

169/2022/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
Action	Buy	22.6	Overweight	Jakub K. Viscardi

Event: Management outlook following 4Q21 results release

Yesterday, during the WSE trading hours, Action organized a meeting with investors and presented the management's outlook for the Company's further development.

The highlights from the meeting:

- Action expects FY22 revenues to increase by c. 10% and intends to keep the gross margin comparable.
- According to the Company, the extent of financing the activities with cash purchases and prepayments this year should be smaller which would improve cash flows and boost sales.
- Action wants to focus on the sale related to electronic channels, both directly (via Sferis and Krakvet, for instance) and via cooperation with external stores in Poland and abroad.
- The Company wants to increase a number of on-line stores it supplies in Europe as well as to enter other auction platforms in Poland (Shopee) and abroad (German eBay). The e-commerce revenues that contribute c. 40% of total revenues should be on the rise.
- Sales of the pet food segment contribute c. 5% of the Company's revenues though with a fast growth visible (in 2021 they tripled). Currently, Action is in talks with key suppliers and considers to dedicate a 10,000 sq m logistic center for this segment (large and heavy parcels).
- Action is negotiating a change in purchase financing terms with insurers and suppliers; currently, 70% of purchases are made in cash or with prepayments.
- Action's revenues would increase provided the Company obtains credit limits from insurers; the Company is in talks with Euler Hermes counting on an increase in limits of insurance on receivables.
- The Company still mulls over the possibility of taking a loan for the repayment of the remaining liabilities in the amount of PLN 106.6 million related to the arrangement with creditors. At the beginning of April the Company expects to receive the Supreme Administrative Court decision regarding the VAT dispute and then plans to return to talks with creditors about the earlier repayment of the arrangement liabilities.
- Before the war in Ukraine, Action's sales to Russia, Ukraine and Belarus constituted merely 0.05% of total sales. The Company claims that the war may improve availability of the goods which primarily were dedicated for these markets. Action is prepared to make necessary adjustments to these products so they will fit the European markets.

Expected impact: *Neutral; the information was released during the WSE trading hours. The key issue for Action is to obtain insurance limits which should help boost sales, especially in the peak seasons.*

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