

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program. 3.0.

530/2022/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
<b>Action</b>	<b>Buy</b>	<b>20.6</b>	<b>Overweight</b>	<a href="#">Jakub K. Viscardi</a> <a href="#">+48 22 504 32 58</a>

**Event: 2Q22 financial results released – in line with the preliminary showing.**

On Wednesday, after the market close, Action released 2Q22 financial results.

- 2Q22 revenues reached PLN 564.4 million (up 6% yoy) and are in line with the preliminary quarterly results.
- **The gross profit margin on sales at 8.7%** was in line with the preliminary reading, albeit materially higher than earlier published monthly data implying 7.6%.
- **2Q22 comparable EBITDA and EBIT** stood at **PLN 11.5 million** (down 35% yoy) and **PLN 9.4 million** (down 39% yoy) and turned to be below our expectations.
- **The SG&A costs/ sales** ratio reached 7.0% vs our forecast at 5.9% and 5.9% recorded a year ago.
- **2Q22 comparable EBITDA margin fell to 2.0%** vs our forecast at 3.2% and 3.3% in 2Q21.
- **Gross profit** at PLN 9.5 million (down 36% yoy) vs our expectations at PLN 15.0 million.
- **The Company's NI** fell to **PLN 7.5 million** (down 43% yoy) while we expected PLN 12.3 million. **The effective tax rate** in the discussed quarter was **21.1%** vs our expectations at 18.1%.
- **CFOs in 2Q22** were positive and reached **PLN 54.2 million** vs our forecast at PLN 29.4 million.

**Action; 2Q22 financial results**

IFRS cons. (PLN m)	2Q22	2Q22 (DM BOŚ forecast)	Results vs forecasts	2Q21	chg yoyr
Sales	564.4	565.9	→	533.9	6%
Gross profit on sales	48.9	49.4	→	46.6	5%
Gross profit margin on sales	8.7%	8.7%	-	8.7%	-
EBITDA	11.5	17.9	↓	55.7	-79%
EBITDA margin	2.0%	3.2%	-	10.4%	-
Adj EBITDA	11.5	17.9	↓	17.8	-35%
Adj EBITDA margin	2.0%	3.2%	-	3.3%	-
EBIT	9.4	15.8	↓	53.6	-82%
EBIT margin	1.7%	2.8%	-	10.0%	-
Adj EBIT	9.4	15.8	↓	15.6	-39%
Adj EBIT margin	1.7%	2.8%	-	2.9%	-
Gross profit	9.5	15.0	↓	52.8	-82%
Gross profit margin	1.7%	2.7%	-	9.9%	-
Adj gross profit	9.5	15.0	↓	14.8	-36%
Adj gross profit margin	1.7%	2.7%	-	2.8%	-
NI	7.5	12.3	↓	44.0	-83%
Net margin	1.3%	2.2%	-	8.2%	-
Adj NI	7.5	12.3	↓	13.2	-43%
Adj net margin	1.3%	2.2%	-	2.5%	-

**Guide to adjusted profits**

FY21 profits adjusted by a PLN 38 million provision release related to VAT

Source: Company, DM BOŚ SA

**Expected impact:** Neutral; revenues, gross profit on sales, and NI are in line with earlier published preliminary data and should not constitute any surprise to the market. The investors will probably focus on the Company's outlook that will be presented during today's meeting (at 10:30 a.m. in Sheraton hotel). The pressure on the Company's margins visible in rising costs of sales may have some negative impact on the level of Action's profits expected by us. Currently, we identify definitely higher downside risk to our forecasts than the upside risk.

The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.