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Monthly Market Outlook: September 2018

Equity Market, Macroeconomics

Equity Market

Markets look set to make gains in September, fueled by accelerating US growth, but risks are still there as America's various trade disputes unfold. In Poland, a bullish momentum is created by positive Q2 earnings surprises and the revival of the PPK pension savings scheme.

Sector Outlook

Financials

We remain bullish on CEE banks, which in Q2 registered extremely low cost of risk. In Poland, high retail lending volumes have been a highlight. The banks with the most near-term upside potential include Alior, Pekao, and Handlowy in Poland, and Komercni Banka and Erste Bank in CEE.

Chemicals

Chemical producers continue to struggle with high costs of natural gas, coal, and electricity. Ciech remains our top pick for the month ahead, but Grupa Azoty as well might regain some of the ground lost in the recent sell-off.

Oil & Gas

Refiners are seeing the tail end of a short-lived rebound in cracking margins, with the Urals/Brent pricing differential now down below \$0.5/bbl. On the other hand, E&P firms are enjoying improving market sentiment, and so we continue to recommend MOL and PGNiG as our best picks for September.

Power Utilities

WIG-Energy stocks hit new lows in August even as the earnings prospects of generators improved, reinforced by better-than-expected terms of upcoming capacity auctions, announced at the beginning of the month. Inevitable revisions to the upside in the 2019 earnings expectations for the power sector should help turn sentiment for utilities around in the coming weeks.

Telecoms, Media, IT

Technology stocks are expected to be on an upward trajectory in September, with ACP, ATD, ASE, and CMR set to deliver the best potential returns. In Media, we maintain a positive outlook for WPL and for AGO, and in Telco we again pick OPL as our best bet.

Industrials & Mining

71% of rated manufacturers so far have delivered positive surprises with 2018 Q2 results, reporting year-over-year improvement. The highest beats came from Alumetal, Apator, Cognor, Forte, and Grupa Kęty, and of releases still to come we expect the best from Famur and Kernel, which alongside Amica and Forte make up our top-pick line-up for September.

Construction

The building industry is having a dismal second-quarter earnings season so far, confirming fears of a cost-driven slowdown. A slump in the infrastructure industry is poised to follow next year.

Property Developers

Property builders so far have reported 2018 Q2 results broadly in line with expectations, with their buoyant outlook for the future unaffected by rising costs of construction services.

Retail

Our best tip for September is to increase positions in CCC, EUR, LPP, BTM, and VST, and to avoid EAT on an expected slowdown in Q2 EBITDA growth.

Key Ratings

Positive: 1AT, ACP, ALR, AMC, ASE, ATD, BTM, CCC, CIE, CMR, EBS, ECH, ENA, ENG, ERB, EUR, FMF, FTE, JSW, KGH, LCC, LPP, MOL, PEO, PFL, PGE, PGN, STL, UNI, TPE, VST

Negative: CEZ, KSW, LTS, MIL, PKN

EU Indices	Value	1M chng	YTD chng
WIG	60,201	+0.4%	-6%
ATX	3,300	-3.6%	-1%
BUX	37,233	+4.2%	-5%
PX	1,073	-1.8%	+4%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,338	+1.8%	-4%
mWIG40	4,231	-2.6%	-10%
sWIG80	12,559	-3.7%	-11%
Banking	7,934	+0.2%	-6%
Basic Materials	2,102	-3.8%	-25%
Chemicals	11,298	-6.3%	-26%
Clothes	2,224	-8.2%	-26%
Construction	3,608	-5.0%	-18%
Energy	2,044	-2.2%	+0%
Food	5,073	+6.9%	+6%
IT	2,092	-2.3%	-5%
Media	6,917	+0.5%	-8%
Oil & Gas	6,992	+6.1%	-2%
Real estate	3,499	-2.1%	-4%
Telecom	624	-3.5%	-16%
Top 5 / Worst 5		1M	YTD
Kopex	1.81	+82.8%	-52%
CFI Holding	0.55	+34.1%	+53%
CI Games	1.08	+25.6%	+5%
Prairie Mining	1.57	+24.6%	+7%
Kęty	387.50	+20.9%	+2%
Erbud	9.60	-34.7%	-49%
Altus TFI	4.80	-39.1%	-62%
Idea Bank	4.29	-42.6%	-81%
PCM	6.02	-49.8%	-79%
Getin Holding	0.25	-56.9%	-82%

Rating & 9M TP Changes as of 3 Sep.

Name	Rating	9M TP
AmRest	hold ▲	426.00 PLN ►
Asseco Poland	accumulate ▲	49.00 PLN ▲
BZ WBK	accumulate ▼	430.00 PLN ►
Energia	buy ►	15.27 PLN ▼
Erbud	buy ►	14.40 PLN ▼
Grupa Azoty	hold ►	41.13 PLN ▼
Grupa Kęty	hold ►	367.45 PLN ▲
JSW	buy ►	98.00 PLN ▼
KGHM	buy ►	104.21 PLN ▼
Lotos	sell ►	57.21 PLN ▲
MOL	buy ▲	3296.00 HUF ▲
PGNiG	buy ►	7.86 PLN ▼
PKN Orlen	sell ►	81.38 PLN ▲
Stelmet	buy ►	20.45 PLN ▲
Tauron	buy ►	2.77 PLN ▲
Wirtualna Polska	accumulate ▼	60.00 PLN ►

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Investing Outlook

The S&P 500 ended August at an all-time high after rising 8.5% year to date and increasing 17% from the same month a year ago, fueled by strong economic prints, dovish-sounding statements by federal Reserve Chairman Powell, and improved company earnings. Evercore ISI predicts 5.8% growth in nominal US GDP (3.1% in real terms) in the third quarter, the fastest pace in fifteen years, sure to find a reflection in further EPS expansion. A pullback in the S&P 500 seems unlikely under these circumstances, unless of course there are unforeseen shocks. One near-term risk that might weigh on sentiment in the US and globally through September 5th is the upcoming decision on another round of tariffs on a further \$200bn of Chinese imports (the hope after the recent US-EU trade truce seems to be that President Trump will soften his stance on China).

The threat of a trade war has had no bearing so far on the US economy, meanwhile in Europe leading indicators as well as the actual prints have been coming in below expectations, and weighing on local stock markets (as reflected in the DAX trading 7% below its all-time high), which are much more sensitive to global trade events. Another risk for EU markets comes from Italy, facing downgrades to its debt ratings.

Emerging markets are finally showing their relative strength despite escalating tensions (Turkey, Argentina, Brazil), and the Polish large-caps tracked by the WIG20 index are a beneficiary of this, while small and mid-cap stocks continue to underperform under pressure from investment fund withdrawals (coming up to PLN 2.9bn for the seven months through July). This in spite of attractive valuations, solid 2018 Q2 results, and improving prospects for the future. In our view, fund outflows will peak in September, and then subside.

The key factor that boosts the long-term outlook for the Polish stock market, including smaller caps, is the passing of the nationwide employer-sponsored pension savings scheme (the 'PPK' scheme), set to enter into force in mid-2019, with potential to provide a substantial capital boost to the Warsaw Stock Exchange.

US-China Trade Tensions Escalate

The tentative deal between the US and the EU on automotive tariffs, alongside a willingness expressed by China to return to the negotiating table, spurred hope in the market that President Trump would choose not to go ahead with the proposed \$200bn of new tariffs. The announcement on the tariffs is expected on September 5th, and if they are upheld this might trigger a medium-term downward market correction in the 5-10% range.

Euro Area Growth Disappoints

Leading economic indicators for the euro area have been far from upbeat, with the manufacturing PMI in particular producing a major disappointment by falling from 55.1 to 54.6 in August, the lowest level since late 2016. So-called periphery countries are putting the biggest drag on manufacturing growth, and the current assessment as well as the future outlook of the area's businesses has turned decidedly negative. Export orders remain scarce even as supply bottlenecks are slowly resolved. Further, manufacturing growth in Germany continues to disappoint (with the industrial output for June down 0.9% m/m, coupled

with a 4% drop in factory orders), resulting in downward revisions to earnings expectations. Note that the drop-off in new orders affects countries in and outside of the euro area alike, which means it cannot necessarily be blamed just on the US-led global trade tensions. The auto industry, which accounts for 12% of the DAX line-up and 33% of the index's EPS, is experiencing the most severe momentum loss.

The Polish economy is doing very well by comparison, with manufacturing in July expanding at an annual rate of 10%, though mBank economists predict a slowdown in the following months driven by base and calendar effects. Any further slump in euro area growth can have a compounding effect on Polish industrial production just as local companies start to deliver improving earnings.

Money Continues to Flow Into Emerging Market Funds Despite Mounting Tensions

US policies, including monetary tightening and the stirring of global trade tensions, have sent emerging market currencies on a downward spiral, in the last few months exacerbated by escalating political and economic tensions in some countries.

Turkey in particular put markets on edge after its lira was sent into a freefall (-73% ytd) by US sanctions and a lack of action from the local central bank to counteract the weakening currency. The situation in Turkey has broader implications, with traders worried about its impact on European banks with a Turkish presence and on the future orders of German and other factories.

Elsewhere in the emerging world, Brazil and Argentina have seen 102% and 25%, respectively, shaved off the values of their respective currencies in the year to date on the back of economic turmoil. Argentina is not part of the MSCI Emerging Markets index, and Brazil's share in the index is relatively low at 5.8%, and this might be the reason why their troubles to date have had little to no impact on inflows into emerging market ETFs, coming at a total of \$1.6bn in the past month.

PPK Pension Reform and Its Impact on the Stock Market

The Polish government finally passed the PPK pension scheme on August 27th, putting an end to a long period of uncertainty. The savings plan in its final form did not change much relative to what was proposed months ago, but as a reminder here are its key features:

Reach: Mandatory participation of individuals between 19 and 55 years of age, optional participation over the age of 55.

Participation: Enrolment by default, opt-out available after three months, next enrolment by default two years after the opt-out, the cycle repeats every two years.

Contributions: Employees pay 2% of the salary with an option to pay up to 4%; employers pay 1.5% of the salary with an option to pay up to 2.5%, the government pays PLN 240 per year (plus initial one-off PLN 250).

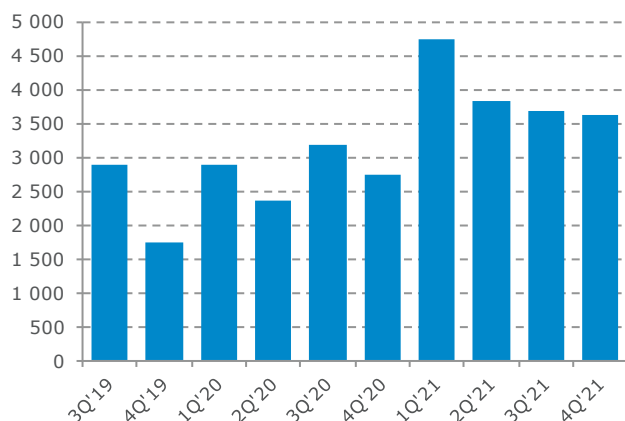
Managers: State-run manager PFR (TFI) in the first two years; later, employers will select the manager; PFR will operate the infrastructure system (information, registration, payments).

Structure of assets: Target-date funds, i.e., the risk profile depends on the age of the insured; investment in stocks, commercial and Treasury bonds.

We have attempted to quantify the fresh capital that the PPK capital plans can inject into the WSE after the program enters into force in mid-2019. We assume the automatic opt-in policy will make for an ultimate participation rate of 70% of the employed population (the initial rate in the first few months can be expected to be 100%), paying 3.5% of their monthly salaries on average into PPK accounts.

The PPK scheme will be phased in, with firms employing 250 or more people (accounting for an estimated 42% of the total workforce, and earning nearly 20% more on average than the average monthly salary in Poland) joining as first. In the six months during 2019 the PPK scheme is in operation, we estimate the contributions from these employees will come up to a total of roughly PLN 4.6bn, of which one-third, or about PLN 1.5bn, potentially going into equities. Using the same approach to calculating the contributions from the groups subsequently joining PPK (i.e. firms with a 50-250 headcount in January 2020, firms with a 49-20 headcount joining in July 2020, and firms with fewer than 20 employees, alongside public sector agencies, signing on in January 2021), the amount of savings that could potentially be moved into the capital market in 2020 might reach PLN 11.2bn, and increase to PLN 15.9bn in 2021, of which PLN 3.7bn and PLN 5.3bn, respectively, pouring into equities.

Projection of quarterly PPK fund flows (PLN m)



Source: Dom Maklerski mBanku

In terms of the power of the extra liquidity to alter the Polish market landscape, in year one of PPK's operation the change will be mostly qualitative and consist in lifting of sentiment and discounting of the future. Beyond 2019, however, the market can look forward to a supply of real money, with the inflow potentially increasing from year to year in line with rising salaries. With that said, how much actual sustenance the PPK program can create for the WSE is contingent on a range of variables, including whether the government will take action through publicity and positive messaging to help curb the withdrawals experienced by Polish investment funds (with ytd net outflows from equity- and absolute-return funds now at PLN 2.9bn).

One new feature of the PPK scheme are quotas placed on equity investments, whereby WIG20 stocks have to account for 50% minimum of the net assets, and no less than 20% has to be allocated to OECD equities. Further, there is a 20% maximum allowance for WIG40 stocks, and the remaining 10% is earmarked for small caps. We assumed the following target PPK portfolio allocation for our purposes: 60% WIG20 stocks, 20% OECD stocks, 13% WIG40 stocks, and 7% other stocks. With this breakdown, the future inflows into equity funds can look something like this:

Projection of PPK inflows into equity funds

(PLN m)	2019P	2020P	2021P
WIG20	917	2,221	3,152
sWIG	107	259	368
mWIG	199	481	683
OECD	306	740	1 051
Total	1,529	3,701	5,254

Source: Dom Maklerski mBanku

Despite the bias in favor of blue chips and foreign stocks, looking at market liquidity, this allocation will have a similar effect on small- and mid-cap valuations as on WIG20 valuations (2020 inflows to mid&small caps / Q2'18 mid&small cap trading volume = 7.1%; 2020 inflows to WIG20 / Q2'18 WIG20 trading volume = 5.9%).

Another factor which will shape the size of the future PPK inflows are privately-owned pension funds (OFEs), which at the moment are required to transfer about PLN 6bn annually of their AUMs to the state pension vehicle ZUS. At this rate, the net positive impact of PPK capital in the initial period will be marginal. We assume the Polish government still wants to finish revamping the pension fund system, most likely using the reforms proposed in 2016 by current PM, Mateusz Morawiecki. Moreover, we assume the cabinet will take measures to restore public confidence in capital markets if it wants the PPK program to be a success.

Under the Morawiecki plan, the reformed OFEs, operating under new investing rules, could expect to stop registering withdrawals in the coming years. As of June 2018, pension fund assets other than Polish equities accounted for 22.6% of net AUM (PLN 35.6bn) compared to 23.5% at the beginning of 2016, when PM Morawiecki unveiled his reform. In this scenario, a factor which would negatively affect the market would be portfolio diversification toward Polish equities only.

Ultimately, the market-changing power of the PPK scheme depends on whether the Polish government's priority is to look after the capital market, or whether its main goal still is to maximize inflows into the national pension scheme. All things considered, the former looks like the more reasonable scenario.

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Sector Strategies

Financials

- A strong economy is fueling the lending volumes of Polish banks, and elsewhere in the CEE it boosts bank profits through interest rate hikes and provisioning reversals. As cost of risk normalizes, this might curb growth for CEE banks in future periods, however the overall prospects for the sector remain bullish.
- In Poland, the measures to help FX borrowers hurt by the 2015 Swiss franc unpegging shock are unexpectedly back on the legislative agenda, and they are on track to being passed in October. When it comes to the implications for rated banks, we anticipate downward revisions to the 2019 expectations of analysts by about 34% in case of Millennium, 12% for PKO BP, and 9% BZ WBK.
- Banks without major CHF loan exposure, i.e. Alior Bank, Pekao, and Bank Handlowy, offer the most upside potential at the moment. ALR and PEO have both underperformed the WIG-BANKS benchmark this year as they were mulling a merger, only to abandon the idea in the end. In case of BHW, the bullish view stems from strong 2018 first-half results, and an expected increase in analysts' estimates.
- Outside of Poland, we have buy calls for Komerční Banka, Erste Bank, and OTP, also trading at attractive ratios ahead of strong Q2 earnings.
- **Key Ratings:** ALR (buy), Erste (buy), MIL (sell).

Chemicals

- The recent performance of chemical stocks in Poland and across the world reflects mounting cost pressures.
- Grupa Azoty released weak 2018 Q2 earnings results which might prompt analysts to cut their 2018 FY EBITDA forecast from the current PLN 1.1bn down to PLN 950m, implying a downward shift in ATT stock toward PLN 30 per share, mitigated by the fact that at the current level the stock already trades at a 10% discount to its average historical EV/EBITDA ratio for the last three years.
- Ciech's 2018 Q2 results will probably show a slowdown, but the Company remains a top sector pick, trading at a 40% discount to 3-year P/E and EV/EBITDA averages, with the discounts to peers ranging from 20% to 50%.
- **Key Ratings:** CIE (buy)

Oil & Gas

- Oil has resumed its climb toward \$80 a barrel, fueled by decreasing US reserves and curbed supply from OPEC since the reinstatement of Iran sanctions. The offer by the US to sell 11 million barrels of oil from the strategic petroleum reserve has reinforced the supply concerns.
- The rising price of crude is starting to put a squeeze on refining margins after an August rebound facilitated by transport bottlenecks in Europe. HSFO cracks are already down, and gasoline margins are sure to follow suit soon as US production hits record highs. For European refiners, a tightening Urals/Brent spread is exerting additional downward pressure.
- Petrochemical producers have seen their profits edge higher in recent weeks, but the upward-trending crude will soon start weighing margins down again ahead of planned capacity additions and amid the ongoing trade war between China and the US.

- Adding to the pressure is the 20% August surge in European prices of natural gas, which is hurting the manufacturing sector at large, but which has bolstered the prospects of E&P firms like MOL, Lotos, and PGNiG, in the latter case additionally boosted by more profitable oil-linked imports (LNG, Russian oil supplies).
- **Key Ratings:** LTS (sell), MOL (buy), PGN (buy), PKN (sell)

Power Utilities

- The price of European Emission Allowances shot up above EUR 21 a tonne in August from EUR 17 registered at the end of July, and with ARA coal contracts moving 8% higher German power contracts for 2019 delivery are currently trading above EUR 50/MWh. Interestingly, the clean-dark spread benchmark for a coal-fired power station is seen to have improved under these conditions.
- Electricity prices in Poland are following the same trajectory, with 2019 supplies currently at PLN 254/MWh. Even more importantly from the point of view of future profits, this is accompanied by expanding spark spreads, which in August increased by PLN 11/MWh for lignite-fired units (YTD +PLN 5/MWh), PLN 14 for new vertically-integrated hard coal-fired units (YTD +PLN 26/MWh), and PLN 12 for existing vertically-integrated coal units (YTD +PLN 14/MWh).
- More good news for Polish generators in August came from the Energy Ministry and its draft capacity market regulation, offering better-than-expected demand and price forecasts which gave cause for cautious optimism as regards the first capacity auction coming this winter.
- Surprisingly, the increasingly bullish prospects have so far been completely ignored by investors, with the WIG-ENERG index underperforming both the WIG broad market benchmark and its EU MSCI counterpart as Polish stocks hit new all-time lows.
- Adding fuel to the August selloff was a rumor floating around the market that generators received orders from the energy ministry to refrain from asking for adjustments to household electricity rates in line with the rising prices. These claims have no basis in the truth in our view, and we would like to bring your attention to a recent interview with the Head of Poland's Energy Regulatory Office, who said rises in utility bills are inevitable and should start to be implemented soon, rather than exposing consumers to a much more painful shock later. Note also that some generators have already started to adjust their non-regulated household rates to avoid potential losses in the hundreds of millions of zlotys.
- At the same time, margins on electricity sales to commercial consumers can be expected to increase as well going forward thanks to reduced competitive pressures from struggling alternative suppliers.
- Polish utilities are currently trading below 3.5x EV/EBITDA even as their free cash flows are about to turn positive.
- **Key Ratings:** CEZ (sell), ENA (buy), ENG (buy), PGE (buy), TPE (buy)

Telecoms, Media, IT

- Play is the only major mobile-only telecom in Poland standing now that all its key rivals have acquired access to fixed-line infrastructure, and we believe it will have to break its commitment to the old strategy soon if it wants to compete against its convergent rivals.
- 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).
- 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 an 0.2% decline in August, and it is up 1.1% year to date versus corresponding shifts in the broad WIG index of +1.4% and -4.8%. As a result, Polish tech stocks continue to trade at a discount (currently at ca. 12pp) to MSCI IT EU. At 15.5x 12M fwd P/E, Polish stocks are currently trading 1.0% above the average ratio for the last three years.
- Only two of the seven rated IT stocks posted gains in August, with the highest returns provided by ALL (+11.6%) and ACP (+2.8%).
- When it comes to second-quarter earnings, the three rated companies to have reported so far have delivered positive surprises, creating hope for improved sentiment and further gains in the WIG-Info index in September.
- Key Ratings & Positioning:** ACP (accumulate), OPL (buy), AGO (buy), WPL (accumulate), CMR (accumulate), ATD (overweight), ASE (overweight).

Industrials

- As predicted, industrial stocks in Poland have reversed their downward trend since the start of the 2018 second-quarter earnings season, with 71% of rated companies so far delivering improvement over the prior year period as well as reporting figures ahead of our expectations. The biggest positive surprises came from Alumetal, Apator, Cognor, Forte, and Grupa Kęty, and of the releases still to come we anticipate the strongest showings from Famur and Kernel.
- As costs of utilities and fuel continue to rise, with agreements for 2018 supplies already secured in most cases, the industry faces much more intense cost pressures in 2019.
- On the other hand, a weak zloty continues to have a positive effect on the sector with more and more companies adjusting their sales prices higher (producer prices in Poland have been rising at the fastest rate since 2016).
- When it comes to our top picks for September, Amica (AMC) delivered improvement in Q2 core earnings, but it currently trades at double-digit discounts to other appliance makers as well as being valued at a 40% discount to its own historical P/E and EV/EBITDA ratios.
- Further, Famur (FMF) is expected to report a strong rebound in Q2 profits, and in future quarters it stands to benefit from rising prices of mining equipment. Famur paid

an over- 7% dividend yield in 2018, and in 2019 it should be able to offer as much.

- Forte (FTE) is set to deliver improved results for Q2, and its future outlook looks brighter, as reflected in the Ifo expectations index for the furniture industry, which is currently heading . At the current level, FTE is trading at 20-26% discounts to its 3-year P/E and EV/EBITDA ratios (see chart on page 11).
- Last but not least, Kernel (KER) is set to embark on a long-term growth trajectory after a likely Q2 rebound.
- Pozbud remains the top pick among smaller caps.
- Key Ratings And Positioning:** AMC (overweight), FMF (buy), FTE (overweight), KRS (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 fourth consecutive month in July, while the copper stock in registered warehouses continues to tighten (it is also worth noting increasing car registrations in China, which is also 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 which fell to their lowest level in August. Open positions of active financial investors on COMEX at -30,000 are the lowest since 2016.
- BHP managed to avert a strike at its Escondida mine in Chile, but at the moment three smaller mines (Andida, with annual capacity for 200kt, Las Bambas with 380kt, and Antucoya with 80kt) are experiencing production curbs.
- Prices of steel shifted downward at the end of August under pressure from US-China trade tensions, after earlier rises driven by high global demand from infrastructure projects.
- Chinese coking prices increased in the second half of August on new of planned environmental inspections at coking plants in the Shanxi province which accounts for one-fifth of the country's total production.
- Prices of steel scrap fell 9% in August in the wake of tensions between the US, the world's biggest exporter, and Turkey, the biggest importer. This pushed the sales profits earned by rebar producers 30% higher in August, to the highest level in many years. Poland's Cognor, which produces locally and exports most of its rebars in the EU, is a beneficiary of this.
- As far as coal, China resumed regular orders for coking coal from April, with July imports up 35.8% year on year at 7.44mmt.
- In Poland, the mining sector continues to experience rising pay pressures this year, which may affect profits.
- Key Ratings:** KGH (buy), JSW (buy)

Construction

- Not much cause for optimism in the industry as costs continue to rise, with prices of asphalt soaring 18% during Q2, while crude oil gained 9% and the prices of concrete moved up by a further 5%.
- In terms of second-quarter earnings, we have seen negative surprises so far from most of rated builders, with Budimex reporting 40% shrinkage in net profit relative to the comparable year-ago period, and net losses registered by Erbud (PLN 34m), Polimex-Mostostal (PLN 20m), and Torpol (PLN 2m). ZUE ended the quarter in the black to the tune of PLN 3m, but this is a result well below the Company's potential.
- Aside from cost overruns in existing projects, road builders at the moment are struggling with a dearth of new orders, with not one major project put up for tender since mid-June.
- At the same time, railway builders are finding that their bids on recent assignments run on average 50% over budget, resulting in the cancellation of over PLN 2.5bn-worth of potential bookings. Consequently, the backlogs of ZUE, Trakcja, and Torpol feature very few jobs with potential to turn a profit.
- Against this backdrop, the only two companies still with positive investment calls from us are the residential builders Unibep and Erbud. Erbud's preliminary 2018 Q2 earnings proved worse than anticipated by us and by other analysts, who are currently discounting a sustained drop in the Company's future profit margins by about 50% relative to the historical 15-year average. We think this is an overly pessimistic take, with residential builders poised for a rebound next year after this year's slowdown while infrastructure firms still have the worst ahead of them.
- **Key Ratings and Positioning:** UNI (buy), ERB (buy), TRK (underweight)

Property Developers

- Residential developers for the most part reported 2018 Q2 results in line with expectations, registering slightly softer profit margins on fast-growing sales. The aggregate net profit of DOM, I2D, LKD, and RON was 89% higher in the period than in the same period last year. Of the releases still to come, we think LCC and 1AT might surprise on the upside.
- After a 15% drop in share price in the course of the past month (-26% ytd), Atal is currently trading at 6.9x 2018E P/E, and 1.6 P/B, offering 2019E dividend yield of 14%. At these levels, which can be considered attractive for a market leader and potential industry consolidator, 1AT is trading at a 20% discount to rival DOM.
- The commercial developer Echo Investment has raked in over PLN 500m so far after selling its third office building this year in August, raising expectations for a special dividend which could come up to a combined total of PLN 1.1 per share.
- In the Archicom vs. Lokum Developer trading pair of Wrocław-based homebuilders, the former is currently trading at a 25% discount to the latter's price-to-book ratio while offering about 30% more by way of 2019E dividend yield.
- Polnord shares have been on an upward trajectory for the last two weeks for which we can find no good explanation.
- **Key Ratings and Positioning:** 1AT (buy), LCC (buy), ECH (buy), ARH (overweight), PND (underweight)

Retail

- The US dollar strengthened against the zloty in June and July, driving up the buying costs of 2018 autumn/winter collections of fashion retailers.
- At CCC, sales growth in Q3 2018 continues to be under pressure from negative base effects..
- AmRest continues its M&A shopping spree, 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 is expected to continue growing lfl sales in the second half of 2018.
- Vistula and Bytom have been given green light to merge, but they still need approvals from the financial regulator and their respective shareholders. The BTM/VST swap ratio is 0.65 at today's prices, landing about 10% below the ratio set in the merger agreement. The tie-up is a value-enhancing exercise for both companies, but Bytom stands to gain more on the deal in terms of future performance.
- **Key Ratings and Positioning:** CCC (buy), EUR (buy), JMT (buy), LPP (accumulate), TXM (buy), BTM (overweight), VST (overweight).



mBank Sentiment Watch (next 30 days, by sector)

Sector		Poland	US	Germany
	SENTIMENT	BULLISH	BULLISH	NEUTRAL
	Stocks To Own	ALR, EBS.AV, PEO	BAC US, JPM US	
	Stocks To Avoid	MIL		
Banks	Key Catalysts	Strong retail loan origination volumes		Weak earnings already priced, M&A speculation could provide upside
	SENTIMENT	BEARISH		
	Stocks To Own	ERB, UNI		
	Stocks To Avoid	TRK		
Construction	Key Catalysts	Cost pressures, disappointing earnings		
	SENTIMENT	NEUTRAL		NEUTRAL
	Stocks To Own	CIE		EVK GY
	Stocks To Avoid			1COV GY
Chemicals	Key Catalysts	Rising costs of energy		Little chance of positive surprises in Q3 judging by Q2 results
	SENTIMENT	NEUTRAL	BEARISH	
	Stocks To Own	1AT, ARH, DOM, ECH, LCC, LKD		
	Stocks To Avoid	PND, JWC	WELL US	
Real-Estate Developers	Key Catalysts	Rising home prices, increasing building costs		
	SENTIMENT	NEUTRAL	BEARISH	
	Stocks To Own	ENA, ENG, PGE, TPE		
	Stocks To Avoid	CEZ		
Utilities	Key Catalysts	Widening clean-dark spread, capacity auctions		
	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	BTM, CCC, EUR, JMT, LPP, VST	CVS US, LULU US	ZAL GY, SAE GY, DHER GR
	Stocks To Avoid	EAT		FIE GY, GWI1 GY
Retail, Consumer Discretionary	Key Catalysts	Faster LFL growth, merger (BTM & VST)		Strong consumer spending
	SENTIMENT	BULLISH	BULLISH	
	Stocks To Own	MOL, PGN	HAL US	
	Stocks To Avoid	LTS, PKN		
Oil & Gas, Refining	Key Catalysts	Higher prices of oil & gas, consensus revisions		
	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	AMC, FMF, FTE, KER, POZ	CAT US, URI US	AAG GY, TRELB SS, ASL GY, TUI GY, JUN3 GY
	Stocks To Avoid	KSW		G1A GY, KRN GY
Industrials	Key Catalysts	Improving profits		Improving profits
	SENTIMENT	BULLISH	NEUTRAL	
	Stocks To Own	JSW, KGH		
	Stocks To Avoid			
Mining	Key Catalysts	Rebound in metal prices		
	SENTIMENT			BEARISH
	Stocks To Own		GM US	UG FP
	Stocks To Avoid		TSLA US	DAI GY
Automotive	Key Catalysts			Trade tariffs, aftermath of 'dieselgate'
	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	ACP, ABS, ASE, ATD, CMR	WP US, GOOGL US	WDI GY, PSM GY, SJJ GY
	Stocks To Avoid			AIXA GY
Tech, Media	Key Catalysts	Improved Q2 profits (IT)		Improving profits
	SENTIMENT	NEUTRAL	BEARISH	NEUTRAL
	Stocks To Own	OPL, CPS	T US	
	Stocks To Avoid		CMCSA US	
Telecoms	Key Catalysts			

Macroeconomic Update

Q2 GDP Update

According to the flash estimate, Q2 GDP rose by 5.1% y/y, roughly in line with market consensus and below our optimistic forecast of 5.4% y/y. On a sequential basis, GDP decelerated from 1.6 to 0.9% q/q, but its pace remained brisk. When it comes to drivers, household consumption is unlikely to be the cause of the surprise – historically, the Easter effects that weighed so heavily on Q2 retail sales did not impact overall household spending. Hence we continue to see 4.8% growth in this category. Second, investment spending likely accelerated a bit vis-à-vis the first quarter (our forecast: ~9% y/y). Third, the highly residual categories should be seen as a prime suspect, most of all inventories which remain painfully difficult to estimate on the basis of monthly data. The contribution of net exports seems to have increased substantially in Q2 according to balance-of-trade data, and inflation for the quarter was reaffirmed at 2.0% in the final reading.

Industrial Production

Industrial output rose by 10.3% y/y in July (market consensus 9.6%, our forecast 11.5% y/y). The sizable acceleration vis-à-vis the previous month's reading is a result of favorable calendar (working day count rose from 0 to +1 y/y) and low base – the latter factor's estimated impact is ca. 1.5 percentage points. Adjusted for calendar and seasonal effects, industrial output was unchanged on a monthly basis. The momentum simply wasn't there. Furthermore, industrial production continues to be boosted by strong energy output driven by high temperatures – in July it rose by 15.9% y/y. In all likelihood, July marked peak IP growth in annual terms. In the coming months, calendar and base effects will drive it lower and lower. From the fundamental side, the looming downtrend in industrial output growth can be associated with weaker demand from Western European trading partners and stabilization of domestic demand – construction output will at best stabilize in y/y terms.

Construction sector grew 18.7% y/y in July, below market consensus (22.3%), but close to our forecast (19.6%). On a monthly basis, after seasonal adjustment, it contracted by 1%, thus ending two-months period of solid growth (ca 2.5% m/m). However, two factors are here mainly to blame. Firstly, statistical base after a stellar release last July (ca. 5 pp.) and secondly election calendar. Incoming local government elections boosted previous releases, leaving a hole afterwards. This could be inhibiting growth in the next few months. We still need to remember that growth in the next months could be retracted also by bottlenecks – labor shortages and failed tenders for public investment (due to unrealistically low prices).

Jobs

Employment in the enterprise sector rose in July by 3.5%, a tad lower than market consensus and our forecast. On a monthly basis exactly 9k jobs were created, same result as two years ago. It was clear that last year stellar result (growth by more than 20k, an all-time high) will be difficult to repeat, however this release did not live up to temperate expectations. It missed an even lower result (3.4%) by a margin of 1.5k jobs. Our best guess as to the reasons is that momentum in manufacturing could have weakened even more, while last month's surprising growth in sectors like retail and transportation could have been even reversed. Note also that last year's growth was boosted by a section (administrative and supporting services) which is stagnant this year. General picture remains unchanged. Lack of skilled workers and lower influx of migrants from Ukraine will be prolonging time to fill vacancies, thus dampening employment growth in the following months.

In July average gross wage decelerated from 7.5% to 7.2% y/y, below market consensus and our forecast (7.6 and 8.0, respectively). Our forecast assumed that almost all key sectors saw their wage growth perk up, while mining wage growth remained high after a few months of strong readings. If the latter behaved differently (i.e. swung into negative territory in y/y terms), it would explain most of the surprise. Taking a broader look, one should note that wage growth stabilized (in nominal terms) around 7% y/y. In the coming months real wage growth will be supported by falling inflation, while the decline should also keep inflation expectations and wage demands in check. Solid wage and wage bill growth (the latter is still rising by 11% nominally and 9% in real terms) continue to underpin fast consumption growth. As we have insisted for many months, household consumption will not slow down measurably in the second half of this year.

Retail Sales

Retail sales growth amounted to 9.3% y/y in July, a bit off the official consensus (9.7%) and a bit more off our forecast (10%). The disappointment is small, though, as the downside surprise in food sales (and hypermarket sales) was balanced by higher growth of auto sales (>10% y/y). Overall, core retail sales stayed unchanged, supporting expectations of high consumption growth in the quarters to come. Strong labor market, rising consumer sentiment and low leverage are still the same arguments in favor of such development.

Digging a bit more, food retail sales drop coincided with the same behavior in hypermarket sales. It seems the driver is the same (yet unknown). It is tempting to blame trade-free Sundays as GUS monitors only entities with staff exceeding 9 persons but it is rather unlikely that the lost sales went under the radar in small local stores given the widespread stories of their worsening condition and the fact that the "other" category (including hypermarkets dealing with building materials) behaved rather in a normal way (and those entities were also closed on trade free Sundays). It is more likely than not that surprising drop in food-related retail sales in only an outlier, carries no additional information and will be made up in August. We'll see. As written, strong car sales even more than offset the described surprise elsewhere. It seems a better gauge of consumer sentiment. What is more, due to European car norm changes starting from September, we may see retail sales of cars to be artificially pumped up in August since car dealer are forced to buy cars complying with older norms themselves, register them and then re-sell. Dealerships are usually employment more than 9 people and such sales will be registered by GUS.

Government Budget

The central government budget was PLN 10.3bn in deficit at the end of July after a PLN 9.5bn surplus still recorded in June, a record July gap looking at historical statistics which at most hovered around PLN 4bn. What tipped the public accounts into the red was a sharp rise in expenditure, up a staggering PLN 7.6bn over the year-ago level, with cost of debt accounting for PLN 4.8bn of the growth, and the remaining growth driven for the most part by Poland's increased contribution to EU-funded projects. The reason behind the sudden surge in cost of debt is not immediately apparent to us, but we are guessing it was a matter of accounting shifts. Alongside higher expenditures, government revenue in July proved only 0.8% higher than in the corresponding month in 2017 after months of registering much stronger increases. The reason were lower VAT receipts, down about 7% on the year, offset by higher revenues from other forms of tax. The drop-off in government revenues from VAT payers is actually quite

puzzling given current strong economic growth in Poland. It might represent a temporary aftereffect of the introduction of the split payment mechanism. On the whole, however, the government has probably already picked all the lowest-hanging fruit that developed from its tax avoidance crackdown at this point, a fact which should be taken into account when forecasting next year's budget. This year's deficit as a percentage of GDP will probably be the lowest in history, but the outlook for the next two years is much more uncertain.

mBank Research

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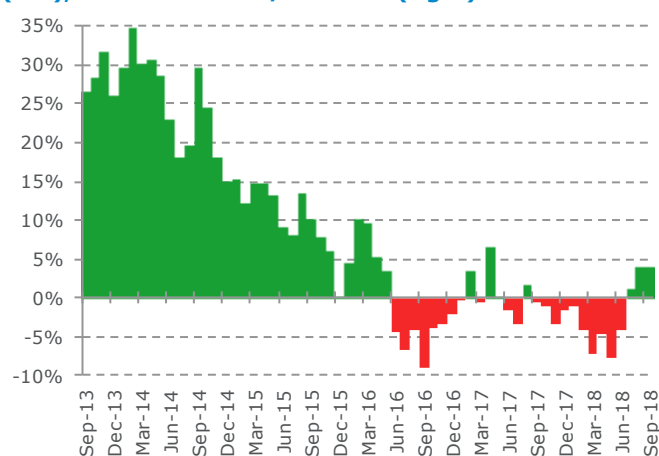
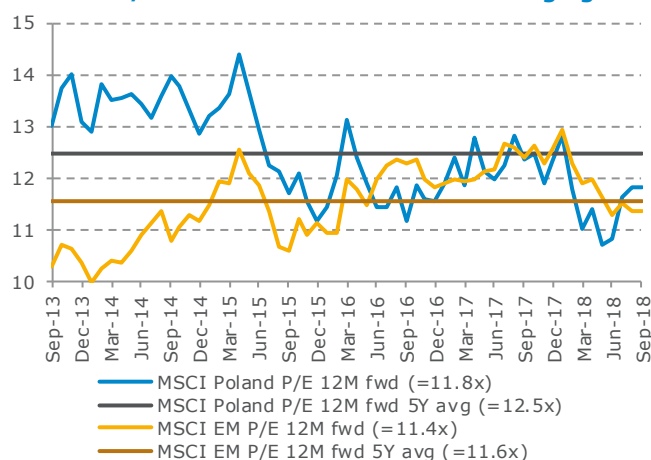
Revisions To FY2018 Earnings Forecasts For WIG30 Companies

Aug-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
Sep-17	+2%	-0%	+1%	+0%	+2%	+4%	+1%	-7%	+1%	-2%	-2%	+0%	-2%	+19%	+6%	+1%
Oct-17	+1%	-1%	+0%	+0%	+2%	+4%	+4%	-7%	+2%	-2%	-7%	+0%	+19%	+19%	+7%	+1%
Nov-17	+1%	-6%	+0%	-2%	+2%	+1%	+4%	-9%	+5%	-11%	-11%	+0%	+22%	+19%	+9%	-25%
Dec-17	-1%	-4%	+1%	-2%	+1%	+1%	+1%	-9%	+4%	+2%	-11%	+8%	+10%	+9%	+3%	-16%
Jan-18	-0%	+6%	+2%	-3%	+2%	+3%	+0%	-14%	+5%	-6%	-12%	+63%	-1%	-3%	+5%	+110%
Feb-18	+1%	+4%	+1%	-3%	+2%	+4%	+2%	-18%	+4%	-11%	-11%	+63%	-7%	-3%	+19%	+110%
Mar-18	+1%	+1%	+0%	-3%	+4%	+3%	-0%	-15%	+2%	-20%	-11%	+66%	-7%	-3%	+16%	+69%
Apr-18	+1%	+1%	+0%	-3%	+1%	+3%	+0%	-15%	+2%	-20%	-12%	+66%	-8%	-3%	+19%	+70%
May-18	-0%	+2%	-0%	-3%	+2%	+3%	-0%	-12%	+0%	-20%	-14%	+66%	-17%	-31%	+12%	+73%
Jun-18	-1%	+3%	-1%	-3%	+2%	+13%	-1%	-12%	-4%	-19%	-14%	+49%	-17%	-31%	+13%	+70%
Jul-18	-2%	+1%	-1%	-5%	+1%	+13%	+1%	-12%	-6%	-19%	-21%	+49%	-36%	-29%	+8%	+61%
Aug-18	-3%	+4%	-1%	-5%	+1%	+35%	+0%	-18%	-5%	-19%	-24%	+50%	-33%	-48%	+2%	+58%

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.

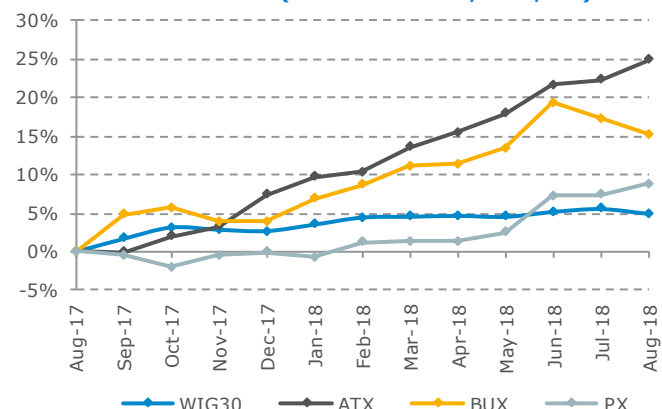
The surge in the estimates vs. consensus gap for Commodities/TMT stems from the inclusion of JSW/Play, initiated in January 2018.

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



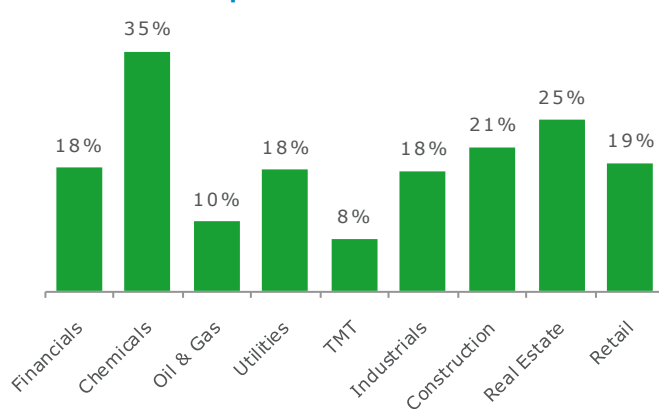
Source: Bloomberg, Dom Maklerski mBanku

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



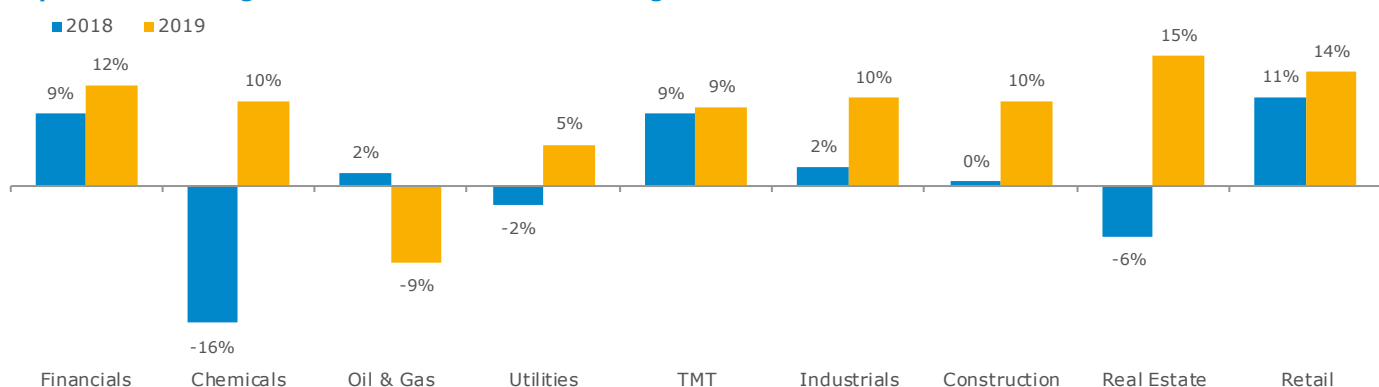
Source: Bloomberg, Dom Maklerski mBanku

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	2	1	89.12	+22.3%	+21%	+20%	-				13/-
BZ WBK	accumulate	430.00	12	3	1	399.86	+7.5%	+7%	+11%	+12%				14/-
Getin Noble Bank	hold	1.40	1	4	5	1.20	+17.0%	+756%	-11%	+38%				8/-
Handlowy	buy	94.00	8	4	0	80.28	+17.1%	-3%	+10%	-				11/-
ING BSK	accumulate	212.00	5	5	4	202.63	+4.6%	-1%	-2%	+0%				12/-
Millennium	sell	7.00	4	6	3	8.68	-19.4%	-4%	-9%	-				10/-
Pekao	buy	157.00	17	4	0	140.46	+11.8%	-2%	+3%	-				18/-
PKO BP	hold	38.00	5	14	3	40.06	-5.1%	-7%	+1%	-				17/-
Komercni Banka	buy	1,111.0	11	6	0	1,053.2	+5.5%	+10%	+26%	-				13/-
Erste Bank	buy	43.00	18	6	1	42.68	+0.7%	+6%	+0%	-1%				15/-
OTP Bank	buy	12,090	12	2	3	11,600	+4.2%	-7%	-0%	-				13/-
PZU	accumulate	47.50	8	3	0	47.31	+0.4%	+3%	+5%	+4%				7/-
Kruk	buy	300.94	5	2	1	252.50	+19.2%	+4%	+8%	+6%				7/-
Prime Car Management	suspended	-	0	1	0	33.00	-	-	-	-				1/-
Chemicals														
Ciech	buy	82.52	7	2	1	68.68	+20.1%	+6%	+17%	+20%	+7%	+11%	+10%	8/7
Grupa Azoty	hold	41.13	4	4	3	49.14	-16.3%	-27%	-33%	-37%	-12%	-10%	-13%	7/7
Oil & Gas														
Lotos	sell	57.21	6	6	2	67.13	-14.8%	+11%	-30%	-37%	+14%	-10%	-5%	10/11
MOL	buy	3,296.0	9	3	0	3,225.6	+2.2%	+3%	-24%	-25%	+9%	-5%	-4%	9/10
PGNiG	buy	7.86	8	2	1	6.82	+15.3%	+17%	+33%	+35%	+13%	+21%	+23%	8/7
PKN Orlen	sell	81.38	4	8	8	95.88	-15.1%	+5%	-37%	-35%	+6%	-24%	-19%	15/14
Utilities														
CEZ	sell	440.96	4	6	7	529.72	-16.8%	+8%	+6%	-1%	+0%	-2%	-1%	12/13
Enea	buy	12.62	8	1	1	11.34	+11.3%	+1%	+7%	-16%	+2%	+5%	-6%	5/4
Energa	buy	15.27	5	4	0	11.44	+33.5%	+10%	+7%	-4%	+2%	+3%	-1%	6/5
PGE	buy	13.60	7	4	2	11.55	+17.7%	+13%	+10%	+2%	+3%	+4%	+2%	9/8
Tauron	buy	2.77	4	7	1	2.43	+13.9%	-27%	-2%	-9%	-0%	+1%	-3%	7/6
TMT														
Netia	reduce	4.30	2	4	2	4.99	-13.9%	-25%	-32%	-36%	-1%	-7%	-8%	4/5
Orange Polska	buy	7.60	10	3	5	5.57	+36.5%	-	+359%	+211%	+9%	+9%	+10%	10/15
Play	hold	22.60	7	6	1	26.35	-14.2%	+7%	-10%	-16%	+0%	-4%	-5%	12/14
Agora	buy	18.40	3	2	0	13.33	+38.0%	-	+52%	+29%	+27%	+9%	+6%	3/3
Cyfrowy Polsat	accumulate	24.90	8	6	0	27.49	-9.4%	-6%	+0%	+4%	-1%	-1%	-2%	11/10
Wirtualna Polska	accumulate	60.00	5	2	0	57.87	+3.7%	+11%	+9%	+8%	+0%	-0%	+0%	2/1
Asseco Poland	accumulate	49.00	3	7	0	44.77	+9.5%	-12%	-13%	-17%	-5%	-0%	-0%	6/6
Asseco BS	neutral	-	2	1	0	30.45	-	+3%	+5%	+5%	+1%	+1%	-0%	3/3
Asseco SEE	overweight	-	3	0	0	15.40	-	+2%	+0%	-1%	+0%	-2%	-6%	5/4
Wasko	neutral	-	1	1	0	-	-	+0%	+0%	-0%	+0%	+0%	-0%	1/1
CD Projekt	sell	90.80	6	3	2	178.18	-49.0%	+28%	+12%	-32%	+30%	-5%	-44%	8/6
Comarch	accumulate	166.50	4	2	1	169.77	-1.9%	-2%	+2%	+3%	-7%	-2%	-3%	5/5
Industrials														
Alumetal	neutral	-	2	4	0	53.86	-	+1%	-6%	-	+4%	-1%	-	4/4
Amica	overweight	-	4	0	0	137.00	-	+7%	+12%	-	+3%	+5%	-	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	5	0	0	6.68	-1.8%	+5%	-1%	+4%	+1%	-9%	-10%	5/5
Forte	overweight	-	4	3	1	55.56	-	-27%	-29%	-	-6%	-11%	-	6/5
Kemel	buy	59.18	7	1	0	64.36	-8.0%	-14%	+5%	+12%	-1%	+6%	+8%	5/5
Grupa Kęty	hold	367.45	6	5	1	376.79	-2.5%	+3%	+5%	+2%	-1%	-0%	-1%	7/8
Pfleiderer Group	overweight	-	7	0	1	44.94	-	-7%	-9%	-	-5%	-4%	-	5/4
JSW	buy	98.00	5	6	3	95.16	+3.0%	+5%	+17%	-14%	+4%	+11%	-0%	10/9
KGHM	buy	104.21	6	5	7	99.06	+5.2%	-3%	+5%	+7%	-9%	-3%	-0%	12/11
Construction														
Budimex	hold	125.00	1	4	4	151.47	-17.5%	-10%	-9%	+2%	-9%	-10%	-0%	7/6
Elektrobudowa	hold	71.00	2	3	1	74.37	-4.5%	-25%	-17%	-2%	-16%	-10%	+0%	4/4
Erbud	buy	14.40	3	1	1	21.50	-33.0%	-	-57%	-	-	-24%	-8%	2/2
Unibep	buy	10.10	3	1	0	10.72	-5.8%	-4%	+31%	+27%	-5%	+1%	+0%	3/3
Torpol	neutral	-	1	1	1	16.04	-	-70%	-48%	-39%	-39%	-27%	-23%	3/2
Trakcja	underweight	-	2	2	3	6.42	-	+55%	-39%	-12%	+3%	-11%	-3%	2/2
Real Estate														
Atal	buy	42.86	4	2	0	42.39	+1.1%	+3%	+4%	+1%	+2%	+1%	-0%	5/5
Capital Park	buy	8.35	2	0	0	-	-	-0%	+0%	+0%	+0%	-0%	+0%	1/1
Dom Development	buy	87.80	7	3	0	87.78	+0.0%	+4%	+5%	+10%	+6%	+3%	+13%	9/7
Echo	buy	5.63	6	2	0	5.59	+0.7%	+15%	+16%	+3%	+21%	+17%	+0%	5/4
GTC	hold	9.60	8	3	1	10.63	-9.6%	-12%	+7%	+6%	-13%	-2%	+0%	3/5
LC Corp	buy	3.58	4	0	0	3.46	+3.5%	+9%	+9%	+10%	+2%	+2%	+7%	2/2
Polnord	underweight	-	0	1	1	9.50	-	-81%	-	-31%	-60%	-92%	-28%	2/2
Ronson	neutral	-	1	2	1	1.50	-	-25%	-15%	+19%	-21%	-13%	+3%	3/2
Retail														
AmRest	hold	426.00	6	3	2	495.28	-14.0%	-19%	-25%	-25%	-6%	-6%	-7%	10/7
CCC	buy	295.00	7	7	1	261.36	+12.9%	-4%	+17%	+25%	-5%	+3%	+9%	11/11
Dino	hold	103.50	7	8	1	108.52	-4.6%	+4%	+6%	+3%	+1%	+1%	-1%	12/12
Eurocash	buy	30.70	10	10	1	25.98	+18.2%	+3%	-0%	+16%	+2%	-3%	-2%	13/10
Jeronimo Martins	buy	15.20	12	11	2	15.35	-1.0%	-6%	+3%	+0%	-3%	+3%	+2%	18/18
LPP	accumulate	10,200	1	5	11	8,506.2	+19.9%	+8%	+17%	+21%	+6%	+11%	+14%	12/12
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	-	4	1	1	4.81	-	+6%	+7%	+0%	+4%	+5%	+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						+18.2%	13.2	10.6		
Alior Bank	buy	2018-02-01	85.50	109.00	68.05	+60.2%	9.3	7.8		
BZ WBK	accumulate	2018-09-03	376.00	430.00	376.00	+14.4%	14.8	12.2		
Getin Noble Bank	hold	2018-05-09	1.17	1.40	0.75	+86.7%	15.1	5.6		
Handlowy	buy	2018-04-06	77.50	94.00	68.00	+38.2%	14.1	11.6		
ING BSK	accumulate	2018-08-02	190.00	212.00	180.00	+17.8%	14.9	13.1		
Millennium	sell	2018-08-02	9.12	7.00	8.98	-22.0%	15.1	13.7		
Pekao	buy	2018-02-01	135.90	157.00	116.85	+34.4%	14.0	11.6		
PKO BP	hold	2018-04-06	39.74	38.00	42.20	-10.0%	15.9	13.3		
Komerční Banka	buy	2017-12-01	899.00	1,111 CZK	924.50	+20.2%	11.8	10.1		
Erste Bank	buy	2018-08-02	37.14	43.00 EUR	34.27	+25.5%	9.8	9.8		
OTP Bank	buy	2018-06-06	10,210	12,090 HUF	10,360	+16.7%	10.5	9.7		
PZU	accumulate	2018-08-02	42.00	47.50	44.66	+6.4%	12.4	11.1		
Kruk	buy	2018-02-02	222.20	300.94	207.00	+45.4%	11.0	9.3		
Prime Car Management	suspended	2018-08-23	7.96	-	6.02	-	-	-		
Skarbiec Holding	buy	2018-08-31	25.30	36.86	24.50	+50.4%	7.6	7.2		
Chemicals						+35.2%	8.2	7.8	5.8	5.7
Ciech	buy	2018-08-02	56.95	82.52	52.60	+56.9%	8.2	7.8	5.4	5.1
Grupa Azoty	hold	2018-09-03	38.00	41.13	38.00	+8.2%	16.8	15.2	5.8	5.8
Polwax	buy	2018-05-09	7.80	16.69	7.30	+128.6%	4.9	3.6	6.4	5.7
Oil & Gas						+10.4%	8.5	11.9	4.6	5.4
Lotos	sell	2018-09-03	69.90	57.21	69.90	-18.2%	9.8	13.8	5.4	6.6
MOL	buy	2018-09-03	2,870	3,296 HUF	2,870	+14.8%	8.2	10.1	3.7	4.1
PGNiG	buy	2018-09-03	5.82	7.86	5.82	+35.1%	8.1	6.8	3.8	3.1
PKN Orlen	sell	2018-09-03	98.24	81.38	98.24	-17.2%	8.8	14.6	5.5	7.7
Power Utilities						+17.3%	4.2	4.3	3.8	3.3
CEZ	sell	2018-07-04	550.00	440.96 CZK	563.00	-21.7%	21.3	19.8	8.5	8.4
Enea	buy	2018-05-29	9.57	12.62	8.54	+47.8%	4.1	3.2	3.8	3.3
Energa	buy	2018-09-03	8.40	15.27	8.40	+81.8%	4.2	4.3	3.4	3.3
PGE	buy	2018-05-29	9.28	13.60	9.00	+51.1%	5.5	5.4	3.5	3.3
Tauron	buy	2018-09-03	2.00	2.77	2.00	+38.5%	3.8	3.2	3.8	4.2
Telecoms, Media, IT						+7.8%	21.2	16.3	7.0	6.1
Netia	reduce	2018-06-06	5.00	4.30	4.44	-3.2%	40.4	48.8	5.3	5.6
Orange Polska	buy	2018-04-06	5.83	7.60	4.86	+56.4%	21.3	11.7	4.3	3.9
Play	hold	2018-08-30	21.90	22.60	21.70	+4.1%	6.9	7.8	5.6	5.6
Agora	buy	2018-04-06	14.50	18.40	10.60	+73.6%	20.1	21.8	3.6	3.7
Cyfrowy Polsat	accumulate	2018-06-15	22.76	24.90	22.48	+10.8%	13.1	11.1	7.0	6.1
Wirtualna Polska	accumulate	2018-09-03	57.00	60.00	57.00	+5.3%	22.3	19.1	12.0	10.1
Asseco Poland	accumulate	2018-09-03	45.90	49.00	45.90	+6.8%	15.6	16.3	8.8	8.3
CD Projekt	sell	2018-04-06	114.90	90.80	206.00	-55.9%	99.2	29.8	78.7	23.2
Comarch	accumulate	2018-05-09	145.00	166.50	147.50	+12.9%	21.2	15.6	8.4	7.3
Industrials, Mining						+17.8%	14.6	7.2	7.1	5.1
Famur	buy	2018-08-02	5.20	6.56	5.74	+14.3%	18.0	14.3	7.8	7.1
Grupa Kęty	hold	2018-09-03	387.50	367.45	387.50	-5.2%	14.1	13.4	9.6	9.0
JSW	buy	2018-09-03	77.00	98.00	77.00	+27.3%	4.6	6.1	2.4	2.7
Kemel	buy	2018-07-23	50.50	59.18	49.45	+19.7%	15.1	6.9	6.7	5.1
KGHM	buy	2018-09-03	90.80	104.21	90.80	+14.8%	7.7	6.0	4.5	3.4
Stelmet	buy	2018-09-03	11.35	20.45	11.35	+80.2%	21.6	7.4	7.5	5.1
Construction						+21.2%	10.1	10.2	3.9	3.9
Budimex	hold	2018-08-02	122.60	125.00	114.00	+9.6%	11.8	13.3	4.1	5.1
Elektrobudowa	hold	2018-06-06	69.00	71.00	50.40	+40.9%	10.1	9.9	3.4	3.4
Erbud	buy	2018-09-03	9.60	14.40	9.60	+50.0%	-	10.4	-	4.4
Unibep	buy	2018-04-06	7.50	10.10	5.26	+92.0%	6.0	5.2	3.9	3.1
Property Developers						+25.2%	7.3	7.7	7.3	7.2
Atal	buy	2018-07-04	36.40	42.86	34.00	+26.1%	6.9	7.3	6.3	6.8
Capital Park	buy	2018-04-06	5.95	8.35	4.94	+69.0%	9.8	8.2	17.2	16.5
Dom Development	buy	2018-08-02	72.80	87.80	73.80	+19.0%	7.7	8.1	6.2	6.8
Echo	buy	2018-04-06	5.23	5.63	4.54	+24.0%	6.2	5.7	7.2	7.4
GTC	hold	2018-04-06	9.39	9.60	8.92	+7.6%	10.7	9.3	14.9	14.0
LC Corp	buy	2018-06-22	2.39	3.58	2.25	+59.1%	5.4	5.0	7.4	7.0
Retail						+18.8%	27.0	16.9	14.2	11.2
AmRest	hold	2018-09-03	406.00	426.00	406.00	+4.9%	42.8	33.6	14.2	11.4
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	91.30	+13.4%	28.0	21.0	17.5	13.5
Eurocash	buy	2018-04-06	24.41	30.70	20.36	+50.8%	21.4	16.5	6.9	5.9
Jeronimo Martins	buy	2018-08-02	12.65	15.20 EUR	12.91	+17.8%	20.4	16.9	8.7	7.5
LPP	accumulate	2018-06-18	9,025	10,200	9,205	+10.8%	25.9	21.2	14.1	11.7
TXM	buy	2018-07-04	1.28	3.48	1.35	+157.8%	-	4.5	18.1	4.3
Other						+24.2%	9.0	8.2	6.0	5.5
PBKM	hold	2018-06-06	73.00	76.26	61.40	+24.2%	9.0	8.2	6.0	5.5

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2018	2019	2018	2019
Industrials						14.2	9.7	5.4	5.1
Ailleron	neutral	2018-03-28	16.20	14.70	-9.3%	17.5	15.2	8.0	6.5
Asseco BS	neutral	2018-03-28	28.00	26.10	-6.8%	15.1	13.8	10.1	9.3
Asseco SEE	overweight	2018-04-26	11.70	11.05	-5.6%	10.1	9.7	4.4	4.0
Atende	overweight	2018-03-28	4.25	3.72	-12.5%	8.7	7.8	5.4	5.1
Wasko	neutral	2018-05-30	1.68	1.69	+0.6%	14.2	9.4	5.3	4.5
Industrials						8.9	8.9	6.4	6.0
Alumetal	neutral	2018-08-23	51.00	49.50	-2.9%	8.8	9.6	7.1	7.4
Amica	overweight	2018-06-06	121.00	127.00	+5.0%	9.0	7.9	5.8	5.2
Apator	neutral	2018-02-28	24.00	27.00	+12.5%	14.9	15.6	8.5	8.7
Boryszew	neutral	2017-11-30	9.85	6.78	-31.2%	8.5	8.2	6.2	5.7
Elemental	neutral	2018-04-27	1.09	1.54	+41.3%	6.2	5.4	5.6	5.0
Ergis	neutral	2018-04-27	4.06	3.55	-12.6%	7.9	7.5	5.9	5.5
Forte	overweight	2018-07-27	40.60	45.00	+10.8%	16.8	12.0	11.2	9.2
Kruszwica	underweight	2018-08-02	65.40	60.00	-8.3%	23.4	24.7	12.7	12.8
Mangata	neutral	2018-06-22	90.00	96.00	+6.7%	13.1	12.9	8.1	7.8
Pfleiderer Group	overweight	2018-08-08	37.30	38.00	+1.9%	18.6	18.6	6.6	6.2
Pozbud	overweight	2017-11-13	2.98	3.59	+20.5%	6.5	3.7	5.8	2.6
Tarczyński	neutral	2018-05-30	14.50	14.90	+2.8%	8.4	8.0	5.8	5.4
Construction Sector						22.7	9.4	6.0	4.6
Elektrotim	neutral	2018-05-28	5.80	5.08	-12.4%	30.8	13.0	5.7	4.8
Herkules	neutral	2018-01-25	3.67	3.28	-10.6%	10.3	7.2	5.3	4.4
Torpol	neutral	2018-05-28	6.40	5.70	-10.9%	26.7	8.3	6.9	4.2
Trakcja	underweight	2018-05-18	3.65	3.72	+1.9%	29.2	26.6	6.4	6.2
Ulma	neutral	2018-05-28	73.00	73.00	+0.0%	9.1	8.8	3.6	3.5
ZUE	neutral	2018-05-28	5.86	5.86	+0.0%	18.7	10.1	7.5	6.1
Property Developers						6.2	5.7	9.3	5.6
Archicom	overweight	2018-06-22	15.00	13.30	-11.3%	6.2	4.3	6.0	4.8
BBI Development	neutral	2018-04-26	0.66	0.52	-21.2%	12.1	5.7	13.1	5.6
i2 Development	neutral	2018-06-22	15.40	15.15	-1.6%	4.6	5.2	7.8	6.6
JWC	neutral	2018-06-22	3.48	3.28	-5.7%	8.9	3.6	9.3	4.1
Lokum Deweloper	overweight	2018-06-22	18.80	18.40	-2.1%	6.1	7.1	4.6	5.4
PA Nova	neutral	2018-03-29	22.30	18.20	-18.4%	5.9	6.9	9.9	11.0
Polnord	underweight	2018-06-22	9.04	10.18	+12.6%	-	-	-	-
Ronson	neutral	2018-06-22	1.09	1.16	+6.4%	12.5	8.3	12.9	11.4
Retail						12.6	10.3	8.2	6.9
Bytom	overweight	2018-05-23	2.92	2.83	-3.1%	12.6	11.6	8.2	7.2
Monnari	neutral	2018-07-13	6.60	6.74	+2.1%	10.2	9.5	4.5	4.0
Vistula	overweight	2018-05-23	4.79	4.40	-8.1%	12.6	10.3	8.5	6.9

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
Alumetal	neutral	neutral	- -	2018-08-23
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
Pfleiderer Group	overweight	overweight	- -	2018-08-08
PKN Orlen	sell	reduce	76.84 PLN	2018-08-02
Play	hold	reduce	22.60 PLN	2018-08-30
Prime Car Management	suspended	buy	- -	2018-08-23
PZU	accumulate	buy	47.50 PLN	2018-08-02
Skarbiec Holding	buy	buy	36.86 PLN	2018-08-31
Wirtualna Polska	buy	accumulate	60.00 PLN	2018-08-02

Ratings and Valuations Changed as of 3rd September 2018

Company	Rating	Previous Rating	Target Price	Issued on
AmRest	hold	reduce	426.00 PLN	2018-09-03
Asseco Poland	accumulate	hold	49.00 PLN	2018-09-03
BZ WBK	accumulate	buy	430.00 PLN	2018-09-03
Energa	buy	buy	15.27 PLN	2018-09-03
Erbud	buy	buy	14.40 PLN	2018-09-03
Grupa Azoty	hold	hold	41.13 PLN	2018-09-03
Grupa Kęty	hold	hold	367.45 PLN	2018-09-03
JSW	buy	buy	98.00 PLN	2018-09-03
KGHM	buy	buy	104.21 PLN	2018-09-03
Lotos	sell	sell	57.21 PLN	2018-09-03
MOL	buy	accumulate	3296.00 HUF	2018-09-03
PGNiG	buy	buy	7.86 PLN	2018-09-03
PKN Orlen	sell	sell	81.38 PLN	2018-09-03
Stelmet	buy	buy	20.45 PLN	2018-09-03
Tauron	buy	buy	2.77 PLN	2018-09-03
Wirtualna Polska	accumulate	buy	60.00 PLN	2018-09-03

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	5.4%	4	8.3%
reduce	1	1.1%	1	2.1%
underweight	3	3.2%	1	2.1%
hold	11	11.8%	3	6.3%
neutral	21	22.6%	8	16.7%
accumulate	8	8.6%	4	8.3%
buy	34	36.6%	26	54.2%
overweight	10	10.8%	1	2.1%

Corporate Events Calendar For September

Date	Time	Company	Event
4-Sep			mBank's TMT Event (Sofitel Warsaw Victoria hotel) - registration required
4-Sep		Atal	Q2'18 earnings announcement
4-Sep	09:30	Boryszew	Q2'18 earnings conference (Pałac Przeździeckich, Foksal, Warsaw)
4-Sep		Kino Polska	Q2'18 earnings conference (Westin Hotel, Warsaw)
4-Sep		Redan	Q2'18 earnings announcement
4-Sep		ZUE	Q2'18 earnings announcement
5-Sep		Apator	Q2'18 earnings conference (Hotel Polonia Palace, Warsaw)
5-Sep	11:00	BSC Drukarnia	Investor meetings (Hotel Novotel, ul. Marszałkowska 94, Warsaw)
5-Sep		Ciech	Q2'18 earnings announcement
5-Sep	12:00	Erbud	Q2'18 earnings conference (Westin Hotel, Warsaw)
5-Sep		LPP	Q2'18 earnings announcement
5-Sep		Torpol	Q2'18 earnings announcement
5-Sep	11:30	ZUE	Q2'18 earnings conference (Marriott Hotel, Warsaw)
6-Sep	11:00	Ciech	Q2'18 earnings conference (ul. Wspólna 62, Warsaw)
6-Sep	10:00	Elektrotim	Q2'18 earnings conference (Grand Kredens, al. Jerozolimskie 111, Warsaw)
6-Sep		Polwax	Q2'18 earnings announcement
7-Sep		Capital Park	Q2'18 earnings announcement
7-Sep	10:30	LC Corp	Q2'18 earnings conference (Conference Center, ul. Przyokopowa 33, Warsaw)
7-Sep	11:30	Wirtualna Polska	Investor meetings (ul. Jutrzenki 137, Warsaw)
7-Sep		Wirtualna Polska	Q2'18 earnings announcement
9-Sep		Kruk	Q2'18 earnings announcement
10-Sep		Echo Investment	Q2'18 earnings announcement
11-Sep	11:00	Atal	Q2'18 earnings conference (InterContinental Hotel, Warsaw)
11-Sep		Mangata	Q2'18 earnings announcement
12-Sep		Dębica	Last day to trade cum dividend (DPS PLN 6.50/share)
13-Sep		Enea/LWB	Q2'18 earnings announcement
13-Sep		Ergis	Q2'18 earnings announcement
13-Sep		Forte	Q2'18 earnings announcement
13-Sep		P.A. Nova	Q2'18 earnings announcement
14-Sep		Archicom	Q2'18 earnings announcement
14-Sep		Ulma	Q2'18 earnings announcement
17-Sep		Elektrobudowa	Q2'18 earnings announcement
17-Sep		Kruszwica	Q2'18 earnings announcement
18-Sep		TIM	Q2'18 earnings announcement
18-Sep		Wojas	Q2'18 earnings announcement
19-Sep		Atende	Q2'18 earnings announcement
19-Sep		JWC	Q2'18 earnings announcement
20-Sep			mBank's Retail Event (Regent Warsaw Hotel) - registration required
20-Sep		TXM	Q2'18 earnings announcement
21-Sep		Gino Rossi	Q2'18 earnings announcement
25-Sep		BBI Dev.	Q2'18 earnings announcement
25-Sep		Esotiq	Last day to trade cum dividend (DPS PLN 1.00/share)
26-Sep		Famur	Q2'18 earnings announcement
26-Sep	9:00	Famur	Q2'18 earnings conference (GPW, ul. Książęca 4, Warsaw)
26-Sep		Vistula	Q2'18 earnings announcement
27-Sep		Getin Noble	Q2'18 earnings announcement
28-Sep		Ailleron	Q2'18 earnings announcement
28-Sep		Elemental	Q2'18 earnings announcement
28-Sep		Herkules	Q2'18 earnings announcement
28-Sep		Polnord	Q2'18 earnings announcement
28-Sep		Tarczyński	Q2'18 earnings announcement
30-Sep		Pfleiderer Group	Q2'18 earnings announcement
1-Oct		AmRest	Q2'18 earnings announcement
4-5 Oct			mBank's European Financials Conference (InterContinental Warsaw Hotel) - registration required

Financial Sector

Alior Bank

buy (no change)

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We maintain a buy rating for Alior Bank, which is still one of the most undervalued stocks in its sector. In an unexpected turn of events, Alior and Pekao called off their merger plans in August due to strategic differences. From Alior's standpoint, this frees up capacity to step up lending and aim for the target volume growth of PLN 5.5-6.5bn set for 2018 (volumes added in H1 amounted to PLN 2.2bn). Alior generated a net interest margin ahead of our estimate after an 11bp rebound in Q2, and the Bank looks well on track to achieving the FY target of 4.6%. Alior says it will probably be able to adjust the current C/I forecast of 44% lower in the near future. All in all, we believe Alior will exceed the PLN 0.8bn FY2018 net income target set by the analysts' consensus.

Current Price

68.05 PLN

Upside

9M Target Price

109.00 PLN

+60.2%

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

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-4.8%	-6.0%
ISIN	PLALIOR00045	YTD Price Chng	-14.4%	-8.8%
Outst. Stock (m)	129.3	ADTV 1M		PLN 22.1m
MC (PLN m)	8,796.0	ADTV 6M		PLN 18.6m
		P/E 12M fwd	9.9	-29.4%
Free Float	74.8%	P/E 5Y avg	14.0	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	1,946	3,601	3,157	3,500
Total income	3,241	3,797	4,125	4,505
Costs	-1,619	-1,930	-1,631	-1,688
Provisioning	-800	-930	-1,046	-1,122
Net income	618	515	948	1,130
P/E	11.1	17.1	9.3	7.8
P/B	1.4	1.3	1.1	0.9
ROE	12.7%	7.9%	12.8%	13.0%
DPS	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%
Projection Update (% 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 accumulate (downgraded)

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We downgrade BZ WBK from buy to accumulate after the share price increase of the past month. In order to make a profit on the 2.75 million BZW shares it is set to receive in consideration of its Polish assets, Deutsche Bank would have to get PLN 371.61 per share, 1.4% less than BZW's actual quote as of this writing, a discount which is not likely to be accepted by the market. Previously, Deutsche Bank sold 1.2 million shares for PLN 380 apiece. The average benchmark price agreed by the two banks is PLN 375.27. Moving on, 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 approvals, and if approved the resulting DPS would be PLN 23, implying a dividend yield of 6.1%. The actual payout might also be affected by the outcome of the acquisition talks BZW's owner, Santander, is reportedly conducting with Eurobank.

Current Price	376.00 PLN	Upside
9M Target Price	430.00 PLN	+14.4%

	rating	target price	issued
new	accumulate	430.00 PLN	2018-09-03
old	buy	430.00 PLN	2018-03-05
Key Metrics		BZW PW	vs. WIG
Ticker	BZW PW	1M Price Chng	+1.6% +0.4%
ISIN	PLBZ000000044	YTD Price Chng	-4.4% +1.2%
Outst. Stock (m)	99.2	ADTV 1M	PLN 22.3m
MC (PLN m)	37,312.2	ADTV 6M	PLN 19.6m
		P/E 12M fwd	14.3 -4.0%
Free Float	30.0%	P/E 5Y avg	14.9 discount

Earnings Projections

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	17.2	16.9	14.8	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	5.7%	1.4%	1.8%	3.3%	4.1%
Projection Update (% 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

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	103,069	107,840	133,795	143,695	152,125
Other assets	47,031	44,835	47,701	50,530	53,562
Total assets	150,100	152,674	181,496	194,225	205,687
Deposits	112,522	111,481	130,240	140,790	152,227
Other liabilities	16,559	17,850	22,517	22,616	20,345
Minority interests	1,238	1,436	1,416	1,394	1,370
Equity	19,781	21,907	27,324	29,426	31,745

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	3.4%	3.6%	3.7%	3.8%	3.9%
C/I	44.3%	43.4%	42.4%	39.4%	36.6%
CoR	0.8%	0.6%	0.6%	0.6%	0.6%
NPL Ratio	6.6%	5.8%	5.0%	5.0%	5.0%
Tier 1 Ratio	14.6%	15.3%	16.0%	16.0%	16.2%

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

Getin Noble Bank hold (no change)

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We expect Getin to turn a profit in 2018, but only with the help of one-time gains. 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. In the mean time, Getin is exploring a possible merger with its sister bank, the listed Idea Bank, both controlled by the businessman Leszek Czarnecki, in a potential tie-up which in our view can generate substantial cost synergies and build shareholder value. In addition, a merger with Idea, and the subsequent name change, would be a major step forward for Getin in its strategic image-building campaign.

Current Price

0.75 PLN

Upside

9M Target Price

1.40 PLN

+86.7%

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

Key Metrics			GNB PW	vs. WIG
Ticker	GNB PW	1M Price Chng	-23.5%	-24.7%
ISIN	PLGETBK00012	YTD Price Chng	-53.7%	-48.1%
Outst. Stock (m)	1,044.6	ADTV 1M		PLN 1.2m
MC (PLN m)	783.4	ADTV 6M		PLN 1.0m
		P/E 12M fwd	9.5	-28.9%
Free Float	49.8%	P/E 5Y avg	13.3	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	1,317	1,297	1,175	1,337	1,542
Total income	1,537	1,480	1,417	1,560	1,802
Costs	-859	-895	-902	-903	-902
Provisioning	-660	-1,261	-475	-482	-488
Net income	-42	-575	50	144	337
P/E	-	-	15.1	5.6	2.4
P/B	0.1	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%
Projection Update (% change)			2018P	2019P	2020P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

Handlowy buy (no change)

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We maintain a buy rating for Handlowy, which based on the results generated to date has the capacity to beat the current FY2018 net income consensus by about 7%. Handlowy has dividend maximization among its strategic goals, and it is probably the only Polish bank right now which will be capable of distributing 100% of annual earnings as dividends in the next two years. Further, Handlowy's higher-than-average sensitivity to changes in interest rates is an asset with Poland expected to raise rates in 2020. Last but not least, with a corporate loan portfolio making up 62% of the total portfolio, Handlowy stands to capitalize on increasing demand for bank financing from Polish businesses. For all the reasons named above, we believe BHW should be traded at a substantial premium to the rest of the Polish banking sector.

Current Price	68.00 PLN	Upside
9M Target Price	94.00 PLN	+38.2%

	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	-8.1%	-9.3%
ISIN	PLBH00000012	YTD Price Chng	-12.6%	-7.0%
Outst. Stock (m)	130.7	ADTV 1M		PLN 2.0m
MC (PLN m)	8,884.9	ADTV 6M		PLN 2.4m
		P/E 12M fwd	13.0	-17.9%
Free Float	25.0%	P/E 5Y avg	15.8	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	14.8	16.6	14.1	11.6
P/B	1.3	1.3	1.3	1.2
ROE	8.8%	7.8%	9.1%	10.9%
DPS	4.68	4.60	4.10	4.84
DYield	6.9%	6.8%	6.0%	7.1%
Projection Update (% 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 (no change)

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ING deserves to be valued at a premium to the banking sector 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

180.00 PLN

Upside

9M Target Price

212.00 PLN

+17.8%

	rating	target price	issued
unchanged	accumulate	212.00 PLN	2018-08-02

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-2.3%	-3.5%
ISIN	PLBSK0000017	YTD Price Chng	-11.1%	-5.5%
Outst. Stock (m)	130.1	ADTV 1M		PLN 1.1m
MC (PLN m)	23,418.0	ADTV 6M		PLN 1.9m
		P/E 12M fwd	13.9	-11.8%
Free Float	25.0%	P/E 5Y avg	15.8	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	2,953	3,453	3,783	4,217	4,593
Total income	4,325	4,756	5,157	5,650	6,059
Costs	-2,099	-2,123	-2,202	-2,309	-2,406
Provisioning	-301	-421	-484	-543	-598
Net income	1,253	1,403	1,572	1,783	1,940
P/E	18.7	16.7	14.9	13.1	12.1
P/B	2.2	2.0	1.8	1.6	1.4
ROE	11.8%	12.6%	12.6%	12.7%	12.3%
DPS	4.30	0.00	3.24	3.63	4.11
DYield	2.4%	0.0%	1.8%	2.0%	2.3%
Projection Update (% 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	

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 (no change)

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We maintain a sell rating for Millennium. Our bearish view stems from the high capital requirements that the Bank is under an obligation to meet, which prevent it from paying substantial dividends, underpinned by risks entailed in the Bank's CHF loan portfolio, and a lack of earnings surprises. Millennium registers the second-lowest ROE of all rated banks, and it ranks among the lowest-yielding stocks in terms of dividends. The most recent development hurting Millennium's near-term prospects is the unexpected revival of measures designed to help FX borrowers hurt by the 2015 Swiss franc unpegging shock, which are back on the legislative agenda for a likely October passing. According to our estimates, the costs of borrower relief can shave from 8% to as much as 34% off Millennium's net income in 2019. Based on the financial results for the second quarter of 2018, Millennium is on track to fulfilling, but not exceeding, the 2018 FY analysts' consensus. We maintain that the Bank's 2020 net profit target of PLN 1bn 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

8.98 PLN

Downside

9M Target Price

7.00 PLN

-22.0%

	rating	target price	issued
unchanged	sell	7.00 PLN	2018-08-02

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-0.3%	-1.5%
ISIN	PLBIG0000016	YTD Price Chng	+0.4%	+6.0%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 4.9m
MC (PLN m)	10,893.8	ADTV 6M		PLN 5.8m
		P/E 12M fwd	13.4	+2.7%
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	15.5	16.0	15.1	13.7
P/B	1.6	1.4	1.3	1.1
ROE	10.5%	9.3%	8.8%	8.7%
DPS	0.00	0.00	0.00	0.15
DYield	0.0%	0.0%	0.0%	1.7%
Projection Update (% 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	1,365	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)

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We maintain a buy rating for Pekao, which has potential for high dividends, 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. Pekao's financials for H1 2018 imply a 6% miss relative to the FY consensus forecast, but we believe the Bank will catch up in the second half of the year. The growing loan volumes, alongside ongoing downsizing efforts, a new product offer, and the push toward achieving 14% ROE, all represent potential upside catalysts for PEO.

Current Price

116.85 PLN

Upside

9M Target Price

157.00 PLN

+34.4%

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

Key Metrics		PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	+5.3% +4.1%
ISIN	PLPEKAO00016	YTD Price Chng	-3.9% +1.7%
Outst. Stock (m)	262.5	ADTV 1M	PLN 95.9m
MC (PLN m)	30,669.6	ADTV 6M	PLN 78.6m
		P/E 12M fwd	12.5 -21.3%
Free Float	49.9%	P/E 5Y avg	15.8 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	4,382	4,593	4,975	5,642
Total income	7,302	7,278	7,568	8,397
Costs	-3,494	-3,535	-3,613	-3,703
Provisioning	-501	-521	-627	-708
Net income	2,279	2,475	2,184	2,653
P/E	13.5	12.4	14.0	11.6
P/B	1.3	1.3	1.3	1.3
ROE	9.8%	10.7%	9.4%	11.1%
DPS	8.70	8.68	7.90	8.32
DYield	7.4%	7.4%	6.8%	7.1%
Projection Update (% 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)

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We maintain a hold rating for PKO BP. The Bank looks on track to delivering a small beat in FY2018 net income over the current consensus of PLN 3,658.1m, and it generates high retail lending volumes this year, with mortgage and payday loan originations in the second quarter reaching a combined PLN 4bn. On the other hand, however, the revival of plans to make banks offer relief to distressed CHF borrowers, with the legislation set to be passed as soon as in October, clouds Pekao's future outlook and upside potential even though, per our calculations, the costs will not knock more than 12% max off the 2019 earnings. The positive effects of the interest rate hikes anticipated in 2020 are priced into PEO stock at the current level, while the potential downside risk in the event of any negative shock is still there.

Current Price	42.20 PLN	Downside
9M Target Price	38.00 PLN	-10.0%

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

Key Metrics	PKO PW	PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	+2.2% +1.0%
ISIN	PLPKO0000016	YTD Price Chng	-3.6% +2.0%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 108.0m
MC (PLN m)	52,750.0	ADTV 6M	PLN 86.1m
		P/E 12M fwd	13.8 +4.2%
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	18.4	17.0	15.9	13.3
P/B	1.6	1.5	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%
Projection Update (% 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)

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We reiterate our buy call and price target for Komercni Banka, which has better earnings potential in 2018 and 2019 in our view than indicated by the current consensus forecasts. Supported by high ROE (13% vs. an 8% average for Polish banks), assuming a 55% payout ratio, we expect Komercni to offer dividend yields of 4.7%-5.1% in the next two years. Another advantage compared to the Polish bank sector is a lack of 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	924.50 CZK	Upside
9M Target Price	1,111.00 CZK	+20.2%

	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	-1.9%
ISIN	CZ0008019106	YTD Price Chng	+6.5%
Outst. Stock (m)	188.9	ADTV 1M	CZK 81.9m
MC (CZK bn)	174.6	ADTV 6M	CZK 124.9m
		P/E 12M fwd	12.8
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	12.8	11.7	11.8	10.1
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	6.7%	4.3%	5.1%	4.7%
Projection Update (% 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 (no change)

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We maintain our buy rating and target price for Erste Bank. 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 6% higher than the consensus estimate, as well as topping Erste's guidance, which puts ROTE at >10%, 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 1pbp 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 4.3%.

Current Price

34.27 EUR

Upside

9M Target Price

43.00 EUR

+25.5%

	rating	target price	issued
unchanged	buy	43.00 EUR	2018-08-02

Key Metrics	EBS AV	1M Price Chng	EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	-6.6%	-7.8%
ISIN	AT0000652011	YTD Price Chng	-1.8%	+3.7%
Outst. Stock (m)	429.8	ADTV 1M		EUR 18.7m
MC (EUR m)	14,729.2	ADTV 6M		EUR 26.4m
		P/E 12M fwd	10.0	-14.0%
Free Float	69.5%	P/E 5Y avg	11.6	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	11.6	11.2	9.8	9.8	9.1
P/B	1.2	1.1	1.0	1.0	0.9
ROE	10.8%	10.0%	10.5%	10.0%	10.3%
DPS	0.50	1.00	1.20	1.47	1.47
DYield	1.5%	2.9%	3.5%	4.3%	4.3%
Projection Update (% 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

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

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We maintain a buy rating for OTP Bank. Our current 2018 earnings expectations for the Hungarian bank are consistent with the average market forecasts, but the 2019 estimate is 4% higher than average. Our assumption is that net income will grow 1% in 2018, dampened by high operating costs, including costs of post-merger integration, coupled with normalized provisioning, followed by a 9.0% rebound in 2019. OTP wants to complete five acquisitions in the near future, and the M&A activity builds value, including thanks to prices below book values, and it 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 the M&A deals and lower-than-assumed cost of risk. Last but not least, OTP is expected to achieve ROE of 15% in 2019 – a level not attainable by any other bank in our coverage.

Current Price

10,360.00 HUF

Upside

9M Target Price

12,090.00 HUF

+16.7%

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

Key Metrics			OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	-0.6%	-1.8%
ISIN	HU00000061726	YTD Price Chng	-1.3%	+4.2%
Outst. Stock (m)	267.0	ADTV 1M		HUF 4.6bn
MC (HUF bn)	2,766.5	ADTV 6M		HUF 5.1bn
		P/E 12M fwd	10.0	-2.2%
Free Float	100.0%	P/E 5Y avg	10.2	discount

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	13.7	9.8	10.5	9.7
P/B	1.9	1.7	1.5	1.4
ROE	15.3%	18.4%	15.3%	15.1%
DPS	173.01	199.22	253.21	260.44
DYield	1.7%	1.9%	2.4%	2.5%
Projection Update (% 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 (no change)

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PZU generated higher-than-expected gross written premiums in H1 2018, but on the other hand the investment income and operating costs for the period missed the mark. Based on the year-to-date performance, we expect the Insurer to achieve our current FY2018 earnings forecast, which is 3% higher than the consensus forecast, barring further shrinkage in investment income and/or a surge in claims in the wake of unforeseen natural disasters. 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 potential dividend yields in the range of 6.1%-6.8%. We maintain an accumulate rating for PZU, though at the current level the stock shows about 7% lower upside potential than a month ago.

Current Price	44.66 PLN	Upside
9M Target Price	47.50 PLN	+6.4%

	rating	target price	issued
unchanged	accumulate	47.50 PLN	2018-08-02

Key Metrics			PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	+7.9%	+6.7%
ISIN	PLPZU0000011	YTD Price Chng	+5.9%	+11.5%
Outst. Stock (m)	863.5	ADTV 1M		PLN 61.5m
MC (PLN m)	38,564.9	ADTV 6M		PLN 62.4m
		P/E 12M fwd	12.1	-3.2%
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	19.9	13.3	12.4	11.1	10.4
P/B	3.0	2.6	2.5	2.3	2.2
ROE	15.1%	21.1%	20.6%	21.4%	21.4%
DPS	2.08	1.40	2.70	2.71	3.02
DYield	4.7%	3.1%	6.0%	6.1%	6.8%
Projection Update (% change)				2018P	2019P
Gross written premiums				0.0%	0.0%
Claims				0.0%	0.0%
Investment income				0.0%	0.0%
Total costs				0.0%	0.0%
Net income				0.0%	0.0%

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)

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We maintain a buy rating for Kruk, which has recently reiterated the strategic objective of growing EPS by more than 15%. Moreover, Kruk expects to spend PLN 1-1.2 billion in 2018 on receivable portfolios, with most purchases set to take place in Poland. The O-SII buffer hike comes as a surprise and is probably not priced into the expectations of analysts. 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 price has stabilized below the PLN 220.98 average for the last six months since the announcement of the strategic review. 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

207.00 PLN

Upside

9M Target Price

300.94 PLN

+45.4%

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

Key Metrics		KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-4.3%
ISIN	PLKRR0000010	YTD Price Chng	-19.3%
Outst. Stock (m)	18.7	ADTV 1M	PLN 9.0m
MC (PLN m)	3,880.1	ADTV 6M	PLN 14.2m
		P/E 12M fwd	10.7
Free float	87.0%	P/E 5Y avg	13.9 discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Purchased debt	783	1,055	1,161	1,301	1,463
Collections	725	972	1,071	1,207	1,364
Total revenue	32	59	61	62	63
Total costs	-117	-144	-148	-169	-190
Net income	249	295	353	415	442
P/E	15.3	13.1	11.0	9.3	8.8
P/B	3.0	2.7	2.2	1.9	1.7
ROE	24.6%	21.9%	21.8%	21.5%	20.1%
DPS	2.00	2.26	5.00	5.66	11.08
DYield	1.0%	1.1%	2.4%	2.7%	5.4%
Projection Update (% change)			2018P	2019P	2020P
Purchased debt portfoliis			0.0%	0.0%	0.0%
Collections			0.0%	0.0%	0.0%
Other			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

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



Skarbiec Holding buy (no change)

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We maintain a buy rating for Skarbiec after updating our outlook for the Company in August to reflect a proposed reduction to 2.00% in investment fund management fee caps in Poland by 2022, and to allow for slower growth in the market for investment funds. Keep in mind that Skarbiec is still allowed to charge performance-based fees, a fact in the past seemed to have been overlooked by investors. The earning potential of these fees might be boosted by the assets that Skarbiec has just agreed to take over from the rival fund manager Trigon TFI. As part of a deal struck on August 30th, Skarbiec agreed to take over five portfolios from Trigon, representing a portion of Trigon's total AUM which at the end of July were estimated to be worth PLN 1.6bn. During the takeover period, Trigon will pay Skarbiec for the management of these portfolios. As the Trigon partnership enters the next stages, this should help offset the proposed curbs on fund fees. We will be able to provide more insight on the Trigon deal as more details are revealed. For the time being, we predict that Skarbiec will grow AUM at an average annual rate of 10.5% over the next nine years. With the market for investment funds set to expand by an estimated 7.0% in the period, this indicates Skarbiec can increase its market share to 3.1% in 2026 from the current 2.6%. Throughout this time, we believe Skarbiec will continue to offer high dividend yields on a yearly basis in the range of 12-19%.

Current Price	24.50 PLN	Upside
9M Target Price	36.86 PLN	+50.4%

	rating	target price	issued
unchanged	buy	36.86 PLN	2018-08-31

Key Metrics		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	-7.9%
ISIN	PLSKRBH00014	YTD Price Chng	-11.6%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.4m
MC (PLN m)	167.1	ADTV 6M	PLN 0.2m
		P/E 12M fwd	8.2
Free Float	25.4%	P/E 5Y avg	8.2
			premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	109.2	99.7	103.7	107.7	112.7
Mgmt fees	69.6	80.0	81.8	87.3	91.8
Success fees	31.4	14.5	16.2	14.3	14.3
Costs	-69.2	-76.5	-77.6	-80.3	-85.6
Net income	32.5	19.5	21.9	23.1	22.8
P/E	5.1	8.6	7.6	7.2	7.3
P/B	1.7	1.9	1.8	1.8	1.8
ROE	34.1%	20.6%	24.4%	25.3%	25.0%
DPS	3.08	4.57	2.99	3.30	3.36
DYield	12.6%	18.7%	12.2%	13.5%	13.7%
Projection Update (% 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	80.0	81.8	87.3
Success fees	1.8	31.4	14.5	16.2	14.3
Other	6.6	8.3	5.2	5.6	6.1
Revenue	75.4	109.2	99.7	103.7	107.7
Distribution costs	-32.3	-34.4	-41.0	-42.6	-44.5
Payroll	-11.7	-16.3	-18.8	-17.5	-17.5
Other operating costs	-16.0	-18.5	-16.8	-17.5	-18.3
Operating expenses	-60.1	-69.2	-76.5	-77.6	-80.3
Other	0.9	0.3	1.0	1.0	1.1
Pre-tax income	16.2	40.3	24.2	27.1	28.5
Tax	-3.2	-7.8	-4.6	-5.1	-5.4
Net income	13.0	32.5	19.5	21.9	23.1
Retail AUM	2,906	3,919	4,414	4,845	5,383
Dedicated AUM	12,681	14,623	2,375	2,494	2,618
Total AUM	15,587	18,542	6,789	7,339	8,002

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	8.2	6.6	6.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Equity	89.3	100.8	89.2	90.8	91.4

Relative Valuation Summary

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

Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	138	64%
PV of Dividends (Value Driver)	73	34%
PV of Terminal Value	4	2%
Fair Value as of Jul. 2017	216	100%
PV Adjustment	17	
Fair Value	233	
Dilution (stock options)	-9	
Fair Value	224	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	32.84	
9M Target Price (PLN)	35.55	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	100	45%
Explicit Forecast (2016-2025)	86	39%
Value Driver - 20 yrs	36	16%
Fair Value as of Jan. 2017	222	100%
PV Adjustment	29	
Fair Value	250	
Dilution (stock options)	-10	
Fair Value	241	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	35.27	
9M Target Price (PLN)	38.18	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	224
Economic Profits	50%	241

Per-Share Valuation

(PLN)	Weight	Value
DDM	50%	32.84
Economic Profits	50%	35.27
Cost of equity (9M)		8.3%
9M Target Price (PLN)		36.86

Chemicals

Ciech

buy (no change)

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Chemical plant closures in China as part of the efforts to reduce pollution have tightened the global supply of soda ash, and with demand still high the new capacity installed in Turkey will probably find a market in Asia. The delayed launch of full operating capacity at the new 2.5t-a-year soda ash plant of Kazan Soda Elektrik, whose full 2018 production is already sold out, mostly for export to Asia, further eases the supply pressures in Europe. Ciech has secured orders for the full soda ash capacity for 2018 at solid prices. Soda prices in Europe might fall in 2018, only to rebound in subsequent years. Ciech experienced contraction from the comparable year-ago period in 2018 Q2 profits due to higher costs of natural gas. At the same time, the Company paid dividends 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 recently updated our financial outlook for Ciech to account for planned EUR 100m investment in evaporated salt and sodium bicarbonate capacity in Germany, and the July acquisition of the Spanish pesticide producer Proplan for EUR 44.6m. Our buy call and 9MTP remain intact in September.

Current Price	52.60 PLN	Upside
9M Target Price	82.52 PLN	+56.9%

	rating	target price	issued
unchanged	buy	82.52 PLN	2018-08-02

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-6.6%	-7.8%
ISIN	PLCIECH000018	YTD Price Chng	+5.2%	+10.8%
Outst. Stock (m)	52.7	ADTV 1M		PLN 2.4m
MC (PLN m)	2,772.0	ADTV 6M		PLN 4.9m
EV (PLN m)	4,073.8	EV/EBITDA 12M fwd	5.7	-7.4%
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.	4.7	7.4	8.2	7.8	6.9
P/B	1.6	1.3	1.3	1.2	1.1
EV/EBITDA adj.	4.4	4.5	5.4	5.1	4.6
DPS	2.85	0.00	7.50	3.52	4.41
DYield	5.4%	0.0%	14.3%	6.7%	8.4%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Soda price (US \$/t)			0.0%	0.0%	0.0%
Soda Ciech (PLN/t)			0.0%	0.0%	0.0%
Soda vol (1,000t)			0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coking Coal price (\$/t)			0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA. Soda Div.	799	704	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)

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Like all fertilizer producers in Europe, Grupa Azoty incurs higher costs this year due to increasing prices of natural gas fuel, which cannot be offset against sales prices in a highly-competitive market where global supply outside of China is expected to increase by 4-4.2 million tons net during the two-year period from 2017 through 2018 with the addition new capacity, against forecast growth in demand by an average 3mmt a year. The uptrend in grain prices observed this year should trigger an upward shift in agricultural chemicals, however while suppliers hold on to a high fertilizer stockpile after a late start into the growing season Grupa Azoty faces further contraction in profits in the next two quarters. The expected slump coincides with an increase in capital expenditure as the propane dehydrogenation (PDH) project enters four peak spending years during which the Company's free cash flow will more likely than not be negative. After a 2018 Q2 earnings miss, we expect the 2018 FY EBITDA consensus for Grupa Azoty to be cut from the current PLN 1.1bn closer to PLN 950m. We have updated our outlook for Azoty to reflect the weaker-than-expected Q2 financials, and with the 9MTP lowered from PLN 42.13 to PLN 41.13 per share we maintain a hold rating for the stock.

Current Price

38.00 PLN

Upside

9M Target Price

41.13 PLN

+8.2%

		rating	target price	issued
new		hold	41.13 PLN	2018-09-03
old		hold	42.13 PLN	2018-08-02
Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-9.3%	-10.5%
ISIN	PLZATRM00012	YTD Price Chng	-44.4%	-38.8%
Outst. Stock (m)	99.2	ADTV 1M		PLN 2.2m
MC (PLN m)	3,769.4	ADTV 6M		PLN 2.5m
EV (PLN m)	5,435.9	EV/EBITDA 12M fwd	4.8	-28.9%
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	9,810	10,135	10,410
EBITDA adj.	1,034	1,262	967	1,059	1,110
EBITDA margin	11.5%	13.1%	9.9%	10.5%	10.7%
EBIT adj.	523	672	351	375	414
Net income adj.	385	550	249	249	265
P/E adj.	9.8	6.9	15.2	15.2	14.2
P/B	0.6	0.5	0.5	0.5	0.5
EV/EBITDA adj.	4.5	3.7	5.6	5.8	6.3
DPS	0.84	0.79	1.20	0.68	0.75
DYield	2.2%	2.1%	3.2%	1.8%	2.0%
Projection Update (% change)		2018P	2019P	2020P	
EBITDA		-13.7%	-1.7%	-1.7%	
Net income		-26.6%	-6.4%	-6.2%	
Urea price (PLN/t)		-0.0%	+1.5%	+1.5%	
Ammonium Nitrate price (PLN/t)		-0.0%	+1.4%	+1.5%	
Natural Gas price (PLN/m3)		0.0%	0.0%	0.0%	
Melamine (PLN/t)		0.0%	0.0%	0.0%	
Polyamide 6 (PLN/t)		+3.0%	-2.8%	-3.0%	
Propylene (PLN/t)		+12.1%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Fertilizers	600	484	194	324	394
EBITDA, Plastics	-33	221	280	230	228
EBITDA, Chemicals	271	348	362	386	360
EBITDA, Energy	95.5	58.4	75.7	31.1	28.8
EBITDA, Other	40	76	26	88	98
Operating cash flow	1,136	1,107	889	1,002	1,048
D&A	511	590	617	684	695
Working capital	137	13	-4	-7	-6
Investing cash flow	-1,303	-709	-1,220	-1,483	-1,765
CAPEX	1,236	1,063	1,420	1,537	1,765
Financing cash flow	76	39	-169	-77	714
Dividends/Buyback	-83	-78	-119	-67	-75
FCF	-214	53	-538	-544	-723
FCF/EBITDA	-21%	4%	-57%	-51%	-65%
OCF/EBITDA	114%	93%	95%	95%	94%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,052	11,738	11,887	12,203	13,336
Fixed assets	7,651	8,070	8,883	9,739	10,814
Equity	6,534	6,856	6,961	7,143	7,333
Minority interests	595	588	593	602	610
Net debt	273	367	1,074	1,745	2,628
Net debt/EBITDA (x)	0.3	0.3	1.1	1.6	2.4
Net debt/Equity (x)	0.0	0.1	0.2	0.2	0.4

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	11.1	10.1	9.5	6.4	6.2	5.7
Maximum	41.6	24.6	20.1	13.1	10.9	9.9
Median	19.0	14.8	12.1	8.6	8.0	7.2
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Urea price (PLN/t)	1,471	1,554	1,562	1,572	1,565	1,569	1,569	1,569	1,569	1,569	1,569
AN price (PLN/t)	1,254	1,325	1,326	1,336	1,329	1,333	1,333	1,333	1,333	1,333	1,333
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	9,810	10,135	10,410	10,598	11,629	12,234	12,429	12,598	12,717	12,845	12,949
EBITDA	938	1,059	1,110	1,175	1,302	1,430	1,419	1,411	1,394	1,394	1,386
EBITDA margin	9.6%	10.5%	10.7%	11.1%	11.2%	11.7%	11.4%	11.2%	11.0%	10.9%	10.7%
EBIT	321	375	414	504	380	505	500	507	514	507	499
Tax	51	59	62	74	20	45	48	52	55	54	53
CAPEX	-1,420	-1,537	-1,765	-1,439	-1,056	-553	-601	-643	-814	-880	-887
Working capital	-4	-7	-6	-4	-22	-13	-4	-4	-3	-3	-2
FCF	-538	-544	-723	-341	205	819	766	713	522	457	444
PV FCF	-522	-493	-616	-274	152	567	491	422	286	232	
WACC	7.6%	7.2%	6.8%	6.7%	6.9%	7.0%	7.2%	7.3%	7.4%	7.4%	7.5%
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	245
Net debt	486
Other adjustments	-588
Value per share (PLN)	33.08

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	44.29
DCF Val.	50%	33.08
Implied Price		38.69
Cost of equity (9M)		6.3%
9M Target Price		41.13

Polwax buy (no change)

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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

7.30 PLN

Upside

9M Target Price

16.69 PLN

+128.6%

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

Key Metrics			PWX PW	vs. WIG
Ticker	PWX PW	1M Price Chng	-1.4%	-2.6%
ISIN	PLPOLWX00026	YTD Price Chng	-33.9%	-28.4%
Outst. Stock (m)	10.3	ADTV 1M		PLN 0.6m
MC (PLN m)	75.2	ADTV 6M		PLN 0.2m
EV (PLN m)	166.4	EV/EBITDA 12M fwd	5.8	+1.3%
Free Float	84.9%	EV/EBITDA 5Y ava	5.7	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	4.4	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	14.5%	0.0%	0.0%	0.0%	0.0%
Projection Update (% 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 (reiterated)

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Lotos stock climbed to all-time highs in August on better-than-expected Q2 results released amid improved market conditions in refining, which, in our view, should be viewed as a momentary rebound with cracking margins already seen to narrow. Meanwhile Lotos is trading at expensive multiples at 6.2x 2018E EV/EBITDA LIFO, ignoring the fact that nearly 40% of its EBITDA for the year will come from upstream operations, mainly the high-taxed production in Norway. Also not priced in is another delay in the EFRA project, set to shave PLN 0.15-0.20bn off next year's expected profit. It looks like the main driver behind the LTS rally is the potential future tender offer on its shares by PKN Orlen as part of the planned merger, which, contrary to widespread belief, could still be blocked by the European Commission. We maintain a sell call for LTS even after an upward revision to PLN 57.21 to our 9MTP to reflect a raised FY2018 LIFO EBITDA forecast and a higher updated relative valuation. The strong hike in the 2018 net profit estimate stems mostly from higher assumed positive LIFO effects.

Current Price

69.90 PLN

Downside

9M Target Price

57.21 PLN

-18.2%

	rating	target price	issued
new	sell	57.21 PLN	2018-09-03
old	sell	52.51 PLN	2018-08-02
Key Metrics		LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+4.7% +3.5%
ISIN	PLLOTOS00025	YTD Price Chng	+21.1% +26.7%
Outst. Stock (m)	184.9	ADTV 1M	PLN 17.2m
MC (PLN m)	12,922.6	ADTV 6M	PLN 16.2m
EV (PLN m)	16,420.4	EV/EBITDA 12M fwd	5.6 -6.5%
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	29,198	31,476	31,888
EBITDA	2,923	3,073	3,069	2,615	3,140
EBITDA margin	14.0%	12.7%	10.5%	8.3%	9.8%
EBIT	1,855	2,229	2,281	1,698	2,092
Net income	1,015	1,672	1,322	936	1,066
P/E	12.7	7.7	9.8	13.8	12.1
P/B	1.5	1.2	1.1	1.1	1.0
EV/EBITDA	6.1	5.0	5.4	6.6	5.4
DPS	0.00	1.00	1.00	2.15	1.52
DYield	0.0%	1.4%	1.4%	3.1%	2.2%
Projection Update (% change)			2018P	2019P	2020P
LIFO EBITDA			+7.6%	-5.3%	+0.7%
Net income			+62.9%	-6.6%	+8.0%
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	2,640	2,573	3,120
Upstream (US)	692	863	968	985	1,244
Downstream (DS)	1,761	2,058	1,482	1,405	1,689
Retail	140	139	191	182	185
EV/ LIFO EBITDA (adj.)	6.8	5.1	6.2	6.8	5.5
LIFO effect	-77	171	514	44	23
Other one-offs	404	-148	-86	-2	-2
Financing activity	-275	219	-238	-195	-295
Crude thrghtpt (mmt)	10.4	9.6	10.4	10.4	10.2
\$ LIFO EBITDA/bbl, DS	5.9	7.7	5.4	5.1	6.1
PLN EBITDA/tonne, Retail	129	131	160	150	150
\$ EBITDA/boe, US	18.0	26.9	34.3	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	882	1,475	2,327
OCF/EBITDA LIFO adj.	102%	103%	33%	57%	75%
CAPEX	1,244	1,439	1,202	1,879	1,328
Working capital	3,867	4,035	5,570	6,142	6,224
Equity	8,611	10,712	11,600	12,194	12,912
Net debt	4,808	2,505	3,498	4,439	4,084
Net debt/EBITDA (x)	1.6	0.8	1.1	1.7	1.3

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	3.3	3.1	3.1	2.0	1.8	1.8
Maximum	19.7	19.1	17.2	12.3	11.4	11.0
Median	10.1	9.8	9.2	5.3	5.0	4.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	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	27,726	29,946	30,001	30,254	30,002	30,002	30,002	30,002	30,002	30,063	30,063
EBITDA	2,101	1,629	1,896	2,005	1,998	1,990	1,983	1,975	1,967	1,959	1,959
EBITDA margin	7.6%	5.4%	6.3%	6.6%	6.7%	6.6%	6.6%	6.6%	6.6%	6.5%	6.5%
EBIT	1,613	1,036	1,234	1,284	1,313	1,272	1,242	1,212	1,182	1,150	1,207
Tax	307	197	234	244	250	242	236	230	225	219	229
CAPEX	-768	-1,024	-748	-752	-752	-752	-752	-752	-752	-752	-752
Working capital	-1,671	-573	-82	12	-2	32	24	49	12	6	6
FCF	-645	-164	831	1,021	994	1,029	1,019	1,042	1,002	994	984
PV FCF	-622	-148	697	795	718	688	631	597	532	488	
WACC	7.4%	7.2%	7.3%	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	11,263
Net debt	2,505
Petrobaltic	1,778
Value per share (PLN)	56.99

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	50.65
DCF Val.	50%	56.99
Implied Price		53.82
Cost of equity (9M)		6.3%
9M Target Price		57.21

MOL buy (upgraded)

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Hungary's MOL has not enjoyed the same rally as its Polish counterparts despite being perfectly positioned to capitalize on the current market conditions through a strong E&P business, fast-growing service station earnings, and diversified refining operations. At the current level MOL is trading at a completely baseless discount of a whopping 40% relative to the EV/EBITDA LIFO ratio of Polish refiners. After updating our outlook to reflect improved market conditions and better-than-assumed upstream performance, we have raised our 2018 EBITDA forecast for MOL by 16%, and we have adjusted the estimates for the two subsequent years slightly higher. Consequently, we raise our 9MTP for MOL by 11% to HUF 3,296, and we upgrade the stock from accumulate to buy. As a reminder, a 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, keep in mind that, by finally settling its dispute with the Croatian government, probably toward the end of the year, and by selling its shares in the INA refinery, MOL is poised for a market cap boost to the tune of 10-12% in the base-case scenario.

Current Price

2,870 HUF

Upside

9M Target Price

3,296 HUF

+14.8%

	rating	target price	issued
new	buy	3,296 HUF	2018-09-03
old	accumulate	2,995 HUF	2018-06-29
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	+6.1% +4.9%
ISIN	HU0000153937	YTD Price Chng	-1.7% +3.8%
Outst. Stock (m)	738.1	ADTV 1M	HUF 1,548.7m
MC (HUF m)	2,118,428.7	ADTV 6M	HUF 1,891.5m
EV (HUF m)	2,710,378.2	EV/EBITDA 12M fwd	4.1 -5.5%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3 discount

Earnings Projections

Earnings Projections

(HUF bn)	2016	2017	2018P	2019P	2020P
Revenue	3,553	4,130	5,095	5,358	5,375
EBITDA	623	673	730	665	679
EBITDA margin	17.5%	16.3%	14.3%	12.4%	12.6%
EBIT	308	354	375	294	299
Net income	263	307	259	210	224
P/E	8.0	6.9	8.2	10.1	9.5
P/B	1.4	1.2	1.1	1.1	1.0
EV/EBITDA	4.9	4.3	3.7	4.1	4.0
DPS	70.88	78.13	127.50	111.76	117.35
DYield	2.5%	2.7%	4.4%	3.9%	4.1%
Projection Update (% change)			2018P	2019P	2020P
CCS EBITDA			+16.0%	+4.2%	+3.8%
Net income			+16.1%	-5.0%	-1.9%
Margin+Urals/Brent price differ. (\$/b)			+18.2%	0.0%	0.0%
Petchem margin (\$/t)			+2.9%	-0.1%	-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	694	656	679
Upstream (US)	190	235	322	357	328
Downstream (DS)	178	198	161	116	141
Retail	86	97	107	115	120
Petchem	144	127	100	62	84
Gas Midstream	54	61	61	63	64
General expenses	-48	-45	-57	-58	-59
EV/LIFO EBITDA (adj.)	4.8	4.1	3.7	4.0	3.8
LIFO effect	25	7	36	10	0
Other one-offs	-7	-7	0	0	0
Financing activity	-35	11	-21	-7	-7
\$ LIFO EBITDA/bbl, DS	4.5	5.1	4.3	3.1	3.7
EBITDA/boe, US	17.7	23.9	32.9	36.9	36.0
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	630	561	624
OCF/EBITDA LIFO adj.	86%	83%	91%	86%	92%
CAPEX	289	286	320	490	444
Working capital	156	248	272	313	314
Equity	1,492	1,741	1,888	1,998	2,117
Net debt	606	435	258	295	226
Net debt/EBITDA (x)	1.0	0.6	0.4	0.4	0.3

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	3.3	3.1	3.1	2.0	1.8	1.8
Maximum	19.7	19.1	17.2	12.3	11.4	11.0
Median	10.0	9.6	9.5	5.3	5.2	4.7
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	6.5	5.5	6.0	6.0	6.5	6.5	6.5	6.5	6.5	6.5	6.5
USD/HUF	265	265	265	265	265	265	265	265	265	265	265
Revenue	4,781	5,027	5,063	5,059	5,070	5,071	5,072	5,073	5,074	5,075	5,075
EBITDA	408	308	351	378	415	418	416	414	411	409	409
EBITDA margin	8.5%	6.1%	6.9%	7.5%	8.2%	8.2%	8.2%	8.2%	8.1%	8.1%	8.1%
EBIT	242	128	160	167	191	189	182	172	162	164	194
Tax	60	33	41	42	49	48	46	43	41	41	37
CAPEX	-216	-384	-347	-260	-221	-215	-215	-215	-215	-215	-215
Working capital	-51	-41	-1	2	1	0	0	1	1	1	1
FCF	81	-150	-38	78	146	156	156	157	157	154	158
PV FCF	77	-132	-31	58	99	97	89	82	76	68	
WACC	8.8%	8.8%	8.9%	9.3%	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	1,359
Net debt & adjustments	229
Upstream Valuation	688
Value per share (HUF)	2,605

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	3,554
DCF Val.	50%	2,605
Implied Price		3,079
Cost of equity (9M)		7.0%
9M Target Price		3,296



PGNiG buy (reiterated)

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PGN stock has regained some of the ground lost after the July announcement of a 2018 dividend freeze which in the absence of an explanation triggered speculation about the Company's involvement in potentially 'toxic' investments. We expect PGNiG to resume regular dividend payments from 2019, but we have had to adjust our relative valuation model for this year's lack of dividends, resulting in a lower 9MTP of PLN 7.86. We have also updated our earnings projections, with the new 2018E EBITDA target slightly lower to reflect raised expectations for the E&P segment and lowered expectations for the trade segment, which buys natural gas from E&P at spot prices without using any hedging strategies. Moreover, the distribution business generated better-than-expected financials in H1 2018, but on the other hand the heating segment missed the mark due to warm weather. Our updated estimates indicate PGNiG will beat the FY EBITDA consensus by about 15% this year. In addition, at 3.1x 2018-2020E EV/EBITDA, PGN stock is trading at a discount of 40% average to the peer group, as well as being valued 23% below the average value for the last five years at the current level. Meanwhile the rebound in hydrocarbon prices so far this year indicates a boost of over PLN 2bn to PGNiG's E&P EBITDA, although this year the growth will be curbed by lower profits from trade due to the temporary failure of natural price hedging. Other upside catalysts not currently priced in include a recent raise in household tariffs and the impending resolution of Gazprom arbitration.

Current Price

5.82 PLN

Upside

9M Target Price

7.86 PLN

+35.1%

	rating	target price	issued
new	buy	7.86 PLN	2018-09-03
old	buy	8.28 PLN	2018-06-29
Key Metrics			
Ticker	PGN PW	1M Price Chng	+4.7% +3.5%
ISIN	PLPGNIG00014	YTD Price Chng	-5.2% +0.3%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 19.3m
MC (PLN m)	33,629.8	ADTV 6M	PLN 20.5m
EV (PLN m)	31,933.2	EV/EBITDA 12M fwd	4.2 -19.4%
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	39,713	43,226	42,849
EBITDA	5,974	6,579	8,436	9,374	9,658
EBITDA margin	18.0%	18.3%	21.2%	21.7%	22.5%
EBIT	3,360	3,910	5,733	6,677	6,915
Net income	2,351	2,923	4,138	4,942	4,856
P/E	14.3	11.5	8.1	6.8	6.9
P/B	1.1	1.0	0.9	0.8	0.8
EV/EBITDA	5.7	5.2	3.8	3.1	2.8
DPS	0.18	0.20	0.00	0.21	0.26
DYield	3.2%	3.4%	0.0%	3.7%	4.4%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			-0.8%	-0.3%	-0.2%
Net income			-1.5%	+0.2%	+0.4%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)			+7.3%	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	8,436	9,374	9,658
EBITDA	5,974	6,579	8,436	9,374	9,658
Mining	2,206	3,865	5,544	5,610	5,694
Trade	614	-435	-20	810	869
Distribution	2,559	2,493	2,378	2,291	2,299
Heat & Power	759	843	727	859	997
Other	-164	-187	-192	-196	-201
Financing activity	-150	12	-41	5	58
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	-2.4	2.3	3.1

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	5,922	4,816	6,460	7,568	7,604
OCF/EBITDA	99%	73%	77%	81%	79%
CAPEX	2,968	3,162	4,283	3,797	3,829
Working capital	3,619	5,280	6,220	6,770	6,711
Equity	32,013	33,626	37,764	41,465	44,837
Net debt	523	428	-1,698	-4,227	-6,572
Net debt/EBITDA (x)	0.1	0.1	-0.2	-0.5	-0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.1	3.2	3.2	2.9	3.0	2.8
Maximum	26.2	17.3	16.9	12.8	12.4	11.6
Median	12.5	11.7	11.2	5.7	5.6	5.3
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	21.6	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	39,713	43,226	42,849	44,053	43,737	40,331	39,833	38,415	37,498	38,132	38,132
EBITDA	8,436	9,374	9,658	9,527	9,070	8,895	8,916	8,709	8,643	8,748	8,748
EBITDA margin	21.2%	21.7%	22.5%	21.6%	20.7%	22.1%	22.4%	22.7%	23.1%	22.9%	22.9%
EBIT	5,733	6,677	6,915	6,719	6,228	6,003	5,922	5,686	5,547	5,516	4,671
Tax	1,563	1,739	2,106	2,058	1,908	1,823	1,796	1,684	1,617	1,609	1,433
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	-940	-550	59	-189	50	533	78	222	144	-99	-99
FCF	1,651	3,288	3,782	3,424	3,241	3,613	3,183	3,231	3,137	2,962	3,139
PV FCF	1,582	2,892	3,054	2,538	2,205	2,257	1,825	1,701	1,516	1,314	
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	42,456
Net debt	428
Other adjustments	835
Value per share (PLN)	7.42

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	9.45
Relative (DYield)	17%	3.08
DCF	50%	7.42
Cost of equity (9M)		6.7%
9M Target Price		7.86

PKN Orlen sell (reiterated)

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PKN stock maintained a firm upward trajectory in August in a departure from the trajectory followed by other European refiners, which probably had something to do with the capital shifts that followed reviews of global indexes (FTSE, Stoxx). PKN has enjoyed strong market sentiment since the release of second-quarter results, which we were disappointed by but which the market viewed as an upside surprise, reinforced by a strong increase in refining margins. What analysts seem to be forgetting is the Company's commitment to shoulder the full burden of next year's new fuel tax, set to tighten the profits generated by the Orlen service stations. Moreover, investors should probably be more concerned about the strong gains in the shares of rival Lotos as the two refiners prepare for their eventual merger, with PKN as the acquiring party. Our medium-term outlook for downstream and petrochemicals remains muted, and we are convinced that PKN, which is more sensitive than most to changes in crude oil prices, should be valued at lower multiples than its European competitors. We maintain a sell rating for PKN, which still shows downside risk relative to our raised 9MTP even after a 12% hike in the 2018 EBITDA estimate.

Current Price

98.24 PLN

Downside

9M Target Price

81.38 PLN

-17.2%

	rating	target price	issued
new	sell	81.38 PLN	2018-09-03
old	sell	76.84 PLN	2018-08-02
Key Metrics		PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	+7.1% +5.9%
ISIN	PLPKN0000018	YTD Price Chng	-4.6% +0.9%
Outst. Stock (m)	427.7	ADTV 1M	PLN 72.4m
MC (PLN m)	42,018.1	ADTV 6M	PLN 65.7m
EV (PLN m)	49,389.4	EV/EBITDA 12M fwd	5.5 -4.7%
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	110,047	121,227	124,451
EBITDA	9,642	11,078	8,967	6,600	7,448
EBITDA margin	12.1%	11.6%	8.1%	5.4%	6.0%
EBIT	7,532	8,657	6,342	3,731	4,356
Net income	5,261	6,655	4,787	2,885	3,227
P/E	8.0	6.3	8.8	14.6	13.0
P/B	1.6	1.3	1.2	1.1	1.1
EV/EBITDA	5.0	4.1	5.5	7.7	6.8
DPS	2.13	3.00	3.00	3.92	2.36
DYield	2.2%	3.1%	3.1%	4.0%	2.4%
Projection Update (% change)			2018P	2019P	2020P
LIFO EBITDA			+12.3%	+0.3%	+0.1%
Net income			+33.5%	-1.4%	+1.0%
Margin+ Urals/Brent price differ. (\$/b)			+9.1%	0.0%	0.0%
Petchem margin (\$/t)			+13.3%	-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	7,571	6,505	7,399
Downstream(DS)	4,549	4,689	2,960	1,999	2,617
Petchem	1,776	3,034	2,365	2,299	2,750
Retail	1,832	2,049	2,331	2,132	2,184
Upstream	255	293	318	378	392
Electricity	0	129	412	552	330
General expenses	-744	-613	-814	-855	-874
EV/LIFO EBITDA (adj.)	6.3	4.8	6.6	7.9	6.9
LIFO effect	86	788	1,109	96	49
Other one-offs	1,888	709	287	0	0
Financing activity	-645	60	-396	-170	-372
\$ LIFO EBITDA/bbl, DS	5.3	4.9	3.6	2.4	3.1
PLN EBITDA/tonne, Retail	224	232	252	226	229
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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Margin+Urals/Brent	6.0	5.0	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	448	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	110,047	121,227	124,451	125,168	125,770	126,412	127,065	127,727	128,399	129,081	129,081
EBITDA	8,967	6,600	7,448	7,631	7,589	7,724	7,742	7,744	7,748	7,687	7,687
EBITDA margin	8.1%	5.4%	6.0%	6.1%	6.0%	6.1%	6.1%	6.1%	6.0%	6.0%	6.0%
EBIT	6,342	3,731	4,356	4,570	4,472	4,570	4,532	4,453	4,353	4,325	4,336
Tax	1,205	709	828	868	850	868	861	846	827	822	824
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	-3,476	-1,747	-1,043	-207	-87	-93	-95	-96	-98	-99	-99
FCF	-4,977	195	1,927	3,205	3,302	3,413	3,436	3,452	3,473	3,415	3,210
PV FCF	-4,801	175	1,612	2,491	2,381	2,280	2,126	1,977	1,842	1,676	
WACC	7.5%	7.4%	7.5%	7.6%	7.8%	7.9%	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%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	9,331	8,050	4,361	4,177	5,648
OCF/EBITDA LIFO adj.	122%	84%	58%	64%	76%
CAPEX	5,033	4,039	5,063	3,950	3,650
Working capital	6,144	7,489	10,965	12,712	13,755
Equity	26,763	32,197	35,701	36,910	39,128
Net debt	3,363	761	7,371	8,990	8,373
Net debt/EBITDA (x)	0.3	0.1	0.8	1.4	1.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	5.3	5.1	4.9	2.2	2.2	2.2
Maximum	19.2	18.1	21.3	19.2	19.3	19.6
Median	10.0	9.9	9.1	6.1	6.0	5.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	34,218
Net debt	1,695
Other adjustments	0
Value per share (PLN)	76.04

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	77.06
DCF Val.	50%	76.04
Implied Price		76.55
Cost of equity (9M)		6.3%
9M Target Price		81.38

Power Utilities

CEZ

sell (no change)

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EEX electricity contracts broke the psychological barrier of EUR 50/MWh in August, driven by rising prices of coal and emissions, but CEZ stock, which in the past showed strong correlation with energy prices, trailed. One reason might be the Czech utility's hedging strategy, with hedged sales representing 80% of the estimated 2019 volumes and 50% of the 2020 volumes, meaning that the current market shifts cannot be expected to impact positively on profits until 2021. With that said, the EBITDA boost three years out will be unassailable at an estimated CZK 10bn. If the current trends in energy prices hold in the coming weeks, we will adjust our medium-term earnings outlook for CEZ accordingly. The downside of higher electricity prices is that they might prompt the Czech government to make CEZ move ahead with a new nuclear project without offering much assistance in terms of financing. According to our estimates, 1 GW of nuclear capacity built without the help of state funding can shave 10-13% off the Company's value. We maintain a sell call for CEZ in the near term because at the current level the stock is trading at a historically unusual premium of 20% to the EV/EBITDA ratio of Stoxx Utilities, not justified by dividend yields, which currently show a tighter premium of 2% vs. 5% previously to the risk-free rate.

Current Price

563.00 CZK

Downside

9M Target Price

440.96 CZK

-21.7%

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

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	-2.6%	-3.8%
ISIN	CZ0005112300	YTD Price Chng	+21.5%	+27.0%
Outst. Stock (m)	538.0	ADTV 1M		CZK 129.8m
MC (CZK bn)	302.9	ADTV 6M		CZK 161.3m
EV (CZK bn)	452.8	EV/EBITDA 12M fwd	8.3	+17.9%
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	21.2	16.1	21.3	19.8	17.6
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	7.2	7.7	8.5	8.4	7.8
DPS	40.00	33.00	33.00	26.49	28.48
DYield	7.1%	5.9%	5.9%	4.7%	5.1%
Projection Update (% 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)

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Enea's generation profits in H1 2018 came short of expectations, but we expect the Company to catch up in H2 thanks to improving operating rates of coal-based units and higher profits on renewable energy. Our expectations as to 2019 EBITDA as well as about 10% more optimistic than the average analysts' forecast. 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 (with the unit's CDS widened by over PLN 30/MWh ytd, this implies PLN 0.2bn in additional EBITDA). Enea also has solid prospects ahead in future years 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). We maintain a buy rating for ENA.

Current Price

8.54 PLN

Upside

9M Target Price

12.62 PLN

+47.8%

	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	-8.9%	-10.1%
ISIN	PLENEA000013	ADTV 1M	-25.7%	-20.2%
Outst. Stock (m)	441.4	ADTV 6M		PLN 3.3m
MC (PLN m)	3,769.9	EV/EBITDA 12M fwd	3.5	PLN 5.0m
EV (PLN m)	10,924.2	EV/EBITDA 5Y avg	5.1	-31.4%
Free Float	48.5%			discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	11,256	11,406	12,232	14,267	13,888
EBITDA	2,328	2,684	2,845	3,284	2,956
EBITDA margin	20.7%	23.5%	23.3%	23.0%	21.3%
EBIT	1,119	1,488	1,431	1,828	1,481
Net income	784	1,070	919	1,187	931
P/E	4.8	3.5	4.1	3.2	4.0
P/B	0.3	0.3	0.3	0.2	0.2
EV/EBITDA	3.9	3.8	3.8	3.3	3.8
DPS	0.00	0.28	0.00	0.00	0.00
DYield	0.0%	3.2%	0.0%	0.0%	0.0%
Projection Update (% 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	P/E	20P	18P	EV/EBITDA	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 (reiterated)

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After factoring 2018 Q2 results into our FY forecasts, the updated targets are only slightly lower, resulting in a small, 2% downward revision to the 9MTP. Energa is experiencing contraction in trading profits this year due to rapid shifts in prices, and a high peak-off peak spread, which prevent effective hedging. This is not likely to continue into 2019, when the Company is set to see higher margins on commercial electricity sales in a less competitive market, thus mitigating the margins lost if the regulator rejects requests for adjustments to household energy tariffs in line with the higher prices. Accompanied by continuing growth in profits from renewables, this should make for much higher EBITDA next year. Generating 90% of annual EBITDA from regulated operations, despite rising emission prices, Energa should be traded at a premium to other utilities in our view, rather than the current discount which reflects among others expectations of negative returns on the planned new 910 MW "Ostrołęka C" generator. Looking at the framework of the capacity auctions coming this winter, there is a chance these expectations will have to be revised to positive.

Current Price

8.40 PLN

Upside

9M Target Price

15.27 PLN

+81.8%

		rating	target price	issued
new		buy	15.27 PLN	2018-09-03
old		buy	15.58 PLN	2018-05-29
Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-5.9%	-7.1%
ISIN	PLENERG00022	YTD Price Chng	-34.0%	-28.5%
Outst. Stock (m)	414.1	ADTV 1M		PLN 4.8m
MC (PLN m)	3,478.2	ADTV 6M		PLN 6.2m
EV (PLN m)	7,389.2	EV/EBITDA 12M fwd	3.7	-25.0%
Free Float	48.5%	EV/EBITDA 5Y avg	4.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	10,181	10,534	10,001	11,026	10,914
EBITDA	2,027	2,160	2,167	2,312	2,274
EBITDA margin	19.9%	20.5%	21.7%	21.0%	20.8%
EBIT	487	1,210	1,285	1,259	1,225
Net income	151	773	829	807	750
P/E	23.0	4.5	4.2	4.3	4.6
P/B	0.4	0.4	0.3	0.3	0.3
EV/EBITDA	4.0	3.5	3.4	3.3	3.5
DPS	0.49	0.19	0.00	0.00	0.00
DYield	5.8%	2.3%	0.0%	0.0%	0.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			-4.5%	-2.0%	-3.7%
Net income			+3.6%	-2.6%	-6.9%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	2,040	2,091	2,167	2,312	2,274
EBITDA	2,027	2,160	2,167	2,312	2,274
Conv. Gener./CHP	195	229	130	135	64
Renewables	119	169	240	303	297
Distribution	1,720	1,723	1,767	1,738	1,774
Trade	40	85	104	210	216
Other	-48	-46	-73	-75	-76
Financing activity	-282	-208	-224	-227	-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	5.0	10.0	10.1
RAV (PLN bn)	11.5	11.7	12.2	12.6	12.9
RAV return (EBIT)	8.5%	8.2%	8.2%	7.3%	7.3%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	1,782	2,182	2,012	1,956	2,085
OCF/EBITDA	88%	101%	93%	85%	92%
CAPEX	1,580	1,280	1,573	1,850	2,205
Working capital	1,608	1,403	1,332	1,468	1,454
Equity	8,777	9,409	10,238	11,044	11,795
Net debt	4,664	4,064	3,862	3,988	4,378
Net debt/EBITDA (x)	2.3	1.9	1.8	1.7	1.9

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	168.5	203.9	192.8	177.5	178.5	179.7	180.9	182.2	183.5	185.0	185.0
Coal (PLN/t)	230.0	233.2	210.7	210.7	210.7	210.7	210.7	210.7	210.7	210.7	210.7
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	10,001	11,026	10,914	10,669	10,833	11,033	11,137	11,244	11,355	11,468	11,468
EBITDA	2,167	2,312	2,274	2,285	2,229	2,387	2,566	2,620	2,674	2,727	2,727
EBITDA margin	21.7%	21.0%	20.8%	21.4%	20.6%	21.6%	23.0%	23.3%	23.6%	23.8%	23.8%
EBIT	1,285	1,259	1,225	1,193	1,176	1,266	1,373	1,391	1,406	1,463	1,463
Tax	244	239	233	227	224	241	261	264	267	278	278
CAPEX	-1,573	-1,850	-2,205	-2,266	-2,094	-1,663	-1,496	-1,506	-1,513	-1,517	-1,517
Working capital	71	-136	15	33	-22	-27	-14	-14	-15	-15	-15
FCF	421	86	-149	-175	-111	457	795	836	879	918	918
PV FCF	403	77	-123	-135	-79	305	492	480	468	452	452
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%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	10,217
Net debt	4,064
Other adjustments	-226
Value per share (PLN)	14.32

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	25.05
Relative (DYield)	0%	6.50
DCF	100%	14.32
Cost of equity (9M)		6.7%
9M Target Price		15.27

PGE buy (no change)

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PGE hit another all-time low in August as the stock continued to move against an improving macro backdrop, reflected in fast-rising electricity prices on the POLPX exchange which push higher the clean-dark spread for lignite-fired power plants and high-efficiency hard coal-fired generators, and boost profits from renewable energy (the current prices of 1Y FWD contract imply an increase of PLN 0.2bn in the 2019 EBITDA of PGE's Renewables segment). Adding to the improved outlook are the proposed terms of the upcoming capacity auctions, which give reason for optimism as regards the future payments. As a reminder, PGE is nearing completion of the huge investment push started in 2014, which included new conventional capacity and upgrades to existing installations, with expenditures over the six years through 2019 budgeted at over PLN 25 billion. From 2019 on, capital expenditures in the next five years are expected to drop to PLN 4bn on average per year from the PLN 7bn 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. At the moment, there are indications that analysts are preparing to revise higher their EBITDA expectations for PGE. We maintain a buy rating for PGE, currently trading at a cheap 2019E EV/EBITDA ratio of 3.4x.

Current Price

9.00 PLN

Upside

9M Target Price

13.60 PLN

+51.1%

	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	-8.1%	-9.3%
ISIN	PLPGER000010	YTD Price Chng	-25.3%	-19.7%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 12.5m
MC (PLN m)	16,828.1	ADTV 6M		PLN 18.5m
EV (PLN m)	26,129.0	EV/EBITDA 12M fwd	3.8	-23.9%
Free Float	42.6%	EV/EBITDA 5Y avg	4.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	28,092	23,100	26,025	31,778	32,474
EBITDA	7,376	7,650	7,509	7,905	7,801
EBITDA margin	26.3%	33.1%	28.9%	24.9%	24.0%
EBIT	3,512	3,620	4,132	4,308	3,924
Net income	2,568	2,660	3,056	3,114	2,815
P/E	6.6	6.3	5.5	5.4	6.0
P/B	0.4	0.4	0.3	0.3	0.3
EV/EBITDA	3.0	3.3	3.5	3.3	3.1
DPS	0.25	0.00	0.00	0.00	0.42
DYield	2.8%	0.0%	0.0%	0.0%	4.6%
Projection Update (% 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 (reiterated)

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Tauron continued to underperform the sector in August on concerns over next year's trading profits, which account for a larger-than-average portion of the overall annual profits. In addition, Tauron's captive coal mines keep missing production targets amid short supply and upward-trending market prices of coal, prompting a downward revision to our expectations for the Mining segment. When it comes to trading profits, however, we think the market is overestimating the risks, and we believe higher margins from sales to commercial customers next year will mitigate the potential decline in margins from household sales, of which only about a half are subject to tariff regulation. This year, the generation segment offset any trading losses in H1 2018, but in H2 profits from generation as well as trading will be curbed by the impact of FIFO accounting on costs of carbon allowances and green certificates. After factoring this into our forecasts, despite small revisions, we maintain a buy rating for TPE, which shows upside potential at the current undervalued level (with the generation assets ascribed a negative value of PLN 5bn per our calculations despite their ability in our view to produce EBITDA over PLN 0.7bn in 2020), stemming from encouraging prospects for future capacity payments, the end of increased capital investment, and opportunities to restructure the generation mix.

Current Price

2.00 PLN

Upside

9M Target Price

2.77 PLN

+38.5%

		rating	target price	issued
new		buy	2.77 PLN	2018-09-03
old		buy	2.76 PLN	2018-05-29
Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-9.5%	-10.7%
ISIN	PLTAURN00011	YTD Price Chng	-34.4%	-28.9%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 7.4m
MC (PLN m)	3,505.1	ADTV 6M		PLN 14.9m
EV (PLN m)	13,818.3	EV/EBITDA 12M fwd	3.9	-18.8%
Free Float	59.6%	EV/EBITDA 5Y avg	4.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	17,646	17,416	17,984	19,771	19,862
EBITDA	3,337	3,545	3,622	3,557	3,740
EBITDA margin	18.9%	20.4%	20.1%	18.0%	18.8%
EBIT	802	1,806	1,508	1,726	1,743
Net income	367	1,381	924	1,095	1,082
P/E	9.5	2.5	3.8	3.2	3.2
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.6	3.5	3.8	4.2	3.9
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			-1.2%	+1.2%	-1.9%
Net income			-30.3%	+3.4%	-4.7%
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	3,392	3,557	3,740
EBITDA	3,337	3,545	3,622	3,557	3,740
Generation	545	464	678	522	598
Mining	-82	-83	-150	7	11
Distribution	2,395	2,283	2,461	2,519	2,594
Trade	490	841	603	486	512
Other	-9	40	30	23	25
Financing activity	-293	-49	-334	-334	-368
Power output, TWh	16.8	18.4	15.2	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	17.0	13.5	14.0
RAV (PLN bn)	15.4	16.3	16.9	17.5	17.8
RAV return (EBIT)	8.9%	7.4%	8.1%	7.9%	8.1%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	3,064	3,559	3,356	3,210	3,444
OCF/EBITDA	92%	100%	93%	90%	92%
CAPEX	3,647	3,562	4,360	3,976	2,622
Working capital	517	489	504	554	557
Equity	16,649	18,036	18,960	20,055	21,137
Net debt	8,595	8,944	10,284	11,383	10,928
Net debt/EBITDA (x)	2.6	2.5	2.8	3.2	2.9

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.5	3.5	4.4	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	17,984	19,771	19,862	19,477	19,755	20,061	20,378	20,715	21,031	21,360	21,360
EBITDA	3,392	3,557	3,740	3,953	3,974	4,009	4,046	4,108	4,170	4,229	4,229
EBITDA margin	18.9%	18.0%	18.8%	20.3%	20.1%	20.0%	19.9%	19.8%	19.8%	19.8%	19.8%
EBIT	1,278	1,726	1,743	1,888	1,915	1,903	1,890	1,893	1,893	1,880	1,461
Tax	243	328	331	359	364	362	359	360	360	357	278
CAPEX	-4,360	-3,976	-2,622	-2,691	-2,670	-2,693	-2,702	-2,728	-2,728	-2,768	-2,768
Working capital	-16	-50	-3	11	-8	-9	-9	-9	-9	-9	-9
FCF	-1,227	-797	784	914	932	946	976	1,011	1,073	1,095	1,175
PV FCF	-1,185	-726	673	736	703	667	642	618	611	580	
WACC	6.1%	6.0%	6.2%	6.5%	6.8%	7.0%	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	14,863
Net debt	8,944
Other adjustments	-808
Value per share (PLN)	2.60

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	8.05
Relative (DYield)	0%	0.00
DCF	100%	2.60
Cost of equity (9M)		6.7%
9M Target Price		2.77

TMT

Netia

reduce (no change)

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Netia stock plummeted more than 9% in the past month, underperforming the broad market by nearly 11%, but it still shows downside risk in our view. Cyfrowy Polsat, Netia's new owner after the acquisition of a 66% stake the last six months, may or may not make a tender offer on the 34% of shares still outstanding, at a price which is impossible to predict with any degree of accuracy. Cyfrowy says it will not be seeking dividends from Netia, and our guess is that Netia will allocate all future free cash flow to upgrading its network infrastructure. We expect FCFE to be negative in 2018-2020. In addition, Cyfrowy may want to speed up the network upgrades as it works to keep up with competition, especially now that T-Mobile Poland has signed a deal to lease wholesale access to the fiber optic network of Orange Polska.

Current Price

4.44 PLN

Downside

9M Target Price

4.30 PLN

-3.2%

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

Key Metrics	NET PW	vs. WIG
Ticker	NET PW	-9.4%
ISIN	PLNETIA00014	-17.5%
Outst. Stock (m)	337.0	-11.9%
MC (PLN m)	1,496.5	PLN 1.5m
EV (PLN m)	1,883.8	PLN 0.5m
Free Float	100.0%	5.2
		+8.6%
		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	46.0	42.2	40.4	48.8	42.7
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	4.0	4.6	5.3	5.6	5.7
DPS	0.39	0.38	0.00	0.00	0.00
DYield	8.9%	8.6%	0.0%	0.0%	0.0%
Projection Update (% 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 (no change)

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Orange Polska generated a negative return close to 2% in the past month, and we consider this an undeserved pullback given the better-than-expected results generated in Q2 2018, with 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 after reducing indirect expenses by 8% so far out of the 12-15% target set for 2017-2020. In July, Orange agreed to lease wholesale access to its fiber infrastructure for wireless data traffic to the Polish unit of T-Mobile. T-Mobile is paying an upfront 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.

Current Price

4.86 PLN

Upside

9M Target Price

7.60 PLN

+56.4%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-1.8%	-3.0%
ISIN	PLTLKPL00017	YTD Price Chng	-16.1%	-10.5%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 6.4m
MC (PLN m)	6,376.3	ADTV 6M		PLN 9.1m
EV (PLN m)	13,243.2	EV/EBITDA 12M fwd	4.4	-4.3%
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	-	-	21.3	11.7	8.1
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	4.2	4.6	4.3	3.9	3.5
DPS	0.25	0.00	0.00	0.00	0.25
DYield	5.1%	0.0%	0.0%	0.0%	5.1%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Analysis

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

DCF Summary

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

Valuation Summary

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

Play hold (no change)

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Play's stock has underperformed the broad market by more than 32% in the last five months after falling 29% in the wake of weaker-than-expected second-quarter earnings, followed by news of a dividend cut from 2019, a downplaying of expectations by the new CEO, and rival mobile carrier T-Mobile buying access to fixed-line infrastructure. PLY has probably run out of downside potential at this point, trading at 5.6x 2018E EV/EBITDA, a ratio on a par with the median for Western telecoms and 18% above the CEE median. Play does generate high FCFE (expected by us to reach PLN 750m versus a PLN 750-800m guidance range), with the implied FCFE Yield at a high 13.6% (vs. 10.3% offered by rival Cyfrowy Polsat), and this could serve as an upside catalyst were it not for the Company's high debt at >3.0x EBITDA, while its assets are much smaller than held by most peers. Note that Play's FCFE/EV ratio is 6.1% vs. 5.9% CPS. Among the many other reasons why Play is not likely to start posting gains any time soon are mounting competitive pressures, reflected in a possible future merger of T-Mobile with the cable provider UPC, and its likely expansion with a convergent service using the FTTH network access bought from Orange. On top of that, there are the declining subscriber additions, a likelihood that Play will need to give up some of its high smartphone margins, and the huge costs if the Company decides to buy or lease fixed-line access.

Current Price

21.70 PLN

Upside

9M Target Price

22.60 PLN

+4.1%

	rating	target price	issued
unchanged	hold	22.60 PLN	2018-08-30

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+1.8%	+0.6%
ISIN	LU1642887738	YTD Price Chng	-30.5%	-25.0%
Outst. Stock (m)	253.7	ADTV 1M		PLN 22.1m
MC (PLN m)	5,505.3	ADTV 6M		PLN 10.2m
EV (PLN m)	12,177.9	EV/EBITDA 12M fwd	5.4	-11.1%
Free Float	49.4%	EV/EBITDA 5Y avg	6.1	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,118	6,670	6,860	6,971	7,107
EBITDA	1,924	1,904	2,165	2,147	2,195
EBITDA margin	31.5%	28.5%	31.6%	30.8%	30.9%
EBIT	1,290	1,107	1,384	1,259	1,254
Net income	712	387	793	706	723
P/E	7.7	14.2	6.9	7.8	7.6
P/B	4.1	-	-	17.8	7.8
EV/EBITDA	5.5	6.4	5.6	5.6	5.2
DPS	0.00	1.50	2.60	1.30	1.30
DYield	0.0%	6.9%	12.0%	6.0%	6.0%
Projection Update (% 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	12,269	12,373	12,447
ARPU (PLN)	31.4	32.0	32.7	33.5	34.0
Revenue	6,118	6,670	6,860	6,971	7,107
Service revenue	4,493	4,878	5,054	5,126	5,237
Sales of goods and other	1,625	1,792	1,806	1,845	1,870
Costs	4,193	4,766	4,695	4,824	4,912
Interconnection	1,496	1,729	1,969	1,986	1,991
Contract costs	399	429	437	443	454
Cost of goods sold	1,366	1,410	1,471	1,520	1,554
Employee benefits	228	526	246	256	263
External services	567	606	501	540	572
Other	138	65	71	78	79
EBITDA (adj.)	2,035	2,298	2,159	2,177	2,225
margin	33.3%	34.4%	31.5%	31.2%	31.3%
Net income	712	387	793	706	723

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	1,588	1,389	1,972	1,958	1,977
OCF/EBITDA adj.	78%	60%	91%	90%	89%
CAPEX	-2,316	-650	-769	-859	-654
Assets	8,747	8,831	8,687	8,603	8,558
Equity	1,343	-213	-69	309	704
Net debt	5,111	6,710	6,673	6,445	5,993
Net debt/EBITDA (x)	2.5	2.9	3.1	3.0	2.7

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	6,860	6,971	7,107	7,203	7,273	7,329	7,376	7,416	7,451	7,482	7,482
EBITDA	2,165	2,147	2,195	2,218	2,220	2,247	2,246	2,247	2,246	2,244	2,244
EBITDA margin	32.5%	31.3%	31.5%	31.2%	30.8%	30.9%	30.6%	30.5%	30.3%	30.1%	30.1%
D&A	781	888	941	929	1,030	975	980	964	921	881	881
EBIT	1,384	1,259	1,254	1,289	1,190	1,272	1,266	1,283	1,325	1,363	1,363
Tax	263	239	238	245	226	242	240	244	252	259	259
NOPLAT	1,121	1,020	1,016	1,044	964	1,031	1,025	1,040	1,073	1,104	1,104
CAPEX	-769	-859	-654	-1,659	-582	-1,052	-883	-593	-596	-600	-600
Work. cap. + other	-198	-248	-299	-306	-304	-313	-316	-318	-317	-318	-318
FCF	935	801	1,004	8	1,108	641	807	1,092	1,080	1,067	1,067
PV FCF	914	731	855	6	823	444	521	657	604	555	
WACC	7.0%	7.1%	7.2%	7.1%	7.2%	7.2%	7.2%	7.4%	7.5%	7.6%	7.6%
Net debt / EV	54.6%	53.7%	51.9%	54.1%	52.4%	52.2%	51.1%	48.6%	46.4%	43.9%	43.9%
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	1.3
FCF perp. growth rate	0.0%
PV FCF	13,360
Net debt	7,362
Other adjustments	0
Value per share (PLN)	23.64

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	18.41
DCF Val.	50%	23.64
Implied Price		21.00
Cost of equity (9M)		7.6%
9M Target Price		22.60

Agora buy (no change)

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Agora logged a drop of nearly 30% in its share price over the last three months, and we attribute the negative sentiment to expectations of weak 2018 Q2 results, which the Company fulfilled by reporting 57% year-over-year shrinkage in adjusted EBITDA, driven by lower cinema attendance. Factors which kept audiences away from movie theaters during the period included due to fewer box office hits, coupled with sunny weather and the 2018 World Cup TV broadcasts. In our view, the sharp pullback makes a perfect 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

10.60 PLN

Upside

9M Target Price

18.40 PLN

+73.6%

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

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	+3.4%	+2.2%
ISIN	PLAGORA00067	YTD Price Chng	-24.0%	-18.4%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	493.8	ADTV 6M		PLN 0.4m
EV (PLN m)	464.4	EV/EBITDA 12M fwd	4.3	-20.6%
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	-	-	20.1	21.8	17.9
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	4.6	17.2	3.6	3.7	3.6
DPS	0.75	0.46	0.50	0.75	1.00
DYield	7.1%	4.3%	4.7%	7.1%	9.4%
Projection Update (% 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)

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Cyfrowy Polsat generated solid financial results in Q2 2018, supported by an increasing retail customer base, in particular contract RGUs, not accompanied by an equally rapid rise in costs. Cyfrowy has reiterated its 2018 guidance, with FCFE expected to approximate PLN 1.5bn, implying FCFE Yield of 10.3%. We maintain a positive outlook for CPS, currently trading at 7.0x 2018E EV/EBITDA. 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 matches, set to boost advertising revenues as overall ad spend in Poland is seen to rise.

Current Price	22.48 PLN	Upside
9M Target Price	24.90 PLN	+10.8%

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-4.5%	-5.7%
ISIN	PLCFRPT00013	YTD Price Chng	-9.6%	-4.0%
Outst. Stock (m)	639.5	ADTV 1M		PLN 8.5m
MC (PLN m)	14,376.9	ADTV 6M		PLN 12.8m
EV (PLN m)	25,426.0	EV/EBITDA 12M fwd	6.3	-10.5%
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	13.8	14.7	13.1	11.1	10.0
P/B	1.3	1.2	1.1	1.0	0.9
EV/EBITDA	7.0	6.9	7.0	6.1	5.7
DPS	0.00	0.32	0.00	0.32	0.50
DYield	0.0%	1.4%	0.0%	1.4%	2.2%
Projection Update (% 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

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	11,311	11,509	11,653	11,795	11,952	12,120	12,300	12,492	12,695	12,911	12,911
EBITDA	3,791	3,912	3,975	4,031	4,075	4,122	4,165	4,213	4,267	4,326	4,326
EBITDA margin	33.5%	34.0%	34.1%	34.2%	34.1%	34.0%	33.9%	33.7%	33.6%	33.5%	33.5%
D&A	2,010	1,919	1,835	1,739	1,652	1,590	1,557	1,540	1,490	1,487	1,487
EBIT	1,781	1,993	2,140	2,292	2,423	2,533	2,607	2,673	2,777	2,839	2,839
Tax	338	379	407	435	460	481	495	508	528	539	539
NOPLAT	1,443	1,615	1,734	1,856	1,963	2,051	2,112	2,165	2,249	2,300	2,300
CAPEX	-1,561	-1,414	-1,427	-1,908	-1,383	-3,056	-1,420	-1,861	-1,984	-1,487	-1,487
Working capital	-225	-146	-114	-94	-84	-83	-83	-82	-98	-104	-104
FCF	1,667	1,973	2,027	1,593	2,148	502	2,166	1,763	1,657	2,196	2,196
PV FCF	1,613	1,789	1,721	1,264	1,591	347	1,401	1,065	935	1,155	
WACC	6.8%	6.7%	6.9%	7.0%	7.1%	7.0%	7.1%	7.1%	7.1%	7.2%	7.2%
Net debt / EV	41.4%	37.7%	33.7%	31.8%	28.2%	31.4%	29.5%	29.1%	29.1%	27.5%	27.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	29,007
Net debt	11,604
Other adjustments	797
Value per share (PLN)	25.96

Valuation Summary

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

Wirtualna Polska accumulate (downgraded)

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Shares in Wirtualna Polska registered a 16% jump in August, outperforming the broad market by 15%, and with the upside potential to our target curbed to 5% we downgrade the stock from buy to accumulate. Our bullish outlook remains intact, 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 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

57.00 PLN

Upside

9M Target Price

60.00 PLN

+5.3%

	rating	target price	issued
new	accumulate	60.00 PLN	2018-09-03
old	buy	60.00 PLN	2018-08-02
Key Metrics			
	WPL PW	1M Price Chng	+16.3% +15.1%
Ticker	PLWRTPL00027	YTD Price Chng	+19.9% +25.5%
ISIN		ADTV 1M	PLN 1.2m
Outst. Stock (m)	29.8	ADTV 6M	PLN 0.9m
MC (PLN m)	1,697.2	EV/EBITDA 12M fwd	10.4 -0.9%
EV (PLN m)	1,930.0	EV/EBITDA 5Y avg	10.5 discount
Free Float	53.0%		

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	29.9	37.5	22.3	19.1	17.0
P/B	4.2	4.0	3.7	3.4	3.2
EV/EBITDA	15.3	14.5	12.0	10.1	9.1
DPS	0.00	1.10	0.96	1.61	2.15
DYield	0.0%	1.9%	1.7%	2.8%	3.8%
Projection Update (% 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 accumulate (upgraded)

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Asseco Poland delivered 2018 Q2 financials well ahead of expectations, owing in a large part to the parent company, which doubled the quarterly EBIT relative to the comparable year-ago period on bolstered orders from the banking industry and public administration. To reflect this, we have raised our estimate for the standalone FY2018 net profit from PLN 79m to PLN 114m not counting subsidiary dividend receipts, resulting in corresponding adjustment to the consolidated earnings target to PLN 282m. If Asseco were to make the same distribution to shareholders next year as this year's PLN 249.8m payout, this would imply a dividend payout ratio close to 90% - an unlikely prospect given the expected slowdown in 2019 profits led by the expiration of two major long-standing contracts, one with the state pension vehicle ZUS, and the other with a bank, underpinned by rising pay pressures in the IT industry. Moreover, Asseco is still very much on the market for M&A deals, even if it considers its potential US targets overpriced at the moment. We upgrade ACP from hold to accumulate with the new 9MTP at PLN 49.00 indicating 7% upside potential.

Current Price	45.90 PLN	Upside
9M Target Price	49.00 PLN	+6.8%

	rating	target price	issued
new	accumulate	49.00 PLN	2018-09-03
old	hold	41.20 PLN	2018-06-06
Key Metrics			
	ACP PW	1M Price Chng	-0.1%
	PLSOFTB000016	YTD Price Chng	+12.0%
Outst. Stock (m)	83.0	ADTV 1M	PLN 7.6m
MC (PLN m)	3,809.7	ADTV 6M	PLN 6.7m
		P/E 12M fwd	14.1
Free Float	68.0%	P/E 5Y avg	12.2

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	7,932	7,724	8,908	9,068	9,299
EBITDA	1,070	933	1,139	1,170	1,205
EBITDA margin	13.5%	12.1%	12.8%	12.9%	13.0%
EBIT	769	644	767	804	843
Net income	301	596	282	257	258
P/E	12.6	6.4	13.5	14.8	14.8
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	6.6%	6.6%	6.6%	4.4%	4.4%
Projection Update (% change)					
Revenue			+0.8%	+0.5%	+0.5%
EBITDA			+6.1%	+3.7%	+2.9%
EBIT			+8.9%	+5.3%	+4.0%
Net income			+15.8%	+10.2%	+7.2%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	7,932	7,724	8,908	9,068	9,299
change	0.0%	-2.6%	13.8%	1.8%	2.5%
Poland	1,599	1,514	1,648	1,607	1,651
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	767	804	843
D&A	300	289	372	365	362
EBITDA	1,070	933	1,139	1,170	1,205
margin	13.5%	12.1%	12.8%	12.9%	13.0%
Associates	-242	169	-267	-324	-355
Tax	-166	-163	-173	-178	-183
Net income	301	596	282	257	258

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	25.3	20.2	#ADR!
Maximum	11.9	10.0	#ADR!
Median	19.1	15.9	#ADR!
Weight	33%	33%	#ADR!

DCF Summary

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Asseco Poland (Standalone Figures)											
Revenue	904	837	858	877	895	912	931	949	968	988	988
EBITDA	200	141	129	133	137	140	143	145	146	147	147
NOPLAT	122	83	80	82	85	87	88	90	90	91	91
FCF	84	98	62	70	81	77	79	79	80	79	79
WACC	8.7%	8.7%	8.6%	8.5%	8.5%	8.5%	8.4%	8.5%	8.5%	8.5%	0.0%
Asseco Business Solutions											
Revenue	254	264	273	279	285	291	297	304	310	317	323
EBITDA	89	96	102	104	106	109	111	114	117	120	122
NOPLAT	58	63	67	69	70	72	74	75	77	79	81
FCF	49	60	64	66	68	70	72	74	75	77	79
WACC	8.5%	8.5%	8.5%	8.5%	8.4%	8.4%	8.4%	8.4%	8.4%	0.0%	0.0%
Asseco South Eastern Europe											
Revenue	656	686	714	738	759	775	789	800	809	817	833
EBITDA	114	118	122	126	129	132	134	137	139	141	144
NOPLAT	59	62	64	66	67	69	70	70	71	71	73
FCF	36	52	53	55	58	60	63	65	67	69	70
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%

SOTP Summary

(PLN m)	Method	%	Value
Asseco PL (stndln)	DCF	100%	1,130
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%	2,031
R-Style Softlab	6x PE	100%	0
Other	10x PE	0%	207
Value			3,557
Value Per Share (PLN)			42.86

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	49.27
SOTP Val.	50%	42.86
Implied Price		46.06
Cost of equity (9M)		6.4%
9M Target Price		49.00

CD Projekt sell (no change)

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CD Projekt released the first public gameplay demo of Cyberpunk 2077 (C2077) on 27 August, garnering positive reviews from the gaming community, and a day later the Company published better-than-expected 2018 Q2 earnings results, which, as predicted, showed contraction from the year-ago figures due to fading sales of The Witcher copies and add-ons. CD Projekt says the C2077 development team have their work cut out for them in the months to come, and we assume tentatively that the game will be released in 2019 at the earliest. Otherwise, the focus this year is on the upcoming release of the Gwent card game and its single-player campaign, set for Q4. Sales of Gwent in Q2 were low relative to the period's total revenue. C2077 will serve as the main catalyst for future shifts in CDR stock in the months to come, but at the current high level the stock still contains downside risk.

Current Price

206.00 PLN

Downside

9M Target Price

90.80 PLN

-55.9%

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

Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+5.4% +4.2%
ISIN	PLOPTTC00011	YTD Price Chng	+112.4% +117.9%
Outst. Stock (m)	95.2	ADTV 1M	PLN 40.2m
MC (PLN m)	19,613.9	ADTV 6M	PLN 45.1m
EV (PLN m)	19,506.4	EV/EBITDA 12M fwd	29.8 +38.5%
Free Float	65.3%	EV/EBITDA 5Y avg	21.5 premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	584	463	496	1,590	1,229
EBITDA	308	250	248	810	773
EBITDA margin	52.7%	53.9%	49.9%	50.9%	62.9%
EBIT	304	245	242	803	766
Net income	251	204	198	658	640
P/E	78.3	96.2	99.2	29.8	30.6
P/B	25.2	22.2	18.2	11.3	8.2
EV/EBITDA	63.0	78.3	78.7	23.2	23.4
DPS	0.00	1.06	0.00	0.00	0.00
DYield	0.0%	0.5%	0.0%	0.0%	0.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			-1.6%	+3.1%	+4.6%
Net income			-4.7%	+1.8%	+1.0%
Aluminum price (US\$/t)			-7.1%	0.0%	0.0%
Producer premium (US\$/t)			+10.7%	0.0%	0.0%
EBITDA, Packaging			-3.0%	-22.0%	-19.8%
EBITDA, Extrusions			+22.1%	+27.0%	+27.2%
EBITDA, AI Systems			-1.5%	+0.0%	+5.8%

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)

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CMR stock fell 14% in the past month, underperforming the broad market by over 15%, but we maintain a positive view the Company. Comarch delivered better-than-expected results for Q2 2018, owed mainly to a sharp increase in the quarterly sales margin to 25.9% from 15.0% a year ago, accompanied by gross profit soaring from PLN 35.3m to PLN 86.1m. Aside from a boost provided by a single major contract from the Justice Ministry, the growth in second-quarter profits was led by a general recovery in orders from the public administration, SMEs, and the retail and service industries. The positive Q2 surprise should send CMR on an upward trend in September.

Current Price	147.50 PLN	Upside
9M Target Price	166.50 PLN	+12.9%

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

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-14.0%	-15.2%
ISIN	PLCOMAR00012	YTD Price Chng	-21.8%	-16.2%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.2m
MC (PLN m)	1,199.7	ADTV 6M		PLN 0.5m
EV (PLN m)	1,204.9	EV/EBITDA 12M fwd	7.1	-3.1%
Free Float	59.2%	EV/EBITDA 5Y avg	7.3	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,109	1,102	1,219	1,334	1,397
EBITDA	176	99	144	169	176
EBITDA margin	15.8%	9.0%	11.8%	12.6%	12.6%
EBIT	113	34	79	104	111
Net income	70	43	57	77	84
P/E	17.1	27.8	21.2	15.6	14.3
P/B	1.4	1.4	1.3	1.3	1.3
EV/EBITDA	6.6	12.5	8.4	7.3	7.0
DPS	0.00	1.50	1.50	10.00	10.00
DYield	0.0%	1.0%	1.0%	6.8%	6.8%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,219	1,334	1,397	1,444	1,488	1,533	1,580	1,628	1,678	1,730	1,765
EBITDA	144	169	176	181	187	192	199	206	213	221	225
EBITDA margin	11.8%	12.6%	12.6%	12.6%	12.6%	12.5%	12.6%	12.6%	12.7%	12.8%	13.0%
D&A	64	65	65	65	66	66	67	68	69	71	73
EBIT	79	104	111	116	121	126	132	137	143	150	153
Tax	23	29	29	31	32	33	35	36	38	39	40
NOPLAT	56	75	82	85	89	93	97	101	106	110	112
CAPEX	-53	-58	-61	-63	-65	-66	-67	-68	-70	-71	-73
Working capital	-30	-24	-9	-6	-5	-5	-5	-5	-5	-5	-5
FCF	38	58	77	82	85	88	92	96	100	105	107
PV FCF	35	50	61	60	57	55	52	50	48	47	
WACC	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Net debt / EV	1.5%	0.0%	1.1%	1.2%	0.9%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

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

Valuation Summary

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

Industrials, Mining

Famur

buy (no change)

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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, 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. We expect a strong 2018 Q2 showing from Famur, and we maintain a buy rating for FMF stock.

Current Price

5.74 PLN

Upside

9M Target Price

6.56 PLN

+14.3%

	rating	target price	issued
unchanged	buy	6.56 PLN	2018-08-02

Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	+8.7%	+7.5%
ISIN	PLFAMUR00012	YTD Price Chng	-0.3%	+5.2%
Outst. Stock (m)	574.8	ADTV 1M		PLN 1.5m
MC (PLN m)	3,299.1	ADTV 6M		PLN 1.4m
EV (PLN m)	3,445.4	EV/EBITDA 12M fwd	7.3	+22.5%
Free Float	35.3%	EV/EBITDA 5Y avg	5.9	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,030	1,460	2,059	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	29.8	66.2	18.0	14.3	12.4
P/B	2.8	2.2	2.3	2.3	2.1
EV/EBITDA	11.1	11.1	7.8	7.1	6.7
DPS	0.00	0.00	0.44	0.45	0.28
DYield	0.0%	0.0%	7.7%	7.9%	4.9%
Projection Update (% 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%
Pre-tax income			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Underground	792	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	20P
Minimum	10.8	9.1	8.7	8.8	7.7	7.1
Maximum	19.7	18.3	17.4	12.0	11.3	10.8
Median	15.4	12.7	11.4	10.4	8.5	7.7
Weight	20%	20%	10%	20%	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)

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Kęty beat analysts' expectations and its own guidance with 2018 Q2 results, showing growth from the corresponding year-ago period despite unfavorable shifts in the aluminum market, including US sanctions on the Russian aluminum company Rusal, widened supplier premiums, and rising prices. We expect Kęty to deliver further growth in Q3, but this will probably not spur upward revisions to the FY guidance, which puts the annual revenue at PLN 2.9bn, EBITDA at PLN 448m, and net profit at PLN 253m. Kęty's stock trades at double-digit premiums to other aluminum processors. At the moment the Company faces risk of default by its construction industry customers, who are struggling with high costs. We maintain a hold rating for KTY, with the price target raised to reflect revisions to our segmental earnings estimates.

Current Price

387.50 PLN

Downside

9M Target Price

367.45 PLN

-5.2%

	rating	target price	issued
new	hold	367.45 PLN	2018-09-03
old	hold	355.61 PLN	2018-08-02
Key Metrics		KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+18.5%
ISIN	PLKETY000011	YTD Price Chng	-3.8%
Outst. Stock (m)	9.5	ADTV 1M	PLN 4.6m
MC (PLN m)	3,681.3	ADTV 6M	PLN 1.8m
EV (PLN m)	4,398.1	EV/EBITDA 12M fwd	9.3
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	2,910	3,043	3,195
EBITDA	394	421	460	494	512
EBITDA margin	17.4%	15.9%	15.8%	16.2%	16.0%
EBIT	282	301	333	363	369
Net income	278	236	261	276	280
P/E	13.2	15.6	14.1	13.4	13.1
P/B	2.6	2.7	2.6	2.5	2.4
EV/EBITDA	10.3	10.1	9.6	9.0	8.7
DPS	17.95	30.00	23.94	21.90	23.11
DYield	4.6%	7.7%	6.2%	5.7%	6.0%
Net income			-4.7%	+1.8%	+1.0%
Aluminum price (US\$/t)			-7.1%	0.0%	0.0%
Producer premium (US\$/t)			+10.7%	0.0%	0.0%
EBITDA, Packaging			-3.0%	-22.0%	-19.8%
EBITDA, Extrusions			+22.1%	+27.0%	+27.2%
EBITDA, Al Systems			-1.5%	+0.0%	+5.8%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Packaging	104	113	119	119	129
EBITDA, Extrusions	139	150	177	193	197
EBITDA, Al Systems	160	172	179	198	202
EBITDA, Other	-10	-13	-16	-16	-17
EBITDA/t of Al	5	5	5	5	5
Operating cash flow	315	276	323	396	397
D&A	112	120	127	131	143
Working capital	-51	-91	-59	-29	-44
Investing cash flow	-270	-187	-200	-200	-150
CAPEX	270	187	200	200	150
Financing cash flow	-43	-85	-169	-191	-243
Dividends/Buyback	-170	-285	-229	-209	-221
FCF	84	86	149	200	252
FCF/EBITDA	21%	20%	32%	41%	49%
OCF/EBITDA	80%	66%	70%	80%	78%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	2,323	2,499	2,648	2,768	2,847
Fixed assets	1,396	1,439	1,530	1,603	1,616
Equity	1,405	1,363	1,396	1,462	1,522
Minority interests	0	1	1	1	1
Net debt	397	591	716	751	748
Net debt/EBITDA (x)	1.0	1.4	1.6	1.5	1.5
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	4.6	3.7	3.5	3.7	3.3	2.5
Maximum	29.5	23.8	20.4	12.7	11.2	10.5
Median	12.2	10.0	9.6	7.8	7.4	6.8
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)	2,138	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Al premium (US\$/t)	166	150	150	150	150	150	150	150	150	150	150
Al usage (1,000 t)	92	100	105	109	112	114	116	117	118	118	118
Revenue	2,910	3,043	3,195	3,303	3,384	3,434	3,494	3,524	3,536	3,536	3,536
EBITDA	460	494	512	520	527	531	539	540	539	537	536
EBITDA margin	15.8%	16.2%	16.0%	15.7%	15.6%	15.5%	15.4%	15.3%	15.3%	15.2%	15.2%
EBIT	333	363	369	383	392	403	412	411	407	404	403
Tax	52	65	66	69	70	73	75	75	74	74	74
CAPEX	-200	-200	-150	-120	-122	-125	-127	-130	-132	-132	-132
Working capital	-59	-29	-44	-34	-25	-15	-18	-13	-8	-4	-4
FCF	149	200	252	298	309	318	319	323	324	326	325
PV FCF	146	182	213	233	224	213	198	185	171	159	
WACC	7.9%	7.8%	7.8%	7.9%	7.9%	7.9%	8.0%	8.0%	8.0%	8.1%	8.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,924
Net debt	819
Other adjustments	0
Value per share (PLN)	388.52

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	302.76
DCF Val.	50%	388.52
Implied Price		345.64
Cost of equity (9M)		6.3%
9M Target Price		367.45



JSW buy (reiterated)

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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 (including the production index and the new orders index) well above 50 points, and steel reserves down to a level close to 5-year lows. Most recently the price of coke shifted upward on news of planned environmental inspections at Chinese coking plants. As the discount in its sales price to global coal benchmarks narrows, JSW may be poised to achieve growth in the EBITDA figures for Q3 and Q4 2018 at annual rates as high as 50% and 34%. Further, we estimate that JSW has potential to offer a dividend yield over 6% in 2019. In Q2 2018 JSW generated better-than-expected quarterly results, and it says it expects production to increase in 2019 from the 15.4mmt expected in 2018. We maintain a buy rating for JSW, with the 9-month price target revised from 108.69 to PLN 98.00 per share to reflect adjustments to peer multiples and 2018 earnings expectations.

Current Price

77.00 PLN

Upside

9M Target Price

98.00 PLN

+27.3%

	rating	target price	issued
new	buy	98.00 PLN	2018-09-03
old	buy	108.69 PLN	2018-08-02
Key Metrics			
	JSW PW	1M Price Chng	-1.0%
Ticker	JSW PW	YTD Price Chng	-2.2%
ISIN	PLJSW0000015	ADTV 1M	-20.0%
Outst. Stock (m)	117.4	ADTV 6M	-14.5%
MC (PLN m)	9,040.7	EV/EBITDA 12M fwd	PLN 11.0m
EV (PLN m)	7,807.6	EV/EBITDA 5Y avg	PLN 17.0m
Free Float	44.8%		2.5
			-31.5%
			discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,731	8,877	9,868	9,355	9,011
EBITDA adj.	1,055	3,509	3,516	2,789	2,264
EBITDA margin	15.7%	39.5%	35.6%	29.8%	25.1%
EBIT adj.	216	2,684	2,693	1,853	1,171
Net income adj.	-2	2,189	2,156	1,485	936
P/E adj.	-	4.1	4.2	6.1	9.7
P/B	2.3	1.4	1.1	1.0	1.0
EV/EBITDA adj.	9.1	2.2	2.2	2.7	3.5
DPS	0.00	0.00	0.00	4.99	6.32
DYield	0.0%	0.0%	0.0%	6.5%	8.2%
Projection Update (% change)					
EBITDA (adj.)			+0.2%	-3.5%	-5.8%
Net income (adj.)			-0.9%	-6.7%	-12.8%
Coking Coal price (\$/t)			-0.3%	0.0%	0.0%
Thermal Coal price (PLN/t)			+1.5%	+8.0%	+2.9%
Coke price (\$/t)			+4.6%	0.0%	0.0%
Total coal output (kt)			-0.0%	0.0%	0.0%
Coking coal (kt)			-0.3%	-0.3%	-0.3%
Coke (kt)			+1.5%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Total coal output (kt)	16,835	14,768	15,414	15,750	16,000
Coking coal (kt)	11,580	10,675	11,332	11,736	12,083
Coking coal (% of total)	69%	72%	74%	75%	76%
Thermal coal (kt)	5,255	4,093	4,082	4,014	3,917
Coke (kt)	4,145	3,458	3,550	3,700	3,700
Operating cash flow	897	2,871	2,801	2,305	1,914
D&A	839	825	823	936	1,093
Working capital	-349	-76	5	-115	-81
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	-27	-600	-752
Dividends/Buyback	0	0	0	-585	-742
FCF	289	2,129	1,562	975	412
FCF/EBITDA (adj.)	27%	61%	44%	35%	18%
OCF/EBITDA (adj.)	85%	82%	80%	83%	85%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,520	12,090	12,849	13,619	13,725
Fixed assets	9,097	8,118	8,804	9,236	9,738
Equity	4,003	6,389	8,341	9,240	9,433
Minority interests	67	232	232	232	232
Net debt	513	-1,641	-1,466	-1,820	-1,432
Net debt/EBITDA (adj.)	0.5	-0.5	-0.4	-0.7	-0.6
Net debt/Equity (x)	0.1	-0.3	-0.2	-0.2	-0.2

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	4.7	5.3	5.5	2.7	2.4	2.3
Maximum	29.4	24.5	32.9	7.9	8.2	8.9
Median	8.5	8.5	9.0	4.4	4.5	4.4
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
Thm coal (PLN/t)	240	257	232	232	232	232	232	232	232	232	232
Coke (\$/t)	1,084	1,016	923	923	923	923	923	923	923	923	923
Revenue	9,868	9,355	9,011	9,213	9,408	9,602	9,789	9,903	9,990	10,075	10,076
EBITDA	3,264	2,789	2,264	2,275	2,288	2,305	2,332	2,315	2,264	2,209	2,142
EBITDA margin	33.1%	29.8%	25.1%	24.7%	24.3%	24.0%	23.8%	23.4%	22.7%	21.9%	21.3%
EBIT	2,441	1,853	1,171	1,025	883	899	922	903	849	791	720
Tax	459	349	221	192	165	168	172	169	158	147	134
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	5	-115	-81	7	6	26	26	10	5	4	-4
FCF	1,562	975	412	619	709	743	766	736	690	646	582
PV FCF	1,510	868	338	469	494	478	454	402	347	300	
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	5,660
Net debt	-1,641
Other adjustments	232
Value per share (PLN)	87.25

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	97.12
DCF Val.	50%	87.25
Implied Price		92.18
Cost of equity (9M)		6.3%
9M Target Price		98.00

Kernel buy (no change)

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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	49.45 PLN	Upside
9M Target Price	59.18 PLN	+19.7%

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

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-2.8%	-4.1%
ISIN	LU0327357389	YTD Price Chng	+4.6%	+10.2%
Outst. Stock (m)	82.7	ADTV 1M		PLN 2.5m
MC (PLN m)	4,087.6	ADTV 6M		PLN 2.3m
EV (PLN m)	6,346.9	EV/EBITDA 12M fwd	5.1	+27.5%
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	4.8	6.3	15.1	6.9	4.7
P/B	1.1	1.0	1.0	0.9	0.8
EV/EBITDA	3.9	5.1	6.7	5.1	4.1
DPS	0.25	0.24	0.25	0.25	0.77
DYield	1.9%	1.8%	1.9%	1.9%	5.8%
Projection Update (% 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

	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 (reiterated)

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KGHM produced a low copper volume in July, a consequence of months of maintenance downtime at its Polish HMG1 copper smelter, which reopened for business on June 25th, eight days ahead of schedule. At the same time, production at Sierra Gorda increased 9% y/y in July, and smelter output from own copper inputs was up 31%. As volumes recover in the months ahead, the discount at which KGHM is valued relative to its commodity mix, represented by a production-weighted index of the Company's key metals, is set to narrow from the current level. KGHM generated better-than-expected financials in Q2 2018, and it has reiterated the 2018 production targets. The price of copper might rebound if COMEX traders close their underweight positions. We maintain a buy rating for KGH, with the 9-month price target revised to PLN 104.21 per share to reflect updated expectations for future copper prices.

Current Price

90.80 PLN

Upside

9M Target Price

104.21 PLN

+14.8%

	rating	target price	issued
new	buy	104.21 PLN	2018-09-03
old	buy	111.08 PLN	2018-08-02
Key Metrics			
Ticker	KGH PW	1M Price Chng	-1.2% -2.4%
ISIN	PLKGHM000017	YTD Price Chng	-18.3% -12.8%
Outst. Stock (m)	200.0	ADTV 1M	PLN 47.1m
MC (PLN m)	18,160.0	ADTV 6M	PLN 58.9m
EV (PLN m)	22,800.2	EV/EBITDA 12M fwd	3.9 -23.2%
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	20,150	22,671	23,557
EBITDA adj.	4,666	5,753	5,015	5,971	6,140
EBITDA margin	24.4%	28.3%	24.9%	26.3%	26.1%
EBIT adj.	2,968	4,144	3,365	4,239	4,300
Net income adj.	1,555	1,875	2,360	3,026	3,054
P/E adj.	11.7	9.7	7.7	6.0	5.9
P/B	1.2	1.0	0.9	0.8	0.7
EV/EBITDA adj.	5.5	4.3	4.5	3.4	3.1
DPS	1.50	1.00	0.00	2.95	5.29
DYield	1.7%	1.1%	0.0%	3.2%	5.8%
Projection Update (% change)					
EBITDA adj.			-2.8%	-1.6%	-1.8%
Net income adj.			-3.6%	-2.5%	-2.8%
Copper price (\$/t)			-6.8%	0.0%	0.0%
Silver price (\$/oz)			-4.9%	0.0%	0.0%
Molybdenum price (\$/t)			+5.6%	+2.4%	+2.6%
Copper output (kt)			-0.3%	-0.9%	-1.2%
Silver output (t)			-4.7%	-0.0%	-0.0%
Molybdenum output (mmb)			+5.8%	+2.0%	+2.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Cu Output, PL (kt)	376	359	380	405	405
Cu Output, Int (kt)	90	81	83	83	93
Sierra Gorda (kt)	52	53	54	61	67
Ag output (tonnes)	1,207	1,234	1,058	1,301	1,297
Au output (ozt k)	229	219	180	179	186
Operating cash flow	4,212	3,054	4,802	6,125	4,999
D&A	1,698	1,609	1,650	1,732	1,840
Working capital	386	-1,270	706	1,282	19
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	-676	-1,145
Dividends/Buyback	-300	-200	0	-590	-1,059
FCF	186	776	2,064	3,306	2,215
FCF/EBITDA	5%	25%	41%	55%	36%
OCF/EBITDA	2%	1%	0%	3%	6%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	33,442	34,122	36,430	39,491	41,706
Fixed assets	27,202	26,515	27,560	28,605	29,505
Equity	15,772	17,694	20,054	22,489	24,484
Minority interests	139	91	91	91	91
Net debt	7,238	6,570	4,549	1,876	763
Net debt/EBITDA (x)	2.1	2.2	0.9	0.3	0.1
Net debt/Equity (x)	0.5	0.4	0.2	0.1	0.0

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	7.5	6.8	5.3	4.1	3.8	2.6
Maximum	18.8	16.6	15.9	10.2	9.0	8.5
Median	12.1	11.4	10.4	5.3	5.8	4.5
Weight	20%	20%	10%	20%	20%	10%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Copper price (\$/t)	6,644	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Silver (\$/oz)	16.1	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Molybdenum (\$/t)	22,713	21,500	19,500	18,500	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Revenue	20,150	22,671	23,557	23,385	23,287	23,552	23,578	23,081	21,406	21,307	21,502
EBITDA	5,015	5,971	6,140	5,079	4,753	4,921	4,855	4,479	4,205	3,993	4,081
EBITDA margin	16.7%	18.7%	18.3%	13.5%	12.0%	12.4%	12.0%	10.5%	10.0%	9.1%	9.7%
EBIT	3,365	4,239	4,300	3,152	2,801	2,909	2,824	2,425	2,133	1,949	2,088
Tax	962	1,171	1,204	967	899	917	899	820	764	730	756
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	706	1,282	19	-4	-2	6	1	-11	-35	-2	4
FCF	2,064	3,306	2,215	1,888	2,176	2,299	2,213	1,869	1,590	1,447	1,515
PV FCF	2,015	2,983	1,839	1,451	1,539	1,488	1,320	1,028	806	676	
WACC	7.5%	8.0%	8.3%	8.2%	8.3%	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	15,144
Net debt	6,570
Other adjustments	364
Value per share (PLN)	86.30

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	109.75
DCF Val.	50%	86.30
Implied Price		98.03
Cost of equity (9M)		6.3%
9M Target Price		104.21

Stelmet buy (reiterated)

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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. Despite improving operating rates at the new Polish factory, it is unlikely that sales this year will improve on the 2017 volumes. In Q2 2018 Stelmet experienced logistics bottlenecks which caused delays in deliveries to UK customers and led to a management reshuffle at the UK unit. In Q3 2018, we expect Stelmet to generate sales revenue of PLN 119m (+4.7% y/y) and EBITDA of PLN 8.9m (-7.3%). We maintain a buy rating for STL, with the price target revised to reflect Q2 earnings and updated valuation multiples

Current Price

11.35 PLN

Upside

9M Target Price

20.45 PLN

+80.2%

		rating	target price	issued
new		buy	20.45 PLN	2018-09-03
old		buy	20.24 PLN	2018-07-04
Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-5.8%	-7.0%
ISIN	PLSTLMT00010	YTD Price Chng	-21.2%	-15.6%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	333.3	ADTV 6M		PLN 0.0m
EV (PLN m)	499.7	EV/EBITDA 12M fwd	-	-
Free Float	15.0%	EV/EBITDA 5Y avg	-	-

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	567	538	553	638	688
EBITDA	82	58	67	88	100
EBITDA margin	14.5%	10.7%	12.1%	13.8%	14.5%
EBIT	62	21	25	47	58
Net income	68	19	15	45	56
P/E	4.6	17.2	21.6	7.4	6.0
P/B	0.8	0.7	0.7	0.7	0.6
EV/EBITDA	6.4	8.9	7.5	5.1	4.1
DPS	0.29	0.00	0.00	0.26	0.92
DYield	2.6%	0.0%	0.0%	2.3%	8.1%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			+7.4%	-2.6%	-2.4%
Net income			-28.7%	-4.2%	-3.5%
Sales price (PLN/m3)			-3.2%	-3.0%	-2.9%
Sales volume (1,000 m3)			+1.9%	+1.6%	+1.5%
Timber price (PLN/m3)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Core, PL	18	19	22	24	24
Revenue, Core, UK	210	158	135	151	161
Revenue, Core, FR	118	120	112	118	124
Revenue, Core, DE	94	101	117	127	135
Revenue, Wood Pellets	57	68	88	94	97
Operating cash flow	114	39	58	74	91
D&A	21	37	42	41	41
Working capital	40	-2	-2	-15	-9
Investing cash flow	-186	-62	-39	-16	-18
CAPEX	185	62	39	16	18
Financing cash flow	62	76	-4	-11	-30
Dividends/Buyback	-8	0	0	-8	-27
FCF	-66	-11	21	58	74
FCF/EBITDA	-80%	-18%	31%	66%	74%
OCF/EBITDA	138%	68%	87%	84%	92%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	751	821	839	892	930
Fixed assets	534	554	552	527	504
Equity	390	454	469	506	535
Minority interests	0	0	0	0	0
Net debt	214	182	166	120	76
Net debt/EBITDA (x)	2.6	3.2	2.5	1.4	0.8
Net debt/Equity (x)	0.5	0.4	0.4	0.2	0.1

Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	6.9	8.3	8.1	3.6	3.6	2.9
Maximum	51.2	48.1	44.3	18.3	18.2	17.3
Median	14.7	13.1	11.2	7.2	6.8	6.0
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)	1,807	1,831	1,850	1,870	1,892	1,911	1,928	1,945	1,962	1,978	1,995
Volume (1,000 m3)	240	279	299	319	339	359	364	370	370	370	370
Timber px (PLN/m3)	255	259	264	269	274	280	285	291	297	303	309
Revenue	553	638	688	740	793	847	866	886	895	903	912
EBITDA	67	88	100	112	124	136	135	134	128	122	115
EBITDA margin	12.1%	13.8%	14.5%	15.2%	15.7%	16.1%	15.6%	15.1%	14.3%	13.5%	12.6%
EBIT	25	47	58	69	81	93	90	88	82	75	68
Tax	4.1	-1.3	-0.8	0.7	2.5	4.0	3.0	1.9	-1.9	13.8	12.5
CAPEX	-39	-16	-18	-27	-30	-32	-35	-38	-41	-46	-46
Working capital	-2.5	-15.1	-9.0	-9.2	-9.5	-9.5	-3.5	-3.6	-1.5	-1.5	-1.6
FCF	21	58	74	75	82	90	94	90	87	62	56
PV FCF	21	54	63	59	59	60	57	51	45	29	
WACC	7.1%	7.7%	7.9%	8.1%	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	498
Net debt	182
Other adjustments	0
Value per share (PLN)	24.88

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	13.60
DCF Val.	50%	24.88
Implied Price		19.24
Cost of equity (9M)		6.3%
9M Target Price		20.45

Construction

Budimex hold (no change)

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Budimex's final financial statements for 2018 Q2 brought to light a concerning surge of PLN 770m since the beginning of the year in trade receivables and payables. As of 30 June amounts due from customers exceeded the amounts payable and loss reserves by PLN 227m, while in June 2017 they were PLN 361m lower, and the year before the difference stood at PLN 851m. This represents a deterioration which is set to prevent Budimex from improving profits in the near future, justifying the share sell-off observed this year. Our conservative financial outlook for Budimex assumes 40% shrinkage in margins below the average for the last 12 years in the long term, but market analysts might be in for negative surprises in the coming quarters when it comes to earnings prospects amid worsened market conditions. We maintain a hold rating for BDX.

Current Price

114.00 PLN

Upside

9M Target Price

125.00 PLN

+9.6%

	rating	target price	issued
unchanged	hold	125.00 PLN	2018-08-02

Key Metrics			BDX PW	vs. WIG
Ticker	BDX PW	1M Price Chng	-2.6%	-3.8%
ISIN	PLBUDMX00013	YTD Price Chng	-41.4%	-35.8%
Outst. Stock (m)	25.5	ADTV 1M		PLN 1.9m
MC (PLN m)	2,910.4	ADTV 6M		PLN 1.9m
EV (PLN m)	1,501.4	EV/EBITDA 12M fwd	4.3	-45.6%
Free Float	30.3%	EV/EBITDA 5Y avg	7.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	5,572	6,369	7,331	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	7.1	6.3	11.8	13.3	12.7
P/B	3.6	3.3	4.3	4.4	4.2
EV/EBITDA	0.5	1.0	4.1	5.1	5.5
DPS	8.14	14.99	17.61	9.17	8.13
DYield	7.1%	13.1%	15.4%	8.0%	7.1%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	5,572	6,369	7,331	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)

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Elektrobudowa has had a tumultuous couple of months, starting with CFO replacement in April, followed by a downward revision to the FY2018 guidance in May, which sent ELB stock into a freefall, to a CEO reshuffle in August, with Roman Przybył, former chief of the listed railway builder Trakcja, taking the helm. The new Management has huge challenges ahead as it steers Elektrobudowa toward rebuilding the order backlog and improving margins in a market plagued by increasing costs. The recovery will take months, and in the near term profits might be weighed down further by additional provisions for potential contract losses as the new management review the existing order book. Market analysts should have the slowdown priced in after months of upward-trending costs, which means they are braced for a lack of positive earnings surprises in the coming quarters. Under these circumstances, with no major new orders acquired in over a year, ELB stock is not likely to regain the ground lost during this year's sell-off. We maintain a hold rating for ELB.

Current Price

50.40 PLN

Upside

9M Target Price

71.00 PLN

+40.9%

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

Key Metrics			ELB PW	vs. WIG
Ticker	ELB PW	1M Price Chng	-1.2%	-2.4%
ISIN	PLELTBD00017	YTD Price Chng	-30.2%	-24.7%
Outst. Stock (m)	4.7	ADTV 1M		PLN 0.2m
MC (PLN m)	239.3	ADTV 6M		PLN 0.2m
EV (PLN m)	147.9	EV/EBITDA 12M fwd	2.9	-50.4%
Free Float	34.9%	EV/EBITDA 5Y avg	5.9	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	4.3	4.1	10.1	9.9	9.7
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	1.8	1.5	3.4	3.4	3.3
DPS	4.00	10.00	10.50	5.00	5.00
DYield	7.9%	19.8%	20.8%	9.9%	9.9%
Projection Update (% 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 (reiterated)

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Erbud incurred a net loss of PLN 30m in the first half of 2018, giving us a painful reality check as we realized that a fast contract turnover is not necessarily enough to safeguard profits against soaring construction costs. When it comes to liquidity, in our view Erbud's cash surplus gives it an ability to continue with business as usual, though the Company will probably have to renegotiate loan covenants and raise credit with lenders. Erbud has stepped up order acquisition efforts in recent months, taking on no fewer than seven new assignments in August with a combined value close to PLN 460m, with total new ytd business up 49% from the corresponding 2017 period at PLN 1.34bn. At this rate, by the end of the year the backlog could reach a new record high. At the current level, the price of ERB stock prices overly conservative EBIT margin shrinkage to ca. 1.3% vs. a 15-year average of ca. 3.0%. We expect profits to recover in the quarters ahead with most loss-making contracts now completed, and we maintain a buy rating for Erbud even after a 36% downward adjustment to our target price.

Current Price

9.60 PLN

Upside

9M Target Price

14.40 PLN

+50.0%

		rating	target price	issued
new		buy	14.40 PLN	2018-09-03
old		buy	22.00 PLN	2018-06-06
Key Metrics			ERB PW	vs. WIG
Ticker	ERB PW	1M Price Chng	-33.3%	-34.5%
ISIN	PLERBUD00012	YTD Price Chng	-49.9%	-44.3%
Outst. Stock (m)	12.8	ADTV 1M		PLN 0.0m
MC (PLN m)	123.0	ADTV 6M		PLN 0.0m
EV (PLN m)	173.5	EV/EBITDA 12M fwd	2.4	-55.3%
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	2,058.4	2,106.8	2,087.1
EBITDA	57.0	48.9	-10.5	39.4	50.7
EBITDA margin	3.2%	2.7%	-0.5%	1.9%	2.4%
EBIT	45.8	37.7	-26.6	24.4	35.3
Net income	1.8	22.6	-23.3	11.8	20.1
P/E	68.7	5.5	-	10.4	6.1
P/B	0.5	0.4	0.5	0.5	0.5
EV/EBITDA	-	1.2	-	4.4	3.4
DPS	1.68	1.20	1.10	0.00	0.55
DYield	17.5%	12.5%	11.5%	0.0%	5.7%
Projection Update (% change)			2018P	2019P	2020P
Revenue			+6.3%	+6.2%	+6.3%
Gross profit margin			-3.1 p.p.	-1.1 p.p.	-0.7 p.p.
EBITDA			-	-25.7%	-7.8%
Net income			-	-54.7%	-26.6%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,790	1,805	2,058	2,107	2,087
Building Construction	1,424	1,423	1,525	1,556	1,535
Road Engineering	142	157	197	200	204
Power Engineering	215	225	240	252	247
EBIT margin	2.6%	2.1%	-1.3%	1.2%	1.7%
Building Construction	2.6%	1.8%	-2.9%	0.2%	1.0%
Road Engineering	4.6%	8.8%	3.9%	4.9%	2.9%
Power Engineering	1.1%	1.2%	1.4%	2.8%	3.5%
Cash	257	190	130	118	121
Net debt	-153	-73	41	43	40
Net debt / EBITDA	-2.7	-1.5	-4.0	1.1	0.8
Net working capital	38	135	178	190	200
NWC/Sales	2.1%	7.5%	8.6%	9.0%	9.6%
Equity	252	276	233	245	258
ROE	0.7%	8.6%	-9.2%	4.9%	8.0%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	75	-44	-61	24	35
D&A	11	11	16	15	15
Working capital	14	-71	-58	-12	-10
Investing cash flow	24	5	-25	-17	-17
CAPEX	-4	-4	-16	-17	-17
Financing cash flow	-64	-28	26	-19	-16
Dividends	-22	-15	-14	0	-7

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	2.6	2.7	2.4	3.1	3.0	2.8
Maximum	30.3	26.3	14.2	11.1	9.5	9.0
Median	13.0	10.6	9.8	6.0	5.4	5.0
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	2,058	2,107	2,087	2,087	2,129	2,171	2,215	2,259	2,304	2,350	2,397
EBITDA	-10	39	51	47	48	49	50	50	51	52	53
EBITDA margin	-0.5%	1.9%	2.4%	2.3%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
D&A	16	15	15	16	16	16	17	17	17	17	18
EBIT	-27	24	35	31	32	32	33	34	34	35	36
Tax	-5	5	8	7	7	7	7	7	8	8	8
NOPLAT	-22	19	28	24	25	25	26	26	27	27	28
CAPEX	-25	-17	-17	-17	-17	-17	-17	-18	-17	-18	-18
Working capital	-58	-12	-10	-11	-10	-4	-5	-5	-5	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	-89	6	16	11	14	20	20	21	22	22	23
PV FCF	-84	5	13	9	10	13	13	12	12	11	
WACC	7.5%	7.5%	7.6%	7.4%	7.3%	7.3%	7.3%	7.3%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	183
Net debt	-73
Other adjustments	-85
Value per share (PLN)	13.30

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	13.70
DCF Val.	50%	13.30
Implied Price		13.50
Cost of equity (9M)		6.4%
9M Target Price		14.40

Unibep buy (no change)

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UNI stock fell to its lowest level this year in August after a dismal 2018 Q2 earnings release which triggered justified fears of continuing losses in the future. With that said, we believe analysts are not fully recognizing the earning potential of Unibep's modular housing business, and as for the construction business its 2.4% gross margin for Q2 was actually a relatively good result in a very difficult market. Moreover, the PLN 1.2bn-worth of new construction orders acquired in H1 seem to take account of the higher build costs, with the average fee per square meter of a residential building rising to an estimated PLN 4,600 from an average of PLN 3,500 earned on 2017 bookings. We maintain a buy rating for UNI.

Current Price

5.26 PLN

Upside

9M Target Price

10.10 PLN

+92.0%

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

Key Metrics			UNI PW	vs. WIG
Ticker	UNI PW	1M Price Chng	-7.7%	-8.9%
ISIN	PLUNBEP00015	YTD Price Chng	-46.2%	-40.6%
Outst. Stock (m)	35.1	ADTV 1M		PLN 0.1m
MC (PLN m)	184.5	ADTV 6M		PLN 0.1m
EV (PLN m)	188.1	EV/EBITDA 12M fwd	3.2	-53.5%
Free Float	27.7%	EV/EBITDA 5Y avg	6.8	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	5.8	7.2	6.0	5.2	5.7
P/B	0.8	0.7	0.7	0.6	0.6
EV/EBITDA	4.7	3.1	3.9	3.1	2.8
DPS	0.17	0.20	0.15	0.31	0.41
DYield	3.2%	3.8%	2.9%	5.8%	7.8%
Projection Update (% 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

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

DCF Analysis

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

DCF Summary

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

Valuation Summary

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

Property Developers

Atal

buy (no change)

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Atal stock has been trading lower since going ex dividend, creating an opportunity to buy into strong fundamentals. At the current level, 1AT shares are trading at 6.9x 2018E P/E and 1.6x P/B, with 2019 dividend yield projected at 14%, attractive levels considering the future growth potential. Atal has the most extensive land bank of all listed developers, and as such it is hedged against the current increase in land prices, and poised to capitalize on rising housing prices to the extent that it can overcome red tape and swiftly secure building permits for the future projects. Atal's net debt/equity ratio was among the lowest in the sector at the end of March 2018 at 23%, and with no urgent investment planned in the near future the Company can be expected to continue distributing 100% of annual earnings as dividends in the coming years. We maintain a buy rating for 1AT.

Current Price

34.00 PLN

Upside

9M Target Price

42.86 PLN

+26.1%

	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%	-0.9%
ISIN	PLATAL000046	YTD Price Chng	-16.9%	-11.4%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.2m
MC (PLN m)	1,316.3	ADTV 6M		PLN 0.2m
EV (PLN m)	1,543.4	EV/EBITDA 12M fwd	7.1	-12.0%
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	14.7	7.7	6.9	7.3	7.0
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%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Residential closings			0.0%	0.0%	0.0%

Financial Highlights

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

Cash Flow Summary

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

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	944	917	1,020	867	884	902	920	938	957	976	996
EBITDA	246	233	242	186	185	188	192	195	193	197	201
EBITDA margin	26.1%	25.4%	23.8%	21.5%	20.9%	20.9%	20.8%	20.8%	20.2%	20.2%	20.1%
D&A	1	1	1	1	1	1	1	1	1	1	1
EBIT	245	232	241	185	183	187	190	194	191	195	199
Tax	47	44	46	35	35	35	36	37	36	37	38
NOPLAT	198	188	195	150	148	151	154	157	155	158	161
CAPEX	-27	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Working capital	-34	-31	-104	-13	44	-21	-21	-22	-5	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	139	156	91	137	192	130	133	135	150	153	156
PV FCF	133	138	75	104	136	86	81	76	79	74	
WACC	8.0%	7.9%	7.7%	7.7%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

*Adj. for PLN 3.54 DPS; 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)

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CAP stock fell below 5 zlotys in August, the lowest price so far this year, despite solid fundamentals and expectations of strong 2018 Q2 core earnings, supported by FX gains. In June Capital Park issued EUR 3m bonds and used the proceeds to pay off maturing zloty bonds. This is part of a bigger refinancing plan designed to lower debt service costs, expected to have dropped to 4.3% from 5.5% on average 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 consider CAP undervalued at 0.5x NAV, and we maintain a buy rating for the stock.

Current Price

4.94 PLN

Upside

9M Target Price

8.35 PLN

+69.0%

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

Key Metrics			CPG PW	vs. WIG
Ticker	CPG PW	1M Price Chng	-8.5%	-9.7%
ISIN	PLCPPRK00037	YTD Price Chng	-14.7%	-9.1%
Outst. Stock (m)	108.8	ADTV 1M		PLN 0.0m
MC (PLN m)	537.2	ADTV 6M		PLN 0.0m
EV (PLN m)	1,874.7	EV/EBITDA 12M fwd	16.5	-32.6%
Free Float	19.1%	EV/EBITDA 5Y avg	24.5	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	17.5	-	9.8	8.2	7.9
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	13.5	-	17.2	16.5	18.3
DPS	0.00	0.00	0.00	0.15	0.20
DYield	0.0%	0.0%	0.0%	3.0%	4.0%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
FFO			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
BVPS			0.0%	0.0%	0.0%
EUR/PLN			0.0%	0.0%	0.0%

Financial Highlights

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

Cash Flow Summary

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

Relative Valuation Summary

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

NAV Valuation

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

NAV Summary

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

Valuation Summary

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

Dom Development buy (no change)

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Dom Development delivered the best Q2 2018 showing so far of all rated developers, exceeding our estimates and registering an ending net cash balance of PLN 184m. The high cash surplus might be considered a drawback if we take into account that it was achieved partly thanks to scaled-back land purchases. DOM says it is in the process of negotiating a number of land deals, and we hope it can close most of them by the end of the year in a tightening property market. The existing land bank is enough for 2.5 years of development, indicating a shortage of sites to develop starting from 2021. We maintain a buy rating for DOM.

Current Price

73.80 PLN

Upside

9M Target Price

87.80 PLN

+19.0%

	rating	target price	issued
unchanged	buy	87.80 PLN	2018-08-02

Key Metrics	DOM PW	1M Price Chng	DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	+2.5%	+1.3%
ISIN	PLDMDVL00012	YTD Price Chng	-5.3%	+0.3%
Outst. Stock (m)	25.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,842.7	ADTV 6M		PLN 0.5m
EV (PLN m)	1,924.2	EV/EBITDA 12M fwd	6.9	-36.1%
Free Float	24.8%	EV/EBITDA 5Y avg	10.8	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	14.6	9.6	7.7	8.1	7.1
P/B	2.0	1.8	1.7	1.8	1.7
EV/EBITDA	10.9	7.8	6.2	6.8	6.5
DPS	3.25	5.05	7.60	9.50	9.15
DYield	4.4%	6.8%	10.3%	12.9%	12.4%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Closings			0.0%	0.0%	0.0%

Financial Highlights

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

Cash Flow Summary

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

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,749	1,712	1,883	1,632	1,665	1,698	1,732	1,766	1,802	1,838	1,874
EBITDA	308	294	332	240	243	246	251	256	261	266	271
EBITDA margin	17.6%	17.2%	17.6%	14.7%	14.6%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
D&A	9	9	9	9	9	9	9	9	9	9	9
EBIT	299	285	323	232	235	238	242	247	252	257	262
Tax	57	54	61	44	45	45	46	47	48	49	50
NOPLAT	243	231	262	188	190	193	196	200	204	208	213
CAPEX	-8	-9	-9	-9	-9	-9	-9	-9	-9	-9	-9
Working capital	-71	-65	-177	-69	-100	-12	-5	-5	-5	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	172	166	84	118	91	181	191	195	199	203	208
PV FCF	164	147	69	90	64	118	116	110	104	99	
WACC	8.4%	8.2%	8.0%	7.8%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

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

DCF Summary

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

Valuation Summary

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

Echo Investment buy (no change)

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Echo sold the Sagittarius Business House in Wrocław for EUR 68.5m net in August, the third office deal this year, with the price slightly topping our expectations, owing probably to higher-than-assumed rental rates and a more favorable EUR/PLN exchange rate at the time of sale. Combined, the three office buildings sold this year fetched north of EUR 120m (PLN 500m), enough cash to pay for planned investment and next year's dividend at 70% of yearly earnings. The sale of shares in the subsidiary EPP unit earlier this year has also given rise to expectations of a special dividend, potentially to the tune of PLN 0.50-0.60 per share, and all told Echo might be set to distribute combined DPS of PLN 1.1 in the course of the next nine months, corresponding to 25% of its market capitalization. We maintain a buy rating for ECH.

Current Price

4.54 PLN

Upside

9M Target Price

5.63 PLN

+24.0%

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

Key Metrics			ECH PW	vs. WIG
Ticker	ECH PW	1M Price Chng	+5.3%	+4.1%
ISIN	PLECHPS000019	YTD Price Chng	+12.1%	+17.7%
Outst. Stock (m)	412.7	ADTV 1M		PLN 0.2m
MC (PLN m)	1,873.6	ADTV 6M		PLN 0.3m
EV (PLN m)	2,910.6	EV/EBITDA 12M fwd	10.6	-31.6%
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	4.8	6.0	6.2	5.7	7.0
P/B	1.2	1.2	1.1	1.0	1.0
EV/EBITDA	3.6	9.9	7.2	7.4	9.0
DPS	5.96	0.66	0.50	0.51	0.56
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
FV adjustment			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Resid. closings			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	451	1,006	901	1,270	1,600
Revenue/unit (PLN k)	521	467	402	402	380
Revenue	480	622	524	738	826
Residential	235	470	362	511	608
Commercial	224	120	76	93	92
Other	21	32	86	134	126
Cash	663	731	691	728	655
Net debt	346	879	1,037	1,021	994
Net debt/Equity	23%	55%	62%	57%	54%
Inventory	656	682	746	810	912
Investment properties (IP)	785	1,287	1,738	1,798	1,798
LTV	24%	45%	42%	39%	37%
FV adj./IP	38.0%	29.8%	31.0%	19.3%	14.1%
Equity	1,528	1,588	1,684	1,801	1,837
ROE	10.7%	20.4%	19.1%	19.5%	14.8%

Cash Flow Summary

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

Relative Valuation Summary

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

DCF Analysis

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

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

DCF Summary

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

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.56
DCF Val.	50%	6.96
Implied Price		5.76
Cost of equity (9M)		6.3%
9M Target Price*		5.63



GTC hold (no change)

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GTC reported 2018 Q2 results in line with expectations, with the aggregate figures for the first half of the year fulfilling 47% of our FY net profit estimate and 52% of the expected FFO. Note that our current forecasts do not factor in the Mall of Sofia, the Bulgarian shopping center purchased in April, whose contributions could result in a small beat in the yearly financials. The outlook beyond 2018 remains solid, with demand for commercial spaces still high in the CEE market, however we maintain that GTC's goal to double NAV over the next 4-5 years is probably too ambitious. GTC is currently looking for a new strategic financial investor, and we believe the current owner, Lone Star, should be able to sell its shares at a premium to NAV of 10-15%. GTC's net asset value per share at 30 June was EUR 2.00 (PLN 8.63). We maintain a hold rating for GTC.

Current Price

8.92 PLN

Upside

9M Target Price

9.60 PLN

+7.6%

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

Key Metrics			GTC PW	vs. WIG
Ticker	GTC PW	1M Price Chng	-3.1%	-4.4%
ISIN	PLGTC0000037	YTD Price Chng	-5.8%	-0.2%
Outst. Stock (m)	470.3	ADTV 1M		PLN 0.5m
MC (PLN m)	4,195.1	ADTV 6M		PLN 1.1m
EV (PLN m)	8,599.9	EV/EBITDA 12M fwd	13.9	-3.2%
Free Float	21.9%	EV/EBITDA 5Y avg	14.3	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	6.0	6.2	10.7	9.3	8.0
P/B	1.2	1.0	1.0	0.9	0.9
EV/EBITDA	10.9	8.4	14.9	14.0	12.7
DPS	0.00	0.07	0.08	0.08	0.10
DYield	0.0%	3.1%	3.8%	4.1%	4.7%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
NOI			0.0%	0.0%	0.0%
FFO			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
BVPS			0.0%	0.0%	0.0%

Financial Highlights

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

Cash Flow Summary

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

Relative Valuation Summary

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

NAV Valuation

(EUR m)	15	16	17	18P	19P	20P	21P
Investment properties	1,289	1,605	1,937	2,148	2,342	2,493	2,566
Residential land & dev.	30	19	16	13	13	13	13
Financial assets (JV)	23	4	1	0	0	0	0
Accounts receivable	6	5	4	4	4	4	4
Cash	196	178	202	115	120	103	109
Other assets	16	29	22	22	22	22	22
Total assets	1,560	1,839	2,183	2,302	2,503	2,636	2,715
Minority interests	-21	3	4	5	5	5	5
Debt	739	893	1,034	1,095	1,224	1,275	1,255
Deferred tax liability	133	98	126	131	136	143	149
Other liabilities	66	58	81	81	81	81	81
Total liabilities & minority int.	917	1,052	1,246	1,312	1,446	1,504	1,491
NAV	643	787	937	991	1,056	1,132	1,224
PV of NAV	643	787	937	967	982	1,002	1,024

NAV Summary

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

Valuation Summary

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

LC Corp buy (no change)

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After mostly sideways August movement, LC Corp remains one of the cheapest real-estate stocks in Poland, offering the third-highest 2019E dividend yield of 12%. The Company is expected to report strong 2018 Q2 financials, delivering about 65% of our FY core net profit estimate (with the reported bottom-line figure set to fulfill 80% of our forecast). According to our calculations, the sum of LC Corp's two core parts is worth much more than their current market value. With net profits from the residential real-estate business expected to average PLN 120m in the next three years, at 8x earnings the residential part's worth today comes close to the total market capitalization. As for the commercial segment, despite the fact that the net value of its constituent assets as of March 2018 was PLN 1.07 billion, at the current market cap it carries a valuation which is close to zero, a result of investors demanding a disproportionately high discount after write-offs recognized on selected retail properties. We think LC Corp might pay a special dividend in the near future after selling part of its more readily marketable commercial property portfolio, with an estimated net value at the end of March of PLN 1.5 per share. We maintain a buy rating for LCC.

Current Price

2.25 PLN

Upside

9M Target Price

3.58 PLN

+59.1%

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

Key Metrics	LCC PW	vs. WIG
Ticker	LCC PW	1M Price Chng -5.5% -6.7%
ISIN	PLCCRP00017	YTD Price Chng -10.4% -4.8%
Outst. Stock (m)	447.6	ADTV 1M PLN 2.0m
MC (PLN m)	1,007.0	ADTV 6M PLN 1.8m
EV (PLN m)	1,885.4	P/E 12M fwd 5.3 -44.6%
Free Float	41.3%	P/E 5Y avg 9.6 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	8.9	12.5	5.4	5.0	5.1
P/E adj.	8.3	6.7	5.8	5.4	5.1
P/B	0.7	0.7	0.7	0.6	0.6
DPS	0.18	0.07	0.24	0.29	0.31
DYield	8.0%	3.1%	10.7%	12.8%	13.9%
Projection Update (% 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 hold (upgraded)

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AmRest restaurants across all geographic divisions experienced a slowdown in like-for-like sales growth in the second quarter of 2018 according to preliminary sales results, with the quarterly revenue up 23.6% y/y at EUR 364.3m, 5.3% short of our estimate, representing a deceleration compared to the previous quarters. This, combined with higher costs led by post-merger integration, and underpinned by less positive base effects, is expected to result in slow EBITDA expansion of a projected 9%, short of the Company's long-term annual growth target of 20%. Since the beginning of July, AmRest signed on for further acquisitions for a total price of ca. EUR 277m, and with the net debt/EBITDA ratio at the end of March high at 2.25x, the Company is considering a capital raise between EUR 70m and 100m. As the new acquisitions are integrated into the AmRest Group, this may give rise to additional expenses which will weigh on the profits for Q2 and Q3 2018. EAT stock posted a decline in August which prompts an upgrade from reduce to hold from us, with near-term downside risk still there if the expectations of tighter 2018 Q2 growth prove accurate.

Current Price

406.00 PLN

Upside

9M Target Price

426.00 PLN

+4.9%

		rating	target price	issued
new		hold	426.00 PLN	2018-09-03
old		reduce	426.00 PLN	2018-04-06
Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	-9.6%	-10.8%
ISIN	NL0000474351	YTD Price Chng	-1.0%	+4.6%
Outst. Stock (m)	21.2	ADTV 1M		PLN 2.1m
MC (PLN m)	8,612.8	ADTV 6M		PLN 5.6m
EV (PLN m)	10,393.2	EV/EBITDA 12M fwd	11.4	+12.0%
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	45.2	47.3	42.8	33.6	25.9
P/B	6.6	6.6	5.7	4.9	4.7
EV/EBITDA	17.9	16.9	14.2	11.4	9.6
DPS	0.00	0.00	0.00	0.00	12.09
DYield	0.0%	0.0%	0.0%	0.0%	3.0%
Projection Update (% 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

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

DCF Analysis

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

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CCC generated 2018 Q2 EBITDA 14.3% short of market expectations, but on the upside the margins on brick and online sales in the period improved, with the total gross margin up by 1.6pp y/y at 53.8%, accompanied by a 6% reduction in costs per square meter of store area. Factors which weighed on Q2 growth included lower revenue per square meter and a negative contribution from the Swiss acquisition Karl Voegelé completed in June. CCC reduced its cash conversion cycle to 25 days at 30 June 2018, a drop by a very impressive 63 days relative to June 2017, resulting in close to PLN 500m of cash freed up from working capital. The efforts to improve the cash cycle are ongoing. When it comes to H2 sales outlook, growth in August and September might be curbed by negative base effects, but sales in the seasonally crucial month of October should register a rebound. Beyond 2018, CCC's prospects look good given the fast-paced global expansion of the eobuwie.pl online shoe store, alongside improvement expected in the profits generated by Voegelé. 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	+0.3%	-0.9%
ISIN	PLCCC0000016	YTD Price Chng	-24.4%	-18.8%
Outst. Stock (m)	41.1	ADTV 1M		PLN 20.1m
MC (PLN m)	8,867.0	ADTV 6M		PLN 25.9m
EV (PLN m)	9,436.5	EV/EBITDA 12M fwd	12.7	-19.9%
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%
Projection Update (% 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)

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Dino posted a small, 2% beat in 2018 Q2 earnings relative to our estimates, with sales up 28.5% on the year, and per-square-meter revenue posting expansion at an annual rate of 1.9%, representing a substantial slowdown from the double-digit average growth achieved in previous quarters, expected to persist until Q1 2019. The sales margin in Q2 improved by 0.9pp y/y to 23.4%, but this was offset by a sizable increase in payroll costs driven by hiring of logistics personnel. Dino improved its cash conversion cycle by a further 4.7 days to -46 days in Q2, but it still has potential to reduce the cycle by another 1.5 days per year in 2018-2021. As it continues its fast-paced expansion, Dino 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.

Current Price

91.30 PLN

Upside

9M Target Price

103.50 PLN

+13.4%

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

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	-7.3%	-8.5%
ISIN	PLDINPL00011	YTD Price Chng	+15.9%	+21.4%
Outst. Stock (m)	98.0	ADTV 1M		PLN 18.5m
MC (PLN m)	8,951.1	ADTV 6M		PLN 19.5m
EV (PLN m)	9,495.1	EV/EBITDA 12M fwd	14.8	-7.6%
Free Float	48.9%	EV/EBITDA 5Y avg	16.0	discount

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	59.2	41.9	28.0	21.0	16.8
P/B	13.1	9.9	7.3	5.4	4.1
EV/EBITDA	33.6	24.3	17.5	13.5	10.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% 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)

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Eurocash delivered a small beat with 2018 Q2 earnings, with EBITDA maintained close to the year-ago level despite unfavorable calendar effects and the Sunday trading ban. This was owed to a 7% y/y rebound in Wholesale EBITDA, mitigating contraction in Retail due to temporary store closures for redesign. The improvement in Wholesale, combined with more positive base effects, should make for solid growth in H2 2018, followed by further expansion in 2019, supported by cost reductions and increasing sales effectiveness of new stores.

Current Price

20.36 PLN

Upside

9M Target Price

30.70 PLN

+50.8%

	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	+8.6%	+7.4%
ISIN	PLEURCH00011	YTD Price Chng	-20.9%	-15.3%
Outst. Stock (m)	139.2	ADTV 1M		PLN 6.1m
MC (PLN m)	2,833.4	ADTV 6M		PLN 6.2m
EV (PLN m)	2,980.0	EV/EBITDA 12M fwd	7.4	-33.2%
Free Float	53.0%	EV/EBITDA 5Y avg	11.1	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	21,206	23,271	25,772	26,954	27,544
EBITDA	440	246	429	472	517
EBITDA margin	2.1%	1.1%	1.7%	1.8%	1.9%
EBIT	274	63	247	284	328
Net income	179	-33	133	172	236
P/E	15.8	-	21.4	16.5	12.0
P/B	2.4	2.8	2.4	2.2	2.0
EV/EBITDA	7.3	13.3	6.9	5.9	5.0
DPS	1.05	0.80	-0.12	0.48	0.62
DYield	5.2%	3.9%	-0.6%	2.3%	3.0%
Projection Update (% 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. Whlsl. (EBITDA)	199	197	191	178	173	168	163	158	153	148	148
Int. Whlsl. (EBITDA)	303	317	324	334	344	354	364	375	387	398	398
Retail (EBITDA)	46	55	75	100	105	109	114	118	123	128	128
Revenue	25,772	26,954	27,544	28,129	28,778	29,472	30,215	31,012	31,480	32,404	32,404
EBITDA	429	472	517	541	549	557	566	575	585	595	595
EBITDA margin	1.66%	1.75%	1.88%	1.92%	1.91%	1.89%	1.87%	1.86%	1.86%	1.83%	1.83%
EBIT	230	266	310	333	341	348	356	364	373	402	402
Tax	564	61	65	64	64	65	66	67	69	74	74
CAPEX	-164	-165	-167	-169	-171	-173	-174	-176	-193	-193	-193
Working capital	-117	-62	-39	-40	-43	-45	-48	-52	-39	-59	-59
FCF	-199	290	306	328	339	346	355	365	343	387	387
PV FCF	-188	253	247	245	234	221	209	199	173	180	
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

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

Valuation Summary

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

Jeronimo Martins buy (no change)

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Jeronimo Martins experienced a slowdown in like-for-like growth across all business lines in Q2 2018, underpinned by negative calendar and base effects. At the same time, a better sales mix, we suspect coupled with upward price adjustments, resulted in gross margin growth of 0.6pp, offsetting intensified cost pressures. We anticipate further growth in sales margins in the second half of 2018 assuming our guess as to price hikes at Biedronka stores in Poland are correct, accompanied by continuing deceleration versus H2 2017 in lfl sales as the Polish Sunday trading ban continues to weigh. In august Jeronimo's Polish employees filed a demand for grievance negotiations, citing understaffing, long hours, and unclear bonus rules.

Current Price

12.91 EUR

Upside

9M Target Price

15.20 EUR

+17.8%

	rating	target price	issued
unchanged	buy	15.20 EUR	2018-08-02

Key Metrics	JMT PL	1M Price Chng	JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+1.5%	+0.3%
ISIN	PTJMT0AE0001	YTD Price Chng	-17.2%	-11.6%
Outst. Stock (m)	629.3	ADTV 1M		EUR 10.4m
MC (EUR m)	8,121.0	ADTV 6M		EUR 13.6m
EV (EUR m)	8,281.7	EV/EBITDA 12M fwd	8.1	-17.4%
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	13.7	21.0	20.4	16.9	15.9
P/B	4.7	4.5	4.1	3.6	3.2
EV/EBITDA	9.4	8.9	8.7	7.5	6.7
DPS	0.28	0.69	0.31	0.32	0.38
DYield	2.2%	5.4%	2.4%	2.5%	3.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Y/Y sales/sqm, Biedronka			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Pingo Doce			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Recheio			0.0 p.p.	0.0 p.p.	0.0 p.p.

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
EBITDA Biedronka, PL	704	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

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

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LPP continues to achieve strong like-for-like growth in 2018 (9.2% in Q1, 14.2% in Q2), expected to rise further in subsequent quarters, and its gross margin for the first half of the year showed an increase of 1.9pp y/y at 53.5% (60.2% in Q2), supported by high profits on spring/summer collections and positive FX effects. As a result, EBIT in Q2 was up 49.3% from the year-ago level, when operating profit posted a 140% surge. 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, representing 8.7% of the expected FY revenue. This, combined with high fashion sales, will bring the yearly EBITDA margin 1.6pp higher to a projected 14%, with the nominal EBITDA at PLN 1,156m (an estimate 10% above the current market consensus). We maintain an accumulate rating for LPP.

Current Price

9,205.00 PLN

Upside

9M Target Price

10,200.00 PLN

+10.8%

	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	+1.6%	+0.4%
ISIN	PLLPP0000011	YTD Price Chng	+3.8%	+9.3%
Outst. Stock (m)	1.9	ADTV 1M		PLN 19.1m
MC (PLN m)	17,051.6	ADTV 6M		PLN 20.7m
EV (PLN m)	16,336.8	EV/EBITDA 12M fwd	13.6	-8.0%
Free Float	69.5%	EV/EBITDA 5Y avg	14.8	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	96.7	38.7	25.9	21.2	18.0
P/B	7.9	7.0	5.6	4.6	3.7
EV/EBITDA	34.5	19.2	14.1	11.7	9.7
DPS	32.66	35.71	36.03	53.84	65.63
DYield	0.4%	0.4%	0.4%	0.6%	0.7%
Projection Update (% 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)

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TXM posted slight improvement in 2018 Q1 EBITDA relative to the comparable year-ago period on 1.3% higher sales, affected by unfavorable shopping weather. The gross margin widened by 0.7pp to 39.1% in Q1, and it is set to grow further in subsequent quarters thanks to an increasing share of direct imports and scaled-back price offers. Streamlining initiatives brought per-sqm SG&A down by 2.6% y/y in Q1 even as marketing expenses increased. Our outlook for Q2 2018 assumes EBITDA contraction from the year-ago level due to flat lfl growth and sustained cost pressures. TXM raised PLN 31.9m in August via equity and debt issues, money which will be used to finance working capital, resulting in a strong rebound in profits expected as soon as in Q4 2018. The August capital raise is factored into our current target price for TXM.

Current Price

1.35 PLN

Upside

9M Target Price

3.48 PLN

+157.8%

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

Key Metrics		TXM PW	vs. WIG
Ticker	TXM PW	1M Price Chng	-12.3%
ISIN	PLTXM0000015	YTD Price Chng	-43.8%
Outst. Stock (m)	44.9	ADTV 1M	PLN 0.01m
MC (PLN m)	60.6	ADTV 6M	PLN 0.03m
EV (PLN m)	105.5	EV/EBITDA 12M fwd	5.0
Free Float	21.4%	EV/EBITDA 5Y avg	5.3 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	379	388	409	465	499
EBITDA	22.9	-24.5	5.8	23.6	31.7
EBITDA margin	6.0%	-6.3%	1.4%	5.1%	6.4%
EBIT	16.6	-30.5	-0.5	16.8	24.4
Net income	11.7	-36.2	-1.1	13.0	19.1
P/E	3.0	-	-	4.5	2.6
P/B	0.5	1.0	1.3	1.0	0.7
EV/EBITDA	2.7	-	18.1	4.3	2.7
DPS	0.15	0.00	0.00	0.09	0.14
DYield	10.8%	0.0%	0.0%	7.0%	10.3%
Projection Update (% 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

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	7.8	7.6	7.2	4.0	4.1	3.8
Maximum	36.2	29.2	23.6	18.0	15.7	12.9
Median	14.6	13.1	13.1	7.5	7.5	7.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	314	342	351	354	354	355	349	345	344	343	343
SG&A/sqm (PLN)	141	132	134	133	134	135	135	134	133	132	132
Salea area (k sqm)	424	441	458	475	492	509	526	543	560	577	577
Revenue	409	465	499	525	547	570	583	598	617	636	648
EBITDA	6	24	32	33	33	36	35	35	38	38	38
EBITDA margin	1.4%	5.1%	6.4%	6.3%	6.1%	6.3%	6.1%	5.9%	6.1%	6.0%	5.9%
EBIT	-1	17	24	26	25	28	27	27	29	30	30
Tax	-1	1	5	5	5	5	5	5	5	6	6
CAPEX	-13	-10	-9	-14	-9	-9	-9	-9	-9	-8	-8
Working capital	4	6	4	3	3	3	2	2	3	2	2
FCF	-10	7	14	11	17	19	20	19	21	23	23
PV FCF	-10	6	12	9	12	13	12	11	10	10	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)

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PBK stock fell nearly 17% in August in a sell-off triggered by weak 2018 Q2 results. Profits in the period were depressed by costs related to M&A processes as well as higher operating expenses which increased 10.7% from Q2 2017 (6.8% ex. M&A costs). Additional pressure was exerted by intense competition in the Spanish market and stoppages in Turkey. We are less confident about our 2018 FY earnings expectations for PBKM after the second quarter, but we do expect an improvement in Q3, supported by resumed operations in Turkey. The recent acquisition of the Portuguese Stemlab 25% below PBKM's valuation multiples should drive sentiment in the weeks ahead. PBKM's growth story as a stem cell bank with ambitions to become a European leader might make a worthwhile bet for the future and a good target for potential acquisition.

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

61.40 PLN

Upside

9M Target Price

76.26 PLN

+24.2%

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

Key Metrics			BKM PW	vs. WIG
Ticker	BKM PW	1M Price Chng	-16.6%	-17.8%
ISIN	PLPBKM000012	YTD Price Chng	-11.1%	-5.6%
Outst. Stock (m)	5.0	ADTV 1M		PLN 0.6m
MC (PLN m)	305.2	ADTV 6M		PLN 0.6m
EV (PLN m)	301.7	EV/EBITDA 12M fwd	5.4	-12.3%
Free Float	48.8%	EV/EBITDA 5Y avg	6.1	discount

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	13.8	10.0	9.0	8.2	7.5
P/B	5.5	3.9	3.1	2.5	2.2
EV/EBITDA	9.0	6.6	6.0	5.5	5.1
DPS	1.41	1.56	2.62	3.41	3.76
DYield	2.3%	2.5%	4.3%	5.6%	6.1%
Projection Update (% 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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Economic profits – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

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

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

Comparable Companies Used In Relative Valuation Models

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

Recommendations Issued In the 12 Months Prior To This Publication

Agora

Rating	buy	buy	buy	accumulate
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	2018-08-23
Target price (PLN)	-
Price on rating day	51.00

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	hold	reduce	hold	hold
Rating date	2018-09-03	2018-04-06	2018-02-02	2018-01-05
Target price (PLN)	426.00	426.00	407.00	422.00
Price on rating day	406.00	449.50	425.00	403.00

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	accumulate	hold	reduce	reduce	hold	reduce
Rating date	2018-09-03	2018-06-06	2018-03-27	2018-02-02	2017-12-01	2017-11-03
Target price (PLN)	49.00	41.20	41.20	44.00	44.80	44.80
Price on rating day	45.90	44.00	45.20	45.62	44.47	47.00

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
Rating date	2018-07-04	2018-06-22	2018-04-06	2018-02-02
Target price (PLN)	42.86	42.86	47.00	49.20
Price on rating day	36.40	37.30	43.40	42.40

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

BZ WBK

Rating	accumulate	buy	hold	hold	accumulate
Rating date	2018-09-03	2018-03-05	2018-02-01	2017-12-01	2017-11-03
Target price (PLN)	430.00	430.00	430.00	377.87	377.87
Price on rating day	376.00	357.80	420.00	370.00	358.50

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
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
Target price (PLN)	295.00	295.00	295.00	286.00	295.00	292.00	292.00	308.00
Price on rating day	242.80	255.60	257.40	243.00	281.00	293.00	239.85	276.00

CD Projekt

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

CEZ

Rating	sell	sell	sell	reduce	hold	hold	accumulate	accumulate	buy
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
Target price (CZK)	440.96	458.38	449.51	449.51	506.40	532.50	548.60	512.33	512.33
Price on rating day	550.00	551.00	567.00	519.50	495.00	530.00	490.70	481.30	441.30

Ciech

Rating	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
Target price (PLN)	82.52	81.14	88.64	89.71	85.40	85.87	90.13	79.54
Price on rating day	56.95	53.05	60.20	55.00	57.00	55.90	61.25	65.16

Comarch

Rating	accumulate	buy	hold	hold	buy	accumulate	accumulate
Rating date	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-27	2017-11-03	2017-10-02
Target price (PLN)	166.50	166.50	166.50	180.00	205.00	185.00	195.00
Price on rating day	145.00	131.50	155.00	177.00	178.30	163.50	178.50

Cyfrowy Polsat

Rating	accumulate	hold	accumulate	hold	hold
Rating date	2018-06-15	2018-04-06	2018-03-05	2018-01-31	2017-11-03
Target price (PLN)	24.90	25.30	24.90	25.70	24.40
Price on rating day	22.76	24.84	22.80	24.70	24.58

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
Rating date	2018-08-02	2018-06-22	2018-03-20	2018-02-02
Target price (PLN)	87.80	87.80	103.10	103.00
Price on rating day	72.80	85.80	85.80	82.00

Echo

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

Elektrobudowa

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

Elektroim

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
Rating date	2018-04-27
Target price (PLN)	-
Price on rating day	1.09

Enea

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

Energa

Rating	buy	buy	buy	buy	buy	buy	buy	accumulate
Rating date	2018-09-03	2018-05-29	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-12-01	2017-10-02
Target price (PLN)	15.27	15.58	14.91	14.71	15.20	14.97	14.81	14.49
Price on rating day	8.40	9.00	9.96	10.11	12.21	12.60	12.09	13.40

Erbud

Rating	buy	buy	accumulate	buy	buy	buy	buy
Rating date	2018-09-03	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2017-12-15	2017-11-03
Target price (PLN)	14.40	22.00	23.10	29.60	29.40	28.70	29.80
Price on rating day	9.60	14.90	19.40	21.60	21.30	20.60	24.70

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
Rating date	2018-08-02	2018-06-06	2018-02-02
Target price (EUR)	43.00	40.00	40.00
Price on rating day	37.14	34.78	40.64

Eurocash

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

Famur

Rating	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
Target price (PLN)	6.56	6.95	7.06	7.28	7.29	7.24
Price on rating day	5.20	5.94	6.04	6.10	6.20	6.18

Forte

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

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

Gino Rossi

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

Grupa Azoty

Rating	hold	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-09-03	2018-08-02	2018-05-25	2018-05-09	2018-03-05	2018-02-02	2018-01-05	2017-12-01	2017-10-02
Target price (PLN)	41.13	42.13	44.40	60.99	67.13	73.42	73.64	78.52	80.77
Price on rating day	38.00	42.20	42.60	51.10	56.55	72.00	74.40	71.30	79.80

GTC

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

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

JSW

Rating	buy	buy	buy	buy	buy	buy	buy	buy
Rating date	2018-09-03	2018-08-02	2018-07-04	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-01-30
Target price (PLN)	98.00	108.69	107.00	115.23	109.12	108.14	120.71	122.30
Price on rating day	77.00	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
Rating date	2018-07-23	2018-05-09	2018-03-05	2018-02-02	2017-12-01	2017-11-03
Target price (PLN)	59.18	53.04	53.46	53.47	57.20	58.70
Price on rating day	50.50	50.80	48.80	50.90	47.51	48.25

Grupa Kęty

Rating	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-09-03	2018-08-02	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05
Target price (PLN)	367.45	355.61	371.08	363.01	357.21	379.66	391.41	390.72
Price on rating day	387.50	321.50	360.50	353.00	346.00	352.50	385.00	408.00

KGHM

Rating	buy	buy	buy	buy	buy	accumulate	accumulate	hold	hold	reduce	hold
Rating date	2018-09-03	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
Target price (PLN)	104.21	111.08	112.92	118.98	115.43	122.81	128.62	114.71	103.08	103.08	124.12
Price on rating day	90.80	96.00	96.52	92.50	88.00	102.50	111.50	113.10	100.00	114.25	117.40

Komerční Banka

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

Kruk

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

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	sell	hold	hold	hold	reduce	reduce	reduce	sell	sell	reduce
Rating date	2018-09-03	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
Target price (PLN)	57.21	52.51	52.51	52.81	51.73	51.08	52.67	51.53	51.53	51.61	51.61
Price on rating day	69.90	65.86	54.50	55.62	54.60	56.30	57.78	58.48	61.66	66.37	59.75

LPP

Rating	accumulate	hold	accumulate	accumulate	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
Target price (PLN)	10200.00	9500.00	9500.00	9500.00	9400.00	9900.00	8200.00	8400.00
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

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	buy	accumulate	hold	hold	hold	hold	hold	hold
Rating date	2018-09-03	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-29	2017-10-02
Target price (HUF)	3296.00	2995.00	2954.00	2898.00	3027.00	3152.00	3104.00	3077.00
Price on rating day	2,870.00	2,654.00	2,790.00	2,864.00	2,718.00	3,080.00	3,121.00	3,000.00

Monnari

Rating	neutral	overweight	overweight	overweight
Rating date	2018-07-13	2018-05-23	2017-11-28	2017-09-13
Target price (PLN)	-	-	-	-
Price on rating day	6.60	7.19	8.21	8.93

Netia

Rating	reduce	sell	reduce
Rating date	2018-06-06	2018-04-06	2018-02-02
Target price (PLN)	4.30	4.30	4.60
Price on rating day	5.00	5.27	5.30

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
Rating date	2018-06-06	2018-02-02	2018-01-05	2017-12-01	2017-11-03	2017-10-02
Target price (HUF)	12090.00	12090.00	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

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

Prime Car Management

Rating	suspended	buy	buy	buy
Rating date	2018-08-23	2018-06-06	2018-04-06	2018-02-02
Target price (PLN)	-	15.54	33.00	35.30
Price on rating day	7.96	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	overweight
Rating date	2018-08-08	2018-04-27	2017-11-08
Target price (PLN)	-	-	-
Price on rating day	37.30	37.30	36.65

PGE

Rating	buy	buy	buy	accumulate	accumulate	hold
Rating date	2018-05-29	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-10-02
Target price (PLN)	13.60	12.89	12.61	13.30	13.20	13.61
Price on rating day	9.28	9.81	10.28	11.87	11.93	13.30

PGNiG

Rating	buy	buy	buy	buy	buy	buy	buy	buy	accumulate
Rating date	2018-09-03	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-10-02
Target price (PLN)	7.86	8.28	8.17	7.96	7.51	7.65	7.73	7.73	7.73
Price on rating day	5.82	5.53	6.20	5.71	5.98	6.58	6.03	6.63	6.79

PKN Orlen

Rating	sell	sell	reduce	reduce	reduce	sell	sell	sell	sell
Rating date	2018-09-03	2018-08-02	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-29	2017-10-02
Target price (PLN)	81.38	76.84	76.84	76.73	76.89	80.55	82.84	81.80	86.55
Price on rating day	98.24	93.06	82.50	82.30	89.52	95.20	107.90	121.60	121.70

PKO BP

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

Play

Rating	hold	reduce	hold	hold
Rating date	2018-08-30	2018-07-03	2018-04-06	2018-01-25
Target price (PLN)	22.60	23.50	30.93	34.70
Price on rating day	21.90	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
Rating date	2018-05-09	2018-02-02	2018-01-05
Target price (PLN)	16.69	18.80	20.56
Price on rating day	7.80	11.05	11.95

Pozbud

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

PZU

Rating	accumulate	buy	accumulate	buy
Rating date	2018-08-02	2018-03-05	2018-02-02	2018-01-05
Target price (PLN)	47.50	50.58	50.58	51.83
Price on rating day	42.00	41.55	44.17	45.00

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	buy
Rating date	2018-08-31	2018-02-02
Target price (PLN)	36.86	56.30
Price on rating day	25.30	30.60

Stelmet

Rating	buy	buy	buy	buy	buy
Rating date	2018-09-03	2018-07-04	2018-05-09	2018-03-05	2018-02-02
Target price (PLN)	20.45	20.24	26.48	27.72	28.37
Price on rating day	11.35	10.70	14.75	17.15	19.20

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	buy	hold	hold	hold	hold	hold
Rating date	2018-09-03	2018-05-29	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-10-02
Target price (PLN)	2.77	2.76	2.73	2.98	3.38	3.23	3.64
Price on rating day	2.00	2.01	2.38	2.69	3.08	3.10	3.75

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

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

Vistula

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

Wasko

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

Wirtualna Polska

Rating	accumulate	buy	accumulate	accumulate	accumulate	accumulate	buy
Rating date	2018-09-03	2018-08-02	2018-04-24	2018-04-06	2018-02-02	2018-01-05	2017-11-03
Target price (PLN)	60.00	60.00	60.00	56.40	56.10	53.00	53.00
Price on rating day	57.00	49.00	54.00	52.20	51.80	48.20	43.00

ZUE

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

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