

Thursday, January 21, 2021 | special comment

VRG: Forecast of 2020 Q4 Results

Rating: buy | target price: PLN 3.14 | current price: PLN 2.63

VRG PW; VRGP.WA | Retail, Poland

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VRG has not set a date yet for its FY2020 annual earnings release. When it comes to the results for the fourth quarter, which was marked by lockdown restrictions on most fashion stores, we expect to see lower IAS 17 EBITDA of PLN 1.2m based on low monthly sales generated in the period, accompanied by thinner sales margins and a year-over-year decrease in gross profit by an estimated 32% to PLN 121.4m. On the plus side, by reducing the trading area and keeping a tight lid on costs, VRG should be able to cut SG&A by as much as 7.2% compared to Q4 2019. After estimated one-time charges of PLN 2.6m, about the same as incurred in the comparable year-ago period, EBIT in Q4 2020 will most likely show a decline on a year-over-year basis. VRG is expected to have incurred a loss of PLN 3m on financing activity in Q4 2020, less than the PLN 3.5m paid in Q4 2019. The quarterly effective tax rate in Q4 2020 was most likely zero.

2020 Q4 Estimates

(PLN m)	4Q'20E	4Q'19	YoY	2020E	YTD*
Revenue	231.6	332.5	-30%	904.3	94%
Gross profit	121.4	178.5	-32%	448.7	94%
margin	52.4%	53.7%		49.6%	
IAS 17 EBITDA	1.2	53.3	-98%	39.4	20%
EBITDA margin	0.5%	16.0%		4.4%	
EBIT	-3.7	47.6		18.2	
Pre-tax profit	-6.8	53.9		5.3	
Net profit	-6.8	44.3		8.0	

Source: VRG, E - mBank estimates *IAS17 estimates

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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