

EuroRating affirmed 'BBB-' credit rating with a stable outlook assigned to the company Dino Polska S.A.

Public / Private rating	public
Continued / One off rating	continued (monitored rating)
Category	rating for the issuer
Name of the rated entity	Dino Polska S.A.
Type of the rated entity	corporation
Type of the credit rating	long-term, international scale
Date of rating affirmation	5 April 2024
Rating level	BBB-
Rating outlook	stable

Warsaw, 5 April 2024 – EuroRating credit rating agency has revised the credit rating for the company Dino Polska S.A. The rating has been affirmed at 'BBB-' with a stable outlook.

KEY RATING DRIVERS

Relatively low level of debt: Over the past ten years, Dino Polska's net interest-bearing debt has grown at a slower pace than the EBITDA generated by the company, resulting in a gradual decrease in the net debt to EBITDA ratio. By mid-2022 it fell below 1.0x and by the end of 2023 it reached its lowest level of 0.4x. The net debt to equity ratio has also been decreasing steadily, reaching a record low of 16% by the end of 2023.

Satisfactory equity financing: The decreasing financing of the company with external capital is also reflected in the ratio of the share of equity in the balance sheet total, which has been steadily increasing: from around 30% in 2014 to 53% by the end of 2023.

Consistently positive and growing operating cash flows: The operating cash flows generated by Dino Polska consistently maintain positive values, growing steadily and proportionally to the increase in sales revenue. In the years 2019-2022, capital expenditures were slightly higher than operating cash flows. In 2023, due to simultaneous further growth in operating cash flows and reduction in capital expenditures, free cash flows reached a high positive value of over PLN 600 million.

Strong competitive position: Dino Polska currently possesses an extensive nationwide network of grocery stores, primarily located in smaller towns. Its own distribution centers and unified store format enable the company to maintain high operational efficiency across the network.

Stable margins: Dino Polska achieves relatively high and very stable margins practically at all levels of the income statement. However, it should be noted that since 2021, there has been a slight decrease in margin levels.

Negative cash conversion cycle: The company's business model relies heavily, among others, on extensively utilizing trade credit (the average trade payables turnover is approximately 40-50 days), allowing the company to fully finance its inventory (which turns over on average in about 30 days). With nearly zero trade receivables turnover, this means that the company consistently has a negative cash conversion cycle, significantly reducing the need for working capital.

Low liquidity ratios: The activity conducted by Dino Polska is characterized by a relatively low share of current assets in total assets. At the same time, the company has relatively high short-term liabilities and inventory, resulting in the maintenance of low levels of liquidity ratios. At the end of 2023, the current ratio amounted to 0.84, the quick ratio to 0.16 and the cash ratio to 0.06.

High ROIC and absence of dividend: The company has historically reinvested all its profits annually into organic expansion, achieving a high return on invested capital (ROIC) and a high return on equity.

STABLE RATING OUTLOOK

The stable rating outlook means that, according to the current EuroRating's estimates, the rating assigned to the company should most likely remain unchanged in the horizon of the next 12 months.

MAIN FACTORS THAT COULD LEAD TO A RATING CHANGE

The most significant potential factors that could (individually or collectively) lead to a positive rating action (change of the rating outlook to positive and/or rating upgrade), EuroRating includes: further increase in the equity share in the balance sheet total; continued decrease in the level of financial debt and the net debt to EBITDA ratio; significant and lasting improvement in financial liquidity ratios; renewed growth in sales margins; as well as continued growth in operating cash flows with limited growth in capital expenditures, resulting in the generation of high positive free cash flows.

The most significant potential factors that could (individually or collectively) lead to a downgrade of current credit rating (and/or to a change of the rating outlook to negative): potential decrease in the equity share in the balance sheet total; renewed significant increase in the value of financial obligations and the net debt to EBITDA and/or net debt to equity ratios; potential deterioration in the maturity structure of financial debt; decrease in the operating cash flows and/or free cash flows generated by the company; further decline in margins; potential worsening of the company's liquidity position; as well as excessive dividend payouts to shareholders.

BEST/WORST RATING SCENARIO

The full range of best- and worst-case scenarios for all rating categories spans from 'AAA' to 'D'. Historical long-term statistics on rating migrations (changes between individual rating classes) for entities rated by EuroRating are published in the report on rating statistics, available at:

<https://www.eurorating.com/en/ratings/statistics> (annexes No. 6-9).

REGULATORY DISCLOSURES

Information on the EuroRating credit rating agency

EuroRating is a fully independent international credit rating agency operating since 2007, specializing in assessing the credit risk of enterprises and financial institutions. EuroRating Sp. z o.o. is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.

EuroRating holds the ECAI (External Credit Assessment Institution) status in the European Union, pursuant to the Regulation of the European Parliament and of the Council No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR Directive). The credit ratings (including unsolicited ratings) assigned by EuroRating are valid throughout the European Union and can be used for regulatory purposes under EU legislation by all financial institutions or any other entities and are entirely equal to credit ratings issued by other credit rating agencies registered by ESMA.

Methodology

The presented credit rating for the company Dino Polska S.A. is an issuer credit rating – it is a general assessment of the creditworthiness of the assessed entity and concerns the credit risk of its senior, unsecured and unsubordinated financial obligations.

The presented credit rating has been assigned in accordance with the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council on credit rating agencies.

The methodology used in this rating was "Credit rating methodology for non-financial corporations" published in June 2023 and available at: <https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology>

The rating scale of the EuroRating credit rating agency as well as detailed rating definitions are published at: <https://www.eurorating.com/en/ratings/rating-scale>

Historical default statistics for entities assessed by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics>

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <https://www.eurorating.com/en/ratings/methodology/definition-of-default>

Credit ratings assigned by the EuroRating credit rating agency are not solely estimates of the probability of default of a rated entity, but represent a total estimated assessment of a risk of loss (i.e. the ultimate loss of part or all of the receivables along with any interest) by the creditors of the rated entity in the event of its default. Ratings assigned by EuroRating therefore express a combination of the estimated probability of default of the rated entity and the estimated level of loss of receivables by its creditors in the event of an actual default (Loss Given Default).

Public status of the credit rating / terms of use

The presented credit rating for the company Dino Polska S.A. is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published on the EuroRating's website (www.EuroRating.com) in the section "Credit ratings", in the relevant tab on the rated entity/security.

The terms of use for credit ratings issued by EuroRating are published on the agency's website at: <https://www.eurorating.com/en/ratings/about-credit-ratings/terms-of-use>

Solicitation status

The rating assigned to the company Dino Polska S.A. was not solicited by the rated entity or any related third parties. The rated entity did not participate in the rating process, the agency had no access to internal documents or the management of the rated entity, and the analytical process was based on publicly available information. The main sources of information used in the rating process were: interim financial statements, presentations and reports of the rated entity, as well as publications in the media about the economy, the industries in which the company operates and about the rated entity itself. The information on the assigned credit rating was presented to the rated entity in advance. The rating was issued without any changes resulting from this disclosure.

Lead rating analyst:

Marcin Zawadzki

Rating Analyst

email: marcin.zawadzki@eurorating.com

phone: +48 22 349 24 89

Chairman of the Rating Committee:

Adam Dobosz

Senior Rating Analyst

email: adam.dobosz@eurorating.com

phone: +48 22 349 24 33

Disclaimer

EuroRating considers the scope and quality of available information on the rated entity as sufficient to issue a reliable credit rating. EuroRating takes all necessary measures to ensure that obtained information used in the rating process is of proper quality and is derived from sources deemed by the agency as reliable. Nevertheless, EuroRating does not have a possibility to audit, verify or to confirm in each case the correctness and authenticity of obtained information used in the rating process and/or presented in this report.

Credit ratings assigned by the EuroRating credit rating agency constitute only the agency's own opinion on the financial and economic condition and the credit risk of the entities subject to the rating and cannot be treated in any other way. EuroRating does not provide investment advice, and the credit ratings assigned by EuroRating do not constitute a recommendation to buy, sell or hold any securities and other financial instruments, and do not constitute a recommendation to establish, maintain or discontinue other forms of business cooperation with the rated entities. Ratings and rating reports cannot replace prospectuses or other formal documents required for any securities issues by rated entities or other third parties.

Persons and/or legal entities making decisions based on credit ratings assigned by EuroRating do so solely at their own risk. The EuroRating credit rating agency does not participate in the profits and is not liable for any losses of users or third parties that may result from the use of the credit ratings assigned by the agency.

EuroRating issues credit ratings and related reports and rating opinions with the understanding and expectation that their users also make their own independent assessment of the quality and adequacy of each financial instrument and/or security for their own investment, business or transaction purposes.

EuroRating's credit ratings refer only to credit risk; they do not concern any other risk, such as market risk, legal risk or trade liquidity risk.

© All copyrights and other rights related to the assigned credit ratings and the rating reports published by the EuroRating credit rating agency belong to EuroRating Sp. z o.o.