

Coffeedesk (All Good S.A.)

Equity valuation: PLN 110,033,000

Company overview

All Good S.A. ("Coffeedesk") is a specialty coffee and coffee equipment reseller. It operates in two segments: (i) B2B distribution to HoReCa segment and (ii) retail online trade, through Coffeedesk.pl / .com stores. Coffeedesk operates chiefly in Poland, as well as is continuously increasing its share of export sales to European countries.

Investment case

The key investment rationale include: (i) Rapid growth of specialty coffee market, (ii) Asset light business model with high operating leverage, (iii) Continuous improvement of profitability, due to fixed cost dilution in light of scaling up the business and planned internal cost optimizations, (iv) Rapid recovery of results in offline segment after Covid downturn in 2019/20. (v) Very good customer experience, with widest variety of specialty products in the market and prompt delivery times.

Market prospects

According to PwC market report, Polish e-commerce food/grocery market may reach average annual growth of 28.7% over 2020-25 period and gain market value of PLN 18bn, outpacing growth of all other product categories.

Financial forecasts

Coffeedesk should deliver 2020-25 strong, average annual sales growth of 28%, driven by: (i) rapid increase of B2B sales due to launch of new sales platform in 2022, (ii) continuous expansion of online B2C sales, mostly due to foreign expansion and new sales tools to be introduced in 2022, as well as continuous switch to online led by Covid, and (iii) scaling up of the offline segment. The average annual EBITDA growth over 2020-25 may reach 36%, implying margin increase to 6.4% from 4.8% in 2020. Margin expansion will be driven by: (i) rebound of offline revenues after weak Covid year (in 1H 2021 EBITDA of offline segment already turned positive); (ii) strong dilution of fixed costs with growing scale of business from 2022, as well as (iii) planned cost optimizations, after rapid expansion over last years, from 2022 onwards.

DCF Valuation

The base case scenario (as described in financial forecasts section) has been created based on: (i) historical results of the company for 2019 and 2020, (ii) preliminary data for first half of 2021, as well as (iii) management's forecasts for 2025. DCF valuation (FCFF) is based on methodology developed by A. Damodaran, while WACC calculation has been based on A. Damodaran estimates for Polish market.

Target multiple valuation

Target multiple valuation has been based on estimated 2025 results (i.e. last year of forecasted rapid growth) and multiples of recent public transactions in the region in two segments reflecting Coffeedesk operations: (i) food and beverage producers and distributors, and (ii) e-commerce companies selling goods.

Valuation summary

		Equity value	% weight
DCF valuation	PLN k	113,002	50%
Target multiple valuation	PLN k	107,064	50%
Equity valuation	PLN k	110,033	

Financial Highlights	Unit	2019	2020	2021F	2022F	2023F	2024F	2025F
Revenue	PLN k	54,542	78,694	106,554	137,855	176,318	220,406	275,604
<i>growth yoy</i>	%	30.7%	44.3%	35.4%	29.4%	27.9%	25.0%	25.0%
Value of goods sold	PLN k	(37,778)	(53,543)	(72,163)	(93,041)	(117,800)	(145,823)	(180,647)
Gross profit on sales	PLN k	16,764	25,150	34,391	44,814	58,517	74,583	94,957
<i>margin</i>	%	30.7%	32.0%	32.3%	32.5%	33.2%	33.8%	34.5%
EBITDA	PLN k	593	3,770	3,168	5,316	8,340	12,045	17,546
<i>margin</i>	%	1.1%	4.8%	3.0%	3.9%	4.7%	5.5%	6.4%

Valuation overview

DCF Valuation

DCF valuation is based on discounted free cash flows to firm (FCFF). The valuation model is divided into three stages: (i) rapid growth over 2021-25, (ii) inflation driven growth over 2025-30, and (iii) terminal growth stage, where the growth is equal to long-term inflation target for Poland (2.5%). The terminal value is based on FCFF perpetual growth model. The three-stage model reflects best Coffeedesk's early stage of development, as well as strong market growth potential over coming years. Due to the fact, that Coffeedesk is a private company, the equity value is reduced by a liquidity discount of 25%, based on A. Damodaran research.

		20	21F	22F	23F	24F	25F	26F	27F	28F	29F	30F	TV
EBIT	PLN k	3,549	2,768	4,431	6,971	10,372	15,708	16,553	17,461	18,380	19,130	19,752	
Corporate tax rate	PLN k	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	
NOPAT	PLN k	2,875	2,242	3,589	5,647	8,401	12,723	13,408	14,143	14,888	15,495	15,999	
(+) Depreciation	PLN k	221	401	885	1,369	1,673	1,838	1,463	1,005	548	271	134	
(-) Increase in working capital	PLN k	2,602	4,801	4,268	5,206	5,862	7,442	940	966	879	1,126	1,041	
(-) Capex	PLN k	1,099	1,052	2,421	2,421	1,522	825	128	131	134	138	141	
FCFF	PLN k	(606)	(3,210)	(2,214)	(612)	2,691	6,295	13,803	14,051	14,422	14,503	14,952	255,476
WACC	%	8.5%											
Discount factor	PLN k	-	0.97	0.90	0.83	0.76	0.70	0.65	0.60	0.55	0.51	0.47	0.47
Present value of FCFF	PLN k	-	(3,124)	(1,986)	(506)	2,050	4,420	8,933	8,382	7,929	7,349	6,983	119,312

Discounted FCFF	PLN k	40,430
Discounted terminal value	PLN k	119,312
Enterprise value	PLN k	159,743
(-) Net debt (incl. factoring)	PLN k	9,073
Equity value, non-adjusted	PLN k	150,669
Liquidity discount	%	25.0%
Equity value, adjusted	PLN k	113,002

Terminal value

	Unit	Value	Calculation
Last year FCFF	PLN k	14,952	a
Terminal growth rate	% p.a.	2.5%	b
Terminal FCFF	PLN k	15,326	$a \times (1 + b)$
WACC	%	8.50%	d
Terminal growth rate	% p.a.	2.50%	e
Terminal value	PLN k	255,476	$a \times (1 + b) / (d - e)$

Weighted Average Cost of Capital (WACC) is based on A. Damodaran Capital Asset Pricing Model (CAPM) methodology. The risk-free rate is calculated as a bond yield for the currency (PLN) reduced by a 10-year CDS spread between Poland and AAA rated (i.e. risk free) country (Germany). The risk premium for developed market is based on implied risk premium estimated by A. Damodaran each year (based on US market). The unlevered beta is an average from two sectors: (i) online retail, and (ii) food wholesale, while values are based on A. Damodaran calculation for European companies. Further to standard CAPM, there are two risk premium added to cost of equity: (i) size premium of 2.8%, for small companies (based on Ibbotson estimates), as well as (ii) country risk premium, based on CDS spread between Poland and Germany. The cost of debt is based on average debt margin Coffeedesk realized on its loans in 2020.

Weighted Average Cost of Capital (WACC)

	Unit	Value	Calculation
Risk-free rate			
Poland bond yield	% p.a.	1.7%	a
Poland CDS spread	% p.a.	0.6%	b
Poland risk-free rate	% p.a.	1.2%	a - b
Cost of Equity			
Poland risk-free rate	% p.a.	1.2%	a
Risk premium, dev market	% p.a.	4.9%	b
Beta, unlevered	x	0.9x	c
Beta, levered	x	1.1x	d
Size premium	% p.a.	2.8%	e
Country risk premium, equity	% p.a.	0.7%	f
Cost of Equity	% p.a.	10.2%	a + b x d + e + f
Poland risk-free rate	% p.a.	1.2%	a
Country risk premium, debt	% p.a.	0.6%	b
Debt margin	% p.a.	1.5%	c
Corporate tax rate	%	19.0%	d
After tax cost of debt	% p.a.	2.6%	(a + b + c) x (1 - d)
Share of debt	%	21.9%	
WACC	%	8.5%	

Target multiple valuation

Target multiple valuation has been based on recent public transactions in the region in two segments reflecting Coffeedesk operations: (i) food and beverage producers and distributors, and (ii) e-commerce companies selling goods.

There are two different transaction multiples used for valuation: (i) EV/Sales, and (ii) EV/EBITDA. The final valuation is based on weighted average enterprise value implied from those two multiples.

Multiples are based on historical results of target companies and applied towards 2025 estimated results of Coffeedesk. Coffeedesk will experience a strong growth in coming years, heavily exceeding growth of peer transaction companies. Therefore the average transaction multiples are applied to targeted future results and then discounted to present value using WACC.

		EV/Sales	EV/EBITDA
Target multiple, B2C deals	x	1.11x	9.89x
Target multiple, food deals	x	0.37x	6.61x
B2B weight, target	%		57%
B2C weight, target	%		43%
Weighted average target multiple	x	0.69x	8.02x
Sales / EBITDA, 2025 target	PLN k	275,604	17,546
Target enterprise future value	PLN k	190,102	140,681
Discount factor	x	0.70	0.70
Target enterprise present value	PLN k	133,489	98,786
Weight, EV/EBITDA			50%
Weight, EV/Sales			50%
Enterprise value, target multiple valuation	PLN k		116,137
Total net debt (incl. factoring), last reported	PLN k		9,073
Equity value, target multiple valuation	PLN k		107,064

Comparable transactions

E-commerce deals

Last 4 years

Global developed markets

Announced Date	Completed Date	Target Company	Revenue multiple	EBITDA multiple
01.10.2019	01.10.2019	NN.07 ApS	2.22	16.26
13.04.2021	03.06.2021	CentralPoint International B.V.	0.61	15.24
29.08.2018	15.11.2018	Firtal Group ApS	1.43	14.26
17.07.2018	31.08.2018	Caseking GmbH	0.79	11.76
04.07.2019	27.11.2019	Ellos AB	0.92	10.82
31.03.2021	31.03.2021	Lumise Oy	1.06	10.56
11.05.2021	11.05.2021	Stronger AB (51% Stake)	3.31	9.89
30.04.2019	18.09.2019	Wonga.pl sp. z o.o	1.32	8.20
04.06.2019	04.06.2019	Atlas For Men SAS	0.85	8.00
13.02.2019	13.02.2019	Crafts Group Limited	1.17	8.14
05.04.2019	05.04.2019	Nordbutiker i Sverige AB	1.17	7.48
09.11.2018	17.12.2018	Mobile Phones Direct Ltd	0.27	5.96
10.05.2019	19.06.2019	SH Telekommunikation	0.14	5.35
30.06.2021		Deutschland GmbH	1.42	
		AmicaFarmacia S.r.l.		
		Median	1.11	9.89
		Average	1.19	10.15
		1st quartile	0.74	7.74
		3rd quartile	1.42	13.01

Food distribution deals

Last 5 years

Eastern Europe

Announced Date	Completed Date	Target Company	Revenue multiple	EBITDA multiple
09.12.2020		Zaklady Tluszczowe Kruszwica		
17.04.2020		S.A. (35.78% Stake)	0.38	6.61
11.02.2019		Scitec Kft.	0.06	13.07
03.09.2018	03.09.2018	Atlanta Poland	0.28	10.09
01.05.2018	21.08.2018	Ultraparm Limited	0.86	10.48
		Mlekoma Sp. z o.o.	0.49	10.77
		Przedsiębiorstwo Przemysłu		
		Spozywczego PEPEES S.A.		
08.01.2018	15.02.2018	(33.05% Stake)	1.01	5.49
09.11.2016	21.01.2017	Gobarto S.A. (16.98% Stake)	0.15	4.46
31.10.2016	29.11.2016	Dakri Dystrybucja Sp. z o.o.	0.37	5.01
26.08.2016	23.11.2016	Graal SA (55.77% Stake)	0.33	5.82
		Median	0.37	6.61
		Average	0.44	7.98
		1st quartile	0.21	5.25
		3rd quartile	0.68	10.63

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Maciej has spent almost 6 years working as an equity research analyst in WOOD & Company and DI Investors (DM Vestor), where he wrote more than 50 valuation reports on c. 20 different companies from various sectors. Maciej also acted as a Manager of Corporate Finance / Valuation Department in TPA Poland. Maciej is currently working for an international bank as a financial analyst and debt specialist.

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