

EQUITY NOTE: ZWACK UNICUM

Recommendation: HOLD (unchanged)

Target price (12M): HUF 15,214 (unchanged)

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News:

On 04 June 2020, Zwack Unicum announced the agenda of the AGM to be held on 25 June 2020. From investors' point of view, the most important item on the agenda is the dividend proposal of 300 HUF/share, submitted by the Board of Directors with regard to the business year starting on 1 April, 2019 and ending 31 March 2020.

The dividend payment will start on 27 January, 2021.

In the recently released documents, Zwack Unicum also published its own forecast for the current business year. The company expects HUF 11.4bn net sales revenues (and HUF 24.0bn gross revenues including taxes), while gross margin is forecast at HUF 7.2bn in the business year ending on 31 March 2021.

Although the present pandemic situation seems to come to an end, if the restrictive measures prevail, the Management is entitled to act in lieu of the AGM regarding the submitted proposal.

Comments:

Calculating with HUF 17,200, the closing price on 5 June, 2020, the HUF 300 DPS represents 1.7% dividend yield, considerably down compared to the previous years.

In terms of dividend payout ratio, the present proposal is much lower than the usual above-90% rate; it represents 30% of the after-tax profit. HUF 300 DPS is very modest compared to the four-digit dividends and 6-7% dividend yield Zwack pampered its investors with in the past three years (HUF 1200 DPS in FY2019/2020; HUF 1050 DPS both in FY2018/2019 and 2017/2018).

The remarkably low payout ratio with the delayed payment (effective dividend payment in January 2021 instead of the usual July of the current year) reflects well the management's prudence (but not ultraconservative stance) in the current pandemic situation.

Zwack's net sales forecast for the current business year is somewhat higher than our forecast. HUF 7.2bn gross profit for the whole business year represents 63.0% gross margin, somewhat higher than last year, but equals the three-year average.

Although the dividend payout regarding the past business year is smaller than our pre-covid expectation, it affects none of our valuation models. Therefore we maintain our 12-month target price of HUF 15,214 and the HOLD recommendation issued in our [latest quarterly earnings update](#).

Notes:

[The initiation report, which contains the assumptions of the models used, is available here.](#)

[The valuation methodology used in this present equity research note to determine our price targets and recommendations is available here. \(Also available in Hungarian\)](#)

This investment recommendation has not used proprietary models.

The risk warning, which includes the adequate explanations of the length of time of the investment to which the recommendation relates as well as a sensitivity analysis of the assumptions, is indicated in the part of this recommendation where the length of time and the risks of the investment are presented.

Any information relating to the date and time for the price mentioned in this recommendation is revealed in the part of the recommendation where the given price is indicated.

OTP Bank Plc's recommendations and price targets history for Zwack Unicum in the past twelve months:

Date	Recommendation	Target Price	Publication
06/02/2019	HOLD	HUF 16,271	Quarterly Earnings Update
23/05/2019	HOLD	HUF 16,056	Quarterly Earnings Update
30/05/2019	HOLD	HUF 16,056	Comment
07/08/2019	HOLD	HUF 15,882	Quarterly Earnings Update
08/11/2019	HOLD	HUF 15,685	Quarterly Earnings Update
04/02/2020	HOLD	HUF 15,685	Quarterly Earnings Update
21/05/2020	HOLD	HUF 15,214	Quarterly Earnings Update
05/06/2020	HOLD	HUF 15,214	News Comment

Period	Recommendation	% of recommendations
Q2 2019	BUY	0
	HOLD	100
	SELL	0
Q3 2019	BUY	0
	HOLD	100
	SELL	0
Q4 2019	BUY	0
	HOLD	100
	SELL	0
Q1 2020	BUY	0
	HOLD	100
	SELL	0

[The list of all recommendations made in the past 12 months is available here.](#)

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