Inpost

Reuters: INPST.AS Bloomberg: INPST NA

CEE Equity Research

E-commerce, Poland
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Going West

Initiation with Outperform, TP EUR11.8

We initiate Inpost Group with Outperform rating with a TP of EUR11.8 (23% upside) as we think it offers still appealing growth story in Poland and significant growth opportunity in UK and France. We expect Inpost Group 2022-25E sales/adj. EBITDA CAGR at 24%/28% driven mainly by UK (3Y CAGR at 77% and break-even in 2024E) and France (3Y CAGR at 23%/29%). We think that Inpost should (1) continue to gain additional market share in Poland thanks to its superior competitive advantages, (2) benefit from investments into own logistics unlocking sales growth and margin B2C market potential. Last but not least, we view Inpost's 2023E EV/EBITDA at 10.1x as attractive comparing to fair growth-adjusted multiple at 12.5x, based on logistics peers' valuation/growth matrix.

Poland. So far, Inpost has benefited in Poland from (1) the surge in B2C parcel volumes, (2) quick adoption of APMs by Poles and (3) its dominant position in this fast growing channel. It recorded impressive 2017-22 CAGR of sales and adj. EBITDA at 44%/102%. We think that Inpost's competitive edge is likely to last in coming years, so we predict that the growth momentum should be still high, albeit much slower than in the past as it matures. All in all, we project Poland's business to expand with 3Y CAGR of 20%/21% in terms of sales/adj. EBITDA mainly on the back of further growth of APMs channel importance in B2C parcel volumes.

France. Following the acquisition of a leading player (Mondial Relay) on C2C market, Inpost is making gradual steps toward its transformation into a meaningful B2C player to capture higher margins and market size opportunities. We think that planned capex for own logistics system in France should lead to customer service improvement necessary for expansion on the B2C market. All in all, we expect 2022-25E CAGR of sales and adj. EBITDA at 22.5% and 28.6%, respectively.

UK & Italy operations have not been successful so far, as they recorded adj. EBITDA loss at PLN189mn in 2022. We think that a break-even point is achievable but it would be a more prolonged case given Inpost's focus on building market share at this stage of its development. We expect adj. EBITDA losses at PLN99mn and break-even in 2023-24E, respectively before the positive effect of operating leverage becomes more visible. All in all, we expect UK & Italy's adj. EBITDA profitability at 21% in 2026E.

Valuation and risks. We value Inpost's share price at EUR11.8 based on multiple valuation (EUR11.5; 70% share) and DCF (EUR12.6; 30% share). Main risks are: end of e-commerce growth story, (2) risk of rising competition on the APMs market, (3) high concentration of clients in Poland and (4) risk of slower changes in customer preferences in Western markets, especially in the UK.

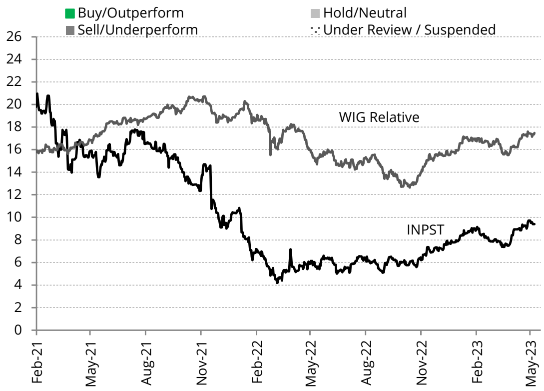
Inpost: Financial summary

PLNmn, year to Dec	2020	2021	2022	2023E	2024E	2025E
Sales	2,528	4,602	7,079	9,018	11,274	13,426
Adj. EBITDA	994	1,627	1,961	2,595	3,302	4,117
Adj. net profit	350	492	456	915	1,335	1,853
P/E (x)	n.a.	60.4	35.6	23.8	16.3	11.8
EV/EBITDA (x)	n.a.	20.9	10.6	10.1	7.7	6.0
FCF Yield	n.a.	-0.6%	-1.9%	1.0%	2.7%	4.8%
Dividend Yield	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Recommendation	Outperform
Target price (EUR, Dec'23)	11.8

Price (EUR, 8 May 2023)	9.5
Market cap. (PLNmn)	21,877
Free float (%)	41.5
Number of shares (mn shrs)	500
Average daily turnover (mn)	4.3
EURPLN	4.58



The chart measures performance against the WIG20 index.

Main shareholders	% of votes
Advent Intl.	46.0
A&R Invest.	12.5
Capital Group	6.3
GIC Private	5.0

Source: stooq.pl

Company description

Inpost is a dominating logistic player on B2C parcel market in Poland.

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Santander

Equity story

- **We initiate Inpost with Outperform rating with a TP of EUR11.8 (+23% upside potential).** We value Inpost's NTM EBITDA of PLN2,595mn with multiple at 12.5x, which we think fairly captures its higher than peers sales/EBITDA growth profile (3Y CAGRs at 24.0%/28.0% vs. peers' 7.0%/8.0%). Multiple valuation implies Inpost's fair price at EUR11.5 (70% of our TP). DCF, which captures Inpost's long-term international sales and adj. EBITDA margin expansion opportunity implies fair price at EUR12.6 (30% of our TP).

- **Inpost** is a logistics success story in Poland (2019/22 sales/EBITDA CAGR at 36%/69%), which is trying to copy local success in Western Europe with mixed results so far (decent performance in France, still unprofitable business in UK & Italy). We think that Inpost should (1) continue to gain additional market share in Poland due to superior competitive advantages, which is not going to disappear any time soon and (2) benefit from investments into own logistics unlocking at the same time sales growth and margin expansion opportunity on B2C markets in France and mainly UK.

- In **Poland**, Inpost has benefited so far from its previous year's investments in own logistics (c.75% share in total APMs number in Poland), which gives it a dominant position on the B2C lucrative market (higher margins) with 56% market share in total B2C market in Poland and over 95% in domestic APM B2C business. Inpost recorded impressive 2017-22 CAGR of sales and adj. EBITDA at 44%/102%, which was driven by (1) the surge in B2C parcel volumes (2017-22 CAGR of 23%) in Poland and (2) Inpost's market share growth (56% in 2022 from just 16% in 2017). We think that Inpost's competitive advantages such as (1) the largest in Poland and cost efficient APMs network, (2) attractive delivery time and (3) attractive customer proposition (convenience) were the main driving forces behind market share gains. We predict that the growth momentum should slow down but only due to rising saturation of Poland with Inpost's APMs network, while the company should continue to win additional market share as it represents unique model with high barriers of entry (scale). All in all, we expect 2022-25E CAGR of parcel volume at 8% in Inpost (vs. 57% in 2017-22). We see inflationary pressure on operating costs as the main short term challenge, which, however, should be effectively addressed by the already implemented pricing increases. EBITDA margin expansion was impressive in 2017-22 due to benefits of the operating leverage. In 2023-25E, we expect improvement of EBITDA profitability vs. 2022 on the aforementioned higher pricing. We see fulfilment service development as a growth opportunity, however we treat it in our model as a loss making business in coming years. All in all, we project Poland's business to expand with 3Y CAGR of 20%/21% in terms of sales/adj. EBITDA on the back of further growth of e-commerce share in retail.

- In **France**, Inpost has acquired a leading player (Mondial Relay; 50% market share) on the C2C market. This market is characterized by lower margins than B2C business (12.6% in France vs. 42.5% in Poland) as its key driver is low price per parcel rather than delivery time. Mondial Relay's equity story is based on its gradual transformation into a B2C player to capture better margins and market size (7x bigger than C2C) opportunities. We believe that the planned capex into own logistics system similar to Poland should enable it as it would greatly improve its customer service (convenience and delivery time; transformation into Day+1 delivery from current D+3) necessary for expansion on the B2C market. It should also let the company decrease its reliance on PUDOs (93% share in current company's total parcel volume) and external services providers' role, which should be margin accretive. All in all, we expect 2022-25E CAGR of sales at 22.5% on (1) rising competitive edge of Inpost resulting from investments in own logistics development (better customer proposition). We also expect 2022-25E CAGR of EBITDA at 28.6% on Inpost's expansion on B2C market.

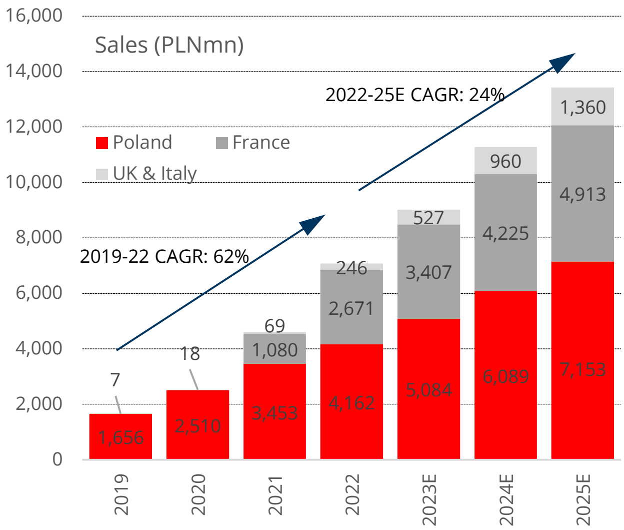
- In **UK & Italy**, Inpost has recorded below-expectations results with adj. EBITDA loss at PLN189mn in 2022. The equity story behind Inpost's expansion in the UK & Italy is based on the assumption that this business would eventually break even. Our base case scenario assumes that breakeven point is achievable taking into account the trend of improving EBITDA per parcel, visible over the last years. In our view, this is rather a matter of when, not if.. We also think it would be a more prolonged process taking into account Inpost's focus on building market share at the expense of margin at this stage. We think that improving economies per parcel might not keep up with the fast growth of the APMs network. In this light we expect adj. EBITDA loss in 2023 and break even in 2024E, respectively. We think that rising APMs utilization ratio in the UK proving their increasing popularity lays foundation to the belief that Inpost should earn money in the UK as soon as it improves its customer proposition (delivery time, convenience and reliability) through own logistics development. All in all, we project UK & Italy's business sales with 3Y CAGR of 77% and first positive adj. EBITDA at EUR5mn in 2024E.
- We see Inpost's business model as safe in terms of leverage and its ability to finance expansion capex in UK and France. With estimated 2023E operating cash flow (ex. IFRS16) at PLN1,425mn and capex at PLN1,202mn, we see FCF at PLN223mn (FCF yield at 1.0%). Company has recently mentioned of introducing a dividend policy. We have not assumed dividends in our model as we think that any FCF should be utilized on further financial leverage decrease, additional takeovers of logistics capacities in UK or expansion on new markets (Italy, Spain). Inpost should be seen as expansionary and growth story rather than high dividend payer, in our view.

Financial forecast

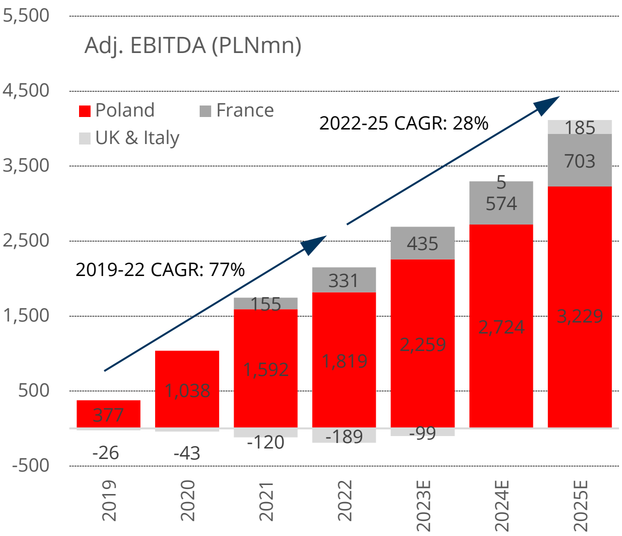
We expect Inpost to report 2022-25E CAGR of sales, adj. EBITDA and adj. net profit at 24%/28%/59%. Group's sales growth should be mainly driven by international operations (2022-2025E CAGR at 29%), of which share in total sales should increase to 47% (+6pp) by 2025E. UK & Italy (2022-25E CAGR at 77%) should be the main driver of international operations' top line growth. France's (Mondial Relay) sales 2022-2025E CAGR is expected at 23%. UK & Italy-wise, sales growth should be driven mainly by parcel volume increase (2022-25E CAGR at 66%) rather than higher pricing (2022-25E CAGR at 6%). Volume growth in the UK & Italy should result from the growing APMs (2022-25E CAGR at 31%) as well as better APMs network effectiveness (avg. locker utilization growth to 56% by 2025E from 36% in 2022).

With regard to adj. EBITDA margin, we expect its gradual increase to 30.7% in 2025E from 27.7% in 2022 despite unfavourable sales mix change (higher share of less profitable international sales). Profitability turnaround in the UK & Italy (breakeven in 2024E vs. PLN189mn loss in 2022) and margin improvement (less PUDO and more B2C through own APMs business) in France should be the main drivers of the Group's margin improvement in coming years. In Poland, we expect stable margins as higher pricing resulting from contractual provisions according to which prices paid by clients are adjusted upwards annually by the lower value of CPI or wage increase, should help mitigate inflationary pressure on direct and general costs.

Fig. 1. Inpost: International business share in sales and adj. EBITDA should grow in coming years



Source: Inpost, Santander Brokerage Poland estimates



Source: Inpost, Santander Brokerage Poland estimates

Official guidance. InPost expects mid-to-high single digit market volume growth in Poland (vs. SANe +3% y/y) and France, and slight market volume decline in the UK. InPost expects to outperform the market growth in all segments. Pricing adjustments should make revenue increasing higher than volume (vs. SANe 24% y/y and 14% y/y). InPost expects higher margins in Poland despite inflationary cost pressures due to price adjustments (vs. SANe 44.4% adj. EBITDA margin; +71bps y/y) In France, adj. EBITDA margin should also increase in 2023E (vs. SANe 12.8% adj. EBITDA margin; +40bps y/y) resulted from continued investment into network and logistics infrastructure, while the UK is guided to break even by the end of 2023E on run rate basis and to be profitable in 2024E (vs. SANe breakeven in 2024E on a run rate basis). On 2023E capex, the company guides towards PLN1.1bn-1.2bn (vs. SANe PLN1.2bn) with higher share in the International segment. Positive FCF should lead to leverage visibly below 3.0x at year-end (vs. SANe 2.2x) in 2023E

Current trading for 1Q23 looks solid as InPost continues to significantly outperform the e-commerce market in all key geographies, according to management. InPost expects y/y volume growth rates to continue at double-digits in 1Q23E in Poland.

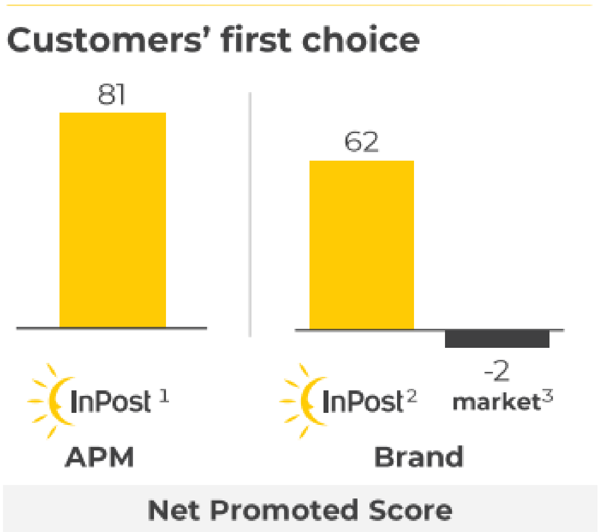
Poland

We expect Polish business to reach sales of PLN5,084 (+22% y/y) and adj. EBITDA of PLN2,259mn (+24% y/y; margin at 44.4%; up 71bps y/y) in 2023E. We expect 2022-25E CAGR of sales and adj. EBITDA at 19.8%/21.1% in Poland, respectively.

We expect that 2023E sales growth should be impacted by two contradictory factors, namely (1) the expected e-commerce market slowdown to approx. 9% in 2023E and (2) maintained APMs volume and price increases.

1. According to Shoper's CEO, the e-commerce market is likely to grow by 5%-10% y/y in 2023E, being driven mainly by high inflation. He admitted that he believed more in the growth rate at the lower range of the interval. In this light, the number of transactions is more likely to be lower y/y in 2023E. Weakening consumers' financial standing were cited as the main reason. EcommerceDB, a research body, according to which e-commerce is likely to grow by 9.6% y/y in 2023E in Poland, confirms a somewhat gloomy forecast of Shoper's CEO. These gloomy forecasts were maintained after 1Q23 results despite solid growth in Shoper alone and strong current trading statement. These thesis are also contradictory to (1) Allegro's guidance for 1Q23E pointing at 13%-14% GMV growth in Poland and (2) Inpost's expectation of double-digit y/y volume growth in 1Q23E in Poland. Having this in mind, in our top-down analysis, we assumed (1) e-commerce market growth at 7.0% y/y (0.7% y/y lower share in total retail) and (2) parcel volume decline by 1.7% y/y in 2023E in Poland. In this light, we assumed 8.7% y/y growth in parcel volumes in Inpost (+9.0% y/y in APMs and +7.0% y/y in to-door segment). This means, continued market share gains in total B2C market in Poland, which we expect to reach 62% in 2023E- (+6pp). Inpost should (1) benefit from the continued growth of APMs number (+1,900 to 21,206 in 2023E) and (2) we think that Inpost is able to continue to increase its market share as it still remains the only power in the Polish B2C parcel market. It enjoys an unparalleled NPS compared to other market participants and it has been beating market growth for a long time. We think this is a well-established trend, which is not going to end soon.

Fig. 2. Inpost: Unparalleled NPS vs competitors



Source: Inpost, (1,2,3) - Kantar Research Report Dec 2022

Fig. 3. Inpost vs. PL market volume growth - market share gains for many quarters

Source: Inpost

Fig. 4. Inpost: Parcel volumes should decline in 2023E – base case scenario

Macro assumptions (Poland)	2020	2021	2022	2023E	2024E	2025E
Retail sales (growth)	-1.3%	12.9%	20.4%	13.2%	11.3%	11.3%
eCommerce segment (growth)	38.5%	24.4%	25.0%	9.0%	15.6%	15.4%
Online share in retail	11.7%	12.9%	13.4%	12.9%	13.4%	13.9%
B2C parcels volumes (mn)	**721**	**833**	**907**	**932**	**1,002**	**1,070**
chng.	**44.5%**	**15.5%**	**9.0%**	**2.7%**	**7.5%**	**6.8%**
Inpost parcel volumes (mn)	308	424	508	553	599	642
chng.	114%	38%	20%	9%	8%	7%
market share	42.7%	51.0%	56.0%	59.3%	59.8%	60.0%

Source: Inpost, Santander Brokerage Poland estimates, Santander Macro Team estimates

On a positive note, we expect macro-environment to bottom out and start improving in 1H23E. We expect a real growth of the corporate wage (multiplication effect of employment and real wage growth), which determines future consumption patterns, to bottom out in 1H23E. According to Santander Macro team, 1Q23E should be the worst quarter this year in terms of growth before a gradual revival as of 2Q23E. We also assume that the current e-commerce growth slowdown both in Western Europe (in 2022) and Poland (in 2023E) is a cyclical issue rather than an end to the secular trend of online sales growth. In this light, we assumed that both e-commerce and therefore B2C parcel volumes should rebound after 2023E to 7.6% y/y in 2024E and 6.9% y/y in 2025E.

Fig. 5. Inpost: Corporate wage bill real growth to bottom out in 1Q23E

	4Q22	1Q23E	2Q23E	3Q23E	4Q23E
wages	12.3%	12.6%	11.5%	10.9%	11.9%
employment	1.7%	0.5%	0.0%	-0.1%	-0.1%
CPI	17.3%	17.1%	13.9%	12.5%	10.3%
Corporate wage bill (real)	**-2.6%**	**-3.4%**	**-2.1%**	**-1.5%**	**1.3%**
Retail sales (real)	**0.3%**	**-4.8%**	**-2.2%**	**2.3%**	**8.9%**

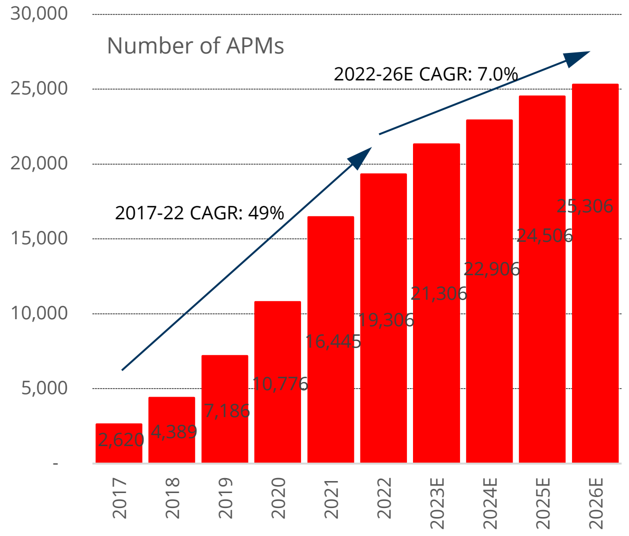
Source: Santander Macro Team estimates

2. Higher pricing per parcel – Inpost has successfully introduced higher pricing for its largest client Allegro since November 22 (+12.6% y/y). Inpost has also

introduced an additional 19.0% price increase for the remaining business clients since March 2023. Prices are subject to discounts in case of higher volumes ordered or purchase of fulfilment service. We assumed 12.0% y/y and 14.0% y/y price increase to PLN8.2 and PLN11.7 in APMs and to-door segments, respectively in 2023E. Afterwards, we assumed a slower than CPI or wage growth pricing growth rate as we assumed that large part of clients would be ordering higher volumes fuelling further Inpost's market share gains. Note that CEO has recently said Inpost would not further increase prices in 2023.

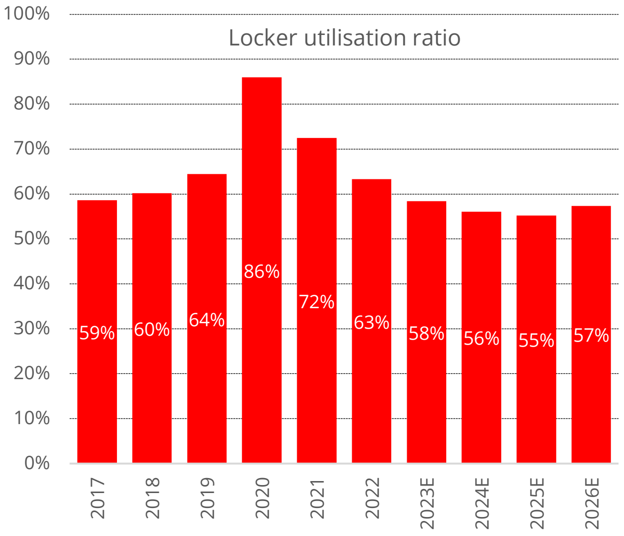
With regard to APMs number in Poland, we expect Inpost's network to be enlarged by 2,000/1,600/1,600 units in 2023-25E, respectively to reach the company's target of 25k in Poland in 2025E or 27k in 2028E. In this light, we expect utilization ratio to reach 58% in 2025E. We expect parcel per APMs at 22.8mn (-4% y/y).

Fig. 6. Inpost: 2022-26E CAGR of APMs at 7.0%



Source: Inpost, Santander Brokerage Poland estimates

Fig. 7. Locker utilization to start growing after the slowdown of new APMs openings in 2026E



Source: Inpost, Santander Brokerage Poland estimates

Regarding the to-door segment, we expect 2023E sales to improve by 22% y/y to EUR1,093mn thanks to (1) 7% y/y parcel volume increase on the assumed still expanding market share due to better client proposition vs. competitors resulted from more attractive economics of the last mile service in case of joint purchase of courier/APMs service and (2) 14% y/y price increase.

With regard to margins, we expect the adj. EBITDA margin increase by 107bps y/y to 44.4% in 2023E after 239bps drop in 2022. We assumed that price increases should make up for much of the inflationary pressure on costs. We expect blended price to increase for ATMs and to-door segment by 12.4% y/y in 2023E comparing to the assumed operating costs per parcel growth at 10.0% y/y (of which direct operating costs at +11.7% y/y).

Afterwards, we expect 2024-28E sales CAGR of 14% on the base of the following assumptions: (1) APMs number growth at 5% on average, in that period, (2) higher pricing (see fig. 8) but lower than assumed avg. CPI/wage increase in that period as Inpost should incentivize clients to pay lower price but order higher volumes in order to prioritize market share and (3) 2% growth of parcel per APM value.

With regard to adj. EBITDA growth in 2024-28E, we expect CAGR at 14%. We assumed a gradual margin rebound to 45.2% in that period after decline in 2022, mainly on the back of higher pricing, which should make up for the assumed operating costs per parcel growth (we assumed some disinflation trends).

Please, see the table below for a detailed forecast for Polish business unit.

Fig. 8. Inpost: Financial forecast for Poland division

PLNmn	2019	2020	2021	2022	2023E	2024E	2025E	3Y CAGR
Revenues	**1,656**	**2,510**	**3,453**	**4,162**	**5,084**	**6,089**	**7,153**	**19.8%**
chng.		51.6%	37.6%	20.5%	22.2%	19.8%	17.5%	
APM revenues	**1,197**	**1,815**	**2,624**	**3,179**	**3,883**	**4,601**	**5,324**	**18.8%**
chng.		51.7%	44.6%	21.1%	22.1%	18.5%	15.7%	
Parcel volumes (mn)	103	247	355	424	463	498	529	
chng.		140.0%	43.5%	19.5%	9.1%	7.7%	6.2%	
Price per parcel	11.6	7.3	7.4	7.5	8.4	9.2	10.1	
chng.		-36.8%	0.7%	1.4%	12.0%	10.0%	9.0%	
To-door	**420**	**635**	**732**	**896**	**1,093**	**1,359**	**1,674**	**23.2%**
chng.		51.1%	15.2%	22.5%	22.0%	24.3%	23.2%	
Parcel volumes (mn)	41	61	70	84	90	101	113	
chng.		49.4%	14.9%	21.3%	7.0%	12.0%	12.0%	
Revenues per parcel (pricing)	10.4	10.5	10.5	10.6	12.1	13.4	14.8	
chng.		1.2%	0.3%	1.0%	14.0%	11.0%	10.0%	
Other	**39**	**60**	**97**	**86**	**108**	**129**	**155**	**21.6%**
chng.		54.0%	62.0%	-11.7%	25.0%	20.0%	20.0%	
Direct Costs	1,080	1,180	1,511	1,931	2,345	2,839	3,354	
chng.		9.2%	28.1%	27.7%	21.5%	21.1%	18.1%	
Direct cost per parcel	7.5	3.8	3.6	3.8	4.2	4.7	5.2	
chng.		-49.1%	-7.1%	6.6%	11.7%	11.7%	10.3%	
General costs	198	303	460	427	481	526	569	
chng.		52.6%	51.9%	-7.2%	12.7%	9.5%	8.2%	
General costs per parcel	1.4	1.0	1.1	0.8	0.9	0.9	0.9	
chng.		-28.8%	10.2%	-22.6%	3.6%	1.0%	1.0%	
EBITDA	**377**	**1,028**	**1,482**	**1,805**	**2,259**	**2,724**	**3,229**	
chng.		172.4%	44.2%	21.7%	25.2%	20.6%	18.6%	
margin		40.9%	42.9%	43.4%	44.4%	44.7%	45.1%	
Adjustments	0.0	10.0	109.8	14.8	0.0	0.0	0.0	
Adj. EBITDA	**377**	**1,038**	**1,592**	**1,819**	**2,259**	**2,724**	**3,229**	**21.1%**
chng.		175.0%	53.4%	14.3%	24.2%	20.6%	18.6%	
margin		41.3%	46.1%	43.7%	44.4%	44.7%	45.1%	
per parcel	2.6	3.4	3.8	3.6	4.1	4.5	5.0	
chng.		28.3%	11.3%	-4.6%	14.2%	11.2%	10.7%	

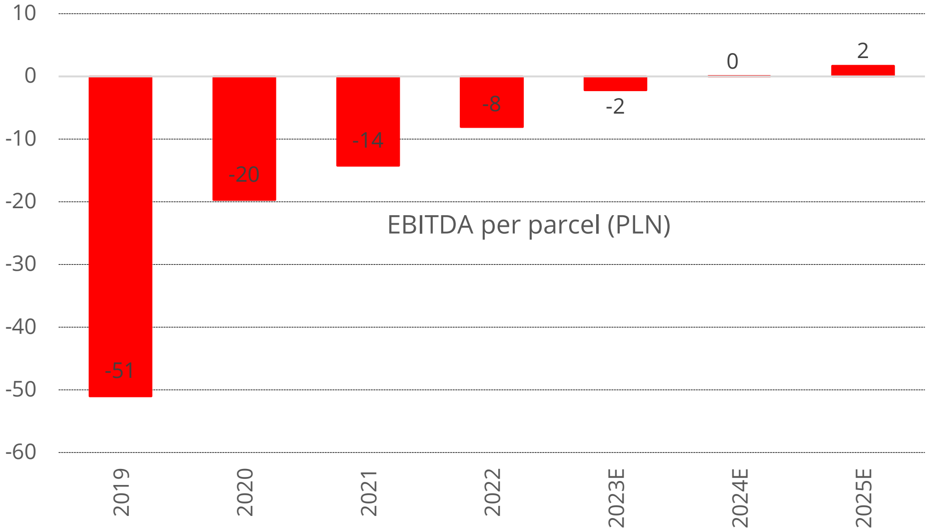
Source: Inpost, Santander Brokerage Poland estimates

Currently we see fulfilment service as an interesting upside potential to capture in the future. Inpost has recently informed in the presentation that 76 merchants signed to the service (+68% y/y), which led to a significant ramp-up in orders sent (+80% y/y). Fulfilment warehouse area reached 60k, while additional 8k likely to be added in 1Q23E.

UK (and Italy)

We do believe that current Inpost's strategy in the UK focusing on building density around big cities is better than the previous one (building a widespread presence across the UK). We also assume that break-even point is achievable taking into account the trend of improving EBITDA per parcel, which was visible over the last years. In our view, this rather a matter of 'when, not if, UK's operations become profitable. We think that it might be a more prolonged process taking into account Inpost's focus on building market share at the expense of margin at this stage of development. We think that improving economies per parcel might not keep up with the fast growth of parcel volumes and therefore we expect that visible adj. EBITDA loss should be recorded in 2023-24E, respectively before the larger business scale (and utilization ratio) would result in a positive effect of operating leverage.

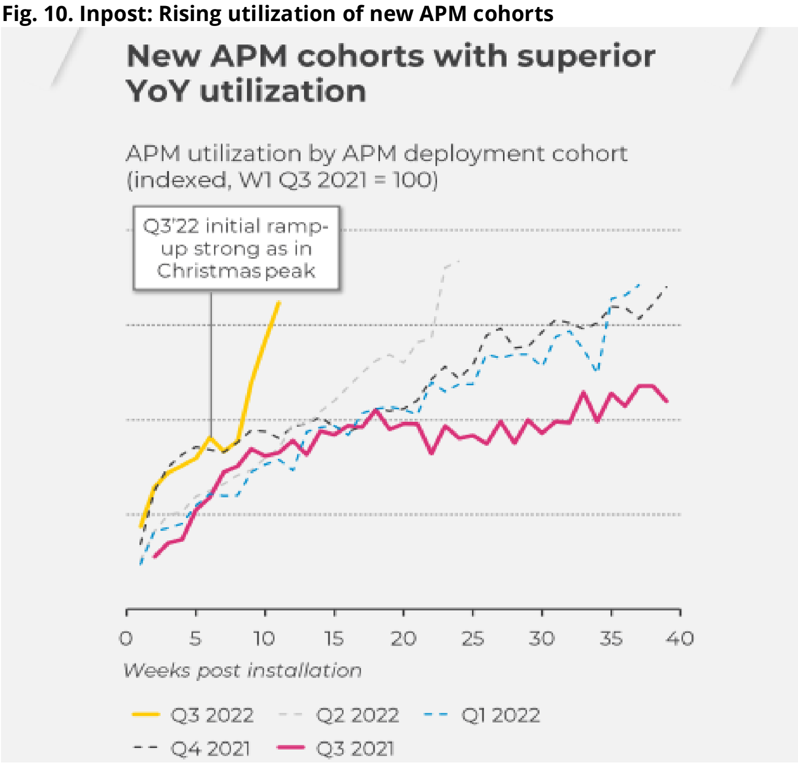
Fig. 9. Inpost: EBITDA per parcel to keep on improving in 2023-25E



Source: Inpost, Santander Brokerage Poland estimates

We think that the rising APMs utilization ratio in the UK proving their increasing popularity lays foundation to the belief that Inpost should earn money in the UK as soon as it improves its offer for the customer (delivery time, convenience and reliability) through own logistics development.

Fig. 10. Inpost: Rising utilization of new APM cohorts



Source: Inpost, Santander Brokerage Poland estimates

We expect the UK division to reach sales of PLN527mn (+114% y/y) and adj. EBITDA loss of PLN99mn (vs. loss of PLN189mn in 2022) in 2023E. At the same time, we expect

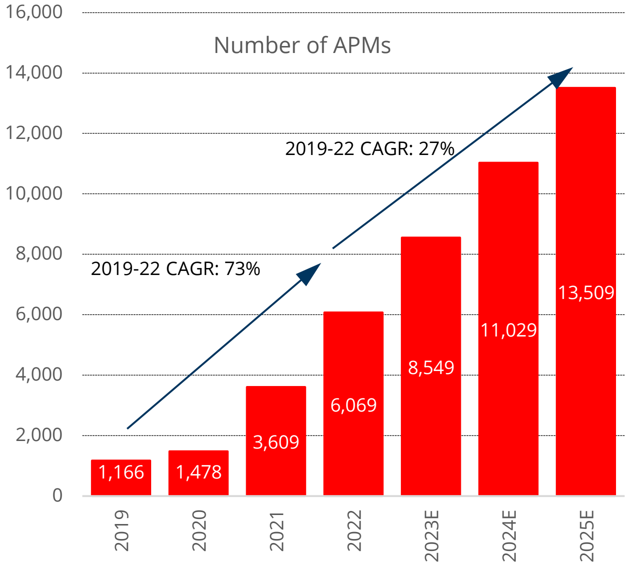
Inpost's 2022-25E CAGR of sales at 77% and adj. EBITDA turning positive in 2025E (PLN5mn).

So far, Inpost has been recording visible losses in the UK. We see (1) immature in-house logistics resulting in the necessity of using external inefficient logistics partners and (2) a high share on less lucrative C2X and returns business (68% of company's volumes in 3Q22) as the main problems. Inpost is deliberately not present in more lucrative - in terms of margin - B2C parcels due to the insufficient logistics capacities. Inpost does not want to start B2C service until it would be sure of its quality (reliability, delivery time etc).

Inpost has taken some actions to improve performance in the UK division. It has (1) changed its logistics operator and then renegotiated terms of the agreement to secure higher volumes, which should speed up organic growth, (2) started development of its own logistics in vertical integration, which should help reduce logistics costs per parcel in the long term and (3) added new functionalities in its UK app, which helps monitor availability of empty lockers in APMs.

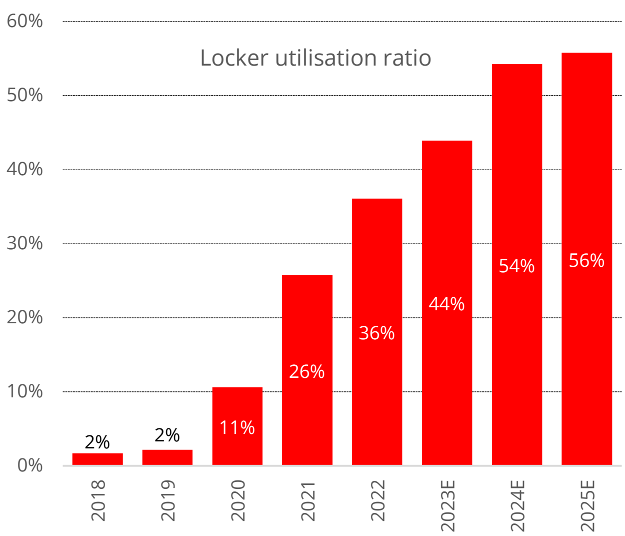
With regard to sales growth, we expect that UK's top line should be mainly driven by (1) own logistics development (new APMs additions at 2,480 each year in 2023-25E) and (2) an increase in its efficiency as measured by parcel served by APM (increase to 8.8mn annually in 2025E from 4.9mn). It should lift the utilization ratio toward 60% in the long term. With regard to pricing, we expect 2022-25E CAGR of revenues per parcel at 6.4%.

Fig. 11. Inpost: Number of APMs to keep growing fast



Source: Santander Brokerage Poland estimates

Fig. 12. Lockers utilization ratio to head toward 60% in LT



Source: Santander Brokerage Poland estimates

We expect that EBITDA loss should gradually turn black in coming years, however, it should be a more prolonged process than guidance from Inpost. We expect UK operations to turn profitable in 2024E and reach profitability at c21.0% in the long term (vs. 42.5% in Poland). We expect that the gradual shift to own logistics (lower dependency on external logistics providers) should drive better quality and delivery times, which in turn should drive B2C business development and higher utilization ratio of APMs chain, giving benefits of operating leverage, in effect.

Please see the table below for a detailed forecast for the UK & Italy business unit.

Fig. 13. Inpost: Financial forecast for the UK & Italy business

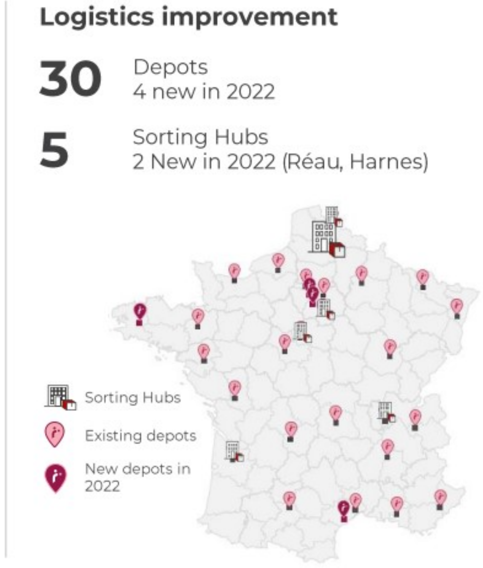
PLNmn	2019	2020	2021	2022	2023E	2024E	2025E	3Y CAGR
Revenues	**7**	**18**	**69**	**246**	**527**	**960**	**1,360**	**76.8%**
chng.		153%	289%	258%	114%	82%	42%	
Parcel volumes (mn)	0.5	2.2	8.4	23.5	46.0	79.8	107.8	66.1%
chng.		340%	282%	180%	96%	74%	35%	
Price per parcel	14.0	8.0	8.2	10.5	11.5	12.0	12.6	6.4%
chng.		-43%	2%	28%	9%	5%	5%	
Direct costs	14	28	98	364	555	861	1,081	
chng.		91.0%	255.6%	271.8%	52.6%	55.2%	25.5%	
Direct cost per parcel	28.8	12.5	11.6	15.5	12.1	10.8	10.0	
chng.		-56.6%	-6.9%	32.9%	-22.0%	-10.5%	-7.1%	
General costs	18	34	96	73	72	93	95	
chng.		89.5%	178.7%	-23.8%	-1.7%	30.5%	1.5%	
General costs per parcel, PLN	36.2	15.6	11.4	3.1	1.6	1.2	0.9	
chng.		-56.9%	-27.0%	-72.8%	-49.8%	-24.8%	-24.9%	
EBITDA	-26	-44	-125	-190	-99	5	185	
chng.		n.a.	n.a.	n.a.	n.a.	n.a.	3817%	
% margin	-364.3%	-249.2%	-181.1%	-77.2%	-18.8%	0.5%	13.6%	
Adjustments	0	1	5	2	0	0	0	
Adj. EBITDA	**-26**	**-43**	**-120**	**-189**	**-99**	**5**	**185**	**n.a.**
chng.		n.a.	n.a.	n.a.	n.a.	n.a.	3817%	
% margin	-364.3%	-244.7%	-173.9%	-76.5%	-18.8%	0.5%	13.6%	
EBITDA per parcel (PLN)	-51	-20	-14	-8	-2	0	2	
chng.		n.a.	n.a.	n.a.	n.a.	n.a.	2799%	

Source: Inpost, Santander Brokerage Poland estimates

France

Inpost has acquired Mondial Relay in 2021. The acquired company is a leading player with 50% market share on the C2C market. This market is characterized by low margins, as low price per parcel is its key driver, while delivery time is not as important as on the B2C market. The core of the equity story of Mondial Relay is its planned gradual expansion from the current 7% market share in B2C market (higher margins and size (7x bigger) than C2C). Mondial Relay plans to invest in warehouse logistics to improve delivery time aiming ultimately at offering next-day delivery. Also, (1) a gradual roll out of own APMs network from the current 2,564 to 11,564 in 2025E and (2) own fleet of vehicles should allow the company to decrease its reliance on PUDOs (93% share in company's total parcel volume) and decrease external services providers role boosting margins (currently at 12.4% vs. 42.5% in Poland). PUDO usually charge additional PLN2 per parcel, while external fleet is always less efficient.

Fig. 14. Inpost: New and upgraded depots in 2022 (France)



Source: Inpost

All in all, we expect 2022-25E CAGR of sales at 22.5%. We think that sales growth in France should be driven by rising competitive edge of Inpost resulting from investments in own logistics development (better customer proposition). We assumed that Inpost's expansion on the B2C market should be successful and bear higher margins. We expect 2022-25E CAGR of EBITDA at 38.6%.

Fig. 15. Inpost: Financial forecast for Mondial Relay (France)

Mondial Relay (PLNmn)	2021	2022	2023E	2024E	2025E	3Y CAGR
Revenues	**1,080**	**2,671**	**3,407**	**4,225**	**4,913**	**22.5%**
chng.		147%	28%	24%	16%	
Parcel volumes (mn)	84.9	213.2	249.4	291.8	332.7	16.0%
chng.		151%	17%	17%	14%	
Price per parcel (PLN)	12.7	12.5	13.7	14.5	14.8	5.6%
% yoy		-2%	9%	6%	2%	
APMs	313	2,564	5,564	8,564	11,564	65.2%
chng.		719%	117%	54%	35%	
Yoy additions		2,251	3,000	3,000	3,000	
Direct costs	830	2,183	2,718	3,311	3,814	
chng.		163%	25%	22%	15%	
Direct cost per parcel (PLN)	9.8	10.2	10.9	11.3	11.5	
chng.		5%	6%	4%	1%	
of which, PUDO costs	*156*	*382*	*433*	*495*	*540*	
chng.		*145%*	*14%*	*14%*	*9%*	
Parcels in PUDO (mn)	*79*	*198*	*215*	*233*	*250*	
share in total	*93%*	*93%*	*86%*	*80%*	*75%*	
General costs	172	188	253	341	396	
chng.		9%	35%	35%	16%	
General costs per parcel (PLN)	2.0	0.9	1.0	1.2	1.2	
chng.		-56%	15%	15%	2%	
EBITDA	78	300	435	574	703	
chng.		283%	45%	32%	23%	
margin	7.3%	11.2%	12.8%	13.6%	14.3%	
Adjustment	75	31	0	0	0	
Adj. EBITDA	**154**	**331**	**435**	**574**	**703**	**28.6%**
chng.		115%	32%	32%	23%	
margin	14.2%	12.4%	12.8%	13.6%	14.3%	
EBITDA per parcel (PLN)	1.8	1.6	1.7	2.0	2.1	
chng.		-14%	12%	13%	8%	

Source: Inpost, Santander Brokerage Poland estimates

CAPEX

Fig. 16. Inpost: FCF decomposition

FCF decomposition	2021	2022	2023E	2024E	2025E
Operating cash flow	**1,100**	**1,346**	**1,999**	**2,590**	**3,280**
RoU amortization	335	544	575	627	680
CAPEX	**936**	**1,116**	**1,202**	**1,365**	**1,545**
Poland	702	551	575	636	728
- APMs network	341	189	132	106	106
- other dev. Capex	338	333	407	487	572
- maintanance	24	29	36	43	50
UK & Italy	159	244	219	223	227
- APMs network	128	194	164	164	164
- other dev. Capex	30	45	45	45	45
- maintanance	1	5	10	14	18
Mondial Relay*	74	321	409	507	590

Source: Inpost, Santander Brokerage Poland estimates

Main risks to our investment story

1. The largest risk not only for Inpost but also for other e-commerce players like Allegro, CCC etc. is that the story of further online share growth in total retail will simply not materialize and e-commerce sector share in retail sales currently estimated at 10.0% (by CSO Poland) will stay at a similar level in years to come. Last year we saw 'normalization' of e-commerce globally after the Covid driven hype, which subverted a generally accepted opinion that people definitely turned to online and this would not reverse any time in the future. Reality turned out to be different and people turned massively to traditional retail in a kind of two-step reopening (1st step in 2021 and 2nd step in 2022) bringing in an unexpected e-commerce market decline in many Western markets last year. Our base case scenario assumes that this is more a cyclical issue rather than an end of the story and e-commerce share in retail would return to the growth trend in the coming years. In other case, our parcel volume and APM growth assumptions might appear too optimistic and negative operating leverage effects would eat Inpost's margins and cash flows significantly.
2. Risk of rising competition on the APMs market. In Poland, a few big names (PKN Orlen, Allegro, Poczta Polska, DPD, Aliexpress) have announced expansion on the APMs market. While we see this as a risk for utilization ratio of Inpost's APMs, we find it limited due to significant competitive advantages of Inpost's network (better locations, faster delivery time & customer proposition). Besides, the most serious competitor on the market and the largest client at the same time, i.e. Allegro, has recently announced it would revise down its strategy of own APMs network expansion. We would expect a similar move from other competitors in Poland. In Western Europe, DHL (no. 3 in APMs in Europe) might also increase rollout and improve its quality.
3. High concentration of customers. We estimate that two largest clients (Allegro and Vinted) might have accounted for c65% of sales of Inpost in Poland last year.
4. Risk of slower changes in preferences of customers in Western markets, especially in the UK, where there is a strong preference for to-door delivery. It might result in prolonged losses in the UK and slower than expected France's business transformation to B2C in APMs with negative implications for our margin forecast.

Valuation

We assigned greater weight to multiple valuation to focus more on mid-term perspectives and market valuation multiples, which we see fair for the company.

Fig. 17. Inpost: Valuation summary

EUR/shr	New	Previous	Change
DCF	12.6	n.a.	n.a.
Multiple valuation	11.5	n.a.	n.a.
Target price	**11.8**	**n.a.**	**n.a.**

Source: Santander Brokerage Poland estimates, DCF/multiple valuation weight at 30%/70%

Multiple valuation

In approaching InPost's multiple valuation, we take into account peer group of logistics companies to which Inpost's core business is most comparable, in our view. Inpost has benefited from the surge in B2C parcels volumes and we think that should continue in the coming years. Its growth should be also still fuelled by international expansion. In this light, Inpost stands out from peers with projected sales and adj. EBITDA growth as measured by 2022-25E CAGR and we think it deserves a premium. In our peer valuation, we prefer to use growth-related fair EV/EBITDA multiple, which we set at 12.5x.

Fig. 18. Inpost: Multiple valuation

PLNmn	
Target EV/EBITDA multiple	12.5x
NTM adj. EBITDA	2,595
Implied value	32,431
Enterprise value	**32,431**
(-) net debt (cash)	6,165
(-) minorities (-)	0
Equity Value (PLNmn)	**26,266**
no. of shares	500
Target Price (PLN)	**52.5**
EURPLN	4.6
Target Price (EUR)	**11.5**

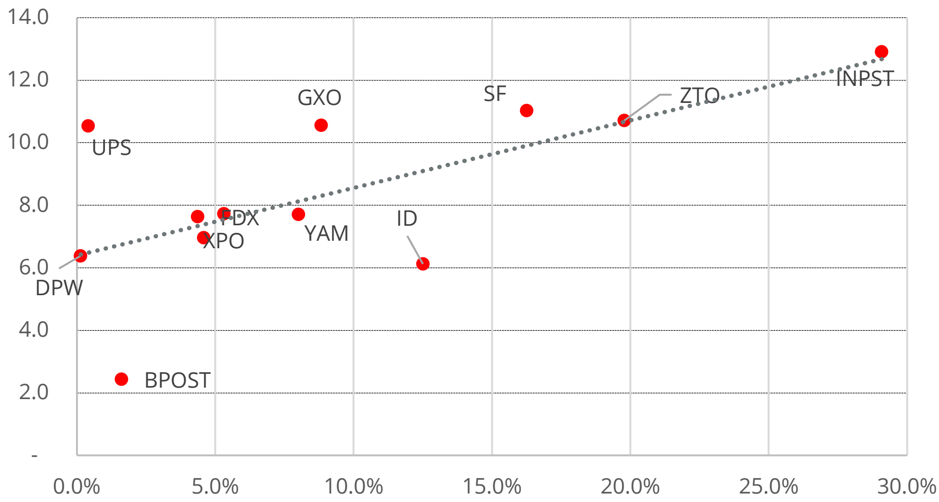
Source: Santander Brokerage Poland estimates

Fig. 19. Inpost: Peer group selection – P/E and EV/EBITDA ratios

Name	Price	mkt. cap. (USD)	P/E (x) 2023E	2024E	2025E	EV/EBITDA 2023E	2024E	2025E
DEUTSCHE POST	43.4	59,105	13.1	11.8	10.5	6.4	6.0	5.6
UNITED PARCEL	177.8	152,354	16.3	14.8	13.8	10.5	9.9	9.5
FEDEX	228.4	57,409	15.4	12.6	10.2	7.6	6.8	5.9
SF HOLDING	56.0	39,980	31.7	24.8	19.6	11.0	9.3	8.0
ZTO EXPRESS	27.2	22,111	18.2	15.1	12.8	10.7	8.9	7.6
OESTERREICH POST	33.6	2,493	19.1	17.5	16.3	7.0	6.6	6.4
BPOST	4.2	922	5.4	5.1	4.7	2.4	2.3	2.2
YAMATO	2362.0	6,575	19.5	16.2	13.8	7.7	6.3	5.6
ID LOGISTICS GRO	266.5	1,667	25.9	22.0	17.7	6.1	5.6	5.0
GXO LOGISTIC	52.2	6,200	22.1	18.2	14.2	10.6	9.3	8.1
XPO INC	44.1	5,100	17.7	14.1	10.9	7.7	7.0	6.2
Median			**18.2**	**15.1**	**13.8**	**7.7**	**6.8**	**6.2**
Average			**18.6**	**15.7**	**13.1**	**8.0**	**7.1**	**6.4**

Source: Bloomberg

Fig. 20. Peers: Growth (x) vs. EV/EBITDA (y)



Source: Santander Brokerage Poland estimates

Fig. 21. Inpost: growth comparison

	EBITDA CAGR'22/25E	Net profit CAGR'22/25E
DEUTSCHE POST	0.1%	-2.3%
UNITED PARCEL	0.4%	-1.9%
FEDEX	4.4%	0.3%
SF HOLDING	16.2%	28.4%
ZTO EXPRESS	19.8%	21.5%
OESTERREICH POST	4.6%	3.6%
BPOST	1.6%	-2.7%
YAMATO	8.0%	7.3%
ID LOGISTICS GRO	12.5%	15.5%
GXO LOGISTIC	8.8%	11.6%
XPO INC	5.3%	4.9%
Median	**5.3%**	**4.9%**
Average	**7.4%**	**7.8%**

Source: Bloomberg

Fig. 22. Inpost: DCF analysis

Poland (PLN)	2023E	2024E	2025E	2026E	2027E	2028E	TV
Adj. EBITDA	2,259	2,724	3,229	3,710	4,168	4,589	
RoU amortization	405	442	479	517	554	591	
Adj. EBITDA* (after tax)	1,483	1,825	2,200	2,555	2,891	3,199	
Depreciation * tax	82	101	117	131	143	150	
Capex	-575	-636	-728	-767	-855	-936	
WC	-24	-28	-27	-28	-28	-25	
FCFF	**966**	**1,262**	**1,562**	**1,891**	**2,152**	**2,388**	**2,459**
WACC	12.4%			10.6%			10.6%
PV FCF (FY23-FY28E)	8,190						
Terminal growth (%)	3.0%						
Terminal Value (TV)	32,377						
PV TV	17,694						
Total EV	**25,884**						
France (PLN)	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**TV**
Adj. EBITDA	435	574	703	924	1,169	1,417	
RoU amortization	126	137	149	160	172	183	
Adj. EBITDA* (after tax)	248	349	443	611	798	987	
Depreciation * tax	26	31	36	41	44	47	
Capex	-409	-507	-590	-673	-756	-825	
WC	-24	-28	-27	-28	-28	-25	
FCFF	**-160**	**-155**	**-137**	**-49**	**59**	**184**	**189**
WACC	9.0%			8.1%			8.1%
PV FCF (FY23-FY28E)	-233						
Terminal growth (%)	3.0%						
Terminal Value (TV)	3,725						
PV TV	2,337						
Total EV	**2,104**						
UK (PLN)	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**TV**
Adj. EBITDA	-99	5	185	379	472	582	
RoU amortization	44	48	52	56	60	63	
Adj. EBITDA* (after tax)	-114	-34	107	259	330	415	
Depreciation * tax	9	11	13	14	15	16	
Capex	-219	-223	-227	-232	-250	-175	
WC	-24	-28	-27	-28	-28	-25	
FCFF	**-349**	**-275**	**-135**	**13**	**68**	**231**	**238**
WACC	9.0%			8.1%			8.1%
PV FCF (FY23-FY28E)	-403						
Terminal growth (%)	3.0%						
Terminal Value (TV)	4,689						
PV TV	2,942						
Total EV	**2,539**						
Total Group's EV	**30,528**						
Net debt	4,620						
Equity value	**25,908**						
Equity Value (Dec23)*	**28,735**						
Number of shares (mn)	500						
YE target price (PLN, Dec'23)	**57.5**						
DPS	0.0						
YE TP (ex-div, PLN)	**57.5**						
EURPLN	4.6						
YE TP (ex-div, EUR)	**12.6**						

Source: Company data, Santander Brokerage Poland estimates

Fig. 23. Inpost: WACC calculation - Poland

	23/25E fcst.	26/28E + TV
Risk free rate (10Y POGB)	7.0%	5.0%
Unlevered beta	1.0	1.0
Levered beta	1.8	1.8
Equity risk premium	6.7%	6.7%
Cost of equity	**19.3%**	**17.3%**
Risk free rate (10Y POGB)	7.0%	5.0%
Debt risk premium	1.0%	1.0%
Tax rate	19.0%	19.0%
After tax cost of Debt	**6.5%**	**4.8%**
%D	54%	54%
%E	46%	46%
WACC	**12.4%**	**10.6%**

Source: Santander Brokerage Poland estimates

Fig. 24. Inpost: WACC calculation – UK & France

	23/25E fcst.	26/28E + TV
Risk free rate (10Y govt. bond)	4.0%	3.0%
Unlevered beta	1.0	1.0
Levered beta	1.8	1.8
Equity risk premium	5.8%	5.8%
Cost of equity	**14.7%**	**13.7%**
Risk free rate (10Y govt. bond)	4.0%	3.0%
Debt risk premium	1.0%	1.0%
Tax rate	19.0%	19.0%
After tax cost of Debt	**4.1%**	**3.2%**
%D	54%	54%
%E	46%	46%
WACC	**9.0%**	**8.1%**

Source: Santander Brokerage Poland estimates

Santander

Financials & forecasts

Fig. 25. Inpost: Main assumptions

	2019	2020	2021	2022	2023E	2024E	2025E
No. of APMs (#)	**8,352**	**12,254**	**20,367**	**27,939**	**35,419**	**42,499**	**49,579**
Poland	7,186	10,776	16,445	19,306	21,306	22,906	24,506
International	1,166	1,478	3,922	8,633	14,113	19,593	25,073
- Mondial Relay	0	0	313	2,564	5,564	8,564	11,564
- UK + Italy	1,166	1,478	3,609	6,069	8,549	11,029	13,509
Growth y/y - APMs		**47%**	**66%**	**37%**	**27%**	**20%**	**17%**
Poland		50%	53%	17%	10%	8%	7%
International		27%	165%	120%	63%	39%	28%
- Mondial Relay				719%	117%	54%	35%
- UK + Italy		27%	144%	68%	41%	29%	22%
No. of lockers (000s)	**914**	**1,554**	**2,630**	**3,557**	**4,593**	**5,512**	**6,447**
Poland	827	1,477	2,410	2,906	3,377	3,677	3,934
International	87	77	220	651	1,216	1,835	2,513
- Mondial Relay			38	316	720	1,164	1,650
- UK + Italy	87	77	182	335	495	671	863
Growth y/y - lockers		**70%**	**69%**	**35%**	**29%**	**20%**	**17%**
Poland		79%	63%	21%	16%	9%	7%
International		-12%	186%	196%	87%	51%	37%
- Mondial Relay				732%	128%	62%	42%
- UK + Italy		-12%	136%	84%	48%	35%	29%
Poland parcel volumes (mn)	**144**	**308**	**424**	**508**	**553**	**599**	**642**
APM	103	247	355	424	463	498	529
to-door	41	61	70	84	90	101	113
International parcel volumes (mn)	**1**	**2**	**93**	**237**	**295**	**372**	**440**
Mondial Relay	0	0	85	213	249	292	333
UK + Italy	1	2	8	24	46	80	108
Total parcel volumes (mn)	**144**	**310**	**518**	**745**	**848**	**971**	**1,083**
Growth y/y - Poland		**114%**	**38%**	**20%**	**9%**	**8%**	**7%**
APM		140%	44%	20%	9%	8%	6%
to-door		49%	15%	21%	7%	12%	12%
Growth y/y - International		**340%**	**4141%**	**154%**	**25%**	**26%**	**19%**
Mondial Relay				151%	17%	17%	14%
UK + Italy		340%	282%	180%	96%	74%	35%
Total parcel volumes (mn)		**115%**	**67%**	**44%**	**14%**	**14%**	**12%**

Source: Inpost, Santander Brokerage Poland estimates

Santander

Fig. 26. Inpost: P&L forecast

PLNmn	2019	2020	2021	2022	2023E	2024E	2025E
Revenues	**1,663**	**2,528**	**4,602**	**7,079**	**9,018**	**11,274**	**13,426**
chng.	62%	52%	82%	54%	27%	25%	19%
Poland	1,656	2,510	3,453	4,162	5,084	6,089	7,153
chng.	62%	52%	38%	21%	22%	20%	17%
Mondial Relay	0	0	1,080	2,671	3,407	4,225	4,913
chng.	0%	n.a.	n.a.	147%	28%	24%	16%
Other intl.	7	18	69	246	527	960	1,360
chng.	-9%	153%	289%	258%	114%	82%	42%
Direct costs	1,110	1,209	2,439	4,477	5,618	7,011	8,249
% of sales	66.8%	47.8%	53.0%	63.2%	62.3%	62.2%	61.4%
Gross Profit	**553**	**1,319**	**2,163**	**2,602**	**3,400**	**4,262**	**5,178**
chng.		139%	64%	20%	31%	25%	21%
margin	33.2%	52.2%	47.0%	36.8%	37.7%	37.8%	38.6%
General costs	424	692	1,337	1,660	1,963	2,300	2,568
% of sales	25.5%	27.4%	29.0%	23.4%	21.8%	20.4%	19.1%
EBIT	**129**	**628**	**826**	**942**	**1,437**	**1,962**	**2,610**
chng.		388%	32%	14%	53%	37%	33%
margin	7.7%	24.8%	18.0%	13.3%	15.9%	17.4%	19.4%
D&A	147	152	275	429	583	713	828
RoU amortization	75	204	335	544	575	627	680
EBITDA	**350**	**984**	**1,436**	**1,914**	**2,595**	**3,302**	**4,117**
chng.		181%	46%	33%	36%	27%	25%
% margin	21.1%	38.9%	31.2%	27.0%	28.8%	29.3%	30.7%
adjustments to EBITDA	2	11	191	47	0	0	0
Adjusted EBITDA	**352**	**994**	**1,627**	**1,961**	**2,595**	**3,302**	**4,117**
chng.		183%	64%	21%	32%	27%	25%
% margin	21.2%	39.3%	35.4%	27.7%	28.8%	29.3%	30.7%
Poland	377	1,038	1,592	1,819	2,259	2,724	3,229
chng.		175%	53%	14%	24%	21%	19%
% margin	22.8%	41.3%	46.1%	43.7%	44.4%	44.7%	45.1%
Mondial Relay	0	0	155	331	435	574	703
chng.	n.a.	n.a.	n.a.	114%	32%	32%	23%
% margin	n.a.	n.a.	14.3%	12.4%	12.8%	13.6%	14.3%
International	-26	-43	-120	-189	-99	5	185
chng.		n.a.	n.a.	n.a.	n.a.	n.a.	3817%
% margin	-364.3%	-244.7%	-173.9%	-76.5%	-18.8%	0.5%	13.6%
Adj. EBITDA (ex. IFRS16)	**277**	**790**	**1,293**	**1,418**	**2,020**	**2,675**	**3,438**
chng.		185%	64%	10%	42%	32%	29%
% margin	16.7%	31.3%	28.1%	20.0%	22.4%	23.7%	25.6%
Financials, net	-30	-164	-114	-273	-293	-293	-293
PBT	**99**	**463**	**713**	**669**	**1,144**	**1,669**	**2,316**
Tax (reported)	-33	-112	-222	-212	-229	-334	-463
rate %	33%	24%	31%	32%	20%	20%	20%
Profit from continuing operations	**66**	**352**	**491**	**457**	**915**	**1,335**	**1,853**
Loss from discontinued operations	-3	-1	0	0	0	0	0
Net profit	**63**	**350**	**492**	**456**	**915**	**1,335**	**1,853**
Weighted avg no of shares, mn	18.6	17.9	17.5	17.5	17.5	17.5	17.5
Weighted avg no of shares adjusted	529	510	500	500	500	500	500
EPS	0.1	0.7	1.0	0.9	1.8	2.7	3.7

Source: Inpost, Santander Brokerage Poland estimates

Fig. 27. Inpost: Balance sheet forecasts

PLNmn	2019	2020	2021	2022	2023E	2024E	2025E
Current assets	**368**	**655**	**1,462**	**1,767**	**2,335**	**3,334**	**4,772**
cash and equivalents	113	144	493	436	659	1,256	2,311
accounts receivable	216	435	927	1,245	1,586	1,983	2,362
inventories	2	6	11	14	18	23	27
other current assets	37	71	31	72	72	72	72
Fixed assets	**1,202**	**1,826**	**5,871**	**6,988**	**7,657**	**8,360**	**9,127**
PPE	677	1,191	2,514	3,681	4,163	4,672	5,231
right-of-use asset	321	374	596	546	596	646	696
intangibles	122	142	1,051	1,043	1,180	1,324	1,482
goodwill	-	-	1,460	1,488	1,488	1,488	1,488
deffered tax asset	78	112	158	166	166	166	166
other current assets	3	7	92	64	64	64	64
Total assets	**1,570**	**2,481**	**7,333**	**8,755**	**9,992**	**11,694**	**13,899**
Current liabilities	**404**	**737**	**1,606**	**2,170**	**2,458**	**2,792**	**3,110**
bank debt	5	24	194	339	339	339	339
lease liability	152	233	358	552	569	586	603
accounts payable	191	292	786	993	1,265	1,581	1,883
other financial liabilities	56	188	268	286	286	286	286
provisions	-	-	-	-	-	-	-
Long-term liabilities	**776**	**1,106**	**5,698**	**6,117**	**6,150**	**6,183**	**6,216**
bank debt	613	743	4,546	4,717	4,717	4,717	4,717
lease liability	124	304	835	1,091	1,124	1,158	1,191
other long-term liabilities	39	58	317	308	308	308	308
provisions	-	-	-	-	-	-	-
Equity	**390**	**638**	**29**	**469**	**1,384**	**2,719**	**4,573**
share capital	19	0	23	23	23	23	23
capital reserves	308	288	(485)	(10)	446	1,361	2,697
net income	63	350	492	456	915	1335	1853
Total liabilities and equity	**1,570**	**2,481**	**7,333**	**8,755**	**9,992**	**11,694**	**13,899**
Debt	895	1,304	5,933	6,700	6,750	6,800	6,850
Debt (ex. IFRS16)	618	767	4,740	5,056	5,056	5,056	5,056
Net debt (ex. IFRS16)	505	623	4,247	4,620	4,397	3,800	2,745
Net debt/EBITDA	1.8	0.8	3.3	3.3	2.2	1.4	0.8
Returns							
ROIC	16.3%	47.8%	25.6%	20.7%	24.8%	28.3%	32.1%
ROCE	16.9%	49.2%	27.8%	21.1%	24.9%	28.0%	30.2%
ROE	17.1%	68.2%	147.4%	183.3%	98.8%	65.1%	50.8%

Source: Inpost, Santander Brokerage Poland estimates

Fig. 28. Inpost: Cash flow statement forecasts

PLNmn	2019	2020	2021	2022	2023E	2024E	2025E
Cash flow from operations	**293**	**740**	**1,100**	**1,346**	**1,999**	**2,590**	**3,280**
Net profit	63	350	492	456	915	1,335	1,853
D&A (ex. IFRS16)	147	152	275	429	583	713	828
RoU amortization	75	204	335	544	575	627	680
Provisions	0	26	-2	-26	0	0	0
Changes in WC, o/w	-9	-186	-7	-63	-73	-85	-81
inventories	0	-4	-5	-4	-4	-5	-4
receivables	-31	-228	-166	-304	-341	-397	-379
payables	22	46	164	244	272	316	302
Other, net	17	194	8	7	0	0	0
Cash flow from investment	**-287**	**-527**	**-3,196**	**-1,116**	**-1,202**	**-1,365**	**-1,545**
Additions to PPE	-320	-531	-936	-1,116	-1,202	-1,365	-1,545
Other, net	33	4	-2,261	0	0	0	0
Cash flow from financing	**0**	**-182**	**2,445**	**-288**	**-575**	**-627**	**-680**
Change in debt	0	76	1,291	216	0	0	0
Change in equity and profit distribution	0	0	2,715	0	0	0	0
Dividends paid	0	0	0	-12	0	0	0
Other, net	0	-259	-1,561	-492	-575	-627	-680
Net change in cash and equivalents	**6**	**31**	**349**	**-57**	**223**	**597**	**1,055**
Free Cash Flow	-102	5	-170	-313	223	597	1,055

Source: Inpost, Santander Brokerage Poland estimates

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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.

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