

Wednesday, July 4, 2018 | periodical publication

Monthly Market Outlook: July 2018

Equity Market, Macroeconomics

Equity Market

Emerging markets offer a wide range of compelling investment opportunities at the moment after the recent downward correction in local equities as well as currencies. Fears of a US-led global trade war mean markets face another volatile month.

Sector Outlook

Financials

We remain overweight financials, and at the current valuations and we see upside potential of as much as 22% in the sector, which has narrowly outperformed the MSCI EME Financials index this year. Polish banks are on track to fulfilling the 2018 FY expectations of analysts. Elsewhere in the CEE sector, a recent downward correction has brought the trading multiples of OTP, EBS, and KOMB to very attractive levels.

Chemicals

Ciech remains our top chemical pick for July.

Oil & Gas

Even the OPEC's pledge to raise output from July did not break the upward price momentum in oil, and the outlook for downstream is increasingly bleak. Against this backdrop, we would opt instead for producers with well-developed E&P operations and low relative valuations (PGNiG, MOL).

Power Utilities

Polish utilities trade close to their all-time lows again even as coal prices in Europe, and electricity prices on the local POLPX exchange, continue to rise. The improved market conditions, coupled with favorable regulatory changes, should be viewed as a value driver for the sector.

Telecoms, Media, IT

Our view for July assumes a downward correction in PLY and an upward shift in CPS and OPL. We remain bullish on AGO and WPL, who are benefitting from a strong rise in Polish advertising expenditure. Our smaller-cap IT favorites are ATD and ASE.

Industrials & Metals

Poland's producer price index has posted distinct gains in the last two months, led mainly by a depreciation in the Polish zloty against the euro and the US dollar, which benefits exporters. When it comes to earnings, the second quarter in the industrial sector looks good relative to a low year-ago comparable base, when a staggering 56% of companies reported year-over-year profit falls, with only a few delivering positive surprises.

Construction

We remain bullish on the infrastructure sector, as reflected in negative to neutral calls upheld even after a recent price correction. At the same time, we are positive on companies whose core business is the construction of buildings (UNI, ERB).

Property Developers

We remain bullish on real-estate developers. and our short list of the most compelling bets consists of ARH, 1AT, DOM, LCC, and LKD, companies with high sales efficiency ratios, trading at 1.1x 2018E P/B and 6.4x 2018-2020E P/E, expected to offer 2019-2020E dividend yield of 11.3%.

Retail

The June 2018 sales results of fashion and footwear retailers might reflect the negative effects of World Cup broadcasts on shopping center foot traffic. Our top retail picks for the weeks ahead are BTM, CCC, JMT, LPP, and VST.

Key Ratings

Positive: 1AT, ALR, AMC, BTM, CCC, CIE, ECH, ENA, ENG, FMF, JMT, JSW, KGH, KOMB, LCC, LPP, PFL, PGE, PGN, POZ, PZU, TPE, UNI, VST

Negative: CEZ, EAT, MIL, PKN

EU Indices	Value	1M chng	YTD chng
WIG	56,394	-2.6%	-12%
ATX	3,224	-3.5%	-4%
BUX	36,204	+0.7%	-8%
PX	1,076	+0.8%	+4%

WSE WIG Ind.	Value	1M	YTD
WIG20	2,160	-1.4%	-12%
mWIG40	4,207	-5.8%	-11%
sWIG80	12,771	-4.7%	-10%
Banking	7,316	-2.9%	-14%
Basic Materials	2,178	-8.0%	-23%
Chemicals	11,773	-1.2%	-23%
Clothes	2,358	-4.0%	-21%
Construction	3,584	-0.2%	-18%
Energy	1,947	-5.3%	-5%
Food	4,762	-8.8%	-1%
IT	2,124	-1.7%	-3%
Media	6,626	-9.4%	-12%
Oil & Gas	6,061	+1.7%	-15%
Real estate	3,490	-7.2%	-4%
Telecom	645	-4.9%	-13%

Top 5 / Worst 5		1M	YTD
Elektrotim	6.70	+34.0%	-23%
Prairie Mining	1.40	+27.3%	-5%
Interma Trade	2.67	+24.8%	-18%
Rank Progress	1.92	+17.8%	+1%
Polnord	8.91	+17.4%	-8%
Kopex	1.95	-22.0%	-49%
Stelmet	10.70	-24.4%	-26%
Altus TFI	7.62	-24.8%	-40%
PCM	11.60	-32.0%	-59%
Mostostal Zabrze	0.23	-39.5%	-64%

Rating & 9M TP Changes as of 4 Jul. 2018

Name	Rating	9M TP
Atal	buy ▲	42.86 PLN ►
CEZ	sell ►	440.96 CZK ▼
Ciech	buy ►	81.14 PLN ▼
ING BSK	buy ▲	212.00 PLN ►
JSW	buy ►	107.00 PLN ▼
Stelmet	buy ►	20.24 PLN ▼
TXM	buy ►	3.48 PLN ▼

Table of Contents

1. Investing Outlook	3
2. Sector Strategies	5
3. Macroeconomic Update	8
4. Overview of Updated Earnings Expectations	10
5. Current Recommendations By Dom Maklerski mBanku	12
6. Ratings Statistics	14
7. Calendar of Upcoming Corporate Events	15
8. Financial Sector	16
8.1. Alior Bank	16
8.2. BZ WBK	17
8.3. Getin Noble Bank	18
8.4. Handlowy	19
8.5. ING BSK	20
8.6. Millennium	21
8.7. Pekao	22
8.8. PKO BP	23
8.9. Komerční Banka	24
8.10. Erste Bank	25
8.11. OTP Bank	26
8.12. PZU	27
8.13. Kruk	28
8.14. Prime Car Management	29
8.15. Skarbiec Holding	30
9. Chemicals	31
9.1. Ciech	31
9.2. Grupa Azoty	32
9.3. Polwax	33
10. Oil & Gas	34
10.1. Lotos	34
10.2. MOL	35
10.3. PGNiG	36
10.4. PKN Orlen	37
11. Power Utilities	38
11.1. CEZ	38
11.2. Enea	39
11.3. Energa	40
11.4. PGE	41
11.5. Tauron	42
12. TMT	43
12.1. Netia	43
12.2. Orange Polska	44
12.3. Play	45
12.4. Agora	46
12.5. Cyfrowy Polsat	47
12.6. Wirtualna Polska	48
12.7. Asseco Poland	49
12.8. CD Projekt	50
12.9. Comarch	51
13. Industrials, Mining	52
13.1. Famur	52
13.2. Grupa Kęty	53
13.3. JSW	54
13.4. Kernel	55
13.5. KGHM	56
13.6. Stelmet	57
14. Construction	58
14.1. Budimex	58
14.2. Elektrobudowa	59
14.3. Erbud	60
14.4. Unibep	61
15. Property Developers	62
15.1. Atal	62
15.2. Capital Park	63
15.3. Dom Development	64
15.4. Echo Investment	65
15.5. GTC	66
15.6. LC Corp	67
16. Retail	68
16.1. AmRest	68
16.2. CCC	69
16.3. Dino	70
16.4. Eurocash	71
16.5. Jeronimo Martins	72
16.6. LPP	73
16.7. TXM	74
17. Other	75
17.1. PBKM	75

Investing Outlook

The prospect of a trade war between the U.S. and the rest of the world dominated global market headlines in June, with the S&P500 logging an 0.5% gain while the DAX fell 2.4%, and the Shanghai Composite Index sank 8.0%. Poland's WIG20 index continues to be one of the worst underperformers this year with a ytd negative return of 13.9% even though Poland's economy keeps growing and local equities trade at relatively attractive levels. Aside from heightened global investment risk, the other major reason behind the underperformance is an outflow of local capital from the stock market. Investors have been pulling money out of Polish equity funds for many months now, and with pension funds transferring more money to the state than they receive from employee contributions the Polish stock market is increasingly vulnerable to global developments. The appreciation since April in the US dollar bears on all emerging markets (MSCI EM -8.6% YTD), as evidenced by June withdrawals from emerging market ETFs of a whopping \$8.4 billion, the most cash pulled in a month since January 2014. The US-China dispute will continue to shape the performance of global stock markets in the weeks ahead.

Eurozone Data Disappoints

The JP Morgan Global Composite PMI Index gained 0.2 in May, but at 54 it still trailed its February high of 54.8. Investors fear a slowdown in the future as they look at the strengthening dollar, the decelerating momentum in Europe, and less upbeat economic indicators for China. The United States seems to be enjoying robust economic fundamentals by comparison, reflected in GDP growth at an annual rate of 3.3% and a quarterly rate of 4.8% projected for Q2 2018 by ISI Evercore, alongside the strongest job market in over a decade, and productivity which outpaces GDP (as reflected in respective q/q growth of 3.6% and 2.8% in Q1). Under these circumstances, US companies are delivering record earnings, which means they can spend more on cash dividends and share buybacks (the latter are expected to exceed \$800 billion this year).

The ISM manufacturing index validated the strong US momentum in June by jumping to a higher-than-expected 60.2. On the other hand, the latest economic indicators for the Euro Area have been a disappointment, with the weakened euro failing to boost the area's leading indicators contrary to the expectations of most analysts. The IHS Markit Composite Eurozone PMI fell to 54.1 in May from 55.1 in April, and the June prints showed continued contraction, with the manufacturing PMI down from 56.9 to 55.9 in Germany, from 54.4 to 52.6 in France, and from 55.5 to 54.9 overall. Italy may have been a drag on the Eurozone's business activity in June, but further falls in July will be taken as a sign of a marked slowdown.

Central Banks Normalize Policies

The US Federal Reserve used more hawkish language when announcing its latest 1.75% rate hike and plans for more hikes during 2018 and 2019, emphasizing strong growth and higher inflation domestically, and omitting any mention of global factors. Chairman Powell said rates had to move to a 'neutral' level (which most are guessing is 2.75%), and added that the Fed's policy remains accommodative. Going forward, investors will be paying special attention to job growth and the fact that vacancies in the US are starting to outnumber new jobless claims, giving rise to expectations of possible pay pressures. The consensus for target rates could move upward in the coming quarters. At the same time, falling yields on securities with longer maturities are driving a

further flattening of the yield curve, creating threat for high-risk assets.

The European Central Bank is also starting to tighten policy; the Bank kept rates unchanged in June, but said it would be scaling back QE to EUR 15 billion a month from October through December 2018, which will mark the program's end. At the same time, the ECB raised its inflation projection for 2018-2020, and said explicitly that it would not be raising rates until late 2019 at the earliest. The shift in the ECB's view, coupled with the Eurozone slowdown, drives investors away from the euro and further strengthens the dollar, with implications for emerging market stocks.

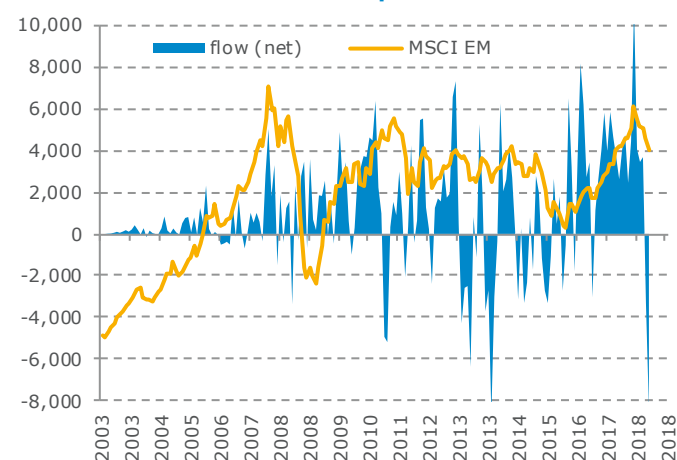
Escalation of US-China Tensions

President Trump killed any hope of a US-China trade compromise on June 15th by announcing the introduction of 25% tariffs on \$34 billion-worth of Chinese imports (1,102 product lines), effective July 6th, after levying duties on steel and aluminum from the EU, Canada, and Mexico despite earlier promises of exemptions. A further 248 Chinese products, valued at \$16bn, are in line for added tariffs to be announced at a later date, and President Trump has ordered a list of an additional \$200 billion-worth of goods for potential tariffs after China retaliated with its own \$34bn set of tariffs on US goods on June 16th. The escalation of the trade disputes (with the other countries affected also taking retaliatory action) is taking a toll on stock markets, though some are still hoping some kind of a compromise will be reached before July 6th.

Capital Flight Hurts Polish Trade Flows

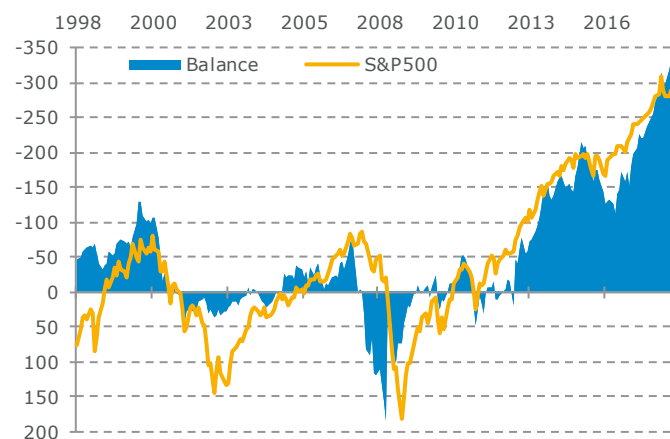
Money flows on the Warsaw Stock Exchange at the moment hinge on the activity of global investors as domestic pension and investment funds continue to register withdrawals, with no sign of relief in sight as the government keeps pushing back the implementation of a nationwide mandatory employer-sponsored retirement savings scheme. In June, emerging market ETFs experienced their largest monthly withdrawals since January 2014, and the second-biggest outflow on record, coming up to \$8.4 billion or 4.0% of their total AUMs. This after seeing \$3.3bn of cash pulled in May.

Net EM ETF flows vs. MSCI EM performance



Speaking of fund flows, it is worth noting the increasing leverage of US investors, with FINRA margin debt for May less cash accounts at \$332 billion (+\$44.7bn ytd). In previous cycles, a divergence of this indicator from the index led the end of bull/bear cycles, but this is not what we are dealing with at the moment.

Margin debt ex. cash vs. S&P500 performance



Source: Bloomberg

Earnings Momentum Improves In Poland

mBank economists estimate that the Polish economy expanded at an annual rate of 4.8-5.0% in Q2 2018, supported by solid manufacturing indicators and retail sales. We continue to expect a rebound in the earnings growth of companies representing the main sectors of the WIG index in the quarters ahead. At 10.0x, the forecast 2019 P/E ratio for the WIG20 benchmark is low compared to the historical averages and relative to MSCI EM (10.6x).

Michał Marczak

tel. +48 22 438 24 01

michal.marczak@mbank.pl

Sector Strategies

Financials

- The Polish bank sector offers 22% 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%, subject to the approval of both sets of shareholders. The purchase of Alior probably entails a dividend cut at Pekao, but the bank would have to reduce shareholder distributions anyway in the medium term. The fact that the deal at Alior's current market valuation would mean a loss to the owner of both banks, PZU, should be taken into account when determining the merger ratio.
- We also see upside in ING BSK (ING) 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 it is worth bearing in mind that BZ WBK's 2018 dividend declaration implies a record payout of PLN 23 per share.
- Other CEE banks also show upside potential after the 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 continued sideways drift in the past two months. During a recent Chemical Event hosted by mBank, our foreign industry guests signaled that their profit growth this year is constrained by higher costs of basic materials and negative base effects, which offset strong demand.
- Of the two rated chemical stocks, Grupa Azoty (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.
- Accordingly, Ciech (CIE), which is trading at attractive ratios and offers a high dividend yield, remains our top pick for July.
- **Key ratings:** CIE (buy)

Oil & Gas

- OPEC agreed to cut production by 1 million barrels per day from July to make up for a falling supply from Venezuela and curbed volumes from Iran in the wake of renewed sanctions, but this might not be enough to address the current deficit. As US crude reserves drop, there are no catalysts that could knock the price of oil lower in the foreseeable future.
- Costly crude inputs are putting a squeeze on refining margins (currently hovering around 3 dollars a barrel), as well as slowly exerting downward pressure on the petrochemical profits. At the same time, the Urals/Brent

pricing differential is seen to narrow due to the upcoming constraints on the heavy brand's supply from Iran while European refineries increase operating rates. Refinery output in China has also been growing, resulting in a bulked-up supply in the global market for oil products.

- As for natural gas, prices in Poland and across Europe are back on an upward trajectory after a temporary slide, and with current quotes well above the year-ago levels local producers are set to report stellar E&P profits in Q2 and Q3 2018.
- Against this backdrop, we remain bearish on the downstream sector, and we continue to view PGNiG (PGN) as a good alternative, with its profits set to rise in line with hydrocarbon prices, and a number of potential value drivers lined up and ready to be triggered in the coming months (these include a potential arbitration award against Gazprom, acquisitions, and the recent dispensation from participation in the nuclear project). With that said, the vertically-integrated Hungarian refiner MOL also currently offers upside potential.
- **Key Ratings:** MOL (accumulate), PGN (buy), PKN (reduce)

Power Utilities

- Prices of carbon allowances closed at EUR 15/t in June after rising by just 10 cents from May, and at the same time year-ahead coal contracts rebounded above \$90/t, pushing the price of German power contracts above EUR 43/MWh. Clean and vertically-integrated power producers are still the main beneficiaries of the upward trend in EU prices because the clean-dark spread is still negative, albeit closing.
- The MSCI Utilities Europe index outperformed the broad market in June, but WIG-energy in Poland was again the clear underperformer of the month.
- Polish electricity prices also trailed the German benchmark in June, with their upward movement stemmed by allegations of market abuse coming out of the office of the energy regulator, but at the moment they are back to hovering around PLN 210/MWh. Our forecasting model for the energy sector indicates a brighter 2019 earnings outlook for power generators than suggested by the analysts' consensus. Meanwhile Polish utility stocks are trading close to their all-time lows at 3.7x 2018E EV/EBITDA. Given market conditions, what we know at this point about the upcoming capacity market, and expectations of a substantial turnaround in free cash flow, we have buy recommendations for Enea (ENA), Energa (ENG), PGE (PGE), and Tauron (TPE). 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

- There is a clear push toward fixed + mobile convergence among telecoms across the world, one example being the May acquisition by Vodafone of the German and CEE assets of Liberty Global for EUR 18.4bn and 10.9x 2019E EV/EBITDA. In Poland, Cyfrowy Polsat (CPS) increased holdings in Netia fixed line to 66% in May with the view to gaining access to infrastructure and capitalizing on cross-sell potential to expand in Netia's core markets, which are predominantly big cities.
- At the same time, T-Mobile Poland is currently negotiating access to the fiber infrastructure of Orange Polska (OPL),

though it is possible that the telecom will take another route to fixed broadband and make an offer to acquire the Polish unit of Liberty Global, UPC Polska.

- The Zenith media agency is forecasting 4.8% growth in advertising expenditures in Poland this year (compared to a global forecast of 4.5%), which would put the total net adspend for the year at PLN 7.410 billion. By medium, the agency has recently dramatically hiked its adspend forecast for TV 5.6% from 1.4% projected in March, based on strong demand for air time among advertisers. The forecast for online ad expenditure growth is 8.1%.
- The WIG-INFO sector index fell 5.2% in June (vs. -3.1% WIG), and at the current level the median 12M fwd P/E ratio for IT stocks at 14.6x is on a level with its three-year average, with the premium narrowed by nearly 11% over the course of two months. Five of the seven rated IT stocks suffered declines in June, with Ailleron (ALL) and Asseco Poland (ACP) among the biggest losers, having logged respective losses of 13.0% and 6.5%.
- Our top small-cap IT picks are Asseco South Eastern Europe (ASE) and Atende (ATD). We have neutral calls for Ailleron, Asseco BS, and Wasko.
- **Key ratings and portfolio positioning:** OPL (buy), ACP (reduce), PLY (reduce), AGO (buy), WPL (accumulate), ATD (overweight), ASE (overweight).

Industrials & Metals

- MSCI's Industrials World and Europe indices traded sideways in June, but after downward revisions to the earnings expectations for European manufacturers the Europe index is currently trading at a premium to its average 3-year P/E and EV/EBITDA ratios.
- The operating conditions for Polish manufacturers have shifted in a more positive direction the last few weeks. Poland's producer price index has posted distinct gains in the last two months, led mainly by a depreciation in the Polish zloty against the euro and the US dollar, which benefits exporters. When it comes to earnings, the second quarter in the industrial sector looks good relative to a low year-ago comparable base, when a staggering 56% of companies reported year-over-year profit falls, with only a few delivering positive surprises.
- Among rated firms, we expect to see year-over-year improvement in the 2018 Q2 results of Amica (AMC, which has a more positive outlook on the period), Alumetal (AML, which achieved high margins on core products in April and May), Famur (FMF, which has recently adjusted prices upward, and which is experiencing strong demand), Cognor (COG, which sees margins spreads on core steel products), and Tarczyński (TAR, set for a rebound supported by successful restructuring and a revamped sales mix).
- **Key Ratings and Portfolio Positioning:** AMC (overweight), FMF (buy), PFL (overweight), POZ (overweight), STL (buy).

Mining

- Most of the major copper mines in Peru and Chile so far have been able to stave off strike action, defying expectations of global supply disruptions. The one notable exception is Escondida, whose employees are threatening strike action unless their demands are met by a July deadline.
- Inventories in exchange-monitored warehouses have shown draws for the last two months, and the tightening could continue in the weeks ahead, led by increased demand from China, with positive effects on global copper

prices. In April 2018 China imported 10% more of copper net 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 inventories fall this is having a positive effect on global prices. 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.
- The copper miner KGHM (KGH) and the coal miner JSW are both benefitting from the zloty's weakness against the dollar, but JSW has more potential to deliver positive surprises in our view looking at increasing coal demand from the global steel industry and falling coal and coke reserves in China, combined with the elimination of production risks with a recent pay deal with unions.
- KGHM carries more near-term risk if traders decide to unwind their record-high positions in copper, built in anticipation of a strike at the Escondida mine in Chile, triggering a sell-off on the metal.
- **Key Ratings:** KGH (buy), JSW (buy)

Construction

- Poland's railway operator PKP PLK opened bids in seventeen large railway tenders in H1 2018, revealing a net sum total of the lowest bids of PLN 6.4bn. Unfortunately, most of the quotes turned out to be 49% over budget. Two of the seventeen tenders have already been canceled due to cost overrun, and more are likely to follow suit. PKP PLK decided to award only one contract to the lowest bidder for a minor job (PLN 35m). The gap between the lowest and second-lowest bid in railway tenders opened this year averages 4% vs. 8% in 2017.
- Out of rated railway builders, Trakcja (TRK), Torpol (TOR), ZUE, and Budimex (BDX) have all had good hit rates on this year's tenders, however with many of their low bids exceeding the budget those contracts will probably be canceled. This means the current backlogs of these infrastructure firms consist largely of contracts acquired during a period of heightened price competition in the railway infrastructure sector.
- By contrast, most of the winning price quotes on roadwork contracts revealed during H1 2018 based on the example of nine tenders where the combined net low bids totaled PLN 3.3bn were ca. 5% under budget (vs. 25% last year). Budimex has had a zero hit rate so far in road infrastructure bookings.
- The buildings construction firm Unibep (UNI) signed five new contracts for a combined PLN 316m in Q2 2018. With the average price per square meter of finished building agreed this year at PLN 4,600 versus PLN 3,500 in 2017, the Company can be expected to generate higher margins in the future. UNI remains our top construction pick and an overweight alongside its rival in building construction, Erbud (ERB).
- **Key Ratings and Portfolio Positioning:** UNI (buy), TRK (underweight)

Property Developers

- We currently have a bullish view on the residential real-estate sector as a whole, and our short list of the most compelling bets consists of ARH, 1AT, DOM, LCC, and LKD, companies with high sales efficiency ratios, trading at 1.1x 2018E P/B and 6.4x 2018-2020E P/E, expected to offer 2019-2020E dividend yield of 11.3%. All these developers are well-equipped to thrive during periods of potential slowdown, and they have the resources to lead the expected industry consolidation as the planned change in escrow laws creates M&A opportunities among smaller, less cash-rich players.
- LC Corp (LCC) remains a top pick due to the 20% discount at which it is trading relative to the sector, with 2018E P/E at 5.4x, alongside a 45% discount to peer P/B. Moreover LCC is still trading cum-2018 dividend (DPS=PLN 0.24, DYield=10.2%), and there is a chance it will make an extra payout after the expected sale of commercial properties.
- Atal (1AT) is also trading at attractive price-earnings ratios, with forecast 2019 dividend yield at 13.8%, after an unexpected 13% share price fall over the past month.
- On the other hand, a 19% monthly gain means it is time to cash in on Polnord (PND), whose earnings prospects have worsened.
- Thanks to the introduction of so-called open escrow accounts, the share of homebuyer deposits financing the construction of new homes increased from 13-15% as a percentage of inventory in 2011-2014 to 32% in 2017. These accounts are about to be eliminated under a recent legislative proposal, but we think our top-rated residential developers can handle the consequences.
- **Key Ratings and Portfolio Positioning:** LCC (buy), ECH (buy), LKD (overweight), ARH (overweight), PND (underweight).

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, might 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 lately, but fashion and footwear retailers are still able to purchase 2018 autumn-winter collections cheaper than during the 2017 buying season. Low dollar-denominated costs of the 2018 spring-summer lines bought late last year will boost profits in Q2 and Q3 2018, and the biggest beneficiaries of this include LPP and Monnari (each paying about 85% of COGS in US dollars), CCC (ca. 45% \$COGS), Vistula and Bytom (ca. 30% \$COGS), and TXM (ca. 20% \$COGS).
- CCC footwear reported tighter growth at an annual rate of 17.7% in 2018 sales due to negative base effects, but at the same time the Retailer improved sales margins and curbed the upward trend in SG&A expenses. Sales growth in Q3 2018 continues to be under pressure from negative base effects.
- 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.
- LPP fashion posted further growth in lfl sales in Q2 2018, and this, combined with a 3.5pp rebound in the gross margin and tight cost discipline, resulted in a 49.3%% rebound in the quarterly EBIT relative to the same period in 2017.
- 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 Portfolio Positioning:** CCC (buy), EUR (buy), JMT (accumulate), LPP (accumulate), TXM (buy), BTM (overweight), MON (overweight), VST (overweight).

Macroeconomic Update

Industrial Production

Polish manufacturing production increased 5.4% in May, exceeding the 3.6% market consensus, after an acceleration from April despite a wide array of unfavorable effects which included a lower working day count (-1 y/y vs. +1 in May 2017) and public holiday timings which created opportunities for long weekends, coupled with a slightly higher year-ago comparable base. The strong monthly momentum (+1.6% on an adjusted basis) was enough to overcome all the detractors. Furthermore, the rebound appears to be broad-based and not tied to any particular sector. The PMI sentiment readings for both Poland and Germany are still quite downcast at the moment, but it is possible that the strong May surge in output can be traced back to a Europe-wide easing of supply constraints. We should know if this is the case in a few weeks. Alternatively, the higher manufacturing output might have been driven by inventory sell-offs – this would explain the lack of reaction to the drop in working days.

Construction output posted a solid year-on-year rebound of 20.8% in May, beating market expectations but coming short of our optimistic forecast. The acceleration was owed in a large part to positive base effects, but this is not the whole picture. On a seasonally adjusted basis, construction in May was 2.6% higher than in April, thus ending three months of contraction. As we wait for a detailed Q2 GDP breakdown, we can venture a guess that the monthly gain in building output was owed to a revival of local government investment ahead of the upcoming local elections. We can test this theory in June, when base effects will no longer help construction growth.

The positive surprise in May production, coupled with solid growth in construction, prompted a hike in our Q2 GDP nowcast: We now expect the economy to expand at least at the same rate in Q2 as recorded in Q1, meaning that our 2018 FY GDP forecast of 4.6% needs to be revised upward.

Retail Sales

Retail sales in Poland posted growth at an annual rate of 7.6% in current prices and 6.1% in constant prices, fulfilling the average analysts' forecast and topping our 5.3% estimate. A quick review of the details reveals that the surprise vis-à-vis our forecasts can be traced back to a single category – cars, motorcycles and automobile parts. Instead of a 9.3% y/y anticipated drop, it essentially remained flat on annual basis (-0.9% y/y), thereby not showing any outsized negative reaction to an unfavorable working-day count and arrangement of public holidays.

Other categories came out very close to our expectations: fuel sales accelerated from 13.8% to 18.9% y/y, entirely due to a price effect. Sales of food and sales in other non-specialized stores (these two categories were the source of the major surprise in April) rebounded to respective annual rates of 5.6% and 7.2%, and are on their way towards normalization after an Easter-related slump. Sales of durable goods decelerated a bit, driven by an enduring slowdown in sales of clothing and footwear (down from 13.7% in April to 4.7% y/y) which can be blamed on base effects and unseasonably warm spring weather.

Retail prices in May were seen to accelerate, driven primarily by higher fuel prices and by a gentle uptrend in core retail sales. The latter is entirely consistent with core goods prices as shown by CPI / HICP data. In recent months retail sales visibly slowed down, coinciding with a negative surprise in the consumption data for the first quarter. Is this a bad omen for consumption in general? We advise caution here.

On balance, consumer sentiment has remained close to all-time highs in recent months, while real income growth has been solid. Both are consistent with 4.5%+ consumption growth. Last but not least, there is still very little evidence that the Sunday shopping ban has impacted retail sales to a significant extent (if such an effect exists, it should be seen as a one-time level shift, not a danger to the slope of the uptrend).

Jobs

The Polish economy lost 2,100 jobs in May compared to April, marking the worst May since 2009 in terms of employment growth, and as a result the annual rate of job growth for the month remained flat at 3.7%. The small miss versus the 3.8% growth forecast by the market was due probably to the Sunday trading ban, finally revealing itself in reduced retail jobs, coupled with an increasingly more pronounced labor shortage. The previous slowdown in hiring (Q3 2017) was most probably a result of longer times needed to fill vacancies, thus growth rates returned to strong monthly growth at the turn of the year. This time it could last longer, so we will not be surprised to see more monthly drops this year.

The average salary increased 7% y/y in April, slightly less than the 7.1% acceleration expected by the market, and with details pending we can guess that the reasons included unfavorable calendar effects (working days in May were both less numerous (-1 y/y vis-a-vis +1 in April) and arranged in a way that encouraged long weekends at the beginning of the month. As a result, the working time-dependent parts of manufacturing and construction wages were sluggish last month. This is reflected in month-to-month growth, which fell below the recent averages and amounted to a mere 0.3%

Inflation

The final print put the annual CPI rate for May at 1.7% versus original consensus of 1.9% and our 1.8% forecast. The monthly CPI rate was rounded up from 0.1% to 0.2%, but this is irrelevant for the bigger picture.

The breakdown of the May inflation trends proved only partly consistent with our expectations. The inflation components provided in the final print by and large matched the flash reading, showing a 0.3% decline in food prices in May compared to April, alongside a 5.6% surge in the prices of motor fuel and an 0.1% rise in household energy prices. When it comes to core CPI, however, the final print revealed a number of surprises. Most notably, an 0.5% m/m uptick in May in the prices of healthcare services, and an 0.3% rise in communications, were accompanied by an unexpected 1% drop in the prices of entertainment, driven by package travel and print media, coupled with 0.5% contraction in "other" prices which was led by further decline in insurance prices. Consequently, the core CPI in May posted deceleration of 0.5% from the same period a year ago against expectations of an 0.7% rebound.

The relatively low May inflation print, and its unfavorable structure, have further lowered the likelihood of Poland ever reaching its inflation target. In current circumstances, the boost from higher fuel prices, especially now that oil prices have stabilized, will not be enough to push inflation beyond 2% in the summer. Persistently low core inflation will thus allow the Monetary Council to stick to its dovish rhetoric even if wages accelerate further. After all, every link between business activity and inflation appears to be broken in Poland as even the prices of services have ceased to react to rising wages. Under these circumstances, neither the central bank

nor market participants can be expected to change their expectations regarding monetary policy. The current market pricing for a first rate hike in late 2019, we might add, is conditional on core inflation regaining its usual sensitivity to labor market tightening and positive output gap.

Government Budget

The Polish government had a PLN 260m surplus in May, the third-highest May surplus on record, making for a positive balance of PLN 9.6 billion for the first five months of 2018. Tax revenues in May again outpaced nominal GDP growth, showing a rebound of 9.7% relative to the same month in 2017, and at this rate they will probably exceed the yearly budget by PLN 8-10 billion. At the same time, government expenditure for the month was up about 12%, of which two-thirds were due to higher costs of debt service, the blame for which according to our best guess lies in the zloty's rapid depreciation versus major world currencies. Otherwise, the trends as regards government spending have not changed, with expenditures on social protections on a steady decline. All in all, we maintain looking at the developments to date that the government will end 2018 with a deficit about PLN 42bn lower than budgeted at roughly PLN 25-30bn, a ballpark guess subject to a substantial margin of error stemming from possible shifts in expenditures. If we are correct, considering the current state of local government finances, which look quite healthy given the upcoming local elections, the 2018 general government deficit might drop from 1.7% to 1.3%-1.5% of GDP.

mBank Research

(E. Pytlarczyk, M. Mazurek, P. Bartkiewicz, K. Klimas)

research@mBank.pl

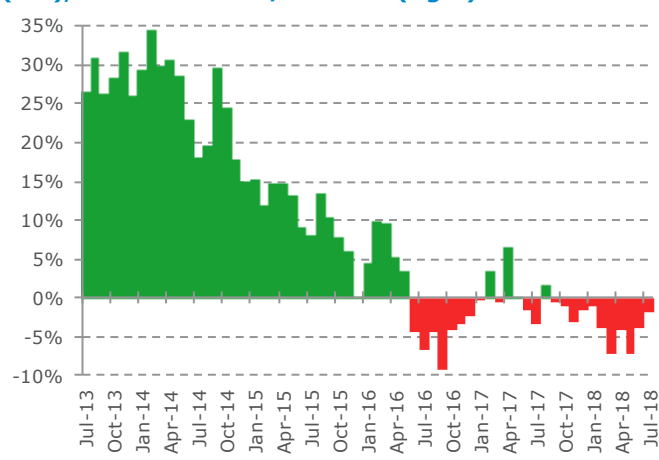
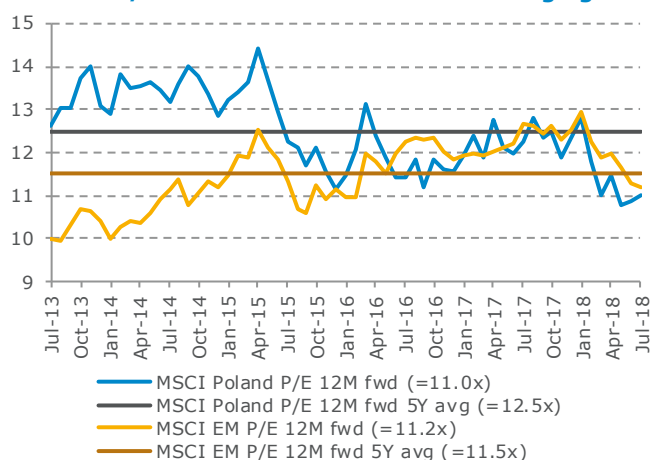
Revisions To FY2018 Earnings Forecasts For WIG30 Companies

Jun-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
Jul-17	+0%	+0%	+0%	+0%	+3%	+0%	+0%	+2%	+0%	+0%	-1%	-2%	+1%	+0%	-4%	+0%
Aug-17	+5%	+1%	+1%	+2%	+4%	+5%	+6%	+4%	+2%	-5%	+56%	+1%	+1%	-6%	+1%	-11%
Sep-17	+7%	+1%	+2%	+2%	+6%	+9%	+7%	-3%	+3%	-7%	+53%	+1%	-0%	+12%	+7%	-10%
Oct-17	+6%	-0%	+2%	+2%	+6%	+9%	+10%	-3%	+4%	-7%	+44%	+1%	+20%	+12%	+8%	-10%
Nov-17	+6%	-5%	+2%	-0%	+5%	+6%	+10%	-5%	+7%	-15%	+39%	+1%	+24%	+11%	+10%	-33%
Dec-17	+4%	-3%	+3%	-0%	+5%	+6%	+7%	-5%	+5%	-3%	+39%	+8%	+12%	+3%	+4%	-25%
Jan-18	+5%	+7%	+3%	-2%	+6%	+7%	+6%	-10%	+7%	-11%	+38%	+64%	+0%	-8%	+6%	+88%
Feb-18	+6%	+5%	+2%	-2%	+6%	+9%	+8%	-15%	+5%	-15%	+39%	+64%	-5%	-8%	+20%	+88%
Mar-18	+6%	+2%	+2%	-2%	+8%	+8%	+6%	-11%	+3%	-24%	+38%	+67%	-5%	-8%	+17%	+51%
Apr-18	+5%	+2%	+2%	-2%	+5%	+8%	+7%	-11%	+1%	-24%	+43%	+67%	-5%	-8%	+14%	+52%
May-18	+4%	+3%	+1%	-2%	+6%	+8%	+7%	-9%	+0%	-24%	+41%	+67%	-13%	-35%	+10%	+55%
Jun-18	+4%	+4%	+1%	-2%	+6%	+19%	+6%	-9%	-1%	-23%	+37%	+50%	-13%	-35%	+10%	+52%

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.

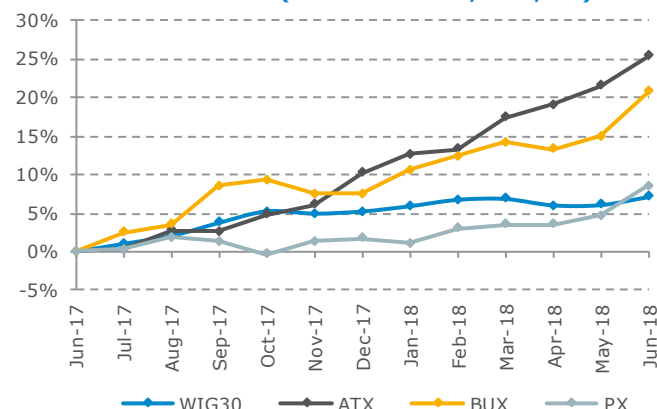
The surge in the estimates vs. consensus gap for Commodities/TMT stems from the inclusion of JSW/Play, initiated in January 2018.

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



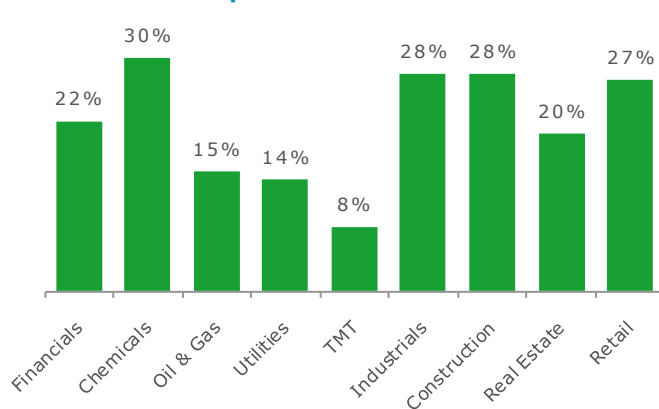
Source: Bloomberg, Dom Maklerski mBanku

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



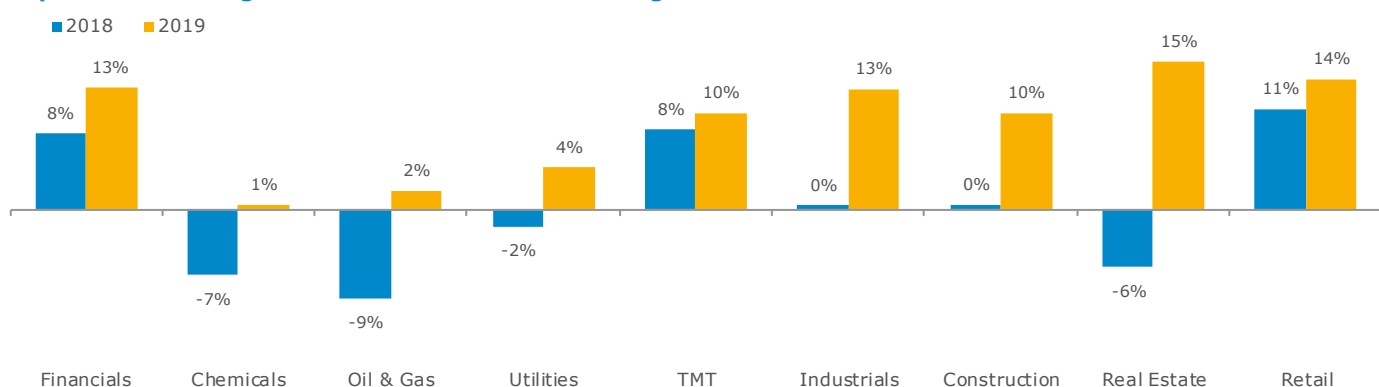
Source: Bloomberg, Dom Maklerski mBanku

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	92.58	+17.7%	+17%	+13%	-				9/-
BZ WBK	buy	430.00	10	7	0	421.39	+2.0%	+6%	+11%	+12%				10/-
Getin Noble Bank	hold	1.40	1	4	5	1.18	+18.2%	+261%	-8%	-16%				8/-
Handlowy	buy	94.00	5	6	0	83.06	+13.2%	-2%	+9%	-				7/-
ING BSK	buy	212.00	5	4	5	204.61	+3.6%	-2%	-3%	+1%				7/-
Millennium	reduce	7.00	3	5	6	8.59	-18.5%	-5%	-8%	-				6/-
Pekao	buy	157.00	16	5	0	142.71	+10.0%	-2%	+2%	-				14/-
PKO BP	hold	38.00	3	15	3	40.05	-5.1%	-6%	+2%	-				15/-
Komerčni Banka	buy	1,111.0	12	5	0	1,044.7	+6.3%	+11%	+25%	-				14/-
Erste Bank	accumulate	40.00	17	7	1	42.62	-6.1%	+1%	+0%	-				16/-
OTP Bank	buy	12,090	13	1	2	11,934	+1.3%	-3%	+0%	-				12/-
PZU	buy	50.58	9	2	0	47.76	+5.9%	+9%	+3%	-				6/-
Kruk	buy	300.94	5	1	2	257.00	+17.1%	+3%	+7%	+5%				7/-
Prime Car Management	buy	15.54	1	1	0	24.27	-36.0%	-33%	-31%	-25%				2/-
Chemicals														
Ciech	buy	81.14	6	3	1	72.99	+11.2%	+26%	+27%	+28%	+13%	+8%	+6%	6/6
Grupa Azoty	hold	44.40	4	3	5	53.00	-16.2%	-24%	-32%	-33%	-7%	-10%	-11%	4/4
Oil & Gas														
Lotos	hold	52.51	7	6	1	65.91	-20.3%	-31%	-29%	-38%	+1%	-6%	-4%	9/9
MOL	accumulate	2,995.0	9	3	0	3,248.4	-7.8%	-13%	-21%	-26%	-5%	-6%	-7%	8/8
PGNiG	buy	8.28	5	4	1	6.87	+20.5%	+17%	+29%	+28%	+7%	+21%	+24%	6/5
PKN Orlen	reduce	76.84	3	9	8	95.79	-19.8%	-22%	-37%	-36%	-11%	-23%	-20%	14/13
Utilities														
CEZ	sell	440.96	4	7	7	531.85	-17.1%	+6%	+10%	+3%	-0%	-2%	-1%	8/11
Enea	buy	12.62	7	2	1	11.61	+8.7%	+0%	+4%	-15%	+2%	+3%	-5%	5/4
Energa	buy	15.58	5	4	1	12.61	+23.6%	-1%	+1%	-1%	+2%	+2%	+3%	5/4
PGE	buy	13.60	6	4	3	11.95	+13.8%	+8%	+10%	+4%	+2%	+4%	+0%	8/7
Tauron	buy	2.76	5	5	2	2.68	+3.1%	+26%	-2%	-1%	+6%	+1%	+1%	7/6
TMT														
Netia	reduce	4.30	1	5	2	5.09	-15.6%	-6%	-21%	-37%	+0%	+1%	-4%	5/5
Orange Polska	buy	7.60	8	4	4	6.01	+26.4%	+483%	+168%	+108%	+6%	+7%	+8%	10/12
Play	reduce	23.50	8	4	2	33.58	-30.0%	-7%	-20%	-20%	-9%	-10%	-10%	12/11
Agora	buy	18.40	2	3	0	15.63	+17.7%	+111%	+29%	+31%	+3%	+1%	+1%	4/3
Cyfrowy Polsat	accumulate	24.90	8	5	0	28.05	-11.2%	-9%	-2%	+1%	-1%	+0%	-0%	10/9
Wirtualna Polska	accumulate	60.00	5	2	0	56.28	+6.6%	+1%	-1%	+4%	+2%	+4%	+5%	2/2
Asseco Poland	hold	41.20	2	6	0	53.17	-22.5%	-28%	-28%	-25%	-7%	-4%	-1%	4/5
Asseco BS	neutral	-	0	2	0	28.90	-	+2%	+6%	+7%	+0%	+0%	-0%	2/1
Asseco SEE	overweight	-	2	0	0	17.30	-	+1%	-1%	+0%	-1%	-3%	-3%	3/4
Wasko	neutral	-	1	1	0	-	-	+0%	+0%	-0%	+0%	+0%	-0%	1/1
CD Projekt	sell	90.80	5	3	2	119.42	-24.0%	+14%	+5%	-11%	-30%	-19%	-0%	3/2
Comarch	accumulate	166.50	3	2	0	168.30	-1.1%	-24%	-13%	-3%	-15%	-11%	-7%	3/3
Industrials														
Alumetal	neutral	-	1	4	0	57.64	-	-3%	-12%	-	-4%	-10%	-	4/4
Amica	overweight	-	2	0	2	122.00	-	+16%	+29%	-	+9%	+16%	-	3/3
Apator	neutral	-	1	2	1	23.50	-	-3%	-7%	-	-4%	-6%	-	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	56.96	-	-32%	-29%	-	-14%	-17%	-	5/4
Kemel	hold	53.04	5	3	0	67.01	-20.8%	-7%	+17%	+17%	+0%	+8%	+7%	4/4
Grupa Kęty	hold	371.08	5	4	2	363.32	+2.1%	+10%	+4%	+6%	+3%	-1%	-3%	6/7
Pfleiderer Group	overweight	-	7	0	1	44.74	-	-2%	+3%	-	-6%	-6%	-	6/6
JSW	buy	107.00	5	6	3	95.46	+12.1%	+12%	+16%	-2%	+8%	+8%	+2%	8/8
KGHM	buy	112.92	6	5	7	103.72	+8.9%	-9%	+11%	+10%	-3%	+11%	+1%	12/12
Construction														
Budimex	hold	163.00	1	3	6	171.13	-4.8%	+4%	+4%	+7%	+7%	+4%	+6%	5/5
Elektrobudowa	hold	71.00	2	3	1	86.40	-17.8%	-30%	-25%	-1%	-19%	-12%	+4%	3/3
Erbud	buy	22.00	4	1	0	27.23	-19.2%	-22%	-4%	-0%	-8%	+2%	-0%	3/3
Unibep	buy	10.10	3	1	0	12.35	-18.2%	-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	-	2	2	3	5.62	-	-13%	-62%	-18%	+2%	-18%	-1%	3/3
Real Estate														
Atal	buy	42.86	3	2	0	46.03	-6.9%	+0%	+1%	+2%	-2%	-1%	+5%	5/3
Capital Park	buy	8.35	3	0	0	8.08	+3.4%	+13%	+28%	+5%	+8%	+16%	+2%	2/2
Dom Development	accumulate	87.80	6	4	0	92.08	-4.6%	+4%	+6%	+8%	+6%	+3%	+11%	8/6
Echo	buy	5.63	3	4	0	5.62	+0.2%	+45%	+22%	+29%	+142%	+64%	+30%	3/3
GTC	hold	9.60	8	3	1	10.58	-9.3%	+16%	+27%	+20%	+18%	+21%	+20%	6/5
LC Corp	buy	3.58	4	0	0	3.40	+5.2%	+5%	+4%	+7%	+6%	+3%	+8%	4/3
Polnord	underweight	-	0	1	1	10.80	-	-92%	-	-40%	-77%	-93%	-28%	3/3
Ronson	neutral	-	0	3	1	1.45	-	-8%	-11%	+26%	+0%	-0%	-0%	2/1
Retail														
AmRest	reduce	426.00	8	3	2	467.34	-8.8%	-16%	-21%	-7%	-6%	-5%	-6%	8/6
CCC	buy	295.00	9	5	4	261.63	+12.8%	-16%	+8%	+16%	-11%	-1%	+4%	13/12
Dino	hold	103.50	8	8	1	105.19	-1.6%	+5%	+8%	+6%	+2%	+3%	+3%	13/12
Eurocash	buy	30.70	9	10	3	28.17	+9.0%	-11%	-7%	+11%	+1%	-3%	-2%	16/15
Jeronimo Martins	buy	16.40	13	12	3	15.74	+4.2%	+7%	+3%	-0%	+6%	+6%	+4%	20/19
LPP	accumulate	10,200	1	6	12	8,240.4	+23.8%	+15%	+21%	+26%	+11%	+14%	+18%	11/11
Bytom	overweight	-	2	2	0	3.00	-	+12%	+10%	+10%	+9%	+7%	+9%	2/2
Monnari	overweight	-	5	0	0	9.60	-	+17%	+15%	+20%	+13%	+10%	+15%	3/3
Vistula	overweight	-	2	2	1	4.85	-	+6%	-3%	-4%	+4%	-4%	-4%	4/4

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						+21.8%	12.2	9.8		
Alior Bank	buy	2018-02-01	85.50	109.00	68.00	+60.3%	9.3	7.8		
BZ WBK	buy	2018-03-05	357.80	430.00	339.80	+26.5%	13.4	11.0		
Getin Noble Bank	hold	2018-05-09	1.17	1.40	0.99	+41.4%	20.0	7.4		
Handlowy	buy	2018-04-06	77.50	94.00	70.00	+34.3%	14.5	11.9		
ING BSK	buy	2018-07-04	178.40	212.00	178.40	+18.8%	14.8	13.0		
Millennium	reduce	2018-04-06	8.35	7.00	8.04	-12.9%	13.5	12.3		
Pekao	buy	2018-02-01	135.90	157.00	112.70	+39.3%	13.5	11.2		
PKO BP	hold	2018-04-06	39.74	38.00	38.10	-0.3%	14.4	12.0		
Komerční Banka	buy	2017-12-01	899.00	1,111 CZK	952.50	+16.6%	12.2	10.4		
Erste Bank	accumulate	2018-06-06	34.78	40.00 EUR	34.59	+15.6%	10.6	9.8		
OTP Bank	buy	2018-06-06	10,210	12,090 HUF	10,230	+18.2%	10.4	9.5		
PZU	buy	2018-03-05	41.55	50.58	38.97	+29.8%	10.0	9.8		
Kruk	buy	2018-02-02	222.20	300.94	191.10	+57.5%	10.1	8.6		
Prime Car Management	buy	2018-06-06	12.70	15.54	11.60	+34.0%	6.5	5.6		
Skarbiec Holding	buy	2018-02-02	30.60	56.30	25.70	+119.1%	6.2	5.2		
Chemicals						+30.0%	7.1	7.3	5.4	5.8
Ciech	buy	2018-07-04	53.05	81.14	53.05	+53.0%	7.1	7.3	4.7	4.8
Grupa Azoty	hold	2018-05-25	42.60	44.40	42.60	+4.2%	14.2	14.6	5.4	5.8
Polwax	buy	2018-05-09	7.80	16.69	7.60	+119.6%	5.1	3.8	6.5	5.8
Oil & Gas						+15.2%	9.6	9.9	5.0	4.9
Lotos	hold	2018-06-29	54.50	52.51	57.22	-8.2%	13.0	10.6	5.6	5.5
MOL	accumulate	2018-06-29	2,654	2,995 HUF	2,750	+8.9%	9.1	9.2	4.3	4.3
PGNiG	buy	2018-06-29	5.53	8.28	5.91	+40.1%	8.1	6.9	4.0	3.4
PKN Orlen	reduce	2018-06-29	82.50	76.84	83.98	-8.5%	10.0	12.3	6.0	6.9
Power Utilities						+13.7%	4.6	4.4	3.9	3.4
CEZ	sell	2018-07-04	550.00	440.96 CZK	550.00	-19.8%	20.8	19.3	8.3	8.2
Enea	buy	2018-05-29	9.57	12.62	9.31	+35.6%	4.5	3.5	4.0	3.4
Energa	buy	2018-05-29	9.00	15.58	8.86	+75.8%	4.6	4.4	3.4	3.3
PGE	buy	2018-05-29	9.28	13.60	9.44	+44.1%	5.8	5.6	3.6	3.4
Tauron	buy	2018-05-29	2.01	2.76	2.25	+22.7%	3.0	3.7	3.9	4.4
Telecoms, Media, IT						+8.4%	20.2	16.4	7.1	6.2
Netia	reduce	2018-06-06	5.00	4.30	4.96	-13.3%	45.1	54.5	5.8	6.1
Orange Polska	buy	2018-04-06	5.83	7.60	4.62	+64.5%	20.2	11.1	4.2	3.8
Play	reduce	2018-07-03	24.88	23.50	24.60	-4.5%	8.0	8.2	6.1	5.9
Agora	buy	2018-04-06	14.50	18.40	12.70	+44.9%	24.1	26.2	4.3	4.5
Cyfrowy Polsat	accumulate	2018-06-15	22.76	24.90	23.18	+7.4%	13.5	11.5	7.1	6.2
Wirtualna Polska	accumulate	2018-04-24	54.00	60.00	50.00	+20.0%	19.6	16.8	10.7	9.0
Asseco Poland	hold	2018-06-06	44.00	41.20	41.54	-0.8%	14.1	14.8	8.5	8.0
CD Projekt	sell	2018-04-06	114.90	90.80	162.80	-44.2%	78.4	23.5	62.1	18.1
Comarch	accumulate	2018-05-09	145.00	166.50	154.50	+7.8%	22.2	16.4	8.8	7.6
Industrials, Mining						+27.9%	10.5	6.3	7.0	4.6
Famur	buy	2018-05-09	5.94	6.95	5.14	+35.2%	14.7	11.5	7.2	6.1
Grupa Kęty	hold	2018-06-06	360.50	371.08	321.00	+15.6%	11.1	11.3	8.1	8.0
JSW	buy	2018-07-04	77.50	107.00	77.50	+38.1%	4.1	5.7	2.2	2.6
Kemel	hold	2018-05-09	50.80	53.04	48.35	+9.7%	9.9	5.2	6.8	4.6
KGHM	buy	2018-06-06	96.52	112.92	90.44	+24.9%	7.4	5.8	4.4	3.3
Stelmet	buy	2018-07-04	10.70	20.24	10.70	+89.2%	14.5	6.7	7.6	4.7
Construction						+27.9%	9.4	9.0	4.1	3.6
Budimex	hold	2018-06-06	153.00	163.00	131.00	+24.4%	9.8	10.7	3.6	3.7
Elektrobudowa	hold	2018-06-06	69.00	71.00	72.40	-1.9%	14.5	14.2	5.8	5.8
Erbud	buy	2018-06-06	14.90	22.00	14.80	+48.6%	9.0	7.3	4.0	3.5
Unibep	buy	2018-04-06	7.50	10.10	5.60	+80.4%	6.4	5.5	4.2	3.3
Property Developers						+20.3%	7.7	8.0	7.4	7.3
Atal	buy	2018-07-04	36.40	42.86	36.40	+17.7%	7.4	7.8	6.6	7.2
Capital Park	buy	2018-04-06	5.95	8.35	5.45	+53.2%	10.8	9.1	17.7	17.0
Dom Development	accumulate	2018-06-22	85.80	87.80	75.80	+15.8%	7.9	8.3	6.4	7.0
Echo	buy	2018-04-06	5.23	5.63	4.26	+32.2%	5.8	5.4	6.9	7.1
GTC	hold	2018-04-06	9.39	9.60	9.27	+3.6%	10.9	9.4	15.1	14.2
LC Corp	buy	2018-06-22	2.39	3.58	2.55	+40.4%	6.1	5.6	8.0	7.5
Retail						+27.3%	25.5	17.1	14.6	10.2
AmRest	reduce	2018-04-06	449.50	426.00	439.50	-3.1%	46.3	36.3	15.2	12.1
CCC	buy	2018-06-06	242.80	295.00	195.50	+50.9%	25.6	15.1	14.6	10.2
Dino	hold	2018-06-06	107.40	103.50	104.00	-0.5%	31.9	23.9	19.8	15.3
Eurocash	buy	2018-04-06	24.41	30.70	21.15	+45.2%	22.2	17.1	7.2	6.1
Jeronimo Martins	buy	2018-06-06	13.52	16.40 EUR	11.96	+37.1%	16.2	15.1	7.1	6.4
LPP	accumulate	2018-06-18	9,025	10,200	9,050	+12.7%	25.4	20.9	13.9	11.5
TXM	buy	2018-07-04	1.28	3.48	1.28	+171.9%	-	4.3	17.5	4.2
Other						+2.0%	11.0	10.0	7.3	6.7
PBKM	hold	2018-06-06	73.00	76.26	74.80	+2.0%	11.0	10.0	7.3	6.7

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2018	2019	2018	2019
Industrials						15.3	10.2	5.8	5.4
Ailleron	neutral	2018-03-28	16.20	14.40	-11.1%	17.1	14.9	7.8	6.4
Asseco BS	neutral	2018-03-28	28.00	26.40	-5.7%	15.3	13.9	10.2	9.4
Asseco SEE	overweight	2018-04-26	11.70	10.90	-6.8%	10.0	9.5	4.4	4.0
Atende	overweight	2018-03-28	4.25	3.98	-6.4%	9.3	8.4	5.7	5.4
Wasko	neutral	2018-05-30	1.68	1.84	+9.5%	15.5	10.2	5.8	4.9
Industrials						8.9	10.6	6.2	6.0
Alumetal	neutral	2017-07-31	46.99	47.20	+0.4%	9.3	10.2	7.8	7.8
Amica	overweight	2018-06-06	121.00	111.80	-7.6%	7.8	6.4	5.2	4.3
Apator	neutral	2018-02-28	24.00	23.00	-4.2%	12.6	13.1	7.3	7.5
Boryszew	neutral	2017-11-30	9.85	6.75	-31.5%	8.5	8.2	6.1	5.7
Elemental	neutral	2018-04-27	1.09	0.97	-11.0%	3.9	3.4	4.2	3.7
Ergis	neutral	2018-04-27	4.06	3.73	-8.1%	8.3	7.9	6.1	5.6
Forte	neutral	2018-04-27	50.70	45.20	-10.8%	19.3	12.3	12.9	10.0
Kruszwica	neutral	2017-03-29	63.50	67.40	+6.1%	18.4	18.8	10.9	10.8
Mangata	neutral	2018-06-22	90.00	96.00	+6.7%	13.1	12.9	8.1	7.8
Pfleiderer Group	overweight	2018-04-27	37.30	37.00	-0.8%	17.1	15.3	6.2	5.8
Pozbud	overweight	2017-11-13	2.98	3.68	+23.5%	6.7	3.8	5.9	2.6
Tarczyński	neutral	2018-05-30	14.50	14.70	+1.4%	7.9	10.9	5.6	6.2
Construction Sector						19.3	8.9	5.7	4.7
Elektrotim	neutral	2018-05-28	5.80	6.70	+15.5%	40.6	17.1	7.6	6.6
Herkules	neutral	2018-01-25	3.67	3.23	-12.0%	10.1	7.1	5.3	4.4
Torpol	neutral	2018-05-28	6.40	4.80	-25.0%	22.5	7.0	6.1	3.6
Trakcja	underweight	2018-05-18	3.65	2.69	-26.3%	21.1	19.3	5.1	5.0
Ulma	neutral	2018-05-28	73.00	70.00	-4.1%	8.7	8.4	3.5	3.3
ZUE	neutral	2018-05-28	5.86	5.46	-6.8%	17.5	9.4	7.1	5.7
Property Developers						7.1	6.0	9.6	5.7
Archicom	overweight	2018-06-22	15.00	15.15	+1.0%	7.1	4.9	6.6	5.2
BBI Development	neutral	2018-04-26	0.66	0.54	-18.2%	12.5	6.0	13.3	5.7
i2 Development	neutral	2018-06-22	15.40	16.20	+5.2%	4.9	5.6	8.1	6.9
JWC	neutral	2018-06-22	3.48	3.49	+0.3%	9.5	3.8	9.6	4.3
Lokum Deweloper	overweight	2018-06-22	18.80	17.90	-4.8%	6.0	6.9	4.5	5.3
PA Nova	neutral	2018-03-29	22.30	19.50	-12.6%	6.4	7.4	10.1	11.3
Polnord	underweight	2018-06-22	9.04	8.91	-1.4%	-	-	-	-
Ronson	neutral	2018-06-22	1.09	1.05	-3.7%	11.3	7.5	12.3	10.8
Retail						12.0	10.3	7.8	6.8
Bytom	overweight	2018-05-23	2.92	2.69	-7.9%	12.0	11.0	7.8	6.8
Monnari	overweight	2018-05-23	7.19	6.60	-8.2%	8.6	8.1	3.8	3.3
Vistula	overweight	2018-05-23	4.79	4.42	-7.7%	12.6	10.3	8.6	7.0

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Issued on
Amica	overweight	overweight	-	-	2018-06-06
Archicom	overweight	overweight	-	-	2018-06-22
Asseco Poland	hold	reduce	41.20	PLN	2018-06-06
Atal	accumulate	accumulate	42.86	PLN	2018-06-22
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
Cyfrowy Polsat	accumulate	hold	24.90	PLN	2018-06-15
Dino	hold	accumulate	103.50	PLN	2018-06-06
Dom Development	accumulate	buy	87.80	PLN	2018-06-22
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
i2 Development	neutral	neutral	-	-	2018-06-22
Jeronimo Martins	buy	accumulate	16.40	EUR	2018-06-06
JSW	buy	buy	115.23	PLN	2018-06-06
JWC	neutral	underweight	-	-	2018-06-22
KGHM	buy	buy	112.92	PLN	2018-06-06
LC Corp	buy	buy	3.58	PLN	2018-06-22
Lokum Deweloper	overweight	overweight	-	-	2018-06-22
Lotos	hold	hold	52.51	PLN	2018-06-29
LPP	accumulate	hold	10200.00	PLN	2018-06-18
Mangata	neutral	underweight	-	-	2018-06-22
MOL	accumulate	hold	2995.00	HUF	2018-06-29
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
PGNiG	buy	buy	8.28	PLN	2018-06-29
PKN Orlen	reduce	reduce	76.84	PLN	2018-06-29
Play	reduce	hold	23.50	PLN	2018-07-03
Polnord	underweight	neutral	-	-	2018-06-22
Prime Car Management	buy	buy	15.54	PLN	2018-06-06
Ronson	neutral	neutral	-	-	2018-06-22

Ratings and Valuations Changed as of 4th July 2018

Company	Rating	Previous Rating	Target Price		Issued on
Atal	buy	accumulate	42.86	PLN	2018-07-04
CEZ	sell	sell	440.96	CZK	2018-07-04
Ciech	buy	buy	81.14	PLN	2018-07-04
ING BSK	buy	accumulate	212.00	PLN	2018-07-04
JSW	buy	buy	107.00	PLN	2018-07-04
Stelmet	buy	buy	20.24	PLN	2018-07-04
TXM	buy	buy	3.48	PLN	2018-07-04

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	5	5.3%	3	6.4%
underweight	2	2.1%	1	2.1%
hold	12	12.8%	4	8.5%
neutral	22	23.4%	8	17.0%
accumulate	7	7.4%	2	4.3%
buy	34	36.2%	28	59.6%
overweight	10	10.6%	0	0.0%

Corporate Events Calendar For July

Date	Time	Company	Event
20-Jul		PKN Orlen	Q2'18 earnings announcement
25-Jul		BZ WBK	Q2'18 earnings announcement
26-Jul		Budimex	Q2'18 earnings announcement
26-Jul		Millennium	Q2'18 earnings announcement
31-Jul		Erste Bank	Q2'18 earnings announcement
31-Jul		GPW	Q2'18 earnings announcement
31-Jul		mBank	Q2'18 earnings announcement

Financial Sector

Alior Bank

buy (no change)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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 happening in our assessment are about 75%. In the most likely scenario of a stock-for-stock merger, the deal will require the approval of both sets of shareholders, and we do not think Alior's owner PZU would be satisfied with the Bank's current valuation since it needs to get paid more than PLN 70 per share in order not to post a loss on the deal. 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

68.00 PLN

Upside

9M Target Price

109.00 PLN

+60.3%

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

Key Metrics	ALR PW	1M Price Chng	ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-3.5%	-0.9%
ISIN	PLALIOR00045	YTD Price Chng	-14.5%	-2.9%
Outst. Stock (m)	129.3	ADTV 1M		PLN 11.2m
MC (PLN m)	8,789.5	ADTV 6M		PLN 22.2m
		P/E 12M fwd	9.9	-29.9%
Free Float	74.8%	P/E 5Y avg	14.1	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	11.1	17.1	9.3	7.8
P/B	1.4	1.3	1.1	0.9
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)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

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 (DB) and the overhang created by DB's remaining stake, combined with lower-than-expected dividends and a disappointing composition of first-quarter earnings. Deutsche Bank should decide whether or not it is willing to sell the remaining BZW stake at the current price level by the end of July. We leave intact our 2018 FY net profit forecast of PLN 2.56bn for BZ WBK. The Bank wants to make a distribution to shareholders next year from retained earnings on top of 2018 profits, subject to regulatory approval, and if approved the resulting DPS would be PLN 23, implying a dividend yield of 6.5%. 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 339.80 PLN
9M Target Price 430.00 PLN
Upside +26.5%

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

Key Metrics		BZW PW	vs. WIG
Ticker	BZW PW	1M Price Chng	-4.2%
ISIN	PLBZ000000044	YTD Price Chng	-13.6%
Outst. Stock (m)	99.2	ADTV 1M	PLN 18.4m
MC (PLN m)	33,719.9	ADTV 6M	PLN 19.9m
		P/E 12M fwd	13.3
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	15.6	15.2	13.4	11.0	9.6
P/B	1.7	1.5	1.2	1.2	1.1
ROE	11.1%	10.6%	10.4%	11.1%	11.8%
DPS	21.33	5.40	6.69	12.55	15.46
DYield	6.3%	1.6%	2.0%	3.7%	4.5%
Revision of Projections (% change)	2018P	2019P	2020P		
Net interest income	0.0%	0.0%	0.0%		
Fee income	0.0%	0.0%	0.0%		
Total costs	0.0%	0.0%	0.0%		
Provisioning	0.0%	0.0%	0.0%		
Net income	0.0%	0.0%	0.0%		

Key Balance Sheet Figures

(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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

Getin will probably turn a profit in 2018, but only with the help of 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. On our price target GNB stock is currently trading at a price-to-book ratio of around 0.3 times.

Current Price

0.99 PLN

Upside

9M Target Price

1.40 PLN

+41.4%

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

Key Metrics			GNB PW	vs. WIG
Ticker	GNB PW	1M Price Chng	-6.6%	-4.0%
ISIN	PLGETBK00012	YTD Price Chng	-38.9%	-27.4%
Outst. Stock (m)	1,044.6	ADTV 1M		PLN 0.6m
MC (PLN m)	1,034.1	ADTV 6M		PLN 1.7m
		P/E 12M fwd	8.7	-30.4%
Free Float	49.8%	P/E 5Y avg	12.5	discount

Earnings Projections

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	-	-	20.0	7.4	3.2
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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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 which will work to the Bank's advantage after the 75bp hike anticipated in 2020. 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 corporate loans 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 Handlowy 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	

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

Current Price

70.00 PLN

Upside

9M Target Price

94.00 PLN

+34.3%

	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	-6.3%	-3.7%
ISIN	PLBH000000012	YTD Price Chng	-10.0%	+1.5%
Outst. Stock (m)	130.7	ADTV 1M		PLN 2.1m
MC (PLN m)	9,146.2	ADTV 6M		PLN 2.8m
		P/E 12M fwd	13.3	-16.0%
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	15.2	17.1	14.5	11.9
P/B	1.3	1.3	1.3	1.3
ROE	8.8%	7.8%	9.1%	10.9%
DPS	4.68	4.60	4.10	4.84
DYield	6.7%	6.6%	5.9%	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	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%

ING BSK buy (upgraded)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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 the Bank 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, as it opts to reinvest a major portion of the annual earnings in further growth and potential acquisitions. ING is rumored to be negotiating the takeover of two investment fund managers, Union Investment TFI and NN TFI, in a potential deal which would create the third-largest asset manager in Poland. The deal makes sense from ING BSK's standpoint in light of MIFID 2 and as interest rates in Poland remain low. Alternatively, if the M&A plans fall through, ING BSK can be expected to make higher distributions to shareholders. We upgrade ING from accumulate to buy after the recent downward correction, but we leave our target price intact at PLN 212 per share.

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

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	

Current Price

178.40 PLN

Upside

9M Target Price

212.00 PLN

+18.8%

	rating	target price	issued
new	buy	212.00 PLN	2018-07-04
old	accumulate	212.00 PLN	2018-03-05
Key Metrics			
Ticker	ING PW	1M Price Chng	-9.4%
ISIN	PLBSK0000017	YTD Price Chng	-11.9%
Outst. Stock (m)	130.1	ADTV 1M	PLN 2.3m
MC (PLN m)	23,209.8	ADTV 6M	PLN 2.7m
		P/E 12M fwd	14.3
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	18.5	16.5	14.8	13.0	12.0
P/B	2.2	2.0	1.8	1.6	1.4
ROE	11.8%	12.6%	12.6%	12.7%	12.3%
DPS	4.30	0.00	3.24	3.63	4.11
DYield	2.4%	0.0%	1.8%	2.0%	2.3%
Revision of Projections (% change)					
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

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%

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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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, 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. Moreover, we consider the 2018 net earnings consensus for Millennium to be overstated, and we view the Bank's 2020 target of PLN 1 billion as potentially too ambitious. Finally, note that Millennium shows less sensitivity to changes in interest rates than most of its competition, which is an advantage during periods of monetary easing, but which will put the Bank at a disadvantage after the start of next year's expected rate hike cycle in Poland.

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

8.04 PLN

Downside

9M Target Price

7.00 PLN

-12.9%

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

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-1.5%	+1.1%
ISIN	PLBIG00000016	YTD Price Chng	-10.1%	+1.5%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 5.6m
MC (PLN m)	9,753.5	ADTV 6M		PLN 7.7m
		P/E 12M fwd	12.4	-6.0%
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	13.9	14.3	13.5	12.3
P/B	1.4	1.3	1.1	1.0
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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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 ROE target of 14% by 2020. PEO stock is pricing the potential (with 75% odds) merger with Alior Bank, but it does not reflect the Bank's true dividend-paying potential after the merger, which we put at as much as 75% of the prior year's earnings.

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

112.70 PLN

Upside

9M Target Price

157.00 PLN

+39.3%

	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	-3.2%	-0.6%
ISIN	PLPEKAO000016	YTD Price Chng	-13.0%	-1.4%
Outst. Stock (m)	262.5	ADTV 1M		PLN 66.4m
MC (PLN m)	29,580.4	ADTV 6M		PLN 80.8m
		P/E 12M fwd	12.2	-23.6%
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	13.0	12.0	13.5	11.2
P/B	1.3	1.3	1.3	1.2
ROE	9.8%	10.7%	9.4%	11.1%
DPS	8.70	8.68	7.90	8.32
DYield	7.7%	7.7%	7.0%	7.4%
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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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

38.10 PLN

Downside

9M Target Price

38.00 PLN

-0.3%

	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	+0.3%
ISIN	PLPKO0000016	YTD Price Chng	-14.0%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 77.5m
MC (PLN m)	47,625.0	ADTV 6M	PLN 90.9m
		P/E 12M fwd	12.8
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	16.6	15.3	14.4	12.0
P/B	1.5	1.3	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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

We reiterate our buy call and price target for Komercni Banka. In our opinion, the FY2018-2019 consensus forecasts for Komercni are about 10% too low looking at first-quarter results and the unexpected rate hike by the Czech central bank in June. 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 (over 4% 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

Financial Highlights

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

Dividend Discount Model (DDM)

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

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

Economic Profits Model

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

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

Current Price

952.50 CZK

Upside

9M Target Price

1,111.00 CZK

+16.6%

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

Key Metrics			KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	+4.7%	+7.3%
ISIN	CZ0008019106	YTD Price Chng	+9.7%	+21.3%
Outst. Stock (m)	188.9	ADTV 1M		CZK 154.5m
MC (CZK bn)	179.9	ADTV 6M		CZK 148.9m
		P/E 12M fwd	13.3	-4.9%
Free Float	39.6%	P/E 5Y avg	14.0	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	13.1	12.0	12.2	10.4
P/B	1.8	1.9	1.5	1.4
ROE	13.4%	15.0%	13.8%	14.2%
DPS	62.00	40.00	47.00	43.00
DYield	6.5%	4.2%	4.9%	4.5%

Revision of Projections (% change)	2018P	2019P
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

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

Key Ratios

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

Valuation Summary

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

Erste Bank accumulate (no change)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

We maintain an accumulate rating for Erste Bank. 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 2018-2019 earnings expectations, which are 3%-4% higher than the current consensus. Erste 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, the Bank's 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 in the future.

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

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

Current Price

34.59 EUR

Upside

9M Target Price

40.00 EUR

+15.6%

	rating	target price	issued
unchanged	accumulate	40.00 EUR	2018-06-06

Key Metrics			EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	-3.2%	-0.7%
ISIN	AT0000652011	YTD Price Chng	-0.9%	+10.6%
Outst. Stock (m)	429.8	ADTV 1M		EUR 28.9m
MC (EUR m)	14,866.8	ADTV 6M		EUR 28.9m
		P/E 12M fwd	10.2	-11.9%
Free Float	69.5%	P/E 5Y avg	11.6	discount

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	11.3	10.6	9.8
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)			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

(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 (no change)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

We maintain a buy rating for OTP Bank. 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. OTP wants to complete five acquisitions in the near future, and 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.

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

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								

Current Price

10,230.00 HUF

Upside

9M Target Price

12,090.00 HUF

+18.2%

	rating	target price	issued
unchanged	buy	12,090.00 HUF	2018-06-06

Key Metrics			OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	+1.6%	+4.2%
ISIN	HU00000061726	YTD Price Chng	-2.6%	+9.0%
Outst. Stock (m)	267.0	ADTV 1M		HUF 5.5bn
MC (HUF bn)	2,731.8	ADTV 6M		HUF 5.7bn
		P/E 12M fwd	10.3	+1.5%
Free Float	100.0%	P/E 5Y avg	10.2	premium

Earnings Projections

(HUF m)	2016	2017	2018P	2019P
NII	522	547	605	629
Total income	738	809	885	922
Costs	-400	-442	-463	-466
Provisioning	-93	-46	-75	-79
Net income	202	281	263	287
P/E	13.5	9.7	10.4	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%	1.9%	2.5%	2.5%
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

(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%

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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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. PZU set aside a provision of PLN 148m in the first quarter of 2018 for potential loss-of-consortium claims from family members of permanently disabled accident survivors under a proposed change in regulations, and this should be enough to offset the potential claims.

Financial Highlights

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

38.97 PLN

Upside

9M Target Price

50.58 PLN

+29.8%

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

Key Metrics	PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng +2.8% +5.4%
ISIN	PLPZU00000011	YTD Price Chng -7.6% +4.0%
Outst. Stock (m)	863.5	ADTV 1M PLN 61.0m
MC (PLN m)	33,651.5	ADTV 6M PLN 66.7m
		P/E 12M fwd 10.7 -15.2%
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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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. KRU stock has taken an undeserved nosedive recently, but we expect sentiment to turn positive soon. Even at the current level, Kruk is trading at more attractive multiples than peers like IJ, Hoist, and Arrow Global. On our estimates, with the 9-month price target at PLN 300.94, KRU is trading at 13.7x 2019E P/E and 5.8x EV/Cash EBITDA.

Current Price

191.10 PLN

Upside

9M Target Price

300.94 PLN

+57.5%

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

Key Metrics			KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-17.1%	-14.5%
ISIN	PLKRK0000010	YTD Price Chng	-25.5%	-14.0%
Outst. Stock (m)	18.7	ADTV 1M		PLN 14.0m
MC (PLN m)	3,582.0	ADTV 6M		PLN 15.2m
EV (mln PLN)	-	EV/EBITDA 12M fwd	10.8	-15.6%
Free float	87.0%	EV/EBITDA 5Y avg	12.8	discount

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	14.1	12.1	10.1	8.6	8.1
P/B	2.7	2.5	2.0	1.7	1.5
ROE	24.6%	21.9%	21.8%	21.5%	20.1%
DPS	2.00	2.26	5.00	5.66	11.08
DYield	1.0%	1.2%	2.6%	3.0%	5.8%

Revision of Projections (% change)	2018P	2019P	2020P
Purchased debt portfolios	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 (no change)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

Our current earnings outlook for PCM reflects 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, offering dividend yields of 8%. With that said, 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 32%-34% to average peer 2018-19E P/E ratios, and it shows an ~80% 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 the assumption of lower to no dividends in 2018, are reason enough in our view to justify the heavy beating that PCM stock has taken in the past week. 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

11.60 PLN

Upside

9M Target Price

15.54 PLN

+34.0%

	rating	target price	issued
unchanged	buy	15.54 PLN	2018-06-06

Key Metrics	PCM PW	1M Price Chng	PCM PW	vs. WIG
Ticker	PCM PW	1M Price Chng	-32.0%	-29.4%
ISIN	PLPRMCM00048	YTD Price Chng	-59.4%	-47.8%
Outst. Stock (m)	11.9	ADTV 1M		PLN 0.4m
MC (PLN m)	138.1	ADTV 6M		PLN 0.4m
EV (mln PLN)	150.1	EV/EBITDA 12M fwd	8.2	+15.1%
Free float	40.0%	EV/EBITDA 5Y avg	7.1	premium

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	3.8	3.9	6.5	5.6	4.4
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	47.4%	20.3%	8.6%	8.6%	8.6%

Revision of Projections (% change)	2018P	2019P	2020P
Revenue from operating leases	0.0%	0.0%	0.0%
Interest revenue	0.0%	0.0%	0.0%
Total 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
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)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

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 said in the past that it intended to achieve the goals first and foremost through organic growth, though it will consider acquisitions if opportunities arise. Accordingly, in June the Company announced it was negotiating the acquisition of the Trigon TFI asset manager via stock-for-stock merger which will not hurt dividends, but which will boost AUM. 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%. SKH makes a solid buy opportunity in our opinion.

Financial Highlights

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

Per-Share Valuation

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

Current Price

25.70 PLN

Upside

9M Target Price

56.30 PLN

+119.1%

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

Key Metrics	SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng -7.2% -4.6%
ISIN	PLSKRBH00014	YTD Price Chng -7.2% +4.3%
Outst. Stock (m)	6.8	ADTV 1M PLN 0.5m
MC (PLN m)	175.3	ADTV 6M PLN 0.2m
		P/E 12M fwd 7.5 -8.7%
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	5.4	7.4	6.2	5.2	4.2
P/B	1.7	1.8	1.8	1.8	1.7
ROE	34.1%	24.2%	29.8%	35.0%	41.4%
DPS	3.08	4.28	4.15	4.57	5.53
DYield	12.0%	16.7%	16.2%	17.8%	21.5%
Revision of Projections (% change)			2018P	2019P	2020P
Management fees			0.0%	0.0%	0.0%
Success fees			0.0%	0.0%	0.0%
Revenue			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Key Balance Sheet Figures

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

Relative Valuation Summary

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

Chemicals

Ciech

buy (reiterated)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

Spot prices of soda ash in Asian market registered an upward shift toward the end of 2017, supported by production curbs in China, designed to combat pollution, 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 Elektrik, 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 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, and with the stock now trading ex-dividend we adjust our 9-month price target for the PLN 7.5 DPS, landing at PLN 81.14 per share.

Current Price	53.05 PLN	Upside
9M Target Price	81.14 PLN	+53.0%

	rating	target price	issued
new	buy	81.14 PLN	2018-07-04
old	buy	88.64 PLN	2018-06-06
Key Metrics		CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-0.6% +2.0%
ISIN	PLCIECH000018	YTD Price Chng	+6.1% +17.6%
Outst. Stock (m)	52.7	ADTV 1M	PLN 12.4m
MC (PLN m)	2,795.7	ADTV 6M	PLN 4.6m
EV (PLN m)	3,770.7	EV/EBITDA 12M fwd	5.7 -8.7%
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.	4.8	7.5	7.1	7.3	6.7
P/B	1.6	1.3	1.2	1.2	1.1
EV/EBITDA adj.	4.5	4.5	4.7	4.8	4.5
DPS	2.85	0.00	7.50	4.14	4.69
DYield	5.4%	0.0%	14.1%	7.8%	8.8%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
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

	18P	P/E 19P	20P	18P	EV/EBITDA 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%	69.47
DCF Val.	50%	82.29
Implied Price		75.88
Cost of equity (9M)		6.3%
9M Target Price		81.14



Grupa Azoty hold (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

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.

Current Price

42.60 PLN

Upside

9M Target Price

44.40 PLN

+4.2%

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

Key Metrics	ATT PW	1M Price Chng	0.0%	vs. WIG
Ticker	ATT PW	1M Price Chng	0.0%	+2.6%
ISIN	PLZATRM00012	YTD Price Chng	-38.8%	-27.3%
Outst. Stock (m)	99.2	ADTV 1M		PLN 2.8m
MC (PLN m)	4,225.7	ADTV 6M		PLN 2.8m
EV (PLN m)	5,778.5	EV/EBITDA 12M fwd	4.7	-30.2%
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.	11.0	7.7	13.8	14.6	13.7
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA adj.	4.9	4.1	5.3	5.8	6.3
DPS	0.84	0.79	1.20	0.90	0.88
DYield	2.0%	1.9%	2.8%	2.1%	2.1%

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%

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 19P	20P	18P	EV/EBITDA 19P	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 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%

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)

Kamil Kliszczy

+48 22 438 24 02

kamil.kliszczy@mbank.pl

As predicted last month, prices of slack wax are beginning to build momentum, as evidenced by an uptick in the ICIS paraffin wax benchmark after months of no movement. The recovery is led by a decreasing supply of high-sulfur crude oil from Russia, and the resulting narrowing of slack wax margins achieved by oil refiners. Against this backdrop, we maintain that Polwax, which opted to wait out the paraffin downturn without cutting prices, is set to see improving gross margins in the second half of 2018, supported by graveside candle orders from Biedronka supermarkets (which stock them up around Poland's All Saints' Day on November 1st) at slightly higher prices, which should more than offset the upward pressure on employee compensation. We maintain a buy call for PWX which at 6.5x 2018E EV/EBITDA already prices in future capital investment but completely ignores the returns. Moreover, 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	7.60 PLN	Upside
9M Target Price	16.69 PLN	+119.6%

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

Key Metrics		PWX PW	vs. WIG
Ticker	PWX PW	1M Price Chng	-3.8%
ISIN	PLPOLWX00026	YTD Price Chng	-31.2%
Outst. Stock (m)	10.3	ADTV 1M	PLN 0.1m
MC (PLN m)	78.3	ADTV 6M	PLN 0.2m
EV (PLN m)	169.5	EV/EBITDA 12M fwd	6.3
Free Float	84.9%	EV/EBITDA 5Y avg	5.8

Earnings Projections

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	3.7	4.5	5.1	3.8	4.0
P/B	0.9	0.8	0.7	0.6	0.5
EV/EBITDA	3.3	4.0	6.5	5.8	4.9
DPS	1.06	0.00	0.00	0.00	0.00
DYield	13.9%	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

	18P	P/E	20P	18P	EV/EBITDA	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)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

Lotos faces contraction in 2018 FY LIFO EBITDA, but this is mostly priced in at this point, with the upstream business set to mitigate the falls. Unlike its local rival PKN Orlen, Lotos is expected to deliver higher earnings next year despite worsened market conditions, owing to the planned launch of a new delayed coking unit (which will add PLN 0.4bn to profits, but which might tighten the geographic premium due to an increased diesel supply). Further, in 2020 Lotos should see a rebound in crude oil volumes after completing investment in its oil plays. 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 subsequently 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, but they should keep in mind the worsening market conditions and recognize the downsides of being a minority shareholder in a company where the controlling stake is held by PKN. Another thing to remember is that merger might be blocked altogether by the European Commission. We maintain a hold rating for LTS, whose downstream business might disappoint with weak 2018 Q2 financials.

Current Price

57.22 PLN

Downside

9M Target Price

52.51 PLN

-8.2%

	rating	target price	issued
unchanged	hold	52.51 PLN	2018-06-29

Key Metrics	LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng +5.1% +7.7%
ISIN	PLLOTOS00025	YTD Price Chng -0.8% +10.7%
Outst. Stock (m)	184.9	ADTV 1M PLN 17.8m
MC (PLN m)	10,578.5	ADTV 6M PLN 18.0m
EV (PLN m)	14,894.8	EV/EBITDA 12M fwd 4.8 -20.6%
Free Float	46.8%	EV/EBITDA 5Y avg 6.0 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	20,931	24,186	29,156	31,641	31,888
EBITDA	2,923	3,073	2,648	2,803	3,117
EBITDA margin	14.0%	12.7%	9.1%	8.9%	9.8%
EBIT	1,855	2,229	1,793	1,808	2,016
Net income	1,015	1,672	812	1,002	987
P/E	10.4	6.3	13.0	10.6	10.7
P/B	1.2	1.0	1.0	0.9	0.8
EV/EBITDA	5.3	4.3	5.6	5.5	4.8
DPS	0.00	1.00	1.00	1.32	1.63
DYield	0.0%	1.7%	1.7%	2.3%	2.8%
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	2,453	2,716	3,097
Upstream (US)	692	863	924	985	1,244
Downstream (DS)	1,761	2,058	1,372	1,571	1,689
Retail	140	139	156	159	163
EV/ LIFO EBITDA (adj.)	5.8	4.2	6.0	5.6	4.8
LIFO effect	-77	171	280	89	23
Other one-offs	404	-148	-86	-2	-2
Financing activity	-275	219	-401	-216	-310
Crude thrghpt (mmt)	10.4	9.6	10.4	10.4	10.2
\$ LIFO EBITDA/bbl, DS	5.9	7.7	5.0	5.7	6.1
PLN EBITDA/tonne, Retail	129	131	131	131	132
\$ EBITDA/boe, US	18.0	26.9	32.8	36.1	37.8
US output (mboepd)	26.7	23.3	21.4	20.5	24.4
natural gas	15.6	13.4	12.1	10.3	10.9
crude oil	11.1	9.9	9.3	10.1	13.5

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	2,654	3,127	511	1,468	2,336
OCF/EBITDA LIFO adj.	102%	103%	21%	54%	75%
CAPEX	1,244	1,439	1,483	1,541	1,328
Working capital	3,867	4,035	5,665	6,413	6,479
Equity	8,611	10,712	11,090	11,912	12,527
Net debt	4,808	2,505	4,316	4,787	4,465
Net debt/EBITDA (x)	1.6	0.8	1.6	1.7	1.4

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	4.5	4.2	4.3	2.0	1.9	1.9
Maximum	20.6	20.0	16.9	10.8	10.6	10.5
Median	9.3	9.2	8.9	4.9	4.5	4.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
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
USD/PLN	3.60	3.65	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Revenue	27,728	30,111	30,001	30,254	30,002	30,002	30,002	30,002	30,002	30,063	30,063
EBITDA	1,724	1,817	1,873	1,982	1,975	1,968	1,961	1,954	1,946	1,938	1,938
EBITDA margin	6.2%	6.0%	6.2%	6.6%	6.6%	6.6%	6.5%	6.5%	6.5%	6.4%	6.4%
EBIT	1,213	1,186	1,206	1,256	1,285	1,244	1,212	1,182	1,152	1,121	1,186
Tax	230	225	229	239	244	236	230	225	219	213	225
CAPEX	-1,048	-686	-748	-752	-752	-752	-752	-752	-752	-752	-752
Working capital	-1,766	-748	-66	9	-2	35	26	53	12	6	6
FCF	-1,321	158	829	1,001	977	1,015	1,005	1,030	988	979	967
PV FCF	-1,277	143	698	781	708	680	624	592	526	482	
WACC	7.1%	7.1%	7.2%	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	10,747
Net debt	2,505
Petrobaltic	1,820
Value per share (PLN)	54.42

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	44.37
DCF Val.	50%	54.42
Implied Price		49.40
Cost of equity (9M)		6.3%
9M Target Price		52.51

MOL accumulate (no change)

Kamil Kliszczy

+48 22 438 24 02

kamil.kliszczy@mbank.pl

We upgraded MOL from hold to accumulate in June after a downward price correction and a small upward revision to expected CCS EBITDA and net profits. MOL is the top bet of all our rated gas & oil producers thanks to its business profile and a EV/CCS EBITDA of 4.4x compared to corresponding ratios assigned to its Polish counterparts of 6.5x PKN Orlen and 5.8x Lotos. What sets MOL apart from the Polish rivals, aside from a high share of upstream in EBITDA, expected to increase to HUF 300bn this year thanks to rising hydrocarbon prices, from HUF 235bn in 2017, is a high target FCF yield (6%), set to result in higher dividends (with a projected long-term dividend yield of 2.6% sweetened by possible repurchases of treasury stock, currently accounting for 9.3% of all issued stock), and a lack of plans for major capital investment. What is more, by finally settling its dispute with the Croatian government, hopefully by the end of the year, and by selling its shares in the INA refinery (the likelihood of this has increased recently after Croatia requested that the Company set up a data room to facilitate due diligence by prospective investors), MOL is poised for a market cap boost to the tune of 10-12% in the base-case scenario.

Current Price

2,750 HUF

Upside

9M Target Price

2,995 HUF

+8.9%

	rating	target price	issued
unchanged	accumulate	2,995 HUF	2018-06-29

Key Metrics			MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	+4.0%	+6.6%
ISIN	HU0000153937	YTD Price Chng	-5.8%	+5.7%
Outst. Stock (m)	738.1	ADTV 1M		HUF 1,697.1m
MC (HUF m)	2,029,853.3	ADTV 6M		HUF 2,186.6m
EV (HUF m)	2,700,357.9	EV/EBITDA 12M fwd	4.0	-8.0%
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	4,948	5,245	5,261
EBITDA	623	673	628	646	654
EBITDA margin	17.5%	16.3%	12.7%	12.3%	12.4%
EBIT	308	354	327	325	323
Net income	263	307	223	221	228
P/E	7.7	6.6	9.1	9.2	8.9
P/B	1.4	1.2	1.1	1.0	1.0
EV/EBITDA	4.7	4.1	4.3	4.3	4.2
DPS	70.88	78.13	127.50	111.76	117.35
DYield	2.6%	2.8%	4.6%	4.1%	4.3%

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	598	629	654
Upstream (US)	190	235	300	335	309
Downstream (DS)	178	198	109	117	141
Retail	86	97	102	110	115
Petchem	144	127	76	54	75
Gas Midstream	54	61	61	63	64
General expenses	-48	-45	-50	-51	-51
EV/LIFO EBITDA (adj.)	4.8	4.1	4.5	4.4	4.2
LIFO effect	25	7	29	16	0
Other one-offs	-7	-7	0	0	0
Financing activity	-35	11	-7	-8	-9
\$ LIFO EBITDA/bbl, DS	4.5	5.1	3.0	3.2	3.8
EBITDA/boe, US	17.7	23.9	31.1	35.3	34.6
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	543	532	593
OCF/EBITDA LIFO adj.	86%	83%	91%	85%	91%
CAPEX	289	286	317	484	439
Working capital	156	248	264	306	307
Equity	1,492	1,741	1,852	1,973	2,097
Net debt	606	435	329	389	349
Net debt/EBITDA (x)	1.0	0.6	0.5	0.6	0.5

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	4.5	4.2	4.3	2.0	1.9	1.9
Maximum	20.6	20.0	16.9	10.8	10.6	10.5
Median	10.1	10.0	9.8	5.2	4.9	4.3
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	70	75	75	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	4,641	4,921	4,956	4,953	4,963	4,964	4,965	4,966	4,966	4,967	4,967
EBITDA	328	310	345	373	409	413	410	408	406	404	404
EBITDA margin	7.1%	6.3%	7.0%	7.5%	8.2%	8.3%	8.3%	8.2%	8.2%	8.1%	8.1%
EBIT	162	130	154	162	187	184	177	167	157	159	189
Tax	39	33	39	41	47	46	44	42	39	40	36
CAPEX	-215	-380	-344	-259	-221	-215	-215	-215	-215	-215	-215
Working capital	-44	-42	-1	2	1	0	0	1	1	1	1
FCF	31	-145	-39	75	142	152	152	153	153	150	154
PV FCF	30	-128	-32	56	97	96	88	81	74	67	
WACC	8.6%	8.6%	8.7%	9.0%	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	1,286
Net debt & adjustments	229
Upstream Valuation	571
Value per share (HUF)	2,332

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	3,263
DCF Val.	50%	2,332
Implied Price		2,797
Cost of equity (9M)		7.0%
9M Target Price		2,995



PGNiG buy (no change)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

PGNiG stock has been on a downward slope again, completely disregarding all the overwhelmingly bullish signals, including a rebound upwards of 40% so far in European prices of natural gas compared to this time last year, occurring against seasonal patterns, which implies a boost of nearly PLN 1.8bn at spot prices to PGNiG's FY E&P revenue. Also not priced in is the expected award in arbitration against Gazprom, which has recently agreed to adjust its pricing as part of a deal with the European Commission. The award assuming PGNiG wins the case can be as much as \$0.8 billion. Further, after somewhat disappointing profits on natural gas trade in Q1 2018, PGNiG's trading margins are bound to recover going forward as last year's market deregulation takes hold. PGN stock is trading an over-20% discount to its 5Y EV/EBITDA ratio and a 30% discount to comparable companies, and, even more surprisingly, it is valued lower than Polish utilities, who do not pay dividends, and who face huge capital expenditure ordered by the state which is in no way aligned with their core business. Meanwhile the expectation for PGNiG is for future FCF yields greater than 10%. Our updated 2018-2020 FY earnings forecasts for PGNiG stand 20% higher than the consensus forecasts. We maintain a buy rating for PGN.

Current Price

5.91 PLN

Upside

9M Target Price

8.28 PLN

+40.1%

	rating	target price	issued
unchanged	buy	8.28 PLN	2018-06-29

Key Metrics	PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng -1.8% +0.8%
ISIN	PLPGNIG00014	YTD Price Chng -6.0% +5.5%
Outst. Stock (m)	5,778.3	ADTV 1M PLN 19.5m
MC (PLN m)	34,149.8	ADTV 6M PLN 22.3m
EV (PLN m)	33,715.2	EV/EBITDA 12M fwd 4.1 -21.8%
Free Float	28.1%	EV/EBITDA 5Y avg 5.2 discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	33,196	35,857	38,650	43,157	42,849
EBITDA	5,974	6,579	8,502	9,398	9,681
EBITDA margin	18.0%	18.3%	22.0%	21.8%	22.6%
EBIT	3,360	3,910	5,798	6,701	6,938
Net income	2,351	2,923	4,199	4,934	4,837
P/E	14.5	11.7	8.1	6.9	7.1
P/B	1.1	1.0	0.9	0.9	0.8
EV/EBITDA	5.8	5.3	4.0	3.4	3.1
DPS	0.18	0.20	0.15	0.29	0.34
DYield	3.1%	3.4%	2.5%	4.9%	5.8%
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	8,502	9,398	9,681
EBITDA	5,974	6,579	8,502	9,398	9,681
Mining	2,206	3,865	5,159	5,610	5,694
Trade	614	-435	480	810	869
Distribution	2,559	2,493	2,278	2,291	2,299
Heat & Power	759	843	777	883	1,020
Other	-164	-187	-192	-196	-201
Financing activity	-150	12	-54	-30	12
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	4.6	4.6
domestic	3.9	3.8	3.8	3.8	3.8
international	0.6	0.7	0.7	0.8	0.8
Trade mrgn, PLN/MWh	0.4	-2.4	0.5	2.3	3.1

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	5,922	4,816	6,673	7,439	7,621
OCF/EBITDA	99%	73%	78%	79%	79%
CAPEX	2,968	3,162	4,283	3,797	3,829
Working capital	3,619	5,280	6,053	6,759	6,711
Equity	32,013	33,626	36,364	39,618	42,481
Net debt	523	428	-436	-2,362	-4,187
Net debt/EBITDA (x)	0.1	0.1	-0.1	-0.3	-0.4

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	3.0	3.1	3.1	3.0	3.0	2.8
Maximum	20.2	17.4	16.1	11.6	11.7	11.6
Median	12.7	11.6	11.3	6.1	5.9	5.6
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	20.2	22.1	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
USD/PLN	3.60	3.65	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Revenue	38,650	43,157	42,849	44,053	43,737	40,331	39,833	38,415	37,498	38,132	38,132
EBITDA	8,502	9,398	9,681	9,549	9,094	8,919	8,940	8,733	8,668	8,774	8,774
EBITDA margin	22.0%	21.8%	22.6%	21.7%	20.8%	22.1%	22.4%	22.7%	23.1%	23.0%	23.0%
EBIT	5,798	6,701	6,938	6,742	6,251	6,026	5,946	5,710	5,572	5,541	4,696
Tax	1,556	1,744	2,111	2,063	1,913	1,828	1,801	1,689	1,622	1,615	1,438
CAPEX	-4,283	-3,797	-3,829	-3,856	-3,971	-3,993	-4,015	-4,016	-4,034	-4,078	-4,078
Working capital	-773	-706	48	-189	50	533	78	222	144	-99	-99
FCF	1,890	3,152	3,789	3,442	3,259	3,631	3,202	3,250	3,156	2,982	3,159
PV FCF	1,811	2,772	3,060	2,551	2,218	2,268	1,836	1,711	1,525	1,323	
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	42,784
Net debt	428
Other adjustments	835
Value per share (PLN)	7.47

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	9.62
Relative (DYield)	17%	4.90
DCF	50%	7.47
Cost of equity (9M)		6.7%
9M Target Price		8.28

PKN Orlen reduce (no change)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

We maintain a bearish view on PKN Orlen's 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 in 2017 of PLN 270m, and the Czech refinery reported negative LIFO EBITDA in the period only partly explained with plant downtime. In subsequent quarters, increasing supply will most likely also put a squeeze on PKN's profits from petrochemicals, with the segmental 2018 Q2 LIFO EBITDA set for a potential 30% fall. Despite the worsened earnings prospects, PKN's 2018E EV/LIFO EBITDA ratio at 6.6x remains higher than the multiples of comparable refiners like MOL and Lotos. When it comes to the planned merger between PKN and the other Polish state refiner, Lotos, we will probably not have many chances to hear PKN brag about the potential synergies in the near future as the Company focuses on appeasing Lotos's local community with assurances of job security. Note also that winning antitrust approval for the merger might turn out more of a challenge than thought. PKN's recent and planned cash-intense acquisitions at peak earnings (Lotos, Unipetrol), and the upcoming petrochemicals ramp-up, are not an optimal way forward from an investor's standpoint as market conditions continue to worsen. We maintain a reduce rating for PKN, which is trading at an undeserved premium to peers if we take into account the current downstream conditions and the Company's recent pledge to shoulder the costs of the new emissions tax passed in June.

Current Price

83.98 PLN

Downside

9M Target Price

76.84 PLN

-8.5%

	rating	target price	issued
unchanged	reduce	76.84 PLN	2018-06-29

Key Metrics			PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	+2.4%	+5.0%
ISIN	PLPKN0000018	YTD Price Chng	-20.8%	-9.2%
Outst. Stock (m)	427.7	ADTV 1M		PLN 62.0m
MC (PLN m)	35,919.0	ADTV 6M		PLN 76.6m
EV (PLN m)	44,647.9	EV/EBITDA 12M fwd	5.0	-14.0%
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	109,725	121,514	124,761
EBITDA	9,642	11,078	7,433	6,676	7,437
EBITDA margin	12.1%	11.6%	6.8%	5.5%	6.0%
EBIT	7,532	8,657	4,808	3,807	4,345
Net income	5,261	6,655	3,586	2,925	3,195
P/E	6.8	5.4	10.0	12.3	11.2
P/B	1.3	1.1	1.0	1.0	0.9
EV/EBITDA	4.3	3.6	6.0	6.9	6.1
DPS	2.13	3.00	3.00	2.93	2.39
DYield	2.5%	3.6%	3.6%	3.5%	2.8%
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	6,741	6,484	7,388
Downstream(DS)	4,549	4,689	2,352	1,799	2,417
Petchem	1,776	3,034	2,289	2,444	2,893
Retail	1,832	2,049	2,003	1,968	2,018
Upstream	255	293	318	378	392
Electricity	0	129	413	559	347
General expenses	-744	-613	-633	-665	-679
EV/LIFO EBITDA (adj.)	5.4	4.1	6.5	7.0	6.1
LIFO effect	86	788	607	192	49
Other one-offs	1,888	709	84	0	0
Financing activity	-645	60	-381	-196	-400
\$ LIFO EBITDA/bbl, DS	5.3	4.9	2.9	2.2	2.9
PLN EBITDA/tonne, Retail	224	232	221	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	2,959	3,963	5,630
OCF/EBITDA LIFO adj.	122%	84%	44%	61%	76%
CAPEX	5,033	4,039	5,063	3,950	3,650
Working capital	6,144	7,489	11,122	13,148	14,205
Equity	26,763	32,197	34,500	36,170	38,341
Net debt	3,363	761	8,729	10,167	9,611
Net debt/EBITDA (x)	0.3	0.1	1.2	1.5	1.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	5.4	5.1	5.0	2.0	1.9	1.9
Maximum	17.5	17.1	21.5	19.2	19.0	19.2
Median	9.6	9.3	8.7	5.8	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	+
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	395	343	377	337	337	337	337	337	337	337	336.6
USD/PLN	3.60	3.65	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Revenue	109,725	121,514	124,761	125,474	126,058	126,683	127,319	127,964	128,618	129,283	129,283
EBITDA	7,433	6,676	7,437	7,626	7,588	7,728	7,750	7,756	7,765	7,708	7,708
EBITDA margin	6.8%	5.5%	6.0%	6.1%	6.0%	6.1%	6.1%	6.1%	6.0%	6.0%	6.0%
EBIT	4,808	3,807	4,345	4,565	4,471	4,574	4,540	4,466	4,370	4,347	4,357
Tax	913	723	826	867	850	869	863	848	830	826	828
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	-3,633	-2,027	-1,057	-209	-87	-93	-95	-96	-97	-99	-99
FCF	-6,377	-24	1,904	3,200	3,302	3,416	3,443	3,462	3,488	3,433	3,228
PV FCF	-6,155	-22	1,597	2,496	2,392	2,296	2,142	1,994	1,860	1,695	
WACC	7.3%	7.2%	7.3%	7.5%	7.7%	7.8%	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	33,012
Net debt	412
Other adjustments	0
Value per share (PLN)	76.22

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	68.35
DCF Val.	50%	76.22
Implied Price		72.28
Cost of equity (9M)		6.3%
9M Target Price		76.84



Power Utilities

CEZ

sell (reiterated)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

Amid consistently auspicious underlying fundamentals, with German electricity prices hitting new highs (coming close to EUR 44/MWh at the end of June), driven by rising coal prices, CEZ's share price (after dividends) outperformed the broad market in June, and at the current level now is probably a good time to take profits on the stock, trading at a record 15% premium to the EV/EBITDA ratio of Stoxx Utilities after 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. 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, with the price target adjusted for revisions to our DCF model to reflect this year's CZK 33-a-share dividend payout.

Current Price

550.00 CZK

Downside

9M Target Price

440.96 CZK

-19.8%

	rating	target price	issued
new	sell	440.96 CZK	2018-07-04
old	sell	458.38 CZK	2018-05-29
Key Metrics		CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+4.7% +7.2%
ISIN	CZ0005112300	YTD Price Chng	+18.7% +30.2%
Outst. Stock (m)	538.0	ADTV 1M	CZK 195.1m
MC (CZK bn)	295.9	ADTV 6M	CZK 183.0m
EV (CZK bn)	445.8	EV/EBITDA 12M fwd	8.2 +17.9%
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	20.7	15.8	20.8	19.3	17.2
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	7.1	7.6	8.3	8.2	7.7
DPS	40.00	33.00	33.00	26.49	28.48
DYield	7.3%	6.0%	6.0%	4.8%	5.2%
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 (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%	5.8%	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	157,300
Other adjustments	-57,471
Value per share (CZK)	473.94

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	245.07
Relative (DYield)	17%	594.12
DCF	50%	473.94
Cost of equity (9M)		5.6%
9M Target Price		440.96

Enea buy (no change)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

Polish utilities are back to trading at their multi-month lows after a short-lived pickup at the beginning of June. Enea is no exception at a cheap 2018-2020E EV/EBITDA ratio of 3.8x, an aftermath of a wrecked investment profile reflecting involuntary state-led involvement in projects that are doomed to lose money, 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

9.31 PLN

Upside

9M Target Price

12.62 PLN

+35.6%

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

Key Metrics			ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	-7.7%	-5.1%
ISIN	PLENEA000013	YTD Price Chng	-19.0%	-7.5%
Outst. Stock (m)	441.4	ADTV 1M		PLN 4.6m
MC (PLN m)	4,109.8	ADTV 6M		PLN 6.6m
EV (PLN m)	11,264.1	EV/EBITDA 12M fwd	3.8	-25.4%
Free Float	48.5%	EV/EBITDA 5Y avg	5.1	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	11,256	11,406	12,232	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	5.2	3.8	4.5	3.5	4.3
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	4.0	3.9	4.0	3.4	3.8
DPS	0.00	0.28	0.00	0.00	0.00
DYield	0.0%	3.0%	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.)	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

	P/E			EV/EBITDA		
	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)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

Energa generates 90% of annual EBITDA from distribution and renewable energy, and the investment the Company 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 5bn to the generation business even though these assets generate annual EBITDA over PLN 0.3bn. 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 over canceled power agreements (half of which are the fault of changed regulations), 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). Adding to the positive outlook are recent assurances by the Polish energy regulator that power distributors will not be penalized for disruptions caused by extreme weather events which otherwise at worst could shave as much as 4% off Energa's EBITDA. We maintain a buy rating for ENG.

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	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%

Current Price

8.86 PLN

Upside

9M Target Price

15.58 PLN

+75.8%

	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	-4.3%	-1.7%
ISIN	PLENERG00022	YTD Price Chng	-30.4%	-18.9%
Outst. Stock (m)	414.1	ADTV 1M		PLN 6.2m
MC (PLN m)	3,668.6	ADTV 6M		PLN 8.6m
EV (PLN m)	7,643.0	EV/EBITDA 12M fwd	3.5	-29.0%
Free Float	48.5%	EV/EBITDA 5Y avg	4.9	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	24.3	4.7	4.6	4.4	4.6
P/B	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	4.1	3.6	3.4	3.3	3.4
DPS	0.49	0.19	0.00	0.00	0.00
DYield	5.5%	2.2%	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%	

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

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

DCF 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)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

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. The huge investment push started in 2014 included new conventional capacity and upgrades to existing installations, 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. Accordingly, we maintain a buy rating for PGE.

Current Price

9.44 PLN

Upside

9M Target Price

13.60 PLN

+44.1%

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

Key Metrics	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng -4.6% -2.1%
ISIN	PLPGER000010	YTD Price Chng -21.7% -10.1%
Outst. Stock (m)	1,869.8	ADTV 1M PLN 19.5m
MC (PLN m)	17,650.8	ADTV 6M PLN 23.7m
EV (PLN m)	26,951.8	EV/EBITDA 12M fwd 3.9 -21.1%
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	6.9	6.6	5.8	5.6	6.1
P/B	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	3.1	3.4	3.6	3.4	3.2
DPS	0.25	0.00	0.00	0.00	0.42
DYield	2.7%	0.0%	0.0%	0.0%	4.4%
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.)	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%

Key Balance Sheet Figures

(PLN m)	2016	2017	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	P/E 19P	20P	18P	EV/EBITDA 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 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%

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)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

Tauron was the only utility that managed to move up and stay up above the recent lows in June, but even at the higher level the share price can hardly be considered an accurate reflection of the Company's true value. It is ironic that, just as its value reaches all-time lows, Tauron is practically out of the woods when it comes to the risk of covenant breach (as the period of increased investment draws to a close, cash flow is poised to turn positive in the next few years), which means it is on track to regaining capacity for regular dividend payments. 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

2.25 PLN

Upside

9M Target Price

2.76 PLN

+22.7%

	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	-2.6%	-0.0%
ISIN	PLTAURN00011	YTD Price Chng	-26.2%	-14.7%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 11.2m
MC (PLN m)	3,943.2	ADTV 6M		PLN 15.8m
EV (PLN m)	14,260.0	EV/EBITDA 12M fwd	4.1	-15.7%
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	10.7	2.9	3.0	3.7	3.5
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.8	3.6	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%

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

	18P	P/E	20P	18P	EV/EBITDA	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 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%

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 (no change)

Paweł Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

NET stock gained nearly 5% in the past month, outperforming the broad market by more than 2%, and at the current level it shows 13% downside risk potential to our target price, justifying a reiterated reduce rating. Cyfrowy Polsat, Netia's new owner after the acquisition of a 66% stake the last six months, may or may not make a tender offer on the 34% of shares still outstanding, at a price which is impossible to predict with any degree of accuracy. Cyfrowy says it will not be seeking dividends from Netia, 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

4.96 PLN

Downside

9M Target Price

4.30 PLN

-13.3%

	rating	target price	issued
unchanged	reduce	4.30 PLN	2018-06-06

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	+5.1%	+7.7%
ISIN	PLNETIA00014	YTD Price Chng	-7.8%	+3.7%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.5m
MC (PLN m)	1,671.8	ADTV 6M		PLN 0.3m
EV (PLN m)	2,059.1	EV/EBITDA 12M fwd	5.8	+23.5%
Free Float	100.0%	EV/EBITDA 5Y avg	4.7	premium

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	51.3	47.1	45.1	54.5	47.7
P/B	0.9	0.9	0.9	0.9	0.9
EV/EBITDA	4.4	5.1	5.8	6.1	6.2
DPS	0.39	0.38	0.00	0.00	0.00
DYield	8.0%	7.7%	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)

Pawel Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

Orange Polska generated a negative return close to 20% for the year to date 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. 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 4.2x 2018E EV/EBITDA, in part justified by high capital expenditures, but at the current level the discount is too large given that the Telecom is more prepared than any of its local rivals to handle the fast-growing mobile data usage, and taking into account the fact that it is one step ahead of the competition in terms of offering fixed-mobile convergence. We maintain a buy rating for OPL.

Current Price

4.62 PLN

Upside

9M Target Price

7.60 PLN

+64.5%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-8.2%	-5.6%
ISIN	PLTLKPL00017	YTD Price Chng	-20.2%	-8.7%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 7.8m
MC (PLN m)	6,061.4	ADTV 6M		PLN 10.1m
EV (PLN m)	12,928.4	EV/EBITDA 12M fwd	4.2	-8.8%
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	-	-	20.2	11.1	7.7
P/B	0.6	0.6	0.6	0.6	0.5
EV/EBITDA	4.1	4.5	4.2	3.8	3.4
DPS	0.25	0.00	0.00	0.00	0.25
DYield	5.4%	0.0%	0.0%	0.0%	5.4%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
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 reduce (no change)

Pawel Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

Play's stock has underperformed the broad market by over 11% in the last three months after falling 16.1% in the wake of weaker-than-expected 2018 first-quarter results which confirmed the Telecom will have a hard time continuing to grow its subscriber base at the same fast pace that established it as the #1 player in the Polish mobile market without cutting prices and incurring higher user costs. What is more, with mobile data usage in Poland increasing at a rate of 45% per year, Play is not able to cut the costs of domestic roaming as much as promised. Under these circumstances, Play is expected to report continued EBITDA shrinkage at a projected rate of 10% in Q2 2018. Moreover, Play's leverage exceeds 3x EBITDA despite a relatively small asset base compared to the local competition. Further, unlike other listed telecoms like Orange Polska and Cyfrowy Polsat, Play does not have the infrastructure to offer convergent fixed + mobile services, which means it might eventually have to cut prices to keep customers from leaving. Finally, investors in Play should be prepared for a dividend cut in 2019. Meanwhile at 6.1x 2018E EV/EBITDA Play is trading at a 6% premium to CEE telecoms, widening to 30% when compared to Western European telecoms. We maintain a reduce rating for PLY.

Current Price

24.60 PLN

Downside

9M Target Price

23.50 PLN

-4.5%

	rating	target price	issued
unchanged	reduce	23.50 PLN	2018-07-03

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+0.9%	+3.5%
ISIN	LU1642887738	YTD Price Chng	-21.3%	-9.7%
Outst. Stock (m)	253.7	ADTV 1M		PLN 7.5m
MC (PLN m)	6,241.0	ADTV 6M		PLN 10.2m
EV (PLN m)	13,008.9	EV/EBITDA 12M fwd	5.4	-12.9%
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	6,809	6,992	7,140
EBITDA	1,924	1,904	2,144	2,200	2,255
EBITDA margin	31.5%	28.5%	31.5%	31.5%	31.6%
EBIT	1,290	1,107	1,363	1,328	1,346
Net income	712	387	775	758	804
P/E	8.8	16.1	8.0	8.2	7.8
P/B	4.6	-	-	41.2	15.2
EV/EBITDA	5.9	6.8	6.1	5.9	5.7
DPS	0.00	1.45	2.56	2.05	2.15
DYield	0.0%	5.9%	10.4%	8.3%	8.7%
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
Active subscribers (000s)	12,011	12,394	12,412	12,529	12,612
ARPU (PLN)	31.4	32.0	32.9	33.5	34.0
Revenue	6,118	6,670	6,809	6,992	7,140
Service revenue	4,493	4,878	5,054	5,190	5,312
Sales of goods and other	1,625	1,792	1,754	1,802	1,829
Costs	4,193	4,766	4,664	4,792	4,886
Interconnection	1,496	1,729	1,943	1,971	1,972
Contract costs	399	429	430	437	448
Cost of goods sold	1,366	1,410	1,413	1,468	1,502
Employee benefits	228	526	272	284	292
External services	567	606	517	556	588
Other	138	65	89	76	83
EBITDA (adj.)	2,035	2,298	2,176	2,230	2,285
margin	33.3%	34.4%	32.0%	31.9%	32.0%
Net income	712	387	775	758	804

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	1,588	1,389	1,841	1,891	1,960
OCF/EBITDA adj.	78%	60%	85%	85%	86%
CAPEX	-2,316	-650	-732	-756	-738
Assets	8,747	8,831	8,639	8,722	8,810
Equity	1,343	-213	-87	152	411
Net debt	5,111	6,710	6,768	6,691	6,541
Net debt/EBITDA (x)	2.5	2.9	3.1	3.0	2.9

Relative Valuation Summary

Relative Valuation Summary						
	P/E			DYield - RFR		
	18P	19P	20P	18P	19P	20P
Minimum	8.0	6.9	6.2	391.0%	378.5%	354.9%
Maximum	305.3	42.8	41.1	929.2%	816.4%	830.1%
Median	13.9	12.2	11.1	546.8%	529.7%	504.1%
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	6,809	6,992	7,140	7,246	7,325	7,387	7,438	7,481	7,519	7,553	7,553
EBITDA	2,144	2,200	2,255	2,287	2,296	2,328	2,330	2,332	2,331	2,330	2,330
EBITDA margin	32.1%	32.3%	32.2%	32.0%	31.7%	31.8%	31.5%	31.4%	31.2%	31.0%	31.0%
D&A	782	871	909	930	1,033	980	986	971	929	889	889
EBIT	1,363	1,328	1,346	1,356	1,263	1,349	1,344	1,362	1,403	1,441	1,441
Tax	259	252	256	258	240	256	255	259	267	274	274
NOPLAT	1,104	1,076	1,090	1,099	1,023	1,092	1,088	1,103	1,136	1,167	1,167
CAPEX	-732	-756	-738	-1,662	-586	-1,057	-888	-599	-602	-604	-604
Work. cap. + other	-315	-347	-351	-325	-299	-306	-307	-309	-308	-308	-308
FCF	838	845	910	42	1,172	709	879	1,166	1,156	1,144	1,144
PV FCF	810	761	764	33	857	484	560	692	639	588	
WACC	7.2%	7.2%	7.3%	7.1%	7.2%	7.2%	7.2%	7.3%	7.4%	7.5%	7.5%
Net debt / EV	51.7%	51.5%	50.9%	53.5%	52.1%	52.2%	51.7%	50.1%	48.4%	46.7%	46.7%
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	1.3
FCF perp. growth rate	0.0%
PV FCF	14,041
Net debt	7,362
Other adjustments	0
Value per share (PLN)	26.33

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	17.44
DCF Val.	50%	26.33
Implied Price		21.84
Cost of equity (9M)		7.6%
9M Target Price*		23.50



Agora buy (no change)

Pawel Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

At 4.3x 2018E EV/EBITDA, AGO stock is currently trading at a 30% discount to comparable companies. Meanwhile the Company's growth prospects are buoyed by increasing advertising expenditures, and by a recently updated strategy plan for the 2018-2022 period which can be broken down into two core components: existing operations and new ventures. The approach toward growing the existing business is an evolutionary one, focusing efforts on the core business lines, with two-thirds of the PLN 430m investment budget earmarked for the Helios cinema chain and the out-of-home agency AMS. When it comes to new ventures, Agora says without giving any specifics that it wants to expand into B2B services for e-commerce through acquisitions. It is hard to say how viable these plans are as the success of any such deals will depend on the targets and their growth prospects. The investment in entertainment and food service has potential to generate good returns for Agora amid strong consumer spending observed in Poland. Agora wants to finance the PLN 930m capital investment planned in the next five years from cash on hand and borrowings (with net debt/EBITDA hovering in the range of 2.5-3.0x, and the target ratio set at ca. 2.0x), and this is good news indicating the Company will make better use of its low leverage. Finally, investors should welcome the fact that Agora has no plans to freeze dividend payments during the period of intensified capital expenditures. We maintain a buy rating for Agora.

Current Price

12.70 PLN

Upside

9M Target Price

18.40 PLN

+44.9%

	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	-18.1%	-15.5%
ISIN	PLAGORA00067	YTD Price Chng	-12.0%	-0.5%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.4m
MC (PLN m)	591.6	ADTV 6M		PLN 0.7m
EV (PLN m)	562.2	EV/EBITDA 12M fwd	4.6	-12.9%
Free Float	62.0%	EV/EBITDA 5Y avg	5.3	discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,198	1,165	1,191	1,227	1,252
EBITDA	115	30	130	121	122
EBITDA margin	9.6%	2.6%	10.9%	9.9%	9.8%
EBIT	17	-73	39	34	40
Net income	-17	-84	25	23	28
P/E	-	-	24.1	26.2	21.4
P/B	0.5	0.6	0.6	0.6	0.6
EV/EBITDA	5.5	20.5	4.3	4.5	4.4
DPS	0.75	0.46	0.50	0.75	1.00
DYield	5.9%	3.6%	3.9%	5.9%	7.9%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,191	1,227	1,252	1,285	1,314	1,340	1,367	1,395	1,424	1,453	1,482
EBITDA	130	121	122	126	129	131	134	136	139	142	145
EBITDA margin	10.9%	9.9%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.7%	9.8%	10.0%
D&A	91	87	83	78	75	71	68	64	63	64	65
EBIT	39	34	40	47	54	60	66	72	76	78	80
Tax	7	7	8	9	10	11	13	14	14	15	15
NOPLAT	31	28	32	38	44	49	54	58	62	64	65
CAPEX	-68	-52	-59	-61	-57	-58	-60	-61	-63	-64	-65
Working capital	-3	-3	-3	-3	-3	-3	-3	-3	-3	-4	-4
FCF	52	60	53	53	59	58	58	58	58	60	61
PV FCF	49	52	42	39	40	37	33	31	28	27	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	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 accumulate (no change)

Pawel Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

Cyfrowy stock posted a sharp fall in June after the sale of 28 million of its shares, representing 4.4% of all shares outstanding, by the second-largest shareholder, Sensor Overseas, and at the current level CPS is trading at an attractive 7.1x 2018E EV/EBITDA. Cyfrowy generates strong cash flow, with FCF in 2018 and 2019 projected at PLN 1.49bn and PLN 1.66, respectively, implying respective FCFE yields of 10.2% and 11.4%. The acquisition of the fixed-line carrier Netia, with an extensive fiber infrastructure, has boosted Cyfrowy's capacity to handle growing mobile data usage at a rate of more than 50% a year. In addition, in June Cyfrowy launched a convergent product using Netia's fixed services – a move which will help to curb the churn Netia has been experiencing in large cities, which represent about one-third of Cyfrowy's subscribers. Last but not least, the pay-TV business is a major driver of Cyfrowy's growth potential thanks to the acquisition of broadcast rights to UEFA Champions League and the acquisition of Eleven Sports Network (ESN) in May, set to boost advertising revenues as overall ad spend in Poland is seen to rise. We maintain an accumulate rating for CPS.

Current Price

23.18 PLN

Upside

9M Target Price

24.90 PLN

+7.4%

	rating	target price	issued
unchanged	accumulate	24.90 PLN	2018-06-15

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-6.6%	-4.0%
ISIN	PLCFRPT00013	YTD Price Chng	-6.8%	+4.8%
Outst. Stock (m)	639.5	ADTV 1M		PLN 24.2m
MC (PLN m)	14,824.6	ADTV 6M		PLN 14.2m
EV (PLN m)	25,873.7	EV/EBITDA 12M fwd	6.4	-10.6%
Free Float	33.5%	EV/EBITDA 5Y avg	7.1	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	9,730	9,829	10,776	11,509	11,653
EBITDA	3,641	3,617	3,655	3,912	3,975
EBITDA margin	37.4%	36.8%	33.9%	34.0%	34.1%
EBIT	1,669	1,834	1,758	1,993	2,140
Net income	1,041	981	1,095	1,290	1,439
P/E	14.2	15.1	13.5	11.5	10.3
P/B	1.3	1.2	1.1	1.0	0.9
EV/EBITDA	7.2	7.0	7.1	6.2	5.8
DPS	0.00	0.32	0.00	0.32	0.50
DYield	0.0%	1.4%	0.0%	1.4%	2.2%
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

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	11,311	11,509	11,653	11,795	11,952	12,120	12,300	12,492	12,695	12,911	12,911
EBITDA	3,791	3,912	3,975	4,031	4,075	4,122	4,165	4,213	4,267	4,326	4,326
EBITDA margin	33.5%	34.0%	34.1%	34.2%	34.1%	34.0%	33.9%	33.7%	33.6%	33.5%	33.5%
D&A	2,010	1,919	1,835	1,739	1,652	1,590	1,557	1,540	1,490	1,487	1,487
EBIT	1,781	1,993	2,140	2,292	2,423	2,533	2,607	2,673	2,777	2,839	2,839
Tax	338	379	407	435	460	481	495	508	528	539	539
NOPLAT	1,443	1,615	1,734	1,856	1,963	2,051	2,112	2,165	2,249	2,300	2,300
CAPEX	-1,561	-1,414	-1,427	-1,908	-1,383	-3,056	-1,420	-1,861	-1,984	-1,487	-1,487
Working capital	-225	-146	-114	-94	-84	-83	-83	-82	-98	-104	-104
FCF	1,667	1,973	2,027	1,593	2,148	502	2,166	1,763	1,657	2,196	2,196
PV FCF	1,613	1,789	1,721	1,264	1,591	347	1,401	1,065	935	1,155	
WACC	6.8%	6.7%	6.9%	7.0%	7.1%	7.0%	7.1%	7.1%	7.1%	7.2%	7.2%
Net debt / EV	41.4%	37.7%	33.7%	31.8%	28.2%	31.4%	29.5%	29.1%	29.1%	27.5%	27.5%
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	29,007
Net debt	11,604
Other adjustments	797
Value per share (PLN)	25.96

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	20.91
DCF Val.	50%	25.96
Implied Price		23.41
Cost of equity (9M)		6.4%
9M Target Price		24.90

*Cyfrowy Polsat only (without Netia); **Pro-forma figures assuming acquisition of a controlling stake in Netia at the end of 2017

Wirtualna Polska accumulate (no change)

Pawel Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

WPL shares have risen more than 15% since November 2017, but they 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 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. We maintain an accumulate rating for WPL.

Current Price

50.00 PLN

Upside

9M Target Price

60.00 PLN

+20.0%

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

Key Metrics	WPL PW	1M Price Chng	WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	-8.4%	-5.8%
ISIN	PLWRTPL00027	YTD Price Chng	+3.1%	+14.6%
Outst. Stock (m)	29.8	ADTV 1M		PLN 0.6m
MC (PLN m)	1,488.8	ADTV 6M		PLN 1.1m
EV (PLN m)	1,721.5	EV/EBITDA 12M fwd	9.9	-6.6%
Free Float	53.0%	EV/EBITDA 5Y avg	10.6	discount

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	26.2	32.9	19.6	16.8	14.9
P/B	3.6	3.5	3.2	3.0	2.8
EV/EBITDA	13.6	12.9	10.7	9.0	8.0
DPS	0.00	1.10	0.96	1.61	2.15
DYield	0.0%	2.2%	1.9%	3.2%	4.3%
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	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 (no change)

Pawel Szpigiel

+48 22 438 24 06

pawel.szpigiel@mbank.pl

At 14.1x 2018E P/E and 14.8x 2019E P/E, ACP is trading at respective discounts of 16% and 4% to foreign IT companies. 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. 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. With all this in mind, we maintain a hold rating for ACP.

Current Price

41.54 PLN

Downside

9M Target Price

41.20 PLN

-0.8%

	rating	target price	issued
unchanged	hold	41.20 PLN	2018-06-06

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	-9.5%	-6.9%
ISIN	PLSOFTB000016	YTD Price Chng	+1.4%	+12.9%
Outst. Stock (m)	83.0	ADTV 1M		PLN 10.0m
MC (PLN m)	3,447.8	ADTV 6M		PLN 6.2m
		P/E 12M fwd	10.3	-14.6%
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	11.4	7.4	14.1	14.8	14.3
P/B	0.6	0.6	0.6	0.6	0.6
P/S	0.43	0.44	0.39	0.38	0.37
DPS	3.01	3.01	3.01	2.00	2.00
DYield	7.2%	7.2%	7.2%	4.8%	4.8%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

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

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

As anticipated, CD Projekt showed the teaser and gameplay trailer for Cyberpunk 2077 at the E3 2018 gaming convention in Los Angeles, which took place in June. The game received positive reviews from industry critics and the gaming community, but with the Company itself saying it still needs a lot of work its final release per our calculations can be expected some time next year. This year, CD Projekt's main focus is on Gwent: The Witcher Card Game, which is undergoing a redesign (codenamed GWENT: Homecoming) based on gamer feedback, after generating disappointing sales for the first quarter which we estimate at PLN 3.4m. After Homecoming is done, CD Projekt plans to release Thronebreaker, the single-story campaign for Gwent, in Q4 2018. CDR has no more upside after the rise spurred by the release of the teasers for Cyberpunk, the publicity on which will be the main growth driver for the stock in the coming months.

Current Price

162.80 PLN

Downside

9M Target Price

90.80 PLN

-44.2%

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

Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+8.9% +11.5%
ISIN	PLOPTTC00011	YTD Price Chng	+67.8% +79.4%
Outst. Stock (m)	95.2	ADTV 1M	PLN 57.4m
MC (PLN m)	15,500.7	ADTV 6M	PLN 35.9m
EV (PLN m)	15,393.2	EV/EBITDA 12M fwd	22.3 +8.5%
Free Float	65.3%	EV/EBITDA 5Y avg	20.5 premium

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	61.9	76.0	78.4	23.5	24.2
P/B	20.0	17.6	14.3	8.9	6.5
EV/EBITDA	49.6	61.8	62.1	18.1	18.1
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	0	0
Next AAA game (k copies)		0	0	0	12,000	9,500	5,000	12,500	5,100	12,000	0
Revenue	496	1,590	1,229	823	1,569	1,379	651	1,589	703	1,525	-
EBITDA	248	810	773	467	568	901	392	526	247	1,219	-
EBITDA margin	49.9%	50.9%	62.9%	56.7%	36.2%	65.3%	60.2%	33.1%	35.2%	79.9%	-
EBIT	242	803	766	460	560	893	384	517	238	1,209	-
Tax	46	153	146	87	106	170	73	98	45	230	-
CAPEX	-8	-9	-10	-11	-12	-13	-15	-9	-9	-9	-
Working capital	-12	-46	15	17	-31	8	31	-39	37	-34	-
FCF	182	602	632	386	418	726	335	380	230	945	483
PV FCF	171	522	506	284	284	454	193	202	113	427	-
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	-
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	-

DCF Summary

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

Valuation Summary

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

Comarch accumulate (no change)

Paweł Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

Comarch shares outperformed the broad market in June after a 3% gain, but we still see upside potential in the stock. 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. This was accompanied by gross margin expansion to a higher-than-forecast 20.8%, and stable SG&A expenses. The outlook for second-quarter earnings is good as well, supported by higher revenues from government contracts. In June, as expected, Comarch declared a dividend of PLN 1.50 per share, payable on 31 August.

Current Price

154.50 PLN

Upside

9M Target Price

166.50 PLN

+7.8%

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

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	+3.0%	+5.6%
ISIN	PLCOMAR00012	YTD Price Chng	-18.7%	-7.2%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.6m
MC (PLN m)	1,256.6	ADTV 6M		PLN 0.5m
EV (PLN m)	1,261.8	EV/EBITDA 12M fwd	7.0	-2.6%
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	17.9	29.2	22.2	16.4	15.0
P/B	1.5	1.4	1.4	1.4	1.4
EV/EBITDA	7.0	13.1	8.8	7.6	7.3
DPS	0.00	1.50	1.50	10.00	10.00
DYield	0.0%	1.0%	1.0%	6.5%	6.5%
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

	18P	P/E	20P	18P	EV/EBITDA	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)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

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. FMF stock took a downward turn in June after its controlling shareholder, TDJ, proposed to amend Famur's Articles by giving itself the option to reduce holdings in the future while retaining control of the Company. The market took the proposition as giving rise to risk of overhang, but the losses should be rectified in the coming weeks with the release of second-quarter earnings. We maintain a buy rating for FMF.

Current Price

5.14 PLN

Upside

9M Target Price

6.95 PLN

+35.2%

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

Key Metrics	FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng -16.3% -13.7%
ISIN	PLFAMUR00012	YTD Price Chng -17.1% -5.6%
Outst. Stock (m)	574.7	ADTV 1M PLN 0.6m
MC (PLN m)	2,954.0	ADTV 6M PLN 1.3m
EV (PLN m)	3,143.2	EV/EBITDA 12M fwd 6.5 +10.1%
Free Float	35.3%	EV/EBITDA 5Y avg 5.9 premium

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	26.7	59.3	14.7	11.5	10.1
P/B	2.5	2.0	1.8	1.6	1.5
EV/EBITDA	9.9	10.0	7.2	6.1	5.6
DPS	0.00	0.00	0.00	0.12	0.31
DYield	0.0%	0.0%	0.0%	2.3%	6.0%
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 19P	20P	18P	EV/EBITDA 19P	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 (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

Kęty's ability to pass rising costs onto end customers is a major 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 of trade tariffs by the United States. KTY is currently trading at double-digit premiums to comparable aluminum processors after the recent share price falls logged by the peers, and so we continue to rate it as a hold.

Current Price

321.00 PLN

Upside

9M Target Price

371.08 PLN

+15.6%

	rating	target price	issued
unchanged	hold	371.08 PLN	2018-06-06

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-9.1%	-6.6%
ISIN	PLKETY000011	YTD Price Chng	-20.3%	-8.8%
Outst. Stock (m)	9.5	ADTV 1M		PLN 1.9m
MC (PLN m)	3,049.5	ADTV 6M		PLN 1.4m
EV (PLN m)	3,795.3	EV/EBITDA 12M fwd	8.3	-11.0%
Free Float	55.8%	EV/EBITDA 5Y avg	9.3	discount

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	11.0	12.9	11.1	11.3	11.0
P/B	2.2	2.2	2.2	2.1	2.0
EV/EBITDA	8.7	8.6	8.1	8.0	7.8
DPS	18.00	30.00	23.90	23.00	22.70
DYield	5.6%	9.3%	7.4%	7.2%	7.1%

Revision of Projections (% change)		2018P	2019P	2020P
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

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)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

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 June (including the production index and the new orders index) edging well above 50 points. Going forward, Chinese coking coal purchases should be boosted further as local reserves decrease. 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-30% 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-a-vis the dollar. We maintain a buy rating for JSW, but lower our 9-month target price from PLN 115.23 to PLN 107.00 after adjusting for planned pay raises and updating the multiples used in the relative valuation model.

Current Price

77.50 PLN

Upside

9M Target Price

107.00 PLN

+38.1%

	rating	target price	issued
new	buy	107.00 PLN	2018-07-04
old	buy	115.23 PLN	2018-06-06
Key Metrics			
Ticker	JSW PW	1M Price Chng	-7.6%
ISIN	PLJSW0000015	YTD Price Chng	-19.5%
Outst. Stock (m)	117.4	ADTV 1M	PLN 13.2m
MC (PLN m)	9,099.4	ADTV 6M	PLN 21.2m
EV (PLN m)	7,631.1	EV/EBITDA 12M fwd	2.3
Free Float	44.8%	EV/EBITDA 5Y avg	3.8

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,731	8,877	9,580	9,292	8,998
EBITDA adj.	1,055	3,509	3,482	2,889	2,403
EBITDA margin	15.7%	39.5%	36.3%	31.1%	26.7%
EBIT adj.	216	2,684	2,659	1,953	1,310
Net income adj.	-2	2,189	2,155	1,591	1,074
P/E adj.	-	4.2	4.2	5.7	8.5
P/B	2.3	1.4	1.1	1.0	0.9
EV/EBITDA adj.	9.2	2.2	2.2	2.6	3.2
DPS	0.00	0.00	0.00	7.51	6.77
DYield	0.0%	0.0%	0.0%	9.7%	8.7%
Revision of Projections (% change)					
EBITDA (adj.)			-2.6%	-2.8%	-3.4%
Net income (adj.)			-3.4%	-4.0%	-6.0%
Coking Coal price (\$/t)			0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coke price (\$/t)			0.0%	0.0%	0.0%
Total coal output (kt)			0.0%	0.0%	0.0%
Coking coal (kt)			0.0%	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	3,003	2,396	2,027
D&A	839	825	823	936	1,093
Working capital	-349	-76	-14	-98	-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	-866	-774
Dividends/Buyback	0	0	0	-882	-795
FCF	289	2,129	1,449	1,066	525
FCF/EBITDA (adj.)	27%	61%	42%	37%	22%
OCF/EBITDA (adj.)	85%	82%	86%	83%	84%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,520	12,090	13,029	13,667	13,870
Fixed assets	9,097	8,118	8,804	9,236	9,738
Equity	4,003	6,389	8,595	9,303	9,582
Minority interests	67	232	232	232	232
Net debt	513	-1,641	-1,701	-1,881	-1,584
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

	18P	P/E 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	4.1	5.0	5.8	2.2	2.0	1.8
Maximum	29.4	25.1	48.2	8.3	8.5	8.6
Median	8.2	8.9	8.9	4.6	4.8	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
Thml 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	3,545	2,889	2,403	2,414	2,424	2,450	2,484	2,469	2,422	2,370	2,306
EBITDA margin	37.0%	31.1%	26.7%	26.2%	25.8%	25.5%	25.4%	25.0%	24.3%	23.5%	22.9%
EBIT	2,722	1,953	1,310	1,165	1,020	1,044	1,075	1,057	1,006	952	884
Tax	518	374	253	225	198	203	209	206	196	186	173
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	-14	-98	-74	6	6	27	27	10	5	4	-4
FCF	1,449	1,066	525	725	812	854	882	853	810	768	707
PV FCF	1,401	950	431	549	567	549	523	466	408	356	
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	6,199
Net debt	-1,641
Other adjustments	232
Value per share (PLN)	97.64

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	103.66
DCF Val.	50%	97.64
Implied Price		100.65
Cost of equity (9M)		6.3%
9M Target Price		107.00

Kernel hold (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

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. Kernel has more than 33% of the expected 2017/2018 corn crop hedged at the high prices of the last two months. We maintain a hold rating for KER.

Current Price

48.35 PLN

Upside

9M Target Price

53.04 PLN

+9.7%

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

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-7.9%	-5.3%
ISIN	LU0327357389	YTD Price Chng	+2.3%	+13.8%
Outst. Stock (m)	82.4	ADTV 1M		PLN 2.4m
MC (PLN m)	3,984.4	ADTV 6M		PLN 2.7m
EV (PLN m)	6,081.5	EV/EBITDA 12M fwd	5.0	+25.7%
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	4.6	5.9	9.9	5.2	3.9
P/B	1.0	0.9	0.9	0.8	0.7
EV/EBITDA	3.8	4.9	6.8	4.6	3.5
DPS	0.25	0.24	0.25	0.39	0.99
DYield	1.9%	1.9%	1.9%	3.0%	7.7%

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

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 (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

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 over PLN 26,000 in June. 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 30% gap the stock would return to its original "default" value of about PLN 120. KGHM carries more near-term risk if traders decide to unwind their record-high positions in copper, built in anticipation of a strike at the Escondida mine in Chile, triggering a sell-off on the metal. We maintain a buy rating for KGH.

Current Price

90.44 PLN

Upside

9M Target Price

112.92 PLN

+24.9%

	rating	target price	issued
unchanged	buy	112.92 PLN	2018-06-06

Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+2.6% +5.2%
ISIN	PLKGHM000017	YTD Price Chng	-18.7% -7.1%
Outst. Stock (m)	200.0	ADTV 1M	PLN 51.8m
MC (PLN m)	18,088.0	ADTV 6M	PLN 60.5m
EV (PLN m)	22,335.9	EV/EBITDA 12M fwd	4.2 -18.3%
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.	11.6	9.6	7.4	5.8	5.8
P/B	1.1	1.0	0.9	0.8	0.7
EV/EBITDA adj.	5.5	4.3	4.4	3.3	3.0
DPS	1.50	1.00	0.00	3.04	5.43
DYield	1.7%	1.1%	0.0%	3.4%	6.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA adj.		0.0%	0.0%	0.0%	
Net income adj.		0.0%	0.0%	0.0%	
Copper price (\$/t)		0.0%	0.0%	0.0%	
Silver price (\$/oz)		0.0%	0.0%	0.0%	
Molybdenum price (\$/t)		0.0%	0.0%	0.0%	
Copper output (kt)		0.0%	0.0%	0.0%	
Silver output (t)		0.0%	0.0%	0.0%	
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

	18P	P/E	20P	18P	EV/EBITDA	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 (reiterated)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

Stelmet posted an 11% decline in the volume of garden furniture sales in Q1 2018 due to unseasonably cold weather in March which pushed the start of the gardening season back by about two months. The sales slump was not offset by the improving operating rates of the Company's new factory in Grudziądz, resulting in year-over-year contraction in the quarterly profits, underpinned by the zloty's appreciation in the period versus the euro and the pound. We expect sales to rebound 6.4% in Q2 2018, and with the zloty now on a downward trend relative to European currencies this should result in 5% EBITDA growth over the year-ago period. Nevertheless it is unlikely that Stelmet will be able to make up for the slow first quarter in the rest of the year, and so we have had to revise our expectations for the FY garden furniture sales volume to assume a 7.8% drop. After further taking into account the addition of about 50 new jobs at the Polish plants, expected to generate over PLN 3m in extra payroll costs per year, we have lowered our FY2018 EBITDA forecast for Stelmet from PLN 84m to PLN 62m. On the updated earnings outlook, we set our new price target for Stelmet at PLN 20.24 per share, and we continue to rate the stock as a buy.

Current Price

10.70 PLN

Upside

9M Target Price

20.24 PLN

+89.2%

	rating	target price	issued
new	buy	20.24 PLN	2018-07-04
old	buy	26.48 PLN	2018-05-09
Key Metrics		STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-24.4%
ISIN	PLSTLMT00010	YTD Price Chng	-25.7%
Outst. Stock (m)	29.4	ADTV 1M	PLN 0.0m
MC (PLN m)	314.2	ADTV 6M	PLN 0.0m
EV (PLN m)	472.9	EV/EBITDA 12M fwd	-
Free Float	15.0%	EV/EBITDA 5Y avg	-

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	567	538	544	635	686
EBITDA	82	58	62	91	102
EBITDA margin	14.5%	10.7%	11.5%	14.3%	14.9%
EBIT	62	21	21	50	61
Net income	68	19	22	47	58
P/E	4.4	16.2	14.5	6.7	5.4
P/B	0.8	0.7	0.7	0.6	0.6
EV/EBITDA	6.2	8.6	7.6	4.7	3.8
DPS	0.29	0.00	0.00	0.37	0.96
DYield	2.7%	0.0%	0.0%	3.4%	8.9%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			-26.0%	-13.9%	-13.0%
Net income			-48.3%	-22.9%	-20.0%
Sales price (PLN/m3)			-1.6%	-2.2%	-2.2%
Sales volume (1,000 m3)			-7.8%	-2.1%	-2.0%
Timber price (PLN/m3)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Core, PL	18	19	21	22	23
Revenue, Core, UK	210	158	157	175	187
Revenue, Core, FR	118	120	117	123	129
Revenue, Core, DE	94	101	101	110	116
Revenue, Wood Pellets	57	68	80	86	89
Operating cash flow	114	39	66	75	93
D&A	21	37	42	41	41
Working capital	40	-2	-1	-16	-9
Investing cash flow	-186	-62	-39	-16	-18
CAPEX	185	62	39	16	18
Financing cash flow	62	76	-4	-15	-32
Dividends/Buyback	-8	0	0	-11	-28
FCF	-66	-11	27	59	76
FCF/EBITDA	-80%	-18%	43%	65%	74%
OCF/EBITDA	138%	68%	106%	83%	91%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	751	821	844	896	935
Fixed assets	534	554	552	527	504
Equity	390	454	475	511	541
Minority interests	0	0	0	0	0
Net debt	214	182	159	114	70
Net debt/EBITDA (x)	2.6	3.2	2.5	1.3	0.7
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	7.7	7.6	7.3	4.2	4.3	3.1
Maximum	52.3	51.1	86.3	21.0	20.9	18.3
Median	15.6	12.2	11.5	7.0	6.3	5.6
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)	1,868	1,888	1,906	1,925	1,944	1,962	1,979	1,996	2,013	2,031	2,048
Volume (1,000 m3)	235	274	294	315	335	355	360	365	365	366	366
Timber px (PLN/m3)	255	259	264	269	274	280	285	291	297	303	309
Revenue	544	635	686	737	790	842	862	882	891	899	908
EBITDA	62	91	102	114	126	137	136	134	128	122	116
EBITDA margin	11.5%	14.3%	14.9%	15.5%	15.9%	16.2%	15.7%	15.2%	14.4%	13.6%	12.7%
EBIT	21	50	61	72	83	93	91	89	83	76	69
Tax	-4.6	-0.8	-0.3	1.1	2.8	4.1	3.1	1.9	-1.9	13.9	12.6
CAPEX	-39	-16	-18	-27	-30	-32	-35	-38	-41	-46	-46
Working capital	-0.9	-16.1	-9.0	-9.1	-9.4	-9.4	-3.5	-3.6	-1.5	-1.6	-1.6
FCF	27	59	76	77	84	91	94	91	88	62	57
PV FCF	26	54	64	60	59	59	57	50	45	29	
WACC	7.9%	7.7%	8.0%	8.2%	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	2.0%
PV FCF	503
Net debt	182
Other adjustments	0
Value per share (PLN)	25.01

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	13.06
DCF Val.	50%	25.01
Implied Price		19.04
Cost of equity (9M)		6.3%
9M Target Price		20.24

Construction

Budimex hold (no change)

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Budimex shares logged their biggest monthly fall this year in June (-20%) after CEO Blocher made a point of cooling expectations in press interviews, saying the Company is forced to review its assumptions as to the profit margins achievable on infrastructure tenders won in late 2017. The potential projects according to our calculations have a combined value of PLN 1.2 billion, and the issue with them is that their official awards are still pending, and in the mean time construction costs in Poland have gone up disproportionately. This is best illustrated by the fact that, whereas the average bid placed in road infrastructure tenders during Q4 2017 was 23% under budget, this year the gap is down to 5%. At the same time, the competition between road builders in high, with an average of seven offers submitted per tender in H1 2018. Budimex did win or receive low bid confirmations in June on potential contracts with a total value of close to PLN 1bn, and it has a good chance of getting a railway contract where its PLN 480m bid was only slightly over budget, but as the construction industry as a whole struggles with rising costs the risk of earnings disappointments in the coming periods is high. With this in mind, we maintain a hold rating for BDX despite the recent downward price correction.

Current Price

131.00 PLN

Upside

9M Target Price

163.00 PLN

+24.4%

	rating	target price	issued
unchanged	hold	163.00 PLN	2018-06-06

Key Metrics			BDX PW	vs. WIG
Ticker	BDX PW	1M Price Chng	-16.8%	-14.2%
ISIN	PLBUDMX00013	YTD Price Chng	-32.6%	-21.1%
Outst. Stock (m)	25.5	ADTV 1M		PLN 1.6m
MC (PLN m)	3,344.4	ADTV 6M		PLN 1.9m
EV (PLN m)	1,728.6	EV/EBITDA 12M fwd	4.1	-48.3%
Free Float	30.3%	EV/EBITDA 5Y avg	7.9	discount

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	8.2	7.2	9.8	10.7	11.1
P/B	4.2	3.8	4.3	4.4	4.4
EV/EBITDA	1.3	1.7	3.6	3.7	4.6
DPS	8.14	14.99	17.61	12.66	11.58
DYield	6.2%	11.4%	13.4%	9.7%	8.8%
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	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 (no change)

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Elektrobudowa substantially cut its 2018 FY earnings guidance in June after adjusting expected contract profits for higher costs, and to reflect weaker-than-anticipated performance of its Russian operations. There is little demand for power engineering services in Poland at the moment as investors hold off spending, which means the competition for the few orders that do come on line from time to time is fierce. Nevertheless Elektrobudowa stands by its original bookings guidance for the year, an optimistic mindset considering that the orders it acquired in Q1 accounted for just 6% of the FY target of PLN 994m. A tight backlog built during a period of strong price competition would not bode well for future growth. We maintain a hold rating for ELB.

Current Price

72.40 PLN

Downside

9M Target Price

71.00 PLN

-1.9%

	rating	target price	issued
unchanged	hold	71.00 PLN	2018-06-06

Key Metrics			ELB PW	vs. WIG
Ticker	ELB PW	1M Price Chng	+4.9%	+7.5%
ISIN	PLELTBD00017	YTD Price Chng	-6.6%	+5.0%
Outst. Stock (m)	4.7	ADTV 1M		PLN 0.2m
MC (PLN m)	343.7	ADTV 6M		PLN 0.1m
EV (PLN m)	252.3	EV/EBITDA 12M fwd	4.8	-20.3%
Free Float	34.9%	EV/EBITDA 5Y avg	6.0	discount

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	6.2	5.9	14.5	14.2	14.0
P/B	0.8	0.8	0.9	0.9	0.9
EV/EBITDA	3.2	2.7	5.8	5.8	5.6
DPS	4.00	10.00	10.50	5.00	5.00
DYield	5.5%	13.8%	14.5%	6.9%	6.9%
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.
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	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 (no change)

Piotr Zybala

+48 22 438 24 04

piotr.zybala@mbank.pl

Erbud fulfilled 21% of our 2018 FY net profit forecast in the first quarter, not a bad result given seasonality. We were less impressed with the Company's balance sheet position after March, showing higher debt and construction contract valuations (PLN 122m vs. PLN 14m in March 2017), which, however, are symptomatic of the trends affecting the Polish construction industry at large. The worsened balance-sheet position was probably the reason behind the 20% fall in share price that ERB logged in May as the market assigned a greater discount to the increased contract receivables than ever before in history. In June, ERB stock was trading mostly in sideways mode, but at the current level it prices not only this year's slowdown, but it also discounts sustained EBIT margin shrinkage to 1.5% from 2.5% on average in 2012-2017, an overly pessimistic scenario in our view. Erbud tends to work on short deadlines, which to us 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 maintain a buy rating for ERB.

Current Price

14.80 PLN

Upside

9M Target Price

22.00 PLN

+48.6%

	rating	target price	issued
unchanged	buy	22.00 PLN	2018-06-06

Key Metrics	ERB PW	1M Price Chng	ERB PW	vs. WIG
Ticker	ERB PW	1M Price Chng	-5.7%	-3.1%
ISIN	PLERBUD00012	YTD Price Chng	-22.7%	-11.2%
Outst. Stock (m)	12.8	ADTV 1M		PLN 0.0m
MC (PLN m)	189.6	ADTV 6M		PLN 0.0m
EV (PLN m)	189.8	EV/EBITDA 12M fwd	3.7	-33.0%
Free Float	15.5%	EV/EBITDA 5Y avg	5.5	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,789.8	1,805.5	1,937.3	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	105.9	8.4	9.0	7.3	6.9
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	11.4%	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

	18P	P/E	20P	18P	EV/EBITDA	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)

Piotr Zybala

+48 22 438 24 04

piotr.zybala@mbank.pl

Unibep acquired four new contracts in June with a total value of a creditable PLN 230m, making for a total of nine bookings worth PLN 430m secured during Q2 2018, an increase of over 100% from the comparable period in 2017. Most of the orders are for buildings, which make up a PLN 400m portion of all the contracts acquired so far this year, an amount similar to last year's, but achieved thanks to an increase of nearly 30% on the year in the average price the Company is able to charge for a square meter of finished floor space. The higher fees indicate higher profit margins in 2019. Unibep's real-estate business as well had a busy month in June, having purchased a residential land lot in Warsaw where it plans to begin a new project in H1 2018, and started a 340-unit housing complex in Poznań. We maintain a buy rating for UNI.

Current Price

5.60 PLN

Upside

9M Target Price

10.10 PLN

+80.4%

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

Key Metrics			UNI PW	vs. WIG
Ticker	UNI PW	1M Price Chng	+3.5%	+6.1%
ISIN	PLUNBEP00015	YTD Price Chng	-42.7%	-31.1%
Outst. Stock (m)	35.1	ADTV 1M		PLN 0.0m
MC (PLN m)	196.4	ADTV 6M		PLN 0.1m
EV (PLN m)	200.0	EV/EBITDA 12M fwd	3.6	-49.5%
Free Float	27.7%	EV/EBITDA 5Y avg	7.0	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	6.2	7.6	6.4	5.5	6.1
P/B	0.8	0.8	0.7	0.7	0.6
EV/EBITDA	4.9	3.5	4.2	3.3	3.1
DPS	0.17	0.20	0.15	0.31	0.41
DYield	3.0%	3.6%	2.7%	5.5%	7.3%

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.
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

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

DCF Analysis

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

DCF Summary

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

Valuation Summary

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

Property Developers

Atal buy (upgraded)

Piotr Zybala

+48 22 438 24 04

piotr.zybala@mbank.pl

Atal has established itself as a stable and transparent operation in the three years since its June 2015 IPO, and as a result its value has doubled and its price multiples are on a level with those of its highly-valued local competitor, Dom Development, with a longer history of sound financial performance. Atal has grown its business to twice the size it was three to five years ago in a balanced way, without sacrificing profits (the Developer has consistently delivered net profit margins well above the industry averages at ca. 20%), and without racking up debt (with the net debt/equity ratio maintained at a low 20-30%). Atal has gained an edge over the competition by building a land bank big enough to sustain 3.5 years of development at the relatively low cost of PLN 700-800 on average per square meter. Under ideal circumstances, with no administrative hurdles, the extensive land banking could be expected to spur years of fast-increasing sales. Our more realistic and conservative modeling, however, leads us to assume stable sales over the next three years, and with the existing land bank fully covering our 2018-2020 earnings expectations Atal has a lot of flexibility in setting future dividends. We upgrade 1AT from accumulate to buy after a downward share price correction in the past month.

Current Price	36.40 PLN	Upside
9M Target Price	42.86 PLN	+17.7%

	rating	target price	issued	
new	buy	42.86 PLN	2018-07-04	
old	accumulate	42.86 PLN	2018-06-22	
Key Metrics		1AT PW	vs. WIG	
Ticker	1AT PW	1M Price Chng	-12.8%	-10.2%
ISIN	PLATAL000046	YTD Price Chng	-11.1%	+0.5%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.3m
MC (PLN m)	1,409.2	ADTV 6M		PLN 0.2m
EV (PLN m)	1,636.3	EV/EBITDA 12M fwd	6.8	-16.1%
Free Float	16.2%	EV/EBITDA 5Y avg	8.2	discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	506.8	865.8	943.9	917.2	1,020.0
Gross profit	136.9	247.6	275.3	264.5	275.4
Gross margin	27.0%	28.6%	29.2%	28.8%	27.0%
EBIT	114.8	222.0	244.7	231.6	240.9
Net income	89.4	171.2	189.6	180.7	187.1
P/E	15.8	8.2	7.4	7.8	7.5
P/B	2.0	1.8	1.7	1.7	1.7
EV/EBITDA	14.8	7.2	6.6	7.2	7.3
DPS	0.61	1.73	3.54	4.74	4.73
DYield	1.7%	4.8%	9.7%	13.0%	13.0%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Residential closings			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	1,404	2,308	2,549	2,631	3,000
Revenue/unit (PLN k)	353	375	370	349	340
SG&A	24	28	30	32	33
SG&A/Sales	4.8%	3.3%	3.2%	3.5%	3.3%
EBIT margin	22.6%	25.6%	25.9%	25.3%	23.6%
Net profit margin	17.6%	19.8%	20.1%	19.7%	18.3%
Cash	187	266	241	208	108
Net debt	324	214	232	266	366
Net debt/Equity	47%	27%	27%	31%	43%
Inventory	1,132	1,342	1,274	1,303	1,404
Inventory/Sales	223%	155%	135%	142%	138%
Earnest money deposits	231	365	276	283	280
Deposits/Inventory	20%	27%	22%	22%	20%
Equity	688	795	847	845	849
ROE	14.4%	24.9%	23.9%	21.3%	22.2%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	-78	198	158	161	96
D&A	1	1	1	1	1
Working capital	-187	-13	-34	-31	-104
Investing cash flow	0	1	-23	3	2
CAPEX	-1	-1	-1	-1	-1
Financing cash flow	135	-121	-160	-198	-198
Dividends	-24	-67	-137	-183	-183

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.42	0.39	0.36	4.7	3.8	3.5
Maximum	2.03	2.04	1.99	270.0	9.4	17.6
Median	0.65	0.62	0.58	8.0	5.3	5.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	944	917	1,020	867	884	902	920	938	957	976	996
EBITDA	246	233	242	186	185	188	192	195	193	197	201
EBITDA margin	26.1%	25.4%	23.8%	21.5%	20.9%	20.9%	20.8%	20.8%	20.2%	20.2%	20.1%
D&A	1	1	1	1	1	1	1	1	1	1	1
EBIT	245	232	241	185	183	187	190	194	191	195	199
Tax	47	44	46	35	35	35	36	37	36	37	38
NOPLAT	198	188	195	150	148	151	154	157	155	158	161
CAPEX	-27	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Working capital	-34	-31	-104	-13	44	-21	-21	-22	-5	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	139	156	91	137	192	130	133	135	150	153	156
PV FCF	133	138	75	104	136	86	81	76	79	74	
WACC	8.0%	7.9%	7.7%	7.7%	7.8%	7.8%	7.8%	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%

*Adj. for PLN 3.54 DPS; the record day was June 25th

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,287
Net debt	214
Other adjustments	-6
Value per share (PLN)	53.70

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	21.40
Relative (DYield)	17%	57.50
DCF	50%	53.70
Cost of equity (9M)		6.3%
9M Target Price*		42.86

Capital Park buy (no change)

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Capital Park issued EUR 7m 3-year euro bonds in June, and used the proceeds to pay off maturing zloty bonds. This is part of a bigger refinancing plan designed to lower debt service costs. The exchange-rate risk entailed in issuing euro-denominated bonds is mitigated by Capital Park's euro-denominated income from rental properties and value adjustments to these properties. CAP stock is trading at a discount to net asset value (with June P/NAV at 0.60-0.65x) which we expect 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 with demand for commercial spaces at record levels in Poland it is doomed to succeed. We maintain a buy rating for CAP.

Current Price

5.45 PLN

Upside

9M Target Price

8.35 PLN

+53.2%

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

Key Metrics			CPG PW	vs. WIG
Ticker	CPG PW	1M Price Chng	-1.8%	+0.8%
ISIN	PLCPPRK00037	YTD Price Chng	-5.9%	+5.7%
Outst. Stock (m)	108.8	ADTV 1M		PLN 0.0m
MC (PLN m)	592.7	ADTV 6M		PLN 0.0m
EV (PLN m)	1,930.1	EV/EBITDA 12M fwd	19.1	-23.8%
Free Float	19.1%	EV/EBITDA 5Y avg	25.1	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	19.3	-	10.8	9.1	8.7
P/B	0.6	0.6	0.6	0.5	0.5
EV/EBITDA	13.9	-	17.7	17.0	18.7
DPS	0.00	0.00	0.00	0.15	0.20
DYield	0.0%	0.0%	0.0%	2.8%	3.7%
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 accumulate (no change)

Piotr Zybala

+48 22 438 24 04

piotr.zybala@mbank.pl

Dom Development looks firmly on track to fulfill the goals it has set for itself in 2018, which include the completion of approximately 4,500 flats, implying an increase of 40% over 2017, alongside close to 4,400 starts (+20% y/y), a figure which exceeds current sales by 10% and which validates our growth forecasts beyond 2019. Dom increasingly inks deals to retain general contractors for several stages of each new development, a smart strategy at a time when prices of building materials and services are seen to rise. Dom delivered stellar financials for the first quarter of 2018, achieving a gross margin of 30%, well above the 26.0-26.5% forecast by us for the 2018-2020 period. A healthy financial standing is about to become a big advantage for the Company as Poland prepares to scrap escrow accounts which allow for interim disbursements to developers during project construction. As of March 2018, Dom was the only listed Polish residential developer to have a net cash position. We maintain an accumulate rating for DOM.

Current Price

75.80 PLN

Upside

9M Target Price

87.80 PLN

+15.8%

	rating	target price	issued
unchanged	accumulate	87.80 PLN	2018-06-22

Key Metrics	DOM PW	DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	+1.1%
ISIN	PLDMDVL00012	YTD Price Chng	-2.7%
Outst. Stock (m)	25.0	ADTV 1M	+8.8%
MC (PLN m)	1,892.6	ADTV 6M	PLN 0.6m
EV (PLN m)	1,974.1	EV/EBITDA 12M fwd	PLN 0.5m
Free Float	24.8%	EV/EBITDA 5Y avg	7.0
			-36.7%
			11.1 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,153.0	1,404.7	1,748.7	1,711.6	1,883.2
Gross profit	271.1	385.7	461.3	451.6	494.7
Gross margin	23.5%	27.5%	26.4%	26.4%	26.3%
EBIT	156.6	235.4	299.5	285.2	322.9
Net income	125.7	190.7	240.1	228.6	257.8
P/E	15.0	9.9	7.9	8.3	7.3
P/B	2.0	1.9	1.8	1.8	1.8
EV/EBITDA	11.2	8.0	6.4	7.0	6.6
DPS	3.25	5.05	7.60	9.50	9.15
DYield	4.3%	6.7%	10.0%	12.5%	12.1%
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%
Closinas			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	2,482	2,929	3,801	3,602	3,924
Revenue/unit (PLN k)	465	480	460	475	480
SG&A	107	138	157	162	167
SG&A/Sales	9.3%	9.9%	9.0%	9.5%	8.9%
EBIT margin	13.6%	16.8%	17.1%	16.7%	17.1%
Net profit margin	10.9%	13.6%	13.7%	13.4%	13.7%
Cash	437	331	214	280	132
Net debt	-57	64	81	155	303
Net debt/Equity	-6%	6%	8%	15%	28%
Inventory	1,508	1,989	2,050	2,152	2,253
Inventory/Sales	131%	142%	117%	126%	120%
Earnest money deposits	349	568	615	645	563
Deposits/Inventory	23%	29%	30%	30%	25%
Equity	930	1,002	1,057	1,048	1,077
ROE	14.2%	20.5%	24.0%	21.6%	24.6%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	265	198	152	175	94
D&A	5	7	9	9	9
Working capital	106	-9	-71	-65	-177
Investing cash flow	-6	-213	-8	0	11
CAPEX	-6	-8	-8	-9	-9
Financing cash flow	-67	-120	-288	-100	-233
Dividends	-81	-126	-190	-237	-229

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.42	0.39	0.36	4.7	3.8	3.5
Maximum	1.86	1.87	1.86	270.0	8.7	17.6
Median	0.65	0.62	0.58	7.7	5.3	5.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,749	1,712	1,883	1,632	1,665	1,698	1,732	1,766	1,802	1,838	1,874
EBITDA	308	294	332	240	243	246	251	256	261	266	271
EBITDA margin	17.6%	17.2%	17.6%	14.7%	14.6%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
D&A	9	9	9	9	9	9	9	9	9	9	9
EBIT	299	285	323	232	235	238	242	247	252	257	262
Tax	57	54	61	44	45	45	46	47	48	49	50
NOPLAT	243	231	262	188	190	193	196	200	204	208	213
CAPEX	-8	-9	-9	-9	-9	-9	-9	-9	-9	-9	-9
Working capital	-71	-65	-177	-69	-100	-12	-5	-5	-5	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	172	166	84	118	91	181	191	195	199	203	208
PV FCF	164	147	69	90	64	118	116	110	104	99	
WACC	8.4%	8.2%	8.0%	7.8%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	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%

*Adj. for PLN 7.60 DPS; the record day was June 26th

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,859
Net debt	64
Other adjustments	0
Value per share (PLN)	112.40

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	42.10
Relative (DYield)	17%	116.90
DCF	50%	112.40
Cost of equity (9M)		6.3%
9M Target Price*		87.80

Echo Investment buy (no change)

Piotr Zybala

+48 22 438 24 04

piotr.zybala@mbank.pl

Echo stock fell for the second month straight in June, underperforming the WIG-real estate industry benchmark, despite a lack of any evidence of a worsening in the market conditions or in the Company's financial standing. In fact, after selling a 73% stake in its REIT unit EPP for a total of PLN 175m over the last three months, Echo currently sits on excess cash which it can use to pay extra dividends. If the remaining 15.2 million EPP shares were to be sold at the same price, the total proceeds would come close to PLN 250m (14.5% of market cap), In addition, Echo has already sold one office building this year, and it has five more commercial properties earmarked for sale. Echo is expected to keep generating annual profits close to PLN 300m in the coming years (P/E=5.5-6.0x). We maintain a buy rating for ECH.

Current Price

4.26 PLN

Upside

9M Target Price

5.63 PLN

+32.2%

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

Key Metrics			ECH PW	vs. WIG
Ticker	ECH PW	1M Price Chng	-8.4%	-5.8%
ISIN	PLECHPS00019	YTD Price Chng	+5.2%	+16.7%
Outst. Stock (m)	412.7	ADTV 1M		PLN 0.2m
MC (PLN m)	1,758.1	ADTV 6M		PLN 0.4m
EV (PLN m)	2,795.1	EV/EBITDA 12M fwd	16.9	+4.9%
Free Float	14.4%	EV/EBITDA 5Y avg	16.1	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	4.5	5.6	5.8	5.4	6.6
P/B	1.2	1.1	1.0	1.0	1.0
EV/EBITDA	3.4	9.5	6.9	7.1	8.6
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%	45%	42%	39%	37%
FV adj./IP	38.0%	29.8%	31.0%	19.3%	14.1%
Equity	1,528	1,588	1,684	1,801	1,837
ROE	10.7%	20.4%	19.1%	19.5%	14.8%

Cash Flow Summary

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

Relative Valuation Summary

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

DCF Analysis

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

*Adj. for PLN 0.50 DPS; the record day was May 4th

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)

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Notable June developments at GTC included the completion of the White House office building in Budapest, and the acquisition of a building permit for the next office project in the Hungarian capital called 'The Twist.' GTC is a defensive play compared to other developers. The Company achieved a comfortable 25% of our FY EBIT forecast in Q1, and fulfilled 27% of the annual FFO estimate, indicating potential for a positive surprise assuming a successful purchase of the Mall of Sofia as planned this year. 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

9.27 PLN

Upside

9M Target Price

9.60 PLN

+3.6%

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

Key Metrics			GTC PW	vs. WIG
Ticker	GTC PW	1M Price Chng	+4.0%	+6.6%
ISIN	PLGTC0000037	YTD Price Chng	-2.1%	+9.4%
Outst. Stock (m)	470.3	ADTV 1M		PLN 0.6m
MC (PLN m)	4,359.7	ADTV 6M		PLN 1.3m
EV (PLN m)	8,858.4	EV/EBITDA 12M fwd	17.7	+19.9%
Free Float	21.9%	EV/EBITDA 5Y avg	14.7	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 FV 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	6.3	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)

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

The first quarter of 2018 was a resounding success for LC Corp, which achieved 32% of our full-year sales forecast in the period after topping the year-ago sales volume by 17%, delivering strong profit figures which included the highest gross margin in the sector. As a mixed-use developer, LC Corp is able to keep up with the top residential players, generating returns on equity around 20%, with net profits from the residential business expected to average PLN 120m in the next three years. At the 3 year forward price/earnings multiples currently assigned by the market to leading homebuilders like Atal and Dom Development (8.7x), the valuation of LCC's residential business is equivalent to its total market capitalization. As for the commercial segment, despite the fact that the net value of its constituent assets as of March 2018 was PLN 1.07 billion, at the current market cap it carries a valuation which is close to zero, a result of investors demanding a disproportionately high discount after write-offs recognized on selected retail properties. We maintain a buy rating for LCC.

Current Price

2.55 PLN

Upside

9M Target Price

3.58 PLN

+40.4%

	rating	target price	issued
unchanged	buy	3.58 PLN	2018-06-22

Key Metrics			LCC PW	vs. WIG
Ticker	LCC PW	1M Price Chng	-6.3%	-3.7%
ISIN	PLCCRP00017	YTD Price Chng	-7.3%	+4.3%
Outst. Stock (m)	447.6	ADTV 1M		PLN 4.2m
MC (PLN m)	1,141.3	ADTV 6M		PLN 1.9m
EV (PLN m)	2,019.7	P/E 12M fwd	6.0	-38.9%
Free Float	41.3%	P/E 5Y avg	9.8	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	547.0	706.2	795.3	870.5	937.1
Gross profit	207.9	260.8	287.6	309.7	326.6
Gross margin	38.0%	36.9%	36.2%	35.6%	34.9%
EBIT ex. FV adj.	169.6	208.6	237.3	257.3	272.6
FV adjustment	34.2	-119.3	15.3	19.3	0.0
Net income	113.1	80.2	186.1	202.5	198.8
Net income adj.	120.7	150.6	172.4	186.8	198.8
P/E	10.1	14.2	6.1	5.6	5.7
P/E adj.	9.5	7.6	6.6	6.1	5.7
P/B	0.8	0.8	0.7	0.7	0.7
DPS	0.18	0.07	0.24	0.29	0.31
DYield	7.1%	2.7%	9.4%	11.3%	12.3%

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	2,007	2,114	2,203
Revenue	547	706	795	871	937
Residential	402	563	646	702	752
Rental Properties	145	144	149	169	185
Gross margin	38.0%	36.9%	36.2%	35.6%	34.9%
Residential	26.0%	28.8%	28.6%	27.3%	26.2%
Rental Properties	71.2%	68.7%	69.0%	70.0%	70.0%
Cash	355	344	292	261	250
Net debt	737	737	878	943	972
Net debt/Equity	53%	51%	58%	59%	59%
Inventory	971	1,064	1,036	1,020	1,003
Investment properties (IP)	1,810	1,805	1,976	2,059	2,059
FV adj./IP	1.9%	-6.6%	0.8%	0.9%	0.0%
Equity	1,396	1,448	1,527	1,600	1,659
ROE	8.3%	5.7%	12.9%	13.3%	12.4%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	199	167	185	194	140
Working capital	91	-18	-36	-20	-87
Investing cash flow	-102	-142	-184	-103	-1
IP purchases	-102	-141	-183	-102	0
IP sales	0	0	0	0	0
Financing cash flow	113	-11	-53	-30	-11
Dividends	-81	-31	-107	-129	-140

Relative Valuation Summary

	18P	P/BV	19P	20P	18P	P/E	19P	20P
Minimum	0.42	0.39	0.36	4.69	3.78	3.47		
Maximum	2.03	2.04	1.99	270.01	9.81	17.63		
Median	0.91	0.85	0.78	8.63	7.21	6.45		
Weight	17%	17%	17%	17%	17%	17%		

DCF Valuation: Residential Business

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	646	702	752	608	588	599	611	623	636	649	662
EBITDA	145	151	155	102	90	91	93	95	97	98	100
EBITDA margin	22.5%	21.5%	20.6%	16.9%	15.4%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%
NOPLAT	117	121	125	82	72	73	74	76	77	79	80
Working capital	-37	-22	-88	-110	10	-9	-9	-9	-9	-9	-9
FCF	81	101	37	-27	84	65	66	68	69	71	72
PV FCF	77	88	30	-20	58	41	39	36	34	32	

Net Asset Valuation: Commercial Business

NAV (PLN m)	18P	19P	20P	21P	22P
Standing inv. pr.	1,013	1,159	1,177	1,205	1,233
Prop. u/develop.	98	0	0	0	0
Other assets	-10	24	81	139	199
Total NAV	1,101	1,183	1,259	1,344	1,432
PV of NAV	1,049	1,039	1,019	1,003	984

NAV Summary

(PLN m)	
PV of NAV (2021E)	984
2021E ROE	6.5%
Cost of equity	8.5%
Premium/Discount (ROE - COE)	-23%
NAV per share (PLN)	1.72

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	926
Net debt	148
Other adjustments	0
Value per share (PLN)	1.74

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	3.04
Relative (DYield)	17%	3.74
SOTP	50%	3.46
Cost of equity (9M)		6.4%
9M Target Price		3.58

Retail

AmRest

reduce (no change)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

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. As a result, even though we expect to see continued expansion in AmRest's second-quarter sales update in July, the EBITDA margin for the quarter will probably show contraction from Q2 2017. In addition, AmRest's plans for continuing sales network expansion (with 300 new restaurant openings planned in 2018) entail high capital expenditures, projected at PLN 914m in 2019 and PLN 908m in 2020.

Current Price

439.50 PLN

Downside

9M Target Price

426.00 PLN

-3.1%

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

Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	-8.5%	-5.9%
ISIN	NL0000474351	YTD Price Chng	+7.2%	+18.7%
Outst. Stock (m)	21.2	ADTV 1M		PLN 3.6m
MC (PLN m)	9,323.5	ADTV 6M		PLN 5.4m
EV (PLN m)	11,103.9	EV/EBITDA 12M fwd	12.7	+25.9%
Free Float	31.1%	EV/EBITDA 5Y avg	10.1	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	48.9	51.1	46.3	36.3	28.0
P/B	7.1	7.1	6.2	5.3	5.1
EV/EBITDA	19.2	18.0	15.2	12.1	10.2
DPS	0.00	0.00	0.00	0.00	12.09
DYield	0.0%	0.0%	0.0%	0.0%	2.8%
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 (no change)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

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, underpinned by 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 again, with the monthly sales slowing to 15%, and decelerating further to an annual rate of 7.9% in June. All in all, CCC's sales for Q2 2018 increased 17.7% over the year-ago volume. Strong sales generated in the comparable year-ago periods might also result in a curbed sales momentum during July-September, but the impact on profits will be mitigated by an expected improvement in the sales margin and a tight rein on SG&A expenses. Even so, we consider the current 2018 FY EBITDA consensus for CCC to be overestimated at PLN 664m compared to our own forecast of PLN 588m. With all that said, we maintain a positive medium-term outlook for CCC, which is trading at more attractive multiples than most other listed retailers at the moment after a recent downward correction.

Current Price

195.50 PLN

Upside

9M Target Price

295.00 PLN

+50.9%

	rating	target price	issued
unchanged	buy	295.00 PLN	2018-06-06

Key Metrics	CCC PW	CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	-21.1%
ISIN	PLCCC0000016	YTD Price Chng	-31.4%
Outst. Stock (m)	41.1	ADTV 1M	PLN 30.3m
MC (PLN m)	8,040.3	ADTV 6M	PLN 24.5m
EV (PLN m)	8,609.8	EV/EBITDA 12M fwd	11.4
Free Float	59.4%	EV/EBITDA 5Y avg	15.9 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	25.0	28.8	25.6	15.1	11.2
P/B	8.3	7.3	5.9	4.4	3.3
EV/EBITDA	18.9	17.1	14.6	10.2	7.8
DPS	2.19	2.47	1.40	1.87	0.00
DYield	1.1%	1.3%	0.7%	1.0%	0.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
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

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	53.0	42.4	33.0	24.5	18.2	14.2
Maximum	74.9	57.2	45.8	41.5	26.2	20.4
Median	72.5	52.4	40.8	32.3	23.6	17.9
Weight	17%	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 (no change)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

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, curbing the period's reported sales momentum. 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, and indicating peerless 2017-2021E CAGR of 21.4%, which, however, is priced in at the current share price level.

Current Price

104.00 PLN

Downside

9M Target Price

103.50 PLN

-0.5%

	rating	target price	issued
unchanged	hold	103.50 PLN	2018-06-06

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	-2.5%	+0.1%
ISIN	PLDINPL00011	YTD Price Chng	+32.0%	+43.5%
Outst. Stock (m)	98.0	ADTV 1M		PLN 26.2m
MC (PLN m)	10,196.2	ADTV 6M		PLN 17.9m
EV (PLN m)	10,740.2	EV/EBITDA 12M fwd	17.8	+10.7%
Free Float	48.9%	EV/EBITDA 5Y avg	16.0	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	67.4	47.7	31.9	23.9	19.2
P/B	14.9	11.3	8.3	6.2	4.7
EV/EBITDA	38.1	27.5	19.8	15.3	12.1
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%

Key Ratios

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

Relative Valuation Summary

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

DCF Analysis

(EUR m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Store count	953	1,153	1,338	1,438	1,538	1,638	1,738	1,838	1,938	2,038	2,038
Sales/sqm	1,502	1,565	1,614	1,639	1,663	1,662	1,661	1,660	1,660	1,659	1,659
SG&A/Sales	15.9%	15.8%	15.9%	15.9%	15.9%	16.0%	16.0%	16.1%	16.1%	16.1%	16.1%
Revenue	5,944	7,576	9,268	10,523	11,480	12,285	13,095	13,911	14,731	15,557	15,946
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%

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)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

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 Q1 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 turned 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, but the results for the second quarter will still be relatively weak.

Current Price

21.15 PLN

Upside

9M Target Price

30.70 PLN

+45.2%

	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	-14.0%	-11.4%
ISIN	PLEURCH00011	YTD Price Chng	-17.8%	-6.3%
Outst. Stock (m)	139.2	ADTV 1M		PLN 5.8m
MC (PLN m)	2,943.3	ADTV 6M		PLN 10.2m
EV (PLN m)	3,089.9	EV/EBITDA 12M fwd	7.7	-32.2%
Free Float	53.0%	EV/EBITDA 5Y avg	11.3	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	16.4	-	22.2	17.1	12.5
P/B	2.5	2.9	2.5	2.3	2.1
EV/EBITDA	7.6	13.7	7.2	6.1	5.2
DPS	1.05	0.80	-0.12	0.48	0.62
DYield	5.0%	3.8%	-0.6%	2.3%	2.9%
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

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

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

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. We maintain a buy rating for JMT on nearly 40% upside potential.

Current Price

11.96 EUR

Upside

9M Target Price

16.40 EUR

+37.1%

	rating	target price	issued
unchanged	buy	16.40 EUR	2018-06-06

Key Metrics			JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-11.6%	-9.1%
ISIN	PTJMT0AE0001	YTD Price Chng	-23.2%	-11.7%
Outst. Stock (m)	629.3	ADTV 1M		EUR 13.4m
MC (EUR m)	7,526.3	ADTV 6M		EUR 14.0m
EV (EUR m)	7,442.0	EV/EBITDA 12M fwd	7.4	-24.6%
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	12.7	19.5	16.2	15.1	14.5
P/B	4.3	4.3	3.7	3.3	2.9
EV/EBITDA	8.7	8.3	7.1	6.4	5.8
DPS	0.28	0.63	0.31	0.37	0.40
DYield	2.4%	5.3%	2.6%	3.1%	3.3%
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 accumulate (no change)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

LPP continues to achieve strong like-for-like growth in 2018 (9.2% in Q1, 14.2% in Q2), and its gross margin for the first half of the year is expected to show an increase of 1.9pp y/y at 53.5% (60.2% in Q2), supported by high profits on spring/summer collections. EBIT for Q2 2018 is set to be 49.3% higher than in the same period last year. Through further expansion into new markets, supported by intensified investment, LPP is set to double its online sales this year to a projected PLN 720m. This, combined with high fashion sales, will bring the yearly EBITDA margin 1.6pp higher to a projected 14%, with the nominal EBITDA at PLN 1,156m (an estimate 10% above the current market consensus). We maintain an accumulate rating for LPP.

Current Price

9,050.00 PLN

Upside

9M Target Price

10,200.00 PLN

+12.7%

	rating	target price	issued
unchanged	accumulate	10,200.00 PLN	2018-06-18

Key Metrics			LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	-3.1%	-0.5%
ISIN	PLLPP0000011	YTD Price Chng	+1.6%	+13.1%
Outst. Stock (m)	1.9	ADTV 1M		PLN 24.3m
MC (PLN m)	16,764.4	ADTV 6M		PLN 23.1m
EV (PLN m)	16,049.6	EV/EBITDA 12M fwd	14.2	-4.7%
Free Float	69.5%	EV/EBITDA 5Y avg	14.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,019	7,029	8,284	9,584	10,920
EBITDA	494	872	1,156	1,359	1,581
EBITDA margin	8.2%	12.4%	14.0%	14.2%	14.5%
EBIT	226	578	832	993	1,169
Net income	175	441	659	803	949
P/E	95.0	38.0	25.4	20.9	17.7
P/B	7.8	6.9	5.5	4.5	3.7
EV/EBITDA	33.9	18.9	13.9	11.5	9.5
DPS	32.66	35.71	36.03	53.84	65.63
DYield	0.4%	0.4%	0.4%	0.6%	0.7%
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	592	633	650	674
Revenue/sqm, RU (PLN)	534	586	566	573	572
Revenue/sqm, CZ (PLN)	545	671	745	754	769
Revenue/sqm, DE (PLN)	485	499	502	505	505
Gross profit margin	48.7%	52.9%	54.4%	54.2%	53.7%
Operating cash flow	718	893	982	1,094	1,271
D&A	267	293	324	366	412
Working capital	256	101	40	-74	-91
Investing cash flow	-181	-384	-517	-583	-596
CAPEX	-272	-442	-519	-583	-596
Financing cash flow	-394	-360	-87	-301	-112
Dividends/Buyback	60	66	66	99	120
FCF	444	358	396	464	621
FCF/EBITDA	90%	41%	34%	34%	39%
OCF/EBITDA	145%	102%	85%	81%	80%

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	893	1,103	1,667
Net debt (PLN m)	144	-316	-715	-1,127	-1,682
Net debt/EBITDA (x)	0.3	-0.4	-0.6	-0.8	-1.1

Relative Valuation Summary

	P / E			EV / EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	15.3	15.2	14.6	8.2	7.8	7.4
Maximum	27.7	26.3	23.8	16.3	15.4	14.1
Median	25.9	19.6	16.0	16.1	12.5	10.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	658	694	723	745	760	767	763	759	756	805	805
SG&A/sqm (PLN)	293	307	315	324	329	332	329	327	326	351	351
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	8,284	9,584	10,920	12,198	13,452	14,641	15,697	16,855	18,130	19,393	19,393
EBITDA	1,156	1,359	1,581	1,767	1,949	2,083	2,230	2,391	2,539	2,634	2,634
EBITDA margin	14.0%	14.2%	14.5%	14.5%	14.5%	14.2%	14.2%	14.2%	14.0%	13.6%	13.6%
EBIT	832	993	1,169	1,318	1,473	1,592	1,721	1,857	1,975	2,035	2,035
Tax	188	199	234	264	295	318	344	371	395	407	407
CAPEX	-519	-583	-596	-605	-560	-579	-622	-671	-728	-792	-792
Working capital	52	113	131	105	103	98	87	95	105	104	104
FCF	396	464	621	793	992	1,088	1,178	1,253	1,312	1,331	1,364
PV FCF	396	427	527	621	716	723	722	708	683	639	
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	17,675
Net debt	-316
Other adjustments	0
Value per share (PLN)	9,700

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	9,300
DCF Val.	50%	9,700
Implied Price		9,620
Cost of equity (9M)		6.4%
9M Target Price		10,200

TXM buy (reiterated)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

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. In June TXM's shareholders approved a PLN 29.6m capital raise, with PLN 25m of the proposed equities and convertible bonds already subscribed for by the main owners. We believe the proceeds will jump-start faster growth in the future. In the mean time, we have lowered our FY2018-2020 earnings forecasts for TXM based on the weaker-than-expected ytd sales, and after adjusting for the planned capital raise we cut our target price for the stock to PLN 3.48 per share, with an intact buy call.

Current Price

1.28 PLN

Upside

9M Target Price

3.48 PLN

+171.9%

		rating	target price	issued
new		buy	3.48 PLN	2018-07-04
old		buy	5.44 PLN	2018-05-09
Key Metrics			TXM PW	vs. WIG
Ticker	TXM PW	1M Price Chng	-7.9%	-5.3%
ISIN	PLTXM0000015	YTD Price Chng	-46.7%	-35.1%
Outst. Stock (m)	44.9	ADTV 1M		PLN 0.03m
MC (PLN m)	57.4	ADTV 6M		PLN 0.03m
EV (PLN m)	102.3	EV/EBITDA 12M fwd	5.9	-6.4%
Free Float	21.4%	EV/EBITDA 5Y avg	6.3	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	379	388	409	465	499
EBITDA	22.9	-24.5	5.8	23.6	31.7
EBITDA margin	6.0%	-6.3%	1.4%	5.1%	6.4%
EBIT	16.6	-30.5	-0.5	16.8	24.4
Net income	11.7	-36.2	-1.1	13.0	19.1
P/E	2.9	-	-	4.3	2.5
P/B	0.5	0.9	1.2	1.0	0.7
EV/EBITDA	2.6	-	17.5	4.2	2.7
DPS	0.15	0.00	0.00	0.09	0.14
DYield	11.3%	0.0%	0.0%	7.3%	10.8%
Revision of Projections (% change)					
EBITDA			-63.2%	-12.4%	-4.0%
Net income			-117.6%	-15.5%	-4.0%
Revenue per square meter			-9.1 p.p.	+3.0 p.p.	+1.0 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	299	315	365	384
Revenue, SK	5	6	13	20	26
Revenue, RO	17	41	58	75	81
Y/Y sales/sqm, PL	-3.5%	-21.0%	5.4%	14.4%	2.2%
Y/Y sales/sqm, RO	5.2%	-29.8%	23.1%	11.9%	-5.9%
Operating cash flow	3	47	157	223	258
D&A	6	6	6	7	7
Working capital	13	18	-4	-6	-4
Investing cash flow	-33	-19	-13	-10	-9
CAPEX	-28	-19	-13	-10	-9
Financing cash flow	-6	28	3	-9	-8
Dividends/Buyback	-7	0	0	-5	-7
FCF	6	-25	-10	7	14
FCF/EBITDA	27%	104%	-175%	30%	43%
OCF/EBITDA	170%	40%	72%	72%	72%

Key Metrics

(days)	2016	2017	2018P	2019P	2020P
Days inventory	80	86	82	82	84
Days receivables	22	4	4	4	4
Days payables	66	72	65	63	63
CCC	36	18	21	23	24
Gross profit margin	42.0%	38.6%	42.6%	43.6%	43.6%
Net debt (PLN m)	26	35	45	43	37
Net debt/EBITDA (x)	1.2	-1.4	7.7	1.8	1.2

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	7.8	7.6	7.2	4.0	4.1	3.8
Maximum	36.2	29.2	23.6	18.0	15.7	12.9
Median	14.6	13.1	13.1	7.5	7.5	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)	314	342	351	354	354	355	349	345	344	343	343
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	409	465	499	525	547	570	583	598	617	636	648
EBITDA	6	24	32	33	33	36	35	35	38	38	38
EBITDA margin	1.4%	5.1%	6.4%	6.3%	6.1%	6.3%	6.1%	5.9%	6.1%	6.0%	5.9%
EBIT	-1	17	24	26	25	28	27	27	29	30	30
Tax	-1	1	5	5	5	5	5	5	5	6	6
CAPEX	-13	-10	-9	-14	-9	-9	-9	-9	-9	-8	-8
Working capital	4	6	4	3	3	3	2	2	3	2	2
FCF	-10	7	14	11	17	19	20	19	21	23	23
PV FCF	-10	6	12	9	12	13	12	11	10	10	
WACC	3.6%	7.2%	7.5%	7.8%	8.3%	8.9%	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	228
Net debt	42
Other adjustments	0
Value per share (PLN)	3.85

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	2.65
DCF Val.	50%	3.85
Implied Price		3.25
Cost of equity (9M)		7.1%
9M Target Price		3.48

Other PBKM hold (no change)

Paweł Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

PBKM underperformed the broad market by a little over 5% in June, and at the current level the stock remains a hold with only 2% upside potential. PBKM 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. In June PBKM declared a 2018 per-share dividend of PLN 0.9, offering small implied dividend yield of 1.2%. As a reminder, PBKM 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

74.80 PLN

Upside

9M Target Price

76.26 PLN

+2.0%

	rating	target price	issued
unchanged	hold	76.26 PLN	2018-06-06

Key Metrics			BKM PW	vs. WIG
Ticker	BKM PW	1M Price Chng	+5.4%	+7.9%
ISIN	PLPBKM000012	YTD Price Chng	+6.9%	+18.4%
Outst. Stock (m)	5.0	ADTV 1M		PLN 0.9m
MC (PLN m)	371.8	ADTV 6M		PLN 0.6m
EV (PLN m)	368.3	EV/EBITDA 12M fwd	6.8	+10.3%
Free Float	48.8%	EV/EBITDA 5Y avg	6.2	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	128.3	147.1	161.0	173.4	185.1
EBITDA	34.1	46.0	50.7	55.3	59.8
EBITDA margin	26.6%	31.3%	31.5%	31.9%	32.3%
EBIT	29.9	41.2	45.3	49.8	54.1
Net income	22.1	30.6	33.9	37.4	40.6
P/E	16.8	12.1	11.0	10.0	9.1
P/B	6.7	4.7	3.7	3.1	2.6
EV/EBITDA	10.9	8.0	7.3	6.7	6.2
DPS	1.41	1.56	2.62	3.41	3.76
DYield	1.9%	2.1%	3.5%	4.6%	5.0%

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%

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

Recommendations of Dom Maklerski mBanku :

A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
 Recommendations are updated at least once every nine months.

mBank S.A. with its registered office in Warsaw at Senatorska 18 renders brokerage services in the form of derived organisational unit – Brokerage Office which uses name Dom Maklerski mBanku.

The present report expresses the knowledge as well as opinions of the authors on day the report was prepared. The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which Dom Maklerski mBanku considers reliable, including information published by issuers, shares of which are subject to recommendations. However, Dom Maklerski mBanku, in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts.

This document does not constitute an offer or invitation to subscribe for or purchase any financial instruments and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document nor any copy hereof is not to be distributed directly or indirectly in the United States, Australia, Canada or Japan.

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation.

Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

mBank S.A. bears no responsibility for investment decisions taken on the basis of the present report or for any damages incurred as a result of investment decisions taken on the basis of the present report.

It is possible that mBank S.A. in its brokerage activity renders, will render or in the past has rendered services for companies and other entities mentioned in the present report.

mBank S.A. does not rule out offering brokerage services to an issuer of securities being the subject of a recommendation. Information concerning a conflict of interest arising in connection with issuing a recommendation (should such a conflict exist) is located below.

The present publication was not transferred to issuers prior to publication.

The production of new recommendations was completed on July 4, 08:32 AM.
New recommendations were first disseminated on July 4, 08:32 AM.

mBank S.A. serves as underwriter for the following issuers: Asseco Business Solutions (a unit of Asseco Poland), Atal, BOŚ, BZ WBK, Capital Park, Ergis, ES-System, IMS, MLP Group, Neuca, PBKM, Pemug, Polimex-Mostostal, Solar Company, Tarczyński, TXM, Vistal Gdynia, Zastal, ZUE.

mBank S.A. serves as market maker for the following issuers: Alior Bank, Asseco Business Solutions (a unit of Asseco Poland), Atal, BOŚ, BZ WBK, Capital Park, CCC, Cyfrowy Polsat, Enea, Energa, Ergis, ES-System, Eurocash, IMS, JSW, KGHM, Kruk, LW Bogdanka, MLP Group, Neuca, Orange Polska, PBKM, PGNiG, PKN Orlen, Polimex-Mostostal, PZU, Solar Company, Tarczyński, Tauron, TXM, Vistal Gdynia, Zastal, ZUE.

mBank S.A. may have received compensation from the following companies in the last 12 months: Agora, Alchemia, Alior Bank, Ambra, Asseco Business Solutions (a unit of Asseco Poland), Atal, Bank Handlowy, Bank Millennium, Bank Pekao, BEST, BGŻ BNP Paribas, Boryszew, BOŚ, BZ WBK, Capital Park, CCC, CD Projekt, Cognor, Cyfrowy Polsat, Echo Investment, Elemental Holding, Elzab, Enea, Energa, Energoaparatúra, Erbud, Ergis, Erste Bank, ES-System, Eurocash, Famur, Ferrum, GetBack, Getin Noble Bank, Groclin, Grupa Azoty, i2 Development, Impexmetal, IMS, INDATA, ING BSK, JSW, KGHM, Kopex, Kruk, LC Corp, LW Bogdanka, Mennica Polska, MLP Group, Mostostal Warszawa, Netia, Neuca, Oponeo.pl, Orange Polska, Orbis, OTP Bank, PA Nova, PBKM, Pekabex, Pemug, PGE, PGNiG, PKN Orlen, PKO BP, Polimex-Mostostal, Polnord, Prochem, Projprzem, PZU, Raiffeisen Bank International, Rawlplug, Robyng, Rubicon Partners NFI, Seco/Warwick, Skarbiec Holding, Solar Company, Stelmet, Sygnty, Tarczyński, Tauron, TXM, Unibep, Uniwheels, Vistal Gdynia, YOLO, Zastal, ZUE.

In the last 12 months mBank S.A. has been an offering agent/co-manager of the issuer's shares in a public offering for the following companies: Cognor Holding.

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

Asseco Poland provides IT services to mBank S.A.

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

mBank S.A., its shareholders and employees may hold long or short positions in the issuers' shares or other financial instruments related to the issuers' shares. mBank, its affiliates and/or clients may conduct or may have conducted transactions for their own account or for account of another with respect to the financial instruments mentioned in this report or related investments before the recipient has received this report.

Copying or publishing the present report, in full or in part, or disseminating in any way information contained in the present report requires the prior written agreement of mBank S.A. Recommendations are addressed to all Clients of Dom Maklerski mBanku.

Recommendations are addressed to all Clients of Dom Maklerski mBanku.

The activity of mBank S.A. is subject to the supervision of the Polish Financial Supervision Commission.

In connection with the above, Dom Maklerski mBanku does not consider the Monthly Report to be a recommendation as understood in the Order of the Council of Ministers, dated 19 October 2005, in regard to information comprising recommendations concerning financial instruments or their issuers.

Individuals who did not participate in the preparation of recommendations, but had or could have had access to recommendations prior to their publication, are employees of Dom Maklerski mBanku authorised to access the premises in which recommendations are prepared and/or individuals having to access to recommendations based on their corporate roles, other than the analysts mentioned as the authors of the present recommendations.

This publication constitutes investment research within the meaning of Art. 36.1 of Commission Delegated Regulation (EU) 2017/565.

The compensation of the research analysts responsible for preparing investment research is determined independently of and without regard to the compensation of or revenue generated by any other employee of the Bank, including but not limited to any employee whose business interests may reasonably be considered to conflict with the interests of the persons to whom the investment research prepared by the Research Department of Dom Maklerski mBanku is disseminated. With that being said, since one of the factors taken into consideration when determining the compensation of research analysts is the degree of fulfillment of annual financial targets by customer service functions, there is a risk that the adequacy of compensation offered to persons preparing investment research will be questioned by a competent oversight body.

For U.S. persons only: This research report is a product of mBank SA which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by mBank SA only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, mBank SA has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

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
Asseco Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG, Tieto
Atal, Dom Development	Archicom, Atal, Dom Development, i2 Development, JWC, LC Corp, Lokum Deweloper, Polnord, Ronson
Budimex, Erbud, Unibep	Budimex, Elektrobudowa, Elektrotim, Erbud, Herkules, Torpol, Trakcja, Ulma, Unibep, ZUE, Strabag, Porr, Hochtief, Bouygues, Salini, Astaldi, Mota Engil, Skanska, PEAB, NCC
Capital Park, GTC	BBi Development, Capital Park, Echo Investment, GTC, P.A. Nova, PHN, Alstria Office, Atrium European RE, CA Immobilien, Deutsche Euroshop, DIC Asset, Immofinanz, Klepierre, Unibail-Rodamco, S Immo
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voox Net-a-Porter, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
CEZ, Enea, Energa, PGE, Tauron	CEZ, EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
Ciech	Akzo Nobel, BASF, Bayer, Ciner Resources, Dow Chemical, Huntsman, Soda Samayii, Solvay, Tata Chemicals, Tessenderlo Chemie, Tronox, Wacker Chemie
Comarch	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
Cyfrowy Polsat	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Swisscom, Talktalk Telecom, TDC, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpelcom, Vodafone Group
Dino	Carrefour, Dixy Group, Emperia, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Echo Investment	Archicom, Atal, Capital Park, Dom Development, GTC, JWC, LC Corp, Lokum Deweloper, P.A. Nova, PHN, Polnord, Ronson
Elektrobudowa	Budimex, Elektrobudowa, Elektrotim, Erbud, Herkules, Torpol, Trakcja, Ulma, Unibep, ZUE, Strabag, Porr, Hochtief, Bouygues, Salini, Astaldi, Mota Engil, Skanska, PEAB, NCC, Siemens, Alstom, ABB, Schneider Electric
Eurocash	Carrefour, Dixy Group, Emperia, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Atlas Copco, Caterpillar, Duro Felguera, Komatsu, Sandvik, Shanghai Chuangli, Tian Di
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	Carrefour, Emperia, Eurocash, Magnit, Tesco, X5
JSW	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukin Asam, Henan 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

Apator

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	overweight
Rating date	2018-06-22	2018-04-26	2018-01-25
Target price (PLN)	-	-	-
Price on rating day	15.00	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	buy	accumulate	accumulate	accumulate	accumulate
Rating date	2018-07-04	2018-06-22	2018-04-06	2018-02-02	2017-09-01
Target price (PLN)	42.86	42.86	47.00	49.20	45.00
Price on rating day	36.40	37.30	43.40	42.40	40.40

Atende

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

BBI Development

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

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	295.00	286.00	295.00	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	sell	reduce	hold	hold	accumulate	accumulate	buy	accumulate
Rating date	2018-07-04	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
Target price (CZK)	440.96	458.38	449.51	449.51	506.40	532.50	548.60	512.33	512.33	468.78
Price on rating day	550.00	551.00	567.00	519.50	495.00	530.00	490.70	481.30	441.30	416.00

Ciech

Rating	buy	buy	buy	buy	buy	buy	buy	buy
Rating date	2018-07-04	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-10-02	2017-09-01
Target price (PLN)	81.14	88.64	89.71	85.40	85.87	90.13	79.54	77.07
Price on rating day	53.05	60.20	55.00	57.00	55.90	61.25	65.16	62.73

Comarch

Rating	accumulate	buy	hold	hold	buy	accumulate	accumulate	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
Target price (PLN)	166.50	166.50	166.50	180.00	205.00	185.00	195.00	195.00
Price on rating day	145.00	131.50	155.00	177.00	178.30	163.50	178.50	195.00

Cyfrowy Polsat

Rating	accumulate	hold	accumulate	hold	hold	reduce
Rating date	2018-06-15	2018-04-06	2018-03-05	2018-01-31	2017-11-03	2017-08-29
Target price (PLN)	24.90	25.30	24.90	25.70	24.40	24.40
Price on rating day	22.76	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	accumulate	buy	buy	buy
Rating date	2018-06-22	2018-03-20	2018-02-02	2017-09-01
Target price (PLN)	87.80	103.10	103.00	101.10
Price on rating day	85.80	85.80	82.00	82.25

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
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
Target price (PLN)	12.62	11.78	12.11	12.98	12.82	12.82	14.59	15.23
Price on rating day	9.57	9.10	10.36	11.07	12.19	11.89	14.80	15.25

Energa

Rating	buy	buy	buy	buy	buy	buy	accumulate	hold	accumulate
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
Target price (PLN)	15.58	14.91	14.71	15.20	14.97	14.81	14.49	13.50	13.20
Price on rating day	9.00	9.96	10.11	12.21	12.60	12.09	13.40	13.64	11.65

Erbud

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

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
Rating date	2018-06-06	2018-02-02	2017-09-01
Target price (EUR)	40.00	40.00	35.98
Price on rating day	34.78	40.64	35.50

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	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
Target price (PLN)	44.40	60.99	67.13	73.42	73.64	78.52	80.77	69.60	74.30	74.30
Price on rating day	42.60	51.10	56.55	72.00	74.40	71.30	79.80	68.90	72.08	63.30

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

i2 Development

Rating	neutral	neutral	overweight
Rating date	2018-06-22	2018-05-28	2018-01-12
Target price (PLN)	-	-	-
Price on rating day	15.40	17.30	14.90

ING BSK

Rating	buy	accumulate	hold	sell
Rating date	2018-07-04	2018-03-05	2018-02-01	2017-12-01
Target price (PLN)	212.00	212.00	212.00	152.39
Price on rating day	178.40	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	buy
Rating date	2018-07-04	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-01-30
Target price (PLN)	107.00	115.23	109.12	108.14	120.71	122.30
Price on rating day	77.50	86.66	79.32	86.78	92.80	101.00

JWC

Rating	neutral	underweight	neutral
Rating date	2018-06-22	2018-03-29	2018-01-25
Target price (PLN)	-	-	-
Price on rating day	3.48	4.16	4.41

Kernel

Rating	hold	hold	hold	accumulate	accumulate	accumulate
Rating date	2018-05-09	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-09-01
Target price (PLN)	53.04	53.46	53.47	57.20	58.70	71.74
Price on rating day	50.80	48.80	50.90	47.51	48.25	60.70

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

Komerční 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	buy
Rating date	2018-06-22	2018-04-06	2018-02-02	2017-09-26
Target price (PLN)	3.58	3.50	3.74	3.54
Price on rating day	2.39	2.70	3.10	2.69

Lokum Deweloper

Rating	overweight	overweight	overweight	overweight
Rating date	2018-06-22	2018-03-29	2018-01-25	2017-09-14
Target price (PLN)	-	-	-	-
Price on rating day	18.80	17.80	18.00	16.30

Lotos

Rating	hold	hold	hold	reduce	reduce	reduce	sell	sell	reduce	sell
Rating date	2018-06-29	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)	52.51	52.81	51.73	51.08	52.67	51.53	51.61	51.61	51.61	48.25
Price on rating day	54.50	55.62	54.60	56.30	57.78	58.48	61.66	66.37	59.75	58.86

LPP

Rating	accumulate	hold	accumulate	accumulate	hold	hold	hold	hold	hold
Rating date	2018-06-18	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)	10200.00	9500.00	9500.00	9500.00	9400.00	9900.00	8200.00	8400.00	8800.00
Price on rating day	9,025.00	9,260.00	8,900.00	8,620.00	9,790.00	9,990.00	8,173.95	8,172.05	8,696.65

Mangata

Rating	neutral	underweight
Rating date	2018-06-22	2018-03-29
Target price (PLN)	-	-
Price on rating day	90.00	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	accumulate	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-29	2017-10-02	2017-09-01
Target price (HUF)	2995.00	2954.00	2898.00	3027.00	3152.00	3104.00	3077.00	2865.00
Price on rating day	2,654.00	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
Rating date	2018-04-06	2017-12-12
Target price (PLN)	7.60	7.30
Price on rating day	5.83	5.39

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
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
Target price (PLN)	13.60	12.89	12.61	13.30	13.20	13.61	14.98	14.46
Price on rating day	9.28	9.81	10.28	11.87	11.93	13.30	14.27	13.29

PGNiG

Rating	buy	buy	buy	buy	buy	buy	buy	accumulate	accumulate	accumulate
Rating date	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-10-02	2017-09-01	2017-08-02
Target price (PLN)	8.28	8.17	7.96	7.51	7.65	7.73	7.73	7.73	7.57	7.25
Price on rating day	5.53	6.20	5.71	5.98	6.58	6.03	6.63	6.79	6.83	6.75

PKN Orlen

Rating	reduce	reduce	reduce	sell	sell	sell	sell	sell
Rating date	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-29	2017-10-02	2017-09-01
Target price (PLN)	76.84	76.73	76.89	80.55	82.84	81.80	86.55	81.50
Price on rating day	82.50	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	reduce	hold	hold
Rating date	2018-07-03	2018-04-06	2018-01-25
Target price (PLN)	23.50	30.93	34.70
Price on rating day	24.88	32.70	33.20

Polnord

Rating	underweight	neutral	neutral
Rating date	2018-06-22	2018-02-02	2017-12-27
Target price (PLN)	-	-	-
Price on rating day	9.04	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	neutral	underweight	underweight
Rating date	2018-06-22	2018-04-03	2018-03-29	2018-02-02
Target price (PLN)	-	-	-	-
Price on rating day	1.09	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	buy
Rating date	2018-07-04	2018-05-09	2018-03-05	2018-02-02	2017-09-01	2017-07-17
Target price (PLN)	20.24	26.48	27.72	28.37	28.94	30.50
Price on rating day	10.70	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
Rating date	2018-05-29	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-10-02	2017-09-01
Target price (PLN)	2.76	2.73	2.98	3.38	3.23	3.64	3.89
Price on rating day	2.01	2.38	2.69	3.08	3.10	3.75	3.92

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	2018-07-04	2018-05-09	2018-02-02	2017-12-01	2017-11-03	2017-09-01
Target price (PLN)	3.48	5.44	5.41	5.74	5.77	6.10
Price on rating day	1.28	2.10	2.36	2.02	1.99	2.97

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

Dom Maklerski mBanku

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

Research Department

Kamil Kliszcz
director
+48 22 438 24 02
kamil.klischcz@mbank.pl
energy, power generation

Jakub Szkopek
+48 22 438 24 03
jakub.szkopek@mbank.pl
industrials, chemicals, metals

Piotr Bogusz
+48 22 438 24 08
piotr.bogusz@mbank.pl
retail

Michał Marczak
+48 22 438 24 01
michal.marczak@mbank.pl
strategy

Paweł Szpigel
+48 22 438 24 06
pawel.szpigel@mbank.pl
media, IT, telco

Michał Konarski
+48 22 438 24 05
michal.konarski@mbank.pl
banks, financials

Piotr Zybala
+48 22 438 24 04
piotr.zybala@mbank.pl
construction, real-estate development

Sales and Trading

Traders

Piotr Gawron
director
+48 22 697 48 95
piotr.gawron@mbank.pl

Jędrzej Łukomski
+48 22 697 49 85
jedrzej.lukomski@mbank.pl

Andrzej Sychowski
+48 22 697 48 46
andrzej.sychowski@mbank.pl

Krzysztof Bodek
+48 22 697 48 89
krzysztof.bodek@mbank.pl

Adam Prokop
+48 22 697 47 90
adam.prokop@mbank.pl

Tomasz Galanciak
+48 22 697 49 68
tomasz.galanciak@mbank.pl

Tomasz Jakubiec
+48 22 697 47 31
tomasz.jakubiec@mbank.pl

Szymon Kubka, CFA, PRM
+48 22 697 48 54
szymon.kubka@mbank.pl

Magdalena Bernacik
+48 22 697 47 35
magdalena.bernacik@mbank.pl

Sales, Foreign Markets

Marzena Łempicka-Wilim
deputy director
+48 22 697 48 82
marzena.lempicka@mbank.pl

Bartosz Orzechowski
+48 22 697 48 47
bartosz.orzechowski@mbank.pl

Private Client Sales

Kamil Szymański
director
+48 22 697 47 06
kamil.szymanski@mbank.pl

Jarosław Banasiak
deputy director
+48 22 697 48 70
jaroslaw.banasiak@mbank.pl