mBank Dom Maklerski

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Monthly Market Outlook: February 2019

Equity Market, Macroeconomics

Equity Market

As the US and China make arrangements to hammer out a trade deal by the 1 March deadline, the developments around this are what will shape the performance of equity markets in the month ahead. We assume February will bring some kind of an agreement, with positive effects on stocks.

Sector Outlook

Financials

February will be an eventful month in the Polish bank sector. On the one hand, the bill introducing relief measures for distressed FX borrowers is back on the parliamentary agenda. On the other hand, the 2018 reporting season should support a bullish case for earnings in 2019. Pekao and Alior are our top February picks, offering minimal exposure to FX mortgages and attractive ratios. Outside of Poland, we see over-40% upside in Erste Bank.

Chemicals

The market has mostly priced in the positive 2019 earnings outlook of Grupa Azoty, but Ciech still has upside potential. The rally on both stocks seen since the beginning of the year should be capped by weak 2018 Q4 results.

Oil & Gas

With production margins tighter, the markets might start pricing lower 2019 profits for refiners and petrochemical producers. We remain bearish on LTS and PKN, and we downgrade PGN to hold after the recent share price gains while natgas price fall.

Power Utilities

Sentiment has turned positive and will not let up provided Poland finds a way to compensate utilities for the caps put on their end-user prices. PGE offers less upside potential after the recent gains than the peers ENG and TPE. At Enea we have had to adjust our financial forecasts and valuation.

Telecoms, Media, IT

OPL should see its share price lift in February after a solid Q4 showing. We currently have a neutral view on PLY, which has rallied 36% since November. Our top picks in IT are ACP and ASE. The media stocks WPL and AGO should get a boost from record Q4 earnings.

Industrials & Mining

2018 Q4 was probably the last period of improving profits for manufacturers. Of 23 tracked companies, we expect 60% to report growth with only 20% posting a slowdown vis-a-vis Q4 2017. When it comes to 2019, there is likely to be a cooling of expectations in light of increased costs of electricity and labor, underpinned by weak PMI prints in Germany. The companies most likely to offer positive earnings surprises in Q4 include ACG, AMC, KER, and TIM. On the other hand, JSW, KHG and TAR will probably disappoint.

Property Developers

Polish real-estate stocks rebounded in January, and the sector index is up +9.8% ytd. Nevertheless at 5.1x median P/E ratio five firms (DOM, 1AT, LCC, ARH, LKD) are still trading below the historical average of 7.2x. The most recent statistics for new home sales in Poland indicate a flattening momentum, but this is accompanied by rising prices which offset increased building costs. We maintain a positive view on DOM and 1AT.

Retail

On solid sales, AmRest is set to deliver double-digit EBITDA growth for Q4 2018. On the other hand, Q4 results could provide a downside catalyst in case of Dino after another quarter of slower lfl growth, Eurocash, which again failed to generate improvement in recurring EBITDA, and CCC, where Q4 earnings suffered a slump from the year-ago levels.

Key Ratings

Positive: ACG, ALR, AMC, CDR, CIE, EAT, EBS, ENA, ENG, FMF, KER, LPP, PEO, PGE, POZ, TIM, TPE

Negative: EGS, EUR, JSW, LTS, PFL, PKN, TAR

EU Indices	Value	1M chng	YTD chng
WIG	60,660	+5.1%	+5%
ATX	2,991	+8.9%	+9%
BUX	40,973	+4.7%	+5%
PX	1,048	+6.3%	+6%
WSE WIG Ind.	**Value**	**1M**	**YTD**
WIG20	2,393	+5.1%	+5%
mWIG40	4,083	+4.4%	+4%
sWIG80	11,189	+5.8%	+6%
Banking	7,691	+3.2%	+3%
Basic Materials	1,933	+1.0%	+1%
Chemicals	10,944	+17.0%	+17%
Clothes	2,774	+15.1%	+15%
Construction	3,660	+6.9%	+7%
Energy	2,095	+5.2%	+5%
Food	4,895	+8.5%	+8%
IT	2,098	+9.8%	+10%
Media	6,126	+1.7%	+2%
Oil & Gas	8,130	+1.6%	+2%
Real estate	3,440	+1.7%	+2%
Telecom	675	+8.9%	+9%

Rating & 9M TP Changes as of 4 Feb.

Name	Rating	9M TP
Asseco Poland	accumulate ▲	51.20 PLN ▲
CCC	buy ►	291.00 PLN ▲
CD Projekt	accumulate ▼	217.70 PLN ▲
CEZ	hold ►	537.80 CZK ▲
Ciech	buy ►	75.82 PLN ▼
Comarch	hold ▼	160.80 PLN ▼
Dino	hold ▼	105.90 PLN ▼
Dom Develop.	accumulate ▼	84.10 PLN ►
Enea	buy ►	13.12 PLN ▼
Energa	buy ►	13.26 PLN ▼
Erste Bank	buy ►	43.72 EUR ▼
Eurocash	reduce ▼	17.90 PLN ▼
Famur	buy ►	6.61 PLN ▲
Jeronimo Martins	buy ►	14.60 EUR ▲
JSW	reduce ►	60.68 PLN ▲
KGHM	hold ►	92.41 PLN ▲
Kruk	buy ►	279.32 PLN ▼
Lotos	sell ►	65.36 PLN ▲
LPP	accumulate ▼	9300 PLN ►
MOL	hold ►	3433.00 HUF ▲
PGE	buy ►	14.47 PLN ▼
PGNiG	hold ▼	7.72 PLN ►
PKN Orlen	sell ►	83.43 PLN ▲
Play	hold ▼	21.30 PLN ►
PZU	hold ▼	46.50 PLN ►
Stelmet	hold ►	8.39 PLN ▲
Tauron	buy ►	3.12 PLN ▲
Wirtualna Polska	accumulate ▼	61.50 PLN ►

mBank Dom Maklerski

Table of Contents

1. Investing Outlook ... 3
2. Sector Strategies ... 5
3. Quarterly Earnings Surprises ... 9
4. Macroeconomic Update ... 11
5. Overview of Updated Earnings Expectations ... 13
6. Current Recommendations By Dom Maklerski mBanku ... 14
7. Ratings Statistics ... 17
8. Calendar of Upcoming Corporate Events ... 18
9. Financial Sector ... 19
9.1. Alior Bank ... 19
9.2. Handlowy ... 20
9.3. ING BSK ... 21
9.4. Millennium ... 22
9.5. Pekao ... 23
9.6. PKO BP ... 24
9.7. Santander Bank Polska ... 25
9.8. Komercni Banka ... 26
9.9. Erste Bank ... 27
9.10. OTP Bank ... 28
9.11. PZU ... 29
9.12. Kruk ... 30
9.13. Skarbiec Holding ... 31
10. Chemicals ... 32
10.1. Ciech ... 32
10.2. Grupa Azoty ... 33
11. Oil & Gas ... 34
11.1. Lotos ... 34
11.2. MOL ... 35
11.3. PGNiG ... 36
11.4. PKN Orlen ... 37
12. Power Utilities ... 38
12.1. CEZ ... 38
12.2. Enea ... 39
12.3. Energa ... 40
12.4. PGE ... 41
12.5. Tauron ... 42
13. TMT ... 43
13.1. Netia ... 43
13.2. Orange Polska ... 44
13.3. Play ... 45
13.4. Agora ... 46
13.5. Cyfrowy Polsat ... 47
13.6. Wirtualna Polska ... 48
13.7. Asseco Poland ... 49
13.8. CD Projekt ... 50
13.9. Comarch ... 51
14. Industrials, Mining ... 52
14.1. Famur ... 52
14.2. Grupa Kęty ... 53
14.3. JSW ... 54
14.4. Kernel ... 55
14.5. KGHM ... 56
14.6. Stelmet ... 57
15. Property Developers ... 58
15.1. Atal ... 58
15.2. Dom Development ... 59
15.3. GTC ... 60
16. Retail ... 61
16.1. AmRest ... 61
16.2. CCC ... 62
16.3. Dino ... 63
16.4. Eurocash ... 64
16.5. Jeronimo Martins ... 65
16.6. LPP ... 66
17. Other ... 67
17.1. PBKM ... 67

Investing Outlook

Contrary to the hypothesis we had formulated in our 2019 Investment Strategy, current leading economic indicators for developing economies seem to point to a persistent slowdown rather than expansion. Nevertheless our prediction of a rebound in global equity markets did pan out, with the S&P 500 rebounding 15.1% so far from the December lows. The bullish signal once again came from policymakers, specifically the US Fed and the Bank of China, who are seen to move toward easing interest rates.

The willingness expressed by both the US and the China to reach a deal on trade has also provided an upside catalyst. The planned February meeting between Presidents Donald Trump and Xi Jinping has pushed economic trends into the background as markets now wait to see whether an agreement can be struck by the 1 March deadline to avert the tariff hikes scheduled to kick in the next day. While negotiators for both sides work behind the scenes, the mere setting of a date for the meeting between the two leaders will be taken as a sign that a deal has been worked out. With that said, an economic truce between China and the US is already partly priced in, which means markets are in for a downturn if the talks fall through. In the bullish scenario, after an initial boost from the deal, the S&P 500's climb toward 2,900 will have to be propped up by more upbeat economic news and improved earnings prospects. The macro picture in the month ahead could be brightened by China, where stimulus in the form of existing and planned measures is estimated to be equal to 3% of GDP.

In Poland, despite a series of high-level corruption scandals (giving a taste of that this year's general election campaign might look like), coupled with weaker economic prints and withdrawals from investment funds, the WIG 20 index has been able to track the movements of its world benchmarks. We expect the upward momentum to be maintained in the weeks ahead.

In the US, Slowdown and Earnings Fears Assuaged by Fed

US investors were faced with weaker-than-expected economic data and disappointing earnings results in the initial phase of the Q4 reporting period, but nevertheless local equity indices in January looked set to recoup the losses suffered in December, focusing on the upcoming trade deal with China, improving company financials, and, as of last week, the Fed's surprising change of stance.

Companies reporting in the early part of the season delivered positive surprises in just 57% cases, including the most spectacular ones, coming from Caterpillar, Freeport, and General Electric. The statistics improved noticeably toward the end of last month, with 60% of companies now exceeding market expectations. The aggregate earnings of the 220 S&P 500 companies to have reported to date are 13.7% higher than in Q4 2017 on 6.2% higher sales. In a scenario of a slowdown (not a recession) the S&P 500 earnings growth should be 13%, with revenue growth at 7%.

Analysts kept lowering their expectations for the next interest rate hikes leading up to the Fed's announcement last Wednesday, and further cuts followed the statement, with a maximum of one increase currently expected in 2019, possibly followed by reductions in 2020. The FOMS intends to allow itself to be patient going forward as it determines what future policy adjustments will be optimal in response to economic and market developments, including adjustments in respect of the ongoing unwind of quantitative easing. The odds of a recession in the US are seen as low. However looking at the Fed's view we are probably in for a string of weak macro prints which will lower inflation expectations.

Anticipation of a trade deal with China is one of the main driving forces behind the current positive US sentiment, with markets seemingly content as long as the Trump-Xi summit is still on and both sides express good faith and good spirit. The exact date of the meeting is not set yet, but it should take place some time in late February with President Trump recently confirming his March 1st deadline. Once a date is set, this will be seen as a sign that an agreement has been reached.

Something which has gone unnoticed amid the sweeping optimism was a speech given by President Xi Jinping during an event in December in which he said his country's path to reform would not be easy and was bound to be fraught with many potential perils and challenges. The battle between China and the US is also a fight over trade and technology secrets, an issue which might be harder to resolve by the March deadline.

In Europe, PMI Data Miss Forecasts and Brexit Piles On Pressure

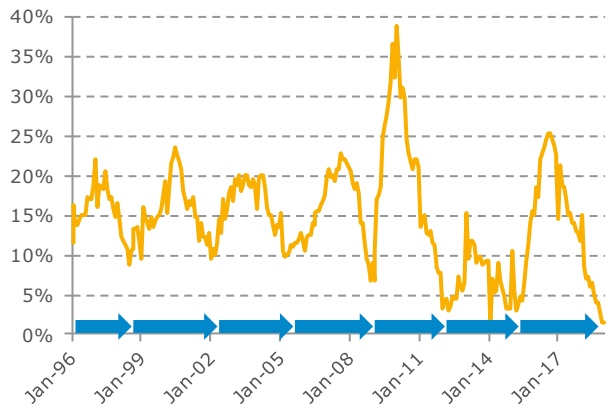
Economic indicators for the Eurozone have been more downbeat than we had hoped, with the composite PMI falling to 50.7 in January from 51.1 in December, suggesting a slower growth path. The decline in the Manufacturing PMI (down from 51.0 to 50.5 overall and landing at 47.8 for Italy, 49.7 for Germany, and 51.2 for France) was less pronounced than the decline in the services PMI, which decreased from 51.2 to 50.8. On the whole, however, growth in the EU economy seems to have stalled, and the nature of the drivers behind the slowdown has shifted from external (the US-China trade war) and political (Brexit, Italy, France) to internal (weak domestic demand, tighter labor markets). Against this backdrop, the ECB is seen as potentially easing its policy with expectations for the next rate hike now pushed back to 2020, and rising anticipation for another LTRO.

As the Brexit deadline looms, Prime Minister May has been given another chance to renegotiate the withdrawal treaty with the EU without changing the March 29th exit date. However with the EU saying there will be no further negotiation the future remains a big question mark.

China – the Key EM Mover

China's economic outlook is still the main factor which determines movements in equity markets. The Chinese economy was seen to slow significantly in 2018, and the picture heading into 2019 is that of continued contraction, with the Manufacturing PMI holding below 50 points in January despite earlier cuts to taxes and mandatory reserves. The Chinese government plans to take action with further stimulus measures to the tune of $370 billion, equivalent to 3% of GDP. This, and a trade deal with the US, could put the economy back on a growth track, turning sentiment more bullish with positive spill-over effects on other emerging markets.

China M1 money supply



Source: Bloomberg

It is worth noting that M1 money supply in China is currently at trough levels and historically it is due for a rebound in 2019, supported by the stimulus passed by the Bank of China.

In Poland, Business Conditions Deteriorate

Polish manufacturing momentum slowed during 2018, led by a drop-off in export orders while domestic demand remained strong, at least for the major part of the year until the last quarter, when the data for December brought a downside surprise for all. This is accompanied by low private investment, and expectations for scaled-back public investment in 2019. Meanwhile pay pressures on employers persist, with surveys revealing persistent complaints about workforce shortages, with businesses anticipating further intensification of pay pressures in the event of a mass outflow of Ukrainian workers to Germany under relaxed immigration rules. Higher labor costs put downside risk on our 2019 earnings forecasts for rated companies.

More Outflows From Polish Equity Funds

Polish investment funds suffered a continuing setback during 2018 as a worsening macro environment and global uncertainty prompted investors to withdraw a total of PLN 7.8 billion from local absolute-return funds in the course of the year, of which PLN 812.4m taken out just in December. This alongside total outflows of PLN 2.1bn from mixed funds (-PLN 249m in December) and PLN 1.2bn pulled from money market funds. Funds might be able to recoup a portion of the losses in January in line with improved market sentiment, but the future outlook remains highly unpredictable.

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Sector Strategies

Financials

- According to our forecast, Q4 2018 will be a record quarter and the net profit of the banks we analyze will increase by 13.9% Q/Q and 5.2% Y/Y. We believe this is a positive and important information in the context of the continuation of record-breaking in 2019 and the still attractive valuation of the sector. It is important to note that the strong figures anticipated in Q4 2018 were owed first and foremost to core business activities, with the aggregate net interest income likely to have expanded +3.6% quarter on quarter, and fee income up an estimated +2.5% despite downward pressure generated by a volatile capital market. The market is to welcome a further interest margin increase (+3bps) and high sales of retail loans that will decrease slightly on a quarterly basis. At the same time, we would like to note that the final quarter of 2018 will not be without one-off events, such as the reporting of the negative fair value at Santander PL, the costs of integration related to the acquisition of the Polish branches of Deutsche Bank or SocGen, one-off write-downs on the corporates segment and the sale of securities or debt claims portfolios.
- We would also like to mention the very good results of foreign banks, in particular, of OTP Bank and Erste Group, supported by extremely low cost of risk registered amid favorable market conditions.
- The CHF Act is once again being discussed and after months of work it left the sub-commission of the Polish parliament. Tadeusz Cymański recently said his goal is to have the bill pass by the end of March, so that it can become law from July. This means that in the extreme case (quarterly charge of 0.5%) the law will cost the sector around PLN 1bn in 2019 and PLN 2bn in 2020. We believe that the introduction of the law remains uncertain and may depend on opinion polls before the elections.
- With regard to financial companies, we would like to stress the very good performance of Kruk's peers. We believe that, together with Kruk's good results for Q4 2018, the sentiment may improve.
- **Key Ratings:** Pekao (buy), Alior Bank (buy), Erste Bank (buy), Kruk (buy)

Chemicals

- MSCI Chemicals stocks were trading under pressure at the turn of 2018 on concerns about an impending global economic slowdown. The Polish sector has bucked the trend, however, with both rated stocks ATT and CIE delivering relatively good performance. At the current level, Grupa Azoty (ATT) no longer shows a discount to peers, with expectations of better earnings 2019 already priced in. On the other hand, Ciech (CIE) continues to trade at multiples 20% on average below the sector, meanwhile, its core product, soda ash, is widely expected to go up as much as 7% in price this year.
- When it comes to 2018 Q4 results, both ATT and CIE will probably report profit shrinkage from a high year-ago base, underpinned by increased costs of energy.
- **Key ratings**: CIE (buy)

Oil & Gas

- The crisis in Venezuela, Russia's declaration of further in production reduction and the declining production in OPEC made it possible for oil prices to recover in recent weeks. The improvement in sentiment is also visible in speculative positions, which in the case of Brent increased by nearly 50% from the lows in December. Data on the number of active oil rigs the USA (a strong decline YTD) as well as the depreciation of the dollar also support positive trends regarding this raw material. In our opinion, in this environment it is very probable that the price of Brent will return to ca. USD 70/bbl.
- Higher oil prices do not impact gas prices that in Europe have already declined by more than 15% since November. The end of logistical problems on the Rhine, which by increasing coal purchase price contributed to quotations of alternative fuels in the energy sector, cannot be without significance for these trends.
- The impact on oil, declining oil-related demand and the end of short-term effect of law water level in the Rhine resulted in a plunge of refining margins. Apart from the normalization of diesel cracks, we can observe dramatically low margins on gasoline (large stocks, high refinery utilization). An additional problem for regional refiners is the decline in the availability of heavy types of oil, which has resulted in zeroing of the Brent/Ural differential.
- In the case of petrochemicals, after the improved end of the year, we also observe a return of negative trends, which in our opinion will intensify due to the launch of new installations.
- **Key Ratings**: Lotos (sell), PKN Orlen (sell)

Power Utilities

- Energy prices on the German market returned to ca. EUR 50/t due to CO2 price adjustment and declines in coal prices (decrease in logistic costs on the Rhine, worse results in China). The slowdown in economic growth was also important.
- In Poland, after the worse end of the year energy prices remain at around PLN 270/MWh and model-based future coal production margins are still attractive, although lower than the local maximum values registered in the autumn.
- Indexes of energy companies, both in Europe and in Poland, benefited in January from allocation trends (looking for more defensive exposures) and closing of short-term positions after drops at the end of the year.
- The market is waiting for the final version of the regulation on freezing energy prices. In our opinion, despite the comments made by the EC (clarification of utility services for which compensation is due, banned interference with the regulator's competences), the chances for the sector to avoid losses in the trade segment are high and remain our base scenario. With this assumption, we expect the consolidated EBITDA stream in the sector to improve, which should maintain the positive sentiment with regard to companies.
- The government is working on updating several RES legal acts. On the one hand, it wants to reduce the substitution fee (and therefore also the prices of green certificates, which will reduce the segment's profitability), and, on the other hand, it intends to abandon the distance condition for wind farms.
- **Key ratings**: Enea (buy), Energa (buy), PGE (buy), Tauron (buy)

Telecoms, Media, IT

- Play is the only major mobile-only telecom in Poland standing now that all its key rivals have acquired access to fixed-line infrastructure, and we believe it will have to break its commitment to the old strategy soon if it wants to compete against its convergent rivals.
- There is a clear push toward fixed + mobile convergence among telecoms across the world. In May 2018, Liberty Global sold its cable networks in Germany, the Czech Republic, Romania and Hungary to Vodafone. One example being the May acquisition by Vodafone of the German and CEE assets of Liberty Global for EUR 18.4bn and 10.9x 2019E EV/EBITDA (8.6x adjusted for year-five cost and CAPEX synergies). It is worth noting that Vodafone acquired assets only in countries where it could create Convergent fixed + mobile telecoms based on existing assets.
- The Office of Electronic Communications (UKE) published draft decisions regulating access to the infrastructure of the largest cable television providers – UPC, Vectra, Multimedia, Ineia, Toya and Netia. Pursuant to the decision of the president of the, operators subject to the regulation will have to make passive infrastructure available to interested competitors (e. g. connections in basements, staircases, as well as cables entering apartments if the customer decides to change the supplier). The UKE wants the decisions to enter into force from June 2019. The UKE proposed its own model for calculating fees in wholesale settlements (it abandoned the classic BSA and LLU). Amendments proposed by the UKE are positive for large mobile operators. They will be able to access cable networks and build a convergent offer based on them. In particular, Play may be satisfied with the proposed changes. This operator is popular especially in large cities where cable operators operate mainly. Play also demonstrated the ability to act in the wholesale model with regard to infrastructure.
- The UKE has started to prepare draft decisions which will result in the repeal of the regulatory obligations for Poland with regard to the wholesale broadband Internet access services. Please remember that a few years ago the UKE took regulatory responsibility in 76 municipalities (with regard to BSA). Currently, the UKE has declared that the level of competition allows Orange to be exempt from the LLU regulation in 51 municipalities and from BSA regulation in 151 municipalities. The UKE's strategy aims to sustain high network investments in Orange in the coming years. However, we do not expect the plan announced by Orange Polska to change significantly (high CAPEX of PLN 0.8bn per annum on FTTH until 2020, afterwards gradually lower CAPEX). We maintain the forecast FCFE profile for the coming years.
- Play's strategy plan through 2022, announced in mid-November, contrary to expectations does not envision a push toward having fixed-line access, nor does it put in place renewed efforts to gain back leadership in net customer additions. This means no major drain on cash flow, but the attitude of self-preservation and lack of risk taking means Play's future plans have little bearing on the future of the Polish market landscape.
- The Polish government has recently requested a postponement of the deadline for the allocation of radio resources in the 700 MHz band by 2 years (from June 2020 to June 2022). The key issue is agreeing on the use of 700 MHz with Russia. So far, the attempts have not been successful. This confirms our assumptions from the November analyst report. In our view, a 5G auction in Poland is not likely to happen any time soon Moreover, the bands are fragmented and used until 2025. In addition, Polish telecoms are seeing flat revenues coupled with high debt. The state would have nothing to gain by allocating spectrum in the near future, and in addition there is the problem of Poland's stringent norms for radio waves.
- According to the media agency Zenith, the value of the Polish advertising market will increase by 4.2% in 2019 and reach the value of PLN 7.9bn. Positive consumer sentiment will have a key impact on the market, despite the expected drop in the growth rate of the Polish economy in 2019 and the slowdown in household spending. The growth rate of TV advertising budgets will fall from the current 4.2% to 3.1% Y/Y in 2019. Television will remain the largest advertising medium in Poland, with its share exceeding 50%. The online advertising market is expected to increase by 8.4% Y/Y. The increase will be visible particularly in the programmatic area, and the mobile video category is growing dynamically, by 2.7% Y/Y in 2019, outdoor +2.1%, advertisements in cinemas by 3.2%. Magazines and dailies will register Y/Y net losses of 4.5% and 6.8%, respectively.
- The WIG-INFO sector index rebounded 5.9% in January against a 4.7% rise in the broad WIG benchmark, However, WIG Info was worse than from MSCI IT EU by 5bps. The median 12M P/E for IT companies amounts now to 13.5x and is 11.4% below the historical average of 3 years.
- The 2018 Q4 reporting season in the IT sector should see EBITDA growth at a median annual rate of 0.1% at about a half of rated companies after a very robust double-digit earnings momentum experienced in the previous quarter. Looking ahead, the main setback faced by the IT industry at the moment are persistent pay pressures. Some firms are unable to grow revenues at a fast-enough rate to maintain an upward momentum in profits. With this in mind, we keep a neutral view on the IT sector, and we advise selective stock picking as the best strategy.
- Our top call is still ASE, but we also have a bullish view on ACP, expected to deliver solid results and a rumored opportunity as the ex-primary vendor to capitalize on the failure of rival Comarch to deliver all milestones of a long-term government contract after takeover. Asseco might be asked to come back and help, but this time on a no-bid basis. Obviously Asseco's gain will be a loss for Comarch (CMR).
- **Key ratings**: Orange Polska (buy), Agora (buy), Wirtualna Polska (accumulate), Asseco Poland (accumulate), Asseco SEE (overweight).

Industrials

- The MSCI indexes of industrial companies for Europe and for the world cannot count the end of the year as a successful period. After drops, both indexes are quoted well below their 3-year averages on the P/E and EV/EBITDA indexes. At the current level the MSCI Automobiles and Components Index offers attractive valuation levels as manufacturers look ahead to an improving momentum led by rising capacity utilization rates in Germany.
- Out of 23 rated firms, in Q4 2018 60% are expected to improve y/y results and 20% – to worsen them. The companies most likely to offer positive earnings surprises in Q4 include ACG, AMC, FMF, KER, and TIM. On the other hand, JSW, KGH, and TAR will probably disappoint. When it comes to the outlook for 2019, we anticipate a cooling of expectations by most rated manufacturers in light of increased costs of electricity and labor, underpinned by weak PMI prints in Germany and their negative implications for export-driven firms.
- The slower German momentum is already taking a toll on manufacturing companies in Poland. For example, Kęty

aluminum experienced a drop-off in orders for its extrusions in Q4 2018. In turn, Cognor steel billets and PGO steel & iron castings have both signaled setbacks in contract price negotiations for 2019. Other exporters may follow suit soon with reports of a pull-back in bookings from their German customers. The ones that sell a significant proportion of their production to Germany include AML, BRS, COG, HDR, IPX, EGS, FTE, KTY, MGT, LEN, REL, PGO, PFL.

- Currently, we are most in favor of investments in shares of the following companies: Amica (discontinuation of the downward trend of core results in Q2 2018; 2-digit discounts for other producers of household appliances), Famur (expected better y/y results in subsequent quarters; DYield of around 9% in 2019) and Kernel (clear discontinuation of the downward trend in subsequent quarters; dynamic improvement in results in 2019).
- The top picks among smaller caps are ACG, POZ, and TIM. We have a negative view of investments in shares of Ergis (inflation of personnel and energy costs in 2019; fierce competition in the industry), Pfleiderer (risk of results plummeting in H1 2019; wood-based panel price drops in Germany in December 2018) and Tarczyński (decline in results in Q4 2018, inflation of personnel and energy costs in 2019).
- **Key Ratings:** AC Autogaz (overweight), Amica (overweight), Ergis (underweight), Famur (buy), Kernel (buy), Pfleiderer (underweight), Pozbud (overweight), Tarczyński (underweight), TIM (overweight)

Mining

- Mining companies are under pressure of negative data from China (the lowest GDP growth in 28 years!) that impact the prices of raw materials. The local government is determined to fight for future economic growth and investors wonder whether the response will not be too late. The market has been bombarded for several months with falling registrations of new cars in China, lower volumes of copper imports and signs of a construction market slowdown (results of Caterpillar). For the third quarter in a row, the government has been stimulating the economy through a larger stream of loans and it proposes stimulus programs for infrastructure and sales of goods (new subsidies proposed for purchasing household appliances and cars).
- On the markets, investors observe seasonally recovering monitored copper stocks. Last week they increased by 7% and are likely to recover seasonally until the end of March. In addition, net imports (taking into account the imported metal, scrap and concentrate) of copper to China show that in December 2018 the largest consumer imported y/y 6% less raw material and it was the second consecutive month of falling imports (in November 2018 -7% y/y). On the market, we also observe the decline in the manufacturers' bonuses (to USD 62/t), which, according to participants, may result from weaker macro results in China or the re-launch of Vendata Sterlite copper smelter. An opportunity for prices of raw materials is the strengthening portfolio of emerging market currencies. Typically, in such a case metal prices recover.
- The past season of financial results in copper-producing companies can be regarded as successful (especially considering the production data). Antofagasta (very good production with low production costs), Anglo American and Kaz Minerals (forecast extraction executed in upper range of the forecast) reported very good extraction in Q4 2018. The results of Freeport McMoRan were not impressive, the company expects a drastic decline in production 2019 because of transition from surface mines to underground mining. The world's largest gold mine is expected to double its production in 2020-2021, after digging into new deposits.
- The prices of high-quality coking coal decreased in mid-January to around USD 190/t compared with USD 220-230/t in December 2018. At present, a slight price recovery can be observed (to USD 200/t), but, in our opinion, it is a rather short-term recovery due to the weak momentum in the steel industry in China and the absence of significant problems in the transport of coal by sea. According to Argus, the number of vessels waiting for loading in the biggest coal port in Queensland (Dalrymple Bay Coal Terminal) decreased to 20-30, compared to 40-50 in December 2018. The agency reports that by the end of March the whether in Queensland is expected to be drier than usual, which will lead to less adversity in coal transport and stabilization of prices at a low level. On the other hand, the stocks of coke in Chinese ports are increasing another with week in a row to 3.2mmt (the highest amount since November 2018).
- An opportunity to increase the prices of some raw materials (aluminum, pig iron) is the recent disaster in Vale's mine in Brazil. According to market information, the disaster that resulted in over 50 casualties may encourage the local government to pay more attention to working conditions and safety in existing mines. This could, in turn, affect the production, in particular of aluminum and iron ore, of which Brazil is a major exporter.
- Rising iron ore prices have a negative impact on the profitability of blast furnace producers. With a weakening demand for steel products, they have limited capacity to increase prices. In this scenario, with high availability of scrap and coking coal, smelters could put more pressure on purchase prices. At present, there is a decline in the competitiveness of blast furnace steel producers (BOF) in relation to those using electric furnaces. Currently blast furnace producers are cheaper by about USD 25/t cheaper, but differences are the lowest in about a year (at the beginning of 2018 it amounted to USD 100/t).
- In view of the upcoming publication of the financial results, we believe that it is worth mentioning the weaker y/y sales volumes of KGH and JSW in Q4 2018. Both companies are set to experience high cost pressure, which will result in weaker y/y results after one-offs.
- **Key ratings**: JSW (reduce)

Property Developers

- Q4 2018 brought a reduction in home sales by 12% to a record result in the past year for 6 biggest agglomerations and simultaneously -11% in the whole 2018 (*REAS*). It is worth mentioning the increase in sales volumes in Q4 2018 after relatively weaker results in Q2 and Q3 2018, which was positively influenced by the increase in the offer – the number of new launches in the last quarter was the highest in the last 10 years.
- Among 15 companies of the WSE and Catalyst, the decrease in the number of apartments sold was even greater (-31% y/y Q4 2018 and -18% y/y in 2018), although individual companies had different results. Our market leaders (DOM, 1AT) recorded a comparable decrease in sales (respectively, -9% and -13% in 2018). InPro (+8% in whole 2018), Marvipol (+10%), Lokum and Archicom (-4% each) had relatively good results. Housing completions were up 25% in 2018, yet the completions reflected in the Q4 results of 15 listed residential developers were down 10% on the year
- The high base undoubtedly had an impact on the decrease. But the year was closed with a 15% increase in deliveries. With that said, six of the fifteen firms reported

higher closing numbers in Q4. These include Dom Development (+9% y/y) and Archicom (+52% y/y), both reporting the highest quarterly closings in history.

- In Q4 2018 apartment prices continued the upward trend – transaction prices increased by 11%, offer prices were 12% higher y/y (*REAS*). Speeding up the growth rate of apartment prices should to a large extent compensate for the increase in construction costs on the developer's side and maintain relatively stable margins in 2019-20. Although it should be expected that the growing prices (and the end of the MdM program) "cut off" part of the demand with the lowest income, the steadily increasing wages, the pace of which so far exceeded the pace of apartment prices growth (average 3.8% v 2% in 2014-17), translated into a significant increase in purchasing power and should help to maintain stable consumer demand. Depending on the market, the current level of average gross wages allows for the purchase of 40-70% more sqm of an apartment than in the peak of the previous bull market at the turn of 2007-08.
- Median valuation of real estate companies (DOM, 1AT, LCC, ARH, LKD) registered a drop at the beginning of the year (P/E=4.8x) compared with the historical median (P/E=7.2x). Since then, the valuation of companies has increased and the biggest beneficiary of low valuations are the market leaders: 1AT (+28% YTD), for which the discount against the 3-year median was closed, and DOM (+18% YTD), with a discount decrease from 30% to 20%. Current valuations of companies in our forecasts continue to indicate possible growth of 18% and 12%, respectively, with 2018-2019 DY of ca. 11%.
- **Key ratings**: Dom Development (accumulate), Atal (buy), GTC (hold).

Retail

- The extension of the Sunday trading ban to three Sundays a month will have a visible negative impact on the results of retail companies in Q1 2019, when shops will be closed on 10 days compared to 4 days in Q1 2018. On the other hand, the ban will probably boost business for online stores, with grocery retailers set to report stronger growth in online traffic next year than fashion retailers, which probably already have peak e-commerce growth behind them.
- The results of grocery retailers will be additionally burdened in Q1 2019 by the base effect in connection with Easter.
- USD/PLN exchange rate is about 11% higher y/y, which may have a negative impact on the cost of purchasing the 2019 spring-summer collection (Q2-Q3 2019). Some companies will be able to mitigate the margin contraction by improving the sales mix and the trade terms (LPP), a lower share of dollar payments in merchandise costs (CCC with 30%), and merger synergies (Vistula Retail Group). Companies like Monnari, which pay in dollars for 90% of their merchandise, are bound to suffer much more given a lack of improvement in sales effectiveness.
- In Q4 2019 AmRest is expected to return to two-digit EBITDA growth y/y (we expect EBITDA to grow by 22% y/y). In 2019 the company will continue to integrate and streamline the acquired businesses; the negative impact of those operations is expected to have a lower impact on EBITDA than in 2018. At the same time, the acquisition of Sushi Shop should contribute significantly to improved y/y results in 2019. Taking into account the attractive outlook for the medium-term growth of the company and the return to the double-digit EBITDA growth y/y until Q4 2019, we consider AmRest as one of the most interesting investment options in 2019.
- **Key ratings**: AmRest (buy), CCC (buy), Eurocash (reduce), Dino (hold), Jeronimo Martins (buy), LPP (accumulate), VRG (overweight)

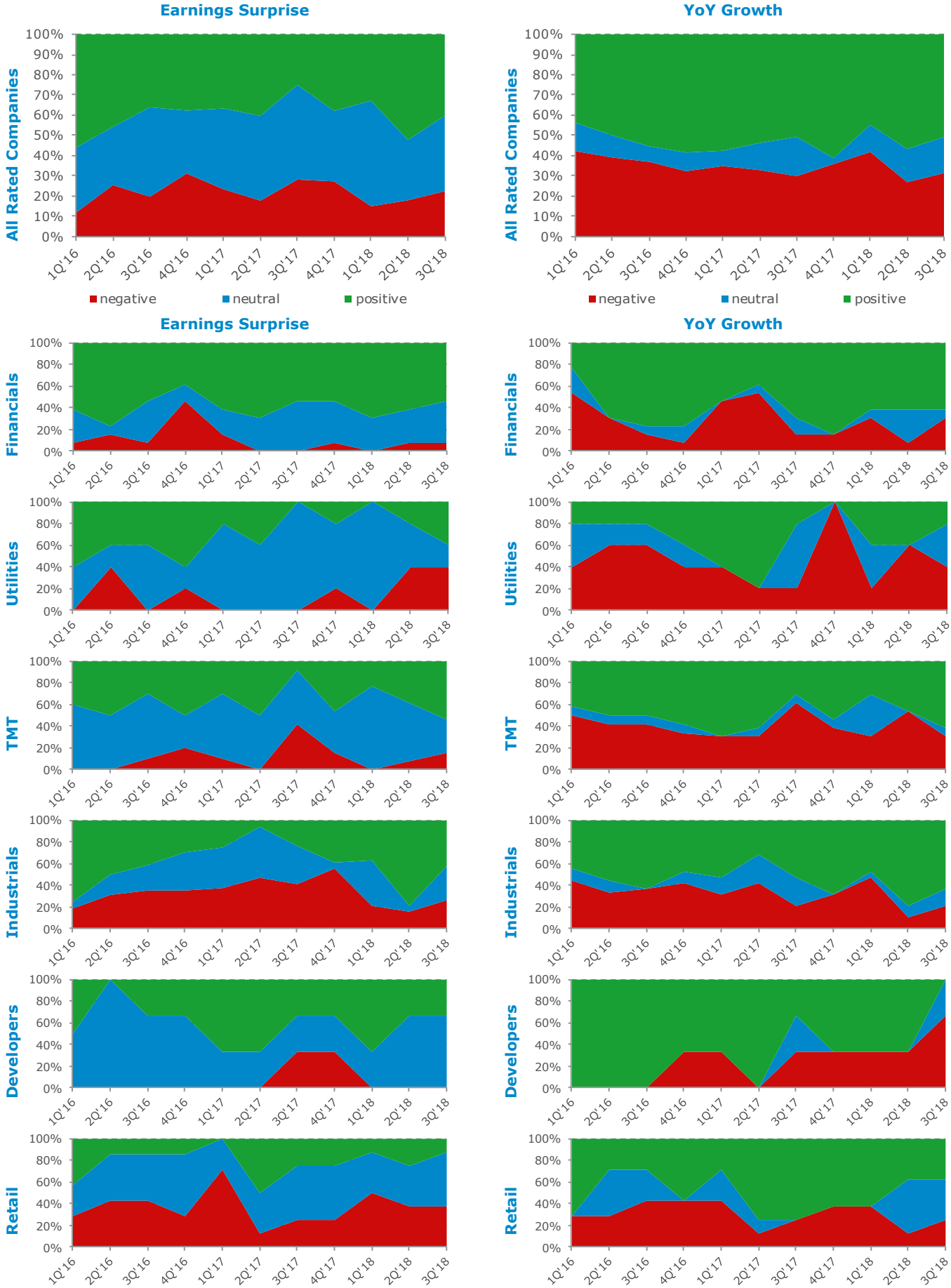
Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

vs. consensus	2016 1Q	2016 2Q	2016 3Q	2016 4Q	2017 1Q	2017 2Q	2017 3Q	2017 4Q	2018 1Q	2018 2Q	2018 3Q	2018 4Q	+/=
Financials													
Alior Bank	+	+	+	+	-	+	+	+	=	+	=		91%
Handlowy	=	+	-	=	-	+	+	=	+	+	-		73%
ING BSK	+	+	+	-	+	=	=	=	=	-	=		82%
Millennium	+	+	=	+	+	=	+	=	+	+	=		100%
Pekao	+	+	+	+	+	=	=	+	=	=	+		100%
PKO BP	+	+	+	-	+	+	+	=	+	=	=		91%
Santander BP	+	+	=	+	=	+	=	=	=	+	=	-	92%
Komercni	+	+	+	=	+	+	+	+	+	+	+		100%
Erste Bank	+	=	=	-	=	+	=	+	+	+	+	+	92%
OTP Bank	=	+	+	-	+	+	+	+	+	+	+		91%
PZU	-	-	=	+	+	=	=	+	+	=	+		82%
Kruk	=	-	+	-	+	+	=	-	+	+	+		73%
Skarbiec	=	+	=	-	=	+	+	+	+	=	+		91%
Chemicals													
Ciech	=	+	=	+	=	=	=	+	=	+	=		100%
Grupa Azoty	-	-	=	-	+	-	=	-	=	-	-		36%
Oil & Gas													
Lotos	+	=	+	=	+	+	+	=	-	+	=		91%
MOL	=	=	=	-	+	+	-	=	=	=	+		82%
PGNiG	+	-	-	+	+	-	-	=	-	+	-		45%
PKN Orlen	=	-	=	+	=	=	-	=	=	-	=	+	75%
Utilities													
CEZ	+	-	=	+	=	=	=	+	=	-	+		82%
Enea	+	+	+	+	=	+	=	=	=	-	=		91%
Energa	+	-	=	=	=	=	=	-	=	=	-		73%
PGE	=	=	+	-	=	=	=	=	=	=	-		82%
Tauron	=	+	=	+	+	+	=	=	=	+	+		100%
TMT													
Netia	=	+	=	+	=	=	+	+	=	=	=		100%
Orange PL	=	=	=	=	=	+	=	=	=	+	+		100%
Play	na	na	na	na	na	na	=	=	=	+	=		100%
Agora	+	=	=	+	=	+	=	+	=	+	+		100%
Cyfrowy	=	=	+	=	+	=	=	=	+	=	=		100%
Wirtualna	+	=	-	-	+	=	=	=	=	=	=		82%
Ailleron	na	na	na	na	na	na	-	+	=	=	-		60%
Asseco BS	+	+	=	=	=	=	=	+	=	=	+		100%
Asseco PL	=	+	+	-	=	=	-	-	+	+	+		73%
Asseco SEE	=	=	=	+	=	+	-	=	=	=	+		91%
Atende	na	na	na	na	na	na	na	+	=	-	+		75%
Comarch	=	+	=	+	-	+	-	-	+	+	+		73%
CD Projekt	+	+	+	+	+	+	-	+	=	=	-		82%
Industrials													
Alumetal	+	+	-	=	-	=	+	=	=	+	=		82%
Amica	+	=	=	-	=	=	-	+	-	+	+		73%
Apator	-	+	-	=	=	-	=	-	=	+	=		64%
Boryszew	+	+	+	-	+	-	+	-	-	=	-		55%
Cognor	na	na	na	na	na	na	na	na	+	+	=		100%
Ergis	-	-	+	=	+	=	-	-	-	-	-		36%
Famur	+	+	=	+	na	-	=	+	+	+	+		90%
Forte	+	+	=	=	=	=	-	-	=	+	-		73%
Grupa Kęty	+	+	=	=	=	=	=	-	=	+	=		91%
Impexmetal	+	+	+	-	-	-	+	-	+	+	+		64%
JSW	+	=	-	-	+	+	-	-	=	+	=		64%
Kernel	+	-	+	-	-	-	-	+	=	-	+		45%
KGHM	+	-	+	+	+	=	=	+	=	+	-		82%
Kruszwica	-	-	+	+	-	-	=	-	+	+	+		55%
Mangata	+	+	-	+	=	-	-	-	+	+	+		64%
Pfleiderer	=	=	+	-	-	-	=	-	+	-	+		55%
Pozbud	na	na	na	na	na	na	na	+	=	+	-		75%
Stelmet	na	na	-	=	-	=	-	+	-	+	+		56%
Tarczyński	+	-	-	+	=	=	+	+	+	+	=		82%
Real-Estate													
Atal	na	na	+	=	+	+	-	-	=	+	=		78%
Dom Dev.	+	=	=	=	=	+	+	=	+	=	+		100%
GTC	=	=	=	+	+	=	=	+	+	=	=		100%
Retail													
AmRest	=	=	=	+	-	+	+	+	-	-	=		73%
CCC	+	+	+	=	-	+	-	-	-	-	-		45%
Dino	na	na	na	na	na	+	=	+	+	=	=		100%
Eurocash	-	-	-	-	-	=	-	-	=	=	-		27%
Jeronimo	=	=	=	=	=	=	=	=	=	=	=		100%
LPP	-	=	=	=	=	=	+	=	-	+	+	=	83%
Monnari	+	-	-	-	-	+	=	=	=	+	-		55%
VRG	+	-	-	=	-	-	=	=	-	-	=		45%

vs. last year	2016 1Q	2016 2Q	2016 3Q	2016 4Q	2017 1Q	2017 2Q	2017 3Q	2017 4Q	2018 1Q	2018 2Q	2018 3Q	2018 4Q	** 4Q	+/=
Financials														
Alior Bank	-	-	=	+	-	+	+	-	+	+	-		=	55%
Handlowy	-	+	+	+	-	-	+	+	+	+	-		+	64%
ING BSK	=	+	+	+	+	-	+	+	+	=	=		+	91%
Millennium	=	+	+	+	+	-	+	+	+	+	+		=	91%
Pekao	-	+	-	+	-	-	=	+	+	=	+		-	64%
PKO BP	=	+	-	+	-	=	+	+	+	+	+		+	82%
Santander BP	-	+	+	+	-	-	+	+	=	=	-	+	+	67%
Komercni	-	+	+	+	+	-	-	+	-	+	+		+	64%
Erste Bank	+	+	+	-	-	-	+	+	+	+	+	+	+	75%
OTP Bank	+	+	+	=	+	+	+	+	+	+	+		-	100%
PZU	-	-	+	+	+	+	+	+	-	+	+		=	73%
Kruk	+	-	+	+	+	+	=	-	-	=	+		+	73%
Skarbiec	-	-	+	=	+	+	-	+	-	-	-			45%
Chemicals														
Ciech	+	+	+	+	+	-	-	+	-	=	-		-	64%
Grupa Azoty	+	-	-	-	-	+	+	+	-	-	-		-	36%
Oil & Gas														
Lotos	+	-	+	+	+	+	+	-	-	+	=		+	73%
MOL	-	-	-	-	+	+	-	+	-	-	+		+	36%
PGNiG	-	-	-	+	+	=	=	=	-	+	+		+	64%
PKN Orlen	=	-	-	+	+	+	+	-	-	-	-	+	+	50%
Utilities														
CEZ	=	-	-	-	-	-	-	-	-	-	+		+	18%
Enea	+	+	+	+	+	+	=	-	=	-	=		-	82%
Energa	=	=	=	=	-	+	+	-	+	+	-		=	73%
PGE	-	-	-	-	+	+	=	-	+	+	=		=	55%
Tauron	-	-	-	+	+	+	=	-	=	-	-		-	45%
TMT														
Netia	-	=	-	=	-	-	-	-	=	-	-		-	27%
Orange PL	-	-	-	-	-	=	-	+	=	-	+		+	36%
Play	na	na	na	na	+	+	+	=	-	-	-		-	57%
Agora	=	-	-	-	+	+	=	+	-	-	+		+	55%
Cyfrowy	-	-	+	+	+	+	-	-	=	-	=		-	55%
Wirtualna	+	+	+	+	+	+	+	+	+	+	+		+	100%
Ailleron	+	-	+	+	+	+	-	+	=	+	-		-	73%
Asseco BS	+	+	+	+	+	+	+	+	+	+	+		+	100%
Asseco PL	-	+	-	-	-	-	-	-	+	+	+		+	36%
Asseco SEE	+	+	=	+	+	+	+	+	+	+	+		+	100%
Atende	-	+	-	-	+	-	-	+	-	-	+		-	36%
Comarch	-	+	+	+	-	-	-	-	=	+	+		-	55%
CD Projekt	+	-	+	+	+	+	-	-	-	-	-		-	45%
Industrials														
Alumetal	+	+	-	-	-	-	-	+	+	+	+		=	55%
Amica	+	+	+	=	-	=	-	-	-	+	+		+	64%
Apator	-	+	-	+	+	-	+	-	-	+	=		+	55%
Boryszew	+	+	+	-	+	+	+	+	-	-	-		+	64%
Cognor	-	+	+	+	+	=	+	+	+	+	+		=	91%
Ergis	-	-	+	+	+	=	=	-	-	=	-		+	55%
Famur	=	+	+	+	+	=	+	+	+	+	+		+	100%
Forte	+	+	+	+	-	-	-	-	-	+	-		+	45%
Grupa Kęty	+	+	+	+	+	+	+	+	+	+	+		+	100%
Impexmetal	+	+	+	-	+	+	=	+	+	+	=		+	91%
JSW	-	-	-	+	+	+	+	+	-	=	=		-	64%
Kernel	-	-	+	-	-	-	-	-	-	+	+		+	27%
KGHM	-	-	+	+	+	+	+	-	-	+	-		-	55%
Kruszwica	-	=	-	+	=	=	=	+	+	+	+		=	82%
Mangata	+	+	+	-	=	-	=	+	+	+	+		+	82%
Pfleiderer	+	=	+	=	+	-	+	+	+	-	+		+	82%
Pozbud	=	-	-	-	-	-	=	+	-	+	+		+	45%
Stelmet	na	na	-	-	-	-	+	+	=	+	+		=	56%
Tarczyński	-	-	-	-	=	+	+	+	+	+	+		-	64%
Real-Estate														
Atal	+	+	+	-	+	+	=	+	+	+	=		-	91%
Dom Dev.	+	+	+	+	-	+	+	+	+	+	-		+	82%
GTC	+	+	+	+	+	+	-	-	-	-	-		-	55%
Retail														
AmRest	+	+	+	+	=	+	+	-	+	=	+		+	91%
CCC	-	+	=	+	+	+	+	-	-	-	-		-	55%
Dino	na	na	na	na	na	+	+	+	+	+	+		+	100%
Eurocash	+	=	-	-	-	=	-	-	+	=	=		=	55%
Jeronimo	+	=	+	+	=	+	+	+	+	=	=		=	100%
LPP	-	-	-	-	+	+	+	+	-	+	+		=	55%
Monnari	+	-	-	-	-	-	-	+	-	+	-		+	27%
VRG	+	=	=	+	-	+	+	+	+	=	=		+	91%

'+' = 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

Production

Industrial output rose by 2.8% y/y in December, quite close to our forecast and significantly below market consensus (4.5 -5% y/y). This happened despite the lack of calendar effects (with no difference in the working-day count the second straight month), and can be attributed to a weak momentum and negative base effects in manufacturing and mining. Manufacturing output was down 0.4% m/m (seasonally adjusted), and mining's impact on the whole aggregate was about 2pp. Despite relatively warm weather, energy production in December was up by an impressive 13.4% y/y. On the whole, the underlying trend in production remains negative. In hindsight, the surprise is not really that surprising given the very weak PMI print earlier. With that said, the current pace of production is in no way consistent with the PMI's hints of production dropping to 2009 levels. Either the PMI is overstating the weakness in the real economy (which we always suspected), or, poor sentiment is set to materialize with a lag, in January. It is worth noting that the Polish manufacturing sector seems doing better than its German counterpart. In the months ahead we see it expand at an annual pace of 2-5%.

Construction output in December was 12.2% higher compared to the previous year, missing both the market consensus (15.1%) and our more optimistic forecast (17.5%). Output adjusted for seasonal effects was 11.4% higher than in December 2017, but it decreased 0.2% in monthly terms. It follows that the last quarter of 2018 was really a period of stagnation when it comes to building activity. It is also worth remembering that that the double-digit expansion recorded in 2018 was owed largely to an excellent start of the year, now providing a negative comparable base for the initial months of 2019. For December, the largest yearly growth was recorded in construction of buildings (24.2%), civil engineering works (11.4%) and specialized construction activities (0.6%). Those last two categories increased slower than the previous month (in November they grew by 20.4% and 18.4%) which could impact the lower than expected reading. In favor of buildings' construction played relatively warm month with low snowfall.

Retail Sales

Disappointing retail sales completed the string of disappointing data prints for December, posting an y/y uptick of a meager 3.9% (in constant prices), far below a market consensus for 6.9% growth and our 5.3% forecast. Sales in current prices were up 4.7% on the year as real and price effects worked in tandem towards furthering the slowdown.

A quick review of the release unveils multiple sources of the disappointment: for example, fuels sales in December decelerated to 10.7% from an annual pace of 16% in November, led by a strong negative price effect – this factor will weigh on nominal sales in January as well. Sales of food were down 1.4% on the year after rising 3.9% in November (the seasonal uptick in sales was the weakest since 2008 in this category). The numbers for the highly-correlated other general stores category came out even worse, with December 2018 proving to be the weakest December in history. Monthly sales of durables and semi-durables also slowed down considerably, but this did not come as a major surprise. In short, the multi-year trend of pre-Christmas shopping shifting from December to November, the month of Black Friday sales and deal days, was in this past year. As a result, all categories of durables and semi-durables except for cars, books and newspapers, posted contraction in sales to annual rates in the range of 4-9% from 12-15% the month before, depending on the category.

However, changes in shopping habits only partly explain the December slowdown in sales. The second piece of the puzzle likely lies in consumer sentiment – its drop by almost 5 pts was one of the biggest of the series. While month-to-month changes in consumer sentiment have little bearing on short-term dynamics of retail sales, this might not be entirely true for larger drops. Large-scale declines in consumer sentiment correlated with weakness in retail sales at the previous turning points of the consumer cycle – in late 2011 and in 2008. Last December's sales print must be considered in a broader context of a slowing economy and a turning consumer cycle (likely to be accelerated by the need to rebuild the low domestic savings rate). This confirms that household spending is in a downtrend which will drive its growth below 4% in 2019.

Jobs

Employment in enterprise sector literally ground to a halt in December, with zero new jobs added vis-a-vis November. That reduced the annual growth rate to 2.8%. With December this time failing to make up for a slower November, the weakness of the seasonal factor is a symptom of weakness in the overall indicator. We still think it is a mix of demand and supply problems. The former is going to gain strength given the mature character of the cycle and several symptoms of business climate cooling. The latter is going to be relaxed a bit but record low unemployment rate suggest the problems are here to stay; the more so since the influx if migrant workers is coming to a halt in dynamic terms. Weaker employment and labor market favor lower consumption growth in 2019. However, with still high growth of wages and high optimism, expecting something more than a normalization of growth (not 5% but 3-4%) may be exaggeration. with constrained labor supply wage growth will probably exceed productivity considerably in the coming months.

Inflation

December CPI grew by 1.1% y/y, just as the flash estimate indicated but below our original forecast (1.3% y/y) and market consensus (1.2% y/y).

Detailed price data do not bring any major surprises. Food prices rose by 0.7% m/m (unchanged from the flash release), fuels cheapened by 3.3% m/m (flash: -3.2% m/m), residential energy prices rose slightly as higher heating and natural gas prices offset cheaper solid fuels. The second source of the surprise was the weak core inflation print. According to our calculations, it fell from 0.7 to 0.6% y/y in December. Looking through the categories, we see that seasonal increases in the prices of airline fares, books, newspapers and package holidays indeed occurred, but were offset by cheaper insurance prices, relatively low alcohol prices and generally small increases in large categories such as hotels and restaurants and education.

In January, inflation is likely to drop below 1% due to the decline in fuel prices and the cut in excise taxes on electricity and associated fees coming into effect earlier than other components of the package (after February, overall price of electricity for households will be unchanged vis-à-vis 2018). This and base effects from 2018 will increase CPI's volatility at the beginning of the year. However, inflation is set to remain muted throughout 2019. Our forecast of essentially unchanged annual average is predicated upon slightly higher fuel prices and a sharp acceleration in core inflation. All Polish economy observers are aware how these forecast fared in the previous years. For the NBP the situation remains comfortable and supports the MPC's view of

unchanged rates in the next few years (!). In current circumstances the market might disagree and start betting on a proper monetary easing cycle.

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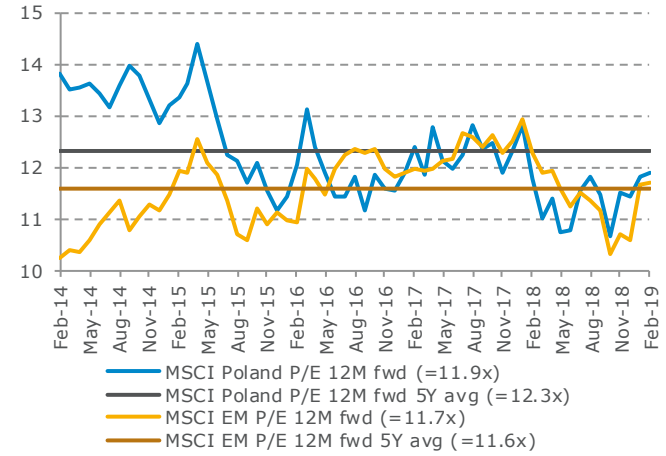
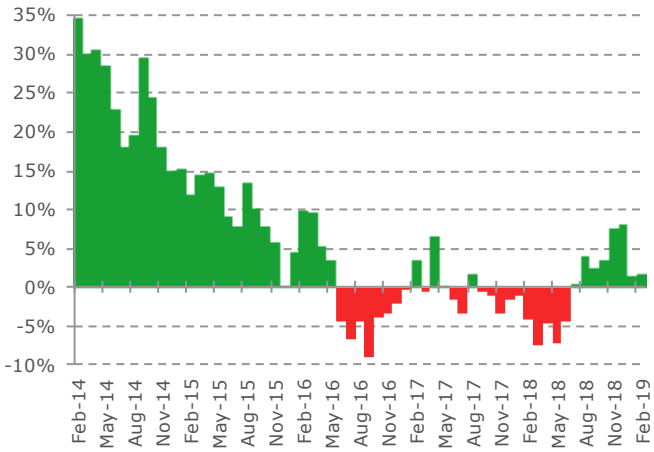
Revisions To FY2018 Earnings Forecasts For WIG30 Companies

Jan-18=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
Feb-18	+1%	-2%	-1%	+0%	+1%	+2%	+2%	-5%	-2%	-5%	+1%	+0%	-6%	+0%	+13%	+0%
Mar-18	+1%	-5%	-1%	+0%	+3%	+1%	-0%	-1%	-3%	-15%	+0%	+2%	-6%	+0%	+11%	-20%
Apr-18	+1%	-4%	-1%	+0%	+0%	+1%	-0%	-1%	-3%	-15%	-0%	+2%	-7%	+0%	+14%	-19%
May-18	+1%	-4%	-1%	+0%	+1%	+1%	-1%	+2%	-5%	-15%	-3%	+2%	-16%	-29%	+7%	-18%
Jun-18	+0%	-3%	-2%	+0%	+2%	+10%	-2%	+2%	-9%	-14%	-2%	-8%	-16%	-29%	+6%	-19%
Jul-18	-1%	-4%	-2%	-2%	+1%	+10%	+1%	+2%	-11%	-14%	-7%	-8%	-36%	-27%	+2%	-23%
Aug-18	-2%	-2%	-2%	-2%	+1%	+32%	-0%	-4%	-11%	-14%	-10%	-8%	-28%	-47%	-5%	-25%
Sep-18	-1%	-2%	-2%	-2%	+8%	+32%	-1%	-4%	-12%	-16%	-13%	-6%	-32%	-47%	-7%	-25%
Oct-18	-3%	-9%	-4%	-3%	+7%	+27%	-2%	-4%	-15%	-27%	-13%	-7%	-52%	-88%	-11%	-62%
Nov-18	-4%	-6%	-4%	-2%	+9%	+46%	-9%	-23%	-20%	-33%	-15%	-26%	-73%	-92%	-13%	-41%
Dec-18	-5%	-6%	-4%	-2%	+8%	+46%	-8%	-23%	-21%	-33%	-18%	-26%	-78%	-92%	-17%	-41%
Jan-19	-5%	-7%	-4%	-2%	+11%	+43%	-8%	-25%	-26%	-44%	-17%	-24%	-78%	-92%	-19%	-34%

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.

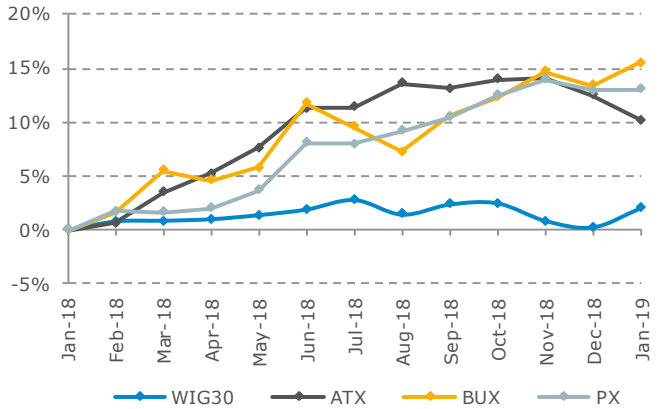
FWD 12M P/E Ratios For MSCI Poland & Emerging Markets (left), PL-EM Premium/Discount (right)





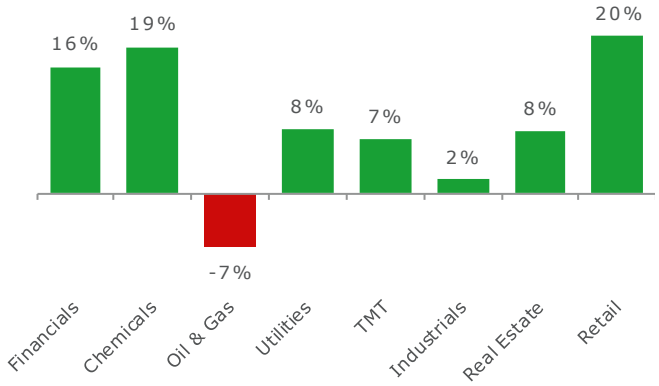
Source: Bloomberg, Dom Maklerski mBanku

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



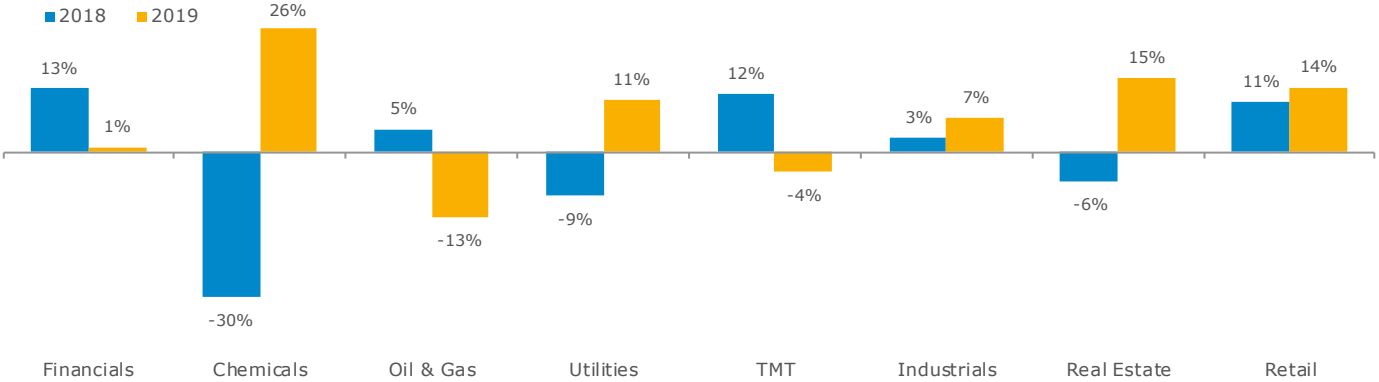
Source: Bloomberg, Dom Maklerski mBanku

Estimated Sector Upside Potential*



Source: Dom Maklerski mBanku; *To mDM price targets

Expected YoY Change in FY2018-2019E Sector Earnings*



Source: Dom Maklerski mBanku; *Net Income for Financials, EBITDA for the remaining sectors

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Divergence of Dom Maklerski mBanku Estimates From Consensus Estimates

Sector/Name	mDM Rating	mDM TP[1]	BBG Ratings[2] ▲	►	▼	BBG TP[3]	mDM v. BBG TP	mDM v. BBG Earnings 2018E	2019E	2020E	mDM v. BBG EBITDA 2018E	2019E	2020E	Analyst Count[4]
Financials														
Alior Bank	buy	87.00	14	2	0	75.82	+14.7%	-2%	+12%	+9%				14/-
Handlowy	reduce	65.50	2	7	3	71.86	-8.8%	+2%	+7%	+1%				8/-
ING BSK	hold	191.80	4	5	4	193.80	-1.0%	-1%	-4%	+2%				8/-
Millennium	accumulate	10.00	4	7	3	9.60	+4.2%	-2%	-7%	+1%				8/-
Pekao	buy	131.80	15	4	0	134.64	-2.1%	+0%	+6%	+5%				14/-
PKO BP	hold	40.92	6	9	3	42.28	-3.2%	+1%	+3%	-2%				14/-
Santander Bank Polska	accumulate	388.00	8	8	0	398.27	-2.6%	+9%	+0%	+5%				12/-
Komercni Banka	accumulate	1,000.0	10	6	0	1,018.8	-1.8%	+2%	+7%	+9%				10/-
Erste Bank	buy	43.72	18	6	0	39.75	+10.0%	+10%	+2%	+6%				15/-
OTP Bank	accumulate	13,046	10	2	3	12,231	+6.7%	+0%	+3%	-				8/-
PZU	hold	46.50	9	2	1	46.43	+0.1%	+2%	+0%	-1%				7/-
Kruk	buy	279.32	6	2	0	237.60	+17.6%	+1%	+4%	+6%				7/-
Chemicals														
Ciech	buy	75.82	10	1	0	62.25	+21.8%	-25%	+15%	+27%	-2%	+9%	+14%	8/7
Grupa Azoty	hold	33.00	1	5	2	31.88	+3.5%	-65%	-54%	-50%	-10%	-11%	-11%	4/4
Oil & Gas														
Lotos	sell	65.36	8	4	3	89.39	-26.9%	+9%	-32%	-40%	+8%	-15%	-18%	10/13
MOL	hold	3,433.0	10	3	0	3,552.1	-3.4%	-2%	-27%	-28%	+3%	-8%	-10%	9/10
PGNiG	hold	7.72	7	2	3	7.13	+8.3%	-1%	+13%	+19%	+2%	+10%	+11%	8/7
PKN Orlen	sell	83.43	3	8	7	107.13	-22.1%	-2%	-36%	-37%	+15%	-25%	-22%	18/18
Utilities														
CEZ	hold	537.80	5	8	4	558.62	-3.7%	-6%	-5%	-12%	-0%	-5%	-5%	8/9
Enea	buy	13.12	8	2	1	11.66	+12.6%	-25%	+6%	+8%	-6%	+5%	+6%	10/9
Energa	buy	13.26	4	5	2	10.65	+24.5%	+18%	-1%	-6%	-2%	-1%	-2%	10/9
PGE	buy	14.47	8	5	1	12.13	+19.3%	-21%	+1%	+8%	-8%	+1%	+3%	8/7
Tauron	buy	3.12	3	9	1	2.35	+32.8%	-10%	+24%	+32%	+0%	+9%	+11%	8/7
TMT														
Netia	hold	4.70	3	3	2	4.94	-4.8%	+6%	-3%	+1%	+17%	-4%	-2%	7/8
Orange Polska	buy	6.40	8	5	3	5.53	+15.7%	-	+54%	+37%	-0%	-2%	+0%	5/13
Play	hold	21.30	9	4	1	22.74	-6.3%	+6%	-10%	-14%	+27%	-3%	-3%	12/14
Agora	buy	16.00	2	3	0	13.23	+21.0%	+75%	-	+780%	+22%	-5%	+1%	2/3
Cyfrowy Polsat	hold	23.20	5	8	0	25.83	-10.2%	-3%	-5%	+2%	-1%	-3%	-3%	11/11
Wirtualna Polska	accumulate	61.50	6	0	0	62.63	-1.8%	-4%	+3%	+4%	-1%	+1%	+0%	5/5
Asseco Poland	accumulate	51.20	3	6	0	51.95	-1.4%	+2%	+2%	-4%	-0%	+1%	+0%	5/5
Asseco BS	neutral	-	1	2	0	29.90	-	+1%	+1%	+3%	+0%	+2%	+3%	2/2
Asseco SEE	overweight	-	3	0	0	16.95	-	+2%	+1%	+1%	+1%	+0%	+2%	2/2
CD Projekt	accumulate	217.70	11	2	1	186.52	+16.7%	-26%	-94%	+75%	-26%	-94%	+40%	9/8
Comarch	hold	160.80	2	3	1	177.73	-9.5%	-8%	-7%	-7%	-6%	-2%	-2%	4/4
Industrials														
AC	overweight	-	2	0	0	49.05	-	-1%	+2%	+2%	-1%	+1%	+1%	3/3
Alumetal	neutral	-	4	2	0	52.45	-	-6%	+8%	-1%	+1%	+6%	-3%	5/5
Amica	overweight	-	3	2	0	129.70	-	+2%	+14%	+11%	+3%	+4%	+2%	4/5
Apator	neutral	-	1	3	0	26.00	-	+9%	+4%	+0%	+5%	+2%	+0%	2/2
Famur	buy	6.61	4	1	0	6.48	+2.0%	+2%	+1%	+9%	+0%	-4%	+0%	6/5
Forte	neutral	-	2	3	2	33.50	-	-29%	-44%	-45%	+0%	-12%	-9%	5/5
Grupa Kęty	hold	324.30	4	7	0	366.61	-11.5%	+2%	-13%	-7%	-2%	-8%	-7%	6/6
JSW	reduce	60.68	7	3	4	82.09	-26.1%	+26%	-40%	-64%	+16%	-26%	-28%	10/9
Kernel	buy	60.85	5	2	0	63.46	-4.1%	-18%	-0%	+15%	-10%	+8%	+15%	5/4
KGHM	hold	92.41	3	6	9	88.65	+4.2%	-18%	-3%	-10%	+1%	-4%	-5%	13/13
Pfleiderer Group	underweight	-	6	0	2	46.00	-	-11%	-9%	-12%	+1%	-5%	-6%	5/4
Real Estate														
Atal	buy	42.86	5	0	0	41.18	+4.1%	-2%	+4%	+2%	-0%	+5%	+3%	5/5
Dom Development	accumulate	84.10	5	2	0	84.14	-0.1%	+1%	-1%	+10%	+1%	-1%	+14%	7/6
GTC	hold	9.60	7	1	1	10.03	-4.3%	+19%	+32%	+121%	+0%	+7%	+10%	7/7
Retail														
AmRest	buy	46.00	7	2	0	48.57	-5.3%	-4%	-5%	-6%	-4%	-6%	-4%	9/8
CCC	buy	291.00	9	3	1	264.31	+10.1%	-84%	+17%	+17%	-35%	+10%	+10%	9/9
Dino	hold	105.90	9	7	2	108.18	-2.1%	+1%	+3%	+1%	-0%	-0%	-3%	12/13
Eurocash	reduce	17.90	6	6	4	22.05	-18.8%	+61%	-18%	-5%	+17%	-6%	-4%	8/14
Jeronimo Martins	buy	14.60	13	8	3	14.37	+1.6%	-3%	+0%	-1%	-1%	+1%	+0%	17/18
LPP	accumulate	9,300.0	5	2	9	8,238.9	+12.9%	-6%	+21%	+22%	-2%	+8%	+8%	13/12
Monnari	underweight	-	2	1	1	8.00	-	+88%	+14%	+23%	+0%	+9%	+16%	3/3
VRG	overweight	-	5	0	1	5.12	-	-4%	+28%	+27%	-5%	+24%	+24%	4/4

Source: Bloomberg (BBG), Dom Maklerski mBanku (mDM); [1]Target Price issued by Dom Maklerski mBanku; [2]Positive/Neutral/Negative ratings count comprising the Bloomberg Consensus; [3]Average of all analyst target prices; [4]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
Financial Sector						**+16.3%**	**12.1**	**11.4**		
Alior Bank	buy	2019-02-01	57.50	87.00	58.55	+48.6%	10.7	7.7		
Handlowy	reduce	2019-02-01	69.10	65.50	70.30	-6.8%	13.9	13.0		
ING BSK	hold	2019-02-01	191.40	191.80	191.00	+0.4%	16.8	15.0		
Millennium	accumulate	2019-02-01	8.82	10.00	8.92	+12.1%	14.8	14.7		
Pekao	buy	2019-02-01	110.60	131.80	111.80	+17.9%	13.3	11.4		
PKO BP	hold	2019-02-01	39.51	40.92	39.78	+2.9%	13.3	12.0		
Santander Bank Polska	hold	2019-02-01	373.80	388.00	378.20	+2.6%	16.1	14.6		
Komercni Banka	accumulate	2018-12-05	906.50	1,000 CZK	915.00	+9.3%	11.6	11.4		
Erste Bank	buy	2019-02-04	31.00	43.72 EUR	31.00	+41.0%	7.6	8.9		
OTP Bank	accumulate	2018-12-05	11,810	13,046 HUF	11,500	+13.4%	9.5	9.5		
PZU	hold	2019-02-04	44.66	46.50	44.77	+3.9%	12.1	11.8		
Kruk	buy	2019-02-04	167.60	279.32	166.30	+68.0%	9.1	7.8		
Skarbiec Holding	buy	2018-12-05	23.50	31.36	16.70	+87.8%	5.2	4.9		
Chemicals						**+18.9%**	**12.7**	**17.5**	**6.5**	**6.2**
Ciech	buy	2019-02-04	52.40	75.82	52.85	+43.5%	12.7	8.0	6.2	5.2
Grupa Azoty	hold	2018-11-23	32.36	33.00	37.14	-11.1%	-	27.0	6.9	7.2
Oil & Gas						**-6.6%**	**8.9**	**13.3**	**5.3**	**6.1**
Lotos	sell	2019-02-04	93.00	65.36	93.56	-30.1%	9.2	16.2	5.5	7.9
MOL	hold	2019-02-04	3,284	3,433 HUF	3,284	+4.5%	8.7	11.8	4.1	4.7
PGNiG	hold	2019-02-04	7.63	7.72	7.55	+2.3%	11.6	9.5	5.5	4.5
PKN Orlen	sell	2019-02-04	104.70	83.43	105.00	-20.5%	8.2	14.9	5.2	7.5
Power Utilities						**+8.1%**	**7.8**	**5.9**	**4.5**	**4.2**
CEZ	hold	2019-02-04	568.00	537.80 CZK	568.00	-5.3%	24.5	20.0	8.7	8.4
Enea	buy	2019-02-04	10.73	13.12	10.84	+21.0%	7.8	4.2	4.5	3.6
Energa	buy	2019-02-04	10.14	13.26	10.15	+30.6%	4.4	5.9	4.1	4.2
PGE	buy	2019-02-04	11.86	14.47	12.07	+19.9%	11.7	8.2	5.1	4.3
Tauron	buy	2019-02-04	2.37	3.12	2.37	+31.6%	4.3	3.3	3.8	3.9
Telecoms, Media, IT						**+7.1%**	**22.4**	**18.2**	**6.1**	**6.2**
Netia	hold	2018-11-26	4.66	4.70	5.20	-9.6%	28.1	34.9	4.6	5.9
Orange Polska	buy	2018-11-26	4.91	6.40	5.65	+13.3%	-	70.9	5.0	4.7
Play	hold	2019-02-04	22.80	21.30	22.46	-5.2%	7.3	7.9	4.5	5.6
Agora	buy	2018-11-27	9.50	16.00	10.70	+49.5%	22.4	35.5	4.6	4.9
Cyfrowy Polsat	hold	2018-11-26	22.50	23.20	23.72	-2.2%	15.4	13.7	7.1	6.5
Wirtualna Polska	accumulate	2019-02-04	58.40	61.50	59.00	+4.2%	24.2	18.5	12.1	9.9
Asseco Poland	accumulate	2019-02-04	48.00	51.20	48.00	+6.7%	12.0	13.5	8.2	8.2
CD Projekt	accumulate	2019-02-04	190.00	217.70	190.00	+14.6%	-	-	-	-
Comarch	hold	2019-02-04	155.00	160.80	155.50	+3.4%	25.2	17.9	8.6	7.6
Industrials, Mining						**+1.8%**	**13.8**	**11.3**	**6.4**	**5.6**
Famur	buy	2019-02-04	4.98	6.61	4.99	+32.5%	14.1	11.3	6.5	5.6
Grupa Kęty	hold	2019-01-18	336.50	324.30	331.00	-2.0%	12.0	13.1	8.6	8.8
JSW	reduce	2019-02-04	68.30	60.68	69.60	-12.8%	3.5	11.4	1.5	3.5
Kernel	buy	2018-11-05	52.10	60.85	50.00	+21.7%	21.2	6.8	7.8	5.6
KGHM	hold	2019-02-04	94.16	92.41	95.90	-3.6%	13.4	8.2	5.1	4.3
Stelmet	hold	2019-02-04	8.88	8.39	8.82	-4.9%	27.0	25.4	6.3	7.4
Property Developers						**+8.1%**	**7.9**	**8.3**	**6.7**	**7.2**
Atal	buy	2018-07-04	36.40	42.86	36.70	+16.8%	7.5	7.9	6.7	7.2
Dom Development	accumulate	2019-02-04	75.00	84.10	75.00	+12.1%	8.3	8.6	6.7	7.2
GTC	hold	2018-04-06	9.39	9.60	9.32	+3.0%	11.8	9.7	15.3	14.4
Retail						**+20.2%**	**28.5**	**21.9**	**15.0**	**10.7**
AmRest	buy	2018-12-05	39.60	46.00	39.00	+17.9%	47.5	34.0	16.0	12.8
CCC	buy	2019-02-04	178.80	291.00	178.80	+62.8%	-	15.6	24.9	10.1
Dino	hold	2019-02-04	100.30	105.90	101.90	+3.9%	32.6	24.3	19.8	15.2
Eurocash	reduce	2019-02-04	20.13	17.90	19.80	-9.6%	19.7	28.3	7.6	7.8
Jeronimo Martins	buy	2019-02-04	12.38	14.60 EUR	12.38	+17.9%	19.6	17.7	8.5	7.8
LPP	accumulate	2019-02-04	8,370	9,300	8,350	+11.4%	28.5	19.5	14.0	11.2
Other						**+14.8%**	**8.6**	**10.8**	**7.2**	**7.2**
PBKM	accumulate	2018-12-05	62.00	66.57	58.00	+14.8%	8.6	10.8	7.2	7.2

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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						**14.0**	**12.4**	**6.2**	**5.3**
Ailleron	underweight	2019-01-31	11.75	11.00	-6.4%	16.8	14.2	6.9	5.5
Asseco BS	neutral	2018-03-28	28.00	29.50	+5.4%	15.7	15.0	10.8	10.0
Asseco SEE	overweight	2018-04-26	11.70	13.35	+14.1%	10.6	10.5	5.1	4.7
Atende	neutral	2019-01-31	4.40	4.25	-3.4%	12.2	10.7	5.6	5.1
Industrials						**8.5**	**9.0**	**6.0**	**6.2**
AC	overweight	2018-11-30	41.50	45.00	+8.4%	11.5	11.1	7.7	7.5
Alumetal	neutral	2018-08-23	51.00	42.20	-17.3%	8.5	8.2	6.0	6.4
Amica	overweight	2018-09-13	112.80	122.40	+8.5%	8.0	8.2	5.7	5.4
Apator	neutral	2019-01-30	25.40	25.80	+1.6%	13.2	14.3	7.9	8.2
Boryszew	neutral	2018-09-05	6.25	4.68	-25.1%	8.5	9.0	6.9	6.7
Cognor	neutral	2018-12-05	1.80	1.79	-0.6%	3.2	3.2	2.9	3.1
Ergis	underweight	2018-12-05	2.80	2.56	-8.6%	6.0	9.5	5.6	6.1
Forte	neutral	2018-10-31	40.60	23.95	-41.0%	16.2	13.6	10.0	9.2
Impexmetal	neutral	2018-12-05	3.40	3.41	+0.3%	3.3	3.8	4.8	5.3
Kruszwica	neutral	2018-10-16	43.90	38.00	-13.4%	10.4	14.2	6.0	7.3
Mangata	neutral	2018-10-01	65.40	57.60	-11.9%	7.2	9.0	5.6	6.2
Pfleiderer Group	underweight	2019-01-30	32.60	31.80	-2.5%	20.8	18.6	5.9	6.2
Pozbud	overweight	2018-09-04	3.57	2.15	-39.8%	8.2	2.5	6.7	2.7
Tarczyński	underweight	2018-12-05	17.50	15.60	-10.9%	12.1	9.8	5.5	6.1
TIM	overweight	2018-12-05	7.48	6.28	-16.0%	9.7	8.9	6.2	6.1
Retail						**11.1**	**8.9**	**7.2**	**4.7**
Monnari	underweight	2018-12-05	4.75	5.36	+12.8%	4.9	7.6	3.2	2.6
VRG	overweight	2018-12-05	3.83	3.93	+2.6%	17.3	10.1	11.3	6.8

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Issued on
Ailleron	underweight	neutral	-	-	2019-01-31
Alior Bank	buy	buy	87.00	PLN	2019-02-01
Apator	neutral	underweight	-	-	2019-01-30
Atende	neutral	overweight	-	-	2019-01-31
Grupa Kęty	hold	reduce	324.30	PLN	2019-01-18
Handlowy	reduce	accumulate	65.50	PLN	2019-02-01
ING BSK	hold	accumulate	191.80	PLN	2019-02-01
Millennium	accumulate	accumulate	10.00	PLN	2019-02-01
Pekao	buy	buy	131.80	PLN	2019-02-01
Pfleiderer Group	underweight	neutral	-	-	2019-01-30
PKO BP	hold	accumulate	40.92	PLN	2019-02-01
Santander Bank Polska	hold	accumulate	388.00	PLN	2019-02-01

Ratings and Valuations Changed as of 4th February 2019

Company	Rating	Previous Rating	Target Price		Issued on
Asseco Poland	accumulate	hold	51.20	PLN	2019-02-04
CCC	buy	buy	291.00	PLN	2019-02-04
CD Projekt	accumulate	buy	217.70	PLN	2019-02-04
CEZ	hold	hold	537.80	CZK	2019-02-04
Ciech	buy	buy	75.82	PLN	2019-02-04
Comarch	hold	accumulate	160.80	PLN	2019-02-04
Dino	hold	accumulate	105.90	PLN	2019-02-04
Dom Development	accumulate	buy	84.10	PLN	2019-02-04
Enea	buy	buy	13.12	PLN	2019-02-04
Energa	buy	buy	13.26	PLN	2019-02-04
Erste Bank	buy	buy	43.72	EUR	2019-02-04
Eurocash	reduce	hold	17.90	PLN	2019-02-04
Famur	buy	buy	6.61	PLN	2019-02-04
Jeronimo Martins	buy	buy	14.60	EUR	2019-02-04
JSW	reduce	reduce	60.68	PLN	2019-02-04
KGHM	hold	hold	92.41	PLN	2019-02-04
Kruk	buy	buy	279.32	PLN	2019-02-04
Lotos	sell	sell	65.36	PLN	2019-02-04
LPP	accumulate	buy	9300.00	PLN	2019-02-04
MOL	hold	hold	3433.00	HUF	2019-02-04
PGE	buy	buy	14.47	PLN	2019-02-04
PGNiG	hold	buy	7.72	PLN	2019-02-04
PKN Orlen	sell	sell	83.43	PLN	2019-02-04
Play	hold	buy	21.30	PLN	2019-02-04
PZU	hold	accumulate	46.50	PLN	2019-02-04
Stelmet	hold	hold	8.39	PLN	2019-02-04
Tauron	buy	buy	3.12	PLN	2019-02-04
Wirtualna Polska	accumulate	buy	61.50	PLN	2019-02-04

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	2	2.9%	1	4.2%
reduce	3	4.3%	1	4.2%
underweight	5	7.1%	2	8.3%
hold	17	24.3%	7	29.2%
neutral	10	14.3%	2	8.3%
accumulate	8	11.4%	3	12.5%
buy	19	27.1%	7	29.2%
overweight	6	8.6%	1	4.2%

Corporate Events Calendar For February

Date	Time	Company	Event
5-Feb		**Millennium**	Q4'18 preliminary earnings announcement
6-Feb		**Moneta Money**	Q4'18 earnings announcement
6-Feb		**RBI**	Q4'18 preliminary earnings announcement
6-Feb		**Libet**	Investor meetings (Inner Value, ul. Wilcza 46, Warsaw) - registration required
7-Feb	12:00	**Grupa Kęty**	Investor meetings (Regent Hotel, Warsaw)
7-Feb		**Komercni Banka**	Q4'18 earnings announcement
7-Feb		**mBank**	Q4'18 preliminary earnings announcement
13-Feb		**ING BSK**	Q4'18 preliminary earnings announcement
15-Feb		**Skarbiec**	Q2'18/19 earnings announcement
19-Feb		**Orange Polska**	Q4'18 earnings announcement
20-Feb		**Asseco SEE**	Q4'18 earnings announcement
21-Feb	11:00	**Orange Polska**	Q4’18 earnings conference (Jerozolimskie 160)
22-Feb		**MOL**	Q4'18 earnings announcement
22-Feb		**Santander**	Q4'18 earnings announcement
22-Feb		**Millenium**	Q4'18 earnings announcement
26-Feb		**Stelmet**	Q1'19 earnings announcement
26-Feb		**Pekao**	Q4'18 earnings announcement
27-Feb		**Asseco BS**	Q4'18 earnings announcement
27-Feb		**Apator**	Q4'18 earnings announcement
27-Feb		**Jeronimo Martins**	Q4'18 earnings announcement (after market close)
27-Feb		**mBank**	Q4'18 earnings announcement
28-Feb		**Alior Bank**	Q4'18 earnings announcement
28-Feb		**AmRest**	Q4'18 earnings announcement
28-Feb		**Cognor**	Q4'18 earnings announcement
28-Feb		**Eurocash**	Q4'18 earnings announcement
28-Feb		**Kernel**	Q2'19 earnings announcement
28-Feb		**Erste Bank**	Q4'18 preliminary earnings announcement
28-Feb		**GPW**	Q4'18 earnings announcement
28-Feb		**Netia**	Q4'18 earnings announcement

Financial Sector

Alior Bank

buy (no change)

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We maintain a buy rating for Alior Bank, which is still a top pick for February. At the current levels, recently updated to reflect expectations of no change in interest rates in Poland until the Monetary Council's current term ends in 2022, our earnings forecasts for Alior sit 9%-12% higher than the corresponding consensus forecasts. The estimate for 2019 might look overly ambitious at first glance at PLN 986m, but relative to the 2018 target of PLN 873m before one-offs it is not as much of a stretch. Alior may incur a setback as high as PLN 50m this year depending on the outcomes of the ongoing misselling probe by the financial regulator. From the market's standpoint, an equally crucial catalyst aside from increasing profits is the stability restored in the Bank's top management ranks after several reshuffles over the past year. Alior's owner, PZU, seems to have given a nod to the new Board by sending its CFO, who also serves as Alior's Supervisory Board Chair, to sit in at a recent conference call. ALR remains grossly undervalued relative to its bullish prospects.

Current Price	58.55 PLN	**Upside**
9M Target Price	87.00 PLN	+48.6%

	rating	target price	issued
unchanged	**buy**	**87.00 PLN**	**2019-02-01**

Key Metrics			**ALR**	**vs. WIG**
Ticker	ALR	1M Price Chng	+9.6%	+3.6%
ISIN	PLALIOR00045	YTD Price Chng	+10.2%	+5.0%
Outst. Stock (m)	129.3	ADTV 1M		PLN 16.3m
MC (PLN m)	7,568.0	ADTV 6M		PLN 19.4m
		P/E 12M fwd	8.6	-36.1%
Free Float	74.8%	P/E 5Y avg	13.5	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	1,946	3,601	3,087	3,416	3,654
Total income	3,198	3,797	4,113	4,469	4,731
Costs	-1,619	-1,930	-1,836	-1,895	-1,903
Provisioning	-800	-930	-1,085	-1,026	-1,095
Net income	575	515	709	986	1,113
P/E	10.3	14.7	10.7	7.7	6.8
P/B	1.2	1.1	1.0	0.9	0.8
ROE	11.9%	8.0%	10.0%	12.4%	12.3%
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	1,946	2,841	3,087	3,416	3,654
Fee income	331	453	427	434	441
Trading income	342	376	465	479	488
Other income	578	127	133	140	147
Noninterest income	**1,252**	**956**	**1,026**	**1,053**	**1,077**
Total income	**3,198**	**3,797**	**4,113**	**4,469**	**4,731**
Operating expenses	1,619	1,930	1,836	1,895	1,903
Operating income	**1,579**	**1,867**	**2,276**	**2,574**	**2,828**
Provisioning	800	930	1,085	1,026	1,095
Profits of associates	0	0	0	0	0
Pre-tax income	**779**	**937**	**1,192**	**1,548**	**1,733**
Tax	73	221	271	325	364
Minority interests	0	0	0	0	0
Asset tax	131	201	211	237	256
Net income	**575**	**515**	**709**	**986**	**1,113**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	**46,247**	**51,267**	**56,245**	**61,188**	**65,822**
Other assets	14,913	18,227	18,705	19,450	20,385
Total assets	**61,160**	**69,494**	**74,950**	**80,638**	**86,207**
Deposits	**51,369**	**57,614**	**60,213**	**64,231**	**68,990**
Other liabilities	3,632	5,117	7,266	7,951	7,649
Minority interests	1	1	0	0	0
Equity	**6,159**	**6,761**	**7,470**	**8,456**	**9,569**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	4.1%	4.3%	4.4%	4.5%	4.5%
C/I	50.6%	50.8%	44.6%	42.4%	40.2%
CoR	1.9%	1.8%	1.9%	1.7%	1.6%
NPL Ratio	9.8%	10.8%	10.6%	10.4%	10.2%
Tier 1 Ratio	11.3%	12.1%	12.7%	13.5%	14.8%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	281	2%
Value Driver (2021-35)	10,175	74%
Fade (2036-55)	2,473	18%
Terminal Value	874	6%
Fair Value	**13,804**	**100%**
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**106.79**	
9M Target Price (PLN)	**113.60**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,987	53%
Explicit Forecast (2018-20)	1,234	9%
PV Adjustment	785	6%
Value Driver (2021-35)	3,583	27%
Fade (2036-55)	667	5%
Fair Value	**13,254**	**100%**
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**102.54**	
9M Target Price (PLN)	**109.08**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	13,804
Economic Profits	50%	13,254
Fair Value Avg.		13,529
Fair Value Per Share (PLN)		104.67
Asset tax		-22.88
Fair Value Per Share		81.79
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**87.00**

mBank Dom Maklerski

Handlowy
reduce (no change)

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We maintain a reduce rating for Handlowy. After accounting for an expected lack of the three interest rate hikes originally forecast in 2020, we had to slash the Bank's net profit projection for the year by 10% – the largest cut of all rated banks. What makes Handlowy's profits so sensitive to interest rates is its large portfolio of consumer loans, equivalent to 37% of the total loan book. Handlowy used to be traded at a premium to peers, but a premium no longer applies since the Bank's transformation from a dividend to a growth stock after it came up short of the TCR requirement for a 100% dividend payout in Q3 2018, with the shortfall worsened by the imposition of a hefty stress-test add on of 4.44pp earlier this year. Handlowy has an ambition to accelerate its expansion in retail banking, but we question whether it can given the poor track record so far; since 2007 the Bank has grown its market share in mortgage loans from 0.1% to 0.4%, and at the same time it shrunk its presence in NMLs from 3.5% to 2.0%. A small branch network is also not helpful in furthering the sales ambitions. With all this in mind, we see Handlowy, or at least its retail business, as being put up for sale in the near future.

Current Price	70.30 PLN	**Downside**
9M Target Price	65.50 PLN	-6.8%

	rating	target price	issued
unchanged	**reduce**	**65.50 PLN**	**2019-02-01**

Key Metrics			BHW	vs. WIG
Ticker	BHW	1M Price Chng	+1.6%	-4.5%
ISIN	PLBH00000012	YTD Price Chng	+1.7%	-3.4%
Outst. Stock (m)	130.7	ADTV 1M		PLN 2.5m
MC (PLN m)	9,185.4	ADTV 6M		PLN 2.9m
		P/E 12M fwd	13.9	-10.7%
Free Float	25.0%	P/E 5Y avg	15.6	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	1,004	1,082	1,118	1,188	1,221
Total income	2,082	2,079	2,222	2,328	2,394
Costs	-1,202	-1,192	-1,211	-1,246	-1,278
Provisioning	-46	-103	-72	-79	-96
Net income	602	536	662	705	712
P/E	15.3	17.2	13.9	13.0	12.9
P/B	1.4	1.3	1.3	1.3	1.2
ROE	8.8%	7.8%	9.5%	9.8%	9.7%
DPS	4.68	4.60	4.10	3.80	4.05
DYield	6.7%	6.5%	5.8%	5.4%	5.8%

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	1,004	1,082	1,118	1,188	1,221
Fee income	561	581	548	568	587
Trading income	497	396	513	528	541
Other income	48	21	43	44	46
Noninterest income	**1,107**	**997**	**1,104**	**1,140**	**1,173**
Total income	**2,111**	**2,079**	**2,222**	**2,328**	**2,394**
Operating expenses	1,231	1,192	1,211	1,246	1,278
Operating income	**879**	**888**	**1,011**	**1,082**	**1,116**
Provisioning	46	103	72	79	96
Profits of associates	0	0	0	0	0
Pre-tax income	**834**	**785**	**939**	**1,002**	**1,021**
Tax	163	172	194	207	211
Minority interests	0	0	0	0	0
Asset tax	69	78	83	90	97
Net income	**602**	**536**	**662**	**705**	**712**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	**17,170**	**17,854**	**19,860**	**21,659**	**23,246**
Other assets	28,040	25,184	25,679	26,275	27,133
Total assets	**45,210**	**43,038**	**45,539**	**47,934**	**50,379**
Deposits	**29,251**	**32,137**	**26,976**	**27,337**	**27,870**
Other liabilities	9,169	3,962	11,499	13,324	15,053
Minority interests	0	0	0	0	0
Equity	**6,790**	**6,939**	**7,064**	**7,273**	**7,456**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.2%	2.5%	2.7%	2.7%	2.6%
C/I	58.3%	57.9%	54.5%	53.5%	53.4%
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%	16.8%	16.8%	16.9%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	907	10%
PV Adjustment	177	2%
Value Driver (2021-35)	6,259	69%
Fade (2036-55)	1,110	12%
Terminal Value	558	6%
Fair Value	**9,011**	**100%**
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**68.97**	
9M Target Price (PLN)	**73.36**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,332	91%
Explicit Forecast (2018-20)	138	1%
PV Adjustment	544	6%
Value Driver (2021-35)	156	2%
Fade (2036-55)	18	0%
Fair Value	**9,187**	**100%**
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**70.31**	
9M Target Price (PLN)	**74.79**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	9,011
Economic Profits	50%	9,187
Fair Value Avg.		9,099
Fair Value Per Share (PLN)		69.64
Asset tax		-8.06
Fair Value Per Share		61.57
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**65.50**

ING BSK
hold (no change)

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We maintain a hold rating for ING BSK. We recently updated our view on the Bank to account for the fact that we no longer expect interest rates in Poland to increase through to the end of 2020, and to adjust for the upcoming acquisition of a 45% stake in the asset manager NN TFI (45%). After also adopting more conservative outlook on future provisioning, we reduced our 2019 and 2020 net income forecasts by 1.8% and 3.6%, respectively. We feel the analysts' consensus for 2019 should also shift about 4% lower even after already being cut by 8% over the last 12 months. The forecasts for 2020 look right. 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 minimal exposure to CHF loan risk, fast-paced growth, consistent dividends, and one of the region's highest ROE, expected to come in as 12.8% in 2019. When it comes to upside catalysts, however, we see none coming this year either from earnings or from dividends.

Current Price	191.00 PLN	**Upside**
9M Target Price	191.80 PLN	+0.4%

	rating	target price	issued
unchanged	**hold**	**191.80 PLN**	**2019-02-01**

Key Metrics			ING	vs. WIG
Ticker	ING	1M Price Chng	+6.1%	+0.0%
ISIN	PLBSK0000017	YTD Price Chng	+6.1%	+1.0%
Outst. Stock (m)	130.1	ADTV 1M		PLN 1.7m
MC (PLN m)	24,849.1	ADTV 6M		PLN 2.2m
		P/E 12M fwd	14.8	-5.7%
Free Float	25.0%	P/E 5Y avg	15.7	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	2,953	3,453	3,743	4,139	4,570
Total income	4,325	4,756	5,216	5,620	6,091
Costs	-2,099	-2,123	-2,337	-2,429	-2,524
Provisioning	-301	-421	-542	-579	-642
Net income	1,253	1,403	1,478	1,658	1,856
P/E	19.8	17.7	16.8	15.0	13.4
P/B	2.4	2.1	2.0	1.8	1.7
ROE	11.8%	12.6%	12.2%	12.7%	13.1%
DPS	4.30	0.00	3.20	3.41	3.82
DYield	2.3%	0.0%	1.7%	1.8%	2.0%

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	2,953	3,453	3,743	4,139	4,570
Fee income	1,065	1,183	1,304	1,327	1,360
Trading income	287	117	152	137	144
Other income	19	3	17	17	17
Noninterest income	**1,371**	**1,303**	**1,473**	**1,481**	**1,521**
Total income	**4,325**	**4,756**	**5,216**	**5,620**	**6,091**
Operating expenses	2,099	2,123	2,337	2,429	2,524
Operating income	**2,225**	**2,633**	**2,879**	**3,191**	**3,567**
Provisioning	301	421	542	579	642
Profits of associates	0	0	0	12	25
Pre-tax income	**1,925**	**2,212**	**2,338**	**2,625**	**2,951**
Tax	391	479	491	551	620
Minority interests	0	0	0	0	0
Asset tax	280	330	369	415	475
Net income	**1,253**	**1,403**	**1,478**	**1,658**	**1,856**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	**81,980**	**91,088**	**100,927**	**114,221**	**126,681**
Other assets	35,498	34,926	34,688	37,158	39,848
Total assets	**117,478**	**126,014**	**135,615**	**151,379**	**166,529**
Deposits	**95,825**	**104,503**	**115,295**	**125,406**	**133,178**
Other liabilities	11,175	9,716	7,798	12,416	18,642
Minority interests	2	0	0	0	0
Equity	**10,475**	**11,795**	**12,522**	**13,557**	**14,709**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.7%	2.9%	2.9%	2.9%	2.9%
C/I	48.5%	44.6%	44.8%	43.2%	41.4%
CoR	0.4%	0.5%	0.6%	0.5%	0.5%
NPL Ratio	2.6%	2.8%	2.7%	2.7%	2.7%
Tier 1 Ratio	13.7%	15.8%	15.1%	14.9%	15.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	1,341	5%
PV Adjustment	871	3%
Value Driver (2021-35)	17,232	61%
Fade (2036-55)	7,165	25%
Terminal Value	1,867	7%
Fair Value	**28,476**	**100%**
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**218.88**	
9M Target Price (PLN)	**232.83**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	11,950	41%
Explicit Forecast (2018-20)	2,237	8%
PV Adjustment	1,735	6%
Value Driver (2021-35)	10,137	35%
Fade (2036-55)	3,253	11%
Fair Value	**29,311**	**100%**
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**225.30**	
9M Target Price (PLN)	**239.66**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	28,476
Economic Profits	50%	29,311
Fair Value Avg.		28,894
Fair Value Per Share (PLN)		222.09
Asset tax		-41.78
Fair Value Per Share		180.31
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**191.80**

mBank Dom Maklerski

Millennium
accumulate (no change)

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We maintain an accumulate rating for Millennium. The cancellation of the original three-hike scenario for 2020 interest rates has had a negligible effect on our earnings outlook for the year since it had already assumed slow NIM growth after the acquisition of Eurobank. On the upside, by buying the smaller local lender, Millennium made good use of the high capital surplus accumulated under increasingly more stringent dividend restrictions. With that said, the dip into the excess cash stockpile means the Bank will probably not make a distribution to its shareholders for at least three more years. By acquiring Eurobank, Millennium will increase its market share by an estimated 1.6% in retail lending and 0.9% in total loans. The need to integrate operations at an estimated cost of PLN 200m, while Eurobank's contributions to the consolidated earnings will not start until around mid-year at the earliest, means 2019 will be a challenging year for Millennium in terms of earnings, which are expected to remain flat this year against a 14% rebound forecast for the whole sector. Lastly, when it comes to FX mortgage relief, its passing this year at worst will wipe out the current upside potential offered by MIL, estimated at 12%.

Current Price	8.92 PLN	**Upside**
9M Target Price	10.00 PLN	+12.1%

	rating	target price	issued
unchanged	**accumulate**	**10.00 PLN**	**2019-02-01**

Key Metrics			MIL	vs. WIG
Ticker	MIL	1M Price Chng	+2.4%	-3.7%
ISIN	PLBIG0000016	YTD Price Chng	+0.6%	-4.6%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 5.5m
MC (PLN m)	10,821.0	ADTV 6M		PLN 8.5m
		P/E 12M fwd	14.2	+10.2%
Free Float	50.0%	P/E 5Y avg	12.9	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	1,506	1,696	1,804	2,282	2,783
Total income	2,628	2,650	2,754	3,322	3,913
Costs	-1,112	-1,156	-1,337	-1,803	-1,894
Provisioning	-231	-255	-229	-308	-400
Net income	701	681	733	735	1,026
P/E	15.4	15.9	14.8	14.7	10.5
P/B	1.6	1.4	1.3	1.2	1.1
ROE	10.5%	9.3%	9.1%	8.5%	10.8%
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
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)	desp	2017	2018P	2019P	2020P
Net interest income	1,506	1,696	1,804	2,282	2,783
Fee income	581	664	663	717	771
Trading income	491	220	242	276	310
Other income	51	70	45	47	48
Noninterest income	**1,122**	**953**	**950**	**1,039**	**1,130**
Total income	**2,628**	**2,650**	**2,754**	**3,322**	**3,913**
Operating expenses	1,268	1,281	1,337	1,803	1,894
Operating income	**1,360**	**1,369**	**1,417**	**1,519**	**2,019**
Provisioning	231	255	229	308	400
Profits of associates	0	0	0	0	0
Pre-tax income	**1,127**	**1,114**	**1,188**	**1,210**	**1,619**
Tax	252	244	256	261	349
Minority interests	0	0	0	0	0
Asset tax	174	188	199	214	244
Net income	**701**	**681**	**733**	**735**	**1,026**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	**47,020**	**47,411**	**52,108**	**67,538**	**71,772**
Other assets	21,773	23,730	24,473	27,632	28,597
Total assets	**68,793**	**71,141**	**76,581**	**95,170**	**100,369**
Deposits	**55,876**	**57,273**	**61,466**	**69,899**	**71,828**
Other liabilities	5,976	6,096	6,796	16,241	18,519
Minority interests	0	0	0	0	0
Equity	**6,941**	**7,773**	**8,319**	**9,031**	**10,021**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.3%	2.4%	2.5%	2.7%	2.9%
C/I	48.3%	48.3%	48.6%	54.3%	48.4%
CoR	0.5%	0.5%	0.4%	0.5%	0.6%
NPL Ratio	4.5%	4.6%	4.8%	5.4%	5.2%
Tier 1 Ratio	17.3%	20.3%	20.4%	17.6%	18.3%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	426	3%
Value Driver (2021-35)	10,355	71%
Fade (2036-55)	3,010	21%
Terminal Value	853	6%
Fair Value	**14,644**	**100%**
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**12.07**	
9M Target Price (PLN)	**12.84**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,029	58%
Explicit Forecast (2018-20)	776	6%
PV Adjustment	815	6%
Value Driver (2021-35)	3,061	22%
Fade (2036-55)	1,093	8%
Fair Value	**13,774**	**100%**
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**11.35**	
9M Target Price (PLN)	**12.08**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	14,644
Economic Profits	50%	13,774
Fair Value Avg.		14,209
Fair Value Per Share (PLN)		11.71
Asset tax		-2.31
Fair Value Per Share		9.40
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**10.00**

Pekao
buy (no change)

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We maintain a buy rating for Pekao. A lack of interest rate hikes assumed in 2020 knocked only 2.8% off our original net income forecast for the year. We have had to trim the expected 2019 dividend payout ratio from 90% to 75% in the wake of the new ST add-on capital buffer, but we assume this will be followed by a hike in the payouts the Bank has planned for subsequent years from 70% to 75%. At these levels, Pekao's shareholders can still expect superior payouts, with 2021 DPS likely to top that offered in 2018 (at an 84% payout ratio) after an acceleration in ROE growth to 11.7% from 9% in 2019. On top of that, the capital retained through lower dividends can be used to extend loan growth at an annual rate of 9% into future years. PEO is a relatively low-risk investment thanks to its minimal sensitivity to changes (or lack thereof) in interest rates and the planned FX borrower relief measures. For all these reasons, from our point of view, Pekao deserves premium valuation relative to its peers, most notably the #1 rival PKO BP.

Current Price	111.80 PLN	**Upside**
9M Target Price	131.80 PLN	+17.9%

	rating	target price	issued
unchanged	**buy**	**131.80 PLN**	**2019-02-01**

Key Metrics			PEO	vs. WIG
Ticker	PEO	1M Price Chng	+2.7%	-3.4%
ISIN	PLPEKAO00016	YTD Price Chng	+2.6%	-2.6%
Outst. Stock (m)	262.5	ADTV 1M		PLN 107.0m
MC (PLN m)	29,344.1	ADTV 6M		PLN 84.8m
		P/E 12M fwd	12.0	-22.2%
Free Float	67.2%	P/E 5Y avg	15.4	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	4,382	4,593	4,997	5,559	6,052
Total income	7,302	7,278	7,785	8,329	8,915
Costs	-3,494	-3,535	-3,715	-3,728	-3,843
Provisioning	-501	-521	-557	-641	-696
Net income	2,279	2,475	2,211	2,571	2,850
P/E	12.9	11.9	13.3	11.4	10.3
P/B	1.3	1.3	1.2	1.2	1.1
ROE	9.8%	10.7%	9.5%	10.7%	11.4%
DPS	8.70	8.68	7.90	6.32	7.35
DYield	7.8%	7.8%	7.1%	5.7%	6.6%

Projection Update (% change)	2018P	2019P	2020P
Net interest income	0.0%	0.0%	0.0%
Fee income	0.0%	0.0%	0.0%
Total costs	0.0%	0.0%	0.0%
Provisioning	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Net interest income	4,382	4,593	4,997	5,559	6,052
Fee income	2,390	2,353	2,445	2,520	2,593
Trading income	508	255	275	173	184
Other income	21	77	68	77	87
Noninterest income	**2,920**	**2,685**	**2,788**	**2,770**	**2,863**
Total income	**7,302**	**7,278**	**7,785**	**8,329**	**8,915**
Operating expenses	3,494	3,535	3,715	3,728	3,843
Operating income	**3,808**	**3,743**	**4,070**	**4,601**	**5,072**
Provisioning	501	521	557	641	696
Profits of associates	39	453	0	0	0
Pre-tax income	**3,346**	**3,675**	**3,513**	**3,960**	**4,375**
Tax	617	677	737	752	831
Minority interests	0	-1	-1	0	0
Asset tax	450	522	565	637	694
Net income	**2,279**	**2,475**	**2,211**	**2,571**	**2,850**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	**122,664**	**132,301**	**139,429**	**152,507**	**166,359**
Other assets	51,551	53,165	55,623	58,113	60,739
Total assets	**174,215**	**185,466**	**195,052**	**210,620**	**227,097**
Deposits	**137,816**	**146,186**	**153,496**	**169,534**	**183,893**
Other liabilities	13,487	16,011	18,067	16,674	17,410
Minority interests	15	0	0	0	0
Equity	**22,897**	**23,268**	**23,489**	**24,411**	**25,794**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.7%	2.6%	2.7%	2.8%	2.9%
C/I	48.4%	48.6%	48.9%	46.0%	44.3%
CoR	0.4%	0.4%	0.4%	0.4%	0.4%
NPL Ratio	6.0%	5.4%	4.8%	4.7%	4.6%
Tier 1 Ratio	17.6%	16.1%	17.3%	16.5%	16.2%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	3,166	8%
PV Adjustment	838	2%
Value Driver (2021-35)	26,902	67%
Fade (2036-55)	7,296	18%
Terminal Value	2,114	5%
Fair Value	**40,317**	**100%**
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**153.69**	
9M Target Price (PLN)	**163.48**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,842	62%
Explicit Forecast (2018-20)	2,588	6%
PV Adjustment	2,410	6%
Value Driver (2021-35)	9,408	23%
Fade (2036-55)	1,458	4%
Fair Value	**40,706**	**101%**
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**155.09**	
9M Target Price (PLN)	**164.98**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	40,317
Economic Profits	50%	40,706
Fair Value Avg.		40,511
Fair Value Per Share (PLN)		154.39
Asset tax		-30.49
Fair Value Per Share		123.90
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**131.80**

mBank Dom Maklerski

PKO BP
hold (no change)

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After adjusting for the assumed lack of interest rate hikes through 2022, we recently revise our 2020 interest income forecast for PKO 3.5% lower, and we trimmed the net income forecast by 5.1%, with the assumption that low interest rates will help maintain a strong lending momentum in the next two years which will mitigate any contraction in interest income. Interestingly, our 2020 target is only 2.1% lower than the current consensus forecast, suggesting analysts may be underestimating PKO's income-generating potential and capability for organic growth. We have also raised our expectations as to the 2019 dividend payout ratio to 50%. Without actually factoring this into our forecasts, we estimate roughly that the passing of the FX mortgage relief bill in mid-2019 would create a setback of 5.7% against this year's net income, rising to 9.1% in 2020. In subsequent years, the burden will weigh with a decreasing force. The upside of the FX law is that it would unfreeze about PLN 0.8bn of PKO's capital after a forced conversion of CHF mortgages into zlotys. All in all, we consider PKO fairly valued at the current level given all the possible scenarios in an election year.

Current Price	39.78 PLN	**Upside**
9M Target Price	40.92 PLN	+2.9%

	rating	target price	issued
unchanged	**hold**	**40.92 PLN**	**2019-02-01**

Key Metrics			PKO	vs. WIG
Ticker	PKO	1M Price Chng	+0.5%	-5.5%
ISIN	PLPKO0000016	YTD Price Chng	+0.8%	-4.4%
Outst. Stock (m)	1,250.0	ADTV 1M		PLN 140.7m
MC (PLN m)	49,725.0	ADTV 6M		PLN 110.5m
		P/E 12M fwd	12.3	-6.7%
Free Float	70.6%	P/E 5Y avg	13.2	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	7,755	10,919	9,302	10,081	10,730
Total income	12,121	12,803	13,661	14,548	15,316
Costs	-5,590	-6,024	-6,212	-6,431	-6,640
Provisioning	-1,623	-1,620	-1,427	-1,650	-1,873
Net income	2,874	3,104	3,733	4,132	4,344
P/E	17.3	16.0	13.3	12.0	11.4
P/B	1.5	1.4	1.3	1.2	1.1
ROE	9.1%	9.0%	9.9%	10.2%	10.1%
DPS	0.00	0.00	0.55	1.49	1.65
DYield	0.0%	0.0%	1.4%	3.8%	4.2%

Projection Update (% change)	2018P	2019P	2020P
Net interest income	0.0%	0.0%	0.0%
Fee income	0.0%	0.0%	0.0%
Total costs	0.0%	0.0%	0.0%
Provisioning	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Net interest income	7,755	8,606	9,302	10,081	10,730
Fee income	2,693	2,969	3,001	3,098	3,189
Trading income	1,024	518	683	681	695
Other income	649	710	675	688	702
Noninterest income	**4,366**	**4,197**	**4,359**	**4,467**	**4,586**
Total income	**12,121**	**12,803**	**13,661**	**14,548**	**15,316**
Operating expenses	5,920	6,024	6,212	6,431	6,640
Operating income	**6,200**	**6,779**	**7,449**	**8,117**	**8,677**
Provisioning	1,623	1,620	1,427	1,650	1,873
Profits of associates	35	22	23	24	25
Pre-tax income	**4,612**	**5,181**	**6,045**	**6,492**	**6,829**
Tax	-907	-1,140	-1,360	-1,363	-1,434
Minority interests	-2	-5	-2	-2	-2
Asset tax	829	932	951	994	1,049
Net income	**2,874**	**3,104**	**3,733**	**4,132**	**4,344**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Net loans	**200,607**	**205,628**	**216,454**	**231,754**	**247,776**
Other assets	84,966	91,284	95,403	99,638	103,970
Total assets	**285,573**	**296,912**	**311,857**	**331,391**	**351,746**
Deposits	**205,066**	**218,800**	**228,982**	**242,291**	**256,414**
Other liabilities	47,938	41,856	43,571	47,532	50,657
Minority interests	-16	-11	-9	-10	-10
Equity	**32,585**	**36,267**	**39,312**	**41,578**	**44,685**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	3.0%	3.0%	3.2%	3.3%	3.3%
C/I	48.8%	47.1%	45.5%	44.2%	43.3%
CoR	0.8%	0.8%	0.7%	0.7%	0.8%
NPL Ratio	5.9%	5.5%	4.9%	4.8%	4.8%
Tier 1 Ratio	14.5%	16.5%	16.9%	17.0%	17.6%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	3,475	6%
PV Adjustment	134	0%
Value Driver (2021-35)	43,117	72%
Fade (2036-55)	10,831	18%
Terminal Value	2,587	4%
Fair Value	**60,144**	**100%**
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**48.12**	
9M Target Price (PLN)	**51.18**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	38,243	64%
Explicit Forecast (2018-20)	3,837	6%
PV Adjustment	3,493	6%
Value Driver (2021-35)	11,106	19%
Fade (2036-55)	2,757	5%
Fair Value	**59,435**	**100%**
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**47.55**	
9M Target Price (PLN)	**50.58**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	60,144
Economic Profits	50%	59,435
Fair Value Avg.		59,790
Fair Value Per Share (PLN)		47.83
Asset tax		-9.36
Fair Value Per Share		38.47
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**40.92**

Santander Bank Polska
hold (no change)

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We maintain a hold rating for Santander Bank Polska. We recently adjusted cost-of-risk expectations for the next three years to 80bp, resulting in a trimmed 2020 net income estimate, and we have revised Santander's outlook to reflect the disappointing fee income generated in 2018. The expected lack of changes in interest rates through mid-2022 in our view will not affect future interest income. Santander says it can grow NIM by 30bp by reducing financing costs, however we think a 10bp rise is more realistic. The FX mortgage law is still the biggest source of downside risk to our forecasts; its toll on Santander in our worst-case-scenario might reach PLN 760m combined, which would imply a need to deduct PLN 6.19 from our per-share valuation, but which would not entail a downgrade of our positive view on the Bank. In the near future the pain that is the FX loan issue should be eased by a record-high dividend coming this year, with the regular distribution at 25% of 2018 earnings beefed up by a payout of the whole of undistributed earnings accumulated in prior years, i.e. PLN 1,470m total or PLN 20.21 per share. This provided the market regulator gives a green light.

Current Price	378.20 PLN	**Upside**
9M Target Price	388.00 PLN	+2.6%

	rating	target price	issued
unchanged	**hold**	**388.00 PLN**	**2019-02-01**

Key Metrics			**BZW**	**vs. WIG**
Ticker	BZW	1M Price Chng	+5.3%	-0.7%
ISIN	PLBZ00000044	YTD Price Chng	+5.6%	+0.4%
Outst. Stock (m)	99.2	ADTV 1M		PLN 21.6m
MC (PLN m)	37,530.5	ADTV 6M		PLN 22.3m
		P/E 12M fwd	14.5	-0.2%
Free Float	31.7%	P/E 5Y avg	14.6	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
NII	4,770	5,277	5,742	6,792	7,487
Total income	7,606	7,764	8,349	9,657	10,417
Costs	-3,368	-3,372	-3,769	-4,117	-4,116
Provisioning	-785	-690	-1,138	-1,182	-1,258
Net income	2,167	2,213	2,365	2,648	3,155
P/E	17.3	17.0	16.1	14.6	12.2
P/B	1.9	1.7	1.5	1.4	1.3
ROE	11.1%	10.6%	10.1%	10.3%	11.4%
DPS	21.33	5.40	3.10	20.24	12.98
DYield	5.6%	1.4%	0.8%	5.4%	3.4%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
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)	2017	2018P	2019P	2020P	2021P
Net interest income	5,277	5,742	6,792	7,487	8,031
Fee income	2,013	2,058	2,271	2,323	2,400
Trading income	323	335	371	375	379
Other income	151	214	222	231	241
Noninterest income	**2,487**	**2,606**	**2,864**	**2,930**	**3,019**
Total income	**7,764**	**8,349**	**9,657**	**10,417**	**11,050**
Operating expenses	3,372	3,769	4,117	4,116	4,110
Operating income	**4,391**	**4,580**	**5,539**	**6,301**	**6,940**
Provisioning	690	1,138	1,182	1,258	1,359
Profits of associates	58	63	63	63	63
Pre-tax income	**3,759**	**3,892**	**4,420**	**5,105**	**5,644**
Tax	817	727	888	1,026	1,134
Minority interests	-305	-334	-318	-320	-305
Asset tax	-424	-466	-565	-603	-648
Net income	**2,213**	**2,365**	**2,648**	**3,155**	**3,557**

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Net loans	**107,840**	**137,460**	**148,697**	**160,386**	**172,272**
Other assets	44,835	68,392	71,612	75,988	80,701
Total assets	**152,674**	**205,853**	**220,309**	**236,374**	**252,973**
Deposits	**111,481**	**149,617**	**158,759**	**170,347**	**185,107**
Other liabilities	17,850	29,914	33,050	35,574	34,929
Minority interests	1,436	1,564	1,686	1,808	1,925
Equity	**21,907**	**24,758**	**26,814**	**28,646**	**31,012**

Key Ratios

(%)	2017	2018P	2019P	2020P	2021P
NIM	3.6%	3.3%	3.3%	3.4%	3.4%
C/I	43.4%	45.1%	42.6%	39.5%	37.2%
CoR	0.6%	0.9%	0.8%	0.8%	0.8%
NPL Ratio	5.8%	4.5%	4.5%	4.4%	4.6%
Tier 1 Ratio	15.3%	11.5%	12.1%	12.0%	12.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	4,262	10%
PV Adjustment	2,218	5%
Value Driver (2021-35)	23,554	53%
Fade (2036-55)	10,196	23%
Terminal Value	4,031	9%
Fair Value	**44,262**	**100%**
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**446.03**	
9M Target Price (PLN)	**474.47**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,408	58%
Explicit Forecast (2018-20)	5,051	12%
PV Adjustment	283	1%
Value Driver (2021-35)	10,470	25%
Fade (2036-55)	2,115	5%
Fair Value	**42,327**	**100%**
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**426.53**	
9M Target Price (PLN)	**453.73**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	44,262
Economic Profits	50%	42,327
Fair Value Avg.		43,294
Fair Value Per Share (PLN)		436.28
Asset tax		-71.54
Fair Value Per Share		364.75
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**388.00**

mBank Dom Maklerski

Komercni Banka
accumulate (no change)

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We maintain an accumulate rating for Komercni. Our 2019-2020 earnings outlook for the Bank indicates 5-7% higher results than currently forecast by the market. We anticipate a rebound in NIM this year by an estimated 5bp, which will be partly offset by normalization of cost of risk to 13bp (+0.27pp y/y). Supported by high ROE (>14% compared to 10% expected of Polish banks), assuming a 52% payout ratio, we expect Komercni to offer dividend yields close to 6% in the next two years versus 3% expected from its Polish peers. Moreover the Czech bank has no exposure to systemic risk. With all this in mind, we believe KOMB should be valued at a 15% premium on price-to-book, while its P/E should be on a par with peer ratios.

Current Price	915.00 CZK	**Upside**
9M Target Price	1,000.00 CZK	+9.3%

	rating	target price	issued
unchanged	**accumulate**	**1,000.00 CZK**	**2018-12-05**

Key Metrics			**KOMB.CP**	**vs. WIG**
Ticker	KOMB.CP	1M Price Chng	+7.0%	+1.0%
ISIN	CZ0008019106	YTD Price Chng	+8.0%	+2.9%
Outst. Stock (m)	188.9	ADTV 1M	CZK 149.5m	
MC (CZK bn)	172.8	ADTV 6M	CZK 127.0m	
		P/E 12M fwd	12.2	-12.2%
Free Float	39.6%	P/E 5Y avg	13.8	discount

Earnings Projections

(CZK m)	2016	2017	2018P	2019P	2020P
NII	21,069	20,808	22,225	24,821	26,493
Total income	31,751	31,060	31,808	34,401	36,339
Costs	-14,026	-13,374	-14,495	-14,876	-15,215
Provisioning	-1,817	391	897	-886	-1,758
Net income	13,689	14,930	14,857	15,119	15,728
P/E	12.6	11.6	11.6	11.4	11.0
P/B	1.7	1.8	1.7	1.6	1.5
ROE	13.4%	15.0%	14.9%	14.2%	13.9%
DPS	62.00	40.00	47.00	52.00	52.00
DYield	6.8%	4.4%	5.1%	5.7%	5.7%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Net interest income	+0.8%	0.0%	0.0%
Fee income	0.0%	0.0%	0.0%
Total costs	+1.0%	0.0%	0.0%
Provisioning	-16.4%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

(CZK m)	2016	2017	2018P	2019P	2020P
Net interest income	21,067	20,808	22,406	24,821	26,493
Fee income	6,683	6,465	6,143	6,290	6,452
Trading income	3,837	3,576	3,218	3,057	3,149
Other income	170	211	222	233	244
Total income	**31,757**	**31,060**	**31,989**	**34,401**	**36,339**
Operating expenses	-14,033	-13,374	-14,641	-14,876	-15,215
Operating income	**17,724**	**17,686**	**17,348**	**19,525**	**21,124**
Provisioning	-1,818	391	750	-886	-1,758
Net oper. income	**15,906**	**18,077**	**18,210**	**18,638**	**19,366**
Profits of associates	967	209	324	211	221
Retirement benefits	0	0	0	0	0
Pre-tax income	**16,873**	**18,286**	**18,534**	**18,849**	**19,587**
Tax	-2,799	-3,012	-3,336	-3,393	-3,526
Minority interests	386	344	341	337	334
Net income	**13,688**	**14,930**	**14,857**	**15,119**	**15,728**

Key Balance Sheet Figures

(CZK bn)	2016	2017	2018P	2019P	2020P
Net loans	**580**	**598**	**640**	**672**	**707**
Other assets	343	406	501	521	534
Total assets	**923**	**1,004**	**1,141**	**1,193**	**1,241**
Deposits	**699**	**762**	**843**	**882**	**924**
Other liabilities	118	142	191	197	195
Minority interests	4	4	4	4	4
Equity	**102**	**97**	**103**	**110**	**117**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.4%	2.2%	2.1%	2.2%	2.2%
C/I	44.2%	43.1%	45.6%	43.2%	41.9%
CoR	0.3%	-0.1%	-0.1%	0.1%	0.2%
NPL Ratio	3.8%	3.1%	3.1%	3.3%	3.5%
Tier 1 Ratio	16.2%	18.0%	17.5%	17.6%	17.7%

Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2019-20)	17,868	10%
PV Adjustment	7,776	4%
Value Driver (2021-35)	120,343	64%
Fade (2036-55)	30,480	16%
Terminal Value	11,447	6%
Fair Value	**187,914**	**100%**
Outst. Shares (millions)	189	
Cost of equity	7.0%	
Fair Value Per Share (CZK)	**995**	
9M Target Price (CZK)	**1,047**	

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	84,228	49%
Explicit Forecast (2018-20)	24,265	14%
PV Adjustment	10,233	6%
Value Driver (2021-35)	46,287	27%
Fade (2036-55)	5,942	3%
Fair Value	**170,955**	**100%**
Outst. Shares (millions)	189	
Cost of equity	7.0%	
Fair Value Per Share (CZK)	**905**	
9M Target Price (CZK)	**953**	

Valuation Summary

(CZK m)	Weight	Value
DDM	50%	187,914
Economic Profits	50%	170,955
Fair Value Avg.		179,435
Fair Value Per Share (CZK)		950
Cost of equity (9M)		5.3%
9M Target Price (CZK)		**1,000**

Erste Bank
buy (reiterated)

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We maintain a buy rating for ErsteBank, with the 9-month price target lowered to EUR 43.72 per share. We have adjusted our 2018 estimates to reflect the Bank's preliminary announcement, which put the yearly net income at EUR 1.8bn and sized up the operating income at EUR 2.7bn, as well as anticipating net reversals for the year in the amount of EUR 59m. Erste said it wants to offer per-share dividends of EUR 1.40 this year. The 2018 preliminaries came as a positive surprise to us and the market, driving the bank's share price higher. On the other hand, we have had to cut our forecasts for 2019 and 2020 by 5% each after factoring in the Romanian "greed tax," which forced us to slash the respective net income estimates for the Romanian business by 65% and 66%. We assume the local units will remain profitable despite the extra tax burden, but their ROE will most likely drop to about 6%. Aside from slower growth in Romania, Erste Bank also faces gradual normalization of cost of risk, resulting in charge-offs of an estimated EUR 135m in 2019 and EUR 233m in 2020. Erste's guidance for FY2019 will more likely than not be set at conservative levels, resulting in more subdued market sentiment. We still prefer Erste over OTP when it comes to CEE banks, even if only for its more attractive valuation.

		Upside
Current Price	31.00 EUR	
9M Target Price	43.72 EUR	+41.0%

	rating	target price	issued
new	**buy**	**43.72 EUR**	**2019-02-04**
old	buy	46.18 EUR	2018-12-05

Key Metrics			**EBS.AV**	**vs. WIG**
Ticker	EBS.AV	1M Price Chng	+4.7%	-1.4%
ISIN	AT0000652011	YTD Price Chng	+6.7%	+1.6%
Outst. Stock (m)	429.8	ADTV 1M		EUR 26.2m
MC (EUR m)	13,323.8	ADTV 6M		EUR 27.5m
		P/E 12M fwd	9.1	-20.6%
Free Float	69.5%	P/E 5Y avg	11.5	discount

Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
NII	4,375	4,353	4,559	4,828	5,102
Total income	6,484	6,475	6,735	7,090	7,446
Costs	-4,028	-4,158	-4,201	-4,261	-4,329
Provisioning	-196	-132	59	-135	-233
Net income	1,265	1,316	1,758	1,499	1,607
P/E	10.5	10.1	7.6	8.9	8.3
P/B	1.1	1.0	0.9	0.9	0.8
ROE	10.8%	10.0%	12.2%	9.8%	10.0%
DPS	0.50	1.00	1.20	1.40	1.46
DYield	1.6%	3.2%	3.9%	4.5%	4.7%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Net interest income	+0.4%	+0.2%	+0.2%
Fee income	+0.7%	+0.7%	+0.7%
Total costs	-1.5%	-1.5%	-1.5%
Provisioning	-3.7%	0.0%	0.0%
Net income	+14.1%	-4.7%	-4.9%

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
Net interest income	4,375	4,353	4,559	4,828	5,102
Fee income	1,783	1,852	1,948	1,998	2,051
Trading income	326	270	227	265	292
Total income	**6,484**	**6,475**	**6,735**	**7,090**	**7,446**
Other oper. income	79	-1	72	38	33
Asset tax	-389	-106	-113	-309	-326
Operating expenses	-4,028	-4,158	-4,201	-4,261	-4,329
Operating income	**2,146**	**2,210**	**2,493**	**2,559**	**2,824**
Provisioning	-196	-132	59	-135	-233
Net operating income	**1,950**	**2,078**	**2,552**	**2,424**	**2,590**
Extraordinary gains	0	0	0	0	0
Pre-tax income	**1,950**	**2,078**	**2,552**	**2,424**	**2,590**
Tax	-414	-410	-395	-518	-555
Minority interests	-272	-352	-399	-407	-428
Net income	**1,265**	**1,316**	**1,758**	**1,499**	**1,607**

Key Balance Sheet Figures

(EUR m)	2016	2017	2018P	2019P	2020P
Net loans	**135,267**	**139,532**	**153,273**	**165,544**	**176,206**
Other assets	72,960	81,127	79,817	83,223	86,866
Total assets	**208,227**	**220,659**	**233,090**	**248,766**	**263,071**
Deposits	**138,013**	**150,969**	**162,075**	**171,776**	**180,501**
Other liabilities	53,612	51,402	51,264	56,107	60,449
Minority interests	4,142	4,416	4,815	5,222	5,650
Equity	**12,460**	**13,872**	**14,935**	**15,662**	**16,471**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	2.2%	2.0%	2.1%	2.1%	2.1%
C/I	60.9%	64.2%	61.3%	59.6%	57.7%
CoR	0.1%	0.1%	0.0%	0.1%	0.1%
NPL Ratio	4.9%	4.0%	4.8%	4.8%	4.8%
Tier 1 Ratio	13.4%	14.0%	13.9%	13.6%	13.5%

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income 2018P	Net Income 2019P	Net Income 2020P	P/E 2018P	P/E 2019P	P/E 2020P	BV 2018	P/B 2018
Austria	**7,422**	**17.27**	**647**	**567**	**599**	**11.5**	**13.1**	**12.4**	**4,283**	**1.7**
Savings Banks	501	1.17	148	67	72	3.4	7.4	7.0	2,763	0.2
Erste Oesterreich	4,245	9.88	243	301	321	17.5	14.1	13.2	1,520	2.8
Other Austria	2,675	6.22	256	199	206	10.4	13.4	13.0	1,873	1.4
CEE	**15,543**	**36.16**	**1,297**	**1,162**	**1,214**	**12.0**	**13.4**	**12.8**	**6,555**	**2.4**
Czech Republic	8,631	20.08	619	608	626	13.9	14.2	13.8	2,489	3.5
Romania	1,199	2.79	233	90	92	5.2	13.3	13.1	1,334	0.9
Slovakia	3,153	7.34	193	219	246	16.3	14.4	12.8	950	3.3
Hungary	1,550	3.61	143	128	134	10.8	12.1	11.6	823	1.9
Croatia	753	1.75	100	103	101	7.5	7.3	7.5	758	1.0
Serbia	256	0.60	9	13	16	28.6	19.3	16.1	202	1.3
Other	**-5,063**	**-11.78**	**-186**	**-230**	**-205**	**27.2**	**22.0**	**24.7**	**1,440**	**-3.5**
Total Erste Group	**17,901**	**41.65**								

Valuation Summary

(EUR m)	Weight	Value
Cost of equity (12M)		6.6%
DDM	50%	20,408
Economic Profits	50%	15,394
Fair Value Avg.		17,901
Fair Value Per Share (EUR)		41.65
Cost of equity (9M)		5.0%
9M Target Price (EUR)		**43.72**

mBank Dom Maklerski

OTP Bank
accumulate (no change)

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We maintain an accumulate rating for OTP Bank. Our current 2019-2020 earnings forecasts for the Bank are set 5% higher than the consensus forecasts, and we expect further upward revisions to analysts' estimates after the hefty upgrades performed during 2018. The updated outlook factors in the recent acquisitions in Bulgaria and Albania, and it assumes more income-boosting M&A deals in the future which will keep profits in 2020 and beyond on an upward momentum despite rising cost of risk. A danger entailed in the M&A plans is that a rapid slowdown in economic growth might drag out the post-merger restructuring periods. OTP's substantial exposure to Russia and Ukraine is another potential risk factor given the geo-political tensions in the region. When it comes to the outlook for FY2019, we anticipate flat growth in net income as cost of risk normalizes from the 12-year low seen last year, partly offset by increasing loan volumes (+16% y/y) and stable interest margins. ROE is expected to reach an impressive 16% in 2019, a level not attainable by any other bank in our coverage.

Current Price	11,500.00 HUF	**Upside**
9M Target Price	13,046.00 HUF	+13.4%

	rating	target price	issued
unchanged	**accumulate**	**13,046.00 HUF**	**2018-12-05**

Key Metrics			OTP.HB	vs. WIG
Ticker	OTP.HB	1M Price Chng	0.0%	-6.1%
ISIN	HU0000061726	YTD Price Chng	+1.9%	-3.3%
Outst. Stock (m)	267.0	ADTV 1M		HUF 5.4bn
MC (HUF bn)	3,070.9	ADTV 6M		HUF 6.3bn
		P/E 12M fwd	9.7	-6.0%
Free Float	100.0%	P/E 5Y avg	10.3	discount

Earnings Projections

(HUF bn)	2016	2017	2018P	2019P	2020P
NII	522	547	603	675	700
Total income	738	809	895	992	1,028
Costs	-400	-442	-490	-520	-528
Provisioning	-93	-46	-24	-93	-100
Net income	202	281	322	322	341
P/E	15.2	10.9	9.5	9.5	9.0
P/B	2.2	1.9	1.6	1.4	1.2
ROE	15.3%	18.4%	18.3%	15.7%	15.7%
DPS	173.01	199.22	229.63	276.72	296.56
DYield	1.5%	1.7%	2.0%	2.4%	2.6%

Projection Update (% change)	2018P	2019P	2020P
Net interest income	-0.3%	0.0%	0.0%
Fee income	+2.3%	0.0%	0.0%
Total costs	+5.8%	0.0%	0.0%
Provisioning	-68.6%	0.0%	0.0%
Net income	+22.4%	0.0%	0.0%

Financial Highlights

(HUF bn)	2016	2017	2018P	2019P	2020P
Net interest income	522	547	603	675	700
Fee income	176	209	225	243	250
Other income	40	53	67	74	77
Total income	**738**	**809**	**895**	**992**	**1,028**
Operating expenses	400	442	490	520	528
Operating income	**338**	**367**	**404**	**472**	**500**
Provisioning	93	46	24	93	100
Pre-tax income	**245**	**321**	**381**	**379**	**400**
Tax	44	37	44	46	47
Net income	**201**	**284**	**337**	**334**	**353**
Asset impairment	12	-6	0	0	0
Asset tax	-14	-15	-15	-17	-17
Other	6	15	0	0	1
Minority interests	-3	0	0	5	4
Net income	**202**	**281**	**322**	**322**	**341**

Key Balance Sheet Figures

(HUF bn)	2016	2017	2018P	2019P	2020P
Net loans	**5,736**	**6,988**	**8,011**	**9,276**	**9,685**
Other assets	5,571	6,203	6,626	7,182	7,273
Total assets	**11,308**	**13,190**	**14,637**	**16,458**	**16,958**
Deposits	**8,541**	**10,219**	**11,172**	**12,757**	**13,330**
Other liabilities	1,346	1,328	1,581	1,459	1,107
Minority interests	3	3	4	4	5
Equity	**1,417**	**1,640**	**1,880**	**2,237**	**2,516**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
NIM	4.7%	4.5%	4.3%	4.3%	4.2%
C/I	54.2%	54.6%	54.8%	52.4%	51.3%
CoR	1.4%	0.6%	0.3%	1.0%	1.0%
NPL Ratio	15.2%	9.2%	5.8%	6.1%	7.0%
Tier 1 Ratio	13.5%	12.7%	15.9%	16.3%	17.7%

SOTP Valuation

(HUF bn)	Fair Value	FVPS (HUF)	Net Income 2018	Net Income 2019	Net Income 2020	P/E 2018	P/E 2019	P/E 2020	BV 2018	P/B 2018
Hungary + Other	**1,979**	**7,411**	**196.8**	**167.2**	**178.2**	**10.1**	**11.8**	**11.1**	**754**	**2.6**
CEE	**1,431**	**5,350**	**140.2**	**165.7**	**174.1**	**10.2**	**8.6**	**8.2**	**967**	**1.5**
DSK	618	2,314	49.2	70.5	75.8	12.6	8.8	8.2	264	2.3
OBS	25	93	0.6	0.6	0.4	45.0	40.3	68.2	34	0.7
OTP Banka Hrvatska	285	1,067	27.5	26.5	27.0	10.4	10.7	10.5	278	1.0
OTP Banka Romania	127	477	7.0	10.3	10.5	18.3	12.4	12.1	56	2.3
OTP Russia	191	707	27.2	31.4	32.7	7.2	6.2	6.0	163	1.2
CJSC OTP Bank	79	296	24.7	19.7	17.6	3.2	4.0	4.5	63	1.3
OTP Banka Serbia	80	298	1.0	4.2	7.3	87.8	21.0	12.0	84	1.0
CKB	26	97	3.2	2.5	2.9	8.1	10.2	9.0	25	1.0
Total Divisions	**3,410**	**12,761**	**337.1**	**333.0**	**352.3**	**10.1**	**10.2**	**9.7**	**1,722**	**2.0**
Asset tax	-171	-642								
Total OTP Group	**3,239**	**12,119**								

Valuation Summary

(HUF bn)	Weight	Value
Cost of equity (12M)		10.2%
DDM	50%	3,229
Economic Profits	50%	3,617
Fair Value Avg.		3,423
Fair Value Per Share (HUF)		12,761
Asset tax (HUF)		-642
Minority interests (HUF)		-58
Fair Value Per Share (HUF)		12,119
Cost of equity (9M)		7.6%
9M Target Price (HUF)		**13,046**

PZU
hold (downgraded)

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We downgrade PZU from accumulate to hold after the recent share price gains. Our current forecasts for the Insurer assume growth in gross written premiums at annual rates of 2.3% in 2019 and 2.5% in 2020, accompanied by a 2% average annual rise in claims. Cost of risk is bound to rebound from the very low level registered in 2018, when no catastrophic events occurred in Poland, underpinned by the increasing value of an average motor insurance claim. At 6+ percent, the dividend yields that PZU is expected to offer in 2019 and 2020 are among the highest in the Polish financial sector. However the actual payouts might be affected if the Company agrees to acquire a 12.8% stake in the state-controlled Bank Pekao, seen to be experiencing reduced dividend-paying capacity, for an estimated price of PLN 4.1bn (PLN 123 per share). The upside of PZU's close business ties with Pekao is cross-sell, which might produce higher gross written premiums this year. Nevertheless, of the two, we would name Pekao as the better pick given its faster growth and more attractive valuation.

Current Price	44.77 PLN	**Upside**
9M Target Price	46.50 PLN	+3.9%

	rating	target price	issued
new	**hold**	**46.50 PLN**	**2019-02-04**
old	accumulate	46.50 PLN	2018-12-05

Key Metrics			**PZU**	**vs. WIG**
Ticker	PZU	1M Price Chng	+3.7%	-2.3%
ISIN	PLPZU0000011	YTD Price Chng	+2.0%	-3.2%
Outst. Stock (m)	863.5	ADTV 1M		PLN 87.7m
MC (PLN m)	38,659.9	ADTV 6M		PLN 76.7m
		P/E 12M fwd	11.9	-3.8%
Free Float	64.8%	P/E 5Y avg	12.3	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
GWP	20,219	22,847	23,158	23,700	24,282
Claims	-12,732	-14,942	-14,701	-14,998	-15,304
Inv. income	1,300	1,895	1,111	1,450	1,541
Total costs	-4,246	-4,511	-4,670	-4,953	-5,092
Net income	1,954	2,910	3,197	3,247	3,407
P/E	20.0	13.3	12.1	11.8	11.3
P/B	3.0	2.6	2.5	2.3	2.2
ROE	15.1%	21.1%	21.1%	20.2%	20.0%
DPS	2.08	1.40	2.70	2.78	2.84
DYield	4.6%	3.1%	6.0%	6.2%	6.3%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Gross written premiums	+0.6%	0.0%	0.0%
Claims	-0.6%	0.0%	0.0%
Investment income	-8.2%	0.0%	0.0%
Total costs	-0.4%	0.0%	0.0%
Net income	+0.2%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Gross written prems	20,219	22,847	23,290	23,700	24,282
Net earned premiums	18,625	21,354	22,222	22,601	23,140
Claims & benefits	-12,732	-14,941	-14,607	-14,998	-15,304
Net inv. income	1,300	2,217	1,020	1,450	1,541
Acquisition costs	-2,613	-2,901	-3,081	-3,317	-3,414
Admin expenses	-1,633	-1,624	-1,589	-1,636	-1,677
Other oper. rev/exp	-604	-787	-1,354	-1,285	-1,471
Banking income	648	2,487	3,971	4,631	5,305
Operating income	**2,991**	**5,805**	**6,820**	**7,446**	**8,119**
Financing costs	0	0	0	0	0
Subsidiaries	16	16	16	-3	0
Pre-tax income	**3,007**	**5,821**	**6,836**	**7,443**	**8,119**
Tax	-614	-1,293	-1,631	-1,782	-1,942
Minority interest	439	1,323	2,002	2,414	2,770
Net income	**1,954**	**3,205**	**3,203**	**3,247**	**3,407**

Key Balance Sheet Figures

(PLN m)	2016	2017P	2018P	2019P	2020P
Financial assets	**105,286**	**281,854**	**320,415**	**337,255**	**364,803**
Other assets	20,010	35,551	36,417	37,316	38,250
Total assets	**125,296**	**317,405**	**356,832**	**374,571**	**403,054**
Technical provisions	**42,194**	**44,558**	**50,119**	**51,151**	**52,282**
Other liabilities	66,018	235,246	267,512	283,015	294,982
Minority interests	4,086	22,979	23,542	23,878	38,289
Equity	**12,998**	**14,622**	**15,660**	**16,527**	**17,500**

Key Ratios

(%)	2016	2017P	2018P	2019P	2020P
Loss ratio	68.7	70.0	66.2	66.4	66.1
Total cost ratio	21.1	21.2	21.0	21.9	22.0
Return on inv. portf.	4.6	5.5	1.7	2.1	2.1
Non-Life, COR	95.7	90.5	86.5	87.8	87.8
Life, Oper. Margin	24.05	16.11	23.68	23.47	24.32

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-20)	5,944	21%
PV Adjustment	1,984	7%
Value Driver (2021-35)	15,581	54%
Fade (2036-55)	4,266	15%
Terminal Value	876	3%
Fair Value	**28,651**	**100%**
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**33.18**	
9M Target Price (PLN)	**35.29**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	10,783	43%
Explicit Forecast (2018-20)	3,262	13%
PV Adjustment	1,162	5%
Value Driver (2021-35)	8,031	32%
Fade (2036-55)	1,997	8%
Fair Value	**25,236**	**100%**
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**29.22**	
9M Target Price (PLN)	**31.09**	

Valuation Ex. Banks

(PLN m)	Weight	Value
DDM	50%	28,651
Economic Profits	50%	25,236
Fair Value Avg.		26,944

SOTP Valuation

(PLN m)	Value	/Share
PZU ex banks	26,944	31.20
Bank Pekao	7,524	8.71
Alior Bank	3,284	3.80
Value	**37,751**	**43.72**
9M Target Price (PLN)		**46.50**

mBank Dom Maklerski

Kruk
buy (reiterated)

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We maintain a buy rating for Kruk, with the 9-month price target revised to PLN 279.32 per share. We have lowered our 2019-2021 earnings expectations for the Debt Collector to reflect lower assumed portfolio expenditures and reduced estimates as to future valuation gains. Moreover we made adjustments for the lack of interest rate increases anticipated through mid-2022. We have also tried to capture the new Romanian law capping collections on overdue debts to double the amounts paid for unsecured consumer receivables. This might force Kruk to limit purchases in Romania to portfolios of secured retail receivables, corporate debts, and nonbank debts. Otherwise the Company might try to bypass the new regulation by targeting slightly overdue debts which typically go at relatively high rates. Either way, Kruk may be facing scaled-back business in Romania, with the upside of lower costs. We assume Kruk will spend less than PLN 57m a year on Romanian portfolios in the next three years against average expenditure of PLN 238m in the last four years, resulting in a 5% cut to the overall expenditure forecast through 2021. At the same time, Kruk has upside stemming from improving operations in Italy, record purchases coming up in Poland, low financing risk, and imminent hikes in the 2019-2020 FY analysts' consensus by a projected 4-6%. What is more, KRU is trading at an ever-expanding discount to comparable debt collectors in Europe. Kruk is aiming for a net income of PLN 700m in 2024, an ambitious target which represents upside risk to the current market expectations.

Current Price	166.30 PLN	**Upside**
9M Target Price	279.32 PLN	+68.0%

	rating	target price	issued
new	**buy**	**279.32 PLN**	**2019-02-04**
old	buy	292.77 PLN	2018-12-05

Key Metrics			**KRU**	**vs. WIG**
Ticker	KRU	1M Price Chng	+4.5%	-1.5%
ISIN	PLKRK0000010	YTD Price Chng	+6.1%	+1.0%
Outst. Stock (m)	18.9	ADTV 1M		PLN 7.5m
MC (PLN m)	3,138.3	ADTV 6M		PLN 9.6m
		P/E 12M fwd	8.1	-40.1%
Free float	87.0%	P/E 5Y avg	13.5	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Purchased debt	783	1,055	1,184	1,337	1,488
Collections	725	972	1,093	1,234	1,376
Total revenue	32	59	65	72	75
Total costs	-117	-148	-156	-174	-193
Net income	249	295	346	402	442
P/E	12.3	10.6	9.1	7.8	7.1
P/B	2.5	2.1	1.8	1.6	1.4
ROE	24.6%	21.9%	21.7%	21.8%	21.1%
DPS	7.15	5.82	5.00	8.24	10.67
DYield	4.3%	3.5%	3.0%	5.0%	6.4%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Purchased debt portfoliis	-4.2%	-4.6%	-8.0%
Collections	0.0%	+8.3%	+4.0%
Other	+2.8%	+2.8%	+2.8%
Total costs	-6.8%	-6.5%	-9.5%
Net income	-2.2%	-3.8%	-3.5%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Rev., Purchased Debt	454	559	661	747	833
Revenue, Collections	9	15	14	19	20
Other revenue	13	15	16	19	22
Gross profit	**477**	**589**	**691**	**784**	**874**
Costs	117	148	156	174	193
One-time events	3	-2	-2	-3	-3
EBITDA	**363**	**439**	**532**	**608**	**678**
D&A	14	19	21	24	26
EBIT	**349**	**421**	**511**	**584**	**651**
Financing activity	-63	-86	-126	-137	-161
Pre-tax income	286	335	385	447	491
Tax	38	40	39	45	49
Net income	**249**	**295**	**346**	**402**	**442**
Portfolio purchases	1,286	976	1,395	1,350	1,446
Collections	-992	-1,369	-1,671	-1,872	-2,066

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Cash	267	173	103	122	141
Purchased debt	**2,676**	**3,169**	**3,937**	**4,649**	**5,405**
Other assets	149	218	191	217	245
Total assets	**3,092**	**3,560**	**4,231**	**4,987**	**5,791**
Loans	**1,646**	**1,897**	**2,274**	**2,785**	**3,332**
Other liabilities	209	202	231	229	245
Equity	**1,237**	**1,460**	**1,726**	**1,973**	**2,213**

Key Ratios

(%)	2016	2017	2018P	2019P	2020P
Net debt / Equity	111.4	118.0	125.7	135.0	144.2
Net debt /EBITDA	380.4	392.3	407.9	438.3	470.9
EBITDA margin	46.3	41.6	45.0	45.4	45.5
EBIT margin	44.6	39.9	43.2	43.7	43.8
EV / Cash EBITDA	7.15	5.82	4.79	4.66	4.63

DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		1,460
Explicit Forecast (2018-27)	1,496	2,041
Value Driver (2028-47)	2,383	1,034
PV TV	967	
Fair Value as of Jan. 2018	**4,847**	**4,536**
PV Adjustment	93	261
Fair Value	**4,940**	**4,798**
Outst. Shares (millions)	18.9	18.9
Cost of equity	7.6%	7.6%
Fair Value Per Share (PLN)	**261.77**	**254.22**
9M Target Price (PLN)	**280.61**	**272.52**

DCF Summary

	(PLN m)
FCF	11
Terminal Value (TV)	11,881
FCF perp. growth rate	3.0%
Present Value of Terminal Value	6,454
Enterprise Value	6,465
Net Debt	1,724
Minority Interest	0
Equity Value as of Jan. 2017	**4,741**
PV Adjustment	273
Fair Value	**5,014**
Outst. Shares (millions)	18.9
Value Per Share (PLN)	**265.70**

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	4,940
Economic Profits	33%	4,798
DCF	33%	5,014

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	261.77
Economic Profits	33%	254.22
DCF	33%	265.70
Fair Value Avg.		260.56
Cost of equity (9M)		6.2%
9M Target Price (PLN)		**279.32**

Skarbiec Holding
buy (no change)

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We maintain a buy rating for Skarbiec. Our outlook for the Company reflects a proposed reduction to 2.0% in investment fund management fee caps in 2022, and slower growth in the market for investment funds. With that said, 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. Still weighing on Skarbiec's outlook is the recent change of management and ownership, which is rumored to have caused the Company's fund distributors to back out or consider a break-up. For the time being, we assume 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 20%-27%.

Current Price	16.70 PLN	**Upside**
9M Target Price	31.36 PLN	+87.8%

	rating	target price	issued
unchanged	**buy**	**31.36 PLN**	**2018-12-05**

Key Metrics			SKH	vs. WIG
Ticker	SKH	1M Price Chng	-22.3%	-28.4%
ISIN	PLSKRBH00014	YTD Price Chng	-20.9%	-26.0%
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.2m
MC (PLN m)	113.9	ADTV 6M		PLN 0.3m
		P/E 12M fwd	5.0	-33.9%
Free Float	25.4%	P/E 5Y avg	7.6	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	109.2	99.7	103.7	107.7	112.7
Mgmt fees	69.6	80.0	81.8	87.3	91.8
Success fees	31.4	14.5	16.2	14.3	14.3
Costs	-69.2	-76.5	-77.6	-80.3	-85.6
Net income	32.5	19.5	21.9	23.1	22.8
P/E	3.5	5.8	5.2	4.9	5.0
P/B	1.1	1.3	1.3	1.2	1.2
ROE	34.1%	20.6%	24.4%	25.3%	25.0%
DPS	3.08	4.57	3.00	3.30	3.36
DYield	18.4%	27.4%	18.0%	19.8%	20.1%

Projection Update (% change)	2018P	2019P	2020P
Management fees	0.0%	0.0%	0.0%
Success fees	0.0%	0.0%	0.0%
Revenue	0.0%	0.0%	0.0%
Total costs	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Management fees	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
Revenue	**109.2**	**101.5**	**103.7**	**107.7**	**112.7**
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
Operating expenses	**-69.2**	**-78.1**	**-77.6**	**-80.3**	**-85.6**
Other	0.3	0.9	1.0	1.1	1.1
Pre-tax income	**40.3**	**24.3**	**27.1**	**28.5**	**28.2**
Tax	-7.8	-4.7	-5.1	-5.4	-5.4
Net income	**32.5**	**19.6**	**21.9**	**23.1**	**22.8**
Retail AUM	3,919	4,414	4,845	5,383	6,058
Dedicated AUM	14,623	2,375	2,494	2,618	2,749
Total AUM	18,542	6,789	7,339	8,002	8,807

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
Total assets	**117.2**	**117.5**	**126.3**	**132.5**	**141.2**
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
Equity	**100.8**	**102.4**	**90.8**	**91.3**	**91.2**

Relative Valuation Summary

	P/E			Market Cap./AUM		
	18P	19P	20P	18P	19P	20P
Minimum	7.2	7.1	6.2	0.0	0.0	0.0
Maximum	17.4	15.9	14.1	0.0	0.0	0.0
Median	11.1	11.4	10.5	0.0	0.0	0.0
Weight	17%	17%	17%	17%	17%	17%

Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	133	61%
PV of Dividends (Value Driver)	81	37%
PV of Terminal Value	4	2%
Fair Value as of Jul. 2017	**219**	**100%**
PV Adjustment	-2	
Fair Value	**217**	
Dilution (stock options)	-8	
Fair Value	**209**	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	**30.64**	
9M Target Price (PLN)	**33.17**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	89	41%
Explicit Forecast (2018-2025)	87	40%
Value Driver - 20 yrs	40	18%
Fair Value as of Jan. 2017	**215**	**100%**
PV Adjustment	8	
Fair Value	**223**	
Dilution (stock options)	-8	
Fair Value	**215**	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	**31.44**	
9M Target Price (PLN)	**34.04**	

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	209
Economic Profits	33%	214.51
Relative	33%	175.35

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	30.64
Economic Profits	33%	31.44
Relative	33%	25.70
Cost of equity (9M)		8.3%
9M Target Price (PLN)		**31.36**

mBank Dom Maklerski

Chemicals

Ciech

buy (reiterated)

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The statements from the last conference of the soda industry in China suggest that there are currently no prospects of new production capacities in the world. Until 2023, the global demand for soda ash is expected to grow at an average annual rate of 1.7%, while the supply is expected to grow at an average annual rate of 1.4%. Additionally, further closures of Chinese soda factories due to the environmental policy have a positive impact on the global soda balance. In 2018 the Chinese soda exports were down 11%, the third year in a row of decreasing shipments after a 23% fall in 2017 and 10% cuts in 2016. As a result, prices of soda ash are set to increase 5% in 2019 according to ICIS, with IHS forecasting a 7% jump in European market rates. Extensions added to two significant glassworks (Guardian and Euroglas) have had a positive impact on demand in Central Europe. Moreover, last year some customers that had contracts for soda deliveries from Turkey did not receive the contracted volumes on time due to the low water levels in rivers. In our opinion, this may encourage a large number of customers to contract more soda from local producers in 2019. We reckon that the higher soda prices and the start of a new baking soda investment in Germany will boost Ciech's 2019 EBITDA in the soda segment by PLN 70m. At the same time the acquisition of Proplan will increase EBITDA in the organic segment by PLN 25m. After adjusting our financial forecasts by factoring in 2018 Q4 estimates, we reduce our 9-month target price for CIE from PLN 77.05 to PLN 75.82 per share, and we maintain a buy rating for the stock.

Current Price	52.85 PLN	**Upside**
9M Target Price	75.82 PLN	+43.5%

	rating	target price	issued
new	**buy**	**75.82 PLN**	**2019-02-04**
old	buy	77.05 PLN	2018-11-05

Key Metrics			**CIE PW**	**vs. WIG**
Ticker	CIE PW	1M Price Chng	+20.1%	+14.1%
ISIN	PLCIECH00018	YTD Price Chng	+19.3%	+14.2%
Outst. Stock (m)	52.7	ADTV 1M		PLN 3.5m
MC (PLN m)	2,785.2	ADTV 6M		PLN 4.7m
EV (PLN m)	4,137.1	EV/EBITDA 12M fwd	5.7	-8.1%
Free Float	33.0%	EV/EBITDA 5Y avg	6.2	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,455	3,579	3,667	3,836	4,050
EBITDA adj.	874	808	659	779	856
EBITDA margin	25.3%	22.6%	18.0%	20.3%	21.1%
EBIT adj.	650	564	391	489	555
Net income adj.	585	373	208	346	399
P/E adj.	4.8	7.5	13.4	8.0	7.0
P/B	1.6	1.3	1.3	1.2	1.1
EV/EBITDA adj.	4.5	4.5	6.3	5.2	4.6
DPS	2.85	0.00	7.50	2.28	4.27
DYield	5.4%	0.0%	14.2%	4.3%	8.1%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	-0.2%	-0.1%
Soda price (US $/t)	0.0%	0.0%	0.0%
Soda Ciech (PLN/t)	0.0%	0.0%	0.0%
Soda vol (1,000t)	0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)	0.0%	0.0%	0.0%
Coking Coal price ($/t)	0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA. Soda Div.	799	704	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
Operating cash flow	**837**	**629**	**601**	**684**	**745**
D&A	223	244	268	291	301
Working capital	97	-66	66	1	1
Investing cash flow	**-446**	**-389**	**-650**	**-414**	**-377**
CAPEX	458	402	650	414	377
Financing cash flow	**-180**	**-164**	**-420**	**-168**	**-271**
Dividends/Buyback	-150	0	-395	-120	-225
FCF	387	234	-58	272	370
FCF/EBITDA	44%	28%	-9%	35%	43%
OCF/EBITDA	95%	75%	89%	88%	87%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	4,502	4,644	4,634	4,903	5,131
Fixed assets	3,210	3,205	3,644	3,768	3,846
Equity	1,767	2,188	2,071	2,297	2,471
Minority interests	-3	-3	-3	-3	-3
Net debt	1,116	865	1,355	1,252	1,156
Net debt/EBITDA (x)	1.3	1.0	2.0	1.6	1.4
Net debt/Equity (x)	0.6	0.4	0.7	0.5	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.7	4.2	3.8	5.3	5.0	4.0
Maximum	25.3	23.4	18.6	12.6	13.1	11.8
Median	10.9	9.6	8.4	7.1	6.1	5.6
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	3,667	3,836	4,050	4,135	4,226	4,258	4,283	4,300	4,317	4,335	4,353
EBITDA	672	779	856	876	889	891	893	888	883	879	874
EBITDA margin	18.3%	20.3%	21.1%	21.2%	21.1%	20.9%	20.9%	20.7%	20.5%	20.3%	20.1%
EBIT	404	489	555	561	583	594	591	582	573	564	556
Tax	146	95	109	110	116	118	118	116	114	113	111
CAPEX	-650	-414	-377	-315	-287	-294	-300	-305	-309	-313	-318
Working capital	66	1	1	0	0	0	0	0	0	0	0
FCF	-58	272	370	451	487	479	475	467	460	452	446
PV FCF	-59	255	323	366	366	333	304	276	249	224	
WACC	6.9%	7.3%	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%	8.1%	8.2%	8.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,636
Net debt	1,260
Other adj.	-71
Value per share (PLN)	91.23

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	51.40
DCF Val.	50%	91.23
Implied Price		71.32
Cost of equity (9M)		6.3%
9M Target Price		**75.82**

Grupa Azoty
hold (no change)

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Global fertilizer producers outside of China continue to expand their capacities, with 4.1mmt added in 2018, followed by 2.2mmt planned in 2019 after 6.7mmt already installed in 2017. At the same time, demand is projected to increase at a faster rate in the coming years, indicating potential for producers to rebuild profit margins. After a recovery in production margins on nitrate fertilizers in Q4'18, and after the acquisition of Compo Expert, Grupa Azoty is poised to grow its yearly earnings to a projected PLN 1 billion in 2019 from PLN 0.7bn anticipated in 2018. We reckon that the Compo Expert deal will drive the net debt-to-EBITDA ratio higher to around 3x at the end of 2019. This may have a negative impact on the enthusiasm of financial institutions with regard to co-participation in financing the PDH project (CAPEX PLN 5.0bn). We see a chance that Grupa Azoty will have to revise its largest investment project or look for an additional partner to finance it (PFR, BGK, another state-owned company). In our opinion, this could be positively received by the financial market. ATT stock may come under pressure after what we expect to be a weak 2018 Q4 release. We maintain a hold rating for the stock with the target price intact at PLN 33.00 per share.

Current Price	37.14 PLN	**Downside**
9M Target Price	33.00 PLN	-11.1%

	rating	target price	issued
unchanged	**hold**	**33.00 PLN**	**2018-11-23**

Key Metrics			**ATT PW**	**vs. WIG**
Ticker	ATT PW	1M Price Chng	+15.6%	+9.5%
ISIN	PLZATRM00012	YTD Price Chng	+19.1%	+14.0%
Outst. Stock (m)	99.2	ADTV 1M		PLN 3.5m
MC (PLN m)	3,684.1	ADTV 6M		PLN 5.9m
EV (PLN m)	5,091.3	EV/EBITDA 12M fwd	5.8	-12.3%
Free Float	29.0%	EV/EBITDA 5Y avg	6.6	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	8,956	9,617	9,885	11,612	11,935
EBITDA adj.	1,034	1,262	771	996	1,098
EBITDA margin	11.5%	13.1%	7.8%	8.6%	9.2%
EBIT adj.	523	672	103	244	312
Net income adj.	385	550	60	136	153
P/E adj.	9.6	6.7	61.2	27.0	24.0
P/B	0.6	0.5	0.5	0.5	0.5
EV/EBITDA adj.	4.4	3.7	6.6	7.2	7.5
DPS	0.84	0.79	1.20	0.07	0.28
DYield	2.3%	2.1%	3.2%	0.2%	0.7%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Urea price (PLN/t)	0.0%	0.0%	0.0%
Ammonium Nitrate price (PLN/t)	0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)	0.0%	0.0%	0.0%
Melamine (PLN/t)	0.0%	0.0%	0.0%
Polyamide 6 (PLN/t)	0.0%	0.0%	0.0%
Propylene (PLN/t)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Fertilizers	600	484	80	318	389
EBITDA, Plastics	-33	221	189	179	176
EBITDA, Chemicals	271	348	280	291	263
EBITDA, Energy	0.0	0.0	0.0	135.7	142.3
EBITDA, Other	135	134	190	74	128
Operating cash flow	**1,136**	**1,107**	**735**	**937**	**1,070**
D&A	511	590	667	752	786
Working capital	137	13	-6	-38	-7
Investing cash flow	**-1,303**	**-709**	**-820**	**-2,858**	**-2,017**
CAPEX	1,236	1,063	1,020	2,912	2,017
Financing cash flow	**76**	**39**	**-163**	**1,466**	**710**
Dividends/Buyback	-83	-78	-119	-7	-27
FCF	-214	53	-291	-1,982	-952
FCF/EBITDA	-21%	4%	-39%	-199%	-87%
OCF/EBITDA	114%	93%	99%	94%	97%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,052	11,738	11,704	13,741	14,814
Fixed assets	7,651	8,070	8,432	10,596	11,835
Equity	6,534	6,856	6,771	6,901	7,027
Minority interests	595	588	585	589	591
Net debt	273	367	822	2,890	4,008
Net debt/EBITDA (x)	0.3	0.3	1.1	2.9	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	9.0	8.8	7.6	6.0	5.7	5.3
Maximum	34.5	16.4	13.6	11.1	8.7	7.8
Median	18.6	10.6	8.8	8.9	7.1	6.6
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Urea price (PLN/t)	1,500	1,554	1,561	1,572	1,564	1,568	1,568	1,568	1,568	1,568	1,568
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	9,885	11,612	11,935	12,146	13,221	13,871	14,108	14,310	14,463	14,624	14,728
EBITDA	739	996	1,098	1,207	1,470	1,551	1,583	1,564	1,557	1,557	1,548
EBITDA margin	7.5%	8.6%	9.2%	9.9%	11.1%	11.2%	11.2%	10.9%	10.8%	10.6%	10.5%
EBIT	72	244	312	449	472	550	588	582	599	591	583
Tax	4	29	26	48	21	38	49	52	57	57	56
CAPEX	-1,020	-2,912	-2,017	-1,618	-1,173	-599	-651	-697	-883	-958	-966
Working capital	-6	-38	-7	-5	-23	-14	-5	-4	-3	-4	-2
FCF	-291	-1,982	-952	-463	253	900	878	811	613	539	524
PV FCF	-289	-1,850	-839	-386	196	654	596	513	362	297	
WACC	7.7%	6.6%	6.3%	6.1%	6.5%	6.5%	6.6%	6.7%	6.7%	6.8%	6.8%
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%
PV FCF	5,264
Net debt	486
Other adjustments	-588
Value per share (PLN)	42.25

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	19.92
DCF Val.	50%	42.25
Implied Price		31.08
Cost of equity (9M)		6.3%
9M Target Price		**33.00**

mBank Dom Maklerski

Oil & Gas

Lotos

sell (reiterated)

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Lotos is set to deliver stellar figures for 2018 Q4, when market conditions provided tailwinds, however the outlook for downstream heading into 2019 has changed for the worse as reflected in tighter refining margins. LTS offers acceptable valuation at 5.8x 2018E EV/EBITDA LIFO, but based on historical model margins the ratio increases to 7.8x. The value calculations should also take into account the composition of EBITDA which is 30% generated by upstream. The upcoming tender offer by PKN Orlen continues to cushion LTS against price declines but with its market cap inflated to the tune of PLN 6bn since the merger was announced this cushion might be ready to deflate with synergies now all priced in while risks still loom. These include possible restrictions on the merger from the EU if it finds arguments for over-concentration. With all this factored in, we maintain a sell rating for Lotos with the target price raised to PLN 65.36 per share after adjustments to peer valuations and after accounting for higher-than-anticipated 2018 results.

Current Price	93.56 PLN	**Downside**
9M Target Price	65.36 PLN	-30.1%

	rating	target price	issued
new	**sell**	**65.36 PLN**	**2019-02-04**
old	sell	59.84 PLN	2018-11-15

Key Metrics			**LTS PW**	**vs. WIG**
Ticker	LTS PW	1M Price Chng	+6.2%	+0.1%
ISIN	PLLOTOS00025	YTD Price Chng	+5.7%	+0.6%
Outst. Stock (m)	184.9	ADTV 1M		PLN 39.3m
MC (PLN m)	17,296.8	ADTV 6M		PLN 25.4m
EV (PLN m)	19,554.6	EV/EBITDA 12M fwd	5.7	-3.0%
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	29,534	30,847	31,212
EBITDA	2,923	3,073	3,548	2,635	3,204
EBITDA margin	14.0%	12.7%	12.0%	8.5%	10.3%
EBIT	1,855	2,229	2,823	1,828	2,258
Net income	1,015	1,672	1,886	1,066	1,209
P/E	17.0	10.3	9.2	16.2	14.3
P/B	2.0	1.6	1.4	1.4	1.3
EV/EBITDA	7.6	6.4	5.5	7.9	6.3
DPS	0.00	1.00	1.00	3.06	1.73
DYield	0.0%	1.1%	1.1%	3.3%	1.8%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
LIFO EBITDA	+7.7%	+2.2%	+1.8%
Net income	+2.8%	+3.5%	+3.3%
Price of Brent crude ($/bbl)	-2.8%	0.0%	0.0%
Margin+Urals/Brent price differ. ($/b)	-1.1%	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**	**3,255**	**2,601**	**3,131**
Upstream (US)	692	863	898	1,019	1,252
Downstream (DS)	1,761	2,058	2,186	1,413	1,704
Retail	140	139	169	169	175
EV/ LIFO EBITDA (adj.)	**8.3**	**6.3**	**5.8**	**7.8**	**6.3**
LIFO effect	-77	171	456	36	75
Other one-offs	404	-148	-164	-2	-2
Financing activity	**-275**	**219**	**-172**	**-97**	**-265**
Crude thrghpt (mmt)	**10.4**	**9.6**	**10.7**	**10.4**	**10.2**
$ LIFO EBITDA/bbl, DS	5.9	7.7	7.8	5.1	6.2
PLN EBITDA/tonne, Retail	129	131	140	135	137
$ EBITDA/boe, US	18.0	26.9	32.6	36.5	37.8
US output (mboepd)	**26.7**	**23.3**	**20.9**	**20.9**	**24.5**
natural gas	15.6	13.4	11.7	10.8	11.2
crude oil	11.1	9.9	9.2	10.1	13.3

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**2,654**	**3,127**	**1,925**	**1,189**	**2,385**
OCF/EBITDA LIFO adj.	102%	103%	59%	46%	76%
CAPEX	**1,244**	**1,439**	**1,071**	**1,765**	**1,312**
Working capital	3,867	4,035	4,962	5,743	5,777
Equity	8,611	10,712	12,164	12,743	13,521
Net debt	**4,808**	**2,505**	**2,258**	**3,416**	**3,040**
Net debt/EBITDA (x)	1.6	0.8	0.6	1.3	0.9

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.1	3.0	3.0	1.8	1.7	1.7
Maximum	20.0	21.6	16.0	11.9	11.1	10.5
Median	9.4	9.1	7.8	4.5	4.6	4.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	71.2	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Margin+Urals/Brent	6.9	5.5	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	28,055	29,249	29,283	29,525	29,256	29,256	29,256	29,256	29,256	29,312	29,312
EBITDA	2,666	1,617	1,952	2,011	2,006	2,001	1,996	1,991	1,985	1,972	1,972
EBITDA margin	9.5%	5.5%	6.7%	6.8%	6.9%	6.8%	6.8%	6.8%	6.8%	6.7%	6.7%
EBIT	2,170	1,062	1,305	1,307	1,338	1,297	1,265	1,239	1,212	1,176	1,236
Tax	412	202	248	248	254	247	240	235	230	224	235
CAPEX	-636	-910	-732	-736	-736	-736	-736	-736	-736	-736	-736
Working capital	-1,063	-781	-34	18	-2	31	23	47	11	5	5
FCF	554	-276	937	1,044	1,014	1,049	1,043	1,067	1,030	1,018	1,007
PV FCF	554	-257	810	838	755	723	665	630	563	515	
WACC	7.7%	7.5%	7.6%	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	13,063
Net debt	2,690
Petrobaltic	1,852
Value per share (PLN)	66.13

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	56.83
DCF Val.	50%	66.13
Implied Price		61.48
Cost of equity (9M)		6.3%
9M Target Price		**65.36**

MOL
hold (reiterated)

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MOL reported better-than-expected earnings for Q4 2018, and after peer updates this prompts us to raise our target price by 5% to HUF 3,433, with a reiterated neutral call. With that said it is still worthwhile to outweigh the Hungarian group in comparison with Polish competitors, in relation to whom it is valued at a significant discount. We notice the balanced business profile (virtually 50:50 upstream-downstream), which should be particularly appreciated in the cyclical period more difficult for refinery and petrochemical margins. A strong balance sheet (0.5x DN/EBITDA) guarantees rising dividends in the future, as well as providing capacity for value-enhancing investments in upstream. Further, MOL is guiding for free cash flow of $2.0-2.5bn over the 2019-2023 period, enough to facilitate consistent hikes in annual dividends from HUF 85 in 2018 to a target HUF 130-140, topped up with special dividends which may approximate HUF 270 per share over the five-year period. On top of the cash distributions, MOL intends to continue to regularly revisit the status and the potential use of the 80 million treasury shares held. The revision of volume plans in E&P (average upstream target in 2019-2021 increased to 105-110mboepd from 95-105mboepd) and the announced reclassification of provisions (reclassification of prospective resources in 3 Norwegian fields with a capacity of 300mmboe) should have a positive impact on the sentiment. The sale of the Croatian unit INA (with potential to boost value for shareholders by as much as 13%-14%), possibly as soon as later this year, can serve as an upside catalyst.

Current Price	3,284 HUF	**Upside**
9M Target Price	3,433 HUF	+4.5%

	rating	target price	issued
new	**hold**	**3,433 HUF**	**2019-02-04**
old	hold	3,280 HUF	2018-12-05

Key Metrics			**MOL HB**	**vs. WIG**
Ticker	MOL HB	1M Price Chng	+6.4%	+0.4%
ISIN	HU0000153937	YTD Price Chng	+6.7%	+1.5%
Outst. Stock (m)	738.1	ADTV 1M	HUF 1,894.2m	
MC (HUF m)	2,424,013.9	ADTV 6M	HUF 2,155.1m	
EV (HUF m)	3,088,572.1	EV/EBITDA 12M fwd	4.3	-0.6%
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	5,016	5,350	5,380
EBITDA	623	673	748	666	698
EBITDA margin	17.5%	16.3%	14.9%	12.4%	13.0%
EBIT	308	354	387	288	309
Net income	263	307	279	205	231
P/E	9.2	7.9	8.7	11.8	10.5
P/B	1.6	1.4	1.3	1.2	1.1
EV/EBITDA	5.4	4.7	4.1	4.7	4.4
DPS	70.88	78.13	127.50	102.07	107.17
DYield	2.2%	2.4%	3.9%	3.1%	3.3%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
CCS EBITDA	+2.8%	+0.0%	-0.0%
Net income	+3.1%	-2.0%	-1.7%
Margin+Urals/Brent price differ. ($/b)	+2.4%	0.0%	0.0%
Petchem margin ($/t)	+1.0%	+0.1%	+0.0%
Price of Brent crude ($/bbl)	-2.8%	0.0%	0.0%

Financial Highlights

(HUF bn)	2016	2017	2018P	2019P	2020P
LIFO EBITDA (adj.)	**605**	**673**	**723**	**654**	**698**
Upstream (US)	190	235	335	360	354
Downstream (DS)	178	198	178	120	145
Retail	86	97	114	116	119
Petchem	144	127	97	60	82
Gas Midtsream	54	61	54	58	59
General expenses	-48	-45	-56	-60	-61
EV/LIFO EBITDA (adj.)	**5.5**	**4.7**	**4.3**	**4.8**	**4.4**
LIFO effect	25	7	25	11	0
Other one-offs	-7	-7	0	0	0
Financing activity	**-35**	**11**	**-21**	**-7**	**-8**
$ LIFO EBITDA/bbl, DS	4.5	5.1	4.8	3.2	3.9
EBITDA/boe, US	17.7	23.9	34.3	37.0	36.9
Ref. thrghpt, mmt	**19.2**	**19.3**	**19.3**	**19.3**	**19.3**
Upstr output, mboepd	**112.6**	**107.4**	**109.7**	**109.3**	**107.7**

Key Balance Sheet Figures

(HUF bn)	2016	2017	2018P	2019P	2020P
Operating cash flow	**519**	**560**	**536**	**577**	**638**
OCF/EBITDA LIFO adj.	86%	83%	74%	88%	91%
CAPEX	**289**	**286**	**307**	**505**	**467**
Working capital	156	248	391	417	420
Equity	1,492	1,741	1,916	2,028	2,162
Net debt	**606**	**435**	**331**	**360**	**294**
Net debt/EBITDA (x)	1.0	0.6	0.4	0.5	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.1	3.0	3.0	1.8	1.7	1.7
Maximum	20.0	21.6	16.0	11.9	11.1	10.5
Median	9.7	9.3	8.1	4.7	4.8	4.1
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	71	75	75	75	75	75	75	75	75	75	75
Margin+Urals/Brent	7.0	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	4,687	5,008	5,044	5,040	5,051	5,052	5,053	5,054	5,055	5,056	5,056
EBITDA	413	305	344	372	409	412	416	419	423	427	427
EBITDA margin	8.8%	6.1%	6.8%	7.4%	8.1%	8.2%	8.2%	8.3%	8.4%	8.4%	8.4%
EBIT	248	125	153	161	186	185	186	184	182	189	232
Tax	63	33	40	41	48	47	47	46	45	47	44
CAPEX	-216	-384	-347	-260	-221	-195	-195	-195	-195	-195	-195
Working capital	-69	-26	-2	1	0	1	2	2	2	1	1
FCF	65	-138	-45	73	140	171	176	180	185	186	189
PV FCF	65	-127	-38	57	99	112	105	99	93	86	
WACC	8.7%	8.6%	8.8%	9.2%	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	1,649
Net debt & adjustments	229
Upstream Valuation	777
Value per share (HUF)	3,148

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	3,266
DCF Val.	50%	3,148
Implied Price		3,207
Cost of equity (9M)		7.0%
9M Target Price		**3,433**

mBank Dom Maklerski

PGNiG
hold (downgraded)

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PGN stock is trading close to our target after rallying over 30% since June 2018, and with no more upside left we downgrade our call to hold. This does nor affect our bullish view on the Company's growth prospects this year, including a likely positive surprise in the trading segment thanks to natural hedging and higher end-user prices. We have had to revise forecasts to reflect a likely PLN 200m drop in revenues from regulated natural gas sales after unfavorable tariff decisions affecting the distribution business and revenues from residential natgas sales (where the average sales price is expected to go up 6% vis-a-vis a 20% surge in gas purchase costs). Nevertheless we keep the price target intact at PLN 7.72 per share after updating peer multiples and rolling the DCF model forward by one year. Potential upside catalysts in the medium term include an expected 10% hike in the 2019 EBITDA consensus and the long-awaited decision in the arbitration case against Gazprom. Short term, PGN seems to have lost its correlation with European gas prices, which are down 15% since November, a fact which cannot go unnoticed for much longer with upstream generating 60% of the Company's annual EBITDA. The boost provided by PGNiG's entry into the STOXX Europe 600 index is bound to taper off with time, with the 12M fwd EV/EBITDA ratio calculated based on consensus expectations now sitting on a level with the historical average for the last three years.

		Upside
Current Price	7.55 PLN	
9M Target Price	7.72 PLN	+2.3%

	rating	target price	issued
new	**hold**	**7.72 PLN**	**2019-02-04**
old	buy	7.72 PLN	2018-11-05

Key Metrics			**PGN PW**	**vs. WIG**
Ticker	PGN PW	1M Price Chng	+8.9%	+2.9%
ISIN	PLPGNIG00014	YTD Price Chng	+9.3%	+4.1%
Outst. Stock (m)	5,778.3	ADTV 1M		PLN 32.3m
MC (PLN m)	43,626.3	ADTV 6M		PLN 31.2m
EV (PLN m)	43,031.9	EV/EBITDA 12M fwd	5.2	+1.5%
Free Float	28.1%	EV/EBITDA 5Y avg	5.1	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	33,196	35,857	41,560	44,270	43,654
EBITDA	5,974	6,579	7,862	8,880	9,251
EBITDA margin	18.0%	18.3%	18.9%	20.1%	21.2%
EBIT	3,360	3,910	5,182	6,208	6,534
Net income	2,351	2,923	3,773	4,575	4,864
P/E	18.6	14.9	11.6	9.5	9.0
P/B	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	7.4	6.7	5.5	4.5	4.1
DPS	0.18	0.20	0.07	0.13	0.24
DYield	2.4%	2.6%	0.9%	1.7%	3.1%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-2.9%	-3.3%	-2.0%
Net income	-1.2%	-3.9%	-1.9%
Price of Brent crude ($/bbl)	-2.7%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)	0.0%	0.0%	0.0%
USD/PLN	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	**6,862**	**7,356**	**8,136**	**9,291**	**9,663**
EBITDA	5,974	6,579	7,862	8,880	9,251
Mining	2,206	3,865	5,529	5,333	5,419
Trade	614	-435	-597	691	869
Distribution	2,559	2,493	2,404	2,115	2,119
Heat & Power	759	843	702	921	1,029
Other	-164	-187	-176	-180	-185
Financing activity	**-150**	**12**	**26**	**30**	**96**
Crude output, mmt	**1.35**	**1.27**	**1.34**	**1.23**	**1.22**
domestic	0.75	0.79	0.82	0.78	0.78
international	0.59	0.48	0.53	0.45	0.44
NatGas output, bn m3	**4.5**	**4.5**	**4.5**	**4.6**	**4.6**
domestic	3.9	3.8	3.8	3.8	3.8
international	0.6	0.7	0.7	0.8	0.8
Trade mrgn, PLN/MWh	**0.4**	**-2.4**	**-5.4**	**1.7**	**3.1**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**5,922**	**4,816**	**5,743**	**7,295**	**7,592**
OCF/EBITDA	99%	73%	73%	82%	82%
CAPEX	**2,968**	**3,162**	**4,252**	**3,766**	**3,797**
Working capital	3,619	5,280	6,509	6,933	6,837
Equity	32,013	33,626	36,904	40,700	44,142
Net debt	**523**	**428**	**-595**	**-3,375**	**-5,833**
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	2.7	3.1	2.9	2.7	2.8	2.6
Maximum	18.6	16.1	15.4	12.6	12.3	12.2
Median	12.2	12.0	10.7	5.7	5.6	5.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	71.2	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	41,560	44,270	43,654	44,352	43,829	40,498	40,030	38,492	37,484	38,225	38,225
EBITDA	7,862	8,880	9,251	9,155	8,765	8,571	8,607	8,458	8,406	8,501	8,501
EBITDA margin	18.9%	20.1%	21.2%	20.6%	20.0%	21.2%	21.5%	22.0%	22.4%	22.2%	22.2%
EBIT	5,182	6,208	6,534	6,373	5,949	5,704	5,639	5,462	5,337	5,297	4,459
Tax	1,476	1,658	1,746	1,705	1,569	1,480	1,461	1,353	1,286	1,279	1,102
CAPEX	-4,252	-3,766	-3,797	-3,823	-3,938	-3,960	-3,981	-3,981	-3,998	-4,041	-4,041
Working capital	-1,229	-424	97	-109	82	522	73	241	158	-116	-116
FCF	905	3,031	3,805	3,517	3,340	3,654	3,239	3,365	3,280	3,064	3,242
PV FCF	905	2,783	3,207	2,721	2,372	2,382	1,939	1,849	1,654	1,419	
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	44,482
Net debt	428
Other adjustments	835
Value per share (PLN)	7.77

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	8.75
Relative (DYield)	17%	2.59
DCF	50%	7.77
Cost of equity (9M)		6.7%
9M Target Price		**7.72**

PKN Orlen
sell (reiterated)

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PKN saw its share price climb back above PLN 110 after a strong 2018 Q4 earnings release even though the stellar results were achieved largely with the help of factors which are not likely to recur in future periods. Market conditions have turned much less favorable since, with sales margins on auto fuels under strong downward pressure and petrochemical profits seen to tighten. As a result, we expect analysts to scale back their prematurely raised expectations for 2019 and 2020. Based on our estimates, which assume continued shrinkage in profit margins on petrochemicals and refining products, PKN stock is currently trading at ca. 8.0x 2019E EV/EBITDA, showing a substantial premium to its closest peers. Under the shifting market conditions, less versatile facilities like PKN's refineries in Lithuania and the Czech Republic, to date operating at close to 100% of capacity, may be facing a drop in orders. The synergies expected from the planned merger with the local rival Lotos, whose share price has been moving upward since the merger was announced, are more than priced in at this point. The estimated cost of the Lotos takeover has gone up by PLN 6.5bn in the span of nine months, with PLN 15 added to the price of each share. At the same time, in a worsened market environment, the debt of the merged entity might increase to levels that could put the balance-sheet position in jeopardy. We maintain a sell rating for PKN, which still shows downside risk relative to our new 9MTP, raised to reflect updated peer ratios and higher-than-expected 2018 results.

Current Price	105.00 PLN	**Downside**
9M Target Price	83.43 PLN	-20.5%

	rating	target price	issued
new	**sell**	**83.43 PLN**	**2019-02-04**
old	sell	81.52 PLN	2018-11-15

Key Metrics			**PKN PW**	**vs. WIG**
Ticker	PKN PW	1M Price Chng	+3.2%	-2.9%
ISIN	PLPKN0000018	YTD Price Chng	-2.9%	-8.1%
Outst. Stock (m)	427.7	ADTV 1M		PLN 101.6m
MC (PLN m)	44,909.5	ADTV 6M		PLN 96.9m
EV (PLN m)	50,520.5	EV/EBITDA 12M fwd	5.3	-7.1%
Free Float	67.6%	EV/EBITDA 5Y avg	5.7	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	79,553	95,364	109,706	110,781	113,426
EBITDA	9,642	11,078	9,776	6,589	7,449
EBITDA margin	12.1%	11.6%	8.9%	5.9%	6.6%
EBIT	7,532	8,657	7,103	3,696	4,336
Net income	5,261	6,655	5,463	3,022	3,251
P/E	8.5	6.7	8.2	14.9	13.8
P/B	1.7	1.4	1.3	1.2	1.1
EV/EBITDA	5.3	4.4	5.2	7.5	6.6
DPS	2.13	3.00	3.00	3.00	3.00
DYield	2.0%	2.9%	2.9%	2.9%	2.9%

Projection Update (% change)	**2018**	**2019P**	**2020P**
LIFO EBITDA	+8.4%	+0.4%	-0.3%
Net income	-4.3%	+7.5%	+0.4%
Margin+Urals/Brent price differ. ($/b)	-2.3%	0.0%	0.0%
Petchem margin ($/t)	-2.3%	-0.4%	-0.4%
USD/PLN	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
LIFO EBITDA (adj.)	**7,668**	**9,581**	**8,344**	**6,258**	**7,336**
Downstream(DS)	4,549	4,689	3,794	2,118	2,698
Petchem	1,776	3,034	2,069	1,933	2,375
Retail	1,832	2,049	2,781	2,269	2,282
Upstream	255	293	302	374	383
Electricity	0	129	147	291	342
General expenses	-744	-613	-749	-728	-744
EV/LIFO EBITDA (adj.)	**6.6**	**5.1**	**6.0**	**7.9**	**6.6**
LIFO effect	86	788	860	332	113
Other one-offs	1,888	709	572	0	0
Financing activity	**-645**	**60**	**-104**	**36**	**-322**
$ LIFO EBITDA/bbl, DS	5.2	5.1	4.3	2.5	3.2
PLN EBITDA/tonne, Retail	224	232	294	236	234
Refinery thrghpt (mmt)	**30.1**	**33.2**	**33.4**	**31.3**	**31.3**
Petchem output (kt)	**3,071**	**3,551**	**3,616**	**3,781**	**3,781**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	**9,331**	**8,050**	**4,979**	**6,291**	**6,139**
OCF/EBITDA LIFO adj.	122%	84%	60%	101%	84%
CAPEX	**5,033**	**4,039**	**4,453**	**4,250**	**3,650**
Working capital	6,144	7,489	10,866	10,456	11,003
Equity	26,763	32,197	35,634	37,373	39,342
Net debt	**3,363**	**761**	**5,599**	**4,806**	**3,922**
Net debt/EBITDA (x)	0.3	0.1	0.6	0.7	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	19P	20P
Minimum	5.1	5.7	5.3	1.8	2.0	2.1
Maximum	18.6	17.0	16.9	17.4	17.8	17.5
Median	8.9	8.9	7.6	5.1	5.3	5.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Margin+Urals/Brent	6.3	5.0	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	447	346	380	340	340	340	340	340	340	340	340.1
USD/PLN	3.60	3.65	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Revenue	109,706	110,781	113,426	114,011	114,444	114,919	115,399	115,886	116,380	116,883	116,883
EBITDA	9,776	6,589	7,449	7,696	7,665	7,741	7,758	7,763	7,770	7,711	7,711
EBITDA margin	8.9%	5.9%	6.6%	6.8%	6.7%	6.7%	6.7%	6.7%	6.7%	6.6%	6.6%
EBIT	7,103	3,696	4,336	4,623	4,527	4,555	4,507	4,422	4,321	4,296	4,261
Tax	1,350	702	824	878	860	865	856	840	821	816	810
CAPEX	-8,700	-4,250	-3,650	-3,450	-3,450	-3,450	-3,450	-3,450	-3,450	-3,450	-3,450
Working capital	-3,377	410	-547	-147	-57	-62	-63	-64	-65	-66	-66
FCF	-3,651	2,047	2,428	3,220	3,298	3,363	3,389	3,409	3,434	3,379	3,230
PV FCF	-3,651	1,901	2,090	2,567	2,430	2,287	2,134	1,987	1,853	1,688	
WACC	7.6%	7.7%	7.8%	8.0%	8.2%	8.3%	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	38,292
Net debt	2,044
Other adjustments	0
Value per share (PLN)	84.75

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	72.21
DCF Val.	50%	84.75
Implied Price		78.48
Cost of equity (9M)		6.3%
9M Target Price		**83.43**

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Power Utilities

CEZ

hold (reiterated)

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CEZ underperformed in January relative to the 6% rally seen in the EU Stoxx Utilities benchmark, probably because its valuation was challenging to begin with. The Company is currently valued at more than 8x 2019E EV/EBITDA and a far -from-attractive 7.2x 2021 earnings, which, granted, have strong potential to increase in the years ahead in line with rising prices of electricity. In the last five years CEZ's 12M forward EV/EBITDA ratio averaged 7.1x against the current ratio for Stoxx Utilities of 7.3x. On top of that, CEZ is expected to cut dividend yields to 4.7% in 2019-2020 before offering 6% again in 2021. With coal prices in Europe normalizing at lower levels, we have no reason to further upgrade our future power price expectations. When it comes to EUAs, they are also trading lower at the moment, and next -year electricity contracts in Germany have retreated below EUR 50/MWh. The recent declaration of state aid for the Czech nuclear project is not an upside catalyst, either, because it is all priced in at this point given the project's negative NPV. With all this in mind, we maintain a neutral view on CEZ with target price raised slightly to CZK 537.8 after minor revisions to our financial forecasts.

Current Price	568.00 CZK	**Downside**
9M Target Price	537.80 CZK	-5.3%

	rating	target price	issued
new	**hold**	**537.80 CZK**	**2019-02-04**
old	hold	518.72 CZK	2018-11-05

Key Metrics			**CEZ CP**	**vs. WIG**
Ticker	CEZ CP	1M Price Chng	+5.2%	-0.9%
ISIN	CZ0005112300	YTD Price Chng	+6.2%	+1.0%
Outst. Stock (m)	538.0	ADTV 1M	CZK 112.4m	
MC (CZK bn)	305.6	ADTV 6M	CZK 146.9m	
EV (CZK bn)	454.5	EV/EBITDA 12M fwd	8.0	+11.6%
Free Float	30.2%	EV/EBITDA 5Y avg	7.2	premium

Earnings Projections

(CZK m)	2016	2017	2018P	2019P	2020P
Revenue	203,744	201,906	184,873	195,228	213,472
EBITDA	62,418	57,712	52,239	53,731	59,005
EBITDA margin	30.6%	28.6%	28.3%	27.5%	27.6%
EBIT	26,114	25,620	22,704	24,741	29,182
Net income	14,281	18,765	12,486	15,297	18,033
P/E	21.4	16.3	24.5	20.0	16.9
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	7.2	7.8	8.7	8.4	7.7
DPS	40.00	33.00	33.00	23.21	28.43
DYield	7.0%	5.8%	5.8%	4.1%	5.0%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-1.6%	-1.2%	+0.3%
Net income	-12.3%	-0.6%	+3.7%
Price of electricity (EUR/MWh)	0.0%	0.0%	0.0%
EUR/CZK	0.0%	0.0%	0.0%
CO2 (EUR/t)	0.0%	0.0%	0.0%

Financial Highlights

(CZK m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	**58,596**	**52,196**	**51,694**	**54,564**	**58,735**
EBITDA	58,206	55,155	51,694	54,564	58,735
Generation	25,403	24,050	21,806	24,027	27,304
Mining	4,413	4,056	4,026	4,171	4,222
Distribution	20,386	19,067	19,177	19,669	20,084
Trade	5,489	4,613	4,422	4,435	4,459
Other	2,515	3,369	2,263	2,263	2,666
Financing activity	**-6,786**	**-2,867**	**-6,827**	**-5,660**	**-6,688**
Power output, TWh	**61.1**	**62.9**	**67.0**	**67.6**	**67.7**
Renewables	4.5	4.7	4.9	4.9	5.0
Trade volume, TWh	**37.5**	**37.0**	**37.3**	**37.6**	**37.9**
YoY pct. change	-2.4%	-1.2%	0.8%	0.8%	0.8%
Trade mrgn (CZK/MWh)	146.5	124.6	118.5	118.0	117.7
RAV (CZK bn)	**110.5**	**114.0**	**117.2**	**123.0**	**128.9**
RAV return (EBIT)	13.0%	10.4%	10.0%	9.9%	9.8%

Key Balance Sheet Figures

(CZK m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**48,953**	**45,812**	**52,244**	**51,946**	**54,631**
OCF/EBITDA	84%	83%	101%	95%	93%
CAPEX	**35,553**	**30,688**	**34,963**	**34,663**	**34,463**
Working capital	40,832	24,140	21,680	22,894	25,034
Equity	256,812	250,018	244,750	247,562	250,297
Net debt	**140,886**	**139,546**	**144,648**	**144,120**	**144,568**
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	4.2	3.2	2.7	3.8	3.6	3.3
Maximum	21.8	21.3	19.6	10.6	9.7	9.4
Median	14.5	13.2	11.2	6.6	6.5	6.2
Weight	17%	17%	17%	17%	17%	17%

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	184,873	195,228	213,472	220,335	226,951	222,557	224,393	226,258	228,153	230,078	230,078
EBITDA	55,372	58,335	62,600	65,685	68,989	66,004	66,682	67,344	67,982	68,594	68,594
EBITDA margin	30.0%	29.9%	29.3%	29.8%	30.4%	29.7%	29.7%	29.8%	29.8%	29.8%	29.8%
EBIT	22,704	24,741	29,182	31,467	35,200	31,639	32,197	32,546	32,707	32,711	35,935
Tax	4,314	4,701	5,544	5,978	6,686	6,008	6,113	6,179	6,208	6,208	6,828
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	2,460	-1,214	-2,139	-805	-776	515	-215	-219	-222	-226	-226
FCF	18,556	17,757	20,453	25,602	28,266	27,296	27,220	27,930	28,693	29,501	28,882
PV FCF	18,556	16,786	18,277	21,623	22,555	20,584	19,396	18,803	18,246	17,717	0
WACC	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.9%	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%

DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	553,866
Net debt	157,300
Other adjustments	-57,471
Value per share (CZK)	630.30

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	267.46
Relative (DYield)	17%	630.48
DCF	50%	630.30
Cost of equity (9M)		5.6%
9M Target Price		**537.8**

Enea
buy (reiterated)

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Enea has no inherent upside catalysts but its stock did move higher in January in keeping with the general rally on the WIG-Energy index. After dismal production numbers returned for 2018 by the subsidiary coal mine LW Bogdanka, taking into account persistent availability issues of the generators at the Kozienice power station, we are having to cut our 2019 EBITDA forecast for Enea by 9% (to a level which still tops the consensus estimate by 5%), with the bottom-line estimate adjusted 19% lower. This despite Enea's positive exposure to increases in clean-dark spreads and coal prices. Consequently, we lower our target price for ENA to PLN 13.12, a value which still implies enough upside potential to warrant an intact buy call. Possible upside catalysts in the near term include the finalization of financing for the Ostrołęka C project, the announcement of updated legislation that governs this year's electricity prices, and speculation about possible synergy-producing M&A activity in the Polish power industry.

Current Price	10.84 PLN	**Upside**
9M Target Price	13.12 PLN	+21.0%

	rating	target price	issued
new	**buy**	**13.12 PLN**	**2019-02-04**
old	buy	15.58 PLN	2018-11-29

Key Metrics			**ENA PW**	**vs. WIG**
Ticker	ENA PW	1M Price Chng	+9.5%	+3.4%
ISIN	PLENEA000013	YTD Price Chng	+9.5%	+4.3%
Outst. Stock (m)	441.4	ADTV 1M		PLN 6.6m
MC (PLN m)	4,785.2	ADTV 6M		PLN 7.4m
EV (PLN m)	11,144.4	EV/EBITDA 12M fwd	3.6	-27.2%
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	12,637	14,700	15,327
EBITDA	2,328	2,684	2,477	3,249	3,542
EBITDA margin	20.7%	23.5%	19.6%	22.1%	23.1%
EBIT	1,119	1,488	1,008	1,704	1,981
Net income	784	1,070	617	1,142	1,337
P/E	6.1	4.5	7.8	4.2	3.6
P/B	0.4	0.4	0.3	0.3	0.3
EV/EBITDA	4.3	4.2	4.5	3.6	3.3
DPS	0.00	0.28	0.00	0.00	0.00
DYield	0.0%	2.6%	0.0%	0.0%	0.0%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-5.6%	-9.5%	-3.2%
Net income	-16.4%	-19.4%	-7.7%
Price of electricity (PLN/MWh)	0.0%	0.0%	0.0%
Price of coal (PLN/t)	0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	**2,520**	**2,649**	**2,443**	**3,249**	**3,542**
EBITDA	2,328	2,684	2,477	3,249	3,542
Generation	517	735	873	1,387	1,581
Mining	609	709	465	651	629
Distribution	1,111	1,073	1,117	1,147	1,186
Trade	154	178	13	101	186
Other	-67	-13	8	-37	-40
Financing activity	**-51**	**-21**	**-217**	**-202**	**-247**
Power output, TWh	**13.6**	**21.8**	**26.7**	**27.9**	**28.8**
Renewables	0.5	2.3	1.9	2.0	2.0
Trade volume, TWh	**16.7**	**17.9**	**19.9**	**20.3**	**20.7**
YoY pct. change	3.0%	7.3%	11.2%	1.9%	1.9%
Trade mrgn (PLN/MWh)	9.2	9.9	0.5	5.0	9.0
RAV (PLN bn)	**7.3**	**7.5**	**8.0**	**8.3**	**8.6**
RAV return (EBIT)	8.7%	7.7%	7.4%	7.2%	7.3%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**2,424**	**2,580**	**2,653**	**2,121**	**3,149**
OCF/EBITDA	104%	96%	107%	65%	89%
CAPEX	**2,688**	**2,058**	**2,329**	**2,512**	**2,848**
Working capital	1,132	698	660	1,503	1,567
Equity	12,176	13,078	13,685	14,818	16,144
Net debt	**4,379**	**5,523**	**5,425**	**6,028**	**5,984**
Net debt/EBITDA (x)	1.9	2.1	2.2	1.9	1.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.2	3.2	2.7	3.8	3.9	3.3
Maximum	23.8	21.3	19.6	10.6	9.7	9.4
Median	15.4	14.0	12.6	6.9	6.7	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	167.0	241.1	250.3	233.9	224.9	208.5	209.9	211.4	213.0	214.5	214.5
Coal (PLN/t)	239.1	269.8	262.5	262.5	240.6	240.6	240.6	240.6	240.6	240.6	240.6
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	12,637	14,700	15,327	14,716	14,398	13,917	14,243	14,452	14,671	14,898	14,898
EBITDA	2,477	3,249	3,542	3,920	3,699	3,300	3,412	3,441	3,313	3,352	3,352
EBITDA margin	19.6%	22.1%	23.1%	26.6%	25.7%	23.7%	24.0%	23.8%	22.6%	22.5%	22.5%
EBIT	1,008	1,704	1,981	2,327	2,104	1,642	1,682	1,673	1,502	1,495	1,109
Tax	192	324	376	442	400	312	320	318	285	284	211
CAPEX	-2,329	-2,512	-2,848	-2,886	-2,690	-2,233	-2,140	-2,173	-2,208	-2,243	-2,243
Working capital	38	-843	-64	62	33	49	-33	-21	-22	-23	-23
FCF	-6	-430	254	655	641	804	919	929	798	802	875
PV FCF	-6	-403	222	535	490	574	613	577	462	433	
WACC	6.9%	6.8%	7.0%	7.1%	7.0%	7.0%	7.1%	7.2%	7.2%	7.3%	7.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	11,847
Net debt	5,523
Other adjustments	-921
Value per share (PLN)	12.24

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	31.60
Relative (DYield)	0%	0.00
DCF	100%	12.24
Cost of equity (9M)		6.7%
9M Target Price		**13.12**

mBank Dom Maklerski

Energa
buy (reiterated)

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Energa is expected to report good results for Q4 2018, especially when compared to the poor figures anticipated from its closest rivals, Tauron and Energa. We stand by our 2019 earnings outlook for the Company, although we recognize the downside risk stemming from Poland's plans to cap power prices for the year, with the potential compensation mechanism for utilities in case of Energa possibly proving insufficient to cover the losses. Positive base effects might help cushion the falls. Another risk will materialize if prices of green certificates decrease after planned changes in local regulations. On the upside there are the recent rumors that Energa has been targeted for acquisition by PGE, which would dilute its financial involvement in the Ostrołęka C project. We maintain a buy rating for ENG, with the target price trimmed to PLN 13.26 in line with slightly downgraded earnings forecasts.

Current Price	10.15 PLN	**Upside**
9M Target Price	13.26 PLN	+30.6%

	rating	target price	issued
new	**buy**	**13.26 PLN**	**2019-02-04**
old	buy	13.54 PLN	2018-11-29

Key Metrics			**ENG PW**	**vs. WIG**
Ticker	ENG PW	1M Price Chng	+11.4%	+5.4%
ISIN	PLENERG00022	YTD Price Chng	+13.9%	+8.8%
Outst. Stock (m)	414.1	ADTV 1M		PLN 6.5m
MC (PLN m)	4,202.8	ADTV 6M		PLN 6.6m
EV (PLN m)	8,451.5	EV/EBITDA 12M fwd	4.1	-15.2%
Free Float	48.5%	EV/EBITDA 5Y avg	4.8	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	10,181	10,534	10,343	12,266	12,690
EBITDA	2,027	2,160	2,066	2,154	2,169
EBITDA margin	19.9%	20.5%	20.0%	17.6%	17.1%
EBIT	487	1,210	1,371	1,132	1,143
Net income	151	773	946	709	670
P/E	27.8	5.4	4.4	5.9	6.3
P/B	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	4.4	3.9	4.1	4.2	4.4
DPS	0.49	0.19	0.00	0.00	0.00
DYield	4.8%	1.9%	0.0%	0.0%	0.0%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-0.1%	-2.4%	-1.5%
Net income	+18.2%	-5.8%	-4.2%
Price of electricity (PLN/MWh)	0.0%	0.0%	0.0%
Price of coal (PLN/t)	0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	**2,040**	**2,091**	**2,066**	**2,154**	**2,169**
EBITDA	2,027	2,160	2,066	2,154	2,169
Conv. Gener./CHP	195	229	134	152	91
Renewables	119	169	219	270	285
Distribution	1,720	1,723	1,730	1,701	1,740
Trade	40	85	53	100	124
Other	-48	-46	-69	-70	-72
Financing activity	**-282**	**-208**	**-201**	**-254**	**-313**
Power output, TWh	**3.9**	**4.3**	**3.8**	**3.8**	**3.8**
Renewables	0.5	0.7	0.6	0.6	0.6
Trade volume, TWh	**19.6**	**20.4**	**19.8**	**20.1**	**20.4**
YoY pct. change	17.1%	4.0%	-3.0%	1.5%	1.5%
Trade mrgn (PLN/MWh)	4.2	2.0	1.9	5.0	6.1
RAV (PLN bn)	**11.5**	**11.7**	**12.2**	**12.6**	**12.9**
RAV return (EBIT)	8.5%	8.2%	8.0%	7.0%	7.1%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**1,782**	**2,182**	**1,802**	**1,718**	**1,952**
OCF/EBITDA	88%	101%	87%	80%	90%
CAPEX	**1,580**	**1,280**	**1,693**	**1,971**	**2,327**
Working capital	1,608	1,403	1,446	1,714	1,774
Equity	8,777	9,409	10,321	11,030	11,701
Net debt	**4,664**	**4,064**	**4,204**	**4,712**	**5,401**
Net debt/EBITDA (x)	2.3	1.9	2.0	2.2	2.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.2	3.2	2.7	3.8	3.6	3.3
Maximum	23.8	21.3	19.6	10.6	9.7	9.4
Median	15.4	14.0	12.6	6.9	6.7	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	167.0	241.1	250.3	233.9	224.9	208.5	209.9	211.4	213.0	214.5	214.5
Coal (PLN/t)	239.1	269.8	262.5	262.5	240.6	240.6	240.6	240.6	240.6	240.6	240.6
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	10,343	12,266	12,690	12,474	12,382	12,145	12,278	12,414	12,551	12,688	12,688
EBITDA	2,066	2,154	2,169	2,322	2,294	2,448	2,624	2,683	2,707	2,765	2,765
EBITDA margin	20.0%	17.6%	17.1%	18.6%	18.5%	20.2%	21.4%	21.6%	21.6%	21.8%	21.8%
EBIT	1,371	1,132	1,143	1,252	1,262	1,348	1,452	1,474	1,457	1,508	1,508
Tax	261	215	217	238	240	256	276	280	277	286	286
CAPEX	-1,693	-1,971	-2,327	-2,332	-2,157	-1,726	-1,559	-1,568	-1,575	-1,578	-1,578
Working capital	-43	-269	-59	30	13	33	-19	-19	-19	-19	-19
FCF	70	-301	-434	-218	-90	499	770	816	836	881	881
PV FCF	70	-280	-377	-176	-68	350	504	496	472	461	
WACC	7.5%	7.4%	7.3%	7.3%	7.2%	7.3%	7.4%	7.6%	7.7%	7.9%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	9,267
Net debt	4,064
Other adjustments	-56
Value per share (PLN)	12.43

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	24.55
Relative (DYield)	0%	0.00
DCF	100%	12.43
Cost of equity (9M)		6.7%
9M Target Price		**13.26**

PGE
buy (reiterated)

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PGE was the leader of the January rally on Polish utilities triggered by an upward shift in the European benchmark. The over-10% ytd gain happened even though power prices on the POLPX exchange were only a bit higher in January than the month before, going against the messages coming out of government ranks about plans to place the future nuclear plant on the site of PGE's existing coal power station, and the extended wait for the legislation capping 2019 power prices to take a final shape. Market reactions to reports about PGE's possible involvement in the Ostrołęka C project, and its possible bid on Energa, were rather subdued. Meanwhile per our calculations a merger of PGE and Energa could create meaningful synergies even assuming cost reductions are scaled down so as not to go against labor interests. We have trimmed our 2018 earnings estimates based on preliminary Q4 results, and we lower our target price for PGE to PLN 14.47 with an intact buy rating. We maintain PGE has the capacity to resume regular dividend payments with average 2019-22E FCF/EV of 12% and a net debt/EBITDA ratio currently at 1.4x.

Current Price	12.07 PLN	**Upside**
9M Target Price	14.47 PLN	+19.9%

	rating	target price	issued
new	**buy**	**14.47 PLN**	**2019-02-04**
old	buy	14.82 PLN	2018-11-29

Key Metrics			**PGE PW**	**vs. WIG**
Ticker	PGE PW	1M Price Chng	+19.4%	+13.3%
ISIN	PLPGER000010	YTD Price Chng	+20.7%	+15.6%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 30.9m
MC (PLN m)	22,568.3	ADTV 6M		PLN 26.1m
EV (PLN m)	33,180.6	EV/EBITDA 12M fwd	4.4	-8.9%
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	24,706	38,649	42,432
EBITDA	7,376	7,650	6,479	7,630	8,537
EBITDA margin	26.3%	33.1%	26.2%	19.7%	20.1%
EBIT	3,512	3,620	2,762	3,869	4,502
Net income	2,568	2,660	1,934	2,759	3,277
P/E	8.8	8.5	11.7	8.2	6.9
P/B	0.5	0.5	0.5	0.5	0.4
EV/EBITDA	3.8	4.1	5.1	4.3	3.7
DPS	0.25	0.00	0.00	0.00	0.37
DYield	2.1%	0.0%	0.0%	0.0%	3.1%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-4.0%	-0.8%	-0.7%
Net income	-9.0%	-1.9%	-1.6%
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**	**6,778**	**7,630**	**8,537**
EBITDA	7,376	7,650	6,479	7,630	8,537
Generation	4,182	4,099	2,842	3,898	4,775
Renewables	365	364	512	614	635
Distribution	2,230	2,333	2,445	2,468	2,475
Trade	500	811	605	607	609
Other	99	43	75	43	43
Financing activity	**-238**	**-330**	**-273**	**-403**	**-395**
Power output, TWh	**53.7**	**56.8**	**66.0**	**66.6**	**79.2**
Renewables	2.4	2.4	2.2	2.3	2.3
Trade volume, TWh	**43.0**	**40.4**	**42.9**	**43.5**	**44.2**
YoY pct. change	10.2%	-5.9%	6.0%	1.5%	1.5%
Trade mrgn (PLN/MWh)	11.6	20.1	14.1	14.0	13.8
RAV (PLN bn)	**15.1**	**15.6**	**16.3**	**16.7**	**17.0**
RAV return (EBIT)	7.3%	7.5%	7.9%	7.8%	7.7%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**6,391**	**7,934**	**4,535**	**7,430**	**7,378**
OCF/EBITDA	87%	104%	70%	97%	86%
CAPEX	**7,935**	**6,071**	**6,103**	**6,354**	**5,153**
Working capital	3,325	3,388	4,324	3,865	4,243
Equity	42,679	45,188	47,049	49,735	52,249
Net debt	**5,045**	**7,487**	**9,401**	**8,801**	**7,733**
Net debt/EBITDA (x)	0.7	1.0	1.5	1.2	0.9

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.2	3.2	2.7	3.8	3.6	3.3
Maximum	23.8	21.3	19.6	10.6	9.7	9.4
Median	15.4	14.0	12.6	6.9	6.7	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	167.0	241.1	250.3	233.9	224.9	208.5	209.9	211.4	213.0	214.5	214.5
Coal (PLN/t)	239.1	269.8	262.5	262.5	240.6	240.6	240.6	240.6	240.6	240.6	240.6
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	24,706	38,649	42,432	40,701	39,614	37,671	37,978	38,325	38,672	39,040	39,040
EBITDA	6,479	7,630	8,537	10,018	9,181	7,769	7,546	7,485	7,381	7,434	7,434
EBITDA margin	26.2%	19.7%	20.1%	24.6%	23.2%	20.6%	19.9%	19.5%	19.1%	19.0%	19.0%
EBIT	2,762	3,869	4,502	5,897	4,988	3,459	3,091	2,864	2,573	2,621	2,995
Tax	525	735	855	1,120	948	657	587	544	489	498	569
CAPEX	-6,103	-6,354	-5,153	-4,204	-4,301	-4,204	-4,260	-4,318	-4,378	-4,439	-4,439
Working capital	-936	459	-378	173	109	194	-31	-35	-35	-37	-37
FCF	-1,084	1,000	2,150	4,867	4,041	3,102	2,667	2,588	2,480	2,460	2,389
PV FCF	-1,084	925	1,839	3,833	2,934	2,076	1,646	1,472	1,301	1,190	
WACC	7.9%	8.1%	8.2%	8.6%	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	1.1
FCF perp. growth rate	2.0%
PV FCF	34,006
Net debt	7,487
Other adjustments	-1,165
Value per share (PLN)	13.56

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	20.57
Relative (DYield)	0%	3.21
DCF	100%	13.56
Cost of equity (9M)		6.7%
9M Target Price		**14.47**

mBank Dom Maklerski

Tauron
buy (reiterated)

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Tauron did not partake fully of the January WIG-Energy rally, showing slight underperformance stemming probably from the uncertainty over this year's sales prices and fears that the planned caps might not be fully offset by the potential compensation scheme. Tauron is set to report an 18% slump in 2018 Q4 EBITDA, but going forward its outlook is much brighter and seen by us as still warranting a positive call and a slight upward adjustment to PLN 3.12 to our target price. With average FCF in 2020-2021 projected at PLN ~1.1bn, concerning the balance sheet, Tauron will regain its dividend capacity already in 2020 (with the current capitalization, to ensure Dyield of 5% "only" PLN 0.2bn is needed, which would increase DN/EBITDA by merely 0.05). We are hoping based on the absence of some of the older units in the recent capacity auctions that the Company is working on a plan to optimize the energy mix. Tauron can deliver a positive earnings surprise in 2019 if its coal mine improves production. Looking at the low valuations of Polish utilities, the rumored M&A plans in the industry can be a source of meaningful synergies.

Current Price	2.37 PLN	**Upside**
9M Target Price	3.12 PLN	+31.6%

	rating	target price	issued
new	**buy**	**3.12 PLN**	**2019-02-04**
old	buy	3.06 PLN	2018-11-29

Key Metrics			**TPE PW**	**vs. WIG**
Ticker	TPE PW	1M Price Chng	+10.2%	+4.2%
ISIN	PLTAURN00011	YTD Price Chng	+8.2%	+3.1%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 8.1m
MC (PLN m)	4,153.5	ADTV 6M		PLN 11.8m
EV (PLN m)	13,674.4	EV/EBITDA 12M fwd	4.4	-8.0%
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	18,605	23,453	25,089
EBITDA	3,337	3,545	3,605	3,707	4,214
EBITDA margin	18.9%	20.4%	19.4%	15.8%	16.8%
EBIT	802	1,806	1,511	1,913	2,258
Net income	367	1,381	971	1,272	1,520
P/E	11.3	3.0	4.3	3.3	2.7
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.8	3.7	3.8	3.9	3.3
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%	+0.3%	+0.3%
Net income	-0.2%	+0.6%	+0.5%
Price of electricity (PLN/MWh)	0.0%	0.0%	0.0%
Price of coal (PLN/t)	0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	**3,374**	**3,508**	**3,297**	**3,707**	**4,214**
EBITDA	3,337	3,545	3,605	3,707	4,214
Generation	545	464	754	743	1,080
Mining	-82	-83	-167	-45	68
Distribution	2,395	2,283	2,487	2,534	2,607
Trade	490	841	546	486	475
Other	-9	40	-15	-12	-15
Financing activity	**-293**	**-49**	**-277**	**-296**	**-326**
Power output, TWh	**16.8**	**18.4**	**16.1**	**15.6**	**18.7**
Renewables	1.3	1.3	1.1	1.2	1.3
Trade volume, TWh	**32.0**	**34.9**	**35.5**	**36.0**	**36.5**
YoY pct. change	-10.9%	9.1%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	17.3	18.3	16.2	13.5	13.0
RAV (PLN bn)	**15.4**	**16.3**	**16.9**	**17.6**	**17.9**
RAV return (EBIT)	8.9%	7.4%	8.2%	7.8%	8.0%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**3,064**	**3,559**	**3,309**	**3,227**	**3,757**
OCF/EBITDA	92%	100%	92%	87%	89%
CAPEX	**3,647**	**3,562**	**3,577**	**3,652**	**3,116**
Working capital	517	489	522	656	702
Equity	16,649	18,036	19,007	20,280	21,800
Net debt	**8,595**	**8,944**	**9,491**	**10,212**	**9,897**
Net debt/EBITDA (x)	2.6	2.5	2.6	2.8	2.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	4.4	4.1	3.5	4.1	3.6	3.3
Maximum	23.8	21.3	19.6	10.6	9.7	9.4
Median	15.4	14.0	12.6	6.9	6.7	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Power (PLN/MWh)	167.0	241.1	250.3	233.9	224.9	208.5	209.9	211.4	213.0	214.5	214.5
Coal (PLN/t)	239.1	269.8	262.5	262.5	240.6	240.6	240.6	240.6	240.6	240.6	240.6
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	18,605	23,453	25,089	24,612	24,458	23,874	24,234	24,616	25,008	25,412	25,412
EBITDA	3,375	3,707	4,214	4,561	4,432	4,175	4,243	4,346	4,358	4,469	4,469
EBITDA margin	18.1%	15.8%	16.8%	18.5%	18.1%	17.5%	17.5%	17.7%	17.4%	17.6%	17.6%
EBIT	1,281	1,913	2,258	2,543	2,417	2,101	2,102	2,130	2,057	2,074	1,464
Tax	243	364	429	483	459	399	399	405	391	394	278
CAPEX	-3,577	-3,652	-3,116	-2,542	-2,654	-2,723	-2,793	-2,864	-2,935	-3,005	-3,005
Working capital	-33	-135	-46	13	4	16	-10	-11	-11	-11	-11
FCF	-479	-443	624	1,549	1,322	1,069	1,041	1,068	1,022	1,058	1,174
PV FCF	-477	-415	548	1,271	1,010	759	685	650	575	549	
WACC	6.3%	6.3%	6.6%	7.0%	7.4%	7.6%	7.9%	8.1%	8.3%	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	1.1
FCF perp. growth rate	2.0%
PV FCF	14,574
Net debt	8,944
Other adjustments	-507
Value per share (PLN)	2.92

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	9.14
Relative (DYield)	0%	0.00
DCF	100%	2.92
Cost of equity (9M)		6.7%
9M Target Price		**3.12**

TMT

Netia

hold (no change)

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Netia improved its earnings performance last year, with cumulative EBITDA for the nine months to September (9M 2018) edging just 5.0% lower versus the year-ago period, when it fell 10.2%, leading us to assume a narrow, 4.3% contraction for the whole year. LTM operating cash flow in September 2018 was relatively strong at PLN 357.3m, however future cash flows are set for a decline as Netia embarks on network upgrades aimed at reaching 2.6 million households with high-speed services by 2020. We predict negative FCFE of PLN -61m in 2019 and PLN -65m in 2020, with no dividend payments during the two year period after a freeze on shareholder distributions approved by the controlling shareholder, the listed telecom Cyfrowy Polsat. In fact, we believe Netia might feel compelled to accelerate the infrastructure upgrades to keep up with the competition (including Orange Polska, with its plans to bring fiber to 5 million households by 2020, and T-Mobile which is preparing to launch a convergent fixed + mobile service in Q2 2019), which would entail higher debt and an increase in the net debt/EBITDA ratio from the 0.6x reported last September. With this in mind, we do not find Netia a compelling bet at 4.6x/5.9x 2018/2019E EV/EBITDA. An upside catalyst will be provided if Cyfrowy decides to make a tender offer to increase its stake in Netia. Cyfrowy has not explicitly made its endgame with respect to Netia known thus far, but we would venture a guess it might try to gain more control over the fixed telecom before October 2019 so as to push through with the potential merger and start realizing synergies in time to beat the T-Mobile's convergence launch planned for Q2 2019.

Current Price	5.20 PLN	**Downside**
9M Target Price	4.70 PLN	-9.6%

	rating	target price	issued
unchanged	**hold**	**4.70 PLN**	**2018-11-26**

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	+3.2%	-2.9%
ISIN	PLNETIA00014	YTD Price Chng	+4.0%	-1.1%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.2m
MC (PLN m)	1,752.6	ADTV 6M		PLN 0.5m
EV (PLN m)	1,969.3	EV/EBITDA 12M fwd	5.7	+18.3%
Free Float	33.0%	EV/EBITDA 5Y avg	4.8	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,522	1,442	1,374	1,348	1,348
EBITDA	426	383	427	345	356
EBITDA margin	28.0%	26.6%	31.1%	25.6%	26.4%
EBIT	25	72	80	74	90
Net income	33	35	62	50	61
P/E	53.7	49.4	28.1	34.9	28.9
P/B	0.9	1.0	0.9	0.9	0.9
EV/EBITDA	4.6	5.3	4.6	5.9	5.9
DPS	0.39	0.20	0.00	0.00	0.00
DYield	7.6%	3.8%	0.0%	0.0%	0.0%

Projection Update (% change)	2018P	2019P	2020P
Revenue	0.0%	0.0%	0.0%
EBITDA	-6.0%	0.0%	0.0%
EBIT	-30.0%	0.0%	0.0%
Net income	-6.6%	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	938	880	844
On-Netw. Voice ARPU (PLN)	28.4	26.5	25.2	24.7	24.5
WLR+LLU Voice ARPU (PLN)	39.9	39.0	38.5	38.1	38.1
Broadband subs (1,000)	697	640	605	592	615
Broadband ARPU (PLN)	56.3	56.0	55.0	55.8	57.0
Revenue	**1,522**	**1,442**	**1,374**	**1,348**	**1,348**
Direct Voice	471	405	351	317	295
Data	659	616	581	573	586
Interop & Wholesale	209	234	237	244	249
Other	183	188	205	213	217
Selling expenses	294	275	271	270	274
G&A expenses	149	148	129	129	130
EBIT	**25**	**72**	**80**	**74**	**90**
margin	1.7%	5.0%	5.8%	5.5%	6.7%
Net income	**32.6**	**35.5**	**62.3**	**50.2**	**60.5**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**442**	**346**	**362**	**342**	**341**
OCF/EBITDA	104%	90%	100%	99%	96%
CAPEX	**-209**	**-268**	**-278**	**-390**	**-390**
Assets	2,450	2,401	2,465	2,517	2,657
Equity	1,896	1,778	1,865	1,919	1,980
Net debt	**204**	**285**	**220**	**278**	**342**
Net debt/EBITDA (x)	0.5	0.7	0.6	0.8	1.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	36.7	98.2	29.9	11.8	9.5	9.4
Maximum	5.6	5.3	4.4	4.0	3.6	3.3
Median	13.9	12.7	12.1	5.1	5.1	4.8
Weight	25%	45%	30%	25%	45%	30%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	343	1,348	1,348	1,372	1,400	1,429	1,459	1,489	1,521	1,555	1,555
EBITDA	362	345	356	371	378	385	392	400	408	417	417
EBITDA margin	24.6%	25.6%	26.4%	27.0%	27.0%	26.9%	26.9%	26.9%	26.8%	26.8%	26.8%
D&A	70	271	266	265	265	265	262	252	242	225	225
EBIT	14	74	90	106	113	120	130	148	166	192	192
Tax	3	14	17	20	21	23	25	28	32	37	37
NOPLAT	**12**	**60**	**73**	**86**	**91**	**97**	**105**	**120**	**135**	**156**	**156**
CAPEX	-78	-390	-390	-221	-211	-207	-211	-216	-220	-225	-225
Working capital	1	8	-1	0	0	0	-1	-2	-2	-3	-3
FCF	**5**	**-51**	**-52**	**130**	**145**	**155**	**156**	**154**	**154**	**153**	**153**
PV FCF	5	-47	-45	103	107	107	100	92	86	79	
WACC	7.9%	7.8%	7.6%	7.6%	7.5%	7.5%	7.4%	7.4%	7.3%	7.2%	7.2%
Net debt / EV	12.1%	15.0%	17.9%	18.9%	19.3%	20.7%	21.9%	23.3%	24.5%	25.8%	25.8%
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	0.0%
PV FCF	1,688
Net debt	225
Other adjustments	0
Value per share (PLN)	4.34

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.49
DCF	50%	4.34
Implied Price		4.42
Cost of equity (9M)		6.4%
9M Target Price		**4.70**

mBank Dom Maklerski

Orange Polska
buy (no change)

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We maintain a bullish view on Orange Polska ahead of 5% EBITDA growth expected to be delivered for Q4 2018 against tighter profits across the board anticipated of most other telecoms. Orange consistently delivers the milestones defined in the 2017 strategy update, with direct costs reduced by >5% (including by downsizing headcount by 8% in a year), margins kept stable, and the fixed + mobile subscriber base on the rise with 233,000 users added in the past year. The Company has stabilized prices of convergent services (ARPO + 0.2% y/y in Q3'18) and curbed churn. In addition, sales of services on upgraded infrastructure are on the rise (53% in Q3'18 vs. 42% in Q3'17), including services over FTTx (110k in 9M'18 vs. 88k in 9M'17), and new optimization initiatives are planned in 2019. Looking at these achievements, we are convinced Orange can successfully bring to bear its restructuring plan and go back to delivering EBITDA growth from 2019, a feat unattainable for most Polish telecoms. Despite substantial investment (CAPEX at 18.3% of 2019E revenue), Orange generates quite high FCFE (6.5% and 8.8% respectively in 2019E and 2020E). The FTTx upgrades are set to be finished in 2020, which means Orange can be expected to resume dividend payments in 2021. At 4.3x 2019E EV/EBITDA, the lowest ratio of Polish telecoms, OPL offers a compelling investment opportunity.

Current Price	5.65 PLN	**Upside**
9M Target Price	6.40 PLN	+13.3%

	rating	target price	issued
unchanged	**buy**	**6.40 PLN**	**2018-11-26**

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+12.1%	+6.0%
ISIN	PLTLKPL00017	YTD Price Chng	+18.0%	+12.8%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 11.4m
MC (PLN m)	7,412.8	ADTV 6M		PLN 9.1m
EV (PLN m)	14,168.8	EV/EBITDA 12M fwd	4.7	+1.5%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	11,538	11,381	11,025	11,096	11,214
EBITDA adj.	3,163	3,011	2,779	2,891	3,062
EBITDA margin	27.4%	26.5%	25.2%	26.1%	27.3%
EBIT	-1,354	229	325	423	632
Net income	-1,746	-75	-34	105	286
P/E	-	-	-	70.9	26.0
P/B	0.7	0.7	0.7	0.7	0.7
EV/EBITDA	4.5	4.9	5.0	4.7	4.4
DPS	0.25	0.00	0.00	0.00	0.25
DYield	4.4%	0.0%	0.0%	0.0%	4.4%

Projection Update (% change)	2018P	2019P	2020P
Revenue	+0.3%	0.0%	0.0%
EBITDA	+2.1%	0.0%	0.0%
EBIT	+22.3%	0.0%	0.0%
Net income	-	0.0%	0.0%
CAPEX	-0.5%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Broadband lines (1,000)	2,206	2,438	2,585	2,860	3,167
Voice lines (1,000)	3,932	3,684	3,388	3,014	2,602
Revenue	**11,538**	**11,381**	**11,025**	**11,096**	**11,214**
Mobile	6,324	6,141	2,464	2,302	2,175
Fixed Line	4,720	4,571	1,083	925	783
Other	494	669	7,478	7,869	8,256
Costs	**8,445**	**8,655**	**8,315**	**8,300**	**8,226**
Payroll	1,636	1,690	1,566	1,436	1,381
Services	6,432	6,416	6,365	6,508	6,500
Other rev & exp	377	341	198	176	170
Severance benefits	0	208	186	180	175
Asset sales	70	81	128	95	75
EBITDA	**3,163**	**2,807**	**2,838**	**2,891**	**3,062**
margin	27.4%	24.7%	25.7%	26.1%	27.3%
Net income	**-1,746**	**-60**	**-34**	**105**	**286**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**2,549**	**2,064**	**1,498**	**2,672**	**2,858**
OCF/EBITDA	81%	74%	53%	83%	84%
CAPEX	**-5,604**	**-1,643**	**-2,021**	**-2,166**	**-2,052**
Assets	22,588	22,933	22,651	22,667	23,062
Equity	10,007	9,936	10,485	10,838	11,301
Net debt	**6,932**	**6,436**	**6,702**	**6,169**	**5,530**
Net debt/EBITDA (x)	2.2	2.3	2.4	1.9	1.6

Relative Valuation Summary

	EV/EBITDA			DYield - RFR		
	18P	19P	20P	18P	19P	20P
Minimum	11.8	9.5	9.4	9.7%	7.1%	8.1%
Maximum	4.0	3.6	3.3	-16.9%	-10.1%	-8.2%
Median	5.1	5.1	4.8	2.6%	3.0%	3.4%
Weight	33%	33%	33%	0%	0%	100%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	11,025	11,096	11,214	11,308	11,408	11,517	11,599	11,666	11,708	11,720	11,720
EBITDA	2,838	2,891	3,062	3,126	3,185	3,244	3,279	3,312	3,333	3,337	3,337
EBITDA margin	25.7%	26.1%	27.3%	27.6%	27.9%	28.2%	28.3%	28.4%	28.5%	28.5%	28.5%
D&A	2,515	2,468	2,431	2,403	2,384	2,374	2,373	2,381	1,860	1,882	1,882
EBIT	325	423	632	723	801	869	906	931	1,473	1,455	1,455
Tax	62	80	120	137	152	165	172	177	280	276	276
NOPLAT	**263**	**343**	**512**	**586**	**648**	**704**	**734**	**754**	**1,193**	**1,179**	**1,179**
CAPEX	-1,893	-1,933	-1,850	-1,683	-3,189	-1,759	-1,786	-1,824	-1,860	-1,882	-1,882
Working capital	-855	-156	-213	-153	-116	-115	-89	-91	-96	-101	-101
FCF	**31**	**721**	**879**	**1,153**	**-272**	**1,205**	**1,232**	**1,220**	**1,097**	**1,078**	**1,078**
PV FCF	30	668	766	944	-209	872	837	777	655	603	
WACC	6.1%	6.2%	6.3%	6.4%	6.3%	6.4%	6.6%	6.7%	6.7%	6.7%	6.7%
Net debt / EV	51.6%	49.3%	48.0%	45.2%	48.9%	46.0%	42.5%	40.4%	40.7%	41.1%	41.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	14,987
Net debt	6,436
Other adjustments	2
Value per share (PLN)	6.52

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.50
DCF Val.	50%	6.52
Implied Price		6.01
Cost of equity (9M)		6.6%
9M Target Price		**6.40**

Play
hold (downgraded)

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Play stock has rebounded nearly 36% since our last update in November. The market's current earnings expectations for the Telecom look feasible, and Play's own updated business strategy through 2022 paints an optimistic outlook, even if it does not propose a convincing plan for growing revenues. By keeping a tight rein on expenses, with no plans for major fixed-line investment, Play should deliver high FCFE yield generation (we assume 13% in 2018 and 11.1% in 2019) and offer high dividend yields (with 2019 DivYield projected at 5.7%) as the only Polish telecom to share its profits with shareholders in this way. On a less positive note, Play is set to report 4% EBITDA contraction in Q4 2018, due among others to lower sales margins generated from smartphones. We downgrade PLY to hold after the recent share price gains wiped out all further upside potential. The competitive pressures emerging from Poland's increasingly convergent telecommunications market in our view are being overestimated by investors considering that Play always has the option to lease FTTH network access from the incumbent, Orange Polska, to offer convergent services.

Current Price	22.46 PLN	**Downside**
9M Target Price	21.30 PLN	-5.2%

	rating	target price	issued
new	**hold**	**21.30 PLN**	**2019-02-04**
old	buy	21.30 PLN	2018-11-26

Key Metrics			**PLY PW**	**vs. WIG**
Ticker	PLY PW	1M Price Chng	+7.9%	+1.8%
ISIN	LU1642887738	YTD Price Chng	+8.0%	+2.8%
Outst. Stock (m)	253.7	ADTV 1M		PLN 7.2m
MC (PLN m)	5,698.1	ADTV 6M		PLN 17.4m
EV (PLN m)	12,374.6	EV/EBITDA 12M fwd	5.4	-7.1%
Free Float	49.4%	EV/EBITDA 5Y avg	5.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,118	6,670	6,833	6,911	7,019
EBITDA	1,924	1,904	2,740	2,161	2,210
EBITDA margin	31.5%	28.5%	40.1%	31.3%	31.5%
EBIT	1,290	1,107	1,370	1,276	1,266
Net income	712	387	782	719	729
P/E	8.0	14.7	7.3	7.9	7.8
P/B	4.2	-	-	17.8	7.9
EV/EBITDA	5.6	6.5	4.5	5.6	5.4
DPS	0.00	0.00	2.56	1.29	1.29
DYield	0.0%	0.0%	11.4%	5.7%	5.7%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Revenue	+0.8%	0.0%	0.0%
EBITDA	-0.4%	0.0%	0.0%
EBIT	-0.7%	0.0%	0.0%
Net income	-0.9%	0.0%	0.0%
CAPEX	+0.6%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Active subscribers (000s)	12,011	12,394	12,904	13,043	13,142
ARPU (PLN)	31.4	32.0	32.4	32.4	32.7
Revenue	**6,118**	**6,670**	**6,833**	**6,911**	**7,019**
Service revenue	4,493	4,878	5,083	5,225	5,328
Sales of goodsand other	1,625	1,792	1,749	1,686	1,691
Costs	**4,193**	**4,766**	**4,682**	**4,750**	**4,809**
Interconnection	1,496	1,729	1,953	1,985	1,959
Contract costs	399	429	426	447	459
Cost of goods sold	1,366	1,410	1,439	1,416	1,438
Employee benefits	228	526	270	278	286
External services	567	606	484	531	574
Other	138	65	109	93	94
EBITDA (adj.)	**2,035**	**2,298**	**2,165**	**2,191**	**2,240**
margin	33.3%	34.4%	31.7%	31.7%	31.9%
Net income	**712**	**387**	**782**	**719**	**729**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**1,588**	**1,389**	**1,963**	**1,974**	**1,998**
OCF/EBITDA adj.	78%	60%	91%	90%	89%
CAPEX	**-2,316**	**-650**	**-781**	**-887**	**-852**
Assets	8,747	8,831	8,657	8,581	8,629
Equity	1,343	-213	-80	320	722
Net debt	**5,111**	**6,710**	**6,692**	**6,455**	**6,179**
Net debt/EBITDA (x)	2.5	2.9	3.1	2.9	2.8

Relative Valuation Summary

	P/E			DYield - RFR		
	18P	19P	20P	18P	19P	20P
Minimum	25.6	22.8	17.4	442.6%	439.3%	419.2%
Maximum	36.7	98.2	29.9	1181.3%	952.4%	937.6%
Median	13.9	12.7	12.1	514.1%	512.0%	484.3%
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	6,833	6,911	7,019	7,113	7,184	7,241	7,289	7,330	7,366	7,398	7,398
EBITDA	2,151	2,161	2,210	2,250	2,266	2,285	2,273	2,261	2,247	2,237	2,237
EBITDA margin	32.2%	31.9%	32.0%	32.1%	31.9%	31.8%	31.4%	31.0%	30.7%	30.4%	30.4%
D&A	781	885	944	981	987	1,083	1,094	1,082	1,042	1,019	1,019
EBIT	1,370	1,276	1,266	1,269	1,279	1,202	1,179	1,179	1,205	1,218	1,218
Tax	260	242	241	241	243	228	224	224	229	231	231
NOPLAT	**1,110**	**1,034**	**1,026**	**1,028**	**1,036**	**973**	**955**	**955**	**976**	**986**	**986**
CAPEX	-781	-887	-852	-800	-1,719	-1,190	-1,022	-733	-737	-740	-740
Work. cap. + other	-195	-238	-286	-310	-310	-312	-314	-316	-316	-318	-318
FCF	**915**	**794**	**831**	**899**	**-5**	**555**	**713**	**988**	**966**	**948**	**948**
PV FCF	900	732	718	726	-4	394	474	614	561	513	
WACC	6.9%	6.7%	6.8%	6.9%	6.7%	6.7%	6.8%	6.9%	7.0%	7.2%	7.2%
Net debt / EV	58.1%	60.6%	59.6%	58.3%	60.6%	60.6%	59.8%	57.8%	55.6%	53.1%	53.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	0.0%
PV FCF	12,756
Net debt	7,362
Other adjustments	0
Value per share (PLN)	21.26

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	18.34
DCF Val.	50%	21.26
Implied Price		19.79
Cost of equity (9M)		7.7%
9M Target Price		**21.30**

mBank Dom Maklerski

Agora
buy (no change)

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We maintain a buy rating for Agora, trading at attractive ratios of 4.6x/4.9x 2018E/2019E EV/EBITDA, with a strong showing expected in the 2018 Q4 earnings season. We anticipate an 11% rebound in the adjusted quarterly EBITDA versus the year-ago result, driven by a 39% y/y surge in segmental EBITDA from Film & Books after a likely 20% boost to box office receipts. We expect the Company to downsize its Press segment headcount by 20% over the next few years as a measure to counteract falling newspaper readership and advertising revenues which would otherwise push the segment into loss-making territory as soon as this year. Agora's M&A plans are a major risk factor in our eyes; the Company has recently announced a possible bid to acquire a 40% stake in the commercial radio broadcaster Eurozet, joining a long list of suitors who might drive the price way too high (we expect PLN 200-250m). We would rather Agora sought out acquisition opportunities in areas which can guarantee more future growth than radio.

Current Price	10.70 PLN	**Upside**
9M Target Price	16.00 PLN	+49.5%

	rating	target price	issued
unchanged	**buy**	**16.00 PLN**	**2018-11-27**

Key Metrics			**AGO PW**	**vs. WIG**
Ticker	AGO PW	1M Price Chng	+7.4%	+1.4%
ISIN	PLAGORA00067	YTD Price Chng	+7.0%	+1.9%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.2m
MC (PLN m)	498.4	ADTV 6M		PLN 0.2m
EV (PLN m)	493.4	EV/EBITDA 12M fwd	4.6	-13.8%
Free Float	76.9%	EV/EBITDA 5Y avg	5.3	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,198	1,165	1,139	1,168	1,213
EBITDA	115	30	108	104	117
EBITDA margin	9.6%	2.6%	9.4%	8.9%	9.7%
EBIT	17	-73	22	24	39
Net income	-17	-84	22	14	26
P/E	-	-	22.4	35.5	18.9
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	4.6	17.4	4.6	4.9	4.5
DPS	0.75		0.50	0.50	0.50
DYield	7.0%		4.7%	4.7%	4.7%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Revenue	0.0%	0.0%	0.0%
EBITDA	+20.7%	0.0%	0.0%
EBIT	+102.9%	0.0%	0.0%
Net income	+23.2%	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	104	93	87
Movie ticket sales (mn)	10.8	12.2	12.3	13.0	14.0
Avg. ticket price (PLN)	18.1	18.4	18.9	18.9	18.9
Conc. rev./patron (PLN)	6.7	6.8	7.1	7.2	7.4
Revenue	**1,198**	**1,165**	**1,139**	**1,168**	**1,213**
Press	268	236	213	203	200
Movies & Books	364	416	418	434	465
Outdoor	168	163	170	177	186
Internet	168	169	176	191	198
Radio	113	114	116	119	122
Print	156	102	72	70	67
Eliminations	-38	-34	-25	-26	-26
EBITDA	**115**	**30**	**98**	**104**	**117**
margin	9.6%	2.6%	8.6%	8.9%	9.7%
Net income	**-16.6**	**-83.5**	**22.2**	**14.0**	**26.4**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**111**	**77**	**76**	**91**	**101**
OCF/EBITDA	92%	258%	77%	87%	86%
CAPEX	**-90**	**-70**	**-85**	**-77**	**-95**
Assets	1,610	1,406	1,391	1,389	1,410
Equity	1,153	996	970	953	956
Net debt	**93**	**4**	**-31**	**-14**	**3**
Net debt/EBITDA (x)	0.8	0.1	-0.3	-0.1	0.0

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	603	1,168	1,213	1,272	1,329	1,368	1,389	1,411	1,433	1,457	1,486
EBITDA	64	104	117	135	151	161	163	165	166	166	169
EBITDA margin	10.6%	8.9%	9.7%	10.6%	11.4%	11.8%	11.8%	11.7%	11.5%	11.4%	11.6%
D&A	42	80	78	77	75	73	71	75	79	80	82
EBIT	22	24	39	58	77	88	92	90	87	86	88
Tax	4	4	7	11	15	17	18	17	16	16	17
NOPLAT	**17**	**19**	**31**	**47**	**62**	**71**	**75**	**73**	**70**	**70**	**71**
CAPEX	-39	-77	-95	-96	-98	-68	-73	-76	-78	-80	-82
Working capital	-7	-8	-8	-7	-6	-4	-3	-2	-1	-1	-1
FCF	**14**	**15**	**7**	**22**	**33**	**72**	**71**	**70**	**70**	**69**	**70**
PV FCF	14	14	6	17	24	47	43	39	36	33	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	0.0%	0.0%	0.8%	1.2%	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	773
Net debt	10
Other adjustments	19
Value per share (PLN)	15.96

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	14.11
DCF Val.	50%	15.96
Implied Price		15.03
Cost of equity (9M)		6.4%
9M Target Price		**16.00**

Cyfrowy Polsat
hold (no change)

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Cyfrowy Polsat is trading at 6.5x 2019E EV/EBITDA, the highest ratio in the telecoms sector, even though it is not likely to register any growth in this year's earnings. Cyfrowy does offer high FCFE Yield, but not superior enough compared to the yields offered by peers OPL and PLY to justify the high valuation premiums. Moreover, investors should not forget that the Company did not pay dividends last year, going against its own dividend policy (in our view it could have paid PLN 200m, or 0.06x EBITDA, without straining the balance sheet). We would not expect dividend yields in 2019 or 2020 to exceed 2.0%, especially if Cyfrowy decides to take over the remaining 34% stake in Netia from minority shareholders (the cost assuming the deal is closed by October 2019 is going to come close to PLN 660m). On a positive note, Cyfrowy decided to upgrade its network to better handle the fast-growing mobile data usage, and it launched a "fixed + mobile" service just weeks after taking over Netia. More disappointingly, instead of monopolizing the broadcast rights to UEFA Champions League, Cyfrowy opted for a slower monetization route by licensing content to its main rival, the digital TV platform nC+.

Current Price	23.72 PLN	**Downside**
9M Target Price	23.20 PLN	-2.2%

	rating	target price	issued
unchanged	**hold**	**23.20 PLN**	**2018-11-26**

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+6.0%	-0.1%
ISIN	PLCFRPT00013	YTD Price Chng	+5.1%	-0.0%
Outst. Stock (m)	639.5	ADTV 1M		PLN 11.9m
MC (PLN m)	15,170.0	ADTV 6M		PLN 11.3m
EV (PLN m)	26,150.6	EV/EBITDA 12M fwd	6.3	-10.2%
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	10,764	11,458	11,623
EBITDA	3,641	3,617	3,671	3,810	3,912
EBITDA margin	37.4%	36.8%	34.1%	33.3%	33.7%
EBIT	1,669	1,834	1,693	1,825	2,018
Net income	1,041	981	985	1,111	1,337
P/E	14.6	15.5	15.4	13.7	11.3
P/B	1.3	1.3	1.1	1.1	1.0
EV/EBITDA	7.3	7.1	7.1	6.5	6.0
DPS	0.00	0.32	0.00	0.32	0.43
DYield	0.0%	1.3%	0.0%	1.3%	1.8%

Projection Update (% change)	2018P	2019P	2020P
Revenue	+0.6%	0.0%	0.0%
EBITDA	-0.1%	0.0%	0.0%
EBIT	-0.1%	0.0%	0.0%
Net income	-0.2%	0.0%	0.0%
CAPEX	+0.1%	0.0%	0.0%

Financial Highlights*

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	**9,730**	**9,829**	**9,917**	**10,110**	**10,275**
Retail	6,325	6,068	5,913	6,002	6,087
Wholesale	2,466	2,539	2,873	2,932	2,988
Devices	851	1,055	961	999	1,019
Other	88	167	171	176	181
Costs	**7,868**	**8,016**	**8,291**	**8,369**	**8,382**
Content costs	1,066	1,154	1,311	1,456	1,490
Distrib. & marketing	803	894	873	891	906
D&A	1,699	1,783	1,805	1,714	1,629
Interop. billing	2,141	2,014	2,134	2,088	2,104
Payroll	550	553	609	646	668
Devices	1,333	1,324	1,141	1,169	1,173
Collections & charges	63	67	84	75	76
Other costs	214	227	334	331	336
Net income	**1,041**	**981**	**921**	**1,078**	**1,297**

Key Balance Sheet Figures**

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**2,885**	**3,126**	**2,913**	**3,008**	**3,131**
OCF/EBITDA	78%	86%	85%	87%	88%
CAPEX	**-590**	**-739**	**-1,176**	**-1,030**	**-1,045**
Assets	27,729	27,756	27,833	27,175	26,638
Equity	11,230	12,074	13,038	13,913	14,932
Net debt	**11,140**	**10,508**	**8,501**	**7,089**	**5,607**
Net debt/EBITDA (x)	2.9	2.9	2.5	2.0	1.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	5.6	5.3	4.4	4.0	3.6	3.3
Maximum	36.7	139.9	30.5	15.7	14.6	13.2
Median	6.0	5.7	5.5	13.9	13.0	12.3
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	11,291	11,458	11,623	11,796	11,965	12,130	12,291	12,452	12,616	12,787	12,787
EBITDA	3,812	3,810	3,912	3,978	4,017	4,048	4,073	4,095	4,117	4,139	4,139
EBITDA margin	33.8%	33.3%	33.7%	33.7%	33.6%	33.4%	33.1%	32.9%	32.6%	32.4%	32.4%
D&A	2,086	1,985	1,894	1,791	1,695	1,623	1,580	1,543	1,507	1,440	1,440
EBIT	1,726	1,825	2,018	2,188	2,322	2,425	2,493	2,552	2,610	2,699	2,699
Tax	328	347	383	416	441	461	474	485	496	513	513
NOPLAT	**1,398**	**1,478**	**1,635**	**1,772**	**1,881**	**1,964**	**2,019**	**2,067**	**2,114**	**2,186**	**2,186**
CAPEX	-1,454	-1,420	-1,435	-1,331	-2,335	-2,998	-1,360	-1,797	-1,915	-1,440	-1,440
Working capital	-211	-145	-122	-93	-83	-83	-83	-83	-93	-105	-105
FCF	**1,819**	**1,899**	**1,972**	**2,139**	**1,158**	**506**	**2,156**	**1,730**	**1,613**	**2,082**	**2,082**
PV FCF	1,791	1,753	1,703	1,725	872	356	1,418	1,061	923	1,110	
WACC	6.9%	6.7%	6.9%	7.1%	7.1%	7.0%	7.1%	7.2%	7.2%	7.3%	7.3%
Net debt / EV	41.2%	38.1%	34.1%	29.6%	29.5%	31.9%	29.0%	27.4%	26.3%	25.2%	25.2%
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	0.0%
PV FCF	27,937
Net debt	11,604
Other adjustments	797
Value per share (PLN)	24.29

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	19.37
DCF Val.	50%	24.29
Implied Price		21.81
Cost of equity (9M)		6.4%
9M Target Price		**23.20**

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

mBank Dom Maklerski

Wirtualna Polska
accumulate (downgraded)

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Growing at an annual rate of 6-8%, Poland's advertising market is in good shape, with the biggest growth recorded in online adspend (currently estimated at 9-12%, recently increased from 7-10%). This creates fertile ground for Wirtualna Polska to grow its revenues, supported by e-commerce, which makes up more than a half of the Company's sales, as it is seen to expand at a pace of over 20%. In Q4 2018, we expect to see revenue expansion close to 26% (after 24% recorded in the nine months prior) excluding barter and TV. Even with fast-paced topline growth, Wirtualna is able to maintain high EBITDA margins on its core operations. 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. Shot term, however, we downgrade WPL from buy to accumulate after a 12% share price rebound in January.

Current Price	59.00 PLN	**Upside**
9M Target Price	61.50 PLN	+4.2%

	rating	target price	issued
new	**accumulate**	**61.50 PLN**	**2019-02-04**
old	buy	61.50 PLN	2018-12-05

Key Metrics			**WPL PW**	**vs. WIG**
Ticker	WPL PW	1M Price Chng	+10.5%	+4.4%
ISIN	PLWRTPL00027	YTD Price Chng	+11.7%	+6.6%
Outst. Stock (m)	29.8	ADTV 1M		PLN 1.2m
MC (PLN m)	1,756.7	ADTV 6M		PLN 0.8m
EV (PLN m)	1,989.9	EV/EBITDA 12M fwd	10.0	-3.9%
Free Float	53.0%	EV/EBITDA 5Y avg	10.4	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	415	466	564	625	675
EBITDA	123	130	164	196	216
EBITDA margin	29.6%	27.8%	29.1%	31.5%	31.9%
EBIT	81	79	109	136	152
Net income	57	45	73	95	111
P/E	30.9	38.9	24.2	18.5	15.8
P/B	4.3	4.2	3.8	3.4	3.0
EV/EBITDA	15.8	15.0	12.1	9.9	8.7
DPS	0.00	1.10	0.96	1.29	1.66
DYield	0.0%	1.9%	1.6%	2.2%	2.8%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Revenue	-1.1%	0.0%	0.0%
EBITDA	+1.2%	0.0%	0.0%
EBIT	+0.9%	0.0%	0.0%
Net income	+0.7%	0.0%	0.0%
CAPEX	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)		2016	2017	2018P	2019P	2020P
Revenue		**415**	**466**	**564**	**625**	**675**
	Cash	377	425	541	574	620
	Barter	37.8	33.0	23.5	24.7	25.7
Costs		**334**	**387**	**455**	**489**	**524**
	D&A	42.1	51.0	55.4	60.5	64.1
	Materials & Utilities	5.6	5.9	6.0	6.3	6.5
	Payroll	124	134	164	171	177
	Other	162	196	230	251	276
EBITDA		**123**	**130**	**164**	**196**	**216**
	margin	29.6%	27.8%	29.1%	31.5%	31.9%
EBITDA (adj.)		**136**	**151**	**180**	**197**	**213**
	margin	322.9%	295.2%	31.8%	31.5%	31.5%
EBIT		**81**	**79**	**109**	**136**	**152**
	margin	19.5%	16.9%	19.3%	21.8%	22.4%
Net income		**53.8**	**35.3**	**72.5**	**94.9**	**111.3**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**114**	**114**	**51**	**159**	**176**
OCF/EBITDA	92%	88%	31%	81%	81%
CAPEX	**-38**	**-42**	**-51**	**-53**	**-57**
Assets	852	894	862	924	955
Equity	409	420	466	522	584
Net debt	**169**	**170**	**217**	**163**	**102**
Net debt/EBITDA (x)	1.4	1.3	1.3	0.8	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	20.7	15.7	18.4	16.4	12.1	9.5
Maximum	11.4	9.9	12.7	4.5	5.2	3.8
Median	17.7	14.6	16.0	11.0	9.8	8.4
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	564	625	675	718	756	791	824	855	883	910	933
EBITDA	164	196	216	230	244	254	263	270	275	280	287
EBITDA margin	29.1%	31.5%	31.9%	32.1%	32.2%	32.2%	32.0%	31.6%	31.1%	30.7%	31.5%
D&A	55	60	64	67	70	72	74	76	78	80	82
EBIT	109	136	152	163	174	182	189	194	197	200	205
Tax	21	26	29	31	33	35	36	37	37	38	39
NOPLAT	**88**	**110**	**123**	**132**	**141**	**148**	**153**	**157**	**160**	**162**	**166**
CAPEX	-51	-53	-57	-62	-66	-70	-74	-78	-82	-85	-87
Working capital	-97	-10	-8	-8	-8	-8	-8	-8	-7	-7	-8
FCF	**-4**	**108**	**121**	**130**	**137**	**142**	**145**	**148**	**149**	**149**	**153**
PV FCF	-3	99	103	102	99	95	90	84	78	72	
WACC	7.8%	8.0%	8.1%	8.3%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	14.6%	11.9%	8.6%	4.7%	2.1%	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	1,938
Net debt	206
Other adjustments	19
Value per share (PLN)	59.42

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	56.18
DCF Val.	50%	59.42
Implied Price		57.80
Cost of equity (9M)		6.4%
9M Target Price		**61.50**

Asseco Poland
accumulate (upgraded)

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Asseco Poland experienced a dramatic turnaround in 2018, expected to culminate in a 50% net profit rebound in Q4. The positive outlook has continued into 2019 with a prospect of winning back a portion of the systems maintenance contract handed over to Comarch. Comarch has reportedly failed on five of the contract's milestones, prompting the customer, Poland's social security agency ZUS, to search for vendors who can perform the tasks on a no-bid basis. Asseco is definitely a frontrunner to take over as Comarch's long-standing predecessor in administering the ZUS's computer systems, and we decided to account for this opportunity by raising our 2019 standalone net profit forecast by 7.7% to PLN 295m. After updating peer multiples, we set our new price target for ACP at PLN 51.20, implying 7% upside potential. On the revised estimates, Asseco's stock is currently trading at 13.5x 2019E P/E, showing an 8% discount to peers. Based on an assumption of high 2018 profits, we now expect Asseco to pay the same dividends this year as last year at PLN 3.01 per share, implying a high dividend yield of 6.3%. Next year's distribution might be trimmed, however at PLN 2.30 projected DPS the 2020 dividend yield still looks good at 4.8%.

Current Price	48.00 PLN	**Upside**
9M Target Price	51.20 PLN	+6.7%

	rating	target price	issued
new	**accumulate**	**51.20 PLN**	**2019-02-04**
old	hold	49.60 PLN	2018-12-05

Key Metrics			**ACP PW**	**vs. WIG**
Ticker	ACP PW	1M Price Chng	+3.3%	-2.7%
ISIN	PLSOFTB00016	YTD Price Chng	+4.1%	-1.1%
Outst. Stock (m)	83.0	ADTV 1M		PLN 4.6m
MC (PLN m)	3,984.0	ADTV 6M		PLN 6.7m
		P/E 12M fwd	12.7	+3.3%
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	9,160	9,372	9,616
EBITDA	1,070	933	1,174	1,172	1,225
EBITDA margin	13.5%	12.1%	12.8%	12.5%	12.7%
EBIT	769	644	790	794	851
Net income	301	596	333	295	302
P/E	13.2	6.7	12.0	13.5	13.2
P/B	0.7	0.8	0.7	0.7	0.7
P/S	0.50	0.52	0.43	0.43	0.41
DPS	3.01	3.01	3.01	3.01	2.30
DYield	6.3%	6.3%	6.3%	6.3%	4.8%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Revenue	-0.4%	+0.4%	+0.4%
EBITDA	+4.4%	+2.4%	+2.2%
EBIT	+6.6%	+3.4%	+3.0%
Net income	+6.8%	+7.7%	+7.1%
CAPEX	0.0%	+0.4%	+0.4%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	**7,932**	**7,724**	**9,160**	**9,372**	**9,616**
change	0.0%	-2.6%	18.6%	2.3%	2.6%
Poland	1,599	1,514	1,646	1,706	1,756
South-Eastern Europe	571	590	637	678	711
Western Europe	579	608	703	726	741
Central Europe	754	785	949	858	875
Israel	4,247	4,218	5,242	5,383	5,513
Eastern Europe	58	10	6	20	20
EBIT	**769**	**644**	**790**	**794**	**851**
D&A	300	289	384	378	374
EBITDA	**1,070**	**933**	**1,174**	**1,172**	**1,225**
margin	13.5%	12.1%	12.8%	12.5%	12.7%
Associates	-242	169	-230	-276	-316
Tax	-166	-163	-179	-176	-185
Net income	**301**	**596**	**333**	**295**	**302**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**883**	**793**	**688**	**953**	**983**
OCF/EBITDA	83%	77%	59%	81%	80%
CAPEX	**-211**	**-233**	**-253**	**-262**	**-272**
Assets	12,791	13,044	15,723	15,861	16,189
Equity	5,505	5,520	5,669	5,709	5,821
Net debt	**358**	**235**	**338**	**137**	**-213**
Net debt/EBITDA (x)	0.3	0.2	0.3	0.1	-0.2

*Assuming no divestment of a 20% stake in Formula Systems

Relative Valuation Summary

	P/E		
	18P	19P	20P
Minimum	27.2	21.8	0.0
Maximum	9.6	7.5	0.0
Median	16.1	13.4	0.0
Weight	33%	33%	0%

DCF Summary

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Asseco Poland (Standalone Figures)											
Revenue	907	869	891	909	927	945	964	984	1,003	1,023	1,023
EBITDA	242	185	180	181	183	184	185	185	185	184	184
NOPLAT	150	119	120	121	121	122	122	122	121	119	119
FCF	**108**	**119**	**100**	**109**	**118**	**112**	**112**	**111**	**110**	**108**	**108**
WACC	8.8%	8.8%	8.7%	8.7%	8.7%	8.6%	8.6%	8.6%	8.6%	8.7%	0.0%
Asseco Business Solutions											
Revenue	258	273	284	293	300	307	314	322	330	337	344
EBITDA	94	101	108	111	114	117	120	123	126	129	132
NOPLAT	61	66	71	73	75	77	79	81	83	85	86
FCF	**48**	**59**	**63**	**66**	**68**	**70**	**71**	**73**	**75**	**77**	**78**
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%	0.0%
Asseco South Eastern Europe											
Revenue	637	678	711	737	757	773	785	794	801	806	822
EBITDA	121	129	137	143	148	152	157	161	166	170	173
NOPLAT	61	65	68	70	72	73	74	74	75	75	77
FCF	**31**	**36**	**39**	**45**	**49**	**53**	**58**	**62**	**66**	**70**	**72**
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%	1,512
Asseco CE	10x PE	93%	527
Asseco BS	DCF	46%	1,049
Asseco SEE	DCF	51%	859
Western Europe	10x PE	100%	340
Formula Systems	market	26%	1,992
R-Style Softlab	6x PE	100%	0
Other	10x PE	0%	276
Value			**4,067**
Value Per Share (PLN)			49.01

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	47.25
SOTP Val.	50%	49.01
Implied Price		48.13
Cost of equity (9M)		6.4%
9M Target Price		**51.20**

mBank Dom Maklerski

CD Projekt
accumulate (downgraded)

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Shares in CD Projekt have climbed 40% since our last recommendation in November 2018, but we maintain a positive outlook for the stock despite a downgrade from buy to accumulate. We have raised our expectations as to the year-one sales volume of CDR's next big release, Cyberpunk 2077 (C2077), from 17.9 to 21 million copies based on the strong sales of Red Dead Redemption 2 (RDR2), which reached 17 million copies in 12 days. RDR2 is expected to sell 24 million copies by 31 March 2019 despite being released just for XONE and PS4. C2077 has a larger potential customer base assuming it is released across all available platforms. We have adjusted our financial estimates for CD Projekt to reflect Steam's new rules for charging sales commissions, and lower-than-expected sales of Gwent to date and in the future. In 2019, we expect to see much more C2077-related material and a more intensive promotional campaign for the game, including at the E3 2019 Expo in June, which should support the performance of CDR stock. The news flow related to C2077 will overshadow a weak earnings report for Q4 2018. We downgrade CDR from buy to accumulate with the target price raised to PLN 217.7.

Current Price	190.00 PLN	**Upside**
9M Target Price	217.70 PLN	+14.6%

	rating	target price	issued
new	**accumulate**	**217.70 PLN**	**2019-02-04**
old	buy	170.40 PLN	2018-11-23

Key Metrics			**CDR PW**	**vs. WIG**
Ticker	CDR PW	1M Price Chng	+28.4%	+22.3%
ISIN	PLOPTTC00011	YTD Price Chng	+30.5%	+25.3%
Outst. Stock (m)	96.1	ADTV 1M		PLN 67.5m
MC (PLN m)	18,262.8	ADTV 6M		PLN 58.5m
EV (PLN m)	17,683.4	EV/EBITDA 12M fwd	21.4	-3.9%
Free Float	64.9%	EV/EBITDA 5Y avg	22.2	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	584	463	348	303	2,979
EBITDA	308	246	112	42	2,244
EBITDA margin	52.7%	53.1%	32.3%	13.8%	75.3%
EBIT	304	241	108	36	2,238
Net income	251	200	90	35	1,875
P/E	72.2	90.3	-	-	9.7
P/B	23.3	20.5	18.6	18.0	6.5
EV/EBITDA	56.8	71.0	157.3	425.5	7.1
DPS	0.00	1.06	0.00	0.00	0.00
DYield	0.0%	0.6%	0.0%	0.0%	0.0%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-32.9%	-68.9%	+71.5%
Net income	-35.8%	-74.5%	+57.7%
Sales of The Witcher 3	-5.9%	-	-
Sales of Gwent: The Card Game	-47.0%	-62.9%	-41.2%
Sales of Cyberpunk 2077	-	-	+71.7%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Sales, Video Games	476	330	223	170	2,838
EBIT, VG	324	223	112	40	2,239
EBIT margin, VG	68.2%	67.4%	50.3%	23.5%	78.9%
Sales, GOG.com	133.5	169.6	131.1	133.8	140.5
EBIT, GOG.com	6.4	18.4	-4.7	-3.4	-1.3
EBIT margin, GOG	4.8%	10.8%	-3.6%	-2.5%	-0.9%
Operating cash flow	**259**	**232**	**67**	**44**	**1,982**
D&A	4	5	5	5	6
Working capital	-11	34	-7	2	-112
Investing cash flow	**-440**	**-291**	**-87**	**-46**	**-160**
CAPEX	-12	-13	-20	-9	-10
Development exp.	**56**	**77**	**111**	**137**	**150**
FCF	203	144	-39	-100	1,866
FCF/EBITDA	-35%	-239%	83%	77%	72%
OCF/EBITDA	60%	104%	88%	82%	82%

Key Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Sales, The Witcher 3	472	288	174	119	107
Sales, Gwent	3	43	45	45	31
Sales, Cyberpunk	0	0	0	0	2,617
	0	0	0	0	0
Development exp.	62	142	252	380	211
Cash	217	67	56	59	1,928
Net debt	-597	-647	-579	-482	-2,351
Net debt/EBITDA (x)	-1.9	-2.6	-5.2	-11.5	-1.0

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.1	4.8
Maximum	19.3	11.4
Median	19.0	8.5
Weight	50%	50%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
W3 (k copies)	2,230	1,853	1,622	1,395	1,380	1,165	0	0	0	0	0
C2077 (k copies)		0	21,000	6,213	4,525	3,375	2,300	2,225	1,075	0	0
Next AAA game (k copies)		0	0	0	6,000	5,000	4,000	3,000	2,500	1,500	0
Revenue	348	303	2,979	2,597	1,495	3,442	1,951	3,542	2,056	1,210	-
EBITDA	112	42	2,244	2,133	1,112	2,819	1,445	2,842	1,476	769	-
EBITDA margin	32.3%	13.8%	75.3%	82.2%	74.4%	81.9%	74.0%	80.2%	71.8%	63.6%	-
EBIT	108	36	2,238	2,127	1,106	2,813	1,438	2,835	1,470	763	-
Tax	20	7	425	404	210	534	273	539	279	145	-
CAPEX	-132	-146	-160	-173	-186	-199	-209	-208	-214	-221	-
Working capital	-7	2	-112	16	46	-82	62	-67	62	35	-
FCF	-39	-100	1,866	1,645	803	2,155	1,126	2,210	1,166	440	1,127
PV FCF	-39	-93	1,596	1,297	584	1,443	695	1,257	611	212	
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	12,102
Net debt	-647
Other adjustments	0
Value per share (PLN)	211.32

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	198.10
DCF Val.	50%	211.30
Implied Price		204.70
Cost of equity (9M)		6.4%
9M Target Price		**217.70**

Comarch
hold (downgraded)

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Comarch has given quite an optimistic guidance for FY2019 based on a backlog which is more than 10% higher than a year ago, reflecting stronger demand for ERP systems (note the recently signed largest ERP contact in the Company's history, concerning more than 5,000 devices for the French La Halle network), combined with an increase in orders from telecoms and a revival in public spending. When it comes to 2018 Q4 results, we expect to see EBITDA reduced by 12% versus the prior-year period. After accounting for the sentiment-dampening issues that Comarch is having with delivering on the milestones of the systems maintenance contract for the ZUS social security agency taken over from Asseco Poland, we downgrade our call on the stock from accumulate to hold. With part of the milestones expected to be handed back over to Asseco, we also lower our 2019 and 2020 EBITDA forecasts by 5% and 3%, respectively. After all this, we trim our target price for CMR to PLN 160.80 per share. On our updated estimates, the stock is currently trading at 7.6x 2019E EV/EBITDA, showing a 19% discount to the peer group.

Current Price	155.50 PLN	**Upside**
9M Target Price	160.80 PLN	+3.4%

	rating	target price	issued
new	**hold**	**160.80 PLN**	**2019-02-04**
old	accumulate	173.30 PLN	2018-12-05

Key Metrics			**CMR PW**	**vs. WIG**
Ticker	CMR PW	1M Price Chng	+3.7%	-2.4%
ISIN	PLCOMAR00012	YTD Price Chng	+2.3%	-2.8%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.2m
MC (PLN m)	1,264.7	ADTV 6M		PLN 0.4m
EV (PLN m)	1,311.7	EV/EBITDA 12M fwd	7.1	-4.2%
Free Float	59.2%	EV/EBITDA 5Y avg	7.4	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,109	1,102	1,343	1,399	1,493
EBITDA	176	99	153	168	185
EBITDA margin	15.8%	9.0%	11.4%	12.0%	12.4%
EBIT	113	34	88	100	114
Net income	70	43	50	71	84
P/E	18.0	29.3	25.2	17.9	15.0
P/B	1.5	1.4	1.4	1.3	1.3
EV/EBITDA	7.0	13.1	8.6	7.6	7.0
DPS	0.00	1.50	1.50	1.50	10.00
DYield	0.0%	1.0%	1.0%	1.0%	6.4%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Revenue	0.0%	0.0%	0.0%
EBITDA	-8.9%	-5.0%	-2.7%
EBIT	-14.6%	-8.2%	-4.2%
Net income	-15.8%	-8.6%	-4.5%
CAPEX	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	**1,109**	**1,102**	**1,343**	**1,399**	**1,493**
TMT	276	258	319	344	362
Finance & Banking	164	186	195	208	217
Retail Solutions	183	174	195	219	252
Manufacturing	146	142	148	159	167
Public Sector	73	63	189	158	170
SME	228	236	254	267	280
Other	39	43	42	44	46
Gross profit	343	268	363	371	392
margin	30.9%	24.3%	27.1%	26.5%	26.2%
Selling expenses	131	134	141	147	153
G&A expenses	101	98	113	119	124
EBIT	**113**	**34**	**88**	**100**	**114**
margin	10.2%	3.1%	6.5%	7.1%	7.6%
Net income	**70**	**43**	**50**	**71**	**84**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**88**	**61**	**86**	**120**	**143**
OCF/EBITDA	50%	62%	56%	72%	77%
CAPEX	**-121**	**-141**	**-83**	**-71**	**-72**
Assets	1,439	1,503	1,601	1,679	1,712
Equity	861	880	918	977	980
Net debt	**-49**	**19**	**31**	**-6**	**5**
Net debt/EBITDA (x)	-0.3	0.2	0.2	0.0	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	24.5	21.8	19.5	16.0	15.1	14.2
Maximum	8.8	7.5	7.1	4.9	4.1	3.9
Median	15.4	14.3	13.4	9.7	9.4	8.8
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,343	1,399	1,493	1,575	1,645	1,716	1,789	1,858	1,920	1,980	2,020
EBITDA	153	168	185	194	201	209	217	224	229	234	238
EBITDA margin	11.4%	12.0%	12.4%	12.3%	12.2%	12.2%	12.1%	12.0%	11.9%	11.8%	12.0%
D&A	65	69	71	73	75	77	79	81	83	84	86
EBIT	88	100	114	122	126	132	138	143	147	150	153
Tax	26	28	30	32	33	35	36	38	39	39	40
NOPLAT	**62**	**72**	**84**	**90**	**93**	**97**	**101**	**105**	**108**	**110**	**113**
CAPEX	-83	-71	-72	-76	-78	-80	-82	-84	-85	-87	-89
Working capital	-33	-19	-12	-10	-7	-8	-8	-7	-5	-5	-5
FCF	**11**	**50**	**70**	**76**	**82**	**86**	**91**	**95**	**100**	**103**	**105**
PV FCF	12	47	60	60	60	58	56	54	52	50	
WACC	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	1.5%	2.4%	0.0%	0.4%	0.7%	0.6%	0.2%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,288
Net debt	19
Other adjustments	16
Value per share (PLN)	154.09

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	148.25
DCF Val.	50%	154.09
Implied Price		151.17
Cost of equity (9M)		6.4%
9M Target Price		**160.80**

mBank Dom Maklerski

Industrials, Mining

Famur

buy (reiterated)

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The global steam and coking coal prices above the cash cost of extracting them make mines willing to allocate capital surpluses for investments. In accordance with the forecasts of the SNL, World Bank and IMF, investments in the global mining industry will increase in 2018 to $147bn – the highest level since 2015. They are to grow rapidly in the next two years to $176bn in 2020, when they will probably reach the local peak. Additionally, the persistently low stocks of raw materials with increasing imports from external markets are a problem on the domestic market. In Poland, in connection with the execution of the tasks of the Mining Program until 2030, the Ministry of Energy expects that expenditures in state-owned mining companies will increase to PLN 2.4bn in 2018 (vs. a low of PLN 1.6bn in 2016) and will remain at a level above PLN 2.0bn in subsequent years. In our opinion, the main driver of sales growth of Famur Group in 2019 will be the underground segment (+7% y/y), which results mainly from the increase in turnover in the roadheader segment (+15% y/y – result of new roadheader lease agreements signed with Kompania Węglowa and JSW in 2018). The financial results for Q4 2018 are expected to be a positive surprise. Moreover with cash from the PBSZ divestment Famur has the capacity to distribute as much as PLN 266m in dividends this year, implying dividend yield of 9%. We maintain a buy rating for FMF with the target price raised to PLN 6.61 per share.

Current Price	4.99 PLN	**Upside**
9M Target Price	6.61 PLN	+32.5%

	rating	target price	issued
new	**buy**	**6.61 PLN**	**2019-02-04**
old	buy	6.41 PLN	2018-11-30

Key Metrics			**FMF PW**	**vs. WIG**
Ticker	FMF PW	1M Price Chng	-7.6%	-13.7%
ISIN	PLFAMUR00012	YTD Price Chng	-7.6%	-12.7%
Outst. Stock (m)	574.8	ADTV 1M		PLN 1.1m
MC (PLN m)	2,868.1	ADTV 6M		PLN 1.2m
EV (PLN m)	3,070.1	EV/EBITDA 12M fwd	5.5	-7.6%
Free Float	35.3%	EV/EBITDA 5Y avg	5.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,030	1,460	2,251	2,097	2,152
EBITDA	239	308	471	487	481
EBITDA margin	23.2%	21.1%	20.9%	23.2%	22.3%
EBIT	114	133	281	318	336
Net income	94	49	204	253	274
P/E	25.9	57.5	14.1	11.3	10.5
P/B	2.4	1.9	1.9	1.9	1.8
EV/EBITDA	9.6	9.7	6.5	5.6	5.4
DPS	0.00	0.00	0.44	0.46	0.31
DYield	0.0%	0.0%	8.8%	9.3%	6.2%
Projection Update (% change)			**0**	**-0.01504**	**-0.01426**
Revenue			-1.6%	-0.8%	-0.8%
EBITDA			-4.1%	-2.5%	-2.5%
Net income			+1.0%	+0.1%	+0.1%
Revenue, Underground			-1.1%	-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	741	1,019	1,518	1,626	1,671
Revenue, Surface	289	292	348	371	379
Sales margin, UG	25.8%	25.0%	27.7%	26.4%	26.8%
Sales margin, Surface	18.0%	8.3%	4.7%	9.9%	10.4%
Operating cash flow	**315**	**192**	**269**	**486**	**404**
D&A	125	175	190	168	145
Working capital	95	-16	-155	55	-20
Investing cash flow	**-85**	**-231**	**-93**	**122**	**-83**
CAPEX	83	132	93	-122	83
Financing cash flow	**185**	**287**	**-416**	**-376**	**-182**
Change in debt	196	-88	-150	-100	0
Dividends/Buyback	0	0	-253	-266	-177
FCF	240	-91	176	606	315
FCF/EBITDA	101%	-30%	37%	124%	66%
OCF/EBITDA	132%	44%	57%	100%	84%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	1,775	3,138	3,171	3,000	3,117
Fixed assets	670	1,099	1,002	712	650
Goodwill	220	222	222	222	222
Equity	993	1,437	1,487	1,474	1,570
Minority interests	0	115	31	31	31
Net debt	-135	80	171	-162	-300
Net debt/EBITDA (x)	-0.6	0.3	0.4	-0.3	-0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	11.2	10.2	9.5	8.4	6.5	6.0
Maximum	18.8	16.5	15.2	12.2	10.8	9.8
Median	13.9	12.2	11.5	9.1	8.0	7.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	2,251	2,097	2,152	2,196	2,240	2,286	2,332	2,379	2,427	2,476	2,526
YoY % change	39.9%	-6.8%	2.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	471	487	481	472	470	479	488	496	509	523	530
EBITDA margin	20.9%	23.2%	22.3%	21.5%	21.0%	21.0%	20.9%	20.8%	21.0%	21.1%	21.0%
D&A	190	168	145	126	116	117	118	119	125	131	141
EBIT	281	318	336	346	354	362	369	377	384	392	390
Tax	46	58	62	65	67	68	70	71	73	75	75
NOPAT	235	260	273	281	287	294	299	305	311	317	315
CAPEX	-93	122	-83	-122	-125	-127	-130	-132	-135	-138	-141
Working capital	-155	55	-20	-16	-16	-16	-17	-17	-17	-18	-18
FCF	176	606	315	269	263	267	271	275	284	292	298
PV FCF	177	562	270	212	191	179	167	156	149	141	
WACC	8.3%	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	2,204
Net debt	333
Other adjustments	-10
Value per share (PLN)	7.02

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.43
DCF Val.	50%	7.02
Implied Price		6.22
Cost of equity (9M)		6.3%
9M Target Price		**6.61**

Grupa Kęty
hold (no change)

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The sharp downturn in aluminum prices observed throughout the latter part of 2018 has improved the FY2019 outlook for Kęty's Aluminum Systems Division (AS), which accounts for about 40% of the total annual EBITDA, and which spends nearly one-third of its production costs on aluminum inputs Cheaper Al feedstock can mitigate intensified competitive pressures following a capacity ramp-up by local rival Ponzio Polska. Kęty is set to issue its FY2019 earnings guidance on February 6th; to date, the views offered by managers have indicated that the Company is eyeing growth in the single digits in the coming year. However, with Poland's production capacity boosted by some 10%, while at the same time demand for aluminum extrusions diminishes in line with Europe's weakening PMI prints, and given the increased costs of labor and electricity, our view is that Kęty might not be able to beat last year's results. Meanwhile KTY stock continues to trade at an over-40% premium to comparable companies based on 2019E and 2020E earnings multiples. Kęty ended 2018 with the highest debt in history at PLN 800m (1.7x EBITDA). Worse still, as Poland's construction industry, which accounts for about 60% of Kęty's sales, struggles under the weight of rising costs, the Company faces possible customer default on accounts receivable. Consequently, it is probably safe to assume that the dividend policy this year will be less generous than in previous years. Accordingly, we now expect a PLN 19.4 per-share DPS in 2019 based on a likely payout ratio of 70% applied to 2018 earnings, representing the second year in a row of decreasing shareholder distributions. We maintain an accumulate rating for KTY, with the price target at PLN 324.30 per share.

Current Price	331.00 PLN	**Downside**
9M Target Price	324.30 PLN	-2.0%

	rating	target price	issued
unchanged	**hold**	**324.30 PLN**	**2019-01-18**

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+0.8%	-5.3%
ISIN	PLKETY000011	YTD Price Chng	+0.6%	-4.5%
Outst. Stock (m)	9.5	ADTV 1M		PLN 0.5m
MC (PLN m)	3,159.5	ADTV 6M		PLN 1.4m
EV (PLN m)	3,955.8	EV/EBITDA 12M fwd	8.0	-13.6%
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	2,976	2,979	3,154
EBITDA	394	421	463	454	482
EBITDA margin	17.4%	15.9%	15.5%	15.2%	15.3%
EBIT	282	301	336	322	339
Net income	278	236	264	241	253
P/E	11.3	13.3	12.0	13.1	12.5
P/B	2.2	2.3	2.3	2.2	2.1
EV/EBITDA	9.0	8.9	8.6	8.8	8.3
DPS	17.95	30.00	23.94	19.36	17.64
DYield	5.4%	9.1%	7.2%	5.8%	5.3%

Projection Update (% change)	2018P	2019P	2020P
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Aluminum price (US$/t)	0.0%	0.0%	0.0%
Producer premium (US$/t)	0.0%	0.0%	0.0%
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	117	111	130
EBITDA, Extrusions	139	150	175	180	185
EBITDA, Al Systems	160	172	180	179	184
EBITDA, Other	-10	-13	-16	-16	-17
EBITDA/t of Al	5	5	5	5	5
Operating cash flow	**315**	**276**	**275**	**356**	**336**
D&A	112	120	126	132	143
Working capital	-51	-91	-111	-37	-81
Investing cash flow	**-270**	**-187**	**-230**	**-200**	**-150**
CAPEX	270	187	230	200	150
Financing cash flow	**-43**	**-85**	**-119**	**-110**	**-195**
Dividends/Buyback	-170	-285	-229	-185	-168
FCF	84	86	70	160	192
FCF/EBITDA	21%	20%	15%	35%	40%
OCF/EBITDA	80%	66%	59%	78%	70%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	2,323	2,499	2,694	2,848	2,953
Fixed assets	1,396	1,439	1,560	1,632	1,644
Equity	1,405	1,363	1,398	1,454	1,539
Minority interests	0	1	1	1	1
Net debt	397	591	795	849	857
Net debt/EBITDA (x)	1.0	1.4	1.7	1.9	1.8
Net debt/Equity (x)	0.3	0.4	0.6	0.6	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	2.8	2.7	2.7	2.6	3.5	3.1
Maximum	31.1	149.5	20.8	12.3	10.6	9.7
Median	8.7	11.6	8.5	7.5	6.8	5.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Al price (US$/t)	2,109	1,900	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Al premium (US$/t)	164	130	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	2,976	2,979	3,154	3,251	3,321	3,360	3,407	3,418	3,427	3,427	3,427
EBITDA	463	454	482	489	495	500	506	504	503	500	499
EBITDA margin	15.5%	15.2%	15.3%	15.1%	14.9%	14.9%	14.8%	14.8%	14.7%	14.6%	14.6%
EBIT	336	322	339	351	358	369	377	373	369	365	361
Tax	51	56	59	62	64	66	68	67	67	66	65
CAPEX	-230	-200	-150	-120	-122	-125	-127	-130	-132	-135	-138
Working capital	-111	-37	-81	1	11	-12	-15	-8	-7	-4	-4
FCF	70	160	192	308	320	297	295	299	297	295	292
PV FCF	71	150	167	248	239	206	190	178	164	151	
WACC	7.7%	7.7%	7.6%	7.7%	7.7%	7.7%	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%
PV FCF	1,765
Net debt	819
Other adjustments	0
Value per share (PLN)	370.83

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	239.30
DCF Val.	50%	370.83
Implied Price		305.07
Cost of equity (9M)		6.3%
9M Target Price		**324.30**

mBank Dom Maklerski

JSW
reduce (reiterated)

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JSW's 2019 FY earnings outlook has turned decidedly more bearish in light of a rapid shift in production costs, expected to bolster the year's budget by as much as PLN 460m. According to our calculations, the Company faces the biggest increases in the costs of electricity (+PLN 168m), services (+PLN 47m, led by higher rental and freight rates), and labor (+PLN 200m, after a 5% hike in the average salary and an end-of-year performance bonus). On the other hand, the momentum in the steel market is clearly weakening due to the falling prices and margins realized by blast furnace producers. In coking coal, prices are also on a downward trend after a boost provided by supply disruptions. JSW is expected to report less coking coal as a proportion of the total mix, and its output in Q1 2019 is not likely to top the high year-ago level after two unplanned mine outages experienced in January. If we add CAPEX plans to the worsened earnings outlook, this indicates a likelihood of zero free cash flow this year. The worsened 2019 outlook is exacerbated by weak expected 2018 Q4 results. We raise our target price for JSW from PLN 59.14 to PLN 60.68 per share, and we maintain a reduce rating for the stock.

Current Price	69.60 PLN	**Downside**
9M Target Price	60.68 PLN	-12.8%

	rating	target price	issued
new	**reduce**	**60.68 PLN**	**2019-02-04**
old	reduce	59.14 PLN	2018-12-05

Key Metrics			**JSW PW**	**vs. WIG**
Ticker	JSW PW	1M Price Chng	+5.6%	-0.4%
ISIN	PLJSW0000015	YTD Price Chng	+3.5%	-1.7%
Outst. Stock (m)	117.4	ADTV 1M		PLN 12.7m
MC (PLN m)	8,171.8	ADTV 6M		PLN 15.5m
EV (PLN m)	5,312.2	EV/EBITDA 12M fwd	2.6	-27.5%
Free Float	44.8%	EV/EBITDA 5Y avg	3.5	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,731	8,877	9,664	8,971	8,688
EBITDA adj.	1,055	3,509	3,211	1,767	1,466
EBITDA margin	15.7%	39.5%	33.2%	19.7%	16.9%
EBIT adj.	216	2,684	2,471	885	419
Net income adj.	-2	2,189	1,996	720	338
P/E adj.	-	3.7	4.1	11.4	24.2
P/B	2.0	1.3	0.9	0.9	0.9
EV/EBITDA adj.	8.3	1.9	1.7	3.5	4.6
DPS	0.00	0.00	0.00	5.94	2.45
DYield	0.0%	0.0%	0.0%	8.5%	3.5%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA (adj.)	0.0%	-3.5%	+2.6%
Net income (adj.)	0.0%	-7.2%	+7.9%
Coking Coal price ($/t)	-2.9%	0.0%	0.0%
Thermal Coal price (PLN/t)	+0.1%	0.0%	0.0%
Coke price ($/t)	+1.5%	+3.5%	+3.3%
Total coal output (kt)	+1.1%	0.0%	0.0%
Coking coal (kt)	-0.8%	-2.0%	-1.2%
Coke (kt)	+0.6%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Total coal output (kt)	16,835	14,768	15,023	15,500	15,750
Coking coal (kt)	11,580	10,675	10,353	10,372	11,091
Coking coal (% of total)	69%	72%	69%	67%	70%
Thermal coal (kt)	5,255	4,093	4,670	5,128	4,659
Coke (kt)	4,145	3,458	3,556	3,500	3,400
Operating cash flow	**897**	**2,871**	**3,052**	**1,364**	**1,287**
D&A	839	825	740	881	1,046
Working capital	-349	-76	-9	-210	-50
Investing cash flow	**-354**	**-2,170**	**-1,600**	**-1,500**	**-1,550**
CAPEX	372	737	1,600	1,500	1,550
Financing cash flow	**278**	**-701**	**-222**	**-689**	**-284**
Dividends/Buyback	0	0	0	-698	-288
FCF	289	2,129	1,056	-113	-215
FCF/EBITDA (adj.)	27%	61%	33%	-6%	-15%
OCF/EBITDA (adj.)	85%	82%	95%	77%	88%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,520	12,090	14,399	14,245	14,225
Fixed assets	9,097	8,118	8,987	9,625	10,175
Equity	4,003	6,389	8,716	8,737	8,788
Minority interests	67	232	232	232	232
Net debt	513	-1,641	-3,092	-2,267	-1,720
Net debt/EBITDA (adj.)	0.5	-0.5	-1.0	-1.3	-1.2
Net debt/Equity (x)	0.1	-0.3	-0.4	-0.3	-0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.4	2.8	3.3	2.9	1.3	1.3
Maximum	22.8	18.3	19.2	7.6	7.8	8.0
Median	7.8	7.5	8.0	5.1	4.7	4.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Coking coal ($/t)	183	180	165	165	165	165	165	165	165	165	165
Thrml coal (PLN/t)	246	265	245	245	245	245	245	245	245	245	245
Coke ($/t)	1,124	1,002	912	912	912	912	912	912	912	912	912
Revenue	9,664	8,971	8,688	8,935	9,120	9,289	9,377	9,476	9,556	9,635	9,684
EBITDA	3,619	1,767	1,466	1,689	1,860	1,889	1,888	1,862	1,821	1,775	1,775
EBITDA margin	37.4%	19.7%	16.9%	18.9%	20.4%	20.3%	20.1%	19.6%	19.1%	18.4%	18.3%
EBIT	2,879	885	419	481	493	528	535	451	407	351	353
Tax	547	170	80	91	93	100	101	84	76	65	65
CAPEX	-1,600	-1,500	-1,550	-1,470	-1,420	-1,420	-1,420	-1,420	-1,420	-1,420	-1,422
Working capital	-9	-210	-50	29	18	26	17	3	5	4	5
FCF	1,056	-113	-215	156	365	396	384	360	330	294	294
PV FCF	1,063	-105	-184	123	265	265	237	205	173	142	
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	2,185
Net debt	-1,641
Other adjustments	232
Value per share (PLN)	44.82

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	69.34
DCF Val.	50%	44.82
Implied Price		57.08
Cost of equity (9M)		6.3%
9M Target Price		**60.68**

Kernel
buy (no change)

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High cereal yields in Ukraine indicate a significant improvement in financial results in the agricultural production segment. In our opinion, it is even more probable since the company has managed to secure high cereal selling prices for the whole season 2018/2019. On the other hand, the practically record-breaking harvest of sunflower seeds in Ukraine translates into a higher coverage of available crushing plant capacity (76% – the most since 2013/2014). We assume that the recovery of market margins on sunflower crushing may have a positive impact on EBITDA in the oil segments (result: +$40m EBITDA on oil). Assuming it grows 2018/19 EBITDA as much as forecast, Kernel will reinforce the faith of its investors in its ability to deliver the $495m EBITDA target set for 2020/21. In our opinion, the breaking of the downward trend (of six quarters) in Q4 2018 (Q2 of fiscal 2018) will continue in the following quarters, which will have a positive impact on the restoration of a positive sentiment towards the company. The only risk that we see is the possible political destabilization in Ukraine (presidential elections in H1 2019) or escalation of the military conflict with Russia. When it comes to the results for Q4 2018, we expect Kernel to deliver the third consecutive quarter of growing profits in the period. We maintain a buy rating for KER.

Current Price	50.00 PLN	**Upside**
9M Target Price	60.85 PLN	+21.7%

	rating	target price	issued
unchanged	**buy**	**60.85 PLN**	**2018-11-05**

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+0.5%	-5.6%
ISIN	LU0327357389	YTD Price Chng	+2.1%	-3.0%
Outst. Stock (m)	82.7	ADTV 1M		PLN 1.2m
MC (PLN m)	4,133.1	ADTV 6M		PLN 3.7m
EV (PLN m)	6,475.6	EV/EBITDA 12M fwd	5.5	+35.3%
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	4.8	6.3	21.2	6.8	5.2
P/B	1.1	1.0	0.9	0.9	0.8
EV/EBITDA	3.9	5.1	7.8	5.6	4.8
DPS	0.25	0.24	0.25	0.25	0.78
DYield	1.9%	1.8%	1.9%	1.9%	5.9%

Projection Update (% change)	18/19P	19/20P	20/21P
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Margin, Sunflower Oil ($/t)	0.0%	0.0%	0.0%
Margin, Wheat ($/t)	0.0%	0.0%	0.0%
Margin, Corn ($/t)	0.0%	0.0%	0.0%
Bulk sunflower oil sales (kt)	0.0%	0.0%	0.0%
Grain production (kt)	0.0%	0.0%	0.0%
Grain sales (kt)	0.0%	0.0%	0.0%

Financial Highlights

(US$ m)	15/16	16/17	17/18	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
Operating cash flow	**134**	**77**	**82**	**195**	**289**
D&A	60	54	83	93	96
Working capital	-127	-212	-63	-154	-113
Investing cash flow	**-61**	**-223**	**-156**	**-329**	**-108**
CAPEX	61	182	179	329	108
Financing cash flow	**-137**	**173**	**76**	**53**	**-182**
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	216	180	147	120	98	78	68	
WACC	15.4%	15.5%	15.6%	15.8%	15.9%	16.0%	16.1%	16.1%	15.8%	15.8%	16.0%
Risk-free rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

DCF Summary

(US$ m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,143
Net debt	619
Other adjustments	7
Value per share (PLN)	43.04

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	64.88
DCF Val.	50%	43.04
Implied Price		53.96
Cost of equity (9M)		12.4%
9M Target Price		**60.85**

mBank Dom Maklerski

KGHM
hold (reiterated)

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KGHM is facing near-term profit risk due to rising prices of electricity and labor, expected to add PLN 350m to the yearly energy costs and PLN 320m to the overall payroll costs in 2019. Pay negotiations with miners at Sierra Gorda are ongoing. Further, KGHM is not likely to offer more than 1 zloty by way of 2019 dividends. On the upside, prices of gold and silver are rising, a welcome shift from the point of view of the world's top-3 precious metals producer. At the same time, copper looks oversold given negative speculative contracts and decorrelation of prices from EM currencies. Despite the assumed higher copper prices than the current market ones, KGHM's upside potential is limited relative to our current price target. A change in the formula of the mining tax in Poland would provide an upside catalyst. Unfortunately, all the options proposed so far do not result in an increase in cash generation in the company. In our opinion, the consensus of forecasts for KGHM will have to be reduced significantly in 2019. After updating our financial outlook for higher expected prices of silver and lower prices of copper, we raise our target price to PLN 92.41 with a reiterated hold rating.

Current Price	95.90 PLN	**Downside**
9M Target Price	92.41 PLN	-3.6%

	rating	target price	issued
new	**hold**	**92.41 PLN**	**2019-02-04**
old	hold	84.56 PLN	2018-12-05

Key Metrics			**KGH PW**	**vs. WIG**
Ticker	KGH PW	1M Price Chng	+11.4%	+5.3%
ISIN	PLKGHM000017	YTD Price Chng	+7.9%	+2.8%
Outst. Stock (m)	200.0	ADTV 1M		PLN 45.5m
MC (PLN m)	19,180.0	ADTV 6M		PLN 51.4m
EV (PLN m)	25,227.7	EV/EBITDA 12M fwd	4.6	-8.2%
Free Float	63.2%	EV/EBITDA 5Y avg	5.0	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	19,156	20,275	20,148	22,752	23,536
EBITDA adj.	4,666	5,753	4,916	5,259	5,166
EBITDA margin	24.4%	28.4%	24.4%	23.1%	21.9%
EBIT adj.	2,968	4,144	3,045	3,350	3,112
Net income adj.	1,555	1,792	1,427	2,338	2,114
P/E adj.	12.3	10.7	13.4	8.2	9.1
P/B	1.2	1.1	1.0	0.9	0.8
EV/EBITDA adj.	5.7	4.5	5.1	4.3	4.2
DPS	1.50	1.00	0.00	1.00	2.34
DYield	1.6%	1.0%	0.0%	1.0%	2.4%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA adj.	0.0%	-0.8%	-2.7%
Net income adj.	0.0%	-0.0%	-4.6%
Copper price ($/t)	-0.2%	-7.1%	-2.9%
Silver price ($/oz)	-0.6%	+10.3%	+6.9%
Molybdenum price ($/t)	+0.0%	0.0%	0.0%
Copper output (kt)	+1.6%	+4.7%	+4.1%
Silver output (t)	+3.8%	+10.1%	+10.3%
Molybdenum output (mmb)	-1.6%	-7.8%	-7.8%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Cu Output, PL (kt)	376	359	385	406	401
Cu Output, Int (kt)	90	81	79	76	88
Sierra Gorda (kt)	52	53	53	59	64
Ag output (tonnes)	1,207	1,234	1,198	1,346	1,344
Au output (ozt k)	229	219	174	209	211
Operating cash flow	**4,212**	**3,054**	**3,416**	**5,529**	**4,250**
D&A	1,698	1,609	1,872	1,909	2,053
Working capital	386	-1,270	9	1,188	-11
Investing cash flow	**-3,948**	**-3,340**	**-2,695**	**-2,776**	**-2,741**
CAPEX	3,922	3,257	2,695	2,776	2,741
Financing cash flow	**135**	**12**	**-107**	**-293**	**-561**
Dividends/Buyback	-300	-200	0	-200	-468
FCF	186	788	914	2,710	1,466
FCF/EBITDA	5%	27%	19%	52%	28%
OCF/EBITDA	2%	1%	0%	1%	3%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	33,442	34,122	35,518	38,304	40,146
Fixed assets	27,202	26,515	27,338	28,205	28,893
Equity	15,772	17,694	19,121	21,260	22,906
Minority interests	139	91	91	91	91
Net debt	7,238	6,570	5,957	3,497	2,549
Net debt/EBITDA (x)	2.1	2.2	1.2	0.7	0.5
Net debt/Equity (x)	0.5	0.4	0.3	0.2	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	7.0	8.9	7.2	4.5	4.7	3.1
Maximum	20.3	21.0	15.2	8.6	8.5	7.4
Median	12.5	13.0	11.5	5.7	6.0	5.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Copper price ($/t)	6,548	6,500	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Silver ($/oz)	15.8	16.0	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Molybdenum ($/t)	22,706	22,400	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Revenue	20,148	22,752	23,536	23,535	23,596	23,583	23,550	23,345	21,921	21,932	21,986
EBITDA	4,916	5,259	5,166	5,079	4,935	4,840	4,719	4,624	4,332	4,275	4,248
EBITDA margin	15.1%	14.7%	13.2%	12.5%	11.9%	11.5%	11.2%	10.9%	10.3%	10.3%	10.5%
EBIT	3,045	3,350	3,112	2,949	2,815	2,710	2,629	2,544	2,259	2,258	2,315
Tax	1,317	962	948	909	882	862	845	828	773	772	782
CAPEX	-2,695	-2,776	-2,741	-2,220	-1,676	-1,710	-1,744	-1,779	-1,814	-1,853	-1,892
Working capital	9	1,188	-11	0	-1	0	0	3	19	0	-1
FCF	914	2,710	1,466	1,950	2,376	2,269	2,130	2,020	1,764	1,650	1,573
PV FCF	919	2,532	1,268	1,555	1,739	1,519	1,315	1,149	925	797	
WACC	7.1%	7.7%	7.9%	8.1%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	13,718
Net debt	6,570
Other adjustments	328
Value per share (PLN)	82.09

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	91.77
DCF Val.	50%	82.09
Implied Price		86.93
Cost of equity (9M)		6.3%
9M Target Price		**92.41**

Stelmet
hold (reiterated)

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Stelmet faces a profit slump in fiscal 2018/2019 led by higher costs of energy, timber raw material, and labor. Consequently, with the higher costs not likely to be fully passed onto end customers, we predict that EBITDA for the year will register a 17% fall from FY2017/2018, Stelmet says it is planning to raise prices by 2-6% depending on the region, but it said the same last year without following through. The Company's UK unit is currently undergoing restructuring after experiencing logistics bottlenecks in 2018. Brexit is also a major risk factor for Stelmet, which sells about 30% of its production on the UK market. We maintain a hold rating for STL, and we raise the target price to PLN 8.39 to reflect updated forecasts and peer multiples.

Current Price	8.82 PLN	**Downside**
9M Target Price	8.39 PLN	-4.9%

	rating	target price	issued
new	**hold**	**8.39 PLN**	**2019-02-04**
old	hold	7.72 PLN	2018-11-05

Key Metrics			**STL PW**	**vs. WIG**
Ticker	STL PW	1M Price Chng	+20.2%	+14.1%
ISIN	PLSTLMT00010	YTD Price Chng	+21.8%	+16.7%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.1m
MC (PLN m)	259.0	ADTV 6M		PLN 0.1m
EV (PLN m)	434.8	EV/EBITDA 12M fwd	7.2	+3.5%
Free Float	15.0%	EV/EBITDA 5Y avg	6.9	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	567	538	553	582	605
EBITDA	82	58	69	57	61
EBITDA margin	14.5%	10.7%	12.4%	9.7%	10.0%
EBIT	62	21	27	15	19
Net income	68	19	10	10	14
P/E	3.6	13.3	27.0	25.4	19.2
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	5.6	7.6	6.3	7.4	6.5
DPS	0.29	0.00	0.00	0.08	0.21
DYield	3.3%	0.0%	0.0%	0.9%	2.4%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
EBITDA	+4.1%	+6.8%	+8.8%
Net income	+16.9%	+28.2%	+37.2%
Sales price (PLN/m3)	+2.6%	+3.0%	+3.0%
Sales volume (1,000 m3)	-2.2%	-2.4%	-2.7%
Timber price (PLN/m3)	-1.7%	-1.7%	-1.7%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, Core, PL	19	22	24	25	26
Revenue, Core, UK	158	137	145	150	154
Revenue, Core, FR	120	107	112	115	118
Revenue, Core, DE	101	113	125	131	137
Revenue, Wood Pellets	68	89	99	102	105
Operating cash flow	**39**	**32**	**49**	**53**	**57**
D&A	37	41	42	42	43
Working capital	-2	-30	-7	-5	-5
Investing cash flow	**-62**	**-24**	**-29**	**-18**	**-27**
CAPEX	62	23	29	18	27
Financing cash flow	**76**	**-9**	**-31**	**-29**	**-33**
Dividends/Buyback	0	0	-2	-6	-9
FCF	-11	9	19	35	30
FCF/EBITDA	-18%	13%	34%	58%	47%
OCF/EBITDA	68%	46%	86%	88%	89%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	821	816	804	795	785
Fixed assets	554	522	509	486	470
Equity	454	461	469	477	483
Minority interests	0	0	0	0	0
Net debt	182	176	163	137	119
Net debt/EBITDA (x)	3.2	2.6	2.9	2.3	1.9
Net debt/Equity (x)	0.4	0.4	0.3	0.3	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	7.6	6.9	7.4	3.8	3.1	5.8
Maximum	42.7	43.6	14.1	16.1	15.9	8.5
Median	14.7	11.8	12.4	6.5	6.1	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales px (PLN/m3)	1,861	1,897	1,928	1,960	1,992	2,025	2,059	2,093	2,128	2,155	2,191
Volume (1,000 m3)	244	249	254	256	259	262	265	268	271	274	277
Timber px (PLN/m3)	263	268	274	279	285	290	296	302	308	314	320
Revenue	582	605	625	641	658	675	693	711	729	746	767
EBITDA	57	61	64	67	70	72	75	78	81	81	83
EBITDA margin	9.7%	10.0%	10.3%	10.4%	10.6%	10.7%	10.9%	11.0%	11.1%	10.8%	10.8%
EBIT	15	19	21	24	26	28	29	31	33	33	35
Tax	1.2	1.9	2.2	2.6	2.5	2.5	2.8	3.1	3.5	3.5	3.9
CAPEX	-29	-18	-27	-30	-32	-35	-38	-41	-45	-47	-48
Working capital	-6.7	-5.4	-4.5	-3.8	-4.0	-4.1	-4.1	-4.2	-4.3	-4.0	-4.7
FCF	19	35	30	30	31	31	30	30	29	29	29
PV FCF	19	31	25	23	22	20	19	17	15	14	
WACC	6.9%	7.1%	7.2%	7.3%	7.4%	7.6%	7.7%	7.8%	7.8%	7.9%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	205
Net debt	182
Other adjustments	0
Value per share (PLN)	8.99

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	6.79
DCF Val.	50%	8.99
Implied Price		7.89
Cost of equity (9M)		6.3%
9M Target Price		**8.39**

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Property Developers

Atal

buy (no change)

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Atal topped its 2,500 sales target in 2018 even after a y/y decline in closings registered in Q4 which implies tighter quarterly profits. Yearly sales last year were down 13% from the year prior, moving in line with the 11% fall observed in Poland's top residential markets. Sales in 2019 will be stable, supported by an extensive inventory of residential units offered for sale. Moreover Atal's land bank is the largest in history at enough for 4.8 years of sales compared to 2.0 years at DOM and 2.5 years at LCC, as well as being the most diversified in the sector. This means the developer is comfortably positioned to generate solid operating profits in the coming years. Thanks to low debt (gearing ~25-30%), Atal will probably be able to hike the annual dividend payout ratios from 76% in 2018 to a target 100%. The solid 2019 prospects have sent 1AT stock 28% higher YTD, which means the stock has reduced its discount to peer P/E ratios to 3% from 20% in December. Nevertheless with 17% upside potential still in place, we maintain a buy rating for 1AT.

Current Price	36.70 PLN	**Upside**
9M Target Price	42.86 PLN	+16.8%

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

Key Metrics			**1AT PW**	**vs. WIG**
Ticker	1AT PW	1M Price Chng	+33.5%	+27.4%
ISIN	PLATAL000046	YTD Price Chng	+31.1%	+25.9%
Outst. Stock (m)	38.7	ADTV 1M		PLN 1.0m
MC (PLN m)	1,420.8	ADTV 6M		PLN 0.4m
EV (PLN m)	1,647.9	EV/EBITDA 12M fwd	7.6	-3.2%
Free Float	16.2%	EV/EBITDA 5Y avg	7.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	506.8	865.8	1,007.8	917.2	1,020.0
Gross profit	136.9	247.6	274.6	264.5	275.4
Gross margin	27.0%	28.6%	27.3%	28.8%	27.0%
EBIT	114.8	222.0	245.9	231.6	240.9
Net income	89.4	171.2	188.7	180.7	187.1
P/E	15.9	8.3	7.5	7.9	7.6
P/B	2.1	1.8	1.7	1.7	1.7
EV/EBITDA	14.9	7.3	6.7	7.2	7.4
DPS	0.61	1.73	3.54	4.74	4.73
DYield	1.7%	4.7%	9.6%	12.9%	12.9%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Revenue	0.0%	0.0%	0.0%
Gross profit margin	0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Residential closings	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	1,404	2,308	2,678	2,631	3,000
Revenue/unit (PLN k)	353	375	376	349	340
SG&A	24	28	30	32	33
SG&A/Sales	**4.8%**	**3.3%**	**3.0%**	**3.5%**	**3.3%**
EBIT margin	22.6%	25.6%	24.4%	25.3%	23.6%
Net profit margin	17.6%	19.8%	18.7%	19.7%	18.3%
Cash	187	266	241	208	108
Net debt	324	214	232	266	366
Net debt/Equity	**47%**	**27%**	**27%**	**31%**	**43%**
Inventory	1,132	1,342	1,274	1,303	1,404
Inventory/Sales	**223%**	**155%**	**135%**	**142%**	**138%**
Earnest money deposits	231	365	276	283	280
Deposits/Inventory	**20%**	**27%**	**22%**	**22%**	**20%**
Equity	688	795	847	845	849
ROE	**14.4%**	**24.9%**	**23.9%**	**21.3%**	**22.2%**

Cash Flow Summary

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

Relative Valuation Summary

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

DCF Analysis

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

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**

Dom Development
accumulate (downgraded)

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Dom disclosed it would recognize 1,600 apartments in the profits for Q4 2018, up 9% y/y, with closings for the full FY2018 exceeding 3,600 units after a 24% jump. The prospects for Q1 2019 are good looking at the completions schedule, however the total completions count lined up for the year indicates flat profit momentum. Dom's off-plan sales in 2018 were 9% lower than in 2017, which means they fell at a slower rate than the average registered by 15 listed developers (-18%) and than the average fall in the top six residential markets (-11%). Nevertheless the Company continues to achieve high sales effectiveness (31% vs. 35% the year before) and stable supply, reinforcing our outlook for the next two years, with 2020 set to be a record year in terms of the number of units scheduled for completion in high-margin residential projects. The gross margin should remain stable at 26%-27% in 2019-2020 as higher construction costs will be offset by rising home prices and a switch from outsourced to insourced building services. DOM stock has gained 19% YTD, prompting a downgrade to accumulate despite robust fundamentals (P/E'18-19=8.4x).

Current Price	75.00 PLN	**Upside**
9M Target Price	84.10 PLN	+12.1%

	rating	target price	issued
new	**accumulate**	**84.10 PLN**	**2019-02-04**
old	buy	84.10 PLN	2018-12-05

Key Metrics			**DOM PW**	**vs. WIG**
Ticker	DOM PW	1M Price Chng	+19.4%	+13.4%
ISIN	PLDMDVL00012	YTD Price Chng	+19.0%	+13.9%
Outst. Stock (m)	25.0	ADTV 1M		PLN 1.2m
MC (PLN m)	1,872.6	ADTV 6M		PLN 0.3m
EV (PLN m)	1,945.3	EV/EBITDA 12M fwd	7.2	-27.1%
Free Float	27.1%	EV/EBITDA 5Y avg	9.9	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	1,153.0	1,404.7	1,692.3	1,652.4	1,922.5
Gross profit	271.1	385.7	449.3	440.8	498.8
Gross margin	23.5%	27.5%	26.6%	26.7%	25.9%
EBIT	156.6	235.4	280.3	268.1	317.9
Net income	125.7	190.7	225.2	216.5	254.8
P/E	14.8	9.8	8.3	8.6	7.4
P/B	2.0	1.9	1.8	1.8	1.7
EV/EBITDA	11.1	7.9	6.7	7.2	6.5
DPS	3.25	5.05	7.60	8.92	8.67
DYield	4.3%	6.7%	10.1%	11.9%	11.6%

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%
Closings	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	2,482	2,929	3,632	3,520	3,723
Revenue/unit (PLN k)	465	480	466	469	516
SG&A	107	138	164	168	175
SG&A/Sales	**9.3%**	**9.9%**	**9.7%**	**10.1%**	**9.1%**
EBIT margin	13.6%	16.8%	16.6%	16.2%	16.5%
Net profit margin	10.9%	13.6%	13.3%	13.1%	13.3%
Cash	437	331	272	315	184
Net debt	-57	64	73	120	251
Net debt/Equity	**-6%**	**6%**	**7%**	**12%**	**23%**
Inventory	1,508	1,989	2,100	2,104	2,198
Inventory/Sales	**131%**	**142%**	**124%**	**127%**	**114%**
Earnest money deposits	349	568	672	631	549
Deposits/Inventory	**23%**	**29%**	**32%**	**30%**	**25%**
Equity	930	1,002	1,042	1,036	1,074
ROE	**14.2%**	**20.5%**	**22.2%**	**20.8%**	**24.6%**

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**265**	**198**	**158**	**187**	**100**
D&A	5	7	9	10	10
Working capital	106	-9	-49	-40	-168
Investing cash flow	**-6**	**-213**	**-29**	**19**	**9**
CAPEX	-6	-8	-11	-11	-11
Financing cash flow	**-67**	**-120**	**-237**	**-134**	**-220**
Dividends	-81	-126	-190	-223	-217

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.65	0.60	0.58	5.6	4.4	4.4
Maximum	1.46	1.47	1.48	7.0	7.1	11.7
Median	0.92	0.85	0.76	6.3	5.9	6.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	1,693	1,652	1,923	1,670	1,695	1,721	1,746	1,773	1,799	1,826	1,854
EBITDA	287	278	328	237	236	234	237	241	244	248	251
EBITDA margin	16.9%	16.8%	17.1%	14.2%	13.9%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%
D&A	9	10	10	10	10	10	10	10	10	10	10
EBIT	277	268	318	227	226	224	227	230	234	237	241
Tax	55	51	60	43	43	42	43	44	44	45	46
NOPLAT	**223**	**217**	**257**	**184**	**183**	**181**	**184**	**187**	**189**	**192**	**195**
CAPEX	-11	-11	-11	-11	-11	-11	-11	-11	-11	-11	-11
Working capital	-49	-40	-168	-62	-117	-10	-7	-7	-7	-7	-7
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	**173**	**176**	**89**	**120**	**65**	**170**	**176**	**179**	**182**	**185**	**188**
PV FCF	171	162	76	95	48	116	112	106	100	94	
WACC	8.3%	8.3%	8.0%	7.8%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,793
Net debt*	254
Other adjustments	0
Value per share (PLN)	102

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	46.40
Relative (DYield)	17%	72.70
DCF	50%	103.00
Cost of equity (9M)		6.3%
9M Target Price*		**84.10**

mBank Dom Maklerski

GTC
hold (no change)

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GTC is expected to deliver FFO growth close to 20% in Q4 2018 on 20% higher revenue, although nominally the result will probably be lower than in Q4'17 due to lower valuation gains. In January GTC obtained a building permit for the City Rose Park office complex in Bucharest, which means it will probably finish the project in H2'20/H1'21. With the tenancy ratio in the Matrix A office development now at 60%, the construction of Matrix B might start soon. GTC has four commercial projects underway with 2019 completion deadlines, indicating further FFO growth in 2019-20. European real-estate stocks experienced a rise in January, with GTC climbing 14% YTD, to a level now close to NAV. However FFO Yield'18-19 remains 20%-10% lower than the averages offered by comparable European companies. We maintain a hold rating for GTC.

Current Price	9.32 PLN	**Upside**
9M Target Price	9.60 PLN	+3.0%

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

Key Metrics			GTC PW	vs. WIG
Ticker	GTC PW	1M Price Chng	+17.4%	+11.3%
ISIN	PLGTC0000037	YTD Price Chng	+13.8%	+8.6%
Outst. Stock (m)	470.3	ADTV 1M		PLN 0.6m
MC (PLN m)	4,383.2	ADTV 6M		PLN 0.5m
EV (PLN m)	8,773.7	EV/EBITDA 12M fwd	15.7	+10.3%
Free Float	21.9%	EV/EBITDA 5Y avg	14.3	premium

Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
Revenue	120.3	128.7	154.0	166.2	184.9
Gross profit	87.3	92.1	112.6	125.1	139.2
Gross margin	72.6%	71.6%	73.1%	75.3%	75.3%
EBIT ex FV adj.	70.2	73.5	96.3	105.3	119.1
FX adj.	84.6	148.6	36.4	45.7	53.7
Net income	158.5	156.3	86.9	105.1	121.2
P/E	6.3	6.5	11.8	9.7	8.4
P/B	1.3	1.1	1.0	1.0	0.9
EV/EBITDA	11.2	8.6	15.3	14.4	13.0
DPS	0.00	0.07	0.08	0.08	0.10
DYield	0.0%	3.0%	3.7%	3.9%	4.4%

Projection Update (% change)	2018P	2019P	2020P
Revenue	0.0%	0.0%	0.0%
NOI	0.0%	0.0%	0.0%
FFO	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
BVPS	0.0%	0.0%	0.0%

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
NOI	**86**	**91**	**111**	**125**	**139**
YoY pct. change	10.1%	4.7%	21.9%	13.1%	11.2%
EBIT ex. FX adj.	**71**	**77**	**94**	**105**	**119**
Financing costs	-28	-29	-30	-31	-35
FFO	**42**	**47**	**56**	**65**	**74**
YoY pct. change	10.5%	11.9%	18.6%	17.1%	13.8%
FV adjustment	85	149	36	46	54
Cash	178	202	115	120	103
Net debt	715	833	980	1,104	1,172
Net debt/Equity	**91%**	**89%**	**99%**	**104%**	**104%**
Investment properties IP	1,605	1,937	2,148	2,342	2,493
LTV	**44%**	**43%**	**45%**	**47%**	**47%**
FV adj./IP	**6.6%**	**9.3%**	**2.1%**	**2.1%**	**2.3%**
Equity	787	937	991	1,056	1,132
ROE	**24.7%**	**19.8%**	**9.7%**	**10.6%**	**11.5%**

Cash Flow Summary

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

Relative Valuation Summary

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

NAV Valuation

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

NAV Summary

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

Valuation Summary

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

Retail

AmRest

buy (no change)

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AmRest's EBITDA improved by 13% y/y during the first nine months of 2018, less than the growth in sales which amounted to 26%. At the same time there was an acceleration vis-à-vis previous quarters when growth was curbed by acquisitions. EAT stock suffered in the wake of the slowdown, falling 26% from the May 2018 high. The acquisition of Sushi Shop and KFC France as the companies taken over prior improve sales effectiveness should contribute significantly to the results for Q4 2018, when AmRest reported a strong increase in sales per restaurant in the WE segment alongside stable sales in CEE despite opening smaller restaurants there with lower average revenues. We maintain a buy call for EAT based on robust 2019 prospects, with EBITDA in the year ahead expected to grow at double-digit rates.

Current Price	39.00 PLN	**Upside**
9M Target Price	46.00 PLN	+17.9%

	rating	target price	issued
unchanged	**buy**	**46.00 PLN**	**2018-12-05**

Key Metrics			**EAT PW**	**vs. WIG**
Ticker	EAT PW	1M Price Chng	-1.0%	-7.1%
ISIN	NL0000474351	YTD Price Chng	-2.5%	-7.6%
Outst. Stock (m)	219.6	ADTV 1M		PLN 2.1m
MC (PLN m)	8,562.6	ADTV 6M		PLN 4.3m
EV (PLN m)	10,917.2	EV/EBITDA 12M fwd	12.0	+15.2%
Free Float	31.1%	EV/EBITDA 5Y avg	10.4	premium

Earnings Projections

(PLN m)	**2016**	**2017**	**2018P**	**2019P**	**2020P**
Revenue	4,207	5,266	6,655	7,515	8,875
EBITDA	539	597	684	864	1,080
EBITDA margin	12.8%	11.3%	10.3%	11.5%	12.2%
EBIT	268	267	299	381	510
Net income	191	182	180	252	350
P/E	43.4	45.4	47.5	34.0	24.4
P/B	6.3	6.3	4.8	4.2	3.6
EV/EBITDA	17.3	16.3	16.0	12.8	10.1
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	+0.3%	0.0%	0.0%
Net income	+1.4%	0.0%	0.0%
Revenue per restaurant	-0.7%	0.0%	0.0%
EBITDA margin	0p.p.	0,0p.p.	0,0p.p.
Restaurant count	+2.5%	0.0%	0.0%

Financial Highlights

(PLN m)	**2016**	**2017**	**2018P**	**2019P**	**2020P**
EBITDA (PL)	185	199	217	227	261
EBITDA (WE)	193	201	239	355	443
EBITDA (ES)	180	209	228	238	276
EBITDA (RU)	50.6	71.5	85.8	91.0	111.4
EBITDA (CZ)	93	116	147	166	201
Operating cash flow	**457**	**635**	**656**	**807**	**1,031**
D&A	271	330	384	483	570
Working capital	43	74	65	73	111
Investing cash flow	**-539**	**-980**	**-1,767**	**-929**	**-918**
CAPEX	-386	-527	-778	-929	-918
Financing cash flow	**66**	**588**	**674**	**40**	**60**
Dividends/Buyback	198	764	438	40	60
FCF	-17	-414	-1,020	-83	151
FCF/EBITDA	-3%	-69%	-149%	-10%	14%
OCF/EBITDA	85%	106%	96%	93%	95%

Key Ratios

(%)	**2016**	**2017**	**2018P**	**2019P**	**2020P**
EBITDA margin (PL)	13.1%	12.5%	12.4%	12.6%	12.6%
EBITDA margin (WE)	15.8%	9.9%	13.8%	13.5%	14.1%
EBITDA margin (ES)	21.5%	22.4%	21.7%	22.2%	22.0%
EBITDA margin (RU)	10.9%	10.6%	9.9%	10.2%	10.2%
EBITDA margin (CZ)	19.1%	20.5%	20.0%	20.0%	20.0%
Net debt (PLN m)	971	1,422	2,309	2,438	2,326
Net debt/EBITDA (x)	1.8	2.4	3.4	2.8	2.2

Relative Valuation Summary

	P/E			**EV/EBITDA**		
	18P	**19P**	**20P**	**18P**	**19P**	**20P**
Minimum	8.3	7.9	7.6	7.0	6.4	5.9
Maximum	55.9	39.7	31.0	24.3	19.1	17.6
Median	24.8	24.2	22.0	15.2	13.8	12.5
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis

(PLN m)	**18P**	**19P**	**20P**	**21P**	**22P**	**23P**	**24P**	**25P**	**26P**	**27P**	**+**
Sales/rest., (PLN k)	927	883	886	883	883	881	880	880	879	879	879
EBITDA margin	10.3%	11.5%	12.2%	13.0%	13.5%	13.7%	13.7%	13.7%	13.7%	13.7%	13.7%
Rest. count	1,950	2,307	2,701	3,034	3,317	3,558	3,763	3,957	4,142	4,318	4,318
Revenue	6,655	7,515	8,875	10,124	11,216	12,119	12,892	13,582	14,239	14,865	14,865
EBITDA	684	864	1,080	1,313	1,509	1,656	1,765	1,862	1,955	2,044	2,044
EBITDA margin	10.3%	11.5%	12.2%	13.0%	13.5%	13.7%	13.7%	13.7%	13.7%	13.7%	13.7%
EBIT	299	381	510	681	851	994	1,117	1,219	1,312	1,401	1,401
Tax	75	91	122	164	204	239	268	293	315	336	336
CAPEX	-1,659	-929	-918	-798	-699	-615	-543	-643	-643	-643	-643
Working capital	30	73	111	101	84	65	52	44	40	36	36
FCF	-1,020	-83	151	452	690	868	1,006	970	1,037	1,100	1,122
PV FCF	-1,027	-78	130	362	511	594	635	565	557	545	
WACC	7.9%	7.9%	7.9%	8.1%	8.1%	8.2%	8.3%	8.4%	8.4%	8.5%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	10,834
Net debt	1,422
Other adjustments	35
Value per share (PLN)	44.20

Valuation Summary

(PLN)	**Weight**	**Price**
Relative Val.	50%	43.03
DCF Val.	50%	44.20
Implied Price		43.62
Cost of equity (9M)		6.4%
9M Target Price		**46.00**

mBank Dom Maklerski

CCC
buy (reiterated)

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2018 was not a successful year for CCC. The company's share price fell by 37% following a significant slowdown in earnings on a year-on-year basis, reflecting adverse weather conditions and negative base effects. 2018 Q4 results will probably be less than stellar, with EBITDA expected to post a 52% drop from the prior-year period, due to low sales, one-time charges related to the German business, and other events. The sales results for Q1 2019 so far indicate improvement. The Company expects to finalize the sale of CCC Germany by the end of March, offloading EBITDA losses although the consolidation of a 30.55% HRG stake will probably also generate some loss. Nevertheless CCC is set for robust growth in 2019, driven by fast-expanding online sales, improved lfl growth at brick stores, supported by positive base effects, cost-savings measures, and last year's acquisitions and divestments.

Current Price	178.80 PLN	**Upside**
9M Target Price	291.00 PLN	+62.8%

	rating	target price	issued
new	**buy**	**291.00 PLN**	**2019-02-04**
old	buy	288.00 PLN	2018-12-05

Key Metrics			**CCC PW**	**vs. WIG**
Ticker	CCC PW	1M Price Chng	-3.9%	-9.9%
ISIN	PLCCC0000016	YTD Price Chng	-7.5%	-12.6%
Outst. Stock (m)	41.1	ADTV 1M		PLN 20.4m
MC (PLN m)	7,353.5	ADTV 6M		PLN 24.2m
EV (PLN m)	8,082.7	EV/EBITDA 12M fwd	11.1	-29.0%
Free Float	59.4%	EV/EBITDA 5Y avg	15.6	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,185	4,194	4,933	6,133	7,147
EBITDA	443	499	324	783	957
EBITDA margin	13.9%	11.9%	6.6%	12.8%	13.4%
EBIT	374	406	191	617	783
Net income	306	280	35	470	595
P/E	22.8	26.2	-	15.6	12.4
P/B	7.6	6.7	8.0	5.1	3.7
EV/EBITDA	17.4	15.7	24.9	10.1	7.9
DPS	2.19	2.47	2.30	1.87	1.87
DYield	1.2%	1.4%	1.3%	1.0%	1.0%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-29.6%	0.0%	0.0%
Net income	-78.7%	0.0%	0.0%
Gross profit margin	-0.4 p.p.	0.0 p.p.	0.0 p.p.
B&M sales/sqm	0.0%	0.0%	0.0%
SG&A/sqm	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, B&M sales	2,902	3,588	3,962	4,727	5,250
EBITDA, B&M	397	422	609	631	743
Revenue, e-commerce	287	606	970	1,405	1,897
EBITDA, e-commerce	47.2	83.4	111.2	151.6	214.2
Gross profit margin	52.7%	51.2%	50.7%	51.5%	51.8%
Operating cash flow	**175**	**78**	**1,254**	**523**	**670**
D&A	70	93	474	166	175
Working capital	-273	-588	408	-155	-151
Investing cash flow	**-362**	**-222**	**-293**	**-471**	**-211**
CAPEX	-382	-245	-479	-341	-211
Financing cash flow	**-10**	**515**	**-474**	**-12**	**75**
Dividends/Buyback	86	101	95	77	77
FCF	-264	-181	307	-52	370
FCF/EBITDA	-59%	-36%	43%	-7%	39%
OCF/EBITDA	39%	15%	174%	67%	70%

Key Ratios

(PLN)	2016	2017	2018P	2019P	2020P
Sales/sqm, PL	700	744	644	714	721
Sales/sqm, CEE	514	538	515	562	572
Sales/sqm, WE	393	396	477	0	0
e-comm as % of sales	9.0%	14.4%	19.7%	22.9%	26.5%
Cash (PLN m)	143	512	537	794	1,349
Net debt (PLN m)	652	406	602	451	96
Net debt/EBITDA (x)	1.5	0.8	0.9	0.6	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	13.7	12.4	11.5	11.5	6.1	5.5
Maximum	85.8	33.6	27.1	27.1	23.0	20.0
Median	21.1	19.6	15.6	15.6	11.1	10.3
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis*

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	462	544	552	587	598	594	590	585	651	713	0
SG&A/sqm (PLN)	227	240	245	241	234	237	236	235	251	283	0
Sales area (k sqm)	720	724	793	857	928	1,005	1,086	1,171	1,104	1,062	0
Revenue	3,962	4,727	5,250	7,325	7,969	8,464	8,972	9,498	10,052	10,647	10,647
EBITDA	609	631	743	939	1,044	1,101	1,178	1,221	1,261	1,308	1,240
EBITDA margin	15.4%	13.4%	14.2%	12.8%	13.1%	13.0%	13.1%	12.9%	12.5%	12.3%	11.6%
EBIT	478	468	572	632	714	730	788	848	910	976	976
Tax	91	89	109	120	136	139	150	161	173	185	0
CAPEX	476	338	208	413	216	815	248	119	129	135	135
Working capital	-265	257	57	367	539	181	256	161	118	121	121
FCF	307	-52	370	38	153	-34	524	780	841	866	892
PV FCF	309	-48	315	30	110	-22	316	431	427	403	
WACC	8.5%	8.7%	8.9%	9.0%	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	9,192
Net debt	521
Other adjustments	4,399
Value per share (PLN)	317.79

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	229.11
DCF Val.	50%	317.79
Implied Price		273.45
Cost of equity (9M)		6.5%
9M Target Price		**291.00**

Dino
hold (downgraded)

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Dino consistently pursues its retail chain development strategy (we estimate a space increase by 25.6% y/y), improving EBITDA margin and the cash conversion cycle. In 9M 2018, there was visible improvement in the gross margin on sales y/y, which resulted from obtaining better purchase conditions from suppliers and basket inflation. We reckon that further price increase in 2019 and improvement in trade conditions should result in an increase in gross margin on sales. In Q2-Q3 2018, the mark-up of wage costs on sales increased significantly, which was related to earlier contracting of staff in the distribution center and employees in shops under construction. The pay pressures have continued into 2019. Considering the above, we estimate that the company will maintain EBITDA margin at 9.1% in 2019 (unchanged y/y). Dino has registered a slowdown in lfl growth, underpinned by negative base effects, which means its stock might suffer after upcoming quarterly sales reports. In Q4 2019 we expect to see lfl growth of 9%. Considering the positive impact of inflation, the effect of maturing of new shops, and a favorable macroeconomic environment, we expect like-for-like sales growth to improve at a high single-digit rate in 2019 (+2.8% revenue per square meter), with an estimated y/y growth of 24% in 2019.

Current Price	101.90 PLN	**Upside**
9M Target Price	105.90 PLN	+3.9%

	rating	target price	issued
new	**hold**	**105.90 PLN**	**2019-02-04**
old	accumulate	106.30 PLN	2018-12-05

Key Metrics			**DNP PW**	**vs. WIG**
Ticker	DNP PW	1M Price Chng	+4.8%	-1.3%
ISIN	PLDINPL00011	YTD Price Chng	+6.3%	+1.2%
Outst. Stock (m)	98.0	ADTV 1M		PLN 18.6m
MC (PLN m)	9,990.3	ADTV 6M		PLN 18.8m
EV (PLN m)	10,565.7	EV/EBITDA 12M fwd	15.1	-4.1%
Free Float	48.9%	EV/EBITDA 5Y avg	15.7	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	3,370	4,516	5,889	7,591	9,289
EBITDA	281	389	532	688	840
EBITDA margin	8.3%	8.6%	9.0%	9.1%	9.0%
EBIT	216	303	421	545	666
Net income	151	214	307	412	517
P/E	66.1	46.8	32.6	24.3	19.3
P/B	14.6	11.0	8.2	6.1	4.7
EV/EBITDA	37.3	26.9	19.8	15.2	12.1
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-1.0%	0.0%	0.0%
Net profit	-1.4%	0.0%	0.0%
Store count	+1.3%	0.0%	0.0%
Sales/sqm	-1.2%	-0.6%	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	977	1,187	1,412
Total store area (ksqm)	238	295	376	460	552
Avg. store area (sqm)	380	381	385	388	391
Sales margin	22.9%	23.0%	23.7%	23.7%	23.7%
Stores per distr, center	209	258	244	297	282
Operating cash flow	**324**	**497**	**662**	**831**	**996**
D&A	65	86	111	142	174
Working capital	47	131	178	240	277
Investing cash flow	**-310**	**-402**	**-702**	**-711**	**-729**
CAPEX	-312	-411	-703	-711	-729
Financing cash flow	**18**	**41**	**19**	**-137**	**-229**
Dividends/Buyback	92	31	95	-100	-200
FCF	-24	50	-74	114	261
FCF/EBITDA	-9%	13%	-14%	17%	31%
OCF/EBITDA	116%	128%	124%	121%	118%

Key Ratios

	2016	2017	2018P	2019P	2020P
Days inventory	38.8	38.7	37.6	36.2	34.8
Days receivables	3.6	3.1	2.0	2.0	2.0
Days payables	80.7	85.2	88.4	91.6	94.8
CCC (days)	-38.2	-43.5	-48.8	-53.4	-58.0
SG&A/Sales	16.5%	16.4%	16.6%	16.5%	16.5%
Net debt (PLN m)	496	485	575	452	214
Net debt/EBITDA (x)	1.8	1.2	1.1	0.7	0.3

Relative Valuation Summary

	PEG			P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P	18P	19P	20P
Minimum	-2.3	-2.2	-2.2	11.6	11.7	10.2	5.6	5.3	4.7
Maximum	1.8	1.7	1.6	22.4	15.1	13.4	8.0	6.9	6.5
Median	0.8	0.7	0.6	16.3	14.0	11.8	6.9	6.2	5.7
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	977	1,187	1,412	1,572	1,732	1,892	1,992	2,092	2,192	2,292	2,292
Sales/sqm	1,463	1,514	1,530	1,569	1,566	1,549	1,526	1,526	1,525	1,525	1,525
SG&A/Sales	16.6%	16.5%	16.5%	16.6%	16.7%	16.8%	16.8%	16.9%	16.9%	16.9%	16.9%
Revenue	5,889	7,591	9,289	11,030	12,302	13,459	14,334	15,197	16,075	16,966	16,966
EBITDA	532	688	840	989	1,087	1,169	1,240	1,291	1,354	1,417	1,417
EBITDA margin	9.0%	9.1%	9.0%	9.0%	8.8%	8.7%	8.7%	8.5%	8.4%	8.4%	8.4%
EBIT	421	545	666	778	855	922	980	1,024	1,083	1,143	1,143
Tax	80	104	127	148	162	175	186	195	206	217	0
CAPEX	-703	-711	-729	-597	-493	-501	-395	-337	-327	-318	-318
Working capital	178	240	277	315	283	161	122	120	122	124	124
FCF	-74	114	261	559	714	654	781	880	943	1,006	1,031
PV FCF	-72	103	219	432	509	430	475	494	489	482	
WACC	8.1%	8.2%	8.3%	8.4%	8.4%	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	2.5%
PV FCF	8,571
Net debt	485
Other adjustments	0
Value per share (EUR)	118.80

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	80.40
DCF Val.	50%	118.80
Implied Price		99.60
Cost of equity (9M)		6.4%
9M Target Price		**105.90**

mBank Dom Maklerski

Eurocash
reduce (downgraded change)

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Eurocash stock has rallied 14% since the beginning of January, rebounding from earlier lows. The financial results for 2018 Q4 are not likely to contain upside catalysts with adjusted EBITDA rising about 2% y/y to PLN 107m after further improvement in wholesale was offset by a worsened retail business. The divestment of PayUp might provide a one -time boost of PLN 72m. Looking at shifted market conditions, the future performance of the Cash & Carry business is under pressure. In Retail, expenses aimed at improving store efficiency will continue to weigh in 2019. Profits for Q1 2019 will be additionally depressed by the extended Sunday trading ban, an unfavorable Easter effect, and negative base effects. With all this factored in, we downgrade LPP from hold to reduce after the January rally.

Current Price	19.80 PLN	**Downside**
9M Target Price	17.90 PLN	-9.6%

	rating	target price	issued
new	**reduce**	**17.90 PLN**	**2019-02-04**
old	hold	18.20 PLN	2018-12-05

Key Metrics			**EUR PW**	**vs. WIG**
Ticker	EUR PW	1M Price Chng	+9.6%	+3.6%
ISIN	PLEURCH00011	YTD Price Chng	+12.5%	+7.4%
Outst. Stock (m)	139.2	ADTV 1M		PLN 8.1m
MC (PLN m)	2,755.4	ADTV 6M		PLN 7.4m
EV (PLN m)	3,381.3	EV/EBITDA 12M fwd	7.4	-30.3%
Free Float	53.0%	EV/EBITDA 5Y avg	10.7	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	21,206	22,111	22,756	26,954	27,544
EBITDA	440	246	446	415	458
EBITDA margin	2.1%	1.1%	2.0%	1.5%	1.7%
EBIT	274	63	246	206	244
Net income	179	-33	140	97	140
P/E	15.3	-	19.7	28.3	19.7
P/B	2.4	2.7	2.6	2.6	2.4
EV/EBITDA	7.1	12.9	7.6	7.8	6.6
DPS	1.05	0.80	0.75	0.35	0.35
DYield	5.3%	4.0%	3.8%	1.7%	1.8%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	+33.3%	0.0%	0.0%
Net income	+121.6%	0.0%	0.0%
Wholesale (EBITDA)	-1.0%	0.0%	0.0%
Retail (EBITDA)	-14.3%	0.0%	0.0%
New Projects (EBITDA)	-3.9%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Wholesale (S)	16,217	16,726	17,594	17,826	18,093
Retail (S)	2,397	3,436	3,992	4,192	4,401
New Projects (S)	271	551	662	662	662
New Projects (EBITDA)	-39.8	-52.1	-39.0	-50.3	-50.3
Other (EBITDA)	-76	-87	-100	-112	-112
Operating cash flow	**325**	**494**	**417**	**528**	**455**
D&A	166	183	200	208	213
Working capital	-99	247	38	148	39
Investing cash flow	**-270**	**-336**	**-462**	**-163**	**-164**
CAPEX	-219	-307	-457	-163	-164
Financing cash flow	**22**	**-117**	**36**	**-222**	**-311**
Dividends/Buyback	-146	-111	-105	-48	-49
FCF	98	361	-178	294	262
FCF/EBITDA	22%	146%	-40%	71%	57%
OCF/EBITDA	74%	200%	93%	127%	99%

Key Ratios

	2016	2017P	2018P	2019P	2020P
Days inventory	21.1	24.7	26.5	24.9	24.9
Days receivables	30.1	27.8	29.3	27.4	27.2
Days payables	66.9	73.7	78.4	73.3	73.3
CCC (days)	-15.8	-21.3	-22.6	-21.1	-21.3
SG&A/Sales	9%	10%	12%	11%	11%
Net debt (PLN m)	324	370	568	409	230
Net debt/EBITDA (x)	0.7	1.5	1.3	1.0	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	11.6	11.7	10.2	6.0	5.3	4.7
Maximum	22.4	15.1	13.4	8.0	6.9	6.5
Median	16.0	13.8	11.8	6.9	6.4	5.8
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Wholesale (EBITDA)	424	462	487	506	506	496	486	476	467	457	457
Retail (EBITDA)	86	102	120	134	139	141	142	144	145	146	146
New Projects (EBITD	-39	-50	-50	-50	-50	-50	-50	-50	-50	-50	-50
Revenue	22,756	26,954	27,544	28,129	28,778	29,472	30,215	31,012	31,480	32,404	32,404
EBITDA	446	415	458	491	498	496	494	493	491	490	490
EBITDA margin	1.96%	1.54%	1.66%	1.75%	1.73%	1.68%	1.64%	1.59%	1.56%	1.51%	1.51%
EBIT	229	188	226	255	257	249	242	234	227	239	239
Tax	561	45	52	53	51	49	48	45	44	47	47
CAPEX	-162	-163	-164	-166	-168	-169	-171	-173	-245	-251	-251
Working capital	-117	-106	-39	-39	-43	-45	-48	-51	-38	-58	-58
FCF	-178	294	262	293	303	304	305	307	221	251	251
PV FCF	-179	275	227	235	225	209	194	182	121	128	
WACC	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.5%
PV FCF	3,481
Net debt	370
Other adjustments	64
Value per share (PLN)	21.90

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	11.97
DCF Val.	50%	21.90
Implied Price		16.93
Cost of equity (9M)		6.0%
9M Target Price		**17.90**

Jeronimo Martins
buy (reiterated)

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JMT stock has increased 15% since the release of 2018 sales results on January 14th showing recovering lfl growth in Polish stores (+1.2% in Q4'18 vs. 0.8% in Q3'18). Note that sales in Q1 might decelerate due to the extended Sunday trading ban (with ten days of closed stores vs. four in Q1'18) and an unfavorable Easter effect. Going back to Q4 2018, based on the sales results provided, we predict further improvement in the sales margin by 0.42pp to 21.8%. We see EBITDA margin holding stable in Poland, but edging lower for the Portuguese business (pay pressures). Accordingly, we anticipate a 1% rebound in quarterly EBITDA to EUR 255m. In our opinion, in 2019, in view of single-digit improvement in lfl sales, the Biedronka business in Poland will focus on further improving the gross margin to maintain profitability of EBITDA. The Ara chain in Colombia is growing, which will improve the sales conditions and dilute fixed costs in subsequent periods, resulting in lower EBITDA losses.

Current Price	12.38 EUR	**Upside**
9M Target Price	14.60 EUR	+17.9%

	rating	target price	issued
new	**buy**	**14.60 EUR**	**2019-02-04**
old	buy	14.50 EUR	2018-12-05

Key Metrics			**JMT PL**	**vs. WIG**
Ticker	JMT PL	1M Price Chng	+20.2%	+14.1%
ISIN	PTJMT0AE0001	YTD Price Chng	+19.7%	+14.6%
Outst. Stock (m)	629.3	ADTV 1M		EUR 11.6m
MC (EUR m)	7,790.7	ADTV 6M		EUR 9.7m
EV (EUR m)	8,170.8	EV/EBITDA 12M fwd	7.8	-18.0%
Free Float	-	EV/EBITDA 5Y avg	9.5	discount

Earnings Projections

(EUR m)	2016	2017	2018P	2019P	2020P
Revenue	14,622	16,276	17,335	18,374	19,519
EBITDA	862	922	963	1,048	1,123
EBITDA margin	5.9%	5.7%	5.6%	5.7%	5.8%
EBIT	536	577	594	653	702
Net income	593	386	397	441	479
P/E	13.1	20.2	19.6	17.7	16.3
P/B	4.5	4.4	4.4	3.9	3.5
EV/EBITDA	9.0	8.5	8.5	7.8	7.0
DPS	0.28	0.69	0.64	0.35	0.38
DYield	2.3%	5.6%	5.1%	2.8%	3.1%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	+0.2%	0.0%	0.0%
Net income	-0.7%	0.0%	0.0%
Y/Y sales/sqm, Biedronka	-0.5 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Pingo Doce	-0.2 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Recheio	-1.0 p.p.	0.0 p.p.	0.0 p.p.

Financial Highlights

(EUR m)	2016	2017P	2018P	2019P	2020P
EBITDA Biedronka, PL	704	808	853	901	946
EBITDA Pingo Doce, PT	192	187	183	182	183
EBITDA Recheio, PT	47	50	46	47	47
EBITDA Other	-79	-85	-81	-44	-15
CCC (days)	-70	-71	-67	-67	-67
Operating cash flow	**843**	**909**	**836**	**1,007**	**1,093**
D&A	326	345	369	395	421
Working capital	180	292	-16	135	158
Investing cash flow	**-126**	**-658**	**-730**	**-742**	**-537**
CAPEX	-433	-662	-732	-742	-537
Financing cash flow	**-504**	**-229**	**-325**	**-257**	**-275**
Dividends/Buyback	177	435	401	221	239
FCF	515	397	68	281	572
FCF/EBITDA	60%	43%	7%	27%	51%
OCF/EBITDA	98%	99%	87%	96%	97%

Key Ratios

(%)	2016	2017P	2018P	2019P	2020P
Gross profit margin	21.3%	21.2%	21.7%	21.9%	21.9%
SG&A/Sales	17.4%	17.6%	18.2%	18.3%	18.3%
Y/Y sales/sqm, Biedr.	2.7%	9.0%	1.0%	1.5%	0.4%
Y/Y sales/sqm, P. Doce	1.0%	0.5%	3.2%	-0.2%	0.3%
Y/Y sales/sqm, Recheio	5.0%	5.7%	2.8%	3.2%	2.1%
Net debt (EUR m)	-304	-144	164	152	-129
Net debt/EBITDA (x)	-0.4	-0.2	0.2	0.1	-0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	-0.1	-2.9	0.6	11.6	11.7	10.2
Maximum	2.5	0.7	0.8	21.0	15.1	12.8
Median	0.0	0.5	0.7	16.5	13.8	11.8
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis

(EUR m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Biedronka stores	2,900	2,970	3,066	3,106	3,146	3,186	3,226	3,266	3,306	3,346	3,346
Pingo Doce stores	432	430	430	430	430	430	430	430	430	430	430
Ara stores	532	765	1,025	1,185	1,345	1,505	1,625	1,705	1,745	1,785	1,785
Revenue	17,335	18,374	19,519	20,405	21,100	21,751	22,369	22,930	23,433	23,920	23,920
EBITDA	963	1,048	1,123	1,192	1,244	1,275	1,306	1,336	1,366	1,396	1,396
EBITDA margin	5.6%	5.7%	5.8%	5.8%	5.9%	5.9%	5.8%	5.8%	5.8%	5.8%	5.8%
EBIT	594	653	702	763	812	842	873	906	938	968	968
Tax	146	159	171	186	198	205	213	221	229	236	236
CAPEX	-732	-742	-537	-460	-456	-452	-416	-381	-428	-428	-428
Working capital	-16	135	158	123	96	90	86	78	70	67	67
FCF	68	281	572	668	686	708	763	812	779	799	813
PV FCF	69	261	491	530	502	479	476	468	414	393	
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	10,164
Net debt	-144
Other adjustments	225
Value per share (EUR)	16.02

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	11.52
DCF Val.	50%	16.02
Implied Price		13.77
Cost of equity (9M)		6.2%
9M Target Price		**14.60**

mBank Dom Maklerski

LPP
accumulate (downgraded)

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LPP delivered continuing lfl growth in Q4 2018, combined with an expanding sales margin achieved through higher clothing sales at first prices. LPP estimates its 2018 FY EBIT at PLN 743m (+28.5% y/y), indicating a miss relative to our PLN 814m forecast. Sales in 2019 are set for further improvement. According to the announcements of the management board, LPP is to maintain a flat gross margin on sales when purchases are calculated at around USD/PLN 3.8 (we expect a drop in gross margin on sales by 0.6 p.p. y/y in 2019). The negative impact on profitability of the USD/PLN exchange rate appreciation should be compensated by (1) improved purchase conditions, (2) an increase in the share of sales of goods at the first price (better stocking of shops) and (3) adding more expensive models to the offer. Moreover we anticipate a reduction in the rate of per-sqm SG&A appreciation to 6% after the implementation of savings measures. Accordingly, we anticipate a 14% rebound to PLN 1,309m in the yearly EBITDA. After the introduction of a financing program for suppliers, LPP significantly strengthened its balance sheet and the objective of matching stock levels with liabilities was achieved in Q3 2018.

Current Price	8,350.00 PLN	**Upside**
9M Target Price	9,300.00 PLN	+11.4%

	rating	target price	issued
new	**accumulate**	**9,300.00 PLN**	**2019-02-04**
old	buy	9,300.00 PLN	2018-12-05

Key Metrics			**LPP PW**	**vs. WIG**
Ticker	LPP PW	1M Price Chng	+8.8%	+2.7%
ISIN	PLLPP0000011	YTD Price Chng	+6.4%	+1.2%
Outst. Stock (m)	1.9	ADTV 1M		PLN 19.8m
MC (PLN m)	15,467.7	ADTV 6M		PLN 23.7m
EV (PLN m)	15,120.5	EV/EBITDA 12M fwd	11.7	-18.1%
Free Float	69.5%	EV/EBITDA 5Y avg	14.2	discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	6,019	7,029	8,040	9,479	10,791
EBITDA	494	872	1,079	1,309	1,496
EBITDA margin	8.2%	12.4%	13.4%	13.8%	13.9%
EBIT	226	578	743	948	1,084
Net income	175	441	543	795	914
P/E	87.7	35.1	28.5	19.5	16.9
P/B	7.2	6.3	5.3	4.2	3.5
EV/EBITDA	31.3	17.4	14.0	11.2	9.5
DPS	32.66	35.71	39.96	49.20	64.94
DYield	0.4%	0.4%	0.5%	0.6%	0.8%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
EBITDA	-6.2%	0.0%	0.0%
Net income	-9.8%	0.0%	0.0%
Sales per sqm	-3.1%	0.0%	0.0%
SG&A/sqm	-2.1%	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	595	607	648	661
Revenue/sqm, RU (PLN)	534	591	594	583	581
Revenue/sqm, CZ (PLN)	545	666	779	755	770
Revenue/sqm, DE (PLN)	485	502	507	518	518
Gross profit margin	48.7%	52.8%	54.7%	53.7%	53.3%
Operating cash flow	**718**	**893**	**975**	**1,073**	**1,234**
D&A	267	293	335	361	412
Working capital	256	101	-10	-83	-91
Investing cash flow	**-181**	**-384**	**-871**	**-582**	**-631**
CAPEX	-272	-442	-749	-582	-631
Financing cash flow	**-394**	**-360**	**33**	**-328**	**-143**
Dividends/Buyback	60	66	73	90	119
FCF	444	358	123	417	553
FCF/EBITDA	90%	41%	11%	32%	37%
OCF/EBITDA	145%	102%	90%	82%	83%

Key Ratios

(k sqm)	2016	2017	2018P	2019P	2020P
Salea area, PL	497	514	535	551	567
Salea area, RU	170	194	219	254	287
Sales area, CZ	43	44	48	52	56
Sales area, DE	38	45	46	46	47
Cash (PLN m)	366	515	652	849	1,310
Net debt (PLN m)	144	-316	-347	-782	-1,266
Net debt/EBITDA (x)	0.3	-0.4	-0.3	-0.6	-0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	17	18P	19P	17	18P	19P
Minimum	20.6	19.6	16.0	10.6	10.0	9.4
Maximum	31.9	23.8	22.0	21.8	14.4	12.9
Median	25.1	20.1	18.4	14.7	13.9	11.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	638	685	711	728	740	745	739	733	726	802	802
SG&A/sqm (PLN)	286	301	310	316	320	321	317	313	310	345	345
Sales area (k sqm)	1,100	1,208	1,323	1,436	1,556	1,689	1,845	2,030	2,251	1,990	1,990
Revenue	8,040	9,479	10,791	12,054	13,286	14,504	15,671	17,034	18,636	20,404	20,404
EBITDA	1,079	1,309	1,496	1,672	1,846	1,983	2,153	2,350	2,553	2,736	2,736
EBITDA margin	13.4%	13.8%	13.9%	13.9%	13.9%	13.7%	13.7%	13.8%	13.7%	13.4%	13.4%
EBIT	743	948	1,084	1,227	1,381	1,506	1,654	1,821	1,980	2,106	2,106
Tax	186	159	182	206	231	252	277	305	332	353	353
CAPEX	-749	-582	-631	-617	-557	-604	-686	-788	-913	-1,064	-1,064
Working capital	21	152	131	106	103	102	98	115	135	150	150
FCF	123	417	553	743	954	1,024	1,091	1,142	1,173	1,169	1,198
PV FCF	123	384	470	582	689	682	669	646	611	561	
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	15,536
Net debt	-316
Other adjustments	0
Value per share (PLN)	8,600

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	9,100
DCF Val.	50%	8,600
Implied Price		8,700
Cost of equity (9M)		6.4%
9M Target Price		**9,300**

Other

PBKM

accumulate (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, at no less than PLN 60 per share. Stemlab has identified potential acquisition targets with a combined value of ca. EUR 25m among companies operating in what it considers the most promising markets of Portugal, Hungary, Romania, Slovakia, Greece, Spain, Serbia, and Switzerland. It might also target entities in existing markets. PBKM envisions a time frame of 12 to 15 months to complete the planned acquisitions. 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. Stemlab is aiming for 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. What is more, the potential equity investment will probably restrict PBKM's dividend-paying potential in the coming years.

Current Price	58.00 PLN	**Upside**
9M Target Price	66.57 PLN	+14.8%

	rating	target price	issued
unchanged	**accumulate**	**66.57 PLN**	**2018-12-05**

Key Metrics			**BKM PW**	**vs. WIG**
Ticker	BKM PW	1M Price Chng	-2.0%	-8.1%
ISIN	PLPBKM000012	YTD Price Chng	0.0%	-5.1%
Outst. Stock (m)	5.0	ADTV 1M		PLN 0.3m
MC (PLN m)	288.3	ADTV 6M		PLN 0.5m
EV (PLN m)	346.7	EV/EBITDA 12M fwd	7.9	+27.8%
Free Float	48.8%	EV/EBITDA 5Y avg	6.2	premium

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	128.3	147.1	151.8	190.4	201.6
EBITDA	34.1	46.0	48.4	46.8	50.5
EBITDA margin	26.6%	31.3%	31.9%	24.6%	25.0%
EBIT	29.9	41.2	42.9	40.8	44.3
Net income	22.3	30.7	33.7	26.8	29.3
P/E	13.0	9.4	8.6	10.8	9.8
P/B	5.2	3.7	2.7	2.1	1.7
EV/EBITDA	8.5	6.2	7.2	7.2	6.5
DPS	1.41	1.72	0.86	0.86	0.86
DYield	2.4%	3.0%	1.5%	1.5%	1.5%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Revenue	-0.7%	0.0%	0.0%
EBITDA	-6.6%	0.0%	0.0%
EBIT	+2.8%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

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
Revenue	**128.3**	**147.1**	**151.8**	**190.4**	**201.6**
COGS	50.2	56.2	60.9	91.6	95.7
Gross profit	**78.1**	**90.9**	**90.9**	**98.8**	**105.9**
margin	60.9%	61.8%	59.9%	51.9%	52.5%
Selling expenses	28.0	31.4	33.9	35.6	37.1
G&A expenses	20.5	20.5	21.7	22.4	24.5
Other oper. activity	0.4	2.2	7.6	0.0	0.0
EBIT	**29.9**	**41.2**	**42.9**	**40.8**	**44.3**
D&A	4.1	4.8	5.6	6.0	6.2
EBITDA	**34.1**	**46.0**	**48.4**	**46.8**	**50.5**
margin	26.6%	31.3%	31.9%	24.6%	25.0%
Net income	**22.3**	**30.7**	**33.7**	**26.8**	**29.3**

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	**13.9**	**19.7**	**30.4**	**27.0**	**32.0**
OCF/EBITDA	41%	43%	59%	58%	63%
CAPEX	**-9.4**	**-6.5**	**-85.5**	**-10.6**	**-11.1**
Assets	163.6	189.9	313.1	356.8	402.4
Equity	55.7	77.9	107.1	138.6	173.2
Net debt	**-0.4**	**-4.3**	**57.4**	**49.3**	**36.6**
Net debt/EBITDA (x)	0.0	-0.1	1.1	1.2	0.9

Relative Valuation Summary

	EV/EBITDA			FCF/EV		
	18P	19P	20P	18P	19P	20P
Minimum	9.1	8.8	7.8	1.7%	2.8%	2.9%
Maximum	17.4	14.7	13.0	11.5%	8.1%	8.7%
Median	10.3	9.6	9.2	4.7%	4.8%	5.5%
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Cash EBIT	**23.0**	**29.4**	**33.9**	**34.7**	**35.4**	**36.2**	**37.0**	**37.9**	**38.7**	**39.6**	**40.6**
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
FCF	**-64.2**	**16.3**	**20.9**	**23.1**	**24.1**	**25.1**	**26.1**	**27.1**	**28.1**	**30.1**	**30.8**
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%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	314.8
Net debt & other adj.	-10.3
Value per share (PLN)	65.39

DDM Summary

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

Dividend Discount Model (DDM)

(PLN m)	17P	18P	19P	20P	21P	22P	23P	24P	25P	26P	+
Dividends	4.3	4.3	4.3	6.4	9.6	14.4	17.3	20.8	22.8	24.8	25.4
PV of dividends	4.2	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%

Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	66.09
DDM	33%	52.06
DCF	33%	69.55
Implied Price		62.57
Cost of equity (9M)		6.4%
9M Target Price		**66.57**

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

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

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Economic profits – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.
Discounted Dividends (DDM) – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.
NAV - valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

Comparable Companies Used In Relative Valuation Models

Agora	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroeer Media,
AmRest	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Panera Bread, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
Asseco Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
Atal	Archicom, Dom Development, i2 Development, JWC, LC Corp, Lokum Deweloper, Polnord, Ronson
GTC	BBI Development, Capital Park, Echo Investment, P.A. Nova, PHN, Alstria Office, Atrium European RE, CA Immobilien, Deutsche Euroshop, DIC Asset, Immofinanz, Klepierre, Unibail-Rodamco, S Immo
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voox Net-a-Porter, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
CEZ, Enea, Energa, PGE, Tauron	CEZ, EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
Ciech	Akzo Nobel, BASF, Bayer, Ciner Resources, Dow Chemical, GHCL, Hongda Xindye, Huntsman, MISR Chemical, OCI, Soda Samayii, Solvay, Shandong Haihua, Qingdao, Tata Chemicals, Tangshan Sanyou Chemical, Tessenderlo Chemie, Tronox, Wacker Chemie
Comarch	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
Cyfrowy Polsat	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Talktalk Telecom, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
Dino	Carrefour, Dixy Group, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Dom Development	Archicom, Atal, LC Corp, Lokum Deweloper, Echo
Eurocash	Carrefour, Dixy Group, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Epiroc, Caterpillar, Duro Felguera, Komatsu, Sandvik
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	Carrefour, Eurocash, Magnit, Tesco, X5
JSW	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukin Asam, Henan Shenhou, Shanxi Xishan Coal & Elec, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heimao, China Coal, Shougang Fushan Resources, Cokal, Teck Resources, Walter Energy, Stanmore Coal, Terracom, Cloud Peak Energy, Natural Resource Partners, Rio Tinto, BHP Billiton, Warrior Met Coal
Kernel	Astarta, Andersnons, ADM, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland, Nisshin Oillio Group, Ovostar, Wilmar
Kęty	Alcoa, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Impexmetal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
KGHM	Anglo American, Antofagasta, BHP Billiton, Boliden, First Quantum Minerals, Freeport-McMoRan, Grupo Mexico, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
Lotos, MOL	Aker BP, Bashneft, BP, ENI, Galp, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras, Shell, Statoil, Total, Tullow Oil, Tupras, Unipetrol
LPP	CCC, Gerry Weber, H&M, Hugo Boss, IC Companys, Inditex, Kappahl, Marks & Spencer, Next, Tom Tailor
Netia	BT Group, Cyfrowy Polsat, Deutsche Telekom, 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
Orange Polska	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
PGNiG	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, SSE, Statoil, Total
PKN Orlen	Braskem, Dow Chemical, Eastman, Galp, Hellenic, Huntsman, Indorama, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Unipetrol, Westlake
Play	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, Telecom Italia, TalkTalk, Tele2, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
Skarbiec Holding	Affilated 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
Stelmet	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pflaiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmorin, West Fraser
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex

mBank Dom Maklerski

Recommendations Issued In the 12 Months Prior To This Publication

AC

Rating	overweight
Rating date	2018-11-30
Target price (PLN)	-
Price on rating day	41.50

Agora

Rating	buy	buy	buy
Rating date	2018-11-27	2018-09-14	2018-04-06
Target price (PLN)	16.00	15.40	18.40
Price on rating day	9.50	8.48	14.50

Ailleron

Rating	underweight	neutral
Rating date	2019-01-31	2018-03-28
Target price (PLN)	-	-
Price on rating day	11.75	16.20

Alior Bank

Rating	buy	buy	buy
Rating date	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	87.00	92.50	96.00
Price on rating day	57.50	56.65	62.90

Alumetal

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

Amica

Rating	overweight	overweight
Rating date	2018-09-13	2018-06-06
Target price (PLN)	-	-
Price on rating day	112.80	121.00

AmRest

Rating	buy	accumulate	hold	reduce	hold
Rating date	2018-12-05	2018-11-05	2018-09-03	2018-04-06	2018-02-02
Target price (PLN)	46.00	41.20	42.60	426.00	407.00
Price on rating day	39.60	40.00	40.60	449.50	425.00

Apator

Rating	neutral	underweight	neutral
Rating date	2019-01-30	2018-12-05	2018-02-28
Target price (PLN)	-	-	-
Price on rating day	25.40	24.20	24.00

Archicom

Rating	suspended	overweight	overweight
Rating date	2018-12-05	2018-06-22	2018-04-26
Target price (PLN)	-	-	-
Price on rating day	11.90	15.00	15.30

Asseco BS

Rating	neutral
Rating date	2018-03-28
Target price (PLN)	-
Price on rating day	28.00

Asseco Poland

Rating	accumulate	hold	accumulate	hold	reduce	reduce
Rating date	2019-02-04	2018-12-05	2018-09-03	2018-06-06	2018-03-27	2018-02-02
Target price (PLN)	51.20	49.60	49.00	41.20	41.20	44.00
Price on rating day	48.00	48.30	45.90	44.00	45.20	45.62

Asseco SEE

Rating	overweight	overweight
Rating date	2018-04-26	2018-03-28
Target price (PLN)	-	-
Price on rating day	11.70	12.95

Atal

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

Atende

Rating	neutral	overweight
Rating date	2019-01-31	2018-03-28
Target price (PLN)	-	-
Price on rating day	4.40	4.25

BBI Development

Rating	suspended	neutral	neutral
Rating date	2018-12-05	2018-04-26	2018-02-02
Target price (PLN)	-	-	-
Price on rating day	0.63	0.66	0.70

Boryszew

Rating	neutral
Rating date	2018-09-05
Target price (PLN)	-
Price on rating day	6.25

Budimex

Rating	suspended	hold	hold	accumulate	buy
Rating date	2018-12-05	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	119.40	122.60	153.00	215.00	197.80

Capital Park

Rating	suspended	buy	buy
Rating date	2018-12-05	2018-04-06	2018-02-02
Target price (PLN)	-	8.35	8.42
Price on rating day	4.60	5.95	5.95

CCC

Rating	buy	buy	buy	buy	accumulate	buy	buy	hold
Rating date	2019-02-04	2018-12-05	2018-11-05	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	291.00	288.00	272.00	295.00	295.00	295.00	286.00	295.00
Price on rating day	178.80	204.60	173.60	242.80	255.60	257.40	243.00	281.00

CD Projekt

Rating	accumulate	buy	reduce	sell	sell
Rating date	2019-02-04	2018-11-23	2018-10-16	2018-04-06	2018-02-02
Target price (PLN)	217.70	170.40	136.60	90.80	90.00
Price on rating day	190.00	139.00	158.60	114.90	115.00

CEZ

Rating	hold	hold	sell	sell	sell	reduce	hold	hold
Rating date	2019-02-04	2018-11-05	2018-07-04	2018-05-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (CZK)	537.80	518.72	440.96	458.38	449.51	449.51	506.40	532.50
Price on rating day	568.00	549.00	550.00	551.00	567.00	519.50	495.00	530.00

Ciech

Rating	buy	buy	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-02-04	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)	75.82	77.05	82.52	81.14	88.64	89.71	85.40	85.87	90.13
Price on rating day	52.40	42.58	56.95	53.05	60.20	55.00	57.00	55.90	61.25

Cognor

Rating	neutral
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	1.80

Comarch

Rating	hold	accumulate	accumulate	accumulate	buy	hold	hold
Rating date	2019-02-04	2018-12-05	2018-10-01	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	160.80	173.30	180.50	166.50	166.50	166.50	180.00
Price on rating day	155.00	160.00	167.00	145.00	131.50	155.00	177.00

Cyfrowy Polsat

Rating	hold	accumulate	hold	accumulate
Rating date	2018-11-26	2018-06-15	2018-04-06	2018-03-05
Target price (PLN)	23.20	24.90	25.30	24.90
Price on rating day	22.50	22.76	24.84	22.80

Dino

Rating	hold	accumulate	buy	hold	accumulate	buy	buy
Rating date	2019-02-04	2018-12-05	2018-11-05	2018-06-06	2018-05-09	2018-04-04	2018-02-02
Target price (PLN)	105.90	106.30	103.50	103.50	103.50	103.50	95.40
Price on rating day	100.30	100.40	84.70	107.40	96.65	85.10	85.00

Dom Development

Rating	accumulate	buy	buy	accumulate	buy	buy
Rating date	2019-02-04	2018-12-05	2018-08-02	2018-06-22	2018-03-20	2018-02-02
Target price (PLN)	84.10	84.10	87.80	87.80	103.10	103.00
Price on rating day	75.00	66.00	72.80	85.80	85.80	82.00

Echo

Rating	suspended	buy	buy
Rating date	2018-12-05	2018-04-06	2018-02-02
Target price (PLN)	-	5.63	6.31
Price on rating day	3.94	5.23	5.05

Elektrobudowa

Rating	suspended	buy	hold	buy	buy
Rating date	2018-12-05	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	32.00	32.80	69.00	96.40	81.20

Elektrotim

Rating	suspended	neutral	neutral
Rating date	2018-12-05	2018-09-27	2018-05-28
Target price (PLN)	-	-	-
Price on rating day	3.80	4.20	5.80

Elemental

Rating	suspended	neutral
Rating date	2018-12-05	2018-04-27
Target price (PLN)	-	-
Price on rating day	1.17	1.09

Enea

Rating	buy	buy	buy	buy	buy	accumulate
Rating date	2019-02-04	2018-11-29	2018-05-29	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	13.12	15.58	12.62	11.78	12.11	12.98
Price on rating day	10.73	10.50	9.57	9.10	10.36	11.07

Energa

Rating	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-02-04	2018-11-29	2018-09-03	2018-05-29	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	13.26	13.54	15.27	15.58	14.91	14.71	15.20
Price on rating day	10.14	9.16	8.40	9.00	9.96	10.11	12.21

Erbud

Rating	suspended	buy	buy	accumulate	buy	buy
Rating date	2018-12-05	2018-09-03	2018-06-06	2018-05-09	2018-04-06	2018-03-05
Target price (PLN)	-	14.40	22.00	23.10	29.60	29.40
Price on rating day	9.64	9.60	14.90	19.40	21.60	21.30

Ergis

Rating	underweight	neutral
Rating date	2018-12-05	2018-04-27
Target price (PLN)	-	-
Price on rating day	2.80	4.06

Erste Bank

Rating	buy	buy	buy	accumulate	hold
Rating date	2019-02-04	2018-12-05	2018-08-02	2018-06-06	2018-02-02
Target price (EUR)	43.72	46.18	43.00	40.00	40.00
Price on rating day	31.00	34.41	37.14	34.78	40.64

Eurocash

Rating	reduce	hold	buy	buy	buy	buy
Rating date	2019-02-04	2018-12-05	2018-10-01	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	17.90	18.20	26.40	30.70	31.10	32.30
Price on rating day	20.13	18.00	18.08	24.41	21.99	26.04

Famur

Rating	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-02-04	2018-11-30	2018-08-02	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	6.61	6.41	6.56	6.95	7.06	7.28	7.29
Price on rating day	4.98	5.58	5.20	5.94	6.04	6.10	6.20

Forte

Rating	neutral	overweight	neutral	neutral
Rating date	2018-10-31	2018-07-27	2018-04-27	2018-02-02
Target price (PLN)	-	-	-	-
Price on rating day	40.60	40.60	50.70	43.00

GetBack

Rating	suspended
Rating date	2018-04-16
Target price (PLN)	-
Price on rating day	4.52

Getin Noble Bank

Rating	suspended	hold	hold	hold
Rating date	2018-12-05	2018-10-04	2018-05-09	2018-03-05
Target price (PLN)	-	1.00	1.40	1.50
Price on rating day	0.33	0.53	1.17	1.45

Gino Rossi

Rating	suspended
Rating date	2018-05-23
Target price (PLN)	-
Price on rating day	0.63

Grupa Azoty

Rating	hold	buy	hold	hold	hold	hold	hold	hold
Rating date	2018-11-23	2018-11-05	2018-09-03	2018-08-02	2018-05-25	2018-05-09	2018-03-05	2018-02-02
Target price (PLN)	33.00	31.47	41.13	42.13	44.40	60.99	67.13	73.42
Price on rating day	32.36	24.00	38.00	42.20	42.60	51.10	56.55	72.00

GTC

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

Handlowy

Rating	reduce	accumulate	buy	buy
Rating date	2019-02-01	2018-12-05	2018-10-04	2018-04-06
Target price (PLN)	65.50	76.00	90.00	94.00
Price on rating day	69.10	71.10	76.90	77.50

Herkules

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	3.10

i2 Development

Rating	suspended	neutral	neutral
Rating date	2018-12-05	2018-06-22	2018-05-28
Target price (PLN)	-	-	-
Price on rating day	11.30	15.40	17.30

Impexmetal

Rating	neutral
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	3.40

ING BSK

Rating	hold	accumulate	buy	accumulate	accumulate	buy	accumulate
Rating date	2019-02-01	2018-12-05	2018-11-05	2018-10-04	2018-08-02	2018-07-04	2018-03-05
Target price (PLN)	191.80	199.63	200.00	200.00	212.00	212.00	212.00
Price on rating day	191.40	183.60	166.00	181.00	190.00	178.40	198.00

Jeronimo Martins

Rating	buy	buy	buy	buy	accumulate	accumulate	hold
Rating date	2019-02-04	2018-12-05	2018-08-02	2018-06-06	2018-04-06	2018-03-05	2018-02-02
Target price (EUR)	14.60	14.50	15.20	16.40	16.40	16.90	16.90
Price on rating day	12.38	10.60	12.65	13.52	14.90	15.17	17.12

JSW

Rating	reduce	reduce	sell	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-02-04	2018-12-05	2018-11-26	2018-09-03	2018-08-02	2018-07-04	2018-06-06	2018-05-09	2018-04-06	2018-03-05
Target price (PLN)	60.68	59.14	59.14	98.00	108.69	107.00	115.23	109.12	108.14	120.71
Price on rating day	68.30	71.20	72.56	77.00	79.50	77.50	86.66	79.32	86.78	92.80

JWC

Rating	suspended	neutral	underweight
Rating date	2018-12-05	2018-06-22	2018-03-29
Target price (PLN)	-	-	-
Price on rating day	2.58	3.48	4.16

Kernel

Rating	buy	buy	hold	hold	hold
Rating date	2018-11-05	2018-07-23	2018-05-09	2018-03-05	2018-02-02
Target price (PLN)	60.85	59.18	53.04	53.46	53.47
Price on rating day	52.10	50.50	50.80	48.80	50.90

Grupa Kęty

Rating	hold	reduce	sell	hold	hold	hold	hold	hold	hold	hold
Rating date	2019-01-18	2018-12-05	2018-10-29	2018-09-03	2018-08-02	2018-06-06	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	324.30	309.30	309.30	367.45	355.61	371.08	363.01	357.21	379.66	391.41
Price on rating day	336.50	343.00	365.50	387.50	321.50	360.50	353.00	346.00	352.50	385.00

KGHM

Rating	hold	hold	hold	buy	buy	buy	buy	buy	accumulate	accumulate
Rating date	2019-02-04	2018-12-05	2018-10-15	2018-09-03	2018-08-02	2018-06-06	2018-05-09	2018-04-04	2018-03-05	2018-02-02
Target price (PLN)	92.41	84.56	87.99	104.21	111.08	112.92	118.98	115.43	122.81	128.62
Price on rating day	94.16	92.60	85.40	90.80	96.00	96.52	92.50	88.00	102.50	111.50

Komercni Banka

Rating	accumulate
Rating date	2018-12-05
Target price (CZK)	1000.00
Price on rating day	906.50

Kruk

Rating	buy	buy	buy	buy
Rating date	2019-02-04	2018-12-05	2018-09-17	2018-02-02
Target price (PLN)	279.32	292.77	292.77	300.94
Price on rating day	167.60	177.10	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	suspended	buy	buy	buy
Rating date	2018-12-05	2018-06-22	2018-04-06	2018-02-02
Target price (PLN)	-	3.58	3.50	3.74
Price on rating day	2.55	2.39	2.70	3.10

Lokum Deweloper

Rating	suspended	overweight	overweight
Rating date	2018-12-05	2018-06-22	2018-03-29
Target price (PLN)	-	-	-
Price on rating day	17.40	18.80	17.80

Lotos

Rating	sell	sell	sell	sell	hold	hold	hold	reduce	reduce
Rating date	2019-02-04	2018-11-15	2018-09-03	2018-08-02	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	65.36	59.84	57.21	52.51	52.51	52.81	51.73	51.08	52.67
Price on rating day	93.00	73.50	69.90	65.86	54.50	55.62	54.60	56.30	57.78

LPP

Rating	accumulate	buy	buy	accumulate	hold	accumulate	accumulate	hold
Rating date	2019-02-04	2018-12-05	2018-10-01	2018-06-18	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	9300.00	9300.00	10200.00	10200.00	9500.00	9500.00	9500.00	9400.00
Price on rating day	8,370.00	7,730.00	8,625.00	9,025.00	9,260.00	8,900.00	8,620.00	9,790.00

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	accumulate	accumulate	hold	reduce	sell	reduce
Rating date	2019-02-01	2018-11-14	2018-11-05	2018-10-04	2018-08-02	2018-04-06
Target price (PLN)	10.00	10.10	8.40	8.40	7.00	7.00
Price on rating day	8.82	9.49	8.85	9.27	9.12	8.35

MOL

Rating	hold	hold	accumulate	accumulate	buy	accumulate	hold	hold	hold	hold
Rating date	2019-02-04	2018-12-05	2018-11-15	2018-11-05	2018-09-03	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (HUF)	3433.00	3280.00	3280.00	3296.00	3296.00	2995.00	2954.00	2898.00	3027.00	3152.00
Price on rating day	3,284.00	3,206.00	3,088.00	3,006.00	2,870.00	2,654.00	2,790.00	2,864.00	2,718.00	3,080.00

Monnari

Rating	underweight	neutral	overweight
Rating date	2018-12-05	2018-07-13	2018-05-23
Target price (PLN)	-	-	-
Price on rating day	4.75	6.60	7.19

Netia

Rating	hold	hold	reduce	sell	reduce
Rating date	2018-11-26	2018-10-01	2018-06-06	2018-04-06	2018-02-02
Target price (PLN)	4.70	4.30	4.30	4.30	4.60
Price on rating day	4.66	4.50	5.00	5.27	5.30

Orange Polska

Rating	buy	buy
Rating date	2018-11-26	2018-04-06
Target price (PLN)	6.40	7.60
Price on rating day	4.91	5.83

OTP Bank

Rating	accumulate	buy	accumulate
Rating date	2018-12-05	2018-06-06	2018-02-02
Target price (HUF)	13046.00	12090.00	12090.00
Price on rating day	11,810.00	10,210.00	11,560.00

PA Nova

Rating	suspended	neutral	neutral
Rating date	2018-12-05	2018-03-29	2018-02-28
Target price (PLN)	-	-	-
Price on rating day	17.25	22.30	23.30

PBKM

Rating	accumulate	buy	hold	hold	hold
Rating date	2018-12-05	2018-10-01	2018-06-06	2018-04-06	2018-02-02
Target price (PLN)	66.57	66.40	76.26	76.83	76.00
Price on rating day	62.00	57.80	73.00	77.00	73.00

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	buy
Rating date	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	131.80	136.29	138.70
Price on rating day	110.60	113.25	107.20

Pfleiderer Group

Rating	underweight	neutral	overweight	overweight
Rating date	2019-01-30	2018-09-28	2018-08-08	2018-04-27
Target price (PLN)	-	-	-	-
Price on rating day	32.60	36.45	37.30	37.30

PGE

Rating	buy	buy	buy	buy	buy	accumulate
Rating date	2019-02-04	2018-11-29	2018-05-29	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	14.47	14.82	13.60	12.89	12.61	13.30
Price on rating day	11.86	11.47	9.28	9.81	10.28	11.87

PGNiG

Rating	hold	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-02-04	2018-11-05	2018-09-03	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	7.72	7.72	7.86	8.28	8.17	7.96	7.51	7.65
Price on rating day	7.63	6.35	5.82	5.53	6.20	5.71	5.98	6.58

PKN Orlen

Rating	sell	sell	reduce	sell	sell	reduce	reduce	reduce	sell	sell
Rating date	2019-02-04	2018-11-15	2018-11-05	2018-09-03	2018-08-02	2018-06-29	2018-05-09	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	83.43	81.52	81.38	81.38	76.84	76.84	76.73	76.89	80.55	82.84
Price on rating day	104.70	97.80	93.50	98.24	93.06	82.50	82.30	89.52	95.20	107.90

PKO BP

Rating	hold	accumulate	buy	accumulate	hold	reduce
Rating date	2019-02-01	2018-12-05	2018-11-05	2018-10-04	2018-04-06	2018-03-05
Target price (PLN)	40.92	45.00	47.00	47.00	38.00	38.00
Price on rating day	39.51	41.96	40.39	42.55	39.74	42.20

Play

Rating	hold	buy	buy	hold	reduce	hold
Rating date	2019-02-04	2018-11-26	2018-10-17	2018-08-30	2018-07-03	2018-04-06
Target price (PLN)	21.30	21.30	21.50	22.60	23.50	30.93
Price on rating day	22.80	16.54	17.14	21.90	24.88	32.70

Polnord

Rating	suspended	underweight	neutral
Rating date	2018-12-05	2018-06-22	2018-02-02
Target price (PLN)	-	-	-
Price on rating day	9.77	9.04	10.50

Polwax

Rating	suspended	buy	buy
Rating date	2018-09-14	2018-05-09	2018-02-02
Target price (PLN)	-	16.69	18.80
Price on rating day	7.70	7.80	11.05

Pozbud

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

PZU

Rating	hold	accumulate	buy	accumulate	buy	accumulate
Rating date	2019-02-04	2018-12-05	2018-11-05	2018-08-02	2018-03-05	2018-02-02
Target price (PLN)	46.50	46.50	47.50	47.50	50.58	50.58
Price on rating day	44.66	43.80	40.60	42.00	41.55	44.17

Ronson

Rating	suspended	neutral	neutral	underweight	underweight
Rating date	2018-12-05	2018-06-22	2018-04-03	2018-03-29	2018-02-02
Target price (PLN)	-	-	-	-	-
Price on rating day	0.84	1.09	1.32	1.32	1.45

Santander Bank Polska

Rating	hold	accumulate	buy	accumulate	accumulate	buy
Rating date	2019-02-01	2018-12-05	2018-11-05	2018-10-04	2018-09-03	2018-03-05
Target price (PLN)	388.00	400.00	400.00	400.00	430.00	430.00
Price on rating day	373.80	364.80	353.80	367.00	376.00	357.80

Skarbiec Holding

Rating	buy	buy	buy	buy
Rating date	2018-12-05	2018-11-05	2018-08-31	2018-02-02
Target price (PLN)	31.36	31.02	36.86	56.30
Price on rating day	23.50	21.70	25.30	30.60

Stelmet

Rating	hold	hold	buy	buy	buy	buy	buy
Rating date	2019-02-04	2018-11-05	2018-09-03	2018-07-04	2018-05-09	2018-03-05	2018-02-02
Target price (PLN)	8.39	7.72	20.45	20.24	26.48	27.72	28.37
Price on rating day	8.88	7.50	11.35	10.70	14.75	17.15	19.20

Tarczyński

Rating	underweight	neutral
Rating date	2018-12-05	2018-05-30
Target price (PLN)	-	-
Price on rating day	17.50	14.50

Tauron

Rating	buy	buy	buy	buy	hold	hold	hold
Rating date	2019-02-04	2018-11-29	2018-09-03	2018-05-29	2018-04-06	2018-03-05	2018-02-02
Target price (PLN)	3.12	3.06	2.77	2.76	2.73	2.98	3.38
Price on rating day	2.37	2.21	2.00	2.01	2.38	2.69	3.08

TIM

Rating	overweight
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	7.48

Torpol

Rating	suspended	neutral	neutral	neutral	neutral
Rating date	2018-12-05	2018-09-27	2018-05-28	2018-03-29	2018-02-02
Target price (PLN)	-	-	-	-	-
Price on rating day	4.60	5.18	6.40	7.50	7.98

Trakcja

Rating	suspended	underweight	underweight	neutral	neutral
Rating date	2018-12-05	2018-09-27	2018-05-18	2018-03-29	2018-02-02
Target price (PLN)	-	-	-	-	-
Price on rating day	3.75	3.47	3.65	6.75	7.24

TXM

Rating	suspended	buy	buy	buy
Rating date	2018-10-16	2018-07-04	2018-05-09	2018-02-02
Target price (PLN)	-	3.48	5.44	5.41
Price on rating day	0.59	1.28	2.10	2.36

Ulma

Rating	suspended	neutral	neutral
Rating date	2018-12-05	2018-05-28	2018-03-29
Target price (PLN)	-	-	-
Price on rating day	72.00	73.00	66.50

Unibep

Rating	suspended	buy	buy
Rating date	2018-12-05	2018-04-06	2018-02-02
Target price (PLN)	-	10.10	10.80
Price on rating day	4.81	7.50	8.60

VRG

Rating	overweight	overweight	overweight	neutral
Rating date	2018-12-05	2018-11-08	2018-05-23	2018-02-02
Target price (PLN)	-	-	-	-
Price on rating day	3.83	4.06	4.79	5.16

Wasko

Rating	suspended	neutral	overweight
Rating date	2018-12-05	2018-05-30	2018-03-28
Target price (PLN)	-	-	-
Price on rating day	1.27	1.68	2.25

Wirtualna Polska

Rating	accumulate	buy	accumulate	buy	accumulate	accumulate	accumulate
Rating date	2019-02-04	2018-12-05	2018-09-03	2018-08-02	2018-04-24	2018-04-06	2018-02-02
Target price (PLN)	61.50	61.50	60.00	60.00	60.00	56.40	56.10
Price on rating day	58.40	52.20	57.00	49.00	54.00	52.20	51.80

ZUE

Rating	suspended	neutral	neutral	neutral	neutral
Rating date	2018-12-05	2018-09-27	2018-05-28	2018-03-29	2018-02-02
Target price (PLN)	-	-	-	-	-
Price on rating day	4.64	5.56	5.86	6.12	6.18

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