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Europe | Poland | E-Commerce

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RESEARCH GmbH

Initiating Coverage

BUY

Price target: PLN 12.50

Overview

Industry:	E-Commerce
Country:	Poland
ISIN:	PLOPNPL00013
Reuters:	OPN.WA
Bloomberg:	OPN PW
Website:	www.oponeo.pl

Last price:		11.00
	High	**Low**
Price 52 weeks:	11.80	6.00
Market cap. (PLNm)		153.30
No of shares (m)		13.94
Average volume (shares)		9,218

Shareholders

Ryszard Zawieruszynski	22.45%
Dariusz Topolewski	21.77%
Own shares	7.18%
Amplico PTE	6.51%
Aegon OFE	5.79%
Aviva Investors Poland	5.24%
Free float	31.06%

Performance

4 weeks	32.69%
13 weeks	15.18%
26 weeks	18.92%
52 weeks	45.70%
YTD	8.37%

Dividend

	in PLN	**in %**
2011	0.20	1.82%
2012	0.03	0.27%
2013E	0.05	0.45%
2014E	0.07	0.64%

Oponeo.pl S.A.

Polish global player in E-Commerce

- Oponeo.pl S.A. was founded in 2001 by Messrs Dariusz Topolewski, Arkadiusz Kocemba and Ryszard Zawieruszynski and since then has developed to the No 1 online retailer of tires and rims in Poland. Over the last few years, the company has concentrated on foreign expansion and established a foothold in 11 European markets, while at the same time remaining profitable. Currently, it is mainly focusing on business development in its existing markets as well as expansion into other European countries e.g. Belgium and Slovakia.
- Oponeo.pl currently offers c. 500k tires for cars, motorcycles and trucks; rims (which generate the highest gross margins) as well as accessories e.g. snow chains, car top carriers. The company's >1.4m customers (KRe) benefit from 24/7 availability, fast (usually within two days) and cost-free delivery and a wide network of over 1,800 car service stations (thereof >550 in Poland). In addition, Oponeo.pl operates specialized portals, which among others include the second largest database with advice and information on tires and rims in Europe.
- In 2013, Oponeo.pl generated total revenues of PLN 259.1m, which corresponded to a 25.1% increase y-o-y. Due to a better cost structure and a higher other operating income EBIT (PLN 3.7m vs. PLN -1.1m in 2012) and net income (+160.3% to PLN 3.5m) significantly improved y-o-y. Between January and December 2013, Oponeo.pl generated an operating cash flow of PLN 16.6m, while reporting a net gearing of -29.9% and no interest-bearing debt.
- We initiate coverage of Oponeo.pl with a 12-months DCF-based price target of PLN 12.50, which corresponds to an upside of 13.7% at present and a BUY rating. We strongly believe in the quality of Oponeo.pl's management team, which in our opinion has a clear vision and focus on profitable growth in promising foreign markets. Although trading multiples are not cheap, we think that the company's growth prospects and the attractive dividend policy (10-30% of yearly net income) make the stock an interesting investment opportunity.

in PLNm	2011	2012	2013	2014E	2015E	2016E
Net sales	170.96	207.08	259.09	311.05	364.25	412.22
EBITDA	12.19	7.14	10.99	15.08	18.20	21.83
EBIT	6.15	-1.14	3.74	6.38	8.01	10.31
Net income	7.45	1.36	3.54	4.93	6.34	8.27
EPS	0.57	0.11	0.25	0.35	0.45	0.59
Tangible BVPS	4.98	5.08	4.02	4.37	4.73	5.20
RoE	9.49%	1.76%	4.83%	6.82%	8.25%	10.02%
EBIT margin	3.60%	-0.55%	1.44%	2.05%	2.20%	2.50%
P/E	19.30x	100.00x	44.00x	31.10x	24.19x	18.53x
P/Tangible BVPS	2.21x	2.16x	2.74x	2.52x	2.33x	2.11x
EV/EBITDA	10.85x	18.53x	12.04x	8.78x	7.27x	6.06x

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1 Company profile

Oponeo.pl S.A., which is based in Bydgoszcz, is the No 1 online retailer in the area of tires, rims and car accessories in Poland. Through own dedicated portals, the company has also established a presence in 10 foreign countries and is set to expand to other ones including the US soon. Oponeo.pl has been listed on the Warsaw Stock Exchange since 2007 and had 200 employees as of 31 December 2013 (KRe).

2 SWOT Analysis

Strengths

- No 1 online retailer of tires, rims and car accessoires in Poland; market share in PL equals 75% in the online and 10% in the total tires market
- More than 1.4m customers (KRe); in 2013 this figure increased by 320k
- Already present with own portals in 10 other European countries, of which we expect UK and the Netherlands to show the strongest growth in the next two years
- Own logistics center is able to send out 15k tires every day and deliver them to clients within 48 hours; own call center, which is available 7 days per week
- Oponeo.pl's IT system was mainly developed in-house
- Apart from 2012, when results were hit by expenses relating to foreign expansion, Oponeo.pl has always been profitable; Operating cash flows have been positive since 2005
- Founders and management own the largest stake in the company
- Despite high costs associated with the international expansion, net gearing equaled -29.9% at the end of December 2013

Weaknesses

- In Poland, which is Oponeo.pl' most important market, there is still no obligation to use winter tires in a certain period of the year

Opportunities

- Strengthening of market position in existing markets
- Entry into more European countries (KRe: Belgium, Slovakia, Scandinavia) and later the US, which is the world's largest car and E-Commerce market (source: VDA, Forrester Research); we think that other markets e.g. in Asia could be targeted in the long run
- Additional products such as industrial and bike tires as well as car parts
- Expansion of local and international wholesale of tires e.g. through proprietary portal hurtopon.pl
- E-Commerce market in Poland was worth c. PLN 26bn in 2013; it is growing at >20% y-o-y as its share in total retail sales is only 3.8% compared to e.g. 12.7% in UK; the segment is growing even in unfavourable economic periods as it provides lower prices and convenience
- According to Delticom and moderntiredealer.com, currently just 7.8%, respectively 3% of customers buy tires online in Europe and the US
- Attractive dividend policy with a target payout ratio of 10-30%
- Potential takeover by a larger competitor

Threats

- Strong competition e.g. allopneus.com in France, TireBuyer in the US; peer Delticom is much larger (>EUR 460m sales; 6.7m customers) and is present in most markets (in total 42 incl. the US), where Oponeo.pl already operates or which it wants to enter
- Risk relating to weather conditions (if there is no snow, sales of winter tires could be lower); historically, Q4 (the winter months) have generated more than 50% of the company's yearly net income
- Loss of key employees
- Currency risks as Oponeo.pl generates 22% of its sales abroad
- Dependence on the Google search algorithm
- Risks relating to global expansion; wrong estimation of market potential and costs
- Oponeo.pl's customers are very price sensitive

3 Valuation

We have valued Oponeo.pl by using our DCF model only. Our 12-months price target for the company's stock equals PLN 12.50, which implies an upside of 13.7% at present.

Discounted Cash Flow method (DCF)

Discounted Cash Flow Model (Basis 03/2014)

					Phase 1				
in PLNm	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	**311.05**	**364.25**	**412.22**	**449.83**	**485.94**	**507.96**	**530.23**	**548.42**	**567.24**
(y-o-y change)	20.1%	17.1%	13.2%	9.1%	8.0%	4.5%	4.4%	3.4%	3.4%
Operating profit	**6.38**	**8.01**	**10.31**	**14.39**	**23.33**	**24.00**	**24.66**	**25.09**	**25.53**
(operating margin)	2.1%	2.2%	2.5%	3.2%	4.8%	4.7%	4.7%	4.6%	4.5%
NOPLAT	**5.16**	**6.49**	**8.35**	**11.66**	**18.89**	**19.44**	**19.97**	**20.33**	**20.68**
+ Depreciation & Amortization	8.70	10.19	11.53	12.58	13.59	14.21	14.83	15.34	15.86
= Net operating cash flow	13.86	16.68	19.88	24.24	32.48	33.65	34.80	35.66	36.54
- Total investments (Capex and WC)	-14.27	-15.77	-16.24	-16.07	-16.92	-16.11	-16.71	-16.78	-17.33
Capital expenditures	-12.50	-13.97	-14.64	-14.90	-15.74	-15.36	-15.95	-16.16	-16.69
Working capital	-1.77	-1.81	-1.59	-1.17	-1.18	-0.75	-0.76	-0.62	-0.64
= Free cash flow (FCF)	-0.41	0.90	3.64	8.17	15.57	17.54	18.09	18.89	19.21
PV of FCF's	**-0.37**	**0.74**	**2.65**	**5.32**	**9.07**	**9.14**	**8.43**	**7.87**	**7.16**

PV of FCFs in explicit period	50.00
PV of FCFs in terminal period	84.82
Enterprise value (EV)	**134.82**
+ Net cash / - net debt (31 December 2013)	21.00
Shareholder value	**155.82**
Number of shares outstanding (m)	**13.94**

WACC	11.8%
Cost of equity	11.8%
Debt costs before tax	8.0%
Tax rate	19.0%
Debt costs after tax	6.5%
Equity ratio	100.0%
Debt ratio	0.0%
Fair value per share in PLN	**11.18**
Fair value per share in PLN (in 12 months)	**12.50**

Sensitivity Analysis — **Terminal EBIT margin**

WACC	1.6%	2.6%	3.6%	4.6%	5.6%	6.6%	7.6%
8.8%	10.30	13.38	16.46	19.53	22.61	25.69	28.77
9.8%	9.21	11.64	14.06	16.49	18.91	21.34	23.76
10.8%	8.38	10.33	12.28	14.24	16.19	18.14	20.09
11.8%	7.71	9.31	10.91	**12.50**	14.10	15.70	17.30
12.8%	7.15	8.48	9.81	11.14	12.47	13.79	15.12
13.8%	6.68	7.80	8.92	10.03	11.15	12.26	13.38

Source: Dr. Kalliwoda Research GmbH

Peer Group Analysis

In Poland, Oponeo.pl is the undisputed market leader with a share of 75% in online tire sales and 10% in the whole tire market (Source: company estimates). Most of its competitors are small distributors, some of which also offer their products through the E-Commerce platform Allegro.pl at very low prices. The main peer in Poland is listed Delticom AG, Europe's largest online distributor of tires. With Delticom, Oponeo.pl also competes in most foreign markets.

Below is a list of Oponeo.pl's peers. However, as there are only analyst' estimates for Delticom, we have decided to exclude the peer group analysis from the price target calculation.

(1) *Delticom AG:* Delticom, which is based in Hannover, is a German online tire retailer, offering 6.7m private and business customers a variety of products in more than 100 online shops in 42 countries, where it works together with >37,000 fitting partners. The company's product portfolio includes 25,000 models from more than 100 tire brands for cars, motorcycles, commercial vehicles and buses, as well as wheels, motor oil, replacement parts and accessories. In fiscal-year 2012, Delticom generated revenues of EUR 460.1m.

(2) *Motoricus S.A.* Motoricus, which is based in Warsaw, offers tires, rims and a wide spectrum of car accessories. In addition, the company develops a franchise chain of car service stations, of which it currently has c. 50 Poland-wide. However, given its size (in 2013 the company had total sales of PLN 818k), Motoricus cannot be regarded as a strong competitor for Oponeo.pl in Poland.

(3) *Allopneus.com:* Allopneus.com S.A., which is based in Aix-en-Provence, is the leading online tire and rim retailer in France. According to Wikipedia.fr, the company has a 50% market share in France and in 2013 generated revenues of EUR 200m. In France, it works together with a network of 4,600 car service stations.

(4) *Tirerack.com & Tirebuyer.com.:* Tirerack.com and tirebuyer.com are the two largest online distributors of tires, rims and different kinds of car accessories in the US.

Delticom vs. Oponeo.pl

	EV/Sales		EV/EBITDA		EV/EBIT		P/E		P/BVPS	EBITDA margin	Net gearing
Company	2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E	Latest	2012	Latest
Delticom AG (EUR)	0.68	0.63	14.52	9.71	18.47	12.50	25.28	15.74	8.54	7.66%	38.80%
Oponeo.pl S.A. (PLN)	0.43	0.36	8.78	7.27	20.75	16.51	31.10	24.19	2.18	3.45%	-29.88%
Premium/Discount	*-37.70%*	*-42.26%*	*-39.55%*	*-25.15%*	*12.34%*	*32.09%*	*23.03%*	*53.71%*	*-74.47%*		

Source: Dr. Kalliwoda Research GmbH, Thomson Reuters Knowledge

4 Fiscal-year 2013 results and outlook

Revenues

In 2013, Oponeo.pl generated net sales of PLN 259.1m, which were 25.1% higher y-o-y. This and a 30% order growth could be achieved despite >10% lower sales of tires in Poland and Germany and a mild winter 2013/14. The share of international sales went up further from 21.2% in 2012 to 22%.

While sales of tires increased by 26.5% y-o-y to PLN 244.6m, those of rims advanced by 29% to PLN 8.4m. According to our estimates, rims generate by far the highest gross margins of all Oponeo.pl's products (c. 20.6% vs. 12.3% on average for tires).

2013 results compared to previous year

2013 results vs. previous year

in PLNm	2013	2012	change (%)
Net sales	259.09	207.08	*25.1%*
EBITDA	10.99	7.14	*53.9%*
EBITDA margin	4.2%	3.4%	
EBIT	3.74	-1.14	*-427.2%*
EBIT margin	1.4%	-0.6%	
Net income	3.54	1.36	*160.3%*
Net margin	1.4%	0.7%	

Source: Company information, Dr. Kalliwoda Research GmbH

Sales split according to segments 2013 vs. 2012

Sales according to segments 2013 vs. 2012

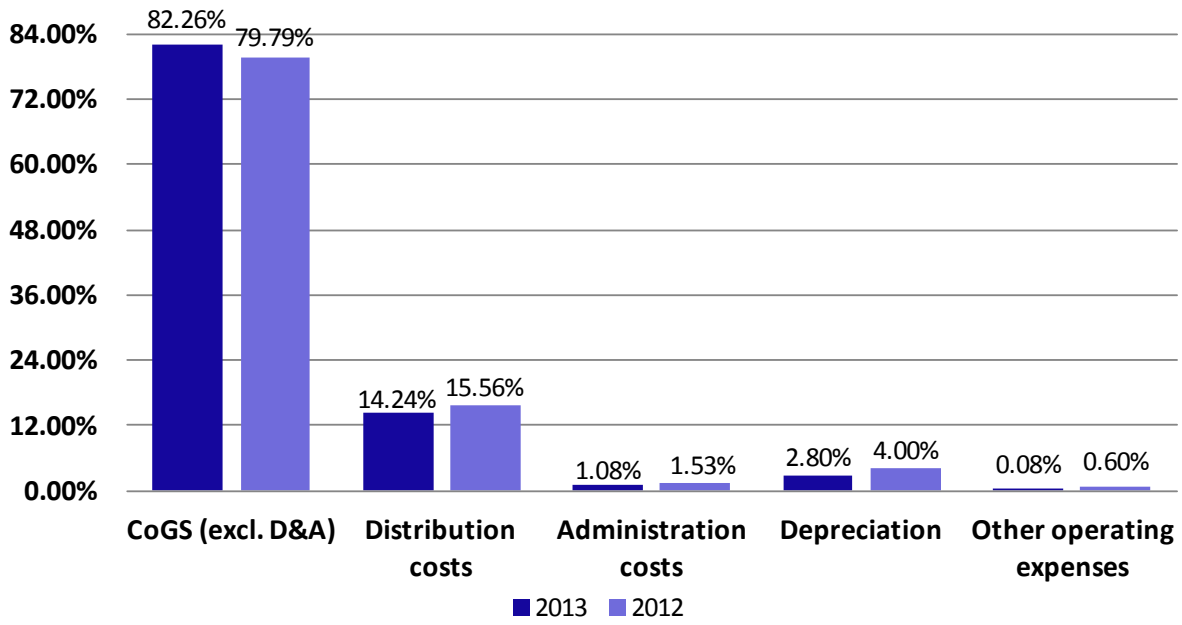
	2013	2012
Tires		
Sales PLNm	244.57	193.28
Share of total sales	94.4%	93.3%
Rims		
Sales PLNm	8.42	6.53
Share of total sales	3.2%	3.2%

	2013	2012
Others (e.g. snow chains, car top carriers)		
Sales PLNm	6.11	7.27
Share of total sales	2.4%	3.5%
Group		
Total sales	259.09	207.08
change y-o-y	25.1%	

Source: Company information, Dr. Kalliwoda Research GmbH

Profitability

Share in total sales 2013 vs. 2012



Source: Company information, Dr. Kalliwoda Research GmbH

In 2013, Oponeo.pl's EBIT and net income improved much more than sales. Due to (1) a better cost structure, which last year was negatively impacted by expenses relating to international expansion and (2) an increase of other operating income from PLN 1.9m to PLN 4.9m following the sale of the operating assets of Edaboard.com and higher EU subsidies EBIT improved from PLN -1.1m to PLN 3.7m and net income by 160.3% to PLN 3.5m.

Balance Sheet and Cash Flow

As of 31 December 2013, Oponeo.pl had an equity of PLN 70.3m, which corresponded to a ratio of 66.6%. Other important balance sheet positions were inventories of PLN 21.1m and intangible assets totaling PLN 31.9m (including goodwill of PLN 13.4m). According to our calculation method, the company had a working capital (inventories + trade receivables – trade payables) of PLN 8.9m (2012: PLN 11.3m) at the end of 2013.

Despite fast international growth, Oponeo.pl has no interest-bearing debt. As of 31 December 2013, net cash equaled PLN 21m and net gearing -29.9%. Due to a cash inflow from working capital of PLN 12m the operating cash flow amounted to PLN 16.6m in 2013 (2012: PLN 2.1m). While cash flow from investing was positively impacted by the disposal of the operating assets of US-based online forum Edaboard.com for PLN 2.3m, cash flow from financing amounted to PLN -10m (2012: PLN -3m) following a share buyback of PLN 9.6m and a dividend payout of PLN 0.4m. Between January and December 2013, Oponeo.pl's cash position increased from PLN 13.6m to PLN 19.7m.

Outlook

In our opinion, Oponeo.pl is a very solid business with a management that has a clear vision for the company's future. Although in many foreign markets Oponeo.pl faces tough competition from e.g. Delticom AG or Allopneus.com SA, we think that the company will be able to achieve profitable growth outside its core market Poland. The main reasons are the dynamic growth of the E-Commerce sector, still very low share of online tire purchases and Oponeo.pl's strict cost discipline.

As we have only identified one listed company, which is comparable to Oponeo.pl, we have based our valuation on a DCF model only. For the whole company, we have assumed top-line growth of 9.1% on average until 2022E, which should mainly stem from further international expansion e.g. Belgium, Slovakia (we believe the share of foreign sales will reach 26-27% in the long run). In terms of product areas, we have forecast the highest growth and margins in the Rims segment (Sales CAGR 13-22E of 10.8%, gross margin of 20.6%), which should be driven especially by sales of aluminum rims.

In terms of the operating margins, we believe that in 2014E and 2015E they will be affected by costs relating to international expansion (2.1% and 2.2% respectively), however afterwards should reach 4.5%-4.8%, which is the EBIT margin of the company's "mature" competitor Delticom. We think that margins will expand as Oponeo.pl's business offers a high operating leverage once the necessary investments in web shops and technical infrastructure have been conducted.

Based on our estimates, a WACC of 11.8% and a terminal EBIT margin of 4.6%, we have calculated a 12-months DCF-based price target for Oponeo.pl of PLN 12.50, which is 13.7% above current market level. As consolidation is a major trend in the E-Commerce area, we think that Oponeo.pl could be an attractive acquisition target in the future, also for private equity investors. A key risk is of course the competition by much larger players e.g. Delticom, Allopneus.com, Tirerack.com or Tirebuyer.com.

Sales model 2014E-2016E

Sales split 2014E-2016E

in PLNm	2014E	2015E	2016E
Tires	293.94	344.38	389.57
(% of sales)	94.5%	94.5%	94.5%
Gross margin	18.0%	18.4%	19.3%
Number of units sold (in k)	1,089	1,263	1,415
Average price in PLN	270	273	275
Rims	10.63	12.99	15.35
(% of sales)	3.4%	3.6%	3.7%
Gross margin	20.6%	20.6%	20.6%
Number of units sold (in k)	49	60	70
Average price in PLN	216	218	220
Others	6.47	6.87	7.30
(% of sales)	2.1%	1.9%	1.8%
Gross margin	15.0%	15.0%	15.0%
Total revenues	**311.05**	**364.25**	**412.22**
(change y-o-y)	20.1%	17.1%	13.2%

Source: Dr. Kalliwoda Research GmbH

Our forecasts

Our estimates 2014E-2016E			
in PLNm	**2014E**	**2015E**	**2016E**
Net sales	311.05	364.25	412.22
EBITDA	15.08	18.20	21.83
EBITDA margin	4.8%	5.0%	5.3%
EBIT	6.38	8.01	10.31
EBIT margin	2.1%	2.2%	2.5%
Net income	4.93	6.34	8.27
Net margin	1.6%	1.7%	2.0%

Source: Dr. Kalliwoda Research GmbH

Quarterly results and estimates 2011-Q1/14E

in PLNm	Q1/11	Q2/11	Q3/11	Q4/11	2011	Q1/12	Q2/12	Q3/12	Q4/12	2012
Net sales	**24.56**	**41.64**	**38.69**	**66.08**	**170.96**	**46.59**	**51.67**	**32.78**	**76.04**	**207.08**
y-o-y change	*n.a*	*n.a*	*n.a*	*n.a*	*n.a*	*89.7%*	*24.1%*	*-15.3%*	*15.1%*	*21.1%*
EBITDA	**1.62**	**7.75**	**2.76**	**0.05**	**12.19**	**-0.10**	**3.78**	**-0.11**	**3.58**	**7.14**
EBITDA margin	*6.6%*	*18.6%*	*7.1%*	*0.1%*	*7.1%*	*-0.2%*	*7.3%*	*-0.3%*	*4.7%*	*3.4%*
EBIT	**0.12**	**2.86**	**0.47**	**2.71**	**6.15**	**-2.13**	**1.42**	**-2.16**	**1.72**	**-1.14**
EBIT margin	*0.5%*	*6.9%*	*1.2%*	*4.1%*	*3.6%*	*-4.6%*	*2.8%*	*-6.6%*	*2.3%*	*-0.6%*
Net income	**0.39**	**2.17**	**0.15**	**4.74**	**7.45**	**-1.67**	**1.95**	**-1.10**	**2.18**	**1.36**
Net margin	*1.6%*	*5.2%*	*0.4%*	*7.2%*	*4.4%*	*-3.6%*	*3.8%*	*-3.4%*	*2.9%*	*0.7%*

in PLNm	Q1/13	Q2/13	Q3/13	Q4/13	2013	Q1/14E
Net sales	**37.61**	**73.26**	**40.62**	**107.61**	**259.09**	**38.80**
y-o-y change	*-19.3%*	*41.8%*	*23.9%*	*41.5%*	*25.1%*	*3.2%*
EBITDA	**0.56**	**3.34**	**-1.04**	**8.12**	**10.99**	**1.10**
EBITDA margin	*1.5%*	*4.6%*	*-2.6%*	*7.5%*	*4.2%*	*2.8%*
EBIT	**-1.30**	**1.48**	**-2.90**	**6.46**	**3.74**	**-0.70**
EBIT margin	*-3.5%*	*2.0%*	*-7.1%*	*6.0%*	*1.4%*	*-1.8%*
Net income	**-1.36**	**0.23**	**-2.69**	**7.36**	**3.54**	**-0.80**
Net margin	*-3.6%*	*0.3%*	*-6.6%*	*6.8%*	*1.4%*	*-2.1%*

Source: Company information, Dr. Kalliwoda Research GmbH

5 Business model

Oponeo.pl S.A., which is based in Bydgoszcz, was founded in 2001 by its current CEO Mr Dariusz Topolewski as well as Messrs Arkadiusz Kocemba and Ryszard Zawieruszynski. Today, the company offers more than 150 different tire and rim labels to more than 1.4m retail customers, who are serviced by its own logistics and call center. The products are delivered within two business days to the end-customer, who can install them in one of the company's >1,800 partner shops (>550 in Poland). Oponeo.pl has been listed on the Warsaw Stock Exchange since 2007 and at the end of 2013 had 200 employees (KRe).

Apart from the online shops Oponeo.pl and opony.pl, whose local version the company has already established in 10 other European countries (Germany, Austria, the Netherlands, UK, Turkey, Italy, France, Czech Republic, Spain and Ireland), Oponeo.pl operates the information portals opony.com.pl and autocentrum.pl, which in our view complement its offering quite well. According to management, the company currently owns the largest database with information on tires and rims in Europe and the second largest worldwide.

In the near future, management plan to focus on business development in Oponeo.pl's existing markets and the expansion into other European countries e.g. Belgium, Slovakia. An expansion to the US, which is the largest auto market worldwide in terms of unit sales, will be conducted within the next 3-5 years (KRe). We think that despite strong competition the size and potential of the online tire market is large enough in order for the company to be successful. According to moderntiredealer.com, in the US only 3% of 7m tires sold each year are being purchased online. For Europe, BRV and GfK estimate that only 7.8% of all customers bought tires online in 2012.

Statistics of Oponeo.pl's web portals

Oponeo.pl currently operates 19 main web portals, 9 in Poland and one in each of its foreign markets. Below is a table, which shows current web statistics for Oponeo.pl's portals (if available) and those of its peers. We think that while in Poland it is the undisputed leader, in foreign markets the company still has to invest into its brand awareness.

Web portal	Status	Total rank (3-months average)*	Country rank**
opony.com	Owned by Oponeo.pl S.A.	357,282	15,284
opony.com.pl	Owned by Oponeo.pl S.A.; largest database with tire reviews in Poland	192,010	5,427
felgi.pl	Owned by Oponeo.pl S.A.; specialised portal	196,850	2,535
autocentrum.pl	49.7% shareholding of Oponeo.pl S.A.	13,768	220
hurtopon.pl	Owned by Oponeo.pl S.A.; tire wholesaler	214,645	3,101
motostrada.pl	Owned by Oponeo.pl S.A.	1,237,405	20,976
oponeo.pl	Owned by Oponeo.pl S.A.	51,762	933
oponytanio.pl	Owned by Delticom AG	335,551	5,509
motoricus.com	Owned by Motoricus S.A.	689,682	14,316
oponeo.it	Owned by Oponeo.pl S.A.	258,940	10,197
gommadiretto.it	Owned by Delticom AG	47,452	1,009
123pneus.fr	Owned by Delticom AG	82,830	4,520
allopneus.com	Owned by Pneus France Nord SA	30,848	1,170
oponeo.de	Owned by Oponeo.pl S.A.	577,845	46,846
reifendirekt.de	Owned by Delticom AG	50,856	2,754
tirendo.de	Owned by Delticom AG	33,151	1,739
reifendirekt.at	Owned by Delticom AG	353,474	4,606
tirendo.at	Owned by Delticom AG	226,195	11,284
oponeo.co.uk	Owned by Oponeo.pl S.A.	281,397	61,962
mytyres.co.uk	Owned by Delticom AG	127,467	8,538
tirerack.com	Leading US online tire retailer	8,248	2,258
tirebuyer.com	Leading US online tire retailer	71,876	22,754

* Total rank according to Alexa.com: combination of average number of unique visitors and page impressions; the lower the value, the better
** Country rank: rank among all web portals in Poland; the lower the value, the better

Source: Company information, Dr. Kalliwoda Research GmbH

Products

Oponeo.pl's product offering currently includes c. 500k tires, rims, and accessories such as snow chains and car top carriers, which are sold through the company's web portals. We believe that the most profitable product group for the company are rims with a gross margin of c. 20.6% vs. 12.3% on average for tires.

In our opinion, Oponeo.pl will further expand its product offering in the short term, which would make sense as customers would get different related products from one provider. We think that Oponeo.pl will put a focus on adding more kinds of tires and car accessories such as tires for agricultural machines, additional car carriers, batteries, brakes, motor oil, engine tuning, suspension, wheels, wipers, lighting.

6 Market environment

The automotive and tire market

According to data from car maker Renault and VDA, a German auto industry association, the demand for cars in Europe, which at the beginning of 2013 had been very weak (-10% y-o-y in Q1/13), stabilized in the following quarters, in-line with the development of the economy. In total, in 9M/13 car sales in EU-27 and EFTA countries declined by 4% y-o-y to 9.3m units.

In contrast to that, car sales in China developed very dynamically, growing by 21% y-o-y to 11.6m units. Thus, they almost reached the level of the US market (+8% y-o-y to 11.7m units).

Car sales according to regions 9M/13 vs. 9M/12 (in m)

Region	Jan - Sep 2013	Jan - Sep 2012	Change y-o-y
Europe (EU27 + EFTA)	9.3	9.7	-4.0%
Japan	3.5	3.7	-5.0%
USA	11.7	10.9	8.0%
Brasil	2.6	2.7	-1.0%
Russia	2	2.2	-7.0%
India	1.9	2.1	-8.0%
China	11.6	9.6	21.0%
Worldwide	**61.7**	**59.6**	**4.0%**

Source: VDA and Renault, based on 9M/13 report of Continental AG

As data from tire maker Michelin indicates, the development of the tire markets in 9M/13 pretty much resembled the demand for cars. However, truck tire sales developed somehow differently as they were impacted by an uncertain economic situation (North America) and the introduction of new, harsher emission standards (Europe – Euro VI; South America – Euro V) that resulted in last-minute-purchases of cheaper trucks.

According to Delticom, summer tire sales in whole of Europe were very weak in 2013, even more than in the previous year. For example, in Germany respective sales declined by 10.2% y-o-y.

Car & Light Truck tire sales according to regions 9M/13 vs. 9M/12 (% change)

	Europe	North America	Asia (excl. India)	South America	Africa/India/ Middle East	Total
Original equipment	-2%	4%	3%	9%	-5%	2%
Replacement	-1%	4%	6%	9%	5%	3%

	Europe	North America	Asia (excl. India)	South America	Africa/India/ Middle East	Total
Original equipment	2%	5%	4%	-1%	7%	4%
Replacement	2%	8%	6%	6%	4%	5%

Source: Michelin, Dr. Kalliwoda Research GmbH

Truck tire sales according to regions 9M/13 vs. 9M/12 (% change)

	Europe	North America	Asia (excl. India)	South America	Africa/India/ Middle East	Total
Original equipment	0%	-9%	9%	40%	-10%	3%
Replacement	9%	-2%	4%	5%	7%	4%

	Europe	North America	Asia (excl. India)	South America	Africa/India/ Middle East	Total
Original equipment	2%	-1%	8%	39%	-8%	6%
Replacement	11%	0%	8%	4%	4%	6%

Source: Michelin, Dr. Kalliwoda Research GmbH

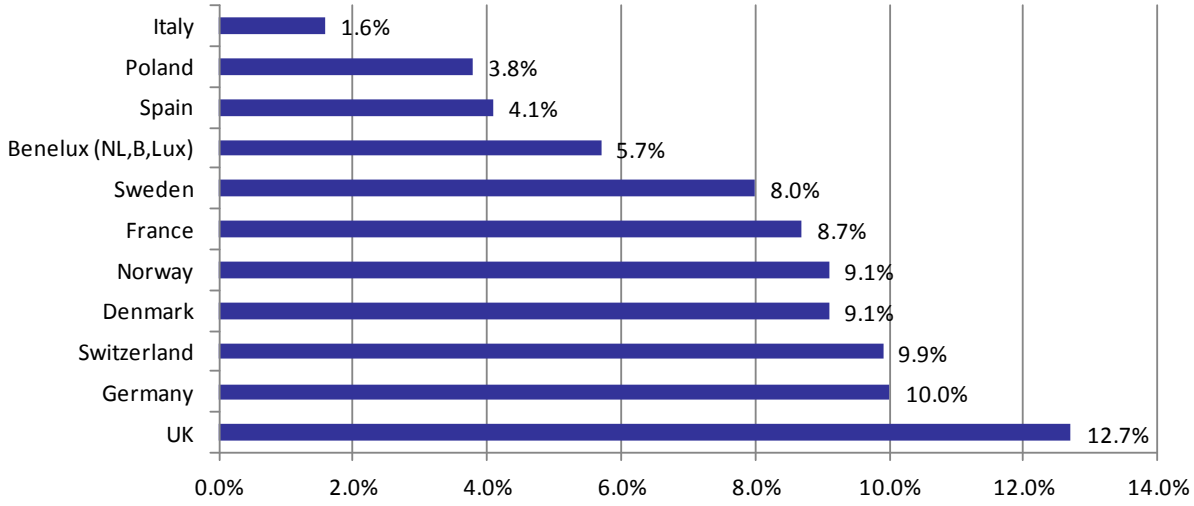
For 2014, LMC and Continental expect that both replacement of car/light truck and truck tires will increase globally by 3% y-o-y. The fastest growth is forecast in Asia (cars/light trucks: +6% to 313m units; trucks: +4% to 73m units), while Europe (cars/light trucks: +2% to 290m units; trucks: +3% to 21m units) and North America (cars/light trucks: +2% to 263m units; trucks: +2% to 20.9m units) are also expected to develop well.

The E-Commerce market

The Polish E-Commerce market has been growing at double-digit rates over the last years and remains highly promising. The portal internetstandard.pl estimates that in 2013 the market value reached c. PLN 26bn, compared to PLN 21.5bn in the previous year or +20.9%. The main reason for such a dynamic growth are cheap prices (15% lower on average than in retail stores according to SMG, Kelkoo and Forrester Research), the trend towards "Research online, Purchase offline" and high popularity of online banking and micro-payments (74%, respectively 23% share in the entire Polish population according to MillwardBrown NetTrack).

According to latest available data by the Center for Retail Research from 2012, the E-Commerce sector in Poland only had a share of 3.8% in total retail sales, while for example in UK or Germany the respective figure was 12.7% and 10% respectively. As in Poland the share was second lowest of all 11 European countries, which have been analyzed, we believe that this shows the catch-up potential of its E-Commerce sector quite well.

Share of the online channel in total retail sales in 2012



Source: Center for Retail Research, Dr. Kalliwoda Research GmbH

For 2014, Interaktywnie.com, a web portal, estimates that E-Commerce sales in Poland will reach PLN 30bn or 15.4% more y-o-y. Worldwide, eMarketer expects B2C E-Commerce sales to hit USD 1.5tr (+20.9% y-o-y), with the BRIC countries, Indonesia, Argentina, Mexico, Italy and Canada leading the growth statistics. Growth is expected to come mainly from the rapidly expanding online and mobile user bases in emerging markets, increases in M-Commerce sales, advanced shipping and payment options and the push into new international markets by major brands. In Western Europe, where according to E-Commerce Europe sales were worth EUR 173.8bn in 2013, the most mature markets are UK (accounts itself for EUR 103bn), France, the Netherlands and Germany.

7 Profit and loss statement

Profit and loss statement - Oponeo.pl						
	Fiscal year					
in PLNm	2011	2012	2013	2014E	2015E	2016E
Revenues	**170.96**	**207.08**	**259.09**	**311.05**	**364.25**	**412.22**
Cost of goods sold	-132.90	-165.23	-213.12	-254.98	-297.17	-332.77
Gross profit	**38.06**	**41.85**	**45.97**	**56.07**	**67.07**	**79.44**
Other operating income	1.04	1.91	4.93	5.02	5.13	5.23
Distribution costs	-23.07	-32.21	-36.90	-42.46	-49.83	-58.20
Administration costs	-3.17	-3.16	-2.80	-3.30	-3.80	-4.21
Other operating expenses	-0.68	-1.25	-0.21	-0.26	-0.37	-0.42
EBITDA	**12.19**	**7.14**	**10.99**	**15.08**	**18.20**	**21.83**
Depreciation	-6.04	-8.28	-7.25	-8.70	-10.19	-11.53
Operating income	**6.15**	**-1.14**	**3.74**	**6.38**	**8.01**	**10.31**
Net financial result	3.89	3.11	-0.34	-0.29	-0.19	-0.09
EBT	**10.04**	**1.97**	**3.40**	**6.09**	**7.82**	**10.21**
Income taxes	-2.59	-0.61	0.14	-1.16	-1.49	-1.94
Net income / loss	**7.45**	**1.36**	**3.54**	**4.93**	**6.34**	**8.27**
EPS	0.57	0.11	0.25	0.35	0.45	0.59
DPS	0.20	0.03	0.05	0.07	0.09	0.12
Change y-o-y						
Revenues	n.a	21.13%	25.12%	20.05%	17.10%	13.17%
Cost of goods sold	n.a	24.32%	28.99%	19.64%	16.55%	11.98%
Gross profit	n.a	9.96%	9.83%	21.97%	19.62%	18.44%
Other operating income	n.a	82.85%	158.04%	2.00%	2.00%	2.00%
Distribution costs	n.a	39.62%	14.55%	15.07%	17.36%	16.81%
Administration costs	n.a	-0.19%	-11.24%	17.83%	14.90%	11.00%
Other operating expenses	n.a	84.39%	-83.55%	25.10%	44.73%	12.21%
EBITDA	n.a	-41.44%	53.89%	37.22%	20.73%	19.96%
Depreciation	n.a	37.14%	-12.51%	20.05%	17.10%	13.17%
Operating income	n.a	-118.58%	-427.21%	70.49%	25.67%	28.60%
Net financial result	n.a	-20.02%	-110.96%	-14.66%	-34.36%	-52.36%
EBT	n.a	-80.39%	72.63%	79.04%	28.54%	30.58%
Income taxes	n.a	-76.45%	-122.79%	-931.83%	28.54%	30.58%
Net income / loss	n.a	-81.77%	160.34%	39.32%	28.54%	30.58%
EPS	n.a	-80.70%	127.27%	41.48%	28.54%	30.58%
DPS	n.a	-85.00%	66.67%	41.48%	28.54%	30.58%
Share in total sales						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-77.74 %	-79.79 %	-82.26 %	-81.97 %	-81.59 %	-80.73 %
Gross profit	22.26 %	20.21 %	17.74 %	18.03 %	18.41 %	19.27 %
Other operating income	0.61 %	0.92 %	1.90 %	1.62 %	1.41 %	1.27 %
Distribution costs	-13.49 %	-15.56 %	-14.24 %	-13.65 %	-13.68 %	-14.12 %
Administration costs	-1.85 %	-1.53 %	-1.08 %	-1.06 %	-1.04 %	-1.02 %
Other operating expenses	-0.40 %	-0.60 %	-0.08 %	-0.08 %	-0.10 %	-0.10 %
EBITDA	7.13 %	3.45 %	4.24 %	4.85 %	5.00 %	5.30 %
Depreciation	-3.53 %	-4.00 %	-2.80 %	-2.80 %	-2.80 %	-2.80 %
Operating income	3.60 %	-0.55 %	1.44 %	2.05 %	2.20 %	2.50 %
Net financial result	2.28 %	1.50 %	-0.13 %	-0.09 %	-0.05 %	-0.02 %
EBT	5.87 %	0.95 %	1.31 %	1.96 %	2.15 %	2.48 %
Income taxes	-1.51 %	-0.29 %	0.05 %	-0.37 %	-0.41 %	-0.47 %
Net income / loss	4.36 %	0.66 %	1.37 %	1.58 %	1.74 %	2.01 %

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8 Balance sheet

Balance sheet - Oponeo.pl						
	Fiscal year					
in PLNm	2011	2012	2013	2014E	2015E	2016E
Assets						
Cash and equivalents	12.86	13.63	19.65	20.14	21.74	25.56
Short-term financial assets	1.39	1.31	1.35	1.37	1.40	1.43
Inventories	11.78	16.71	21.06	25.20	29.37	32.89
Trade accounts and notes receivables	11.02	11.97	5.69	6.82	7.99	9.04
Other current assets	1.03	1.29	0.27	0.33	0.38	0.43
Current assets, total	**38.08**	**44.90**	**48.02**	**53.86**	**60.88**	**69.35**
Property, plant and equipment	20.82	19.73	18.93	19.33	19.73	19.93
Other intangible assets	25.80	21.83	18.50	21.90	25.28	28.19
Goodwill	13.38	13.38	13.38	13.38	13.38	13.38
Other long-term assets	10.26	5.99	6.71	8.06	9.44	10.68
Deferred tax assets	0.03	0.16	0.07	0.00	0.00	0.00
Non-current assets, total	**70.29**	**61.08**	**57.58**	**62.66**	**67.82**	**72.18**
Total assets	**108.37**	**105.99**	**105.60**	**116.52**	**128.70**	**141.53**
Liabilities						
Trade payables	14.68	17.37	17.84	21.34	24.87	27.85
Other short-term liabilities	11.00	9.54	17.30	20.77	24.32	27.53
Short-term financial debt	0.11	0.00	0.00	0.00	0.00	0.00
Provisions	0.36	0.74	0.15	0.18	0.22	0.24
Current liabilities, total	**26.16**	**27.66**	**35.29**	**42.29**	**49.41**	**55.62**
Long-term financial debt	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	3.64	1.82	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.07	0.36	0.03	0.00	0.00	0.00
Long-term liabilities, total	**3.72**	**2.17**	**0.03**	**0.00**	**0.00**	**0.00**
Total liabilities	**29.87**	**29.83**	**35.32**	**42.29**	**49.41**	**55.62**
Shareholders equity, total	**78.49**	**76.16**	**70.28**	**74.22**	**79.29**	**85.91**
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities and equity	**108.37**	**105.99**	**105.60**	**116.52**	**128.70**	**141.53**

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9 Cash flow statement

Cash flow statement - Oponeo.pl						
	Fiscal year					
in PLNm	2011	2012	2013	2014E	2015E	2016E
Net income / loss	7.45	1.36	3.54	4.93	6.34	8.27
Depreciation	6.04	8.28	7.25	8.70	10.19	11.53
Change of working capital	-2.01	-5.80	12.03	-1.77	-1.81	-1.59
Others	0.83	-1.79	0.53	0.07	0.03	0.03
Net operating cash flow	**12.32**	**2.06**	**16.60**	**11.92**	**14.75**	**18.24**
Cash flow from investing	**-2.39**	**1.74**	**-0.58**	**-12.50**	**-13.97**	**-14.64**
Free cash flow	9.93	3.80	16.02	-0.57	0.78	3.59
Cash flow from financing	**-5.32**	**-3.03**	**-10.01**	**1.06**	**0.82**	**0.23**
Change of cash	4.61	0.77	6.02	0.48	1.60	3.82
Cash at the beginning of the period	8.26	12.86	13.63	19.65	20.14	21.74
Cash at the end of the period	12.86	13.63	19.65	20.14	21.74	25.56

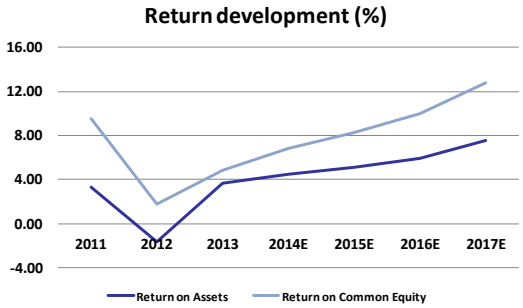
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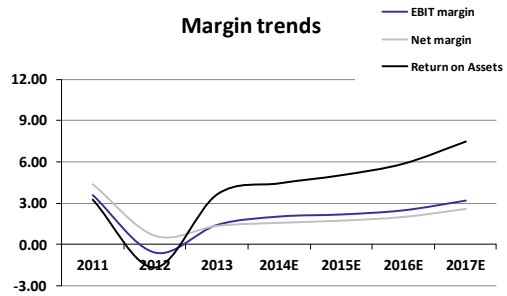
10 Financial ratios

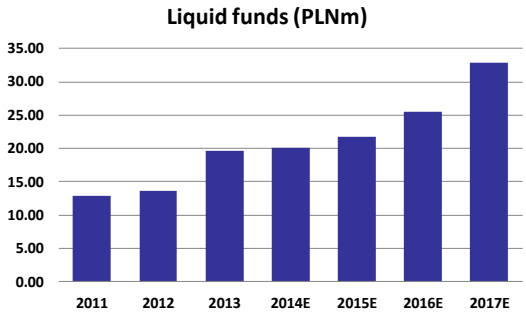
Fiscal year	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Gross margin	22.26%	20.21%	17.74%	18.03%	18.41%	19.27%	21.03%	21.64%
EBITDA margin	7.13%	3.45%	4.24%	4.85%	5.00%	5.30%	6.00%	7.60%
EBIT margin	3.60%	-0.55%	1.44%	2.05%	2.20%	2.50%	3.20%	4.80%
Net margin	4.36%	0.66%	1.37%	1.58%	1.74%	2.01%	2.58%	3.88%
Return on equity (ROE)	9.49%	1.76%	4.83%	6.82%	8.25%	10.02%	12.81%	18.35%
Return on assets (ROA)	3.29%	-1.65%	3.67%	4.48%	5.07%	5.91%	7.52%	10.81%
Return on capital employed (ROCE)	5.55%	-1.01%	5.54%	6.96%	8.19%	9.72%	12.25%	17.13%
Net debt (in PLNm)	-14.13	-14.94	-21.00	-21.51	-23.14	-26.99	-34.30	-47.52
Net gearing	-18.00%	-19.62%	-29.88%	-28.98%	-29.18%	-31.42%	-36.03%	-43.09%
Equity ratio	72.43%	71.86%	66.55%	63.70%	61.61%	60.70%	61.32%	63.06%
Current ratio	1.46	1.62	1.36	1.27	1.23	1.25	1.33	1.49
Quick ratio	0.97	0.97	0.76	0.67	0.63	0.65	0.74	0.90
Net interest cover	-1.58	0.37	10.97	21.91	41.96	113.25	202.74	457.35
Net debt/EBITDA	-1.16	-2.09	-1.91	-1.43	-1.27	-1.24	-1.27	-1.29
Tangible BVPS	4.98	5.08	4.02	4.37	4.73	5.20	5.87	6.95
CAPEX/Sales	38.63%	1.55%	1.20%	4.02%	3.83%	3.55%	3.31%	3.24%
Working capital/Sales	4.75%	5.46%	3.44%	3.44%	3.43%	3.42%	3.39%	3.38%
EV/Sales	0.77	0.64	0.51	0.43	0.36	0.32	0.29	0.27
EV/EBITDA	10.85	18.53	12.04	8.78	7.27	6.06	4.90	3.58
EV/EBIT	21.50	-115.75	35.37	20.75	16.51	12.84	9.19	5.67
P/Tangible BVPS	2.21	2.16	2.74	2.52	2.33	2.11	1.87	1.58
P/E	19.30	100.00	44.00	31.10	24.19	18.53	13.21	8.13
P/FCF	15.44	40.32	9.57	-267.17	196.36	42.65	18.84	9.86

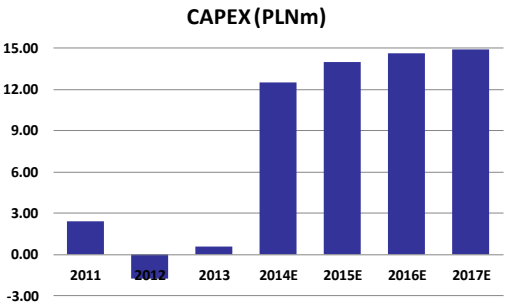
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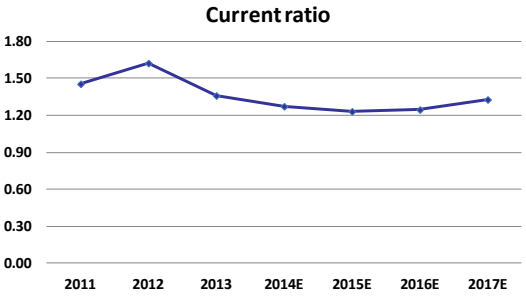


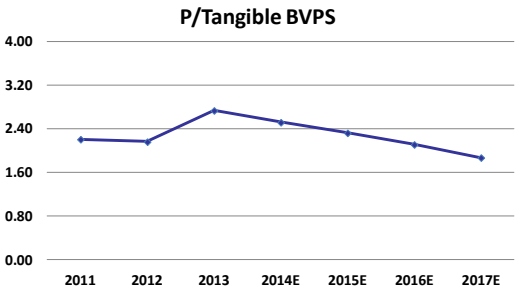












Source: Company information, Dr. Kalliwoda Research GmbH

Company Analysis

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Equity Research

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KAUFEN:	Based on our estimates the stock price will increase by at least 10% over the next 12 months	**BUY**
AKKUMULIEREN:	Based on our estimates the stock price will increase by 5% to 10% over the next 12 months	**ACCUMULATE**
HALTEN:	Based on our estimates the stock's performance will be between -5% and 5% over the next 12 months	**HOLD**
REDUZIEREN:	Based on our estimates the stock price will decrease by 5% to 10% over the next 12 months	**REDUCE**
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