FIX Price

Team: Non Plus Ultra

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Investment rationale

- Russian VVRM is underpenetrated: share of dollar stores in Total market in developed countries is >1.5% vs. 0.5% in Russia;
- Further expansion into Russian regions and CIS countries will keep high growth rates;
- Stagnant consumer disposable income ensures the growth of customers.

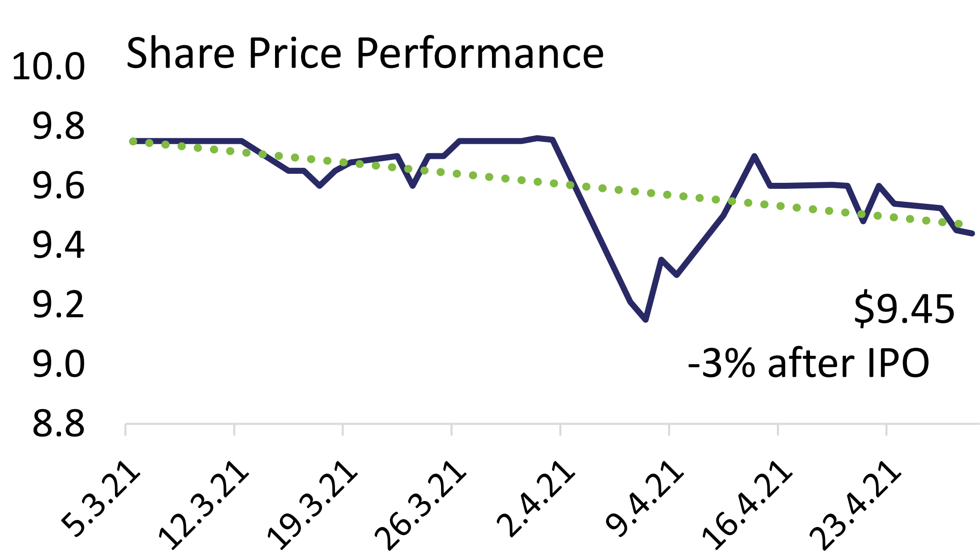
Company description

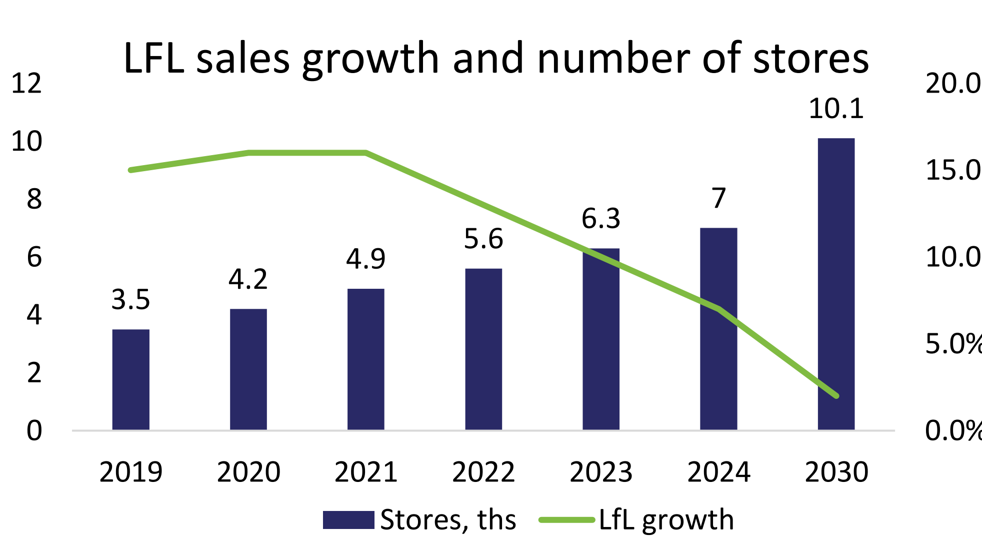
- Fix Price is a leader of Variety Value Retail Market (VVRM) in Russia with 93% market share and around 4350 stores;
- Its asset-light business model, constant stock rotation and high level of digitalization proved to be effective even during Global Pandemics;
- In the next five years it is ready to expand significantly, doubling the number of stores and tripling its revenue.

Key data

Share price, USD	9.45
Mkt Cap, USD mln	1680

	Rating	EV/EBITDA	P/E
Dollar General	Baa2	12.4	20.0
Dollar Tree	Baa2	9.1	20.3
Dino	-	18.3	42.4
Average		13.3	27.6
Price target		13.8	12.6





Investment recommendation

BUY Current price: **$9.45** (28 Apr 2021, close);
Target Price, 12 mo: **$13;** Upside, 12 mo: **38%**

Key risks

- Growing competition: major brick and mortar players may take market share of Fix Price;
- High Exposure to Lease Rates: Fix Price operates through rented stores under short term lease contracts. Post-Covid-19 lease rates hike may affect operation margins;
- FX risks: RUB depreciation may affect profitability and increase value of trade payables.

Financial overview

- Fix Price has strong revenue growth (>30%) per year due to double digit ticket growth (15%) and increase of stores amount (around 700 net openings per year);
- Net Profit margin is the highest in the retail industry equaling to 14%. The business model is asset light, therefore, the asset turnover is quite high staying at around 3;
- Net Debt/EBITDA equals to 0.5 and we do not expect it to rise as the company does not need debt to expand: it has enough cash flow to provide itself with enough investments;
- We assume that all the cash flow in excess of CAPEX and Debt Service will be distributed to shareholders via dividends with payout ratio exceeding 75%.

Summary financials

	2021	2022	2023	2024	2030
Balance sheet					
PPE	30 818	41 649	53 970	67 812	128 430
Inventory	31 385	38 953	47 749	56 809	95 985
Income statement					
Revenue	259 707	325 304	402 455	483 288	864 571
Net Income	35 807	45 922	58 124	71 094	140 049
Cash flow statement					
CFO	39 318	51 628	66 422	82 195	160 700
CFI	(12 985)	(16 265)	(20 123)	(24 164)	(25 937)
CFF	(26 333)	(35 362)	(46 299)	(58 031)	(134 762)
Ratios and analysis					
Net Profit Margin	14%	14%	14%	15%	16%
Total Assets Turnover	2.7	2.8	2.9	3	3.3
Total Assets/Equity	16.5	7	4.8	3.9	2.8
ROE	611%	280%	206%	172%	152%

Sources: Oliver Wyman, Company Filings, Retail.RU, Reuters Eikon, Bloomberg