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## IT Recap: August 2018

### IT, Poland

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- The **WIG-INFO** index registered an **0.2% decline in August**, and it is up 1.1% year to date versus corresponding shifts in the broad WIG index of +1.4% and -4.8%. As such, the index continues to show underperformance of about 12pp versus the MSCI Europe IT benchmark. At **15.5x 12M fwd P/E**, Polish stocks are currently trading 1.0% above the average ratio for the last three years.
- Only two of the seven rated IT stocks posted gains in August, with the **highest returns** provided by ALL (+11.6%) and ACP (+2.8%).
- When it comes to **second-quarter earnings**, the three rated companies to have reported so far have delivered **positive surprises**, creating hope for improved sentiment and **for the WIG-Info index in September**.
- Asseco Poland's (ACP)** 2018 Q2 EBITDA and net profit figures posted respective beat of 12% and 25% vis-à-vis our forecasts on 7% higher-than-expected revenue, owed primarily to an unexpectedly strong performance of the parent company and other Polish units. On a standalone basis, the parent generated revenue of PLN 225.4m for the quarter, an amount PLN 19.7m higher than our forecast, and it **grew the sales margin by an impressive 6pp** over the year-ago period. The **rebound** in ACP shares triggered by the strong Q2 release is set to **continue** in the coming weeks.
- Asseco's listed unit, **Business Solutions (ABS)**, generated record sales in Poland in Q2 thanks to strong demand for regulatory solutions needed to adapt to changing regulations. ABS is well on track to achieving our 2018 FY net profit target of PLN 57.7m (**P/E'18 = 14.8x**), and we find its 6% **underperformance** vis-à-vis the WIG benchmark **undeserved**.
- Asseco South Eastern Europe (ASE)**, another member of the Asseco Group, reported seemingly lackluster Q2 financials, with EBITDA up 5.6% and net profit edging up only 0.5% versus the year-ago results, but the figures look much more impressive if we take into account the loss of a major Slovenian customer in April, and the political hurdles experienced by the Company's operations in Turkey.
- Comarch** is expected to report strong results for **Q2 2018**, with **EBITDA soaring** to a projected PLN 42.9m from PLN 10.1m last year with the completion of a lucrative government order, resulting in a further climb in share price in September even after the gains posted in August.
- At **Atende (ATD)**, we anticipate a 6% increase in standalone revenue combined with gross margin growth to 19% from 13.4% in Q2'17, owed to stronger sales to mobile telecoms. Supported by solid results delivered by subsidiaries, the quarterly EBITDA for the quarter should come close to PLN 3m. We maintain a bullish view on ATD.
- TOP PICKS: OVERWEIGHT ASE, ATD, CMR**

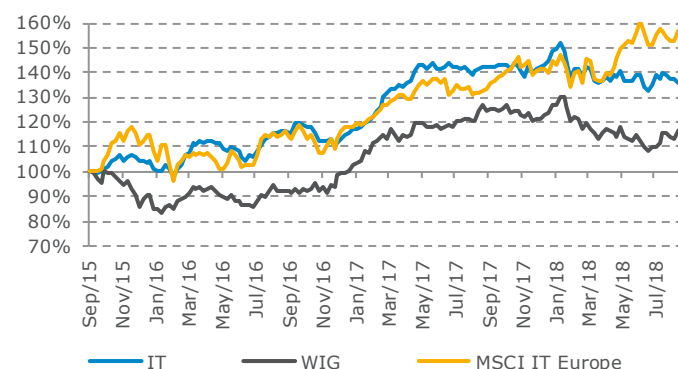
#### Forecast of 2018 Q2 results of rated IT companies

(PLN m)	ALL	y/y	ATD	y/y	CMR	y/y
Revenue	25.6	+6.8%	57.3	+13.2%	327.6	+39.0%
EBITDA	4.9	+7.9%	2.9	+1277.0%	42.9	+323.0%
EBIT	3.0	+5.3%	0.9	-	26.7	-
Net profit	2.8	+12.6%	0.8	-	19.0	-

#### Reported 2018 Q2 results of rated IT companies

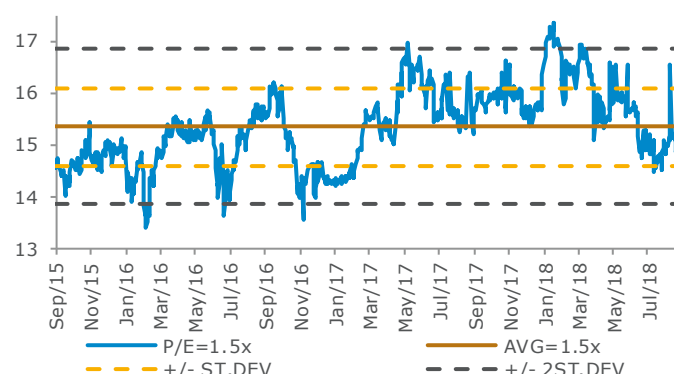
(PLN m)	ABS	y/y	ACP	y/y	ASE	y/y
Revenue	63.6	+52.7%	2310.9	+10.4%	158.7	+6.1%
EBITDA	22.6	+55.4%	316.3	+36.2%	29.2	+5.6%
EBIT	17.9	+51.4%	203.8	+41.5%	17.8	-0.5%
Net profit	14.5	+51.3%	88.4	+68.7%	15.5	+0.5%

#### IT Stocks vs. WIG & MSCI IT Europe Indices



Source: Bloomberg, Dom Maklerski mBanku

#### Median 12M Forward P/E for IT Stocks



#### Performance

Poland	1M*	YTD
AiLeron	+11.6%	-16%
Asseco PL	+2.8%	+13%
Asseco SEE	-4.3%	-11%
Atende	-4.4%	-4%
Asseco BS	-4.5%	-0%
Comarch	-7.1%	-17%
Wasko	-10.1%	-28%
WIG INFO	-0.2%	+1%
WIG	+1.4%	-5%
World	1M*	YTD
Indra Sistem	+8.2%	-6%
Software AG	+5.3%	-5%
Tieto	+4.8%	+13%
Fiserv	+3.0%	+21%
SAP	+1.1%	+13%
Sage Group	+0.0%	-19%
Oracle	-1.0%	+3%
Capgemini	-4.5%	+15%
Computacentr	-9.1%	+23%
Atos	-10.6%	-13%
Europe IT**	+0.6%	+13%
World IT**	+2.8%	+18%
World Ind	1M*	YTD
MSCI EU	-1.3%	-1%
EU Equity	-1.3%	-4%

\*Jul. 26 - Aug. 30

\*\*MSCI EU/World IT

**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

**ATX** – Austrian Traded Index of all companies listed in Austria  
**DAX** – German Stock Index of 30 selected blue chip stocks traded on the Frankfurt Stock Exchange  
**EPRA Index** – FTSE EPRA Global Real Estate Index  
**FDA06 Index (EU Equity)** – FTSE Developed Europe Index  
**GDBR10 Index** – German Generic Government Bonds 10 Year Yield

**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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**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%  
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In the last 12 months mBank S.A. has been book runner or co-book runners for Asseco SEE, Cognor Holding, GetBack, LC Corp, PBKM, Robyng.

Asseco Poland provides IT services to mBank S.A.

mBank S.A. has a cash service agreement in place with Pekao and a phone subscription agreement in place with Orange Polska S.A.

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**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

#### Asseco BS

Rating	Neutral	Neutral	Neutral
Rating date	3/28/2018	1/30/2018	11/28/2017
Target price (PLN)	-	-	-
Price on rating day	28.00	28.90	26.29

#### Asseco PL

Rating	Hold	Reduce	Reduce	Hold	Reduce	Hold
Rating date	6/6/2018	3/27/2018	2/2/2018	12/1/2017	11/3/2017	8/30/2017
Target price (PLN)	41.20	41.20	44.00	44.80	44.80	44.00
Price on rating day	44.00	45.20	45.62	44.47	47.00	44.54

#### Ailleron

Rating	Neutral	Neutral	Neutral
Rating date	3/28/2018	1/30/2018	11/28/2017
Target price (PLN)	-	-	-
Price on rating day	16.20	17.60	18.73

#### Asseco SEE

Rating	Overweight	Overweight	Overweight	Overweight
Rating date	4/26/2018	3/28/2018	1/30/2018	11/28/2017
Target price (PLN)	-	-	-	-
Price on rating day	11.70	12.95	13.25	11.45

#### Atende

Rating	Overweight	Overweight	Overweight
Rating date	3/28/2018	1/30/2018	11/28/2017
Target price (PLN)	-	-	-
Price on rating day	4.25	4.85	4.46

#### Comarch

Rating	Accumulate	Buy	Hold	Hold	Buy	Accumulate	Accumulate	Hold
Rating date	5/9/2018	4/6/2018	3/5/2018	2/2/2018	11/27/2017	11/3/2017	10/2/2017	9/1/2017
Target price (PLN)	166.50	166.50	166.50	180.00	205.00	185.00	195.00	195.00
Price on rating day	145.00	131.50	155.00	177.00	178.30	163.50	178.50	195.00

#### Wasko

Rating	Neutral	Overweight	Overweight	Overweight
Rating date	5/30/2018	3/28/2018	1/30/2018	11/28/2017
Target price (PLN)	-	-	-	-
Price on rating day	1.68	2.25	2.24	1.98

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