

Thursday, August 02, 2018 | periodical publication

Monthly Market Outlook: August 2018

Equity Market, Macroeconomics

Equity Market

An escalation of the US-China trade war could spell more volatility in stock markets in August. Otherwise, the upcoming Q2 earnings releases and economic prints will be supportive of equities.

Sector Outlook

Financials

Sentiment for bank stocks has turned bullish, but we see potential for further gains in August, with bank earnings in Q2 2018 and subsequent quarters propelled by strong demand for retail loans. Elsewhere in the CEE region, OTP, EBS, and KOMB are trading at very attractive levels after a downward correction.

Chemicals

High cost of natural gas and energy commodities will put a dent in the 2018 Q2 profits of chemical producers. In case of Ciech (CIE), any price weakness in the wake of softer earnings should be viewed as a buy opportunity.

Oil & Gas

Polish refinery stocks registered a surprise rally in July, forcing us to downgrade both PKN and LTS to sell. Instead, we would pick Hungary's MOL as the better alternative, alongside the natural gas utility PGNiG, whose shares plummeted after the announcement of a dividend freeze in 2018 even though, fundamentally, the Company is a growth story.

Power Utilities

WIG-Energy stocks are showing signs of a pickup after a slow June, supported by rising electricity prices and a strong earnings outlook for 2019. With rated stocks showing double-digit upside potential to our price targets, we are hoping for an accelerated recovery in August.

Telecoms, Media, IT

There is upside potential in OPL in August, propelled by the fiber rental deal with T-Mobile, and strong upcoming Q2 results. On the other hand, we see downside risk in PLY. We maintain a positive outlook for WPL and we remain bullish on AGO despite what will most likely be weak 2018 Q2 results. We are also positive on CMR, ATD, and ASE.

Industrials & Mining

The 2018 Q2 earnings outlook of industrial firms is reinforced by positive base effects and a weaker zloty. Companies most likely to deliver positive surprises include AML, AMC, COG, FMF, KER, and TAR. On the other hand, BRS and IPX will most likely disappoint. Commodity producers are not likely to wow investors with their 2018 Q2 results, with sentiment additionally dampened by the escalating US-China trade war even as prices of coal and copper remain firm.

Construction

A 50% drop in 2018 Q2 construction profits reported by Budimex (BDX) is a harbinger of what can be expected from the Polish building sector in the upcoming earnings season.

Property Developers

We remain bullish on the real-estate sector, which, in some cases (1AT, DOM, ECH, LCC), is poised to offer dividend yields as high as 12%-13% in 2019.

Retail

Polish retailers are benefitting from rising consumer spending in Poland. We have positive ratings for CCC, EUR, LPP, BTM, and VST. On the other hand, EAT and DNP show downside risk.

Key Ratings

Positive: 1AT, ALR, AMC, BTM, CCC, CIE, EBS, ECH, ENA, ENG, EUR, FMF, FTE, JSW, KGH, KER, LCC, LPP, PFL, PGE, PGN, POZ, STL, TPE, UNI

Negative: CEZ, EAT, KSW, LTS, PKN

EU Indices	Value	1M chng	YTD chng
WIG	60,226	+7.6%	-6%
ATX	3,426	+5.6%	+2%
BUX	36,208	+0.2%	-8%
PX	1,090	+2.4%	+6%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,315	+9.6%	-5%
mWIG40	4,352	+3.9%	-7%
sWIG80	13,011	+3.4%	-8%
Banking	7,957	+10.2%	-6%
Basic Materials	2,183	+1.9%	-23%
Chemicals	12,233	+2.9%	-20%
Clothes	2,417	+3.1%	-19%
Construction	3,788	+7.9%	-14%
Energy	2,087	+10.2%	+2%
Food	4,734	-2.3%	-1%
IT	2,135	+2.2%	-3%
Media	6,823	+5.2%	-9%
Oil & Gas	6,660	+10.8%	-7%
Real estate	3,611	+4.3%	-0%
Telecom	648	-0.6%	-13%
Top 5 / Worst 5		1M	YTD
PBG	0.14	+75.0%	-13%
Trakcja	4.31	+56.7%	-40%
Elemental	1.38	+46.8%	-41%
Polimex-MS	4.15	+33.0%	+3%
CFI Holding	0.42	+31.3%	+17%
Eko Export	4.40	-21.4%	-46%
Elektrotim	5.38	-22.0%	-39%
Work Service	1.33	-25.7%	-68%
Medicalgo	104.00	-29.9%	-47%
Kopex	1.26	-37.0%	-67%

Ratings & 9M TP Changed as of 2 Aug.

Name	Rating	9M TP
Budimex	hold ►	125.00 PLN ▼
Ciech	buy ►	82.52 PLN ▲
Dom Dev.	buy ▲	87.80 PLN ►
Erste Bank	buy ▲	43.00 EUR ▲
Famur	buy ►	6.56 PLN ▼
Grupa Azoty	hold ►	42.13 PLN ▼
Grupa Kęty	hold ►	355.61 PLN ▼
ING BSK	accumulate ▼	212.00 PLN ►
Jeronimo Martins	buy ►	15.20 EUR ▼
JSW	buy ►	108.69 PLN ▲
KGHM	buy ►	111.08 PLN ▼
Kruszwica	underweight ▼	-
Lotos	sell ▼	52.51 PLN ►
Millennium	sell ▼	7.00 PLN ►
PKN Orlen	sell ▼	76.84 PLN ►
PZU	accumulate ▼	47.50 PLN ▼
Wirtualna Polska	buy ▲	60.00 PLN ►

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Investing Outlook

As predicted last month, global equity funds found their way back to emerging markets in July as they seek to capitalize on low valuations and weak currencies, additionally encouraged by the mitigation of perceived investment risk after China announced new measures to aid economic growth, and declared a willingness to go back to the negotiating table with the US. Against this backdrop, Poland finally got a chance to prove its relative strength against other EMs with a strong start to the 2018 Q2 corporate earnings season and renewed assurances that the planned nationwide employer-sponsored pension savings scheme (abbreviated in Polish as "PPK"), with a built-in investment component, will enter into force from mid-2019. The outlook for August is shaped by strong company earnings and solid economic prints, on the one hand, against possible volatility as new chapters open in the US-China trade relationship.

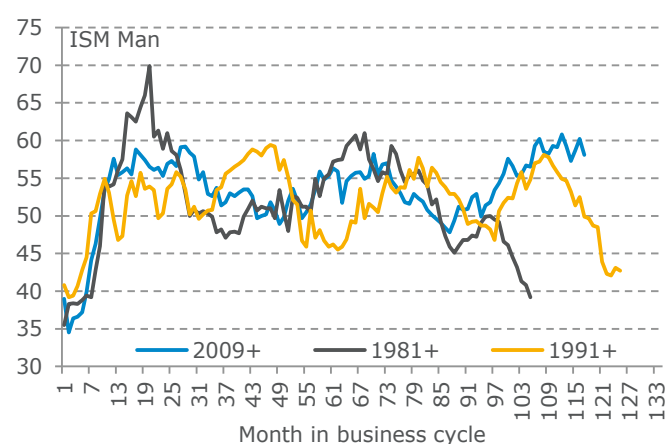
Global Momentum Still Solid

The global economic momentum remains positive even as the US-China trade war escalates, with China's Manufacturing PMI for July coming in at a higher-than-expected 50.8 (vs. 51.0 previously).

Leading indicators for the euro area have been a mixed bag lately, with Manufacturing PMI in Germany and France rising from 55.9 to 56.9 and from 52.5 to 53.3, respectively, in July, while the expectations for peripheral countries, most notably Italy and Spain, worsened. All in all, however, the aggregate PMI for the Zone improved from 54.9 to 55.1. In Poland, July brought a decline in PMI from 54.2 to 52.9.

In the US, the ISM Manufacturing Index logged a major negative surprise by falling to a lower-than-expected 58.1 in July from 60.2 the month before, led by a drop from 63.5 to 60.2 in the new orders index. The following comparison of the current cycle for the ISM Manufacturing index with the previous business cycles indicates a possibility of slowdown.

Changes in ISM Manufacturing index during previous business cycles



Source: Bloomberg

The US Federal Reserve expects to make two more 0.25pt rate hikes this year, based on a positive view of the economy, which shows firm momentum led by increasing job growth and housing. Even with tightening monetary policy in the US, the global money supply continues to rise as central banks in the EU, Japan, and China, continue to provide fuel (the ECB's balance sheet is up more than 8% over this time last year).

The rising interest rates in the US have spurred concerns over growing costs of debt service (especially mortgage debt), and their potential impact on local consumption. However, at 4.25%, the current mortgage rates are relatively low compared to their historical levels, and with decreasing unemployment and part of the debt now paid off the ratio of interest payments to household income is still at an all-time low (2.8% in Q1).

What's Next In US-China Trade War?

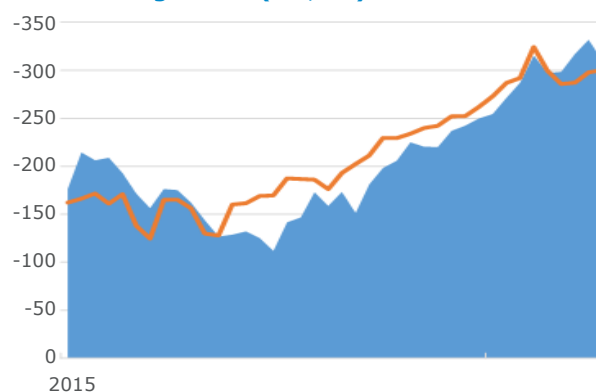
Just a day before we write this, the Trump administration confirmed it was examining an escalation of the proposed tariffs on \$200bn-worth of imports from China from 10% to 25% after concluding the Chinese trade partners had no intention of addressing some of the issues raised at the time the original measures were announced. The confirmation came on the heels of reports that China was willing to restart the trade talks with the US, which boosted stock markets. China's response was to unveil an economic aid package to stimulate growth so that the potential US tariffs become a non-issue. As stakes keep being raised, the US-China trade war remains a developing story.

On a more upbeat note, the July meeting between President Trump and European Commission Chief Jean-Claude Juncker seems to have averted the risk of a trade war between the US and Europe. The two leaders have agreed to work together toward zero tariffs, reevaluate tariffs on steel and aluminum, and to put on hold tariffs on US auto imports from the EU, laying out a blueprint for future talks. The tentative accord may be viewed by some as a bid on the part of the US to gain an upper hand in the negotiations with its real adversary, China.

NYSE Margin Debt and S&P 500 Register Divergence In June

The S&P 500 gained 0.5% in June, and at the same time net margin debt across the US stock market decreased 6.4%. The FINRA margin debt data for July is not out yet, so we do not know if the divergence held through July, but given a monthly gain last month of 3.6% on the S&P 500, and considering that average P/E ratio on the index exceeds 20, any further reduction in margin debt would be a warning flag.

NYSE net margin debt (US\$ bn) vs. S&P 500



Source: FINRA, Bloomberg

Improved Outlook For Poland

The Polish stock market registered its worst month since October 2016 in terms of fund flows this past June, with net withdrawals of PLN 996m making for a total 2018 YTD outflow of PLN 2.3 billion. In July, the sentiment for Polish equities shifted more positive, and although statistics are not available as of this writing we can probably assume the outflows last month were not as bad looking at curbed withdrawals reported by emerging market ETFs, which have been pulling funds since the beginning of May. ETFs still drew \$180m away in total from emerging markets in July, but this after pouring \$471m in during the last two weeks of the month.

Another highlight of July from the point of view of the Polish stock market was the reemergence of the plans for the PPK pension savings scheme with an announcement by the Finance Ministry that it had completed consultations with representatives of worker and employer organizations. The draft bill is to be submitted for discussion by the Council of Ministers in late August.

Not much has changed in the new version of the legislation relative to the original proposal, except for the time frames given to different sizes of employer to implement the savings plans, from firms employing more than 250 people, required to launch from 1 July 2019, to small businesses with fewer than 20 employees, which will join the nationwide scheme from January 2021.

We maintain the belief that the PPK scheme can bring Poland's currently marginalized stock market back on an equal footing with other European markets, and reset Polish equity valuations, weighed down by substantial liquidity discounts, to fairer levels.

According to our rough calculations, the money coming out of the PPK plans and into pension funds in year one of the scheme's operation could approximate PLN 11 billion, with about 30% making its way to the WSE.

Polish Company Earnings Edge Higher In Q2

The 2018 Q2 earnings season has been upbeat so far, with most companies, in particular manufacturers, technology firms, and consumer-facing companies, reporting improvement over the year-ago profits. Worth noting is the acceleration in lending volumes (albeit accompanied by rising cost of risk) reported by Polish banks. We believe the trend will be sustained in the rest of the year even as Poland's economic growth slows to 4.8% in Q3 and 4.7% in Q4 according to predictions by mBank economists, from respective annual rates of 5.2% and 5.4%, registered in the first two quarters.

Michał Marczak

tel. +48 22 438 24 01

michal.marczak@mbank.pl

Sector Strategies

Financials

- Polish banks are trading at attractive multiples as we enter what is set to be a solid second-quarter earnings season, marked by recovering interest margins, and, most importantly, by strong demand for retail loans which mitigates the disappointment of a likely postponement of interest rate hikes to the end of 2019 at the earliest.
- At the moment we see the biggest upside potential in Alior Bank (ALR) and Pekao (PEO), whose potential merger in our view can generate greater benefits than currently priced by the market.
- We have updated our financial outlook for PZU insurance to reflect lower-than-expected investment income generated in the year to date, resulting in a target price cut to PLN 47.15 per share and a revised accumulate rating. On a more upbeat note, PZU is reporting increasing written and earned premiums coupled with slower growth in costs.
- Outside of Poland, we have buy calls for Komerční Banks, Erste Bank, and OTP, also trading at attractive ratios, which are expected to deliver 2018 Q2 results ahead of current forecasts.
- **Key Ratings:** ALR (buy), EBS (buy), MIL (sell).

Chemicals

- The MSCI Europe and World Chemicals indices edged about 4% higher in July, and they are currently trading close to the average P/E and EV/EBITDA ratios for the last three years.
- During an mBank-hosted Chemical Conference in June, our foreign industry guests signaled curbed profit growth this year due to higher costs of basic materials and negative base effects, which offset strong demand.
- In Poland, shares in Grupa Azoty (ATT) still carry downside risk in our view despite heavy falls in the year to date, 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. We would not be surprised to see the second-quarter EBITDA shrink below PLN 200m.
- Ciech remains the better pick of our two rated chemical stocks. Despite expectations of year-over-year declines in Q2 2018 profits, CIE, which is currently trading at a discount to comparable companies, might outperform the sector in the weeks ahead on anticipation of a rebound in prices of soda ash in 2019.
- **Key Ratings:** CIE (buy)

Oil & Gas

- The price of oil suffered a downward correction in July, but at this point the price of Brent crude seems to be heading back up toward the \$80 mark. The rebound is supported by reports of a further tightening of reserves, and a slower-than-anticipated rise to the new targets in OPEC production after the reinstatement of sanctions on Iran.
- Nevertheless European refining margins in July were lifted noticeably by the cheaper crude, with the most improvement seen in the cracking spreads on heavy products and gasoline (where the growth was additionally supported by reduced supply production in the US). On top of that, European refiners last month benefitted from a narrower WTI/Brent spread (reduced stockpile at Cushing, high US exports) while the Urals/Brent spread rebounded over \$2/bbl (at this point the differential has pulled back closer to \$1).

- The July oil price crash, coupled with reports about possible delays in new capacity launches, also had a positive effect on petrochemical profits.
- European prices of natural gas have not moved much in the last few weeks.
- Amid improved market conditions, both listed Polish refiners, PKN Orlen and Lotos, saw their shares rally last month (in the latter case justified by better-than-expected Q2 results), to the point where we are forced to downgrade both stocks to sell with no upside potential left. Our feeling is, however, that the rapid bullish shift was ill-advised.
- We still view the Hungarian refiner MOL as the better choice than its Polish rivals, and we remain bullish on PGNiG NatGas even after the disappointing 2018 dividend freeze.
- **Key Ratings:** LTS Lotos (sell), MOL (accumulate), PGN (buy), PKN (sell)

Power Utilities

- European emission allowances rose above EUR 17/t in July from EUR 15 at the end of June, but the impact on power prices on the EEX exchange (ca. EUR 44-4/MWh) was offset by a 4% m/m decline in the prices of coal and a tightened clean-dark spread.
- In Poland, power contracts for delivery in 2019 rebounded by 20 zlotys to nearly PLN 227/MWh last month after a slow June, even as the costs of emission allowances moved up by only 8 zlotys.
- Equity investors seem to have overlooked the resulting sharp increase in the clean-dark spread for most Polish power generators, as well as ignoring the rising prices of green certificates, already trading at over PLN 90/MWh. This was reflected in the underperformance of the WIG-Energy index vis-à-vis the domestic broad market benchmark as well as MSCI Utilities Europe.
- The Polish power market has stopped reacting to political statements, and there is reason to expect positive decisions by the regulator as regards household tariffs, which at this point remain the only factor which could potentially put a strain on the 2019 earnings of utilities.
- Polish power stocks have posted gains in the last few days, but they are still trading close to all-time lows on 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 reiterate our buy recommendations for Enea, Energa, PGE, and Tauron. The Czech utility CEZ remains a sell on a relatively high valuation and overlooked risks built into the local nuclear project.
- **Key Ratings:** CEZ (sell), ENA (buy), ENG (buy), PGE (buy), TPE (buy)

Telecoms, Media, IT

- 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 (8.6x adjusted for year-five cost and CAPEX synergies).
- In Poland, the listed media group Cyfrowy Polsat, owner of the "Plus" mobile network, recently acquired a 66% stake in Netia fixed line with a view to gaining access to fiber infrastructure and capitalizing on cross-sell potential to expand in Netia's core markets, which are predominantly big cities.

- Most recently, July saw the Polish unit of T-Mobile ink a deal to access the fiber infrastructure of the listed Polish unit of Orange.
- The Zenith media agency is forecasting 4.8% growth in advertising expenditures in Poland this year (compared to a global growth 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 index registered a 4.0% jump in July, and it is up 1.3% year to date versus corresponding shifts in the broad WIG index of +3.5% and -6.1%. At the same time, Polish tech stocks have underperformed the MSCI IT EU index by a wide margin since the beginning of the year. The median 12M fwd P/E ratio for IT stocks at 14.7x is currently 3.9% below its three-year average, with the premium narrowed by 5pp over the course of three months. Five of the seven rated IT stocks posted gains in July, with the highest returns provided by ABS (+16.0%), CMR (+13.7%), and WAS (+12.5%).
- As the 2018 Q2 earnings season kicks off, our expectation is for across-the-board EBITDA growth in the IT sector at a median annual rate of 36%, and with momentum shifting to bullish we anticipate a sustained upward trend in the WIG-INFO index in August.
- **Key Ratings and Portfolio Positioning:** OPL (buy), PLY (reduce), WPL (buy), CMR (accumulate), ATD (overweight), ASE (overweight).

Industrials

- The MSCI Europe and World Industrials indices edged about 5% lower in July, and they are currently trading close to the average P/E and EV/EBITDA ratios for the last three years. Small-cap stocks underperformed large caps during the month in the wake of fund withdrawals.
- Manufacturers in Poland are benefitting from the zloty's depreciation vis-à-vis the euro and its positive effects on local producer prices, on the rise for four straight months, mitigating the impact of increasing costs of labor and commodities.
- 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.
- Companies that manage to break a long-term downtrend in profits in Q2 should see their shares rebound in the weeks ahead. According to our forecasts, these may include Amica, Cognor, Elemental, Famur, Kernel, and Stelmet. The two industrials so far to have come out with better-than-expected second-quarter results, Apator and Forte, have registered healthy gains since the publication.
- Our top picks for the month ahead among the more liquid stocks include Amica (AMC), expected to deliver improvement in Q2 profits, Famur (FMF), set to report y/y and q/q growth in Q2 earnings, and Kernel (KER), poised to register increasing profits in calendar Q2 for the first time in six quarters. The less liquid stocks of note include Cognor (COG), which will create profit-taking opportunities with the expected release of strong results for Q2 and Q3 2018.

- We downgrade our previously neutral call for Kruszwica (KSW) oilseed crusher to underweight on expectations of a poor 2018 rapeseed harvest (based on USDA forecasts of a drop by as much as 2mmt in EU-wide production, and a projection of a 16% drop to 2.2mmt in Poland by the national statistics office GUS). The prospect of an undersupply has sent the prices of rapeseed on an upward trajectory, putting a squeeze on the future profit margins of oil producers.
- **Key Ratings and Portfolio Positioning:** AMC (overweight), FMF (buy), FTE (overweight), KER (buy), KSW (underweight), PFL (overweight), POZ (overweight), STL (buy).

Mining

- The global market for industrial metals is caught between two opposing forces: on the one hand, on the demand side, the outlook for commodities is increasingly bullish with China seen to increase copper imports for the third consecutive month in June, while the copper stock in registered warehouses continues to tighten (it is also worth noting increasing car registrations in China, which is reported to be planning to ease lending curbs on commercial banks as a way of boosting credit creation). On the other hand, the escalating trade war between the US and China has turned commodity traders more bearish.
- Over the last two months, the price of copper has been shaped by movements in emerging market currencies and changes in net open speculative positions in the metal. In July, the positions of traders dropped to their lowest level since March 2017, i.e. to just 9,000 contracts. At the same time, total speculative activity in metals was reduced by one-third between the April peak and late July. The resulting pullback in copper might eventually spur speculative buying in anticipation of a price rebound, made more likely by the looming prospect of a worker strike at the world's largest mine, the Escondida in Chile.
- Prices of steel are on an upward trajectory thanks to high global demand driven by infrastructure projects. In July, reduced supply due to production curbs in China sent the prices of steel rebars to their highest level in more than five years. 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.
- The coke reserves at China ports have dropped to their lowest level since February at just 2.7mmt, and they can be expected to tighten further in the months ahead after the government gave priority status to incoming thermal coal shipments to meet higher power demand for air conditioning and industrial cooling during the summer.
- In Poland, the mining sector continues to experience rising pay pressures which may affect this year's profits.
- The copper miner KGHM and the coal miner JSW are both benefitting from the zloty's weakness against the dollar. KGH stock narrowed the discount at which it is traded relative to its metals mix; based on current commodity prices KGH should be valued at ca. PLN 110 per share. In case of JSW, the current price of coking coal implies a per-share valuation of ca. PLN 85.
- **Key Ratings:** KGH (buy), JSW (buy)

Construction

- The WIG-Construction index as a whole underperformed the broad market for the fourth month straight in July, except for railroad builders, who enjoyed improved sentiment.
- In case of Trakcja (TRK), the sentiment shift was reflected in a 56% gain on the previous month, driven by the completion of contracts acquired in the second half of 2017. In our view, since there is no evidence to suggest that these contracts can actually bring large windfalls, the price rebound was fueled purely by speculative activity.
- Building activity in Poland expanded at an annual rate of about 25% in the first half of 2018, but at the same time construction firms surveyed by the state statistics office GUS named high costs and tightening access to materials and labor as the main barriers to growth. On the same note, in July the confidence index of the construction sector stopped rising for the first time since the beginning of 2017. This after a 13% y/y surge and a 7% hike in the costs of basic building materials like concrete, steel, bitumen asphalt, and oil, during the second quarter of 2018. In short, the outlook for the construction sector remains bearish.
- Budimex (BDX) experienced a 50% drop in profits from the construction business in Q2 2018, a possible harbinger of what can be expected from the industry in the upcoming earnings season. Aside from tight profits from higher revenues, we are likely to see an across-the-board debt buildup stemming from adjustments to expected costs of contract performance.
- **Key Ratings and Positioning:** UNI (buy), TRK (underweight).

Property Developers

- New home sales in Poland's six largest residential markets fell 11% in Q2 2018, with the volumes sold by listed developers registering a stronger drop of 15% year on year due to a reduced housing stock coupled with continuing hikes in sales prices to offset rising building costs.
- The average closing price of a new home was up 7-9% in Q2, and with listing prices on the rise sales prices in future quarters can be expected to go up further.
- The aggregate 2018 Q2 closings volume of listed residential developers was 50% higher than in the comparable period in 2017. For rated developers (ARH, 1AT, DOM, JWC, LCC, LKD, PND, RON, I2D), this implies an over-50% surge in the quarterly net profit. Atal (1AT) and LC Corp (LCC) will have fulfilled 65% of our 2018 FY forecasts in the year to June. In commercial real estate, a 3.6% appreciation in the euro versus the zloty during the second quarter will boost the period's valuation gains.
- We remain bullish on the real-estate sector, which in some cases (1AT, DOM, ECH, LCC) is expected to offer dividend yields as high as 12-13% in 2019.
- **Key Ratings and Portfolio Positioning:** LCC (buy), ECH (buy), LKD (overweight), ARH (overweight), PND (underweight).

Retail

- With Easter Holidays falling at the end of March this year, grocery retailers experienced a subsequent slowdown in sales in Q2 2018, reflected in the preliminary figures already released by Emperia and Jeronimo Martins, with Eurocash and Dino expected to follow suit by reporting slower like-for-like growth.
- The US dollar strengthened against the zloty in June and July, driving up the buying costs of 2018 autumn/winter collections of fashion retailers.
- In the mean time, the low dollar-denominated costs of the 2018 spring-summer lines bought late last year will boost the Q2 profits of 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 in second-quarter sales at an annual rate of 17.7% due to negative base effects, but at the same time the Retailer improved sales margins and curbed the upward trend in SG&A expenses. As a result, CCC may deliver 22% y/y EBITDA growth in Q2 2018. Sales growth in Q3 2018 continues to be under pressure from negative base effects.
- AmRest restaurants (EAT) continued to enter into M&A deals in July, and assuming all the acquisitions come to pass the Company might have to raise capital with a net debt/EBITDA ratio as of March at 2.25x. Another downside of the intense M&A activity are higher costs due to a need to integrate the acquisitions into AmRest's organization, expected to cause 2018 Q2 EBITDA to slow the pace of its annual growth to 9%.
- 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-cap retailers, we see the most potential in Bytom (BTM, expected to deliver strong Q2 results supported by an improved pricing policy), Vistula (VST, delivering consistent improvement in profits as it prepares for a potentially value-enhancing merger with listed rival menswear retailer Bytom), and TXM (expected to rebuild sales with the help of funds raised via a share issue).
- **Key Ratings and Portfolio Positioning:** CCC (buy), EUR (buy), JMT (buy), LPP (accumulate), TXM (buy), BTM (overweight), VST (overweight).

Macroeconomic Update

Industrial Production

Polish industrial production grew at an annual rate of 6.8% in June 2018, slightly exceeding the 6.3% consensus, representing an acceleration from May owed to a more favorable calendar (the working-day difference rose from 0 to +1 y/y) and hot weather, which boosted growth in monthly electricity production to 13.6% from 7.9% the previous month. On the other hand, an 1pp uptick in the year-ago comparable base curbed the June pace of industrial output figures. With the monthly momentum flat at 0.1% (s.a.), we can be reasonably certain that manufacturing growth in Poland has already peaked in annual terms, which is not to say it is entering a period of slowdown.

Construction output for June was a positive surprise, rising 24.7% year over year compared to analysts' forecasts of ca. 21%. More importantly, the building output showed sustained positive momentum, with the s.a. monthly growth rate just slightly lower than in May at 2.5% vs. 2.6%. As a result, we have a new high on the seasonally-adjusted index. With calendar and weather factors having a neutral effect on construction growth, the June data confirmed a rebound after few weaker readings at the turn of Q1 and Q2. The rebound in the months ahead will be fueled by upcoming local elections, set to boost local investment at the turn of Q2 and Q3. At the same time, however, growth in the coming months could be inhibited by bottlenecks, including a labor shortage and cost overruns in miscalculated construction tenders.

The June data do not change our Q2 GDP nowcast. The 5.2-5.4% range is still out baseline scenario, although we see the upper bound as more likely – this would constitute acceleration vis-à-vis the first quarter. Over the past three months, the economy has maintained a solid momentum, which strengthens the case for an acceleration. On the other hand, there is still considerable uncertainty regarding the structure of the growth.

Retail Sales

Retail sales grew 8.2% y/y in constant prices and 10.3% in nominal terms in June 2018, beating market consensus (6.8% and 8.1% y/y, respectively). Even our above-average forecast underestimated the June acceleration. First, the monthly sales of cars accelerated more than expected from -0.9% to 6.7%, thanks in no small part to working-day differences. Food sales also surprised to the upside, with annual growth matching the previous month's result (5.7 v. 5.6% y/y). Finally, sales of furniture and household appliances surged from 6.5% to 15.1% y/y. It would be tempting to ascribe the latter to World Cup-related purchases of electronics, but we failed to note similar surges ahead of previous major sports events. Thus, it is more likely that we are observing second-round effects of the housing boom as homebuyers furnish their new flats (housing completions peaked at the beginning of this year). Other categories of retail sales behaved in line with our expectations, and overall durable goods sales growth has risen to double digits, making June one of the strongest months in the current cycle.

The solid June retail sales print still does not compensate for the weak Easter-driven April numbers, and so the average growth in the second quarter was much slower in Q1. However, this will translate into household consumption statistics only to a limited extent. We believe that consumption will remain the key driver of growth in the second quarter and in H2 as well. Growth in the range of 4.5-5% should be expected in every quarter of this year at least. Thus, the consensus view of the upcoming slowdown in consumption is set to be invalidated again.

Jobs

Job creation by the Polish enterprise sector was 3.7% faster in June 2018 than in the same month in 2017, a pace consistent with market expectations. The economy added fewer than 12,000 jobs during the month, 1,000-2,000 more than we had forecast, and with details still forthcoming the positive surprise may have originated in any of the sectors, with slower job eliminations in retail initiated in the wake of the Sunday trading ban one of the most likely reasons. Nevertheless job growth this year continues to move at a slower pace than last year, with 36,000 positions created between February and June 2018 versus 42,000 in the corresponding period of 2017.

The average salary increased an annual rate of 7.5% in June, marking an acceleration from 7.0% in May and a slightly faster growth rate than the 7% assumed by analysts and by us. Our best guess as to the reason behind the positive surprise was an acceleration in manufacturing and faster pay momentum in services. The increasing employee compensation should continue to have a positive effect on consumer spending. Nominally the wage bill grew 11.5% y/y in June, up from 10.9% in the same month last year, and growth in constant prices accelerated from 9.2% to 9.5%. This allows for a comfortable forecast of 4.5%-5% expansion in consumer spending in the coming quarters.

Inflation

The final CPI print for June read 2% after an upward revision from the 1.9% flash estimate, reflecting a slightly faster rise in prices of food, a 1.1% hike in prices of fuels, and faster-than-assumed growth in core categories, including costs of living and travel (ex. fuels). The core CPI inflation in July was 0.6%, and its positive value came as a surprise in light of the continuing strong falls registered in the prices of apparel and footwear (-5% and -2%, respectively), not offset by currency shifts. We see room for upward revisions in the months and quarters ahead, with CPI during the summer months set to accelerate to a projected 2-2.2%, only to slow down again under pressure from negative base effects. At the same time, core inflation is expected to accelerate further going forward, with upside risk stemming from a curbed appreciation in the zloty, a thinner margin cushion of businesses, and a persistent and worsening labor shortage. The adjustment to the June CPI print was mostly ignored by financial markets, and it is probably consistent with the trajectory expected by the Monetary Council. Again, there is a chance of positive surprises in core CPI in future months after months of inflation falling short of targets.

mBank Research

(E. Pytlarczyk, M. Mazurek, P. Bartkiewicz, K. Klimas)
research@mBank.pl

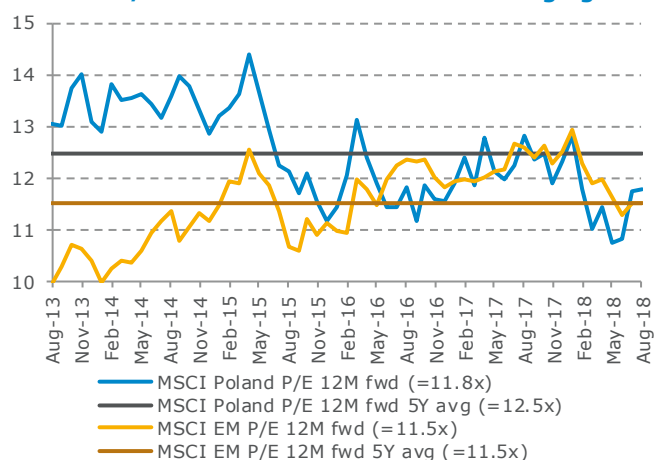
Revisions To FY2018 Earnings Forecasts For WIG30 Companies

Jul-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
Aug-17	+4%	+1%	+1%	+1%	+1%	+5%	+6%	+2%	+1%	-5%	+57%	+2%	+0%	-6%	+5%	-11%
Sep-17	+6%	+1%	+2%	+2%	+3%	+9%	+7%	-5%	+3%	-7%	+54%	+2%	-2%	+12%	+11%	-10%
Oct-17	+6%	-0%	+1%	+2%	+3%	+9%	+10%	-5%	+3%	-7%	+46%	+2%	+19%	+12%	+12%	-10%
Nov-17	+5%	-5%	+1%	-0%	+2%	+6%	+10%	-7%	+7%	-15%	+42%	+2%	+22%	+11%	+14%	-33%
Dec-17	+4%	-3%	+2%	-0%	+2%	+6%	+6%	-7%	+5%	-3%	+41%	+10%	+10%	+3%	+8%	-25%
Jan-18	+4%	+7%	+3%	-2%	+3%	+7%	+6%	-12%	+6%	-11%	+40%	+66%	-1%	-8%	+10%	+88%
Feb-18	+6%	+5%	+1%	-2%	+2%	+9%	+8%	-17%	+5%	-15%	+41%	+66%	-7%	-8%	+25%	+88%
Mar-18	+6%	+2%	+1%	-2%	+5%	+8%	+5%	-13%	+3%	-24%	+40%	+70%	-7%	-8%	+22%	+51%
Apr-18	+5%	+2%	+1%	-2%	+1%	+8%	+6%	-13%	+2%	-24%	+43%	+70%	-7%	-8%	+25%	+52%
May-18	+4%	+3%	+1%	-2%	+3%	+8%	+6%	-11%	+1%	-24%	+39%	+70%	-14%	-35%	+19%	+55%
Jun-18	+4%	+4%	-0%	-2%	+3%	+19%	+6%	-11%	-2%	-23%	+35%	+52%	-14%	-35%	+19%	+52%
Jul-18	+2%	+2%	-1%	-3%	+2%	+19%	+6%	-11%	-4%	-23%	+25%	+52%	-26%	-33%	+14%	+44%

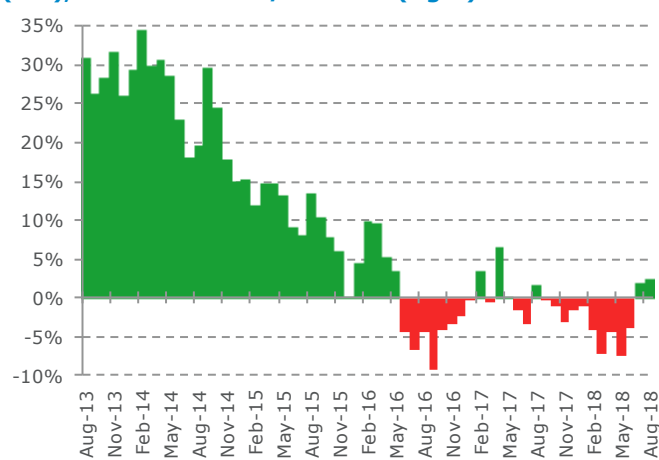
Source: "Con" - Bloomberg consensus forecasts, "mDM" - estimates by Dom Maklerski mBanku, provided ex. mBank, and PKP Cargo. The percentages indicate changes between the dates of this Monthly Outlook and the previous Monthly Outlook.

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

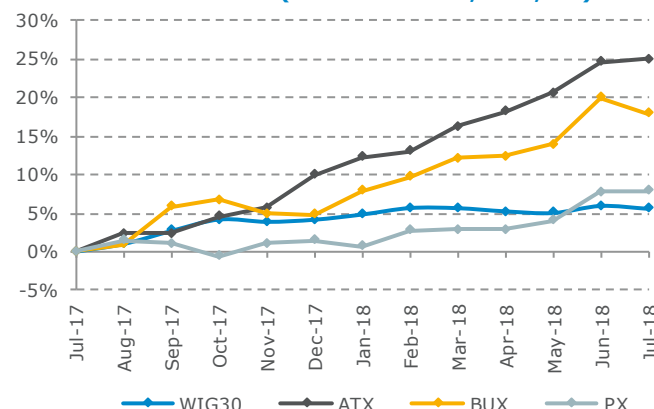
FWD 12M P/E Ratios For MSCI Poland & Emerging Markets (left), PL-EM Premium/Discount (right)



Source: Bloomberg, Dom Maklerski mBanku

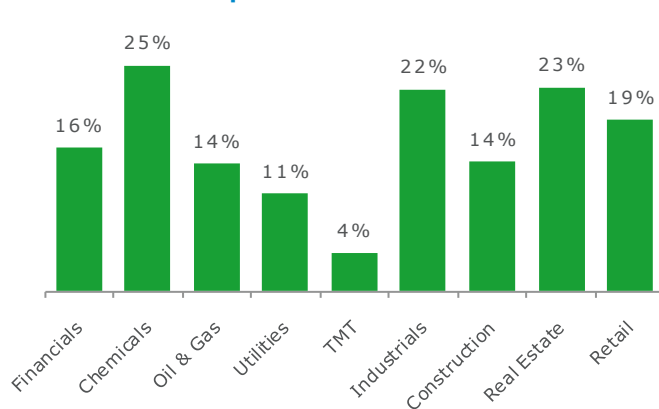


FWD 12M EPS Growth (WIG30 vs. ATX, BUX, PX)



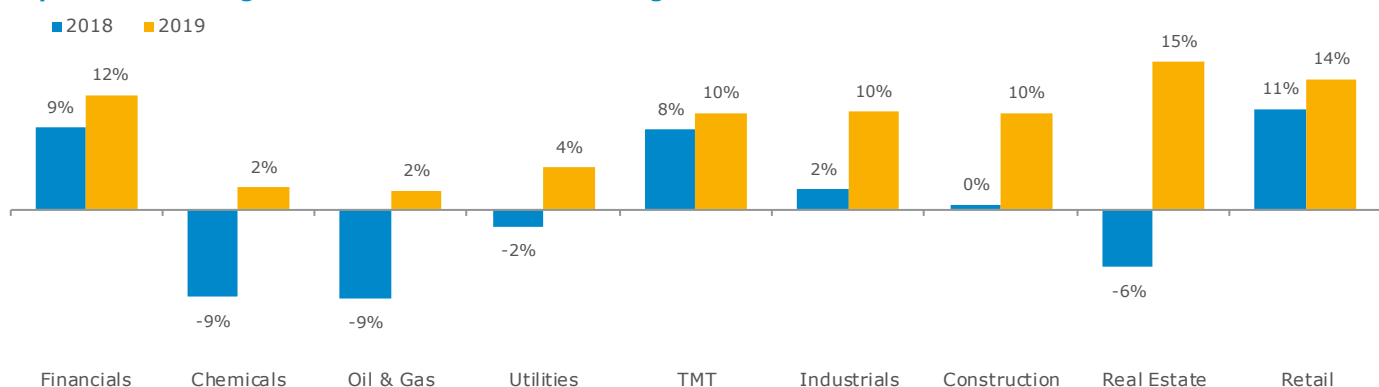
Source: Bloomberg, Dom Maklerski mBanku

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	89.35	+22.0%	+19%	+19%	-				11/-
BZ WBK	buy	430.00	12	5	0	404.48	+6.3%	+8%	+12%	+14%				13/-
Getin Noble Bank	hold	1.40	1	4	5	1.27	+10.6%	-	-7%	+45%				7/-
Handlowy	buy	94.00	8	4	0	80.73	+16.4%	-2%	+10%	-				10/-
ING BSK	accumulate	212.00	5	5	4	203.26	+4.3%	-1%	-0%	+2%				11/-
Millennium	sell	7.00	4	6	4	8.89	-21.3%	-4%	-7%	-				10/-
Pekao	buy	157.00	16	5	0	139.49	+12.6%	-1%	+4%	-				16/-
PKO BP	hold	38.00	5	14	3	40.26	-5.6%	-7%	+1%	-				17/-
Komercni Banka	buy	1,111.0	11	6	0	1,041.2	+6.7%	+11%	+26%	-				15/-
Erste Bank	buy	43.00	17	7	1	42.61	+0.9%	+9%	+1%	-0%				15/-
OTP Bank	buy	12,090	12	2	2	11,810	+2.4%	-3%	+2%	-				13/-
PZU	accumulate	47.50	9	2	0	47.16	+0.7%	+4%	+5%	+6%				6/-
Kruk	buy	300.94	5	2	1	252.50	+19.2%	+3%	+9%	+7%				7/-
Prime Car Management	buy	15.54	1	1	0	24.27	-36.0%	-33%	-31%	-25%				2/-
Chemicals														
Ciech	buy	82.52	7	2	1	69.45	+18.8%	+3%	+20%	+24%	+8%	+12%	+11%	8/6
Grupa Azoty	hold	42.13	4	4	3	49.64	-15.1%	-9%	-32%	-37%	-3%	-10%	-14%	6/6
Oil & Gas														
Lotos	sell	52.51	6	7	1	68.35	-23.2%	-28%	-25%	-41%	-1%	-7%	-8%	9/10
MOL	accumulate	2,995.0	9	3	0	3,214.7	-6.8%	-12%	-22%	-24%	-5%	-7%	-6%	8/9
PGNiG	buy	8.28	6	3	1	6.76	+22.6%	+18%	+35%	+37%	+14%	+22%	+24%	7/6
PKN Orlen	sell	76.84	5	7	8	95.58	-19.6%	-22%	-37%	-35%	-12%	-24%	-18%	16/15
Utilities														
CEZ	sell	440.96	4	7	8	537.54	-18.0%	+7%	+8%	+1%	-0%	-2%	-1%	10/13
Enea	buy	12.62	8	1	1	11.52	+9.5%	+2%	+11%	-12%	+2%	+6%	-4%	7/6
Energa	buy	15.58	6	4	0	12.09	+28.8%	+2%	+4%	+1%	+5%	+4%	+3%	7/6
PGE	buy	13.60	7	4	2	11.95	+13.8%	+8%	+10%	+4%	+2%	+5%	+2%	10/9
Tauron	buy	2.76	5	6	1	2.63	+4.9%	+17%	-6%	-4%	+3%	-1%	-2%	8/7
TMT														
Netia	reduce	4.30	1	5	2	4.99	-13.9%	-28%	-35%	-41%	-1%	-1%	-4%	3/4
Orange Polska	buy	7.60	10	3	5	5.75	+32.1%	-	+256%	+172%	+8%	+9%	+10%	9/13
Play	reduce	23.50	7	4	3	28.15	-16.5%	+4%	-9%	-10%	-1%	-3%	-4%	13/13
Agora	buy	18.40	2	3	0	14.00	+31.4%	-	+35%	+22%	+14%	+4%	+2%	4/4
Cyfrowy Polsat	accumulate	24.90	8	5	0	27.89	-10.7%	-7%	-1%	+3%	-1%	+0%	-0%	10/9
Wirtualna Polska	buy	60.00	5	2	0	56.80	+5.6%	+6%	+3%	+1%	+4%	+6%	+7%	4/3
Asseco Poland	hold	41.20	3	7	0	48.28	-14.7%	-22%	-23%	-25%	-6%	-2%	-1%	6/6
Asseco BS	neutral	-	2	1	0	30.45	-	+2%	+6%	+7%	+1%	+0%	-0%	2/2
Asseco SEE	overweight	-	3	0	0	15.40	-	+1%	-2%	-1%	-1%	-3%	-3%	4/4
Wasko	neutral	-	1	1	0	-	-	+0%	+0%	-0%	+0%	+0%	-0%	1/1
CD Projekt	sell	90.80	5	3	2	167.62	-45.8%	+25%	+5%	-40%	-0%	+16%	-48%	7/6
Comarch	accumulate	166.50	4	3	0	176.20	-5.5%	-18%	-7%	+3%	-12%	-7%	-3%	4/4
Industrials														
Alumetal	neutral	-	2	2	0	53.89	-	+2%	-5%	-	-2%	-5%	-	3/3
Amica	overweight	-	3	0	1	125.00	-	+7%	+9%	-	+3%	+3%	-	3/3
Apator	neutral	-	1	2	1	-	-	-3%	-7%	-	-4%	-6%	-	2/2
Elemental	neutral	-	0	1	0	-	-	+0%	+12%	-	+0%	-0%	-	1/1
Famur	buy	6.56	3	0	0	7.11	-7.7%	+1%	-6%	-7%	-3%	-12%	-17%	4/4
Forte	overweight	-	3	4	1	55.56	-	-22%	-28%	-	-2%	-11%	-	5/4
Kemel	buy	59.18	5	3	0	65.77	-10.0%	-33%	-6%	-3%	-0%	+9%	+7%	5/5
Grupa Kęty	hold	355.61	5	4	3	361.76	-1.7%	+9%	+5%	+7%	+3%	-1%	-3%	7/8
Pfleiderer Group	overweight	-	7	0	1	44.94	-	-2%	+3%	-	-6%	-6%	-	6/6
JSW	buy	108.69	5	6	3	94.45	+15.1%	-1%	+12%	-9%	-2%	+6%	-0%	9/8
KGHM	buy	111.08	6	5	7	101.12	+9.8%	-7%	+11%	+10%	-9%	-2%	-0%	11/11
Construction														
Budimex	hold	125.00	1	4	5	157.80	-20.8%	-25%	-26%	-20%	-18%	-21%	-16%	6/6
Elektrobudowa	hold	71.00	2	3	1	86.40	-17.8%	-6%	-15%	-1%	+1%	+3%	+4%	2/2
Erbud	buy	22.00	3	1	1	23.80	-7.6%	-29%	-4%	-0%	-12%	+2%	-0%	2/2
Unibep	buy	10.10	3	1	0	13.37	-24.5%	-8%	-2%	+0%	-7%	+1%	+0%	2/2
Torpol	neutral	-	1	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	4	2	0	43.09	-0.5%	+1%	+4%	+1%	+2%	+1%	-0%	6/5
Capital Park	buy	8.35	3	0	0	-	-	-0%	+0%	+0%	+0%	-0%	+0%	1/1
Dom Development	buy	87.80	7	3	0	90.27	-2.7%	+4%	+5%	+10%	+6%	+3%	+13%	9/7
Echo	buy	5.63	6	2	0	5.59	+0.7%	+2%	+3%	-10%	+7%	+5%	-9%	4/3
GTC	hold	9.60	8	3	1	10.66	-9.9%	-1%	+11%	+2%	-13%	-0%	+5%	4/3
LC Corp	buy	3.58	4	0	0	3.40	+5.2%	+7%	+7%	+11%	+2%	+2%	+7%	3/2
Polnord	underweight	-	0	1	1	9.50	-	-81%	-	+4%	-60%	-92%	-7%	2/2
Ronson	neutral	-	1	2	1	1.45	-	-8%	-11%	+26%	+0%	-0%	-0%	2/1
Retail														
AmRest	reduce	426.00	6	3	2	495.28	-14.0%	-19%	-25%	-25%	-6%	-6%	-7%	10/8
CCC	buy	295.00	7	5	3	258.58	+14.1%	-8%	+13%	+22%	-8%	+1%	+7%	10/9
Dino	hold	103.50	8	8	1	108.51	-4.6%	+5%	+8%	+6%	+2%	+3%	+2%	13/13
Eurocash	buy	30.70	10	8	3	28.02	+9.6%	-4%	-1%	+19%	+2%	-3%	-2%	15/15
Jeronimo Martins	buy	15.20	12	11	2	15.40	-1.3%	-7%	+1%	-0%	-3%	+3%	+2%	20/20
LPP	accumulate	10,200	1	5	11	8,338.2	+22.3%	+12%	+19%	+24%	+8%	+12%	+16%	13/13
Bytom	overweight	-	3	1	0	3.20	-	+12%	+10%	+10%	+9%	+7%	+9%	2/2
Monnari	neutral	-	4	1	0	8.60	-	+8%	+5%	+10%	+5%	+1%	+7%	3/3
Vistula	overweight	-	3	1	1	4.80	-	+5%	-0%	-4%	+3%	-2%	-4%	5/5

Source: Bloomberg (BBG), Dom Maklerski mBanku (mDM); ¹Target Price issued by Dom Maklerski mBanku; ²Positive/Neutral/Negative ratings count comprising the Bloomberg Consensus; ³Average of all analyst target prices; ⁴Number of analysts participating in the consensus (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						+15.8%	12.1	10.4		
Alior Bank	buy	2018-02-01	85.50	109.00	72.60	+50.1%	9.9	8.3		
BZ WBK	buy	2018-03-05	357.80	430.00	378.20	+13.7%	14.9	12.2		
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	76.90	+22.2%	15.9	13.1		
ING BSK	accumulate	2018-08-02	190.00	212.00	190.00	+11.6%	15.7	13.9		
Millennium	sell	2018-08-02	9.12	7.00	9.12	-23.2%	15.3	13.9		
Pekao	buy	2018-02-01	135.90	157.00	110.75	+41.8%	13.3	11.0		
PKO BP	hold	2018-04-06	39.74	38.00	42.00	-9.5%	15.8	13.2		
Komerční Banka	buy	2017-12-01	899.00	1,111 CZK	942.00	+17.9%	12.1	10.3		
Erste Bank	buy	2018-08-02	37.14	43.00 EUR	37.14	+15.8%	10.6	10.6		
OTP Bank	buy	2018-06-06	10,210	12,090 HUF	10,490	+15.3%	10.6	9.8		
PZU	accumulate	2018-08-02	42.00	47.50	42.00	+13.1%	11.6	10.4		
Kruk	buy	2018-02-02	222.20	300.94	219.60	+37.0%	11.6	9.9		
Prime Car Management	buy	2018-06-06	12.70	15.54	11.90	+30.6%	6.7	5.8		
Skarbiec Holding	buy	2018-02-02	30.60	56.30	26.60	+111.7%	6.4	5.3		
Chemicals						+24.9%	8.9	8.4	5.8	5.7
Ciech	buy	2018-08-02	56.95	82.52	56.95	+44.9%	8.9	8.4	5.8	5.4
Grupa Azoty	hold	2018-08-02	42.20	42.13	42.20	-0.2%	13.7	15.8	5.3	6.0
Polwax	buy	2018-05-09	7.80	16.69	7.24	+130.5%	4.9	3.6	6.4	5.7
Oil & Gas						+13.9%	10.1	10.7	5.3	5.2
Lotos	sell	2018-08-02	65.86	52.51	65.86	-20.3%	15.0	12.2	6.2	6.1
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	5.69	+45.5%	7.8	6.7	3.8	3.2
PKN Orlen	sell	2018-08-02	93.06	76.84	93.06	-17.4%	11.1	13.6	6.5	7.5
Power Utilities						+10.2%	4.7	4.5	3.9	3.4
CEZ	sell	2018-07-04	550.00	440.96 CZK	575.50	-23.4%	21.7	20.2	8.6	8.5
Enea	buy	2018-05-29	9.57	12.62	9.48	+33.1%	4.6	3.5	4.0	3.4
Energa	buy	2018-05-29	9.00	15.58	9.10	+71.2%	4.7	4.5	3.4	3.3
PGE	buy	2018-05-29	9.28	13.60	9.74	+39.6%	6.0	5.8	3.7	3.4
Tauron	buy	2018-05-29	2.01	2.76	2.27	+21.6%	3.0	3.8	3.9	4.4
Telecoms, Media, IT						+4.3%	19.7	16.5	7.2	6.3
Netia	reduce	2018-06-06	5.00	4.30	4.91	-12.4%	44.7	53.9	5.8	6.1
Orange Polska	buy	2018-04-06	5.83	7.60	5.01	+51.7%	21.9	12.1	4.4	4.0
Play	reduce	2018-07-03	24.88	23.50	21.46	+9.5%	7.0	7.2	5.7	5.5
Agora	buy	2018-04-06	14.50	18.40	10.40	+76.9%	19.7	21.4	3.5	3.6
Cyfrowy Polsat	accumulate	2018-06-15	22.76	24.90	23.78	+4.7%	13.9	11.8	7.2	6.3
Wirtualna Polska	buy	2018-08-02	49.00	60.00	49.00	+22.4%	19.2	16.5	10.5	8.8
Asseco Poland	hold	2018-06-06	44.00	41.20	46.10	-10.6%	15.7	16.4	8.9	8.3
CD Projekt	sell	2018-04-06	114.90	90.80	205.00	-55.7%	98.7	29.7	78.4	23.1
Comarch	accumulate	2018-05-09	145.00	166.50	172.00	-3.2%	24.8	18.2	9.8	8.5
Industrials, Mining						+22.2%	13.6	7.6	7.0	5.3
Famur	buy	2018-08-02	5.20	6.56	5.20	+26.2%	16.3	12.9	7.1	6.4
Grupa Kęty	hold	2018-08-02	321.50	355.61	321.50	+10.6%	11.1	11.3	8.1	8.0
JSW	buy	2018-08-02	79.50	108.69	79.50	+36.7%	4.8	5.9	2.5	2.7
Kemel	buy	2018-07-23	50.50	59.18	51.80	+14.2%	16.0	7.3	7.0	5.3
KGHM	buy	2018-08-02	96.00	111.08	96.00	+15.7%	7.8	6.2	4.5	3.5
Stelmet	buy	2018-07-04	10.70	20.24	12.50	+61.9%	17.0	7.8	8.4	5.3
Construction						+14.3%	9.8	8.9	4.1	3.6
Budimex	hold	2018-08-02	122.60	125.00	122.60	+2.0%	12.7	14.3	4.6	5.7
Elektrobudowa	hold	2018-06-06	69.00	71.00	53.00	+34.0%	10.6	10.4	3.7	3.7
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	5.64	+79.1%	6.5	5.5	4.2	3.3
Property Developers						+22.5%	7.3	7.6	7.4	7.3
Atal	buy	2018-07-04	36.40	42.86	34.10	+25.7%	7.0	7.3	6.3	6.8
Capital Park	buy	2018-04-06	5.95	8.35	5.40	+54.6%	10.7	9.0	17.6	16.9
Dom Development	buy	2018-08-02	72.80	87.80	72.80	+20.6%	7.6	8.0	6.2	6.7
Echo	buy	2018-04-06	5.23	5.63	4.33	+30.0%	5.9	5.4	7.0	7.2
GTC	hold	2018-04-06	9.39	9.60	9.26	+3.7%	11.2	9.7	15.3	14.4
LC Corp	buy	2018-06-22	2.39	3.58	2.45	+46.1%	5.9	5.4	7.8	7.3
Retail						+18.9%	26.8	16.7	15.2	11.2
AmRest	reduce	2018-04-06	449.50	426.00	440.00	-3.2%	46.4	36.4	15.2	12.2
CCC	buy	2018-06-06	242.80	295.00	215.60	+36.8%	28.2	16.7	16.0	11.2
Dino	hold	2018-06-06	107.40	103.50	100.70	+2.8%	30.9	23.1	19.2	14.8
Eurocash	buy	2018-04-06	24.41	30.70	18.74	+63.8%	19.7	15.2	6.4	5.4
Jeronimo Martins	buy	2018-08-02	12.65	15.20 EUR	12.65	+20.2%	20.0	16.6	8.5	7.3
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	1.48	+135.1%	-	4.9	19.1	4.5
Other						+3.6%	10.8	9.8	7.2	6.6
PBKM	hold	2018-06-06	73.00	76.26	73.60	+3.6%	10.8	9.8	7.2	6.6

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						15.6	10.8	6.2	5.3
Ailleron	neutral	2018-03-28	16.20	13.60	-16.0%	16.2	14.1	7.3	5.9
Asseco BS	neutral	2018-03-28	28.00	26.90	-3.9%	15.6	14.2	10.4	9.6
Asseco SEE	overweight	2018-04-26	11.70	11.85	+1.3%	10.8	10.4	4.8	4.4
Atende	overweight	2018-03-28	4.25	3.85	-9.4%	9.0	8.1	5.6	5.3
Wasko	neutral	2018-05-30	1.68	1.95	+16.1%	16.4	10.8	6.2	5.2
Industrials						9.1	9.3	6.4	5.9
Alumetal	neutral	2017-07-31	46.99	48.90	+4.1%	9.2	10.0	7.7	7.7
Amica	overweight	2018-06-06	121.00	127.60	+5.5%	9.0	8.0	5.8	5.2
Apator	neutral	2018-02-28	24.00	28.70	+19.6%	15.8	16.6	9.0	9.2
Boryszew	neutral	2017-11-30	9.85	6.70	-32.0%	8.4	8.1	6.1	5.7
Elemental	neutral	2018-04-27	1.09	1.38	+26.6%	5.5	4.8	5.2	4.6
Ergis	neutral	2018-04-27	4.06	4.05	-0.2%	9.1	8.5	6.3	5.8
Forte	overweight	2018-07-27	40.60	45.70	+12.6%	17.0	12.2	11.4	9.3
Kruszwica	underweight	2018-08-02	65.40	65.40	+0.0%	25.5	26.9	13.9	14.0
Mangata	neutral	2018-06-22	90.00	90.20	+0.2%	12.3	12.1	7.7	7.4
Pfleiderer Group	overweight	2018-04-27	37.30	38.00	+1.9%	18.2	16.2	6.5	6.0
Pozbud	overweight	2017-11-13	2.98	3.75	+25.8%	6.8	3.8	6.0	2.7
Tarczyński	neutral	2018-05-30	14.50	14.90	+2.8%	8.4	8.0	5.8	5.4
Construction Sector						22.6	9.5	6.4	4.7
Elektrotim	neutral	2018-05-28	5.80	5.38	-7.2%	32.6	13.8	6.0	5.2
Herkules	neutral	2018-01-25	3.67	3.07	-16.3%	9.6	6.8	5.1	4.2
Torpol	neutral	2018-05-28	6.40	5.56	-13.1%	26.0	8.1	6.8	4.1
Trakcja	underweight	2018-05-18	3.65	4.31	+18.1%	33.9	30.8	7.1	6.9
Ulma	neutral	2018-05-28	73.00	71.50	-2.1%	8.9	8.6	3.5	3.4
ZUE	neutral	2018-05-28	5.86	6.00	+2.4%	19.2	10.4	7.7	6.2
Property Developers						7.0	6.5	9.4	6.0
Archicom	overweight	2018-06-22	15.00	14.95	-0.3%	7.0	4.8	6.5	5.2
BBI Development	neutral	2018-04-26	0.66	0.59	-10.6%	13.7	6.5	13.7	6.0
i2 Development	neutral	2018-06-22	15.40	16.00	+3.9%	4.9	5.5	8.1	6.9
JWC	neutral	2018-06-22	3.48	3.35	-3.7%	9.1	3.6	9.4	4.2
Lokum Deweloper	overweight	2018-06-22	18.80	17.40	-7.4%	5.8	6.7	4.4	5.2
PA Nova	neutral	2018-03-29	22.30	18.45	-17.3%	6.0	7.0	9.9	11.1
Polnord	underweight	2018-06-22	9.04	9.00	-0.4%	-	-	-	-
Ronson	neutral	2018-06-22	1.09	1.16	+6.4%	12.5	8.3	12.9	11.4
Retail						12.1	9.9	8.1	6.7
Bytom	overweight	2018-05-23	2.92	2.80	-4.1%	12.5	11.4	8.1	7.1
Monnari	neutral	2018-07-13	6.60	7.00	+6.1%	10.6	9.9	4.7	4.2
Vistula	overweight	2018-05-23	4.79	4.23	-11.7%	12.1	9.9	8.2	6.7

Recommendations Issued in Last 30 Days

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
Forte	overweight	neutral	- -	2018-07-27
ING BSK	buy	accumulate	212.00 PLN	2018-07-04
JSW	buy	buy	107.00 PLN	2018-07-04
Kernel	buy	hold	59.18 PLN	2018-07-23
Monnari	neutral	overweight	- -	2018-07-13
Play	reduce	hold	23.50 PLN	2018-07-03
Stelmet	buy	buy	20.24 PLN	2018-07-04
TXM	buy	buy	3.48 PLN	2018-07-04

Recommendations and Valuations Changed as of 2nd August 2018

Company	Rating	Previous Rating	Target Price	Issued on
Budimex	hold	hold	125.00 PLN	2018-08-02
Ciech	buy	buy	82.52 PLN	2018-08-02
Dom Development	buy	accumulate	87.80 PLN	2018-08-02
Erste Bank	buy	accumulate	43.00 EUR	2018-08-02
Famur	buy	buy	6.56 PLN	2018-08-02
Grupa Azoty	hold	hold	42.13 PLN	2018-08-02
Grupa Kęty	hold	hold	355.61 PLN	2018-08-02
ING BSK	accumulate	buy	212.00 PLN	2018-08-02
Jeronimo Martins	buy	buy	15.20 EUR	2018-08-02
JSW	buy	buy	108.69 PLN	2018-08-02
KGHM	buy	buy	111.08 PLN	2018-08-02
Kruszwica	underweight	neutral	- -	2018-08-02
Lotos	sell	hold	52.51 PLN	2018-08-02
Millennium	sell	reduce	7.00 PLN	2018-08-02
PKN Orlen	sell	reduce	76.84 PLN	2018-08-02
PZU	accumulate	buy	47.50 PLN	2018-08-02
Wirtualna Polska	buy	accumulate	60.00 PLN	2018-08-02

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	5	5.3%	4	8.5%
reduce	3	3.2%	1	2.1%
underweight	3	3.2%	1	2.1%
hold	10	10.6%	3	6.4%
neutral	21	22.3%	8	17.0%
accumulate	6	6.4%	3	6.4%
buy	36	38.3%	27	57.4%
overweight	10	10.6%	0	0.0%

Corporate Events Calendar For August

Date	Time	Company	Event
2-Aug		Asseco BS	Q2'18 earnings announcement
2-Aug	16:00	CEZ	Q2'18 conference call (+44 207 194 3759; PIN: 67017476#)
2-Aug		ING BSK	Q2'18 earnings announcement
2-Aug		ZM Kania	Investor meetings (Inner Value, ul. Wilcza 46, Warsaw) - registration required
3-Aug		Fasing	Last day to trade cum dividend (DPS PLN 0.80/share)
3-Aug	11:00	Mennica Polska	Q2'18 earnings conference (ATRIUM IBC, Al. Jana Pawła II 23, Warsaw)
3-Aug		MOL	Q2'18 earnings announcement
7-Aug		CEZ	Q2'18 earnings announcement
2-Aug		Grupa Kęty	Q2'18 earnings announcement
7-Aug		PGE	Q2'18 earnings announcement
8-Aug		Asseco SEE	Q2'18 earnings announcement
8-Aug	12:00	Grupa Kęty	Investor meetings (Regent Warsaw Hotel)
8-Aug	12:00	Lokum	Q2'18 earnings conference (Hotel InterContinental, Warsaw)
8-Aug		Moneta Money	Q2'18 earnings announcement
8-Aug		Pekao	Q2'18 earnings announcement
8-Aug	10:00	Ronson	Q2'18 earnings conference (Hotel Sheraton, Warsaw)
9-Aug		Alior Bank	Q2'18 earnings announcement
9-Aug		CNT	Last day to trade cum dividend (DPS PLN 0.40/share)
9-Aug		Energa	Q2'18 earnings announcement
9-Aug		Lotos	Q2'18 earnings announcement
9-Aug		Netia	Q2'18 earnings announcement
9-Aug		RBI	Q2'18 earnings announcement
10-Aug		Agora	Q2'18 earnings announcement
10-Aug		Hydrotor	Last day to trade cum dividend (DPS PLN 2.00/share)
10-Aug		Makarony Polskie	Last day to trade cum dividend (DPS PLN 0.25/share)
10-Aug		OTP Bank	Q2'18 earnings announcement
13-Aug		Play	Q2'18 earnings announcement
14-Aug		Cognor	Q2'18 earnings announcement
16-Aug		KGHM	Q2'18 earnings announcement
20-Aug		Idea Bank	Q2'18 earnings announcement
21-Aug		BOŚ Bank	Q2'18 earnings announcement
21-Aug		Dino Polska	Q2'18 earnings announcement
21-Aug		PKP Cargo	Q2'18 earnings announcement
22-Aug		PGNiG	Q2'18 earnings announcement
23-Aug		Tauron	Q2'18 earnings announcement
23-Aug		Asseco Poland	Q2'18 earnings announcement
23-Aug		Citi Handlowy	Q2'18 earnings announcement
23-Aug		Cyfrowy Polsat	Q2'18 earnings announcement
23-Aug		GTC	Q2'18 earnings announcement
23-Aug		JSW	Q2'18 earnings announcement
23-Aug		K2 Internet	Last day to trade cum dividend (DPS PLN 1.00/share)
24-Aug		CCC	Q2'18 earnings announcement
24-Aug		Dom Dev.	Q2'18 earnings announcement
24-Aug		Impexmetal	Q2'18 earnings announcement
24-Aug		Projprzem	Last day to trade cum dividend (DPS PLN 1.10/share)
24-Aug		Stelmet	Q2'18 earnings announcement
27-Aug		PBKM	Q2'18 earnings announcement
27-Aug		mBank & Warsaw Stock Exchange event in Frankfurt, Germany - registration required	
28-Aug		Bytom	Q2'18 earnings announcement
28-Aug		CD Projekt	Q2'18 earnings announcement
28-Aug		Emperia	Q2'18 earnings announcement
28-Aug		Grupa Azoty	Q2'18 earnings announcement
28-Aug		Monnari	Q2'18 earnings announcement
28-Aug		PKO BP	Q2'18 earnings announcement
28-Aug		Wirtualna Polska	Q2'18 earnings announcement
29-Aug		Eurocash	Q2'18 earnings announcement
29-Aug		PCM	Q2'18 earnings announcement
30-Aug		11 bit studios	Q2'18 earnings announcement
30-Aug		Apator	Q2'18 earnings announcement
30-Aug		BGŻ BNP Paribas	Q2'18 earnings announcement
30-Aug		Boryszew	Q2'18 earnings announcement
30-Aug		CI Games	Q2'18 earnings announcement
30-Aug		Megaron	Last day to trade cum dividend (DPS PLN 0.95/share)
30-Aug		Pfleiderer Group	Q2'18 earnings announcement
30-Aug		Trakcja	Q2'18 earnings announcement
30-Aug		TXM	Q2'18 earnings announcement
30-Aug		Vistula	Q2'18 earnings announcement
31-Aug		Comarch	Q2'18 earnings announcement
31-Aug		i2 Development	Q2'18 earnings announcement
31-Aug		Pozbud	Q2'18 earnings announcement
31-Aug		Skarbiec	Q2'18 earnings announcement
31-Aug		Unibep	Q2'18 earnings announcement
31-Aug		Wasko	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 as we wait for the team formed to assess the pros and cons of the Bank's acquisition by Pekao to present their conclusions. In the most likely scenario of a stock-for-stock merger, the deal will require the approval of both sets of shareholders. With Alior currently trading above PLN 72 per share, its owner PZU could exit the investment now without incurring a loss. 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. Alior's fast growth makes it a top pick for us.

Current Price	72.60 PLN	Upside
9M Target Price	109.00 PLN	+50.1%

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

Key Metrics	ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng +8.5% +0.9%
ISIN	PLALIOR00045	YTD Price Chng -8.7% -3.2%
Outst. Stock (m)	129.3	ADTV 1M PLN 9.6m
MC (PLN m)	9,384.1	ADTV 6M PLN 19.4m
		P/E 12M fwd 10.6 -24.8%
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	11.9	18.2	9.9	8.3
P/B	1.5	1.4	1.2	1.0
ROE	12.7%	7.9%	12.8%	13.0%
DPS	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%

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

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

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%

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



BZ WBK buy (no change)

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

We maintain a buy rating for BZ WBK, which has obtained the necessary approvals to acquire Polish assets of Deutsche Bank (DB). DB still holds BZW shares, but the market no longer worries it will sell them before their price rises well above PLN 370. Further improving sentiment are good 2018 Q2 results released in July. As a reminder, BZ WBK wants to make a distribution to shareholders next year from retained earnings on top of 2018 profits, subject to regulatory and owner approval, and if approved the resulting DPS would be PLN 23, implying a dividend yield of 6.1%. BZW stock is trading at attractive multiples at the moment even considering all risks and given the potential dividend surprise.

Current Price	378.20 PLN	Upside
9M Target Price	430.00 PLN	+13.7%

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

Key Metrics			BZW PW	vs. WIG
Ticker	BZW PW	1M Price Chng	+13.4%	+5.7%
ISIN	PLBZ000000044	YTD Price Chng	-3.8%	+1.7%
Outst. Stock (m)	99.2	ADTV 1M		PLN 16.4m
MC (PLN m)	37,530.5	ADTV 6M		PLN 19.9m
		P/E 12M fwd	14.8	-1.2%
Free Float	30.0%	P/E 5Y avg	14.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	4,770	5,277	5,852	6,943	7,587
Total income	7,606	7,764	8,613	9,965	10,655
Costs	-3,368	-3,372	-3,653	-3,923	-3,902
Provisioning	-785	-690	-746	-871	-928
Net income	2,167	2,213	2,560	3,152	3,595
P/E	17.3	17.0	14.9	12.2	10.7
P/B	1.9	1.7	1.4	1.3	1.2
ROE	11.1%	10.6%	10.4%	11.1%	11.8%
DPS	21.33	5.40	6.69	12.55	15.46
DYield	5.6%	1.4%	1.8%	3.3%	4.1%

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

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Net interest income	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)	497.66	

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

We expect Getin to 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	-1.0%	-8.6%
ISIN	PLGETBK00012	YTD Price Chng	-38.9%	-33.4%
Outst. Stock (m)	1,044.6	ADTV 1M		PLN 0.8m
MC (PLN m)	1,034.1	ADTV 6M		PLN 1.2m
		P/E 12M fwd	17.5	+30.2%
Free Float	49.8%	P/E 5Y avg	13.5	premium

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.

Current Price

76.90 PLN

Upside

9M Target Price

94.00 PLN

+22.2%

	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	+8.6%	+1.0%
ISIN	PLBH000000012	YTD Price Chng	-1.1%	+4.4%
Outst. Stock (m)	130.7	ADTV 1M		PLN 1.9m
MC (PLN m)	10,047.7	ADTV 6M		PLN 2.6m
		P/E 12M fwd	14.7	-7.1%
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	16.7	18.8	15.9	13.1
P/B	1.5	1.4	1.4	1.4
ROE	8.8%	7.8%	9.1%	10.9%
DPS	4.68	4.60	4.10	4.84
DYield	6.1%	6.0%	5.3%	6.3%

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

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

ING BSK accumulate (downgraded)

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

We downgrade ING BSK from buy to accumulate after recent share price gains, with the price target unchanged at PLN 212.00. 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.

Current Price	190.00 PLN	Upside
9M Target Price	212.00 PLN	+11.6%

	rating	target price	issued
new	accumulate	212.00 PLN	2018-08-02
old	buy	212.00 PLN	2018-07-04
Key Metrics		ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	+6.1%
ISIN	PLBSK0000017	YTD Price Chng	-6.1%
Outst. Stock (m)	130.1	ADTV 1M	PLN 0.8m
MC (PLN m)	24,719.0	ADTV 6M	PLN 2.3m
		P/E 12M fwd	15.1
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	19.7	17.6	15.7	13.9	12.7
P/B	2.4	2.1	1.9	1.7	1.5
ROE	11.8%	12.6%	12.6%	12.7%	12.3%
DPS	4.30	0.00	3.24	3.63	4.11
DYield	2.3%	0.0%	1.7%	1.9%	2.2%
Revision of Projections (% change)		2018P	2019P	2020P	
Net interest income		0.0%	0.0%	0.0%	
Fee income		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Provisioning		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

Financial Highlights

(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	

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 sell (downgraded)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

We downgrade Millennium from reduce to sell after recent share price gains. 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. Based on financial results for the second quarter of 2018, Millennium is on track to fulfilling, but not exceeding, the 2018 FY analysts' consensus. We also maintain that the 2020 net profit target of PLN 1 billion is probably overly 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 once Polish interest start to rise.

Current Price

9.12 PLN

Downside

9M Target Price

7.00 PLN

-23.2%

		rating	target price	issued
new		sell	7.00 PLN	2018-08-02
old		reduce	7.00 PLN	2018-04-06
Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	+13.7%	+6.1%
ISIN	PLBIG0000016	YTD Price Chng	+2.0%	+7.5%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 5.8m
MC (PLN m)	11,063.6	ADTV 6M		PLN 6.9m
		P/E 12M fwd	13.9	+5.5%
Free Float	50.0%	P/E 5Y avg	13.1	premium

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	15.8	16.2	15.3	13.9
P/B	1.6	1.4	1.3	1.2
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%	1.6%
Revision of Projections (% change)				
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

(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

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%

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

Pekao buy (no change)

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 medium-term dividend-paying potential after the merger, which we put at as much as 75% of the prior year's earnings.

Current Price	110.75 PLN	Upside
9M Target Price	157.00 PLN	+41.8%

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

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	+5.4%	-2.3%
ISIN	PLPEKAO00016	YTD Price Chng	-8.9%	-3.4%
Outst. Stock (m)	262.5	ADTV 1M		PLN 55.4m
MC (PLN m)	29,068.6	ADTV 6M		PLN 74.5m
		P/E 12M fwd	12.0	-24.5%
Free Float	49.9%	P/E 5Y avg	15.9	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	12.8	11.7	13.3	11.0
P/B	1.3	1.2	1.2	1.2
ROE	9.8%	10.7%	9.4%	11.1%
DPS	8.70	8.68	7.90	8.32
DYield	7.9%	7.8%	7.1%	7.5%

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%

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

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%

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	

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 interest 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.

Current Price

42.00 PLN

Downside

9M Target Price

38.00 PLN

-9.5%

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

Key Metrics		PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	+13.5%
ISIN	PLPKO0000016	YTD Price Chng	-5.2%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 56.0m
MC (PLN m)	52,500.0	ADTV 6M	PLN 82.7m
		P/E 12M fwd	13.9
Free Float	68.6%	P/E 5Y avg	13.3
			premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	7,755	10,919	9,216	10,367
Total income	12,121	12,803	13,355	14,626
Costs	-5,590	-6,024	-6,209	-6,458
Provisioning	-1,623	-1,620	-1,718	-1,843
Net income	2,874	3,104	3,313	3,973
P/E	18.3	16.9	15.8	13.2
P/B	1.6	1.4	1.3	1.2
ROE	9.1%	9.0%	8.7%	9.5%
DPS	0.00	0.00	0.55	0.66
DYield	0.0%	0.0%	1.3%	1.6%
Revision of Projections (% change)			2018P	2019P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

Komercni Banka buy (no change)

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, which may be followed by another hike in August. Supported by high ROE, assuming a 55% payout ratio, we expect Komercni to offer dividend yields of 4.6%-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.

Current Price

942.00 CZK

Upside

9M Target Price

1,111.00 CZK

+17.9%

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

Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	+0.7%
ISIN	CZ0008019106	YTD Price Chng	+8.5%
Outst. Stock (m)	188.9	ADTV 1M	CZK 98.0m
MC (CZK bn)	177.9	ADTV 6M	CZK 141.1m
		P/E 12M fwd	13.1
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	13.0	11.9	12.1	10.3
P/B	1.7	1.8	1.5	1.4
ROE	13.4%	15.0%	13.8%	14.2%
DPS	62.00	40.00	47.00	43.00
DYield	6.6%	4.2%	5.0%	4.6%
Revision of Projections (% change)			2018P	2019P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2017-18)	14,803	7%
PV Adjustment	-2,891	-1%
Value Driver (2019-33)	138,392	66%
Fade (2034-53)	37,780	18%
Terminal Value	21,026	10%
Fair Value	209,111	100%
Outst. Shares (millions)	189	
Cost of equity	6.0%	
Fair Value Per Share (CZK)	1,107	
9M Target Price (CZK)	1,157	

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	90,579	47%
Explicit Forecast (2016-18)	26,928	14%
PV Adjustment	583	0%
Value Driver (2019-33)	64,439	33%
Fade (2034-53)	9,936	5%
Fair Value	192,465	100%
Outst. Shares (millions)	189	
Cost of equity	6.0%	
Fair Value Per Share (CZK)	1,019	
9M Target Price (CZK)	1,065	

Valuation Summary

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



Erste Bank buy (upgraded)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

We upgrade our call for Erste Bank from accumulate to buy, and we raise out target price for the Bank from EUR 40.00 to EUR 43.00, after updating our financial forecasts to reflect higher expected 2018 earnings, supported by low provisioning and operating expenses. Erste reported a 6% beat in the net profit for Q1 2018, followed by a 12% beat in Q2, and this will probably spur upward revisions to the FY expectations of analysts. Our own 2018 estimate at the updated level is 10% higher than the consensus estimate, as well as topping Erste's guidance, with the room for positive surprises reinforced by low provisioning (with 2018 cost of risk forecast at zero), accompanied by fast-paced lending (we forecast 8% annual loan growth), and underpinned by interest rate hikes in the Czech Republic. Normalization of cost of risk in subsequent years to a projected 12bp in 2019 and 16bp in 2020 may stop Erste's bottom line from showing much growth. Finally, we expect Erste to offer per-share dividend of EUR 1.5 in 2019 and 2020, implying dividend yields of 4.0%.

Current Price

37.14 EUR

Upside

9M Target Price

43.00 EUR

+15.8%

	rating	target price	issued
new	buy	43.00 EUR	2018-08-02
old	accumulate	40.00 EUR	2018-06-06
Key Metrics			
	EBS AV	1M Price Chng	+3.9%
Ticker	AT0000652011	YTD Price Chng	+6.4%
ISIN	429.8	ADTV 1M	EUR 20.3m
Outst. Stock (m)	15,962.8	ADTV 6M	EUR 28.4m
MC (EUR m)		P/E 12M fwd	11.0
		P/E 5Y avg	11.6
Free Float	69.5%		discount

Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
NII	4,375	4,353	4,535	4,787	5,070
Total income	6,484	6,475	6,705	7,034	7,389
Costs	-4,028	-4,158	-3,825	-3,884	-3,944
Provisioning	-196	-132	2	-198	-284
Net income	1,265	1,316	1,502	1,507	1,621
P/E	12.6	12.1	10.6	10.6	9.8
P/B	1.3	1.2	1.1	1.0	1.0
ROE	10.8%	10.0%	10.5%	10.0%	10.3%
DPS	0.50	1.00	1.20	1.47	1.47
DYield	1.3%	2.7%	3.2%	3.9%	4.0%
Revision of Projections (% change)				2018P	2019P
Net interest income				+0.1%	+1.7%
Fee income				+2.1%	+2.1%
Total costs				-7.4%	-7.3%
Provisioning				n.m.	-42.0%
Net income				+6.6%	-0.6%

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
Net interest income	4,375	4,353	4,535	4,787	5,070
Fee income	1,783	1,852	1,942	1,994	2,046
Trading income	326	270	228	253	273
Total income	6,484	6,475	6,705	7,034	7,389
Other oper. income	79	-1	-420	-449	-482
Asset tax	-389	-106	-112	-118	-124
Operating expenses	-4,028	-4,158	-3,825	-3,884	-3,944
Operating income	2,146	2,210	2,348	2,583	2,838
Provisioning	-196	-132	2	-198	-284
Net operating income	1,950	2,078	2,350	2,385	2,554
Extraordinary gains	0	0	0	0	0
Pre-tax income	1,950	2,078	2,350	2,385	2,554
Tax	-414	-410	-492	-515	-548
Minority interests	-272	-352	-356	-363	-385
Net income	1,265	1,316	1,502	1,507	1,621

Key Balance Sheet Figures

(EUR m)	2016	2017	2018P	2019P	2020P
Net loans	135,267	139,532	155,566	167,148	178,443
Other assets	72,960	81,127	79,755	83,168	86,790
Total assets	208,227	220,659	235,321	250,316	265,233
Deposits	138,013	150,969	163,702	172,329	181,755
Other liabilities	53,612	51,402	52,168	57,465	61,750
Minority interests	4,142	4,416	4,772	5,135	5,520
Equity	12,460	13,872	14,679	15,387	16,208

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.2%	2.0%	2.1%	2.0%	2.0%
C/I	60.9%	64.2%	63.3%	61.6%	59.9%
CoR	0.1%	0.1%	0.0%	0.1%	0.2%
NPL Ratio	4.9%	4.0%	4.8%	4.8%	4.8%
Tier 1 Ratio	13.4%	14.0%	13.4%	13.2%	13.1%

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV	P/B
			2018	2019	2020	2018	2019	2020	2018	2018
Austria	7,998	18.61	631	630	658	12.7	12.7	12.2	4,501	1.8
Savings Banks	451	1.05	63	67	72	7.1	6.7	6.2	2,777	0.2
Erste Oesterreich	4,297	10.00	287	307	337	15.0	14.0	12.8	1,725	2.5
Other Austria	3,251	7.56	281	256	249	11.6	12.7	13.1	1,910	1.7
CEE	15,286	35.56	1,179	1,164	1,230	13.0	13.1	12.4	6,704	2.3
Czech Republic	7,984	18.58	572	571	586	14.0	14.0	13.6	2,692	3.0
Romania	2,213	5.15	183	186	192	12.1	11.9	11.5	1,269	1.7
Slovakia	2,882	6.70	183	208	237	15.7	13.8	12.2	911	3.2
Hungary	1,322	3.08	132	110	121	10.0	12.0	10.9	876	1.5
Croatia	742	1.73	105	82	83	7.1	9.1	8.9	768	1.0
Serbia	143	0.33	4	8	11	36.0	18.9	13.6	189	0.8
Other	-5,676	-13.21	-308	-288	-267	18.5	19.7	21.3	781	-7.3
Total Erste Group	17,607	40.97								

Valuation Summary

(EUR m)	Weight	Value
Cost of equity (12M)		6.6%
DDM	50%	20,052
Economic Profits	50%	15,163
Fair Value Avg.		17,607
Fair Value Per Share (EUR)		40.97
Cost of equity (9M)		5.0%
9M Target Price (EUR)		43.00

OTP Bank buy (no change)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

We maintain a buy rating for OTP Bank, which is expected to grow net income by a mere 1% in 2018, with growth curbed 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.

Current Price

10,490.00 HUF

Upside

9M Target Price

12,090.00 HUF

+15.3%

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

Key Metrics	OTP HB	1M Price Chng	OTP HB	vs. WIG
Ticker	OTP HB		+2.7%	-4.9%
ISIN	HU00000061726	YTD Price Chng	-0.1%	+5.4%
Outst. Stock (m)	267.0	ADTV 1M		HUF 3.1bn
MC (HUF bn)	2,801.2	ADTV 6M		HUF 5.3bn
		P/E 12M fwd	10.2	+0.4%
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	13.9	10.0	10.6	9.8
P/B	2.0	1.7	1.6	1.4
ROE	15.3%	18.4%	15.3%	15.1%
DPS	173.01	199.22	253.21	260.44
DYield	1.6%	1.9%	2.4%	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%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

SOTP Valuation

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

Valuation Summary

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



PZU accumulate (downgraded)

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

We downgrade PZU from buy to accumulate, with the 9-month price target lowered to PLN 47.50 per share, after a 7% downward revision to our 2018 FY net income estimate to reflect lower-than-expected investment income generated in the year to date, combined with higher potential claims. On a positive note, we have also lowered our expectations as to operating costs by 11% in 2018 and 9% in 2019, while raising the expectations for net earned premiums by an average of 2%. At the updated levels, our 2018 net profit estimate is 7% higher than the consensus estimate, and the forecasts for 2019 and 2020 top the averages by 4-5%. When it comes to dividends, we assume PZU will distribute 75% of annual earnings to shareholders in the next two years, implying 2019 DPS of PLN 2.71 and 2020 DPS of 3.02, with the potential dividend yields in the range of 6.4%-7.2%.

Current Price	42.00 PLN	Upside
9M Target Price	47.50 PLN	+13.1%

	rating	target price	issued
new	accumulate	47.50 PLN	2018-08-02
old	buy	50.58 PLN	2018-03-05
Key Metrics			
Ticker	PZU PW	1M Price Chng	+7.7% +0.1%
ISIN	PLPZU0000011	YTD Price Chng	-0.4% +5.1%
Outst. Stock (m)	863.5	ADTV 1M	PLN 64.6m
MC (PLN m)	36,268.0	ADTV 6M	PLN 64.4m
		P/E 12M fwd	11.5 -8.0%
Free Float	64.8%	P/E 5Y avg	12.5 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
GWP	20,219	22,847	23,320	23,909	24,540
Claims	-12,732	-14,942	-14,859	-14,906	-15,136
Inv. income	1,300	1,895	1,340	1,391	1,399
Total costs	-4,246	-4,511	-4,674	-4,886	-5,016
Net income	1,954	2,910	3,115	3,454	3,692
P/E	18.7	12.5	11.6	10.4	9.8
P/B	2.8	2.5	2.3	2.2	2.0
ROE	15.1%	21.1%	20.6%	21.4%	21.4%
DPS	2.08	1.40	2.70	2.71	3.02
DYield	5.0%	3.3%	6.4%	6.4%	7.2%
Revision of Projections (% change)				2018P	2019P
Gross written premiums				+0.6%	+0.4%
Claims				+1.5%	-0.8%
Investment income				-32.0%	-19.0%
Total costs				-10.9%	-9.0%
Net income				-7.3%	+1.2%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Gross written prems	20,219	22,847	23,320	23,909	24,540
Net earned premiums	18,625	21,354	22,112	22,726	23,310
Claims & benefits	-12,732	-14,941	-14,859	-14,906	-15,136
Net inv. income	1,300	1,895	1,340	1,391	1,399
Acquisition costs	-2,613	-2,901	-3,089	-3,267	-3,362
Admin expenses	-1,633	-1,610	-1,585	-1,619	-1,654
Other oper. rev/exp	-604	-774	-917	-1,032	-1,158
Banking income	648	2,487	4,067	4,723	5,543
Operating income	2,991	5,510	7,070	8,015	8,941
Financing costs	0	0	0	0	0
Subsidiaries	16	16	16	-3	0
Pre-tax income	3,007	5,526	7,086	8,012	8,941
Tax	-614	-1,293	-1,538	-1,739	-1,928
Minority interest	439	1,323	2,433	2,820	3,322
Net income	1,954	2,910	3,115	3,454	3,692

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-20)	6,013	22%
PV Adjustment	1,914	7%
Value Driver (2021-35)	15,225	55%
Fade (2036-55)	3,806	14%
Terminal Value	691	3%
Fair Value	27,650	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	32.02	
9M Target Price (PLN)	34.06	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	10,783	44%
Explicit Forecast (2018-20)	4,063	16%
PV Adjustment	1,141	5%
Value Driver (2021-35)	7,251	29%
Fade (2036-55)	1,529	6%
Fair Value	24,768	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	28.68	
9M Target Price (PLN)	30.51	

Valuation Ex. Banks

(PLN m)	Weight	Value
DDM	50%	27,650
Economic Profits	50%	24,768
Fair Value Avg.		26,209

SOTP Valuation

(PLN m)	Value	/Share
PZU ex banks	26,209	30.35
Bank Pekao	8,480	9.82
Alior Bank	3,870	4.48
Value	38,559	44.65
9M Target Price (PLN)		47.50

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. Note that on 9 July Kruk announced it had commenced a review of strategic options, including an acquisition by a strategic investor, who may choose to delist the Company from the stock exchange. At the same time, Kruk said it was not aware of any hostile takeover attempts directed at the Company. KRU stock logged a sharp rise after the strategic review announcement, and it has since stabilized close to the average price for the last six months (PLN 221.2). At the same time, two funds reduced their short positions in the stock in July. 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	219.60 PLN	Upside
9M Target Price	300.94 PLN	+37.0%

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

Key Metrics		KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	+9.8%
ISIN	PLKRK0000010	YTD Price Chng	-14.4%
Outst. Stock (m)	18.7	ADTV 1M	PLN 21.2m
MC (PLN m)	4,116.2	ADTV 6M	PLN 14.2m
		P/E 12M fwd	11.5
Free float	87.0%	P/E 5Y avg	14.0
			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	16.2	13.9	11.6	9.9	9.3
P/B	3.2	2.8	2.3	2.0	1.8
ROE	24.6%	21.9%	21.8%	21.5%	20.1%
DPS	2.00	2.26	5.00	5.66	11.08
DYield	0.9%	1.0%	2.3%	2.6%	5.0%
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 31%-33% to average peer 2018-19E P/E ratios, and it shows an ~81% discount to the 2018-19 P/B ratios of comparable companies, justified by much lower profits. With that said, neither the softer earnings prospects, nor 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 month. We maintain a buy rating for PCM.

Current Price

11.90 PLN

Upside

9M Target Price

15.54 PLN

+30.6%

	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	+2.6%	-5.0%
ISIN	PLPRMCM00048	YTD Price Chng	-58.3%	-52.8%
Outst. Stock (m)	11.9	ADTV 1M		PLN 0.1m
MC (PLN m)	141.7	ADTV 6M		PLN 0.3m
EV (mln PLN)	153.6	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 revenu	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	3.9	4.0	6.7	5.8	4.5
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	46.2%	19.8%	8.4%	8.4%	8.4%
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%	

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

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

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

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 a 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.

Current Price

26.60 PLN

Upside

9M Target Price

56.30 PLN

+111.7%

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

Key Metrics			SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+8.1%	+0.5%
ISIN	PLSKRBH00014	YTD Price Chng	-4.0%	+1.6%
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.1m
MC (PLN m)	181.5	ADTV 6M		PLN 0.2m
		P/E 12M fwd	7.7	-6.2%
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	5.6	7.6	6.4	5.3	4.4
P/B	1.8	1.9	1.9	1.8	1.8
ROE	34.1%	24.2%	29.8%	35.0%	41.4%
DPS	3.08	4.28	4.15	4.57	5.53
DYield	11.6%	16.1%	15.6%	17.2%	20.8%
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%	

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

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

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



Chemicals

Ciech

buy (reiterated)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

Chemical plant closures in China as part of the effort to reduce pollution have tightened the global supply of soda ash, easing competitive pressures in Europe, where new installations are finding markets in Asia. For example, the 2.5mmt-a-year soda ash plant of Kazan Soda Elektrik sold out the full 2018 production, mostly for export to Asia, at the beginning of the year. Similarly, Ciech has already secured orders for the full soda ash capacity for 2018 at solid prices. The Company is set to report contraction in profits in Q2 2018 from the comparable year-ago period due to higher costs of natural gas, but on the upside it declared a dividend of PLN 7.5 per share this year, well above the average offered by the chemical industry, and its shares are trading at attractive P/E and EV/EBITDA ratios. We have updated our financial outlook for Ciech to account for planned EUR 100m investment in evaporated salt and sodium bicarbonate capacity in Germany, and for the July acquisition of the Spanish pesticide producer Proplan for EUR 44.6m, and we adjust our 9-month price target for CIE from PLN 81.14 to PLN 82.52, with a reiterated buy rating.

Current Price

56.95 PLN

Upside

9M Target Price

82.52 PLN

+44.9%

	rating	target price	issued
new	buy	82.52 PLN	2018-08-02
old	buy	81.14 PLN	2018-07-04
Key Metrics		CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	+6.5% -1.1%
ISIN	PLCIECH000018	YTD Price Chng	+13.9% +19.4%
Outst. Stock (m)	52.7	ADTV 1M	PLN 6.2m
MC (PLN m)	3,001.3	ADTV 6M	PLN 4.8m
EV (PLN m)	4,303.1	EV/EBITDA 12M fwd	6.0 -2.9%
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	3,760	3,845	4,057
EBITDA adj.	874	808	748	792	860
EBITDA margin	25.3%	22.6%	19.9%	20.6%	21.2%
EBIT adj.	650	564	474	502	559
Net income adj.	585	373	337	357	403
P/E adj.	5.1	8.0	8.9	8.4	7.4
P/B	1.7	1.4	1.4	1.3	1.2
EV/EBITDA adj.	4.7	4.8	5.8	5.4	4.8
DPS	2.85	0.00	7.50	3.52	4.41
DYield	5.0%	0.0%	13.2%	6.2%	7.7%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		-6.9%	+2.4%	+4.4%	
Net income		-15.0%	-6.1%	-2.8%	
Soda price (US \$/t)		0.0%	+2.9%	+2.9%	
Soda Ciech (PLN/t)		0.0%	+2.9%	+2.9%	
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)		+1.3%	0.0%	0.0%	
Natural Gas price (PLN/m3)		+12.5%	+12.5%	+7.8%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA. Soda Div.	799	704	585	615	673
EBITDA. Organic Div.	78	97	123	137	145
EBITDA. Silicates	35	37	44	44	46
EBITDA. Other	-33	-5	-4	-4	-4
EBITDA/tonne, Soda	348	306	244	256	280
Operating cash flow	837	629	651	693	745
D&A	223	244	274	291	301
Working capital	97	-66	-3	-1	-3
Investing cash flow	-446	-389	-650	-414	-377
CAPEX	458	402	650	414	377
Financing cash flow	-180	-164	-440	-232	-278
Dividends/Buyback	-150	0	-395	-185	-232
FCF	387	234	3	280	370
FCF/EBITDA	44%	28%	0%	35%	43%
OCF/EBITDA	95%	75%	87%	87%	87%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	4,502	4,644	4,687	4,880	5,101
Fixed assets	3,210	3,205	3,644	3,768	3,846
Equity	1,767	2,188	2,189	2,361	2,532
Minority interests	-3	-3	-3	-3	-3
Net debt	1,116	865	1,305	1,258	1,168
Net debt/EBITDA (x)	1.3	1.0	1.7	1.6	1.4
Net debt/Equity (x)	0.6	0.4	0.6	0.5	0.5

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	7.8	7.0	5.3	6.6	5.6	3.9
Maximum	28.0	23.3	18.8	18.2	14.1	12.1
Median	14.7	12.7	11.1	7.9	6.7	6.2
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	268	268	268	268	268	268	268	268
Soda Price (PLN/t)	819.4	809.6	810.0	819.0	841.8	841.8	841.8	841.8	841.8	841.8	841.8
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	3,760	3,845	4,057	4,147	4,238	4,271	4,296	4,313	4,330	4,348	4,366
EBITDA	748	792	860	852	867	871	874	870	867	862	857
EBITDA margin	19.9%	20.6%	21.2%	20.5%	20.5%	20.4%	20.3%	20.2%	20.0%	19.8%	19.6%
EBIT	474	502	559	536	561	573	572	564	557	548	539
Tax	92	97	110	105	110	113	113	112	110	109	107
CAPEX	-650	-414	-377	-315	-287	-294	-300	-305	-309	-313	-318
Working capital	-3	-1	-3	-1	-1	0	0	0	0	0	0
FCF	3	280	370	431	469	463	460	454	447	440	433
PV FCF	3	253	311	337	339	310	284	258	233	210	
WACC	7.3%	7.4%	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%	8.0%	8.1%	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

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,538
Net debt	1,260
Other adj.	-3
Value per share (PLN)	86.97

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	68.27
DCF Val.	50%	86.97
Implied Price		77.62
Cost of equity (9M)		6.3%
9M Target Price		82.52

Grupa Azoty hold (reiterated)

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 prices of 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 free cash flow will more likely than not be negative. We maintain a hold rating for ATT, with the 9-month price target lowered from PLN 44.40 to PLN 42.13 after adjustment for the 2018 dividend payout, revised earnings expectations, and change in share price.

Current Price

42.20 PLN

Downside

9M Target Price

42.13 PLN

-0.2%

	rating	target price	issued
new	hold	42.13 PLN	2018-08-02
old	hold	44.40 PLN	2018-05-25
Key Metrics		ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	+0.8%
ISIN	PLZATRM00012	YTD Price Chng	-38.3%
Outst. Stock (m)	99.2	ADTV 1M	PLN 1.5m
MC (PLN m)	4,186.0	ADTV 6M	PLN 2.6m
EV (PLN m)	5,732.4	EV/EBITDA 12M fwd	5.0
Free Float	29.0%	EV/EBITDA 5Y avg	6.7 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	8,956	9,617	9,704	9,930	10,207
EBITDA adj.	1,034	1,262	1,097	1,077	1,129
EBITDA margin	11.5%	13.1%	11.3%	10.8%	11.1%
EBIT adj.	523	672	443	393	433
Net income adj.	385	550	314	266	283
P/E adj.	10.9	7.6	13.3	15.8	14.8
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA adj.	4.9	4.1	5.2	6.0	6.5
DPS	0.84	0.79	1.20	0.92	0.80
DYield	2.0%	1.9%	2.8%	2.2%	1.9%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			+0.8%	-2.9%	-2.8%
Net income			+2.7%	-8.4%	-8.1%
Urea price (PLN/t)			-0.2%	-0.4%	-0.4%
Ammonium Nitrate price (PLN/t)			-0.3%	-0.5%	-0.5%
Natural Gas price (PLN/m3)			+0.2%	0.0%	0.0%
Melamine (PLN/t)			+0.2%	0.0%	0.0%
Polyamide 6 (PLN/t)			+1.2%	-2.2%	-2.2%
Propylene (PLN/t)			+9.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Fertilizers	600	484	300	317	389
EBITDA, Plastics	-33	221	251	217	214
EBITDA, Chemicals	271	348	416	380	357
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	1,021	1,019	1,063
D&A	511	590	653	685	696
Working capital	137	13	-2	-5	-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	-158	662
Dividends/Buyback	-83	-78	-119	-92	-80
FCF	-214	53	-409	-539	-708
FCF/EBITDA	-21%	4%	-38%	-50%	-63%
OCF/EBITDA	114%	93%	94%	95%	94%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Urea price (PLN/t)	1,472	1,532	1,539	1,550	1,543	1,546	1,546	1,546	1,546	1,546	1,546
AN price (PLN/t)	1,254	1,306	1,306	1,317	1,310	1,314	1,314	1,314	1,314	1,314	1,314
NGas cost (PLN/m3)	1,047	1,082	1,109	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180
Revenue	9,704	9,930	10,207	10,386	11,414	12,017	12,211	12,379	12,497	12,624	12,728
EBITDA	1,087	1,077	1,129	1,163	1,286	1,411	1,399	1,390	1,371	1,374	1,366
EBITDA margin	11.2%	10.8%	11.1%	11.2%	11.3%	11.7%	11.5%	11.2%	11.0%	10.9%	10.7%
EBIT	433	393	433	492	364	486	479	485	490	487	479
Tax	73	63	66	72	17	42	44	48	51	51	50
CAPEX	-1,420	-1,548	-1,765	-1,439	-1,056	-553	-601	-644	-815	-881	-887
Working capital	-2	-5	-6	-4	-22	-13	-4	-4	-3	-3	-2
FCF	-409	-539	-708	-351	191	803	749	694	503	440	428
PV FCF	-396	-487	-602	-281	141	552	477	408	273	221	
WACC	7.7%	7.4%	7.0%	6.8%	7.1%	7.1%	7.3%	7.4%	7.5%	7.6%	7.6%
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%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,052	11,738	11,954	12,182	13,278
Fixed assets	7,651	8,070	8,847	9,713	10,788
Equity	6,534	6,856	7,043	7,216	7,419
Minority interests	595	588	599	608	617
Net debt	273	367	947	1,635	2,504
Net debt/EBITDA (x)	0.3	0.3	0.9	1.5	2.2
Net debt/Equity (x)	0.0	0.1	0.1	0.2	0.3

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	10.4	9.9	7.9	6.4	6.1	5.2
Maximum	42.9	24.0	17.8	13.0	10.3	9.3
Median	16.9	12.8	11.6	8.4	7.9	7.1
Weight	20%	20%	10%	20%	20%	10%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	307
Net debt	486
Other adjustments	-588
Value per share (PLN)	31.05

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	48.21
DCF Val.	50%	31.05
Implied Price		39.63
Cost of equity (9M)		6.3%
9M Target Price		42.13

Polwax buy (no change)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

As predicted, Polwax's preliminary 2018 Q2 results did not contain much indication of improvement in sales volumes or profit margins, except for slower contraction on a year-on-year basis. We stand by our 2018 FY EBITDA forecast for the Company in anticipation of a rebound in prices of slack wax, heralded by a recent rise in the ICIS price benchmark. The recovery is led by a decreasing supply of high-sulfur crude oil from Russia, and the resulting narrowing of the high slack wax margins previously 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 the current price level already prices in future capital investment, but completely ignores the returns.

Current Price

7.24 PLN

Upside

9M Target Price

16.69 PLN

+130.5%

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

Key Metrics			PWX PW	vs. WIG
Ticker	PWX PW	1M Price Chng	-4.5%	-12.1%
ISIN	PLPOLWX00026	YTD Price Chng	-34.5%	-29.0%
Outst. Stock (m)	10.3	ADTV 1M		PLN 0.1m
MC (PLN m)	74.6	ADTV 6M		PLN 0.1m
EV (PLN m)	165.8	EV/EBITDA 12M fwd	6.2	+5.2%
Free Float	84.9%	EV/EBITDA 5Y avg	5.8	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	295	283	303	315	416
EBITDA	31	27	26	33	40
EBITDA margin	10.5%	9.5%	8.6%	10.4%	9.5%
EBIT	26	22	21	28	30
Net income	21	17	15	21	20
P/E	3.6	4.3	4.9	3.6	3.8
P/B	0.9	0.7	0.6	0.5	0.5
EV/EBITDA	3.2	3.9	6.4	5.7	4.8
DPS	1.06	0.00	0.00	0.00	0.00
DYield	14.6%	0.0%	0.0%	0.0%	0.0%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%
Price of Paraffin Wax (EUR/t)			0.0%	0.0%	0.0%
EUR/PLN			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	294.6	283.5	302.7	315.3	416.1
Lanterns& Candles (L&C)	58.0	60.0	61.2	61.2	61.2
L&C Paraffin Wax (PW)	161.2	146.7	153.8	159.8	183.3
Industrial Paraffin Wax	62.5	60.8	71.7	78.2	155.6
Gross profit	49.4	48.9	48.4	56.0	57.8
Gross margin	16.8%	17.2%	16.0%	17.7%	13.9%
SG&A/Revenue	3.0%	3.7%	3.7%	3.7%	2.8%
Other oper. income	0.5	-0.7	0.0	0.0	0.0
Financing activity	-0.5	-0.9	-2.3	-2.2	-5.3
Total sales volume (kt)	59.7	59.0	57.0	58.5	79.7
Lanterns & Candles	42.5	41.5	39.0	39.0	40.0
Industrial Paraffin Wax	17.2	17.5	18.0	19.5	39.7
YoY price change					
Lanterns & Candles	5.1%	-6.8%	11.6%	3.9%	11.8%
Industrial Paraffin Wax	5.0%	-4.3%	14.7%	0.7%	-2.2%

Key Balance Sheet Figures

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

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	8.9	9.3	9.2	5.5	5.7	5.5
Maximum	21.1	19.7	18.6	13.5	12.7	12.0
Median	12.6	11.6	11.2	7.5	6.8	6.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
PW price (EUR/t)	1202	1219	1350	1446	1446	1446	1446	1446	1446	1449	1449
Slack wax (EUR/t)	720	712	764	788	788	788	788	788	788	790	790
EUR/PLN	4.18	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Revenue	302.7	315.3	416.1	461.3	463.2	465.1	467.0	469.0	470.9	473.7	473.7
EBITDA	26.0	32.9	39.5	49.1	47.6	47.4	47.3	47.2	47.0	46.9	46.9
EBITDA margin	8.6%	10.4%	9.5%	10.6%	10.3%	10.2%	10.1%	10.1%	10.0%	9.9%	9.9%
EBIT	21.3	28.0	29.5	38.5	36.5	35.8	35.1	34.4	33.7	33.0	32.7
Tax	4.1	5.3	5.6	7.3	6.9	6.8	6.7	6.5	6.4	6.3	6.2
CAPEX	-93.0	-45.8	-12.5	-13.8	-13.9	-14.0	-14.0	-14.1	-14.1	-14.2	-14.2
Working capital	11.9	-2.6	-18.9	-10.5	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.3
FCF	-58.7	-20.3	3.1	18.1	27.1	27.1	27.0	26.9	26.9	26.7	26.9
PV FCF	-56.3	-18.1	2.6	14.0	19.5	18.1	16.7	15.5	14.3	13.1	
WACC	7.4%	7.3%	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%	7.9%	8.0%	8.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	1.0%
PV FCF	213
Net debt	30
Other adjustments	0
Value per share (PLN)	17.72

Valuation Summary

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

Oil & Gas

Lotos

sell (downgraded)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

Lotos stock trades just shy of its all-time high after a 15% jump in price following publication of better-than-expected 2018 Q2 results, not hindered by worsened market conditions in downstream, or another major delay on the EFRA capacity-building project. The second-quarter rebound in profits meant the Company merely caught up with the expectations of analysts after a slow first quarter, with no reason for the market to raise the FY forecasts. Another factor which determines Lotos's performance in a rather arbitrary way is the USDPLN exchange rate – the stock rises whenever the zloty weakens relative to the dollar, but seems to have no reaction when the trend reverses. Also priced into Lotos's current valuation are expectations that PKN Orlen will pay any price for LTS shares in the upcoming merger (the valuation of PKN does not seem to reflect the same expectations). What is not priced in, however, is the small but real possibility that the merger will be blocked by the European Commission. We downgrade LTS from hold to sell after the recent price gains.

Current Price

65.86 PLN

Downside

9M Target Price

52.51 PLN

-20.3%

		rating	target price	issued
new		sell	52.51 PLN	2018-08-02
old		hold	52.51 PLN	2018-06-29
Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+15.7%	+8.1%
ISIN	PLLOTOS00025	YTD Price Chng	+14.1%	+19.7%
Outst. Stock (m)	184.9	ADTV 1M		PLN 14.4m
MC (PLN m)	12,175.8	ADTV 6M		PLN 17.0m
EV (PLN m)	16,492.1	EV/EBITDA 12M fwd	5.2	-13.8%
Free Float	46.8%	EV/EBITDA 5Y avg	6.0	discount

Earnings Projections

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	12.0	7.3	15.0	12.2	12.3
P/B	1.4	1.1	1.1	1.0	1.0
EV/EBITDA	5.8	4.8	6.2	6.1	5.3
DPS	0.00	1.00	1.00	1.32	1.63
DYield	0.0%	1.5%	1.5%	2.0%	2.5%
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

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

+48 22 438 24 02

kamil.kliszcz@mbank.pl

MOL has widened the discount to the EV/LIFO EBITDA multiples of its Polish rivals after the price gains of July, even though its 2018 Q2 profit from retail should be as strong as achieved by PKN Orlen. Moreover, the slowdown in the downstream business this year should be more than offset by an acceleration in upstream, where the 2018 FY segmental EBITDA per our calculations is set to increase by HUF 65bn to HUF 300bn. Another quality which sets MOL apart from its Polish rivals is its 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 plans for of 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. We maintain an accumulate rating for MOL.

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	1M Price Chng	MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	+1.0%	-6.6%
ISIN	HU0000153937	YTD Price Chng	-5.8%	-0.3%
Outst. Stock (m)	738.1	ADTV 1M	HUF 1,162.4m	
MC (HUF m)	2,029,853.3	ADTV 6M	HUF 2,050.2m	
EV (HUF m)	2,700,357.9	EV/EBITDA 12M fwd	4.0	-7.5%
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

Our investment case hailing PGN as the best alternative to PKN Orlen fell apart in July after the gas utility took a nosedive (with a negative relative return of over 20%) following an expected decision by its shareholders to withhold dividends in 2018 despite the Company's healthy financial standing. An announcement four days later postponing the publication of the final 2018 H1 results by eight days to August 30th added insult to injury, and even the better-than-expected first-half preliminaries released two days after did not manage to turn the soured sentiment around. In Q2 2018 PGNiG generated a much smaller EBITDA loss from trading than anticipated by the market, proving it is able to mitigate higher costs of natural gas purchases in a deregulated gas market for commercial customers by raising sales prices. Further, a major development overlooked by investors was the unexpected approval by the regulator of a substantial hike in the household gas tariff, set to add about PLN 100m to the future trading profits, and permanently boost margins during 2019. Other profit drivers which continue to be disregarded by the market include a rebound upwards of 40% so far in European prices of natural gas compared to this time last year, and the June arbitration ruling upholding PGNiG's right to have requested retroactive price adjustments from Gazprom. Meanwhile the dividend freeze, which spurred speculation about PGNiG's financial involvement in state-led energy projects, caused the Company's stock to plunge to a level more than 25% below its five-year average, trading at a discount even to Polish power utilities. We maintain a bullish view on PGN as we update our valuation model to reflect the lack of dividends.

Current Price

5.69 PLN

Upside

9M Target Price

8.28 PLN

+45.5%

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

Key Metrics	PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng +2.3% -5.3%
ISIN	PLPGNIG00014	YTD Price Chng -7.3% -1.8%
Outst. Stock (m)	5,778.3	ADTV 1M PLN 18.0m
MC (PLN m)	32,878.6	ADTV 6M PLN 21.0m
EV (PLN m)	32,443.9	EV/EBITDA 12M fwd 4.1 -21.4%
Free Float	28.1%	EV/EBITDA 5Y avg 5.2 discount

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	14.0	11.2	7.8	6.7	6.8
P/B	1.0	1.0	0.9	0.8	0.8
EV/EBITDA	5.6	5.1	3.8	3.2	3.0
DPS	0.18	0.20	0.00	0.29	0.34
DYield	3.2%	3.5%	0.0%	5.1%	6.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of 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	32,626	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 19P	20P	18P	EV/EBITDA 19P	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 sell (downgraded)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

PKN Orlen's recurring 2018 Q2 results missed the expectations of analysts, but in a surprising turn of events the Company's stock went on a massive rally after the release, with its market cap swelling by PLN 5 billion since, an amount 10 times the one-time gains which gave a boost to the reported Q2 figures. Investors easily made peace with the weak Q2 refining profits, turning their attention to the record EBITDA generated by the retail business without taking into consideration the future impact on service station margins of PKN's commitment to shield consumers and shoulder the full impact of Poland's newly-implemented emissions tax. Granted, the market conditions for oil refining have improved in the last few weeks, but we would not assume that this is a sustained shift which could justify the bullish enthusiasm of investors, who in our view should be more concerned about the strong gains recently in the shares of rival Lotos as the two refiners prepare for their eventual merger with PKN as the acquiring party. We maintain a pessimistic medium-term view on PKN's refining and petrochemicals business, and we remain convinced the Company, which is more sensitive than most to changes in crude oil prices, should be valued at higher multiples than its European competitors. With all upside potential wiped out after the July rally, we downgrade PKN to sell.

Current Price

93.06 PLN

Downside

9M Target Price

76.84 PLN

-17.4%

	rating	target price	issued
new	sell	76.84 PLN	2018-08-02
old	reduce	76.84 PLN	2018-06-29
Key Metrics		PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	+14.8% +7.2%
ISIN	PLPKN0000018	YTD Price Chng	-9.7% -4.1%
Outst. Stock (m)	427.7	ADTV 1M	PLN 56.3m
MC (PLN m)	39,802.6	ADTV 6M	PLN 72.0m
EV (PLN m)	48,531.5	EV/EBITDA 12M fwd	5.2 -9.0%
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	7.6	6.0	11.1	13.6	12.5
P/B	1.5	1.2	1.2	1.1	1.0
EV/EBITDA	4.7	3.9	6.5	7.5	6.6
DPS	2.13	3.00	3.00	2.93	2.39
DYield	2.3%	3.2%	3.2%	3.2%	2.6%
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

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

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

Electricity prices on the EEX exchange halted their upward climb in July, but the price of CEZ shares continued to hit new highs during the month thanks to further gains in carbon allowances even though EUAs are not a factor which contributes to building the Company's value. At the current level now is probably a good time to take profits on CEZ, which trades at a record 20% premium to the EV/EBITDA ratio of Stoxx Utilities after the 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, CEZ 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 the Company's investment profile as we know it. We maintain a sell rating for CEZ.

Current Price

575.50 CZK

Downside

9M Target Price

440.96 CZK

-23.4%

	rating	target price	issued
unchanged	sell	440.96 CZK	2018-07-04

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+9.2%	+1.6%
ISIN	CZ0005112300	YTD Price Chng	+24.2%	+29.7%
Outst. Stock (m)	538.0	ADTV 1M		CZK 115.4m
MC (CZK bn)	309.6	ADTV 6M		CZK 173.9m
EV (CZK bn)	459.5	EV/EBITDA 12M fwd	8.4	+20.2%
Free Float	30.2%	EV/EBITDA 5Y avg	7.0	premium

Earnings Projections

(CZK m)	2016	2017	2018P	2019P	2020P
Revenue	203,744	201,906	205,271	214,120	228,091
EBITDA	62,418	57,712	53,394	54,291	58,568
EBITDA margin	30.6%	28.6%	26.0%	25.4%	25.7%
EBIT	26,114	25,620	23,859	25,601	29,030
Net income	14,281	18,765	14,251	15,324	17,207
P/E	21.7	16.5	21.7	20.2	18.0
P/B	1.2	1.2	1.3	1.3	1.2
EV/EBITDA	7.3	7.9	8.6	8.5	7.9
DPS	40.00	33.00	33.00	26.49	28.48
DYield	7.0%	5.7%	5.7%	4.6%	4.9%
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 Kliszczyk

+48 22 438 24 02

kamil.kliszczyk@mbank.pl

Enea is still traded at less than 4.0x 2018-2020E EV/EBITDA, 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 (2018-2022E 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

9.48 PLN

Upside

9M Target Price

12.62 PLN

+33.1%

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

Key Metrics	ENA PW	1M Price Chng	ENA PW	vs. WIG
Ticker	ENEA	YTD Price Chng	+3.7%	-3.9%
ISIN	PLENEA000013	ADTV 1M	-17.6%	-12.0%
Outst. Stock (m)	441.4	ADTV 6M		PLN 4.1m
MC (PLN m)	4,184.9	EV/EBITDA 12M fwd	3.7	PLN 5.7m
EV (PLN m)	11,339.1	EV/EBITDA 5Y avg	5.1	-26.8%
Free Float	48.5%			discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	11,256	11,406	12,232	14,265	13,951
EBITDA	2,328	2,684	2,845	3,290	2,984
EBITDA margin	20.7%	23.5%	23.3%	23.1%	21.4%
EBIT	1,119	1,488	1,431	1,834	1,509
Net income	784	1,070	919	1,190	946
P/E	5.3	3.9	4.6	3.5	4.4
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	4.0	4.0	4.0	3.4	3.9
DPS	0.00	0.28	0.00	0.00	0.00
DYield	0.0%	2.9%	0.0%	0.0%	0.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of electricity (PLN/MWh)		0.0%	0.0%	0.0%	
Price of coal (PLN/t)		0.0%	0.0%	0.0%	
Price of CO2 allowance (EUR/t)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	2,520	2,649	2,845	3,290	2,984
EBITDA	2,328	2,684	2,845	3,290	2,984
Generation	517	735	902	1,247	1,020
Mining	609	709	652	755	606
Distribution	1,111	1,073	1,129	1,159	1,208
Trade	154	178	201	167	189
Other	-67	-13	-39	-39	-40
Financing activity	-51	-21	-184	-211	-248
Power output, TWh	13.6	21.8	24.6	28.2	28.2
Renewables	0.5	2.3	2.0	2.0	2.0
Trade volume, TWh	16.7	17.9	18.2	18.6	18.9
YoY pct. change	3.0%	7.3%	1.9%	1.9%	1.9%
Trade mrgn (PLN/MWh)	9.2	9.9	11.0	9.0	10.0
RAV (PLN bn)	7.3	7.5	8.0	8.3	8.7
RAV return (EBIT)	8.7%	7.7%	7.7%	7.4%	7.6%

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	168.5	203.8	194.1	179.0	180.1	181.2	182.4	183.7	185.1	186.5	186.5
Coal (PLN/t)	230.0	233.9	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4
CO2 (EUR/t)	14.0	14.6	15.2	15.8	16.4	17.1	17.8	18.5	19.2	20.0	20.0
Revenue	12,232	14,265	13,951	13,373	13,538	13,812	14,142	14,345	14,560	14,787	14,787
EBITDA	2,845	3,290	2,984	3,226	3,217	3,309	3,420	3,423	3,431	3,443	3,443
EBITDA margin	23.3%	23.1%	21.4%	24.1%	23.8%	24.0%	24.2%	23.9%	23.6%	23.3%	23.3%
EBIT	1,431	1,834	1,509	1,718	1,704	1,731	1,773	1,742	1,711	1,679	1,277
Tax	272	349	287	326	324	329	337	331	325	319	243
CAPEX	-2,430	-2,415	-2,852	-2,891	-2,696	-2,240	-2,062	-2,096	-2,131	-2,166	-2,166
Working capital	-603	-216	272	52	-15	-25	-29	-18	-19	-20	-20
FCF	-460	310	118	60	183	716	992	978	956	937	1,014
PV FCF	-443	280	100	47	135	495	642	592	540	494	
WACC	6.6%	6.9%	7.0%	6.8%	6.7%	6.8%	6.9%	7.0%	7.1%	7.2%	7.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	12,788
Net debt	5,523
Other adjustments	-2,069
Value per share (PLN)	11.77

Valuation Summary

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

Energa buy (no change)

Kamil Kliszczy

+48 22 438 24 02

kamil.kliszczy@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 dividends the future (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 our buy call for ENG, reinforced by a rebound in distribution profits in Q2 2018 after a weak Q1.

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

9.10 PLN

Upside

9M Target Price

15.58 PLN

+71.2%

	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	+1.8%	-5.8%
ISIN	PLENERG00022	YTD Price Chng	-28.5%	-23.0%
Outst. Stock (m)	414.1	ADTV 1M		PLN 3.8m
MC (PLN m)	3,768.0	ADTV 6M		PLN 7.4m
EV (PLN m)	7,742.4	EV/EBITDA 12M fwd	3.8	-23.6%
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	25.0	4.9	4.7	4.5	4.7
P/B	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	4.2	3.7	3.4	3.3	3.5
DPS	0.49	0.19	0.00	0.00	0.00
DYield	5.4%	2.1%	0.0%	0.0%	0.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of electricity (PLN/MWh)		0.0%	0.0%	0.0%	
Price of coal (PLN/t)		0.0%	0.0%	0.0%	
Price of CO2 allowance (EUR/t)		0.0%	0.0%	0.0%	

Key Balance Sheet Figures

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

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.7	4.1	4.3	3.7	3.8	3.7
Maximum	19.2	18.2	17.9	9.2	9.3	9.3
Median	13.8	12.7	11.7	6.7	6.8	6.3
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

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

Valuation Summary

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



PGE buy (no change)

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 still trading near 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

9.74 PLN

Upside

9M Target Price

13.60 PLN

+39.6%

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

Key Metrics	PGE PW	1M Price Chng	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	+4.3%	-3.4%
ISIN	PLPGER000010	YTD Price Chng	-19.2%	-13.6%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 12.2m
MC (PLN m)	18,211.7	ADTV 6M		PLN 21.3m
EV (PLN m)	27,512.7	EV/EBITDA 12M fwd	3.9	-20.3%
Free Float	42.6%	EV/EBITDA 5Y avg	5.0	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	28,092	23,100	26,025	31,767	32,648
EBITDA	7,376	7,650	7,509	7,919	7,873
EBITDA margin	26.3%	33.1%	28.9%	24.9%	24.1%
EBIT	3,512	3,620	4,132	4,322	3,996
Net income	2,568	2,660	3,056	3,126	2,874
P/E	7.1	6.8	6.0	5.8	6.3
P/B	0.4	0.4	0.4	0.4	0.3
EV/EBITDA	3.2	3.5	3.7	3.4	3.3
DPS	0.25	0.00	0.00	0.00	0.42
DYield	2.6%	0.0%	0.0%	0.0%	4.3%
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	20P	18P	EV/EBITDA	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 stock underperformed its local rivals in July as it pulled back from the previous month's gains and the market lowered its Q2 earnings expectations based on rising prices of coal. Nevertheless we maintain a buy rating for TPE, which, just as its value reaches all-time lows, ironically 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.

Current Price

2.27 PLN

Upside

9M Target Price

2.76 PLN

+21.6%

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

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-0.9%	-8.5%
ISIN	PLTAURN00011	YTD Price Chng	-25.6%	-20.1%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 7.6m
MC (PLN m)	3,978.3	ADTV 6M		PLN 15.2m
EV (PLN m)	14,295.0	EV/EBITDA 12M fwd	4.1	-16.4%
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	10.8	2.9	3.0	3.8	3.5
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.8	3.7	3.9	4.4	3.9
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of electricity (PLN/MWh)		0.0%	0.0%	0.0%	
Price of coal (PLN/t)		0.0%	0.0%	0.0%	
Price of CO2 allowance (EUR/t)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	3,374	3,508	3,435	3,515	3,811
EBITDA	3,337	3,545	3,665	3,515	3,811
Generation	545	464	598	443	633
Mining	-82	-83	28	44	47
Distribution	2,395	2,283	2,443	2,519	2,594
Trade	490	841	567	486	512
Other	-9	40	30	23	25
Financing activity	-293	-49	-254	-335	-369
Power output, TWh	16.8	18.4	16.0	16.2	19.2
Renewables	1.3	1.3	1.2	1.2	1.2
Trade volume, TWh	32.0	34.9	35.5	36.0	36.5
YoY pct. change	-10.9%	9.1%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	17.3	18.3	16.0	13.5	14.0
RAV (PLN bn)	15.4	16.3	16.9	17.5	17.8
RAV return (EBIT)	8.9%	7.4%	8.0%	7.9%	8.1%

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

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

DCF 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

Netia shares declined nearly 3% in the past month, underperforming the broad market by more than 10%, and our view on the stock remains negative. Cyfrowy Polsat, Netia's new owner with a 66% stake, 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 now that T-Mobile Poland has signed a deal to lease wholesale access to the fiber optic network of Orange Polska.

Current Price

4.91 PLN

Downside

9M Target Price

4.30 PLN

-12.4%

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

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-2.8%	-10.4%
ISIN	PLNETIA00014	YTD Price Chng	-8.7%	-3.2%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,654.9	ADTV 6M		PLN 0.3m
EV (PLN m)	2,042.2	EV/EBITDA 12M fwd	5.6	+18.8%
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	50.8	46.6	44.7	53.9	47.2
P/B	0.9	0.9	0.9	0.9	0.9
EV/EBITDA	4.4	5.1	5.8	6.1	6.1
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

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,393	1,371	1,367	1,383	1,411	1,445	1,483	1,529	1,581	1,597	1,597
EBITDA	355	346	353	366	374	382	392	406	423	427	427
EBITDA margin	25.5%	25.2%	25.8%	26.5%	26.5%	26.4%	26.4%	26.5%	26.7%	26.7%	26.7%
D&A	295	289	286	288	293	298	304	312	287	290	290
EBIT	60	57	67	78	81	84	87	93	136	137	137
Tax	11	11	13	15	15	16	17	18	26	26	26
NOPLAT	49	46	54	63	66	68	71	76	110	111	111
CAPEX	-385	-382	-381	-190	-194	-198	-204	-210	-217	-219	-219
Working capital	-30	-1	0	0	0	1	1	1	-5	0	0
FCF	-71	-47	-41	162	165	168	172	179	175	182	182
PV FCF	-68	-42	-34	124	117	111	106	102	92	89	
WACC	7.4%	7.3%	7.2%	7.5%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	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 y (no change)

Pawel Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

OPL stock is down nearly 14% this year after what we consider an undeserved pullback. The stock regained a little ground after the release of better-than-expected 2018 Q2 results on 25 July, showing an over-4% EBITDA beat achieved without the help of any one-offs. The improvement was led by better-than-expected effects of cost-cutting initiatives and job reductions, coupled with solid KPIs, which included stabilization of ARPU from convergent services, and the addition of close to 40.000 users over FTTH. Orange says it is working on new savings initiatives for the future, and it expects to generate stronger cash flow in the second half of 2018. In July, the former incumbent agreed to lease wholesale access to its fiber infrastructure for wireless data traffic to the Polish unit T-Mobile. T-Mobile is paying an upfront access fee of PLN 162 per household, equivalent to 25% of the unit cost that Orange expects to incur as part of the plan to expand and upgrade its fiber network. It is worth noting that the deal with T-Mobile covers mostly multi-family housing where Orange faces strong competition from cable operators, and where it has been building awareness about fixed-mobile convergence. We maintain a buy rating for OPL.

Current Price

5.01 PLN

Upside

9M Target Price

7.60 PLN

+51.7%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+8.0%	+0.3%
ISIN	PLTLKPL00017	YTD Price Chng	-13.5%	-7.9%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 8.5m
MC (PLN m)	6,573.1	ADTV 6M		PLN 9.7m
EV (PLN m)	13,440.0	EV/EBITDA 12M fwd	4.5	-3.6%
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	-	-	21.9	12.1	8.3
P/B	0.7	0.7	0.6	0.6	0.6
EV/EBITDA	4.3	4.6	4.4	4.0	3.6
DPS	0.25	0.00	0.00	0.00	0.25
DYield	5.0%	0.0%	0.0%	0.0%	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%
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 shares have fallen nearly 14% since our July 3rd rating downgrade, but we maintain a bearish view on the Telecom. Weaker-than-expected 2018 first-quarter results confirmed Play will have a hard time continuing to grow its subscriber base at the same fast pace that has 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, the Company is expected to report continued EBITDA shrinkage at a projected rate of 10% in Q2 2018. Note also that Play's leverage exceeds 3x EBITDA despite a relatively small asset base compared to the local competition. Further, Play is at a disadvantage to the other three top-four Polish mobile players, Orange Polska, Cyfrowy Polsat, and T-Mobile, because it does not have access to fixed infrastructure, and it therefore unable to offer convergence to its customers. Finally, investors in Play should be prepared for a dividend cut in 2019.

Current Price

21.46 PLN

Upside

9M Target Price

23.50 PLN

+9.5%

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

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-16.2%	-23.8%
ISIN	LU1642887738	YTD Price Chng	-31.3%	-25.8%
Outst. Stock (m)	253.7	ADTV 1M		PLN 6.1m
MC (PLN m)	5,444.4	ADTV 6M		PLN 8.6m
EV (PLN m)	12,212.3	EV/EBITDA 12M fwd	5.4	-12.8%
Free Float	49.4%	EV/EBITDA 5Y avg	6.2	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	7.6	14.1	7.0	7.2	6.8
P/B	4.1	-	-	35.9	13.2
EV/EBITDA	5.5	6.4	5.7	5.5	5.3
DPS	0.00	1.45	2.56	2.05	2.15
DYield	0.0%	6.8%	11.9%	9.5%	10.0%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
EBITDA		0.0%	0.0%	0.0%	
EBIT		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
CAPEX		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Active subscribers (000s)	12,011	12,394	12,412	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

	18P	P/E	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

Agora logged an over-18% fall in July, most likely on expectations of weak 2018 Q2 earnings, underperforming the broad market by more than 25%. Our prediction when it comes to Q2 financials is for EBITDA to show an operating loss of PLN 2.2m, an effect of a PLN 13.6m receivables write-off announced in a July market warning. Even on an adjusted basis, however, at an estimated PLN 11.1m the quarterly EBITDA is set to show a drop of 63% from the comparable year-ago period, driven by weaker ticket sales by the subsidiary cinema chain Helios (with attendance down 25% on the year) due to fewer box office hits, coupled with sunny weather and the 2018 World Cup TV broadcasts, which lured audiences away in June and July. The Press business is also expected to post a weak second quarter in line with a continuing downturn in advertising revenues. With that said, in our view the Q2 earnings-related pullback is a good opportunity to increase positions in Agora, which is poised for a rebound in ad revenues in the second half of the year, fueled by an acceleration in general adspend growth in Poland. Moreover, Agora's diversified revenue stream mitigates business risks, and a strong cash flow allows the Company to pay consistent dividends even as it plans a PLN 930m investment push in 2018-2022.

Current Price

10.40 PLN

Upside

9M Target Price

18.40 PLN

+76.9%

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

Key Metrics			AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	-18.4%	-26.1%
ISIN	PLAGORA00067	YTD Price Chng	-25.4%	-19.9%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	484.4	ADTV 6M		PLN 0.4m
EV (PLN m)	455.1	EV/EBITDA 12M fwd	4.0	-25.1%
Free Float	62.0%	EV/EBITDA 5Y avg	5.4	discount

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	-	-	19.7	21.4	17.5
P/B	0.4	0.5	0.5	0.5	0.5
EV/EBITDA	4.5	16.9	3.5	3.6	3.5
DPS	0.75	0.46	0.50	0.75	1.00
DYield	7.2%	4.4%	4.8%	7.2%	9.6%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
EBITDA		0.0%	0.0%	0.0%	
EBIT		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
CAPEX		0.0%	0.0%	0.0%	

Financial Highlights

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

Paweł Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

Shares in Cyfrowy stock posted a sharp fall in June after the sale of a 4.4% stake by its second-largest shareholder, Sensor Overseas, and at the current level CPS is trading at an attractive 7.2x 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 9.8% and 10.9%. 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, set to boost advertising revenues as overall ad spend in Poland is seen to rise. We maintain an accumulate rating for CPS.

Current Price

23.78 PLN

Upside

9M Target Price

24.90 PLN

+4.7%

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+2.8%	-4.9%
ISIN	PLCFRPT00013	YTD Price Chng	-4.3%	+1.2%
Outst. Stock (m)	639.5	ADTV 1M		PLN 6.4m
MC (PLN m)	15,208.3	ADTV 6M		PLN 13.6m
EV (PLN m)	26,257.4	EV/EBITDA 12M fwd	6.4	-9.3%
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	14.6	15.5	13.9	11.8	10.6
P/B	1.3	1.3	1.1	1.0	1.0
EV/EBITDA	7.3	7.1	7.2	6.3	5.9
DPS	0.00	0.32	0.00	0.32	0.50
DYield	0.0%	1.3%	0.0%	1.3%	2.1%
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
EBITDA		0.0%	0.0%	0.0%	
EBIT		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
CAPEX		0.0%	0.0%	0.0%	

Financial Highlights*

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

Key Balance Sheet Figures**

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

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	11,311	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%

*Financials exclude Netia; **Pro-forma figures assuming acquisition of a controlling stake in Netia at the end of 2017

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

Wirtualna Polska buy (upgraded)

Pawel Szpigiel

+48 22 438 24 06

pawel.szpigiel@mbank.pl

WPL stock posted a small decline in July, underperforming the broad market by about 9%, and at the current level the stock shows upside potential of 22% to our target, prompting an upgrade from accumulate to buy. The bullish view is reinforced by strong 2018 Q2 earnings prospects, with EBITDA set to show a 15% rebound over the year-ago period according to our forecasts, driven by increasing advertising spend in Poland (with cash revenue ex. barter expected to grow 19% y/y to an estimated PLN 122.5m). Costs ex. barter, D&A, and one-offs are expected to have gone up about 20% y/y in Q2 due to a higher share of e-commerce and a bonus payout. Adjusted for one-offs, barter, and the TV project, the recurring Q2 EBITDA at a projected PLN 42.7m will be 9.2% higher than in the same period in 2017. Wirtualna's prospects beyond the first half of 2018 look solid given the expected rebound this year in online marketing budgets by 8.1% (ZenithOptimedia), combined with strong growth in e-commerce.

Current Price

49.00 PLN

Upside

9M Target Price

60.00 PLN

+22.4%

	rating	target price	issued
new	buy	60.00 PLN	2018-08-02
old	accumulate	60.00 PLN	2018-04-24
Key Metrics		WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	-1.7%
ISIN	PLWRTPL00027	YTD Price Chng	+3.1%
Outst. Stock (m)	29.8	ADTV 1M	+8.6%
MC (PLN m)	1,459.0	ADTV 6M	PLN 1.0m
EV (PLN m)	1,691.8	EV/EBITDA 12M fwd	9.6
Free Float	53.0%	EV/EBITDA 5Y avg	10.6 discount

Earnings Projections

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	25.7	32.3	19.2	16.5	14.6
P/B	3.6	3.5	3.2	2.9	2.7
EV/EBITDA	13.4	12.7	10.5	8.8	7.9
DPS	0.00	1.10	0.96	1.61	2.15
DYield	0.0%	2.2%	2.0%	3.3%	4.4%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

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

+48 22 438 24 06

pawel.szpigel@mbank.pl

At 15.7x 2018E P/E and 16.4x 2019E P/E, ACP is trading at a discount of 7% and a premium of 6%, respectively, to foreign IT companies. However, 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. On the other hand, Asseco Poland is expected to report a 5% year-over-year rebound in the standalone revenue for Q2 2018 on stronger domestic sales of enterprise software, driven by orders for GDPR- and split payment-related solutions. As a result, we might see a 62% surge in quarterly EBIT. Asseco's Israeli business had a successful second quarter as well. All told, despite higher depreciation of PP&E, the net profit for the second quarter could show a 35% rebound over the year-ago result, leading to improved market sentiment. Nevertheless we maintain a hold rating for ACP.

Current Price

46.10 PLN

Downside

9M Target Price

41.20 PLN

-10.6%

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

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	+15.1%	+7.5%
ISIN	PLSOFTB000016	YTD Price Chng	+12.5%	+18.0%
Outst. Stock (m)	83.0	ADTV 1M		PLN 8.4m
MC (PLN m)	3,826.3	ADTV 6M		PLN 6.4m
		P/E 12M fwd	12.6	+4.3%
Free Float	68.0%	P/E 5Y avg	12.1	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	7,932	7,831	8,834	9,024	9,253
EBITDA	1,070	922	1,074	1,128	1,170
EBITDA margin	13.5%	11.8%	12.2%	12.5%	12.6%
EBIT	769	585	705	764	810
Net income	301	467	244	233	241
P/E	12.7	8.2	15.7	16.4	15.9
P/B	0.7	0.7	0.7	0.7	0.7
P/S	0.48	0.49	0.43	0.42	0.41
DPS	3.01	3.01	3.01	2.00	2.00
DYield	6.5%	6.5%	6.5%	4.3%	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	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 the game 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 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 rally 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

205.00 PLN

Downside

9M Target Price

90.80 PLN

-55.7%

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

Key Metrics			CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+26.7%	+19.1%
ISIN	PLOPTTC00011	YTD Price Chng	+111.3%	+116.9%
Outst. Stock (m)	95.2	ADTV 1M		PLN 67.7m
MC (PLN m)	19,518.7	ADTV 6M		PLN 41.8m
EV (PLN m)	19,411.2	EV/EBITDA 12M fwd	37.0	+76.8%
Free Float	65.3%	EV/EBITDA 5Y avg	20.9	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	77.9	95.7	98.7	29.7	30.5
P/B	25.1	22.1	18.1	11.2	8.2
EV/EBITDA	62.7	77.9	78.4	23.1	23.3
DPS	0.00	1.06	0.00	0.00	0.00
DYield	0.0%	0.5%	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)

Pawel Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

Comarch shares posted 7% outperformance in July after an over-15% monthly gain. We see potential for more growth in Comarch, expected to report a considerable rebound in second-quarter EBITDA after delivering solid first-quarter results. According to our forecasts, the Q2 earnings will come in at PLN 42.9m versus PLN 10.1m posted in the comparable year-ago period, thanks mainly to the completion of a major government order, expected to boost the quarterly topline by PLN 45m, combined with improved market conditions in Poland and stable export revenues despite the euro's y/y depreciation versus the zloty. The recurring profits will receive a one-time boost of EUR 2.5m thanks to a footballer sale by the Comarch-sponsored football club Cracovia to Genoa CFC. We expect Comarch to fulfill our 2018 FY earnings expectations.

Current Price

172.00 PLN

Downside

9M Target Price

166.50 PLN

-3.2%

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

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	+14.7%	+7.0%
ISIN	PLCOMAR00012	YTD Price Chng	-9.5%	-4.0%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.9m
MC (PLN m)	1,398.9	ADTV 6M		PLN 0.6m
EV (PLN m)	1,404.2	EV/EBITDA 12M fwd	8.0	+12.0%
Free Float	59.2%	EV/EBITDA 5Y avg	7.2	premium

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	20.0	32.5	24.8	18.2	16.7
P/B	1.6	1.6	1.5	1.5	1.5
EV/EBITDA	7.8	14.5	9.8	8.5	8.1
DPS	0.00	1.50	1.50	10.00	10.00
DYield	0.0%	0.9%	0.9%	5.8%	5.8%
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	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 (reiterated)

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, with Polish mines estimated to have spent close to PLN 907m on suppliers between January and May 2018, double the amount spent in the same period in 2017. Of this, expenditure on new equipment tripled to PLN 495m. 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 for the Company positive in the weeks ahead. 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 extended declines July after a taking a downward turn in June, when 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 FMF stock should regain ground in the coming weeks with the release of second-quarter earnings. We have updated our financial forecasts for Famur to reflect the July agreement to sell the subsidiary shaft builder Przedsiębiorstwo Budowy Szybów to the listed coal miner JSW for PLN 205m, potentially resulting in 2019 dividends as high as PLN 45 per share. After further adjustment for the 2018 DPS of PLN 0.44, we set our new 9-month price target for FMDF at PLN 6.56 per share, with the investment case intact at buy.

Current Price

5.20 PLN

Upside

9M Target Price

6.56 PLN

+26.2%

	rating	target price	issued
new	buy	6.56 PLN	2018-08-02
old	buy	6.95 PLN	2018-05-09
Key Metrics		FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	+13.5%
ISIN	PLFAMUR00012	YTD Price Chng	-9.7%
Outst. Stock (m)	574.8	ADTV 1M	PLN 2.1m
MC (PLN m)	2,988.8	ADTV 6M	PLN 1.5m
EV (PLN m)	3,135.1	EV/EBITDA 12M fwd	6.4
Free Float	35.3%	EV/EBITDA 5Y avg	5.9

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,030	1,460	2,059	1,916	1,983
EBITDA	239	308	439	445	449
EBITDA margin	23.2%	21.1%	21.3%	23.3%	22.6%
EBIT	114	133	253	285	319
Net income	94	49	183	231	266
P/E	27.0	59.9	16.3	12.9	11.2
P/B	2.5	2.0	2.0	2.1	1.9
EV/EBITDA	10.0	10.1	7.1	6.4	6.0
DPS	0.00	0.00	0.44	0.45	0.28
DYield	0.0%	0.0%	8.5%	8.7%	5.4%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	-12.0%	-11.8%
EBITDA			+0.1%	-7.4%	-10.4%
EBIT			-7.9%	-12.5%	-12.2%
Pre-tax income			-8.0%	-13.2%	-12.6%
Net income			-8.8%	-10.2%	-9.1%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Underground	792	1,002	1,308	1,400	1,455
Revenue, Surface	238	489	751	516	528
Sales margin, UG	24.4%	27.7%	23.9%	25.8%	27.4%
Sales margin, Surface	21.0%	4.1%	16.4%	16.6%	16.3%
Operating cash flow	315	192	333	452	377
D&A	125	175	186	160	130
Working capital	95	-16	-69	51	-24
Investing cash flow	-85	-231	-93	122	-83
CAPEX	83	132	93	-122	83
Financing cash flow	185	287	-367	-370	-191
Change in debt	196	-88	-100	-100	-24
Dividends/Buyback	0	0	-253	-260	-162
FCF	240	-60	232	566	282
FCF/EBITDA	101%	-19%	53%	127%	63%
OCF/EBITDA	132%	44%	76%	101%	84%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	1,775	3,138	3,117	2,935	3,040
Fixed assets	670	1,099	1,006	724	678
Goodwill	220	222	222	222	222
Equity	993	1,437	1,462	1,433	1,537
Minority interests	0	115	39	39	39
Net debt	-135	80	107	-197	-324
Net debt/EBITDA (x)	-0.6	0.3	0.2	-0.4	-0.7

Relative Valuation Summary

	P/E		EV/EBITDA		
	18P	19P	20P	18P	19P
Minimum	10.8	9.1	8.7	8.8	7.7
Maximum	19.7	18.3	17.4	12.0	11.3
Median	15.4	12.7	11.4	10.4	8.5
Weight	20%	20%	10%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	2,059	1,916	1,983	2,038	2,086	2,127	2,170	2,213	2,257	2,302	2,347
YoY % change	28.0%	-6.9%	3.5%	2.8%	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	439	445	449	455	471	480	492	499	513	525	551
EBITDA margin	21.3%	23.3%	22.6%	22.3%	22.6%	22.6%	22.7%	22.6%	22.7%	22.8%	23.5%
D&A	186	160	130	111	111	111	112	113	119	125	141
EBIT	253	285	319	344	359	369	380	386	393	400	410
Tax	45	52	59	64	68	70	72	73	75	76	79
NOPAT	208	233	260	280	292	299	308	313	318	324	332
CAPEX	-93	122	-83	-122	-125	-127	-130	-132	-135	-138	-141
Working capital	-69	51	-24	-19	-17	-15	-15	-15	-16	-16	-16
FCF	232	566	282	249	261	268	275	278	287	294	316
PV FCF	224	504	232	188	182	173	163	152	144	137	
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	2,099
Net debt	333
Other adjustments	-39
Value per share (PLN)	6.93

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.41
DCF Val.	50%	6.93
Implied Price		6.17
Cost of equity (9M)		6.3%
9M Target Price		6.56

Grupa Kęty hold (reiterated)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

Kęty's ability to pass rising costs onto end customers is a major competitive advantage amid rising cost pressures. In addition, the Aluminum Processor is benefitting from strong demand from the domestic construction industry, with orders from the manufacturing industry expected to rise as well based on upbeat PMI prints. Our own expectations for this year's earnings are for revenue close to PLN 3bn, EBITDA of PLN 467m, and net profit of PLN 274m. Sentiment for the aluminum industry has turned temporarily sour since the announcement by the United States of proposed import tariffs, and as a result KTY is currently trading at double-digit premiums to comparable aluminum processors. We maintain a hold rating for KTY, but we have revised our 9-month price target for the Company from PLN 371.08 to PLN 355.61 per share to reflect the 2018 dividend payout and adjustments to peer multiples.

Current Price

321.50 PLN

Upside

9M Target Price

355.61 PLN

+10.6%

	rating	target price	issued
new	hold	355.61 PLN	2018-08-02
old	hold	371.08 PLN	2018-06-06
Key Metrics			
Ticker	KTY PW	1M Price Chng	+0.5% -7.2%
ISIN	PLKETY000011	YTD Price Chng	-20.2% -14.7%
Outst. Stock (m)	9.5	ADTV 1M	PLN 0.6m
MC (PLN m)	3,054.3	ADTV 6M	PLN 1.3m
EV (PLN m)	3,800.1	EV/EBITDA 12M fwd	8.3 -10.9%
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	8.8	8.7	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)					
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

	18P	P/E 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	2.9	2.7	2.4	3.6	3.0	2.2
Maximum	30.2	24.6	23.4	12.6	11.1	11.0
Median	12.0	9.9	9.2	7.6	7.2	5.9
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	193	204	221	207	195	183	171	162	153	
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	7.8%	7.8%	7.8%	7.8%	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	1,804
Net debt	819
Other adjustments	0
Value per share (PLN)	379.87

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	289.14
DCF Val.	50%	379.87
Implied Price		334.51
Cost of equity (9M)		6.3%
9M Target Price		355.61

JSW buy (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

The operating rates of global steel mills have increased to 78% from 70% in January, and China has resumed normal coking coal imports, with its steel PMI for May edging well above 50 points. Going forward, Chinese coking coal purchases should be boosted further by steel plants returning from winter shutdowns and by decreasing domestic reserves. As a result, we expect the price of a tonne of coking coal to reach \$185 in the second half of 2018. JSW is trading at an over-30% discount to the peer group at the current level. Meanwhile the Company has recently averted possible production stoppages during H2 2018 by striking a labor agreement with its employees, and it is the biggest beneficiary of all listed companies in Poland of the zloty's current depreciation vis-a-vis the dollar. JSW's market value as implied by current prices of coking coal is PLN 85 per share. We maintain a buy rating for JSW, with the 9-month price target revised from 107.00 to PLN 108.69 per share to reflect adjustments to peer multiples and Q2 2018 earnings expectations.

Current Price

79.50 PLN

Upside

9M Target Price

108.69 PLN

+36.7%

	rating	target price	issued
new	buy	108.69 PLN	2018-08-02
old	buy	107.00 PLN	2018-07-04
Key Metrics			
	JSW PW	1M Price Chng	+3.7%
Ticker	JSW PW	YTD Price Chng	-17.4%
ISIN	PLJSW0000015	ADTV 1M	PLN 13.5m
Outst. Stock (m)	117.4	ADTV 6M	PLN 19.0m
MC (PLN m)	9,334.2	EV/EBITDA 12M fwd	2.5
EV (PLN m)	8,159.1	EV/EBITDA 5Y avg	3.8
Free Float	44.8%		discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,731	8,877	9,512	9,292	8,999
EBITDA adj.	1,055	3,509	3,507	2,889	2,403
EBITDA margin	15.7%	39.5%	36.9%	31.1%	26.7%
EBIT adj.	216	2,684	2,685	1,953	1,310
Net income adj.	-2	2,189	2,176	1,591	1,074
P/E adj.	-	4.3	4.3	5.9	8.7
P/B	2.3	1.5	1.1	1.0	1.0
EV/EBITDA adj.	9.4	2.3	2.3	2.7	3.4
DPS	0.00	0.00	0.00	6.57	6.77
DYield	0.0%	0.0%	0.0%	8.3%	8.5%
Revision of Projections (% change)					
EBITDA (adj.)			+0.7%	+0.0%	+0.0%
Net income (adj.)			+1.0%	+0.0%	+0.0%
Coking Coal price (\$/t)			+0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			+0.2%	0.0%	0.0%
Coke price (\$/t)			+1.4%	0.0%	0.0%
Total coal output (kt)			-1.6%	0.0%	0.0%
Coking coal (kt)			-1.6%	+0.0%	+0.0%
Coke (kt)			+0.9%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Total coal output (kt)	16,835	14,768	15,415	15,750	16,000
Coking coal (kt)	11,580	10,675	11,364	11,769	12,116
Coking coal (% of total)	69%	72%	74%	75%	76%
Thermal coal (kt)	5,255	4,093	4,051	3,981	3,884
Coke (kt)	4,145	3,458	3,499	3,700	3,700
Operating cash flow	897	2,871	2,710	2,410	2,027
D&A	839	825	823	936	1,093
Working capital	-349	-76	-28	-84	-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	-754	-774
Dividends/Buyback	0	0	0	-771	-795
FCF	289	2,129	1,526	1,081	525
FCF/EBITDA (adj.)	27%	61%	44%	37%	22%
OCF/EBITDA (adj.)	85%	82%	77%	83%	84%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,520	12,090	12,733	13,499	13,703
Fixed assets	9,097	8,118	8,804	9,236	9,738
Equity	4,003	6,389	8,316	9,136	9,414
Minority interests	67	232	232	232	232
Net debt	513	-1,641	-1,408	-1,714	-1,417
Net debt/EBITDA (adj.)	0.5	-0.5	-0.4	-0.6	-0.6
Net debt/Equity (x)	0.1	-0.3	-0.2	-0.2	-0.2

Relative Valuation Summary

	18P	P/E 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	5.0	5.4	5.8	2.9	2.4	2.3
Maximum	30.3	26.3	41.9	8.2	8.3	9.0
Median	8.8	9.2	9.5	4.4	5.0	4.8
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)	236	238	225	225	225	225	225	225	225	225	225
Coke (\$/t)	1,036	1,016	923	923	923	923	923	923	923	923	923
Revenue	9,512	9,292	8,999	9,201	9,396	9,592	9,780	9,895	9,982	10,068	10,069
EBITDA	3,201	2,889	2,403	2,414	2,424	2,450	2,484	2,469	2,422	2,370	2,306
EBITDA margin	33.6%	31.1%	26.7%	26.2%	25.8%	25.5%	25.4%	25.0%	24.3%	23.5%	22.9%
EBIT	2,378	1,953	1,310	1,165	1,020	1,044	1,075	1,057	1,006	952	884
Tax	453	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	-28	-84	-74	6	6	27	27	10	5	4	-4
FCF	1,526	1,081	525	725	812	854	882	853	810	768	707
PV FCF	1,475	963	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	6,286
Net debt	-1,641
Other adjustments	232
Value per share (PLN)	98.39

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	106.10
DCF Val.	50%	98.39
Implied Price		102.24
Cost of equity (9M)		6.3%
9M Target Price		108.69



Kernel buy (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

The 2018/2019 Ukrainian sunflower harvest from a 3% larger planting area is poised to be 12% higher than in the previous season, supported by good weather. As a result, the ratio of seeds to crushing capacity is expected to reach its highest level in five years at 76%, and local sunflower oil producers should be able to get good prices looking at domestic oil reserves, which have hit their lowest level in a decade. In an increasingly favorable market, we estimate that Kernel's crushing plants have the potential to generate FY2019 EBITDA \$40m higher than in the previous year. At the same time, the crops business looks set to double earnings this fiscal year to \$141m with larger grain quantities harvested from an expanded planting area, and sold at higher prices. By delivering \$90m of extra EBITDA in FY2019, Kernel can reinforce the faith of investors in its ability to deliver the \$495m EBITDA target set for FY2021. Based on Kernel's production and sales update for the fourth quarter of fiscal 2018 ended 30 June, we estimate that the revenue for the quarter will come in at \$854.7m after a rebound of 67% from the comparable year-ago period. Accordingly, we expect to see 49% y/y growth in the quarterly EBITDA, and we predict the bottom line will show a net profit of \$22.6 compared to a net loss of \$13.8m generated a year ago. Moreover, the strong sales volumes suggest a high operating cash flow and lower net debt. Consequently, the final quarter of FY2018 will probably mark the first time in six quarters of year-on-year growth in earnings. We reiterate our buy rating and target price for KER.

Current Price

51.80 PLN

Upside

9M Target Price

59.18 PLN

+14.2%

	rating	target price	issued
unchanged	buy	59.18 PLN	2018-07-23

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+8.9%	+1.3%
ISIN	LU0327357389	YTD Price Chng	+9.6%	+15.1%
Outst. Stock (m)	82.7	ADTV 1M		PLN 2.4m
MC (PLN m)	4,281.9	ADTV 6M		PLN 2.4m
EV (PLN m)	6,513.8	EV/EBITDA 12M fwd	5.4	+34.6%
Free Float	60.5%	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	2,468	3,306	4,412
EBITDA	347	319	256	348	426
EBITDA margin	17.5%	14.7%	10.4%	10.5%	9.7%
EBIT	287	265	168	251	327
Net income	225	176	73	160	233
P/E	5.1	6.7	16.0	7.3	5.0
P/B	1.2	1.0	1.0	0.9	0.8
EV/EBITDA	4.1	5.3	7.0	5.3	4.3
DPS	0.25	0.24	0.25	0.25	0.77
DYield	1.8%	1.7%	1.8%	1.8%	5.5%

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	14	18	20
EBITDA, Bulk Oil	113	83	66	100	126
EBITDA, Terminals	37	48	39	50	73
EBITDA, Farming	146	144	72	141	157
EBITDA, Grain Trade	46	23	52	24	40
Operating cash flow	134	77	192	213	275
D&A	60	54	88	97	99
Working capital	-127	-212	-34	-120	-130
Investing cash flow	-61	-223	-150	-186	-95
CAPEX	61	182	150	186	95
Financing cash flow	-137	173	-84	-31	-193
Dividends/Buyback	-20	-20	-21	-21	-64
FCF	155	-93	64	30	184
FCF/EBITDA	45%	-29%	25%	9%	43%
OCF/EBITDA	39%	24%	75%	61%	65%

Key Balance Sheet Figures

(US\$ m)	15/16	16/17	17/18P	18/19P	19/20P
Assets	1,509	2,009	2,028	2,291	2,481
Fixed assets	789	888	951	1,044	1,044
Equity	995	1,153	1,152	1,291	1,459
Minority interests	2	5	5	5	5
Net debt	276	508	606	680	643
Net debt/EBITDA (x)	0.8	1.6	2.4	2.0	1.5
Net debt/Equity (x)	0.3	0.4	0.5	0.5	0.4

Relative Valuation Summary

Relative Valuation Summary						
	P / E			EV / EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.8	4.9	4.1	3.0	4.4	3.9
Maximum	36.4	34.4	20.3	12.7	11.3	11.1
Median	12.7	14.2	12.5	8.2	7.8	7.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(US\$ m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Margin, Veg Oil (\$/t)	50	76	90	103	111	108	104	100	96	92	91
Margin, Wheat (\$/t)	189	170	190	195	195	195	195	195	195	195	195
Margin, Corn (\$/t)	180	175	185	194	194	194	194	194	195	196	197
Revenue	2,468	3,306	4,412	4,927	5,154	5,238	5,322	5,398	5,482	5,567	5,659
EBITDA	256	348	426	479	503	495	486	475	472	469	473
EBITDA margin	10.4%	10.5%	9.7%	9.7%	9.8%	9.5%	9.1%	8.8%	8.6%	8.4%	8.3%
EBIT	168	251	327	379	402	395	384	373	370	366	368
Tax	8	12	18	21	23	23	22	21	21	47	48
CAPEX	-150	-186	-95	-74	-79	-85	-91	-97	-105	-105	-105
Working capital	-34	-120	-130	-70	-38	-26	-26	-25	-26	-27	-27
FCF	64	30	184	314	363	362	347	331	320	289	292
PV FCF	64	27	140	206	204	173	141	115	94	74	
WACC	15.8%	15.8%	15.9%	16.1%	16.3%	16.5%	16.6%	16.8%	16.9%	16.8%	16.9%
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	1,236
Net debt	606
Other adjustments	5
Value per share (PLN)	44.47

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	60.86
DCF Val.	50%	44.47
Implied Price		52.67
Cost of equity (9M)		12.4%
9M Target Price		59.18

KGHM buy (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

The discount at which KGHM is valued relative to its commodity mix, represented by a production-weighted index of the Company's key metals, which points to a per-share value of PLN 110, narrowed considerably in July, and it is set to tighten further in going forward with the return of the HMG1 copper smelter after upgrades, and as the HMG2 smelter returns to full capacity, resulting in improving production volumes. We expect the second quarter of 2018 to be the last quarter when KGHM is set to report year-over-year profit contraction. The sentiment of copper traders could turn more positive in the month ahead thanks to a possible strike at the Escondida mine, coupled with the small number of speculative positions in copper. We maintain a buy rating for KGH, with the 9-month price target revised from 112.92 to PLN 111.08 per share to reflect adjustments to peer multiples and Q2 2018 earnings expectations.

Current Price

96.00 PLN

Upside

9M Target Price

111.08 PLN

+15.7%

	rating	target price	issued
new	buy	111.08 PLN	2018-08-02
old	buy	112.92 PLN	2018-06-06
Key Metrics			
	KGH PW	1M Price Chng	+9.1% +1.5%
Ticker	KGH PW	1M Price Chng	+9.1% +1.5%
ISIN	PLKGHM000017	YTD Price Chng	-13.7% -8.1%
Outst. Stock (m)	200.0	ADTV 1M	PLN 52.0m
MC (PLN m)	19,200.0	ADTV 6M	PLN 60.8m
EV (PLN m)	23,432.7	EV/EBITDA 12M fwd	4.0 -21.6%
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	20,498	22,834	23,802
EBITDA adj.	4,666	5,753	5,158	6,071	6,253
EBITDA margin	24.4%	28.3%	25.2%	26.6%	26.3%
EBIT adj.	2,968	4,144	3,508	4,339	4,413
Net income adj.	1,555	1,875	2,447	3,104	3,142
P/E adj.	12.3	10.2	7.8	6.2	6.1
P/B	1.2	1.1	1.0	0.8	0.8
EV/EBITDA adj.	5.7	4.5	4.5	3.5	3.2
DPS	1.50	1.00	0.00	3.06	5.43
DYield	1.6%	1.0%	0.0%	3.2%	5.7%
Revision of Projections (% change)					
EBITDA adj.			+0.5%	0.0%	0.0%
Net income adj.			+0.7%	0.0%	0.0%
Copper price (\$/t)			+0.1%	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	5,209	5,903	5,089
D&A	1,698	1,609	1,650	1,732	1,840
Working capital	386	-1,270	1,026	982	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	-698	-1,172
Dividends/Buyback	-300	-200	0	-612	-1,086
FCF	186	776	2,471	3,084	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	36,604	39,675	41,971
Fixed assets	27,202	26,515	27,560	28,605	29,505
Equity	15,772	17,694	20,141	22,633	24,689
Minority interests	139	91	91	91	91
Net debt	7,238	6,570	4,142	1,713	537
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	7.9	6.4	4.7	4.3	3.9	2.9
Maximum	19.5	17.2	16.5	10.7	9.4	8.9
Median	12.6	12.3	10.8	5.7	5.8	4.7
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Copper price (\$/t)	7,129	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)	21,504	21,000	19,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Revenue	20,498	22,834	23,802	23,630	23,535	23,779	23,821	23,286	21,612	21,501	21,702
EBITDA	5,158	6,071	6,253	5,193	4,871	5,019	4,971	4,564	4,286	4,061	4,156
EBITDA margin	17.1%	19.0%	18.5%	13.8%	12.4%	12.6%	12.3%	10.8%	10.2%	9.4%	10.0%
EBIT	3,508	4,339	4,413	3,266	2,919	3,008	2,940	2,511	2,214	2,018	2,163
Tax	1,018	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	1,026	982	21	-4	-2	5	1	-12	-37	-2	4
FCF	2,471	3,084	2,305	1,977	2,269	2,376	2,305	1,935	1,652	1,499	1,573
PV FCF	2,397	2,762	1,899	1,506	1,588	1,527	1,365	1,056	831	695	
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	15,627
Net debt	6,570
Other adjustments	364
Value per share (PLN)	90.03

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	118.95
DCF Val.	50%	90.03
Implied Price		104.49
Cost of equity (9M)		6.3%
9M Target Price		111.08



Stelmet buy (no change)

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. We maintain a buy rating for STL.

Current Price

12.50 PLN

Upside

9M Target Price

20.24 PLN

+61.9%

	rating	target price	issued
unchanged	buy	20.24 PLN	2018-07-04

Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	+19.0%	+11.4%
ISIN	PLSTLMT00010	YTD Price Chng	-13.2%	-7.7%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.1m
MC (PLN m)	367.1	ADTV 6M		PLN 0.0m
EV (PLN m)	525.7	EV/EBITDA 12M fwd	-	-
Free Float	15.0%	EV/EBITDA 5Y avg	-	-

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	567	538	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	5.1	18.9	17.0	7.8	6.4
P/B	0.9	0.8	0.8	0.7	0.7
EV/EBITDA	6.8	9.5	8.4	5.3	4.3
DPS	0.29	0.00	0.00	0.37	0.96
DYield	2.3%	0.0%	0.0%	2.9%	7.7%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales price (PLN/m3)			0.0%	0.0%	0.0%
Sales volume (1,000 m3)			0.0%	0.0%	0.0%
Timber price (PLN/m3)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Core, PL	18	19	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 (reiterated)

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Budimex reported a huge earnings miss in Q2 2018, with net profit from construction down 50% on the year due to a dramatic fall in contract margins. A rebound in the second half of the year is unlikely given negative base effects and the worsened market conditions, marked by rising costs of materials and labor, and logistics bottlenecks. On top of weaker profits, Budimex is reporting a deteriorating balance-sheet position, reflected in a fall in net cash by PLN 0.55bn in the 12 months to June to a meager PLN 0.73bn – the lowest level since mid-2013. On a positive note, Budimex continues to grow its order book at a fast pace, with the backlog at 30 June up 12% year on year at PLN 10.8bn. Unfortunately, the profit margins achievable on the new orders are probably about the same as registered in Q2, an assumption which has forced us to cut our 2018-2020 net profit forecasts by an average of 27% while at the same time raising the revenue projections. Moreover, we have adjusted our cash flow outlook to assume stronger falls in the future based on the shrunken cash position reported in the second quarter. There is not much upside to BDX stock even after the price fall of the past month, and so we keep our call at hold with the 9-month price target lowered 23% to PLN 125 per share.

Current Price	122.60 PLN	Upside
9M Target Price	125.00 PLN	+2.0%

	rating	target price	issued	
new	hold	125.00 PLN	2018-08-02	
old	hold	163.00 PLN	2018-06-06	
Key Metrics			BDX PW	vs. WIG
Ticker	BDX PW	1M Price Chng	-0.6%	-8.3%
ISIN	PLBUDMX00013	YTD Price Chng	-36.9%	-31.4%
Outst. Stock (m)	25.5	ADTV 1M		PLN 1.9m
MC (PLN m)	3,130.0	ADTV 6M		PLN 1.9m
EV (PLN m)	1,721.0	EV/EBITDA 12M fwd	3.7	-53.2%
Free Float	30.3%	EV/EBITDA 5Y ava	7.9	discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	5,572	6,369	7,331	7,607	7,489
EBITDA	531	626	370	332	345
EBITDA margin	9.5%	9.8%	5.1%	4.4%	4.6%
EBIT	505	588	323	287	302
Net income	410	464	246	218	230
P/E	7.6	6.7	12.7	14.3	13.6
P/B	3.9	3.6	4.6	4.7	4.6
EV/EBITDA	0.9	1.3	4.6	5.7	6.1
DPS	8.14	14.99	17.61	9.17	8.13
DYield	6.6%	12.2%	14.4%	7.5%	6.6%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			+1.6%	+5.1%	+4.9%
Gross profit margin			-1.6 p.p.	-1.8 p.p.	-1.4 p.p.
EBITDA			-22.4%	-24.2%	-18.4%
Net income			-27.6%	-29.8%	-23.5%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	5,572	6,369	7,331	7,607	7,489
Construction	5,060	5,717	6,625	6,847	6,799
Development	350	499	553	602	527
Other	163	154	153	158	163
Gross profit margin	13.5%	12.7%	7.8%	7.2%	7.5%
Construction	12.8%	12.0%	6.6%	6.0%	6.5%
Development	23.4%	20.5%	20.0%	20.0%	20.0%
Other	12.7%	13.8%	12.8%	11.0%	11.0%
Cash	2,715	2,127	1,293	1,111	914
Net debt	-2,634	-2,291	-1,410	-1,228	-1,031
Net debt / EBITDA	-5.0	-3.7	-3.8	-3.7	-3.0
Net working capital	-2,597	-2,311	-1,641	-1,469	-1,248
NWC/Sales	-46.6%	-36.3%	-22.4%	-19.3%	-16.7%
Equity	801	881	679	664	686
ROE	58.5%	55.2%	31.6%	32.5%	34.0%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	612	196	-373	107	69
D&A	26	37	47	45	43
Working capital	155	-288	-673	-172	-221
Investing cash flow	-49	-357	11	-40	-41
CAPEX	-42	-31	-23	-40	-41
Financing cash flow	-223	-400	-466	-249	-224
Dividends	-208	-383	-450	-234	-208

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.4	3.4	3.0	3.1	3.1	2.9
Maximum	33.9	30.8	16.0	10.6	9.1	8.7
Median	11.9	9.7	8.4	5.8	5.0	4.6
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	7,331	7,607	7,489	7,540	7,216	6,910	6,621	6,753	6,888	7,026	7,167
EBITDA	370	332	345	346	317	290	263	268	272	277	281
EBITDA margin	5.1%	4.4%	4.6%	4.6%	4.4%	4.2%	4.0%	4.0%	4.0%	3.9%	3.9%
D&A	47	45	43	43	43	43	43	43	43	43	43
EBIT	323	287	302	303	274	247	220	225	229	234	239
Tax	61	55	57	58	52	47	42	43	44	44	45
NOPLAT	262	233	244	245	222	200	178	182	186	189	193
JV profit (fbSerwis)	-1	1	3	6	7	7	8	8	8	8	9
CAPEX	-23	-40	-41	-43	-43	-43	-43	-43	-43	-43	-43
Working capital	-673	-172	-221	-235	-145	-131	-100	0	0	0	0
FCF	-389	67	28	16	84	77	87	190	194	198	202
PV FCF	-376	59	23	12	59	49	51	104	98	92	
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	1,418
Net debt	-1,841
Other adjustments	-501
Value per share (PLN)	108.00

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	105.00
Relative (DYield)	17%	173.00
DCF	50%	108.00
Cost of equity (9M)		6.3%
9M Target Price		125.00

Elektrobudowa hold (no change)

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Elektrobudowa's order book grew by a less-than-impressive PLN 90m in July with the addition of two bookings, reflecting stalled investment by the energy industry which increases the competitive pressures in the market for power engineering services. Stronger price competition indicates weaker margins in the future on the contracts acquired this year. Nevertheless Elektrobudowa stands by its original PLN 994m bookings guidance for the year, an overly optimistic target in our view given the worsened market conditions. We maintain a hold rating for ELB in light of the deteriorated growth outlook.

Current Price

53.00 PLN

Upside

9M Target Price

71.00 PLN

+34.0%

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

Key Metrics			ELB PW	vs. WIG
Ticker	ELB PW	1M Price Chng	-18.1%	-25.8%
ISIN	PLELTBD00017	YTD Price Chng	-26.6%	-21.1%
Outst. Stock (m)	4.7	ADTV 1M		PLN 0.4m
MC (PLN m)	251.6	ADTV 6M		PLN 0.2m
EV (PLN m)	160.2	EV/EBITDA 12M fwd	3.7	-38.6%
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	4.6	4.3	10.6	10.4	10.2
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	2.0	1.6	3.7	3.7	3.6
DPS	4.00	10.00	10.50	5.00	5.00
DYield	7.5%	18.9%	19.8%	9.4%	9.4%

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 Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Erbud acquired PLN 538m-worth of new bookings in the second quarter of 2018, followed by the acquisition of a further PLN 100m in new business in July, with total backlog currently at an estimated PLN 2bn, consistent with the pattern in place since 2016. Erbud achieved a solid 21% of our 2018 FY net profit forecast in Q1, and it is expected to post a slowdown in Q2, which, however, it should be able to make up for in the second half of the year. At the current ratios, ERB stock 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 stand by our 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	vs. WIG
Ticker	ERB PW	1M Price Chng -1.3% -9.0%
ISIN	PLERBUD00012	YTD Price Chng -22.7% -17.2%
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 3.6 -33.8%
Free Float	15.5%	EV/EBITDA 5Y avg 5.4 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; 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 a very creditable PLN 0.6bn-worth of new orders during Q2 2018, an increase of 24% on the same 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. In terms of profits, however, we expect the Q2 2018 net profit from the real-estate business to show a substantial drop from Q1 to a projected PLN 3.2m. With that said, per our calculations Unibep will have achieved an incomparable 70% of our FY2018 net profit forecast in the first half of the year. We maintain a buy rating for UNI.

Current Price

5.64 PLN

Upside

9M Target Price

10.10 PLN

+79.1%

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

Key Metrics	UNI PW	1M Price Chng	YTD Price Chng	UNI PW	vs. WIG
Ticker	UNI PW	1M Price Chng	-1.1%	-8.7%	
ISIN	PLUNBEP00015	YTD Price Chng	-42.3%	-36.8%	
Outst. Stock (m)	35.1	ADTV 1M		PLN 0.0m	
MC (PLN m)	197.8	ADTV 6M		PLN 0.1m	
EV (PLN m)	201.4	EV/EBITDA 12M fwd	3.5	-49.1%	
Free Float	27.7%	EV/EBITDA 5Y avg	6.9	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	6.3	7.7	6.5	5.5	6.1
P/B	0.8	0.8	0.7	0.7	0.6
EV/EBITDA	5.0	3.5	4.2	3.3	3.1
DPS	0.17	0.20	0.15	0.31	0.41
DYield	3.0%	3.5%	2.7%	5.4%	7.2%

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

Cash Flow Summary

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

Relative Valuation Summary

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

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Atal registered 15% contraction in sales volume in Q2 2018, and with the inventory holding steady we attribute the slowdown to the Company's disinclination to offer discounts to homebuyers given that demand for new homes in Poland is still strong. Atal had 2,700 flats on offer at the end of June (+20% y/y), and this, coupled with a land bank enough for 3.5 years of construction, indicates sales this year should at least match the year-ago volume of 2,800 units. At the current price level, on our forecasts Atal could be expected to offer a dividend yield as high as 13% next year. We maintain a buy rating for 1AT.

Current Price

34.10 PLN

Upside

9M Target Price

42.86 PLN

+25.7%

	rating	target price	issued
unchanged	buy	42.86 PLN	2018-07-04

Key Metrics		1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	-0.3%
ISIN	PLATAL000046	YTD Price Chng	-16.7%
Outst. Stock (m)	38.7	ADTV 1M	-11.2%
MC (PLN m)	1,320.2	ADTV 6M	PLN 0.4m
EV (PLN m)	1,547.3	EV/EBITDA 12M fwd	6.9
Free Float	16.2%	EV/EBITDA 5Y avg	8.1 discount

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	14.8	7.7	7.0	7.3	7.1
P/B	1.9	1.7	1.6	1.6	1.6
EV/EBITDA	14.0	6.8	6.3	6.8	6.9
DPS	0.61	1.73	3.54	4.74	4.73
DYield	1.8%	5.1%	10.4%	13.9%	13.9%
Revision of Projections (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Residential closinas			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
Minimum	0.42	0.39	0.36	4.7	3.8
Maximum	2.03	2.04	1.99	270.0	9.4
Median	0.65	0.62	0.58	8.0	5.3
Weight	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; 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, which per our estimates have indeed decreased to 4.3% on average from 5.5% paid in mid-2017. 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. We expect a strong showing from Capital Park in the Q2 earnings season, with the 2018 first-half net profit set to fulfill 100% of our FY forecast, driven by an overall improvement in recurring business with a boost also provided by favorable FX trends. We maintain a buy rating for CAP, reinforced by a strong but completely unjustified pullback in share price in July.

Current Price

5.40 PLN

Upside

9M Target Price

8.35 PLN

+54.6%

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

Key Metrics			CPG PW	vs. WIG
Ticker	CPG PW	1M Price Chng	-0.9%	-8.6%
ISIN	PLCPPRK00037	YTD Price Chng	-6.7%	-1.2%
Outst. Stock (m)	108.8	ADTV 1M		PLN 0.0m
MC (PLN m)	587.3	ADTV 6M		PLN 0.0m
EV (PLN m)	1,924.7	EV/EBITDA 12M fwd	17.0	-31.3%
Free Float	19.1%	EV/EBITDA 5Y avg	24.7	discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	107.7	125.8	150.8	157.4	164.5
Gross profit	81.4	93.1	114.6	119.6	125.1
Gross margin	75.6%	74.0%	76.0%	76.0%	76.0%
EBIT ex. FV adj.	55.5	79.8	99.4	105.9	110.8
FV adjustment	68.9	-84.7	9.4	25.3	24.0
Net income	29.9	-1.9	54.7	65.2	67.8
P/E	19.2	-	10.7	9.0	8.7
P/B	0.6	0.6	0.6	0.5	0.5
EV/EBITDA	13.9	-	17.6	16.9	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

Relative Valuation Summary						
	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.32	0.31	0.31	7.1	6.6	8.1
Maximum	1.28	1.20	1.18	32.5	27.5	17.2
Median	0.75	0.73	0.80	13.1	11.4	11.1
Weight	17%	17%	17%	17%	17%	17%

NAV Valuation

(PLN m)	15	16	17	18P	19P	20P	21P
Investment properties	1,935	2,084	2,174	2,337	2,686	3,034	3,034
Inventory	13	0	0	0	0	0	0
Financial assets (JV)	31	49	45	45	45	45	45
Accounts receivable	27	24	27	28	29	30	31
Cash	114	157	193	76	82	57	100
Other assets	34	24	32	32	32	32	32
Total assets	2,153	2,337	2,471	2,517	2,873	3,198	3,241
Minority interests	73	72	115	119	122	126	130
Debt	1,066	1,243	1,308	1,295	1,598	1,872	1,872
Deferred tax liability	6	5	25	25	25	25	25
Other liabilities	48	28	39	40	40	41	42
Total liabilities & minority int.	1,193	1,348	1,487	1,478	1,785	2,063	2,068
NAV	960	989	984	1,039	1,088	1,134	1,174
PV of NAV	960	989	984	977	957	936	924

NAV Summary

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

Valuation Summary

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

Dom Development buy (upgraded)

Piotr Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Dom Development posted a 23% drop in sales in Q2 2018, with ytd sales fulfilling 42% of our FY forecast, however the likely delays in project completions should not change the overall bullish outlook on the Developer's earnings prospects in 2018-2020. The sales-to-inventory ratio that DOM registered in Q2 was still higher than the average for the sector. Further, the Company listed for sale 450 new flats in June, followed by 730 more in July, in seven different projects which are sure to boost sales in the coming months, as well as generating strong margins given DOM's current pricing policy. The downward correction of July prompts us to upgrade our call for DOM to buy.

Current Price

72.80 PLN

Upside

9M Target Price

87.80 PLN

+20.6%

	rating	target price	issued
new	buy	87.80 PLN	2018-08-02
old	accumulate	87.80 PLN	2018-06-22
Key Metrics		DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	-1.6%
ISIN	PLDMDVL00012	YTD Price Chng	-6.5%
Outst. Stock (m)	25.0	ADTV 1M	PLN 0.3m
MC (PLN m)	1,817.7	ADTV 6M	PLN 0.6m
EV (PLN m)	1,899.2	EV/EBITDA 12M fwd	6.8
Free Float	24.8%	EV/EBITDA 5Y avg	10.9 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	14.4	9.5	7.6	8.0	7.1
P/B	1.9	1.8	1.7	1.7	1.7
EV/EBITDA	10.8	7.7	6.2	6.7	6.4
DPS	3.25	5.05	7.60	9.50	9.15
DYield	4.5%	6.9%	10.4%	13.0%	12.6%
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; 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 Zybała

+48 22 438 24 04

piotr.zybal@mbank.pl

Echo sold an office building in Łódź in July for EUR 19m after a similar EUR 36m deal in Wrocław in May, and by the end of the year we expect the Developer to finalize at least two more, potentially even more lucrative transactions. The cash earned on the deals boosts Echo's liquidity, giving rise to expectations of an extra payout to shareholders, possibly still this year, using the PLN 175m of free cash generated from the sale of a 73% stake in EPP. If the remaining 15.2 million EPP shares were to be sold at the same price, the total proceeds would come close to EUR 250m, equivalent to 14% of Echo's market capitalization. Echo is expected to keep generating annual profits of EUR 300m in the coming years (P/E=6.0x). We maintain a buy rating for ECH.

Current Price

4.33 PLN

Upside

9M Target Price

5.63 PLN

+30.0%

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

Key Metrics			ECH PW	vs. WIG
Ticker	ECH PW	1M Price Chng	+3.1%	-4.5%
ISIN	PLECHPS000019	YTD Price Chng	+6.9%	+12.4%
Outst. Stock (m)	412.7	ADTV 1M		PLN 0.2m
MC (PLN m)	1,787.0	ADTV 6M		PLN 0.4m
EV (PLN m)	2,824.0	EV/EBITDA 12M fwd	9.0	-41.4%
Free Float	14.4%	EV/EBITDA 5Y avg	15.4	discount

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	5.7	5.9	5.4	6.7
P/B	1.2	1.1	1.1	1.0	1.0
EV/EBITDA	3.5	9.6	7.0	7.2	8.7
DPS	5.96	0.66	0.50	0.51	0.56
Revision of Projections (% change)		2018P	2019P	2020P	
Revenue		0.0%	0.0%	0.0%	
FV adjustment		0.0%	0.0%	0.0%	
EBIT		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Resid. closings		0.0%	0.0%	0.0%	

Financial Highlights

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

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; 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

GTC completed the White House office building in Budapest in June, and it recently acquired 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, and our estimates for Q2 indicate it will have achieved 50% of the FY forecasts in the first half of the year. Nevertheless GTC still has potential to deliver a positive surprise assuming a successful purchase of the Mall of Sofia, with estimated NOI of EUR 7.55m, as planned this year. GTC is aiming to double NAV over the next 4-5 years, but we think this might be an overly optimistic target. We maintain a hold rating for GTC.

Current Price

9.26 PLN

Upside

9M Target Price

9.60 PLN

+3.7%

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

Key Metrics		GTC PW		vs. WIG
Ticker	GTC PW	1M Price Chng	+0.5%	-7.1%
ISIN	PLGTC0000037	YTD Price Chng	-2.2%	+3.3%
Outst. Stock (m)	470.3	ADTV 1M		PLN 0.7m
MC (PLN m)	4,355.0	ADTV 6M		PLN 1.2m
EV (PLN m)	8,717.9	EV/EBITDA 12M fwd	14.3	-1.2%
Free Float	21.9%	EV/EBITDA 5Y avg	14.4	discount

Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
Revenue	120.3	128.7	151.7	166.2	184.9
Gross profit	87.3	92.1	112.0	125.1	139.2
Gross margin	72.6%	71.6%	73.8%	75.3%	75.3%
EBIT ex FX adj.	70.2	73.5	92.7	105.3	119.1
FX adj.	84.6	148.6	40.7	45.7	53.7
Net income	158.5	156.3	91.1	105.1	121.2
P/E	6.3	6.5	11.2	9.7	8.4
P/B	1.3	1.1	1.0	1.0	0.9
EV/EBITDA	11.2	8.6	15.3	14.4	13.0
DPS	0.00	0.07	0.08	0.08	0.10
DYield	0.0%	3.0%	3.7%	3.9%	4.4%
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 Zybala

+48 22 438 24 04

piotr.zybala@mbank.pl

LC Corp fulfilled 49% of our 2018 FY sales forecast in the first half of the year versus a sector average of 44%. LCC stock outperformed most peers in July, but even after the gains it continues to trade at cheap multiples despite offering projected 2019E dividend yield of 12%. LC Corp is expected to report strong earnings results for Q2 2018, delivering 65% of our FY recurring net profit forecast in H1. A sum-of-the-parts valuation of LC Corps reveals that each of its individual operating segments is worth as much as the total market capitalization today. This is true for the residential segment if we apply the three-year forward price/earnings multiples currently assigned by the market to leading homebuilders like Atal and Dom Development (8.0x) to the segment's projected average annual net earnings of PLN 120m in 2018-2020. Similarly, the implied value of the commercial business is zero based on the current market cap, meanwhile the net value of the commercial assets as of 31 March stood at PLN 1.07 billion. We maintain a buy rating for LCC.

Current Price

2.45 PLN

Upside

9M Target Price

3.58 PLN

+46.1%

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

Key Metrics	LCC PW	1M Price Chng	LCC PW	vs. WIG
Ticker	LCC PW	1M Price Chng	+10.9%	+3.2%
ISIN	PLCCRP00017	YTD Price Chng	-2.4%	+3.1%
Outst. Stock (m)	447.6	ADTV 1M		PLN 0.9m
MC (PLN m)	1,096.5	ADTV 6M		PLN 1.7m
EV (PLN m)	1,974.9	P/E 12M fwd	5.8	-40.1%
Free Float	41.3%	P/E 5Y avg	9.7	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	9.7	13.7	5.9	5.4	5.5
P/E adj.	9.1	7.3	6.4	5.9	5.5
P/B	0.8	0.8	0.7	0.7	0.7
DPS	0.18	0.07	0.24	0.29	0.31
DYield	7.3%	2.9%	9.8%	11.8%	12.8%

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 generated sales of EUR 364.3m in Q2 2018 according to a preliminary report, an increase of 23.6% year over year and a 5.3% miss relative to our forecast, with the composition indicating contraction in revenues per restaurant across all geographic divisions. After taking into account costs of post-merger consolidation and less favorable base effects, we expect the quarterly EBITDA to show slower annual growth of an estimated 9%. In July AmRest continued its intense M&A activity with the acquisition of the Telepizza Polska pizza chain in Poland for ca. EUR 8m, and three acquisitions in Spain including the Sushi Shop Group (EUR 240m), the online food delivery startup Glovo (EUR 25m for a 10% stake), and the burger chain Bacoa (EUR 3.7m). At this rate, we suspect AmRest may have to raise capital to fund all the M&A activity given that its net debt/EBITDA ratio in March was 2.25x. What is more, the integration of the acquisitions into the corporate structure entails additional expenses which may weigh on profits in Q2 and Q3 2018.

Current Price

440.00 PLN

Downside

9M Target Price

426.00 PLN

-3.2%

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

Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	0.0%	-7.6%
ISIN	NL0000474351	YTD Price Chng	+7.3%	+12.8%
Outst. Stock (m)	21.2	ADTV 1M		PLN 4.0m
MC (PLN m)	9,334.1	ADTV 6M		PLN 5.8m
EV (PLN m)	11,114.5	EV/EBITDA 12M fwd	12.4	+21.9%
Free Float	31.1%	EV/EBITDA 5Y avg	10.2	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	49.0	51.2	46.4	36.4	28.0
P/B	7.1	7.1	6.2	5.3	5.1
EV/EBITDA	19.2	18.1	15.2	12.2	10.2
DPS	0.00	0.00	0.00	0.00	12.09
DYield	0.0%	0.0%	0.0%	0.0%	2.7%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Revenue per restaurant		0.0%	0.0%	0.0%	
EBITDA margin		0 p.p.	0 p.p.	0 p.p.	
Restaurant count		0.0%	0.0%	0.0%	

Financial Highlights

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

Key Ratios

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

Relative Valuation Summary

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, coupled with the Sunday trading ban. The gross profit margin fell by 1.2pp y/y to 47.5% in Q1 in the wake of the low March sales, which were followed by a rebound in April at an annual rate of 32.5%, supported by base effects, which in May turned negative 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 in the comparable year-ago period 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, with EBITDA set to register a 22% rebound on the year to a projected PLN 245m. Even so, looking at the first-quarter loss, we consider the current 2018 FY EBITDA consensus for CCC to be overestimated. 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

215.60 PLN

Upside

9M Target Price

295.00 PLN

+36.8%

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

Key Metrics	CCC PW	1M Price Chng	CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	+4.2%	-3.5%
ISIN	PLCCC0000016	YTD Price Chng	-24.4%	-18.8%
Outst. Stock (m)	41.1	ADTV 1M		PLN 28.2m
MC (PLN m)	8,867.0	ADTV 6M		PLN 25.3m
EV (PLN m)	9,436.5	EV/EBITDA 12M fwd	12.6	-21.0%
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	27.5	31.7	28.2	16.7	12.4
P/B	9.2	8.1	6.5	4.9	3.6
EV/EBITDA	20.6	18.8	16.0	11.2	8.6
DPS	2.19	2.47	1.40	1.87	0.00
DYield	1.0%	1.1%	0.6%	0.9%	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 19P	20P	18P	EV/EBITDA 19P	20P
Minimum	53.0	42.4	33.0	24.5	18.2	14.2
Maximum	74.9	57.2	45.8	41.5	26.2	20.4
Median	72.5	52.4	40.8	32.3	23.6	17.9
Weight	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, pushing the period's like-for-like growth into the negative territory with estimated 1% y/y contraction. Negative base effects may continue to put a damper on lfl growth during the second half of the year. 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. At the current level, however, the buoyant growth prospects are already priced in.

Current Price

100.70 PLN

Upside

9M Target Price

103.50 PLN

+2.8%

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

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	-3.2%	-10.8%
ISIN	PLDINPL00011	YTD Price Chng	+27.8%	+33.3%
Outst. Stock (m)	98.0	ADTV 1M		PLN 21.9m
MC (PLN m)	9,872.6	ADTV 6M		PLN 18.9m
EV (PLN m)	10,416.7	EV/EBITDA 12M fwd	16.8	+4.7%
Free Float	48.9%	EV/EBITDA 5Y avg	16.1	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	65.3	46.2	30.9	23.1	18.5
P/B	14.4	10.9	8.1	6.0	4.5
EV/EBITDA	36.9	26.6	19.2	14.8	11.7
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, which in turn may curb profit growth in Q2 2018 on strong sales driven by good weather and the positive effect of the 2018 World Cup on grocery sales. If we add to this negative base effects, we may see 6% y/y contraction in second-quarter EBITDA. Notable events in July included the resignation of Head of Retail Paweł Musiał, which was followed by a statement reiterating continued focus on the expansion of the retail network in the coming years. The Company is moving forward with the plan to cut annual costs by PLN 150m (with PLN 70m saved in 2017), and its business strategy shows potential to ensure stable growth in profits going forward.

Current Price

18.74 PLN

Upside

9M Target Price

30.70 PLN

+63.8%

	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	-13.6%	-21.3%
ISIN	PLEURCH00011	YTD Price Chng	-27.2%	-21.7%
Outst. Stock (m)	139.2	ADTV 1M		PLN 5.8m
MC (PLN m)	2,607.9	ADTV 6M		PLN 8.2m
EV (PLN m)	2,754.6	EV/EBITDA 12M fwd	6.9	-38.1%
Free Float	53.0%	EV/EBITDA 5Y avg	11.2	discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	21,206	23,271	25,772	26,954	27,544
EBITDA	440	246	429	472	517
EBITDA margin	2.1%	1.1%	1.7%	1.8%	1.9%
EBIT	274	63	247	284	328
Net income	179	-33	133	172	236
P/E	14.5	-	19.7	15.2	11.0
P/B	2.3	2.5	2.2	2.0	1.8
EV/EBITDA	6.8	12.3	6.4	5.4	4.5
DPS	1.05	0.80	-0.12	0.48	0.62
DYield	5.6%	4.3%	-0.6%	2.5%	3.3%
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	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 (reiterated)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

Jeronimo Martins experienced an across-the-board slowdown in like-for-like sales in Q2 2018, due mainly to unfavorable calendar and base effects. Biedronka supermarkets in Poland posted lfl contraction to 0.6% from 9.5% in Q2'17, but at the same time they maintained the EBITDA margin at a stable level. Start-up costs were reduced to EUR 21m from EUR 24m a year ago. An improved sales mix resulted in overall Q2 gross margin growth by 0.6pp, with sustained expansion anticipated in subsequent quarters. We have lowered our FY2018 EBITDA forecast for Jeronimo by 8.7% to EUR 958m to reflect slower lfl growth in Poland and worsened EBITDA margins reported by Pingo Doce in Portugal, and as a result we adjust our price target for JMT to EUR 15.2 with a reiterated buy rating.

Current Price	12.65 EUR	Upside
9M Target Price	15.20 EUR	+20.2%

	rating	target price	issued
new	buy	15.20 EUR	2018-08-02
old	buy	16.40 EUR	2018-06-06
Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+2.2% -5.4%
ISIN	PTJMT0AE0001	YTD Price Chng	-18.8% -13.3%
Outst. Stock (m)	629.3	ADTV 1M	EUR 16.7m
MC (EUR m)	7,957.4	ADTV 6M	EUR 14.3m
EV (EUR m)	8,118.1	EV/EBITDA 12M fwd	7.9 -19.5%
Free Float	-	EV/EBITDA 5Y avg	9.8 discount

Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
Revenue	14,622	16,276	17,242	18,377	19,563
EBITDA	862	922	952	1,093	1,172
EBITDA margin	5.9%	5.7%	5.5%	5.9%	6.0%
EBIT	536	577	582	681	723
Net income	593	386	399	479	511
P/E	13.4	20.6	20.0	16.6	15.6
P/B	4.6	4.5	4.0	3.5	3.1
EV/EBITDA	9.2	8.7	8.5	7.3	6.5
DPS	0.28	0.69	0.31	0.32	0.38
DYield	2.2%	5.5%	2.4%	2.5%	3.0%
Revision of Projections (% change)		2018P	2019P	2020P	
EBITDA		-8.7%	-3.5%	-2.3%	
Net income		-14.3%	-3.8%	-1.8%	
Y/Y sales/sqm, Biedronka		-4.1 p.p.	-0.9 p.p.	-0.1 p.p.	
Y/Y sales/sqm, Pingo Doce		-2.9 p.p.	-0.5 p.p.	-0.3 p.p.	
Y/Y sales/sqm, Recheio		+0.3 p.p.	+2.8 p.p.	+0.4 p.p.	

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
EBITDA Biedronka, PL	704	808	851	900	943
EBITDA Pingo Doce, PT	192	187	174	175	175
EBITDA Recheio, PT	47	50	53	59	64
EBITDA Other	-79	-85	-76	-38	-6
CCC (days)	-70	-71	-69	-69	-69
Operating cash flow	843	909	870	1,055	1,129
D&A	326	345	370	412	449
Working capital	180	292	60	163	170
Investing cash flow	-126	-658	-401	-764	-530
CAPEX	-433	-662	-752	-764	-530
Financing cash flow	-504	-229	-484	-200	-240
Dividends/Buyback	177	435	193	200	240
FCF	515	397	111	315	624
FCF/EBITDA	60%	43%	12%	29%	53%
OCF/EBITDA	98%	99%	91%	97%	96%

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%	18.1%	17.8%	17.8%
Y/Y sales/sqm, Biedr.	2.7%	9.6%	2.2%	3.3%	1.9%
Y/Y sales/sqm, P. Doce	1.0%	0.5%	1.5%	0.1%	0.3%
Y/Y sales/sqm, Recheio	5.0%	5.0%	0.8%	3.6%	0.2%
Net debt (EUR m)	-304	-372	-53	-143	-503
Net debt/EBITDA (x)	-0.4	-0.4	-0.1	-0.1	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	12.4	10.2	8.7	5.9	5.2	4.5
Maximum	24.3	18.5	15.3	10.0	8.3	7.6
Median	15.6	13.3	11.5	7.3	6.4	5.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(EUR m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Biedronka stores	2,870	2,946	3,022	3,062	3,102	3,142	3,182	3,222	3,262	3,302	3,302
Pingo Doce stores	427	427	427	427	427	427	427	427	427	427	427
Ara stores	534	774	1,034	1,194	1,354	1,514	1,634	1,714	1,754	1,794	1,794
Revenue	17,242	18,377	19,563	20,340	20,953	21,515	22,039	22,501	22,900	23,276	23,276
EBITDA	952	1,093	1,172	1,233	1,280	1,306	1,330	1,354	1,376	1,397	1,397
EBITDA margin	5.5%	5.9%	6.0%	6.1%	6.1%	6.1%	6.0%	6.0%	6.0%	6.0%	6.0%
EBIT	582	681	723	769	804	820	838	859	875	883	883
Tax	149	177	188	200	209	214	218	224	228	230	230
CAPEX	-752	-764	-530	-470	-466	-462	-427	-391	-501	-514	-514
Working capital	60	163	170	112	88	81	76	67	58	54	54
FCF	111	315	624	675	693	711	761	805	704	707	720
PV FCF	107	281	515	514	487	462	456	446	360	334	
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	9,131
Net debt	-372
Other adjustments	225
Value per share (EUR)	14.74

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	13.96
DCF Val.	50%	14.74
Implied Price		14.35
Cost of equity (9M)		6.2%
9M Target Price		15.20



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). Our 2017-2020 EBITDA CAGR projection is 22%. 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	+6.7%	-1.0%
ISIN	PLPP0000011	YTD Price Chng	+1.6%	+7.1%
Outst. Stock (m)	1.9	ADTV 1M		PLN 18.6m
MC (PLN m)	16,764.4	ADTV 6M		PLN 20.7m
EV (PLN m)	16,049.6	EV/EBITDA 12M fwd	13.8	-7.2%
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 (no change)

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. Our outlook for Q2 2018 assumes EBITDA contraction from the year-ago level due to flat lfl growth and sustained cost pressures. In July TXM shareholders approved an equity issue of PLN 8.6m and a convertible bond issue of PLN 21m, with the proceeds earmarked toward boosting working capital. PLN 25m of the proposed equities and convertible bonds are already subscribed for by the main owners. We believe the proceeds will jump-start faster growth in the future. The planned capital raise is factored into our current target price for TXM, which we continue to rate as a buy.

Current Price

1.48 PLN

Upside

9M Target Price

3.48 PLN

+135.1%

	rating	target price	issued
unchanged	buy	3.48 PLN	2018-07-04

Key Metrics		TXM PW		vs. WIG
Ticker	TXM PW	1M Price Chng	+14.7%	+7.1%
ISIN	PLTXM0000015	YTD Price Chng	-38.3%	-32.8%
Outst. Stock (m)	44.9	ADTV 1M		PLN 0.03m
MC (PLN m)	66.4	ADTV 6M		PLN 0.03m
EV (PLN m)	111.3	EV/EBITDA 12M fwd	5.7	+8.2%
Free Float	21.4%	EV/EBITDA 5Y avg	5.3	premium

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	3.3	-	-	4.9	2.9
P/B	0.6	1.1	1.4	1.1	0.8
EV/EBITDA	2.9	-	19.1	4.5	2.9
DPS	0.15	0.00	0.00	0.09	0.14
DYield	9.8%	0.0%	0.0%	6.4%	9.4%
Revision of Projections (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue per square meter			0.0 p.p.	0.0 p.p.	0.0 p.p.
SG&A per square meter			0.0 p.p.	0.0 p.p.	0.0 p.p.
Sales area			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, PL	340	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

Relative Valuation Summary						
	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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 more than 8% in July. The Company finalized the acquisition of the leading Portuguese stem cell bank, Stemlab, with a 60% market share, last month, at 2017 price-to-cash EBITDA of 11.5x and estimated 2018 P/ cash EBITDA of 8.2x, multiples about 30% lower than PBKM's. This indicates a good deal which should boost market sentiment. PBKM's growth story as a stem cell bank with ambitions to become a European leader might make a worthwhile bet for the future. In the near term, the Company will probably report year-over-year profit contraction from an inflated year-ago base in Q2 2018, although on a recurring basis the quarterly EBIT is set to be 4% higher than in Q2 2017 according to our forecasts. We stand by our 2018 FY earnings estimates for PBKM, and we maintain a hold rating for the stock at the current price level.

Financial Highlights

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Cash EBIT	23.0	25.4	28.8	29.5	30.2	31.0	31.8	32.6	33.4	34.2	35.1
EBIT tax	3.9	4.5	5.3	5.4	5.5	5.7	5.8	5.9	6.1	6.2	6.4
NOPLAT	19.1	20.9	23.5	24.1	24.7	25.3	26.0	26.6	27.3	28.0	28.7
D&A	5.3	5.5	5.7	6.1	6.3	6.4	6.6	6.7	6.9	7.1	7.3
CAPEX	-8.0	-7.9	-8.2	-6.1	-6.3	-6.4	-6.6	-6.7	-6.9	-7.1	-7.3
Working capital	-3.2	-2.3	-2.5	-2.6	-2.6	-2.7	-2.8	-2.8	-2.9	-3.0	-3.1
FCF	13.3	16.2	18.5	21.5	22.1	22.6	23.2	23.8	24.4	25.0	25.6
PV FCF	12.5	14.1	14.8	15.9	15.0	14.2	13.4	12.6	11.9	11.3	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Cost of debt	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Cost of equity	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Dividend Discount Model (DDM)

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Dividends	9.0	17.0	18.7	20.2	20.9	21.4	21.9	22.5	23.0	24.2	24.8
PV of dividends	8.5	14.7	14.9	14.9	14.2	13.4	12.6	11.9	11.3	182.2	
Cost of equity	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%

Current Price

73.60 PLN

Upside

9M Target Price

76.26 PLN

+3.6%

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

Key Metrics			BKM PW	vs. WIG
Ticker	BKM PW	1M Price Chng	-0.4%	-8.0%
ISIN	PLPBKM000012	YTD Price Chng	+6.5%	+12.0%
Outst. Stock (m)	5.0	ADTV 1M		PLN 0.3m
MC (PLN m)	365.9	ADTV 6M		PLN 0.5m
EV (PLN m)	362.4	EV/EBITDA 12M fwd	6.7	+7.2%
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	16.5	12.0	10.8	9.8	9.0
P/B	6.6	4.7	3.7	3.1	2.6
EV/EBITDA	10.8	7.9	7.2	6.6	6.1
DPS	1.41	1.56	2.62	3.41	3.76
DYield	1.9%	2.1%	3.6%	4.6%	5.1%

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

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Summary

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

DDM Summary

(PLN)	
Beta	1.0
DIV growth rate in perp.	2.5%
Value Per Share (PLN)	61.35

Valuation Summary

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

List of abbreviations and ratios contained in the report:

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/ EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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Strong and weak points of valuation methods used in recommendations:

DCF – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Economic profits – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

Discounted Dividends (DDM) – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

NAV - valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

Comparable Companies Used In Relative Valuation Models

Agora	Axel Springer, Carmike Cinemas, Cinemark Holdings, Cineworld, Daily Mail&General, Gruppo Editoriale L'espresso, IMAX Corp, JC Decaux, Lagardere, Regal Entertainment Group, Sanoma, Schibsted, Stroeer Media, Telegraaf Media Groep
AmRest	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Panera Bread, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
Assec Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG, Tieto
Atal, Dom Development	Archicom, Atal, Dom Development, i2 Development, JWC, LC Corp, Lokum Deweloper, Polnord, Ronson
Budimex, Erbud, Unibep	Budimex, Elektrobudowa, Elektrotim, Erbud, Herkules, Torpol, Trakcja, Ulma, Unibep, ZUE, Strabag, Porr, Hochtief, Bouygues, Salini, Astaldi, Mota Engil, Skanska, PEAB, NCC
Capital Park, GTC	BBi Development, Capital Park, Echo Investment, GTC, P.A. Nova, PHN, Alstria Office, Atrium European RE, CA Immobilien, Deutsche Euroshop, DIC Asset, Immofinanz, Klepierre, Unibail-Rodamco, S Immo
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voox Net-a-Porter, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
CEZ, Enea, Energa, PGE, Tauron	CEZ, EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
Ciech	Akzo Nobel, BASF, Bayer, Ciner Resources, Dow Chemical, Huntsman, Soda Samayii, Solvay, Tata Chemicals, Tessenderlo Chemie, Tronox, Wacker Chemie
Comarch	Assec Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
Cyfrowy Polsat	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Swisscom, Talktalk Telecom, TDC, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpelcom, Vodafone Group
Dino	Carrefour, Dixy Group, Emperia, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Echo Investment	Archicom, Atal, Capital Park, Dom Development, GTC, JWC, LC Corp, Lokum Deweloper, P.A. Nova, PHN, Polnord, Ronson
Elektrobudowa	Budimex, Elektrobudowa, Elektrotim, Erbud, Herkules, Torpol, Trakcja, Ulma, Unibep, ZUE, Strabag, Porr, Hochtief, Bouygues, Salini, Astaldi, Mota Engil, Skanska, PEAB, NCC, Siemens, Alstom, ABB, Schneider Electric
Eurocash	Carrefour, Dixy Group, Emperia, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Atlas Copco, Caterpillar, Duro Felguera, Komatsu, Sandvik, Shanghai Chuangli, Tian Di
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	Carrefour, Emperia, Eurocash, Magnit, Tesco, X5
JSW	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, 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
Rating date	2018-04-06	2018-01-26	2017-11-23	2017-10-02
Target price (PLN)	18.40	18.90	18.00	18.80
Price on rating day	14.50	13.15	15.20	17.10

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
Rating date	2018-02-28
Target price (PLN)	-
Price on rating day	24.00

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
Rating date	2018-06-06	2018-03-27	2018-02-02	2017-12-01	2017-11-03	2017-08-30
Target price (PLN)	41.20	41.20	44.00	44.80	44.80	44.00
Price on rating day	44.00	45.20	45.62	44.47	47.00	44.54

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	hold	accumulate	buy
Rating date	2018-08-02	2018-06-06	2018-04-06	2018-02-02
Target price (PLN)	125.00	163.00	216.39	246.00
Price on rating day	122.60	153.00	215.00	197.80

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	buy
Rating date	2018-08-02	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)	82.52	81.14	88.64	89.71	85.40	85.87	90.13	79.54	77.07
Price on rating day	56.95	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	buy	accumulate	buy	buy	buy
Rating date	2018-08-02	2018-06-22	2018-03-20	2018-02-02	2017-09-01
Target price (PLN)	87.80	87.80	103.10	103.00	101.10
Price on rating day	72.80	85.80	85.80	82.00	82.25

Echo

Rating	buy	buy	buy	buy
Rating date	2018-04-06	2018-02-02	2017-10-02	2017-09-01
Target price (PLN)	5.63	6.31	6.42	6.64
Price on rating day	5.23	5.05	5.19	5.21

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

Elektrotim

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
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)	15.58	14.91	14.71	15.20	14.97	14.81	14.49	13.50
Price on rating day	9.00	9.96	10.11	12.21	12.60	12.09	13.40	13.64

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	buy	accumulate	hold	hold
Rating date	2018-08-02	2018-06-06	2018-02-02	2017-09-01
Target price (EUR)	43.00	40.00	40.00	35.98
Price on rating day	37.14	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	2018-08-02	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	6.56	6.95	7.06	7.28	7.29	7.24	6.84
Price on rating day	5.20	5.94	6.04	6.10	6.20	6.18	5.81

Forte

Rating	overweight	neutral	neutral	neutral	underweight
Rating date	2018-07-27	2018-04-27	2018-02-02	2018-01-29	2017-08-31
Target price (PLN)	-	-	-	-	-
Price on rating day	40.60	50.70	43.00	49.10	74.02

GetBack

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

Getin Noble Bank

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

Gino Rossi

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

Grupa Azoty

Rating	hold	hold	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-08-02	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
Target price (PLN)	42.13	44.40	60.99	67.13	73.42	73.64	78.52	80.77	69.60	74.30
Price on rating day	42.20	42.60	51.10	56.55	72.00	74.40	71.30	79.80	68.90	72.08

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	accumulate	buy	accumulate	hold	sell
Rating date	2018-08-02	2018-07-04	2018-03-05	2018-02-01	2017-12-01
Target price (PLN)	212.00	212.00	212.00	212.00	152.39
Price on rating day	190.00	178.40	198.00	220.00	203.00

Jeronimo Martins

Rating	buy	buy	accumulate	accumulate	hold	hold	accumulate	hold
Rating date	2018-08-02	2018-06-06	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-09-01
Target price (EUR)	15.20	16.40	16.40	16.90	16.90	17.10	17.10	17.10
Price on rating day	12.65	13.52	14.90	15.17	17.12	16.50	15.85	16.76

JSW

Rating	buy	buy	buy	buy	buy	buy	buy
Rating date	2018-08-02	2018-07-04	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-01-30
Target price (PLN)	108.69	107.00	115.23	109.12	108.14	120.71	122.30
Price on rating day	79.50	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	buy	hold	hold	hold	accumulate	accumulate	accumulate
Rating date	2018-07-23	2018-05-09	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-09-01
Target price (PLN)	59.18	53.04	53.46	53.47	57.20	58.70	71.74
Price on rating day	50.50	50.80	48.80	50.90	47.51	48.25	60.70

Grupa Kęty

Rating	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-08-02	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	355.61	371.08	363.01	357.21	379.66	391.41	390.72	414.09
Price on rating day	321.50	360.50	353.00	346.00	352.50	385.00	408.00	402.10

KGHM

Rating	buy	buy	buy	buy	accumulate	accumulate	hold	hold	reduce	hold	hold	accumulate
Rating date	2018-08-02	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
Target price (PLN)	111.08	112.92	118.98	115.43	122.81	128.62	114.71	103.08	103.08	124.12	130.96	132.22
Price on rating day	96.00	96.52	92.50	88.00	102.50	111.50	113.10	100.00	114.25	117.40	126.10	121.00

Komercni Banka

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

Kruk

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

Kruszwica

Rating	underweight
Rating date	2018-08-02
Target price (PLN)	-
Price on rating day	65.40

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	sell	hold	hold	hold	reduce	reduce	reduce	sell	sell	reduce	sell
Rating date	2018-08-02	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	52.51	52.81	51.73	51.08	52.67	51.53	51.53	51.61	51.61	48.25
Price on rating day	65.86	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	sell	reduce	sell
Rating date	2018-08-02	2018-04-06	2018-02-01
Target price (PLN)	7.00	7.00	7.00
Price on rating day	9.12	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	neutral	overweight	overweight	overweight	neutral
Rating date	2018-07-13	2018-05-23	2017-11-28	2017-09-13	2017-08-25
Target price (PLN)	-	-	-	-	-
Price on rating day	6.60	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
Rating date	2018-02-01
Target price (PLN)	157.00
Price on rating day	135.90

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	sell	reduce	reduce	reduce	sell	sell	sell	sell	sell
Rating date	2018-08-02	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	76.84	76.73	76.89	80.55	82.84	81.80	86.55	81.50
Price on rating day	93.06	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	accumulate	buy	accumulate	buy	accumulate
Rating date	2018-08-02	2018-03-05	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	47.50	50.58	50.58	51.83	51.83
Price on rating day	42.00	41.55	44.17	45.00	48.50

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
Rating date	2018-07-04	2018-05-09	2018-03-05	2018-02-02	2017-09-01
Target price (PLN)	20.24	26.48	27.72	28.37	28.94
Price on rating day	10.70	14.75	17.15	19.20	22.20

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	buy	accumulate	accumulate	accumulate	accumulate	buy	accumulate
Rating date	2018-08-02	2018-04-24	2018-04-06	2018-02-02	2018-01-05	2017-11-03	2017-09-01
Target price (PLN)	60.00	60.00	56.40	56.10	53.00	53.00	53.00
Price on rating day	49.00	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