| Beverages | Quarterly Results | Czech Republic |

Kofola ČeskoSlovensko

Solid organic growth supported by acquisitions, results ahead of estimates

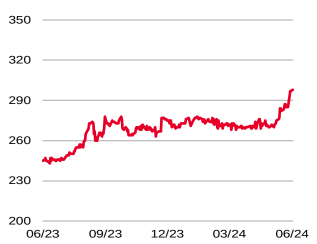
Buy

Price	04.06.24	**CZK 298**
12m target		**CZK 313**
Upside to TP		**5.0%**
Dividend		**CZK 13.5**
Total return		**9.6%**

Sector stance
Neutral

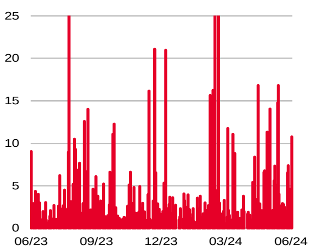
Investment type
High dividend yield
Acquisition growth

1 year performance



Source: Bloomberg

Trading volume (in ths of shares)



Source: Bloomberg

Share data

RIC KOFOL.PR	**Bloom** KOFOL CP		
52-week range			243-300
Market cap. (CZKb			6.6
Market cap. (EURn			269
Free float (%)			27
Performance (%)	**1m**	**3m**	**12m**
Share	9.6	9.6	21.6
Rel. PX Index	7.3	2.2	3.1

Source: Bloomberg

The latest analysis and report:

https://bit.ly/Kofola_202305_analysis_EN
https://bit.ly/Kofola_4Q23_EN
https://bit.ly/Kofola_DVD24prop_EN
https://bit.ly/Kofola_e1Q24_EN

Kofola: 1Q24 results

CZKm	1Q23	1Q24	y/y	KB	Cons.
Revenues	1,712	**2,091**	22.1%	1,977	2,034
EBITDA	218	**264.8**	21.4%	253	256
margin	*12.7%*	***12.7%***	*-0.1pps*	*12.8%*	*12.6%*
EBIT	84	**123.9**	47.0%	119	119
Net profit	34	**-18.7**	n.m.	-2.1	-11.5

Source: Kofola, Economic & Strategy Research, Komerční banka

Despite a seasonally weaker first quarter, Kofola reported strong figures. The consolidation of Pivovary CZ was particularly positive, but organic growth was also not disappointing. Moreover, the upward trend in sales continued in April and May. Results were up more than +20% yoy, beating consensus by +2.8% on sales and +3.4% on EBITDA. Kofola's management reiterated its full-year guidance.

Kofola reported **sales growth of +22.1% to CZK2,091m** in the first quarter. This beat the market consensus of +2.8%. This surprised us as we had underestimated the price effect. Revenue growth is higher than Kofola's own previous estimate (revenue +14%, volume +7%). This is due to the consolidation of the Pivovary group at the beginning of March. Organic growth for Kofola itself was +13.2% as expected. Energy costs are slightly lower than last year. Packaging and sweeteners were also lower. On the other hand, personnel and marketing costs increased. **EBITDA was CZK265m**. This represents an **increase of +21.4%** over the previous year. Double-digit sales growth was achieved in all of Kofola's segments. However, EBITDA profit declined in the main sector, Czechoslovakia, where EBITDA decreased slightly by 5.5% on sales growth of +11%. This is likely due to acquisition-related costs. EBITDA in the Adriatic and Fresh&Herbs sectors grew strongly by +71% and +63% respectively. The reasons are like those mentioned above. Net profit turned into a **loss of CZK18.7m**. This was due to exchange rate changes and revaluation of EUR loans.

Leverage (net debt/EBITDA) **increased as expected to 2.70x** (2.28x at the end of 2023). This is due to acquisitions. Kofola expects leverage to remain below 3.0x at the end of this year, which is well below the bank covenant of 3.5x.

Full-year guidance: Kofola's management reiterated its ambition to achieve **EBITDA of CZK1.55-1.80bn** this year and revenue growth of +25% yoy. These figures include the recent acquisitions. Kofola itself (comparable to 2023) should have EBITDA of CZK1.35-1.45bn and sales growth of +7% yoy. 1Q24 EBITDA is 16% of the target. The first quarter is seasonally weaker. The second and especially the third quarter are crucial for the full-year results.

In April and May, Kofola reported sales growth of +28% yoy and +17% yoy, respectively. Volumes were up +18% yoy in April and down 4% yoy in May.

Kofola's Board of Directors proposes to pay **a dividend of CZK13.50** (published on May 28). This represents a gross yield of +4.5%. The **Annual General Meeting** at which the dividend is to be approved by the shareholders will be held on **June 28**, 2024. The record date for the

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dividend payment is set for July 10. This means that **on Monday, 8 July, investors will still be able to buy Kofola shares with the right to a share of last year's profits**.

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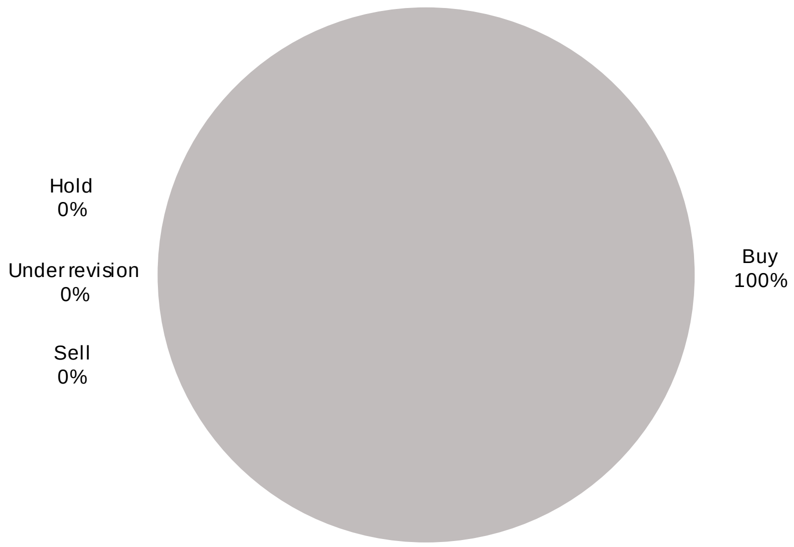
The chart below shows the structure of grades of valid investment recommendations of equity research of KB Economic & Strategy Research (8 recommendations).

Investment recommendations of KB equity research



Source: Economic & Strategy Research, Komerční banka

KB Equity Research ratings on a 12 month period

BUY: absolute total shareholder return forecast of 15% or more over a 12 month period.

HOLD: absolute total shareholder return forecast between 0% and +15% over a 12 month period.

SELL: absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

Overview of recommendations published by KB and relationships with particular issuers

	CEZ	Colt CZ Group SE	Kofola	MONETA Money Bank	Philip Morris CR	Avast	O2 CR
Overview of last investment research and recommendations related to stocks of particular issuers							
Recommendation	Buy	Buy	Buy	Buy	Buy	End	End
Target price	CZK1,034	CZK921	CZK313	CZK102.8	CZK17,041	of coverage	of coverage
Date	07.09.2023	09.02.2024	29.05.2023	19.10.2023	21.03.2024	07.09.2022	25.02.2022
Price on the day of the publication	CZK923	CZK574	CZK244	CZK84	CZK15,400	CZK205.1	CZK270
Investment horizon	12 months	12 months	12 months	12 months	12 months		
Author	B. Trampota	B. Trampota	B. Trampota	B. Trampota	B. Trampota		
Overview of investment researches and recommendations for last 12M (quarterly)							
Recommendation	Buy	Buy	Buy	Buy	Hold	Buy	Buy
Target Price	CZK1,393	CZK652	CZK381	CZK104.6	CZK18,349	GBp600	CZK362
Date	07.06.2022	16.12.2022	12.05.2022	05.09.2022	03.03.2023	11.02.2021	26.03.2021
Recommendation	In revison	Buy	In revison	Buy	Buy	Buy	Buy
Target Price	In revison	CZK645	In revison	CZK109.7	CZK18,183	GBp466	CZK293
Date	10.05.2022	17.01.2022	15.02.2022	31.08.2021	11.02.2022	30.08.2019	08.01.2020
Recommendation	Buy	In revison	Buy	In revison	Buy	In revision	Buy
Target Price	CZK905	In revison	CZK367	In revison	CZK16,512	In revision	CZK298
Date	10.12.2021	31.03.2021	12.01.2021	07.05.2021	20.11.2020	14.08.2019	12.12.2018
Recommendation	Buy	Buy	In revision	Buy	Buy	Buy	Hold
Target Price	CZK621	CZK357	In revision	CZK97	CZK18,308	GBp342	CZK270
Date	23.07.2020	27.11.2020	26.11.2020	29.10.2019	03.12.2018	15.06.2018	18.08.2017
Valuation methods	DFCF	DFCF	DFCF	DFCF DDM ERM	DDM	DFCF	DFCF DDM
Frequency of rec. (per year)	once	once	once	once	once	once	once
Direct or indirect share (5% or more) of the issuer of the registered capital of KB	no	no	no	no	no	no	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	no	no	no	no	no	no
KB direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Author's direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Signific. fin. interest in the issuer of the persons partic. in elaboration of inv. research and rec.	no	no	no	no	no	no	no
Relationships of Komerční banka with particular issuers							
KB Management or co- management of public offerings in the past 12 month	no	yes	no	no	no	no	no
Agreements or contractual relations for providing investment services with the issuer	KB can have concluded agreements with the issuer for providing investment services. This information is protected by bank secret and could not be disclosed.						
Agreement with the issuer on production and dissemination of the research	no	no	no	no	no	no	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model
Source: Economic & Strategy Research, Komerční banka