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Monthly Market Outlook: March 2019

Equity Market, Macroeconomics

Equity Market

March is a make-or-break month for global stock markets, whose fate hangs on US-China trade.

Sector Outlook

Financials

As the planned FX mortgage legislation advances through the Parliament, its uncertain implications continue to loom large over the Polish banking sector. Elsewhere in the CEE region, most institutions delivered better-than-expected figures for FY2018, and their prospects for fiscal 2019 are looking sunny; we see over-39% upside potential in Erste Bank.

Chemicals

As prices of natural gas trend downward, both rated chemical producers, Azoty and Ciech, are well positioned to grow profits in 2019. At the current levels, however, CIE offers more upside potential of the two with ATT no longer trading at a discount to peers.

Oil & Gas

After cutting our oil and natgas price outlook, we have had to adjust our 2019 and 2020 earnings forecasts for rated energy producers, and PGN is the main victim of this with its 9-month price target slashed by 8%. Our view on oil refiners remains bearish despite a slight recovery in cracking margins observed in February.

Power Utilities

The WIG-Energy index underperformed its European benchmarks in February, but in March downside risks should be mitigated by the passage of legislation giving detailed rules for the 2019 power price freeze, facilitating assessment of the potential impact on utility earnings. Secondly pessimism spurred by disappointing Q4'18 results should slowly abate in coming weeks.

Telecoms, Media, IT

In Telecoms, we still see upside potential in OPL after a strong Q4. In IT, our top picks are ABS, ASE, and CMR, upgraded to buy. We had to downgrade ACP to neutral after a rally, but we still have high expectations for Q4 figures. The media stocks WPL and AGO have upside potential stemming from Poland's growing Web- and cinema advertising expenditures.

Industrials & Mining

Our bets for positive surprises in the 2018 Q4 reporting season include ACG, AMC, FMF, and TIM. On the other hand, JSW, KGH, and TAR will probably disappoint. The market seems to have largely discounted the downside risks affecting Polish industrial stocks. Our top picks for March include ACG, AMC, APT, EGS, FMF, KER, POZ, and TIM. We would underweight TAR and COG.

Property Developers

Residential developers generated record earnings in 2018, giving rise to expectations of record shareholder distributions this year, with implied dividend yields reaching 13.1% at Atal and 12.1% at Dom Development. Generous dividends notwithstanding, both companies operate a healthy business and boast sound balance sheets.

Retail

Retail stocks posted gains in February, fueled by the planned expansion of the current government's flagship 500+ welfare scheme. The sales figures for Q1 2019 will likely disappoint due to negative base effects, reinforced by the extension of the Sunday trading ban to three Sundays a month. Our best bets for March include CCC, EAT, LPP. We would avoid DNP, EUR, and JMT.

Key Ratings

Positive: ABS, ACG, AMC, ASE, CCC, CMR, CIE, EAT, ENA, ENG, FMF, KER, LPP, OPL, PGE, POZ, TIM, TPE

Negative: COG, EUR, LTS, MON, PKN, TAR

EU Indices	Value	1M chng	YTD chng
WIG	59,888	-1.3%	+4%
ATX	3,068	+2.4%	+12%
BUX	40,593	-0.6%	+4%
PX	1,079	+2.6%	+9%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,328	-2.6%	+2%
mWIG40	4,145	+1.5%	+6%
sWIG80	11,671	+3.1%	+10%
Banking	7,646	-0.1%	+3%
Basic Materials	2,023	+3.7%	+6%
Chemicals	12,604	+13.3%	+35%
Clothes	2,541	-10.8%	+5%
Construction	3,672	+0.3%	+7%
Energy	2,252	+7.1%	+13%
Food	4,791	-3.2%	+6%
IT	2,133	+0.9%	+12%
Media	6,054	-1.1%	+1%
Oil & Gas	7,722	-4.3%	-3%
Real estate	3,530	+2.7%	+4%
Telecom	672	-0.8%	+8%
Top 5 / Worst 5		1M	YTD
Mostostal Zabrze	0.40	+90.5%	+67%
Ursus	2.24	+86.7%	+49%
ZPUE	112.00	+58.9%	+91%
PCM	21.80	+41.6%	+70%
P.A. Nova	17.90	+36.1%	+22%
PGE	10.80	-13.4%	+8%
Pfleiderer	26.65	-16.6%	-18%
JSW	57.86	-17.6%	-14%
Work Service	1.93	-19.8%	+28%
Trakcja	2.74	-30.4%	-31%

Rating & 9M TP Changes as of 5 Mar. 19

Company	Rating	9M TP
AmRest	accumulate ▼	46.00 PLN ►
Apator	overweight ►	-
Asseco Poland	hold ▼	53.00 PLN ▲
Comarch	buy ▲	195.00 PLN ▲
Grupa Azoty	hold ►	43.20 PLN ▲
GTC	suspended ►	-
Handlowy	hold ▲	65.50 PLN ►
Jeronimo Martins	hold ▼	13.60 EUR ▼
Kernel	buy ►	62.86 PLN ▲
Lotos	sell ►	65.18 PLN ▼
LPP	buy ▲	9300 PLN ►
MOL	hold ►	3423.00 HUF ▼
PBKM	hold ▼	66.57 PLN ►
PGNiG	hold ►	7.08 PLN ▼
PKN Orlen	sell ►	81.22 PLN ▼
PZU	accumulate ▲	46.50 PLN ►
Stelmet	hold ►	8.36 PLN ▼

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Investing Outlook

Softer global growth, set against rising optimism about a US-China trade deal and lower odds of a no-deal Brexit, were the main factors that shaped world equity markets in February, with sentiment additionally boosted by signals of monetary easing sent out by central banks.

If Presidents Trump and Xi reach a formal trade deal at the tentatively-scheduled summit around March 27, a prerequisite if markets are to be saved from a repeat of the December sell-off, this will have a positive effect on the global economy. An improved economic outlook in turn is likely to drive upward revisions to corporate earnings estimates, sending stocks on an upward course.

In the US, boards have authorized corporate share buybacks in excess of \$1 trillion, of which close to \$0.5 trillion-worth of shares to be repurchased by only nineteen companies. With the 2018 reporting season now ended, the buyback activity can get underway.

In Poland, the bulk of stock trading activity is still provided by foreign investors, targeting primarily WIG20 firms, who accounted for 61% of all the trades completed in the second half of 2018. With activity by domestic firms as low as it is, even the government's new fiscal stimulus measures are not likely to boost investment in small- and mid-caps. In a longer time frame, we can expect investors to more actively discount the positive effects of the nationwide PPK pension-saving scheme, which goes live in July.

US & China Deal - Close to Done

The US and China are still in the process of negotiating the terms of a deal to end their trade war. In the mean time, rumors, later confirmed, about the postponement of President Trump's additional tariffs by two months, buoyed financial markets. At the moment markets are pricing a likely conclusion of the trade war during a meeting between Presidents Trump and Xi tentatively scheduled to take place on March 27th at the Mar-a-Lago resort. With both sides expressing optimism about the progress made so far, it seems highly unlikely that the meeting will be canceled. There is expectation that, as part of the new deal, China will open up more sectors of its economy to the US by lowering tariffs, and that it will agree to strengthen intellectual property protections.

A deal with China could revive expectations of rate hikes in the US. In a recent statement, Chairman Powell said the Fed was exercising a "patient approach" and that it was watching emerging external risks such as the slowdown in growth in China and Europe, and the uncertainty surrounding Brexit and the trade war with China, all of which are causing volatility in financial markets. Domestically, Chairman Powell sees a "good" baseline outlook despite recent "conflicting signals," including disappointing data on retail sales (down 1.2% m/m for December) factory orders, and jobless claims.

Brexit Deal - Nowhere Near Done

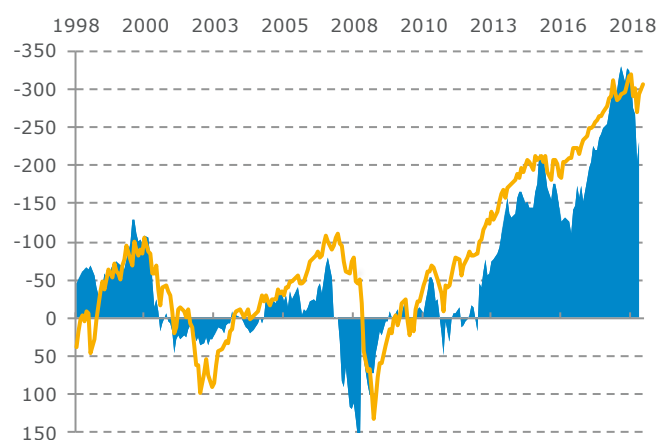
The March 29th deadline for the UK's exit from the EU is fast-approaching. The Parliament is set to have a meaningful vote on PM May's Brexit deal on March 12th. If the deal is rejected, or if the vote does not happen, according to *The Guardian* "MPs would be able to vote on a motion that would seek their 'explicit consent' for a no-deal departure" by March 13." If no consent is given, then a vote on an extension of the exit deadline beyond 29 March would follow on March 14. With European Parliament elections happening

in May, given the complexity of the unresolved issues, realistically the exit could take place some time in July. Some believe an extension would increase the odds of a second referendum, a prospect supported by the Labor Party.

US Margin Debt Declines

According to the latest FINRA debt data, net margin debt at the end of January stood at \$230 billion compared to \$310 billion in May 2018 against a comparable value of the S&P 500. The current debt corresponds to the index's historical value of ca. 2,360 from early 2017. February data is not out yet, but if net margin debt continues to shrink, while the market gains, this will be a negative sign for the medium term (historically margin debt and equities have been seen to diverge during correction periods).

NYSE net margin debt vs. S&P 500

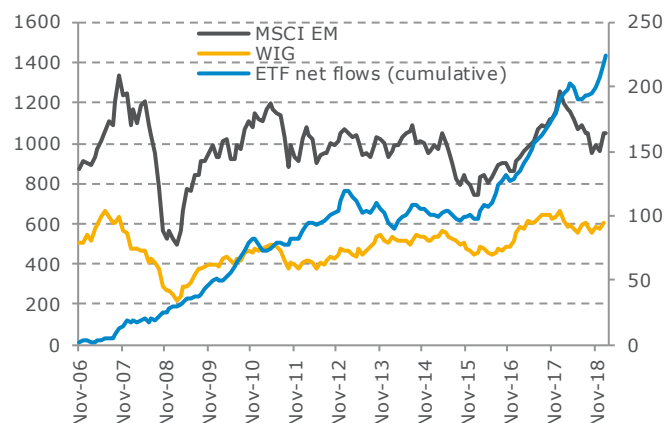


Source: FINRA

ETFs Grabbing Lion's Share of Inflows

Emerging market equity ETFs are seeing strong inflows this year, receiving over \$16 billion in the first two months of 2019, with heavy allocations made to Chinese stocks. There are expectations for a rollout of a VAT cut on China from 16% to 13% which in terms of fiscal stimulus would be equivalent to 0.6% of GDP (an effect similar to the income tax cuts of 2018). The Shanghai Composite index is up over 20 percent since the beginning of December.

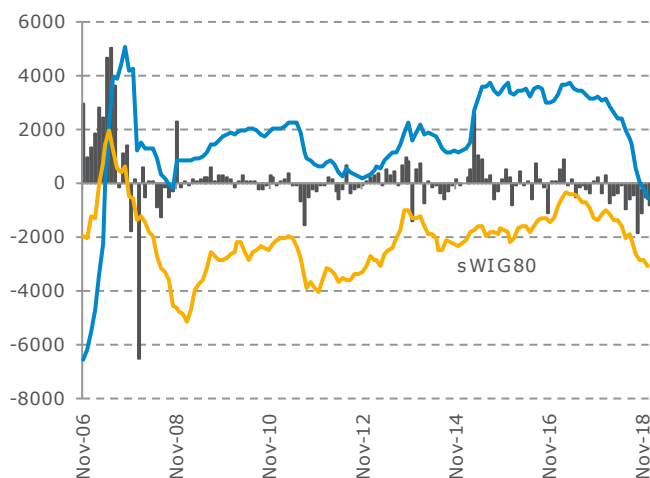
Net inflows to EM equity ETFs



Source: Bloomberg

In Poland, foreign investors were responsible for 61% of the total WSE trading volume in H2 2019, up from 56% in H1 and 55% in H2 2017. At the same time, the activity of domestic institutions (i.e. investment and pension funds) shrunk to 13% from 15% in the prior six months and 17% in the comparable year-ago period. As a result, the Polish market has become increasingly sensitive to external developments, and local equity funds are experiencing periods of heavy withdrawals. A detailed breakdown of foreign investor activity is not available, but our best guess is that it is driven mainly by proprietary trading by banks, and by ETFs.

SWIG80 performance vs. net outflows from Polish equity funds



Source: IZFiA, Dom Maklerski mBanku

Poland Eyeing Fiscal Stimulus at 2% of GDP

Poland's ruling party PiS kicked off its election campaign by announcing five major measures designed to stimulate economic growth. These include the extension of the 500+ child benefits to first-borns from July, a reduction of the personal income tax wedge, a universal income tax exemption for individuals up to the age of 26, and an annual bonus of PLN 1,100 before taxes to be paid out to all retirees. The spending pledge comes up roughly to PLN 40 billion, equivalent to 2% of Poland's GDP. In the short term, the handouts are expected to boost private consumption as well as potentially helping to improve the household savings rate.

When the 500+ program was first introduced in 2015, the initial spending boost benefitted mostly grocery retailers. This time, with the PLN 500 a-month allowance assumed to be extended to all children, including those raised in higher-income households, we might see more discretionary spending on bigger-ticket items like household appliances (click the link to read our take on the potential effects of the new stimulus: <https://tinyurl.com/y5bs7ugg>).

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Sector Strategies

Financials

- Investors should turn more bullish on the 2019 earnings prospects of banks after better-than-expected figures generated in Q4 2018, with most institutions reporting stable interest margins despite fast-paced lending growth. In February Polish banks received personalized guidance as to how much they can pay in 2019 dividends, as well as learning they have to pay more this year into the national deposit guarantee fund (BFG). This was an expected development, with the hiked BFG charges prompting downward revisions to our 2019 net income estimates of no more than 1%-3%, except in the case of Handlowy where the higher charge might shave as much as 5% off this year's earnings.
- The FX mortgage relief bill, which its sponsor, Head of the parliamentary finance committee Cymański, would like to see enter into force from 1 July, might be put to a vote at the Parliament's next session between 13 and 15 March. In the worst-case scenario where banks are required to pay an equivalent of 0.5% of their FX mortgage portfolios into the so-called relief fund, we assess the aftermath for the sector at PLN 1bn in 2019 and PLN 2bn in 2020. 2019 being an election year in Poland, the best-case scenario is that the bill will find no support among polled voters.
- Moving away from Poland, rated CEE banks are eyeing high profits in 2019, supported by favorable fundamentals. Their already quite upbeat guidance might be set for further upward adjustments looking at the developments in Romania, where the potential fallout from the planned "greed tax" is not looking as bad as it did a few weeks ago as lawmakers continue to tweak the bill.
- **Key Ratings:** PEO (buy), ALR (buy), EBS.AV (buy)

Chemicals

- MSCI Chemicals indexes rebounded in February.
- 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 10% 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.
- In 2019, however, the companies are benefitting from falling prices of natural gas, a major source of feedstock costs.
- World fertilizer producers, including Yara and Mosaic, generated solid financial results in Q4 2018.
- **Key ratings:** CIE (buy)

Oil & Gas

- Saudi Arabia eased supply concerns in February by pledging stronger production cuts, and as Russia gets better at delivering on its own output assurances, while OPEC members ignore President Trump's Twitter calls to "take it easy" on prices, and while production in Venezuela keeps falling, and importers from Iran brace for the expiration of US sanction waivers in May, the outlook for oil is looking increasingly better. This is reflected in speculative bets on Brent, on the rise for the seventh straight week, having more than doubled relative to the December lows. Under these circumstances, it is very probable that the price of Brent will eventually bounce

back close to \$70/bbl, although we now think it is unlikely that it will cross the \$75 mark - a change in view which has prompted us to lower the 2019 oil price forecast by \$5/bbl.

- The recovery in oil is not affecting the European natural gas markets, which are down more than 40% from the highs recorded last September. The downward shift is due partly to short-term factors such as seasonality, unseasonably warm weather, an inventory build-up, higher costs of seaborne LNG transport, and decreasing prices of EUAs, but there is increasing long-term downside risk created by expectations of weaker demand from China. All this, combined with the rise of trans-continental arbitrage encouraged by an increasing supply of LNG on world markets, has led us to cut our 2019-2020 natgas price forecasts by an average of 10%. With that said, we are hoping prices will start shifting upward again in the latter part of 2019.
- Refiners have seen their margins widen slightly this year, but not as much as to warrant hopes of a repeat to the high cracking spreads seen during 2018. HSFO margins cannot be expected to be as high this year, especially given the impending entry into force of the IMO sulfur caps in 2020. From the point of view of European refiners, the price discounts on high-sulfur crudes, and the Brent/WTI spread, indicate a disadvantage. In case of petrochemicals, we see a continuation of negative trends which in our opinion will intensify with the launch of new installations.
- **Key Ratings:** LTS (sell), PKN (sell)

Power Utilities

- German electricity prices fell again in February, led by cheaper EUAs (which at this point might have come to the end of their downward slide) and coal.
- Prices in Poland already reflect the lower costs of emission allowances, but model future coal-based generation margins still look attractive, even if they do not quite reach the highs registered last autumn.
- EU and US power stocks have been on an upward curve despite the February power price declines, thanks most likely to sector allocations and the unwinding of short positions at the end of 2018. Polish stock slightly underperformed the benchmarks for the month, led by 2018 Q4 earnings disappointments reported by Tauron with its listed coal mining unit LW Bogdanka, and by PGE.
- The market is waiting for the final version of the regulation on freezing energy prices. Whatever the final formula for calculating compensations to utilities, the larger players should not suffer much from the price freeze, supported by decreasing costs of green certificates which fell after a draft bill proposed by the government which puts in place capacity guarantees for new wind and solar installations, and which effectively replaces the current green certificate mechanism with a feed-in-tariff mechanism. For example, in 2019 the price cap on green certificates would be PLN 115/MWh vs PLN 140/MWh assumed by us (the 2018 average was ~PLN 100/MWh).
- **Key Ratings:** ENA (buy), ENG (buy), PGE (buy), TPE (buy)

Telecoms, Media, IT

- The Office of Electronic Communications (UKE) published draft decisions regulating access to the infrastructure of the largest cable television providers – UPC, Vectra, Multimedia, Inea, Toya and Netia, saying that 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 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.
- Play is still the only major mobile-only telecom in Poland, having expressly stated it had no immediate plans for convergence.
- According to Orange Polska, a 5G auction is not likely to be held in Poland before 2020, and 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 the assumptions laid out in our last telecoms update in November 2018: in our view, a 5G auction in Poland is not likely to happen any time soon.
- According to the Zenith media research, the value of the Polish advertising market will increase by 4.2% in 2019, to reach 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 a slowdown in household spending.
- The growth rate of TV advertising budgets is projected to fall from the current 4.2% to 3.1% Y/Y in 2019. Nevertheless television remains the largest advertising medium in Poland, with its share exceeding 50%. The online advertising market is expected to increase by 8.4%. 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 index rebounded 6.5% in February in outperformance versus the broad WIG benchmark, which edged 6.3% higher, driven mainly by ACP.
- Polish IT stocks also ran 2pp ahead of the MSCI IT EU benchmark. The median 12M P/E for IT companies at 13.9x is currently 8.8% below the historical average for the last three 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.
- **Key Ratings:** OPL (buy), AGO (buy), WPL (accumulate), ASE (overweight), ABS (overweight), CMR (buy).

Industrials

- Industrial stocks as tracked by MSCI Europe and World indices have regained some of the ground lost in the second half of 2018 over the past month, tightening the discount at which they trade relative to the average P/E and EV/EBITDA ratios for the last three years.
- Our best bets for positive surprises in the 2018 Q4 reporting season include ACG, AMC, FMF, 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 slow manufacturing growth in Germany affects exporters, who are facing a pull-back in bookings from customers across the border.
- Short term, these are our top picks for November: Amica (AMC), set to benefit from the extension of the 500+ welfare program, and expected to deliver growing profits in Q4'18 and Q1'19; nevertheless AMC continues to trade at double-digit discounts to comparable appliance makers. Famur (FMF) is also set for further earnings growth in the quarters ahead, and at the current share price its 2019 dividend yield would come close to 9%. Kernel (KER) has turned momentum around to keep profits growing through 2019, supported by acquisitions.
- The top picks among smaller caps are ACG, APT, ERG, POZ, and TIM. On the other hand, we would stay away from and Tarczyński (TAR), whose 2019 prospects after a weak Q4'18 are hurt by increasing costs.
- We upgraded our view on the manufacturing sector from underweight to neutral in February as we consider the worsened 2019 business prospects to be fully priced in.
- **Key Ratings:** ACG (overweight), AMC (overweight), APT (overweight), COG (underweight) ERG (overweight), FMF (buy), KER (buy), POZ (overweight), TAR (underweight), TIM (overweight)

Mining

- Mining stocks in February were mostly unaffected by the slowdown in China's economic growth to the slowest pace in 28 years, focusing instead on the China-US trade talks. 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. For the 11th month 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. Speculative positions currently hover around zero. Copper prices caught up with the EM currency basket in February, restoring the usual correlation. But there is downside risk in March if investors question a US-China deal.
- The past season of financial results in copper-producing companies can be regarded as successful, particularly in terms of production volumes, which came out at solid levels at Antofagasta (where high output was achieved at a low cost), Anglo American, Boliden, Glencore (where volumes are set to grow further this year after rising 11% in 2018), and Kaz Minerals (with actual extraction in the upper guidance range). On the other hand, 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 Mexican silver and gold miner Fresnillo failed to impress as well, providing a weak guidance for 2019.

- Prices of high-grade coking coal rebounded to ca. \$200-210/t in February from less than \$190 the month before, supported by transport disruptions in Australia and upward-trending prices of iron ore, which, however, have since started to retreat. Buyers are holding off purchases in hopes of lower rates, indicating downside price risks in March.
- The rebound in iron ore was driven by the Vale coal mine disaster which sparked expectations of capacity closure for safety inspections. In the end the event did not curb supply as dramatically as anticipated,
- but higher input prices hurt the profits of steelmakers amid an inventory buildup in China which creates an oversupply. In January China's steel PMI rebounded over 50 points.
- In Poland, the 2018 Q4 reporting season in the mining sector is looking bleak judging by the y/y shrinkage in sales volume reported by both KGH and JSW, underpinned by high cost pressures which will probably drive the quarterly core earnings lower year over year. At JSW, the negative surprise might be offset by a dividend declaration.

Property Developers

- After a rally on larger developers (DOM, 1AT) in January, February was the time to shine for smaller players, with Lokum bouncing 15%, Archicom gaining 10%, and LC Corp moving 9% higher. This was accompanied by a 21% rally on JWC spurred by an upcoming vote on March 15 on a repurchase of up to 20% of outstanding shares.
- March is the peak 2018 Q4 reporting season for residential developers. The aggregate number of apartments completed in the period by fifteen companies listed on the WSE and Catalyst was down 10% from the high number registered in the comparable prior-year period, but full-year completions were up 15%. In terms of earnings, we expect to see year-over-year earnings expansion at DOM, LCC, and ARH. Budimex registered a 52% surge in the pre-tax income from its residential real-estate business in Q4 owing to higher sales prices which more than offset fewer completions.
- The earnings achieved in 2018, and the guidance for FY2019 given high construction costs, are going to shape the performance of real-estate stocks in March.
- When it comes to 2019 sales targets, between them, the volumes declared by Dom Development, Atal, Budimex Nieruchomości, Archicom, Lokum, and Echo Investment indicate an increase of 1-5%, however the individual building schedules differ considerably from developer to developer, with Lokum seeing a 21% drop in off-plan sales against growth of 16-24% forecast by Budimex and 32% anticipated by Echo. Atal sees about the same sales volumes this year as last year, while Dom and Archicom are predicting declines of 3% and 5%, respectively.
- When it comes to completions driving revenue recognition, they are set to be flat at Dom and Atal, but at Archicom and Echo they are forecast to be 13-20% and 26%, respectively, higher, and Budimex is also guiding for "potentially more completions" this year. At Lokum, completions are poised to fall 6% in line with lower off-plan sales.
- **Key Ratings:** DOM (accumulate), 1AT (buy)

Retail

- The extended Sunday trading ban will have a noticeable negative impact on the 2019 first-quarter profits of retailers in Q1 2019, when they have to close for ten Sundays compared to four in Q1 2018.
- For chain grocery retailers like Dino, Eurocash, and Jeronimo Martins, the squeeze on sales growth will be worsened by a negative Easter effect (due to the holiday's late-April timing this year versus late March in 2018).
- On a positive note, Polish retailers are poised to tap the increase in disposable income expected after the planned expansion of the 500+ child benefits program. The potential boost to profits might start to materialize in the second half of the year.
- AmRest returned to double-digit EBITDA growth in Q4 2018, and we expect it to sustain this momentum in the quarters ahead. In 2019 the company will continue to integrate and streamline the businesses acquired in the last two years, but the costs of this will not weigh as much as in 2018. At the same time, the acquisition of Sushi Shop should contribute significantly to improved y/y results in 2019. We view EAT as one of the most interesting investment options for 2019.
- At CCC, improving like-for-like growth, and solid overall FY2019 prospects, might drive performance in March.
- **Key Ratings:** EAT (accumulate), CCC (buy), EUR (reduce), DNP (hold), JMT (hold), LPP (buy), VRG (overweight)

mBank Sentiment Watch (next 30 days, by sector)

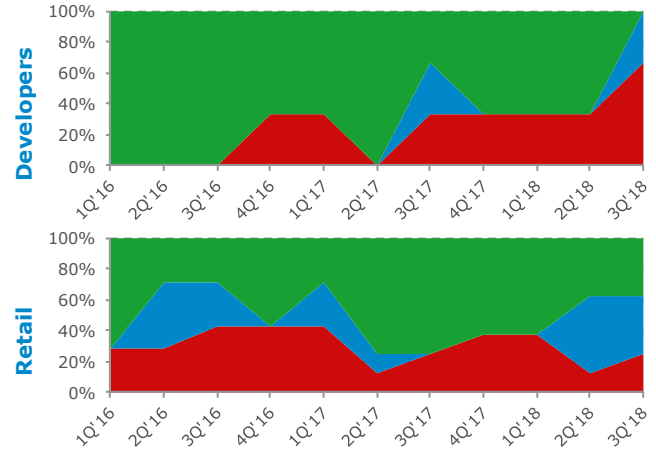
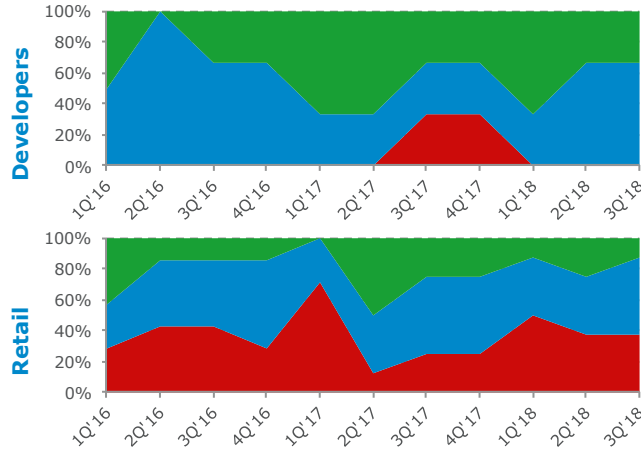
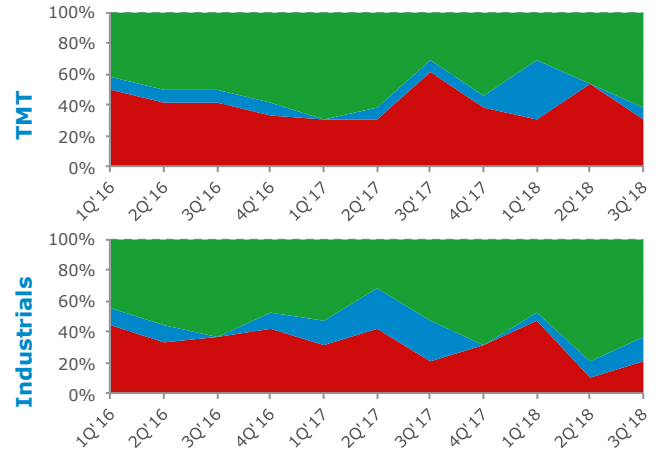
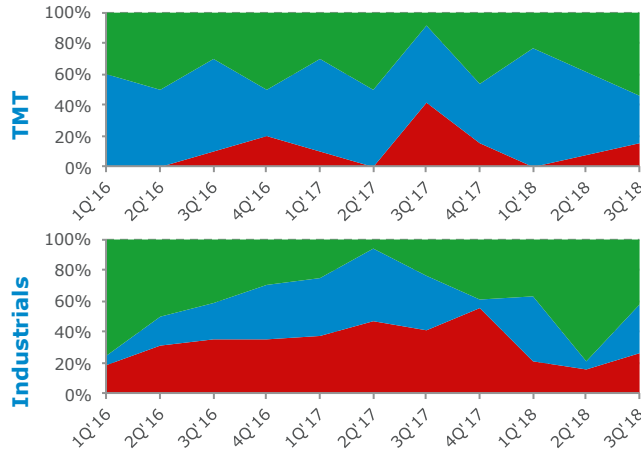
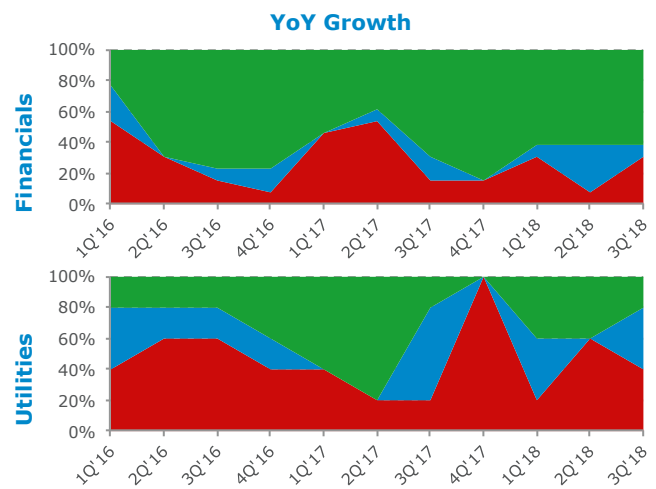
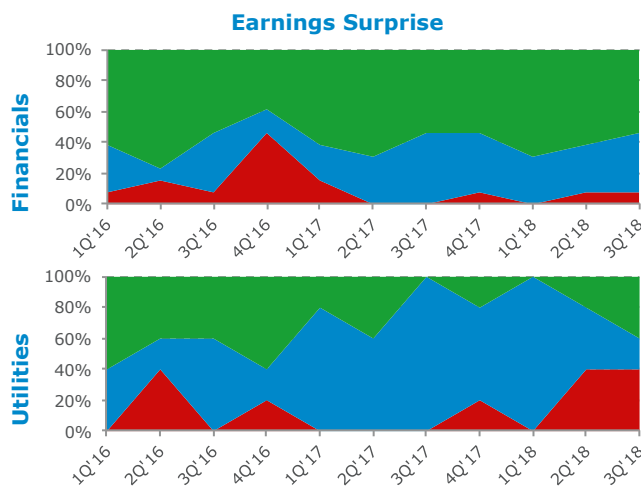
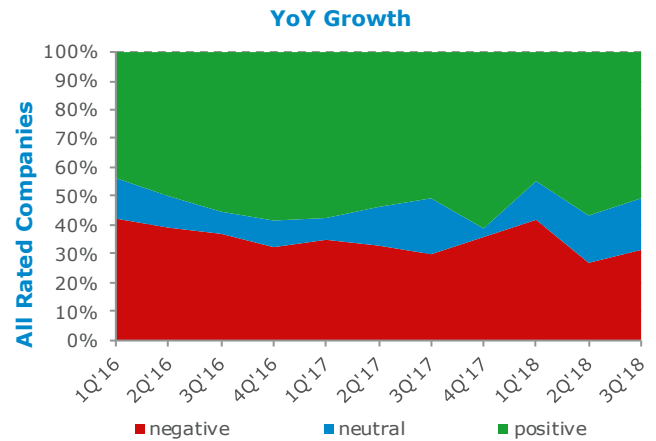
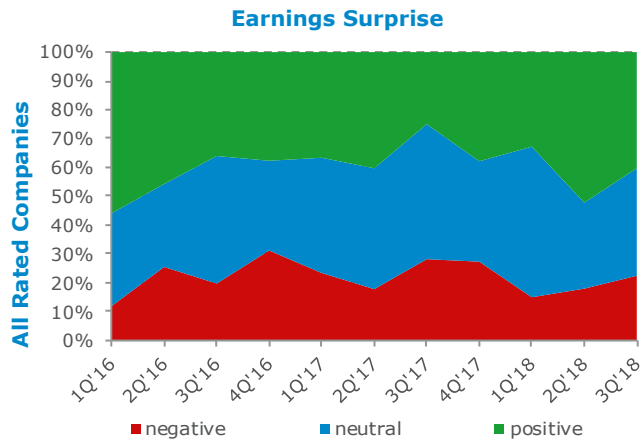
Sector		Poland	US	Germany
	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	PEO, ALR	BAC US, JPM US	PBB GY
	Stocks To Avoid	BHW		DBK GY
Banks	Key Catalysts	Strong 2018 Q4 results .	Attractive valuations, solid Q4 figures, hiked interest rates.	Expectations of rate hike postponement by ECB to later than priced.
	SENTIMENT	BULLISH		NEUTRAL
	Stocks To Own	CIE		LXS GY, EVK GY
	Stocks To Avoid			DSM GY
Chemicals	Key Catalysts	Improved earnings.		Sector had a tough Q4 with disappointing earnings. LXS stands out.
	SENTIMENT	NEUTRAL	BEARISH	
	Stocks To Own	DOM		
	Stocks To Avoid			
Real-Estate Developers	Key Catalysts	Higher home prices vs. higher construction costs	Yield reversal offset by higher interest rates.	
	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	ENA, ENG, PGE, TPE		RWE GY
	Stocks To Avoid			UN01 GY
Utilities	Key Catalysts	Finalization of electricity price freeze legislation.	Higher yields hurt the sector.	RWE is best prepared to phase out coal. Uniper faces worsened earnings in 2019.
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own	CCC, EAT	HBI US, WEN US	DHERR GY, ADS GY, BOSS GY
	Stocks To Avoid	DNP, EUR		ZAL GY, FIE GY
Retail, Consumer	Key Catalysts	Negative base effects for grocery retailer earnings growth in Q1'19	Good consumer sentiment & rising wages.	Improved consumer sentiment. Strong earnings showings from ZAL GY & FL US.
	SENTIMENT	BEARISH	NEUTRAL	
	Stocks To Own		CXO US, MPC US	
	Stocks To Avoid	LTS, PGN, PKN		
Oil & Gas, Refining	Key Catalysts	Falling natgas prices, low refining margins.	Crude prices have dropped too far, but no recovery in sight as economic momentum slows.	
	SENTIMENT	NEUTRAL	NEUTRAL	BULLISH
	Stocks To Own	AMC, APT, EGS, FMF, KER, POZ, TIM		SIĘ GY, DUE GY, JUN3 GY
	Stocks To Avoid	COG, TAR		LHA GY, RAA GY
Industrials	Key Catalysts	High production costs already priced in.	US-China deal vs. economic slowdown.	EUR/USD to the upside except for LHA GY. DUE GY will move higher post earnings.
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own		BOL SS, PLZL RX, ANG SJ	
	Stocks To Avoid		FRES LN	
Mining	Key Catalysts	High labor costs.	Increasing metals prices.	Increasing metals prices.
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own	ACG	GM US	DAI GY, CON GY, BMW GY, VW GY, UG FP
	Stocks To Avoid			ZIL2GY
Automotive	Key Catalysts	EURO6 no longer a factor.	Good consumer sentiment, rising salaries.	Positive as US-China deal approaches, EUR/USD supports Q1 earnings.
	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	ASE, ABS, WPL, AGO	DISCA US, LRCX US, WP US	COK GY, WDI GY
	Stocks To Avoid		NFLX US	01BC GY, NEM GY
Tech, Media	Key Catalysts		Overweight growth stocks, underweight "value tech"	Improved global sentiment, EUR/USD adds upside.
	SENTIMENT	NEUTRAL	BULLISH	NEUTRAL
	Stocks To Own	OPL		DTE GY, DRI GY
	Stocks To Avoid			TC1 GY
Telecoms	Key Catalysts		The sector is dominated by quasi-technology with big growth potential.	No catalysts for a defensive sector in a growth market.

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2016	2017	2018	+ / =	YoY	2016	2017	2018	**	+ / =
	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q			1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	4Q	
Financials										
Alior Bank	+ + + +	- + + +	= + = =	92%	Alior Bank	- - = +	- + + -	+ + - +	=	58%
Handlowy	= + - =	- + + =	+ + - -	67%	Handlowy	- + + +	- - + +	+ + - -	+	58%
ING BSK	+ + + -	+ = = =	= - = +	83%	ING BSK	= + + +	+ - + +	+ = + +	+	92%
Millennium	+ + = +	+ = + =	+ + = +	100%	Millennium	= + + +	+ - + +	+ + + +	=	92%
Pekao	+ + + +	+ = = +	= + + +	100%	Pekao	- + - +	- - = +	+ + = +	-	58%
PKO BP	+ + + -	+ + + =	+ = = =	92%	PKO BP	= + - +	- = + +	+ + + +	+	83%
Santander BP	+ + = +	= + = =	= + = -	92%	Santander BP	- + + +	- - + +	= = + +	+	67%
Komercni	+ + + =	+ + + +	+ + + +	100%	Komercni	- + + +	+ - - +	- + + +	+	67%
Erste Bank	+ = = -	= + + +	+ + + +	92%	Erste Bank	+ + + =	- - + +	+ + + +	+	75%
OTP Bank	= + + -	+ + + +	+ + + +	92%	OTP Bank	+ + + +	+ + + +	+ + + +	-	100%
PZU	- - = +	+ = = +	+ = + +	82%	PZU	- - + +	+ + + +	- + + +	=	73%
Kruk	= - + -	+ + = -	+ + + +	73%	Kruk	+ - + +	+ + = -	= + + +	+	73%
Skarbiec	= + = -	= + + +	+ = + +	91%	Skarbiec	- - + =	+ + - +	- - - +	-	45%
Chemicals										
Ciech	= + = +	= = = +	= + = =	100%	Ciech	+ + + +	+ - - +	- = - -	-	64%
Grupa Azoty	- - = -	+ - = -	= - - -	36%	Grupa Azoty	+ - - -	- + + +	- - - -	-	36%
Oil & Gas										
Lotos	+ = + =	+ + + =	- + = -	83%	Lotos	+ - + +	+ + + -	- + = +	+	75%
MOL	= = = -	+ + - =	= = + +	83%	MOL	- - - -	+ + + +	- - + +	+	42%
PGNiG	+ - - +	+ - - =	- + - -	42%	PGNiG	- - - +	= = = =	- + + -	+	58%
PKN Orlen	= - = +	= = = =	= - = +	75%	PKN Orlen	= - - +	+ + + -	- - - +	+	50%
Utilities										
CEZ	+ - = +	= = = +	= - + +	82%	CEZ	= - - -	- - - -	- - - +	+	18%
Enea	+ + + +	= + = =	= - = =	91%	Enea	+ + + +	+ + = -	= - = =	-	82%
Energa	+ - = =	= = = -	= = - -	67%	Energa	= = = =	- + + -	+ + + -	=	67%
PGE	= = + -	= = = =	= = - -	75%	PGE	= - - -	+ + + -	+ + = -	=	50%
Tauron	= + = +	+ + = =	= + + =	100%	Tauron	- - - +	+ + = -	= - - -	-	42%
TMT										
Netia	= + = +	= = + +	= = = =	100%	Netia	- - = -	- - - -	= - - -	-	25%
Orange PL	= = = =	= + = +	= + + +	100%	Orange PL	- - - -	- - - +	= - + +	+	42%
Play	na na na na	na na = =	= + = =	100%	Play	na na na na	+ + + =	- - - -	-	50%
Agora	+ = = +	= + = +	= + + +	100%	Agora	= - - -	+ + = +	- - + +	+	55%
Cyfrowy	= = + =	+ = = =	+ = = =	100%	Cyfrowy	= - + +	+ + + -	= - = -	=	55%
Wirtualna	+ = - -	+ = = =	= = = =	82%	Wirtualna	+ + + +	+ + + +	+ + + +	+	100%
Aiileron	na na na na	na na - +	= = - -	60%	Aiileron	+ - + +	+ + - +	= + - -	-	73%
Asseco BS	+ + = =	= = = +	= = + +	100%	Asseco BS	+ + + +	+ + + +	+ + + +	+	100%
Asseco PL	= + + -	= = - -	+ + + +	73%	Asseco PL	- + + -	- - - -	+ + + +	+	36%
Asseco SEE	= = = +	= + - =	= = + +	92%	Asseco SEE	+ + = +	+ + + +	+ + + +	+	100%
Atende	na na na na	na na na +	= - + +	75%	Atende	- + + -	+ - - +	- - + +	-	36%
Comarch	= + = +	- + = +	+ + + +	73%	Comarch	= + + +	- - - -	= + + +	-	55%
CD Projekt	+ + + +	+ + - +	= = - -	82%	CD Projekt	+ - + +	+ + - -	- - - -	-	45%
Industrials										
Alumetal	+ + - =	- = + =	= + = =	82%	Alumetal	+ + - -	- - - +	+ + + +	=	55%
Amica	+ = = -	= = - +	- + + +	73%	Amica	+ + + =	- = - -	- + + +	+	64%
Apator	- + - =	= - = -	= + = +	67%	Apator	- + - +	+ - + -	- + = +	+	58%
Boryszew	+ + + -	+ - + -	= - = -	55%	Boryszew	+ + + +	+ + + +	- - - -	+	64%
Cognor	na na na na	na na na na	+ + = -	75%	Cognor	- + + +	+ = + +	+ + + -	=	83%
Ergis	- - + +	+ = - -	- - - -	33%	Ergis	- - + +	+ = = -	- = - -	+	50%
Famur	+ + = +	na - = +	+ + + +	90%	Famur	= + + +	+ = + +	+ + + +	+	100%
Forta	+ + = +	= = - -	+ = - -	73%	Forta	+ + + +	- - - -	+ + + +	+	45%
Grupa Kęty	+ + = =	= = = -	= + = =	92%	Grupa Kęty	+ + + +	+ + + +	+ + + +	+	100%
Impexmetal	+ + + -	- - + -	+ + + +	64%	Impexmetal	+ + + -	+ + = +	+ + = =	+	91%
JSW	+ = - -	+ + - -	= + = =	64%	JSW	- - - +	+ + + +	= = = =	+	64%
Kernel	+ - + -	- - - +	= - + +	50%	Kernel	- - + -	- - - -	- + + +	+	33%
KGHM	- - + +	+ = = +	+ + + -	82%	KGHM	- - + +	+ = = -	- + + -	=	55%
Kruszwica	- - + +	- - = +	+ + + +	55%	Kruszwica	- = - +	= = = +	+ + + +	=	82%
Mangata	+ + - +	= - - -	+ + + +	64%	Mangata	+ + + -	= - = +	+ + + +	+	82%
Pfleiderer	= = + =	= = - -	+ + + +	55%	Pfleiderer	= + = +	+ - + +	+ - + +	+	82%
Pozbud	na na na na	na na na +	+ + - -	75%	Pozbud	= = - -	- - = +	- + + +	+	45%
Stelmet	na na - =	- - = +	- + + +	56%	Stelmet	na na - -	- - + +	= + + +	=	56%
Tarczyński	+ - - +	= + + +	+ + + =	82%	Tarczyński	- - - -	= + + +	+ + + +	-	64%
Real-Estate										
Atal	na na + =	+ + - -	= + = =	78%	Atal	+ + + -	+ + = +	+ + = =	-	91%
Dom Dev.	+ = = =	= + + =	+ = + +	100%	Dom Dev.	+ + + +	- + + +	+ + - -	+	82%
GTC	= = = +	+ = = +	+ = = =	100%	GTC	+ + + +	+ + - -	- - - -	-	55%
Retail										
AmRest	= = = +	- + + +	- - = =	73%	AmRest	+ + + +	= + + -	+ = + +	+	91%
CCC	+ + + =	- + - -	- - - -	45%	CCC	- + = +	+ + + -	- - - -	-	55%
Dino	na na na na	na + = +	+ = = =	100%	Dino	na na na na	na + + +	+ + + +	+	100%
Eurocash	- - - -	= - - -	= = = =	27%	Eurocash	+ = = +	- - - -	+ = = =	=	55%
Jeronimo	= = = =	= = = =	= = = =	100%	Jeronimo	+ = + +	= + + +	+ = = =	=	100%
LPP	- = = =	= = + =	- + + +	83%	LPP	- - - -	+ + + +	- + + +	=	55%
Monnari	+ - - -	- + = =	+ = + -	55%	Monnari	+ - - -	- - - -	- + + -	+	27%
VRG	+ - - =	- - = =	- - = =	45%	VRG	+ = = +	- + + +	+ = = =	+	91%

'+' = positive surprise, '-' = negative surprise, '=' = in-line results vis-à-vis consensus expectations; *The column shows the sum of 'in-line' or 'beat quarters' in the last three years as a percentage of all quarters **Our expectations. 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

Q4 GDP Growth In Line With Expectations

Polish GDP growth in Q4 2018 measured 4.9% according to the flash reading, close to forecasts and the lower bound of estimates derived from Q1-Q3 data and the annual GDP estimate. The high annual growth is, however, mostly a reflection of strong growth in the first nine months of the year. The final quarter was much weaker (+0.5% q/q on a seasonally adjusted basis) and this is consistent with signals sent by monthly activity data.

The data offered no new insights into the structure of growth. It is thus worth repeating that, using annual and Q1-Q3 data we estimate that both household consumption and investment slowed down visibly in Q4 (from 4.5 to 4.0% y/y and from 9.9 to ca. 6.8% y/y, respectively). If it wasn't for the surprisingly high contribution from net exports (1 percentage point above values implied by monthly international trade figures), growth would have cratered already in Q4.

The implications of the Q4 GDP print for 2019 growth are much more interesting, in our view. First, Q4 figures lay to rest the notion that Poland can be immune to euro area slowdown. Second, the weak q/q growth reduces the carryover from 2018 into 2019 (hence, slightly lower average 2019 growth can be expected). Third, since the short-term momentum of the Polish economy has shifted from the 1-1.5% range prevalent in 2017 and early 2018 to ca. 0.5, the strong growth recorded at the beginning of the year constitutes high statistical base. As a result, the consensus might be underestimating the extent to which the Polish economy is set to slow down at the beginning of 2019 and the smooth, gradual trajectories drawn by forecasters seem too optimistic. We believe that Q1 growth will be below 4% y/y already.

MPC Keeps Rates Unchanged at February Meeting

The February meeting of the Monetary Policy Council brought no changes to interest rates, key passages in the Council's statement and governor Glapinski's guidance on future rates. However, there are several subtle changes in the statement and in Glapinski's rhetoric worth highlighting.

First, the Council sees the prospects of global growth as more dismal and that fits the long-cherished narrative of a global downturn we've been hearing from the governor for many months now.

Second (now we're starting to read between the lines), while current forward guidance appears to be less dovish (rates "probably" unchanged in 2020 as well as opposed to "until the end of the Council's term"), it wasn't changed on purpose. Instead, it lies well within the natural variability of the Council's rhetoric and it's highly unlikely that the MPC would turn more hawkish in these circumstances.

Third, when asked about the direction of the next interest rate change, the governor said that eventually rates will be cut or raised. Contrast this with the way rate cuts were previously framed – this time there was no mention of financial stability, net interest income and reversal rates – in other words, for the governor risks to current rate path are symmetric. Thus, we believe that the Council might be closer to cutting rates than the consensus thinks. It would also make sense to reach the limits of conventional monetary easing first and then use unconventional tools.

Finally, we get the impression that the Council, having won the big bet on interest rate hikes with markets and private

sector analysts, is still expecting others to ask about rate hikes. This is why all answers regarding the future rate changes are listing the reasons not to hike. The arguments cited (growth prospects, low inflation, balanced economy) are definitely not indicative of a hiking bias. Perhaps it's time to stop asking and start inquiring about future easing.

Manufacturing

In January industrial output rose by 6.1% y/y, smashing expectations (consensus ca. 4% y/y, our forecast at 3.1% y/y). Production accelerated despite the stable arrangement of working days (0 y/y, just as a month ago) and negative signals sent by multiple indicators, from soft and hard European data, through industrial sentiment indicators from Markit and Statistics Poland. On a monthly basis, industry rose by 1.7% m/m, which is the best result since May last year. The downtrend in IP growth is intact, but output definitely did not take a leg down in January.

A quick review of the details of the release reveals no one-offs – the acceleration was broad-based multiple branches of industry contributed positively. In particular, the usual list of slowest growing industries does not contain any export-oriented ones. Domestic-oriented industries (apart from those tied to construction), such as chemicals and food & beverages production are also looking very good.

Construction output rose by 3.2% y/y, significantly below market consensus (ca. 8% y/y), but slightly above our forecast of 2% y/y. The key factor behind the slowdown is the massive (more than 8 p.p.) statistical base from the previous January – recall that Q1 2018 was this investment cycle's strongest quarter. January itself was a quite strong month, with output growing by 3.2% m/m on a seasonally adjusted basis. Given the unfavorable weather conditions prevailing throughout most of the month, this is especially impressive. However, the entire year is set to bring weaker construction data. Based on EU fund flows and contracts, local government investment plans and progress in road and railway tenders, we judge that public investment will rise only slightly this year (compared to ca. 30% y/y in 2018). It will be reflected in slower construction output growth.

Retail Sales

Retail sales rose by 5.2% y/y in constant prices, matching market consensus, but beating our forecast (4.4% y/y). From our point of view, there was only one source of the surprise – food sales rebounded much more strongly after the weak December (from -1.4 to 6.1% y/y). Other categories evolved more or less in line with fundamentals and our forecast: (1) fuel sales slowed down less than anticipated due to higher real sales; (2) sales of durable and semi-durable goods accelerated only modestly, by 2 p.p. at maximum; (3) sales in other non-specialized stores failed to accelerate after the weak December, perhaps due to a smaller number of trading Sundays; (4) the Other category (mostly building materials) decelerated hard, from 10.9 to 4.9% y/y – we are likely seeing the lagged effect of lower housing sales in 2018. Thus, we estimate that core retail sales slowed down visibly (real retail sales excl. food and fuel down from 6.5 to 5.0% y/y) and the downtrend in retail sales figures is still intact.

Jobs

In January corporate employment rose by 2.9% y/y (prev. 2.8% y/y, market consensus and our forecast 2.0% y/y). While this print is an upside surprise, one has to remember that annual resampling (due to corporates that gained or lost employees in the previous year and either entered or quit the

9+ sample) remains the key factor influencing the m/m change in employment at the turn of the year. As such January m/m employment growth is more of a reflection of last year's development than this year's labor market strength. In any case, the 136 thousand increase in the number of employees recorded this January, albeit relatively high, is consistent with last year's overall employment growth.

To assess whether employment growth actually slowed or accelerated this year, subsequent monthly prints will have to be observed. Currently, the prospects are mixed at best. On one hand, a broad set of soft and hard indicators points to weakening / slowing labor demand, the more so since the macroeconomic environment is projected to become more challenging this year due to the expected slowdown in GDP growth. In addition, the inflow of foreign workers has clearly ground to a halt in Q4, exacerbating labor shortages and restricting potential supply. On the other hand, recent NBP enterprise survey points to a record-high employment growth expected by enterprises, contradicting other soft indicators (PMI and Statistics Poland own sentiment surveys). Weighing all the available evidence, we are leaning towards the softer side and expecting weaker employment growth this year.

Average gross wage rose by 7.5% y/y, beating estimates and our forecast (6.8-6.9 and 7.1% y/y, respectively). Here sampling issues are of little consequence. In our view, the acceleration vis-à-vis the weak December print (6.1% y/y) can be attributed to low base effects in manufacturing wages, while the surprise itself is a result of higher mining bonuses or stronger-than-anticipated wage hikes in certain service sectors. The details of the release will be published in the Statistical Bulletin next week. In any case, the trend in nominal wage growth has remained flat (~7% y/y) for 1.5 years. Of note is the fact that due to low January CPI print, real wage growth surged to a new cycle high (6.6% y/y).

The key question for 2019 pertains to the relative impact of labor supply and demand on wage growth. We believe that demand factors will prove to be relatively stronger, restricting wage growth and leading to a mild slowdown in average wage growth, to ca. 6-6.5% y/y. Higher public wage growth will offset this somewhat. Overall, household income growth will remain quite high, allowing for consumption growth to slow down only modestly (to ca. 3.5% y/y).

Inflation

According to the preliminary reading, inflation declined from 1.1 to 0.9% y/y in January, a tad below market consensus and our forecast of 1.0% y/y. However, due to high uncertainty related to the behavior of administered prices and the reaction of stickier corporate prices to last year's run-up in labor and commodity costs, the margin of error has always been high. The final data will be published in mid-March, along with the revised CPI basket.

What do we know from the flash print? Prices of food, tobacco products, nonalcoholic and alcoholic beverages rose by 0.9% m/m, implying a somewhat stronger than anticipated rise in food prices. Prices in the Transport category declined by 1.9% m/m. Assuming that our forecast of liquid fuels was correct, this suggests that prices of vehicles and transport services declined only marginally, as opposed to our forecast (-0.5 vs. -2.6%). The largest and most interesting piece of the puzzle is the Housing category. Overall, prices declined by 0.7% m/m there. Given the Statistical Office's explanation regarding energy freeze scheme, we believe that the CSO recorded a sizable decline in electricity prices on a monthly basis. Thus, we are back to our early assumption that the various parts of the energy freeze scheme would be introduced in different months, resulting in lower prices in January (due to excise tax and fee cuts, effective immediately) and an increase in electricity tariffs in February and March. At the end of the day, the overall electricity prices should remain unchanged vis-à-vis 2018. Moreover, if our assumptions are plugged in, this implies a very modest increase in other parts of housing goods and services (such as rents).

mBank Research

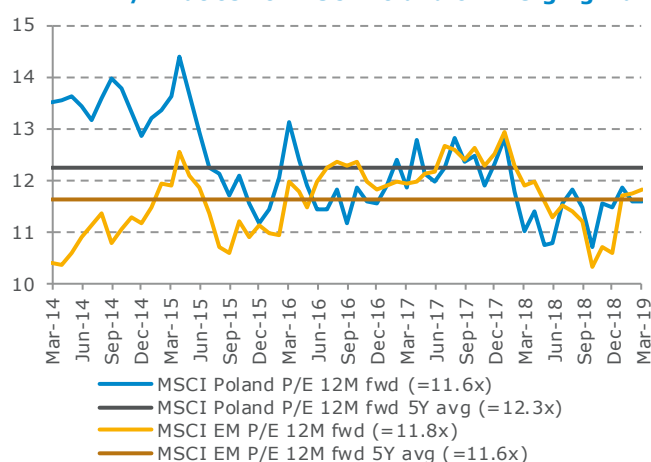
(E. Pytlarczyk, M. Mazurek, P. Bartkiewicz, K. Klimas)
research@mBank.pl

Revisions To FY2018 Earnings Forecasts For WIG30 Companies

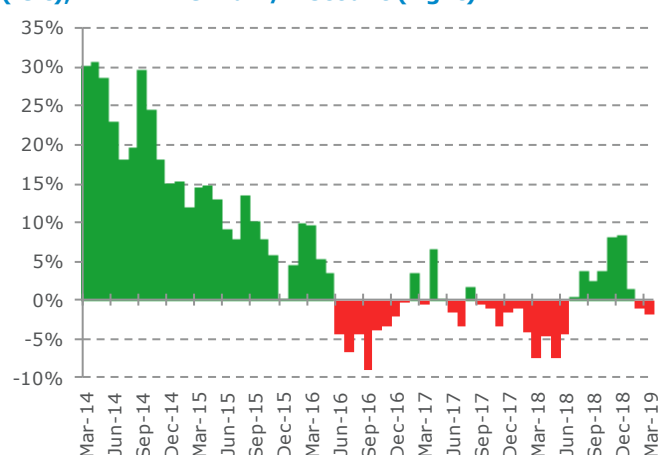
Feb-18=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM
Mar-18	-0%	-3%	-1%	+0%	+2%	-1%	-2%	+4%	-1%	-10%	-1%	+2%	+0%	+0%	-2%	-20%
Apr-18	-1%	-3%	-2%	+0%	-0%	-1%	-2%	+4%	-2%	-10%	-1%	+2%	-1%	+0%	+0%	-19%
May-18	-2%	-2%	-3%	+0%	+1%	-1%	-3%	+7%	-4%	-10%	-4%	+2%	-11%	-29%	-6%	-18%
Jun-18	-2%	-1%	-3%	+0%	+1%	+8%	-4%	+7%	-8%	-9%	-2%	-8%	-11%	-29%	-7%	-19%
Jul-18	-3%	-3%	-3%	-2%	+1%	+8%	-1%	+7%	-9%	-9%	-5%	-8%	-32%	-27%	-10%	-23%
Aug-18	-4%	+0%	-4%	-2%	+0%	+29%	-2%	+1%	-10%	-9%	-8%	-8%	-23%	-47%	-16%	-25%
Sep-18	-3%	+0%	-4%	-2%	+7%	+29%	-3%	+1%	-10%	-12%	-9%	-6%	-28%	-47%	-18%	-25%
Oct-18	-5%	-7%	-6%	-3%	+7%	+25%	-4%	+1%	-13%	-23%	-13%	-7%	-49%	-88%	-21%	-62%
Nov-18	-7%	-5%	-6%	-2%	+8%	+43%	-12%	-19%	-16%	-29%	-14%	-26%	-71%	-92%	-23%	-41%
Dec-18	-7%	-5%	-6%	-2%	+8%	+43%	-10%	-19%	-18%	-29%	-17%	-26%	-77%	-92%	-27%	-41%
Jan-19	-7%	-5%	-6%	-2%	+10%	+40%	-11%	-22%	-25%	-41%	-19%	-24%	-77%	-92%	-28%	-34%
Feb-19	-9%	-6%	-6%	-2%	+9%	+36%	-17%	-22%	-25%	-44%	-19%	-23%	-80%	-91%	-29%	-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.

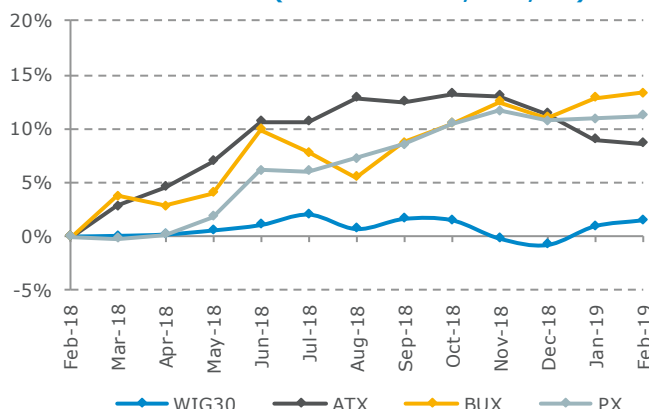
FWD 12M P/E Ratios For MSCI Poland & Emerging Markets (left), PL-EM Premium/Discount (right)



Source: Bloomberg, Dom Maklerski mBanku

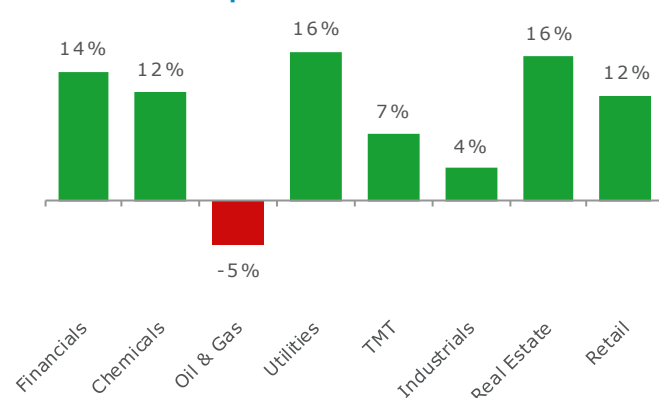


FWD 12M EPS Growth (WIG30 vs. ATX, BUX, PX)



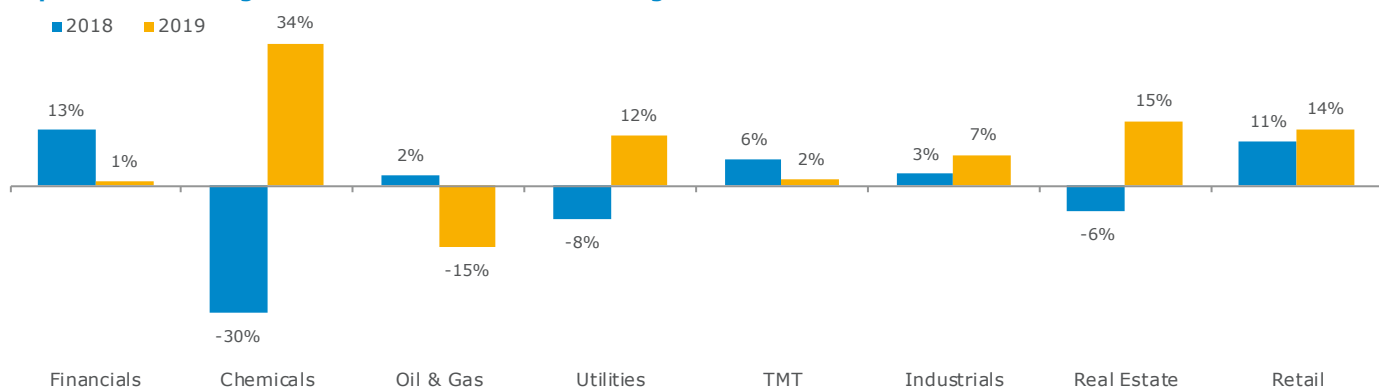
Source: Bloomberg, Dom Maklerski mBanku

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

Divergence of Dom Maklerski mBanku Estimates From Consensus Estimates

Sector/Name	mDM Rating	mDM TP ¹	BBG Ratings ²			BBG TP ³	mDM v. BBG TP	mDM v. BBG Earnings			mDM v. BBG EBITDA			Analyst Count ⁴
			▲	►	▼			2018E	2019E	2020E	2018E	2019E	2020E	
Financials														
Alior Bank	buy	87.00	14	1	1	76.38	+13.9%	-2%	+15%	+16%				14/-
Handlowy	hold	65.50	1	8	3	71.61	-8.5%	+2%	+7%	+0%				11/-
ING BSK	hold	191.80	5	5	3	196.67	-2.5%	-1%	-3%	+1%				11/-
Millennium	accumulate	10.00	4	8	2	9.78	+2.3%	-2%	-9%	+3%				12/-
Pekao	buy	131.80	15	4	0	132.96	-0.9%	+1%	+6%	+5%				15/-
PKO BP	hold	40.92	8	9	2	42.86	-4.5%	+0%	+3%	-1%				14/-
Santander Bank Polska	hold	388.00	8	8	0	402.44	-3.6%	+9%	+0%	+5%				12/-
Komercni Banka	accumulate	1,000.0	10	6	0	1,022.6	-2.2%	+1%	+6%	+8%				11/-
Erste Bank	buy	43.72	18	6	0	39.69	+10.2%	+2%	+2%	+3%				13/-
OTP Bank	accumulate	13,046	10	2	3	12,572	+3.8%	+1%	+2%	-				10/-
PZU	accumulate	46.50	6	4	1	45.69	+1.8%	+1%	+2%	+1%				7/-
Kruk	buy	279.32	6	1	1	226.02	+23.6%	+1%	+5%	+9%				7/-
Chemicals														
Ciech	buy	75.82	12	0	0	64.77	+17.1%	-17%	+9%	+18%	+1%	+7%	+11%	9/10
Grupa Azoty	hold	43.20	4	4	1	46.88	-7.8%	-56%	-34%	-58%	-9%	-9%	-17%	6/6
Oil & Gas														
Lotos	sell	65.18	8	4	3	91.91	-29.1%	+22%	-28%	-39%	+2%	-14%	-23%	11/14
MOL	hold	3,423.0	9	3	0	3,611.1	-5.2%	+11%	-38%	-26%	+4%	-13%	-7%	10/10
PGNiG	hold	7.08	6	2	4	7.12	-0.6%	-14%	-1%	+8%	-7%	-1%	+4%	8/7
PKN Orlen	sell	81.22	3	7	9	106.36	-23.6%	-2%	-32%	-40%	+15%	-21%	-27%	18/18
Utilities														
CEZ	hold	537.80	5	9	2	579.09	-7.1%	-4%	-8%	-14%	-1%	-4%	-6%	8/8
Enea	buy	13.12	6	3	1	11.18	+17.3%	-10%	+9%	+8%	-3%	+6%	+6%	6/8
Energa	buy	13.26	5	4	1	10.41	+27.4%	+21%	+3%	+1%	-1%	+1%	+2%	7/7
PGE	buy	14.47	6	5	2	11.90	+21.6%	-18%	+2%	+10%	-6%	+2%	+4%	8/7
Tauron	buy	3.12	2	7	4	2.24	+39.1%	+4%	+22%	+30%	+0%	+10%	+11%	8/8
TMT														
Netia	hold	4.70	3	3	2	5.02	-6.4%	+4%	-2%	-13%	-2%	+0%	-0%	4/6
Orange Polska	buy	6.40	7	5	4	5.38	+19.0%	-	+34%	+18%	+1%	-1%	+1%	7/12
Play	hold	21.30	7	6	1	23.65	-9.9%	-1%	-9%	-12%	-2%	-2%	-3%	14/11
Agora	buy	16.00	2	3	0	12.30	+30.1%	+40%	+269%	+149%	+17%	-4%	+3%	3/4
Cyfrowy Polsat	hold	23.20	5	8	0	25.83	-10.2%	-1%	-5%	+2%	-1%	-3%	-3%	13/13
Wirtualna Polska	accumulate	61.50	6	0	0	62.60	-1.8%	-4%	+3%	+4%	-1%	+1%	+0%	5/5
Asseco Poland	hold	53.00	4	5	0	50.15	+5.7%	-4%	-3%	-6%	-3%	-2%	-2%	4/4
Asseco BS	overweight	-	2	1	0	29.90	-	+1%	+1%	+3%	+2%	+2%	+3%	2/2
Asseco SEE	overweight	-	3	0	0	17.90	-	+0%	-1%	-1%	+0%	+1%	+4%	2/3
CD Projekt	accumulate	217.70	10	2	1	217.78	-0.0%	-21%	-92%	+48%	-24%	-92%	+27%	10/10
Comarch	buy	195.00	1	4	1	170.83	+14.2%	-2%	+13%	+15%	+14%	+20%	+21%	3/3
Industrials														
AC	overweight	-	3	0	0	48.10	-	-2%	+0%	-1%	-2%	-0%	-1%	3/3
Alumetal	neutral	-	4	2	0	53.45	-	-2%	+12%	+2%	+2%	+7%	-1%	5/5
Amica	overweight	-	3	2	0	145.70	-	+3%	+8%	+5%	-0%	+1%	-2%	5/5
Apator	overweight	-	2	2	0	-	-	+9%	+19%	+11%	+8%	+12%	+10%	2/2
Famur	buy	6.61	5	1	0	6.42	+2.9%	-1%	+2%	+8%	-1%	-3%	-2%	7/6
Forte	neutral	-	2	3	2	32.53	-	-27%	-43%	-45%	+1%	-10%	-7%	5/5
Grupa Kęty	hold	324.30	3	8	0	368.87	-12.1%	+0%	-11%	-6%	-0%	-7%	-6%	8/8
JSW	hold	60.68	5	6	3	75.69	-19.8%	+25%	-38%	-60%	+15%	-25%	-24%	12/11
Kemel	buy	62.86	5	2	0	69.37	-9.4%	-18%	+18%	+16%	-10%	+8%	+16%	4/3
KGHM	hold	92.41	3	6	9	88.96	+3.9%	-17%	-3%	-10%	+2%	-3%	-5%	13/13
Pfleiderer Group	neutral	-	6	1	1	46.00	-	+5%	-2%	+3%	+0%	-6%	-4%	3/3
Real Estate														
Atal	buy	42.86	4	0	0	40.45	+6.0%	-0%	+5%	+2%	-0%	+6%	+3%	4/4
Dom Development	accumulate	84.10	4	2	0	84.42	-0.4%	+1%	-1%	+4%	+2%	-2%	+9%	6/5
GTC	suspended	-	7	1	0	10.50	-	-	-	-	-	-	-	7/5
Retail														
AmRest	accumulate	46.00	7	2	0	47.83	-3.8%	+3%	-3%	-3%	-1%	-5%	-4%	9/8
CCC	buy	291.00	8	4	1	260.37	+11.8%	-84%	+21%	+22%	-35%	+2%	+3%	8/9
Dino	hold	105.90	10	7	2	111.02	-4.6%	+1%	+3%	+0%	-0%	-1%	-4%	13/14
Eurocash	reduce	17.90	5	5	7	19.56	-8.5%	+30%	-14%	-11%	+10%	-5%	-5%	9/11
Jeronimo Martins	hold	13.60	14	8	3	13.82	-1.6%	-3%	-1%	-2%	-1%	+1%	+0%	16/17
LPP	buy	9,300.0	5	3	8	8,399.9	+10.7%	-5%	+20%	+22%	-2%	+7%	+8%	11/11
Monnari	underweight	-	2	1	1	9.50	-	+50%	+19%	+30%	+3%	+14%	+23%	4/4
VRG	overweight	-	5	0	1	5.05	-	+1%	+23%	+21%	+1%	+19%	+19%	4/4

Source: Bloomberg (BBG), Dom Maklerski mBanku (mDM); ¹Target Price issued by Dom Maklerski mBanku; ²Positive/Neutral/Negative ratings count comprising the Bloomberg Consensus; ³Average of all analyst target prices; ⁴Number of analysts participating in the consensus (of EPS/EBITDA)

Current Recommendations By Dom Maklerski mBanku

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E		EV/EBITDA	
							2018	2019	2018	2019
Financial Sector						+14.2%	12.0	11.5		
Alior Bank	buy	2019-02-01	57.50	87.00	62.30	+39.6%	11.4	8.2		
Handlowy	hold	2019-03-05	65,90	65.50	65.90	-0.6%	13.0	12.2		
ING BSK	hold	2019-02-01	191.40	191.80	190.00	+0.9%	16.7	14.9		
Millennium	accumulate	2019-02-01	8.82	10.00	9.00	+11.1%	14.9	14.8		
Pekao	buy	2019-02-01	110.60	131.80	112.50	+17.2%	13.4	11.5		
PKO BP	hold	2019-02-01	39.51	40.92	38.65	+5.9%	12.9	11.7		
Santander Bank Polska	hold	2019-02-01	373.80	388.00	380.00	+2.1%	16.2	14.6		
Komercni Banka	accumulate	2018-12-05	906.50	1,000 CZK	945.00	+5.8%	12.0	11.8		
Erste Bank	buy	2019-02-04	31.00	43.72 EUR	33.34	+31.1%	8.2	9.6		
OTP Bank	accumulate	2018-12-05	11,810	13,046 HUF	12,000	+8.7%	9.9	9.9		
PZU	accumulate	2019-03-05	42,00	46.50	42.00	+10.7%	11.3	11.1		
Kruk	buy	2019-02-04	167.60	279.32	165.00	+69.3%	9.0	7.7		
Skarbiec Holding	buy	2018-12-05	23.50	31.36	17.00	+84.5%	5.3	5.0		
Chemicals						+12.0%	14.4	14.1	7.2	6.3
Ciech	buy	2019-02-04	52.40	75.82	59.90	+26.6%	14.4	9.1	6.7	5.7
Grupa Azoty	hold	2019-03-05	43,88	43.20	43.88	-1.5%	-	19.2	7.8	7.0
Oil & Gas						-4.7%	8.0	13.6	5.2	5.9
Lotos	sell	2019-03-05	93,90	65.18	93.90	-30.6%	8.1	15.3	5.9	7.8
MOL	hold	2019-03-05	3,250	3,423 HUF	3,250	+5.3%	8.0	13.6	4.0	4.9
PGNiG	hold	2019-03-05	6,58	7.08	6.58	+7.6%	11.8	9.8	5.3	4.4
PKN Orlen	sell	2019-03-05	101,50	81.22	101.50	-20.0%	7.9	13.6	5.0	6.9
Power Utilities						+16.1%	7.0	5.4	4.3	4.0
CEZ	hold	2019-02-04	568.00	537.80 CZK	545.50	-1.4%	23.5	19.2	8.6	8.1
Enea	buy	2019-02-04	10.73	13.12	9.80	+33.9%	7.0	3.8	4.3	3.5
Energa	buy	2019-02-04	10.14	13.26	9.33	+42.1%	4.1	5.4	3.9	4.0
PGE	buy	2019-02-04	11.86	14.47	10.80	+34.0%	10.4	7.3	4.8	4.0
Tauron	buy	2019-02-04	2.37	3.12	2.27	+37.4%	4.1	3.1	3.7	3.8
Telecoms, Media, IT						+7.4%	22.8	16.5	6.5	6.0
Netia	hold	2018-11-26	4.66	4.70	4.99	-5.8%	25.9	33.5	5.3	5.7
Orange Polska	buy	2018-11-26	4.91	6.40	5.42	+18.1%	-	68.0	4.8	4.6
Play	hold	2019-02-04	22.80	21.30	20.94	+1.7%	7.4	7.4	5.7	5.5
Agora	buy	2018-11-27	9.50	16.00	11.60	+37.9%	24.3	38.5	5.0	5.3
Cyfrowy Polsat	hold	2018-11-26	22.50	23.20	24.72	-6.1%	16.1	14.2	7.3	6.7
Wirtualna Polska	accumulate	2019-02-04	58.40	61.50	55.40	+11.0%	22.8	17.4	11.5	9.3
Asseco Poland	hold	2019-03-05	54,30	53.00	54.30	-2.4%	13.5	15.3	8.7	8.7
CD Projekt	accumulate	2019-02-04	190.00	217.70	189.40	+14.9%	-	-	-	-
Comarch	buy	2019-03-05	162,50	195.00	162.50	+20.0%	25.6	15.6	7.4	6.4
Industrials, Mining						+3.6%	14.0	10.3	6.7	5.5
Famur	buy	2019-02-04	4.98	6.61	4.91	+34.6%	13.8	11.1	6.4	5.5
Grupa Kęty	hold	2019-01-18	336.50	324.30	334.50	-3.0%	12.1	13.3	8.6	8.9
JSW	hold	2019-02-20	59.96	60.68	57.86	+4.9%	2.9	9.4	1.1	2.7
Kemel	buy	2019-03-05	49,20	62.86	49.20	+27.8%	20.6	5.7	7.6	5.4
KGHM	hold	2019-02-04	94.16	92.41	101.20	-8.7%	14.2	8.7	5.3	4.5
Stelmet	hold	2019-03-05	10,25	8.36	10.25	-18.4%	31.4	29.5	7.0	8.2
Property Developers						+15.9%	7.4	7.8	6.6	7.1
Atal	buy	2018-07-04	36.40	42.86	36.20	+18.4%	7.4	7.8	6.6	7.1
Dom Development	accumulate	2019-02-04	75.00	84.10	73.80	+14.0%	8.2	8.5	6.6	7.1
GTC	suspended	2019-03-05	9,03	-	9.03	-	-	-	-	-
Retail						+11.6%	27.3	22.7	14.8	10.7
AmRest	accumulate	2019-03-05	41.40	46.00	41.40	+11.1%	47.5	36.1	16.1	13.4
CCC	buy	2019-02-04	178.80	291.00	188.00	+54.8%	-	16.5	26.1	10.6
Dino	hold	2019-02-04	100.30	105.90	109.70	-3.5%	35.1	26.1	21.3	16.3
Eurocash	reduce	2019-02-04	20.13	17.90	20.91	-14.4%	26.5	29.9	8.0	8.1
Jeronimo Martins	hold	2019-03-05	13.40	13.60 EUR	13.40	+1.5%	21.1	19.3	9.2	8.4
LPP	buy	2019-03-05	7990,00	9,300	7,990	+16.4%	27.3	18.6	13.4	10.7
Other						-3.2%	10.1	12.8	8.3	8.4
PBKM	hold	2019-03-05	68,80	66.57	68.80	-3.2%	10.1	12.8	8.3	8.4

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2018	2019	2018	2019
IT						13.6	11.8	5.8	4.9
Ailleron	underweight	2019-01-31	11.75	10.35	-11.9%	15.8	13.3	6.4	5.1
Asseco BS	overweight	2019-02-28	26.60	29.70	+11.7%	15.9	15.1	10.5	10.1
Asseco SEE	overweight	2018-04-26	11.70	13.10	+12.0%	10.5	10.3	4.7	4.6
Atende	neutral	2019-01-31	4.40	4.00	-9.1%	11.5	10.0	5.2	4.8
Industrials						9.4	9.3	6.3	6.4
AC	overweight	2018-11-30	41.50	47.00	+13.3%	12.0	11.6	8.1	7.8
Alumetal	neutral	2018-08-23	51.00	43.20	-15.3%	8.7	8.4	6.1	6.6
Amica	overweight	2018-09-13	112.80	138.20	+22.5%	9.0	9.3	6.3	5.9
Apator	overweight	2019-03-05	26,50	26.50	# ARG!	13.5	12.3	7.9	7.8
Boryszew	neutral	2018-09-05	6.25	4.56	-27.0%	8.3	8.8	6.8	6.6
Cognor	underweight	2019-03-05	1,94	1.94	# ARG!	5.0	5.2	2.8	3.8
Ergis	overweight	2019-02-27	2.75	2.84	+3.3%	6.7	7.1	5.9	5.5
Forte	neutral	2018-10-31	40.60	24.60	-39.4%	16.6	13.9	10.1	9.3
Impexmetal	neutral	2018-12-05	3.40	3.48	+2.4%	3.3	3.9	4.8	5.4
Kruszwica	neutral	2018-10-16	43.90	40.30	-8.2%	11.0	15.0	6.4	7.8
Mangata	neutral	2018-10-01	65.40	63.80	-2.4%	8.0	9.9	6.0	6.7
Pfleiderer Group	neutral	2019-02-27	28.40	26.65	-6.2%	17.2	15.4	5.4	5.6
Pozbud	overweight	2018-09-04	3.57	2.47	-30.8%	9.4	2.9	7.1	3.0
Tarczyński	underweight	2018-12-05	17.50	17.00	-2.9%	13.2	10.7	5.8	6.4
TIM	overweight	2018-12-05	7.48	6.50	-13.1%	10.1	9.2	6.3	6.2
Retail						11.2	9.0	7.3	4.8
Monnari	underweight	2018-12-05	4.75	5.56	+17.1%	5.1	7.9	3.4	2.8
VRG	overweight	2018-12-05	3.83	3.93	+2.6%	17.3	10.1	11.3	6.8

Recommendations Issued in February

Company	Rating	Previous Rating	Target Price	Issued on
Apator	overweight	neutral	- -	2019-02-27
Asseco BS	overweight	neutral	- -	2019-02-28
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
Cognor	underweight	neutral	- -	2019-03-05
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
Energia	buy	buy	13.26 PLN	2019-02-04
Ergis	overweight	underweight	- -	2019-02-27
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
Handlowy	reduce	accumulate	65.50 PLN	2019-02-01
ING BSK	hold	accumulate	191.80 PLN	2019-02-01
Jeronimo Martins	buy	buy	14.60 EUR	2019-02-04
JSW	reduce	reduce	60.68 PLN	2019-02-04
JSW	hold	reduce	60.68 PLN	2019-02-20
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
Millennium	accumulate	accumulate	10.00 PLN	2019-02-01
MOL	hold	hold	3433.00 HUF	2019-02-04
Pekao	buy	buy	131.80 PLN	2019-02-01
Pfleiderer Group	neutral	underweight	- -	2019-02-27
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
PKO BP	hold	accumulate	40.92 PLN	2019-02-01
Play	hold	buy	21.30 PLN	2019-02-04
PZU	hold	accumulate	46.50 PLN	2019-02-04
Santander Bank Polska	hold	accumulate	388.00 PLN	2019-02-01
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

Ratings and Valuations Changed as of 5th March 2019

Company	Rating	Previous Rating	Target Price	Issued on
AmRest	accumulate	buy	46.00 PLN	2019-03-05
Apator	overweight	overweight	- -	2019-03-05
Asseco Poland	hold	accumulate	53.00 PLN	2019-03-05
Comarch	buy	hold	195.00 PLN	2019-03-05
Grupa Azoty	hold	hold	43.20 PLN	2019-03-05
GTC	suspended	hold	- -	2019-03-05
Handlowy	hold	reduce	65.50 PLN	2019-03-05
Jeronimo Martins	hold	buy	13.60 EUR	2019-03-05
Kernel	buy	buy	62.86 PLN	2019-03-05
Lotos	sell	sell	65.18 PLN	2019-03-05
LPP	buy	accumulate	9300.00 PLN	2019-03-05
MOL	hold	hold	3423.00 HUF	2019-03-05
PBKM	hold	accumulate	66.57 PLN	2019-03-05
PGNiG	hold	hold	7.08 PLN	2019-03-05
PKN Orlen	sell	sell	81.22 PLN	2019-03-05
PZU	accumulate	hold	46.50 PLN	2019-03-05
Stelmet	hold	hold	8.36 PLN	2019-03-05

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	3.8%
reduce	1	1.4%	0	0.0%
underweight	4	5.8%	2	7.7%
hold	19	27.5%	7	26.9%
neutral	8	11.6%	2	7.7%
accumulate	8	11.6%	4	15.4%
buy	18	26.1%	8	30.8%
overweight	9	13.0%	2	7.7%

Corporate Events Calendar For March

Date	Time	Company	Event
5-Mar	10:00	Play	Q4'18 conference call
5-Mar	10:00	Polenergia	Q4'18 earnings conference (Sheraton Hotel, Warsaw)
5-Mar	11:30	Ferro	Q4'18 earnings conference (Sheraton Hotel, Warsaw)
5-Mar	12:30	Stalexport	Q4'18 earnings conference (WSE, ul. Książęca 4, Warsaw)
6-Mar	13:00	Zortrax	Investor meetings (Dom Handlowy, ul. Mysia 3, Warszawa)
7-Mar		Dom Development	Q4'18 earnings announcement
7-Mar		Kruk	Q4'18 earnings announcement
8-Mar		Agora	Q4'18 earnings announcement
8-Mar		ING BSK	Q4'18 earnings announcement
8-Mar		Lotos	Q4'18 earnings announcement
8-Mar		Mennica Polska	Q4'18 earnings announcement
12-Mar		AC Autogaz	Q4'18 earnings announcement
12-Mar		PGE	Q4'18 earnings announcement
13-Mar		AC Autogaz	Investor meetings (mBank HQ, ul. Senatorska 18, Warsaw) - registration required
13-Mar		PZU	Q4'18 earnings announcement
14-Mar		BNP Paribas	Q4'18 earnings announcement
14-Mar		CCC	Q4'18 earnings announcement
14-Mar		Dino	Q4'18 earnings announcement
14-Mar		Energa	Q4'18 earnings announcement
14-Mar		JSW	Q4'18 earnings announcement
14-Mar		JWC	Q4'18 earnings announcement
14-Mar		KGHM	Q4'18 earnings announcement
14-Mar		PGNiG	Q4'18 earnings announcement
14-Mar		RBI	Q4'18 earnings announcement
14-Mar		Ronson	Q4'18 earnings announcement
15-Mar	10:00	JSW	Q4'18 earnings conference (Hotel Warszawa, pl. Powstańców Warszawy 9, Warsaw)
15-Mar		Energa	Investor meetings (mBank HQ, ul. Senatorska 18, Warsaw) - registration required
15-Mar		Torpol	Q4'18 earnings announcement
18-Mar		Eurocash	Q4'18 earnings announcement
19-Mar	16:00	CEZ	Q4'18 earnings conference (T: +44 207 194 3759; PIN: 71206829#)
19-Mar		Atal	Q4'18 earnings announcement
19-Mar		CEZ	Q4'18 earnings announcement
19-Mar		VRG	Q4'18 earnings announcement
21-Mar		Alumetal	Q4'18 earnings announcement
21-Mar		CD Projekt	Q4'18 earnings announcement
21-Mar		Cyfrowy Polsat	Q4'18 earnings announcement
21-Mar		Echo Investment	Q4'18 earnings announcement
21-Mar		Enea/LWB	Q4'18 earnings announcement
21-Mar		GTC	Q4'18 earnings announcement
21-Mar		LC Corp	Q4'18 earnings announcement
21-Mar		PKP Cargo	Q4'18 earnings announcement
21-Mar		Ten Square Games	Q4'18 earnings announcement
22-Mar		Citi Handlowy	Q4'18 earnings announcement
22-Mar		Neuca	Q4'18 earnings announcement
25-Mar		Asseco Poland	Q4'18 earnings announcement
26-Mar		Budimex	Q4'18 earnings announcement
26-Mar		Ciech	Q4'18 earnings announcement
26-Mar		Wirtualna Polska	Q4'18 earnings announcement
27-Mar		11 bit studios	Q4'18 earnings announcement
27-Mar		Lokum	Q4'18 earnings announcement
28-Mar		Atende	Q4'18 earnings announcement
28-Mar		Benefit Systems	Q4'18 earnings announcement
28-Mar		Erbud	Q4'18 earnings announcement
28-Mar		Unibep	Q4'18 earnings announcement
29-Mar		Erste Bank	Q4'18 earnings announcement
29-Mar		Kruszwica	Q4'18 earnings announcement
29-Mar		Tarczyński	Q4'18 earnings announcement
31-Mar		Skarbiec	Q2'18/19 earnings announcement

Financial Sector

Alior Bank buy (no change)

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We maintain a buy rating for Alior Bank, which remains the top pick for March. 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 15%-16% higher than the consensus forecasts. The estimate for 2019 might look overly ambitious at first glance at PLN 986m, but relative to the 2018 estimate of PLN 874m before one-offs it implies year-over-year growth of 13% - not as much of a stretch. Most of the growth will be driven by interest income, expected to increase by PLN 320m this year after adding PLN 228m in 2018. Alior may incur a setback as high as PLN 50m in 2019 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 during 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

62.30 PLN

Upside

9M Target Price

87.00 PLN

+39.6%

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

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	+6.5%	+7.8%
ISIN	PLALIOR00045	YTD Price Chng	+17.2%	+13.4%
Outst. Stock (m)	129.3	ADTV 1M		PLN 13.5m
MC (PLN m)	8,052.8	ADTV 6M		PLN 18.0m
		P/E 12M fwd	9.4	-30.1%
Free Float	74.8%	P/E 5Y avg	13.4	discount

Earnings Projections

(PLN m)	2016	2017	2018	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	10.9	15.6	11.4	8.2	7.2
P/B	1.3	1.2	1.1	1.0	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)		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	2018	2019P	2020P	2021P
Net interest income	2,841	3,085	3,417	3,654	3,873
Fee income	453	436	434	441	447
Trading income	376	476	479	488	498
Other income	127	127	140	147	154
Noninterest income	956	1,039	1,053	1,077	1,100
Total income	3,797	4,124	4,470	4,731	4,973
Operating expenses	1,930	1,847	1,705	1,903	1,940
Operating income	1,867	2,277	2,575	2,828	3,033
Provisioning	930	1,080	1,026	1,095	1,157
Profits of associates	0	0	0	0	1
Pre-tax income	937	1,196	1,549	1,733	1,875
Tax	221	275	325	364	394
Minority interests	0	0	0	0	0
Asset tax	201	208	237	256	274
Net income	515	713	987	1,113	1,207

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	281	2%
Value Driver (2021-35)	10,176	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)	106.80	
9M Target Price (PLN)	113.60	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,987	53%
Explicit Forecast (2018-20)	1,235	9%
PV Adjustment	785	6%
Value Driver (2021-35)	3,582	27%
Fade (2036-55)	667	5%
Fair Value	13,255	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	102.55	
9M Target Price (PLN)	109.08	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	13,804
Economic Profits	50%	13,255
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

Handlowy hold (upgraded)

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We upgrade Handlowy to hold after a recent share price decline. Our current valuation of the Bank takes into account the likely lack of changes in interest rates in 2020, and recognizes the Bank's sensitivity to interest rates due to a 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. At the same time, the Bank is guiding for slower-than-anticipated expansion in the consumer loan portfolio, and its small branch network is no help in furthering the sales ambitions. Since 2007 Handlowy 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%. The Bank 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. 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	65.90 PLN	Downside
9M Target Price	65.50 PLN	-0.6%

	rating	target price	issued	
new	hold	65.50 PLN	2019-03-05	
old	reduce	65,50 PLN	2019-02-01	
Key Metrics			BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-4.8%	-3.5%
ISIN	PLBH000000012	YTD Price Chng	-4.6%	-8.4%
Outst. Stock (m)	130.7	ADTV 1M		PLN 3.2m
MC (PLN m)	8,610.5	ADTV 6M		PLN 3.1m
		P/E 12M fwd	12.9	-16.8%
Free Float	25.0%	P/E 5Y avg	15.5	discount

Earnings Projections

(PLN m)	2016	2017	2018	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	14.3	16.1	13.0	12.2	12.1
P/B	1.3	1.2	1.2	1.2	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	7.1%	7.0%	6.2%	5.8%	6.1%
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	2018	2019P	2020P	2021P
Net interest income	1,082	1,108	1,188	1,221	1,283
Fee income	581	550	568	587	606
Trading income	396	487	528	541	554
Other income	21	15	44	46	47
Noninterest income	997	1,052	1,140	1,173	1,208
Total income	2,079	2,159	2,328	2,394	2,491
Operating expenses	1,192	-1,180	1,246	1,278	1,305
Operating income	888	980	1,082	1,116	1,186
Provisioning	103	64	79	96	103
Profits of associates	0	0	0	0	0
Pre-tax income	785	916	1,002	1,021	1,082
Tax	172	190	207	211	224
Minority interests	0	0	0	0	0
Asset tax	78	87	90	97	97
Net income	536	639	705	712	761

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	17,854	19,802	21,659	23,246	24,924
Other assets	25,184	29,503	26,275	27,133	28,023
Total assets	43,038	49,305	47,934	50,379	52,947
Deposits	32,137	38,334	27,337	27,870	28,416
Other liabilities	3,962	3,914	13,324	15,053	16,778
Minority interests	0	0	0	0	0
Equity	6,939	7,057	7,273	7,456	7,752

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.5%	2.5%	2.7%	2.6%	2.6%
C/I	57.9%	54.6%	53.5%	53.4%	52.4%
CoR	0.6%	0.3%	0.4%	0.4%	0.4%
NPL Ratio	3.5%	3.0%	3.1%	4.1%	4.1%
Tier 1 Ratio	17.9%	16.8%	16.8%	16.9%	17.0%

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 a 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 market's 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 at 12.7% in 2019. When it comes to upside catalysts, however, we see none coming in the foreseeable future, either from earnings or from dividends.

Current Price

190.00 PLN

Upside

9M Target Price

191.80 PLN

+0.9%

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

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-0.5%	+0.7%
ISIN	PLBSK0000017	YTD Price Chng	+5.6%	+1.7%
Outst. Stock (m)	130.1	ADTV 1M		PLN 2.1m
MC (PLN m)	24,719.0	ADTV 6M		PLN 2.4m
		P/E 12M fwd	14.6	-6.9%
Free Float	25.0%	P/E 5Y avg	15.7	discount

Earnings Projections

Earnings Projections					
(PLN m)	2016	2017	2018	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	19.7	17.6	16.7	14.9	13.3
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)			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	2018	2019P	2020P	2021P
Net interest income	3,453	3,760	4,139	4,570	4,980
Fee income	1,183	1,305	1,327	1,360	1,424
Trading income	117	154	137	144	151
Other income	3	14	17	17	18
Noninterest income	1,303	1,473	1,481	1,521	1,593
Total income	4,756	5,233	5,620	6,091	6,573
Operating expenses	2,123	2,327	2,429	2,524	2,613
Operating income	2,633	2,906	3,191	3,567	3,960
Provisioning	421	501	579	642	713
Profits of associates	0	0	12	25	24
Pre-tax income	2,212	2,405	2,625	2,951	3,272
Tax	479	507	551	620	687
Minority interests	0	0	0	0	0
Asset tax	330	372	415	475	522
Net income	1,403	1,526	1,658	1,856	2,062

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	91,088	103,126	114,221	126,681	138,014
Other assets	34,926	38,477	37,158	39,848	42,767
Total assets	126,014	141,603	151,379	166,529	180,781
Deposits	104,503	117,683	125,406	133,178	141,523
Other liabilities	9,716	10,584	12,416	18,642	23,003
Minority interests	0	0	0	0	0
Equity	11,795	13,336	13,557	14,709	16,255

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.9%	2.9%	2.9%	2.9%	2.9%
C/I	44.6%	44.5%	43.2%	41.4%	39.8%
CoR	0.5%	0.5%	0.5%	0.5%	0.5%
NPL Ratio	2.8%	2.8%	2.7%	2.7%	2.9%
Tier 1 Ratio	15.8%	14.8%	14.9%	15.1%	15.5%

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

Millennium accumulate (no change)

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We maintain an accumulate rating for Millennium. The cancellation of the original three-hikes forecast for 2020 interest rates has had a negligible effect on our earnings outlook for that 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. On the other hand, Millennium is guiding for ROE of nearly 10% in 2019 versus our much more conservative assumption of 8.5%. Lastly, when it comes to FX mortgage relief, its passing this year at most will wipe out the 11% upside potential currently offered by MIL.

Current Price	9.00 PLN	Upside
9M Target Price	10.00 PLN	+11.1%

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

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	+2.0%	+3.3%
ISIN	PLBIG00000016	YTD Price Chng	+1.5%	-2.3%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 4.9m
MC (PLN m)	10,918.1	ADTV 6M		PLN 8.4m
		P/E 12M fwd	13.7	+6.8%
Free Float	50.0%	P/E 5Y avg	12.8	premium

Earnings Projections

(PLN m)	2016	2017	2018	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	15.6	16.0	14.9	14.8	10.6
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)		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	2018	2019P	2020P	2021P
Net interest income	1,696	1,817	2,282	2,783	2,950
Fee income	664	661	717	771	801
Trading income	220	248	276	310	314
Other income	70	51	47	48	50
Noninterest income	953	960	1,039	1,130	1,165
Total income	2,650	2,778	3,322	3,913	4,114
Operating expenses	1,281	1,332	1,803	1,894	1,887
Operating income	1,369	1,445	1,519	2,019	2,228
Provisioning	255	222	308	400	435
Profits of associates	0	0	0	0	0
Pre-tax income	1,114	1,223	1,210	1,619	1,792
Tax	244	264	261	349	386
Minority interests	0	959	0	0	0
Asset tax	188	198	214	244	262
Net income	681	761	735	1,026	1,144

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. We have had to trim the Bank's 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 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, looking at strong 2018 Q4 results, from our point of view, Pekao deserves premium valuation relative to its peers, most notably the main rival PKO BP.

Current Price

112.50 PLN

Upside

9M Target Price

131.80 PLN

+17.2%

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

Key Metrics			PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	+0.3%	+1.5%
ISIN	PLPEKAO00016	YTD Price Chng	+3.2%	-0.6%
Outst. Stock (m)	262.5	ADTV 1M		PLN 44.6m
MC (PLN m)	29,527.9	ADTV 6M		PLN 76.6m
		P/E 12M fwd	12.0	-21.9%
Free Float	67.2%	P/E 5Y avg	15.3	discount

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018	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	13.0	11.9	13.4	11.5	10.4
P/B	1.3	1.3	1.3	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	7.7%	7.7%	7.0%	5.6%	6.5%
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	2018	2019P	2020P	2021P
Net interest income	4,593	4,994	5,559	6,052	6,523
Fee income	2,353	2,463	2,520	2,593	2,678
Trading income	255	237	173	184	195
Other income	77	137	77	87	97
Noninterest income	2,685	2,836	2,770	2,863	2,970
Total income	7,278	7,830	8,329	8,915	9,493
Operating expenses	3,535	3,710	3,728	3,843	3,967
Operating income	3,743	4,120	4,601	5,072	5,526
Provisioning	521	511	641	696	757
Profits of associates	453	0	0	0	0
Pre-tax income	3,675	3,609	3,960	4,375	4,769
Tax	677	760	752	831	906
Minority interests	-1	-1	0	0	0
Asset tax	522	562	637	694	753
Net income	2,475	2,287	2,571	2,850	3,110

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	132,301	129,297	152,507	166,359	181,056
Other assets	53,165	61,793	58,113	60,739	63,489
Total assets	185,466	191,090	210,620	227,097	244,545
Deposits	146,186	149,491	169,534	183,893	197,667
Other liabilities	16,011	18,802	16,674	17,410	19,579
Minority interests	0	0	0	0	0
Equity	23,268	22,797	24,411	25,794	27,299

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.6%	2.8%	2.8%	2.9%	2.9%
C/I	48.6%	47.4%	46.0%	44.3%	42.9%
CoR	0.4%	0.4%	0.4%	0.4%	0.4%
NPL Ratio	5.4%	5.4%	4.7%	4.6%	4.6%
Tier 1 Ratio	16.1%	16.3%	16.5%	16.2%	16.0%

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



PKO BP hold (no change)

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We recently set 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 net interest income. Interestingly, our 2020 target is only 2.1% lower than the current consensus forecast, suggesting analysts may be underestimating PKO's revenue-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 the net income for the year, 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	38.65 PLN	Upside
9M Target Price	40.92 PLN	+5.9%

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

Key Metrics			PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-2.2%	-0.9%
ISIN	PLPKO00000016	YTD Price Chng	-2.1%	-5.9%
Outst. Stock (m)	1,250.0	ADTV 1M		PLN 79.6m
MC (PLN m)	48,312.5	ADTV 6M		PLN 105.5m
		P/E 12M fwd	11.8	-9.9%
Free Float	70.6%	P/E 5Y avg	13.1	discount

Earnings Projections

(PLN m)	2016	2017	2018	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	16.8	15.6	12.9	11.7	11.1
P/B	1.5	1.3	1.2	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%	3.9%	4.3%
Projection Update (% change)			2018	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	2018	2019P	2020P	2021P
Net interest income	8,606	9,353	10,081	10,730	11,385
Fee income	2,969	3,013	3,098	3,189	3,370
Trading income	518	664	681	695	710
Other income	710	630	688	702	716
Noninterest income	4,197	4,307	4,467	4,586	4,796
Total income	12,803	13,660	14,548	15,316	16,181
Operating expenses	6,024	6,218	6,431	6,640	6,894
Operating income	6,779	7,442	8,117	8,677	9,286
Provisioning	1,620	1,451	1,650	1,873	2,127
Profits of associates	22	37	24	25	27
Pre-tax income	5,181	6,028	6,492	6,829	7,186
Tax	-1,140	-1,336	-1,363	-1,434	-1,509
Minority interests	-5	-1	-2	-2	-2
Asset tax	932	950	994	1,049	1,124
Net income	3,104	3,741	4,132	4,344	4,551

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 a cumulative PLN 760m, which would imply a need to knock PLN 6.19 off our per-share valuation. 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 possibly 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. Moreover the February sale of 1.5 million SPL shares by Deutsche Bank has finally eliminated the overhang. Despite a solid FY2019 outlook, Santander's limited current upside potential means its rating remains a hold.

Current Price

380.00 PLN

Upside

9M Target Price

388.00 PLN

+2.1%

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

Key Metrics			SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	+1.0%	+2.2%
ISIN	PLBZ000000044	YTD Price Chng	+6.1%	+2.3%
Outst. Stock (m)	99.2	ADTV 1M		PLN 23.3m
MC (PLN m)	37,709.1	ADTV 6M		PLN 22.3m
		P/E 12M fwd	14.4	-0.7%
Free Float	31.7%	P/E 5Y avg	14.5	discount

Earnings Projections

(PLN m)	2016	2017	2018	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	17.4	17.0	16.2	14.6	12.3
P/B	1.9	1.7	1.5	1.4	1.4
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%	5.3%	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	2018	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	2018	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	2018	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%	14.8%	15.2%	14.8%	14.8%

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



Komercni Banka accumulate (no change)

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We maintain an accumulate rating for Komercni Banka. Our 2019-2020 earnings outlook for the Bank indicates 4% 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). Komercni itself is guiding for higher interest income this year, alongside slightly better fee income, accompanied by a rise in costs in line with the inflation rate, reduced charge-offs, and loan growth in the mid-single digits. Supported by high ROE (>14% compared to 10% expected of Polish banks), 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

945.00 CZK

Upside

9M Target Price

1,000.00 CZK

+5.8%

	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	+3.3% +4.5%
ISIN	CZ0008019106	YTD Price Chng	+11.6% +7.8%
Outst. Stock (m)	188.9	ADTV 1M	CZK 112.1m
MC (CZK bn)	178.5	ADTV 6M	CZK 131.6m
		P/E 12M fwd	12.3 -10.7%
Free Float	39.6%	P/E 5Y avg	13.8 discount

Earnings Projections

(CZK m)	2016	2017	2018	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	13.0	12.0	12.0	11.8	11.3
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	6.6%	4.2%	5.0%	5.5%	5.5%
Projection Update (% change)			#ADR!	0	2019P
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

(CZK m)	2016	2017	2018	2019P	2020P
Net interest income	21,067	20,808	22,509	24,821	26,493
Fee income	6,683	6,465	6,219	6,290	6,452
Trading income	3,837	3,576	3,215	3,057	3,149
Other income	170	211	259	233	244
Total income	31,757	31,060	32,202	34,401	36,339
Operating expenses	-14,033	-13,374	-14,634	-14,876	-15,215
Operating income	17,724	17,686	17,569	19,525	21,124
Provisioning	-1,818	391	643	-886	-1,758
Net oper. income	15,906	18,077	18,208	18,638	19,366
Profits of associates	967	209	308	211	221
Retirement benefits	0	0	0	0	0
Pre-tax income	16,873	18,286	18,518	18,849	19,587
Tax	-2,799	-3,012	-3,349	-3,393	-3,526
Minority interests	386	344	324	337	334
Net income	13,688	14,930	14,846	15,119	15,728

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 (no change)

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We maintain a buy rating for Erste Bank, which delivered better-than-expected earnings for FY2018, and saw its stock rewarded with gains. Our FY2019 and 2020 outlook for Erste already factors in the new bank tax planned in Romania, which forced us to slash the respective net income estimates for the Romanian business by 65% and 66%. We assume the Romanian units will remain profitable despite the extra tax burden, but we anticipate a decrease in ROE to about 6%. Note that Romania has not decided on the tax formula yet, but the legislators have reportedly agreed not to link it to the ROBOR rate, and to exempt certain assets, including Treasuries, indicating a possibility of upside revisions to future earnings estimates. When it comes to the outlook for FY2019, Erste says it is targeting ROTE above 11% assuming a tax rate below 20% for the year, and it expects operating expenses to rise at a slower rate than operating income alongside loan growth in the mid-single digits, and cost of risk at 10-20bp – ambitious targets which also already account for the new tax in Romania. Erste is attractively priced at the current level, with substantial upside risk reinforced by the evolving Romanian bank tax plans.

Current Price

33.34 EUR

Upside

9M Target Price

43.72 EUR

+31.1%

	rating	target price	issued
unchanged	buy	43.72 EUR	2019-02-04

Key Metrics			EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	+7.5%	+8.8%
ISIN	AT0000652011	YTD Price Chng	+14.8%	+11.0%
Outst. Stock (m)	429.8	ADTV 1M		EUR 25.1m
MC (EUR m)	14,329.5	ADTV 6M		EUR 28.7m
		P/E 12M fwd	9.7	-15.3%
Free Float	69.5%	P/E 5Y avg	11.4	discount

Earnings Projections

(EUR m)	2016	2017	2018	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	11.3	10.9	8.2	9.6	8.9
P/B	1.2	1.0	1.0	0.9	0.9
ROE	10.8%	10.0%	12.2%	9.8%	10.0%
DPS	0.50	1.00	1.20	1.40	1.46
DYield	1.5%	3.0%	3.6%	4.2%	4.4%
Projection Update (% change)			0	2019P	2020P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(EUR m)	2016	2017	2018	2019P	2020P
Net interest income	4,375	4,353	4,582	4,828	5,102
Fee income	1,783	1,852	1,908	1,998	2,051
Trading income	326	270	236	265	292
Total income	6,484	6,475	6,726	7,090	7,446
Other oper. income	79	-1	3	38	33
Asset tax	-389	-106	-112	-309	-326
Operating expenses	-4,028	-4,158	-4,181	-4,261	-4,329
Operating income	2,146	2,210	2,436	2,559	2,824
Provisioning	-196	-132	59	-135	-233
Net operating income	1,950	2,078	2,495	2,424	2,590
Extraordinary gains	0	0	0	0	0
Pre-tax income	1,950	2,078	2,495	2,424	2,590
Tax	-414	-410	-332	-518	-555
Minority interests	-272	-352	-369	-407	-428
Net income	1,265	1,316	1,793	1,499	1,607

Key Balance Sheet Figures

(EUR m)	2016	2017	2018	2019P	2020P
Net loans	135,267	139,532	143,953	165,544	176,206
Other assets	72,960	81,127	92,838	83,223	86,866
Total assets	208,227	220,659	236,792	248,766	263,071
Deposits	138,013	150,969	162,075	171,776	180,501
Other liabilities	53,612	51,402	55,848	56,107	60,449
Minority interests	4,142	4,416	4,494	5,222	5,650
Equity	12,460	13,872	14,375	15,662	16,471

Key Ratios

(%)	2016	2017	2018	2019P	2020P
NIM	2.2%	2.0%	2.3%	2.1%	2.1%
C/I	60.9%	64.2%	62.2%	59.6%	57.7%
CoR	0.1%	0.1%	-0.1%	0.1%	0.1%
NPL Ratio	4.9%	4.0%	3.2%	4.8%	4.8%
Tier 1 Ratio	13.4%	14.0%	14.4%	13.6%	13.5%

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV	P/B
			2018	2019P	2020P	2018	2019P	2020P	2018	2018
Austria	7,422	17.27	645	567	599	11.5	13.1	12.4	4,283	1.7
Savings Banks	501	1.17	54	67	72	3.4	7.4	7.0	2,763	0.2
Erste Oesterreich	4,245	9.88	278	301	321	17.5	14.1	13.2	1,520	2.8
Other Austria	2,675	6.22	313	199	206	10.4	13.4	13.0	1,873	1.4
CEE	15,543	36.16	1,270	1,162	1,214	12.0	13.4	12.8	6,555	2.4
Czech Republic	8,631	20.08	583	608	626	13.9	14.2	13.8	2,489	3.5
Romania	1,199	2.79	220	90	92	5.2	13.3	13.1	1,334	0.9
Slovakia	3,153	7.34	189	219	246	16.3	14.4	12.8	950	3.3
Hungary	1,550	3.61	167	128	134	10.8	12.1	11.6	823	1.9
Croatia	753	1.75	96	103	101	7.5	7.3	7.5	758	1.0
Serbia	256	0.60	16	13	16	28.6	19.3	16.1	202	1.3
Other	-5,063	-11.78	-122	-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



OTP Bank accumulate (no change)

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We maintain an accumulate rating for OTP Bank. After a round of positive revisions during 2018, the market's earnings expectations for the Bank currently match our forecasts and are not likely to be revised any further in the year ahead. Our outlook takes into account OTP's latest acquisitions in Bulgaria and Albania, and it assumes more value-generating M&A activity in the year ahead, such as the recent deal to buy the fourth-largest bank in Montenegro. Despite higher cost of risk, acquisition like this should continue to drive earnings momentum in 2020 and beyond. On the risks side, synergies from the acquisitions may take longer to achieve if there is a sudden sharp decline in economic growth in Europe, plus OTP's large exposure to Russia and Ukraine is also a potential source of downside risk. Earnings in 2019 will probably show flat growth relative to 2018, with an increasing lending portfolio and stable NIM expected to be offset by normalization of cost of risk which last year was at its lowest level in 12 years. At the same time, we expect 2019 ROE to reach 16%.

Current Price	12,000.00 HUF	Upside
9M Target Price	13,046.00 HUF	+8.7%

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

Key Metrics	OTP HB	1M Price Chng	OTP HB	vs. WIG
Ticker	OTP HB		+5.5%	+6.8%
ISIN	HU00000061726	YTD Price Chng	+6.3%	+2.5%
Outst. Stock (m)	267.0	ADTV 1M		HUF 4.7bn
MC (HUF bn)	3,204.4	ADTV 6M		HUF 6.3bn
		P/E 12M fwd	10.2	-1.5%
Free Float	100.0%	P/E 5Y avg	10.4	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	15.8	11.4	9.9	9.9	9.4
P/B	2.3	2.0	1.7	1.4	1.3
ROE	15.3%	18.4%	18.3%	15.7%	14.4%
DPS	173.01	199.22	229.63	276.72	296.56
DYield	1.4%	1.7%	1.9%	2.3%	2.5%
Projection Update (% change)		0	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

(HUF bn)	2016	2017	2018	2019P	2020P
Net interest income	522	547	600	675	700
Fee income	176	209	221	243	250
Other income	40	53	65	74	77
Total income	738	809	886	992	1,028
Operating expenses	400	442	497	520	528
Operating income	338	367	389	472	500
Provisioning	93	46	26	93	100
Pre-tax income	245	321	363	379	400
Tax	44	37	37	46	47
Net income	201	284	325	334	353
Asset impairment	12	-6	-5	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	318	322	341

Key Balance Sheet Figures

(HUF bn)	2016	2017	2018	2019P	2020P
Net loans	5,736	6,988	8,067	9,276	9,685
Other assets	5,571	6,203	6,524	7,182	7,273
Total assets	11,308	13,190	14,590	16,458	16,958
Deposits	8,541	10,219	11,285	12,757	13,330
Other liabilities	1,346	1,328	1,476	1,459	1,107
Minority interests	3	3	2	4	5
Equity	1,417	1,640	1,827	2,237	2,516

Key Ratios

(%)	2016	2017	2018	2019P	2020P
NIM	4.7%	4.5%	4.3%	4.3%	4.2%
C/I	54.2%	54.6%	56.1%	52.4%	51.3%
CoR	1.4%	0.6%	0.3%	1.0%	1.0%
NPL Ratio	15.2%	9.2%	6.3%	6.1%	7.0%
Tier 1 Ratio	13.5%	12.7%	16.5%	16.3%	17.7%

SOTP Valuation

SOCP Valuation										
(HUF bn)	Fair Value	FVPS (HUF)	Net Income			P/E			BV	P/B
			2018	2019P	2020P	2018	2019P	2020P	2018	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 accumulate (upgraded)

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We upgrade PZU from hold to accumulate after a share price decline. Our current forecasts assume growth in gross written premiums at an annual rate of 2.3% in 2019 and 2.5% in 2020, accompanied by a 2% rise in average claims. PZU reported an extremely low combined ratio in 2018 owing to a lack of major catastrophic events, but this is not sustainable over a longer term given the increasing size of an average claim under auto insurance policies. Based on 2018 and 2019 earnings estimates, PZU should be able to offer dividend yields greater than 6.5% in the next two years, one of the highest yields in the 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 3.2bn (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 still prefer Pekao as the better pick given its faster growth and more attractive valuation.

Current Price

42.00 PLN

Upside

9M Target Price

46.50 PLN

+10.7%

	rating	target price	issued
new	accumulate	46.50 PLN	2019-03-05
old	hold	46.50 PLN	2019-02-04
Key Metrics			
	PZU PW	1M Price Chng	-6.1%
Ticker	PLPZU0000011	YTD Price Chng	-4.3%
ISIN			
Outst. Stock (m)	863.5	ADTV 1M	PLN 73.2m
MC (PLN m)	36,268.0	ADTV 6M	PLN 78.2m
		P/E 12M fwd	11.2
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	18.7	12.5	11.3	11.1	10.6
P/B	2.8	2.5	2.3	2.2	2.1
ROE	15.1%	21.1%	21.1%	20.2%	20.0%
DPS	2.08	1.40	2.70	2.78	2.84
DYield	5.0%	3.3%	6.4%	6.6%	6.8%
Projection Update (% change)					
Gross written premiums			0.0%	0.0%	0.0%
Claims			0.0%	0.0%	0.0%
Investment income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Gross written prem	20,219	22,847	23,290	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	

Kruk buy (no change)

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We maintain a buy rating for Kruk. The Debt Collector reported that its preliminary net profit for 2018 amounted to PLN 330m, indicating a 4% miss relative to our and the market's estimates. The fourth-quarter prelim. was even more of a disappointment, falling 19% short of analysts' expectations. This means Kruk was not able to deliver its own guidance in FY2018, casting doubt on the feasibility of the 2024 net profit target, currently set at PLN 700m. We suspect the 2018 miss might have had something to do with Kruk's mispriced Italian debt portfolios. With that said, KRU stock already prices any potential downside surprises at the current level, as evidenced by the lack of reaction from the market to the lower-than-expected preliminary 2018 figures. Meanwhile Kruk's discount to peer P/E valuations keeps expanding, and on 2019E earnings the gap to Intrum is currently 24%. Our outlook for Kruk captures the new Romanian law capping collections on overdue debts to double the amounts paid for unsecured consumer receivables. Kruk will probably limit the types of portfolios targeted in Romania to just secured consumer receivables, corporate receivables, and nonbank debts (e.g. overdue phone bills), and shift more cash to Poland, where IRRs on new portfolios are comparable.

Current Price	165.00 PLN	Upside
9M Target Price	279.32 PLN	+69.3%

	rating	target price	issued
unchanged	buy	279.32 PLN	2019-02-04

Key Metrics			KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	+0.6%	+1.9%
ISIN	PLKRK0000010	YTD Price Chng	+5.3%	+1.5%
Outst. Stock (m)	18.9	ADTV 1M		PLN 8.8m
MC (PLN m)	3,113.8	ADTV 6M		PLN 9.5m
		P/E 12M fwd	8.2	-38.8%
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	12.2	10.5	9.0	7.7	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%	6.5%
Projection Update (% change)		2018P	2019P	2020P	
Purchased debt portfolios		0.0%	0.0%	0.0%	
Collections		0.0%	0.0%	0.0%	
Other		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Rev., Purchased Debt	454	559	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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Our outlook for Skarbiec reflects a proposed reduction to 2.0% investment fund management fee caps in 2022 and slower growth in the market for investment funds. Skarbiec is still allowed to charge performance-based fees, a fact which in the past was 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 predict that Skarbiec will grow AUM at an average annual rate of 10.5% over the next nine years. With the market for investment funds set to expand by an estimated 7.0% in the period, this indicates Skarbiec can increase its market share to 3.1% in 2026 from the current 2.6%. Throughout this time, we believe Skarbiec will continue to offer high dividend yields on a yearly basis in the range of 14%-19%.

Current Price

17.00 PLN

Upside

9M Target Price

31.36 PLN

+84.5%

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

Key Metrics			SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+3.7%	+4.9%
ISIN	PLSKRBH00014	YTD Price Chng	-19.4%	-23.2%
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.1m
MC (PLN m)	116.0	ADTV 6M		PLN 0.2m
		P/E 12M fwd	5.1	-32.1%
Free Float	25.4%	P/E 5Y avg	7.5	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	3.6	5.9	5.3	5.0	5.1
P/B	1.2	1.3	1.3	1.3	1.3
ROE	34.1%	20.6%	24.4%	25.3%	25.0%
DPS	3.08	4.57	3.00	3.30	3.36
DYield	18.1%	26.9%	17.6%	19.4%	19.8%
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

Chemicals

Ciech

buy (no change)

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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% compared to average growth in supply by 1.4% per year. Additionally, further closures of Chinese soda factories due a more environment-conscious policy are having a positive impact on the global soda balance. In 2018, 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 by 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. 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. In addition, Ciech's German unit Soda Deutschland is currently benefitting from lower costs of natural gas inputs in the local market. We maintain a buy rating for CIE, with the 9-month price target unchanged at PLN 75.82 per share.

Current Price

59.90 PLN

Upside

9M Target Price

75.82 PLN

+26.6%

	rating	target price	issued
unchanged	buy	75.82 PLN	2019-02-04

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	+13.0%	+14.3%
ISIN	PLCIECH000018	YTD Price Chng	+35.2%	+31.4%
Outst. Stock (m)	52.7	ADTV 1M		PLN 4.1m
MC (PLN m)	3,156.7	ADTV 6M		PLN 4.9m
EV (PLN m)	4,508.6	EV/EBITDA 12M fwd	6.1	-1.3%
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.	5.4	8.5	15.2	9.1	7.9
P/B	1.8	1.4	1.5	1.4	1.3
EV/EBITDA adj.	4.9	5.0	6.8	5.7	5.0
DPS	2.85	0.00	7.50	2.28	4.27
DYield	4.8%	0.0%	12.5%	3.8%	7.1%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Soda price (US \$/t)			0.0%	0.0%	0.0%
Soda Ciech (PLN/t)			0.0%	0.0%	0.0%
Soda vol (1,000t)			0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coking Coal price (\$/t)			0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%

Financial Highlights

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

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Global fertilizer producers continue to expand their capacities, with an estimated 4.1mmt added worldwide ex. China in 2018, followed by 2.2mmt in 2019 and 2020 after 6.7mmt already installed in 2017. At the same time, demand growth is projected to increase at a faster rate in the coming years, indicating potential for producers to rebuild profit margins. Grupa Azoty managed to improve margins on nitrogen fertilizers in the fourth quarter of 2018, and by acquiring the EU-based specialty fertilizer producer Compo Expert last November the Company is poised for an EBITDA rebound to a projected PLN 1.1bn in 2019 from PLN 0.7bn in 2018. In the medium term the upbeat outlook is supported by falling costs of natural gas inputs as prices fall under pressure from high EU inventories and warm winter temperatures. We have raised our 2019 EBITDA forecast for Grupa Azoty from PLN 1.0bn to PLN 1.1bn after a 47% upgrade to the expected segmental earnings in Fertilizers, alongside respective downward revisions of 7% and 10% affecting the segments of Plastics and Chemicals, reflecting expectations of a possible decline in demand due to an economic slowdown. Even on the higher earnings estimates, and even with our target price hereby raised from PLN 33.00 to PLN 43.20 per share, ATT stock no longer trades at a discount to its peers, and remains a hold to us.

Current Price

43.88 PLN

Downside

9M Target Price

43.20 PLN

-1.5%

	rating	target price	issued
new	hold	43.20 PLN	2019-03-05
old	hold	33.00 PLN	2018-11-23
Key Metrics			
	ATT PW	1M Price Chng	+15.5% vs. WIG
Ticker	PLZATRM00012	YTD Price Chng	+40.7% +36.9%
Outst. Stock (m)	99.2	ADTV 1M	PLN 5.9m
MC (PLN m)	4,352.7	ADTV 6M	PLN 6.5m
EV (PLN m)	5,757.3	EV/EBITDA 12M fwd	5.7 -13.7%
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	11,879	11,918
EBITDA adj.	1,034	1,262	771	1,113	1,066
EBITDA margin	11.5%	13.1%	7.8%	9.4%	8.9%
EBIT adj.	523	672	103	361	280
Net income adj.	385	550	63	227	143
P/E adj.	11.3	7.9	69.2	19.2	30.4
P/B	0.7	0.6	0.6	0.6	0.6
EV/EBITDA adj.	5.0	4.2	7.5	7.0	8.3
DPS	0.84	0.79	1.20	0.00	0.46
DYield	1.9%	1.8%	2.7%	0.0%	1.0%
Projection Update (% change)					
EBITDA			0.0%	+11.7%	-2.9%
Net income			0.0%	+66.6%	-6.5%
Urea price (PLN/t)			0.0%	+3.1%	+0.9%
Ammonium Nitrate price (PLN/t)			0.0%	+2.8%	+2.1%
Natural Gas price (PLN/m3)			0.0%	+1.0%	+0.8%
Melamine (PLN/t)			0.0%	+1.0%	-3.4%
Polyamide 6 (PLN/t)			0.0%	+3.1%	+0.9%
Propylene (PLN/t)			0.0%	+19.4%	+11.7%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA, Fertilizers	600	484	80	466	439
EBITDA, Plastics	-33	221	189	167	152
EBITDA, Chemicals	271	348	280	263	204
EBITDA, Energy	0.0	0.0	0.0	151.1	151.5
EBITDA, Other	135	134	190	66	119
Operating cash flow	1,136	1,107	734	1,026	1,043
D&A	511	590	667	752	786
Working capital	137	13	-6	-43	-1
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	-159	1,474	716
Dividends/Buyback	-83	-78	-119	0	-45
FCF	-214	53	-292	-1,895	-978
FCF/EBITDA	-21%	4%	-39%	-170%	-92%
OCF/EBITDA	114%	93%	99%	92%	98%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	11,052	11,738	11,707	13,899	14,888
Fixed assets	7,651	8,070	8,432	10,596	11,835
Equity	6,534	6,856	6,774	7,001	7,099
Minority interests	595	588	585	593	597
Net debt	273	367	819	2,792	3,930
Net debt/EBITDA (x)	0.3	0.3	1.1	2.5	3.7
Net debt/Equity (x)	0.0	0.1	0.1	0.4	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	8.5	9.0	8.9	5.9	5.7	5.4
Maximum	43.0	17.5	13.8	10.8	9.1	8.0
Median	16.8	13.1	10.4	8.2	7.4	6.5
Weight	0%	25%	25%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Urea price (PLN/t)	1,500	1,602	1,576	1,594	1,594	1,592	1,591	1,589	1,587	1,585	1,584
AN price (PLN/t)	1,239	1,321	1,310	1,328	1,328	1,326	1,324	1,323	1,321	1,319	1,317
NGas cost (PLN/m3)	1,115	1,103	1,128	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184
Revenue	9,885	11,879	11,918	12,101	13,277	13,941	14,188	14,388	14,532	14,678	15,235
EBITDA	739	1,113	1,066	1,081	1,446	1,534	1,579	1,554	1,540	1,523	1,789
EBITDA margin	7.5%	9.4%	8.9%	8.9%	10.9%	11.0%	11.1%	10.8%	10.6%	10.4%	11.7%
EBIT	72	361	280	323	448	532	583	573	582	557	824
Tax	5	52	26	28	21	39	53	55	59	55	106
CAPEX	-1,020	-2,912	-2,017	-1,618	-1,173	-599	-651	-697	-883	-958	-966
Working capital	-6	-43	-1	-4	-26	-14	-5	-4	-3	-3	-12
FCF	-292	-1,895	-978	-569	227	881	869	798	595	507	705
PV FCF	-292	-1,792	-870	-477	177	642	591	504	350	278	
WACC	7.9%	6.9%	6.6%	6.4%	6.7%	6.8%	6.9%	7.0%	7.0%	7.1%	7.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	6,654
Net debt	486
Other adjustments	-588
Value per share (PLN)	56.26

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	25.02
DCF Val.	50%	56.26
Implied Price		40.64
Cost of equity (9M)		6.3%
9M Target Price		43.20

Oil & Gas

Lotos sell (reiterated)

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Lotos's 2018 Q4 earnings figures came as a disappointment to us considering exceptionally good market conditions in the period, and compared to the results generated by rival refiner PKN Orlen. We have had to revise our outlook for the years ahead to reflect the over-PLN 0.1bn miss on the quarterly EBITDA, but the negative effect of this is offset by a more upbeat view on model refining margins based on improved current cracking margins on HSFO, which should also make up for an expected 11% dent in 2019 EBITDA from Upstream due to lower prices of crude oil and natural gas. We have also had to adjust for the postponement of the anticipated start of full production from the B8 oilfield from Q3 2019 to Q2 2021 at the earliest. After all these revisions, and after adjusting peer multiples, we lower our target price for LTS slightly to PLN 65.18, but we maintain a sell rating on the stock. Lotos still faces deterioration in refining market conditions, and its new delayed coking unit is probably being overestimated by analysts as a future earnings driver looking at the current diesel-HSFO pricing spread. What is more, even based record 2018 earnings, LTS looks overpriced at the current level at 6.4x EV/EBITDA LIFO, and it is even more wildly overvalued at 8.0+ times EBITDA given the average model refining margin achieved in this business cycle. Keep in mind that Lotos derives 30% of annual earnings from the upstream business, made up largely of high-taxed assets based in Norway. The expected takeover bid by PKN Orlen after the merger is cleared with the EU continues to cushion any downside risks to growth, but with the anticipation boosting Lotos's market capitalization to the tune of PLN 6.5bn since the merger was announced PKN might eventually want to tone down the enthusiasm.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
LIFO EBITDA (adj.)	2,596	3,050	3,139	2,600	3,093
Upstream (US)	692	863	916	871	1,128
Downstream (DS)	1,761	2,058	2,045	1,560	1,790
Retail	140	139	169	169	175
EV/ LIFO EBITDA (adj.)	8.7	6.6	6.4	8.2	6.7
LIFO effect	-77	171	498	81	-90
Other one-offs	404	-148	-264	-2	-2
Financing activity	-275	219	-179	-149	-99
Crude thrght (mmt)	10.4	9.6	10.7	10.4	10.2
\$ LIFO EBITDA/bbl, DS	5.9	7.7	7.3	5.5	6.7
PLN EBITDA/tonne, Retail	129	131	140	135	137
\$ EBITDA/boe, US	18.0	26.9	33.3	32.5	39.5
US output (mboepd)	26.7	23.3	20.9	19.6	21.8
natural gas	15.6	13.4	11.7	10.8	11.2
crude oil	11.1	9.9	9.2	8.8	10.5

DCF Analysis (ex. Upstream)

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	71.2	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Margin+Urals/Brent	6.9	5.8	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/PLN	3.60	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	28,641	28,603	28,770	28,619	28,368	28,368	28,368	28,368	28,368	28,426	28,426
EBITDA	2,474	1,808	1,874	1,977	1,927	1,922	1,917	1,912	1,906	1,893	1,893
EBITDA margin	8.6%	6.3%	6.5%	6.9%	6.8%	6.8%	6.8%	6.7%	6.7%	6.7%	6.7%
EBIT	1,977	1,254	1,228	1,277	1,265	1,226	1,195	1,169	1,143	1,109	1,174
Tax	376	238	233	243	240	233	227	222	217	211	223
CAPEX	-642	-898	-717	-719	-719	-719	-719	-719	-719	-719	-719
Working capital	-1,108	-701	124	-23	-2	32	24	48	11	6	6
FCF	348	-29	1,047	992	966	1,002	995	1,019	982	969	957
PV FCF	348	-27	905	796	719	690	635	602	537	491	
WACC	7.7%	7.4%	7.7%	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%

Current Price

93.90 PLN

Downside

9M Target Price

65.18 PLN

-30.6%

	rating	target price	issued
new	sell	65.18 PLN	2019-03-05
old	sell	65.36 PLN	2019-02-04
Key Metrics			
		LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+1.7% +3.0%
ISIN	PLLOTOS00025	YTD Price Chng	+6.1% +2.3%
Outst. Stock (m)	184.9	ADTV 1M	PLN 36.7m
MC (PLN m)	17,359.6	ADTV 6M	PLN 28.6m
EV (PLN m)	19,814.5	EV/EBITDA 12M fwd	5.5 -5.0%
Free Float	46.8%	EV/EBITDA 5Y avg	5.8 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	20,931	24,186	30,119	29,980	30,451
EBITDA	2,923	3,073	3,374	2,679	3,001
EBITDA margin	14.0%	12.7%	11.2%	8.9%	9.9%
EBIT	1,855	2,229	3,048	1,908	2,128
Net income	1,015	1,672	2,139	1,132	1,242
P/E	17.1	10.4	8.1	15.3	14.0
P/B	2.0	1.6	1.4	1.3	1.2
EV/EBITDA	7.6	6.5	5.9	7.8	6.8
DPS	0.00	1.00	1.00	3.47	1.84
DYield	0.0%	1.1%	1.1%	3.7%	2.0%
Projection Update (% change)			2018P	2019P	2020P
LIFO EBITDA			-3.6%	-0.0%	-1.2%
Net income			+13.4%	+6.2%	+2.7%
Price of Brent crude (\$/bbl)			0.0%	-6.7%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	+5.5%	+9.1%
USD/PLN			0.0%	+2.7%	-3.0%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	2,654	3,127	1,741	1,352	2,338
OCF/EBITDA LIFO adj.	102%	103%	55%	52%	76%
CAPEX	1,244	1,439	1,076	1,783	1,327
Working capital	3,867	4,035	5,007	5,708	5,583
Equity	8,611	10,712	12,416	12,941	13,981
Net debt	4,808	2,505	2,455	3,642	2,932
Net debt/EBITDA (x)	1.6	0.8	0.7	1.4	1.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	3.2	3.0	2.9	1.9	1.9	1.7
Maximum	26.6	24.3	16.6	12.1	11.4	10.9
Median	9.4	9.6	8.2	4.3	4.5	4.1
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	12,602
Net debt	2,690
Petrobaltic	1,755
Value per share (PLN)	63.11

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	59.52
DCF Val.	50%	63.11
Implied Price		61.31
Cost of equity (9M)		6.3%
9M Target Price		65.18

MOL hold (reiterated)

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MOL's 2018 Q4 financials prompted us to downgrade our FY2019 outlook for the petrochemical business. The Upstream segment surprised to the upside with the quarterly figures, but looking ahead the positive effects of this are neutralized by reduced expectations as to prices of oil and gas. With the target price today clipped by 10 forints, we maintain a hold rating for MOL. The Company has outlined its EBITDA and CAPEX targets for 2019, and the plans are consistent with our expectations, however compared to consensus forecasts the planned capital investment comes out 20% higher, and the resulting outlook adjustments might dampen sentiment in the coming weeks. Personally, we would outweigh the Hungarian group, trading at a considerable discount to its Polish competitors despite a well-balanced business mix, with a 50-50 split between Upstream and Downstream, as the refining and petrochemical industries at large enter a down phase. A strong balance sheet (0.5x DN/EBITDA) guarantees rising dividends in the future, with a special distribution already pledged to shareholders, as well as providing capacity for value-enhancing investments in upstream. The sale of the Croatian unit INA (with potential to boost value for shareholders by as much as 13%-14%), possibly around mid-2019, can serve as an upside catalyst to our valuation.

Current Price

3,250 HUF

Upside

9M Target Price

3,423 HUF

+5.3%

		rating	target price	issued
new		hold	3,423 HUF	2019-03-05
old		hold	3,433 HUF	2019-02-04
Key Metrics			MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-1.6%	-0.3%
ISIN	HU0000153937	YTD Price Chng	+5.6%	+1.8%
Outst. Stock (m)	738.1	ADTV 1M	HUF 1,812.9m	
MC (HUF m)	2,398,917.5	ADTV 6M	HUF 2,190.8m	
EV (HUF m)	3,028,602.5	EV/EBITDA 12M fwd	4.3	-0.3%
Free Float	53.5%	EV/EBITDA 5Y avq	4.3	discount

Earnings Projections

(HUF bn)	2016	2017	2018	2019P	2020P
Revenue	3,553	4,130	5,169	4,844	5,178
EBITDA	623	673	764	631	721
EBITDA margin	17.5%	16.3%	14.8%	13.0%	13.9%
EBIT	308	354	353	244	317
Net income	263	307	301	176	241
P/E	9.1	7.8	8.0	13.6	10.0
P/B	1.6	1.4	1.2	1.2	1.1
EV/EBITDA	5.3	4.7	4.0	4.9	4.2
DPS	70.88	78.13	127.50	102.22	107.34
DYield	2.2%	2.4%	3.9%	3.1%	3.3%
Projection Update (% change)			2018	2019P	2020P
CCS EBITDA			+0.7%	-4.4%	+3.2%
Net income			+8.1%	-14.2%	+4.2%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			-1.8%	-1.1%	-0.6%
Price of Brent crude (\$/bbl)			0.0%	-6.7%	0.0%

Financial Highlights

(HUF bn)	2016	2017	2018	2019P	2020P
LIFO EBITDA (adj.)	605	673	728	626	721
Upstream (US)	190	235	344	327	369
Downstream (DS)	178	198	183	127	150
Retail	86	97	115	117	120
Petchem	144	127	87	52	78
Gas Midstream	54	61	50	56	57
General expenses	-48	-45	-51	-52	-52
EV/LIFO EBITDA (adj.)	5.5	4.7	4.2	4.9	4.2
LIFO effect	25	7	19	5	0
Other one-offs	-7	-7	17	0	0
Financing activity	-35	11	-22	-10	-10
\$ LIFO EBITDA/bbl, DS	4.5	5.3	4.9	3.4	4.0
EBITDA/boe, US	17.7	23.7	34.8	32.9	37.7
Ref. thrghpt, mmt	19.2	18.5	19.1	19.1	19.1
Upstr output, mboepd	112.6	107.4	110.6	111.1	109.6

Key Balance Sheet Figures

(HUF bn)	2016	2017	2018	2019P	2020P
Operating cash flow	519	560	596	598	641
OCF/EBITDA LIFO adj.	86%	83%	82%	96%	89%
CAPEX	289	286	380	528	490
Working capital	156	248	300	281	301
Equity	1,492	1,741	1,994	2,080	2,227
Net debt	606	435	314	345	298
Net debt/EBITDA (x)	1.0	0.6	0.4	0.5	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	19P	20P
Minimum	3.2	3.0	2.9	1.9	1.9	1.7
Maximum	26.6	24.3	16.6	12.1	11.4	10.9
Median	9.9	9.9	8.4	4.8	5.0	4.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(HUF bn)	18	19P	20P	21P	22P	23P	24P	25P	26P	27P	27+
Brent	71	70	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	4,829	4,516	4,830	4,826	4,837	4,837	4,838	4,838	4,839	4,840	4,840
EBITDA	407	304	352	379	416	419	423	427	432	436	436
EBITDA margin	8.4%	6.7%	7.3%	7.9%	8.6%	8.7%	8.7%	8.8%	8.9%	9.0%	9.0%
EBIT	208	121	154	162	188	187	190	191	190	200	216
Tax	55	33	40	42	49	48	49	48	48	50	41
CAPEX	-275	-404	-367	-280	-241	-220	-220	-220	-220	-220	-220
Working capital	-52	19	-19	1	0	1	2	1	1	1	1
FCF	26	-114	-75	59	126	152	156	160	165	167	176
PV FCF	26	-105	-63	46	89	99	93	88	83	77	
WACC	8.8%	8.7%	8.9%	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	1,451
Net debt & adjustments	229
Upstream Valuation	857
Value per share (HUF)	2,980

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	3,415
DCF Val.	50%	2,980
Implied Price		3,197
Cost of equity (9M)		7.0%
9M Target Price		3,423

PGNiG hold (reiterated)

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We have revised our FY2019-2020 earnings outlook for PGNiG by factoring in the current downturn in natural gas prices, with the average NCG benchmark cut by 10%, and by adjusting for higher-than-expected costs generated in Q4 2018 in the E&P segment, assuming that half of the PLN 0.3bn difference represents a permanent boost to the annual cost base. We have also had to lower our outlook for the trading segment, even though we still very much expect profits there to rebound strongly thanks to natural hedging, delayed end-user price adjustments for lower market prices, and rising tariff prices for households. Last but not least, an unseasonably warm winter will put a squeeze on the 2019 profits of PGNiG's heating plants. All told, we have cut our 2019 EBITDA estimate by 10%, and after lowering the price target to PLN 7.08 we maintain a hold rating for PGN. The Company might regain momentum in H2 if natgas prices bounce back as we expect (high contango, oil price parity, stronger demand from China accompanied by reduced shipping costs to Asia).

Current Price

6.58 PLN

Upside

9M Target Price

7.08 PLN

+7.6%

	rating	target price	issued
new	hold	7.08 PLN	2019-03-05
old	hold	7.72 PLN	2019-02-04
Key Metrics			
	PGN PW	1M Price Chng	-13.1% -11.8%
Ticker	PLPGNIG00014	YTD Price Chng	-4.8% -8.6%
ISIN			
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 32.7m
MC (PLN m)	38,021.3	ADTV 6M	PLN 33.2m
EV (PLN m)	38,046.6	EV/EBITDA 12M fwd	4.5 -11.6%
Free Float	28.1%	EV/EBITDA 5Y avg	5.1 discount

Earnings Projections

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	33,196	35,857	41,918	41,549	40,821
EBITDA	5,974	6,579	7,120	7,976	8,598
EBITDA margin	18.0%	18.3%	17.0%	19.2%	21.1%
EBIT	3,360	3,910	4,440	5,297	5,890
Net income	2,351	2,923	3,210	3,894	4,365
P/E	16.2	13.0	11.8	9.8	8.7
P/B	1.2	1.1	1.0	1.0	0.9
EV/EBITDA	6.5	5.8	5.3	4.4	3.9
DPS	0.18	0.20	0.07	0.10	0.20
DYield	2.8%	3.0%	1.1%	1.5%	3.1%
Projection Update (% change)		2018P	2019P	2020P	
EBITDA		-9.4%	-10.2%	-7.1%	
Net income		-14.9%	-14.9%	-10.3%	
Price of Brent crude (\$/bbl)		0.0%	-6.7%	0.0%	
Price of EU NatGas (EUR/MWh)		0.0%	-9.8%	-8.9%	
USD/PLN		0.0%	+2.7%	-3.0%	

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	6,862	7,356	7,394	8,388	9,009
EBITDA	5,974	6,579	7,120	7,976	8,598
Mining	2,206	3,865	5,002	4,661	4,835
Trade	614	-435	-830	571	762
Distribution	2,559	2,493	2,390	2,101	2,105
Heat & Power	759	843	790	860	1,120
Other	-164	-187	-232	-217	-222
Financing activity	-150	12	19	8	75
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	-6.7	1.0	2.4

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	5,922	4,816	5,131	7,042	7,120
OCF/EBITDA	99%	73%	72%	88%	83%
CAPEX	2,968	3,162	4,252	3,770	3,793
Working capital	3,619	5,280	6,565	6,507	6,393
Equity	32,013	33,626	36,340	39,625	42,772
Net debt	523	428	24	-2,651	-4,827
Net debt/EBITDA (x)	0.1	0.1	0.0	-0.3	-0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	2.9	3.1	2.9	2.7	2.8	2.6
Maximum	20.9	21.9	15.5	15.0	15.7	12.4
Median	12.3	12.0	10.8	6.1	6.3	5.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Brent	71.2	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	22.2	20.9	21.6	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8
USD/PLN	3.60	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	41,918	41,549	40,821	42,841	42,661	39,821	39,335	37,730	36,681	37,150	37,150
EBITDA	7,120	7,976	8,598	8,732	8,338	8,226	8,277	8,140	8,095	8,212	8,212
EBITDA margin	17.0%	19.2%	21.1%	20.4%	19.5%	20.7%	21.0%	21.6%	22.1%	22.1%	22.1%
EBIT	4,440	5,297	5,890	5,957	5,529	5,365	5,315	5,148	5,029	5,012	4,173
Tax	1,320	1,409	1,584	1,608	1,472	1,401	1,385	1,282	1,217	1,215	1,037
CAPEX	-4,252	-3,770	-3,793	-3,820	-3,935	-3,956	-3,978	-3,979	-3,996	-4,039	-4,039
Working capital	-1,285	58	114	-316	28	445	76	251	164	-74	-74
FCF	263	2,854	3,335	2,988	2,960	3,314	2,990	3,130	3,046	2,884	3,062
PV FCF	263	2,620	2,811	2,312	2,102	2,160	1,789	1,720	1,536	1,336	
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	40,613
Net debt	428
Other adjustments	835
Value per share (PLN)	7.10

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	8.13
Relative (DYield)	17%	2.27
DCF	50%	7.10
Cost of equity (9M)		6.7%
9M Target Price		7.08

PKN Orlen sell (reiterated)

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Business conditions across all of PKN Orlen's operating segments are far from positive, as reflected in low refining and petrochemical margins and a tight Urals-Brent differential, and investors should take heed and scale back their current upbeat view which assumes a repeat in 2019 of last year's earnings, when EBITDA LIFO exceeded PLN 8.3bn. Future forecasts should also be adjusted for delayed refining capacity upgrades and for possible margin contraction in retail due to rising costs of crude oil and tightening sales profits on fuels. Based on our estimates, which assume continued shrinkage in profit margins on petrochemicals and refining products, PKN stock is currently trading at ~7.4x 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-off 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. On the other hand, the estimated cost of the deal 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 after trimming the target price to PLN 81.22 following slight adjustments to margin and USDPLN expectations.

Current Price

101.50 PLN

Downside

9M Target Price

81.22 PLN

-20.0%

	rating	target price	issued
new	sell	81.22 PLN	2019-03-05
old	sell	83.43 PLN	2019-02-04
Key Metrics			
	PKN PW	1M Price Chng	-2.2% -0.9%
Ticker	PLPKN0000018	YTD Price Chng	-6.1% -10.0%
ISIN			
Outst. Stock (m)	427.7	ADTV 1M	PLN 66.3m
MC (PLN m)	43,412.5	ADTV 6M	PLN 95.9m
EV (PLN m)	49,023.5	EV/EBITDA 12M fwd	5.1 -10.3%
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	107,273	110,316
EBITDA	9,642	11,078	9,776	6,938	7,023
EBITDA margin	12.1%	11.6%	8.9%	6.5%	6.4%
EBIT	7,532	8,657	7,103	4,041	3,927
Net income	5,261	6,655	5,463	3,199	3,080
P/E	8.3	6.5	7.9	13.6	14.1
P/B	1.6	1.3	1.2	1.2	1.1
EV/EBITDA	5.1	4.3	5.0	6.9	6.7
DPS	2.13	3.00	3.00	3.00	3.00
DYield	2.1%	3.0%	3.0%	3.0%	3.0%
Projection Update (% change)			2018	2019P	2020P
LIFO EBITDA			0.0%	+4.5%	-2.4%
Net income			0.0%	+5.9%	-5.3%
Margin+Urals/Brent price differ. (\$/b)			0.0%	-4.0%	0.0%
Petchem margin (\$/t)			0.0%	+2.3%	+0.8%
USD/PLN			0.0%	+2.7%	-3.0%

Financial Highlights

(PLN m)	2016	2017	2018	2019P	2020P
LIFO EBITDA (adj.)	7,668	9,581	8,344	6,539	7,158
Downstream(DS)	4,549	4,689	3,794	2,179	2,613
Petchem	1,776	3,034	2,069	2,156	2,332
Retail	1,832	2,049	2,781	2,269	2,282
Upstream	255	293	302	351	364
Electricity	0	129	147	313	306
General expenses	-744	-613	-749	-728	-739
EV/LIFO EBITDA (adj.)	6.4	4.9	5.9	7.4	6.6
LIFO effect	86	788	860	399	-135
Other one-offs	1,888	709	572	0	0
Financing activity	-645	60	-104	-91	-123
\$ 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	6,602	6,165
OCF/EBITDA LIFO adj.	122%	84%	60%	101%	86%
CAPEX	5,033	4,039	4,453	4,250	3,650
Working capital	6,144	7,489	10,866	10,452	10,587
Equity	26,763	32,197	35,634	37,551	39,348
Net debt	3,363	761	5,599	4,622	3,513
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	5.2	5.7	5.7	1.9	2.1	2.2
Maximum	20.6	17.5	16.6	17.6	18.2	17.7
Median	8.3	9.2	7.8	5.3	5.5	5.1
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	4.8	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	447	354	383	343	343	343	343	343	343	343	342.9
USD/PLN	3.60	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	109,706	107,273	110,316	111,266	111,568	111,962	112,431	112,909	113,393	113,883	113,883
EBITDA	9,776	6,938	7,023	7,586	7,341	7,295	7,327	7,359	7,392	7,400	7,400
EBITDA margin	8.9%	6.5%	6.4%	6.8%	6.6%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
EBIT	7,103	4,041	3,927	4,528	4,218	4,125	4,091	4,033	3,958	4,000	3,950
Tax	1,350	768	746	860	801	784	777	766	752	760	750
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	414	-135	-272	-39	-51	-61	-62	-63	-64	-64
FCF	-3,651	2,334	2,492	3,003	3,050	3,010	3,038	3,080	3,127	3,126	2,978
PV FCF	-3,651	2,167	2,144	2,392	2,246	2,046	1,912	1,795	1,687	1,561	
WACC	7.6%	7.7%	7.9%	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	35,497
Net debt	2,044
Other adjustments	0
Value per share (PLN)	78.21

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	74.58
DCF Val.	50%	78.21
Implied Price		76.40
Cost of equity (9M)		6.3%
9M Target Price		81.22



Power Utilities

CEZ

hold (no change)

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CEZ has underperformed its European peers since the beginning of the year, and it is currently more than 7pp below the benchmark, a trend which can probably be partly explained with a downward shift in EUA prices, and a demanding valuation 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 7.4x. On top of that, CEZ is expected to cut dividend yields to 4.7% in 2019-2020 before offering 6% again in 2021. Most recently, the Czech generator is back to discussing its involvement in its country's nuclear push, and the future risks, even though they are a remote prospect with construction of the potential power station not likely to start before 2024, are already weighing down sentiment. Looking at the current trends in electric power prices, CEZ offers no upside potential whatsoever for the near term.

Current Price

545.50 CZK

Downside

9M Target Price

537.80 CZK

-1.4%

	rating	target price	issued
unchanged	hold	537.80 CZK	2019-02-04

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	-3.9%	-2.6%
ISIN	CZ0005112300	YTD Price Chng	+2.0%	-1.8%
Outst. Stock (m)	538.0	ADTV 1M		CZK 95.1m
MC (CZK bn)	293.5	ADTV 6M		CZK 141.7m
EV (CZK bn)	442.4	EV/EBITDA 12M fwd	7.7	+6.7%
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	58,206	55,155	51,694	54,564	58,735
EBITDA margin	28.6%	27.3%	28.0%	27.9%	27.5%
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	20.5	15.6	23.5	19.2	16.3
P/B	1.1	1.2	1.2	1.2	1.2
EV/EBITDA	7.5	7.9	8.6	8.1	7.5
DPS	40.00	33.00	33.00	23.21	28.43
DYield	7.3%	6.0%	6.0%	4.3%	5.2%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (EUR/MWh)			0.0%	0.0%	0.0%
EUR/CZK			0.0%	0.0%	0.0%
CO2 (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(CZK m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	58,596	52,196	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%

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%

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 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		537.78

Enea buy (no change)

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Enea has moved over 9pp below the WIG-Energy benchmark in the year to date, underperformance which is hardly a surprise given the weak output produced in 2018 by the subsidiary coal miner LW Bogdanka, coupled with extended generator disruptions. This indicates that, despite its positive exposure to increases in clean-dark spreads and coal prices, Enea might once again not deliver the growth that we would have expected to see this year. With our estimates adjusted accordingly, assuming no downside surprises in the FY2019 guidance, we nevertheless see upside potential in ENA, a view which should be solidified once the government puts an end to the uncertainty surrounding this year's profits by sharing the specifics of the planned compensation mechanism to offset the pledged freeze on end-consumer power prices. Another upside catalyst might be provided if it turns out that Enea's involvement in financing the 'Ostrołęka-C' coal-fired generator project has been reduced below the 50% assumed right now. We maintain a buy rating for ENA.

Current Price

9.80 PLN

Upside

9M Target Price

13.12 PLN

+33.9%

	rating	target price	issued
unchanged	buy	13.12 PLN	2019-02-04

Key Metrics	ENA PW	1M Price Chng	ENA PW	vs. WIG
Ticker	ENEA		-12.3%	-11.0%
ISIN	PLENEA000013	YTD Price Chng	-1.0%	-4.8%
Outst. Stock (m)	441.4	ADTV 1M		PLN 8.2m
MC (PLN m)	4,326.1	ADTV 6M		PLN 8.2m
EV (PLN m)	10,685.3	EV/EBITDA 12M fwd	3.5	-29.0%
Free Float	48.5%	EV/EBITDA 5Y avg	4.9	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	5.5	4.0	7.0	3.8	3.2
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	4.1	4.0	4.3	3.5	3.2
DPS	0.00	0.28	0.00	0.00	0.00
DYield	0.0%	2.8%	0.0%	0.0%	0.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	2,520	2,649	2,443	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

Energa buy (no change)

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Energa's preliminary 2018 Q4 results showed a miss relative to our estimate, but since this was most likely due to renewables, affected by unseasonable weather and adverse hydrological conditions, we are not prompted to change our 2019 outlook for now. Energa does face downside risk stemming from Poland's plans to cap end-consumer power prices for the year, with the potential compensation mechanism for utilities in its case possibly proving insufficient to cover the losses, however we hope positive base effects might help cushion any slowdown. With no major catalysts in sight otherwise, we maintain a buy rating for ENG based on its attractive valuation.

Current Price

9.33 PLN

Upside

9M Target Price

13.26 PLN

+42.1%

	rating	target price	issued
unchanged	buy	13.26 PLN	2019-02-04

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-9.9%	-8.6%
ISIN	PLENERG00022	YTD Price Chng	+4.7%	+0.9%
Outst. Stock (m)	414.1	ADTV 1M		PLN 4.2m
MC (PLN m)	3,863.2	ADTV 6M		PLN 6.5m
EV (PLN m)	8,112.0	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	25.6	5.0	4.1	5.4	5.8
P/B	0.4	0.4	0.4	0.4	0.3
EV/EBITDA	4.2	3.7	3.9	4.0	4.3
DPS	0.49	0.19	0.00	0.00	0.00
DYield	5.3%	2.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
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 (no change)

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PGE has joined the rally on European utility stocks, and it is leading the gains logged by the domestic WIG-Energy index, although its momentum in recent weeks has slowed since the Company did not make it into the Stoxx index, and due to persistent uncertainty as to its involvement in the 'Ostrowiecka C' project and plans to finance a new coal pit. An unseasonably warm winter is bound to put a strain on the Q1 2019 profitability of PGE's heating plants. All things considered, however, PGE to us is still a buy with its attractive valuation set, to be reinforced by the elimination of the uncertainty about the impact of the planned end-consumer power price freeze on the Company's trading profits. In addition PGE is expected to generate increasing FCF (with average 2019-22E FCF/EV at ~12% and current net debt/EBITDA ratio at -1.4x) and resume dividend payments in the near future. Looking at high CDS in 2019 contracts, there should be a positive surprise this year from the Generation segment. The 5% miss on 2018 Q4 recurring EBITDA was due to charges booked in the trading segment, with Generation delivering a beat of over PLN 100m.

Current Price

10.80 PLN

Upside

9M Target Price

14.47 PLN

+34.0%

	rating	target price	issued
unchanged	buy	14.47 PLN	2019-02-04

Key Metrics	PGE PW	1M Price Chng	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-13.4%	-12.1%
ISIN	PLPGER000010	YTD Price Chng	+8.0%	+4.2%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 20.3m
MC (PLN m)	20,193.7	ADTV 6M		PLN 27.5m
EV (PLN m)	30,806.0	EV/EBITDA 12M fwd	4.1	-14.5%
Free Float	42.6%	EV/EBITDA 5Y avg	4.8	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	7.9	7.6	10.4	7.3	6.2
P/B	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	3.4	3.8	4.8	4.0	3.4
DPS	0.25	0.00	0.00	0.00	0.37
DYield	2.3%	0.0%	0.0%	0.0%	3.4%
Projection Update (% change)	2018P	2019P	2020P		
EBITDA	0.0%	0.0%	0.0%		
Net income	0.0%	0.0%	0.0%		
Price of electricity (PLN/MWh)	0.0%	0.0%	0.0%		
Price of coal (PLN/t)	0.0%	0.0%	0.0%		
Price of CO2 allowance (EUR/t)	0.0%	0.0%	0.0%		

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	6,124	6,481	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%

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%

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

	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 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

Tauron buy (no change)

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Tauron's preliminary 2018 Q4 report revealed a persistent hold-up in mining volumes which, if not addressed, means the Company will not be able to capitalize on this year's upward momentum in coal prices, and will therefore not deliver our current EBITDA forecast for the year. A mitigating factor might come from the compensation mechanism for end consumer price caps provided the offset is enough to make up for the difference between the market prices of electricity and the sales prices charged to customers. Assuming it is, Tauron might generate average FCF of PLN 1.1bn in 2020-2021, and regain the ability to pay dividends as soon as next year. At the current market capitalization, it would only take an extra PLN 0.2bn to offer a dividend yield of 5% while edging the leverage ratio only about 0.05 higher. We are hoping based on the absence of some of the older generators in the recent capacity auctions that the Company is working on a plan to optimize the energy mix. We maintain a buy rating for TPE.

Current Price

2.27 PLN

Upside

9M Target Price

3.12 PLN

+37.4%

	rating	target price	issued
unchanged	buy	3.12 PLN	2019-02-04

Key Metrics	TPE PW	1M Price Chng	TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-5.4%	-4.1%
ISIN	PLTAURN00011	YTD Price Chng	+3.7%	-0.2%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 7.3m
MC (PLN m)	3,978.3	ADTV 6M		PLN 11.7m
EV (PLN m)	13,499.2	EV/EBITDA 12M fwd	4.4	-7.3%
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	10.8	2.9	4.1	3.1	2.6
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.8	3.7	3.7	3.8	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%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
EBITDA (adj.)	3,374	3,508	3,297	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 in 2018, with EBITDA for the year inching just 6.4% lower versus the year-ago period, and relatively strong operating cash flow at PLN 380.4m vs. PLN 347.9m generated in 2017. On the downside, Netia has allocated its total cash flow to network upgrades aimed at reaching 2.6 million households with high-speed services by 2020, with no dividend payments during the two-year period after a freeze on shareholder distributions approved by the controlling shareholder, 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 0.53x as of December 2018. With this in mind, we do not find Netia a compelling bet, especially compared to Orange Polska. An upside catalyst will be provided if Cyfrowy decides to make a tender offer to increase its stake in Netia, although the likelihood that this will happen soon has decreased since Cyfrowy declared a dividend for 2019.

Current Price

4.99 PLN

Downside

9M Target Price

4.70 PLN

-5.8%

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

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-4.4%	-3.1%
ISIN	PLNETIA00014	YTD Price Chng	-0.2%	-4.0%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,681.9	ADTV 6M		PLN 0.3m
EV (PLN m)	1,873.7	EV/EBITDA 12M fwd	5.7	+16.9%
Free Float	33.0%	EV/EBITDA 5Y avg	4.9	premium

Earnings Projections

(PLN m)	2016	2017	2018	2019P	2020P
Revenue	1,522	1,442	1,373	1,348	1,348
EBITDA	426	383	356	345	356
EBITDA margin	28.0%	26.6%	25.9%	25.6%	26.4%
EBIT	25	72	76	74	90
Net income	33	35	65	50	61
P/E	51.5	47.4	25.9	33.5	27.8
P/B	0.9	0.9	0.9	0.9	0.8
EV/EBITDA	4.4	5.1	5.3	5.7	5.7
DPS	0.39	0.20	0.00	0.00	0.00
DYield	7.9%	4.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2018	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018	2019P	2020P
Voice subs (1,000)	1,140	1,014	937	880	844
On-Netw. Voice ARPU (PLN)	28.4	26.5	25.3	24.7	24.5
WLR+LLU Voice ARPU (PLN)	39.9	39.0	37.6	38.1	38.1
Broadband subs (1,000)	697	640	608	592	615
Broadband ARPU (PLN)	56.3	56.0	54.9	55.8	57.0
Revenue	1,522	1,442	1,373	1,348	1,348
Direct Voice	471	405	350	317	295
Data	659	616	581	573	586
Interop & Wholesale	209	234	236	244	249
Other	183	188	207	213	217
Selling expenses	294	275	275	270	274
G&A expenses	149	148	134	129	130
EBIT	25	72	76	74	90
margin	1.7%	5.0%	5.5%	5.5%	6.7%
Net income	32.6	35.5	64.8	50.2	60.5

Key Balance Sheet Figures

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	442	346	380	342	341
OCF/EBITDA	104%	90%	107%	99%	96%
CAPEX	-209	-268	-281	-390	-390
Assets	2,450	2,401	2,526	2,517	2,657
Equity	1,896	1,778	1,867	1,919	1,980
Net debt	204	285	192	278	342
Net debt/EBITDA (x)	0.5	0.7	0.5	0.8	1.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	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)	4Q'18	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	79	345	356	371	378	385	392	400	408	417	417
EBITDA margin	23.0%	25.6%	26.4%	27.0%	27.0%	26.9%	26.9%	26.9%	26.8%	26.8%	26.8%
D&A	68	271	266	265	265	265	262	252	242	225	225
EBIT	11	74	90	106	113	120	130	148	166	192	192
Tax	2	14	17	20	21	23	25	28	32	37	37
NOPLAT	9	60	73	86	91	97	105	120	135	156	156
CAPEX	-80	-390	-390	-221	-211	-207	-211	-216	-220	-225	-225
Working capital	23	8	-1	0	0	0	-1	-2	-2	-3	-3
FCF	20	-51	-52	130	145	155	156	154	154	153	153
PV FCF	20	-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

Orange Polska buy (no change)

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We maintain a bullish view on Orange Polska, which reported solid financials for FY2018, achieving year-over-year EBITDA growth for the first time in 12 years, albeit owed partly to proceeds from real-estate deals; to be fair, the other earnings driver in the period was provided by successful cost restructuring. Orange reduced indirect costs by 10% in the two years through 2018, which means it is ahead of the plan which assumes 12-15% reductions by 2020. Further, the Telecom continues to expand its convergent subscriber base (+201k in 2018), and it has stabilized the prices of these services and the sales over FTTx (152k in 2018, more than the 126k added in 2017). 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 not attainable to most Polish telecoms. Despite substantial investment (CAPEX = 18.3% 2019E revenue), Orange generates quite high FCFE (8.0% and 11.0% respectively in 2019/2020E). The FTTx upgrades are set to be finished in 2020, which means Orange can be expected to resume dividend payments in 2021. Even with such bullish prospects, OPL stock is the cheapest in the sector at the current level, trading at 4.6x 2019E EV/EBITDA.

Current Price

5.42 PLN

Upside

9M Target Price

6.40 PLN

+18.1%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-2.5%	-1.2%
ISIN	PLTLKPL00017	YTD Price Chng	+13.2%	+9.3%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 8.9m
MC (PLN m)	7,111.0	ADTV 6M		PLN 9.4m
EV (PLN m)	13,963.0	EV/EBITDA 12M fwd	4.6	-0.8%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6	discount

Earnings Projections

(PLN m)	2016	2017	2018	2019P	2020P
Revenue	11,538	11,381	11,101	11,096	11,214
EBITDA adj.	3,163	3,011	2,881	2,891	3,062
EBITDA margin	27.4%	26.5%	26.0%	26.1%	27.3%
EBIT	-1,354	229	345	423	632
Net income	-1,746	-75	10	105	286
P/E	-	-	711.1	68.0	24.9
P/B	0.7	0.7	0.7	0.7	0.7
EV/EBITDA	4.4	4.8	4.8	4.6	4.3
DPS	0.25	0.00	0.00	0.00	0.00
DYield	4.6%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2018	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018	2019P	2020P
Broadband lines (1,000)	2,206	2,438	2,560	2,860	3,167
Voice lines (1,000)	3,932	3,684	3,407	3,014	2,602
Revenue	11,538	11,381	11,101	11,096	11,214
Mobile	6,324	6,141	2,461	2,302	2,175
Fixed Line	4,720	4,571	1,084	925	783
Other	494	669	7,556	7,869	8,256
Costs	8,445	8,655	8,379	8,300	8,226
Payroll	1,636	1,690	1,574	1,436	1,381
Services	6,432	6,416	6,400	6,508	6,500
Other rev & exp	377	341	219	176	170
Severance benefits	0	208	186	180	175
Asset sales	70	81	192	95	75
EBITDA	3,163	2,807	2,838	2,891	3,062
margin	27.4%	24.7%	25.6%	26.1%	27.3%
Net income	-1,746	-60	10	105	286

Key Balance Sheet Figures

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	2,549	2,064	1,670	2,672	2,858
OCF/EBITDA	81%	74%	59%	83%	84%
CAPEX	-5,604	-1,643	-2,282	-2,166	-2,052
Assets	22,588	22,933	23,295	22,667	23,062
Equity	10,007	9,936	10,503	10,838	11,301
Net debt	6,932	6,436	6,850	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		
	18	19P	20P	18	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)	18	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	11,101	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	25.6%	26.1%	27.3%	27.6%	27.9%	28.2%	28.3%	28.4%	28.5%	28.5%	28.5%
D&A	2,544	2,468	2,431	2,403	2,384	2,374	2,373	2,381	1,860	1,882	1,882
EBIT	565	423	632	723	801	869	906	931	1,473	1,455	1,455
Tax	107	80	120	137	152	165	172	177	280	276	276
NOPLAT	458	343	512	586	648	704	734	754	1,193	1,179	1,179
CAPEX	-2,282	-1,933	-1,850	-1,683	-3,189	-1,759	-1,786	-1,824	-1,860	-1,882	-1,882
Working capital	142	-156	-213	-153	-116	-115	-89	-91	-96	-101	-101
FCF	861	721	879	1,153	-272	1,205	1,232	1,220	1,097	1,078	1,078
PV FCF	861	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 (no change)

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PLY stock fell 5% in the past month, but we keep our rating at hold. The market's current earnings expectations for the Telecom look reasonable. In addition, 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 and offer high dividend yields, with 2019E DivYield projected at 6.9% - the only Polish telecom to share its profits with shareholders in this way. On the other hand, Play's EBITDA in Q4 2019 posted a 6.0% drop from the prior-year period. Moreover, competitive pressures emerging from Poland's increasingly convergent telecommunications market continue to weigh even if they are being overestimated by the market; investors should keep in mind that Play always has the option to lease FTTH network access from Orange Polska, like T-Mobile has done recently, to offer convergent services.

Current Price

20.94 PLN

Upside

9M Target Price

21.30 PLN

+1.7%

	rating	target price	issued
unchanged	hold	21.30 PLN	2019-02-04

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-4.8%	-3.5%
ISIN	LU1642887738	YTD Price Chng	+0.7%	-3.1%
Outst. Stock (m)	253.7	ADTV 1M		PLN 5.4m
MC (PLN m)	5,312.5	ADTV 6M		PLN 14.5m
EV (PLN m)	12,025.5	EV/EBITDA 12M fwd	5.3	-9.8%
Free Float	49.4%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

(PLN m)	2016	2017	2018	2019P	2020P
Revenue	6,118	6,670	6,839	6,911	7,019
EBITDA	1,924	1,904	2,125	2,161	2,210
EBITDA margin	31.5%	28.5%	31.1%	31.3%	31.5%
EBIT	1,290	1,107	1,361	1,276	1,266
Net income	712	387	721	719	729
P/E	7.5	13.7	7.4	7.4	7.3
P/B	4.0	-	-	19.0	8.1
EV/EBITDA	5.4	6.3	5.7	5.5	5.2
DPS	0.00	0.00	2.56	1.45	1.24
DYield	0.0%	0.0%	12.2%	6.9%	5.9%
Projection Update (% change)			2018	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018	2019P	2020P
Active subscribers (000s)	12,011	12,394	12,653	13,043	13,142
ARPU (PLN)	31.4	32.0	32.4	32.4	32.7
Revenue	6,118	6,670	6,839	6,911	7,019
Service revenue	4,493	4,878	5,083	5,225	5,328
Sales of goods and other	1,625	1,792	1,756	1,686	1,691
Costs	4,193	4,766	4,680	4,750	4,809
Interconnection	1,496	1,729	1,922	1,985	1,959
Contract costs	399	429	421	447	459
Cost of goods sold	1,366	1,410	1,442	1,416	1,438
Employee benefits	228	526	255	278	286
External services	567	606	515	531	574
Other	138	65	125	93	94
EBITDA (adj.)	2,035	2,298	2,159	2,191	2,240
margin	33.3%	34.4%	31.6%	31.7%	31.9%
Net income	712	387	721	719	729

DCF Analysis

(PLN m)	18	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	6,839	6,911	7,019	7,113	7,184	7,241	7,289	7,330	7,366	7,398	7,398
EBITDA	2,159	2,161	2,210	2,250	2,266	2,285	2,273	2,261	2,247	2,237	2,237
EBITDA margin	31.6%	31.9%	32.0%	32.1%	31.9%	31.8%	31.4%	31.0%	30.7%	30.4%	30.4%
D&A	789	885	944	981	987	1,083	1,094	1,082	1,042	1,019	1,019
EBIT	1,371	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	-767	-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	938	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%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	1,588	1,389	2,037	1,974	1,998
OCF/EBITDA adj.	78%	60%	94%	90%	89%
CAPEX	-2,316	-650	-767	-887	-852
Assets	8,747	8,831	8,521	8,581	8,629
Equity	1,343	-213	-201	320	722
Net debt	5,111	6,710	6,713	6,455	6,179
Net debt/EBITDA (x)	2.5	2.9	3.1	2.9	2.8

Relative Valuation Summary

Relative Valuation Summary						
	P/E			DYield - RFR		
	18	19P	20P	18	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 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

Agora buy (no change)

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As signaled last month, Agora finalized the acquisition of a 40% stake in the commercial radio broadcaster Eurozet in February. To us, the deal looks grossly overpriced, and it does not make much sense from a business point of view given the limited earnings potential of radio broadcasting. That being said, we maintain an overall bullish view on Agora, offering generous dividend yields (4.3%), a substantial discount to peer valuations, and positive earnings momentum, evidenced by an 11% rebound seen in Q4 2018 EBITDA. In addition, Agora's cinema business alone according to our estimates is worth more than PLN 470m, i.e. not much less than the Company's total market capitalization at the moment. When it comes to the Press business, it is overdue for downsizing which we assume will reach 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. The announcement of radical savings measures would provide an upside boost to AGO's performance.

Current Price	11.60 PLN	Upside
9M Target Price	16.00 PLN	+37.9%

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

Key Metrics			AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	+3.6%	+4.8%
ISIN	PLAGORA00067	YTD Price Chng	+16.0%	+12.2%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.6m
MC (PLN m)	540.3	ADTV 6M		PLN 0.3m
EV (PLN m)	535.4	EV/EBITDA 12M fwd	5.1	-5.1%
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	-	-	24.3	38.5	20.5
P/B	0.5	0.5	0.6	0.6	0.6
EV/EBITDA	5.0	18.8	5.0	5.3	4.9
DPS	0.75		0.50	0.50	0.50
DYield	6.5%		4.3%	4.3%	4.3%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Daily circulaton (k copies)	161	124	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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CPS rose 2% in February, thanks mostly to guidance given by the Company's controlling shareholder for annual dividends of PLN 0.93 per share over the next three years. Though surprising, the dividend pledge is a positive development in our view as we believe Cyfrowy can afford to make shareholder distributions even considering its substantial leverage. The implied dividend yield is 3.7%. Dividends aside, at 6.7x 2019E EV/EBITDA CPS is currently Poland's most expensive telecom stock considering the likely lack of earnings growth this year, and the fact that its FCFE Yield, though high, is not higher enough compared to the yields offered by peers to justify a premium to rivals OPL and PLY. To our disappointment, 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+. We maintain a hold rating for CPS.

Current Price

24.72 PLN

Downside

9M Target Price

23.20 PLN

-6.1%

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+1.9%	+3.2%
ISIN	PLCFRPT00013	YTD Price Chng	+9.6%	+5.8%
Outst. Stock (m)	639.5	ADTV 1M		PLN 16.8m
MC (PLN m)	15,809.5	ADTV 6M		PLN 12.5m
EV (PLN m)	26,790.1	EV/EBITDA 12M fwd	6.4	-8.2%
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	15.2	16.1	16.1	14.2	11.8
P/B	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	7.4	7.3	7.3	6.7	6.2
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			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights*

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	9,730	9,829	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

Wirtualna Polska accumulate (no change)

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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 growth 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. We maintain an accumulate rating for WPL.

Current Price

55.40 PLN

Upside

9M Target Price

61.50 PLN

+11.0%

	rating	target price	issued
unchanged	accumulate	61.50 PLN	2019-02-04

Key Metrics			WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	-6.1%	-4.8%
ISIN	PLWRTPL00027	YTD Price Chng	+4.9%	+1.1%
Outst. Stock (m)	29.8	ADTV 1M		PLN 0.4m
MC (PLN m)	1,649.6	ADTV 6M		PLN 0.7m
EV (PLN m)	1,882.7	EV/EBITDA 12M fwd	9.5	-8.5%
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	29.1	36.5	22.8	17.4	14.8
P/B	4.0	3.9	3.5	3.2	2.8
EV/EBITDA	14.9	14.2	11.5	9.3	8.2
DPS	0.00	1.10	0.96	1.29	1.66
DYield	0.0%	2.0%	1.7%	2.3%	3.0%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

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

	18P	P/E	20P	18P	EV/EBITDA	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 hold (downgraded)

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Shares in Asseco Poland have registered a boost of 13% in the past month, far outperforming the broad market after it was confirmed that the Company would be taking over a portion of a systems maintenance contract for the social security agency ZUS originally awarded to rival Comarch. As Comarch's predecessor in administering the ZUS's systems, Asseco probably already has the necessary resources in place and is ready to go. News of the takeover sparked a rally on ACP, prompting a downgrade today from accumulate to hold accompanied by adjustments to our relative valuation model. ACP is currently trading at 15.3x 2019E P/E, a lower ratio than the peer average of 15.9x, but it still has upside catalysts in store stemming from a prospect of solid 2018 Q4 results and a high dividend yield, currently at 5.5%.

Current Price

54.30 PLN

Downside

9M Target Price

53.00 PLN

-2.4%

	rating	target price	issued
new	hold	53.00 PLN	2019-03-05
old	accumulate	51.20 PLN	2019-02-04
Key Metrics		ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	+12.8% +14.1%
ISIN	PLSOFTB000016	YTD Price Chng	+17.7% +13.9%
Outst. Stock (m)	83.0	ADTV 1M	PLN 6.3m
MC (PLN m)	4,506.9	ADTV 6M	PLN 6.4m
		P/E 12M fwd	14.1 +13.8%
Free Float	68.0%	P/E 5Y avg	12.4 premium

Earnings Projections

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	15.0	7.6	13.5	15.3	14.9
P/B	0.8	0.9	0.8	0.8	0.8
P/S	0.57	0.58	0.49	0.48	0.47
DPS	3.01	3.01	3.01	3.01	2.30
DYield	5.5%	5.5%	5.5%	5.5%	4.2%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue	7,932	7,724	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

	18P	P/E 19P	20P
Minimum	27.6	22.1	0.0
Maximum	10.6	8.7	0.0
Median	17.3	14.3	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%	50.63
SOTP Val.	50%	49.01
Implied Price		49.82
Cost of equity (9M)		6.4%
9M Target Price		53.00

CD Projekt accumulate (no change)

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We maintain a positive view on CD Projekt based on expectations as to the year-one sales volume of its next big release, *Cyberpunk 2077* (C2077), of 21 million copies, similar to the volumes achieved by comparable major gaming productions like *Red Dead Redemption 2* (RDR2), which reached 17 million copies in 12 days, set to grow to 23 million by 31 March 2019 despite the game being released just for XONE and PS4. Our current estimates for CD Projekt take into Steam's new rules for charging sales commissions. The Company confirmed it would be taking *Cyberpunk 2077* to the 2019 E3 event, and any press and buzz around the game in the period leading up to June is likely to send CDR performance higher. The news flow related to C2077 will overshadow a weak earnings report for Q4 2018, dampened by slow sales of *Thronebreaker*.

Current Price

189.40 PLN

Upside

9M Target Price

217.70 PLN

+14.9%

	rating	target price	issued
unchanged	accumulate	217.70 PLN	2019-02-04

Key Metrics			CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	-0.7%	+0.6%
ISIN	PLOPTTC00011	YTD Price Chng	+30.1%	+26.3%
Outst. Stock (m)	96.1	ADTV 1M		PLN 44.2m
MC (PLN m)	18,205.1	ADTV 6M		PLN 58.6m
EV (PLN m)	17,625.8	EV/EBITDA 12M fwd	23.6	+3.6%
Free Float	64.9%	EV/EBITDA 5Y avg	22.8	premium

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	72.0	90.0	-	-	9.7
P/B	23.2	20.4	18.5	17.9	6.4
EV/EBITDA	56.6	70.7	156.8	424.1	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			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales of The Witcher 3			0.0%	0.0%	0.0%
Sales of Gwent: The Card Game			0.0%	0.0%	0.0%
Sales of Cyberpunk 2077			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Sales, Video Games	476	330	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	0
Next AAA game (k copies)	0	0	0	6,000	5,000	4,000	3,000	2,500	1,500	0	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)	211.30

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 buy (upgraded)

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Shares in Comarch are down nearly 4% for the last five months, indicating underperformance of 6pp versus the broad WIG index and nearly 17pp vis-a-vis the main rival Asseco Poland, driven by an uncertain 2018 earnings outlook and anticipation that the Company will have to give up a portion of the crucial ZUS contract to Asseco. In the end, the 2018 figures came out more than good, accompanied by an upbeat guidance for 2019. As for the ZUS contract, the rumors of partial takeover by Asseco did prove true, however even with this factored in note that Comarch's backlog at the moment is 15% higher than this time last year. The Company is confident it can continue its fast-paced growth going forward, focusing primarily on customers from the TMT industry. We have raised our 2019 EBITDA estimate for Comarch to PLN 200.6m, a figure which sits 20% higher than the current consensus forecast. Note also that at 7.4x 2018 EV/EBITDA CMR is currently trading at a 24% discount to the sector. On the updated estimates, we set our new target price for Comarch at PLN 195.00, and we upgrade the stock from hold to buy. Our take on the ZUS setback is that, while unfortunate, it need not be blown out of proportion given Comarch's growing backlog and the assurance that it can put the human resources originally dedicated to the ZUS tasks to work elsewhere – an important statement in the context of this year's profit margins.

Current Price

162.50 PLN

Upside

9M Target Price

195.00 PLN

+20.0%

		rating	target price	issued
new		buy	195.00 PLN	2019-03-05
old		hold	160.80 PLN	2019-02-04
Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	+1.6%	+2.8%
ISIN	PLCOMAR00012	YTD Price Chng	+6.9%	+3.1%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.6m
MC (PLN m)	1,321.7	ADTV 6M		PLN 0.5m
EV (PLN m)	1,311.5	EV/EBITDA 12M fwd	7.8	+5.0%
Free Float	59.2%	EV/EBITDA 5Y avq	7.5	premium

Earnings Projections

Earnings Projections

(PLN m)	2016	2017	2018	2019P	2020P
Revenue	1,109	1,102	1,365	1,484	1,568
EBITDA	176	99	177	201	218
EBITDA margin	15.8%	9.0%	13.0%	13.5%	13.9%
EBIT	113	34	112	132	146
Net income	70	43	52	84	99
P/E	18.9	30.7	25.6	15.6	13.4
P/B	1.5	1.5	1.5	1.4	1.3
EV/EBITDA	7.3	13.7	7.4	6.4	5.7
DPS	0.00	1.50	1.50	1.50	5.00
DYield	0.0%	0.9%	0.9%	0.9%	3.1%
Projection Update (% change)			2018	2019P	2020P
Revenue			+1.7%	+6.1%	+5.0%
EBITDA			+15.8%	+19.3%	+18.1%
EBIT			+27.6%	+32.5%	+28.3%
Net income			+2.8%	+19.3%	+17.1%
CAPEX			+4.6%	+22.0%	+20.6%

Financial Highlights

(PLN m)	2016	2017	2018	2019P	2020P
Revenue	1,109	1,102	1,365	1,484	1,568
TMT	276	258	313	379	398
Finance & Banking	164	186	204	227	236
Retail Solutions	183	174	201	223	245
Manufacturing	146	142	138	147	154
Public Sector	73	63	194	153	162
SME	228	236	260	292	306
Other	39	43	54	65	67
Gross profit	343	268	387	417	427
margin	30.9%	24.3%	28.3%	28.1%	27.2%
Selling expenses	131	134	138	150	155
G&A expenses	101	98	109	120	125
EBIT	113	34	112	132	146
margin	10.2%	3.1%	8.2%	8.9%	9.3%
Net income	70	43	52	84	99

Key Balance Sheet Figures

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	88	61	144	137	164
OCF/EBITDA	50%	62%	81%	68%	75%
CAPEX	-121	-141	-87	-87	-87
Assets	1,439	1,503	1,675	1,792	1,888
Equity	861	880	897	970	1,028
Net debt	-49	19	-28	-63	-96
Net debt/EBITDA (x)	-0.3	0.2	-0.2	-0.3	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	19P	20P
Minimum	27.6	25.0	22.1	17.8	16.4	15.5
Maximum	10.6	9.4	8.7	5.5	5.5	5.2
Median	16.1	14.8	13.8	9.7	8.9	8.5
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,484	1,568	1,648	1,721	1,795	1,870	1,943	2,008	2,070	2,135	2,177
EBITDA	201	218	229	238	247	255	264	270	276	282	288
EBITDA margin	13.5%	13.9%	13.9%	13.8%	13.7%	13.7%	13.6%	13.5%	13.3%	13.2%	13.5%
D&A	69	72	75	79	82	86	90	94	99	103	105
EBIT	132	146	154	159	165	169	174	176	177	179	183
Tax	37	39	41	42	43	45	46	46	47	47	48
NOPLAT	96	108	114	117	121	125	128	130	131	132	134
CAPEX	-87	-87	-91	-93	-95	-98	-99	-101	-102	-103	-105
Working capital	-19	-10	-13	-11	-11	-12	-11	-10	-10	-10	-10
FCF	58	83	84	91	96	102	107	113	117	122	124
PV FCF	54	71	67	67	65	63	61	60	57	55	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,475
Net debt	-28
Other adjustments	18
Value per share (PLN)	182.58

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	184.06
DCF Val.	50%	182.58
Implied Price		183.32
Cost of equity (9M)		6.4%
9M Target Price		195.00



Industrials, Mining

Famur

buy (no change)

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A rebound in prices of thermal coal and coking coal beyond the current unit cash mining cost has bolstered capacity investment in the global mining industry. According to estimates by SNL, the World Bank, and the IMF, in 2018 mining expenditures will come up to \$147 billion, the highest annual spend since 2015, with the world CAPEX expected to peak in 2020 at \$176 billion. Adding to the upside is the short supply of coal observed in the Polish market, necessitating increased imports. In Poland, under a National Plan For Coal Through 2030, state coal mines are expected to up their total CAPEX from PLN 1.6bn in 2016 to PLN 2.4bn in 2018 and maintain investment above PLN 2.0bn in subsequent years. Famur's underground mining equipment division is set to grow sales by a projected 7% in 2019 owing to a 15% jump in revenues from roadheaders fueled by rental contracts for these machines signed with Poland's largest miners, PGG and JSW. The financial results for Q4 2018 are expected to be a positive surprise. Moreover, with extra cash from a subsidiary 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.

Current Price

4.91 PLN

Upside

9M Target Price

6.61 PLN

+34.6%

	rating	target price	issued
unchanged	buy	6.61 PLN	2019-02-04

Key Metrics	FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng -1.2% +0.1%
ISIN	PLFAMUR00012	YTD Price Chng -9.1% -12.9%
Outst. Stock (m)	574.8	ADTV 1M PLN 0.6m
MC (PLN m)	2,822.1	ADTV 6M PLN 1.1m
EV (PLN m)	3,024.2	EV/EBITDA 12M fwd 5.5 -7.4%
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	25.5	56.6	13.8	11.1	10.3
P/B	2.4	1.9	1.9	1.9	1.8
EV/EBITDA	9.4	9.6	6.4	5.5	5.3
DPS	0.00	0.00	0.44	0.46	0.31
DYield	0.0%	0.0%	9.0%	9.4%	6.3%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue, Underground			0.0%	0.0%	0.0%
Revenue, Surface			0.0%	0.0%	0.0%
Sales margin, UG			0.0%	0.0%	0.0%
Sales margin, Surface			0.0%	0.0%	0.0%

Financial Highlights

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

	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, 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 inputs can mitigate intensified competitive pressures following a capacity ramp-up by local rival Ponzio Polska. Meanwhile KTY stock continues to trade at an over-40% premium to comparable companies based on 2019E and 2020E earnings multiples. We maintain a hold rating for KTY, with the price target at PLN 324.30 per share.

Current Price

334.50 PLN

Downside

9M Target Price

324.30 PLN

-3.0%

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

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+1.1%	+2.3%
ISIN	PLKETY000011	YTD Price Chng	+1.7%	-2.1%
Outst. Stock (m)	9.5	ADTV 1M		PLN 0.7m
MC (PLN m)	3,193.0	ADTV 6M		PLN 0.8m
EV (PLN m)	3,989.2	EV/EBITDA 12M fwd	8.3	-11.1%
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	11.4	13.4	12.1	13.3	12.6
P/B	2.3	2.3	2.3	2.2	2.1
EV/EBITDA	9.1	8.9	8.6	8.9	8.4
DPS	17.95	30.00	23.94	19.36	17.64
DYield	5.4%	9.0%	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		324.31

JSW hold (no change)

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Prices of Australian coking coal are up at over \$210/t after rising from about \$190/t in the course of the last few weeks due to tighter supply after heavy rainfall caused local rail disruptions. This gives us a more upbeat view on the coal market, underpinned by a rebound in China's steel PMI over 50 points in January. Nevertheless further growth potential of met coal prices is curbed by low margins earned by BOF steel producers in China, where the steel stockpile is seen to be rising. Against this backdrop, the market seems to have discounted the 2019 earnings risks faced by JSW, with further downside potential curbed by a statement from the Polish Energy Minister effectively denying the equity-raising plans JSW's CEO was heard talking about in an earlier interview. JSW is scheduled to release its FY2018 earnings report on March 14th, and if this is accompanied by a dividend declaration the potential payout at the current share price level could make for a very handsome dividend yield. We maintain a hold rating for JSW.

Current Price

57.86 PLN

Upside

9M Target Price

60.68 PLN

+4.9%

	rating	target price	issued
unchanged	hold	60.68 PLN	2019-02-20

Key Metrics		JSW PW	vs. WIG	
Ticker	JSW PW	1M Price Chng	-17.6%	-16.3%
ISIN	PLJSW0000015	YTD Price Chng	-14.0%	-17.8%
Outst. Stock (m)	117.4	ADTV 1M		PLN 16.3m
MC (PLN m)	6,793.4	ADTV 6M		PLN 16.4m
EV (PLN m)	3,933.8	EV/EBITDA 12M fwd	2.1	-40.7%
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.	-	3.1	3.4	9.4	20.1
P/B	1.7	1.1	0.8	0.8	0.8
EV/EBITDA adj.	7.0	1.5	1.2	2.7	3.6
DPS	0.00	0.00	0.00	5.94	2.45
DYield	0.0%	0.0%	0.0%	10.3%	4.2%
Projection Update (% change)			2018P	2019P	2020P
EBITDA (adj.)			0.0%	0.0%	0.0%
Net income (adj.)			0.0%	0.0%	0.0%
Coking Coal price (\$/t)			0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coke price (\$/t)			0.0%	0.0%	0.0%
Total coal output (kt)			0.0%	0.0%	0.0%
Coking coal (kt)			0.0%	0.0%	0.0%
Coke (kt)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Total coal output (kt)	16,835	14,768	15,023	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
Thrmal 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 (reiterated)

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High cereal yields in Ukraine indicate a significant improvement in financial results in Kernel's 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 utilization of available crushing plant capacity (76% – the most since 2013/2014). We assume that the recovery in market margins on sunflower crushing may have a positive impact on EBITDA in the oil segment (result: +\$40m EBITDA on oil). Assuming it grows 2018/19 EBITDA as much as forecast, Kernel will reinforce the faith of investors in its ability to deliver the \$495m EBITDA target set for 2020/21. We anticipate continuing EBITDA expansion in the first two quarters of 2019. We have raised our 2019 net profit estimate for Kernel by 17% based on better-than-expected actual figures, resulting in an increased price target of PLN 62.86 per share and a reiterated buy rating.

Current Price

49.20 PLN

Upside

9M Target Price

62.86 PLN

+27.8%

	rating	target price	issued
new	buy	62.86 PLN	2019-03-05
old	buy	60.85 PLN	2018-11-05
Key Metrics		KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-0.6% +0.7%
ISIN	LU0327357389	YTD Price Chng	+0.5% -3.3%
Outst. Stock (m)	82.7	ADTV 1M	PLN 1.9m
MC (PLN m)	4,066.9	ADTV 6M	PLN 3.6m
EV (PLN m)	6,439.2	EV/EBITDA 12M fwd	5.5 +35.8%
Free Float	60.5%	EV/EBITDA 5Y avg	4.1 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	189	213
P/E	4.7	6.1	20.6	5.7	5.0
P/B	1.1	0.9	0.9	0.8	0.8
EV/EBITDA	3.8	5.0	7.6	5.4	4.7
DPS	0.25	0.24	0.25	0.25	0.92
DYield	1.9%	1.9%	1.9%	1.9%	7.1%
Projection Update (% change)			18/19P	19/20P	20/21P
EBITDA			0.0%	0.0%	0.0%
Net income			+17.0%	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	223	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	-193
Dividends/Buyback	-20	-20	-20	-21	-76
FCF	155	-93	-14	-122	182
FCF/EBITDA	45%	-29%	-6%	-34%	43%
OCF/EBITDA	39%	24%	37%	61%	69%

Key Balance Sheet Figures

(US\$ m)	15/16	16/17	17/18	18/19P	19/20P
Assets	1,509	2,009	2,211	2,589	2,784
Fixed assets	789	888	1,006	1,245	1,262
Equity	995	1,153	1,171	1,295	1,430
Minority interests	2	5	7	7	7
Net debt	276	508	619	884	876
Net debt/EBITDA (x)	0.8	1.6	2.8	2.4	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	4.5	5.6	3.9	3.6	3.1	3.6
Maximum	51.0	109.6	31.1	14.9	13.6	11.7
Median	18.9	13.1	13.3	8.8	8.0	7.6
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	2	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	-122	182	310	370	359	341	324	310	279	283	289
PV FCF	-116	151	221	227	190	155	127	104	83	72	
WACC	15.7%	15.4%	15.5%	15.7%	15.8%	15.9%	16.0%	16.1%	15.7%	15.8%	15.9%
Risk-free rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

DCF Summary

(US\$ m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,214
Net debt	619
Other adjustments	7
Value per share (PLN)	47.34

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	64.57
DCF Val.	50%	47.34
Implied Price		55.95
Cost of equity (9M)		12.3%
9M Target Price		62.86

KGHM hold (no change)

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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 labor costs in 2019. Pay negotiations with miners at Sierra Gorda are ongoing, giving rise to additional downside risks if the parties agree on raises. 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. 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 at KGHM. Near-term downside risk comes from possible write-offs of international assets, and weak results for the fourth quarter of 2018. We maintain a hold rating for KGH.

Current Price

101.20 PLN

Downside

9M Target Price

92.41 PLN

-8.7%

	rating	target price	issued
unchanged	hold	92.41 PLN	2019-02-04

Key Metrics			KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+5.7%	+7.0%
ISIN	PLKGHM000017	YTD Price Chng	+13.9%	+10.1%
Outst. Stock (m)	200.0	ADTV 1M		PLN 74.0m
MC (PLN m)	20,240.0	ADTV 6M		PLN 55.2m
EV (PLN m)	26,287.7	EV/EBITDA 12M fwd	4.8	-4.2%
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.	13.0	11.3	14.2	8.7	9.6
P/B	1.3	1.1	1.1	1.0	0.9
EV/EBITDA adj.	5.9	4.7	5.3	4.5	4.4
DPS	1.50	1.00	0.00	1.00	2.34
DYield	1.5%	1.0%	0.0%	1.0%	2.3%
Projection Update (% change)			2018P	2019P	2020P
EBITDA adj.			0.0%	0.0%	0.0%
Net income adj.			0.0%	0.0%	0.0%
Copper price (\$/t)			0.0%	0.0%	0.0%
Silver price (\$/oz)			0.0%	0.0%	0.0%
Molybdenum price (\$/t)			0.0%	0.0%	0.0%
Copper output (kt)			0.0%	0.0%	0.0%
Silver output (t)			0.0%	0.0%	0.0%
Molybdenum output (mmb)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Cu Output, PL (kt)	376	359	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 the EBITDA for the year will register a 17% fall from FY2017/2018, underpinned by logistics bottlenecks experienced by the Company's UK unit, currently undergoing restructuring after a management change. 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. Brexit is also a major risk factor for Stelmet, which sells about 30% of its production on the UK market. Stelmet announced in February that it would not be paying dividends this year, and after adjusting for this and for changes in peer multiples we lower our target price to PLN 8.36 per share, but we maintain a hold rating for STL

Current Price

10.25 PLN

Downside

9M Target Price

8.36 PLN

-18.4%

		rating	target price	issued
new		hold	8.36 PLN	2019-03-05
old		hold	8.39 PLN	2019-02-04
Key Metrics				vs. WIG
Ticker	STL PW	1M Price Chng	+19.2%	+20.5%
ISIN	PLSTLMT00010	YTD Price Chng	+41.6%	+37.8%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	301.0	ADTV 6M		PLN 0.1m
EV (PLN m)	476.8	EV/EBITDA 12M fwd	7.8	+12.2%
Free Float	15.0%	EV/EBITDA 5Y avq	6.9	premium

Earnings Projections

(PLN m)	2016	2017	2018	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	4.2	15.5	31.4	29.5	22.3
P/B	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	6.1	8.4	7.0	8.2	7.2
DPS	0.29	0.00	0.00	0.08	0.21
DYield	2.8%	0.0%	0.0%	0.8%	2.0%
Projection Update (% change)				2019P	2020P
EBITDA				0.0%	0.0%
Net income				0.0%	0.0%
Sales price (PLN/m3)				0.0%	0.0%
Sales volume (1,000 m3)				0.0%	0.0%
Timber price (PLN/m3)				0.0%	0.0%

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

Relative Valuation Summary						
	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.0	7.1	7.3	3.9	3.4	4.2
Maximum	58.4	45.9	14.3	17.4	15.9	9.3
Median	14.3	11.5	10.0	7.0	6.3	6.1
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	32	25	23	22	21	19	17	15	14	
WACC	6.9%	7.1%	7.2%	7.3%	7.4%	7.6%	7.7%	7.7%	7.8%	7.8%	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	206
Net debt	182
Other adjustments	0
Value per share (PLN)	9.10

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	6.63
DCF Val.	50%	9.10
Implied Price		7.86
Cost of equity (9M)		6.3%
9M Target Price		8.36

Property Developers

Atal

buy (no change)

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Atal stepped up the pace of its expansion into commercial spaces in 2018, and it currently has six apartment hotels with approximately 1,000 rooms in total underway. As the next step of the foray into commercial real estate, the Company is targeting the office market with a 15,000 development in Wrocław, to be followed with two office buildings in Krakow, where construction will start this year. As for residential, the rate of completions reported in Q4 2018 implies a slowdown in revenue, but the net profit for the full FY2018 is expected to be 10% higher than in 2017. This, combined with a land bank enough for 4.8 years of sales, indicates Atal has the capacity to increase the dividend payout ratio to as much as 100% (from 76% in 2018), potentially as soon as in 2019. Our 2019 DPS forecast of PLN 4.74 implies a dividend yield of 13.1%. We maintain a bullish view on Atal based on its diversified sales mix and low debt.

Current Price

36.20 PLN

Upside

9M Target Price

42.86 PLN

+18.4%

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

Key Metrics			1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	-0.5%	+0.7%
ISIN	PLATAL000046	YTD Price Chng	+29.3%	+25.5%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.8m
MC (PLN m)	1,401.5	ADTV 6M		PLN 0.5m
EV (PLN m)	1,628.6	EV/EBITDA 12M fwd	7.6	-3.6%
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	15.7	8.2	7.4	7.8	7.5
P/B	2.0	1.8	1.7	1.7	1.7
EV/EBITDA	14.7	7.2	6.6	7.1	7.3
DPS	0.61	1.73	3.54	4.74	4.73
DYield	1.7%	4.8%	9.8%	13.1%	13.1%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
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%

*Adj. for PLN 3.54 DPS; record day was June 25th

DCF Summary

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

Valuation Summary

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

Dom Development accumulate (no change)

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Dom Development is expected to report solid 2018 Q4 results, with net profit up 7% on the year. The prospects for Q1 2019 look good as well based on planned residential completions, however the number of apartments expected to be closed in the whole 2019 implies a 3% decline from 2018. At the same time, Dom hopes to increase the off-plan sales figures for the year with plans to break ground on nearly 4,000 new apartments, of which 2,000 set to get underway in the second half of the year. Amid a general uptrend in construction costs observed in Poland, we predict that Dom will fare better than the competition in terms of profit margins in 2019-2020, which are forecast to hold in the stable range of 26-27%, owing to in-house construction capacity. After generating record earnings in 2019, there is expectation that Dom will pay record dividends in 2019 at PLN 8.92 per share, implying dividend yield of 12.1%. We maintain an accumulate rating for DOM.

Current Price	73.80 PLN	Upside
9M Target Price	84.10 PLN	+14.0%

	rating	target price	issued
unchanged	accumulate	84.10 PLN	2019-02-04

Key Metrics			DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	-1.3%	-0.1%
ISIN	PLDMDVL00012	YTD Price Chng	+17.1%	+13.3%
Outst. Stock (m)	25.0	ADTV 1M		PLN 0.3m
MC (PLN m)	1,842.7	ADTV 6M		PLN 0.4m
EV (PLN m)	1,915.3	EV/EBITDA 12M fwd	7.0	-27.0%
Free Float	27.1%	EV/EBITDA 5Y avg	9.7	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	14.6	9.6	8.2	8.5	7.2
P/B	2.0	1.8	1.8	1.8	1.7
EV/EBITDA	10.9	7.8	6.6	7.1	6.4
DPS	3.25	5.05	7.60	8.92	8.67
DYield	4.4%	6.8%	10.3%	12.1%	11.7%
Projection Update (% change)			2018P	2019P	2020P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Closings			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Closings (units)	2,482	2,929	3,632	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%

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%

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 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

GTC suspended

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February was a slow month for GTC in terms of news flow, but March should be more eventful, with the Company expected to report close to 30% higher FFO and a 20% increase in revenue in its financial report for FY2018. This despite contraction anticipated in Q4 profits due to lower valuation gains on investment properties. FFO is set to continue expanding in 2019, driven by the planned completion of new projects, including the Green Heart complex of three office buildings in Belgrade, Matrix 1 offices in Zagreb, Advanced Business Center 1 in Sofia, and the Ada Mall in Belgrade. At the current level, GTC is trading close to NAVPS (+1% in '18) but shows a 5% discount to 2019E NAV. Relative to its EU peers, the Company's 2018E and 2019E FFO Yields show respective discounts of 17% and 7%. We temporarily suspend ratings for GTC as of the date of this Monthly Report.

Current Price

9.03 PLN

9M Target Price

-

	rating	target price	issued
new	suspended		2019-03-05
old	hold	9.60 PLN	2018-04-06
Key Metrics		GTC PW	vs. WIG
Ticker	GTC PW	1M Price Chng	-3.9% -2.7%
ISIN	PLGTC0000037	YTD Price Chng	+10.3% +6.4%
Outst. Stock (m)	-	ADTV 1M	PLN 0.8m
MC (PLN m)	-	ADTV 6M	PLN 0.5m
EV (PLN m)	-	EV/EBITDA 12M fwd	16.2 +13.1%
Free Float	-	EV/EBITDA 5Y avg	14.3 premium

Retail

AmRest

accumulate (downgraded)

Piotr Bogusz

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AmRest delivered a 40% y/y EBITDA boost in Q4 2018, outpacing the corresponding growth in revenue, with momentum driven by organic growth in profits generated by restaurants in Europe and China, coupled with synergies from recent acquisitions (KFC France and Sushi Shop). We expect continued earnings growth at a fast pace in 2019, fueled by further improvement in profit margins in the CEE and Russia divisions and at newly-acquired businesses, increasing profits provided by the master franchise business model, contributions from KFC France and Sushi Shop, and further expansion of the pizzaportal.pl food delivery platform. In addition, after initially generating extra costs in 2018, the businesses acquired last year should start bringing in more profits from 2019. We downgrade EAT to accumulate after the recent share price gains, with the target price intact at PLN 46.00.

Current Price	41.40 PLN	Upside
9M Target Price	46.00 PLN	+11.1%

	rating	target price	issued	
new	accumulate	46.00 PLN	2019-03-05	
old	buy	46.00 PLN	2018-12-05	
Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	+7.3%	+8.5%
ISIN	NL0000474351	YTD Price Chng	+3.5%	-0.3%
Outst. Stock (m)	219.6	ADTV 1M		PLN 2.9m
MC (PLN m)	9,089.5	ADTV 6M		PLN 4.4m
EV (PLN m)	11,470.6	EV/EBITDA 12M fwd	12.4	+18.3%
Free Float	31.1%	EV/EBITDA 5Y avg	10.5	premium

Earnings Projections

(PLN m)	2016	2017	2018	2019P	2020P
Revenue	4,207	5,270	6,657	7,515	8,875
EBITDA	539	606	711	864	1,080
EBITDA margin	12.8%	11.5%	10.7%	11.5%	12.2%
EBIT	268	275	315	381	510
Net income	191	191	191	252	350
P/E	46.1	46.0	47.5	36.1	26.0
P/B	6.7	6.7	5.0	4.5	3.8
EV/EBITDA	18.2	16.9	16.1	13.4	10.6
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2018	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue per restaurant			0.0%	0.0%	0.0%
EBITDA margin			0 p.p.	0 p.p.	0 p.p.
Restaurant count			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018	2019P	2020P
EBITDA (PL)	185	199	207	227	261
EBITDA (WE)	193	201	247	355	443
EBITDA (ES)	180	209	230	238	276
EBITDA (RU)	50.6	71.5	92.9	91.0	111.4
EBITDA (CZ)	93	116	151	166	201
Operating cash flow	457	635	705	807	1,031
D&A	271	330	396	483	570
Working capital	43	74	51	73	111
Investing cash flow	-539	-980	-1,812	-929	-918
CAPEX	-386	-527	-108	-929	-918
Financing cash flow	66	588	1,041	40	60
Dividends/Buyback	198	764	1,217	40	60
FCF	-17	-414	-1,162	-83	151
FCF/EBITDA	-3%	-69%	-163%	-10%	14%
OCF/EBITDA	85%	106%	99%	93%	95%

Key Ratios

(%)	2016	2017	2018	2019P	2020P
EBITDA margin (PL)	13.1%	12.5%	11.9%	12.6%	12.6%
EBITDA margin (WE)	15.8%	9.9%	14.9%	13.5%	14.1%
EBITDA margin (ES)	21.5%	22.4%	22.1%	22.2%	22.0%
EBITDA margin (RU)	10.9%	10.6%	10.8%	10.2%	10.2%
EBITDA margin (CZ)	19.1%	20.5%	21.0%	20.0%	20.0%
Net debt (PLN m)	971	1,422	2,338	2,438	2,326
Net debt/EBITDA (x)	1.8	2.4	2.8	2.8	2.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	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)	18	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/rest., (PLN k)	885	883	886	883	883	881	880	880	879	879	879
EBITDA margin	10.7%	11.5%	12.2%	13.0%	13.5%	13.7%	13.7%	13.7%	13.7%	13.7%	13.7%
Rest. count	2,121	2,307	2,701	3,034	3,317	3,558	3,763	3,957	4,142	4,318	4,318
Revenue	6,657	7,515	8,875	10,124	11,216	12,119	12,892	13,582	14,239	14,865	14,865
EBITDA	711	864	1,080	1,313	1,509	1,656	1,765	1,862	1,955	2,044	2,044
EBITDA margin	10.7%	11.5%	12.2%	13.0%	13.5%	13.7%	13.7%	13.7%	13.7%	13.7%	13.7%
EBIT	315	381	510	681	851	994	1,117	1,219	1,312	1,401	1,401
Tax	86	91	122	164	204	239	268	293	315	336	336
CAPEX	-1,818	-929	-918	-798	-699	-615	-543	-643	-643	-643	-643
Working capital	32	73	111	101	84	65	52	44	40	36	36
FCF	-1,162	-83	151	452	690	868	1,006	970	1,037	1,100	1,122
PV FCF	-1,176	-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

CCC buy (no change)

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CCC's preliminary 2018 Q4 results came slightly ahead of expectations, but nominally the figures came out weak after slow sales experienced in October and November. We were particularly disappointed with the performance of the eobuwie.pl Web store in the period, registering 15% y/y shrinkage in quarterly EBITDA to PLN 22m (we attribute this to high expenses incurred on marketing). On a positive note, the cash conversion cycle improved again in Q4 to 96 days from 129 days in the same period in 2017, and per-sqm costs at brick stores were reduced by 9.5%. The discontinuation of CCC Germany resulted in a one-time loss of PLN 90m vs. a loss of PLN 7m on continuing operations booked in Q4'17. Looking ahead into 2019, CCC managed to curb the decline in per-sqm sales to an annual rate of 1% in February, as well as reporting a rebound in online sales. March should bring further improvement thanks to warm weather and positive base effects.

Current Price

188.00 PLN

Upside

9M Target Price

291.00 PLN

+54.8%

	rating	target price	issued
unchanged	buy	291.00 PLN	2019-02-04

Key Metrics	CCC PW	1M Price Chng	CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	+5.0%	+6.3%
ISIN	PLCCC0000016	YTD Price Chng	-2.7%	-6.6%
Outst. Stock (m)	41.1	ADTV 1M		PLN 19.9m
MC (PLN m)	7,731.9	ADTV 6M		PLN 24.0m
EV (PLN m)	8,461.1	EV/EBITDA 12M fwd	11.1	-28.5%
Free Float	59.4%	EV/EBITDA 5Y avg	15.5	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	24.0	27.6	-	16.5	13.0
P/B	8.0	7.0	8.4	5.4	3.9
EV/EBITDA	18.2	16.4	26.1	10.6	8.3
DPS	2.19	2.47	2.30	1.87	1.87
DYield	1.2%	1.3%	1.2%	1.0%	1.0%
Projection Update (% change)			2018P	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
B&M sales/sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
Revenue, B&M sales	2,902	3,588	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 (no change)

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Shares in Dino jumped 20% in the latter part of February in response to the government's plans to extend the 500+ child benefits scheme, and to news that the Company was joining the WIG20 blue-chip index. The rally wiped all near-term upside potential. Dino is expected to report continued strong growth at 9% in the like-for-like sales for Q4 2018 in March, however the momentum in the first quarter of 2019 will probably be stunted by negative base effects due to the Easter holiday this year coming nearly a month later than last year, coupled with the extension of the Sunday trading ban from two to three Sundays a month. Though temporary, the slowdown expected in H1 2019 is a source of potential downside risk. Starting from Q2 2019, Dino is poised to bring lfl growth back to the double digits. At the same time, emerging pay pressures mean that the EBITDA margin this year will probably remain stable at a projected 9.1%. We predict that lfl sales in FY2019 will grow in the high single digits, with per-sqm sales rising by an estimated 2.8%, supported by price inflation and a favorable business environment.

Current Price

109.70 PLN

Downside

9M Target Price

105.90 PLN

-3.5%

	rating	target price	issued
unchanged	hold	105.90 PLN	2019-02-04

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+7.5%	+8.8%
ISIN	PLDINPL00011	YTD Price Chng	+14.4%	+10.6%
Outst. Stock (m)	98.0	ADTV 1M		PLN 18.0m
MC (PLN m)	10,755.0	ADTV 6M		PLN 18.7m
EV (PLN m)	11,330.4	EV/EBITDA 12M fwd	15.8	+0.5%
Free Float	48.9%	EV/EBITDA 5Y avg	15.7	premium

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	71.1	50.4	35.1	26.1	20.8
P/B	15.7	11.9	8.9	6.6	5.0
EV/EBITDA	40.1	28.9	21.3	16.3	13.1
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			0.0%	0.0%	0.0%
Net profit			0.0%	0.0%	0.0%
Store count			0.0%	0.0%	0.0%
Sales/sqm			0.0%	0.0%	0.0%
EBITDA margin			0.0 p.p.	0.0 p.p.	0.0 p.p.

Financial Highlights

(EUR m)	2016	2017	2018P	2019P	2020P
Store count	628	775	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

Eurocash reduce (no change)

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EUR stock rebounded since the 22 February earnings release even though the figures for Q4 2018 fell short of market expectations and were only in line with our estimates. In 2019 Eurocash wants to continue and bring to a close the efforts to integrate recent acquisitions into its organization, which should result in reduced costs. The Company's portfolio grocery retailers generated positive like-for-like sales growth in Q4, and they are expected to maintain the positive momentum this year. Note that in Q1 2019 growth might be curbed by a negative Easter effect and the extended Sunday trading ban, which reduces the number of shopping days by six compared to Q1 2018. As for profits, the retail segment is not expected to see much improvement in Q1 2019. As it continues to incur higher post-merger integration costs, and the Cash & Carry outlets face sustained pressures in the years ahead under changing market conditions.

Current Price

20.91 PLN

Downside

9M Target Price

17.90 PLN

-14.4%

	rating	target price	issued
unchanged	reduce	17.90 PLN	2019-02-04

Key Metrics		EUR PW		vs. WIG
Ticker	EUR PW	1M Price Chng	+7.3%	+8.6%
ISIN	PLEURCH00011	YTD Price Chng	+18.8%	+15.0%
Outst. Stock (m)	139.2	ADTV 1M		PLN 6.4m
MC (PLN m)	2,909.9	ADTV 6M		PLN 7.4m
EV (PLN m)	3,353.2	EV/EBITDA 12M fwd	7.8	-26.6%
Free Float	53.0%	EV/EBITDA 5Y avg	10.6	discount

Earnings Projections

(PLN m)	2016	2017	2018	2019P	2020P
Revenue	21,206	21,496	22,833	26,954	27,544
EBITDA	440	246	419	415	458
EBITDA margin	2.1%	1.1%	1.8%	1.5%	1.7%
EBIT	274	63	214	206	244
Net income	179	-33	110	97	140
P/E	16.2	-	26.5	29.9	20.8
P/B	2.5	2.8	2.8	2.7	2.5
EV/EBITDA	7.5	13.6	8.0	8.1	7.0
DPS	1.05	0.80	0.76	0.35	0.35
DYield	5.0%	3.8%	3.6%	1.7%	1.7%
Projection Update (% change)			2018	2019P	2020P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Wholesale (EBITDA)			0.0%	0.0%	0.0%
Retail (EBITDA)			0.0%	0.0%	0.0%
New Projects (EBITDA)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017	2018	2019P	2020P
Wholesale (S)	16,217	16,726	14,749	17,826	18,093
Retail (S)	2,397	3,436	8,468	4,192	4,401
New Projects (S)	271	551	2,500	662	662
New Projects (EBITDA)	-39.8	-52.1	803.1	-50.3	-50.3
Other (EBITDA)	-76	-87	-38	-112	-112
Operating cash flow	325	494	582	528	455
D&A	166	183	204	208	213
Working capital	-99	247	196	148	39
Investing cash flow	-270	-336	-462	-163	-164
CAPEX	-219	-307	-445	-163	-164
Financing cash flow	22	-117	-126	-222	-311
Dividends/Buyback	-146	-111	-106	-48	-49
FCF	98	361	632	294	262
FCF/EBITDA	22%	146%	151%	71%	57%
OCF/EBITDA	74%	200%	139%	127%	99%

Key Ratios

	2016	2017P	2018	2019P	2020P
Days inventory	21.1	24.7	23.6	24.9	24.9
Days receivables	30.1	27.8	21.5	27.4	27.2
Days payables	66.9	73.7	69.8	73.3	73.3
CCC (days)	-15.8	-21.3	-24.7	-21.1	-21.3
SG&A/Sales	9%	10%	12%	11%	11%
Net debt (PLN m)	324	370	382	409	230
Net debt/EBITDA (x)	0.7	1.5	0.9	1.0	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	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)	18	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Wholesale (EBITDA)	211	462	487	506	506	496	486	476	467	457	457
Retail (EBITDA)	303	102	120	134	139	141	142	144	145	146	146
New Projects (EBITD)	41	-50	-50	-50	-50	-50	-50	-50	-50	-50	-50
Revenue	22,833	26,954	27,544	28,129	28,778	29,472	30,215	31,012	31,480	32,404	32,404
EBITDA	419	415	458	491	498	496	494	493	491	490	490
EBITDA margin	1.83%	1.54%	1.66%	1.75%	1.73%	1.68%	1.64%	1.59%	1.56%	1.51%	1.51%
EBIT	197	188	226	255	257	249	242	234	227	239	239
Tax	14	45	52	53	51	49	48	45	44	47	47
CAPEX	-148	-163	-164	-166	-168	-169	-171	-173	-245	-251	-251
Working capital	-393	-106	-39	-39	-43	-45	-48	-51	-38	-58	-58
FCF	632	294	262	293	303	304	305	307	221	251	251
PV FCF	640	275	227	235	225	209	194	182	121	128	
WACC	8.2%	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 hold (downgraded)

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Jeronimo Martins reported a small miss in 2018 Q4 results, however a continued recovery in like-for-like sales at Polish supermarkets (+1.2% vs. 0.8% in Q3) was received warmly by the market. The Biedronka stores also delivered a stable EBITDA margin for the quarter, alongside reduced losses generated by the developing Ara and Hebe units. Jeronimo wants to keep growing the Hebe drugstore chain at a high pace in 2019, with 50 new locations planned, and it hopes the stores will break even this year. As for the Ara grocery stores in Colombia, they are expected to curb EBITDA losses by 20-25%, and make a positive contribution to the consolidated EBITDA for the year to the tune of EUR 15-18m. Of the 150 Biedronka locations slated to be opened this year, 50 will have a new, smaller format (400-500 sqm), and will be based in less populated areas. Like in the case of most grocery retailers, the 2019 Q1 sales of Biedronka might suffer from a negative Easter effect and an extended Sunday trading ban. Jeronimo wants to distribute 50% of 2018 earnings as dividends this year, offering DPS of EUR 0.325. The Company is reportedly planning to expand to Romania. After adopting more conservative assumptions for future profits, and after adjusting for changes in peer multiples, we downgrade JMT to hold.

Current Price	13.40 EUR	Upside
9M Target Price	13.60 EUR	+1.5%

	rating	target price	issued
new	hold	13.60 EUR	2019-03-05
old	buy	14.60 EUR	2019-02-04
Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+7.6% +8.9%
ISIN	PTJMT0AE0001	YTD Price Chng	+29.6% +25.8%
Outst. Stock (m)	629.3	ADTV 1M	EUR 10.4m
MC (EUR m)	8,432.5	ADTV 6M	EUR 9.7m
EV (EUR m)	8,796.2	EV/EBITDA 12M fwd	8.3 -12.0%
Free Float	-	EV/EBITDA 5Y avg	9.5 discount

Earnings Projections

(EUR m)	2016	2017	2018	2019P	2020P
Revenue	14,622	16,276	17,336	18,777	20,619
EBITDA	862	922	959	1,041	1,124
EBITDA margin	5.9%	5.7%	5.5%	5.5%	5.5%
EBIT	536	577	587	641	691
Net income	593	386	400	437	475
P/E	14.2	21.8	21.1	19.3	17.8
P/B	4.9	4.7	4.7	4.2	3.7
EV/EBITDA	9.7	9.2	9.2	8.4	7.5
DPS	0.28	0.69	0.64	0.32	0.38
DYield	2.1%	5.2%	4.8%	2.4%	2.8%
Projection Update (% change)			2018	2019P	2020P
EBITDA			-0.2%	-0.6%	+0.0%
Net income			+0.2%	-1.0%	-0.8%
Y/Y sales/sqm, Biedronka			-0.5 p.p.	+0.1 p.p.	-0.1 p.p.
Y/Y sales/sqm, Pingo Doce			-0.2 p.p.	+1.4 p.p.	+1.3 p.p.
Y/Y sales/sqm, Recheio			-1.0 p.p.	-3.9 p.p.	-3.8 p.p.

Financial Highlights

(EUR m)	2016	2017P	2018	2019P	2020P
EBITDA Biedronka, PL	704	808	640	695	756
EBITDA Pingo Doce, PT	192	187	145	142	138
EBITDA Recheio, PT	47	50	42	42	43
EBITDA Other	-79	-85	-80	-52	-27
CCC (days)	-70	-71	-67	-67	-67
Operating cash flow	843	909	847	1,051	1,186
D&A	326	345	372	401	433
Working capital	180	292	-17	189	254
Investing cash flow	-126	-658	-715	-727	-696
CAPEX	-433	-662	-717	-727	-696
Financing cash flow	-504	-229	-322	-229	-261
Dividends/Buyback	177	435	401	205	237
FCF	515	397	87	348	514
FCF/EBITDA	60%	43%	9%	33%	46%
OCF/EBITDA	98%	99%	88%	101%	106%

Key Ratios

(%)	2016	2017P	2018	2019P	2020P
Gross profit margin	21.3%	21.2%	21.7%	22.0%	22.0%
SG&A/Sales	17.4%	17.6%	18.2%	18.6%	18.6%
Y/Y sales/sqm, Biedr.	2.7%	9.0%	1.0%	1.7%	0.3%
Y/Y sales/sqm, P. Doce	1.0%	0.5%	3.2%	1.2%	1.6%
Y/Y sales/sqm, Recheio	5.0%	5.7%	2.8%	-0.7%	-1.7%
Net debt (EUR m)	-304	-144	135	39	-189
Net debt/EBITDA (x)	-0.4	-0.2	0.1	0.0	-0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	19P	20P
Minimum	14.0	11.5	10.0	6.1	5.0	4.4
Maximum	33.4	23.4	18.3	9.1	7.8	7.0
Median	18.3	14.5	13.4	7.3	6.9	6.4
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis

(EUR m)	18	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Biedronka stores	2,900	3,172	3,444	3,484	3,524	3,564	3,604	3,644	3,684	3,724	3,724
Pingo Doce stores	432	432	432	432	432	432	432	432	432	432	432
Ara stores	532	772	1,032	1,192	1,352	1,512	1,632	1,712	1,752	1,792	1,792
Revenue	17,336	18,777	20,619	21,771	22,463	23,114	23,734	24,301	24,814	25,313	25,313
EBITDA	959	1,041	1,124	1,186	1,212	1,234	1,256	1,277	1,299	1,321	1,321
EBITDA margin	5.5%	5.5%	5.5%	5.4%	5.4%	5.3%	5.3%	5.3%	5.2%	5.2%	5.2%
EBIT	587	641	691	738	764	786	809	835	859	881	881
Tax	138	156	168	180	186	192	197	204	210	215	215
CAPEX	-717	-727	-696	-460	-456	-452	-416	-381	-439	-439	-439
Working capital	-17	189	254	160	96	90	86	78	71	69	69
FCF	87	348	514	705	666	681	728	771	721	735	748
PV FCF	88	325	444	562	490	463	457	447	386	363	
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	1.8%
PV FCF	9,658
Net debt	-144
Other adjustments	225
Value per share (EUR)	15.22

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	10.48
DCF Val.	50%	15.22
Implied Price		12.85
Cost of equity (9M)		6.2%
9M Target Price		13.60

LPP buy (upgraded)

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LPP reported further improvement in like-for-like growth in Q4 2018, as well as increasing the margin on sales, with 2018 FY EBIT expected to show a 28.5% y/y boost to PLN 743m, an estimate implying a slight miss relative to our PLN 814m forecast. We expect continued lfl growth in 2019, and LPP itself is guiding for stable sales margins vis-à-vis an 0.6pp decline anticipated by us. Any negative effects of a possible appreciation in the USDPLN exchange rate should be offset by improved trading terms agreed with suppliers, combined with higher clothing sales at full prices supported by more premium-priced items introduced in stores. As a result, we assume LPP will be able to curb the pace of increase in per-sqm SG&A expenses to an annual rate of 6%, and we anticipate a 14% rebound to PLN 1,309m in FY2019 EBITDA.

Current Price

7,990.00 PLN

Upside

9M Target Price

9,300.00 PLN

+16.4%

	rating	target price	issued
new	buy	9,300.00 PLN	2019-03-05
old	accumulate	9,300.00 PLN	2019-02-04
Key Metrics			
Ticker	LPP PW	1M Price Chng	-4.1%
ISIN	PLPP0000011	YTD Price Chng	+1.8%
Outst. Stock (m)	1.9	ADTV 1M	PLN 16.0m
MC (PLN m)	14,800.9	ADTV 6M	PLN 23.0m
EV (PLN m)	14,453.6	EV/EBITDA 12M fwd	11.0
Free Float	69.5%	EV/EBITDA 5Y avg	14.1 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	83.9	33.6	27.3	18.6	16.2
P/B	6.9	6.1	5.1	4.0	3.3
EV/EBITDA	30.0	16.6	13.4	10.7	9.0
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)					
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales per sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
Sales area			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2016	2017P	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	2017P	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		
	17P	18P	19P	17P	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 hold (downgraded)

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PBK stock offers no more upside potential after a 17% jump in February, prompting a downgrade from accumulate to hold. PBKM wants to continue its M&A push to further grow its 30% market share in the European market for stem cell banking, so as to 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, and it has allocated EUR 25m to acquisitions over the next 12-15 months. In February PBKM commenced talks with Esperite, the struggling Dutch group which had a EUR 4.5m EBITDA loss in 2017, to buy its stem cell banking unit Cryo-Save, currently storing 330,000 cord blood samples. The deal would move PBKM to the No. 3-4 spot in Europe in terms of banking volumes. In this respect Cryo Save looks like a viable acquisition target, however in the long term we question PBKM's strategy of growth through many acquisitions, which on top of being risky also curbs the Company's dividend-paying potential for the next few years.

Financial Highlights

(PLN m)	2016	2017	2018P	2019P	2020P
New CBU acquisitions (k)	18.9	20.1	21.1	21.9	22.5
Revenue per new CBU	5.13	5.32	5.48	5.62	5.77
Total CBUs (k)	127.7	146.8	166.7	187.3	208.3
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

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%

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%

Current Price

68.80 PLN

Downside

9M Target Price

66.57 PLN

-3.2%

	rating	target price	issued
new	hold	66.57 PLN	2019-03-05
old	accumulate	66.57 PLN	2018-12-05
Key Metrics			
	BKM PW	1M Price Chng	+16.6% +17.9%
Ticker	PLPBKM000012	YTD Price Chng	+18.6% +14.8%
ISIN			
Outst. Stock (m)	5.0	ADTV 1M	PLN 0.6m
MC (PLN m)	342.0	ADTV 6M	PLN 0.5m
EV (PLN m)	400.4	EV/EBITDA 12M fwd	9.1 +44.8%
Free Float	48.8%	EV/EBITDA 5Y avg	6.3 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	15.4	11.1	10.1	12.8	11.7
P/B	6.1	4.4	3.2	2.5	2.0
EV/EBITDA	10.1	7.4	8.3	8.4	7.5
DPS	1.41	1.72	0.86	0.86	0.86
DYield	2.0%	2.5%	1.2%	1.2%	1.2%
Projection Update (% change)					
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	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 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

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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BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
Recommendations are updated at least once every nine months.

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

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

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

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

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

Comparable Companies Used In Relative Valuation Models

Agora	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroer 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 Shenhua, Shanxi Xishan Coal & Elec, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heima, 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	Affiliated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
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

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	accumulate	buy	accumulate	hold	reduce
Rating date	2019-03-05	2018-12-05	2018-11-05	2018-09-03	2018-04-06
Target price (PLN)	46.00	46.00	41.20	42.60	426.00
Price on rating day	41.40	39.60	40.00	40.60	449.50

Apator

Rating	overweight	overweight	neutral	underweight
Rating date	2019-03-05	2019-02-27	2019-01-30	2018-12-05
Target price (PLN)	-	-	-	-
Price on rating day	26.50	25.80	25.40	24.20

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	overweight	neutral
Rating date	2019-02-28	2018-03-28
Target price (PLN)	-	-
Price on rating day	26.60	28.00

Asseco Poland

Rating	hold	accumulate	hold	accumulate	hold	reduce
Rating date	2019-03-05	2019-02-04	2018-12-05	2018-09-03	2018-06-06	2018-03-27
Target price (PLN)	53.00	51.20	49.60	49.00	41.20	41.20
Price on rating day	54.30	48.00	48.30	45.90	44.00	45.20

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

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

Boryszew

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

Budimex

Rating	suspended	hold	hold	accumulate
Rating date	2018-12-05	2018-08-02	2018-06-06	2018-04-06
Target price (PLN)	-	125.00	163.00	216.39
Price on rating day	119.40	122.60	153.00	215.00

Capital Park

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

CCC

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

CD Projekt

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

CEZ

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

Ciech

Rating	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
Target price (PLN)	75.82	77.05	82.52	81.14	88.64	89.71	85.40	85.87
Price on rating day	52.40	42.58	56.95	53.05	60.20	55.00	57.00	55.90

Cognor

Rating	underweight	neutral
Rating date	2019-03-05	2018-12-05
Target price (PLN)	-	-
Price on rating day	1.94	1.80

Comarch

Rating	buy	hold	accumulate	accumulate	accumulate	buy	hold
Rating date	2019-03-05	2019-02-04	2018-12-05	2018-10-01	2018-05-09	2018-04-06	2018-03-05
Target price (PLN)	195.00	160.80	173.30	180.50	166.50	166.50	166.50
Price on rating day	162.50	155.00	160.00	167.00	145.00	131.50	155.00

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

Dom Development

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

Echo

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

Elektrobudowa

Rating	suspended	buy	hold	buy
Rating date	2018-12-05	2018-09-26	2018-06-06	2018-04-06
Target price (PLN)	-	45.00	71.00	116.00
Price on rating day	32.00	32.80	69.00	96.40

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

Energa

Rating	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
Target price (PLN)	13.26	13.54	15.27	15.58	14.91	14.71
Price on rating day	10.14	9.16	8.40	9.00	9.96	10.11

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	overweight	underweight	neutral
Rating date	2019-02-27	2018-12-05	2018-04-27
Target price (PLN)	-	-	-
Price on rating day	2.75	2.80	4.06

Erste Bank

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

Eurocash

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

Famur

Rating	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
Target price (PLN)	6.61	6.41	6.56	6.95	7.06	7.28
Price on rating day	4.98	5.58	5.20	5.94	6.04	6.10

Forte

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

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	hold	buy	hold	hold	hold	hold	hold
Rating date	2019-03-05	2018-11-23	2018-11-05	2018-09-03	2018-08-02	2018-05-25	2018-05-09	2018-03-05
Target price (PLN)	43.20	33.00	31.47	41.13	42.13	44.40	60.99	67.13
Price on rating day	43.88	32.36	24.00	38.00	42.20	42.60	51.10	56.55

GTC

Rating	suspended	hold	accumulate
Rating date	2019-03-05	2018-04-06	2018-03-05
Target price (PLN)	-	9.60	9.70
Price on rating day	9.03	9.39	8.64

Handlowy

Rating	hold	reduce	accumulate	buy	buy
Rating date	2019-03-05	2019-02-01	2018-12-05	2018-10-04	2018-04-06
Target price (PLN)	65.50	65.50	76.00	90.00	94.00
Price on rating day	65.90	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

Jerónimo Martins

Rating	hold	buy	buy	buy	buy	accumulate	accumulate
Rating date	2019-03-05	2019-02-04	2018-12-05	2018-08-02	2018-06-06	2018-04-06	2018-03-05
Target price (EUR)	13.60	14.60	14.50	15.20	16.40	16.40	16.90
Price on rating day	13.40	12.38	10.60	12.65	13.52	14.90	15.17

JSW

Rating	hold	reduce	reduce	sell	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-02-20	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	60.68	59.14	59.14	98.00	108.69	107.00	115.23	109.12	108.14	120.71
Price on rating day	59.96	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

Kemel

Rating	buy	buy	buy	hold	hold
Rating date	2019-03-05	2018-11-05	2018-07-23	2018-05-09	2018-03-05
Target price (PLN)	62.86	60.85	59.18	53.04	53.46
Price on rating day	49.20	52.10	50.50	50.80	48.80

Grupa Kęty

Rating	hold	reduce	sell	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
Target price (PLN)	324.30	309.30	309.30	367.45	355.61	371.08	363.01	357.21	379.66
Price on rating day	336.50	343.00	365.50	387.50	321.50	360.50	353.00	346.00	352.50

KGHM

Rating	hold	hold	hold	buy	buy	buy	buy	buy	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
Target price (PLN)	92.41	84.56	87.99	104.21	111.08	112.92	118.98	115.43	122.81
Price on rating day	94.16	92.60	85.40	90.80	96.00	96.52	92.50	88.00	102.50

Komerční Banka

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

Kruk

Rating	buy	buy	buy
Rating date	2019-02-04	2018-12-05	2018-09-17
Target price (PLN)	279.32	292.77	292.77
Price on rating day	167.60	177.10	187.80

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
Rating date	2018-12-05	2018-06-22	2018-04-06
Target price (PLN)	-	3.58	3.50
Price on rating day	2.55	2.39	2.70

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	sell	hold	hold	hold	reduce
Rating date	2019-03-05	2019-02-04	2018-11-15	2018-09-03	2018-08-02	2018-06-29	2018-05-09	2018-04-06	2018-03-05
Target price (PLN)	65.18	65.36	59.84	57.21	52.51	52.51	52.81	51.73	51.08
Price on rating day	93.90	93.00	73.50	69.90	65.86	54.50	55.62	54.60	56.30

LPP

Rating	buy	accumulate	buy	buy	accumulate	hold	accumulate	accumulate
Rating date	2019-03-05	2019-02-04	2018-12-05	2018-10-01	2018-06-18	2018-05-09	2018-04-06	2018-03-05
Target price (PLN)	9300.00	9300.00	9300.00	10200.00	10200.00	9500.00	9500.00	9500.00
Price on rating day	7990.00	8,370.00	7,730.00	8,625.00	9,025.00	9,260.00	8,900.00	8,620.00

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	hold	accumulate	accumulate	buy	accumulate	hold	hold	hold
Rating date	2019-03-05	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
Target price (HUF)	3423.00	3433.00	3280.00	3280.00	3296.00	3296.00	2995.00	2954.00	2898.00	3027.00
Price on rating day	3,250.00	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

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

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

PA Nova

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

PBKM

Rating	hold	accumulate	buy	hold	hold
Rating date	2019-03-05	2018-12-05	2018-10-01	2018-06-06	2018-04-06
Target price (PLN)	66.57	66.57	66.40	76.26	76.83
Price on rating day	68.80	62.00	57.80	73.00	77.00

Prime Car Management

Rating	suspended	buy	buy
Rating date	2018-08-23	2018-06-06	2018-04-06
Target price (PLN)	-	15.54	33.00
Price on rating day	7.96	12.70	23.60

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	neutral	underweight	neutral	overweight	overweight
Rating date	2019-02-27	2019-01-30	2018-09-28	2018-08-08	2018-04-27
Target price (PLN)	-	-	-	-	-
Price on rating day	28.40	32.60	36.45	37.30	37.30

PGE

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

PGNiG

Rating	hold	hold	buy	buy	buy	buy	buy	buy
Rating date	2019-03-05	2019-02-04	2018-11-05	2018-09-03	2018-06-29	2018-05-09	2018-04-06	2018-03-05
Target price (PLN)	7.08	7.72	7.72	7.86	8.28	8.17	7.96	7.51
Price on rating day	6.58	7.63	6.35	5.82	5.53	6.20	5.71	5.98

PKN Orlen

Rating	sell	sell	sell	reduce	sell	sell	reduce	reduce	reduce	sell
Rating date	2019-03-05	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
Target price (PLN)	81.22	83.43	81.52	81.38	81.38	76.84	76.84	76.73	76.89	80.55
Price on rating day	101.50	104.70	97.80	93.50	98.24	93.06	82.50	82.30	89.52	95.20

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
Rating date	2018-12-05	2018-06-22
Target price (PLN)	-	-
Price on rating day	9.77	9.04

Polwax

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

Pozbud

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

PZU

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

Ronson

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

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

Stelmet

Rating	hold	hold	hold	buy	buy	buy	buy
Rating date	2019-03-05	2019-02-04	2018-11-05	2018-09-03	2018-07-04	2018-05-09	2018-03-05
Target price (PLN)	8.36	8.39	7.72	20.45	20.24	26.48	27.72
Price on rating day	10.25	8.88	7.50	11.35	10.70	14.75	17.15

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

TIM

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

Torpol

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

Trakcja

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

TXM

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

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

VRG

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

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

ZUE

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

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