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Wirtualna Polska – 2018 Q3 Results

Rating: buy | target price: PLN 60.00 | current price: PLN 54.00

WPL PW; WPL.WA | Media, Poland

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Wirtualna Polska delivered solid 2018 Q3 results, supported by higher digital ad spending and the growth of e-commerce. Cash sales in the "Online" segment were up nearly 26% compared to the same year-ago period at PLN 140m. At the same time expenses were kept in check, and operating cash flow was high, with OCF for the nine months to 30 September at PLN 130m vs. PLN 80m last year. We maintain a bullish view on WPL, which is set to move higher today on the good Q3 results.

- Wirtualna generated adjusted EBITDA of PLN 45.3m in Q3, a 3.7% beat relative to our estimate, driven by higher cash revenue from "Online," coupled with lower costs of services, reduced to an equivalent of 36.5% of the online cash revenue from 37.1% in Q3 2017 despite continued growth in e-commerce. On the other hand, labor costs and costs of other operating activity were up year on year.
- Financing activity produced a net loss of PLN 1.3m in Q3 vs. PLN 0.7m a year ago. Wirtualna recognized a gain of PLN 2.8m in Q3 on the revaluation of a put option to buy-out non-controlling shares in subsidiary companies.
- The Q3 effective tax rate was 21.5%.
- Relative to the comparable year-ago periods, operating cash flow increased from PLN 31m to PLN 51m in Q3 2018, with ytd OCF through September up from PLN 80m to PLN 130m.

Q3 2018 actuals vs. expectations

(PLN m)	Q3'18	Q3'17	change	Q3'18E	differ	consensus (median)	differ.	2018E	YTD*
Revenue	143.8	113.6	26.6%	142.7	0.8%	140.4	2.4%	518.6	75.9%
EBITDA	43.0	34.3	25.4%	42.3	1.6%	42.6	1.0%	160.4	72.4%
EBITDA margin	29.9%	30.2%	-	29.7%	-	30.3%			
EBIT	28.9	21.7	33.4%	28.9	0.0%	29.2	-1.0%	104.9	71.9%
Pre-tax profit	27.6	17.6	56.8%	28.2	-2.2%	-	-	84.6	77.0%
Net profit	21.4	12.7	68.8%	21.6	-0.9%	22.0	-2.6%	76.0	62.4%

Source: Wirtualna Polska Holding, E - estimates by Dom Maklerski mBanku; Consensus estimates provided by PAP; *YTD actuals ac a pct. of 2018E

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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