mBank Biuro maklerskie mBank.pl

Wednesday, 15 November 2023 | update

InPost: buy (reiterated)

INPST NA; INPST.NA | e-Commerce, Poland

Fast EBITDA Growth Led by Improvement in UK and Polish Price Hikes

InPost remains one of our main top picks for the following reasons:

(1) The company posted solid results for Q3 2023 with adj. EBITDA up more than 40% YoY despite a softer September. (2) The Board gave promising guidance for Q4, pointing out that the market regained its strength in October.

(3) InPost is trading at EV/EBITDA'23/'24 of 11.0x and 8.4x, respectively, showing a 0%/12% discount to peers. (4) We find that discount unjustified looking at 2022-2025 median revenue/EBITDA CAGR for the peer group projected at 8%/13%, much lower than the respective CAGR of 22% and 28% that we expect of InPost. InPost should enjoy positive sentiment from the investment community in the short and medium term due to (5) a material improvement in the UK market and (6) price hikes in the key Polish market, including higher delivery rates for Allegro that take effect at the end of November 2023.

We have updated our forecasts slightly to reflect Q3 2023 results, and we have applied fresh peer multiples to our valuation model for InPost. Consequently, we set our new price target at EUR 13.60, implying upside potential close to 30%.

Acquisition of Menzies and improvement in the UK

We are positive on InPost's acquisition of the UK's Menzies Distribution Group Ltd, providing access to nationwide network coverage with high density without immediate capex. The partnership with Menzies resulted in an immediate boost to volumes. More importantly, InPost continues to experience unit economics evolution in the UK with a strong volume uptake in parcels delivered in Q3 2023 (+128% YoY). This was accompanied by 6% growth in revenue per parcel, leading to material improvement in adjusted EBITDA per parcel (InPost registered a positive PLN 0.8 in adj. EBITDA per parcel for the first time in 3Q'23, up from a negative PLN -4.6 a year ago).

Polish Operations in Good Shape, increasing prices for Allegro

InPost increased revenues in Poland by 28% in 9M 2023. Despite being the No. 1 market player, and despite negative base effects, the Company has achieved double-digit growth rates in both volumes and unit prices this year. InPost also grew adj. EBITDA by 31% YoY in 9M'23, driven by margin expansion from 43.9% to 46.4% thanks to price increases and effective cost management.

Poland is still the main revenue driver for InPost Group, and as such the planned upward adjustment in the rates charged to the main client here, Allegro, are of key importance. The prices will rise effective at the end of November 2023.

In our base-case scenario, we assume that the increase will be around 8-9% (less than last year's +12%), and in exchange for softer hikes than agreed initially InPost will be expecting higher parcel volumes from Allegro. In our opinion, Allegro can redirect traffic to InPost from other carriers by offering preferential terms for deliveries to InPost parcel lockers vs. other parcel lockers. In this way, Allegro will encourage its users to use InPost services.

(PLN m)	2021	2022	2023E	2024E	2025E
Revenue	4,602.2	7,079.1	8,835.6	10,822.7	12,881.0
EBITDA (adj.)	1,626.4	1,961.4	2,695.7	3,456.7	4,121.9
margin	35.3%	27.7%	30.5%	31.9%	32.0%
EBIT	826.4	942.1	1,446.9	1,953.5	2,326.3
net profit	491.3	456.5	697.9	1,259.2	1,609.3
P/E	46.9	50.5	33.0	18.3	14.3
P/S	5.0	3.3	2.6	2.1	1.8
P/B	791.6	49.1	19.8	9.5	5.7
EV/EBITDA (adj.)	17.5	14.9	11.0	8.4	6.8
DPS	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

current price*	EUR 10.48
target price	EUR 13.60
mCap	EUR 5.2bn
free float	EUR 2.1bn
ADTV (3M)	EUR 3.3 m

*Price as of Nov 14, 2023, 5:30 PM

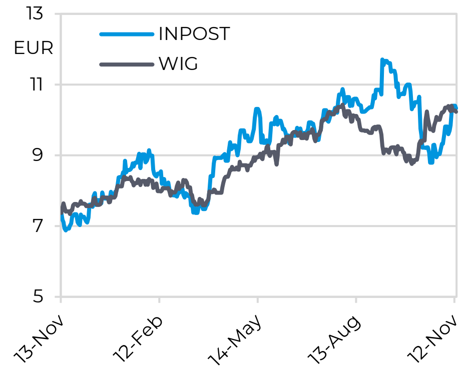
Ownership

Advent International Corporation	30.33%
PPF Group	16.75%
A&R Investments	12.45%
The Capital Group Companies	6.26%
GIC Private Limited, Singapore	5.01%
Others	29.20%

About InPost

InPost Group is a logistics company operating in nine countries. The Company is a leading APM operator with an over-40% volume market share in Poland. InPost Group also has a presence in the UK and, via Mondial Relay, in France and Benelux countries. The Company also provides to-door delivery services and is active in the e-grocery market.

InPost vs. WIG



name	target price		recommendation	
	new	old	new	old
InPost	13.60	12.60	buy	buy

name	current price	target price	upside
InPost	10.48	13.60	+29.7%

forecast update	2023E	2024E	2025E
EBITDA	-0.2%	-0.4%	-0.3%
EBIT	+1.1%	+0.3%	+0.6%
net profit	+1.9%	+0.6%	+1.5%

Analyst:

Paweł Szpigiel
Equity Analyst, Expert
+48 509 603 258
pawel.szpigiel@mbank.pl

List of abbreviations and ratios used by mBank:
EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases)
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

Recommendations of Biuro maklerskie mBanku:
A recommendation is valid for a period of 12 months, unless a subsequent recommendation is issued in this period. Expected returns from individual recommendations are as follows:
BUY – we expect that the rate of return from an investment will be at least 10%
HOLD – we expect that the rate of return from an investment will range from 0% to +10%
SELL – we expect that an investment will bear a loss
Recommendations are updated at least once every twelve months.

mBank S.A. with its registered office in Warsaw at Prosta 18 renders brokerage services via a dedicated organisational unit, the Brokerage Bureau, which uses the Polish name Biuro maklerskie mBanku.

mBank S.A. as part of the Exchange's Analytical Coverage Support Programme (“Programme”, https://www.gpw.pl/eacsp) prepares analytical reports for Sygnity. These documents are prepared at the request of Giełda Papierów Wartościowych w Warszawie S.A. ('WSE'), which is entitled to copyrights to these materials. mBank S.A. receives remuneration from the WSE for the preparation of the reports. All documents prepared for the Programme are available at: https://www.mdm.pl/ui-pub/site/market_and_analysis/analysis_and_recommendations/analytical_coverage_support_programme

This document has been created and published by Biuro maklerskie mBanku. This report expresses the knowledge as well as opinions of the authors on day the report was prepared. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. This report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which Biuro maklerskie mBanku considers reliable, including information published by issuers, shares of which are subject to recommendations. However, Biuro maklerskie mBanku, in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. mBank S.A. bears no responsibility for investment decisions taken on the basis of this report or for any damages incurred as a result of investment decisions taken on the basis of this report.

This document does not constitute an offer or invitation to subscribe for or purchase any financial instruments and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person This document does not constitute investment, legal, accounting or other advice, and mBank is not liable for damages resulting from or related to the use of data provided in the documents. This document may not be copied, duplicated and/or be directly or indirectly distributed in the United States, Canada, Australia or Japan, nor transferred to citizens or residents of a state where its distribution may be legally restricted, which does not limit the possibility of publishing materials prepared for the Programme on Sygnity, mBank or WSE websites. Persons who disseminate this document should be aware of the need to comply with such restrictions.

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation.

Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

It is possible that mBank S.A. in its brokerage activity renders, will render or in the past has rendered services for companies and other entities mentioned in this report.

mBank S.A. does not rule out offering brokerage services to an issuer of securities being the subject of a recommendation. Information concerning a conflict of interest arising in connection with issuing a recommendation (should such a conflict exist) is located below.

The present report was not transferred to the issuer prior to its publication.

This document is an extract from a recommendation produced by Biuro maklerskie mBanku.

The production of this recommendation was completed on November 15, 2023, 7:36 AM.
This recommendation was first disseminated on November 15, 2023, 8:35 AM.

mBank S.A. has a postal services agreement in place with InPost.

mBank S.A., its shareholders and employees may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares.

Copying or publishing this report, in full or in part, or disseminating in any way information contained in this report requires the prior written consent of mBank S.A.

Recommendations are addressed to all Clients of Biuro maklerskie mBanku.

All investment recommendations and strategies issued by mBank S.A. over the last 12 months are available at: https://mdm.pl/bm/analizy

The activity of mBank S.A. is subject to the supervision of the Polish Financial Supervision Commission.

Individuals who did not participate in the preparation of recommendations, but had or could have had access to recommendations prior to their publication, are employees of Biuro maklerskie mBanku authorised to access the premises in which recommendations are prepared and/or individuals having to access to recommendations based on their corporate roles, other than the analysts mentioned as the authors of this recommendations.

This publication constitutes investment research in the meaning of Art. 36.1 of Commission Delegated Regulation (EU) 2017/565.

The compensation of the research analysts responsible for preparing investment research is determined independently of and without regard to the compensation of or revenue generated by any other employee of the Bank, including but not limited to any employee whose business interests may reasonably be considered to conflict with the interests of the persons to whom the investment research prepared by the Research Department of Biuro maklerskie mBanku is disseminated. With that being said, since one of the factors taken into consideration when determining the compensation of research analysts is the degree of fulfillment of annual financial targets by customer service functions, there is a risk that the adequacy of compensation offered to persons preparing investment research will be questioned by a competent oversight body.

For U.S. persons only: This research report is a product of mBank SA which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.
This report is intended for distribution by mBank SA only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.
In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, mBank SA has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

Strong and weak points of valuation methods used in recommendations:
DCF – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.
Relative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.
Economic profits – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.
Discounted Dividends (DDM) – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.
NAV - valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following recommendations for InPost in the 12 months prior to this publication:
InPost (Paweł Szpigiel, Janusz Pięta)

Rating	buy	buy	buy
Rating date	2023-10-13	2023-10-02	2023-06-22
Target price (EUR)	12.60	13.10	13.00
Price on rating day	9.56	11.00	9.57

mBank Biuro maklerskie

mBank S.A.
Prosta 18
00-850 Warszawa
http://www.mbank.pl/

Research Department

Kamil Kliszcz
director
+48 667 770 837
kamil.kliszcz@mbank.pl
energy, power generation

Michał Konarski
+48 515 025 640
michal.konarski@mbank.pl
banks, financials

Paweł Szpigiel
+48 509 603 258
pawel.szpigiel@mbank.pl
media, IT, telco, e-commerce

Piotr Poniatowski
+48 509 603 046
piotr.poniatowski@mbank.pl
gaming

Mikołaj Lemańczyk, CFA
+48 501 663 511
mikolaj.lemanczyk@mbank.pl
banks, financials, property developers

Janusz Pięta
+48 506 065 659
janusz.pieta@mbank.pl
retail, e-commerce

Mateusz Krupa, CFA
+48 571 608 973
mateusz.krupa@mbank.pl
strategy

Beata Szparaga-Waśniewska, CFA
+48 510 929 021
beata.szparaga-wasniewska@mbank.pl
biotechnology, healthcare

Konrad Anuszkiewicz, CFA
+48 510 478 019
konrad.anuszkiewicz@mbank.pl
industrials, mining

Sales and Trading

Traders

Piotr Gawron
director
+48 698 832 853 | +48 22 697 48 95
piotr.gawron@mbank.pl

Paweł Cylkowski
+48 503 684 130 | +48 22 697 47 31
pawel.cylkowski@mbank.pl

Piotr Brożyna
+48 512 756 702 | +48 22 697 48 47
piotr.brozyna@mbank.pl

Andrzej Kowalczyk
+48 789 868 634 | +48 22 697 47 44
andrzej.kowalczyk@mbank.pl

Andrzej Sychowski
+48 605 848 003 | +48 22 697 48 46
andrzej.sychowski@mbank.pl

Łukasz Płaska
+48 784 449 962 | +48 22 697 47 90
lukasz.plaska@mbank.pl

Karol Kułaj
+48 509 602 984 | +48 22 697 49 85
karol.kulaj@mbank.pl

Sales, Foreign Markets

Marzena Łempicka-Wilim
deputy director
+48 696 427 249 | +48 22 697 48 82
marzena.lempicka-wilim@mbank.pl

Private Client Sales

Maciej Sokołowski
director
maciej.sokolowski@mbank.pl

Jarosław Banasiak
deputy director
jaroslaw.banasiak@mbank.pl