

## Grupa Pracuj

### Volumes bottom likely behind, but current valuation leaves only limited upside.

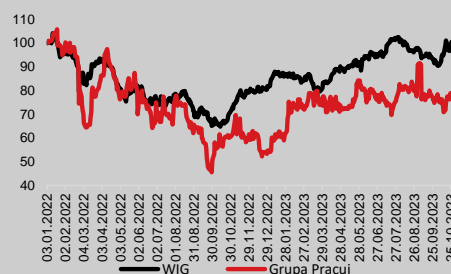
Despite our forecast for the 8% decline of the recruitment projects number this year, leading market position of Grupa Pracuj (therefore, **its ability to introduce higher prices in the environment of weakening demand**) should allow the company to largely offset the negative volume impact, and deliver almost flat y/y revenues in Poland. While domestic profits should remain under the burden of the ongoing cost pressure (which coupled with flat top line may negatively impact margin), we estimate the company to deliver 6% growth of the recurring EBITDA on the group level, as **unfavorable development in Poland should be offset by improving results in Ukraine and full year consolidation of Softgarden**.

Taking into consideration >2% GDP growth outlook for 2024 (central bank estimates) and its favorable structure assuming the recovery of households consumption, **we estimate domestic sales volume to recover next year**. However, our analysis shows that cautious **approach of enterprises regarding the headcount optimization** (companies kept employees to avoid layoffs as ongoing slowdown was perceived as temporary) **was driven by above-average margins** in 2021-22, which currently normalizing. Therefore, if the actual macro will not follow current estimates, their willingness to reduce employment may be more significant, which **may pose a downside risk to our estimates**.

Assuming highlighted recovery as a base case scenario, we estimate **GPP to growth its adj. EBITDA by 12/7% in 2024/25e**. Based on such a forecast, the company is priced with **EV/EBITDA of 11.8/10.7x** in those years, which leaves only some upside opportunity. Therefore, we reiterate our **Hold recommendation**, and set a **TP at PLN 63.4 per share** (best case scenario TP of PLN 71.4/sh and worst case TP of PLN 49.7/sh).

PLN mn	2021	2022	2023e	2024e	2025e	2026e
Revenues	475.1	608.5	731.7	822.6	895.0	963.2
Adj. EBITDA	257.3	305.3	323.4	362.1	388.9	408.9
Growth %	74%	19%	6%	12%	7%	5%
Free cash flow	216.9	223.2	240.4	266.2	284.7	298.5
Growth %	78%	3%	8%	11%	7%	5%
Net income	254.7	171.0	210.4	245.3	271.0	284.7
DY	2.3%	2.9%	2.2%	3.6%	4.2%	4.7%
FCF yield	4.3%	6.4%	5.8%	6.4%	6.8%	7.2%
P/E	19.9	20.3	19.8	17.0	15.4	14.6
EV/EBITDA	19.0	12.3	13.4	11.8	10.7	10.0

Source: Company, Pekao Equity Research

**HOLD (reiterated)**
**Target price** **PLN 63.4**
**Upside to TP** **5.5%**  
 Price on 6 November 2023 **PLN 60.1**
**ESG rating** **B**  
**Final ESG score** **1.24**
**Relative share price performance vs. WIG**

**UPCOMING EVENTS**

 3Q23 **November, 23**  
 4Q23 **2024**
**STOCK DATA**

 Reuters/Bloomberg **GPP.WA/GPP.PW**  
 Free float (%) **32.2**  
 Market capitalization (PLN mn) **4,093**  
 No. of shares in issue (mn) **68.1**

 Shareholders **P. Gacek 52.53%**  
**Fundacja Rodzinna MAN 8.43%**  
**TCV Luxco 6.80%**

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**Emil Popławski**  
[emil.poplawski@pekao.com.pl](mailto:emil.poplawski@pekao.com.pl)

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Analyst	Position	Financial instrument	Number of instruments	Exposure (long/short)	Average transactions price	Transactions dates
Emil Poplawski	Analyst	Grupa Pracuj	0	No exposure		

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Our company valuations are based on two valuation methods selected from among the following: discount model, multiples-based model or asset-based valuation method.

**Discount models** are characterized by simultaneous and comprehensive consideration of key determinants of intrinsic value, e.g. operating cash flow, capex, cost of capital (WACC). They are theoretically appealing and provide a direct computation of intrinsic value. However, discount model valuations are highly sensitive to changes in assumptions, particularly the risk free rate and terminal growth rate. Moreover, projections cannot be stated with certainty; unforeseen future events can cause income or earnings projections to be invalid.

**Multiples-based models** are based on the analysis of the valuation multipliers of a given company in relation to other similar companies in the industry. Among strengths of multiplier models we can highlight their simplicity, as they are easy to compute as well as to understand. Moreover, only the key statistics for investors are chosen for valuation. On the other hand, multiples are based on historic data or near-term forecasts. Valuations based on multiples will therefore fail to capture differences in projected performance over the longer term. Finally, it may be problematic to select a suitable peer group.

**Asset-based models** can be used even if a company has a brief record of earnings or its future existence is uncertain. However, it may be challenging to determine market value of some assets, particularly intangibles. Additionally, asset-based models do not take into account future changes in financial results, nor do they include non-balance sheet items, such as know-how.

Valuation models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials, and on assumptions about the economy. Furthermore, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Our recommendations and target prices derived from the models might therefore change accordingly.

The investment ratings generally relate to a 12-month horizon. They are, however, also subject to market conditions and can only represent a snapshot. The ratings may in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward. In the tables and charts throughout this report, we designate the years with an "E" to denote that the figures presented are forecasts and estimates.

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We currently use a three-tier recommendation system for the stocks in our formal coverage: Buy, Hold, or Sell (see definitions below):

A **Buy** is applied when the expected total return over the next twelve months is higher than 15%.

A **Hold** is applied when the expected total return over the next twelve months is within the range of 0% to 15%.

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