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# Monthly Market Outlook: October 2018

## Equity Market, Macroeconomics

### Equity Market

We remain bullish on emerging market equities as well as developed equities in the weeks to come.

### Sector Outlook

#### Financials

We remain bullish on CEE banks even though the MSCI EME Banks is down. The sector is set to deliver record profits in H2 2018 in our view, which indicates huge upside potential from the current lows, with the best returns expected of ALR and PEO in Poland, and KOMB and OTP in other 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 attempt to regain some of the ground lost in the September sell-off.

#### Oil & Gas

Refining margins tightened dramatically in September, and petrochemical margins are trending downward again, meanwhile sentiment for the two Polish refiners, PKN Orlen and Lotos, is still bafflingly bullish. We continue to favor PGNiG and MOL as the better bets.

#### Power Utilities

A promise by the Energy Ministry that Polish households need not fear an increase in electricity bills even as power prices soar is keeping sentiment for utilities low. Energa and Tauron are not likely to see much bullishness until the matter of household tariffs clears up, but the rally in energy prices has considerably buoyed the earnings prospects of PGE and Enea.

#### Telecoms, Media, IT

Technology stocks are expected to be on an upward trajectory in October, with ACP, ATD, ASE, and CMR set to deliver the best potential returns. In Media, we maintain a positive outlook for Agora, expected to improve box office revenues and downsize the loss-making press business, and in Telco we again pick OPL as our best bet based on a solid earnings outlook.

#### Industrials & Mining

77% of rated manufacturers so far reported y/y improvement and positive surprises in 2018 Q2 earnings, but this is not reflected in their values amid persistent outflows from Polish investment funds. Our top picks for October are Amica, Famur, Forte, and Kernel.

#### Construction

The 2018 Q2 EBITDA of the construction sector posted a 77% slump from the year-ago period, accompanied by deteriorated cash positions. This while public infrastructure procurement remains scarce and underpriced. With the exception of ELB, ERB, and UNI, our view on the sector remains bearish.

#### Property Developers

Leading developers delivered stellar financials for Q2 2018, with consistently high margins generated on fast-growing sales. Sales of new homes in Poland are set to slow in Q3 2018, but our bullish outlook on the sector is intact.

#### Retail

October is expected to witness weak September sales reports from fashion retailers, suggesting possible contraction in profits for the full third quarter. At the same time, with colder weather driving store traffic for autumn/winter collections, sales this month are set for a strong rebound. We maintain a positive view on CCC, EUR, LPP, BTM, and VST.

#### Key Ratings

**Positive:** 1AT, ALR, AMC, BTM, CCC, CIE, DOM, EBS, EUR, ECH, ENA, ERB, FMF, FTE, JSW, KGH, KRU, LCC, MOL, OTP, PEO, PGE, PGN, POZ, STL, VST, UNI

**Negative:** KSW, LTS, MIL, MON, PKN

EU Indices	Value	1M chng	YTD chng
WIG	58,975	-2.0%	-7%
ATX	3,344	+1.3%	-0%
BUX	37,171	-0.2%	-6%
PX	1,102	+2.7%	+7%

WSE WIG Ind.	Value	1M	YTD
WIG20	2,285	-1.5%	-5%
mWIG40	4,169	-1.5%	-11%
sWIG80	11,484	-8.3%	-19%
Banking	7,876	-0.7%	-7%
Basic Materials	1,896	-9.8%	-33%
Chemicals	9,830	-13.0%	-36%
Clothes	2,208	-0.7%	-26%
Construction	3,440	-4.7%	-22%
Energy	2,034	-0.5%	-0%
Food	4,525	-10.8%	-6%
IT	2,034	-2.8%	-7%
Media	6,681	-3.4%	-11%
Oil & Gas	7,363	+5.3%	+3%
Real estate	3,442	-1.6%	-5%
Telecom	597	-4.2%	-20%

Top 5 / Worst 5		1M	YTD
PCM	8.96	+48.8%	-69%
Bumech	0.35	+20.7%	+13%
Handlowy	77.20	+13.5%	-0%
Capital Park	5.60	+13.4%	-3%
Comarch	167.00	+13.2%	-11%
Rafako	1.96	-40.6%	-56%
Medicalgo	45.55	-41.6%	-77%
Interma Trade	1.24	-42.1%	-62%
Altus TFI	2.40	-50.0%	-81%
TXM	0.63	-53.3%	-74%

#### Rating & 9M TP Changes as of 1. Oct.

Name	Rating	9M TP
Comarch	accumulate ►	180.50 PLN ▲
Eurocash	buy ►	26.40 PLN ▼
LPP	buy ▲	10200 PLN ►
Mangata	neutral ▲	-
Netia	hold ▲	4.30 PLN ►
PBKM	buy ▲	66.40 PLN ▼

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## Investing Outlook

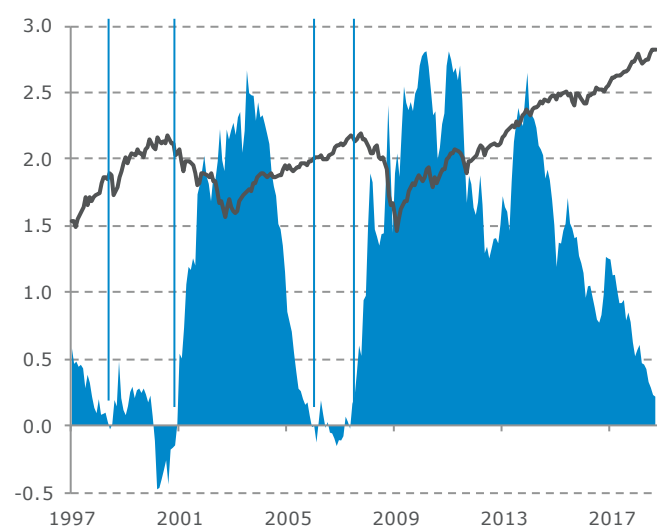
**Optimism on the US economic outlook continues to drive global market sentiment, and together with the accelerated economic expansion in Japan, driving gains in the Nikkei, these factors have outweighed the negative effects of tightening EU growth and fears over the potential fallout of the US-China trade war. With trade possibly slipping into the background for the time being, China stimulus will turn investor sentiment for emerging markets more bullish, as well as driving improvement in the EU's manufacturing production through stronger global demand. We remain bullish on emerging market equities as well as developed equities in the weeks to come. In Poland, we are witnessing a continuing outflow of domestic capital, accompanied by higher inflows from abroad. The WIG20 blue-chip index should track MSCI EM, but it is held back by another wave of fund withdrawals expected in October. We would view the small- and mid-cap sell-off as an opportunity to buy for long-term investment.**

### Strong US momentum drives stock rally

As predicted, the Federal Reserve announced its third rate increase in September, with Chairman Powell during the press conference saying that the trade war with China was not having any lasting effects on US inflation so far. The Fed has one more hike scheduled this December, followed by two or three in 2019, with a view to achieving its natural rate of interest, a sign of an accommodative policy. The rates increase amid a solid economy, with jobless claims in the US at their lowest level in 49 years.

Markets are not concerned as long as the Fed follows the widely-anticipated normalization path and stays on message. Any inflation impulse or concern sparked by the China trade war is used as an opportunity to take positions in the financial sector rather than a signal to pull out of equities. The US yield curve continues to flatten (the difference between 10Y and 2Y yields has narrowed to 0.21%%). Looking at the last two cycles, not until the yield curve starts to steepen is there reason to watch for a market pullback. Historically, a flat curve has preceded recessions by several quarters:

### US yield curve (10Y-2Y, in blue) vs. S&P 500 (in black)



Source: Bloomberg

There are no signs at the moment of an imminent shift in the stellar US macro momentum. The biggest threat is the stock market itself, and potential adverse shocks (wealth effect on consumption). This is reflected in Chairman Powell's statement after the September meeting to the effect that the only thing that could knock the Fed off the gradual hike path would be a steep fall in equity prices.

Analysts are forecasting 5.8% growth in nominal GDP in the US in Q3, the fastest expansion in 15 years. This spells a strong earnings season which, coupled with M&A deals and buybacks, will continue to fuel stocks.

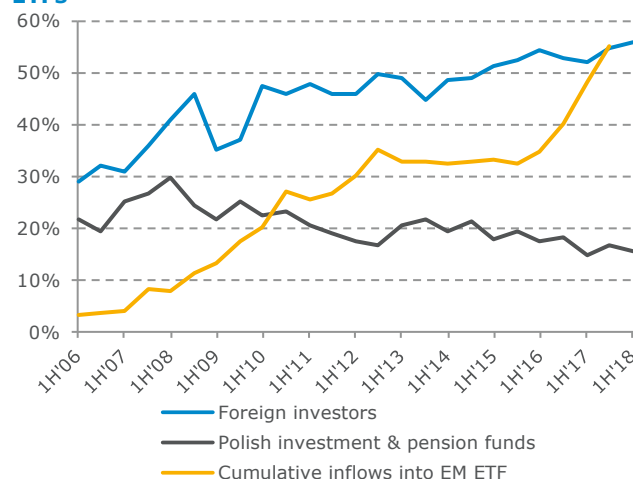
### Eurozone momentum continues to slow

Leading economic indicators in the Euro Area continue to predict a slowdown (with the aggregate PMI at 54.2 vs 54.5), with increasingly weak expansion seen in the manufacturing sector (PMI: 53.3 vs. 54.6). Further clouding the outlook is a sharp decline in new export orders, falling below 50pts, the lowest level since mid-2013. Supply disruptions are being addressed and can no longer be considered the only factor responsible for the manufacturing contraction. We must assume that the weakening of global demand is driven by uncertainty among businesses about the extent and consequences of the ongoing trade wars and Brexit. In addition, unable to pass rising costs of labor and materials onto end consumers, manufacturers have been experiencing shrinking margins.

### Domestic outflows in Poland

The performance of the Polish stock market at the moment is shaped almost exclusively by fund flows, with metrics like price, EPS, or dividend yield regarded as being of secondary importance. The flight of domestic capital continues to weigh down small and mid-cap valuations, and leaves our market more prone to volatility led by foreign capital. The Warsaw Stock Exchange reported that in the first half of 2018 foreign investors accounted for 56% of the period's equity trading volume – the highest ratio in history, owed to fresh cash flowing into emerging market ETFs. At the same time, the ratio for Polish investment funds and pension funds dropped to 15% in H1, a level comparable to the volumes generated by local brokerages (13% of total). Individual investors, who place their money mostly in small-cap companies, accounted for a meager 12% of the H1 trading volume, a dramatic fall from the 30% recorded in 2006.

### Foreign investors vs. Polish institutions as a pct. of WSE trading volumes vs. cumulative flows into EM ETFs



Source: mBank, WSE, Bloomberg

These trends became even more pronounced in September, which means the performance of major Polish stocks in the months ahead hinges more on the situation in China and on movements in the US dollar than it does on actual business. A good example of this is the state oil refiner PKN Orlen, which is trading upward in keeping with the energy price-driven rally in Oil&Gas stocks even though the benchmark for its refining margins has shrunk below \$3/bbl.

Small and mid-sized stocks that rely on domestic investors in the weeks are doomed to remain under pressure of investment fund withdrawals. In the year to 31 August, equity and absolute return funds in Poland registered cumulative outflows to the tune of PLN 3.4 billion, leaving them with combined assets under management (consisting of assets listed in Poland and abroad) of PLN 41 billion. Statistics for September are not in yet as of this writing, but more likely than not funds are experiencing peak withdrawals at the moment, with two-month outflows through October projected at as much as PLN 2.5 billion.

As valuations hit all-time lows, only a surprising few companies so far are seen to pursue share buybacks and minority buyouts. This is because the free float and liquidity of these companies are so low that a buyback would effectively lead to their eventual delisting from the stock market, and the loss of the prominence and status that comes with being a public company, which their owners are not prepared to give up.

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## Sector Strategies

### Financials

- Polish banks have yet to deliver their best earnings this year in H2 2018 in our view. After higher-than-expected charge-offs in Q2 2018, boosted by one-time events, coupled with fast-paced growth in operating costs seen across the CEE region, revenues are set to rebound in the quarters to come, fueled by expanding volumes and cost of risk declining to normalized levels. The 2018 Q3 earnings season will spur upward revisions to the current expectations of analysts.
- Emerging Europe stocks have underperformed their global and Eastern European peers, with the WIG-Banks index down 12% (in US dollars) so far this year compared to a ytd plunge of 26% in MSCI EME Banks and a 6% rise in MSCIE European Banks. At 12.7x, the 12M forward P/E ratio for WIG-Banks is well below the average (14.3x) and the first standard deviation (13.2x). Given the promising outlook for the whole EME region, current valuations can be considered attractive.
- The topic of the Swiss franc borrower relief bill did not come up much in media headlines in September, but coverage and speculation is sure to pick up in October, which is an election month in Poland, when the Parliament expects to finally pass the bill. The fallout when quantified in terms of extra costs that might have to be knocked off the current FY2019 net earnings consensus per our calculations is as much as 34% at worst in case of Bank Millennium, followed by 12% PKO BP and 9% Santander Bank Polska.
- **Key ratings:** ALR (buy), OTP (buy), MIL (sell)

### Chemicals

- The WIG-Chemicals index in recent weeks has mostly tracked its downward-headed largest component, Grupa Azoty (ATT, with a 50% weight).
- Grupa Azoty's weak 2018 Q2 results, and the recent acquisition, should be more than priced in at the current level, and with the stock trading at 10-25% discounts to its historical P/E and EV/EBITDA ratios (see p. 15) this indicates upside potential for the coming weeks.
- The other rated chemical stock, Ciech, is also trading 30% below its historical P/E and EV/EBITDA ratios, as well as being valued at 27-53% discounts to peers. The Company has recently confirmed that it expects prices of its core product, soda ash, to rise in 2019.
- **Key ratings:** CIE (buy)

### Oil & Gas

- The price of a barrel of oil has crossed the \$80 mark on fears of tightening supply from Iran and OPEC, underpinned by planned production cutbacks in the US, which decided not to tap the strategic reserve to keep prices from rising.
- The ever-more-costly inputs, coupled with weakening demand, have squeezed the cracking margins of oil refiners below \$2/bbl, with margins on heavy fractions and gasoline hurt the most, and diesel margins set to follow suit as ARA stockpiles build.
- Expensive oil as the US-China trade war continues to unfold and new capacity starts to kick in is also having a negative effect on petrochemical producers.
- The pressure is set to increase further going forward looking at the sustained rise in costs of natural gas in Europe (+13% in September). On the upside, the energy rally is supporting E&P companies like PGNiG, MOL, and Lotos.
- **Key ratings:** LTS (sell), MOL (buy), PGN (buy), PKN (sell)

### Power Utilities

- Prices of European emission allowances have retreated to EUR 21/t from the EUR 25 peak of recent weeks, but as European coal prices continue to climb year-ahead contracts on the German power exchange are trading close to all-time highs (EUR 53/MWh).
- Prices in Poland have also pulled back somewhat, but at PLN 290/MWh the benchmark for 2019 deliveries still implies record profits for coal-based generators next year. We estimate that the clean-dark spread for a lignite-fired plant is up by PLN 34/MWh from early September (+PLN 38 ytd), and increased as much for a hard coal-fired plant (+PLN 65 ytd), and for an "old" mine with a captive coal mine (+PLN 49 ytd).
- The first-ever capacity auction for Polish utilities is scheduled for November 15th, and the prices and volumes previewed by the Energy Ministry in August look good.
- The WIG-Energy index is ready to catch up with the robust market fundamentals, but it is being held back by the government pushing on utilities to freeze household power prices. A ban on household price adjustments per our calculations at the current prices of contracts for 2020 delivery could cost the sector about PLN 3.8bn. In case of PGE and Enea, the setback would be more than offset by higher profits from generation. Tauron and Energa cannot expect the same, and so they might be trading under pressure until the government comes to a resolution on the matter of household bills.
- **Key ratings:** PGE (buy), ENA (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).
- In Poland, we are observing a consolidation in the cable industry, reflected in a recent takeover offer on Multimedia made by Vectra.
- Bids in Western European 3.7 GHz and 700 MHz spectrum auctions have exceeded EUR 5 billion, and the total price of a 200 MHz band in the 3.7 GHz spectrum is approaching EUR 3bn.
- The Zenith media agency revised its 2018 adspend growth forecast for Poland upward again in September, this time to 6.6%, with the expenditures set to reach PLN 7.53bn. This compares to a global growth forecast of 4.5% to \$581bn. As advertisers are seen to up their TV budgets, spending on television commercials this year will increase 6.9% according to Zenith. Online adspend growth is estimated at 10%, driven largely by video ads for mobile.
- The WIG-INFO index dropped 2.3% in September, and it is down 1.3% ytd (compared to respective falls of -2.0% and 6.7% logged by the broad-market WIG benchmark). As a result, after 2ppt underperformance for the month, Polish tech stocks continue to trade at a discount (currently at ca. 20pp) to MSCI IT EU, and a 14.9x 12M fwd P/E they are currently trading 3.2% below their average ratio for the last three years.



- Among the seven rated IT stocks, only Comarch registered a notable gain of 7.3% in September, while Atende and Ailleron trailed with respective falls of 13.0% and 14.1%.
- In the second-quarter earnings season, all the rated companies reporting so far, except Wasko, registered improvement over the year-ago results, with four delivering earnings ahead of our estimates. Hopefully, this will boost sentiment and drive gains in the WIG-Info index in October.
- **Key ratings:** OPL (buy), AGO (buy), ACP (accumulate), CMR (accumulate), ATD (overweight), ASE (overweight)

## Industrials

- The index tracking Polish industrial stocks continued to trade lower in September despite a successful second-quarter earnings season, led by outflows from local investment funds. At the same time the European and World counterparts measured by the MSCI Industrials indices remained relatively stable.
- The proportions of companies reporting positive surprises and delivering year-over-year improvement in their 2018 Q2 at 77% each were the highest since Q1 2016 and much higher than in the eight preceding quarters. The rated companies that registered the greatest beats relative to our expectations included Alumetal, Apator, Cognor, Famur, Forte, and Grupa Kęty. Of releases still to come, we anticipate a strong showing from Kernel.
- The sustained rise in prices of electric power this year creates cost risks for the most energy-intensive manufacturers, including Cognor, in whose case electricity accounts for 9% of total costs, PKP Cargo (8.4%), Forte (7.3%), Pfleiderer (6%), and Mangata (5.0%). The coal miner JSW and the copper miner KGHM spend about 5% of their annual expenses on power.
- On the other hand, a weak zloty continues to have a positive effect on the sector, with more and more companies adjusting their prices higher (producer prices in Poland have been rising at the fastest rate since 2016).
- A noteworthy takeaway from second-quarter earnings meetings is that manufacturers are considering scaling back their capacity-building plans in light of soaring costs of building materials and due to uncertain prospects for the future (hints to this effect have been made by Boryszew and Mangata; while Amica has toned down its outlook).
- These are our top picks for October:
  - Amica (AMC) reversed a downward trend in core profits in Q2 2018, but nevertheless it continues to trade at double-digit discounts to comparable appliance makers as well as being valued 15-25% below its own historical P/E and EV/EBITDA ratios.
  - Famur (FMF) is set for further earnings growth in the quarters ahead, and at the current share price its 2019 dividend yield would come close to 8%.
  - Forte (FTE) posted a major rebound in 2018 Q2 earnings, and its future outlook looks bright, as reflected in a rising Ifo expectations index for the furniture industry, yet it still trades at 3-13% discounts to its historical P/E and EV/EBITDA ratios.
  - Kernel (KER) broke the downward trend in Q2 2018, embarking on a sustained upward momentum set to last through 2019.
  - Pozbud (POZ) remains the top pick among smaller caps. We maintain a bearish view on Kruszwica (KSW), and we upgrade Mangata (MGT) from underweight to neutral after a September sell-off.
- **Key ratings:** AMC (overweight), FMF (buy), FTE (overweight), KSW (underweight), 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 fifth consecutive month in August, while the copper stock in registered warehouses continues to tighten. This accompanied by increasing imports of coking coal in line with increasing steel production.
- On the other hand, the escalating trade war between the US and China has turned commodity traders more bearish. Metals rebounded toward the end of September with investors paying more attention to the fundamentals (including higher producer premiums not seen since 2015). We think the uptrend could continue through October, especially if the US dollar weakens. 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 since early 2017 in August. Open positions of active financial investors on COMEX are close to null. Prices of steel shifted downward at the end of August under pressure as the US-China trade war continues to unfold after earlier rises driven by high global demand from infrastructure projects.
- Chinese coking prices increased in the second half of August on news of planned environmental inspections at coking plants in the Shanxi region, which accounts for one-fifth of the country's total production. The coke-to-coking coal price ratio is currently the highest since JSW's IPO.
- 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.
- In Poland, the mining sector continues to experience rising pay pressures this year, which may affect 2018 profits, and in 2019 increasing electricity costs will also weigh (JSW and KGHM spend about 5% of their annual expenses on power).
- **Key Ratings:** KGHM (buy), JSW (buy)

## Construction

- More than 60% of construction firms reported deterioration in Q2 results relative to the same year-ago period. The sector's quarterly EBITDA was down a whopping 77% on the year, dragged mainly by heavy losses posted by Erbud, Elektrobudowa, and Polimex.
- The financial standing of contractors continued to worsen in Q2, with the aggregate net cash position of listed companies coming in at PLN 0.3bn as of 30 June compared to PLN 1.4bn in June 2017 (ex. Budimex the cash balance turns into net debt of PLN 0.5bn vs. year-ago net cash of PLN 0.1bn). The aggregate equity of rated construction firms has decreased 5% to PLN 4.7bn over the last 12 months. The deteriorating cash balances are due to a sharp increase by PLN 1.5bn in receivables from construction contract valuations to 8% of annual revenue.
- Poland's highway authority GDDKiA did not open any major tenders during Q3, which means tenders opened in the year to September are down 50% on the year. A sudden revival in procurement activity in the final quarter of the year is unlikely. The national railway operator PKP PLK had to cancel close to PLN 3bn-worth of tenders due to cost overruns, with ytd cancellations reaching PLN 5.4bn. The 2018 and 2019 order books of

infrastructure builders consist mostly of low-margin bookings secured in 2016-2017.

- We have recently upgraded our call for Elektrobudowa from hold to buy on expectations of a positive surprise in Q4 2018, and we also have bullish views on Erbud and Unibep, the residential builders with fast contract turnover.

- **Key Ratings:** UNI (buy), TRK (underweight)

## Property Developers

- Positively-rated developers (ARH, 1AT, DOM, ECH, LCC, LKD) did not disappoint in Q2, delivering a 45% y/y surge in revenue from residential sales and registering stable sales margins of 29.4%. The ratio of net debt to equity was also stable at 35% as of 30 June 2018 vs. 37% in June 2017. The firms that missed the mark in Q2 with bottom-line losses included BBD, JWC, and PND, reaffirming our belief in quality stocks.
- New home sales figures for Q3 2018 are set to be 15%-25% weaker than in the same prior-year period due to negative base effects, depleted inventories, and higher sales prices. Our 2018-2019 earnings forecasts for residential developers look solid, however the outlook for FY2020 might prove overly optimistic unless some developers add more projects to their pipelines in the coming months.
- After a 10% fall over the last month, DOM is currently trading at an undervalued level at ~7.0x P/E given 2019E DYield of 14%.
- **Key Ratings:** LCC (buy), ECH (buy), LKD (overweight), 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.
- Clothing and footwear retailers are expected to report slower sales growth and lower profits in Q3 2018 after unseasonably warm weather in September took a toll on foot traffic.
- Store traffic is due to rebound in October, however, boosting the Q4 sales margins on new autumn-winter collections.
- At CCC, after slower weather-driven sales in August and September, underpinned by base effects, we anticipate a rebound in October which should be reflected in better stock performance.
- AmRest continues its M&A shopping spree, and assuming all the acquisitions come to pass the Company might have to move forward with the planned EUR 70-100m capital raise with a net debt//EBITDA ratio as of June at 2.2x.
- LPP generated substantial like-for-like growth in H1 2018, and although in Q3 we might see a deceleration due to negative weather effects the fourth quarter should bring renewed momentum in profits.
- Vistula and Bytom have been given green light to merge, but they still need approvals from the financial regulator and their respective shareholders. The companies hope to seal the deal by the end of November. 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:** 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
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>ALR,OTP.HB, PEO</b>	<b>BAC US, JPM US</b>	
	<b>Stocks To Avoid</b>	<b>MIL</b>		
<b>Banks</b>	Key Catalysts	Q3 results	Mildly hawkish Fed vs mkt positioning, de-regulation	Priced-in weak earnings, consolidation rumors
	<b>SENTIMENT</b>	<b>BEARISH</b>		
	<b>Stocks To Own</b>	<b>ERB, UNI</b>		
	<b>Stocks To Avoid</b>	<b>TRK</b>		
<b>Construction</b>	Key Catalysts	Rising costs & debt		
	<b>SENTIMENT</b>	<b>NEUTRAL</b>		<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>CIE, ATT</b>		<b>EVK GY</b>
	<b>Stocks To Avoid</b>			<b>1COV GY</b>
<b>Chemicals</b>	Key Catalysts	Rising energy costs		Little chance of positive Q3 earnings surprises
	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>BEARISH</b>	
	<b>Stocks To Own</b>	<b>1AT, ARH, DOM, ECH, LCC, LKD</b>		
	<b>Stocks To Avoid</b>	<b>PND, JWC</b>	<b>WELL US</b>	
<b>Real-Estate Developers</b>	Key Catalysts	Rising home prices offset by higher construction costs	Yield increases & Fed policy normalization	
	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>BEARISH</b>	
	<b>Stocks To Own</b>	<b>ENA, PGE</b>		
	<b>Stocks To Avoid</b>	<b>CEZ</b>		
<b>Utilities</b>	Key Catalysts	Widened clean dark spread, capacity auctions, household tariff freeze	Rising yields a headwind for the sector	
	<b>SENTIMENT</b>		<b>NEUTRAL</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>		<b>CVS US, LULU US</b>	<b>ZAL GY, SAE GY, DHER GR</b>
	<b>Stocks To Avoid</b>			<b>FIE GY, GWI1 GY</b>
<b>Retail, Consumer</b>	Key Catalysts		Outlook for real wage growth moderates	Strong consumer spending
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	
	<b>Stocks To Own</b>	<b>MOL, PGN</b>	<b>HAL US</b>	
	<b>Stocks To Avoid</b>	<b>LTS, PKN</b>		
<b>Oil &amp; Gas, Refining</b>	Key Catalysts	Rising energy prices, falling refining margins	Bullish crude oil outlook	
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>AMC, FMF, FTE, KER, POZ</b>	<b>CAT US, URI US</b>	<b>AAG GY, TRELB SS, ASL GY, TUI GY, JUN3 GY</b>
	<b>Stocks To Avoid</b>	<b>KSW</b>		<b>G1A GY, KRN GY</b>
<b>Industrials</b>	Key Catalysts	Earnings improvement	Supportive investment spending outlook	Earnings improvement
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>NEUTRAL</b>	
	<b>Stocks To Own</b>	<b>JSW, KGH</b>		
	<b>Stocks To Avoid</b>			
<b>Mining</b>	Key Catalysts	Recovering metal prices		
	<b>SENTIMENT</b>			<b>BEARISH</b>
	<b>Stocks To Own</b>		<b>GM US</b>	<b>UG FP</b>
	<b>Stocks To Avoid</b>		<b>TSLA US</b>	<b>DAI GY</b>
<b>Automotive</b>	Key Catalysts			Tariffs, dieselgate
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>NEUTRAL</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>ACP, ABS, ASE, ATD, CMR</b>	<b>GOOGL US, FB US</b>	<b>WDI GY, PSM GY, SJJ GY</b>
	<b>Stocks To Avoid</b>		<b>AMD US</b>	<b>AIXA GY</b>
<b>Tech, Media</b>	Key Catalysts	Q2 earnings recovery in IT	CF & growth arguments in mega-cap less convincing at the moment	Earnings improvement
	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>BEARISH</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>OPL, CPS</b>	<b>T US</b>	
	<b>Stocks To Avoid</b>			
<b>Telecoms</b>	Key Catalysts			



## Macroeconomic Update

### Industrial Production

Industrial output grew 5.0% y/y in August. The result beat our expectations based on the difference in working days and some base effects. However, it would be hard for the output to escape the same factors in September, when we can expect another drop in annual growth.

The data corroborates that GDP growth is slowly drifting downwards. Still, the best point estimate for Q3 stays close to 4.8% y/y. Next months are set to be decisive for industrial output. There still remains the issue of capacity utilization in manufacturing (still, no acceleration private investment in this field) and forthcoming minor disruptions in supply chains expected with respect to recent new duties in international trade and general imports-substitution implemented by the Chinese government. Euro area is in the doldrums wherein the lion's share of Polish manufacturing is still attached.

Construction activity returned to solid growth. 20% y/y growth is a little bit higher than market consensus. The largest monthly acceleration (>10%) was recorded in infrastructure-related construction activity and much of it can be attributed to political calendar. The issue of higher costs, falling margins and inconclusive tenders is going to cast shadow on this sector's activity in coming months.

Producer prices increased 3.0% y/y in August. The falling trajectory is clearly visible. However, so far it has not been the case for core prices in manufacturing when we expected (finally) some price pressures to build. Yet, nothing happened and good-old correlation between core producer prices and exchange rate trumped everything else

### Jobs

Employment growth decelerated in August to 3.4% y/y, below our forecast and market consensus (both 3.5%). In absolute terms, enterprise sector lost 2k jobs over July. August is usually a month of lower employment growth. However, current reading fits nicely into a broader picture of negative surprises in employment. We think the reason is on the supply side as a friction part of the unemployment is very low. Therefore filling a vacancy takes more time than usual and average monthly growth of employment falls. Path to equilibrium requires higher wages and we still expect them to grow more vigorously.

August reading on wages at 6.8% y/y constitutes a contradiction but only in a naïve way. July's wage reading was extraordinarily boosted by trade and transportation. August is a payback in these sections - although we do not know the detailed breakdown yet, we are quite sure these are the right surprise-generating candidates -- accompanied by a base effects in mining. Last but not least, the surprise over consensus is small (0.2pp.) and would not spoil the broader picture even if its source was truly unknown.

### Retail Sales

Real retail sales increased 6.7% y/y in August (9.0% nominally), a rate close to the market consensus but below our forecast. We were surprised to see low car sales figures for the month, basically in line with the results implied by working days. It seems that the huge jump in new car registrations (according to media reports, car dealerships registered as many cars as they could before the new, more stringent EU emission norms took effect in September) had no noticeable bearing on sales. Perhaps customers are waiting until the stockpiled cars get cheaper.

Among other categories, sales of food and sales in general stores experienced some relief after the previous poor prints, but they still did not reach the historical growth rates. This may have been due to bank holidays and trade-free Sundays. We are waiting for further information.

The big picture is still good when it comes to retail sales, with stronger momentum so far in the third quarter than in the same period last year recorded contrary to predictions of a slowdown due to a fewer working days. Consumption is simply not slowing down.

August was another month of acceleration in the retail sales' deflator. Retail sales prices are rising faster than the CPI, and an accelerating inflation in goods is another argument suggesting higher probability of the core inflation speeding up in the future.

The retail sales print is not of much importance to the market or the Monetary Council. Retail sales are just another piece of data that turned out to be consistent with the market consensus this month. In our opinion, still strong retail sales (excluding food and fuels) is a foundation for thinking about strong domestic demand and GDP, decreasing mostly because of the negative net exports (as demand is pouring out abroad). Prices growth, as a result of such a structure, should be firstly noticed in goods prices, which we are already seen to rise. However CPI declines are still ahead, because of base effects, and we doubt that investors will be able to ignore this and focus on the longer horizon.

### CPI

CPI inflation hit 2.0% y/y in August, just as the flash reading predicted, representing flat growth from the previous month. The composition is not surprising. We already knew that food prices fell 0.7% m/m, fuel prices dropped by 0.1% and energy prices were propelled by gas price hikes which translated to 0.5% m/m growth in the whole category. The most interesting are core categories. It seems that a y/y upward trend was confirmed in prices of apparel, education, and hospitality. In the 'other' category, there was a rebound in insurance prices, and entertainment prices seem to have broken their earlier downward trend relative to 2017. Those are price rises we had awaited for long. They lift core inflation to an estimated 0.9%.

Next inflation reading should be lower at ca. 1.8-1.9%. Base effects in food prices and oil prices are here to blame. The whole year is going to end up even lower (1.4%-1.6%). At the same time, however, core inflation will be marching on, adding 0.1- 0.2pp. per month to the annual growth index. Until core inflation stays relatively low and the headline CPI is expected to fall, MPC has lots of comfort with current rates and accompanying rhetoric. Such a status quo can be maintained for months. At the same time, though, we do not retreat from the call that MPC will start increasing rates in late 2019 since processes causing rises in core inflation rarely die out alone and falling GDP growth can be only a short-term excuse for doing anything since in the reality and in current composition it is still inflationary (widening trade gap). Having said that we have to admit that financial markets rarely skip even short term trends in inflation. Therefore we are rather unlikely to play faster rate hikes until the falling inflation story filters through.

### mBank Research

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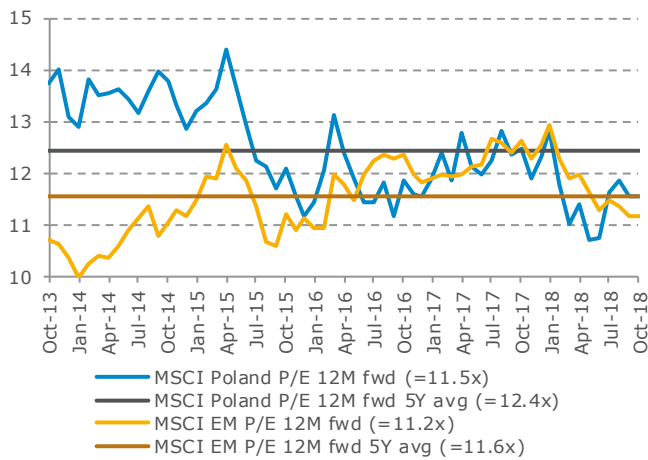
## Revisions To FY2018 Earnings Forecasts For WIG30 Companies

Sep-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
Oct-17	-0%	-1%	-0%	+0%	-0%	+0%	+3%	+0%	+1%	+0%	-6%	+0%	+21%	+0%	+1%	+0%
Nov-17	-1%	-6%	-0%	-2%	-1%	-3%	+3%	-2%	+4%	-9%	-9%	+0%	+24%	-0%	+3%	-26%
Dec-17	-2%	-4%	+0%	-2%	-1%	-3%	-0%	-2%	+2%	+4%	-9%	+8%	+12%	-8%	-3%	-17%
Jan-18	-2%	+6%	+1%	-3%	-0%	-1%	-1%	-8%	+4%	-4%	-10%	+63%	+0%	-18%	-1%	+108%
Feb-18	-1%	+4%	-0%	-3%	-1%	+0%	+1%	-12%	+2%	-9%	-9%	+63%	-5%	-18%	+12%	+108%
Mar-18	-1%	+1%	-0%	-3%	+2%	-1%	-1%	-8%	+1%	-18%	-10%	+66%	-5%	-18%	+10%	+68%
Apr-18	-1%	+1%	-1%	-3%	-2%	-1%	-1%	-8%	+1%	-18%	-10%	+66%	-6%	-18%	+13%	+69%
May-18	-2%	+2%	-1%	-3%	-0%	-1%	-2%	-6%	-1%	-18%	-12%	+66%	-15%	-42%	+6%	+72%
Jun-18	-2%	+3%	-2%	-3%	-0%	+9%	-2%	-6%	-5%	-17%	-11%	+49%	-15%	-42%	+5%	+69%
Jul-18	-4%	+1%	-2%	-5%	-1%	+9%	-0%	-6%	-7%	-17%	-19%	+49%	-34%	-40%	+0%	+59%
Aug-18	-5%	+4%	-2%	-5%	-1%	+30%	-1%	-12%	-7%	-17%	-22%	+50%	-31%	-56%	-7%	+57%
Sep-18	-4%	+4%	-2%	-5%	+4%	+30%	-2%	-12%	-8%	-20%	-23%	+53%	-34%	-56%	-7%	+57%

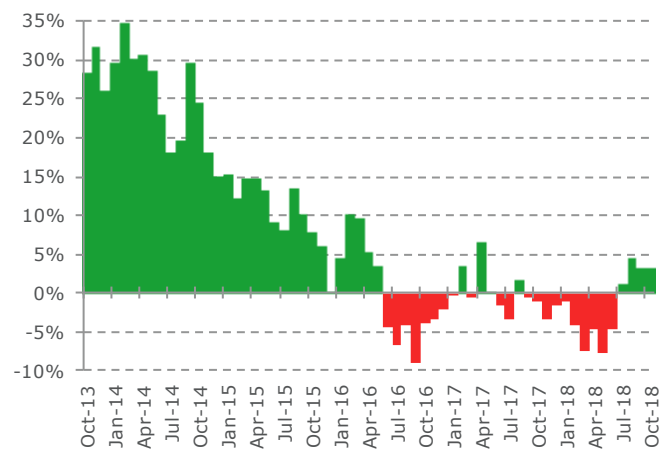
Source: "Con" - Bloomberg consensus forecasts, "mDM" - estimates by Dom Maklerski mBanku, provided ex. mBank, and PKP Cargo. The percentages indicate changes between the dates of this Monthly Outlook and the previous Monthly Outlook.

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

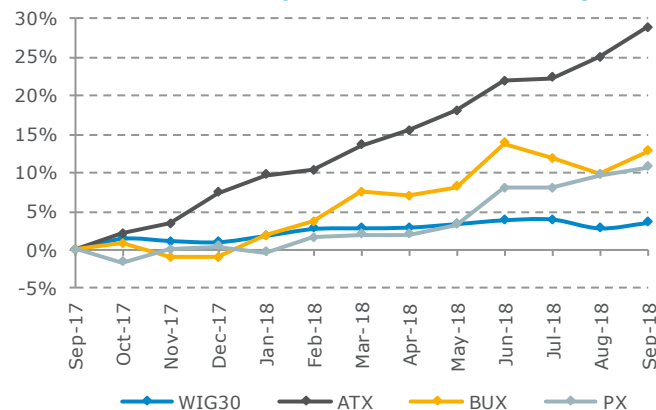
## FWD 12M P/E Ratios For MSCI Poland & Emerging Markets (left), PL-EM Premium/Discount (right)



Source: Bloomberg, Dom Maklerski mBanku

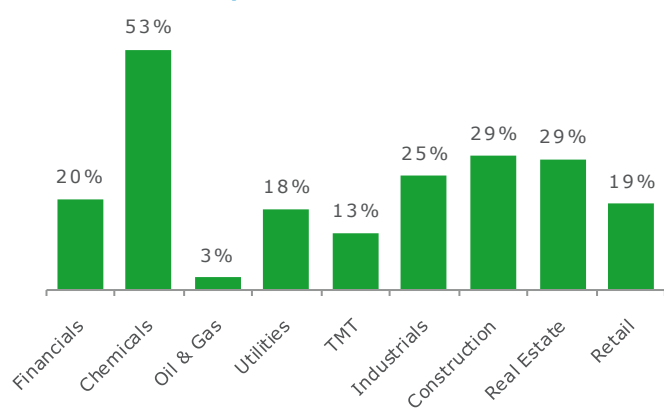


## FWD 12M EPS Growth (WIG30 vs. ATX, BUX, PX)



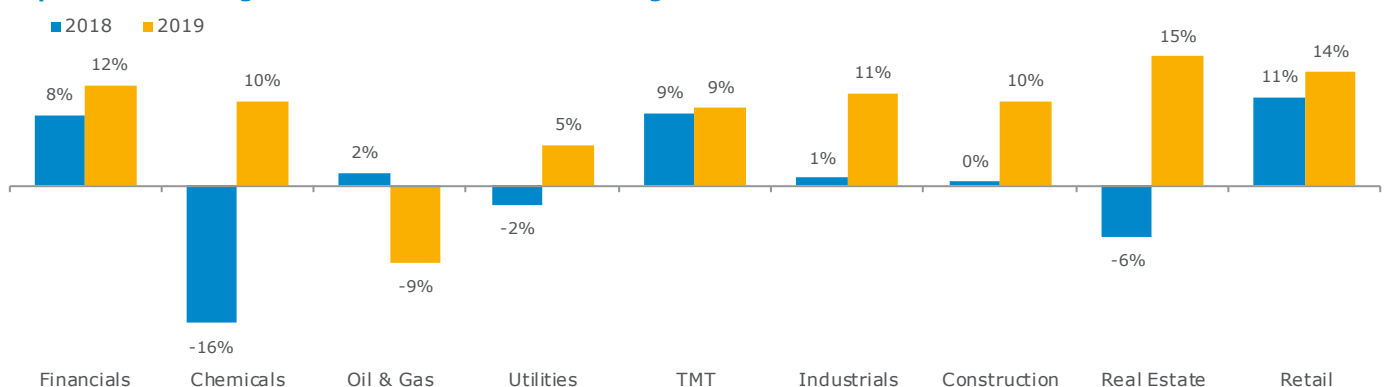
Source: Bloomberg, Dom Maklerski mBanku

## 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 <sup>1</sup>	BBG Ratings <sup>2</sup>			BBG TP <sup>3</sup>	mDM v. BBG TP	mDM v. BBG Earnings			mDM v. BBG EBITDA			Analyst Count <sup>4</sup>
			▲	►	▼			2018E	2019E	2020E	2018E	2019E	2020E	
Financials														
Alior Bank	buy	109.00	14	2	1	86.29	+26.3%	+22%	+22%	-				13/-
Getin Noble Bank	hold	1.40	1	4	4	1.29	+8.7%	+269%	-22%	+16%				7/-
Handlowy	buy	94.00	8	4	0	78.02	+20.5%	-2%	+12%	-				12/-
ING BSK	accumulate	212.00	5	5	4	202.63	+4.6%	-1%	-2%	+0%				12/-
Millennium	sell	7.00	5	6	3	8.83	-20.7%	-4%	-8%	-				11/-
Pekao	buy	157.00	19	2	0	138.80	+13.1%	-2%	+4%	-				18/-
PKO BP	hold	38.00	4	15	3	41.29	-8.0%	-7%	+0%	-				17/-
Santander Bank Polska	accumulate	430.00	12	3	1	404.71	+6.2%	+6%	+11%	+12%				15/-
Komercni Banka	buy	1,111.0	11	6	0	1,051.6	+5.6%	+8%	+25%	-				12/-
Erste Bank	buy	43.00	18	6	1	43.07	-0.2%	+6%	+0%	+0%				16/-
OTP Bank	buy	12,090	12	2	3	11,265	+7.3%	-8%	-1%	-				13/-
PZU	accumulate	47.50	8	3	0	47.38	+0.3%	+0%	+3%	+3%				7/-
Kruk	buy	292.77	5	2	0	264.94	+10.5%	+3%	+11%	+12%				5/-
Prime Car Management	suspended	-	0	1	0	33.00	-	-	-	-				1/-
Chemicals														
Ciech	buy	82.52	8	1	1	66.62	+23.9%	+6%	+23%	+27%	+6%	+13%	+10%	7/6
Grupa Azoty	hold	41.13	1	6	3	45.60	-9.8%	-25%	-32%	-34%	-10%	-9%	-12%	6/6
Oil & Gas														
Lotos	sell	57.21	8	4	2	72.21	-20.8%	+2%	-32%	-38%	+7%	-11%	-8%	10/12
MOL	buy	3,296.0	10	3	0	3,445.4	-4.3%	-2%	-28%	-29%	+6%	-7%	-7%	10/11
PGNiG	buy	7.86	9	2	1	6.83	+15.1%	+11%	+29%	+27%	+10%	+20%	+19%	8/7
PKN Orlen	sell	81.38	4	10	7	99.07	-17.9%	+1%	-40%	-38%	+4%	-26%	-21%	17/17
Utilities														
CEZ	sell	440.96	4	7	6	547.63	-19.5%	+8%	+4%	-3%	+0%	-2%	-2%	10/11
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	11.92	+28.1%	+10%	+6%	-3%	+3%	+3%	-0%	6/5
PGE	buy	13.60	8	4	1	11.56	+17.6%	+15%	+8%	-2%	+4%	+4%	-0%	7/6
Tauron	buy	2.77	4	7	1	2.44	+13.8%	-24%	-3%	-9%	-0%	+1%	-3%	7/6
TMT														
Netia	hold	4.30	3	3	2	5.37	-20.0%	-12%	-23%	-34%	-2%	-7%	-10%	4/5
Orange Polska	buy	7.60	10	2	4	5.50	+38.3%	-	+424%	+215%	+10%	+9%	+11%	8/11
Play	hold	22.60	7	7	0	26.29	-14.0%	+8%	-9%	-14%	+1%	-3%	-4%	12/13
Agora	buy	15.40	3	2	0	13.28	+16.0%	-	-22%	+35%	-20%	-9%	+2%	3/3
Cyfrowy Polsat	accumulate	24.90	7	6	0	27.72	-10.2%	-7%	-2%	+2%	-1%	-1%	-2%	8/7
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	4	5	0	47.23	+3.7%	-2%	-6%	-12%	+1%	+3%	+3%	7/7
Asseco BS	neutral	-	2	1	0	28.90	-	+3%	+5%	+5%	+1%	+1%	-0%	3/3
Asseco SEE	overweight	-	3	0	0	16.80	-	+3%	+1%	-3%	+0%	-2%	-6%	4/4
Wasko	neutral	-	1	1	0	-	-	+0%	+0%	-0%	+0%	+0%	-0%	1/1
CD Projekt	sell	90.80	5	6	2	189.29	-52.0%	+32%	+24%	-34%	+29%	-0%	-47%	9/7
Comarch	accumulate	180.50	3	2	1	162.43	+11.1%	-6%	-3%	+4%	+5%	-0%	+2%	5/5
Industrials														
Alumetal	neutral	-	2	4	0	54.02	-	-3%	-3%	-	+2%	+0%	-	3/3
Amica	overweight	-	4	0	0	137.00	-	+8%	+8%	-	+0%	+3%	-	3/3
Apator	neutral	-	1	2	1	-	-	-0%	-0%	-	-0%	-0%	-	1/1
Elemental	neutral	-	0	1	0	-	-	+0%	-0%	-	+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	54.53	-	-27%	-29%	-	-6%	-11%	-	6/5
Kernel	buy	59.18	8	1	0	64.36	-8.0%	-10%	+7%	+15%	-1%	+8%	+11%	6/6
Grupa Kęty	hold	367.45	6	5	1	378.48	-2.9%	+3%	+4%	+2%	-2%	-1%	-2%	7/7
Pfleiderer Group	neutral	-	6	1	0	45.23	-	-9%	-9%	-	-6%	-4%	-	5/4
JSW	buy	98.00	6	5	3	89.49	+9.5%	+4%	+15%	-12%	+3%	+10%	+1%	11/10
KGHM	buy	104.21	5	5	8	93.43	+11.5%	+5%	+21%	+22%	-6%	+5%	+10%	13/12
Construction														
Budimex	hold	125.00	1	4	4	128.88	-3.0%	-11%	-8%	+3%	-11%	-9%	+1%	6/5
Elektrobudowa	buy	45.00	3	2	1	65.70	-31.5%	-	-35%	-28%	-	-17%	-6%	4/4
Erbud	buy	14.40	3	1	1	19.60	-26.5%	-	-36%	+7%	-	-12%	-0%	2/1
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	-	-85%	-53%	-0%	-34%	-26%	+0%	3/3
Trakcja	underweight	-	2	2	3	6.42	-	+9%	-57%	-41%	+6%	-8%	-6%	2/2
Real Estate														
Atal	buy	42.86	4	2	0	41.99	+2.1%	+4%	+5%	+0%	+3%	+1%	-1%	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	87.12	+0.8%	+4%	+5%	+10%	+6%	+1%	+18%	9/6
Echo	buy	5.63	6	2	0	5.59	+0.7%	+15%	+16%	+3%	+46%	+34%	+0%	5/5
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	3.40	+5.3%	+9%	+9%	+10%	+2%	+2%	+7%	2/2
Polnord	underweight	-	0	1	1	9.50	-	-81%	-	-41%	-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	5	4	1	460.40	-7.5%	-4%	-9%	-11%	-6%	-5%	-7%	8/7
CCC	buy	295.00	8	7	1	262.75	+12.3%	-3%	+16%	+23%	+0%	+3%	+8%	11/8
Dino	hold	103.50	7	8	1	105.27	-1.7%	+4%	+6%	+4%	+1%	+1%	-1%	12/12
Eurocash	buy	26.40	11	9	1	25.49	+3.6%	-18%	-14%	-6%	-3%	-5%	-7%	13/11
Jeronimo Martins	buy	15.20	12	11	2	15.35	-1.0%	-5%	+2%	-0%	-3%	+3%	+2%	11/11
LPP	buy	10,200	1	5	11	8,341.6	+22.3%	+9%	+17%	+21%	+5%	+9%	+13%	12/12
Bytom	overweight	-	3	1	0	3.20	-	+15%	+14%	+14%	+13%	+11%	+13%	3/3
Monnari	neutral	-	4	1	0	8.60	-	+8%	+5%	+10%	+5%	+1%	+7%	3/3
Vistula	overweight	-	4	1	1	4.81	-	+9%	+11%	+3%	+6%	+6%	+6%	5/5

Source: Bloomberg (BBG), Dom Maklerski mBanku (mDM); <sup>1</sup>Target Price issued by Dom Maklerski mBanku; <sup>2</sup>Positive/Neutral/Negative ratings count comprising the Bloomberg Consensus; <sup>3</sup>Average of all analyst target prices; <sup>4</sup>Number 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
<b>Financial Sector</b>						<b>+19.9%</b>	<b>11.6</b>	<b>10.1</b>		
Alior Bank	buy	2018-02-01	85.50	109.00	63.00	+73.0%	8.6	7.2		
Getin Noble Bank	hold	2018-05-09	1.17	1.40	0.57	+145.6%	11.5	4.3		
Handlowy	buy	2018-04-06	77.50	94.00	77.20	+21.8%	16.0	13.1		
ING BSK	accumulate	2018-08-02	190.00	212.00	182.80	+16.0%	15.1	13.3		
Millennium	sell	2018-08-02	9.12	7.00	9.25	-24.3%	15.5	14.1		
Pekao	buy	2018-02-01	135.90	157.00	106.20	+47.8%	12.8	10.5		
PKO BP	hold	2018-04-06	39.74	38.00	42.90	-11.4%	16.2	13.5		
Santander Bank Polska	accumulate	2018-09-03	376.00	430.00	375.60	+14.5%	14.8	12.2		
Komercni Banka	buy	2017-12-01	899.00	1,111 CZK	911.00	+22.0%	11.7	9.9		
Erste Bank	buy	2018-08-02	37.14	43.00 EUR	35.78	+20.2%	10.2	10.2		
OTP Bank	buy	2018-06-06	10,210	12,090 HUF	10,320	+17.2%	10.5	9.6		
PZU	accumulate	2018-08-02	42.00	47.50	39.70	+19.6%	11.1	10.0		
Kruk	buy	2018-09-17	187.80	292.77	201.20	+45.5%	10.7	9.1		
Prime Car Management	suspended	2018-08-23	7.96	-	8.96	-	-	-		
Skarbiec Holding	buy	2018-08-31	25.30	36.86	25.70	+43.4%	8.0	7.6		
<b>Chemicals</b>						<b>+52.8%</b>	<b>10.7</b>	<b>9.8</b>	<b>5.1</b>	<b>5.0</b>
Ciech	buy	2018-08-02	56.95	82.52	47.40	+74.1%	7.4	7.0	5.1	4.7
Grupa Azoty	hold	2018-09-03	38.00	41.13	31.60	+30.2%	14.0	12.6	5.1	5.2
Polwax	suspended	2018-09-14	7.70	-	6.70	-	-	-	-	-
<b>Oil &amp; Gas</b>						<b>+3.0%</b>	<b>9.0</b>	<b>12.7</b>	<b>4.9</b>	<b>5.6</b>
Lotos	sell	2018-09-03	69.90	57.21	75.08	-23.8%	10.5	14.8	5.7	7.0
MOL	buy	2018-09-03	2,870	3,296 HUF	3,000	+9.9%	8.5	10.5	3.8	4.3
PGNiG	buy	2018-09-03	5.82	7.86	6.47	+21.5%	9.0	7.6	4.2	3.5
PKN Orlen	sell	2018-09-03	98.24	81.38	101.00	-19.4%	9.0	15.0	5.6	7.9
<b>Power Utilities</b>						<b>+17.3%</b>	<b>3.9</b>	<b>4.0</b>	<b>3.7</b>	<b>3.4</b>
CEZ	sell	2018-07-04	550.00	440.96 CZK	567.50	-22.3%	21.4	19.9	8.5	8.4
Enea	buy	2018-05-29	9.57	12.62	8.00	+57.8%	3.8	3.0	3.8	3.3
Energa	buy	2018-09-03	8.40	15.27	7.82	+95.3%	3.9	4.0	3.3	3.1
PGE	buy	2018-05-29	9.28	13.60	9.52	+42.9%	5.8	5.7	3.6	3.4
Tauron	buy	2018-09-03	2.00	2.77	1.77	+56.5%	3.4	2.8	3.7	4.1
<b>Telecoms, Media, IT</b>						<b>+12.5%</b>	<b>20.2</b>	<b>17.3</b>	<b>6.9</b>	<b>6.1</b>
Netia	hold	2018-10-01	4.50	4.30	4.50	-4.4%	40.9	49.4	5.4	5.7
Orange Polska	buy	2018-04-06	5.83	7.60	4.44	+71.2%	19.5	10.7	4.1	3.7
Play	hold	2018-08-30	21.90	22.60	20.12	+12.3%	6.4	7.2	5.4	5.4
Agora	buy	2018-09-14	8.48	15.40	9.00	+71.1%	45.2	56.4	5.5	4.6
Cyfrowy Polsat	accumulate	2018-06-15	22.76	24.90	22.24	+12.0%	13.0	11.0	6.9	6.1
Wirtualna Polska	accumulate	2018-09-03	57.00	60.00	51.60	+16.3%	20.2	17.3	11.0	9.2
Asseco Poland	accumulate	2018-09-03	45.90	49.00	47.66	+2.8%	14.0	15.4	8.2	8.0
CD Projekt	sell	2018-04-06	114.90	90.80	187.30	-51.5%	90.2	27.1	71.6	21.0
Comarch	accumulate	2018-10-01	167.00	180.50	167.00	+8.1%	25.1	18.7	8.3	7.6
<b>Industrials, Mining</b>						<b>+25.1%</b>	<b>14.6</b>	<b>6.4</b>	<b>6.5</b>	<b>4.7</b>
Famur	buy	2018-08-02	5.20	6.56	5.60	+17.1%	17.6	13.9	7.7	6.9
Grupa Kęty	hold	2018-09-03	387.50	367.45	384.50	-4.4%	14.0	13.2	9.5	8.9
JSW	buy	2018-09-03	77.00	98.00	66.20	+48.0%	4.0	5.2	2.0	2.2
Kemel	buy	2018-07-23	50.50	59.18	50.00	+18.4%	15.3	7.0	6.8	5.2
KGHM	buy	2018-09-03	90.80	104.21	89.10	+17.0%	7.6	5.9	4.5	3.3
Stelmet	buy	2018-09-03	11.35	20.45	8.38	+144.0%	16.0	5.5	6.2	4.1
<b>Construction</b>						<b>+29.4%</b>	<b>8.2</b>	<b>10.2</b>	<b>3.5</b>	<b>4.4</b>
Budimex	hold	2018-08-02	122.60	125.00	103.60	+20.7%	10.7	12.1	3.3	4.3
Elektrobudowa	buy	2018-09-26	32.80	45.00	36.00	+25.0%	-	9.6	-	4.6
Erbud	buy	2018-09-03	9.60	14.40	9.88	+45.7%	-	10.7	-	4.5
Unibep	buy	2018-04-06	7.50	10.10	5.00	+102.0%	5.7	4.9	3.8	2.9
<b>Property Developers</b>						<b>+28.7%</b>	<b>6.8</b>	<b>7.1</b>	<b>7.4</b>	<b>7.3</b>
Atal	buy	2018-07-04	36.40	42.86	32.00	+33.9%	6.5	6.9	6.0	6.4
Capital Park	buy	2018-04-06	5.95	8.35	5.60	+49.1%	11.1	9.3	17.8	17.1
Dom Development	buy	2018-08-02	72.80	87.80	68.00	+29.1%	7.1	7.4	5.8	6.3
Echo	buy	2018-04-06	5.23	5.63	4.33	+30.0%	5.9	5.4	7.0	7.2
GTC	hold	2018-04-06	9.39	9.60	8.25	+16.4%	9.9	8.6	14.4	13.6
LC Corp	buy	2018-06-22	2.39	3.58	2.48	+44.4%	6.0	5.5	7.8	7.4
<b>Retail</b>						<b>+19.0%</b>	<b>26.6</b>	<b>18.2</b>	<b>13.2</b>	<b>10.9</b>
AmRest	hold	2018-09-03	406.00	426.00	449.50	-5.2%	47.4	37.2	15.5	12.4
CCC	buy	2018-06-06	242.80	295.00	220.00	+34.1%	28.8	17.0	16.3	11.4
Dino	hold	2018-06-06	107.40	103.50	99.60	+3.9%	30.6	22.9	19.0	14.6
Eurocash	buy	2018-10-01	18.08	26.40	18.08	+46.0%	24.4	18.2	7.8	6.4
Jeronimo Martins	buy	2018-08-02	12.65	15.20 EUR	12.69	+19.8%	20.0	16.7	8.6	7.4
LPP	buy	2018-10-01	8,625	10,200	8,625	+18.3%	24.3	19.9	13.2	10.9
TXM	buy	2018-07-04	1.28	3.48	0.63	+452.4%	-	2.1	12.5	3.0
<b>Other</b>						<b>+14.9%</b>	<b>11.3</b>	<b>10.7</b>	<b>8.3</b>	<b>7.4</b>
PBKM	buy	2018-10-01	57.80	66.40	57.80	+14.9%	11.3	10.7	8.3	7.4

## 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
IT						13.9	9.5	5.2	4.5
Ailleron	neutral	2018-03-28	16.20	12.35	-23.8%	14.7	12.8	6.5	5.3
Asseco BS	neutral	2018-03-28	28.00	24.20	-13.6%	14.0	12.8	9.4	8.6
Asseco SEE	overweight	2018-04-26	11.70	10.90	-6.8%	10.0	9.5	4.4	4.0
Atende	overweight	2018-03-28	4.25	3.13	-26.4%	7.3	6.6	4.7	4.5
Wasko	neutral	2018-05-30	1.68	1.65	-1.8%	13.9	9.1	5.2	4.4
Industrials						8.4	8.4	6.2	5.8
Alumetal	neutral	2018-08-23	51.00	44.35	-13.0%	7.9	8.6	6.4	6.7
Amica	overweight	2018-09-13	112.80	109.80	-2.7%	7.6	7.3	5.4	4.8
Apator	neutral	2018-02-28	24.00	23.90	-0.4%	13.2	13.8	7.6	7.8
Boryszew	neutral	2018-09-05	6.25	5.05	-19.2%	8.9	7.1	6.4	5.8
Elemental	neutral	2018-04-27	1.09	1.49	+36.7%	6.0	5.2	5.5	4.9
Ergis	neutral	2018-04-27	4.06	3.72	-8.4%	8.3	7.8	6.1	5.6
Forte	overweight	2018-07-27	40.60	43.00	+5.9%	16.0	11.5	10.9	9.0
Kruszwica	underweight	2018-08-02	65.40	42.80	-34.6%	16.7	17.6	8.9	8.9
Mangata	neutral	2018-10-01	65.40	65.40	+0.0%	8.3	10.0	6.2	6.5
Pfleiderer Group	neutral	2018-09-28	36.45	34.60	-5.1%	17.0	16.9	6.3	5.9
Pozbud	overweight	2018-09-04	3.57	2.57	-28.0%	4.8	2.6	4.5	1.6
Tarczyński	neutral	2018-05-30	14.50	15.00	+3.4%	8.5	8.1	5.8	5.4
Construction Sector						28.7	10.2	5.8	4.9
Elektrotim	neutral	2018-09-27	4.20	4.15	-1.2%	44.4	11.9	5.7	5.0
Herkules	neutral	2018-01-25	3.67	2.51	-31.6%	7.9	5.5	4.6	3.8
Torpol	neutral	2018-09-27	5.18	4.92	-5.0%	53.5	10.9	5.8	4.8
Trakcja	underweight	2018-09-27	3.47	3.32	-4.3%	74.8	35.5	6.9	7.2
Ulma	neutral	2018-05-28	73.00	67.50	-7.5%	8.4	8.1	3.3	3.2
ZUE	neutral	2018-09-27	5.56	5.50	-1.1%	13.1	9.4	6.2	5.6
Property Developers						6.2	4.9	8.3	5.2
Archicom	overweight	2018-06-22	15.00	13.35	-11.0%	6.2	4.3	6.0	4.8
BBI Development	neutral	2018-04-26	0.66	0.44	-33.3%	10.2	4.9	12.4	5.0
i2 Development	neutral	2018-06-22	15.40	13.05	-15.3%	4.0	4.5	7.2	6.0
JWC	neutral	2018-06-22	3.48	2.62	-24.7%	7.1	2.8	8.3	3.7
Lokum Deweloper	overweight	2018-06-22	18.80	17.70	-5.9%	5.9	6.8	4.4	5.2
PA Nova	neutral	2018-03-29	22.30	18.10	-18.8%	5.9	6.8	9.9	11.0
Polnord	underweight	2018-06-22	9.04	9.38	+3.8%	-	-	-	-
Ronson	neutral	2018-06-22	1.09	1.06	-2.8%	11.5	7.6	12.3	10.9
Retail						11.7	9.5	7.8	6.5
Bytom	overweight	2018-05-23	2.92	2.70	-7.5%	12.0	11.0	7.8	6.8
Monnari	neutral	2018-07-13	6.60	5.90	-10.6%	9.0	8.4	3.6	3.1
Vistula	overweight	2018-05-23	4.79	4.08	-14.8%	11.7	9.5	8.0	6.5

## Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Issued on
Agora	buy	buy	15.40	PLN	2018-09-14
Amica	overweight	overweight	-	-	2018-09-13
AmRest	hold	reduce	426.00	PLN	2018-09-03
Asseco Poland	accumulate	hold	49.00	PLN	2018-09-03
Boryszew	neutral	neutral	-	-	2018-09-05
Elektrobudowa	buy	hold	45.00	PLN	2018-09-26
Elektrotim	neutral	neutral	-	-	2018-09-27
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
Kruk	buy	buy	292.77	PLN	2018-09-17
Lotos	sell	sell	57.21	PLN	2018-09-03
Mangata	underweight	neutral	-	-	2018-09-13
MOL	buy	accumulate	3,296.00	HUF	2018-09-03
Pfleiderer Group	neutral	overweight	-	-	2018-09-28
PGNiG	buy	buy	7.86	PLN	2018-09-03
PKN Orlen	sell	sell	81.38	PLN	2018-09-03
Polwax	suspended	buy	-	-	2018-09-14
Pozbud	overweight	overweight	-	-	2018-09-04
Santander Bank Polska	accumulate	buy	430.00	PLN	2018-09-03
Skarbiec Holding	buy	buy	36.86	PLN	2018-08-31
Stelmet	buy	buy	20.45	PLN	2018-09-03
Tauron	buy	buy	2.77	PLN	2018-09-03
Torpol	neutral	neutral	-	-	2018-09-27
Trakcja	underweight	underweight	-	-	2018-09-27
Wirtualna Polska	accumulate	buy	60.00	PLN	2018-09-03
ZUE	neutral	neutral	-	-	2018-09-27

## Ratings and Valuations Changed as of 1st October 2018

Company	Rating	Previous Rating	Target Price		Issued on
Comarch	accumulate	accumulate	180.50	PLN	2018-10-01
Eurocash	buy	buy	26.40	PLN	2018-10-01
LPP	buy	accumulate	10200.00	PLN	2018-10-01
Mangata	neutral	underweight	-	-	2018-10-01
Netia	hold	reduce	4.30	PLN	2018-10-01
PBKM	buy	hold	66.40	PLN	2018-10-01

## 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	8.5%
reduce	0	0.0%	0	0.0%
underweight	3	3.3%	1	2.1%
hold	10	10.9%	3	6.4%
neutral	22	23.9%	8	17.0%
accumulate	7	7.6%	4	8.5%
buy	36	39.1%	26	55.3%
overweight	9	9.8%	1	2.1%



## Corporate Events Calendar For October

Date	Time	Company	Event
1-Oct	10:30	<b>Pfleiderer Group</b>	Q2'18 earnings conference (InterContinental Hotel, Warsaw)
1-Oct	10:30	<b>Pfleiderer Group</b>	The live webcast <a href="http://platforma.livingmedia.pl/pfleiderer/180914001/">http://platforma.livingmedia.pl/pfleiderer/180914001/</a>
1-Oct	13:00	<b>Robyg</b>	Q2'18 earnings conference (ROBYG Working Balance, Warsaw)
2-Oct	09:00	<b>PCC Rokita</b>	Investor meetings (Adgar Ochota, Al. Jerozolimskie 181B8, Warsaw)
2-Oct		<b>Trans Polonia</b>	Investor meetings (Inner Value, ul. Wilcza 46, Warsaw) - registration required
3-Oct	10:00	<b>EnterAir</b>	Q1 2018 earnings conference (HQ, ul. Komitetu Obrony Robotników 74, Warsaw)
4-5-Oct			<b>mBank's European Financials Conference</b> ( <a href="#">InterContinental Warszawa Hotel</a> ) - registration required
5-Oct		<b>Nextbike</b>	Investor meetings (CC Group, ul. Marszałkowska 89, Warsaw) - registration required
22-Oct		<b>Kernel</b>	FQ4'18 earnings announcement
24-Oct		<b>Asseco SEE</b>	Q3'18 earnings announcement
24-Oct		<b>Grupa Kęty</b>	Q3'18 earnings announcement
24-Oct		<b>Orange Polska</b>	Q3'18 earnings announcement
25-Oct		<b>Asseco BS</b>	Q3'18 earnings announcement
25-Oct		<b>Netia</b>	Q3'18 earnings announcement
25-Oct		<b>PKN Orlen</b>	Q3'18 earnings announcement
26-Oct		<b>Dom Development</b>	Q3'18 earnings announcement
28-Oct		<b>Kruk</b>	Q3'18 earnings announcement
29-Oct		<b>Millennium</b>	Q3'18 earnings announcement
30-Oct		<b>Budimex</b>	Q3'18 earnings announcement
30-Oct		<b>GPW</b>	Q3'18 earnings announcement
30-Oct		<b>Lotos</b>	Q3'18 earnings announcement
30-Oct		<b>mBank</b>	Q3'18 earnings announcement
31-Oct		<b>BZ WBK</b>	Q3'18 earnings announcement
31-Oct		<b>Cognor</b>	Q3'18 earnings announcement
31-Oct		<b>MOL</b>	Q3'18 earnings announcement



## 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 the sector. From Alior's standpoint, the called-off merger with Pekao has freed up capacity to step up lending and focus on growing profits. The Bank has hinted it might revise its future guidance higher after the third quarter of 2018. It has to accelerate lending in H2 in order to achieve the target PLN 5.5-6.5bn growth in volumes set for this year after adding only PLN 2.2bn in the first six months. In Q2 2018, Alior reported a net interest margin ahead of our estimate after an 11bp y/y rebound, and it looks well on track to achieving the FY target of 4.6%. All in all, we believe Alior will exceed the PLN 778bn analysts' consensus this year.

Current Price

63.00 PLN

Upside

9M Target Price

109.00 PLN

+73.0%

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

Key Metrics	ALR PW	1M Price Chng	ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-13.3%	-11.6%
ISIN	PLALIOR00045	YTD Price Chng	-20.8%	-13.3%
Outst. Stock (m)	129.3	ADTV 1M		PLN 21.4m
MC (PLN m)	8,143.2	ADTV 6M		PLN 17.5m
		P/E 12M fwd	9.2	-34.3%
Free Float	74.8%	P/E 5Y avg	13.9	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	10.3	15.8	8.6	7.2
P/B	1.3	1.2	1.0	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

## Getin Noble Bank hold (no change)

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Getin reported a net loss of PLN 116.1m in Q2 2018, due in a major part to one-time write-offs of NPLs earmarked for sale. Our updated outlook for the Bank 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.

<b>Current Price</b>	0.57 PLN	<b>Upside</b>
<b>9M Target Price</b>	1.40 PLN	<b>+145.6%</b>

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

Key Metrics		GNB PW	vs. WIG
Ticker	GNB PW	1M Price Chng	-41.8%
ISIN	PLGETBK00012	YTD Price Chng	-64.8%
Outst. Stock (m)	1,044.6	ADTV 1M	PLN 2.4m
MC (PLN m)	595.4	ADTV 6M	PLN 1.3m
		P/E 12M fwd	5.6
Free Float	49.8%	P/E 5Y avg	12.8
			discount

### Earnings Projections

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	1,317	1,297	1,175	1,337	1,542
Total income	1,537	1,480	1,417	1,560	1,802
Costs	-859	-895	-902	-903	-902
Provisioning	-660	-1,261	-475	-482	-488
Net income	-42	-575	50	144	337
P/E	-	-	11.5	4.3	1.8
P/B	0.1	0.1	0.1	0.1	0.1
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
<b>Noninterest income</b>	<b>241</b>	<b>183</b>	<b>242</b>	<b>223</b>	<b>261</b>
<b>Total income</b>	<b>1,558</b>	<b>1,480</b>	<b>1,417</b>	<b>1,560</b>	<b>1,802</b>
Operating expenses	859	895	902	903	902
<b>Operating income</b>	<b>699</b>	<b>585</b>	<b>514</b>	<b>657</b>	<b>900</b>
Provisioning	700	1,261	475	482	488
Profits of associates	-3	15	24	5	5
<b>Pre-tax income</b>	<b>-4</b>	<b>-661</b>	<b>64</b>	<b>180</b>	<b>418</b>
Tax	12	-88	12	34	79
Minority interests	-4	-2	-2	-2	-2
Asset tax	38	0	0	0	0
<b>Net income</b>	<b>-59</b>	<b>-575</b>	<b>50</b>	<b>144</b>	<b>337</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>3,801</b>	<b>100%</b>
Outst. Shares (millions)	1,081	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>3.52</b>	
<b>9M Target Price (PLN)</b>	<b>3.74</b>	

### 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%
<b>Fair Value</b>	<b>3,751</b>	<b>100%</b>
Outst. Shares (millions)	1,081	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>3.47</b>	
<b>9M Target Price (PLN)</b>	<b>3.69</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>1.40</b>



## Handlowy buy (no change)

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We maintain a buy rating for Handlowy. The average of analysts' estimates as to the Bank's net income in FY2018 has been raised by 4.3% over the last six months, and at the same time the consensus for 2019 has been cut by 2.7%. Even at the higher level, in our view the expectations for 2018 are still underestimated by about 7%. Moreover, 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.

<b>Current Price</b>	77.20 PLN	<b>Upside</b>
<b>9M Target Price</b>	94.00 PLN	<b>+21.8%</b>

	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	+2.9%	+4.6%
ISIN	PLBH000000012	YTD Price Chng	-0.7%	+6.8%
Outst. Stock (m)	130.7	ADTV 1M		PLN 6.1m
MC (PLN m)	10,086.9	ADTV 6M		PLN 2.8m
		P/E 12M fwd	14.9	-5.9%
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	16.8	18.8	16.0	13.1
P/B	1.5	1.5	1.4	1.4
ROE	8.8%	7.8%	9.1%	10.9%
DPS	4.68	4.60	4.10	4.84
DYield	6.1%	6.0%	5.3%	6.3%
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
<b>Noninterest income</b>	<b>1,128</b>	<b>1,107</b>	<b>997</b>	<b>1,094</b>	<b>1,126</b>
<b>Total income</b>	<b>2,104</b>	<b>2,111</b>	<b>2,079</b>	<b>2,278</b>	<b>2,509</b>
Operating expenses	1,331	1,231	1,192	1,266	1,302
<b>Operating income</b>	<b>774</b>	<b>879</b>	<b>888</b>	<b>1,012</b>	<b>1,208</b>
Provisioning	-17	46	103	86	94
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>791</b>	<b>834</b>	<b>785</b>	<b>926</b>	<b>1,114</b>
Tax	164	163	172	201	242
Minority interests	0	0	0	0	0
Asset tax	0	69	78	93	103
<b>Net income</b>	<b>626</b>	<b>602</b>	<b>536</b>	<b>632</b>	<b>769</b>

### 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%
<b>Fair Value</b>	<b>13,275</b>	<b>100%</b>
Outst. Shares (millions)	131	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>101.60</b>	
<b>9M Target Price (PLN)</b>	<b>108.08</b>	

### 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%
<b>Fair Value</b>	<b>12,181</b>	<b>100%</b>
Outst. Shares (millions)	131	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>93.23</b>	
<b>9M Target Price (PLN)</b>	<b>99.17</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>94.00</b>

## ING BSK accumulate (no change)

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ING deserves to be valued at a premium to the financial 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. ING will probably opt to reinvest a major portion of the annual earnings in further growth and potential acquisitions. The Bank 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. According to our calculations, the Bank can afford to finance the acquisitions from surplus capital, in which case it would probably hold next years' dividend payment.

### Current Price

182.80 PLN

Upside

### 9M Target Price

212.00 PLN

+16.0%

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

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-4.8%	-3.1%
ISIN	PLBSK0000017	YTD Price Chng	-9.7%	-2.2%
Outst. Stock (m)	130.1	ADTV 1M		PLN 1.3m
MC (PLN m)	23,782.3	ADTV 6M		PLN 1.8m
		P/E 12M fwd	14.0	-11.0%
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	19.0	16.9	15.1	13.3	12.3
P/B	2.3	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%	2.2%
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

### Key Balance Sheet Figures

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

### Key Ratios

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

### Dividend Discount Model (DDM)

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

### Economic Profits Model

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

### Valuation Summary

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

## Millennium 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 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 1 billion is probably overly ambitious. Finally, note that Millennium shows less sensitivity to changes in interest rates than most of its competition, which is an advantage during periods of monetary easing, but which will put the Bank at a disadvantage once Polish interest start to rise.

<b>Current Price</b>	9.25 PLN	<b>Downside</b>
<b>9M Target Price</b>	7.00 PLN	<b>-24.3%</b>

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

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	+0.7%	+2.3%
ISIN	PLBIG0000016	YTD Price Chng	+3.5%	+11.0%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 11.7m
MC (PLN m)	11,221.3	ADTV 6M		PLN 6.7m
		P/E 12M fwd	13.7	+5.0%
Free Float	50.0%	P/E 5Y avg	13.0	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	16.0	16.5	15.5	14.1
P/B	1.6	1.4	1.3	1.2
ROE	10.5%	9.3%	8.8%	8.7%
DPS	0.00	0.00	0.00	0.15
DYield	0.0%	0.0%	0.0%	1.6%
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
<b>Noninterest income</b>	<b>874</b>	<b>1,122</b>	<b>953</b>	<b>978</b>	<b>1,007</b>
<b>Total income</b>	<b>2,239</b>	<b>2,628</b>	<b>2,650</b>	<b>2,774</b>	<b>2,943</b>
Operating expenses	1,309	1,268	1,281	1,320	1,365
<b>Operating income</b>	<b>930</b>	<b>1,360</b>	<b>1,369</b>	<b>1,454</b>	<b>1,578</b>
Provisioning	241	231	255	278	298
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>688</b>	<b>1,127</b>	<b>1,114</b>	<b>1,176</b>	<b>1,280</b>
Tax	141	252	244	259	282
Minority interests	0	0	0	0	0
Asset tax	0	174	188	196	204
<b>Net income</b>	<b>547</b>	<b>701</b>	<b>681</b>	<b>722</b>	<b>794</b>

### Key Balance Sheet Figures

(PLN m)	2015	2016	2017	2018P	2019P
<b>Net loans</b>	<b>46,369</b>	<b>47,020</b>	<b>47,411</b>	<b>50,411</b>	<b>53,225</b>
Other assets	19,866	21,773	23,730	23,944	24,828
<b>Total assets</b>	<b>66,235</b>	<b>68,793</b>	<b>71,141</b>	<b>74,355</b>	<b>78,053</b>
<b>Deposits</b>	<b>52,810</b>	<b>55,876</b>	<b>57,273</b>	<b>58,946</b>	<b>60,546</b>
Other liabilities	6,982	5,976	6,096	6,709	7,997
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>6,443</b>	<b>6,941</b>	<b>7,773</b>	<b>8,700</b>	<b>9,509</b>

### 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%
<b>Fair Value</b>	<b>11,045</b>	<b>100%</b>
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>9.10</b>	
<b>9M Target Price (PLN)</b>	<b>9.69</b>	

### 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%
<b>Fair Value</b>	<b>9,689</b>	<b>100%</b>
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>7.99</b>	
<b>9M Target Price (PLN)</b>	<b>8.50</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>7.00</b>



## 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 small miss relative to the FY consensus, but they do not affect the outlook for FY2019. 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.

<b>Current Price</b>	106.20 PLN	<b>Upside</b>
<b>9M Target Price</b>	157.00 PLN	<b>+47.8%</b>

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

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-5.1%	-3.4%
ISIN	PLPEKAO00016	YTD Price Chng	-12.7%	-5.2%
Outst. Stock (m)	262.5	ADTV 1M		PLN 105.5m
MC (PLN m)	27,874.3	ADTV 6M		PLN 82.9m
		P/E 12M fwd	11.2	-28.6%
Free Float	49.9%	P/E 5Y avg	15.7	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	4,382	4,593	4,975	5,642
Total income	7,302	7,278	7,568	8,397
Costs	-3,494	-3,535	-3,613	-3,703
Provisioning	-501	-521	-627	-708
Net income	2,279	2,475	2,184	2,653
P/E	12.2	11.3	12.8	10.5
P/B	1.2	1.2	1.2	1.1
ROE	9.8%	10.7%	9.4%	11.1%
DPS	8.70	8.68	7.90	8.32
DYield	8.2%	8.2%	7.4%	7.8%
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
<b>Noninterest income</b>	<b>2,827</b>	<b>2,920</b>	<b>2,685</b>	<b>2,593</b>	<b>2,755</b>
<b>Total income</b>	<b>6,994</b>	<b>7,302</b>	<b>7,278</b>	<b>7,568</b>	<b>8,397</b>
Operating expenses	3,758	3,494	3,535	3,613	3,703
<b>Operating income</b>	<b>3,235</b>	<b>3,808</b>	<b>3,743</b>	<b>3,955</b>	<b>4,694</b>
Provisioning	518	501	521	627	708
Profits of associates	113	39	453	77	78
<b>Pre-tax income</b>	<b>2,831</b>	<b>3,346</b>	<b>3,675</b>	<b>3,405</b>	<b>4,064</b>
Tax	538	617	677	647	772
Minority interests	-1	0	-1	-1	-1
Asset tax	0	450	522	573	638
<b>Net income</b>	<b>2,292</b>	<b>2,279</b>	<b>2,475</b>	<b>2,184</b>	<b>2,653</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>47,563</b>	<b>100%</b>
Outst. Shares (millions)	262	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>181.31</b>	
<b>9M Target Price (PLN)</b>	<b>192.87</b>	

### 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%
<b>Fair Value</b>	<b>44,581</b>	<b>94%</b>
Outst. Shares (millions)	262	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>169.85</b>	
<b>9M Target Price (PLN)</b>	<b>180.68</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>157.00</b>

## 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 over the current net income consensus of PLN 3,580.9m, 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, PKO's upside potential is curbed by 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, even though the costs per our calculations 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 PKO stock at the current level, while the potential downside risk in the event of any negative shock is still there.

<b>Current Price</b>	42.90 PLN	<b>Downside</b>
<b>9M Target Price</b>	38.00 PLN	<b>-11.4%</b>

	rating	target price	issued
<b>unchanged</b>	<b>hold</b>	<b>38.00 PLN</b>	<b>2018-04-06</b>

Key Metrics		PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	+4.3% +5.9%
ISIN	PLPKO0000016	YTD Price Chng	-2.0% +5.5%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 125.3m
MC (PLN m)	53,625.0	ADTV 6M	PLN 89.1m
		P/E 12M fwd	13.8 +4.0%
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	18.7	17.3	16.2	13.5
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%	1.5%
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

(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
<b>Noninterest income</b>	<b>3,872</b>	<b>4,366</b>	<b>4,197</b>	<b>4,139</b>	<b>4,258</b>
<b>Total income</b>	<b>10,900</b>	<b>12,121</b>	<b>12,803</b>	<b>13,355</b>	<b>14,626</b>
Operating expenses	6,272	5,920	6,024	6,209	6,458
<b>Operating income</b>	<b>4,629</b>	<b>6,200</b>	<b>6,779</b>	<b>7,147</b>	<b>8,168</b>
Provisioning	1,476	1,623	1,620	1,718	1,843
Profits of associates	38	35	22	31	32
<b>Pre-tax income</b>	<b>3,191</b>	<b>4,612</b>	<b>5,181</b>	<b>5,460</b>	<b>6,358</b>
Tax	-590	-907	-1,140	-1,147	-1,335
Minority interests	8	-2	-5	-5	-6
Asset tax	0	829	932	995	1,044
<b>Net income</b>	<b>2,610</b>	<b>2,874</b>	<b>3,104</b>	<b>3,313</b>	<b>3,973</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>57,453</b>	<b>100%</b>
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>45.96</b>	
<b>9M Target Price (PLN)</b>	<b>48.89</b>	

### 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%
<b>Fair Value</b>	<b>56,133</b>	<b>100%</b>
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>44.91</b>	
<b>9M Target Price (PLN)</b>	<b>47.77</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>38.00</b>

## Santander Bank Polska accumulate (no change)

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We maintain an accumulate rating for Santander Bank Polska (formerly BZ WBK). In order to make a profit on the sale of the 2.75 million SPL shares it is set to receive in consideration of its Polish business, Deutsche Bank would have to get PLN 371.61 per share, 1.4% less than SPL's actual quote as of this writing, a discount which has narrowed over the past month, but not enough to be accepted by the market. Previously Deutsche Bank sold 1.2 million shares at PLN 380 apiece. The average benchmark price agreed by the two banks is PLN 375.27. As a reminder, Santander wants to make a distribution to shareholders next year from retained earnings on top of 2018 profits, subject to regulatory and owner approval, and if approved the resulting DPS would be PLN 25.6, implying a dividend yield of 7%.

### Current Price

375.60 PLN

Upside

### 9M Target Price

430.00 PLN

+14.5%

	rating	target price	issued
unchanged	accumulate	430.00 PLN	2018-09-03

Key Metrics			SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	+2.4%	+4.0%
ISIN	PLBZ000000044	YTD Price Chng	-5.2%	+2.3%
Outst. Stock (m)	99.2	ADTV 1M		PLN 36.5m
MC (PLN m)	37,272.5	ADTV 6M		PLN 21.1m
		P/E 12M fwd	14.1	-4.8%
Free Float	30.0%	P/E 5Y avg	14.8	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	4,770	5,277	5,852	6,943	7,587
Total income	7,606	7,764	8,613	9,965	10,655
Costs	-3,368	-3,372	-3,653	-3,923	-3,902
Provisioning	-785	-690	-746	-871	-928
Net income	2,167	2,213	2,560	3,152	3,595
P/E	17.2	16.8	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

## 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, which look overestimated by about 4% assuming quarterly profits in H2 2018 are as good as in Q2. Supported by high ROE (13% vs. an 8% average for Polish banks), assuming a 55% payout ratio, we expect Komercni to offer dividend yields close to 5% 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 Santander Bank Polska

**Current Price** 911.00 CZK **Upside**  
**9M Target Price** 1,111.00 CZK **+22.0%**

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

Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	-4.1%
ISIN	CZ0008019106	YTD Price Chng	+5.0%
Outst. Stock (m)	188.9	ADTV 1M	CZK 161.9m
MC (CZK bn)	172.0	ADTV 6M	CZK 125.8m
		P/E 12M fwd	12.5
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	12.6	11.5	11.7	9.9
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	6.8%	4.4%	5.2%	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
<b>Total income</b>	<b>31,044</b>	<b>31,750</b>	<b>31,060</b>	<b>34,082</b>	<b>37,686</b>
Operating expenses	-14,352	-14,026	-13,374	-14,692	-15,061
<b>Operating income</b>	<b>16,692</b>	<b>17,724</b>	<b>17,686</b>	<b>19,390</b>	<b>22,625</b>
Provisioning	-1,075	-1,818	391	-1,388	-1,534
<b>Net oper. income</b>	<b>15,617</b>	<b>15,906</b>	<b>18,077</b>	<b>18,002</b>	<b>21,091</b>
Profits of associates	153	967	209	231	243
Retirement benefits	0	0	0	0	0
<b>Pre-tax income</b>	<b>15,770</b>	<b>16,873</b>	<b>18,286</b>	<b>18,233</b>	<b>21,333</b>
Tax	-2,638	-2,799	-3,012	-3,100	-3,627
Minority interests	374	386	344	378	375
<b>Net income</b>	<b>12,758</b>	<b>13,688</b>	<b>14,930</b>	<b>14,755</b>	<b>17,332</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>209,111</b>	<b>100%</b>
Outst. Shares (millions)	189	
Cost of equity	6.0%	
<b>Fair Value Per Share (CZK)</b>	<b>1,107</b>	
<b>9M Target Price (CZK)</b>	<b>1,157</b>	

### 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%
<b>Fair Value</b>	<b>192,465</b>	<b>100%</b>
Outst. Shares (millions)	189	
Cost of equity	6.0%	
<b>Fair Value Per Share (CZK)</b>	<b>1,019</b>	
<b>9M Target Price (CZK)</b>	<b>1,065</b>	

### 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%
<b>9M Target Price (CZK)</b>		<b>1,111</b>

## 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 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 16bp in 2020 may stop Erste's bottom line from showing much growth. Finally, we expect Erste to offer per-share dividend of EUR 1.5 in 2019 and 2020, implying dividend yields of 4.0%.

Current Price

35.78 EUR

Upside

9M Target Price

43.00 EUR

+20.2%

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

Key Metrics			EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	-3.2%	-1.5%
ISIN	AT0000652011	YTD Price Chng	+2.5%	+10.0%
Outst. Stock (m)	429.8	ADTV 1M		EUR 27.5m
MC (EUR m)	15,378.2	ADTV 6M		EUR 26.0m
		P/E 12M fwd	10.3	-10.8%
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	12.2	11.7	10.2	10.2	9.5
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	1.4%	2.8%	3.4%	4.1%	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

(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
<b>Total income</b>	<b>6,484</b>	<b>6,475</b>	<b>6,705</b>	<b>7,034</b>	<b>7,389</b>
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
<b>Operating income</b>	<b>2,146</b>	<b>2,210</b>	<b>2,348</b>	<b>2,583</b>	<b>2,838</b>
Provisioning	-196	-132	2	-198	-284
<b>Net operating income</b>	<b>1,950</b>	<b>2,078</b>	<b>2,350</b>	<b>2,385</b>	<b>2,554</b>
Extraordinary gains	0	0	0	0	0
<b>Pre-tax income</b>	<b>1,950</b>	<b>2,078</b>	<b>2,350</b>	<b>2,385</b>	<b>2,554</b>
Tax	-414	-410	-492	-515	-548
Minority interests	-272	-352	-356	-363	-385
<b>Net income</b>	<b>1,265</b>	<b>1,316</b>	<b>1,502</b>	<b>1,507</b>	<b>1,621</b>

### Key Balance Sheet Figures

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

### Key Ratios

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

### SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV	P/B
			2018	2019	2020	2018	2019	2020	2018	2018
<b>Austria</b>	<b>7,998</b>	<b>18.61</b>	<b>631</b>	<b>630</b>	<b>658</b>	<b>12.7</b>	<b>12.7</b>	<b>12.2</b>	<b>4,501</b>	<b>1.8</b>
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
<b>CEE</b>	<b>15,286</b>	<b>35.56</b>	<b>1,179</b>	<b>1,164</b>	<b>1,230</b>	<b>13.0</b>	<b>13.1</b>	<b>12.4</b>	<b>6,704</b>	<b>2.3</b>
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
<b>Other</b>	<b>-5,676</b>	<b>-13.21</b>	<b>-308</b>	<b>-288</b>	<b>-267</b>	<b>18.5</b>	<b>19.7</b>	<b>21.3</b>	<b>781</b>	<b>-7.3</b>
<b>Total Erste Group</b>	<b>17,607</b>	<b>40.97</b>								

### 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%
<b>9M Target Price (EUR)</b>		<b>43.00</b>

## OTP Bank buy (no change)

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We maintain a buy rating for OTP Bank. After a strong second quarter, the FY2018 earnings consensus for the Bank has been raised to HUF 287bn, and if analysts believed in a repeat of the stellar Q2 financials in the two subsequent quarters the consensus would have ended up even higher at HUF 336.3bn. The reason a repeat like this is unlikely is that the Q2 result was achieved thanks to exceptionally low (and unsustainable) provisioning. OTP wants to complete five acquisitions in the near future, and the M&A activity builds value, including thanks to prices below book values, and boosts future earnings prospects after the 2018 contraction, led by normalization of cost of risk. OTP's recurring profits are set for further will expansion as well, led by rising net interest income from increasing loan volumes. 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.

<b>Current Price</b>	10,320.00 HUF	<b>Upside</b>
<b>9M Target Price</b>	12,090.00 HUF	<b>+17.2%</b>

	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	0.0%	+1.7%
ISIN	HU00000061726	YTD Price Chng	-1.7%	+5.8%
Outst. Stock (m)	267.0	ADTV 1M		HUF 5.6bn
MC (HUF bn)	2,755.8	ADTV 6M		HUF 5.1bn
		P/E 12M fwd	9.7	-5.6%
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	13.6	9.8	10.5	9.6
P/B	1.9	1.7	1.5	1.4
ROE	15.3%	18.4%	15.3%	15.1%
DPS	173.01	199.22	253.21	260.44
DYield	1.7%	1.9%	2.5%	2.5%
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
<b>Total income</b>	<b>759</b>	<b>738</b>	<b>809</b>	<b>885</b>	<b>922</b>
Operating expenses	392	400	442	463	466
<b>Operating income</b>	<b>367</b>	<b>338</b>	<b>367</b>	<b>422</b>	<b>456</b>
Provisioning	221	93	46	75	79
<b>Pre-tax income</b>	<b>146</b>	<b>245</b>	<b>321</b>	<b>347</b>	<b>378</b>
Tax	26	44	37	69	76
<b>Net income</b>	<b>120</b>	<b>201</b>	<b>284</b>	<b>278</b>	<b>302</b>
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
<b>Net income</b>	<b>64</b>	<b>202</b>	<b>281</b>	<b>263</b>	<b>287</b>

### Key Balance Sheet Figures

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

### 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
<b>Hungary + Other</b>	<b>1,841</b>	<b>6,893</b>	<b>168.6</b>	<b>153.1</b>	<b>158.4</b>	<b>10.9</b>	<b>12.0</b>	<b>11.6</b>	<b>740</b>
<b>CEE</b>	<b>1,316</b>	<b>4,915</b>	<b>92.9</b>	<b>125.0</b>	<b>143.8</b>	<b>14.2</b>	<b>10.5</b>	<b>9.1</b>	<b>896</b>
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
<b>Total Divisions</b>	<b>3,156</b>	<b>11,808</b>	<b>261.5</b>	<b>278.0</b>	<b>302.3</b>	<b>12.1</b>	<b>11.4</b>	<b>10.4</b>	<b>1,636</b>
Asset tax	-155	-579							
<b>Total OTP Group</b>	<b>3,002</b>	<b>11,229</b>							

### 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%
<b>9M Target Price (HUF)</b>		<b>12,090</b>



## 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. Nevertheless the FY2018 net profit consensus was adjusted slightly higher after H1, to a level consistent with our current forecast, which does not factor in further shrinkage in investment income or allow for a surge in claims in the event of unforeseen natural disasters. At the same time our outlook does not take into account the potential benefits from a cross-sale partnership with Bank Pekao. 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 2.72 and 2020 DPS of 2.97, with the potential dividend yields in the range of 6.6%-7.3%. We maintain an accumulate rating for PZU.

<b>Current Price</b>	39.70 PLN	<b>Upside</b>
<b>9M Target Price</b>	47.50 PLN	<b>+19.6%</b>

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

Key Metrics	PZU PW	1M Price Chng	PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	+0.5%	+2.2%
ISIN	PLPZU0000011	YTD Price Chng	+0.1%	+7.6%
Outst. Stock (m)	863.5	ADTV 1M		PLN 104.8m
MC (PLN m)	34,281.9	ADTV 6M		PLN 69.6m
		P/E 12M fwd	10.6	-14.9%
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	-14,860	-14,907	-15,137
Inv. income	1,300	1,895	1,340	1,391	1,399
Total costs	-4,246	-4,511	-4,688	-4,901	-5,032
Net income	1,954	2,910	3,075	3,399	3,620
P/E	17.7	11.8	11.1	10.0	9.4
P/B	2.6	2.3	2.2	2.1	1.9
ROE	15.1%	21.1%	20.4%	21.1%	21.1%
DPS	2.08	1.40	2.70	2.67	2.97
DYield	5.2%	3.5%	6.8%	6.7%	7.5%
Projection Update (% change)	2018P	2019P	2020P		
Gross written premiums	0.0%	0.0%	0.0%		
Claims	0.0%	0.0%	0.0%		
Investment income	0.0%	0.0%	0.0%		
Total costs	0.0%	0.0%	0.0%		
Net income	0.0%	0.0%	0.0%		

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Gross written prem	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
<b>Operating income</b>	<b>2,991</b>	<b>5,510</b>	<b>7,070</b>	<b>8,015</b>	<b>8,941</b>
Financing costs	0	0	0	0	0
<b>Subsidiaries</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>-3</b>	<b>0</b>
Pre-tax income	<b>3,007</b>	<b>5,526</b>	<b>7,086</b>	<b>8,012</b>	<b>8,941</b>
Tax	-614	-1,293	-1,538	-1,739	-1,928
Minority interest	439	1,323	2,433	2,820	3,322
<b>Net income</b>	<b>1,954</b>	<b>2,910</b>	<b>3,115</b>	<b>3,454</b>	<b>3,692</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Financial assets	<b>105,286</b>	<b>281,854</b>	<b>320,920</b>	<b>337,921</b>	<b>365,129</b>
Other assets	20,010	35,551	36,417	37,316	38,250
<b>Total assets</b>	<b>125,296</b>	<b>317,405</b>	<b>357,337</b>	<b>375,237</b>	<b>403,379</b>
Technical provisions	<b>42,194</b>	<b>44,558</b>	<b>50,574</b>	<b>51,738</b>	<b>53,005</b>
Other liabilities	66,018	235,246	267,512	283,016	294,982
Minority interests	4,086	22,979	23,673	23,770	37,576
<b>Equity</b>	<b>12,998</b>	<b>14,622</b>	<b>15,577</b>	<b>16,713</b>	<b>17,815</b>

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
Loss ratio	68.7	70.0	67.2	65.6	64.9
Total cost ratio	21.1	21.1	21.1	21.5	21.5
Return on inv. portf.	4.6	5.4	2.2	2.3	2.3
Non-Life, COR	95.7	90.5	87.7	85.8	84.8
Life, Oper. Margin	24.05	16.11	21.67	21.11	20.98

### 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%
<b>Fair Value</b>	<b>27,650</b>	<b>100%</b>
Outst. Shares (millions)	864	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>32.02</b>	
<b>9M Target Price (PLN)</b>	<b>34.06</b>	

### 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%
<b>Fair Value</b>	<b>24,768</b>	<b>100%</b>
Outst. Shares (millions)	864	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>28.68</b>	
<b>9M Target Price (PLN)</b>	<b>30.51</b>	

### Valuation Ex. Banks

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

### 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
<b>Value</b>	<b>38,559</b>	<b>44.65</b>
<b>9M Target Price (PLN)</b>		<b>47.50</b>

## Kruk buy (no change)

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We maintain a buy rating for Kruk, with an intact upside potential upwards of 45% stemming from improving operations in Italy, record purchases coming up in Poland, low financing risk, imminent hikes in the 2019-2020 FY analysts' consensus by a projected 11%-12%, and contained regulatory risk. The price of a Kruk share has dropped markedly below the average price for the last six months (PLN 218) which would set the benchmark for a potential tender offer by a prospective strategic investor. Looking at the forward P/E ratios and the fair forward P/E ratios calculated for comparable companies, it seems that analysts see sizable growth potential in EU debt collectors, and once sentiment shifts KRU is set to outperform its Western European peers in our view given that historically it was traded at premiums to peers as well as offering stronger earnings growth.

<b>Current Price</b>	201.20 PLN	<b>Upside</b>
<b>9M Target Price</b>	292.77 PLN	<b>+45.5%</b>

	rating	target price	issued
unchanged	buy	292.77 PLN	2018-09-17

Key Metrics		KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-7.5%
ISIN	PLKRK0000010	YTD Price Chng	-21.6%
Outst. Stock (m)	18.9	ADTV 1M	PLN 12.3m
MC (PLN m)	3,797.0	ADTV 6M	PLN 14.0m
		P/E 12M fwd	10.5
Free float	87.0%	P/E 5Y avg	13.9 discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Purchased debt	783	1,055	1,241	1,429	1,645
Collections	725	972	1,150	1,327	1,533
Total revenue	32	59	65	72	75
Total costs	-117	-148	-168	-186	-214
Net income	249	295	353	418	457
P/E	14.9	12.8	10.7	9.1	8.3
P/B	3.0	2.6	2.2	1.9	1.7
ROE	24.6%	21.9%	22.1%	22.4%	21.6%
DPS	7.66	6.21	5.00	8.43	11.09
DYield	3.8%	3.1%	2.5%	4.2%	5.5%
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
<b>Gross profit</b>	<b>477</b>	<b>589</b>	<b>680</b>	<b>789</b>	<b>878</b>
Costs	117	148	157	169	190
One-time events	3	-2	-3	-4	-4
<b>EBITDA</b>	<b>363</b>	<b>439</b>	<b>519</b>	<b>616</b>	<b>683</b>
D&A	14	19	22	24	26
<b>EBIT</b>	<b>349</b>	<b>421</b>	<b>498</b>	<b>592</b>	<b>657</b>
Financing activity	-63	-86	-105	-130	-165
Pre-tax income	286	335	393	462	492
Tax	38	-40	39	46	49
<b>Net income</b>	<b>249</b>	<b>295</b>	<b>353</b>	<b>415</b>	<b>442</b>
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
<b>Purchased debt</b>	<b>2,648</b>	<b>3,169</b>	<b>3,732</b>	<b>4,355</b>	<b>5,160</b>
Other assets	181	218	126	140	155
<b>Total assets</b>	<b>3,096</b>	<b>3,560</b>	<b>4,012</b>	<b>4,674</b>	<b>5,528</b>
<b>Loans</b>	<b>1,646</b>	<b>1,897</b>	<b>2,052</b>	<b>2,375</b>	<b>2,968</b>
Other liabilities	212	202	186	216	242
<b>Equity</b>	<b>1,238</b>	<b>1,461</b>	<b>1,774</b>	<b>2,084</b>	<b>2,318</b>

### 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	
<b>Fair Value as of Jul. 2017</b>	<b>5,911</b>	<b>4,981</b>
PV Adjustment	279	30
<b>Fair Value</b>	<b>6,190</b>	<b>5,011</b>
Outst. Shares (millions)	18.7	18.7
Cost of equity	8.0%	8.0%
<b>Fair Value Per Share (PLN)</b>	<b>330.22</b>	<b>267.36</b>
<b>9M Target Price (PLN)</b>	<b>353.99</b>	<b>286.60</b>

### 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
<b>Equity Value as of Jan. 2017</b>	<b>4,558</b>
PV Adjustment	27
<b>Fair Value</b>	<b>4,585</b>
Outst. Shares (millions)	18.7
<b>Value Per Share (PLN)</b>	<b>244.62</b>

### 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%
<b>9M Target Price (PLN)</b>		<b>300.94</b>

## 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 2022 (most recently the central bank said it would like to engage in a debate with the industry about a potential cut to a target 1.5%), and 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 earnings potential of these fees might be boosted by the assets that Skarbiec has 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 13%-20%.

### Current Price

25.70 PLN

Upside

### 9M Target Price

36.86 PLN

+43.4%

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

Key Metrics			SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	-3.4%	-1.7%
ISIN	PLSKRBH00014	YTD Price Chng	-7.2%	+0.3%
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.4m
MC (PLN m)	175.3	ADTV 6M		PLN 0.2m
		P/E 12M fwd	8.6	+5.0%
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	5.4	9.0	8.0	7.6	7.7
P/B	1.7	2.0	1.9	1.9	1.9
ROE	34.1%	20.6%	24.4%	25.3%	25.0%
DPS	3.08	4.57	3.00	3.30	3.36
DYield	12.0%	17.8%	11.7%	12.8%	13.1%
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
<b>Revenue</b>	<b>75.4</b>	<b>109.2</b>	<b>99.7</b>	<b>103.7</b>	<b>107.7</b>
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
<b>Operating expenses</b>	<b>-60.1</b>	<b>-69.2</b>	<b>-76.5</b>	<b>-77.6</b>	<b>-80.3</b>
Other	0.9	0.3	1.0	1.0	1.1
<b>Pre-tax income</b>	<b>16.2</b>	<b>40.3</b>	<b>24.2</b>	<b>27.1</b>	<b>28.5</b>
Tax	-3.2	-7.8	-4.6	-5.1	-5.4
<b>Net income</b>	<b>13.0</b>	<b>32.5</b>	<b>19.5</b>	<b>21.9</b>	<b>23.1</b>
Retail AUM	2,906	3,919	4,414	4,845	5,383
Dedicated AUM	12,681	14,623	2,375	2,494	2,618
<b>Total AUM</b>	<b>15,587</b>	<b>18,542</b>	<b>6,789</b>	<b>7,339</b>	<b>8,002</b>

### 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
<b>Total assets</b>	<b>97.9</b>	<b>97.9</b>	<b>97.9</b>	<b>97.9</b>	<b>97.9</b>
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
<b>Equity</b>	<b>89.3</b>	<b>100.8</b>	<b>89.2</b>	<b>90.8</b>	<b>91.4</b>

### 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%
<b>Fair Value as of Jul. 2017</b>	<b>216</b>	<b>100%</b>
PV Adjustment	17	
<b>Fair Value</b>	<b>233</b>	
Dilution (stock options)	-9	
<b>Fair Value</b>	<b>224</b>	
Outst. Shares (millions)	6.8	
<b>Fair Value Per Share (PLN)</b>	<b>32.84</b>	
<b>9M Target Price (PLN)</b>	<b>35.55</b>	

### Economic Profits Model

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

### 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
<b>Cost of equity (9M)</b>		<b>8.3%</b>
<b>9M Target Price (PLN)</b>		<b>36.86</b>

## Chemicals

### Ciech

buy (no change)

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Chemical plant closures in China as part of 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 recently confirmed that it expects prices of its core product, soda ash, to rise in 2019 in line with increasing production costs, with upward adjustments supported by an expected increase in demand from the domestic glass industry after an over-5% rise in capacity. At the current price level, Ciech is trading at a 30% discount to its historical P/E and EV/EBITDA averages for the last three years, and it shows discounts to peers ranging from 27% to 55%. We maintain a buy rating for CIE.

**Current Price**

47.40 PLN

Upside

**9M Target Price**

82.52 PLN

+74.1%

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

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-14.8%	-13.2%
ISIN	PLCIECH000018	YTD Price Chng	-5.2%	+2.3%
Outst. Stock (m)	52.7	ADTV 1M		PLN 6.0m
MC (PLN m)	2,498.0	ADTV 6M		PLN 5.4m
EV (PLN m)	3,799.8	EV/EBITDA 12M fwd	5.5	-12.1%
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.	4.3	6.7	7.4	7.0	6.2
P/B	1.4	1.1	1.1	1.1	1.0
EV/EBITDA adj.	4.1	4.2	5.1	4.7	4.3
DPS	2.85	0.00	7.50	3.52	4.41
DYield	6.0%	0.0%	15.8%	7.4%	9.3%
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
<b>Operating cash flow</b>	<b>837</b>	<b>629</b>	<b>651</b>	<b>693</b>	<b>745</b>
D&A	223	244	274	291	301
Working capital	97	-66	-3	-1	-3
<b>Investing cash flow</b>	<b>-446</b>	<b>-389</b>	<b>-650</b>	<b>-414</b>	<b>-377</b>
CAPEX	458	402	650	414	377
<b>Financing cash flow</b>	<b>-180</b>	<b>-164</b>	<b>-440</b>	<b>-232</b>	<b>-278</b>
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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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%
<b>9M Target Price</b>		<b>82.52</b>

## Grupa Azoty hold (no change)

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Like all fertilizer producers in Europe, Grupa Azoty incurs higher costs this year due to increasing prices of natural gas fuel 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 Q3, albeit at a slower pace than registered in Q2. At the current level, which prices weak 2018 H1 earnings and the acquisition of the German specialty fertilizer producer Compo Expert, ATT is trading at 10-25% discounts to its historical P/E and EV/EBITDA ratios, which means it might want to catch up with the historical valuations in the coming weeks. Nevertheless we maintain a hold rating for the stock over a 9-month investing horizon.

Current Price

31.60 PLN

Upside

9M Target Price

41.13 PLN

+30.2%

	rating	target price	issued
unchanged	hold	41.13 PLN	2018-09-03

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-24.1%	-22.5%
ISIN	PLZATRM00012	YTD Price Chng	-53.8%	-46.3%
Outst. Stock (m)	99.2	ADTV 1M		PLN 4.4m
MC (PLN m)	3,134.6	ADTV 6M		PLN 2.8m
EV (PLN m)	4,801.1	EV/EBITDA 12M fwd	4.3	-35.5%
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.	8.1	5.7	12.6	12.6	11.8
P/B	0.5	0.5	0.5	0.4	0.4
EV/EBITDA adj.	3.9	3.2	5.0	5.2	5.7
DPS	0.84	0.79	1.20	0.68	0.75
DYield	2.7%	2.5%	3.8%	2.1%	2.4%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Urea price (PLN/t)			0.0%	0.0%	0.0%
Ammonium Nitrate price (PLN/t)			0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%
Melamine (PLN/t)			0.0%	0.0%	0.0%
Polyamide 6 (PLN/t)			0.0%	0.0%	0.0%
Propylene (PLN/t)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Fertilizers	600	484	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
<b>Operating cash flow</b>	<b>1,136</b>	<b>1,107</b>	<b>889</b>	<b>1,002</b>	<b>1,048</b>
D&A	511	590	617	684	695
Working capital	137	13	-4	-7	-6
<b>Investing cash flow</b>	<b>-1,303</b>	<b>-709</b>	<b>-1,220</b>	<b>-1,483</b>	<b>-1,765</b>
CAPEX	1,236	1,063	1,420	1,537	1,765
<b>Financing cash flow</b>	<b>76</b>	<b>39</b>	<b>-169</b>	<b>-77</b>	<b>714</b>
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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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%
<b>9M Target Price</b>		<b>41.13</b>

## Oil & Gas

### Lotos

**sell (no change)**

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The refining sector is firmly on a downward trajectory interspersed with short-lived periods of cracking spread expansion like the one seen in August. Lotos is trading at 2019E EV/ LIFO EBITDA ratio upwards of 7.0x, indicating high hopes as to next year's earnings. The current valuation of the Company's refining assets is slowly converging toward the estimated costs of similarly-sized greenfield projects, with no allowances made for delays in the EFRA capacity-building project, or the potential squeeze on profit margins earned on retail fuel sales after next year's entry into force of the new emissions tax, which Lotos, side by side its local state rival PKN Orlen, have promised to shoulder in full so as not to burden the Polish consumers. What is more, Lotos's expensive multiples continue to ignore the fact that nearly 40% of its EBITDA comes from upstream operations, mainly the high-taxed production in Norway which wipes out any benefits of captive natural gas production at bottom-line level. Finally, the risk that the planned merger with PKN Orlen will be questioned by the European Commission is still very much real. We maintain a sell rating for LTS.

**Current Price**

75.08 PLN

**Downside**

**9M Target Price**

57.21 PLN

**-23.8%**

	rating	target price	issued
unchanged	sell	57.21 PLN	2018-09-03

Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+16.9%	+18.6%
ISIN	PLLOTOS00025	YTD Price Chng	+32.4%	+39.9%
Outst. Stock (m)	184.9	ADTV 1M		PLN 31.0m
MC (PLN m)	13,880.3	ADTV 6M		PLN 18.3m
EV (PLN m)	17,378.1	EV/EBITDA 12M fwd	5.6	-5.7%
Free Float	46.8%	EV/EBITDA 5Y avg	6.0	discount

#### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	20,931	24,186	29,198	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	13.7	8.3	10.5	14.8	13.0
P/B	1.6	1.3	1.2	1.1	1.1
EV/EBITDA	6.4	5.3	5.7	7.0	5.7
DPS	0.00	1.00	1.00	2.15	1.52
DYield	0.0%	1.3%	1.3%	2.9%	2.0%
Projection Update (% change)			2018P	2019P	2020P
LIFO EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

#### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
<b>LIFO EBITDA (adj.)</b>	<b>2,596</b>	<b>3,050</b>	<b>2,640</b>	<b>2,573</b>	<b>3,120</b>
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
<b>EV/ LIFO EBITDA (adj.)</b>	<b>6.8</b>	<b>5.1</b>	<b>6.2</b>	<b>6.8</b>	<b>5.5</b>
LIFO effect	-77	171	514	44	23
Other one-offs	404	-148	-86	-2	-2
<b>Financing activity</b>	<b>-275</b>	<b>219</b>	<b>-238</b>	<b>-195</b>	<b>-295</b>
<b>Crude thrghpt (mmt)</b>	<b>10.4</b>	<b>9.6</b>	<b>10.4</b>	<b>10.4</b>	<b>10.2</b>
\$ 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
<b>US output (mboepd)</b>	<b>26.7</b>	<b>23.3</b>	<b>21.4</b>	<b>20.5</b>	<b>24.4</b>
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
<b>Operating cash flow</b>	<b>2,654</b>	<b>3,127</b>	<b>882</b>	<b>1,475</b>	<b>2,327</b>
OCF/EBITDA LIFO adj.	102%	103%	33%	57%	75%
<b>CAPEX</b>	<b>1,244</b>	<b>1,439</b>	<b>1,202</b>	<b>1,879</b>	<b>1,328</b>
Working capital	3,867	4,035	5,570	6,142	6,224
Equity	8,611	10,712	11,600	12,194	12,912
<b>Net debt</b>	<b>4,808</b>	<b>2,505</b>	<b>3,498</b>	<b>4,439</b>	<b>4,084</b>
Net debt/EBITDA (x)	1.6	0.8	1.1	1.7	1.3

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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%
<b>9M Target Price</b>		<b>57.21</b>



## MOL buy (no change)

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MOL's stock price did not see much movement in September even though prices of oil and gas in the period kept hitting new highs. The Hungarian oil firm's positive exposure to robust market conditions is ostensibly much larger than that of its Polish rival PKN Orlen, owing to in-house E&P capabilities which can largely offset the negative effects of rising energy prices on the downstream and petchem business, yet the discount at which MOL trades to PKN continues to widen and is currently greater than 40%. This despite a lack of the same political or corporate risk that is faced by PKN, so far completely ignored by the market. 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, 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. We maintain a buy rating for MOL.

### Current Price

3,000 HUF

Upside

### 9M Target Price

3,296 HUF

+9.9%

	rating	target price	issued
unchanged	buy	3,296 HUF	2018-09-03

Key Metrics			MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	+11.4%	+13.1%
ISIN	HU0000153937	YTD Price Chng	+2.7%	+10.2%
Outst. Stock (m)	738.1	ADTV 1M	HUF 2,261.6m	
MC (HUF m)	2,214,385.4	ADTV 6M	HUF 1,821.1m	
EV (HUF m)	2,806,334.9	EV/EBITDA 12M fwd	4.1	-5.4%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3	discount

### 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	8.4	7.2	8.5	10.5	9.9
P/B	1.5	1.3	1.2	1.1	1.0
EV/EBITDA	5.0	4.4	3.8	4.3	4.1
DPS	70.88	78.13	127.50	111.76	117.35
DYield	2.4%	2.6%	4.3%	3.7%	3.9%
Projection Update (% change)			2018P	2019P	2020P
CCS EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

### Financial Highlights

(HUF bn)	2016	2017	2018P	2019P	2020P
<b>LIFO EBITDA (adj.)</b>	<b>605</b>	<b>673</b>	<b>694</b>	<b>656</b>	<b>679</b>
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
<b>EV/LIFO EBITDA (adj.)</b>	<b>4.8</b>	<b>4.1</b>	<b>3.7</b>	<b>4.0</b>	<b>3.8</b>
LIFO effect	25	7	36	10	0
Other one-offs	-7	-7	0	0	0
<b>Financing activity</b>	<b>-35</b>	<b>11</b>	<b>-21</b>	<b>-7</b>	<b>-7</b>
\$ 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
<b>Ref. thrghpt, mmt</b>	<b>19.2</b>	<b>19.3</b>	<b>19.3</b>	<b>19.3</b>	<b>19.3</b>
<b>Upstr output, mboepd</b>	<b>112.6</b>	<b>107.4</b>	<b>110.1</b>	<b>108.8</b>	<b>102.9</b>

### Key Balance Sheet Figures

(HUF bn)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>519</b>	<b>560</b>	<b>630</b>	<b>561</b>	<b>624</b>
OCF/EBITDA LIFO adj.	86%	83%	91%	86%	92%
<b>CAPEX</b>	<b>289</b>	<b>286</b>	<b>320</b>	<b>490</b>	<b>444</b>
Working capital	156	248	272	313	314
Equity	1,492	1,741	1,888	1,998	2,117
<b>Net debt</b>	<b>606</b>	<b>435</b>	<b>258</b>	<b>295</b>	<b>226</b>
Net debt/EBITDA (x)	1.0	0.6	0.4	0.4	0.3

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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%
<b>9M Target Price</b>		<b>3,296</b>

## PGNiG buy (no change)

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PGN stock rebounded in September, but it still shows substantial upside potential in our view, stemming from strong market fundamentals (represented by rising prices of hydrocarbons, a favorable relationship between oil and natgas prices, and record-high prices of emission allowances which boost demand for natural gas fuel), favorable regulation, and an expected arbitration win against Gazprom. Further, we want to emphasize that the slump in PGNiG's trading profits this year is due to negative effects of 'natural hedging,' poised to disappear in future periods. This is not reflected in the current earnings expectations of analysts, which to us look 10-15% underestimated, and even at these levels PGN continues to be valued far below its historical EV/EBITDA ratios. Meanwhile PGNiG has plans for M&A deals which should mitigate fears over its involvement in state-led loss-making energy projects, and on top of that in September the Company announced plans to change its Articles to allow for payment of interim dividends. Based on our FCF forecasts, assuming no dividends in the next two years, by the end of 2020 PGNiG would have enough cash on hand to buy out all of its free-float shareholders.

**Current Price**

6.47 PLN

**Upside**

**9M Target Price**

7.86 PLN

**+21.5%**

	rating	target price	issued
unchanged	buy	7.86 PLN	2018-09-03

Key Metrics			PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	+17.2%	+18.9%
ISIN	PLPGNIG00014	YTD Price Chng	+5.4%	+12.9%
Outst. Stock (m)	5,778.3	ADTV 1M		PLN 30.6m
MC (PLN m)	37,385.7	ADTV 6M		PLN 21.3m
EV (PLN m)	35,689.1	EV/EBITDA 12M fwd	4.6	-9.8%
Free Float	28.1%	EV/EBITDA 5Y avg	5.1	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	15.9	12.8	9.0	7.6	7.7
P/B	1.2	1.1	1.0	0.9	0.8
EV/EBITDA	6.3	5.7	4.2	3.5	3.2
DPS	0.18	0.20	0.00	0.21	0.26
DYield	2.8%	3.1%	0.0%	3.3%	4.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
<b>EBITDA (adj.)</b>	<b>6,862</b>	<b>7,356</b>	<b>8,436</b>	<b>9,374</b>	<b>9,658</b>
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
<b>Financing activity</b>	<b>-150</b>	<b>12</b>	<b>-41</b>	<b>5</b>	<b>58</b>
<b>Crude output, mmt</b>	<b>1.35</b>	<b>1.27</b>	<b>1.34</b>	<b>1.23</b>	<b>1.22</b>
domestic	0.75	0.79	0.82	0.78	0.78
international	0.59	0.48	0.52	0.45	0.44
<b>NatGas output, bn m3</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>
domestic	3.9	3.8	3.8	3.8	3.8
international	0.6	0.7	0.7	0.8	0.8
<b>Trade mrgn, PLN/MWh</b>	<b>0.4</b>	<b>-2.4</b>	<b>-2.4</b>	<b>2.3</b>	<b>3.1</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>5,922</b>	<b>4,816</b>	<b>6,460</b>	<b>7,568</b>	<b>7,604</b>
OCF/EBITDA	99%	73%	77%	81%	79%
<b>CAPEX</b>	<b>2,968</b>	<b>3,162</b>	<b>4,283</b>	<b>3,797</b>	<b>3,829</b>
Working capital	3,619	5,280	6,220	6,770	6,711
Equity	32,013	33,626	37,764	41,465	44,837
<b>Net debt</b>	<b>523</b>	<b>428</b>	<b>-1,698</b>	<b>-4,227</b>	<b>-6,572</b>
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%
<b>9M Target Price</b>		<b>7.86</b>

## PKN Orlen sell (no change)

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Sentiment for PKN remains robust despite the dramatic deterioration in market conditions, with an over-25% upturn registered over July-August after a temporary rebound in refining margins. Cracking spreads have sunk much lower since, accompanied by a squeeze on petrochemical margins due to higher costs which cannot be passed onto end customers amid increasing supply. When it comes to the retail business, prices at PKN Orlen's pumps at the moment are still high enough to guarantee record margins, however this will change next year if we are to believe PKN's promise to the Polish public that it will shoulder the full costs of new emissions tax entering into force in January. The planned tie-up with Lotos is still very much at risk of being blocked by the EU, and to boot it is looking increasingly expensive with Lotos's market cap bolstered by over PLN 3bn since the merger was announced (this means that in the most likely scenario of 100% takeover PKN shareholders so far have lost 7 zlotys on each share held). Finally, PKN is planning to release an updated strategy plan which is not likely to wow investors if it involves capital expenditure on petrochemical and refinery upgrades while the margins on both types of products are seen to tighten. We maintain a sell rating for PKN.

### Current Price

101.00 PLN

Downside

### 9M Target Price

81.38 PLN

-19.4%

	rating	target price	issued
unchanged	sell	81.38 PLN	2018-09-03

Key Metrics		PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	+9.0% +10.7%
ISIN	PLPKN0000018	YTD Price Chng	-1.9% +5.5%
Outst. Stock (m)	427.7	ADTV 1M	PLN 127.8m
MC (PLN m)	43,198.6	ADTV 6M	PLN 73.1m
EV (PLN m)	50,569.8	EV/EBITDA 12M fwd	5.5 -5.0%
Free Float	67.6%	EV/EBITDA 5Y avg	5.7 discount

### Earnings Projections

### 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	8.2	6.5	9.0	15.0	13.4
P/B	1.6	1.3	1.2	1.2	1.1
EV/EBITDA	5.1	4.2	5.6	7.9	6.9
DPS	2.13	3.00	3.00	3.92	2.36
DYield	2.1%	3.0%	3.0%	3.9%	2.3%
Projection Update (% change)			2018P	2019P	2020P
LIFO EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
<b>LIFO EBITDA (adj.)</b>	<b>7,668</b>	<b>9,581</b>	<b>7,571</b>	<b>6,505</b>	<b>7,399</b>
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
<b>EV/LIFO EBITDA (adj.)</b>	<b>6.3</b>	<b>4.8</b>	<b>6.6</b>	<b>7.9</b>	<b>6.9</b>
LIFO effect	86	788	1,109	96	49
Other one-offs	1,888	709	287	0	0
<b>Financing activity</b>	<b>-645</b>	<b>60</b>	<b>-396</b>	<b>-170</b>	<b>-372</b>
\$ LIFO EBITDA/bbl, DS	5.3	4.9	3.6	2.4	3.1
PLN EBITDA/tonne, Retail	224	232	252	226	229
<b>Refinery thrghpt (mmt)</b>	<b>29.6</b>	<b>34.8</b>	<b>30.9</b>	<b>30.9</b>	<b>31.2</b>
<b>Petchem output (kt)</b>	<b>3,071</b>	<b>3,551</b>	<b>3,616</b>	<b>3,781</b>	<b>3,781</b>

### Key Balance Sheet Figures

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

### 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%
<b>9M Target Price</b>		<b>81.38</b>

## Power Utilities

### CEZ

sell (no change)

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Prices on the EEX power exchange have crossed the psychological EUR 50/MWh mark multiple times over the past month, fueled by coal and emissions, resulting in widening profit benchmarks for coal-fired power plants. Unfortunately this is having no lifting effect on CEZ, which so far seems unable to recapture the strong historical correlation with energy prices. 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, which means that the current market shifts cannot be expected to impact positively on profits until 2021. With that said, the EBITDA boost three years out is set to be unassailable at an estimated CZK 10bn. If the current trends in EUA 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**

567.50 CZK

Downside

**9M Target Price**

440.96 CZK

-22.3%

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

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	-1.1%	+0.5%
ISIN	CZ0005112300	YTD Price Chng	+22.4%	+29.9%
Outst. Stock (m)	538.0	ADTV 1M		CZK 224.9m
MC (CZK bn)	305.3	ADTV 6M		CZK 166.6m
EV (CZK bn)	455.2	EV/EBITDA 12M fwd	8.3	+17.6%
Free Float	30.2%	EV/EBITDA 5Y avg	7.1	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	21.4	16.3	21.4	19.9	17.7
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	7.2	7.8	8.5	8.4	7.8
DPS	40.00	33.00	33.00	26.49	28.48
DYield	7.0%	5.8%	5.8%	4.7%	5.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (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
<b>EBITDA (adj.)</b>	<b>58,596</b>	<b>52,196</b>	<b>52,548</b>	<b>55,139</b>	<b>58,313</b>
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
<b>Financing activity</b>	<b>-6,786</b>	<b>-2,867</b>	<b>-6,083</b>	<b>-6,488</b>	<b>-7,567</b>
<b>Power output, TWh</b>	<b>61.1</b>	<b>62.9</b>	<b>67.0</b>	<b>67.6</b>	<b>67.7</b>
Renewables	4.5	4.7	4.9	4.9	5.0
<b>Trade volume, TWh</b>	<b>37.5</b>	<b>37.0</b>	<b>37.3</b>	<b>37.6</b>	<b>37.9</b>
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
<b>RAV (CZK bn)</b>	<b>110.5</b>	<b>114.0</b>	<b>117.2</b>	<b>123.0</b>	<b>128.9</b>
RAV return (EBIT)	13.0%	10.4%	10.4%	10.2%	10.1%

#### DCF Analysis

(CZK m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (EUR/MWh)	41.2	42.3	38.6	39.2	39.6	40.1	40.6	41.1	41.6	42.2	42.2
EUR/CZK	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5
CO2 (EUR/t)	14.0	14.6	15.2	15.8	16.4	17.1	17.8	18.5	19.2	20.0	20.0
Revenue	205,271	214,120	228,091	226,124	230,509	232,873	235,268	237,730	240,262	242,867	242,867
EBITDA	56,227	58,910	62,178	60,166	61,028	61,589	62,204	62,801	63,375	63,921	63,921
EBITDA margin	27.4%	27.5%	27.3%	26.6%	26.5%	26.4%	26.4%	26.4%	26.4%	26.3%	26.3%
EBIT	23,859	25,601	29,030	26,205	27,483	27,457	27,939	28,214	28,299	28,227	31,262
Tax	4,533	4,864	5,516	4,978	5,220	5,214	5,304	5,356	5,371	5,356	5,940
CAPEX	-34,963	-34,663	-34,463	-33,300	-33,262	-33,215	-33,134	-33,016	-32,858	-32,659	-32,659
Working capital	68	-1,038	-1,638	231	-514	-277	-281	-289	-297	-305	-305
FCF	16,799	18,345	20,561	22,118	22,032	22,883	23,485	24,141	24,849	25,601	25,017
PV FCF	16,258	16,787	17,790	18,100	17,051	16,747	16,251	15,794	15,368	14,964	0
WACC	5.8%	5.8%	5.7%	5.7%	5.7%	5.7%	5.8%	5.8%	5.8%	5.8%	6.8%
Risk-free rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

#### Key Balance Sheet Figures

(CZK m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>48,953</b>	<b>45,812</b>	<b>50,596</b>	<b>51,919</b>	<b>54,136</b>
OCF/EBITDA	84%	83%	96%	94%	93%
<b>CAPEX</b>	<b>35,553</b>	<b>30,688</b>	<b>34,963</b>	<b>34,663</b>	<b>34,463</b>
Working capital	40,832	24,140	24,072	25,110	26,748
Equity	256,812	250,018	246,515	247,588	249,471
<b>Net debt</b>	<b>140,886</b>	<b>139,546</b>	<b>145,575</b>	<b>146,895</b>	<b>147,964</b>
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%
<b>9M Target Price</b>		<b>440.96</b>

## Enea buy (no change)

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Enea looks set to deliver better profits from generation in H2 2018 thanks to improving operating rates of coal-based units and higher profits on renewable energy. Our expectations as to 2019 EBITDA as well are 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 50/MWh ytd, this implies PLN 0.3bn 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). The main near-term risk affecting the Polish power sector at the moment is the public vow by the Energy Ministry to keep household energy bills from rising despite the rapidly-rising costs to utilities. Keep in mind that Enea, alongside PGE, is the biggest beneficiary of the rising energy prices as a vertically-integrated power generator, and that even if a household tariff freeze causes it to incur losses on trading activity the Company can be expected to generate PLN 0.6bn in additional sales margin in 2020.

### Current Price

8.00 PLN

Upside

### 9M Target Price

12.62 PLN

+57.8%

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

Key Metrics			ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	-16.5%	-14.8%
ISIN	PLENEA000013	YTD Price Chng	-30.4%	-22.9%
Outst. Stock (m)	441.4	ADTV 1M		PLN 6.0m
MC (PLN m)	3,531.5	ADTV 6M		PLN 4.9m
EV (PLN m)	10,685.8	EV/EBITDA 12M fwd	3.2	-36.1%
Free Float	48.5%	EV/EBITDA 5Y avq	5.0	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	4.5	3.3	3.8	3.0	3.8
P/B	0.3	0.3	0.3	0.2	0.2
EV/EBITDA	3.8	3.7	3.8	3.3	3.7
DPS	0.00	0.28	0.00	0.00	0.00
DYield	0.0%	3.5%	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
<b>EBITDA (adj.)</b>	<b>2,520</b>	<b>2,649</b>	<b>2,845</b>	<b>3,290</b>	<b>2,984</b>
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
<b>Financing activity</b>	<b>-51</b>	<b>-21</b>	<b>-184</b>	<b>-211</b>	<b>-248</b>
<b>Power output, TWh</b>	<b>13.6</b>	<b>21.8</b>	<b>24.6</b>	<b>28.2</b>	<b>28.2</b>
Renewables	0.5	2.3	2.0	2.0	2.0
<b>Trade volume, TWh</b>	<b>16.7</b>	<b>17.9</b>	<b>18.2</b>	<b>18.6</b>	<b>18.9</b>
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
<b>RAV (PLN bn)</b>	<b>7.3</b>	<b>7.5</b>	<b>8.0</b>	<b>8.3</b>	<b>8.7</b>
RAV return (EBIT)	8.7%	7.7%	7.7%	7.4%	7.6%

### Key Balance Sheet Figures

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

### Relative Valuation Summary

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

### DCF Analysis

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

### DCF Summary

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

### Valuation Summary

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



## Energa buy (no change)

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Energa, with its short generation position, has the most to lose of all state utilities if the government blocks upward adjustments to household energy prices. A tariff freeze will obviously lead us to revisit our outlook for the Company if and when it is confirmed and made official, but as things stand now the feeling is that the vow to consumers that their bills will not go up was a publicity stunt meant to boost the government's poll numbers. A permanent cap on residential tariffs would also go against the expectations of the European Commission that Poland will eventually deregulate the retail electricity market. With all that in mind, we nevertheless made a stab at quantifying the impact of the current market conditions on Energa's profits through 2020, including the potential losses from trading, and our conclusion is that in the worst-case scenario the dent in the target sales margin could exceed PLN 0.4bn, a big enough setback to warrant a shift from a bullish to a bearish stance for ENG.

<b>Current Price</b>	7.82 PLN	<b>Upside</b>
<b>9M Target Price</b>	15.27 PLN	<b>+95.3%</b>

	rating	target price	issued
unchanged	buy	15.27 PLN	2018-09-03

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-12.6%	-11.0%
ISIN	PLENERG00022	YTD Price Chng	-38.6%	-31.1%
Outst. Stock (m)	414.1	ADTV 1M		PLN 5.9m
MC (PLN m)	3,238.0	ADTV 6M		PLN 5.7m
EV (PLN m)	7,149.1	EV/EBITDA 12M fwd	3.6	-26.8%
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	21.4	4.2	3.9	4.0	4.3
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	3.9	3.4	3.3	3.1	3.4
DPS	0.49	0.19	0.00	0.00	0.00
DYield	6.3%	2.4%	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
<b>EBITDA (adj.)</b>	<b>2,040</b>	<b>2,091</b>	<b>2,167</b>	<b>2,312</b>	<b>2,274</b>
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
<b>Financing activity</b>	<b>-282</b>	<b>-208</b>	<b>-224</b>	<b>-227</b>	<b>-265</b>
<b>Power output, TWh</b>	<b>3.9</b>	<b>4.3</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
Renewables	0.5	0.7	0.6	0.6	0.6
<b>Trade volume, TWh</b>	<b>19.6</b>	<b>20.4</b>	<b>20.7</b>	<b>21.0</b>	<b>21.3</b>
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
<b>RAV (PLN bn)</b>	<b>11.5</b>	<b>11.7</b>	<b>12.2</b>	<b>12.6</b>	<b>12.9</b>
RAV return (EBIT)	8.5%	8.2%	8.2%	7.3%	7.3%

### Key Balance Sheet Figures

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

### Relative Valuation Summary

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

### DCF 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	
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%
<b>9M Target Price</b>		<b>15.27</b>



## PGE buy (no change)

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PGE's stock price has come off all-time lows, but it is still nowhere near where it should be given the dramatic improvement in underlying market conditions which has sent domestic power prices to levels that promise record profits from coal-based power generation in the next two years. The factor that turned the already-sour sentiment even more sour in September was the Energy Ministry's vow to keep household tariffs frozen. Obviously this has implications for future trading profits, but any negative effects of a potential ban on residential tariff hikes in case of PGE will be more than offset by the soaring prices of electricity, coal, and emission allowances. Based on current 2020 POLPX contracts, the potential boost to the profits for the year from renewable energy, lignite-fired power, and volumes produced by new generators will exceed the tentative trading losses by as much as PLN 2bn. This not taking into account the capacity payments expected to be allocated during the upcoming auctions. Note that PGE is coming close to completing the huge investment push started in 2014, budgeted at over PLN 25 billion over the six-year period through 2019. From 2020 on, capital expenditures in the next five years are expected to drop to PLN 4 billion on average per year from the PLN 7 billion spent in the last four years, with obvious positive effects on free cash flow. According to our forecasts, PGE's FCF/EV ratio in 2019-2022 will average 11%, enough for the Company to resume dividend payments given a low current net debt/EBITDA ratio of 1.0x. At the moment, there are indications that analysts are preparing to revise higher their current EBITDA expectations for PGE. We maintain a buy rating for PGE.

### Current Price

9.52 PLN

Upside

### 9M Target Price

13.60 PLN

+42.9%

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

Key Metrics	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng -3.2% -1.5%
ISIN	PLPGER000010	YTD Price Chng -21.0% -13.5%
Outst. Stock (m)	1,869.8	ADTV 1M PLN 22.1m
MC (PLN m)	17,800.3	ADTV 6M PLN 17.5m
EV (PLN m)	27,101.3	EV/EBITDA 12M fwd 3.6 -26.2%
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	6.9	6.7	5.8	5.7	6.3
P/B	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	3.1	3.5	3.6	3.4	3.2
DPS	0.25	0.00	0.00	0.00	0.42
DYield	2.6%	0.0%	0.0%	0.0%	4.4%
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	19P	20P	18P	19P	20P
Minimum	2.7	3.3	3.1	3.4	3.3	3.4
Maximum	20.8	19.3	17.2	9.1	9.1	9.0
Median	13.9	13.0	12.2	7.2	7.2	6.6
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	168.5	203.8	194.1	179.0	180.1	181.2	182.4	183.7	185.1	186.5	186.5
Coal (PLN/t)	230.0	233.9	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4	214.4
CO2 (EUR/t)	14.0	14.6	15.2	15.8	16.4	17.1	17.8	18.5	19.2	20.0	20.0
Revenue	26,025	31,767	32,648	30,596	30,974	31,348	31,744	32,162	32,598	33,056	33,056
EBITDA	7,509	7,919	7,873	7,980	7,882	7,737	7,588	7,444	7,372	7,305	7,305
EBITDA margin	28.9%	24.9%	24.1%	26.1%	25.4%	24.7%	23.9%	23.1%	22.6%	22.1%	22.1%
EBIT	4,132	4,322	3,996	4,071	3,933	3,702	3,439	3,158	2,928	2,884	3,124
Tax	785	821	759	774	747	703	653	600	556	548	594
CAPEX	-7,446	-5,844	-4,251	-4,091	-4,038	-3,941	-3,997	-4,056	-4,117	-4,180	-4,180
Working capital	364	-667	-102	238	-44	-43	-46	-49	-51	-53	-53
FCF	-358	587	2,761	3,354	3,053	3,049	2,891	2,739	2,648	2,523	2,478
PV FCF	-342	518	2,250	2,516	2,111	1,944	1,700	1,485	1,323	1,162	
WACC	8.1%	8.2%	8.4%	8.6%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

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

### Valuation Summary

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

## Tauron buy (no change)

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Tauron, with its short generation position, faces substantial losses if the government acts on its promise to block upward adjustments to household energy prices. A tariff freeze will obviously lead us to revisit our outlook for the Company if and when it is confirmed and made official, but as things stand now the feeling is that the alleged ban is a publicity stunt meant to boost the government's poll numbers. With all this in mind, we nevertheless made a stab at quantifying the impact of the current market conditions on Tauron's profits through 2020, including the potential losses from trading, and our conclusion is that in the worst-case scenario the dent in the target sales margin could come close to PLN 0.2bn. In a more optimistic scenario where utilities are allowed to lift residential prices gradually over a multi-year period, in our calculations Tauron remains a growth stock with upside potential from 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 upcoming capacity payments, an ending period of increased capital investment, and opportunities to restructure the generation mix.

**Current Price**

1.77 PLN

Upside

**9M Target Price**

2.77 PLN

+56.5%

	rating	target price	issued
unchanged	buy	2.77 PLN	2018-09-03

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-21.3%	-19.7%
ISIN	PLTAURN00011	YTD Price Chng	-42.0%	-34.5%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 14.1m
MC (PLN m)	3,102.0	ADTV 6M		PLN 15.4m
EV (PLN m)	13,415.2	EV/EBITDA 12M fwd	3.9	-19.8%
Free Float	59.6%	EV/EBITDA 5Y avg	4.8	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	8.4	2.2	3.4	2.8	2.9
P/B	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	3.5	3.4	3.7	4.1	3.8
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 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
<b>EBITDA (adj.)</b>	<b>3,374</b>	<b>3,508</b>	<b>3,392</b>	<b>3,557</b>	<b>3,740</b>
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
<b>Financing activity</b>	<b>-293</b>	<b>-49</b>	<b>-334</b>	<b>-334</b>	<b>-368</b>
<b>Power output, TWh</b>	<b>16.8</b>	<b>18.4</b>	<b>15.2</b>	<b>16.2</b>	<b>19.2</b>
Renewables	1.3	1.3	1.2	1.2	1.2
<b>Trade volume, TWh</b>	<b>32.0</b>	<b>34.9</b>	<b>35.5</b>	<b>36.0</b>	<b>36.5</b>
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
<b>RAV (PLN bn)</b>	<b>15.4</b>	<b>16.3</b>	<b>16.9</b>	<b>17.5</b>	<b>17.8</b>
RAV return (EBIT)	8.9%	7.4%	8.1%	7.9%	8.1%

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>3,064</b>	<b>3,559</b>	<b>3,356</b>	<b>3,210</b>	<b>3,444</b>
OCF/EBITDA	92%	100%	93%	90%	92%
<b>CAPEX</b>	<b>3,647</b>	<b>3,562</b>	<b>4,360</b>	<b>3,976</b>	<b>2,622</b>
Working capital	517	489	504	554	557
Equity	16,649	18,036	18,960	20,055	21,137
<b>Net debt</b>	<b>8,595</b>	<b>8,944</b>	<b>10,284</b>	<b>11,383</b>	<b>10,928</b>
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%
<b>9M Target Price</b>		<b>2.77</b>

## TMT

## Netia

## hold (upgraded)

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Netia's stock tumbled nearly 9% in September, bringing its year-to-date decline to almost 16%, and at the current level downside risk has been removed, prompting an upgrade from reduce to hold. Netia's owner Cyfrowy Polsat repurchased the 58.7 million shares previously acquired in May 2018 by its joint tender offer partner Karswell Limited at the original tender offer price of PLN 5.77 per share, and whether or not it will make a bid to buy the remaining 34% of Netia's shares from minority shareholders at the same price remains to be seen. We expect Netia to generate negative FCFE in 2018-2020. In addition, Cyfrowy may want to speed up upgrades to its fixed-line unit's network infrastructure to keep up with key mobile rivals who already secured access to fiber. We would advise taking a fundamentals-based approach to investment in NET.

## Current Price

4.50 PLN

Downside

## 9M Target Price

4.30 PLN

-4.4%

	rating	target price	issued	
new	hold	4.30 PLN	2018-10-01	
old	reduce	4.30 PLN	2018-06-06	
Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-9.1%	-7.4%
ISIN	PLNETIA00014	YTD Price Chng	-16.4%	-8.9%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.3m
MC (PLN m)	1,516.7	ADTV 6M		PLN 0.5m
EV (PLN m)	1,904.0	EV/EBITDA 12M fwd	5.2	+9.0%
Free Float	100.0%	EV/EBITDA 5Y avq	4.8	premium

## Earnings Projections

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,522	1,442	1,393	1,371	1,367
EBITDA	426	384	355	346	353
EBITDA margin	28.0%	26.6%	25.5%	25.2%	25.8%
EBIT	25	72	60	57	67
Net income	33	36	37	31	35
P/E	46.6	42.7	40.9	49.4	43.2
P/B	0.8	0.9	0.8	0.8	0.8
EV/EBITDA	4.0	4.7	5.4	5.7	5.7
DPS	0.39	0.38	0.00	0.00	0.00
DYield	8.8%	8.4%	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
<b>Revenue</b>	<b>1,522</b>	<b>1,442</b>	<b>1,393</b>	<b>1,371</b>	<b>1,367</b>
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
<b>EBIT</b>	<b>25</b>	<b>72</b>	<b>60</b>	<b>57</b>	<b>67</b>
margin	1.7%	5.0%	4.3%	4.2%	4.9%
<b>Net income</b>	<b>32.6</b>	<b>35.5</b>	<b>37.0</b>	<b>30.7</b>	<b>35.1</b>

## Key Balance Sheet Figures

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

## Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	52.8	48.0	52.8	9.6	9.6	8.8
Maximum	8.3	7.9	7.5	3.7	3.6	3.4
Median	13.3	12.9	11.3	5.7	5.5	5.3
Weight	13%	23%	15%	13%	23%	15%

## DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,393	1,371	1,367	1,383	1,411	1,445	1,483	1,529	1,581	1,597	1,597
EBITDA	355	346	353	366	374	382	392	406	423	427	427
EBITDA margin	25.5%	25.2%	25.8%	26.5%	26.5%	26.4%	26.4%	26.5%	26.7%	26.7%	26.7%
D&A	295	289	286	288	293	298	304	312	287	290	290
EBIT	60	57	67	78	81	84	87	93	136	137	137
Tax	11	11	13	15	15	16	17	18	26	26	26
<b>NOPLAT</b>	<b>49</b>	<b>46</b>	<b>54</b>	<b>63</b>	<b>66</b>	<b>68</b>	<b>71</b>	<b>76</b>	<b>110</b>	<b>111</b>	<b>111</b>
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
<b>FCF</b>	<b>-71</b>	<b>-47</b>	<b>-41</b>	<b>162</b>	<b>165</b>	<b>168</b>	<b>172</b>	<b>179</b>	<b>175</b>	<b>182</b>	<b>182</b>
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%
<b>9M Target Price</b>		<b>4.30</b>

## Orange Polska buy (no change)

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Shares in Orange Polska plummeted 11% over the past month, underperforming the broad market by more than 2%, and they are down a staggering 20% year to date. There is hope the 2018 Q3 earnings release will bring a rebound, with EBITDA according to IAS 18 expected to come in at PLN 774m, representing a similar level as the EBITDA posted in the comparable year-ago period and a big improvement after a 4.3% decline on an adjusted basis posted in the previous quarter. We expect Orange has managed to stem the earnings downturn as promised with the help of cost-savings measures, in particular payroll cuts, resulting in 1.7% y/y EBITDA contraction in the year to September 2018 compared to a 7.4% drop registered in the same prior-year period. 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. This indicates potential for an EBITDA rebound in 2019.

**Current Price**

4.44 PLN

**Upside**

**9M Target Price**

7.60 PLN

**+71.2%**

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-10.8%	-9.2%
ISIN	PLTLKPL00017	YTD Price Chng	-23.3%	-15.8%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 11.1m
MC (PLN m)	5,825.3	ADTV 6M		PLN 8.5m
EV (PLN m)	12,692.2	EV/EBITDA 12M fwd	4.2	-9.0%
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	-	-	19.5	10.7	7.4
P/B	0.6	0.6	0.6	0.5	0.5
EV/EBITDA	4.0	4.4	4.1	3.7	3.3
DPS	0.25	0.00	0.00	0.00	0.25
DYield	5.6%	0.0%	0.0%	0.0%	5.6%
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
<b>Revenue</b>	<b>11,538</b>	<b>11,381</b>	<b>11,297</b>	<b>11,359</b>	<b>11,530</b>
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
<b>Costs</b>	<b>8,445</b>	<b>8,655</b>	<b>8,337</b>	<b>8,237</b>	<b>8,220</b>
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
<b>EBITDA</b>	<b>3,163</b>	<b>2,807</b>	<b>3,069</b>	<b>3,217</b>	<b>3,390</b>
margin	27.4%	24.7%	27.2%	28.3%	29.4%
<b>Net income</b>	<b>-1,746</b>	<b>-60</b>	<b>299</b>	<b>545</b>	<b>791</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>2,549</b>	<b>2,064</b>	<b>1,896</b>	<b>2,672</b>	<b>2,858</b>
OCF/EBITDA	81%	74%	62%	83%	84%
<b>CAPEX</b>	<b>-5,604</b>	<b>-1,643</b>	<b>-2,222</b>	<b>-2,166</b>	<b>-2,052</b>
Assets	22,588	22,933	22,181	22,667	23,062
Equity	10,007	9,936	10,294	10,838	11,301
<b>Net debt</b>	<b>6,932</b>	<b>6,436</b>	<b>6,865</b>	<b>6,169</b>	<b>5,530</b>
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
<b>NOPLAT</b>	<b>524</b>	<b>746</b>	<b>971</b>	<b>1,100</b>	<b>1,192</b>	<b>1,264</b>	<b>1,307</b>	<b>1,323</b>	<b>1,337</b>	<b>1,362</b>	<b>1,362</b>
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
<b>FCF</b>	<b>9</b>	<b>803</b>	<b>1,068</b>	<b>857</b>	<b>938</b>	<b>1,389</b>	<b>1,371</b>	<b>1,323</b>	<b>1,288</b>	<b>1,263</b>	<b>1,263</b>
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%
<b>9M Target Price</b>		<b>7.60</b>

## Play hold (no change)

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We maintain a hold rating for Play. The string of negative events, including weaker-than-expected second-quarter earnings, 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, seem to be priced in at the current level. PLY is currently trading at 5.4x 2018E EV/EBITDA, a ratio on a par with the median for Western telecoms and 15% 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 14.7%, but on the other hand the Telecom faces 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 declining subscriber additions, a likelihood that the Telecom will need to give up some of its high smartphone margins, and the huge costs if it decides to buy or lease fixed-line access.

### Current Price

20.12 PLN

Upside

### 9M Target Price

22.60 PLN

+12.3%

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

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-6.0%	-4.3%
ISIN	LU1642887738	YTD Price Chng	-35.6%	-28.1%
Outst. Stock (m)	253.7	ADTV 1M		PLN 16.8m
MC (PLN m)	5,104.4	ADTV 6M		PLN 11.6m
EV (PLN m)	11,777.0	EV/EBITDA 12M fwd	5.3	-13.1%
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	7.2	13.2	6.4	7.2	7.1
P/B	3.8	-	-	16.5	7.2
EV/EBITDA	5.3	6.2	5.4	5.4	5.1
DPS	0.00	1.50	2.60	1.30	1.30
DYield	0.0%	7.5%	12.9%	6.5%	6.5%
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
<b>Revenue</b>	<b>6,118</b>	<b>6,670</b>	<b>6,860</b>	<b>6,971</b>	<b>7,107</b>
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
<b>Costs</b>	<b>4,193</b>	<b>4,766</b>	<b>4,695</b>	<b>4,824</b>	<b>4,912</b>
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
<b>EBITDA (adj.)</b>	<b>2,035</b>	<b>2,298</b>	<b>2,159</b>	<b>2,177</b>	<b>2,225</b>
margin	33.3%	34.4%	31.5%	31.2%	31.3%
<b>Net income</b>	<b>712</b>	<b>387</b>	<b>793</b>	<b>706</b>	<b>723</b>

### Key Balance Sheet Figures

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

### 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
<b>NOPLAT</b>	<b>1,121</b>	<b>1,020</b>	<b>1,016</b>	<b>1,044</b>	<b>964</b>	<b>1,031</b>	<b>1,025</b>	<b>1,040</b>	<b>1,073</b>	<b>1,104</b>	<b>1,104</b>
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
<b>FCF</b>	<b>935</b>	<b>801</b>	<b>1,004</b>	<b>8</b>	<b>1,108</b>	<b>641</b>	<b>807</b>	<b>1,092</b>	<b>1,080</b>	<b>1,067</b>	<b>1,067</b>
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%
<b>9M Target Price</b>		<b>22.60</b>





## Agora buy (no change)

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Agora's share price has dropped more than 35% since the beginning of the year, underperforming the WIG broad market index by 28%, led by a sharp drop in cinema revenues in Q2 2018, with sentiment turning even more sour by the recent bankruptcy filing of a major newspaper distributor, and its potential ramifications for Agora's Press business. In our view, the sell-off is disproportionate to the actual risk, and at the current level AGO stock is a wonderful buy opportunity. For one thing, we believe looking at the box office figures for July and August (+5% y/y) that the Helios cinemas came around during the third quarter after the previous quarter's 21% attendance slump. Secondly, we are confident Agora is already planning measures to offset the falling circulation and ad revenues of its newspapers, with an additional incentive provided by the failure of its key press distributor. Other upside catalysts in our view include handsome dividend yields, which Agora keeps in the 5.6% region even as it pushes ahead with capital projects, and an attractive valuation; At 4.6x 2019E EV/EBITDA, AGO is trading at a 40% discount to the peer group. Last but not least, we maintain that the Helios business alone is actually worth about the same as Agora's total market capitalization today. With all this in mind, we maintain a buy rating for Agora.

**Current Price**

9.00 PLN

**Upside**

**9M Target Price**

15.40 PLN

**+71.1%**

	rating	target price	issued
unchanged	buy	15.40 PLN	2018-09-14

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	-13.5%	-11.8%
ISIN	PLAGORA00067	YTD Price Chng	-35.4%	-28.0%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.2m
MC (PLN m)	419.2	ADTV 6M		PLN 0.3m
EV (PLN m)	420.4	EV/EBITDA 12M fwd	4.1	-24.4%
Free Float	76.9%	EV/EBITDA 5Y avg	5.4	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,198	1,165	1,110	1,150	1,199
EBITDA	115	30	77	96	115
EBITDA margin	9.6%	2.6%	6.9%	8.4%	9.6%
EBIT	17	-73	-5	16	35
Net income	-17	-84	9	7	23
P/E	-	-	45.2	56.4	18.0
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	4.0	14.8	5.5	4.6	4.0
DPS	0.75		0.50	0.50	0.50
DYield	8.3%		5.6%	5.6%	5.6%
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	102	90	84
Movie ticket sales (mn)	10.8	12.2	11.7	12.7	13.7
Avg. ticket price (PLN)	18.1	18.4	18.6	18.9	19.2
Conc. rev./patron (PLN)	6.7	6.8	7.0	7.1	7.3
<b>Revenue</b>	<b>1,198</b>	<b>1,165</b>	<b>1,110</b>	<b>1,150</b>	<b>1,199</b>
Press	268	236	202	192	191
Movies & Books	364	416	396	430	464
Outdoor	168	163	166	174	183
Internet	168	169	183	191	199
Radio	113	114	118	122	125
Print	156	102	74	70	67
Eliminations	-38	-34	-29	-29	-29
<b>EBITDA</b>	<b>115</b>	<b>30</b>	<b>77</b>	<b>96</b>	<b>115</b>
margin	9.6%	2.6%	6.9%	8.4%	9.6%
<b>Net income</b>	<b>-16.6</b>	<b>-83.5</b>	<b>9.3</b>	<b>7.4</b>	<b>23.3</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>111</b>	<b>77</b>	<b>62</b>	<b>84</b>	<b>98</b>
OCF/EBITDA	92%	258%	81%	87%	86%
<b>CAPEX</b>	<b>-90</b>	<b>-70</b>	<b>-85</b>	<b>-84</b>	<b>-86</b>
Assets	1,610	1,406	1,374	1,376	1,396
Equity	1,153	996	955	940	940
<b>Net debt</b>	<b>93</b>	<b>4</b>	<b>-18</b>	<b>6</b>	<b>17</b>
Net debt/EBITDA (x)	0.8	0.1	-0.2	0.1	0.1

### Relative Valuation Summary

	18P	19P	20P	18P	19P	20P
Minimum	24.5	21.7	19.0	14.9	12.3	11.2
Maximum	11.7	8.0	9.2	5.7	4.6	4.3
Median	15.5	14.3	12.3	7.8	7.4	7.1
Weight	0%	0%	0%	33%	33%	33%

### DCF Analysis

(PLN m)	2H'18	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	573	1,150	1,199	1,255	1,311	1,351	1,375	1,401	1,427	1,454	1,483
EBITDA	46	96	115	134	152	160	160	161	162	163	166
EBITDA margin	7.9%	8.4%	9.6%	10.6%	11.6%	11.8%	11.7%	11.5%	11.4%	11.2%	11.4%
D&A	43	81	79	78	77	76	75	76	77	78	79
EBIT	2	16	35	55	75	84	86	85	85	85	87
Tax	0	3	7	11	14	16	16	16	16	16	16
<b>NOPLAT</b>	<b>2</b>	<b>13</b>	<b>28</b>	<b>45</b>	<b>61</b>	<b>68</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>70</b>
CAPEX	-39	-84	-86	-89	-92	-65	-70	-73	-75	-78	-79
Working capital	-4	-8	-8	-7	-6	-4	-3	-2	-1	-1	-1
<b>FCF</b>	<b>2</b>	<b>2</b>	<b>13</b>	<b>27</b>	<b>40</b>	<b>74</b>	<b>71</b>	<b>70</b>	<b>69</b>	<b>68</b>	<b>69</b>
PV FCF	2	2	11	21	28	48	43	39	35	32	
WACC	8.5%	8.4%	8.3%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	0.0%	1.4%	4.1%	3.2%	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	754
Net debt	13
Other adjustments	19
Value per share (PLN)	15.51

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	13.45
DCF Val.	50%	15.51
Implied Price		14.48
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>15.40</b>



## 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 a significant rise in costs. The Media Group has reiterated its 2018 guidance, with FCFE expected to approximate PLN 1.5bn, implying FCFE Yield of 10.5%. We maintain a positive outlook for CPS, currently trading at 6.9x 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, set to boost advertising revenues as overall ad spend in Poland is seen to rise.

<b>Current Price</b>	22.24 PLN	<b>Upside</b>
<b>9M Target Price</b>	24.90 PLN	<b>+12.0%</b>

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-6.4%	-4.7%
ISIN	PLCFRPT00013	YTD Price Chng	-10.5%	-3.1%
Outst. Stock (m)	639.5	ADTV 1M		PLN 14.8m
MC (PLN m)	14,223.4	ADTV 6M		PLN 13.0m
EV (PLN m)	25,272.5	EV/EBITDA 12M fwd	6.2	-11.7%
Free Float	33.5%	EV/EBITDA 5Y avg	7.0	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	13.7	14.5	13.0	11.0	9.9
P/B	1.3	1.2	1.0	1.0	0.9
EV/EBITDA	7.0	6.9	6.9	6.1	5.6
DPS	0.00	0.32	0.00	0.32	0.50
DYield	0.0%	1.4%	0.0%	1.4%	2.3%
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
<b>Revenue</b>	<b>9,730</b>	<b>9,829</b>	<b>10,110</b>	<b>10,255</b>	<b>10,394</b>
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
<b>Costs</b>	<b>7,868</b>	<b>8,016</b>	<b>8,200</b>	<b>8,137</b>	<b>8,136</b>
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
<b>Net income</b>	<b>1,041</b>	<b>981</b>	<b>1,213</b>	<b>1,444</b>	<b>1,584</b>

### Key Balance Sheet Figures\*\*

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

### Relative Valuation Summary

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

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	11,311	11,509	11,653	11,795	11,952	12,120	12,300	12,492	12,695	12,911	12,911
EBITDA	3,791	3,912	3,975	4,031	4,075	4,122	4,165	4,213	4,267	4,326	4,326
EBITDA margin	33.5%	34.0%	34.1%	34.2%	34.1%	34.0%	33.9%	33.7%	33.6%	33.5%	33.5%
D&A	2,010	1,919	1,835	1,739	1,652	1,590	1,557	1,540	1,490	1,487	1,487
EBIT	1,781	1,993	2,140	2,292	2,423	2,533	2,607	2,673	2,777	2,839	2,839
Tax	338	379	407	435	460	481	495	508	528	539	539
<b>NOPLAT</b>	<b>1,443</b>	<b>1,615</b>	<b>1,734</b>	<b>1,856</b>	<b>1,963</b>	<b>2,051</b>	<b>2,112</b>	<b>2,165</b>	<b>2,249</b>	<b>2,300</b>	<b>2,300</b>
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
<b>FCF</b>	<b>1,667</b>	<b>1,973</b>	<b>2,027</b>	<b>1,593</b>	<b>2,148</b>	<b>502</b>	<b>2,166</b>	<b>1,763</b>	<b>1,657</b>	<b>2,196</b>	<b>2,196</b>
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%
<b>9M Target Price</b>		<b>24.90</b>

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

## Wirtualna Polska accumulate (no change)

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Shares in Wirtualna Polska fell 6% in September, underperforming the broad market by ca. 2%, and with 16% upside potential to our target we maintain an accumulate rating for WPL. Wirtualna generated 2018 Q2 results in line with expectations, with adjusted EBITDA showing 10% growth from the comparable year-ago period at PLN 42.9m. The Company experiences continuing upward pressure on labor costs, but on the other hand its future outlook is bolstered by increasing online adspend (set to grow 8.1% nationwide this year according to ZenithOptimedia) and fast-paced expansion of e-commerce. We stand by our 2018 FY EBITDA forecast of PLN 171m for Wirtualna. With plans for e-commerce to eventually account for 75% of target revenues compared to 58% today, the Company can be expected to grow in value in the coming years. As for the loss-making TV business, Wirtualna is confident it will turn a profit during some of the remaining months of 2018.

**Current Price**

51.60 PLN

**Upside**

**9M Target Price**

60.00 PLN

**+16.3%**

	rating	target price	issued
unchanged	accumulate	60.00 PLN	2018-09-03

Key Metrics	WPL PW	1M Price Chng	WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+5.5%	+7.2%
ISIN	PLWRTPL00027	YTD Price Chng	+8.5%	+16.0%
Outst. Stock (m)	29.8	ADTV 1M		PLN 0.5m
MC (PLN m)	1,536.4	ADTV 6M		PLN 0.8m
EV (PLN m)	1,769.2	EV/EBITDA 12M fwd	9.4	-10.3%
Free Float	53.0%	EV/EBITDA 5Y avg	10.5	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	415	466	519	571	615
EBITDA	123	130	160	187	203
EBITDA margin	29.6%	27.8%	30.9%	32.7%	33.1%
EBIT	81	79	105	127	141
Net income	57	45	76	89	100
P/E	27.1	34.0	20.2	17.3	15.4
P/B	3.8	3.7	3.4	3.1	2.9
EV/EBITDA	14.0	13.3	11.0	9.2	8.3
DPS	0.00	1.10	0.96	1.61	2.15
DYield	0.0%	2.1%	1.9%	3.1%	4.2%
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
<b>Revenue</b>	<b>415</b>	<b>466</b>	<b>519</b>	<b>571</b>	<b>615</b>
Cash	377	425	473	519	559
Barter	37.8	33.0	24.7	25.9	26.9
<b>Costs</b>	<b>334</b>	<b>387</b>	<b>414</b>	<b>443</b>	<b>474</b>
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
<b>EBITDA</b>	<b>123</b>	<b>130</b>	<b>160</b>	<b>187</b>	<b>203</b>
margin	29.6%	27.8%	30.9%	32.7%	33.1%
<b>EBITDA (adj.)</b>	<b>136</b>	<b>151</b>	<b>171</b>	<b>187</b>	<b>201</b>
margin	322.9%	295.2%	307.5%	315.6%	320.9%
<b>EBIT</b>	<b>81</b>	<b>79</b>	<b>105</b>	<b>127</b>	<b>141</b>
margin	19.5%	16.9%	20.2%	22.3%	22.9%
<b>Net income</b>	<b>53.8</b>	<b>35.3</b>	<b>66.2</b>	<b>88.5</b>	<b>102.2</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>114</b>	<b>114</b>	<b>48</b>	<b>154</b>	<b>168</b>
OCF/EBITDA	92%	88%	30%	83%	83%
<b>CAPEX</b>	<b>-38</b>	<b>-42</b>	<b>-47</b>	<b>-48</b>	<b>-52</b>
Assets	852	894	851	896	903
Equity	409	420	458	499	537
<b>Net debt</b>	<b>169</b>	<b>170</b>	<b>216</b>	<b>173</b>	<b>132</b>
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
<b>NOPLAT</b>	<b>85</b>	<b>103</b>	<b>114</b>	<b>122</b>	<b>130</b>	<b>135</b>	<b>140</b>	<b>144</b>	<b>145</b>	<b>147</b>	<b>150</b>
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
<b>FCF</b>	<b>1</b>	<b>106</b>	<b>117</b>	<b>124</b>	<b>130</b>	<b>135</b>	<b>138</b>	<b>140</b>	<b>140</b>	<b>141</b>	<b>144</b>
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%
<b>9M Target Price</b>		<b>60.00</b>

## Asseco Poland accumulate (no change)

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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. On our PLN 280m estimate, ACP is currently trading at 14.0x price-to-2018E earnings, representing a discount north of 25% to the peer group compared to a historical discount range of 18%-20%, a gap which indicates upside potential. 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.

### Current Price

47.66 PLN

Upside

### 9M Target Price

49.00 PLN

+2.8%

	rating	target price	issued
unchanged	accumulate	49.00 PLN	2018-09-03

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	+3.3%	+5.0%
ISIN	PLSOFTB000016	YTD Price Chng	+16.3%	+23.8%
Outst. Stock (m)	83.0	ADTV 1M		PLN 17.2m
MC (PLN m)	3,955.8	ADTV 6M		PLN 8.3m
		P/E 12M fwd	14.2	+16.4%
Free Float	68.0%	P/E 5Y avg	12.2	premium

### 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	13.1	6.6	14.0	15.4	15.3
P/B	0.7	0.7	0.7	0.7	0.7
P/S	0.50	0.51	0.44	0.44	0.43
DPS	3.01	3.01	3.01	2.00	2.00
DYield	6.3%	6.3%	6.3%	4.2%	4.2%
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	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 led by 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 very earliest. Otherwise, the focus this year is on the upcoming release of the Gwent card game and its single-player campaign, set for Q4. Publicity for C2077 will serve as the main catalyst for future shifts in CDR stock in the months to come as the project reaches new milestones.

**Current Price**

187.30 PLN

**Downside**

**9M Target Price**

90.80 PLN

**-51.5%**

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

Key Metrics			CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	-5.2%	-3.5%
ISIN	PLOPTTC00011	YTD Price Chng	+93.1%	+100.6%
Outst. Stock (m)	95.2	ADTV 1M		PLN 66.2m
MC (PLN m)	17,833.4	ADTV 6M		PLN 51.0m
EV (PLN m)	17,725.9	EV/EBITDA 12M fwd	26.0	+19.5%
Free Float	65.3%	EV/EBITDA 5Y avg	21.8	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	71.2	87.5	90.2	27.1	27.9
P/B	23.0	20.2	16.5	10.3	7.5
EV/EBITDA	57.2	71.2	71.6	21.0	21.1
DPS	0.00	1.06	0.00	0.00	0.00
DYield	0.0%	0.6%	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%
Sales of The Witcher 3			0.0%	0.0%	0.0%
Sales of Gwent: The Card Game			0.0%	0.0%	0.0%
Sales of Cyberpunk 2077			0.0%	0.0%	0.0%

### Financial Highlights

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

### Key Figures

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

### Relative Valuation Summary

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

### DCF Analysis

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

### DCF Summary

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

### Valuation Summary

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

## Comarch accumulate (reiterated)

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CMR stock fell 4% in the past month. 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 demand from the public administration, SMEs, and the retail and services industries. EBITDA for the quarter came in at ca. PLN 62m on an adjusted basis, a huge upturn from the year-ago figure of PLN 10.1m, and based on this we decided to raise our 2018 FY estimate from PLN 144m to PLN 163m, i.e. by 13%, resulting in an upward adjustment to our 9-month price target. Comarch painted an optimistic future outlook during the Q2 earnings conference, underpinned by a high backlog, which is 20% higher at the moment than this time a year ago, combined with higher sales of ERM solutions. On a related note, the CEO has recently publicly decried the claims that Comarch was not handling the tasks taken over from Asseco as part of the long-term systems maintenance contract for the national insurance agency ZUS.

### Current Price

167.00 PLN

Upside

### 9M Target Price

180.50 PLN

+8.1%

	rating	target price	issued
new	accumulate	180.50 PLN	2018-10-01
old	accumulate	166.50 PLN	2018-05-09
Key Metrics		CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-3.7%
ISIN	PLCOMAR00012	YTD Price Chng	-11.4%
Outst. Stock (m)	8.1	ADTV 1M	PLN 0.6m
MC (PLN m)	1,358.3	ADTV 6M	PLN 0.5m
EV (PLN m)	1,358.0	EV/EBITDA 12M fwd	8.1
Free Float	59.2%	EV/EBITDA 5Y avg	7.3 premium

### Earnings Projections

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,109	1,102	1,307	1,359	1,451
EBITDA	176	99	163	172	185
EBITDA margin	15.8%	9.0%	12.4%	12.7%	12.7%
EBIT	113	34	89	98	111
Net income	70	43	54	73	85
P/E	19.4	31.5	25.1	18.7	16.0
P/B	1.6	1.5	1.5	1.4	1.4
EV/EBITDA	7.5	14.1	8.3	7.6	7.1
DPS	0.00	1.50	1.50	1.50	10.00
DYield	0.0%	0.9%	0.9%	0.9%	6.0%
Projection Update (% change)			2018P	2019P	2020P
Revenue			+7.3%	+1.9%	+3.9%
EBITDA			+13.0%	+1.8%	+5.4%
EBIT			+12.7%	-5.6%	+0.5%
Net income			-4.4%	-6.4%	+0.7%
CAPEX			+18.9%	+9.7%	+10.5%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,109	1,102	1,307	1,359	1,451
TMT	276	258	298	322	338
Finance & Banking	164	186	200	214	223
Retail Solutions	183	174	202	226	260
Manufacturing	146	142	150	161	169
Public Sector	73	63	172	137	148
SME	228	236	249	261	274
Other	39	43	37	38	40
Gross profit	343	268	333	351	374
margin	30.9%	24.3%	25.5%	25.8%	25.8%
Selling expenses	131	134	144	150	157
G&A expenses	101	98	97	103	107
EBIT	113	34	89	98	111
margin	10.2%	3.1%	6.8%	7.2%	7.6%
Net income	70	43	54	73	85

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	88	61	118	125	145
OCF/EBITDA	50%	62%	72%	73%	79%
CAPEX	-121	-110	-63	-64	-67
Assets	1,439	1,503	1,602	1,677	1,708
Equity	861	880	922	983	986
Net debt	-49	19	-13	-63	-60
Net debt/EBITDA (x)	-0.3	0.2	-0.1	-0.4	-0.3

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	25.9	23.1	20.9	17.3	16.3	15.3
Maximum	12.4	10.9	10.3	5.1	5.1	4.9
Median	17.1	15.8	14.5	10.4	10.1	9.5
Weight	33%	33%	33%	33%	33%	33%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,307	1,359	1,451	1,516	1,580	1,646	1,712	1,775	1,831	1,884	1,932
EBITDA	163	172	185	192	199	205	213	221	228	234	240
EBITDA margin	12.4%	12.7%	12.7%	12.6%	12.6%	12.5%	12.4%	12.5%	12.5%	12.4%	12.8%
D&A	74	74	74	74	74	74	75	77	79	81	83
EBIT	89	98	111	118	124	131	138	144	149	153	157
Tax	26	27	29	31	33	35	36	38	39	40	41
NOPLAT	63	71	82	87	92	96	101	106	110	113	116
CAPEX	-63	-64	-67	-70	-73	-75	-76	-78	-79	-81	-83
Working capital	-21	-21	-13	-7	-7	-7	-7	-6	-4	-4	-4
FCF	52	60	76	83	86	89	94	99	105	110	112
PV FCF	51	54	62	63	60	58	56	54	53	51	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Net debt / EV	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,356
Net debt	19
Other adjustments	16
Value per share (PLN)	162.39

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	176.91
DCF Val.	50%	162.39
Implied Price		169.65
Cost of equity (9M)		6.4%
9M Target Price		180.50

## 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 mining 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 this should keep sentiment for the Company positive in the weeks ahead. Famur delivered 2018 Q2 earnings well ahead of expectations, with improved margins from underground mining equipment and better-than-expected profits from electrical equipment among the highlights. Famur achieved about 50% of our FY forecasts in H1 2018, and it expects further growth in the second half of the year. The Company recently unveiled an updated strategy plan for 2019-2023 which aims to increase export revenue to 50% as a total sales driver, grow the share of revenue from recurring sources to more than 25%, and diversify business by branching into hard rock mining solutions. Moreover, the strategy puts in place a dividend policy which sets the annual dividend payout ratio range at 50%-100% (the target is 75% on average), with the implied dividend yields in the next two years at 3%-7.5%. We maintain a buy rating for FMF.

<b>Current Price</b>	5.60 PLN	<b>Upside</b>
<b>9M Target Price</b>	6.56 PLN	<b>+17.1%</b>

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

Key Metrics	FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng <b>+10.7%</b> <b>+12.3%</b>
ISIN	PLFAMUR00012	YTD Price Chng <b>-2.8%</b> <b>+4.7%</b>
Outst. Stock (m)	574.8	ADTV 1M PLN 1.1m
MC (PLN m)	3,218.7	ADTV 6M PLN 1.4m
EV (PLN m)	3,365.0	EV/EBITDA 12M fwd 6.8 <b>+14.1%</b>
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	29.0	64.6	17.6	13.9	12.1
P/B	2.7	2.2	2.2	2.2	2.1
EV/EBITDA	10.9	10.8	7.7	6.9	6.5
DPS	0.00	0.00	0.44	0.45	0.28
DYield	0.0%	0.0%	7.9%	8.1%	5.0%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue, Underground			0.0%	0.0%	0.0%
Revenue, Surface			0.0%	0.0%	0.0%
Sales margin, UG			0.0%	0.0%	0.0%
Sales margin, Surface			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%
<b>Operating cash flow</b>	<b>315</b>	<b>192</b>	<b>333</b>	<b>452</b>	<b>377</b>
D&A	125	175	186	160	130
Working capital	95	-16	-69	51	-24
<b>Investing cash flow</b>	<b>-85</b>	<b>-231</b>	<b>-93</b>	<b>122</b>	<b>-83</b>
CAPEX	83	132	93	-122	83
<b>Financing cash flow</b>	<b>185</b>	<b>287</b>	<b>-367</b>	<b>-370</b>	<b>-191</b>
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%
<b>9M Target Price</b>		<b>6.56</b>



## Grupa Kęty hold (no change)

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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. In Q3 2018 Kęty expects to generate revenue of PLN 815m (+14% y/y; +6% vs. our estimate); EBITDA of PLN 140m (+9% y/y; +3% vs. our estimate), and net profit of PLN 83m (+7% y/y). The Company estimates that its net debt in the period increased by nearly PLN 190m following a dividend payout, and at PLN 770m it was equivalent to 1.7x 12M EBITDA as of 30 September. The Q3 estimates support our FY estimates and Kęty's own guidance. Kęty's stock trades at double-digit premiums to other aluminum processors, and at the moment the Company faces risk of defaults by its construction industry customers, who are struggling with high costs. We maintain a hold rating for KTY.

Current Price

384.50 PLN

Downside

9M Target Price

367.45 PLN

-4.4%

	rating	target price	issued
unchanged	hold	367.45 PLN	2018-09-03

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+20.0%	+21.6%
ISIN	PLKETY000011	YTD Price Chng	-4.5%	+2.9%
Outst. Stock (m)	9.5	ADTV 1M		PLN 1.7m
MC (PLN m)	3,652.8	ADTV 6M		PLN 2.0m
EV (PLN m)	4,369.6	EV/EBITDA 12M fwd	9.1	-3.1%
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	13.1	15.5	14.0	13.2	13.0
P/B	2.6	2.7	2.6	2.5	2.4
EV/EBITDA	10.3	10.1	9.5	8.9	8.6
DPS	17.95	30.00	23.94	21.90	23.11
DYield	4.7%	7.8%	6.2%	5.7%	6.0%
Net income			0.0%	0.0%	0.0%
Aluminum price (US\$/t)			0.0%	0.0%	0.0%
Producer premium (US\$/t)			0.0%	0.0%	0.0%
EBITDA, Packaging			0.0%	0.0%	0.0%
EBITDA, Extrusions			0.0%	0.0%	0.0%
EBITDA, Al Systems			0.0%	0.0%	0.0%

### 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
<b>Operating cash flow</b>	<b>315</b>	<b>276</b>	<b>323</b>	<b>396</b>	<b>397</b>
D&A	112	120	127	131	143
Working capital	-51	-91	-59	-29	-44
<b>Investing cash flow</b>	<b>-270</b>	<b>-187</b>	<b>-200</b>	<b>-200</b>	<b>-150</b>
CAPEX	270	187	200	200	150
<b>Financing cash flow</b>	<b>-43</b>	<b>-85</b>	<b>-169</b>	<b>-191</b>	<b>-243</b>
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	20P	18P	EV/EBITDA	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%
<b>9M Target Price</b>		<b>367.45</b>

## JSW buy (no change)

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The operating rates of global steel mills have increased to 80% 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 prices 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.

**Current Price**

66.20 PLN

**Upside**

**9M Target Price**

98.00 PLN

**+48.0%**

	rating	target price	issued
unchanged	buy	98.00 PLN	2018-09-03

Key Metrics	JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng -16.1% -14.4%
ISIN	PLJSW0000015	YTD Price Chng -31.2% -23.8%
Outst. Stock (m)	117.4	ADTV 1M PLN 21.9m
MC (PLN m)	7,772.6	ADTV 6M PLN 15.4m
EV (PLN m)	6,539.5	EV/EBITDA 12M fwd 2.1 -41.5%
Free Float	44.8%	EV/EBITDA 5Y avg 3.7 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.	-	3.6	3.6	5.2	8.3
P/B	1.9	1.2	0.9	0.8	0.8
EV/EBITDA adj.	7.9	1.8	1.9	2.2	2.9
DPS	0.00	0.00	0.00	4.99	6.32
DYield	0.0%	0.0%	0.0%	7.5%	9.6%
Projection Update (% change)			2018P	2019P	2020P
EBITDA (adj.)			0.0%	0.0%	0.0%
Net income (adj.)			0.0%	0.0%	0.0%
Coking Coal price (\$/t)			0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coke price (\$/t)			0.0%	0.0%	0.0%
Total coal output (kt)			0.0%	0.0%	0.0%
Coking coal (kt)			0.0%	0.0%	0.0%
Coke (kt)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Total coal output (kt)	16,835	14,768	15,414	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
<b>Operating cash flow</b>	<b>897</b>	<b>2,871</b>	<b>2,801</b>	<b>2,305</b>	<b>1,914</b>
D&A	839	825	823	936	1,093
Working capital	-349	-76	5	-115	-81
<b>Investing cash flow</b>	<b>-354</b>	<b>-2,170</b>	<b>-1,500</b>	<b>-1,350</b>	<b>-1,550</b>
CAPEX	372	737	1,500	1,350	1,550
<b>Financing cash flow</b>	<b>278</b>	<b>-701</b>	<b>-27</b>	<b>-600</b>	<b>-752</b>
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
Thrm 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%
<b>9M Target Price</b>		<b>98.00</b>

## Kernel buy (no change)

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The 2017/2018 Ukrainian sunflower harvest from a 3% greater 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 prices of sunflower oil should be high with the domestic oil reserves hitting their lowest level in ten years. In an increasingly favorable market, we estimate that Kernel's' Ukrainian crushing plants have the potential to generate FY2019 EBITDA \$40m higher than this year. Adding to the positive outlook is the crops business, set to grow the yearly earnings by as much as \$70m to \$142m thanks to a higher harvest from a larger planting area, sold at higher prices. Assuming it grows 2018/19 EBITDA as much as forecast, Kernel will reinforce the faith of its investors in its ability to deliver the \$495m EBITDA target set for 2020/21. 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 maintain a buy rating for KER.

Current Price

50.00 PLN

Upside

9M Target Price

59.18 PLN

+18.4%

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

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-1.4%	+0.3%
ISIN	LU0327357389	YTD Price Chng	+5.8%	+13.3%
Outst. Stock (m)	82.7	ADTV 1M		PLN 7.8m
MC (PLN m)	4,133.1	ADTV 6M		PLN 3.3m
EV (PLN m)	6,385.2	EV/EBITDA 12M fwd	5.2	+30.8%
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	4.9	6.4	15.3	7.0	4.8
P/B	1.1	1.0	1.0	0.9	0.8
EV/EBITDA	4.0	5.1	6.8	5.2	4.1
DPS	0.25	0.24	0.25	0.25	0.77
DYield	1.8%	1.8%	1.8%	1.8%	5.7%
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
<b>Operating cash flow</b>	<b>134</b>	<b>77</b>	<b>192</b>	<b>213</b>	<b>275</b>
D&A	60	54	88	97	99
Working capital	-127	-212	-34	-120	-130
<b>Investing cash flow</b>	<b>-61</b>	<b>-223</b>	<b>-150</b>	<b>-186</b>	<b>-95</b>
CAPEX	61	182	150	186	95
<b>Financing cash flow</b>	<b>-137</b>	<b>173</b>	<b>-84</b>	<b>-31</b>	<b>-193</b>
Dividends/Buyback	-20	-20	-21	-21	-64
FCF	155	-93	64	30	184
FCF/EBITDA	45%	-29%	25%	9%	43%
OCF/EBITDA	39%	24%	75%	61%	65%

### Key Balance Sheet Figures

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

### Relative Valuation Summary

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

### DCF Analysis

(US\$ m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Margin, Veg Oil (\$/t)	50	76	90	103	111	108	104	100	96	92	91
Margin, Wheat (\$/t)	189	170	190	195	195	195	195	195	195	195	195
Margin, Corn (\$/t)	180	175	185	194	194	194	194	194	195	196	197
Revenue	2,468	3,306	4,412	4,927	5,154	5,238	5,322	5,398	5,482	5,567	5,659
EBITDA	256	348	426	479	503	495	486	475	472	469	473
EBITDA margin	10.4%	10.5%	9.7%	9.7%	9.8%	9.5%	9.1%	8.8%	8.6%	8.4%	8.3%
EBIT	168	251	327	379	402	395	384	373	370	366	368
Tax	8	12	18	21	23	23	22	21	21	47	48
CAPEX	-150	-186	-95	-74	-79	-85	-91	-97	-105	-105	-105
Working capital	-34	-120	-130	-70	-38	-26	-26	-25	-26	-27	-27
FCF	64	30	184	314	363	362	347	331	320	289	292
PV FCF	64	27	140	206	204	173	141	115	94	74	
WACC	15.8%	15.8%	15.9%	16.1%	16.3%	16.5%	16.6%	16.8%	16.9%	16.8%	16.9%
Risk-free rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

### DCF Summary

(US\$ m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,236
Net debt	606
Other adjustments	5
Value per share (PLN)	44.47

### Valuation Summary

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

## KGHM buy (no change)

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With local smelter capacity now back from maintenance, KGHM's metallurgical operations in Poland recorded a rebound in production in August versus the same month last year after several months of lower output, with the electrolytic copper volume up 2% on the year, accompanied by a 17% lift in the metallic silver volume. According to the Company, production of copper and precious metals in the year to date exceeded the targets. 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.

**Current Price**

89.10 PLN

**Upside**

**9M Target Price**

104.21 PLN

**+17.0%**

	rating	target price	issued
unchanged	buy	104.21 PLN	2018-09-03

Key Metrics			KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	-7.7%	-6.0%
ISIN	PLKGHM000017	YTD Price Chng	-19.9%	-12.4%
Outst. Stock (m)	200.0	ADTV 1M		PLN 67.7m
MC (PLN m)	17,820.0	ADTV 6M		PLN 57.7m
EV (PLN m)	22,460.2	EV/EBITDA 12M fwd	4.2	-17.1%
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.	11.5	9.5	7.6	5.9	5.8
P/B	1.1	1.0	0.9	0.8	0.7
EV/EBITDA adj.	5.4	4.3	4.5	3.3	3.0
DPS	1.50	1.00	0.00	2.95	5.29
DYield	1.7%	1.1%	0.0%	3.3%	5.9%
Projection Update (% change)		2018P	2019P	2020P	
EBITDA adj.		0.0%	0.0%	0.0%	
Net income adj.		0.0%	0.0%	0.0%	
Copper price (\$/t)		0.0%	0.0%	0.0%	
Silver price (\$/oz)		0.0%	0.0%	0.0%	
Molybdenum price (\$/t)		0.0%	0.0%	0.0%	
Copper output (kt)		0.0%	0.0%	0.0%	
Silver output (t)		0.0%	0.0%	0.0%	
Molybdenum output (mmb)		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Cu Output, PL (kt)	376	359	380	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
<b>Operating cash flow</b>	<b>4,212</b>	<b>3,054</b>	<b>4,802</b>	<b>6,125</b>	<b>4,999</b>
D&A	1,698	1,609	1,650	1,732	1,840
Working capital	386	-1,270	706	1,282	19
<b>Investing cash flow</b>	<b>-3,948</b>	<b>-3,340</b>	<b>-2,695</b>	<b>-2,776</b>	<b>-2,741</b>
CAPEX	3,922	3,257	2,695	2,776	2,741
<b>Financing cash flow</b>	<b>135</b>	<b>12</b>	<b>-86</b>	<b>-676</b>	<b>-1,145</b>
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

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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%
<b>9M Target Price</b>		<b>104.21</b>

## Stelmet buy (no change)

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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 2 months. Despite improving operating rates at the new Polish factory, it is unlikely that sales this year will improve on the 2017 sales volume. In Q2 2018 Stelmet experienced logistics bottlenecks which caused delays in deliveries to UK customers and led to a top 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.

### Current Price

8.38 PLN

Upside

### 9M Target Price

20.45 PLN

+144.0%

	rating	target price	issued
unchanged	buy	20.45 PLN	2018-09-03

Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-33.0%	-31.3%
ISIN	PLSTLMT00010	YTD Price Chng	-41.8%	-34.3%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.2m
MC (PLN m)	246.1	ADTV 6M		PLN 0.1m
EV (PLN m)	412.5	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	3.4	12.7	16.0	5.5	4.4
P/B	0.6	0.5	0.5	0.5	0.5
EV/EBITDA	5.4	7.4	6.2	4.1	3.2
DPS	0.29	0.00	0.00	0.26	0.92
DYield	3.5%	0.0%	0.0%	3.1%	10.9%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales price (PLN/m3)			0.0%	0.0%	0.0%
Sales volume (1,000 m3)			0.0%	0.0%	0.0%
Timber price (PLN/m3)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Core, PL	18	19	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
<b>Operating cash flow</b>	<b>114</b>	<b>39</b>	<b>58</b>	<b>74</b>	<b>91</b>
D&A	21	37	42	41	41
Working capital	40	-2	-2	-15	-9
<b>Investing cash flow</b>	<b>-186</b>	<b>-62</b>	<b>-39</b>	<b>-16</b>	<b>-18</b>
CAPEX	185	62	39	16	18
<b>Financing cash flow</b>	<b>62</b>	<b>76</b>	<b>-4</b>	<b>-11</b>	<b>-30</b>
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

Relative Valuation Summary						
	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	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%
<b>9M Target Price</b>		<b>20.45</b>

## Construction

### Budimex

hold (no change)

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Budimex signed two material contracts in September, one for roadworks and the other for railway works, with a combined value of PLN 700+ million. The Company has no more major bids for road jobs pending at the moment amid a continuing slump in public procurement, and as for potential railway jobs there has been a string of tender cancellations this year due to cost overruns, which means no new bookings for railway builders in the near future. This is bound to result in a tightening backlog for Budimex. In other news, Budimex sold two of its subsidiary companies, Elektromontaż-Poznań and Grunwald Investment Office, in September with the expected total gain at ca. PLN 44m, making for a total one-time boost to FY2018 profit of PLN 60-70m, not factored into our current estimate of PLN 246m. However we keep our outlook intact in anticipation of possible downward adjustments to contract margins in Q3, expected to be offset by the divestment gains. We maintain a hold rating for BDX.

**Current Price**

103.60 PLN

Upside

**9M Target Price**

125.00 PLN

+20.7%

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

Key Metrics			BDX PW	vs. WIG
Ticker	BDX PW	1M Price Chng	-17.0%	-15.3%
ISIN	PLBUDMX00013	YTD Price Chng	-46.7%	-39.2%
Outst. Stock (m)	25.5	ADTV 1M		PLN 2.2m
MC (PLN m)	2,644.9	ADTV 6M		PLN 1.9m
EV (PLN m)	1,235.9	EV/EBITDA 12M fwd	3.4	-55.7%
Free Float	30.3%	EV/EBITDA 5Y avq	7.7	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	6.5	5.7	10.7	12.1	11.5
P/B	3.3	3.0	3.9	4.0	3.9
EV/EBITDA	0.0	0.6	3.3	4.3	4.7
DPS	8.14	14.99	17.61	9.17	8.13
DYield	7.9%	14.5%	17.0%	8.9%	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
<b>Revenue</b>	<b>5,572</b>	<b>6,369</b>	<b>7,331</b>	<b>7,607</b>	<b>7,489</b>
Construction	5,060	5,717	6,625	6,847	6,799
Development	350	499	553	602	527
Other	163	154	153	158	163
<b>Gross profit margin</b>	<b>13.5%</b>	<b>12.7%</b>	<b>7.8%</b>	<b>7.2%</b>	<b>7.5%</b>
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
<b>Net debt / EBITDA</b>	<b>-5.0</b>	<b>-3.7</b>	<b>-3.8</b>	<b>-3.7</b>	<b>-3.0</b>
Net working capital	-2,597	-2,311	-1,641	-1,469	-1,248
<b>NWC/Sales</b>	<b>-46.6%</b>	<b>-36.3%</b>	<b>-22.4%</b>	<b>-19.3%</b>	<b>-16.7%</b>
Equity	801	881	679	664	686
<b>ROE</b>	<b>58.5%</b>	<b>55.2%</b>	<b>31.6%</b>	<b>32.5%</b>	<b>34.0%</b>

#### Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>612</b>	<b>196</b>	<b>-373</b>	<b>107</b>	<b>69</b>
D&A	26	37	47	45	43
Working capital	155	-288	-673	-172	-221
<b>Investing cash flow</b>	<b>-49</b>	<b>-357</b>	<b>11</b>	<b>-40</b>	<b>-41</b>
CAPEX	-42	-31	-23	-40	-41
<b>Financing cash flow</b>	<b>-223</b>	<b>-400</b>	<b>-466</b>	<b>-249</b>	<b>-224</b>
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
<b>NOPLAT</b>	<b>262</b>	<b>233</b>	<b>244</b>	<b>245</b>	<b>222</b>	<b>200</b>	<b>178</b>	<b>182</b>	<b>186</b>	<b>189</b>	<b>193</b>
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
<b>FCF</b>	<b>-389</b>	<b>67</b>	<b>28</b>	<b>16</b>	<b>84</b>	<b>77</b>	<b>87</b>	<b>190</b>	<b>194</b>	<b>198</b>	<b>202</b>
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%
<b>9M Target Price</b>		<b>125.00</b>



## Elektrobudowa buy (no change)

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Elektrobudowa said during a September meeting with the market that it had achieved flat profit growth from the comparable year-ago results in H1 2018 when adjusted for a PLN 60m one-time reserve for possible late fees under a metathesis unit (MU) contract with Poland's listed oil refiner PKN Orlen. The Company says the delay in MU's delivery beyond the August 2018 deadline was caused by design changes introduced by PKN mid-project, indicating a strong likelihood that the charge can be reversed in the future. Meanwhile it has knocked about PLN 70m off ELB's market value since its announcement, which means the 2018 H1 earnings setback is fully priced in at this point. By the same token, any deal with PKN in the near future extending the original deadline should give an upside catalyst to the stock. More catalysts could come in three final months of 2018 assuming Elektrobudowa delivers on its second-half backlog target of PLN 600+ million, the most new business over a six-month period gathered in five years. Our DCF model for Elektrobudowa makes an allowance of PLN 60m (PLN 12.6 per share) for a potential late fine from PKN. We maintain a buy rating for ELB.

### Current Price

36.00 PLN

Upside

### 9M Target Price

45.00 PLN

+25.0%

	rating	target price	issued
unchanged	buy	45.00 PLN	2018-09-26

Key Metrics			ELB PW	vs. WIG
Ticker	ELB PW	1M Price Chng	-33.3%	-31.7%
ISIN	PLELTBD00017	YTD Price Chng	-50.2%	-42.7%
Outst. Stock (m)	4.7	ADTV 1M		PLN 0.4m
MC (PLN m)	170.9	ADTV 6M		PLN 0.3m
EV (PLN m)	171.3	EV/EBITDA 12M fwd	2.3	-59.4%
Free Float	32.5%	EV/EBITDA 5Y avg	5.8	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	971.5	902.9	829.2	768.4	746.0
EBITDA	75.2	84.3	-39.5	40.2	41.3
EBITDA margin	7.7%	9.3%	-4.8%	5.2%	5.5%
EBIT	61.8	69.8	-55.3	24.1	24.9
Net income	55.1	58.6	-45.9	17.9	18.2
P/E	3.1	2.9	-	9.6	9.4
P/B	0.4	0.4	0.5	0.5	0.5
EV/EBITDA	0.9	0.7	-	4.6	4.0
DPS	4.00	10.00	10.50	0.00	3.00
DYield	11.1%	27.8%	29.2%	0.0%	8.3%
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
<b>Revenue</b>	<b>971</b>	<b>903</b>	<b>829</b>	<b>768</b>	<b>746</b>
Project Execution	772	673	609	548	521
Production	155	188	177	177	180
Other	44	42	44	44	45
<b>EBIT margin</b>	<b>6.4%</b>	<b>7.7%</b>	<b>-6.7%</b>	<b>3.1%</b>	<b>3.3%</b>
Project Execution	8.6%	8.8%	-9.4%	4.0%	4.0%
Production	-6.1%	4.7%	-0.7%	0.0%	1.0%
Other	10.8%	5.0%	7.7%	5.0%	5.0%
Cash	137	115	30	37	54
Net debt	-102	-115	0	13	-4
<b>Net debt / EBITDA</b>	<b>-1.4</b>	<b>-1.4</b>	<b>0.0</b>	<b>0.3</b>	<b>-0.1</b>
Net working capital	204	176	149	177	162
<b>NWC/Sales</b>	<b>21.0%</b>	<b>19.5%</b>	<b>18.0%</b>	<b>23.0%</b>	<b>21.7%</b>
Equity	423	431	318	335	339
<b>ROE</b>	<b>13.6%</b>	<b>13.7%</b>	<b>-12.3%</b>	<b>5.5%</b>	<b>5.4%</b>

### Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>72</b>	<b>84</b>	<b>-58</b>	<b>9</b>	<b>53</b>
D&A	13	15	16	16	16
Working capital	13	17	-6	-28	15
<b>Investing cash flow</b>	<b>-8</b>	<b>-18</b>	<b>-8</b>	<b>-19</b>	<b>-19</b>
CAPEX	-15	-19	-20	-19	-19
<b>Financing cash flow</b>	<b>-34</b>	<b>-86</b>	<b>-22</b>	<b>17</b>	<b>-17</b>
Dividends	-19	-47	-50	0	-14

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	2.0	1.9	1.7	-16.7	2.9	2.7
Maximum	27.8	25.3	18.6	14.0	13.2	12.5
Median	15.0	11.1	9.5	6.7	5.9	5.3
Weight	0%	25%	25%	0%	25%	25%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	829	768	746	751	766	782	797	813	829	846	863
EBITDA	-39	40	41	43	44	44	45	45	46	47	47
EBITDA margin	-4.8%	5.2%	5.5%	5.8%	5.7%	5.7%	5.6%	5.6%	5.5%	5.5%	5.5%
D&A	16	16	16	16	16	16	16	16	16	16	16
EBIT	-55	24	25	27	27	28	28	29	30	30	31
Tax	-9	6	6	6	6	6	7	7	7	7	7
<b>NOPLAT</b>	<b>-45</b>	<b>20</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>24</b>	<b>24</b>	<b>25</b>	<b>25</b>
CAPEX	-20	-19	-19	-16	-16	-16	-16	-16	-16	-16	-16
Working capital	-6	-28	15	-1	-3	-3	-3	-3	-3	-3	-3
Other	0	0	0	0	0	0	0	0	0	0	0
<b>FCF</b>	<b>-55</b>	<b>-10</b>	<b>33</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>22</b>
PV FCF	-54	-9	28	16	14	13	12	12	11	10	
WACC	8.5%	8.1%	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	189
Net debt	-65
Other adjustments	60
Value per share (PLN)	41.00

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	43.00
DCF Val.	50%	41.00
Implied Price		42.00
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>45.00</b>

## Erbud buy (no change)

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We maintain a buy rating for Erbud, whose stock at the current level prices overly conservative EBIT margin shrinkage to ca. 1.3% vs. a 15-year average of ca. 3.0%. During a recent meeting with investors, CEO Grzeszczak stressed the 2018 first-half loss accounted for all foreseeable risks, and said he expected the EBIT margin to bounce back to 2-3% in the back half of the year assuming no rapid upward shift in construction costs. Mr. Grzeszczak is known for his optimism, but we are afraid the current market reality is much less upbeat, indicating persistent downward pressure on margins through 2019. With that said, we maintain the view that Erbud has put the negative margin spell behind it and is capable of generating an operating margin of 1.2% next year. In addition, the Company's high backlog points to a likelihood of a FY2019 beat. We maintain a buy rating for ERB.

**Current Price**

9.88 PLN

**Upside**

**9M Target Price**

14.40 PLN

**+45.7%**

	rating	target price	issued
unchanged	buy	14.40 PLN	2018-09-03

Key Metrics	ERB PW	1M Price Chng	ERB PW	vs. WIG
Ticker	ERB PW	1M Price Chng	-32.8%	-31.1%
ISIN	PLERBUD00012	YTD Price Chng	-48.4%	-40.9%
Outst. Stock (m)	12.8	ADTV 1M		PLN 0.0m
MC (PLN m)	126.6	ADTV 6M		PLN 0.0m
EV (PLN m)	177.1	EV/EBITDA 12M fwd	3.0	-42.8%
Free Float	15.5%	EV/EBITDA 5Y avg	5.3	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	70.7	5.6	-	10.7	6.3
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	-	1.3	-	4.5	3.5
DPS	1.68	1.20	1.10	0.00	0.55
DYield	17.0%	12.2%	11.1%	0.0%	5.6%
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
<b>Revenue</b>	<b>1,790</b>	<b>1,805</b>	<b>2,058</b>	<b>2,107</b>	<b>2,087</b>
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
<b>EBIT margin</b>	<b>2.6%</b>	<b>2.1%</b>	<b>-1.3%</b>	<b>1.2%</b>	<b>1.7%</b>
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
<b>Net debt / EBITDA</b>	<b>-2.7</b>	<b>-1.5</b>	<b>-4.0</b>	<b>1.1</b>	<b>0.8</b>
Net working capital	38	135	178	190	200
<b>NWC/Sales</b>	<b>2.1%</b>	<b>7.5%</b>	<b>8.6%</b>	<b>9.0%</b>	<b>9.6%</b>
Equity	252	276	233	245	258
<b>ROE</b>	<b>0.7%</b>	<b>8.6%</b>	<b>-9.2%</b>	<b>4.9%</b>	<b>8.0%</b>

### Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>75</b>	<b>-44</b>	<b>-61</b>	<b>24</b>	<b>35</b>
D&A	11	11	16	15	15
Working capital	14	-71	-58	-12	-10
<b>Investing cash flow</b>	<b>24</b>	<b>5</b>	<b>-25</b>	<b>-17</b>	<b>-17</b>
CAPEX	-4	-4	-16	-17	-17
<b>Financing cash flow</b>	<b>-64</b>	<b>-28</b>	<b>26</b>	<b>-19</b>	<b>-16</b>
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
<b>NOPLAT</b>	<b>-22</b>	<b>19</b>	<b>28</b>	<b>24</b>	<b>25</b>	<b>25</b>	<b>26</b>	<b>26</b>	<b>27</b>	<b>27</b>	<b>28</b>
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
<b>FCF</b>	<b>-89</b>	<b>6</b>	<b>16</b>	<b>11</b>	<b>14</b>	<b>20</b>	<b>20</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>23</b>
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%
<b>9M Target Price</b>		<b>14.40</b>

## Unibep buy (no change)

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Unibep was the only builder to achieve solid profits in H1 2018 in nominal terms, and it fulfilled 77% of our FY net profit forecast (PLN 31m, P/E=6x) in the period. It is important to note that the strong performance was due primarily to the residential development business because the construction business this year is struggling with the same cost issues as the rest of the industry. Unibep has 600 to 800 home completions a year budgeted for 2019-2021, and even though the sales margins on these homes will probably be lower the gap can be filled by profits from construction contracts and modular houses. We maintain a buy rating for UNI.

Current Price

5.00 PLN

Upside

9M Target Price

10.10 PLN

+102.0%

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

Key Metrics			UNI PW	vs. WIG
Ticker	UNI PW	1M Price Chng	-7.1%	-5.4%
ISIN	PLUNBEP00015	YTD Price Chng	-48.8%	-41.3%
Outst. Stock (m)	35.1	ADTV 1M		PLN 0.1m
MC (PLN m)	175.4	ADTV 6M		PLN 0.1m
EV (PLN m)	178.9	EV/EBITDA 12M fwd	3.1	-54.6%
Free Float	27.7%	EV/EBITDA 5Y avg	6.7	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	5.6	6.8	5.7	4.9	5.4
P/B	0.8	0.7	0.6	0.6	0.6
EV/EBITDA	4.4	2.9	3.8	2.9	2.7
DPS	0.17	0.20	0.15	0.31	0.41
DYield	3.4%	4.0%	3.0%	6.1%	8.2%
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

	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 delivered markedly better-than-expected 2018 Q2 earnings, fulfilling 66% of our FY net profit estimate in the first half of the year. The Developer has fewer residential closings scheduled for the second half of 2018, but the margins on these closings are looking better. We maintain based on the current building schedule that Atal is set for profit stabilization at PLN 180-190m in 2019-2020. At today's price 1AT stock offers high 2019E dividend yield of 14%, with next year's distribution to shareholders not at risk looking at current debt levels. We maintain a buy rating for 1AT.

<b>Current Price</b>	32.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	42.86 PLN	<b>+33.9%</b>

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

Key Metrics			1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	-8.6%	-6.9%
ISIN	PLATAL000046	YTD Price Chng	-21.8%	-14.3%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.3m
MC (PLN m)	1,238.9	ADTV 6M		PLN 0.2m
EV (PLN m)	1,466.0	EV/EBITDA 12M fwd	7.0	-13.6%
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	13.9	7.2	6.5	6.9	6.6
P/B	1.8	1.6	1.5	1.5	1.5
EV/EBITDA	13.3	6.5	6.0	6.4	6.6
DPS	0.61	1.73	3.54	4.74	4.73
DYield	1.9%	5.4%	11.1%	14.8%	14.8%
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.
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
<b>SG&amp;A/Sales</b>	<b>4.8%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.3%</b>
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
<b>Net debt/Equity</b>	<b>47%</b>	<b>27%</b>	<b>27%</b>	<b>31%</b>	<b>43%</b>
Inventory	1,132	1,342	1,274	1,303	1,404
<b>Inventory/Sales</b>	<b>223%</b>	<b>155%</b>	<b>135%</b>	<b>142%</b>	<b>138%</b>
Earnest money deposits	231	365	276	283	280
<b>Deposits/Inventory</b>	<b>20%</b>	<b>27%</b>	<b>22%</b>	<b>22%</b>	<b>20%</b>
Equity	688	795	847	845	849
<b>ROE</b>	<b>14.4%</b>	<b>24.9%</b>	<b>23.9%</b>	<b>21.3%</b>	<b>22.2%</b>

#### Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>-78</b>	<b>198</b>	<b>158</b>	<b>161</b>	<b>96</b>
D&A	1	1	1	1	1
Working capital	-187	-13	-34	-31	-104
<b>Investing cash flow</b>	<b>0</b>	<b>1</b>	<b>-23</b>	<b>3</b>	<b>2</b>
CAPEX	-1	-1	-1	-1	-1
<b>Financing cash flow</b>	<b>135</b>	<b>-121</b>	<b>-160</b>	<b>-198</b>	<b>-198</b>
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
<b>NOPLAT</b>	<b>198</b>	<b>188</b>	<b>195</b>	<b>150</b>	<b>148</b>	<b>151</b>	<b>154</b>	<b>157</b>	<b>155</b>	<b>158</b>	<b>161</b>
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
<b>FCF</b>	<b>139</b>	<b>156</b>	<b>91</b>	<b>137</b>	<b>192</b>	<b>130</b>	<b>133</b>	<b>135</b>	<b>150</b>	<b>153</b>	<b>156</b>
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%

#### 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%
<b>9M Target Price*</b>		<b>42.86</b>

## Capital Park buy (no change)

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Capital Park reported solid financials for Q2 2018, with FFO showing a 33% beat over our estimate thanks to reduced interest expenses on refinanced debt. Compared to Q2 2017, FFO was up 56%. Capital Park holds relatively high debt, with the ratio of net debt to equity as of 30 June 2018 at 114% vs. 103% in June 2017, but at the same time it has accumulated a sufficient cash hoard to finance the Art Norblin project. Capital Park recognized a deferred tax charge related to investment properties for the first time in H1 2018 after deciding it might want to liquidate some of the portfolio. Some of the key assets in our assessment can fetch prices equivalent to current book values, and the proceeds could be allocated to dividends. CAP is currently valued at 0.6x NAV, and the market would probably reward asset divestment in the near future. We maintain a buy rating for CAP.

Current Price

5.60 PLN

Upside

9M Target Price

8.35 PLN

+49.1%

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

Key Metrics		CPG PW	vs. WIG
Ticker	CPG PW	1M Price Chng	+3.7%
ISIN	PLCPPRK00037	YTD Price Chng	-3.3%
Outst. Stock (m)	108.8	ADTV 1M	PLN 0.1m
MC (PLN m)	609.0	ADTV 6M	PLN 0.0m
EV (PLN m)	1,946.5	EV/EBITDA 12M fwd	17.1
Free Float	19.1%	EV/EBITDA 5Y avg	24.4

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	107.7	125.8	150.8	157.4	164.5
Gross profit	81.4	93.1	114.6	119.6	125.1
Gross margin	75.6%	74.0%	76.0%	76.0%	76.0%
EBIT ex. FV adj.	55.5	79.8	99.4	105.9	110.8
FV adjustment	68.9	-84.7	9.4	25.3	24.0
Net income	29.9	-1.9	54.7	65.2	67.8
P/E	19.9	-	11.1	9.3	9.0
P/B	0.6	0.6	0.6	0.6	0.5
EV/EBITDA	14.0	-	17.8	17.1	18.9
DPS	0.00	0.00	0.00	0.15	0.20
DYield	0.0%	0.0%	0.0%	2.7%	3.6%
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 stock underperformed its sector benchmark in September despite the Company's enduring fundamental strength and a lack of any warning signs during the month. The drop in share price makes for a perfect buy opportunity in our view, with DOM currently trading at 7x P/E and offering dividend yield of 14%. Historically Dom Development has been more successful than most competition in turning building plans into actual projects, and this reassures us in our optimistic earnings outlook for 2020.

**Current Price**

68.00 PLN

Upside

**9M Target Price**

87.80 PLN

+29.1%

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

Key Metrics			DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	-7.1%	-5.5%
ISIN	PLDMDVL00012	YTD Price Chng	-12.7%	-5.2%
Outst. Stock (m)	25.0	ADTV 1M		PLN 0.2m
MC (PLN m)	1,697.9	ADTV 6M		PLN 0.4m
EV (PLN m)	1,779.4	EV/EBITDA 12M fwd	6.4	-39.7%
Free Float	24.8%	EV/EBITDA 5Y avg	10.7	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	13.4	8.9	7.1	7.4	6.6
P/B	1.8	1.7	1.6	1.6	1.6
EV/EBITDA	10.0	7.2	5.8	6.3	6.0
DPS	3.25	5.05	7.60	9.50	9.15
DYield	4.8%	7.4%	11.2%	14.0%	13.5%
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
<b>SG&amp;A/Sales</b>	<b>9.3%</b>	<b>9.9%</b>	<b>9.0%</b>	<b>9.5%</b>	<b>8.9%</b>
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
<b>Net debt/Equity</b>	<b>-6%</b>	<b>6%</b>	<b>8%</b>	<b>15%</b>	<b>28%</b>
Inventory	1,508	1,989	2,050	2,152	2,253
<b>Inventory/Sales</b>	<b>131%</b>	<b>142%</b>	<b>117%</b>	<b>126%</b>	<b>120%</b>
Earnest money deposits	349	568	615	645	563
<b>Deposits/Inventory</b>	<b>23%</b>	<b>29%</b>	<b>30%</b>	<b>30%</b>	<b>25%</b>
Equity	930	1,002	1,057	1,048	1,077
<b>ROE</b>	<b>14.2%</b>	<b>20.5%</b>	<b>24.0%</b>	<b>21.6%</b>	<b>24.6%</b>

### Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>265</b>	<b>198</b>	<b>152</b>	<b>175</b>	<b>94</b>
D&A	5	7	9	9	9
Working capital	106	-9	-71	-65	-177
<b>Investing cash flow</b>	<b>-6</b>	<b>-213</b>	<b>-8</b>	<b>0</b>	<b>11</b>
CAPEX	-6	-8	-8	-9	-9
<b>Financing cash flow</b>	<b>-67</b>	<b>-120</b>	<b>-288</b>	<b>-100</b>	<b>-233</b>
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
<b>NOPLAT</b>	<b>243</b>	<b>231</b>	<b>262</b>	<b>188</b>	<b>190</b>	<b>193</b>	<b>196</b>	<b>200</b>	<b>204</b>	<b>208</b>	<b>213</b>
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
<b>FCF</b>	<b>172</b>	<b>166</b>	<b>84</b>	<b>118</b>	<b>91</b>	<b>181</b>	<b>191</b>	<b>195</b>	<b>199</b>	<b>203</b>	<b>208</b>
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%

### 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%
<b>9M Target Price*</b>		<b>87.80</b>



## Echo Investment buy (no change)

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Echo's share price registered little movement in September, trading within the PLN 4.20-4.50 range since June despite delivering a positive surprise with 2018 Q2 results. The beat was achieved thanks to recurring performance, with the residential business generating strong sales margins and the commercial business registering upward adjustments to fair investment property values. The cumulative net profit for H1 2018 represents only 42% of our FY forecast, but we stand by our expectations for the year. Keep in mind that Echo sold three office buildings this year which, combined, 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 special dividends 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

4.33 PLN

Upside

### 9M Target Price

5.63 PLN

+30.0%

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

Key Metrics			ECH PW	vs. WIG
Ticker	ECH PW	1M Price Chng	-0.5%	+1.2%
ISIN	PLECHPS00019	YTD Price Chng	+6.9%	+14.4%
Outst. Stock (m)	412.7	ADTV 1M		PLN 0.2m
MC (PLN m)	1,787.0	ADTV 6M		PLN 0.3m
EV (PLN m)	2,824.0	EV/EBITDA 12M fwd	12.1	-21.3%
Free Float	14.4%	EV/EBITDA 5Y avg	15.3	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	480.1	621.9	524.3	737.9	826.0
Gross profit	216.8	149.4	122.7	173.6	188.5
Gross margin	45.2%	24.0%	23.4%	23.5%	22.8%
EBIT ex. FV adj.	56.4	41.3	2.5	51.1	63.6
FV adjustment	555.2	233.5	399.3	336.1	253.1
Net income	393.3	312.2	302.9	328.3	266.0
P/E	4.5	5.7	5.9	5.4	6.7
P/B	1.2	1.1	1.1	1.0	1.0
EV/EBITDA	3.5	9.6	7.0	7.2	8.7
DPS	5.96	0.66	0.50	0.51	0.56
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
<b>Revenue</b>	<b>480</b>	<b>622</b>	<b>524</b>	<b>738</b>	<b>826</b>
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
<b>Net debt/Equity</b>	<b>23%</b>	<b>55%</b>	<b>62%</b>	<b>57%</b>	<b>54%</b>
Inventory	656	682	746	810	912
Investment properties (IP)	785	1,287	1,738	1,798	1,798
<b>LTV</b>	<b>24%</b>	<b>45%</b>	<b>42%</b>	<b>39%</b>	<b>37%</b>
<b>FV adj./IP</b>	<b>38.0%</b>	<b>29.8%</b>	<b>31.0%</b>	<b>19.3%</b>	<b>14.1%</b>
Equity	1,528	1,588	1,684	1,801	1,837
<b>ROE</b>	<b>10.7%</b>	<b>20.4%</b>	<b>19.1%</b>	<b>19.5%</b>	<b>14.8%</b>

### Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>140</b>	<b>-276</b>	<b>-112</b>	<b>-75</b>	<b>-59</b>
Working capital	177	-168	-56	-71	-81
<b>Investing cash flow</b>	<b>2,377</b>	<b>-46</b>	<b>222</b>	<b>363</b>	<b>379</b>
IP purchases	-848	-524	-720	-824	-377
IP sales	3,513	509	944	1,189	630
<b>Financing cash flow</b>	<b>-2,702</b>	<b>362</b>	<b>-150</b>	<b>-251</b>	<b>-393</b>
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
<b>NOPLAT</b>	<b>325</b>	<b>314</b>	<b>256</b>	<b>194</b>	<b>198</b>	<b>202</b>	<b>206</b>	<b>210</b>	<b>215</b>	<b>219</b>	<b>223</b>
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
<b>FCF</b>	<b>93</b>	<b>271</b>	<b>303</b>	<b>187</b>	<b>193</b>	<b>502</b>	<b>201</b>	<b>205</b>	<b>209</b>	<b>213</b>	<b>218</b>
PV FCF	89	241	251	145	139	338	126	120	114	109	
WACC	7.1%	7.1%	7.1%	7.1%	7.1%	7.2%	7.2%	7.3%	7.3%	7.3%	7.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

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

### Valuation Summary

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

## GTC hold (no change)

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GTC did not make any value-changing announcements in September, and the August earnings report for Q2 showed operating and net profit figures 3% on average above market expectations. The aggregate figures for the first half of the year fulfilled 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 this year 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**

8.25 PLN

**Upside**

**9M Target Price**

9.60 PLN

**+16.4%**

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

Key Metrics			GTC PW	vs. WIG
Ticker	GTC PW	1M Price Chng	-11.1%	-9.4%
ISIN	PLGTC0000037	YTD Price Chng	-12.9%	-5.4%
Outst. Stock (m)	470.3	ADTV 1M		PLN 0.8m
MC (PLN m)	3,880.0	ADTV 6M		PLN 1.1m
EV (PLN m)	8,262.2	EV/EBITDA 12M fwd	13.5	-5.8%
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	5.6	5.8	9.9	8.6	7.5
P/B	1.1	1.0	0.9	0.9	0.8
EV/EBITDA	10.5	8.1	14.4	13.6	12.3
DPS	0.00	0.07	0.08	0.08	0.10
DYield	0.0%	3.4%	4.1%	4.4%	5.0%
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
<b>NOI</b>	<b>86</b>	<b>91</b>	<b>111</b>	<b>125</b>	<b>139</b>
YoY pct. change	10.1%	4.7%	22.2%	13.1%	11.2%
<b>EBIT ex. FX adj.</b>	<b>71</b>	<b>77</b>	<b>93</b>	<b>105</b>	<b>119</b>
Financing costs	-28	-29	-29	-31	-35
<b>FFO</b>	<b>42</b>	<b>47</b>	<b>56</b>	<b>65</b>	<b>74</b>
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
<b>Net debt/Equity</b>	<b>91%</b>	<b>89%</b>	<b>99%</b>	<b>104%</b>	<b>104%</b>
Investment properties IP	1,605	1,937	2,148	2,342	2,493
<b>LTV</b>	<b>44%</b>	<b>43%</b>	<b>45%</b>	<b>47%</b>	<b>47%</b>
<b>FV adj./IP</b>	<b>6.6%</b>	<b>9.3%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.3%</b>
Equity	787	937	991	1,056	1,132
<b>ROE</b>	<b>24.7%</b>	<b>19.8%</b>	<b>9.7%</b>	<b>10.6%</b>	<b>11.5%</b>

### Cash Flow Summary

(EUR m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>73</b>	<b>81</b>	<b>85</b>	<b>97</b>	<b>109</b>
D&A	0	1	0	0	0
Working capital	6	7	0	0	0
<b>Investing cash flow</b>	<b>-232</b>	<b>-178</b>	<b>-164</b>	<b>-148</b>	<b>-96</b>
CAPEX	-261	-234	-170	-149	-98
<b>Financing cash flow</b>	<b>141</b>	<b>95</b>	<b>6</b>	<b>51</b>	<b>-36</b>
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
<b>Total assets</b>	<b>1,560</b>	<b>1,839</b>	<b>2,183</b>	<b>2,302</b>	<b>2,503</b>	<b>2,636</b>	<b>2,715</b>
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
<b>Total liabilities &amp; minority int.</b>	<b>917</b>	<b>1,052</b>	<b>1,246</b>	<b>1,312</b>	<b>1,446</b>	<b>1,504</b>	<b>1,491</b>
<b>NAV</b>	<b>643</b>	<b>787</b>	<b>937</b>	<b>991</b>	<b>1,056</b>	<b>1,132</b>	<b>1,224</b>
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%
<b>9M Target Price</b>		<b>9.60</b>

## LC Corp buy (no change)

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Shares in LC Corp over the last few weeks rebounded from early September lows, driven by strong 2018 Q2 financials, supported by high profits generated on a high residential closings volume, resulting in a sales margin of 35.6%, the highest in the sector. LC Corp achieved 70% of our FY2018 net profit estimate in the first half of the year. We expect the Company to continue profit growth in 2019 and 2020, though the latter forecast carries downside risk stemming from a low inventory of flats in the pipeline. Even flat growth two years out, however, is an attractive proposition from the point of view of shareholders. A potential upside catalyst within LC Corp's commercial business is if the Company decides to sell some of its investment properties. We would look out for an announcement to this effect within the next six months, with the resulting inflow of net cash depending on how many assets are put up for sale falling in the range of PLN 120m to 600m (PLN 0.27-1.36 per share), equivalent to 11%-54% of market capitalization, money which could be used to pay special dividends. We maintain a buy rating for LCC.

Current Price

2.48 PLN

Upside

9M Target Price

3.58 PLN

+44.4%

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

Key Metrics			LCC PW	vs. WIG
Ticker	LCC PW	1M Price Chng	+1.2%	+2.9%
ISIN	PLCCRP00017	YTD Price Chng	-1.2%	+6.3%
Outst. Stock (m)	447.6	ADTV 1M		PLN 4.9m
MC (PLN m)	1,109.9	ADTV 6M		PLN 2.4m
EV (PLN m)	1,988.3	P/E 12M fwd	5.8	-38.8%
Free Float	41.3%	P/E 5Y avg	9.5	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	547.0	706.2	795.3	870.5	937.1
Gross profit	207.9	260.8	287.6	309.7	326.6
Gross margin	38.0%	36.9%	36.2%	35.6%	34.9%
EBIT ex. FV adj.	169.6	208.6	237.3	257.3	272.6
FV adjustment	34.2	-119.3	15.3	19.3	0.0
Net income	113.1	80.2	186.1	202.5	198.8
Net income adj.	120.7	150.6	172.4	186.8	198.8
P/E	9.8	13.8	6.0	5.5	5.6
P/E adj.	9.2	7.4	6.4	5.9	5.6
P/B	0.8	0.8	0.7	0.7	0.7
DPS	0.18	0.07	0.24	0.29	0.31
DYield	7.3%	2.8%	9.7%	11.7%	12.6%
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

	P/BV			P/E		
	18P	19P	20P	18P	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 (no change)

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AmRest generated lower-than-expected EBITDA in Q2 2018 after impairment of restaurants turned out EUR 4.2m higher than anticipated at EUR 5.8m. The quarterly sales revenue increased 23.6% y/y to EUR 364.3m, 5.3% short of our estimate, representing a deceleration compared to the previous quarters. Adjusted for acquisitions, on a comparable basis revenue was up 11.9% y/y and EBITDA expanded 14.5%, with the EBITDA margin edging 0.3pp higher. In July AmRest continued its intense M&A activity with the acquisition of the Telepizza Polska pizza chain in Poland for ca. EUR 8m, and three acquisitions in Spain including the Sushi Shop Group (EUR 240m), the online food delivery startup Glovo (EUR 25m for a 10% stake), and the burger chain Bacoa (EUR 3.7m). Not including the EUR 240m payment for the Sushi Shop acquisition, the net debt/EBITDA ratio as of 30 June 2018 was 2.2x. AmRest plans to raise capital by EUR 70-100m in the near future, but the high leverage calls for a downscaling of M&A activity. The potential share issue at 4.6% max of current market capitalization is a source of near-term downside risk. EBITDA growth in Q3 2018 is expected to accelerate thanks to a lack of further impairment.

Current Price

449.50 PLN

Downside

9M Target Price

426.00 PLN

-5.2%

	rating	target price	issued
unchanged	hold	426.00 PLN	2018-09-03

Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	+3.1%	+4.7%
ISIN	NL0000474351	YTD Price Chng	+9.6%	+17.1%
Outst. Stock (m)	21.2	ADTV 1M		PLN 7.1m
MC (PLN m)	9,535.6	ADTV 6M		PLN 4.9m
EV (PLN m)	11,316.0	EV/EBITDA 12M fwd	12.4	+21.0%
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	50.0	52.3	47.4	37.2	28.6
P/B	7.3	7.3	6.3	5.4	5.2
EV/EBITDA	19.6	18.4	15.5	12.4	10.4
DPS	0.00	0.00	0.00	0.00	12.09
DYield	0.0%	0.0%	0.0%	0.0%	2.7%
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
<b>Operating cash flow</b>	<b>457</b>	<b>635</b>	<b>638</b>	<b>904</b>	<b>1,045</b>
D&A	271	330	431	557	634
Working capital	43	74	7	91	79
<b>Investing cash flow</b>	<b>-533</b>	<b>-980</b>	<b>-963</b>	<b>-960</b>	<b>-809</b>
CAPEX	-386	-527	-963	-960	-809
<b>Financing cash flow</b>	<b>66</b>	<b>588</b>	<b>-150</b>	<b>40</b>	<b>-197</b>
Dividends/Buyback	132	764	-150	40	60
FCF	-3	-458	-288	-27	266
FCF/EBITDA	-1%	-77%	-39%	-3%	24%
OCF/EBITDA	85%	106%	87%	98%	96%

#### Key Ratios

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

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	7.6	7.7	7.4	6.8	6.9	6.5
Maximum	49.3	32.9	28.2	18.7	18.1	17.3
Median	30.1	25.5	22.0	14.6	14.3	12.7
Weight	17%	17%	17%	17%	17%	17%

#### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/rest., (PLN k)	916	925	925	922	922	932	947	960	972	984	984
EBITDA margin	11.2%	11.8%	12.3%	12.8%	13.1%	12.6%	12.6%	12.7%	12.7%	12.7%	12.7%
Rest. count	1,939	2,254	2,536	2,795	3,028	3,206	3,378	3,545	3,708	3,869	3,869
Revenue	6,548	7,754	8,859	9,834	10,740	11,620	12,468	13,296	14,108	14,905	14,905
EBITDA	731	919	1,092	1,259	1,403	1,462	1,574	1,683	1,790	1,895	1,895
EBITDA margin	11.2%	11.8%	12.3%	12.8%	13.1%	12.6%	12.6%	12.7%	12.7%	12.7%	12.7%
EBIT	300	361	458	591	718	788	926	1,042	1,149	1,253	1,253
Tax	63	76	96	124	151	165	194	219	241	263	263
CAPEX	-963	-960	-809	-766	-689	-558	-556	-641	-641	-641	-641
Working capital	7	91	79	69	61	57	53	49	46	43	43
FCF	-288	-27	266	437	624	796	876	872	954	1,033	1,054
PV FCF	-274	-23	217	329	434	511	519	477	480	479	
WACC	8.1%	8.1%	8.1%	8.1%	8.2%	8.3%	8.4%	8.5%	8.5%	8.6%	8.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

#### DCF Summary

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

#### Valuation Summary

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

## CCC buy (no change)

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CCC is set to report slow sales figures for September due to unfavorable weather and base effects, but store traffic is sure to shift to October as the temperatures gets colder. CCC generated lower-than-expected EBITDA in Q2 2018 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 Voegele 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 484m of cash freed up from working capital. 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 Voegele.

### Current Price

220.00 PLN

Upside

### 9M Target Price

295.00 PLN

+34.1%

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

Key Metrics	CCC PW	CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	-1.2% +0.4%
ISIN	PLCCC0000016	YTD Price Chng	-22.2% -14.7%
Outst. Stock (m)	41.1	ADTV 1M	PLN 25.6m
MC (PLN m)	9,047.9	ADTV 6M	PLN 26.4m
EV (PLN m)	9,617.4	EV/EBITDA 12M fwd	13.1 -17.2%
Free Float	59.4%	EV/EBITDA 5Y avg	15.9 discount

### Earnings Projections

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,185	4,193	5,223	6,755	8,319
EBITDA	443	498	588	845	1,072
EBITDA margin	13.9%	11.9%	11.3%	12.5%	12.9%
EBIT	374	405	480	725	943
Net income	306	279	315	532	715
P/E	28.1	32.4	28.8	17.0	12.7
P/B	9.4	8.2	6.7	5.0	3.7
EV/EBITDA	21.0	19.1	16.3	11.4	8.8
DPS	2.19	2.47	1.40	1.87	0.00
DYield	1.0%	1.1%	0.6%	0.8%	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%
<b>Operating cash flow</b>	<b>175</b>	<b>78</b>	<b>218</b>	<b>353</b>	<b>527</b>
D&A	70	93	108	119	129
Working capital	-273	-588	-265	-367	-377
<b>Investing cash flow</b>	<b>-362</b>	<b>-212</b>	<b>-196</b>	<b>-194</b>	<b>-203</b>
CAPEX	-382	-245	-196	-194	-203
<b>Financing cash flow</b>	<b>5</b>	<b>-11</b>	<b>-250</b>	<b>-121</b>	<b>-88</b>
Dividends/Buyback	86	101	58	77	77
FCF	-282	-164	15	7	150
FCF/EBITDA	-64%	-33%	3%	1%	14%
OCF/EBITDA	39%	16%	37%	42%	49%

### Key Ratios

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

### Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	53.0	42.4	33.0	24.5	18.2	14.2
Maximum	74.9	57.2	45.8	41.5	26.2	20.4
Median	72.5	52.4	40.8	32.3	23.6	17.9
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	683	701	710	721	733	729	726	722	738	773	0
SG&A/sqm (PLN)	274	276	277	280	286	289	289	286	292	306	0
Sales area (k sqm)	575	664	745	825	903	986	1,073	1,167	1,193	1,218	0
Revenue	4,336	5,211	6,002	6,790	7,597	8,261	8,967	9,705	10,445	11,183	11,183
EBITDA	512	648	778	908	1,025	1,113	1,228	1,338	1,429	1,511	1,515
EBITDA margin	11.8%	12.4%	13.0%	13.4%	13.5%	13.5%	13.7%	13.8%	13.7%	13.5%	13.6%
EBIT	407	532	652	772	878	907	989	1,107	1,213	1,302	1,302
Tax	77	101	124	147	167	172	188	210	230	247	0
CAPEX	193	191	200	219	236	850	304	105	118	214	214
Working capital	229	353	307	402	362	269	288	299	309	319	319
FCF	15	7	150	143	264	-174	452	728	776	735	757
PV FCF	14	6	119	104	177	-107	255	378	369	321	
WACC	8.8%	8.8%	8.9%	9.0%	8.7%	8.7%	9.0%	9.0%	9.0%	9.0%	9.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	3.0%
PV FCF	7,143
Net debt	521
Other adjustments	4,751
Value per share (PLN)	276.56

### Valuation Summary

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

## 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. LfL growth in the period from Q3'18 to Q1'19 might register slower rates due to negative base effects.

### Current Price

99.60 PLN

Upside

### 9M Target Price

103.50 PLN

+3.9%

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

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	-0.6%	+1.1%
ISIN	PLDINPL00011	YTD Price Chng	+26.4%	+33.9%
Outst. Stock (m)	98.0	ADTV 1M		PLN 18.9m
MC (PLN m)	9,764.8	ADTV 6M		PLN 20.1m
EV (PLN m)	10,308.8	EV/EBITDA 12M fwd	15.8	-1.2%
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	64.6	45.7	30.6	22.9	18.3
P/B	14.3	10.8	8.0	5.9	4.5
EV/EBITDA	36.5	26.3	19.0	14.6	11.6
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
<b>Operating cash flow</b>	<b>324</b>	<b>497</b>	<b>614</b>	<b>775</b>	<b>925</b>
D&A	65	86	113	141	171
Working capital	47	131	147	177	194
<b>Investing cash flow</b>	<b>-310</b>	<b>-402</b>	<b>-638</b>	<b>-652</b>	<b>-614</b>
CAPEX	-312	-411	-638	-652	-614
<b>Financing cash flow</b>	<b>18</b>	<b>41</b>	<b>-35</b>	<b>-131</b>	<b>-128</b>
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%
<b>9M Target Price</b>		<b>103.50</b>



## Eurocash buy (reiterated)

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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. We have adjusted our 2018-2020 yearly EBITDA forecasts for Eurocash slightly lower, in line with revised expectations for the retail business.

Current Price

18.08 PLN

Upside

9M Target Price

26.40 PLN

+46.0%

		rating	target price	issued
new		buy	26.40 PLN	2018-10-01
old		buy	30.70 PLN	2018-04-06
Key Metrics			EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-2.3%	-0.6%
ISIN	PLEURCH00011	YTD Price Chng	-29.8%	-22.3%
Outst. Stock (m)	139.2	ADTV 1M		PLN 5.2m
MC (PLN m)	2,516.1	ADTV 6M		PLN 5.5m
EV (PLN m)	3,118.6	EV/EBITDA 12M fwd	6.8	-38.3%
Free Float	53.0%	EV/EBITDA 5Y avq	11.0	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	21,206	22,111	24,468	26,954	27,544
EBITDA	440	246	402	449	492
EBITDA margin	2.1%	1.1%	1.6%	1.7%	1.8%
EBIT	274	63	211	240	282
Net income	179	-33	103	138	191
P/E	14.0	-	24.4	18.2	13.2
P/B	2.2	2.4	2.5	2.3	2.0
EV/EBITDA	6.6	12.0	7.8	6.4	5.4
DPS	1.05	0.80	0.73	0.75	0.75
DYield	5.8%	4.4%	4.0%	4.1%	4.1%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			-6.4%	-4.9%	-4.9%
Net income			-22.3%	-19.5%	-19.4%
Independent Wholesale (EBITDA)			n.a.	n.a.	n.a.
Integrated Wholesale (EBITDA)			n.a.	n.a.	n.a.
Retail (EBITDA)			n.a.	n.a.	n.a.

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Independent Wholesale (S)	13,886	14,460	14,749	14,454	14,021
Integrated Wholesale (S)	7,766	8,065	8,468	8,638	8,811
Retail (S)	976	2,273	2,500	3,240	3,467
New Projects (S)	80.6	557.3	803.1	883.4	1015.9
New Projects (EBITDA)	-41	-49	-38	-23	1
<b>Operating cash flow</b>	<b>325</b>	<b>494</b>	<b>456</b>	<b>533</b>	<b>479</b>
D&A	166	183	190	209	210
Working capital	-99	247	117	128	41
<b>Investing cash flow</b>	<b>-270</b>	<b>-336</b>	<b>-470</b>	<b>-173</b>	<b>-175</b>
CAPEX	-136	-162	-172	-173	-175
<b>Financing cash flow</b>	<b>22</b>	<b>-117</b>	<b>-103</b>	<b>-61</b>	<b>-142</b>
Dividends/Buyback	-146	-111	-102	-104	-104
FCF	98	361	-27	316	283
FCF/EBITDA	22%	146%	-7%	70%	58%
OCF/EBITDA	74%	200%	114%	119%	97%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Ind. Whsl. (EBITDA)	211	208	202	189	184	178	173	168	163	158	158
Int. Whsl. (EBITDA)	303	318	324	334	344	354	365	376	387	399	399
Retail (EBITDA)	41	49	70	95	100	104	108	113	117	122	122
Revenue	24,468	26,954	27,544	28,129	28,778	29,472	30,215	31,012	31,480	32,404	32,404
EBITDA	402	449	492	527	532	527	522	517	511	505	505
EBITDA margin	1.64%	1.67%	1.79%	1.87%	1.85%	1.79%	1.73%	1.67%	1.62%	1.56%	1.56%
EBIT	194	222	264	298	302	296	291	284	278	291	291
Tax	476	68	56	58	58	56	55	54	53	55	55
CAPEX	-172	-173	-175	-177	-178	-180	-182	-184	-214	-214	-214
Working capital	-236	-126	-40	-41	-44	-47	-50	-53	-39	-61	-61
FCF	-27	316	283	315	322	319	316	314	264	297	297
PV FCF	-27	287	239	246	234	215	198	182	142	148	
WACC	7.8%	7.8%	7.8%	7.8%	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%

### Key Ratios

	2016	2017P	2018P	2019P	2020P
Days inventory	21.1	24.7	24.6	24.5	24.5
Days receivables	30.1	27.8	27.6	27.4	27.2
Days payables	66.9	73.7	73.3	73.3	73.3
CCC (days)	-15.8	-21.3	-21.2	-21.4	-21.6
SG&A/Sales	9%	10%	10%	10%	10%
Net debt (PLN m)	324	370	546	348	185
Net debt/EBITDA (x)	0.7	1.5	1.4	0.8	0.4

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	11.5	9.5	8.3	5.8	5.1	4.6
Maximum	22.7	17.0	15.5	9.4	8.1	7.5
Median	16.1	12.8	11.0	6.9	6.3	5.8
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.5%
PV FCF	4,237
Net debt	370
Other adjustments	64
Value per share (PLN)	27.33

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	21.21
DCF Val.	50%	27.33
Implied Price		24.88
Cost of equity (9M)		6.0%
<b>9M Target Price</b>		<b>26.40</b>

## 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. Biedronka supermarkets in Poland posted lfl contraction to 0.6% from 9.5% in Q2'17, but at the same time they maintained the EBITDA margin at a stable level. Start-up costs were reduced to EUR 21m from EUR 24m a year ago. An improved sales-mix resulted in overall Q2 gross margin growth by 0.6pp, mitigating rising costs. 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. Jeronimo's Polish employees filed a demand for grievance negotiations in August, citing understaffing, long hours, and unclear bonus rules.

**Current Price**

12.69 EUR

**Upside**

**9M Target Price**

15.20 EUR

**+19.8%**

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

Key Metrics			JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-0.4%	+1.3%
ISIN	PTJMT0AE0001	YTD Price Chng	-18.6%	-11.1%
Outst. Stock (m)	629.3	ADTV 1M		EUR 9.3m
MC (EUR m)	7,982.6	ADTV 6M		EUR 13.2m
EV (EUR m)	8,143.3	EV/EBITDA 12M fwd	7.9	-18.8%
Free Float	-	EV/EBITDA 5Y avg	9.7	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	13.5	20.7	20.0	16.7	15.6
P/B	4.6	4.5	4.0	3.5	3.1
EV/EBITDA	9.2	8.7	8.6	7.4	6.6
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
<b>Operating cash flow</b>	<b>843</b>	<b>909</b>	<b>870</b>	<b>1,055</b>	<b>1,129</b>
D&A	326	345	370	412	449
Working capital	180	292	60	163	170
<b>Investing cash flow</b>	<b>-126</b>	<b>-658</b>	<b>-401</b>	<b>-764</b>	<b>-530</b>
CAPEX	-433	-662	-752	-764	-530
<b>Financing cash flow</b>	<b>-504</b>	<b>-229</b>	<b>-484</b>	<b>-200</b>	<b>-240</b>
Dividends/Buyback	177	435	193	200	240
FCF	515	397	111	315	624
FCF/EBITDA	60%	43%	12%	29%	53%
OCF/EBITDA	98%	99%	91%	97%	96%

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
Gross profit margin	21.3%	21.2%	21.5%	21.5%	21.5%
SG&A/Sales	17.4%	17.6%	18.1%	17.8%	17.8%
Y/Y sales/sqm, Biedr.	2.7%	9.6%	2.2%	3.3%	1.9%
Y/Y sales/sqm, P. Doce	1.0%	0.5%	1.5%	0.1%	0.3%
Y/Y sales/sqm, Recheio	5.0%	5.0%	0.8%	3.6%	0.2%
Net debt (EUR m)	-304	-372	-53	-143	-503
Net debt/EBITDA (x)	-0.4	-0.4	-0.1	-0.1	-0.4

### Relative Valuation Summary

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

### DCF Analysis

(EUR m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Biedronka stores	2,870	2,946	3,022	3,062	3,102	3,142	3,182	3,222	3,262	3,302	3,302
Pingo Doce stores	427	427	427	427	427	427	427	427	427	427	427
Ara stores	534	774	1,034	1,194	1,354	1,514	1,634	1,714	1,754	1,794	1,794
Revenue	17,242	18,377	19,563	20,340	20,953	21,515	22,039	22,501	22,900	23,276	23,276
EBITDA	952	1,093	1,172	1,233	1,280	1,306	1,330	1,354	1,376	1,397	1,397
EBITDA margin	5.5%	5.9%	6.0%	6.1%	6.1%	6.1%	6.0%	6.0%	6.0%	6.0%	6.0%
EBIT	582	681	723	769	804	820	838	859	875	883	883
Tax	149	177	188	200	209	214	218	224	228	230	230
CAPEX	-752	-764	-530	-470	-466	-462	-427	-391	-501	-514	-514
Working capital	60	163	170	112	88	81	76	67	58	54	54
FCF	111	315	624	675	693	711	761	805	704	707	720
PV FCF	107	281	515	514	487	462	456	446	360	334	
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	1.8%
PV FCF	9,131
Net debt	-372
Other adjustments	225
Value per share (EUR)	14.74

### Valuation Summary

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

## LPP buy (upgraded)

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LPP is set to report slow sales figures for September due to unfavorable weather and base effects, with implications for 2018 Q3 results, a preview of which is set to be released in early October. With that said, the fourth quarter is expected to bring a major rebound in sales of the 2018 autumn/winter collections, supporting expansion in the sales margin. Going back to the second quarter, EBIT in the period 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). Our 2017-2020 EBITDA CAGR projection is 22%. We upgrade LPP to buy.

### Current Price

8,625.00 PLN

Upside

### 9M Target Price

10,200.00 PLN

+18.3%

		rating	target price	issued
new		buy	10,200.00 PLN	2018-10-01
old		accumulate	10,200.00 PLN	2018-06-18
Key Metrics			LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	-3.5%	-1.8%
ISIN	PLLPP0000011	YTD Price Chng	-2.8%	+4.7%
Outst. Stock (m)	1.9	ADTV 1M		PLN 42.8m
MC (PLN m)	15,977.1	ADTV 6M		PLN 24.0m
EV (PLN m)	15,262.4	EV/EBITDA 12M fwd	12.4	-15.6%
Free Float	69.5%	EV/EBITDA 5Y avq	14.7	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	90.6	36.2	24.3	19.9	16.8
P/B	7.4	6.5	5.3	4.3	3.5
EV/EBITDA	32.3	18.0	13.2	10.9	9.0
DPS	32.66	35.71	36.03	53.84	65.63
DYield	0.4%	0.4%	0.4%	0.6%	0.8%
<b>Projection Update (% change)</b>		<b>2018P</b>	<b>2019P</b>	<b>2020P</b>	
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%
<b>Operating cash flow</b>	<b>718</b>	<b>893</b>	<b>982</b>	<b>1,094</b>	<b>1,271</b>
D&A	267	293	324	366	412
Working capital	256	101	40	-74	-91
<b>Investing cash flow</b>	<b>-181</b>	<b>-384</b>	<b>-517</b>	<b>-583</b>	<b>-596</b>
CAPEX	-272	-442	-519	-583	-596
<b>Financing cash flow</b>	<b>-394</b>	<b>-360</b>	<b>-87</b>	<b>-301</b>	<b>-112</b>
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%
<b>9M Target Price</b>		<b>10,200</b>

## TXM buy (no change)

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TXM reported EBITDA of PLN 2.3m in Q2 2018, a big improvement relative to a year-ago operating loss of PLN 1.7m, achieved thanks to a 1.6pp rebound in gross margin and good cost discipline, with operating costs reduced by PLN 3m y/y. Streamlining initiatives brought per-sqm SG&A down by 8.9% y/y in Q2 even as marketing expenses increased. The outlook for third-quarter financials is marred by slow sales, with store traffic in September curbed by warm weather. TXM raised PLN 31.9m in August via equity and debt issues, and used the proceeds to finance working capital, including by ensuring optimal inventory levels for the 2018 Q4 sales season. Accordingly, we anticipate a turnaround in sales in October. The August capital raise is factored into our current target price for TXM.

<b>Current Price</b>	0.63 PLN	<b>Upside</b>
<b>9M Target Price</b>	3.48 PLN	<b>+452.4%</b>

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

Key Metrics	TXM PW	TXM PW	vs. WIG
Ticker	TXM PW	1M Price Chng	-55.9%
ISIN	PLTXM0000015	YTD Price Chng	-73.8%
Outst. Stock (m)	44.9	ADTV 1M	PLN 0.05m
MC (PLN m)	28.3	ADTV 6M	PLN 0.03m
EV (PLN m)	73.2	EV/EBITDA 12M fwd	3.6
Free Float	21.4%	EV/EBITDA 5Y avg	5.2 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	1.4	-	-	2.1	1.2
P/B	0.3	0.4	0.6	0.5	0.3
EV/EBITDA	1.9	-	12.5	3.0	1.9
DPS	0.15	0.00	0.00	0.09	0.14
DYield	23.0%	0.0%	0.0%	14.9%	22.0%
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%
<b>Operating cash flow</b>	<b>3</b>	<b>47</b>	<b>157</b>	<b>223</b>	<b>258</b>
D&A	6	6	6	7	7
Working capital	13	18	-4	-6	-4
<b>Investing cash flow</b>	<b>-33</b>	<b>-19</b>	<b>-13</b>	<b>-10</b>	<b>-9</b>
CAPEX	-28	-19	-13	-10	-9
<b>Financing cash flow</b>	<b>-6</b>	<b>28</b>	<b>3</b>	<b>-9</b>	<b>-8</b>
Dividends/Buyback	-7	0	0	-5	-7
FCF	6	-25	-10	7	14
FCF/EBITDA	27%	104%	-175%	30%	43%
OCF/EBITDA	170%	40%	72%	72%	72%

### Key Metrics

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

### Relative Valuation Summary

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

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	314	342	351	354	354	355	349	345	344	343	343
SG&A/sqm (PLN)	141	132	134	133	134	135	135	134	133	132	132
Salea area (k sqm)	424	441	458	475	492	509	526	543	560	577	577
Revenue	409	465	499	525	547	570	583	598	617	636	648
EBITDA	6	24	32	33	33	36	35	35	38	38	38
EBITDA margin	1.4%	5.1%	6.4%	6.3%	6.1%	6.3%	6.1%	5.9%	6.1%	6.0%	5.9%
EBIT	-1	17	24	26	25	28	27	27	29	30	30
Tax	-1	1	5	5	5	5	5	5	5	6	6
CAPEX	-13	-10	-9	-14	-9	-9	-9	-9	-9	-8	-8
Working capital	4	6	4	3	3	3	2	2	3	2	2
FCF	-10	7	14	11	17	19	20	19	21	23	23
PV FCF	-10	6	12	9	12	13	12	11	10	10	
WACC	3.6%	7.2%	7.5%	7.8%	8.3%	8.9%	9.5%	9.5%	9.5%	9.5%	9.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.2
FCF perp. growth rate	2.0%
PV FCF	228
Net debt	42
Other adjustments	0
Value per share (PLN)	3.85

### Valuation Summary

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

## Other PBKM buy (upgraded)

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PBK stock fell nearly 20% in the last two months 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 2018 (6.8% ex. M&A costs). Additional pressure was exerted by intense competition in the Spanish market and stoppages in Turkey. With our confidence as to our 2018 FY earnings expectations for PBKM undermined by the weak second quarter, we have adjusted the EBITDA estimate 15% lower from PLN 50.7m to PLN 42.9m. After further adjusting for the recent acquisition of the Portuguese Stemlab, we have raised the 2019 revenue estimate by PLN 26m, but we left the recurring EBITDA target intact. Further, we assume the deal will add PLN 3.5m to 2019E FCF. Due to sparse information provided, compared to PBKM's ambitious assumptions as to revenue synergies, we take a conservative approach in estimating Stemlab's earnings potential, with 2019 EBITDA forecast at EUR 1.4m vs. a guidance of EUR 2.1m for 2018 clean cash EBITDA given in the merger announcement. After revisions, we issue an updated price target for BKM of PLN 66.40, implying 15% upside potential and an upgraded buy rating.

### 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	208.3
<b>Revenue</b>	<b>128.3</b>	<b>147.1</b>	<b>153.0</b>	<b>190.4</b>	<b>201.6</b>
COGS	50.2	56.2	60.9	91.6	95.7
<b>Gross profit</b>	<b>78.1</b>	<b>90.9</b>	<b>92.0</b>	<b>98.8</b>	<b>105.9</b>
margin	60.9%	61.8%	60.2%	51.9%	52.5%
Selling expenses	28.0	31.4	33.8	35.6	37.1
G&A expenses	20.5	20.5	21.3	22.4	24.5
Other oper. activity	0.4	2.2	0.4	0.0	0.0
<b>EBIT</b>	<b>29.9</b>	<b>41.2</b>	<b>37.3</b>	<b>40.8</b>	<b>44.3</b>
D&A	4.1	4.8	5.6	6.0	6.2
<b>EBITDA</b>	<b>34.1</b>	<b>46.0</b>	<b>42.9</b>	<b>46.8</b>	<b>50.5</b>
margin	26.6%	31.3%	28.0%	24.6%	25.0%
<b>Net income</b>	<b>22.3</b>	<b>30.7</b>	<b>33.6</b>	<b>35.7</b>	<b>38.8</b>

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
<b>Cash EBIT</b>	<b>23.0</b>	<b>29.4</b>	<b>33.9</b>	<b>34.7</b>	<b>35.4</b>	<b>36.2</b>	<b>37.0</b>	<b>37.9</b>	<b>38.7</b>	<b>39.6</b>	<b>40.6</b>
EBIT tax	2.7	2.8	3.5	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.2
NOPLAT	20.3	26.6	30.4	31.1	31.8	32.5	33.2	33.9	34.7	35.5	36.4
D&A	5.6	6.0	6.2	6.7	6.8	7.0	7.1	7.3	7.4	7.6	7.8
CAPEX	-85.5	-10.6	-11.1	-9.9	-9.6	-9.4	-9.2	-8.9	-8.7	-7.6	-7.8
Working capital	-4.5	-5.6	-4.6	-4.7	-4.8	-4.9	-5.1	-5.2	-5.3	-5.4	-5.5
<b>FCF</b>	<b>-64.2</b>	<b>16.3</b>	<b>20.9</b>	<b>23.1</b>	<b>24.1</b>	<b>25.1</b>	<b>26.1</b>	<b>27.1</b>	<b>28.1</b>	<b>30.1</b>	<b>30.8</b>
PV FCF	-62.6	14.8	17.4	17.9	17.2	16.5	15.8	15.1	14.4	14.2	
WACC	7.9%	7.9%	8.1%	8.2%	8.4%	8.5%	8.6%	8.6%	8.6%	8.6%	8.6%
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	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
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)	17P	18P	19P	20P	21P	22P	23P	24P	25P	26P	+
Dividends	9.0	4.3	4.3	6.4	9.6	14.4	17.3	20.8	22.8	24.8	25.4
PV of dividends	8.5	3.8	3.5	4.9	6.8	9.3	10.3	11.4	11.6	189.7	
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-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Current Price

57.80 PLN

Upside

### 9M Target Price

66.40 PLN

+14.9%

	rating	target price	issued
new	buy	66.40 PLN	2018-10-01
old	hold	76.26 PLN	2018-06-06
<b>Key Metrics</b>			
Ticker	BKM PW	1M Price Chng	-21.9%
ISIN	PLPBKM000012	YTD Price Chng	-16.4%
Outst. Stock (m)	5.0	ADTV 1M	PLN 1.0m
MC (PLN m)	287.3	ADTV 6M	PLN 0.7m
EV (PLN m)	354.7	EV/EBITDA 12M fwd	5.0
Free Float	48.8%	EV/EBITDA 5Y avg	6.1

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	128.3	147.1	153.0	190.4	201.6
EBITDA	34.1	46.0	42.9	46.8	50.5
EBITDA margin	26.6%	31.3%	28.0%	24.6%	25.0%
EBIT	29.9	41.2	37.3	40.8	44.3
Net income	22.3	30.7	25.5	26.8	29.3
P/E	12.9	9.4	11.3	10.7	9.8
P/B	5.2	3.7	2.7	2.1	1.7
EV/EBITDA	8.5	6.2	8.3	7.4	6.6
DPS	1.41	1.72	0.86	0.86	0.86
DYield	2.4%	3.0%	1.5%	1.5%	1.5%
<b>Projection Update (% change)</b>					
Revenue			-5.0%	+9.8%	+8.9%
EBITDA			-15.5%	-15.4%	-15.6%
EBIT			-17.7%	-18.0%	-18.2%
Net income			-1.0%	-4.5%	-4.3%

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>13.9</b>	<b>19.7</b>	<b>21.4</b>	<b>27.0</b>	<b>32.0</b>
OCF/EBITDA	41%	43%	50%	58%	63%
<b>CAPEX</b>	<b>-9.4</b>	<b>-6.5</b>	<b>-85.5</b>	<b>-10.6</b>	<b>-11.1</b>
Assets	163.6	189.9	304.1	347.8	393.4
Equity	55.7	77.9	107.1	138.6	173.2
<b>Net debt</b>	<b>-0.4</b>	<b>-4.3</b>	<b>66.4</b>	<b>58.3</b>	<b>45.6</b>
Net debt/EBITDA (x)	0.0	-0.1	1.5	1.2	0.9

### Relative Valuation Summary

	EV / EBITDA			FCF / EV		
	18P	19P	20P	18P	19P	20P
Minimum	0.0	0.0	0.0	849.9%	823.5%	770.6%
Maximum	0.1	0.1	0.1	1748.6%	1456.8%	1303.8%
Median	0.0	0.0	0.1	1029.6%	937.6%	880.5%
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	326.0
Net debt & other adj.	-1.3
Value per share (PLN)	65.84

### DDM Summary

(PLN)	
Beta	1.0
DIV growth rate in perp.	2.5%
Value Per Share (PLN)	52.07

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	67.52
DDM	33%	52.06
DCF	33%	67.62
Implied Price		62.40
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>66.40</b>

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

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

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

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

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



## Comparable Companies Used In Relative Valuation Models

<b>Agora</b>	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
<b>AmRest</b>	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Panera Bread, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
<b>Asseco Poland</b>	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG, Tieto
<b>Atal, Dom Development</b>	Archicom, Atal, Dom Development, i2 Development, JWC, LC Corp, Lokum Deweloper, Polnord, Ronson
<b>Budimex, Erbud, Unibep</b>	Budimex, Elektrobudowa, Elektrotim, Erbud, Herkules, Torpol, Trakcja, Ulma, Unibep, ZUE, Strabag, Porr, Hochtief, Bouygues, Salini, Astaldi, Mota Engil, Skanska, PEAB, NCC
<b>Capital Park, GTC</b>	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
<b>CCC</b>	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voox Net-a-Porter, Zalando
<b>CD Projekt</b>	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
<b>CEZ, Enea, Energa, PGE, Tauron</b>	CEZ, EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
<b>Ciech</b>	Akzo Nobel, BASF, Bayer, Ciner Resources, Dow Chemical, Huntsman, Soda Samayii, Solvay, Tata Chemicals, Tessenderlo Chemie, Tronox, Wacker Chemie
<b>Comarch</b>	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
<b>Cyfrowy Polsat</b>	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
<b>Dino</b>	Carrefour, Dixy Group, Emperia, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Echo Investment</b>	Archicom, Atal, Capital Park, Dom Development, GTC, JWC, LC Corp, Lokum Deweloper, P.A. Nova, PHN, Polnord, Ronson
<b>Elektrobudowa</b>	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
<b>Eurocash</b>	Carrefour, Dixy Group, Emperia, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Famur</b>	Atlas Copco, Caterpillar, Duro Felguera, Komatsu, Sandvik, Shanghai Chuangli, Tian Di
<b>Grupa Azoty</b>	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
<b>Jeronimo Martins</b>	Carrefour, Emperia, Eurocash, Magnit, Tesco, X5
<b>JSW</b>	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukit Asam, Henan Shenhua, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heima, China Coal, Shougang Fushan Resources, Cokal, Teck Resources
<b>Kernel</b>	Astarta, Anderssons, ADM, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland, Nisshin Oillio Group, Ovostar, Wilmar
<b>Kęty</b>	Alcoa, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Impexmetal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
<b>KGHM</b>	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
<b>LC Corp</b>	Archicom, Atal, Dom Development, Echo Investment, GTC, i2 Development, JWC, Lokum Deweloper, Polnord, Ronson
<b>Lotos, MOL</b>	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
<b>LPP</b>	CCC, Gerry Weber, H&M, Hugo Boss, IC Companys, Inditex, Kappahl, Marks & Spencer, Next, Tom Tailor
<b>Netia</b>	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
<b>Orange Polska</b>	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
<b>PGNiG</b>	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
<b>PKN Orlen</b>	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
<b>Play</b>	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
<b>Polwax</b>	Alexandria Mineral Oils, Calumet Specialty Products, Ciech, Fuchs Petrolub, H&R, Moresco, Sasol
<b>Skarbiec Holding</b>	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
<b>Stelmet</b>	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
<b>TXM</b>	Brown Group, Bytom, Citi Trends, Duluth, Express, Giordano, Monnari, Premier Inv, The Buckle, Vistula
<b>Wirtualna Polska</b>	eBay, Facebook, Google, Mail.ru, Priceline Group, Yahoo!, Yandex

## Recommendations Issued In the 12 Months Prior To This Publication

### Agora

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>accumulate</b>
Rating date	2018-09-14	2018-04-06	2018-01-26	2017-11-23	2017-10-02
Target price (PLN)	15.40	18.40	18.90	18.00	18.80
Price on rating day	8.48	14.50	13.15	15.20	17.10

### Ailleron

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>
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

<b>Rating</b>	<b>buy</b>	<b>accumulate</b>
Rating date	2018-02-01	2018-01-05
Target price (PLN)	109.00	90.00
Price on rating day	85.50	78.10

### Alumetal

<b>Rating</b>	<b>neutral</b>
Rating date	2018-08-23
Target price (PLN)	-
Price on rating day	51.00

### Amica

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
Rating date	2018-09-13	2018-06-06	2018-01-05
Target price (PLN)	-	-	-
Price on rating day	112.80	121.00	130.00

### AmRest

<b>Rating</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>hold</b>
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

<b>Rating</b>	<b>neutral</b>
Rating date	2018-02-28
Target price (PLN)	-
Price on rating day	24.00

### Archicom

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
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

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>
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

<b>Rating</b>	<b>accumulate</b>	<b>hold</b>	<b>reduce</b>	<b>reduce</b>	<b>hold</b>	<b>reduce</b>
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

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
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

<b>Rating</b>	<b>buy</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>
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

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
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

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

### Boryszew

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>
Rating date	2018-09-05	2017-11-30
Target price (PLN)	-	-
Price on rating day	6.25	9.85

### Budimex

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>buy</b>
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
Rating date	2018-05-23	2017-11-28
Target price (PLN)	-	-
Price on rating day	2.92	2.50

**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	accumulate	buy	hold	hold	buy	accumulate	accumulate
Rating date	2018-10-01	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-27	2017-11-03	2017-10-02
Target price (PLN)	180.50	166.50	166.50	166.50	180.00	205.00	185.00	195.00
Price on rating day	167.00	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	buy	hold	buy	buy
Rating date	2018-09-26	2018-06-06	2018-04-06	2018-02-02
Target price (PLN)	45.00	71.00	116.00	113.00
Price on rating day	32.80	69.00	96.40	81.20

**Elektrotim**

Rating	neutral	neutral	overweight	underweight
Rating date	2018-09-27	2018-05-28	2017-11-16	2017-10-24
Target price (PLN)	-	-	-	-
Price on rating day	4.20	5.80	7.61	9.76

**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

**Energia**

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	buy
Rating date	2018-10-01	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-10-02
Target price (PLN)	26.40	30.70	31.10	32.30	38.30	44.30
Price on rating day	18.08	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	2017-11-03
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

**Komercni Banka**

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

**Kruk**

Rating	buy	buy	buy
Rating date	2018-09-17	2018-02-02	2017-10-02
Target price (PLN)	292.77	300.94	340.17
Price on rating day	187.80	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
Rating date	2018-06-22	2018-04-06	2018-02-02
Target price (PLN)	3.58	3.50	3.74
Price on rating day	2.39	2.70	3.10

**Lokum Deweloper**

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

**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	buy	accumulate	hold	accumulate	accumulate	hold	hold	hold	hold
Rating date	2018-10-01	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	10200.00	9500.00	9500.00	9500.00	9400.00	9900.00	8200.00	8400.00
Price on rating day	8,625.00	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	neutral	underweight
Rating date	2018-10-01	2018-09-13	2018-06-22	2018-03-29
Target price (PLN)	-	-	-	-
Price on rating day	65.40	91.20	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
Rating date	2018-07-13	2018-05-23	2017-11-28
Target price (PLN)	-	-	-
Price on rating day	6.60	7.19	8.21

#### Netia

Rating	hold	reduce	sell	reduce
Rating date	2018-10-01	2018-06-06	2018-04-06	2018-02-02
Target price (PLN)	4.30	4.30	4.30	4.60
Price on rating day	4.50	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	buy	hold	hold	hold	hold	accumulate	accumulate
Rating date	2018-10-01	2018-06-06	2018-04-06	2018-02-02	2018-01-05	2017-12-01	2017-10-02
Target price (PLN)	66.40	76.26	76.83	76.00	71.00	71.00	66.30
Price on rating day	57.80	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	neutral	overweight	overweight	overweight
Rating date	2018-09-28	2018-08-08	2018-04-27	2017-11-08
Target price (PLN)	-	-	-	-
Price on rating day	36.45	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	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	7.73
Price on rating day	5.82	5.53	6.20	5.71	5.98	6.58	6.03	6.63	6.79	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	suspended	buy	buy	buy
Rating date	2018-09-14	2018-05-09	2018-02-02	2018-01-05
Target price (PLN)	-	16.69	18.80	20.56
Price on rating day	7.70	7.80	11.05	11.95

#### Pozbud

Rating	overweight	overweight
Rating date	2018-09-04	2017-11-13
Target price (PLN)	-	-
Price on rating day	3.57	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

**Santander Bank Polska**

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

**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	neutral
Rating date	2018-09-27	2018-05-28	2018-03-29	2018-02-02	2018-01-25	2017-11-27	2017-10-24
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	5.18	6.40	7.50	7.98	8.16	8.55	10.93

**Trakcja**

Rating	underweight	underweight	neutral	neutral	neutral	underweight	underweight
Rating date	2018-09-27	2018-05-18	2018-03-29	2018-02-02	2018-01-25	2017-11-27	2017-10-24
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	3.47	3.65	6.75	7.24	7.56	7.69	10.30

**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	neutral	underweight
Rating date	2018-09-27	2018-05-28	2018-03-29	2018-02-02	2018-01-25	2017-11-27
Target price (PLN)	-	-	-	-	-	-
Price on rating day	5.56	5.86	6.12	6.18	6.44	6.89

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