

Kofola

Hold

Re-initiation of coverage

Price: CZK 303

Price target: CZK 306

A good drink, but for another time

We re-initiate coverage of Kofola with a HOLD recommendation and a 12M price target (PT) of CZK 306, offering almost no upside (1%). Although the company has a stable industry position, with the potential to grow its market share further in some segments, as well as an established brand, we believe that the current inflationary environment will affect its profitability negatively in 2022-23E, thus making its investment case less attractive in the near future. We expect the company to continue paying dividends, although we expect the dividends to be lower vs. the company's guidance, as a result of the falling EBITDA and a rising net debt/EBITDA ratio. Kofola offers a 3.6% dividend yield at its current share price. The company is trading at 10.3x 2022E EV/EBITDA, on our estimates, offering a 7% discount to its global soft drinks peers, which we see as justified, given Kofola's lower margins and relatively high net debt/EBITDA level.

Solid industry position. Kofola has a solid industry position, with the potential to increase its market share further in some segments. The company operates in a mature industry, which we expect to deliver low single-digit growth, at a 2.1% CAGR for retail and a 3.5% CAGR for HoReCa in Czech-Slovakia over 2021-26E. Given the company's solid competitive position in the HoReCa segment (sustainable market share growth, with established pricing power), we expect Kofola to expand its market share further, to 36% by 2026E, from 34% in 2021. Given the higher level of competition in retail, as well as the growth in the popularity of private labels, we expect Kofola to merely maintain its market share of 18% going forward.

We see inflation as one of the key short-term risks for profitability. We can already see the negative effect of inflation on consumer confidence and materials costs. With PET and white sugar prices up 13% ytd, we expect this trend to continue, given the ongoing supply chain disruptions and the rally in oil prices. As a result, we expect packaging and sweeteners costs (the largest direct materials costs for Kofola) to grow by 25% yoy this year. We expect that the company will manage to pass only part of the inflation onto consumers.

Our 2022E EBITDA forecast is below management's target, despite our more optimistic expectations for revenues. Given the very strong preliminary revenue growth result of above 30% yoy for 1Q22 (due partially to the low base of 1Q21), the high inflationary pressure, which we expect to be passed onto consumers partially, and the ongoing HoReCa recovery, we believe that Kofola's 11% revenue growth guidance for this year is rather conservative. Taking all these factors into consideration, we expect the 2022E revenue to grow by 14.8% yoy. We expect volumes to increase by 6.2% yoy, while prices by 8.1% yoy. On the other hand, we estimate the 2022E EBITDA, despite the strong revenue growth, to be below the company's guidance, as a result of the strong cost inflation, which relates to COGS growth (above the revenue level). We expect the EBITDA to decline by 17% yoy in 2022E.

Valuation. We derive our PT of CZK 306 using a blended valuation approach of a DCF (80% weight) and comps (20% weight).

Risks: inflationary pressure; overhang risk from Radenska (4.9% stake); growing competition from private labels; upside and downside M&A-related risks; and new lockdowns, which would harm the HoReCa and Fresh & Herbs recovery.

Expected events

1Q22 results June 2022

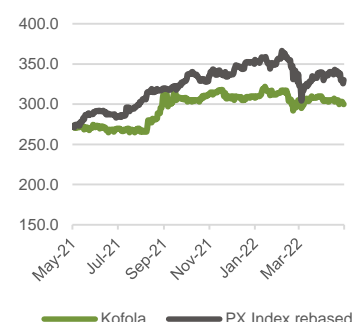
Key data

Market Cap (CZK, m)	6,424
Free float	27.4%
Shares outstanding (m)	22.3 (including 4.9% owned by Radenska)
Major Shareholder	AETOS 67.2%
3M ADTV (CZK, m)	1.5
Bloomberg Code	KOFOL CP

Price performance

52-w range	265-322
52-w performance	10%
Relative performance	-11%

Kofola 12M share price performance



CZK, m	Sales	EBITDA	Net profit	Sales growth	EBITDA margin	Dividend yield (%)	P/E	EV/EBITDA
2020	6,171	1,030	66	-4%	17%	4.5%	97.7x	9.5x
2021	6,636	1,128	241	8%	17%	4.5%	26.7x	8.7x
2022E	7,617	957	175	15%	13%	3.6%	36.6x	10.3x
2023E	8,079	1,011	215	6%	13%	2.6%	29.9x	9.7x
2024E	8,409	1,096	274	4%	13%	3.2%	23.5x	9.0x

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Closing Prices as of 02 May 2022

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Company snapshot – HOLD, PT CZK 306

Kofola

HOLD

Bloomberg ticker	KOFOL CP
Closing price (CZK)	303
Price target (CZK)	306
Upside to PT	1%
Shares outstanding (m) (adjusted for Rodenska stake)	21.2
MCAP (CZK m)	6,424
Free float	27.4%
52 Week Range (CZK)	265-322
52 Week Performance	10%
Relative performance	-11%



RATIOS

PER SHARE	2020	2021	2022E	2023E	2024E
EPS	8.8	10.7	7.9	9.6	12.3
DPS	13.5	13.5	10.8	7.9	9.6
Dividend Yield (%)	4.5%	4.5%	3.6%	2.6%	3.2%

FINANCIAL RATIOS

	2020	2021	2022E	2023E	2024E
Gross profit margin	46%	44%	42%	42%	43%
Adj. EBITDA Margin	17%	17%	13%	13%	13%
Net Income Margin	1%	4%	2%	3%	3%
ROIC	3%	8%	6%	7%	9%

COMPANY FINANCIALS

INCOME STATEMENT, CZK, m

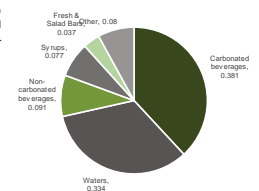
	2020	2021	2022E	2023E	2024E
Revenue	6,171	6,636	7,617	8,079	8,409
Cost of sales	-3,350	-3,710	-4,428	-4,683	-4,814
Gross profit	2,822	2,926	3,190	3,396	3,595
Selling, marketing and distribution costs	-2,042	-2,034	-2,334	-2,464	-2,565
Administrative costs	-426	-466	-535	-546	-554
Other operating income	85	156	56	56	56
Other operating expenses	-102	-46	-24	-24	-24
Operating profit/(loss)	293	535	353	418	508
Finance income	19	1	1	1	1
Finance costs	-121	-171	-137	-154	-171
Profit/(loss) before income tax	192	365	217	265	338
Income tax (expense)/benefit	-126	-125	-41	-50	-64
Profit/(loss) for the period	66	241	176	215	274
EBITDA	926	1,154	957	1,011	1,096
Adjusted EBITDA	1,030	1,128	957	1,011	1,096

CASHFLOW STATEMENT, CZK, m

	2020	2021	2022E	2023E	2024E
Profit/(loss) before income tax	192	365	217	265	338
Depreciation and amortisation	632	618	604	593	588
Net interest	102	93	137	154	171
Income tax paid	-131	-149	-41	-50	-64
Change in receivables	196	-65	-135	-83	-67
Change in inventories	21	-125	-26	-39	-20
Change in payables	-277	329	141	108	77
Net cash inflow/(outflow) from operating activities	785	1,142	897	948	1,022
Acquisition of Property, plant and equipment and Intangible assets	-481	-277	-347	-364	-420
Net cash inflow/(outflow) from investing activities	-1,349	-231	-347	-364	-420
Lease payments	-124	-144	-144	-144	-144
Repayment of loans and bank credits	-427	-521	0	0	0
Dividends paid to Company's shareholders	-275	-288	-241	-175	-215
Interest paid	-100	-90	-137	-154	-171
Net cash inflow/(outflow) from financing activities	325	-1,052	-522	-474	-530
Net increase/(decrease) in cash and cash equivalents	-239	-140	28	111	71
Cash and cash equivalents at the beginning of the period	774	544	392	420	531
Effects of exchange rate changes on cash and cash equivalents	9	-12	0	0	0
Cash and cash equivalents at the end of the period	544	392	420	531	602

COMPANY DESCRIPTION

Kofola is one of the top producers and distributors of non-alcoholic beverages in Central and Eastern Europe. It is the number one player in the soft drinks market in Slovakia and Slovenia, and the number two player in the Czech Republic. Kofola sells its drinks via retail and HoReCa distribution. Retail is a relatively defensive channel, which was not affected by COVID-19; however, at the same time, the company has lower pricing power in the retail segment in comparison to the HoReCa segment, while facing growing competition from private labels. The company has a better position in terms of the pricing power in HoReCa, on the other hand, while being affected more by COVID-19 (as the distribution channels include bars, pubs and restaurants). Historically, Kofola has been involved in a number of M&A activities, with the revenue from M&A deals accounting for 9% of total revenues in 2020 and 2% in 2021.



Assumptions	2020	2021	2022E	2023E	2024E
Volumes growth	13%	10%	6%	3%	2%
Pirce growth (ex. Fresh & Herbs)	-14%	-2%	8%	3%	2%
Revenue growth	-4%	8%	15%	6%	4%
COGS growth	0%	11%	19%	6%	3%

Valuation ratios

	2020	2021	2022E	2023E	2024E
EV/Sales	1.6x	1.5x	1.3x	1.2x	1.2x
EV/EBITDA	9.5x	8.7x	10.3x	9.7x	9.0x
P/E	97.7x	26.7x	36.6x	29.9x	23.5x

BALANCE SHEET, CZK, m

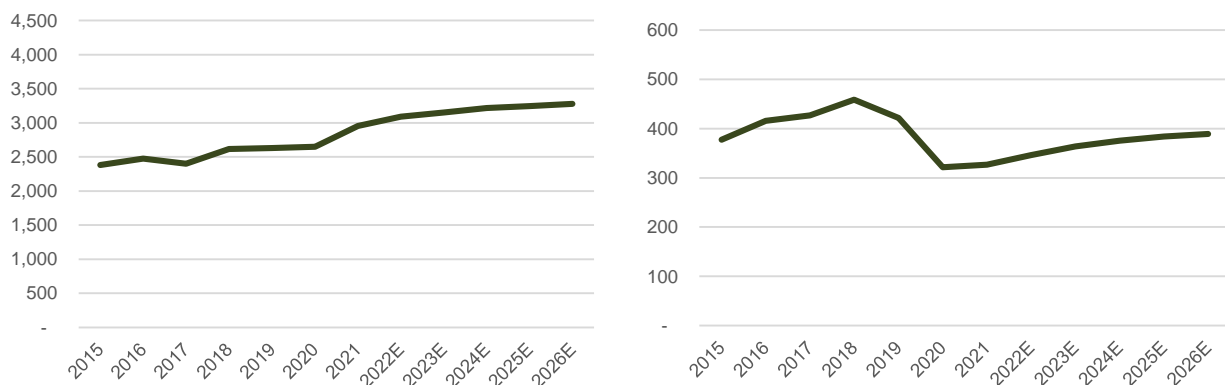
	2020	2021	2022E	2023E	2024E
Non-current assets	5,684	5,306	5,193	5,108	5,085
Property, plant and equipment	3,449	3,221	3,140	3,079	3,062
Goodwill	647	648	648	648	648
Intangible assets	1,339	1,249	1,218	1,194	1,188
Current assets	1,854	1,929	2,118	2,351	2,509
Inventories	519	641	667	706	725
Trade and other receivables	783	867	1,002	1,085	1,152
Loans provided to related parties	0	0	0	0	0
Cash and cash equivalents	544	392	420	531	602
Total assets	7,537	7,236	7,312	7,458	7,594
Total equity	1,307	1,297	1,232	1,271	1,330
Non-current liabilities	3,993	3,436	3,436	3,436	3,436
Bank credits and loans	3,252	2,784	2,784	2,784	2,784
Lease liabilities	322	302	302	302	302
Current liabilities	2,237	2,503	2,644	2,751	2,828
Bank credits and loans	685	633	633	633	633
Lease liabilities	132	125	125	125	125
Trade and other payables	1,321	1,633	1,774	1,881	1,958
Total liabilities	6,230	5,939	6,080	6,187	6,264
Total liabilities and equity	7,537	7,236	7,312	7,458	7,594
Net Debt	3,848	3,453	3,424	3,314	3,242

Investment case

We re-initiate coverage of Kofola with a HOLD recommendation and a 12M price target (PT) of CZK 306, offering almost no upside (1%) to the current share price of CZK 303. Although the company has a solid industry position, with the potential to increase its market share further in some segments and a well-known, established brand, especially in the Czech-Slovakian region, we believe that raw materials inflation will affect the company's profitability negatively in the next two years. We expect its EBITDA to decline by 17% in 2022E, due to costs inflation, then we expect a three-year EBITDA CAGR of 3.4% (2022-24E). The company trades at a 7% discount to its peers' median (10.3x vs. its peers' median of 11.1x), while offering lower EBITDA margins (due partially to the lower profitability of the Adriatic and Health & Herbs segments). On top of this, there is a share overhang risk from Kofola's subsidiary, Radenska, which might sell its 4.9% stake, i.e., treasury shares that could be offered to the market in order to finance Kofola's growth, depending on the market conditions. We also expect the company to continue to pay dividends; however, we have taken a more cautious approach towards dividend payments in 2022-23E, given our forecast decline in the EBITDA and the increase in the net debt/EBITDA ratio to 3.6x in 2022E, from 3.1x in 2021. We assume a DPS of 10.8 in 2022E, which translates into a 3.6% dividend yield.

Kofola operates in a mature industry. Given the mature phase of the soft drinks market in the Czech-Slovakian region, we expect only low single-digit growth of volumes, at CAGRs of 2.1% and 3.5% in retail and the HoReCa market, respectively, with the HoReCa market growing faster due to the post COVID-19 recovery.

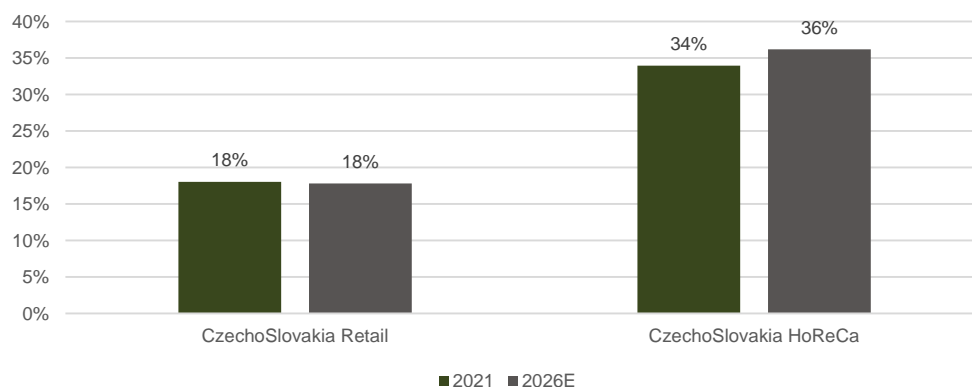
2.1% CAGR (2021-26E) in CzechoSlovakia retail (litres) 3.5% CAGR (2021-26E) in CzechoSlovakia HoReCa (litres)



Source: AC Nielsen, Data Servis, WOOD Research; *our estimate of market share based on combined Czech Republic and Slovakia data

We believe that Kofola is likely to be able to maintain its strong position in its current geographies, being the number one player in Slovakia and the number two player in the Czech Republic, in both the retail and HoReCa segments in both counties. Given Kofola's pricing power and good brand awareness in the HoReCa segment, we expect the company to grow faster in this segment, at a CAGR of 4.8% (2021-26E), driven by the overall post COVID-19 market recovery and the company's ability to increase its prices sustainably, given its favourable market position.

Flat market share in retail, while an increase in HoReCa (volumes)



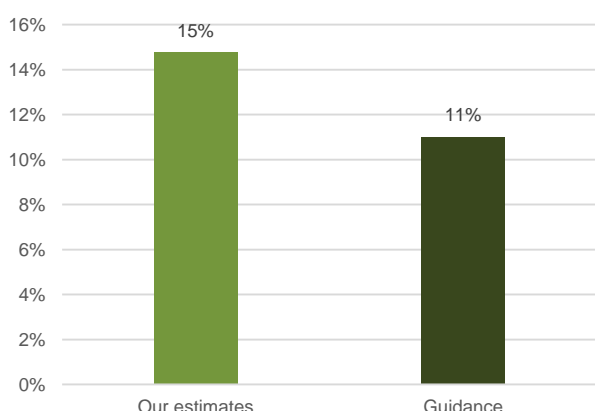
Source: Source: AC Nielsen, Data Servis, company data, WOOD Research; *our estimate of market share based on combined Czech Republic and Slovakia data

We estimate that Kofola will grow in line with the market in the retail segment in the Czech-Slovakian region, maintaining a market share of 18% in the next five years. We believe that it will be challenging for the company to grow its market share in retail going forward, due to the strong competition from established brands, falling consumer confidence, due to growing inflation, and the growth in popularity of private labels (a trend that started to be visible in 2021).

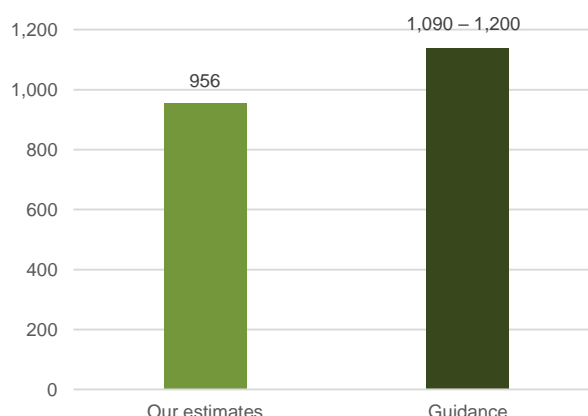
For the Czech-Slovakia HoReCa segment, on the other hand, we expect a stronger performance than the market, given Kofola's better competitive position, its strong historical market share dynamics and its pricing power in this segment.

We are more optimistic than management in terms of the revenue growth guidance for 2022E, while more conservative in our 2022E EBITDA estimate, on costs pressure concerns. Given the very strong preliminary revenue growth result of above 30% for 1Q22 (due partially to the low base of 1Q21), the high inflationary pressure, which we expect to be passed to consumers partially, as well as the ongoing HoReCa recovery, we believe that the company's 11% revenue growth guidance for this year is rather conservative. Taking all these factors into consideration, we expect the 2022E revenue to grow by 14.8%. On the other hand, we estimate the 2022E EBITDA to be below the company's guidance, despite the strong revenue growth, as a result of the strong cost inflation, which will result in a significant cost increase in 2022E, with a normalisation to be seen in 2024E. We are especially more aggressive in our other COGS (selling, marketing and distribution costs, and administrative costs), projecting them to grow in line with inflation. On top of this, given our assumption that the COVID-19 situation should stabilise this year, we do not project any positive effect from governmental support. As a result, our EBITDA estimate is 10% and 20% below the company's lower and upper range guidance for 2022E.

2022E yoy revenue growth estimate: WOOD vs. guidance...



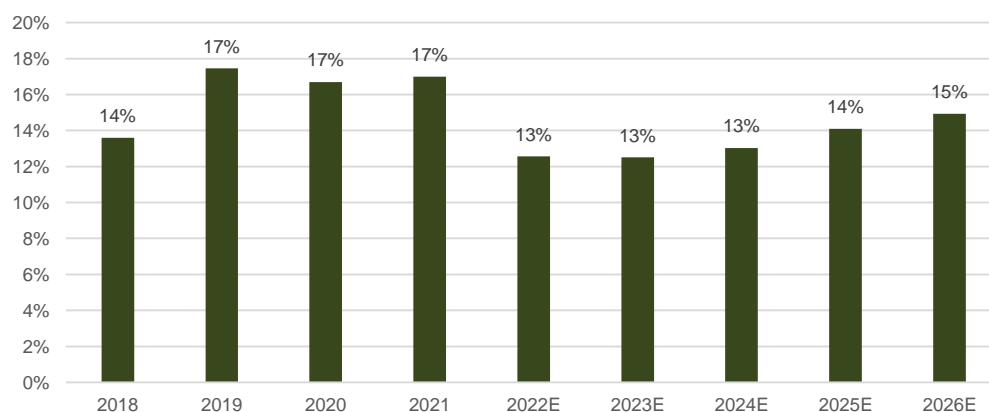
2022E EBITDA estimate: WOOD vs. guidance (CZK m)



Source: company data, WOOD Research

EBITDA recovery after 2024E. We expect 2022E and 2023E to be the low points for Kofola's EBITDA margin, as a result of the high costs in 2022E and 2023E, and a revenue growth normalisation in 2023E. We expect the EBITDA margin to start recovering in 2024E and reach a normalised level of 15% in 2026E.

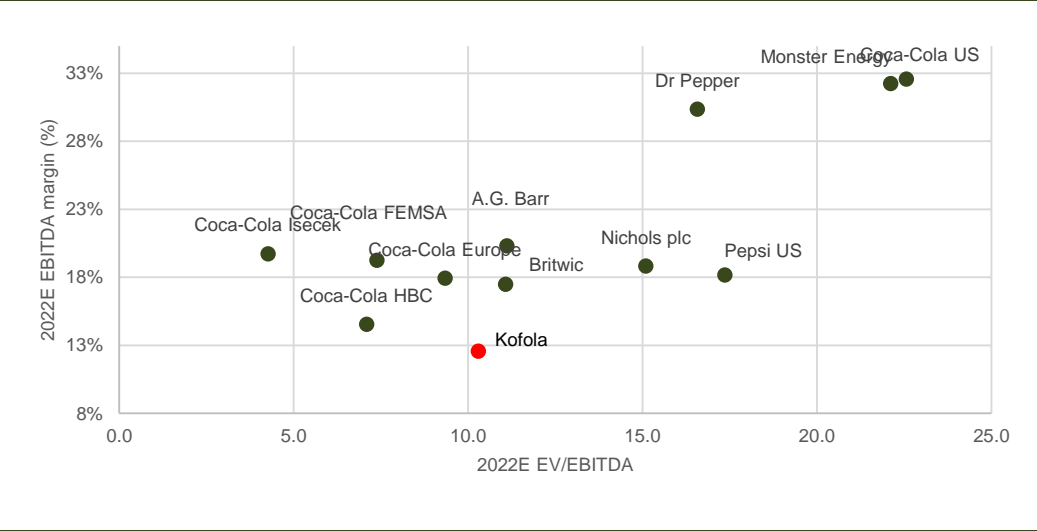
EBITDA margin to recover to a normalised level by 2026E



Source: WOOD Research

7% discount vs. global soft drinks peers on 2022E EV/EBITDA. Kofola trades at 10.3x 2022E EV/EBITDA, on our estimates, a 7% discount vs. its peers' median of 11.1x. On our estimates, the company will achieve a below industry level EBITDA margin in 2022E of 13%, vs. the industry level of 22%. In our view, the lower margins vs. the industry can be partially explained by a lagging consensus for 2022E and 2023E as, despite the inflationary pressures on raw materials, analysts do not expect a significant reduction in profitability at this point. The other reason for the lower EBITDA margin is the less profitable segments (Adriatic and Fresh & Herbs), which dilute the company's profitability. Analysts forecast only 1ppt of margin erosion for 2022E vs. 2021 for the global soft drinks players, while we forecast 4ppts.

Kofola: EBITDA margin and valuation vs. peers (2022E)



Source: Bloomberg, WOOD Research

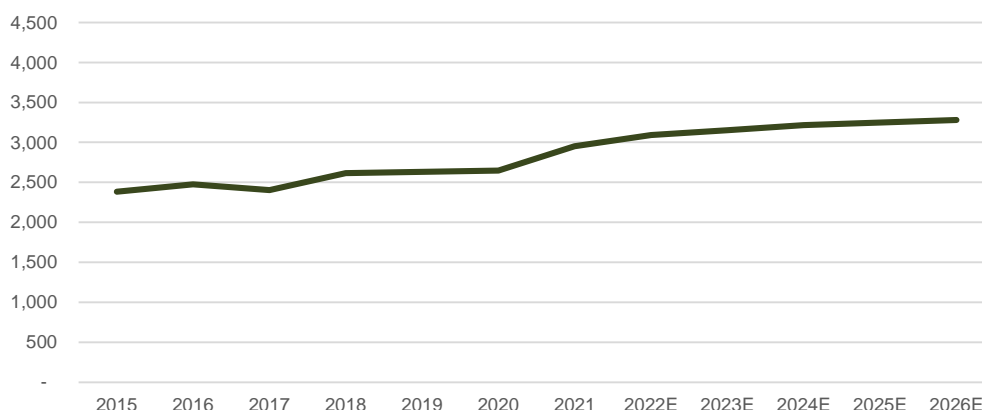
Stable industry position, but mid-term pressure on margins

In this report, we pay special attention to: Kofola's industry position; its ability to maintain and increase its market share; and inflationary pressure, and how this pressure will affect its materials and other fixed costs.

Stable market share in HoReCa segment, with room for growth

We expect the CzechoSlovakian retail industry (litres) to continue with its moderate growth over 2021-26E, at a CAGR of 2.1%. We expect slower growth in 2021-26E vs. 2016-21E (a CAGR of 3.6%), as a result of the falling purchasing power of consumers, amid inflationary pressure. On our estimates, the retail beverage market performed significantly better than HoReCa, as grocery shops continued their operations during the lockdowns.

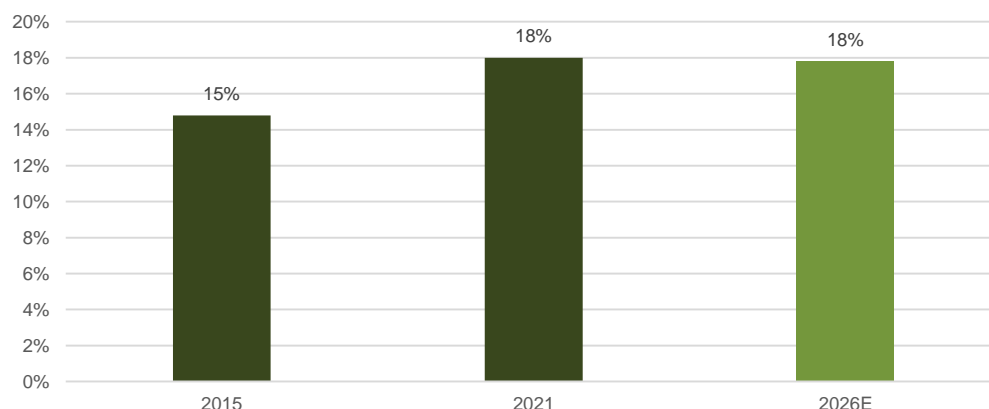
CzechoSlovakian retail market (litres) 2021-26E CAGR of 2.1%



Source: AC Nielsen, Data Servis, company data, WOOD Research; *our market estimates, combining the Czech Republic and Slovakia market estimates, based on Kofola's data

Kofola has managed to gain market share in the Czech-Slovakian retail market, via acquisitions and organic growth. It is important to note, in our view, that Kofola's market share declined in 2021 vs. 2020 in both Slovakia and the Czech Republic (in value terms), because of a shift of consumer preferences towards smaller private label players, due to the purchasing power decline. Given the inflationary pressure, which is likely to negatively affect purchasing power further, as well as the very tough competition with established brands like Coca-Cola and Pepsi (which tourists prefer over Kofola in the big cities, as they are unfamiliar with the Kofola brand), we expect Kofola to grow in line with the market and maintain its position in the Czech-Slovakian market in the next five years,

Kofola: market share in retail (litres)

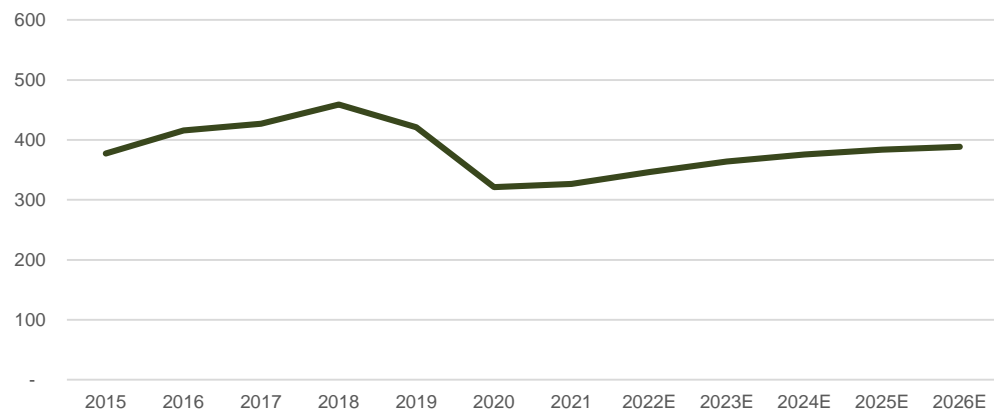


Source: Source: AC Nielsen, Data Servis, company data, WOOD Research; *our estimate of market share based on the combined Czech Republic and Slovakia data

Unlike the retail market, HoReCa was harmed significantly by COVID-19 in 2020, with the market declining by 27%, on our estimates. Due to the lockdowns in Czech Republic and Slovakia, HoReCa's 2016-21 CAGR was -4.7%. We expect a moderate recovery of volumes in the next five years, with an estimated CAGR of 3.5% (vs. 2.1% in retail). A faster recovery has been prevented by inflationary

pressures, COVID-19 restrictions, and reduced restaurants/bars traffic. We believe it will take a substantial amount of time for the situation to stabilise properly and for consumers to return to usual their preferences. On top of that, we expect inflationary pressure to affect consumer confidence and their purchasing power negatively; and, as a result, we expect volumes to reach the 2019 levels only after 2026E.

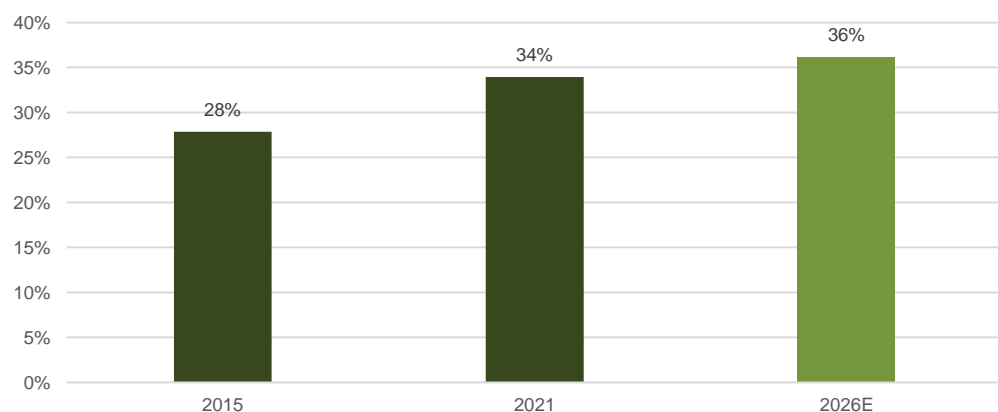
Czech-Slovakian HoReCa market (litres) 2021-26E CAGR of 3.5%



Source: AC Nielsen, Data Servis, company data, WOOD Research; *our market estimates, combining the Czech Republic and Slovakia market estimates based on Kofola data

Unlike in retail, where Kofola competes with a number of well-established competitors, the company has a more favourable position in HoReCa. Kofola operates with a number of small distributors (bars, pubs, etc.), which gives it pricing power. The company has also improved its market share in both the Czech Republic and Slovakia significantly over the past five years. We expect Kofola to continue to gain market share in the next five years, growing faster than the market, although at a slower pace vs. the past five years, due to the high level of market consolidation. We expect Kofola's volumes in HoReCa to exceed the 2019 (pre COVID-19) level by 2026E.

Kofola market share in HoReCa (litres)



Source: Source: AC Nielsen, Data Servis, company data, WOOD Research; *our estimate of market share based on the combined Czech Republic and Slovakia data

We expect stronger revenue growth in 2022E vs. management's guidance

We expect 2022E to be a strong year in terms of revenue growth. We forecast Kofola to grow its top line by 14.8% in 2022E, driven by a volumes recovery in HoReCa, price hikes, due to inflationary pressure, and an ongoing Fresh & Herbs segment recovery. We expect volumes to grow by 6.2%, while prices by 8.1%; we are more aggressive in our assumptions for both volumes and prices, as management assumes 4% volume growth and a 7% increase in prices. We believe that the 11% growth target provided by the company is rather conservative, given the normalisation of COVID-19 and high inflation, which reached 12.7% in March 2022 in the Czech Republic. Our Macro team expects 13% inflation for full-year 2022E.

Preliminary 1Q22 revenue growth

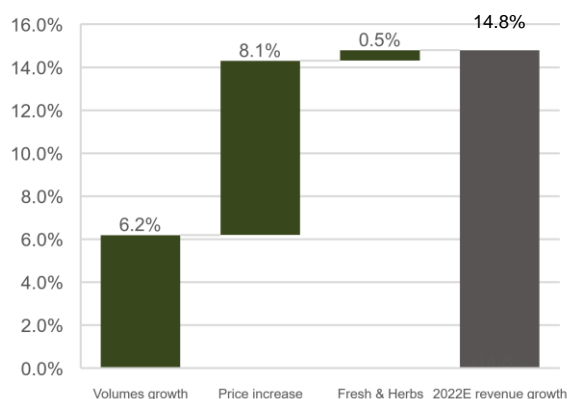
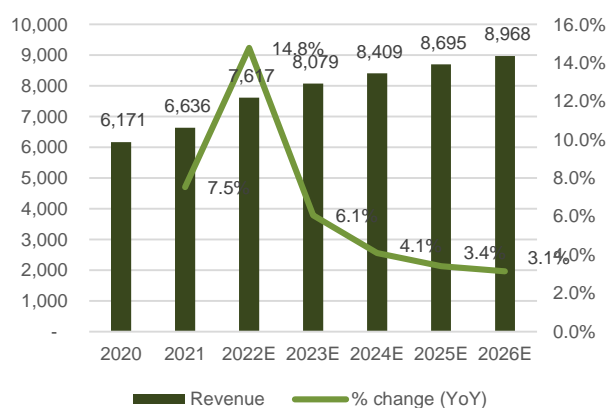
Month	Change
January 2022 yoy	c.+22%
February 2022 yoy	c.35%
March 2022 yoy	c.38%

Source: Company data, WOOD Research

1Q22 preliminary revenue growth results indicate yoy growth of above 30% in 1Q22E (due partially to the low base of 1Q21). In light of the 1Q22 performance, Kofola's FY22E revenue guidance looks conservative, in our view.

Revenue forecast (CZK, m)...

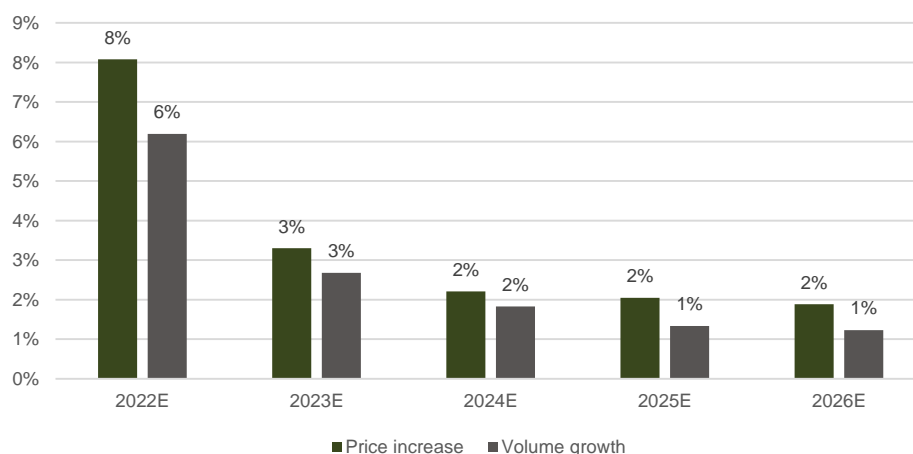
2022E revenue growth breakdown



Source: company data, WOOD Research

Following the high inflationary environment, which we expect to peak in 2022E and normalise after 2024E, we expect Kofola to grow its revenue by 6.7% yoy in 2023E and by 4.1% in 2024E.

Revenue growth breakdown, 2022-26E



Source: company data, WOOD Research

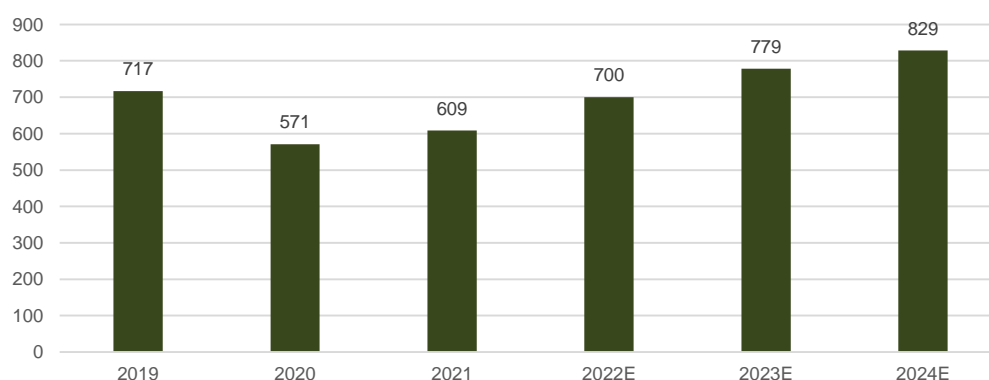
Kofola's revenue forecasts by segments (CZK m)

	2020	2021	2022E	2023E	2024E	2025E	2026E
Total revenue	6,172	6,637	7,617	8,079	8,409	8,695	8,968
growth, %	-4%	8%	15%	6%	4%	3%	3%
CzechoSlovakia	4,507	4,796	5,507	5,794	6,001	6,185	6,364
growth, %	2%	6%	15%	5%	4%	3%	3%
Adriatic	1,094	1,232	1,410	1,507	1,579	1,640	1,700
growth, %	-13%	13%	14%	7%	5%	4%	4%
Fresh & Herbs	571	609	700	779	829	870	904
growth, %	-20%	7%	15%	11%	6%	5%	4%

Source: company data, WOOD Research

We estimate the Fresh & Herbs revenue (which accounted for 9% of the total group revenue as of 2021) to recover to the 2019 level by 2023E, as we expect traffic to recover in the shopping malls.

Fresh & Herbs segment revenue to recover to the 2019 level by 2023E (CZK m)

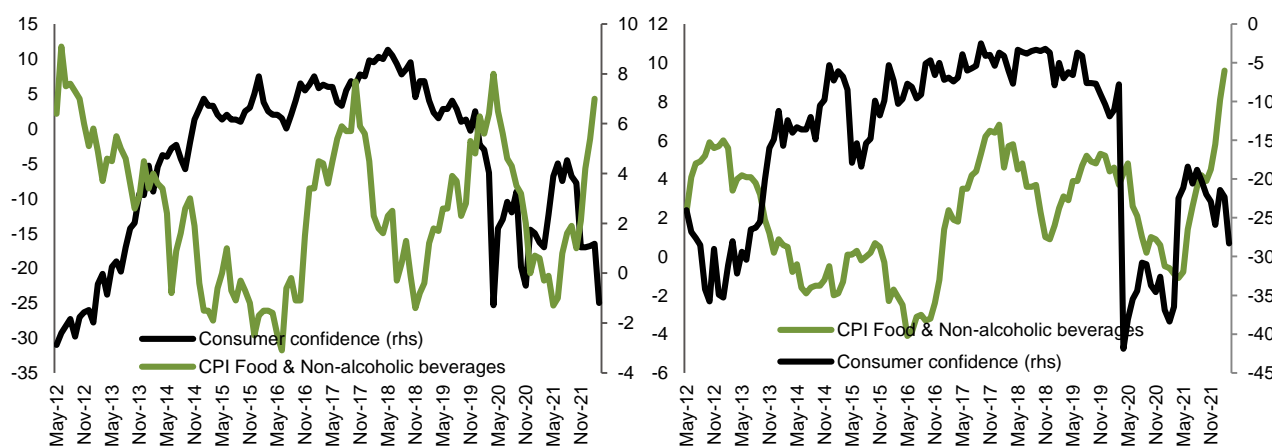


Source: Company data, WOOD Research

Inflationary pressure in 2022E to harm the EBITDA

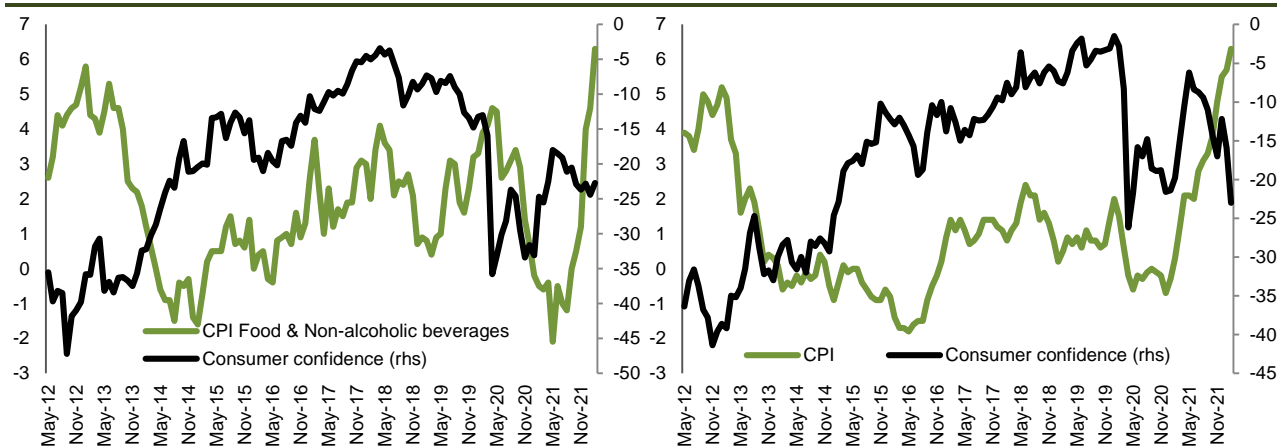
In our view, inflation is one of the key risks of Kofola's investment case. We can already see the negative effect of inflation on consumer confidence. Consumer confidence directly affects consumers' desire to purchase goods and services. The CPI for Food & Non-Alcoholic beverages is spiking in the all countries where Kofola is present.

CPI Food & Non-Alcoholic and consumer confidence in the Czech Republic (LHC) and Slovakia (RHC)



Source: Bloomberg, WOOD Research

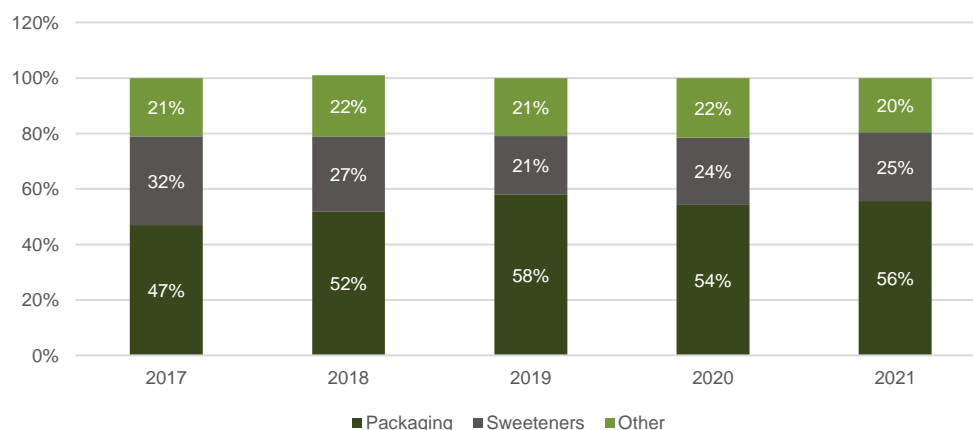
CPI Food & Non-Alcoholic and consumer confidence in Slovenia (LHC) and Croatia (RHC)



Source: Bloomberg, WOOD Research

The Russian-Ukrainian war has added further significant pressure on global commodity prices, on plastic and white sugar, in particular. Packaging and sweeteners costs are Kofola's key direct material costs and the largest contributors of its costs of goods sold. Although the company locks in its costs contracts with its suppliers on a 12-month rolling basis, this helps only to delay the price volatility by another year, in our view.

Packaging and sweeteners are Kofola's key direct material costs



Source: Company data, WOOD Research

On our assumptions, packaging costs continue to remain the key contributor to the company's COGS (Kofola provides a breakdown of direct material costs, but not for COGS). Packaging costs are mostly driven by polyethylene terephthalate (PET) prices, as c.70% of volumes are sold in plastic bottles. As PET is a crude oil derivative product, its pricing is driven mostly by this commodity. PET prices are up by 13% ytd and +48% since the beginning of 2020. Given the ongoing Russian-Ukrainian conflict and a potential oil embargo (which could be part of the next EU sanctions package), we expect PET prices to continue their rally this year.

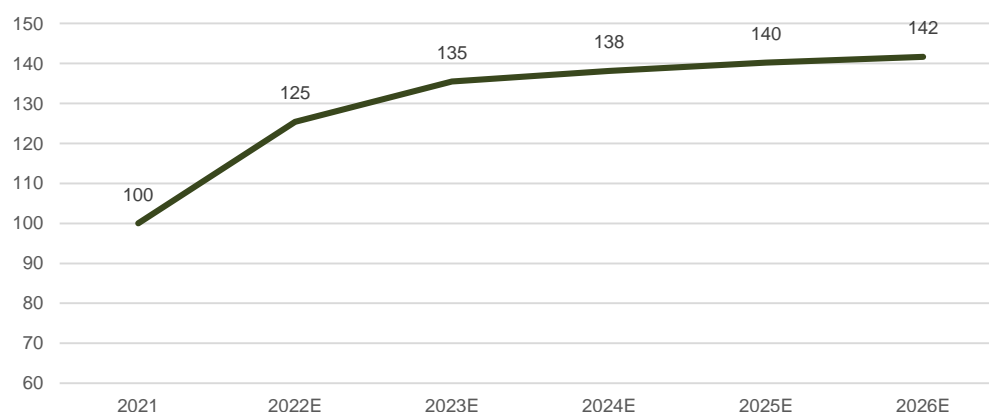
PET prices are up 13% ytd and +48% since 2020



Source: Bloomberg, WOOD Research

So far, the company has also managed to book contracts with its suppliers only for 1H22E. We expect packaging costs to increase by 25% yoy in 2022E and normalise after 2024E. A 25% packaging costs increase is the company's guidance, provided during its 4Q21 conference call.

Packaging costs rebased to 100



Source: WOOD Research

Sweeteners is another important cost component of Kofola's direct material costs, which accounted for 25% of direct materials costs in 2021. The company does not disclose its direct materials costs as a percentage of COGS. For the sake of analysis, we assume it at c.60%.

As a result of the Russian-Ukrainian conflict, the input costs for growers have increased, which have been passed onto end-users, leading to white sugar price increases. Input costs have increased, as the supply chain has become more problematic due to a lack of drivers, as Ukrainian drivers make up c.10% of the European workforce, according S&P Global. Given the current state of the conflict, we expect white sugar prices to continue their rally throughout 2022E.

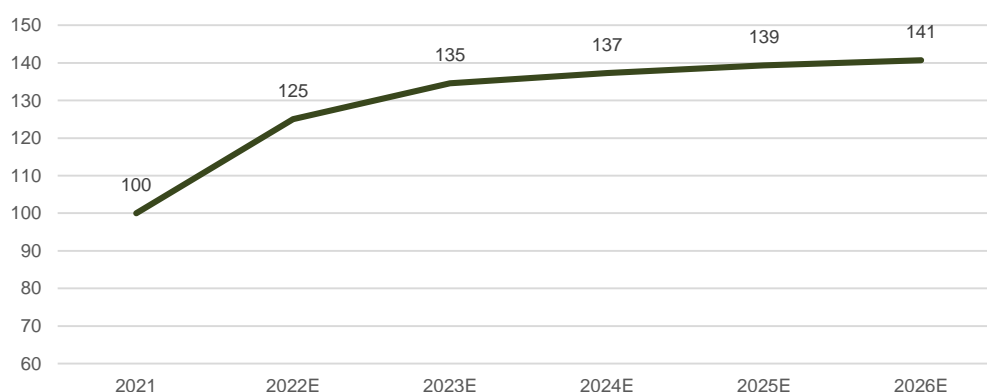
White sugar prices up 13% ytd and +57% since 2020



Source: Bloomberg, WOOD Research

So far, the company has managed to book contracts with its suppliers for 1H22E. Given the current inflationary pressure and the rally in white sugar prices, we expect the sugar and substitutes cost line to grow by 25% yoy in 2022E and normalise in 2024E. A 25% of sweeteners costs increase is the company's guidance, provided during the 4Q21 conference call.

Sweeteners costs rebased to 100

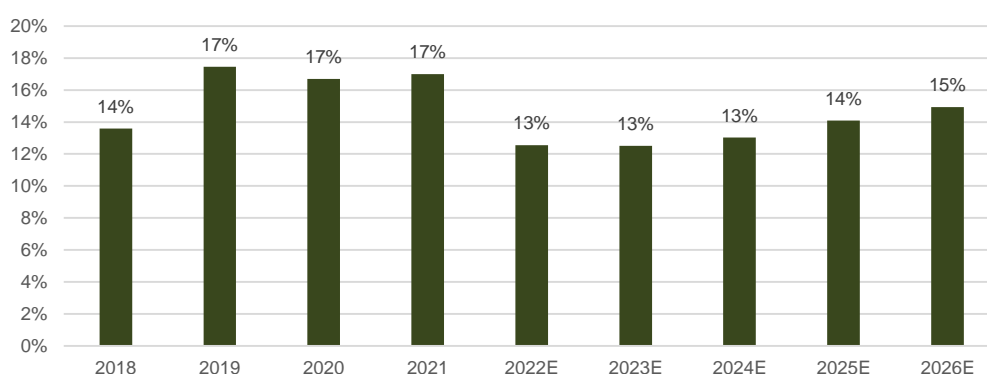


Source: WOOD Research

EBITDA margin recovery starting from 2024E only

Although we expect strong revenue growth in 2022E, driven by partially passing the inflation onto consumers, as well as the ongoing HoReCa segment recovery, we estimate a significant yoy decline in the EBITDA margin from 17% in 2021 to 13% in 2022E. Given the lack of significant pricing power, in the retail segment, we believe it would be very difficult to pass all the inflation onto consumers. Apart from a material costs increase, the company will also face personnel and other administrative costs increases. We estimate the company will deliver EBITDA of CZK 957m in 2022E, 11-20% below its guidance range of CZK 1,080-1,200m.

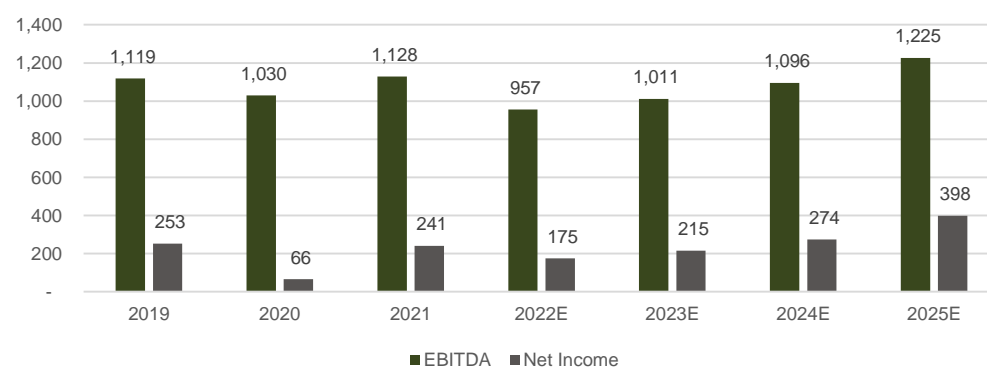
EBITDA margin to recover to a normalised level by 2026E



Source: Company data, WOOD Research

We expect the EBITDA margin to recover to a normalised range of 15-16% in 2025E, once the inflationary pressure normalises.

EBITDA and net income forecasts (CZK m)

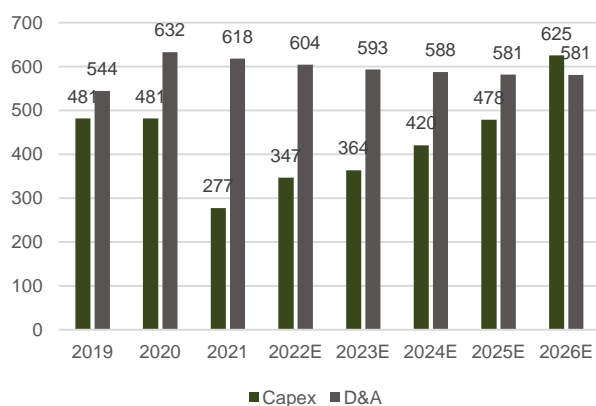


Source: Company data, WOOD Research

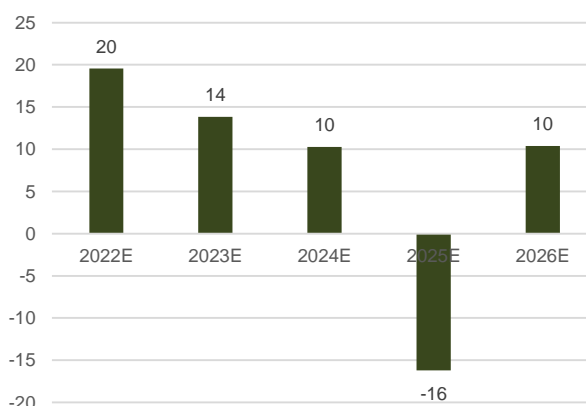
Capex growth after 2024E

We expect a stable level of capex in the next two years, at c.35% of the EBITDA, as the company has invested substantial amounts in the equipment used in the HoReCa distribution channel, supporting further growth in this channel; as a result, the company's manufacturing facilities do not need major investments in the next few years. On top of this, Kofola has spare production capacities, to increase its production, if required. We do not expect a significant fluctuation in the working capital, in line with the historical trends.

Capex and D&A forecasts (CZK m)...



Investment in working capital (CZK m)

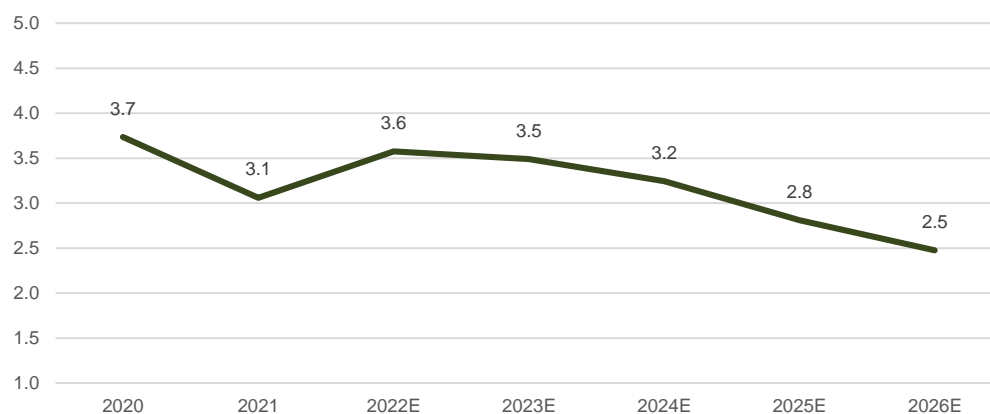


Source: Company data, WOOD Research

Net debt/EBITDA to start declining after 2023E

We expect the net debt/EBITDA ratio to increase to 3.6x in 2022E as a result of an EBITDA decline of 17% in 2022E. Given its current cash balance of CZK 392m, our conservative forecasts for dividends payments, and the potential monetisation of the Radenska stake, we do not expect an additional debt increase in the near future.

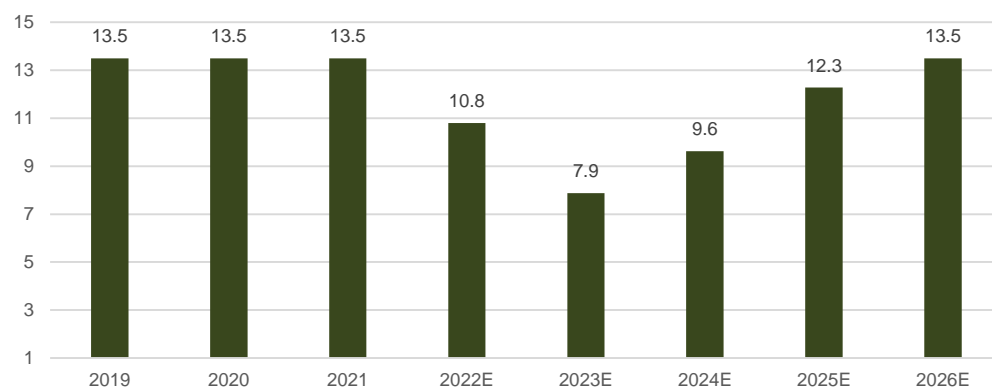
Net debt to EBITDA ratio (x)



Source: Company data, WOOD Research

Given our forecast of falling EBITDA by 17% in 2022E and, as a result, a rising net debt/EBITDA ratio, we have taken a conservative view of dividends in 2022E and 2023E, with an expected recovery after 2024E, which implies a 3.6% dividend yield in 2022E, 2.6% in 2023E and 3.2% in 2024E.

Kofola: DPS forecasts (CZK/share)



Source: Company data, WOOD Research

Valuation

Valuation summary: PT of CZK 306

Our 12-month PT for Kofola of CZK 306 is based on the blended (80/20%) methodology of our DCF model and a multiples-based approach. We give a much higher weight to our DCF methodology, as we believe that this better captures the inflationary near-term pressure, the margins recovery after 2024E and the low growth levels of a mature company, like Kofola.

Kofola: valuation summary (CZK m, unless stated otherwise)

Method	Equity value, CZK m	Per share (CZK)	Weight
DCF	5,034	287	80%
Comps	7,070	381	20%
Weighted average		306	
Current share price		303	
Upside potential (%)		1.0%	

Source: WOOD Research

DCF

We use a 7.2% cost of capital assumption (a 4% risk free rate and a 4.5% equity risk premium). We use a 1.2% terminal growth rate, which reflects slight growth in volumes and inflationary increases in prices. We derive a CZK 285/share 12-month valuation using our DCF analysis, taking into account our 2021 net debt position of CZK 3,453m, which includes lease liabilities and minorities of CZK 40m. We use just one WACC figure for all years. We have adjusted our total number of shares outstanding by a 4.9% stake, which we assume that Radenska (a subsidiary of Kofola) will monetise in the near future.

Kafola: WACC calculation

Risk free rate	4.0%
Unlevered beta	0.67
Levered beta	2.28
Equity risk premium	4.5%
Cost of equity	14.3%
Risk free rate	4.00%
Debt risk premium	2.0%
Tax rate	19%
After tax cost of Debt	4.9%
% of debt	75%
% of equity	25%
WACC	7.2%

Source: WOOD Research

Kofola: DCF valuation summary (CZK, m, unless stated otherwise)

	2022E	2023E	2024E	2025E	2026E
Revenue	7,617	8,079	8,409	8,695	8,968
<i>growth, %</i>	15%	6%	4%	3%	3%
EBITDA	957	1,011	1,096	1,225	1,339
<i>margin, %</i>	13%	13%	13%	14%	15%
DD&A	604	593	588	581	581
<i>DD&A as % of sales</i>	8%	7%	7%	7%	6%
EBIT	353	418	508	644	758
Less tax	-81	-96	-117	-148	-174
NOPAT	272	322	391	496	584
Capex	-347	-364	-420	-478	-625
<i>Capex as % of sales</i>	-5%	-5%	-5%	-6%	-7%
Working Capital	-20	-14	-10	16	-10
Net investment	238	216	157	119	-54
FCF	509	538	548	615	530
Discounted FCF	475	468	444	465	374
 Sum of DCF 2022-26E	 2,226				
PV of Terminal Value	6,221				
EV	8,448				
Net debt incl. lease liabilities	3,453				
Less minority interest	(40)				
Equity value, CZK m	5,034				
Shares outstanding, mn	21.2				
Equity value per share, CZK	237				
Month	5				
Fair value	252				
12-month equity value per share, CZK	287				

Source: WOOD Research

Sensitivity analysis (CZK)

		Terminal growth rate %				
		0.2%	0.7%	1.2%	1.7%	2.2%
WACC	6%	307	339	381	432	496
	7%	269	296	330	371	421
	7%	236	259	287	321	362
	8%	208	227	251	279	312
	8%	183	199	220	244	271

Source: WOOD Research

Relative valuation

Our multiples-based valuation for Kofola is CZK 381, using an 11x EV/EBITDA multiple, and applying Kofola's 2022E EBITDA. Kofola trades currently at 10.3x 2022E EV/EBITDA, on our estimates, a discount of 7% to the median multiple of 11.1x of its international soft drinks peers on the consensus. We have allocated only a 20% valuation weight to our comps based methodology, as the peer group reflects a wide range of companies (including global established brands, like Coca-Cola and Pepsi, which trade at a high premium). On top of this, there is a big gap between Kofola's EV/EBITDA and P/E ratios, related to its low net income margin (3% on average, vs. 13% at its peers), which is another reason we have allocated only a 20% weight to our comps based method. The net margin gap is due mostly to the high finance expenses, which include interest payment, lease payment and FX changes.

Kofola: comps-based valuation

	EBITDA 2022E (CZK m)	Multiple	Value (CZK m)	Per share (CZK)
Core business	957	11	10,523	496
Total EV			10,523	496
(Net debt)/Cash			-3,453	-163
Equity value			7,070	333
Shares outstanding, m				21
Equity value per share, USD				333
12-month equity value per share, USD				381

Source: WOOD Research

Kofola vs. global soft drinks peers

	EV/EBITDA		P/E	
	2022E	2023E	2022E	2023E
Kofola	10.3	9.8	36.6	29.9
Coca-Cola US	22.6	20.7	25.6	24.0
Pepsi US	17.4	15.8	25.1	23.2
Dr Pepper	16.6	15.8	21.6	20.0
Britvic	11.1	10.2	15.5	14.3
Coca-Cola Europe	9.3	8.7	14.6	13.4
Monster Energy	22.1	19.5	30.1	26.8
A.G. Barr	11.1	11.4	20.6	18.6
Nichols plc	15.1	14.5	24.9	23.8
Coca-Cola HBC	7.1	6.3	15.0	12.9
Coca-Cola Icecek	4.3	3.1	7.7	5.4
Coca-Cola FEMSA	7.4	6.7	15.4	13.7
Group average	11.1	11.3	20.6	18.7

Source: Bloomberg WOOD Research

Risks

- ✓ **Inflationary pressure.** We expect inflation to be the key risk in Kofola's investment thesis, as higher inflation will affect consumer purchasing power and consumer sentiment negatively, thus reducing the volumes sold by Kofola.
- ✓ **Raw materials costs.** Soft drinks producers operate mainly in a relatively low-margin industry, where materials costs' volatility affect their bottom lines significantly. Direct materials costs are Kofola's key cost component, mostly packaging and sweeteners costs. The current Russian-Ukrainian war has resulted in price increases of white sugar and PET. A further escalation of the conflict could lead to higher prices than we estimated originally.
- ✓ **Growing competition.** Kofola is facing strong competition from established brands like Coca-Cola and Pepsi, especially in large cities like Prague, where tourists prefer internationally recognisable brands. On top of the strong competition from the established brands, Kofola also faces the growing popularity of private labels, which are cheaper alternatives in an inflationary environment.
- ✓ **COVID-19.** Although the Czech Republic and Slovakia's new COVID-19 cases are at their lowest levels since November 2021, with declining daily cases, there is a risk of a new wave and, therefore, new lockdowns, which would affect the HoReCa segment recovery negatively.
- ✓ **Mature phase of the market.** The soft drinks market is in a mature phase of growth. We expect low single-digit growth in the future, with HoReCa outperforming retail slightly, as a result of the post COVID-19 recovery from a low base.
- ✓ **Change in consumer preferences.** There is a global trend of consumers switching to healthier alternatives. With only 33% of Kofola's revenue from water brands and 4% from Fresh and Salads bars, these trends present a long-term threat for Kofola.
- ✓ **Seasonality.** The sale of beverages is subject to high seasonal volatility, depending mostly on weather conditions. Nearly 60% of the group's sales are realised in the second and third quarters of the year.
- ✓ **Overhang risk.** Radenska, which is owned by Kofola (a subsidiary), could sell its 4.9% stake, which creates an overhang risk. There are no specific details nor timeline for the potential transaction yet.
- ✓ **Higher capex.** The company reduced its capex in 2021 and does not plan to grow its capex significantly in the next few years, as Kofola has substantial equipment and spare production capacity. However, in a scenario of higher growth, the company may need extra capex.
- ✓ **Higher working capital investment.** A spike in input prices could lead to higher inventories and, thus, an increase in working capital.
- ✓ **Leverage.** The company has a relatively high net debt to EBITDA ratio of 3x and we estimate it to increase to 3.5x in 2022E, as a result of falling EBITDA. Kofola may require extra debt to either fund its operations in a recession scenario, or to finance M&A activity.
- ✓ **M&A-related risk.** The company is active on the M&A front, financing growth partially via the acquisition of smaller players. There is a risk that the company might overpay for another business or fail to extract meaningful synergies. There is also an upside risk of not including large M&A deals, which could affect Kofola's numbers positively.

Company description

Kofola is one of the top producers and distributors of non-alcoholic beverages in Central and Eastern Europe. It is the number one player in the soft drinks market in Slovakia and Slovenia, and the number two player in the Czech Republic. The company operates in three main segments: CzechoSlovakia, Adriatic, and Fresh & Herbs, which accounted for 72%, 19% and 9% of its 2021 revenues, respectively. Kofola sells its drinks via retail and HoReCa distribution. Retail is a relatively defensive channel, which was not affected by COVID-19; however, at the same time, the company has lower pricing power in the retail segment in comparison to the HoReCa segment, while facing growing competition from private labels. The company has a better position in terms of the pricing power in HoReCa, on the other hand, while being affected more by COVID-19 (as the distribution channels include bars, pubs and restaurants). Historically, Kofola has been involved in a number of M&A activities, with the revenue from M&A deals accounting for 9% of total revenues in 2020 and 2% in 2021.

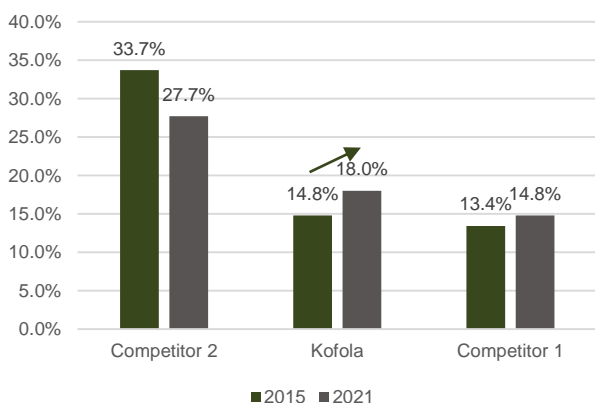
Solid industry position

Number two player in the Czech Republic...

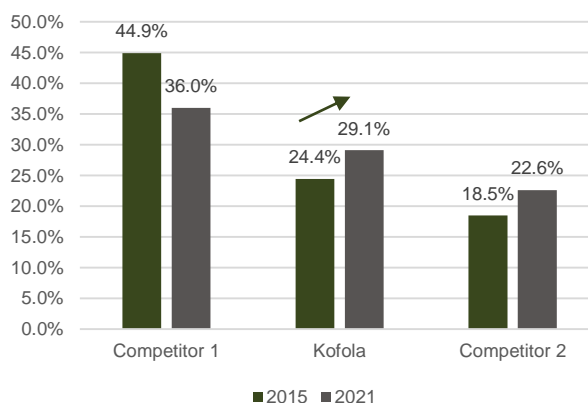
Kofola aims to become a market leader in its countries of operation. Its strategy is to be the number one player in the retail and HoReCa segments.

As of 2021, the company held the number two position in the Czech Republic market for both the retail and HoReCa segments. In the retail segment, Kofola continues to be the number two player, with an 18.0% market share as of 2021, a solid increase of 3.2% vs. its 2015 market share. The number one player, on the other hand, lost some market share to Kofola and other smaller players, with a current market share of 27.7% vs. 33.7% in 2015. In the HoReCa segment, Kofola's position is a lot better, with a 29.1% market share in 2021 vs. 24.4% in 2015. The number one player lost 8.9% market share over 2015-21.

Number two player in the Czech Republic: Retail



HoReCa

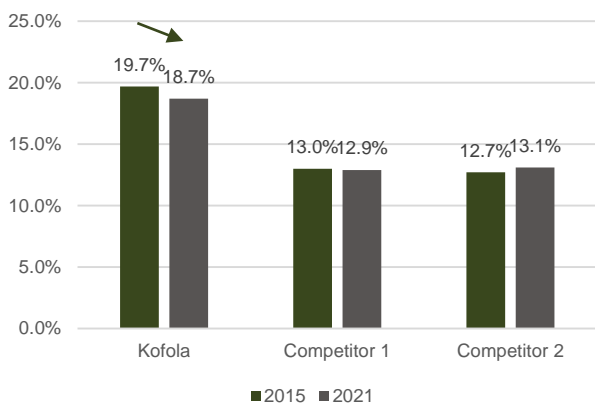


Source: company data, WOOD Research

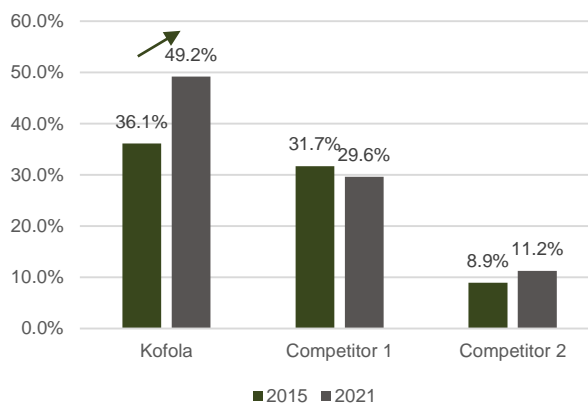
...and number one in Slovakia

As of 2021, Kofola held the strong number one position in Slovakia in both the retail and HoReCa segments. Its retail market share was mostly stable over 2015-21 period, however. Interestingly, in our view, the number 2 and 3 players' market share has not changed significantly since 2015, which indicates a mature phase of the market and stable positions for the key players. In the HoReCa segment, Kofola has an especially strong position, with a 49.2% market share, a 13.1ppts increase vs. 2015, grabbing it mostly from smaller players, as the aggregate for players 2 and 3 remained stable. The number two player's market share declined slightly, from 31.7% to 29.6%.

Number one player in Slovakia: Retail



HoReCa

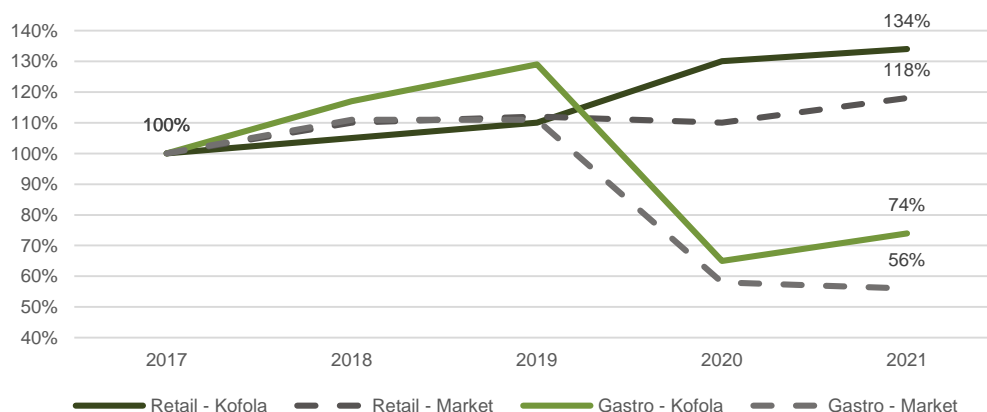


Source: Company data, WOOD Research

Outperformance vs. the market in the Czech Republic and Slovakia...

Given Kofola's established market position and strong brand name, it has been performing better than the overall Czech Republic and Slovakia market for the past five years. Unlike retail, which remained stable during the pandemic, as customers continued shopping, Gastro (HoReCa) was affected heavily by COVID-19. Czech households continued to buy soft drinks and the coronavirus pandemic has not changed their consumer habits.

Czech-Slovakian market dynamics vs. Kofola



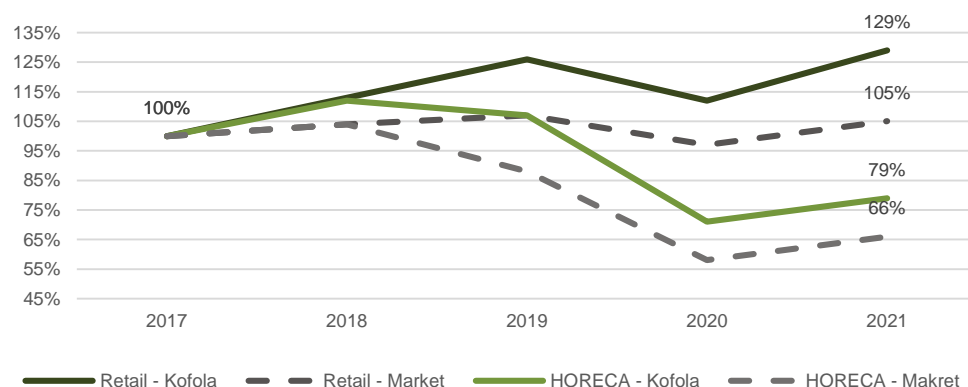
Source: AC Nielsen, Data Servis, company data, WOOD Research

Gastro (HoReCa) suffered a decline due to the lockdowns, as this segment depends heavily on outdoor activities, going to pubs and bars, which were closed during the lockdowns. It is also important to note, in our view, that Kofola's performance was also supported by a number of M&A activities.

...as well as the Adriatic

The trends in the Adriatic region are very similar to those in the Czech Republic and Slovakia. Kofola performs better than the market, due to its brand name, market position and M&A activities. Retail performed much better than the HoReCa segment as a result of the lockdowns, which affected the HoReCa performance negatively.

Adriatic market dynamics vs. Kofola



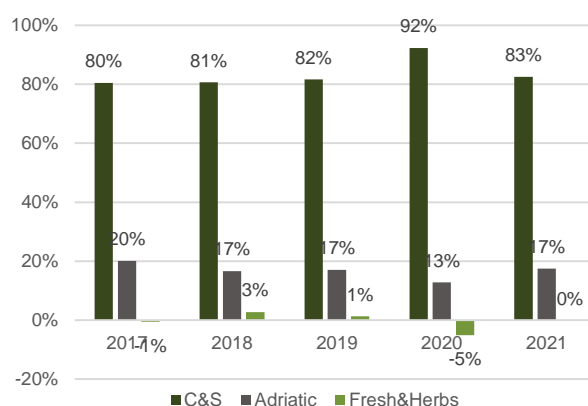
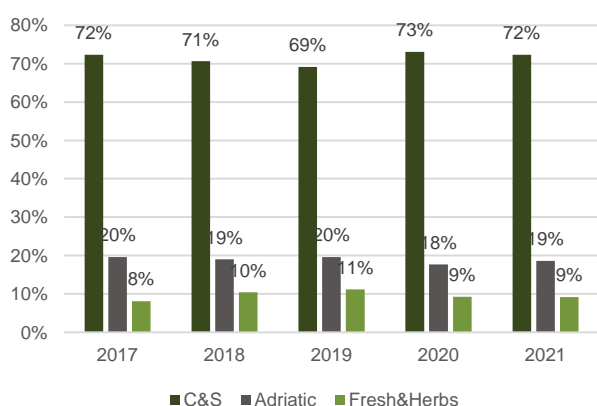
Source: AC Nielsen, Data Servis, company data, WOOD Research

Business model overview, by segments

CzechoSlovakia segment remains the core earnings driver, followed by the much smaller Adriatic

The CzechoSlovakia segment continues to be the key driver of the group's revenue and EBITDA, being the most profitable region. As of 2021, the CzechoSlovakia segment accounted for 72% of the group's revenue and 83% of its EBITDA, a slight increase vs. 2017's 72% and 80%, respectively. During 2015-16, the company started its expansion into the Adriatic regions, which now account for 19% of revenue and 17% of EBITDA. During 2017-18, the company expanded into a new segment of healthy products, which now accounts for 9% of revenue and which has reached breakeven this year already.

C&S segment remains the key contributor to revenue (right-hand chart) and EBITDA (left-hand chart)



Source: company data, WOOD Research

Development of Fresh & Herbs, but earnings contribution remains immaterial

The company is also actively developing its Fresh & Herbs segment, which consists of restaurant bar UGO (24 salad bars and 43 fresh bars), Leros (a certified producer of medical-grade herbal teas) and Premium Rosa (a producer of premium natural products, such as syrups, juices and jams). In 2020, the company closed c.15% of its UGO bars due to COVID-19 and exited Slovakia. Kofola expects UGO's EBITDA to turn positive in 2022E.

UGO salad bar in a local shopping mall in Prague



Source: WOOD Research

The company is planning to invest heavily in Leros, going forward. In particular, Kofola is planning to enter the HoReCa/Gastro market, selling herbal teas.

Diversified product portfolio

More than 30 brands, including the best-recognised Kofola

The company has more than 30 recognisable brands, with the most well-known being Kofola. The most notable are Vinea, the Radenska, Studenac, Rajec, Ondrášovka, Korunní and Klášterná Kalcia waters, the Jupí syrup, Jupík (beverages for children), the Semtex energy drink, the UGO fresh juices and salads, the Leros teas and the Café Reserva coffee brand.

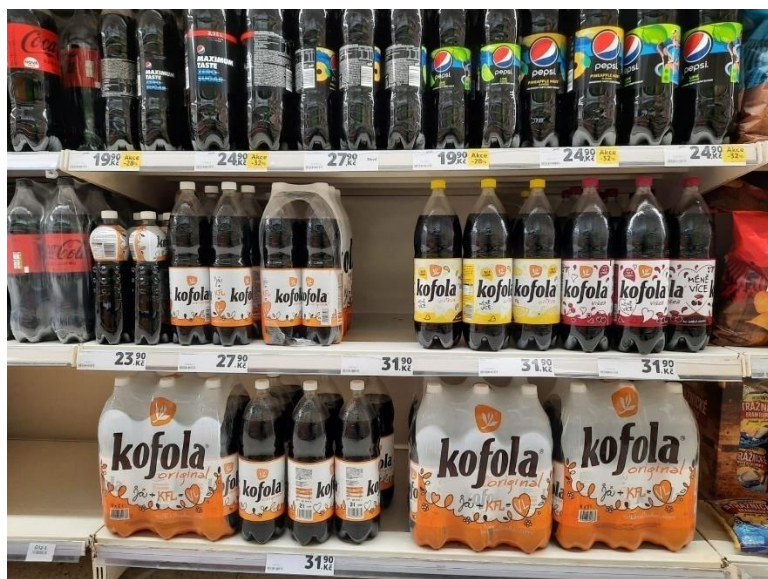
Product portfolio

CATEGORY	MAIN OWN BRANDS	DISTRIBUTED AND LICENCED BRANDS
Carbonated Beverages	kofola, Vinea, TOP, Chito, ora, INKA, nara	ROYAL CROWN, Pepsi, ORO
Waters	RAJEC, Radenska, KLÁŠTERNÁ KALCIA, Studenac, studena, KORUNNÍ, Ondrášovka	evian, BADOIT, VINCENTKA
Non-carbonated Beverages	Jupík, PREMIUM ROSA, NASZE DOMOWE	RAUCH
Syrups	Jupí, Vočko, lero	
Fresh & Salad Bars	UGO	
Other	SEMTEX, LEROS, CAFÉ RESERVA, F.H. PRAGER, Agapalini	Dilmah

Source: Company data, WOOD Research

We took pictures of Kofola's products in a local Prague retail store. Like Coca-Cola and Pepsi, Kofola sells its products mostly in plastic bottles of different sizes. Kofola has different flavours, with Kofola Original the most popular. Interestingly, in our view, Kofola sells its products at a premium price to Pepsi and Coca-Cola.

Kofola drinks at a local Prague retail store



Source: WOOD Research

We also took pictures of the second-most popular Kofola soft drink product, Vinea, which is also sold mostly in plastic bottles of various sizes, with different flavours.

Vinea drinks at a local Prague retail store

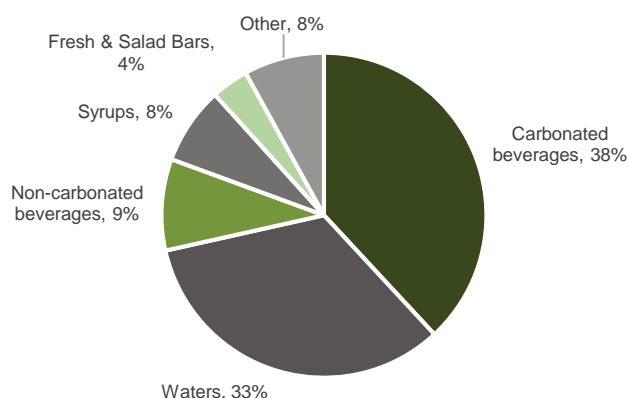


Source: WOOD Research

Carbonated beverages and waters account for more than two-thirds of revenues

Carbonated beverages (Kofola, Vinea and others) is the largest product segment, which accounted for 38% of the company's revenue in 2021. Waters is the second-largest product segment, which accounted for 35% of its revenue in 2021. The non-carbonated beverage segment accounted for 9%, syrups for 8%, and Fresh & Salads Bars for 3% in 2021.

Revenue breakdown by product types (2021)



Source: Company data, WOOD Research

Strategy overview

Kofola's long-term strategy is to be a market leader or a runner-up in the countries in which it operates. The sales in the countries where Kofola is the number one or number two player account for 91% of its total revenue. The company expects to deliver 11% growth this year, while achieving an EBITDA range of CZK1,080-1,200m. It expects the maximum capex to be no more than 35% of the EBITDA and its net debt/EBITDA ratio to be 3x. The company plans to distribute a CZK 13.5 DPS in 2022E.

Management targets for 2022E

EBITDA range (CZK m)	1,080-1,200
Revenue growth	11%
Max. capex	35% of EBITDA
Dividend per share (CZK)	13.5
Net debt/EBITDA	3x

Source: Company data, WOOD Research

The company plans to continue to be active on the M&A front. Kofola plans to expand its mineral water presence, increase its gastro portfolio, and invest in authentic healthy raw materials. The company is looking for strong businesses, which have number one or number two positions in their respective markets, while not overpaying (target multiple is below 12x EV/EBITDA).

Key historical events

- ✓ Kofola brand established in 1960.
- ✓ In 2002, acquisition of the Kofola brand and the original recipe.
- ✓ The HoReCa sales of Kofola start in Czechia and Slovakia in 2003.
- ✓ In 2004, the Rajec brand was created internally by Kofola, which later became the number 1 water brand in Slovakia.
- ✓ In 2008, the Vinea brand was acquired in Slovakia, which is the most popular soft drink in Slovakia.
- ✓ In 2012, the company acquired the UGO group, which focuses on fresh juices.
- ✓ During 2015-16, the company started its expansion into the Adriatic regions, which now accounts for 18.5% of revenues. During the expansion, Kofola acquired Radenska, the number 1 water producer in Slovenia, and Studenac, the number 2 mineral water brand in Croatia.
- ✓ During 2017-18, Kofola expanded into a new segment of healthy products, which now accounts for 9.2% of revenues, but remains loss making. The company acquired Premium Rosa in Poland, LEROS in Czechia and Klastorna in Slovakia.
- ✓ During 2019-20, Kofola acquired Titbit, the number one salad producer in Czechia. The company also expanded into the coffee and handcrafted cider markets. In 2020, Kofola acquired ONDRASOVKA and Karlovarska Korunni – producers of mineral waters in Czechia.

List of M&A activities

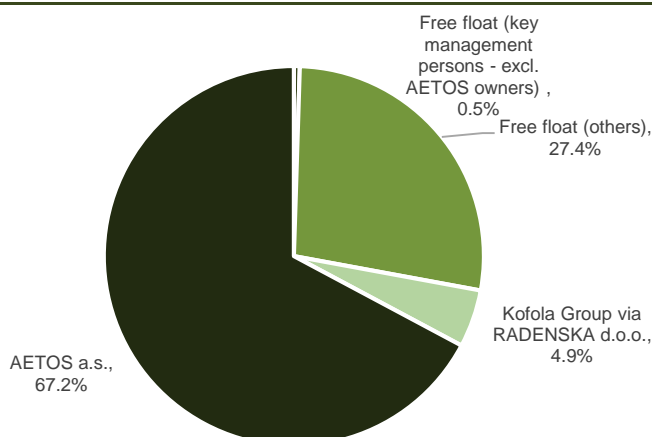


Source: Company data, WOOD Research

Shareholder structure

At Kofola, the majority stake of 67.2% is owned by AETOS; and the majority in AETOS is owned by Jannis Samaras and his family members; while the minority shares are owned by Kofola's COO, Rene Musila, and Supervisory Board member Tomáš Jendřejek. The company's free float accounts for 27.4% (6.1m shares on the Prague Stock Exchange). Importantly, in our view, Radenska is considering the sale of its 4.9% stake, subject to market conditions, with plans to use the proceeds to finance Kofola's growth.

Shareholder structure as of 2021

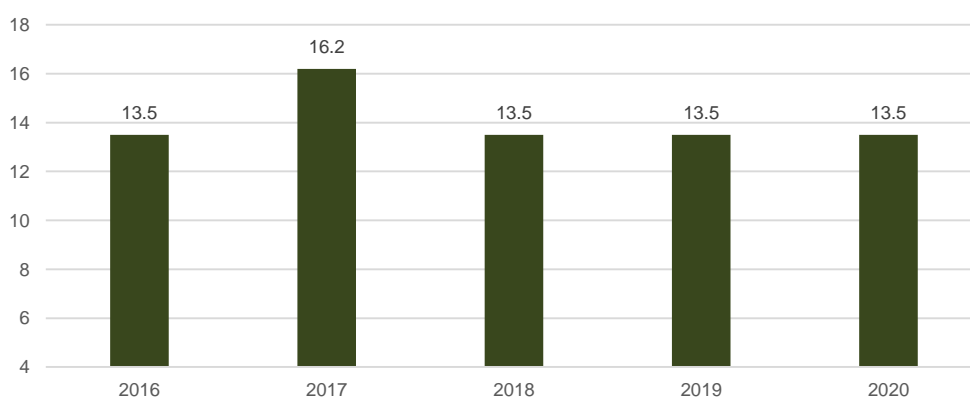


Source: Company data, WOOD Research

Dividend policy assumes distribution of a DPS of c.3-4% annually

According to the company's dividend policy, which was changed in 2017, Kofola aims to distribute at least 60% of its consolidated net income. The company has, once again, updated its dividend policy for 2021-23E, and now aims to distribute approximately CZK 300m in each financial year, subject to there being sufficient funds available for distribution. This guidance implies a 4.5% annual dividend yield.

Stable dividend per share (CZK)



Source: Company data, WOOD Research

Financials

Income statement (CZK, m)

	2020	2021	2022E	2023E	2024E
Revenue	6,171	6,636	7,617	8,079	8,409
<i>% change</i>	-4%	8%	15%	6%	4%
Cost of sales	-3,350	-3,710	-4,428	-4,683	-4,814
<i>as % of sales</i>	54%	56%	58%	58%	57%
<i>growth YoY (%)</i>	0%	11%	19%	6%	3%
Gross profit	2,822	2,926	3,190	3,396	3,595
<i>Margin (%)</i>	46%	44%	42%	42%	43%
Selling, marketing and distribution costs	-2,042	-2,034	-2,334	-2,464	-2,565
<i>as % of sales</i>	33%	31%	31%	31%	31%
<i>% change</i>	-2%	0%	15%	6%	4%
Administrative costs	-426	-466	-535	-546	-554
<i>as % of sales</i>	7%	7%	7%	7%	7%
<i>% change</i>	-6%	10%	15%	2%	2%
Other operating income	85	156	56	56	56
Other operating expenses	-102	-46	-24	-24	-24
Operating profit/(loss)	293	535	353	418	508
Finance income	19	1	1	1	1
Finance costs	-121	-171	-137	-154	-171
Profit/(loss) before income tax	192	365	217	265	338
Income tax (expense)/benefit	-126	-125	-41	-50	-64
Profit/(loss) from continuing operations	66	241	175	215	274
<i>Margin (%)</i>	1%	4%	2%	3%	3%
Profit/(loss) for the period	66	241	175	215	274
Owners of Kofola ČeskoSlovensko a.s.	81	249	181	222	283
Non-controlling interests	-15	-8	-6	-7	-9
EBITDA	926	1,154	957	1,011	1,096
<i>Margin (%)</i>	15%	17%	13%	13%	13%
One-offs	105	-25	0	0	0
Adjusted EBITDA	1,030	1,128	957	1,011	1,096
<i>Margin (%)</i>	17%	17%	13%	13%	13%

Source: Company data, WOOD Research

Balance sheet (CZK, m)

	2020	2021	2022E	2023E	2024E
Non-current assets	5,684	5,306	5,193	5,108	5,085
Property, plant and equipment	3,449	3,221	3,140	3,079	3,062
Goodwill	647	648	648	648	648
Intangible assets	1,339	1,249	1,218	1,194	1,188
Investment in equity accounted investee	0	0	0	0	0
Other receivables	209	160	160	160	160
Deferred tax assets	40	27	27	27	27
Other assets	0	0	0	0	0
Current assets	1,854	1,929	2,118	2,351	2,509
Inventories	519	641	667	706	725
Trade and other receivables	783	867	1,002	1,085	1,152
Loans provided to related parties	0	0	0	0	0
Income tax receivables	7	30	30	30	30
Cash and cash equivalents	544	392	420	531	602
Total assets	7,537	7,236	7,312	7,458	7,594
Total equity	1,307	1,297	1,232	1,271	1,330
Non-current liabilities	3,993	3,436	3,436	3,436	3,436
Bank credits and loans	3,252	2,784	2,784	2,784	2,784
Lease liabilities	322	302	302	302	302
Provisions	41	40	40	40	40
Other liabilities	91	17	17	17	17
Deferred tax liabilities	286	293	293	293	293
Current liabilities	2,237	2,503	2,644	2,751	2,828
Bank credits and loans	685	633	633	633	633
Lease liabilities	132	125	125	125	125
Provisions	67	92	92	92	92
Trade and other payables	1,321	1,633	1,774	1,881	1,958
Income tax liabilities	31	20	20	20	20
Dividend payables	0	0	0	0	0
Total liabilities	6,230	5,939	6,080	6,187	6,264
Total liabilities and equity	7,537	7,236	7,312	7,458	7,594

Source: Company data, WOOD Research

Cash flow statement (CZK, m)

	2020	2021	2022E	2023E	2024E
Cash flows from operating activities					
Profit/(loss) before income tax	192	365	217	265	338
Adjustments for:					
Non-cash movements					
Depreciation and amortisation	632	618	604	593	588
Net interest	102	93	137	154	171
Impairment/(Release of impairment) of non-current assets	46	-27	0	0	0
Change in the balance of provisions	-46	27	0	0	0
Change in the balance of other impairments	65	-6	0	0	0
(Gain)/loss on realized derivatives	4	7	0	0	0
Realised (gain)/loss on sale of Property, plant and equipment and Intangible assets	-11	-11	0	0	0
Net exchange differences	-14	53	0	0	0
Other	6	33	0	0	0
Cash movements	0	0	0	0	0
Income tax paid	-131	-149	-41	-50	-64
Change in operating assets and liabilities					
Change in receivables	196	-65	-135	-83	-67
Change in inventories	21	-125	-26	-39	-20
Change in payables	-277	329	141	108	77
Net cash inflow/(outflow) from operating activities	785	1,142	897	948	1,022
Cash flows from investing activities					
Sale of Property, plant and equipment	37	26	0	0	0
Acquisition of Property, plant and equipment and Intangible assets	-481	-277	-347	-364	-420
Proceeds from sale of subsidiary, net of cash disposed	138	0	0	0	0
Proceeds from sale of equity accounted investee	114	0	0	0	0
Acquisition of subsidiaries, net of cash acquired	-1,061	0	0	0	0
Dividends and interest received	0	0	0	0	0
Purchase of bonds from previous owner of acquired subsidiary	-104	0	0	0	0
Proceeds from bonds sold	7	21	0	0	0
Net cash inflow/(outflow) from investing activities	-1,349	-231	-347	-364	-420
Cash flows from financing activities					
Lease payments	-124	-144	-144	-144	-144
Proceeds from loans and bank credits	1,294	0	0	0	0
Repayment of loans and bank credits	-427	-521	0	0	0
Dividends paid to Company's shareholders	-275	-288	-241	-175	-215
Interest paid	-100	-90	-137	-154	-171
Derivatives	-4	-7	0	0	0
Purchase of own shares	-4	0	0	0	0
Payments of acquired subsidiaries' liabilities to former owners	-28	-1	0	0	0
Dividends not drawn	0	1	0	0	0
Transaction costs connected with loan financing	-5	0	0	0	0
Other	-2	-2	0	0	0
Net cash inflow/(outflow) from financing activities	325	-1,052	-522	-474	-530
Net increase/(decrease) in cash and cash equivalents	-239	-140	28	111	71
Cash and cash equivalents at the beginning of the period	774	544	392	420	531
Effects of exchange rate changes on cash and cash equivalents	9	-12	0	0	0
Cash and cash equivalents at the end of the period	544	392	420	531	602

Source: company data, WOOD Research

Volumes (litres, m)

	2020	2021	2022E	2023E	2024E
Total (m litres)	721	791	839	862	878
<i>growth YoY (%)</i>	13%	10%	6%	3%	2%
Czech Republic & Slovakia	588	642	680	697	710
HoReCa	103	111	122	128	133
<i>growth YoY (%)</i>	-23%	8%	10%	5%	4%
Retail	485	532	558	569	578
<i>growth YoY (%)</i>	38%	10%	5%	2%	1%
Adriatic	134	148	159	165	167
HoReCa	38	44	50	53	54
<i>growth YoY (%)</i>	-29%	18%	13%	6%	2%
Retail	96	104	109	112	113
<i>growth YoY (%)</i>	-6%	8%	6%	2%	1%

Source: Company data, WOOD Research

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