

Miraculum

Debt reduction ongoing

We maintain our HOLD recommendation on Miraculum and increase our FV from PLN 1.25 to PLN 1.35 per share on updated financial forecasts and WACC assumptions. Based on monthly data, we estimate revenues of PLN 47.4m in 2023E (+9% y/y) that should translate to EBITDA of PLN 1.8m (vs. PLN 0.5m in the previous year and margin of 3.8%). We expect an improvement in revenues and profitability to be delivered in 2024E as well, and we increase our EBITDA forecast by 5% y/y to PLN 2.9m. At the same time, we point to planned conversion of loans from major shareholders (the EGM scheduled on 5 April 2024) that should allow for a ca. PLN 9m reduction of debt and decrease of interest costs in the following quarters. Based on our forecasts, we expect the company to generate positive FCF of already in 2024E, which should support sentiment towards the company.

4Q23 results preview

Based on monthly reports we forecast revenues of PLN 47.4m in 2023E (+9% y/y) and improvement of the gross margin by 2.8pp y/y to 34.6% (mainly on more favourable sales mix). As a result, we estimate EBITDA of PLN 0.29m in 4Q23 and PLN 1.8m in 2023E (in comparison to PLN 0.5m in 2022; margin of 3.7%).

We increase our EBITDA forecast by 5% in 2024E

We expect that the company will be able to continue its growth in revenues through development of its product offering as well as further cooperation with discount retail chains. We forecast revenues of PLN 52.7m in 2024E and PLN 58.6m in 2025E (vs. PLN 54.3m and PLN 61.2m previously). Additionally, due to a more favourable sales mix and the company's focus on high-margin products, we anticipate further improvement in the gross margin by 1.2pp y/y from 35.4% in 2024E to 36.5% in 2025E (vs. previously assumed 34.9% and 36.1%, respectively). As we maintain our SG&A costs assumptions broadly unchanged, we increase our EBITDA forecast by 5% to PLN 2.9m in 2024E and keep PLN 4.7m in 2025E broadly unchanged. Assuming reduction of debt and decrease in interest costs, we forecast net profit of PLN 0.9m/2.4m in 2024-25E, respectively.

Potential for positive cash generation and debt reduction

As of end-3Q23, Miraculum held net debt of PLN 19.0m. On 30 January 2024, the majority shareholders expressed their willingness to subscribe for at least 5m and no more than 6m shares at the issue price of PLN 1.80/share (EGM scheduled on 5 March 2024; we include in our forecasts and valuation the issue of 5.5m shares), which should support deleveraging of Miraculum. Assuming improvement in financial results, we forecast operating cash flow of PLN 1.9m in 2024E, which should result in a decrease of net debt from PLN 19.9m as of end-2023E to PLN 9.9m as of end-2024E. Nevertheless, we note that the high level of debt remains a risk factor and potential accelerated development of operations might require additional financing (through bank loans, shareholders loans or share issue).

Figure 1. Miraculum – Financial summary (PLNm)

	2021	2022	2023E	2024E	2025E	2026E
Revenues	33.7	43.3	47.4	52.7	58.6	64.4
EBITDA	-1.8	0.5	1.8	2.9	4.7	6.0
EBIT	-2.8	-0.5	0.7	1.7	3.4	4.7
Net profit	-4.1	-2.5	-0.6	0.9	2.4	3.6
P/E (x)	n.a.	n.a.	n.a.	70.4	26.1	17.8
EV/EBITDA (x)	n.a.	138.1	42.0	25.3	15.3	11.4
DPS (PLN)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, IPOPEMA Research

Consumer discretionary

Miraculum

HOLD

FV PLN 1.35

1% downside potential

Price as of 8 February 2024 PLN 1.36

HOLD maintained



Share data

Number of shares (m)*	41.5
Market cap (EUR m)	13.0
12M avg daily volume (k)	19.5
12M avg daily turnover (EUR m)	0.01
12M high/low (PLN)	1.57/1.12
WIG weight	0.01
Reuters	MIR.WA
Bloomberg	MIR.PW

*before planned share issue

Total performance

1M	+7%
3M	+13%
12M	+7%

Shareholders

Marek Kamola	35.84%
Piotr Skowron	9.42%
Jan Załubski	8.01%
Sławomir Ziemiński	5.01%
Other	41.72%

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Miraculum

HOLD

FV PLN 1.35

Mkt cap EUR 13m

Downside -1%

Valuation multiples	2022	2023E	2024E	2025E	2026E
P/E (x)	n.a.	n.a.	70.4	26.1	17.8
EV/EBITDA (x)	138.1	42.0	25.3	15.3	11.4
EV/Sales (x)	1.5	1.6	1.4	1.2	1.1
P/BV (x)	2.11	2.43	1.88	1.75	1.60
FCF yield (%)	-4.7%	-4.5%	0.1%	3.0%	4.6%
DY (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Per share	2022	2023E	2024E	2025E	2026E
No. Of shares (m units)	38.0	41.5	47.0	47.0	47.0
EPS (PLN)	-0.06	-0.01	0.02	0.05	0.08
BVPS (PLN)	0.58	0.56	0.72	0.78	0.85
FCFPS (PLN)	-0.06	-0.06	0.00	0.04	0.06
DPS (PLN)	0.00	0.00	0.00	0.00	0.00

Change y/y (%)	2022	2023E	2024E	2025E	2026E
Revenues	29%	9%	11%	11%	10%
EBITDA	n.a.	281%	61%	61%	28%
EBIT	n.a.	n.a.	158%	97%	39%
Net profit	n.a.	n.a.	n.a.	169%	47%

Leverage and return	2022	2023E	2024E	2025E	2026E
Gross margin (%)	31.8%	34.6%	35.4%	36.5%	37.1%
EBITDA margin (%)	1.1%	3.8%	5.5%	8.0%	9.4%
EBIT margin (%)	-1.2%	1.4%	3.3%	5.8%	7.4%
Net margin (%)	-5.7%	-1.2%	1.7%	4.2%	5.6%
Net debt / EBITDA (x)	37.6	10.3	3.0	1.4	0.6
Net debt / Equity (x)	0.81	0.81	0.26	0.19	0.10
Net debt / Assets (x)	0.32	0.32	0.14	0.11	0.06
ROE (%)	-11.3%	-2.6%	3.2%	6.9%	9.4%
ROA (%)	-4.3%	-1.0%	1.5%	3.9%	5.6%
ROIC (%)	-1.0%	1.3%	3.2%	6.2%	8.6%

Assumptions	2022	2023E	2024E	2025E	2026E
Revenues (PLNm)	43.3	47.4	52.7	58.6	64.4
Shaving cosmetics	9.0	10.4	11.4	12.6	13.8
Makeup cosmetics	8.6	8.6	9.5	10.4	11.4
Perfumes	11.8	12.9	14.8	17.0	18.8
Body care	1.4	1.9	2.3	2.7	3.3
Face care	5.3	5.6	5.8	6.1	6.4
Other	7.2	8.0	8.8	9.7	10.7

Gross profit (PLNm)	13.8	16.4	18.6	21.4	23.9
Shaving cosmetics	2.4	2.8	3.1	3.5	3.9
Makeup cosmetics	2.7	2.5	2.9	3.4	3.8
Perfumes	3.9	5.7	6.6	7.8	8.8
Body care	0.4	0.5	0.6	0.8	1.0
Face care	2.3	2.4	2.5	2.8	2.9
Other	2.1	2.5	2.8	3.2	3.5

Cash conv. (days)	67	75	74	69	66
Inventory	165	160	160	157	153
Receivables	37	46	46	46	46
Payables	135	131	132	133	133

P&L (PLN m)	2021	2022	2023E	2024E	2025E	2026E
Revenues	33.7	43.3	47.4	52.7	58.6	64.4
COGS	-23.5	-29.6	-31.0	-34.0	-37.2	-40.5
Gross profit	10.1	13.8	16.4	18.6	21.4	23.9
Selling costs	-9.0	-10.4	-10.6	-11.2	-11.9	-12.4
G&A costs	-4.0	-4.7	-5.2	-5.7	-6.2	-6.8
Other operating income	0.2	1.1	0.2	0.0	0.0	0.0
Other operating cost	-0.1	-0.3	-0.2	0.0	0.0	0.0
EBITDA	-1.8	0.5	1.8	2.9	4.7	6.0
D&A	1.0	1.0	1.2	1.2	1.3	1.3
EBIT	-2.8	-0.5	0.7	1.7	3.4	4.7
Net financial costs	-0.5	-0.8	-1.4	-0.6	-0.4	-0.3
Pre-tax profit	-3.3	-1.4	-0.7	1.1	3.0	4.4
Income tax	-0.8	-1.1	0.2	-0.2	-0.6	-0.8
Net profit	-4.1	-2.5	-0.6	0.9	2.4	3.6

BALANCE SHEET (PLNm)	2021	2022	2023E	2024E	2025E	2026E
Non-current assets	38.5	38.5	38.6	38.6	38.6	38.6
PP&E	1.2	1.3	1.3	1.3	1.2	1.3
RoU assets	0.5	1.4	1.2	1.2	1.3	1.3
Goodwill and intangible assets	33.6	33.6	33.6	33.6	33.6	33.6
Other non-current assets	3.3	2.3	2.5	2.5	2.5	2.5
Current assets	18.5	17.7	19.7	22.7	24.4	27.2
Inventory	11.8	13.3	13.6	14.9	15.9	17.0
Trade receivables	6.5	4.4	6.0	6.6	7.4	8.1
Cash and equivalents	0.2	0.0	0.1	1.1	1.1	2.0
Total assets	57.1	56.2	58.2	61.3	63.0	65.8
Equity	21.5	22.1	23.2	34.0	36.5	40.1
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Long term liabilities	21.7	20.8	21.6	12.6	10.6	8.6
Financial liabilities	17.9	16.3	17.2	8.2	6.2	4.2
Other	3.8	4.6	4.4	4.4	4.4	4.4
Short term liabilities	13.9	13.3	13.4	14.6	15.9	17.1
Financial liabilities	1.7	1.7	1.7	1.7	1.7	1.7
Trade payables	11.6	10.9	11.1	12.3	13.6	14.8
Other	0.7	0.7	0.6	0.6	0.6	0.6
Equity & liabilities	57.1	56.2	58.2	61.3	63.0	65.8
Gross debt (PLNm)	19.6	17.9	18.8	9.8	7.8	5.8
Net debt (PLNm)	19.3	17.9	18.7	8.7	6.8	3.8

CASH FLOW (PLN m)	2021	2022	2023E	2024E	2025E	2026E
Operating cash flow	-4.0	-0.6	0.1	1.9	3.6	4.6
Net income	-4.1	-2.5	-0.6	0.9	2.4	3.6
D&A	1.0	1.0	1.2	1.2	1.3	1.3
Change in WC	-2.3	-0.1	-1.6	-0.8	-0.5	-0.6
Other	1.4	0.9	1.2	0.6	0.4	0.3
Investment cash flow	-0.3	-0.2	-0.4	-0.4	-0.4	-0.5
Change in intangible assets	0.0	0.5	0.0	0.0	0.0	0.0
Change in PP&E	-0.4	-0.7	-0.4	-0.4	-0.4	-0.5
Financial cash flow	3.6	0.6	0.4	-0.5	-3.2	-3.1
Change in equity	0.7	1.7	1.7	0.0	0.0	0.0
Change in debt	4.0	0.3	0.9	0.9	-2.0	-2.0
Interest cost	-0.4	-0.7	-1.4	-0.6	-0.4	-0.3
Lease payments	-0.6	-0.7	-0.8	-0.8	-0.8	-0.8
Dividend paid	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash	-0.7	-0.2	0.1	1.0	-0.1	0.9
Cas as of eop	0.2	0.0	0.1	1.1	1.1	2.0

Source: Company data, IPOPEMA Research; *assuming issue of 5.5m shares

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Valuation

We value Miraculum using the discounted cash flow method (100% weight) and a add multiples valuation for presentation purpose only.

Figure 2. Miraculum – Valuation summary

Valuation method	Weight (%)	FV (PLN/share)
DCF valuation	100%	1.35
Peer comparison valuation	0%	1.29
Fair value		1.35
Current price		1.36
Upside/downside (%)		-1%

Source: Company, IPOPEMA Research

DCF valuation

We base our DCF valuation on our free cash flow forecasts for 2023-32E (for more details please refer to “Financial forecasts”). We apply a risk-free rate of 6.1% in terminal, equity risk premium of 5.5% and unlevered beta of 1.0x and assume a terminal growth rate of 2.0%.

Figure 3. Miraculum –DCF valuation (PLNm)

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TV
Revenues	47.4	52.7	58.6	64.4	69.3	74.5	79.6	85.0	90.9	97.2	104.0	
EBITDA	1.8	2.9	4.7	6.0	7.4	8.7	10.1	11.5	13.0	14.5	16.2	
EBIT	0.7	1.7	3.4	4.7	6.1	7.4	8.8	10.1	11.6	13.2	14.8	
Tax on EBIT	-0.1	-0.3	-0.6	-0.9	-1.2	-1.4	-1.7	-1.9	-2.2	-2.5	-2.8	
NOPAT	0.5	1.4	2.8	3.8	4.9	6.0	7.1	8.2	9.4	10.7	12.0	
D&A	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	
Change in WC	-1.6	-0.8	-0.5	-0.6	-0.4	-0.8	-0.8	-0.8	-0.9	-1.0	-1.0	
Capex	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5	
Lease payments	-0.8	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	
FCF	-0.4	0.6	2.3	3.2	4.4	5.1	6.4	7.3	8.4	9.6	10.9	11.9
Discount factor (%)		92%	83%	75%	67%	61%	54%	49%	44%	39%	35%	
FCF PV (PLNm)		0.5	1.9	2.4	3.0	3.1	3.5	3.6	3.7	3.8	3.8	
FCF PV 2024-33E (PLNm)			29.2									
Residual growth rate (%)			2.0%									
Discounted residual value (PLNm)			44.2									
EV (PLNm)			73.4									
Dividend paid (PLNm)			0.0									
Net debt (eop 2023E, PLNm)			19.9									
Share issue (PLNm)*			9.9									
Equity value (PLNm)			63.4									
Number of shares (m)*			47.0									
FV (PLN)			1.35									

		WACC (%)				
		10.5%	11.0%	11.5%	12.0%	12.5%
Residual growth rate (%)	1.0%	1.35	1.30	1.26	1.22	1.19
	1.5%	1.40	1.35	1.30	1.26	1.22
	2.0%	1.46	1.40	1.35	1.30	1.26
	2.5%	1.52	1.46	1.40	1.35	1.30
	3.0%	1.60	1.52	1.46	1.40	1.35

Source: Company, IPOPEMA Research, *assuming issue of 5.5m shares at PLN 1.80/share for debt conversion

Figure 4. Miraculum –WACC calculation

WACC	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TV
RFR	5.2%	5.4%	5.5%	5.6%	5.7%	5.8%	6.1%	6.1%	6.1%	6.1%	6.1%
Beta	1.3	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Risk premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Cost of Equity	12.2%	12.0%	11.8%	11.8%	11.9%	11.8%	12.1%	12.0%	12.0%	11.9%	11.9%
Debt risk premium	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After tax cost of debt	5.1%	5.2%	5.3%	5.4%	5.5%	5.5%	5.8%	5.8%	5.8%	5.8%	5.8%
% D	24.4%	19.8%	14.9%	13.5%	12.1%	10.8%	9.6%	8.5%	7.5%	6.7%	6.7%
% E	75.6%	80.2%	85.1%	86.5%	87.9%	89.2%	90.4%	91.5%	92.5%	93.3%	93.3%
WACC	10.4%	10.6%	10.8%	10.9%	11.1%	11.2%	11.5%	11.5%	11.5%	11.5%	11.5%

Source: Company, IPOPEMA Research

Peer comparison

We present a multiple valuation by comparing Miraculum to retail companies, based on EV/Sales multiples. Due to different business models and product offers, as well as scale of operations, we attach 0% weight to the method.

Figure 5. Miraculum – peer comparison

Company	mCap (EURm)	P/E (x)			EV/EBITDA (x)			EV/Sales (x)		
		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
LPP	6,918	14.7	12.3	10.7	7.5	6.3	5.4	1.5	1.3	1.1
CCC	947	n.a.	21.1	14.2	6.9	5.7	4.9	0.7	0.6	0.6
VRG	187	9.0	8.6	8.0	4.0	3.7	3.5	0.7	0.7	0.6
Wittchen	120	8.0	7.3	6.7	5.1	4.7	4.2	1.1	1.0	0.9
Pepco	2,984	21.1	16.7	13.1	5.5	4.8	4.3	0.7	0.6	0.6
Hugo Boss	4,131	12.9	10.5	9.5	4.8	4.1	3.2	1.1	1.0	1.0
Unilever	117,893	17.0	16.0	15.3	11.7	11.0	10.5	2.3	2.3	2.2
COTY	9,880	28.5	21.5	18.1	14.1	12.5	11.0	2.4	2.3	2.1
Olapex Holdings	1,381	13.6	13.4	8.7	8.7	7.6	5.7	3.6	3.4	3.0
Ulta Beauty	23,421	20.3	19.2	17.6	13.9	13.4	12.4	2.4	2.3	2.2
Median		14.7	14.7	11.9	7.2	6.0	5.1	1.3	1.2	1.0
Miraculum	13	70.4	26.1	17.8	25.3	15.3	11.4	1.4	1.2	1.1
Premium/discount (%)		378%	78%	50%	249%	154%	122%	4%	6%	4%
Implied FV/share (PLN)		0.3	0.8	0.9	0.2	0.4	0.6	1.3	1.3	1.3
Average implied FV/share (PLN)*		1.29								

Source: Bloomberg, IPOPEMA Research, *based on EV/Sales multiples

Changes in financial forecasts

Figure 6. Miraculum – changes in financial forecasts (PLNm)

	2023E			2024E			2025E		
	NEW	OLD	change	NEW	OLD	change	NEW	OLD	change
Revenues	47.4	47.7	-1%	52.7	54.3	-3%	58.6	61.2	-4%
COGS	-31.0	-31.6	-2%	-34.0	-35.3	-4%	-37.2	-39.1	-5%
Gross profit	16.4	16.1	2%	18.6	18.9	-2%	21.4	22.1	-3%
SG&A costs	-15.8	-15.9	-1%	-16.9	-17.3	-2%	-18.0	-18.7	-4%
Selling costs	-10.6	-10.7	-1%	-11.2	-11.6	-3%	-11.9	-12.4	-5%
G&A costs	-5.2	-5.2	0%	-5.7	-5.7	0%	-6.2	-6.3	-2%
Other operating profit	0.2	0.2	22%	0.0	0.0	n.m.	0.0	0.0	n.m.
Other operating costs	-0.2	-0.1	17%	0.0	0.0	n.m.	0.0	0.0	n.m.
EBITDA	1.8	1.4	34%	2.9	2.8	5%	4.7	4.7	1%
D&A	1.2	1.1	4%	1.2	1.2	4%	1.3	1.3	4%
EBIT	0.7	0.2	171%	1.7	1.6	5%	3.4	3.4	0%
Net financial costs	-1.4	-0.7	109%	-0.6	-0.6	0%	-0.4	-0.6	-32%
Pre-tax profit	-0.7	-0.4	n.m.	1.1	1.0	9%	3.0	2.9	6%
Income tax	0.2	0.0	n.m.	-0.2	-0.2	9%	-0.6	-0.5	6%
Net profit	-0.6	-0.4	n.m.	0.9	0.8	9%	2.4	2.3	6%
<i>gross margin (%)</i>	<i>34.6%</i>	<i>33.8%</i>	-	<i>35.4%</i>	<i>34.9%</i>	-	<i>36.5%</i>	<i>36.1%</i>	-
<i>EBITDA margin (%)</i>	<i>3.8%</i>	<i>2.8%</i>	-	<i>5.5%</i>	<i>5.1%</i>	-	<i>8.0%</i>	<i>7.6%</i>	-

Source: Company, IPOPEMA Research

Based on monthly sales data, we estimate Miraculum's revenues at PLN 47.4m in 2023E (+9% y/y, broadly in line with our expectations), with the main drivers of revenue growth being shaving cosmetics and perfumes. We expect the trend to continue in 2024E, allowing the company to reach revenues of PLN 52.7m (+11% y/y, a decrease in forecasts by 3% mainly in the makeup and shaving segment). At the same time, we maintain our assumptions of further improvement of y/y gross margin, mainly in the perfume and makeup cosmetics segment. Taking into account the sales mix, we forecast gross profit of PLN 18.6m and a gross margin of 35.4% (vs. 34.9% previously). Additionally, we assume conversion of ca. PLN 9m of debt into shares and forecast a reduction in the company's financial costs. As a result, we increase our net profit estimate to PLN 0.9m in 2024E (vs. PLN 0.8m previously).

We also expect that the company will continue development of its product offer and cooperation with discount retail chains in 2025E, resulting in revenue growth of 11% y/y to PLN 58.6m (vs. PLN 61.2m previously). With the expansion of scale in operations (supporting more favourable purchasing conditions) and a focus on high-margin products, we expect Miraculum to continue its improvement in profitability. We anticipate a gross margin of 36.5% (+1.1pp y/y) and gross profit of PLN 21.4m. Remaining SG&A cost assumptions unchanged and assuming lower net financial costs due to reduction of debt, we forecast a net profit of PLN 2.4m in 2025E (vs. PLN 2.3m previously).

Figure 7. Miraculum – changes in assumptions

	2023E			2024E			2025E		
	NEW	OLD	change	NEW	OLD	change	NEW	OLD	change
Revenues (PLNm)	47.4	47.7	-1%	52.7	54.3	-3%	58.6	61.2	-4%
Shaving cosmetics	10.4	10.9	-5%	11.4	12.0	-5%	12.6	12.6	0%
Makeup cosmetics	8.6	9.2	-7%	9.5	11.1	-15%	10.4	13.3	-22%
Fragrances & Perfumes	12.9	12.5	3%	14.8	14.3	3%	17.0	16.5	3%
Body care	1.9	1.6	19%	2.3	1.7	30%	2.7	1.9	42%
Face care	5.6	5.2	8%	5.8	5.9	-1%	6.1	6.8	-10%
Other	8.0	8.3	-3%	8.8	9.1	-3%	9.7	10.0	-3%
Gross margin (%)	34.6%	33.8%	0.8pp	35.4%	34.9%	0.5pp	36.5%	36.1%	0.4pp
<i>Shaving cosmetics</i>	<i>26.6%</i>	<i>26.8%</i>	<i>-0.1pp</i>	<i>27.1%</i>	<i>27.3%</i>	<i>-0.1pp</i>	<i>27.6%</i>	<i>27.8%</i>	<i>-0.1pp</i>
<i>Makeup cosmetics</i>	<i>29.6%</i>	<i>26.8%</i>	<i>2.7pp</i>	<i>30.6%</i>	<i>28.8%</i>	<i>1.7pp</i>	<i>32.6%</i>	<i>30.8%</i>	<i>1.7pp</i>
<i>Fragrances & Perfumes</i>	<i>44.4%</i>	<i>43.9%</i>	<i>0.4pp</i>	<i>44.9%</i>	<i>44.9%</i>	<i>-0.1pp</i>	<i>45.9%</i>	<i>45.9%</i>	<i>-0.1pp</i>
<i>Body care</i>	<i>27.3%</i>	<i>31.2%</i>	<i>-3.9pp</i>	<i>28.3%</i>	<i>32.2%</i>	<i>-3.9pp</i>	<i>28.8%</i>	<i>32.7%</i>	<i>-3.9pp</i>
<i>Face care</i>	<i>42.6%</i>	<i>43.3%</i>	<i>-0.7pp</i>	<i>43.6%</i>	<i>44.3%</i>	<i>-0.7pp</i>	<i>45.1%</i>	<i>45.3%</i>	<i>-0.2pp</i>
<i>Other</i>	<i>30.7%</i>	<i>30.1%</i>	<i>0.6pp</i>	<i>31.7%</i>	<i>31.1%</i>	<i>0.6pp</i>	<i>32.7%</i>	<i>32.1%</i>	<i>0.6pp</i>

Source: Company, IPOPEMA Research

Figure 8. Miraculum – monthly revenues (PLNm)

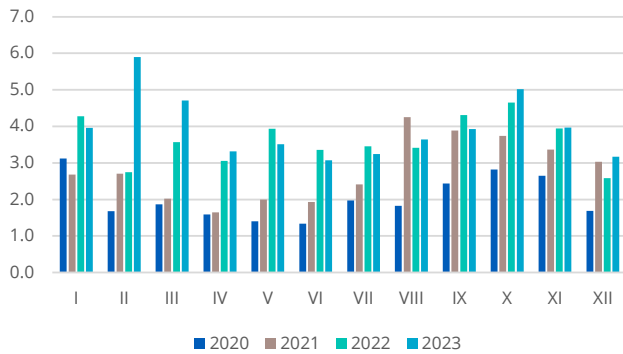


Figure 9. Miraculum – cumulative monthly revenues (PLNm)

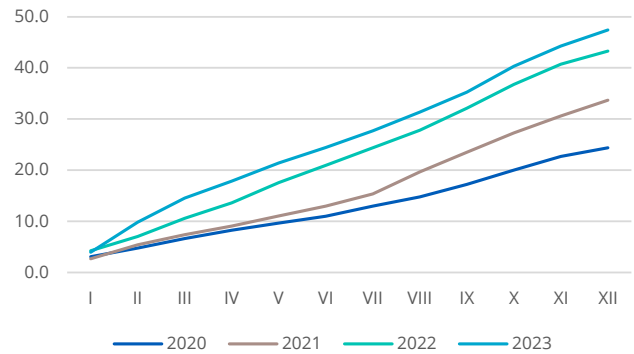


Figure 10. Miraculum – revenues forecast by segments (PLNm)

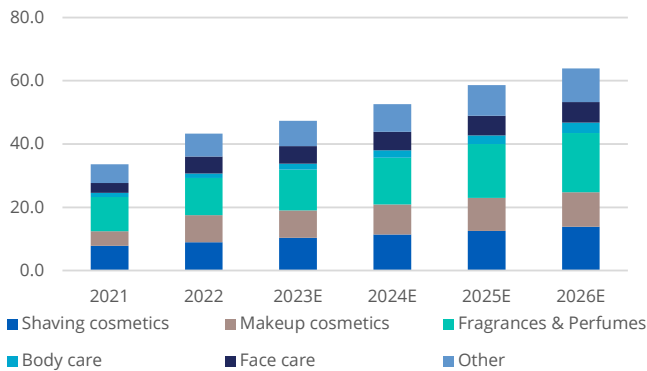


Figure 11. Miraculum – operating costs assumptions (PLNm)

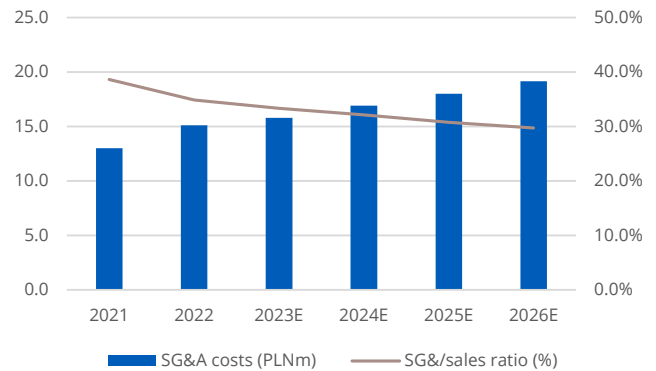


Figure 12. Miraculum – EBITDA forecast (PLNm)

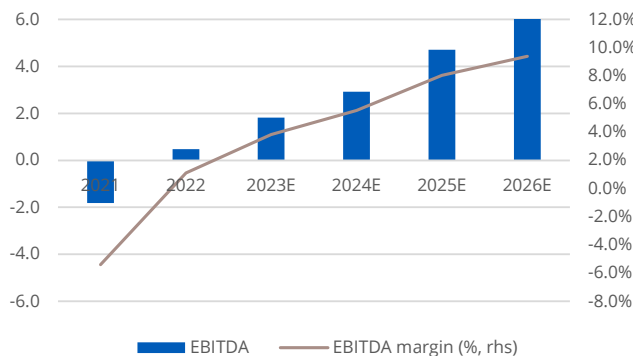


Figure 13. Miraculum – Net profit forecast (PLNm)

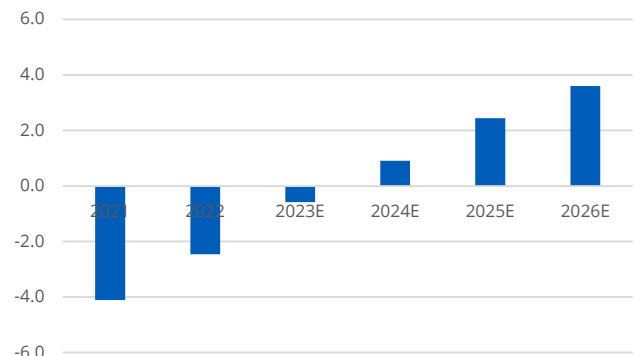


Figure 14. Miraculum – cash conversion cycle (days)

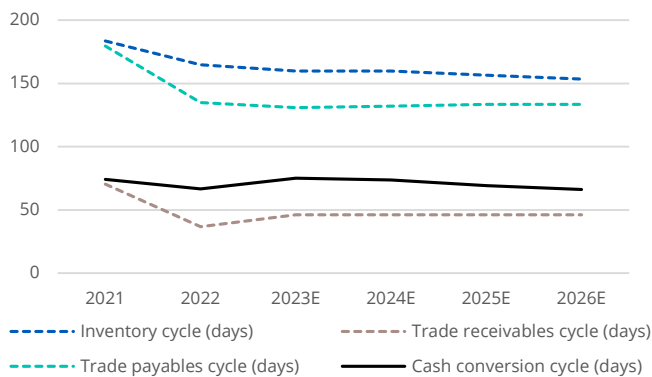
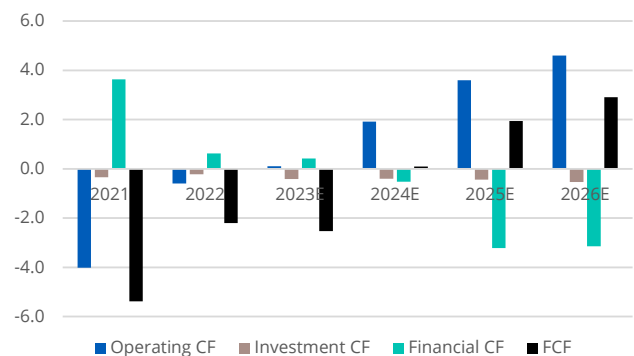


Figure 15. Miraculum – cash flows forecast (PLNm)



Source: Company, IPOPEMA Research

4Q23 results preview

Figure 16. Miraculum – quarterly results summary (PLNm)

MIR PW (PLNm)	4Q22	1Q23	2Q23	3Q23	4Q23E	y/y	q/q
Revenues	11.17	14.54	9.91	10.77	12.15	9%	13%
COGS	-7.82	-10.10	-6.28	-6.54	-8.06	3%	23%
Gross profit	3.36	4.43	3.63	4.23	4.09	22%	-3%
SG&A costs	-4.00	-3.92	-3.97	-3.83	-4.08	2%	6%
Selling costs	-2.69	-2.59	-2.65	-2.57	-2.80	4%	9%
G&A costs	-1.31	-1.33	-1.32	-1.26	-1.27	-3%	1%
Other operating profit/cost	-0.01	0.04	0.02	0.02	0.00	n.m.	n.m.
EBITDA	-0.38	0.83	-0.03	0.72	0.30	n.m.	n.m.
D&A	0.27	0.27	0.29	0.30	0.29	8%	-3%
EBIT	-0.65	0.56	-0.32	0.42	0.01	n.m.	n.m.
Net financial costs	0.07	-0.35	-0.41	-0.35	-0.30	n.m.	n.m.
Pre-tax profit	-0.57	0.20	-0.73	0.07	-0.29	n.m.	n.m.
Income tax	-0.80	0.07	0.01	0.09	0.00	n.m.	n.m.
Net profit	-1.37	0.27	-0.71	0.16	-0.29	n.m.	n.m.
Gross margin (%)	30.1%	30.5%	36.6%	39.3%	33.6%	-	-
SG&A/sales ratio (%)	35.8%	26.9%	40.0%	35.6%	33.5%	-	-

Source: Company, IPOPEMA Research

Miraculum is due to publish its 4Q23 results on 19 April 2024.

Based on monthly data, Miraculum achieved revenues of PLN 12.1m in 4Q23 (+9% y/y), including PLN 5.0m in October (+8% y/y), PLN 4.0m in November (+1% y/y) and PLN 3.2m in December (+23% y/y). During the period, the company reported a 40% y/y increase in sales via modern channels to PLN 6.1m (supported by the development of cooperation with discount retail chains), while export sales decreased by 30% y/y to PLN 2.1m.

We expect the company to continue the trend of improving its gross margin from sales, both through profitability improvement in product groups and through a more favourable sales mix (including a higher share of the high-margin perfume segment). We forecast gross profit of PLN 4.1m (+22% y/y), implying a gross margin of 33.6% (+3.5pp y/y).

We forecast EBITDA at PLN 300k and an operating profit of PLN 10k. In our forecasts we assume SG&A costs of PLN 4.1m (+2% y/y). With net financial costs of PLN 300k, we project a net loss of PLN 290k in 4Q23.

Risk factors

The major risk factors for our forecasts and valuation are as follows:

- **Risk related to a high level of debt.** As of 3Q23, the company had a gross debt of PLN 19.1m and PLN 67k in cash (net debt/EBITDA ratio of 17x). The majority of the debt consists of loans from the main shareholder, although it is planned to be partly converted into shares in 2024 (based on draft of resolutions for EGM scheduled on 5 April 2024).
- **Risk related to consumer purchasing power.** Consumer sentiment is highly correlated to the level of inflation, the labour market (unemployment rates, wages), and any pressure on the consumer's purchasing power may result in reduced spending on cosmetics or changes in consumer habits.
- **Risk related to the competitive environment.** The cosmetics market is highly fragmented and highly competitive. According to Cosmetics Europe, there are over 7k small and medium-sized enterprises in Europe operating as cosmetics producers (including over 700 companies in Poland). Stronger competition may not only affect the company's pricing policy, but also affect the availability and/or cost of raw materials, and potentially higher marketing costs.
- **Risk related to cost of raw materials and changes in agreements with suppliers.** The company offers cosmetics and perfumes with its production outsourced to partners (over 30% of goods are supplied by two suppliers not related to the company). The cost of products can be affected by higher raw material costs, adjustment to legal regulations and exchange rates. The company's gross margin is related to its negotiations with suppliers, as well as clients (including drugstores and discount stores).
- **Risk related to research and development.** The competitive pressure results in a need to invest in research and development of new and existing cosmetics.
- **Risk related to FX rates.** The company has exposure to FX rates (mainly USD and EUR), due to sales on foreign markets as well as some costs being carried in foreign currencies. The company does not engage in hedging activities.

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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.

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Sell	6	7%
Total	84	100%

Rating History – Miraculum

Date	Recommendation	F V	Price at recommendation	Author
22/09/2023	HOLD	PLN 1.25	PLN 1.33	Marek Szymański
09/02/2024	HOLD	PLN 1.35	PLN 1.36	Marek Szymański