

Tallinna Kaubamaja Grupp AS

Growing sales, but weakening profitability

TKM1T.TL

Consumer Staples | Estonia

Tallinna Kaubamaja is one of the biggest retailer in Estonia with 91 stores structured into five segments: Department stores, Footwear trade, Car trade, Supermarkets and Real estate.

Market data

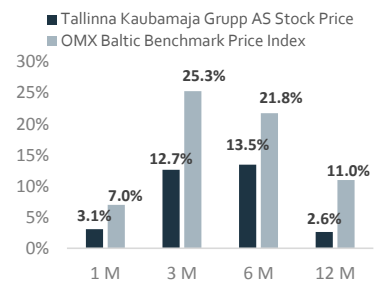
Price (€)	9.44
Market cap (mn €)	385.0
Free float (%)	33.0
Avg. daily volume - 30 days (mn €)	0.0098

Alphinox Quantitative score

Score displays Company's financial conditions, growth pace and valuation based on latest results and stock price



Stock Price Performance



Company Update

Estonian retailer Tallinna Kaubamaja reported a 4.5% increase in 4Q'20 sales thanks to the continuously good performance of Selver supermarket chain, reinforced by ABC supermarkets acquisition. Revenues of other segments, such as department store and footwear, suffered due to lockdowns (-7.7% and -28.4% respectively), while automotive segment saw its sales decrease as a result of supply chain disruptions. Company's operating income declined by a sharp 47%, suppressed by higher personnel expenses (number of employees increased by 14% yoy) and depreciation costs. However, operating cash flows in FY2020 remained healthy. Net profit also experienced a sharp decline, almost halving during 4Q'20 due to above-mentioned cost factors and several one-offs (e.g. income tax adjustment). Earnings decline negatively affected margins and capital profitability, making the company to look pale as compared to own 3Y historical average. However, we believe this is a temporary phenomenon caused by integration of ABC supermarkets and lockdowns, which nevertheless might still weight on the results of the next quarter.

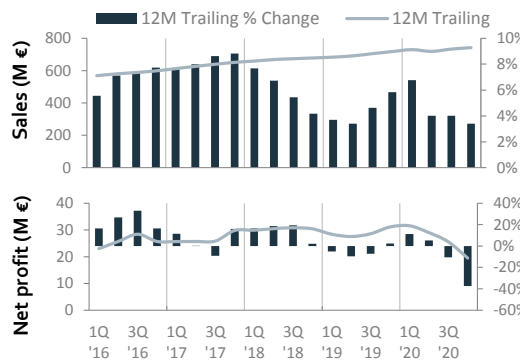
Growth

Sales	last Q	LTM	2019	2018
Company (M €)	201.3	741.9	718.0	678.4
Company	4.5%	3.3%	5.8%	4.2%
Sector*	-21.7%	13.7%	-7.3%	-3.4%
Baltic Market	-4.4%	-4.6%	4.6%	7.7%

Profit	last Q	LTM	2019	2018
Company (M €)	8.0	19.5	31.1	30.4
Company	-46%	-39%	2.3%	2.0%
Sector*	-231%	10.8%	-116%	-120%
Baltic Market	-0.7%	-30%	-40%	5.4%

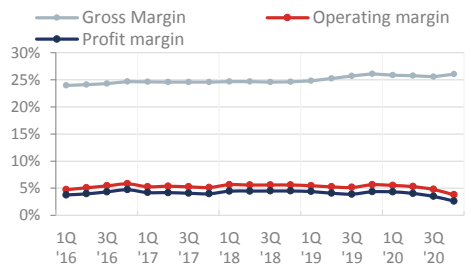
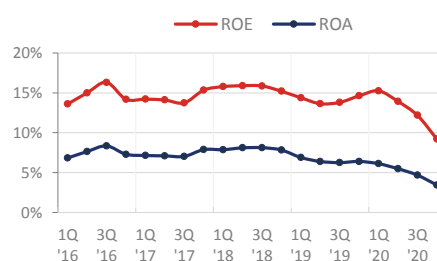
Profitability

Last 12M	ROE	ROA	GM	OPM	PM
Company	9.2%	3.4%	26.0%	3.8%	2.6%
Sector*	-1.7%	-0.8%	17.1%	6.7%	2.6%
Baltic Market	10.1%	3.6%	25.1%	4.8%	3.7%
3y average	ROE	ROA	GM	OPM	PM
Company	14.7%	7.3%	24.9%	5.4%	4.3%
Sector*	-2.2%	-1.4%	10.1%	6.0%	2.3%
Baltic Market	7.6%	3.0%	21.0%	3.1%	2.2%



Key performance indicators

	4Q '20	4Q '19	LTM
Number of Selver stores	54	53	54
	+2%		
Car trade segment revenue, mn eur	25	34	118
	-25%		
Sales revenue of department stores,	30	34	88
	-12%		
Selver supermarkets sales, mn eur	143	123	524
	+17%		

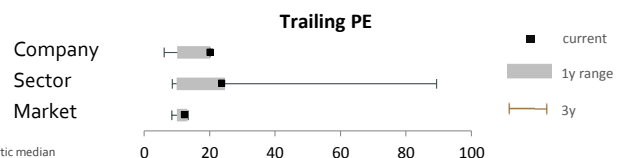


Balance sheet & Cash flow

	last	Q-1	Q-2	Q-3	LTM	2019	2018		last	Q-1	Q-2	Q-3	LTM	2019	2018
Equity / Assets ratio	37%	36%	35%	35%	36%	44%	55%	Cash Flow to Debt	0.27	0.25	0.21	0.27	0.25	0.32	0.57
Debt / Equity ratio	120%	131%	143%	123%	129%	90%	42%	CAPEX / Sales	10%	3%	25%	19%	15%	7%	6%
Cash ratio	0.21	0.20	0.17	0.32	0.22	0.30	0.32	FCF/OCF	42%	41%	34%	65%	46%	73%	90%

Valuation

	Last	1y avg	3y avg		last	1y avg	3y avg
P/E	20.18	12.51	12.2	P/B	1.89	1.65	1.73
EV/EBITDA	8.26	7.01	7.91	P/CF	5.37	5.27	1.92
P/S	0.53	0.48	0.50	Dvd yield	0.0%	8.0%	7.8%



*Sector: average of respective GICS sector companies from NASDAQ OMX Baltic and NASDAQ OMX Nordic small cap indices, Market: NASDAQ OMX Baltic median

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