

Thursday, 23 September 2021 | special comments

## Answer.com: 2021 Q2 Results

Recommendation: buy | target price: PLN 51.20 | current price: PLN 35.60

ANR PW; ANR.WA | e-commerce, Polska

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**Answer reported EBITDA of PLN 9.7m in Q2'21, which was a disappointed for us. The set of KPIs is good, revenues are higher y/y by 41%, but Answer incurs a significant increase in operating expenses. Our H1'21 EBITDA forecast is completed in 44%, hence we see no reason to lower it now. Momentum in fashion e-commerce is very good. The key factor will be the Management's guidance on operating cost increases in the following quarters.**

- Company reported in 2Q'21 revenue of PLN 146.1m (41% y/y). Revenues were reported earlier in the current report, hence no surprises there.
- Gross margin on sales was 44.4% in Q2'21 vs. 43.4% a year ago and 45.4% in Q1'21. The result was 44.0% higher y/y.
- EBITDA in Q2'21 amounted to PLN 9.7m, down by 38% y/y, which was disappointing. On the one hand, the EBITDA margin is stable q/q (ca. 6.6%), but on the other hand we did not expect such a large increase in operating costs.
- The main reason for the decline in EBITDA is an increase in payroll costs (by PLN 8.2m y/y). The three main reasons for the increase in this cost group are: (1) expansion of Answer team, (2) booking of ca. PLN 1.7m incentive program for 2Q'21 vs. ca. PLN 1.0m a year earlier and (3) booking of performance bonus of > PLN 2.0m (PLN 1.0m increase y/y).
- It is worth emphasizing that Q2'20 results were very high due to temporary reduction of remuneration costs and the anti-crisis shield effect (nearly PLN 3m).
- Costs of logistics and marketing in Answer also increased significantly y/y.
- The KPIs set for Q2'21 looks good. Answer recorded a significant increase in conversion rate (2.38% in Q2'21 vs. 1.86% a year earlier and 2.03% in Q1'21). The number of orders also increased significantly (+26% y/y) and the average order value (+13% y/y). We are somewhat disappointed with the stable level of visits, however this could be due to the change in the cookies policy from early 2021 on the Answer website.

### 2021 Q2 Results of Answer

(PLN m)	2Q'21	2Q'20	y/y
revenue	146.1	103.8	40.8%
EBITDA	9.7	15.7	-38.3%
EBITDA margin	6.6%	15.1%	-
EBIT	7.2	13.5	-46.6%
pre-tax profit	7.5	12.2	-38.8%
net profit	5.7	10.0	-42.7%

Source: Answer



List of abbreviations and ratios contained in the report:

**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) - Lease Payments

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