

Poland

FMCG

AMBRA

RECOMMENDATION

BUY (MAINTAINED)

Cheap late cyclical

CURRENT PRICE: PLN11.35

TARGET PRICE: PLN18.7 (PREV. PLN12.5)

2Q17/18 PUBLICATION DATE

FEBRUARY 10, 2018

■ **Equity story.** We uphold our Buy recommendation and significantly increase our 12-month Target Price to PLN18.7 (+50%) on the back of a massive upward revision of our EBITDA forecasts by 35%/37%/35% in 2017/18-19/20E, respectively. The industry's current situation is, in our view, very positive for Ambra and we believe that growth in table wine consumption in all the non-discount channels is likely to last longer, boding well for the company's results. So far, growth is driven by strong consumer sales across the whole CEE, which are still increasing. Ambra sees this trend leading to greater sales of more expensive wines in the wholesale channel as well as recording record results in its retail channel. In this positive macro backdrop, Ambra's valuation is attractive and offers plenty of upsides. It is currently trading at a normalised 2017/18E P/E of 8.4x, a normalised EV/EBITDA of 4.6x and PEGx of 0.4x, which imply huge double-digit discounts vs the peers. In our view, this is unjustified taking into account the restored growth profile (3Y sales CAGR at 6%). Ambra can also be distinguished from other WSE companies by its superior FCF yield (6.5% in 2017/18E), which, along with the limited CAPEX (although this increased slightly recently), enables it to pay hefty dividends with the expected DY18/19E at 6.2%.

■ **2Q17/18 preview.** 2Q17/18E is likely to be the strongest quarter ever in Ambra's history. We assume that the company should continually benefit from positive trends in the wine market in Poland. We expect sales growth of 7.6% y/y to PLN201mn that quarter. While gross margins should remain flat, OPEX is likely to grow slower than sales due to cost controls. As a result of operating deleveraging, we expect notable growth of EBITDA and net profit at 15% y/y and 16% y/y, respectively. **Outcome: Positive.**

■ **Changes to forecasts.** Following an impressive closing 2016/17, we were forced to increase our forecasts of EBITDA by 35%/37%/35% in 2017/18-19/20E, respectively, on the back of higher margins driven by sales growth volume as well as control over operating costs.

■ **Changes in valuation & recommendation.** The updated DCF model implies PLN18.7 in value per share (65% upside). The comparative valuation points to a price per share of PLN25.4. Buy maintained.

STOCK PERFORMANCE



The chart measures performance against the WIG index. On 07/11/2017, the WIG index closed at 65,134.28.

LAST RECOMMENDATIONS

Rec.	Date	Price		Price performance	
		on issue date	12 month target	absolute	relative (p.p)
Buy	1/18/2017	8.9	12.5	27.0%	5.1
Buy	11/3/2016	7.5	11.9	19.2%	7.7
Buy	1/27/2016	6.9	10.7	8.7%	-2.1

COMPANY DESCRIPTION

Ambra is the leading wine distributor and producer in Poland. The company is recently expanding into growing category of 'cider'.

Main shareholders	% of votes
Schloss Wachenheim	61.1%
Aviva BZWBK pension fund	10.0%

Source: www.gpw.pl

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Company Data

PLNm	2016/17	2017/18E	2018/19E	2019/20E
Sales	460	498	521	546
EBITDA	57	66	68	70
EBIT	42	54	56	58
Net income	28	34	36	37
P/E (x)	8.2	8.4	8.0	7.7
EV/EBITDA (x)	4.3	4.6	4.3	4.2

Source: Company data, BZ WBK Equity Research

Reuters/Bloomberg codes	AMB.WA / AMB.PW		
Market capitalisation (PLNm)	289		
Number of shares (m)	25.2		
Free float (%)	37.6%		
Avg. daily turnover 3M (PLNm)	0.1		
Price performance	1M	3M	YTD
	0.4%	4.9%	44.9%

Fig. 1. Ambra: Results preview

PLNmnn	3Q15/16	4Q15/16	1Q16/17	2Q16/17	3Q16/17	4Q16/17	1Q17/18E	2Q17/18E	1Q17/18E y/y	2Q17/18E y/y
Sales	74.6	94.0	97.1	186.4	80.5	98.7	104.5	200.5	7.6%	7.6%
EBITDA	-1.2	4.6	8.3	39.0	0.7	5.2	10.1	44.8	21.9%	14.8%
EBITDA margin	-1.6%	4.8%	8.5%	20.9%	0.8%	5.2%	9.7%	22.3%	114	140
EBIT	-4.0	1.7	5.5	36.2	-2.1	2.4	7.3	41.9	33.2%	15.6%
EBIT margin	-5.3%	1.9%	5.7%	19.4%	-2.6%	2.4%	7.0%	20.9%	135	146
Net profit	-4.4	-0.4	2.6	24.2	-4.9	1.2	3.4	27.9	32.7%	15.6%
Net margin	-6.0%	-0.4%	2.7%	13.0%	-6.1%	1.3%	3.3%	13.9%	62	97

Source: Company data, BZ WBK Equity Research

Fig. 2. Ambra: Forecasts changes

PLNmnn	2017/18E			2018/19E			2019/20E		
	New	Previous	Change	New	Previous	Change	New	Previous	Change
Sales	498	474	5%	521	501	4%	546	530	3%
EBITDA	66	49	35%	68	49	37%	70	52	35%
EBIT	54	35	54%	56	36	57%	58	38	53%
Net profit	34	20	72%	36	20	77%	37	22	70%

Source: Company data, BZ WBK Equity Research

Fig. 3. Ambra: Valuation changes

PLN per share	New	Previous	Change
DCF valuation	18.7	12.5	49.5%
Comparable valuation (based on 2017/18-2018/19E)	25.4	18.8	35.0%

Source: Company data, BZ WBK Equity Research

Fig. 4. Ambra: Income statement forecast

PLNmnn	2016/17	2017/18E	2018/19E	2019/20E
Net sales	460	498	521	546
COGS	301	326	343	360
Gross profit	159	171	178	186
SG&A	112	117	122	128
Other operating income, net	-6	0	0	0
EBITDA	53	66	68	70
Operating profit	42	54	56	58
Net financial income (costs)	-1	-1	-1	0
Profit before tax	41	53	56	58
Income tax	18	19	20	21
Net profit	23	34	36	37
Gross margin	34.6%	34.4%	34.2%	34.0%
EBITDA margin	11.5%	13.2%	13.0%	12.8%
Operating margin	9.1%	10.9%	10.8%	10.6%
Net profit margin	5.0%	6.8%	6.9%	6.8%

Source: Company data, BZ WBK Equity Research

Fig. 5. Ambra: Balance sheet forecast

PLNmnn	2016/17	2017/18E	2018/19E	2019/20E
Current assets	226	242	255	261
Fixed assets	187	193	198	203
Total assets	412	435	453	464
Current liabilities	122	127	127	122
bank debt	32	30	25	15
Long-term liabilities	8	7	7	7
bank debt	1	0	0	0
Equity	248	267	285	302
share capital	25	25	25	25
Minority Interest	35	35	35	35
Total liabilities	412	435	453	464
Net debt	19	16	9	4

Source: Company data, BZ WBK Equity Research

Fig. 6. Ambra: Cash flow forecast

PLNmnn	2016/17	2017/18E	2018/19E	2019/20E
CF from operations	40	36	41	42
CF from investment	-8	-17	-17	-17
CF from financing, incl.	-28	-19	-23	-30
dividends paid	-13	-15	-18	-20
Net change in cash	5	0	1	-5

Source: Company data, BZ WBK Equity Research