CSO

Fig. 3. Strong LFL enables the operating leverage to work (lh) …



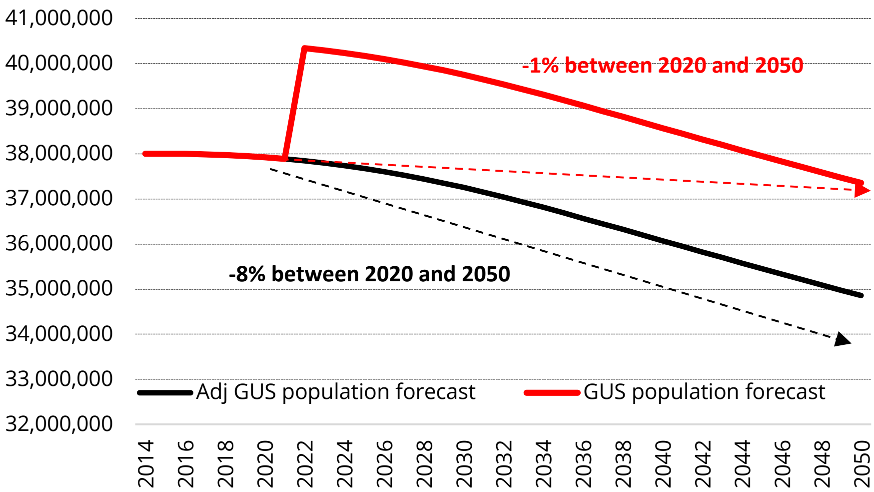
Source: Company data, Santander Brokerage Poland estimates

Fig. 4. … helping to stabilize margin in 2022E



Source: Santander Brokerage Poland estimates

Fig. 5. War refugees from Ukraine to Poland creates a considerable opportunity for future consumption and labour force availability



Source: Company data, Santander Brokerage Poland estimates

Santander

Financial forecasts

Fig. 6. Dino: Financial forecasts to 2024E

PLNmn, year to December	2019	2020	2021	2022E	2023E	2024E
Sales	7,647	10,126	13,362	17,985	23,571	29,321
chng.	31%	32%	32%	35%	31%	24%
number of stores	1,218	1,473	1,815	2,205	2,605	3,005
growth (x)	241	255	342	390	400	400
chng.	25%	21%	23%	21%	18%	15%
avg. number of stores	1,098	1,346	1,644	2,010	2,405	2,805
chng.	25%	23%	22%	22%	20%	17%
sales area (k sqm)	464	561	691	839	992	1,144
chng.	25%	21%	23%	21%	18%	15%
avg. sales area (k sqm)	418	512	626	765	915	1,068
chng.	25%	23%	22%	22%	20%	17%
sales per avg. store	7.0	7.5	8.1	8.9	9.8	10.5
chng.	4.5%	8.0%	8.0%	10.1%	9.5%	6.7%
sales per avg. sqm	18.3	19.8	21.4	23.5	25.7	27.5
chng.	4.5%	8.0%	8.0%	10.1%	9.5%	6.7%
LfL	11.8%	12.8%	12.6%	16.7%	15.2%	11.0%
Gross profit	1,861	2,604	3,324	4,474	5,899	7,368
gross margin	24.3%	25.7%	24.9%	24.9%	25.0%	25.1%
chng. in bps.	15	137	-84	0	15	10
opex	1,139	1,570	2,052	2,759	3,621	4,504
as % of sales	14.9%	15.5%	15.4%	15.3%	15.4%	15.4%
opex/avg. number of stores	1.0	1.2	1.2	1.4	1.5	1.6
chng.	4.0%	12.4%	7.0%	10.0%	9.7%	6.6%
D&A	164	198	247	310	370	431
profit on sales	559	836	1,024	1,405	1,908	2,433
chng.	31%	50%	23%	37%	36%	27%
margin	7.3%	8.3%	7.7%	7.8%	8.1%	8.3%
other operating profits	3	2	0	-1	-1	-1
EBIT	562	838	1,024	1,404	1,907	2,431
EBITDA	725	1,036	1,271	1,714	2,277	2,862
chng.	34.1%	42.8%	22.7%	34.8%	32.8%	25.7%
margin	9.5%	10.2%	9.5%	9.5%	9.7%	9.8%
chng. in bps	22	74	-72	2	13	10
EBITDA/avg. store	0.7	0.8	0.8	0.9	0.9	1.0
chng.	7.0%	16.5%	0.4%	10.3%	11.0%	7.8%

Source: Company data, Santander Brokerage Poland estimates

Fig. 7. Dino: Forecast changes

		2022E			2023E			2024E	
PLNmn	new	old	chng.	new	old	chng.	new	old	chng.
Sales	17,985	16,946	6.1%	23,571	21,321	10.6%	29,321	26,302	11.5%
EBITDA	1,714	1,680	2.1%	2,277	2,134	6.7%	2,862	2,659	7.7%
EBIT	1,404	1,371	2.4%	1,907	1,766	8.0%	2,431	2,230	9.0%
net profit	1,086	1,069	1.5%	1,494	1,393	7.2%	1,920	1,777	8.1%

Source: Santander Brokerage Poland estimates

Santander

Fig. 8. Dino: quarterly P&L forecast summary

PLNmn	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22E	2Q22E	3Q22E	4Q22E	2022E
Sales	**10,126**	**2,761**	**3,250**	**3,487**	**3,864**	**13,362**	**3,784**	**4,507**	**4,622**	**5,072**	**17,985**
chng.	32.4%	24.3%	31.8%	30.3%	39.8%	32.0%	37.0%	38.7%	32.6%	31.3%	34.6%
LFL	12.8%	7.0%	11.7%	10.6%	19.1%	12.6%	19.0%	20.5%	15.0%	13.0%	16.7%
sales/store (PLNmn)	6.9	1.8	2.0	2.0	2.1	7.4	2.0	2.3	2.2	2.3	8.2
chng.	9.5%	2.0%	5.8%	4.6%	13.5%	7.1%	11.6%	13.4%	8.8%	8.0%	10.8%
number of stores	1,473	1,532	1,623	1,707	1,815	1,815	1,881	1,984	2,080	2,205	2,205
chng. y/y	20.9%	21.9%	24.7%	24.5%	23.2%	23.2%	22.8%	22.2%	21.9%	21.5%	21.5%
Gross profit	**2,604**	**704**	**809**	**871**	**940**	**3,324**	**950**	**1122**	**1161**	**1241**	**4,474**
chng. y/y	39.9%	29.3%	31.0%	24.5%	26.6%	27.6%	34.9%	38.7%	33.4%	32.1%	34.6%
gross margin	25.7%	25.5%	24.9%	25.0%	24.3%	24.9%	25.1%	24.9%	25.1%	24.5%	24.9%
chng. y/y (bps)	137	98	-15	-116	-254	-84	-60	-63	23	-50	0
Operating costs	1,768	516	557	577	649	2,299	699	745	777	849	3,069
chng.	35.7%	29.0%	30.2%	26.3%	34.3%	30.1%	35.5%	33.6%	34.7%	30.7%	33.5%
opex/store (PLNmn)	1.2	0.3	0.3	0.3	0.4	1.3	0.4	0.4	0.4	0.4	1.4
chng.	12.2%	5.9%	4.5%	1.4%	9.0%	5.6%	10.3%	9.3%	10.5%	7.6%	9.9%
other op. profit	1.9	-0.7	-0.9	-1.1	2.2	-0.4	-0.9	-1.3	-1.4	2.9	-0.7
EBIT	837.9	187.8	250.7	292.9	292.7	1,024	250.4	375.8	382.8	395.4	1,404
D&A	198.1	55.0	59.2	64.9	68.2	247.3	68.9	74.5	81.1	85.3	309.8
EBITDA	**1,036**	**242.8**	**309.9**	**357.8**	**360.8**	**1,271**	**319.3**	**450.3**	**463.9**	**480.8**	**1,714**
chng.	42.8%	27.7%	29.8%	21.8%	15.2%	22.7%	31.5%	45.3%	29.7%	33.2%	34.8%
margin	10.2%	8.8%	9.5%	10.3%	9.3%	9.5%	8.4%	10.0%	10.0%	9.5%	9.5%
net financial costs	49	10	10	11	14	46	16	16	16	16	64
PBT	789.0	177.3	240.7	281.6	278.8	978.4	234.4	359.8	366.8	379.5	1340.5
tax	145	33	45	53	43	173	45	68	70	72	255
Net profit	**643.9**	**144.8**	**196.2**	**228.8**	**235.5**	**805.3**	**189.9**	**291.4**	**297.1**	**307.4**	**1,086**
chng.	56.7%	39.4%	32.5%	21.4%	15.7%	25.1%	31.1%	48.6%	29.9%	30.5%	34.8%
no. of shares	98.0	98.0	98.0	98.0	98.0	98.0	98.0	98.0	98.0	98.0	98.0
EPS	**6.6**	**1.5**	**2.0**	**2.3**	**2.4**	**8.2**	**1.9**	**3.0**	**3.0**	**3.1**	**11.1**
chng.	56.7%	39.4%	32.5%	21.4%	15.7%	25.1%	31.1%	48.6%	29.9%	30.5%	34.8%
margin	6.4%	5.2%	6.0%	6.6%	6.1%	6.0%	5.0%	6.5%	6.4%	6.1%	6.0%

Source: Company data, Santander Brokerage Poland estimates

Valuation

Fig. 9. Dino: Valuation summary

PLN/shr.	New	Previous	Change	weight
DCF	446	473	-5.7%	50%
Comparable valuation:	365	314	16.2%	50%
EV/EBITDA	355	306	15.8%	*50%*
P/E	376	323	16.6%	*50%*
Target price	**406**	**394**	**3.0%**	

Source: Santander Brokerage Poland estimates

DCF

Fig. 10. Dino: WACC calculation

Risk-free rate	3.0%
Unlevered beta	1.0
Levered beta	1.1
Equity risk premium	5.8%
Cost of equity	**9.4%**
Risk-free rate	3.0%
Debt risk premium	1.0%
Tax rate	19%
After tax cost of debt	**3.2%**
%D	12%
%E	88%
WACC	**8.7%**

Source: Santander Brokerage Poland estimates

Fig. 11. Dino: DCF analysis

PLNmn	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	**18,009**	**23,597**	**29,348**	**32,921**	**36,439**	**39,857**	**43,140**	**46,651**	**50,405**	**54,419**
EBITDA	1,715	2,278	2,863	3,185	3,497	3,793	4,071	4,365	4,675	5,004
EBIT	1,405	1,907	2,432	2,716	3,011	3,292	3,555	3,833	4,129	4,442
Cash taxes on EBIT	267	362	461	515	571	625	675	727	784	843
NOPAT	**1,138**	**1,545**	**1,970**	**2,200**	**2,440**	**2,667**	**2,880**	**3,106**	**3,345**	**3,599**
Depreciation	310	371	431	470	485	501	516	531	547	562
Change in operating WC	280	337	347	216	212	206	198	212	227	242
Capital expenditure	-1,545	-1,542	-1,643	-539	-550	-630	-570	-581	-665	-675
Free cash flow	**183**	**712**	**1,106**	**2,346**	**2,588**	**2,745**	**3,024**	**3,268**	**3,454**	**3,729**
FCF yield	**0.5%**	**2.1%**	**3.3%**	**6.9%**	**7.7%**	**8.1%**	**8.9%**	**9.7%**	**10.2%**	**11.0%**
WACC	8.7%									
PV FCF 2022-31E	13,296									
Terminal growth	3.0%									
Terminal Value (TV)	67,416									
PV TV	29,282									
Total EV	**42,579**									
Net debt	1,206									
Equity Value	**41,373**									
Month	4									
Equity Value (year-end)	**43,771**									
Number of shares (mn)	98.0									
YE target price (PLN)	**446**									
DPS	0									
YE TP (ex-div, PLN)	**446**									
Revenue growth	34.8%	31.0%	24.4%	12.2%	10.7%	9.4%	8.2%	8.1%	8.0%	8.0%
EBITDA growth	34.9%	32.8%	25.7%	11.3%	9.8%	8.5%	7.3%	7.2%	7.1%	7.0%
NOPAT growth	35.0%	35.8%	27.5%	11.7%	10.9%	9.3%	8.0%	7.8%	7.7%	7.6%
FCF growth	n.a.	288.0%	55.4%	112.1%	10.3%	6.1%	10.2%	8.1%	5.7%	8.0%
EBITDA margin	9.5%	9.7%	9.8%	9.7%	9.6%	9.5%	9.4%	9.4%	9.3%	9.2%
NOPAT margin	6.3%	6.5%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.6%	6.6%
Capex/Revenues	-8.6%	-6.5%	-5.6%	-1.6%	-1.5%	-1.6%	-1.3%	-1.2%	-1.3%	-1.2%
Change in WC/Revenues	1.6%	1.4%	1.2%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%

Source: Santander Brokerage Poland estimates

Comparable valuation

Fig. 12. Dino: Comparable valuation

PLNmn	Valuation	Description
EBITDA (NTM)	1,714	
Target EV/EBITDA	21x	We returned to 10% discount (vs. previous 15%) to 2017-21 avg. EV/EBITDA of 23x due to expected acceleration of LFL growth. We now see avg. 3Y CAGRs in sales in 2022-24E at 30% vs. prior 26% and 31% in 2017-21E.
Enterprise value	**35,960**	
(-) net debt (cash)	1,207	
Equity Value	**34,752**	
no. of shares (mn)	98	
Target Price (PLN)	**354**	

PLNmn	Valuation	
Net profit (NTM)	1,086	
Target P/E	34x	10% discount to 2017-21 avg. P/E at 38x – the same reason as for EV/EBITDA.
Equity Value	**36,871**	
no. of shares (mn)	98	
Target Price (PLN)	**376**	
Average	**365**	

Source: Santander Brokerage Poland estimates. Note we have decreased our discount from 15% to 10%

Financials

Fig. 13. Dino: Income statement forecasts

PLNmn	2019	2020	2021	2022E	2023E	2024E
Net sales	**7,647**	**10,126**	**13,362**	**17,985**	**23,571**	**29,321**
COGS	5,785	7,522	10,038	13,511	17,672	21,953
Gross profit	**1,861**	**2,604**	**3,324**	**4,474**	**5,899**	**7,368**
OPEX	1,139	1,570	2,052	2,759	3,621	4,504
depreciation	164	198	247	310	370	431
profit on sales	**559**	**836**	**1,024**	**1,405**	**1,908**	**2,433**
Other operating income, net	3	2	-0	-1	-1	-1
Operating profit	**562**	**838**	**1,024**	**1,404**	**1,907**	**2,431**
EBITDA	**725**	**1,036**	**1,271**	**1,714**	**2,277**	**2,862**
EBITDA adj.	725	1,036	1,271	1,714	2,277	2,862
Net financial costs (income)	59	49	46	64	63	61
Profit before tax	**502**	**789**	**978**	**1,341**	**1,844**	**2,370**
Income tax	92	145	173	255	350	450
Net profit	**411**	**644**	**805**	**1,086**	**1,494**	**1,920**
EPS	4.2	6.6	8.2	11.1	15.2	19.6
Gross profit margin	24.3%	25.7%	24.9%	24.9%	25.0%	25.1%
EBITDA margin	9.5%	10.2%	9.5%	9.5%	9.7%	9.8%
EBITDA adj. margin	9.5%	10.2%	9.5%	9.5%	9.7%	9.8%
EBIT margin	7.3%	8.3%	7.7%	7.8%	8.1%	8.3%
Pre-tax margin	6.6%	7.8%	7.3%	7.5%	7.8%	8.1%
net profit margin	5.4%	6.4%	6.0%	6.0%	6.3%	6.5%
Sales growth	31.0%	32.4%	32.0%	34.6%	31.1%	24.4%
Gross profit growth	31.8%	39.9%	27.6%	34.6%	31.9%	24.9%
EBITDA growth	34.1%	42.8%	22.7%	34.8%	32.8%	25.7%
EBITDA adj. growth	34.1%	42.8%	22.7%	34.8%	32.8%	25.7%
EBIT growth	31.0%	49.1%	22.2%	37.2%	35.8%	27.5%
Pre-tax profit growth	30.9%	57.0%	24.0%	37.0%	37.6%	28.5%
Net profit growth	33.6%	56.7%	25.1%	34.8%	37.6%	28.6%
EPS growth	33.6%	56.7%	25.1%	34.8%	37.6%	28.6%

Source: Company data, Santander Brokerage Poland estimates

Santander

Fig. 14. Dino: Balance sheet forecasts

PLNmn	2019	2020	2021	2022E	2023E	2024E
Current assets	**1,135**	**1,517**	**1,985**	**2,665**	**3,990**	**5,730**
cash and equivalents	395	481	420	558	1,229	2,296
accounts receivable	78	87	144	194	254	316
inventories	624	875	1,373	1,849	2,423	3,014
prepaid expenses	38	73	48	64	84	105
Fixed assets	**3,216**	**4,054**	**5,183**	**6,419**	**7,590**	**8,802**
PPE	2,847	3,749	4,911	6,076	7,245	8,455
intangibles	99	34	32	103	105	107
long-term receivables	18	21	35	35	35	35
Total assets	**4,351**	**5,571**	**7,169**	**9,084**	**11,580**	**14,533**
Current liabilities	**1,839**	**2,037**	**2,945**	**3,749**	**4,720**	**5,720**
bank debt	238	401	593	593	593	593
accounts payable	1,544	1,594	2,324	3,128	4,100	5,100
Deferred income	29	44	61	82	108	134
Long-term liabilities	**849**	**1,214**	**1,080**	**1,080**	**1,080**	**1,080**
bank debt	749	1,146	1,033	1,033	1,033	1,033
other long-term liabilities	100	68	47	47	47	47
Provisions	11	9	13	18	23	29
Equity	**1,622**	**2,267**	**3,070**	**4,156**	**5,650**	**7,570**
share capital	10	10	10	10	10	10
capital reserves	1,202	1,613	2,255	3,060	4,146	5,640
net income	411	644	805	1,086	1,494	1,920
Total liabilities and equity	**4,351**	**5,571**	**7,169**	**9,084**	**11,580**	**14,533**
ROCE (after goodwill)	28.9%	30.2%	26.9%	29.5%	33.8%	37.5%
Net debt	592	1066	1206	1067	397	-670
Net debt/EBITDA	0.8	1.0	0.9	0.6	0.2	-0.2

Source: Company data, Santander Brokerage Poland estimates

Fig. 15. Dino: Cash flow statement forecasts

PLNmn	2019	2020	2021	2022E	2023E	2024E
Cash flow from operations	**799**	**820**	**1,326**	**1,684**	**2,212**	**2,710**
Net profit	502	789	978	1,086	1,494	1,920
Provisions	1	1	3	5	5	6
Depreciation and amortization	164	198	247	310	370	431
Changes in WC, o/w	153	-96	205	279	337	347
inventories	-179	-251	-498	-475	-574	-591
receivables	0	-43	-25	-50	-60	-62
payables	332	198	728	804	972	1,000
Other, net	-21	-72	-107	5	6	6
Cash flow from investment	**-828**	**-1,000**	**-1,331**	**-1,545**	**-1,542**	**-1,643**
Additions to PPE and intangibles	-828	-1,001	-1,331	-1,545	-1,542	-1,643
Change in long-term investments	0	0	0	0	0	0
Other, net	0	0	1	0	0	0
Cash flow from financing	**155**	**266**	**-57**	**0**	**0**	**0**
Change in long-term borrowing	273	376	36	0	0	0
Change in short-term borrowing	0	0	0	0	0	0
Change in equity	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Other, net	-119	-110	-94	0	0	0
Net change in cash and equivalents	**126**	**86**	**-62**	**138**	**670**	**1,067**
Beginning cash and equivalents	269	395	481	420	558	1,229
Ending cash and equivalents	395	481	420	558	1,229	2,296

Source: Company data, Santander Brokerage Poland estimates

Santander Brokerage Poland

Jana Pawla II Avenue 17
00-854 Warszawa
fax. (+48) 22 586 81 09

Equity Research

Kamil Stolarski, CFA, *Head of Equity Research* *Strategy, Financials*	tel. (+48) 22 586 81 00	kamil.stolarski@santander.pl
Paweł Puchalski, CFA, *Equity Analyst* *Telecommunications, Metals & Mining, Power*	tel. (+48) 22 586 80 95	pawel.puchalski@santander.pl
Tomasz Krukowski, CFA, *Equity Analyst* *Oil&Gas, Pharma & Biotech, CEE Non-Financials*	tel. (+48) 22 586 81 55	tomasz.krukowski@santander.pl
Adrian Kyrcz, *Equity Analyst* *Construction, Real Estate, IT*	tel. (+48) 22 586 81 59	adrian.kyrcz@santander.pl
Tomasz Sokołowski, *Equity Analyst* *Consumer, E-commerce, Gaming*	tel. (+48) 22 586 82 36	tomasz.sokolowski@santander.pl
Michał Sopiel, *Equity Analyst* *Industrials, Chemicals, Quantitative Analysis*	tel. (+48) 22 586 82 33	michal.sopiel@santander.pl
Piotr Zielonka, CFA, *Equity Analyst* *Gaming*	tel. (+48) 22 534 16 10	piotr.zielonka@santander.pl
Marcin Działek, *Analyst* *Technical Analysis*	tel. (+48) 22 782 93 09	marcin.dzialek@santander.pl

Sales & Trading

Kamil Kalemba, *Head of Institutional Equities*	tel. (+48) 22 586 80 84	kamil.kalemba@santander.pl
Mateusz Choromański, CFA, Head of Sales *Securities Broker, Investment Advisor*	tel. (+48) 22 586 80 82	mateusz.choromanski@santander.pl
Alex Kamiński	tel. (+48) 22 586 80 63	alex.kaminski@santander.pl
Błażej Leśków, *Securities Broker*	tel. (+48) 22 586 80 83	blazej.leskow@santander.pl
Michał Stępkowski, *Securities Broker*	tel. (+48) 22 586 85 15	michal.stepkowski@santander.pl
Marek Wardzyński, *Securities Broker*	tel. (+48) 22 586 80 87	marek.wardzynski@santander.pl
Adam Mizera, *Securities Broker*	tel. (+48) 22 586 85 14	adam.mizera@santander.pl

DISCLOSURES

All of the views expressed in this report accurately reflect the personal views of the Analyst of Equity Research Team in Santander Brokerage Poland which is a separate organizational unit of Santander Bank Polska S.A. ("Santander Bank Polska"), who is the author of this report.
Santander Brokerage Poland emphasizes that this document is going to be updated at least once a year.

Santander Brokerage Poland acts as a market maker / liquidity provider, on principles specified in the Regulations of the Warsaw Stock Exchange (WSE), for the shares of **Dino Polska SA** and therefore holds financial instruments issued by this issuer / these issuers.

Over the last 12 months Santander Bank Polska has received remuneration for providing non-investment banking services for: **Dino Polska SA.**

The issuer / issuers this report relates to, may hold shares of Santander Bank Polska in the amount of less than 5% of the total issued capital.
Santander Bank Polska Group, its affiliates, representatives or employees may occasionally undertake transactions or may be interested in acquiring securities of companies directly or indirectly related to those being analysed.
Santander Bank Polska or its affiliates may, from time to time, to the extent permitted by law, participate or invest in financing transactions with issuer / issuers this report relates to, perform services for or solicit business from such issuers and/or have a position or effect transactions in the financial instruments issued by these issuers(especially in relation to the services provided by PTE AVIVA Santander SA), ad as a result Santander Bank Polska may be indirectly connected with these issuers.
Santander Bank Polska does not rule out that in the period of preparing this report any Affiliate of Santander Bank Polska might purchase shares of the Issuer or any financial instruments being the subject of this report which may cause reaching at least 0,5% of the share capital.
Subject to the above, the Issuer is not bound by any contractual relationship with Santander Bank Polska, which might influence the objectivity of the recommendations contained in this report.
However, it cannot be ruled out that, in the period in which this report is in force, Santander Bank Polska will submit an offer to provide services for the issuer / issuers this report relates to, or will purchase or dispose of financial instruments issued by these issuers or whose value depends on the value of financial instruments issued by these issuers.
With the exception of remuneration from the Santander Brokerage Poland Analysts do not receive any other form of compensation for recommendations made. Remuneration received by the persons who prepare this report may be dependent, in an indirect way, from financial results gained from investment banking transactions, related to financial instruments issued by the Issuer, made by Santander Brokerage Poland or its Affiliates.

Global statistics presenting the rating of the covered companies and the share of companies provided with investment banking in the past 12M are available at: https://www.santander.pl/inwestor/global-statistics
A list of all recommendations on any financial instrument or issuer that were disseminated by Santander Brokerage Poland during the preceding 12 month period can be found on: http://centruminformacji.santander.pl/_fileserver/item/1501616

LIMITATION OF LIABILITY

This report was produced by Santander Brokerage Poland which is a separate organizational unit of Santander Bank Polska S.A. (Santander Bank Polska) with its registered office in Warsaw. Santander Brokerage Poland and brokerage activity conducted by Santander Brokerage Poland is subject to the supervision of the Financial Supervision Commission with its headquarters in Warsaw.
Santander Brokerage Poland is subject to the regulations of the Act on Trading in Financial Instruments dated July 29th 2005 (Journal of Laws of 2018, item 2286 - consolidated text, further amended), Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29th 2005 (Journal of Laws of 2019 item 623 - consolidated text, further amended), Act on Capital Market Supervision dated July 29th 2005 (Journal of Laws of 2019, item 1871 – consolidated text, further amended). This report is addressed to qualified investors and professional clients as defined under the above indicated regulations and to Clients of Santander Brokerage Poland entitled to gain research reports based on the brokerage services agreements.
Santander Brokerage Poland may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. The investments and services contained or referred to in this report may not be suitable for particular investor and it is recommended to consult an independent investment advisor in case of doubts about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to investor's individual circumstances, or otherwise constitutes a personal recommendation to particular investor.
Affiliates of Santander Bank Polska may, from time to time, to the extent permitted by law, participate or invest in financing transactions with the issuer / issuers this report relates to, perform services for or solicit business from such issuers and/or have a position or effect transactions in the financial instruments issued by these issuers. Santander Brokerage Poland may, to the extent permitted by applicable Polish law, UK law and other applicable law or regulation, effect transactions in the Financial instruments before this report is published to recipients.
Santander Brokerage Poland may have issued, and may in the future issue, other research reports that may be inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and Santander Brokerage Poland is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.
Santander Brokerage Poland informs that success in past recommendations is not a guarantee of success in future ones.
Information and opinions contained herein have been compiled or gathered, with due care and diligence, by Santander Brokerage Poland from sources believed to be reliable, however Santander Brokerage Poland cannot ensure their accuracy or completeness. Investor shall be responsible for conducting their own investigation and analysis of the information contained or referred to in this report and of evaluating the merits and risks involved in the Financial instruments forming the subject matter of this report. The information and opinions contained herein are subject to change without any notice.
Santander Brokerage Poland is not responsible for any losses incurred by Investors which were result of investment decisions based on recommendations issued by Santander Brokerage Poland, on condition that they were prepared with due care and diligence.
This report does not constitute an offer or invitation to subscribe for or purchase or carry out transactions in any financial instruments and shall not be considered as an offer to sell or to buy any securities. This report is furnished and presented to you solely for your information and shall not be reproduced or redistributed to any other person. This report nor any copy hereof shall not be disseminated, published or distributed directly or indirectly in the United States of America, Canada, Australia or Japan. Disseminating, publishing or distributing of this report directly or indirectly in the above countries or to any citizen or resident of these countries may be considered breach of the law or regulations related to the financial instruments in force in these countries. Dissemination, publishing or distribution of this report may be restricted by law in other countries. Persons who distribute this report shall make themselves aware of and adhere to any such restrictions. This report may be distributed in the United Kingdom to persons who have professional knowledge about investing in accordance with relevant regulations.
Opinions in this report must not be relied upon as having been authorised or approved by issuer. Santander Brokerage Poland informs that investing assets in financial instruments implies the risk of losing part or all the invested assets.
Santander Brokerage Poland indicates that the price of the financial instruments is influenced by lots of different factors, which are not or cannot be dependent from issuer and its business results. These are factors such as changing economical, law, political or tax condition. More information on financial instruments and risk connected with them can be found on www.santander.pl/inwestor section disclaimers and risk.
The decision to purchase any of the financial instruments should be made only on the basis of the prospectus, offering circular or other documents and materials which are published on general release on the basis of polish law.

Ratings definitions:

Outperform – Total return 10% above benchmark. Upside of approximately ≥15%.
Neutral - Total return 0%-10% above benchmark. Upside of approximately 5%-15%.
Underperform - Total return below benchmark. Upside of approximately <5%.
NOTE: The relevant benchmark for European Equities (including CEE Equities) is the 1Y German Bund rate +ERP (5.5%).
The definition of ratings are indicative. Recommendations may differ from these guidelines when justified due to the market factors, industry trends, company specific event, etc. In such cases, a pertinent clarification for the discrepancy is included in the report.

Target prices set from January to June are for December 31st of the current year. Target prices set from July to December 31st of the following year.
Periodicity: our recommendations/ target prices for each issuer are going to be reviewed at least once a year and whenever market events so warrant.

In the Technical Analysis reports (TA reports), Santander Brokerage Poland does not apply direct investment ratings, and all opinions and elements of analysts' assessment are included in a descriptive form in the study itself.
The period of validity of the TA report is a maximum of 30 days, while the publication of a new TA report for a given financial instrument means that the previously published study is no longer valid.
Due to the short time horizon of the Technical Analysis reports, Santander Brokerage Poland is not going to update them on a regular basis.

In preparing this report Santander Brokerage Poland applied at least one of the following valuation methods: discounted cash flows (DCF), comparative, mid-cycle, dividend discount model (DDM), residual income, warranted equity method (WEV), SOTP valuation, liquidation value.
The discounted cash flows (DCF) valuation method is based on expected future discounted cash flows. One advantage of the DCF valuation method is that it takes into account all cash streams reaching Issuer and the cost of money over time. Some disadvantages of the DCF valuation method are that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The comparative valuation method is based on the economic rule of "one price". Some advantages of the comparative valuation method are that the analyst need only estimate a small number of parameters; the valuation is based on current market conditions; the relatively large accessibility of indicators for companies being compared; and that there is an extensive knowledge of the comparative method among investors. Some disadvantages of valuation by the comparative method are the considerable sensitivity of the results of the valuation on the choice of companies to the comparative group; the method can lead to a simplification of the picture of the company which in turn can lead to omitting certain important factors (e.g. growth dynamics, extra-operational assets, corporate governance, the repeatability of results, differences in applied accounting standards); and the uncertainty of the effectiveness of a market valuation of companies being compared.
The mid-cycle multiple valuation is based on long-term average valuation multiples of a sector or a peer group. The methodology aims to calculate a fair, through the cycle value of the company. Among its shortfalls is that at peaks and/or troughs of the cycle, the implied fair value may deviate substantially from the market's value of an analysed stock as well as the methods' reliance on the quality of external data (we usually use Bloomberg or Damodaran databases). Simplicity and average through-cycle value allowing to capture over- as well as under-valuation of a given stock are the main advantages of this methodology.
The dividend discount model (DDM) valuation is based on the net present value of the future dividends that are expected to be paid out by the company. Some advantages of the DDM valuation method are that it takes into account real cash flows to equity-owners and that the methodology is used in respect to companies with long dividend payout history. Main disadvantage of the DDM valuation method is that dividend payouts are based on a large number of parameters and assumptions, including dividend payout ratio.
Residual income method is conceptually close to the discounted cash flows method (DCF) for non-financial stocks, the difference being that it is based on expected residual income (returns over COE) rather than expected future cash flows. One advantage of this valuation method is that it captures the excess of profit potentially available to shareholders and the cost of money over time. Main disadvantage of the valuation method is that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The warranted equity method (WEV) is based on the formula P/BV = (two year forward ROE less sustainable growth rate)/(Cost of equity less sustainable growth rate) which allows estimating a fair value (FV) of a given stock in two years' time. Subsequently the FV is discounted back to today. The main advantage of the WEV method is that it is a transparent one and based on relatively short term forecasts, hence substantially reducing the margin of forecasting error. The main disadvantage in our view is that the model is based on the principle that stock price should converge towards its fair value implied by company's ROE and COE.
SOTP valuation - different assets of a company are being valued according to different valuation methods, and the sum of these valuations represents the final valuation of the company. SOTP valuation advantages / disadvantages are identical to advantages and disadvantages of the specific valuation methods used.
Liquidation value method – liquidation value is the estimated amount of money that an asset or company could be quickly sold for, such as if it were to go out of business. Then, the estimated assets value is adjusted for liabilities and liquidation expenses. One advantage of this valuation method is its simplicity. This method does not account for intangible assets as goodwill, which is the main disadvantage.

In the opinion of Santander Brokerage Poland, this report has been prepared with all due diligence and excludes any conflict of interests which could influence its content. In Santander Bank Polska there are implemented internal regulations, which are designed to prevent conflicts of interest concerning recommendations. Physical and logic barriers are established, and the principles of documentation adequate to the type of Santander Bank Polska operations are implemented. Additionally, Santander Bank Polska introduced a number of obligations and restrictions relating to the protection of confidential information flow between organizational units.
The date and time on the first page of this report indicates the date of the production of the recommendation, and the dissemination of the recommendation takes place on the same day before the start of the session.

ANY PERSON WHO ACCEPTS THIS REPORT AGREES TO BE BOUND BY THE FOREGOING DISCLAIMER AND LIMITATIONS.