



Friday, November 09, 2018 | special comment

## Agora – Media Group Delivers 2018 Q3 EBITDA Beat

Rating: buy | target price: PLN 15.40 | current price: PLN 9.24

AGO PW; AGO.WA | Media, Poland

Analyst: Paweł Szpigiel +48 22 438 24 06

**Agora generated 2018 Q3 EBITDA well ahead of expectations, with the positive surprise owed primarily to the cinema business where EBITDA came in at PLN 14.8m compared to PLN 10.8m in Q3 2017, a big improvement on the previous quarter when EBITDA was a PLN 2.6m loss after falling 14% on the year. The rebound in cinemas is consistent with our bullish view on Agora.**

- At PLN 258.9m, 2018 Q3 revenue showed a small beat vis-à-vis our estimate and the consensus forecast.
- The segment of Movies & Books, represented by the Helios cinema chain, posted sales of PLN 95.3m in the period, a figure 3.8% higher than we had predicted, achieved thanks to a higher average price (PLN 19.4 vs. PLN 18.2m) charged per each of the 2.8 million tickets sold in the period, combined with slightly lower operating expenses (stemming from flat overall payroll costs compared to Q2, and reduced operating costs).

- EBITDA in the Internet segment topped our PLN 4.8m estimate at PLN 5.5m, and results in the other operating segments were good with the exception of Press, where revenue was down more than 8% year on year, and EBITDA showed a PLN 0.5m loss. Average paid daily distribution of the *Gazeta Wyborcza* newspaper at 101,000 copies exceeded our 98,000 forecast. We maintain Agora will not be able to turn a profit on its Press business in 2019 without downsizing.
- The 2018 Q3 bottom line recorded a net loss attributable to equity holders of PLN 3.7m versus PLN 2.2m a year ago.
- In the Q3 earnings presentation, Agora upgraded its 2018 adspend growth forecast for the Polish market from 3.5%-5.5% to 6-8%, with marketing expenditures this year expected to rise across all relevant sectors except for print media. Moreover the Company anticipates a strong fourth-quarter box office at Helios cinemas, propelled by a very promising release slate.

### Q3 2018 actuals vs. expectations

(PLN m)	Q3'18	Q3'17	change	Q3'18E	differ.	consensus	differ.
Revenue	258.9	251.4	3.0%	251.8	2.8%	254.7	1.6%
EBITDA	17.0	15.5	9.6%	8.9	90.9%	13.5	25.9%
EBITDA margin	6.6%	6.2%	-	-	-	5.3%	-
EBIT	-4.056	-9.103	-55.4%	-11.7	-	-8.7	-
Pre-tax income	-4.408	-0.622	608.7%	-11.7	-	-	-
Net income	-3.688	-2.235	65.0%	-12.1	-	-10.1	-

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

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**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
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**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.

## Dom Maklerski mBanku

Senatorska 18  
00-082 Warszawa  
<http://www.mbank.pl/>

## Research Department

**Kamil Kliszczyk**

director  
+48 22 438 24 02  
[kamil.kliszczyk@mbank.pl](mailto:kamil.kliszczyk@mbank.pl)  
energy, power generation

**Jakub Szkopek**

+48 22 438 24 03  
[jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)  
industrials, chemicals, metals

**Piotr Bogusz**

+48 22 438 24 08  
[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)  
retail

**Michał Marczak**

+48 22 438 24 01  
[michal.marczak@mbank.pl](mailto:michal.marczak@mbank.pl)  
strategy

**Paweł Szpigel**

+48 22 438 24 06  
[pawel.szpigel@mbank.pl](mailto:pawel.szpigel@mbank.pl)  
media, IT, telco

**Michał Konarski**

+48 22 438 24 05  
[michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)  
banks, financials

**Piotr Zybala**

+48 22 438 24 04  
[piotr.zybala@mbank.pl](mailto:piotr.zybala@mbank.pl)  
construction, real-estate development

## Sales and Trading

### Traders

**Piotr Gawron**

director  
+48 22 697 48 95  
[piotr.gawron@mbank.pl](mailto:piotr.gawron@mbank.pl)

**Jędrzej Łukomski**

+48 22 697 49 85  
[jedrzej.lukomski@mbank.pl](mailto:jedrzej.lukomski@mbank.pl)

**Andrzej Sychowski**

+48 22 697 48 46  
[andrzej.sychowski@mbank.pl](mailto:andrzej.sychowski@mbank.pl)

**Krzysztof Bodek**

+48 22 697 48 89  
[krzysztof.bodek@mbank.pl](mailto:krzysztof.bodek@mbank.pl)

**Adam Prokop**

+48 22 697 47 90  
[adam.prokop@mbank.pl](mailto:adam.prokop@mbank.pl)

**Tomasz Galanciak**

+48 22 697 49 68  
[tomasz.galanciak@mbank.pl](mailto:tomasz.galanciak@mbank.pl)

**Tomasz Jakubiec**

+48 22 697 47 31  
[tomasz.jakubiec@mbank.pl](mailto:tomasz.jakubiec@mbank.pl)

**Szymon Kubka, CFA, PRM**

+48 22 697 48 54  
[szymon.kubka@mbank.pl](mailto:szymon.kubka@mbank.pl)

**Magdalena Bernacik**

+48 22 697 47 35  
[magdalena.bernacik@mbank.pl](mailto:magdalena.bernacik@mbank.pl)

## Sales, Foreign Markets

**Marzena Łempicka-Wilim**

deputy director  
+48 22 697 48 82  
[marzena.lempicka@mbank.pl](mailto:marzena.lempicka@mbank.pl)

**Bartosz Orzechowski**

+48 22 697 48 47  
[bartosz.orzechowski@mbank.pl](mailto:bartosz.orzechowski@mbank.pl)

## Private Client Sales

**Kamil Szymański**

director  
+48 22 697 47 06  
[kamil.szymanski@mbank.pl](mailto:kamil.szymanski@mbank.pl)

**Jarosław Banasiak**

deputy director  
+48 22 697 48 70  
[jaroslaw.banasiak@mbank.pl](mailto:jaroslaw.banasiak@mbank.pl)