mBank Dom Maklerski

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Agora – 2018 Q2 Results

Rating: buy | target price: PLN 18.40 | current price: PLN 9.82

AGO PW; AGO.WA | Media, Poland

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Agora's 2018 Q2 EBITDA loss was consistent with the expectations of the market. The main driver behind the dramatic slump in earnings compared to the same year -ago period was a drop-off in cinema attendance, underpinned by a PLN 5m fall in the earnings of the Press segment, led by falling copy sales as well as a sustained decline in advertising revenues. The situation in Press calls for more proactive measures in our view. AGO stock is falling this morning, moving to an increasingly undervalued territory.

- Agora's 2018 Q2 revenue showed a small beat at PLN 258.3m, owing to higher sales of cinema tickets and books, and better-than-anticipated revenues from outdoor advertising.
- By operating segment, EBITDA in Film and Books topped or estimate by PLN 1.9m, but the positive surprise was offset by slightly lower intercompany eliminations and a PLN 0.5m EBITDA loss generated in Press versus expectations of a PLN 0.3m operating profit.
- Agora's chain cinema operator Helios suffered 19.5% shrinkage to PLN 35m in box office revenue in Q2, alongside a 21.1% slump to PLN 13.8m in concession revenue, only somewhat mitigated by lower costs of utilities as payroll costs increased in line with the increasing number of cinema locations and consistently with the new official minimum hourly wage rate.
- In the Press segment, adjusted EBITDA in Q2 2018 was a PLN 0.5m loss compared to an operating profit of PLN 4.3m reported in Q2 2017. The profitability of the publishing business continues to be affected by falling copy sales (with the quarterly sales of the flagship daily *Gazeta Wyborcza* down over 10.3% y/y and q/q).
- All in all, after factoring out one-time charges, Agora's 2018 Q2 EBITDA came in at PLN 13.2m, representing a beat over our PLN 11.1m forecast.
- A one-time financing gain of PLN 22.6m on the sale of shares in Stopklatka, unaccounted for in our forecasts, pushed the quarterly bottom line into the positive territory.

Q2 2018 actuals vs. expectations

(PLN m)	Q2'18	Q2'17	change	Q2'18E	differ.	consensus	differ.
Revenue	258.3	282.7	-8.6%	251.4	2.7%	253.8	1.8%
EBITDA	-2.4	31.4	-	-2.2	-	-1.4	-
EBITDA margin	-0.9%	11.1%	-	-0.9%	-	-0.6%	-
EBIT	-22.8	6.7	-	-24.4	-	-24.2	-
Pre-tax profit	3.3	4.5	-26.6%	-24.9	-	-	-
Net profit	0.2	0.7	71.4%	-25.2	-	-8.9	-

Source: Agora, E - estimates by Dom Maklerski mBanku; Consensus estimates provided by PAP

List of abbreviations and ratios contained in the report.
EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

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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