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# Monthly Market Outlook: November 2018

## Equity Market, Macroeconomics

### Equity Market

Macroeconomic and US corporate performance remains strong; recovery expected in Europe and China later this year; politics is a big question mark. After an awful October, we expect stock prices to rise by the year's end.

### Sector Outlook

#### Financials

Polish financial stocks suffered a steep, 11% drop in October, again moving in tandem with their Western European counterparts (-12%). We expect that the sentiment towards financial sector in Europe may improve with the publication of the EBA stress tests results. Meanwhile early 2018 third-quarter reports from rated banks thus far give us no reason to downgrade our views or to alter our bullish trading bias.

#### Chemicals

Correction in the prices of gas and CO<sub>2</sub> emission allowances may improve the sentiment towards Polish chemical companies and help the ailing stocks of ATT and CIE.

#### Oil & Gas

Having declined heavily for several weeks, refining margins are finally bouncing back thanks to the decreasing prices of crude oil. The trend may be beneficial to the stocks of PKN and LTS in the short term. In the medium term, we prefer companies exposed to the mining segment (ever growing pressure on refining and petrochemical margins).

#### Power Utilities

The sentiment towards the sector is improving slowly, mainly because of PGE, which is best exposed to margin hikes in the generation business. Enea's stocks are also noteworthy in this context. Having included higher energy prices in the model, we withdraw our negative recommendation regarding CEZ.

#### Telecoms, Media, IT

We expect an increase of IT stocks in November. ATD, ASE and CMR are our favourites. WPL's good results should boost sentiment towards the company. Improving sales results of Helios should translate into an increase in AGO's price. In telecommunication sector, PLY has a potential to grow, the outlook for OPL is also positive.

#### Industrials & Mining

The Q3 results should be good, but there are more and more signs of a possible slowdown (PMI) and a cost pressure (energy+wages) that are likely to materialise in H1'19. Numerous profit warnings have been issued in foreign markets. Automotive companies are losing momentum. In our opinion, AMC, FMF, KER and POZ should do best. We would avoid KTY. Mining companies benefit from possible trade deal between USD-China.

#### Construction

The dynamic rebound in BDX's stock price may not last long (the company's balance sheet structure in September did not give grounds for optimism). We expect the upward trend in debt to have continued in Q3. Bargain stocks: ERB, UNI and ELB.

#### Property Developers

The market overestimates the risk of a decrease in the results of the sector, which is currently priced at the median P/BV=0.6x and P/E'18-19=6.5x. We strongly prefer the leaders of the residential market - DOM, 1AT and LCC. ARH, LKD and ECH are also priced attractively.

#### Retail

Unfavourable weather conditions in October 2018 may reduce the positive influence of the low base on the results of apparel and footwear companies. We expect DNP, EUR and VST to report good results. Our preference in November is for the stocks of CCC, DNP, EUR, LPP, BTM and VST.

#### Key Ratings

**Positive:** 1AT, AGO, AMC, ASE, ATD, ATT, BTM, CCC, CIE, CMR, DOM, DNP, ENA, EUR, JSW, FMF, KOMB, KER, LCC, LPP, MOL, OPL, OTP, PEO, PGE, PLY, PGN, POZ, VST

**Negative:** KTY, LTS, PKN

EU Indices	Value	1M chng	YTD chng
WIG	56,322	-4.3%	-12%
ATX	3,191	-5.6%	-5%
BUX	37,155	-0.0%	-6%
PX	1,068	-2.9%	+3%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,198	-3.6%	-9%
mWIG40	3,869	-6.8%	-18%
sWIG80	11,040	-3.5%	-22%
Banking	7,441	-4.6%	-12%
Basic Materials	1,982	+3.1%	-30%
Chemicals	8,177	-14.2%	-47%
Clothes	2,338	+4.2%	-22%
Construction	3,568	+2.1%	-19%
Energy	2,093	+1.8%	+3%
Food	4,650	+1.3%	-3%
IT	2,024	-1.0%	-8%
Media	5,921	-12.4%	-21%
Oil & Gas	6,943	-4.8%	-3%
Real estate	3,540	+1.2%	-2%
Telecom	568	-5.9%	-24%
Top 5 / Worst 5		1M	YTD
Work Service	1.29	+79.2%	-69%
Budimex	124.00	+19.0%	-35%
Comp	64.00	+18.5%	+4%
Asbis	2.87	+17.1%	-4%
XTB	4.75	+14.2%	+6%
TXM	0.46	-30.3%	-81%
Torpol	3.46	-30.5%	-56%
Ursus	1.21	-35.6%	-70%
Forte	25.05	-41.9%	-50%
Braster	1.26	-49.4%	-82%

#### Rating & 9M TP Changes as of 5 Nov.

Name	Rating	9M TP
AmRest	accumulate ▲	41.20 PLN ▲
CCC	buy ►	272.00 PLN ▼
CEZ	hold ▲	518.72 CZK ▲
Ciech	buy ►	77.05 PLN ▼
Dino	buy ▲	103.50 PLN ►
Grupa Azoty	buy ▲	31.47 PLN ▼
ING BSK	buy ▲	200.00 PLN ►
Kernel	buy ►	60.85 PLN ▲
Millennium	hold ▲	8.40 PLN ►
MOL	accumulate ▼	3296.00 HUF ►
PGNiG	buy ►	7.72 PLN ▼
PKN Orlen	reduce ▲	81.38 PLN ►
PKO BP	buy ▲	47.00 PLN ►
PZU	buy ▲	47.50 PLN ►
Santander BP	buy ▲	400.00 PLN ►
Skarbiec Holding	buy ►	31.02 PLN ▼
Stelmet	hold ▼	7.72 PLN ▼

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## Investing Outlook

**Weakening macroeconomic statistics from Europe and China, disappointing performance of European companies, slow-down on the US real estate market and concerns whether consumption will remain strong (falling car sales), technology stock corrections, escalating trade wars (no agreement between the USA and China), the risks of the Italian budget and growing yields of European bonds, negative perception of the elections in Germany and the approaching Brexit are the key drivers of the falls on the global equity markets in October (DAX -6.5%, S&P500 -6.9%, NASDAQ -9.2%, Nikkei -9.1%, MSIA EM -X%), which was the worst month for stocks in many years (since 2011 for S&P500). Are the bears taking over? In our opinion, not just yet (we expect the indices to bounce back in November). In the USA, the macro and corporate performance has been and will in the coming months remain robust. In Europe, money supply has been growing steadily; combined with the expected recovery of car production, it should improve the macro statistics. The indices and valuations already discount the adverse scenario (DAX'19 P/E is 11.3x). In response to a weaker macro performance, China has taken steps to bolster the economy (expected recovery later this year). Politics remains an unpredictable driver of the markets, including the USA-China trade deal negotiations (G20 at the turn of December could be a breakthrough), the US elections, Brexit, and the EU/Italy agreement (mid-November).**

### USA: A slowdown?

While the US macroeconomic momentum remains solid, investors are increasingly looking for prospective negative trends in the current results. For example, the 3Q GDP reading of +3.5% modestly exceeded the expectations. However, analysts point to weaker consumption, which remains the key driver of growth (in view of very weak investments) and has probably moved beyond its peak momentum in the cycle. Good performance is likely to continue but the momentum is gone. Investors point to the interdependence between consumption and higher interest rates, as demonstrated by real estate figures. New home sales are at a two-year low; total home sales are falling for a sixth month in a row; the number of new development projects is down 5% MoM; the number of new construction permits is at an 18-month low. The real estate industry is not the only one to suggest that the cycle has entered a downtrend. Car sales dropped 4.7% YoY in September while total retail sales increased only 0.1% MoM.

As a result, the season of very strong corporate results in the USA supports the stock market but cannot fully offset all other bad news, as it did in the past. Corporate earnings are, indeed, very strong. Of 376 S&P500 companies which have already released their numbers, 84% report an increase of revenue and 87% an increase of EPS. The size of the growth is very robust: 8.9% for revenue and 25.5% for EPS. According to Evercore ISI, EPS growth (USD 167) will be 21% YoY in 4Q.

### Europe is slowing down, the automotive industry must bounce back

Economic performance in the eurozone continues to decline. The eurozone PMI fell from 53.2 points to 52.1 points, a 26-month low. To make matters worse, the new orders subindex dropped from 51.5 to 49.8 and stays under 50 points for the first time since late 2014. In line with the forward-looking indicators, the eurozone GDP grew only 0.2% QoQ in 3Q, the weakest growth in four years and less than the expected 0.4% QoQ.

The automotive sector is an important part of the European industry, especially in Germany. With new environmental standards, car production in Germany dropped 25% YoY in September (the sector accounts for 20% of total processing). According to estimates of our macroeconomists, had it not been for the drop in the car industry, Germany's GDP would have grown 0.4% QoQ rather than ca. 0% in 3Q. From another perspective, other things being equal, if car manufacturing goes back to normal (historical) figures in 4Q, GDP will grow 0.7-0.8% QoQ. This does not change the fact that other eurozone countries which are less dependent on the automotive industry are also reporting weaker industrial performance (France, Italy), which confirms that the problem is more common and affects demand for other products, as well. Another worry is that the weaker macro momentum coincides with a 7% growth of the M1 monetary base in the eurozone (Germany +6%, France +8%). Investors' expectations are focusing on automotive industry figures for October. Production is expected to recover, raising hopes of better macroeconomic numbers in 4Q, in particular growing new orders across the industry. However, Commerzbank analysts expect the car industry to go back to normal later than October (as corroborated by Automobile Association statistics).

Improved macro would give a break to European stock indices, which have for months discounted weaker corporate earnings and the economic slow-down. With downgraded forecasts, DAX'19 P/E has dropped as low as 11.3x.

### Political situation in the EU

Local parliamentary elections in Germany rekindled investors' concerns about political stability in Europe (similar to 2017). In the Bavarian elections, CSU lost 10.5 pps. (winning 37% of the vote) while SPD lost 10.9 pps. (9.7% of the vote). Eroding support for the coalition was confirmed by the elections in Hesse (CDU lost 11.3 pps, SPD lost 10.9 pps). As a result, Chancellor Merkel announced that she will not stand for re-election as party leader and is planning to step down as Chancellor after the end of the current term. The Italian budget remains an open question after the EU rejected the Italian government's plan and requested a new draft within three weeks. Moody's downgraded Italian debt to Baa3, a single rank below junk bonds (outlook stable). S&P reaffirmed the BBB rating but downgraded the outlook to negative. The markets reacted with a further increase of yields of Italian bonds (3.8%, the highest in more than four years) as well as German bonds (the highest in 5.5 years). Another hotspot are the sluggish EU/UK Brexit negotiations.

### China bolsters its economy and markets

After M1 money supply dropped to only 4% YoY, PMI to 50.2 points and growth in car sales to 8% QoQ, China is trying to save the day by slashing the mandatory reserves rate and announcing tax cut plans. According to some forecasts, the Chinese economy is likely to rebound later this year, which should bolster the valuations of high-risk assets in general, including emerging market equities. The expectations are corroborated by capital flows to ETFs. Funds dedicated to China have grown USD 13.6 billion net in three months (+18.6% AUM).

### Business as usual on GPW

Bad news from mutual funds and the weak global markets have triggered yet another sellout of fund shares. Equity and absolute return funds lost PLN 1.9 billion in September and are down PLN 5.3 billion YTD. The sellout continued in October though on a much smaller scale. Importantly, GPW indices did not underperform most of the global indices. This could be explained by a relatively defensive composition of

WIG20, supported by a stronger sentiment around the energy sector (rising energy prices). We expect that the mutual fund sellout will play a lesser role in the coming weeks ("anyone who wanted to sell fund units has already sold them") and the indices will be driven by global market trends.

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## Sector Strategies

### Financials

- Polish banks have yet to deliver their best earnings this year in the two final quarters, with the third-quarter figures boosted by fast-paced lending growth and increasing interest margins. Even with persistent pay pressures and increased cost of risk on corporate loans weighing, the Q3 financials reported so far have only reaffirmed our bullish stance on the sector.
- Emerging Europe stocks have underperformed their global and US peers, with the WIG-Banks index down 22% so far this year (in US dollars) compared to a ytd plunge of 32% in MSCI EME Banks and a 27% drop in MSCIE European Banks. The 11% fall in October in Polish banks stocks confirmed their recently-found correlation with Western European peers, down 12% for the month. Market sentiment should turn more upbeat after Italy agrees its budget with the EU and as Brexit talk move forward and Germany's new political landscape takes shape. At the moment, these issues overshadow the solid market fundamentals enjoyed by banks all over the world, represented by expanding economies and rising interest rates.
- As predicted, with local elections in Poland now over, the topic of help for distressed Swiss franc borrowers has faded from the headlines and the political agendas. In case it should resurface again in the coming weeks, as a reminder, the fallout when quantified in terms of extra costs that might have to be knocked off the current FY2019 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.
- Outside of Poland, the two rated banks OTP Bank and Komercni Banka have delivered stellar earnings this year, supported by extremely low cost of risk underpinned by favorable market conditions.
- **Key ratings:** PEO (buy), KOMB (buy), KRU (buy)

### Chemicals

- Chemical stocks are under pressure of rising commodity prices and concerns about the impact of the trade wars on future sales.
- Global and European MSCI Chemicals are well below the 3Y average P/E and EV/EBITDA. BASF results were a scare in October, drawing attention to lower Automotive sales and a weaker momentum in China.
- In our opinion, Ciech and Grupa Azoty stock prices could bounce back in November. For Ciech, the decisive factors could include the Management's positive outlook on soda prices in 2019 (much stronger expectations of price rises after the industry conference in China). For Grupa Azoty, a correction of gas prices, rebounding prices of urea and a correction of CO<sub>2</sub> certificate prices could boost the sentiment.
- **Key ratings:** CIE (buy), ATT (buy)

### Oil & Gas

- The sentiment in the oil industry sharply deteriorated in October as demonstrated by a strong reduction of speculative positions in both WTI and Brent. Saudi Arabia's announcement of additional production volumes after the diplomatic crisis with the USA brought Brent oil prices under 80 USD/Bbl. In our opinion, this is only a correction because the shrinking OPEC spare capacity generates future supply risks which will be discounted in prices.

- The oil price falls adversely affected the industry sentiment but we expect that it will quickly recover as oil and gas prices stabilise at lower yet still attractive levels.
- With lower oil prices, refinery margins bounced back in the last two weeks from very low levels, mainly due to HFSO and the still surprisingly strong diesel (probably due to logistic problems in Western Europe). However, the rise may only be temporary.
- In the petrochemical segment, the falling oil price only temporarily stopped adverse trends caused by mounting supply pressures of new installations. Europe is suffering the effect of the USA-China trade wars with growing PE imports.
- **Key recommendations:** LTS (sell), MOL (buy), PGN (buy), PKN (sell)

### Power Utilities

- CO<sub>2</sub> prices continued to fall in October and are now around 17 EUR/t. This was in part due to Poland's request for the Commission's intervention but the market also cooled down the aggressive price expectations for the coming years. After a modest correction of coal prices, this brought energy prices contracted on the German exchange down to around 50 EUR/MWh.
- Energy prices in Poland also continued to fall albeit on a smaller scale while model margins of energy producers broadened once again.
- The first power auction scheduled on 15 November may, in our opinion, become a positive driver with likely strong outcomes in terms of prices and the bid reduction ratio.
- The prospects of traders' 2019 performance are still unclear in view of conflicting announcements of the Ministry of Energy concerning next year's tariffs. Energa and Tauron are particularly exposed to this risk.
- **Key recommendations:** ENA (buy), PGE (buy)

### Telecoms, Media, IT

- 3.7 GHz and 700 MHz auctions in Italy awarded 80 MHz blocks to Telecom Italia and Vodafone Italia as well as 20 MHz blocks to Iliad and Wind Tre in the 3.7 GHz band. The 3.7 GHz bids totalled close to EUR 4.35bn, which seems enormously high for the band, raising concerns of investors. The 700 MHz band was sold at prices modestly above the ask price.
- Play remains the only non-convergent operator on the Polish market after T-Mobile has signed an Orange Polska FTTH network wholesale access agreement for data transmission while Cyfrowy Polsat has taken over Netia. The new CEO explained the strategy of an exclusively mobile telecom in Poland but did not rule out expansion into the fixed-line segment. In our opinion, its limited potential of building a convergent offer vs. the other three MNOs will soon force Play to modify the strategy.
- Polish cable operators are still consolidating. Vectra's plan to take over Multimedia Polska is being reviewed by the competition authority UOKiK.
- The media agency Zenith upgraded its projection for the Polish advertising market in September 2018 (not for the first time this year) to 6.6% YoY in 2018. The total ad spend will be PLN 7.53bn. The global advertising market will grow 4.5% to USD 581bn in 2018. Given advertisers' growing interest in television commercials and the resulting increase of advertising budgets, Zenith upgraded its forecast of growth in the TV commercial spend to 6.9%. Online advertising spending is growing at the highest rate,



as usual. According to the latest forecast, the online advertising segment will grow 10% in 2018, mainly driven by growing spending on online video commercials.

- WIG Info lost 0.3% in October 2018 and 1.6% YTD, strongly outperforming the broad market index (WIG - 8.1% and -14.3%, respectively). WIG Info outperformed MSCI IT EU by > 11 pps. The gap, which we pointed out last month, has largely shrunk (to <6.0 pps. now).
- The median P/E 12M fwd of IT companies is now 14.0x, which is 8.3% below the 3Y average.
- The 3Q'18 results publication season is on. Two out of the seven companies we cover, i.e., ABS and ASE, have already reported results, which seem very strong (EBITDA +23% and +29%, respectively). We expect another four companies to report growing earnings, as well. The improvement of IT companies' performance should support the investor sentiment, which is why we expect WIG Info to continue rising in November, but the potential growth may be limited in view of the good performance reported in October.
- **Key recommendations and positioning:** OPL (buy), AGO (buy), CMR (accumulate), ATD (overweight), ASE (overweight)

## Industrials

- Global and European MSCI industrials are under pressure of weak results of 3Q'18. Atlas Copco, Daimler, Goodyear, Superior Industries, VW, Valeo and VoestAlpine have all released profit warnings. The main hurdles identified in the published results include falling car sales in China (negative growth in September-October), problems with EURO6 regulation in Europe (new registrations down in September), and the impact of the USA-China trade wars on sales. MSCI Automotive and OEM were the weakest performers in October.
- The improvement of the performance of Polish industrials initiated in 2Q'18 should continue into 3Q'18. We expect 65% of the tracked companies to improve their results YoY with AMC, COG, FMF, KER, POZ in the lead.
- The key challenges to industrials in 2019 include rising electricity prices, which will have the biggest effect (in the descending order of the adverse impact on EBITDA) on Cognor, PKP Cargo, Pfeleiderer, Mangata, Forte, Tarczyński, Stelmet, KGHM, JSW, Boryszew and Grupa Kęty. Salaries are expected to continue rising for a third consecutive year (expected 5% YoY increase). Given the falling PMI in Europe, industrials may report poor results in 1H'19.
- We strongly believe in the stock of Amica (reversed downtrend in net results in 2Q'18; double-digit discount to other white goods producers; stock trading at a 20-30% discount to its 3Y average PE and EV/EBITDA), Famur (prospects of YoY and QoQ improvement in the coming quarters; ca. 8% DYield in 2018 and 2019; the consensus will have to rise following the 3Q'18 results), and Kernel (clear reversal of the downtrend in subsequent quarters; dynamic improvement of results in 2019).
- As for smaller caps, we definitely favour Pozbud. We are negative about Grupa Kęty in view of expected cost pressures in 2018 and the potential to shift costs to customers as the local competitor is expanding its capacity. We also expect a smaller dividend capacity in the next two years.
- **Key ratings:** AMC (overweight), KTY (Sell), FMF (buy), KER (buy), POZ (overweight)

## Mining

- Industrial metals are at a crossroads, in our view. On the one hand, demand for metals is bolstered by a good momentum in Asia (net imports of copper to China have grown for six consecutive months; lending in China has increased; monitored inventories on exchanges are going down; the output of steel products and the imports of coking coal to China have been rising). On the other hand, the risk of escalating trade wars between the USA and China raises concerns about future market conditions in China and undermines the sentiment around industrial metals.
- The most recent PMI reading for China is close to 50 points. A further decrease would suggest that the conditions in the industry are deteriorating. China is a litmus test for industrial metal prices.
- With reduced exports to the USA, China needs to stimulate its economy to ensure continued growth. For this purpose, the local government has announced new infrastructure programmes and cut taxes to promote internal growth.
- A large number of global infrastructure projects and the growing utilisation of the production capacity boost steel prices. However, some negative symptoms emerged in October, including growing inventories of steel in China and a modest decrease of margins of blast-furnace producers (driven by rising prices of iron ore and coking coal).
- Coking coal prices have a good momentum in late 2018. They are driven by problems faced by some of the mines in Australia and Mozambique. In addition, the Australian freight operator Aurizon has suffered above-average scheduled outages in Queensland. According to Reuters, eight miners were killed in an accident at a Shandong mine in late October. As a result, 41 mines in the region were required to put production on hold pending inspections.
- In our opinion, investors should take note of the good performance of coke prices in China since late August. It was driven by reports of planned environmental inspections in Shanxi coking plants. The region accounts for one-fifth of the Chinese coke production. In addition, the government has announced environmental inspections of trucks carrying coal and coke from Shanxi to ports in the north.
- The key challenge to producers in 2019 (similar to 2018) are salary pressures. In addition, in 2019, producers will be under pressure of electricity prices, which account for ca. 5% of production costs. KGHM should release early news of price negotiations at Sierra Gorda in late 2018 (the agreement with the trade unions expires in late 1Q'19).
- **Key ratings:** JSW (buy)

## Construction

- WIG-Construction fended off any falls in October 2018, which was the first month since April when construction companies outperformed WIG.
- We expect the covered companies to increase revenues by ca. 15% while their EBITDA will fall ca. 10%. Due to the low reference base, we see an opportunity of improvement in construction service providers (ULM and HRS), as well as railway construction companies (TRK, TOR, ZUE). However, we are concerned that the latter will suffer continued deterioration of the balance sheet mix, which in our opinion will be decisive to the sentiment.
- Erbud was the strongest performer in October 2018. The stock price has rebounded 15% since the profit warning issued in mid-August 2018. In our opinion, the 3Q results will be down YoY and yet they will bolster the stock price. With its stock price once again under PLN 5.00, Unibep is a good opportunity to buy.
- Torpol, Trakcja and ZUE were the weakest performers in October 2018. A series of cancelled railway tenders combined with concerns about further indebtedness do not encourage even speculative investors.
- Budimex made up for part of the price fall experienced in previous months but we believe that Poland's construction leader does not merit more optimism. Europe's biggest construction groups suffered a ca. 14% price fall in October 2018 (see page 6). Strabag and Porr, which are active in Poland, are trading at P/E and EV/EBITDA'19 with an over 30% discount to Budimex. BDX has announced an aggressive strategy of new hires, which suggests a bitter struggle to retain profitability in 2019 while the expected improvement of results by 2020 is not carved in stone.
- **Key recommendations and positioning:** UNI (buy), TRK (underweight)

## Property developers

- In our opinion, property developers are a much better investment opportunity than construction stocks. The market overestimates the risk of falling stock prices in this industry, trading at a median P/BV=0.6x and P/E'18-19=6.5x.
- Apartment sales in the six biggest markets dropped 19% YoY in 3Q'18 and 10% YoY in 9M'18. The residential property developers we favour (1AT, ARH, DOM, LCC and LKD) suffered smaller losses (-13% and -6%, respectively) so we do not need to adjust our financial forecast for those stocks in 2018-19, which implies P/E'19=6.0x and DYield=12%. The land bank capacity is sufficiently large to stabilise sales in 2019.
- According to REAS, sold apartment prices were up 6.4% YoY in 3Q'18 while offered prices increased by almost 10% YoY. Home Broker-Open Finance also reports a 9.5% YoY price increase (see page 3). Rising construction costs are still largely shifted to buyers and we expect no margin drop after 2019.
- We see no good reason for the price falls of Archicom and Echo, which are trading at the year's lows. More than three -fourths of Echo's results are generated by the commercial segment, hence one should not overestimate the 54% YoY fall in apartment sales in 3Q.
- **Key ratings:** LCC (buy), DOM (buy), 1AT (buy), ECH (buy), PND (underweight)



mBank Sentiment Watch (next 30 days, by sector)

Sector		Poland	US	Germany
Banks	SENTIMENT	BULLISH	BULLISH	
	Stocks To Own	PKO PW, PEO PW, PZU PW, MIL PW	BAC US; JPM US	
	Stocks To Avoid			
	Key Catalysts	EBA stress test results, positive Q3 results performance, M&A	Slightly hawkish Fed vs market expectations, deregulation	
Construction	SENTIMENT	BEARISH		
	Stocks To Own	ERB, UNI		
	Stocks To Avoid	TRK		
	Key Catalysts	Cost pressure, increase in debt		
Chemicals	SENTIMENT	BULLISH		NEUTRAL
	Stocks To Own	CIE, ATT		EVK GY
	Stocks To Avoid			DSM GY
	Key Catalysts	Purchases due to price falls in anticipation of better '19 results		Price adjustment after correction
Real-Estate Developers	SENTIMENT	NEUTRAL	BEARISH	
	Stocks To Own	1AT, ARH, DOM, ECH, LCC, LKD	OC US	
	Stocks To Avoid	PND, JWC		
	Key Catalysts	Growing home prices vs increase in construction costs	Higher yields, Fed policy normalisation	
Utilities	SENTIMENT	BULLISH	BEARISH	
	Stocks To Own	PGE, ENA	NRG US	
	Stocks To Avoid			
	Key Catalysts	Capacity market auction, 2019 forecasts	Higher profitability level unfavourable to the sector	
Retail, Consumer	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	CCC, LPP, DNO, EUR	CVS US, LULU US, WEN US	SAE GY, ADS GY, H9Y GY
	Stocks To Avoid	EAT PW		GW11 GY
	Key Catalysts	Good earnings momentum	Slower growth in real wages	Strong consumer demand
Oil&Gas, Refining	SENTIMENT	NEUTRAL	BULLISH	
	Stocks To Own	MOL, PGN	MPC US; HAL US	
	Stocks To Avoid	LTS, PKN		
	Key Catalysts	Strong upstream results, decrease in refining and petrochemical margins	Positive outlook for crude oil prices	
Industrials	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own	AMC, FMF, KER, POZ		AAG GY, TREL B SS, ASL GY, JUN3 GY
	Stocks To Avoid	KTY, STL		G1A GY
	Key Catalysts	Good Q3'18 results	Upward trend in US investment expenditure	Sector experienced strong correction, very good results of TREL B and expectations of very good performance of AAG
Mining	SENTIMENT	NEUTRAL	NEUTRAL	
	Stocks To Own	JSW		
	Stocks To Avoid	KGH		
	Key Catalysts	High prices of coking coal	Situation in China does not help the sector despite global growth in inflationary pressure	
Automotive	SENTIMENT	BEARISH		NEUTRAL
	Stocks To Own		GM US	UG FP, VOW3 GY
	Stocks To Avoid	AML, BRS, MGT, SNK		DAI GY
	Key Catalysts	Problems with EURO6 standard		Sector experienced strong correction, lower potential for falls caused by tariffs and dieselgate
Tech, Media	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	ABS, ASE, ATD, CMR	PYPL US, INTC US	WDI GY, SJJ GY, SOW GY, IFX GY
	Stocks To Avoid			
	Key Catalysts	Better IT results in Q3	CF and growth in results in mega caps are less spectacular than they used to be	Sector experienced strong correction
Telecoms	SENTIMENT	NEUTRAL	BULLISH	NEUTRAL
	Stocks To Own	PLY, OPL	TMUS US, T US	O2D GY
	Stocks To Avoid			
	Key Catalysts		Shift towards defensive companies, good Q3 results	



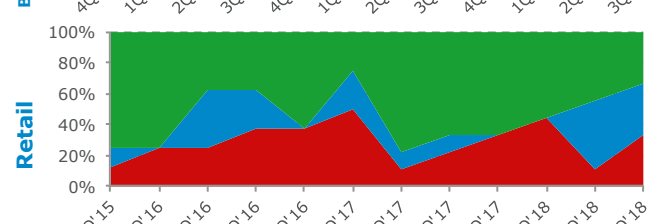
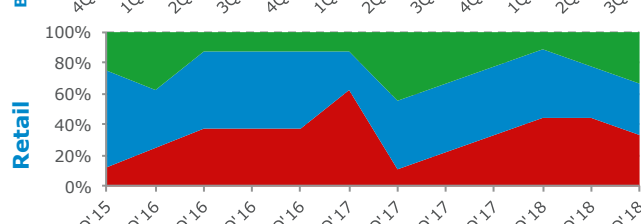
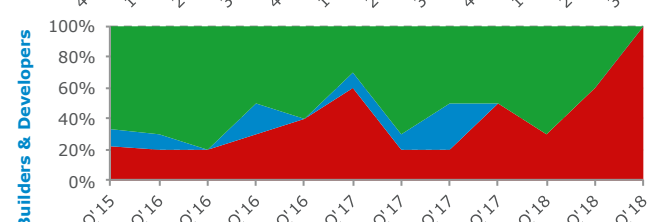
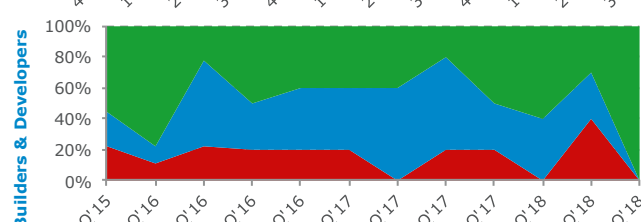
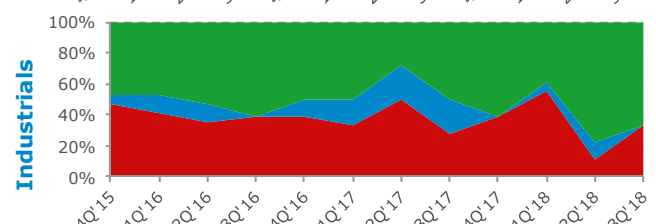
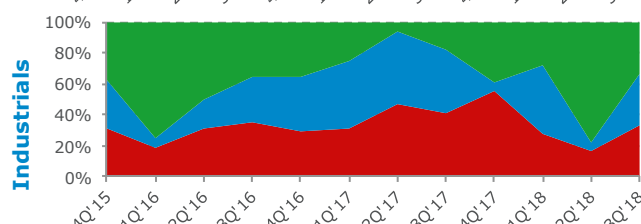
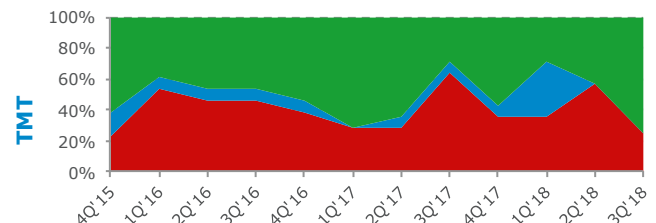
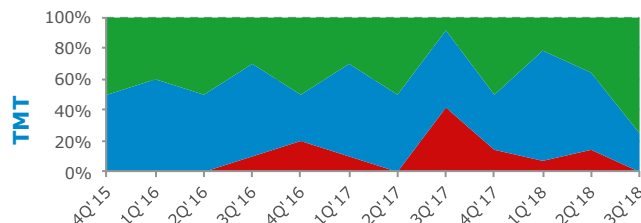
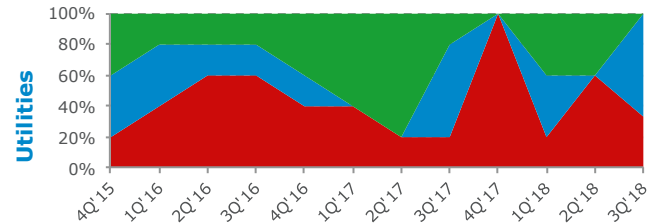
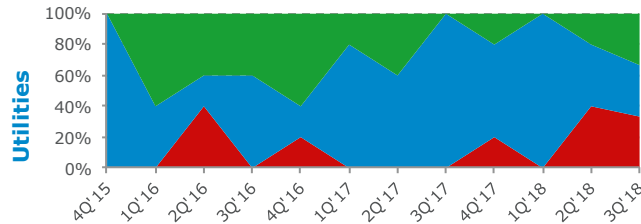
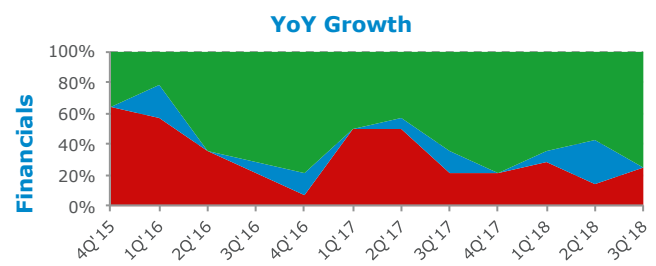
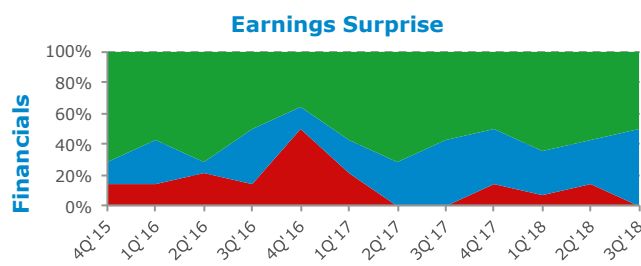
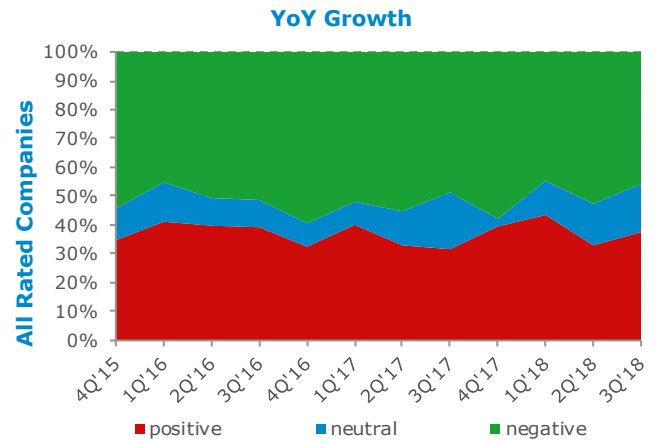
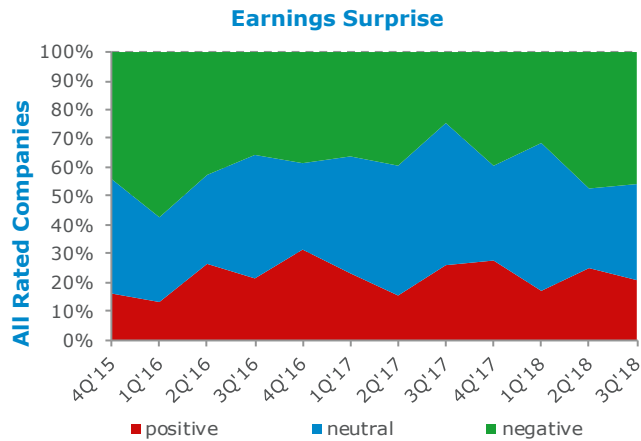
## Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

vs. consensus	4Q	2016	2017	2018	+/=
		1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	
<b>Financials</b>					
Alior Bank	+	+	+	+	91%
GNB	-	-	-	-	18%
Handlowy	+	+	+	+	82%
ING BSK	+	+	+	+	82%
Millennium	+	+	+	+	100%
Pekao	+	+	+	+	100%
PKO BP	+	+	+	+	91%
Santander BP	+	+	+	+	100%
Komercni	-	+	+	+	91%
Erste Bank	+	+	+	+	92%
OTP Bank	+	+	+	+	91%
PZU	+	+	+	+	82%
Kruk	+	+	+	+	75%
Skarbiec	+	+	+	+	91%
<b>Chemicals</b>					
Ciech	-	+	+	+	91%
Grupa Azoty	+	-	-	-	42%
<b>Oil &amp; Gas</b>					
Lotos	+	+	+	+	92%
MOL	+	+	+	+	83%
PGNiG	+	+	+	+	50%
PKN Orlen	+	+	+	+	75%
<b>Utilities</b>					
CEZ	+	+	+	+	82%
Enea	+	+	+	+	91%
Enerqa	+	+	+	+	75%
PGE	+	+	+	+	92%
Tauron	+	+	+	+	100%
<b>TMT</b>					
Netia	+	+	+	+	100%
Orange PL	+	+	+	+	100%
Play	na	na	na	na	100%
Aqora	+	+	+	+	100%
Cyfrowy	+	+	+	+	100%
Wirtualna	+	+	+	+	82%
Aiileron	na	na	na	na	75%
Asseco BS	+	+	+	+	100%
Asseco PL	+	+	+	+	73%
Asseco SEE	+	+	+	+	92%
Atende	na	na	na	na	67%
Comarch	+	+	+	+	73%
Wasko	na	na	na	na	33%
CD Projekt	+	+	+	+	91%
<b>Industrials</b>					
Alumetal	+	+	+	+	82%
Amica	+	+	+	+	73%
Apator	-	-	-	-	55%
Boryszew	-	-	-	-	55%
Elemental	+	+	+	+	73%
Erqis	+	+	+	+	45%
Famur	+	+	+	+	90%
Forte	+	+	+	+	75%
Grupa Kety	+	+	+	+	92%
JSW	-	-	-	-	55%
Kernel	+	+	+	+	45%
KGHM	-	-	-	-	82%
Kruszwica	-	-	-	-	45%
Manqata	+	+	+	+	67%
Pfleiderer	+	+	+	+	55%
Pozbud	na	na	na	na	100%
Stelmet	na	na	na	na	50%
Tarczyński	+	+	+	+	82%
<b>Construction</b>					
Budimex	+	+	+	+	92%
Elbudowa	-	-	-	-	55%
Erbud	-	-	-	-	45%
Unibep	+	+	+	+	100%
<b>Real-Estate Developers</b>					
Atal	na	na	na	na	75%
Capital Park	+	+	+	+	64%
Dom Dev.	+	+	+	+	100%
Echo	+	+	+	+	100%
GTC	+	+	+	+	100%
LC Corp	+	+	+	+	91%
<b>Retail</b>					
AmRest	+	+	+	+	73%
Bytom	+	+	+	+	73%
CCC	+	+	+	+	50%
Dino	na	na	na	na	100%
Eurocash	+	+	+	+	36%
Jeronimo	+	+	+	+	100%
LPP	-	-	-	-	75%
Monnari	+	+	+	+	64%
Vistula	+	+	+	+	45%

vs. last year	4Q	2016	2017	2018	**	+/=
		1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	3Q	
<b>Financials</b>						
Alior Bank	-	-	-	-	-	55%
GNB	-	-	-	-	-	27%
Handlowy	-	-	-	-	-	64%
ING BSK	-	-	-	-	-	82%
Millennium	-	-	-	-	-	83%
Pekao	-	-	-	-	-	55%
PKO BP	-	-	-	-	-	73%
Santander BP	-	-	-	-	-	58%
Komercni	-	-	-	-	-	55%
Erste Bank	-	-	-	-	-	75%
OTP Bank	-	-	-	-	-	100%
PZU	-	-	-	-	-	73%
Kruk	-	-	-	-	-	75%
Skarbiec	-	-	-	-	-	55%
<b>Chemicals</b>						
Ciech	+	+	+	+	+	73%
Grupa Azoty	+	+	+	+	+	42%
<b>Oil &amp; Gas</b>						
Lotos	+	+	+	+	+	75%
MOL	+	+	+	+	+	42%
PGNiG	-	-	-	-	-	58%
PKN Orlen	+	+	+	+	+	50%
<b>Utilities</b>						
CEZ	-	-	-	-	-	9%
Enea	+	+	+	+	+	82%
Enerqa	+	+	+	+	+	75%
PGE	+	+	+	+	+	58%
Tauron	+	+	+	+	+	58%
<b>TMT</b>						
Netia	-	-	-	-	-	25%
Orange PL	-	-	-	-	-	33%
Play	na	na	na	na	na	67%
Aqora	+	+	+	+	+	55%
Cyfrowy	+	+	+	+	+	55%
Wirtualna	+	+	+	+	+	100%
Aiileron	-	-	-	-	-	73%
Asseco BS	+	+	+	+	+	100%
Asseco PL	+	+	+	+	+	36%
Asseco SEE	+	+	+	+	+	100%
Atende	+	+	+	+	+	36%
Comarch	+	+	+	+	+	55%
Wasko	na	na	na	na	na	36%
CD Projekt	+	+	+	+	+	55%
<b>Industrials</b>						
Alumetal	+	+	+	+	+	55%
Amica	+	+	+	+	+	64%
Apator	-	-	-	-	-	45%
Boryszew	-	-	-	-	-	64%
Elemental	+	+	+	+	+	64%
Erqis	+	+	+	+	+	55%
Famur	+	+	+	+	+	91%
Forte	+	+	+	+	+	50%
Grupa Kety	+	+	+	+	+	100%
JSW	-	-	-	-	-	55%
Kernel	+	+	+	+	+	27%
KGHM	-	-	-	-	-	55%
Kruszwica	-	-	-	-	-	73%
Manqata	+	+	+	+	+	83%
Pfleiderer	+	+	+	+	+	82%
Pozbud	na	na	na	na	na	36%
Stelmet	na	na	na	na	na	50%
Tarczyński	+	+	+	+	+	64%
<b>Construction</b>						
Budimex	+	+	+	+	+	67%
Elbudowa	-	-	-	-	-	45%
Erbud	-	-	-	-	-	55%
Unibep	+	+	+	+	+	82%
<b>Real-Estate Developers</b>						
Atal	na	na	na	na	na	90%
Capital Park	+	+	+	+	+	55%
Dom Dev.	+	+	+	+	+	83%
Echo	+	+	+	+	+	64%
GTC	+	+	+	+	+	64%
LC Corp	+	+	+	+	+	45%
<b>Retail</b>						
AmRest	+	+	+	+	+	91%
Bytom	+	+	+	+	+	82%
CCC	+	+	+	+	+	58%
Dino	na	na	na	na	na	100%
Eurocash	+	+	+	+	+	55%
Jeronimo	+	+	+	+	+	100%
LPP	-	-	-	-	-	58%
Monnari	+	+	+	+	+	36%
Vistula	-	-	-	-	-	82%

'+' = positive surprise, '-' = negative surprise, '=' = in-line results; \*The column shows the sum of 'in-line' or 'beat quarters' in the last three years as a percentage of all quarters in the period; \*\* Our expectations versus the actual year-ago figures; Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

## Quarterly Surprise Charts For Our Coverage Universe (Aggregate and Selected Sector Statistics)



Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

## Macroeconomic Update

### Industrial Production

Industrial production grew 2.8% in September, a slower pace than forecast by us and the market consensus (ca. 4%), and a deceleration from August, albeit led mostly by an unfavorable arrangement of working days (down from 0 to -1 y/y). A detailed view reveals slower expansion in industrial production than implied by the overall trend, which was boosted by a 10.4% y/y jump in energy generation driven by base effects after an 0.7% decline in August. Manufacturing growth in September was close to stagnation at just 2%, which was below our expectations. Adjusted for seasonal and calendar effects, the momentum showed 0.7% m/m contraction and 5.4% y/y expansion.

In short, industrial production in Poland continues to exhibit a shrinking pattern stemming from weak foreign demand and the economic slowdown in the Euro Zone and worldwide. In the months ahead, we expect at least one episode of acceleration (due to a positive working day difference in October), but a high year-ago comparable base will make the pace of the recovery slow-going in the final part of the year. By the end of December, the trend in industrial production should slow down to 3% y/y.

Construction output slowed to an annual pace of 16.4% in September, due mostly to the working-day effect and a relatively high year-ago comparable base. The expansion rate proved weaker than both the consensus (18.0%) and our forecast (17.2%). Monthly construction growth, adjusted for the seasonal effects, was a meagre 0.9%.

By sector, the highest yearly recovery was recorded in infrastructure-related construction activity, which can be attributed to investments finished before the local elections. On a month-on-month basis the biggest growth was recorded in housing construction.

The disappointing September print can also be blamed on supply barriers (represented mostly by a workforce shortage and public tenders getting canceled due to unrealistic pricing) which might also affect future readings.

Based on the manufacturing and construction trends thus far, we are prompted to downgrade our Q3 GDP nowcast from 4.8% to 4.6% y/y. There is still considerable uncertainty regarding composition. This is due to a front-loading of car purchases by dealers in Europe ahead of the new EU-wide emission restrictions. In theory, the bulk of the resulting boost to inventories should be matched by higher imports, making the whole operation neutral GDP-wise. In actuality, however, if there are temporal shifts in the way these are recorded, this might temporarily affect GDP (with presumably an upward bias).

### PPI

Producer prices eased a bit in September, rising 2.9%, i.e. slightly less than we had forecast, but this time rounding was a decisive factor. We still see no new momentum in core manufacturing prices (+1.3% y/y). Energy prices are slowly drifting upwards, but the drift is very gentle (at this pace 6% annual growth is achievable within a year). However, it is not the direct effect that matters, but the transmission to core manufacturing prices. Historical evidence does not support a meaningful pass-through. We continue to monitor the matter closely. October is set to bring a slight uptick in PPI on the back of higher oil prices. The mid-term view boils down to core manufacturing; unless it accelerates, the PPI outlook stays benign.

### Jobs

Employment growth decelerated further to an annual rate of 3.2% in September, missing overall market expectations and our 3.4% forecast. In nominal terms, September saw the second consecutive drop in job additions which now accumulates to 6,000. Given the slow-changing momentum in the historical series of employment growth, it is unlikely that we will see any meaningful acceleration ahead. The question is how rapid the pace of the deceleration will be.

We have stressed the significance of supply constraints for the labor market for several months now, arguing that with tight workforce supply the pace of filling vacancies slows down, putting downside pressure on the overall pace of job creation. This seemed a valid explanation while the Polish economy showed signs of healthy growth, and vacancies were on the rise. At this juncture, however, the incoming evidence is more and more mixed. The October job print could be a turning point; October is usually a strong month for employment, and if it brings another disappointment this will be a clear sign of rapidly-slowing economic momentum, with implications for domestic demand in 2019.

The average salary rose by 6.7% y/y in September, less than market expectations (7.1%) but close to our forecast (6.6%) which was based on the assumption that unfavorable calendar effects would push the working-day-sensitive salaries in manufacturing and construction lower, without being offset by any pay rises in services. Taking a broader look, it is important to note the flat pace of salary growth seen for many months, with the overall momentum waning. As of September, the momentum consistent with an annual pace of 5-6% rather than 7-8% as was the case early this year.

Curiously, the behavior of wages is consistent with signs of lower wage pressure seen in NBP's enterprise surveys and with stable inflation and household inflation expectations. In these circumstances one has to reevaluate the factors that influence wage growth in the near term. First, the labor supply-demand imbalance might have declined as labor demand decelerated in the wake of weaker external environment. Second, productivity growth has not kept up with wage growth for many quarters now, especially if one adjusts it for the impact of immigration. Third, perhaps private companies have reached the limit of their capacity to raise wages in an increasingly unfavorable environment (lower external demand, troubles with public investment, sharp increase in energy costs in the pipeline). Finally, overall wage growth continues to be anchored by low public sector wage growth which serves as an anchor and prevents competitive wage hikes in many regions.

Slower growth in jobs and pay equals slower growth in the wage bill, which rose 10.1% y/y in September in nominal terms (down from 10.4% y/y in August and the cyclical high of 12.2% y/y), and was up 8.2% y/y in constant prices (down from 8.4% y/y in August and the cyclical high of 10.2% y/y). This underpins our forecast of a gentle slowdown in household consumption. We believe that the less rapid growth in disposable income will be compensated with higher leverage.

## CPI

According to the flash estimate, consumer prices decelerated from 1.9 to 1.7% y/y. We believe that rounding again was the decisive factor and consensus (1.8% y/y) might well have been right. It is irrelevant from the macroeconomic standpoint.

Known details of the release suggest modest increases in food prices (+0.4% m/m), residential energy (+0.3% m/m) and liquid fuels (1.1% m/m) – neither surprised. This means that core categories rose less than anticipated and we partially blame high variability for the forecast error. We estimate that core inflation rose from 0.8 to 0.9% y/y, but rounding issues might also be at play here.

In the next two months headline inflation is set to decline further, while core inflation will likely pick up steam a bit. With these forecasts coming into fruition, status quo in Polish monetary policy will be maintained. Conversely, expectations of earlier monetary tightening will be kept in check by benign inflation environment. Current market pricing is not justified by the macroeconomic environment and the overarching uncertainty regarding the path of the global economy.

## Retail Sales

September retail sales grew 5.6% nominally and 3.6% in real terms, falling short of consensus (7.6%) and our forecast (7.3%). The deceleration was mostly a result of low car sales (it was definitely the worst September in history), which accounted for 2pp of the deviation from our forecast. Auto sales were down 7% on the year in September after rising 7% in August. Sales in the category of "Furniture, radio, TV, and household appliances" also posted a noticeable slowdown in September, but their weight in overall sales is low. Excluding cars, retail sales were up 7%, but this does not change the fact that inflection point has been achieved, as seen also in other demand aggregates.

The weak auto sales in September, dragging down the whole print for the month, do not look like a macroeconomic adjustment caused by a change of consumers' or firms' expectations, or a difference in financing conditions. It also goes against the huge increase in new car registrations in August, which should be reflected in the sales numbers for subsequent months. This provided dealers introduce stronger price incentives (the difference between nominal and real car sales in August suggests only a 3% discount). Moreover there are problems with the availability of some of the new models which meet the new emission requirements (in most cases it is not the amount of emissions that matters, but the method of calculating them). Once this improves dealers will be able to push the overstock out faster in the coming months. Toward the end of the year, we might see another variance in new car sales resulting from upcoming changes in company car taxation: new D&A limits support buying expensive cars this year and postponing the buying of cheaper cars to next year. Taking into account the disproportions in car demand depending on the price point, this will probably affect overall sales in the final months of 2018.

As retail sales increase at a slowing pace, this indicates downward risk for consumer spending (and maybe also investment) in the final quarter of 2018. However this does not mean that we should extrapolate the current pace of the slowdown to 2019. The broad macroeconomic conditions, with a strong labor market and wages, support only a marginal slowdown in consumption in 2019, especially given that consumer credit plays an increasingly important role in smoothing the spending cycle.

## mBank Research

(E. Pytlarczyk, M. Mazurek, P. Bartkiewicz, M. Zdrolik)  
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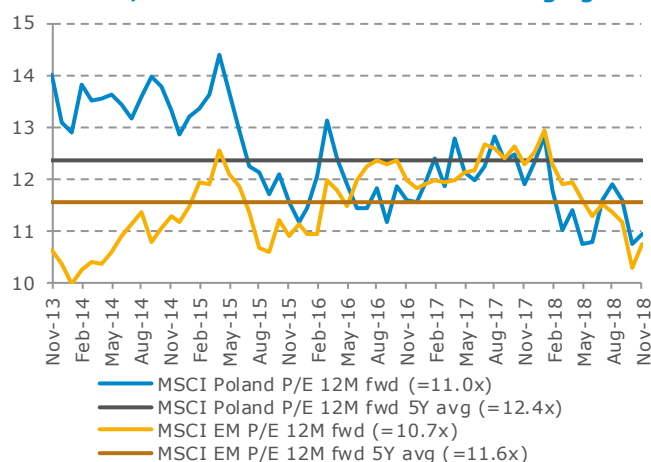
## Revisions To FY2018 Earnings Forecasts For WIG30 Companies

Oct-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
Nov-17	-1%	-4%	-0%	-2%	-0%	-3%	-0%	-2%	+3%	-9%	-4%	+0%	+3%	-0%	+1%	-26%
Dec-17	-2%	-3%	+1%	-2%	-1%	-3%	-3%	-2%	+2%	+4%	-4%	+8%	-7%	-8%	-4%	-17%
Jan-18	-2%	+7%	+1%	-3%	+0%	-1%	-4%	-8%	+3%	-4%	-5%	+63%	-17%	-18%	-2%	+108%
Feb-18	-0%	+5%	+0%	-3%	-0%	+0%	-2%	-12%	+1%	-9%	-4%	+63%	-21%	-18%	+11%	+108%
Mar-18	-0%	+3%	+0%	-3%	+2%	-1%	-4%	-8%	+0%	-18%	-4%	+66%	-21%	-18%	+8%	+68%
Apr-18	-1%	+3%	-0%	-3%	-1%	-1%	-4%	-8%	+0%	-18%	-5%	+66%	-22%	-18%	+11%	+69%
May-18	-1%	+3%	-0%	-3%	+0%	-1%	-5%	-6%	-2%	-18%	-7%	+66%	-30%	-42%	+5%	+72%
Jun-18	-2%	+4%	-1%	-3%	-0%	+9%	-5%	-6%	-6%	-17%	-6%	+49%	-30%	-42%	+4%	+69%
Jul-18	-3%	+3%	-1%	-5%	-0%	+9%	-3%	-6%	-8%	-17%	-13%	+49%	-47%	-40%	-0%	+59%
Aug-18	-5%	+6%	-1%	-5%	+0%	+30%	-4%	-12%	-8%	-17%	-18%	+50%	-43%	-56%	-8%	+57%
Sep-18	-3%	+6%	-1%	-5%	+5%	+30%	-5%	-12%	-9%	-20%	-19%	+53%	-46%	-56%	-9%	+57%
Oct-18	-4%	-2%	-2%	-6%	+9%	+26%	-8%	-12%	-12%	-30%	-19%	+51%	-55%	-90%	-13%	-21%

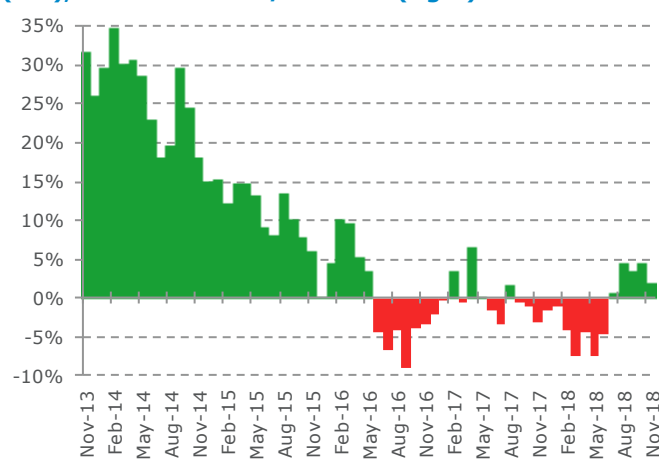
Source: "Con" - Bloomberg consensus forecasts, "mDM" - estimates by Dom Maklerski mBanku, provided ex. mBank, and PKP Cargo. The percentages indicate changes between the dates of this Monthly Outlook and the previous Monthly Outlook.

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

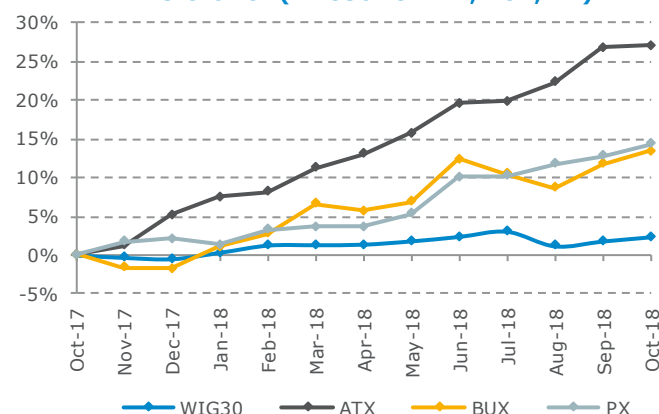
## FWD 12M P/E Ratios For MSCI Poland &amp; Emerging Markets (left), PL-EM Premium/Discount (right)



Source: Bloomberg, Dom Maklerski mBanku

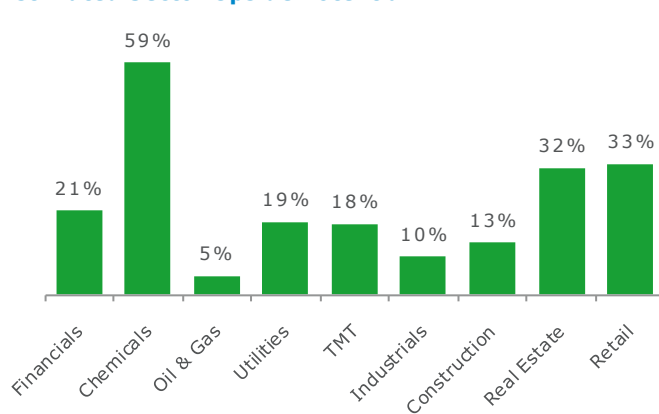


## FWD 12M EPS Growth (WIG30 vs. ATX, BUX, PX)



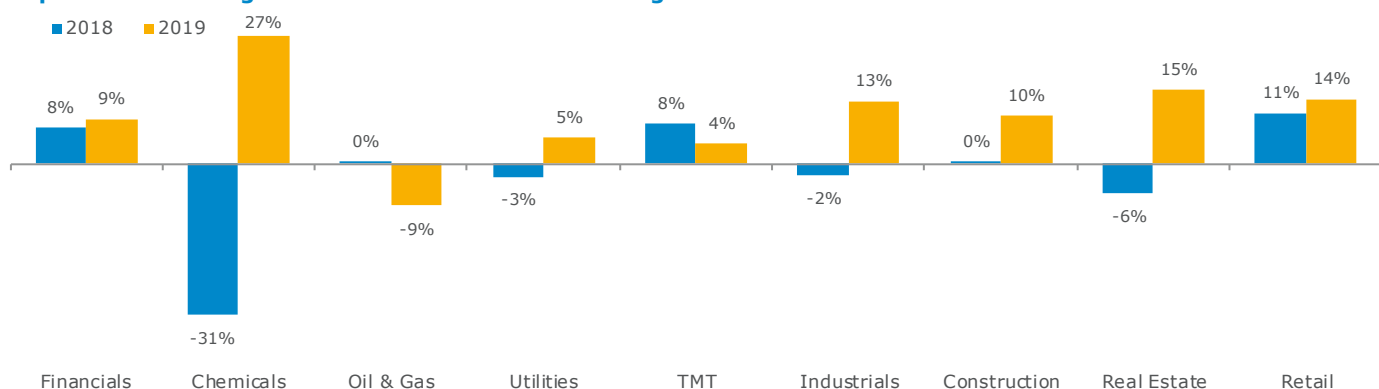
Source: Bloomberg, Dom Maklerski mBanku

## 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	96.00	15	1	1	87.79	+9.3%	+4%	+7%	+10%				14/-
Getin Noble Bank	hold	1.00	2	5	3	1.08	-7.6%	-	-13%	+11%				7/-
Handlowy	buy	90.00	7	5	0	79.28	+13.5%	+3%	+2%	+11%				12/-
ING BSK	buy	200.00	5	5	4	200.19	-0.1%	-4%	-7%	+3%				6/-
Millennium	hold	8.40	3	6	5	8.98	-6.4%	-3%	-5%	-5%				10/-
Pekao	buy	138.70	19	1	0	137.48	+0.9%	-5%	+1%	+5%				14/-
PKO BP	buy	47.00	4	13	4	41.69	+12.7%	+3%	+1%	+9%				15/-
Santander Bank Polska	buy	400.00	11	4	1	400.10	-0.0%	-2%	-5%	+3%				12/-
Komercni Banka	buy	1,111.0	10	5	1	1,023.8	+8.5%	+5%	+24%	-				10/-
Erste Bank	buy	43.00	18	4	1	42.93	+0.2%	+3%	-1%	-1%				15/-
OTP Bank	buy	12,090	11	2	3	11,217	+7.8%	-10%	-3%	-				12/-
PZU	buy	47.50	9	2	0	48.93	-2.9%	+0%	+4%	+3%				7/-
Kruk	buy	292.77	6	1	0	270.15	+8.4%	+2%	+4%	+6%				4/-
Prime Car Management	suspended	-	0	1	0	33.00	-	-	-	-				1/-
Chemicals														
Ciech	buy	77.05	9	1	1	63.52	+21.3%	-12%	+15%	+22%	-4%	+9%	+11%	8/7
Grupa Azoty	buy	31.47	2	5	2	37.68	-16.5%	-79%	-49%	-47%	-30%	-15%	-12%	6/6
Oil & Gas														
Lotos	sell	57.21	7	6	2	74.95	-23.7%	-8%	-33%	-38%	+3%	-14%	-10%	11/12
MOL	accumulate	3,296.0	10	3	0	3,426.3	-3.8%	-1%	-28%	-28%	+6%	-7%	-6%	12/13
PGNiG	buy	7.72	9	2	1	6.95	+11.1%	-0%	+23%	+34%	+3%	+14%	+17%	9/8
PKN Orlen	reduce	81.38	3	10	7	100.82	-19.3%	-3%	-40%	-37%	+2%	-25%	-20%	16/16
Utilities														
CEZ	hold	518.72	6	5	6	577.91	-10.2%	+6%	+2%	-3%	-0%	-2%	-1%	12/13
Enea	buy	12.62	9	1	1	10.61	+18.9%	+4%	+7%	-18%	+6%	+6%	-6%	8/8
Energia	buy	15.27	6	4	0	11.21	+36.2%	+6%	+4%	-5%	+1%	+2%	-1%	8/8
PGE	buy	13.60	9	3	1	11.48	+18.4%	+19%	+13%	-2%	+5%	+5%	-1%	9/9
Tauron	buy	2.77	5	8	0	2.19	+26.6%	-18%	+4%	-6%	-0%	+2%	-1%	10/10
TMT														
Netia	hold	4.30	3	3	2	5.04	-14.7%	-4%	-15%	-27%	-1%	-4%	-5%	7/8
Orange Polska	buy	7.60	10	3	3	5.59	+36.1%	-	-	+277%	+9%	+9%	+9%	9/11
Play	buy	21.50	8	6	0	25.05	-14.2%	+6%	-11%	-17%	-0%	-4%	-5%	13/13
Agora	buy	15.40	3	2	0	13.20	+16.7%	-	-20%	+43%	-2%	-4%	+4%	4/4
Cyfrowy Polsat	accumulate	24.90	7	6	0	26.57	-6.3%	-4%	+0%	+4%	-2%	-2%	-3%	9/8
Wirtualna Polska	accumulate	60.00	7	0	0	59.38	+1.0%	+5%	+2%	-1%	-2%	+2%	+1%	5/4
Asseco Poland	accumulate	49.00	3	6	0	49.48	-1.0%	-5%	-7%	-10%	+1%	+3%	+4%	5/5
Asseco BS	neutral	-	1	2	0	28.90	-	-0%	+1%	+0%	-0%	+1%	+0%	2/2
Asseco SEE	overweight	-	3	0	0	16.80	-	+1%	+1%	-3%	-0%	-2%	-6%	4/4
Wasko	neutral	-	0	1	0	-	-	+0%	+0%	-0%	+0%	+0%	-0%	1/1
CD Projekt	reduce	136.60	6	5	2	183.66	-25.6%	+20%	-71%	-17%	+4%	-77%	-38%	7/7
Comarch	accumulate	180.50	3	2	1	171.87	+5.0%	-2%	-5%	+1%	+0%	-4%	-2%	3/3
Industrials														
Alumetal	neutral	-	2	3	0	56.60	-	-6%	-6%	-	-1%	-4%	-	4/4
Amica	overweight	-	3	1	0	126.00	-	+5%	+9%	-	-0%	+3%	-	3/3
Apator	neutral	-	1	2	1	-	-	+8%	+2%	-	+3%	-1%	-	2/2
Elemental	neutral	-	1	1	0	2.04	-	+0%	-0%	-	+0%	-0%	-	1/1
Famur	buy	6.56	5	0	0	6.57	-0.1%	-1%	-3%	+7%	-1%	-9%	-8%	5/5
Forte	neutral	-	2	4	2	46.90	-	-52%	-25%	-	-15%	-7%	-	5/4
Kemel	buy	60.85	8	1	0	68.64	-11.4%	-18%	+6%	+6%	-11%	+12%	+9%	4/5
Grupa Kęty	sell	309.30	4	6	2	388.80	-20.4%	+1%	-11%	-11%	-2%	-10%	-9%	8/7
Pfleiderer Group	neutral	-	6	1	1	40.97	-	+14%	-10%	-	-2%	-5%	-	7/7
JSW	buy	98.00	7	4	3	85.45	+14.7%	+3%	+5%	-5%	+3%	+3%	+6%	11/10
KGHM	hold	87.99	3	6	9	86.70	+1.5%	+5%	-3%	-4%	-7%	-5%	-2%	12/12
Construction														
Budimex	hold	125.00	2	2	5	124.86	+0.1%	+9%	+12%	+26%	+3%	+9%	+21%	6/5
Elektrobudowa	buy	45.00	2	3	1	60.15	-25.2%	-	-15%	-17%	-	-6%	-8%	1/1
Erbud	buy	14.40	3	1	1	21.63	-33.4%	-	-36%	+7%	-	-12%	-0%	3/3
Unibep	buy	10.10	3	1	0	10.51	-3.9%	-4%	+31%	+27%	+0%	+1%	+0%	3/2
Torpol	neutral	-	1	1	1	16.04	-	-86%	-60%	-60%	-35%	-35%	-37%	3/3
Trakcja	underweight	-	2	2	3	4.76	-	+9%	-37%	-25%	+6%	-6%	-6%	2/2
Real Estate														
Atal	buy	42.86	4	1	0	42.49	+0.9%	+1%	+4%	+0%	+1%	+3%	-0%	4/4
Capital Park	buy	8.35	1	0	0	8.35	+0.0%	-0%	+0%	+0%	+0%	-0%	+0%	1/1
Dom Development	buy	87.80	5	3	0	87.12	+0.8%	+4%	+3%	+12%	+4%	+5%	+4%	5/3
Echo	buy	5.63	6	1	0	5.62	+0.2%	+31%	+45%	+41%	+95%	+74%	+31%	4/4
GTC	hold	9.60	7	4	0	9.94	-3.4%	+21%	+32%	+131%	-1%	+7%	+6%	4/5
LC Corp	buy	3.58	4	0	0	3.43	+4.4%	-11%	-8%	-9%	-0%	-0%	-0%	2/1
Polnord	underweight	-	0	1	1	9.50	-	-81%	-	-41%	-	-92%	-28%	2/2
Ronson	neutral	-	1	1	1	1.44	-	-29%	-12%	+4%	-21%	-13%	+3%	2/2
Retail														
AmRest	accumulate	41.20	6	3	1	46.80	-12.0%	-14%	-19%	-22%	-6%	-5%	-8%	7/7
CCC	buy	272.00	8	7	1	271.10	+0.3%	-43%	-2%	-8%	-15%	-2%	-8%	14/12
Dino	buy	103.50	7	8	1	104.08	-0.6%	+5%	+6%	+5%	+1%	+1%	+1%	8/7
Eurocash	buy	26.40	12	8	1	25.46	+3.7%	-9%	-15%	-4%	+0%	-6%	-5%	9/9
Jeronimo Martins	buy	15.20	11	12	2	14.34	+6.0%	-3%	+6%	+3%	-2%	+5%	+4%	17/17
LPP	buy	10,200	2	6	9	8,727.8	+16.9%	+10%	+15%	+22%	+5%	+9%	+12%	15/15
Bytom	overweight	-	3	1	0	3.20	-	+10%	+13%	+12%	+9%	+11%	+11%	3/3
Monnari	neutral	-	4	1	0	9.50	-	+6%	+6%	+12%	+3%	+2%	+8%	3/3
Vistula	overweight	-	4	1	1	4.91	-	+10%	+17%	+3%	+7%	+11%	+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>+21.5%</b>	<b>11.4</b>	<b>10.2</b>		
Alior Bank	buy	2018-10-04	62.90	96.00	59.80	+60.5%	9.6	7.8		
Getin Noble Bank	hold	2018-10-04	0.53	1.00	0.54	+85.2%	-	3.6		
Handlowy	buy	2018-10-04	76.90	90.00	70.70	+27.3%	13.9	13.4		
ING BSK	buy	2018-11-05	166.00	200.00	166.00	+20.5%	14.2	13.0		
Millennium	hold	2018-11-05	8.85	8.40	8.85	-5.1%	14.6	13.2		
Pekao	buy	2018-10-04	107.20	138.70	106.30	+30.5%	13.4	11.1		
PKO BP	buy	2018-11-05	40.39	47.00	40.39	+16.4%	13.5	12.6		
Santander Bank Polska	buy	2018-11-05	353.80	400.00	353.80	+13.1%	15.7	13.9		
Komercni Banka	buy	2017-12-01	899.00	1,111 CZK	870.00	+27.7%	11.1	9.5		
Erste Bank	buy	2018-08-02	37.14	43.00 EUR	35.71	+20.4%	10.2	10.2		
OTP Bank	buy	2018-06-06	10,210	12,090 HUF	10,300	+17.4%	10.4	9.6		
PZU	buy	2018-11-05	40.60	47.50	40.60	+17.0%	11.4	10.3		
Kruk	buy	2018-09-17	187.80	292.77	185.30	+58.0%	9.9	8.4		
Prime Car Management	suspended	2018-08-23	7.96	-	9.60	-	-	-		
Skarbiec Holding	buy	2018-11-05	21.70	31.02	21.70	+42.9%	6.7	6.4		
<b>Chemicals</b>						<b>+59.3%</b>	<b>26.8</b>	<b>10.7</b>	<b>5.4</b>	<b>5.3</b>
Ciech	buy	2018-11-05	42.58	77.05	42.58	+81.0%	7.8	6.5	5.2	4.5
Grupa Azoty	buy	2018-11-05	24.00	31.47	24.00	+31.1%	45.9	14.9	5.5	6.1
Polwax	suspended	2018-09-14	7.70	-	6.80	-	-	-	-	-
<b>Oil &amp; Gas</b>						<b>+5.1%</b>	<b>9.1</b>	<b>12.2</b>	<b>4.9</b>	<b>5.5</b>
Lotos	sell	2018-09-03	69.90	57.21	70.40	-18.7%	9.8	13.9	5.4	6.7
MOL	accumulate	2018-11-05	3,006	3,296 HUF	3,006	+9.6%	8.6	10.6	3.8	4.3
PGNiG	buy	2018-11-05	6.35	7.72	6.35	+21.6%	9.6	7.7	4.4	3.6
PKN Orlen	reduce	2018-11-05	93.50	81.38	93.50	-13.0%	8.4	13.9	5.3	7.4
<b>Power Utilities</b>						<b>+18.4%</b>	<b>3.9</b>	<b>4.0</b>	<b>3.8</b>	<b>3.7</b>
CEZ	hold	2018-11-05	549.00	518.72 CZK	549.00	-5.5%	21.2	18.9	8.4	8.2
Enea	buy	2018-05-29	9.57	12.62	8.09	+56.0%	3.9	3.0	3.8	3.3
Energa	buy	2018-09-03	8.40	15.27	7.85	+94.5%	3.9	4.0	3.3	3.2
PGE	buy	2018-05-29	9.28	13.60	10.63	+27.9%	6.5	6.4	3.9	3.7
Tauron	buy	2018-09-03	2.00	2.77	1.79	+54.7%	3.4	2.9	3.7	4.1
<b>Telecoms, Media, IT</b>						<b>+18.2%</b>	<b>20.8</b>	<b>17.8</b>	<b>6.8</b>	<b>6.0</b>
Netia	hold	2018-10-01	4.50	4.30	4.69	-8.3%	42.7	51.5	5.5	5.9
Orange Polska	buy	2018-04-06	5.83	7.60	4.40	+72.7%	19.3	10.6	4.1	3.7
Play	buy	2018-10-17	17.14	21.50	16.28	+32.1%	5.3	5.9	5.0	5.0
Agora	buy	2018-09-14	8.48	15.40	9.46	+62.8%	47.5	59.3	5.7	4.9
Cyfrowy Polsat	accumulate	2018-06-15	22.76	24.90	21.74	+14.5%	12.7	10.8	6.8	6.0
Wirtualna Polska	accumulate	2018-09-03	57.00	60.00	53.00	+13.2%	20.8	17.8	11.3	9.5
Asseco Poland	accumulate	2018-09-03	45.90	49.00	49.00	+0.0%	14.4	15.8	8.3	8.1
CD Projekt	reduce	2018-10-16	158.60	136.60	164.30	-16.9%	87.3	95.5	70.0	80.8
Comarch	accumulate	2018-10-01	167.00	180.50	169.50	+6.5%	25.5	19.0	8.5	7.7
<b>Industrials, Mining</b>						<b>+9.8%</b>	<b>13.7</b>	<b>10.5</b>	<b>6.8</b>	<b>6.2</b>
Famur	buy	2018-08-02	5.20	6.56	5.64	+16.3%	17.7	14.0	7.7	6.9
Grupa Kęty	sell	2018-10-29	365.50	309.30	350.00	-11.6%	12.8	14.2	8.9	9.5
JSW	buy	2018-09-03	77.00	98.00	76.02	+28.9%	4.6	6.0	2.4	2.6
Kemel	buy	2018-11-05	52.10	60.85	52.10	+16.8%	21.8	7.0	7.9	5.7
KGHM	hold	2018-10-15	85.40	87.99	90.26	-2.5%	8.5	7.1	4.9	3.8
Stelmet	hold	2018-11-05	7.50	7.72	7.50	+2.9%	14.6	25.2	5.8	6.7
<b>Construction</b>						<b>+13.3%</b>	<b>9.2</b>	<b>10.4</b>	<b>4.2</b>	<b>4.6</b>
Budimex	hold	2018-08-02	122.60	125.00	124.00	+0.8%	12.8	14.5	4.7	5.8
Elektrobudowa	buy	2018-09-26	32.80	45.00	35.80	+25.7%	-	9.5	-	4.5
Erbud	buy	2018-09-03	9.60	14.40	10.45	+37.8%	-	11.4	-	4.7
Unibep	buy	2018-04-06	7.50	10.10	4.91	+105.7%	5.6	4.8	3.7	2.8
<b>Property Developers</b>						<b>+32.5%</b>	<b>6.7</b>	<b>6.9</b>	<b>7.4</b>	<b>7.3</b>
Atal	buy	2018-07-04	36.40	42.86	30.20	+41.9%	6.2	6.5	5.7	6.1
Capital Park	buy	2018-04-06	5.95	8.35	4.96	+68.3%	9.9	8.3	17.2	16.6
Dom Development	buy	2018-08-02	72.80	87.80	66.60	+31.8%	6.9	7.3	5.7	6.2
Echo	buy	2018-04-06	5.23	5.63	3.89	+44.7%	5.3	4.9	6.5	6.7
GTC	hold	2018-04-06	9.39	9.60	8.26	+16.2%	9.9	8.6	14.4	13.6
LC Corp	buy	2018-06-22	2.39	3.58	2.73	+31.1%	6.6	6.0	8.3	7.8
<b>Retail</b>						<b>+33.5%</b>	<b>27.0</b>	<b>19.0</b>	<b>13.4</b>	<b>10.3</b>
AmRest	accumulate	2018-11-05	40.00	41.20	40.00	+3.0%	43.6	34.2	14.5	11.6
CCC	buy	2018-11-05	173.60	272.00	173.60	+56.7%	41.3	16.6	17.2	10.4
Dino	buy	2018-11-05	84.70	103.50	84.70	+22.2%	26.0	19.5	16.3	12.5
Eurocash	buy	2018-10-01	18.08	26.40	20.75	+27.2%	28.1	20.9	8.7	7.2
Jeronimo Martins	buy	2018-08-02	12.65	15.20 EUR	10.83	+40.4%	17.1	14.2	7.3	6.3
LPP	buy	2018-10-01	8,625	10,200	8,055	+26.6%	22.7	18.6	12.3	10.2
TXM	suspended	2018-10-16	0.59	-	0.46	-	-	-	-	-
<b>Other</b>						<b>+23.0%</b>	<b>10.5</b>	<b>10.0</b>	<b>7.8</b>	<b>7.0</b>
PBKM	buy	2018-10-01	57.80	66.40	54.00	+23.0%	10.5	10.0	7.8	7.0

**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						12.5	9.9	4.8	4.6
Ailleron	neutral	2018-03-28	16.20	11.50	-29.0%	13.7	11.9	6.0	4.8
Asseco BS	neutral	2018-03-28	28.00	24.40	-12.9%	14.1	12.9	9.5	8.7
Asseco SEE	overweight	2018-04-26	11.70	11.35	-3.0%	10.4	9.9	4.6	4.2
Atende	overweight	2018-03-28	4.25	3.25	-23.5%	7.6	6.8	4.8	4.6
Wasko	neutral	2018-05-30	1.68	1.48	-11.9%	12.5	8.2	4.7	4.0
Industrials						8.6	8.3	6.1	5.6
Alumetal	neutral	2018-08-23	51.00	44.50	-12.7%	7.9	8.7	6.4	6.8
Amica	overweight	2018-09-13	112.80	106.20	-5.9%	7.4	7.0	5.2	4.7
Apator	neutral	2018-02-28	24.00	24.00	+0.0%	13.2	13.8	7.6	7.8
Boryszew	neutral	2018-09-05	6.25	4.79	-23.4%	8.4	6.8	6.3	5.6
Elemental	neutral	2018-04-27	1.09	1.46	+33.9%	5.9	5.1	5.4	4.8
Ergis	neutral	2018-04-27	4.06	3.40	-16.3%	7.6	7.2	5.8	5.4
Forte	neutral	2018-10-31	40.60	25.05	-38.3%	21.5	8.1	9.8	7.3
Kruszwica	neutral	2018-10-16	43.90	41.60	-5.2%	15.2	18.1	8.3	9.0
Mangata	neutral	2018-10-01	65.40	68.80	+5.2%	8.7	10.5	6.4	6.8
Pfleiderer Group	neutral	2018-09-28	36.45	28.10	-22.9%	12.2	14.1	5.5	5.5
Pozbud	overweight	2018-09-04	3.57	2.52	-29.4%	4.7	2.6	4.5	1.6
Tarczyński	neutral	2018-05-30	14.50	15.95	+10.0%	9.0	8.6	6.0	5.6
Construction Sector						24.8	8.3	5.1	4.3
Elektrotim	neutral	2018-09-27	4.20	3.86	-8.1%	41.3	11.1	5.4	4.7
Herkules	neutral	2018-01-25	3.67	2.70	-26.4%	8.5	5.9	4.8	3.9
Torpol	neutral	2018-09-27	5.18	3.46	-33.2%	37.6	7.6	4.4	3.8
Trakcja	underweight	2018-09-27	3.47	3.07	-11.5%	69.1	32.8	6.6	6.9
Ulma	neutral	2018-05-28	73.00	66.50	-8.9%	8.2	8.0	3.3	3.1
ZUE	neutral	2018-09-27	5.56	5.00	-10.1%	11.9	8.6	5.7	5.2
Property Developers						5.8	6.1	8.4	5.5
Archicom	overweight	2018-06-22	15.00	11.50	-23.3%	5.4	3.7	5.4	4.4
BBI Development	neutral	2018-04-26	0.66	0.58	-12.1%	13.4	6.4	13.6	6.0
i2 Development	neutral	2018-06-22	15.40	11.30	-26.6%	3.4	3.9	6.7	5.5
JWC	neutral	2018-06-22	3.48	2.70	-22.4%	7.3	2.9	8.4	3.7
Lokum Deweloper	overweight	2018-06-22	18.80	17.00	-9.6%	5.7	6.5	4.3	5.0
PA Nova	neutral	2018-03-29	22.30	17.70	-20.6%	5.8	6.7	9.8	10.9
Polnord	underweight	2018-06-22	9.04	9.41	+4.1%	-	-	-	-
Ronson	neutral	2018-06-22	1.09	0.85	-22.0%	9.2	6.1	11.1	9.8
Retail						11.3	9.2	7.6	6.3
Bytom	overweight	2018-05-23	2.92	2.65	-9.2%	11.8	10.8	7.6	6.7
Monnari	neutral	2018-07-13	6.60	4.49	-32.0%	6.8	6.4	2.1	1.7
Vistula	overweight	2018-05-23	4.79	3.96	-17.3%	11.3	9.2	7.8	6.3

## Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Issued on
Alior Bank	buy	buy	96.00	PLN	2018-10-04
CD Projekt	reduce	sell	136.60	PLN	2018-10-16
Comarch	accumulate	accumulate	180.50	PLN	2018-10-01
Eurocash	buy	buy	26.40	PLN	2018-10-01
Forte	neutral	overweight	-	-	2018-10-31
Getin Noble Bank	hold	hold	1.00	PLN	2018-10-04
Grupa Kęty	sell	hold	309.30	PLN	2018-10-29
Handlowy	buy	buy	90.00	PLN	2018-10-04
ING BSK	accumulate	accumulate	200.00	PLN	2018-10-04
KGHM	hold	buy	87.99	PLN	2018-10-15
Kruszwica	neutral	underweight	-	-	2018-10-16
LPP	buy	accumulate	10200.00	PLN	2018-10-01
Mangata	neutral	underweight	-	-	2018-10-01
Millennium	reduce	sell	8.40	PLN	2018-10-04
Netia	hold	reduce	4.30	PLN	2018-10-01
PBKM	buy	hold	66.40	PLN	2018-10-01
Pekao	buy	buy	138.70	PLN	2018-10-04
PKO BP	accumulate	hold	47.00	PLN	2018-10-04
Play	buy	hold	21.50	PLN	2018-10-17
Santander Bank Polska	accumulate	accumulate	400.00	PLN	2018-10-04
TXM	suspended	buy	-	-	2018-10-16

## Ratings and Valuations Changed as of 5th November 2018

Company	Rating	Previous Rating	Target Price		Issued on
AmRest	accumulate	hold	41.20	PLN	2018-11-02
CCC	buy	buy	272.00	PLN	2018-11-02
CEZ	hold	sell	518.72	CZK	2018-11-02
Ciech	buy	buy	77.05	PLN	2018-11-02
Dino	buy	hold	103.50	PLN	2018-11-02
Grupa Azoty	buy	hold	31.47	PLN	2018-11-02
ING BSK	buy	accumulate	200.00	PLN	2018-11-02
Kernel	buy	buy	60.85	PLN	2018-11-02
Millennium	hold	reduce	8.40	PLN	2018-11-02
MOL	accumulate	buy	3,296.00	HUF	2018-11-02
PGNiG	buy	buy	7.72	PLN	2018-11-02
PKN Orlen	reduce	sell	81.38	PLN	2018-11-02
PKO BP	buy	accumulate	47.00	PLN	2018-11-02
PZU	buy	accumulate	47.50	PLN	2018-11-02
Santander Bank Polska	buy	accumulate	400.00	PLN	2018-11-02
Skarbiec Holding	buy	buy	31.02	PLN	2018-11-02
Stelmet	hold	buy	7.72	PLN	2018-11-02

## Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	2	2.2%	1	2.2%
reduce	2	2.2%	2	4.4%
underweight	2	2.2%	1	2.2%
hold	8	8.8%	5	11.1%
neutral	24	26.4%	8	17.8%
accumulate	6	6.6%	1	2.2%
buy	39	42.9%	26	57.8%
overweight	8	8.8%	1	2.2%

## Corporate Events Calendar For November

Date	Time	Company	Event
6-Nov	11:15	<b>Cognor</b>	Q3'18 earnings conference (Westin Hotel, Warsaw)
6-Nov	14:00	<b>PKO BP</b>	Q3'18 earnings conference (T:+44 1296 480 104; PIN: 605 648 61)
6-Nov		<b>PKO BP</b>	Q3'18 earnings announcement
6-Nov		<b>Tauron</b>	Q3'18 earnings announcement
7-Nov		<b>Moneta Money Bank</b>	Q3'18 earnings announcement
7-Nov		<b>PCM</b>	Investor meetings (CC Group, Warsaw) - registration required
7-Nov		<b>Pekao SA</b>	Q3'18 earnings announcement
7-Nov	11:30	<b>Ronson</b>	Q3'18 earnings conference (Sheraton Hotel, Warsaw)
8-Nov	10:00	<b>Alior Bank</b>	Videoconference with Management ( <a href="http://infostrefa.tv/alior/en">http://infostrefa.tv/alior/en</a> )
8-Nov		<b>Alior Bank</b>	Q3'18 earnings announcement
8-Nov		<b>CEZ</b>	Q3'18 earnings announcement
8-Nov	10:00	<b>Cyfrowy Polsat</b>	Q3'18 earnings conference (Radisson Blu Centrum Hotel, Warsaw)
8-Nov		<b>Cyfrowy Polsat</b>	Q3'18 earnings announcement
8-Nov		<b>Energa</b>	Q3'18 earnings announcement
8-Nov	14:00	<b>Ergis</b>	Teleconference with Management
8-Nov		<b>Grupa Azoty</b>	Q3'18 earnings announcement
8-Nov		<b>Impexmetal</b>	Q3'18 earnings announcement
9-Nov		<b>Agora</b>	Q3'18 earnings announcement
9-Nov	10:30	<b>Capital Park</b>	Q3'18 earnings conference (Jerozolimskie 134, building BETA, Warsaw)
9-Nov		<b>CCC</b>	Q3'18 earnings announcement
9-Nov		<b>Eurocash</b>	Q3'18 earnings announcement
9-Nov		<b>Gino Rossi</b>	Q3'18 earnings announcement
9-Nov	15:00	<b>OTP Bank</b>	Q3'18 earnings conference (T: +44 20 3936 2999, PIN: 245161)
9-Nov		<b>OTP Bank</b>	Q3'18 earnings announcement
9-Nov		<b>Pozbud</b>	Q3'18 earnings announcement
12-Nov		<b>Play</b>	Q3'18 earnings announcement
13-Nov		<b>Dino</b>	Q3'18 earnings announcement
13-Nov		<b>Emperia</b>	Q3'18 earnings announcement
13-Nov		<b>PGE</b>	Q3'18 earnings announcement
13-Nov		<b>Play</b>	Investor Day (Konstruktorska 11, Warsaw)
13-Nov		<b>Wirtualna Polska</b>	Q3'18 earnings announcement
14-Nov		<b>11 bit studios</b>	Q3'18 earnings announcement
14-Nov		<b>Atende</b>	Q3'18 earnings announcement
14-Nov		<b>Citi Handlowy</b>	Q3'18 earnings announcement
14-Nov		<b>Erbud</b>	Q3'18 earnings announcement
14-Nov		<b>GTC</b>	Q3'18 earnings announcement
14-Nov		<b>KGHM</b>	Q3'18 earnings announcement
14-Nov		<b>Lokum</b>	Q3'18 earnings announcement
14-Nov		<b>Pfleiderer Group</b>	Q3'18 earnings announcement
14-Nov		<b>RBI</b>	Q3'18 earnings announcement
14-Nov		<b>Vistula</b>	Q3'18 earnings announcement
15-Nov		<b>AmRest</b>	Q3'18 earnings announcement
15-Nov		<b>Apator</b>	Q3'18 earnings announcement
15-Nov		<b>BGŻ BNP Paribas</b>	Q3'18 earnings announcement
15-Nov		<b>BOŚ Bank</b>	Q3'18 earnings announcement
15-Nov		<b>Elektrobudowa</b>	Q3'18 earnings announcement
15-Nov		<b>i2 Development</b>	Q3'18 earnings announcement
15-Nov		<b>Idea Bank</b>	Q3'18 earnings announcement
15-Nov		<b>Kruszwica</b>	Q3'18 earnings announcement
15-Nov		<b>LC Corp</b>	Q3'18 earnings announcement
15-Nov		<b>P.A. Nova</b>	Q3'18 earnings announcement
15-Nov		<b>Trakcja</b>	Q3'18 earnings announcement
15-Nov		<b>Ulma</b>	Q3'18 earnings announcement
15-Nov		<b>Unibep</b>	Q3'18 earnings announcement
16-Nov		<b>Comarch</b>	Q3'18 earnings announcement
16-Nov	11:00	<b>Elektrobudowa</b>	Q3'18 earnings conference (Sheraton Hotel, Warsaw)
16-Nov		<b>Polwax</b>	Q3'18 earnings announcement
16-Nov		<b>Wasko</b>	Q3'18 earnings announcement
18-Nov		<b>ING BSK</b>	Q3'18 earnings announcement
19-Nov		<b>PBKM</b>	Q3'18 earnings announcement

## Corporate Events Calendar For November

Date	Time	Company	Event
20-Nov		<b>Asseco Poland</b>	Q3'18 earnings announcement
20-Nov		<b>Atal</b>	Q3'18 earnings announcement
20-Nov	11:00	<b>Bank Pekao</b>	Investor Day (Hotel Andaz, 40 Liverpool Str. London)
20-Nov		<b>LPP</b>	Q3'18 earnings announcement
20-Nov		<b>Wojas</b>	Q3'18 earnings announcement
21-Nov		<b>JWC</b>	Q3'18 earnings announcement
21-Nov		<b>Monnari</b>	Q3'18 earnings announcement
21-Nov		<b>PGNiG</b>	Q3'18 earnings announcement
21-Nov		<b>Torpol</b>	Q3'18 earnings announcement
22-Nov		<b>Boryszew</b>	Q3'18 earnings announcement
22-Nov		<b>CD Projekt</b>	Q3'18 earnings announcement
22-Nov		<b>Elektrotim</b>	Q3'18 earnings announcement
22-Nov		<b>JSW</b>	Q3'18 earnings announcement
22-Nov		<b>PKP Cargo</b>	Q3'18 earnings announcement
22-Nov		<b>TXM</b>	Q3'18 earnings announcement
23-Nov		<b>BBI Dev.</b>	Q3'18 earnings announcement
23-Nov		<b>CI Games</b>	Q3'18 earnings announcement
23-Nov		<b>Enea/LWB</b>	Q3'18 earnings announcement
23-Nov		<b>Tarczyński</b>	Q3'18 earnings announcement
26-Nov		<b>Ciech</b>	Q3'18 earnings announcement
27-Nov	11:00	<b>Atal</b>	Q3'18 earnings conference (InterContinental Hotel, Warsaw)
27-Nov		<b>Echo Investment</b>	Q3'18 earnings announcement
27-Nov		<b>Elemental</b>	Q3'18 earnings announcement
27-Nov		<b>Redan</b>	Q3'18 earnings announcement
27-Nov		<b>ZUE</b>	Q3'18 earnings announcement
28-Nov		<b>Famur</b>	Q3'18 earnings announcement
28-29 Nov		<b>PKP Cargo</b>	Investor Day (Bydgoszcz, Toruń)
29-Nov		<b>Ailleron</b>	Q3'18 earnings announcement
29-Nov		<b>Amica</b>	Q3'18 earnings announcement
29-Nov		<b>Archicom</b>	Q3'18 earnings announcement
29-Nov		<b>Bytom</b>	Q3'18 earnings announcement
29-Nov		<b>Forte</b>	Q3'18 earnings announcement
29-Nov		<b>Getin Noble</b>	Q3'18 earnings announcement
29-Nov		<b>Herkules</b>	Q3'18 earnings announcement
29-Nov		<b>Polnord</b>	Q3'18 earnings announcement

## Financial Sector

### Alior Bank buy (no change)

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We maintain a buy rating for Alior Bank, still one of the most undervalued stocks in its sector in spite of a called-off merger with Pekao which has freed up capacity to step up lending and focus on growing profits. Alior faces higher cost of risk in our view than indicated by its current guidance due to increased default risk associated with certain corporate accounts. The departure in October of CEO Sułkowska, who seems to have lost the confidence of shareholders, despite reassurance given by her replacement, Krzysztof Bachta, that there would be no change of course strategy-wise, unsettled investors, who are now awaiting third-quarter results. Our view on Alior is that it will have boost lending in H2 2018 in order to reach the PLN 5.5-6.5bn target volume growth set for this year (after originations totaling PLN 2.2bn in the first six months), plus, after an 11bp rebound in net interest margin in Q2, the Bank looks well on track to achieving its FY 2018 NIM target of 4.6%. ALR remains grossly undervalued relative to its bullish prospects.

<b>Current Price</b>	59.80 PLN	<b>Upside</b>
<b>9M Target Price</b>	96.00 PLN	<b>+60.5%</b>

	rating	target price	issued
unchanged	buy	96.00 PLN	2018-10-04

Key Metrics	ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng -4.7% -0.6%
ISIN	PLALIOR00045	YTD Price Chng -24.8% -13.1%
Outst. Stock (m)	129.3	ADTV 1M PLN 12.6m
MC (PLN m)	7,729.6	ADTV 6M PLN 16.0m
		P/E 12M fwd 8.7 -37.4%
Free Float	74.8%	P/E 5Y avg 13.9 discount

#### Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	1,946	3,601	3,110	3,494
Total income	3,198	3,797	4,121	4,478
Costs	-1,619	-1,930	-1,833	-1,886
Provisioning	-800	-930	-986	-1,063
Net income	575	515	806	997
P/E	10.5	15.0	9.6	7.8
P/B	1.3	1.1	1.0	0.9
ROE	11.9%	8.0%	11.2%	12.4%
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)	2016	2017	2018P	2019P	2020P
Net interest income	1,946	2,841	3,110	3,494	3,841
Fee income	331	453	445	449	482
Trading income	342	376	429	390	398
Other income	578	127	139	145	153
Noninterest income	1,252	956	1,012	984	1,032
Total income	3,198	3,797	4,121	4,478	4,873
Operating expenses	1,619	1,930	1,833	1,886	1,943
Operating income	1,579	1,867	2,288	2,592	2,930
Provisioning	800	930	986	1,063	1,129
Profits of associates	0	0	0	0	0
Pre-tax income	779	937	1,302	1,530	1,801
Tax	73	221	282	291	342
Minority interests	0	0	0	0	0
Asset tax	131	201	214	243	260
Net income	575	515	806	997	1,199

#### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	46,247	51,267	57,010	61,787	65,766
Other assets	14,913	18,227	19,548	20,802	23,303
Total assets	61,160	69,494	76,558	82,590	89,068
Deposits	51,369	57,614	62,954	68,392	73,864
Other liabilities	3,632	5,117	6,036	5,633	5,442
Minority interests	1	1	1	1	1
Equity	6,159	6,761	7,566	8,563	9,761

#### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	4.1%	4.3%	4.4%	4.6%	4.7%
C/I	50.6%	50.8%	44.5%	42.1%	39.9%
CoR	1.9%	1.8%	1.7%	1.7%	1.7%
NPL Ratio	9.8%	10.8%	10.6%	10.3%	10.2%
Tier 1 Ratio	11.3%	12.1%	12.5%	13.5%	14.8%

#### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	318	2%
Value Driver (2021-35)	10,999	73%
Fade (2036-55)	2,753	18%
Terminal Value	895	6%
Fair Value	14,965	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	115.77	
9M Target Price (PLN)	123.15	

#### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,987	49%
Explicit Forecast (2018-20)	1,394	10%
PV Adjustment	863	6%
Value Driver (2021-35)	4,227	29%
Fade (2036-55)	901	6%
Fair Value	14,371	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	111.18	
9M Target Price (PLN)	118.27	

#### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	14,965
Economic Profits	50%	14,371
Fair Value Avg.		14,668
Fair Value Per Share (PLN)		113.48
Asset tax		-23.23
Fair Value Per Share		90.25
Cost of equity (9M)		6.4%
9M Target Price (PLN)		96.00



## Getin Noble Bank hold (no change)

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Getin is set to report another net loss in 2018 after the one-time charges booked in the first half of the year, but with that said the second half is looking much better in terms of profits with a one-time divestment boost of ca. PLN 90m expected in Q4. Our outlook for Getin omits a possible issue of Tier 1 instruments, conditioned on future financial performance. Getin is in the process of reviewing a merger with Idea Bank, and it expects to have the conclusions ready at the beginning of November. We agree that the tie-up can generate sizable synergies, but at the same time we are somewhat concerned about the quality of Idea Bank's earnings, a potential source of downside risk. Accordingly, we maintain a hold recommendation for GNB for the time being.

Current Price

0.54 PLN

Upside

9M Target Price

1.00 PLN

+85.2%

	rating	target price	issued
unchanged	hold	1.00 PLN	2018-10-04

Key Metrics		GNB PW	vs. WIG
Ticker	GNB PW	1M Price Chng	+1.9%
ISIN	PLGETBK00012	YTD Price Chng	-66.7%
Outst. Stock (m)	1,044.6	ADTV 1M	PLN 1.4m
MC (PLN m)	564.1	ADTV 6M	PLN 1.2m
		P/E 12M fwd	5.6
Free Float	49.8%	P/E 5Y avg	12.6

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	1,317	1,297	1,224	1,447	1,614
Total income	1,537	1,480	1,506	1,671	1,864
Costs	-859	-895	-932	-930	-929
Provisioning	-660	-1,261	-630	-540	-543
Net income	-42	-575	-43	160	314
P/E	-	-	-	3.6	1.9
P/B	0.1	0.1	0.1	0.1	0.1
ROE	-	-	-	3.3%	6.2%
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	1,224	1,447	1,614
Fee income	126	154	153	179	198
Trading income	177	217	177	90	93
Other income	-62	-188	-48	-44	-42
Noninterest income	241	183	282	224	250
Total income	1,558	1,480	1,506	1,671	1,864
Operating expenses	859	895	932	930	929
Operating income	699	585	574	741	935
Provisioning	700	1,261	630	540	543
Profits of associates	-3	15	3	-4	-4
Pre-tax income	-4	-661	-53	197	387
Tax	12	-88	-10	37	74
Minority interests	-4	-2	0	0	0
Asset tax	38	0	0	0	0
Net income	-59	-575	-43	160	314

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	46,634	42,712	42,101	42,657	43,861
Other assets	19,526	17,124	18,345	19,646	21,072
Total assets	66,160	59,836	60,445	62,303	64,933
Deposits	53,041	48,614	46,664	45,325	45,516
Other liabilities	8,362	6,906	9,119	12,056	14,143
Minority interests	7	0	0	0	0
Equity	4,750	4,315	4,662	4,922	5,274

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.0%	2.1%	2.1%	2.5%	2.6%
C/I	55.1%	60.5%	61.9%	55.6%	49.8%
CoR	1.4%	2.6%	1.4%	1.2%	1.2%
NPL Ratio	14.7%	15.8%	14.4%	13.3%	12.2%
Tier 1 Ratio	11.6%	9.6%	11.3%	11.9%	12.4%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	-92	-3%
PV Adjustment	-87	-2%
Value Driver (2021-35)	1,688	47%
Fade (2036-55)	1,230	34%
Terminal Value	875	24%
Fair Value	3,614	100%
Outst. Shares (millions)	1,081	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	3.34	
9M Target Price (PLN)	3.56	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	4,264	133%
Explicit Forecast (2018-20)	-650	-20%
PV Adjustment	20	1%
Value Driver (2021-35)	-415	-13%
Fade (2036-55)	-8	0%
Fair Value	3,211	100%
Outst. Shares (millions)	1,081	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	2.97	
9M Target Price (PLN)	3.16	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	3,614
Economic Profits	50%	3,211
Fair Value Avg.		3,413
Fair Value Per Share (PLN)		3.16
Asset tax		-2.22
Fair Value Per Share		1.00
Cost of equity (9M)		6.4%
9M Target Price (PLN)		1.00

## Handlowy buy (no change)

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We maintain a buy rating for Handlowy, which exceeded market expectations with 2018 H1 earnings, owing mainly to strong trading income and low provisioning, mitigating misses in net interest income and fee income. Based on the Bank's performance thus far, we would expect analysts to raise their 2018 FY net income forecast by 2%, make an equivalent cut in the 2019 outlook, and hike the 2020 net income projection by 7%. Handlowy wants to be a dividend-paying company in our view, and to that end it will probably concede with asset growth at an average annual rate of 6% through 2020. Aside from dividends, other reasons why think Handlowy is worth buying is its safe business profile, with zero CHF loan exposure, and that as such the Bank has takeover appeal for larger rivals.

<b>Current Price</b>	70.70 PLN	<b>Upside</b>
<b>9M Target Price</b>	90.00 PLN	<b>+27.3%</b>

	rating	target price	issued
unchanged	buy	90.00 PLN	2018-10-04

Key Metrics	BHW PW	1M Price Chng	BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-5.2%	-1.1%
ISIN	PLBH00000012	YTD Price Chng	-9.1%	+2.6%
Outst. Stock (m)	130.7	ADTV 1M		PLN 1.9m
MC (PLN m)	9,237.6	ADTV 6M		PLN 2.9m
		P/E 12M fwd	13.7	-13.0%
Free Float	25.0%	P/E 5Y avg	15.7	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	1,004	1,082	1,108	1,183
Total income	2,082	2,079	2,255	2,361
Costs	-1,202	-1,192	-1,226	-1,272
Provisioning	-46	-103	-78	-87
Net income	602	536	665	691
P/E	15.4	17.2	13.9	13.4
P/B	1.4	1.3	1.3	1.3
ROE	8.8%	7.8%	9.5%	9.8%
DPS	4.68	4.60	4.10	5.09
DYield	6.6%	6.5%	5.8%	7.2%
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)	2016	2017	2018P	2019P	2020P
Net interest income	1,004	1,082	1,108	1,183	1,407
Fee income	561	581	567	589	609
Trading income	497	396	512	517	528
Other income	48	21	68	72	76
<b>Noninterest income</b>	<b>1,107</b>	<b>997</b>	<b>1,147</b>	<b>1,178</b>	<b>1,213</b>
<b>Total income</b>	<b>2,111</b>	<b>2,079</b>	<b>2,255</b>	<b>2,361</b>	<b>2,619</b>
Operating expenses	1,231	1,192	1,226	1,272	1,310
<b>Operating income</b>	<b>879</b>	<b>888</b>	<b>1,029</b>	<b>1,089</b>	<b>1,309</b>
Provisioning	46	103	78	87	105
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>834</b>	<b>785</b>	<b>951</b>	<b>1,002</b>	<b>1,204</b>
Tax	163	172	198	208	250
Minority interests	0	0	0	0	0
Asset tax	69	78	88	102	112
<b>Net income</b>	<b>602</b>	<b>536</b>	<b>665</b>	<b>691</b>	<b>841</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Net loans</b>	<b>17,170</b>	<b>17,854</b>	<b>19,786</b>	<b>21,992</b>	<b>23,794</b>
Other assets	28,040	25,184	25,679	26,275	27,133
<b>Total assets</b>	<b>45,210</b>	<b>43,038</b>	<b>45,465</b>	<b>48,267</b>	<b>50,928</b>
<b>Deposits</b>	<b>29,251</b>	<b>32,137</b>	<b>26,182</b>	<b>26,815</b>	<b>27,772</b>
Other liabilities	9,169	3,962	12,215	14,360	15,913
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>6,790</b>	<b>6,939</b>	<b>7,067</b>	<b>7,093</b>	<b>7,243</b>

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.2%	2.5%	2.6%	2.7%	3.0%
C/I	58.3%	57.9%	54.3%	53.9%	50.0%
CoR	0.3%	0.6%	0.4%	0.4%	0.4%
NPL Ratio	3.6%	3.5%	3.1%	3.1%	4.1%
Tier 1 Ratio	17.4%	17.9%	17.1%	16.3%	15.7%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	1,200	9%
PV Adjustment	581	5%
Value Driver (2020-34)	8,315	65%
Fade (2035-54)	2,015	16%
Terminal Value	619	5%
<b>Fair Value</b>	<b>12,731</b>	<b>100%</b>
Outst. Shares (millions)	131	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>97.43</b>	
<b>9M Target Price (PLN)</b>	<b>103.65</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,332	71%
Explicit Forecast (2017-19)	268	2%
PV Adjustment	73	1%
Value Driver (2020-34)	2,331	20%
Fade (2035-54)	775	7%
<b>Fair Value</b>	<b>11,779</b>	<b>100%</b>
Outst. Shares (millions)	131	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>90.15</b>	
<b>9M Target Price (PLN)</b>	<b>95.90</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	12,731
Economic Profits	50%	11,779
Fair Value Avg.		12,255
Fair Value Per Share (PLN)		93.79
Asset tax		-9.19
Fair Value Per Share		84.61
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>90.00</b>

## ING BSK buy (upgraded)

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We upgrade our call for ING BSK to buy after October falls. Our valuation model for ING indicates the Bank should be traded at a higher premium to the sector than most of its peers owing to a lack of exposure to CHF loan risk, coupled with fast-paced growth and dividends. ING keeps growing its market share, expected to reach 8% by the end of 2018, and its earnings potential will be bolstered by the rumored acquisition of the asset manager Nationale Nederlanden TFI (NN), promising to boost fee income from an enhanced sales mix. With that said, the current expectations of market analysts as to 2019 profits are too ambitious in our view, and they set ING BSK up for a negative surprise even though next year's figures are poised to be stellar, with ROE at a projected 12.7% making the Bank the runaway leader in equity returns both domestically and across the CEE region. On a less upbeat note, ING is likely to keep dividend yields in the coming years on the lower side as it continues to pursue organic growth.

### Current Price

166.00 PLN

Upside

### 9M Target Price

200.00 PLN

+20.5%

	rating	target price	issued
new	buy	200.00 PLN	2018-11-05
old	accumulate	200.00 PLN	2018-10-04
Key Metrics		ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-8.0% -3.9%
ISIN	PLBSK0000017	YTD Price Chng	-18.0% -6.3%
Outst. Stock (m)	130.1	ADTV 1M	PLN 1.3m
MC (PLN m)	21,596.6	ADTV 6M	PLN 1.6m
		P/E 12M fwd	13.2 -16.1%
Free Float	25.0%	P/E 5Y avg	15.7 discount

### Earnings Projections

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	2,953	3,453	3,712	4,086	4,668
Total income	4,325	4,756	5,166	5,555	6,181
Costs	-2,099	-2,123	-2,304	-2,401	-2,497
Provisioning	-301	-421	-469	-526	-607
Net income	1,253	1,403	1,524	1,662	1,956
P/E	17.2	15.4	14.2	13.0	11.0
P/B	2.1	1.8	1.7	1.6	1.5
ROE	11.8%	12.6%	12.5%	12.7%	13.8%
DPS	4.30	0.00	3.20	3.51	3.83
DYield	2.6%	0.0%	1.9%	2.1%	2.3%
Projection Update (% change)			2018P	2019P	2020P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Net interest income	2,953	3,453	3,712	4,086	4,668
Fee income	1,065	1,183	1,279	1,309	1,346
Trading income	287	117	158	143	150
Other income	19	3	17	17	17
Noninterest income	1,371	1,303	1,454	1,469	1,513
Total income	4,325	4,756	5,166	5,555	6,181
Operating expenses	2,099	2,123	2,304	2,401	2,497
Operating income	2,225	2,633	2,862	3,154	3,684
Provisioning	301	421	469	526	607
Profits of associates	0	0	0	0	0
Pre-tax income	1,925	2,212	2,393	2,628	3,077
Tax	391	479	502	552	646
Minority interests	0	0	0	0	0
Asset tax	280	330	367	414	475
Net income	1,253	1,403	1,524	1,662	1,956

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	81,980	91,088	100,319	114,599	126,746
Other assets	35,498	34,926	34,719	37,137	39,763
Total assets	117,478	126,014	135,038	151,735	166,508
Deposits	95,825	104,503	115,295	128,209	138,350
Other liabilities	11,175	9,716	7,175	9,932	13,314
Minority interests	2	0	0	0	0
Equity	10,475	11,795	12,568	13,594	14,844

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.7%	2.9%	2.9%	2.9%	3.0%
C/I	48.5%	44.6%	44.6%	43.2%	40.4%
CoR	0.4%	0.5%	0.5%	0.5%	0.5%
NPL Ratio	2.6%	2.8%	2.9%	2.9%	2.9%
Tier 1 Ratio	13.7%	15.8%	15.2%	14.9%	15.1%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	1,353	5%
PV Adjustment	908	3%
Value Driver (2021-35)	17,628	60%
Fade (2036-55)	7,422	25%
Terminal Value	2,152	7%
Fair Value	29,464	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	226.47	
9M Target Price (PLN)	240.91	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	11,950	39%
Explicit Forecast (2018-20)	2,352	8%
PV Adjustment	1,801	6%
Value Driver (2021-35)	10,637	35%
Fade (2036-55)	3,585	12%
Fair Value	30,324	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	233.08	
9M Target Price (PLN)	247.94	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	29,464
Economic Profits	50%	30,324
Fair Value Avg.		29,894
Fair Value Per Share (PLN)		229.78
Asset tax		-41.76
Fair Value Per Share		188.01
Cost of equity (9M)		6.4%
9M Target Price (PLN)		200.00



## Millennium hold (upgraded)

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We upgrade Millennium to hold after an October sell-off. The Bank has agreed to acquire a 100% stake in its local rival, Eurobank, for close to PLN 2bn, a price tag which at 1.2x P/B may look hefty but which is fully justified by Eurobank's high-quality assets. Millennium is financing the deal using cash on hand, and it expects the post-merger CET1 ratio to be 15.9%, as well as anticipating approximately PLN 650m in synergy savings after spending about PLN 350m over the next two years on post-merger integration. After a 15% temporary drop in 2019, EPS will rebound by 23% in 2020 according to the Bank. We view the Eurobank acquisition as a good move which makes good use of surplus capital and boosts Millennium's earnings potential, even if this does not necessarily entail a higher dividend-paying potential.

**Current Price**

8.85 PLN

**Downside**

**9M Target Price**

8.40 PLN

**-5.1%**

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>8.40 PLN</b>	<b>2018-11-05</b>
<b>old</b>	<b>reduce</b>	<b>8.40 PLN</b>	<b>2018-10-04</b>
<b>Key Metrics</b>			
Ticker	MIL PW	1M Price Chng	-4.3%
ISIN	PLBIG0000016	YTD Price Chng	-1.0%
Outst. Stock (m)	1,213.1	ADTV 1M	PLN 5.3m
MC (PLN m)	10,736.1	ADTV 6M	PLN 6.7m
		P/E 12M fwd	13.1
Free Float	50.0%	P/E 5Y avg	13.0

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	1,506	1,696	1,789	1,965
Total income	2,628	2,650	2,739	2,934
Costs	-1,112	-1,156	-1,303	-1,362
Provisioning	-231	-255	-227	-243
Net income	701	681	735	815
P/E	15.3	15.8	14.6	13.2
P/B	1.5	1.4	1.3	1.2
ROE	10.5%	9.3%	9.1%	9.5%
DPS	0.00	0.00	0.00	0.12
DYield	0.0%	0.0%	0.0%	1.4%
<b>Projection Update (% change)</b>				
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)	2016	2017	2018P	2019P	2020P
Net interest income	1,506	1,696	1,789	1,965	2,151
Fee income	581	664	676	691	724
Trading income	491	220	217	220	222
Other income	51	70	57	58	60
<b>Noninterest income</b>	<b>1,122</b>	<b>953</b>	<b>950</b>	<b>969</b>	<b>1,006</b>
<b>Total income</b>	<b>2,628</b>	<b>2,650</b>	<b>2,739</b>	<b>2,934</b>	<b>3,157</b>
Operating expenses	1,268	1,281	1,303	1,362	1,422
<b>Operating income</b>	<b>1,360</b>	<b>1,369</b>	<b>1,436</b>	<b>1,572</b>	<b>1,734</b>
Provisioning	231	255	227	243	269
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>1,127</b>	<b>1,114</b>	<b>1,208</b>	<b>1,328</b>	<b>1,466</b>
Tax	252	244	260	286	316
Minority interests	0	0	0	0	0
Asset tax	174	188	213	227	241
<b>Net income</b>	<b>701</b>	<b>681</b>	<b>735</b>	<b>815</b>	<b>909</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Net loans</b>	<b>47,020</b>	<b>47,411</b>	<b>52,128</b>	<b>55,432</b>	<b>59,106</b>
Other assets	21,773	23,730	24,471	25,308	26,177
<b>Total assets</b>	<b>68,793</b>	<b>71,141</b>	<b>76,599</b>	<b>80,740</b>	<b>85,283</b>
<b>Deposits</b>	<b>55,876</b>	<b>57,273</b>	<b>58,822</b>	<b>60,414</b>	<b>62,050</b>
Other liabilities	5,976	6,096	9,455	11,402	13,644
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>6,941</b>	<b>7,773</b>	<b>8,322</b>	<b>8,923</b>	<b>9,588</b>

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.3%	2.4%	2.5%	2.6%	2.7%
C/I	48.3%	48.3%	47.6%	46.4%	45.1%
CoR	0.5%	0.5%	0.4%	0.4%	0.5%
NPL Ratio	4.5%	4.6%	4.8%	4.8%	4.8%
Tier 1 Ratio	17.3%	20.3%	19.7%	19.9%	20.1%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-19)	352	3%
PV Adjustment	372	3%
Value Driver (2020-34)	9,192	72%
Fade (2035-54)	1,869	15%
Terminal Value	904	7%
<b>Fair Value</b>	<b>12,689</b>	<b>100%</b>
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>10.46</b>	
<b>9M Target Price (PLN)</b>	<b>11.13</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,029	67%
Explicit Forecast (2017-19)	651	5%
PV Adjustment	716	6%
Value Driver (2020-34)	2,383	20%
Fade (2035-54)	273	2%
<b>Fair Value</b>	<b>12,051</b>	<b>100%</b>
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>9.93</b>	
<b>9M Target Price (PLN)</b>	<b>10.57</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	12,689
Economic Profits	50%	12,051
Fair Value Avg.		12,370
Fair Value Per Share (PLN)		10.20
Asset tax		-2.30
Fair Value Per Share		7.89
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>8.40</b>

## Pekao buy (no change)

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We maintain a buy rating for Pekao, and we still consider the Bank undervalued vis-à-vis fundamentals. Since its 2017 takeover by state-owned institutions, Pekao has strived to combine organic growth with restructuring efforts and paying the consistently high dividends that its shareholders have come to expect. In our view, the old dividend policy has become unsustainable, and the Bank has to cut the annual payout ratios from the current 100% to 75% if it wants to keep growing assets at the usual rate of 8%-10% a year. By 2020, however, we believe Pekao can restore DPS close to the 2018 level after accelerating ROE growth to 11.8% from 9% in 2018E. In short, in our view the market is overpricing return and dividend risks, forgetting that, these risks and political risk notwithstanding, PEO is a relatively low-risk investment, and its sensitivity to changes (or lack thereof) in interest rates and to the planned CHF borrower relief measures is very low. For all these reasons, from our point of view, Pekao deserves a premium valuation relative to its peers, most notably the major rival PKO BP.

<b>Current Price</b>	106.30 PLN	<b>Upside</b>
<b>9M Target Price</b>	138.70 PLN	<b>+30.5%</b>

	rating	target price	issued
unchanged	buy	138.70 PLN	2018-10-04

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	+0.3%	+4.4%
ISIN	PLPEKAO00016	YTD Price Chng	-12.6%	-0.9%
Outst. Stock (m)	262.5	ADTV 1M		PLN 59.7m
MC (PLN m)	27,900.6	ADTV 6M		PLN 81.4m
		P/E 12M fwd	11.4	-26.9%
Free Float	49.9%	P/E 5Y avg	15.6	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	4,382	4,593	5,083	5,828
Total income	7,302	7,278	7,720	8,571
Costs	-3,494	-3,535	-3,906	-3,950
Provisioning	-501	-521	-519	-684
Net income	2,279	2,475	2,086	2,516
P/E	12.2	11.3	13.4	11.1
P/B	1.2	1.2	1.2	1.1
ROE	9.8%	10.7%	8.9%	10.6%
DPS	8.70	8.68	7.90	5.96
DYield	8.2%	8.2%	7.4%	5.6%
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)	2016	2017	2018P	2019P	2020P
Net interest income	4,382	4,593	5,083	5,828	6,546
Fee income	2,390	2,353	2,383	2,467	2,557
Trading income	508	255	218	233	249
Other income	21	77	35	43	50
<b>Noninterest income</b>	<b>2,920</b>	<b>2,685</b>	<b>2,637</b>	<b>2,743</b>	<b>2,856</b>
<b>Total income</b>	<b>7,302</b>	<b>7,278</b>	<b>7,720</b>	<b>8,571</b>	<b>9,402</b>
Operating expenses	3,494	3,535	3,906	3,950	4,092
<b>Operating income</b>	<b>3,808</b>	<b>3,743</b>	<b>3,813</b>	<b>4,621</b>	<b>5,310</b>
Provisioning	501	521	519	684	744
Profits of associates	39	453	9	9	9
<b>Pre-tax income</b>	<b>3,346</b>	<b>3,675</b>	<b>3,303</b>	<b>3,947</b>	<b>4,575</b>
Tax	617	677	628	750	869
Minority interests	0	-1	0	0	0
Asset tax	450	522	589	681	754
<b>Net income</b>	<b>2,279</b>	<b>2,475</b>	<b>2,086</b>	<b>2,516</b>	<b>2,952</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Net loans</b>	<b>122,664</b>	<b>132,301</b>	<b>148,340</b>	<b>165,900</b>	<b>181,820</b>
Other assets	51,551	53,165	55,684	58,087	60,612
<b>Total assets</b>	<b>174,215</b>	<b>185,466</b>	<b>204,025</b>	<b>223,988</b>	<b>242,432</b>
<b>Deposits</b>	<b>137,816</b>	<b>146,186</b>	<b>157,831</b>	<b>174,345</b>	<b>193,484</b>
Other liabilities	13,487	16,011	22,828	25,317	23,097
Minority interests	15	0	0	0	0
<b>Equity</b>	<b>22,897</b>	<b>23,268</b>	<b>23,365</b>	<b>24,325</b>	<b>25,851</b>

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.7%	2.6%	2.7%	2.8%	2.9%
C/I	48.4%	48.6%	51.7%	47.2%	44.6%
CoR	0.4%	0.4%	0.4%	0.4%	0.4%
NPL Ratio	6.0%	5.4%	4.8%	4.8%	4.8%
Tier 1 Ratio	17.6%	16.1%	17.3%	16.3%	16.0%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	3,045	7%
PV Adjustment	2,078	5%
Value Driver (2021-35)	28,601	64%
Fade (2036-55)	8,462	19%
Terminal Value	2,300	5%
<b>Fair Value</b>	<b>44,486</b>	<b>100%</b>
Outst. Shares (millions)	262	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>169.58</b>	
<b>9M Target Price (PLN)</b>	<b>180.39</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,842	56%
Explicit Forecast (2018-20)	2,552	6%
PV Adjustment	257	1%
Value Driver (2021-35)	11,187	25%
Fade (2036-55)	2,416	5%
<b>Fair Value</b>	<b>41,255</b>	<b>93%</b>
Outst. Shares (millions)	262	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>157.18</b>	
<b>9M Target Price (PLN)</b>	<b>167.20</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	44,486
Economic Profits	50%	41,255
Fair Value Avg.		42,870
Fair Value Per Share (PLN)		163.38
Asset tax		-32.99
Fair Value Per Share		130.39
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>138.70</b>

## PKO BP buy (upgraded)

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We upgrade PKO BP from accumulate to buy, with the 9-month price target unchanged at PLN 47.00 per share. PKO looks ripe for some near-term upside potential stemming from increasing dividend expectations, and in the long term an upside catalyst might be provided by upward revisions to the market's earnings expectations for FY2020, underpinned by increasing retail lending volumes and likely hikes in interest rates. A more-generous-than-assumed 2018 payout spurred anticipation of further positive dividend surprises in 2019 and 2020. PKO BP does not yet fulfill the requirements necessary to be allowed to distribute 50% of annual net profit as dividends, but after proving resilience in the European Banking Authority's (EBA) EU-wide stress test the Bank might have its stress capital buffer reduced by the domestic regulator KNF. This, coupled with the application of a preferential risk weight to covered zloty home loan exposures, should lift PKO's capital ratios up to the requisite thresholds. With that said, there is also downside risk to PKO's outlook stemming from the impending passing of the long-awaited legislation designed to help distressed Swiss franc borrowers. The resulting costs in our baseline estimate can knock about PLN 0.79 off the value of one PKO share. In addition, like any other state-owned enterprise, PKO BP is susceptible to unpredictable and sometimes arbitrary executive rank reshuffles.

### Current Price

40.39 PLN

Upside

### 9M Target Price

47.00 PLN

+16.4%

		rating	target price	issued
new		buy	47.00 PLN	2018-11-05
old		accumulate	47.00 PLN	2018-10-04
Key Metrics			PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-4.7%	-0.6%
ISIN	PLPKO0000016	YTD Price Chng	-7.7%	+3.9%
Outst. Stock (m)	1,250.0	ADTV 1M		PLN 82.8m
MC (PLN m)	50,487.5	ADTV 6M		PLN 90.3m
		P/E 12M fwd	12.8	-3.1%
Free Float	68.6%	P/E 5Y avg	13.2	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P
NII	7,755	10,919	9,285	10,138
Total income	12,121	12,803	13,634	14,637
Costs	-5,590	-6,024	-6,238	-6,545
Provisioning	-1,623	-1,620	-1,490	-1,735
Net income	2,874	3,104	3,734	4,001
P/E	17.6	16.3	13.5	12.6
P/B	1.5	1.4	1.3	1.2
ROE	9.1%	9.0%	9.9%	9.9%
DPS	0.00	0.00	0.55	1.49
DYield	0.0%	0.0%	1.4%	3.7%
Projection Update (% change)			2018P	2019P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Net interest income	7,755	8,606	9,285	10,138	11,748
Fee income	2,693	2,969	3,010	3,133	3,290
Trading income	1,024	518	665	679	692
Other income	649	710	675	688	702
Noninterest income	4,366	4,197	4,349	4,499	4,684
Total income	12,121	12,803	13,634	14,637	16,432
Operating expenses	5,920	6,024	6,238	6,545	6,923
Operating income	6,200	6,779	7,396	8,092	9,509
Provisioning	1,623	1,620	1,490	1,735	1,959
Profits of associates	35	22	23	24	25
Pre-tax income	4,612	5,181	5,929	6,381	7,575
Tax	-907	-1,140	-1,245	-1,340	-1,591
Minority interests	-2	-5	-2	-2	-2
Asset tax	829	932	948	1,038	1,107
Net income	2,874	3,104	3,734	4,001	4,876

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	200,607	205,628	223,784	240,817	205,628
Other assets	84,966	91,284	95,403	99,613	91,284
Total assets	285,573	296,912	319,187	340,430	296,912
Deposits	205,066	218,800	234,458	251,247	218,800
Other liabilities	47,938	41,856	45,424	47,745	41,856
Minority interests	-16	-11	-9	-10	-11
Equity	32,585	36,267	39,313	41,448	36,267

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	3.0%	3.0%	3.2%	3.2%	3.0%
C/I	48.8%	47.1%	45.8%	44.7%	47.1%
CoR	0.8%	0.8%	0.7%	0.7%	0.8%
NPL Ratio	5.9%	5.5%	5.2%	5.2%	5.5%
Tier 1 Ratio	14.5%	16.5%	16.1%	16.2%	16.5%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	3,420	5%
PV Adjustment	151	0%
Value Driver (2021-35)	44,686	66%
Fade (2036-55)	14,026	21%
Terminal Value	5,573	8%
Fair Value	67,857	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	54.29	
9M Target Price (PLN)	57.75	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	38,243	57%
Explicit Forecast (2018-20)	4,229	6%
PV Adjustment	3,936	6%
Value Driver (2021-35)	16,080	24%
Fade (2036-55)	4,483	7%
Fair Value	66,971	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	53.58	
9M Target Price (PLN)	56.99	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	67,857
Economic Profits	50%	66,971
Fair Value Avg.		67,414
Fair Value Per Share (PLN)		53.93
Asset tax		-9.75
Fair Value Per Share		44.18
Cost of equity (9M)		6.4%
9M Target Price (PLN)		47.00



## Santander Bank Polska buy (upgraded)

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We upgrade Santander Bank Polska from accumulate to buy to reflect an October sell-off, with the price target unchanged at PLN 400.00 per share. Santander earned pre-tax profit of only PLN 30m on sales of non-performing loans in the first half of 2018, a substantial drop from PLN 202m before taxes received in the same period in 2017, reflecting curbed divestment due to less attractive prices offered for NPL portfolios. This results in a need to maintain higher risk reserves. Our earnings forecasts for Santander factor in rising pay pressures and additional expenses on re-branding and integration. Potential upside catalysts in the next two months include a major NPL sale, the recognition of negative goodwill on the acquisition of Deutsche Bank Poland, and reassurance about next year's planned PLN 1.4bn shareholder distribution from retained earnings. Downside risks in the months ahead include a possible entry into force of CHF borrower relief measures, even though their impact in case of Santander will be limited, and a potential share sale by Deutsche Bank. In all, SPL's upside potential at the current level is less than the upside offered by rivals like Alior and Pekao.

Current Price

353.80 PLN

Upside

9M Target Price

400.00 PLN

+13.1%

	rating	target price	issued
new	buy	400.00 PLN	2018-11-05
old	accumulate	400.00 PLN	2018-10-04
<b>Key Metrics</b>			
			SPL PW vs. WIG
Ticker	SPL PW	1M Price Chng	-2.2% +1.9%
ISIN	PLBZ000000044	YTD Price Chng	-10.7% +0.9%
Outst. Stock (m)	99.2	ADTV 1M	PLN 16.2m
MC (PLN m)	35,109.2	ADTV 6M	PLN 21.5m
		P/E 12M fwd	13.8 -6.6%
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	5,742	6,342	7,096
Total income	7,606	7,764	8,479	9,421	10,324
Costs	-3,368	-3,372	-3,782	-4,104	-4,165
Provisioning	-785	-690	-894	-981	-1,002
Net income	2,167	2,213	2,273	2,602	3,190
P/E	16.2	15.9	15.7	13.9	11.3
P/B	1.8	1.6	1.4	1.4	1.3
ROE	11.1%	10.6%	9.8%	10.2%	11.8%
DPS	21.33	5.40	6.69	25.58	12.76
DYield	6.0%	1.5%	1.9%	7.2%	3.6%
<b>Projection Update (% change)</b>					
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	5,742	6,342	7,096
Fee income	1,915	2,013	2,171	2,474	2,614
Trading income	780	323	307	341	344
Other income	141	151	259	264	269
Noninterest income	2,836	2,487	2,737	3,079	3,228
Total income	7,606	7,764	8,479	9,421	10,324
Operating expenses	3,368	3,372	3,782	4,104	4,165
Operating income	4,238	4,391	4,697	5,317	6,159
Provisioning	785	690	894	981	1,002
Profits of associates	55	58	54	54	54
Pre-tax income	3,509	3,759	3,858	4,390	5,211
Tax	738	817	775	882	1,047
Minority interests	-217	-305	-328	-349	-370
Asset tax	-387	-424	-482	-557	-603
Net income	2,167	2,213	2,273	2,602	3,190

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	103,069	107,840	134,430	145,289	155,439
Other assets	47,031	44,835	47,596	50,367	57,430
Total assets	150,100	152,674	182,025	195,657	212,868
Deposits	112,522	111,481	135,956	151,119	166,390
Other liabilities	16,559	17,850	19,757	16,535	16,347
Minority interests	1,238	1,436	1,648	1,872	2,111
Equity	19,781	21,907	24,665	26,131	28,020

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	3.4%	3.6%	3.6%	3.5%	3.6%
C/I	44.3%	43.4%	44.6%	43.6%	40.3%
CoR	0.8%	0.6%	0.7%	0.7%	0.6%
NPL Ratio	6.6%	5.8%	5.0%	5.0%	5.0%
Tier 1 Ratio	14.6%	15.3%	12.9%	13.7%	13.3%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	3,510	8%
PV Adjustment	-1,420	-3%
Value Driver (2021-35)	28,694	63%
Fade (2036-55)	11,648	26%
Terminal Value	3,225	7%
Fair Value	45,657	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	460.10	
9M Target Price (PLN)	489.40	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	20,673	48%
Explicit Forecast (2018-20)	4,387	10%
PV Adjustment	267	1%
Value Driver (2021-35)	13,287	31%
Fade (2036-55)	4,235	10%
Fair Value	42,850	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	431.80	
9M Target Price (PLN)	459.30	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	45,657
Economic Profits	50%	42,850
Fair Value Avg.		44,254
Fair Value Per Share (PLN)		445.95
Asset tax		-69.92
Fair Value Per Share		376.03
Cost of equity (9M)		6.4%
9M Target Price (PLN)		400.00

## 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. Assuming quarterly profits in Q3 are at least as good as in Q2, the consensus looks about 6% underestimated. Supported by high ROE (13% vs. an 8% average for Polish banks), assuming a 55% payout ratio, we expect Komercni to offer dividend yields of 4%-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** 870.00 CZK **Upside**  
**9M Target Price** 1,111.00 CZK **+27.7%**

	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	-3.9% +0.2%
ISIN	CZ0008019106	YTD Price Chng	+0.2% +11.9%
Outst. Stock (m)	188.9	ADTV 1M	CZK 109.8m
MC (CZK bn)	164.3	ADTV 6M	CZK 120.4m
		P/E 12M fwd	11.8 -15.4%
Free Float	39.6%	P/E 5Y avg	13.9 discount

### Earnings Projections

(CZK m)	2016	2017	2018P	2019P
NII	21,069	20,808	24,595	27,952
Total income	31,751	31,060	34,082	37,686
Costs	-14,026	-13,374	-14,692	-15,061
Provisioning	-1,817	391	-1,388	-1,534
Net income	13,689	14,930	14,755	17,332
P/E	12.0	11.0	11.1	9.5
P/B	1.6	1.7	1.4	1.3
ROE	13.4%	15.0%	13.8%	14.2%
DPS	62.00	40.00	47.00	43.00
DYield	7.1%	4.6%	5.4%	4.9%
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 a buy recommendation for Erste Bank, which reported a 6% beat in the net profit for Q1 2018, followed by a 12% beat in Q2 and a positive surprise to the tune of 38% in Q3, an achievement which should spur upward revisions to the FY expectations of market analysts. Our own 2018 estimate is currently 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 4.1%.

Current Price

35.71 EUR

Upside

9M Target Price

43.00 EUR

+20.4%

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

Key Metrics			EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	-2.8%	+1.3%
ISIN	AT0000652011	YTD Price Chng	+2.3%	+14.0%
Outst. Stock (m)	429.8	ADTV 1M		EUR 29.1m
MC (EUR m)	15,348.2	ADTV 6M		EUR 26.3m
		P/E 12M fwd	10.2	-11.4%
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	12.1	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. The FY2018 earnings consensus for the Bank was raised after a strong second quarter, and it will probably go up further after the third quarter, when net income may reach an impressive HUF 80 billion according to our forecasts, an estimate 11% lower than the figure posted in the previous quarter. 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. One of the rumored targets is the Serbian unit of Societe Generale. OTP's recurring profits are set for further expansion as well, led by rising net interest income from increasing loan volumes. Last but not least, the Bank is expected to achieve ROE of 15% in 2019 – a level not attainable by any other bank in our coverage.

<b>Current Price</b>	10,300.00 HUF	<b>Upside</b>
<b>9M Target Price</b>	12,090.00 HUF	<b>+17.4%</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	+1.2%	+5.3%
ISIN	HU00000061726	YTD Price Chng	-1.9%	+9.8%
Outst. Stock (m)	267.0	ADTV 1M		HUF 6.2bn
MC (HUF bn)	2,750.5	ADTV 6M		HUF 5.3bn
		P/E 12M fwd	9.6	-6.2%
Free Float	100.0%	P/E 5Y avg	10.2	discount

### Earnings Projections

(HUF m)	2016	2017	2018P	2019P
NII	522	547	605	629
Total income	738	809	885	922
Costs	-400	-442	-463	-466
Provisioning	-93	-46	-75	-79
Net income	202	281	263	287
P/E	13.6	9.8	10.4	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 buy (upgraded)

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We upgrade PZU from accumulate to buy after the recent price declines. PZU generated higher-than-expected gross written premiums in H1 2018, but on the other hand the investment income and operating costs for the period missed the mark. Based on the year-to-date performance, we expect the Insurer to achieve our current FY2018 earnings forecast, which is 3% higher than the consensus forecast, assuming no further shrinkage in investment income or a surge in claims in the event of unforeseen natural disasters. Note that our outlook does not take into account the potential benefits of 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%.

<b>Current Price</b>	40.60 PLN	<b>Upside</b>
<b>9M Target Price</b>	47.50 PLN	<b>+17.0%</b>

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>47.50 PLN</b>	<b>2018-11-05</b>
<b>old</b>	accumulate	47.50 PLN	2018-08-02
Key Metrics		PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	+2.4% +6.5%
ISIN	PLPZU0000011	YTD Price Chng	+2.4% +14.0%
Outst. Stock (m)	863.5	ADTV 1M	PLN 64.3m
MC (PLN m)	35,059.0	ADTV 6M	PLN 71.7m
		P/E 12M fwd	10.9 -12.5%
Free Float	64.8%	P/E 5Y avg	12.4 discount

### Earnings Projections

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	18.1	12.0	11.4	10.3	9.6
P/B	2.7	2.4	2.3	2.1	2.0
ROE	15.1%	21.1%	20.4%	21.1%	21.1%
DPS	2.08	1.40	2.70	2.67	2.97
DYield	5.1%	3.4%	6.6%	6.6%	7.3%
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 prems	20,219	22,847	23,320	23,909	24,540
Net earned premiums	18,625	21,354	22,112	22,726	23,310
Claims & benefits	-12,732	-14,941	-14,859	-14,906	-15,136
Net inv. income	1,300	1,895	1,340	1,391	1,399
Acquisition costs	-2,613	-2,901	-3,089	-3,267	-3,362
Admin expenses	-1,633	-1,610	-1,585	-1,619	-1,654
Other oper. rev/exp	-604	-774	-917	-1,032	-1,158
Banking income	648	2,487	4,067	4,723	5,543
<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, showing nearly 60% upside potential to our target, underpinned by 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>	185.30 PLN	<b>Upside</b>
<b>9M Target Price</b>	292.77 PLN	<b>+58.0%</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	-7.7%
ISIN	PLKRK0000010	YTD Price Chng	-27.8%
Outst. Stock (m)	18.9	ADTV 1M	PLN 9.0m
MC (PLN m)	3,496.9	ADTV 6M	PLN 12.5m
		P/E 12M fwd	9.1
Free float	87.0%	P/E 5Y avg	13.8 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	13.7	11.8	9.9	8.4	7.6
P/B	2.8	2.4	2.0	1.8	1.6
ROE	24.6%	21.9%	22.1%	22.4%	21.6%
DPS	7.66	6.21	5.00	8.43	11.09
DYield	4.1%	3.4%	2.7%	4.6%	6.0%
Projection Update (% change)		2018P	2019P	2020P	
Purchased debt portfolios		0.0%	0.0%	0.0%	
Collections		0.0%	0.0%	0.0%	
Other		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Rev., Purchased Debt	454	559	690	783	905
Revenue, Collections	9	15	14	17	19
Other revenue	13	15	15	18	21
<b>Gross profit</b>	<b>477</b>	<b>589</b>	<b>719</b>	<b>818</b>	<b>945</b>
Costs	117	148	168	186	214
One-time events	3	-2	-2	-3	-3
<b>EBITDA</b>	<b>363</b>	<b>439</b>	<b>549</b>	<b>630</b>	<b>728</b>
D&A	14	19	21	24	26
<b>EBIT</b>	<b>349</b>	<b>421</b>	<b>528</b>	<b>606</b>	<b>701</b>
Financing activity	-63	-86	-135	-141	-193
Pre-tax income	286	335	393	465	508
Tax	38	40	39	46	51
<b>Net income</b>	<b>249</b>	<b>295</b>	<b>353</b>	<b>418</b>	<b>457</b>
Portfolio purchases	1,286	976	1,245	1,422	1,518
Collections	-992	-1,369	-1,705	-1,920	-2,176

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Cash	267	173	100	121	144
<b>Purchased debt</b>	<b>2,676</b>	<b>3,169</b>	<b>3,811</b>	<b>4,640</b>	<b>5,516</b>
Other assets	149	218	192	218	247
<b>Total assets</b>	<b>3,092</b>	<b>3,560</b>	<b>4,103</b>	<b>4,980</b>	<b>5,908</b>
<b>Loans</b>	<b>1,646</b>	<b>1,897</b>	<b>2,156</b>	<b>2,749</b>	<b>3,412</b>
Other liabilities	209	202	213	238	254
<b>Equity</b>	<b>1,237</b>	<b>1,460</b>	<b>1,734</b>	<b>1,993</b>	<b>2,242</b>

### Key Ratios

(%)	2016	2017	2018P	2019P	2020P
Net debt / Equity	111.4	118.0	118.5	131.8	145.8
Net debt / EBITDA	380.4	392.3	374.3	417.3	449.1
EBITDA margin	46.3	41.6	44.3	44.0	44.2
EBIT margin	44.6	39.9	42.5	42.4	42.6
EV / Cash EBITDA	7.66	6.21	5.01	4.99	4.92

### DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		1,460
Explicit Forecast (2018-27)	1,602	2,230
Value Driver (2028-47)	2,646	1,208
PV TV	993	
<b>Fair Value as of Jan. 2018</b>	<b>5,241</b>	<b>4,898</b>
PV Adjustment	79	263
<b>Fair Value</b>	<b>5,320</b>	<b>5,161</b>
Outst. Shares (millions)	18.9	18.9
Cost of equity	7.6%	7.6%
<b>Fair Value Per Share (PLN)</b>	<b>281.88</b>	<b>273.47</b>
<b>9M Target Price (PLN)</b>	<b>302.17</b>	<b>293.16</b>

### DCF Summary

	(PLN m)
FCF	82
Terminal Value (TV)	12,101
FCF perp. growth rate	3.0%
Present Value of Terminal Value	6,370
Enterprise Value	6,452
Net Debt	1,724
Minority Interest	0
<b>Equity Value as of Jan. 2017</b>	<b>4,728</b>
PV Adjustment	254
<b>Fair Value</b>	<b>4,982</b>
Outst. Shares (millions)	18.9
<b>Value Per Share (PLN)</b>	<b>263.98</b>

### Valuation Summary

(PLN m)	Weight	Value
DDM	33%	5,320
Economic Profits	33%	5,161
DCF	33%	4,982

### Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	281.88
Economic Profits	33%	273.47
DCF	33%	263.98
Fair Value Avg.		273.11
Cost of equity (9M)		6.2%
<b>9M Target Price (PLN)</b>		<b>292.77</b>



## Skarbiec Holding buy (reiterated)

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We maintain a buy rating for Skarbiec, with a new target price of PLN 31.02 per share adjusted for dividends, updated peer multiples, and time value of money. Our outlook reflects a proposed reduction to 2.00% 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 earning 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 in August, Skarbiec agreed to take over five portfolios from Trigon, representing a portion of Trigon's total AUM which at the end of September were estimated to be worth PLN 1.2bn. 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 14-20%.

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Management fees	69.6	80.9	81.8	87.3	91.8
Success fees	31.4	15.2	16.2	14.3	14.3
Other	8.3	5.4	5.6	6.1	6.6
<b>Revenue</b>	<b>109.2</b>	<b>101.5</b>	<b>103.7</b>	<b>107.7</b>	<b>112.7</b>
Distribution costs	-34.4	-41.5	-42.6	-44.5	-48.6
Payroll	-16.3	-19.8	-17.5	-17.5	-17.9
Other operating costs	-18.5	-16.8	-17.5	-18.3	-19.2
<b>Operating expenses</b>	<b>-69.2</b>	<b>-78.1</b>	<b>-77.6</b>	<b>-80.3</b>	<b>-85.6</b>
Other	0.3	0.9	1.0	1.1	1.1
<b>Pre-tax income</b>	<b>40.3</b>	<b>24.3</b>	<b>27.1</b>	<b>28.5</b>	<b>28.2</b>
Tax	-7.8	-4.7	-5.1	-5.4	-5.4
<b>Net income</b>	<b>32.5</b>	<b>19.6</b>	<b>21.9</b>	<b>23.1</b>	<b>22.8</b>
Retail AUM	3,919	4,414	4,845	5,383	6,058
Dedicated AUM	14,623	2,375	2,494	2,618	2,749
<b>Total AUM</b>	<b>18,542</b>	<b>6,789</b>	<b>7,339</b>	<b>8,002</b>	<b>8,807</b>

### Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	133	61%
PV of Dividends (Value Driver)	81	37%
PV of Terminal Value	4	2%
<b>Fair Value as of Jul. 2017</b>	<b>219</b>	<b>100%</b>
PV Adjustment	-2	
<b>Fair Value</b>	<b>217</b>	
Dilution (stock options)	-8	
<b>Fair Value</b>	<b>209</b>	
Outst. Shares (millions)	6.8	
<b>Fair Value Per Share (PLN)</b>	<b>30.59</b>	
<b>9M Target Price (PLN)</b>	<b>33.12</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	89	41%
Explicit Forecast (2016-2025)	87	40%
Value Driver - 20 yrs	40	18%
<b>Fair Value as of Jan. 2017</b>	<b>215</b>	<b>100%</b>
PV Adjustment	8	
<b>Fair Value</b>	<b>223</b>	
Dilution (stock options)	-8	
<b>Fair Value</b>	<b>214</b>	
Outst. Shares (millions)	6.8	
<b>Fair Value Per Share (PLN)</b>	<b>31.40</b>	
<b>9M Target Price (PLN)</b>	<b>33.99</b>	

**Current Price** 21.70 PLN  
**9M Target Price** 31.02 PLN  
**Upside** +42.9%

	rating	target price	issued
new	buy	31.02 PLN	2018-11-05
old	buy	36.86 PLN	2018-08-31
<b>Key Metrics</b>			
		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	-16.5%
ISIN	PLSKRBH00014	YTD Price Chng	-21.7%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.7m
MC (PLN m)	148.0	ADTV 6M	PLN 0.3m
		P/E 12M fwd	7.2
Free Float	25.4%	P/E 5Y avg	8.1

### 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
<b>Net income</b>	<b>32.5</b>	<b>19.5</b>	<b>21.9</b>	<b>23.1</b>	<b>22.8</b>
P/E	4.6	7.6	6.7	6.4	6.5
P/B	1.5	1.7	1.6	1.6	1.6
ROE	34.1%	20.6%	24.4%	25.3%	25.0%
DPS	3.08	4.57	3.00	3.30	3.36
DYield	14.2%	21.1%	13.8%	15.2%	15.5%
<b>Projection Update (% change)</b>					
Management fees			0.0%	0.0%	0.0%
Success fees			0.0%	0.0%	0.0%
Revenue			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Cash	34.6	50.1	37.2	39.1	41.6
Other assets	82.7	67.4	89.1	93.4	99.5
<b>Total assets</b>	<b>117.2</b>	<b>117.5</b>	<b>126.3</b>	<b>132.5</b>	<b>141.2</b>
Borrowing	0.3	0.1	17.4	21.9	29.6
Other liabilities	16.1	15.0	18.1	19.2	20.4
Minority interests	0.0	0.0	0.0	0.0	0.0
<b>Equity</b>	<b>100.8</b>	<b>102.4</b>	<b>90.8</b>	<b>91.3</b>	<b>91.2</b>

### Relative Valuation Summary

	18P	P/E 19P	20P	Market Cap./AUM 18P	19P	20P
Minimum	7.6	6.8	6.8	0.0	0.0	0.0
Maximum	16.7	15.3	13.5	0.0	0.0	0.0
Median	10.4	10.7	9.9	0.0	0.0	0.0
Weight	17%	17%	17%	17%	17%	17%

### Valuation Summary

(PLN m)	Weight	Value
DDM	33%	209
Economic Profits	33%	214.20
Relative	33%	169.38

### Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	30.59
Economic Profits	33%	31.40
Relative	33%	24.83
Cost of equity (9M)		8.3%
<b>9M Target Price (PLN)</b>		<b>31.02</b>



## Chemicals

### Ciech

#### buy (reiterated)

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Shares in Ciech tumbled in October on expectations of weak third-quarter earnings, but we expect them to bounce back after the actual announcement on November 21st once investors recognize the non-recurring nature of the factors that curbed growth in the period, including an extended outage at the Romanian soda ash unit, and interrupted deliveries to the German unit due to low river flows. The Q3 results will probably be accompanied by an optimistic soda ash price outlook for 2019 supported by stable global supply coupled with rising energy costs which might prompt producers to hike prices by as much as 5% next year (the current consensus is for a 2% raise). After lowering our 2018 EBITDA estimate from PLN 750m to PLN 687m, and after revising upward our 2019 soda price forecast, we reduce our 9-month target price for CIE from PLN 82.52 to PLN 77.05 per share, and we maintain a buy rating for the stock.

**Current Price**

42.58 PLN

Upside

**9M Target Price**

77.05 PLN

+81.0%

		rating	target price	issued
new		buy	77.05 PLN	2018-11-05
old		buy	82.52 PLN	2018-08-02
Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-10.1%	-5.9%
ISIN	PLCIECH000018	YTD Price Chng	-14.8%	-3.2%
Outst. Stock (m)	52.7	ADTV 1M		PLN 4.9m
MC (PLN m)	2,244.0	ADTV 6M		PLN 5.8m
EV (PLN m)	3,591.1	EV/EBITDA 12M fwd	5.0	-18.9%
Free Float	33.0%	EV/EBITDA 5Y avq	6.2	discount

#### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,455	3,579	3,591	3,836	4,050
EBITDA adj.	874	808	687	779	856
EBITDA margin	25.3%	22.6%	19.1%	20.3%	21.1%
EBIT adj.	650	564	413	489	555
Net income adj.	585	373	289	347	399
P/E adj.	3.8	6.0	7.8	6.5	5.6
P/B	1.3	1.0	1.0	1.0	0.9
EV/EBITDA adj.	3.8	3.8	5.2	4.5	4.0
DPS	2.85	0.00	7.50	3.02	4.28
DYield	6.7%	0.0%	17.6%	7.1%	10.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			-8.1%	-1.6%	-0.5%
Net income			-14.2%	-3.0%	-0.9%
Soda price (US \$/t)			0.0%	+3.0%	+3.0%
Soda Ciech (PLN/t)			+0.6%	+3.0%	+3.0%
Soda vol (1,000t)			-5.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			+5.9%	+20.4%	+17.2%
Coking Coal price (\$/t)			+2.0%	+2.8%	0.0%
Natural Gas price (PLN/m3)			+5.0%	+1.1%	+1.1%

#### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA. Soda Div.	799	704	558	628	692
EBITDA. Organic Div.	78	97	90	116	125
EBITDA. Silicates	35	37	44	40	44
EBITDA. Other	-33	-5	-4	-4	-4
EBITDA/tonne, Soda	348	306	245	262	288
<b>Operating cash flow</b>	<b>837</b>	<b>629</b>	<b>605</b>	<b>680</b>	<b>742</b>
D&A	223	244	274	291	301
Working capital	97	-66	0	-4	-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>-206</b>	<b>-271</b>
Dividends/Buyback	-150	0	-395	-159	-225
FCF	387	234	-42	267	366
FCF/EBITDA	44%	28%	-6%	34%	43%
OCF/EBITDA	95%	75%	88%	87%	87%

#### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	4,502	4,644	4,600	4,846	5,070
Fixed assets	3,210	3,205	3,644	3,768	3,846
Equity	1,767	2,188	2,141	2,329	2,503
Minority interests	-3	-3	-3	-3	-3
Net debt	1,116	865	1,350	1,290	1,196
Net debt/EBITDA (x)	1.3	1.0	2.0	1.7	1.4
Net debt/Equity (x)	0.6	0.4	0.6	0.6	0.5

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	5.8	5.9	4.9	4.4	4.4	3.9
Maximum	26.3	25.8	20.9	15.0	13.4	11.6
Median	11.7	10.2	9.2	7.1	6.0	6.0
Weight	17%	17%	17%	17%	17%	17%

#### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Soda Price (\$/t)	265	276	276	276	276	276	276	276	276	276	276
Soda Price (PLN/t)	814.5	843.3	866.8	866.8	866.8	866.8	866.8	866.8	866.8	866.8	866.8
Soda vol (1000t)	2,280	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Revenue	3,591	3,836	4,050	4,135	4,226	4,258	4,283	4,300	4,317	4,335	4,353
EBITDA	687	779	856	876	889	891	893	888	883	879	874
EBITDA margin	19.1%	20.3%	21.1%	21.2%	21.1%	20.9%	20.9%	20.7%	20.5%	20.3%	20.1%
EBIT	413	489	555	561	583	594	591	582	573	564	556
Tax	79	95	109	110	116	118	118	116	114	113	111
CAPEX	-650	-414	-377	-315	-287	-294	-300	-305	-309	-313	-318
Working capital	0	-4	-3	-1	-1	0	0	0	0	0	0
FCF	-42	267	366	450	485	479	474	467	460	452	446
PV FCF	-41	243	310	354	355	324	296	268	242	218	
WACC	7.0%	7.1%	7.2%	7.2%	7.4%	7.5%	7.6%	7.8%	7.9%	8.1%	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	1.0
FCF perp. growth rate	2.0%
PV FCF	2,569
Net debt	1,260
Other adj.	-3
Value per share (PLN)	90.49

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	54.45
DCF Val.	50%	90.49
Implied Price		72.47
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>77.05</b>

## Grupa Azoty buy (upgraded)

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Grupa Azoty is experiencing lower profits this year due to lower pre-plant fertilizer application in March because of cold weather, combined with higher costs of natural gas and an increased global fertilizer supply. The pace of new capacity additions is set to slow in the next two years, with only a total of 2.2mmt planned in 2019 and 2020 versus 6.7mmt added in 2017 and 4.1mmt coming on line in 2018. At the same time, global demand growth is projected to increase at a faster rate in the coming years, indicating potential for producers to rebuild profit margins. We have adjusted our forecasts for Grupa Azoty to reflect the upcoming acquisition of the specialty fertilizer producer Compo Expert (we assume the deal will have an enterprise value of EUR 355m), and we have lowered our 2018 and 2019 FY earnings expectations for the existing business. Further, we have updated our valuation model by raising beta to 1.2x and applying a higher, 20% discount relative to the peer group to reflect lower free cash flow projections and higher expectations as to debt (forecast to reach 3.7x EBITDA by the end of 2020). Consequently, we lower our 9-month target price for ATT stock from PLN 41.13 to PLN 31.47 per share, prompting an upgrade from hold to buy with over-30% upside potential. Upside catalysts in the near term might include recovering prices of urea and a downward shift observed in the prices of natural gas and carbon allowances.

Current Price

24.00 PLN

Upside

9M Target Price

31.47 PLN

+31.1%

		rating	target price	issued
new		buy	31.47 PLN	2018-11-05
old		hold	41.13 PLN	2018-09-03
Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-16.5%	-12.4%
ISIN	PLZATRM00012	YTD Price Chng	-64.9%	-53.2%
Outst. Stock (m)	99.2	ADTV 1M		PLN 5.3m
MC (PLN m)	2,380.7	ADTV 6M		PLN 3.3m
EV (PLN m)	3,828.5	EV/EBITDA 12M fwd	4.1	-38.5%
Free Float	29.0%	EV/EBITDA 5Y avq	6.6	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	8,956	9,617	9,872	11,420	11,741
EBITDA adj.	1,034	1,262	728	974	1,094
EBITDA margin	11.5%	13.1%	7.4%	8.5%	9.3%
EBIT adj.	523	672	119	266	355
Net income adj.	385	550	76	160	193
P/E adj.	6.2	4.3	31.4	14.9	12.4
P/B	0.3	0.3	0.3	0.2	0.2
EV/EBITDA adj.	3.1	2.6	5.3	6.1	6.4
DPS	0.84	0.79	1.20	0.10	0.32
DYield	3.5%	3.3%	5.0%	0.4%	1.3%
Projection Update (% change)		2018P	2019P	2020P	
EBITDA		-25.5%	-8.1%	-1.4%	
Net income		-76.9%	-35.8%	-27.3%	
Urea price (PLN/t)		+0.2%	-1.7%	-1.8%	
Ammonium Nitrate price (PLN/t)		-1.1%	-3.0%	-3.2%	
Natural Gas price (PLN/m3)		+6.5%	+1.0%	+1.0%	
Melamine (PLN/t)		+6.5%	-0.7%	+1.0%	
Polyamide 6 (PLN/t)		+4.4%	-1.0%	-1.4%	
Propylene (PLN/t)		+9.8%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Fertilizers	600	484	57	281	368
EBITDA, Plastics	-33	221	271	254	252
EBITDA, Chemicals	271	348	252	240	213
EBITDA, Energy	0.0	0.0	0.0	142.3	150.8
EBITDA, Other	135	134	125	57	110
<b>Operating cash flow</b>	<b>1,136</b>	<b>1,107</b>	<b>691</b>	<b>915</b>	<b>1,057</b>
D&A	511	590	609	708	739
Working capital	137	13	-6	-34	-7
<b>Investing cash flow</b>	<b>-1,303</b>	<b>-709</b>	<b>-820</b>	<b>-2,847</b>	<b>-2,008</b>
CAPEX	1,236	1,063	1,020	2,900	2,008
<b>Financing cash flow</b>	<b>76</b>	<b>39</b>	<b>-161</b>	<b>1,467</b>	<b>709</b>
Dividends/Buyback	-83	-78	-119	-10	-32
FCF	-214	53	-334	-1,993	-955
FCF/EBITDA	-21%	4%	-48%	-205%	-87%
OCF/EBITDA	114%	93%	99%	94%	97%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Urea price (PLN/t)	1,475	1,529	1,534	1,545	1,538	1,541	1,541	1,541	1,541	1,541	1,541
AN price (PLN/t)	1,239	1,285	1,284	1,294	1,287	1,291	1,291	1,291	1,291	1,291	1,291
NGas cost (PLN/m3)	1,115	1,092	1,120	1,120	1,120	1,120	1,120	1,120	1,120	1,120	1,120
Revenue	9,872	11,420	11,741	11,926	12,999	13,646	13,881	14,081	14,231	14,391	14,492
EBITDA	699	974	1,094	1,184	1,454	1,536	1,569	1,551	1,546	1,548	1,540
EBITDA margin	7.1%	8.5%	9.3%	9.9%	11.2%	11.3%	11.3%	11.0%	10.9%	10.8%	10.6%
EBIT	89	266	355	463	479	557	595	589	607	600	592
Tax	7	33	34	51	23	40	51	54	59	59	58
CAPEX	-1,020	-2,900	-2,008	-1,608	-1,165	-585	-636	-682	-865	-939	-948
Working capital	-6	-34	-7	-4	-23	-14	-5	-4	-3	-3	-2
FCF	-334	-1,993	-955	-479	242	897	876	810	618	546	532
PV FCF	-330	-1,847	-837	-397	186	646	589	506	359	296	
WACC	8.2%	6.7%	6.3%	6.1%	6.5%	6.6%	6.7%	6.8%	6.9%	6.9%	7.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,052	11,738	11,717	13,736	14,842
Fixed assets	7,651	8,070	8,491	10,686	11,964
Equity	6,534	6,856	6,789	6,938	7,098
Minority interests	595	588	584	585	586
Net debt	273	367	864	2,943	4,066
Net debt/EBITDA (x)	0.3	0.3	1.2	3.0	3.7
Net debt/Equity (x)	0.0	0.1	0.1	0.4	0.6

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	8.8	8.8	8.0	5.9	5.6	5.1
Maximum	30.8	18.0	14.6	11.4	9.1	8.0
Median	16.8	11.0	8.9	8.6	7.2	6.2
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.2
FCF perp. growth rate	2.0%
PV FCF	4,975
Net debt	486
Other adjustments	-588
Value per share (PLN)	39.34

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	19.47
DCF Val.	50%	39.34
Implied Price		29.40
Cost of equity (9M)		7.0%
<b>9M Target Price</b>		<b>31.47</b>



## Oil & Gas

### Lotos

sell (no change)

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Lotos stock mostly ignored the slump in cracking margins observed in recent weeks, with performance most likely propped up by expectations of a positive Q3 earnings surprise (which in the end the Company failed to deliver), leading us to expect the same disregard for the current rebound in refining cracks, which we assume is a temporary situation. If our bearish view on downstream proves accurate, at 6.6x 2019E EV/EBITDA LTS is not an attractive choice at the moment, especially in light of the potential squeeze on the 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

70.40 PLN

Downside

9M Target Price

57.21 PLN

-18.7%

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

Key Metrics	LTS PW	1M Price Chng	LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-6.4%	-2.3%
ISIN	PLLOTOS00025	YTD Price Chng	+24.2%	+35.8%
Outst. Stock (m)	184.9	ADTV 1M		PLN 15.7m
MC (PLN m)	13,015.1	ADTV 6M		PLN 18.8m
EV (PLN m)	16,512.8	EV/EBITDA 12M fwd	5.1	-14.1%
Free Float	46.8%	EV/EBITDA 5Y avg	5.9	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	12.8	7.8	9.8	13.9	12.2
P/B	1.5	1.2	1.1	1.1	1.0
EV/EBITDA	6.1	5.1	5.4	6.7	5.4
DPS	0.00	1.00	1.00	2.15	1.52
DYield	0.0%	1.4%	1.4%	3.0%	2.2%
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
LIFO EBITDA (adj.)	2,596	3,050	2,640	2,573	3,120
Upstream (US)	692	863	968	985	1,244
Downstream (DS)	1,761	2,058	1,482	1,405	1,689
Retail	140	139	191	182	185
EV/ LIFO EBITDA (adj.)	6.8	5.0	6.2	6.7	5.4
LIFO effect	-77	171	514	44	23
Other one-offs	404	-148	-86	-2	-2
Financing activity	-275	219	-238	-195	-295
Crude thrghpt (mmt)	10.4	9.6	10.4	10.4	10.2
\$ LIFO EBITDA/bbl, DS	5.9	7.7	5.4	5.1	6.1
PLN EBITDA/tonne, Retail	129	131	160	150	150
\$ EBITDA/boe, US	18.0	26.9	34.3	36.1	37.8
US output (mboepd)	26.7	23.3	21.4	20.5	24.4
natural gas	15.6	13.4	12.1	10.3	10.9
crude oil	11.1	9.9	9.3	10.1	13.5

#### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	2,654	3,127	882	1,475	2,327
OCF/EBITDA LIFO adj.	102%	103%	33%	57%	75%
CAPEX	1,244	1,439	1,202	1,879	1,328
Working capital	3,867	4,035	5,570	6,142	6,224
Equity	8,611	10,712	11,600	12,194	12,912
Net debt	4,808	2,505	3,498	4,439	4,084
Net debt/EBITDA (x)	1.6	0.8	1.1	1.7	1.3

#### Relative Valuation Summary

	18P	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%
9M Target Price		57.21

## MOL accumulate (downgraded)

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MOL stock performed better than its benchmarks in October, with the gains prompting a rating downgrade from buy to accumulate. The Hungarian oil firm's positive exposure to the 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 30%. This despite a lack of the same political or corporate risk that is faced by PKN but is 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.

### Current Price

3,006 HUF

Upside

### 9M Target Price

3,296 HUF

+9.6%

	rating	target price	issued
new	accumulate	3,296 HUF	2018-11-05
old	buy	3,296 HUF	2018-09-03
<b>Key Metrics</b>			
	MOL HB	1M Price Chng	MOL HB vs. WIG
Ticker	MOL HB	1M Price Chng	-0.5% +3.6%
ISIN	HU0000153937	YTD Price Chng	+2.9% +14.6%
Outst. Stock (m)	738.1	ADTV 1M	HUF 2,529.5m
MC (HUF m)	2,218,814.2	ADTV 6M	HUF 1,953.6m
EV (HUF m)	2,810,763.7	EV/EBITDA 12M fwd	4.2 -4.2%
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	8.6	10.6	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%	4.2%	3.7%	3.9%
<b>Projection Update (% change)</b>					
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>5.2</b>	<b>4.4</b>	<b>4.1</b>	<b>4.4</b>	<b>4.1</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 (reiterated)

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PGNiG saw its stock fall in October, led by a downward shift in prices of gas and oil, coupled with disappointing 2013 Q3 preliminaries. On the upside, events in October also included an interim dividend announcement, an acquisition of Norwegian gas deposits, and favorable changes in taxation, expected to reduce the annual burden from PLN 300m to PLN 220m starting in 2019, to be carried against the EBITDA of the E&P segment. PGNiG's low trading income in Q3 was an effect of slow price adjustments on gas sold to smaller commercial customers relative to the simultaneous surge in market prices. This does not affect our forecasts for 2019. Further, keep in mind that the slump in trading profits this year is caused by negative effects of 'natural hedging' which are poised to disappear in future periods once oil and gas prices stabilize. Finally, there is the likely arbitration award against Gazprom, expected to be made by the end of the first quarter of 2019. We maintain a buy rating for PGN, with the target price lowered slightly to PLN 7.72 per share based on updated peer multiples.

**Current Price**

6.35 PLN

**Upside**

**9M Target Price**

7.72 PLN

**+21.6%**

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>7.72 PLN</b>	<b>2018-11-05</b>
<b>old</b>	buy	7.86 PLN	2018-09-03
<b>Key Metrics</b>			
	PGN PW	1M Price Chng	-4.8% -0.7%
Ticker	PLPGNIG00014	YTD Price Chng	+3.4% +15.1%
ISIN		ADTV 1M	PLN 26.3m
Outst. Stock (m)	5,778.3	ADTV 6M	PLN 22.4m
MC (PLN m)	36,692.3	EV/EBITDA 12M fwd	4.4 -13.3%
EV (PLN m)	36,014.8	EV/EBITDA 5Y avg	5.1 discount
Free Float	28.1%		

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	33,196	35,857	41,917	46,283	45,665
EBITDA	5,974	6,579	8,101	9,186	9,444
EBITDA margin	18.0%	18.3%	19.3%	19.8%	20.7%
EBIT	3,360	3,910	5,397	6,489	6,701
Net income	2,351	2,923	3,818	4,758	4,958
P/E	15.6	12.6	9.6	7.7	7.4
P/B	1.1	1.1	1.0	0.9	0.8
EV/EBITDA	6.2	5.6	4.4	3.6	3.3
DPS	0.18	0.20	0.07	0.13	0.25
DYield	2.9%	3.2%	1.1%	2.0%	3.9%
<b>Projection Update (% change)</b>					
EBITDA			-4.0%	-2.0%	-2.2%
Net income			-7.5%	-3.8%	+2.0%
Price of Brent crude (\$/bbl)			+4.6%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)			+4.0%	+6.1%	+5.4%
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>8,101</b>	<b>9,186</b>	<b>9,444</b>
EBITDA	5,974	6,579	8,101	9,186	9,444
Mining	2,206	3,865	5,558	5,362	5,448
Trade	614	-435	-370	810	869
Distribution	2,559	2,493	2,378	2,291	2,299
Heat & Power	759	843	727	919	1,029
Other	-164	-187	-192	-196	-201
<b>Financing activity</b>	<b>-150</b>	<b>12</b>	<b>-63</b>	<b>-18</b>	<b>47</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>-4.4</b>	<b>2.3</b>	<b>3.1</b>

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	73.2	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	22.2	23.1	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7
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	41,917	46,283	45,665	46,381	45,866	42,552	42,106	40,582	39,592	40,356	40,356
EBITDA	8,101	9,186	9,444	9,349	8,880	8,687	8,684	8,459	8,365	8,464	8,464
EBITDA margin	19.3%	19.8%	20.7%	20.2%	19.4%	20.4%	20.6%	20.8%	21.1%	21.0%	21.0%
EBIT	5,397	6,489	6,701	6,542	6,037	5,794	5,690	5,436	5,269	5,231	4,386
Tax	1,529	1,717	1,781	1,741	1,588	1,499	1,472	1,348	1,272	1,265	1,086
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	-1,285	-684	97	-112	81	519	70	239	155	-120	-120
FCF	1,004	2,989	3,931	3,641	3,401	3,714	3,268	3,334	3,215	3,001	3,180
PV FCF	962	2,629	3,174	2,699	2,315	2,320	1,874	1,755	1,554	1,331	
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%

### 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>5,856</b>	<b>7,294</b>	<b>7,760</b>
OCF/EBITDA	99%	73%	72%	79%	82%
<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	6,565	7,249	7,152
Equity	32,013	32,626	37,039	41,056	44,587
<b>Net debt</b>	<b>523</b>	<b>428</b>	<b>-679</b>	<b>-3,413</b>	<b>-5,955</b>
Net debt/EBITDA (x)	0.1	0.1	-0.1	-0.4	-0.6

### 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 Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	42,469
Net debt	428
Other adjustments	835
Value per share (PLN)	7.42

### Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	9.12
Relative (DYield)	17%	2.91
DCF	50%	7.42
Cost of equity (9M)		6.7%
<b>9M Target Price</b>		<b>7.72</b>



## PKN Orlen reduce (upgraded)

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PKN shows reduced downside potential after taking a dip on news of shrinking cracking margins, prompting an upgrade from sell to reduce. Refining margins on HSFO and diesel oil are currently on a rebound, but this is not likely to last long enough for PKN stock to shift upward in response. Bearish trends in the petrochemical market are gathering momentum, underpinned by increasing supply from new installations coming on line in Europe while the United States reroutes polypropylene shipments to our part of the world. The prospects of PKN's retail business are also clouded by the new emissions tax entering into force next year, which the Company has promised not to pass onto end consumers, shouldering the full PLN 600+ million (i.e. 30% of the full cost to the fuel sector estimated at PLN 2bn). Further, the planned tie-up with Lotos is still very much at risk of being blocked by the EU, as well as having increased in price since its announcement. 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.

Current Price

93.50 PLN

Downside

9M Target Price

81.38 PLN

-13.0%

	rating	target price	issued
new	reduce	81.38 PLN	2018-11-05
old	sell	81.38 PLN	2018-09-03
<b>Key Metrics</b>			
	PKN PW	1M Price Chng	-5.8%
Ticker	PLPKN0000018	YTD Price Chng	-9.2%
ISIN			+2.4%
Outst. Stock (m)	427.7	ADTV 1M	PLN 84.6m
MC (PLN m)	39,990.8	ADTV 6M	PLN 77.6m
EV (PLN m)	47,362.0	EV/EBITDA 12M fwd	5.0
Free Float	67.6%	EV/EBITDA 5Y avg	5.7

### 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	7.6	6.0	8.4	13.9	12.4
P/B	1.5	1.2	1.1	1.1	1.0
EV/EBITDA	4.8	4.0	5.3	7.4	6.5
DPS	2.13	3.00	3.00	3.92	2.36
DYield	2.3%	3.2%	3.2%	4.2%	2.5%
<b>Projection Update (% change)</b>					
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>5.9</b>	<b>4.5</b>	<b>6.2</b>	<b>7.4</b>	<b>6.5</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 hold (upgraded)

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We have updated our forecasts for CEZ to reflect the persistently high prices of power contracts, resulting in significant adjustments to the DCF model. We now expect EBITDA in 2021 (2019 and 2020 volumes are hedged at lower prices) to exceed CZK 6bn, and after raising the 9-month price target to CZK 518.72 we upgrade CEZ from sell to hold. The upgrade is further reinforced by recent statements from the Czech government pointing to a possible postponement of the planned nuclear capacity expansion thanks to a possibility to extend the useful life of the existing power station in Dukovany. According to our estimates, 1 GW of nuclear capacity built without the help of state funding can shave 10-13% off the value of CEZ. With all that said, CEZ's upside potential through 2020 will probably remain constrained by the current multiples, which indicate the stock is trading at a premium on EV/EBITDA, and which offer low dividend yield over risk-free rate.

**Current Price**

549.00 CZK

**Downside**

**9M Target Price**

518.72 CZK

**-5.5%**

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>518.72 CZK</b>	<b>2018-11-05</b>
<b>old</b>	<b>sell</b>	<b>440.96 CZK</b>	<b>2018-07-04</b>
<b>Key Metrics</b>			
Ticker	CEZ CP	1M Price Chng	<b>-4.2%</b> <b>-0.1%</b>
ISIN	CZ0005112300	YTD Price Chng	<b>+18.4%</b> <b>+30.1%</b>
Outst. Stock (m)	538.0	ADTV 1M	CZK 158.3m
MC (CZK bn)	295.4	ADTV 6M	CZK 166.5m
EV (CZK bn)	445.6	EV/EBITDA 12M fwd	8.0 <b>+13.2%</b>
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	205,509	217,301	237,533
EBITDA	62,418	57,712	52,959	54,657	60,284
EBITDA margin	30.6%	28.6%	25.8%	25.2%	25.4%
EBIT	26,114	25,620	23,424	25,967	30,746
Net income	14,281	18,765	13,901	15,615	18,586
P/E	20.7	15.7	21.2	18.9	15.9
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	7.1	7.6	8.4	8.2	7.4
DPS	40.00	33.00	33.00	25.84	29.03
DYield	7.3%	6.0%	6.0%	4.7%	5.3%
<b>Projection Update (% change)</b>			<b>2018P</b>	<b>2019P</b>	<b>2020P</b>
EBITDA			<b>-0.8%</b>	<b>+0.5%</b>	<b>+2.6%</b>
Net income			<b>-2.4%</b>	<b>+1.5%</b>	<b>+6.9%</b>
Price of electricity (EUR/MWh)			<b>+5.5%</b>	<b>+13.5%</b>	<b>+21.7%</b>
EUR/CZK			0.0%	0.0%	0.0%
CO2 (EUR/t)			<b>+8.9%</b>	<b>+16.7%</b>	<b>+14.5%</b>

#### Financial Highlights

(CZK m)	2016	2017	2018P	2019P	2020P
<b>EBITDA (adj.)</b>	<b>58,596</b>	<b>52,196</b>	<b>52,114</b>	<b>55,505</b>	<b>60,029</b>
EBITDA	58,206	55,155	52,114	55,505	60,029
Generation	25,403	24,050	21,134	24,168	27,405
Mining	4,413	4,056	4,112	4,255	4,306
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	2,439	2,874
<b>Financing activity</b>	<b>-6,786</b>	<b>-2,867</b>	<b>-6,086</b>	<b>-6,490</b>	<b>-7,563</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)	43.7	48.2	47.0	47.3	45.0	45.3	45.7	46.0	46.3	46.7	46.7
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)	15.3	17.0	17.3	17.7	18.1	18.4	18.8	19.2	19.6	20.0	20.0
Revenue	205,509	217,301	237,533	245,140	252,520	247,632	249,663	251,726	253,822	255,951	255,951
EBITDA	55,793	59,276	63,894	66,979	70,267	67,289	67,970	68,633	69,273	69,888	69,888
EBITDA margin	27.1%	27.3%	26.9%	27.3%	27.8%	27.2%	27.2%	27.3%	27.3%	27.3%	27.3%
EBIT	23,424	25,967	30,746	33,018	36,723	33,157	33,705	34,045	34,198	34,194	37,229
Tax	4,451	4,934	5,842	6,272	6,975	6,297	6,400	6,464	6,492	6,490	7,074
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	40	-1,383	-2,373	-892	-865	573	-238	-242	-246	-250	-250
FCF	16,419	18,296	21,217	26,514	29,165	28,350	28,198	28,911	29,678	30,490	29,906
PV FCF	15,891	16,743	18,356	21,686	22,544	20,715	19,474	18,870	18,304	17,764	0
WACC	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.9%	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>50,221</b>	<b>51,871</b>	<b>54,788</b>
OCF/EBITDA	84%	83%	96%	93%	91%
<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	24,100	25,483	27,855
Equity	256,812	250,018	246,165	247,880	250,851
<b>Net debt</b>	<b>140,886</b>	<b>139,546</b>	<b>145,953</b>	<b>146,976</b>	<b>147,693</b>
Net debt/EBITDA (x)	2.4	2.5	2.8	2.6	2.5

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.4	2.9	2.2	3.5	3.3	3.3
Maximum	23.0	18.7	17.8	9.1	9.1	9.0
Median	13.0	12.5	9.4	6.3	6.0	5.8
Weight	17%	17%	17%	17%	17%	17%

#### DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	553,335
Net debt	157,300
Other adjustments	-57,471
Value per share (CZK)	629.31

#### Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	238.22
Relative (DYield)	17%	583.60
DCF	50%	629.31
Cost of equity (9M)		5.6%
<b>9M Target Price</b>		<b>518.72</b>

## Enea buy (no change)

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It does not look like Enea will be able to make up for the first -half slump in the second half of the year as the new generator in Kozienice keeps missing the availability targets, forcing the Company to buy power at record-high market prices. The coal mining business has added to the profit slump by failing to deliver target production volumes and due to higher operating costs. Next year, however, thanks to its unique, vertically-integrated business model, Enea stands to benefit more from the improving market conditions than any of its local competitors. The 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, expected to go up in price by 1 to 1.5 zlotys next year. 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). Poland's tariff regime will curb but not eliminate the positive effects of the favorable market conditions. We maintain a buy rating for ENA.

### Current Price

8.09 PLN

Upside

### 9M Target Price

12.62 PLN

+56.0%

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

Key Metrics		ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	-3.7% +0.4%
ISIN	PLENEA000013	YTD Price Chng	-29.7% -18.0%
Outst. Stock (m)	441.4	ADTV 1M	PLN 7.2m
MC (PLN m)	3,571.3	ADTV 6M	PLN 5.2m
EV (PLN m)	10,725.5	EV/EBITDA 12M fwd	3.3 -34.4%
Free Float	48.5%	EV/EBITDA 5Y avg	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	4.6	3.3	3.9	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%	3.4%	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
EBITDA (adj.)	2,520	2,649	2,845	3,290	2,984
EBITDA	2,328	2,684	2,845	3,290	2,984
Generation	517	735	902	1,247	1,020
Mining	609	709	652	755	606
Distribution	1,111	1,073	1,129	1,159	1,208
Trade	154	178	201	167	189
Other	-67	-13	-39	-39	-40
Financing activity	-51	-21	-184	-211	-248
Power output, TWh	13.6	21.8	24.6	28.2	28.2
Renewables	0.5	2.3	2.0	2.0	2.0
Trade volume, TWh	16.7	17.9	18.2	18.6	18.9
YoY pct. change	3.0%	7.3%	1.9%	1.9%	1.9%
Trade mrgn (PLN/MWh)	9.2	9.9	11.0	9.0	10.0
RAV (PLN bn)	7.3	7.5	8.0	8.3	8.7
RAV return (EBIT)	8.7%	7.7%	7.7%	7.4%	7.6%

### Key Balance Sheet Figures

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

### Relative Valuation Summary

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

### DCF Analysis

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

### DCF Summary

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

### Valuation Summary

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



## Energa buy (no change)

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There is nothing in Energa's current circumstances that could serve as an upside catalyst. The Company benefits from record-high power prices only to a limited extent, and its participation in the upcoming capacity auctions is not likely to produce any positive surprises. To boot, with its short generation position, Energa has the most to lose of all state utilities if the government blocks upward adjustments to household energy prices. As if the future prospects weren't disheartening enough, Energa's 2018 Q3 results also came out worse than expected. We are working on a forecast update for Energa.

**Current Price**

7.85 PLN

**Upside**

**9M Target Price**

15.27 PLN

**+94.5%**

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

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-3.3%	+0.8%
ISIN	PLENERG00022	YTD Price Chng	-38.3%	-26.7%
Outst. Stock (m)	414.1	ADTV 1M		PLN 4.9m
MC (PLN m)	3,250.4	ADTV 6M		PLN 5.4m
EV (PLN m)	7,161.5	EV/EBITDA 12M fwd	3.4	-29.5%
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	21.5	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	3.2	3.4
DPS	0.49	0.19	0.00	0.00	0.00
DYield	6.2%	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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Shares in PGE have rebounded more than 20% since mid-September, fueled by improved sentiment for the more defensive sectors, coupled with record-high power prices in Poland. PGE is set to be a major beneficiary of the sharp upward price trends in the energy, coal, and carbon markets. Based on contracts for delivery in 2020, the higher margins on renewable energy, brown coal-fired power, and new generators, will offset any losses stemming from potential restrictions on household tariff adjustments by close to PLN 2bn. This not taking into account the capacity payments expected to be allocated during the upcoming auctions, which might exceed the current expectations of the market. Note that PGE is coming close to completing the huge investment push started in 2014, which included new conventional capacity and upgrades to existing installations, budgeted at over PLN 25 billion over the six-year period through 2019. From 2019 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

10.63 PLN

Upside

9M Target Price

13.60 PLN

+27.9%

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

Key Metrics			PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	+5.1%	+9.3%
ISIN	PLPGER000010	YTD Price Chng	-11.8%	-0.1%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 24.1m
MC (PLN m)	19,875.8	ADTV 6M		PLN 19.6m
EV (PLN m)	29,176.8	EV/EBITDA 12M fwd	4.1	-16.9%
Free Float	42.6%	EV/EBITDA 5Y avg	4.9	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	28,092	23,100	26,025	31,778	32,474
EBITDA	7,376	7,650	7,509	7,905	7,801
EBITDA margin	26.3%	33.1%	28.9%	24.9%	24.0%
EBIT	3,512	3,620	4,132	4,308	3,924
Net income	2,568	2,660	3,056	3,114	2,815
P/E	7.7	7.5	6.5	6.4	7.1
P/B	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	3.4	3.7	3.9	3.7	3.5
DPS	0.25	0.00	0.00	0.00	0.42
DYield	2.4%	0.0%	0.0%	0.0%	3.9%
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

	P/E			EV/EBITDA		
	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%	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%	

### 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. Tauron exceeded expectations with 2018 Q3 results, but its outlook for 2019 is more challenging than that of rivals like PGE and Enea. According to our calculations, in the worst-case scenario the Company faces a dent in the target sales margin close to PLN 0.2bn. In the baseline scenario, Tauron shows upside potential from the current undervalued level stemming from upcoming capacity payments, an ending period of increased capital investment, and opportunities to restructure the generation mix.

**Current Price**

1.79 PLN

Upside

**9M Target Price**

2.77 PLN

+54.7%

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

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-1.6%	+2.5%
ISIN	PLTAURN00011	YTD Price Chng	-41.3%	-29.7%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 6.5m
MC (PLN m)	3,137.1	ADTV 6M		PLN 14.5m
EV (PLN m)	13,450.3	EV/EBITDA 12M fwd	4.0	-16.8%
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	8.5	2.3	3.4	2.9	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 (no change)

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Netia reported 2018 Q3 results in line with expectations, registering the first increase in on-network subscribers in many quarters. On the downside, ARPU in the period was down across all business segments. Operating cash flow was solid at PLN 94.1m vs. PLN 96.6m in Q3'17, with ytd OCF at PLN 277.5m vs. PLN 267.0m last year. We maintain a hold rating for Netia, whose owner Cyfrowy Polsat repurchased the 58.7 million shares acquired in May 2018 by its joint tender offer partner Karswell Limited at the original tender offer price of PLN 5.77 per share, which is also the price Cyfrowy would have to offer for the remaining 34% of Netia's shares held by minority shareholders. We expect Netia to generate negative FCFE in 2018-2020. In addition, Cyfrowy may want to speed 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

4.69 PLN

Downside

#### 9M Target Price

4.30 PLN

-8.3%

	rating	target price	issued
unchanged	hold	4.30 PLN	2018-10-01

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	+1.1%	+5.2%
ISIN	PLNETIA00014	YTD Price Chng	-12.8%	-1.2%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,580.8	ADTV 6M		PLN 0.5m
EV (PLN m)	1,968.1	EV/EBITDA 12M fwd	5.5	+15.1%
Free Float	100.0%	EV/EBITDA 5Y avg	4.8	premium

#### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,522	1,442	1,393	1,371	1,367
EBITDA	426	384	355	346	353
EBITDA margin	28.0%	26.6%	25.5%	25.2%	25.8%
EBIT	25	72	60	57	67
Net income	33	36	37	31	35
P/E	48.6	44.5	42.7	51.5	45.1
P/B	0.8	0.9	0.9	0.9	0.8
EV/EBITDA	4.2	4.9	5.5	5.9	5.9
DPS	0.39	0.38	0.00	0.00	0.00
DYield	8.4%	8.1%	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

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 decreased 2% over the past month, outperforming the broad market by more than 3%, and they are down a staggering 22% year to date. At the current level OPL is trading at attractive ratios and remains a buy. Orange reported better-than-expected results for Q3 2018, owing mainly to property sales (the Company still owns more than PLN 600m-worth of marketable real estate). On a recurring basis the Company is on target when it comes to revenues and costs, and its KPIs are improving, as reflected in a stabilized ARPO from convergent services (PLN 103.0 vs. 102.6 in Q3'17), and high sales of FTTH connections achieved during the summer vacation season. We expect Orange to achieve stable EBITDA this year consistent with the Management's guidance.

**Current Price**

4.40 PLN

Upside

**9M Target Price**

7.60 PLN

+72.7%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-1.6%	+2.5%
ISIN	PLTLKPL00017	YTD Price Chng	-24.0%	-12.4%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 8.1m
MC (PLN m)	5,772.8	ADTV 6M		PLN 8.4m
EV (PLN m)	12,639.7	EV/EBITDA 12M fwd	4.2	-9.8%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	11,538	11,381	11,297	11,359	11,530
EBITDA adj.	3,163	2,807	3,069	3,217	3,384
EBITDA margin	27.4%	24.7%	27.2%	28.3%	29.3%
EBIT	-1,354	229	647	921	1,199
Net income	-1,746	-60	299	545	791
P/E	-	-	19.3	10.6	7.3
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	5.7%	0.0%	0.0%	0.0%	5.7%
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 buy (no change)

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Play's stock price plunged 35% in the year to September, heading ever-lower as the Telecom came out with one disappointing announcement after another, following a weak Q2 earnings report with a decision to cut dividends from 2019, and a choice to raise mobile network CAPEX while most competition puts money into fiber. While the beating in the wake of the string of negative surprises was probably justified, we cannot say the same for the continuing sell-off since the end of September, with PLY down another 19% in that time span, today trading at 5.0x 2018E and 2019E EV/EBITDA and 5.3x/5.9 respective P/E. At these levels Play has become a solid buy opportunity in our view considering its strong cash-generating potential (with PLN 750m in 2018E implying an unprecedented FCFE yield of 18.2%) and a promise of a generous dividend yield in 2019 currently at 7.9%. Moreover, Play is set to deliver improved profits in Q3 2018 in our view, with EBITDA showing contraction of just 2.8% versus the year-ago period compared to an 8.1% average drop recorded the two previous quarters. The lack of fiber infrastructure while the competition secures capabilities to offer convergence remains a major long-term risk factor, but at this point this risk is probably more than priced into PLY's value. Play always has the option to lease FTTH network access from Orange Polska, like T-Mobile has done recently. We maintain a bullish outlook for PLY.

Current Price

16.28 PLN

Upside

9M Target Price

21.50 PLN

+32.1%

	rating	target price	issued
unchanged	buy	21.50 PLN	2018-10-17

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-14.5%	-10.4%
ISIN	LU1642887738	YTD Price Chng	-47.9%	-36.2%
Outst. Stock (m)	253.7	ADTV 1M		PLN 15.3m
MC (PLN m)	4,130.2	ADTV 6M		PLN 12.9m
EV (PLN m)	10,795.5	EV/EBITDA 12M fwd	4.8	-19.5%
Free Float	49.4%	EV/EBITDA 5Y avg	6.0	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,118	6,670	6,737	6,866	6,975
EBITDA	1,924	1,904	2,149	2,136	2,181
EBITDA margin	31.5%	28.5%	31.9%	31.1%	31.3%
EBIT	1,290	1,107	1,368	1,250	1,240
Net income	712	387	781	699	709
P/E	5.8	10.7	5.3	5.9	5.8
P/B	3.1	-	-	14.2	6.1
EV/EBITDA	4.8	5.7	5.0	5.0	4.7
DPS	0.00	0.00	2.56	1.29	1.29
DYield	0.0%	0.0%	15.7%	7.9%	7.9%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
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	12,424	12,529	12,603
ARPU (PLN)	31.4	32.0	32.5	33.1	33.6
<b>Revenue</b>	<b>6,118</b>	<b>6,670</b>	<b>6,737</b>	<b>6,866</b>	<b>6,975</b>
Service revenue	4,493	4,878	5,049	5,129	5,239
Sales of goods and other	1,625	1,792	1,688	1,737	1,737
<b>Costs</b>	<b>4,193</b>	<b>4,766</b>	<b>4,588</b>	<b>4,730</b>	<b>4,795</b>
Interconnection	1,496	1,729	1,947	1,974	1,977
Contract costs	399	429	438	446	456
Cost of goods sold	1,366	1,410	1,375	1,440	1,456
Employee benefits	228	526	249	256	263
External services	567	606	502	535	563
Other	138	65	77	79	80
<b>EBITDA (adj.)</b>	<b>2,035</b>	<b>2,298</b>	<b>2,160</b>	<b>2,166</b>	<b>2,211</b>
margin	33.3%	34.4%	32.1%	31.5%	31.7%
<b>Net income</b>	<b>712</b>	<b>387</b>	<b>781</b>	<b>699</b>	<b>709</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>1,969</b>	<b>1,950</b>	<b>1,970</b>
OCF/EBITDA adj.	78%	60%	91%	90%	89%
<b>CAPEX</b>	<b>-2,316</b>	<b>-650</b>	<b>-759</b>	<b>-864</b>	<b>-728</b>
Assets	8,747	8,831	8,636	8,555	8,591
Equity	1,343	-213	-81	290	672
<b>Net debt</b>	<b>5,111</b>	<b>6,710</b>	<b>6,665</b>	<b>6,450</b>	<b>6,082</b>
Net debt/EBITDA (x)	2.5	2.9	3.1	3.0	2.8

### Relative Valuation Summary

	P/E			DYield - RFR		
	18P	19P	20P	18P	19P	20P
Minimum	5.7	5.4	4.5	361.0%	327.1%	304.6%
Maximum	32.4	60.3	26.1	972.0%	839.1%	832.0%
Median	14.0	11.9	10.8	507.0%	505.2%	476.7%
Weight	33%	33%	33%	0%	0%	0%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	6,737	6,866	6,975	7,069	7,137	7,192	7,237	7,276	7,311	7,342	7,342
EBITDA	2,149	2,136	2,181	2,206	2,213	2,241	2,240	2,238	2,232	2,231	2,231
EBITDA margin	32.2%	31.7%	31.8%	31.6%	31.3%	31.4%	31.1%	30.9%	30.7%	30.5%	30.5%
D&A	781	886	940	943	1,053	1,005	1,015	1,002	963	938	938
EBIT	1,368	1,250	1,240	1,263	1,160	1,237	1,225	1,235	1,270	1,293	1,293
Tax	260	237	236	240	220	235	233	235	241	246	246
<b>NOPLAT</b>	<b>1,108</b>	<b>1,012</b>	<b>1,005</b>	<b>1,023</b>	<b>939</b>	<b>1,002</b>	<b>992</b>	<b>1,000</b>	<b>1,028</b>	<b>1,047</b>	<b>1,047</b>
CAPEX	-759	-864	-728	-1,719	-642	-1,113	-944	-655	-658	-661	-661
Work. cap. + other	-188	-247	-295	-306	-305	-313	-315	-316	-316	-318	-318
<b>FCF</b>	<b>942</b>	<b>788</b>	<b>922</b>	<b>-59</b>	<b>1,045</b>	<b>580</b>	<b>748</b>	<b>1,032</b>	<b>1,017</b>	<b>1,007</b>	<b>1,007</b>
PV FCF	926	727	796	-48	793	412	497	642	591	545	
WACC	6.7%	6.7%	6.8%	6.7%	6.7%	6.8%	6.8%	6.9%	7.1%	7.3%	0.0%
Net debt / EV	60.5%	59.7%	58.3%	60.7%	59.1%	59.0%	58.0%	55.7%	53.0%	49.9%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%

### DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	0.0%
PV FCF	13,330
Net debt	7,362
Other adjustments	0
Value per share (PLN)	23.52

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	16.52
DCF Val.	50%	23.52
Implied Price		19.99
Cost of equity (9M)		7.5%
<b>9M Target Price</b>		<b>21.50</b>



## Agora buy (no change)

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We maintain a buy rating for Agora, whose stock has rebounded nearly 12% since mid-September, outperforming the broad market by nearly 14pp. Our bullish view is based on anticipation of improved attendance at Helios cinemas, coupled with further cost cuts in the Press segment. Helios did indeed register 7-8% higher ticket sales in Q3 2018 than in the same period last year, and attendance in the fourth quarter received a boost from the box office hit *Kler*, seen by over 4.3 million people in the first four weeks. Otherwise, we expect Agora to post falling profits again from both the Press and the Print business in Q3 2018, hopefully leading it to finally confront the need to downsize both segments. Note that the 2018 DPS of PLN 0.50 offered by Agora at the current price implies a dividend yield of 5.2%.

**Current Price**

9.46 PLN

**Upside**

**9M Target Price**

15.40 PLN

**+62.8%**

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

Key Metrics			AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	+0.2%	+4.3%
ISIN	PLAGORA00067	YTD Price Chng	-32.1%	-20.5%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	440.7	ADTV 6M		PLN 0.3m
EV (PLN m)	441.8	EV/EBITDA 12M fwd	4.7	-13.2%
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	-	-	47.5	59.3	18.9
P/B	0.4	0.4	0.5	0.5	0.5
EV/EBITDA	4.1	15.5	5.7	4.9	4.2
DPS	0.75		0.50	0.50	0.50
DYield	7.9%		5.3%	5.3%	5.3%
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
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

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

### DCF Analysis

(PLN m)	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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CPS stock followed a flat trading pattern in October, outperforming the broad market by >2pp. At the current level the stock still shows 14% upside potential to our target, supporting a reiterated accumulate call even though near-term catalysts are limited. Cyfrowy is expected to report 2% contraction in 2018 Q3 EBITDA from the comparable year-ago level, but on a positive note its FCFE is set to be high at close to PLN 1.5bn, implying FCFE Yield of 10.8%. CPS is currently trading at 6.8x 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. Netia's fixed services and Cyfrowy's mobile services bundled into a convergent product should help to curb the churn Netia has been experiencing in large cities, which represent about one-third of Cyfrowy's subscribers. Last but not least, the pay-TV business is a major driver of Cyfrowy's growth potential thanks to the acquisition of broadcast rights to UEFA Champions League matches.

<b>Current Price</b>	21.74 PLN	<b>Upside</b>
<b>9M Target Price</b>	24.90 PLN	<b>+14.5%</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	-2.7%	+1.4%
ISIN	PLCFRPT00013	YTD Price Chng	-12.6%	-0.9%
Outst. Stock (m)	639.5	ADTV 1M		PLN 9.8m
MC (PLN m)	13,903.7	ADTV 6M		PLN 13.3m
EV (PLN m)	24,952.7	EV/EBITDA 12M fwd	6.0	-13.8%
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	13.4	14.2	12.7	10.8	9.7
P/B	1.2	1.2	1.0	0.9	0.9
EV/EBITDA	6.9	6.8	6.8	6.0	5.6
DPS	0.00	0.32	0.00	0.32	0.50
DYield	0.0%	1.5%	0.0%	1.5%	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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WPL stock outperformed the broad market by 6% after a 2% decline in October, and with 13% upside potential to our target it remains an accumulate. Wirtualna generated strong profits in Q2 2018, but the third quarter is looking even better, supported by a revival in advertising expenditures in Poland, set to boost the quarterly revenues to a projected PLN 132.5m (ex. barter and TV), up 27% y/y, and drive EBITDA 34% higher than the year-ago level to an estimated PLN 45.6m. With plans for e-commerce to eventually account for 75% of target revenues compared to 58% today, Wirtualna 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**

53.00 PLN

**Upside**

**9M Target Price**

60.00 PLN

**+13.2%**

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

Key Metrics	WPL PW	WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+1.9%
ISIN	PLWRTPL00027	YTD Price Chng	+11.5%
Outst. Stock (m)	29.8	ADTV 1M	+23.1%
MC (PLN m)	1,578.1	ADTV 6M	PLN 0.5m
EV (PLN m)	1,810.9	EV/EBITDA 12M fwd	PLN 0.7m
Free Float	53.0%	EV/EBITDA 5Y avg	9.7
			-7.3%
			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	27.8	34.9	20.8	17.8	15.8
P/B	3.9	3.8	3.4	3.2	2.9
EV/EBITDA	14.3	13.6	11.3	9.5	8.5
DPS	0.00	1.10	0.96	1.61	2.15
DYield	0.0%	2.1%	1.8%	3.0%	4.0%
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
<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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ACP stock has outperformed the broad market by nearly 6pp in the past month after a >2% gain driven by an improving standalone business in Poland, represented by the parent company which in Q2 2018 achieved double the operating profit posted a year ago thanks to a rebound in orders. The expectation for Q3 is for a further 41% y/y boost to the standalone EBITDA, justifying a reiterated accumulate call despite depleted 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.

<b>Current Price</b>	49.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	49.00 PLN	+0.0%

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

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	+2.0%	+6.1%
ISIN	PLSOFTB000016	YTD Price Chng	+19.6%	+31.2%
Outst. Stock (m)	83.0	ADTV 1M		PLN 4.8m
MC (PLN m)	4,067.0	ADTV 6M		PLN 8.6m
		P/E 12M fwd	14.0	+14.1%
Free Float	68.0%	P/E 5Y avg	12.3	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	13.5	6.8	14.4	15.8	15.8
P/B	0.7	0.7	0.7	0.7	0.7
P/S	0.51	0.53	0.46	0.45	0.44
DPS	3.01	3.01	3.01	2.00	2.00
DYield	6.1%	6.1%	6.1%	4.1%	4.1%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Revenue</b>	<b>7,932</b>	<b>7,724</b>	<b>8,908</b>	<b>9,068</b>	<b>9,299</b>
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
<b>EBIT</b>	<b>769</b>	<b>644</b>	<b>767</b>	<b>804</b>	<b>843</b>
D&A	300	289	372	365	362
<b>EBITDA</b>	<b>1,070</b>	<b>933</b>	<b>1,139</b>	<b>1,170</b>	<b>1,205</b>
margin	13.5%	12.1%	12.8%	12.9%	13.0%
Associates	-242	169	-267	-324	-355
Tax	-166	-163	-173	-178	-183
<b>Net income</b>	<b>301</b>	<b>596</b>	<b>282</b>	<b>257</b>	<b>258</b>

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P*	2019P*	2020P*
<b>Operating cash flow</b>	<b>883</b>	<b>793</b>	<b>918</b>	<b>932</b>	<b>932</b>
OCF/EBITDA	83%	77%	82%	82%	82%
<b>CAPEX</b>	<b>-211</b>	<b>-233</b>	<b>-245</b>	<b>-255</b>	<b>-255</b>
Assets	12,791	13,044	13,284	13,538	13,538
Equity	5,505	5,520	5,538	5,562	5,562
<b>Net debt</b>	<b>358</b>	<b>235</b>	<b>2</b>	<b>-224</b>	<b>-224</b>
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	+
<b>Asseco Poland (Standalone Figures)</b>											
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
<b>FCF</b>	<b>84</b>	<b>98</b>	<b>62</b>	<b>70</b>	<b>81</b>	<b>77</b>	<b>79</b>	<b>79</b>	<b>80</b>	<b>79</b>	<b>79</b>
WACC	8.7%	8.7%	8.6%	8.5%	8.5%	8.5%	8.4%	8.5%	8.5%	8.5%	0.0%
<b>Asseco Business Solutions</b>											
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
<b>FCF</b>	<b>49</b>	<b>60</b>	<b>64</b>	<b>66</b>	<b>68</b>	<b>70</b>	<b>72</b>	<b>74</b>	<b>75</b>	<b>77</b>	<b>79</b>
WACC	8.5%	8.5%	8.5%	8.5%	8.4%	8.4%	8.4%	8.4%	8.4%	0.0%	0.0%
<b>Asseco South Eastern Europe</b>											
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
<b>FCF</b>	<b>36</b>	<b>52</b>	<b>53</b>	<b>55</b>	<b>58</b>	<b>60</b>	<b>63</b>	<b>65</b>	<b>67</b>	<b>69</b>	<b>70</b>
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
<b>Value</b>			<b>3,557</b>
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%
<b>9M Target Price</b>		<b>49.00</b>

## CD Projekt reduce (no change)

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Shares in CD Projekt fell 21% in October, performance consistent with global trends in gaming stocks. The Company released the PC version of the *Gwent* card game and its single-player campaign, *Thronebreaker*, on October 23rd, and we are looking forward to the first sales numbers. As for the earnings results for Q3 2018, due out on 22 November, our prediction is for a 12% revenue decline to PLN 74.5m, accompanied by 44% y/y EBITDA shrinkage to PLN 24.9m in line with the dwindling sales of the last major release, *The Witcher 3*, issued in May 2015. Hopefully the October releases will help improve sales and profits in Q4. CD Projekt's future outlook depends largely on the success of the next major AAA production, *Cyberpunk 2077*, expected to premiere in 2020, and predictions for its future sales in the interim based on other AAA games set to come out in the coming months, including *Red Dead Redemption 2*, out 26 October 2018. We expect CD Projekt to generated FCF of PLN 662m a year on average in 2018-27.

**Current Price**

164.30 PLN

**Downside**

**9M Target Price**

136.60 PLN

**-16.9%**

	rating	target price	issued
unchanged	reduce	136.60 PLN	2018-10-16

Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	-8.9%
ISIN	PLOPTTC00011	YTD Price Chng	+69.4%
Outst. Stock (m)	95.2	ADTV 1M	PLN 71.8m
MC (PLN m)	15,643.5	ADTV 6M	PLN 57.7m
EV (PLN m)	14,981.9	EV/EBITDA 12M fwd	20.8
Free Float	65.1%	EV/EBITDA 5Y avg	21.8 discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	584	463	473	472	1,566
EBITDA	308	246	214	185	930
EBITDA margin	52.7%	53.1%	45.3%	39.2%	59.4%
EBIT	304	241	209	179	924
Net income	251	200	179	164	822
P/E	62.4	78.1	87.3	95.5	19.0
P/B	20.1	17.7	14.7	12.9	8.0
EV/EBITDA	48.9	61.0	70.0	80.8	15.2
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			-13.6%	-77.1%	+20.4%
Net income			-9.3%	-75.1%	+28.5%
Sales of The Witcher 3			+73.6%	-	-
Sales of Gwent: The Card Game			-37.4%	+34.7%	-5.1%
Sales of Cyberpunk 2077			-	-100.0%	+29.5%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Sales, Video Games	476	330	336	320	1,399
EBIT, VG	324	223	210	180	920
EBIT margin, VG	68.2%	67.4%	62.5%	56.3%	65.8%
Sales, GOG.com	133.5	169.6	141.2	152.1	167.3
EBIT, GOG.com	6.4	18.4	-1.2	-0.4	3.7
EBIT margin, GOG	4.8%	10.8%	-0.8%	-0.3%	2.2%
<b>Operating cash flow</b>	<b>259</b>	<b>232</b>	<b>147</b>	<b>167</b>	<b>980</b>
D&A	4	5	5	6	6
Working capital	-11	34	-12	0	-46
<b>Investing cash flow</b>	<b>-440</b>	<b>-291</b>	<b>-36</b>	<b>-146</b>	<b>-160</b>
CAPEX	-12	-13	-16	-9	-10
<b>Development exp.</b>	<b>56</b>	<b>77</b>	<b>115</b>	<b>137</b>	<b>150</b>
FCF	228	221	147	142	699
FCF/EBITDA	69%	77%	75%	80%	83%
OCF/EBITDA	69%	90%	105%	85%	86%

### Key Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Sales, The Witcher 3	472	288	195	112	104
Sales, Gwent	3	43	132	198	131
Sales, Cyberpunk	0	0	0	0	1,123
Development exp.	62	142	241	358	219
Cash	217	67	186	215	1,055
Net debt	-597	-647	-662	-690	-1,530
Net debt/EBITDA (x)	-1.9	-2.6	-3.1	-3.7	-1.6

### Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	14.9	4.5
Maximum	19.3	11.1
Median	18.9	8.2
Weight	50%	50%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
W3 (k copies)	2,230	1,875	1,618	1,396	1,380	1,166	0	0	0	0	0
C2077 (k copies)	0	14,600	6,757	4,457	2,300	2,300	2,228	1,078	0	0	0
Next AAA game (k copies)	0	0	0	4,000	2,500	1,500	1,500	1,500	1,000	0	0
Revenue	473	472	1,566	1,775	1,107	2,221	1,142	2,282	1,210	774	-
EBITDA	214	185	930	1,308	702	1,631	654	1,637	676	374	-
EBITDA margin	45.3%	39.2%	59.4%	73.7%	63.4%	73.4%	57.3%	71.8%	55.9%	48.3%	-
EBIT	209	179	924	1,301	695	1,624	647	1,631	669	367	-
Tax	40	34	176	247	132	309	123	310	127	70	-
CAPEX	-16	-9	-10	-11	-12	-13	-15	-7	-7	-7	-
Working capital	-12	0	-46	-9	28	-47	45	-48	45	18	-
FCF	147	142	699	1,041	586	1,262	561	1,273	587	315	661
PV FCF	145	129	586	804	417	829	340	710	302	149	-
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	4.0%
PV FCF	8,194
Net debt	-647
Other adjustments	0
Value per share (PLN)	134.40

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	114.40
DCF Val.	50%	134.40
Implied Price		128.40
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>136.60</b>

## Comarch accumulate (no change)

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Comarch traded sideways in October, outperforming the broad market by nearly 4%. We maintain a positive view on the Company based on expectations of solid 2018 Q3 results, supported by a lucrative government contract, improved demand for ERP solutions in the home market, and a 5% increase in exports, with the quarterly EBITDA set to show a year-over-year rebound as high as 80%. Comarch has recently dismissed the claims that it was struggling to deliver the systems maintenance contract with Poland's social security agency ZUS taken over from Asseco Poland.

### Current Price

169.50 PLN

Upside

### 9M Target Price

180.50 PLN

+6.5%

	rating	target price	issued
unchanged	accumulate	180.50 PLN	2018-10-01

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	0.0%	+4.1%
ISIN	PLCOMAR00012	YTD Price Chng	-10.1%	+1.6%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.2m
MC (PLN m)	1,378.6	ADTV 6M		PLN 0.4m
EV (PLN m)	1,378.3	EV/EBITDA 12M fwd	7.7	+4.1%
Free Float	59.2%	EV/EBITDA 5Y avg	7.4	premium

### 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	19.7	32.0	25.5	19.0	16.2
P/B	1.6	1.6	1.5	1.4	1.4
EV/EBITDA	7.6	14.3	8.5	7.7	7.2
DPS	0.00	1.50	1.50	1.50	10.00
DYield	0.0%	0.9%	0.9%	0.9%	5.9%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
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>1,109</b>	<b>1,102</b>	<b>1,307</b>	<b>1,359</b>	<b>1,451</b>
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
<b>EBIT</b>	<b>113</b>	<b>34</b>	<b>89</b>	<b>98</b>	<b>111</b>
margin	10.2%	3.1%	6.8%	7.2%	7.6%
<b>Net income</b>	<b>70</b>	<b>43</b>	<b>54</b>	<b>73</b>	<b>85</b>

### Key Balance Sheet Figures

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

### Relative Valuation Summary

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
<b>NOPLAT</b>	<b>63</b>	<b>71</b>	<b>82</b>	<b>87</b>	<b>92</b>	<b>96</b>	<b>101</b>	<b>106</b>	<b>110</b>	<b>113</b>	<b>116</b>
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
<b>FCF</b>	<b>52</b>	<b>60</b>	<b>76</b>	<b>83</b>	<b>86</b>	<b>89</b>	<b>94</b>	<b>99</b>	<b>105</b>	<b>110</b>	<b>112</b>
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%
<b>9M Target Price</b>		<b>180.50</b>



## 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.

Current Price

5.64 PLN

Upside

9M Target Price

6.56 PLN

+16.3%

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

Key Metrics	FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng +1.8% +5.9%
ISIN	PLFAMUR00012	YTD Price Chng -2.1% +9.6%
Outst. Stock (m)	574.8	ADTV 1M PLN 0.9m
MC (PLN m)	3,241.7	ADTV 6M PLN 1.5m
EV (PLN m)	3,388.0	EV/EBITDA 12M fwd 6.6 +11.4%
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	29.2	65.0	17.7	14.0	12.2
P/B	2.8	2.2	2.2	2.3	2.1
EV/EBITDA	10.9	10.9	7.7	6.9	6.6
DPS	0.00	0.00	0.44	0.45	0.28
DYield	0.0%	0.0%	7.8%	8.0%	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

	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 sell (no change)

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Kęty faces severe cost pressures in 2019 due to upward-trending prices of energy commodities (gas & power +PLN 17m) and labor (+PLN 20m). On top of that, the Company has to brace for higher supply pressures from planned aluminum capacity extensions by a local rival, expected to boost the domestic aluminum systems supply by 10%. Amid increasing competition, it will be hard to pass the higher production costs of aluminum and packaging onto end consumers. Kęty earns record-high margins on production of extrusions at the moment at 25% above multi-year averages. Next year, its financial standing might be impaired by possible payment delays from troubled construction industry customers, who account for 60% of total sales. According to our forecasts, Kęty's net debt/EBITDA ratio will increase to 2.0x at the end of 2019, the limit up to which the Company is allowed to distribute between 60% and 100% of annual earnings as dividends, and we assume the Company will offer decreasing per-share dividends next year and the following year. KTY stock is trading at an over-50% premium to comparable companies, and with downside risk of close to 12% we maintain a sell rating for the stock.

### Current Price

350.00 PLN

Downside

### 9M Target Price

309.30 PLN

-11.6%

	rating	target price	issued
unchanged	sell	309.30 PLN	2018-10-29

Key Metrics	KTY PW	1M Price Chng	KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-9.1%	-5.0%
ISIN	PLKETY000011	YTD Price Chng	-13.1%	-1.5%
Outst. Stock (m)	9.5	ADTV 1M		PLN 0.9m
MC (PLN m)	3,340.9	ADTV 6M		PLN 1.8m
EV (PLN m)	4,118.2	EV/EBITDA 12M fwd	8.5	-9.4%
Free Float	42.0%	EV/EBITDA 5Y avg	9.3	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	2,267	2,643	2,978	3,079	3,200
EBITDA	394	421	460	448	476
EBITDA margin	17.4%	15.9%	15.5%	14.5%	14.9%
EBIT	282	301	334	316	333
Net income	278	236	261	236	248
P/E	11.9	14.1	12.8	14.2	13.5
P/B	2.4	2.4	2.4	2.3	2.2
EV/EBITDA	9.4	9.3	8.9	9.5	8.9
DPS	17.95	30.00	23.94	19.16	17.28
DYield	5.1%	8.6%	6.8%	5.5%	4.9%
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	120	112	130
EBITDA, Extrusions	139	150	176	180	185
EBITDA, Al Systems	160	172	180	172	178
EBITDA, Other	-10	-13	-16	-16	-17
EBITDA/t of Al	5	5	5	4	4
<b>Operating cash flow</b>	<b>315</b>	<b>276</b>	<b>293</b>	<b>277</b>	<b>339</b>
D&A	112	120	126	132	143
Working capital	-51	-91	-89	-111	-73
<b>Investing cash flow</b>	<b>-270</b>	<b>-187</b>	<b>-230</b>	<b>-200</b>	<b>-150</b>
CAPEX	270	187	230	200	150
<b>Financing cash flow</b>	<b>-43</b>	<b>-85</b>	<b>-139</b>	<b>-78</b>	<b>-182</b>
Dividends/Buyback	-170	-285	-229	-183	-165
FCF	84	86	89	81	195
FCF/EBITDA	21%	20%	19%	18%	41%
OCF/EBITDA	80%	66%	64%	62%	71%

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	2,323	2,499	2,673	2,864	2,971
Fixed assets	1,396	1,439	1,561	1,633	1,645
Equity	1,405	1,363	1,396	1,448	1,531
Minority interests	0	1	1	1	1
Net debt	397	591	777	907	910
Net debt/EBITDA (x)	1.0	1.4	1.7	2.0	1.9
Net debt/Equity (x)	0.3	0.4	0.6	0.6	0.6

### Relative Valuation Summary

	18P	P/E	20P	18P	EV/EBITDA	20P
Minimum	2.3	2.2	2.2	2.9	2.9	2.6
Maximum	26.6	23.2	17.1	10.7	9.9	8.5
Median	11.2	9.9	8.9	7.5	6.5	5.8
Weight	17%	17%	17%	17%	17%	17%

### 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)	170	150	150	150	150	150	150	150	150	150	150
Al usage (1,000 t)	93	100	106	110	113	115	117	117	118	118	118
Revenue	2,978	3,079	3,200	3,298	3,369	3,409	3,457	3,468	3,477	3,477	3,477
EBITDA	460	448	476	482	486	488	494	493	491	488	487
EBITDA margin	15.5%	14.5%	14.9%	14.6%	14.4%	14.3%	14.3%	14.2%	14.1%	14.0%	14.0%
EBIT	334	316	333	344	350	358	365	361	358	355	355
Tax	52	55	58	60	62	63	65	65	64	64	64
CAPEX	-230	-200	-150	-120	-122	-125	-127	-130	-132	-132	-132
Working capital	-89	-111	-73	1	12	23	-15	-9	-7	-4	-4
FCF	89	81	195	303	315	323	286	290	287	288	287
PV FCF	88	75	166	239	230	219	179	168	154	143	
WACC	7.8%	7.7%	7.7%	7.7%	7.8%	7.8%	7.9%	7.9%	7.9%	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	2.0%
PV FCF	1,661
Net debt	819
Other adjustments	0
Value per share (PLN)	337.48

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	244.37
DCF Val.	50%	337.48
Implied Price		290.93
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>309.30</b>



## JSW buy (no change)

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JSW is benefitting from rising global coal demand, reflected in increasing operating rates of global steel mills, up to 80% from 70% in January, and recovering imports to China, while supply has tightened following outages at mines in Mozambique and in Australia, where the top rail freight operator reports lower haulage volumes due to maintenance constraints. The supply disruptions have sent prices of coking coal higher over the recent weeks, and at the same time prices of coke are also rising on concerns over environmentally-driven production curbs in China. The shifting prices indicate a strong fourth quarter at JSW, which according to our forecasts might offer a dividend yield over 6% in 2019. We maintain a buy rating for JSW.

**Current Price**

76.02 PLN

**Upside**

**9M Target Price**

98.00 PLN

**+28.9%**

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

Key Metrics	JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng <b>+13.7%</b> <b>+17.8%</b>
ISIN	PLJSW0000015	YTD Price Chng <b>-21.0%</b> <b>-9.4%</b>
Outst. Stock (m)	117.4	ADTV 1M PLN 16.6m
MC (PLN m)	8,925.6	ADTV 6M PLN 15.1m
EV (PLN m)	7,692.5	EV/EBITDA 12M fwd 2.5 <b>-31.4%</b>
Free Float	44.8%	EV/EBITDA 5Y avg 3.6 discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,731	8,877	9,868	9,355	9,011
EBITDA adj.	1,055	3,509	3,516	2,789	2,264
EBITDA margin	15.7%	39.5%	35.6%	29.8%	25.1%
EBIT adj.	216	2,684	2,693	1,853	1,171
Net income adj.	-2	2,189	2,156	1,485	936
P/E adj.	-	4.1	4.1	6.0	9.5
P/B	2.2	1.4	1.1	1.0	0.9
EV/EBITDA adj.	9.0	2.1	2.2	2.6	3.4
DPS	0.00	0.00	0.00	4.99	6.32
DYield	0.0%	0.0%	0.0%	6.6%	8.3%

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 (reiterated)

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Kernel reported worse-than-expected financials for the fourth quarter of fiscal 2018, ended 30 June, nevertheless the adjusted figures showed a rebound from the prior-year period for the first time in six quarters. The Company paints an optimistic outlook for FY2019 based on expectations of high sunflower and corn harvests, offering EBITDA guidance of \$160m for the new fiscal year compared to \$89m generated in FY2018. Looking at the high sales volumes achieved in the first quarter, ended 30 September, EBITDA for the period should show improvement on the comparable year-ago period. Kernel's controlling shareholder, Namsen Limited, recently sent a positive signal to shareholders by buying PLN 7m-worth of the Company's shares. We have updated our earnings forecast for Kernel based on the Company's bullish FY2019 outlook, resulting in an increased price target of PLN 60.85 per share and a reiterated buy rating.

### Current Price

52.10 PLN

Upside

### 9M Target Price

60.85 PLN

+16.8%

	rating	target price	issued
new	buy	60.85 PLN	2018-11-05
old	buy	59.18 PLN	2018-07-23
<b>Key Metrics</b>			
Ticker	KER PW	1M Price Chng	+1.0% vs. WIG
ISIN	LU0327357389	YTD Price Chng	+10.2% +21.9%
Outst. Stock (m)	82.7	ADTV 1M	PLN 4.1m
MC (PLN m)	4,306.7	ADTV 6M	PLN 3.8m
EV (PLN m)	6,673.4	EV/EBITDA 12M fwd	5.1 +28.3%
Free Float	60.5%	EV/EBITDA 5Y avg	4.0 premium

### Earnings Projections

(US\$ m)	15/16	16/17	17/18	18/19P	19/20P
Revenue	1,989	2,169	2,403	3,520	4,564
EBITDA	347	319	223	362	420
EBITDA margin	17.5%	14.7%	9.3%	10.3%	9.2%
EBIT	287	265	140	269	324
Net income	225	176	52	162	213
P/E	5.0	6.5	21.8	7.0	5.3
P/B	1.1	1.0	1.0	0.9	0.8
EV/EBITDA	4.0	5.2	7.9	5.7	4.9
DPS	0.25	0.24	0.25	0.25	0.78
DYield	1.8%	1.8%	1.8%	1.8%	5.7%
<b>Projection Update (% change)</b>			<b>18/19P</b>	<b>19/20P</b>	<b>20/21P</b>
EBITDA			+4.0%	-1.4%	+0.2%
Net income			+1.2%	-8.4%	-7.0%
Margin, Sunflower Oil (\$/t)			-0.1%	-0.2%	-0.2%
Margin, Wheat (\$/t)			0.0%	0.0%	0.0%
Margin, Corn (\$/t)			0.0%	0.0%	0.0%
Bulk sunflower oil sales (kt)			+0.3%	+0.3%	+0.3%
Grain production (kt)			+18.2%	+7.9%	+7.9%
Grain sales (kt)			+11.5%	+5.3%	+5.1%

### Financial Highlights

(US\$ m)	15/16	16/17	17/18	18/19P	19/20P
EBITDA, Bottled Oil	16	17	13	18	20
EBITDA, Bulk Oil	113	83	63	100	126
EBITDA, Terminals	37	48	39	43	61
EBITDA, Farming	146	144	89	164	160
EBITDA, Grain Trade	46	23	17	26	42
<b>Operating cash flow</b>	<b>134</b>	<b>77</b>	<b>82</b>	<b>195</b>	<b>289</b>
D&A	60	54	83	93	96
Working capital	-127	-212	-63	-154	-113
<b>Investing cash flow</b>	<b>-61</b>	<b>-223</b>	<b>-156</b>	<b>-329</b>	<b>-108</b>
CAPEX	61	182	179	329	108
<b>Financing cash flow</b>	<b>-137</b>	<b>173</b>	<b>76</b>	<b>53</b>	<b>-182</b>
Dividends/Buyback	-20	-20	-20	-21	-65
FCF	155	-93	-14	-132	182
FCF/EBITDA	45%	-29%	-6%	-37%	43%
OCF/EBITDA	39%	24%	37%	54%	69%

### Key Balance Sheet Figures

(US\$ m)	15/16	16/17	17/18	18/19P	19/20P
Assets	1,509	2,009	2,211	2,562	2,767
Fixed assets	789	888	1,006	1,245	1,262
Equity	995	1,153	1,171	1,268	1,414
Minority interests	2	5	7	7	7
Net debt	276	508	619	911	892
Net debt/EBITDA (x)	0.8	1.6	2.8	2.5	2.1
Net debt/Equity (x)	0.3	0.4	0.5	0.7	0.6

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	5.3	4.6	4.0	3.6	4.5	3.7
Maximum	83.8	36.6	23.9	12.9	11.6	11.2
Median	13.4	13.7	12.1	7.8	7.6	7.2
Weight	0%	25%	25%	0%	25%	25%

### DCF Analysis

(US\$ m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Margin, Veg Oil (\$/t)	76	90	102	111	108	104	100	96	92	91	92
Margin, Wheat (\$/t)	170	190	195	195	195	195	195	195	195	195	195
Margin, Corn (\$/t)	175	185	194	194	194	194	194	195	196	197	197
Revenue	3,520	4,564	5,085	5,344	5,412	5,501	5,584	5,667	5,756	5,852	5,942
EBITDA	362	420	480	521	501	493	484	480	478	483	490
EBITDA margin	10.3%	9.2%	9.4%	9.8%	9.3%	9.0%	8.7%	8.5%	8.3%	8.3%	8.2%
EBIT	269	324	376	416	397	390	381	371	366	358	362
Tax	12	16	20	23	22	21	21	21	47	45	46
CAPEX	-329	-108	-83	-90	-97	-104	-113	-123	-126	-127	-127
Working capital	-154	-113	-67	-39	-24	-26	-26	-26	-27	-28	-27
FCF	-132	182	310	370	359	341	324	310	279	283	289
PV FCF	-120	144	211	217	181	148	121	99	79	69	
WACC	15.4%	15.4%	15.5%	15.7%	15.8%	15.9%	16.0%	16.1%	15.7%	15.8%	15.9%
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	1,146
Net debt	619
Other adjustments	7
Value per share (PLN)	43.43

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	64.88
DCF Val.	50%	43.43
Implied Price		54.15
Cost of equity (9M)		12.4%
<b>9M Target Price</b>		<b>60.85</b>



## KGHM hold (no change)

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With monitored copper stocks depleted to their lowest level since mid-2016, as producer premiums widen (having crossed the \$100/t mark) and supply tightens amid a lack of major investment in new mining capacity, sentiment for the copper market looks ripe for a turnaround. Growth in the global copper supply is set to slow to an annual rate of 1.2% in 2019 from 1.8% in 2018 according to a forecast by CRU research, meanwhile demand in the years ahead is expected to be strengthened by China's infrastructure investment. As the long-term broad market outlook improves, KGHM is facing near-term profit risk due to rising prices of electricity and labor, expected to add PLN 350m each to both cost categories in 2019. We have recently factored this into our forecasting models, which assume average 2019 prices for KGHM's principal metals of \$7,000/t copper, \$15.0/oz. silver, and \$21,500/t molybdenum. Despite robust market fundamentals, we believe the current earnings consensus for KGHM for 2018 and 2019 is overly optimistic and due for downward revisions. KGH stock is currently trading close to the average earnings multiples recorded in the last three years. We maintain a hold rating for KGH.

**Current Price**

90.26 PLN

**Downside**

**9M Target Price**

87.99 PLN

**-2.5%**

	rating	target price	issued
unchanged	hold	87.99 PLN	2018-10-15

Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+1.9% +6.0%
ISIN	PLKGHM000017	YTD Price Chng	-18.8% -7.2%
Outst. Stock (m)	200.0	ADTV 1M	PLN 51.1m
MC (PLN m)	18,052.0	ADTV 6M	PLN 56.0m
EV (PLN m)	22,923.1	EV/EBITDA 12M fwd	4.3 -15.3%
Free Float	63.2%	EV/EBITDA 5Y avg	5.0 discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	19,156	20,358	20,069	22,635	23,179
EBITDA adj.	4,666	5,753	4,961	5,379	5,348
EBITDA margin	24.4%	28.3%	24.7%	23.8%	23.1%
EBIT adj.	2,968	4,144	3,312	3,647	3,508
Net income adj.	1,555	1,875	2,367	2,549	2,427
P/E adj.	11.6	9.6	7.6	7.1	7.4
P/B	1.1	1.0	0.9	0.8	0.8
EV/EBITDA adj.	5.4	4.3	4.6	3.8	3.7
DPS	1.50	1.00	0.00	1.59	3.19
DYield	1.7%	1.1%	0.0%	1.8%	3.5%
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	1,221	1,218
Au output (ozt k)	229	219	180	179	186
<b>Operating cash flow</b>	<b>4,212</b>	<b>3,054</b>	<b>4,571</b>	<b>5,647</b>	<b>4,364</b>
D&A	1,698	1,609	1,650	1,732	1,840
Working capital	386	-1,270	712	1,280	12
<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>-404</b>	<b>-723</b>
Dividends/Buyback	-300	-200	0	-318	-637
FCF	186	776	2,077	2,828	1,580
FCF/EBITDA	5%	25%	44%	53%	30%
OCF/EBITDA	2%	1%	0%	2%	4%

### Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	33,442	34,122	36,173	39,040	40,965
Fixed assets	27,202	26,515	27,560	28,605	29,505
Equity	15,772	17,694	19,817	22,048	23,837
Minority interests	139	91	91	91	91
Net debt	7,238	6,570	4,780	2,313	1,413
Net debt/EBITDA (x)	2.1	2.2	1.0	0.4	0.3
Net debt/Equity (x)	0.5	0.4	0.2	0.1	0.1

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	7.4	4.5	3.4	4.0	3.6	2.5
Maximum	18.0	16.9	15.1	9.7	8.5	8.1
Median	12.2	11.1	10.4	5.4	5.7	4.5
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Copper price (\$/t)	6,635	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Silver (\$/oz)	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Molybdenum (\$/t)	22,706	21,500	19,500	18,500	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Revenue	20,069	22,635	23,179	22,957	22,863	23,131	23,162	22,671	20,997	20,898	21,092
EBITDA	4,717	5,379	5,348	4,725	4,440	4,636	4,602	4,244	3,762	3,567	3,681
EBITDA margin	15.3%	16.1%	15.1%	12.2%	10.9%	11.3%	11.1%	9.7%	8.0%	7.3%	8.0%
EBIT	3,068	3,647	3,508	2,798	2,488	2,624	2,571	2,191	1,690	1,523	1,688
Tax	902	1,055	1,038	886	825	849	836	762	666	635	666
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	712	1,280	12	-5	-2	6	1	-11	-36	-2	4
FCF	2,077	2,828	1,580	1,614	1,936	2,083	2,022	1,693	1,245	1,115	1,205
PV FCF	2,052	2,588	1,334	1,258	1,386	1,366	1,223	944	639	528	
WACC	7.4%	7.9%	8.1%	8.2%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	13,318
Net debt	6,570
Other adjustments	237
Value per share (PLN)	68.48

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	97.07
DCF Val.	50%	68.48
Implied Price		82.77
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>87.99</b>

## Stelmet hold (downgraded)

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Stelmet faces a profit slump in fiscal 2018/2019, started 1 October, led by an expected 32% boost to the annual costs of energy, accompanied by a 5% increase each in the costs of timber raw material and labor. Consequently, with the higher costs not likely to be fully passed onto end customers, we predict the EBITDA for the year will register an 18% fall from FY2017/2018, underpinned by logistics bottlenecks experienced by the Company's UK unit, currently undergoing restructuring after a management change. After factoring all this into our financial outlook for Stelmet, we are forced to cut our FY2018/2019 and FY2019/2020 EBITDA forecasts for the Company by nearly 40%. Consequently we lower our 9-month price target from PLN 20.45 to PLN 7.72 per share, and we downgrade STL from buy to hold.

### Current Price

7.50 PLN

Upside

### 9M Target Price

7.72 PLN

+2.9%

		rating	target price	issued
new		hold	7.72 PLN	2018-11-05
old		buy	20.45 PLN	2018-09-03
Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-6.5%	-2.4%
ISIN	PLSTLMT00010	YTD Price Chng	-47.9%	-36.3%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	220.2	ADTV 6M		PLN 0.1m
EV (PLN m)	386.9	EV/EBITDA 12M fwd	-	-
Free Float	15.0%	EV/EBITDA 5Y avq	-	-

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	567	538	553	575	597
EBITDA	82	58	67	54	57
EBITDA margin	14.5%	10.7%	12.1%	9.5%	9.5%
EBIT	62	21	25	13	15
Net income	68	19	15	9	11
P/E	3.1	11.3	14.6	25.2	20.9
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	5.1	7.0	5.8	6.7	6.0
DPS	0.29	0.00	0.00	0.26	0.18
DYield	3.9%	0.0%	0.0%	3.4%	2.4%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			+0.1%	-38.2%	-43.0%
Net income			+0.2%	-80.4%	-81.0%
Sales price (PLN/m3)			0.0%	-0.9%	-0.4%
Sales volume (1,000 m3)			0.0%	-10.4%	-14.5%
Timber price (PLN/m3)			0.0%	+3.4%	+3.4%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, Core, PL	18	19	22	24	25
Revenue, Core, UK	210	158	135	138	142
Revenue, Core, FR	118	120	112	117	122
Revenue, Core, DE	94	101	117	123	129
Revenue, Wood Pellets	57	68	88	96	99
<b>Operating cash flow</b>	<b>114</b>	<b>39</b>	<b>58</b>	<b>49</b>	<b>51</b>
D&A	21	37	42	41	41
Working capital	40	-2	-2	-4	-4
<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>-9</b>
Dividends/Buyback	-8	0	0	-8	-5
FCF	-66	-11	21	33	34
FCF/EBITDA	-80%	-18%	31%	61%	60%
OCF/EBITDA	138%	68%	87%	91%	91%

### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales px (PLN/m3)	1,805	1,814	1,842	1,871	1,903	1,936	1,969	2,002	2,036	2,071	2,104
Volume (1,000 m3)	240	250	256	261	266	271	276	281	286	291	291
Timber px (PLN/m3)	255	267	273	278	284	290	295	301	307	313	320
Revenue	553	575	597	618	638	660	681	704	727	750	761
EBITDA	67	54	57	59	61	64	67	69	72	74	72
EBITDA margin	12.1%	9.5%	9.5%	9.5%	9.6%	9.7%	9.8%	9.9%	9.9%	9.9%	9.5%
EBIT	25	13	15	16	19	21	22	24	26	28	26
Tax	4.0	0.9	1.2	1.2	1.5	1.3	1.2	1.5	2.0	2.3	1.9
CAPEX	-39	-16	-18	-27	-30	-32	-35	-38	-41	-46	-46
Working capital	-2.4	-4.1	-3.9	-3.6	-3.7	-3.8	-3.9	-4.0	-4.1	-4.2	-2.0
FCF	21	33	34	27	26	27	27	26	25	23	24
PV FCF	21	33	32	24	21	20	19	17	15	13	
WACC	6.6%	6.9%	7.1%	7.2%	7.3%	7.5%	7.6%	7.7%	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 Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	751	821	839	844	853
Fixed assets	534	554	552	527	504
Equity	390	454	469	470	475
Minority interests	0	0	0	0	0
Net debt	214	182	167	145	120
Net debt/EBITDA (x)	2.6	3.2	2.5	2.7	2.1
Net debt/Equity (x)	0.5	0.4	0.4	0.3	0.3

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	5.0	6.5	5.4	2.5	3.0	1.8
Maximum	44.2	40.7	39.1	16.6	16.3	15.6
Median	12.0	12.3	10.4	6.3	6.0	5.6
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	214
Net debt	182
Other adjustments	0
Value per share (PLN)	8.79

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.73
DCF Val.	50%	8.79
Implied Price		7.26
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>7.72</b>



## Construction

### Budimex

hold (no change)

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BDX stock shifted sharply upwards since the Q3 earnings release, something we would not have expected given the weak cash flow generated in the period, resulting in higher debt associated mainly with construction work in progress. In our opinion Budimex's earnings for Q4 2018 will be 50% lower than in the same year-ago period, and the slump will continue through 2019 despite a record-high backlog reported at the end of September. Polish construction firms still experience a dearth of new public orders after a spate of railway tender cancellations due to bids running grossly over budget, while major road tenders are slow to come out. Meanwhile Budimex's main global rivals, Strabag and Porr, are currently trading at over-30% discounts to the Polish builder which, admittedly, continues to deliver earnings that are unparalleled by any of its local peers. We would hold off buying BDX shares at the current price level.

Current Price

124.00 PLN

Upside

9M Target Price

125.00 PLN

+0.8%

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

Key Metrics			BDX PW	vs. WIG
Ticker	BDX PW	1M Price Chng	+18.5%	+22.7%
ISIN	PLBUDMX00013	YTD Price Chng	-36.2%	-24.6%
Outst. Stock (m)	25.5	ADTV 1M		PLN 0.9m
MC (PLN m)	3,165.7	ADTV 6M		PLN 1.7m
EV (PLN m)	1,756.7	EV/EBITDA 12M fwd	6.1	-19.9%
Free Float	30.3%	EV/EBITDA 5Y avg	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	7.7	6.8	12.8	14.5	13.8
P/B	4.0	3.6	4.7	4.8	4.6
EV/EBITDA	1.0	1.4	4.7	5.8	6.2
DPS	8.14	14.99	17.61	9.17	8.13
DYield	6.6%	12.1%	14.2%	7.4%	6.6%
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
Revenue	5,572	6,369	7,331	7,607	7,489
Construction	5,060	5,717	6,625	6,847	6,799
Development	350	499	553	602	527
Other	163	154	153	158	163
Gross profit margin	13.5%	12.7%	7.8%	7.2%	7.5%
Construction	12.8%	12.0%	6.6%	6.0%	6.5%
Development	23.4%	20.5%	20.0%	20.0%	20.0%
Other	12.7%	13.8%	12.8%	11.0%	11.0%
Cash	2,715	2,127	1,293	1,111	914
Net debt	-2,634	-2,291	-1,410	-1,228	-1,031
Net debt / EBITDA	-5.0	-3.7	-3.8	-3.7	-3.0
Net working capital	-2,597	-2,311	-1,641	-1,469	-1,248
NWC/Sales	-46.6%	-36.3%	-22.4%	-19.3%	-16.7%
Equity	801	881	679	664	686
ROE	58.5%	55.2%	31.6%	32.5%	34.0%

#### Cash Flow Summary

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

#### Relative Valuation Summary

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

#### DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	7,331	7,607	7,489	7,540	7,216	6,910	6,621	6,753	6,888	7,026	7,167
EBITDA	370	332	345	346	317	290	263	268	272	277	281
EBITDA margin	5.1%	4.4%	4.6%	4.6%	4.4%	4.2%	4.0%	4.0%	4.0%	3.9%	3.9%
D&A	47	45	43	43	43	43	43	43	43	43	43
EBIT	323	287	302	303	274	247	220	225	229	234	239
Tax	61	55	57	58	52	47	42	43	44	44	45
NOPLAT	262	233	244	245	222	200	178	182	186	189	193
JV profit (fbSerwis)	-1	1	3	6	7	7	8	8	8	8	9
CAPEX	-23	-40	-41	-43	-43	-43	-43	-43	-43	-43	-43
Working capital	-673	-172	-221	-235	-145	-131	-100	0	0	0	0
FCF	-389	67	28	16	84	77	87	190	194	198	202
PV FCF	-376	59	23	12	59	49	51	104	98	92	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

#### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
Enterprise value	1,418
Net debt	-1,841
Other adjustments	-501
Value per share (PLN)	108.00

#### Valuation Summary

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

## Elektrobudowa buy (no change)

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Elektrobudowa explained during a September meeting with investors that, not counting a one-time charge related to a job for the listed oil refiner PKN Orlen, which got delayed for reasons beyond the Company's control, the profits for the first half of 2018 were stable on a year-over-year basis. There is a strong likelihood that the PLN 60m charge can be reversed in the future. Meanwhile ELB has lost PLN 70m of its market value since the disclosure of the PKN contract delay, 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 final months of 2018 assuming Elektrobudowa delivers on its second-half backlog target of PLN 600m+ 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/share) for a potential late fine from PKN. We maintain a buy rating for ELB.

Current Price

35.80 PLN

Upside

9M Target Price

45.00 PLN

+25.7%

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

Key Metrics			ELB PW	vs. WIG
Ticker	ELB PW	1M Price Chng	-5.3%	-1.2%
ISIN	PLELTBD00017	YTD Price Chng	-50.4%	-38.8%
Outst. Stock (m)	4.7	ADTV 1M		PLN 0.1m
MC (PLN m)	170.0	ADTV 6M		PLN 0.3m
EV (PLN m)	170.4	EV/EBITDA 12M fwd	1.5	-72.7%
Free Float	32.5%	EV/EBITDA 5Y avg	5.7	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	-	9.5	9.3
P/B	0.4	0.4	0.5	0.5	0.5
EV/EBITDA	0.9	0.7	-	4.5	4.0
DPS	4.00	10.00	10.50	0.00	3.00
DYield	11.2%	27.9%	29.3%	0.0%	8.4%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
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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Erbud outperformed all its sector peers in October, bouncing off its earlier lows, but we still see upside potential in the stock, stemming from expected improvement in profits after a weak second quarter. At the current level ERB stock prices overly conservative long-term EBIT margin shrinkage to ca. 1.3% vs. a 15-year average of ca. 3.0%. According to the Company's CEO, after accounting for all known risks in the first half of the year, the operating margin is set to increase to 2-3% in the quarters ahead assuming no major further rise in building costs. CEO 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 (we assume the EBIT margin in 2019 will not exceed 1.2%), followed by a recovery in 2020. In addition, the Company's high backlog points to a likelihood of a FY2019 revenue beat. We maintain a buy rating for ERB.

**Current Price**

10.45 PLN

Upside

**9M Target Price**

14.40 PLN

+37.8%

	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	-5.0%	-0.9%
ISIN	PLERBUD00012	YTD Price Chng	-45.4%	-33.8%
Outst. Stock (m)	12.8	ADTV 1M		PLN 0.0m
MC (PLN m)	133.9	ADTV 6M		PLN 0.0m
EV (PLN m)	184.4	EV/EBITDA 12M fwd	3.7	-29.3%
Free Float	15.5%	EV/EBITDA 5Y avg	5.2	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	74.8	5.9	-	11.4	6.7
P/B	0.5	0.5	0.6	0.5	0.5
EV/EBITDA	-	1.5	-	4.7	3.6
DPS	1.68	1.20	1.10	0.00	0.55
DYield	16.1%	11.5%	10.5%	0.0%	5.3%
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>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. The residential business will continue to support profits in the future, with approximately 2.1 thousand flats scheduled for completion during the 2019-2021 period, 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. In October Unibep acquired close to PLN 330m of new business, a result of a successful bidding strategy. We maintain a buy rating for UNI.

### Current Price

4.91 PLN

Upside

### 9M Target Price

10.10 PLN

+105.7%

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

Key Metrics			UNI PW	vs. WIG
Ticker	UNI PW	1M Price Chng	-3.0%	+1.1%
ISIN	PLUNBEP00015	YTD Price Chng	-49.7%	-38.1%
Outst. Stock (m)	35.1	ADTV 1M		PLN 0.0m
MC (PLN m)	172.2	ADTV 6M		PLN 0.1m
EV (PLN m)	175.8	EV/EBITDA 12M fwd	3.0	-55.2%
Free Float	27.7%	EV/EBITDA 5Y avg	6.6	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	5.5	6.7	5.6	4.8	5.3
P/B	0.7	0.7	0.6	0.6	0.5
EV/EBITDA	4.4	2.8	3.7	2.8	2.6
DPS	0.17	0.20	0.15	0.31	0.41
DYield	3.5%	4.1%	3.1%	6.2%	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>1,249</b>	<b>1,629</b>	<b>1,643</b>	<b>1,656</b>	<b>1,631</b>
Construction	994	1,219	1,275	1,250	1,236
Modular Housing	156	182	209	230	234
Development	99	228	160	176	161
<b>Gross profit margin</b>	<b>6.7%</b>	<b>6.3%</b>	<b>5.4%</b>	<b>6.1%</b>	<b>6.1%</b>
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
<b>Net debt / EBITDA</b>	<b>0.2</b>	<b>-2.5</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.6</b>
Net working capital	64	11	115	128	126
<b>NWC/Sales</b>	<b>5.1%</b>	<b>0.6%</b>	<b>7.0%</b>	<b>7.7%</b>	<b>7.7%</b>
Equity	233	254	276	301	319
<b>ROE</b>	<b>14.0%</b>	<b>10.6%</b>	<b>11.6%</b>	<b>12.4%</b>	<b>10.5%</b>

### Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
<b>Operating cash flow</b>	<b>-14</b>	<b>104</b>	<b>-64</b>	<b>34</b>	<b>49</b>
D&A	9	10	11	11	11
Working capital	-37	88	-104	-13	3
<b>Investing cash flow</b>	<b>-9</b>	<b>7</b>	<b>-10</b>	<b>-11</b>	<b>-10</b>
CAPEX	-8	-16	-12	-12	-12
<b>Financing cash flow</b>	<b>42</b>	<b>-91</b>	<b>0</b>	<b>-32</b>	<b>-27</b>
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
<b>NOPLAT</b>	<b>28</b>	<b>36</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>35</b>	<b>36</b>
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
<b>FCF</b>	<b>-77</b>	<b>22</b>	<b>36</b>	<b>32</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>32</b>	<b>33</b>
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%
<b>9M Target Price</b>		<b>10.10</b>

## 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. This ratio is expected to increase to 90% after the third quarter, which will be followed by a slower fourth quarter when the Company has few residential closings scheduled. We maintain based on the current building schedule that Atal is set for profit stabilization at PLN 180-190m in 2019-2020. At the current price level 1AT offers high 2019E dividend yield of 14%. We maintain a buy rating for 1AT.

#### Current Price

30.20 PLN

Upside

#### 9M Target Price

42.86 PLN

+41.9%

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

Key Metrics	1AT PW	1M Price Chng	1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	-5.0%	-0.9%
ISIN	PLATAL000046	YTD Price Chng	-26.2%	-14.6%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.1m
MC (PLN m)	1,169.2	ADTV 6M		PLN 0.2m
EV (PLN m)	1,396.3	EV/EBITDA 12M fwd	6.7	-17.1%
Free Float	16.2%	EV/EBITDA 5Y avg	8.0	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	13.1	6.8	6.2	6.5	6.2
P/B	1.7	1.5	1.4	1.4	1.4
EV/EBITDA	12.7	6.2	5.7	6.1	6.3
DPS	0.61	1.73	3.54	4.74	4.73
DYield	2.0%	5.7%	11.7%	15.7%	15.6%
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.		
EBIT	0.0%	0.0%	0.0%		
Net income	0.0%	0.0%	0.0%		
Residential closings	0.0%	0.0%	0.0%		

#### Financial Highlights

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

#### Cash Flow Summary

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

#### Relative Valuation Summary

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

#### DCF Analysis

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

#### DCF Summary

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

#### Valuation Summary

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

## Capital Park buy (no change)

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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 by 56%. Capital Park carries 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 sell some of these properties. 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

4.96 PLN

Upside

### 9M Target Price

8.35 PLN

+68.3%

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

Key Metrics			CPG PW	vs. WIG
Ticker	CPG PW	1M Price Chng	-11.4%	-7.3%
ISIN	PLCPPRK00037	YTD Price Chng	-14.3%	-2.7%
Outst. Stock (m)	108.8	ADTV 1M		PLN 0.0m
MC (PLN m)	539.4	ADTV 6M		PLN 0.0m
EV (PLN m)	1,876.9	EV/EBITDA 12M fwd	16.5	-31.8%
Free Float	19.1%	EV/EBITDA 5Y avg	24.2	discount

### Earnings Projections

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	107.7	125.8	150.8	157.4	164.5
Gross profit	81.4	93.1	114.6	119.6	125.1
Gross margin	75.6%	74.0%	76.0%	76.0%	76.0%
EBIT ex. FV adj.	55.5	79.8	99.4	105.9	110.8
FV adjustment	68.9	-84.7	9.4	25.3	24.0
Net income	29.9	-1.9	54.7	65.2	67.8
P/E	17.6	-	9.9	8.3	8.0
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	13.5	-	17.2	16.6	18.3
DPS	0.00	0.00	0.00	0.15	0.20
DYield	0.0%	0.0%	0.0%	3.0%	4.0%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
FFO			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
BVPS			0.0%	0.0%	0.0%
EUR/PLN			0.0%	0.0%	0.0%

### Financial Highlights

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

### Cash Flow Summary

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

### Relative Valuation Summary

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

### NAV Valuation

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

### NAV Summary

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

### Valuation Summary

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

## Dom Development buy (no change)

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Dom Development shared during the 2018 Q3 earnings conference that it had observed a continuing undersupply of home in Poland in the period, especially in Warsaw, where many new residential projects get delayed. This made for a perfect environment to raise prices. At the same time, construction costs are starting to stabilize according to the Company. Dom has revised its 2018 FY residential closings target to ca. 3,600, and after factoring in the 200 fewer-than-originally-assumed completions we might have to revise our 2018 FY net profit estimate for DOM 6% lower to about PLN 225m, resulting in a 5% reduction to 9 zlotys in the expected 2019 DPS. At the same time our 2019 and 2020 forecasts remain intact. DOM stock is currently trading at 7.6x 2018-2019E P/E and 2019-2020E dividend yield of 13%, attractive multiples given the Company's prospects through 2020 and its long-term industry consolidation potential. We maintain a buy rating for DOM.

**Current Price**

66.60 PLN

Upside

**9M Target Price**

87.80 PLN

+31.8%

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

Key Metrics			DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	-4.3%	-0.2%
ISIN	PLDMDVL00012	YTD Price Chng	-14.5%	-2.9%
Outst. Stock (m)	25.0	ADTV 1M		PLN 0.3m
MC (PLN m)	1,662.9	ADTV 6M		PLN 0.3m
EV (PLN m)	1,744.4	EV/EBITDA 12M fwd	6.3	-39.8%
Free Float	24.8%	EV/EBITDA 5Y avg	10.5	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	13.1	8.7	6.9	7.3	6.4
P/B	1.8	1.7	1.6	1.6	1.5
EV/EBITDA	9.8	7.1	5.7	6.2	5.9
DPS	3.25	5.05	7.60	9.50	9.15
DYield	4.9%	7.6%	11.4%	14.3%	13.7%
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>

### 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%

### 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 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 was one of the worst underperformers in October after a sell-off spurred probably by a 54% y/y drop in residential closings reported in Q3. While the lower completions are no doubt a negative development, keep in mind that housing accounts for only about 20% of the Company's annual earnings. Thanks to upward value adjustments to commercial projects currently in progress, Echo's fourth-quarter results are bound to be much stronger. Echo has sold three office buildings this year, fetching north of EUR 120m (PLN 500m) combined, 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

3.89 PLN

Upside

9M Target Price

5.63 PLN

+44.7%

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

Key Metrics			ECH PW	vs. WIG
Ticker	ECH PW	1M Price Chng	-8.9%	-4.8%
ISIN	PLECHPS00019	YTD Price Chng	-4.0%	+7.7%
Outst. Stock (m)	412.7	ADTV 1M		PLN 0.3m
MC (PLN m)	1,605.4	ADTV 6M		PLN 0.2m
EV (PLN m)	2,642.4	EV/EBITDA 12M fwd	16.2	+6.6%
Free Float	14.4%	EV/EBITDA 5Y avg	15.2	premium

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	480.1	621.9	524.3	737.9	826.0
Gross profit	216.8	149.4	122.7	173.6	188.5
Gross margin	45.2%	24.0%	23.4%	23.5%	22.8%
EBIT ex. FV adj.	56.4	41.3	2.5	51.1	63.6
FV adjustment	555.2	233.5	399.3	336.1	253.1
Net income	393.3	312.2	302.9	328.3	266.0
P/E	4.1	5.1	5.3	4.9	6.0
P/B	1.1	1.0	1.0	0.9	0.9
EV/EBITDA	3.2	9.0	6.5	6.7	8.2
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>24.0%</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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Nothing material happened at GTC valuation-wise in October. 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, but its share price is currently below the net asset value, which means it cannot produce an asking price that would be acceptable to the sellers. By comparison, commercial Austrian developers are traded at ~0.7x-1.0x price to book. We maintain a hold rating for GTC, and our preference within the real-estate sector at the moment is for residential developers.

**Current Price**

8.26 PLN

**Upside**

**9M Target Price**

9.60 PLN

**+16.2%**

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

Key Metrics			GTC PW	vs. WIG
Ticker	GTC PW	1M Price Chng	-1.9%	+2.2%
ISIN	PLGTC0000037	YTD Price Chng	-12.8%	-1.1%
Outst. Stock (m)	470.3	ADTV 1M		PLN 0.3m
MC (PLN m)	3,884.7	ADTV 6M		PLN 1.1m
EV (PLN m)	8,295.0	EV/EBITDA 12M fwd	15.2	+5.7%
Free Float	21.9%	EV/EBITDA 5Y avg	14.4	premium

### Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
Revenue	120.3	128.7	151.7	166.2	184.9
Gross profit	87.3	92.1	112.0	125.1	139.2
Gross margin	72.6%	71.6%	73.8%	75.3%	75.3%
EBIT ex FX adj.	70.2	73.5	92.7	105.3	119.1
FX adj.	84.6	148.6	40.7	45.7	53.7
Net income	158.5	156.3	91.1	105.1	121.2
P/E	5.6	5.8	9.9	8.6	7.4
P/B	1.1	1.0	0.9	0.9	0.8
EV/EBITDA	10.5	8.0	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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LC Corp ended October flat despite heightened volatility during the month. The Developer's housing inventory continues to shrink, but this is not having too much of an impact so far this year on off-plan home sales, down just 2% for the year to September. Fourth-quarter sales will show a stronger y/y drop which, however, is fully expected based on the Company's own warning. The recent acquisition of new residential land for development in Krakow should help keep sales stable during 2019. LC Corp achieved over 70% of our FY2018 net profit forecast in the first half of the year, and after Q3 this ratio should be 85-90%. A potential upside catalyst within LC Corp's commercial business is the letter of intent to sell four office buildings signed with a group of real-estate investment firms. If closed, the deal will generate a net cash inflow of PLN 500-600m for the Company (PLN 1.12 -1.36 per share), equivalent to 40-50% of its market capitalization, money which could be used to pay special dividends. We maintain a buy rating for LCC.

Current Price

2.73 PLN

Upside

9M Target Price

3.58 PLN

+31.1%

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

Key Metrics			LCC PW	vs. WIG
Ticker	LCC PW	1M Price Chng	+9.2%	+13.3%
ISIN	PLCCRP00017	YTD Price Chng	+8.8%	+20.4%
Outst. Stock (m)	447.6	ADTV 1M		PLN 1.7m
MC (PLN m)	1,221.8	ADTV 6M		PLN 2.5m
EV (PLN m)	2,100.2	P/E 12M fwd	5.8	-38.6%
Free Float	41.3%	P/E 5Y avg	9.4	discount

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	547.0	706.2	795.3	870.5	937.1
Gross profit	207.9	260.8	287.6	309.7	326.6
Gross margin	38.0%	36.9%	36.2%	35.6%	34.9%
EBIT ex. FV adj.	169.6	208.6	237.3	257.3	272.6
FV adjustment	34.2	-119.3	15.3	19.3	0.0
Net income	113.1	80.2	186.1	202.5	198.8
Net income adj.	120.7	150.6	172.4	186.8	198.8
P/E	10.8	15.2	6.6	6.0	6.1
P/E adj.	10.1	8.1	7.1	6.5	6.1
P/B	0.9	0.8	0.8	0.8	0.7
DPS	0.18	0.07	0.24	0.29	0.31
DYield	6.6%	2.6%	8.8%	10.6%	11.5%

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 accumulate (upgraded)

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AmRest's preliminary sales results, released on 22 October, proved consistent with our forecasts, with revenue up 24% year over year at EUR 392m, and revenue on a comparable basis before acquisitions 11.4% higher at EUR 355m. At the same time, revenues per restaurant fell across all geographic segments except China due to new acquisitions and openings achieving lower sales effectiveness, combined with an increasing franchise network. Based on the sales figures, and taking into account additional costs of integrating newly-acquired restaurants into AmRest's business model, we expect only small, 6% growth in Q3 EBITDA to an estimated PLN 50m. EBITDA in the fourth quarter should show a stronger rebound thanks to the November acquisition of the Sushi Shop chain, underpinned by more positive base effects. EAT stock registered a decline in October which prompts a rating upgrade from hold to accumulate. After factoring in last month's capital raise, we also lower our 9-month price target for the Company from PLN 42.60 to PLN 41.20.

**Current Price**

40.00 PLN

Upside

**9M Target Price**

41.20 PLN

+3.0%

	rating	target price	issued	
new	accumulate	41.20 PLN	2018-11-05	
old	hold	42.60 PLN	2018-09-03	
Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	-15.8%	-11.7%
ISIN	NL0000474351	YTD Price Chng	-2.4%	+9.2%
Outst. Stock (m)	219.6	ADTV 1M		PLN 6.8m
MC (PLN m)	8,782.2	ADTV 6M		PLN 5.1m
EV (PLN m)	10,562.5	EV/EBITDA 12M fwd	11.4	+11.3%
Free Float	31.1%	EV/EBITDA 5Y avq	10.3	premium

#### Earnings Projections

### 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	44.5	46.6	43.6	34.2	26.4
P/B	6.5	6.5	5.8	5.0	4.8
EV/EBITDA	17.7	16.6	14.5	11.6	9.7
DPS	0.00	0.00	0.00	0.00	12.09
DYield	0.0%	0.0%	0.0%	0.0%	30.2%
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)	39.10

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	38.30
DCF Val.	50%	39.10
Implied Price		38.70
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>41.20</b>

## CCC buy (reiterated)

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CCC reported disappointing earnings for Q3 2018, with the gross margin tightened by 3pp to 47.9% due to low sales in September, combined with an increasing share of online sales and low margins generated by the latest acquisition, the Swiss shoe retailer Karl Voegelé. On a positive note, CCC delivered on the promise to cut costs in Q3 by reducing per-square-meter store costs by 16% versus the year-ago period. Inventory was up 18% y/y at the end of September, including a 59% increase in the online store inventory and a 5% rise in brick store inventory, indicating a 20% reduction in inventory per square meter. The implementation of reverse factoring resulted in further improvement in the cash conversion cycle in Q3. We adjust our 2018 FY EBITDA estimate for CCC lower from PLN 588m to PLN 484m to reflect the weak third quarter, and after adopting more conservative assumptions as to future growth we also revise our 2019 and 2020 EBITDA forecasts downward by 7.2% and 14.7%, respectively. On the other hand, the improved cash cycle leads us to expect higher FCF, with positive effects for DCF valuation. With the upside potential to our new price target at over 56% after a recent (mostly unwarranted) sell-off, we maintain a buy rating for CCC.

Current Price

173.60 PLN

Upside

9M Target Price

272.00 PLN

+56.7%

		rating	target price	issued
new		buy	272.00 PLN	2018-11-05
old		buy	295.00 PLN	2018-06-06
Key Metrics			CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	-22.5%	-18.4%
ISIN	PLCCC0000016	YTD Price Chng	-38.6%	-26.9%
Outst. Stock (m)	41.1	ADTV 1M		PLN 28.5m
MC (PLN m)	7,139.6	ADTV 6M		PLN 25.7m
EV (PLN m)	8,071.3	EV/EBITDA 12M fwd	10.7	-32.1%
Free Float	59.4%	EV/EBITDA 5Y avq	15.7	discount

### Earnings Projections

### Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,185	4,194	5,086	7,048	8,275
EBITDA	443	499	468	780	911
EBITDA margin	13.9%	11.9%	9.2%	11.1%	11.0%
EBIT	374	406	334	601	725
Net income	306	280	173	431	524
P/E	22.2	25.5	41.3	16.6	13.6
P/B	7.4	6.5	6.8	5.1	3.8
EV/EBITDA	16.9	15.3	17.2	10.4	8.8
DPS	2.19	2.47	2.30	1.87	1.87
DYield	1.3%	1.4%	1.3%	1.1%	1.1%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			-20.3%	-7.2%	-14.7%
Net income			-47.2%	-19.1%	-26.7%
Gross profit margin			-1.3 p.p.	-1.0 p.p.	+0.3 p.p.
B&M sales/sqm			-5.4%	+2.1%	-0.1%
SG&A/sqm			-0.3%	+4.2%	+2.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, B&M sales	2,902	3,588	4,117	5,594	6,385
EBITDA, B&M	397	422	372	621	694
Revenue, e-commerce	287	606	969	1,454	1,890
EBITDA, e-commerce	47.2	83.4	111.1	159.4	216.7
Gross profit margin	52.7%	51.2%	50.9%	50.7%	51.4%
<b>Operating cash flow</b>	<b>175</b>	<b>78</b>	<b>553</b>	<b>434</b>	<b>513</b>
D&A	70	93	356	179	186
Working capital	-273	-588	-28	-245	-275
<b>Investing cash flow</b>	<b>-362</b>	<b>-222</b>	<b>-381</b>	<b>-474</b>	<b>-219</b>
CAPEX	-382	-245	-380	-214	-219
<b>Financing cash flow</b>	<b>-10</b>	<b>515</b>	<b>106</b>	<b>-62</b>	<b>45</b>
Dividends/Buyback	86	101	58	77	77
FCF	-264	-181	20	-135	209
FCF/EBITDA	-59%	-36%	4%	-17%	23%
OCF/EBITDA	39%	15%	114%	56%	56%

### Key Ratios

(PLN)	2016	2017	2018P	2019P	2020P
Sales/sqm, PL	700	744	676	727	744
Sales/sqm, CEE	514	538	532	568	584
Sales/sqm, WE	393	396	387	428	433
e-comm as % of sales	9.0%	14.4%	19.1%	20.6%	22.8%
Cash (PLN m)	143	512	589	617	956
Net debt (PLN m)	652	406	803	859	720
Net debt/EBITDA (x)	1.5	0.8	1.2	1.1	0.8

### Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	61.3	50.5	40.6	24.3	19.1	15.5
Maximum	110.2	69.7	51.9	30.0	23.6	18.9
Median	75.3	53.2	42.8	25.4	19.8	15.9
Weight	10%	20%	20%	10%	20%	20%

### DCF Analysis\*

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	625	716	710	705	709	701	693	684	694	724	0
SG&A/sqm (PLN)	265	269	266	260	264	267	265	264	283	318	0
Sales area (k sqm)	726	842	954	1,041	1,126	1,213	1,305	1,403	1,283	1,259	0
Revenue	4,117	5,594	6,385	7,090	7,814	8,417	9,038	9,690	10,337	11,004	11,004
EBITDA	372	621	694	822	907	970	1,068	1,130	1,187	1,251	1,251
EBITDA margin	9.0%	11.1%	10.9%	11.6%	11.6%	11.5%	11.8%	11.7%	11.5%	11.4%	11.4%
EBIT	242	445	511	635	717	730	802	874	947	1,024	1,024
Tax	46	85	97	121	136	139	152	166	180	195	0
CAPEX	551	341	216	206	213	812	246	117	128	135	135
Working capital	-245	330	172	176	206	165	171	160	122	129	129
FCF	20	-135	209	319	353	-145	498	687	757	792	816
PV FCF	19	-122	175	245	248	-94	296	374	378	363	
WACC	8.6%	8.6%	8.7%	8.8%	9.0%	9.0%	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%

\*Brick-and-mortar business only

### DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	3.0%
PV FCF	8,109
Net debt	521
Other adjustments	4,191
Value per share (PLN)	286.42

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	223.53
DCF Val.	50%	286.42
Implied Price		254.97
Cost of equity (9M)		6.6%
<b>9M Target Price</b>		<b>272.00</b>

## Dino buy (upgraded)

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Dino registered 1.9% growth in per-square-meter revenue in Q2 2018 relative to the same period in 2017, representing a substantial slowdown from the double-digit average growth achieved in previous quarters, expected to have persisted in Q3 2018. At the same time, we assume the gross margin in the third quarter continued to improve, mitigating the impact of rising labor costs on the EBITDA margin, expected to have widened by 0.1pp to 9%, with EBITDA up by a projected 33% year on year. 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. We upgrade DNP from hold to buy after an 18% plunge in share price since the beginning of October.

**Current Price**

84.70 PLN

**Upside**

**9M Target Price**

103.50 PLN

**+22.2%**

	rating	target price	issued
new	buy	103.50 PLN	2018-11-05
old	hold	103.50 PLN	2018-06-06
<b>Key Metrics</b>			
Ticker	DNP PW	1M Price Chng	-11.4%
ISIN	PLDINPL00011	YTD Price Chng	+7.5%
Outst. Stock (m)	98.0	ADTV 1M	PLN 17.2m
MC (PLN m)	8,304.0	ADTV 6M	PLN 21.0m
EV (PLN m)	8,848.0	EV/EBITDA 12M fwd	13.3
Free Float	48.9%	EV/EBITDA 5Y avg	15.8

### 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	54.9	38.9	26.0	19.5	15.6
P/B	12.1	9.2	6.8	5.0	3.8
EV/EBITDA	31.3	22.6	16.3	12.5	9.9
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Projection Update (% change)</b>					
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 (no change)

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Eurocash delivered a small beat with 2018 Q2 earnings, with EBITDA maintained close to the year-ago level despite unfavorable calendar effects and the Sunday trading ban. We anticipate further growth in the third quarter, supported mainly by the wholesale business, which has reduced costs and improved sales effectiveness, while the retail business continued to lag with a number of stores closed for refurbishment. Supported by positive base effects, we predict a 10% rebound to PLN 111.8m in Q3 EBITDA, followed by continuing expansion in Q4, hopefully supported by high sales generated by the revamped stores.

### Current Price

20.75 PLN

Upside

### 9M Target Price

26.40 PLN

+27.2%

	rating	target price	issued
unchanged	buy	26.40 PLN	2018-10-01

Key Metrics	EUR PW	1M Price Chng	EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	+6.4%	+10.5%
ISIN	PLEURCH00011	YTD Price Chng	-19.4%	-7.7%
Outst. Stock (m)	139.2	ADTV 1M		PLN 9.9m
MC (PLN m)	2,887.6	ADTV 6M		PLN 6.2m
EV (PLN m)	3,490.2	EV/EBITDA 12M fwd	7.4	-32.9%
Free Float	53.0%	EV/EBITDA 5Y avg	10.9	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	16.1	-	28.1	20.9	15.2
P/B	2.5	2.8	2.8	2.6	2.4
EV/EBITDA	7.4	13.5	8.7	7.2	6.2
DPS	1.05	0.80	0.73	0.75	0.75
DYield	5.1%	3.9%	3.5%	3.6%	3.6%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Independent Wholesale (EBITDA)			0.0%	0.0%	0.0%
Integrated Wholesale (EBITDA)			0.0%	0.0%	0.0%
Retail (EBITDA)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Independent Wholesale (S)	13,886	14,460	14,749	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%

### 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 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%

### 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 generated 2018 Q3 results in line with expectations, with the Polish unit Biedronka registering another quarter of slower lfl growth at 0.8% versus a high year-ago base, underpinned by the negative effects of the Sunday trading ban. Base effects in case of Biedronka supermarkets will remain negative until Q1 2019. On the other hand, both the Pingo Doce and the Recheio units in Portugal posted significant acceleration to 4.7% and 5.6%, respectively, in lfl growth in the period. Jeronimo continued to grow the quarterly sales margin in Q3 2018, this time by 0.5pp y/y do 29.5%, owing to better trade terms and a smart pricing policy. As a result, it maintained a stable EBITDA margin despite increasing labor costs. Jeronimo expects to keep operating margins stable during 2019, and its earnings next year are set for steady growth in our view, supported by the fast-expanding chain store operator Ara in Colombia. At 6.3x 2019E EV/EBITDA, JMT stock is an attractive pick at the current price level.

**Current Price**

10.83 EUR

Upside

**9M Target Price**

15.20 EUR

+40.4%

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

Key Metrics			JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-7.9%	-3.8%
ISIN	PTJMT0AE0001	YTD Price Chng	-30.5%	-18.9%
Outst. Stock (m)	629.3	ADTV 1M		EUR 12.2m
MC (EUR m)	6,812.1	ADTV 6M		EUR 12.5m
EV (EUR m)	6,972.8	EV/EBITDA 12M fwd	6.8	-29.1%
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	11.5	17.6	17.1	14.2	13.3
P/B	3.9	3.8	3.4	3.0	2.7
EV/EBITDA	7.8	7.5	7.3	6.3	5.6
DPS	0.28	0.69	0.31	0.32	0.38
DYield	2.6%	6.4%	2.8%	2.9%	3.5%
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 (no change)

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LPP released better-than-expected sales figures for Q3 2018 despite low sales in September, when high temperatures detracted shoppers from buying winter clothes. After growing lfl sales by 3.6%, and achieving 2pp y/y expansion to 51.2% in the quarterly sales margin, with SG&A/sqm 5.8% higher than in the year-ago period, Q3 EBIT showed a 21% rebound to PLN 125m. At the same time, LPP stock has dropped 8% since the beginning of October, most likely in the wake of the dollar's appreciation versus the zloty (+3.2% in October). 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, equivalent to 8.7% of total sales. This, combined with improved sales at brick stores, will bring the yearly EBITDA margin 1.6pp higher to a projected 14%, a lower margin than the 15% average achieved in the 2006-2017 period. We expect LPP to generate 2018 FY EBITDA of PLN 1,156m.

Current Price

8,055.00 PLN

Upside

9M Target Price

10,200.00 PLN

+26.6%

	rating	target price	issued
unchanged	buy	10,200.00 PLN	2018-10-01

Key Metrics			LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	-6.6%	-2.5%
ISIN	PLPP0000011	YTD Price Chng	-9.2%	+2.5%
Outst. Stock (m)	1.9	ADTV 1M		PLN 17.8m
MC (PLN m)	14,921.3	ADTV 6M		PLN 23.1m
EV (PLN m)	14,206.5	EV/EBITDA 12M fwd	11.3	-22.3%
Free Float	69.5%	EV/EBITDA 5Y avg	14.6	discount

### Earnings Projections

### 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	84.6	33.8	22.7	18.6	15.7
P/B	6.9	6.1	4.9	4.0	3.3
EV/EBITDA	30.2	16.8	12.3	10.2	8.4
DPS	32.66	35.71	36.03	53.84	65.63
DYield	0.4%	0.4%	0.4%	0.7%	0.8%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales per sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
Sales area			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue/sqm, PL (PLN)	585	592	633	650	674
Revenue/sqm, RU (PLN)	534	586	566	573	572
Revenue/sqm, CZ (PLN)	545	671	745	754	769
Revenue/sqm, DE (PLN)	485	499	502	505	505
Gross profit margin	48.7%	52.9%	54.4%	54.2%	53.7%
<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>



## Other PBKM buy (no change)

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PBKM wants to continue its M&A push to further grow its 30% market share in the European market for stem cell banking and ward off rivals from outside of Europe. To that end, the Company decided to raise capital by issuing new shares equivalent to 20% of current shares outstanding, with the issue price no less than the average share price in the 30 days preceding the 23 November 2018 EGM during which shareholders will vote on the capital raise, and in no case less than PLN 60 per share. The Company has identified potential acquisition targets with a combined value of an estimated EUR 25m among companies operating in what it considers the most promising markets of Portugal, Hungary, Romania, Slovakia, Greece, Spain, Serbia, and Switzerland. Market share growth is a good strategy, however by pursuing too many targets at once we are worried the Company might bite off more than it can chew in terms of achieving synergy and shouldering post-merger integration costs. It hopes to achieve target EV/cash EBITDA multiples on the transactions similar to its own current ratio, which, however, has become far from attractive after a recent share price decline (with 2019E EV/EBITDA at ca. 8.5x). What is more, the potential equity investment will probably restrict PBKM's dividend-paying potential in the coming years.

### 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

54.00 PLN

Upside

9M Target Price

66.40 PLN

+23.0%

	rating	target price	issued
unchanged	buy	66.40 PLN	2018-10-01

Key Metrics			BKM PW	vs. WIG
Ticker	BKM PW	1M Price Chng	-12.9%	-8.8%
ISIN	PLPBKM000012	YTD Price Chng	-21.9%	-10.2%
Outst. Stock (m)	5.0	ADTV 1M		PLN 0.3m
MC (PLN m)	268.4	ADTV 6M		PLN 0.7m
EV (PLN m)	335.8	EV/EBITDA 12M fwd	6.0	-1.2%
Free Float	48.8%	EV/EBITDA 5Y avg	6.1	discount

### Earnings Projections

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	12.1	8.7	10.5	10.0	9.2
P/B	4.8	3.4	2.5	1.9	1.6
EV/EBITDA	7.9	5.8	7.8	7.0	6.2
DPS	1.41	1.72	0.86	0.86	0.86
DYield	2.6%	3.2%	1.6%	1.6%	1.6%
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%

### 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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**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
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**SELL** – we expect that an investment will bear a loss greater than 15%  
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## Strong and weak points of valuation methods used in recommendations:

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

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

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

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

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

## Comparable Companies Used In Relative Valuation Models

<b>Agora</b>	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroeer Media,
<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
<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, Synthos, 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, Talktalk Telecom, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
<b>Dino</b>	Carrefour, Dixy Group, 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, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Famur</b>	Epiroc, 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, Eurocash, Magnit, Tesco, X5
<b>JSW</b>	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukin Asam, Henan Shenhua, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heima, China Coal, Shougang Fushan Resources, Cokal, Teck Resources
<b>Kernel</b>	Astarta, Andersnons, 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, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, O2 Czech, Orange, Orange Polska, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, 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, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
<b>PGNiG</b>	AZA, 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 Belgium, Orange Polska, Telecom Italia, TalkTalk, Tele2, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
<b>Skarbiec Holding</b>	Affiliated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
<b>Stelmet</b>	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pflaiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmarin, West Fraser
<b>Wirtualna Polska</b>	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, 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>
Rating date	2018-09-14	2018-04-06	2018-01-26	2017-11-23
Target price (PLN)	15.40	18.40	18.90	18.00
Price on rating day	8.48	14.50	13.15	15.20

**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>buy</b>	<b>accumulate</b>
Rating date	2018-10-04	2018-02-01	2018-01-05
Target price (PLN)	96.00	109.00	90.00
Price on rating day	62.90	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>accumulate</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>hold</b>
Rating date	2018-11-05	2018-09-03	2018-04-06	2018-02-02	2018-01-05
Target price (PLN)	41.20	42.60	426.00	407.00	422.00
Price on rating day	40.00	40.60	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	buy	accumulate	buy	buy	hold	hold	buy
Rating date	2018-11-05	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-12-01
Target price (PLN)	272.00	295.00	295.00	295.00	286.00	295.00	292.00	292.00
Price on rating day	173.60	242.80	255.60	257.40	243.00	281.00	293.00	239.85

#### CD Projekt

Rating	reduce	sell	sell
Rating date	2018-10-16	2018-04-06	2018-02-02
Target price (PLN)	136.60	90.80	90.00
Price on rating day	158.60	114.90	115.00

#### CEZ

Rating	hold	sell	sell	sell	reduce	hold	hold	accumulate	accumulate
Rating date	2018-11-05	2018-07-04	2018-05-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03
Target price (CZK)	518.72	440.96	458.38	449.51	449.51	506.40	532.50	548.60	512.33
Price on rating day	549.00	550.00	551.00	567.00	519.50	495.00	530.00	490.70	481.30

#### Ciech

Rating	buy	buy	buy	buy	buy	buy	buy	buy
Rating date	2018-11-05	2018-08-02	2018-07-04	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	77.05	82.52	81.14	88.64	89.71	85.40	85.87	90.13
Price on rating day	42.58	56.95	53.05	60.20	55.00	57.00	55.90	61.25

#### Comarch

Rating	accumulate	accumulate	buy	hold	hold	buy	accumulate
Rating date	2018-10-01	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-27	2017-11-03
Target price (PLN)	180.50	166.50	166.50	166.50	180.00	205.00	185.00
Price on rating day	167.00	145.00	131.50	155.00	177.00	178.30	163.50

#### 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	buy	hold	accumulate	buy	buy	buy
Rating date	2018-11-05	2018-06-06	2018-05-09	2018-04-04	2018-02-02	2018-01-18
Target price (PLN)	103.50	103.50	103.50	103.50	95.40	95.40
Price on rating day	84.70	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
Rating date	2018-04-06	2018-02-02
Target price (PLN)	5.63	6.31
Price on rating day	5.23	5.05

#### 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
Rating date	2018-09-27	2018-05-28	2017-11-16
Target price (PLN)	-	-	-
Price on rating day	4.20	5.80	7.61

#### 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
Rating date	2018-05-29	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-12-01
Target price (PLN)	12.62	11.78	12.11	12.98	12.82	12.82
Price on rating day	9.57	9.10	10.36	11.07	12.19	11.89

#### Energia

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



**Erbud**

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

**Ergis**

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

**Erste Bank**

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

**Eurocash**

Rating	buy	buy	buy	buy	buy
Rating date	2018-10-01	2018-04-06	2018-03-05	2018-02-02	2017-12-01
Target price (PLN)	26.40	30.70	31.10	32.30	38.30
Price on rating day	18.08	24.41	21.99	26.04	27.48

**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	neutral	overweight	neutral	neutral	neutral
Rating date	2018-10-31	2018-07-27	2018-04-27	2018-02-02	2018-01-29
Target price (PLN)	-	-	-	-	-
Price on rating day	40.60	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	hold	sell	sell
Rating date	2018-10-04	2018-05-09	2018-03-05	2018-02-01	2017-11-03
Target price (PLN)	1.00	1.40	1.50	1.50	1.27
Price on rating day	0.53	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	buy	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-11-05	2018-09-03	2018-08-02	2018-05-25	2018-05-09	2018-03-05	2018-02-02	2018-01-05	2017-12-01
Target price (PLN)	31.47	41.13	42.13	44.40	60.99	67.13	73.42	73.64	78.52
Price on rating day	24.00	38.00	42.20	42.60	51.10	56.55	72.00	74.40	71.30

**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	buy	accumulate	hold
Rating date	2018-10-04	2018-04-06	2018-02-01	2018-01-05
Target price (PLN)	90.00	94.00	94.00	85.00
Price on rating day	76.90	77.50	84.70	83.70

**Herkules**

Rating	neutral
Rating date	2018-01-25
Target price (PLN)	-
Price on rating day	3.67

**i2 Development**

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

**ING BSK**

Rating	buy	accumulate	accumulate	buy	accumulate	hold	sell
Rating date	2018-11-05	2018-10-04	2018-08-02	2018-07-04	2018-03-05	2018-02-01	2017-12-01
Target price (PLN)	200.00	200.00	212.00	212.00	212.00	212.00	152.39
Price on rating day	166.00	181.00	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	buy	hold	hold	hold	accumulate	accumulate
Rating date	2018-11-05	2018-07-23	2018-05-09	2018-03-05	2018-02-02	2017-12-01	2017-11-03
Target price (PLN)	60.85	59.18	53.04	53.46	53.47	57.20	58.70
Price on rating day	52.10	50.50	50.80	48.80	50.90	47.51	48.25

#### Grupa Kęty

Rating	sell	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2018-10-29	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)	309.30	367.45	355.61	371.08	363.01	357.21	379.66	391.41	390.72
Price on rating day	365.50	387.50	321.50	360.50	353.00	346.00	352.50	385.00	408.00

#### KGHM

Rating	hold	buy	buy	buy	buy	buy	accumulate	accumulate	hold	hold	reduce
Rating date	2018-10-15	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
Target price (PLN)	87.99	104.21	111.08	112.92	118.98	115.43	122.81	128.62	114.71	103.08	103.08
Price on rating day	85.40	90.80	96.00	96.52	92.50	88.00	102.50	111.50	113.10	100.00	114.25

#### Komercni Banka

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

#### Kruk

Rating	buy	buy
Rating date	2018-09-17	2018-02-02
Target price (PLN)	292.77	300.94
Price on rating day	187.80	222.20

#### Kruszwica

Rating	neutral	underweight
Rating date	2018-10-16	2018-08-02
Target price (PLN)	-	-
Price on rating day	43.90	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
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
Target price (PLN)	57.21	52.51	52.51	52.81	51.73	51.08	52.67	51.53	51.53	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

#### LPP

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

#### 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	hold	reduce	sell	reduce	sell
Rating date	2018-11-05	2018-10-04	2018-08-02	2018-04-06	2018-02-01
Target price (PLN)	8.40	8.40	7.00	7.00	7.00
Price on rating day	8.85	9.27	9.12	8.35	9.59

#### MOL

Rating	accumulate	buy	accumulate	hold	hold	hold	hold	hold
Rating date	2018-11-05	2018-09-03	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-29
Target price (HUF)	3296.00	3296.00	2995.00	2954.00	2898.00	3027.00	3152.00	3104.00
Price on rating day	3,006.00	2,870.00	2,654.00	2,790.00	2,864.00	2,718.00	3,080.00	3,121.00

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

**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
Rating date	2018-10-01	2018-06-06	2018-04-06	2018-02-02	2018-01-05	2017-12-01
Target price (PLN)	66.40	76.26	76.83	76.00	71.00	71.00
Price on rating day	57.80	73.00	77.00	73.00	69.60	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	buy
Rating date	2018-10-04	2018-02-01
Target price (PLN)	138.70	157.00
Price on rating day	107.20	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
Rating date	2018-05-29	2018-04-06	2018-03-05	2018-02-02	2017-12-01
Target price (PLN)	13.60	12.89	12.61	13.30	13.20
Price on rating day	9.28	9.81	10.28	11.87	11.93

**PGNiG**

Rating	buy	buy	buy	buy	buy	buy	buy	buy	buy
Rating date	2018-11-05	2018-09-03	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-12-01	2017-11-03
Target price (PLN)	7.72	7.86	8.28	8.17	7.96	7.51	7.65	7.73	7.73
Price on rating day	6.35	5.82	5.53	6.20	5.71	5.98	6.58	6.03	6.63

**PKN Orlen**

Rating	reduce	sell	sell	reduce	reduce	reduce	sell	sell	sell
Rating date	2018-11-05	2018-09-03	2018-08-02	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-11-29
Target price (PLN)	81.38	81.38	76.84	76.84	76.73	76.89	80.55	82.84	81.80
Price on rating day	93.50	98.24	93.06	82.50	82.30	89.52	95.20	107.90	121.60

**PKO BP**

Rating	buy	accumulate	hold	reduce	sell	sell
Rating date	2018-11-05	2018-10-04	2018-04-06	2018-03-05	2018-02-01	2017-12-01
Target price (PLN)	47.00	47.00	38.00	38.00	38.00	31.20
Price on rating day	40.39	42.55	39.74	42.20	45.66	42.30

**Play**

Rating	buy	hold	reduce	hold	hold
Rating date	2018-10-17	2018-08-30	2018-07-03	2018-04-06	2018-01-25
Target price (PLN)	21.50	22.60	23.50	30.93	34.70
Price on rating day	17.14	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	buy	accumulate	buy	accumulate	buy
Rating date	2018-11-05	2018-08-02	2018-03-05	2018-02-02	2018-01-05
Target price (PLN)	47.50	47.50	50.58	50.58	51.83
Price on rating day	40.60	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	buy	accumulate	accumulate	buy	hold	hold	accumulate
Rating date	2018-11-05	2018-10-04	2018-09-03	2018-03-05	2018-02-01	2017-12-01	2017-11-03
Target price (PLN)	400.00	400.00	430.00	430.00	430.00	377.87	377.87
Price on rating day	353.80	367.00	376.00	357.80	420.00	370.00	358.50

## Skarbiec Holding

Rating	buy	buy	buy
Rating date	2018-11-05	2018-08-31	2018-02-02
Target price (PLN)	31.02	36.86	56.30
Price on rating day	21.70	25.30	30.60

## Stelmet

Rating	hold	buy	buy	buy	buy	buy
Rating date	2018-11-05	2018-09-03	2018-07-04	2018-05-09	2018-03-05	2018-02-02
Target price (PLN)	7.72	20.45	20.24	26.48	27.72	28.37
Price on rating day	7.50	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
Rating date	2018-09-03	2018-05-29	2018-04-06	2018-03-05	2018-02-02	2017-12-01
Target price (PLN)	2.77	2.76	2.73	2.98	3.38	3.23
Price on rating day	2.00	2.01	2.38	2.69	3.08	3.10

## Torpol

Rating	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
Target price (PLN)	-	-	-	-	-	-
Price on rating day	5.18	6.40	7.50	7.98	8.16	8.55

## Trakcja

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

## TXM

Rating	suspended	buy	buy	buy	buy	buy
Rating date	2018-10-16	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	0.59	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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