

Miraculum

3Q23 results review

Miraculum reported its 3Q23 results with EBITDA of PLN 715k and net profit PLN of PLN 159k (both above our expectations) driven by improvement of gross margin by 4.0pp y/y and operating costs maintained under control. Below please find key highlights:

- **Revenues** came in at PLN 10.8m (-4% y/y), in line with monthly data including PLN 3.2m in July (-6% y/y), PLN 3.6m in August (+7% y/y) and PLN 3.9m in September (-9% y/y). Miraculum reported a 25% y/y increase in sales of perfumes to PLN 3.2m (supported by Chopin brand), while shaving and makeup cosmetics deteriorated by 6% y/y and 20% y/y, respectively. The company informed that export sales declined by 23% y/y to PLN 3.1m and accounted for 29% of total sales (impact of high base in 3Q22 driven by contracts to Saudi Arabia).
- **Gross profit** reached PLN 4.2m (+7% y/y), implying gross margin of 39.3% (+4.0pp y/y). The improvement was mainly related to sales-mix and higher share of high margin Perfumes segment (margin of 45%).
- **EBITDA** came in at PLN 0.7m (+25% y/y), resulting in EBITDA margin of 6.6% (vs. 5.1% in 3Q22). SG&A costs increased by 2% y/y to PLN 3.8m at that time.
- **Net profit** amounted to PLN 159k (vs. our forecast PLN 20k) with net financial costs of PLN 35k.
- **Operating cash flow** amounted to PLN -566k (vs. PLN -501k in 3Q22). The company had **inventory** of PLN 13.1m as of end-3Q23 (-4% y/y), resulting in reduction of inventory cycle from 171 days in 3Q22 to 155 days in 3Q23. Miraculum had **net debt** of PLN 19.0m as of end-3Q23 (-10% y/y).

***Opinion:** Positive, as reported results were above our expectations on improved y/y gross margin (driven by high-margin perfumes segment) and SG&A costs kept under control (4% below our estimates). Additionally, the company has managed to y/y reduce its inventory and net debt levels. We point that 9M23 EBITDA reached PLN 1.5m (vs. PLN 0.9m in 9M22), that is already above our FY23E forecast of PLN 1.4m. Finally, we note that the company reported solid revenues of PLN 5.0m in October (+8% y/y, slightly above our assumptions).*

Figure 1. Miraculum results summary (PLNm)

MIR PW (PLNm)	3Q22	4Q22	1Q23	2Q23	3Q23	y/y	3Q23E	vs. IPOPE
Revenues	11.21	11.17	14.54	9.91	10.77	-4%	10.81	0%
COGS	-7.26	-7.82	-10.10	-6.28	-6.54	-10%	-6.51	0%
Gross profit	3.95	3.36	4.43	3.63	4.23	7%	4.30	-2%
SG&A costs	-3.76	-4.00	-3.92	-3.97	-3.83	2%	-3.98	-4%
Selling costs	-2.56	-2.69	-2.59	-2.65	-2.57	1%	-2.68	-4%
G&A costs	-1.21	-1.31	-1.33	-1.32	-1.26	5%	-1.30	-3%
Other operating profit/cost	0.13	-0.01	0.04	0.02	0.02	-83%	0.00	n.m.
EBITDA	0.57	-0.38	0.83	-0.03	0.72	25%	0.60	20%
D&A	0.26	0.27	0.27	0.29	0.30	15%	0.28	7%
EBIT	0.31	-0.65	0.56	-0.32	0.42	33%	0.32	31%
Net financial costs	-0.41	0.07	-0.35	-0.41	-0.35	-16%	-0.30	15%
Pre-tax profit	-0.10	-0.57	0.20	-0.73	0.07	<i>n.m.</i>	0.02	274%
Income tax	-0.02	-0.80	0.07	0.01	0.09	<i>n.m.</i>	0.00	<i>n.m.</i>
Net profit	-0.12	-1.37	0.27	-0.71	0.16	<i>n.m.</i>	0.02	714%
<i>Gross margin (%)</i>	<i>35.2%</i>	<i>30.1%</i>	<i>30.5%</i>	<i>36.6%</i>	<i>39.3%</i>		<i>39.7%</i>	

Source: Company, IPOPEMA Research

Consumer discretionary

Miraculum

HOLD

FV PLN 1.25

4% upside

Price as of 10 November 2023 PLN 1.20

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The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Rating History – Miraculum

Date	Recommendation	F V	Price at recommendation	Author
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