

Monday, 5 May 2025 | update

## Retail Report

Retail, Poland, Portugal

### Sell Food, Buy Fashion

**Consumer demand and sentiment in Poland remain below our previous expectations, and we are therefore lowering our LFL sales growth forecasts across our entire Retail universe. Looking ahead, Poland is approaching a cycle of interest rate cuts that will stimulate a recovery in consumer spend. We believe that the news flow and the cuts themselves will benefit cyclical companies the most, hence we remain positive on Fashion Retailers (with Pepco and LPP as the Top Picks).**

**FMCG stocks have rallied to challenging valuations on expectations that the price war was coming to an end, but, in our view, the war will rage on until food sales volumes begin to grow (Top Pick: Żabka).**

**Poland will hold presidential elections in May. We believe that a victory for Mr Trzaskowski would be negative for Żabka and positive for Pepco, while a victory for Mr Nawrocki would be neutral for the sector.**

#### CCC (Hold): Major Risk Already Past the Company

CCC has upgraded its 2025 rollout targets. Nevertheless, we believe that the group will not achieve its 2025 sales guidance due to the still weak consumer in Poland. However, the main negative catalyst for the stock (equity issue) has already materialized, so we see CCC's risk/reward as neutral.

#### LPP (Buy): Poised to Outrun the Competition

LPP's 2025-27 strategy aims to double group EBITDA, although rapid growth could put pressure on margins and FCFEs. Immediate earnings momentum will be weak, with store opening costs weighing on OPEX, leading us to lower our 2025 EBITDA forecasts by 5%. We reiterate our Buy rating as the stock trades at a discount to peers despite a superior growth profile, however, near-term catalysts are lacking and we prefer Pepco as our top pick in the near term.

#### Pepco (Buy): Poundland Sale an Opportunity to Trade Pepco at Higher Multiples

Despite a weak outlook for FY2025 due to Poundland's losses, the outlook for 2026 is brighter with improved margins. The potential sale of Poundland could act as a catalyst for Pepco's stock, enhancing ROIC and allowing the company to be traded at higher multiples. Key risks include increased competition and potential ABB by IBEX, but the sale of Poundland could also unlock special dividends, adding further value for shareholders.

#### Dino (Sell): Expensive Safe Haven

We believe that the market's LFL, EBITDA forecasts for Q1'25 are overstated (our EBITDA forecast for Q1'25 is c.7% below consensus), so likely miss could be a negative catalyst for the stock. Expected LFL below minimum wage growth in 2025 poses a risk to the market's expected EBITDA margin progression.

#### Eurocash (Sell): Too Expensive Given Growth Potential

Eurocash surprised the market with tight cost control in Q4. However further cost optimization is limited and Management indicating its plans to maintain stable spread to discounters on prices which does not give much room for gross margin increase. In H2'25 bottle deposit return scheme will be introduced in Poland most likely hurting sales of independent store which we see a risk that the market disregards.

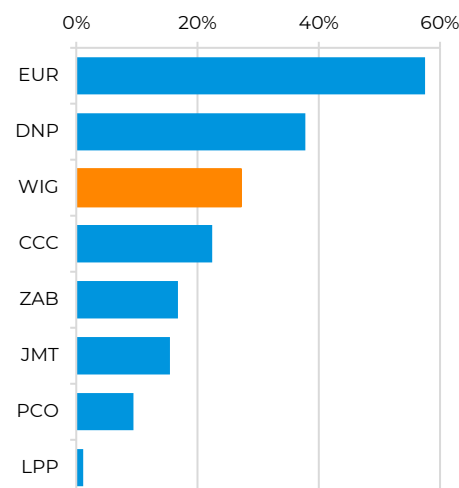
#### Jeronimo Martins (Hold): Another Tough Year for Biedronka

We expect Biedronka to record uptick in LFL in 2025 y/y due to basket inflation and volume growth accelerated by rate cuts. However, LFL growth will not be enough to cover rising OPEX and we expect 20bps EBITDA margin reduction y/y and we believe that 6bps expected by the market is overly optimistic. Catalyst for the stock might be possible acceleration of roll-out in Slovakia.

#### Żabka (Buy): Perfectly Positioned to Benefit from Interest Rate Cuts

Żabka Group is well-positioned to capitalize on increased consumer spending, convenience prioritization and lower interest costs following expected interest rate cuts in Poland. Żabka's current valuation appears attractive given steep discount to Dino on EV/EBITDA IAS 17. Key risks include weak Polish consumer spending, potential ABB by CVC, PG - blackout period ends 12 May, but possible accelerated store roll-out in Romania could serve as an upside catalyst.

Retail companies vs. WIG (YTD)



Company	target price		recommendation	
	new	old	new	old
CCC	230.00	200.00	hold	sell
LPP	23,200	23,000	buy	buy
Pepco	27.00	28.00	buy	buy
Dino	485.00	450.00	sell	buy
Eurocash	10.00	9.00	sell	buy
Jeronimo Martins	22.00	20.80	hold	buy
Żabka	35.00	36.90	buy	buy

Company	current price*	target price	upside/downside
CCC	225.00	230.00	+2.2%
LPP	15,730	23,200	+47.5%
Pepco	17.97	27.00	+50.3%
Dino	537.20	485.00	-9.7%
Eurocash	11.28	10.00	-11.3%
Jeronimo Martins	21.30	22.00	+3.3%
Żabka	22.48	35.00	+55.7%

\*Prices as of May 2, 2025, 6:00 PM

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#### 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

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**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

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The production of this recommendation was completed on May 5, 2025, 7:43 AM.

This recommendation was first disseminated on May 5, 2025, 8:45 AM.

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**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.

Recommendations Issued In the 12 Months Prior To This Publication:

CCC (Janusz Pięta)				
Rating	sell			
Rating date	2024-12-02			
Target price (PLN)	200.00			
Price on rating day	207.80			
LPP (Janusz Pięta)				
Rating	buy	buy	buy	
Rating date	2024-12-02	2024-09-02	2024-07-04	
Target price (PLN)	23,000.00	25,000.00	24,000.00	
Price on rating day	15,660.00	14,740.00	16,510.00	
Pepco (Janusz Pięta)				
Rating	buy	buy	buy	
Rating date	2024-12-02	2024-09-02	2024-05-06	
Target price (PLN)	28.00	35.50	31.50	
Price on rating day	15.90	18.04	19.13	
Dino (Janusz Pięta)				
Rating	buy	buy	hold	
Rating date	2024-12-02	2024-08-26	2024-05-06	
Target price (PLN)	450.00	400.00	417.00	
Price on rating day	385.90	312.50	386.70	
Eurocash (Janusz Pięta)				
Rating	buy	buy	hold	
Rating date	2024-12-02	2024-09-02	2024-05-06	
Target price (PLN)	9.00	11.60	14.50	
Price on rating day	7.77	9.92	13.66	
Jeronimo Martins (Janusz Pięta)				
Rating	buy	buy	buy	
Rating date	2024-12-02	2024-09-02	2024-05-06	
Target price (EUR)	20.80	22.50	25.60	
Price on rating day	18.44	16.74	19.50	
Żabka (Janusz Pięta)				
Rating	buy			
Rating date	2024-11-20			
Target price (PLN)	36.90			
Price on rating day	18.50			

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