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# Industrials Update: January 2018 Recap

## Industrials, Poland

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### Industrials

- **Polish industrial stocks pulled back from their downward climb** at the end of 2017 on the back of a string of takeover bids for WSE-listed mid- and large caps, including WDX, Robyng, Emperia, Sare, Synthos, Tarczyński, Netia, and Gekoplast.
- Both the **MSCI Europe Industrials** and the **MSCI World Industrials** indices are currently valued at **record premiums** to their 3-year P/E and EV/EBITDA ratios, indicating stocks may be **due for a downward correction**.
- **Polish manufacturers** seem to be getting better at passing the rising costs of labor and materials onto end customers, with a number of firms, including Amica, Grupa Kęty, Ergis, Famur, Mangata, and Pfeleiderer, hinting on **possible price hikes to protect profit margins**. More than operating costs, expected to climb at a slower pace this year, the factor that could hurt profits in the months ahead is the zloty's appreciation vis-à-vis the euro.
- The wiggle room for price increases continues to expand with **rising capacity utilization rates** in the European manufacturing sector, with the average CUR in the EU manufacturing industry at its highest level since 2006 at 83.6%, and upbeat **leading indicators**.
- Our near-term **top picks** among mid-sized industrials include **Amica**, which raised sales prices in Q3'17, and which is set to generate cost savings of PLN 10-12m this year thanks to a new warehouse; AMC is trading at attractive ratios at the current level (see table on page 8). Our other best bets are **Famur**, which continues to grow the order book amid rising prices of coal and other commodities, and **Pfeleiderer Group**, benefitting from an upward shift in the European fiberboard market (see chart of page 7), with 2018 earnings growth set to be reinforced by positive base effects.
- Among **smaller** industrials, we would consider **Cognor**, expected to report solid Q4 2017 results, supported by a positive shift in the steel market in the second half of last year, and **Pozbud**, trading at 3x 2019E P/E.
- We are **downgrading Ergis to neutral** in the wake of a Q4 2017 slowdown, expected to continue into Q1 2018, and we are doing **the same for Tarczyński** after a 20% surge in share price since the last rating (we still think the price in the ongoing tender offer for TAR will be raised from PLN 10.50 to PLN 13-13.30 per share). At the same time we **upgrade Forte to neutral** after a 30% share price drop since the last rating; we believe the furniture marker can recoup losses in the second half of the year once the new fiberboard factory becomes operational.

### Chemicals

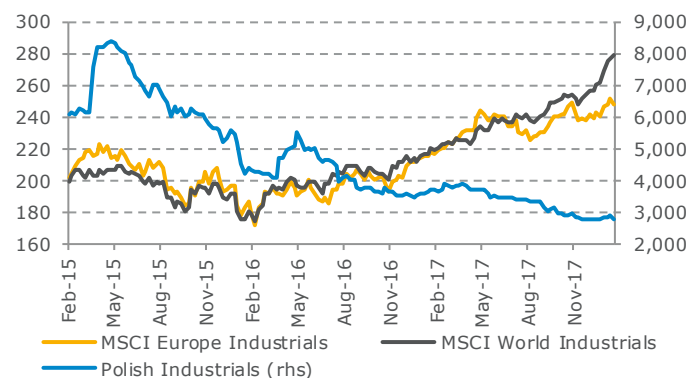
- Chemical producers have seen their **profits and shares rise** on the back of environmentally-driven production curbs in China and a strong economy in Europe.
- Our **top pick** for the weeks ahead is **Ciech**, expected to deliver the second-highest quarterly EBITDA figure in history in Q4 2017, potentially triggering upward adjustments to analysts' expectations. In addition, the ongoing takeover bid and delisting plan for Synthos chemicals, if successful will make Ciech the only liquid non-state-controlled chemical stock left on the WSE.
- We have a **neutral view** on the fertilizer producer **Grupa Azoty**, which is experiencing pressure on profit margins after the downward price shift observed since December, coupled with rising costs of natural gas and maintenance outages scheduled for 2018.

### MoM\* and YTD Price Change

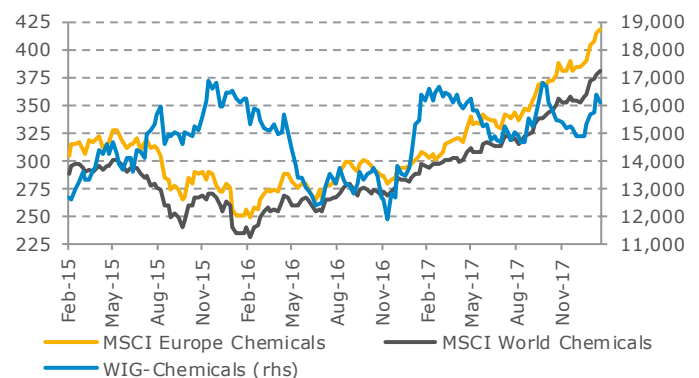
Industrials	MoM	YTD
Stelmet	+28.5%	+28%
Suwary	+20.6%	+21%
Newag	+18.8%	+19%
Cognor	+17.4%	+17%
Pfeleiderer	+13.0%	+13%
Radpol	+13.0%	+13%
Otmuchów	+11.6%	+12%
Kernel	+11.5%	+12%
Astarta	+9.5%	+10%
Groclin	+7.6%	+8%
Tarczyński	+7.0%	+7%
Pozbud	+6.4%	+6%
Bumech	-3.2%	-3%
Stalprofil	-4.2%	-4%
Mercor	-4.4%	-4%
TOYA	-5.1%	-5%
Libet	-6.0%	-6%
PGOdlew.	-6.0%	-6%
Dębica	-6.1%	-6%
Orzeł Biały	-6.4%	-6%
Mangata	-6.5%	-7%
Lentex	-6.9%	-7%
Ceramika NG	-7.1%	-7%
Ergis	-16.2%	-16%
<b>Chemicals</b>		
Mercator	+11.0%	+11%
PCC Rokita	+9.2%	+9%
Ciech	+6.8%	+7%
Azoty	+5.2%	+5%
ZA Puławy	+2.9%	+3%
Polwax	+0.9%	+1%
Synthos	+0.2%	+0%
Police	-4.0%	-4%
Krakchemia	-6.7%	-7%
WIGCHEM	+5.3%	+5%
WIG	+4.9%	+5%

\*Dec. 30 - Jan. 28

### Polish Industrials vs. MSCI Index



### WIG-Chemicals vs. MSCI Index



Source: Bloomberg, Dom Maklerski mBanku



### Industrial Stock Key Metrics and Ratings

Company	Weight		Current price	MoM change	P/E			EV/EBITDA			DYield			P/(BV-goodwill)			'17 ND /EBITDA
	current	change			'16	'17E	'18E	'16	'17E	'18E	'16	'17E	'18E	'16	'17E	'18E	
Alumetal	N	-	56.70	+5.1%	9.6	13.6	12.2	8.3	10.3	9.1	4.5%	5.1%	3.7%	2.0	1.9	1.8	1.3
Amica Wronki	OW	-	128.40	+2.0%	8.9	6.9	6.8	5.5	6.5	5.6	3.1%	4.3%	4.3%	1.5	1.3	1.2	1.2
Apator	N	-	26.50	-1.9%	15.0	14.8	11.8	10.0	8.8	7.5	6.8%	5.0%	5.4%	2.9	2.9	2.6	1.2
Boryszew	N	-	9.06	-1.7%	16.0	10.2	11.5	9.7	8.0	7.5	0.0%	2.4%	2.6%	2.3	2.0	1.8	2.0
Elemental	N	-	2.30	-0.9%	7.7	10.5	7.1	6.6	7.6	5.8	0.0%	0.0%	0.0%	2.0	1.7	1.4	1.8
Ergis	N	▼	4.77	-16.2%	7.9	9.1	8.9	5.3	6.1	5.9	3.3%	4.2%	4.2%	1.0	1.0	0.9	2.9
Famur	OW	-	6.28	+1.3%	32.6	44.6	18.8	14.2	13.4	7.6	0.0%	0.0%	0.0%	4.0	2.7	2.3	0.4
Forte	N	▲	49.10	-1.8%	10.6	14.6	12.4	8.9	11.9	10.0	2.0%	0.4%	0.0%	2.1	2.1	2.1	3.6
Kernel	OW	-	53.00	+11.5%	4.9	5.9	10.1	4.6	5.7	7.9	1.9%	1.9%	1.9%	1.3	1.0	1.0	1.6
Kęty	N	-	401.00	-2.1%	13.7	15.1	14.6	10.7	10.1	9.4	4.5%	7.5%	6.6%	2.7	2.8	2.8	1.3
Kruszwica	N	-	70.00	+0.3%	14.9	27.0	22.4	9.3	13.8	11.9	15.4%	3.4%	2.8%	2.3	2.3	2.2	-1.9
Mangata (Zetkama)	N	-	94.00	-6.5%	14.0	13.9	12.2	8.7	7.9	7.1	0.0%	2.1%	2.9%	1.7	1.5	1.4	0.5
Pfleiderer Group	OW	-	38.15	+13.0%	38.4	33.2	14.1	7.7	7.5	5.9	2.6%	2.9%	2.4%	2.8	3.4	2.9	2.3
Pozbud	OW	-	3.83	+6.4%	15.7	14.8	6.9	10.8	10.2	5.7	0.0%	0.0%	2.4%	0.6	0.6	0.6	3.1
Stelmet	OW	-	18.50	+28.5%	7.6	21.2	11.5	9.2	11.9	7.3	1.6%	0.0%	0.0%	1.4	1.2	1.1	2.9
Tarczyński	N	▼	13.05	+7.0%	15.0	8.7	9.4	6.6	5.3	5.5	5.0%	5.0%	3.8%	1.0	1.0	1.0	2.7
<b>Median</b>					<b>13.8</b>	<b>14.2</b>	<b>11.7</b>	<b>8.8</b>	<b>8.4</b>	<b>7.4</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.0</b>	<b>1.8</b>	<b>1.6</b>	<b>1.7</b>

### Earnings: Historical Data and Forward Estimates

(PLN m)	Revenue			EBITDA			Net Profit		
	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
Alumetal	1,271.8	1,482.5	1,626.7	115.9	96.1	107.3	89.9	63.4	71.0
Amica Wronki	2,474.6	2,616.7	2,704.7	201.2	190.2	218.5	112.5	143.8	147.1
Apator	870.2	934.7	974.4	110.9	124.2	142.6	62.2	63.0	78.9
Boryszew	5,582.2	6,250.8	6,697.7	383.7	473.4	494.2	135.6	213.1	188.6
Elemental	1,009.7	1,375.6	1,450.3	71.3	70.2	85.6	50.8	37.2	55.5
Ergis	696.5	750.5	810.9	59.8	56.6	58.7	23.8	20.0	20.5
Famur	1,029.7	1,362.5	2,059.0	238.6	279.1	446.1	93.8	78.8	191.5
Forte	1,090.3	1,124.1	1,186.1	167.1	142.1	173.4	110.4	79.9	94.2
Kernel (USD m)	1,988.5	2,168.9	2,591.3	347.2	319.2	235.5	225.2	178.6	106.3
Kęty	2,267.4	2,632.5	2,968.5	394.2	432.1	478.3	277.9	252.7	260.4
Kruszwica	2,411.3	2,461.1	2,333.6	151.9	102.6	117.4	107.8	59.7	71.8
Mangata (Zetkama)	568.3	633.5	649.4	80.0	87.8	92.4	44.9	45.2	51.3
Pfleiderer Group (EUR m)	929.6	1,003.0	1,046.5	108.7	114.2	142.5	14.7	17.2	41.1
Pozbud	167.6	133.5	180.1	14.4	15.3	25.1	6.5	6.9	14.9
Stelmet	567.3	539.8	618.2	82.4	60.8	92.2	68.2	25.7	47.4
Tarczyński	648.2	727.6	751.1	45.5	57.2	55.1	9.9	17.0	15.7

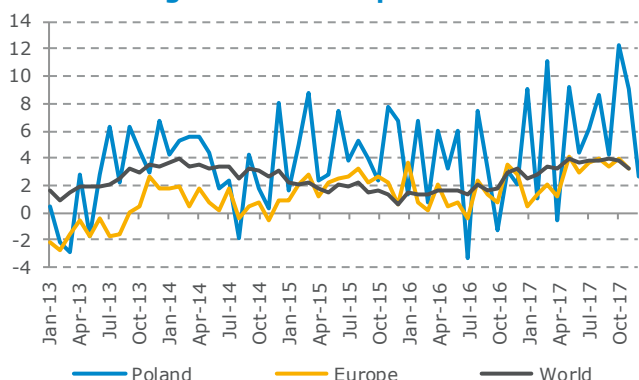
### 2015-2017 Quarterly Results vs. Our Expectations

Company	Q4'15		Q1'16		Q2'16		Q3'16		Q4'16		Q1'17		Q2'17		Q3'17	
	vs. mDM	vs. Q4'14	vs. mDM	vs. Q1'15	vs. mDM	vs. Q2'15	vs. mDM	vs. Q3'15	vs. mDM	vs. Q4'15	vs. mDM	vs. Q1'16	vs. mDM	vs. Q2'16	vs. mDM	vs. Q3'16
	Alumetal	0	+	+	+	+	+	-	-	0	-	-	-	0	-	+
Amica Wronki	+	+	+	+	0	+	0	+	-	0	0	-	0	0	-	-
Apator	-	-	-	-	+	+	-	-	0	+	0	+	-	-	0	+
Boryszew	-	-	+	+	+	+	+	+	-	-	+	+	-	+	+	+
Elemental	0	+	+	+	+	+	0	+	+	+	0	+	-	-	0	-
Ergis	0	-	-	-	-	-	+	+	0	+	+	+	0	0	-	0
Famur	0	-	+	0	+	+	0	+	+	+	n/a	+	-	0	0	+
Forte	+	+	+	+	+	+	0	+	0	+	0	-	0	-	-	-
Kernel	+	+	+	-	-	-	+	+	-	-	-	-	-	-	-	-
Kęty	+	+	+	+	+	+	0	+	0	+	0	+	0	+	0	+
Kruszwica	-	-	-	-	-	0	+	-	+	+	-	0	-	0	0	0
Mangata (Zetkama)	0	+	+	+	+	+	-	+	+	-	0	0	-	-	-	0
Pfleiderer Group	+	+	0	+	0	0	+	+	-	0	-	+	-	-	0	+
Pozbud	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	0
Stelmet	n/a	n/a	n/a	n/a	n/a	n/a	-	-	0	-	-	-	0	-	-	+
Tarczyński	+	0	+	-	-	-	-	-	+	-	0	0	0	+	+	+

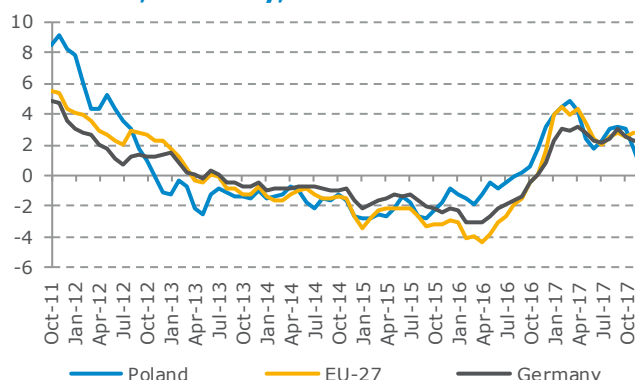
Source: Dom Maklerski mBanku; OW – overweight, N – neutral, UW – underweight

## EU & Poland Statistics on Industrial Production

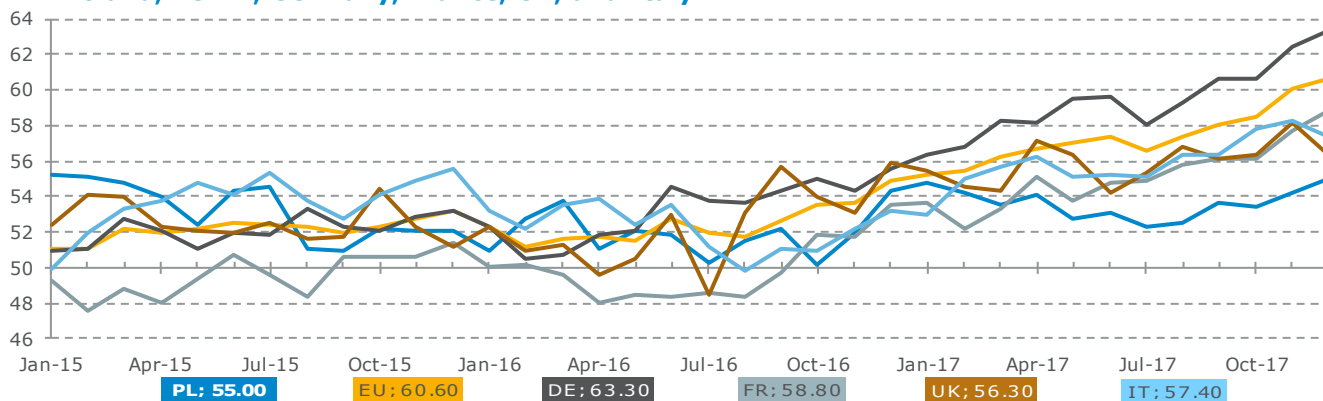
### Percent change in industrial production



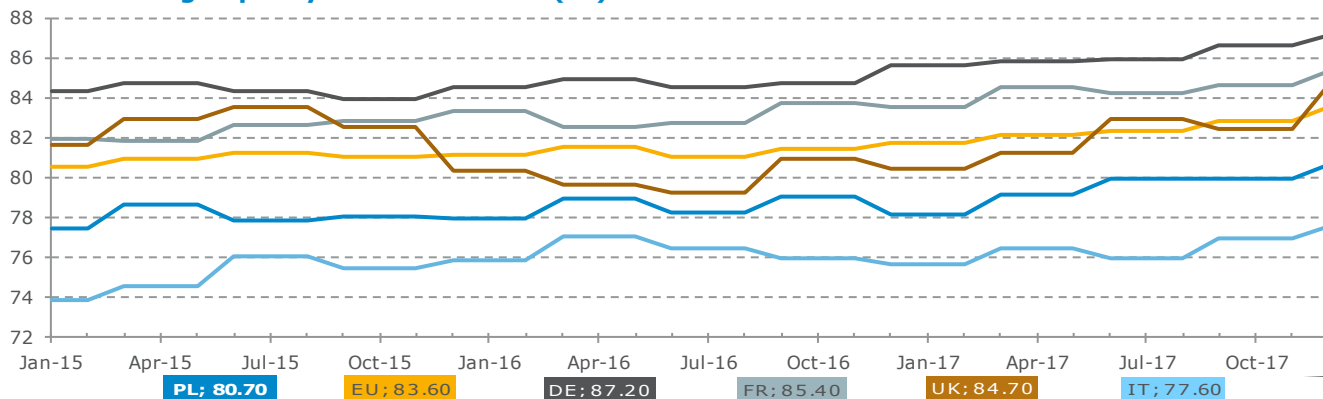
### PPI Poland, Germany, and EU-27



### PMI Poland, EU-27, Germany, France, UK, and Italy

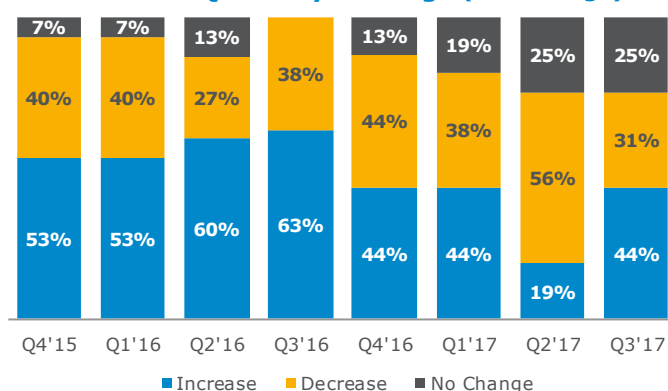


### Manufacturing Capacity Utilization in EU (%)

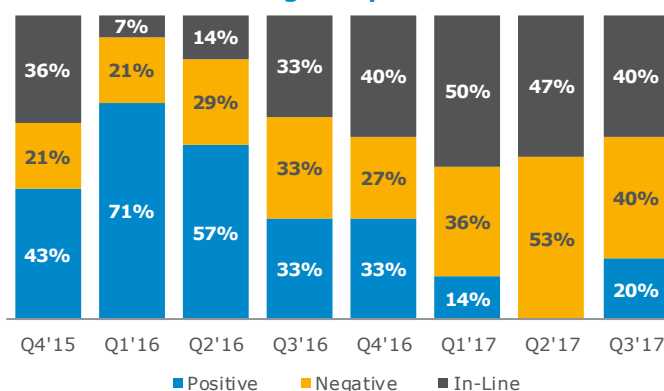


Source: Bloomberg

### PL Industrials Quarterly Earnings (YoY change)



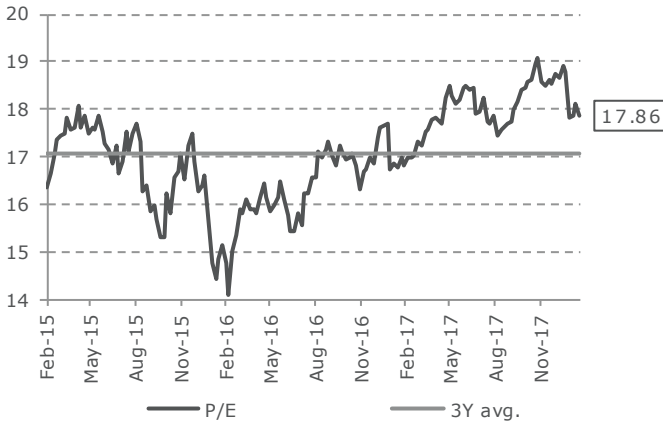
### PL Industrials Earnings Surprise Ratio



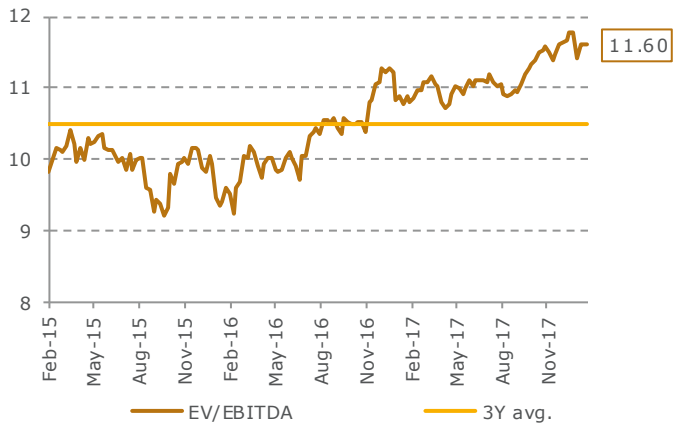
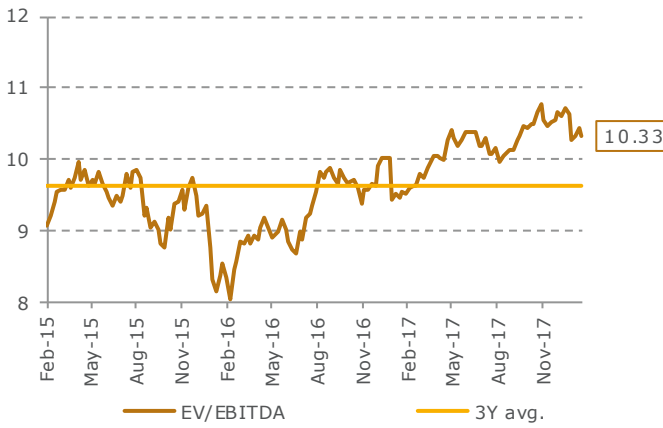
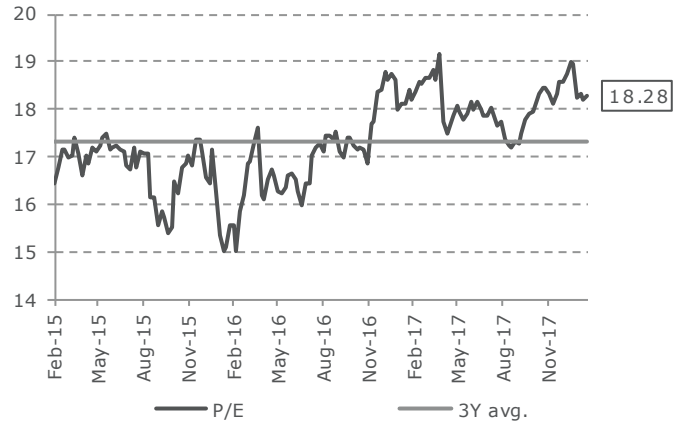
Source: Dom Maklerski mBanku



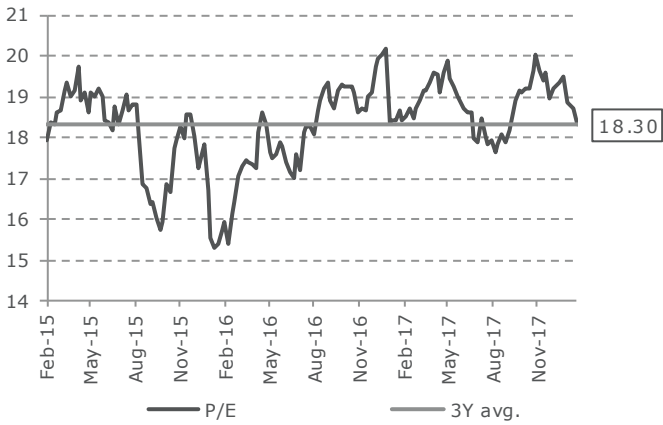
### MSCI Europe Industrials P/E & EV/EBITDA



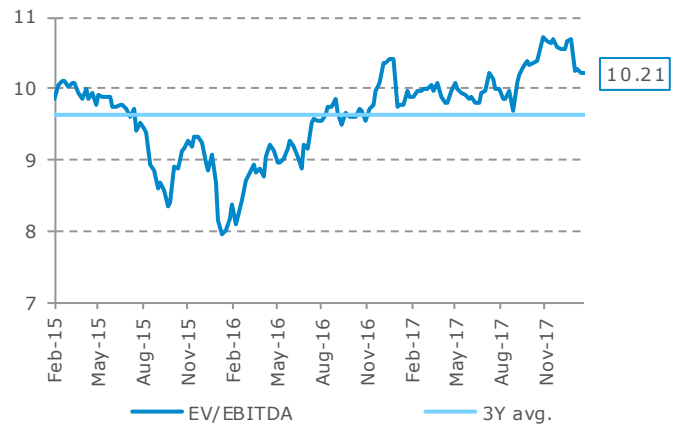
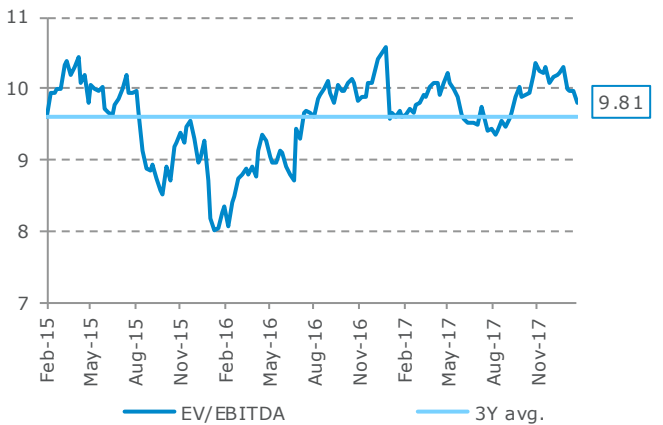
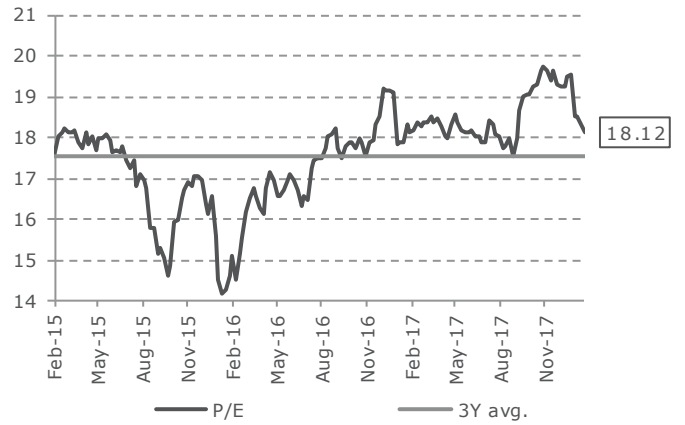
### MSCI World Industrials P/E & EV/EBITDA



### MSCI Europe Chemicals P/E & EV/EBITDA



### MSCI World Chemicals P/E & EV/EBITDA

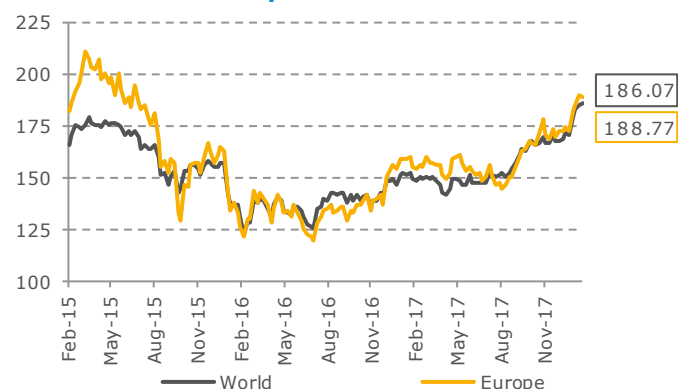


Source: Bloomberg

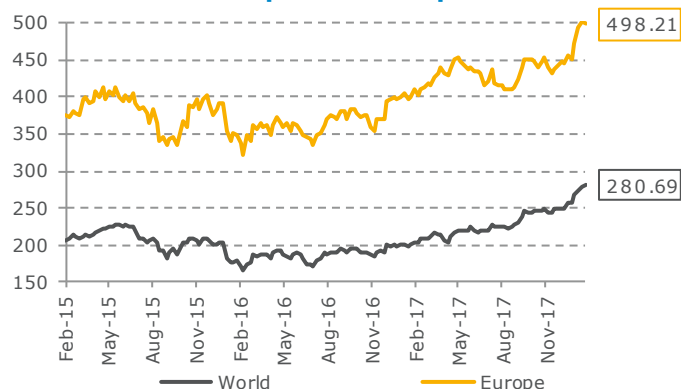
### Valuation of Automotive Suppliers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
AC SA	ACG PW	40.00	-2.5%	12.8	12.7	13.3	8.8	8.8	8.8	2.1	2.1	2.0	6.8%	6.3%	6.4%
Alumetal*	AML PW	56.70	+5.1%	9.6	13.6	12.2	8.3	10.3	9.1	0.8	0.7	0.6	4.5%	5.1%	3.7%
American Axle & Man.	AXL US	18.49	+8.6%	6.0	5.2	5.5	9.8	5.2	4.7	1.4	0.9	0.8	-	-	-
Autoliv	ALIV SS	1081.00	+3.2%	17.4	19.0	16.5	10.4	9.9	9.0	1.3	1.2	1.1	1.7%	1.7%	1.8%
BorgWarner	BWA US	57.16	+11.9%	100+	15.0	13.5	22.9	8.6	8.1	1.6	1.5	1.4	0.9%	1.0%	1.1%
Boryszew*	BRS PW	9.06	-1.7%	16.0	10.2	11.5	9.7	8.0	7.5	0.7	0.6	0.6	0.0%	2.4%	2.6%
Brembo	BRE IM	13.32	+5.1%	18.0	16.0	16.3	11.0	9.8	9.2	2.1	1.9	1.8	1.5%	2.8%	1.7%
Dana Holding	DAN US	33.62	+5.0%	7.7	14.0	11.9	12.1	7.5	6.8	1.1	0.9	0.8	0.7%	0.7%	0.7%
Delphi Automotive	DLPH US	56.03	+6.8%	13.9	12.5	11.9	11.0	7.5	7.2	1.3	1.2	1.2	2.1%	-	0.8%
Denso	6902 JT	7038	+4.1%	22.9	23.7	17.9	9.4	9.4	7.8	1.2	1.2	1.0	1.7%	1.7%	1.9%
Eaton Corporation	ETN US	86.49	+9.5%	20.5	18.9	17.1	14.2	12.6	12.1	2.3	2.2	2.2	2.6%	2.8%	2.9%
Faurecia	EO FP	73.50	+12.9%	15.8	16.8	14.5	6.6	5.8	5.3	0.6	0.6	0.6	1.2%	1.4%	1.7%
Iochpe-Maxion	MYPK3 BZ	24.36	+5.9%	100+	50.9	15.1	7.2	7.3	6.2	0.9	0.8	0.7	0.4%	0.9%	2.2%
Kęty*	KTY PW	401.00	-2.1%	13.7	15.1	14.6	10.7	10.1	9.4	1.9	1.7	1.5	4.5%	7.5%	6.6%
Kongsberg Automotive	KOA NO	10.38	-11.7%	100+	38.1	13.4	10.3	8.2	5.8	0.7	0.6	0.6	-	-	-
Le Belier	BELI FP	62.10	+24.2%	19.9	17.9	12.6	9.6	8.0	7.0	1.4	1.2	1.1	1.8%	1.9%	2.3%
Leoni	LEO GY	64.24	+3.0%	100+	14.9	13.9	12.0	6.9	6.5	0.6	0.5	0.5	0.8%	2.1%	2.3%
Magna International	MGA US	58.98	+4.1%	11.4	9.9	8.8	6.4	6.0	5.6	0.7	0.6	0.6	1.7%	1.8%	1.9%
Plastic Omnium	POM FP	41.20	+8.7%	19.5	15.2	13.7	8.9	7.6	7.1	1.2	1.0	1.0	1.2%	1.5%	1.7%
Polytec Holding	PYT AV	19.68	+6.4%	12.1	11.0	10.5	6.9	6.2	6.0	0.8	0.8	0.8	2.0%	2.5%	2.6%
Progress-Werk	PWO GY	47.60	+2.3%	15.6	12.4	10.2	6.1	5.8	5.2	0.7	0.6	0.6	3.3%	3.5%	3.8%
Sanok	SNK PW	44.70	-2.2%	11.6	12.5	11.6	7.2	7.7	7.4	1.3	1.2	1.1	8.1%	7.4%	6.5%
Stabilus	STM GY	82.20	+9.7%	37.2	21.5	20.7	18.4	12.7	11.7	3.1	2.5	2.3	-	0.9%	1.1%
Superior Industries	SUP US	18.00	+22.0%	11.0	26.9	13.4	14.6	9.2	6.6	1.8	1.2	0.9	4.0%	2.5%	2.0%
Tower International	TOWR US	31.80	+4.1%	17.2	8.6	7.8	5.8	4.9	4.5	0.5	0.5	0.5	1.3%	0.7%	0.7%
Valeo	FR FP	64.40	+3.4%	16.5	15.2	13.3	7.9	7.0	6.1	1.0	0.9	0.8	4.7%	2.1%	2.4%
WABCO Holdings	WBC US	158.61	+10.5%	39.7	23.9	21.0	19.0	15.3	13.5	3.1	2.6	2.3	-	-	-
<b>Median</b>				<b>15.8</b>	<b>15.1</b>	<b>13.4</b>	<b>9.7</b>	<b>8.0</b>	<b>7.1</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>	<b>1.7%</b>	<b>2.1%</b>	<b>2.1%</b>

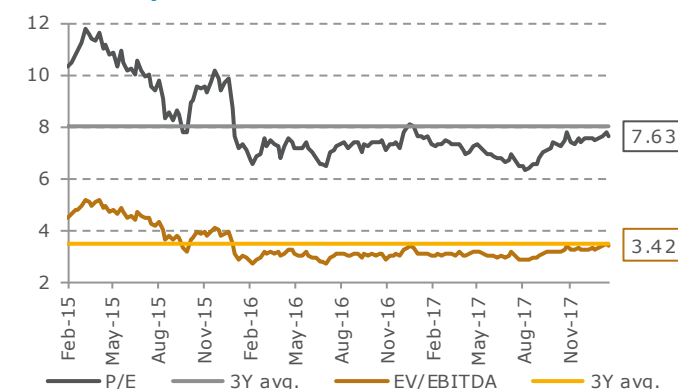
### MSCI World & Europe Auto Index



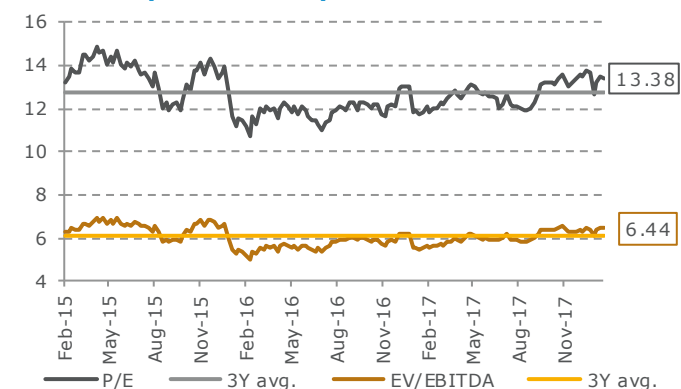
### MSCI World & Europe Auto Components Index



### MSCI Europe Auto P/E & EV/EBITDA

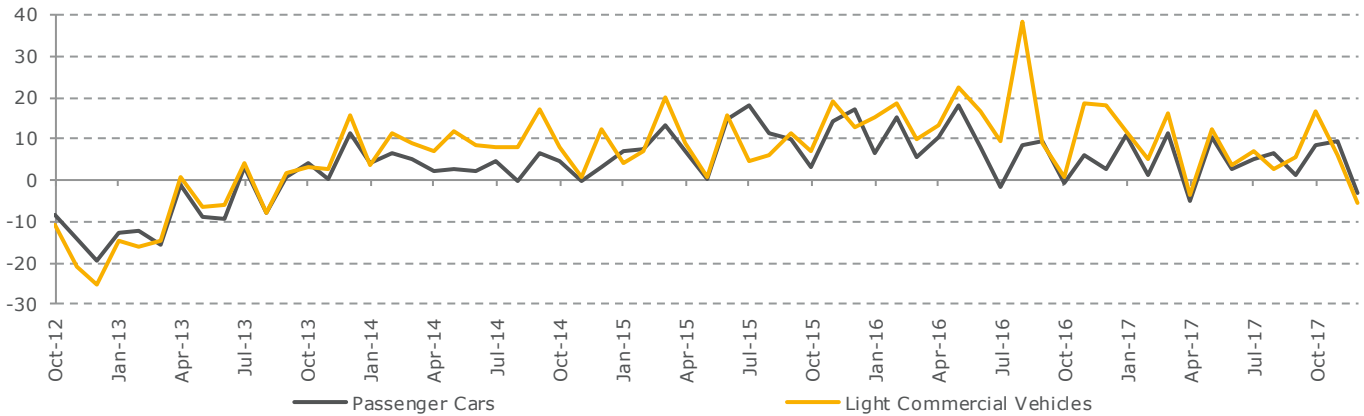


### MSCI Europe Auto Components P/E & EV/EBITDA

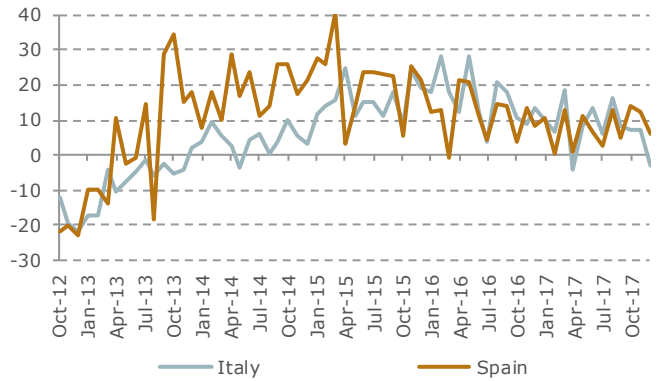
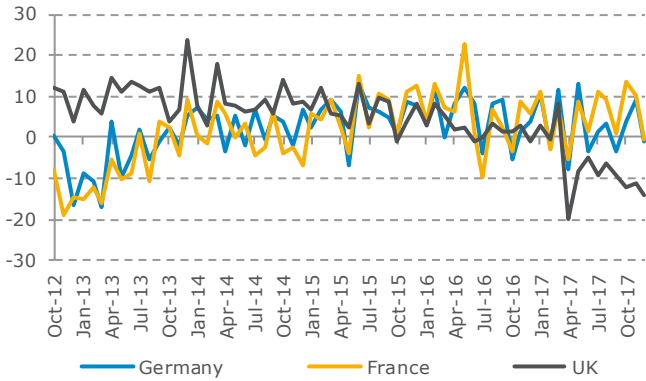


Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

### Total EU New Car Registrations (YoY pct. change)



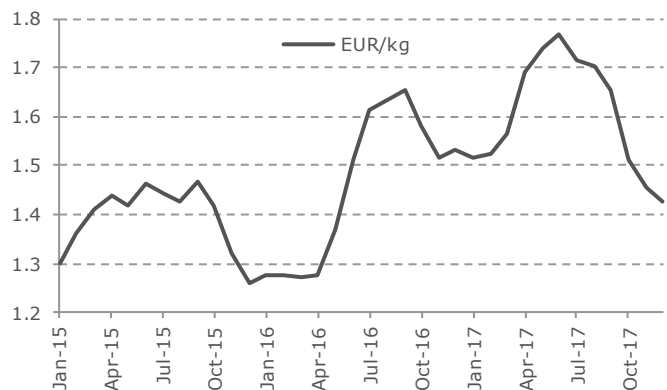
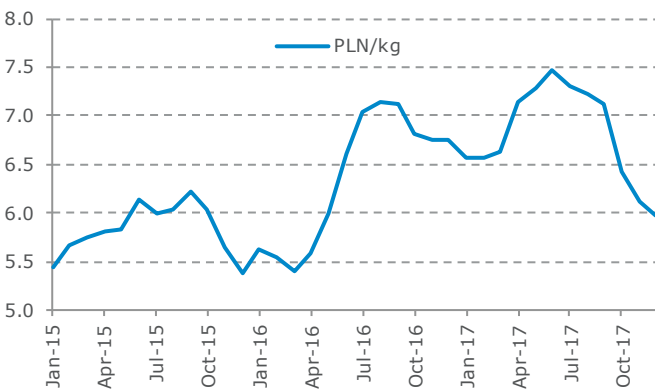
### New car registrations by country (YoY pct. change)



### Food Producer Valuations

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
Atria	ATRAV FH	12.34	+1.9%	19.0	13.4	11.8	7.7	6.8	6.3	0.4	0.4	0.4	3.7%	4.3%	5.1%
Colian	COL PW	3.42	+3.6%	15.5	17.1	17.1	6.3	5.8	5.7	0.5	0.5	0.5	-	-	-
Cranswick	CWK LN	30.50	-8.6%	33.3	26.2	21.8	18.4	15.7	13.2	1.5	1.3	1.1	1.2%	1.4%	1.6%
Hkscan	HKSAV FH	3.10	-1.0%	-	-	35.6	5.8	9.1	4.9	0.2	0.2	0.2	5.2%	4.2%	4.5%
JBS	JBSS3 BZ	10.04	+2.3%	72.7	10.2	7.8	6.6	5.6	5.2	0.4	0.5	0.4	0.3%	1.1%	2.0%
ZM Kania	KAN PW	1.70	+17.2%	4.6	-	-	5.9	-	-	0.4	-	-	-	-	-
Marfrig Global Foods	MRF3 BZ	6.76	-7.7%	-	-	21.3	7.3	7.2	6.0	0.6	0.6	0.6	-	-	1.1%
Tarczyński*	TAR PW	13.05	+7.0%	15.0	8.7	9.4	6.6	5.3	5.5	0.5	0.4	0.4	5.0%	5.0%	3.8%
Tyson Foods	TSN US	80.17	-1.1%	17.5	15.3	13.7	11.8	10.6	9.5	1.1	1.1	1.0	0.8%	1.2%	1.4%
Wawel	WWL PW	1145.0	+11.1%	20.2	19.7	20.2	13.3	14.0	12.4	2.5	2.6	2.4	1.7%	2.5%	3.3%
<b>Median</b>				<b>18.2</b>	<b>15.3</b>	<b>17.1</b>	<b>6.9</b>	<b>7.2</b>	<b>6.0</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>1.7%</b>	<b>2.5%</b>	<b>2.6%</b>

### EU pig carcass prices in euros and zlotys

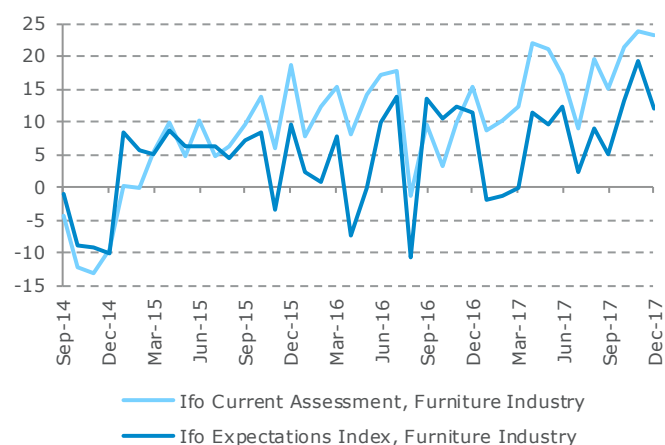


Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

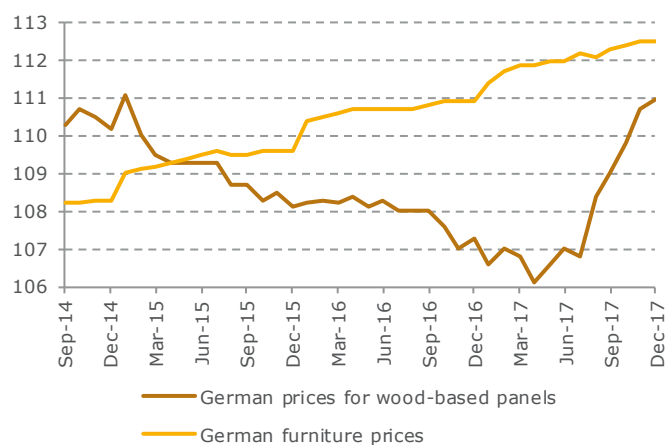
### Valuation of Woodworking Companies and Furniture Producers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
Arbonia AG	ARBN SW	16.72	+2.9%	100+	35.4	28.2	19.5	11.6	11.4	1.3	1.0	1.0	-	0.1%	1.0%
Canfor Corporation	CFP CN	29.01	+17.1%	25.4	12.6	13.4	7.6	5.6	6.0	1.0	0.9	0.9	-	-	0.3%
Duratex	DTEX3 BZ	10.65	+15.8%	100+	57.9	28.0	10.5	12.5	9.7	2.4	2.4	2.1	0.1%	0.5%	1.1%
Evergreen Fiberboard	EVF MK	0.60	-7.7%	6.9	10.7	6.9	4.1	4.1	3.4	0.6	0.6	0.6	-	1.7%	5.8%
Forte*	FTE PW	49.10	-1.8%	10.6	14.6	12.4	8.9	11.9	10.0	1.4	1.5	1.5	2.0%	0.4%	0.0%
Greenply Industries	MTLM IN	379.45	+12.4%	35.7	35.4	31.7	19.8	20.5	18.4	3.0	3.0	2.8	0.2%	0.2%	0.2%
Herman Miller	MLHR US	41.05	+2.5%	18.0	19.9	17.6	9.6	10.0	9.3	1.1	1.1	1.1	1.4%	-	1.8%
Hooker Furniture	HOFT US	39.55	-6.8%	26.4	20.8	15.9	17.9	-	-	2.0	0.9	0.8	1.0%	-	-
Hyundai Livart	079430 KS	29500	-7.8%	15.0	13.6	11.4	11.6	9.5	8.2	0.8	0.7	0.5	0.3%	0.2%	0.2%
Interfor Corporation	IFP CN	23.07	+9.2%	24.5	15.2	14.6	9.6	6.5	6.5	1.0	0.9	0.9	-	-	-
Inwido	INWI SS	82.90	-1.0%	11.2	11.5	9.4	8.5	8.9	7.6	1.2	1.1	1.0	4.2%	4.4%	5.5%
Louisiana-Pacific Corp.	LPX US	30.74	+17.1%	29.6	13.7	14.5	12.6	6.4	6.9	1.8	1.5	1.4	-	-	0.7%
Nobia	NOBI SS	65.30	-5.9%	24.1	11.1	11.2	9.0	8.9	8.8	1.1	1.1	1.1	4.6%	5.3%	7.2%
Norbord	OSB CN	48.02	+12.9%	16.7	8.2	9.3	10.1	5.7	6.3	2.1	1.7	1.7	1.0%	3.6%	5.1%
Okamura	7994 JT	1561	-5.2%	19.0	19.9	18.0	10.0	-	-	0.7	0.7	0.7	1.5%	1.5%	1.6%
Paged	PGD PW	58.40	+0.0%	18.7	12.4	11.0	9.3	7.6	7.2	1.4	1.3	1.2	-	2.7%	4.1%
Pfleiderer Group*	PFL PW	38.15	+13.0%	38.4	33.2	14.1	7.7	7.5	5.9	0.9	0.9	0.8	2.6%	2.9%	2.4%
Rayonier	RYN US	33.60	+6.2%	19.4	52.4	55.6	14.4	19.3	19.9	9.2	7.5	7.7	3.0%	3.0%	3.0%
Steinhoff Intl Hold.	SNH GR	0.51	+59.3%	1.6	1.6	1.4	5.2	4.1	3.6	0.7	0.5	0.4	23.8%	25.1%	29.7%
Stelmet*	STL PW	18.50	+28.5%	7.6	21.2	11.5	9.2	11.9	7.3	1.3	1.3	1.1	1.6%	0.0%	0.0%
Suofeiyi Home	002572 CH	38.84	+5.5%	52.5	38.2	28.2	38.0	26.0	19.2	7.8	5.5	4.1	0.9%	1.2%	1.5%
Surteco	SUR GR	28.15	+4.6%	18.3	16.6	12.1	9.1	8.0	6.6	1.1	1.0	0.9	2.8%	2.8%	3.6%
Vanachai Group	VNG TB	11.20	+1.8%	11.0	16.0	12.6	8.7	-	-	2.0	1.8	1.6	4.5%	-	-
<b>Median</b>				<b>18.7</b>	<b>16.0</b>	<b>13.4</b>	<b>9.6</b>	<b>8.9</b>	<b>7.4</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.7%</b>

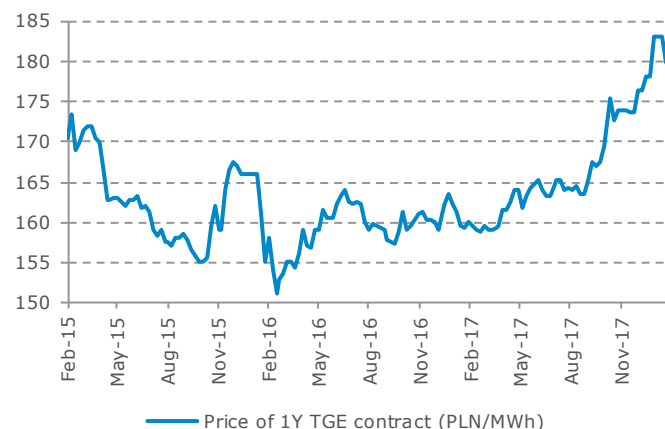
### Ifo Business Climate Index – Furniture Industry



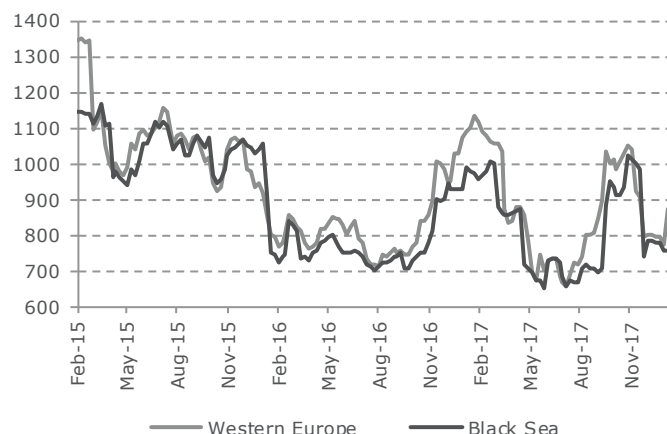
### Wood panel and furniture index (DE) (2010=100)



### Polish electricity prices



### Urea prices (PLN/t)

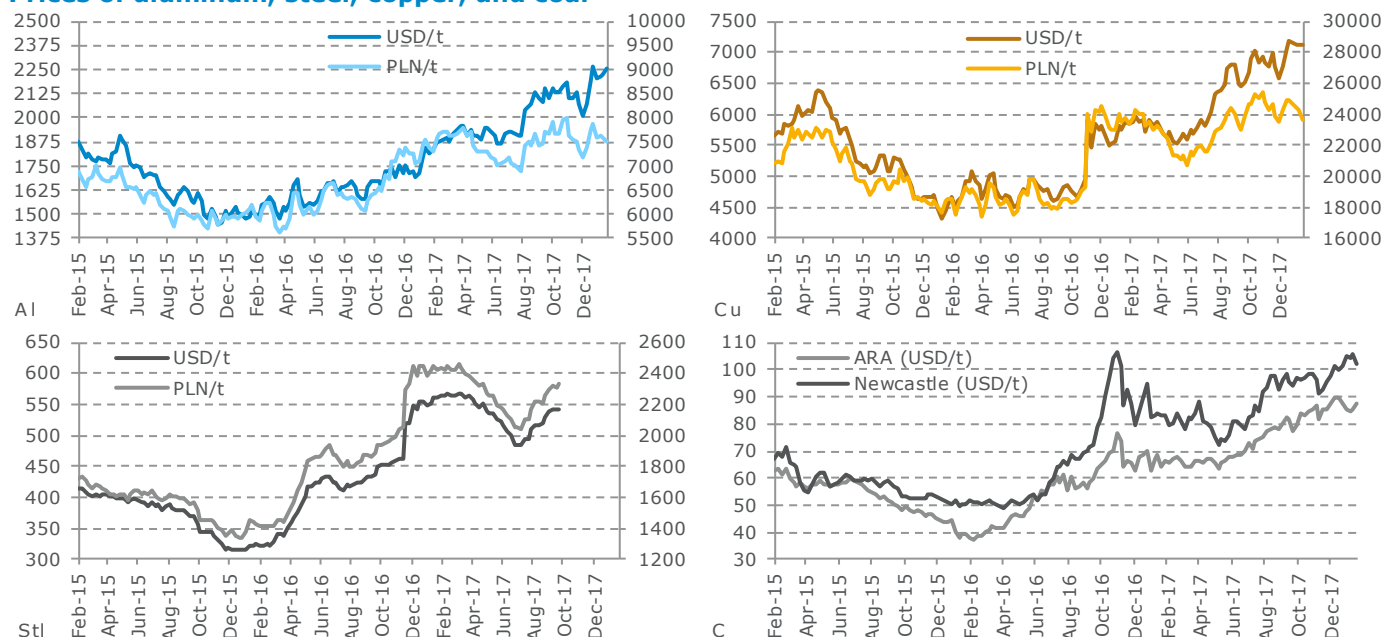


Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

## Valuation of Equipment & Machinery Producers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
<b>Appliance Manufacturers</b>															
Amica Wronki*	AMC PW	128.40	+2.0%	8.9	6.9	6.8	5.5	6.5	5.6	0.4	0.5	0.5	3.1%	4.3%	4.3%
Arcelik	ARCLK TI	19.87	-7.7%	10.3	13.4	11.0	10.5	9.1	7.7	1.1	0.9	0.8	2.8%	2.8%	3.3%
De'Longhi	DLG IM	27.18	+7.7%	24.3	22.3	21.1	13.7	13.0	12.0	2.2	2.0	1.9	2.9%	2.3%	2.3%
Electrolux	ELUXB SS	262.90	-0.5%	16.8	14.7	13.7	7.8	7.0	6.8	0.7	0.7	0.7	2.5%	3.1%	3.3%
Gorenje	GRVG SV	5.24	+2.7%	15.9	13.8	11.9	6.2	5.7	5.4	0.4	0.4	0.4	-	1.9%	-
SEB	SK FP	167.00	+8.1%	32.1	21.1	18.8	19.3	13.2	12.0	2.1	1.6	1.6	1.0%	1.3%	1.5%
Whirlpool Corporation	WHR US	185.97	+10.3%	15.9	13.6	12.0	8.9	8.6	7.7	0.9	0.8	0.8	2.1%	2.3%	2.5%
<b>Median</b>				<b>15.9</b>	<b>13.8</b>	<b>12.0</b>	<b>8.9</b>	<b>8.6</b>	<b>7.7</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>2.6%</b>	<b>2.3%</b>	<b>2.9%</b>
<b>Mining Equipment Manufacturers</b>															
Atlas Copco	ATCOA SS	367.10	+3.6%	37.4	25.1	22.4	17.7	14.8	13.6	4.3	3.7	3.5	1.9%	2.0%	2.1%
Caterpillar	CAT US	167.06	+6.5%	-	25.8	18.5	28.3	13.3	10.7	2.6	2.2	2.0	1.8%	1.9%	1.9%
Duro Felguera	MDF SM	0.41	+24.2%	-	-	12.4	29.9	12.8	9.1	0.4	0.5	0.5	1.2%	3.7%	4.9%
Famur*	FMF PW	6.28	+1.3%	32.6	44.6	18.8	14.2	13.4	7.6	3.3	2.7	1.6	0.0%	0.0%	0.0%
Komatsu	6301 JP	4254.0	+4.3%	29.2	40.3	22.6	15.2	18.1	13.4	2.6	2.9	2.0	1.4%	1.4%	1.7%
Kopex	KPX PW	4.00	+5.0%	-	-	-	-	-	-	0.7	-	-	-	-	-
Sandvik	SAND SS	157.00	+9.3%	35.8	19.8	18.8	14.2	10.7	11.0	2.7	2.5	2.4	1.8%	2.2%	2.4%
<b>Median</b>				<b>34.2</b>	<b>25.8</b>	<b>18.8</b>	<b>16.4</b>	<b>13.3</b>	<b>10.9</b>	<b>2.6</b>	<b>2.6</b>	<b>2.0</b>	<b>1.6%</b>	<b>1.9%</b>	<b>2.0%</b>
<b>Metals</b>															
Aichi Steel	5482 JT	4455.0	-1.4%	100+	13.4	13.7	6.2	5.1	4.5	0.5	0.5	0.5	2.2%	2.2%	2.2%
AK Steel	AKS US	6.34	+12.0%	-	25.0	7.9	9.4	10.8	6.8	0.7	0.7	0.7	-	-	-
Alcoa	AA US	54.00	+0.2%	-	16.9	14.1	17.3	5.1	4.8	1.3	1.0	1.0	0.5%	-	0.0%
Bluescope Steel	BSL AU	14.79	-3.8%	23.8	12.6	12.5	7.7	5.9	6.1	1.0	0.8	0.8	0.4%	0.7%	1.1%
Constellium	CSTM US	13.05	+17.0%	-	25.3	13.9	8.2	7.7	7.1	0.7	0.6	0.6	-	-	-
Elemental*	EMT PW	2.30	-0.9%	7.7	10.5	7.1	6.6	7.6	5.8	0.5	0.4	0.3	0.0%	0.0%	0.0%
Kaiser Aluminum	KALU US	113.45	+6.7%	22.0	21.9	18.1	9.5	10.2	9.4	1.5	1.5	1.4	1.6%	1.8%	1.9%
Kęty*	KTY PW	401.00	-2.1%	13.7	15.1	14.6	10.7	10.1	9.4	1.9	1.7	1.5	4.5%	7.5%	6.6%
Konsorcjum Stali	KST PW	35.50	+13.6%	4.9	7.1	-	5.1	7.1	-	0.3	0.2	0.2	0.6%	-	-
Nyrstar	NYR BB	6.635	-1.1%	-	-	22.0	24.8	7.4	4.8	0.6	0.5	0.4	-	-	-
Reliance Steel & Alu	RS US	91.70	+6.9%	21.8	17.6	14.1	11.6	9.8	9.0	1.0	0.9	0.8	1.8%	2.0%	2.1%
Sanyo Special	5481 JT	2818.00	-2.4%	12.3	11.6	11.3	5.5	5.5	5.6	0.8	0.8	0.8	2.1%	2.1%	2.5%
Stalprodukt	STP PW	530.00	+5.1%	9.1	9.8	10.6	5.1	5.1	4.7	0.9	0.8	0.8	0.6%	1.3%	0.7%
Stalprofil	STF PW	14.20	-4.2%	-	12.5	9.7	69.0	9.9	8.7	0.5	0.4	0.4	0.7%	0.7%	1.0%
Steel Dynamics	STLD US	47.49	+10.1%	30.2	18.1	12.4	12.3	9.1	7.7	1.6	1.3	1.2	1.2%	1.3%	1.3%
Mangata (Zetkama)*	MGT PW	94.00	-6.5%	14.0	13.9	12.2	8.7	7.9	7.1	1.2	1.1	1.0	0.0%	2.1%	2.9%
<b>Median</b>				<b>13.8</b>	<b>13.9</b>	<b>12.5</b>	<b>9.0</b>	<b>7.7</b>	<b>6.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7%</b>	<b>1.8%</b>	<b>1.6%</b>

## Prices of aluminum, steel, copper, and coal



Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk



## Valuation of Chemical Producers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
<b>Soda Ash Producers</b>															
Akzo Nobel	AKZA NA	75.12	+2.9%	19.4	18.4	17.6	9.9	10.0	9.7	1.5	1.4	1.4	2.2%	5.7%	3.1%
BASF	BAS GY	95.29	+3.9%	21.6	14.7	14.8	9.4	8.1	7.9	1.7	1.6	1.5	3.1%	3.4%	3.5%
Bayer	BAYN GY	107.10	+3.0%	19.7	16.3	15.1	8.6	10.0	9.1	2.0	2.6	2.6	2.5%	2.6%	2.7%
Ciech*	CIE PW	61.40	+6.8%	5.5	9.2	8.9	4.9	5.7	5.3	1.3	1.2	1.1	4.6%	0.0%	5.9%
Ciner Resources	CINR US	27.25	+8.5%	34.7	13.6	11.1	6.6	6.7	6.1	1.6	1.6	1.5	8.3%	8.3%	8.3%
Huntsman	HUN US	35.29	+6.0%	25.6	12.9	13.6	10.6	8.2	8.5	1.2	1.3	1.3	1.4%	1.4%	1.5%
Soda Sanayii	SODA TI	5.08	+0.8%	7.9	7.5	7.6	8.0	6.6	6.6	2.1	1.8	1.7	3.7%	5.5%	6.2%
Solvay	SOLB BB	119.45	+4.3%	19.9	14.0	14.7	7.6	7.5	7.3	1.5	1.6	1.6	2.9%	3.0%	3.1%
Tata Chemicals	TTCH IN	717.30	-1.9%	23.7	20.3	17.5	11.3	10.4	10.5	1.4	1.6	1.8	1.4%	1.5%	1.6%
Tessenderlo Chemie	TESB BB	39.05	+0.4%	17.0	29.1	15.7	8.9	8.7	7.8	1.1	1.0	1.0	-	-	-
Tronox	TROX US	19.82	-3.4%	-	-	19.2	17.0	9.7	6.2	2.2	2.2	1.6	0.9%	0.9%	0.9%
Wacker Chemie	WCH GY	174.00	+7.3%	48.2	36.2	25.0	8.6	9.5	8.5	1.8	2.0	1.9	1.1%	1.6%	2.3%
<b>Median</b>				<b>19.9</b>	<b>14.7</b>	<b>14.9</b>	<b>8.8</b>	<b>8.5</b>	<b>7.8</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>	<b>2.5%</b>	<b>2.6%</b>	<b>3.1%</b>
<b>Fertilizer Producers</b>															
Acron	AKRN RX	4082	+8.6%	6.2	10.2	9.1	8.0	7.9	7.4	2.7	2.6	2.5	7.4%	7.8%	7.5%
Agrium	AGU US	115.00	+0.0%	26.8	24.4	19.2	12.8	12.9	10.8	1.6	1.6	1.5	3.0%	3.0%	3.1%
CF Industries Holdings	CF US	42.13	-1.0%	-	-	91.8	17.4	16.8	13.0	4.5	4.1	3.9	2.8%	2.8%	2.8%
Grupa Azoty*	ATT PW	73.25	+5.2%	21.2	14.0	15.4	8.2	6.9	6.9	0.9	0.9	0.9	1.1%	1.1%	1.4%
Israel Chemicals	ICL IT	15.32	+8.7%	-	14.7	11.8	22.9	8.9	7.9	1.7	1.7	1.7	3.8%	3.1%	3.9%
Mosaic	MOS US	27.62	+7.6%	32.5	26.9	23.1	12.6	11.3	8.9	1.8	1.8	1.6	4.0%	2.2%	0.4%
PhosAgro	PHOR RX	2491	-0.3%	5.4	14.0	10.7	5.9	7.5	6.6	2.3	2.3	2.2	6.2%	4.4%	5.2%
Potash Corp of Saskat	POT US	20.65	+0.0%	52.9	36.9	29.4	17.0	15.1	13.3	5.5	5.5	5.1	3.4%	1.9%	2.1%
Uralkali	URKA RX	128.00	+8.9%	2.1	5.7	5.0	10.3	8.3	7.8	5.3	4.3	4.1	-	-	-
Yara International	YAR NO	375.90	-0.2%	16.2	24.5	15.7	8.0	10.3	7.6	1.2	1.3	1.2	2.7%	2.4%	3.0%
ZA Pulawy	ZAP PW	161.00	+2.9%	11.3	11.3	10.5	5.0	4.9	4.8	0.8	0.7	0.7	5.3%	5.3%	7.5%
ZCh Police	PCE PW	20.00	-4.0%	17.1	9.8	9.6	9.9	6.9	6.8	0.8	0.7	0.7	2.1%	2.1%	2.5%
<b>Median</b>				<b>16.6</b>	<b>14.0</b>	<b>13.6</b>	<b>10.1</b>	<b>8.6</b>	<b>7.7</b>	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>	<b>3.4%</b>	<b>2.8%</b>	<b>3.0%</b>
<b>Synthetic Rubber Producers</b>															
Apar Industries	APR IN	790.50	-2.4%	24.3	17.0	19.3	8.5	7.1	7.7	0.6	0.6	0.6	1.3%	1.1%	1.2%
Asahi Kasei	3407 JT	1460.5	+0.5%	22.2	19.3	14.5	8.3	8.8	7.6	1.2	1.2	1.1	1.4%	1.4%	1.9%
BASF	BAS GY	95.29	+3.9%	21.6	14.7	14.8	9.4	8.1	7.9	1.7	1.6	1.5	3.1%	3.4%	3.5%
Grand Pacific Petro	1312 TT	29.80	-5.2%	11.2	9.9	9.3	7.0	6.0	5.9	1.4	1.2	1.2	3.4%	3.9%	4.2%
Kumho Petrochemical	011780 KS	103500	+4.0%	39.5	15.5	13.7	12.8	10.4	9.1	1.2	0.9	0.9	0.8%	0.9%	1.0%
LANXESS	LXS GY	72.02	+8.6%	34.3	17.9	16.8	10.6	7.8	9.9	1.3	1.0	1.4	1.0%	1.2%	1.4%
Synthos*	SNS PW	4.89	+0.2%	25.3	15.6	19.0	11.8	10.0	11.3	1.6	1.2	1.3	10.8%	10.2%	2.5%
Trinseo	TSE US	83.85	+16.1%	12.3	11.0	9.9	7.7	7.4	6.9	1.2	1.0	1.0	1.1%	1.6%	1.7%
TSRC Corp	2103 TT	35.50	-4.7%	29.6	32.3	19.3	12.6	16.0	11.9	1.3	1.1	1.0	3.6%	2.7%	4.7%
Ube Industries	4208 JT	3260.00	-1.7%	18.1	16.9	11.2	7.0	7.7	6.5	0.8	0.9	0.8	1.5%	1.8%	1.9%
ZEON	4205 JT	1617.0	-0.9%	20.2	17.3	13.8	7.8	7.7	6.7	1.4	1.4	1.3	0.9%	1.0%	1.1%
<b>Median</b>				<b>22.2</b>	<b>16.9</b>	<b>14.5</b>	<b>8.5</b>	<b>7.8</b>	<b>7.7</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>	<b>1.4%</b>	<b>1.6%</b>	<b>1.9%</b>

Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

**EV** – net debt + market value (EV – economic value)  
**EBIT** – Earnings Before Interest and Taxes  
**EBITDA** – EBIT + Depreciation and Amortisation  
**EBIT/EV** – operating profit to economic value  
**EBITDA/EV** – EBIT + Depreciation and Amortisation to economic value  
**P/E** – (Price/Earnings) – price divided by annual net profit per share  
**P/BV** – (Price/Book Value) – price divided by book value per share  
**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents  
**MCap** – current market capitalization  
**Monthly price change (MoM price change)** – change in the price of a stock since the date of the previous publication or in the course of the past month

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market  
**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

**BUY** – we expect that the rate of return from an investment will be at least 15%  
**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
**REDUCE** – we expect that the rate of return from an investment will range from -5% to -15%  
**SELL** – we expect that an investment will bear a loss greater than 15%  
 Recommendations are updated at least once every nine months.

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The present report was not transferred to the issuers prior to its publication.

The production of new recommendations was completed on January 29, 2018, 8:52 AM.  
 New recommendations were first disseminated on January 29, 2018, 8:52 AM.

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**Strong and weak points of valuation methods used in recommendations:**

**DCF** – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.  
**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.  
**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.  
**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.  
**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following investment recommendations for the companies in the 12 months prior to this publication

#### Alumetal

Rating	neutral	overweight	neutral
Rating date	2017-07-31	2017-04-28	2017-03-29
Target price (PLN)	-	-	-
Price on rating day	46.99	64.00	59.67

#### Amica

Rating	overweight
Rating date	2018-01-05
Target price (PLN)	-
Price on rating day	130.00

#### Apator

Rating	neutral	overweight
Rating date	2017-07-31	2017-04-28
Target price (PLN)	-	-
Price on rating day	31.29	35.05

#### Boryszew

Rating	neutral	underweight
Rating date	2017-11-30	2017-01-27
Target price (PLN)	-	-
Price on rating day	9.85	11.20

#### Ciech

Rating	buy	buy	buy	hold	accumulate	accumulate
Rating date	2017-10-02	2017-09-01	2017-06-02	2017-03-24	2017-01-27	2017-01-23
Target price (PLN)	79.54	77.07	82.00	82.00	72.50	71.30
Price on rating day	65.16	62.73	69.69	81.00	69.03	62.70

#### Elemental

Rating	neutral	overweight	suspended
Rating date	2017-08-31	2017-01-27	2017-01-27
Target price (PLN)	-	-	-
Price on rating day	2.55	3.81	3.81

#### Ergis

Rating	neutral
Rating date	2018-01-29
Target price (PLN)	-
Price on rating day	4.77

#### Famur

Rating	buy	buy	buy
Rating date	2018-01-05	2017-09-01	2017-07-20
Target price (PLN)	7.24	6.84	6.95
Price on rating day	6.18	5.81	5.84

#### Forte

Rating	neutral	underweight
Rating date	2018-01-29	2017-08-31
Target price (PLN)	-	-
Price on rating day	49.10	74.02

#### Grupa Azoty

Rating	hold	hold	hold	hold	hold	buy	accumulate	buy	hold
Rating date	2018-01-05	2017-12-01	2017-10-02	2017-09-01	2017-08-02	2017-07-03	2017-06-23	2017-06-02	2017-01-26
Target price (PLN)	73.64	78.52	80.77	69.60	74.30	74.30	74.30	73.90	73.90
Price on rating day	74.40	71.30	79.80	68.90	72.08	63.30	67.50	63.01	70.41

#### Kernel

Rating	accumulate	accumulate	accumulate	accumulate	hold
Rating date	2017-12-01	2017-11-03	2017-09-01	2017-06-02	2017-01-27
Target price (PLN)	57.20	58.70	71.74	73.90	73.90
Price on rating day	47.51	48.25	60.70	68.33	76.75

#### Grupa Kęty

Rating	hold	hold	hold
Rating date	2018-01-05	2017-09-01	2017-01-27
Target price (PLN)	390.72	414.09	387.90
Price on rating day	408.00	402.10	416.80

#### Kruszwica

Rating	neutral
Rating date	2017-03-29
Target price (PLN)	-
Price on rating day	63.50



mBank issued the following investment recommendations for the companies in the 12 months prior to this publication

## Mangata

<b>Rating</b>	<b>neutral</b>
Rating date	2016-10-26
Target price (PLN)	-
Price on rating day	112.55

## Pfleiderer Group

<b>Rating</b>	<b>overweight</b>
Rating date	2017-11-08
Target price (PLN)	-
Price on rating day	36.65

## Pozbud

<b>Rating</b>	<b>overweight</b>
Rating date	2017-11-13
Target price (PLN)	-
Price on rating day	2.98

## Stelmet

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>accumulate</b>	<b>accumulate</b>
Rating date	2017-09-01	2017-07-17	2017-01-27	2017-01-12
Target price (PLN)	28.94	30.50	33.80	33.40
Price on rating day	22.20	22.51	32.30	31.00

## Synthos

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>sell</b>
Rating date	2017-11-30	2017-10-02	2017-09-01	2017-01-17
Target price (PLN)	4.73	4.62	4.39	3.72
Price on rating day	4.76	5.14	4.78	5.30

## Tarczyński

<b>Rating</b>	<b>neutral</b>	<b>overweight</b>	<b>neutral</b>
Rating date	2018-01-29	2017-11-20	2017-05-31
Target price (PLN)	-	-	-
Price on rating day	13.05	11.00	11.20

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