

Thursday, July 23, 2020 | special comment

VRG - Forecast of 2020 Q2 Results

Rating: accumulate | target price: PLN 2.43 | current price: PLN 2.30

VRG PW; VRGP.WA | Retail, Poland

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VRG is slated to release its second-quarter results on August 26, 2020.

We expect to see an EBITDA loss of PLN 5.6m on an IAS 17 basis as compared to an operating profit of PLN 35m generated in the same period a year earlier. The main drivers behind the loss included lower sales during and post-lockdown, combined with weaker margins (-6.3pp to 47.2%) due to an increased share of online sales and higher price discounts. Quarterly SG&A expenses will most likely show a 19% decrease from the year-ago level at an estimated PLN 93.5m thanks to state aid to cover costs of payroll and rent. We do not expect to see any one-offs in Q2 2020 compared to a PLN 0.5m charge recognized in Q2 2019. Financing activity in the period generated a loss of an estimated PLN 6.9m, up from a year-ago financing loss of PLN 3.2m.

VRG is expected to continue its recovery from the lockdown losses in the periods ahead.

2020 Q2 estimates vs. prior periods and FY targets

(PLN m)	2Q'20E	2Q'19	YoY	2020E	YTD*
Revenue	174.0	270.2	-36%	823.7	45%
Gross profit	82.1	144.6	-43%	394.3	45%
margin	47.2%	53.5%		47.9%	
EBITDA (IAS 17)	-5.6	35.0		5.9	
EBITDA margin	-3.2%	13.0%		0.7%	
EBIT	-11.4	28.6		-16.8	
Pre-tax profit	-18.3	29.3		-39.7	
Net profit	-18.3	23.9		-36.0	

Source: VRG, E - estimates by mBank, *YTD result as a % of our FY forecast

List of abbreviations and ratios contained in the report:

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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SELL – we expect that an investment will bear a loss greater than 15%
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