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Flash Note

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DADELO (Buy; PLN 31.5)

4Q24 Results review: Strong gross margin expansion, but expansion costs weigh [neutral]

PLNm	4Q23	1Q24	2Q24	3Q24	4Q24	Y/Y	Q/Q	4Q24E	Cons.
Revenues	32.1	54.4	105.4	79.7	41.1	28%	-48%	40.1	-
EBITDA	-2.1	4.0	11.7	8.0	-3.5	-	-	-0.6	-
EBIT	-2.7	3.0	10.4	6.7	-4.9	-	-	-1.9	-
Net profit	-2.4	1.9	8.3	5.4	-4.1	-	-	-1.9	-
Gross margin	26.0%	30.1%	32.4%	32.6%	31.2%	5.2p.p.	-1.5p.p.	31.2%	
SG&A ratio	33.7%	24.3%	22.5%	24.1%	41.1%	7.4p.p.	17.0p.p.	35.9%	
EBITDA margin	-6.5%	7.3%	11.1%	10.0%	-8.6%	-2.0p.p.	-18.6p.p.	-1.6%	-
EBIT margin	-8.4%	5.4%	9.9%	8.4%	-12.0%	-3.6p.p.	-20.4p.p.	-4.7%	-
Net profit margin	-7.4%	3.6%	7.9%	6.7%	-9.9%	-2.5p.p.	-16.7p.p.	-4.8%	-
OCF	-5.8	8.2	15.8	-9.4	-27.9	-	-		
Net debt	5.6	6.5	-8.7	3.0	35.1	+	1063%		
P/E12M trailing	-	96.5	33.8	22.1	25.3				
EV/EBITDA 12M trailing	82.3	38.0	18.1	13.7	16.3				

Source: Company, Trigon DM

Commentary: *Revenues and gross margin were in line with preliminary results, which came in weaker than our expectations at lower levels, mainly due to higher operating costs (65% of the deviation), a higher inventory write-down (20% of the deviation), and financial result (15% of the deviation). In the OPEX area, we underestimated the costs related to this year's omnichannel sales expansion (the Gdańsk store opened in February 2025, and the Poznań store is set to open at the beginning of 2Q). Inventory levels also exceeded our expectations, impacting financial costs.*

#Gross Margin. *The company continued its sharp improvement in gross margin, reaching 31.2% in 4Q24 (+520bps y/y). For the full year, this translated into an expansion of 440bps y/y. We attribute the margin improvement to both more favorable purchasing conditions, including opportunistic buying in a challenging European market, and the contribution from brick-and-mortar stores.*

#OPEX. *Operating expenses grew significantly faster than revenues in 4Q (SG&A ratio +740bps y/y), whereas in 2024, they increased slightly more slowly than revenues (SG&A at 26% vs. 27.1% a year earlier). In addition to the natural cost increase stemming from sales scale-up, the company incurred significantly higher ATL marketing expenses in 2024, including a TV campaign, and opened a second physical store. Additionally, in 4Q, the company booked a PLN 1m inventory write-down.*

For the full year 2024, key cost structure developments included: (1) a 43% y/y increase in third-party services, primarily logistics and marketing costs; (2) a 60% y/y increase in wages, mainly related to expanding operational structures and the omnichannel segment (headcount reached 198, up 41% y/y, +11% q/q, mostly in the sales department, with a much smaller increase in the warehouse division).

#Working Capital. *Inventory levels increased 2.5x in 2024, reflecting the planned high pace of expansion, including stocking new stores. Consequently, inventory turnover worsened from 200 days a year ago to 225 days at the end of 2024. At the same time, the company improved its trade terms, leading to a 117-day reduction in the cash conversion cycle to 152 days. However, this resulted in a higher working capital requirement, with its financing weighing on the bottom line—especially in 4Q, which marks the peak of inventory buildup while being seasonally the weakest period in terms of results.*

#Cash Flows. *Despite a sharp increase in EBT, working capital requirements led to a negative OCF of PLN -13m. CAPEX also increased y/y, primarily due to store and warehouse equipment investments. As a result, the company gradually increased its utilization of available financing limits. At the end of 2024, ND pre-IFRS 16 stood at PLN 27m, with ND/EBITDA pre-IFRS 16 at 1.5x.*

Conclusion. 4Q is seasonally the weakest quarter, further weighing on results amid ongoing dynamic expansion. Additionally, working capital needs rise in 4Q due to preparations for the next season, distorting the year-end cash position assessment. Nonetheless, we maintain our positive stance on the company's fundamentals and uphold our key investment theses from the latest recommendation. ***(Grzegorz Kujawski)***

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