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Monthly Market Outlook: June 2018

Equity Market, Macroeconomics

Equity Market

We remain bullish on stocks on a 2-3-month horizon. We believe global investors will regain confidence in undervalued emerging markets as their currencies soften.

Sector Outlook

Financials

We remain overweight Polish banks, in particular those with no major exposure to CHF mortgages. Rated banks delivered better-than-expected 2018 Q1 results, and analysts now have less reason to cut projections for the full year. In case of Alior Bank and Handlowy, the Q1 results suggest potential for upward revisions. Outside of Poland, the multiples of OTP, EBS, and KOMB are looking attractive again after the recent EU bank sell-off.

Chemicals

Ciech is the top chemical pick for June on solid fundamentals, but Grupa Azoty may rebound in the weeks ahead after a sharp May fall.

Oil & Gas

We remain bearish on the downstream sector as oil prices keeps rising and refiners add capacity. Expensive crude has already tightened cracking margins on refining products, and at the moment it is putting a strain on petrochemical margins, reflected in a fast-paced shrinkage of polyethylene margins. PGNiG NatGas remains a good alternative to oil refiners.

Power Utilities

The WIG-Energy index has picked itself up, and it is following an upward trend which should continue through June given rising generation profits and the developing capacity market story. Trading at expensive multiples compared to European peers, the Czech generator CEZ is still a sell for us.

Telecoms, Media, IT

We see upside potential in OPL in June, and in the media sector we have positive views on AGO (with increased upside) and WPL. We upgrade ACP to hold as of today. Our smaller-cap IT favorites are ATD and ASE.

Industrials & Metals

Polish industrial firms are poised to deliver stronger growth in Q2 2018 off a low year-ago base. In case of exporters, the potential is reinforced by the zloty's decline versus the euro. As for miners, KGHM copper is showing strong performance on the back of ongoing labor negotiations at the Escondida mine, and JSW coal is capitalizing on a weaker zloty v. dollar.

Construction

Polish construction firms are set to deliver negative surprises again in Q2 and Q3 2018, underpinned by increasing debt. Under these circumstances, we would keep allocations to builder stocks limited even if certain stocks (ERB, UNI) display attractive multiples after recent sharp falls.

Property Developers

We maintain an overweight position on real-estate developers, especially those who offer high dividends and maintain sustainable business models. Our six top sector picks trade at 7.0x 2018E P/E, and they offer an average dividend yield of 8.9%, with both multiples set to improve further in 2019.

Retail

A shift in foot traffic from March to April should reflect positively on the second-quarter earnings of fashion retailers. Our top picks for June are JMT, TXM, VST, BTM, and MON.

Key Ratings

Positive: AGO, AMC, BTM, CCC, CIE, CMR, DOM, ECH, ENA, ENG, FMF, JMT, JSW, KGH, LCC, OPL, PGE, PFL, PGN, POZ, STL, TPE, UNI, WPL, VST

Negative: CEZ, EAT, MNG, PKN, URS

EU Indices	Value	1M chng	YTD chng
WIG	59,090	+0.3%	-7%
ATX	3,268	-4.6%	-3%
BUX	36,678	-3.3%	-7%
PX	1,073	-1.5%	+3%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,256	+1.1%	-8%
mWIG40	4,518	-0.3%	-5%
sWIG80	13,638	-2.6%	-6%
Banking	7,715	-0.2%	-9%
Basic Materials	2,335	-10.0%	-17%
Chemicals	12,408	-1.6%	-19%
Clothes	2,475	-1.6%	-17%
Construction	3,860	+5.4%	-12%
Energy	2,014	+2.5%	-1%
Food	5,152	+0.4%	+8%
IT	2,169	-1.2%	-1%
Media	7,231	-2.2%	-4%
Oil & Gas	6,212	+2.5%	-13%
Real estate	3,780	+0.2%	+4%
Telecom	696	-3.7%	-7%
Top 5 / Worst 5		1M	YTD
Mostostal Zabrze	0.29	+81.3%	-55%
Braster	5.68	+42.0%	-18%
11 bit studios	483.50	+39.3%	+144%
CD Projekt	157.00	+25.7%	+62%
Lokum Dew.	18.50	+12.8%	+11%
TXM	1.30	-40.4%	-46%
Idea Bank	6.90	-40.5%	-70%
PCM	12.70	-40.9%	-56%
Work Service	1.91	-47.7%	-55%
Trakcja	3.00	-51.2%	-59%

Rating & 9M TP Changes as of 6. Jun

Name	Rating	9M TP
Amica	overweight ►	-
Asseco Poland	hold ▲	41.20 PLN ►
Budimex	hold ▼	163.00 PLN ▼
CCC	buy ▲	295.00 PLN ►
Ciech	buy ►	88.64 PLN ▼
Dino	hold ▼	103.50 PLN ►
Elektrobudowa	hold ▼	71.00 PLN ▼
Erbud	buy ▲	22.00 PLN ▼
Erste Bank	accumulate ▲	40.00 EUR ►
Grupa Kęty	hold ►	371.08 PLN ▲
Jeronimo Martins	buy ▲	16.40 EUR ►
JSW	buy ►	115.23 PLN ▲
KGHM	buy ►	112.92 PLN ▼
Netia	reduce ▲	4.30 PLN ►
OTP Bank	buy ▲	12090 HUF ►
PBKM	hold ►	76.26 PLN ▼
PCM	buy ►	15.54 PLN ▼

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Investing Outlook

Polish stocks did not do as well as expected in May, with the WIG20 index registering a 5.9% pullback from April. This was underpinned by across-the-board underperformance in emerging markets, reflected in a 2.6% m/m slump in MSCI EM, driven by a stronger-than-anticipated appreciation in the US dollar, with the index's May review adding to the pressure. Western European markets as well trended downward in May (CAC -3.5%, FTSE MIB -9.4%, DAX -0.1%), reflecting political impasse in Italy and economic risk in Turkey, which triggered a sharp upturn in Euro Area government bond yields, coupled with less upbeat economic data. While European markets struggled, stocks in the US enjoyed a month of solid gains in May (S&P500 +2.2%, NASDAQ +5.5%), with sentiment buoyed by solid economic momentum, sound company earnings, and share buybacks.

Our outlook for the next few weeks remains positive, with European equities expected to recover as political risk in Italy abates, the dollar stabilizes, and economic momentum in the Euro Area improves. Against this backdrop, with company earnings set to accelerate, equities in Poland offer attractive valuations at the moment after the price falls of the last few weeks.

A Weaker Euro Will Back European Shares

Contrary to our expectations that a weaker euro would boost economic momentum in the Euro Area, the IHS Markit Eurozone PMI fell to 54.1 in May from 55.1 in April, with the Manufacturing PMI down from 56.2 to 55.5, led by a slowdown in new orders, production, and job creation, and the Services PMI posting a decline from 54.7 to 53.9. The manufacturing slowdown last month was due among others to persistent supply chain constraints that led to delays in receipt of raw materials, but there was also a worrying decline in new export orders.

The political turmoil in Italy might negatively impact the economic indicators for June, but since analysts have probably lowered their expectations for the coming months on concerns about another Italian election, further expansion in Treasury yields, and the prospect that Italy might eventually leave the EU, any further slowdown this month will not come as too much of a surprise. In fact, with the expectations lowered the market might have positioned itself for a positive surprise, potentially creating a compelling reason to increase equity allocations.

A weaker euro is going to help the earnings of European exporters as soon as in the second quarter, and, to a greater extent, in the second half of the year, providing a boost to German stocks in particular. Panic might return to the European markets after the ECB ends its EUR 30bn-a-month quantitative easing program as planned at the end of September. Any sign that this might undermine stability in the Eurozone will trigger a repeat of what stock markets staged at the end of May, only with greater intensity.

WSE Still Sustained By Global Flows

The Polish stock market still relies on general capital flows into emerging markets for liquidity as local investment remains subdued. According to April 2018 statistics by the local fund and asset management association IZFA, Polish equity- and mixed-equity funds registered outflows of PLN 376.5m for the month, adding to aggregate withdrawals to the tune of PLN 2.8 billion during the 12 months to April. On top of that, private pension funds (OFEs) continue to transfer their assets to the state fund ZUS following the 2014 reforms, with a total of PLN 9.5bn set to be shifted this year according to calculations by the IGTE pension funds association, implying average monthly outflows of PLN 791m. With ZUS having transferred PLN 1.36bn of worker retirement contributions to OFEs through April, the net outflows can be said to approximate PLN 520m a month, implying total 2018 yearly withdrawals of PLN 6.2bn. At the same time, the rollout of the planned new employer-sponsored national retirement savings scheme, set to replace the current pension system, has been put off until mid-2019 per the latest update.

Over the past month, \$2.46 billion net has been pulled from emerging market ETFs, equivalent to 1.0% of their AUMs, compared to \$4.2bn (-4.5%) withdrawn from Eurozone ETFs and \$30.5bn (+1.4%) pumped into US equity ETFs.

We feel that the euro should regain at least some of its strength over the coming weeks on mitigated political risk in Europe. Looking at the scale of the appreciation in the dollar, and considering the economic situation in countries like Turkey and Argentina, we view the downward EM correction as a testament to the market's strength.

Our expectations of a rebound in Polish equity prices (note that the 2019E P/E ratio forecast for the WIG20 index is 10.5x – a low level compared to the historical averages and relative to MSCI EM, trading at a 2019E P/E ratio of 11.2x) are backed by the improving prospects of all the core WIG20 sectors, and the resulting inevitable turnaround in sentiment.

Polish power utilities are in the final phases of multi-year peak spending cycles, and with no major capacity-building projects lined up for the future they are poised for a substantial turnaround in free cash flow. What is more, thanks to increasing electricity prices, generators are increasingly likely to exceed analysts' expectations during 2019.

When it comes to the bank sector, currently valued at relatively cheap multiples, after a Q1 2018 slump due to mandatory annual fees, its profits are set to bounce back from the second quarter, supported by fast-paced lending.

Last but not least, the mining sector this year is capitalizing on strong global demand for commodities, led by China where economic growth seems to be regaining momentum.

Stocks representing the three sectors account for 65% of the WIG20 index.

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Sector Strategies

Financials

- The Polish bank sector offers 14% estimated upside potential after the recent pullbacks. We believe the best returns in the month ahead will come from banks with little to no exposure to CHF loans. These include Pekao (PEO) and Alior Bank (ALR), which have suffered losses in recent weeks triggered by speculation about their potential merger. We put the odds of the merger going through at a high 75%, and we hope the banks will put an end to the speculation in June by officially announcing their plans. With that said, keep in mind that the merger is subject to the approval of both sets of shareholders.
- We also see upside in ING BSK (IN) and Handlowy (BHW) with their solid capital positions and a likelihood of upward forecast revisions in the case of the latter.
- We also remain bullish on BZ WBK (BZW) in spite of disappointing first-quarter results. It is highly unlikely that Deutsche Bank will want to sell its BZW shares at the current market price, and when it comes to the impact of the planned FX borrower relief on BZ WBK's valuation, its zloty value is no more than PLN 20 per share. At the same time, keep in mind that BZ WBK's 2018 dividend declaration implies a record payout as high as PLN 23 per share.
- Other CEE banks also show upside potential after recent share price falls. We expect the low 2018 FY earnings expectations for OTP Bank and Komerční Banka to be revised upward, and we see growth potential in Erste Bank, operating amid favorable market conditions and registering record-low charge-offs.
- **Key Ratings:** ALR (buy), KOMB (buy), PZU (buy), MIL (reduce)

Chemicals

- MSCI's Europe and World Chemicals indices are currently valued on a level with their 3-year P/E and EV/EBITDA ratios after a sideways drift in the past month. At the same time, the Warsaw Stock Exchange's WIG-Chemicals index has shifted downward on the back of the pullback logged by its largest component stock, Grupa Azoty (ATT), with a 50% weighting. Polish firms are benefitting from the zloty's decline versus the dollar, on the one hand, and on the other hand they are hurt by increasing prices of energy commodities.
- ATT still has downside risk in our view, stemming from further earnings shrinkage expected in Q2 and Q3 2018, coupled with planned capital investment set to bring FCF in the next four years into the negative territory.
- Ciech (CIE) remains our top chemical pick for June, with its 2018 dividend yield potentially going as high as 12%, and with better 2018 FY earnings prospects accompanied by attractive trading multiples
- **Key ratings:** CIE (buy)

Oil & Gas

- The price of oil fell after Russia and Saudi Arabia signaled intent to possibly raise production at some point in the latter part of 2018, an understated message which was followed by statements by OPEC members about a need for heavy investment to ensure uninterrupted oil supply. Amid the global uncertainties, speculative positions in WTI and Brent have dropped in recent weeks, a possible sign that the sell-off is coming to an end.
- May prices of natural gas rose by a further 8-13% across Europe, and in Poland the cross-border spread on 1Y PL/DE contracts at times reached PLN 11/MWh. 30-day contracts are currently priced 15 zlotys higher than the first-quarter average, indicating a boost to the second-quarter profits of PGNiG and Lotos.
- Refining margins have rebounded to \$6/bbl, in line with widened margins on heavy products, and at the same time the Urals/Brent pricing differential has tightened from an April average of \$3 to \$1.0-1.5/bbl. The ever-expanding discount of WTI crude relative to Brent crude (currently at \$11/bbl) has negative implications for European refiners.
- Petrochem. margins across the board continue to narrow on an oversupply of polyethylene in the European market, flooded by newly-launched installations from the US.
- Against this backdrop, we remain bearish on the downstream sector, and we continue to view PGNiG as a good alternative, with profits set to rise in line with hydrocarbon prices, combined with improving valuation multiples.
- **Key Ratings:** PKN (reduce), PGN (buy)

Power Utilities

- Prices of emission allowances jumped to EUR 16/t in May from EUR 13.6 at the end of April, and this was accompanied by a 4% rise to \$89/t in the price year-ahead ARA contracts while the spot price soared 12%. Clean and vertically-integrated power producers remain the main beneficiaries of the upward trend in EU power prices as the clean-dark spread is still negative.
- The MSCI Utilities Europe index retreated 3-4% in May despite the favorable market conditions, led by a general sell-off at EU peripheries, but even so the WSE's WIG-Energy index continued to underperform as utility stocks hit all-time lows.
- Electricity prices in Poland continue to rise, with 2019 prices reaching PLN 215/MWh, implying clean-dark spreads PLN 5-6 higher than this year assuming stable coal prices. The uptrend 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 (over 7 TWh including biomass while power prices are up by PLN 40/MWh y/y and prices of green certificates are trading at PLN 79 vs. PLN 36 on average in 2017), which adds to the probability of positive earnings surprises next year.
- The Polish power sector is currently trading at a low 3.7x 2018E EV/EBITDA. Given market conditions, considering what we know at this point about the upcoming capacity market, and given expectations of a substantial turnaround in free cash flows, we would buy shares in Enea, Energa, PGE, and Tauron.
- The Czech utility CEZ remains a sell on a relatively high valuation and overlooked risks built into the local nuclear project.
- **Key Ratings:** CEZ (sell), ENA (buy), ENG (buy), PGE (buy), TPE (buy)

Telecoms, Media, IT

- Vodafone has agreed to acquire the cable and fixed-line assets of Liberty Global based in Germany, the Czech Republic, Romania, and Hungary, operating under the 'UPC' brand name, in an EUR 18.4bn deal which does not include Liberty's UPC units in Poland or Slovakia.
- Cyfrowy Polsat (CPS) has finalized the acquisition of a controlling stake in Netia (NET) fixed line, and it plans to launch pilot sales of Netia services in 181 of its retail stores from 18 June. For Netia, this means much wider reach once its services are offered in all of Cyfrowy's 1,200 stores.
- With its main rivals already in the process of securing access to fixed infrastructure via M&A activity or wholesale rental, Play (PLY) is poised to be the sole mobile-only player left in its core markets in a matter of one year. Play could be approached by 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 that its core service is fixed-line broadband. Moreover, the sale by Liberty Global of selected CEE-based UPC units to Vodafone indicates it has less interest in the region.
- T-Mobile Poland might want to follow in the footsteps of its parent, Deutsche Telekom, which has recently 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**, after a weak 2017, the first quarter of 2018 brought a rebound in advertising expenditures at an annual rate of 8% as estimated by Agora, with the biggest spending increases allocated to online advertising (+10.5% y/y), TV (+9.5%), and radio (+8.0%).
- A breakdown of the first-quarter adspend shows a noticeable shift in budgets toward the Internet (+0.5pp to 32.5%) and TV (+0.5% to 47.5%), with only 2.0% of the outlays going to daily newspapers, 4.0% to magazines, 5.0% allotted to radio, and 8.0% spent on outdoor campaigns.
- The Warsaw Stock Exchange's WIG-INFO index fell 2.4% in May (vs. +0.3% WIG), and at the current level the median 12M fwd P/E ratio for **IT** stocks at 15.4x is on a level with its three-year average, with the premium narrowed by nearly 6% over the course of two months.
- Polish IT firms delivered a lackluster first-quarter earnings season, with the aggregate EBITDA rising 1.7% from Q1 2017 and net profit posting a decline of 3.7%.
- Our top small-cap IT picks are Asseco South Eastern Europe (ASE) and Atende (ATD). We have neutral calls for Ailleron (ALL), Asseco Business Solutions (ABS), and Wasko (WAS) (after a downgrade of the latter following downward revisions to 2018 FY earnings expectations based on a weak first quarter).
- **Key Ratings & Weightings:** OPL (buy), WPL (accumulate), AGO (buy), ATD (overweight), ASE (overweight)

Industrials

- MSCI's Industrials World and Europe indices logged monthly gains of 4% and 1.7%, respectively, in May, and at the current levels they are trading at small premiums to their historical 3-year P/E and EV/EBITDA averages.
- At this stage of the 2018 Q1 earnings season, 47% of Polish industrial companies have reported improvement over the year-ago financials, and 53% posted worsened profits. At the same time, the ratio of beats to misses looks good so far at 33% to 27%, with the biggest positive

surprises delivered by Cognor, Famur, Impexmetal, Pfleiderer, and Tarczyński, and the biggest disappointments posted by Boryszew, Elemental, and Ergis.

- The second-quarter earnings season is looking better compared to a low year-ago base when a staggering 56% of companies reported year-over-year profit falls, and only a few delivered positive surprises.
- Our best bets for June among Polish mid caps are Amica (AMC), which trades at attractive multiples ahead of a second-quarter rebound, and Famur (FMF), poised to report sustained growth in the coming quarters, supported by upward price adjustments in new contracts.
- Our top smaller picks include Cognor (COG), about to finalize a financing deal with banks to replace expensive debt, and Pozbud (POZ), trading at 4x 2019E P/E.
- The worst bets include Ursus (URS), which booked weak Q1 results and reports high debt, and Mangata (MGT), trading at premiums to the sector even as its profits come under pressure from increasing costs of materials and labor.
- We have updated our earnings outlook for Amica based on weaker-than-expected results for the first quarter, but we hope to see a rebound in Q2.
- Polish industrial stocks are currently trading at 11.2x 2018E P/E and 7.0x EV/EBITDA. The zloty's recent depreciation versus the euro and the US dollar, and favorable 2018 Q2 base effects, make the sector more attractive than a month ago, but investors should be selective when identifying investment opportunities among Polish industrials.
- **Key Ratings & Weightings:** AMC (overweight), FMF (buy), MGT (underweight), PFL (overweight), POZ (overweight), STL (buy).

Mining

- Most of the major copper mines in Peru and Chile, except Escondida, so far have been able to stave off strike action, defying expectations of a global undersupply. Labor negotiations at Escondida are set to continue through July.
- Copper inventories in exchange-monitored warehouses have shown draws for the last four weeks, and the tightening could continue in the weeks ahead, led by increased demand from China, with positive effects on global prices. In April 2018 China imported 10% net more of copper than in the same month last year.
- 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.
- As far as coal, China resumed regular orders for coking coal from April, and as its coke stockpile decreases this should have a positive effect on the prices of metallurgical coal. Note that China's steel inventory has been decreasing at the fastest rate in five years.
- In Poland, the mining sector continues to experience rising pay pressures this year, which may affect profits, but this will be mitigated by the Polish zloty's depreciation vis-à-vis the dollar, the quote currency for commodities, which in recent weeks has sent the zloty price of copper above its 2017/2018 peak.
- **Key Ratings:** KGH (buy), JSW (buy)

Construction

- The 2018 Q1 aggregate EBITDA of the construction firms in our coverage fell 16% y/y in Q1 2018. Trakcja and Elektrotim both surprised negatively in the period, while Unibep and Ulma exceeded analysts' expectations.
- The aggregate backlog of rated builders was 20% higher as of 31 March 2018 than in March 2017. All companies except Elektrobudowa find their backlogs to be at comfortable levels which allow them to be selective in picking future bookings. With that said, the quality of existing bookings might give rise to profit risk in the coming year.
- Thirteen largest building companies (with the exception of Budimex) reported having net debt equivalent to 3% of equity as of 31 March 2018 compared to a net cash/equity ratio of 14% a year ago. The increase in debt stems from worsened valuations of construction contracts, with implications for future profits. Elektrobudowa was the only builder to have improved its cash position in Q1 vis-à-vis last year. On the other hand, the worst deterioration in financial standing was reported by Trakcja, Torpol, ZUE, and Mostostal Warszawa.
- Trakcja (TRK) reported the worst quarterly results for Q1 2018, alongside a huge increase in debt, of the three rated railway builders, but neither of the other two, Torpol (TOR) or ZUE, make for good investments at the moment looking at their balance sheets and unfavorable market conditions.
- Polish construction companies may be forced to increase leverage further in the next two quarters due to seasonality and the implementation of the VAT split payment mechanism in July. This might result in negative earnings surprises in the sector.
- Accordingly, we would steer clear of most construction stocks in the month ahead, except for Unibep (UNI) and its less diversified rival Erbud (ERB).
- **Key Ratings and Weightings:** UNI (buy), TRK (underweight)

Property Developers

- We maintain an overweight position on real-estate developers, especially those who offer high dividends and maintain sustainable business models.
- Our six top sector picks trade at 7.0x 2018E P/E, and they offer an average dividend yield of 8.9%, with both multiples set to improve further in 2019.
- Listed developers generated an average gross margin of 27.3% in Q1 2018, showing a 1.7pp beat relative to our expectations for the quarter and topping the estimate for the full year by 1pp. The biggest positive surprise of the quarter was delivered by LC Corp (LCC), and there were no major disappointments.
- **Key Ratings and Portfolio Positioning:** DOM (buy), ECH (buy), LCC (buy), LKD (overweight), ARH (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.
- The dollar is seen to appreciate vis-à-vis the zloty, which means fashion and footwear retailers may not be able to purchase 2018 autumn-winter collections as cheap during the June-July buying season as they were able to last year.
- However, the low dollar costs of the 2018 spring-summer lines will boost the profits for Q2 and Q3 2018, with the biggest beneficiaries including 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).
- CCC footwear is set to report tighter growth in monthly sales through September compared to a high year-ago base, but at the same time the Retailer is expected to improve sales margins and curb the upward trend in SG&A expenses.
- At AmRest (EAT), profits for Q2 and Q3 2018 will be weighed down by costs of post-merger integration after a period of intense M&A activity, with EBITDA in the period not likely to grow more than 20% on a year-over-year basis.
- Among smaller fashion retailers, we see potential in Monnari (MON, benefitting from cheap dollar costs of collections), Bytom (BTM, capitalizing on revised pricing and FX effects), Vistula (VST, which continues to improve earnings as it waits for permission to take over a rival menswear brand), and TXM (expected to regain sales effectiveness while keeping SG&A relatively stable).
- **Key Ratings and Weightings:** EUR (buy), TXM (buy), JMT (buy), CCC (buy), BTM (overweight), MON (overweight), VST (overweight).

Macroeconomic Update

Monetary Council keeps rates unchanged in May

Poland's Monetary Council kept interest rates unchanged in May, reiterating the usual message about growth and inflation, a lack of pay pressures, continuing economic expansion at zero inflation (a "miracle" according to Chairman Glapiński), and solid prospects for the upcoming quarters. Rates are set to stay intact through to the end of 2019 barring economic shocks according to Council minutes. As long as the Monetary Council stays on message, Polish bond yields are shaped by global factors.

A preliminary (one month of data available) nowcast of Q2 growth puts the expansion rate close to Q1 growth. However, the momentum seems anemic at best right now. Despite April surprises, the overall scenario for the Polish economy is intact: the slowdown in manufacturing is set to be compensated by buoyant construction, while the expenditure-based breakdown of GDP will likely show strong individual consumption, solid investment growth and a drag from net exports.

Industrial Production

Polish industrial production expanded at an annual rate of 9.3% in April, far outpacing the market consensus and our own forecast (8.5% and 7.1%, respectively), thanks mainly to an acceleration 9.5% in manufacturing output as mining and electricity production remained at stable levels (the energy component decreased by half due to much warmer April temperatures). Curiously, despite the strong y/y rebound, industrial production showed little new momentum in April, growing by a mere 0.5% from March in seasonally adjusted terms. This means the unadjusted trend was a downward one, with y/y growth reaching one-year lows on a smoothed basis.

Building activity in April expanded at a much slower rate than forecast by the market (25%) and by us (35%), increasing only 19.7% from a low year-ago comparable base despite much better weather. Given this, and the changes in seasonal patterns in recent years, this is a weak print, as confirmed by seasonally adjusted m/m decline of 1.2%. The pattern of steep, one-time surges in building output, intertwined with longer periods of downward drift, is still intact.

Producer prices surprised to the upside in April, with PPI up 1.1% on the year after a faster-than-expected rise. The positive surprise was owed in a large part to an upward revision from 0.3% to 0.5% in the annual PPI for March, coupled with higher-than-expected manufacturing prices, only partly offset by reduced prices in coal mining. The April PPI was fueled by rising zloty prices of commodities, mainly oil (on a monthly basis this category rose by a whopping 5.5%), in line with an appreciating dollar. While the expensive oil is already contributing to the rise in Polish producer prices, the stronger dollar will not show its full effects until the second half of the year. Ergo, even if prices and exchange rates stabilize, PPI will continue to grow.

Retail Sales

Polish retail sales growth in April widely missed the 7.9% forecast at 4.6%, due primarily to unexpected falls in sales of food (down 8.2% y/y) and sales at general stores (-2.7%). Any surprises in other categories mostly canceled each other out, except for a surprise 6.8% y/y rebound in vehicle sales contrary to expectations of a 4.3% drop. Adjusted for energy and food, core retail sales accelerated from 5.5 to 7.8% y/y in April, suggesting that sales of durables and semi-durables remained buoyant.

The most obvious explanation behind the massive disappointment in April food and general store sales was the earlier timing of the 2018 Easter Holidays, which this year fell in March while last year they were celebrated in April. The Easter effect recurs every year, but its impact is hard enough to predict that last month's surprise was actually within the margin of error. For comparison, average (Mar-Apr) sales growth around Easter 2013, when the holidays fell basically on the same day, was almost identical.

The Sunday trading ban might have also added to the April retail sales slowdown, with stores closing for four out of the month's five Sundays, but the impact will have been marginal judging by all available insights on consumer behavior in the period.

Any concerns that might have arisen from the April retail sales data were immediately put to rest by the month's consumer confidence index, coming close to an all-time high. Sales in May are sure to rebound in line with a clear uptrend in consumer spending.

Jobs

Polish job growth amounted to 3.7% in April, the same annual rate as recorded in March, with 7,000 jobs added during the month, representing a slightly lower number than registered in the three months prior and in April 2017. We view the April numbers as the beginning of a gentle downward trend in new hiring, stemming from a tight supply of labor which increases the time needed to fill vacancies.

The average gross salary in April was up 7.8% over the year-ago figure after rising slightly more than expected by the market (7.2%). Based on previous months' data, we can venture a guess that the rebound was led by a combination of several factors, including bonus payments in the mining industry, base and working-day effects in manufacturing and construction, and a stable pay uptrend in the service industry.

Even notwithstanding base effects, there is a noticeable building of momentum in salaries over the last few months. The April trends fully back up our predictions of accelerating employee compensation this year, with the average salary expected to show annual growth of 8-10% in the second half of the year, with pay demands additionally boosted by rising prices of vehicle fuel. After all, this category can be considered a good proxy for inflation expectations: demand is price-inelastic over the short term, grabs media headlines and public interest, purchases are frequent, and prices are volatile.

Government Budget

Poland had a budget surplus of PLN 9.3 billion as of end-April 2018 after the April revenue topped the monthly expenditures by PLN 6.2bn - the highest April surplus and the second-highest monthly surplus in history, resulting in the highest-ever surplus for the fiscal year to date. It is interesting to note the marginal role in this of VAT revenues, which were up only 3% on the year, while personal and corporate tax receipts soared 72% and 21%, respectively (after dipping in March), and non-tax receipts rebounded 26%. The persistently scaled-down government spending in April was owed to reduced costs of debt servicing and lower payments into social security and pension funds.

We made an attempt at charting the evolution of the government budget in the months ahead using the data through April; assuming that the actual performance versus the budget is the same as last year, and assuming a lack of dividend receipts from the central bank, our conclusion was that the government can stay in surplus until November. If we are right, assuming a December spike in spending of the same magnitude as last December, the annual deficit is not likely to go above PLN 20 billion. This, in turn, implies a limited supply of Treasury securities in the months ahead, and a likelihood of a primary surplus across the general government.

mBank Research

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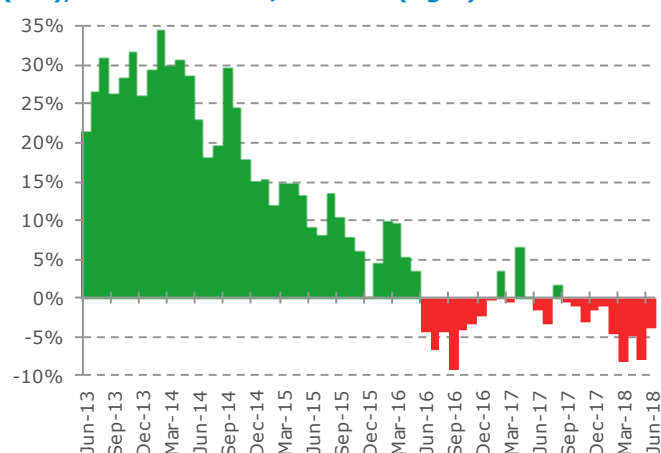
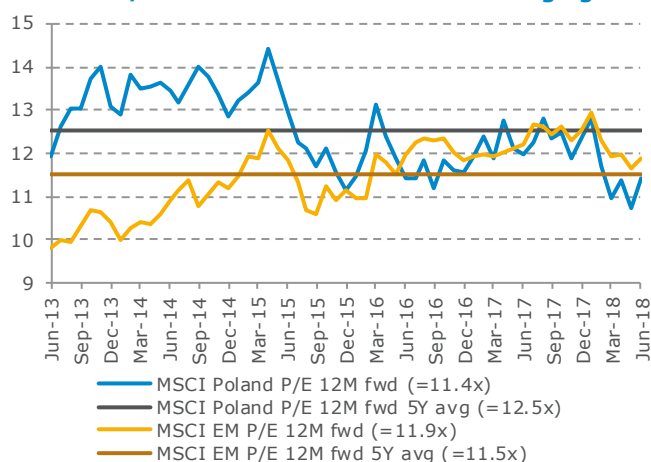
Revisions To FY2018 Earnings Forecasts For WIG30 Companies

May-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
Jun-17	+1%	+6%	+2%	+0%	+2%	+0%	+5%	+40%	+1%	+1%	+0%	+3%	-0%	+3%	-9%	+0%
Jul-17	+1%	+6%	+2%	+0%	+6%	+0%	+5%	+43%	+1%	+1%	-0%	+1%	+1%	+3%	-12%	+0%
Aug-17	+6%	+7%	+3%	+2%	+6%	+5%	+11%	+45%	+2%	-4%	+57%	+4%	+1%	-3%	-8%	-11%
Sep-17	+7%	+7%	+4%	+2%	+9%	+9%	+12%	+36%	+4%	-6%	+54%	+4%	-0%	+15%	-2%	-10%
Oct-17	+7%	+6%	+3%	+2%	+8%	+9%	+16%	+36%	+4%	-6%	+45%	+4%	+20%	+15%	-1%	-10%
Nov-17	+7%	+1%	+3%	-0%	+8%	+6%	+16%	+32%	+8%	-14%	+40%	+4%	+24%	+15%	+0%	-33%
Dec-17	+5%	+2%	+4%	-0%	+8%	+6%	+12%	+32%	+6%	-2%	+40%	+11%	+11%	+6%	-5%	-25%
Jan-18	+6%	+13%	+5%	-2%	+8%	+7%	+11%	+25%	+7%	-10%	+38%	+69%	-0%	-6%	-3%	+88%
Feb-18	+7%	+11%	+4%	-2%	+8%	+9%	+12%	+19%	+5%	-14%	+40%	+69%	-6%	-6%	+10%	+88%
Mar-18	+6%	+8%	+3%	-2%	+8%	+8%	+11%	+24%	+3%	-23%	+39%	+72%	-6%	-6%	+6%	+51%
Apr-18	+6%	+8%	+3%	-2%	+8%	+8%	+11%	+24%	+2%	-23%	+42%	+72%	-6%	-6%	+3%	+52%
May-18	+5%	+9%	+3%	-3%	+9%	+8%	+11%	+28%	+2%	-23%	+39%	+72%	-13%	-33%	-1%	+55%

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.

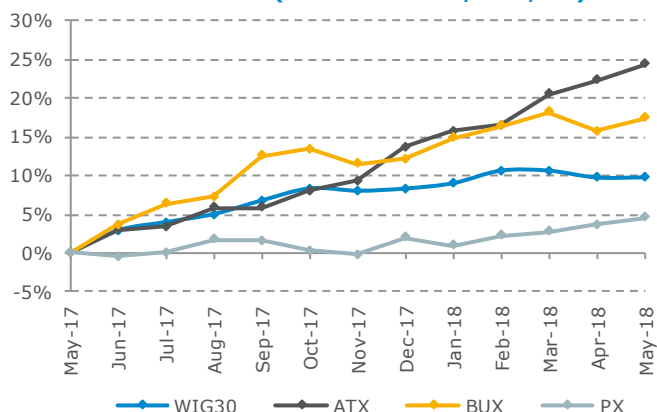
The surge in the estimates vs. consensus gap for Commodities/TMT stems from the inclusion of JSW/Play, initiated in January 2018.

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



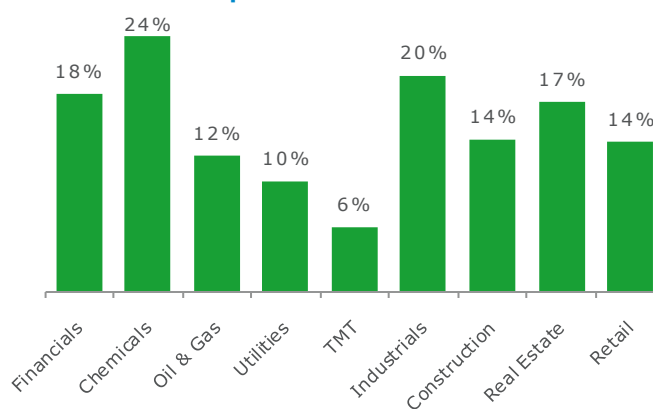
Source: Bloomberg, Dom Maklerski mBanku

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



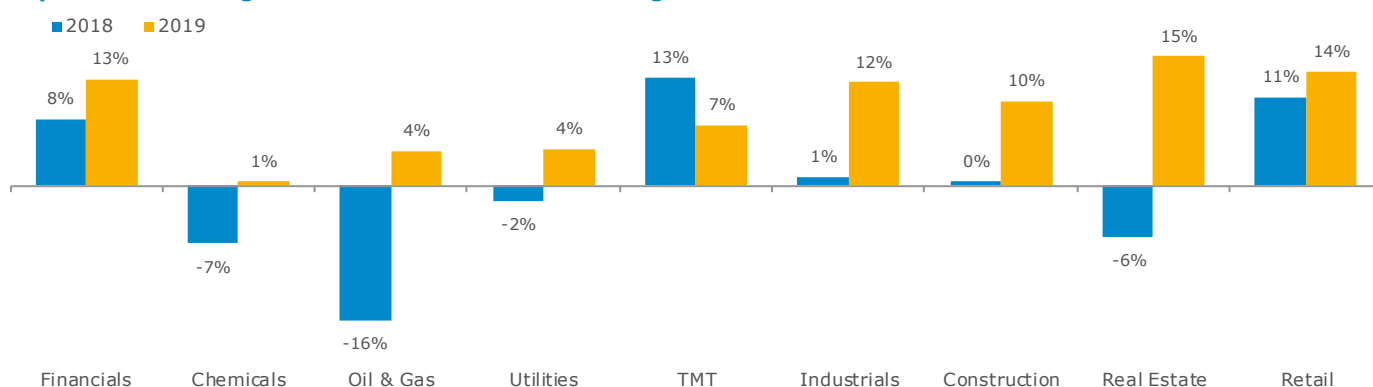
Source: Bloomberg, Dom Maklerski mBanku

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	0	92.83	+17.4%	+21%	+14%	-				13/-
BZ WBK	buy	430.00	8	8	1	419.56	+2.5%	+5%	+10%	+12%				10/-
Getin Noble Bank	hold	1.40	1	5	4	1.23	+13.6%	+261%	-8%	-16%				8/-
Handlowy	buy	94.00	3	8	0	84.58	+11.1%	-2%	+6%	-				6/-
ING BSK	accumulate	212.00	5	4	5	207.61	+2.1%	-2%	-3%	+1%				8/-
Millennium	reduce	7.00	3	4	7	8.55	-18.2%	-5%	-10%	-				7/-
Pekao	buy	157.00	15	6	0	146.43	+7.2%	-4%	-0%	-				15/-
PKO BP	hold	38.00	1	16	4	39.92	-4.8%	-6%	+2%	-				13/-
Komercni Banka	buy	1,111.0	12	4	1	1,055.6	+5.2%	+11%	+23%	-				14/-
Erste Bank	accumulate	40.00	16	8	1	43.05	-7.1%	+1%	-1%	-				16/-
OTP Bank	buy	12,090	12	2	2	12,131	-0.3%	-3%	+0%	-				12/-
PZU	buy	50.58	8	2	0	49.17	+2.9%	+7%	+2%	-				7/-
Kruk	buy	300.94	5	1	2	260.33	+15.6%	+3%	+7%	+5%				7/-
Prime Car Management	buy	15.54	1	1	0	33.00	-52.9%	-46%	-44%	-34%				3/-
Chemicals														
Ciech	buy	88.64	5	4	1	69.77	+27.1%	+26%	+39%	+51%	+13%	+15%	+17%	5/5
Grupa Azoty	hold	44.40	4	3	5	57.61	-22.9%	-24%	-32%	-33%	-7%	-10%	-11%	4/4
Oil & Gas														
Lotos	hold	52.81	6	7	1	65.36	-19.2%	-40%	-35%	-36%	-13%	-12%	-12%	10/11
MOL	hold	2,954.0	7	4	0	3,323.3	-11.1%	-25%	-26%	-20%	-11%	-9%	-2%	6/8
PGNiG	buy	8.17	5	4	1	6.67	+22.5%	+17%	+21%	+23%	+7%	+14%	+20%	7/6
PKN Orlen	reduce	76.73	2	9	9	95.89	-20.0%	-37%	-39%	-29%	-24%	-23%	-15%	14/14
Utilities														
CEZ	sell	458.38	4	7	7	520.95	-12.0%	-0%	+12%	+6%	+0%	-1%	-0%	12/12
Enea	buy	12.62	7	3	0	12.32	+2.4%	+1%	+9%	-15%	+2%	+8%	-4%	6/6
Energia	buy	15.58	5	4	1	12.83	+21.5%	+2%	+5%	+4%	+2%	+2%	+2%	6/6
PGE	buy	13.60	5	5	3	12.30	+10.6%	+8%	+10%	+7%	+3%	+4%	+3%	8/8
Tauron	buy	2.76	4	6	2	2.71	+1.9%	+25%	+0%	+4%	+7%	+2%	+4%	8/8
TMT														
Netia	reduce	4.30	1	4	3	5.09	-15.6%	-5%	-24%	-44%	-1%	-1%	-6%	4/4
Orange Polska	buy	7.60	6	6	4	6.25	+21.7%	+158%	+116%	+73%	+4%	+6%	+7%	7/10
Play	hold	30.93	7	5	1	36.04	-14.2%	+13%	+2%	-1%	+1%	-5%	-1%	10/9
Agora	buy	18.40	2	3	0	15.63	+17.7%	+113%	+29%	+31%	+3%	+0%	+1%	4/4
Cyfrowy Polsat	hold	25.30	5	8	0	28.16	-10.1%	+2%	+8%	+11%	+6%	+3%	+3%	7/6
Wirtualna Polska	accumulate	60.00	5	2	0	56.28	+6.6%	+5%	+3%	+7%	+2%	+4%	+5%	2/2
Asseco Poland	hold	41.20	2	5	1	52.13	-21.0%	-37%	-28%	-23%	-5%	-3%	-0%	2/4
Asseco BS	neutral	-	1	2	0	28.90	-	+2%	+1%	-0%	+0%	+1%	-0%	2/2
Asseco SEE	overweight	-	2	0	0	17.30	-	+0%	-1%	+3%	-1%	-2%	-1%	2/3
Wasko	neutral	-	2	0	0	-	-	+0%	+0%	-0%	+0%	+0%	-0%	1/1
CD Projekt	sell	90.80	6	2	2	122.17	-25.7%	+18%	+5%	-0%	-30%	-9%	-3%	4/2
Comarch	accumulate	166.50	3	2	0	170.48	-2.3%	-24%	-13%	-2%	-13%	-8%	+1%	3/3
Industrials														
Alumetal	neutral	-	2	3	0	59.00	-	-4%	-10%	-	-4%	-9%	-	3/3
Amica	overweight	-	2	0	2	124.50	-	+6%	+32%	-	+7%	+18%	-	3/3
Apator	neutral	-	1	2	1	23.30	-	+8%	+3%	-	+3%	-0%	-	2/2
Elemental	neutral	-	0	1	0	-	-	+0%	+12%	-	+0%	-0%	-	1/1
Famur	buy	6.95	2	1	0	7.33	-5.1%	+6%	-0%	-0%	-4%	+0%	+0%	2/2
Forte	neutral	-	3	4	1	56.28	-	-32%	-30%	-	-14%	-19%	-	4/3
Kemel	hold	53.04	5	3	0	67.01	-20.8%	-23%	+17%	+17%	-8%	+8%	+7%	5/5
Grupa Kęty	hold	371.08	5	4	2	371.64	-0.2%	+9%	+4%	+7%	+2%	-2%	-3%	5/6
Pfleiderer Group	overweight	-	7	0	1	45.69	-	+1%	+3%	-	-5%	-5%	-	6/5
JSW	buy	115.23	4	4	5	96.28	+19.7%	+20%	+33%	+21%	+13%	+13%	+11%	5/5
KGHM	buy	112.92	5	5	7	100.57	+12.3%	-8%	+12%	+13%	-6%	+5%	+6%	13/13
Construction														
Budimex	hold	163.00	1	2	6	187.08	-12.9%	-3%	-7%	-4%	-0%	-6%	-4%	4/4
Elektrobudowa	hold	71.00	3	2	1	104.05	-31.8%	-49%	-34%	-32%	-35%	-27%	-19%	3/3
Erbud	buy	22.00	4	1	0	27.97	-21.3%	-22%	-4%	-0%	-8%	+2%	-0%	3/3
Unibep	buy	10.10	3	2	0	12.28	-17.8%	-8%	-2%	+0%	-7%	+1%	+0%	2/2
Torpol	neutral	-	2	1	1	16.04	-	-70%	-48%	-39%	-39%	-27%	-23%	3/2
Trakcja	underweight	-	1	3	3	6.39	-	-65%	-63%	-0%	-21%	-19%	-0%	3/3
Real Estate														
Atal	accumulate	47.00	1	3	0	45.52	+3.3%	+2%	+3%	+1%	+1%	-1%	+2%	5/4
Capital Park	buy	8.35	3	0	0	8.08	+3.4%	-13%	-0%	-	+2%	+16%	+127%	3/2
Dom Development	buy	103.10	6	3	1	92.23	+11.8%	+3%	+10%	+3%	+5%	+4%	+6%	7/4
Echo	buy	5.63	3	4	0	5.72	-1.5%	+43%	+14%	+2%	+142%	+64%	+30%	5/3
GTC	hold	9.60	8	3	1	10.61	-9.5%	+7%	+14%	+20%	+18%	+21%	+20%	7/5
LC Corp	buy	3.50	4	0	0	3.46	+1.2%	-2%	+3%	+4%	-0%	-0%	-0%	4/1
Polnord	neutral	-	0	2	0	10.80	-	+3%	-11%	-17%	-21%	-18%	-34%	3/3
Ronson	neutral	-	0	3	1	1.45	-	+6%	+1%	+23%	-8%	-1%	-0%	4/2
Retail														
AmRest	reduce	426.00	7	3	2	462.83	-8.0%	-18%	-25%	-18%	-6%	-6%	-4%	7/5
CCC	buy	295.00	9	5	3	268.50	+9.9%	-20%	+3%	+12%	-14%	-4%	+1%	12/11
Dino	hold	103.50	9	5	2	105.55	-1.9%	+5%	+8%	+4%	+2%	+3%	+2%	11/10
Eurocash	buy	30.70	10	10	1	29.43	+4.3%	-16%	-11%	+5%	-0%	-3%	-1%	17/15
Jeronimo Martins	buy	16.40	10	12	4	16.09	+2.0%	+5%	+2%	-2%	+5%	+5%	+2%	18/17
LPP	hold	9,500.0	0	7	11	8,122.2	+17.0%	+12%	+13%	+15%	+7%	+7%	+8%	10/10
Bytom	overweight	-	2	2	0	3.00	-	+15%	+14%	+10%	+9%	+7%	+9%	3/2
Monnari	overweight	-	5	0	0	9.60	-	+7%	+9%	+20%	+13%	+10%	+15%	4/3
Vistula	overweight	-	2	2	1	4.85	-	+7%	+3%	+1%	+2%	+4%	+4%	3/2

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 (of EPS/EBITDA)

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						+18.2%	12.1	9.9		
Alior Bank	buy	2018-02-01	85.50	109.00	71.45	+52.6%	9.7	8.2		
BZ WBK	buy	2018-03-05	357.80	430.00	366.20	+17.4%	14.4	11.8		
Getin Noble Bank	hold	2018-05-09	1.17	1.40	1.08	+29.6%	21.8	18.1		
Handlowy	buy	2018-04-06	77.50	94.00	78.30	+20.1%	16.2	13.3		
ING BSK	accumulate	2018-03-05	198.00	212.00	195.00	+8.7%	16.1	14.2		
Millennium	reduce	2018-04-06	8.35	7.00	8.40	-16.7%	14.1	12.8		
Pekao	buy	2018-02-01	135.90	157.00	119.90	+30.9%	14.4	11.9		
PKO BP	hold	2018-04-06	39.74	38.00	39.24	-3.2%	14.8	12.3		
Komerční Banka	buy	2017-12-01	899.00	1,111 CZK	907.00	+22.5%	11.6	9.9		
Erste Bank	accumulate	2018-06-06	34.78	40.00 EUR	34.78	+15.0%	10.6	9.9		
OTP Bank	buy	2018-06-06	10,210	12,090 HUF	10,210	+18.4%	10.3	9.5		
PZU	buy	2018-03-05	41.55	50.58	38.94	+29.9%	10.0	9.8		
GetBack	suspended	2018-04-16	4.52	-	3.75	-	-	-		
Kruk	buy	2018-02-02	222.20	300.94	228.00	+32.0%	12.1	10.3		
Prime Car Management	buy	2018-06-06	12.70	15.54	12.70	+22.4%	7.2	6.2		
Skarbiec Holding	buy	2018-02-02	30.60	56.30	28.20	+99.6%	6.8	5.7		
Chemicals						+23.5%	8.0	8.3	5.7	6.0
Ciech	buy	2018-06-06	60.20	88.64	60.20	+47.2%	8.0	8.3	5.2	5.3
Grupa Azoty	hold	2018-05-25	42.60	44.40	46.68	-4.9%	15.5	16.0	5.7	6.2
Polwax	buy	2018-05-09	7.80	16.69	8.10	+106.0%	5.4	4.0	6.7	6.0
Oil & Gas						+12.4%	11.5	11.0	5.5	5.1
Lotos	hold	2018-05-09	55.62	52.81	57.12	-7.5%	15.3	11.5	6.4	5.6
MOL	hold	2018-05-09	2,790	2,954 HUF	2,700	+9.4%	10.3	10.4	4.6	4.6
PGNiG	buy	2018-05-09	6.20	8.17	6.05	+35.0%	8.3	7.9	4.1	3.8
PKN Orlen	reduce	2018-05-09	82.30	76.73	86.76	-11.6%	12.6	13.2	7.0	7.0
Power Utilities						+9.7%	5.0	4.6	3.9	3.6
CEZ	sell	2018-05-29	551.00	458.38 CZK	564.50	-18.8%	21.3	19.8	8.5	8.4
Enea	buy	2018-05-29	9.57	12.62	10.34	+22.1%	5.0	3.8	4.1	3.6
Energia	buy	2018-05-29	9.00	15.58	9.23	+68.8%	4.8	4.6	3.4	3.3
PGE	buy	2018-05-29	9.28	13.60	9.98	+36.3%	6.1	6.0	3.7	3.5
Tauron	buy	2018-05-29	2.01	2.76	2.31	+19.5%	3.1	3.8	3.9	4.4
Telecoms, Media, IT						+6.0%	21.0	15.7	7.0	6.4
Netia	reduce	2018-06-06	5.00	4.30	5.00	-14.0%	45.5	54.9	5.8	6.2
Orange Polska	buy	2018-04-06	5.83	7.60	5.08	+49.6%	22.3	12.2	4.4	4.0
Play	hold	2018-04-06	32.70	30.93	25.60	+20.8%	7.1	6.8	5.5	5.7
Agora	buy	2018-04-06	14.50	18.40	14.95	+23.1%	28.4	30.8	5.1	5.3
Cyfrowy Polsat	hold	2018-04-06	24.84	25.30	25.36	-0.2%	13.0	11.1	7.0	6.4
Wirtualna Polska	accumulate	2018-04-24	54.00	60.00	53.60	+11.9%	21.0	18.0	11.4	9.6
Asseco Poland	hold	2018-06-06	44.00	41.20	44.00	-6.4%	15.0	15.7	8.7	8.2
CD Projekt	sell	2018-04-06	114.90	90.80	157.00	-42.2%	75.6	22.7	59.9	17.4
Comarch	accumulate	2018-05-09	145.00	166.50	145.00	+14.8%	20.9	15.4	8.2	7.2
Industrials, Mining						+19.8%	10.5	6.5	7.0	4.9
Famur	buy	2018-05-09	5.94	6.95	6.10	+13.9%	17.5	13.6	8.4	7.3
Grupa Kęty	hold	2018-06-06	360.50	371.08	360.50	+2.9%	12.5	12.6	8.9	8.8
JSW	buy	2018-06-06	86.66	115.23	86.66	+33.0%	4.5	6.1	2.4	2.8
Kemcel	hold	2018-05-09	50.80	53.04	52.50	+1.0%	11.1	5.8	7.4	4.9
KGHM	buy	2018-06-06	96.52	112.92	96.52	+17.0%	7.9	6.2	4.6	3.5
Stelmet	buy	2018-05-09	14.75	26.48	14.15	+87.1%	9.9	6.8	6.7	4.9
Construction						+14.0%	10.3	10.0	4.4	4.3
Budimex	hold	2018-06-06	153.00	163.00	153.00	+6.5%	11.5	12.6	4.8	5.0
Elektrobudowa	hold	2018-06-06	69.00	71.00	69.00	+2.9%	13.8	13.6	5.4	5.4
Erbud	buy	2018-06-06	14.90	22.00	14.90	+47.7%	9.1	7.3	4.0	3.5
Unibep	buy	2018-04-06	7.50	10.10	5.44	+85.7%	6.2	5.3	4.1	3.2
Property Developers						+17.4%	8.8	9.1	7.9	7.8
Atal	accumulate	2018-04-06	43.40	47.00	43.00	+9.3%	8.6	9.0	7.3	7.8
Capital Park	buy	2018-04-06	5.95	8.35	5.50	+51.8%	10.9	9.2	17.7	17.0
Dom Development	buy	2018-03-20	85.80	103.10	86.00	+19.9%	9.0	9.2	7.2	7.5
Echo	buy	2018-04-06	5.23	5.63	4.62	+21.9%	6.3	5.8	7.3	7.5
GTC	hold	2018-04-06	9.39	9.60	9.04	+6.2%	10.9	9.4	15.1	14.2
LC Corp	buy	2018-04-06	2.70	3.50	2.72	+28.7%	6.6	5.8	8.5	7.7
Retail						+13.7%	26.6	19.0	14.7	12.5
AmRest	reduce	2018-04-06	449.50	426.00	456.00	-6.6%	48.0	37.7	15.7	12.5
CCC	buy	2018-06-06	242.80	295.00	242.80	+21.5%	31.7	18.8	17.9	12.5
Dino	hold	2018-06-06	107.40	103.50	107.40	-3.6%	33.0	24.7	20.4	15.7
Eurocash	buy	2018-04-06	24.41	30.70	23.45	+30.9%	24.6	19.0	7.9	6.8
Jeronimo Martins	buy	2018-06-06	13.52	16.40 EUR	13.52	+21.3%	18.3	17.1	8.0	7.3
LPP	hold	2018-05-09	9,260	9,500	9,280	+2.4%	26.6	22.7	14.7	12.5
TXM	buy	2018-05-09	2.10	5.44	1.30	+318.5%	7.4	2.8	5.9	3.2
Other						+4.5%	10.7	9.7	7.1	6.5
PBKM	hold	2018-06-06	73.00	76.26	73.00	+4.5%	10.7	9.7	7.1	6.5

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						14.2	10.9	6.2	5.8
Ailleron	neutral	2018-03-28	16.20	15.65	-3.4%	18.6	16.2	8.5	7.0
Asseco BS	neutral	2018-03-28	28.00	25.80	-7.9%	15.0	13.6	10.0	9.2
Asseco SEE	overweight	2018-04-26	11.70	12.50	+6.8%	11.4	10.9	5.1	4.7
Atende	overweight	2018-03-28	4.25	4.35	+2.4%	10.1	9.1	6.2	5.8
Wasko	neutral	2018-05-30	1.68	1.69	+0.6%	14.2	9.4	5.3	4.5
Industrials						10.5	11.5	6.5	6.3
Alumetal	neutral	2017-07-31	46.99	54.90	+16.8%	10.9	11.9	8.9	8.8
Amica	overweight	2018-06-06	121.00	121.00	+0.0%	8.5	6.9	5.5	4.6
Apator	neutral	2018-02-28	24.00	26.80	+11.7%	14.7	15.3	8.4	8.6
Boryszew	neutral	2017-11-30	9.85	8.00	-18.8%	10.1	9.7	6.8	6.3
Elemental	neutral	2018-04-27	1.09	0.95	-12.8%	3.8	3.3	4.2	3.7
Ergis	neutral	2018-04-27	4.06	3.88	-4.4%	8.7	8.2	6.2	5.7
Forte	neutral	2018-04-27	50.70	50.00	-1.4%	21.4	13.6	13.8	10.6
Kruszwica	neutral	2017-03-29	63.50	71.80	+13.1%	19.6	20.1	11.7	11.6
Mangata	underweight	2018-03-29	95.60	92.80	-2.9%	12.5	12.2	7.6	7.3
Pfleiderer Group	overweight	2018-04-27	37.30	37.00	-0.8%	17.7	15.8	6.3	5.9
Pozbud	overweight	2017-11-13	2.98	3.58	+20.1%	6.5	3.7	5.8	2.6
Tarczyński	neutral	2018-05-30	14.50	14.90	+2.8%	8.0	11.1	5.6	6.2
Construction Sector						20.2	9.0	5.6	4.5
Elektrotim	neutral	2018-05-28	5,80	5.00	-13.8%	30.3	12.8	5.6	4.8
Herkules	neutral	2018-01-25	3.67	3.18	-13.4%	10.0	7.0	5.2	4.3
Torpol	neutral	2018-05-28	6,40	5.70	-10.9%	26.7	8.3	6.9	4.2
Trakcja	underweight	2018-05-18	3.65	3.00	-17.8%	23.6	21.5	5.5	5.4
Ulma	neutral	2018-05-28	73,00	74.00	+1.4%	9.2	8.9	3.7	3.5
ZUE	neutral	2018-05-28	5,86	5.24	-10.6%	16.8	9.1	6.8	5.5
Property Developers						6.9	6.5	8.2	6.0
Archicom	overweight	2018-04-26	15.30	14.40	-5.9%	6.7	4.7	6.7	5.2
BBI Development	neutral	2018-04-26	0.66	0.61	-7.6%	14.1	6.7	13.9	6.2
i2 Development	neutral	2018-05-28	17,30	16.80	-2.9%	4.6	4.8	5.5	5.9
JWC	underweight	2018-03-29	4.16	3.45	-17.1%	6.2	4.5	6.1	4.5
Lokum Deweloper	overweight	2018-03-29	17.80	18.50	+3.9%	6.2	7.0	4.6	5.3
PA Nova	neutral	2018-03-29	22.30	22.00	-1.3%	7.2	8.3	10.6	11.9
Polnord	neutral	2018-02-02	10.50	7.34	-30.1%	12.1	9.8	31.1	21.5
Ronson	neutral	2018-04-03	1.32	1.10	-16.7%	7.9	6.3	9.7	8.5
Retail						12.5	11.2	8.1	7.1
Bytom	overweight	2018-05-23	2.92	2.80	-4.1%	12.5	11.4	8.1	7.1
Gino Rossi	suspended	2018-05-23	0.63	0.62	-1.6%	-	-	-	-
Monnari	overweight	2018-05-23	7.19	7.10	-1.3%	9.3	8.7	4.2	3.7
Vistula	overweight	2018-05-23	4.79	4.80	+0.2%	13.7	11.2	9.2	7.5

Recommendations Issued in Last 30 Days

Company	Rating	Previous Rating	Target Price		Issued on
Bytom	overweight	overweight	-	-	2018-05-23
CCC	accumulate	buy	295.00	PLN	2018-05-09
CEZ	sell	reduce	449.51	CZK	2018-05-09
CEZ	sell	sell	458.38	CZK	2018-05-29
Ciech	buy	buy	89.71	PLN	2018-05-09
Comarch	accumulate	buy	166.50	PLN	2018-05-09
Dino	accumulate	buy	103.50	PLN	2018-05-09
Elektrotim	neutral	overweight	-	-	2018-05-28
Enea	buy	buy	12.62	PLN	2018-05-29
Energa	buy	buy	15.58	PLN	2018-05-29
Erbud	accumulate	buy	23.10	PLN	2018-05-09
Famur	buy	buy	6.95	PLN	2018-05-09
Getin Noble Bank	hold	hold	1.40	PLN	2018-05-09
Gino Rossi	suspended	neutral	-	-	2018-05-23
Grupa Azoty	hold	hold	60.99	PLN	2018-05-09
Grupa Azoty	hold	hold	44.40	PLN	2018-05-25
Grupa Kęty	hold	hold	363.01	PLN	2018-05-09
i2 Development	neutral	overweight	-	-	2018-05-28
JSW	buy	buy	109.12	PLN	2018-05-09
Kernel	hold	hold	53.04	PLN	2018-05-09
KGHM	buy	buy	118.98	PLN	2018-05-09
Lotos	hold	hold	52.81	PLN	2018-05-09
LPP	hold	accumulate	9500.00	PLN	2018-05-09
MOL	hold	hold	2954.00	HUF	2018-05-09
Monnari	overweight	overweight	-	-	2018-05-23
PGE	buy	buy	13.60	PLN	2018-05-29
PGNiG	buy	buy	8.17	PLN	2018-05-09
PKN Orlen	reduce	reduce	76.73	PLN	2018-05-09
Polwax	buy	buy	16.69	PLN	2018-05-09
Stelmet	buy	buy	26.48	PLN	2018-05-09
Tarczyński	neutral	neutral	-	-	2018-05-30
Tauron	buy	hold	2.76	PLN	2018-05-29
Torpol	neutral	neutral	-	-	2018-05-28
Trakcja	underweight	neutral	-	-	2018-05-18
TXM	buy	buy	5.44	PLN	2018-05-09
Ulma	neutral	neutral	-	-	2018-05-28
Vistula	overweight	neutral	-	-	2018-05-23
Wasko	neutral	overweight	-	-	2018-05-30
ZUE	neutral	neutral	-	-	2018-05-28

Ratings and Valuations Changed as of 6 June 2018

Company	Rating	Previous Rating	Target Price	Issued on
Amica	overweight	overweight	- -	2018-06-06
Asseco Poland	hold	reduce	41.20 PLN	2018-06-06
Budimex	hold	accumulate	163.00 PLN	2018-06-06
CCC	buy	accumulate	295.00 PLN	2018-06-06
Ciech	buy	buy	88.64 PLN	2018-06-06
Dino	hold	accumulate	103.50 PLN	2018-06-06
Elektrobudowa	hold	buy	71.00 PLN	2018-06-06
Erbud	buy	accumulate	22.00 PLN	2018-06-06
Erste Bank	accumulate	hold	40.00 EUR	2018-06-06
Grupa Kęty	hold	hold	371.08 PLN	2018-06-06
Jeronimo Martins	buy	accumulate	16.40 EUR	2018-06-06
JSW	buy	buy	115.23 PLN	2018-06-06
KGHM	buy	buy	112.92 PLN	2018-06-06
Netia	reduce	sell	4.30 PLN	2018-06-06
OTP Bank	buy	accumulate	12090.00 HUF	2018-06-06
PBKM	hold	hold	76.26 PLN	2018-06-06
Prime Car Management	buy	buy	15.54 PLN	2018-06-06

Recommendation 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%	1	2.1%
reduce	4	4.3%	3	6.3%
underweight	3	3.2%	0	0.0%
hold	16	17.0%	5	10.4%
neutral	21	22.3%	9	18.8%
accumulate	5	5.3%	3	6.3%
buy	33	35.1%	27	56.3%
overweight	10	10.6%	0	0.0%

Corporate Events Calendar For June-July 2018

Date	Time	Company	Event
6 Jun		COMPERIA.PL	Management Meeting
6 Jun	12:00	EnterAir	Management Meeting
7 Jun	12:00	Archicom	2018 Q1 earnings conference (Westin Hotel, Warsaw)
28 Jun		Stelmet	2018 Q1 earnings announcement
17 Jul		Kernel	2018 Q2 operations update
20 Jul		PKN Orlen	2018 Q2 earnings announcement
25 Jul		BZ WBK	2018 Q2 earnings announcement
26 Jul		Budimex	2018 H1 earnings announcement
26 Jul		Millennium	2018 Q2 earnings announcement
31 Jul		Erste Bank	2018 Q2 earnings announcement
31 Jul		GPW	2018 H1 earnings announcement
31 Jul		mBank	2018 Q2 earnings announcement

Financial Sector

Alior Bank

buy (no change)

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We maintain a buy rating for Alior Bank, whose shares have been trading downward recently on FY2018 guidance, the capital impact of IFRS 9, Board resignations, and speculation about a merger with Pekao, the chances of which are approximately 75% according to our calculations. In the most likely scenario of a stock-for-stock merger, the deal will require the approval of both sets of shareholders. We believe Alior can fulfill analysts' expectations this year with an annual net profit of PLN 0.8bn. The Bank itself is guiding for NIM expansion from H2 2018, and it expects to lower the cost-of-risk target in the course of the year, as well as potentially adjusting the FY2018 total cost estimate lower.

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

71.45 PLN

Upside

9M Target Price

109.00 PLN

+52.6%

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

Key Metrics	ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng +3.7% +3.4%
ISIN	PLALIOR00045	YTD Price Chng -10.1% -2.8%
Outst. Stock (m)	129.3	ADTV 1M PLN 19.8m
MC (PLN m)	9,235.5	ADTV 6M PLN 23.0m
		P/E 12M fwd 10.6 -25.0%
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	11.7	17.9	9.7	8.2
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
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			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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We maintain a buy rating for BZ WBK, whose stock has posted losses over the last six months led by the sale of a part of its shares by Deutsche Bank, combined with lower-than-expected dividends and a disappointing composition of first-quarter earnings. We leave intact our 2018 FY net profit forecast of PLN 2.56bn for the Bank. BZ WBK wants to make a distribution to shareholders this year from 2017 profit and retained earnings, subject to regulatory approval, and if approved we expect the resulting DPS to be PLN 23, implying a dividend yield of 6.3%. We estimate that the costs of the planned CHF mortgage conversion legislation can put a dent of no more 12% in BZ WBK's annual earnings, shaving PLN 20 max off the Bank's per-share value. BZW stock is trading at attractive multiples at the moment even considering all risks and given the potential dividend surprise.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
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 366.20 PLN
9M Target Price 430.00 PLN
Upside +17.4%

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

Key Metrics	BZW PW	1M Price Chng	BZW PW	vs. WIG
Ticker	BZW PW	1M Price Chng	+4.9%	+4.5%
ISIN	PLBZ000000044	YTD Price Chng	-6.9%	+0.5%
Outst. Stock (m)	99.2	ADTV 1M		PLN 23.4m
MC (PLN m)	36,339.7	ADTV 6M		PLN 19.6m
		P/E 12M fwd	14.4	-4.5%
Free Float	30.0%	P/E 5Y avg	15.0	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	16.8	16.4	14.4	11.8	10.4
P/B	1.8	1.7	1.3	1.3	1.2
ROE	11.1%	10.6%	10.4%	11.1%	11.8%
DPS	21.33	5.40	6.69	12.55	15.46
DYield	5.8%	1.5%	1.8%	3.4%	4.2%
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%		

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
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

(%)	2016	2017	2018P	2019P	2020P
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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We expect Getin to turn a profit in 2018, however the profit will come primarily from one-time developments. Our updated outlook for the Bank also assumes a PLN 490m bigger share issue, but it omits a possible issue of Tier 1 instruments, conditioned on future financial performance. The Tier 1 issue is not likely to happen before 2020, the year when Getin is expected to achieve the minimum capital requirements set by the Polish regulator. GNB is trading at a price-to-book of around 0.3 times as implied by our target price.

Current Price

1.08 PLN

Upside

9M Target Price

1.40 PLN

+29.6%

	rating	target price	issued
unchanged	hold	1.40 PLN	2018-05-09

Key Metrics			GNB PW	vs. WIG
Ticker	GNB PW	1M Price Chng	-10.7%	-11.1%
ISIN	PLGETBK00012	YTD Price Chng	-33.3%	-26.0%
Outst. Stock (m)	1,044.6	ADTV 1M		PLN 1.3m
MC (PLN m)	1,128.1	ADTV 6M		PLN 2.0m
		P/E 12M fwd	8.0	-36.5%
Free Float	49.8%	P/E 5Y avg	12.6	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	1,317	1,297	1,175	1,337	1,542
Total income	1,537	1,480	1,417	1,560	1,802
Costs	-859	-895	-902	-903	-902
Provisioning	-660	-1,261	-475	-482	-488
Net income	-42	-575	50	144	337
P/E	-	-	21.8	8.1	3.5
P/B	0.2	0.2	0.2	0.2	0.2
ROE	-	-	1.1%	3.0%	6.5%
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
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	1,317	1,297	1,175	1,337	1,542
Fee income	126	154	162	187	207
Trading income	177	217	177	90	93
Other income	-62	-188	-98	-54	-39
Noninterest income	241	183	242	223	261
Total income	1,558	1,480	1,417	1,560	1,802
Operating expenses	859	895	902	903	902
Operating income	699	585	514	657	900
Provisioning	700	1,261	475	482	488
Profits of associates	-3	15	24	5	5
Pre-tax income	-4	-661	64	180	418
Tax	12	-88	12	34	79
Minority interests	-4	-2	-2	-2	-2
Asset tax	38	0	0	0	0
Net income	-59	-575	50	144	337

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	46,634	42,712	42,045	42,031	42,438
Other assets	19,526	17,124	18,352	19,661	21,094
Total assets	66,160	59,836	60,397	61,691	63,532
Deposits	53,041	48,614	46,664	45,325	45,516
Other liabilities	8,362	6,906	8,977	11,367	12,642
Minority interests	7	0	0	0	0
Equity	4,750	4,315	4,755	4,999	5,374

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.0%	2.1%	2.0%	2.3%	2.6%
C/I	55.1%	60.5%	63.7%	57.9%	50.1%
CoR	1.4%	2.6%	1.0%	1.1%	1.1%
NPL Ratio	14.7%	15.8%	14.4%	13.2%	12.0%
Tier 1 Ratio	11.6%	9.6%	11.6%	12.3%	13.2%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-20)	-444	-12%
PV Adjustment	213	6%
Value Driver (2021-35)	2,064	54%
Fade (2036-55)	1,254	33%
Terminal Value	716	19%
Fair Value	3,801	100%
Outst. Shares (millions)	1,081	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	3.52	
9M Target Price (PLN)	3.74	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	4,264	114%
Explicit Forecast (2018-20)	-571	-15%
PV Adjustment	23	1%
Value Driver (2021-35)	-131	-3%
Fade (2036-55)	166	4%
Fair Value	3,751	100%
Outst. Shares (millions)	1,081	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	3.47	
9M Target Price (PLN)	3.69	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	3,801
Economic Profits	50%	3,751
Fair Value Avg.		3,776
Fair Value Per Share (PLN)		3.49
Asset tax		-2.17
Fair Value Per Share		1.32
Cost of equity (9M)		6.4%
9M Target Price (PLN)		1.40



Handlowy buy (no change)

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We maintain a buy rating for Handlowy, which is expected to grow earnings at an accelerating rate in the next two years (+15% in 2018, +21.6% in 2019), supported by high sensitivity to interest rates, poised to bring benefits after the expected 75bp hike in 2019, 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% above 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. Moreover, with a corporate loan portfolio making up 62% of the total portfolio, Handlowy stands to capitalize on increasing demand for bank financing from Polish businesses. Finally, we expect analysts to raise their 2018 FY expectations for the Bank after a solid first quarter.

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

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	

Current Price 78.30 PLN
9M Target Price 94.00 PLN **Upside +20.1%**

	rating	target price	issued
unchanged	buy	94.00 PLN	2018-04-06

Key Metrics	BHW PW	1M Price Chng	BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-1.5%	-1.9%
ISIN	PLBH000000012	YTD Price Chng	-4.4%	+2.9%
Outst. Stock (m)	130.7	ADTV 1M		PLN 3.4m
MC (PLN m)	10,230.6	ADTV 6M		PLN 2.9m
		P/E 12M fwd	14.6	-7.8%
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	17.0	19.1	16.2	13.3
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%	5.2%	6.2%

Revision of Projections (% change)

	2018P	2019P
Net interest income	0.0%	0.0%
Fee income	0.0%	0.0%
Total costs	0.0%	0.0%
Provisioning	0.0%	0.0%
Net income	0.0%	0.0%

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%

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 in terms of earnings it is doomed to come up short of the unreasonably high expectations of analysts set for the next two years. 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 1.7% in 2018E and 1.9% in 2019E. The Bank will probably opt to reinvest a major portion of the annual earnings in further growth and potential acquisitions. Otherwise, it could use surplus capital to make higher distributions to shareholders. ING shares should perform better than banks with CHF exposures after the presidential borrower relief bill is passed into law. We maintain an accumulate rating for ING.

Current Price	195.00 PLN	Upside
9M Target Price	212.00 PLN	+8.7%

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

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	+0.1%	-0.2%
ISIN	PLBSK0000017	YTD Price Chng	-3.7%	+3.6%
Outst. Stock (m)	130.1	ADTV 1M		PLN 3.2m
MC (PLN m)	25,369.5	ADTV 6M		PLN 5.0m
		P/E 12M fwd	15.4	-3.0%
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	20.2	18.1	16.1	14.2	13.1
P/B	2.4	2.2	1.9	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%	1.7%	1.9%	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 (no change)

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We maintain a reduce rating for Millennium. Our bearish view stems from the high capital requirements that the Bank is under an obligation to meet, and which prevent it from paying substantial dividends. 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 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.

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
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

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

Current Price

8.40 PLN

Downside

9M Target Price

7.00 PLN

-16.7%

	rating	target price	issued
unchanged	reduce	7.00 PLN	2018-04-06

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	+0.4%	+0.0%
ISIN	PLBIG00000016	YTD Price Chng	-6.0%	+1.3%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 6.9m
MC (PLN m)	10,190.2	ADTV 6M		PLN 8.1m
		P/E 12M fwd	12.8	-3.4%
Free Float	50.0%	P/E 5Y avg	13.2	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	14.5	15.0	14.1	12.8
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
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
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

(%)	2015	2016	2017	2018P	2019P
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%

Pekao buy (no change)

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We maintain a buy rating for Pekao, which is capable of distributing 100% of annual earnings as dividends in 2018 as well as in 2019, thanks among others to low CHF loan exposure and a strong positioning in corporate lending, set to be the main volume driver for banks in 2018. According to our forecasts, Pekao will accelerate the pace of loan growth to 10+ percent this year for the first time since 2004. The Bank can probably create more upside for itself if it achieves the 14% ROE target by 2020. PEO stock is pricing the potential (with 75% odds) merger with Alior Bank, which is not factored into our current earnings outlook for the Bank. Note that in the most likely scenario of a stock-for-stock merger, the deal will require the approval of both sets of shareholders.

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 119.90 PLN
9M Target Price 157.00 PLN
Upside +30.9%

	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	+2.4%	+2.0%
ISIN	PLPEKAO00016	YTD Price Chng	-7.4%	-0.1%
Outst. Stock (m)	262.5	ADTV 1M		PLN 115.8m
MC (PLN m)	31,470.2	ADTV 6M		PLN 78.3m
		P/E 12M fwd	12.8	-20.0%
Free Float	49.9%	P/E 5Y avg	16.0	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	13.8	12.7	14.4	11.9
P/B	1.4	1.4	1.3	1.3
ROE	9.8%	10.7%	9.4%	11.1%
DPS	8.70	8.68	7.90	8.32
DYield	7.3%	7.2%	6.6%	6.9%
Revision of Projections (% change)			2018P	2019P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			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 (no change)

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We maintain a hold rating for PKO BP, whose shares have been trading lower over the recent months as interest rate hikes in Poland continue to be pushed back. The Bank delivered 2018 first-quarter results broadly in line with the analysts' expectations for the whole year. 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 any negative shock.

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

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

Current Price

39.24 PLN

Downside

9M Target Price

38.00 PLN

-3.2%

	rating	target price	issued
unchanged	hold	38.00 PLN	2018-04-06

Key Metrics	PKO PW	PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-3.4%
ISIN	PLPKO0000016	YTD Price Chng	-11.4%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 102.0m
MC (PLN m)	49,050.0	ADTV 6M	PLN 90.5m
		P/E 12M fwd	13.2
Free Float	68.6%	P/E 5Y avg	13.3 discount

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	17.1	15.8	14.8	12.3
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)			2018P	2019P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

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%

Komercni Banka buy (no change)

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We reiterate our buy call and price target for Komercni Banka. In our opinion, the 2018-2019 consensus forecasts for Komercni are about 10% too low looking at first-quarter results. Supported by high ROE, assuming a 55% payout ratio, we expect Komercni to offer dividend yields of 4%-5% in the next two years. Compared to its Polish peers, Komercni generates higher ROE (13% vs. 8%) and dividend yields (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.

Current Price

907.00 CZK

Upside

9M Target Price

1,111.00 CZK

+22.5%

	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	-0.4%	-0.7%
ISIN	CZ0008019106	YTD Price Chng	+4.5%	+11.8%
Outst. Stock (m)	188.9	ADTV 1M		CZK 127.6m
MC (CZK bn)	171.3	ADTV 6M		CZK 137.9m
		P/E 12M fwd	12.6	-9.2%
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	12.5	11.5	11.6	9.9
P/B	1.7	1.8	1.5	1.3
ROE	13.4%	15.0%	13.8%	14.2%
DPS	62.00	40.00	47.00	43.00
DYield	6.8%	4.4%	5.2%	4.7%
Revision of Projections (% change)			2018P	2019P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

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

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%

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

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 accumulate (upgraded)

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We upgrade Erste Bank from hold to accumulate after the recent share price decline. We assume Erste's guidance, which puts 2018 ROTE at >10%, is accurate, but we are somewhat more optimistic than most analysts when it comes to FY2018-2019 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.

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	FVPS	Net Income			P/E			BV	P/B
	Value	(EUR)	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

34.78 EUR

Upside

9M Target Price

40.00 EUR

+15.0%

	rating	target price	issued
new	accumulate	40.00 EUR	2018-06-06
old	hold	40.00 EUR	2018-02-02
Key Metrics			
Ticker	EBS AV	1M Price Chng	-5.9%
ISIN	AT0000652011	YTD Price Chng	-0.4%
Outst. Stock (m)	429.8	ADTV 1M	EUR 33.9m
MC (EUR m)	14,948.4	ADTV 6M	EUR 27.5m
		P/E 12M fwd	10.2
Free Float	69.5%	P/E 5Y avg	11.6

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	11.8	11.4	10.6	9.9
P/B	1.2	1.1	0.9	0.8
ROE	10.8%	10.0%	9.5%	9.0%
DPS	0.50	1.00	1.20	1.06
DYield	1.4%	2.9%	3.5%	3.1%
Revision of Projections (% change)				
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			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 buy (upgraded)

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We upgrade OTP Bank from accumulate to buy after the recent share price decline. Our current FY2018 earnings expectations for OTP are consistent with the average market forecasts, but the FY2019 estimate is 4% higher than average. Our assumption is that net income will grow 1% in 2018, dampened by high operating costs, including costs of post-merger integration, coupled with normalized provisioning, followed by a 9.0% rebound in 2019. On the upside, the M&A activity builds value, including thanks to prices below book values, and boosts future earnings prospects. Alongside organic growth in net interest income, driven by increasing loan volumes, this means OTP Bank could deliver a positive surprise in 2018 thanks to 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

10,210.00 HUF

Upside

9M Target Price

12,090.00 HUF

+18.4%

	rating	target price	issued
new	buy	12,090.00 HUF	2018-06-06
old	accumulate	12,090.00 HUF	2018-02-02
Key Metrics			
Ticker	OTP HB	1M Price Chng	-5.1%
ISIN	HU00000061726	YTD Price Chng	-2.7%
Outst. Stock (m)	267.0	ADTV 1M	HUF 7.5bn
MC (HUF bn)	2,726.4	ADTV 6M	HUF 5.3bn
		P/E 12M fwd	10.4
Free Float	100.0%	P/E 5Y avg	10.1

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	13.5	9.7	10.3	9.5
P/B	1.9	1.7	1.5	1.4
ROE	15.3%	18.4%	15.3%	15.1%
DPS	173.01	199.22	253.21	260.44
DYield	1.7%	2.0%	2.5%	2.6%
Revision of Projections (% change)				
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			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. With that said, a recent decision by the Supreme Court to allow family members of permanently disabled car accident survivors to claim compensation under third-party liability insurance could potentially boost future claims for PZU, which already set aside relevant provisions in the amount of PLN 148m in the first quarter. Assuming investment income improves in future quarters, PZU should be able to achieve the 2018 FY expectations of the market.

Financial Highlights

(PLN m)	2015	2016	2017	2018P	2019P
Gross written prem	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

38.94 PLN

Upside

9M Target Price

50.58 PLN

+29.9%

	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	-5.9%	-6.2%
ISIN	PLPZU00000011	YTD Price Chng	-7.6%	-0.3%
Outst. Stock (m)	863.5	ADTV 1M		PLN 76.3m
MC (PLN m)	33,625.6	ADTV 6M		PLN 67.2m
		P/E 12M fwd	10.5	-16.4%
Free Float	64.8%	P/E 5Y avg	12.6	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	17.3	11.6	10.0	9.8
P/B	2.6	2.3	2.1	2.0
ROE	15.0%	21.1%	22.2%	21.4%
DPS	2.08	1.40	2.70	3.11
DYield	5.3%	3.6%	6.9%	8.0%
Revision of Projections (% change)			2018P	2019P
Gross written premiums			0.0%	0.0%
Claims			0.0%	0.0%
Investment income			0.0%	0.0%
Total costs			0.0%	0.0%
Net income			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

Kruk buy (no change)

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We maintain a buy rating for Kruk, which has recently reiterated the strategic objective of growing EPS by more than 15%. Moreover, Kruk expects to spend PLN 1-1.2 billion in 2018 on receivable portfolios, with most purchases set to take place in Poland. Nevertheless we maintain our 2018 expenditure forecast at PLN 1,177m in anticipation of possible acquisition of second-hand portfolios as part of industry consolidation. 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 2019 P/E and 5.8x EV/Cash EBITDA.

Current Price

228.00 PLN

Upside

9M Target Price

300.94 PLN

+32.0%

	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%
ISIN	PLKRK0000010	YTD Price Chng	-11.1%
Outst. Stock (m)	18.7	ADTV 1M	PLN 12.0m
MC (PLN m)	4,273.7	ADTV 6M	PLN 16.4m
EV (mln PLN)	-	EV/EBITDA 12M fwd	12.2
Free float	87.0%	EV/EBITDA 5Y avg	12.8

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	16.9	14.5	12.1	10.3	9.7
P/B	3.3	2.9	2.4	2.1	1.8
ROE	24.6%	21.9%	21.8%	21.5%	20.1%
DPS	2.00	2.26	5.00	5.66	11.08
DYield	0.9%	1.0%	2.2%	2.5%	4.9%
Revision of Projections (% change)			2018P	2019P	2020P
Purchased debt portfoliois			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%

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

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

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

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 maintain a buy rating for Prime Car Management, but we lower our 9-month price target to PLN 15.54 per share after downward revisions of 41%-28% to our earnings expectations for FY2018-2020 to reflect worsened prospects for remarketing profits (expected to contribute 7% to gross profit versus 30% in the past) and slower asset expansion due to capital restrictions. PCM faces a rise in the end-of-term vehicle inventory as lease contracts expire, and to boot it is hurt by price pressures on used vehicles from a strong zloty and increasing competition from rising imports of second-hand diesel cars. With its debt-to-equity ratio expected to be at least 3.6x in the next six years, PCM will have to keep dividends lower at PLN 1 per share in the period, still offering dividend yields of 8%. PCM's debt position is safe in our opinion, with the debt/equity ratio capped at 4.0x by loan covenants, and PLN 440m of unused credit facilities at its disposal as of 31 March 2018. The total debt amounts to PLN 1.5bn, of which only PLN 249m is bond debt, and only PLN 589m falls due in the next 12 months. On our target price, PCM is trading at implied discounts of 31%-33% to average peer 2018-19E P/E ratios, and it shows an ~81% discount to the 2018-19 P/B ratios of comparable companies, justified by much lower profits. With that said, neither the softer earnings prospects, nor expectations of lower to no dividends in 2018, are reason enough in our view for the heavy beating that PCM stock has taken in the past week. Accordingly, we maintain a buy rating for PCM.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	435	467	502	523	566
Lease & other fees	146	144	143	145	161
Fees and charges	235	265	295	308	322
Interest revenues	44	53	59	65	78
Other	9	6	5	5	5
Costs	402	435	477	494	528
Repairs and maintenance	200	226	255	260	273
D&A leased assets	118	111	113	113	121
G&A	43	44	50	51	52
Interest expenses	38	48	56	66	79
Other	4	6	4	4	4
Remarketing revenue	14	14	2	2	2
Pre-tax income	46	46	27	31	40
Tax	-10	-10	-6	-7	-9
Net income	36	36	21	25	32

Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	76	48%
PV of Dividends (Value Driver)	32	20%
PV of Terminal Value	50	31%
Fair Value as of Jul. 2017	158	100%
PV Adjustment	6	
Fair Value	165	

Outst. Shares (millions)	11.9
Cost of equity	9.0%
Fair Value Per Share (PLN)	13.84
9M Target Price (PLN)	14.78

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	454	259%
Explicit Forecast (2017-2027)	-123	-70%
Value Driver - 20 yrs	-156	-89%
Fair Value as of Jan. 2017	175	100%
PV Adjustment	7	
Fair Value	182	

Outst. Shares (millions)	11.9
Cost of equity	9.0%
Fair Value Per Share (PLN)	15.27
9M Target Price (PLN)	16.30

Current Price

12.70 PLN

Upside

9M Target Price

15.54 PLN

+22.4%

	rating	target price	issued
new	buy	15.54 PLN	2018-06-06
old	buy	33.00 PLN	2018-04-06
Key Metrics			
Ticker	PCM PW	1M Price Chng	-40.9%
ISIN	PLPRMCM00048	YTD Price Chng	-55.5%
Outst. Stock (m)	11.9	ADTV 1M	PLN 0.5m
MC (PLN m)	151.2	ADTV 6M	PLN 0.3m
EV (mln PLN)	163.2	EV/EBITDA 12M fwd	8.2
Free float	40.0%	EV/EBITDA 5Y avg	7.1

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Oper. lease revenue	573	599	668	709	758
Interest rev.	146	144	143	145	161
Total revenue	44	53	59	65	78
Total costs	-527	-553	-641	-678	-717
Net income	36	36	21	25	32
P/E	4.2	4.2	7.2	6.2	4.8
P/B	0.3	0.3	0.3	0.3	0.3
ROE	7.9%	8.0%	4.6%	5.2%	6.5%
DPS	5.50	2.36	1.00	1.00	1.00
DYield	43.3%	18.6%	7.9%	7.9%	7.9%
Revision of Projections (% change)					
Revenue from operating leases			+2.1%	-2.6%	+1.5%
Interest revenue			-1.8%	-13.9%	-16.1%
Total revenue			+0.7%	-2.8%	-2.0%
Total costs			+3.8%	+0.2%	-0.0%
Net income			-41.1%	-40.5%	-28.0%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Fin. lease receivables	833	985	1,064	1,145	1,224
PP&E	643	712	677	722	780
Other assets	254	300	315	331	338
Total assets	1,730	1,997	2,056	2,198	2,341
Bonds & loans	1,220	1,469	1,508	1,626	1,741
Other liabilities	65	75	84	94	103
Equity	446	454	464	478	498

Key Ratios

(PLN m)	2016	2017	2018P	2019P	2020P
Financial margin	7.1	5.0	3.0	-0.6	-0.3
Maintenance margin	20.8	23.3	23.5	25.6	26.7
Insurance margin	11.0	12.3	13.3	18.4	18.2
Service margin	3.4	3.9	3.7	3.8	4.0
D/E (x)	2.7	3.2	3.3	3.4	3.5

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	165
Economic Profits	50%	182
Fair Value Avg.		173
Fair Value Per Share (PLN)		14.6
Cost of equity (9M)		6.8%
9M Target Price (PLN)		15.54

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 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	

Current Price 28.20 PLN
9M Target Price 56.30 PLN
Upside +99.6%

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

Key Metrics	SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng +2.2% +1.8%
ISIN	PLSKRBH00014	YTD Price Chng +1.8% +9.1%
Outst. Stock (m)	6.8	ADTV 1M PLN 0.1m
MC (PLN m)	192.4	ADTV 6M PLN 0.2m
		P/E 12M fwd 8.2 -1.0%
Free Float	25.4%	P/E 5Y avg 8.2 discount

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	5.9	8.1	6.8	5.7	4.6
P/B	1.9	2.0	2.0	2.0	1.9
ROE	34.1%	24.2%	29.8%	35.0%	41.4%
DPS	3.08	4.28	4.15	4.57	5.53
DYield	10.9%	15.2%	14.7%	16.2%	19.6%
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%

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



Chemicals

Ciech

buy (reiterated)

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Spot prices of soda ash in Asian markets registered an upward shift toward the end of 2017, supported by production curbs in China, designed to combat pollution, which are 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 Elektryk, 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. Ciech has revealed it secured orders for the full soda as capacity for 2018 at solid prices, and it has declared a dividend of PLN 7.5 per share this year, well above the average offered by the chemical industry. We maintain a buy rating for Ciech, with the 9-month price target revised downward from PLN 89.71 to PLN 88.64 per share to reflect adjustments to peer multiples and dividend expectations.

Current Price

60.20 PLN

Upside

9M Target Price

88.64 PLN

+47.2%

	rating	target price	issued
new	buy	88.64 PLN	2018-06-06
old	buy	89.71 PLN	2018-05-09
Key Metrics		CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	+8.0% +7.6%
ISIN	PLCIECH000018	YTD Price Chng	+4.7% +12.0%
Outst. Stock (m)	52.7	ADTV 1M	PLN 4.0m
MC (PLN m)	3,172.5	ADTV 6M	PLN 3.2m
EV (PLN m)	4,147.5	EV/EBITDA 12M fwd	5.6 -10.0%
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	3,762	3,729	3,839
EBITDA adj.	874	808	803	774	823
EBITDA margin	25.3%	22.6%	21.3%	20.8%	21.4%
EBIT adj.	650	564	548	528	571
Net income adj.	585	373	396	381	415
P/E adj.	5.4	8.5	8.0	8.3	7.7
P/B	1.8	1.5	1.4	1.3	1.2
EV/EBITDA adj.	4.9	5.0	5.2	5.3	4.9
DPS	2.85	0.00	7.50	4.14	4.69
DYield	4.7%	0.0%	12.5%	6.9%	7.8%

Revision of Projections (% change)	2018P	2019P	2020P
EBITDA	0.0%	0.0%	0.0%
Net income	-0.3%	-0.6%	-0.5%
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%
Thermal Coal price (PLN/t)	0.0%	0.0%	0.0%
Coking Coal price (\$/t)	0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA. Soda Div.	799	704	649	619	661
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	270	258	275
Operating cash flow	837	629	689	669	707
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	-438	-261	-290
Dividends/Buyback	-150	0	-395	-218	-247
FCF	387	234	328	287	369
FCF/EBITDA	44%	28%	41%	37%	45%
OCF/EBITDA	95%	75%	86%	86%	86%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	4,502	4,644	4,747	4,902	5,095
Fixed assets	3,210	3,205	3,376	3,515	3,604
Equity	1,767	2,188	2,248	2,411	2,578
Minority interests	-3	-3	-3	-3	-3
Net debt	1,116	865	978	954	877
Net debt/EBITDA (x)	1.3	1.0	1.2	1.2	1.1
Net debt/Equity (x)	0.6	0.4	0.4	0.4	0.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	8.0	7.5	6.1	6.6	4.6	4.9
Maximum	24.4	22.3	19.2	16.5	14.1	12.6
Median	15.6	13.5	11.7	7.5	6.8	6.7
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	3,761	3,729	3,839	3,880	3,892	3,904	3,916	3,928	3,941	3,958	3,975
EBITDA	803	774	823	795	789	784	778	773	768	770	771
EBITDA margin	21.3%	20.8%	21.4%	20.5%	20.3%	20.1%	19.9%	19.7%	19.5%	19.5%	19.4%
EBIT	548	528	571	550	551	551	542	532	523	522	520
Tax	108	104	113	109	109	109	108	106	104	104	104
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	328	287	369	469	457	444	435	427	420	418	417
PV FCF	310	252	301	354	318	285	256	230	206	189	
WACC	7.6%	7.6%	7.7%	7.8%	7.9%	8.1%	8.2%	8.3%	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	2,700
Net debt	865
Other adj.	-3
Value per share (PLN)	89.79

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	76.97
DCF Val.	50%	89.79
Implied Price		83.38
Cost of equity (9M)		6.3%
9M Target Price		88.64

Grupa Azoty hold (no change)

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Like all fertilizer producers in Europe, Grupa Azoty incurs higher costs this year due to increasing prices of natural gas fuel (with dollar prices up 32% ytd) which cannot be offset against sales prices in a highly-competitive market where global supply outside of China is expected to increase by 4-4.2 million tons net during the two-year period from 2017 through 2018 with the addition new capacity, against forecast growth in demand by an average 3mmt a year. The uptrend in grain prices observed this year should trigger an upward shift in agricultural chemicals, however while suppliers hold on to a high fertilizer stockpile after a late start into the growing season Grupa Azoty faces further contraction in profits in the next two quarters. The profit slump coincides with an increase in capital expenditure as the propane dehydrogenation (PDH) project enters four peak spending years during which the Company's free cash flow will more likely than not be negative. With all these prospects already priced in, we maintain our hold rating and price target for ATT, but we would watch for a potential rebound on the stock on the back of rising grain prices.

Current Price	46.68 PLN	Downside
9M Target Price	44.40 PLN	-4.9%

	rating	target price	issued
unchanged	hold	44.40 PLN	2018-05-25

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-6.9%	-7.3%
ISIN	PLZATRM00012	YTD Price Chng	-32.9%	-25.6%
Outst. Stock (m)	99.2	ADTV 1M		PLN 3.7m
MC (PLN m)	4,630.4	ADTV 6M		PLN 2.7m
EV (PLN m)	6,183.2	EV/EBITDA 12M fwd	5.1	-25.5%
Free Float	22.7%	EV/EBITDA 5Y avg	6.8	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	8,956	9,617	9,631	9,992	10,272
EBITDA adj.	1,034	1,262	1,088	1,109	1,161
EBITDA margin	11.5%	13.1%	11.3%	11.1%	11.3%
EBIT adj.	523	672	434	424	465
Net income adj.	385	550	306	290	308
P/E adj.	12.0	8.4	15.1	16.0	15.1
P/B	0.7	0.7	0.7	0.6	0.6
EV/EBITDA adj.	5.3	4.4	5.7	6.2	6.6
DPS	0.84	0.79	1.20	0.90	0.88
DYield	1.8%	1.7%	2.6%	1.9%	1.9%

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%
Melamine (PLN/t)	0.0%	0.0%	0.0%
Polyamide 6 (PLN/t)	0.0%	0.0%	0.0%
Propylene (PLN/t)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Fertilizers	600	484	321	345	419
EBITDA, Plastics	-33	221	239	226	223
EBITDA, Chemicals	271	348	398	375	351
EBITDA, Energy	95.5	58.4	60.1	55.4	52.1
EBITDA, Other	40	76	59	108	117
Operating cash flow	1,136	1,107	1,015	1,042	1,089
D&A	511	590	653	685	696
Working capital	137	13	0	-8	-6
Investing cash flow	-1,303	-709	-1,220	-1,494	-1,765
CAPEX	1,236	1,063	1,420	1,548	1,765
Financing cash flow	76	39	-174	-157	594
Dividends/Buyback	-83	-78	-119	-89	-87
FCF	-214	53	-414	-516	-682
FCF/EBITDA	-21%	4%	-38%	-47%	-59%
OCF/EBITDA	114%	93%	94%	94%	94%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Urea price (PLN/t)	1,474	1,538	1,545	1,555	1,548	1,552	1,552	1,552	1,552	1,552	1,552
AN price (PLN/t)	1,258	1,312	1,313	1,324	1,317	1,320	1,320	1,320	1,320	1,320	1,320
NGas cost (PLN/m3)	1,045	1,082	1,109	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180
Revenue	9,631	9,992	10,272	10,451	11,480	12,083	12,277	12,446	12,564	12,691	12,795
EBITDA	1,078	1,109	1,161	1,196	1,318	1,443	1,430	1,421	1,402	1,405	1,397
EBITDA margin	11.2%	11.1%	11.3%	11.4%	11.5%	11.9%	11.7%	11.4%	11.2%	11.1%	10.9%
EBIT	424	424	465	524	396	518	511	516	521	518	510
Tax	71	69	73	79	24	48	51	55	58	58	56
CAPEX	-1,420	-1,548	-1,765	-1,439	-1,056	-553	-601	-644	-815	-881	-887
Working capital	0	-8	-6	-4	-22	-13	-4	-4	-3	-3	-2
FCF	-414	-516	-682	-326	217	828	774	719	527	464	452
PV FCF	-399	-464	-576	-259	159	566	488	418	284	231	
WACC	7.8%	7.4%	7.0%	6.8%	7.1%	7.2%	7.3%	7.5%	7.6%	7.6%	7.7%
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%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,052	11,738	11,931	12,214	13,269
Fixed assets	7,651	8,070	8,847	9,713	10,788
Equity	6,534	6,856	7,035	7,235	7,456
Minority interests	595	588	599	609	618
Net debt	273	367	953	1,616	2,468
Net debt/EBITDA (x)	0.3	0.3	0.9	1.5	2.1
Net debt/Equity (x)	0.0	0.1	0.1	0.2	0.3

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	10.3	9.4	8.5	6.0	5.7	4.6
Maximum	42.6	23.1	17.9	12.6	10.1	9.4
Median	17.8	12.1	11.0	8.4	7.6	6.9
Weight	20%	20%	10%	20%	20%	10%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	449
Net debt	367
Other adjustments	-588
Value per share (PLN)	34.99

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	48.51
DCF Val.	50%	34.99
Implied Price		41.75
Cost of equity (9M)		6.3%
9M Target Price		44.40

Polwax buy (no change)

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There is increasing evidence that the slump in prices of paraffin wax and slack wax may be over, and as the first price hikes are announced there is grounds to conclude that Russian slack wax bottomed out in April. As the ICIS paraffin wax benchmark holds steady, with no price cuts implemented this year, Polwax finally looks set for a gradual recovery in sales margins in the months ahead, supported by strong demand and the graveside candle orders from Biedronka supermarkets set for delivery in the second half of the year, priced slightly higher than last year, which should more than offset the upward pressure on employee compensation. With its profits expected to rebound in the second half of the year, we maintain a buy call for PWX which at 6.6x 2018E EV/EBITDA already prices in higher capital investment but completely ignores the future returns. Despite higher expenses and lower profits, thanks to effective working-capital management, we do not expect Polwax's net debt/EBITDA ratio to exceed 3.5x this year.

Current Price

8.10 PLN

Upside

9M Target Price

16.69 PLN

+106.0%

	rating	target price	issued
unchanged	buy	16.69 PLN	2018-05-09

Key Metrics			PWX PW	vs. WIG
Ticker	PWX PW	1M Price Chng	-3.1%	-3.5%
ISIN	PLPOLWX00026	YTD Price Chng	-26.7%	-19.4%
Outst. Stock (m)	10.3	ADTV 1M		PLN 0.1m
MC (PLN m)	83.4	ADTV 6M		PLN 0.2m
EV (PLN m)	174.7	EV/EBITDA 12M fwd	6.4	+10.6%
Free Float	84.9%	EV/EBITDA 5Y avg	5.8	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	295	283	303	315	416
EBITDA	31	27	26	33	40
EBITDA margin	10.5%	9.5%	8.6%	10.4%	9.5%
EBIT	26	22	21	28	30
Net income	21	17	15	21	20
P/E	4.0	4.8	5.4	4.0	4.3
P/B	1.0	0.8	0.7	0.6	0.5
EV/EBITDA	3.5	4.2	6.7	6.0	5.0
DPS	1.06	0.00	0.00	0.00	0.00
DYield	13.1%	0.0%	0.0%	0.0%	0.0%
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	2017	2018P	2019P	2020P
Revenue	294.6	283.5	302.7	315.3	416.1
Lanterns& Candles (L&C)	58.0	60.0	61.2	61.2	61.2
L&C Paraffin Wax (PW)	161.2	146.7	153.8	159.8	183.3
Industrial Paraffin Wax	62.5	60.8	71.7	78.2	155.6
Gross profit	49.4	48.9	48.4	56.0	57.8
Gross margin	16.8%	17.2%	16.0%	17.7%	13.9%
SG&A/Revenue	3.0%	3.7%	3.7%	3.7%	2.8%
Other oper. income	0.5	-0.7	0.0	0.0	0.0
Financing activity	-0.5	-0.9	-2.3	-2.2	-5.3
Total sales volume (kt)	59.7	59.0	57.0	58.5	79.7
Lanterns & Candles	42.5	41.5	39.0	39.0	40.0
Industrial Paraffin Wax	17.2	17.5	18.0	19.5	39.7
YoY price change					
Lanterns & Candles	5.1%	-6.8%	11.6%	3.9%	11.8%
Industrial Paraffin Wax	5.0%	-4.3%	14.7%	0.7%	-2.2%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	21.3	25.4	31.9	23.1	10.6
OCF/EBITDA	69%	94%	123%	70%	27%
CAPEX	5.0	30.0	93.0	45.8	12.5
Working capital	77.8	76.4	64.4	67.0	85.9
Equity	87.1	104.3	119.7	140.5	160.0
Net debt	24.9	30.2	91.2	114.0	115.8
Net debt/EBITDA (x)	0.8	1.1	3.5	3.5	2.9

Relative Valuation Summary

	P / E			EV / EBITDA		
	18P	19P	20P	18P	19P	20P
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)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
PW price (EUR/t)	1202	1219	1350	1446	1446	1446	1446	1446	1446	1449	1449
Slack wax (EUR/t)	720	712	764	788	788	788	788	788	788	790	790
EUR/PLN	4.18	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Revenue	302.7	315.3	416.1	461.3	463.2	465.1	467.0	469.0	470.9	473.7	473.7
EBITDA	26.0	32.9	39.5	49.1	47.6	47.4	47.3	47.2	47.0	46.9	46.9
EBITDA margin	8.6%	10.4%	9.5%	10.6%	10.3%	10.2%	10.1%	10.1%	10.0%	9.9%	9.9%
EBIT	21.3	28.0	29.5	38.5	36.5	35.8	35.1	34.4	33.7	33.0	32.7
Tax	4.1	5.3	5.6	7.3	6.9	6.8	6.7	6.5	6.4	6.3	6.2
CAPEX	-93.0	-45.8	-12.5	-13.8	-13.9	-14.0	-14.0	-14.1	-14.1	-14.2	-14.2
Working capital	11.9	-2.6	-18.9	-10.5	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.3
FCF	-58.7	-20.3	3.1	18.1	27.1	27.1	27.0	26.9	26.9	26.7	26.9
PV FCF	-56.3	-18.1	2.6	14.0	19.5	18.1	16.7	15.5	14.3	13.1	
WACC	7.4%	7.3%	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%	7.9%	8.0%	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	213
Net debt	30
Other adjustments	0
Value per share (PLN)	17.72

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	13.57
DCF Val.	50%	17.72
Implied Price		15.64
Cost of equity (9M)		6.7%
9M Target Price		16.69

Oil & Gas

Lotos

hold (no change)

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The market's expectations as to Lotos's 2018 earnings stay put despite worse-than-expected Q1 results, with the quarterly EBITDA fulfilling only 21% of the FY consensus. The bleak outlook for downstream, combined with lower hydrocarbon production, higher costs, and delays in capacity upgrades, in our view indicate that Lotos may not be able to deliver the ambitious EBITDA forecasts (our own FY2018-2020 EBITDA estimates are set 14% 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. When it comes to the planned merger with rival state refiner PKN Orlen, the most likely scenario at this point is that PKN will buy the state's 33% stake in Lotos this year, and make a cash tender offer to build the stake to 66% next year at the same price. Lotos's shareholders are no doubt excited by the prospect of being able to sell shares at a high price, however they should keep in mind the worsening market conditions and recognize the downsides of being a minority shareholder where the controlling stake is held by PKN. We maintain a neutral view on LTS.

Current Price

57.12 PLN

Downside

9M Target Price

52.81 PLN

-7.5%

	rating	target price	issued
unchanged	hold	52.81 PLN	2018-05-09

Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+5.0%	+4.6%
ISIN	PLLOTOS00025	YTD Price Chng	-1.0%	+6.3%
Outst. Stock (m)	184.9	ADTV 1M		PLN 17.9m
MC (PLN m)	10,560.0	ADTV 6M		PLN 17.5m
EV (PLN m)	14,682.9	EV/EBITDA 12M fwd	4.8	-20.3%
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	10.4	6.3	15.3	11.5	10.3
P/B	1.2	1.0	1.0	0.9	0.9
EV/EBITDA	5.3	4.3	6.4	5.6	4.7
DPS	0.00	1.00	1.63	1.49	2.47
DYield	0.0%	1.8%	2.8%	2.6%	4.3%
Revision of Projections (% change)		2018P	2019P	2020P	
LIFO EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
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		0.0%	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.)	5.8	4.2	6.5	5.7	4.8
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 adj.	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

Relative Valuation Summary						
	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.9	4.9	4.5	2.5	2.4	2.3
Maximum	21.4	22.4	18.0	10.8	10.9	10.9
Median	11.1	11.0	10.4	4.8	4.9	4.6
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%	47.73
DCF Val.	50%	51.62
Implied Price		49.67
Cost of equity (9M)		6.3%
9M Target Price		52.81



MOL hold (no change)

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MOL registered a dip in price in May, led by narrowing petrochemical margins alongside a general slump in sentiment in the region, but for now we keep a neutral call on the Hungarian refiner, whose estimated EV/CCS EBITDA ratio looks better than the ratios of its Polish rivals at 4.7x vs. 7.2x PKN and 6.5x LTS. MOL achieved 28% of our FY CCS EBITDA forecast in Q1 2018, but the outlook for the rest of the year is bleak given downstream's sensitivity to shifting market conditions, as evidenced by the recent downturn in polyolefin margins. On a positive note, the downstream risk is mitigated by expected growth in upstream, driven by high prices of crude oil. What sets MOL apart from its Polish rivals aside from a high, 46% share of upstream in EBITDA, is its high target FCF yield, set to result in higher dividends (with a projected long-term dividend yield of 2.5% sweetened by possible repurchases of treasury stock, currently accounting for 9.3% of all issued stock), and a lack plans for of major capital investment. Finally, as regards the potential exit from Croatia, not much progress has been made so far as regards the possible repurchase of MOL's INA stake by the local government (the deal could boost MOL's market cap by as much as 12%).

Current Price

2,700 HUF

Upside

9M Target Price

2,954 HUF

+9.4%

	rating	target price	issued
unchanged	hold	2,954 HUF	2018-05-09

Key Metrics			MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-5.9%	-6.3%
ISIN	HU0000153937	YTD Price Chng	-7.5%	-0.2%
Outst. Stock (m)	738.1	ADTV 1M		HUF 2,440.7m
MC (HUF m)	1,992,946.8	ADTV 6M		HUF 2,155.9m
EV (HUF m)	2,669,333.4	EV/EBITDA 12M fwd	4.1	-7.3%
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	7.6	6.5	10.3	10.4	8.9
P/B	1.3	1.1	1.1	1.0	0.9
EV/EBITDA	4.7	4.1	4.6	4.6	4.2
DPS	70.88	78.13	127.50	67.06	70.41
DYield	2.6%	2.9%	4.7%	2.5%	2.6%
Revision of Projections (% change)		2018P	2019P	2020P	
CCS EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
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.)	4.8	4.1	4.7	4.7	4.3
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 adj.	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	4.9	4.5	2.5	2.4	2.3
Maximum	21.4	22.4	18.0	10.8	10.9	10.9
Median	11.5	11.3	10.7	5.5	5.1	4.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(HUF bn)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	27+
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%	3,232
DCF Val.	50%	2,287
Implied Price		2,759
Cost of equity (9M)		7.0%
9M Target Price		2,954

PGNiG buy (no change)

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PGNiG stock moved mostly sideways in May after an April rebound as the market continued to ignore the upside potential which stems from the 40% upshift so far in European prices of natural gas compared to this time last year, occurring against seasonal patterns, implying a boost to nearly PLN 1.8bn at spot prices to PGNiG's 2018 E&P revenue. Also not priced in is the forthcoming ruling in the arbitration case against Gazprom, which has recently agreed to adjust its pricing as part of a deal with the European Commission. PGNiG's Q1 quarterly profits on natural gas trade were something of a disappointment, but they will accelerate sooner or later as last year's market deregulation takes hold. PGN stock is trading a 30% discount to comparable companies, and, even more surprisingly, it is valued lower than Polish power utilities, which do not pay dividends, and which face huge capital expenditures mandated by the state that are in no way aligned with their core business. We maintain a buy rating for PGN.

Current Price

6.05 PLN

Upside

9M Target Price

8.17 PLN

+35.0%

	rating	target price	issued
unchanged	buy	8.17 PLN	2018-05-09

Key Metrics			PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	+0.3%	-0.0%
ISIN	PLPGNIG00014	YTD Price Chng	-3.8%	+3.5%
Outst. Stock (m)	5,778.3	ADTV 1M		PLN 21.1m
MC (PLN m)	34,958.8	ADTV 6M		PLN 22.4m
EV (PLN m)	34,358.4	EV/EBITDA 12M fwd	4.3	-18.2%
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	14.9	12.0	8.3	7.9	7.9
P/B	1.1	1.0	1.0	0.9	0.8
EV/EBITDA	5.9	5.4	4.1	3.8	3.4
DPS	0.18	0.20	0.25	0.29	0.31
DYield	3.0%	3.3%	4.2%	4.8%	5.1%

Revision of Projections (% change)		2018P	2019P	2020P
EBITDA		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)		0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)		0.0%	0.0%	0.0%
USD/PLN		0.0%	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	3.7	4.0	3.7	3.5	3.5	3.1
Maximum	22.0	19.1	16.9	12.2	12.3	12.3
Median	13.3	12.4	11.9	6.2	6.0	5.7
Weight	17%	17%	17%	17%	17%	17%

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%	9.44
Relative (DYield)	17%	5.55
DCF	50%	7.17
Cost of equity (9M)		6.7%
9M Target Price		8.17



PKN Orlen reduce (no change)

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We do not see any upside potential in PKN even after continuing falls in May, and we maintain a bearish view on its growth potential as downstream fundamentals continue to worsen. PKN's Lithuanian refinery generated 2018 Q1 LIFO EBITDA of just PLN 56m despite a high operating rate compared to a quarterly average of PLN 270m registered in 2017, and the subsidiary Czech refinery reported negative LIFO EBITDA in the period which can be only partly explained with plant downtime. In subsequent quarters, increasing supply will most likely also put a squeeze on petrochemical profits. Nevertheless PKN's 2018E EV/EBITDA ratio at 7.2x remains higher than the multiples of refiners like MOL and Lotos. Meanwhile PKN may be about to update its business strategy through 2021 to include more noncore state-ordered investment such as wind farms and nuclear energy. The Company is not likely to talk about the synergies it expects to achieve from the planned merger with Lotos in the near future as it tries to appease Lotos's local community with assurances of job security. Additional downside risk comes from the likely cash acquisition of Lotos at peak market, sure to boost PKN's hitherto-low debt.

Current Price

86.76 PLN

Downside

9M Target Price

76.73 PLN

-11.6%

	rating	target price	issued
unchanged	reduce	76.73 PLN	2018-05-09

Key Metrics	PKN PW	1M Price Chng	PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	+3.6%	+3.2%
ISIN	PLPKN0000018	YTD Price Chng	-18.2%	-10.8%
Outst. Stock (m)	427.7	ADTV 1M		PLN 67.1m
MC (PLN m)	37,108.0	ADTV 6M		PLN 76.8m
EV (PLN m)	45,461.0	EV/EBITDA 12M fwd	4.9	-14.8%
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	7.1	5.6	12.6	13.2	10.7
P/B	1.4	1.2	1.1	1.1	1.0
EV/EBITDA	4.5	3.7	7.0	7.0	6.0
DPS	2.13	3.00	3.00	3.44	2.95
DYield	2.5%	3.5%	3.5%	4.0%	3.4%

Revision of Projections (% change)	2018P	2019P	2020P
LIFO EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)	0.0%	0.0%	0.0%
Petchem margin (\$/t)	0.0%	0.0%	0.0%
USD/PLN	0.0%	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.)	5.4	4.1	7.2	7.2	6.2
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 adj.	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

	18P	19P	20P	18P	19P	20P
Minimum	6.0	5.8	5.7	2.5	2.4	2.3
Maximum	17.6	17.9	18.0	17.3	17.1	19.4
Median	10.0	10.1	9.8	5.7	5.8	5.5
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%	68.90
DCF Val.	50%	75.46
Implied Price		72.18
Cost of equity (9M)		6.3%
9M Target Price		76.73

Power Utilities

CEZ

sell (no change)

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CEZ stock has closely tracked rising electricity prices in the last few weeks, and at the current level (with a record-high premium to the industry index) it is definitely at profit-taking point, trading at a 15% premium to the EV/EBITDA ratio of Stoxx Utilities after logging historically incompatible gains. This despite the fact that the Czech generator is expected to pay lower dividends in the years ahead, with its 12m fwd DYield slightly below the peer average compared to a 30% premium in the last three years, as well as showing a tighter premium of 2% vs. 5% to the yield on 10-year treasuries. CEZ generates over 40% of its power volumes via high-emissions lignite-fired installations, which means the increasing electricity prices, driven by an upshift in prices of carbon allowances, have a limited effect on its profits (as opposed to far more lucrative coal-led price shifts). What is more, the Czech utility is still facing having to lead its national nuclear project, which in the worst-case scenario has a negative net present value as well as being potentially destructive to CEZ's investment profile as we know it. We maintain a sell rating for CEZ.

Current Price

564.50 CZK

Downside

9M Target Price

458.38 CZK

-18.8%

	rating	target price	issued
unchanged	sell	458.38 CZK	2018-05-29

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+3.0%	+2.7%
ISIN	CZ0005112300	YTD Price Chng	+13.7%	+21.0%
Outst. Stock (m)	538.0	ADTV 1M		CZK 190.3m
MC (CZK bn)	303.7	ADTV 6M		CZK 173.0m
EV (CZK bn)	453.6	EV/EBITDA 12M fwd	8.5	+22.6%
Free Float	30.2%	EV/EBITDA 5Y avg	6.9	premium

Earnings Projections

(CZK m)	2016	2017	2018P	2019P	2020P
Revenue	203,744	201,906	205,271	214,120	228,091
EBITDA	62,418	57,712	53,394	54,291	58,568
EBITDA margin	30.6%	28.6%	26.0%	25.4%	25.7%
EBIT	26,114	25,620	23,859	25,601	29,030
Net income	14,281	18,765	14,251	15,324	17,207
P/E	21.3	16.2	21.3	19.8	17.6
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	7.2	7.8	8.5	8.4	7.8
DPS	40.00	33.00	33.00	26.49	28.48
DYield	7.1%	5.8%	5.8%	4.7%	5.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of electricity (EUR/MWh)		0.0%	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	52,548	55,139	58,313
EBITDA	58,206	55,155	52,548	55,139	58,313
Generation	25,403	24,050	21,618	23,948	25,974
Mining	4,413	4,056	4,063	4,149	4,158
Distribution	20,386	19,067	19,627	20,119	20,534
Trade	5,489	4,613	4,964	4,525	4,911
Other	2,515	3,369	2,276	2,399	2,737
Financing activity	-6,786	-2,867	-6,083	-6,488	-7,567
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	117.2	123.0	128.9
RAV return (EBIT)	13.0%	10.4%	10.4%	10.2%	10.1%

DCF Analysis

(CZK m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (EUR/MWh)	41.2	42.3	38.6	39.2	39.6	40.1	40.6	41.1	41.6	42.2	42.2
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)	14.0	14.6	15.2	15.8	16.4	17.1	17.8	18.5	19.2	20.0	20.0
Revenue	205,271	214,120	228,091	226,124	230,509	232,873	235,268	237,730	240,262	242,867	242,867
EBITDA	56,227	58,910	62,178	60,166	61,028	61,589	62,204	62,801	63,375	63,921	63,921
EBITDA margin	27.4%	27.5%	27.3%	26.6%	26.5%	26.4%	26.4%	26.4%	26.4%	26.3%	26.3%
EBIT	23,859	25,601	29,030	26,205	27,483	27,457	27,939	28,214	28,299	28,227	31,262
Tax	4,533	4,864	5,516	4,978	5,220	5,214	5,304	5,356	5,371	5,356	5,940
CAPEX	-34,963	-34,663	-34,463	-33,300	-33,262	-33,215	-33,134	-33,016	-32,858	-32,659	-32,659
Working capital	68	-1,038	-1,638	231	-514	-277	-281	-289	-297	-305	-305
FCF	16,799	18,345	20,561	22,118	22,032	22,883	23,485	24,141	24,849	25,601	25,017
PV FCF	16,258	16,787	17,790	18,100	17,051	16,747	16,251	15,794	15,368	14,964	0
WACC	5.8%	5.8%	5.7%	5.7%	5.7%	5.7%	5.8%	5.8%	5.8%	5.8%	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	50,596	51,919	54,136
OCF/EBITDA	84%	83%	96%	94%	93%
CAPEX	35,553	30,688	34,963	34,663	34,463
Working capital	40,832	24,140	24,072	25,110	26,748
Equity	256,812	250,018	246,515	247,588	249,471
Net debt	140,886	139,546	145,575	146,895	147,964
Net debt/EBITDA (x)	2.4	2.5	2.8	2.7	2.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	2.7	3.3	3.1	3.4	3.3	3.1
Maximum	19.0	16.9	16.3	9.1	9.1	9.0
Median	13.4	11.8	9.8	6.5	6.3	6.1
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	469,744
Net debt	139,546
Other adjustments	-57,471
Value per share (CZK)	506.94

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	245.07
Relative (DYield)	17%	594.12
DCF	50%	506.94
Cost of equity (9M)		5.6%
9M Target Price		458.38



Enea buy (no change)

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Enea is trading at a cheap 2018-2020E EV/EBITDA ratio of 3.8x, an aftermath of a wrecked investment profile reflecting involuntary state-led involvement in loss-making projects, and most recently, a freeze on dividends announced at a time when capital expenditures are about to drop and debt is relatively low. When it comes to core business, however, Enea has solid prospects ahead in our view in terms of earnings and cash flow (2018-22E FCF is PLN 0.5bn, with 2018E eop net debt/EBITDA at 2.2x), and we consider the 2019 earnings consensus for the Company to be underestimated by 10%. Thanks to its unique, vertically-integrated business model, Enea stands to benefit more from the improving market conditions than any of its local competitors. Its subsidiary coal mine, with its incomparably low production costs, can arguably generate PLN 150-200m additional EBITDA per year after any PLN 1 rise in the price of a gigajoule of coal energy. At the same time, Enea's new 1000 MW generator, with carbon emissions of less than 0.7 t/MWh, given the rising prices of emission allowances can add a further PLN 50m per every 5 euros more paid for a tonne of emissions. Upward revisions by analysts could restore the market's confidence in Enea, with the upside potential in the coming months set to be reinforced further as the capacity market takes shape, and if the planned 1000 MW coal-based "Ostrołęka C" project is shelved because of unsustainable costs. We maintain a buy rating for ENA.

Current Price

10.34 PLN

Upside

9M Target Price

12.62 PLN

+22.1%

	rating	target price	issued
unchanged	buy	12.62 PLN	2018-05-29

Key Metrics	ENA PW	1M Price Chng	ENA PW	vs. WIG
Ticker	PLENEA000013	YTD Price Chng	+1.0%	+0.6%
ISIN		ADTV 1M	-10.1%	-2.8%
Outst. Stock (m)	441.4	ADTV 6M		PLN 5.7m
MC (PLN m)	4,564.5	EV/EBITDA 12M fwd	4.0	PLN 7.0m
EV (PLN m)	11,718.8	EV/EBITDA 5Y avg	5.1	-22.3%
Free Float	48.5%			discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	11,256	11,406	12,232	14,265	13,951
EBITDA	2,328	2,684	2,845	3,290	2,984
EBITDA margin	20.7%	23.5%	23.3%	23.1%	21.4%
EBIT	1,119	1,488	1,431	1,834	1,509
Net income	784	1,070	919	1,190	946
P/E	5.8	4.3	5.0	3.8	4.8
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	4.2	4.1	4.1	3.6	4.0
DPS	0.00	0.28	0.00	0.00	0.00
DYield	0.0%	2.7%	0.0%	0.0%	0.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	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	2,845	3,290	2,984
EBITDA	2,328	2,684	2,845	3,290	2,984
Generation	517	735	902	1,247	1,020
Mining	609	709	652	755	606
Distribution	1,111	1,073	1,129	1,159	1,208
Trade	154	178	201	167	189
Other	-67	-13	-39	-39	-40
Financing activity	-51	-21	-184	-211	-248
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	17.9	18.2	18.6	18.9
YoY pct. change	3.0%	7.3%	1.9%	1.9%	1.9%
Trade mrgn (PLN/MWh)	9.2	9.9	11.0	9.0	10.0
RAV (PLN bn)	7.3	7.5	8.0	8.3	8.7
RAV return (EBIT)	8.7%	7.7%	7.7%	7.4%	7.6%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	2,424	2,580	2,005	2,765	3,017
OCF/EBITDA	104%	96%	70%	84%	101%
CAPEX	2,688	2,058	2,430	2,415	2,852
Working capital	1,132	698	1,302	1,518	1,246
Equity	12,176	13,078	13,988	15,168	16,104
Net debt	4,379	5,523	6,142	6,012	6,105
Net debt/EBITDA (x)	1.9	2.1	2.2	1.8	2.0

Relative Valuation Summary

	18P	19P	20P	18P	19P	20P
Minimum	2.7	3.3	3.1	3.4	3.3	3.1
Maximum	20.8	19.3	17.2	9.1	9.1	9.0
Median	13.9	13.0	12.2	7.2	7.2	6.6
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	168.5	203.8	194.1	179.0	180.1	181.2	182.4	183.7	185.1	186.5	186.5
Coal (PLN/t)	230.0	233.9	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4
CO2 (EUR/t)	14.0	14.6	15.2	15.8	16.4	17.1	17.8	18.5	19.2	20.0	20.0
Revenue	12,232	14,265	13,951	13,373	13,538	13,812	14,142	14,345	14,560	14,787	14,787
EBITDA	2,845	3,290	2,984	3,226	3,217	3,309	3,420	3,423	3,431	3,443	3,443
EBITDA margin	23.3%	23.1%	21.4%	24.1%	23.8%	24.0%	24.2%	23.9%	23.6%	23.3%	23.3%
EBIT	1,431	1,834	1,509	1,718	1,704	1,731	1,773	1,742	1,711	1,679	1,277
Tax	272	349	287	326	324	329	337	331	325	319	243
CAPEX	-2,430	-2,415	-2,852	-2,891	-2,696	-2,240	-2,062	-2,096	-2,131	-2,166	-2,166
Working capital	-603	-216	272	52	-15	-25	-29	-18	-19	-20	-20
FCF	-460	310	118	60	183	716	992	978	956	937	1,014
PV FCF	-443	280	100	47	135	495	642	592	540	494	
WACC	6.6%	6.9%	7.0%	6.8%	6.7%	6.8%	6.9%	7.0%	7.1%	7.2%	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	12,788
Net debt	5,523
Other adjustments	-2,069
Value per share (PLN)	11.77

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	28.53
Relative (DYield)	0%	0.00
DCF	100%	11.77
Cost of equity (9M)		6.7%
9M Target Price		12.62

Energa buy (no change)

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Energa generates 90% of annual EBITDA from distribution and renewable energy, and the investment it plans to make in 2018-2025 allocates only 20-25% of the total budget to coal-based capacity. In theory, this should earn the Utility a premium as the world moves away from coal, and as prices of emissions are about to take off, but in reality, at 3.4x EV/EBITDA ENG stock is trading at a discount even to its much more coal-dependent local rivals. A sum-of-the-parts analysis of Energa's business reveals that the market currently assigns negative value of a staggering PLN 5 billion to the generation business even though these assets generate annual EBITDA over PLN 0.3 billion. Not even Energa's 50% involvement (jointly with Enea) in the planned 1000 MW coal-based "Ostrołęka C" project, with an estimated negative NPV of PLN 0.5bn, or the potential costs of pending cases against wind farms, can account for this negative valuation. What is more, Energa's earnings prospects continue to improve as prices of electricity and green certificates increase, and future returns on distribution assets show growth potential resulting from rising interest rates. With the net debt/EBITDA ratio not likely to exceed 1.7x at the end of 2018, Energa will be able to offer generous distributions to shareholders in the future assuming it goes back to its usual dividend policy (a 10% dividend yield would have little noticeable impact on the leverage ratio). We maintain a buy rating for ENG.

Current Price

9.23 PLN

Upside

9M Target Price

15.58 PLN

+68.8%

	rating	target price	issued
unchanged	buy	15.58 PLN	2018-05-29

Key Metrics	ENG PW	1M Price Chng	ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-10.7%	-11.1%
ISIN	PLENERG00022	YTD Price Chng	-27.5%	-20.2%
Outst. Stock (m)	414.1	ADTV 1M		PLN 6.5m
MC (PLN m)	3,821.8	ADTV 6M		PLN 9.8m
EV (PLN m)	7,796.2	EV/EBITDA 12M fwd	3.8	-24.0%
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	11,287	12,428	12,370
EBITDA	2,027	2,160	2,268	2,360	2,362
EBITDA margin	19.9%	20.5%	20.1%	19.0%	19.1%
EBIT	487	1,210	1,249	1,288	1,296
Net income	151	773	800	828	805
P/E	25.3	4.9	4.8	4.6	4.7
P/B	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	4.2	3.7	3.4	3.3	3.5
DPS	0.49	0.19	0.00	0.00	0.00
DYield	5.3%	2.1%	0.0%	0.0%	0.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	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.)	2,040	2,091	2,268	2,360	2,362
EBITDA	2,027	2,160	2,268	2,360	2,362
Conv. Gener./CHP	195	229	210	210	159
Renewables	119	169	165	228	224
Distribution	1,720	1,723	1,687	1,756	1,789
Trade	40	85	269	231	256
Other	-48	-46	-64	-65	-66
Financing activity	-282	-208	-225	-229	-265
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	11.0	12.0
RAV (PLN bn)	11.5	11.7	12.2	12.6	12.9
RAV return (EBIT)	8.5%	8.2%	7.4%	7.3%	7.3%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	168.5	203.8	194.1	179.0	180.1	181.2	182.4	183.7	185.1	186.5	186.5
Coal (PLN/t)	230.0	233.9	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4
CO2 (EUR/t)	14.0	14.6	15.2	15.8	16.4	17.1	17.8	18.5	19.2	20.0	20.0
Revenue	11,287	12,428	12,370	12,149	12,324	12,554	12,689	12,827	12,969	13,113	13,113
EBITDA	2,268	2,360	2,362	2,249	2,241	2,397	2,573	2,625	2,677	2,727	2,727
EBITDA margin	20.1%	19.0%	19.1%	18.5%	18.2%	19.1%	20.3%	20.5%	20.6%	20.8%	20.8%
EBIT	1,249	1,288	1,296	1,141	1,173	1,263	1,369	1,386	1,400	1,455	1,455
Tax	237	245	246	217	223	240	260	263	266	276	276
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	-100	-152	8	30	-23	-31	-18	-18	-19	-19	-19
FCF	357	115	-78	-199	-92	473	810	850	893	930	930
PV FCF	343	102	-64	-154	-66	315	502	488	475	457	
WACC	7.5%	7.6%	7.6%	7.5%	7.5%	7.5%	7.7%	7.8%	8.0%	8.2%	8.2%
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%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	1,782	2,182	1,950	1,983	2,151
OCF/EBITDA	88%	101%	86%	84%	91%
CAPEX	1,580	1,280	1,573	1,849	2,202
Working capital	1,608	1,403	1,503	1,655	1,648
Equity	8,777	9,409	10,209	11,037	11,843
Net debt	4,664	4,064	3,925	4,025	4,345
Net debt/EBITDA (x)	2.3	1.9	1.7	1.7	1.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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 Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	10,336
Net debt	4,064
Other adjustments	-226
Value per share (PLN)	14.60

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	25.05
Relative (DYield)	0%	6.50
DCF	100%	14.60
Cost of equity (9M)		6.7%
9M Target Price		15.58



PGE buy (no change)

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Despite a string of positive developments over the last few months (including hopes of reduced ownership of the nuclear project, plans for offshore wind farms, a takeover bid on a listed power generator, a new mechanism for cogeneration capacity payments, and a rebound in POLPX power prices), PGE stock is close to touching all-time lows even as the Company brings to a close a years-long investment cycle and gives analysts reasons to hike their future EBITDA expectations. The huge investment push started in 2014 included new conventional capacity and upgrades to existing installation, with expenditures from 2014 to 2019 budgeted at over PLN 25 billion. From 2019, capital expenditures in the next five years are expected to drop to PLN 4 billion on average per year from the PLN 7 billion spent in the last four years, with obvious positive effects on free cash flow. According to our forecasts, PGE's FCF/EV ratio in 2019-2022 will average 11%, enough for the Company to resume dividend payments given a low current net debt/EBITDA ratio of 1.0x. All this, plus the upcoming allocation of 10 million tonnes of free emission allowances, and the increasing profitability of renewable energy, makes for a pretty solid case for analysts to raise their 2019 earnings outlook. If we add to this the low expectations as to the benefits of the capacity market, this makes PGE look like an incredible bargain considering its growth potential. We maintain a buy rating for PGE.

Current Price

9.98 PLN

Upside

9M Target Price

13.60 PLN

+36.3%

	rating	target price	issued
unchanged	buy	13.60 PLN	2018-05-29

Key Metrics	PGE PW	1M Price Chng	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-0.6%	-0.9%
ISIN	PLPGER000010	YTD Price Chng	-17.2%	-9.9%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 28.4m
MC (PLN m)	18,660.4	ADTV 6M		PLN 24.1m
EV (PLN m)	27,961.5	EV/EBITDA 12M fwd	4.1	-18.5%
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	26,025	31,767	32,648
EBITDA	7,376	7,650	7,509	7,919	7,873
EBITDA margin	26.3%	33.1%	28.9%	24.9%	24.1%
EBIT	3,512	3,620	4,132	4,322	3,996
Net income	2,568	2,660	3,056	3,126	2,874
P/E	7.3	7.0	6.1	6.0	6.5
P/B	0.4	0.4	0.4	0.4	0.3
EV/EBITDA	3.2	3.6	3.7	3.5	3.3
DPS	0.25	0.00	0.00	0.00	0.42
DYield	2.5%	0.0%	0.0%	0.0%	4.2%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	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	2017P	2018P	2019P	2020P
EBITDA (adj.)	6,124	6,481	7,509	7,919	7,873
EBITDA	7,376	7,650	7,509	7,919	7,873
Generation	4,182	4,099	3,909	4,312	4,158
Renewables	365	364	407	497	495
Distribution	2,230	2,333	2,424	2,420	2,484
Trade	500	811	727	648	692
Other	99	43	43	43	43
Financing activity	-238	-330	-298	-401	-388
Power output, TWh	53.7	56.8	67.0	72.9	82.6
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	15.5	16.4
RAV (PLN bn)	15.1	15.6	16.3	16.6	16.9
RAV return (EBIT)	7.3%	7.5%	7.8%	7.6%	7.8%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	168.5	203.8	194.1	179.0	180.1	181.2	182.4	183.7	185.1	186.5	186.5
Coal (PLN/t)	230.0	233.9	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4
CO2 (EUR/t)	14.0	14.6	15.2	15.8	16.4	17.1	17.8	18.5	19.2	20.0	20.0
Revenue	26,025	31,767	32,648	30,596	30,974	31,348	31,744	32,162	32,598	33,056	33,056
EBITDA	7,509	7,919	7,873	7,980	7,882	7,737	7,588	7,444	7,372	7,305	7,305
EBITDA margin	28.9%	24.9%	24.1%	26.1%	25.4%	24.7%	23.9%	23.1%	22.6%	22.1%	22.1%
EBIT	4,132	4,322	3,996	4,071	3,933	3,702	3,439	3,158	2,928	2,884	3,124
Tax	785	821	759	774	747	703	653	600	556	548	594
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	364	-667	-102	238	-44	-43	-46	-49	-51	-53	-53
FCF	-358	587	2,761	3,354	3,053	3,049	2,891	2,739	2,648	2,523	2,478
PV FCF	-342	518	2,250	2,516	2,111	1,944	1,700	1,485	1,323	1,162	
WACC	8.1%	8.2%	8.4%	8.6%	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%

Key Balance Sheet Figures

(PLN m)	2016	2017P	2018P	2019P	2020P
Operating cash flow	6,391	7,934	7,145	6,507	7,085
OCF/EBITDA	87%	104%	95%	82%	90%
CAPEX	7,935	6,071	7,446	5,844	4,251
Working capital	3,325	3,388	3,024	3,691	3,794
Equity	42,679	45,188	48,244	51,370	53,462
Net debt	5,045	7,487	8,086	7,824	6,159
Net debt/EBITDA (x)	0.7	1.0	1.1	1.0	0.8

Relative Valuation Summary

	18P	19P	20P	18P	19P	20P
Minimum	2.7	3.3	3.1	3.4	3.3	3.4
Maximum	20.8	19.3	17.2	9.1	9.1	9.0
Median	13.9	13.0	12.2	7.2	7.2	6.6
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	33,920
Net debt	7,487
Other adjustments	-2,604
Value per share (PLN)	12.74

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	21.98
Relative (DYield)	0%	3.04
DCF	100%	12.74
Cost of equity (9M)		6.7%
9M Target Price		13.60

Tauron buy (no change)

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Tauron stock has not been able to shake off the downward trend started a few months ago despite delivering better-than-expected 2018 first-quarter earnings, and even after the Energy Minister announced the Company would probably not have to participate in the nuclear project. The underperformance is consistent with the pullback on the whole Polish energy sector, and when it comes to factors specific to Tauron, it is ironic that, just as its value reaches all-time lows, the risk of covenant breach has decreased (in line with an upcoming reduction in capital expenditures and as cash flow is poised to turn positive), and the prospect of the Company regaining the capacity to make regular dividend payments becomes more and more real. Tauron has built up high leverage with 2019 net debt/EBITDA expected to reach 3.3x at the end of the year, but after the launch of the new 910 MW generator in Q4 2019 we believe the Company will be able to reduce leverage and start generating positive net cash flow to the tune of PLN 1 billion a year. Tauron, which generates 90% of annual EBITDA from distribution, heat, renewables, and trade, can restore its attractive investment profile provided it can leverage this year's capacity auctions to overhaul generation assets and improve their perception among investors, who assign them a negative value. A sum-of-the-parts analysis of Tauron's business reveals that the negative value is a staggering PLN 5 billion even though these assets are expected to generate EBITDA over PLN 0.7 billion in 2020. This shows how much value for its shareholders Tauron can create if it manages to convince the market that it can effectively manage the generation assets. We maintain a buy rating for TPE.

Current Price

2.31 PLN

Upside

9M Target Price

2.76 PLN

+19.5%

	rating	target price	issued
unchanged	buy	2.76 PLN	2018-05-29

Key Metrics	TPE PW	1M Price Chng	TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	0.0%	-0.3%
ISIN	PLTAURN00011	YTD Price Chng	-24.3%	-17.0%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 42.6m
MC (PLN m)	4,048.4	ADTV 6M		PLN 15.5m
EV (PLN m)	14,365.1	EV/EBITDA 12M fwd	4.2	-14.1%
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	18,029	19,771	19,862
EBITDA	3,337	3,545	3,665	3,515	3,811
EBITDA margin	18.9%	20.4%	20.3%	17.8%	19.2%
EBIT	802	1,806	1,938	1,681	1,812
Net income	367	1,381	1,325	1,060	1,135
P/E	11.0	2.9	3.1	3.8	3.6
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.8	3.7	3.9	4.4	3.9
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		0.0%	0.0%	0.0%	
Net income		0.0%	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.)	3,374	3,508	3,435	3,515	3,811
EBITDA	3,337	3,545	3,665	3,515	3,811
Generation	545	464	598	443	633
Mining	-82	-83	28	44	47
Distribution	2,395	2,283	2,443	2,519	2,594
Trade	490	841	567	486	512
Other	-9	40	30	23	25
Financing activity	-293	-49	-254	-335	-369
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	13.5	14.0
RAV (PLN bn)	15.4	16.3	16.9	17.5	17.8
RAV return (EBIT)	8.9%	7.4%	8.0%	7.9%	8.1%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	168.5	203.8	194.1	179.0	180.1	181.2	182.4	183.7	185.1	186.5	186.5
Coal (PLN/t)	230.0	233.9	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4
CO2 (EUR/t)	14.0	14.6	15.2	15.8	16.4	17.1	17.8	18.5	19.2	20.0	20.0
Revenue	18,029	19,771	19,862	19,477	19,755	20,061	20,378	20,715	21,031	21,360	21,360
EBITDA	3,435	3,515	3,811	3,991	3,982	4,017	4,055	4,116	4,178	4,236	4,236
EBITDA margin	19.1%	17.8%	19.2%	20.5%	20.2%	20.0%	19.9%	19.9%	19.9%	19.8%	19.8%
EBIT	1,708	1,681	1,812	1,923	1,921	1,910	1,897	1,900	1,899	1,885	1,468
Tax	325	319	344	365	365	363	360	361	361	358	279
CAPEX	-4,377	-3,988	-2,644	-2,701	-2,670	-2,693	-2,702	-2,728	-2,728	-2,768	-2,768
Working capital	-17	-48	-3	11	-8	-9	-9	-9	-9	-9	-9
FCF	-1,284	-841	821	935	939	953	984	1,018	1,080	1,101	1,180
PV FCF	-1,240	-767	704	752	707	670	645	621	613	582	
WACC	6.2%	6.0%	6.3%	6.6%	6.8%	7.1%	7.3%	7.5%	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%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	3,064	3,559	3,289	3,179	3,501
OCF/EBITDA	92%	100%	90%	90%	92%
CAPEX	3,647	3,562	4,377	3,988	2,644
Working capital	517	489	506	554	557
Equity	16,649	18,036	19,362	20,421	21,556
Net debt	8,595	8,944	10,287	11,431	10,943
Net debt/EBITDA (x)	2.6	2.5	2.8	3.3	2.9

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.6	3.5	4.5	3.4	3.3	3.1
Maximum	20.8	19.3	17.2	9.1	9.1	9.0
Median	13.9	13.0	12.2	7.2	7.2	6.6
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	14,852
Net debt	8,944
Other adjustments	-808
Value per share (PLN)	2.59

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	8.11
Relative (DYield)	0%	0.00
DCF	100%	2.59
Cost of equity (9M)		6.7%
9M Target Price		2.76



TMT

Netia

reduce (upgraded)

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Netia stock fell 6% after the takeover of 66% of its shares by Cyfrowy Polsat, prompting an upgrade from sell to reduce, but we maintain a negative view on the Telecom, which at the current level shows 14% downside potential to our (unchanged) price target. Cyfrowy may or may not make a tender offer on the 34% Netia shares still outstanding, at a price which is impossible to predict with any degree of accuracy. Moreover, Cyfrowy says it will not be seeking dividends from Netia after the 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 the 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.

Current Price	5.00 PLN	Downside
9M Target Price	4.30 PLN	-14.0%

		rating	target price	issued
new		reduce	4.30 PLN	2018-06-06
old		sell	4.30 PLN	2018-04-06
Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-4.8%	-5.1%
ISIN	PLNETIA00014	YTD Price Chng	-7.1%	+0.2%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.3m
MC (PLN m)	1,685.2	ADTV 6M		PLN 0.4m
EV (PLN m)	2,072.5	EV/EBITDA 12M fwd	6.0	+27.5%
Free Float	100.0%	EV/EBITDA 5Y avq	4.7	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	51.8	47.5	45.5	54.9	48.1
P/B	0.9	0.9	0.9	0.9	0.9
EV/EBITDA	4.4	5.1	5.8	6.2	6.2
DPS	0.39	0.38	0.00	0.00	0.00
DYield	7.9%	7.6%	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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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%	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%	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%	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 (no change)

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Orange Polska generated a negative return over 11% for the last three months after what we consider an undeserved pullback given that the Telecom delivered 2018 Q1 results in line with expectations, reporting stable EBITDA, fast-paced FTTH customer additions, and a 38% rebound in revenue from convergent services. Moreover, Orange reiterated its 2018 FY guidance after Q1. Accordingly, we maintain a buy rating for OPL, which remains a top telco pick. Orange 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 a double-digit discount to CEE telecoms at 4.4x 2017 EV/EBITDA, in part justified by high capital expenditures, but at the current level the discount is too large given expected average 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.

Current Price

5.08 PLN

Upside

9M Target Price

7.60 PLN

+49.6%

	rating	target price	issued
unchanged	buy	7.60 PLN	2018-04-06

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-1.6%	-1.9%
ISIN	PLTLKPL00017	YTD Price Chng	-12.3%	-5.0%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 9.6m
MC (PLN m)	6,665.0	ADTV 6M		PLN 10.9m
EV (PLN m)	13,531.9	EV/EBITDA 12M fwd	4.4	-5.2%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6	discount

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	-	-	22.3	12.2	8.4
P/B	0.7	0.7	0.6	0.6	0.6
EV/EBITDA	4.3	4.7	4.4	4.0	3.6
DPS	0.25	0.00	0.00	0.00	0.25
DYield	4.9%	0.0%	0.0%	0.0%	4.9%
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
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%	6.6%
Net debt / EV	49.0%	46.4%	43.7%	43.3%	44.1%	42.9%	41.9%	41.0%	40.3%	39.7%	39.7%
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	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 (no change)

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Play's stock took a 15% hit in May after the market felt disappointed by the Telecom's first-quarter earnings even though nominally the quarterly EBITDA missed the consensus estimate by a narrow 3.2%. The main source of the disappointment was the fact that the EBITDA figure showed an 8% drop from the comparable year-ago period after growing at double-digit rates during 2017. The KPIs for the period also came out weak. The first-quarter slowdown confirmed that Play is having a hard time maintaining the fast pace of subscriber growth seen to date, especially as competition from convergent service providers intensifies with both Cyfrowy Polsat and Orange Polska, Plays' two major listed rivals, set to offer fixed + mobile bundles at attractive prices from mid-June. If Play decides to wage a price war by cutting its mobile prices, this will shrink its ARPU. Sentiment for the mobile operator is dampened further by the reduced likelihood of it being approached with a takeover by UPC. With all this in mind, we keep a hold rating on PLY even after the sharp May falls.

Current Price

25.60 PLN

Upside

9M Target Price

30.93 PLN

+20.8%

	rating	target price	issued
unchanged	hold	30.93 PLN	2018-04-06

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-12.3%	-12.6%
ISIN	LU1642887738	YTD Price Chng	-18.1%	-10.7%
Outst. Stock (m)	253.7	ADTV 1M		PLN 8.5m
MC (PLN m)	6,494.7	ADTV 6M		PLN 10.7m
EV (PLN m)	13,025.4	EV/EBITDA 12M fwd	5.6	-11.7%
Free Float	49.4%	EV/EBITDA 5Y avg	6.3	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	9.1	16.8	7.1	6.8	6.6
P/B	4.8	-	58.5	15.5	8.6
EV/EBITDA	6.0	7.0	5.5	5.7	5.1
DPS	0.00	0.00	2.56	2.56	2.56
DYield	0.0%	0.0%	10.0%	10.0%	10.0%
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
Active subscribers (000s)	12,011	12,394	12,965	13,245	13,441
ARPU (PLN)	31.4	32.0	32.8	33.3	33.7
Revenue	6,118	6,670	7,061	7,341	7,546
Service revenue	4,493	4,878	5,192	5,412	5,569
Sales of goods and other	1,625	1,792	1,869	1,929	1,977
Costs	4,193	4,766	4,710	4,911	5,065
Interconnection	1,496	1,730	1,860	1,933	1,949
Contract costs	399	429	443	456	472
Cost of goods sold	1,366	1,410	1,484	1,551	1,629
Employee benefits	228	526	277	284	290
External services	567	606	563	599	634
Other	138	65	82	89	91
EBITDA (adj.)	2,035	2,298	2,381	2,460	2,511
margin	33.3%	34.5%	33.7%	33.5%	33.3%
Net income	712	387	919	957	991

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	1,588	1,389	1,955	2,098	2,174
OCF/EBITDA adj.	78%	60%	82%	85%	87%
CAPEX	-2,316	-625	-690	-767	-829
Assets	8,747	8,831	8,543	8,712	8,902
Equity	1,343	-213	111	418	760
Net debt	5,111	6,791	6,531	6,372	6,190
Net debt/EBITDA (x)	2.5	3.0	2.7	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%	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%	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%	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*		30.93

Agora buy (no change)

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Agora's 2018 first-quarter results were consistent with our expectations, with a slightly lower-than-anticipated EBITDA in the Press segment offset by a higher figure in the Internet segment, indicating a likelihood of further restructuring in the former, more problematic business line. At 5.1x 2017 EV/EBITDA, AGO stock is currently trading at a 30% discount to comparable companies. Meanwhile 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%. Agora is due to release an updated business strategy by the end of June, 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.

Current Price

14.95 PLN

Upside

9M Target Price

18.40 PLN

+23.1%

	rating	target price	issued
unchanged	buy	18.40 PLN	2018-04-06

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	0.0%	-0.3%
ISIN	PLAGORA00067	YTD Price Chng	+3.5%	+10.8%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.3m
MC (PLN m)	696.4	ADTV 6M		PLN 0.8m
EV (PLN m)	667.1	EV/EBITDA 12M fwd	5.3	+0.3%
Free Float	62.0%	EV/EBITDA 5Y avg	5.3	premium

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	-	-	28.4	30.8	25.2
P/B	0.6	0.7	0.7	0.7	0.7
EV/EBITDA	6.4	24.0	5.1	5.3	5.3
DPS	0.75	0.46	0.50	0.75	1.00
DYield	5.0%	3.1%	3.3%	5.0%	6.7%
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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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%	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%	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	1.0
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 (no change)

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We maintain a hold rating for Cyfrowy Polsat, which generated in-line 2018 Q1 results but benefitted from an acceleration to 9.6% in the annual growth rate of advertising expenditures from 5.6% in the previous quarter and 1.3% on average in 2017. The KPIs for the period came out slightly better than anticipated. In May Cyfrowy acquired a controlling stake in Eleven Sports Network (ESN), which has about 2 million viewers in Poland. The investment is a strategic move designed to improve the perceived worth to investors of Cyfrowy's television business. On a less positive note, Cyfrowy has recently unexpectedly announced that it will not pay dividends in 2018 even though its net debt/LTM EBITDA ratio at 31 March was 2.87x, and the cost of the ESN acquisition at ca. PLN 170m is equivalent to just about 0.05x EBITDA. The disappointment is further exacerbated by the Company's high FCF Yield of ca. 9-10%. All things considered, per our calculations Cyfrowy could afford to pay dividends of PLN 0.36 per share and PLN 230m total out of the net profit for 2017. A zero distribution while the analysts' consensus is for a DPS of PLN 0.48 might dampen sentiment for CPS in the weeks ahead.

Current Price

25.36 PLN

Downside

9M Target Price

25.30 PLN

-0.2%

	rating	target price	issued
unchanged	hold	25.30 PLN	2018-04-06

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-0.5%	-0.9%
ISIN	PLCFRPT00013	YTD Price Chng	+2.0%	+9.3%
Outst. Stock (m)	639.5	ADTV 1M		PLN 17.7m
MC (PLN m)	16,218.8	ADTV 6M		PLN 12.4m
EV (PLN m)	27,329.2	EV/EBITDA 12M fwd	6.9	-4.2%
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	15.6	16.5	13.0	11.1	10.1
P/B	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	7.9	7.4	7.0	6.4	6.0
DPS	0.00	0.32	0.36	0.48	0.57
DYield	0.0%	1.3%	1.4%	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%	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%	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%	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 (no change)

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We maintain a positive view on Wirtualna Polska, whose shares have risen 22% since November 2017, outperforming the broad market benchmark by more than 30%, but still show upside potential in our view. Wirtualna's outlook for 2018 is supported by an expected rebound of 8.1% (ZenithOptimedia) in Polish online adspend, fueled among others by the February Winter Olympics in Pyeongchang, and the 2018 FIFA World Cup in Russia coming in June. By improving the viewability rates on its sites, Wirtualna has positioned itself for stronger profit growth in 2018, with the adjusted EBITDA expected to post a 13.2% rebound from the slower 2017 at a projected PLN 171m (after a 28% surge in the first quarter). Further, by building majority stakes in its e-commerce subsidiaries, most notably the digital fashion platform Domodi, Wirtualna minimizes the risk of adjustments to its fastest-growing business. Last but not least, with free cash flow close to PLN 80m (FCF Yield >5%) coupled with relatively low leverage (with 2018 FY year-end debt expected to be PLN 216m, an equivalent of 1.27x EBITDA), Wirtualna can continue its M&A activity in e-commerce without having to raise capital.

Current Price

53.60 PLN

Upside

9M Target Price

60.00 PLN

+11.9%

	rating	target price	issued
unchanged	accumulate	60.00 PLN	2018-04-24

Key Metrics	WPL PW	WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	-2.2%
ISIN	PLWRTPL00027	YTD Price Chng	+10.5%
Outst. Stock (m)	29.8	ADTV 1M	+17.8%
MC (PLN m)	1,596.0	ADTV 6M	PLN 1.1m
EV (PLN m)	1,828.7	EV/EBITDA 12M fwd	PLN 1.2m
Free Float	53.0%	EV/EBITDA 5Y avg	10.6
			+0.2%
			premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	415	466	519	571	615
EBITDA	123	130	160	187	203
EBITDA margin	29.6%	27.8%	30.9%	32.7%	33.1%
EBIT	81	79	105	127	141
Net income	57	45	76	89	100
P/E	28.1	35.3	21.0	18.0	16.0
P/B	3.9	3.8	3.5	3.2	3.0
EV/EBITDA	14.5	13.8	11.4	9.6	8.6
DPS	0.00	1.10	0.96	1.61	2.15
DYield	0.0%	2.1%	1.8%	3.0%	4.0%
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
Revenue	415	466	519	571	615
Cash	377	425	473	519	559
Barter	37.8	33.0	24.7	25.9	26.9
Costs	334	387	414	443	474
D&A	42.1	51.0	55.5	59.2	62.5
Materials & Utilities	5.6	5.9	6.0	6.3	6.5
Payroll	124	134	140	145	150
Other	162	196	213	233	255
EBITDA	123	130	160	187	203
margin	29.6%	27.8%	30.9%	32.7%	33.1%
EBITDA (adj.)	136	151	171	187	201
margin	322.9%	295.2%	307.5%	315.6%	320.9%
EBIT	81	79	105	127	141
margin	19.5%	16.9%	20.2%	22.3%	22.9%
Net income	53.8	35.3	66.2	88.5	102.2

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	114	114	48	154	168
OCF/EBITDA	92%	88%	30%	83%	83%
CAPEX	-38	-42	-47	-48	-52
Assets	852	894	851	896	903
Equity	409	420	458	499	537
Net debt	169	170	216	173	132
Net debt/EBITDA (x)	1.4	1.3	1.3	0.9	0.6

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	23.4	17.3	18.4	19.7	14.4	11.7
Maximum	16.0	13.4	12.7	7.7	5.0	3.9
Median	18.7	15.8	16.0	12.5	11.1	9.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	519	571	615	652	685	715	744	771	795	818	835
EBITDA	160	187	203	216	228	237	245	251	255	259	264
EBITDA margin	30.9%	32.7%	33.1%	33.2%	33.2%	33.1%	32.9%	32.5%	32.0%	31.6%	31.6%
D&A	55	59	63	65	68	70	72	73	75	77	78
EBIT	105	127	141	151	160	167	173	177	180	182	186
Tax	20	24	27	29	30	32	33	34	34	35	35
NOPLAT	85	103	114	122	130	135	140	144	145	147	150
CAPEX	-47	-48	-52	-56	-60	-64	-67	-71	-74	-77	-78
Working capital	-92	-8	-7	-7	-7	-7	-7	-7	-6	-6	-7
FCF	1	106	117	124	130	135	138	140	140	141	144
PV FCF	1	94	96	94	91	87	82	77	71	66	
WACC	7.9%	8.0%	8.1%	8.2%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Net debt / EV	13.6%	11.5%	9.5%	7.6%	6.0%	5.8%	5.9%	6.1%	6.4%	6.9%	6.9%
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	1,831
Net debt	206
Other adjustments	19
Value per share (PLN)	55.84

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	56.97
DCF Val.	50%	55.84
Implied Price		56.40
Cost of equity (9M)		6.5%
9M Target Price		60.00

Asseco Poland hold (upgraded)

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Asseco Poland generated better-than-expected earnings results in Q1 2018, supported by a rebound in orders from the financial sector and the central government, which boosted the parent company's business in Poland. ACP stock is trading close to our target after recent gains, prompting an upgrade to hold. At the current level, the stock is valued at 15.0x 2018E P/E and 15.7x 2019E P/E, showing discounts of 11%/2% to foreign IT companies. On the other hand, we recently cut our 2019 DPS forecast for Asseco from PLN 3.01 to PLN 2.00, and we maintain that, due to formalities under Polish company laws, the creation of Asseco International will deprive the Company of one year's-worth of dividends from subsidiaries. We are also skeptical about the plans to take AI public abroad and use the IPO proceeds to effect M&As based on Asseco's spotty M&A history.

Current Price

44.00 PLN

Downside

9M Target Price

41.20 PLN

-6.4%

	rating	target price	issued
new	hold	41.20 PLN	2018-06-06
old	reduce	41.20 PLN	2018-03-27
Key Metrics			
Ticker	ACP PW	1M Price Chng	+6.7% +6.4%
ISIN	PLSOFTB000016	YTD Price Chng	+7.4% +14.7%
Outst. Stock (m)	83.0	ADTV 1M	PLN 5.3m
MC (PLN m)	3,652.0	ADTV 6M	PLN 6.3m
		P/E 12M fwd	10.9 -9.7%
Free Float	68.0%	P/E 5Y avg	12.1 discount

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	12.1	7.8	15.0	15.7	15.2
P/B	0.7	0.7	0.7	0.6	0.6
P/S	0.46	0.47	0.41	0.40	0.39
DPS	3.01	3.01	3.01	3.01	2.00
DYield	6.8%	6.8%	6.8%	6.8%	4.5%
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	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%	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%	8.4%	8.4%
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%	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 (no change)

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CD Projekt generated 2018 Q1 results in line with market expectations, reporting 24% year-over-year sales shrinkage to PLN 75m and a 47% drop in EBITDA underpinned by operating leverage effects. *The Witcher* series was still the main sales driver for CD Projekt in Q1, with the contribution from *Gwent* still relatively low at an estimated PLN 3.4m. The slow sales might be the reason behind the game's revamp planned during the course of 2018. A crucial factor which will shape CDR's performance in June will be the expected release of a trailer and a playable demo of the Company's next major AAA release, *Cyberpunk 2077*, during the E3 2018 games expo, which starts on June 12th. With its stock already pricing a *Cyberpunk* preview at E3, the potential for a sharp downturn is substantial if CD Projekt fails to deliver.

Current Price

157.00 PLN

Downside

9M Target Price

90.80 PLN

-42.2%

	rating	target price	issued
unchanged	sell	90.80 PLN	2018-04-06

Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+25.7% +25.4%
ISIN	PLOPTTC00011	YTD Price Chng	+61.9% +69.2%
Outst. Stock (m)	95.2	ADTV 1M	PLN 47.7m
MC (PLN m)	14,948.4	ADTV 6M	PLN 32.2m
EV (PLN m)	14,840.9	EV/EBITDA 12M fwd	24.7 +21.0%
Free Float	65.3%	EV/EBITDA 5Y avg	20.4 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	59.7	73.3	75.6	22.7	23.4
P/B	19.2	16.9	13.8	8.6	6.3
EV/EBITDA	47.8	59.6	59.9	17.4	17.4
DPS	0.00	1.06	0.00	0.00	0.00
DYield	0.0%	0.7%	0.0%	0.0%	0.0%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales of The Witcher 3			0.0%	0.0%	0.0%
Sales of Gwent: The Card Game			0.0%	0.0%	0.0%
Sales of Cyberpunk 2077			0.0%	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
	0	0	0	0	0
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)	11,000	7,100	4,600	4,000	4,000	4,000	4,000	4,000	4,000	0	0
Next AAA game (k copies)	0	0	0	12,000	9,500	5,000	12,500	5,100	12,000	0	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 accumulate (no change)

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Comarch reported strong 2018 first-quarter results on a higher-than-expected revenue which at PLN 272m showed a 6.4% rebound over the year-ago topline. The rising sales were driven by stronger demand from the international TMT industry, with sales to this customer group up 16.5%. This was accompanied by gross margin expansion to a higher-than-forecast 20.8%, and stable SG&A expenses. We believe Comarch can achieve our 2018 FY EBITDA forecast of PLN 143.7m, with the earnings outlook for Q2 and Q3 reinforced by a reported recovery in public orders in Poland, most notably orders from the healthcare sector, alongside the scheduled completion of a major government contract and the zloty's depreciation versus the euro. We maintain a positive outlook for Comarch.

Current Price

145.00 PLN

Upside

9M Target Price

166.50 PLN

+14.8%

	rating	target price	issued
unchanged	accumulate	166.50 PLN	2018-05-09

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-3.3%	-3.7%
ISIN	PLCOMAR00012	YTD Price Chng	-23.7%	-16.4%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.2m
MC (PLN m)	1,179.3	ADTV 6M		PLN 0.5m
EV (PLN m)	1,184.6	EV/EBITDA 12M fwd	6.8	-5.5%
Free Float	59.2%	EV/EBITDA 5Y avg	7.2	discount

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	16.8	27.4	20.9	15.4	14.0
P/B	1.4	1.3	1.3	1.3	1.3
EV/EBITDA	6.5	12.3	8.2	7.2	6.9
DPS	0.00	1.50	1.50	10.00	10.00
DYield	0.0%	1.0%	1.0%	6.9%	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
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	1,765
EBITDA	144	169	176	181	187	192	199	206	213	221	225
EBITDA margin	11.8%	12.6%	12.6%	12.6%	12.6%	12.5%	12.6%	12.6%	12.7%	12.8%	13.0%
D&A	64	65	65	65	66	66	67	68	69	71	73
EBIT	79	104	111	116	121	126	132	137	143	150	153
Tax	23	29	29	31	32	33	35	36	38	39	40
NOPLAT	56	75	82	85	89	93	97	101	106	110	112
CAPEX	-53	-58	-61	-63	-65	-66	-67	-68	-70	-71	-73
Working capital	-30	-24	-9	-6	-5	-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%	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%	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	1.0
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 (no change)

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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 seems to mark a return to the peak order period of 2011-2012 which resulted in record earnings for the Company in 2012 and 2013, and it should keep sentiment 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. In Q1 2018 the Company exceeded expectations with the quarterly earnings results, saying it expected further growth in subsequent quarters. In May, FMF stock gained on its inclusion into the MSCI small-cap index, but with no major developments lined up it will probably trade at a stable level in June. We stand by our buy rating and target price for FMF.

Current Price

6.10 PLN

Upside

9M Target Price

6.95 PLN

+13.9%

	rating	target price	issued
unchanged	buy	6.95 PLN	2018-05-09

Key Metrics	FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng +3.0% +2.7%
ISIN	PLFAMUR00012	YTD Price Chng -1.6% +5.7%
Outst. Stock (m)	574.7	ADTV 1M PLN 3.1m
MC (PLN m)	3,505.8	ADTV 6M PLN 2.0m
EV (PLN m)	3,695.0	EV/EBITDA 12M fwd 7.7 +30.6%
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	1,460	2,059	2,177	2,249
EBITDA	239	307	439	481	501
EBITDA margin	23.2%	21.0%	21.3%	22.1%	22.3%
EBIT	114	133	275	326	364
Net income	94	49	201	258	293
P/E	31.6	70.4	17.5	13.6	12.0
P/B	3.0	2.4	2.1	1.9	1.8
EV/EBITDA	11.9	11.8	8.4	7.3	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	2019P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Pre-tax income			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Underground	792	999	941	1,012	1,054
Revenue, Surface	238	388	406	429	440
Sales margin, UG	24.4%	26.8%	26.9%	28.4%	29.3%
Sales margin, Surface	21.0%	12.0%	18.4%	19.4%	19.0%
Operating cash flow	315	179	152	377	405
D&A	125	174	164	156	137
Working capital	95	-98	-207	-49	-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	-130	76	280	308
FCF/EBITDA	101%	-42%	17%	58%	62%
OCF/EBITDA	132%	46%	35%	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	150	-62	-200
Net debt/EBITDA (x)	-0.6	0.3	0.3	-0.1	-0.4

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	13.1	11.1	10.7	8.8	8.3	7.5
Maximum	31.5	20.0	18.3	14.5	13.4	12.0
Median	16.9	13.8	12.2	10.8	8.6	7.8
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	-207	-49	-30	-25	-22	-20	-20	-21	-21	-21	-22
FCF	76	280	308	287	304	309	313	320	326	330	343
PV FCF	71	241	245	210	205	192	179	169	159	148	
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	2.0%
PV FCF	1,541
Net debt	-135
Other adjustments	-98
Value per share (PLN)	6.99

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	6.09
DCF Val.	50%	6.99
Implied Price		6.54
Cost of equity (9M)		6.3%
9M Target Price		6.95

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 own expectations for this year's earnings are for revenue close to PLN 3bn, EBITDA of PLN 467m, and net profit of PLN 274m. Sentiment for the aluminum industry might turn temporarily sour after the announcement by the United States of proposed import tariffs. KTY is currently trading at double-digit premiums to comparable aluminum processors after the recent share price falls logged by the peers, meanwhile a preliminary 2018 Q2 earnings announcement set for 26 June might reflect a temporary setback in profits due to volatile aluminum prices. We maintain a hold rating for KTY, with the 9-month price target revised upward from PLN 363.01 to PLN 371.08 per share to reflect adjustments to peer multiples and the outstanding share count after a capital raise.

Current Price

360.50 PLN

Upside

9M Target Price

371.08 PLN

+2.9%

	rating	target price	issued
new	hold	371.08 PLN	2018-06-06
old	hold	363.01 PLN	2018-05-09
Key Metrics			
	KTY PW	1M Price Chng	+1.0% +0.6%
Ticker	PLKETY000011	YTD Price Chng	-12.0% -4.7%
ISIN		ADTV 1M	PLN 1.8m
Outst. Stock (m)	9.5	ADTV 6M	PLN 1.5m
MC (PLN m)	3,424.8	EV/EBITDA 12M fwd	9.1 -2.6%
EV (PLN m)	4,170.6	EV/EBITDA 5Y avg	9.3 discount
Free Float	55.8%		

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	2,267	2,643	3,075	3,026	3,134
EBITDA	394	421	467	479	489
EBITDA margin	17.4%	15.9%	15.2%	15.8%	15.6%
EBIT	282	301	346	358	366
Net income	278	236	274	271	278
P/E	12.3	14.5	12.5	12.6	12.3
P/B	2.4	2.5	2.4	2.3	2.3
EV/EBITDA	9.7	9.5	8.9	8.8	8.6
DPS	18.00	30.00	23.90	23.00	22.70
DYield	5.0%	8.3%	6.6%	6.4%	6.3%
Revision of Projections (% change)					
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Aluminum price (US\$/t)			0.0%	0.0%	0.0%
Producer premium (US\$/t)			0.0%	0.0%	0.0%
Aluminum usage (1,000t)			0.0%	0.0%	0.0%

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	198	191	194
EBITDA, Other	-10	-18	-18	-19	-19
EBITDA/t of Al	5	4	4	4	4
Operating cash flow	315	276	295	410	388
D&A	112	120	122	122	123
Working capital	-51	-91	-97	-2	-30
Investing cash flow	-270	-187	-200	-200	-150
CAPEX	270	187	200	200	150
Financing cash flow	-43	-85	-169	-202	-240
Dividends/Buyback	-170	-285	-229	-219	-217
FCF	84	86	120	214	244
FCF/EBITDA	21%	20%	25%	44%	49%
OCF/EBITDA	80%	66%	63%	86%	79%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	2,323	2,499	2,686	2,772	2,845
Fixed assets	1,396	1,439	1,532	1,614	1,646
Equity	1,405	1,363	1,408	1,460	1,521
Minority interests	0	1	1	1	1
Net debt	397	591	745	777	779
Net debt/EBITDA (x)	1.0	1.4	1.6	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	2.6	2.4	2.7	3.6	3.7	3.4
Maximum	27.6	22.6	21.4	11.7	10.3	9.9
Median	12.1	10.4	9.8	8.0	7.6	6.0
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)	2,300	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
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	3,075	3,026	3,134	3,205	3,278	3,343	3,409	3,477	3,547	3,598	3,651
EBITDA	467	479	489	494	500	506	514	521	532	532	539
EBITDA margin	15.2%	15.8%	15.6%	15.4%	15.3%	15.1%	15.1%	15.0%	15.0%	14.8%	14.8%
EBIT	346	358	366	380	384	387	392	396	403	400	407
Tax	51	64	65	68	69	69	71	72	73	73	74
CAPEX	-200	-200	-150	-120	-122	-125	-127	-130	-132	-132	-132
Working capital	-97	-2	-30	-21	-22	-20	-20	-21	-21	-16	-16
FCF	120	214	244	284	287	292	296	299	305	311	317
PV FCF	116	191	202	219	205	193	181	170	160	151	
WACC	7.8%	7.7%	7.7%	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	1,788
Net debt	591
Other adjustments	0
Value per share (PLN)	396.37

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	301.74
DCF Val.	50%	396.37
Implied Price		349.06
Cost of equity (9M)		6.3%
9M Target Price		371.08

JSW buy (reiterated)

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The operating rates of global steel mills have increased to 76% from 70% in January, and China has resumed normal coking coal imports, with its steel PMI for May edging well above 5 points. Going forward, Chinese coking coal purchases should be boosted further by steel plants returning from winter shutdowns. As a result, we expect the price of coking coal to reach \$185/t in the second half of 2018. JSW is trading at an over-25% discount to the peer group at the current level even though the Miner is expected to continue increasing production of metallurgical coal in the coming quarters, and despite the fact that it delivered better-than-expected earnings results for the first quarter of 2018, generated on improving mine productivity and rising sales prices for coke. In addition, JSW is the biggest beneficiary of all listed companies in Poland of the zloty's current depreciation vis-à-vis the dollar. We maintain a buy rating for JSW, with the 9-month price target revised upward from PLN 109.12 to PLN 115.23 per share to reflect updated forecasts and peer multiples.

Current Price	86.66 PLN	Upside
9M Target Price	115.23 PLN	+33.0%

	rating	target price	issued
new	buy	115.23 PLN	2018-06-06
old	buy	109.12 PLN	2018-05-09
Key Metrics		JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng	+10.5% +10.2%
ISIN	PLJSW0000015	YTD Price Chng	-10.0% -2.7%
Outst. Stock (m)	117.4	ADTV 1M	PLN 16.4m
MC (PLN m)	10,174.9	ADTV 6M	PLN 21.9m
EV (PLN m)	8,623.8	EV/EBITDA 12M fwd	2.7 -28.7%
Free Float	44.8%	EV/EBITDA 5Y avg	3.8 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,731	8,877	9,580	9,292	8,999
EBITDA adj.	1,055	3,509	3,575	2,970	2,487
EBITDA margin	15.7%	39.5%	37.3%	32.0%	27.6%
EBIT adj.	216	2,684	2,752	2,034	1,394
Net income adj.	-2	2,189	2,230	1,657	1,142
P/E adj.	-	4.6	4.6	6.1	8.9
P/B	2.5	1.6	1.2	1.1	1.0
EV/EBITDA adj.	10.2	2.5	2.4	2.8	3.5
DPS	0.00	0.00	0.00	7.77	7.06
DYield	0.0%	0.0%	0.0%	9.0%	8.1%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA (adj.)		+0.2%	+0.9%	+1.1%	
Net income (adj.)		+0.2%	+1.3%	+2.0%	
Coking Coal price (\$/t)		+0.3%	0.0%	0.0%	
Thermal Coal price (PLN/t)		-2.5%	0.0%	0.0%	
Coke price (\$/t)		-2.1%	0.0%	0.0%	
Total coal output (kt)		-0.3%	0.0%	0.0%	
Coking coal (kt)		-0.3%	-0.0%	-0.0%	
Coke (kt)		-0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Total coal output (kt)	16,835	14,768	15,665	15,750	16,000
Coking coal (kt)	11,580	10,675	11,548	11,769	12,115
Coking coal (% of total)	69%	72%	74%	75%	76%
Thermal coal (kt)	5,255	4,093	4,117	3,981	3,885
Coke (kt)	4,145	3,458	3,469	3,700	3,700
Operating cash flow	897	2,871	3,086	2,461	2,096
D&A	839	825	823	936	1,093
Working capital	-349	-76	-6	-99	-74
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	-896	-807
Dividends/Buyback	0	0	0	-912	-829
FCF	289	2,129	1,532	1,132	594
FCF/EBITDA (adj.)	27%	61%	43%	38%	24%
OCF/EBITDA (adj.)	85%	82%	86%	83%	84%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,520	12,090	13,105	13,778	14,017
Fixed assets	9,097	8,118	8,804	9,236	9,738
Equity	4,003	6,389	8,670	9,415	9,728
Minority interests	67	232	232	232	232
Net debt	513	-1,641	-1,783	-1,999	-1,738
Net debt/EBITDA (adj.)	0.5	-0.5	-0.5	-0.7	-0.7
Net debt/Equity (x)	0.1	-0.3	-0.2	-0.2	-0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	6.0	6.4	6.3	2.6	2.1	2.0
Maximum	31.4	26.8	63.7	8.6	8.7	9.1
Median	8.9	9.4	9.2	4.5	5.2	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)	191	180	170	170	170	170	170	170	170	170	170
Thrmal coal (PLN/t)	235	238	225	225	225	225	225	225	225	225	225
Coke (\$/t)	1,021	1,016	923	923	923	923	923	923	923	923	923
Revenue	9,580	9,292	8,998	9,201	9,396	9,592	9,780	9,895	9,982	10,068	10,069
EBITDA	3,638	2,970	2,487	2,500	2,513	2,541	2,578	2,565	2,519	2,469	2,407
EBITDA margin	38.0%	32.0%	27.6%	27.2%	26.7%	26.5%	26.4%	25.9%	25.2%	24.5%	23.9%
EBIT	2,815	2,034	1,394	1,251	1,109	1,135	1,169	1,153	1,104	1,051	985
Tax	536	390	269	241	215	220	227	224	215	205	192
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	-6	-99	-74	7	6	27	27	10	5	4	-4
FCF	1,532	1,132	594	796	884	928	958	931	889	849	789
PV FCF	1,471	1,001	484	598	613	593	564	505	445	391	
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	6,664
Net debt	-1,641
Other adjustments	232
Value per share (PLN)	105.16

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	111.63
DCF Val.	50%	105.16
Implied Price		108.39
Cost of equity (9M)		6.3%
9M Target Price		115.23

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. At the moment, Kernel is benefitting from an upward shift in the global prices of corn on the heels of US and Argentina harvest concerns, with the USDA predicting the third-lowest usage-to-inventory ratio globally for corn since 2000. We maintain a hold rating for KER, with the price target left unchanged.

Current Price

52.50 PLN

Upside

9M Target Price

53.04 PLN

+1.0%

	rating	target price	issued
unchanged	hold	53.04 PLN	2018-05-09

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+4.4%	+4.0%
ISIN	LU0327357389	YTD Price Chng	+11.1%	+18.4%
Outst. Stock (m)	82.4	ADTV 1M		PLN 3.5m
MC (PLN m)	4,326.4	ADTV 6M		PLN 3.3m
EV (PLN m)	6,358.8	EV/EBITDA 12M fwd	5.5	+38.2%
Free Float	59.8%	EV/EBITDA 5Y avg	4.0	premium

Earnings Projections

(US\$ m)	15/16	16/17	17/18P	18/19P	19/20P
Revenue	1,989	2,169	2,565	2,919	3,277
EBITDA	347	319	236	338	412
EBITDA margin	17.5%	14.7%	9.2%	11.6%	12.6%
EBIT	287	265	183	283	353
Net income	225	179	107	203	269
P/E	5.2	6.6	11.1	5.8	4.4
P/B	1.2	1.0	1.0	0.9	0.8
EV/EBITDA	4.2	5.3	7.4	4.9	3.9
DPS	0.25	0.24	0.25	0.39	0.99
DYield	1.7%	1.7%	1.7%	2.7%	6.9%

Revision of Projections (% change)			17/18P	18/19P	19/20P
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%
Bulk sunflower oil sales (kt)			0.0%	0.0%	0.0%
Grain production (kt)			0.0%	0.0%	0.0%
Grain sales (kt)			0.0%	0.0%	0.0%

Financial Highlights

(US\$ m)	15/16	16/17	17/18P	18/19P	19/20P
EBITDA, Bottled Oil	16	17	12	18	21
EBITDA, Bulk Oil	113	83	64	95	126
EBITDA, Terminals	37	48	44	68	84
EBITDA, Farming	146	144	87	142	174
EBITDA, Grain Trade	46	23	15	14	14
Operating cash flow	134	77	203	277	342
D&A	60	54	53	55	59
Working capital	-127	-212	-23	-43	-47
Investing cash flow	-61	-223	-100	-110	-110
CAPEX	61	182	100	110	110
Financing cash flow	-137	173	-140	-149	-197
Dividends/Buyback	-20	-20	-21	-32	-81
FCF	155	-93	105	170	234
FCF/EBITDA	45%	-29%	44%	50%	57%
OCF/EBITDA	39%	24%	86%	82%	83%

Key Balance Sheet Figures

(US\$ m)	15/16	16/17	17/18P	18/19P	19/20P
Assets	1,509	2,009	2,013	2,155	2,314
Fixed assets	789	888	937	994	1,048
Equity	995	1,153	1,181	1,350	1,536
Minority interests	2	5	5	5	5
Net debt	276	508	552	483	398
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	3.9	3.8	3.4	3.0	2.8	2.7
Maximum	30.6	24.8	17.1	12.8	11.8	11.8
Median	12.9	13.1	11.7	8.1	7.6	7.0
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	82	96	115	118	115	106	98	89	86	85
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	2,565	2,919	3,277	3,656	3,762	3,828	3,885	3,943	4,008	4,081	4,158
EBITDA	236	338	412	469	480	478	463	447	431	427	425
EBITDA margin	9.2%	11.6%	12.6%	12.8%	12.8%	12.5%	11.9%	11.3%	10.8%	10.5%	10.2%
EBIT	183	283	353	413	426	422	407	392	377	369	368
Tax	8	15	20	24	26	25	24	23	22	50	50
CAPEX	-100	-110	-110	-45	-47	-50	-52	-55	-57	-57	-57
Working capital	-23	-43	-47	-50	-21	-21	-21	-22	-23	-23	-24
FCF	105	170	234	350	386	382	365	347	329	296	295
PV FCF	102	142	168	214	198	164	132	106	85	65	
WACC	16.1%	16.3%	16.5%	16.9%	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	1,274
Net debt	552
Other adjustments	5
Value per share (PLN)	47.65

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	46.73
DCF Val.	50%	47.65
Implied Price		47.19
Cost of equity (9M)		12.4%
9M Target Price		53.04

KGHM buy (reiterated)

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KGHM's stock performance has diverged negatively from the underlying commodities (represented as a production-weighted index of the Company's key metals) as the market seems to be overlooking the Company's much more bullish prospects for the rest of the year, stemming from a 60% March surge in the prices of molybdenum, and the zloty's depreciation versus the US dollar observed in May, which will boost the second-quarter zloty profits, as well as having pushed the zloty price of a metric ton of copper up to a year-to-date high of PLN 26,000. Note also that KGHM is poised to recover from the momentary first-quarter slump in the refining business reported in Q1 once the HMG2 copper smelter and refinery comes back from maintenance scheduled for the second quarter, while the HMG1 smelter continues to regain capacity after a temporary failure last October. Last but not least, we feel investors have not picked up on the positive message sent out by the Polish Energy Minister who said he did not expect KGHM to be involved, financially or otherwise, in Poland's nuclear project. The potential investment depressed KGH's performance in March and April. Looking at how far KGHM's market value has veered away from its underlying commodities, by closing the 25% gap the stock would return to its original "default" value of about PLN 120. Performance in June should be bolstered by rising prices of copper and the zloty's continuing decline vis-à-vis the dollar. We maintain a buy rating for KGH, with the 9-month price target revised downward from PLN 118.98 to PLN 112.92 per share to reflect updated forecasts and peer multiples.

Current Price

96.52 PLN

Upside

9M Target Price

112.92 PLN

+17.0%

	rating	target price	issued
new	buy	112.92 PLN	2018-06-06
old	buy	118.98 PLN	2018-05-09
Key Metrics			
	KGH PW	1M Price Chng	+4.1% +3.8%
Ticker	KGH PW	1M Price Chng	+4.1% +3.8%
ISIN	PLKGHM000017	YTD Price Chng	-13.2% -5.9%
Outst. Stock (m)	200.0	ADTV 1M	PLN 71.0m
MC (PLN m)	19,304.0	ADTV 6M	PLN 63.1m
EV (PLN m)	23,551.9	EV/EBITDA 12M fwd	4.4 -14.9%
Free Float	63.2%	EV/EBITDA 5Y avg	5.1 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	19,156	20,358	20,459	22,834	23,802
EBITDA adj.	4,666	5,753	5,134	6,071	6,253
EBITDA margin	24.4%	28.3%	25.1%	26.6%	26.3%
EBIT adj.	2,968	4,144	3,484	4,339	4,413
Net income adj.	1,555	1,875	2,429	3,104	3,142
P/E adj.	12.4	10.3	7.9	6.2	6.1
P/B	1.2	1.1	1.0	0.9	0.8
EV/EBITDA adj.	5.7	4.5	4.6	3.5	3.2
DPS	1.50	1.00	0.00	3.04	5.43
DYield	1.6%	1.0%	0.0%	3.1%	5.6%
Revision of Projections (% change)					
EBITDA adj.			+0.3%	-2.4%	-2.8%
Net income adj.			+1.0%	-3.6%	-4.4%
Copper price (\$/t)			-2.9%	0.0%	0.0%
Silver price (\$/oz)			-0.6%	0.0%	0.0%
Molybdenum price (\$/t)			+10.1%	+5.0%	0.0%
Copper output (kt)			-4.7%	-3.1%	-3.0%
Silver output (t)			-5.3%	+0.5%	+0.5%
Molybdenum output (mmb)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Cu Output, PL (kt)	376	359	380	409	408
Cu Output, Int (kt)	90	81	82	82	95
Sierra Gorda (kt)	52	53	56	63	69
Ag output (tonnes)	1,207	1,234	1,111	1,301	1,297
Au output (ozt k)	229	219	186	186	195
Operating cash flow	4,212	3,054	5,194	5,902	5,089
D&A	1,698	1,609	1,650	1,732	1,840
Working capital	386	-1,270	1,029	981	21
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	-86	-693	-1,172
Dividends/Buyback	-300	-200	0	-607	-1,086
FCF	186	776	2,456	3,083	2,305
FCF/EBITDA	5%	25%	48%	51%	37%
OCF/EBITDA	2%	1%	0%	3%	6%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	33,442	34,122	36,576	39,661	41,957
Fixed assets	27,202	26,515	27,560	28,605	29,505
Equity	15,772	17,694	20,123	22,619	24,675
Minority interests	139	91	91	91	91
Net debt	7,238	6,570	4,157	1,724	548
Net debt/EBITDA (x)	2.1	2.2	0.8	0.3	0.1
Net debt/Equity (x)	0.5	0.4	0.2	0.1	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	8.6	6.7	4.5	4.4	3.9	3.2
Maximum	19.4	18.4	17.9	10.3	9.6	9.2
Median	11.8	13.3	11.8	5.7	6.1	4.9
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Copper price (\$/t)	7,124	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Silver (\$/oz)	16.9	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Molybdenum (\$/t)	21,503	21,000	19,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Revenue	20,459	22,834	23,802	23,630	23,535	23,779	23,821	23,286	21,612	21,501	21,702
EBITDA	5,134	6,071	6,253	5,193	4,871	5,019	4,971	4,564	4,286	4,061	4,156
EBITDA margin	17.0%	19.0%	18.5%	13.8%	12.4%	12.6%	12.3%	10.8%	10.2%	9.4%	10.0%
EBIT	3,484	4,339	4,413	3,266	2,919	3,008	2,940	2,511	2,214	2,018	2,163
Tax	1,012	1,193	1,228	992	924	939	924	839	783	745	773
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	1,029	981	21	-4	-2	5	1	-12	-37	-2	4
FCF	2,456	3,083	2,305	1,977	2,269	2,376	2,305	1,935	1,652	1,499	1,573
PV FCF	2,368	2,744	1,886	1,496	1,578	1,517	1,356	1,049	826	690	
WACC	7.6%	8.1%	8.4%	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	15,512
Net debt	6,570
Other adjustments	364
Value per share (PLN)	89.16

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	123.27
DCF Val.	50%	89.16
Implied Price		106.22
Cost of equity (9M)		6.3%
9M Target Price		112.92



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 potential appreciation versus the euro and its negative impact on Stelmet's sales in Western European markets, which account for 50% of total sales. We keep a buy rating for STL with an intact price target.

Current Price

14.15 PLN

Upside

9M Target Price

26.48 PLN

+87.1%

	rating	target price	issued
unchanged	buy	26.48 PLN	2018-05-09

Key Metrics	STL PW	1M Price Chng	STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-5.7%	-6.0%
ISIN	PLSTLMT00010	YTD Price Chng	-1.7%	+5.6%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.1m
MC (PLN m)	415.5	ADTV 6M		PLN 0.1m
EV (PLN m)	566.8	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	5.8	21.4	9.9	6.8	5.8
P/B	1.0	0.9	0.8	0.8	0.7
EV/EBITDA	7.4	10.4	6.7	4.9	4.0
DPS	0.29	0.00	0.00	0.71	1.24
DYield	2.0%	0.0%	0.0%	5.0%	8.8%
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

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	8.6	8.5	7.9	4.3	4.3	4.1
Maximum	51.6	47.4	45.8	22.1	18.5	18.0
Median	12.7	11.9	11.2	7.2	6.3	6.1
Weight	20%	20%	10%	20%	20%	10%

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%	18.61
DCF Val.	50%	31.21
Implied Price		24.91
Cost of equity (9M)		6.3%
9M Target Price		26.48

Construction

Budimex

hold (downgraded)

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Budimex has weathered the market downturn fairly well compared to other builders, but even it could not avoid profit contraction in Q1 2018, leading us to revise our EBIT margin projections for the construction business downward to 5.7% in 2018 and ca. 5% in 2019-2020 compared to an actual margin of ca. 9% posted in 2016-2017. Our outlook with respect to revenues remains unchanged, with the backlog at 31 March 2018 at a record PLN 10.4bn, followed by the acquisition of two more contracts for PLN 1bn in April and May, and winning bids to the tune of PLN 1.3bn confirmed in other tenders. After a reduction by an average 18% in the net profit forecasts for 2018-2020, on our revised estimates BDX is currently trading at ca. 12-13x 2018-2019E P/E and 5.0-5.5x EV/EBITDA. Finally, we have lowered our 9-month price target for BDX by 25% to PLN 163.0, prompting a downgrade from accumulate to hold in anticipation of downward pressure on performance coming from challenging market conditions even though Budimex itself is expected to continue delivering better-than-average profits in the coming periods.

Current Price

153.00 PLN

Upside

9M Target Price

163.00 PLN

+6.5%

		rating	target price	issued
new		hold	163.00 PLN	2018-06-06
old		accumulate	216.39 PLN	2018-04-06
Key Metrics			BDX PW	vs. WIG
Ticker	BDX PW	1M Price Chng	-10.5%	-10.9%
ISIN	PLBUDMX00013	YTD Price Chng	-21.3%	-14.0%
Outst. Stock (m)	25.5	ADTV 1M		PLN 2.0m
MC (PLN m)	3,906.1	ADTV 6M		PLN 2.5m
EV (PLN m)	2,290.3	EV/EBITDA 12M fwd	4.6	-42.8%
Free Float	30.3%	EV/EBITDA 5Y avq	8.0	discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	5,572	6,369	7,213	7,239	7,139
EBITDA	531	626	477	438	423
EBITDA margin	9.5%	9.8%	6.6%	6.1%	5.9%
EBIT	505	588	435	398	383
Net income	410	464	340	311	300
P/E	9.5	8.4	11.5	12.6	13.0
P/B	4.9	4.4	5.1	5.1	5.1
EV/EBITDA	2.4	2.6	4.8	5.0	6.0
DPS	8.14	14.99	17.61	12.66	11.58
DYield	5.3%	9.8%	11.5%	8.3%	7.6%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			+0.2%	+1.4%	+2.3%
Gross profit margin			-1.1 p.p.	-1.4 p.p.	-0.9 p.p.
EBITDA			-13.6%	-17.1%	-11.1%
Net income			-17.7%	-21.4%	-15.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	5,572	6,369	7,213	7,239	7,139
Construction	5,060	5,717	6,522	6,496	6,430
Development	350	499	538	586	547
Other	163	154	153	157	162
Gross profit margin	13.5%	12.7%	9.4%	9.0%	9.0%
Construction	12.8%	12.0%	8.6%	8.0%	8.0%
Development	23.4%	20.5%	19.1%	20.0%	20.0%
Other	12.7%	13.8%	12.4%	11.0%	11.0%
Cash	2,715	2,127	1,500	1,595	1,267
Net debt	-2,634	-2,291	-1,617	-1,713	-1,384
Net debt / EBITDA	-5.0	-3.7	-3.4	-3.9	-3.3
Net working capital	-2,597	-2,311	-1,755	-1,858	-1,522
NWC/Sales	-46.6%	-36.3%	-24.3%	-25.7%	-21.3%
Equity	801	881	773	761	765
ROE	58.5%	55.2%	41.1%	40.6%	39.3%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	612	196	-174	465	15
D&A	26	37	43	41	40
Working capital	155	-288	-560	103	-336
Investing cash flow	-49	-357	15	-37	-38
CAPEX	-42	-31	-19	-37	-38
Financing cash flow	-223	-400	-462	-332	-306
Dividends	-208	-383	-450	-323	-296

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.4	3.4	3.6	2.2	2.5	2.4
Maximum	30.1	19.6	16.7	9.6	8.4	7.8
Median	12.0	9.9	8.6	5.9	5.2	4.6
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	7,213	7,239	7,139	7,155	7,171	6,866	6,578	6,709	6,843	6,980	7,120
EBITDA	477	438	423	385	347	319	291	297	302	307	312
EBITDA margin	6.6%	6.1%	5.9%	5.4%	4.8%	4.6%	4.4%	4.4%	4.4%	4.4%	4.4%
D&A	43	41	40	39	39	39	39	39	39	39	39
EBIT	435	398	383	346	308	280	252	258	263	268	273
Tax	83	76	73	66	59	53	48	49	50	51	52
NOPLAT	352	322	310	280	249	227	204	209	213	217	221
JV profit (fbSerwis)	-1	1	3	6	7	7	8	8	8	8	9
CAPEX	-19	-37	-38	-39	-39	-39	-39	-39	-39	-39	-39
Working capital	-560	103	-336	-270	-162	-151	-118	0	0	1	1
FCF	-186	430	-20	16	94	83	94	217	221	226	229
PV FCF	-177	378	-17	12	65	52	55	117	110	104	
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	1.0%
Enterprise value	2,093
Net debt	-1,841
Other adjustments	-501
Value per share (PLN)	134.00

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	140.00
Relative (DYield)	17%	236.00
DCF	50%	134.00
Cost of equity (9M)		6.3%
9M Target Price		163.00

Elektrobudowa hold (downgraded)

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Elektrobudowa shockingly cut its 2018 net earnings guidance by 40% to PLN 27.3m at the end of May, leaving the revenue guidance intact at PLN 960m on the same expected value of new bookings for the year (PLN 994m.) The Company did not give much by way of explanation other than a sharp rise in costs and challenging market conditions, and we remain baffled by the sharp forecast cut given the improvement in cash position achieved in the first quarter of 2018, coupled with a stronger balance-sheet position and high provisions cushioning potential contract losses. Nevertheless we have adjusted our 2018-2020 earnings projections for Elektrobudowa to match the revised guidance and to reflect the long-term consequences of the current slump in orders from the energy industry, which necessitates more aggressive pricing on the part of suppliers, with implications on future contract profits, and which puts into question the Company's guidance as regards 2018 new bookings. With all this in mind, we have cut our 9-month price target for ELB from PLN 116 to PLN 71 per share, and we downgrade the stock two notches to hold.

Current Price

69.00 PLN

Upside

9M Target Price

71.00 PLN

+2.9%

	rating	target price	issued
new	hold	71.00 PLN	2018-06-06
old	buy	116.00 PLN	2018-04-06
Key Metrics			
Ticker	ELB PW	1M Price Chng	-29.2%
ISIN	PLELTBD00017	YTD Price Chng	-11.0%
Outst. Stock (m)	4.7	ADTV 1M	PLN 0.3m
MC (PLN m)	327.6	ADTV 6M	PLN 0.2m
EV (PLN m)	236.2	EV/EBITDA 12M fwd	3.0
Free Float	34.9%	EV/EBITDA 5Y avg	6.1

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	971.5	902.9	882.8	816.9	792.2
EBITDA	75.2	84.3	43.7	44.4	45.3
EBITDA margin	7.7%	9.3%	5.0%	5.4%	5.7%
EBIT	61.8	69.8	28.3	28.7	29.3
Net income	55.1	58.6	23.7	24.2	24.6
P/E	5.9	5.6	13.8	13.6	13.3
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	3.0	2.5	5.4	5.4	5.3
DPS	4.00	10.00	10.50	5.00	5.00
DYield	5.8%	14.5%	15.2%	7.2%	7.2%
Revision of Projections (% change)					
Revenue			+1.3%	-3.4%	-8.2%
Gross profit margin			-2.9 p.p.	-1.6 p.p.	-1.3 p.p.
EBITDA			-31.4%	-19.2%	-19.3%
Net income			-43.3%	-31.5%	-31.6%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	971	903	883	817	792
Project Execution	772	673	660	594	564
Production	155	188	182	182	186
Other	44	42	41	41	42
EBIT margin	6.4%	7.7%	3.2%	3.5%	3.7%
Project Execution	8.6%	8.8%	4.4%	4.5%	4.5%
Production	-6.1%	4.7%	-0.8%	0.0%	1.0%
Other	10.8%	5.0%	2.4%	5.0%	5.0%
Cash	137	115	91	88	90
Net debt	-102	-115	-91	-88	-90
Net debt / EBITDA	-1.4	-1.4	-2.1	-2.0	-2.0
Net working capital	204	176	158	160	157
NWC/Sales	21.0%	19.5%	18.0%	19.6%	19.8%
Equity	423	431	389	389	390
ROE	13.6%	13.7%	5.8%	6.2%	6.3%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	72	84	50	38	44
D&A	13	15	15	16	16
Working capital	13	17	12	-2	3
Investing cash flow	-8	-18	-21	-18	-18
CAPEX	-15	-19	-21	-18	-18
Financing cash flow	-34	-86	-51	-24	-24
Dividends	-19	-47	-50	-24	-24

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.4	3.4	3.6	3.3	3.2	3.0
Maximum	30.1	20.7	19.4	14.7	13.5	12.8
Median	12.0	10.8	9.4	6.3	5.5	5.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	883	817	792	809	825	841	858	875	893	911	929
EBITDA	44	44	45	45	46	46	47	47	48	49	49
EBITDA margin	5.0%	5.4%	5.7%	5.6%	5.5%	5.5%	5.4%	5.4%	5.4%	5.3%	5.3%
D&A	15	16	16	16	16	16	16	16	16	16	16
EBIT	28	29	29	29	30	30	31	31	32	33	33
Tax	7	7	7	7	7	7	7	7	8	8	8
NOPLAT	24	24	25	24	25	25	26	26	27	27	28
CAPEX	-21	-18	-18	-16	-16	-16	-16	-16	-16	-16	-16
Working capital	12	-2	3	-4	-3	-3	-3	-3	-3	-3	-3
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	31	20	26	20	22	22	23	23	24	24	24
PV FCF	29	18	21	15	15	14	13	13	12	11	
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	1.0%
Enterprise value	309
Net debt	-115
Other adjustments	88
Value per share (PLN)	71.00

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	63.00
DCF Val.	50%	71.00
Implied Price		67.00
Cost of equity (9M)		6.3%
9M Target Price		71.00

Erbud buy (upgraded)

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Erbud's 2018 Q1 results were among the best in the industry, and they beat expectations by a fair margin thanks to a substantial boost from one-time gains. The net profit for the quarter was equivalent to 21% of our 2018 FY forecast – not a bad result given seasonality. We were less impressed with Erbud's balance sheet, showing higher debt and construction contract valuations at the end of March (PLN 122m vs. PLN 14m in March 2017), consistent with the industrywide trend. The worsened balance-sheet position was probably the reason behind the 20% fall in share price ERB stock has logged in the past month as the market suddenly decided to assign a greater discount for contract risk than ever before in history. At the current level, Erbud's valuation prices overly pessimistic EBIT margin shrinkage to 1.5% from 2.5% on average in 2012-2017. Erbud tends to work on short deadlines, which in our view means it is poised for a rebound in profits as soon as in 2019, supported by continuing strong demand for building services in Poland. We upgrade ERB from accumulate to buy after the May share price fall.

Current Price

14.90 PLN

Upside

9M Target Price

22.00 PLN

+47.7%

		rating	target price	issued
new		buy	22.00 PLN	2018-06-06
old		accumulate	23.10 PLN	2018-05-09
Key Metrics			ERB PW	vs. WIG
Ticker	ERB PW	1M Price Chng	-22.0%	-22.3%
ISIN	PLERBUD00012	YTD Price Chng	-22.2%	-14.9%
Outst. Stock (m)	12.8	ADTV 1M		PLN 0.1m
MC (PLN m)	190.9	ADTV 6M		PLN 0.0m
EV (PLN m)	191.1	EV/EBITDA 12M fwd	3.5	-36.4%
Free Float	15.5%	EV/EBITDA 5Y avq	5.5	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,789.8	1,805.5	1,937.3	1,983.4	1,964.0
EBITDA	57.0	48.9	47.4	53.0	55.0
EBITDA margin	3.2%	2.7%	2.4%	2.7%	2.8%
EBIT	45.8	37.7	32.5	40.3	42.0
Net income	1.8	22.6	21.0	26.0	27.4
P/E	106.6	8.5	9.1	7.3	7.0
P/B	0.8	0.7	0.7	0.6	0.6
EV/EBITDA	0.8	2.6	4.0	3.5	3.4
DPS	1.68	1.20	1.10	0.82	1.22
DYield	11.3%	8.1%	7.4%	5.5%	8.2%
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.
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,790	1,805	1,937	1,983	1,964
Building Construction	1,424	1,423	1,436	1,465	1,445
Road Engineering	142	157	160	163	166
Power Engineering	215	225	246	258	253
EBIT margin	2.6%	2.1%	1.7%	2.0%	2.1%
Building Construction	2.6%	1.8%	1.0%	1.5%	1.7%
Road Engineering	4.6%	8.8%	3.6%	3.5%	1.5%
Power Engineering	1.1%	1.2%	2.0%	2.5%	3.2%
Cash	257	190	128	122	125
Net debt	-153	-73	-11	-15	-17
Net debt / EBITDA	-2.7	-1.5	-0.2	-0.3	-0.3
Net working capital	38	135	168	179	188
NWC/Sales	2.1%	7.5%	8.6%	9.0%	9.6%
Equity	252	276	283	298	310
ROE	0.7%	8.6%	7.5%	8.9%	9.0%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	75	-44	9	34	38
D&A	11	11	15	13	13
Working capital	14	-71	-33	-11	-9
Investing cash flow	24	5	-52	-14	-14
CAPEX	-4	-4	-16	-14	-14
Financing cash flow	-64	-28	-19	-26	-21
Dividends	-22	-15	-14	-10	-16

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.3	3.2	3.3	3.6	3.3	3.0
Maximum	21.1	17.3	16.7	10.6	9.2	8.6
Median	12.4	11.0	9.1	5.5	5.2	4.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,937	1,983	1,964	1,964	2,003	2,043	2,084	2,126	2,168	2,212	2,256
EBITDA	47	53	55	52	53	54	55	55	57	58	59
EBITDA margin	2.4%	2.7%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
D&A	15	13	13	13	14	14	14	14	14	15	15
EBIT	32	40	42	38	39	40	41	41	42	43	44
Tax	7	9	9	8	9	9	9	9	9	9	10
NOPLAT	25	31	33	30	30	31	32	32	33	34	34
CAPEX	-52	-14	-14	-15	-14	-15	-15	-15	-15	-15	-15
Working capital	-33	-11	-9	-11	-9	-4	-4	-4	-4	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	-45	19	22	18	20	26	27	27	28	29	29
PV FCF	-42	16	18	13	14	16	15	14	14	13	
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%

*Adj. for PLN 1.10 DPS; the record day was June 5th

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	295
Net debt	-73
Other adjustments	-85
Value per share (PLN)	22.10

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	21.30
DCF Val.	50%	22.10
Implied Price		21.70
Cost of equity (9M)		6.4%
9M Target Price*		22.00



Unibep buy (no change)

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Unibep far exceeded the PLN 9.9m analysts forecast with a 2018 first-quarter net profit of PLN 18.1m, achieved primarily thanks to the residential real-estate segment, where the gross margin came in at 37% vs. 30% expected. Since this was due to the completion of the most lucrative of Unibep's residential developments, margins in subsequent quarters may shrink significantly. The construction segment achieved a gross margin of 4.2% in Q1, a creditable result given worsened market conditions. Even so, UNI stock suffered in the sharp sell-off that swept the construction sector in May, falling 20%. In our view Unibep's real-estate business has greater long-term earnings potential than is currently priced by the market, ensured by a land bank which is enough for three years of construction. Similarly, analysts seem convinced that the Company will generate a loss from the construction business this year despite evidence to the contrary delivered in the first quarter. Unibep's total Q1 2018 net profit fulfilled 59% of our FY forecast of PLN 31m (P/E=6.4x). We maintain a buy rating for UNI.

Current Price

5.44 PLN

Upside

9M Target Price

10.10 PLN

+85.7%

	rating	target price	issued
unchanged	buy	10.10 PLN	2018-04-06

Key Metrics	UNI PW	YTD Price Chng	UNI PW	vs. WIG
Ticker	UNI PW	1M Price Chng	-24.9%	-25.2%
ISIN	PLUNBEP00015	YTD Price Chng	-45.2%	-37.9%
Outst. Stock (m)	35.1	ADTV 1M		PLN 0.3m
MC (PLN m)	190.8	ADTV 6M		PLN 0.1m
EV (PLN m)	194.4	EV/EBITDA 12M fwd	3.4	-51.9%
Free Float	27.7%	EV/EBITDA 5Y avg	7.1	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	6.0	7.4	6.2	5.3	5.9
P/B	0.8	0.8	0.7	0.6	0.6
EV/EBITDA	4.8	3.3	4.1	3.2	3.0
DPS	0.17	0.20	0.15	0.31	0.41
DYield	3.1%	3.7%	2.8%	5.6%	7.5%

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.
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

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

	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 (no change)

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Atal generated 2018 first-quarter results in line with expectations. The Developer added four sites to its land bank during the period, and it has made more purchases in the second quarter, and by the end of the year it may have spent the same PLN 200m on new land as during the record spending buying spree of 2017. At an average PLN 700-800 per square meter, the sites look very reasonably priced considering that land prices in Poland are on the rise. Atal's current land bank has potential for about 10,000 flats, and it represents 3.5 years of construction compared to 2.0-2.5-year-land reserves held by rivals Dom Development and LC Corp. Further, the Company's available-for-sale inventory at 31 March was 18% higher than in March 2017, with first-quarter sales fulfilling 25% of our full-year forecast. We expect Atal to grow annual net profits to an average PLN 190m in the next two years, with 2019 bringing a small decline, followed by stabilization in 2020. We maintain an accumulate rating for 1AT.

Current Price

43.00 PLN

Upside

9M Target Price

47.00 PLN

+9.3%

	rating	target price	issued
unchanged	accumulate	47.00 PLN	2018-04-06

Key Metrics			1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	-1.6%	-2.0%
ISIN	PLATAL000046	YTD Price Chng	+0.7%	+8.0%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.2m
MC (PLN m)	1,664.7	ADTV 6M		PLN 0.2m
EV (PLN m)	1,801.9	EV/EBITDA 12M fwd	7.8	-5.1%
Free Float	11.2%	EV/EBITDA 5Y avg	8.2	discount

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	18.6	9.7	8.6	9.0	8.8
P/B	2.4	2.1	2.0	1.9	1.9
EV/EBITDA	17.0	8.4	7.3	7.8	8.0
DPS	0.61	1.73	3.54	4.54	4.86
DYield	1.4%	4.0%	8.2%	10.6%	11.3%
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%	
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 core 2018 Q1 earnings showed a small beat relative to our forecasts after a strong rebound from the comparable period in 2017. This was driven by 17% growth in rental income, a 30% surge in adjusted EBIT, and a 64% boost to FFO, which fulfilled 27% of our FY forecast. Despite the strong financials, Capital Park's stock has been trading firmly within the PLN 5.5-6. range for many months, with P/NAV at 0.60-0.65x. We expect the discount to narrow during 2018 as the Developer's flagship project, Art Norblin, progresses into more advanced stages. Art Norblin, with an agreed construction deadline at the end of October 2020, is crucial to future profits and dividends, and its potential should finally start to be discounted by the market as more and more prospective tenants book the future spaces. With demand for commercial spaces at record levels in Poland, Art Norblin is doomed to succeed. We maintain a buy rating for CAP.

Current Price

5.50 PLN

Upside

9M Target Price

8.35 PLN

+51.8%

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

Key Metrics	CPG PW	1M Price Chng	CPG PW	vs. WIG
Ticker	CPG PW	1M Price Chng	0.0%	-0.3%
ISIN	PLCPPRK00037	YTD Price Chng	-5.0%	+2.3%
Outst. Stock (m)	108.8	ADTV 1M		PLN 0.0m
MC (PLN m)	598.1	ADTV 6M		PLN 0.0m
EV (PLN m)	1,935.6	EV/EBITDA 12M fwd	18.9	-25.3%
Free Float	19.1%	EV/EBITDA 5Y avg	25.2	discount

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	19.5	-	10.9	9.2	8.8
P/B	0.6	0.6	0.6	0.5	0.5
EV/EBITDA	14.0	-	17.7	17.0	18.8
DPS	0.00	0.00	0.00	0.15	0.20
DYield	0.0%	0.0%	0.0%	2.7%	3.6%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
FFO		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
BVPS		0.0%	0.0%	0.0%	
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	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	0.75	0.73	0.80	13.1	11.4	11.1
Weight	17%	17%	17%	17%	17%	17%

NAV Valuation

(PLN m)	15	16	17	18P	19P	20P	21P
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	924

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 reported strong 2018 first-quarter results, with average revenue per flat and the average gross margin exceeding our expectations, and net profit showing a beat of 47% versus the analysts' consensus. The Q1 bottom-line figure accounted for just 7% of our FY forecast, but peak residential completions this year are scheduled for the fourth quarter; quarterly closings during 2018 are projected at ca. 900 units in Q2, 650 units in Q3, and 1,850 units in Q4, with 3,800+ total closings planned this year alongside 4,500 new starts. Dom says keeping all the deadlines is a significant but manageable challenge. In May, Dom hired its subsidiary builder Dom Development Construction Sp. z o.o. to build the "Żoliborz Artystyczny" residential complex in Warsaw for a fee which implies a per-square-meter cost of consistent with our assumptions at ca. PLN 4,300. However, the building schedule indicates the apartments will be completed sooner than we had forecast, which means Dom will probably exceed our financial estimates for 2020. We maintain a buy rating for DOM.

Current Price

86.00 PLN

Upside

9M Target Price

103.10 PLN

+19.9%

	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	-0.9%	-1.3%
ISIN	PLDMDVL00012	YTD Price Chng	+0.6%	+7.9%
Outst. Stock (m)	24.9	ADTV 1M		PLN 0.2m
MC (PLN m)	2,138.7	ADTV 6M		PLN 0.5m
EV (PLN m)	2,191.9	EV/EBITDA 12M fwd	7.9	-29.8%
Free Float	26.4%	EV/EBITDA 5Y avg	11.2	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	17.0	11.2	9.0	9.2	8.6
P/B	2.3	2.1	2.0	2.0	2.0
EV/EBITDA	12.8	9.1	7.2	7.5	7.2
DPS	3.25	5.05	7.60	9.50	9.38
DYield	3.8%	5.9%	8.8%	11.0%	10.9%
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 (no change)

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Echo's 2018 first-quarter earnings fulfilled expectations, with EBIT and net profit showing contraction from the comparable year-ago figures due to higher general expenses and a lack of profits from joint venture projects, while the sales margin on residential units rebounded from 19% to 28%. We maintain our FY2018 forecasts for Echo, which fulfilled 17% of the FY net profit estimate in Q1. The Developer might still make an extra distribution to shareholders this year after the sale of one-third of its stake in the REIT-type company EPP for EUR 21m (4.7% of Echo's current market capitalization) at the beginning of June. Echo is expected to keep generating annual profits close to PLN 300m in the coming years (P/E=6.0-6.5x), with a land bank sufficient for two years of construction. Yields on commercial properties in Poland continue to shrink, and demand for spaces is at all-time highs. Echo is expected to capitalize on this with a larger number of new commercial project starts and sales. In May, the Developer sold one of the four office buildings with a combined value of PLN 650m. it is expected to sell this year. We maintain a buy rating for ECH.

Current Price

4.62 PLN

Upside

9M Target Price

5.63 PLN

+21.9%

	rating	target price	issued
unchanged	buy	5.63 PLN	2018-04-06

Key Metrics			ECH PW	vs. WIG
Ticker	ECH PW	1M Price Chng	-5.7%	-6.1%
ISIN	PLECHPS00019	YTD Price Chng	+14.1%	+21.4%
Outst. Stock (m)	412.7	ADTV 1M		PLN 0.3m
MC (PLN m)	1,906.6	ADTV 6M		PLN 0.5m
EV (PLN m)	2,943.7	EV/EBITDA 12M fwd	16.5	+2.8%
Free Float	14.4%	EV/EBITDA 5Y avg	16.0	premium

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	4.8	6.1	6.3	5.8	7.2
P/B	1.2	1.2	1.1	1.1	1.0
EV/EBITDA	3.7	10.0	7.3	7.5	9.1
DPS	5.96	0.66	0.50	0.51	0.56
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
FV adjustment		0.0%	0.0%	0.0%	
EBIT		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Resid. closings		0.0%	0.0%	0.0%	

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%

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%

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 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*		5.63

GTC hold (no change)

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The 2018 Q1 financials of GTC fulfilled our expectations but exceeded analysts' forecasts which might have underestimated upward portfolio value adjustments for the period. From a low year-ago base from before the opening of a Warsaw mall in H2 2017, the 2018 first-quarter NOI posted a rebound of 25%, adjusted EBIT grew 22%, and FFO increased 25%. The net debt/equity ratio and LTV did not change much during the first quarter, ending at 89% and 43%, respectively. The adjusted 2018 Q1 EBIT fulfilled 25% of our FY forecast, and if GTC buys the Mall of Sofia as planned this year the yearly profits will top our current estimates. GTC is aiming to double NAV over the next 4-5 years, but in our view 50% NAV growth in the target period is a more realistic figure. We maintain a hold rating for GTC.

Current Price

9.04 PLN

Upside

9M Target Price

9.60 PLN

+6.2%

	rating	target price	issued
unchanged	hold	9.60 PLN	2018-04-06

Key Metrics			GTC PW	vs. WIG
Ticker	GTC PW	1M Price Chng	+1.9%	+1.6%
ISIN	PLGTC0000037	YTD Price Chng	-4.5%	+2.8%
Outst. Stock (m)	470.3	ADTV 1M		PLN 4.1m
MC (PLN m)	4,251.5	ADTV 6M		PLN 1.4m
EV (PLN m)	8,633.4	EV/EBITDA 12M fwd	17.7	+19.8%
Free Float	21.9%	EV/EBITDA 5Y avg	14.8	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	6.1	6.4	10.9	9.4	8.2
P/B	1.2	1.1	1.0	0.9	0.9
EV/EBITDA	11.1	8.5	15.1	14.2	12.8
DPS	0.00	0.07	0.08	0.08	0.10
DYield	0.0%	3.1%	3.8%	4.0%	4.6%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
NOI		0.0%	0.0%	0.0%	
FFO		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
BVPS		0.0%	0.0%	0.0%	

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)	15	16	17	18P	19P	20P	21P
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	1,024

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 (no change)

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LC Corp generated its highest quarterly profit in history in Q1 2018, which at PLN 78m exceeded our estimate by 30% alongside a 26% beat on EBIT and a strong profit margin of 34% generated by the residential segment. This was accompanied by stellar operating cash flow of PLN 123m, and a y/y reduction in the net debt/equity ratio by 10pp to 48%. Note that LC Corp offers dividend payout ratios of 75% of core annual net earnings whenever this ratio is less than 60%. LC Corp achieved 39% of our 2018 FY core net profit forecast of PLN 170m in Q1, with the ytd net profit figure at 39% of the yearly target. First-quarter sales fulfilled 34% of our annual estimate of 1,900 units. In site of all this, LC Corp is still the cheapest of our top picks at 0.8x price to book, and at 6.5x its 2018E P/E ratio is among the lowest in the sector. We maintain a buy rating for LCC.

Current Price

2.72 PLN

Upside

9M Target Price

3.50 PLN

+28.7%

	rating	target price	issued
unchanged	buy	3.50 PLN	2018-04-06

Key Metrics			LCC PW	vs. WIG
Ticker	LCC PW	1M Price Chng	+0.4%	+0.0%
ISIN	PLCCRP00017	YTD Price Chng	-1.1%	+6.2%
Outst. Stock (m)	447.6	ADTV 1M		PLN 2.0m
MC (PLN m)	1,217.4	ADTV 6M		PLN 1.5m
EV (PLN m)	2,137.5	P/E 12M fwd	6.3	-36.2%
Free Float	41.3%	P/E 5Y avg	9.9	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	10.8	15.2	6.6	5.8	6.0
P/E adj.	10.1	8.1	7.2	6.3	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	6.6%	2.6%	8.8%	10.5%	11.9%

Revision of Projections (% change)		2018P	2019P	2020P
Revenue		0.0%	0.0%	0.0%
FV adjustment		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%
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 (no change)

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AmRest reported disappointing results for Q1 2018, with EBITDA falling short of expectations after a slower-than-anticipated 23% increase from a low year-ago comparable base, curbed by the restaurants acquired during 2017. The slow first-quarter growth leads us to expect a further slowdown in the next two quarters, when base effects will be less favorable. AmRest continues to be active in the M&A market this year, as evidenced by the acquisition in April of 30 franchise Pizza Hut restaurants in Russia, Azerbaijan, and Armenia, followed by a preliminary deal to acquire 15 KFC restaurants in France inked in May. As the new acquisitions are integrated into the AmRest Group, this may give rise to additional expenses which will weigh on the profits for Q2 and Q3 2018. Further, the plans for continuing network expansion (with 300 new restaurant openings planned in 2018) will entail high capital expenditures, projected at PLN 914m in 2019 and PLN 908m in 2020.

Current Price

456.00 PLN

Downside

9M Target Price

426.00 PLN

-6.6%

	rating	target price	issued
unchanged	reduce	426.00 PLN	2018-04-06

Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	-5.0%	-5.3%
ISIN	NL0000474351	YTD Price Chng	+11.2%	+18.5%
Outst. Stock (m)	21.2	ADTV 1M		PLN 7.3m
MC (PLN m)	9,673.5	ADTV 6M		PLN 5.2m
EV (PLN m)	11,453.9	EV/EBITDA 12M fwd	13.2	+31.5%
Free Float	31.1%	EV/EBITDA 5Y avg	10.0	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	50.8	53.1	48.0	37.7	29.0
P/B	7.4	7.4	6.4	5.5	5.2
EV/EBITDA	19.9	18.6	15.7	12.5	10.6
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		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Revenue per restaurant		0.0%	0.0%	0.0%	
EBITDA margin		0 p.p.	0 p.p.	0 p.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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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	-274	-23	217	329	434	511	519	477	480	479	
WACC	8.1%	8.1%	8.1%	8.1%	8.2%	8.3%	8.4%	8.5%	8.5%	8.6%	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	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 (upgraded)

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The first quarter of 2018 proved the worst in history for CCC, with EBITDA showing a loss of PLN 87.8m versus an operating profit of PLN 6.2m posted in Q1 2017. CCC attributed the dismal performance to inclement weather, resulting in light March foot traffic, coupled with the Sunday trading ban. The gross profit margin fell by 1.2pp y/y to 47.5% in Q1 in the wake of the low March sales, which were followed by a rebound in April at an annual rate of 32.5%, supported by base effects, which in May turned negative with the monthly sales slowing to 15%. Strong sales in the comparable year-ago period might also result in a curbed sales momentum during the June-September period, but the impact on profits will be mitigated by an expected improvement in the sales margin and a tight rein on SG&A expenses. With that said, CCC would have to grow EBITDA at an average annual rate of 37% in the next three quarters to make up for the first-quarter slump and achieve our FY EBITDA forecast of PLN 588m. This does not seem realistic, indicating a need for us to revise our expectations, with other analysts, whose average forecast at the moment is PLN 650m, set to follow suit. With all that said, we maintain a positive outlook for CCC in the medium term, and we upgrade the stock from accumulate to buy without changing the price target.

Current Price

242.80 PLN

Upside

9M Target Price

295.00 PLN

+21.5%

	rating	target price	issued
new	buy	295.00 PLN	2018-06-06
old	accumulate	295.00 PLN	2018-05-09
Key Metrics			
Ticker	CCC PW	1M Price Chng	-6.1%
ISIN	PLCCC0000016	YTD Price Chng	-14.8%
Outst. Stock (m)	41.1	ADTV 1M	PLN 26.6m
MC (PLN m)	9,985.6	ADTV 6M	PLN 22.5m
EV (PLN m)	10,555.1	EV/EBITDA 12M fwd	13.8
Free Float	59.4%	EV/EBITDA 5Y avg	16.0 discount

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	31.0	35.8	31.7	18.8	14.0
P/B	10.3	9.1	7.4	5.5	4.1
EV/EBITDA	23.0	21.0	17.9	12.5	9.7
DPS	2.19	2.47	1.40	1.87	0.00
DYield	0.9%	1.0%	0.6%	0.8%	0.0%
Revision of Projections (% change)					
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
B&M sales/sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%

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

	P/E		EV/EBITDA		
	18P	19P	20P	18P	19P
Minimum	53.0	42.4	33.0	24.5	18.2
Maximum	74.9	57.2	45.8	41.5	26.2
Median	72.5	52.4	40.8	32.3	23.6
Weight	17%	17%	17%	17%	17%

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	378	369	321	
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	7,143
Net debt	521
Other adjustments	4,751
Value per share (PLN)	276.56

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	276.60
DCF Val.	50%	276.56
Implied Price		276.58
Cost of equity (9M)		6.6%
9M Target Price		295.00

Dino hold (downgraded)

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Dino's 2018 first-quarter results exceeded our estimates and market expectations, owing to a business model facilitating sustained growth in like-for-like sales and profit margins. Dino shortened its cash conversion cycle by 3.9 days to -42.8 days in 2017, but it still has potential to reduce the cycle by another 1.5 days per year in 2018-2021. Having said that, investors should keep in mind that the strong growth in same-store sales achieved in Q1 was owed in part to a positive Easter effect, which will turn negative in Q2. Otherwise, as Dino continues its fast-paced expansion, it is poised to leverage growing economies of scale to negotiate better terms with suppliers, resulting in improving sales margins and cash conversion cycles, as well as generating decreasing SG&A per square meter of store, which in turn boosts EBITDA margins. As a result, we expect Dino to generate FY2018 annual EBITDA of PLN 541.9m, representing an annual growth rate of 35% from the adjusted year-ago figure, indicating peerless 2017-2021E CAGR of 21.4%. With all that said, we downgrade DNP from accumulate to hold after the recent price gains, with the target price kept unchanged.

Current Price

107.40 PLN

Downside

9M Target Price

103.50 PLN

-3.6%

	rating	target price	issued	
new	hold	103.50 PLN	2018-06-06	
old	accumulate	103.50 PLN	2018-05-09	
Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+10.6%	+10.3%
ISIN	PLDINPL00011	YTD Price Chng	+36.3%	+43.6%
Outst. Stock (m)	98.0	ADTV 1M		PLN 26.5m
MC (PLN m)	10,529.5	ADTV 6M		PLN 16.9m
EV (PLN m)	11,073.5	EV/EBITDA 12M fwd	18.7	+17.3%
Free Float	48.9%	EV/EBITDA 5Y avg	15.9	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	69.6	49.3	33.0	24.7	19.8
P/B	15.4	11.6	8.6	6.4	4.8
EV/EBITDA	39.3	28.3	20.4	15.7	12.5
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		0.0%	0.0%	0.0%	
Net profit		0.0%	0.0%	0.0%	
Store count		0.0%	0.0%	0.0%	
Sales/sqm		0.0%	0.0%	0.0%	
EBITDA margin		0.0 p.p.	0.0 p.p.	0.0 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%

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	15,946
EBITDA	542	698	855	970	1,053	1,106	1,173	1,227	1,291	1,355	1,389
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	1,141
Tax	82	106	130	147	161	169	181	189	200	212	217
CAPEX	-638	-652	-614	-429	-325	-330	-393	-331	-318	-318	-326
Working capital	147	177	194	162	139	86	86	87	88	88	90
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%

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 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 (no change)

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Eurocash delivered a small beat with 2018 Q1 earnings, supported by the Easter effect. The Wholesale segment increased first-quarter EBITDA to PLN 47.4m from PLN 36.7m in 2017, driven by higher distribution volumes and cost savings. At the same time, on 3% higher sales, the Retail segment booked year-over-year EBITDA contraction from PLN 33m to PLN 21.5m due to extra expenses on store upgrades and post-merger integration. Note that the Easter effect turns negative in the second quarter. Eurocash finalized the acquisition of the Mila supermarket chain in May, with the integration of the 180+ stores into the group expected to take 2-3 years. At the same time, 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. Earnings should display stronger momentum in the second half of the year as restructuring takes hold, supported by base effects, with 2018 FY EBITDA expected to come in at PLN 429m. The momentum should be maintained in subsequent years thanks to an expanding retail network (Eurocash plans to add 900 stores by 2023).

Current Price

23.45 PLN

Upside

9M Target Price

30.70 PLN

+30.9%

	rating	target price	issued
unchanged	buy	30.70 PLN	2018-04-06

Key Metrics	EUR PW	1M Price Chng	EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-0.5%	-0.8%
ISIN	PLEURCH00011	YTD Price Chng	-8.9%	-1.6%
Outst. Stock (m)	139.2	ADTV 1M		PLN 4.2m
MC (PLN m)	3,263.4	ADTV 6M		PLN 11.5m
EV (PLN m)	3,410.0	EV/EBITDA 12M fwd	8.5	-25.9%
Free Float	53.0%	EV/EBITDA 5Y avg	11.4	discount

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	18.2	-	24.6	19.0	13.8
P/B	2.8	3.2	2.8	2.5	2.3
EV/EBITDA	8.3	15.0	7.9	6.8	5.8
DPS	1.05	0.80	-0.12	0.48	0.62
DYield	4.5%	3.4%	-0.5%	2.0%	2.6%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	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. Whsl. (EBITDA)	199	197	191	178	173	168	163	158	153	148	148
Int. Whsl. (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	
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 buy (upgraded)

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Jeronimo Martins's Polish supermarket chain Biedronka continues to generate like-for-like sales growth off a high year-ago base, achieving an annual pace of 8.6% in Q1 2018 vs. 8.4% in Q1 2017. At the same time, the Portuguese chains Pingo Doce and Recheio posted positive Q1 2018 like-for-like sales of 6.4% and 3.6%, respectively. As for profits, Biedronka maintained the Q1 EBITDA margin at 6.8% despite wage pressures, while margins in Portugal contracted by 0.5pp to 4.5% after salary raises. After a EUR 24m startup EBITDA loss related to the development of Ara supermarkets in Colombia and Hebe drugstores in Poland, the consolidated first-quarter EBITDA amounted to EUR 211.5m after a 10.2% increase year on year. In 2018, Biedronka's main focus 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 in Poland. Total costs are set to rise this year as Biedronka continues to experience pay pressures and the Colombian business continues to expand its presence.

Current Price

13.52 EUR

Upside

9M Target Price

16.40 EUR

+21.3%

	rating	target price	issued
new	buy	16.40 EUR	2018-06-06
old	accumulate	16.40 EUR	2018-04-06
Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+1.1% +0.8%
ISIN	PTJMT0AE0001	YTD Price Chng	-13.2% -5.9%
Outst. Stock (m)	629.3	ADTV 1M	EUR 12.1m
MC (EUR m)	8,508.0	ADTV 6M	EUR 13.6m
EV (EUR m)	8,423.7	EV/EBITDA 12M fwd	8.4 -15.7%
Free Float	-	EV/EBITDA 5Y avg	9.9 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	14.3	22.0	18.3	17.1	16.4
P/B	4.9	4.8	4.2	3.7	3.3
EV/EBITDA	9.8	9.4	8.0	7.3	6.6
DPS	0.28	0.63	0.31	0.37	0.40
DYield	2.1%	4.6%	2.3%	2.7%	2.9%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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 hold (no change)

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LPP delivered strong earnings in 2017, driven by positive like-for-like sales growth and gross margin expansion by 4.2p.p to 52.9% thanks to less severe price markdowns and revamped fashion collections. In Q1 2018, the Retailer reported like-for-like sales growth of 9.2% in local currency terms, an impressive achievement considering unfavorable weather conditions in the period. Assuming this was owed to a renewed appreciation of shoppers for the revamped fashion lines, this bodes well for future sales results. The sales margin contracted by 0.5pp to 45.1% in Q1, due mainly to an increasing share of online sales, and in Q2 we anticipate a sharp expansion in margin led by cheap dollar costs of the spring-summer collections. Finally, LPP reported a deceleration in the annual growth rate of 2018 Q1 per-sqm SG&A expenses to 3.9%, and it expects to curb expenses further in subsequent quarters.

Current Price

9,280.00 PLN

Upside

9M Target Price

9,500.00 PLN

+2.4%

	rating	target price	issued
unchanged	hold	9,500.00 PLN	2018-05-09

Key Metrics			LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	+0.2%	-0.2%
ISIN	PLPP0000011	YTD Price Chng	+4.2%	+11.5%
Outst. Stock (m)	1.9	ADTV 1M		PLN 19.5m
MC (PLN m)	17,190.5	ADTV 6M		PLN 21.9m
EV (PLN m)	16,518.3	EV/EBITDA 12M fwd	14.7	-1.5%
Free Float	62.0%	EV/EBITDA 5Y avg	15.0	discount

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	97.4	39.0	26.6	22.7	19.9
P/B	8.0	7.0	5.8	4.9	4.1
EV/EBITDA	34.8	19.4	14.7	12.5	10.9
DPS	32.66	35.71	72.07	107.01	123.97
DYield	0.4%	0.4%	0.8%	1.2%	1.3%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales per sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
Sales area			0.0%	0.0%	0.0%

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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	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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TXM posted slight improvement in 2018 Q1 EBITDA relative to the comparable year-ago period on 1.3% higher sales, affected by unfavorable shopping weather. The gross margin widened by 0.7pp to 39.1% in Q1, and it is set to grow further in subsequent quarters thanks to an increasing share of direct imports and scaled-back price offers. Streamlining initiatives brought per-sqm SG&A down by 2.6% y/y in Q1 even as marketing expenses increased. The intensified advertising efforts, coupled with an improved sales mix, expanding sales margins, and cost discipline, in our view will allow TXM to deliver a significant improvement in profits in 2018, and TXM's medium-term growth prospects are strong in our view.

Current Price	1.30 PLN	Upside
9M Target Price	5.44 PLN	+318.5%

	rating	target price	issued
unchanged	buy	5.44 PLN	2018-05-09

Key Metrics			TXM PW	vs. WIG
Ticker	TXM PW	1M Price Chng	-40.4%	-40.7%
ISIN	PLTXM0000015	YTD Price Chng	-74.0%	-66.7%
Outst. Stock (m)	33.4	ADTV 1M		PLN 0.04m
MC (PLN m)	43.5	ADTV 6M		PLN 0.03m
EV (PLN m)	89.3	EV/EBITDA 12M fwd	6.2	-1.7%
Free Float	21.4%	EV/EBITDA 5Y avg	6.3	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	379	388	446	493	523
EBITDA	22.9	-24.5	15.1	26.9	33.0
EBITDA margin	6.0%	-6.3%	3.4%	5.5%	6.3%
EBIT	16.6	-30.5	8.2	19.7	25.3
Net income	11.7	-36.2	5.9	15.3	19.9
P/E	3.7	-	7.4	2.8	2.2
P/B	0.7	0.9	0.8	0.7	0.6
EV/EBITDA	3.1	-	5.9	3.2	2.4
DPS	0.21	0.00	0.06	0.16	0.21
DYield	16.1%	0.0%	4.8%	12.3%	16.0%
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	2017	2018P	2019P	2020P
Revenue, PL	340	326	376	400	417
Revenue, SK	5	7	16	22	29
Revenue, RO	17	45	69	79	85
Y/Y sales/sqm, PL	-3.5%	-14.1%	15.5%	4.5%	1.4%
Y/Y sales/sqm, RO	5.2%	-23.7%	34.3%	-0.1%	-5.9%
Operating cash flow	3	47	115	188	225
D&A	6	6	7	7	8
Working capital	13	18	-10	-5	-4
Investing cash flow	-33	-19	-13	-9	-9
CAPEX	-28	-19	-13	-10	-9
Financing cash flow	-6	28	3	-10	-8
Dividends/Buyback	-7	0	0	-5	-7
FCF	6	-25	-8	10	15
FCF/EBITDA	27%	104%	-50%	39%	45%
OCF/EBITDA	170%	40%	35%	76%	74%

Key Metrics

(days)	2016	2017	2018P	2019P	2020P
Days inventory	80	86	84	85	87
Days receivables	22	4	4	4	4
Days payables	66	72	64	63	63
CCC	36	18	25	26	27
Gross profit margin	42.0%	38.6%	41.0%	41.7%	41.7%
Net debt (PLN m)	26	35	44	39	32
Net debt/EBITDA (x)	1.2	-1.4	2.9	1.5	1.0

Relative Valuation Summary

	P / E			EV / EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	8.8	8.4	8.0	2.9	3.0	2.7
Maximum	26.0	19.7	16.9	13.6	12.0	10.6
Median	14.4	12.4	13.3	7.8	7.2	7.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	342	363	368	371	370	371	364	359	357	356	356
SG&A/sqm (PLN)	141	132	134	133	134	135	135	134	133	132	132
Salea area (k sqm)	424	441	458	475	492	509	526	543	560	577	577
Revenue	446	493	523	550	572	595	607	622	641	660	673
EBITDA	15	27	33	34	34	36	35	34	36	36	37
EBITDA margin	3.4%	5.5%	6.3%	6.2%	5.9%	6.1%	5.8%	5.5%	5.7%	5.5%	5.5%
EBIT	8	20	25	26	25	27	26	26	27	28	29
Tax	-1	2	5	5	5	5	5	5	5	5	5
CAPEX	-13	-10	-9	-14	-9	-9	-9	-9	-9	-8	-8
Working capital	10	5	4	3	3	3	2	2	3	2	2
FCF	-8	10	15	12	17	19	20	18	19	21	22
PV FCF	-7	9	12	9	12	12	11	10	9	9	9
WACC	7.5%	7.5%	7.8%	8.1%	8.6%	9.2%	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	216
Net debt	42
Other adjustments	0
Value per share (PLN)	5.19

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.96
DCF Val.	50%	5.19
Implied Price		5.08
Cost of equity (9M)		7.1%
9M Target Price		5.44

Other PBKM hold (reiterated)

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PBKM underperformed the broad market by a little over 1% in May. The Company delivered a 10% beat on adjusted profits in Q1 2018, but since this was owed exclusively to one-time gains we have not adjusted our 2018 FY financial outlook. PBKM declared a dividend of PLN 0.9 for 2018, missing our PLN 2.62 DPS expectation by a wide margin, prompting a downward revision to our DDM-based valuation and 9-month price target, which at the updated PLN 76.26 implies little upside potential of around 4%. We maintain a hold rating for BKM. As a reminder, the Company recently acquired a larger stake in the German stem cell bank Vita34, a big operation which carries major risk in our view.

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	35.1
EBIT tax	3.9	4.5	5.3	5.4	5.5	5.7	5.8	5.9	6.1	6.2	6.4
NOPLAT	19.1	20.9	23.5	24.1	24.7	25.3	26.0	26.6	27.3	28.0	28.7
D&A	5.3	5.5	5.7	6.1	6.3	6.4	6.6	6.7	6.9	7.1	7.3
CAPEX	-8.0	-7.9	-8.2	-6.1	-6.3	-6.4	-6.6	-6.7	-6.9	-7.1	-7.3
Working capital	-3.2	-2.3	-2.5	-2.6	-2.6	-2.7	-2.8	-2.8	-2.9	-3.0	-3.1
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%	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%	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%	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%	8.5%
Risk premium	5.0%	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)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Dividends	9.0	17.0	18.7	20.2	20.9	21.4	21.9	22.5	23.0	24.2	24.8
PV of dividends	8.5	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%	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%

Current Price

73.00 PLN

Upside

9M Target Price

76.26 PLN

+4.5%

	rating	target price	issued
new	hold	76.26 PLN	2018-06-06
old	hold	76.83 PLN	2018-04-06
Key Metrics			
Ticker	BKM PW	1M Price Chng	-5.2%
ISIN	PLPBKM000012	YTD Price Chng	+4.3%
Outst. Stock (m)	5.0	ADTV 1M	PLN 1.2m
MC (PLN m)	362.9	ADTV 6M	PLN 0.6m
EV (PLN m)	359.4	EV/EBITDA 12M fwd	6.7
Free Float	48.8%	EV/EBITDA 5Y avg	6.1

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	16.4	11.9	10.7	9.7	8.9
P/B	6.5	4.6	3.7	3.0	2.6
EV/EBITDA	10.7	7.8	7.1	6.5	6.0
DPS	1.41	1.56	2.62	3.41	3.76
DYield	1.9%	2.1%	3.6%	4.7%	5.1%

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%

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)	61.35

Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	83.20
DDM	33%	61.35
DCF	33%	70.48
Implied Price		71.67
Cost of equity (9M)		6.4%
9M Target Price		76.26

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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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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Strong and weak points of valuation methods used in recommendations:

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
Assec 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	Assec 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, Bukit Asam, Henan Shenhua, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heima, China Coal, Shougang Fushan Resources, Cokal, Teck Resources
Kernel	Astarta, Anderssons, 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
Rating date	2017-07-31
Target price (PLN)	-
Price on rating day	46.99

Amica

Rating	overweight	overweight
Rating date	2018-06-06	2018-01-05
Target price (PLN)	-	-
Price on rating day	121.00	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

Aparator

Rating	neutral	neutral
Rating date	2018-02-28	2017-07-31
Target price (PLN)	-	-
Price on rating day	24.00	31.29

Archicom

Rating	overweight	overweight
Rating date	2018-04-26	2018-01-25
Target price (PLN)	-	-
Price on rating day	15.30	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	hold	reduce	reduce	hold	reduce	hold	reduce
Rating date	2018-06-06	2018-03-27	2018-02-02	2017-12-01	2017-11-03	2017-08-30	2017-07-20
Target price (PLN)	41.20	41.20	44.00	44.80	44.80	44.00	44.80
Price on rating day	44.00	45.20	45.62	44.47	47.00	44.54	47.23

Asseco SEE

Rating	overweight	overweight	overweight	overweight
Rating date	2018-04-26	2018-03-28	2018-01-30	2017-11-28
Target price (PLN)	-	-	-	-
Price on rating day	11.70	12.95	13.25	11.45

Atal

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

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	neutral
Rating date	2018-04-26	2018-02-02	2017-06-02
Target price (PLN)	-	-	-
Price on rating day	0.66	0.70	0.73

Boryszew

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

Budimex

Rating	hold	accumulate	buy	buy
Rating date	2018-06-06	2018-04-06	2018-02-02	2017-07-24
Target price (PLN)	163.00	216.39	246.00	267.00
Price on rating day	153.00	215.00	197.80	229.50



Bytom

Rating	overweight	overweight	neutral	overweight
Rating date	2018-05-23	2017-11-28	2017-09-13	2017-08-25
Target price (PLN)	-	-	-	-
Price on rating day	2.92	2.50	2.67	2.37

BZ WBK

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

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	accumulate	buy	buy	hold	hold	buy	accumulate	accumulate
Rating date	2018-06-06	2018-05-09	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	295.00	286.00	295.00	292.00	292.00	292.00	308.00	294.00
Price on rating day	242.80	255.60	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	sell	sell	reduce	hold	hold	accumulate	accumulate	buy	accumulate	accumulate
Rating date	2018-05-29	2018-05-09	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)	458.38	449.51	449.51	506.40	532.50	548.60	512.33	512.33	468.78	453.01
Price on rating day	551.00	567.00	519.50	495.00	530.00	490.70	481.30	441.30	416.00	399.00

Ciech

Rating	buy	buy	buy	buy	buy	buy	buy	buy
Rating date	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-10-02	2017-09-01	2017-06-02
Target price (PLN)	88.64	89.71	85.40	85.87	90.13	79.54	77.07	82.00
Price on rating day	60.20	55.00	57.00	55.90	61.25	65.16	62.73	69.69

Comarch

Rating	accumulate	buy	hold	hold	buy	accumulate	accumulate	hold	hold
Rating date	2018-05-09	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	166.50	180.00	205.00	185.00	195.00	195.00	205.00
Price on rating day	145.00	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	hold	accumulate	buy	buy	buy
Rating date	2018-06-06	2018-05-09	2018-04-04	2018-02-02	2018-01-18
Target price (PLN)	103.50	103.50	103.50	95.40	95.40
Price on rating day	107.40	96.65	85.10	85.00	80.00

Dom Development

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

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)	5.63	6.31	6.42	6.64	6.64
Price on rating day	5.23	5.05	5.19	5.21	6.26

Elektrobudowa

Rating	hold	buy	buy	buy
Rating date	2018-06-06	2018-04-06	2018-02-02	2017-09-01
Target price (PLN)	71.00	116.00	113.00	134.00
Price on rating day	69.00	96.40	81.20	109.50

Elektrotrim

Rating	neutral	overweight	underweight	neutral
Rating date	2018-05-28	2017-11-16	2017-10-24	2017-09-14
Target price (PLN)	-	-	-	-
Price on rating day	5.80	7.61	9.76	11.98

Elemental

Rating	neutral	neutral
Rating date	2018-04-27	2017-08-31
Target price (PLN)	-	-
Price on rating day	1.09	2.55

Enea

Rating	buy	buy	buy	accumulate	accumulate	hold	hold	hold	hold
Rating date	2018-05-29	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)	12.62	11.78	12.11	12.98	12.82	12.82	14.59	15.23	12.60
Price on rating day	9.57	9.10	10.36	11.07	12.19	11.89	14.80	15.25	13.14

Energa

Rating	buy	buy	buy	buy	buy	buy	accumulate	hold	accumulate	hold
Rating date	2018-05-29	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)	15.58	14.91	14.71	15.20	14.97	14.81	14.49	13.50	13.20	10.71
Price on rating day	9.00	9.96	10.11	12.21	12.60	12.09	13.40	13.64	11.65	10.87

Erbud

Rating	buy	accumulate	buy	buy	buy	buy	buy	accumulate
Rating date	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2017-12-15	2017-11-03	2017-09-01	2017-06-02
Target price (PLN)	22.00	23.10	29.60	29.40	28.70	29.80	31.30	33.50
Price on rating day	14.90	19.40	21.60	21.30	20.60	24.70	26.00	31.50

Ergis

Rating	neutral	neutral
Rating date	2018-04-27	2018-01-29
Target price (PLN)	-	-
Price on rating day	4.06	4.77

Erste Bank

Rating	accumulate	hold	hold	accumulate
Rating date	2018-06-06	2018-02-02	2017-09-01	2017-06-02
Target price (EUR)	40.00	40.00	35.98	35.98
Price on rating day	34.78	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	buy
Rating date	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-09-01	2017-07-20
Target price (PLN)	6.95	7.06	7.28	7.29	7.24	6.84	6.95
Price on rating day	5.94	6.04	6.10	6.20	6.18	5.81	5.84

Forte

Rating	neutral	neutral	neutral	underweight
Rating date	2018-04-27	2018-02-02	2018-01-29	2017-08-31
Target price (PLN)	-	-	-	-
Price on rating day	50.70	43.00	49.10	74.02

GetBack

Rating	suspended	buy
Rating date	2018-04-16	2017-11-30
Target price (PLN)	-	33.38
Price on rating day	4.52	23.00

Getin Noble Bank

Rating	hold	hold	sell	sell	hold
Rating date	2018-05-09	2018-03-05	2018-02-01	2017-11-03	2017-09-01
Target price (PLN)	1.40	1.50	1.50	1.27	1.27
Price on rating day	1.17	1.45	1.83	1.61	1.28

Gino Rossi

Rating	suspended	neutral	overweight
Rating date	2018-05-23	2017-11-28	2017-08-25
Target price (PLN)	-	-	-
Price on rating day	0.63	1.29	1.78

Grupa Azoty

Rating	hold	hold	hold	hold	hold	hold	hold	hold	hold	hold	buy	accumulate	buy
Rating date	2018-05-25	2018-05-09	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)	44.40	60.99	67.13	73.42	73.64	78.52	80.77	69.60	74.30	74.30	74.30	73.90	
Price on rating day	42.60	51.10	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	neutral	overweight
Rating date	2018-05-28	2018-01-12
Target price (PLN)	-	-
Price on rating day	17.30	14.90

ING BSK

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

Jeronimo Martins

Rating	buy	accumulate	accumulate	hold	hold	accumulate	hold
Rating date	2018-06-06	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-09-01
Target price (EUR)	16.40	16.40	16.90	16.90	17.10	17.10	17.10
Price on rating day	13.52	14.90	15.17	17.12	16.50	15.85	16.76

JSW

Rating	buy	buy	buy	buy	buy
Rating date	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-01-30
Target price (PLN)	115.23	109.12	108.14	120.71	122.30
Price on rating day	86.66	79.32	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	hold	accumulate	accumulate	accumulate	accumulate
Rating date	2018-05-09	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-09-01	2017-06-02
Target price (PLN)	53.04	53.46	53.47	57.20	58.70	71.74	73.90
Price on rating day	50.80	48.80	50.90	47.51	48.25	60.70	68.33

Grupa Kęty

Rating	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	371.08	363.01	357.21	379.66	391.41	390.72	414.09
Price on rating day	360.50	353.00	346.00	352.50	385.00	408.00	402.10

KGHM

Rating	buy	buy	buy	accumulate	accumulate	hold	hold	reduce	hold	hold	accumulate	buy
Rating date	2018-06-06	2018-05-09	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
Target price (PLN)	112.92	118.98	115.43	122.81	128.62	114.71	103.08	103.08	124.12	130.96	132.22	132.22
Price on rating day	96.52	92.50	88.00	102.50	111.50	113.10	100.00	114.25	117.40	126.10	121.00	110.65

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
Rating date	2018-02-02	2017-10-02	2017-09-01
Target price (PLN)	300.94	340.17	308.06
Price on rating day	222.20	293.45	340.95

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	hold	reduce	reduce	reduce	sell	sell	reduce	sell
Rating date	2018-05-09	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)	52.81	51.73	51.08	52.67	51.53	51.53	51.61	51.61	48.25
Price on rating day	55.62	54.60	56.30	57.78	58.48	61.66	66.37	59.75	58.86

LPP

Rating	hold	accumulate	accumulate	hold	hold	hold	hold	hold	accumulate
Rating date	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01	2017-06-20
Target price (PLN)	9500.00	9500.00	9500.00	9400.00	9900.00	8200.00	8400.00	8800.00	7400.00
Price on rating day	9,260.00	8,900.00	8,620.00	9,790.00	9,990.00	8,173.95	8,172.05	8,696.65	6,700.00

Mangata

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

Millennium

Rating	reduce	sell
Rating date	2018-04-06	2018-02-01
Target price (PLN)	7.00	7.00
Price on rating day	8.35	9.59

MOL

Rating	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-29	2017-10-02	2017-09-01
Target price (HUF)	2954.00	2898.00	3027.00	3152.00	3104.00	3077.00	2865.00
Price on rating day	2,790.00	2,864.00	2,718.00	3,080.00	3,121.00	3,000.00	2,977.50

Monnari

Rating	overweight	overweight	overweight	neutral
Rating date	2018-05-23	2017-11-28	2017-09-13	2017-08-25
Target price (PLN)	-	-	-	-
Price on rating day	7.19	8.21	8.93	7.89

Netia

Rating	reduce	sell	reduce	hold
Rating date	2018-06-06	2018-04-06	2018-02-02	2017-09-01
Target price (PLN)	4.30	4.30	4.60	4.00
Price on rating day	5.00	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	buy	accumulate	hold	accumulate	hold	accumulate	hold
Rating date	2018-06-06	2018-02-02	2018-01-05	2017-12-01	2017-11-03	2017-10-02	2017-09-01
Target price (HUF)	12090.00	12090.00	10901.00	10901.00	10901.00	10901.00	10901.00
Price on rating day	10,210.00	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	22.30	23.30	24.00

PBKM

Rating	hold	hold	hold	hold	accumulate	accumulate	buy
Rating date	2018-06-06	2018-04-06	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01
Target price (PLN)	76.26	76.83	76.00	71.00	71.00	66.30	63.90
Price on rating day	73.00	77.00	73.00	69.60	63.00	63.00	54.50

Prime Car Management

Rating	buy	buy	buy
Rating date	2018-06-06	2018-04-06	2018-02-02
Target price (PLN)	15.54	33.00	35.30
Price on rating day	12.70	23.60	28.80

Pekao

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

Pfleiderer Group

Rating	overweight	overweight
Rating date	2018-04-27	2017-11-08
Target price (PLN)	-	-
Price on rating day	37.30	36.65

PGE

Rating	buy	buy	buy	accumulate	accumulate	hold	hold	accumulate	buy
Rating date	2018-05-29	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)	13.60	12.89	12.61	13.30	13.20	13.61	14.98	14.46	14.46
Price on rating day	9.28	9.81	10.28	11.87	11.93	13.30	14.27	13.29	12.29

PGNiG

Rating	buy	buy	buy	buy	buy	buy	accumulate	accumulate	accumulate
Rating date	2018-05-09	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)	8.17	7.96	7.51	7.65	7.73	7.73	7.73	7.57	7.25
Price on rating day	6.20	5.71	5.98	6.58	6.03	6.63	6.79	6.83	6.75

PKN Orlen

Rating	reduce	reduce	sell	sell	sell	sell	sell
Rating date	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-29	2017-10-02	2017-09-01
Target price (PLN)	76.73	76.89	80.55	82.84	81.80	86.55	81.50
Price on rating day	82.30	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)	30.93	34.70
Price on rating day	32.70	33.20

Polnord

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

Polwax

Rating	buy	buy	buy	buy
Rating date	2018-05-09	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	16.69	18.80	20.56	20.53
Price on rating day	7.80	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	buy
Rating date	2018-05-09	2018-03-05	2018-02-02	2017-09-01	2017-07-17
Target price (PLN)	26.48	27.72	28.37	28.94	30.50
Price on rating day	14.75	17.15	19.20	22.20	22.51

Tarczyński

Rating	neutral	neutral	overweight
Rating date	2018-05-30	2018-01-29	2017-11-20
Target price (PLN)	-	-	-
Price on rating day	14.50	13.05	11.00

Tauron

Rating	buy	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-05-29	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-10-02	2017-09-01	2017-06-27
Target price (PLN)	2.76	2.73	2.98	3.38	3.23	3.64	3.89	3.67
Price on rating day	2.01	2.38	2.69	3.08	3.10	3.75	3.92	3.65

Torpol

Rating	neutral	neutral	neutral	neutral	neutral	neutral	overweight
Rating date	2018-05-28	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	6.40	7.50	7.98	8.16	8.55	10.93	12.05

Trakcja

Rating	underweight	neutral	neutral	neutral	underweight	underweight	neutral
Rating date	2018-05-18	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	3.65	6.75	7.24	7.56	7.69	10.30	12.80

TXM

Rating	buy	buy	buy	buy	buy	buy
Rating date	2018-05-09	2018-02-02	2017-12-01	2017-11-03	2017-09-01	2017-06-08
Target price (PLN)	5.44	5.41	5.74	5.77	6.10	6.25
Price on rating day	2.10	2.36	2.02	1.99	2.97	4.00

Ulma

Rating	neutral	neutral	neutral
Rating date	2018-05-28	2018-03-29	2017-11-27
Target price (PLN)	-	-	-
Price on rating day	73.00	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	overweight	neutral	overweight	neutral	overweight	overweight
Rating date	2018-05-23	2018-02-02	2018-01-19	2017-12-13	2017-11-28	2017-08-25
Target price (PLN)	-	-	-	-	-	-
Price on rating day	4.79	5.16	4.34	4.36	3.88	3.26

Wasko

Rating	neutral	overweight	overweight	overweight
Rating date	2018-05-30	2018-03-28	2018-01-30	2017-11-28
Target price (PLN)	-	-	-	-
Price on rating day	1.68	2.25	2.24	1.98

Wirtualna Polska

Rating	accumulate	accumulate	accumulate	accumulate	buy	accumulate
Rating date	2018-04-24	2018-04-06	2018-02-02	2018-01-05	2017-11-03	2017-09-01
Target price (PLN)	60.00	56.40	56.10	53.00	53.00	53.00
Price on rating day	54.00	52.20	51.80	48.20	43.00	47.89

ZUE

Rating	neutral	neutral	neutral	neutral	underweight	underweight
Rating date	2018-05-28	2018-03-29	2018-02-02	2018-01-25	2017-11-27	2017-09-14
Target price (PLN)	-	-	-	-	-	-
Price on rating day	5.86	6.12	6.18	6.44	6.89	9.20

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