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Industrials Update: February 2018 Recap

Industrials, Poland

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Industrials

- The February stock market correction has pushed the P/E and EV/EBITDA ratios of **MSCI Industrials Europe and World** down close to their three-year averages from the high premiums seen a month ago, which we predicted would have to tighten sooner or later. As the **zloty appreciates vis-à-vis the dollar**, the profits of European manufacturers have come under pressure.
- The 2017 fourth-quarter earnings season in the Polish industrial sector is set to be a mixed bag in our view, with **47% of companies expected to deliver improvement** from the year-ago levels, and the **same percentage set to report deterioration**. We think Alumetal, Elemental, and Stelmet may surprise on the upside with their fourth-quarter figures. On the other hand, Apator and Forte missed market expectations as predicted.
- 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** stock 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 **Pfleiderer 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 4x 2019E P/E.
- The zloty's current appreciation versus the dollar can affect the profitability of the African tractor contracts of **Ursus**, whose controlling shareholder sold PLN 6.8m-worth of shares in the Company (2.9% of all shares outstanding) in January.
- Our 2018 and 2018 earnings forecasts for **Apator** had to be cut by PLN 13m to PLN 68m, and by PLN 10m to PLN 70m, respectively, after the meter manufacturer issued a **guidance range of PLN 65-70m** (with the net profit for 2017 set to come in at PLN 70m).
- An index of **Polish manufacturing stocks** is currently trading at **12.5x 2018E P/E** and **7.4x EV/EBITDA** - not a particularly attractive level given the low liquidity and cost pressures (see PPI chart on page 3) that most of these companies face this year.

Chemicals

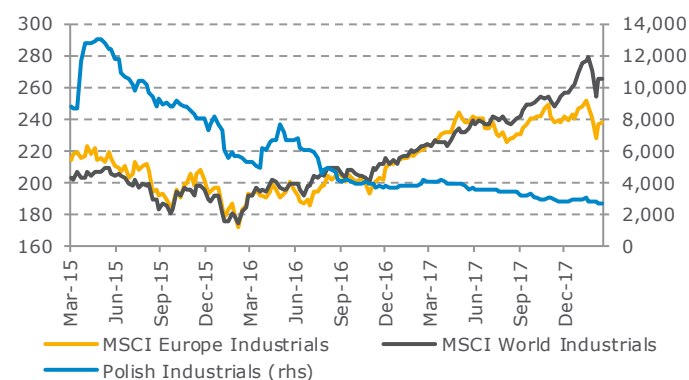
- The February stock market correction has pushed the P/E and EV/EBITDA ratios of **MSCI Chemicals Europe and World** down on a level with or even below the three-year averages.
- Chemical producers have seen their profits and shares rise on the back of environmentally -driven **production curbs in China** and a **strong economy in Europe**. On the other hand, the **euro's upward climb against the dollar** takes away their competitive advantage, and gives rise to increased risk of cheaper imports.
- Our **top chemical pick** for March is **Ciech**, expected to report its second-highest EBITDA figure in history in 2017.
- We maintain a **neutral view** on the fertilizer producer **Grupa Azoty** despite the recent share price decline looking at the rising costs of natural gas and the large number of maintenance outages the Company has lined up for 2018.

MoM* and YTD Price Change

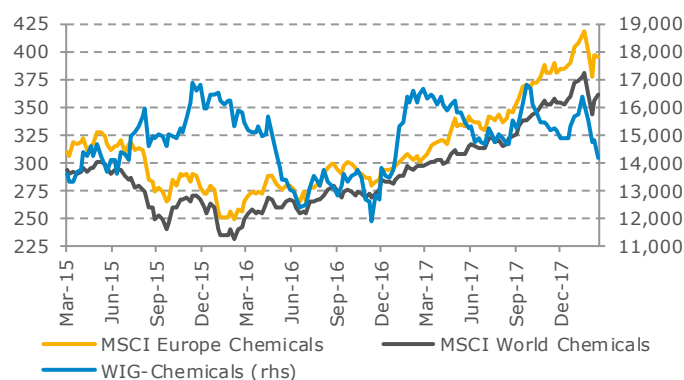
Industrials	MoM	YTD
Vistal	+65.8%	+56%
Bumech	+41.9%	+42%
TOYA	+15.1%	+9%
Forte	+14.4%	+11%
Suway	+14.3%	+38%
Pozbud	+11.0%	+15%
Indykpol	+10.4%	+16%
Patentus	+10.0%	+8%
Ferrum	+9.5%	+10%
Lena	+8.8%	+12%
Oponeo	+8.4%	+8%
Dębica	+8.0%	+3%
Kęty	-6.3%	-9%
Stalprodukt	-6.7%	-0%
Alumetal	-7.4%	-3%
Selena FM	-8.3%	-12%
Astarta	-9.0%	+2%
Libet	-9.1%	-14%
Izostal	-9.4%	-9%
Apator	-9.4%	-11%
Kernel	-10.3%	-2%
Elemental	-11.2%	-14%
Otmuchów	-16.7%	-6%
Ursus	-22.8%	-24%
Chemicals	MoM	YTD
PCC Rokita	+0.9%	+11%
Synthos	+0.0%	+0%
Polwax	-0.9%	-2%
Police	-1.0%	-5%
Ciech	-3.4%	+3%
ZA Puławy	-4.4%	-2%
Mercator	-8.9%	+2%
Krakchemia	-14.7%	-23%
Azoty	-15.1%	-13%
WIGCHEM	-9.8%	-7%
WIG	-4.9%	-1%

*Jan. 30 - Feb. 27

Polish Industrials vs. MSCI Index



WIG-Chemicals vs. MSCI Index



Industrial Stock Key Metrics and Ratings

Company	Weight		Current price	MoM change	P/E			EV/EBITDA			DYield			P/(BV-goodwill)			'18E ND /EBITDA
	current	change			2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	
Alumetal	N	-	52.30	-7.4%	12.6	11.2	11.7	9.6	8.4	8.5	5.6%	4.0%	4.5%	1.8	1.6	1.5	1.0
Amica Wronki	OW	-	129.20	+0.9%	7.0	6.8	8.0	6.5	5.6	5.4	4.3%	4.3%	4.4%	1.3	1.2	1.1	1.0
Apator	N	►	24.00	-9.4%	15.3	12.4	12.0	8.4	7.5	7.2	5.0%	5.2%	6.4%	2.5	2.3	2.1	0.9
Boryszew	N	-	9.84	+5.8%	11.1	12.5	11.5	8.4	7.9	7.4	2.3%	2.4%	4.4%	2.2	1.9	1.8	1.7
Elemental	N	-	1.99	-11.2%	9.1	6.1	5.3	6.9	5.2	4.5	0.0%	0.0%	0.0%	1.5	1.2	1.0	1.0
Ergis	N	-	4.35	-4.0%	8.3	8.1	7.2	5.8	5.6	5.1	4.6%	4.6%	5.3%	0.9	0.8	0.8	2.7
Famur	OW	-	6.46	+3.2%	49.1	19.4	14.5	14.1	8.0	7.0	0.0%	0.0%	1.7%	2.8	2.4	2.1	-0.4
Forte	N	-	55.50	+14.4%	19.8	14.5	13.4	14.5	11.2	10.7	0.4%	0.0%	3.6%	2.4	2.4	2.6	3.3
Kemel	N	-	46.65	-10.3%	5.7	10.2	5.3	5.1	7.2	4.8	2.0%	1.9%	3.0%	1.0	1.0	0.9	2.3
Kęty	N	-	374.00	-6.3%	14.0	13.6	13.6	9.5	8.9	8.8	8.0%	7.1%	5.9%	2.6	2.6	2.5	1.5
Kruszwica	N	-	71.80	-1.6%	27.6	23.0	22.4	14.2	12.3	11.9	3.3%	2.7%	3.3%	2.4	2.3	2.2	-1.8
Mangata (Zetkama)	N	-	96.60	+5.0%	14.3	12.6	11.5	8.1	7.3	6.7	2.1%	2.8%	4.0%	1.6	1.5	1.4	0.1
Pfleiderer Group	OW	-	39.15	+2.2%	34.6	14.7	13.8	7.6	6.0	5.6	2.8%	2.3%	4.7%	3.5	3.1	2.9	1.7
Pozbud	OW	-	4.14	+11.0%	16.0	7.4	4.2	10.7	6.0	2.7	0.0%	2.2%	6.7%	0.6	0.6	0.6	1.4
Stelmet	OW	-	18.85	+1.3%	28.5	13.2	9.1	12.8	8.4	6.2	0.0%	0.0%	3.8%	1.3	1.2	1.1	1.8
Tarczyński	N	-	13.75	+5.8%	9.2	9.9	9.6	5.4	5.7	5.3	4.7%	3.6%	5.1%	1.0	1.0	1.0	2.9
Median					14.2	12.5	11.5	8.4	7.4	6.4	2.5%	2.6%	4.4%	1.7	1.5	1.4	1.4

Earnings: Historical Data and Forward Estimates

(PLN m)	Revenue			EBITDA			Net Profit		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Alumetal	1,482.5	1,626.7	1,633.6	96.1	107.3	105.1	63.4	71.0	68.3
Amica Wronki	2,616.7	2,704.7	2,755.7	190.2	218.5	221.8	143.8	147.1	125.9
Apator	894.6	867.7	889.4	115.9	128.6	132.6	55.2	67.8	70.4
Boryszew	6,250.8	6,697.7	6,794.4	473.4	494.2	510.6	213.1	188.6	206.0
Elemental	1,375.6	1,450.3	1,524.0	70.2	85.6	94.5	37.2	55.5	63.6
Ergis	750.5	810.9	851.4	56.6	58.7	62.6	20.0	20.5	23.1
Famur	1,387.5	2,059.0	2,176.7	280.6	446.1	476.7	73.7	191.5	256.0
Forte	1,095.1	1,155.5	1,190.1	125.4	168.1	178.7	66.6	90.6	98.5
Kemel (USD m)	2,168.9	2,533.1	2,883.6	319.2	234.4	336.9	178.6	105.2	201.9
Kęty	2,632.5	2,968.5	2,965.3	432.1	478.3	483.9	252.7	260.4	260.5
Kruszwica	2,461.1	2,333.6	2,360.9	102.6	117.4	119.9	59.7	71.8	73.7
Mangata (Zetkama)	633.5	649.4	665.1	87.8	92.4	97.6	45.2	51.3	56.3
Pfleiderer Group (EUR m)	1,003.0	1,046.5	1,086.2	114.2	142.5	150.1	17.2	41.1	44.1
Pozbud	133.5	180.1	374.4	15.3	25.1	38.0	6.9	14.9	26.1
Stelmet	538.1	592.0	657.6	57.6	84.3	105.4	19.4	41.8	60.7
Tarczyński	727.6	751.1	789.1	57.2	55.1	56.4	17.0	15.7	16.3

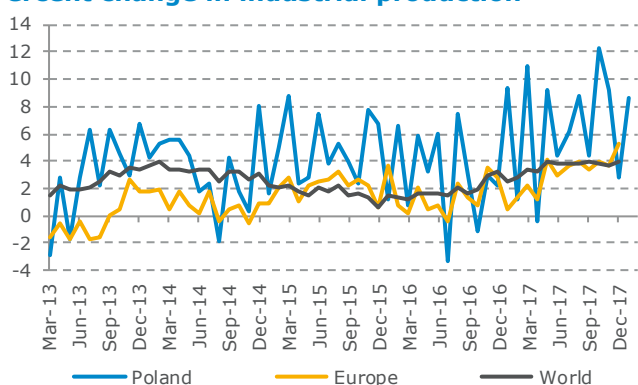
2015-2017 Quarterly Results vs. Our Expectations

Company	Q4'15		Q1'16		Q2'16		Q3'16		Q4'16		Q1'17		Q2'17		Q3'17	
	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.
	mDM	Q4'14	mDM	Q1'15	mDM	Q2'15	mDM	Q3'15	mDM	Q4'15	mDM	Q1'16	mDM	Q2'16	mDM	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	-	-	-
Kemel	+	+	+	-	-	-	+	+	-	-	-	-	-	-	-	-
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	+	+	+

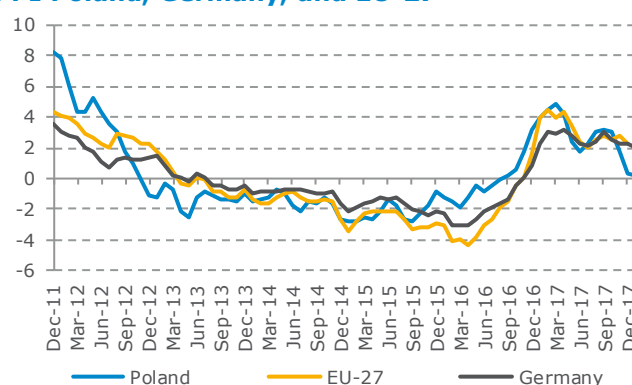
Source: Dom Maklerski mBanku; OW – overweight, N – neutral, UW – underweight

EU & Poland Statistics on Industrial Production

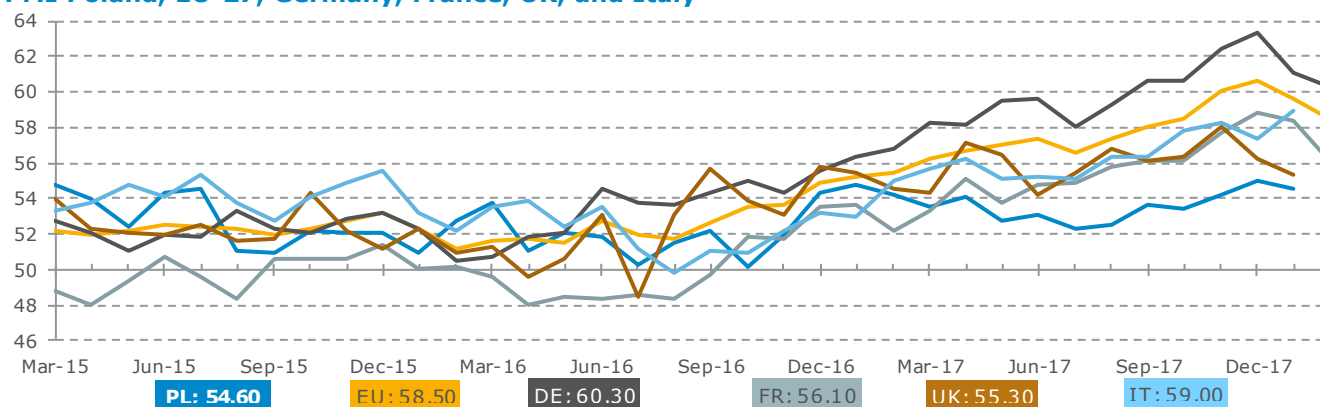
Percent change in industrial production



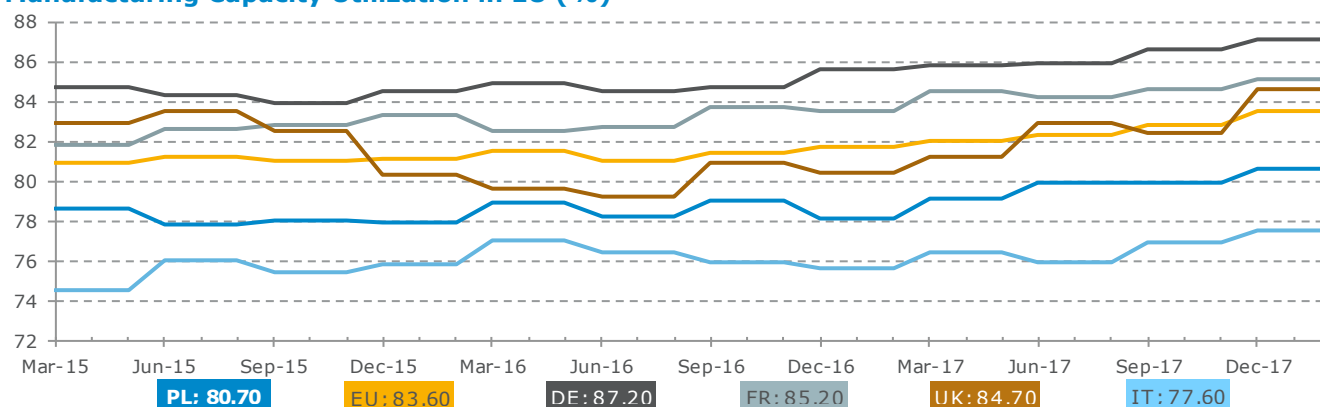
PPI Poland, Germany, and EU-27



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

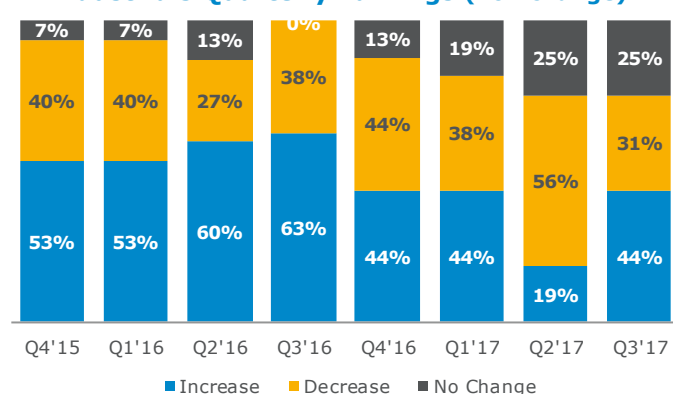


Manufacturing Capacity Utilization in EU (%)

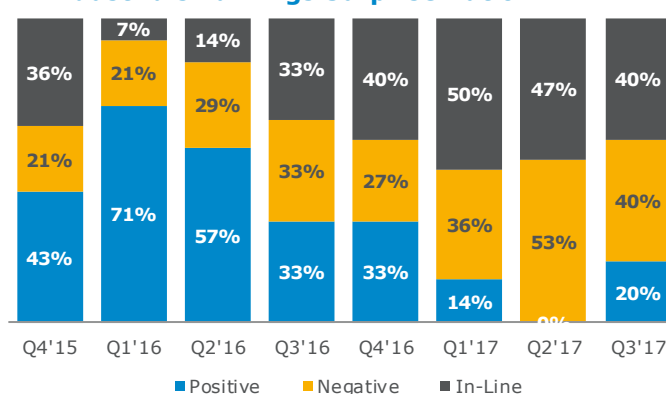


Source: Bloomberg

PL Industrials Quarterly Earnings (YoY change)

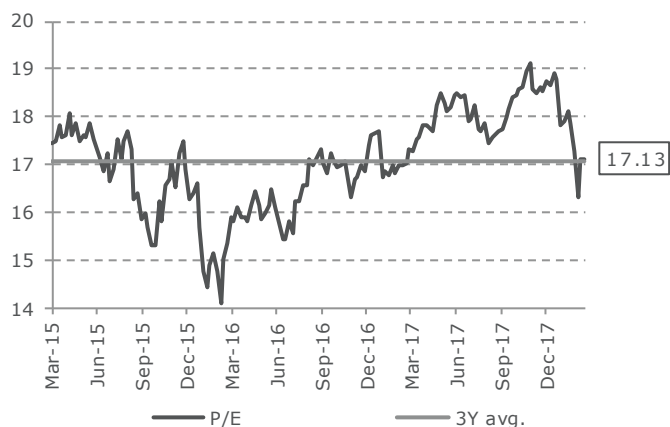


PL Industrials Earnings Surprise Ratio

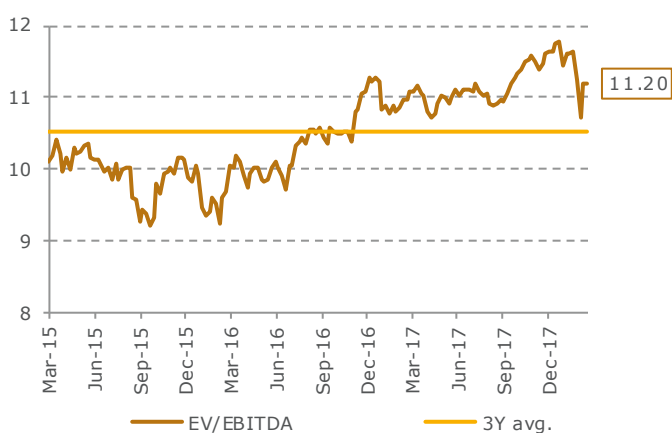
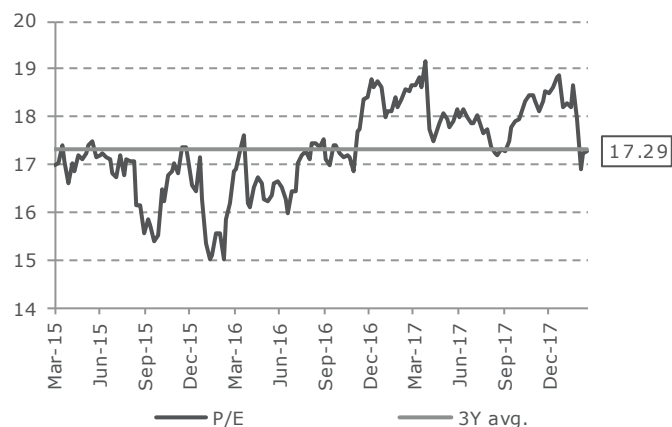


Source: Dom Maklerski mBanku

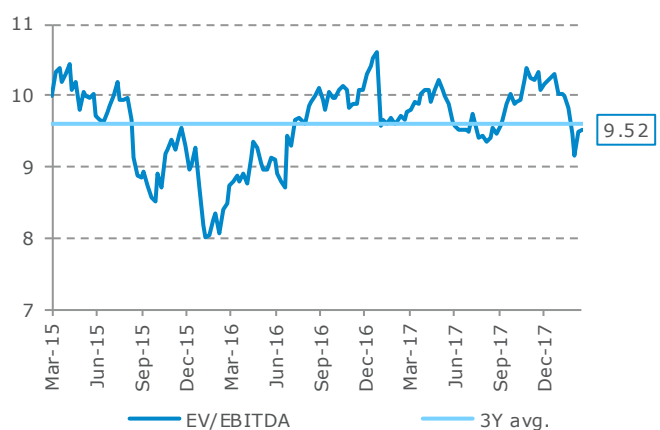
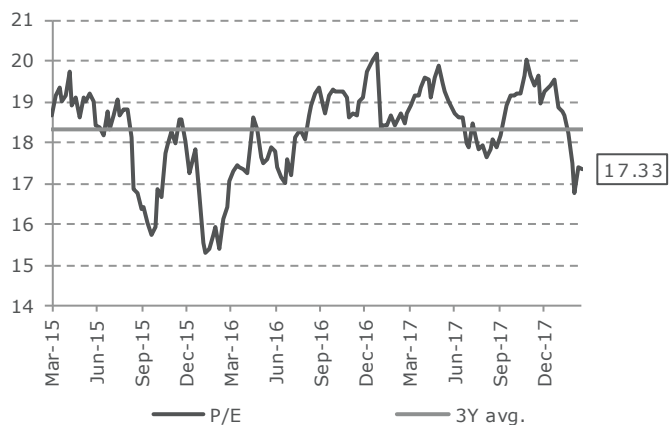
MSCI Europe Industrials P/E & EV/EBITDA



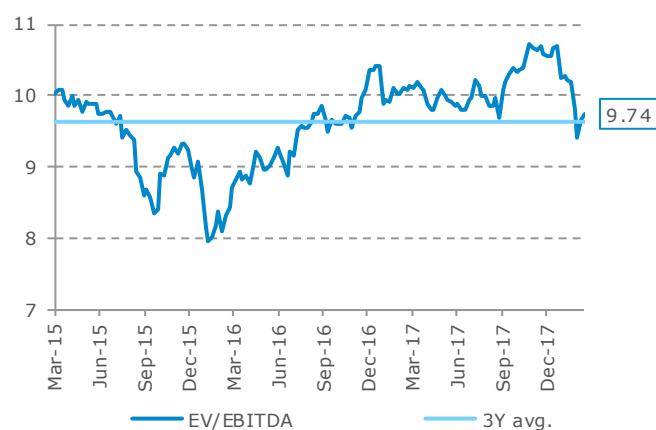
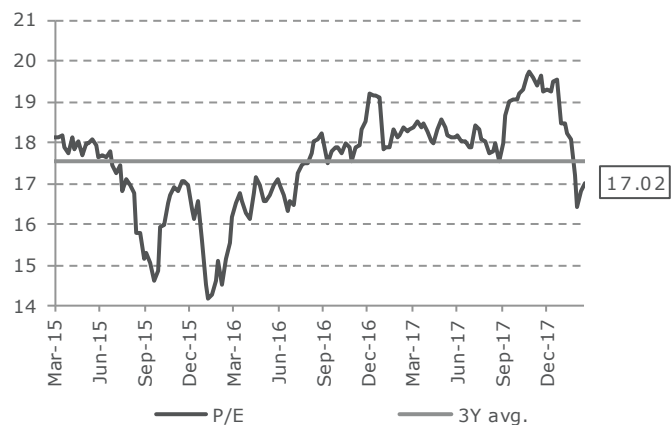
MSCI World Industrials P/E & EV/EBITDA



MSCI Europe Chemicals P/E & EV/EBITDA



MSCI World Chemicals P/E & EV/EBITDA

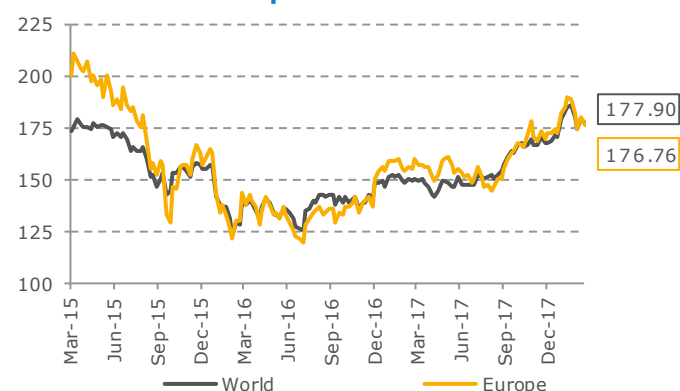


Source: Bloomberg

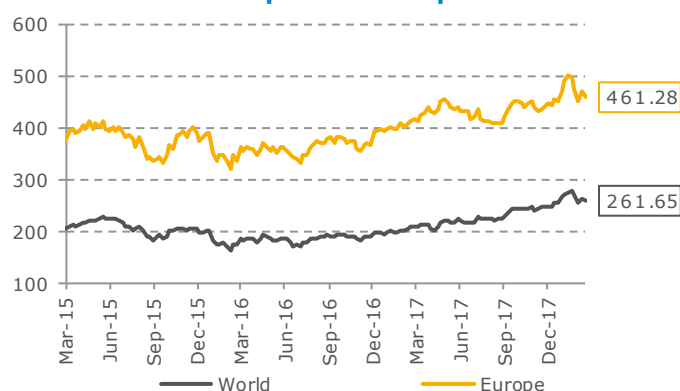
Valuation of Automotive Suppliers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
AC SA	ACG PW	39.60	-1.0%	12.6	13.2	12.8	8.7	8.7	8.5	2.0	2.0	1.9	6.3%	6.5%	-
Alumetal*	AML PW	52.30	-7.4%	12.6	11.2	11.7	9.6	8.4	8.5	0.6	0.6	0.5	5.6%	4.0%	4.5%
American Axle & Man.	AXL US	15.09	-16.6%	4.7	4.2	4.4	5.4	4.4	4.4	0.8	0.8	0.8	-	-	-
Autoliv	ALIV SS	1207.5	+3.2%	23.7	19.8	16.5	12.9	9.1	8.0	1.3	1.2	1.1	1.6%	1.7%	1.9%
BorgWamer	BWA US	50.09	-11.7%	24.0	11.5	10.6	8.3	6.9	6.5	1.3	1.2	1.1	1.2%	1.3%	1.4%
Boryszew*	BRS PW	9.84	+5.8%	11.1	12.5	11.5	8.4	7.9	7.4	0.6	0.6	0.6	2.3%	2.4%	4.4%
Brembo	BRE IM	11.54	-12.8%	13.7	14.0	13.0	8.6	8.1	7.5	1.7	1.6	1.5	1.8%	2.0%	2.2%
Dana Holding	DAN US	27.28	-17.9%	35.7	9.5	8.6	7.3	5.6	5.2	0.7	0.7	0.7	0.9%	1.1%	1.2%
Delphi Automotive	DLPH US	48.43	-14.2%	15.0	10.1	9.1	8.7	6.8	6.2	1.2	1.1	1.1	-	1.3%	1.4%
Denso	6902 JT	6454	-7.3%	19.8	16.2	15.1	8.4	7.2	6.7	1.1	1.0	0.9	1.9%	2.0%	2.2%
Eaton Corporation	ETN US	81.96	-3.3%	12.2	15.9	14.6	12.1	11.2	10.6	2.1	2.0	1.9	2.9%	3.1%	3.3%
Faurecia	EO FP	69.38	-4.3%	15.6	12.9	12.1	5.5	5.1	4.7	0.6	0.6	0.5	1.6%	1.8%	2.0%
Iochpe-Maxion	MYPK3 BZ	22.95	-3.8%	100+	14.4	11.8	7.1	6.0	5.4	0.8	0.7	0.7	0.8%	2.2%	3.4%
Grupa Kęty*	KTY PW	374.00	-6.3%	14.0	13.6	13.6	9.5	8.9	8.8	1.6	1.4	1.4	8.0%	7.1%	5.9%
Kongsberg Automotive	KOA NO	9.57	-2.3%	-	8.8	5.9	7.8	5.8	4.9	0.7	0.6	0.6	-	-	5.0%
Le Belier	BELI FP	63.30	+1.8%	18.3	12.9	11.9	8.2	7.1	6.8	1.2	1.1	1.1	1.9%	2.2%	2.4%
Leoni	LEO GY	55.38	-12.6%	12.8	12.0	10.4	6.1	5.8	5.3	0.5	0.5	0.4	2.4%	2.7%	3.1%
Magna International	MGA US	56.80	-1.2%	9.6	8.5	7.6	5.9	5.5	5.3	0.6	0.6	0.6	1.9%	2.1%	2.3%
Plastic Omnium	POM FP	38.64	-5.2%	13.7	12.6	11.3	7.0	6.7	6.2	1.0	0.9	0.9	1.6%	1.9%	2.1%
Polytec Holding	PYT AV	17.42	-8.5%	9.4	9.2	9.0	5.6	5.4	5.3	0.7	0.7	0.7	2.8%	3.0%	3.3%
Progress-Werk	PWO GY	44.00	-7.9%	13.7	9.3	8.1	5.7	5.0	4.6	0.6	0.6	0.6	4.1%	4.1%	3.8%
Sanok	SNK PW	41.60	-5.5%	11.6	10.8	9.7	7.1	6.9	5.9	1.1	1.0	1.0	7.9%	7.0%	8.7%
Stabilus	STM GY	79.00	+0.6%	24.6	19.4	18.1	11.9	10.9	10.1	2.3	2.2	2.0	-	1.1%	1.2%
Superior Industries	SUP US	14.95	-14.1%	37.4	13.6	-	8.7	6.2	5.7	1.1	0.8	0.8	-	-	-
Tower International	TOWR US	26.90	-11.6%	11.6	6.5	6.2	4.2	3.6	3.5	0.4	0.4	0.4	1.7%	0.8%	0.8%
Valeo	FR FP	54.52	-14.0%	14.7	12.0	10.7	6.7	5.8	5.2	0.8	0.8	0.7	2.3%	2.7%	3.0%
WABCO Holdings	WBC US	140.63	-9.4%	18.7	18.5	16.9	14.3	11.5	10.9	2.4	2.0	1.9	-	-	-
Median				13.7	12.5	11.4	8.2	6.8	6.2	1.0	0.8	0.8	1.9%	2.2%	2.4%

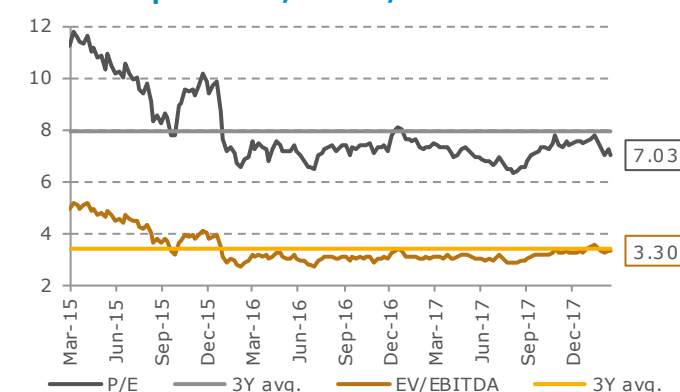
MSCI World & Europe Auto Index



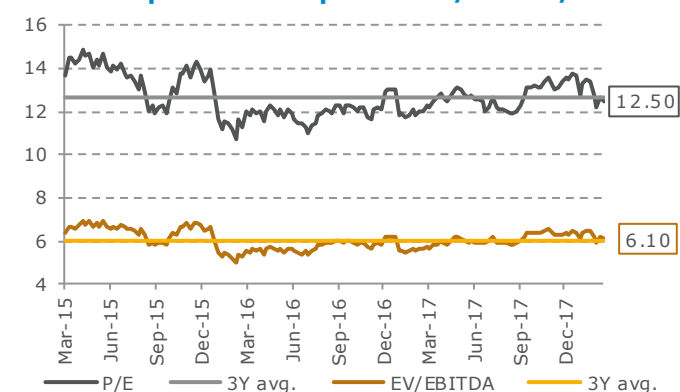
MSCI World & Europe Auto Components Index



MSCI Europe Auto P/E & EV/EBITDA

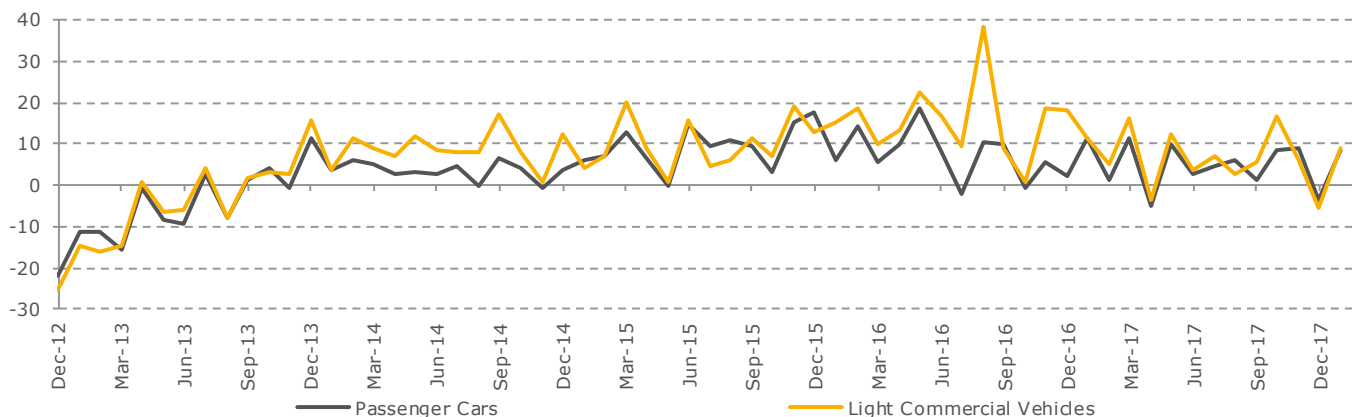


MSCI Europe Auto Components P/E & EV/EBITDA

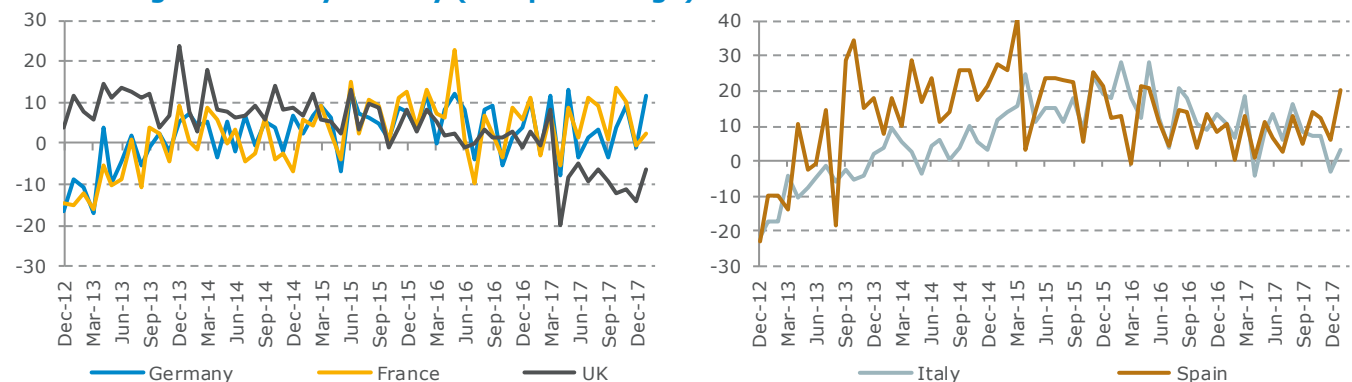


Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

Total EU New Car Registrations (YoY pct. change)



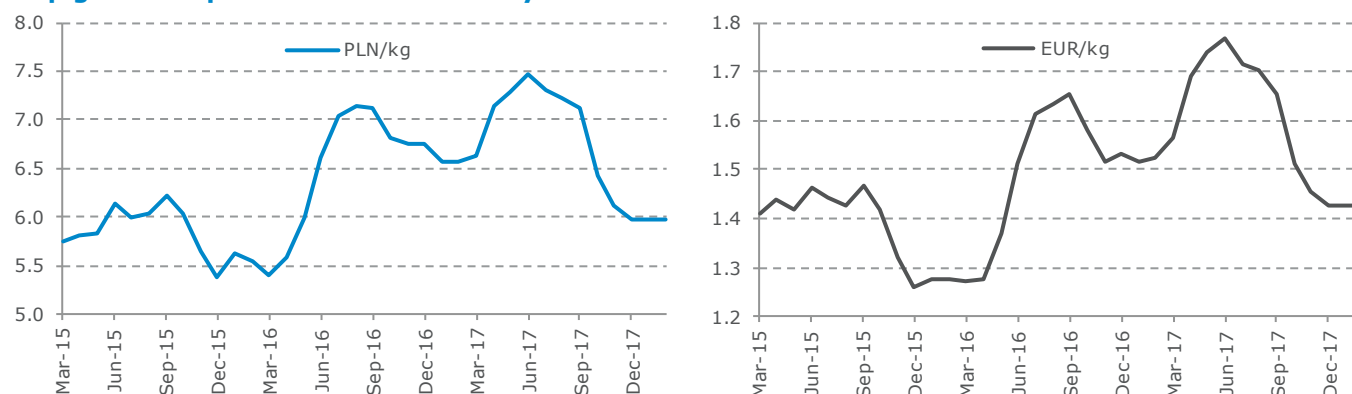
New car registrations by country (YoY pct. change)



Food Producer Valuations

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Atria	ATRAV FH	13.28	+7.1%	14.4	11.8	10.5	6.9	6.3	6.0	0.4	0.4	0.4	3.8%	4.3%	4.9%
Colian	COL PW	3.57	+3.2%	17.9	17.9	17.9	5.8	5.7	5.5	0.5	0.5	0.5	-	-	-
Cranswick	CWK LN	30.90	+2.6%	23.1	22.2	21.0	14.7	13.1	12.4	1.3	1.1	1.1	1.4%	1.6%	1.7%
Hksan	HKSAV FH	3.18	+3.6%	-	-	30.3	13.7	5.8	5.1	0.2	0.2	0.2	2.8%	3.3%	3.9%
JBS	JBSS3 BZ	9.88	-2.8%	10.1	7.7	6.6	5.5	5.2	5.0	0.5	0.4	0.4	1.1%	2.1%	3.5%
Marfrig Global Foods	MRFG3 BZ	6.04	-11.8%	-	21.7	14.3	7.1	5.8	5.4	0.6	0.5	0.5	-	1.3%	1.5%
Tarczyński*	TAR PW	13.75	+5.8%	9.2	9.9	9.6	5.4	5.7	5.3	0.4	0.4	0.4	4.7%	3.6%	5.1%
Tyson Foods	TSN US	74.56	-5.1%	15.4	11.3	10.9	10.6	8.9	8.8	1.0	1.0	0.9	2.5%	1.7%	1.9%
Wawel	WWL PW	1150.0	+0.9%	19.8	20.3	18.1	13.9	12.3	10.6	2.6	2.4	2.2	2.5%	3.0%	5.2%
Median				15.4	14.8	14.3	7.1	5.8	5.5	0.5	0.5	0.5	2.5%	2.6%	3.7%

EU pig carcass prices in euros and zlotys

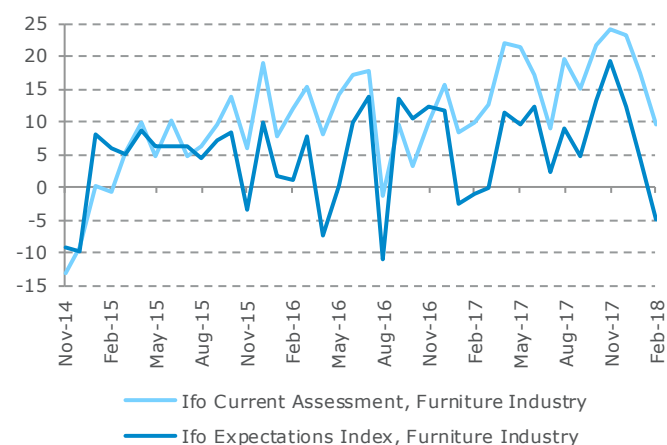


Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

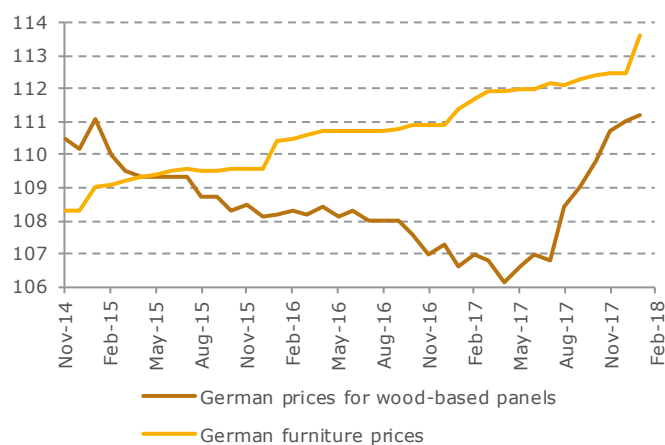
Valuation of Woodworking Companies and Furniture Producers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Arbonia AG	ARBN SW	16.60	-0.7%	30.2	26.9	19.7	11.2	11.0	9.4	1.0	1.0	1.0	0.1%	1.0%	1.8%
Canfor Corporation	CFP CN	31.15	+8.0%	11.8	12.8	11.8	5.4	6.0	5.9	0.9	0.9	0.9	-	0.2%	0.5%
Duratex	DTEX3 BZ	11.79	+13.9%	44.0	27.0	18.7	10.4	10.6	8.9	2.6	2.3	2.1	0.7%	1.0%	2.4%
Evergreen Fiberboard	EVF MK	0.54	-7.0%	10.1	8.6	7.6	4.3	4.2	4.0	0.7	0.6	0.6	1.9%	6.5%	7.5%
Forte*	FTE PW	55.50	+14.4%	19.8	14.5	13.4	14.5	11.2	10.7	1.7	1.6	1.6	0.4%	0.0%	3.6%
Greenply Industries	MTLM IN	346.35	-3.1%	33.7	30.1	25.7	18.3	17.6	14.0	2.8	2.6	2.1	0.2%	0.2%	0.2%
Herman Miller	MLHR US	37.10	-8.6%	17.9	15.9	14.1	9.3	8.5	7.6	1.0	1.0	0.9	1.8%	1.9%	2.0%
Hooker Furniture	HOFT US	37.85	-1.9%	17.3	11.8	10.4	9.9	-	-	0.8	0.8	0.7	1.1%	-	-
Hyundai Livart	079430 KS	25900	-13.1%	11.9	10.0	8.6	10.3	9.4	8.2	0.7	0.7	0.6	0.3%	0.3%	0.3%
Interfor Corporation	IFP CN	25.18	+7.6%	18.1	15.1	16.9	7.1	6.5	7.0	0.9	0.9	0.9	-	-	-
Inwido	INWI SS	80.45	-1.5%	16.0	9.2	8.7	9.2	7.2	6.9	1.0	1.0	1.0	4.4%	5.6%	5.9%
Louisiana-Pacific Corp.	LPM US	29.37	-2.0%	10.9	12.0	11.9	5.7	6.0	6.1	1.4	1.3	1.2	-	1.5%	2.0%
Nobia	NOBI SS	73.00	+13.4%	12.1	12.5	11.9	7.8	7.7	7.4	1.0	1.0	1.0	4.8%	6.0%	5.4%
Norbord	OSB CN	44.92	-4.8%	7.1	9.4	9.7	5.1	5.5	5.8	1.5	1.5	1.5	4.3%	5.5%	5.0%
Okamura	7994 JT	1519	-2.8%	20.2	17.9	15.8	9.6	-	-	0.7	0.7	0.6	1.6%	1.6%	1.7%
Pfleiderer Group*	PFL PW	39.15	+2.2%	34.6	14.7	13.8	7.6	6.0	5.6	0.9	0.8	0.8	2.8%	2.3%	4.7%
Rayonier	RYN US	34.17	+5.9%	29.2	50.0	42.9	15.8	18.8	18.0	7.5	7.3	7.1	2.9%	2.9%	3.0%
Steinhoff Intl Hold.	SNH GR	0.38	-20.0%	1.2	1.1	1.0	3.9	3.4	3.1	0.4	0.4	0.4	33.4%	39.5%	44.7%
Stelmet*	STL PW	18.85	+1.3%	28.5	13.2	9.1	12.8	8.4	6.2	1.4	1.2	1.0	0.0%	0.0%	3.8%
Suofeiya Home	002572 CH	36.88	-1.9%	37.7	27.9	20.7	24.8	18.4	13.8	5.2	3.9	3.0	1.2%	1.7%	2.3%
Surteco	SUR GR	26.55	-4.7%	15.6	11.4	10.8	7.4	6.3	6.3	0.9	0.9	0.9	3.0%	3.0%	3.8%
Vanachai Group	VNG TB	10.80	-2.7%	16.9	12.1	11.1	-	-	-	1.7	1.6	1.4	-	-	-
Median				17.6	13.0	11.9	9.3	7.7	7.0	1.0	1.0	1.0	1.7%	1.7%	3.0%

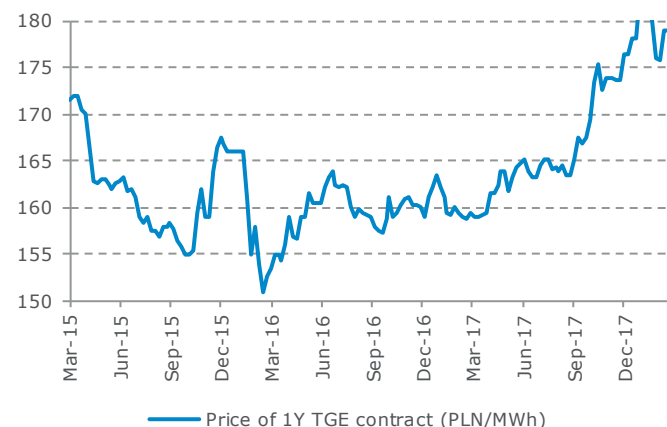
Ifo Business Climate Index – Furniture Industry



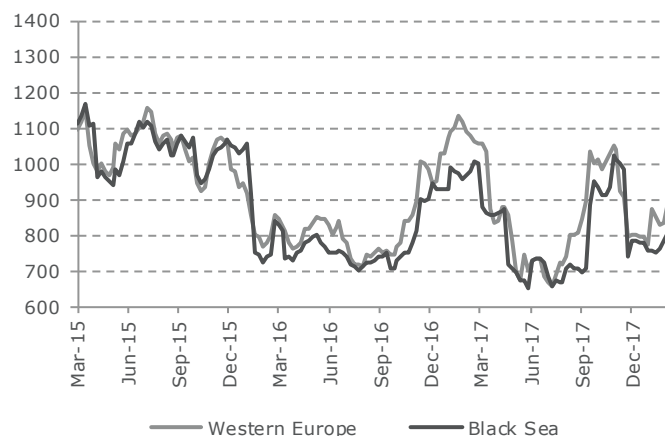
Wood panel and furniture index (DE) (2010=100)



Polish electricity prices



Urea prices (PLN/t)

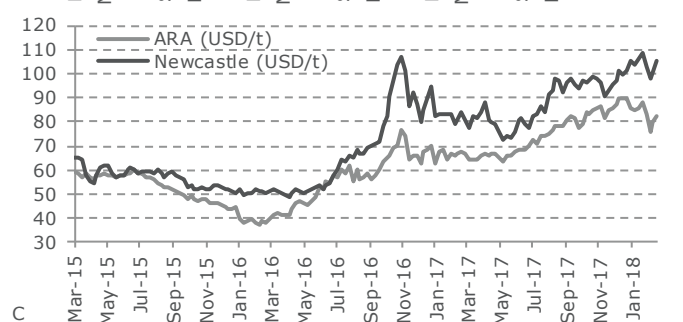
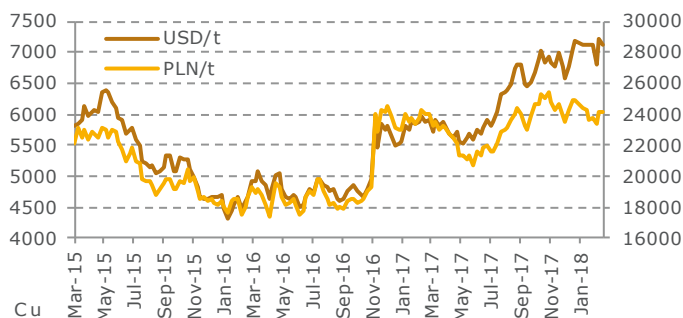
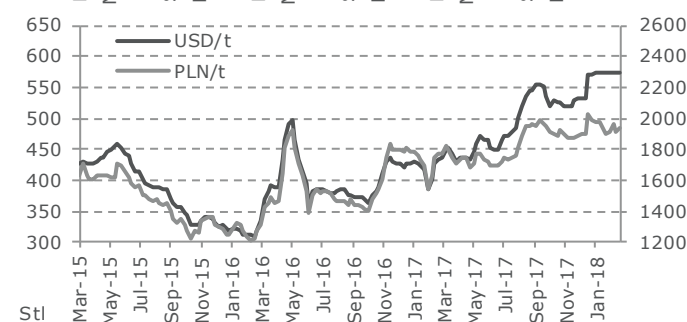
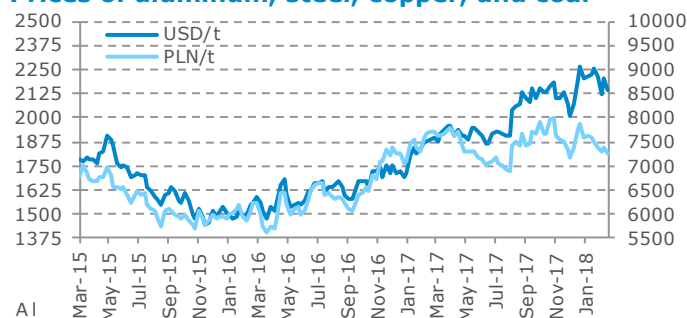


Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

Valuation of Equipment & Machinery Producers

Stock	Ticker	Current price	MoM change	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Appliance Manufacturers															
Amica Wronki*	AMC PW	129.20	+0.9%	7.0	6.8	8.0	6.5	5.6	5.4	0.5	0.5	0.4	4.3%	4.3%	4.4%
Arcelik	ARCLK TI	18.98	-4.5%	15.2	11.2	8.9	9.2	7.4	6.2	0.8	0.7	0.6	3.2%	3.3%	4.4%
De'Longhi	DLG IM	23.46	-12.0%	19.4	18.5	16.8	11.2	10.4	9.6	1.7	1.6	1.5	2.7%	3.0%	3.1%
Electrolux	ELUXB SS	272.80	+4.7%	13.6	14.0	12.8	7.2	7.1	6.6	0.7	0.7	0.7	3.0%	3.2%	3.4%
Gorenje	GRVG SV	5.46	+9.2%	14.4	12.4	9.9	6.0	5.4	4.9	0.4	0.4	0.4	1.8%	-	-
SEB	SK FP	168.80	+1.6%	21.6	19.1	17.2	13.3	12.1	11.2	1.6	1.6	1.5	1.3%	1.5%	1.6%
Whirlpool Corporation	WHR US	165.24	-9.2%	34.6	10.7	9.5	9.3	7.2	6.8	0.8	0.8	0.7	2.6%	2.8%	3.2%
Median				15.2	12.4	9.9	9.2	7.2	6.6	0.8	0.7	0.7	2.7%	3.1%	3.3%
Mining Equipment Manufacturers															
Atlas Copco	ATCOA SS	355.20	-3.3%	25.9	21.9	20.2	14.4	13.5	12.7	3.6	3.4	3.2	-	2.2%	2.4%
Caterpillar	CAT US	161.26	-1.5%	100+	17.7	15.4	13.3	10.2	9.1	2.1	1.9	1.8	1.9%	2.0%	2.1%
Duro Felguera	MDF SM	0.42	+8.3%	-	12.1	11.1	-	8.8	9.7	0.6	0.6	0.6	5.2%	7.1%	9.5%
Famur*	FMF PW	6.46	+3.2%	49.1	19.4	14.5	14.1	8.0	7.0	2.8	1.7	1.5	0.0%	0.0%	1.7%
Komatsu	6301 JP	4011.0	-5.7%	33.4	20.2	15.5	16.9	12.6	9.7	2.6	1.9	1.8	1.4%	1.8%	2.4%
Sandvik	SAND SS	153.85	-0.4%	14.6	17.9	16.4	9.1	10.2	9.9	2.3	2.3	2.2	2.3%	2.5%	2.7%
Median				29.6	18.7	15.4	14.1	10.2	9.7	2.5	1.9	1.8	1.9%	2.1%	2.4%
Metals															
Aichi Steel	5482 JT	4705.0	+4.0%	18.2	14.5	12.9	6.2	4.8	4.4	0.6	0.5	0.5	2.1%	2.1%	2.1%
AK Steel	AKS US	5.47	-0.4%	100+	9.7	7.4	8.8	6.8	6.1	0.7	0.6	0.6	-	-	-
Alcoa	AA US	46.22	-12.0%	39.2	12.8	12.5	5.6	4.3	4.6	0.9	0.9	0.9	-	0.0%	0.1%
Bluescope Steel	BSL AU	16.29	+10.7%	13.0	12.6	12.5	7.0	6.6	6.5	0.9	0.9	0.9	0.6%	1.0%	1.0%
Constellium	CSTM US	12.00	-5.9%	-	11.4	9.0	6.4	6.8	6.2	0.6	0.5	0.5	-	-	-
Elemental*	EMT PW	1.99	-11.2%	9.1	6.1	5.3	6.9	5.2	4.5	0.3	0.3	0.3	0.0%	0.0%	0.0%
Grupa Kęty*	KTY PW	374.00	-6.3%	14.0	13.6	13.6	9.5	8.9	8.8	1.6	1.4	1.4	8.0%	7.1%	5.9%
Kaiser Aluminum	KALU US	104.66	-5.2%	39.2	15.6	13.5	9.9	8.9	8.0	1.4	1.3	1.2	1.9%	2.0%	2.1%
Konsorcjum Stali	KST PW	34.90	-1.4%	7.0	-	-	7.0	-	-	0.2	0.2	-	-	-	-
Mangata (Zetkama)*	MGT PW	96.60	+5.0%	14.3	12.6	11.5	8.1	7.3	6.7	1.1	1.0	1.0	2.1%	2.8%	4.0%
Nyrstar	NYR BB	5.865	-9.9%	12.0	26.1	8.8	5.2	5.0	4.3	0.5	0.4	0.5	-	-	-
Reliance Steel & Alu	RS US	92.82	+4.6%	11.1	13.9	12.3	9.7	8.8	8.3	0.9	0.8	0.8	1.9%	2.2%	2.2%
Sanyo Special	5481 JT	2380.0	-15.3%	9.9	9.5	10.6	5.1	5.0	4.7	0.8	0.7	0.7	2.6%	3.0%	3.3%
Stalprodukt	STP PW	504.00	-6.7%	9.3	10.1	9.5	4.8	4.5	4.6	0.8	0.7	0.7	1.4%	0.7%	7.6%
Stalprofil	STF PW	14.50	+2.1%	12.8	9.9	8.9	10.5	-	-	0.4	0.4	0.3	-	-	-
Steel Dynamics	STLD US	47.51	+1.6%	14.1	12.4	12.3	9.2	7.6	7.6	1.3	1.2	1.2	1.3%	1.3%	1.4%
Median				12.9	12.6	11.5	7.0	6.7	6.2	0.8	0.7	0.7	1.9%	2.0%	2.1%

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		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Soda Ash Producers															
Akzo Nobel	AKZA NA	79.96	+6.3%	19.5	18.6	17.2	10.6	10.2	9.5	1.5	1.5	1.5	5.3%	3.0%	3.2%
BASF	BAS GY	86.98	-8.2%	13.1	13.4	12.6	7.5	7.3	7.0	1.4	1.4	1.3	3.6%	3.8%	3.9%
Bayer	BAYN GY	98.10	-7.0%	11.7	14.0	12.8	9.7	9.2	8.7	2.6	2.5	2.4	2.8%	3.0%	3.2%
Ciech*	CIE PW	59.45	-3.4%	8.2	8.1	9.0	5.2	5.1	5.2	1.2	1.1	1.1	0.0%	3.7%	6.8%
Ciner Resources	CINR US	27.68	+3.3%	13.3	11.0	11.1	6.6	5.8	5.7	1.6	1.5	1.5	8.2%	8.2%	8.3%
Huntsman	HUN US	33.26	-2.9%	12.5	11.9	10.9	9.0	7.7	7.4	1.1	1.2	1.2	1.5%	1.7%	1.7%
Soda Sanayii	SODA TI	5.04	-0.8%	6.9	7.8	6.8	6.5	6.5	5.2	1.6	1.7	1.4	4.2%	5.7%	6.7%
Solvay	SOLB BB	117.25	-0.7%	11.4	14.4	13.6	7.3	7.1	6.8	1.5	1.5	1.5	3.0%	3.1%	3.2%
Tata Chemicals	TTCH IN	703.80	-1.5%	18.1	15.4	15.7	10.6	10.1	10.1	1.8	1.8	1.8	1.6%	1.7%	1.7%
Tessenderlo Chemie	TESB BB	37.20	-3.5%	27.8	14.9	12.3	8.3	7.4	6.5	1.0	1.0	0.9	-	-	-
Tronox	TROX US	19.68	+1.5%	100+	19.9	12.7	9.6	6.9	5.4	2.2	1.8	1.5	0.9%	0.9%	0.9%
Wacker Chemie	WCH GY	139.40	-17.0%	8.2	20.0	17.4	8.8	8.0	7.6	1.8	1.8	1.7	2.1%	2.9%	3.4%
Median				12.5	14.2	12.6	8.6	7.3	6.9	1.5	1.5	1.5	2.8%	3.0%	3.2%
Fertilizer Producers															
Acron	AKRN RX	4222	+3.6%	10.5	9.4	7.8	8.1	7.5	6.3	2.6	2.5	2.2	7.6%	7.3%	8.7%
Agrium	AGU US	115.00	+0.0%	51.3	19.2	17.1	12.7	10.2	9.5	1.5	1.4	1.4	3.0%	3.1%	3.1%
CF Industries Holdings	CF US	41.77	-0.5%	27.3	40.5	24.0	15.1	11.8	10.3	4.0	3.8	3.6	2.9%	2.9%	2.9%
Grupa Azoty*	ATT PW	60.30	-15.1%	11.5	14.2	14.2	5.9	6.3	6.0	0.7	0.8	0.7	1.3%	1.7%	2.1%
Israel Chemicals	ICL IT	15.55	+6.6%	15.7	13.5	12.1	8.4	7.7	7.4	1.6	1.6	1.6	3.4%	4.0%	4.4%
Mosaic	MOS US	26.82	-1.3%	-	20.0	15.1	11.9	8.5	7.5	1.8	1.6	1.5	1.3%	0.4%	0.4%
PhosAgro	PHOR RX	2459	-0.4%	10.7	8.8	8.4	7.3	6.3	5.9	2.3	2.1	2.0	4.7%	6.1%	6.8%
Potash Corp of Saskat	POT US	20.65	+0.0%	52.9	29.4	23.5	24.1	13.3	11.8	5.4	5.1	4.8	1.9%	2.1%	2.2%
Uralkali	URKA RX	105.00	-11.9%	4.9	4.3	4.1	7.2	6.8	6.9	3.8	3.6	3.6	-	-	-
Yara International	YAR NO	355.50	-4.0%	24.6	15.8	11.8	12.2	7.7	6.4	1.3	1.1	1.0	1.8%	2.7%	3.6%
ZA Pulawy	ZAP PW	153.00	-4.4%	10.8	10.0	11.2	4.8	4.6	4.6	0.7	0.7	0.7	5.6%	7.9%	8.1%
ZCh Police	PCE PW	19.75	-1.0%	9.6	9.5	9.4	6.8	6.8	6.5	0.8	0.7	0.7	2.1%	2.5%	2.5%
Median				11.5	13.9	11.9	8.3	7.6	6.7	1.7	1.6	1.5	2.9%	2.9%	3.1%
Synthetic Rubber Producers															
Apar Industries	APR IN	780.80	+2.6%	17.0	19.4	13.9	7.5	7.8	6.4	0.6	0.6	0.5	1.3%	1.2%	1.5%
Asahi Kasei	3407 JT	1386.5	-3.9%	16.8	12.6	13.1	8.1	7.2	7.0	1.2	1.1	1.0	1.7%	2.1%	2.3%
BASF	BAS GY	86.98	-8.2%	13.1	13.4	12.6	7.5	7.3	7.0	1.4	1.4	1.3	3.6%	3.8%	3.9%
Grand Pacific Petro	1312 TT	29.20	-0.5%	9.2	8.8	8.4	6.2	6.1	6.1	1.1	1.1	1.1	4.0%	4.3%	5.3%
Kumho Petrochemical	011780 KS	93300	-7.6%	14.0	10.6	9.2	10.0	7.9	7.2	0.9	0.8	0.8	1.0%	1.3%	1.3%
LANXESS	LXS GY	69.36	-2.0%	17.4	16.9	13.9	7.6	9.5	8.9	1.0	1.3	1.3	1.2%	1.5%	1.7%
Synthos*	SNS PW	4.89	+0.0%	15.6	19.0	18.9	10.0	11.3	9.4	1.2	1.3	1.2	10.2%	2.5%	3.7%
Trinseo	TSE US	81.65	-1.3%	10.9	9.5	8.7	6.6	6.5	6.2	1.0	0.9	0.9	1.7%	1.8%	1.9%
TSRC Corp	2103 TT	33.05	-5.0%	30.8	18.9	12.9	15.1	11.2	9.5	1.0	1.0	1.0	2.9%	5.1%	6.1%
Ube Industries	4208 JT	3350.0	+2.3%	14.7	11.0	10.6	7.8	6.5	6.4	0.9	0.8	0.8	1.8%	1.9%	2.1%
ZEON	4205 JT	1617.0	-0.4%	15.5	19.1	11.9	7.6	6.8	6.0	1.4	1.2	1.1	1.0%	1.1%	1.2%
Median				15.5	13.4	12.6	7.6	7.3	7.0	1.0	1.1	1.0	1.7%	1.9%	2.1%

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 production of new recommendations was completed on February 28, 2018, 8:44 AM.
New recommendations were first disseminated on February 28, 2018, 8:44 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

Aparator

Rating	neutral	neutral	overweight
Rating date	2018-02-28	2017-07-31	2017-04-28
Target price (PLN)	-	-	-
Price on rating day	24.00	31.29	35.05

Boryszew

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

Ciech

Rating	buy	buy	buy	buy	hold
Rating date	2018-02-02	2017-10-02	2017-09-01	2017-06-02	2017-03-24
Target price (PLN)	90.13	79.54	77.07	82.00	82.00
Price on rating day	61.25	65.16	62.73	69.69	81.00

Elemental

Rating	neutral
Rating date	2017-08-31
Target price (PLN)	-
Price on rating day	2.55

Ergis

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

Famur

Rating	buy	buy	buy	buy
Rating date	2018-02-02	2018-01-05	2017-09-01	2017-07-20
Target price (PLN)	7.29	7.24	6.84	6.95
Price on rating day	6.20	6.18	5.81	5.84

Forte

Rating	neutral	neutral	underweight
Rating date	2018-02-02	2018-01-29	2017-08-31
Target price (PLN)	-	-	-
Price on rating day	43.00	49.10	74.02

Grupa Azoty

Rating	hold	hold	hold	hold	hold	hold	buy	accumulate	buy
Rating date	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01	2017-08-02	2017-07-03	2017-06-23	2017-06-02
Target price (PLN)	73.42	73.64	78.52	80.77	69.60	74.30	74.30	74.30	73.90
Price on rating day	72.00	74.40	71.30	79.80	68.90	72.08	63.30	67.50	63.01

Kernel

Rating	hold	accumulate	accumulate	accumulate	accumulate
Rating date	2018-02-02	2017-12-01	2017-11-03	2017-09-01	2017-06-02
Target price (PLN)	53.47	57.20	58.70	71.74	73.90
Price on rating day	50.90	47.51	48.25	60.70	68.33

Grupa Kęty

Rating	hold	hold	hold
Rating date	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	391.41	390.72	414.09
Price on rating day	385.00	408.00	402.10

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

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

Pfleiderer Group

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

Pozbud

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

Stelmet

Rating	buy	buy	buy
Rating date	2018-02-02	2017-09-01	2017-07-17
Target price (PLN)	28.37	28.94	30.50
Price on rating day	19.20	22.20	22.51

Synthos

Rating	hold	hold	hold	hold
Rating date	2018-02-02	2017-11-30	2017-10-02	2017-09-01
Target price (PLN)	4.77	4.73	4.62	4.39
Price on rating day	4.89	4.76	5.14	4.78

Tarczyński

Rating	neutral	overweight	neutral
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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