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Monthly Market Outlook: April 2018

Equity Market, Macroeconomics

Equity Market

We view the current weakness of the equity market as an opportunity to buy stocks with a horizon of several months. As the US-China trade war fades from the spotlight and moves behind the scenes, investors will divert their attention back to economic developments and company earnings.

Sector Outlook

Financials

Media focus on distressed FX borrowers will keep sentiment for banks with substantial CHF loan exposures dampened in April. We remain overweight banks that do not hold portfolios of foreign-currency mortgage loans, with the exception of BZ WBK whose growth potential will not be curbed by the planned legislation. Our top bank pick outside of Poland is Komerční Banka, and our favorite non-bank bet is PZU.

Chemicals

Ciech is set for April gains thanks to strong earnings and upward revisions to market expectations.

Oil & Gas

We stand by our negative outlook for the downstream sector as oil keeps rising and refiners plan capacity upgrades. The initial excitement sparked by the announcement of plans for a merger between PKN Orlen and Lotos is wearing off with their ultimate consolidation a distant prospect. PGNiG Natgas remains the best alternative to oil refiners in our view.

Power Utilities

The WIG-Energy index underperformed its European utilities benchmark in March under political pressure, boosting the upside potential of our buy calls, ENG, PGE, and ENA. Our updated outlook for CEZ has prompted a downgrade to reduce.

Telecoms, Media, IT

We see the most upside potential in OPL and AGO in the month ahead. CMR has logged a steep fall in recent weeks which mandates a rating upgrade. On the other hand, CPS is downgraded to hold after recent price gains. We remain bearish on ACP. Among smaller caps, we consider ASE, WAS, and ATD to be undervalued.

Industrials & Metals

Our top-pick selection for April consists of Amica, Cognor, Famur, Pfeleiderer, and Pozbud. We remain positive on the coal miner JSW and the copper miner KGHM. We would avoid Mangata and Ursus.

Construction

After a solid FY2017 earnings season, Polish construction stocks have displayed better performance in the year to date than the broad WIG benchmark. Our top picks for April are Erbud, Elektrobudowa, and Budimex, offering the highest dividend yields.

Property Developers

We maintain a bullish view and overweight on residential developers, reinforced by strong incoming first-quarter sales data. i2D, ECH, LCC, DOM, and 1AT all offer dividend yields above 8% this year.

Retail

In April we see the most upside potential in CCC, Dino, Jeronimo Martins, LPP, Monnari, and Bytom. Grocery retailers are poised for a strong first quarter, boosted by the Easter effect.

Key Ratings

Positive: ALR, AMC, AGO, ASE, ATD, CCC, COG, CRM, DOM, DNP, ECH, ELB, ERB, ENA, ENG, EUR, FMF, JMT, JSW, KGH, LCC, LPP, OPL, PFL, PGE, PGN, POZ, PZU, TXM, WAS

Negative: ACP, CEZ, MIL, PKN

EU Indices	Value	1M chng	YTD chng
WIG	59,244	-2.6%	-7%
ATX	3,483	+2.6%	+2%
BUX	38,065	+2.5%	-3%
PX	1,130	+1.5%	+5%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,244	-3.7%	-9%
mWIG40	4,637	-0.6%	-4%
sWIG80	14,261	-1.2%	-2%
Banking	7,784	-6.0%	-8%
Basic Materials	2,777	-0.1%	-1%
Chemicals	13,562	+1.0%	-11%
Clothes	2,446	-5.9%	-18%
Construction	3,682	-10.7%	-16%
Energy	1,982	-1.8%	-3%
Food	4,969	+0.8%	+4%
IT	2,205	+0.9%	+0%
Media	7,237	+3.4%	-4%
Oil & Gas	6,235	-3.4%	-13%
Real estate	3,802	+1.2%	+5%
Telecom	741	+4.3%	-1%

Rating & 9M TP Changes as of 6 Apr.

Name	Rating	9M TP
Agora	buy	18.40 PLN
AmRest	reduce	426.00 PLN
Atal	accumulate	47.00 PLN
Budimex	accumulate	234.00 PLN
Capital Park	buy	8.35 PLN
CCC	buy	295.00 PLN
CD Projekt	sell	90.80 PLN
CEZ	reduce	449.51 CZK
Ciech	buy	85.40 PLN
Comarch	buy	166.50 PLN
Cyfrowy Polsat	hold	25.30 PLN
Echo	buy	6.13 PLN
Elektrobudowa	buy	116.00 PLN
Enea	buy	11.78 PLN
Energia	buy	14.91 PLN
Erbud	buy	29.60 PLN
Eurocash	buy	30.70 PLN
Famur	buy	7.06 PLN
Grupa Kęty	hold	357.21 PLN
GTC	hold	9.60 PLN
Handlowy	buy	94.00 PLN
Jeronimo Martins	accumulate	16.40 EUR
JSW	buy	108.14 PLN
LC Corp	buy	3.50 PLN
Lotos	hold	51.73 PLN
LPP	accumulate	9500 PLN
Millennium	reduce	7.00 PLN
MOL	hold	2898.00 HUF
Netia	sell	4.30 PLN
Orange Polska	buy	7.60 PLN
PBKM	hold	76.83 PLN
PCM	buy	33.00 PLN
PGE	buy	12.89 PLN
PGNiG	buy	7.96 PLN
PKN Orlen	reduce	76.89 PLN
PKO BP	hold	38.00 PLN
Play	hold	33.50 PLN
Tauron	hold	2.73 PLN
Unibep	buy	10.10 PLN
Wirtualna Polska	accumulate	56.40 PLN

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Investing Outlook

Global markets are extending losses in April on trade war fears, the Facebook privacy scandal, and slightly less upbeat economic data. To reiterate the view presented in our Investment Strategy for 2018, the current sell-off is most likely a correction, not a bear market. When it comes to the US-China trade war, our prediction is that it will stop making headlines in the next few weeks, with the negotiations between the key players moving behind the scenes. This will allow investors to turn their attention back to economic fundamentals and first-quarter earnings, which in the US are looking good with S&P 500 companies reporting so far delivering 40% EPS growth, validating the 2019 P/E ratio expectation of 15.3. The pace of economic growth across the world has slowed this year after last year's rapid development, resulting in more realistic expectations, especially for Europe, and more leeway for positive surprises. Worsened sentiment has mitigated the risk of technical resistance on US 10Y yields breaking (yield 3.2%). Last but not least, it is worth noting that S&P 500 companies are planning to buy back a record \$800 billion of their own shares in 2018. Against this backdrop, we view the current weakness of the equity market, including the Polish market, as an opportunity to buy stocks with a horizon of several months.

US-China Trade War

Everyone has already forgotten about the general elections in Italy and their far-from-desirable outcome as President Trump's trade policy takes the spotlight. The latest developments in the power struggle between the US and China involved a proposal by President Trump to impose a 25% tariff on 1,300 Chinese-made products, mainly high-tech items, countered with a threat of retaliatory tariffs on 106 products originating from the US, from soybeans through chemicals to aircraft, valued at \$50 billion, to which the US president responded by asking the US Trade Representative to consider \$100 billion in additional tariffs. We view this back-and-forth between Washington and Beijing as a form of a public negotiation, with the tariffs pledged by the US not backed by any official orders and not likely to take effect for months to come (June would be the earliest the US can unilaterally impose tariffs under Section 301 of its Trade Act). Eventually, we are convinced the public exchange of threats between the US and China will eventually turn into private negotiations behind the scenes, allowing investors to shift focus back to the economy and earnings.

Economic Momentum Carries Forward

The latest leading indicators are pointing to a slight slowdown in US growth, with Manufacturing ISM dropping to a still well-above average 59.3 in March from 60.8 the previous month, and due to continue edging lower in our view in the wake of trade war concerns, all the while staying above the 57 mark. A similar outlook is held by the Fed. A crucial takeaway from the ISM report is the sustained rise in prices of raw materials, resulting in a shift in 2018 expectations from three to four interest rate hikes. With improving financial market sentiment and monthly data, US yields can be expected to narrow and flatten out the yield curve (10Y-2Y). Any attempt at breaking 3.1-3.2% on 10Y will be a risk factor for the stock market.

In Europe, the Eurozone manufacturing PMI stood at 56.6 in March after a disappointing drop from 58.6 the previous month, with services PMI posting a 55.0, down from 56.2 in February. The slump was experienced by all major euro area economies, and it was led mainly by the new orders index. A major conclusion which emerged from the March data was that European firms have trouble meeting deadlines. Aside from curbed orders from China, supply restrictions after a period of fast growth may have been one of the reasons behind the slowdown. We expect leading indicators to stabilize at the new, lower levels, in the months ahead, representing a slower but still relatively robust (compared to the averages for the last few years) expansion rate.

2019 PE Ratio For S&P 500 @15.3x

As the 2018 first-quarter earnings season in the US kicks off, the twenty-one S&P500 companies to have reported so far generated aggregate EPS growth of 41.2% on 12.3% higher revenue. Of these, twelve (61%) delivered positive surprises. Even considering that more than half of the this year's EPS growth in the US comes from lower taxes, the record profits are a basis for dividends and share buybacks. A strong first quarter will legitimize the forecasts for the next two years which imply a 2019E P/E ratio for the S&P500 of 15.3x versus 21.3x estimated currently.

US Share Buybacks

High earnings and an unwillingness to invest mean higher shareholder distributions by US companies, including distributions through share buybacks. According to Evercore ISI, US companies are planning to repurchase their own shares for a record \$800 billion this year, twice the amount spent in 2017 and a budget well above the average for 2014-2016, which was \$570 billion. The buyback plans will keep stocks from crashing in the event of extreme volatility.

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Sector Strategies

Financials

- The presidential borrower relief bill is back on the legislative agenda and in the media, with the parliamentary Finance Committee Chair recently quoted as saying he would like to see banks pay higher contributions into the planned aid fund than envisioned in the bill. One mitigating factor from the point of view of banks is that, with the first quarter now over, the drain on their quarterly profits will happen only three times this year. BZ WBK is still the only bank in our view to have fully discounted the effects of the bill into its market valuation.
- The debt collector GetBack has been drawing attention recently with its plans for a follow-on stock offering, due to be voted by the shareholders on April 6th. The release of the 2017 FY report on April 30th should clear the air as regards the Company's own debt situation.
- We are upgrading PKO BP to hold as the bank seems fairly priced at the current level, especially considering the likely postponement of interest rate hikes in Poland to 2019. We think PKO may want to sidestep the flat rate environment by making more acquisitions.
- We maintain a buy rating for Komerční Banka; the Czech bank is traded at a 26% discount to its Polish counterpart PKO BP on 2018E P/E despite much higher ROE (13% vs. 9%) and dividend yield (5% vs. 1%), and even though it is already benefitting from raised Czech interest rates while in Poland the nearest hike is not expected until May 2019 at the earliest.
- **Key Ratings:** Alior Bank (buy), Bank Millennium (reduce), PZU (buy), Komerční Banka (buy).

Chemicals

- MSCI Europe and World Chemicals extended falls in March, shedding 5% and 7%, respectively, relative to the previous month, and at the current level they are trading at small discounts to their average P/E and EV/EBITDA ratios in the last three years.
- The worsened sentiment is led by the euro's rise against the dollar, combined with appreciating energy prices (oil, coal, gas, electricity).
- Ciech remains our top chemical pick for April after generating its highest quarterly EBITDA in history in Q4 2017. The future earnings consensus for the soda ash producer is due for upward revisions in the coming weeks, supported by high orders already secured for the whole year.
- **Key ratings:** Ciech (buy)

Oil & Gas

- Oil market sentiment improved in March, as reflected in record speculative activity in Brent crude. This was led by hints that OPEC may extend production cuts as active shale plays in the US cut rigs by a significant number for the first time in many weeks. As a result, Brent hit the \$70/bbl mark last month even as US crude reserves grew (compared to 2017 the US stocks are still 20% lower).
- March prices of natural gas rose 3-4% across Europe, and in Poland the cross-border spread on 1Y PL/DE contracts remained above PLN 10/MWh. Prices for the whole first quarter were slightly lower than in Q1 2017.
- Refining margins have rebounded to \$4-5 in recent days, but this is a short-lived recovery which does not change our bearish long-term outlook for downstream. The same goes for the Urals/Brent spread, which has widened thanks to intensified refinery maintenance closures in Russia.

- Margins on petrochemicals are still surprisingly strong in Europe, but as ethylene prices weaken in the US it is only a matter of time before the profitability of European petchem starts to deteriorate.
- All in all, we maintain a bearish view on oil refiners, and we would pick PGNiG natgas instead as hydrocarbon prices rise and trade profits stabilize thanks to positive shifts in market regulation. PGN is currently trading at EV/EBITDA below the average for Polish energy companies. Additional upside potential can be created by potential acquisitions on the Norwegian Continental Shelf.
- **Key Ratings:** PGNiG (buy), PKN Orlen (reduce).

Power Utilities

- Emission allowances climbed over EUR 13/t in March, and power prices in the German market have finally started to follow suit, with 12-month contracts rebounding above EUR 36/MWh. However, with the euro price of ARA coal inching only slightly lower, the profit margins of coal-based generators remain under pressure while clean energy gains.
- MSCI Utilities Europe increased nearly 8%, mainly in response to an asset swap between RWE, E.ON, and Innogy, major components in the index.
- At the same time, WIG-Energy in Poland fell 5% (it is down nearly 20% ytd), driven by statements by the Energy Minister concerning plans for various capacity-building investments in the sector where financing should be provided solely by state-controlled companies. With sentiment dampened by politics, investors might be overlooking the improving cash flow prospects of Polish power utilities in the next 4-5 years.
- Note also the upward trend in Polish power prices, with 2019 contracts nearing PLN 199/MWh, a price which implies a higher clean-dark spread than achieved this year. The uptrend also puts into question the view that higher prices of carbon allowances will destroy the near-term profits of Polish power generators. It is also important to note the recovering profitability of renewable energy plants (representing total capacity of over 7 TWh including biomass while power prices are up by PLN 30/MWh y/y and prices of green certificates are trading at PLN 70 vs. PLN 36 in 2017), which adds to the probability of positive earnings surprises this year.
- Polish power stocks are trading at less than 4.0x 2018E EV/EBITDA. After the recent falls, the ones most attractively valued at the moment are Energa, PGE, and Enea. Tauron is expensive by comparison, and so we keep it at neutral. We have lowered our financial forecasts for CEZ after factoring in a more conservative guidance, resulting in a downgrade to reduce.
- **Key Ratings:** CEZ (reduce), Energa (buy), Enea (buy), PGE (buy).

Telecoms, Media, IT

- There is considerable interest among Polish mobile carriers in gaining access to fixed-line infrastructure, as evidenced by Cyfrowy Polsat's acquisition of a 32% stake in the fixed operator Netia at the beginning of December, with plans to raise the stake to 66% via a tender offer. Aside from access to fiber infrastructure, Cyfrowy expects to achieve B2B and B2C synergies on the merger. Two weeks later, there was an announcement that T-Mobile Poland had commenced FTTH access negotiations with Orange Polska.

- With its main rivals already in the process of securing access to fixed infrastructure via M&A activity or wholesale rental, Play is poised to be the sole mobile-only player left in its core markets in a matter of one year. Play could approach the cable TV and Internet provider UPC for a takeover, but this is not likely to happen soon given that UPC already offers mobile calling plans as an MVNO, and its core service is fixed-line broadband. Further, we think T-Mobile Poland might want to follow in the footsteps of its parent, Deutsche Telekom, which has just bought the Austrian division of UPC as part of a convergence strategy, and make a bid on the domestic branch of the European cable operator.
- In Media, revenue prospects are dampened by the latest adspend forecasts, which put this year's growth at 1.9% (Zenith) to 2.5% (Starcom).
- Zenith anticipates 0.2% contraction this year in television advertising expenses, for the first time in four years, and continued shrinkage in subsequent years, in line with falling viewership. On the other hand, online adspend is projected to rebound 12.1% in 2018. Radio ad budgets are set to shrink 1.2%, and the outdoor industry faces curbed revenues in the wake of efforts to reduce visual clutter in public spaces. Finally, there is anticipation for a 3.8% increase in cinema advertising expenses on the other hand, and a 16.9% drop in newspaper advertising on the other hand.
- The WIG-INFO index dropped 2.4% in March, but it is up 0.9% ytd (compared to respective falls of 6.1% and 7.6% logged by the broad-market WIG benchmark), led mainly by gains posted by ACP stock, its most heavily-weighted component. The median 12M fwd P/E ratio for IT stocks at 16.1x is currently 5.9% higher than its three-year average, with the premium narrowed by nearly 7% over the course of two months.
- Small IT firms delivered solid earnings in Q4 2017, each experiencing improving EBITDA (with the average y/y growth at 47.4%) and net profit (up by an average 41.6%). All our overweight calls generated strong earnings in the quarter.
- Our top small-cap IT picks are ASEE, Atende, and Wasko. We have neutral calls for Ailleron and Asseco BS.
- **Key ratings and portfolio positioning:** Orange Polska (buy), Asseco Poland (reduce), Agora (buy), Atende (overweight), Wasko (overweight), Asseco SEE (overweight).

Industrials & Metals

- MSCI World and Europe Industrials both extended losses in March, falling 5% each, and at the current levels the indices are trading at small premiums to their historical 3-year P/E averages, with the EV/EBITDA ratios on a level. Sentiment for industrial equities is dampened by the euro's appreciation versus the dollar, blunting the competitive advantage of European exporters, coupled with less upbeat PMI data.
- As the 2017 Q4 earnings season comes to an end, positive surprises are still possible from Alumetal and Elemental. Of the six manufacturers we track reporting so far, four (Amica, Famur, Kernel, Stelmet) delivered beats in fourth-quarter profits, and two (Ergis, Grupa Kęty) fell short of expectations.
- Our firm top near-term picks among mid-sized industrials include Amica (AMC), which raised sales prices in Q3'17, and which is trading at attractive ratios relative to the sector. Our other best bets are Famur (FMF), which continues to grow the order book at better prices, and Pfeiderer Group (PFL), benefitting from an upward shift in

the European fiberboard market. Smaller picks for the month ahead include Cognor (COG, expected to ink a debt refinancing deal with lenders soon) and Pozbud (POZ, trading at 4x 2019E P/E, the Company is about to sign a PLN 700m contract).

- We have recently downgraded Mangata from neutral to underweight because its stock is trading at premiums to other Polish industrials as the Company faces export losses due to a strengthening zloty, alongside rising costs of materials and labor.
- Polish industrial stocks are currently trading at 11.8x 2018E P/E and 7.5x EV/EBITDA - not particularly attractive levels given low liquidity and the cost pressures that most of these companies face this year.
- **Key ratings and portfolio positioning:** Amica (overweight), Famur (buy), Mangata (underweight), Pfeiderer Group (overweight), Pozbud (overweight), Stelmet (buy).

Mining

- Sentiment for copper producers has been positive on reports of possible supply disruptions as over 30 labor contracts at major mines worldwide come up for renewal this year. According to estimates, depending on the source, these contracts cover between five and seven million tonnes of mine supply or between 25% and 35% of the global output compared to an average of 1.7 million tonnes of average supply at risk in 2011-2016. Most of the expiring contracts are with miners in Chile and Peru, responsible for a combined 40% of global copper production.
- Another driver behind the upward trend in copper prices is the ongoing worldwide shift to electric vehicles. The average electric car uses four times more of copper than a traditional vehicle, creating expectations for a surge in demand by 2.5-3mmt in 2030 from the current 23-24mmt.
- ICSG estimates the world had a copper shortage of 195,000t in 2017. There is anticipation for a widening shortage this year if mines are forced to stop production over worker strikes.
- In the wake of outdated capacity closures, Chinese hard coal production decreased by approximately 440 million tonnes between 2016 and 2017, against domestic smelter demand estimated at 450mmt. Consequently, between January and November 2017 imports accounted for 15.2% of total coking coal usage compared to 13.4% in the same period in 2016. China's increased reliance on imports has made coal prices more sensitive to any disruptions in supplies.
- Prices of steel are on an upward trajectory thanks to high global demand driven by infrastructure projects. As a result profit margins on BOF steelmaking are at their highest levels in three years.
- The operating conditions for European producers have improved since the introduction of a series of anti-dumping measures on imports into the EU. This is having a positive effect on demand for metallurgical coal, and boosts the outlook of the Polish coal miner JSW with a capacity to satisfy 18-22% of the European demand.
- When it comes to risks, the Polish mining sector continues to experience rising pay pressures this year, which may affect profits, coupled with the zloty's appreciation against the US dollar (metals are quoted in USD).
- **Key Ratings and Portfolio Positioning:** KGHM (buy), JSW (buy)

Construction

- WIG-Construction stocks delivered outperformance in February and March 2018, supported by a successful 2017 Q4 earnings season, easing cost pressures, and solid liquidity, with shares recovering from all-time lows.
- Most of the construction firms in our coverage universe delivered positive surprises in Q4 2017, with the railway builders Torpol and Trakcja as the two notable exceptions. Elektrobudowa stood out from the crowd with the highest quarterly net profit in history (PLN 28m), a strong net cash position (PLN 115m), and a declaration of the highest dividends in the sector (PLN 8 DPS, 8.6% dividend yield).
- Our 2018-2020 projections for the railway builders Trakcja and Torpol have recently been cut by an average of 15%, and at the same time the forecasts for ZUE were adjusted upward by about the same percentage. We remain neutral on railway construction stocks, which carry risks related to their reliance on a single state customer, and which offer lower dividends than other types of builders.
- We prefer Erbud over Unibep due to a safer backlog.
- After adjustments to relative valuation models, we lower our 9-month price targets by 5% for BDX and 6% for UNI, and we raise the targets for ELB by 1% and for ERB by 3%.
- Key Ratings and Portfolio Positioning:** Erbud (buy), Budimex (accumulate), Elektrobudowa (buy).

Property Developers

- WIG-Real Estate again outperformed the broad market in March, but the index is still trading at attractive ratios. We remain overweight property developers, particularly those that offer dividends.
- All residential developers reporting so far achieved year-over-year growth in 2018 first-quarter sales, though few are expected to beat the record figures of Q4 2017.
- In Q4 2017, the aggregate net profit of the Polish real-estate sector increased 55% year over year, and the margins on residential sales expanded by 3pp to 28%. The 2017 FY net profit was up 10% y/y. Lokum Deweloper was the top earnings performer of 2017 with a 67% beat on the annual net profit and a sales margin of 40%.
- The six developers to have declared so far are offering average 2018 dividend yield of 7.4%, with the top end represented by I2D (11.8%), ECH (9.6%), DOM (8.9%), and LCC (9.0%). Lokum is promising to raise the dividend payout ratio to 50% in 2019, with the implied dividend yield at 8.8%.
- After adjustments to relative valuation models, we lower our 9-month price targets for the six developers in our coverage by an average 3%.
- Key Ratings and Portfolio Positioning:** Dom Development (buy), Echo Investment (buy), LC Corp (buy), Lokum Deweloper (overweight), Archicom (overweight), i2 Development (overweight).

Retail

- The Sunday trading ban in force since March will probably initially hurt the weekend sales of fashion retailers, but eventually the Sunday foot traffic is sure to shift to other days. The restaurant operator AmRest, with about half of its locations based in shopping centers, could probably lose a small percentage of its sales as well. On the other hand, grocery retailers should not suffer too much with Sundays accounting for a small proportion of their weekly sales.
- Based on monthly sales reports, neither Bytom nor Vistula were affected too much by the ban, both reporting positive like-for-like growth in March. CCC footwear did post a major slump for the month, but this was due mainly to inclement weather.
- Fashion and footwear retailers were able to purchase 2018 spring-summer collections cheaper toward the end of last year thanks to 15% y/y depreciation in the dollar's value against the zloty. The biggest beneficiaries of a weak dollar include LPP and Monnari (each paying about 85% of COGS in US dollars), CCC (ca. 45% \$COGS), Vistula and Bytom (ca. 30% \$COGS), and TXM (ca. 20% \$COGS). The full effects of this will materialize in the earnings for Q2 and Q3 2018, and this bodes well for the spring-summer clothing ordering season which takes place during December and January. Unless the dollar stages a sharp rebound, favorable FX effects should also help drive down the costs of the 2018 autumn-winter line purchases later this year.
- CCC is trading at attractive ratios given its solid medium-term growth prospects supported by successful online sales.
- LPP fashion is set to improve profits this year thanks to improving IFL sales, a favorable USDPLN exchange rate, and fast-expanding e-commerce.
- The grocery retailers: Dino, Jeronimo Martins, and Eurocash, are poised for a strong first quarter boosted by the Easter effect.
- Among smaller fashion retailers, we see upside potential in Monnari (benefitting from a weak dollar), Bytom (capitalizing on revised pricing and FX effects), and TXM (expected to regain sales effectiveness while keeping SG&A relatively stable).
- Key Ratings and Portfolio Positioning:** Dino (buy), Eurocash (buy), CCC (buy), TXM (buy), JMT (accumulate), LPP (accumulate), Bytom (overweight), Monnari (overweight).

Macroeconomic Update

Industrial Production

Industrial output rose by 7.4% y/y in February, below market consensus (8.1%) and close to our forecast (7.5%). The mild slowdown vis-à-vis January is a result of less favorable calendar effects (working day difference dropped from +1 to 0 y/y). The slowdown would have been deeper had energy production not been ramped up considerably. Due to sharply colder weather (it was the coldest February since 2012), energy output accelerated from 3.7% to 14.1% y/y, boosting total industrial production by 0.9 percentage points. At the same time, this also explains the surprisingly strong momentum (+1.3% m/m seasonally adjusted), which hides a relatively underwhelming performance of manufacturing. The trend in manufacturing has flattened in recent months and industrial output has already peaked in annual terms. In March, the combination of high statistical base and unfavorable calendar effect is set to drag industrial output growth down to 4% y/y. The next months will be marked by 5-10% growth, a solid performance, to which both external and internal factors continue to point.

Construction output grew in February by 31.4% on a yearly basis, similar to our forecast and higher than market consensus. However, after seasonal adjustment it fell on a monthly basis by 1% after a stellar release in January. This fall was mainly caused by calendar effects and weather conditions (coldest February since 2012). The scale of the drop is rather moderate, such a pattern with one month's release being boosted by great weather usually has a long and mild correction. General picture remains the same, construction output is being fueled by public investment (mainly rail, but also road). We expect the upward trend to persist, however if low temperatures last longer, we might see a few weaker releases. With two months of data behind us, nowcasting Q1 GDP is an easier task. Our initial estimates held pretty well and we continue to forecast that GDP rose by 4.9% y/y in the first quarter. The sequential growth rate is also set to be impressive.

Jobs

Polish employment was up 3.7% in February 2018 compared to the same month in 2017 after the addition of 10,000 new jobs. The job momentum seems to be slowing with tightening labor supply, which prolongs the recruitment process, and this is typical for the current phase of the business cycle and should be reflected in rising employee compensation. The tight supply is being mitigated to an extent by rising participation among older age groups at home, and by higher immigration, however, their impact is limited in the short term, and until all reserves are used the baseline scenario is slower growth in jobs coupled with stronger growth in salaries.

The average salary was up 6.8% y/y in February, rising at a slightly slower rate than the 7.2% expected by the market. We can make a guess that the mild slowdown vis-à-vis January's 7.3% rebound was led by the utilities industry, alongside a modest deceleration in construction wages due to unfavorable calendar effects and weather conditions. In addition, salaries in retail are negatively affected by high statistical base related to the early-2017 wave of wage hikes. Regardless of its composition, the trend in Polish salary growth remains upward-sloping as labor remains in short supply. Wage bill growth remains exceptionally high: in nominal terms it decelerated from 11.4 to 10.8% y/y in February, in real terms it edged down from 9.5 to 9.4% y/y (thanks to a sharp drop in inflation). Even if one corrects wage bill growth for the likely upward bias in corporate employment growth, the income base for household consumption is not budging. It continues to point to 4.5-5.0% consumption growth in the coming quarters.

Inflation

The economic developments in Poland support the policy of the current Monetary Council. After peaking in Q4 2017, GDP is set for slower growth in the quarters ahead in line with slowing investment. The unemployment rate is firmly on a downward trend, but so is NAWRU. Consequently, the output gap and the unemployment gap will stabilize, and the pay pressures will ease (the central bank is forecasting a 7% increase in salaries over three years). Core CPI is heading toward a 2019 year-end target of 3%, with food and energy contributing a historically low 1.5pp. At the same time, NBP analysts seem skeptical about the mechanisms behind a material acceleration in core inflation. In short, there is a likelihood of downward revisions to the current inflation projection, if not for other reasons then by virtue of its sensitivity to external shocks (e.g. shifts in energy prices).

mBank Research

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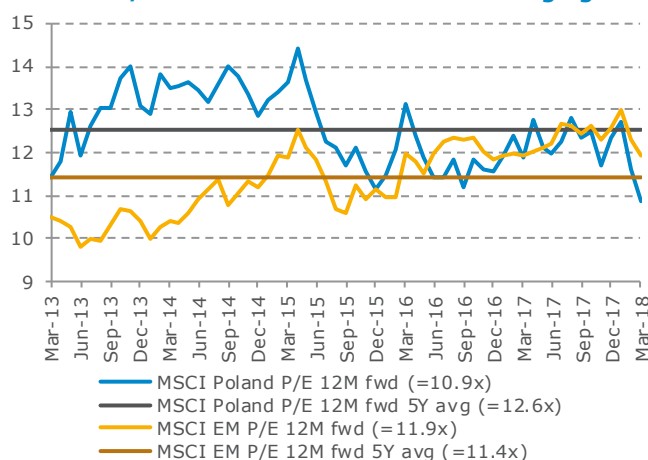
Revisions To FY2018 Earnings Forecasts For WIG30 Companies

Mar-17=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM
Apr-17	+2%	-0%	+0%	+0%	+8%	+0%	+1%	+0%	-0%	+0%	-7%	-1%	+0%	+0%	+8%	+0%
May-17	+4%	-0%	+1%	+0%	+8%	+0%	+2%	+0%	-2%	+0%	-6%	-1%	-2%	+0%	+18%	+0%
Jun-17	+5%	+5%	+3%	+0%	+11%	+0%	+7%	+40%	-1%	+1%	-6%	+2%	+2%	+3%	+8%	+0%
Jul-17	+5%	+6%	+3%	+0%	+14%	+0%	+7%	+43%	-1%	+1%	-7%	+1%	+8%	+3%	+4%	+0%
Aug-17	+10%	+7%	+4%	+2%	+15%	+5%	+13%	+45%	+0%	-4%	+47%	+3%	+8%	-3%	+9%	-11%
Sep-17	+12%	+7%	+5%	+2%	+18%	+9%	+14%	+36%	+2%	-6%	+44%	+3%	+7%	+15%	+16%	-10%
Oct-17	+11%	+5%	+5%	+2%	+17%	+9%	+18%	+36%	+3%	-6%	+36%	+3%	+20%	+15%	+17%	-10%
Nov-17	+11%	+1%	+5%	-0%	+17%	+6%	+18%	+32%	+6%	-14%	+31%	+3%	+25%	+15%	+19%	-33%
Dec-17	+10%	+2%	+6%	-0%	+16%	+6%	+14%	+32%	+4%	-2%	+30%	+10%	+24%	+6%	+12%	-25%
Jan-18	+10%	+13%	+6%	-2%	+15%	+7%	+14%	+25%	+5%	-10%	+29%	+67%	+24%	-6%	+21%	+88%
Feb-18	+12%	+11%	+5%	-2%	+15%	+9%	+14%	+19%	+5%	-14%	+31%	+67%	+24%	-6%	+31%	+88%
Mar-18	+11%	+8%	+6%	-3%	+16%	+8%	+13%	+24%	+4%	-23%	+30%	+71%	+25%	-6%	+27%	+51%

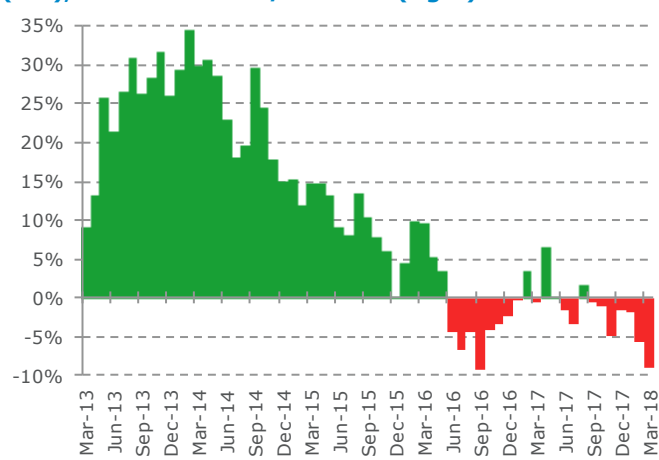
Source: "Con" - Bloomberg consensus forecasts, "mDM" - estimates by Dom Maklerski mBanku, provided ex. mBank, and PKP Cargo. The percentages indicate changes between the dates of this Monthly Outlook and the previous Monthly Outlook.

The surge in the estimates vs. consensus gap for Commodities/TMT stems from the inclusion of JSW/Play, initiated in January 2018.

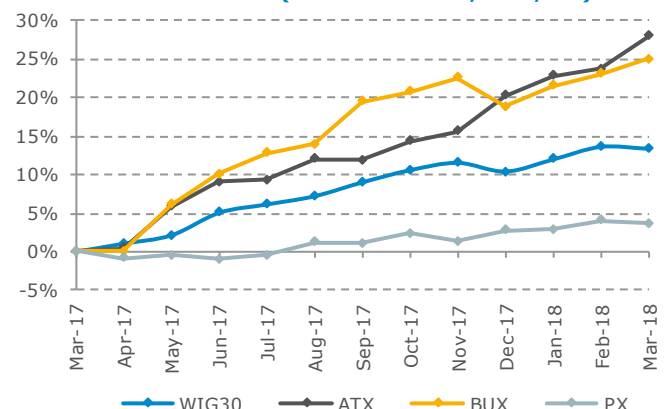
FWD 12M P/E Ratios For MSCI Poland & Emerging Markets (left), PL-EM Premium/Discount (right)



Source: Bloomberg, Dom Maklerski mBanku

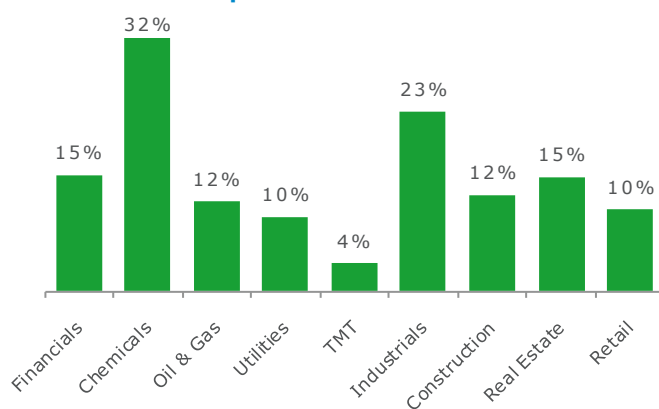


FWD 12M EPS Growth (WIG30 vs. ATX, BUX, PX)



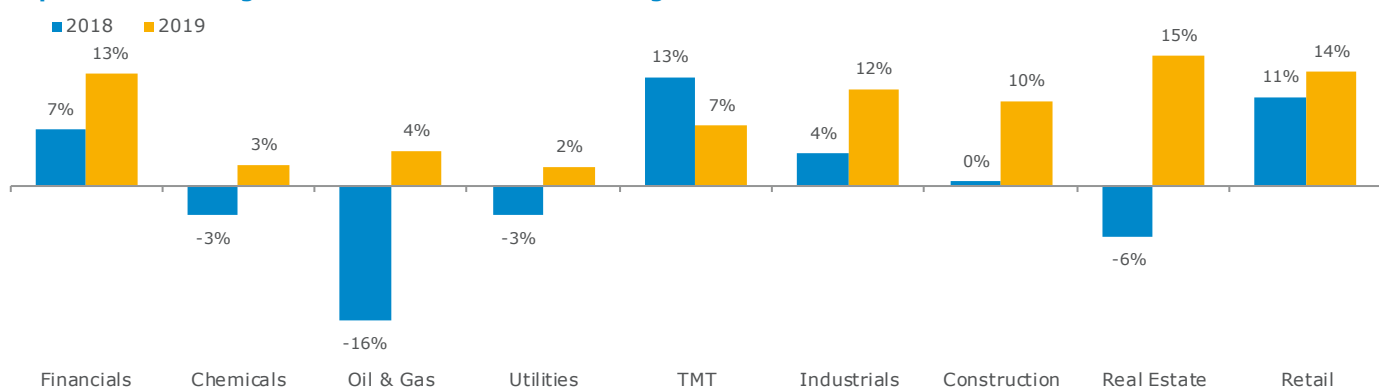
Source: Bloomberg, Dom Maklerski mBanku

Estimated Sector Upside Potential*



Source: Dom Maklerski mBanku; *To mDM price targets

Expected YoY Change in FY2018-2019E Sector Earnings*



Source: Dom Maklerski mBanku; *Net Income for Financials, EBITDA for the remaining sectors

Divergence of Dom Maklerski mBanku Estimates From Consensus Estimates

Sector/Name	mDM Rating	mDM TP ¹	BBG Ratings ²			BBG TP ³	mDM v. BBG TP	mDM v. BBG Earnings			mDM v. BBG EBITDA			Analyst Count ⁴
			▲	►	▼			2018E	2019E	2020E	2018E	2019E	2020E	
Financials														
Alior Bank	buy	109.00	14	3	1	94.92	+14.8%	+20%	+13%	-				16
BZ WBK	buy	430.00	4	12	2	421.66	+2.0%	+2%	+7%	+9%				15
Getin Noble Bank	hold	1.50	1	4	4	1.45	+3.2%	-	-33%	-				8
Handlowy	buy	94.00	2	8	1	84.57	+11.2%	-0%	+5%	-				12
ING BSK	accumulate	212.00	4	5	5	207.32	+2.3%	-3%	-4%	-3%				13
Millennium	reduce	7.00	3	3	8	8.47	-17.3%	-5%	-11%	-				9
Pekao	buy	157.00	13	11	1	148.43	+5.8%	-5%	-2%	-				17
PKO BP	hold	38.00	2	13	8	40.11	-5.3%	-5%	+0%	-				16
Komercni Banka	buy	1,111.0	13	5	2	1,051.4	+5.7%	+11%	+25%	-				17
Erste Bank	hold	40.00	13	13	2	42.60	-6.1%	+0%	-1%	-				17
OTP Bank	accumulate	12,090	12	2	3	11,936	+1.3%	-2%	-1%	-				13
PZU	buy	50.58	8	3	1	49.22	+2.8%	-2%	-7%	-				9
GetBack	buy	33.38	1	1	1	7.60	+339.2%	+23%	+21%	+54%				2
Kruk	buy	300.94	4	2	3	261.82	+14.9%	+0%	+5%	+3%				6
Prime Car Management	buy	33.00	1	1	0	34.15	-3.4%	-14%	-10%	-5%				3
Chemicals														
Ciech	buy	85.40	5	4	1	66.72	+28.0%	+29%	+38%	+39%	+19%	+19%	+21%	8
Grupa Azoty	hold	67.13	5	2	5	65.69	+2.2%	-13%	-18%	-15%	-4%	-3%	-0%	6
Oil & Gas														
Lotos	hold	51.73	5	6	2	65.20	-20.7%	-36%	-32%	-44%	-14%	-15%	-15%	7
MOL	hold	2,898.0	7	4	0	3,375.9	-14.2%	-26%	-33%	-29%	-11%	-11%	-7%	9
PGNiG	buy	7.96	4	5	1	6.67	+19.4%	+18%	+15%	+10%	+12%	+11%	+13%	5
PKN Orlen	reduce	76.89	2	7	10	98.44	-21.9%	-37%	-39%	-30%	-24%	-24%	-16%	14
Utilities														
CEZ	reduce	449.51	7	6	7	522.45	-14.0%	+1%	+14%	+1%	-2%	+1%	-2%	11
Enea	buy	11.78	4	5	1	13.40	-12.1%	+7%	-8%	-17%	+7%	+2%	+0%	4
Energa	buy	14.91	5	4	1	13.04	+14.3%	+6%	+3%	-3%	+3%	+2%	-0%	5
PGE	buy	12.89	6	4	3	12.98	-0.7%	+5%	-6%	-4%	+4%	+1%	-2%	6
Tauron	hold	2.73	2	6	4	3.09	-11.6%	+13%	-1%	-9%	+3%	+0%	-1%	7
TMT														
Netia	sell	4.30	1	4	3	4.67	-8.0%	-9%	-27%	-44%	-2%	-2%	-6%	3
Orange Polska	buy	7.60	5	9	4	6.23	+22.0%	+153%	+115%	+57%	+2%	+5%	+4%	11
Play	hold	33.50	9	3	2	39.30	-14.8%	+5%	-4%	-6%	-2%	-8%	-2%	8
Agora	buy	18.40	4	2	0	15.85	+16.1%	+45%	+35%	+36%	+3%	+1%	+0%	4
Cyfrowy Polsat	hold	25.30	9	6	0	27.88	-9.2%	+0%	+5%	+5%	+5%	+3%	-1%	8
Wirtualna Polska	accumulate	56.40	6	1	0	55.70	+1.3%	+0%	+0%	-0%	-1%	+1%	-0%	3
Asseco Poland	reduce	41.20	2	6	1	51.68	-20.3%	-9%	-9%	-8%	-0%	+3%	+3%	3
Asseco BS	neutral	-	2	2	0	30.20	-	+2%	+1%	-0%	+0%	+1%	-0%	2
Asseco SEE	overweight	-	3	0	0	17.30	-	+1%	+1%	+3%	-1%	-0%	+2%	3
Wasko	overweight	-	2	0	0	-	-	-0%	+0%	-0%	+0%	+0%	+0%	1
CD Projekt	sell	90.80	5	2	2	120.90	-24.9%	+25%	-19%	+7%	+23%	-17%	-4%	5
Comarch	buy	166.50	3	3	0	170.48	-2.3%	-10%	-1%	-2%	-4%	+2%	+1%	2
Industrials														
Alumetal	neutral	-	2	3	0	60.70	-	-8%	-14%	-	-5%	-12%	-	4
Amica	overweight	-	2	1	1	-	-	+25%	+16%	-	+8%	+11%	-	4
Apator	neutral	-	1	2	1	23.10	-	+11%	+9%	-	+5%	+4%	-	2
Elemental	neutral	-	1	1	0	-	-	+22%	+25%	-	+6%	+9%	-	2
Famur	buy	7.06	2	0	1	7.49	-5.7%	+15%	-2%	-6%	+1%	-6%	-9%	2
Forte	neutral	-	3	4	1	53.82	-	-6%	-23%	-	-0%	-15%	-	6
Kemel	hold	53.46	6	3	0	65.66	-18.6%	-22%	+16%	+19%	-9%	+6%	+8%	7
Grupa Kęty	hold	357.21	5	4	1	401.94	-11.1%	+11%	+5%	-1%	+4%	-1%	-6%	7
Pfleiderer Group	overweight	-	7	1	1	45.93	-	+5%	+6%	-	-2%	-3%	-	5
JSW	buy	108.14	3	5	4	104.18	+3.8%	+16%	+39%	-3%	+8%	+20%	-2%	6
KGHM	buy	115.43	3	9	6	106.29	+8.6%	-18%	+6%	+3%	-18%	-3%	-7%	12
Construction														
Budimex	accumulate	234.00	1	2	5	204.58	+14.4%	+0%	+15%	+21%	+2%	+13%	+20%	4
Elektrobudowa	buy	116.00	3	2	1	102.64	+13.0%	-2%	-7%	-8%	+1%	-8%	-9%	5
Erbud	buy	29.60	4	1	0	29.85	-0.8%	+7%	+7%	+6%	+6%	+6%	+7%	2
Unibep	buy	10.10	3	2	0	12.58	-19.7%	-9%	-4%	-3%	-7%	+2%	+1%	2
Torpol	neutral	-	2	1	1	16.04	-	-17%	-32%	-0%	-6%	-18%	-0%	3
Trakcja	neutral	-	3	4	1	7.61	-	-33%	-6%	+8%	-13%	-0%	+4%	3
Real Estate														
Atal	accumulate	47.00	3	1	0	45.07	+4.3%	+4%	-1%	-2%	+2%	-2%	+2%	3
Capital Park	buy	8.35	3	0	0	7.66	+9.0%	-20%	-19%	-23%	-1%	-1%	-13%	1
Dom Development	buy	103.10	6	2	1	90.63	+13.8%	+4%	+5%	+6%	+5%	+4%	+5%	6
Echo	buy	6.13	4	3	0	5.83	+5.1%	+32%	+5%	-13%	+80%	+33%	+1%	4
GTC	hold	9.60	8	2	1	10.70	-10.3%	+4%	+4%	+30%	+6%	+7%	+17%	4
LC Corp	buy	3.50	3	1	0	3.52	-0.6%	-1%	+2%	-4%	-9%	-1%	-3%	2
Polnord	neutral	-	1	2	0	9.50	-	+17%	-11%	+25%	-3%	-18%	-12%	5
Ronson	neutral	-	1	2	2	1.50	-	+12%	+4%	-0%	+10%	+3%	-0%	4
Retail														
AmRest	reduce	426.00	7	4	0	462.74	-7.9%	-23%	-30%	-29%	-8%	-7%	-5%	7
CCC	buy	295.00	10	5	3	278.36	+6.0%	-27%	-1%	+5%	-15%	-0%	+5%	14
Dino	buy	103.50	8	5	2	88.78	+16.6%	+10%	+15%	+18%	+7%	+9%	+9%	12
Eurocash	buy	30.70	11	9	2	29.81	+3.0%	-19%	-15%	-6%	-5%	-5%	-7%	17
Jeronimo Martins	accumulate	16.40	10	13	6	16.47	-0.4%	+5%	+1%	-6%	+4%	+4%	+2%	18
LPP	accumulate	9,500.0	1	6	12	7,880.2	+20.6%	+13%	+16%	+1%	+7%	+8%	+3%	14
Bytom	overweight	-	2	2	0	2.96	-	+8%	+8%	-	+11%	+9%	-	4
Gino Rossi	neutral	-	1	1	1	3.00	-	-62%	-45%	-	-19%	-16%	-	5
Monnari	overweight	-	5	0	0	10.80	-	+11%	+13%	-	+7%	+8%	-	4
Vistula	neutral	-	2	2	0	5.19	-	+5%	+3%	-	+5%	+4%	-	5

Source: Bloomberg (BBG), Dom Maklerski mBanku (mDM); ¹Target Price issued by Dom Maklerski mBanku; ²Positive/Neutral/Negative ratings count comprising the Bloomberg Consensus; ³Average of all analyst target prices; ⁴Number of analysts participating in the consensus

Current Recommendations By Dom Maklerski mBanku

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E		EV/EBITDA	
							2018	2019	2018	2019
Financial Sector						+15.0%	12.6	11.1		
Alior Bank	buy	2018-02-01	85.50	109.00	71.25	+53.0%	9.7	8.1		
BZ WBK	buy	2018-03-05	357.80	430.00	352.40	+22.0%	13.9	11.4		
Getin Noble Bank	hold	2018-03-05	1.45	1.50	1.34	+11.9%	-	8.2		
Handlowy	buy	2018-04-06	77.50	94.00	77.50	+21.3%	16.0	13.2		
ING BSK	accumulate	2018-03-05	198.00	212.00	198.40	+6.9%	16.4	14.5		
Millennium	reduce	2018-04-06	8.35	7.00	8.35	-16.2%	14.0	12.8		
Pekao	buy	2018-02-01	135.90	157.00	123.00	+27.6%	14.8	12.2		
PKO BP	hold	2018-04-06	39.74	38.00	39.74	-4.4%	15.0	12.5		
Komercni Banka	buy	2017-12-01	899.00	1,111 CZK	955.00	+16.3%	12.2	10.4		
Erste Bank	hold	2018-02-02	40.64	40.00 EUR	41.23	-3.0%	12.6	11.7		
OTP Bank	accumulate	2018-02-02	11,560	12,090 HUF	11,590	+4.3%	11.7	10.8		
PZU	buy	2018-03-05	41.55	50.58	41.81	+21.0%	10.7	10.5		
GetBack	buy	2017-11-30	23.00	33.38	6.30	+429.8%	1.7	1.5		
Kruk	buy	2018-02-02	222.20	300.94	258.20	+16.6%	13.7	11.7		
Prime Car Management	buy	2018-04-06	23.60	33.00	23.60	+39.8%	7.8	6.8		
Skarbiec Holding	buy	2018-02-02	30.60	56.30	30.00	+87.7%	7.2	6.0		
Chemicals						+32.5%	7.6	7.9	5.9	5.7
Ciech	buy	2018-04-06	57.00	85.40	57.00	+49.8%	7.6	7.9	4.6	4.8
Grupa Azoty	hold	2018-03-05	56.55	67.13	56.20	+19.4%	13.3	13.3	5.9	5.7
Polwax	buy	2018-02-02	11.05	18.80	10.60	+77.4%	5.6	5.0	6.3	6.8
Oil & Gas						+11.4%	12.0	11.1	5.5	5.1
Lotos	hold	2018-04-06	54.60	51.73	54.60	-5.3%	14.7	11.0	6.2	5.4
MOL	hold	2018-04-06	2,864	2,898 HUF	2,864	+1.2%	10.9	11.1	4.8	4.8
PGNiG	buy	2018-04-06	5.71	7.96	5.71	+39.4%	7.8	7.4	3.8	3.5
PKN Orlen	reduce	2018-04-06	89.52	76.89	89.52	-14.1%	13.0	13.7	7.1	7.2
Power Utilities						+9.3%	5.0	5.1	3.8	3.9
CEZ	reduce	2018-04-06	519.50	449.51 CZK	519.50	-13.5%	19.4	18.4	8.1	7.7
Enea	buy	2018-04-06	9.10	11.78	9.10	+29.5%	4.1	4.3	3.8	3.9
Energa	buy	2018-04-06	9.96	14.91	9.96	+49.7%	5.0	5.1	3.6	3.5
PGE	buy	2018-04-06	9.81	12.89	9.81	+31.4%	6.2	7.1	3.7	3.8
Tauron	hold	2018-04-06	2.38	2.73	2.38	+14.7%	3.6	4.0	4.4	4.7
Telecoms, Media, IT						+3.6%	20.6	16.2	6.9	6.5
Netia	sell	2018-04-06	5.27	4.30	5.27	-18.4%	48.0	57.9	6.1	6.4
Orange Polska	buy	2018-04-06	5.83	7.60	5.83	+30.4%	25.5	14.0	4.7	4.3
Play	hold	2018-04-06	32.70	33.50	32.70	+2.4%	9.0	8.7	6.3	6.5
Agora	buy	2018-04-06	14.50	18.40	14.50	+26.9%	27.5	29.9	5.0	5.2
Cyfrowy Polsat	hold	2018-04-06	24.84	25.30	24.84	+1.9%	12.7	10.8	6.9	6.3
Wirtualna Polska	accumulate	2018-04-06	52.20	56.40	52.20	+8.0%	20.6	16.7	10.7	9.1
Asseco Poland	reduce	2018-03-27	45.20	41.20	45.56	-9.6%	15.5	16.2	8.8	8.3
CD Projekt	sell	2018-04-06	114.90	90.80	114.90	-21.0%	55.3	16.6	43.7	12.5
Comarch	buy	2018-04-06	131.50	166.50	131.50	+26.6%	18.9	13.9	7.5	6.5
Industrials, Mining						+23.1%	11.6	7.2	7.5	5.3
Famur	buy	2018-04-06	6.04	7.06	6.04	+16.9%	17.3	13.5	8.3	7.2
Grupa Kęty	hold	2018-04-06	346.00	357.21	346.00	+3.2%	11.8	12.1	8.5	8.5
JSW	buy	2018-04-06	86.78	108.14	86.78	+24.6%	4.7	6.3	2.5	2.9
Kemel	hold	2018-03-05	48.80	53.46	50.40	+6.1%	11.5	6.0	7.5	5.0
KGHM	buy	2018-04-04	88.00	115.43	90.24	+27.9%	7.5	5.6	4.4	3.3
Stelmet	buy	2018-03-05	17.15	27.72	16.60	+67.0%	11.7	8.0	7.6	5.6
Construction						+12.4%	9.9	10.9	5.0	4.7
Budimex	accumulate	2018-04-06	215.00	234.00	215.00	+8.8%	13.3	13.9	6.4	6.7
Elektrobudowa	buy	2018-04-06	96.40	116.00	96.40	+20.3%	11.0	13.0	4.5	5.1
Erbud	buy	2018-04-06	21.60	29.60	21.60	+37.0%	8.9	8.8	4.5	4.4
Unibep	buy	2018-04-06	7.50	10.10	7.50	+34.7%	8.6	7.4	5.6	4.4
Property Developers						+14.7%	8.8	9.1	8.2	8.0
Atal	accumulate	2018-04-06	43.40	47.00	43.40	+8.3%	8.7	9.0	7.4	7.9
Capital Park	buy	2018-04-06	5.95	8.35	5.95	+40.3%	11.8	9.9	18.2	17.4
Dom Development	buy	2018-03-20	85.80	103.10	85.40	+20.7%	8.9	9.1	7.2	7.5
Echo	buy	2018-04-06	5.23	6.13	5.23	+17.2%	7.1	6.6	7.9	8.2
GTC	hold	2018-04-06	9.39	9.60	9.39	+2.2%	11.6	10.0	15.5	14.6
LC Corp	buy	2018-04-06	2.70	3.50	2.70	+29.6%	6.5	5.8	8.4	7.6
Retail						+10.5%	25.6	19.9	14.1	12.0
AmRest	reduce	2018-04-06	449.50	426.00	449.50	-5.2%	47.4	37.2	15.5	12.4
CCC	buy	2018-04-06	257.40	295.00	257.40	+14.6%	33.6	19.9	19.0	13.2
Dino	buy	2018-04-04	85.10	103.50	86.90	+19.1%	26.7	20.0	16.7	12.9
Eurocash	buy	2018-04-06	24.41	30.70	24.41	+25.8%	25.6	19.8	8.3	7.1
Jeronimo Martins	accumulate	2018-04-06	14.90	16.40 EUR	14.90	+10.1%	20.1	18.8	8.9	8.0
LPP	accumulate	2018-04-06	8,900	9,500	8,900	+6.7%	25.5	21.7	14.1	12.0
TXM	buy	2018-02-02	2.36	5.41	2.36	+129.2%	13.2	4.9	6.8	3.6
Other						-0.2%	11.3	10.2	7.5	6.9
PBKM	hold	2018-04-06	77.00	76.83	77.00	-0.2%	11.3	10.2	7.5	6.9

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2018	2019	2018	2019
Industrials						15.3	11.4	6.2	5.4
Ailleron	neutral	2018-03-28	16.20	15.70	-3.1%	18.7	16.2	8.5	7.0
Asseco BS	neutral	2018-03-28	28.00	27.90	-0.4%	16.2	14.7	10.8	9.9
Asseco SEE	overweight	2018-03-28	12.95	12.95	+0.0%	11.3	10.8	5.2	4.8
Atende	overweight	2018-03-28	4.25	4.23	-0.5%	8.9	8.1	5.7	5.4
Wasko	overweight	2018-03-28	2.25	2.15	-4.4%	15.3	11.4	6.2	5.4
Industrials						11.5	10.8	6.5	6.1
Alumetal	neutral	2017-07-31	46.99	53.90	+14.7%	11.6	12.0	8.7	8.7
Amica	overweight	2018-01-05	130.00	130.00	+0.0%	7.0	7.8	5.7	5.3
Apator	neutral	2018-02-28	24.00	22.20	-7.5%	11.5	11.1	7.0	6.7
Boryszew	neutral	2017-11-30	9.85	9.00	-8.6%	11.5	10.5	7.5	7.0
Elemental	neutral	2017-08-31	2.55	1.88	-26.3%	5.8	5.0	5.0	4.3
Ergis	neutral	2018-01-29	4.77	4.22	-11.5%	7.9	7.0	5.5	5.0
Forte	neutral	2018-02-02	43.00	53.00	+23.3%	13.9	12.8	10.8	10.3
Kruszwica	neutral	2017-03-29	63.50	73.80	+16.2%	23.1	22.5	12.9	12.5
Mangata	underweight	2018-03-29	95.60	92.20	-3.6%	12.5	11.9	7.2	6.9
Pfleiderer Group	overweight	2017-11-08	36.65	37.45	+2.2%	17.2	16.0	5.8	5.4
Pozbud	overweight	2017-11-13	2.98	3.57	+19.8%	6.4	3.7	5.4	2.3
Tarczyński	neutral	2018-01-29	13.05	13.80	+5.7%	10.0	9.6	6.0	5.6
Construction Sector						12.4	9.9	5.1	4.7
Elektrotim	overweight	2017-11-16	7.61	8.46	+11.2%	9.7	11.6	4.8	5.3
Herkules	neutral	2018-01-25	3.67	3.20	-12.8%	10.7	7.5	5.5	4.5
Torpol	neutral	2018-03-29	7.50	7.52	+0.3%	12.1	8.6	4.8	4.3
Trakcja	neutral	2018-03-29	6.75	6.70	-0.7%	23.0	11.1	7.2	5.4
Ulma	neutral	2018-03-29	66.50	75.50	+13.5%	13.6	11.3	4.0	3.6
ZUE	neutral	2018-03-29	6.12	6.00	-2.0%	12.8	8.1	5.7	4.9
Property Developers						7.6	7.0	8.9	6.0
Archicom	overweight	2018-01-25	15.75	15.60	-1.0%	7.3	5.4	7.1	5.6
BBI Development	neutral	2018-02-02	0.70	0.69	-1.4%	16.4	7.6	13.5	5.9
i2 Development	overweight	2018-01-12	14.90	17.95	+20.5%	4.9	5.2	5.7	6.2
JWC	underweight	2018-03-29	4.16	4.29	+3.1%	7.7	5.6	7.0	5.2
Lokum Deweloper	overweight	2018-03-29	17.80	17.50	-1.7%	5.8	6.6	4.4	5.0
PA Nova	neutral	2018-03-29	23.30	23.00	-1.3%	7.5	8.7	10.8	12.1
Polnord	neutral	2018-02-02	10.50	8.50	-19.0%	14.0	11.3	32.9	22.8
Ronson	neutral	2018-04-03	1.32	1.31	-0.8%	9.4	7.5	10.7	9.3
Retail						14.0	12.5	8.2	7.2
Bytom	overweight	2017-11-28	2.50	2.95	+18.0%	13.4	12.2	8.3	7.4
Gino Rossi	neutral	2017-11-28	1.29	1.05	-18.6%	27.9	14.6	8.0	7.1
Monnari	overweight	2017-11-28	8.21	8.54	+4.0%	10.8	9.8	5.7	4.4
Vistula	neutral	2018-02-02	5.16	4.99	-3.3%	14.7	12.8	9.5	8.2

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Rating Date
Ailleron	neutral	neutral	-	-	2018-03-28
Asseco BS	neutral	neutral	-	-	2018-03-28
Asseco Poland	reduce	reduce	41.20	PLN	2018-03-27
Asseco SEE	overweight	overweight	-	-	2018-03-28
Atende	overweight	overweight	-	-	2018-03-28
BZ WBK	buy	hold	430.00	PLN	2018-03-05
CCC	buy	hold	286.00	PLN	2018-03-05
CEZ	hold	hold	506.40	CZK	2018-03-05
Ciech	buy	buy	85.87	PLN	2018-03-05
Comarch	hold	hold	166.50	PLN	2018-03-05
Cyfrowy Polsat	accumulate	hold	24.90	PLN	2018-03-05
Dino	buy	buy	103.50	PLN	2018-04-04
Dom Development	buy	buy	103.10	PLN	2018-03-20
Enea	buy	accumulate	12.11	PLN	2018-03-05
Energa	buy	buy	14.71	PLN	2018-03-05
Erbud	buy	buy	29.40	PLN	2018-03-05
Eurocash	buy	buy	31.10	PLN	2018-03-05
Famur	buy	buy	7.28	PLN	2018-03-05
Getin Noble Bank	hold	sell	1.50	PLN	2018-03-05
Grupa Azoty	hold	hold	67.13	PLN	2018-03-05
Grupa Kęty	hold	hold	379.66	PLN	2018-03-05
GTC	accumulate	hold	9.70	PLN	2018-03-05
ING BSK	accumulate	hold	212.00	PLN	2018-03-05
Jeronimo Martins	accumulate	hold	16.90	EUR	2018-03-05
JSW	buy	buy	120.71	PLN	2018-03-05
JWC	underweight	neutral	-	-	2018-03-29
Kernel	hold	hold	53.46	PLN	2018-03-05
KGHM	buy	accumulate	115.43	PLN	2018-04-04
Lokum Deweloper	overweight	overweight	-	-	2018-03-29
Lotos	reduce	reduce	51.08	PLN	2018-03-05
LPP	accumulate	hold	9500.00	PLN	2018-03-05
Mangata	underweight	neutral	-	-	2018-03-29
MOL	hold	hold	3027.00	HUF	2018-03-05
PA Nova	neutral	neutral	-	-	2018-03-29
PGE	buy	accumulate	12.61	PLN	2018-03-05
PGNiG	buy	buy	7.51	PLN	2018-03-05
PKN Orlen	sell	sell	80.55	PLN	2018-03-05
PKO BP	reduce	sell	38.00	PLN	2018-03-05
PZU	buy	accumulate	50.58	PLN	2018-03-05
Ronson	neutral	underweight	-	-	2018-04-03
Stelmet	buy	buy	27.72	PLN	2018-03-05
Tauron	hold	hold	2.98	PLN	2018-03-05
Torpol	neutral	neutral	-	-	2018-03-29
Trakcja	neutral	neutral	-	-	2018-03-29
Ulma	neutral	neutral	-	-	2018-03-29
Wasko	overweight	overweight	-	-	2018-03-28
ZUE	neutral	neutral	-	-	2018-03-29

Ratings and Valuations Changed as of 6 April 2018

Company	Rating	Previous Rating	Target Price		Rating Date
Agora	buy	buy	18.40	PLN	2018-04-06
AmRest	reduce	hold	426.00	PLN	2018-04-06
Atal	accumulate	accumulate	47.00	PLN	2018-04-06
Budimex	accumulate	buy	234.00	PLN	2018-04-06
Capital Park	buy	buy	8.35	PLN	2018-04-06
CCC	buy	buy	295.00	PLN	2018-04-06
CD Projekt	sell	sell	90.80	PLN	2018-04-06
CEZ	reduce	hold	449.51	CZK	2018-04-06
Ciech	buy	buy	85.40	PLN	2018-04-06
Comarch	buy	hold	166.50	PLN	2018-04-06
Cyfrowy Polsat	hold	accumulate	25.30	PLN	2018-04-06
Echo	buy	buy	6.13	PLN	2018-04-06
Elektrobudowa	buy	buy	116.00	PLN	2018-04-06
Enea	buy	buy	11.78	PLN	2018-04-06
Energa	buy	buy	14.91	PLN	2018-04-06
Erbud	buy	buy	29.60	PLN	2018-04-06
Eurocash	buy	buy	30.70	PLN	2018-04-06
Famur	buy	buy	7.06	PLN	2018-04-06
Grupa Kęty	hold	hold	357.21	PLN	2018-04-06
GTC	hold	accumulate	9.60	PLN	2018-04-06
Handlowy	buy	accumulate	94.00	PLN	2018-04-06
Jeronimo Martins	accumulate	accumulate	16.40	EUR	2018-04-06
JSW	buy	buy	108.14	PLN	2018-04-06
LC Corp	buy	buy	3.50	PLN	2018-04-06
Lotos	hold	reduce	51.73	PLN	2018-04-06
LPP	accumulate	accumulate	9500.00	PLN	2018-04-06
Millennium	reduce	sell	7.00	PLN	2018-04-06
MOL	hold	hold	2898.00	HUF	2018-04-06
Netia	sell	reduce	4.30	PLN	2018-04-06
Orange Polska	buy	buy	7.60	PLN	2018-04-06
PBKM	hold	hold	76.83	PLN	2018-04-06
PGE	buy	buy	12.89	PLN	2018-04-06
PGNiG	buy	buy	7.96	PLN	2018-04-06
PKN Orlen	reduce	sell	76.89	PLN	2018-04-06
PKO BP	hold	reduce	38.00	PLN	2018-04-06
Play	hold	hold	33.50	PLN	2018-04-06
Prime Car Management	buy	buy	33.00	PLN	2018-04-06
Tauron	hold	hold	2.73	PLN	2018-04-06
Unibep	buy	buy	10.10	PLN	2018-04-06
Wirtualna Polska	accumulate	accumulate	56.40	PLN	2018-04-06

Rating Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	2	2.1%	2	4.1%
reduce	5	5.2%	2	4.1%
underweight	2	2.1%	0	0.0%
hold	13	13.5%	7	14.3%
neutral	21	21.9%	8	16.3%
accumulate	7	7.3%	3	6.1%
buy	34	35.4%	26	53.1%
overweight	12	12.5%	1	2.0%

Corporate Events Calendar For April

Date	Time	Company	Event
6 Apr		Archicom	2017 FY earnings announcement
6 Apr		Forte	Site visit at new plant in Suwałki
6 Apr		Pozbud	2017 FY earnings announcement
6 Apr	10:00	BSC Drukarnia	2017 FY earnings conference
6 Apr	12:00	Rafako	2017 FY earnings conference
6 Apr		Fabryka Konstrukcji	Management Board meetings
9 Apr	10:00	i2 Development	2017 FY earnings conference
9 Apr	10:00	Lentex	Management Board meetings
10 Apr			Industrial Event (in attendance: AC, Cognor, Ergis, JSW, Bilfinger, Dürr, Nordex, Senvion, thyssenkrupp, Vossloh; Sofitel Victoria, Warsaw) – registration required
10 Apr	12:00	Arctic Paper	2017 FY earnings conference
10 Apr	09:30	Alumetal	2017 FY earnings conference
11 Apr		Pfleiderer Group	2017 FY earnings announcement
11 Apr	10:30	Pfleiderer Group	2017 Q4 earnings conference
11 Apr		Pfleiderer Group	Management Board meetings
16 Apr		Gino Rossi	2017 FY earnings announcement
17 Apr		Mangata	2017 FY earnings announcement
18 Apr		BBI Development	2017 FY earnings announcement
18 Apr		Kernel	2018 Q1 production update
19 Apr		Grupa Kęty	2018 Q1 earnings announcement
19 Apr		TXM	2017 FY earnings announcement
20 Apr		Stelmet	Site Visit at production facility in Grudziądz
24 Apr		Impexmetal	2017 FY earnings announcement
24 Apr		BZ WBK	2018 Q1 earnings announcement
24 Apr		Emperia	2017 FY earnings announcement
24 Apr		Millennium	2018 Q1 earnings announcement
24 Apr		Monnari	2017 FY earnings announcement
24 Apr		Redan	2017 FY earnings announcement
25 Apr		Wojas	2017 FY earnings announcement
26 Apr		Boryszew	2017 FY earnings announcement
26 Apr		Dom Dev.	2018 Q1 earnings announcement
26 Apr		Elektrotim	2017 FY earnings announcement
26 Apr		Getin Noble	2017 FY earnings announcement
26 Apr		Jeronimo Martins	2018 Q1 earnings announcement
26 Apr		Kruk	2018 Q1 earnings announcement
27 Apr		Elemental	2017 FY earnings announcement
27 Apr		Famur	2017 FY earnings announcement
27 Apr		GPW	2018 Q1 earnings announcement
27 Apr		Herkules	2017 FY earnings announcement
27 Apr		Polnord	2017 FY earnings announcement
27 Apr		Tarczyński	2017 FY earnings announcement
30 Apr		Bytom	2017 FY earnings announcement
30 Apr		Cognor	2018 Q1 earnings announcement

Financial Sector

Alior Bank

buy (no change)

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We maintain a buy rating for Alior Bank, with the price target set at PLN 109.00 per share. ALR stock has taken a beating in recent weeks in the wake of a conservative 2018 earnings guidance, the impact of IFRS9 on capital, and the resignation of the CEO. In our view, the guidance, in particular in respect of costs, will be revised upward after the first quarter. In a longer term, Alior is aiming for ROE of 14% in 2020, which we consider an ambitious but achievable goal not yet discounted by the market, indicating potential for positive surprises. A decision as regards Alior's possible merger with Bank Pekao is expected by the end of June. Pekao's shareholder, the state-run Polish Development Fund, has said before it is not convinced merger is a good idea. At 8.7x 2019E P/E and 1.0x P/B, Alior remains one of the cheapest banks in Poland, with a discount valuation which should narrow going forward given that the Bank's ROE is the highest in the sector. We believe Alior's Management deserves credit for taking measures to address the weakness that is the capital position.

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
Net interest income	1,501	1,946	2,841	3,157	3,500
Fee income	332	331	453	466	490
Trading income	282	342	376	377	385
Other income	82	621	127	125	131
Noninterest income	695	1,295	956	968	1,006
Total income	2,196	3,241	3,797	4,125	4,505
Operating expenses	1,138	1,619	1,930	1,631	1,688
Operating income	1,058	1,622	1,867	2,494	2,818
Provisioning	672	800	930	1,046	1,122
Profits of associates	0	0	0	0	0
Pre-tax income	386	822	937	1,448	1,696
Tax	77	73	221	275	322
Minority interests	-1	0	0	0	0
Asset tax	0	131	201	225	243
Net income	310	618	515	948	1,130

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	0	0%
PV Adjustment	788	5%
Value Driver (2020-34)	11,605	68%
Fade (2035-54)	3,704	22%
Terminal Value	938	6%
Fair Value	17,036	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	131.80	
9M Target Price (PLN)	140.20	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,227	41%
Explicit Forecast (2017-19)	1,206	8%
PV Adjustment	94	1%
Value Driver (2020-34)	5,798	38%
Fade (2035-54)	1,749	12%
Fair Value	15,074	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	116.62	
9M Target Price (PLN)	124.05	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	17,036
Economic Profits	50%	15,074
Fair Value Avg.		16,055
Fair Value Per Share (PLN)		124.21
Asset tax		-21.74
Fair Value Per Share		102.47
Cost of equity (9M)		6.4%
9M Target Price (PLN)		109.00

Current Price

71.25 PLN

Upside

9M Target Price

109.00 PLN

+53.0%

	rating	target price	issued
unchanged	buy	109.00 PLN	2018-02-01

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-10.4%	-3.3%
ISIN	PLALIOR00045	YTD Price Chng	-10.4%	-3.3%
Outst. Stock (m)	129.3	ADTV 1M		PLN 25.8m
MC (PLN m)	9,209.6	ADTV 6M		PLN 21.1m
		P/E 12M fwd	10.8	-23.9%
Free Float	74.8%	P/E 5Y avg	14.2	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	1,946	3,601	3,157	3,500
Total income	3,241	3,797	4,125	4,505
Costs	-1,619	-1,930	-1,631	-1,688
Provisioning	-800	-930	-1,046	-1,122
Net income	618	515	948	1,130
P/E	12.4	19.1	10.4	8.7
P/B	1.5	1.4	1.2	1.0
ROE	12.7%	7.9%	12.8%	13.0%
DPS	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%
Revision of Projections (% change)	2018P	2019P	2020P	
Net interest income	0.0%	0.0%	0.0%	
Fee income	0.0%	0.0%	0.0%	
Total costs	0.0%	0.0%	0.0%	
Provisioning	0.0%	0.0%	0.0%	
Net income	0.0%	0.0%	0.0%	

Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
Net loans	30,907	46,278	51,267	55,378	59,710
Other assets	9,096	14,931	18,227	17,225	18,583
Total assets	40,003	61,210	69,494	72,603	78,293
Deposits	33,664	51,369	57,614	60,464	64,696
Other liabilities	2,825	3,638	5,117	4,139	4,241
Minority interests	1	1	1	1	1
Equity	3,513	6,202	6,761	8,000	9,355

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	4.5%	4.1%	4.3%	4.9%	5.0%
C/I	51.8%	49.9%	50.8%	39.5%	37.5%
CoR	2.3%	1.9%	1.8%	1.8%	1.8%
NPL Ratio	9.3%	9.8%	10.8%	10.2%	10.3%
Tier 1 Ratio	9.7%	11.3%	12.1%	12.5%	14.3%



BZ WBK buy (no change)

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BZW stock took a nosedive after Deutsche Bank sold about 1.2 million of its shares, borrowed from Santander, in advance of the takeover of its Polish business (DBPL) by BZ WBK. The full effects of the merger do yet not seem to be factored into the current analysts' forecasts for BZ WBK, and according to our calculations the transaction can boost the Bank's EPS by some 4%-5% in 2019-2021, as well as strengthening the future dividend-paying potential through a reduction in the share of CHF mortgages in the combined loan portfolio. In 2018, the deal will probably allow BZ WBK to recognize a one-time profit on the bargain purchase of the DBPL assets. We estimate that the planned CHF borrower relief law, if passed, will set BZ WBK back 12% at most in terms of annual earnings, and even if it shaves PLN 20 off the Bank's per-share value this will still leave plenty of upside potential. BZ WBK received a recommendation from the financial regulator to retain 2017 earnings as a way of strengthening the capital position, given without prejudice to its right to distribute the retained profit for 2016, in the amount of PLN 1,041m, as dividends to shareholders. At a 100% dividend payout ratio, this would imply a DPS of PLN 10.48, decreasing to PLN 5.24 at 50% and PLN 3.14 at 30%. In the end, we expect BZ WBK to offer DPS of PLN 5.79, making for a total payout equivalent to 30% of the standalone net profit for 2017.

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
Net interest income	4,770	5,277	5,852	6,943	7,587
Fee income	1,915	2,013	2,268	2,508	2,534
Trading income	780	323	339	356	374
Other income	141	151	154	157	160
Noninterest income	2,836	2,487	2,761	3,021	3,067
Total income	7,606	7,764	8,613	9,965	10,655
Operating expenses	3,368	3,372	3,653	3,923	3,902
Operating income	4,238	4,391	4,960	6,042	6,752
Provisioning	785	690	746	871	928
Profits of associates	55	58	58	58	58
Pre-tax income	3,509	3,759	4,272	5,229	5,883
Tax	738	817	897	1,098	1,235
Minority interests	-217	-305	-350	-379	-408
Asset tax	-387	-424	-465	-599	-645
Net income	2,167	2,213	2,560	3,152	3,595

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-20)	2,393	5%
PV Adjustment	2,412	5%
Value Driver (2021-35)	31,218	64%
Fade (2036-55)	10,417	21%
Terminal Value	2,118	4%
Fair Value	48,557	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	489.32	
9M Target Price (PLN)	520.51	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	20,673	45%
Explicit Forecast (2018-20)	5,851	13%
PV Adjustment	290	1%
Value Driver (2021-35)	15,282	33%
Fade (2036-55)	4,339	9%
Fair Value	46,435	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	467.93	
9M Target Price (PLN)	497.76	

Current Price 352.40 PLN
9M Target Price 430.00 PLN **Upside +22.0%**

	rating	target price	issued
unchanged	buy	430.00 PLN	2018-03-05

Key Metrics		BZW PW	vs. WIG
Ticker	BZW PW	1M Price Chng	-11.1%
ISIN	PLBZ000000044	YTD Price Chng	-11.1%
Outst. Stock (m)	99.2	ADTV 1M	PLN 27.0m
MC (PLN m)	34,970.2	ADTV 6M	PLN 20.7m
		P/E 12M fwd	13.8
Free Float	30.0%	P/E 5Y avg	15.1 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	4,770	5,277	5,852	6,943	7,587
Total income	7,606	7,764	8,613	9,965	10,655
Costs	-3,368	-3,372	-3,653	-3,923	-3,902
Provisioning	-785	-690	-746	-871	-928
Net income	2,167	2,213	2,560	3,152	3,595
P/E	17.0	16.7	14.6	12.0	10.6
P/B	1.8	1.6	1.3	1.2	1.1
ROE	11.1%	10.6%	10.4%	11.1%	11.8%
DPS	21.33	5.40	6.69	12.55	15.46
DYield	6.1%	1.5%	1.9%	3.6%	4.4%
Revision of Projections (% change)	2018P	2019P	2020P		
Net interest income	0.0%	0.0%	0.0%		
Fee income	0.0%	0.0%	0.0%		
Total costs	0.0%	0.0%	0.0%		
Provisioning	0.0%	0.0%	0.0%		
Net income	0.0%	0.0%	0.0%		

Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
Net loans	103,069	107,840	133,795	143,695	152,125
Other assets	47,031	44,835	47,701	50,530	53,562
Total assets	150,100	152,674	181,496	194,225	205,687
Deposits	112,522	111,481	130,240	140,790	152,227
Other liabilities	16,559	17,850	22,517	22,616	20,345
Minority interests	1,238	1,436	1,416	1,394	1,370
Equity	19,781	21,907	27,324	29,426	31,745

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	3.4%	3.6%	3.7%	3.8%	3.9%
C/I	44.3%	43.4%	42.4%	39.4%	36.6%
CoR	0.8%	0.6%	0.6%	0.6%	0.6%
NPL Ratio	6.6%	5.8%	5.0%	5.0%	5.0%
Tier 1 Ratio	14.6%	15.3%	16.0%	16.0%	16.2%

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	48,557
Economic Profits	50%	46,435
Fair Value Avg.		47,496
Fair Value Per Share (PLN)		478.62
Asset tax		-74.39
Fair Value Per Share		404.23
Cost of equity (9M)		6.4%
9M Target Price (PLN)		430.00

Getin Noble Bank hold (no change)

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GNB stock has logged a 24.7% drop since the previous monthly update on concerns over earnings and the implications of the FX borrower relief legislation. Getin did not improve returns as much as hoped in 2017, and it might not shake the pressures in 2018. On a positive note, by further reducing low-margin assets, the Bank is expected to generate higher margins this year. Our 2018-2019 earnings forecasts for Getin are significantly lower than the consensus forecasts. The Bank continues to operate under the confines of its large CHF exposure and a 77% share of term deposits in the savings book. The recent PLN 240m capital increase is not enough to bring Getin's solvency ratios up to levels that fulfill even the minimum capital requirements. Our financial outlook for Getin does not yet factor in the effects of the imminent borrower relief legislation.

Current Price

1.34 PLN

Upside

9M Target Price

1.50 PLN

+11.9%

	rating	target price	issued
unchanged	hold	1.50 PLN	2018-03-05

Key Metrics			GNB PW	vs. WIG
Ticker	GNB PW	1M Price Chng	-17.3%	-10.2%
ISIN	PLGETBK00012	YTD Price Chng	-17.3%	-10.2%
Outst. Stock (m)	971.3	ADTV 1M		PLN 0.8m
MC (PLN m)	1,301.5	ADTV 6M		PLN 3.2m
		P/E 12M fwd	12.6	-2.9%
Free Float	49.8%	P/E 5Y avg	13.0	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	1,317	1,308	1,335	1,427
Total income	1,537	1,532	1,586	1,761
Costs	-859	-884	-875	-861
Provisioning	-660	-1,005	-843	-716
Net income	-42	-301	-99	158
P/E	-	-	-	8.4
P/B	0.2	0.2	0.3	0.3
ROE	-	-	-	3.1%
DPS	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%
Revision of Projections (% change)				
Net interest income		0.0%	0.0%	0.0%
Fee income		0.0%	0.0%	0.0%
Total costs		0.0%	0.0%	0.0%
Provisioning		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
Net interest income	1,196	1,317	1,308	1,335	1,427
Fee income	327	126	162	188	215
Trading income	209	177	218	142	152
Other income	-70	-83	-156	-79	-33
Noninterest income	466	221	224	251	334
Total income	1,662	1,537	1,532	1,586	1,761
Operating expenses	1,193	859	884	875	861
Operating income	469	678	648	710	900
Provisioning	430	660	1,005	843	716
Profits of associates	34	-3	12	13	13
Pre-tax income	73	16	-345	-120	197
Tax	19	16	-45	-23	37
Minority interests	-10	-4	-1	-1	-1
Asset tax	0	38	0	0	0
Net income	44	-42	-301	-99	158

Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
Net loans	49,225	46,666	43,827	41,726	40,733
Other assets	21,531	19,851	19,732	21,008	22,410
Total assets	70,756	66,517	63,559	62,734	63,143
Deposits	55,726	53,041	50,621	51,287	50,734
Other liabilities	9,866	8,362	8,043	6,461	7,265
Minority interests	0	7	0	0	0
Equity	5,164	5,108	4,894	4,986	5,144

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	1.8%	2.0%	2.1%	2.2%	2.4%
C/I	71.8%	55.9%	57.7%	55.2%	48.9%
CoR	0.8%	1.3%	2.1%	1.9%	1.6%
NPL Ratio	13.2%	14.7%	13.6%	12.8%	12.6%
Tier 1 Ratio	11.1%	12.3%	10.7%	11.4%	12.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	-175	-5%
PV Adjustment	182	6%
Value Driver (2020-34)	1,434	44%
Fade (2035-54)	1,107	34%
Terminal Value	696	21%
Fair Value	3,242	100%
Outst. Shares (millions)	888	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	3.65	
9M Target Price (PLN)	3.88	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	5,056	183%
Explicit Forecast (2017-19)	-1,312	-48%
PV Adjustment	17	1%
Value Driver (2020-34)	-922	-33%
Fade (2035-54)	-83	-3%
Fair Value	2,757	100%
Outst. Shares (millions)	888	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	3.10	
9M Target Price (PLN)	3.30	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	3,242
Economic Profits	50%	2,757
Fair Value Avg.		3,000
Fair Value Per Share (PLN)		3.38
Asset tax		-1.97
Fair Value Per Share		1.50
Cost of equity (9M)		6.4%
9M Target Price (PLN)		1.50



Handlowy buy (upgraded)

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We upgrade Handlowy from accumulate to buy, with the price target maintained at PLN 94.00 per share. In the next two years, Handlowy is expected to grow earnings at an accelerating rate (+15% in 2018, +21.6% in 2019), supported by high sensitivity to interest rates which is poised to bring benefits in 2019 after the expected 75bp hike, with potential to boost the Bank's NIM by 26 basis points and send net interest income 17% higher compared to 2018E. Our current 2019 NII forecast is 13% higher than the average market estimate. What is more, we believe Handlowy will continue to distribute 100% of annual earnings as dividends to shareholders for at least the next two years. Last but not least, with corporate loans making up 62% of the total portfolio, Handlowy stands to capitalize on increasing demand for bank financing from Polish businesses.

Current Price

77.50 PLN

Upside

9M Target Price

94.00 PLN

+21.3%

	rating	target price	issued
new	buy	94.00 PLN	2018-04-06
old	accumulate	94.00 PLN	2018-02-01
Key Metrics		BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-5.3% +1.7%
ISIN	PLBH00000012	YTD Price Chng	-5.3% +1.7%
Outst. Stock (m)	130.7	ADTV 1M	PLN 3.1m
MC (PLN m)	10,126.1	ADTV 6M	PLN 3.1m
		P/E 12M fwd	15.1 -5.3%
Free Float	25.0%	P/E 5Y avg	15.9 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	1,004	1,082	1,184	1,384
Total income	2,082	2,079	2,278	2,509
Costs	-1,202	-1,192	-1,266	-1,302
Provisioning	-46	-103	-86	-94
Net income	602	536	632	769
P/E	17.2	19.3	16.3	13.4
P/B	1.5	1.5	1.5	1.4
ROE	8.8%	7.8%	9.1%	10.9%
DPS	4.68	4.60	4.10	4.84
DYield	6.0%	5.9%	5.3%	6.2%
Revision of Projections (% change)		2018P	2019P	2020P
Net interest income		0.0%	0.0%	0.0%
Fee income		0.0%	0.0%	0.0%
Total costs		0.0%	0.0%	0.0%
Provisioning		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
Net interest income	977	1,004	1,082	1,184	1,384
Fee income	631	561	581	606	630
Trading income	449	497	396	425	429
Other income	48	48	21	64	67
Noninterest income	1,128	1,107	997	1,094	1,126
Total income	2,104	2,111	2,079	2,278	2,509
Operating expenses	1,331	1,231	1,192	1,266	1,302
Operating income	774	879	888	1,012	1,208
Provisioning	-17	46	103	86	94
Profits of associates	0	0	0	0	0
Pre-tax income	791	834	785	926	1,114
Tax	164	163	172	201	242
Minority interests	0	0	0	0	0
Asset tax	0	69	78	93	103
Net income	626	602	536	632	769

Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
Net loans	16,942	17,170	17,854	20,444	22,727
Other assets	32,565	28,040	25,184	27,983	28,616
Total assets	49,507	45,210	43,038	48,426	51,343
Deposits	28,205	29,240	32,137	30,646	31,458
Other liabilities	14,451	9,179	3,962	10,809	12,684
Minority interests	0	0	0	0	0
Equity	6,851	6,790	6,939	6,971	7,201

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	2.1%	2.2%	2.5%	2.6%	2.9%
C/I	63.2%	58.3%	58.2%	55.6%	51.9%
CoR	-0.1%	0.3%	0.6%	0.4%	0.4%
NPL Ratio	3.6%	3.6%	3.5%	3.1%	3.1%
Tier 1 Ratio	17.1%	17.4%	17.9%	17.0%	16.7%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	1,196	9%
PV Adjustment	606	5%
Value Driver (2020-34)	8,552	64%
Fade (2035-54)	2,399	18%
Terminal Value	521	4%
Fair Value	13,275	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	101.60	
9M Target Price (PLN)	108.08	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,106	67%
Explicit Forecast (2017-19)	104	1%
PV Adjustment	76	1%
Value Driver (2020-34)	2,745	23%
Fade (2035-54)	1,151	9%
Fair Value	12,181	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	93.23	
9M Target Price (PLN)	99.17	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	13,275
Economic Profits	50%	12,181
Fair Value Avg.		12,728
Fair Value Per Share (PLN)		97.41
Asset tax		-9.05
Fair Value Per Share		88.37
Cost of equity (9M)		6.4%
9M Target Price (PLN)		94.00

ING BSK accumulate (no change)

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ING deserves to be valued at a premium to its peers given its safe business model, fast-paced asset growth, and superior returns, but on the other hand the expectations of analysts as regards the Bank's earnings in 2018 and 2019 look overestimated to us to the tune of 3-4%. Moreover, ING BSK is not likely to live up to its full dividend paying potential in the coming years, keeping the payout ratios below the projected market averages, resulting in inferior dividend yields of 1.6% in 2018E and 1.7% in 2019E. The Bank will probably opt to reinvest a major portion of the annual earnings in further growth and potential acquisitions. Otherwise, it can use surplus capital to make higher distributions to shareholders. ING shares should perform better than stocks with CHF exposures after the presidential borrower relief bill is passed into law. We maintain an accumulate rating for ING.

Current Price	198.40 PLN	Upside
9M Target Price	212.00 PLN	+6.9%

	rating	target price	issued
unchanged	accumulate	212.00 PLN	2018-03-05

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-3.5%	+3.6%
ISIN	PLBSK0000017	YTD Price Chng	-3.5%	+3.6%
Outst. Stock (m)	130.1	ADTV 1M		PLN 2.2m
MC (PLN m)	25,811.8	ADTV 6M		PLN 6.0m
		P/E 12M fwd	15.6	-1.5%
Free Float	25.0%	P/E 5Y avg	15.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	2,953	3,453	3,783	4,217	4,593
Total income	4,325	4,756	5,157	5,650	6,059
Costs	-2,099	-2,123	-2,202	-2,309	-2,406
Provisioning	-301	-421	-484	-543	-598
Net income	1,253	1,403	1,572	1,783	1,940
P/E	20.7	18.5	16.5	14.5	13.3
P/B	2.5	2.2	2.0	1.7	1.5
ROE	11.8%	12.6%	12.6%	12.7%	12.3%
DPS	4.30	0.00	3.24	3.63	4.11
DYield	2.2%	0.0%	1.6%	1.8%	2.1%

Revision of Projections (% change)	2018P	2019P	2020P
Net interest income	0.0%	0.0%	0.0%
Fee income	0.0%	0.0%	0.0%
Total costs	0.0%	0.0%	0.0%
Provisioning	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Net interest income	2,953	3,453	3,783	4,217	4,593
Fee income	1,065	1,183	1,248	1,301	1,327
Trading income	287	117	123	129	136
Other income	19	3	3	3	3
Noninterest income	1,371	1,303	1,374	1,433	1,466
Total income	4,325	4,756	5,157	5,650	6,059
Operating expenses	2,099	2,123	2,202	2,309	2,406
Operating income	2,225	2,633	2,955	3,341	3,653
Provisioning	301	421	484	543	598
Profits of associates	0	0	0	0	0
Pre-tax income	1,925	2,212	2,471	2,798	3,055
Tax	391	479	519	588	641
Minority interests	0	0	0	0	0
Asset tax	280	330	380	427	473
Net income	1,253	1,403	1,572	1,783	1,940

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	81,980	91,088	103,943	116,086	125,808
Other assets	35,498	34,926	34,172	35,062	35,933
Total assets	117,478	126,014	138,115	151,148	161,741
Deposits	95,825	104,503	116,903	128,528	137,936
Other liabilities	11,175	9,716	7,976	7,732	7,126
Minority interests	2	0	0	0	0
Equity	10,475	11,795	13,236	14,888	16,680

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.7%	2.9%	2.9%	3.0%	3.0%
C/I	48.5%	44.6%	42.7%	40.9%	39.7%
CoR	0.4%	0.5%	0.5%	0.5%	0.5%
NPL Ratio	2.6%	2.8%	2.6%	2.6%	2.6%
Tier 1 Ratio	13.7%	14.6%	14.8%	15.1%	15.8%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-20)	1,496	5%
PV Adjustment	1,811	6%
Value Driver (2021-35)	18,859	59%
Fade (2036-55)	7,936	25%
Terminal Value	2,093	6%
Fair Value	32,194	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	247.46	
9M Target Price (PLN)	263.23	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	11,951	39%
Explicit Forecast (2018-20)	2,844	9%
PV Adjustment	191	1%
Value Driver (2021-35)	11,357	37%
Fade (2036-55)	4,205	14%
Fair Value	30,547	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	234.80	
9M Target Price (PLN)	249.77	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	32,194
Economic Profits	50%	30,547
Fair Value Avg.		31,371
Fair Value Per Share (PLN)		241.13
Asset tax		-41.83
Fair Value Per Share		199.29
Cost of equity (9M)		6.4%
9M Target Price (PLN)		212.00

Millennium reduce (upgraded)

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We upgrade Millennium from sell to reduce after the recent share price drop, but we keep the 9-month price target unchanged at PLN 7.00 per share. Our bearish view stems from the high capital requirements that the Bank is under an obligation to meet, affecting its returns and dividend-paying potential. The regulatory pressure will not ease unless Millennium reduces its CHF exposure, either through natural amortization or more quickly on the heels of the planned borrower relief legislation which urges banks to convert FX mortgage loans into zlotys. The downside of the latter solution is increased pressure on ROE and a 40% dent in Millennium's net earnings in the worst-case scenario for FX translation costs. Finally, note that Millennium shows less sensitivity to changes in interest rates than most of its competition.

Current Price	8.35 PLN	Downside
9M Target Price	7.00 PLN	-16.2%

	rating	target price	issued
new	reduce	7.00 PLN	2018-04-06
old	sell	7.00 PLN	2018-02-01
Key Metrics		MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-6.6% +0.5%
ISIN	PLBIG0000016	YTD Price Chng	-6.6% +0.5%
Outst. Stock (m)	1,213.1	ADTV 1M	PLN 5.6m
MC (PLN m)	10,129.5	ADTV 6M	PLN 9.6m
		P/E 12M fwd	12.7 -3.9%
Free Float	50.0%	P/E 5Y avg	13.3 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	1,506	1,696	1,797	1,935
Total income	2,628	2,650	2,774	2,943
Costs	-1,112	-1,156	-1,320	-1,365
Provisioning	-231	-255	-278	-298
Net income	701	681	722	794
P/E	14.3	14.7	13.9	12.6
P/B	1.5	1.3	1.2	1.1
ROE	10.5%	9.3%	8.8%	8.7%
DPS	0.00	0.00	0.00	0.15
DYield	0.0%	0.0%	0.0%	1.8%
Revision of Projections (% change)		2018P	2019P	2020P
Net interest income		0.0%	0.0%	0.0%
Fee income		0.0%	0.0%	0.0%
Total costs		0.0%	0.0%	0.0%
Provisioning		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Net interest income	1,365	1,506	1,696	1,797	1,935
Fee income	596	581	664	686	709
Trading income	220	491	220	216	220
Other income	58	51	70	76	78
Noninterest income	874	1,122	953	978	1,007
Total income	2,239	2,628	2,650	2,774	2,943
Operating expenses	1,309	1,268	1,281	1,320	1,365
Operating income	930	1,360	1,369	1,454	1,578
Provisioning	241	231	255	278	298
Profits of associates	0	0	0	0	0
Pre-tax income	688	1,127	1,114	1,176	1,280
Tax	141	252	244	259	282
Minority interests	0	0	0	0	0
Asset tax	0	174	188	196	204
Net income	547	701	681	722	794

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	46,369	47,020	47,411	50,411	53,225
Other assets	19,866	21,773	23,730	23,944	24,828
Total assets	66,235	68,793	71,141	74,355	78,053
Deposits	52,810	55,876	57,273	58,946	60,546
Other liabilities	6,982	5,976	6,096	6,709	7,997
Minority interests	0	0	0	0	0
Equity	6,443	6,941	7,773	8,700	9,509

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.2%	2.3%	2.4%	2.5%	2.6%
C/I	58.5%	48.3%	48.3%	47.6%	46.4%
CoR	0.5%	0.5%	0.5%	0.5%	0.6%
NPL Ratio	4.6%	4.5%	4.6%	4.4%	4.5%
Tier 1 Ratio	16.4%	17.3%	20.3%	19.3%	20.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	195	2%
PV Adjustment	605	5%
Value Driver (2020-34)	8,372	76%
Fade (2035-54)	1,402	13%
Terminal Value	472	4%
Fair Value	11,045	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	9.10	
9M Target Price (PLN)	9.69	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	7,165	74%
Explicit Forecast (2017-19)	669	7%
PV Adjustment	60	1%
Value Driver (2020-34)	1,607	17%
Fade (2035-54)	189	2%
Fair Value	9,689	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	7.99	
9M Target Price (PLN)	8.50	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	11,045
Economic Profits	50%	9,689
Fair Value Avg.		10,367
Fair Value Per Share (PLN)		8.55
Asset tax		-1.96
Fair Value Per Share		6.58
Cost of equity (9M)		6.4%
9M Target Price (PLN)		7.00

Pekao buy (no change)

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We maintain a buy rating for Pekao, with the price target at PLN 157.00 per share. Pekao is one of the few remaining banks in Poland capable of offering regular dividends thanks to a lack of major exposure to CHF mortgage loans, which means it is not under as much regulatory pressure as most of its local competition. The Bank is set to capitalize on the expected increase in demand for corporate loans this year, with lending growth projected to exceed 10% for the first time since 2014. We expect Pekao to offer per-share dividends of PLN 7.9 in 2018 and PLN 8.3 in 2019, implying respective dividend yields of 6.4% and 6.8%, well above the 2%-3% averages for the whole Polish bank sector. The Bank can probably create more upside for itself if it exceeds the 2020 consensus for ROE, currently at 13%.

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
Net interest income	4,167	4,382	4,593	4,975	5,642
Fee income	2,006	1,959	2,353	2,420	2,571
Trading income	677	939	255	95	100
Other income	145	21	77	78	84
Noninterest income	2,827	2,920	2,685	2,593	2,755
Total income	6,994	7,302	7,278	7,568	8,397
Operating expenses	3,758	3,494	3,535	3,613	3,703
Operating income	3,235	3,808	3,743	3,955	4,694
Provisioning	518	501	521	627	708
Profits of associates	113	39	453	77	78
Pre-tax income	2,831	3,346	3,675	3,405	4,064
Tax	538	617	677	647	772
Minority interests	-1	0	-1	-1	-1
Asset tax	0	450	522	573	638
Net income	2,292	2,279	2,475	2,184	2,653

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	3,646	8%
PV Adjustment	2,221	5%
Value Driver (2020-34)	30,841	65%
Fade (2035-54)	9,452	20%
Terminal Value	1,402	3%
Fair Value	47,563	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	181.31	
9M Target Price (PLN)	192.87	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	23,907	50%
Explicit Forecast (2017-19)	1,986	4%
PV Adjustment	278	1%
Value Driver (2020-34)	14,514	31%
Fade (2035-54)	3,897	8%
Fair Value	44,581	94%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	169.85	
9M Target Price (PLN)	180.68	

Current Price 123.00 PLN
9M Target Price 157.00 PLN
Upside +27.6%

	rating	target price	issued
unchanged	buy	157.00 PLN	2018-02-01

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-5.0%	+2.0%
ISIN	PLPEKAO000016	YTD Price Chng	-5.0%	+2.0%
Outst. Stock (m)	262.5	ADTV 1M		PLN 76.7m
MC (PLN m)	32,283.8	ADTV 6M		PLN 83.4m
		P/E 12M fwd	13.4	-16.9%
Free Float	49.9%	P/E 5Y avg	16.1	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	4,382	4,593	4,975	5,642
Total income	7,302	7,278	7,568	8,397
Costs	-3,494	-3,535	-3,613	-3,703
Provisioning	-501	-521	-627	-708
Net income	2,279	2,475	2,184	2,653
P/E	14.3	13.1	14.9	12.3
P/B	1.4	1.4	1.4	1.3
ROE	9.8%	10.7%	9.4%	11.1%
DPS	8.70	8.68	7.90	8.32
DYield	7.1%	7.1%	6.4%	6.8%
Revision of Projections (% change)	2018P	2019P	2020P	
Net interest income	0.0%	0.0%	0.0%	
Fee income	0.0%	0.0%	0.0%	
Total costs	0.0%	0.0%	0.0%	
Provisioning	0.0%	0.0%	0.0%	
Net income	0.0%	0.0%	0.0%	

Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
Net loans	122,059	122,664	132,301	145,422	160,942
Other assets	46,726	51,551	53,165	46,840	48,960
Total assets	168,786	174,215	185,466	192,262	209,902
Deposits	128,868	137,816	146,186	152,611	168,508
Other liabilities	16,494	13,487	16,011	16,305	17,009
Minority interests	16	15	0	13	12
Equity	23,408	22,897	23,268	23,333	24,374

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	2.6%	2.7%	2.6%	2.8%	2.9%
C/I	54.3%	48.4%	48.6%	48.3%	44.7%
CoR	0.4%	0.4%	0.4%	0.4%	0.4%
NPL Ratio	6.3%	6.0%	5.4%	5.8%	5.7%
Tier 1 Ratio	17.7%	17.6%	16.1%	17.3%	16.5%

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	47,563
Economic Profits	50%	44,581
Fair Value Avg.		46,072
Fair Value Per Share (PLN)		175.58
Asset tax		-27.99
Fair Value Per Share		147.59
Cost of equity (9M)		6.4%
9M Target Price (PLN)		157.00

PKO BP hold (upgraded)

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We upgrade PKO BP from reduce to hold after a period of extended sell-off, with the price target unchanged at PLN 38.00 per share. PKO stock dropped 12.3% since the last monthly update, with the underperformance led by the expected postponement of interest rate hikes in Poland to 2019, indicating the Bank may not fulfill the earnings forecasts for 2018. What is more, due to its huge portfolio of mortgage loans denominated in Swiss francs, PKO is poised to lose as much as 14% of earnings this year if the parliament passes the proposed bill to help distressed homeowners – a prospect which is not factored into the current consensus expectations, or priced into PKO's current market valuation. The positive effects of next year's rate hikes, on the other hand, in our view are more than priced in, exacerbating the potential downside risk in the event of a negative shock.

Current Price	39.74 PLN	Downside
9M Target Price	38.00 PLN	-4.4%

	rating	target price	issued
new	hold	38.00 PLN	2018-04-06
old	reduce	38.00 PLN	2018-03-05
Key Metrics			
Ticker	PKO PW	1M Price Chng	-10.3% -3.3%
ISIN	PLPKO0000016	YTD Price Chng	-10.3% -3.3%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 98.0m
MC (PLN m)	49,675.0	ADTV 6M	PLN 88.3m
		P/E 12M fwd	13.7 +3.5%
Free Float	68.6%	P/E 5Y avg	13.2 premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	7,755	10,919	9,216	10,367
Total income	12,121	12,803	13,355	14,626
Costs	-5,590	-6,024	-6,209	-6,458
Provisioning	-1,623	-1,620	-1,718	-1,843
Net income	2,874	3,104	3,313	3,973
P/E	17.7	16.4	15.3	12.8
P/B	1.5	1.4	1.2	1.1
ROE	9.1%	9.0%	8.7%	9.5%
DPS	0.00	0.00	0.55	0.66
DYield	0.0%	0.0%	1.4%	1.7%
Revision of Projections (% change)				
Net interest income		0.0%	0.0%	0.0%
Fee income		0.0%	0.0%	0.0%
Total costs		0.0%	0.0%	0.0%
Provisioning		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
Net interest income	7,029	7,755	8,606	9,216	10,367
Fee income	2,851	2,693	2,969	3,092	3,190
Trading income	508	1,024	518	487	497
Other income	513	649	710	560	571
Noninterest income	3,872	4,366	4,197	4,139	4,258
Total income	10,900	12,121	12,803	13,355	14,626
Operating expenses	6,272	5,920	6,024	6,209	6,458
Operating income	4,629	6,200	6,779	7,147	8,168
Provisioning	1,476	1,623	1,620	1,718	1,843
Profits of associates	38	35	22	31	32
Pre-tax income	3,191	4,612	5,181	5,460	6,358
Tax	-590	-907	-1,140	-1,147	-1,335
Minority interests	8	-2	-5	-5	-6
Asset tax	0	829	932	995	1,044
Net income	2,610	2,874	3,104	3,313	3,973

Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
Net loans	190,414	200,607	205,628	224,436	238,317
Other assets	76,526	84,966	91,284	91,885	96,037
Total assets	266,940	285,573	296,912	316,321	334,354
Deposits	195,759	205,066	218,800	230,755	248,891
Other liabilities	40,917	47,938	41,856	45,793	41,801
Minority interests	-18	-16	-11	-22	-24
Equity	30,283	32,585	36,267	39,795	43,686

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	2.9%	3.0%	3.0%	3.1%	3.3%
C/I	57.5%	48.8%	47.1%	46.5%	44.2%
CoR	0.8%	0.8%	0.8%	0.8%	0.8%
NPL Ratio	6.6%	5.9%	5.5%	5.5%	5.5%
Tier 1 Ratio	13.3%	14.5%	16.5%	16.3%	17.3%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	1,712	3%
PV Adjustment	1,670	3%
Value Driver (2020-34)	43,790	76%
Fade (2035-54)	9,077	16%
Terminal Value	1,204	2%
Fair Value	57,453	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	45.96	
9M Target Price (PLN)	48.89	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	33,642	60%
Explicit Forecast (2017-19)	3,285	6%
PV Adjustment	350	1%
Value Driver (2020-34)	15,276	27%
Fade (2035-54)	3,579	6%
Fair Value	56,133	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	44.91	
9M Target Price (PLN)	47.77	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	57,453
Economic Profits	50%	56,133
Fair Value Avg.		56,793
Fair Value Per Share (PLN)		45.43
Asset tax		-9.71
Fair Value Per Share		35.72
Cost of equity (9M)		6.4%
9M Target Price (PLN)		38.00

Komercni Banka buy (no change)

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We reiterate a buy rating for Komercni Banka, with the price target unchanged at CZK 1,111.00. In our opinion, the 2018-2019 consensus forecasts for Komercni are too low after better-than-expected FY2017, with a high earnings beat in Q4 driven by strong interest income and fee income. Supported by high ROE, assuming a 55% payout ratio, we expect Komercni to offer dividend yields close to 4.6%-5.0% in the next two years. Compared to its Polish peers, Komercni generates higher ROE (13% vs. 8%) and dividend yields (over 5% vs. 3%), and it has no exposure to systemic risk. Even so, the Czech bank's shares are still traded at an undeserved discount to Polish counterparts like PKO BP and BZ WBK, indicating a solid buy opportunity.

Financial Highlights

(CZK m)	2015	2016	2017	2018P	2019P
Net interest income	21,357	21,067	20,808	24,595	27,952
Fee income	6,968	6,683	6,465	6,649	6,807
Trading income	2,610	3,837	3,576	2,632	2,711
Other income	109	163	211	205	216
Total income	31,044	31,750	31,060	34,082	37,686
Operating expenses	-14,352	-14,026	-13,374	-14,692	-15,061
Operating income	16,692	17,724	17,686	19,390	22,625
Provisioning	-1,075	-1,818	391	-1,388	-1,534
Net oper. income	15,617	15,906	18,077	18,002	21,091
Profits of associates	153	967	209	231	243
Retirement benefits	0	0	0	0	0
Pre-tax income	15,770	16,873	18,286	18,233	21,333
Tax	-2,638	-2,799	-3,012	-3,100	-3,627
Minority interests	374	386	344	378	375
Net income	12,758	13,688	14,930	14,755	17,332

Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2017-18)	14,803	7%
PV Adjustment	-2,891	-1%
Value Driver (2019-33)	138,392	66%
Fade (2034-53)	37,780	18%
Terminal Value	21,026	10%
Fair Value	209,111	100%

Outst. Shares (millions)	189
Cost of equity	6.0%
Fair Value Per Share (CZK)	1,107
9M Target Price (CZK)	1,157

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	90,579	47%
Explicit Forecast (2016-18)	26,928	14%
PV Adjustment	583	0%
Value Driver (2019-33)	64,439	33%
Fade (2034-53)	9,936	5%
Fair Value	192,465	100%

Outst. Shares (millions)	189
Cost of equity	6.0%
Fair Value Per Share (CZK)	1,019
9M Target Price (CZK)	1,065

Current Price

955.00 CZK

Upside

9M Target Price

1,111.00 CZK

+16.3%

	rating	target price	issued
unchanged	buy	1,111.00 CZK	2017-12-01

Key Metrics	KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng +4.4% +11.4%
ISIN	CZ0008019106	YTD Price Chng +4.4% +11.4%
Outst. Stock (m)	188.9	ADTV 1M CZK 157.1m
MC (CZK bn)	180.4	ADTV 6M CZK 126.2m
		P/E 12M fwd 13.5 -3.2%
Free Float	39.6%	P/E 5Y avg 13.9 discount

Earnings Projections

(CZK m)	2016	2017	2018P	2019P
NII	21,069	20,808	24,595	27,952
Total income	31,751	31,060	34,082	37,686
Costs	-14,026	-13,374	-14,692	-15,061
Provisioning	-1,817	391	-1,388	-1,534
Net income	13,689	14,930	14,755	17,332
P/E	12.7	11.7	11.8	10.1
P/B	1.8	1.9	1.5	1.4
ROE	13.4%	15.0%	13.8%	14.2%
DPS	62.00	40.00	47.00	43.00
DYield	6.5%	4.2%	4.9%	4.5%

Revision of Projections (% change)	2018P	2019P	2020P
Net interest income	0.0%	0.0%	0.0%
Fee income	0.0%	0.0%	0.0%
Total costs	0.0%	0.0%	0.0%
Provisioning	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Key Balance Sheet Figures

(CZK bn)	2015	2016	2017	2018P	2019P
Net loans	533	580	598	722	807
Other assets	359	343	406	480	499
Total assets	892	923	1,004	1,202	1,306
Deposits	656	699	762	836	875
Other liabilities	129	118	142	245	300
Minority interests	4	4	4	4	4
Equity	102	102	97	117	127

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	2.4%	2.4%	2.2%	2.2%	2.3%
C/I	46.2%	44.2%	43.1%	43.1%	40.0%
CoR	0.2%	0.3%	-0.1%	0.2%	0.2%
NPL Ratio	4.2%	3.8%	3.1%	4.1%	4.1%
Tier 1 Ratio	16.3%	16.2%	18.0%	16.8%	17.1%

Valuation Summary

(CZK m)	Weight	Value
DDM	50%	209,111
Economic Profits	50%	192,465
Fair Value Avg.		200,788
Fair Value Per Share (CZK)		1,063
Cost of equity (9M)		4.5%
9M Target Price (CZK)		1,111



Erste Bank hold (no change)

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We maintain a hold rating for Erste Bank. We assume Erste's guidance, which puts 2017 and 2018 ROTE at >10%, is accurate, but we are somewhat more optimistic than most analysts when it comes to 2018-2019 earnings expectations, which are 3%-4% higher than the current consensus. We believe Erste deserves the same re-rating as its peers with exposure to CEE markets. The Bank is a direct beneficiary of interest rate hikes in the Czech Republic and Romania through its substantial presence in the local markets. It is expected to grow net interest income at a 2017-2019 CAGR of 4%, not seen since 2010. At the same time, its low cost of risk is due to increase from 9bps in 2017 to 22bps in 2019, implying provisioning growth at an average annual rate of 43%. In 2018 we see room for a positive surprise with low provisioning accompanied by a higher-than-expected increase in lending (we forecast 5% annual loan growth). Thanks to a solid capital position, we believe Erste may revisit acquisitions going forward. With all that said, the good prospects are fully priced in at the current level.

Financial Highlights

(EUR m)	2015	2016	2017	2018P	2019P
Net interest income	4,445	4,375	4,353	4,530	4,706
Fee income	1,862	1,783	1,852	1,902	1,953
Trading income	278	326	270	338	370
Total income	6,584	6,484	6,475	6,770	7,030
Other oper. income	-111	79	-1	29	44
Asset tax	-236	-389	-106	-106	-108
Operating expenses	-3,869	-4,028	-4,158	-4,132	-4,192
Operating income	2,368	2,146	2,210	2,560	2,774
Provisioning	-729	-196	-132	-271	-342
Net operating income	1,639	1,950	2,078	2,289	2,432
Extraordinary gains	0	0	0	0	0
Pre-tax income	1,639	1,950	2,078	2,289	2,432
Tax	-364	-414	-410	-497	-524
Minority interests	-307	-272	-352	-383	-392
Net income	968	1,265	1,316	1,409	1,516

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income				P/E		BV		P/B
			2018	2019	2020	2018	2019	2020	2018	2018	
Austria	6,010	13.98	500	479	483	12.0	12.5	12.4	3,450	1.7	
Savings Banks	141	0.33	23	21	21	6.3	6.8	6.7	2,110	0.1	
Erste Oesterreich	2,730	6.35	225	212	216	12.1	12.9	12.7	1,340	2.0	
Other Austria	3,139	7.30	252	247	246	12.4	12.7	12.7	1,556	2.0	
CEE	15,991	37.21	1,105	1,216	1,292	14.5	13.1	12.4	5,514	2.9	
Czech Republic	8,559	19.91	566	613	638	15.1	14.0	13.4	2,382	3.6	
Romania	1,905	4.43	131	162	171	14.5	11.8	11.1	1,044	1.8	
Slovakia	2,922	6.80	170	199	225	17.2	14.7	13.0	750	3.9	
Hungary	1,721	4.00	181	145	155	9.5	11.8	11.1	588	2.9	
Croatia	725	1.69	39	84	87	18.8	8.6	8.4	597	1.2	
Serbia	159	0.37	18	14	15	8.9	11.7	10.3	153	1.0	
Other	-5,622	-13.08	-388	-287	-259	14.5	19.6	21.7	4,493	-1.3	
Total Erste Group	16,379	38.11									

Current Price

41.23 EUR

Downside

9M Target Price

40.00 EUR

-3.0%

	rating	target price	issued
unchanged	hold	40.00 EUR	2017-09-01

Key Metrics			EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	+14.2%	+21.3%
ISIN	AT0000652011	YTD Price Chng	+14.2%	+21.3%
Outst. Stock (m)	429.8	ADTV 1M		EUR 30.2m
MC (EUR m)	17,720.7	ADTV 6M		EUR 24.4m
		P/E 12M fwd	12.3	+7.0%
Free Float	69.5%	P/E 5Y avg	11.5	premium

Earnings Projections

(EUR m)	2016	2017	2018P	2019P
NII	4,375	4,353	4,530	4,706
Total income	6,484	6,475	6,770	7,030
Costs	-4,028	-4,158	-4,132	-4,192
Provisioning	-196	-132	-271	-342
Net income	1,265	1,316	1,409	1,516
P/E	13.8	13.3	12.4	11.5
P/B	1.4	1.3	1.1	1.0
ROE	10.8%	10.0%	9.5%	9.0%
DPS	0.50	1.00	1.20	1.06
DYield	1.2%	2.4%	2.9%	2.6%
Revision of Projections (% change)		2018P	2019P	2020P
Net interest income		0.0%	0.0%	0.0%
Fee income		0.0%	0.0%	0.0%
Total costs		0.0%	0.0%	0.0%
Provisioning		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%

Key Balance Sheet Figures

(EUR m)	2015	2016	2017	2018P	2019P
Net loans	131,906	135,267	139,532	150,194	157,525
Other assets	67,837	72,960	81,127	82,006	85,540
Total assets	199,743	208,227	220,659	232,200	243,065
Deposits	127,946	138,013	150,969	154,322	158,904
Other liabilities	56,990	53,612	51,402	57,106	61,122
Minority interests	3,802	4,142	4,416	4,921	5,313
Equity	11,005	12,460	13,872	15,852	17,726

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	2.4%	2.2%	2.0%	2.1%	2.1%
C/I	60.4%	60.9%	64.2%	60.6%	59.0%
CoR	0.6%	0.1%	0.1%	0.2%	0.2%
NPL Ratio	7.1%	4.9%	4.0%	4.8%	4.7%
Tier 1 Ratio	11.9%	13.4%	14.0%	15.0%	16.0%

Valuation Summary

(EUR m)	Weight	Value
Cost of equity (12M)		6.6%
DDM	50%	16,145
Economic Profits	50%	16,613
Fair Value Avg.		16,379
Fair Value Per Share (EUR)		38.11
Cost of equity (9M)		5.0%
9M Target Price (EUR)		40.00

OTP Bank accumulate (no change)

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We maintain an accumulate rating for OTP Bank. Our current FY2017-2018 earnings expectations for OTP are consistent with the average market forecasts, and they assume that net income will edge up 1% in 2018 as growth is dampened by high operating costs, including costs of post-merger integration, coupled with normalized provisioning, followed by a 9.0% rebound in 2019. We anticipate an acquisition in Romania after 2017 takeovers in Croatia and Serbia, set to double the value of the local asset book. On the downside, the completed takeovers and the five deals still planned by the Bank in the near future entail post-merger integration costs set to weigh throughout 2018. On the upside, the M&A activity builds value, including thanks to prices below book values, and boosts future earnings prospects. This alongside organic growth in net interest income driven by increasing loan volumes. OTP Bank could deliver a positive surprise in 2018 with M&A deals and lower-than-assumed cost of risk. Last but not least, the Bank is expected to achieve ROE of 15% in 2019 – a level not attainable by any other bank in our coverage.

Current Price

11,590.00 HUF

Upside

9M Target Price

12,090.00 HUF

+4.3%

	rating	target price	issued
unchanged	accumulate	12,090.00 HUF	2018-02-02

Key Metrics			OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	+8.1%	+15.2%
ISIN	HU00000061726	YTD Price Chng	+8.1%	+15.2%
Outst. Stock (m)	267.0	ADTV 1M		HUF 5.6bn
MC (HUF bn)	3,094.9	ADTV 6M		HUF 4.9bn
		P/E 12M fwd	11.9	+18.1%
Free Float	100.0%	P/E 5Y avg	10.0	premium

Earnings Projections

(HUF m)	2016	2017	2018P	2019P
NII	522	547	605	629
Total income	738	809	885	922
Costs	-400	-442	-463	-466
Provisioning	-93	-46	-75	-79
Net income	202	281	263	287
P/E	14.9	10.7	11.5	10.5
P/B	2.2	1.9	1.7	1.5
ROE	15.3%	18.4%	15.3%	15.1%
DPS	173.01	199.22	253.21	260.44
DYield	1.5%	1.7%	2.2%	2.2%
Revision of Projections (% change)		2018P	2019P	2020P
Net interest income		0.0%	0.0%	0.0%
Fee income		0.0%	0.0%	0.0%
Total costs		0.0%	0.0%	0.0%
Provisioning		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%

Financial Highlights

(HUF bn)	2015	2016	2017	2018P	2019P
Net interest income	553	522	547	605	629
Fee income	167	176	209	220	230
Other income	39	40	53	61	64
Total income	759	738	809	885	922
Operating expenses	392	400	442	463	466
Operating income	367	338	367	422	456
Provisioning	221	93	46	75	79
Pre-tax income	146	245	321	347	378
Tax	26	44	37	69	76
Net income	120	201	284	278	302
Asset impairment	7	12	-6	0	0
Asset tax	-29	-14	-15	-15	-16
Other	6	6	15	0	0
Minority interests	-40	-3	0	0	0
Net income	64	202	281	263	287

Key Balance Sheet Figures

(HUF bn)	2015	2016	2017	2018P	2019P
Net loans	5,410	5,736	6,988	7,531	7,990
Other assets	5,309	5,571	6,203	6,286	6,408
Total assets	10,719	11,308	13,190	13,817	14,398
Deposits	7,985	8,541	10,219	10,439	11,002
Other liabilities	1,501	1,346	1,328	1,580	1,383
Minority interests	3	3	3	4	4
Equity	1,231	1,417	1,640	1,794	2,008

Key Ratios

(%)	2015	2016	2017	2018P	2019P
NIM	5.1%	4.7%	4.5%	4.5%	4.5%
C/I	51.7%	54.2%	54.6%	52.3%	50.5%
CoR	3.3%	1.4%	0.6%	0.9%	0.9%
NPL Ratio	17.4%	15.2%	9.2%	12.9%	13.7%
Tier 1 Ratio	13.3%	13.5%	12.7%	16.3%	17.1%

SOTP Valuation

(HUF bn)	Fair Value	FVPS (HUF)	Net Income				P/E		BV	P/B
			2018	2019	2020	2018	2019	2020	2018	2018
Hungary + Other	1,841	6,893	168.6	153.1	158.4	10.9	12.0	11.6	740	2.5
CEE	1,316	4,915	92.9	125.0	143.8	14.2	10.5	9.1	896	1.5
DSK	564	2,112	46.1	50.3	52.8	12.2	11.2	10.7	244	2.3
OBS	35	130	-0.8	1.8	2.7	-42.2	19.6	13.1	28	1.3
OTP Banka Hrvatska	273	1,021	16.5	24.5	26.2	16.6	11.1	10.4	249	1.1
OTP Banka Romania	114	426	2.8	6.5	8.1	40.8	17.6	14.0	84	1.4
OTP Russia	231	854	17.0	27.7	35.1	14.0	8.6	6.7	165	1.4
CJSC OTP Bank	34	127	11.5	11.5	12.4	3.0	3.0	2.8	46	0.7
OTP Banka Serbia	58	217	-0.9	2.2	5.6	-67.2	28.3	11.4	57	1.1
CKB	7	27	1.0	0.5	0.8	7.4	14.6	8.6	22	0.3
Total Divisions	3,156	11,808	261.5	278.0	302.3	12.1	11.4	10.4	1,636	1.9
Asset tax	-155	-579								
Total OTP Group	3,002	11,229								

Valuation Summary

(HUF bn)	Weight	Value
Cost of equity (12M)		10.2%
DDM	50%	3,286
Economic Profits	50%	3,051
Fair Value Avg.		3,168
Fair Value Per Share (HUF)		11,808
Asset tax (HUF)		-579
Minority interests (HUF)		-57
Fair Value Per Share (HUF)		11,229
Cost of equity (9M)		7.7%
9M Target Price (HUF)		12,090

PZU buy (no change)

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We maintain a buy rating for PZU. We have more optimistic earnings forecasts for the Insurer than suggested by the FY2018-2019 analysts' consensus, supported by expectations of interest rate hike postponement to 2019 and cross-sell potential created by close cooperation with Bank Pekao. We view PZU's updated growth strategy for 2018-2020, which includes the achievement of ROE above 22%, as realistic. With its above-average ROE, high dividends (with yields in 2018 and 2019 expected to be 6%-7%), and low operational risk, PZU is still an attractive alternative to Polish banks which are about to be penalized for offering foreign-currency mortgage loans. This year PZU faces a decision on whether to merge its subsidiary banks, Pekao and Alior. A share swap between the respective shareholders would increase PZU's stake in Pekao, potentially forcing it to call a tender offer to build the stake to 66%, with implications for dividends. In addition, Pekao's other major state shareholder, the Polish Development Fund, relies on dividends from the Bank when budgeting its investments.

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
Gross written prems	18,359	20,219	22,847	23,179	23,815
Net earned premiums	17,385	18,625	21,354	21,668	22,263
Claims & benefits	-11,857	-12,732	-14,942	-14,644	-15,030
Net inv. income	1,739	1,300	1,895	2,208	2,276
Acquisition costs	-2,376	-2,613	-2,901	-3,186	-3,280
Admin expenses	-1,658	-1,633	-1,610	-1,816	-1,844
Other oper. rev/exp	164	-604	-773	-696	-702
Banking income	0	691	2,487	4,055	4,879
Operating income	2,939	3,034	5,510	7,111	7,756
Financing costs	0	0	0	0	0
Subsidiaries	0	-3	16	-3	-3
Pre-tax income	2,939	3,031	5,526	7,108	7,753
Tax	-602	-614	-1,293	-1,331	-1,398
Minority interest	4	470	1,323	2,418	2,922
Net income	2,342	1,947	2,910	3,359	3,433

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	4,260	14%
PV Adjustment	784	3%
Value Driver (2020-34)	18,270	62%
Fade (2035-54)	5,463	18%
Terminal Value	843	3%
Fair Value	29,619	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	34.30	
9M Target Price (PLN)	36.49	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	11,427	41%
Explicit Forecast (2017-19)	3,615	13%
PV Adjustment	173	1%
Value Driver (2020-34)	9,922	36%
Fade (2035-54)	2,663	10%
Fair Value	27,801	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	32.19	
9M Target Price (PLN)	34.25	

Valuation Ex. Banks

(PLN m)	Weight	Value
DDM	50%	29,619
Economic Profits	50%	27,801
Fair Value Avg.		28,710

SOTP Valuation

(PLN m)	Value	/Share
PZU ex banks	28,710	33.25
Bank Pekao	8,480	9.82
Alior Bank	3,870	4.48
Value	41,060	47.55
9M Target Price (PLN)	50.58	

Current Price	41.81 PLN	Upside
9M Target Price	50.58 PLN	+21.0%

	rating	target price	issued
unchanged	buy	50.58 PLN	2018-03-05

Key Metrics	PZU PW	1M Price Chng	PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-0.8%	+6.2%
ISIN	PLPZU00000011	YTD Price Chng	-0.8%	+6.2%
Outst. Stock (m)	863.5	ADTV 1M		PLN 57.9m
MC (PLN m)	36,103.9	ADTV 6M		PLN 64.3m
		P/E 12M fwd	11.2	-11.5%
Free Float	64.8%	P/E 5Y avg	12.7	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
GWP	20,219	22,847	23,179	23,815
Claims	-12,732	-14,942	-14,644	-15,030
Inv. income	1,300	1,895	1,971	1,717
Total costs	-4,246	-4,511	-5,243	-5,370
Net income	1,947	2,910	3,359	3,433
P/E	19.1	12.8	11.1	10.8
P/B	2.8	2.5	2.3	2.2
ROE	15.0%	21.1%	22.2%	21.4%
DPS	2.08	1.40	2.70	3.11
DYield	5.0%	3.3%	6.4%	7.4%
Revision of Projections (% change)	2018P	2019P	2020P	
Gross written premiums	0.0%	0.0%	0.0%	
Claims	0.0%	0.0%	0.0%	
Investment income	0.0%	0.0%	0.0%	
Total costs	0.0%	0.0%	0.0%	
Net income	0.0%	0.0%	0.0%	

Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
Financial assets	89,306	105,228	281,854	285,658	287,414
Other assets	16,123	20,117	35,551	32,170	33,521
Total assets	105,429	125,345	317,405	317,829	320,935
Technical provisions	41,280	42,194	44,558	50,397	51,693
Other liabilities	48,970	66,024	235,246	227,680	227,914
Minority interests	2,255	4,117	22,979	24,056	24,888
Equity	12,924	13,010	14,622	15,695	16,440

Key Ratios

(%)	2015	2016	2017	2018P	2019P
Loss ratio	76.3	68.7	70.0	67.6	67.5
Total cost ratio	21.5	21.1	21.1	24.2	24.1
Return on inv. portf.	7.5	4.6	3.6	3.9	4.8
Non-Life, COR	95.5	95.7	90.5	95.0	94.9
Life, Oper. Margin	22.79	24.05	39.01	38.92	36.33

GetBack buy (no change)

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GetBack has the clearance of its shareholders to issue 20 million new shares as of this writing, with the floor price set at PLN 10, expected to be applied to the second float planned in the near future. The implication is that GetBack will not raise more than PLN 700m from the two follow-on offerings, short of the original PLN 1bn target. Both issues will give priority placement to shareholders holding at least 0.5% of the Company's shares. The second one will target two potential strategic investors from outside the debt collection industry subject to an investment commitment of 10 years. GetBack plans to use half of the proceeds to restructure debt with a view to reducing financing costs by PLN 80-90m, and allocate the other half to new portfolio purchases. It aims to keep the ratio of net debt to equity at 1.2x-1.25x after the issue. It intends to keep investing 80%-90% of the annual expenditures in Polish debt portfolios, and aims to continue to grow net earnings at an annual rate of 20%-25% in the coming years. Earlier this month, GetBack announced it had raised PLN 143m from a bond issue, and entered into a PLN 50m-85m financing agreement with its principal shareholder DNLD S.a.r.l. to help fund the planned equity issues, which are not factored into our outlook for the Debt Collector for the time being.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	416	771	1,170	1,511	1,864
Internally-Mngd Funds	334	647	1,019	1,316	1,618
Externally-Mngd Funds	87	87	128	174	218
Other	-5	37	24	20	28
Costs	-176	-363	-492	-641	-797
EBITDA	241	408	678	869	1,067
D&A	-6	-24	-31	-35	-38
EBIT	235	384	647	834	1,029
Financing activity	-63	-89	-105	-130	-165
Pre-tax income	191	218	388	453	561
Tax	9	44	-17	-41	-107
Minorities	0	0	0	0	0
Net income	200	261	370	412	454
Portfolio purchases	912	2,100	2,100	1,900	1,500
Collections	-335	-761	-1,199	-1,584	-1,990

DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		386
Explicit Forecast (2017-26)	1,184	1,975
Value Driver (2027-46)	1,306	499
PV TV	276	
Fair Value as of Dec. 2017	2,766	2,860
PV Adjustment	236	232
Fair Value	3,002	3,092
Outst. Shares (millions)	100.0	100.0
Cost of equity	8.5%	8.5%
Fair Value Per Share (PLN)	30.02	30.92
9M Target Price (PLN)	31.94	32.90

DCF Summary

	(PLN m)
FCF	274
Terminal Value (TV)	8,362
FCF perp. growth rate	2.0%
Present Value of Terminal Value	3,308
Enterprise Value	3,583
Net Debt	796
Minority Interest	370
Equity Value as of Jan. 2017	3,157
PV Adjustment	257
Fair Value	3,413
Outst. Shares (millions)	100.0
Value Per Share (PLN)	34.13

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	3,002
Economic Profits	33%	3,092
DCF	33%	3,413

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	30.02
Economic Profits	33%	30.92
DCF	33%	34.13
Fair Value Avg.		31.69
Cost of equity (9M)		8.5%
9M Target Price (PLN)		33.38

Current Price

6.30 PLN

Upside

9M Target Price

33.38 PLN

+429.8%

	rating	target price	issued
unchanged	buy	33.38 PLN	2017-11-30

Key Metrics			GBK PW	vs. WIG
Ticker	GBK PW	1M Price Chng	-65.7%	-58.7%
ISIN	PLGTBCK00297	YTD Price Chng	-65.9%	-58.9%
Outst. Stock (m)	100.0	ADTV 1M		PLN 12.5m
MC (PLN m)	630.0	ADTV 6M		PLN 5.3m
EV (mln PLN)	730.1	EV/EBITDA 12M fwd	5.2	-23.4%
Free float	39.9%	EV/EBITDA 5Y avg	6.8	discount

Earnings Projections

Earnings Projections					
(PLN m)	2016	2017	2018P	2019P	2020P
Purchased debt	416	771	1,170	1,511	1,864
Collections	334	647	1,019	1,316	1,618
Total revenue	87	87	128	174	218
Total costs	-176	-363	-492	-641	-797
Net income	200	261	370	412	454
P/E	4.0	3.4	2.7	2.4	2.2
P/B	1.3	0.6	0.5	0.4	0.3
ROE	70.0%	37.2%	30.8%	25.9%	22.4%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Revision of Projections (% change)			2018P	2019P	2020P
Purchased debt portfoliis			0.0%	0.0%	0.0%
Collections			0.0%	0.0%	0.0%
Other			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Cash	70	64	87	112	131
Purchased debt	1,020	1,945	2,807	3,687	4,361
Other assets	541	1,273	1,566	1,893	2,205
Total assets	1,631	3,283	4,461	5,692	6,698
Loans	866	1,727	2,586	3,402	3,951
Other liabilities	379	539	488	491	494
Equity	386	1,017	1,387	1,799	2,252

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
Net debt / Equity	2.1	1.6	1.8	1.8	1.7
Net debt / EBITDA	3.3	4.1	3.7	3.8	3.6
EBITDA margin	0.6	0.5	0.6	0.6	0.6
EBIT margin	0.6	0.5	0.6	0.6	0.6
EV / Cash EBITDA	15.09	8.85	6.33	5.42	4.62

Kruk buy (no change)

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Kruk shares took a beating after the release of preliminary FY2017 earnings, showing a dent due to downward value adjustments on Italian debt portfolios purchased in 2016. The Company has given assurance that the portfolios bought in 2017 are performing as expected, and says it plans to expand into Italy's debt collection market. At the same time, business in Poland and Romania is thriving, with further valuation gains set to be recognized during 2018 and 2019. Kruk is eyeing double-digit EPS growth in 2018, supported by a reduction in the effective tax rate to 10% from the original 19%. We maintain Kruk is poised to be an indirect beneficiary of the new regulation and public initiatives undertaken by the Polish government, including the additional taxes imposed on banks, expected to increase the supply of debt portfolios on the market, and the '500+' family benefits, which should improve the ability of Polish households to service their debts. On our estimates, with the 9-month price target at PLN 300.94, KRU is trading at 13.7x 2019E P/E and 5.8x EV/Cash EBITDA.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Rev., Purchased Debt	454	559	643	748	834
Revenue, Collections	9	15	18	20	20
Other revenue	13	15	19	21	23
Gross profit	477	589	680	789	878
Costs	117	148	157	169	190
One-time events	3	-2	-3	-4	-4
EBITDA	363	439	519	616	683
D&A	14	19	22	24	26
EBIT	349	421	498	592	657
Financing activity	-63	-86	-105	-130	-165
Pre-tax income	286	335	393	462	492
Tax	38	-40	39	46	49
Net income	249	295	353	415	442
Portfolio purchases	1,286	977	1,177	1,400	1,593
Collections	-992	-1,369	-1,699	-1,985	-2,152

DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		1,237
Explicit Forecast (2017-24)	595	1,310
Value Driver (2025-44)	3,048	2,434
PV TV	2268	
Fair Value as of Jul. 2017	5,911	4,981
PV Adjustment	279	30
Fair Value	6,190	5,011
Outst. Shares (millions)	18.7	18.7
Cost of equity	8.0%	8.0%
Fair Value Per Share (PLN)	330.22	267.36
9M Target Price (PLN)	353.99	286.60

DCF Summary

	(PLN m)
FCF	220
Terminal Value (TV)	9,853
FCF perp. growth rate	3.3%
Present Value of Terminal Value	5,717
Enterprise Value	5,937
Net Debt	1,379
Minority Interest	0
Equity Value as of Jan. 2017	4,558
PV Adjustment	27
Fair Value	4,585
Outst. Shares (millions)	18.7
Value Per Share (PLN)	244.62

Current Price 258.20 PLN
9M Target Price 300.94 PLN **Upside +16.6%**

	rating	target price	issued
unchanged	buy	300.94 PLN	2018-02-02

Key Metrics		KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-1.3% +5.8%
ISIN	PLKRK0000010	YTD Price Chng	-1.3% +5.8%
Outst. Stock (m)	18.7	ADTV 1M	PLN 15.0m
MC (PLN m)	4,839.8	ADTV 6M	PLN 16.5m
EV (mln PLN)	-	EV/EBITDA 12M fwd	13.0 +1.8%
Free float	87.0%	EV/EBITDA 5Y avg	12.8 premium

Earnings Projections

Earnings Projections					
(PLN m)	2016	2017	2018P	2019P	2020P
Purchased debt	783	1,055	1,161	1,301	1,463
Collections	725	972	1,071	1,207	1,364
Total revenue	32	59	61	62	63
Total costs	-117	-144	-148	-169	-190
Net income	249	295	353	415	442
P/E	15.5	13.3	11.1	9.4	8.9
P/B	3.7	3.3	2.7	2.3	2.1
ROE	24.6%	21.9%	21.8%	21.5%	20.1%
DPS	2.00	2.26	5.00	5.66	11.08
DYield	0.8%	0.9%	1.9%	2.2%	4.3%
Revision of Projections (% change)			2018P	2019P	2020P
Purchased debt portfoliis			0.0%	0.0%	0.0%
Collections			0.0%	0.0%	0.0%
Other			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Cash	267	173	154	180	213
Purchased debt	2,648	3,169	3,732	4,355	5,160
Other assets	181	218	126	140	155
Total assets	3,096	3,560	4,012	4,674	5,528
Loans	1,646	1,897	2,052	2,375	2,968
Other liabilities	212	202	186	216	242
Equity	1,238	1,461	1,774	2,084	2,318

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
Net debt / Equity	111.4	118.0	107.0	105.4	118.9
Net debt / EBITDA	380.4	392.3	365.4	356.4	403.3
EBITDA margin	46.3	41.6	44.8	47.3	46.7
EBIT margin	44.6	39.9	42.9	45.5	44.9
EV / Cash EBITDA	8.94	7.32	5.56	4.79	4.92

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	6,190
Economic Profits	33%	5,011
DCF	33%	4,585

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	330.22
Economic Profits	33%	267.36
DCF	33%	244.62
Fair Value Avg.		280.73
Cost of equity (9M)		6.2%
9M Target Price (PLN)		300.94

Prime Car Management buy (reiterated)

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We reiterate a buy rating for Prime Car Management, with the 9-month price target revised downward to PLN 33.00 per share to reflect worse-than-expected 2017 earnings and a disappointing 2018 guidance (the Company has recently hinted that it may not achieve the target net profit of PLN 44m this year). Our updated 2018 and 2019 FY net profit forecasts are PLN 35.9m and PLN 41.3m, respectively, and they assume a reduction in the 2019 dividend payout ratio to 60% so that the debt/equity ratio stays below 4.0x. Even so, at an estimated 13.3% and 7.7%, PCM's dividend yields in 2018 and 2019 will be well above the sector averages. PCM has good prospects ahead thanks to a switch from finance leases and the FSL segment to a subscription-based and short-term-rental-based model, in line with global trends. In the UK, the second-biggest European automotive market, 80% of auto sales use the subscription model compared to 1% in Poland. This suggests huge potential for growth as awareness is raised among Polish consumers about the advantages of subscriptions over auto loans.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	435	467	497	543	582
Lease & other fees	146	144	140	149	158
Fees and charges	235	265	292	313	325
Interest revenues	44	53	60	76	93
Other	9	6	5	5	5
Costs	402	435	466	507	544
Repairs and maintenance	200	226	244	263	274
D&A leased assets	118	111	117	122	127
G&A	43	44	48	51	53
Interest expenses	38	48	54	68	86
Other	4	6	4	4	4
Remarketing revenue	14	14	15	17	18
Pre-tax income	46	46	46	53	56
Tax	-10	-10	-10	-11	-12
Net income	36	36	36	41	44

Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	111	29%
PV of Dividends (Value Driver)	68	18%
PV of Terminal Value	204	53%
Fair Value as of Jul. 2017	383	100%
PV Adjustment	23	
Fair Value	405	

Outst. Shares (millions)	11.9
Cost of equity	8.5%
Fair Value Per Share (PLN)	34.05
9M Target Price (PLN)	36.22

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	454	139%
Explicit Forecast (2017-2027)	-48	-15%
Value Driver - 20 yrs	-80	-24%
Fair Value as of Jan. 2017	326	100%
PV Adjustment	7	
Fair Value	333	

Outst. Shares (millions)	11.9
Cost of equity	8.5%
Fair Value Per Share (PLN)	27.99
9M Target Price (PLN)	29.78

Current Price

23.60 PLN

Upside

9M Target Price

33.00 PLN

+39.8%

	rating	target price	issued
new	buy	33.00 PLN	2018-04-06
old	buy	35.30 PLN	2018-02-02
Key Metrics		PCM PW	vs. WIG
Ticker	PCM PW	1M Price Chng	-17.3%
ISIN	PLPRMCM00048	YTD Price Chng	-17.3%
Outst. Stock (m)	11.9	ADTV 1M	PLN 0.5m
MC (PLN m)	281.0	ADTV 6M	PLN 0.3m
EV (mln PLN)	293.0	EV/EBITDA 12M fwd	8.2 +13.8%
Free float	40.0%	EV/EBITDA 5Y avg	7.2 premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Oper. lease revenue	573	599	663	729	773
Interest rev.	146	144	140	149	158
Total revenue	44	53	60	76	93
Total costs	-527	-553	-617	-677	-717
Net income	36	36	36	41	44
P/E	8.3	8.5	8.4	7.3	6.9
P/B	0.6	0.6	0.6	0.6	0.6
ROE	7.9%	8.0%	7.9%	8.9%	9.0%
DPS	5.50	2.36	3.13	1.81	1.39
DYield	23.3%	10.0%	13.3%	7.7%	5.9%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue from operating leases		-14.9%	-23.6%	-19.9%	
Interest revenue		+0.6%	-0.3%	+6.8%	
Total revenue		-5.7%	-5.2%	-3.6%	
Total costs		-4.7%	-4.9%	-4.5%	
Net income		-17.5%	-8.4%	+10.1%	

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Fin. lease receivables	833	985	1,154	1,342	1,462
PP&E	643	712	750	783	812
Other assets	254	300	313	326	338
Total assets	1,730	1,997	2,216	2,451	2,612
Bonds & loans	1,220	1,469	1,679	1,883	2,007
Other liabilities	65	75	85	96	106
Equity	446	454	452	472	499

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
Financial margin	7.1%	5.0%	6.1%	8.0%	7.1%
Maintenance margin	20.8%	23.3%	25.1%	26.8%	27.8%
Insurance margin	11.0%	12.3%	18.5%	18.8%	18.5%
Service margin	3.4%	3.9%	4.5%	4.8%	5.0%
D/E	273.7%	323.6%	371.3%	398.9%	402.0%

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	405
Economic Profits	50%	333
Fair Value Avg.		369
Fair Value Per Share (PLN)		31.0
Cost of equity (9M)		6.4%
9M Target Price (PLN)		33.00



Skarbiec Holding buy (no change)

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We maintain a buy rating for Skarbiec Holding. The new updated strategy through 2020 assumes a doubling of retail fund AUMs to PLN 8bn, a tripling of the number of product segments, and a quadrupling of customer acquisition channels. Skarbiec intends to achieve the goals first and foremost through organic growth, though it will consider acquisitions if opportunities arise. In our view PLN 7bn is a more realistic AUM goal assuming no crunch in the Polish asset management market. At the same time, we assume the share of success fees in Skarbiec's revenues for 2017 through 2019 will decrease from 13% to 8%. Trading at huge, 40-43% discounts to the 2018E and 2019E P/E ratios of international investment funds, SKH makes a solid buy opportunity in our opinion.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Management fees	67.1	69.6	82.2	93.0	106.9
Success fees	1.8	31.4	12.7	14.6	16.0
Other	6.6	-25.6	-19.4	-32.3	-47.6
Revenue	75.4	75.4	75.4	75.4	75.4
Distribution costs	-32.3	-34.4	-39.7	-45.9	-53.8
Payroll	-11.7	-16.3	-15.3	-16.0	-16.6
Other operating costs	-16.0	-18.5	-16.8	-17.5	-18.3
Operating expenses	-60.1	-69.2	-71.8	-79.5	-88.7
Other	0.9	34.1	25.7	39.2	55.2
Pre-tax income	16.2	40.3	29.3	35.1	41.9
Tax	-3.2	-7.8	-5.6	-6.7	-8.0
Net income	13.0	32.5	23.7	28.4	34.0
Retail AUM	2,906	3,919	4,518	5,247	6,195
Dedicated AUM	12,681	14,623	12,971	13,619	14,300
Total AUM	15,587	18,542	17,489	18,866	20,495

Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	227	68%
PV of Dividends (Value Driver)	105	31%
PV of Terminal Value	4	1%
Fair Value as of Jul. 2017	336	100%
PV Adjustment	18	
Fair Value	354	
Dilution (stock options)	-15	
Fair Value	339	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	49.73	
9M Target Price (PLN)	53.83	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	100	31%
Explicit Forecast (2016-2025)	168	51%
Value Driver - 20 yrs	60	18%
Fair Value as of Jan. 2017	328	100%
PV Adjustment	21	
Fair Value	349	
Dilution (stock options)	-15	
Fair Value	334	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	49.02	
9M Target Price (PLN)	53.06	

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	339
Economic Profits	33%	334
Relative Val.	33%	401

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	49.73
Economic Profits	33%	49.02
Relative	33%	58.85
Cost of equity (9M)		8.3%
9M Target Price (PLN)		56.30

Current Price

30.00 PLN

Upside

9M Target Price

56.30 PLN

+87.7%

	rating	target price	issued
unchanged	buy	56.30 PLN	2018-02-02

Key Metrics		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+8.3%
ISIN	PLSKRBH00014	YTD Price Chng	+8.3%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.1m
MC (PLN m)	204.7	ADTV 6M	PLN 0.3m
		P/E 12M fwd	7.2
Free Float	25.4%	P/E 5Y avg	8.3

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	109.2	100.1	113.6	129.6	149.4
Mgmt fees	69.6	82.2	93.0	106.9	123.6
Success fees	31.4	12.7	14.6	16.0	18.3
Costs	-69.2	-71.8	-79.5	-88.7	-99.3
Net income	32.5	23.7	28.4	34.0	41.5
P/E	6.5	8.9	7.4	6.2	5.1
P/B	2.0	2.1	2.1	2.1	2.0
ROE	34.1%	24.2%	29.8%	35.0%	41.4%
DPS	3.08	4.28	4.15	4.57	5.53
DYield	10.3%	14.3%	13.8%	15.2%	18.4%
Revision of Projections (% change)		2018P	2019P	2020P	
Management fees		0.0%	0.0%	0.0%	
Success fees		0.0%	0.0%	0.0%	
Revenue		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Cash	16.3	17.3	18.3	19.3	20.3
Other assets	81.6	80.6	79.6	78.6	77.6
Total assets	97.9	97.9	97.9	97.9	97.9
Borrowing	0.5	0.5	0.5	0.5	0.5
Other liabilities	8.1	-3.4	2.0	1.8	-0.9
Minority interests	0.0	0.0	0.0	0.0	0.0
Equity	89.3	100.8	95.4	95.6	98.4

Relative Valuation Summary

	18P	P/E	20P	Market Cap./AUM	18P	19P	20P
Minimum	4.9	6.9	6.3	0.0	0.0	0.0	0.0
Maximum	25.2	21.5	18.6	5.3	0.3	0.2	0.2
Median	17.3	14.8	12.9	0.0	0.0	0.0	0.0
Weight	17%	17%	17%	17%	17%	17%	17%

Chemicals

Ciech

buy (reiterated)

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Spot prices of soda ash in Asian market registered an upward shift toward the end of 2017, supported by production curbs in China, designed to combat pollution, expected to keep the global supply of soda tightened throughout 2018. As a result, with global demand still high, part of the new production launched in Turkey can be expected to be diverted from Europe to Asia. The delayed launch of full operating capacity at the new 2.5t-a-year soda ash plant of Kazan Soda Elektri, whose full 2018 production is already sold out, further eases the supply pressures in Europe, with positive effects on Ciech, which may exceed the current low expectations of the market with 2018 earnings. The likely upward revision to the analysts' consensus in the first half of 2018 should boost subdued market sentiment. Ciech delivered better-than-expected earnings in Q4 2017, and it revealed it had secured orders for the full soda as capacity for 2018 at solid prices. We maintain a buy rating for Ciech, with the 9-month price target revised downward from PLN 85.87 to PLN 85.40 per share to reflect adjustments to peer multiples.

Current Price

57.00 PLN

Upside**9M Target Price**

85.40 PLN

+49.8%

	rating	target price	issued
new	buy	85.40 PLN	2018-04-06
old	buy	85.87 PLN	2018-03-05
Key Metrics		CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-0.9% +6.2%
ISIN	PLCIECH000018	YTD Price Chng	-0.9% +6.2%
Outst. Stock (m)	52.7	ADTV 1M	PLN 2.5m
MC (PLN m)	3,003.9	ADTV 6M	PLN 3.2m
EV (PLN m)	3,705.3	EV/EBITDA 12M fwd	5.7 -7.8%
Free Float	33.0%	EV/EBITDA 5Y avg	6.2 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,455	3,579	3,781	3,749	3,859
EBITDA	884	833	797	768	816
EBITDA margin	25.6%	23.3%	21.1%	20.5%	21.1%
EBIT	660	589	543	522	564
Net income	594	393	393	378	411
P/E	5.1	7.6	7.6	7.9	7.3
P/B	1.7	1.4	1.2	1.1	1.1
EV/EBITDA	4.7	4.6	4.6	4.8	4.4
DPS	2.85	0.00	2.24	4.10	4.66
DYield	5.0%	0.0%	3.9%	7.2%	8.2%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			+0.9%	+0.7%	+0.6%
Net income			+1.6%	+8.3%	+7.9%
Soda price (US \$/t)			0.0%	0.0%	0.0%
Soda Ciech (PLN/t)			0.0%	0.0%	0.0%
Soda vol (1,000t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Soda Div.	799	704	644	613	654
EBITDA, Organic Div.	78	97	118	119	125
EBITDA, Silicates	35	37	40	40	42
EBITDA, Other	-33	-5	-4	-4	-4
EBITDA/tonne, Soda	348	306	268	255	272
Operating cash flow	837	629	684	664	701
D&A	223	244	255	246	252
Working capital	97	-66	-3	0	-2
Investing cash flow	-446	-389	-364	-384	-340
CAPEX	458	402	364	384	340
Financing cash flow	-180	-164	-160	-257	-286
Dividends/Buyback	-150	0	-118	-216	-246
FCF	387	234	323	281	363
FCF/EBITDA	44%	28%	41%	37%	44%
OCF/EBITDA	95%	75%	86%	86%	86%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	4,502	4,644	5,026	5,180	5,371
Fixed assets	3,210	3,205	3,376	3,515	3,604
Equity	1,767	2,188	2,522	2,684	2,849
Minority interests	-3	-3	-3	-3	-3
Net debt	1,116	865	704	681	606
Net debt/EBITDA (x)	1.3	1.0	0.9	0.9	0.7
Net debt/Equity (x)	0.6	0.4	0.3	0.3	0.2

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	8.7	7.5	7.2	6.4	5.1	4.7
Maximum	19.4	17.6	16.8	11.5	10.4	9.8
Median	13.6	12.3	11.3	7.3	6.6	6.3
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Soda Price (\$/t)	261	257	265	260	260	260	260	260	260	260	260
Soda Price (PLN/t)	819.4	809.6	810.0	795.6	817.7	817.7	817.7	817.7	817.7	817.7	817.7
Soda vol (1000t)	2,295	2,300	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Revenue	3,781	3,749	3,859	3,900	3,912	3,924	3,936	3,948	3,961	3,978	3,995
EBITDA	797	768	816	787	781	775	770	765	759	761	763
EBITDA margin	21.1%	20.5%	21.1%	20.2%	20.0%	19.7%	19.6%	19.4%	19.2%	19.1%	19.1%
EBIT	543	522	564	541	542	542	533	524	515	513	511
Tax	107	103	112	107	108	108	106	105	103	103	103
CAPEX	-364	-384	-340	-217	-224	-230	-236	-240	-244	-248	-251
Working capital	-3	0	-2	-1	0	0	0	0	0	0	0
FCF	323	281	363	461	449	437	428	420	412	411	409
PV FCF	305	247	294	345	309	276	247	223	202	185	
WACC	7.8%	7.8%	7.9%	8.0%	8.2%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,635
Net debt	865
Other adj.	-3
Value per share (PLN)	87.58

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	73.09
DCF Val.	50%	87.58
Implied Price		80.34
Cost of equity (9M)		6.3%
9M Target Price		85.40

Grupa Azoty hold (no change)

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Azoty's outlook for 2018 is shaped by a reduced supply of urea from China in the wake of production curbs to combat pollution, combined with the addition of a total of 13.3mmt of new fertilizer capacity which, according to Yara, will be completed in 2017 and 2018. As for demand, fertilizer usage and pricing in the upcoming planting season may be affected by low prices of agricultural commodities, set against rising prices of oil and strengthening currencies of the world's largest grain-exporting countries. Additional cost pressures are created by higher costs of natural gas fuel. This, combined with a downward shift in nitrogen fertilizer prices toward the end of 2017, and increased planned maintenance downtime, gives rise to worsened prospects for Grupa Azoty beginning in Q1 2018, underpinned by a large number of maintenance shutdowns planned in the year ahead. We maintain a hold rating for ATT, with the 9-month price target intact at PLN 67.13.

Current Price

56.20 PLN

Upside

9M Target Price

67.13 PLN

+19.4%

	rating	target price	issued
unchanged	hold	67.13 PLN	2018-03-05

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-19.3%	-12.2%
ISIN	PLZATRM00012	YTD Price Chng	-19.3%	-12.2%
Outst. Stock (m)	99.2	ADTV 1M		PLN 2.1m
MC (PLN m)	5,574.8	ADTV 6M		PLN 3.0m
EV (PLN m)	7,122.1	EV/EBITDA 12M fwd	5.4	-20.5%
Free Float	22.7%	EV/EBITDA 5Y avg	6.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	8,956	9,821	9,968	10,477	10,899
EBITDA	997	1,239	1,199	1,277	1,289
EBITDA margin	11.1%	12.6%	12.0%	12.2%	11.8%
EBIT	486	722	609	619	601
Net income	343	518	421	420	407
P/E	16.2	10.8	13.3	13.3	13.7
P/B	0.9	0.8	0.8	0.7	0.7
EV/EBITDA	6.5	5.5	5.9	5.7	5.5
DPS	0.84	0.79	1.04	1.27	2.96
DYield	1.5%	1.4%	1.9%	2.3%	5.3%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Urea price (PLN/t)		0.0%	0.0%	0.0%	
Ammonium Nitrate price (PLN/t)		0.0%	0.0%	0.0%	
Natural Gas price (PLN/m3)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2015	2016	2017P	2018P	2019P
EBITDA, Fertilizers	998	600	601	521	601
EBITDA, Plastics	-10	-33	253	235	215
EBITDA, Chemicals	135	271	292	311	309
EBITDA, Energy	77.9	95.5	65.6	70.6	76.1
EBITDA, Other	115	40	83	61	76
Operating cash flow	1,630	1,136	1,064	1,080	1,140
D&A	479	511	517	589	657
Working capital	300	137	-28	-5	-17
Investing cash flow	-1,503	-1,303	-1,230	-1,068	-933
CAPEX	1,055	1,236	1,330	1,168	1,033
Financing cash flow	68	76	-135	-165	-198
Dividends/Buyback	0	-83	-78	-104	-126
FCF	403	-214	-242	-82	119
FCF/EBITDA	31%	-21%	-20%	-7%	9%
OCF/EBITDA	125%	114%	86%	90%	89%

Key Balance Sheet Figures

(PLN m)	2015	2016	2017P	2018P	2019P
Assets	10,495	11,052	11,676	12,041	12,447
Fixed assets	6,943	7,651	8,468	9,054	9,440
Equity	6,286	6,534	6,974	7,291	7,585
Minority interests	626	595	620	641	660
Net debt	-13	273	653	906	997
Net debt/EBITDA (x)	0.0	0.3	0.5	0.8	0.8
Net debt/Equity (x)	0.0	0.0	0.1	0.1	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	17P	18P	19P	17P	18P	19P
Minimum	10.4	9.4	7.7	7.5	6.3	5.6
Maximum	25.2	40.0	23.7	17.0	11.6	9.9
Median	15.9	14.1	11.5	9.0	7.7	6.7
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Urea price (PLN/t)	1,504	1,546	1,629	1,673	1,662	1,641	1,619	1,633	1,635	1,648	1,627
AN price (PLN/t)	1,256	1,306	1,376	1,391	1,367	1,345	1,323	1,338	1,339	1,350	1,327
NGas cost (PLN/m3)	963	989	1,134	1,206	1,185	1,138	1,099	1,142	1,145	1,148	1,097
Revenue	9,821	9,968	10,477	10,899	10,939	10,957	10,964	11,216	11,372	11,558	11,589
EBITDA	1,239	1,199	1,277	1,289	1,356	1,334	1,294	1,305	1,316	1,359	1,359
EBITDA margin	12.6%	12.0%	12.2%	11.8%	12.4%	12.2%	11.8%	11.6%	11.6%	11.8%	11.7%
EBIT	722	609	619	601	681	691	681	708	728	773	773
Tax	123	107	108	105	121	124	123	128	132	141	142
CAPEX	-1,330	-1,168	-1,033	-634	-590	-573	-578	-583	-568	-589	-586
Working capital	-28	-5	-17	-14	-1	-1	0	-8	-5	-6	-1
FCF	-242	-82	119	536	644	636	593	586	611	622	630
PV FCF	-242	-76	102	426	471	429	368	334	319	299	
WACC	8.1%	7.9%	7.9%	8.0%	8.1%	8.2%	8.3%	8.4%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,429
Net debt	273
Other adjustments	-595
Value per share (PLN)	62.62

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	63.67
DCF Val.	50%	62.62
Implied Price		63.15
Cost of equity (9M)		6.3%
9M Target Price		67.13

Polwax buy (no change)

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The ICIS benchmark for slack wax prices has not moved in weeks, and with rival supply from the east still high there is no room to raise the prices of candle-grade paraffin wax. This does not bode too well for Polwax in terms of first-quarter profits, but we maintain the Company is poised for a gradual recovery in subsequent quarters with refiners expected to curb slack wax production as it becomes less profitable with the rising price of crude feedstock. Supporting the recovery will be the slightly higher prices agreed on graveside candle orders from Biedronka supermarkets, set for delivery in the second half of the year, which should more than offset the upward pressure on employee compensation. Our baseline 2018 FY scenario assumes 10% growth in recurring EBITDA. Polwax shares are trading at 5.9x 2017 P/E and 4.5x EV/EBITDA on adjusted figures, ratios which in our opinion are far from an accurate reflection of the Company's potential. Polwax deserves some discount to peers given the expected increase in debt financing to fund capacity upgrades, but a 50% valuation gap is grossly exaggerated given the expected returns on the capital projects. We maintain a buy rating for PWX.

Current Price

10.60 PLN

Upside

9M Target Price

18.80 PLN

+77.4%

	rating	target price	issued
unchanged	buy	18.80 PLN	2018-02-02

Key Metrics			PWX PW	vs. WIG
Ticker	PWX PW	1M Price Chng	-4.1%	+3.0%
ISIN	PLPOLWX00026	YTD Price Chng	-4.1%	+3.0%
Outst. Stock (m)	10.3	ADTV 1M		PLN 0.1m
MC (PLN m)	109.2	ADTV 6M		PLN 0.2m
EV (PLN m)	193.7	EV/EBITDA 12M fwd	6.4	+10.7%
Free Float	84.9%	EV/EBITDA 5Y avg	5.8	premium

Earnings Projections

(PLN m)	2016	2017P	2018P	2019P	2020P
Revenue	295	284	320	322	419
EBITDA	31	27	31	34	40
EBITDA margin	10.5%	9.5%	9.7%	10.6%	9.4%
EBIT	26	22	26	29	30
Net income	21	17	20	22	19
P/E	5.2	6.4	5.6	5.0	5.7
P/B	1.3	1.0	0.9	0.7	0.7
EV/EBITDA	4.3	4.8	6.3	6.8	6.1
DPS	1.06	0.00	0.00	0.00	0.64
DYield	10.0%	0.0%	0.0%	0.0%	6.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
CAPEX		0.0%	0.0%	0.0%	
Price of Paraffin Wax (EUR/t)		0.0%	0.0%	0.0%	
EUR/PLN		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017P	2018P	2019P	2020P
Revenue	294.6	283.5	320.1	321.9	418.9
Lanterns& Candles (L&C)	58.0	60.0	59.4	59.4	59.4
L&C Paraffin Wax (PW)	161.2	143.7	167.6	168.8	186.8
Industrial Paraffin Wax	62.7	67.5	80.7	81.3	160.3
Gross profit	49.4	46.9	51.2	54.8	57.3
Gross margin	16.8%	16.5%	16.0%	17.0%	13.7%
SG&A/Revenue	3.0%	3.0%	3.0%	3.0%	2.8%
Other oper. income	0.5	-1.2	0.0	0.0	0.0
Financing activity	-0.5	-0.9	-2.0	-2.3	-6.0
Total sales volume (kt)	59.7	59.5	60.0	60.0	80.2
Lanterns & Candles	42.5	40.0	40.0	40.0	40.0
Industrial Paraffin Wax	17.2	19.5	20.0	20.0	40.2
YoY price change					
Lanterns & Candles	5.1%	-5.3%	16.7%	0.7%	10.7%
Industrial Paraffin Wax	5.4%	-4.9%	16.7%	0.7%	-1.9%

Key Balance Sheet Figures

(PLN m)	2016	2017P	2018P	2019P	2020P
Operating cash flow	21.3	22.9	20.1	29.5	11.4
OCF/EBITDA	69%	85%	65%	87%	29%
CAPEX	5.0	19.4	83.2	68.2	12.6
Working capital	77.8	76.8	81.0	78.1	95.8
Equity	87.1	104.3	124.0	145.9	158.5
Net debt	24.9	21.4	84.5	123.2	130.9
Net debt/EBITDA (x)	0.8	0.8	2.7	3.6	3.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	17P	18P	19P	17P	18P	19P
Minimum	8.9	9.3	9.2	5.5	5.7	5.5
Maximum	21.1	19.7	18.6	13.5	12.7	12.0
Median	12.6	11.6	11.2	7.5	6.8	6.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	17P	18P	19P	20P	21P	22P	23P	24P	25P	26P	+
PW price (EUR/t)	1028	1222	1240	1372	1470	1470	1470	1470	1470	1470	1470
Slack wax (EUR/t)	626	732	724	777	801	801	801	801	801	801	801
EUR/PLN	4.26	4.18	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Revenue	283.5	320.1	321.9	418.9	465.0	466.9	468.9	470.9	472.8	474.9	474.9
EBITDA	27.0	30.9	34.1	39.6	50.4	49.1	49.0	48.9	48.8	48.7	48.7
EBITDA margin	9.5%	9.7%	10.6%	9.4%	10.8%	10.5%	10.5%	10.4%	10.3%	10.3%	10.3%
EBIT	22.2	26.3	29.4	29.6	39.9	37.8	37.1	37.2	37.2	37.3	34.5
Tax	4.2	5.0	5.6	5.6	7.6	7.2	7.0	7.1	7.1	7.1	6.6
CAPEX	-19.4	-83.2	-68.2	-12.6	-14.0	-14.0	-14.1	-14.1	-14.2	-14.2	-14.2
Working capital	1.0	-4.2	2.9	-17.7	-7.6	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
FCF	5.0	-60.8	-36.2	4.4	21.9	28.2	28.2	28.1	27.9	27.7	28.3
PV FCF	5.0	-56.6	-31.4	3.5	16.5	19.7	18.3	16.9	15.6	14.4	
WACC	8.4%	7.5%	7.3%	7.3%	7.5%	7.6%	7.6%	7.7%	7.7%	7.7%	8.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	1.0%
PV FCF	215
Net debt	25
Other adjustments	0
Value per share (PLN)	18.45

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	16.80
DCF Val.	50%	18.45
Implied Price		17.63
Cost of equity (9M)		6.7%
9M Target Price		18.80

Oil & Gas

Lotos hold (upgraded)

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A recent statement by a government official hinting that the planned merger with PKN Orlen might take the form of a stock swap upset shareholders who were hoping for a cash tender offer on Lotos shares. As predicted, Lotos's performance is back to being governed by current macroeconomic conditions, which have worsened since the beginning of the year. Refining margins have rebounded in the last few days, but they are due to return on a downward path soon considering the global rise in the supply of refining products, accompanied by weaker demand, coupled with tightened margins on heavy products. The bleak outlook for downstream, combined with lower hydrocarbon production, higher costs, and delays in capacity upgrades, in our view indicates that Lotos may not be able to deliver the ambitious EBITDA expectations of market analysts (our own 2018 and 2019 EBITDA estimates are set 12% below the consensus). Moreover, Lotos faces a decrease in cash flow this year due to higher working capital needs (rising costs of feedstock and strategic reserve maintenance), higher tax in Norway, and higher CAPEX. We upgrade LTS to hold after the recent price declines, and we raise the 9-month target price slightly after taking into account the positive effects of measures taken recently with respect to Norwegian E&P assets, and after factoring in the Company's better-than-expected balance-sheet position at the end of 2017.

Current Price

54.60 PLN

Downside

9M Target Price

51.73 PLN

-5.3%

	rating	target price	issued
new	hold	51.73 PLN	2018-04-06
old	reduce	51.08 PLN	2018-03-05
Key Metrics		LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-5.4% +1.7%
ISIN	PLLOTOS00025	YTD Price Chng	-5.4% +1.7%
Outst. Stock (m)	184.9	ADTV 1M	PLN 15.5m
MC (PLN m)	10,094.1	ADTV 6M	PLN 19.2m
EV (PLN m)	14,217.0	EV/EBITDA 12M fwd	4.8 -21.8%
Free Float	46.8%	EV/EBITDA 5Y avg	6.1 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	20,931	24,186	26,565	27,212	29,816
EBITDA	2,923	3,073	2,302	2,641	3,035
EBITDA margin	14.0%	12.7%	8.7%	9.7%	10.2%
EBIT	1,855	2,229	1,404	1,599	1,873
Net income	1,015	1,672	689	915	1,030
P/E	9.9	6.0	14.7	11.0	9.8
P/B	1.2	0.9	0.9	0.9	0.8
EV/EBITDA	5.1	4.1	6.2	5.4	4.6
DPS	0.00	1.00	1.63	1.49	2.47
DYield	0.0%	1.8%	3.0%	2.7%	4.5%
Revision of Projections (% change)		2018P	2019P	2020P	
LIFO EBITDA		-2.9%	+0.3%	+7.0%	
Net income		-13.8%	+9.1%	+11.0%	
Price of Brent crude (\$/bbl)		0.0%	0.0%	0.0%	
Margin+Urals/Brent price differ. (\$/b)		0.0%	0.0%	0.0%	
USD/PLN		-1.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
LIFO EBITDA (adj.)	2,596	3,050	2,203	2,544	2,936
Upstream (US)	692	863	784	799	1,074
Downstream (DS)	1,761	2,058	1,262	1,584	1,698
Retail	140	139	156	159	163
EV/ LIFO EBITDA (adj.)	5.7	4.1	6.4	5.5	4.7
LIFO effect	-77	171	100	99	102
Other one-offs	404	-148	-2	-2	-2
Financing activity	-275	219	-310	-280	-273
Crude thrghpt (mmt)	10.4	9.6	10.4	10.4	10.2
\$ LIFO EBITDA/bbl, DS	5.9	7.7	4.7	5.8	6.1
PLN EBITDA/tonne, Retail	129	131	131	131	132
\$ EBITDA/boe, US	18.0	26.9	29.5	30.0	31.9
US output (mboepd)	26.7	23.3	20.6	20.3	24.9
natural gas	15.6	13.4	10.2	8.7	12.0
crude oil	11.1	9.9	10.4	11.6	12.9

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	2,654	3,127	863	2,179	2,311
OCF/EBITDA LIFO skor.	102%	103%	39%	86%	79%
CAPEX	1,244	1,439	1,731	1,565	1,161
Working capital	3,867	4,035	5,141	5,411	5,904
Equity	8,611	10,712	10,964	11,541	12,051
Net debt	4,808	2,505	4,123	4,131	3,776
Net debt/EBITDA (x)	1.6	0.8	1.8	1.6	1.2

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	4.9	5.0	4.5	2.2	2.2	2.1
Maximum	20.7	19.5	16.6	9.9	10.1	10.2
Median	10.7	10.8	9.5	4.7	4.8	4.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	65.0	65.0	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Margin+Urals/Brent	5.0	5.0	5.5	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
USD/PLN	3.54	3.60	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Revenue	25,264	25,863	28,081	30,128	30,128	30,128	30,128	30,128	30,128	30,187	30,187
EBITDA	1,518	1,842	1,962	1,897	1,890	1,883	1,875	1,868	1,860	1,852	1,852
EBITDA margin	6.0%	7.1%	7.0%	6.3%	6.3%	6.2%	6.2%	6.2%	6.2%	6.1%	6.1%
EBIT	998	1,209	1,298	1,174	1,201	1,164	1,129	1,097	1,067	1,036	1,101
Tax	190	230	247	223	228	221	214	208	203	197	209
CAPEX	-1,147	-610	-711	-752	-752	-752	-752	-752	-752	-752	-752
Working capital	-1,243	-269	-493	-187	7	25	19	37	10	5	5
FCF	-1,062	732	512	735	917	935	928	945	916	909	897
PV FCF	-1,008	648	422	562	652	615	565	533	478	439	
WACC	7.2%	7.2%	7.3%	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	10,081
Net debt	2,505
Petrobaltic	1,967
Value per share (PLN)	51.62

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	45.70
DCF Val.	50%	51.62
Implied Price		48.66
Cost of equity (9M)		6.3%
9M Target Price		51.73

MOL hold (reiterated)

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We maintain a neutral rating for MOL, with the target price lowered slightly to reflect adjustments to the relative valuation model and small downward revisions to our EBITDA forecasts. Even if MOL's profits in 2018-19 worsen as much as we expect, the implied ratio of EV to CCS EBITDA for the Hungarian refiner is more acceptable at 4.8x than the ratios of its Polish rivals, PKN Orlen (7.5x) and Lotos (6.4x). What is more, MOL is expected to offer high FCF yield in the next few years which should turn into continuing distributions to shareholders (4.6% dividend yield in 2018E, long-term dividend yield projected at 2.5%, buybacks). MOL's efficiency improvement plan could be a source of positive surprises in the future, and another potential source of upside is a divestment of holdings in the Croatian state energy group INA, which would immediately boost our valuation of MOL by as much as 10-12%, and gradually raise the Company's relative valuation metrics over the medium term. Finally, benchmark margins on petrochemicals are holding high so far against all expectations, creating room for potential positive profit surprises.

Current Price	2,864 HUF	Upside
9M Target Price	2,898 HUF	+1.2%

	rating	target price	issued
new	hold	2,898 HUF	2018-04-06
old	hold	3,027 HUF	2018-03-05
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-4.7% +2.4%
ISIN	HU0000153937	YTD Price Chng	-4.7% +2.4%
Outst. Stock (m)	738.1	ADTV 1M	HUF 2,464.8m
MC (HUF m)	2,113,999.9	ADTV 6M	HUF 2,186.0m
EV (HUF m)	2,790,386.4	EV/EBITDA 12M fwd	4.2 -4.3%
Free Float	53.5%	EV/EBITDA 5Y avg	4.4 discount

Earnings Projections

(HUF bn)	2016	2017	2018P	2019P	2020P
Revenue	3,553	4,130	4,620	4,616	4,938
EBITDA	623	673	579	595	638
EBITDA margin	17.5%	16.3%	12.5%	12.9%	12.9%
EBIT	308	354	278	277	310
Net income	263	307	193	191	224
P/E	8.0	6.9	10.9	11.1	9.4
P/B	1.4	1.2	1.2	1.1	1.0
EV/EBITDA	4.9	4.3	4.8	4.8	4.4
DPS	70.88	78.13	127.50	67.06	70.41
DYield	2.5%	2.7%	4.5%	2.3%	2.5%
Revision of Projections (% change)			2018P	2019P	2020P
CCS EBITDA			-1.1%	-2.0%	-2.4%
Net income			-3.5%	-4.8%	-4.7%
Margin+ Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

Financial Highlights

(HUF bn)	2016	2017	2018P	2019P	2020P
LIFO EBITDA (adj.)	605	673	566	579	622
Upstream (US)	190	235	287	292	289
Downstream (DS)	178	198	107	114	139
Retail	86	97	95	103	108
Petchem	144	127	66	57	73
Gas Midstream	54	61	61	63	64
General expenses	-48	-45	-50	-51	-51
EV/LIFO EBITDA (adj.)	4.9	4.2	4.8	4.8	4.4
LIFO effect	25	7	13	16	16
Other one-offs	-7	-7	0	0	0
Financing activity	-35	11	-7	-8	-9
\$ LIFO EBITDA/bbl, DS	4.5	5.1	2.9	3.1	3.8
EBITDA/boe, US	17.7	23.9	29.8	30.7	32.3
Ref. thrghpt, mmt	19.2	19.3	19.3	19.3	19.3
Upstr output, mboepd	112.6	107.4	110.1	108.8	102.9

Key Balance Sheet Figures

(HUF bn)	2016	2017	2018P	2019P	2020P
Operating cash flow	519	560	521	513	563
OCF/EBITDA LIFO skor.	86%	83%	92%	89%	90%
CAPEX	289	286	309	477	431
Working capital	156	248	247	270	288
Equity	1,492	1,741	1,822	1,945	2,100
Net debt	606	435	343	381	328
Net debt/EBITDA (x)	1.0	0.6	0.6	0.6	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.9	5.0	4.5	2.2	2.2	2.1
Maximum	20.7	19.5	16.6	9.9	10.1	10.2
Median	11.1	11.1	9.9	5.4	5.0	4.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(HUF bn)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	65	65	70	75	75	75	75	75	75	75	75
Margin+ Urals/Brent	5.5	5.5	6.0	6.0	6.5	6.5	6.5	6.5	6.5	6.5	6.5
USD/HUF	260	260	260	260	260	260	260	260	260	260	260
Revenue	4,330	4,326	4,651	4,940	4,954	4,955	4,956	4,957	4,958	4,959	4,959
EBITDA	292	304	350	358	399	403	401	398	396	394	394
EBITDA margin	6.7%	7.0%	7.5%	7.3%	8.1%	8.1%	8.1%	8.0%	8.0%	7.9%	7.9%
EBIT	126	123	159	153	183	181	173	164	155	156	189
Tax	31	31	39	38	46	45	43	41	38	39	36
CAPEX	-215	-380	-344	-209	-211	-205	-205	-205	-205	-205	-205
Working capital	-26	-23	-19	-16	0	0	0	1	1	1	1
FCF	20	-130	-52	96	143	153	153	154	154	151	154
PV FCF	19	-113	-41	70	95	94	86	80	73	66	
WACC	8.6%	8.6%	8.7%	9.1%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Risk-free rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,267
Net debt & adjustments	229
Upstream Valuation	558
Value per share (HUF)	2,287

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	3,128
DCF Val.	50%	2,287
Implied Price		2,708
Cost of equity (9M)		7.0%
9M Target Price		2,898

PGNiG buy (reiterated)

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PGNiG's persistent underperformance confuses us given the imminent resolution of the Company's arbitration case against Gazprom, expected to be ordered to pay retroactive compensation to the Polish gas company, and the likely increase in E&P revenues thanks to rising prices of hydrocarbons, as well as an expected reduction in PGNiG's share in LNG terminal maintenance costs. PGNiG's distribution profits are poised for a fully expected contraction after the recent tariff cut by the regulator, priced in at this point. Not yet priced in are possible E&P acquisitions in Norway, facilitated by successful Baltic Pipe capacity bookings. PGN is trading at a 30% discount to comparable companies, as well as to power utilities, which do not pay dividends and which face having to divert cash to investments championed by the state that do not necessarily square with their core business needs (meanwhile PGNiG has the resources to grow E&P assets and develop gas transmission infrastructure). We maintain a buy rating for PGN, with the target price raised slightly to reflect adjustments to the relative valuation model.

Current Price

5.71 PLN

Upside

9M Target Price

7.96 PLN

+39.4%

	rating	target price	issued
new	buy	7.96 PLN	2018-04-06
old	buy	7.51 PLN	2018-03-05
Key Metrics			
Ticker	PGN PW	1M Price Chng	-9.2% -2.2%
ISIN	PLPGNIG00014	YTD Price Chng	-9.2% -2.2%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 26.7m
MC (PLN m)	32,994.2	ADTV 6M	PLN 22.5m
EV (PLN m)	32,393.7	EV/EBITDA 12M fwd	4.2 -21.5%
Free Float	28.1%	EV/EBITDA 5Y avg	5.3 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	33,196	35,857	37,077	40,068	40,981
EBITDA	5,974	6,579	8,418	8,720	9,163
EBITDA margin	18.0%	18.3%	22.7%	21.8%	22.4%
EBIT	3,360	3,910	5,720	5,969	6,391
Net income	2,351	2,923	4,208	4,439	4,444
P/E	14.0	11.3	7.8	7.4	7.4
P/B	1.0	1.0	0.9	0.8	0.8
EV/EBITDA	5.6	5.1	3.8	3.5	3.2
DPS	0.18	0.20	0.25	0.29	0.31
DYield	3.2%	3.5%	4.4%	5.1%	5.4%
Revision of Projections (% change)					
EBITDA			+1.3%	+1.9%	+1.0%
Net income			+1.8%	+2.9%	+3.4%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)			-0.6%	0.0%	0.0%
USD/PLN			-1.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	6,862	7,356	8,418	8,720	9,163
EBITDA	5,974	6,579	8,418	8,720	9,163
Mining	2,206	3,865	4,676	4,752	5,148
Trade	614	-435	880	973	869
Distribution	2,559	2,493	2,278	2,291	2,299
Heat & Power	759	843	777	901	1,047
Other	-164	-187	-192	-196	-201
Financing activity	-150	12	-46	-32	-1
Crude output, mmt	1.35	1.27	1.34	1.23	1.22
domestic	0.75	0.79	0.82	0.78	0.78
international	0.59	0.48	0.52	0.45	0.44
NatGas output, bn m3	4.5	4.5	4.5	4.8	4.7
domestic	3.9	3.8	3.8	3.8	3.8
international	0.6	0.7	0.7	1.0	0.9
Trade mrgn, PLN/MWh	0.4	-2.4	2.8	3.2	3.1

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	5,922	4,816	6,834	7,119	7,073
OCF/EBITDA	99%	73%	81%	82%	77%
CAPEX	2,968	3,162	4,279	3,795	3,829
Working capital	3,619	5,280	5,807	6,275	6,418
Equity	32,013	33,626	36,372	39,128	41,796
Net debt	523	428	-601	-2,207	-3,675
Net debt/EBITDA (x)	0.1	0.1	-0.1	-0.3	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.8	3.9	3.7	3.5	3.4	2.7
Maximum	21.4	18.9	16.5	11.8	11.9	11.9
Median	12.5	12.1	11.3	6.0	5.8	5.5
Weight	11%	11%	11%	11%	11%	11%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	65.0	65.0	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	18.6	19.0	20.3	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8
USD/PLN	3.54	3.60	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Revenue	37,077	40,068	40,981	43,705	43,507	39,953	39,360	37,976	37,089	37,815	37,815
EBITDA	8,418	8,720	9,163	9,451	9,013	8,846	8,802	8,599	8,534	8,628	8,628
EBITDA margin	22.7%	21.8%	22.4%	21.6%	20.7%	22.1%	22.4%	22.6%	23.0%	22.8%	22.8%
EBIT	5,720	5,969	6,391	6,612	6,146	5,937	5,831	5,606	5,475	5,438	4,650
Tax	1,476	1,505	1,947	2,044	1,900	1,817	1,766	1,660	1,595	1,585	1,422
CAPEX	-4,279	-3,795	-3,829	-3,856	-3,871	-3,893	-3,915	-3,916	-3,934	-3,978	-3,978
Working capital	-527	-468	-143	-427	31	557	93	217	139	-114	-114
FCF	2,136	2,952	3,244	3,125	3,273	3,692	3,214	3,241	3,144	2,952	3,114
PV FCF	2,003	2,541	2,564	2,267	2,180	2,258	1,804	1,670	1,487	1,282	
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	41,007
Net debt	428
Other adjustments	835
Value per share (PLN)	7.17

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	9.07
Relative (DYield)	17%	5.14
DCF	50%	7.17
Cost of equity (9M)		6.7%
9M Target Price		7.96

PKN Orlen reduce (upgraded)

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PKN continues to trade downward, and at the current level we are prompted to upgrade the stock from sell to reduce with the target price cut slightly in light of lower peer valuations. We maintain a bearish outlook for the refining industry, facing weaker demand coupled with increasing supply and unfavorable FX trends, though we realize the 2018 earnings expectations for the industry might be raised in the course of the year based on high ytd petrochemical margins. The initial impact of the planned merger with Lotos is fading, and we maintain that the future synergies might not even reach an equivalent of 8% at best of the combined market capitalizations of the two companies considering political pressures. What is more, the antitrust review of the merger is likely to take a long time, preventing PKN Orlen from sharing its view on the potential benefits of the merger with the market. Further, we are afraid PKN may be about to update its business strategy to include more sideline investment such as wind farms and nuclear energy, resulting in a convergence in its market valuation to the levels registered by power utilities. Meanwhile at the moment PKN is trading at twice the 2018E EV/EBITDA (7.5x) of power generators, as well as being valued higher than comparable refiners like MOL and LTS.

Current Price

89.52 PLN

Downside

9M Target Price

76.89 PLN

-14.1%

		rating	target price	issued
new		reduce	76.89 PLN	2018-04-06
old		sell	80.55 PLN	2018-03-05
Key Metrics			PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-15.5%	-8.5%
ISIN	PLPKN0000018	YTD Price Chng	-15.5%	-8.5%
Outst. Stock (m)	427.7	ADTV 1M		PLN 81.1m
MC (PLN m)	38,288.5	ADTV 6M		PLN 84.7m
EV (PLN m)	46,641.5	EV/EBITDA 12M fwd	5.3	-10.2%
Free Float	67.6%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	79,553	95,364	101,435	105,638	117,512
EBITDA	9,642	11,078	6,531	6,694	7,804
EBITDA margin	12.1%	11.6%	6.4%	6.3%	6.6%
EBIT	7,532	8,657	3,872	3,791	4,673
Net income	5,261	6,655	2,943	2,802	3,467
P/E	7.3	5.8	13.0	13.7	11.0
P/B	1.4	1.2	1.1	1.1	1.0
EV/EBITDA	4.6	3.8	7.1	7.2	6.2
DPS	2.13	3.00	3.00	3.44	2.95
DYield	2.4%	3.4%	3.4%	3.8%	3.3%
Revision of Projections (% change)			2018P	2019P	2020P
LIFO EBITDA			-2.0%	+1.9%	+0.9%
Net income			-2.0%	+4.2%	+2.1%
Margin+ Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
USD/PLN			-1.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
LIFO EBITDA (adj.)	7,668	9,581	6,162	6,328	7,430
Downstream(DS)	4,549	4,689	1,915	1,579	2,252
Petchem	1,776	3,034	2,123	2,601	3,118
Retail	1,832	2,049	1,923	1,968	2,018
Upstream	255	293	358	400	449
Electricity	0	129	476	445	264
General expenses	-744	-613	-633	-665	-671
EV/LIFO EBITDA (adj.)	5.7	4.3	7.5	7.5	6.4
LIFO effect	86	788	369	366	374
Other one-offs	1,888	709	0	0	0
Financing activity	-645	60	-238	-331	-393
\$ LIFO EBITDA/bbl, DS	5.3	4.9	2.4	1.9	2.7
PLN EBITDA/tonne, Retail	224	232	213	214	217
Refinery thrghpt (mmt)	29.6	34.8	30.9	30.9	31.2
Petchem output (kt)	3,071	3,551	3,616	3,781	3,781

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	9,331	8,050	3,192	4,430	5,047
OCF/EBITDA LIFO skor.	122%	84%	52%	70%	68%
CAPEX	5,033	4,039	5,063	3,950	3,650
Working capital	6,144	7,489	10,137	11,743	13,687
Equity	26,763	32,197	33,857	35,187	37,393
Net debt	3,363	761	8,353	9,676	9,933
Net debt/EBITDA (x)	0.3	0.1	1.3	1.4	1.3

Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	6.4	5.8	5.7	2.2	2.2	2.1
Maximum	16.3	16.4	19.5	18.6	18.5	19.0
Median	10.7	10.6	9.4	5.6	5.7	5.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Margin+Urals/Brent	5.5	5.0	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	342	333	379	337	337	337	337	337	337	337	336.9
USD/PLN	3.54	3.60	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Revenue	101,435	105,638	117,512	125,671	126,285	126,902	127,560	128,214	128,885	129,566	129,566
EBITDA	6,531	6,694	7,804	7,579	7,612	7,752	7,808	7,831	7,866	7,838	7,838
EBITDA margin	6.4%	6.3%	6.6%	6.0%	6.0%	6.1%	6.1%	6.1%	6.1%	6.0%	6.0%
EBIT	3,872	3,791	4,673	4,478	4,457	4,560	4,559	4,501	4,433	4,437	4,487
Tax	736	720	888	851	847	866	866	855	842	843	852
CAPEX	-9,263	-3,950	-3,650	-3,350	-3,350	-3,350	-3,350	-3,350	-3,350	-3,351	-3,351
Working capital	-2,648	-1,606	-1,943	-721	-91	-92	-97	-97	-100	-101	-101
FCF	-6,116	417	1,322	2,657	3,325	3,444	3,494	3,528	3,575	3,543	3,248
PV FCF	-5,800	369	1,090	2,039	2,373	2,285	2,146	2,006	1,882	1,727	
WACC	7.3%	7.3%	7.3%	7.4%	7.5%	7.6%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	32,686
Net debt	412
Other adjustments	0
Value per share (PLN)	75.46

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	69.20
DCF Val.	50%	75.46
Implied Price		72.33
Cost of equity (9M)		6.3%
9M Target Price		76.89

Power Utilities

CEZ

reduce (downgraded)

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CEZ continued to outperform Polish utilities, as well as trading 5ppt above MSCI EU Utilities, even after the index logged substantial gains in March. We are hard pressed to find a good reason for such strong performance, especially in light of CEZ's FY2018 guidance, which forced us to revisit our assumptions as to power prices and nuclear capacity utilization, and hence cut our 2018 EBITDA estimate by nearly 6%, resulting in downward adjustments to our target price and investment call (downgraded from hold to reduce). CEZ's profits this year are dampened by a marked tightening of the clean dark spread, and the future outlook is marred by uncertainty as regards financing of the Czech nuclear project (as it turns out, the split-up of CEZ does not have full backing within the government ranks). Trading at 7.9x 2018E EV/EBITDA, CEZ's value is vulnerable to negative shocks.

Current Price

519.50 CZK

Downside

9M Target Price

449.51 CZK

-13.5%

	rating	target price	issued
new	reduce	449.51 CZK	2018-04-06
old	hold	506.40 CZK	2018-03-05
Key Metrics		CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+4.6% +11.7%
ISIN	CZ0005112300	YTD Price Chng	+4.6% +11.7%
Outst. Stock (m)	538.0	ADTV 1M	CZK 174.9m
MC (CZK bn)	279.5	ADTV 6M	CZK 176.7m
EV (CZK bn)	426.0	EV/EBITDA 12M fwd	7.9 +16.5%
Free Float	30.2%	EV/EBITDA 5Y avg	6.8 premium

Earnings Projections

(CZK m)	2016	2017	2018P	2019P	2020P
Revenue	203,744	201,906	204,375	208,548	218,729
EBITDA	62,418	57,712	52,287	55,056	56,536
EBITDA margin	30.6%	28.6%	25.6%	26.4%	25.8%
EBIT	26,114	25,620	22,752	24,101	25,458
Net income	14,281	18,765	14,423	15,218	15,496
P/E	19.6	14.9	19.4	18.4	18.0
P/B	1.1	1.1	1.1	1.1	1.1
EV/EBITDA	6.8	7.3	8.1	7.7	7.5
DPS	39.64	32.75	31.39	26.81	28.29
DYield	7.6%	6.3%	6.0%	5.2%	5.4%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		-5.6%	-2.9%	-2.6%	
Net income		-9.9%	-2.8%	-2.0%	
Price of electricity (EUR/MWh)		-0.5%	0.0%	0.0%	
EUR/CZK		0.0%	0.0%	0.0%	
CO2 (EUR/t)		0.0%	0.0%	0.0%	

Financial Highlights

(CZK m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	58,596	52,196	53,708	55,179	57,111
EBITDA	58,206	55,155	53,708	55,179	57,111
Generation	25,403	24,050	22,652	23,860	25,658
Mining	4,413	4,056	4,015	4,099	4,180
Distribution	20,386	19,067	19,816	20,381	19,780
Trade	5,489	4,613	4,964	4,525	4,911
Other	2,515	3,369	2,260	2,313	2,582
Financing activity	-6,786	-2,867	-4,762	-5,119	-6,130
Power output, TWh	61.1	62.9	67.0	67.6	67.7
Renewables	4.5	4.7	4.9	4.9	5.0
Trade volume, TWh	37.5	37.0	37.3	37.6	37.9
YoY pct. change	-2.4%	-1.2%	0.8%	0.8%	0.8%
Trade mrgn (CZK/MWh)	146.5	124.6	133.0	120.3	129.6
RAV (CZK bn)	110.5	114.0	119.7	126.6	133.4
RAV return (EBIT)	13.0%	10.4%	11.2%	10.8%	9.6%

DCF Analysis

(CZK m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (EUR/MWh)	35.9	36.9	35.8	36.4	36.8	37.2	37.7	38.2	38.7	38.7	38.7
EUR/CZK	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5
CO2 (EUR/t)	10.0	10.5	11.1	11.6	12.2	12.9	13.6	14.3	15.0	15.0	15.0
Revenue	204,375	208,548	218,729	219,627	222,328	224,612	226,935	229,338	231,823	234,395	234,395
EBITDA	57,386	58,950	60,976	60,570	60,233	60,713	61,229	61,724	62,193	62,635	62,635
EBITDA margin	28.1%	28.3%	27.9%	27.6%	27.1%	27.0%	27.0%	26.9%	26.8%	26.7%	26.7%
EBIT	22,752	24,101	25,458	25,623	24,770	24,674	25,109	25,329	25,490	26,808	30,198
Tax	4,323	4,579	4,837	4,867	4,704	4,685	4,767	4,807	4,837	5,087	5,738
CAPEX	-34,963	-34,663	-34,463	-33,300	-33,272	-33,199	-33,080	-32,912	-32,697	-32,437	-32,437
Working capital	173	-489	-1,194	-105	-317	-268	-272	-282	-291	-302	-302
FCF	18,274	19,218	20,482	22,298	21,940	22,561	23,110	23,722	24,367	24,810	24,159
PV FCF	17,517	17,412	17,538	18,045	16,779	16,303	15,775	15,291	14,828	14,248	
WACC	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.9%	5.9%	5.9%	6.0%	6.8%
Risk-free rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Key Balance Sheet Figures

(CZK m)	2016	2017	2018P	2019P	2020P
Operating cash flow	48,953	45,812	53,112	53,821	55,086
OCF/EBITDA	84%	83%	99%	98%	96%
CAPEX	35,553	30,688	34,963	34,663	34,463
Working capital	40,832	24,140	23,967	24,456	25,650
Equity	256,812	250,018	247,552	248,347	248,625
Net debt	140,886	139,546	142,167	141,676	141,537
Net debt/EBITDA (x)	2.4	2.5	2.6	2.6	2.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.7	4.2	4.4	3.6	3.6	3.7
Maximum	19.2	18.1	17.8	9.2	9.3	9.3
Median	13.6	12.7	10.5	6.6	6.3	6.0
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	452,768
Net debt	139,546
Other adjustments	-57,471
Value per share (CZK)	475.38

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	252.91
Relative (DYield)	17%	622.69
DCF	50%	475.38
Cost of equity (9M)		5.6%
9M Target Price		449.51

Enea buy (reiterated)

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Enea's share price has nearly hit the all-time low last registered in 2016 even though its potential involvement in cash-intensive national energy projects at this point exists only in the imagination of Energy Minister Tchórzewski, who is keen on sharing his ideas with the media. At 3.8x EV/EBITDA, ENA has enough of a cushion with solid profit and balance-sheet prospects ahead. Polish power contracts are slowly starting to follow CO2 prices. The risks entailed in the Ostrołęka C generator project are more than priced in at the current level. Also overestimated is the negative impact of maintenance closures, while the production potential is underestimated. Our 2018 EBITDA estimate for Enea is 7% higher than the consensus estimate. We maintain a buy rating for ENA.

Current Price

9.10 PLN

Upside

9M Target Price

11.78 PLN

+29.5%

		rating	target price	issued
new		buy	11.78 PLN	2018-04-06
old		buy	12.11 PLN	2018-03-05
Key Metrics			ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	-20.9%	-13.8%
ISIN	PLENEA000013	YTD Price Chng	-20.9%	-13.8%
Outst. Stock (m)	441.4	ADTV 1M		PLN 6.3m
MC (PLN m)	4,017.1	ADTV 6M		PLN 7.3m
EV (PLN m)	11,205.9	EV/EBITDA 12M fwd	3.8	-25.5%
Free Float	48.5%	EV/EBITDA 5Y avg	5.1	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	11,256	11,406	12,102	12,803	12,666
EBITDA	2,328	2,684	2,943	2,961	2,765
EBITDA margin	20.7%	23.5%	24.3%	23.1%	21.8%
EBIT	1,119	1,488	1,529	1,505	1,286
Net income	784	1,070	978	933	757
P/E	5.1	3.8	4.1	4.3	5.3
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	4.0	3.9	3.8	3.9	4.3
DPS	0.00	0.28	0.24	0.22	0.21
DYield	0.0%	3.0%	2.7%	2.4%	2.3%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		+5.6%	0.0%	0.0%	
Net income		+17.9%	0.0%	0.0%	
Price of electricity (PLN/MWh)		-0.0%	0.0%	0.0%	
Price of coal (PLN/t)		0.0%	0.0%	0.0%	
Price of CO2 allowance (EUR/t)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	2,520	2,649	2,943	2,961	2,765
EBITDA	2,328	2,684	2,943	2,961	2,765
Generation	517	735	948	911	805
Mining	609	709	713	719	597
Distribution	1,111	1,073	1,129	1,175	1,205
Trade	154	178	192	195	199
Other	-67	-13	-39	-40	-41
Financing activity	-51	-21	-184	-214	-262
Power output, TWh	13.6	21.8	24.6	28.2	28.2
Renewables	0.5	2.3	2.0	2.0	2.0
Trade volume, TWh	16.7	17.1	17.4	17.8	18.1
YoY pct. change	3.0%	2.5%	1.9%	1.9%	1.9%
Trade mrgn (PLN/MWh)	9.2	10.4	11.0	11.0	11.0
RAV (PLN bn)	7.3	7.5	8.0	8.3	8.5
RAV return (EBIT)	8.7%	7.7%	7.7%	7.7%	7.6%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	2,424	2,580	2,098	2,641	2,801
OCF/EBITDA	104%	96%	71%	89%	101%
CAPEX	2,688	2,058	2,430	2,415	2,905
Working capital	1,132	698	1,288	1,362	1,131
Equity	12,176	13,078	13,939	14,764	15,419
Net debt	4,379	5,523	6,156	6,252	6,720
Net debt/EBITDA (x)	1.9	2.1	2.1	2.1	2.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.7	4.2	4.4	3.6	3.6	3.7
Maximum	19.2	18.2	17.8	9.2	9.3	9.3
Median	13.8	12.7	11.7	6.7	6.8	6.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	166.0	171.7	166.3	151.1	154.0	157.0	159.1	161.3	163.7	166.1	166.1
Coal (PLN/t)	224.4	223.2	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4
CO2 (EUR/t)	10.0	10.5	11.1	11.6	12.2	12.9	13.6	14.3	15.0	15.0	15.0
Revenue	12,102	12,803	12,666	12,102	12,339	12,659	13,002	13,236	13,482	13,743	13,743
EBITDA	2,943	2,961	2,765	3,068	3,109	3,248	3,380	3,409	3,443	3,488	3,488
EBITDA margin	24.3%	23.1%	21.8%	25.3%	25.2%	25.7%	26.0%	25.8%	25.5%	25.4%	25.4%
EBIT	1,529	1,505	1,286	1,553	1,585	1,656	1,719	1,714	1,709	1,711	1,303
Tax	290	286	244	295	301	315	327	326	325	325	247
CAPEX	-2,430	-2,415	-2,905	-2,950	-2,759	-2,306	-2,078	-2,112	-2,148	-2,186	-2,186
Working capital	-589	-75	231	50	-21	-29	-31	-21	-22	-23	-23
FCF	-367	185	-154	-127	28	599	945	951	948	954	1,032
PV FCF	-350	166	-129	-99	21	415	614	578	540	508	
WACC	6.6%	6.7%	6.7%	6.6%	6.5%	6.5%	6.6%	6.7%	6.9%	7.0%	7.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	12,442
Net debt	5,523
Other adjustments	-2,069
Value per share (PLN)	10.99

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	23.70
Relative (DYield)	0%	5.26
DCF	100%	10.99
Cost of equity (9M)		6.7%
9M Target Price		11.78



Energa buy (reiterated)

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Recent media activity of Energy Minister Tchórzewski has had the same dampening effect on market sentiment for Energa as it has for Enea, and as a reminder the projects mentioned by Minister Tchórzewski are in very early stages and are more than priced into ENG stock. Energa's current EV is equivalent to only 75% of the value of its regulatory distribution assets, which means the market puts the value of the remaining annual EBITDA of PLN 0.5bn at a negative PLN 3.3bn (compared to the negative NPV of the Ostrołęka C project, estimated by us at PLN 0.5bn). At only 3.6x 2018-2019E EV/EBITDA, ENG trades significantly below its peers in spite of a safer earnings profile, with 80% of annual EBITDA provided by distribution, and despite its involvement in the increasingly profitable clean energy, combined with rising prices of electricity. We maintain a buy rating for Energa.

Current Price

9.96 PLN

Upside

9M Target Price

14.91 PLN

+49.7%

	rating	target price	issued
new	buy	14.91 PLN	2018-04-06
old	buy	14.71 PLN	2018-03-05
Key Metrics		ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-21.8% -14.7%
ISIN	PLENERG00022	YTD Price Chng	-21.8% -14.7%
Outst. Stock (m)	414.1	ADTV 1M	PLN 8.4m
MC (PLN m)	4,124.1	ADTV 6M	PLN 11.4m
EV (PLN m)	8,187.3	EV/EBITDA 12M fwd	3.9 -21.1%
Free Float	48.5%	EV/EBITDA 5Y avg	5.0 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	10,181	10,534	11,270	11,603	11,619
EBITDA	2,027	2,160	2,304	2,349	2,278
EBITDA margin	19.9%	20.5%	20.4%	20.2%	19.6%
EBIT	487	1,210	1,285	1,277	1,212
Net income	151	773	827	816	731
P/E	27.3	5.3	5.0	5.1	5.6
P/B	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	4.4	3.8	3.6	3.5	3.9
DPS	0.49	0.19	0.29	0.30	0.30
DYield	4.9%	1.9%	2.9%	3.0%	3.0%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			+3.0%	+2.0%	+0.1%
Net income			+1.0%	-0.7%	-3.0%
Price of electricity (PLN/MWh)			0.0%	+0.5%	+0.6%
Price of coal (PLN/t)			0.0%	+1.0%	+1.1%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	2,040	2,091	2,304	2,349	2,278
EBITDA	2,027	2,160	2,304	2,349	2,278
Conv. Gener./CHP	195	229	209	192	113
Renewables	119	169	149	165	165
Distribution	1,720	1,723	1,741	1,784	1,789
Trade	40	85	269	273	277
Other	-48	-46	-64	-65	-66
Financing activity	-282	-208	-227	-233	-276
Power output, TWh	3.9	4.3	4.0	4.0	4.0
Renewables	0.5	0.7	0.6	0.6	0.6
Trade volume, TWh	19.6	20.4	20.7	21.0	21.3
YoY pct. change	17.1%	4.0%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	4.2	2.0	13.0	13.0	13.0
RAV (PLN bn)	11.5	11.7	12.2	12.6	12.9
RAV return (EBIT)	8.5%	8.2%	7.9%	7.5%	7.3%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	1,782	2,182	1,981	2,083	2,077
OCF/EBITDA	88%	101%	86%	89%	91%
CAPEX	1,580	1,280	1,573	1,849	2,202
Working capital	1,608	1,403	1,501	1,545	1,548
Equity	8,777	9,409	10,118	10,809	11,416
Net debt	4,664	4,064	4,014	4,143	4,672
Net debt/EBITDA (x)	2.3	1.9	1.7	1.8	2.1

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	3.7	4.1	4.3	3.7	3.8	3.7
Maximum	19.2	18.2	17.9	9.2	9.3	9.3
Median	13.8	12.7	11.7	6.7	6.8	6.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	166.0	171.7	166.3	151.1	154.0	157.0	159.1	161.3	163.7	166.1	166.1
Coal (PLN/t)	224.4	223.2	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4
CO2 (EUR/t)	10.0	10.5	11.1	11.6	12.2	12.9	13.6	14.3	15.0	15.0	15.0
Revenue	11,270	11,603	11,619	11,383	11,594	11,867	12,027	12,191	12,359	12,530	12,530
EBITDA	2,304	2,349	2,278	2,270	2,241	2,378	2,534	2,580	2,637	2,698	2,698
EBITDA margin	20.4%	20.2%	19.6%	19.9%	19.3%	20.0%	21.1%	21.2%	21.3%	21.5%	21.5%
EBIT	1,285	1,277	1,212	1,162	1,173	1,244	1,329	1,341	1,360	1,426	1,426
Tax	244	243	230	221	223	236	253	255	258	271	271
CAPEX	-1,573	-1,849	-2,202	-2,261	-2,087	-1,654	-1,485	-1,494	-1,499	-1,502	-1,502
Working capital	-98	-44	-2	31	-28	-36	-21	-22	-22	-23	-23
FCF	389	213	-156	-180	-97	452	775	810	857	903	903
PV FCF	368	188	-128	-138	-69	299	477	464	455	444	
WACC	7.5%	7.5%	7.4%	7.4%	7.3%	7.4%	7.5%	7.7%	7.8%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	10,078
Net debt	4,064
Other adjustments	-226
Value per share (PLN)	13.98

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	25.05
Relative (DYield)	0%	6.50
DCF	100%	13.98
Cost of equity (9M)		6.7%
9M Target Price		14.91

PGE buy (reiterated)

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PGE continues to trade under political pressure coming from the Energy Ministry and its visions as to the Company's involvement in potential energy projects, including the nuclear project. The remote and uncertain prospective outlays notwithstanding, PGE is expected to generate positive cash flow in the years ahead, and this year it is set to benefit from rising power prices low market expectations. We assume a decrease in the clean dark spread for hard coal by PLN 10/MWh in 2019, alongside PLN 13 lower CDS for brown coal, implying potential for a 2019 EBITDA beat over the current consensus of as much as PLN 0.5-0.6bn. Meanwhile, at current estimates, PGE stock is trading at 3.8x EV/EBITDA. We maintain a buy rating for PGE.

Current Price

9.81 PLN

Upside

9M Target Price

12.89 PLN

+31.4%

	rating	target price	issued
new	buy	12.89 PLN	2018-04-06
old	buy	12.61 PLN	2018-03-05
Key Metrics		PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-18.6% -11.5%
ISIN	PLPGER000010	YTD Price Chng	-18.6% -11.5%
Outst. Stock (m)	1,869.8	ADTV 1M	PLN 25.9m
MC (PLN m)	18,342.6	ADTV 6M	PLN 24.4m
EV (PLN m)	27,684.0	EV/EBITDA 12M fwd	4.2 -16.3%
Free Float	42.6%	EV/EBITDA 5Y avg	5.0 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	28,092	23,100	25,696	27,773	28,891
EBITDA	7,376	7,650	7,413	7,249	7,141
EBITDA margin	26.3%	33.1%	28.8%	26.1%	24.7%
EBIT	3,512	3,620	4,035	3,652	3,264
Net income	2,568	2,660	2,978	2,581	2,270
P/E	7.1	6.9	6.2	7.1	8.1
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	3.2	3.5	3.7	3.8	3.7
DPS	0.25	0.00	0.00	0.00	0.35
DYield	2.6%	0.0%	0.0%	0.0%	3.5%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		+0.2%	+1.7%	+0.9%	
Net income		+1.6%	+6.0%	+6.1%	
Price of electricity (PLN/MWh)		0.0%	+0.5%	+0.6%	
Price of coal (PLN/t)		0.0%	+1.0%	+1.1%	
Price of CO2 allowance (EUR/t)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	6,124	6,481	7,413	7,249	7,141
EBITDA	7,376	7,650	7,413	7,249	7,141
Generation	4,182	4,099	3,843	3,619	3,478
Renewables	365	364	375	399	401
Distribution	2,230	2,333	2,424	2,457	2,484
Trade	500	811	727	731	735
Other	99	43	43	43	43
Financing activity	-238	-330	-298	-405	-403
Power output, TWh	53.7	56.8	67.0	74.1	83.8
Renewables	2.4	2.4	2.3	2.3	2.3
Trade volume, TWh	43.0	40.4	41.0	41.7	42.3
YoY pct. change	10.2%	-5.9%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	11.6	20.1	17.7	17.5	17.4
RAV (PLN bn)	15.1	15.6	16.3	16.6	16.9
RAV return (EBIT)	7.3%	7.5%	7.8%	7.8%	7.8%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	6,391	7,934	7,105	6,390	6,467
OCF/EBITDA	87%	104%	96%	88%	91%
CAPEX	7,935	6,071	7,446	5,844	4,251
Working capital	3,325	3,388	2,986	3,227	3,357
Equity	42,679	45,188	48,166	50,747	52,371
Net debt	5,045	7,487	8,127	7,985	6,817
Net debt/EBITDA (x)	0.7	1.0	1.1	1.1	1.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.7	4.2	4.4	3.6	3.6	3.9
Maximum	19.2	18.2	17.8	9.2	9.3	9.3
Median	13.8	12.7	11.7	6.7	6.8	6.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	166.0	171.7	166.3	151.1	154.0	157.0	159.1	161.3	163.7	166.1	166.1
Coal (PLN/t)	224.4	223.2	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4
CO2 (EUR/t)	10.0	10.5	11.1	11.6	12.2	12.9	13.6	14.3	15.0	15.0	15.0
Revenue	25,696	27,773	28,891	26,801	27,395	28,018	28,525	29,059	29,615	30,199	30,199
EBITDA	7,413	7,249	7,141	7,389	7,401	7,403	7,370	7,342	7,388	7,440	7,440
EBITDA margin	28.8%	26.1%	24.7%	27.6%	27.0%	26.4%	25.8%	25.3%	24.9%	24.6%	24.6%
EBIT	4,035	3,652	3,264	3,480	3,452	3,368	3,221	3,056	2,944	3,019	3,259
Tax	767	694	620	661	656	640	612	581	559	574	619
CAPEX	-7,446	-5,844	-4,251	-4,091	-4,038	-3,941	-3,997	-4,056	-4,117	-4,180	-4,180
Working capital	402	-241	-130	243	-69	-72	-59	-62	-65	-68	-68
FCF	-398	470	2,140	2,879	2,638	2,750	2,702	2,643	2,647	2,618	2,572
PV FCF	-376	410	1,723	2,136	1,805	1,734	1,571	1,417	1,308	1,193	
WACC	8.1%	8.2%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	32,692
Net debt	7,487
Other adjustments	-2,604
Value per share (PLN)	12.09

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	18.68
Relative (DYield)	0%	2.69
DCF	100%	12.09
Cost of equity (9M)		6.7%
9M Target Price		12.89



Tauron hold (reiterated)

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Tauron extended gains in March (and is now down 20% ytd), but so did the whole WIG-Energy index, and so we maintain our hold call for the stock, which is trading at a premium to peers at 4.6x vs. 3.7x 2018-2019E EV/EBITDA even as it faces the worst near-term profit risk. Tauron's CO2 emission rate is among the highest in the industry, and at the same time the Generator has no reserve of free emission allowances, which means it will have to pay more if allowance prices pick up. Additional cost pressures come from rising prices of coal (+10-15%), not passed through electricity prices because Tauron buys a high proportion of its coal fuel from external sources. Last year's disappointing results in mining have made us more cautious when predicting future earnings. A recent declaration by the government's investment vehicle, the State Development Fund, that it might come aboard Tauron's generator project in Jaworzno, already in progress, sparked optimism among investors who seem to have overlooked the fact that in return Tauron made a commitment to keep the generator profitable by buying its power output at guaranteed prices. We also do not agree with those who think Tauron will be spared involvement in the nuclear project because of its high debt; by the time the designated owners have to start putting real cash into the nuclear station around 2025, Tauron's net debt/EBITDA ratio will drop to 2.2x, leaving room to rise back to 3.0-3.5x with renewed leverage of PLN 3.4bn to PLN 5.5bn.

Current Price

2.38 PLN

Upside

9M Target Price

2.73 PLN

+14.7%

	rating	target price	issued
new	hold	2.73 PLN	2018-04-06
old	hold	2.98 PLN	2018-03-05
Key Metrics			
		TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-22.0% -14.9%
ISIN	PLTAURN00011	YTD Price Chng	-22.0% -14.9%
Outst. Stock (m)	1,752.5	ADTV 1M	PLN 11.4m
MC (PLN m)	4,171.1	ADTV 6M	PLN 9.4m
EV (PLN m)	14,744.5	EV/EBITDA 12M fwd	4.5 -9.5%
Free Float	59.6%	EV/EBITDA 5Y avg	4.9 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	17,646	17,416	17,903	18,463	18,669
EBITDA	3,337	3,545	3,383	3,421	3,570
EBITDA margin	18.9%	20.4%	18.9%	18.5%	19.1%
EBIT	802	1,806	1,654	1,584	1,569
Net income	367	1,381	1,156	1,032	987
P/E	11.4	3.0	3.6	4.0	4.2
P/B	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	3.8	3.7	4.4	4.7	4.4
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Revision of Projections (% change)					
EBITDA			+0.2%	+0.2%	-0.9%
Net income			+3.5%	+9.3%	-10.4%
Price of electricity (PLN/MWh)			0.0%	-0.0%	+0.5%
Price of coal (PLN/t)			0.0%	+1.0%	+1.1%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	3,374	3,508	3,383	3,421	3,570
EBITDA	3,337	3,545	3,383	3,421	3,570
Generation	545	464	217	162	315
Mining	-82	-83	139	128	78
Distribution	2,395	2,283	2,429	2,544	2,580
Trade	490	841	567	558	566
Other	-9	40	30	30	31
Financing activity	-293	-49	-185	-273	-314
Power output, TWh	16.8	18.4	16.0	16.2	19.2
Renewables	1.3	1.3	1.2	1.2	1.2
Trade volume, TWh	32.0	34.9	35.5	36.0	36.5
YoY pct. change	-10.9%	9.1%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	17.3	18.3	16.0	15.5	15.5
RAV (PLN bn)	15.4	16.1	16.9	17.3	17.5
RAV return (EBIT)	8.9%	7.5%	7.9%	8.1%	8.1%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	3,064	3,559	3,056	3,126	3,297
OCF/EBITDA	92%	100%	90%	91%	92%
CAPEX	3,647	3,562	4,397	4,010	2,649
Working capital	517	489	502	518	523
Equity	16,649	18,036	19,120	20,078	20,993
Net debt	8,595	8,944	10,544	11,774	11,513
Net debt/EBITDA (x)	2.6	2.5	3.1	3.4	3.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.2	4.4	5.4	3.6	3.6	3.7
Maximum	19.2	18.2	17.8	9.2	9.3	9.3
Median	13.8	12.7	11.7	6.7	6.8	6.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	166.0	171.7	166.3	151.1	154.0	157.0	159.1	161.3	163.7	166.1	166.1
Coal (PLN/t)	224.4	223.2	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4
CO2 (EUR/t)	10.0	10.5	11.1	11.6	12.2	12.9	13.6	14.3	15.0	15.0	15.0
Revenue	17,903	18,463	18,669	18,271	18,617	18,992	19,337	19,703	20,062	20,435	20,435
EBITDA	3,383	3,421	3,570	3,826	3,861	3,936	3,995	4,077	4,159	4,227	4,227
EBITDA margin	18.9%	18.5%	19.1%	20.9%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%
EBIT	1,654	1,584	1,569	1,756	1,798	1,827	1,834	1,858	1,878	1,874	1,455
Tax	314	301	298	334	342	347	349	353	357	356	276
CAPEX	-4,397	-4,010	-2,649	-2,706	-2,675	-2,698	-2,707	-2,733	-2,733	-2,773	-2,773
Working capital	-14	-16	-6	11	-10	-10	-10	-10	-10	-10	-10
FCF	-1,342	-906	618	797	835	881	930	981	1,059	1,088	1,168
PV FCF	-1,284	-819	527	639	628	621	612	602	606	580	
WACC	6.0%	5.9%	6.1%	6.3%	6.5%	6.8%	7.0%	7.2%	7.4%	7.4%	7.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	14,244
Net debt	8,944
Other adjustments	-808
Value per share (PLN)	2.56

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	6.71
Relative (DYield)	0%	0.00
DCF	100%	2.56
Cost of equity (9M)		6.7%
9M Target Price		2.73

TMT

Netia

sell (downgraded)

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The media and telecom group Cyfrowy Polsat purchased a 32% stake in Netia last December, and it plans to increase ownership to 66% in the future via a tender offer, subject to the approval of anti-trust authorities. How much, if anything, Cyfrowy will offer for the 34% stake remains to be seen. Cyfrowy says it will not be seeking dividends from Netia after the planned takeover, and our guess is that Netia will allocate all future free cash flow to upgrading its network infrastructure. We expect FCFE to be negative in 2018-2020. In addition Cyfrowy may want to speed up network upgrades as it works to keep up with competition, especially with T-Mobile Poland currently in talks to lease access to the fiber optic network of Orange Polska. Netia reported 2017 fourth-quarter earnings in line with expectations, giving us no reason to revisit our negative investment outlook. In fact, an update to our valuation model prompts a reduction in the 9-month price target from PLN 4.60 to PLN 4.30 per share, implying downside risk of 18% which warrants a downgrade to sell.

Current Price

5.27 PLN

Downside

9M Target Price

4.30 PLN

-18.4%

	rating	target price	issued
new	sell	4.30 PLN	2018-04-06
old	reduce	4.60 PLN	2018-02-02
Key Metrics		NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-2.0% +5.0%
ISIN	PLNETIA00014	YTD Price Chng	-2.0% +5.0%
Outst. Stock (m)	337.0	ADTV 1M	PLN 0.3m
MC (PLN m)	1,776.2	ADTV 6M	PLN 1.0m
EV (PLN m)	2,163.5	EV/EBITDA 12M fwd	6.1 +33.0%
Free Float	100.0%	EV/EBITDA 5Y avg	4.6 premium

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,522	1,442	1,393	1,371	1,367
EBITDA	426	384	355	346	353
EBITDA margin	28.0%	26.6%	25.5%	25.2%	25.8%
EBIT	25	72	60	57	67
Net income	33	36	37	31	35
P/E	54.6	50.0	48.0	57.9	50.6
P/B	0.9	1.0	1.0	1.0	0.9
EV/EBITDA	4.6	5.4	6.1	6.4	6.5
DPS	0.39	0.38	0.00	0.00	0.00
DYield	7.5%	7.2%	0.0%	0.0%	0.0%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Voice subs (1,000)	1,140	1,014	988	951	931
On-Netw. Voice ARPU (PLN)	28.4	26.5	25.9	25.4	24.9
WLR+LLU Voice ARPU (PLN)	39.9	39.0	38.3	37.9	37.5
Broadband subs (1,000)	697	640	642	633	659
Broadband ARPU (PLN)	56.3	56.0	56.6	57.7	58.9
Revenue	1,522	1,442	1,393	1,371	1,367
Direct Voice	471	405	362	333	316
Data	659	616	616	613	621
Interop & Wholesale	209	234	228	234	237
Other	183	188	187	191	194
Selling expenses	294	275	284	285	288
G&A expenses	149	148	144	145	147
EBIT	25	72	60	57	67
margin	1.7%	5.0%	4.3%	4.2%	4.9%
Net income	32.6	35.5	37.0	30.7	35.1

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	442	346	317	340	348
OCF/EBITDA	104%	90%	89%	98%	99%
CAPEX	-209	-268	-385	-382	-381
Assets	2,450	2,401	2,552	2,696	2,906
Equity	1,896	1,778	1,816	1,847	1,882
Net debt	204	285	387	450	510
Net debt/EBITDA (x)	0.5	0.7	1.1	1.3	1.4

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	52.8	48.0	52.8	9.6	9.6	8.8
Maximum	8.3	7.9	7.5	3.7	3.6	3.4
Median	13.3	12.9	11.3	5.7	5.5	5.3
Weight	13%	23%	15%	13%	23%	15%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,393	1,371	1,367	1,383	1,411	1,445	1,483	1,529	1,581	1,597	1,597
EBITDA	355	346	353	366	374	382	392	406	423	427	427
EBITDA margin	25.5%	25.2%	25.8%	26.5%	26.5%	26.4%	26.4%	26.5%	26.7%	26.7%	26.7%
D&A	295	289	286	288	293	298	304	312	287	290	290
EBIT	60	57	67	78	81	84	87	93	136	137	137
Tax	11	11	13	15	15	16	17	18	26	26	26
NOPLAT	49	46	54	63	66	68	71	76	110	111	111
CAPEX	-385	-382	-381	-190	-194	-198	-204	-210	-217	-219	-219
Working capital	-30	-1	0	0	0	1	1	1	-5	0	0
FCF	-71	-47	-41	162	165	168	172	179	175	182	182
PV FCF	-68	-42	-34	124	117	111	106	102	92	89	
WACC	7.4%	7.3%	7.2%	7.5%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	
Net debt / EV	17.8%	20.2%	22.3%	17.3%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	1,752
Net debt	285
Other adjustments	0
Value per share (PLN)	4.35

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	3.75
DCF	50%	4.35
Implied Price		4.05
Cost of equity (9M)		6.2%
9M Target Price		4.30



Orange Polska buy (reiterated)

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Orange Polska shares gained nearly 2% over the past month, due probably to a lower-than-expected EBITDA guidance for 2018 at PLN 2.75bn. Meanwhile, Orange deserves credit for achieving EBITDA growth in Q4 2017 despite negative base effects and a strategy shift toward building value per user among others through higher service prices. OPL remains our top telecom pick and a contrarian buy idea. The Telecom is forging ahead with the cost-cutting plan announced last September, as evidenced by reduced selling expenses reported in Q3 and Q4 2017, and the 2,700 FTE eliminations planned in 2018-2019 under a recent agreement with labor unions. OPL stock is currently trading at an over-18% discount to CEE telecoms at 4.7x 2017E EV/EBITDA, in part justified by its current high capital expenditures, but at the current level the discount is too large given expected 2017-2020 EBITDA growth of 12.8% compared to a CAGR of 5.8% forecast for the CEE peers. The price that Orange's mobile rival Cyfrowy Polsat offered for a 32% stake in the fixed-line operator Netia, representing an enterprise value of PLN 2.5bn, can serve as a value benchmark for Orange's fixed-line business. Orange is currently in negotiations to lease wholesale access to its fiber infrastructure to T-Mobile Poland, and per our calculations the implied net present value of the future rental revenues would cover more than one-third of the planned network CAPEX. After relative valuation adjustments we raise our 9-month target price for OPL to PLN 7.6.

Current Price

5.83 PLN

Upside

9M Target Price

7.60 PLN

+30.4%

	rating	target price	issued
new	buy	7.60 PLN	2018-04-06
old	buy	7.30 PLN	2017-12-12
Key Metrics			
		OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+0.7% +7.8%
ISIN	PLTLKPL00017	YTD Price Chng	+0.7% +7.8%
Outst. Stock (m)	1,312.0	ADTV 1M	PLN 13.5m
MC (PLN m)	7,649.0	ADTV 6M	PLN 12.9m
EV (PLN m)	14,515.9	EV/EBITDA 12M fwd	4.7 +1.7%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6 premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	11,538	11,381	11,297	11,359	11,530
EBITDA adj.	3,163	2,807	3,069	3,217	3,384
EBITDA margin	27.4%	24.7%	27.2%	28.3%	29.3%
EBIT	-1,354	229	647	921	1,199
Net income	-1,746	-60	299	545	791
P/E	-	-	25.5	14.0	9.7
P/B	0.8	0.8	0.7	0.7	0.7
EV/EBITDA	4.6	5.0	4.7	4.3	3.9
DPS	0.25	0.00	0.00	0.00	0.25
DYield	4.3%	0.0%	0.0%	0.0%	4.3%
Revision of Projections (% change)					
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Broadband lines (1,000)	2,206	2,438	2,741	3,120	3,511
Voice lines (1,000)	3,932	3,684	3,157	2,725	2,286
Revenue	11,538	11,381	11,297	11,359	11,530
Mobile	6,324	6,141	6,093	6,105	6,136
Fixed Line	4,720	4,571	4,556	4,606	4,733
Other	494	669	648	648	661
Costs	8,445	8,655	8,337	8,237	8,220
Payroll	1,636	1,690	1,581	1,473	1,437
Services	6,432	6,416	6,412	6,439	6,467
Other rev & exp	377	341	344	325	317
Severance benefits	0	208	0	0	0
Asset sales	70	81	110	95	80
EBITDA	3,163	2,807	3,069	3,217	3,390
margin	27.4%	24.7%	27.2%	28.3%	29.4%
Net income	-1,746	-60	299	545	791

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	2,549	2,064	1,896	2,672	2,858
OCF/EBITDA	81%	74%	62%	83%	84%
CAPEX	-5,604	-1,643	-2,222	-2,166	-2,052
Assets	22,588	22,933	22,181	22,667	23,062
Equity	10,007	9,936	10,294	10,838	11,301
Net debt	6,932	6,436	6,865	6,169	5,530
Net debt/EBITDA (x)	2.2	2.3	2.2	1.9	1.6

Relative Valuation Summary

	EV / EBITDA			DYield - RFR		
	18P	19P	20P	18P	19P	20P
Minimum	9.6	9.6	8.8	5.6%	7.4%	9.2%
Maximum	3.7	3.6	3.4	-7.6%	-7.0%	-2.3%
Median	5.7	5.5	5.3	2.0%	2.2%	1.2%
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	11,297	11,359	11,530	11,672	11,826	11,928	12,012	12,079	12,132	12,173	12,173
EBITDA	3,069	3,217	3,390	3,462	3,508	3,546	3,563	3,563	3,574	3,587	3,587
EBITDA margin	27.2%	28.3%	29.4%	29.7%	29.7%	29.7%	29.7%	29.5%	29.5%	29.5%	29.5%
D&A	2,416	2,290	2,185	2,099	2,031	1,979	1,944	1,923	1,917	1,899	1,899
EBIT	647	921	1,199	1,358	1,471	1,560	1,613	1,634	1,651	1,681	1,681
Tax	123	175	228	258	280	296	306	310	314	319	319
NOPLAT	524	746	971	1,100	1,192	1,264	1,307	1,323	1,337	1,362	1,362
CAPEX	-2,112	-2,071	-1,972	-2,248	-2,200	-1,762	-1,785	-1,827	-1,869	-1,899	-1,899
Working capital	-819	-162	-117	-94	-84	-92	-95	-96	-98	-99	-99
FCF	9	803	1,068	857	938	1,389	1,371	1,323	1,288	1,263	1,263
PV FCF	8	718	897	677	696	968	897	812	742	682	
WACC	6.2%	6.3%	6.4%	6.5%	6.4%	6.5%	6.5%	6.6%	6.6%	6.6%	0.0%
Net debt / EV	49.0%	46.4%	43.7%	43.3%	44.1%	42.9%	41.9%	41.0%	40.3%	39.7%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	17,393
Net debt	6,436
Other adjustments	2
Value per share (PLN)	8.35

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.94
DCF Val.	50%	8.35
Implied Price		7.14
Cost of equity (9M)		6.4%
9M Target Price		7.60

Play hold (reiterated)

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We maintain a hold rating for Play after a 2017 Q4 earnings report fully in line with our forecasts and a declaration of PLN 650m dividend payouts each in 2018 and 2019 despite high leverage (3.0x at the end of 2017) and a need to invest in <1GHz spectrum in order to catch up with competition. Play should also take steps to increase its network capacity to handle increasingly heavy data traffic (up 56% y/y in Q3). Play's future growth prospects are further curbed by the fact that it does not have a fixed-line business, and hence is unable to offer convergence for the time being. With its main rivals already in the process of securing access to fixed infrastructure via M&A activity or wholesale rental, Play is poised to be the sole mobile-only player left in its core regional markets in a matter of one year - a strategic risk which in our view is not priced into its current valuation, showing an over-9% premium to CEE peers at 6.3x 2018E EV/EBITDA. After relative valuation adjustments, we raise our 9-month target price for PLY to PLN 33.50 per share.

Current Price

32.70 PLN

Upside

9M Target Price

33.50 PLN

+2.4%

	rating	target price	issued
new	hold	33.50 PLN	2018-04-06
old	hold	34.70 PLN	2018-01-25
Key Metrics		PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-3.3% +3.8%
ISIN	LU1642887738	YTD Price Chng	-3.3% +3.8%
Outst. Stock (m)	253.7	ADTV 1M	PLN 7.6m
MC (PLN m)	8,296.0	ADTV 6M	PLN 17.9m
EV (PLN m)	14,826.6	EV/EBITDA 12M fwd	6.2 -4.5%
Free Float	49.4%	EV/EBITDA 5Y avg	6.5 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,118	6,670	7,061	7,341	7,546
EBITDA	1,924	1,904	2,351	2,272	2,481
EBITDA margin	31.5%	28.5%	33.3%	31.0%	32.9%
EBIT	1,290	1,107	1,536	1,423	1,577
Net income	712	387	919	957	991
P/E	11.7	21.4	9.0	8.7	8.4
P/B	6.2	-	74.7	19.8	10.9
EV/EBITDA	7.0	7.9	6.3	6.5	5.8
DPS	0.00	0.00	2.56	2.56	2.56
DYield	0.0%	0.0%	7.8%	7.8%	7.8%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Active subscribers (000s)	# ADR!	12,011	12,394	13,245	13,441
ARPU (PLN)	# ADR!	31.4	32.0	33.3	33.7
Revenue	# ADR!	6,118	6,670	7,341	7,546
Service revenue	# ADR!	4,493	4,878	5,412	5,569
Sales of goods and other	# ADR!	1,625	1,792	1,929	1,977
Costs	# ADR!	4,193	4,766	4,911	5,065
Interconnection	# ADR!	1,496	1,730	1,933	1,949
Contract costs	# ADR!	399	429	456	472
Cost of goods sold	# ADR!	1,366	1,410	1,551	1,629
Employee benefits	# ADR!	228	526	284	290
External services	# ADR!	567	606	599	634
Other	# ADR!	138	65	89	91
EBITDA (adj.)	# ADR!	2,035	2,298	2,460	2,511
margin	# ADR!	33.3%	34.5%	33.5%	33.3%
Net income	# ADR!	712	387	957	991

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	# ADR!	1,588	1,389	2,098	2,174
OCF/EBITDA adj.	# ADR!	78%	60%	85%	87%
CAPEX	# ADR!	-2,316	-625	-767	-829
Assets	# ADR!	8,747	8,831	8,712	8,902
Equity	# ADR!	1,343	-213	418	760
Net debt	# ADR!	5,111	6,791	6,372	6,190
Net debt/EBITDA (x)	# ADR!	2.5	3.0	2.6	2.5

Relative Valuation Summary

Relative Valuation Summary						
	P/E			DYield - RFR		
	18P	19P	20P	18P	19P	20P
Minimum	8.3	7.9	7.5	368.8%	357.1%	344.9%
Maximum	52.8	48.0	52.8	957.0%	963.2%	879.4%
Median	13.3	12.9	11.3	569.7%	553.4%	529.3%
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	7,061	7,341	7,546	7,687	7,801	7,877	7,944	8,004	8,055	8,101	8,101
EBITDA	2,351	2,272	2,481	2,510	2,534	2,574	2,585	2,594	2,600	2,604	2,604
EBITDA margin	35.3%	32.2%	33.8%	33.3%	33.0%	33.0%	32.8%	32.7%	32.5%	32.3%	32.3%
D&A	815	850	904	940	1,028	963	957	929	877	834	834
EBIT	1,536	1,423	1,577	1,570	1,506	1,611	1,628	1,665	1,723	1,769	1,769
Tax	292	270	300	298	286	306	309	316	327	336	336
NOPLAT	1,244	1,152	1,277	1,272	1,220	1,305	1,318	1,349	1,396	1,433	1,433
CAPEX	-690	-767	-829	-1,697	-624	-1,096	-928	-640	-644	-646	-646
Work. cap. + other	-337	-294	-297	-322	-317	-308	-308	-307	-306	-305	-305
FCF	1,033	941	1,055	192	1,307	864	1,039	1,331	1,323	1,317	1,317
PV FCF	985	835	871	148	935	575	644	766	707	653	
WACC	7.4%	7.5%	7.5%	7.4%	7.5%	7.5%	7.5%	7.6%	7.7%	7.8%	
Net debt / EV	43.7%	43.1%	42.4%	44.8%	43.3%	43.1%	42.4%	40.7%	39.1%	37.5%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	0.0%
PV FCF	15,589
Net debt	6,791
Other adjustments	0
Value per share (PLN)	34.68

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	27.82
DCF Val.	50%	34.68
Implied Price		31.22
Cost of equity (9M)		7.3%
9M Target Price		33.50



Agora buy (reiterated)

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Agora is our top media pick, with an EV/EBITDA ratio of 5.0x showing a huge 35% discount to peers. In our assessment Agora's cinema business alone is worth at least PLN 12.1 per share, which would be equivalent to >80% of its current value as a whole. The 2018E and 2019E EV/EBITDA ratios of comparable cinema operators, with less robust growth prospects (assuming 7.3% growth in 2018 EBITDA), are 8.3x and 7.7x, respectively. We feel the market is underestimating Agora's diversified business model, organized around a range of media formats and a cinema chain. We also think the Company deserves more credit for its portfolio of capabilities and capacities, and a rich track record. Agora's earnings potential stems from a large asset base (real estate + cinemas). The Company has a healthy balance sheet with a net cash position. Even assuming it steps up M&A activity, we believe Agora will maintain a capacity to pay dividends of at least PLN 0.50 per share in the coming years. A yearly FCFE of a projected PLN 55m over the next five years implies a high FCFE Yield of 7.5%. Agora is due to release an updated business strategy soon, and our expectation is that it wants to use M&A activity to expand in Poland and abroad, focus on strengthening its presence in online media and e-commerce, divest itself of non-performing non-core operations and properties, and continue to rein in costs. After relative valuation adjustments, we lower our 9-month target price for AGO to PLN 18.40 per share.

Current Price

14.50 PLN

Upside

9M Target Price

18.40 PLN

+26.9%

	rating	target price	issued
new	buy	18.40 PLN	2018-04-06
old	buy	18.90 PLN	2018-01-26
Key Metrics		AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	+0.4% +7.5%
ISIN	PLAGORA00067	YTD Price Chng	+0.4% +7.5%
Outst. Stock (m)	46.6	ADTV 1M	PLN 0.6m
MC (PLN m)	675.4	ADTV 6M	PLN 0.7m
EV (PLN m)	646.1	EV/EBITDA 12M fwd	5.3 +0.8%
Free Float	62.0%	EV/EBITDA 5Y avg	5.2 premium

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,198	1,165	1,191	1,227	1,252
EBITDA	115	30	130	121	122
EBITDA margin	9.6%	2.6%	10.9%	9.9%	9.8%
EBIT	17	-73	39	34	40
Net income	-17	-84	25	23	28
P/E	-	-	27.5	29.9	24.4
P/B	0.6	0.7	0.7	0.7	0.7
EV/EBITDA	6.2	23.3	5.0	5.2	5.1
DPS	0.75	0.46	0.50	0.75	1.00
DYield	5.2%	3.2%	3.4%	5.2%	6.9%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Daily circulaton (k copies)	161	124	112	108	107
Movie ticket sales (mn)	10.8	12.2	13.2	13.9	14.1
Avg. ticket price (PLN)	18.1	18.4	19.0	19.3	19.7
Conc. rev./patron (PLN)	6.7	6.8	6.9	7.0	7.2
Revenue	1,198	1,165	1,191	1,227	1,252
Press	268	236	231	230	231
Movies & Books	364	416	454	483	497
Outdoor	168	163	164	168	172
Internet	168	169	165	167	171
Radio	113	114	123	126	130
Print	156	102	89	88	87
Eliminations	-38	-34	-34	-35	-35
EBITDA	115	30	130	121	122
margin	9.6%	2.6%	10.9%	9.9%	9.8%
Net income	-16.6	-83.5	24.5	22.6	27.7

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	97	77	117	111	112
OCF/EBITDA	84%	76%	90%	92%	92%
CAPEX	-89	-70	-68	-52	-59
Assets	1,569	1,396	1,420	1,400	1,377
Equity	1,097	996	1,021	1,009	990
Net debt	15	4	-54	-79	-86
Net debt/EBITDA (x)	0.1	0.0	-0.4	-0.7	-0.7

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	24.5	21.7	19.0	14.9	12.3	11.2
Maximum	11.7	8.0	9.2	5.7	4.6	4.3
Median	15.5	14.3	12.3	7.8	7.4	7.1
Weight	0%	0%	0%	33%	33%	33%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,191	1,227	1,252	1,285	1,314	1,340	1,367	1,395	1,424	1,453	1,482
EBITDA	130	121	122	126	129	131	134	136	139	142	145
EBITDA margin	10.9%	9.9%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.7%	9.8%	10.0%
D&A	91	87	83	78	75	71	68	64	63	64	65
EBIT	39	34	40	47	54	60	66	72	76	78	80
Tax	7	7	8	9	10	11	13	14	14	15	15
NOPLAT	31	28	32	38	44	49	54	58	62	64	65
CAPEX	-68	-52	-59	-61	-57	-58	-60	-61	-63	-64	-65
Working capital	-3	-3	-3	-3	-3	-3	-3	-3	-3	-4	-4
FCF	52	60	53	53	59	58	58	58	58	60	61
PV FCF	49	52	42	39	40	37	33	31	28	27	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Net debt / EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	806
Net debt	4
Other adjustments	47
Value per share (PLN)	17.36

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	17.23
DCF Val.	50%	17.36
Implied Price		17.29
Cost of equity (9M)		6.4%
9M Target Price		18.40

Cyfrowy Polsat hold (downgraded)

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Shares of Cyfrowy Polsat climbed 9% in the past month, outperforming the broad market by more than 13%. The Company generated 2017 Q4 results in line with expectations, reporting high cash flow. According to 2018 objectives shared during the earnings conference, Cyfrowy is aiming for stable TV viewership and ad revenue growth in line with the market. As for financial performance, profits and FCF are expected to be "high," and CAPEX will be 10% max of the annual revenue not counting the acquisition of Netia. CPS shows only 2.0% upside potential to our updated target price (PLN 25.30 based on an adjusted relative valuation model), prompting a downgrade from accumulate to hold. The stock is currently trading at a discount to the peer group at 6.9x 2017E EV/EBITDA. Cyfrowy is expected to post 2.1% EBITDA contraction in 2018 compared to 2.1% growth forecast for comparable companies, and what is more its dividend yield this year at 1.5% is outclassed by a peer average of 4.9%.

Current Price

24.84 PLN

Upside

9M Target Price

25.30 PLN

+1.9%

	rating	target price	issued
new	hold	25.30 PLN	2018-04-06
old	accumulate	24.90 PLN	2018-03-05
Key Metrics		CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-0.1% +7.0%
ISIN	PLCFRPT00013	YTD Price Chng	-0.1% +7.0%
Outst. Stock (m)	639.5	ADTV 1M	PLN 13.3m
MC (PLN m)	15,886.2	ADTV 6M	PLN 12.2m
EV (PLN m)	26,996.6	EV/EBITDA 12M fwd	6.6 -8.5%
Free Float	33.5%	EV/EBITDA 5Y avg	7.2 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	9,730	9,829	11,502	11,626	11,761
EBITDA	3,641	3,617	3,920	4,024	4,083
EBITDA margin	37.4%	36.8%	34.1%	34.6%	34.7%
EBIT	1,669	1,834	1,960	2,175	2,335
Net income	1,041	981	1,250	1,464	1,607
P/E	15.3	16.2	12.7	10.8	9.9
P/B	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	7.8	7.3	6.9	6.3	5.9
DPS	0.00	0.32	0.36	0.48	0.57
DYield	0.0%	1.3%	1.5%	1.9%	2.3%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
EBITDA		0.0%	0.0%	0.0%	
EBIT		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
CAPEX		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	9,730	9,829	10,110	10,255	10,394
Retail	6,325	6,068	6,145	6,184	6,243
Wholesale	2,466	2,539	2,532	2,585	2,625
Devices	851	1,055	1,137	1,182	1,212
Other	88	167	295	304	313
Costs	7,868	8,016	8,200	8,137	8,136
Content costs	1,066	1,154	1,190	1,244	1,284
Distrib. & marketing	803	894	922	936	948
D&A	1,699	1,783	1,665	1,561	1,462
Interop. billing	2,141	2,014	2,050	1,987	2,002
Payroll	550	553	576	596	617
Devices	1,333	1,324	1,354	1,366	1,368
Collections & charges	63	67	75	77	78
Other costs	214	227	367	372	377
Net income	1,041	981	1,213	1,444	1,584

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	2,885	3,126	3,021	3,122	3,166
OCF/EBITDA	78%	86%	85%	85%	85%
CAPEX	-590	-739	-1,030	-1,043	-1,055
Assets	27,729	27,756	26,834	26,261	26,333
Equity	11,230	12,074	13,277	14,517	15,735
Net debt	11,140	10,508	8,465	6,926	5,494
Net debt/EBITDA (x)	2.9	2.9	2.4	1.9	1.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	8.3	8.1	7.9	4.1	4.4	4.0
Maximum	55.2	48.0	52.8	13.1	14.2	15.8
Median	6.5	6.2	5.9	15.9	15.2	12.9
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	11,502	11,626	11,761	11,907	12,073	12,252	12,441	12,643	12,855	13,079	13,079
EBITDA	3,920	4,024	4,083	4,144	4,198	4,255	4,308	4,365	4,427	4,495	4,495
EBITDA margin	34.1%	34.6%	34.7%	34.8%	34.8%	34.7%	34.6%	34.5%	34.4%	34.4%	34.4%
D&A	1,960	1,849	1,749	1,658	1,576	1,518	1,487	1,472	1,435	1,503	1,503
EBIT	1,960	2,175	2,335	2,486	2,621	2,738	2,820	2,894	2,993	2,992	2,992
Tax	372	413	444	472	498	520	536	550	569	568	568
NOPLAT	1,588	1,762	1,891	2,013	2,123	2,218	2,284	2,344	2,424	2,423	2,423
CAPEX	-1,415	-1,425	-1,437	-1,918	-1,395	-3,068	-1,434	-1,875	-1,999	-1,503	-1,503
Working capital	-290	-218	-193	-181	-171	-172	-172	-173	-192	-200	-200
FCF	1,843	1,968	2,010	1,572	2,134	495	2,166	1,767	1,668	2,223	2,223
PV FCF	1,734	1,735	1,658	1,211	1,533	332	1,355	1,029	904	1,118	
WACC	6.9%	6.7%	6.9%	7.0%	7.2%	7.1%	7.3%	7.4%	7.5%	7.7%	
Net debt / EV	41.5%	37.8%	33.9%	31.1%	27.5%	29.7%	26.1%	23.8%	21.8%	17.2%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	27,084
Net debt	10,793
Other adjustments	833
Value per share (PLN)	24.17

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	23.39
DCF Val.	50%	24.17
Implied Price		23.78
Cost of equity (9M)		6.4%
9M Target Price		25.30

Wirtualna Polska accumulate (reiterated)

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Wirtualna Polska generated solid 2017 Q4 results, showing a 15.2% year-over-year increase to PLN 45.7m in the recurring EBITDA of the Online segment which reassured us in our positive outlook. WPL is currently trading at a 10% discount to comparable companies, only partly justified by slower EBITDA growth, projected at 7.5% (ex. TV) vs. 18.9% median growth forecast for the peer group. In 2018, we anticipate continued growth in e-commerce, supported by the Sunday trading ban on brick-and-mortar stores, set to be gradually phased in in Poland beginning this April. The PLN 500m loan agreement that Wirtualna signed last December can be viewed by some as a risk factor, however note that, after refinancing of PLN 170.4m net debt (as of 31 December 2017), the remaining PLN 279.5m financing represents a potential investment budget compared to the Company's average net FCF of PLN 72m expected in 2017-2019. The ratio of net debt to LTM EBITDA in December 2017 was 1.32x. Wirtualna said without disclosing the details that the loan agreement puts certain restrictions on the size of dividends, but we expect uninterrupted distributions to shareholders in the years ahead. We like the plans concerning M&A activity in fast-growing e-commerce. After relative valuation adjustments, we raise our 9-month target price for WPL to PLN 56.40 per share.

Current Price

52.20 PLN

Upside

9M Target Price

56.40 PLN

+8.0%

	rating	target price	issued
new	accumulate	56.40 PLN	2018-04-06
old	accumulate	56.10 PLN	2018-02-02
Key Metrics			
	WPL PW	1M Price Chng	+7.6%
Ticker	WPL PW	1M Price Chng	+7.6%
ISIN	PLWRTPL00027	YTD Price Chng	+14.7%
Outst. Stock (m)	29.8	ADTV 1M	PLN 1.3m
MC (PLN m)	1,554.3	ADTV 6M	PLN 1.0m
EV (PLN m)	1,693.1	EV/EBITDA 12M fwd	10.2
Free Float	33.6%	EV/EBITDA 5Y avg	10.6

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	415	466	537	591	637
EBITDA	123	130	158	181	200
EBITDA margin	29.6%	27.8%	29.4%	30.7%	31.4%
EBIT	81	79	104	122	136
Net income	54	35	76	93	108
P/E	28.9	44.0	20.6	16.7	14.4
P/B	3.8	3.9	3.4	3.1	2.9
EV/EBITDA	14.1	13.4	10.7	9.1	8.1
DPS	0.00	1.27	0.97	1.78	2.19
DYield	0.0%	2.4%	1.9%	3.4%	4.2%
Revision of Projections (% change)					
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	415	466	537	591	637
Cash	377	433	479	525	567
Barter	37.8	33.0	34.4	36.1	37.5
Costs	334	387	432	468	500
D&A	42.1	51.0	53.6	58.7	63.3
Materials & Utilities	5.6	5.9	6.3	6.7	7.0
Payroll	124	134	139	145	150
Other	162	196	233	258	280
EBITDA	123	130	158	181	200
margin	29.6%	27.8%	29.4%	30.7%	31.4%
EBITDA (adj.)	136	138	160	179	197
margin	322.9%	29.7%	297.8%	305.2%	311.2%
EBIT	81	79	104	122	136
margin	19.5%	16.9%	19.4%	20.7%	21.4%
Net income	53.8	35.3	75.5	93.0	107.7

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	117	114	135	156	172
OCF/EBITDA	95%	88%	85%	86%	86%
CAPEX	-38	-42	-53	-56	-62
Assets	852	894	857	861	866
Equity	409	400	459	499	542
Net debt	169	170	122	83	41
Net debt/EBITDA (x)	1.4	1.3	0.8	0.5	0.2

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	35.6	25.1	18.4	20.4	15.3	11.8
Maximum	17.2	15.0	12.7	7.6	4.8	3.4
Median	25.4	19.6	16.0	11.8	10.5	9.3
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	537	591	637	676	708	737	762	785	804	820	
EBITDA	158	181	200	215	226	235	242	248	251	254	
EBITDA margin	29.4%	30.7%	31.4%	31.8%	31.9%	31.9%	31.8%	31.6%	31.2%	31.0%	
D&A	54	59	63	67	71	73	76	81	84	87	
EBIT	104	122	136	148	155	162	166	167	166	167	
Tax	20	23	26	28	29	31	32	32	32	32	
NOPLAT	85	99	111	120	126	131	135	135	135	135	
CAPEX	-53	-56	-62	-66	-71	-74	-78	-81	-84	-87	
Working capital	-6	-3	-2	-1	-1	-1	0	0	0	1	
FCF	80	99	110	119	125	129	132	135	135	136	139
PV FCF	75	86	88	88	85	81	77	72	66	62	
WACC	8.2%	8.3%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Net debt / EV	7.3%	5.1%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,733
Net debt	263
Other adjustments	16
Value per share (PLN)	48.79

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	57.21
DCF Val.	50%	48.79
Implied Price		53.00
Cost of equity (9M)		6.4%
9M Target Price		56.40

Asseco Poland reduce (no change)

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Asseco Poland at 15.5x is currently valued at an 8% discount to 2018E peer P/E ratios, but it shows a 5% premium on a 2019E P/E of 16.2x. This compares to an average discount of ca. 19% in the last seven years. Meanwhile the projected 2018-2020E net profit CAGR for Asseco is a negative 0.1% vs. +11.8% peer average, due mainly to the slowdown experienced by the parent company (reporting a 37% drop in 2017 EBIT), and a big drop in FCF in 2017. In addition, we recently cut our 2019 DPS forecast for Asseco from PLN 3.01 to PLN 2.00, i.e. 27% below the current consensus, after taking into account the fact that under Polish company laws the creation of Asseco International (AI) will probably deprive ACP of one year's-worth of dividends from subsidiaries. Moreover our 2018-2019 net profit forecasts are 8.0% and 7.4% lower than the respective consensus forecasts. Finally, based on Asseco's spotty M&A history, we have reservations about the plans to take AI public abroad and use the IPO proceeds to effect M&As. We maintain a reduce rating for ACP.

Current Price

45.56 PLN

Downside

9M Target Price

41.20 PLN

-9.6%

	rating	target price	issued
unchanged	reduce	41.20 PLN	2018-03-27

Key Metrics	ACP PW	1M Price Chng	ACP PW	vs. WIG
Ticker	PLSOFTB000016	YTD Price Chng	+3.6%	+10.7%
ISIN	83.0	ADTV 1M		PLN 7.0m
Outst. Stock (m)	3,781.5	ADTV 6M		PLN 6.7m
MC (PLN m)		P/E 12M fwd	14.3	+19.6%
Free Float	68.0%	P/E 5Y avg	11.9	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	7,932	7,831	8,834	9,024	9,253
EBITDA	1,070	922	1,074	1,128	1,170
EBITDA margin	13.5%	11.8%	12.2%	12.5%	12.6%
EBIT	769	585	705	764	810
Net income	301	467	244	233	241
P/E	12.6	8.1	15.5	16.2	15.7
P/B	0.7	0.7	0.7	0.7	0.7
P/S	0.48	0.48	0.43	0.42	0.41
DPS	3.01	3.01	3.01	3.01	2.00
DYield	6.6%	6.6%	6.6%	6.6%	4.4%

Revision of Projections (% change)	2018P	2019P	2020P
Revenue	0.0%	0.0%	0.0%
EBITDA	0.0%	0.0%	0.0%
EBIT	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
CAPEX	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	7,932	7,724	8,834	9,024	9,253
change	0.0%	-2.6%	12.8%	2.2%	2.5%
Poland	1,599	1,514	1,574	1,563	1,605
South-Eastern Europe	571	590	656	686	714
Western Europe	579	608	648	661	675
Central Europe	754	785	815	820	837
Israel	4,247	4,218	5,141	5,294	5,422
Eastern Europe	58	10	0	0	0
EBIT	769	644	705	764	810
D&A	300	289	369	364	360
EBITDA	1,070	933	1,074	1,128	1,170
margin	13.5%	12.1%	12.2%	12.5%	12.6%
Associates	-242	169	-259	-317	-347
Tax	-166	-163	-159	-169	-176
Net income	301	596	244	233	241

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P*	2019P*	2020P*
Operating cash flow	883	793	918	932	932
OCF/EBITDA	83%	77%	82%	82%	82%
CAPEX	-211	-233	-245	-255	-255
Assets	12,791	13,044	13,284	13,538	13,538
Equity	5,505	5,520	5,538	5,562	5,562
Net debt	358	235	2	-224	-224
Net debt/EBITDA (x)	0.3	0.2	0.0	-0.2	-0.2

*Assuming no divestment of a 20% stake in Formula Systems

Relative Valuation Summary

	18P	P/E 19P	20P
Minimum	22.5	19.9	17.8
Maximum	12.6	11.6	11.1
Median	16.8	15.4	14.2
Weight	33%	33%	33%

DCF Summary

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Asseco Poland (Standalone Figures)											
Revenue	830	793	812	830	847	864	881	899	917	935	935
EBITDA	148	113	110	113	117	119	122	124	125	125	125
NOPLAT	83	63	65	68	70	72	73	74	74	74	74
FCF	75	64	47	56	67	63	64	64	64	64	64
WACC	8.7%	8.6%	8.5%	8.5%	8.4%	8.4%	8.3%	8.3%	8.4%	8.4%	
Asseco Business Solutions											
Revenue	254	264	273	279	285	291	297	304	310	317	323
EBITDA	89	96	102	104	106	109	111	114	117	120	122
NOPLAT	58	63	67	69	70	72	74	75	77	79	81
FCF	49	60	64	66	68	70	72	74	75	77	79
WACC	8.5%	8.5%	8.5%	8.5%	8.4%	8.4%	8.4%	8.4%	8.4%	0.0%	
Asseco South Eastern Europe											
Revenue	656	686	714	738	759	775	789	800	809	817	833
EBITDA	114	118	122	126	129	132	134	137	139	141	144
NOPLAT	59	62	64	66	67	69	70	70	71	71	73
FCF	36	52	53	55	58	60	63	65	67	69	70
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	

SOTP Summary

(PLN m)	Method	%	Value
Asseco PL (stndln)	DCF	100%	913
Asseco CE	10x PE	93%	589
Asseco BS	DCF	46%	997
Asseco SEE	DCF	51%	858
Western Europe	10x PE	100%	238
Formula Systems	market	26%	1,734
R-Style Softlab	6x PE	100%	0
Other	10x PE	0%	71
Value			3,126
Value Per Share (PLN)			37.66

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	39.80
SOTP Val.	50%	37.66
Implied Price		38.73
Cost of equity (9M)		6.4%
9M Target Price		41.20

CD Projekt sell (reiterated)

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Sales of The Witcher 3 have tapered off, but the game is still a stable source of revenue for CD Projekt. The Company delivered 2017 Q4 results slightly above market expectations despite a 25% drop in sales and a 41% slump to PLN 57m in EBITDA. In future quarters, profits will be negatively affected by a depreciated USDPLN exchange rate and waning sales of The Witcher 3 and its add-ons. In 2018, CD Projekt plans to launch sales of the new Witcher-based game *Gwent* as it continues to work on the next major release, *Cyberpunk 2077*. The announcement that it would take part in the E3 gaming conference in June sparked rumors that CD Projekt might be ready to demo the game even though, realistically, the game should not be ready before 2019. The main sales drivers in 2018 include a single-player campaign for *Gwent*, its sales in China, and the release of its mobile version. We still consider CDR overpriced at the current level relative to the future growth prospects.

Current Price

114.90 PLN

Downside

9M Target Price

90.80 PLN

-21.0%

	rating	target price	issued
new	sell	90.80 PLN	2018-04-06
old	sell	90.00 PLN	2018-02-02
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+18.5% +25.5%
ISIN	PLOPTTC00011	YTD Price Chng	+18.5% +25.5%
Outst. Stock (m)	95.2	ADTV 1M	PLN 30.1m
MC (PLN m)	10,940.0	ADTV 6M	PLN 41.1m
EV (PLN m)	10,832.5	EV/EBITDA 12M fwd	25.6 +28.2%
Free Float	65.3%	EV/EBITDA 5Y avg	20.0 premium

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	584	463	496	1,590	1,229
EBITDA	308	250	248	810	773
EBITDA margin	52.7%	53.9%	49.9%	50.9%	62.9%
EBIT	304	245	242	803	766
Net income	251	204	198	658	640
P/E	43.7	53.7	55.3	16.6	17.1
P/B	14.1	12.4	10.1	6.3	4.6
EV/EBITDA	34.8	43.6	43.7	12.5	12.2
DPS	0.00	1.06	0.00	0.00	0.00
DYield	0.0%	0.9%	0.0%	0.0%	0.0%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			+51.2%	-23.4%	-7.6%
Net income			+52.5%	-23.4%	-8.0%
Sales of The Witcher 3			0.0%	-	-
Sales of Gwent: The Card Game			+79.0%	0.0%	0.0%
Sales of Cyberpunk 2077			-	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Sales, Video Games	476	330	324	1,409	1,040
EBIT, VG	324	221	227	786	745
EBIT margin, VG	68.2%	66.8%	70.1%	55.8%	71.7%
Sales, GOG.com	133.5	170.0	172.2	180.8	189.8
EBIT, GOG.com	6.4	18.6	14.9	17.8	20.9
EBIT margin, GOG	4.8%	10.9%	8.6%	9.9%	11.0%
Operating cash flow	259	235	207	820	754
D&A	4	5	6	6	7
Working capital	-11	34	-12	-46	15
Investing cash flow	-440	-291	-167	-83	-92
CAPEX	-12	-13	-8	-9	-10
Development exp.	56	77	159	74	82
FCF	228	224	182	602	632
FCF/EBITDA	73%	74%	82%	83%	74%
OCF/EBITDA	84%	101%	98%	114%	100%

Key Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Sales, The Witcher 3	472	288	113	88	34
Sales, Gwent	3	43	212	147	138
Sales, Cyberpunk	0	0	0	1,174	867
Development exp.	62	142	296	168	158
Cash	217	67	108	845	1,507
Net debt	-597	-647	-688	-1,425	-2,087
Net debt/EBITDA (x)	-1.9	-2.6	-2.8	-1.8	-2.7

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	14.0	4.4
Maximum	18.4	12.0
Median	17.8	10.1
Weight	50%	50%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
W3 (k copies)	1,050	800	800	800	0	0	0	0	0	0	0
C2077 (k copies)			7,100	4,600	4,000	4,000	4,000	4,000	4,000	0	0
Next AAA game (k copies)						9,500	5,000	12,500	5,100	12,000	0
Revenue	496	1,590	1,229	823	1,569	1,379	651	1,589	703	1,525	
EBITDA	248	810	773	467	568	901	392	526	247	1,219	
EBITDA margin	49.9%	50.9%	62.9%	56.7%	36.2%	65.3%	60.2%	33.1%	35.2%	79.9%	
EBIT	242	803	766	460	560	893	384	517	238	1,209	
Tax	46	153	146	87	106	170	73	98	45	230	
CAPEX	-8	-9	-10	-11	-12	-13	-15	-9	-9	-9	
Working capital	-12	-46	15	17	-31	8	31	-39	37	-34	
FCF	182	602	632	386	418	726	335	380	230	945	483
PV FCF	171	522	506	284	284	454	193	202	113	427	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	3.5%
PV FCF	5,143
Net debt	-597
Other adjustments	0
Value per share (PLN)	87.77

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	82.87
DCF Val.	50%	87.77
Implied Price		85.32
Cost of equity (9M)		6.4%
9M Target Price		90.80

Comarch buy (upgraded)

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As predicted, Comarch's reported core revenue and EBITDA figures for Q4 2017 came out weak, resulting in a 23% drop in its share price over the last two months. This year, the Company's outlook remains dampened by reduced government IT spending, not likely to be revived until after the local elections in November, combined with the zloty's appreciation versus the euro and the dollar, continuing pay pressures, and the Company's accounting policy. What is more, profits this year will probably be weighed down by the large number of low-margin public contracts that make up the current order backlog. On the other hand, CMR is currently trading at a 25% discount to the peer group at 7.5x 2018E EV/EBITDA, and it is poised for a profit rebound in the first half of 2018, supported by base effects. With this in mind, we upgrade the stock to buy.

Current Price

131.50 PLN

Upside

9M Target Price

166.50 PLN

+26.6%

	rating	target price	issued
new	buy	166.50 PLN	2018-04-06
old	hold	166.50 PLN	2018-03-05
Key Metrics		CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-30.8% -23.7%
ISIN	PLCOMAR00012	YTD Price Chng	-30.8% -23.7%
Outst. Stock (m)	8.1	ADTV 1M	PLN 0.5m
MC (PLN m)	1,069.5	ADTV 6M	PLN 0.7m
EV (PLN m)	1,074.8	EV/EBITDA 12M fwd	6.9 -2.4%
Free Float	59.2%	EV/EBITDA 5Y avg	7.1 discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,109	1,102	1,219	1,334	1,397
EBITDA	176	99	144	169	176
EBITDA margin	15.8%	9.0%	11.8%	12.6%	12.6%
EBIT	113	34	79	104	111
Net income	70	43	57	77	84
P/E	15.3	24.8	18.9	13.9	12.7
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	5.9	11.2	7.5	6.5	6.2
DPS	0.00	1.50	1.50	10.00	10.00
DYield	0.0%	1.1%	1.1%	7.6%	7.6%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,109	1,102	1,219	1,334	1,397
TMT	276	258	258	266	274
Finance & Banking	164	186	208	218	227
Retail Solutions	183	174	195	219	236
Manufacturing	146	142	156	167	175
Public Sector	73	63	108	161	173
SME	228	236	250	257	265
Other	39	43	44	45	47
Gross profit	343	268	323	364	381
margin	30.9%	24.3%	26.5%	27.3%	27.3%
Selling expenses	131	134	141	153	158
G&A expenses	101	98	103	108	112
EBIT	113	34	79	104	111
margin	10.2%	3.1%	6.5%	7.8%	7.9%
Net income	70	43	57	77	84

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	88	61	91	118	140
OCF/EBITDA	50%	62%	63%	70%	80%
CAPEX	-121	-110	-53	-58	-61
Assets	1,439	1,503	1,573	1,598	1,620
Equity	861	880	925	920	923
Net debt	-49	19	-8	14	16
Net debt/EBITDA (x)	-0.3	0.2	-0.1	0.1	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	22.9	20.1	18.1	15.9	15.2	13.9
Maximum	11.8	10.9	10.4	3.9	3.8	3.8
Median	16.2	15.5	14.7	10.4	9.8	9.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,219	1,334	1,397	1,444	1,488	1,533	1,580	1,628	1,678	1,730	
EBITDA	144	169	176	181	187	192	199	206	213	221	
EBITDA margin	11.8%	12.6%	12.6%	12.6%	12.6%	12.5%	12.6%	12.6%	12.7%	12.8%	
D&A	64	65	65	65	66	66	67	68	69	71	
EBIT	79	104	111	116	121	126	132	137	143	150	
Tax	23	29	29	31	32	33	35	36	38	39	
NOPLAT	56	75	82	85	89	93	97	101	106	110	
CAPEX	-53	-58	-61	-63	-65	-66	-67	-68	-70	-71	
Working capital	-30	-24	-9	-6	-5	-5	-5	-5	-5	-5	
FCF	38	58	77	82	85	88	92	96	100	105	107
PV FCF	35	50	61	60	57	55	52	50	48	47	
WACC	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	
Net debt / EV	1.5%	0.0%	1.1%	1.2%	0.9%	0.4%	0.0%	0.0%	0.0%	0.0%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,233
Net debt	19
Other adjustments	16
Value per share (PLN)	147.34

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	165.41
DCF Val.	50%	147.34
Implied Price		156.37
Cost of equity (9M)		6.5%
9M Target Price		166.50



Industrials, Mining

Famur

buy (reiterated)

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Famur is benefitting from rising prices of coal, which drive investment in the mining industry, as evidenced by the acquisition of new orders for a total of PLN 391m in Q4 2017, an amount 4 times the new business secured in the same period the previous year. The sum of new bookings won in the last 12 months at PLN 826m represents a year-over-year surge of 126%. The rate at which Famur is building its backlog is reminiscent of the peak order period of 2011-2012 which resulted in record earnings for the Company in 2012 and 2013, and it should keep sentiment for FMF positive. By merging with former rival Kopex, Famur has positioned itself as Poland's only supplier of end-to-end solutions for the mining industry. After the upcoming sale of a shaft sinking unit, Famur's current net debt of PLN 80m will turn into a net cash position. We maintain a buy rating for FMF, with the price target lowered from PLN 7.28 to PLN 7.06 after updates to peer valuations and 2017 year-end net debt.

Current Price

6.04 PLN

Upside

9M Target Price

7.06 PLN

+16.9%

	rating	target price	issued
new	buy	7.06 PLN	2018-04-06
old	buy	7.28 PLN	2018-03-05
Key Metrics		FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-2.6% +4.5%
ISIN	PLFAMUR00012	YTD Price Chng	-2.6% +4.5%
Outst. Stock (m)	574.7	ADTV 1M	PLN 1.0m
MC (PLN m)	3,471.3	ADTV 6M	PLN 2.1m
EV (PLN m)	3,662.4	EV/EBITDA 12M fwd	7.4 +26.9%
Free Float	35.3%	EV/EBITDA 5Y avg	5.9 premium

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,030	1,458	2,059	2,177	2,249
EBITDA	239	291	439	481	501
EBITDA margin	23.2%	19.9%	21.3%	22.1%	22.3%
EBIT	114	117	275	326	364
Net income	94	49	201	258	293
P/E	31.3	69.7	17.3	13.5	11.9
P/B	3.0	2.4	2.1	1.9	1.8
EV/EBITDA	11.7	12.3	8.3	7.2	6.7
DPS	0.00	0.00	0.00	0.12	0.31
DYield	0.0%	0.0%	0.0%	2.0%	5.1%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			-1.7%	+1.0%	+0.9%
EBIT			+7.5%	+0.1%	-0.1%
Pre-tax income			+8.4%	+0.4%	+0.1%
Net income			+4.8%	+0.6%	+0.1%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Underground	792	1,052	941	1,012	1,054
Revenue, Surface	238	336	406	429	440
Sales margin, UG	24.4%	25.9%	26.9%	28.4%	29.3%
Sales margin, Surface	21.0%	12.7%	18.4%	19.4%	19.0%
Operating cash flow	315	178	151	377	405
D&A	125	174	164	156	137
Working capital	95	-98	-208	-50	-30
Investing cash flow	-85	-286	-61	-91	-93
CAPEX	83	286	105	91	93
Financing cash flow	185	207	-113	-174	-199
Change in debt	196	-171	-100	-100	-24
Dividends/Buyback	0	0	0	-70	-180
FCF	240	-105	75	280	308
FCF/EBITDA	101%	-36%	17%	58%	62%
OCF/EBITDA	132%	46%	34%	78%	81%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	1,775	3,138	3,369	3,516	3,646
Fixed assets	670	1,099	1,136	1,071	1,028
Goodwill	220	220	220	220	220
Equity	993	1,437	1,657	1,845	1,957
Minority interests	0	115	39	48	60
Net debt	-135	80	152	-61	-198
Net debt/EBITDA (x)	-0.6	0.3	0.3	-0.1	-0.4

Relative Valuation Summary

	18P	P/E 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	11.4	6.9	11.9	9.4	8.2	7.5
Maximum	24.1	20.1	18.5	13.3	12.2	11.0
Median	17.3	13.7	13.2	10.8	8.9	8.2
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	2,059	2,177	2,249	2,309	2,363	2,410	2,457	2,506	2,556	2,607	2,659
YoY % change	28.0%	5.7%	3.3%	2.7%	2.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	439	481	501	520	541	549	560	572	584	593	611
EBITDA margin	21.3%	22.1%	22.3%	22.5%	22.9%	22.8%	22.8%	22.8%	22.9%	22.8%	23.0%
D&A	164	156	137	128	133	131	130	135	139	142	148
EBIT	275	326	364	392	408	418	430	437	445	452	463
Tax	50	61	69	76	80	84	87	90	93	96	99
NOPAT	225	265	294	316	328	334	343	347	352	356	364
CAPEX	-105	-91	-93	-132	-134	-137	-139	-142	-144	-146	-148
Working capital	-208	-50	-30	-25	-22	-20	-20	-21	-21	-21	-22
FCF	75	280	308	287	304	309	313	320	326	330	343
PV FCF	70	241	245	210	205	192	179	169	159	148	
WACC	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,565
Net debt	-135
Other adjustments	-98
Value per share (PLN)	7.03

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	6.25
DCF Val.	50%	7.03
Implied Price		6.64
Cost of equity (9M)		6.3%
9M Target Price		7.06

Grupa Kęty hold (reiterated)

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Kęty's ability to pass rising costs onto end customers is a major competitive advantage amid rising cost pressures. In addition, the Aluminum Processor is benefitting from strong demand from the domestic construction industry, with orders from the manufacturing industry expected to rise as well based on upbeat PMI prints. Our expectations for FY2018 are for a revenue close to PLN 3bn, EBITDA of PLN 460m, and net profit of PLN 276m. As for dividends, Kęty has estimated capacity to offer a payout of PLN 25 per share, with the implied dividend yield exceeding 6%. Sentiment for the aluminum industry might turn temporarily sour after the announcement by the United States of proposed import tariffs. Kęty is currently trading at double-digit premiums to comparable aluminum processors after the recent share price falls logged by the peers. We maintain a hold rating for KTY, with the 9-month price target revised downward from PLN 379.66 to PLN 357.21 per share to reflect adjustments to peer multiples.

Current Price

346.00 PLN

Upside

9M Target Price

357.21 PLN

+3.2%

		rating	target price	issued	
new		hold	357.21 PLN	2018-04-06	
old		hold	379.66 PLN	2018-03-05	
Key Metrics			KTY PW	vs. WIG	
Ticker	KTY PW	1M Price Chng	-15.5%	-8.4%	
ISIN	PLKETY000011	YTD Price Chng	-15.5%	-8.4%	
Outst. Stock (m)	9.5	ADTV 1M		PLN 0.9m	
MC (PLN m)	3,283.5	ADTV 6M		PLN 2.1m	
EV (PLN m)	4,014.2	EV/EBITDA 12M fwd	8.8	-5.5%	
Free Float	55.8%	EV/EBITDA 5Y avg	9.3	discount	

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	2,267	2,643	2,983	2,980	3,086
EBITDA	394	421	474	480	490
EBITDA margin	17.4%	15.9%	15.9%	16.1%	15.9%
EBIT	282	301	352	358	367
Net income	278	236	279	271	278
P/E	11.8	13.9	11.8	12.1	11.8
P/B	2.3	2.3	2.1	2.0	2.0
EV/EBITDA	9.3	9.2	8.5	8.5	8.3
DPS	17.95	30.00	24.91	23.55	22.87
DYield	5.2%	8.7%	7.2%	6.8%	6.6%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			-0.9%	-0.8%	-0.8%
Net income			+7.3%	+4.2%	+4.5%
Aluminum price (US\$/t)			0.0%	0.0%	0.0%
Producer premium (US\$/t)			0.0%	0.0%	0.0%
Aluminum usage (1,000t)			+0.5%	+0.5%	+0.5%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Packaging	104	123	153	161	165
EBITDA, Extrusions	139	145	152	155	158
EBITDA, Al Systems	160	182	192	187	191
EBITDA, Other	-10	-18	-18	-19	-19
EBITDA/t of Al	5	4	4	4	4
Operating cash flow	315	276	317	403	389
D&A	112	120	122	122	123
Working capital	-51	-91	-79	-10	-30
Investing cash flow	-270	-187	-200	-200	-150
CAPEX	270	187	200	200	150
Financing cash flow	-43	-85	-182	-196	-231
Dividends/Buyback	-170	-285	-236	-223	-217
FCF	84	86	143	207	245
FCF/EBITDA	21%	20%	30%	43%	49%
OCF/EBITDA	80%	66%	67%	84%	79%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	2,323	2,499	2,667	2,764	2,847
Fixed assets	1,396	1,439	1,532	1,614	1,646
Equity	1,405	1,363	1,406	1,454	1,514
Minority interests	0	1	1	1	1
Net debt	397	591	730	774	775
Net debt/EBITDA (x)	1.0	1.4	1.5	1.6	1.6
Net debt/Equity (x)	0.3	0.4	0.5	0.5	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.8	4.2	4.6	4.0	3.5	2.7
Maximum	29.4	24.1	22.0	11.9	10.8	10.1
Median	10.9	9.3	9.2	7.8	6.4	6.2
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Al price (US\$/t)	2,100	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Al premium (US\$/t)	150	150	150	150	150	150	150	150	151	152	153
Al usage (1,000 t)	112	117	122	124	127	130	132	135	138	139	141
Revenue	2,983	2,980	3,086	3,156	3,228	3,292	3,358	3,425	3,493	3,543	3,595
EBITDA	474	480	490	495	501	507	515	523	533	533	540
EBITDA margin	15.9%	16.1%	15.9%	15.7%	15.5%	15.4%	15.3%	15.3%	15.3%	15.0%	15.0%
EBIT	352	358	367	381	385	388	393	398	405	401	407
Tax	52	64	65	68	69	70	71	72	73	73	74
CAPEX	-200	-200	-150	-120	-122	-125	-127	-130	-132	-132	-132
Working capital	-79	-10	-30	-21	-22	-20	-20	-21	-21	-16	-16
FCF	143	207	245	286	288	293	297	301	307	312	318
PV FCF	135	181	200	216	202	190	178	167	158	0	
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.9%	7.9%	7.9%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,776
Net debt	591
Other adjustments	0
Value per share (PLN)	392.63

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	279.39
DCF Val.	50%	392.63
Implied Price		336.01
Cost of equity (9M)		6.3%
9M Target Price		357.21



JSW buy (reiterated)

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JSW is benefitting from a recovering momentum in the global manufacturing industry, reflected in rising demand for coal from the metallurgical industry, experiencing increasing capacity utilization rates since 2015 (with CUR currently at 70.7%). China has increased imports of metallurgical coal after scaling back local production by 440mmt in 2016 and 2017, resulting in upward shifts in coal prices in the event of any supply disruptions (such as reduced shipments out of Australia last year). In Poland, demand for steel is on the rise as well thanks to a fast-growing housing market and increasing infrastructure spending (expected to grow 10% in 2018), and usage across Europe is forecast to grow looking at the Euro Area's Manufacturing PMI, currently at its highest level since statistics began. Coal prices in March came under pressure after the US announced plans to impose tariffs on steel imports. We maintain a buy rating for JSW, with the 9-month price target revised downward from PLN 120.71 to PLN 108.14 per share to reflect adjustments to peer multiples.

Current Price

86.78 PLN

Upside

9M Target Price

108.14 PLN

+24.6%

	rating	target price	issued
new	buy	108.14 PLN	2018-04-06
old	buy	120.71 PLN	2018-03-05
Key Metrics		JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng	-9.9% -2.8%
ISIN	PLJSW0000015	YTD Price Chng	-9.9% -2.8%
Outst. Stock (m)	117.4	ADTV 1M	PLN 31.6m
MC (PLN m)	10,189.0	ADTV 6M	PLN 24.0m
EV (PLN m)	8,757.9	EV/EBITDA 12M fwd	2.6 -33.9%
Free Float	44.8%	EV/EBITDA 5Y avg	3.9 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,731	8,877	9,554	9,303	9,008
EBITDA adj.	1,065	3,941	3,514	2,930	2,443
EBITDA margin	15.8%	44.4%	36.8%	31.5%	27.1%
EBIT adj.	227	3,117	2,692	1,994	1,350
Net income adj.	-2	2,189	2,181	1,624	1,107
P/E adj.	-	4.7	4.7	6.3	9.2
P/B	2.5	1.6	1.2	1.1	1.1
EV/EBITDA adj.	10.1	2.2	2.5	2.9	3.6
DPS	0.00	0.00	0.00	7.43	6.92
DYield	0.0%	0.0%	0.0%	8.6%	8.0%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA (adj.)			-4.7%	+0.9%	+1.1%
Net income (adj.)			-2.4%	+12.8%	+19.9%
Price of coking coal (\$/t)			+0.1%	0.0%	0.0%
Price of thermal coal (PLN/t)			0.0%	0.0%	0.0%
Price of coke (\$/t)			-4.6%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Total coal output (kt)	16,835	14,768	15,500	15,750	16,000
Coking coal (kt)	11,580	10,675	11,392	11,733	12,079
Coking coal (% of total)	69%	72%	73%	74%	75%
Thermal coal (kt)	5,255	4,093	4,109	4,017	3,921
Coke (kt)	4,145	3,458	3,518	3,700	3,700
Operating cash flow	897	2,871	2,966	2,443	2,060
D&A	839	825	823	936	1,093
Working capital	-349	-76	-26	-85	-75
Investing cash flow	-354	-2,170	-1,500	-1,350	-1,550
CAPEX	372	737	1,500	1,350	1,550
Financing cash flow	278	-701	7	-856	-791
Dividends/Buyback	0	0	0	-872	-812
FCF	289	2,129	1,475	1,113	558
FCF/EBITDA (adj.)	27%	61%	42%	38%	23%
OCF/EBITDA (adj.)	85%	82%	84%	83%	84%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,520	12,090	12,998	13,688	13,908
Fixed assets	9,097	8,118	8,804	9,236	9,738
Equity	4,003	6,389	8,570	9,322	9,616
Minority interests	67	232	232	232	232
Net debt	513	-1,641	-1,664	-1,901	-1,620
Net debt/EBITDA (adj.)	0.5	-0.5	-0.5	-0.6	-0.7
Net debt/Equity (x)	0.1	-0.3	-0.2	-0.2	-0.2

Relative Valuation Summary

	18P	P/E 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	5.2	4.6	5.2	2.4	2.0	1.9
Maximum	32.3	22.1	40.2	8.3	8.4	8.7
Median	8.2	8.4	9.8	4.4	5.0	4.7
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Coking coal (\$/t)	194	180	170	170	170	170	170	170	170	170	170
Thml coal (PLN/t)	247	238	225	225	225	225	225	225	225	225	225
Coke (\$/t)	1,031	1,016	923	923	923	923	923	923	923	923	923
Revenue	9,554	9,303	9,008	9,210	9,405	9,599	9,787	9,901	9,988	10,073	10,074
EBITDA	3,514	2,930	2,443	2,455	2,466	2,492	2,527	2,512	2,465	2,413	2,349
EBITDA margin	36.8%	31.5%	27.1%	26.7%	26.2%	26.0%	25.8%	25.4%	24.7%	24.0%	23.3%
EBIT	2,692	1,994	1,350	1,206	1,062	1,086	1,118	1,100	1,050	995	927
Tax	513	382	261	233	206	211	217	214	204	194	181
CAPEX	-1,500	-1,350	-1,550	-1,470	-1,420	-1,420	-1,420	-1,420	-1,420	-1,420	-1,422
Working capital	-26	-85	-75	6	6	27	26	9	5	4	-4
FCF	1,475	1,113	558	759	846	889	917	888	845	803	742
PV FCF	1,388	965	446	559	574	556	528	472	414	363	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	6,264
Net debt	-1,641
Other adjustments	232
Value per share (PLN)	98.89

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	104.56
DCF Val.	50%	98.89
Implied Price		101.73
Cost of equity (9M)		6.3%
9M Target Price		108.14

Kernel hold (no change)

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Kernel's outlook for 2018 is dampened by a lower sunflower seed and crop harvest in Ukraine, coupled with low seed crushing margins which generate losses for 20% of Ukraine's crushing plants. We believe profits in the coming years are set to improve as the local industry consolidates, takes loss-making capacity off line, and expands the seed planting areas. While the farmland acquired during 2017 catches up with Kernel's existing growing areas in terms of yields, we predict the Company is set to see 26% temporary contraction in this year's EBITDA, followed by a rebound in 2019. In March, concerns over a curbed supply from Argentina in the wake of dry weather pushed higher the global prices of corn, boosting profits on Kernel's corn crops. We maintain a hold rating for KER, with the 9-month price target unchanged at PLN 53.46 per share.

Current Price

50.40 PLN

Upside

9M Target Price

53.46 PLN

+6.1%

	rating	target price	issued
unchanged	hold	53.46 PLN	2018-03-05

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+6.1%	+13.1%
ISIN	LU0327357389	YTD Price Chng	+6.1%	+13.1%
Outst. Stock (m)	82.4	ADTV 1M		PLN 1.5m
MC (PLN m)	4,153.3	ADTV 6M		PLN 7.1m
EV (PLN m)	6,043.4	EV/EBITDA 12M fwd	5.5	+38.7%
Free Float	59.8%	EV/EBITDA 5Y avg	4.0	premium

Earnings Projections

(US\$ m)	2016	2017	2018P	2019P	2020P
Revenue	1,989	2,169	2,533	2,884	3,239
EBITDA	347	319	234	337	411
EBITDA margin	17.5%	14.7%	9.3%	11.7%	12.7%
EBIT	287	265	182	282	352
Net income	225	179	105	202	268
P/E	5.3	6.8	11.5	6.0	4.5
P/B	1.2	1.1	1.0	0.9	0.8
EV/EBITDA	4.2	5.4	7.5	5.0	3.9
DPS	0.25	0.24	0.25	0.39	0.98
DYield	1.7%	1.7%	1.7%	2.6%	6.7%
Revision of Projections (% change)			18/19P	19/20P	20/21P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin, Sunflower Oil (\$/t)			0.0%	0.0%	0.0%
Margin, Wheat (\$/t)			0.0%	0.0%	0.0%
Margin, Corn (\$/t)			0.0%	0.0%	0.0%

Financial Highlights

(US\$ m)	14/15	15/16	16/17P	17/18P	18/19P
EBITDA, Bottled Oil	16	17	12	18	21
EBITDA, Bulk Oil	113	83	64	95	126
EBITDA, Terminals	37	48	41	66	82
EBITDA, Farming	146	144	87	142	174
EBITDA, Grain Trade	46	23	15	15	14
Operating cash flow	134	77	207	277	341
D&A	60	54	53	55	59
Working capital	-127	-212	-17	-43	-47
Investing cash flow	-61	-223	-100	-110	-110
CAPEX	61	182	100	110	110
Financing cash flow	-137	173	-140	-148	-196
Dividends/Buyback	-20	-20	-21	-32	-81
FCF	155	-93	110	169	234
FCF/EBITDA	45%	-29%	47%	50%	57%
OCF/EBITDA	39%	24%	89%	82%	83%

Key Balance Sheet Figures

(US\$ m)	14/15	15/16	16/17P	17/18P	18/19P
Assets	1,509	2,009	2,009	2,150	2,309
Fixed assets	789	888	937	994	1,048
Equity	995	1,153	1,179	1,347	1,533
Minority interests	2	5	5	5	5
Net debt	276	508	547	478	394
Net debt/EBITDA (x)	0.8	1.6	2.3	1.4	1.0
Net debt/Equity (x)	0.3	0.4	0.5	0.4	0.3

Relative Valuation Summary

	P / E			EV / EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	2.3	4.3	3.8	3.3	3.1	3.0
Maximum	40.8	35.0	28.4	12.3	11.4	11.7
Median	13.8	13.5	12.6	8.6	7.9	7.6
Weight	40%	10%	0%	40%	10%	0%

DCF Analysis

(US\$ m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Margin, Veg Oil (\$/t)	57	81	95	113	116	113	105	97	88	85	84
Margin, Wheat (\$/t)	155	170	190	199	199	199	199	199	200	201	202
Margin, Corn (\$/t)	160	175	185	194	194	194	194	194	195	196	197
Revenue	2,533	2,884	3,239	3,618	3,723	3,788	3,844	3,901	3,964	4,036	4,112
EBITDA	234	337	411	468	479	477	462	446	431	426	425
EBITDA margin	9.3%	11.7%	12.7%	12.9%	12.9%	12.6%	12.0%	11.4%	10.9%	10.6%	10.3%
EBIT	182	282	352	412	425	421	406	391	377	369	367
Tax	8	15	20	24	26	25	24	23	22	50	49
CAPEX	-100	-110	-110	-45	-47	-50	-52	-55	-57	-57	-57
Working capital	-17	-43	-47	-49	-21	-21	-21	-21	-22	-23	-24
FCF	110	169	234	350	385	381	365	346	328	296	294
PV FCF	104	138	164	208	193	159	128	103	83	63	
WACC	16.1%	16.2%	16.5%	16.8%	17.3%	17.8%	18.0%	18.0%	18.0%	18.0%	18.0%
Risk-free rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

DCF Summary

(US\$ m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,239
Net debt	547
Other adjustments	5
Value per share (PLN)	45.87

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	49.28
DCF Val.	50%	45.87
Implied Price		47.57
Cost of equity (9M)		12.4%
9M Target Price		53.46



KGHM buy (no change)

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KGHM shares have been trading lower over the recent weeks due to curbed production at the Głogów copper smelter and refinery, combined with rumors about the Company's possible engagement in Poland's nuclear energy project. The Refiner plans to close one of its two production lines at the Głogów smelter for maintenance from April to June 2018, and this is expected to put a dent of 24% in its 2018 first-half EBITDA. After full metallurgical capacity is restored, however, thanks to high concentrate reserves of 40-50kt, according to our estimates the Company stands to generate additional EBITDA of PLN 70-90m per quarter through to the end of 2019 (PLN 440-530m total in Q3 2018-Q4 2019). In addition, KGHM plans to sell about 30-40kt of the concentrates accumulated at the Głogów smelter from April to September 2018, resulting in an additional boost of PLN 100-135m each to the EBITDA figures for Q2 and Q3 2018. Further, the utilization of internally-sourced feedstock in our view will push the 2018 H2 EBITDA margin higher above 25%. As for the nuclear push, given that it is still in very early planning stages, the potential outlays expected of KGHM will not materialize until 2022. Even then, we do not think the annual CAPEX will exceed 60% of the Company's FCF even during peak spending years. We maintain a buy rating for KGHM, with the 9-month price target unchanged at PLN 115.43 per share.

Current Price

90.24 PLN

Upside

9M Target Price

115.43 PLN

+27.9%

	rating	target price	issued
unchanged	buy	115.43 PLN	2018-04-04

Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	-18.8%
ISIN	PLKGHM000017	YTD Price Chng	-18.8%
Outst. Stock (m)	200.0	ADTV 1M	PLN 73.8m
MC (PLN m)	18,048.0	ADTV 6M	PLN 66.7m
EV (PLN m)	22,678.9	EV/EBITDA 12M fwd	3.7
Free Float	63.2%	EV/EBITDA 5Y avg	5.2 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	19,156	20,358	21,439	23,200	24,267
EBITDA adj.	3,440	3,043	5,135	6,184	6,403
EBITDA margin	18.0%	14.9%	24.0%	26.7%	26.4%
EBIT adj.	1,742	1,434	3,485	4,452	4,563
Net income adj.	1,555	1,875	2,419	3,201	3,270
P/E adj.	11.6	9.6	7.5	5.6	5.5
P/B	1.1	1.0	0.9	0.8	0.7
EV/EBITDA adj.	7.4	8.1	4.4	3.3	2.9
DPS	1.50	1.00	1.50	3.02	5.60
DYield	1.7%	1.1%	1.7%	3.4%	6.2%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA adj.			0.0%	0.0%	0.0%
Net income adj.			0.0%	0.0%	0.0%
Copper price (\$/t)			0.0%	0.0%	0.0%
Silver price (\$/oz)			0.0%	0.0%	0.0%
Molybdenum price (\$/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Cu Output, PL (kt)	376	359	380	404	403
Cu Output, Int (kt)	90	81	81	81	96
Sierra Gorda (kt)	52	53	59	66	72
Ag output (tonnes)	1,207	1,234	1,226	1,262	1,258
Au output (ozt k)	229	219	209	200	210
Operating cash flow	4,212	3,054	5,111	6,010	5,216
D&A	1,698	1,609	1,650	1,732	1,840
Working capital	386	-1,270	956	991	20
Investing cash flow	-3,948	-3,340	-2,695	-2,776	-2,741
CAPEX	3,922	3,257	2,695	2,776	2,741
Financing cash flow	135	12	-386	-691	-1,206
Dividends/Buyback	-300	-200	-300	-605	-1,120
FCF	186	776	2,373	3,191	2,432
FCF/EBITDA	5%	25%	46%	52%	38%
OCF/EBITDA	2%	1%	2%	3%	6%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	33,442	34,122	36,509	39,542	41,957
Fixed assets	27,202	26,515	27,560	28,605	29,505
Equity	15,772	17,694	19,813	22,409	24,559
Minority interests	139	91	91	91	91
Net debt	7,238	6,570	4,540	1,997	728
Net debt/EBITDA (x)	2.1	2.2	0.9	0.3	0.1
Net debt/Equity (x)	0.5	0.4	0.2	0.1	0.0

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	7.9	8.4	6.4	4.2	3.5	3.4
Maximum	20.7	18.8	19.5	11.1	10.4	10.0
Median	12.7	12.1	11.4	5.5	5.6	4.8
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Copper price (\$/t)	7,337	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Silver (\$/oz)	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Molybdenum (\$/t)	19,529	20,000	19,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,001
Revenue	21,439	23,200	24,267	24,102	24,009	24,207	24,299	23,755	22,087	21,944	22,161
EBITDA	5,135	6,184	6,403	5,478	5,164	5,268	5,272	4,848	4,555	4,299	4,412
EBITDA margin	16.3%	19.2%	18.8%	14.7%	13.4%	13.5%	13.3%	11.8%	11.2%	10.3%	10.9%
EBIT	3,485	4,452	4,563	3,551	3,213	3,257	3,241	2,794	2,483	2,256	2,419
Tax	1,024	1,208	1,250	1,040	974	980	975	887	828	785	816
CAPEX	-2,695	-2,776	-2,741	-2,220	-1,676	-1,710	-1,744	-1,779	-1,814	-1,814	-1,814
Working capital	956	991	20	-3	-2	4	2	-10	-32	-3	4
FCF	2,373	3,191	2,432	2,215	2,513	2,582	2,555	2,171	1,881	1,698	1,786
PV FCF	2,248	2,789	1,953	1,644	1,713	1,615	1,473	1,154	921	766	
WACC	7.5%	8.0%	8.3%	8.3%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	16,277
Net debt	6,570
Other adjustments	364
Value per share (PLN)	97.77

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	119.39
DCF Val.	50%	97.77
Implied Price		108.58
Cost of equity (9M)		6.3%
9M Target Price		115.43

Stelmet buy (no change)

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Stelmet's prospects for fiscal 2017/2018 are buoyed by the increasing productivity of its new garden furniture factory in Poland, and higher demand in the UK in the wake of an active windstorm season, expected to drive the local sales volume up by 12.5% compared to the previous fiscal year. The resulting boost to UK revenues should be strengthened by a planned 5% hike in local sales prices. Once Stelmet proves it can leverage its position as the European market leader to grow profits, its higher-than-average valuation ratios should become more acceptable for investors. Further upside can come from acquisitions with obvious potential to boost future sales. Downside risks in the year ahead include the zloty's appreciation versus the euro and its negative impact on Stelmet's sales in Western European markets, which account for 50% of total sales. We maintain a buy rating for STL, with the 9-month price target unchanged at PLN 27.72 per share.

Current Price

16.60 PLN

Upside

9M Target Price

27.72 PLN

+67.0%

	rating	target price	issued
unchanged	buy	27.72 PLN	2018-03-05

Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	+15.3%	+22.3%
ISIN	PLSTLMT00010	YTD Price Chng	+15.3%	+22.3%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	487.4	ADTV 6M		PLN 0.1m
EV (PLN m)	638.7	EV/EBITDA 12M fwd	-	-
Free Float	15.0%	EV/EBITDA 5Y avg	-	-

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	567	538	592	658	709
EBITDA	82	58	84	105	118
EBITDA margin	14.5%	10.7%	14.2%	16.0%	16.6%
EBIT	62	21	46	67	79
Net income	68	19	42	61	72
P/E	6.8	25.1	11.7	8.0	6.8
P/B	1.2	1.1	1.0	0.9	0.9
EV/EBITDA	8.2	11.6	7.6	5.6	4.6
DPS	0.29	0.00	0.00	0.71	1.24
DYield	1.7%	0.0%	0.0%	4.3%	7.5%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Sales price (PLN/m3)		0.0%	0.0%	0.0%	
Sales volume (1,000 m3)		0.0%	0.0%	0.0%	
Timber price (PLN/m3)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Core, PL	18	19	20	21	22
Revenue, Core, UK	210	158	179	200	214
Revenue, Core, FR	118	120	125	133	140
Revenue, Core, DE	94	101	107	117	124
Revenue, Wood Pellets	57	68	78	83	86
Operating cash flow	114	39	73	90	104
D&A	21	37	39	39	39
Working capital	40	-2	-9	-12	-9
Investing cash flow	-186	-62	-39	-14	-16
CAPEX	185	62	39	14	16
Financing cash flow	62	76	-4	-25	-40
Dividends/Buyback	-8	0	0	-21	-36
FCF	-66	-11	35	77	89
FCF/EBITDA	-80%	-18%	42%	73%	76%
OCF/EBITDA	138%	68%	87%	85%	88%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	751	821	871	922	965
Fixed assets	534	554	555	531	509
Equity	390	454	496	535	571
Minority interests	0	0	0	0	0
Net debt	214	182	151	100	53
Net debt/EBITDA (x)	2.6	3.2	1.8	1.0	0.5
Net debt/Equity (x)	0.5	0.4	0.3	0.2	0.1

Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	11.0	9.0	8.5	5.7	5.4	4.9
Maximum	64.4	49.7	42.6	19.3	23.9	17.5
Median	16.9	14.6	13.0	7.3	6.9	6.3
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales px (PLN/m3)	1,899	1,930	1,948	1,966	1,984	2,000	2,017	2,034	2,052	2,071	2,089
Volume (1,000 m3)	255	280	300	321	341	361	366	371	371	372	372
Timber px (PLN/m3)	255	259	264	269	274	280	285	291	297	303	309
Revenue	592	658	709	761	814	867	887	907	917	926	935
EBITDA	84	105	118	130	142	153	152	151	145	139	133
EBITDA margin	14.2%	16.0%	16.6%	17.1%	17.4%	17.6%	17.1%	16.6%	15.9%	15.1%	14.2%
EBIT	46	67	79	90	101	112	110	108	102	95	89
Tax	0.1	2.4	3.0	4.6	6.3	7.7	6.7	5.6	1.9	17.7	16.5
CAPEX	-39	-14	-16	-25	-28	-30	-33	-36	-39	-43	-44
Working capital	-9.4	-11.7	-9.2	-9.2	-9.4	-9.4	-3.6	-3.6	-1.6	-1.6	-1.7
FCF	35	77	89	91	98	105	109	106	103	78	73
PV FCF	34	68	73	68	67	67	64	57	51	36	
WACC	7.7%	7.9%	8.2%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	584
Net debt	182
Other adjustments	0
Value per share (PLN)	31.21

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	20.93
DCF Val.	50%	31.21
Implied Price		26.07
Cost of equity (9M)		6.3%
9M Target Price		27.72

Construction

Budimex

accumulate (downgraded)

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Budimex generated higher-than-expected earnings in Q4 2017, and it reported a decrease of PLN 165m to PLN 244m in provisions for contract losses during 2017, which were met with great optimism among investors even though at the same time accounts payable increased by over PLN 100m, and amounts due to customers under long-term contracts came close to an all-time high. With that said, Budimex continues to report a high cash position (PLN 2.3bn at the end of 2017) even despite higher CAPEX, intensified land purchases, and higher payments to subcontractors. Based on the strong Q4 earnings, robust balance sheet, and large backlog (up 15% y/y to PLN 10.3bn), we decided to raise our 2018-2020 forecasts for Budimex by an average 4%. At the same time, after updating the relative valuation model, we lower our 9-month target price for BDX from PLN 246 to PLN 234 per share, and we downgrade the stock to accumulate.

Current Price

215.00 PLN

Upside

9M Target Price

234.00 PLN

+8.8%

	rating	target price	issued
new	accumulate	234.00 PLN	2018-04-06
old	buy	246.00 PLN	2018-02-02
Key Metrics			
		BDX PW	vs. WIG
Ticker	BDX PW	1M Price Chng	+1.4% +8.5%
ISIN	PLBUDMX00013	YTD Price Chng	+1.4% +8.5%
Outst. Stock (m)	25.5	ADTV 1M	PLN 2.0m
MC (PLN m)	5,489.0	ADTV 6M	PLN 2.5m
EV (PLN m)	3,537.4	EV/EBITDA 12M fwd	7.2 -11.4%
Free Float	30.3%	EV/EBITDA 5Y avg	8.1 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	5,572	6,369	7,202	7,137	6,976
EBITDA	531	626	552	529	475
EBITDA margin	9.5%	9.8%	7.7%	7.4%	6.8%
EBIT	505	588	512	490	438
Net income	410	464	414	396	353
P/E	13.4	11.8	13.3	13.9	15.5
P/B	6.8	6.2	6.5	6.6	6.9
EV/EBITDA	5.4	5.1	6.4	6.7	8.2
DPS	8.14	14.99	17.61	15.87	15.19
DYield	3.8%	7.0%	8.2%	7.4%	7.1%
Revision of Projections (% change)					
Revenue			+2.2%	+1.5%	+4.6%
Gross profit margin			+0.4 p.p.	+0.5 p.p.	-0.0 p.p.
EBITDA			+4.4%	+6.0%	+2.1%
Net income			+4.2%	+6.0%	+1.4%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	5,572	6,369	7,202	7,137	6,976
Construction	5,060	5,717	6,522	6,435	6,304
Development	350	499	521	539	503
Other	163	154	158	163	168
Gross profit margin	13.5%	12.7%	10.6%	10.4%	9.9%
Construction	12.8%	12.0%	9.8%	9.5%	9.0%
Development	23.4%	20.5%	20.0%	21.0%	21.0%
Other	12.7%	13.8%	11.0%	11.0%	11.0%
Cash	2,715	2,127	1,789	1,804	1,434
Net debt	-2,634	-2,291	-1,953	-1,968	-1,598
Net debt / EBITDA	-5.0	-3.7	-3.5	-3.7	-3.4
Net working capital	-2,597	-2,311	-2,000	-2,021	-1,684
NWC/Sales	-46.6%	-36.3%	-27.8%	-28.3%	-24.1%
Equity	801	881	845	836	801
ROE	58.5%	55.2%	47.9%	47.1%	43.1%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	612	196	147	460	61
D&A	26	37	41	39	38
Working capital	155	-288	-311	20	-337
Investing cash flow	-49	-357	-32	-35	-36
CAPEX	-42	-31	-32	-35	-36
Financing cash flow	-223	-400	-452	-410	-395
Dividends	-208	-383	-450	-405	-388

Relative Valuation Summary

	P / E			EV / EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.0	2.9	2.9	3.5	3.2	2.9
Maximum	22.4	17.5	16.5	10.9	9.6	9.1
Median	11.6	9.9	9.0	5.2	5.0	4.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	7,202	7,137	6,976	6,991	7,006	6,896	7,036	7,176	7,320	7,466	7,616
EBITDA	552	529	475	439	433	417	422	430	438	446	454
EBITDA margin	7.7%	7.4%	6.8%	6.3%	6.2%	6.1%	6.0%	6.0%	6.0%	6.0%	6.0%
D&A	41	39	38	37	37	37	37	37	37	37	37
EBIT	512	490	438	401	396	380	385	393	401	409	417
Tax	97	93	83	76	75	72	73	75	76	78	79
NOPLAT	415	397	355	325	321	308	312	318	325	331	338
JV profit (fbSerwis)	2	4	6	7	7	8	9	9	9	9	10
CAPEX	-32	-35	-36	-37	-37	-37	-37	-37	-37	-37	-37
Working capital	-311	20	-337	-269	-161	-153	-105	0	0	1	1
FCF	114	425	25	62	167	163	216	327	334	342	348
PV FCF	107	368	20	46	113	102	124	174	163	154	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	3,790
Net debt	-2,291
Other adjustments	-501
Value per share (PLN)	219.00

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	164.00
Relative (DYield)	17%	334.00
DCF	50%	219.00
Cost of equity (9M)		6.3%
9M Target Price		234.00

Elektrobudowa buy (reiterated)

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Elektrobudowa delivered stellar earnings for Q4 2017, reporting high revenues and margins alongside strong cash flow. The recurring profits received an additional boost from PLN 54m charge reversals and a contract acquired in Finland, which is set to drive revenues through to mid-2018. Elektrobudowa declared 2018 per-share dividends of PLN 8.00, offering the highest implied dividend yield in the construction sector at 8.6%. The Company ended 2017 with cash of PLN 115m, and with no major investment or working-capital needs it says it might allocate PLN 100-150m this year to acquisitions. There is a chance the shareholders will disagree with the allocation and call for an even higher dividend distribution this year. Even after a 2.5% hike based on the strong 2017 Q4 results, our 2018 net profit forecast for Elektrobudowa is still 9% lower than the Company's guidance. We maintain a buy rating for ELB.

Current Price

96.40 PLN

Upside

9M Target Price

116.00 PLN

+20.3%

	rating	target price	issued
new	buy	116.00 PLN	2018-04-06
old	buy	113.00 PLN	2018-02-02
Key Metrics		ELB PW	vs. WIG
Ticker	ELB PW	1M Price Chng	+24.4% +31.4%
ISIN	PLELTBD00017	YTD Price Chng	+24.4% +31.4%
Outst. Stock (m)	4.7	ADTV 1M	PLN 0.1m
MC (PLN m)	457.7	ADTV 6M	PLN 0.2m
EV (PLN m)	284.3	EV/EBITDA 12M fwd	5.8 -9.1%
Free Float	34.9%	EV/EBITDA 5Y avg	6.3 discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	971.5	902.9	871.4	845.2	862.8
EBITDA	75.2	84.3	63.7	55.0	56.1
EBITDA margin	7.7%	9.3%	7.3%	6.5%	6.5%
EBIT	61.8	69.8	48.7	39.7	40.6
Net income	55.1	58.6	41.8	35.3	36.0
P/E	8.3	7.8	11.0	13.0	12.7
P/B	1.1	1.1	1.1	1.0	1.0
EV/EBITDA	4.7	4.1	4.5	5.1	5.0
DPS	4.00	10.00	8.00	7.00	6.00
DYield	4.1%	10.4%	8.3%	7.3%	6.2%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			+1.9%	+2.1%	+2.1%
Gross profit margin			-0.0 p.p.	-0.2 p.p.	-0.2 p.p.
EBITDA			+1.3%	-0.4%	-0.4%
Net income			+2.5%	+2.2%	+2.2%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	971	903	871	845	863
Project Execution	772	673	639	607	619
Production	155	188	188	192	196
Other	44	42	44	46	48
EBIT margin	6.4%	7.7%	5.6%	4.7%	4.7%
Project Execution	8.6%	8.8%	6.2%	5.0%	5.0%
Production	-6.1%	4.7%	4.0%	4.0%	4.0%
Other	10.8%	5.0%	3.5%	3.6%	3.7%
Cash	137	115	173	178	180
Net debt	-102	-115	-173	-178	-180
Net debt / EBITDA	-1.4	-1.4	-2.7	-3.2	-3.2
Net working capital	204	176	116	112	115
NWC/Sales	21.0%	19.5%	13.3%	13.2%	13.3%
Equity	423	431	435	437	444
ROE	13.6%	13.7%	9.7%	8.1%	8.2%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	72	84	113	51	45
D&A	13	15	15	15	16
Working capital	13	17	59	4	-3
Investing cash flow	-8	-18	-20	-18	-18
CAPEX	-15	-19	-20	-18	-18
Financing cash flow	-34	-86	-35	-30	-25
Dividends	-19	-47	-38	-33	-28

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.0	2.9	2.9	3.5	3.2	2.9
Maximum	22.4	20.5	19.2	14.0	13.3	12.7
Median	12.8	10.6	10.2	6.2	5.5	5.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	871	845	863	881	898	916	935	953	972	992	1,012
EBITDA	64	55	56	57	58	59	60	60	61	62	63
EBITDA margin	7.3%	6.5%	6.5%	6.5%	6.4%	6.4%	6.4%	6.3%	6.3%	6.3%	6.2%
D&A	15	15	16	16	16	16	16	16	16	16	16
EBIT	49	40	41	41	42	43	44	45	46	47	48
Tax	11	9	10	10	10	10	10	11	11	11	11
NOPLAT	40	33	34	35	35	36	37	37	38	39	39
CAPEX	-20	-18	-18	-16	-16	-16	-16	-16	-16	-16	-16
Working capital	59	4	-3	-3	-3	-3	-3	-3	-3	-3	-3
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	95	35	28	31	32	33	34	34	35	36	36
PV FCF	89	31	23	23	22	21	19	18	17	16	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	533
Net debt	-115
Other adjustments	88
Value per share (PLN)	118.00

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	99.00
DCF Val.	50%	118.00
Implied Price		109.00
Cost of equity (9M)		6.3%
9M Target Price		116.00



Erbud buy (reiterated)

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Erbud is a top construction pick for 2018 after trading sideways all through Q1 2018 following a sharp slump in the share price toward the end of 2017. We see stellar prospects ahead for Erbud based on a relatively low-risk backlog, expected to generate slightly higher revenues and profit margins this year, supported by the February acquisition of the German industrial builder IVT. Erbud says its main focus in the year ahead is on margins, with the most room for growth found in the segment of industrial engineering, where margins in the last three years have held well below the industry benchmarks. The industrial engineering business might be a source of positive earnings surprises in the future. We have raised our 2018 and 2019 net profit forecasts for Erbud by an average 2%, and we have revised the 2020 projection upward by 12%. We maintain a buy rating for ERB.

Current Price

21.60 PLN

Upside

9M Target Price

29.60 PLN

+37.0%

	rating	target price	issued
new	buy	29.60 PLN	2018-04-06
old	buy	29.40 PLN	2018-03-05
Key Metrics		ERB PW	vs. WIG
Ticker	ERB PW	1M Price Chng	+6.7% +13.7%
ISIN	PLERBUD00012	YTD Price Chng	+6.7% +13.7%
Outst. Stock (m)	12.8	ADTV 1M	PLN 0.0m
MC (PLN m)	276.7	ADTV 6M	PLN 0.0m
EV (PLN m)	266.4	EV/EBITDA 12M fwd	4.8 -12.6%
Free Float	15.5%	EV/EBITDA 5Y avg	5.5 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,789.8	1,805.5	1,937.8	1,984.0	1,964.4
EBITDA	57.0	48.9	59.2	60.2	57.8
EBITDA margin	3.2%	2.7%	3.1%	3.0%	2.9%
EBIT	45.8	37.7	46.9	47.6	44.8
Net income	1.8	22.6	31.3	31.6	29.7
P/E	154.5	12.3	8.9	8.8	9.3
P/B	1.1	1.0	0.9	0.9	0.9
EV/EBITDA	2.3	4.4	4.5	4.4	4.5
DPS	1.68	1.20	1.10	1.22	1.48
DYield	7.8%	5.6%	5.1%	5.6%	6.9%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			-0.8%	-0.8%	-0.7%
Gross profit margin			-0.0 p.p.	-0.0 p.p.	+0.1 p.p.
EBITDA			+0.1%	+0.2%	+6.8%
Net income			+1.8%	+2.4%	+12.5%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,790	1,805	1,938	1,984	1,964
Building Construction	1,424	1,423	1,434	1,463	1,444
Road Engineering	142	157	160	163	166
Power Engineering	215	225	248	260	255
EBIT margin	2.6%	2.1%	2.4%	2.4%	2.3%
Building Construction	2.6%	1.8%	1.9%	1.9%	1.7%
Road Engineering	4.6%	8.8%	4.5%	4.5%	3.5%
Power Engineering	1.1%	1.2%	2.4%	2.6%	3.3%
Cash	257	190	139	134	135
Net debt	-153	-73	-22	-26	-28
Net debt / EBITDA	-2.7	-1.5	-0.4	-0.4	-0.5
Net working capital	38	135	168	179	188
NWC/Sales	2.1%	7.5%	8.6%	9.0%	9.6%
Equity	252	276	293	309	320
ROE	0.7%	8.6%	11.0%	10.5%	9.4%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	75	-44	17	40	40
D&A	11	11	12	13	13
Working capital	14	-71	-33	-11	-9
Investing cash flow	24	5	-49	-14	-14
CAPEX	-4	-4	-14	-14	-14
Financing cash flow	-64	-28	-19	-31	-24
Dividends	-22	-15	-14	-16	-19

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.0	2.9	2.9	3.5	3.2	2.9
Maximum	22.4	17.5	16.5	10.9	9.6	9.1
Median	12.2	10.7	9.0	5.5	5.1	4.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,938	1,984	1,964	1,994	2,033	2,074	2,116	2,158	2,201	2,245	2,290
EBITDA	59	60	58	60	62	63	64	65	66	67	69
EBITDA margin	3.1%	3.0%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
D&A	12	13	13	13	14	14	14	14	14	15	15
EBIT	47	48	45	47	48	49	50	51	52	53	54
Tax	10	10	10	10	11	11	11	11	11	12	12
NOPLAT	37	37	35	37	37	38	39	40	40	41	42
CAPEX	-49	-14	-14	-15	-14	-14	-15	-15	-15	-15	-15
Working capital	-33	-11	-9	-14	-10	-4	-4	-4	-4	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	-33	25	25	22	27	33	34	34	36	36	37
PV FCF	-31	21	20	16	18	21	19	18	17	16	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	393
Net debt	-73
Other adjustments	-85
Value per share (PLN)	29.80

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	25.70
DCF Val.	50%	29.80
Implied Price		27.80
Cost of equity (9M)		6.4%
9M Target Price		29.60

Unibep buy (reiterated)

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Unibep's construction business in 2017 was hurt severely by rising costs of building materials and labor, exacerbated by challenging relationships with public sector customers. At the same time, the real-estate business thrived last year, offsetting the slowdown in construction and the PLN 17.5m damages payout to a former Norwegian customer, and in the end the Company delivered a 2017 net profit broadly in line with our forecast at PLN 26m. With the Norwegian claims factored out, the recurring bottom-line figure would have reached a very creditable PLN 44m (P/E=6.2x). With high-risk contracts still making up a significant portion of the 2018 backlog, Unibep is set to generate relatively low profit margins (3.7%) on construction this year. The 2017 success of the residential segment might have been a one-off, but if not the segment can be a source of positive surprises this year given its increasing share in Unibep's annual profits. Unibep sold 621 flats in 2017, an increase of 24% from the previous year, and in 2018 it is planning to start construction of over 1,000 apartments. In the last three months, the Company purchased PLN 28m-worth of new residential land with estimated potential for 500 flats. We maintain a buy rating for UNI.

Current Price

7.50 PLN

Upside

9M Target Price

10.10 PLN

+34.7%

		rating	target price	issued
new		buy	10.10 PLN	2018-04-06
old		buy	10.80 PLN	2018-02-02
Key Metrics			UNI PW	vs. WIG
Ticker	UNI PW	1M Price Chng	-24.4%	-17.3%
ISIN	PLUNBEP00015	YTD Price Chng	-24.4%	-17.3%
Outst. Stock (m)	35.1	ADTV 1M		PLN 0.0m
MC (PLN m)	263.0	ADTV 6M		PLN 0.1m
EV (PLN m)	266.6	EV/EBITDA 12M fwd	5.2	-27.9%
Free Float	27.7%	EV/EBITDA 5Y avq	7.2	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,249.2	1,629.3	1,643.5	1,655.9	1,631.4
EBITDA	41.8	33.5	47.7	58.2	55.5
EBITDA margin	3.3%	2.1%	2.9%	3.5%	3.4%
EBIT	33.3	23.6	36.5	46.9	44.2
Net income	31.6	25.8	30.6	35.8	32.4
P/E	8.3	10.2	8.6	7.4	8.1
P/B	1.1	1.0	1.0	0.9	0.8
EV/EBITDA	6.5	5.5	5.6	4.4	4.3
DPS	0.17	0.19	0.25	0.31	0.41
DYield	2.3%	2.6%	3.3%	4.1%	5.4%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		+2.3%	+2.1%	+2.1%	
Gross profit margin		-0.1 p.p.	-0.1 p.p.	-0.1 p.p.	
EBITDA		+1.1%	+1.1%	+1.1%	
Net income		-1.2%	-3.0%	-3.4%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,249	1,629	1,643	1,656	1,631
Construction	994	1,219	1,275	1,250	1,236
Modular Housing	156	182	209	230	234
Development	99	228	160	176	161
Gross profit margin	6.7%	6.3%	5.4%	6.1%	6.1%
Construction	5.2%	2.5%	3.7%	4.3%	4.4%
Modular Housing	6.4%	6.3%	8.5%	8.5%	8.5%
Development	22.7%	26.7%	15.0%	16.0%	16.0%
Cash	150	165	91	83	95
Net debt	8	-84	-1	-13	-35
Net debt / EBITDA	0.2	-2.5	0.0	-0.2	-0.6
Net working capital	64	11	115	128	126
NWC/Sales	5.1%	0.6%	7.0%	7.7%	7.7%
Equity	233	254	276	301	319
ROE	14.0%	10.6%	11.6%	12.4%	10.5%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	-14	104	-64	34	49
D&A	9	10	11	11	11
Working capital	-37	88	-104	-13	3
Investing cash flow	-9	7	-10	-11	-10
CAPEX	-8	-16	-12	-12	-12
Financing cash flow	42	-91	0	-32	-27
Dividends	-6	-7	-9	-11	-14

Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.0	2.9	2.9	3.5	3.2	2.9
Maximum	22.4	17.5	16.5	10.9	9.6	9.1
Median	12.2	10.7	9.6	5.2	5.1	4.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,643	1,656	1,631	1,645	1,673	1,701	1,730	1,760	1,795	1,831	1,867
EBITDA	48	58	56	55	55	55	55	56	57	58	59
EBITDA margin	2.9%	3.5%	3.4%	3.4%	3.3%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%
D&A	11	11	11	11	11	11	11	11	12	12	12
EBIT	37	47	44	44	44	44	44	44	45	46	47
Tax	8	11	10	10	10	10	10	10	10	11	11
NOPLAT	28	36	34	34	34	34	34	34	35	35	36
CAPEX	-12	-12	-12	-12	-12	-12	-12	-12	-12	-12	-12
Working capital	-104	-13	3	-1	-3	-3	-3	-3	-3	-3	-3
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	-77	22	36	32	31	31	31	31	31	32	33
PV FCF	-72	19	29	23	21	19	18	16	15	14	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	328
Net debt	-84
Other adjustments	-72
Value per share (PLN)	9.70

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	9.20
DCF Val.	50%	9.70
Implied Price		9.50
Cost of equity (9M)		6.3%
9M Target Price		10.10

Property Developers

Atal accumulate (reiterated)

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Atal achieved 96% of our 2017 FY net profit forecast after a slightly weaker-than-expected fourth quarter. The Company plans to distribute 80% of last year's profit as dividends this year, a slightly lower payout ratio than the 90%-100% expected by us, which, however, still gives a very appreciable dividend yield of 8.3%. In 2017 Atal managed to reduce debt more than expected, reporting a 34% y/y drop to PLN 214m as of 31 December, with the ratio of net debt to equity decreased to 27% from 47% the year before. This despite having spent over PLN 232m on fourteen new land sites during the year. We expect further land purchases in 2018, the main reason behind the curbed dividend payout ratio, creating one of the most growth-ready land banks in the industry. We expect Atal to generate average net profit of PLN 190m in 2018 and 2019. We maintain an accumulate rating for 1AT.

Current Price	43.40 PLN	Upside
9M Target Price	47.00 PLN	+8.3%

	rating	target price	issued
new	accumulate	47.00 PLN	2018-04-06
old	accumulate	49.20 PLN	2018-02-02
Key Metrics		1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	+1.6% +8.7%
ISIN	PLATAL000046	YTD Price Chng	+1.6% +8.7%
Outst. Stock (m)	38.7	ADTV 1M	PLN 0.2m
MC (PLN m)	1,680.2	ADTV 6M	PLN 0.7m
EV (PLN m)	1,817.4	EV/EBITDA 12M fwd	8.0 -3.1%
Free Float	11.2%	EV/EBITDA 5Y avg	8.2 discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	506.8	865.8	953.0	925.4	1,020.0
Gross profit	136.9	247.6	276.0	268.6	275.4
Gross margin	27.0%	28.6%	29.0%	29.0%	27.0%
EBIT	114.8	222.0	245.3	236.5	241.7
Net income	89.4	171.2	192.8	185.8	189.0
P/E	18.8	9.8	8.7	9.0	8.9
P/B	2.4	2.1	2.0	2.0	2.0
EV/EBITDA	17.1	8.5	7.4	7.9	8.0
DPS	0.61	1.73	3.54	4.54	4.86
DYield	1.4%	4.0%	8.2%	10.5%	11.2%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			-0.3%	-0.3%	0.0%
Net income			+0.3%	+0.6%	+0.4%
Residential closings			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	1,404	2,308	2,559	2,651	3,000
Revenue/unit (PLN k)	353	375	372	349	340
SG&A	24	28	30	31	33
SG&A/Sales	4.8%	3.3%	3.1%	3.4%	3.2%
EBIT margin	22.6%	25.6%	25.7%	25.6%	23.7%
Net profit margin	17.6%	19.8%	20.2%	20.1%	18.5%
Cash	187	266	317	252	181
Net debt	324	214	143	208	279
Net debt/Equity	47%	27%	17%	24%	32%
Inventory	1,132	1,342	1,228	1,315	1,410
Inventory/Sales	223%	155%	129%	142%	138%
Earnest money deposits	231	365	275	297	321
Deposits/Inventory	20%	27%	22%	23%	23%
Equity	688	795	850	861	861
ROE	14.4%	24.9%	24.3%	21.8%	22.0%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	-78	198	218	121	129
D&A	1	1	1	1	1
Working capital	-187	-13	15	-75	-72
Investing cash flow	0	1	4	4	3
CAPEX	-1	-1	-1	-1	-1
Financing cash flow	135	-121	-172	-190	-203
Dividends	-24	-67	-137	-176	-188

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.38	0.36	0.35	5.0	5.2	4.3
Maximum	2.03	2.03	2.01	13.9	11.3	10.7
Median	0.81	0.76	0.73	7.5	6.1	6.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	953	925	1,020	867	884	902	920	938	957	976	996
EBITDA	247	238	243	187	185	189	193	196	200	204	208
EBITDA margin	25.9%	25.7%	23.8%	21.6%	21.0%	21.0%	20.9%	20.9%	20.9%	20.9%	20.9%
D&A	1	1	1	1	1	1	1	1	1	1	1
EBIT	245	236	242	186	184	188	191	195	199	203	207
Tax	47	45	46	35	35	36	36	37	38	39	39
NOPLAT	199	192	196	150	149	152	155	158	161	164	167
CAPEX	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Working capital	15	-75	-72	32	41	-20	-20	-20	-20	-20	-20
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	213	116	124	182	190	132	135	137	140	144	147
PV FCF	201	101	100	137	132	85	80	76	72	68	
WACC	8.2%	8.0%	7.9%	7.9%	8.0%	7.9%	7.9%	7.8%	7.8%	7.8%	7.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,247
Net debt	214
Other adjustments	-6
Value per share (PLN)	52.70

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	24.40
Relative (DYield)	17%	58.20
DCF	50%	52.70
Cost of equity (9M)		6.3%
9M Target Price		47.00

Capital Park buy (no change)

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Capital Park's 2017 Q4 EBIT missed our estimate, but this was offset by higher-than-expected fair value gains, resulting in a small quarterly profit rather than an expected net loss of PLN 10m. Capital Park delivered consistent improvement in quarterly profits during 2017, and it should continue to through 2018 as the occupancy ratios is its income-generating properties increase. From an estimated PLN 13m in 2016, the Company's FFO in 2017 increased to approximately PLN 32m in 2017 (FFO Yield=5.1%), and in 2018 it is expected to top PLN 40m. A major milestone in March was the signing on of Warbud as the general contractor for the Art Norblin commercial development in Warsaw for a fee of PLN 333m, with completion scheduled for 31 October 2020, consistently with our assumed timeline for the project. Art Norblin is a crucial project for Capital Park, and its chances for being taken into consideration by market analysts have increased significantly with the signing of the Warbud deal. We maintain a buy rating for CAP.

Current Price

5.95 PLN

Upside

9M Target Price

8.35 PLN

+40.3%

	rating	target price	issued
unchanged	buy	8.35 PLN	2018-04-06

Key Metrics		CPG PW	vs. WIG
Ticker	CPG PW	1M Price Chng	+2.8%
ISIN	PLCPPRK00037	YTD Price Chng	+2.8%
Outst. Stock (m)	108.8	ADTV 1M	PLN 0.0m
MC (PLN m)	647.1	ADTV 6M	PLN 0.0m
EV (PLN m)	1,984.5	EV/EBITDA 12M fwd	18.0
Free Float	19.1%	EV/EBITDA 5Y avg	25.6

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	107.7	125.8	150.8	157.4	164.5
Gross profit	81.4	93.1	114.6	119.6	125.1
Gross margin	75.6%	74.0%	76.0%	76.0%	76.0%
EBIT ex. FV adj.	55.5	79.8	99.4	105.9	110.8
FV adjustment	68.9	-84.7	9.4	25.3	24.0
Net income	29.9	-1.9	54.7	65.2	67.8
P/E	21.1	-	11.8	9.9	9.5
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	14.3	-	18.2	17.4	19.1
DPS	0.00	0.00	0.00	0.15	0.20
DYield	0.0%	0.0%	0.0%	2.5%	3.4%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
FFO			-0.8%	-2.3%	-0.7%
Net income			-0.7%	-1.8%	-23.1%
BVPS			+0.6%	+0.4%	-1.5%
EUR/PLN			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
NOI	81	93	115	120	125
YoY pct. change	46.3%	14.3%	23.2%	4.4%	4.5%
EBIT ex. FV adj.	67	76	97	101	106
Financing costs	-49	-38	-42	-49	-49
FFO	13	32	46	46	50
Fair value adjustments	68.9	-84.7	9.4	25.3	24.0
EUR/PLN	4.42	4.17	4.15	4.15	4.15
Cash	157	193	76	82	57
Net debt	1,086	1,115	1,219	1,516	1,815
Net debt/Equity	102%	101%	105%	125%	144%
Investment properties IP	2,084	2,174	2,337	2,686	3,034
LTV	52%	51%	52%	56%	60%
FV adj./IP	3.6%	-4.1%	0.4%	1.1%	0.9%
Equity	989	984	1,039	1,088	1,134
ROE	3.1%	-0.2%	5.6%	6.3%	6.2%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	76	85	94	101	105
D&A	0	0	0	0	0
Working capital	-1	5	0	-1	-1
Investing cash flow	-104	-88	-153	-324	-324
CAPEX	-111	-123	-153	-324	-324
Financing cash flow	71	40	-58	230	195
Dividends	0	0	0	-16	-22

Relative Valuation Summary

	P/BV		P/E		
	18P	19P	20P	18P	19P
Minimum	0.32	0.31	0.31	7.1	6.6
Maximum	1.28	1.20	1.18	32.5	27.5
Median	0.75	0.73	0.80	13.1	11.4
Weight	17%	17%	17%	17%	17%

NAV Valuation

(PLN m)	16	17	18P	19P	20P	21P	22P
Investment properties	1,935	2,084	2,174	2,337	2,686	3,034	3,034
Inventory	13	0	0	0	0	0	0
Financial assets (JV)	31	49	45	45	45	45	45
Accounts receivable	27	24	27	28	29	30	31
Cash	114	157	193	76	82	57	100
Other assets	34	24	32	32	32	32	32
Total assets	2,153	2,337	2,471	2,517	2,873	3,198	3,241
Minority interests	73	72	115	119	122	126	130
Debt	1,066	1,243	1,308	1,295	1,598	1,872	1,872
Deferred tax liability	6	5	25	25	25	25	25
Other liabilities	48	28	39	40	40	41	42
Total liabilities & minority int.	1,193	1,348	1,487	1,478	1,785	2,063	2,068
NAV	960	989	984	1,039	1,088	1,134	1,174
PV of NAV	960	989	984	977	957	936	

NAV Summary

(PLN m)	
Risk-free rate	3.5%
Risk premium	5.0%
Beta	1.0
Cost of equity	8.5%
EUR/PLN '21E	4.15
2021E NAVPS (PLN)	8.50

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	7.20
NAV	50%	8.50
Implied Price		7.85
Cost of equity (9M)		6.4%
9M Target Price		8.35



Dom Development buy (no change)

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Dom Development generated financial results consistent with analysts' expectations in 2017, and it reiterated its positive outlook for the year ahead. Amid a booming housing market, the Developer is doing a good job of keeping up with demand, having listed for sale 30% more homes in 2017 than in the previous year. As a result, Dom has 5,200 flats currently under construction, an increase of 47% from this time last year. At the same time, it has accumulated a record land bank with potential for 8,900 units (+38% y/y). We recently made small downward adjustments to our 2018 and 2019 earnings estimates for Dom Development, and at the same time we raised the 2020 forecast by close to 30% to reflect the buoyant prospects created by the Developer's expansion into new regional housing markets in Poland. The 2020 analysts' consensus has also recently been revised upward by nearly 40%, a harbinger of a stellar earnings year driven by record housing demand with no signs of a slowdown, coupled with a large-enough land bank, expected to be built further during 2018 and 2019. With the higher expectations not yet priced in, we maintain a buy rating for DOM.

Current Price

85.40 PLN

Upside

9M Target Price

103.10 PLN

+20.7%

	rating	target price	issued
unchanged	buy	103.10 PLN	2018-03-20

Key Metrics	DOM PW	1M Price Chng	DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	-0.1%	+6.9%
ISIN	PLDMDVL00012	YTD Price Chng	-0.1%	+6.9%
Outst. Stock (m)	24.9	ADTV 1M		PLN 1.0m
MC (PLN m)	2,123.8	ADTV 6M		PLN 0.4m
EV (PLN m)	2,177.0	EV/EBITDA 12M fwd	7.2	-37.6%
Free Float	26.4%	EV/EBITDA 5Y avg	11.5	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,153.0	1,404.7	1,737.4	1,692.0	1,792.2
Gross profit	271.1	385.7	451.8	449.6	472.6
Gross margin	23.5%	27.5%	26.0%	26.6%	26.4%
EBIT	156.6	235.4	296.1	289.4	307.5
Net income	125.7	190.7	238.3	233.3	247.8
P/E	16.8	11.1	8.9	9.1	8.6
P/B	2.3	2.1	2.0	2.0	2.0
EV/EBITDA	12.7	9.0	7.2	7.5	7.1
DPS	3.25	5.05	7.60	9.50	9.38
DYield	3.8%	5.9%	8.9%	11.1%	11.0%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
Gross profit margin		0.0 p.p.	0.0 p.p.	0.0 p.p.	
EBIT		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Closings		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	2,482	2,929	3,801	3,600	3,768
Revenue/unit (PLN k)	465	480	457	470	476
SG&A	107	138	152	156	161
SG&A/Sales	9.3%	9.9%	8.7%	9.2%	9.0%
EBIT margin	13.6%	16.8%	17.0%	17.1%	17.2%
Net profit margin	10.9%	13.6%	13.7%	13.8%	13.8%
Cash	437	331	342	441	417
Net debt	-57	64	53	94	118
Net debt/Equity	-6%	6%	5%	9%	11%
Inventory	1,508	1,989	2,053	2,117	2,181
Inventory/Sales	131%	142%	118%	125%	122%
Earnest money deposits	349	568	587	605	623
Deposits/Inventory	23%	29%	29%	29%	29%
Equity	930	1,002	1,052	1,049	1,063
ROE	14.2%	20.5%	23.8%	22.2%	23.6%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	265	198	209	204	219
D&A	5	7	7	7	7
Working capital	106	-9	-39	-38	-38
Investing cash flow	-6	-213	-7	-7	-7
CAPEX	-6	-8	-7	-7	-7
Financing cash flow	-67	-120	-191	-97	-235
Dividends	-81	-126	-189	-236	-233

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.38	0.37	0.36	7.2	5.1	4.9
Maximum	2.05	1.99	1.96	36.2	13.9	11.2
Median	0.87	0.83	0.77	13.1	7.5	5.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,737	1,692	1,792	1,617	1,649	1,682	1,716	1,750	1,785	1,821	1,858
EBITDA	303	297	315	242	245	248	253	258	263	268	273
EBITDA margin	17.5%	17.5%	17.6%	15.0%	14.9%	14.8%	14.7%	14.7%	14.7%	14.7%	14.7%
D&A	7	7	7	7	7	7	7	7	7	7	7
EBIT	296	289	308	235	238	241	246	251	256	261	266
Tax	56	55	58	45	45	46	47	48	49	50	51
NOPLAT	240	234	249	190	193	195	199	203	207	211	215
CAPEX	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7
Working capital	-39	-38	-38	-38	-38	-8	-3	-3	-3	-3	-3
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	201	196	211	152	155	187	196	200	204	208	212
PV FCF	189	170	169	113	106	119	115	109	103	97	
WACC	8.4%	8.3%	8.3%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,920
Net debt	64
Other adjustments	0
Value per share (PLN)	114.90

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	54.60
Relative (DYield)	17%	127.70
DCF	50%	114.90
Cost of equity (9M)		6.3%
9M Target Price		103.10

Echo Investment buy (reiterated)

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Echo had a great year in 2017, delivering an annual net profit 40% ahead of our forecast, which was at the high end of the range of analysts' views. The market does not seem convinced about the sustainability of the strong 2017 profits, as reflected in the performance of ECH stock over the past year. For our part, we are confident profits will remain high in the next 2-3 years looking at Echo's ample land bank amid a buoyant commercial property market characterized by continuing contraction in yields and persistently huge demand. Echo is expected to capitalize on this with a larger number of new commercial projects launched and more properties offered for sale this year, with preliminary deals for four office buildings worth PLN 650m already signed, expected to be followed by the sale of a shopping center (Galeria Libero in Katowice) and a residential/retail development (Browary Warszawskie in Warsaw) with an estimated combined value of PLN 800m. All this allows Echo to pay a very generous annual dividend this year, offering the highest dividend yield in the sector at 9.6%, which can potentially be sweetened further with a special cash distribution of another PLN 50 per share from proceeds from last year's divestment of Echo Polska Properties. We maintain a buy rating for ECH.

Current Price

5.23 PLN

Upside

9M Target Price

6.13 PLN

+17.2%

	rating	target price	issued
new	buy	6.13 PLN	2018-04-06
old	buy	6.31 PLN	2018-02-02
Key Metrics		ECH PW	vs. WIG
Ticker	ECH PW	1M Price Chng	+14.9%
ISIN	PLECHPS00019	YTD Price Chng	+14.9%
Outst. Stock (m)	412.7	ADTV 1M	PLN 0.2m
MC (PLN m)	2,158.4	ADTV 6M	PLN 0.5m
EV (PLN m)	3,195.4	EV/EBITDA 12M fwd	12.5
Free Float	14.4%	EV/EBITDA 5Y avg	15.8

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	480.1	621.9	524.3	737.9	826.0
Gross profit	216.8	149.4	122.7	173.6	188.5
Gross margin	45.2%	24.0%	23.4%	23.5%	22.8%
EBIT ex. FV adj.	56.4	41.3	2.5	51.1	63.6
FV adjustment	555.2	233.5	399.3	336.1	253.1
Net income	393.3	312.2	302.9	328.3	266.0
P/E	5.5	6.9	7.1	6.6	8.1
P/B	1.4	1.4	1.3	1.2	1.2
EV/EBITDA	4.1	10.9	7.9	8.2	9.9
DPS	5.96	0.66	0.50	0.51	0.56
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			-0.0%	0.0%	+4.8%
FV adjustment			+0.4%	-0.2%	+33.9%
EBIT			+0.1%	-0.5%	+30.5%
Net income			-0.1%	-0.4%	+34.2%
Resid. closings			0.0%	0.0%	+6.7%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	451	1,006	901	1,270	1,600
Revenue/unit (PLN k)	521	467	402	402	380
Revenue	480	622	524	738	826
Residential	235	470	362	511	608
Commercial	224	120	76	93	92
Other	21	32	86	134	126
Cash	663	731	691	728	655
Net debt	346	879	1,037	1,021	994
Net debt/Equity	23%	55%	62%	57%	54%
Inventory	656	682	746	810	912
Investment properties (IP)	785	1,287	1,738	1,798	1,798
LTV	24.0%	45%	42%	39%	37%
FV adj./IP	38.0%	29.8%	31.0%	19.3%	14.1%
Equity	1,528	1,588	1,684	1,801	1,837
ROE	10.7%	20.4%	19.1%	19.5%	14.8%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	140	-276	-112	-75	-59
Working capital	177	-168	-56	-71	-81
Investing cash flow	2,377	-46	222	363	379
IP purchases	-848	-524	-720	-824	-377
IP sales	3,513	509	944	1,189	630
Financing cash flow	-2,702	362	-150	-251	-393
Dividends	-2,460	-272	-206	-212	-230

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.32	0.31	0.31	5.0	5.2	4.3
Maximum	2.03	2.03	2.01	14.2	11.5	12.5
Median	0.73	0.68	0.65	9.7	8.2	7.6
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	524	738	826	794	810	827	843	860	877	895	913
EBITDA	4	53	66	53	54	55	56	57	59	60	61
EBITDA margin	0.9%	7.2%	7.9%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
D&A	2	2	2	2	2	2	2	2	2	2	2
FV adjustment	399	336	253	189	193	197	201	205	209	213	217
Tax	76	74	60	46	47	47	48	49	50	51	52
NOPLAT	325	314	256	194	198	202	206	210	215	219	223
IP investment/Sales	222	363	251	187	193	197	201	205	209	213	217
Working capital	-56	-71	-81	-7	-7	-7	-8	-8	-8	-8	-8
Other	0	0	128	0	0	305	0	0	0	0	0
FCF	93	271	303	187	193	502	201	205	209	213	218
PV FCF	89	241	251	145	139	338	126	120	114	109	
WACC	7.1%	7.1%	7.1%	7.1%	7.1%	7.2%	7.2%	7.3%	7.3%	7.3%	7.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	3,750
Net debt	879
Other adjustments	0
Value per share (PLN)	6.96

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.56
DCF Val.	50%	6.96
Implied Price		5.76
Cost of equity (9M)		6.3%
9M Target Price		6.13



GTC hold (downgraded)

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GTC reported lackluster financial results for 2017, with a small miss on recurring EBIT offset by higher-than-expected fair value gains. The Company has not changed its long-term investment plans, except for a likelihood of completing certain real-estate projects ahead of schedule thanks to a favorable market environment. GTC is aiming to double NAV over the next 4-5 years through organic development supported by acquisitions. The existing investment property portfolio has potential for upward value adjustments according to the Company. In our view, 50% NAV growth in the target period is a more realistic figure, although admittedly offered without factoring in the "Galeria Wilanów" mall project in Warsaw and without taking into consideration potential value-add acquisitions. GTC's majority shareholder, Lone Star, at the beginning of April announced that it was reviewing its options regarding the investment in the Polish developer, including the sale of the 61% stake to a strategic or financial investor (but not via the stock market). We do not think Lone Star's plans are a threat to GTC's value given that the private equity firm does not seem to be in a rush to offload its stake, and we would guess the potential deal will not take place until some time late in the year. We downgrade GTC from accumulate to hold on little upside.

Current Price

9.39 PLN

Upside

9M Target Price

9.60 PLN

+2.2%

	rating	target price	issued
new	hold	9.60 PLN	2018-04-06
old	accumulate	9.70 PLN	2018-03-05
Key Metrics			
		GTC PW	vs. WIG
Ticker	GTC PW	1M Price Chng	-4.2% +2.9%
ISIN	PLGTC0000037	YTD Price Chng	-4.2% +2.9%
Outst. Stock (m)	470.3	ADTV 1M	PLN 0.7m
MC (PLN m)	4,416.1	ADTV 6M	PLN 0.9m
EV (PLN m)	8,709.3	EV/EBITDA 12M fwd	16.2 +8.6%
Free Float	21.9%	EV/EBITDA 5Y avg	14.9 premium

Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
Revenue	120.3	128.7	151.7	166.2	184.9
Gross profit	87.3	92.1	112.0	125.1	139.2
Gross margin	72.6%	71.6%	73.8%	75.3%	75.3%
EBIT ex FX adj.	70.2	73.5	92.7	105.3	119.1
FX adj.	84.6	148.6	40.7	45.7	53.7
Net income	158.5	156.3	91.1	105.1	121.2
P/E	6.5	6.7	11.6	10.0	8.7
P/B	1.3	1.1	1.1	1.0	0.9
EV/EBITDA	11.4	8.7	15.5	14.6	13.2
DPS	0.00	0.07	0.08	0.08	0.10
DYield	0.0%	2.9%	3.6%	3.8%	4.3%
Revision of Projections (% change)					
Revenue			0.0%	0.0%	0.0%
NOI			0.0%	0.0%	0.0%
FFO			-1.0%	-1.1%	+0.3%
Net income			-0.5%	-0.6%	+0.2%
BVPS			+0.7%	+0.6%	+0.5%

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
NOI	86	91	111	125	139
YoY pct. change	10.1%	4.7%	22.2%	13.1%	11.2%
EBIT ex. FX adj.	71	77	93	105	119
Financing costs	-28	-29	-29	-31	-35
FFO	42	47	56	65	74
YoY pct. change	10.5%	11.9%	18.5%	17.1%	13.8%
FV adjustment	85	149	41	46	54
Cash	178	202	115	120	103
Net debt	715	833	980	1,104	1,172
Net debt/Equity	91%	89%	99%	104%	104%
Investment properties IP	1,605	1,937	2,148	2,342	2,493
LTV	44%	43%	45%	47%	47%
FV adj./IP	6.6%	9.3%	2.1%	2.1%	2.3%
Equity	787	937	991	1,056	1,132
ROE	24.7%	19.8%	9.7%	10.6%	11.5%

Cash Flow Summary

(EUR m)	2016	2017	2018P	2019P	2020P
Operating cash flow	73	81	85	97	109
D&A	0	1	0	0	0
Working capital	6	7	0	0	0
Investing cash flow	-232	-178	-164	-148	-96
CAPEX	-261	-234	-170	-149	-98
Financing cash flow	141	95	6	51	-36
Dividends	0	-8	-37	-40	-45

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.32	0.31	0.31	7.1	6.6	8.1
Maximum	1.28	1.20	1.18	32.5	27.5	17.2
Median	0.76	0.74	0.71	12.2	11.7	11.3
Weight	17%	17%	17%	17%	17%	17%

NAV Valuation

(EUR m)	16	17	18P	19P	20P	21P	22P
Investment properties	1,289	1,605	1,937	2,148	2,342	2,493	2,566
Residential land & dev.	30	19	16	13	13	13	13
Financial assets (JV)	23	4	1	0	0	0	0
Accounts receivable	6	5	4	4	4	4	4
Cash	196	178	202	115	120	103	109
Other assets	16	29	22	22	22	22	22
Total assets	1,560	1,839	2,183	2,302	2,503	2,636	2,715
Minority interests	-21	3	4	5	5	5	5
Debt	739	893	1,034	1,095	1,224	1,275	1,255
Deferred tax liability	133	98	126	131	136	143	149
Other liabilities	66	58	81	81	81	81	81
Total liabilities & minority int.	917	1,052	1,246	1,312	1,446	1,504	1,491
NAV	643	787	937	991	1,056	1,132	1,224
PV of NAV	643	787	937	967	982	1,002	

NAV Summary

(EUR m)	
Risk-free rate	3.5%
Risk premium	5.0%
Beta	1.0
Cost of equity	8.5%
EUR/PLN '21E	4.15
2021E NAVPS (EUR)	9.00

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	8.90
NAV	50%	9.00
Implied Price		9.00
Cost of equity (9M)		6.4%
9M Target Price		9.60

LC Corp buy (reiterated)

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Shares of LC Corp have underperformed the real-estate sector in the last two months, possibly because the market sees no more upside potential in the stock after the gains of the preceding 12 months. Another reason could be that investors are concerned over the deteriorating profits from the "Arkady Wrocławskie" shopping center in Warsaw, adding to the general slowdown in LC Corp's commercial segment, coupled with the negative message recently sent by the Management Board, which emphasized an upward trend in costs of land and construction services. We believe the impairment of the Wrocław property is priced in at this level, with any potential 2018 write-offs sure to be offset by fair value adjustments to other projects currently in progress. Rising costs are a challenge for the whole real-estate sector, and we see no reason why LC Corp should be more severely impacted by this trend than others. Further, the Developer plans to complete and close approximately 4,000 flats in 2018 and 2019, with the annual closings at ca. 2,000 units compared to 1,800 closed in 2017. With most of the residential developments located on land sites purchased at attractive prices, they can be expected to generate solid profit margins. It is worth noting that LC Corp's land bank allows it to close 2,000 homes also in 2020. With all this in mind, we do not share the concerns of the market when it comes to LC Corp's future earnings prospects, and we consider the Developer a top pick at ca. 0.8xNAV, ~6.0x 2018-2020E P/E, and expected 2018-2020E dividend yield of 10%.

Current Price

2.70 PLN

Upside

9M Target Price

3.50 PLN

+29.6%

	rating	target price	issued
new	buy	3.50 PLN	2018-04-06
old	buy	3.74 PLN	2018-02-02
Key Metrics			
		LCC PW	vs. WIG
Ticker	LCC PW	1M Price Chng	-1.8% +5.2%
ISIN	PLCCRP00017	YTD Price Chng	-1.8% +5.2%
Outst. Stock (m)	447.6	ADTV 1M	PLN 0.8m
MC (PLN m)	1,208.4	ADTV 6M	PLN 1.7m
EV (PLN m)	2,128.6	P/E 12M fwd	6.1 -38.8%
Free Float	41.3%	P/E 5Y avg	10.0 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	547.0	706.2	836.9	898.4	928.1
Gross profit	207.9	260.8	285.8	320.5	332.4
Gross margin	38.0%	36.9%	34.2%	35.7%	35.8%
EBIT ex. FV adj.	169.6	208.6	234.2	267.3	277.7
FV adjustment	34.2	-119.3	17.7	19.3	0.0
Net income	113.1	80.2	185.4	209.0	201.4
Net income adj.	120.7	150.6	170.1	193.4	201.4
P/E	10.7	15.1	6.5	5.8	6.0
P/E adj.	10.0	8.0	7.1	6.2	6.0
P/B	0.9	0.8	0.8	0.8	0.7
DPS	0.18	0.07	0.24	0.29	0.32
DYield	6.7%	2.6%	8.9%	10.6%	12.0%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			-0.1%	-0.1%	0.0%
FV adjustment			-0.0 p.p.	-0.0 p.p.	-0.1 p.p.
EBIT			-3.6%	-3.3%	-3.2%
Net income			-4.1%	-3.7%	-3.7%
Resid. closings			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	1,393	1,801	2,137	2,184	2,072
Revenue	547	706	837	898	928
Residential	402	563	687	727	741
Rental Properties	145	144	150	171	187
Gross margin	38.0%	36.9%	34.2%	35.7%	35.8%
Residential	26.0%	28.8%	26.3%	27.6%	27.2%
Rental Properties	71.2%	68.7%	70.0%	70.0%	70.0%
Cash	355	344	270	241	237
Net debt	737	737	920	984	1,005
Net debt/Equity	53%	51%	60%	61%	60%
Inventory	971	1,064	1,048	1,031	1,015
Investment properties (IP)	1,810	1,805	1,967	2,049	2,049
FV adj./IP	1.9%	-6.6%	0.9%	0.9%	0.0%
Equity	1,396	1,448	1,526	1,608	1,664
ROE	8.3%	5.7%	12.8%	13.7%	12.5%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	199	167	135	194	155
Working capital	91	-18	-63	-29	-77
Investing cash flow	-102	-142	-185	-102	-1
IP purchases	-102	-141	-183	-101	0
IP sales	0	0	0	0	0
Financing cash flow	113	-11	-74	-30	-4
Dividends	-81	-31	-107	-128	-145

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.38	0.36	0.35	4.97	5.25	4.27
Maximum	2.03	2.03	2.01	13.91	11.25	10.70
Median	0.91	0.85	0.77	8.17	7.09	7.33
Weight	17%	17%	17%	17%	17%	17%

DCF Valuation: Residential Business

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	687	727	741	608	588	599	611	623	636	649	662
EBITDA	141	159	159	102	84	85	87	89	91	92	94
EBITDA margin	20.5%	21.9%	21.4%	16.7%	14.3%	14.3%	14.3%	14.2%	14.2%	14.2%	14.2%
NOPLAT	113	128	128	82	67	68	70	71	73	74	75
Working capital	-64	-30	-78	-56	-33	-11	-11	-11	-11	-11	-11
FCF	50	99	51	26	35	58	60	61	63	64	65
PV FCF	47	86	41	19	24	36	34	32	31	29	

Net Asset Valuation: Commercial Business

NAV (PLN m)	18P	19P	20P	21P	22P
Standing inv. pr.	983	1,129	1,147	1,175	1,203
Prop. u/develop.	98	0	0	0	0
Other assets	22	56	113	171	231
Total NAV	1,103	1,185	1,260	1,346	1,435
PV of NAV	1,037	1,027	1,006	991	973

NAV Summary

(PLN m)	
PV of NAV (2021E)	973
2021E ROE	6.6%
Cost of equity	8.5%
Premium/Discount (ROE - COE)	-23%
NAV per share (PLN)	1.71

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	834
Net debt	148
Other adjustments	0
Value per share (PLN)	1.53

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	3.08
Relative (DYield)	17%	3.83
SOTP	50%	3.24
Cost of equity (9M)		6.4%
9M Target Price		3.50

Retail

AmRest

reduce (downgraded)

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AmRest opened a record number of restaurant locations in 2017, as well as completing an unprecedented number of acquisitions. As result, the global restaurant network increased 38.7% to 1,638 locations, and AmRest became a master franchisee for Pizza Hut Express and Delivery restaurants in the CEE, Germany, and France. AmRest grew recurring EBITDA for Q4 2017 by 7.9% year over year, though after impairment charges the quarterly EBITDA figure showed 3% y/y contraction at PLN 138.2m. Also weighing on 2017 profits were costs of the numerous acquisitions completed during the year, likely to generate extra costs also this year as AmRest focuses on post-merger integration of the equity investments. Further, the plans for continuing network expansion (with 300 new restaurant openings planned in 2018) will entail high capital expenditures, projected at PLN 913m in 2019 and PLN 908m in 2020. After lowering our 2019 and 2020 EBITDA forecasts for AmRest by 5% and 6.5%, respectively, and after updating our valuation model, we raise our 9-month price target for EAT stock from PLN 407 to PLN 426 per share, but we downgrade the stock to reduce on downside risk.

Current Price	449.50 PLN	Downside
9M Target Price	426.00 PLN	-5.2%

	rating	target price	issued
new	reduce	426.00 PLN	2018-04-06
old	hold	407.00 PLN	2018-02-02
Key Metrics		EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	+9.6% +16.7%
ISIN	NL0000474351	YTD Price Chng	+9.6% +16.7%
Outst. Stock (m)	21.2	ADTV 1M	PLN 11.0m
MC (PLN m)	9,535.6	ADTV 6M	PLN 4.3m
EV (PLN m)	11,316.0	EV/EBITDA 12M fwd	13.1 +33.3%
Free Float	31.1%	EV/EBITDA 5Y avg	9.8 premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	4,207	5,266	6,548	7,754	8,859
EBITDA	539	597	731	919	1,092
EBITDA margin	12.8%	11.3%	11.2%	11.8%	12.3%
EBIT	268	267	300	361	458
Net income	191	182	201	257	333
P/E	50.0	52.3	47.4	37.2	28.6
P/B	7.3	7.3	6.3	5.4	5.2
EV/EBITDA	19.6	18.4	15.5	12.4	10.4
DPS	0.00	0.00	0.00	0.00	12.09
DYield	0.0%	0.0%	0.0%	0.0%	2.7%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			-5.9%	-5.0%	-6.5%
Net income			-9.8%	-12.5%	-14.6%
Revenue per restaurant			+0.7%	-0.5%	-1.5%
EBITDA margin			-0,8p.p.	-0,6p.p.	-0,6p.p.
Restaurant count			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (PL)	185	199	221	240	265
EBITDA (WE)	193	201	246	304	354
EBITDA (ES)	180	209	229	267	295
EBITDA (RU)	50.6	71.5	90.6	107.8	121.1
EBITDA (CZ)	93	116	149	174	199
Operating cash flow	457	635	638	904	1,045
D&A	271	330	431	557	634
Working capital	43	74	7	91	79
Investing cash flow	-533	-980	-963	-960	-809
CAPEX	-386	-527	-963	-960	-809
Financing cash flow	66	588	-150	40	-197
Dividends/Buyback	132	764	-150	40	60
FCF	-3	-458	-288	-27	266
FCF/EBITDA	-1%	-77%	-39%	-3%	24%
OCF/EBITDA	85%	106%	87%	98%	96%

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
EBITDA margin (PL)	13.1%	12.1%	11.6%	11.6%	11.6%
EBITDA margin (WE)	15.8%	10.8%	11.3%	11.3%	11.5%
EBITDA margin (ES)	21.5%	22.6%	22.6%	22.6%	22.6%
EBITDA margin (RU)	10.9%	10.9%	10.6%	10.6%	10.5%
EBITDA margin (CZ)	19.1%	19.6%	18.6%	18.6%	18.6%
Net debt (PLN m)	971	1,422	1,746	1,803	1,823
Net debt/EBITDA (x)	1.8	2.4	2.4	2.0	1.7

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	7.6	7.7	7.4	6.8	6.9	6.5
Maximum	49.3	32.9	28.2	18.7	18.1	17.3
Median	30.1	25.5	22.0	14.6	14.3	12.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/rest., (PLN k)	916	925	925	922	922	932	947	960	972	984	984
EBITDA margin	11.2%	11.8%	12.3%	12.8%	13.1%	12.6%	12.6%	12.7%	12.7%	12.7%	12.7%
Rest. count	1,939	2,254	2,536	2,795	3,028	3,206	3,378	3,545	3,708	3,869	3,869
Revenue	6,548	7,754	8,859	9,834	10,740	11,620	12,468	13,296	14,108	14,905	14,905
EBITDA	731	919	1,092	1,259	1,403	1,462	1,574	1,683	1,790	1,895	1,895
EBITDA margin	11.2%	11.8%	12.3%	12.8%	13.1%	12.6%	12.6%	12.7%	12.7%	12.7%	12.7%
EBIT	300	361	458	591	718	788	926	1,042	1,149	1,253	1,253
Tax	63	76	96	124	151	165	194	219	241	263	263
CAPEX	-963	-960	-809	-766	-689	-558	-556	-641	-641	-641	-641
Working capital	7	91	79	69	61	57	53	49	46	43	43
FCF	-288	-27	266	437	624	796	876	872	954	1,033	1,054
PV FCF	-272	-23	215	327	431	508	516	473	477	476	
WACC	8.1%	8.1%	8.1%	8.1%	8.2%	8.3%	8.4%	8.5%	8.5%	8.6%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	10,030
Net debt	1,418
Other adjustments	35
Value per share (PLN)	404.30

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	395.97
DCF Val.	50%	404.30
Implied Price		400.13
Cost of equity (9M)		6.4%
9M Target Price		426.00

CCC buy (reiterated)

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CCC reported weaker-than-expected financial results for Q4 2017, led by low sales in October coupled with high SG&A expenses driven by higher price discounts and costs of online store development. In the first quarter of 2018, traffic at Polish footwear stores was slow due to unfavorable weather, resulting in a 3.8% y/y drop to PLN 693m in the quarterly sales revenue of CCC. With that said, the seasonally slow first quarter is not indicative of the full-year earnings potential, this year supported by cheaper merchandise costs owed to a weaker dollar. We expect CCC to grow sales at a modest pace in the first three quarters of 2018, followed by a stronger rebound in the fourth quarter, and we anticipate increasing sales margins this year thanks to the reduced dollar costs. Cash flow could remain subdued until the autumn/winter season with a substantial amount of cash locked into leftover inventory from the 2017 autumn/winter season. We maintain a buy rating for CCC after the recent share price drop.

Current Price

257.40 PLN

Upside

9M Target Price

295.00 PLN

+14.6%

	rating	target price	issued
new	buy	295.00 PLN	2018-04-06
old	buy	286.00 PLN	2018-03-05
Key Metrics		CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	-9.7% -2.6%
ISIN	PLCCC0000016	YTD Price Chng	-9.7% -2.6%
Outst. Stock (m)	41.1	ADTV 1M	PLN 27.9m
MC (PLN m)	10,586.1	ADTV 6M	PLN 24.1m
EV (PLN m)	11,155.6	EV/EBITDA 12M fwd	15.1 -4.6%
Free Float	59.4%	EV/EBITDA 5Y avg	15.8 discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,185	4,193	5,223	6,755	8,319
EBITDA	443	498	588	845	1,072
EBITDA margin	13.9%	11.9%	11.3%	12.5%	12.9%
EBIT	374	405	480	725	943
Net income	306	279	315	532	715
P/E	32.9	37.9	33.6	19.9	14.8
P/B	11.0	9.6	7.8	5.8	4.3
EV/EBITDA	24.3	22.2	19.0	13.2	10.2
DPS	2.19	2.47	1.40	1.87	0.00
DYield	0.9%	1.0%	0.5%	0.7%	0.0%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			-1.6%	-5.1%	-9.2%
Net income			-6.2%	-11.6%	-14.4%
Gross profit margin			+0.1 p.p.	+0.3 p.p.	+0.2 p.p.
B&M sales/sqm			+2.2%	+3.2%	+2.2%
SG&A/sqm			+0.1%	+0.0%	-1.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, B&M sales	2,902	3,588	4,336	5,211	6,002
EBITDA, B&M	393	415	457	648	778
Revenue, e-commerce	287	606	1,030	1,545	2,317
EBITDA, e-commerce	50.6	82.6	131.0	196.6	294.9
Gross profit margin	52.7%	51.2%	52.2%	51.6%	51.1%
Operating cash flow	175	78	218	353	527
D&A	70	93	108	119	129
Working capital	-273	-588	-265	-367	-377
Investing cash flow	-362	-212	-196	-194	-203
CAPEX	-382	-245	-196	-194	-203
Financing cash flow	5	-11	-250	-121	-88
Dividends/Buyback	86	101	58	77	77
FCF	-282	-164	15	7	150
FCF/EBITDA	-64%	-33%	3%	1%	14%
OCF/EBITDA	39%	16%	37%	42%	49%

Key Ratios

(PLN)	2016	2017	2018P	2019P	2020P
Sales/sqm, PL	700	744	743	755	768
Sales/sqm, CEE	514	529	523	531	534
Sales/sqm, WE	409	470	492	558	609
e-comm as % of sales	9.0%	14.4%	19.7%	22.9%	27.9%
Cash (PLN m)	142	512	284	322	558
Net debt (PLN m)	656	406	502	488	301
Net debt/EBITDA (x)	1.5	0.8	0.9	0.6	0.3

Relative Valuation Summary

	18P	P/E 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	53.0	42.4	33.0	24.5	18.2	14.2
Maximum	74.9	57.2	45.8	41.5	26.2	20.4
Median	72.5	52.4	40.8	32.3	23.6	17.9
Weight	11%	11%	11%	11%	11%	11%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	683	701	710	721	733	729	726	722	738	773	0
SG&A/sqm (PLN)	274	276	277	280	286	289	289	286	292	306	0
Sales area (k sqm)	575	664	745	825	903	986	1,073	1,167	1,193	1,218	0
Revenue	4,336	5,211	6,002	6,790	7,597	8,261	8,967	9,705	10,445	11,183	11,183
EBITDA	512	648	778	908	1,025	1,113	1,228	1,338	1,429	1,511	1,515
EBITDA margin	11.8%	12.4%	13.0%	13.4%	13.5%	13.5%	13.7%	13.8%	13.7%	13.5%	13.6%
EBIT	407	532	652	772	878	907	989	1,107	1,213	1,302	1,302
Tax	77	101	124	147	167	172	188	210	230	247	0
CAPEX	193	191	200	219	236	850	304	105	118	214	214
Working capital	229	353	307	402	362	269	288	299	309	319	319
FCF	15	7	150	143	264	-174	452	728	776	735	757
PV FCF	14	6	119	104	177	-107	255	377	369	321	303
WACC	8.8%	8.8%	8.9%	9.0%	8.7%	8.7%	9.0%	9.0%	9.0%	9.0%	9.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	3.0%
PV FCF	7,140
Net debt	521
Other adjustments	4,749
Value per share (PLN)	276.43

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	276.60
DCF Val.	50%	276.43
Implied Price		276.51
Cost of equity (9M)		6.6%
9M Target Price		295.00



Dino buy (no change)

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Dino's 2017 fourth-quarter results exceeded our estimates and market expectations, with a business model facilitating sustained growth in like-for-like sales and profit margins. Dino improved its cash conversion cycle by 5.4 days to 52 days in 2017, but it still has potential to gain another 1.5 days per year in 2018-2021. Based on the fast-paced expansion achieved in 2017, we recently raised our 2018 growth forecast for per-square-meter sales from 5.9% to 6.5%. This is expected to be accompanied by improving EBITDA margins, supported by economies of scale and decreasing SG&A expenses, with our 2018 EBITDA margin forecast revised upward by 0.2pp to 9.1%. As a result, we expect Dino to generate FY2018 annual EBITDA of PLN 541.9m, representing an increase of 35% from the adjusted year-ago figure, and we forecast a 2017-2021E EBITDA CAGR of 21.4%, unequaled by any of the Company's peers. On our updated estimates, DNP is currently trading at 27x 2018E P/E and 05.9x EV/EBITDA Growth – multiples which make it a growth stock. We maintain a buy rating for DNP.

Current Price

86.90 PLN

Upside

9M Target Price

103.50 PLN

+19.1%

	rating	target price	issued
unchanged	buy	103.50 PLN	2018-04-04

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+10.3%	+17.3%
ISIN	PLDINPL00011	YTD Price Chng	+10.3%	+17.3%
Outst. Stock (m)	98.0	ADTV 1M		PLN 14.6m
MC (PLN m)	8,519.7	ADTV 6M		PLN 22.5m
EV (PLN m)	9,063.7	EV/EBITDA 12M fwd	16.8	+8.2%
Free Float	48.9%	EV/EBITDA 5Y avg	15.5	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,370	4,516	5,944	7,576	9,268
EBITDA	281	389	542	698	855
EBITDA margin	8.3%	8.6%	9.1%	9.2%	9.2%
EBIT	216	303	429	557	685
Net income	151	214	319	427	532
P/E	56.3	39.9	26.7	20.0	16.0
P/B	12.5	9.4	7.0	5.2	3.9
EV/EBITDA	32.1	23.1	16.7	12.9	10.2
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		+5.1%	+8.2%	+8.7%	
Net profit		+7.6%	+10.6%	+10.3%	
Store count		0.0%	0.0%	0.0%	
Sales/sqm		+0.4%	+2.4%	+2.3%	
EBITDA margin		+0.4 p.p.	+0.5 p.p.	+0.5 p.p.	

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
Store count	628	775	953	1,153	1,338
Total store area (ksqm)	238	295	364	442	515
Avg. store area (sqm)	380	381	382	383	385
Sales margin	22.9%	23.0%	23.1%	23.2%	23.2%
Stores per distr. center	209	258	238	288	268
Operating cash flow	324	497	614	775	925
D&A	65	86	113	141	171
Working capital	47	131	147	177	194
Investing cash flow	-310	-402	-638	-652	-614
CAPEX	-312	-411	-638	-652	-614
Financing cash flow	18	41	-35	-131	-128
Dividends/Buyback	92	31	0	-100	-100
FCF	-24	50	-30	117	305
FCF/EBITDA	-9%	13%	-6%	17%	36%
OCF/EBITDA	116%	128%	113%	111%	108%

Key Ratios

	2016	2017	2018P	2019P	2020P
Days inventory	38.8	38.7	38.1	37.5	36.8
Days receivables	3.6	3.1	3.1	3.1	3.1
Days payables	80.7	85.2	86.2	87.2	88.2
CCC (days)	-38.2	-43.5	-45.1	-46.7	-48.3
SG&A/Sales	16.5%	16.4%	15.9%	15.8%	15.9%
Net debt (PLN m)	496	485	544	452	169
Net debt/EBITDA (x)	1.8	1.2	1.0	0.6	0.2

Relative Valuation Summary

	PEG			P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P	18P	19P	20P
Minimum	0.4	0.4	0.3	11.2	10.2	7.3	4.6	4.5	4.4
Maximum	7.0	6.8	6.7	21.1	18.2	16.7	9.2	8.4	7.8
Median	0.9	0.8	0.7	17.0	12.8	12.0	6.6	6.0	5.5
Weight	11%	11%	11%	11%	11%	11%	11%	11%	11%

DCF Analysis

(EUR m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Store count	953	1,153	1,338	1,438	1,538	1,638	1,738	1,838	1,938	2,038	2,038
Sales/sqm	1,502	1,565	1,614	1,639	1,663	1,662	1,661	1,660	1,660	1,659	1,659
SG&A/Sales	15.9%	15.8%	15.9%	15.9%	15.9%	16.0%	16.0%	16.1%	16.1%	16.1%	16.1%
Revenue	5,944	7,576	9,268	10,523	11,480	12,285	13,095	13,911	14,731	15,557	15,557
EBITDA	542	698	855	970	1,053	1,106	1,173	1,227	1,291	1,355	1,355
EBITDA margin	9.1%	9.2%	9.2%	9.2%	9.2%	9.0%	9.0%	8.8%	8.8%	8.7%	8.7%
EBIT	429	557	685	775	845	892	951	996	1,055	1,114	1,114
Tax	82	106	130	147	161	169	181	189	200	212	0
CAPEX	-638	-652	-614	-429	-325	-330	-393	-331	-318	-318	-318
Working capital	147	177	194	162	139	86	86	87	88	88	88
FCF	-30	117	305	556	706	693	686	794	860	914	936
PV FCF	-30	106	256	430	504	457	417	446	446	437	
WACC	8.1%	8.2%	8.2%	8.4%	8.4%	8.3%	8.3%	8.3%	8.4%	8.4%	8.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	7,625
Net debt	485
Other adjustments	0
Value per share (EUR)	108.21

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	86.40
DCF Val.	50%	108.21
Implied Price		97.31
Cost of equity (9M)		6.4%
9M Target Price		103.50

Eurocash buy (reiterated)

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Eurocash reported disappointing earnings results for the fourth quarter of 2017, weighed down by the Cash & Carry segment, experiencing shrinking profits on sales of alcohol and impulse products. Eurocash closed ten C&C locations in 2017. The Company is moving forward with the plan to cut annual costs by PLN 150m (with PLN 70m saved in 2017), expected to offset the upward salary pressures experienced this year. Supported by growth in integrated wholesale and retail, this should drive 2018 EBITDA 18% higher to a projected PLN 429m. Eurocash plans to open 900 new supermarket locations by the end of 2023, and it is aiming for target retail sales of PLN 10bn and EBITDA of PLN 600m assuming the segmental margins reach the 6% target. EUR performance in April is set to be boosted by good financial results for the first quarter of 2018, supported by the Easter effect and favorable market conditions.

Current Price

24.41 PLN

Upside

9M Target Price

30.70 PLN

+25.8%

	rating	target price	issued
new	buy	30.70 PLN	2018-04-06
old	buy	31.10 PLN	2018-03-05
Key Metrics		EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-7.8% -0.7%
ISIN	PLEURCH00011	YTD Price Chng	-7.8% -0.7%
Outst. Stock (m)	139.2	ADTV 1M	PLN 9.8m
MC (PLN m)	3,397.0	ADTV 6M	PLN 21.1m
EV (PLN m)	3,543.6	EV/EBITDA 12M fwd	8.5 -26.6%
Free Float	53.0%	EV/EBITDA 5Y avg	11.6 discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	21,206	23,271	25,772	26,954	27,544
EBITDA	440	246	429	472	517
EBITDA margin	2.1%	1.1%	1.7%	1.8%	1.9%
EBIT	274	63	247	284	328
Net income	179	-33	133	172	236
P/E	18.9	-	25.6	19.8	14.4
P/B	2.9	3.3	2.9	2.6	2.4
EV/EBITDA	8.6	15.6	8.3	7.1	6.1
DPS	1.05	0.80	-0.12	0.48	0.62
DYield	4.3%	3.3%	-0.5%	2.0%	2.5%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			-1.2%	-1.4%	0.0%
Net income			-4.1%	+0.3%	0.0%
Independent Wholesale (EBITDA)			0.0%	0.0%	0.0%
Integrated Wholesale (EBITDA)			0.0%	0.0%	0.0%
Retail (EBITDA)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Independent Wholesale (S)	13,886	14,460	14,460	14,171	13,746
Integrated Wholesale (S)	7,766	8,065	8,404	8,572	8,743
Retail (S)	976	2,273	2,500	3,240	3,467
New Projects (S)	80.6	557.3	836.8	920.5	1058.6
New Projects (EBITDA)	-41	-49	-37	-21	5
Operating cash flow	325	494	500	482	491
D&A	166	183	182	188	189
Working capital	-99	247	119	63	40
Investing cash flow	-270	-336	-164	-165	-167
CAPEX	-136	-162	-164	-165	-167
Financing cash flow	22	-117	-421	-24	-112
Dividends/Buyback	-146	-111	17	-66	-86
FCF	98	359	-199	290	306
FCF/EBITDA	22%	146%	-46%	62%	59%
OCF/EBITDA	74%	200%	117%	102%	95%

Key Ratios

	2016	2017	2018P	2019P	2020P
Days inventory	21.1	23.4	23.2	23.2	23.2
Days receivables	30.1	26.4	26.2	26.0	25.8
Days payables	66.9	70.0	69.3	69.3	69.3
CCC (days)	-15.8	-20.2	-19.9	-20.1	-20.3
SG&A/Sales	9%	10%	10%	10%	9%
Net debt (PLN m)	324	370	83	-109	-321
Net debt/EBITDA (x)	0.7	1.5	0.2	-0.2	-0.6

Relative Valuation Summary

	18P	P/E 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	12.4	9.6	7.5	5.3	5.1	4.6
Maximum	39.5	30.3	61.0	9.3	8.6	7.9
Median	19.9	14.3	11.6	6.6	6.0	5.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Ind. Whlsl. (EBITDA)	199	197	191	178	173	168	163	158	153	148	148
Int. Whlsl. (EBITDA)	303	317	324	334	344	354	364	375	387	398	398
Retail (EBITDA)	46	55	75	100	105	109	114	118	123	128	128
Revenue	25,772	26,954	27,544	28,129	28,778	29,472	30,215	31,012	31,480	32,404	32,404
EBITDA	429	472	517	541	549	557	566	575	585	595	595
EBITDA margin	1.66%	1.75%	1.88%	1.92%	1.91%	1.89%	1.87%	1.86%	1.86%	1.83%	1.83%
EBIT	230	266	310	333	341	348	356	364	373	402	402
Tax	564	61	65	64	64	65	66	67	69	74	74
CAPEX	-164	-165	-167	-169	-171	-173	-174	-176	-193	-193	-193
Working capital	-117	-62	-39	-40	-43	-45	-48	-52	-39	-59	-59
FCF	-199	290	306	328	339	346	355	365	343	387	387
PV FCF	-188	253	247	245	234	221	209	199	173	180	180
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.5%
PV FCF	4,494
Net debt	370
Other adjustments	64
Value per share (PLN)	29.18

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	28.20
DCF Val.	50%	29.18
Implied Price		28.99
Cost of equity (9M)		6.0%
9M Target Price		30.70

Jeronimo Martins accumulate (reiterated)

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Jeronimo Martins's supermarkets in Poland continued to generate like-for-like sales growth off a high year-ago base in 2017, achieving an annual pace of 7.6% in Q4 2017 vs. 11.9% in Q4 2016 which offset cost pressures and produced a slightly higher sales margin. At the same time, the Portuguese business experienced a slowdown caused by low inflation, higher labor costs, and intense competition. Ara supermarkets in Colombia and Hebe drugstores in Poland generated further development expenses last year, but nevertheless Jeronimo's 2017 FY EBITDA posted a 7.7% y/y rebound to EUR 253m. In 2018, the main focus for the Biedronka chain in Poland is on further lfl growth through constant expansion of the sales mix, the positive effects of which will be enhanced by accelerating inflation and increasing consumer spending. Total costs are set to rise this year as Biedronka continues to experience pay pressures and the Colombian business continues to expand its presence (Jeronimo has accelerated store additions to reach 1,000 Ara locations by 2020). We expect Jeronimo Martins to report solid 2018 first-quarter earnings on April 26th.

Current Price

14.90 EUR

Upside

9M Target Price

16.40 EUR

+10.1%

	rating	target price	issued
new	accumulate	16.40 EUR	2018-04-06
old	accumulate	16.90 EUR	2018-03-05
Key Metrics			
Ticker	JMT PL	1M Price Chng	-8.0% -1.0%
ISIN	PTJMT0AE0001	YTD Price Chng	-8.0% -1.0%
Outst. Stock (m)	629.3	ADTV 1M	EUR 12.3m
MC (EUR m)	9,373.3	ADTV 6M	EUR 13.2m
EV (EUR m)	9,289.0	EV/EBITDA 12M fwd	9.1 -9.3%
Free Float	-	EV/EBITDA 5Y avg	10.0 discount

Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
Revenue	14,622	16,276	17,972	19,282	20,297
EBITDA	862	920	1,050	1,136	1,203
EBITDA margin	5.9%	5.7%	5.8%	5.9%	5.9%
EBIT	536	577	674	718	749
Net income	593	386	465	498	520
P/E	15.8	24.3	20.1	18.8	18.0
P/B	5.4	5.3	4.6	4.1	3.6
EV/EBITDA	10.8	10.3	8.9	8.0	7.3
DPS	0.28	0.63	0.31	0.37	0.40
DYield	1.9%	4.2%	2.1%	2.5%	2.7%
Revision of Projections (% change)					
EBITDA			-0.9%	-0.4%	+0.9%
Net income			-6.1%	-8.9%	-9.2%
Y/Y sales/sqm, Biedronka			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Pingo Doce			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Recheio			0.0 p.p.	0.0 p.p.	0.0 p.p.

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
EBITDA Biedronka, PL	704	805	893	945	973
EBITDA Pingo Doce, PT	192	193	197	198	198
EBITDA Recheio, PT	47	50	51	53	52
EBITDA Other	-79	-94	-92	-59	-20
CCC (days)	-70	-67	-67	-67	-67
Operating cash flow	843	896	1,071	1,099	1,116
D&A	326	343	376	418	454
Working capital	180	145	230	183	142
Investing cash flow	-126	-660	-695	-710	-512
CAPEX	-433	-662	-695	-710	-512
Financing cash flow	-504	-418	-243	-233	-249
Dividends/Buyback	177	396	193	233	249
FCF	515	249	404	417	631
FCF/EBITDA	60%	27%	38%	37%	52%
OCF/EBITDA	98%	97%	102%	97%	93%

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
Gross profit margin	21.3%	21.2%	21.5%	21.5%	21.5%
SG&A/Sales	17.4%	17.6%	17.7%	17.7%	17.8%
Y/Y sales/sqm, Biedr.	2.7%	9.3%	7.0%	2.7%	0.0%
Y/Y sales/sqm, P. Doce	1.0%	0.8%	1.1%	0.4%	0.6%
Y/Y sales/sqm, Recheio	5.0%	5.3%	2.1%	2.8%	-0.2%
Net debt (EUR m)	-304	-159	-342	-499	-853
Net debt/EBITDA (x)	-0.4	-0.2	-0.3	-0.4	-0.7

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	13.0	10.3	8.8	6.2	5.3	4.7
Maximum	23.3	22.8	14.8	9.0	8.0	7.2
Median	16.8	13.8	12.3	7.5	6.7	6.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(EUR m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Biedronka stores	2,891	2,959	3,027	3,067	3,107	3,147	3,187	3,227	3,267	3,307	3,307
Pingo Doce stores	426	426	426	426	426	426	426	426	426	426	426
Ara stores	559	799	1,059	1,219	1,379	1,539	1,659	1,739	1,779	1,819	1,819
Revenue	17,972	19,282	20,297	21,199	21,902	22,535	23,115	23,608	24,014	24,390	24,390
EBITDA	1,050	1,136	1,203	1,272	1,357	1,389	1,415	1,442	1,465	1,485	1,485
EBITDA margin	5.8%	5.9%	5.9%	6.0%	6.2%	6.2%	6.1%	6.1%	6.1%	6.1%	6.1%
EBIT	674	718	749	803	879	902	923	950	969	976	976
Tax	181	193	201	216	237	243	248	256	261	263	263
CAPEX	-695	-710	-512	-460	-456	-452	-416	-381	-496	-509	-509
Working capital	230	183	142	126	98	88	81	69	57	53	53
FCF	404	417	631	722	763	783	831	874	765	766	780
PV FCF	380	362	507	535	523	495	485	471	381	352	
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	1.8%
PV FCF	9,951
Net debt	-159
Other adjustments	258
Value per share (EUR)	15.66

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	15.21
DCF Val.	50%	15.66
Implied Price		15.43
Cost of equity (9M)		6.2%
9M Target Price		16.40

LPP accumulate (reiterated)

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LPP delivered strong earnings in 2017, driven by positive like-for-like sales growth and gross margin expansion by 4.2pp to 52.9% thanks to less severe price markdowns and revamped fashion collections. In the fourth quarter of 2017, the Retailer experienced a 14.6% increase in SG&A expenses per square meter, led by hiring, marketing, and higher logistics expenses related to the development of e-commerce. We expect LPP to continue increasing sales and margins in the first half of 2018 thanks to better designs and lower merchandise costs owed to a weak dollar. According to a preliminary release, in the first quarter of 2018 LPP achieved positive like-for-like growth of 8.2%, and it experienced a deceleration in per-sqm SG&A to an annual rate of 3.9%, a substantial slowdown compared to previous quarters. The sales margin posted y/y contraction by 0.6pp in Q1 due to intense marketing activity. We believe LPP is poised for a strong earnings rebound in Q2 2018 on further lfl growth and an expected increase in the sales margin on merchandise purchased at "cheap" dollar.

Current Price

8,900.00 PLN

Upside

9M Target Price

9,500.00 PLN

+6.7%

	rating	target price	issued
new	accumulate	9,500.00 PLN	2018-04-06
old	accumulate	9,500.00 PLN	2018-03-05
Key Metrics		LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	-0.1% +7.0%
ISIN	PLPP0000011	YTD Price Chng	-0.1% +7.0%
Outst. Stock (m)	1.9	ADTV 1M	PLN 21.3m
MC (PLN m)	16,486.6	ADTV 6M	PLN 20.7m
EV (PLN m)	15,814.3	EV/EBITDA 12M fwd	14.6 -2.3%
Free Float	62.0%	EV/EBITDA 5Y avg	15.0 discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,019	7,029	8,328	9,752	11,074
EBITDA	494	872	1,120	1,282	1,432
EBITDA margin	8.2%	12.4%	13.4%	13.1%	12.9%
EBIT	226	578	793	925	1,045
Net income	175	441	645	758	862
P/E	93.5	37.4	25.5	21.7	19.1
P/B	7.7	6.7	5.6	4.7	4.0
EV/EBITDA	33.4	18.5	14.1	12.0	10.4
DPS	32.66	35.71	72.07	107.01	123.97
DYield	0.4%	0.4%	0.8%	1.2%	1.4%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			-0.7%	-1.7%	-4.0%
Net income			-5.3%	-6.6%	-10.0%
Sales per sqm			-0.4%	+1.1%	+0.7%
SG&A/sqm			-0.1%	2.7%	3.2%
Sales area			0.0%	0.5%	0.8%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue/sqm, PL (PLN)	585	665	752	828	908
Revenue/sqm, RU (PLN)	534	589	613	627	626
Revenue/sqm, CZ (PLN)	545	649	700	716	730
Revenue/sqm, DE (PLN)	485	520	546	556	555
Gross profit margin	48.7%	52.9%	54.0%	53.9%	53.8%
Operating cash flow	718	893	951	1,038	1,171
D&A	267	293	327	357	387
Working capital	256	101	-31	-77	-77
Investing cash flow	-181	-384	-463	-399	-405
CAPEX	-272	-442	-463	-399	-405
Financing cash flow	-394	-360	-139	-402	-222
Dividends/Buyback	60	66	132	196	228
FCF	444	358	435	587	712
FCF/EBITDA	90%	41%	39%	46%	50%
OCF/EBITDA	145%	102%	85%	81%	82%

Key Ratios

(k sqm)	2016	2017	2018P	2019P	2020P
Salea area, PL	497	516	537	564	587
Salea area, RU	170	201	227	263	298
Sales area, CZ	43	43	45	49	53
Sales area, DE	38	47	52	52	53
Cash (PLN m)	366	515	863	1,100	1,646
Net debt (PLN m)	144	-316	-672	-1,115	-1,654
Net debt/EBITDA (x)	0.3	-0.4	-0.6	-0.9	-1.2

Relative Valuation Summary

	18P	P/E 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	14.9	14.5	14.0	7.9	7.6	7.2
Maximum	23.1	20.8	18.8	16.2	13.1	11.3
Median	22.5	18.6	15.6	13.0	12.1	11.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	661	706	733	756	772	780	777	775	772	831	831
SG&A/sqm (PLN)	295	316	329	337	342	347	346	346	347	375	375
Sales area (k sqm)	1,097	1,205	1,312	1,417	1,532	1,650	1,779	1,921	2,077	1,935	1,935
Revenue	8,328	9,752	11,074	12,379	13,664	14,890	15,987	17,194	18,526	20,001	20,001
EBITDA	1,120	1,282	1,432	1,596	1,763	1,861	1,957	2,053	2,161	2,282	2,282
EBITDA margin	13.4%	13.1%	12.9%	12.9%	12.9%	12.5%	12.2%	11.9%	11.7%	11.4%	11.4%
EBIT	793	925	1,045	1,207	1,369	1,459	1,541	1,619	1,703	1,795	1,795
Tax	152	176	199	229	260	277	293	308	324	341	341
CAPEX	-463	-399	-405	-407	-441	-454	-487	-525	-568	-617	-617
Working capital	70	120	117	107	105	100	90	99	109	121	121
FCF	435	587	712	853	957	1,030	1,087	1,121	1,159	1,202	1,232
PV FCF	435	541	605	668	690	685	666	633	604	577	
WACC	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	16,502
Net debt	-316
Other adjustments	0
Value per share (PLN)	9,100

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	8,200
DCF Val.	50%	9,100
Implied Price		8,920
Cost of equity (9M)		6.4%
9M Target Price		9,500

TXM buy (no change)

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By offering substantial price discounts, TXM experienced a continuing slowdown in profits in the third quarter of 2017, with the gross margin down by 5.1pp year over year to 35.2%. The contraction was compounded by higher rental rates and SG&A expenses. Despite sharp merchandise markdowns, sales in Q4 fell by a further 1.4% y/y, with SG&A expected to have posted a sharp one-time upturn related to severance benefits. The turnaround initiatives taken by TXM's Management should start generating results in 2018, driving a rebound in sales supported by positive base effects and plans to revamp the merchandise mix. As a result, profits are poised for a substantial recovery in the second half of the year, and TXM's medium-term growth prospects are strong in our view. In the mean time, the profits for FY2017, due to be released on 19 April, will probably be worse than in the previous year.

Current Price

2.36 PLN

Upside

9M Target Price

5.41 PLN

+129.2%

	rating	target price	issued
unchanged	buy	5.41 PLN	2018-02-02

Key Metrics		TXM PW	vs. WIG
Ticker	TXM PW	1M Price Chng	-1.7% +5.4%
ISIN	PLTXM0000015	YTD Price Chng	-52.8% -45.7%
Outst. Stock (m)	33.4	ADTV 1M	PLN 0.06m
MC (PLN m)	78.9	ADTV 6M	PLN 0.04m
EV (PLN m)	108.0	EV/EBITDA 12M fwd	8.6 +37.9%
Free Float	21.4%	EV/EBITDA 5Y avg	6.2 premium

Earnings Projections

(PLN m)	2016	2017P	2018P	2019P	2020P
Revenue	379	387	463	500	531
EBITDA	22.9	-16.8	15.8	28.3	34.8
EBITDA margin	6.0%	-4.3%	3.4%	5.7%	6.6%
EBIT	16.6	-22.8	8.6	21.0	27.1
Net income	13.0	-19.5	6.0	16.0	21.0
P/E	6.1	-	13.2	4.9	3.8
P/B	1.2	1.2	1.1	1.0	0.8
EV/EBITDA	4.6	-	6.8	3.6	2.7
DPS	0.21	0.00	0.06	0.17	0.22
DYield	8.9%	0.0%	2.7%	7.1%	9.3%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue per square meter			0.0 p.p.	0.0 p.p.	0.0 p.p.
SG&A per square meter			0.0 p.p.	0.0 p.p.	0.0 p.p.
Sales area			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017P	2018P	2019P	2020P
Revenue, PL	310	340	326	379	403
Revenue, SK	3	5	7	17	23
Revenue, RO	1	17	45	69	79
Y/Y sales/sqm, PL	2.8%	-3.5%	-14.1%	15.3%	4.6%
Y/Y sales/sqm, RO	0.0%	5.2%	-23.7%	34.3%	-0.1%
Operating cash flow	18	3	57	101	184
D&A	4	6	6	7	7
Working capital	-6	13	20	-13	-4
Investing cash flow	-15	-33	-19	-13	-10
CAPEX	-14	-28	-19	-13	-10
Financing cash flow	0	-6	27	-3	-7
Dividends/Buyback	0	-7	0	-2	-6
FCF	4	6	-9	-9	12
FCF/EBITDA	17%	27%	55%	-58%	43%
OCF/EBITDA	71%	170%	-	24%	79%

Key Metrics

(days)	2016	2017P	2018P	2019P	2020P
Days inventory	72	80	83	83	84
Days receivables	5	22	4	4	4
Days payables	38	66	71	64	63
CCC	39	36	17	24	25
Gross profit margin	41.0%	42.0%	40.7%	41.5%	42.2%
Net debt (PLN m)	21	26	17	29	24
Net debt/EBITDA (x)	0.8	1.2	-1.0	1.8	0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	17P	18P	19P	17P	18P	19P
Minimum	8.6	9.3	8.8	2.3	2.9	2.8
Maximum	31.8	26.3	20.8	18.4	14.0	11.3
Median	16.1	16.1	14.1	9.1	7.7	7.1
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	17P	18P	19P	20P	21P	22P	23P	24P	25P	26P	+
Sales/sqm (PLN)	310	354	365	371	374	373	373	367	362	360	359
SG&A/sqm (PLN)	131	141	137	136	135	135	134	134	133	132	131
Salea area (k sqm)	410	427	444	461	478	495	512	529	546	563	580
Revenue	387	463	500	531	558	580	604	616	631	650	663
EBITDA	-17	16	28	35	38	40	43	42	42	44	45
EBITDA margin	-4.3%	3.4%	5.7%	6.6%	6.8%	7.0%	7.1%	6.9%	6.6%	6.8%	6.7%
EBIT	-23	9	21	27	30	32	34	33	33	35	35
Tax	-6	-1	2	5	6	6	6	6	6	7	7
CAPEX	-19	-13	-10	-9	-14	-9	-9	-9	-9	-9	-9
Working capital	-20	13	4	4	3	4	3	2	2	3	3
FCF	-9	-9	12	16	15	22	25	25	24	25	26
PV FCF	-9	-8	10	12	10	14	14	13	12	11	
WACC	8.3%	8.1%	8.3%	8.7%	9.0%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.2
FCF perp. growth rate	2.0%
PV FCF	229
Net debt	53
Other adjustments	20
Value per share (PLN)	5.86

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.24
DCF Val.	50%	5.86
Implied Price		5.05
Cost of equity (9M)		7.1%
9M Target Price		5.41

Other PBKM hold (reiterated)

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PBKM's net profit for Q4 2017 fulfilled our expectations but fell 20% short of the consensus forecast. On a higher revenue, the Company posted profit contraction in the period. BKM stock gained another 5.8% in the past month, with gains over the last five months reaching 28.8%, and with no more upside potential we maintain a hold rating for the stock. We predict PBKM will grow EBITDA at a pace greater than 10% in 2018. On the other hand, it will generate FCFE of approximately PLN 13m, implying FCFE yield of 3.8%. PBKM is in acquisition talks with ten different potential targets, and it hopes to finalize at least one deal by the end of June using cash on hand or a bond issue if necessary, but not by issuing new shares (PBKM says it prefers to draw on internal cash resources or issue debt should one of the ongoing M&A opportunities being considered pan out). Last but not least, PBKM says it has every intention of paying regular dividends in the years ahead, with the size of the payouts determined by acquisitions. After relative valuation adjustments, we raise our 9-month target price for BKM to PLN 76.83 per share.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
New CBU acquisitions (k)	18.9	20.1	21.1	21.9	22.5
Revenue per new CBU	5.13	5.32	5.48	5.62	5.77
Total CBUs (k)	127.7	146.8	166.7	187.3	0.0
Revenue	128.3	147.1	161.0	173.4	185.1
COGS	50.2	56.2	60.9	65.6	69.7
Gross profit	78.1	90.9	100.1	107.8	115.4
margin	60.9%	61.8%	62.1%	62.2%	62.3%
Selling expenses	28.0	31.4	33.8	35.6	37.1
G&A expenses	20.5	20.5	21.3	22.4	24.1
Other oper. activity	0.4	2.2	0.4	0.0	0.0
EBIT	29.9	41.2	45.3	49.8	54.1
D&A	4.1	4.8	5.3	5.5	5.7
EBITDA	34.1	46.0	50.7	55.3	59.8
margin	26.6%	31.3%	31.5%	31.9%	32.3%
Net income	22.1	30.6	33.9	37.4	40.6

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Cash EBIT	23.0	25.4	28.8	29.5	30.2	31.0	31.8	32.6	33.4	34.2	
EBIT tax	3.9	4.5	5.3	5.4	5.5	5.7	5.8	5.9	6.1	6.2	
NOPLAT	19.1	20.9	23.5	24.1	24.7	25.3	26.0	26.6	27.3	28.0	
D&A	5.3	5.5	5.7	6.1	6.3	6.4	6.6	6.7	6.9	7.1	
CAPEX	-8.0	-7.9	-8.2	-6.1	-6.3	-6.4	-6.6	-6.7	-6.9	-7.1	
Working capital	-3.2	-2.3	-2.5	-2.6	-2.6	-2.7	-2.8	-2.8	-2.9	-3.0	
FCF	13.3	16.2	18.5	21.5	22.1	22.6	23.2	23.8	24.4	25.0	25.6
PV FCF	12.5	14.1	14.8	15.9	15.0	14.2	13.4	12.6	11.9	11.3	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Cost of debt	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Cost of equity	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	

Dividend Discount Model (DDM)

(PLN m)	17P	18P	19P	20P	21P	22P	23P	24P	25P	26P	+
Dividends	13.0	17.0	18.7	20.2	20.9	21.4	21.9	22.5	23.0	24.2	24.8
PV of dividends	12.2	14.7	14.9	14.9	14.2	13.4	12.6	11.9	11.3	182.2	
Cost of equity	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

Current Price

77.00 PLN

Downside

9M Target Price

76.83 PLN

-0.2%

	rating	target price	issued
new	hold	76.83 PLN	2018-04-06
old	hold	76.00 PLN	2018-02-02
Key Metrics			
		BKM PW	vs. WIG
Ticker	BKM PW	1M Price Chng	+10.0% +17.1%
ISIN	0	YTD Price Chng	+10.0% +17.1%
Outst. Stock (m)	5.0	ADTV 1M	PLN 0.5m
MC (PLN m)	382.8	ADTV 6M	PLN 0.4m
EV (PLN m)	379.3	EV/EBITDA 12M fwd	6.4 +6.4%
Free Float	48.8%	EV/EBITDA 5Y avg	6.0 premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	128.3	147.1	161.0	173.4	185.1
EBITDA	34.1	46.0	50.7	55.3	59.8
EBITDA margin	26.6%	31.3%	31.5%	31.9%	32.3%
EBIT	29.9	41.2	45.3	49.8	54.1
Net income	22.1	30.6	33.9	37.4	40.6
P/E	17.3	12.5	11.3	10.2	9.4
P/B	6.9	4.9	3.9	3.2	2.7
EV/EBITDA	11.3	8.2	7.5	6.9	6.4
DPS	1.41	1.56	2.62	3.41	3.76
DYield	1.8%	2.0%	3.4%	4.4%	4.9%
Revision of Projections (% change)					
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	14.0	19.7	21.3	24.1	26.7
OCF/EBITDA	41%	43%	42%	44%	45%
CAPEX	-9.4	-6.5	-8.0	-7.9	-8.2
Assets	163.5	190.5	221.2	252.9	286.3
Equity	55.6	78.4	99.4	119.7	141.7
Net debt	-0.3	-1.3	-4.5	-3.2	-2.4
Net debt/EBITDA (x)	0.0	-0.1	-0.1	-0.1	0.0

Relative Valuation Summary

	EV / EBITDA			FCF / EV		
	18P	19P	20P	18P	19P	20P
Minimum	7.3	7.2	7.2	-5.6%	1.4%	2.0%
Maximum	36.1	17.6	14.4	8.0%	9.1%	10.0%
Median	10.5	9.6	9.0	3.5%	4.5%	4.8%
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	328.1
Net debt & other adj.	-1.3
Value per share (PLN)	66.26

DDM Summary

(PLN)	
Beta	1.0
DIV growth rate in perp.	2.5%
Value Per Share (PLN)	62.96

Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	83.20
DDM	33%	62.96
DCF	33%	70.48
Implied Price		72.23
Cost of equity (9M)		6.4%
9M Target Price		76.83

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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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%
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The production of new recommendations was completed on April 6, 2018, 08:34 AM.
 New recommendations were first disseminated on April 6, 2018, 08:34 AM.

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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.

Comparative – 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.

Comparable Companies Used In Relative Valuation Models

Agora	Axel Springer, Carmike Cinemas, Cinemark Holdings, Cineworld, Daily Mail&General, Gruppo Editoriale L'Espresso, IMAX Corp, JC Decaux, Lagardere, Regal Entertainment Group, Sanoma, Schibsted, Stroeer Media, Telegraaf Media Groep
AmRest	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Panera Bread, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
Asseco Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG, Tieto
Atal, Dom Development	Archicom, Atal, Dom Development, i2 Development, JWC, LC Corp, Lokum Deweloper, Polnord, Ronson
Budimex, Erbud, Unibep	Budimex, Elektrobudowa, Elektrotim, Erbud, Herkules, Torpol, Trakcja, Ulma, Unibep, ZUE, Strabag, Porr, Hochtief, Bouygues, Salini, Astaldi, Mota Engil, Skanska, PEAB, NCC
Capital Park, GTC	BBi Development, Capital Park, Echo Investment, GTC, P.A. Nova, PHN, Alstria Office, Atrium European RE, CA Immobilien, Deutsche Euroshop, DIC Asset, Immofinanz, Klepierre, Unibail-Rodamco, S Immo
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voox Net-a-Porter, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
CEZ, Enea, Energa, PGE, Tauron	CEZ, EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
Ciech	Akzo Nobel, BASF, Bayer, Ciner Resources, Dow Chemical, Huntsman, Soda Samayii, Solvay, Tata Chemicals, Tessenderlo Chemie, Tronox, Wacker Chemie
Comarch	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
Cyfrowy Polsat	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Swisscom, Talktalk Telecom, TDC, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpelcom, Vodafone Group
Dino	Carrefour, Dixy Group, Emperia, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Echo Investment	Archicom, Atal, Capital Park, Dom Development, GTC, JWC, LC Corp, Lokum Deweloper, P.A. Nova, PHN, Polnord, Ronson
Elektrobudowa	Budimex, Elektrobudowa, Elektrotim, Erbud, Herkules, Torpol, Trakcja, Ulma, Unibep, ZUE, Strabag, Porr, Hochtief, Bouygues, Salini, Astaldi, Mota Engil, Skanska, PEAB, NCC, Siemens, Alstom, ABB, Schneider Electric
Eurocash	Carrefour, Dixy Group, Emperia, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Atlas Copco, Caterpillar, Duro Felguera, Komatsu, Sandvik, Shanghai Chuangli, Tian Di
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	Carrefour, Emperia, Eurocash, Magnit, Tesco, X5
JSW	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukin Asam, Henan Shenhui, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heima, China Coal, Shougang Fushan Resources, Cokal, Teck Resources
Kernel	Astarta, Andersnons, ADM, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland, Nisshin Oillio Group, Ovostar, Wilmar
Kęty	Alcoa, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Impexmetal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
KGHM	Anglo American, Antofagasta, BHP Billiton, Boliden, First Quantum Minerals, Freeport-Mcmoran, Grupo Mexico, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
LC Corp	Archicom, Atal, Dom Development, Echo Investment, GTC, i2 Development, JWC, Lokum Deweloper, Polnord, Ronson
Lotos, MOL	Aker BP, Bashneft, BP, ENI, Galp, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras, Shell, Statoil, Total, Tullow Oil, Tupras, Unipetrol
LPP	CCC, Gerry Weber, H&M, Hugo Boss, IC Companys, Inditex, Kappahl, Marks & Spencer, Next, Tom Tailor
Netia	BT Group, Cyfrowy Polsat, Deutsche Telekom, Iliad, Koninklijke KPN, Magyar Telekom, Megafon, Mobile Telesystems, O2 Czech, Orange, Orange Polska, Rostelecom, Swisscom, Talktalk Telecom, TDC, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpelcom, Vodafone Group
Orange Polska	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, Netia, O2 Czech, Orange, Rostelecom, Swisscom, TDC, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
PGNiG	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, SSE, Statoil, Total
PKN Orlen	Braskem, Dow Chemical, Eastman, Galp, Hellenic, Huntsman, Indorama, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Unipetrol, Westlake
Play	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, TDC, Telecom Italia, TalkTalk, Tele2, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
Polwax	Alexandria Mineral Oils, Calumet Specialty Products, Ciech, Fuchs Petrolub, H&R, Moresco, Sasol
Skarbiec Holding	Affiliated Managers, AllianceBernstein, Altus, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Quercus, Schroders, T Rowe Price
Stelmet	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Paged, Pflaiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmorin, West Fraser
TXM	Brown Group, Bytom, Citi Trends, Duluth, Express, Giordano, Monnari, Premier Inv, The Buckle, Vistula
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Priceline Group, Yahoo!, Yandex

Recommendations Issued In the 12 Months Prior To This Publication

Agora					
Rating	buy	buy	buy	accumulate	buy
Rating date	2018-04-06	2018-01-26	2017-11-23	2017-10-02	2017-07-25
Target price (PLN)	18.40	18.90	18.00	18.80	18.80
Price on rating day	14.50	13.15	15.20	17.10	15.28

Ailleron			
Rating	neutral	neutral	neutral
Rating date	2018-03-28	2018-01-30	2017-11-28
Target price (PLN)	-	-	-
Price on rating day	16.20	17.60	18.73

Alior Bank		
Rating	buy	accumulate
Rating date	2018-02-01	2018-01-05
Target price (PLN)	109.00	90.00
Price on rating day	85.50	78.10

Alumetal		
Rating	neutral	overweight
Rating date	2017-07-31	2017-04-28
Target price (PLN)	-	-
Price on rating day	46.99	64.00

Amica	
Rating	overweight
Rating date	2018-01-05
Target price (PLN)	-
Price on rating day	130.00

AmRest				
Rating	reduce	hold	hold	buy
Rating date	2018-04-06	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	426.00	407.00	422.00	422.00
Price on rating day	449.50	425.00	403.00	357.00

Aptor			
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

Archicom	
Rating	overweight
Rating date	2018-01-25
Target price (PLN)	-
Price on rating day	15.75

Asseco BS			
Rating	neutral	neutral	neutral
Rating date	2018-03-28	2018-01-30	2017-11-28
Target price (PLN)	-	-	-
Price on rating day	28.00	28.90	26.29

Asseco Poland							
Rating	reduce	reduce	hold	reduce	hold	reduce	reduce
Rating date	2018-03-27	2018-02-02	2017-12-01	2017-11-03	2017-08-30	2017-07-20	2017-04-27
Target price (PLN)	41.20	44.00	44.80	44.80	44.00	44.80	48.79
Price on rating day	45.20	45.62	44.47	47.00	44.54	47.23	54.70

Asseco SEE			
Rating	overweight	overweight	overweight
Rating date	2018-03-28	2018-01-30	2017-11-28
Target price (PLN)	-	-	-
Price on rating day	12.95	13.25	11.45

Atal					
Rating	accumulate	accumulate	accumulate	accumulate	buy
Rating date	2018-04-06	2018-02-02	2017-09-01	2017-06-02	2017-04-10
Target price (PLN)	47.00	49.20	45.00	44.10	44.10
Price on rating day	43.40	42.40	40.40	40.00	34.89

Atende			
Rating	overweight	overweight	overweight
Rating date	2018-03-28	2018-01-30	2017-11-28
Target price (PLN)	-	-	-
Price on rating day	4.25	4.85	4.46

BBI Development		
Rating	neutral	neutral
Rating date	2018-02-02	2017-06-02
Target price (PLN)	-	-
Price on rating day	0.70	0.73

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

Budimex				
Rating	accumulate	buy	buy	hold
Rating date	2018-04-06	2018-02-02	2017-07-24	2017-05-08
Target price (PLN)	234.00	246.00	267.00	238.40
Price on rating day	215.00	197.80	229.50	275.65

Bytom			
Rating	overweight	neutral	overweight
Rating date	2017-11-28	2017-09-13	2017-08-25
Target price (PLN)	-	-	-
Price on rating day	2.50	2.67	2.37

BZ WBK

Rating	buy	hold	hold	accumulate	accumulate	hold
Rating date	2018-03-05	2018-02-01	2017-12-01	2017-11-03	2017-09-01	2017-05-08
Target price (PLN)	430.00	430.00	377.87	377.87	400.10	332.34
Price on rating day	357.80	420.00	370.00	358.50	369.60	351.25

Capital Park

Rating	buy	buy
Rating date	2018-04-06	2018-02-02
Target price (PLN)	8.35	8.42
Price on rating day	5.95	5.95

CCC

Rating	buy	buy	hold	hold	buy	accumulate	accumulate
Rating date	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01
Target price (PLN)	295.00	286.00	295.00	292.00	292.00	308.00	294.00
Price on rating day	257.40	243.00	281.00	293.00	239.85	276.00	262.20

CD Projekt

Rating	sell	sell	sell	sell
Rating date	2018-04-06	2018-02-02	2017-10-02	2017-09-01
Target price (PLN)	90.80	90.00	74.34	59.90
Price on rating day	114.90	115.00	116.25	83.40

CEZ

Rating	reduce	hold	hold	accumulate	accumulate	buy	accumulate	accumulate
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-10-02	2017-09-01	2017-06-27
Target price (CZK)	449.51	506.40	532.50	548.60	512.33	512.33	468.78	453.01
Price on rating day	519.50	495.00	530.00	490.70	481.30	441.30	416.00	399.00

Ciech

Rating	buy	buy	buy	buy	buy	buy
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-10-02	2017-09-01	2017-06-02
Target price (PLN)	85.40	85.87	90.13	79.54	77.07	82.00
Price on rating day	57.00	55.90	61.25	65.16	62.73	69.69

Comarch

Rating	buy	hold	hold	buy	accumulate	accumulate	hold	hold
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-11-27	2017-11-03	2017-10-02	2017-09-01	2017-06-02
Target price (PLN)	166.50	166.50	180.00	205.00	185.00	195.00	195.00	205.00
Price on rating day	131.50	155.00	177.00	178.30	163.50	178.50	195.00	223.00

Cyfrowy Polsat

Rating	hold	accumulate	hold	hold	reduce
Rating date	2018-04-06	2018-03-05	2018-01-31	2017-11-03	2017-08-29
Target price (PLN)	25.30	24.90	25.70	24.40	24.40
Price on rating day	24.84	22.80	24.70	24.58	27.80

Dino

Rating	buy	buy	buy
Rating date	2018-04-04	2018-02-02	2018-01-18
Target price (PLN)	103.50	95.40	95.40
Price on rating day	85.10	85.00	80.00

Dom Development

Rating	buy	buy	buy	accumulate	buy
Rating date	2018-03-20	2018-02-02	2017-09-01	2017-06-02	2017-05-12
Target price (PLN)	103.10	103.00	101.10	81.70	81.70
Price on rating day	85.80	82.00	82.25	76.10	70.20

Echo

Rating	buy	buy	buy	buy	accumulate
Rating date	2018-04-06	2018-02-02	2017-10-02	2017-09-01	2017-07-03
Target price (PLN)	6.13	6.31	6.42	6.64	6.64
Price on rating day	5.23	5.05	5.19	5.21	6.26

Elektrobudowa

Rating	buy	buy	buy	buy	hold
Rating date	2018-04-06	2018-02-02	2017-09-01	2017-05-08	2017-04-05
Target price (PLN)	116.00	113.00	134.00	146.00	146.00
Price on rating day	96.40	81.20	109.50	120.55	139.90

Elektrotim

Rating	overweight	underweight	neutral
Rating date	2017-11-16	2017-10-24	2017-09-14
Target price (PLN)	-	-	-
Price on rating day	7.61	9.76	11.98

Elemental

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

Enea

Rating	buy	buy	accumulate	accumulate	hold	hold	hold	hold
Rating date	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01	2017-06-27
Target price (PLN)	11.78	12.11	12.98	12.82	12.82	14.59	15.23	12.60
Price on rating day	9.10	10.36	11.07	12.19	11.89	14.80	15.25	13.14

Energia

Rating	buy	buy	buy	buy	buy	accumulate	hold	accumulate	hold
Rating date	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01	2017-07-21	2017-06-27
Target price (PLN)	14.91	14.71	15.20	14.97	14.81	14.49	13.50	13.20	10.71
Price on rating day	9.96	10.11	12.21	12.60	12.09	13.40	13.64	11.65	10.87

Erbud

Rating	buy	buy	buy	buy	buy	accumulate	hold
Rating date	2018-04-06	2018-03-05	2017-12-15	2017-11-03	2017-09-01	2017-06-02	2017-04-05
Target price (PLN)	29.60	29.40	28.70	29.80	31.30	33.50	33.50
Price on rating day	21.60	21.30	20.60	24.70	26.00	31.50	32.98

Ergis

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

Erste Bank

Rating	hold	hold	accumulate
Rating date	2018-02-02	2017-09-01	2017-06-02
Target price (EUR)	40.00	35.98	35.98
Price on rating day	40.64	35.50	32.67

Eurocash

Rating	buy	buy	buy	buy	buy	buy
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-10-02	2017-09-01
Target price (PLN)	30.70	31.10	32.30	38.30	44.30	47.60
Price on rating day	24.41	21.99	26.04	27.48	38.62	39.14

Famur

Rating	buy	buy	buy	buy	buy	buy
Rating date	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-09-01	2017-07-20
Target price (PLN)	7.06	7.28	7.29	7.24	6.84	6.95
Price on rating day	6.04	6.10	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

GetBack

Rating	buy
Rating date	2017-11-30
Target price (PLN)	33.38
Price on rating day	23.00

Getin Noble Bank

Rating	hold	sell	sell	hold
Rating date	2018-03-05	2018-02-01	2017-11-03	2017-09-01
Target price (PLN)	1.50	1.50	1.27	1.27
Price on rating day	1.45	1.83	1.61	1.28

Gino Rossi

Rating	neutral	overweight
Rating date	2017-11-28	2017-08-25
Target price (PLN)	-	-
Price on rating day	1.29	1.78

Grupa Azoty

Rating	hold	hold	hold	hold	hold	hold	hold	buy	accumulate	buy
Rating date	2018-03-05	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)	67.13	73.42	73.64	78.52	80.77	69.60	74.30	74.30	74.30	73.90
Price on rating day	56.55	72.00	74.40	71.30	79.80	68.90	72.08	63.30	67.50	63.01

GTC

Rating	hold	accumulate	hold	hold	hold
Rating date	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-08-02
Target price (PLN)	9.60	9.70	9.70	10.00	9.59
Price on rating day	9.39	8.64	9.67	9.90	9.62

Handlowy

Rating	buy	accumulate	hold
Rating date	2018-04-06	2018-02-01	2018-01-05
Target price (PLN)	94.00	94.00	85.00
Price on rating day	77.50	84.70	83.70

Herkules

Rating	neutral	neutral	overweight
Rating date	2018-01-25	2017-10-24	2017-06-02
Target price (PLN)	-	-	-
Price on rating day	3.67	3.60	4.17

i2 Development

Rating	overweight
Rating date	2018-01-12
Target price (PLN)	-
Price on rating day	14.90

ING BSK

Rating	accumulate	hold	sell	reduce
Rating date	2018-03-05	2018-02-01	2017-12-01	2017-04-05
Target price (PLN)	212.00	212.00	152.39	152.39
Price on rating day	198.00	220.00	203.00	171.00

Jeronimo Martins

Rating	accumulate	accumulate	hold	hold	accumulate	hold	hold
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-09-01	2017-05-08
Target price (EUR)	16.40	16.90	16.90	17.10	17.10	17.10	16.90
Price on rating day	14.90	15.17	17.12	16.50	15.85	16.76	17.09

JSW

Rating	buy	buy	buy
Rating date	2018-04-06	2018-03-05	2018-01-30
Target price (PLN)	108.14	120.71	122.30
Price on rating day	86.78	92.80	101.00

JWC

Rating	underweight	neutral
Rating date	2018-03-29	2018-01-25
Target price (PLN)	-	-
Price on rating day	4.16	4.41

Kernel

Rating	hold	hold	accumulate	accumulate	accumulate	accumulate
Rating date	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-09-01	2017-06-02
Target price (PLN)	53.46	53.47	57.20	58.70	71.74	73.90
Price on rating day	48.80	50.90	47.51	48.25	60.70	68.33

Grupa Kety

Rating	hold	hold	hold	hold	hold
Rating date	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	357.21	379.66	391.41	390.72	414.09
Price on rating day	346.00	352.50	385.00	408.00	402.10

KGHM

Rating	buy	accumulate	accumulate	hold	hold	reduce	hold	hold	accumulate	buy	accumulate
Rating date	2018-04-04	2018-03-05	2018-02-02	2018-01-05	2017-12-08	2017-11-23	2017-10-02	2017-09-01	2017-08-02	2017-07-03	2017-04-05
Target price (PLN)	115.43	122.81	128.62	114.71	103.08	103.08	124.12	130.96	132.22	132.22	132.22
Price on rating day	88.00	102.50	111.50	113.10	100.00	114.25	117.40	126.10	121.00	110.65	120.10

Komercni Banka

Rating	buy	accumulate
Rating date	2017-12-01	2017-09-01
Target price (CZK)	1111.00	1111.00
Price on rating day	899.00	966.50

Kruk

Rating	buy	buy	reduce	sell
Rating date	2018-02-02	2017-10-02	2017-09-01	2017-05-08
Target price (PLN)	300.94	340.17	308.06	219.64
Price on rating day	222.20	293.45	340.95	293.85

Kruszwica

Rating	neutral
Rating date	2017-03-29
Target price (PLN)	-
Price on rating day	63.50

LC Corp

Rating	buy	buy	buy
Rating date	2018-04-06	2018-02-02	2017-09-26
Target price (PLN)	3.50	3.74	3.54
Price on rating day	2.70	3.10	2.69

Lokum Deweloper

Rating	overweight	overweight	overweight
Rating date	2018-03-29	2018-01-25	2017-09-14
Target price (PLN)	-	-	-
Price on rating day	17.80	18.00	16.30

Lotos

Rating	hold	reduce	reduce	reduce	sell	sell	reduce	sell
Rating date	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-11-29	2017-11-03	2017-10-02	2017-09-01
Target price (PLN)	51.73	51.08	52.67	51.53	51.53	51.61	51.61	48.25
Price on rating day	54.60	56.30	57.78	58.48	61.66	66.37	59.75	58.86

LPP

Rating	accumulate	accumulate	hold	hold	hold	hold	hold	accumulate	sell
Rating date	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01	2017-06-20	2017-04-05
Target price (PLN)	9500.00	9500.00	9400.00	9900.00	8200.00	8400.00	8800.00	7400.00	5300.00
Price on rating day	8,900.00	8,620.00	9,790.00	9,990.00	8,173.95	8,172.05	8,696.65	6,700.00	6,635.25

Mangata

Rating	underweight
Rating date	2018-03-29
Target price (PLN)	-
Price on rating day	95.60

Millennium

Rating	reduce	sell	sell	reduce
Rating date	2018-04-06	2018-02-01	2017-05-08	2017-04-05
Target price (PLN)	7.00	7.00	5.81	5.81
Price on rating day	8.35	9.59	7.06	6.67

MOL

Rating	hold	hold	hold	hold	hold	hold
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-11-29	2017-10-02	2017-09-01
Target price (HUF)	2898.00	3027.00	3152.00	3104.00	3077.00	2865.00
Price on rating day	2,864.00	2,718.00	3,080.00	3,121.00	3,000.00	2,977.50

Monnari

Rating	overweight	overweight	neutral
Rating date	2017-11-28	2017-09-13	2017-08-25
Target price (PLN)	-	-	-
Price on rating day	8.21	8.93	7.89

Netia

Rating	sell	reduce	hold
Rating date	2018-04-06	2018-02-02	2017-09-01
Target price (PLN)	4.30	4.60	4.00
Price on rating day	5.27	5.30	3.90

Orange Polska

Rating	buy	buy	buy
Rating date	2018-04-06	2017-12-12	2017-06-30
Target price (PLN)	7.60	7.30	7.10
Price on rating day	5.83	5.39	5.15

OTP Bank

Rating	accumulate	hold	accumulate	hold	accumulate	hold
Rating date	2018-02-02	2018-01-05	2017-12-01	2017-11-03	2017-10-02	2017-09-01
Target price (HUF)	12090.00	10901.00	10901.00	10901.00	10901.00	10901.00
Price on rating day	11,560.00	10,960.00	10,055.00	10,715.00	9,895.00	10,445.00

PA Nova

Rating	neutral	neutral	neutral
Rating date	2018-03-29	2018-02-28	2017-11-27
Target price (PLN)	-	-	-
Price on rating day	23.30	23.30	24.00

PBKM

Rating	hold	hold	hold	accumulate	accumulate	buy	accumulate
Rating date	2018-04-06	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01	2017-04-05
Target price (PLN)	76.83	76.00	71.00	71.00	66.30	63.90	70.00
Price on rating day	77.00	73.00	69.60	63.00	63.00	54.50	60.50

Prime Car Management

Rating	buy	buy
Rating date	2018-04-06	2018-02-02
Target price (PLN)	33.00	35.30
Price on rating day	23.60	28.80

Pekao

Rating	buy	accumulate	accumulate	accumulate
Rating date	2018-02-01	2017-07-18	2017-07-03	2017-04-05
Target price (PLN)	157.00	145.42	137.42	146.10
Price on rating day	135.90	131.25	124.80	134.60

Pfleiderer Group

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

PGE

Rating	buy	buy	accumulate	accumulate	hold	hold	accumulate	buy
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-10-02	2017-09-01	2017-08-02	2017-06-27
Target price (PLN)	12.89	12.61	13.30	13.20	13.61	14.98	14.46	14.46
Price on rating day	9.81	10.28	11.87	11.93	13.30	14.27	13.29	12.29

PGNiG

Rating	buy	buy	buy	buy	buy	accumulate	accumulate	accumulate
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-10-02	2017-09-01	2017-08-02
Target price (PLN)	7.96	7.51	7.65	7.73	7.73	7.73	7.57	7.25
Price on rating day	5.71	5.98	6.58	6.03	6.63	6.79	6.83	6.75

PKN Orlen

Rating	reduce	sell	sell	sell	sell	sell
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-11-29	2017-10-02	2017-09-01
Target price (PLN)	76.89	80.55	82.84	81.80	86.55	81.50
Price on rating day	89.52	95.20	107.90	121.60	121.70	117.90

PKO BP

Rating	hold	reduce	sell	sell
Rating date	2018-04-06	2018-03-05	2018-02-01	2017-12-01
Target price (PLN)	38.00	38.00	38.00	31.20
Price on rating day	39.74	42.20	45.66	42.30

Play

Rating	hold	hold
Rating date	2018-04-06	2018-01-25
Target price (PLN)	33.50	34.70
Price on rating day	32.70	33.20

Polnord

Rating	neutral	neutral	underweight
Rating date	2018-02-02	2017-12-27	2017-05-16
Target price (PLN)	-	-	-
Price on rating day	10.50	8.70	10.00

Polwax

Rating	buy	buy	buy
Rating date	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	18.80	20.56	20.53
Price on rating day	11.05	11.95	13.54

Pozbud

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

PZU

Rating	buy	accumulate	buy	accumulate	buy
Rating date	2018-03-05	2018-02-02	2018-01-05	2017-09-01	2017-07-18
Target price (PLN)	50.58	50.58	51.83	51.83	51.83
Price on rating day	41.55	44.17	45.00	48.50	44.19

Ronson

Rating	neutral	underweight	underweight
Rating date	2018-04-03	2018-03-29	2018-02-02
Target price (PLN)	-	-	-
Price on rating day	1.32	1.32	1.45

Skarbiec Holding

Rating	buy
Rating date	2018-02-02
Target price (PLN)	56.30
Price on rating day	30.60

Stelmet

Rating	buy	buy	buy	buy
Rating date	2018-03-05	2018-02-02	2017-09-01	2017-07-17
Target price (PLN)	27.72	28.37	28.94	30.50
Price on rating day	17.15	19.20	22.20	22.51

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

Tauron

Rating	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-10-02	2017-09-01	2017-06-27	2017-04-05
Target price (PLN)	2.73	2.98	3.38	3.23	3.64	3.89	3.67	3.03
Price on rating day	2.38	2.69	3.08	3.10	3.75	3.92	3.65	3.35

Torpol

Rating	neutral	neutral	neutral	neutral	neutral	overweight
Rating date	2018-03-29	2018-02-02	2018-01-25	2017-11-27	2017-10-24	2017-09-14
Target price (PLN)	-	-	-	-	-	-
Price on rating day	7.50	7.98	8.16	8.55	10.93	12.05

Trakcja

Rating	neutral	neutral	neutral	underweight	underweight	neutral
Rating date	2018-03-29	2018-02-02	2018-01-25	2017-11-27	2017-10-24	2017-09-14
Target price (PLN)	-	-	-	-	-	-
Price on rating day	6.75	7.24	7.56	7.69	10.30	12.80

TXM

Rating	buy	buy	buy	buy	buy
Rating date	2018-02-02	2017-12-01	2017-11-03	2017-09-01	2017-06-08
Target price (PLN)	5.41	5.74	5.77	6.10	6.25
Price on rating day	2.36	2.02	1.99	2.97	4.00

Ulma

Rating	neutral	neutral
Rating date	2018-03-29	2017-11-27
Target price (PLN)	-	-
Price on rating day	66.50	73.90

Unibep

Rating	buy	buy	accumulate	buy	buy
Rating date	2018-04-06	2018-02-02	2018-01-05	2017-11-03	2017-09-01
Target price (PLN)	10.10	10.80	10.80	14.00	15.40
Price on rating day	7.50	8.60	9.76	9.90	12.20

Vistula

Rating	neutral	overweight	neutral	overweight	overweight
Rating date	2018-02-02	2018-01-19	2017-12-13	2017-11-28	2017-08-25
Target price (PLN)	-	-	-	-	-
Price on rating day	5.16	4.34	4.36	3.88	3.26

Wasko

Rating	overweight	overweight	overweight
Rating date	2018-03-28	2018-01-30	2017-11-28
Target price (PLN)	-	-	-
Price on rating day	2.25	2.24	1.98

Wirtualna Polska

Rating	accumulate	accumulate	accumulate	buy	accumulate
Rating date	2018-04-06	2018-02-02	2018-01-05	2017-11-03	2017-09-01
Target price (PLN)	56.40	56.10	53.00	53.00	53.00
Price on rating day	52.20	51.80	48.20	43.00	47.89

ZUE

Rating	neutral	neutral	neutral	underweight	underweight	overweight
Rating date	2018-03-29	2018-02-02	2018-01-25	2017-11-27	2017-09-14	2017-04-12
Target price (PLN)	-	-	-	-	-	-
Price on rating day	6.12	6.18	6.44	6.89	9.20	12.35

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