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Monthly Market Outlook: April 2019

Equity Market, Macroeconomics

Equity Market

We remain positive towards the stock market – more and more likely the US-China agreement, low macro expectations (especially in Europe and EM), the fiscal package in China is starting to work, and surprisingly good data from the Polish economy.

Sector Outlook Financials

We recommend overweighting the banking sector in April. We expect that sentiment to be created by expectations of profits for Q1'19, CHF Act that may still appear in the Polish parliament, details of TLTRO3 and possible ECB reduction of negative interest rates for surplus funds and finally by figures of Italian GDP. Our top-picks in Poland remain Pekao and Alior, banks without exposure to CHF and still attractive pricing. In the region, we prefer Erste Bank, which should benefit from the bank tax change in Romania.

Chemicals

As prices of natural gas trend downward, both rated chemical producers, Azoty and Ciech, are well positioned to grow profits in 2019. Both companies will record a clear increase of profits in 2019. At the current levels, however, CIE offers more upside potential of the two. The large investments and the specter of the negative FCF are burdened by the sentiment towards ATT.

Oil & Gas

The market situation has led us to another revision of gas prices, but after recent drops, we are upgrading the PGNiG rating to accumulate. We maintain a negative attitude towards refineries, which will face the increasingly less-supporting macro and high expectations in the consensus.

Power Utilities

The WIG-Energy index underperformed its European benchmarks but we believe that the final regulation on compensations may reverse the negative sentiment, especially that the market expectations have been over-reduced and companies have a chance to surprise with this year's earnings.

Telecoms, media, IT

We count on CMR share price increase in April'19 and remain positive attitude towards ASE. We pay attention to the quite high DivYield in ACP. In telecoms, our top pick remains OPL, after good figures for Q4'18. We continue to overweight AGO, which in Q4'18 delivered an EBITDA improvement of >10% and will benefit from the boost in cinemas in 2019.

Industrials & Mining

The market seems to have discounted the downside risks affecting Polish industrial stocks. Our top picks for March include AMC, APT, EGS, FMF, KER, POZ, and TIM. We would underweight COG and TAR. Mining companies are struggling with rising production costs. China PMI rebound could positively affect sentiment. We stay neutral towards KGH and negative to JSW.

Property Developers

After the dynamic growth of DOM (YTD + 29%) and 1AT (YTD + 43%), we are downgrading the rating for both companies to hold. With record earnings in 2018 the companies will distribute high dividends (DY>11%).

Retail

Favorable weather conditions in III should support the y/y sales growth of the clothing and footwear sectors, yet CCC should benefit the most. The food retailers may be under pressure, where expectations of weak earnings in Q1'19 may be discounted.

Key Ratings

Positive: AMC, APT, ASE, CCC, CDR, CIE, CMR, EAT, EGS, FMF, POZ, TIM

Negative: COG, DNP, EUR, JSW, TAR

EU Indices	Value	1M chng	YTD chng
WIG	60,342	+0.4%	+5%
ATX	3,077	+0.7%	+12%
BUX	42,057	+4.7%	+7%
PX	1,085	+0.8%	+10%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,341	+0.3%	+3%
mWIG40	4,182	+0.1%	+7%
sWIG80	12,023	+3.0%	+14%
Banking	7,621	+0.1%	+2%
Basic Materials	2,197	+9.5%	+15%
Chemicals	11,884	-6.9%	+27%
Clothes	2,356	-11.0%	-2%
Construction	3,946	+7.0%	+15%
Energy	2,264	-0.0%	+14%
Food	4,937	+3.0%	+9%
IT	2,236	+4.0%	+17%
Media	6,568	+9.1%	+9%
Oil & Gas	7,471	-3.7%	-7%
Real estate	3,516	-0.4%	+4%
Telecom	695	+3.0%	+12%

Rating & 9M TP Changes as of 2 Apr. 19

Company	Rating	9M TP
Amica	overweight ►	-
AmRest	buy ▲	48.00 PLN ▲
Atal	hold ▼	41.03 PLN ▼
CCC	buy ►	275.00 PLN ▼
CD Projekt	accumulate ►	221.00 PLN ▲
CEZ	hold ►	565.50 CZK ▲
Ciech	buy ►	68.66 PLN ▼
Dino	reduce ▼	112.70 PLN ▲
Dom Dev.	hold ▼	84.40 PLN ▲
Enea	buy ►	12.51 PLN ▼
Energia	buy ►	12.21 PLN ▼
Eurocash	sell ▼	18.90 PLN ▲
Grupa Kęty	hold ►	341.33 PLN ▲
Jeronimo Martins	accumulate ▲	14.10 EUR ▲
KGHM	hold ►	105.57 PLN ▲
Kruk	buy ►	213.65 PLN ▼
Kruszwica	neutral ►	-
Lotos	sell ►	65.41 PLN ▲
LPP	hold ▼	8400 PLN ▼
MOL	hold ►	3223.00 HUF ▼
OTP Bank	hold ▼	13046 HUF ►
PGE	buy ►	13.66 PLN ▼
PGNiG	accumulate ▲	6.92 PLN ▼
PKN Orlen	sell ►	79.39 PLN ▼
PZU	accumulate ►	43.38 PLN ▼
Tauron	buy ►	2.89 PLN ▼

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Investing Outlook

Despite high uncertainty, the largest stock market indices are slowly rising. After the information on the convergence in the US-China negotiations on technology transfer, it is difficult to assume that no final agreement will be reached in the coming weeks. Signing a trade agreement alone can be used to take short-term profits. In the coming months, we reiterate our opinion that the agreement will restore predictability in the global economy and, as a result, reverse the negative macro momentum and exceed low suspended expectations. This will be particularly evident in emerging markets and Europe, which are the most susceptible to the expected recovery in China (which may be indicated by rising PMIs - the impact of the stimulus package - and, in the future, the effect of the agreement). Despite the growing risk of a global recession - as indicated by PMIs - CDSs for emerging markets point to the opposite phenomenon. US market discounted the positive scenario more strongly, and the limiting factor for growth may be the worsening situation in technology companies - until now the main fuel for the bull market. According to Evercore ISI's research in terms of growth dynamics, Q1 may be the worst quarter in the last 6 years.

The lack of new local capital on the Warsaw Stock Exchange (in February redemption in equity investment funds amounted to PLN 179m) and lower activity of ETFs result in a persistent stagnation. For over 2.5 months WIG has been oscillating between 59.5k-61k points, i.e. in a channel 2.5% wide. Meanwhile, the domestic macro environment has changed surprisingly positively. Contrary to the weak readings of PMIs, the Polish economy records a surprisingly good beginning of the year. Strong figures on industrial production and retail sales prompted our macroeconomists to increase this year's GDP forecast to 4.5%. The effect of the fiscal package is yet to come. Moreover, signals from the companies indicate that the cost pressure may be lower than previously assumed by analysts, which in combination with the macro creates room for positive surprises. Implementation of a positive scenario for the EM should result in an inflow of foreign capital, which will lead WIG20 out of the current side trend. In the short term, it is difficult to assume a significant change in the level of capital flow to local funds (impact on valuation of SME, which paradoxically will be most affected by macro-improvement). In the medium term, in the negative scenario, there is a risk of stock supply from pension funds (so far, there are no details of changes in open-end pension funds).

Central banks even kinder

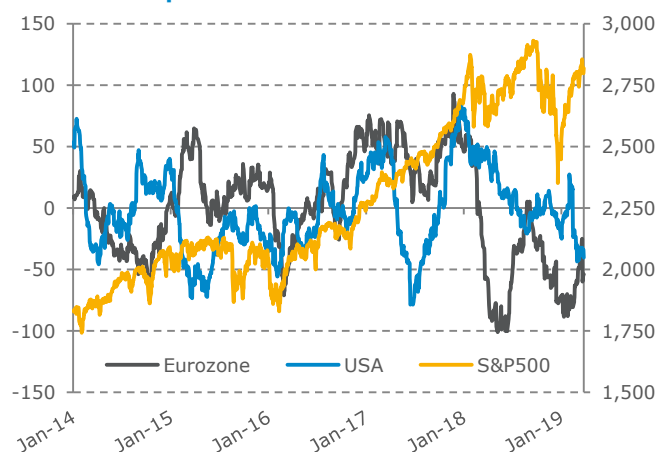
In the past month, central banks cushioned the message on monetary policy even more. Chicago Fed President stated that inflation may rise to 2.5% (currently CPI at 1.5%) before interest rates will have to be increased further. Fed funds futures indicate a 74% likelihood of a single decrease in interest rates in 2019. Draghi has announced that ECB is ready for active measures (further TLTRO) and the perspective of increases in interest rates are ebbing away. Some analysts have interpreted words of the ECB President as allowing for the possibility of the central bank's further purchases of private assets. ECB is also working on solutions that would, at least partially, mitigate the adverse impact of negative interest rates for the banking sector. More banks are decreasing inflation forecasts and Brazil is considering a decrease in interest rates.

From the perspective of Fed, current macro data is not bad enough to begin an easing cycle (3 decreases within 1-1.5 year), and the investors have already begun to capitalise on the situation. With the current macro, this may be perceived as a moderately restrictive policy. However, if Fed decides on a decrease (it would mean further decreases in the near future; an aggressive path of at least 75 basis points), it will indicate a perspective of much worse data to come in the following months, hence also a significant surprise on companies' performances. This scenario would imply at least a 15% revaluation on stock markets. Another scenario envisages one or two decreases by 25 basis points, in a long term, and in case of a strong appreciation of USD in the same time, this scenario, does not have to entail a higher economic slowdown/recession.

Better PMI in China, Europe to bring a positive surprise

In the euro zone, the leading indicators are still showing a worsening momentum in the industry (47.5 vs. 49.3 in the previous month). The revival that we have anticipated (among others, due to production standardisation in the automotive industry) is not coming. However, there may be a breakthrough after the April PMI reading in China (50.8 vs. previous 49.9), which is starting to show an economic recovery and impact of the tax cut programme. In previous comments we have indicated that it is China that will bring the first boost and mood improvement. We maintain the opinion that the Chinese stimulus should stabilise the data on export and the condition of euro zone industry - especially in the case of Germany, which in turn will lead to a positive surprise in terms of an economic growth in 2H. This thesis is based, among others, on heavily reduced expectations.

Citibank's surprise indices



Source: Bloomberg

Prime Minister to confirm changes in OFE

Prime Minister Mateusz Morawiecki has confirmed that the government is working on the next phase of changes in OFE. It follows from the general information provided by the Prime Minister, that the concept of directing 25% of assets to the Demographic Reserve Fund is still evolving. New solutions are to be implemented before the parliamentary elections (November). Details of the solutions will be presented in a few months and only then will it be possible to assess their impact on the Warsaw Stock Exchange. Preliminary estimates based on the assumed scenario have been presented below.

Structure of OFE assets at the end of February 2019

	Aegon	Allianz	Aviva	AXA	Generali	MetLife	NN	PKO BP	Pocz-tylion	PZU	Total
WSE shares	79.2%	78.2%	79.3%	73.0%	75.5%	77.8%	80.0%	78.1%	80.0%	78.3%	78.5%
Foreign shares	7.1%	3.6%	6.0%	7.2%	5.2%	5.3%	6.2%	7.8%	3.9%	10.7%	6.7%
Bonds, mortgage bonds, other	8.7%	13.5%	7.5%	8.8%	7.1%	5.6%	9.5%	2.6%	9.9%	11.0%	8.6%
Cash	5.0%	4.7%	7.2%	11.0%	12.1%	11.3%	4.2%	11.4%	6.1%	0.0%	6.1%
Excess of WSE shares above the threshold of 75% (PLN m)	-592	-232	-1,485	203	-43	-364	-2,048	-228	-146	-766	-5,702

Source: KNF (Polish Financial Supervision Authority), Dom Maklerski mBanku

The key question remains as to whether the "slider" mechanism is to be maintained. Earlier statements from the government representatives indicate that the "new OFE" would redistribute retirement benefits following principles similar to Employee Capital Plans. If, in the end, the "slider" is retracted, over the next few years, the "new OFE" will not record a significant capital outflow (the assets have already been partially transferred to the Social Insurance Institution (ZUS)). This would mean that in the first year after the change, a net outflow in a settlement with the Social Insurance Institution, on the level of PLN 4.75 billion, will be replaced with a net inflow of about PLN 3.3 billion. In the following years, this result will decrease by about PLN 0.8 billion per year (increasing retirement benefits).

A transfer of 25% of assets to the Demographic Reserve Fund has two major implications: 1) a potential sale of Polish stocks in a short term, 2) long-term portfolio diversification.

We do not know, whether a transfer of Polish stocks to the Demographic Reserve Fund will be possible. At the end of February, assets other than WSE listed stocks constituted 21.5% and, in the negative scenario, it may entail the need to liquidate a portion of the portfolio (for a total amount of PLN 5.7 billion). The total proportion of shares from WSE accounted for 78.5% net assets of OFE (open-ended pension fund), while for individual funds, this proportion ranged from 73% to 80% (details in the table above).

After the transfer, the entire net assets of funds will be Polish shares, which is tantamount to the need to diversify the portfolio in the long term. If the target structure of portfolio looked like it is at present (about 80% in Polish shares), the funds would have to exchange assets of the value of approx. PLN 25 billion. Due to the absence of the "slider" in the first 5 years the funds will have the positive flow from ZUS (Polish Social Insurance Institution), hence the diversification may proceed gradually. If the funds did not sell their shares, and the dividends and funds transferred from ZUS would be invested in assets other than the Polish shares, the structure of assets would be similar to the current one after 4-5 years.

Forecast of change in the structure of assets of the "new OFE"

(PLN m)	2019	2020	2021	2022	2023
Flows					
Dividends		3,637	3,637	3,637	3,637
ZUS (net)		3,300	2,500	1,700	900
WSE shares*	121,238	121,238	121,238	121,238	121,238
Other assets		6,937	13,074	18,411	22,949
other share		6%	11%	15%	19%

*share prices rise by the amount of dividends transferred
Source: Dom Maklerski mBanku

According to our estimates, in 2018 the balance of flows in OFE (ZUS, dividends) amounted to approximately PLN -1.8 billion. The value of cash in the balance sheet decreased by PLN 620 million, which may mean the sale of other assets for the amount approx. PLN 1.2 billion.

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Sector Strategies

Financials

- March marks the end of the earnings season and we consider the Q1'19 to be successful. Among the institutions we rate, 5 reported figures above consensus, 3 consistent with consensus and 3 below market expectations. However, the end of the year is a good forecast for 2019, especially when it comes to the banking sector. The most important issue in Q1 will be the national deposit guarantee fund (BFG) costs, which increased by PLN 1 billion Y/Y in 2019 due to the restructuring fee. 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. On the other hand, we expect banks to get rid of surplus deposits, which should have a positive impact on NIM, as well as lowering the cost of risk in corporations.
- The sentiment towards European banks in March was influenced by information on money laundering, mergers and ECB movements, and at the end of the month the mix was accompanied by a turmoil around the Turkish lira. Initial reports about the new TLTRO disappointed the market, but statements of ECB representatives saying the new round of financing will be adapted to macro conditions gave hope for more favorable conditions. What's more, the announcement of a possible reduction of negative interest rates for surplus funds 'parked' in the ECB gives hope for a slight improvement in profitability among Euro zone banks. According to the Bloomberg agency, those would gain up to EUR 7.3 billion if the deposit rate was increased to 0%.
- Works on the FX mortgage relief bill have slowed down again. The act was not processed in March and according to the published schedule it will not be put to a vote at the first Parliament's session in April. The next sessions on which the act may be proceeded are scheduled for April 11th, 12th and 25th. There is less and less time for the act to be introduced from July 1st, as promised by Tadeusz Cymański, head of the parliamentary finance committee. We would like to remind you that if the law came into force on July 1st, 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. The introduction of the law is still not fixed and may depend on electoral polls and banks' pressure on the EC.
- **Key Ratings:** PEO (buy), ALR (buy), EBS.AV (buy)

Chemicals

- MSCI Chemicals indexes remained stable in March.
- In our opinion, Ciech is in the best position on the market (expected increase in earnings in IH'19 as a result of rising soda prices, drop in gas prices, new salt investment in Q2'19, consolidation of Proplan throughout the year; 20% discount to peers).
- On Grupa Azoty's indexes, despite the expected improvement in 2019, significant capital expenditure related to the PDH project is in force. The budget of the project has already been revised upwards three times, and the Management Board has also announced that additional EUR 200 million of funding will be needed. If the Company does not obtain an investor for the project (PGNiG has already refused), the market may speculate that the necessary funds will be obtained by share issues
- **Key ratings:** CIE (buy)

Oil & Gas

- Waivers for Iranian oil recipients that expire next month raise uncertainty in the supply of raw materials, which affects further growth in speculative positions (the highest levels since October 2018) and Brent price increases to USD 70/Bbl. OPEC members keep ignoring President Trump's Twitter calls and clear negative trend in the number of active drilling stations does not give much hope for stronger US production growth.
- The recovery in oil is not affecting the European natural gas markets, which are down more than 50% 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 10% and 5% respectively. 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. With such figures, the consensus forecasts of improving profits in Orlen or Lotos look very ambitious.
- 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), PGN (accumulate), PKN (sell)

Power Utilities

- German electricity prices have stabilized at 48 EUR / MWh with clear pressure on coal prices in ARA ports. Positive sentiment towards the sector is still maintained, and YTD increases exceed 10%. Investors discount the permanent reversal of the trend in earnings this year, which raises dividend expectations.
- In Poland, energy prices oscillate around PLN 260/MWh, and decreases in February and March are mainly derived by weather conditions (lower demand and record windiness). We expect a rebound due to normalization of weather and intensification of renovation works in the following months.
- The published draft regulation on freezing energy prices still leaves many unanswered questions. At the moment, it is not possible to say whether the losses from price freeze will be 100% neutralized, especially that the government will probably need to find additional PLN 2 billion of financing (not taking into account the reduction of the transition fee in customer discounts). In our opinion, relying on a weighted average should not be harmful for large energy groups, but the doubt is raised by the introduction of the 'C' factor (taking into account transfer prices within groups) and the administrative determination of margins and costs. We hope that all these doubts will be clarified during consultations. In our opinion, the lack of ~ 100% coverage of the loss of sellers would cause a lot of chaos on the market (client contracting, bankruptcy, breaking covenants) and that is why it is difficult to assume such a scenario.

- The costs of green certificates no longer decrease since the beginning of the year and the prices of certificates will probably return to PLN 140-150/MWh after the Ministry of Energy withdrew the plan of modification of the substitution fee formula, which effectively introduced feed-in-tariff mechanism for old renewable energy sources at PLN 312/MWh.
- **Key Ratings:** ENA (buy), ENG (buy), PGE (buy), TPE (buy)

Telecoms, Media, IT

- The Office of Electronic Communications (UKE) announced that distribution of the first frequencies in the 3.7 GHz band could take place in 2019 or 2020. The 3.7 GHz band will be distributed in blocks of 50 MHz for each operator, so that all four infrastructure providers have the opportunity to participate in the tender and simultaneously launch 5G services. The distribution will take place in the form of a tender which is a positive news for all Polish MVNOs.
- The President signed the amendment to the Telecommunications Law Act the aim of which is to facilitate the implementation of 5G technology in Poland. Amendments entitle the Minister of Digitization to determine the frequency distribution schedule. The amendment also allows the President of UKE to announce - on their own initiative - a tender for frequency reservations, not only if they have knowledge about the interest in given frequencies. Proceedings may also be announced for resources that will be available in the future provided that these frequencies can be used after being made available.
- The state-owned telecommunications company, Exatel wants providers to cooperate in one 5G network. According to Exatel's estimates, building a 5G network from scratch in Poland would cost as much as PLN 3.9-5.8bn, but thanks to the use of the existing infrastructure of cell towers the costs could be up to PLN 2-3b. Among all MVO's, Polkomtel is currently the only supporter of one network in Poland. Orange Polska is a bit skeptical. Play is quite direct, saying that the plan is unrealistic.
- TVP and Polskie Radio will receive PLN 1.26 billion as compensation for lost subscription fees in 2018-19. The amendment to the Act was signed by the President.
- 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 fell 0.1% in March'19, slightly better than the broad index (vs. + 0.3% WIG). Polish IT stocks also ran 1.3pp ahead of the MSCI IT EU benchmark. The median 12M P/E for IT companies at 13.9x is currently 8.3% below the historical average for the last three years.
- The 2018 Q4 reporting season delivered EBITDA growth at a median annual rate for rated companies of 11.1%. Three of the six companies surprised positively, two

negatively. The main risk for companies remains, as in previous months, pay pressure. 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), CMR (buy).

Industrials

- MSCI indexes of European and Global industrial companies were stable in March, following significant growth in January 2019 and February 2019. Both indexes are currently traded at a discount in relation to their 3-year average P/E and EV/EBITDA ratios, however this decreased in March.
- In the ongoing season of results for Q4 2018, there is still room for positive surprises for FMF and TIM. Negative developments are expected, on the other hand, for TAR. So far, in Q4 2018, 21% of companies have reported improved y/y results, and 16% - worse y/y results. Around 26% of companies have reported better results than expected, while 16% - worse than expected.
- Poor German PMI reading has a negative impact on the sentiment towards industrial companies (PMI for new orders at its lowest since 2009). We expect that, in the near future, significant exporters to Germany may report a slowdown in the pace of orders at the beginning of the year (a large exposure to German customers can be identified at AML, BRS, COG, HDR, IPX, EGS, FTE, KTY, MGT, LEN, REL, PGO, PFL).
- Currently, we are most in favour of investments in shares of the following companies: Amica (potential beneficiary of the 500+ programme extension; results growth in Q4 2018 and Q1 2019), Famur (expected improved y/y results in subsequent quarters; DYield of around 9% in 2019) and Kernel (dynamic improvement of results in 2019, consolidation of oil industry in Ukraine).
- Among smaller companies, Apator, Ergis, Pozbud and TIM remain our favourites. We have a negative view of investments in shares of Cognor (costs inflation with worse climate in steel) and Tarczyński (inflation of personnel costs, significant meat prices increases in March 2019).
- In the context of furniture companies, a significant decrease of the IFO index for the sector in March 2019 should be noted. The "expectations" index fell to its lowest level since 2014, and board prices decreased significantly at the turn of 2018 and 2019 in Germany.
- In this review, we are updating our outlooks for Amica and Kruszwica (upward adjustment in both cases).
- **Key Ratings:** AMC (overweight), APT (overweight), COG (underweight), ERG (overweight), FMF (buy), POZ (overweight), TAR (underweight), TIM (overweight)

Mining

- The rebound of leading indicators in China (PMI) positively influences the prices of metals. The rebound lets investors hope that the extensive stimulus package in China starts to work. Additionally, KGHM benefits from rising prices of gold and silver.
- On the markets, investors observe seasonally recovering monitored copper stocks. The positions of speculative investors in mid March reached their highest level since H1 2018, and started to drop afterwards. In our opinion, prices of copper may drop back in March, in particular if the investors question the U.S.-China deal. On the other hand, KGHM should benefit from the growing prices of gold and silver in such scenario.

- In the context of the steel market, the poor PMI leading data of China's steel industry should be noted in our opinion (dropping back to a value below 50 points in March).
- The prices of high-quality coking coals recovered after the losses from the turn of 2018 and 2019, rebounding in February to the level of approx. USD 220/t. Currently, the prices are under the pressure of the dropping prices of coke in China. The margins of blast furnace steel producers are at their lowest level in the last two years, and steel stock keeps growing (virtually the highest levels in the last five years). The prices of coking coal could decrease with the expected price adjustment for iron ore. In March, a Brazilian court allowed operations to be resumed at a Vale mine which was closed following a disaster at a dam in February. In addition, a cyclone in northern Australia caused no significant damage to infrastructure, and the mining operations return to normal.
- After the adjustment of the downward trend for JSW (contradiction of shares issue and payment of dividend), which we had indicated in the last monthly review, the prices will be now impacted, in our opinion, by the expected downward financial results in H1 2019. In addition, in April 2019, the company will probably release information on the terms and conditions of continued cooperation between JSW and Praire. In June 2019, the term of the present Management Board expires (a new Management Board may have a different concept as to how to invest capital surplus).
- As for KGHM, since the beginning, there has been a positive response on the market to the news of possible changes in the formula of the extraction tax. In our opinion, the Management Board may soon decide to pay out additional reward for the employees. In addition, the market will look more closely, in our opinion, at the poor production results achieved to date.
- **Key Ratings:** JSW (reduce)

Property Developers

- WIG-Real Estate Index went up another month, exceeding the level of +1 median standard deviation. In particular, the valuations among the market leaders (DOM, 1AT) went up again (~+10% m/m), closing the discount to their 2-year average values.
- Q4 2018 results: Among the housing developers that had already reported their results (DOM, 1AT, BDX, JWC, RON, MVP, LKD, ECH), a decrease of the developer margin on housing activity in Q4 2018 was observed – by 2.5 percentage points y/y down to 25.3%. The margin in the whole 2018 was slightly better at 25.7%, with a slight

decline -0.4 percentage points y/y. An increase of the yearly developer margin was achieved only by Echo and BDX Nieruchomości (and also Dom Development if it was adjusted by the impact of the Eurostyl company purchase price allocation).

- Dividend in 2019: So far, the Management Boards of four companies from the sector recommended a dividend. Among the housing developers – DOM, 1AT, LKD – DYield amounted to 11.2-12.1%. Record profits (FY18) translated into record dividends, and LKD joined the group of companies paying DYield >10%, following last year's update of the dividend policy and with a 49% proposed dividend payout from 2018 earnings. As for GTC, on the other hand, DYield 2018 may amount to 4%.
- In the current monthly review, we downgrade the rating for Dom Development and Atal to hold, due to the realisation of the growth potential of the share prices.
- **Key Ratings:** DOM (hold), 1AT (hold)

Retail

- Favourable weather conditions should positively influence the results growth of clothing and footwear companies in March 2019 (the strongest impacting factor on CCC results).
- The results of grocery retailers will be burdened in Q1 2019 by the base effect in connection with Easter and tightening of the restriction on Sunday trading (negative impact on **DNP, EUR, JMT**).
- **AmRest** in Q4 2018 returned to double digit EBITDA growth y/y (+40% y/y). The improvement should be maintained in subsequent quarters. Nevertheless, part of the increases in the share prices was erased following the company releasing the information on the sale of Henry McGovern's and Steven Kent Winegar's share packages to the major shareholder. Considering very good mid-term outlooks for AmRest, we would make use of the temporary share price correction to buy into the EAT stock.
- **CCC** should return to improvement in same store sales y/y from March 2019, which, coupled with good outlooks for the remaining part of 2019, will support the maintenance of the level of company share prices.
- Following a positive reaction of the EUR share prices on the increase in comparable sales in Q4 2018, we expect cooler sentiments following the Q1 2019 results. Throughout 2019, we expect a flat EBITDA y/y, which will be influenced by such factors as the costs of businesses integration and rising costs of wages and salaries.
- **Key Ratings:** EAT (accumulate), CCC (buy), EUR (sell), DNP (reduce), JMT (hold), VRG (overweight)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat/Miss	2016				2017				2018				+/-
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
miss	7	15	12	19	14	11	18	18	10	12	15	20	171
in-line	19	17	27	19	24	26	30	23	35	20	25	22	287
beat	33	27	22	23	22	25	16	25	22	35	27	17	294
Σ companies	59	59	61	61	60	62	64	66	67	67	67	59	752
miss	12%	25%	20%	31%	23%	18%	28%	27%	15%	18%	22%	34%	23%
beat	56%	46%	36%	38%	37%	40%	25%	38%	33%	52%	40%	29%	39%

YoY	2016				2017				2018				+/-
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
miss	27	25	24	21	23	22	20	24	28	18	21	21	274
in-line	9	7	5	6	5	9	13	2	9	11	12	7	95
beat	28	32	36	38	38	36	34	41	30	38	34	31	416
Σ companies	64	64	65	65	66	67	67	67	67	67	67	59	785
miss	42%	39%	37%	32%	35%	33%	30%	36%	42%	27%	31%	36%	35%
beat	44%	50%	55%	58%	58%	54%	51%	61%	45%	57%	51%	53%	53%

*[+/-] – The column shows the sum of 'in-line' or 'beat quarters' in the last three years as a percentage of all quarters

Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku



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, WUW GY
	Stocks To Avoid			
Banks	Key Catalysts	2019 Q1 results	Favorable valuation, strong 4Q vs. withdrawal on profitability	ECB is analysing the possibilities&alternatives in terms of tiering
	SENTIMENT	BULLISH		BULLISH
	Stocks To Own	CIE		LXS GY, ZDF GY, EVK GY
	Stocks To Avoid			DSM NA
Chemicals	Key Catalysts	Increase in results		Rebound in China PMIs
	SENTIMENT	NEUTRAL	NEUTRAL	
	Stocks To Own			
	Stocks To Avoid			
Real-Estate Developers	Key Catalysts		Positive retirement on yields vs. economic slowdown	
	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	PGE, ENA		RWE GY
	Stocks To Avoid			UN01 GY
Utilities	Key Catalysts	Final draft of price freeze regulations	Poor EPS dynamics	Defensive sector
	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	CCC, EAT	HBI US, WEN US	DHERR GY, ADS GY, BOSS GY, ZAL GY
	Stocks To Avoid	EUR		Z01 GY
Retail, Consumer	Key Catalysts	Strong consumer	Strong labor market and real wages increase	Strong consumer
	SENTIMENT	BEARISH	NEUTRAL	
	Stocks To Own	PGN	MPC US	
	Stocks To Avoid	LTS, PKN		
Oil & Gas, Refining	Key Catalysts	Downstream margins pressure and expected natgas rebound		
	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	AMC, APT, EGS, FMF, KER, POZ, TIM		SIE GY, JUN3 GY, AIR FP, MTU GY
	Stocks To Avoid	COG, TAR		RAA GY, DUE GY
Industrials	Key Catalysts	Increase in production cost discounted	USA-China deal	Low IFO, we prefer leaders
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own		BOL SS, PLZL RX, ANG SJ	
	Stocks To Avoid	JSW	FRES LN	
Mining	Key Catalysts	Mining cost rise	Higher metal prices	Higher metal prices
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own		GM US, APTV US	DAI GY, CON GY, VW GY, UG FP
	Stocks To Avoid			ZIL2GY
Automotive	Key Catalysts	New regulations not a fear in 1H'19	China stimulus	Low valuation
	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	ASE, CMR, AGO, WPL, CDR	DISCA US	COK GY, WDI GY, IFX GY
	Stocks To Avoid		NFLX US	01BC GY, NEM GY
Tech, Media	Key Catalysts		High valuations outside FAANG; the media looks better	Positive feedback from US-China trade talks
	SENTIMENT	NEUTRAL	BULLISH	BEARISH
	Stocks To Own	OPL		DTE GY, DRI GY
	Stocks To Avoid			TC1 GY
Telecoms	Key Catalysts		Segment dominated by quasi-tech	Deffensive sector, Q1 results lower than expected

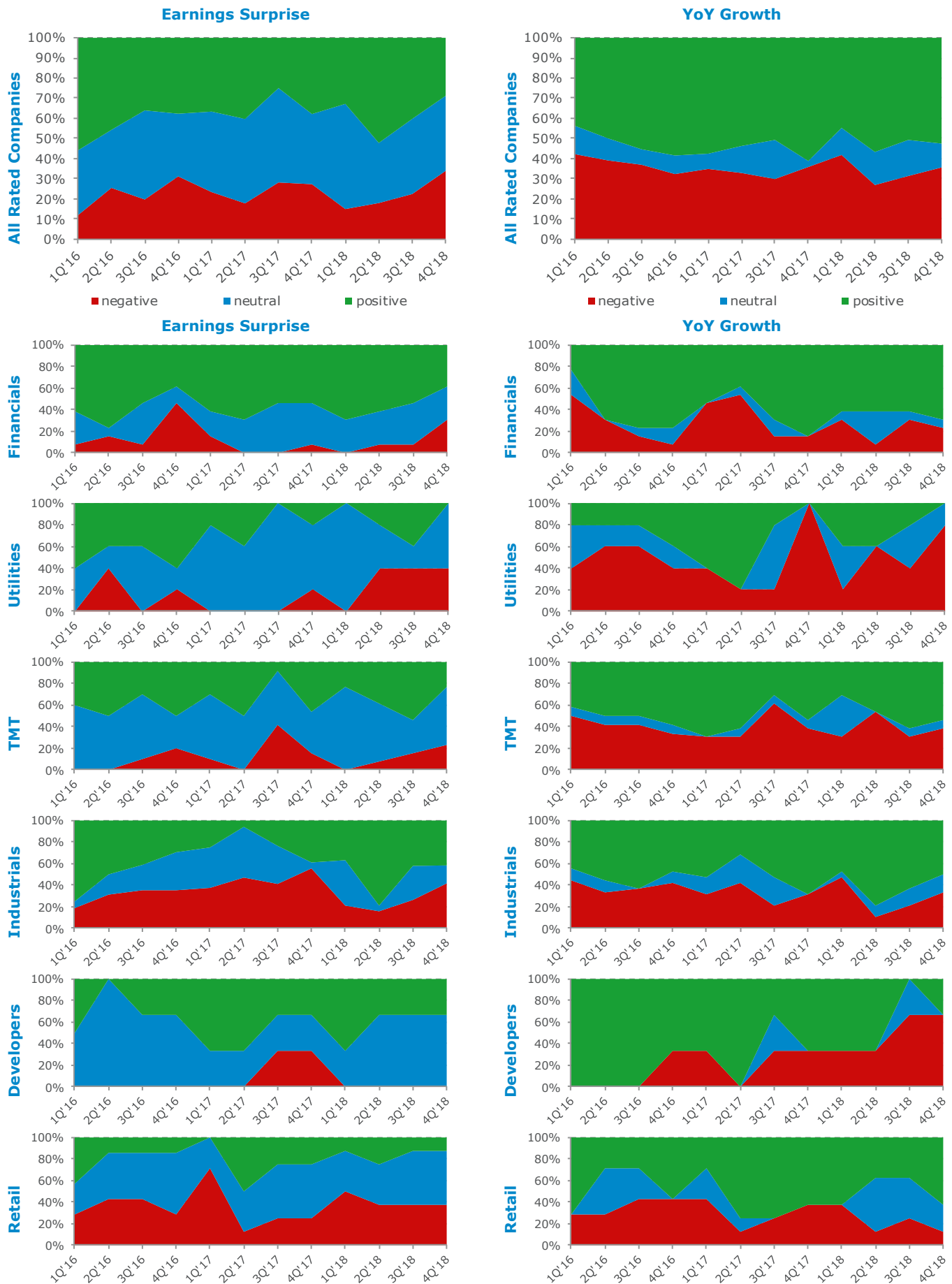
Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2016	2017	2018	+/=
	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	
Financials				
Alior Bank	+ + + +	- + + +	= + = =	92%
Handlowy	= + - -	- + + =	+ + - -	67%
ING BSK	+ + + -	+ = = =	= - = +	83%
Millennium	+ + = +	+ = + =	+ + = +	100%
Pekao	+ + + +	+ = + =	= = + +	100%
PKO BP	+ + + -	+ + + =	= = = =	92%
Santander BP	+ + = +	= + = =	= + = -	92%
Komercni	+ + + =	+ + + +	+ + + +	100%
OTP Bank	+ = = -	= + = +	+ + + +	92%
Erste Bank	= + + -	+ + + +	+ + + +	92%
PZU	- - = +	+ = + =	+ + = +	83%
Kruk	= - + -	+ + = -	+ + + -	67%
Skarbiec	= + = -	= + + +	+ + = -	83%
Chemicals				
Ciech	= + = +	= = = +	= + = -	92%
Grupa Azoty	- - = -	+ - = -	= - - -	36%
Oil & Gas				
Lotos	+ = + =	+ + + =	- + = -	83%
MOL	= = = -	+ + - =	= = + +	83%
PGNiG	+ - - +	+ - - =	- + - -	42%
PKN Orlen	= - = +	= = - =	= - = +	75%
Utilities				
CEZ	+ - = +	= = = +	= - + =	83%
Enea	+ + + +	= + = =	= - = =	92%
Energa	+ - = =	= = = -	= = - -	67%
PGE	= = + -	= = = =	= = = -	75%
Tauron	= + = +	+ + = =	= + + =	100%
TMT				
Netia	= + = +	= = + +	= = = =	100%
Orange PL	= = = =	= + = =	= + + +	100%
Play	na na na na	na na = =	= + = =	100%
Agora	+ = = +	= + = +	= + + +	100%
Cyfrowy	= = + +	+ = = =	+ + = =	100%
Wirtualna	+ = - -	+ = = =	= = = =	83%
Ailleron	na na na na	na na - +	= = - -	50%
Asseco BS	+ + = =	= = = +	= = + +	100%
Asseco PL	= + + -	= = - -	+ + + +	75%
Asseco SEE	= = = +	= + = =	= = + =	92%
Atende	na na na na	na na na +	= - + -	60%
Comarch	= + = +	- + = +	+ + + +	75%
CD Projekt	+ + + +	+ + - +	= = - -	75%
Industrials				
Alumetal	+ + - =	- = + =	= + = -	75%
Amica	+ = = -	= = - +	- + + +	75%
Aparator	- + - =	= = - =	= + = +	67%
Boryszew	+ + + +	+ - + -	= = = -	55%
Cognor	na na na na	na na na na	+ + = -	75%
Ergis	- - + =	+ = - -	- - - -	33%
Famur	+ + = +	na = = + +	+ + + +	90%
Fortec	+ + = =	= = - -	= + = -	73%
Grupa Kęty	+ + = =	= = = -	= + = =	92%
Impexmetal	+ + + -	- - + -	+ + + +	64%
JSW	+ = - -	+ + = -	= + = -	58%
Kernel	+ - + -	- - - +	= - + +	50%
KGHM	- - + +	+ = = +	= + = -	75%
Kruszwica	- - + +	= = - -	+ + + +	58%
Mangata	+ + - +	= = - -	+ + + +	64%
Pfleiderer	= = + =	- - - -	+ + = +	55%
Pozbud	na na na na	na na na +	= + + -	75%
Stelmet	na na - =	- = - +	- + + =	60%
Tarczyński	+ - - +	= = + +	+ + = +	83%
Real-Estate				
Atal	na na + =	+ + - -	= + = +	80%
Dom Dev.	+ = = =	= + + =	+ = + =	100%
GTC	= = = +	+ = = +	+ = = =	100%
Retail				
AmRest	= = = +	- + + +	- - = +	75%
CCC	+ + + =	- + - -	- - - -	42%
Dino	na na na na	na + = +	+ = = =	100%
Eurocash	- - - -	= = - -	= = - -	25%
Jeronimo	= = = =	= = = =	= = = =	100%
LPP	= = = =	= = + =	= + + =	83%
Monnari	+ - - -	- + = =	= + = -	50%
VRG	+ - - =	- - = =	- - = =	50%

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

'+' = 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. Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

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



Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

Macroeconomic Update

Industrial production

Industrial production grew in February by 6.9% y/y, significantly above forecasts (consensus: 4.7%, our forecast 3.9% y/y). Surprise comes partly from the good mining reading, which accelerated from 0% to about 16% y/y and added 0.8 p.p. to overall production growth. In other words, if not the mining, reading would repeat its previous result, which would have been impressive nonetheless. Manufacturing also posted respectable figures (7.0% y/y). Monthly industrial production increased by 1.7% (adjusted for seasonal and calendar effects), which pushed the momentum to the level around 1% m/m.

Even more impressive is comparison of hard data with Polish industrial sentiment, which was declining in the last few months. If the old correlations of PMI (especially concerning the production part, which reflected the short-term movements quite well) with actual production held, momentum of production would be even 2 p.p. lower than what was actually registered. This series of positive surprises needs explanation, but to tell the truth – we do not have a good one. It can be a result of export results, which in previous months were high, especially comparing to the poor external environment. Distribution of growth among the categories partly confirms this hypothesis – double-digit dynamics were registered in export-oriented industries.

Retail sales

In February, retail sales increased by 6.5% YoY in nominal terms (5.6% in real terms). The January reading was revised in real terms to 6.1%, and this is due to the revision of CPI inflation (prices from this study are also used to deflate sales data). Better reading of retail sales perfectly and positively fits in other surprises coming from the remaining data in the real terms. However, it is difficult to draw unambiguous conclusions from the sales composition. We were surprised with unfavorable findings in relation to the sale of cars (the dynamics of this type of spendings appears around January), clothing and footwear (it is better than a month ago; however, the growth in sales in this category will not come until March, along with higher outdoor temperatures). The positive surprise are primarily sales in non-specialized stores, and there almost 10pp acceleration was noted, which compared to January is impressive). At first glance, it looks like the next issue when store chains (sales include entities with more than 9 employees) seek to destabilize smaller sellers. Of course, without exploring micro-data, it is difficult to take such a conclusion for granted, but the acceleration of food prices in February and the still vivid perception of high prices left lots of room for pre-Sunday special offers. The positive information comes also from the category of furniture, audio/video devices and household appliances. The return to peaking of consumer's optimism and the lack of signs of weakening demand in the real estate market will support strong increases in this category this year.

We already know that the beginning of the year will be good. In terms of household perception, it may seem almost identical to the fourth quarter and the entire 2018.

Implications for GDP growth

Good readings from retail sales and industry data suggest that GDP growth in Q1 will be higher than 4.5%. However, we have revised the forecast for the whole year yesterday, and we can venture to say that the average growth will amount to 4.5% in the whole year. The surprisingly good behavior of the economy at the beginning of the year (including exports) implies the possibility of making a number of dynamic adjustments. First of all, companies will be able to handle wage increases more easily (in this context, supply continues to create its own demand, and consumer remains the driving force for economy). Second, although we would have relied on private investments even 2-3 months ago (due to declines in the results of use of production factors), the strong-growing economy automatically increases the likelihood of the stronger response in terms of building capital or other forms of building of the production potential, and although they may not be included strictly in the investment statistics, they will contribute to maintaining low price pressure basically unchanged, compared to the scenario with the slightly less optimistic GDP growth.

Inflation

According to the flash estimate, CPI inflation rose from 1.2 in February to 1.7% y/y in March (consensus and our forecast were both at 1.6% y/y).

The acceleration in consumer prices can primarily be traced back to the behavior of food prices. These rose by 0.4% m/m in March (in line with our expectations) and were exacerbated by low statistical base from last year. According to our analysis, the increases in food inflation are now primarily driven by processed food as compared to vegetables, whose increases have garnered a lot of media attention previously. Other non-core categories behaved exactly as forecast. Core inflation, on the other hand, accelerated from 1.0 to 1.3% y/y and is now highest since 2013. No details are known in the flash estimate, but we suspect package holidays (their seasonal pattern is similar to German now) and either car insurance or communication services.

The March uptick in inflation confirms our aggressive CPI path for the year and its composition. Inflation this year will be driven by processed food and core categories. At year end expect it to reach the NBP's target. For the MPC as a whole this is still far from being a warning sign and the consensus there will hold. The hawks might not hold sway but may become emboldened, though, and market expectations are likely to become more hawkish in right circumstances.

mBank Research

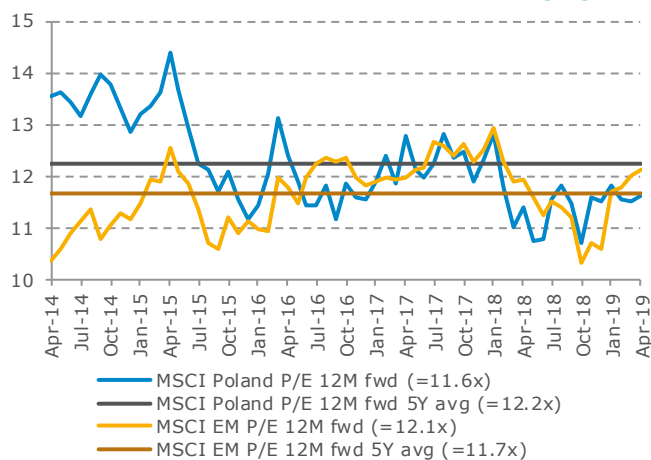
(E. Pytlarczyk, M. Mazurek, P. Bartkiewicz, K. Klimas)
research@mBank.pl

Revisions To FY2019 Earnings Forecasts For WIG30 Companies

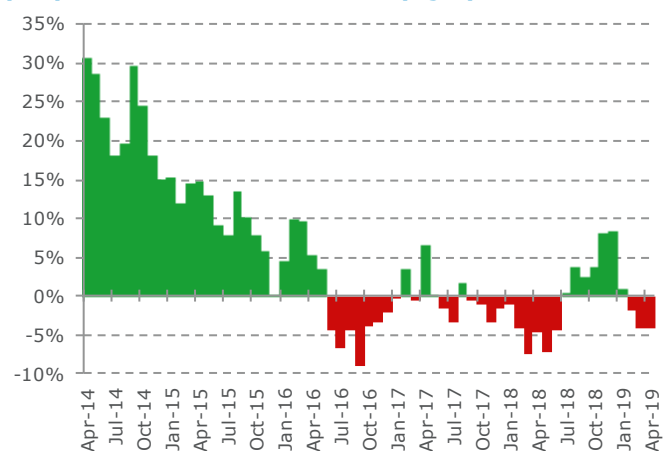
Mar-18=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM
Apr-18	-1%	+0%	-2%	+0%	-2%	+0%	-1%	+0%	-1%	+2%	-6%	+0%	-1%	+0%	+7%	+1%
May-18	-1%	+2%	-2%	+0%	-1%	+0%	+5%	+16%	-0%	+2%	-8%	+0%	-11%	-31%	+3%	-1%
Jun-18	-1%	+2%	-2%	+0%	-0%	+0%	+5%	+16%	-3%	+5%	-6%	-10%	-11%	-31%	+2%	-3%
Jul-18	-1%	+2%	-3%	+0%	-2%	+9%	+8%	+16%	-3%	+5%	-7%	-10%	-32%	-37%	+2%	-3%
Aug-18	-3%	+1%	-3%	+0%	-3%	+7%	+7%	+16%	-3%	+5%	-11%	-11%	-23%	-41%	-4%	-7%
Sep-18	-3%	+1%	-3%	-0%	+0%	+7%	+6%	+16%	-3%	+3%	-14%	-10%	-28%	-41%	-9%	-7%
Oct-18	-4%	-7%	-5%	-5%	+0%	+5%	+3%	+16%	-5%	-3%	-21%	-23%	-49%	-62%	-5%	-44%
Nov-18	-5%	-8%	-5%	-6%	+3%	+5%	+0%	+16%	-7%	-2%	-23%	-42%	-64%	-68%	-6%	-35%
Dec-18	-6%	-8%	-5%	-6%	+1%	+5%	-1%	+16%	-8%	-3%	-22%	-42%	-72%	-68%	-12%	-35%
Jan-19	-6%	-9%	-6%	-6%	+2%	+6%	-2%	+10%	-13%	-4%	-20%	-41%	-72%	-68%	-14%	-37%
Feb-19	-7%	-10%	-7%	-6%	+1%	+1%	-4%	+10%	-15%	-4%	-24%	-41%	-78%	-46%	-13%	-37%
Mar-19	-8%	-10%	-7%	-6%	-1%	-3%	-5%	+3%	-15%	-10%	-25%	-41%	-78%	-46%	-8%	-26%

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.

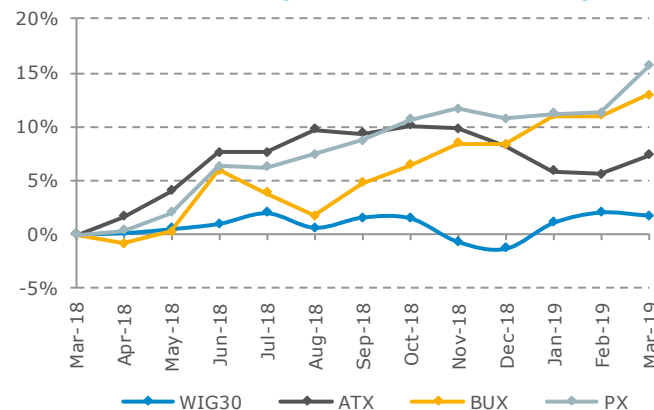
FWD 12M P/E Ratios For MSCI Poland & Emerging Markets (left), PL-EM Premium/Discount (right)



Source: Bloomberg, Dom Maklerski mBanku

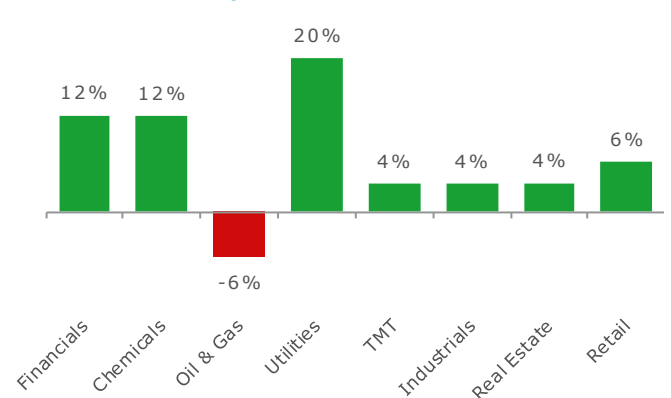


FWD 12M EPS Growth (WIG30 vs. ATX, BUX, PX)



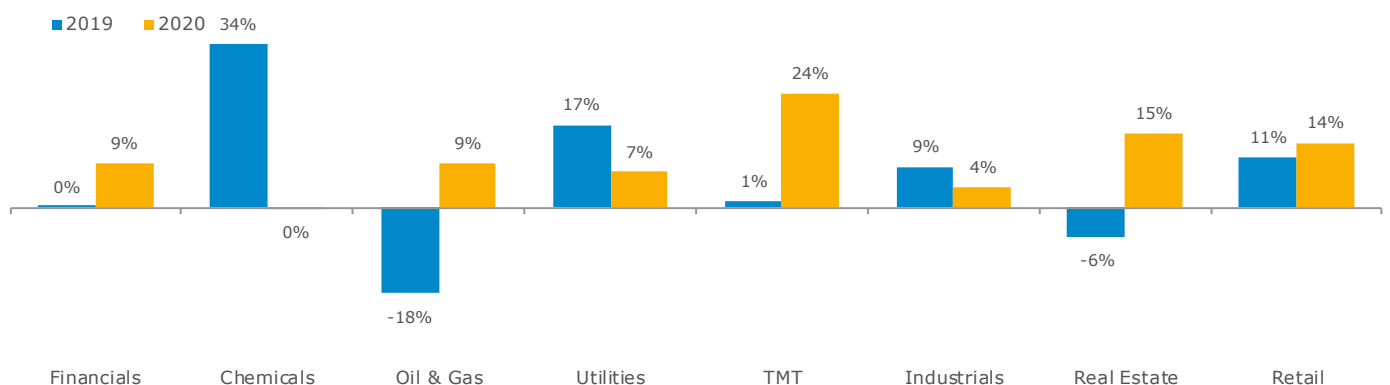
Source: Bloomberg, Dom Maklerski mBanku

Estimated Sector Upside Potential*



Source: Dom Maklerski mBanku; *To mDM price targets

Expected YoY Change in FY2019-2020E 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
			▲	►	▼			2019E	2020E	2021E	2019E	2020E	2021E	
Financials														
Alior Bank	buy	87.00	14	1	1	76.53	+13.7%	+15%	+14%	+13%				13
Handlowy	hold	65.50	1	9	2	70.53	-7.1%	+7%	+1%	+10%				9
ING BSK	hold	191.80	5	5	3	196.60	-2.4%	-1%	+2%	+7%				9
Millennium	accumulate	10.00	5	7	2	9.97	+0.3%	-7%	+3%	+5%				10
Pekao	buy	131.80	16	3	0	132.29	-0.4%	+6%	+5%	+5%				14
PKO BP	hold	40.92	8	9	2	42.13	-2.9%	+2%	-1%	-4%				11
Santander Bank Polska	hold	388.00	8	8	0	400.58	-3.1%	+3%	+6%	+9%				10
Komercni Banka	accumulate	1,000.0	10	6	0	1,026.1	-2.5%	+5%	+8%	-				11
Erste Bank	buy	43.72	21	4	0	40.56	+7.8%	+1%	+3%	-				15
OTP Bank	hold	13,046	11	2	3	13,037	+0.1%	-3%	-7%	-				10
PZU	accumulate	43.38	7	4	1	44.43	-2.4%	+3%	+2%	+2%				9
Kruk	buy	213.65	5	1	2	203.52	+5.0%	-10%	-12%	+7%				7
Chemicals														
Ciech	buy	68.66	12	0	0	66.26	+3.6%	+1%	-0%	+9%	+3%	+3%	+6%	9/9
Grupa Azoty	hold	43.20	5	3	1	47.01	-8.1%	-35%	-59%	-70%	-11%	-18%	-20%	5/5
Oil & Gas														
Lotos	sell	65.41	8	4	3	91.23	-28.3%	-26%	-39%	-39%	-11%	-22%	-19%	11/10
MOL	hold	3,223.0	9	3	0	3,646.5	-11.6%	-44%	-31%	-24%	-16%	-10%	-4%	10/9
PGNiG	accumulate	6.92	5	2	3	7.07	-2.2%	-8%	+0%	+9%	-5%	+0%	+4%	6/5
PKN Orlen	sell	79.39	4	7	8	106.53	-25.5%	-29%	-37%	-29%	-19%	-26%	-21%	15/15
Utilities														
CEZ	hold	565.50	6	8	2	585.07	-3.3%	+5%	-14%	+1%	+1%	-6%	-2%	9/9
Enea	buy	12.51	6	3	1	11.05	+13.2%	+23%	+12%	+3%	+8%	+3%	-3%	6/6
Energa	buy	12.21	4	5	2	9.94	+22.9%	+6%	+2%	-6%	+2%	+3%	-5%	7/6
PGE	buy	13.66	6	4	3	11.74	+16.3%	-2%	-0%	+16%	+2%	+4%	-16%	8/7
Tauron	buy	2.89	2	7	4	2.31	+25.3%	+8%	+14%	+9%	+5%	+5%	+4%	8/7
TMT														
Netia	hold	4.70	3	3	2	4.85	-3.1%	-13%	-25%	-	-0%	-1%	+14%	2/4
Orange Polska	buy	6.40	7	5	4	5.48	+16.9%	+28%	+6%	+24%	-3%	-1%	-1%	8/10
Play	hold	21.30	7	6	1	23.82	-10.6%	-10%	-12%	-14%	-2%	-3%	-4%	9/6
Agora	buy	16.00	2	3	0	12.10	+32.2%	-	-	-	-2%	+3%	+12%	2/3
Cyfrowy Polsat	hold	23.20	6	8	0	26.97	-14.0%	-5%	+5%	+13%	-3%	-3%	-6%	10/9
Wirtualna Polska	accumulate	61.50	6	0	0	63.95	-3.8%	+0%	+2%	-	+0%	-4%	-	3/3
Asseco Poland	hold	53.00	3	5	0	51.20	+3.5%	-0%	-8%	-23%	-1%	-3%	-8%	3/3
Asseco BS	neutral	-	0	2	0	30.30	-	-1%	+2%	-	-1%	+1%	-	2/2
Asseco SEE	overweight	-	2	0	0	17.90	-	-1%	-1%	-	+1%	+4%	-	2/3
CD Projekt	accumulate	221.00	10	2	1	219.40	+0.7%	-92%	+38%	+93%	-92%	+19%	+69%	9/8
Comarch	buy	195.00	3	1	1	183.23	+6.4%	+1%	-6%	-3%	+0%	-2%	-4%	2/2
Industrials														
AC	neutral	-	2	1	0	48.10	-	+8%	+13%	-	+6%	+9%	+21%	3/3
Alumetal	neutral	-	4	2	0	53.45	-	+9%	+1%	-	+6%	-2%	-	4/4
Amica	overweight	-	3	2	0	145.70	-	+13%	+13%	-	+3%	+2%	-	4/4
Apator	overweight	-	2	2	0	-	-	+13%	-0%	-	+8%	-0%	-	2/2
Famur	buy	6.61	5	1	0	6.51	+1.6%	+2%	+8%	+2%	-3%	-2%	-9%	7/6
Forte	neutral	-	3	3	2	34.63	-	-28%	-24%	-	-11%	-9%	-	5/6
Grupa Kęty	hold	341.33	3	8	0	368.87	-7.5%	-10%	-7%	-8%	-8%	-7%	-8%	7/6
JSW	reduce	54.80	4	6	3	68.87	-20.4%	-10%	-50%	-73%	-8%	-19%	-20%	9/8
Kemel	buy	62.86	5	2	0	73.37	-14.3%	+6%	+12%	+21%	+9%	+15%	+16%	6/5
KGHM	hold	105.57	1	7	9	91.02	+16.0%	-1%	-4%	-8%	-6%	-8%	-6%	11/10
Pfleiderer Group	neutral	-	5	1	1	47.00	-	+8%	+3%	-	-4%	-4%	-	4/4
Real Estate														
Atal	hold	41.03	4	0	0	41.39	-0.9%	-2%	-5%	+9%	-1%	-4%	+8%	4/4
Dom Development	hold	84.40	3	3	0	85.43	-1.2%	+1%	+1%	+7%	-1%	+5%	+7%	5/4
Retail														
AmRest	buy	48.00	6	3	0	49.83	-3.7%	-13%	-13%	-8%	-3%	-0%	+2%	9/8
CCC	buy	275.00	8	4	1	248.84	+10.5%	+10%	+9%	-7%	+49%	+43%	+26%	8/8
Dino	reduce	112.70	11	7	2	118.52	-4.9%	-1%	-1%	-9%	+2%	-1%	-8%	12/14
Eurocash	sell	18.90	5	5	8	20.66	-8.5%	-19%	-27%	+2%	-12%	-13%	-7%	3/7
Jeronimo Martins	accumulate	14.10	14	9	3	14.05	+0.4%	-0%	-2%	-6%	+1%	+0%	-2%	17/18
LPP	hold	8,400.0	4	3	8	8,329.9	+0.8%	+14%	+15%	+18%	+4%	+4%	+6%	7/7
Monnari	underweight	-	3	0	1	7.20	-	-18%	-20%	+8%	-37%	-39%	-19%	3/3
VRG	overweight	-	6	0	0	4.86	-	+8%	+5%	-	+3%	+1%	-	3/3

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	
							2019	2020	2019	2020
Financial Sector						+13.6%	11.2	10.4		
Alior Bank	buy	2019-02-01	57.50	87.00	59.75	+45.6%	7.8	6.9		
Handlowy	hold	2019-03-05	65.90	65.50	67.50	-3.0%	12.5	12.4		
ING BSK	hold	2019-02-01	191.40	191.80	192.20	-0.2%	15.1	13.5		
Millennium	accumulate	2019-02-01	8.82	10.00	8.94	+11.9%	14.7	10.6		
Pekao	buy	2019-02-01	110.60	131.80	110.00	+19.8%	11.2	10.1		
PKO BP	hold	2019-02-01	39.51	40.92	38.58	+6.1%	11.7	11.1		
Santander Bank Polska	hold	2019-02-01	373.80	388.00	381.00	+1.8%	14.7	12.3		
Komercni Banka	accumulate	2018-12-05	906.50	1,000 CZK	940.00	+6.4%	11.7	11.3		
Erste Bank	buy	2019-02-04	31.00	43.72 EUR	32.76	+33.5%	9.4	8.8		
OTP Bank	hold	2019-04-02	12,600	13,046 HUF	12,600	+3.5%	10.4	9.9		
PZU	accumulate	2019-04-02	40.79	43.38	40.50	+7.1%	10.8	10.2		
Kruk	buy	2019-04-02	152.30	213.65	152.70	+39.9%	8.5	8.3		
Skarbiec Holding	buy	2018-12-05	23.50	31.36	17.30	+81.3%	5.1	-		
Chemicals						+15.4%	13.4	18.4	6.2	6.7
Ciech	buy	2019-04-02	54.80	68.66	53.65	+28.0%	8.7	8.3	5.7	5.2
Grupa Azoty	hold	2019-03-05	43.88	43.20	41.20	+4.9%	18.0	28.5	6.7	8.1
Oil & Gas						-4.4%	13.4	11.6	5.8	5.1
Lotos	sell	2019-04-02	86.22	65.41	83.40	-21.6%	14.1	12.8	6.9	5.8
MOL	hold	2019-04-02	3,278	3,223 HUF	3,278	-1.7%	14.9	10.4	5.1	4.4
PGNiG	accumulate	2019-04-02	6.31	6.92	6.26	+10.6%	10.3	9.2	4.5	4.0
PKN Orlen	sell	2019-04-02	99.94	79.39	97.64	-18.7%	12.6	13.1	6.6	6.4
Power Utilities						+20.2%	5.0	5.3	4.0	3.6
CEZ	hold	2019-04-02	540.50	565.50 CZK	540.50	+4.6%	16.4	15.7	7.6	7.3
Enea	buy	2019-04-02	8.76	12.51	8.75	+43.0%	3.2	2.9	3.2	3.0
Energa	buy	2019-04-02	8.58	12.21	8.63	+41.5%	5.0	5.3	4.0	4.3
PGE	buy	2019-04-02	10.10	13.66	9.94	+37.4%	7.6	6.5	3.9	3.5
Tauron	buy	2019-04-02	2.03	2.89	2.02	+42.8%	3.1	2.7	4.0	3.6
Telecoms, Media, IT						+4.7%	18.2	15.3	6.3	6.3
Netia	hold	2018-11-26	4.66	4.70	5.09	-7.7%	34.2	28.3	5.8	5.8
Orange Polska	buy	2018-11-26	4.91	6.40	5.13	+24.8%	64.4	23.6	4.5	4.1
Play	hold	2019-02-04	22.80	21.30	23.60	-9.7%	8.3	8.2	5.8	5.5
Agora	buy	2018-11-27	9.50	16.00	11.35	+41.0%	37.7	20.0	5.2	4.8
Cyfrowy Polsat	hold	2018-11-26	22.50	23.20	25.68	-9.7%	14.8	12.3	6.8	6.3
Wirtualna Polska	accumulate	2019-02-04	58.40	61.50	58.80	+4.6%	18.4	15.7	9.8	8.7
Asseco Poland	hold	2019-03-05	54.30	53.00	51.90	+2.1%	14.6	14.2	8.5	8.0
CD Projekt	accumulate	2019-04-02	204.00	221.00	200.00	+10.5%	-	10.2	-	7.5
Comarch	buy	2019-03-05	162.50	195.00	185.50	+5.1%	17.9	15.3	7.3	6.6
Industrials, Mining						+5.7%	9.5	11.0	5.3	4.8
Famur	buy	2019-02-04	4.98	6.61	4.66	+41.8%	10.6	9.8	5.2	5.0
Grupa Kęty	hold	2019-04-02	324.00	341.33	322.50	+5.8%	12.8	12.2	8.7	8.2
JSW	reduce	2019-03-25	62.50	54.80	61.00	-10.2%	6.8	17.9	2.1	3.3
Kemcel	buy	2019-03-05	49.20	62.86	49.20	+27.8%	5.6	5.0	5.4	4.6
KGHM	hold	2019-04-02	109.40	105.57	107.00	-1.3%	8.5	8.5	4.7	4.4
Stelmet	hold	2019-03-05	10.25	8.36	8.00	+4.5%	23.0	17.4	7.0	6.1
Property Developers						+3.5%	9.1	8.1	7.6	7.0
Atal	hold	2019-04-02	39.90	41.03	40.00	+2.6%	9.3	8.9	8.5	8.2
Dom Development	hold	2019-04-02	80.80	84.40	81.00	+4.2%	9.1	8.1	7.6	7.0
Retail						+7.3%	25.0	20.5	10.3	8.8
AmRest	buy	2019-04-02	41.20	48.00	41.60	+15.4%	39.1	28.6	13.2	10.6
CCC	buy	2019-04-02	217.00	275.00	215.20	+27.8%	20.3	16.3	7.9	6.7
Dino	reduce	2019-04-02	126.10	112.70	121.00	-6.9%	29.4	22.8	17.5	13.9
Eurocash	sell	2019-04-02	22.58	18.90	21.88	-13.6%	40.8	27.1	8.9	7.6
Jeronimo Martins	accumulate	2019-04-02	13.15	14.10 EUR	13.15	+7.2%	19.2	17.7	8.3	7.5
LPP	hold	2019-04-02	8,405	8,400	8,325	+0.9%	20.6	18.1	11.7	10.0
Other						-1.5%	12.6	11.5	8.3	7.4
PBKM	hold	2019-03-05	68.80	66.57	67.60	-1.5%	12.6	11.5	8.3	7.4

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2019	2020	2019	2020
IT						11.6	10.8	4.8	4.6
Ailleron	underweight	2019-01-31	11.75	9.44	-19.7%	12.1	11.0	4.6	3.6
Asseco BS	neutral	2019-03-29	29.50	30.00	+1.7%	15.2	14.1	10.2	9.5
Asseco SEE	overweight	2018-04-26	11.70	14.00	+19.7%	11.1	10.7	5.0	4.6
Atende	neutral	2019-01-31	4.40	3.85	-12.5%	9.7	9.0	4.6	4.5
Industrials						9.6	10.0	6.1	6.1
AC	neutral	2019-03-22	48.50	49.80	+2.7%	11.0	10.0	7.5	6.9
Alumetal	neutral	2019-03-28	51.00	44.65	-12.5%	8.9	9.3	6.9	7.1
Amica	overweight	2019-04-02	143.00	146.00	+2.1%	9.4	9.1	6.0	5.7
Apator	overweight	2019-03-05	26.50	25.80	-2.6%	12.0	12.4	7.7	7.7
Boryszew	neutral	2018-09-05	6.25	4.55	-27.2%	8.8	7.5	6.6	6.1
Cognor	underweight	2019-03-05	1.94	1.81	-7.0%	4.8	8.1	3.7	4.6
Ergis	overweight	2019-02-27	2.75	3.00	+9.1%	7.3	10.8	5.6	6.2
Forte	neutral	2018-10-31	40.60	25.90	-36.2%	-	11.9	52.7	8.5
Impexmetal	neutral	2018-12-05	3.40	3.94	+15.9%	4.4	4.3	5.7	5.3
Kruszwica	neutral	2019-04-02	43.90	41.10	-6.4%	11.0	10.3	5.4	5.1
Mangata	neutral	2018-10-01	65.40	65.60	+0.3%	10.2	10.2	6.8	6.8
Pfleiderer Group	neutral	2019-02-27	28.40	24.45	-13.9%	13.9	11.2	5.4	5.0
Pozbud	overweight	2018-09-04	3.57	2.33	-34.7%	2.7	2.9	2.9	1.6
Tarczyński	underweight	2018-12-05	17.50	16.15	-7.7%	10.1	10.2	6.1	5.9
TIM	overweight	2018-12-05	7.48	6.96	-7.0%	9.9	9.4	6.6	6.2
Retail						12.2	11.5	7.6	6.7
Monnari	underweight	2018-12-05	4.75	6.00	+26.3%	11.9	11.7	6.8	5.9
VRG	overweight	2019-03-28	4.29	4.30	+0.2%	12.5	11.3	8.5	7.6

Recommendations Issued in March

Company	Rating	Previous Rating	Target Price	Issued on
AC	neutral	overweight	- -	2019-03-22
Alumetal	neutral	neutral	- -	2019-03-28
AmRest	accumulate	buy	46.00 PLN	2019-03-05
Apator	overweight	overweight	- -	2019-03-05
Asseco BS	neutral	overweight	- -	2019-03-29
Asseco Poland	hold	accumulate	53.00 PLN	2019-03-05
Cognor	underweight	neutral	- -	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
JSW	reduce	hold	54.80 PLN	2019-03-25
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
PGE	buy	buy	13.77 PLN	2019-03-26
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
VRG	overweight	overweight	- -	2019-03-28

Ratings and Valuations Changed as of 2nd April 2019

Company	Rating	Previous Rating	Target Price	Issued on
Amica	overweight	overweight	- -	2019-04-01
AmRest	buy	accumulate	48.00 PLN	2019-04-01
Atal	hold	buy	41.03 PLN	2019-04-01
CCC	buy	buy	275.00 PLN	2019-04-01
CD Projekt	accumulate	accumulate	221.00 PLN	2019-04-01
CEZ	hold	hold	565.50 CZK	2019-04-01
Ciech	buy	buy	68.66 PLN	2019-04-01
Dino	reduce	hold	112.70 PLN	2019-04-01
Dom Development	hold	accumulate	84.40 PLN	2019-04-01
Enea	buy	buy	12.51 PLN	2019-04-01
Energa	buy	buy	12.21 PLN	2019-04-01
Eurocash	sell	reduce	18.90 PLN	2019-04-01
Grupa Kęty	hold	hold	341.33 PLN	2019-04-01
Jeronimo Martins	accumulate	hold	14.10 EUR	2019-04-01
KGHM	hold	hold	105.57 PLN	2019-04-01
Kruk	buy	buy	213.65 PLN	2019-04-01
Kruszwica	neutral	neutral	- -	2019-04-01
Lotos	sell	sell	65.41 PLN	2019-04-01
LPP	hold	buy	8400.00 PLN	2019-04-01
MOL	hold	hold	3223.00 HUF	2019-04-01
OTP Bank	hold	accumulate	13046.00 HUF	2019-04-01
PGE	buy	buy	13.66 PLN	2019-04-01
PGNiG	accumulate	hold	6.92 PLN	2019-04-01
PKN Orlen	sell	sell	79.39 PLN	2019-04-01
PZU	accumulate	accumulate	43.38 PLN	2019-04-01
Tauron	buy	buy	2.89 PLN	2019-04-01

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	3	4.3%	1	3.8%
reduce	2	2.9%	0	0.0%
underweight	4	5.8%	2	7.7%
hold	19	27.5%	7	26.9%
neutral	10	14.5%	2	7.7%
accumulate	7	10.1%	4	15.4%
buy	17	24.6%	8	30.8%
overweight	7	10.1%	2	7.7%

Corporate Events Calendar For April

Date	Time	Company	Event
2-Apr	10:00	EUCO	Q4'18 earnings conference (Westin Hotel, Warsaw) - canceled
2-Apr	12:00	Kino Polska TV	Q4'18 earnings conference (Westin Hotel, Warsaw)
2-Apr	12:00	Mangata	Q4'18 earnings conference (Polonia Palace Hotel, Warsaw)
2-Apr		Mangata	Q4'18 earnings announcement
3-Apr		Grupa Kęty	Q4'18 earnings announcement
3-Apr		Tauron	Q4'18 earnings announcement
4-Apr	10:00	Radpol	Q4'18 earnings conference (Atrium Tower Room H, Jana Pawła II 25, Warsaw)
4-Apr	12:00	Auto Partner	Q4'18 earnings conference (Sheraton Hotel, Warsaw)
4-Apr	12:00	Tauron	2018 earnings conference (Intercontinental Hotel, Warsaw)
4-Apr		Benefit Systems	Q4'18 earnings announcement
4-Apr		Forte	Q4'18 earnings announcement
5-Apr	12:00	Forte	Q4'18 earnings conference (Sheraton Hotel, Warsaw)
9-Apr		Apator	Investor day
9-Apr		Archicom	Q4'18 earnings announcement
10-Apr		Pfleiderer Group	Q4'18 earnings announcement
10-Apr	11:30	Pfleiderer Group	Investor meetings (Hotel Novotel, ul. Marszałkowska 94, Warszawa)
10-Apr		TIM	Q4'18 earnings announcement
10-Apr		Trakcja	Q4'18 earnings announcement
11-Apr		LPP	Q4'18 earnings announcement
11-Apr		Pozbud	Q4'18 earnings announcement
11-Apr		Wielton	Q4'18 earnings announcement
11-Apr		ZEPAK	Q4'18 earnings announcement
12-Apr		Capital Park	Q4'18 earnings announcement
16-Apr		Boryszew	Q4'18 earnings announcement
16-Apr	10:00	Lentex	Investor meetings (Hotel Mercury, ul. Krucza 28, Warszawa)
18-Apr		Ergis	Q4'18 earnings announcement
19-Apr		Kernel	Volume data for Q3'19
23-Apr		TXM	Q4'18 earnings announcement
24-Apr		Grupa Kęty	Q1'19 earnings announcement
24-Apr		Apator	2018 earnings announcement
24-Apr		Elektrobudowa	Q4'18 earnings announcement
24-Apr		Jeronimo Martins	Q1'18 earnings announcement (before the market opening)
25-Apr		Kruk	Q1'19 earnings announcement
26 kwi		Getin Noble Bank	Q4'18 earnings announcement
26 kwi		Idea Bank	Q4'18 earnings announcement
26-Apr		Budimex	Q1'19 earnings announcement
29-Apr		GPW	Q1'19 earnings announcement
29-Apr		Famur	Q4'18 earnings announcement
30-Apr		Grupa Azoty	Q4'18 earnings announcement
30-Apr		LC Corp	Q4'18 earnings announcement
30-Apr		Cognor	Q1'19 earnings announcement
30-Apr		Santander	Q1'19 earnings announcement
30-Apr		mBank	Q1'19 earnings announcement
30-Apr		Polnord	Q4'18 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 April. 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 (increase of PLN 228m in 2018). At the same time, our forecast for 2019 considers a fairly conservative penalty related to W Investment in the amount of PLN 50 million (the speculated value of the penalty for Raiffeisen Polbank). 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. Another positive aspect is the announcement of cooperation between Alior and PZU, under which Alior will be able to grant employee loans to staff employed in PZU. While this should not have a significant impact on the bank's earnings, the fact of cooperation is a signal of a strong mandate that the management of Alior Bank has with the main shareholder.

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	

Current Price 60.40 PLN
9M Target Price 87.00 PLN **Upside +44.0%**

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

Key Metrics	ALR PW	YTD Price Chng	ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	+0.6%	+0.1%
ISIN	PLALIOR00045	YTD Price Chng	+13.6%	+9.0%
Outst. Stock (m)	129.3	ADTV 1M		PLN 14.3m
MC (PLN m)	7,807.2	ADTV 6M		PLN 16.9m
		P/E 12M fwd	8.8	-33.5%
Free Float	74.8%	P/E 5Y avg	13.3	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,601	3,085	3,417	3,654	3,873
Total income	3,797	4,124	4,470	4,731	4,973
Costs	-1,930	-1,847	-1,895	-1,903	-1,940
Provisioning	-930	-1,080	-1,026	-1,095	-1,157
Net income	515	713	987	1,113	1,207
P/E	15.0	10.9	7.8	6.9	6.4
P/B	1.2	1.2	0.9	0.8	0.7
ROE	8.0%	10.8%	13.2%	12.3%	11.8%
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%		

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	51,267	54,246	61,188	65,822	69,917
Other assets	18,227	19,174	19,450	20,385	21,402
Total assets	69,494	73,420	80,638	86,207	91,319
Deposits	57,614	62,436	64,231	68,990	74,137
Other liabilities	5,117	4,498	7,950	7,647	6,274
Minority interests	1	0	0	0	0
Equity	6,761	6,486	8,457	9,570	10,908

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	4.3%	4.5%	4.5%	4.5%	4.5%
C/I	50.8%	44.8%	42.4%	40.2%	39.0%
CoR	1.8%	1.9%	1.7%	1.6%	1.6%
NPL Ratio	10.8%	10.6%	10.4%	10.2%	10.2%
Tier 1 Ratio	12.1%	12.8%	13.5%	14.8%	16.5%

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 (no change)

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We maintain a hold rating for Bank Handlowy. Our current valuation of the Bank takes into account the likely lack of changes in interest rates in 2020 but does not include a higher BFG (The Bank Guarantee Fund) contribution. Bank Handlowy is the most sensitive bank 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 we believe a premium will no longer apply 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 Management Board recommended a PLN 3.74 DPS payment. 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

66.70 PLN

Downside

9M Target Price

65.50 PLN

-1.8%

	rating	target price	issued
unchanged	hold	65.50 PLN	2019-03-05

Key Metrics	BHW PW	1M Price Chng	BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	+0.8%	+0.3%
ISIN	PLBH000000012	YTD Price Chng	-3.5%	-8.1%
Outst. Stock (m)	130.7	ADTV 1M		PLN 2.3m
MC (PLN m)	8,715.0	ADTV 6M		PLN 2.5m
		P/E 12M fwd	12.7	-17.5%
Free Float	25.0%	P/E 5Y avg	15.4	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,082	1,118	1,188	1,221	1,283
Total income	2,079	2,159	2,328	2,394	2,491
Costs	-1,192	-1,180	-1,246	-1,278	-1,305
Provisioning	-103	-64	-79	-96	-103
Net income	536	639	705	712	761
P/E	16.5	13.3	12.5	12.4	11.6
P/B	1.3	1.2	1.2	1.2	1.1
ROE	7.8%	9.1%	9.8%	9.7%	10.0%
DPS	4.60	4.10	3.74	4.05	4.09
DYield	6.9%	6.1%	5.6%	6.1%	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, and to adjust for the upcoming acquisition of a 45% stake in the asset manager NN TFI (45%) and a more conservative outlook on future provisions. As a result, 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 12.8% in 2019. Shareholders decided to pay PLN 3.5 a share, which could have been expected. In our view the potential for dynamic growth of the bank has run out and a positive surprise on the results should not be expected.

Current Price	194.00 PLN	Downside
9M Target Price	191.80 PLN	-1.1%

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

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	+0.7%	+0.3%
ISIN	PLBSK0000017	YTD Price Chng	+7.8%	+3.2%
Outst. Stock (m)	130.1	ADTV 1M		PLN 0.9m
MC (PLN m)	25,239.4	ADTV 6M		PLN 2.3m
		P/E 12M fwd	14.8	-5.5%
Free Float	25.0%	P/E 5Y avg	15.6	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,453	3,760	4,139	4,570	4,980
Total income	4,756	5,233	5,620	6,091	6,573
Costs	-2,123	-2,327	-2,429	-2,524	-2,613
Provisioning	-421	-501	-579	-642	-713
Net income	1,403	1,526	1,658	1,856	2,062
P/E	17.8	16.9	15.1	13.5	12.1
P/B	2.1	1.9	1.9	1.7	1.6
ROE	12.6%	12.1%	12.3%	13.1%	13.3%
DPS	0.00	3.20	3.50	3.82	4.28
DYield	0.0%	1.6%	1.8%	2.0%	2.2%
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

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. Our current valuation and the forecasts take into account the lack of interest rate hikes in 2020 as well as the effects of the acquisition of Eurobank. Interest rate cuts have a negligible impact on our forecast, because we initially assumed a conservative dynamics of the interest margin after the merger. On the upside, by buying the Eurobank, Millennium made good use of the high capital surplus accumulated under increasingly more stringent dividend restrictions. We would like to remind you that the merger will be financed with own funds, but it means, in our opinion, that the Bank will probably not make a distribution to its shareholders for at least three more years. By acquiring Societe Generale's assets, Millennium will increase its market share by an estimated 1.6% in retail lending and 0.9% in total loans. 2019 will be a challenging year for Millennium due to the costs of DB integration (we estimate PLN 200 m) and, at best, only half year of consolidation. The earnings 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%. The valuation of the bank should be positively influenced by the information of no further proceeding of the CHF Act by the Parliament. If the Act come into force on July 1st, its impact in the extreme case would be PLN 0.72 per share, which is not a significant deterioration vs. the banking sector.

Current Price	8.99 PLN	Upside
9M Target Price	10.00 PLN	+11.3%

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

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-0.5%	-0.9%
ISIN	PLBIG0000016	YTD Price Chng	+1.3%	-3.3%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 4.6m
MC (PLN m)	10,899.9	ADTV 6M		PLN 7.4m
		P/E 12M fwd	13.1	+2.4%
Free Float	50.0%	P/E 5Y avg	12.8	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,696	1,817	2,282	2,783	2,950
Total income	2,650	2,778	3,322	3,913	4,114
Costs	-1,156	-1,332	-1,803	-1,894	-1,887
Provisioning	-255	-222	-308	-400	-435
Net income	681	761	735	1,026	1,144
P/E	15.9	14.8	14.7	10.6	9.5
P/B	1.4	1.3	1.2	1.1	1.0
ROE	9.3%	9.4%	8.4%	10.8%	10.7%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)		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 take into account the flat interest rate environment in 2020 and the trim of the Bank's expected 2019 dividend payout ratio from 90% to 75% but we assume this will be followed by a hike in the payouts planned for subsequent years from 70% to 75%. At the same time, we note that 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 from 9% to 11.7% in 2021. In addition, the reduced dividend will keep the loan growth at a rate of + 9% in the following years. We believe that Pekao is a relatively low-risk investment. The decline in market forecasts as a result of the lack of increases is very limited, and the impact of the CHF Act on profits and valuation is negligible. Due to the abovementioned arguments and very strong results in Q4'18 promising successful 2019, we disagree with the current market valuation and we believe that Pekao deserves premium valuation relative to its peers, most notably the main rival PKO BP.

Current Price	110.60 PLN	Upside
9M Target Price	131.80 PLN	+19.2%

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

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-1.7%	-2.1%
ISIN	PLPEKAO00016	YTD Price Chng	+1.5%	-3.1%
Outst. Stock (m)	262.5	ADTV 1M		PLN 42.5m
MC (PLN m)	29,029.2	ADTV 6M		PLN 66.9m
		P/E 12M fwd	11.6	-23.7%
Free Float	67.2%	P/E 5Y avg	15.2	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	4,593	4,994	5,559	6,052	6,523
Total income	7,278	7,830	8,329	8,915	9,493
Costs	-3,535	-3,710	-3,728	-3,843	-3,967
Provisioning	-521	-511	-641	-696	-757
Net income	2,475	2,287	2,571	2,850	3,110
P/E	11.7	13.1	11.2	10.1	9.3
P/B	1.2	1.3	1.2	1.1	1.1
ROE	10.7%	9.9%	10.9%	11.4%	11.7%
DPS	8.68	7.90	6.32	7.35	8.14
DYield	7.8%	7.1%	5.7%	6.6%	7.4%
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	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

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 maintain a hold rating for PKO BP. We believe that low interest rates and the latest stimulus will help maintain a strong lending momentum 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. Our forecasts already assume an increase in dividend payout to 50%, but they do not take into account the impact of the FX mortgage relief bill coming into force. Our preliminary estimates, based on available figures, indicate 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 PLN. It should also be remembered that converting CHF loans into PLN will release about PLN 0.8 billion of capital. All in all, we consider PKO fairly valued at the current level given all the possible scenarios in an election year.

Current Price	38.87 PLN	Upside
9M Target Price	40.92 PLN	+5.3%

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

Key Metrics	PKO PW	PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	+2.3%
ISIN	PLPKO00000016	YTD Price Chng	-1.5%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 64.6m
MC (PLN m)	48,587.5	ADTV 6M	PLN 96.3m
		P/E 12M fwd	11.8
Free Float	70.6%	P/E 5Y avg	13.1
			discount

Earnings Projections

(PLN m)	2017	2018P	2019P	2020P	2021P
NII	8,606	9,353	10,081	10,730	11,385
Total income	12,803	13,660	14,548	15,316	16,181
Costs	-6,024	6,218	-6,431	-6,640	-6,894
Provisioning	-1,620	-1,451	-1,650	-1,873	-2,127
Net income	3,104	3,741	4,132	4,344	4,551
P/E	15.5	12.9	11.7	11.1	10.6
P/B	1.3	1.2	1.2	1.1	1.0
ROE	9.0%	9.9%	10.2%	10.1%	9.8%
DPS	0.00	0.55	1.33	1.65	1.74
DYield	0.0%	1.4%	3.4%	4.3%	4.5%
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

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	205,628	214,912	231,754	247,776	265,042
Other assets	91,284	109,343	99,638	103,970	108,365
Total assets	296,912	324,255	331,391	351,746	373,407
Deposits	218,800	242,816	242,291	256,414	276,217
Other liabilities	41,856	42,338	47,532	50,657	49,205
Minority interests	-11	-10	-10	-10	-11
Equity	36,267	39,111	41,578	44,685	47,996

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	3.0%	3.2%	3.3%	3.3%	3.3%
C/I	47.1%	45.5%	44.2%	43.3%	42.6%
CoR	0.8%	0.6%	0.7%	0.8%	0.8%
NPL Ratio	5.5%	4.9%	4.8%	4.8%	4.8%
Tier 1 Ratio	16.5%	17.5%	17.0%	17.6%	18.1%

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. After the Q4'18 we 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 beefed up by a payout of the whole of undistributed earnings accumulated in prior years, which will ultimately extend to a DPS of PLN 19.72.

Current Price	377.20 PLN	Upside
9M Target Price	388.00 PLN	+2.9%

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

Key Metrics	SPL PW	1M Price Chng	SPL PW	vs. WIG
Ticker	PLBZ000000044	YTD Price Chng	-1.9%	-2.4%
ISIN	102.0	ADTV 1M	+5.3%	+0.7%
Outst. Stock (m)	38,468.6	ADTV 6M		PLN 19.5m
MC (PLN m)		P/E 12M fwd	14.5	-0.0%
Free Float	31.7%	P/E 5Y avg	14.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	5,277	5,742	6,792	7,487	8,031
Total income	7,764	8,349	9,657	10,417	11,050
Costs	-3,372	-3,769	-4,117	-4,116	-4,110
Provisioning	-690	-1,138	-1,182	-1,258	-1,359
Net income	2,213	2,365	2,648	3,155	3,557
P/E	17.1	16.2	14.7	12.3	10.9
P/B	1.7	1.5	1.4	1.3	1.2
ROE	10.6%	10.1%	10.3%	11.4%	11.9%
DPS	5.40	3.10	19.72	12.98	15.47
DYield	1.4%	0.8%	5.2%	3.4%	4.1%
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	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 remain above consensus. 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. The announced increase in the countercyclical buffer (+25 bps from July and + 25 bps from January 2020) should not be a problem, because the bank meets the current capital requirements. We believe that the continued high profitability of Komercnia Banka (> 14% ROE) will allow the dividend yields ratio to remain at around 6% in the next two years. 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 in 2019. 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

955.00 CZK

Upside

9M Target Price

1,000.00 CZK

+4.7%

	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	+1.0%
ISIN	CZ0008019106	YTD Price Chng	+12.8%
Outst. Stock (m)	188.9	ADTV 1M	CZK 108.2m
MC (CZK bn)	180.4	ADTV 6M	CZK 122.6m
		P/E 12M fwd	12.4
Free Float	39.6%	P/E 5Y avg	13.8
			discount

Earnings Projections

(CZK m)	2017	2018	2019P	2020P
NII	20,808	22,509	24,821	26,493
Total income	31,060	32,202	34,401	36,339
Costs	-14,516	-14,495	-14,876	-15,215
Provisioning	391	643	-886	-1,758
Net income	14,930	14,846	15,119	15,728
P/E	11.9	11.9	11.7	11.3
P/B	1.9	1.7	1.6	1.5
ROE	15.0%	14.9%	14.2%	13.9%
DPS	40.00	47.00	52.00	52.00
DYield	4.2%	4.9%	5.4%	5.4%
Projection Update (% change)			2019P	2020P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

(CZK m)	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

Key Balance Sheet Figures

(CZK bn)	2016	2017	2018	2019P	2020P
Net loans	580	598	625	672	707
Other assets	343	406	435	521	534
Total assets	923	1,004	1,060	1,193	1,241
Deposits	699	762	812	882	924
Other liabilities	118	142	144	197	195
Minority interests	4	4	3	4	4
Equity	102	97	100	110	117

Key Ratios

(%)	2016	2017	2018	2019P	2020P
NIM	2.4%	2.2%	2.3%	2.2%	2.2%
C/I	44.2%	43.1%	45.5%	43.2%	41.9%
CoR	0.3%	-0.1%	-0.1%	0.1%	0.2%
NPL Ratio	3.8%	3.1%	3.1%	3.3%	3.5%
Tier 1 Ratio	16.2%	18.0%	17.9%	17.6%	17.7%

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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



Erste Bank buy (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 but in the old version, which means that our forecasts are currently too conservative. In the latest version, the tax rate is 0.4%, and the numerous exclusions and additional conditions make the real burden on banks even lower. The bank presented a new forecast for 2019, in which it expects: ROTE at the level of >11%, increase in revenues above costs, loan growth in the mid-single digits, the cost of risk between 10-20 p.b. and tax rate below 20%. The Management Board's forecasts for 2019 are higher than ours, but likewise they take into account the most negative scenario in Romania, which means a chance to increase the guidance for the entire 2019. We believe that Erste Bank is the most attractively priced at the current level and the rate should start making up for some of the losses suffered as a result of negative reports from Romania.

Current Price

33.40 EUR

Upside

9M Target Price

43.72 EUR

+30.9%

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

Key Metrics			EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	+0.4%	-0.1%
ISIN	AT0000652011	YTD Price Chng	+15.0%	+10.4%
Outst. Stock (m)	429.8	ADTV 1M		EUR 29.8m
MC (EUR m)	14,355.3	ADTV 6M		EUR 28.9m
		P/E 12M fwd	9.5	-16.0%
Free Float	69.5%	P/E 5Y avg	11.4	discount

Earnings Projections

(EUR m)	2017	2018	2019P	2020P
NII	4,353	4,582	4,828	5,102
Total income	6,475	6,726	7,090	7,446
Costs	-4,158	-4,201	-4,261	-4,329
Provisioning	-132	59	-135	-233
Net income	1,316	1,793	1,499	1,607
P/E	10.7	8.0	9.4	8.8
P/B	1.0	1.0	0.9	0.9
ROE	10.0%	12.7%	10.0%	10.0%
DPS	1.00	1.20	1.40	1.46
DYield	3.0%	3.6%	4.2%	4.4%
Projection Update (% change)			2019P	2020P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

(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 hold (downgraded)

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After the share price increase, we downgrade our rating from accumulate to hold for OTP Bank. Our outlook takes into account OTP's latest acquisitions in Bulgaria and Albania. The bank has recently announced the deal to buy the fourth-largest bank in Montenegro and the intention to purchase Slovenian Abanka. 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, 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. In 2019, we expect flat dynamics of net profit. At the same time, we expect 2019 ROE to reach 16% in 2019, a level unachievable by any other bank that we rate.

Current Price

12,770.00 HUF

Upside

9M Target Price

13,046.00 HUF

+2.2%

	rating	target price	issued
new	hold	13,046.00 HUF	2019-04-02
old	accumulate	13,046.00 HUF	2018-12-05
Key Metrics		OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	+8.0% +7.6%
ISIN	HU00000061726	YTD Price Chng	+13.1% +8.5%
Outst. Stock (m)	267.0	ADTV 1M	HUF 7.4bn
MC (HUF bn)	3,410.0	ADTV 6M	HUF 6.5bn
		P/E 12M fwd	10.0 -3.5%
Free Float	100.0%	P/E 5Y avg	10.4 discount

Earnings Projections

(HUF bn)	2017	2018	2019P	2020P
NII	547	600	675	700
Total income	809	886	992	1,028
Costs	-442	-490	-520	-528
Provisioning	-46	-26	-93	-100
Net income	281	318	322	341
P/E	12.0	10.4	10.4	9.9
P/B	2.1	1.9	1.5	1.4
ROE	18.4%	18.3%	15.9%	14.4%
DPS	199.22	229.63	276.72	296.56
DYield	1.6%	1.8%	2.2%	2.3%
Projection Update (% change)			2019P	2020P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

(HUF bn)	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

(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 (reiterated)

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We recommend accumulating PZU's securities with a target price of PLN 43.38/share. Our forecasts for 2019-20 remain unchanged. We believe that in the next two years gross written premiums will increase by 2.1% and 2.2% respectively, and compensation by 4% and 2% respectively. We believe that the very low COR index in 2018 will be difficult to repeat in the following years, especially considering the increasing size of an average claim under auto insurance policies and the absence of significant catastrophic events in 2018. Based on 2018 and 2019 earnings estimates, PZU should be able to offer dividend yields greater than 7.4% in, which is still one of the highest dividends in the Polish financial sector. However the actual payouts might be affected if the Company agrees to acquire a 12.8% stake in the state-controlled Bank Pekao, seen to be experiencing reduced dividend-paying capacity, for an estimated price of PLN 3.2bn (PLN 123 per share). In our view, such valuation of the PFR package is justified by the fact that the shares were purchased for a loan. The upside of PZU's close business ties with Pekao is cross-sell which might produce higher gross written premiums and compensations especially due to the mild beginning of the year.

Current Price	40.79 PLN	Upside
9M Target Price	43.38 PLN	+6.3%

	rating	target price	issued
new	accumulate	43.38 PLN	2019-04-02
old	accumulate	46.50 PLN	2019-03-05
Key Metrics			
	PZU PW	1M Price Chng	-2.3% -2.7%
Ticker	PLPZU0000011	YTD Price Chng	-7.1% -11.7%
ISIN	863.5	ADTV 1M	PLN 72.6m
Outst. Stock (m)	35,223.1	ADTV 6M	PLN 73.3m
MC (PLN m)		P/E 12M fwd	10.9 -11.4%
Free Float	64.8%	P/E 5Y avg	12.3 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
GWP	22,847	23,470	23,962	24,486	25,035
Claims	-14,942	-14,563	-15,108	-15,432	-15,771
Inv. income	1,895	892	924	918	836
Total costs	-4,511	-4,750	-4,957	-5,089	-5,226
Net income	2,910	3,213	3,263	3,432	3,511
P/E	12.0	10.9	10.8	10.2	10.0
P/B	2.4	2.4	2.3	2.3	2.3
ROE	21.1%	21.7%	21.8%	22.5%	22.6%
DPS	1.40	2.70	2.98	3.01	3.18
DYield	3.4%	6.6%	7.3%	7.4%	7.8%
Projection Update (% change)					
Gross written premiums			0.0%	+1.1%	+0.8%
Claims			0.0%	+0.7%	+0.8%
Investment income			0.0%	-36.3%	-40.5%
Total costs			0.0%	+1.1%	+1.1%
Net income			0.0%	-0.0%	+0.7%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Gross written prem	22,847	23,290	23,962	24,486	25,035
Net earned premiums	21,354	22,222	22,793	23,327	23,836
Claims & benefits	-14,941	-14,607	-15,108	-15,432	-15,771
Net inv. income	1,895	1,020	924	918	836
Acquisition costs	-2,901	-3,081	-3,292	-3,384	-3,479
Admin expenses	-1,614	-1,589	-1,664	-1,705	-1,746
Other oper. rev/exp	-774	-1,354	-874	-867	-862
Banking income	2,439	3,971	4,635	5,158	5,618
Operating income	5,458	6,820	7,414	8,015	8,431
Financing costs	0	0	0	0	0
Subsidiaries	-1	-1	16	-1	0
Pre-tax income	5,457	6,836	7,430	8,014	8,431
Tax	-1,289	-1,631	-1,770	-1,913	-2,012
Minority interest	1,290	2,155	2,397	2,669	2,908
Net income	2,878	3,203	3,263	3,432	3,511

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Financial assets	281,854	286,206	320,031	339,207	358,709
Other assets	35,604	42,348	43,599	44,905	46,266
Total assets	317,458	328,554	363,630	384,112	404,976
Technical provisions	44,558	45,839	50,840	51,852	52,913
Other liabilities	235,340	245,308	275,129	294,186	313,646
Minority interests	22,961	22,482	22,582	22,682	22,782
Equity	14,599	14,925	15,078	15,392	15,634

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
Loss ratio	70.0	65.2	66.3	66.2	66.2
Total cost ratio	21.1	21.3	21.7	21.8	21.9
Return on inv. portf.	-5.9	-12.0	1.8	1.9	1.8
Non-Life, COR	90.5	87.8	89.2	89.0	89.0
Life, Oper. Margin	16.11	24.06	22.66	21.12	20.45

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-20)	6,724	26%
PV Adjustment	1,123	4%
Value Driver (2021-35)	13,355	51%
Fade (2036-55)	3,890	15%
Terminal Value	850	3%
Fair Value	25,942	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	30.04	
9M Target Price (PLN)	31.96	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	11,054	47%
Explicit Forecast (2018-20)	3,308	14%
PV Adjustment	462	2%
Value Driver (2021-35)	7,350	31%
Fade (2036-55)	1,536	6%
Fair Value	23,709	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	27.46	
9M Target Price (PLN)	29.21	

Valuation Ex. Banks

(PLN m)	Weight	Value
DDM	50%	25,942
Economic Profits	50%	23,709
Fair Value Avg.		24,826

SOTP Valuation

(PLN m)	Value	/Share
PZU ex banks	24,826	28.75
Bank Pekao	7,303	8.46
Alior Bank	3,089	3.58
Value	35,217	40.78
9M Target Price (PLN)	43.38	

Kruk buy (reiterated)

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Given the worse-than-expected results for 2018 and very cautious guidance by the Management Board, we've decided to review our previous forecasts and thus the target price, which now stands at 213.65 PLN per share. Our forecasts have been adjusted downwards by 15%-28% for the next three years, mainly due to lower spending on the "new" markets. In 2019 and 2020, we expect the company to spend PLN 891 million and PLN 949m, respectively, on new portfolios. These spending levels are expected to increase to PLN 1.2bn in 2021. The lower-than-expected spending levels are due to very modest spending on the Italian and Spanish market, which is expected to last until a reliable supply and market demand curve is generated. Over the next years, 70% of total expenditures will be from the Polish market; however, the percentage is subsequently expected to fall to about 50%. At the same time, we believe that the decision by the Romanian Constitutional Court has effectively eliminated the double price law and consequently the Romanian market will remain open. However, the nominal value of this market has decreased dramatically (by -71%) over the last five years. Because of this, Kruk's Romanian expenditures over the forecast period have not exceeded 250 million PLN despite its dominant market position. In addition, we are likely to see more positive revaluations in Poland and Romania, boosted by economic stimulus, accompanied by negative adjustments in Italy. We expect that our forecasts for this year will include up to PLN 100m positive revaluations, followed by gradual adjustments downwards to PLN 34m in the final year of our forecast. Our projections for 2019-20 are currently 10%-12% below the consensus line and 6% below the target set in the Management Board forecast for 2019. Due to worse-than-expected performance trends, we've decided to value the company with a 10% discount at 2019 fair P/E (10x) to peers. However, it must be stressed that the company does not deserve to be rated so low in terms of market value, because it has (among others) a very attractive ROE (>17%), very low net debt ratio (1.3x-1.1x) and a DY ratio of 3%-6%. The market valuation for the company offers a 40% growth potential.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Rev., Purchased Debt	559	633	693	701	709
Revenue, Collections	15	15	18	19	19
Other revenue	15	16	15	16	17
Gross profit	589	664	727	736	745
Costs	148	161	178	180	182
One-time events	-2	-5	-5	-5	-5
EBITDA	439	498	544	551	558
D&A	19	20	21	23	24
EBIT	421	478	523	528	533
Financing activity	-86	-126	-145	-145	-149
Pre-tax income	335	353	378	384	384
Tax	40	22	38	38	38
Net income	295	330	340	346	346
Portfolio purchases	976	1,395	891	949	1,259
Collections	-1,369	-1,582	-1,856	-2,137	-2,003

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. 2019	3,515	3,654
PV Adjustment	196	67
Fair Value	3,711	3,721
Outst. Shares (millions)	18.9	18.9
Cost of equity	7.8%	7.8%
Fair Value Per Share (PLN)	196.47	197.01
9M Target Price (PLN)	210.61	211.19

DCF Summary

	(PLN m)
FCF	1,312
Terminal Value (TV)	9,374
FCF perp. growth rate	3.0%
Present Value of Terminal Value	4,834
Enterprise Value	6,146
Net Debt	2,353
Minority Interest	0
Equity Value as of Jan. 2019	3,792
PV Adjustment	69
Fair Value	3,861
Outst. Shares (millions)	18.9
Value Per Share (PLN)	204.44

Current Price 152.30 PLN
9M Target Price 213.65 PLN
Upside +40.3%

	rating	target price	issued
new	buy	213.65 PLN	2019-04-02
old	buy	279.32 PLN	2019-02-04
Key Metrics			
Ticker	KRU PW	1M Price Chng	-8.5%
ISIN	PLKRK0000010	YTD Price Chng	-2.8%
Outst. Stock (m)	18.9	ADTV 1M	PLN 11.9m
MC (PLN m)	2,876.5	ADTV 6M	PLN 9.5m
		P/E 12M fwd	7.8
Free float	87.0%	P/E 5Y avg	13.4

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Total revenue	1,055	1,165	1,269	1,285	1,300
Purchased debt	972	1,070	1,173	1,186	1,199
Collections	59	67	70	72	73
Total costs	-161	-178	-180	-182	0
Net income	295	330	340	346	346
P/E	9.7	8.7	8.5	8.3	8.3
P/B	2.0	1.7	1.5	1.4	1.3
ROE	21.9%	20.7%	18.7%	17.4%	16.0%
DPS	5.44	5.00	7.88	9.02	9.16
DYield	3.6%	3.3%	5.2%	5.9%	6.0%
Projection Update (% change)					
Purchased debt portfolios		-7.1%	-15.7%	-23.2%	
Collections		-2.1%	-4.7%	-7.2%	
Other		-17.8%	-25.9%	-33.4%	
Total costs		+2.2%	-7.0%	-15.0%	
Net income		-15.4%	-21.7%	-28.4%	

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Cash	173	147	152	153	168
Purchased debt	3,169	4,157	4,286	4,285	4,741
Other assets	218	178	194	203	212
Total assets	3,560	4,482	4,633	4,640	5,121
Loans	1,897	2,500	2,548	2,368	2,635
Other liabilities	202	250	185	197	238
Equity	1,460	1,732	1,900	2,075	2,248

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
Net debt / Equity	118.0	135.8	126.1	106.8	109.7
Net debt / EBITDA	392.3	472.3	440.0	401.9	442.4
EBITDA margin	41.6	42.8	42.9	42.9	42.9
EBIT margin	39.9	41.1	41.2	41.1	41.0
EV / Cash EBITDA	5.44	5.13	4.26	3.36	3.89

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	3,711
Economic Profits	33%	3,721
DCF	33%	3,861

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	196.47
Economic Profits	33%	197.01
DCF	33%	204.44
Fair Value Avg.		199.31
Cost of equity (9M)		6.2%
9M Target Price (PLN)		213.65

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. We are concerned about the changes in the Management Board and still unclear issue of the final owner of the Aoram package. The press speculates that the confusion around the owners resulted in the termination of the contract with the company's distributor (Santander) and the ongoing revision of others. In addition, changes to the kick-backs will be crucial for Skarbiec. The changes mean that independent TFIs should intensify the search for new distribution sources, which in turn may mean rising costs and C/I. 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	17.70 PLN	Upside
9M Target Price	31.36 PLN	+77.2%

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

Key Metrics		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+3.5%
ISIN	PLSKRBH00014	YTD Price Chng	-16.1%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.2m
MC (PLN m)	120.7	ADTV 6M	PLN 0.2m
		P/E 12M fwd	5.3
Free Float	25.4%	P/E 5Y avg	7.4 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	99.7	103.7	107.7	112.7	115.3
Mgmt fees	80.0	81.8	87.3	91.8	93.5
Success fees	14.5	16.2	14.3	14.3	14.5
Costs	-76.5	-77.6	-80.3	-85.6	-85.5
Net income	19.5	21.9	23.1	22.8	25.1
P/E	6.0	5.4	5.1		
P/B	1.4	1.3	1.3	1.3	1.3
ROE	20.6%	24.4%	25.3%	25.0%	27.3%
DPS	4.57	3.00	3.30	3.36	3.51
DYield	25.8%	16.9%	18.6%	19.0%	19.8%
Projection Update (% change)		2019P	2020P	2020P	2020P
Management fees		0.0%	0.0%	0.0%	0.0%
Success fees		0.0%	0.0%	0.0%	0.0%
Revenue		0.0%	0.0%	0.0%	0.0%
Total costs		0.0%	0.0%	0.0%	0.0%
Net income		0.0%	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

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 (reiterated)

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The lack of significant new investment projects in the field of soda production, the growing demand in Central and Eastern Europe and the environment-conscious policy in China have positive impact on prices of the raw material. In 2019, we will probably see a 7% y/y increase in soda ash prices on the European market. The observed decreases in natural gas prices have positive impact on Ciech in IH'19. In addition, in Q2'19, the Company will start production from a new investment of baking soda in Germany. We estimate that higher soda prices and a new investment will lead to PLN 99m EBITDA improvement in the soda segment in 2019. At the same time, the acquisition of Proplan will increase EBITDA in the organic segment by 19m. The ratings were negatively affected by weaker Q4'18 results and the announcement of problems with volumes in 2019. Despite this, we believe Ciech will be able to improve its y/y financial results starting from Q1'19. We are downgrading our target price to PLN 72.01 per share (previously PLN 75.82) and we maintain a buy rating.

Current Price

54.80 PLN

Upside

9M Target Price

68.66 PLN

+25.3%

	rating	target price	issued	
new	buy	68.66 PLN	2019-04-02	
old	#ARG!	75.82 PLN	2019-02-04	
Key Metrics		CIE PW	vs. WIG	
Ticker	CIE PW	1M Price Chng	-9.5%	-9.9%
ISIN	PLCIECH000018	YTD Price Chng	+23.7%	+19.1%
Outst. Stock (m)	52.7	ADTV 1M		PLN 7.5m
MC (PLN m)	2,888.0	ADTV 6M		PLN 5.1m
EV (PLN m)	4,334.8	EV/EBITDA 12M fwd	5.7	-7.7%
Free Float	33.0%	EV/EBITDA 5Y avq	6.2	discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	3,579	3,673	3,881	4,037	4,177
EBITDA adj.	808	633	755	798	824
EBITDA margin	22.6%	17.2%	19.4%	19.8%	19.7%
EBIT adj.	564	358	473	489	511
Net income adj.	373	166	324	340	360
P/E adj.	7.7	17.4	8.9	8.5	8.0
P/B	1.3	1.5	1.3	1.2	1.1
EV/EBITDA adj.	4.6	6.9	5.7	5.3	5.0
DPS	0.00	7.50	2.00	3.08	3.87
DYield	0.0%	13.7%	3.6%	5.6%	7.1%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			-3.2%	-6.8%	-6.0%
Net income			-6.4%	-14.8%	-10.9%
Soda price (US \$/t)			-5.9%	-1.2%	-1.5%
Soda Ciech (PLN/t)			+1.5%	-0.8%	-0.8%
Soda vol (1,000t)			-5.0%	-2.9%	-2.1%
Thermal Coal price (PLN/t)			+3.8%	+9.4%	+9.4%
Coking Coal price (\$/t)			+4.2%	-0.1%	-5.6%
Natural Gas price (PLN/m3)			-10.5%	-5.4%	+5.4%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA. Soda Div.	704	540	614	648	666
EBITDA. Organic Div.	97	76	96	102	109
EBITDA. Silicates	37	34	36	39	40
EBITDA. Other	-5	9	9	9	9
EBITDA/tonne, Soda	306	243	269	278	283
Operating cash flow	629	454	604	694	715
D&A	244	275	282	308	313
Working capital	-66	-97	-61	-9	-8
Investing cash flow	-389	-627	-421	-375	-324
CAPEX	402	595	421	375	324
Financing cash flow	-164	-125	-265	-318	-356
Dividends/Buyback	0	-395	-105	-162	-204
FCF	234	-170	183	320	393
FCF/EBITDA	28%	-26%	24%	40%	48%
OCF/EBITDA	75%	69%	80%	87%	87%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Soda Price (\$/t)	259	272	272	272	272	272	272	272	272	272	273
Soda Price (PLN/t)	855.9	860.2	860.2	860.2	860.2	860.2	860.2	860.2	860.2	860.2	863.9
Soda vol (1000t)	2,280	2,330	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,351
Revenue	3,881	4,037	4,177	4,232	4,265	4,290	4,308	4,325	4,343	4,362	4,392
EBITDA	755	798	824	857	857	851	838	826	813	799	792
EBITDA margin	19.4%	19.8%	19.7%	20.3%	20.1%	19.8%	19.5%	19.1%	18.7%	18.3%	18.0%
EBIT	473	489	511	558	564	552	535	517	501	484	473
Tax	89	93	98	109	112	110	107	104	101	98	96
CAPEX	-421	-375	-324	-284	-288	-296	-302	-307	-312	-315	-319
Working capital	-61	-9	-8	-3	-2	-2	-1	-1	-1	-1	-2
FCF	183	320	393	460	456	443	429	414	399	385	375
PV FCF	174	283	323	351	323	291	261	233	207	185	
WACC	7.2%	7.3%	7.4%	7.5%	7.6%	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%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018P	2019P	2020P
Assets	4,644	4,831	5,000	5,115	5,205
Fixed assets	3,205	3,559	3,699	3,766	3,779
Equity	2,188	1,970	2,189	2,366	2,523
Minority interests	-3	0	0	0	0
Net debt	865	1,464	1,447	1,346	1,210
Net debt/EBITDA (x)	1.0	2.2	1.9	1.7	1.5
Net debt/Equity (x)	0.4	0.7	0.7	0.6	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	5.0	5.0	4.5	4.8	3.7	3.6
Maximum	40.6	19.1	16.8	14.0	12.6	11.6
Median	10.5	9.5	8.4	6.4	5.7	5.9
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,630
Net debt	1,464
Other adj.	-67
Value per share (PLN)	78.80

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	50.37
DCF Val.	50%	78.80
Implied Price		64.58
Cost of equity (9M)		6.3%
9M Target Price		68.66

Grupa Azoty hold (no change)

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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. Despite expectations of improvement in profits, the market carefully observes the Management Board's plans regarding investments who for the third time revised up the investment budget of the PDH project. At the same time, despite the planned capital increase in Police, the Company decided to look for an additional investor for the project (additional EUR 200 million of funding needed). If the investor is not found (according to the press PGNiG has already refused), then the risk of raising these funds from the market increases (issue of shares in the mother company?). Even on the higher earnings estimates in 2019, ATT stock no longer trades at a discount to its peers, and remains a hold to us. Target price remains unchanged (PLN 43.20 per share).

Current Price

42.64 PLN

Upside

9M Target Price

43.20 PLN

+1.3%

	rating	target price	issued
unchanged	hold	43.20 PLN	2019-03-05

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-4.1%	-4.6%
ISIN	PLZATRM00012	YTD Price Chng	+36.8%	+32.2%
Outst. Stock (m)	99.2	ADTV 1M		PLN 4.9m
MC (PLN m)	4,229.7	ADTV 6M		PLN 6.5m
EV (PLN m)	7,614.3	EV/EBITDA 12M fwd	5.4	-17.2%
Free Float	29.0%	EV/EBITDA 5Y avg	6.6	discount

Earnings Projections

(PLN m)	2017	2018P	2019P	2020P	2021P
Revenue	9,617	9,885	11,879	11,918	12,101
EBITDA adj.	1,262	771	1,113	1,066	1,081
EBITDA margin	13.1%	7.8%	9.4%	8.9%	8.9%
EBIT adj.	672	103	361	280	323
Net income adj.	550	63	227	143	159
P/E adj.	7.7	67.3	18.6	29.5	26.6
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA adj.	4.1	7.3	6.8	8.2	8.8
DPS	0.79	1.20	0.00	0.46	0.43
DYield	1.9%	2.8%	0.0%	1.1%	1.0%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Urea price (PLN/t)			0.0%	0.0%	0.0%
Ammonium Nitrate price (PLN/t)			0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%
Melamine (PLN/t)			0.0%	0.0%	0.0%
Polyamide 6 (PLN/t)			0.0%	0.0%	0.0%
Propylene (PLN/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018P	2019P	2020P	2021P
EBITDA, Fertilizers	484	80	466	439	492
EBITDA, Plastics	221	189	167	152	126
EBITDA, Chemicals	348	280	263	204	194
EBITDA, Energy	0.0	0.0	151.1	151.5	157.1
EBITDA, Other	134	190	66	119	112
Operating cash flow	1,107	734	1,026	1,043	1,051
D&A	590	667	752	786	758
Working capital	13	-6	-43	-1	-4
Investing cash flow	-709	-820	-2,858	-2,017	-1,618
CAPEX	1,063	1,020	2,912	2,017	1,618
Financing cash flow	39	-159	1,474	716	425
Dividends/Buyback	-78	-119	0	-45	-43
FCF	53	-292	-1,895	-978	-569
FCF/EBITDA	4%	-39%	-170%	-92%	-53%
OCF/EBITDA	93%	99%	92%	98%	97%

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%

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Assets	11,738	11,707	13,899	14,888	15,657
Fixed assets	8,070	8,432	10,596	11,835	12,704
Equity	6,856	6,774	7,001	7,099	7,215
Minority interests	588	585	593	597	603
Net debt	367	819	2,792	3,930	4,681
Net debt/EBITDA (x)	0.3	1.1	2.5	3.7	4.3
Net debt/Equity (x)	0.1	0.1	0.4	0.6	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 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 share price started to discount the risk of a less-positive merger scenario with Orlen, probably in response to comments from the Orlen CEO suggesting that the buyer's offer will not be maintained at any price. We would like to remind you that it is still impossible to prejudge the final effect of negotiations with the European Commission and due to the election year that the final decision on consolidation may shift to 2020. Orlen can also spread the entire process over time, buying in the first stage only 33% of Lotos shares, postponing the 66% by 12 months. Regarding the fundamental issues, the average refining margin still remains lower y/y, and the yield curve suggests no positive IMO effect due to the very strong HSFO cracks. Consensus forecasts of PLN 4bn EBITDA in 2020-21 may be severely overestimated (very aggressive assumptions for DCU installations), especially that some of them probably do not take into account the news on the B8 project yet. We slightly revised our prognosis for 2019-20 due to lower gas prices, but this does not significantly affect the DCF model especially as we are downgrading the estimates of investment expenses. We maintain a negative rating with a marginal change in the target price to PLN 65.41 per share.

Current Price

86.22 PLN

Downside

9M Target Price

65.41 PLN

-24.1%

		rating	target price	issued
new		sell	65.41 PLN	2019-04-02
old		sell	65.18 PLN	2019-03-05
Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-9.7%	-10.2%
ISIN	PLLOTOS00025	YTD Price Chng	-2.6%	-7.2%
Outst. Stock (m)	184.9	ADTV 1M		PLN 25.8m
MC (PLN m)	15,939.8	ADTV 6M		PLN 27.6m
EV (PLN m)	18,537.7	EV/EBITDA 12M fwd	5.4	-7.9%
Free Float	46.8%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	24,186	30,122	29,133	29,633	29,963
EBITDA	3,073	3,704	2,604	2,914	3,313
EBITDA margin	12.7%	12.3%	8.9%	9.8%	11.1%
EBIT	2,229	2,981	1,861	2,046	2,350
Net income	1,672	1,587	1,090	1,208	1,293
P/E	9.5	10.0	14.6	13.2	12.3
P/B	1.5	1.3	1.3	1.2	1.1
EV/EBITDA	6.0	4.8	7.1	6.0	5.1
DPS	1.00	1.00	2.58	1.77	1.96
DYield	1.2%	1.2%	3.0%	2.1%	2.3%
Projection Update (% change)			2019P	2020P	2021P
LIFO EBITDA			-3.0%	-2.9%	-2.7%
Net income			-3.8%	-2.7%	+1.1%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2020P
LIFO EBITDA (adj.)	3,050	3,126	2,523	3,004	3,268
Upstream (US)	863	917	774	1,049	1,377
Downstream (DS)	2,058	2,022	1,585	1,785	1,718
Retail	139	181	164	170	174
EV/ LIFO EBITDA (adj.)	6.0	5.7	7.3	5.8	5.1
LIFO effect	171	500	81	-90	45
Other one-offs	-148	78	0	0	0
Financing activity	219	-259	-156	-89	-177
Crude thrghpt (mmt)	9.6	10.8	10.4	10.2	10.2
\$ LIFO EBITDA/bbl, DS	7.7	7.1	5.6	6.7	6.4
PLN EBITDA/tonne, Retail	119	144	130	132	135
\$ EBITDA/boe, US	26.9	34.1	29.1	37.0	40.3
US output (mboepd)	23.3	20.4	19.4	21.6	26.0
natural gas	13.4	11.5	10.7	11.2	11.6
crude oil	9.9	8.9	8.7	10.4	14.5

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	3,127	2,328	1,530	2,641	2,319
OCF/EBITDA LIFO adj.	103%	74%	61%	88%	71%
CAPEX	1,439	967	1,588	1,325	1,046
Working capital	4,035	4,816	5,587	5,264	5,382
Equity	10,712	12,035	12,686	13,698	14,576
Net debt	2,505	1,943	2,598	1,570	893
Net debt/EBITDA (x)	0.8	0.5	1.0	0.5	0.3

Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.0	2.9	3.3	1.9	1.7	1.6
Maximum	24.8	17.7	16.4	12.1	11.6	10.5
Median	9.9	8.5	8.9	4.6	4.1	4.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Margin+Urals/Brent	5.8	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/PLN	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	27,807	27,979	27,814	27,565	27,565	27,565	27,565	27,565	27,624	27,678	27,678
EBITDA	1,830	1,865	1,936	1,887	1,882	1,878	1,873	1,868	1,863	1,854	1,854
EBITDA margin	6.6%	6.7%	7.0%	6.8%	6.8%	6.8%	6.8%	6.8%	6.7%	6.7%	6.7%
EBIT	1,302	1,227	1,269	1,172	1,203	1,167	1,144	1,120	1,095	1,066	1,137
Tax	247	233	241	223	229	222	217	213	208	203	216
CAPEX	-703	-715	-717	-717	-717	-717	-717	-717	-717	-717	-717
Working capital	-772	323	-118	-2	28	21	43	10	5	2	2
FCF	108	1,240	860	946	965	960	982	948	943	937	923
PV FCF	103	1,086	699	713	674	620	587	525	484	445	
WACC	7.7%	8.0%	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	12,188
Net debt	1,943
Petrobaltic	1,839
Value per share (PLN)	65.37

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	57.68
DCF Val.	50%	65.37
Implied Price		61.53
Cost of equity (9M)		6.3%
9M Target Price		65.41

MOL hold (reiterated)

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We apply new lower gas price assumptions to our model for 2019 and 2020, which together with a decrease in ratios of peers results in a correction of our target price by 6% to HUF 3 223 HUF per share. We maintain a neutral rating, although it is still worth to 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 (0.4xDN/EBITDA) ensures not only a stable increase in dividends (DPS proposal for 2019 implies 4.3% Dyield), but also creates opportunities for interesting acquisitions in the mining segment. 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

3,320 HUF

Downside

9M Target Price

3,223 HUF

-2.9%

	rating	target price	issued
new	hold	3,223 HUF	2019-04-02
old	hold	3,423 HUF	2019-03-05
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	+3.4% +3.0%
ISIN	HU0000153937	YTD Price Chng	+7.9% +3.3%
Outst. Stock (m)	738.1	ADTV 1M	HUF 2,338.8m
MC (HUF m)	2,450,586.5	ADTV 6M	HUF 2,196.5m
EV (HUF m)	3,162,759.6	EV/EBITDA 12M fwd	4.4 +1.4%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3 premium

Earnings Projections

(HUF bn)	2017	2018	2019P	2020P	2021P
Revenue	4,130	5,169	4,836	5,173	5,163
EBITDA	673	764	613	714	744
EBITDA margin	16.3%	14.8%	12.7%	13.8%	14.4%
EBIT	354	353	228	311	341
Net income	307	301	163	232	256
P/E	8.0	8.1	15.1	10.6	9.6
P/B	1.4	1.2	1.2	1.1	1.1
EV/EBITDA	4.8	4.0	5.2	4.4	4.1
DPS	78.13	127.50	142.50	152.64	160.27
DYield	2.4%	3.8%	4.3%	4.6%	4.8%
Projection Update (% change)			2019P	2020P	2021P
CCS EBITDA			-2.8%	-1.0%	+1.0%
Net income			-7.6%	-3.7%	+6.7%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

Financial Highlights

(HUF bn)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	673	728	608	714	744
Upstream (US)	235	344	311	360	357
Downstream (DS)	198	183	127	150	167
Retail	97	115	114	122	127
Petchem	127	87	52	78	89
Gas Midstream	61	50	56	57	57
General expenses	-45	-51	-52	-52	-54
EV/LIFO EBITDA (adj.)	4.7	4.2	5.2	4.4	4.1
LIFO effect	7	19	5	0	0
Other one-offs	-7	17	0	0	0
Financing activity	11	-22	-10	-11	-10
\$ LIFO EBITDA/bbl, DS	5.3	4.9	3.4	4.0	4.5
EBITDA/boe, US	23.7	34.8	31.3	36.8	38.8
Ref. thrghpt, mmt	18.5	19.1	19.1	19.1	19.1
Upstr output, mboepd	107.4	110.6	111.1	109.6	103.6

Key Balance Sheet Figures

(HUF bn)	2017	2018	2019P	2020P	2021P
Operating cash flow	560	596	584	634	676
OCF/EBITDA LIFO adj.	83%	82%	96%	89%	91%
CAPEX	286	380	528	490	402
Working capital	248	300	281	301	300
Equity	1,741	1,994	2,035	2,139	2,262
Net debt	435	314	390	386	256
Net debt/EBITDA (x)	0.6	0.4	0.6	0.5	0.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.0	2.9	3.3	1.9	1.7	1.6
Maximum	24.8	17.7	16.4	12.1	11.6	10.5
Median	10.2	9.0	9.2	4.8	4.1	3.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(HUF bn)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	70	75	75	75	75	75	75	75	75	75	75
Margin+Urals/Brent	5.5	6.0	6.0	6.5	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	4,516	4,830	4,826	4,837	4,837	4,838	4,838	4,839	4,840	4,859	4,859
EBITDA	302	354	386	425	429	429	429	428	428	430	430
EBITDA margin	6.7%	7.3%	8.0%	8.8%	8.9%	8.9%	8.9%	8.8%	8.8%	8.8%	8.8%
EBIT	113	150	174	201	206	204	199	194	187	182	210
Tax	30	39	45	52	54	53	52	50	49	47	40
CAPEX	-404	-367	-280	-241	-220	-220	-220	-220	-220	-220	-220
Working capital	19	-20	1	0	1	2	1	1	1	0	0
FCF	-114	-72	63	132	156	157	158	159	161	163	170
PV FCF	-107	-63	50	98	107	99	92	85	79	74	
WACC	8.1%	8.2%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,543
Net debt & adjustments	108
Upstream Valuation	648
Value per share (HUF)	2,985

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	3,057
DCF Val.	50%	2,985
Implied Price		3,021
Cost of equity (9M)		6.7%
9M Target Price		3,223

PGNiG accumulate (upgraded)

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Due to low current pricing and record level of inventories after a weak heating season, we again lower our assumptions of gas prices for 2019-20 (this time by 10% and 5% respectively for the German benchmark), which causes a deterioration of estimates for the E&P segment. At the same time, we take into account the upstream project taken over in Norway in Q4 (PLN 0.05 per shares) and postponement of the launch date of the new CCGT unit in Warsaw as well as lower heat volumes in Q1. As a result, we are downgrading the valuation to PLN 6.92 per share and we upgrade the rating from hold to accumulate. In our opinion, negative trends in European gas prices should slow down soon due to the emerging gas-coal arbitrage and the expiring weather effect (we expect that the consumption dynamics on key markets will rebound in April). Meanwhile, this year's results of PGNiG may, despite lower prices, surprise in plus in the trading area, both due to the effect of natural hedging (purchases from own production at spot prices) and price increases for business customers carried out in January (+15% q/q) and higher fares for households. EBITDA, at the level of PLN 7.5 billion (the consensus still needs to be adjusted by ~5%), implies an attractive level of 4.4x (5.0x 5Y average). A very strong balance sheet gives a chance for a positive surprise on the dividend or interesting acquisitions in E&P (a drop in gas prices may generate market opportunities).

Current Price

6.31 PLN

Upside

9M Target Price

6.92 PLN

+9.8%

	rating	target price	issued
new	accumulate	6.92 PLN	2019-04-02
old	hold	7.08 PLN	2019-03-05
Key Metrics		PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	-6.9% -7.3%
ISIN	PLPGNIG000014	YTD Price Chng	-8.8% -13.4%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 30.3m
MC (PLN m)	36,432.3	ADTV 6M	PLN 33.1m
EV (PLN m)	34,086.6	EV/EBITDA 12M fwd	4.3 -15.2%
Free Float	28.1%	EV/EBITDA 5Y avg	5.1 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	35,857	41,234	38,690	39,318	43,466
EBITDA	6,579	7,115	7,463	8,091	8,637
EBITDA margin	18.3%	17.3%	19.3%	20.6%	19.9%
EBIT	3,910	4,395	4,775	5,311	5,762
Net income	2,923	3,212	3,516	3,919	4,264
P/E	12.5	11.3	10.4	9.3	8.5
P/B	1.1	1.0	0.9	0.9	0.8
EV/EBITDA	5.6	5.1	4.6	4.0	3.7
DPS	0.20	0.07	0.10	0.18	0.27
DYield	3.2%	1.1%	1.5%	2.9%	4.3%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			-6.4%	-5.9%	-1.1%
Net income			-9.7%	-10.2%	-3.8%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)			-10.5%	-5.3%	0.0%
USD/PLN			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2019P	2020P
EBITDA (adj.)	7,356	7,669	7,840	8,465	9,011
EBITDA	6,579	7,115	7,463	8,091	8,637
Mining	3,865	5,019	4,125	4,511	4,909
Trade	-435	-848	570	761	768
Distribution	2,493	2,385	2,169	2,216	2,225
Heat & Power	843	788	813	822	961
Other	-187	-229	-214	-220	-225
Financing activity	12	107	15	71	87
Crude output, mmt	1.27	1.41	1.25	1.24	1.21
domestic	0.79	0.82	0.80	0.80	0.80
international	0.48	0.59	0.45	0.44	0.41
NatGas output, bn m3	4.5	4.5	4.6	4.7	4.7
domestic	3.8	3.8	3.9	3.9	3.9
international	0.7	0.7	0.7	0.8	0.8
Trade mrgn, PLN/MWh	-2.4	-6.8	1.0	2.4	2.4

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	4,816	5,814	6,751	6,578	6,518
OCF/EBITDA	73%	82%	90%	81%	75%
CAPEX	3,162	4,534	4,018	4,045	4,079
Working capital	5,280	5,358	5,198	5,283	5,840
Equity	33,626	36,634	39,540	42,355	45,001
Net debt	428	-223	-2,344	-3,809	-4,693
Net debt/EBITDA (x)	0.1	0.0	-0.3	-0.5	-0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.9	2.7	2.4	2.8	2.6	2.2
Maximum	22.6	16.8	16.0	12.8	12.7	12.4
Median	12.8	11.4	10.6	6.1	5.6	5.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	18.7	20.5	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8
USD/PLN	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	38,690	39,318	43,466	43,546	40,885	40,857	39,484	38,609	39,164	39,496	39,496
EBITDA	7,463	8,091	8,637	8,408	8,133	8,869	8,932	9,034	9,295	9,058	9,058
EBITDA margin	19.3%	20.6%	19.9%	19.3%	19.9%	21.7%	22.6%	23.4%	23.7%	22.9%	22.9%
EBIT	4,775	5,311	5,762	5,428	5,063	5,265	5,261	5,251	5,348	4,978	4,329
Tax	1,273	1,462	1,585	1,471	1,351	1,343	1,393	1,427	1,526	1,391	1,391
CAPEX	-4,018	-4,045	-4,079	-5,168	-5,198	-4,608	-4,618	-4,644	-4,695	-4,728	-4,728
Working capital	160	-84	-557	-11	358	4	184	118	-75	-45	-45
FCF	2,331	2,500	2,415	1,759	1,942	2,921	3,105	3,081	3,000	2,894	2,894
PV FCF	2,187	2,152	1,909	1,276	1,293	1,786	1,743	1,587	1,419	1,257	
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	36,079
Net debt	-223
Other adjustments	833
Value per share (PLN)	6.43

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	8.14
Relative (DYield)	17%	3.33
DCF	50%	6.43
Cost of equity (9M)		6.7%
9M Target Price		6.92



PKN Orlen sell (reiterated)

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Lower gas prices are good news for PKN Orlen, both from the point of view of Anwil's profitability and the cost of energy and heat production in new power plants. We are upgrading our forecasts by PLN 120m and PLN 60m, respectively, although the impact on the consolidated EBITDA is limited. Nevertheless, due to the discount in peer companies, we are lowering our valuation of the Company by 2% to PLN 79.39 per share and we are maintaining the sell rating. The market is still not discounting our scenario of continuing deterioration in model margins in key business areas, even though YTD figured should be a warning. Meanwhile, the market consensus assumes an improvement in y/y earnings this year (PLN 8.7bn EBITDA vs. adjusted PLN 8.3bn in 2018). A significantly lower contribution of new installations (PE3 in Unipetrol, metathesis), the launch of which is delayed may be a surprise. Negative dynamics may also appear in retail due to more expensive oil and declining fuel margins. Based on our estimates, which assume continued shrinkage in profit margins on petrochemicals and refining products, PKN stock is currently trading at ~7.0x 2019E EV/EBITDA, showing a substantial premium to its closest peers. Assets with lower complexity (Mozejki, Unipetrol) may in such conditions additionally suffer on volumes, especially that they have been utilized almost to 100% so far. We would like to remind you that in such an environment Orlen is accelerating its capex program (PLN 5 billion this year and PLN 8 billion in 2020).

Current Price

99.94 PLN

Downside

9M Target Price

79.39 PLN

-20.6%

		rating	target price	issued
new		sell	79.39 PLN	2019-04-02
old		sell	81.22 PLN	2019-03-05
Key Metrics			PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-0.8%	-1.2%
ISIN	PLPKN0000018	YTD Price Chng	-7.6%	-12.2%
Outst. Stock (m)	427.7	ADTV 1M		PLN 63.2m
MC (PLN m)	42,745.2	ADTV 6M		PLN 85.3m
EV (PLN m)	47,436.4	EV/EBITDA 12M fwd	5.1	-9.8%
Free Float	67.6%	EV/EBITDA 5Y avg	5.6	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	95,364	109,706	106,915	110,122	111,098
EBITDA	11,078	9,776	7,060	7,085	7,600
EBITDA margin	11.6%	8.9%	6.6%	6.4%	6.8%
EBIT	8,657	7,103	4,191	4,073	4,492
Net income	6,655	5,463	3,320	3,197	3,415
P/E	6.4	7.8	12.9	13.4	12.5
P/B	1.3	1.2	1.1	1.1	1.0
EV/EBITDA	4.2	4.9	6.7	6.5	5.9
DPS	3.00	3.00	3.50	3.00	3.00
DYield	3.0%	3.0%	3.5%	3.0%	3.0%
Projection Update (% change)			2019P	2020P	2021P
LIFO EBITDA			+1.9%	+0.9%	+0.2%
Net income			+3.8%	+3.8%	-0.9%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	9,581	8,344	6,661	7,220	7,532
Downstream(DS)	4,689	3,751	2,135	2,570	2,995
Petchem	3,034	2,069	2,268	2,429	2,344
Retail	2,049	2,781	2,248	2,240	2,259
Upstream	293	302	337	352	360
Electricity	129	190	401	367	325
General expenses	-613	-749	-728	-739	-750
EV/LIFO EBITDA (adj.)	4.8	5.7	7.0	6.3	5.9
LIFO effect	788	860	399	-135	68
Other one-offs	709	572	0	0	0
Financing activity	60	-104	-92	-125	-275
\$ LIFO EBITDA/bbl, DS	5.1	4.3	2.5	3.1	3.6
PLN EBITDA/tonne, Retail	232	294	234	230	229
Refinery thrghpt (mmt)	33.2	33.4	31.3	31.3	31.3
Petchem output (kt)	3,551	3,616	3,781	3,781	3,781

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	8,050	4,979	6,758	6,179	6,524
OCF/EBITDA LIFO adj.	84%	60%	101%	86%	87%
CAPEX	4,039	4,453	4,250	3,650	3,450
Working capital	7,489	10,866	10,389	10,545	10,821
Equity	32,197	35,634	37,458	39,372	41,506
Net debt	761	5,599	4,679	3,558	2,042
Net debt/EBITDA (x)	0.1	0.6	0.7	0.5	0.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	5.6	4.9	4.3	2.4	2.4	2.5
Maximum	18.6	17.7	16.4	19.8	19.3	10.5
Median	9.1	7.8	7.9	5.6	5.0	4.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Margin+Urals/Brent	4.8	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	354	383	343	343	343	343	343	343	343	343	342.9
USD/PLN	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	106,915	110,122	111,098	111,446	111,830	112,288	112,752	113,222	113,697	114,179	114,179
EBITDA	7,060	7,085	7,600	7,419	7,357	7,375	7,394	7,413	7,443	7,461	7,461
EBITDA margin	6.6%	6.4%	6.8%	6.7%	6.6%	6.6%	6.6%	6.5%	6.5%	6.5%	6.5%
EBIT	4,191	4,073	4,492	4,153	4,245	4,230	4,187	4,124	4,063	3,984	4,010
Tax	796	774	853	789	806	804	796	784	772	757	762
CAPEX	-4,250	-3,650	-3,450	-3,450	-3,450	-3,450	-3,450	-3,450	-3,450	-3,451	-3,451
Working capital	477	-156	-275	-45	-50	-60	-61	-61	-62	-63	-63
FCF	2,491	2,505	3,021	3,135	3,050	3,062	3,088	3,119	3,159	3,191	2,901
PV FCF	2,356	2,196	2,452	2,352	2,112	1,963	1,833	1,714	1,607	1,503	
WACC	7.7%	7.9%	8.0%	8.2%	8.3%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	39,565
Net debt	5,599
Other adjustments	0
Value per share (PLN)	79.41

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	69.94
DCF Val.	50%	79.41
Implied Price		74.67
Cost of equity (9M)		6.3%
9M Target Price		79.39

Power Utilities

CEZ

hold (reiterated)

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CEZ has underperformed its European peers since the beginning of the year, and it is currently more than 10pp below the benchmark, a trend which can probably be partly explained with the concerns about next releases of the nuclear project, which under the patronage of the state is to be implemented by ČEZ. Current declarations in this matter indicate that the Company will be able to exit the investment at certain parameters, but at the same time there is no guarantee that it will not partially participate in business risk (deviations from the schedule or budget). Nevertheless, the date of commencement of the project is quite distant (the tender in 2021 and the possible start of construction in 2024), so probably the more important factor blocking the rate increases is the demanding valuation of the concern. This year's EV/EBITDA ratio is around 7.6x, while the average for the last 5 years for EV/EBITDA 12M Forward is 7.1x, and this ratio for Stoxx Utilities is currently 7.4x. The reason for not buying shares is also the prospect of relatively lower dividends in 2019-20 (avg. Dividend 4.7% and return to around 6% no sooner than 2021). We upgrade EBITDA forecast for this year by around 7% due to more optimistic estimates of the realized energy price presented by the Management Board (spot and peak prices have increased the scale of improvement relative to the base contract). However, the consensus does not require major adjustments. We maintain a neutral rating, raising the target price by 5% to 565.5 CZK per share.

Current Price

541.50 CZK

Upside

9M Target Price

565.50 CZK

+4.4%

	rating	target price	issued
new	hold	565.50 CZK	2019-04-02
old	hold	537.80 CZK	2019-02-04
Key Metrics			CEZ CP vs. WIG
Ticker	CEZ CP	1M Price Chng	-0.7% -1.2%
ISIN	CZ0005112300	YTD Price Chng	+1.2% -3.4%
Outst. Stock (m)	538.0	ADTV 1M	CZK 138.9m
MC (CZK bn)	291.3	ADTV 6M	CZK 127.2m
EV (CZK bn)	441.8	EV/EBITDA 12M fwd	7.5 +3.5%
Free Float	30.2%	EV/EBITDA 5Y avg	7.2 premium

Earnings Projections

(CZK m)	2017	2018	2019P	2020P	2021P
Revenue	205,092	184,486	198,653	215,475	223,765
EBITDA	55,155	49,664	58,284	59,898	61,840
EBITDA margin	26.9%	26.9%	29.3%	27.8%	27.6%
EBIT	25,620	19,759	29,257	30,409	32,462
Net income	18,765	10,327	17,766	18,561	19,298
P/E	15.5	28.2	16.4	15.7	15.1
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	7.9	9.0	7.6	7.3	7.1
DPS	33.00	32.71	21.91	29.72	31.05
DYield	6.1%	6.0%	4.0%	5.5%	5.7%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			+6.8%	+2.0%	+0.2%
Net income			+16.1%	+2.9%	+2.0%
Price of electricity (EUR/MWh)			+1.1%	-1.6%	+3.4%
EUR/CZK			+0.6%	+0.7%	+0.7%
CO2 (EUR/t)			+6.2%	+17.6%	+15.3%

Financial Highlights

(CZK m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	52,196	50,164	58,284	59,898	61,840
EBITDA	55,155	49,664	58,284	59,898	61,840
Generation	24,050	19,906	27,751	28,068	29,560
Mining	4,056	3,754	3,987	3,986	3,798
Distribution	19,067	19,771	19,899	20,390	20,886
Trade	4,613	4,317	4,665	4,989	5,013
Other	3,369	1,916	1,983	2,466	2,584
Financing activity	-2,867	-6,242	-7,096	-7,258	-8,390
Power output, TWh	62.9	62.9	64.2	64.3	64.3
Renewables	4.7	4.3	4.5	4.6	4.6
Trade volume, TWh	37.0	37.6	37.9	38.2	38.5
YoY pct. change	-1.2%	1.6%	0.8%	0.8%	0.8%
Trade mrgn (CZK/MWh)	124.6	114.7	123.0	130.5	130.2
RAV (CZK bn)	114.0	117.8	121.1	127.6	134.0
RAV return (EBIT)	10.4%	11.0%	10.8%	10.5%	10.2%

DCF Analysis

(CZK m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (EUR/MWh)	47.5	48.6	49.5	49.5	49.5	49.5	49.5	49.5	49.5	49.5	49.5
EUR/CZK	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7
CO2 (EUR/t)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Revenue	198,653	215,475	223,765	231,251	234,127	235,165	236,211	237,266	238,329	239,401	239,401
EBITDA	62,412	64,129	66,177	69,506	70,548	70,669	71,344	72,013	72,673	73,833	73,833
EBITDA margin	31.4%	29.8%	29.6%	30.1%	30.1%	30.1%	30.2%	30.4%	30.5%	30.8%	30.8%
EBIT	29,257	30,409	32,462	35,152	36,733	36,740	37,062	37,176	37,108	37,401	36,843
Tax	5,559	5,778	6,167	6,677	6,976	6,977	7,037	7,057	7,044	7,098	7,000
CAPEX	-33,136	-33,606	-33,218	-33,499	-34,786	-36,078	-36,376	-36,680	-36,990	-37,307	-36,990
Working capital	-151	-179	-88	-80	-31	-11	-11	-11	-11	-11	-11
FCF	23,567	24,566	26,704	29,250	28,755	27,603	27,920	28,264	28,628	29,417	29,831
PV FCF	22,601	22,274	22,884	23,679	21,984	19,928	19,032	18,189	17,390	16,864	0
WACC	5.7%	5.8%	5.8%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	6.0%	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)	2017	2018	2019P	2020P	2021P
Operating cash flow	45,812	35,351	57,135	58,656	60,627
OCF/EBITDA	83%	71%	98%	98%	98%
CAPEX	30,688	26,018	33,136	33,606	33,218
Working capital	54,916	112,247	120,867	131,102	136,146
Equity	250,018	234,721	240,697	243,268	245,863
Net debt	141,684	151,721	145,876	143,370	140,366
Net debt/EBITDA (x)	2.6	3.1	2.5	2.4	2.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.7	0.0	3.2	3.0	0.0
Maximum	24.8	22.5	19.7	12.2	9.9	9.7
Median	14.7	12.3	10.7	6.7	6.4	6.1
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	561,084
Net debt	151,721
Other adjustments	-59,772
Value per share (CZK)	649.81

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	324.78
Relative (DYield)	17%	614.91
DCF	50%	649.81
Cost of equity (9M)		5.6%
9M Target Price		565.50

Enea buy (reiterated)

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Enea had disappointed last year, which automatically caused cautious estimates for 2019. In our opinion, this creates a chance for positive surprises, as there are plenty of positive catalysts supporting this year's EBITDA stream. We see this improvement in the generation segment, where the support should be stabilization of the new 1000 MW unit (load factor in 2018 only ~ 60% because of planned and emergency maintenance shutdowns), greater availability of old units in Kozienice (return of 500 MW units), extension of CDS and no losses on trading/optimization of the portfolio (in total, this deteriorated the segment's profits by ~ PLN 250 million in 2018). The second key factor to improve the Group's EBITDA is the mining area, where we assume an increase in volumes by 0.4 million tons with better efficiency (improved from an extremely low level of 60% in 2018 to 63%, with an average of 64% in 2015-17). Significant aspect is also the old reference base in the market, where EBITDA fluctuated only around zero due to problems with portfolio management. The positive trend should continue in the following years (mainly production), which will cause strong FCF (so far our forecasts assume a conservative 50% consolidation of the 'Ostrołęka C' project). We maintain a buy rating, slightly adjusting the target price to PLN 12.51 per share.

Current Price

8.76 PLN

Upside

9M Target Price

12.51 PLN

+42.8%

	rating	target price	issued
new	buy	12.51 PLN	2019-04-02
old	buy	13.12 PLN	2019-02-04
Key Metrics			
Ticker	ENA PW	1M Price Chng	-12.1% -12.6%
ISIN	PLENEA000013	YTD Price Chng	-11.5% -16.1%
Outst. Stock (m)	441.4	ADTV 1M	PLN 6.5m
MC (PLN m)	3,867.0	ADTV 6M	PLN 8.3m
EV (PLN m)	10,464.2	EV/EBITDA 12M fwd	3.4 -30.1%
Free Float	48.5%	EV/EBITDA 5Y avg	4.9 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	11,406	12,673	16,955	18,194	17,322
EBITDA	2,684	2,348	3,261	3,403	3,775
EBITDA margin	23.5%	18.5%	19.2%	18.7%	21.8%
EBIT	1,488	1,037	1,726	1,870	2,229
Net income	1,070	686	1,216	1,315	1,609
P/E	3.6	5.6	3.2	2.9	2.4
P/B	0.3	0.3	0.3	0.2	0.2
EV/EBITDA	3.8	4.4	3.2	3.0	2.7
DPS	0.28	0.00	0.00	0.00	0.60
DYield	3.2%	0.0%	0.0%	0.0%	6.8%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			+0.4%	-3.9%	-3.7%
Net income			+6.5%	-1.6%	-0.3%
Price of electricity (PLN/MWh)			-1.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			+6.2%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	2,649	2,413	3,261	3,403	3,775
EBITDA	2,684	2,348	3,261	3,403	3,775
Generation	735	869	1,382	1,392	1,703
Mining	709	470	660	648	653
Distribution	1,073	1,111	1,143	1,200	1,238
Trade	178	-76	104	191	217
Other	-13	-12	-29	-28	-35
Financing activity	-21	-168	-103	-129	-124
Power output, TWh	22.7	26.5	27.7	28.2	27.7
Renewables	2.3	2.0	2.0	2.0	2.0
Trade volume, TWh	17.9	20.5	20.9	21.3	21.7
YoY pct. change	7.3%	14.4%	1.9%	1.9%	1.9%
Trade mrgn (PLN/MWh)	9.9	0.1	5.0	9.0	10.0
RAV (PLN bn)	7.5	8.0	8.3	8.6	8.9
RAV return (EBIT)	7.7%	7.2%	7.1%	7.3%	7.4%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	258.1	240.6	239.6	223.1	223.1	223.1	223.1	223.1	223.1	223.1
Coal (PLN/t)	260.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Revenue	16,955	18,194	17,322	17,432	16,942	17,366	17,527	17,693	17,863	18,038	18,038
EBITDA	3,261	3,403	3,775	3,791	3,431	3,563	3,604	3,485	3,532	3,594	3,594
EBITDA margin	19.2%	18.7%	21.8%	21.7%	20.2%	20.5%	20.6%	19.7%	19.8%	19.9%	19.9%
EBIT	1,726	1,870	2,229	2,233	1,835	1,902	1,910	1,755	1,762	1,781	1,089
Tax	328	355	424	424	349	361	363	333	335	338	207
CAPEX	-2,505	-2,873	-3,046	-2,886	-2,471	-2,421	-2,451	-2,479	-2,505	-2,530	-2,505
Working capital	-269	442	21	-3	12	-10	-4	-4	-4	-4	-4
FCF	159	617	326	478	623	771	786	669	688	722	878
PV FCF	151	546	268	367	445	513	488	387	370	362	
WACC	7.1%	7.3%	7.4%	7.4%	7.3%	7.3%	7.4%	7.4%	7.4%	7.4%	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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,580	2,435	2,684	3,515	3,396
OCF/EBITDA	96%	104%	82%	103%	90%
CAPEX	2,058	1,979	2,505	2,873	3,046
Working capital	698	605	874	432	411
Equity	13,078	14,097	15,258	16,518	17,808
Net debt	5,523	5,566	5,546	5,090	5,183
Net debt/EBITDA (x)	2.1	2.4	1.7	1.5	1.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.7	2.4	3.9	3.4	0.9
Maximum	24.8	22.5	19.7	12.2	9.9	9.7
Median	15.3	13.0	11.0	7.6	6.8	6.1
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	11,668
Net debt	5,566
Other adjustments	-952
Value per share (PLN)	11.67

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	39.82
Relative (DYield)	0%	5.23
DCF	100%	11.67
Cost of equity (9M)		6.7%
9M Target Price		12.51

Energa buy (reiterated)

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We update the prices of green certificates due to recent declines in ratings related to the proposed amendment of the Renewable Energy Sources (RES) Act. However, this negative correction might be reversed, because the latest declarations of the Ministry of Energy indicate readiness to withdraw changes in the calculation of the substitution fee. Nevertheless, for the time being we are conservatively adjusting the Company's valuation by 8% to PLN 12.21 per share, maintaining a buy rating. Our estimates of Capex and balance sheet assume a cautious approach to the 'Ostrołęka C' project (full consolidation of 50% of this investment) as there is still no contract to finance this project. However, there are many indications that ultimately Energa expenditures on this plant will be much less severe for flows in the following years. As far as this year's earnings are concerned, we believe that positive catalysts are RES (wind and water volumes plus higher prices), system power plants (greater availability of housing units in Ostrołęka) and a trading segment that should improve the results with the neutral impact of compensation due to the reference base underestimated by losses on balancing the portfolio in the environment of rapid price growth. In the years 2020-21, EBITDA increases will not be as high, especially against the peers more exposed to the power generation segment. Nevertheless, the argument for investing in company's shares should be a much safer business profile (regulated distribution, low exposure to coal, positive correlation with CO₂).

Current Price

8.58 PLN

Upside

9M Target Price

12.21 PLN

+42.3%

	rating	target price	issued
new	buy	12.21 PLN	2019-04-02
old	buy	13.26 PLN	2019-02-04
Key Metrics			
	ENG PW	1M Price Chng	-11.3% vs. WIG
Ticker	ENG PW	1M Price Chng	-11.3%
ISIN	PLENERG00022	YTD Price Chng	-3.7%
Outst. Stock (m)	414.1	ADTV 1M	PLN 5.1m
MC (PLN m)	3,552.7	ADTV 6M	PLN 6.4m
EV (PLN m)	8,656.1	EV/EBITDA 12M fwd	4.1
Free Float	48.5%	EV/EBITDA 5Y avg	4.8 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	10,534	10,337	12,177	12,877	12,582
EBITDA	2,160	1,877	2,150	2,205	2,242
EBITDA margin	20.5%	18.2%	17.7%	17.1%	17.8%
EBIT	1,210	1,176	1,147	1,149	1,200
Net income	773	739	721	672	682
P/E	4.6	4.8	4.9	5.3	5.2
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	3.6	4.3	4.0	4.3	4.5
DPS	0.19	0.00	0.00	0.00	0.00
DYield	2.2%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			-0.2%	+1.7%	-3.5%
Net income			+1.6%	+0.3%	-7.1%
Price of electricity (PLN/MWh)			0.0%	-0.7%	+3.1%
Price of coal (PLN/t)			0.0%	-3.6%	-1.0%
Price of CO ₂ allowance (EUR/t)			0.0%	+17.6%	+15.3%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	2,091	2,039	2,150	2,205	2,242
EBITDA	2,160	1,877	2,150	2,205	2,242
Conv. Gener./CHP	229	137	192	127	174
Renewables	169	191	252	269	235
Distribution	1,723	1,704	1,678	1,758	1,760
Trade	85	-85	100	124	147
Other	-46	-70	-71	-73	-74
Financing activity	-208	-223	-221	-285	-323
Power output, TWh	4.3	3.9	3.8	3.8	3.8
Renewables	0.7	0.5	0.6	0.6	0.6
Trade volume, TWh	20.6	19.8	20.1	20.4	20.7
YoY pct. change	5.0%	-4.1%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	3.1	3.9	5.0	6.1	7.1
RAV (PLN bn)	11.7	12.2	12.7	13.1	13.5
RAV return (EBIT)	8.2%	7.7%	6.9%	6.9%	6.8%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,182	1,859	1,681	1,915	2,092
OCF/EBITDA	101%	99%	78%	87%	93%
CAPEX	1,280	1,638	2,009	2,367	2,340
Working capital	1,403	1,499	1,766	1,867	1,825
Equity	9,409	10,295	10,966	11,588	12,220
Net debt	4,064	4,441	5,040	5,828	6,449
Net debt/EBITDA (x)	1.9	2.4	2.3	2.6	2.9

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.7	2.4	3.2	3.0	0.9
Maximum	24.8	22.5	19.7	12.2	9.9	9.7
Median	15.3	13.0	11.0	7.6	6.8	6.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	258.1	240.6	239.6	223.1	223.1	223.1	223.1	223.1	223.1	223.1
Coal (PLN/t)	260.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO ₂ (EUR/t)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Revenue	12,177	12,877	12,582	12,758	12,483	12,569	12,653	12,739	12,827	12,911	12,911
EBITDA	2,150	2,205	2,242	2,287	2,393	2,562	2,601	2,608	2,650	2,687	2,687
EBITDA margin	17.7%	17.1%	17.8%	17.9%	19.2%	20.4%	20.6%	20.5%	20.7%	20.8%	20.8%
EBIT	1,147	1,149	1,200	1,220	1,319	1,436	1,458	1,442	1,459	1,508	1,175
Tax	218	218	228	232	251	273	277	274	277	286	223
CAPEX	-2,009	-2,367	-2,340	-2,155	-1,709	-1,529	-1,527	-1,521	-1,512	-1,476	-1,512
Working capital	-267	-101	43	-26	40	-12	-12	-13	-13	-12	-12
FCF	-343	-482	-283	-125	474	747	786	800	848	912	940
PV FCF	-325	-426	-234	-96	341	501	491	465	458	458	
WACC	7.3%	7.2%	7.2%	7.1%	7.1%	7.3%	7.4%	7.5%	7.6%	7.7%	8.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	9,241
Net debt	4,441
Other adjustments	-61
Value per share (PLN)	11.44

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	22.01
Relative (DYield)	0%	0.00
DCF	100%	11.44
Cost of equity (9M)		6.7%
9M Target Price		12.21



PGE buy (reiterated)

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The quotations of utilities in Europe are climbing to new highs (sector index + 13% YTD) on the wave of reversals of long-term trends on results. WIG Energetyka, after a good beginning of the year, lost its correlation with the European comparative group and deepened the discount on EV/EBITDA. The catalyst for this deterioration of sentiment became PGE itself, which first informed about the preventive reserve for compensations, and later surprised with pessimistic projections for 2019. Meanwhile, in our opinion, 2019 may still surprise in plus, especially that market expectations have been lowered. In our projections, we take into account the main negative catalysts: a loss of result due to the heat (PLN -0.4 billion), payroll costs (PLN -0.3 billion), however, we see positive surprises, among others in the area of portfolio management (low by PLN 0.3 billion reference base), due to the contribution of new blocks of flats (PLN 0.2 billion) or the final implementation of CDS by the coal fleet. The outlays on the largest projects have already been executed in 80% and the next 3 years should bring significant surpluses of cash flows (PLN 6.6 billion FCF'19-21), and thus a reduction of already relatively low net debt. We would also like to remind you that the CFO was infected for about PLN 1 billion in 2018 by changing the policy of CO2 purchases and the need to top up deposits on TGE. We are correcting the valuation and forecasts of 2020 due to the increase of capex and delays in Turów to PLN 13.66 per share.

Current Price

10.10 PLN

Upside

9M Target Price

13.66 PLN

+35.2%

	rating	target price	issued
new	buy	13.66 PLN	2019-04-02
old	buy	13.77 PLN	2019-03-26
Key Metrics			
Ticker	PGE PW	1M Price Chng	-11.8% -12.2%
ISIN	PLPGER000010	YTD Price Chng	+1.0% -3.6%
Outst. Stock (m)	1,869.8	ADTV 1M	PLN 20.6m
MC (PLN m)	18,884.8	ADTV 6M	PLN 27.3m
EV (PLN m)	29,062.3	EV/EBITDA 12M fwd	4.0 -17.1%
Free Float	42.6%	EV/EBITDA 5Y avg	4.8 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	23,100	25,946	39,390	42,872	41,685
EBITDA	7,650	6,364	7,424	8,070	9,624
EBITDA margin	33.1%	24.5%	18.8%	18.8%	23.1%
EBIT	3,552	2,471	3,341	3,849	5,330
Net income	2,600	1,498	2,447	2,839	4,060
P/E	7.3	12.6	7.7	6.7	4.7
P/B	0.4	0.4	0.4	0.4	0.3
EV/EBITDA	3.6	4.6	3.9	3.6	2.7
DPS	0.00	0.00	0.00	0.33	0.38
DYield	0.0%	0.0%	0.0%	3.2%	3.8%
Projection Update (% change)					2019P
EBITDA			0.0%	-1.8%	0.0%
Net income			0.0%	-3.1%	-0.1%
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)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	6,481	6,701	7,424	8,070	9,624
EBITDA	7,650	6,364	7,424	8,070	9,624
Generation	4,099	2,938	3,990	4,443	5,890
Renewables	364	463	492	510	538
Distribution	2,333	2,463	2,443	2,524	2,602
Trade	811	263	505	598	599
Other	43	237	-6	-6	-6
Financing activity	-330	-279	-304	-328	-302
Power output, TWh	56.8	65.9	67.1	76.5	79.1
Renewables	2.4	2.0	2.2	2.2	2.4
Trade volume, TWh	40.0	40.4	41.0	41.6	42.2
YoY pct. change	-6.8%	0.9%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	20.3	6.5	12.3	14.4	14.2
RAV (PLN bn)	15.6	16.3	16.7	17.2	17.7
RAV return (EBIT)	7.5%	7.9%	7.5%	7.7%	7.8%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	7,934	5,102	7,410	6,983	8,811
OCF/EBITDA	104%	80%	100%	87%	92%
CAPEX	6,071	6,393	6,704	5,679	4,551
Working capital	3,762	5,290	4,727	5,145	5,002
Equity	45,128	46,727	49,103	51,259	54,539
Net debt	7,487	9,421	9,090	8,798	5,620
Net debt/EBITDA (x)	1.0	1.5	1.2	1.1	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.7	2.4	3.2	3.0	0.9
Maximum	24.8	22.5	19.7	12.2	9.9	9.7
Median	15.3	13.0	11.0	7.6	6.8	6.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	258.1	240.6	239.6	223.1	223.1	223.1	223.1	223.1	223.1	223.1
Coal (PLN/t)	260.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Revenue	39,390	42,872	41,685	41,911	40,188	40,375	40,578	40,780	40,994	41,409	41,409
EBITDA	7,424	8,070	9,624	9,276	7,952	7,792	7,775	7,721	7,842	7,973	7,973
EBITDA margin	18.8%	18.8%	23.1%	22.1%	19.8%	19.3%	19.2%	18.9%	19.1%	19.3%	19.3%
EBIT	3,341	3,849	5,330	4,789	3,457	3,104	2,880	2,603	2,487	2,368	3,132
Tax	635	731	1,013	910	657	590	547	495	472	450	595
CAPEX	-6,704	-5,679	-4,551	-4,506	-4,442	-4,535	-4,633	-4,736	-4,842	-4,950	-4,842
Working capital	563	-418	142	-27	207	-22	-24	-24	-26	-50	-50
FCF	648	1,241	4,203	3,833	3,060	2,644	2,570	2,467	2,502	2,523	2,487
PV FCF	612	1,084	3,384	2,846	2,095	1,669	1,496	1,323	1,237	1,151	
WACC	8.0%	8.1%	8.4%	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	1.1
FCF perp. growth rate	2.0%
PV FCF	34,436
Net debt	9,421
Other adjustments	-1,074
Value per share (PLN)	12.80

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	23.57
Relative (DYield)	0%	6.31
DCF	100%	12.80
Cost of equity (9M)		6.7%
9M Target Price		13.66

Tauron buy (reiterated)

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Due to the disappointing Q4 results in the generation segment, we decided to lower the forecast for this sector for the next years (by about PLN 80m on EBITDA based on lower volumes and higher unit costs). This will also partially affect the worse production results (higher costs of coal), which may additionally be infected by pay pressure. As a result, the consolidated EBITDA estimate is reduced by 5% on average in 2019-21, and the valuation by -7% to PLN 2.89 per share. There still is a growth potential and therefore we maintain a positive rating. However, the final settlement of the issue of compensation will be very important for the company, both due to the large share of turnover in EBITDA and high level of liabilities. The assumed growth of EBITDA by PLN 0.2 bn is mainly due to lower losses in mines and clean dark spread growth in power plants. With the neutral impact of freezing energy prices, Tauron should not have a problem with maintaining covenants at the level of 3.5 DN / EBITDA, even with the negative impact of IFRS16 (we estimate it to be ~ 0.1 DN/EBITDA). In our scenario, the average FCF in 2020-21 may reach PLN ~ 0.9 billion, so the balance sheet will regain the capacity to dividend already in 2020 (with the current capitalization to provide Dyield at the level of 5% 'only' 0.2 billion PLN is needed, which would raise DN/EBITDA by just 0.05).

Current Price

2.03 PLN

Upside

9M Target Price

2.89 PLN

+42.1%

	rating	target price	issued
new	buy	2.89 PLN	2019-04-02
old	buy	3.12 PLN	2019-02-04
Key Metrics			
Ticker	TPE PW	1M Price Chng	-13.1% -13.5%
ISIN	PLTAURN00011	YTD Price Chng	-7.1% -11.7%
Outst. Stock (m)	1,752.5	ADTV 1M	PLN 7.8m
MC (PLN m)	3,564.7	ADTV 6M	PLN 10.8m
EV (PLN m)	14,336.0	EV/EBITDA 12M fwd	4.3 -10.3%
Free Float	59.6%	EV/EBITDA 5Y avg	4.7 discount

Earnings Projections

(PLN m)	2017	2018P	2019P	2020P	2021P
Revenue	17,416	18,122	22,825	24,858	24,336
EBITDA	3,545	3,359	3,550	3,999	4,291
EBITDA margin	20.4%	18.5%	15.6%	16.1%	17.6%
EBIT	1,806	775	1,753	2,041	2,272
Net income	1,381	194	1,128	1,330	1,508
P/E	2.6	18.4	3.2	2.7	2.4
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.5	4.1	4.0	3.6	3.1
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)					
EBITDA			-4.2%	-5.1%	-5.9%
Net income			-11.3%	-12.5%	-13.7%
Price of electricity (PLN/MWh)			-1.0%	-0.7%	+3.1%
Price of coal (PLN/t)			0.0%	-3.6%	-1.0%
Price of CO2 allowance (EUR/t)			+6.2%	+17.6%	+15.3%

Financial Highlights

(PLN m)	2017	2018P	2019P	2020P	2021P
EBITDA (adj.)	3,508	3,343	3,550	3,999	4,291
EBITDA	3,545	3,359	3,550	3,999	4,291
Generation	464	715	658	977	1,131
Mining	-83	-207	-102	-34	42
Distribution	2,283	2,517	2,529	2,607	2,693
Trade	841	321	473	462	433
Other	40	14	-8	-14	-9
Financing activity	-49	-286	-319	-350	-355
Power output, TWh	18.4	16.2	15.6	18.7	18.7
Renewables	1.3	1.1	1.2	1.3	1.3
Trade volume, TWh	34.9	34.5	35.0	35.6	36.1
YoY pct. change	9.1%	-1.2%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	18.3	16.2	13.5	13.0	12.0
RAV (PLN bn)	16.3	16.9	17.6	17.9	18.3
RAV return (EBIT)	7.4%	8.4%	7.8%	8.0%	8.0%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	258.1	240.6	239.6	223.1	223.1	223.1	223.1	223.1	223.1	223.1
Coal (PLN/t)	260.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Revenue	22,825	24,858	24,336	24,672	24,105	24,392	24,691	24,998	25,311	25,575	25,575
EBITDA	3,550	3,999	4,291	4,459	4,201	4,269	4,359	4,356	4,461	4,494	4,494
EBITDA margin	15.6%	16.1%	17.6%	18.1%	17.4%	17.5%	17.7%	17.4%	17.6%	17.6%	17.6%
EBIT	1,753	2,041	2,272	2,443	2,126	2,128	2,142	2,054	2,065	2,141	1,489
Tax	333	388	432	464	404	404	407	390	392	407	283
CAPEX	-3,677	-3,116	-2,542	-2,654	-2,723	-2,793	-2,864	-2,935	-3,005	-3,075	-3,005
Working capital	192	-57	15	-9	16	-8	-8	-9	-9	-7	-7
FCF	-268	438	1,332	1,331	1,090	1,064	1,080	1,023	1,054	1,005	1,199
PV FCF	-256	395	1,125	1,050	801	727	684	599	571	502	
WACC	6.0%	6.2%	6.7%	7.1%	7.4%	7.6%	7.8%	8.0%	8.2%	8.4%	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)	2017	2018P	2019P	2020P	2021P
Operating cash flow	3,559	2,722	3,436	3,582	3,897
OCF/EBITDA	100%	81%	97%	90%	91%
CAPEX	3,562	3,672	3,677	3,116	2,542
Working capital	489	831	639	696	681
Equity	18,036	18,230	19,359	20,689	22,197
Net debt	8,944	10,182	10,742	10,626	9,626
Net debt/EBITDA (x)	2.5	3.0	3.0	2.7	2.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.9	0.0	3.2	3.0	0.0
Maximum	24.8	22.5	19.7	12.2	9.9	9.7
Median	15.3	13.0	11.0	7.6	6.8	6.1
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	15,451
Net debt	10,182
Other adjustments	-524
Value per share (PLN)	2.71

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	9.24
Relative (DYield)	0%	0.00
DCF	100%	2.71
Cost of equity (9M)		6.7%
9M Target Price		2.89

TMT

Netia

hold (no change)

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TNetia 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

5.10 PLN

Downside

9M Target Price

4.70 PLN

-7.8%

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

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	+3.2%	+2.8%
ISIN	PLNETIA00014	YTD Price Chng	+2.0%	-2.6%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,718.9	ADTV 6M		PLN 0.2m
EV (PLN m)	1,996.4	EV/EBITDA 12M fwd	5.8	+18.4%
Free Float	33.0%	EV/EBITDA 5Y avg	4.9	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,442	1,373	1,348	1,348	1,372
EBITDA	383	356	345	356	371
EBITDA margin	26.6%	25.9%	25.6%	26.4%	27.0%
EBIT	72	76	74	90	106
Net income	35	65	50	61	71
P/E	48.4	26.5	34.3	28.4	24.2
P/B	1.0	0.9	0.9	0.9	0.9
EV/EBITDA	5.2	5.4	5.8	5.8	5.6
DPS	0.20	0.00	0.00	0.00	0.40
DYield	3.9%	0.0%	0.0%	0.0%	7.8%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Voice subs (1,000)	1,014	938	880	844	825
On-Netw. Voice ARPU (PLN)	26.5	25.2	24.7	24.5	24.7
WLR+LLU Voice ARPU (PLN)	39.0	38.5	38.1	38.1	38.1
Broadband subs (1,000)	640	605	592	615	642
Broadband ARPU (PLN)	56.2	55.0	55.8	57.0	58.1
Revenue	1,442	1,373	1,348	1,348	1,372
Direct Voice	405	351	317	295	284
Data	616	581	573	586	614
Interop & Wholesale	234	237	244	249	253
Other	188	205	213	217	222
Selling expenses	275	268	270	274	278
G&A expenses	148	128	129	130	133
EBIT	72	76	74	90	106
margin	5.0%	6.2%	5.5%	6.7%	7.7%
Net income	35.5	64.8	50.2	60.5	71.1

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	346	366	342	341	354
OCF/EBITDA	90%	100%	99%	96%	95%
CAPEX	-268	-278	-390	-390	-221
Assets	2,401	2,468	2,517	2,657	2,591
Equity	1,778	1,869	1,919	1,980	1,911
Net debt	285	217	278	342	366
Net debt/EBITDA (x)	0.7	0.6	0.8	1.0	1.0

Relative Valuation Summary

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

Current Price

5.15 PLN

Upside

9M Target Price

6.40 PLN

+24.3%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-4.6%	-5.1%
ISIN	PLTLKPL00017	YTD Price Chng	+7.5%	+2.9%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 9.2m
MC (PLN m)	6,756.8	ADTV 6M		PLN 9.2m
EV (PLN m)	13,030.0	EV/EBITDA 12M fwd	4.4	-4.4%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	11,381	11,101	11,096	11,214	11,308
EBITDA adj.	3,011	2,881	2,891	3,062	3,126
EBITDA margin	26.5%	26.0%	26.1%	27.3%	27.6%
EBIT	229	345	423	632	723
Net income	-75	10	105	286	384
P/E	-	675.7	64.6	23.7	17.6
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	4.7	4.7	4.5	4.1	3.9
DPS	0.00	0.00	0.00	0.00	0.25
DYield	0.0%	0.0%	0.0%	0.0%	4.9%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Broadband lines (1,000)	2,438	2,560	2,860	3,167	3,395
Voice lines (1,000)	3,684	3,407	3,014	2,602	2,396
Revenue	11,381	11,101	11,096	11,214	11,308
Mobile	6,141	2,461	2,302	2,175	2,096
Fixed Line	4,571	1,084	925	783	671
Other	669	7,556	7,869	8,256	8,541
Costs	8,655	8,379	8,300	8,226	8,241
Payroll	1,690	1,574	1,436	1,381	1,355
Services	6,416	6,400	6,508	6,500	6,545
Other rev & exp	341	219	176	170	172
Severance benefits	208	186	180	175	170
Asset sales	81	192	95	75	60
EBITDA	2,807	2,838	2,891	3,062	3,126
margin	24.7%	25.6%	26.1%	27.3%	27.6%
Net income	-60	10	105	286	384

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,064	1,670	2,672	2,858	2,574
OCF/EBITDA	74%	59%	83%	84%	82%
CAPEX	-1,643	-2,282	-2,166	-2,052	-1,743
Assets	22,933	23,295	22,667	23,062	22,467
Equity	9,936	10,503	10,838	11,301	10,529
Net debt	6,436	6,850	6,169	5,530	5,323
Net debt/EBITDA (x)	2.3	2.4	1.9	1.6	1.7

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)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,096	11,214	11,308	11,408	11,517	11,599	11,666	11,708	11,720	11,720	11,720
EBITDA	2,891	3,062	3,126	3,185	3,244	3,279	3,312	3,333	3,337	3,337	3,337
EBITDA margin	26.1%	27.3%	27.6%	27.9%	28.2%	28.3%	28.4%	28.5%	28.5%	28.5%	28.5%
D&A	2,468	2,431	2,403	2,384	2,374	2,373	2,381	1,860	1,882	1,882	1,882
EBIT	423	632	723	801	869	906	931	1,473	1,455	1,455	1,455
Tax	80	120	137	152	165	172	177	280	276	276	276
NOPLAT	343	512	586	648	704	734	754	1,193	1,179	1,179	1,179
CAPEX	-1,933	-1,850	-1,683	-3,189	-1,759	-1,786	-1,824	-1,860	-1,882	-1,882	-1,882
Working capital	-156	-213	-153	-116	-115	-89	-91	-96	-101	-101	-101
FCF	721	879	1,153	-272	1,205	1,232	1,220	1,097	1,078	1,078	1,078
PV FCF	668	766	944	-209	872	837	777	655	603	603	
WACC	6.2%	6.3%	6.4%	6.3%	6.4%	6.6%	6.7%	6.7%	6.7%	6.7%	6.7%
Net debt / EV	49.3%	48.0%	45.2%	48.9%	46.0%	42.5%	40.4%	40.7%	41.1%	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%

*CAPEX adjusted for sale of real estate assets

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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Play's stock price has increased by > 8% over the last month. However, we maintain a neutral view on the company. The market's current earnings expectations for the company look feasible, and Play's own updated business strategy through 2022 paints an optimistic outlook, even if it does not propose a convincing plan for growing revenues. By keeping a tight rein on expenses, with no plans for major fixed-line investment, Play should deliver high FCFE yield generation and offer high dividend yields (DivYield'19 = 6.2%). However, the company reported a 6.0% y/y decline in adjusted EBITDA for Q4'18. The lack of fiber infrastructure to offer convergence remains a major risk factor, especially given the "fixed + mobile" from T-Mobile which – according to that company – will be available for customers from Q2'19. However, this risk is probably more than priced. Play may opt to lease FTTH network access from Orange Polska, following the example set by T-Mobile. In this way, Play – without duplicating the network – will be able to offer convergence on the company's key market of large and medium-sized cities.

Current Price	24.00 PLN	Downside
9M Target Price	21.30 PLN	-11.3%

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

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+13.7%	+13.3%
ISIN	LU1642887738	YTD Price Chng	+15.4%	+10.8%
Outst. Stock (m)	253.7	ADTV 1M		PLN 23.6m
MC (PLN m)	6,088.8	ADTV 6M		PLN 15.8m
EV (PLN m)	12,567.1	EV/EBITDA 12M fwd	5.6	-3.4%
Free Float	49.4%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	6,670	6,839	6,911	7,019	7,113
EBITDA	1,904	2,160	2,161	2,210	2,250
EBITDA margin	28.5%	31.6%	31.3%	31.5%	31.6%
EBIT	1,107	1,371	1,276	1,266	1,269
Net income	387	745	719	729	742
P/E	15.7	8.2	8.5	8.4	8.2
P/B	-	-	21.7	9.3	6.0
EV/EBITDA	6.7	5.9	5.8	5.6	5.3
DPS	0.00	2.56	1.45	1.24	1.21
DYield	0.0%	10.7%	6.0%	5.2%	5.0%
Projection Update (% change)		2019P	2020P	2021P	
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)	2017	2018	2019P	2020P	2021P
Active subscribers (000s)	12,394	12,653	13,043	13,142	13,241
ARPU (PLN)	32.0	32.4	32.4	32.7	33.1
Revenue	6,670	6,839	6,911	7,019	7,113
Service revenue	4,878	5,083	5,225	5,328	5,399
Sales of goods and other	1,792	1,756	1,686	1,691	1,714
Costs	4,766	4,680	4,750	4,809	4,863
Interconnection	1,729	1,922	1,985	1,959	1,933
Contract costs	429	421	447	459	471
Cost of goods sold	1,410	1,442	1,416	1,438	1,459
Employee benefits	526	255	278	286	295
External services	606	515	531	574	620
Other	65	125	93	94	84
EBITDA (adj.)	2,298	2,159	2,191	2,240	2,250
margin	34.4%	31.6%	31.7%	31.9%	31.6%
Net income	387	721	719	729	742

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	1,389	2,037	1,974	1,998	2,000
OCF/EBITDA adj.	60%	94%	90%	89%	89%
CAPEX	-650	-767	-887	-852	-800
Assets	8,831	8,521	8,581	8,629	9,625
Equity	-213	-201	320	722	1,015
Net debt	6,710	6,713	6,455	6,179	5,930
Net debt/EBITDA (x)	2.9	3.1	2.9	2.8	2.6

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 Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	6,911	7,019	7,113	7,184	7,241	7,289	7,330	7,366	7,398	7,398	7,398
EBITDA	2,161	2,210	2,250	2,266	2,285	2,273	2,261	2,247	2,237	2,237	2,237
EBITDA margin	31.9%	32.0%	32.1%	31.9%	31.8%	31.4%	31.0%	30.7%	30.4%	30.4%	30.4%
D&A	885	944	981	987	1,083	1,094	1,082	1,042	1,019	1,019	1,019
EBIT	1,276	1,266	1,269	1,279	1,202	1,179	1,179	1,205	1,218	1,218	1,218
Tax	242	241	241	243	228	224	224	229	231	231	231
NOPLAT	1,034	1,026	1,028	1,036	973	955	955	976	986	986	986
CAPEX	-887	-852	-800	-1,719	-1,190	-1,022	-733	-737	-740	-740	-740
Work. cap. + other	-238	-286	-310	-310	-312	-314	-316	-316	-318	-318	-318
FCF	794	831	899	-5	555	713	988	966	948	948	948
PV FCF	732	718	726	-4	394	474	614	561	513	513	
WACC	6.7%	6.8%	6.9%	6.7%	6.7%	6.8%	6.9%	7.0%	7.2%	7.2%	7.2%
Net debt / EV	60.6%	59.6%	58.3%	60.6%	60.6%	59.8%	57.8%	55.6%	53.1%	53.1%	53.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

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

Valuation Summary

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

Agora buy (no change)

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In February 2019, Agora took over a 40% share in Eurozet – as predicted in our negative scenario. We are sceptical about this take-over. The transaction multiples look unattractive and the transaction 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, a substantial discount to peer valuations, and positive earnings momentum, evidenced by an 10% rebound seen in Q4 2018 EBITDA. In addition, please note that Agora's cinema business alone could be valued at > PLN 470m, not much less than the entire Agora's capitalisation. We stand by our forecast that job cuts in the Press segment will reach 20% over the next years. This downsize appears to be inevitable, given the falling newspaper readership and advertising revenues. With its current cost structure, the Press segment has been failing to generate any revenues since 2019.

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	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	0.0%	-0.4%
ISIN	PLAGORA00067	YTD Price Chng	+16.0%	+11.4%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	540.3	ADTV 6M		PLN 0.3m
EV (PLN m)	548.6	EV/EBITDA 12M fwd	5.2	-3.5%
Free Float	76.9%	EV/EBITDA 5Y avg	5.3	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,165	1,141	1,168	1,213	1,272
EBITDA	30	89	104	117	135
EBITDA margin	2.6%	7.8%	8.9%	9.7%	10.6%
EBIT	-73	1	24	39	58
Net income	-84	5	14	26	42
P/E	-	106.2	38.5	20.5	12.7
P/B	0.5	0.6	0.6	0.6	0.6
EV/EBITDA	18.8	6.0	5.3	4.9	4.3
DPS		0.50	0.50	0.50	0.50
DYield		4.3%	4.3%	4.3%	4.3%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Daily circulaton (k copies)	124	104	93	87	84
Movie ticket sales (mn)	12.2	12.3	13.0	14.0	15.2
Avg. ticket price (PLN)	18.4	18.9	18.9	18.9	18.9
Conc. rev./patron (PLN)	6.8	7.1	7.2	7.4	7.5
Revenue	1,165	1,141	1,168	1,213	1,272
Press	236	214	203	200	202
Movies & Books	416	419	434	465	503
Outdoor	163	172	177	186	196
Internet	169	178	191	198	206
Radio	114	116	119	122	126
Print	102	72	70	67	65
Eliminations	-34	-29	-26	-26	-26
EBITDA	30	89	104	117	135
margin	2.6%	7.6%	8.9%	9.7%	10.6%
Net income	-83.5	5.1	14.0	26.4	42.5

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	77	69	91	101	117
OCF/EBITDA	258%	79%	87%	86%	87%
CAPEX	-70	-85	-77	-95	-96
Assets	1,406	1,382	1,389	1,410	1,444
Equity	996	962	953	956	975
Net debt	4	-24	-14	3	5
Net debt/EBITDA (x)	0.1	-0.3	-0.1	0.0	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	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)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,168	1,213	1,272	1,329	1,368	1,389	1,411	1,433	1,457	1,486	1,515
EBITDA	104	117	135	151	161	163	165	166	166	169	173
EBITDA margin	8.9%	9.7%	10.6%	11.4%	11.8%	11.8%	11.7%	11.5%	11.4%	11.4%	11.4%
D&A	80	78	77	75	73	71	75	79	80	82	83
EBIT	24	39	58	77	88	92	90	87	86	88	89
Tax	4	7	11	15	17	18	17	16	16	17	17
NOPLAT	19	31	47	62	71	75	73	70	70	71	72
CAPEX	-77	-95	-96	-98	-68	-73	-76	-78	-80	-82	-83
Working capital	-8	-8	-7	-6	-4	-3	-2	-1	-1	-1	-1
FCF	15	7	22	33	72	71	70	70	69	70	71
PV FCF	14	6	17	24	47	43	39	36	33	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%	0.8%	1.2%	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	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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We maintain a neutral view on the company. Cyfrowy has reported Q4'18 figures in line with our forecasts. The company has already started paying dividend (0.93 PLN per share annually in 2019-21). The DivYield ratio currently stands at 3.7%. On the other hand, Cyfrowy Polsat is trading at 6.7x 2019 EV/EBITDA, which is the highest valuation in the telecommunications sector. According to our forecast for 2019, Cyfrowy will not experience an increase in EBITDA. The company does offer high FCFE Yield, but it is not high enough compared to the yields offered by peers to justify a high valuation premium to OPL and POLY. 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+. In our view, the further growth potential is now limited.

Current Price

25.70 PLN

Downside

9M Target Price

23.20 PLN

-9.7%

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+3.1%	+2.7%
ISIN	PLCFRPT00013	YTD Price Chng	+13.9%	+9.3%
Outst. Stock (m)	639.5	ADTV 1M		PLN 11.6m
MC (PLN m)	16,436.3	ADTV 6M		PLN 12.0m
EV (PLN m)	26,090.1	EV/EBITDA 12M fwd	6.6	-6.4%
Free Float	33.5%	EV/EBITDA 5Y avg	7.0	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,829	10,764	11,458	11,623	11,796
EBITDA	3,617	3,671	3,810	3,912	3,978
EBITDA margin	36.8%	34.1%	33.3%	33.7%	33.7%
EBIT	1,834	1,693	1,825	2,018	2,188
Net income	981	985	1,111	1,337	1,486
P/E	16.8	16.7	14.8	12.3	11.1
P/B	1.4	1.2	1.1	1.1	1.0
EV/EBITDA	7.5	7.5	6.8	6.3	5.9
DPS	0.32	0.00	0.93	0.93	0.93
DYield	1.2%	0.0%	3.6%	3.6%	3.6%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Revenue	9,829	9,955	10,110	10,275	10,424
Retail	6,068	5,921	6,002	6,087	6,160
Wholesale	2,539	2,882	2,932	2,988	3,038
Devices	1,055	971	999	1,019	1,040
Other	167	181	176	181	187
Costs	8,016	8,200	8,369	8,382	8,387
Content costs	1,154	1,317	1,456	1,490	1,535
Distrib. & marketing	894	903	891	906	919
D&A	1,783	1,777	1,714	1,629	1,526
Interop. billing	2,014	2,136	2,088	2,104	2,120
Payroll	553	611	646	668	692
Devices	1,324	1,143	1,169	1,173	1,178
Collections & charges	67	82	75	76	77
Other costs	227	232	331	336	341
Net income	981	853	1,078	1,297	1,439

Key Balance Sheet Figures**

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	3,126	2,913	3,008	3,131	3,178
OCF/EBITDA	86%	85%	87%	88%	88%
CAPEX	-739	-1,176	-1,030	-1,045	-1,110
Assets	27,756	27,833	27,175	26,638	27,184
Equity	12,074	13,038	13,913	14,932	16,037
Net debt	10,508	8,501	7,089	5,607	4,180
Net debt/EBITDA (x)	2.9	2.5	2.0	1.6	1.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	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)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,458	11,623	11,796	11,965	12,130	12,291	12,452	12,616	12,787	12,787	12,787
EBITDA	3,810	3,912	3,978	4,017	4,048	4,073	4,095	4,117	4,139	4,139	4,139
EBITDA margin	33.3%	33.7%	33.7%	33.6%	33.4%	33.1%	32.9%	32.6%	32.4%	32.4%	32.4%
D&A	1,985	1,894	1,791	1,695	1,623	1,580	1,543	1,507	1,440	1,440	1,440
EBIT	1,825	2,018	2,188	2,322	2,425	2,493	2,552	2,610	2,699	2,699	2,699
Tax	347	383	416	441	461	474	485	496	513	513	513
NOPLAT	1,478	1,635	1,772	1,881	1,964	2,019	2,067	2,114	2,186	2,186	2,186
CAPEX	-1,420	-1,435	-1,331	-2,335	-2,998	-1,360	-1,797	-1,915	-1,440	-1,440	-1,440
Working capital	-145	-122	-93	-83	-83	-83	-83	-93	-105	-105	-105
FCF	1,899	1,972	2,139	1,158	506	2,156	1,730	1,613	2,082	2,082	2,082
PV FCF	1,753	1,703	1,725	872	356	1,418	1,061	923	1,110	1,110	
WACC	6.7%	6.9%	7.1%	7.1%	7.0%	7.1%	7.2%	7.2%	7.3%	7.3%	7.3%
Net debt / EV	38.1%	34.1%	29.6%	29.5%	31.9%	29.0%	27.4%	26.3%	25.2%	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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The adjusted results of Wirtualna Polska for Q4'18 were in line with expectations. A breakdown shows the company's first-ever EBITDA profit in the TV segment. The proposed dividend, despite being lower than our estimates and market consensus, should not dampen investor sentiment, especially when the company generates a high CFO (with the CFO/EBITDA conversion rate being as high as 96%). Please also note that the growth rate for the Polish on-line advertising market in 2019 is estimated at 7-8%, what will contribute to strong performance of the company (which additionally generates more than half of its turnover from the e-commerce business which grows at a rate of >20%). Wirtualna Polska is exploring further takeover opportunities both in Poland and in the region. Foreign transactions are also possible in the mid-term: in the Czech Republic, Hungary and Romania. The Group has set aside at least PLN 200 million for potential acquisitions (this amount may increase to PLN 350m following talks with banks). At the Q4'18 results conference, the Board assured investors that the Group was not taking into account share issues for investment purposes. We maintain our positive outlook on the company.

Current Price

58.00 PLN

Upside

9M Target Price

61.50 PLN

+6.0%

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

Key Metrics			WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+4.3%	+3.9%
ISIN	PLWRTPL00027	YTD Price Chng	+9.8%	+5.3%
Outst. Stock (m)	29.8	ADTV 1M		PLN 0.4m
MC (PLN m)	1,727.0	ADTV 6M		PLN 0.7m
EV (PLN m)	1,906.1	EV/EBITDA 12M fwd	9.7	-5.8%
Free Float	53.0%	EV/EBITDA 5Y avg	10.3	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	466	567	625	675	718
EBITDA	130	163	196	216	230
EBITDA margin	27.8%	28.7%	31.5%	31.9%	32.1%
EBIT	79	107	136	152	163
Net income	45	76	95	111	122
P/E	38.2	22.7	18.2	15.5	14.2
P/B	4.1	3.7	3.3	3.0	2.7
EV/EBITDA	14.8	12.6	9.7	8.6	7.7
DPS	1.10	0.96	1.00	1.66	1.95
DYield	1.9%	1.7%	1.7%	2.9%	3.4%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Revenue	466	567	625	675	718
Cash	425	543	574	620	660
Barter	33.0	24.6	24.7	25.7	26.5
Costs	387	460	489	524	555
D&A	51.0	44.6	60.5	64.1	67.2
Materials & Utilities	5.9	6.2	6.3	6.5	6.8
Payroll	134	165	171	177	184
Other	196	223	251	276	297
EBITDA	130	163	196	216	230
margin	27.8%	29.8%	31.5%	31.9%	32.1%
EBITDA (adj.)	151	173	197	213	226
margin	32.3%	32.1%	31.5%	31.5%	31.5%
EBIT	79	107	136	152	163
margin	16.9%	19.7%	21.8%	22.4%	22.7%
Net income	35.3	76.0	94.9	111.3	125.1

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	114	156	159	176	187
OCF/EBITDA	88%	96%	81%	81%	81%
CAPEX	-42	-43	-53	-57	-62
Assets	894	1,063	924	955	990
Equity	420	457	522	584	651
Net debt	170	217	163	102	37
Net debt/EBITDA (x)	1.3	1.3	0.8	0.5	0.2

Relative Valuation Summary

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

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	625	675	718	756	791	824	855	883	910	929	947
EBITDA	196	216	230	244	254	263	270	275	280	285	291
EBITDA margin	31.5%	31.9%	32.1%	32.2%	32.2%	32.0%	31.6%	31.1%	30.7%	30.7%	30.7%
D&A	60	64	67	70	72	74	76	78	80	81	83
EBIT	136	152	163	174	182	189	194	197	200	204	208
Tax	26	29	31	33	35	36	37	37	38	39	40
NOPLAT	110	123	132	141	148	153	157	160	162	165	169
CAPEX	-53	-57	-62	-66	-70	-74	-78	-82	-85	-87	-89
Working capital	-10	-8	-8	-8	-8	-8	-8	-7	-7	-7	-8
FCF	108	121	130	137	142	145	148	149	149	152	155
PV FCF	99	103	102	99	95	90	84	78	72	73	
WACC	8.0%	8.1%	8.3%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	11.9%	8.6%	4.7%	2.1%	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	1,938
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 (no change)

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Asseco Poland's results for Q4'18 are slightly above expectations. We underline a year-to-year increase >50% in net profit in 4Q'18 and a DivYield'19 reaching as high as 6.0%. We believe that these two factors should improve investor sentiment to the company in April 2019. However, the potential for growth in relation to our target price (+2.1%) is not high enough to justify positive investment recommendation. Asseco Poland is moderately optimistic about its prospects for 2019. The Management Board highlighted wage pressure. The group is still working on the acquisitions – more information on this subject will be available after the results for Q1'19 are announced. The CEO stressed, however, the company has no plans for such break-through transactions as Formula Systems acquisition. Asseco is looking for smaller companies. It intends to finance M&As mainly from its own funds. The areas of Asseco Poland's activity which offer the most promising prospects in 2019 are: the public sector in Poland and the Czech Republic, as well as the Israeli company Sapiens.

Current Price

52.40 PLN

Upside

9M Target Price

53.00 PLN

+1.1%

	rating	target price	issued
unchanged	hold	53.00 PLN	2019-03-05

Key Metrics	ACP PW	1M Price Chng	ACP PW	vs. WIG
Ticker	PLSOFTB000016	YTD Price Chng	+13.6%	+9.0%
ISIN	83.0	ADTV 1M		PLN 4.5m
Outst. Stock (m)	4,349.2	ADTV 6M		PLN 4.6m
MC (PLN m)		P/E 12M fwd	12.8	+3.3%
Free Float	68.0%	P/E 5Y avg	12.4	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,724	9,160	9,372	9,616	9,827
EBITDA	933	1,174	1,172	1,225	1,251
EBITDA margin	12.1%	12.8%	12.5%	12.7%	12.7%
EBIT	644	790	794	851	882
Net income	596	333	295	302	306
P/E	7.3	13.1	14.7	14.4	14.2
P/B	0.8	0.8	0.8	0.7	0.7
P/S	0.56	0.47	0.46	0.45	0.44
DPS	3.01	3.01	3.01	2.30	2.30
DYield	5.7%	5.7%	5.7%	4.4%	4.4%
Projection Update (% change)	2019P	2020P	2021P		
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)	2017	2018	2019P	2020P	2021P
Revenue	7,724	9,160	9,372	9,616	9,827
change	-2.6%	18.6%	2.3%	2.6%	2.2%
Poland	1,514	1,646	1,706	1,756	1,800
South-Eastern Europe	590	637	678	711	737
Western Europe	608	703	726	741	755
Central Europe	785	949	858	875	893
Israel	4,218	5,242	5,383	5,513	5,622
Eastern Europe	10	6	20	20	20
EBIT	644	790	794	851	882
D&A	289	384	378	374	369
EBITDA	933	1,174	1,172	1,225	1,251
margin	12.1%	12.8%	12.5%	12.7%	12.7%
Associates	169	-230	-276	-316	-340
Tax	-163	-179	-176	-185	-187
Net income	596	333	295	302	306

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	793	679	953	983	1,015
OCF/EBITDA	77%	58%	81%	80%	81%
CAPEX	-233	-253	-262	-272	-282
Assets	13,044	15,714	15,861	16,189	16,532
Equity	5,520	5,664	5,709	5,821	5,936
Net debt	235	344	137	-213	-574
Net debt/EBITDA (x)	0.2	0.3	0.1	-0.2	-0.5

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

Relative Valuation Summary

	18	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)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Asseco Poland (Standalone Figures)											
Revenue	869	891	909	927	945	964	984	1,003	1,023	1,023	1,023
EBITDA	185	180	181	183	184	185	185	185	184	184	184
NOPLAT	119	120	121	121	122	122	122	121	119	119	119
FCF	119	100	109	118	112	112	111	110	108	108	108
WACC	8.5%	8.7%	8.7%	8.7%	8.6%	8.6%	8.6%	8.6%	8.7%	8.7%	0.0%
Asseco Business Solutions											
Revenue	273	284	293	300	307	314	322	330	337	344	351
EBITDA	101	108	111	114	117	120	123	126	129	132	134
NOPLAT	66	71	73	75	77	79	81	83	85	86	88
FCF	59	63	66	68	70	71	73	75	77	78	80
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%	0.0%	0.0%
Asseco South Eastern Europe											
Revenue	678	711	737	757	773	785	794	801	806	822	838
EBITDA	129	137	143	148	152	157	161	166	170	173	177
NOPLAT	65	68	70	72	73	74	74	75	75	77	78
FCF	36	39	45	49	53	58	62	66	70	72	73
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 (reiterated)

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A continuation of the downward trend in the company's earnings in Q4'18 (EBITDA -39% y/y in Q4'18) was caused by the time that passed since the launch of W3 and the sale of the Blood War game at a lower level than assumed. The Management Board of CD Projekt announced an intensive marketing campaign of Cyberpunk 2077 at E3 event in Los Angeles. In our opinion, further information regarding Cyberpunk 2077 will increase the expectations of players and investors regarding the next production. CD Projekt also announced a release of the mobile version of Gwent game. According to the comment, the refreshed version of Gwent Homecoming, allows the company to improve the project profit (Gwent generated more revenue than the Thronebreaker campaign in Q4'18). Extending the reach of the game by mobile users should support sales of Gwent in the medium-term. Undoubtedly, the most important factors influencing CDR stock price in the coming months will be information regarding C2077. After the increase of the target price, we downgrade our rating from buy to accumulate.

Current Price

204.00 PLN

Upside

9M Target Price

221.00 PLN

+8.3%

	rating	target price	issued
new	accumulate	221.00 PLN	2019-04-02
old	accumulate	217.70 PLN	2019-02-04
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+5.7% +5.3%
ISIN	PLOPTTC00011	YTD Price Chng	+40.1% +35.5%
Outst. Stock (m)	96.1	ADTV 1M	PLN 45.6m
MC (PLN m)	19,608.5	ADTV 6M	PLN 55.8m
EV (PLN m)	19,072.1	EV/EBITDA 12M fwd	20.7 -7.2%
Free Float	64.9%	EV/EBITDA 5Y avg	22.3 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	463	363	308	2,983	2,590
EBITDA	246	117	44	2,246	2,125
EBITDA margin	53.1%	32.3%	14.3%	75.3%	82.0%
EBIT	241	112	39	2,240	2,119
Net income	200	109	39	1,879	1,865
P/E	97.0	-	-	10.4	10.5
P/B	22.0	19.6	18.9	6.9	4.3
EV/EBITDA	76.4	161.7	432.3	7.7	7.3
DPS	1.06	0.00	0.00	0.00	0.00
DYield	0.5%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			+5.6%	+0.1%	-0.4%
Net income			+9.8%	+0.2%	+0.1%
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%	+36.4%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, Video Games	330	228	170	2,838	2,450
EBIT, VG	223	114	40	2,239	2,119
EBIT margin, VG	67.4%	49.8%	23.5%	78.9%	86.5%
Sales, GOG.com	169.6	144.3	138.1	145.0	140.2
EBIT, GOG.com	18.4	-1.1	-1.0	1.3	-0.3
EBIT margin, GOG	10.8%	-0.8%	-0.7%	0.9%	-0.2%
Operating cash flow	232	133	18	1,983	1,748
D&A	5	5	5	6	6
Working capital	34	46	-26	-112	16
Investing cash flow	-291	-106	-46	-160	-173
CAPEX	-13	-15	-9	-10	-11
Development exp.	77	98	137	150	162
FCF	144	40	-126	1,868	1,639
FCF/EBITDA	-285%	83%	77%	72%	76%
OCF/EBITDA	40%	88%	82%	82%	80%

Key Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, The Witcher 3	288	174	119	107	95
Sales, Gwent	43	45	45	31	16
Sales, Cyberpunk	0	0	0	2,617	979
	0	0	0	0	0
Development exp.	142	243	370	201	290
Cash	67	104	81	1,952	3,594
Net debt	-647	-659	-536	-2,407	-4,049
Net debt/EBITDA (x)	-2.6	-5.6	-12.2	-1.1	-1.9

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.1	5.0
Maximum	19.3	11.5
Median	19.1	8.6
Weight	50%	50%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
W3 (k copies)	1,853	1,621	1,395	1,380	1,165	0	0	0	0	0	0
C2077 (k copies)	21,000	9,977	10,525	8,375	6,300	5,225	3,575	0	0	0	0
Next AAA game (k copies)	0	10,000	6,000	21,000	13,000	23,000	14,500	9,200	11,200	0	0
Revenue	308	2,983	2,590	1,500	3,306	1,957	3,267	2,063	1,216	1,121	-
EBITDA	44	2,246	2,125	1,115	2,689	1,448	2,580	1,480	773	649	-
EBITDA margin	14.3%	75.3%	82.0%	74.3%	81.3%	74.0%	79.0%	71.7%	63.5%	57.9%	-
EBIT	39	2,240	2,119	1,109	2,683	1,442	2,574	1,473	766	643	-
Tax	7	426	403	211	510	274	489	280	146	122	-
CAPEX	-146	-160	-173	-186	-199	-209	-207	-214	-221	-228	-
Working capital	-26	-112	16	46	-76	57	-55	50	35	4	-
FCF	-126	1,868	1,639	805	2,056	1,122	2,010	1,157	442	304	304
PV FCF	-118	1,619	1,309	593	1,395	702	1,159	615	217	137	-
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	12,272
Net debt	-659
Other adjustments	0
Value per share (PLN)	213.90

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	201.70
DCF Val.	50%	213.90
Implied Price		207.80
Cost of equity (9M)		6.4%
9M Target Price		221.00

Comarch buy (no change)

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We maintain a positive attitude towards Comarch. The uncertainty regarding the earnings for 2018 and the risk of terminating the ZUS contract were the main reasons of weak Comarch's values. However, the company delivered very good Q4'18 results and it presented an optimistic guidance for 2019. The order backlog is currently higher by 15% y/y, with lower turnover from ZUS than initially contracted. Comarch already generates >50% of turnover in a repeatable model, and the Management Board seems sure of further rapid expansion, especially in 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. 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	187.00 PLN	Upside
9M Target Price	195.00 PLN	+4.3%

	rating	target price	issued
unchanged	buy	195.00 PLN	2019-03-05

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	+21.0%	+20.6%
ISIN	PLCOMAR00012	YTD Price Chng	+23.0%	+18.4%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.4m
MC (PLN m)	1,520.9	ADTV 6M		PLN 0.5m
EV (PLN m)	1,476.3	EV/EBITDA 12M fwd	7.1	-5.2%
Free Float	59.2%	EV/EBITDA 5Y avg	7.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,102	1,365	1,484	1,568	1,648
EBITDA	99	177	201	218	229
EBITDA margin	9.0%	13.0%	13.5%	13.9%	13.9%
EBIT	34	112	132	146	154
Net income	43	52	84	99	104
P/E	35.3	29.4	18.0	15.4	14.6
P/B	1.7	1.7	1.6	1.5	1.4
EV/EBITDA	15.7	8.5	7.4	6.6	6.1
DPS	1.50	1.50	1.50	5.00	5.00
DYield	0.8%	0.8%	0.8%	2.7%	2.7%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Revenue	1,102	1,365	1,484	1,568	1,648
TMT	258	313	379	398	417
Finance & Banking	186	204	227	236	245
Retail Solutions	174	201	223	245	265
Manufacturing	142	138	147	154	162
Public Sector	63	194	153	162	168
SME	236	260	292	306	322
Other	43	54	65	67	69
Gross profit	268	387	417	427	447
margin	24.3%	28.3%	28.1%	27.2%	27.1%
Selling expenses	134	138	150	155	162
G&A expenses	98	109	120	125	130
EBIT	34	112	132	146	154
margin	3.1%	8.2%	8.9%	9.3%	9.4%
Net income	43	52	84	99	104

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	61	144	137	164	169
OCF/EBITDA	62%	81%	68%	75%	74%
CAPEX	-141	-87	-87	-87	-91
Assets	1,503	1,675	1,792	1,888	1,982
Equity	880	897	970	1,028	1,091
Net debt	19	-28	-63	-96	-130
Net debt/EBITDA (x)	0.2	-0.2	-0.3	-0.4	-0.6

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. These are expected to grow dynamically in the next two years 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

4.80 PLN

Upside

9M Target Price

6.61 PLN

+37.7%

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

Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-3.8%	-4.2%
ISIN	PLFAMUR00012	YTD Price Chng	-11.1%	-15.7%
Outst. Stock (m)	574.8	ADTV 1M		PLN 0.9m
MC (PLN m)	2,758.9	ADTV 6M		PLN 1.1m
EV (PLN m)	2,628.2	EV/EBITDA 12M fwd	5.3	-9.8%
Free Float	35.3%	EV/EBITDA 5Y avg	5.9	discount

Earnings Projections

(PLN m)	2017	2018P	2019P	2020P	2021P
Revenue	1,460	2,251	2,097	2,152	2,196
EBITDA	308	471	487	481	472
EBITDA margin	21.1%	20.9%	23.2%	22.3%	21.5%
EBIT	133	281	318	336	346
Net income	49	204	253	274	287
P/E	55.3	13.5	10.9	10.1	9.6
P/B	1.9	1.9	1.9	1.8	1.7
EV/EBITDA	9.4	6.3	5.4	5.2	5.2
DPS	0.00	0.44	0.46	0.31	0.38
DYield	0.0%	9.2%	9.6%	6.4%	7.9%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018P	2019P	2020P	2021P
Revenue, Underground	1,019	1,518	1,626	1,671	1,705
Revenue, Surface	292	348	371	379	386
Sales margin, UG	25.0%	27.7%	26.4%	26.8%	27.1%
Sales margin, Surface	8.3%	4.7%	9.9%	10.4%	9.9%
Operating cash flow	192	269	486	404	399
D&A	175	190	168	145	126
Working capital	-16	-155	55	-20	-16
Investing cash flow	-231	-93	122	-83	-122
CAPEX	132	93	-122	83	122
Financing cash flow	287	-416	-376	-182	-220
Change in debt	-88	-150	-100	0	0
Dividends/Buyback	0	-253	-266	-177	-219
FCF	-91	176	606	315	269
FCF/EBITDA	-30%	37%	124%	66%	57%
OCF/EBITDA	44%	57%	100%	84%	84%

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Assets	3,138	3,171	3,000	3,117	3,202
Fixed assets	1,099	1,002	712	650	647
Goodwill	222	222	222	222	222
Equity	1,437	1,487	1,474	1,570	1,639
Minority interests	115	31	31	31	31
Net debt	80	171	-162	-300	-356
Net debt/EBITDA (x)	0.3	0.4	-0.3	-0.6	-0.8

Relative Valuation Summary

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

DCF Analysis

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Revenue	2,251	2,097	2,152	2,196	2,240	2,286	2,332	2,379	2,427	2,476	2,526
YoY % change	39.9%	-6.8%	2.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	471	487	481	472	470	479	488	496	509	523	530
EBITDA margin	20.9%	23.2%	22.3%	21.5%	21.0%	21.0%	20.9%	20.8%	21.0%	21.1%	21.0%
D&A	190	168	145	126	116	117	118	119	125	131	141
EBIT	281	318	336	346	354	362	369	377	384	392	390
Tax	46	58	62	65	67	68	70	71	73	75	75
NOPAT	235	260	273	281	287	294	299	305	311	317	315
CAPEX	-93	122	-83	-122	-125	-127	-130	-132	-135	-138	-141
Working capital	-155	55	-20	-16	-16	-16	-17	-17	-17	-18	-18
FCF	176	606	315	269	263	267	271	275	284	292	298
PV FCF	177	562	270	212	191	179	167	156	149	141	
WACC	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,204
Net debt	333
Other adjustments	-10
Value per share (PLN)	7.02

Valuation Summary

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

Grupa Kęty hold (reiterated)

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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. In addition, the investment in Płock will probably be commissioned only in Q2'19 due to delays in construction works. Despite this, KTY stock continues to trade at 30-40% premium to comparable companies based on 2019E and 2020E earnings multiples. We are updating our comparative valuation and we are upgrading a target price from PLN 324.30 per share to PLN 341.3 per share. We maintain a hold rating.

Current Price

324.00 PLN

Upside

9M Target Price

341.33 PLN

+5.3%

		rating	target price	issued
new		hold	341.33 PLN	2019-04-02
old		hold	324.30 PLN	2019-01-18
Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-4.7%	-5.1%
ISIN	PLKETY000011	YTD Price Chng	-1.5%	-6.1%
Outst. Stock (m)	9.5	ADTV 1M		PLN 0.5m
MC (PLN m)	3,092.7	ADTV 6M		PLN 0.6m
EV (PLN m)	3,958.3	EV/EBITDA 12M fwd	8.0	-13.8%
Free Float	42.0%	EV/EBITDA 5Y avg	9.3	discount

Earnings Projections

(PLN m)	2017	2018P	2019P	2020P	2021P
Revenue	2,643	2,976	2,979	3,154	3,251
EBITDA	421	463	454	482	489
EBITDA margin	15.9%	15.5%	15.2%	15.3%	15.1%
EBIT	301	336	322	339	351
Net income	236	264	241	253	264
P/E	13.0	11.7	12.9	12.2	11.7
P/B	2.3	2.2	2.2	2.0	2.0
EV/EBITDA	8.7	8.4	8.7	8.2	8.0
DPS	30.00	23.94	21.00	17.64	23.85
DYield	9.3%	7.4%	6.5%	5.4%	7.4%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018P	2019P	2020P	2021P
EBITDA, Packaging	113	117	111	130	135
EBITDA, Extrusions	150	175	180	185	187
EBITDA, Al Systems	172	180	179	184	184
EBITDA, Other	-13	-16	-16	-17	-17
EBITDA/t of Al	5	5	5	5	4
Operating cash flow	276	275	356	336	421
D&A	120	126	132	143	138
Working capital	-91	-111	-37	-81	1
Investing cash flow	-187	-230	-200	-150	-120
CAPEX	187	230	200	150	120
Financing cash flow	-85	-119	-125	-195	-303
Dividends/Buyback	-285	-229	-200	-168	-228
FCF	86	70	160	192	308
FCF/EBITDA	20%	15%	35%	40%	63%
OCF/EBITDA	66%	59%	78%	70%	86%

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Assets	2,499	2,694	2,832	2,937	2,935
Fixed assets	1,439	1,560	1,632	1,644	1,633
Equity	1,363	1,398	1,438	1,523	1,559
Minority interests	1	1	1	1	2
Net debt	591	795	865	873	825
Net debt/EBITDA (x)	1.4	1.7	1.9	1.8	1.7
Net debt/Equity (x)	0.4	0.6	0.6	0.6	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.0	3.5	3.4	3.3	2.9	2.4
Maximum	56.7	21.4	18.9	18.8	10.2	9.1
Median	14.3	9.5	9.2	7.4	6.0	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Al price (US\$/t)	1,900	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Al premium (US\$/t)	130	150	150	150	150	150	150	150	150	150	150
Al usage (1,000 t)	100	106	110	113	115	117	117	118	118	118	118
Revenue	2,979	3,154	3,251	3,321	3,360	3,407	3,418	3,427	3,427	3,427	3,427
EBITDA	454	482	489	495	500	506	504	503	500	499	514
EBITDA margin	15.2%	15.3%	15.1%	14.9%	14.9%	14.8%	14.8%	14.7%	14.6%	14.6%	15.0%
EBIT	322	339	351	358	369	377	373	369	365	361	376
Tax	56	59	62	64	66	68	67	67	66	65	68
CAPEX	-200	-150	-120	-122	-125	-127	-130	-132	-135	-138	-138
Working capital	-37	-81	1	11	-12	-15	-8	-7	-4	-4	-4
FCF	160	192	308	320	297	295	299	297	295	292	305
PV FCF	152	169	251	242	208	192	180	166	153	141	
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,856
Net debt	795
Other adjustments	0
Value per share (PLN)	376.94

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	265.21
DCF Val.	50%	376.94
Implied Price		321.07
Cost of equity (9M)		6.3%
9M Target Price		341.33

JSW reduce (no change)

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In our opinion, after the recent rebound, the sentiment towards the JSW stock may again be adversely affected by dropping financial results in the IH'19. In our view, the production of coking coal in JSW will drop by 12% y/y in IH'19 (effect of lower y/y share of coking coal production and high production base in Q1'18). Then, with the growing Mining Cash Cost (+13% y/y in IH'19) and Coke Conversion Cost (+18% y/y in IH'19) in our opinion, adjusted for one-off events, EBITDA may be 50% lower in Q1'19 and Q2'19. Additionally, the term of office of the current Management Board of the Group ends in VI'19 and it is possible that the successors of President Daniel Ozon (currently in conflict with the Ministry of Energy), may have different assumptions as to the development of the Company and the allocation of current capital surpluses. A negative event may also be expected termination of the term-sheet by the end of the IV'18 in connection with cooperation with Prairie Mining. If JSW decides to acquire / co-operate, the market may expect a significant increase in investments in the future. With the assumed 30% decrease in the adjusted EBITDA result and record investments (PLN 1.8 billion) in 2019, the JSW Group ceases to generate free cash flows from operating activities (FCF). We do not change our target price (PLN 54.80 per share) and maintain our reduce rating.

Current Price

62.05 PLN

Downside

9M Target Price

54.80 PLN

-11.7%

	rating	target price	issued
unchanged	reduce	54.80 PLN	2019-03-25

Key Metrics	JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng +6.6% +6.2%
ISIN	PLJSW0000015	YTD Price Chng -7.7% -12.3%
Outst. Stock (m)	117.4	ADTV 1M PLN 18.2m
MC (PLN m)	7,285.4	ADTV 6M PLN 15.8m
EV (PLN m)	4,617.3	EV/EBITDA 12M fwd 2.2 -36.7%
Free Float	44.8%	EV/EBITDA 5Y avg 3.5 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	8,877	9,810	9,594	9,042	8,877
EBITDA adj.	3,509	3,101	2,176	1,506	1,351
EBITDA margin	39.5%	31.6%	22.7%	16.7%	15.2%
EBIT adj.	2,684	2,335	1,306	508	229
Net income adj.	2,189	1,802	1,047	399	170
P/E adj.	3.3	4.0	7.0	18.3	42.8
P/B	1.1	0.9	0.8	0.8	0.8
EV/EBITDA adj.	1.7	1.4	2.1	3.4	4.1
DPS	0.00	0.00	1.71	1.78	1.70
DYield	0.0%	0.0%	2.8%	2.9%	2.7%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Total coal output (kt)	14,768	15,019	15,500	15,900	16,150
Coking coal (kt)	10,675	10,351	10,850	11,289	11,628
Coking coal (% of total)	72%	69%	70%	71%	72%
Thermal coal (kt)	4,093	4,668	4,650	4,611	4,522
Coke (kt)	3,458	3,559	3,500	3,400	3,400
Operating cash flow	2,871	2,856	2,019	1,236	1,201
D&A	825	766	870	998	1,121
Working capital	-76	338	-209	-115	-33
Investing cash flow	-2,170	-1,582	-1,750	-1,550	-1,450
CAPEX	737	1,248	1,750	1,550	1,450
Financing cash flow	-701	-755	-185	-195	-189
Dividends/Buyback	0	0	-201	-209	-200
FCF	2,129	1,754	-34	-257	-178
FCF/EBITDA (adj.)	61%	57%	-2%	-17%	-13%
OCF/EBITDA (adj.)	82%	92%	93%	82%	89%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Coking coal (\$/t)	185	175	165	165	165	165	165	165	165	165	165
Thrm coal (PLN/t)	268	247	247	247	247	247	247	247	247	247	247
Coke (\$/t)	1,068	949	915	915	915	915	915	915	915	915	916
Revenue	9,594	9,042	8,877	9,060	9,228	9,316	9,417	9,528	9,640	9,753	9,812
EBITDA	2,176	1,506	1,351	1,554	1,650	1,685	1,730	1,771	1,809	1,829	1,872
EBITDA margin	22.7%	16.7%	15.2%	17.2%	17.9%	18.1%	18.4%	18.6%	18.8%	18.8%	19.1%
EBIT	1,306	508	229	308	233	327	357	378	413	431	472
Tax	251	99	46	60	46	64	69	73	80	83	91
CAPEX	-1,750	-1,550	-1,450	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400
Working capital	-209	-115	-33	31	23	27	16	18	19	18	12
FCF	-34	-257	-178	125	228	248	277	316	348	364	394
PV FCF	-32	-225	-143	93	156	156	161	169	172	165	
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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	12,090	13,763	14,538	14,547	14,464
Fixed assets	8,118	8,475	9,366	9,950	10,326
Equity	6,389	8,081	8,927	9,117	9,088
Minority interests	232	364	364	364	364
Net debt	-1,641	-3,286	-3,032	-2,523	-2,084
Net debt/EBITDA (adj.)	-0.5	-1.1	-1.4	-1.7	-1.5
Net debt/Equity (x)	-0.3	-0.4	-0.3	-0.3	-0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.5	3.0	1.8	1.7	1.5
Maximum	22.2	23.4	45.4	8.2	8.2	8.2
Median	8.1	7.9	8.2	4.9	4.1	3.9
Weight	25%	15%	10%	25%	15%	10%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	672
Net debt	-3,286
Other adjustments	364
Value per share (PLN)	48.54

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	54.56
DCF Val.	50%	48.54
Implied Price		51.55
Cost of equity (9M)		6.3%
9M Target Price		54.80



Kernel buy (no change)

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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. In April, it is worth paying attention to the publication of operating data for Q1'19 (Q3'19), which in our opinion should show further increases y/y (second half of the IV). We leave our target price unchanged (PLN 62.86 per share) and we do not change our buy rating.

Current Price

49.70 PLN

Upside

9M Target Price

62.86 PLN

+26.5%

	rating	target price	issued
unchanged	buy	62.86 PLN	2019-03-05

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+1.4%	+1.0%
ISIN	LU0327357389	YTD Price Chng	+1.5%	-3.1%
Outst. Stock (m)	82.7	ADTV 1M		PLN 1.3m
MC (PLN m)	4,108.3	ADTV 6M		PLN 2.5m
EV (PLN m)	7,519.4	EV/EBITDA 12M fwd	5.4	+31.6%
Free Float	60.5%	EV/EBITDA 5Y avg	4.1	premium

Earnings Projections

(US\$ m)	16/17	17/18	18/19P	19/20P	20/21P
Revenue	2,169	2,403	3,520	4,564	5,085
EBITDA	319	223	362	420	480
EBITDA margin	14.7%	9.3%	10.3%	9.2%	9.4%
EBIT	265	140	269	324	376
Net income	176	52	189	213	263
P/E	6.1	20.6	5.7	5.0	4.1
P/B	0.9	0.9	0.8	0.8	0.7
EV/EBITDA	5.0	7.6	5.4	4.7	3.9
DPS	0.24	0.25	0.25	0.92	1.55
DYield	1.9%	1.9%	1.9%	7.1%	11.9%
Projection Update (% change)			18/19P	19/20P	20/21P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin, Sunflower Oil (\$/t)			0.0%	0.0%	0.0%
Margin, Wheat (\$/t)			0.0%	0.0%	0.0%
Margin, Corn (\$/t)			0.0%	0.0%	0.0%
Bulk sunflower oil sales (kt)			0.0%	0.0%	0.0%
Grain production (kt)			0.0%	0.0%	0.0%
Grain sales (kt)			0.0%	0.0%	0.0%

Financial Highlights

(US\$ m)	15/16	16/17	17/18	18/19P	19/20P
EBITDA, Bottled Oil	16	17	13	18	20
EBITDA, Bulk Oil	113	83	63	100	126
EBITDA, Terminals	37	48	39	43	61
EBITDA, Farming	146	144	89	164	160
EBITDA, Grain Trade	46	23	17	26	42
Operating cash flow	134	77	82	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 (reiterated)

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In the last two months, KGHM shares were benefiting from rising prices of silver and gold, announcements to lower the extraction tax and expectations that the USA and China will reach a trade agreement. At the beginning of March, sentiment around copper was positively influenced by good PMI data (levels above 50 p). Domestic investors are, in our opinion, underweight in the company's shares, which positively affects the fixing of the share price. We are revising our assumptions for lower energy costs (due to the Ministry of Energy compensation) and changes in the mining tax formula (we assume the entry into force from 2H'19). As a result, we raise our target price to PLN 105.57 per share (previously PLN 92.41 per share) and we maintain a hold rating for KGHM.

Current Price

109.40 PLN

Downside

9M Target Price

105.57 PLN

-3.5%

	rating	target price	issued
new	hold	105.57 PLN	2019-04-02
old	hold	92.41 PLN	2019-02-04
Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+7.8% +7.3%
ISIN	PLKGHM000017	YTD Price Chng	+23.1% +18.5%
Outst. Stock (m)	200.0	ADTV 1M	PLN 63.7m
MC (PLN m)	21,880.0	ADTV 6M	PLN 54.9m
EV (PLN m)	26,340.4	EV/EBITDA 12M fwd	4.7 -4.4%
Free Float	63.2%	EV/EBITDA 5Y avg	4.9 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,275	20,526	23,032	23,792	23,695
EBITDA adj.	5,753	4,972	5,464	5,576	5,360
EBITDA margin	28.4%	24.2%	23.7%	23.4%	22.6%
EBIT adj.	4,144	3,176	3,611	3,644	3,376
Net income adj.	1,792	1,888	2,514	2,530	2,321
P/E adj.	12.2	11.6	8.7	8.6	9.4
P/B	1.2	1.1	1.0	0.9	0.9
EV/EBITDA adj.	5.0	5.8	4.8	4.5	4.5
DPS	1.00	0.00	1.00	2.51	3.79
DYield	0.9%	0.0%	0.9%	2.3%	3.5%
Projection Update (% change)			2019P	2020P	2021P
EBITDA adj.			+3.9%	+7.9%	+5.5%
Net income adj.			+7.5%	+19.7%	+16.6%
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)			+0.1%	+0.1%	+0.1%
Silver output (t)			+0.6%	+0.7%	+0.7%
Molybdenum output (mmb)			-0.0%	-0.0%	-0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Cu Output, PL (kt)	359	385	406	402	391
Cu Output, Int (kt)	81	79	76	88	90
Sierra Gorda (kt)	53	53	59	65	69
Ag output (tonnes)	1,234	1,205	1,354	1,353	1,342
Au output (ozt k)	219	174	210	212	215
Operating cash flow	3,054	3,826	5,725	4,572	4,407
D&A	1,609	1,796	1,853	1,932	1,984
Working capital	-1,270	1,412	1,254	7	-1
Investing cash flow	-3,340	-3,539	-2,798	-2,777	-2,578
CAPEX	3,257	3,541	2,798	2,777	2,578
Financing cash flow	12	84	-303	-606	-862
Dividends/Buyback	-200	0	-200	-503	-759
FCF	788	1,924	2,928	1,797	1,830
FCF/EBITDA	27%	41%	54%	32%	34%
OCF/EBITDA	1%	0%	1%	2%	4%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	34,122	37,237	40,217	42,445	43,982
Fixed assets	26,515	29,375	30,319	31,164	31,758
Equity	17,694	19,133	21,447	23,474	25,036
Minority interests	91	92	92	92	92
Net debt	6,570	6,992	4,368	3,179	2,212
Net debt/EBITDA (x)	2.2	1.5	0.8	0.6	0.4
Net debt/Equity (x)	0.4	0.4	0.2	0.1	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.2	5.5	5.6	2.9	1.5	1.1
Maximum	28.2	17.8	15.6	9.3	8.2	7.5
Median	14.3	11.9	11.2	6.1	5.6	4.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	208P	+
Copper price (\$/t)	6,500	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Silver (\$/oz)	16.0	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Molybdenum (\$/t)	22,400	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Revenue	23,032	23,792	23,695	23,821	23,769	23,711	23,503	22,059	22,090	22,124	22,205
EBITDA	5,464	5,576	5,360	5,319	5,244	5,106	4,849	4,725	4,693	4,357	4,330
EBITDA margin	15.7%	15.3%	14.2%	14.2%	14.0%	13.7%	12.6%	12.9%	12.7%	11.1%	11.7%
EBIT	3,611	3,644	3,376	3,382	3,330	3,241	2,971	2,841	2,806	2,460	2,605
Tax	992	1,010	951	951	940	922	870	844	837	771	798
CAPEX	-2,798	-2,777	-2,578	-1,668	-1,725	-1,754	-1,783	-1,811	-1,840	-1,869	-1,725
Working capital	1,254	7	-1	1	0	-1	-2	-13	0	0	1
FCF	2,928	1,797	1,830	2,701	2,579	2,430	2,195	2,057	2,016	1,718	1,808
PV FCF	2,770	1,574	1,479	2,001	1,750	1,520	1,266	1,093	987	775	
WACC	7.7%	7.9%	8.0%	8.3%	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	0.0%
PV FCF	15,216
Net debt	6,992
Other adjustments	290
Value per share (PLN)	90.57

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	108.03
DCF Val.	50%	90.57
Implied Price		99.30
Cost of equity (9M)		6.3%
9M Target Price		105.57

Stelmet hold (no change)

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Stelmet faces a profit slump in fiscal 2018/2019 led by higher costs of energy (PLN +6.6 million), timber raw material (PLN +13.4 million), and labor (PLN + 5.5 million). 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. The company announced a 2-6% increase in prices depending on the region, but considering the implementation of last year's announcements we would recommend cautiousness. In addition to cost pressure, the Group's very weak management on export markets is a concern. The Management Board has announced that due to ineffective logistics in the previous season, products to customers from the UK were not delivered on time. As a result, the management in the local unit was changed and the company was restructured. Brexit is also a major risk factor for Stelmet, which sells about 30% of its production on the UK market. We do not change our hold rating and the target price of PLN 8.36 per share for the Stelmet Group.

Current Price

9.05 PLN

Downside

9M Target Price

8.36 PLN

-7.6%

	rating	target price	issued
unchanged	hold	8.36 PLN	2019-03-05

Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	+0.6%	+0.1%
ISIN	PLSTLMT00010	YTD Price Chng	+25.0%	+20.4%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	265.7	ADTV 6M		PLN 0.0m
EV (PLN m)	428.3	EV/EBITDA 12M fwd	7.1	+2.6%
Free Float	15.0%	EV/EBITDA 5Y avg	6.9	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	538	553	582	605	625
EBITDA	58	69	57	61	64
EBITDA margin	10.7%	12.4%	9.7%	10.0%	10.3%
EBIT	21	27	15	19	21
Net income	19	10	10	14	16
P/E	13.7	27.7	26.0	19.7	17.0
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	7.8	6.4	7.6	6.7	6.0
DPS	0.00	0.00	0.08	0.21	0.32
DYield	0.0%	0.0%	0.9%	2.3%	3.6%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales price (PLN/m3)			0.0%	0.0%	0.0%
Sales volume (1,000 m3)			0.0%	0.0%	0.0%
Timber price (PLN/m3)			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	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 hold (downgraded)

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The last quarter of the year was significantly ahead of markets expectations due to higher average prices for settled dwellings. Throughout 2018, net profit figures were 6% ahead of our forecasts. High profits led to a recommended dividend payment reaching a record high of 4.7 PLN per share (DY=11,8%), which was nevertheless in line with market expectations. In H2'18, Atal significantly expanded its housing offer to a total of 4,300 dwellings (+77%). In January, further 1,200 dwellings were offered for sale. The high volume of the housing offer and above all its efforts to restore its volume on the main markets, while expanding to new markets (Poznań, Łódź, Katowice) will contribute to support sales volume in the coming years. Atal plans to complete construction work on 2,600 dwellings in 2019. Given that 39% of them will be delivered in Q4'19, the number of dwellings handed over for use is projected to decrease slightly to 2,500 (-6% y/y), with net profit being reduced to PLN 167m as a result. 2020 is looking more promising for the company. This is the year when Atal is expected to complete construction of 3,600 dwellings, 90% of which are already under construction. Taking into account the risk of lower sales performance and possible delays, we assume the number of hand-overs at 2,900. Given the recent developments, we expect that the company will perform well also in 2021. Atal has already started construction work on 2,200 dwellings (to be delivered in 2021), 62% of which on the new markets (Poznań and Katowice). A share price increase of 43% y/y has led to company valuation at above +1 P/E standard deviation. In our opinion, the current valuation takes into account the company's assets, i.e. steady performance in 2019-21 and a high land bank which gives potential to growth and high dividend payments. Therefore, we downgrade our investment recommendation to 'Hold' with TP at PLN 41.03 (+ 3% growth potential).

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,308	2,678	2,530	2,835	2,639
Revenue/unit (PLN k)	375	394	370	353	380
SG&A	28	31	33	34	36
SG&A/Sales	3.3%	2.9%	3.5%	3.4%	3.6%
EBIT margin	25.6%	24.6%	23.2%	22.5%	21.5%
Net profit margin	19.8%	19.0%	17.9%	17.4%	16.5%
Cash	266	192	215	222	215
Net debt	214	333	310	303	310
Net debt/Equity	27%	39%	37%	35%	36%
Inventory	1,342	1,487	1,444	1,447	1,451
Inventory/Sales	155%	141%	154%	145%	145%
Earnest money deposits	365	225	285	272	258
Deposits/Inventory	27%	15%	20%	19%	18%
Equity	795	858	844	865	872
ROE	24.9%	25.3%	19.5%	20.6%	19.1%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	936	999	1,002	892	837	854	871	889	906	924	943
EBITDA	219	227	217	182	155	158	162	165	168	171	175
EBITDA margin	23.4%	22.7%	21.6%	20.4%	18.6%	18.6%	18.5%	18.5%	18.5%	18.5%	18.5%
D&A	1	1	1	1	1	1	1	1	1	1	1
EBIT	217	225	215	181	154	157	160	163	167	170	173
Tax	41	43	41	34	29	30	30	31	32	32	33
NOPLAT	176	182	174	146	125	127	130	132	135	138	140
CAPEX	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Working capital	38	-15	-14	9	65	-8	-8	-5	-5	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	214	168	160	155	190	120	122	127	130	133	135
PV FCF	202	147	130	117	132	77	73	70	67	63	
WACC	7.8%	7.8%	7.8%	7.8%	8.0%	8.0%	8.1%	8.1%	8.1%	8.1%	8.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

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

Current Price	39.90 PLN	Upside
9M Target Price	41.03 PLN	+2.8%

	rating	target price	issued
new	hold	41.03 PLN	2019-04-02
old	buy	42.86 PLN	2018-07-04
Key Metrics			
Ticker	1AT PW	1M Price Chng	+10.2% vs. WIG
ISIN	PLATAL000046	YTD Price Chng	+42.5% +37.9%
Outst. Stock (m)	38.7	ADTV 1M	PLN 0.7m
MC (PLN m)	1,544.7	ADTV 6M	PLN 0.6m
EV (PLN m)	1,853.5	EV/EBITDA 12M fwd	8.2 +3.8%
Free Float	11.6%	EV/EBITDA 5Y avg	7.9 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	865.8	1,055.0	936.1	999.5	1,002.0
Gross profit	247.6	283.5	250.3	259.7	251.6
Gross margin	28.6%	26.9%	26.7%	26.0%	25.1%
EBIT	222.0	259.6	217.3	225.1	215.2
Net income	171.2	200.7	167.3	173.5	165.3
P/E	9.0	7.7	9.2	8.9	9.3
P/B	1.9	1.8	1.8	1.8	1.8
EV/EBITDA	7.8	7.2	8.5	8.2	8.6
DPS	1.68	3.54	4.70	3.94	4.08
DYield	4.2%	8.9%	11.8%	9.9%	10.2%
Projection Update (% change)					
Revenue			+2.1%	-2.0%	+15.6%
Gross profit margin			-2.1 p.p.	-1.0 p.p.	-0.4 p.p.
EBIT			-6.2%	-6.6%	+16.4%
Net income			-7.4%	-7.3%	+19.2%
Residential closings			-3.8%	-5.5%	+5.6%

Cash Flow Summary

(PLN m)	2016	2017	2018P	2019P	2020P
Operating cash flow	198	38	217	171	163
D&A	1	1	1	1	1
Working capital	-13	-194	38	-15	-14
Investing cash flow	1	1	3	3	4
CAPEX	-1	-1	-1	-1	-1
Financing cash flow	-121	-113	-197	-168	-174
Dividends	-67	-138	-182	-152	-158

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.67	0.63	0.62	4.5	4.6	6.5
Maximum	1.94	1.89	1.99	9.1	8.1	10.3
Median	0.75	0.71	0.66	5.8	5.7	7.2
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,138
Net debt	333
Other adjustments	-1
Value per share (PLN)	46.65

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	22.27
Relative (DYield)	17%	47.08
DCF	50%	46.65
Cost of equity (9M)		6.3%
9M Target Price*		41.03

Dom Development hold (downgraded)

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The Q4'18 financial results were close to our expectations. The company has met the targets set in the analyst consensus, with the developer's margin remaining stable at 27.8% y/y. In our opinion, Dom's financial results should be stable in 2019. Dom plans to hand over for use approx. 3,500 dwellings, with this slight year-to-year decrease (by 130 dwellings) being offset by higher prices of settled dwellings and lower allocation costs from acquisition of the Eurostyl company. We also stand by our positive forecast for the year 2020 which is set to bring next record profits for the company (a solid portfolio of projects - including premium housing investments with a higher price such as *Marina Mokotów*). There is no doubt securing the supply of land is a current priority for Dom Development. The current land bank is about 2.1 years relative to sales. In 2019, the company intends to increase its spending on land up to approx. PLN 500m (vs approx. PLN 300m in '18). Historically speaking, Dom has had a good track record of launching investments on new land, hence we don't expect any difficulties in new start buildings and a lessening offer after 2020. In Q1'19, investors rightly seized the opportunity to buy company shares due to its low market value. Then the share price rebounded by about 29%, which ultimately led to the discount being closed in line with our target price. Therefore, we've decided to downgrade our recommendation for Dom Development to 'Hold' with a slight increase of TP to PLN 84.4.

Current Price

80.80 PLN

Upside

9M Target Price

84.40 PLN

+4.5%

	rating	target price	issued
new	hold	84.40 PLN	2019-04-02
old	accumulate	84.10 PLN	2019-02-04
Key Metrics		DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	+9.2% +8.7%
ISIN	PLDMDVL00012	YTD Price Chng	+28.3% +23.7%
Outst. Stock (m)	25.0	ADTV 1M	PLN 0.7m
MC (PLN m)	2,017.4	ADTV 6M	PLN 0.4m
EV (PLN m)	2,152.3	EV/EBITDA 12M fwd	7.8 -17.9%
Free Float	25.2%	EV/EBITDA 5Y avg	9.5 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,404.7	1,653.9	1,669.1	1,873.2	1,710.0
Gross profit	385.7	455.1	439.0	483.8	427.5
Gross margin	27.5%	27.5%	26.3%	25.8%	25.0%
EBIT	235.4	282.0	273.2	310.8	247.6
Net income	190.7	227.0	221.2	249.0	196.2
P/E	10.5	8.9	9.1	8.1	10.3
P/B	2.0	1.9	1.9	1.9	2.0
EV/EBITDA	8.5	7.2	7.6	7.0	9.4
DPS	5.05	7.60	9.05	8.86	9.97
DYield	6.3%	9.4%	11.2%	11.0%	12.3%
Projection Update (% change)			2019P	2020P	2021P
Revenue			+1.0%	-2.6%	+2.4%
Gross profit margin			-0.4 p.p.	-0.1 p.p.	+0.2 p.p.
EBIT			+1.9%	-2.2%	+9.1%
Net income			+2.1%	-2.3%	+9.6%
Closings			-0.4%	-4.0%	+3.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,929	3,632	3,504	3,576	3,400
Revenue/unit (PLN k)	480	455	476	524	503
SG&A	138	162	161	168	175
SG&A/Sales	9.9%	9.8%	9.6%	9.0%	10.3%
EBIT margin	16.8%	17.1%	16.4%	16.6%	14.5%
Net profit margin	13.6%	13.7%	13.3%	13.3%	11.5%
Cash	331	317	350	251	240
Net debt	64	78	135	234	395
Net debt/Equity	6%	7%	13%	22%	39%
Inventory	1,989	2,114	2,207	2,300	2,393
Inventory/Sales	142%	128%	132%	123%	140%
Earnest money deposits	568	625	662	621	598
Deposits/Inventory	29%	30%	30%	27%	25%
Equity	1,002	1,046	1,042	1,070	1,017
ROE	20.5%	22.7%	21.1%	23.9%	18.3%

Cash Flow Summary

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	198	233	180	137	105
D&A	7	10	10	10	10
Working capital	-9	-1	-51	-126	-107
Investing cash flow	-213	-43	-46	9	-11
CAPEX	-8	-11	-11	-11	-11
Financing cash flow	-120	-187	-136	-225	-104
Dividends	-126	-190	-226	-221	-249

Relative Valuation Summary

	P/BV			P/E		
	19P	20P	21P	19P	20P	21P
Minimum	0.67	0.63	0.62	4.5	4.6	6.5
Maximum	1.84	1.79	1.77	9.3	8.9	9.3
Median	0.75	0.71	0.66	5.8	5.7	7.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,669	1,873	1,710	1,693	1,674	1,708	1,734	1,760	1,786	1,813	1,840
EBITDA	283	321	258	230	219	221	224	228	231	234	238
EBITDA margin	17.0%	17.1%	15.1%	13.6%	13.1%	13.0%	12.9%	12.9%	12.9%	12.9%	12.9%
D&A	10	10	10	10	10	10	10	10	10	10	10
EBIT	273	311	248	219	209	211	214	217	221	224	227
Tax	52	59	47	42	40	40	41	41	42	43	43
NOPLAT	221	252	201	178	169	171	173	176	179	181	184
CAPEX	-11	-11	-11	-11	-11	-11	-11	-11	-11	-11	-11
Working capital	-51	-126	-107	-38	-9	-9	-9	-9	-9	-9	-9
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	169	125	92	139	159	161	164	166	169	172	174
PV FCF	159	109	74	104	111	104	98	93	87	82	
WACC	8.2%	8.1%	7.8%	7.8%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,481
Net debt*	78
Other adjustments	0
Value per share (PLN)	96

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	44.00
Relative (DYield)	17%	99.42
DCF	50%	96.25
Cost of equity (9M)		6.3%
9M Target Price*		84.40

Retail

AmRest

buy (upgraded)

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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 utilization of the master franchise agreements, contributions from KFC France and Sushi Shop, and further expansion of the pizzaportal.pl food delivery platform. In addition, after higher integration costs in 2018, the businesses acquired over the last two years should start to contribute positively to 2019 results. At the end of March, the company announced the resignation of Henry McGovern from acting as CEO and the sale of shares to the main shareholder by an investment vehicle linked to the founder of AmRest and Steven Kent Winegar. The estimated sales figures generated in Q1'19 will be published at the end of April.

Current Price

41.20 PLN

Upside

9M Target Price

48.00 PLN

+16.5%

		rating	target price	issued	
new		buy	48.00 PLN	2019-04-02	
old		accumulate	46.00 PLN	2019-03-05	
Key Metrics			EAT PW	vs. WIG	
Ticker	EAT PW	1M Price Chng	+0.5%	+0.0%	
ISIN	NL0000474351	YTD Price Chng	+3.0%	-1.6%	
Outst. Stock (m)	219.6	ADTV 1M		PLN 8.8m	
MC (PLN m)	9,045.6	ADTV 6M		PLN 4.7m	
EV (PLN m)	11,572.2	EV/EBITDA 12M fwd	12.1	+15.0%	
Free Float	31.1%	EV/EBITDA 5Y avq	10.5	premium	

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	5,270	6,657	8,554	9,990	11,314
EBITDA	606	711	880	1,093	1,342
EBITDA margin	11.5%	10.7%	10.3%	10.9%	11.9%
EBIT	275	315	385	509	696
Net income	191	191	234	320	449
P/E	45.8	47.2	38.7	28.3	20.1
P/B	6.7	5.0	4.4	3.8	3.2
EV/EBITDA	16.8	16.1	13.1	10.5	8.3
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		+1.9%	+1.2%	+2.2%	
Net income		-7.2%	-8.7%	-6.5%	
Revenue per restaurant		+4.3%	+3.5%	+3.8%	
EBITDA margin		-1.2p.p.	-1.2p.p.	-1.1p.p.	
Restaurant count		+9.5%	+8.1%	+7.2%	

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (PL)	199	207	192	221	250
EBITDA (WE)	201	247	375	477	591
EBITDA (ES)	209	230	265	307	332
EBITDA (RU)	71.5	92.9	103.9	126.7	148.6
EBITDA (CZ)	116	151	184	210	240
Operating cash flow	635	705	784	1,011	1,191
D&A	330	396	495	584	646
Working capital	74	51	63	115	104
Investing cash flow	-980	-1,812	-937	-927	-807
CAPEX	-527	-108	-937	-927	-807
Financing cash flow	588	1,041	40	60	0
Dividends/Buyback	764	1,217	40	60	0
FCF	-405	-1,162	-112	124	425
FCF/EBITDA	-67%	-163%	-13%	11%	32%
OCF/EBITDA	105%	99%	89%	93%	89%

Key Ratios (adjusted for IFRS 16)

(%)	2017	2018	2019P	2020P	2021P
EBITDA margin (PL)	11.8%	9.9%	9.9%	9.9%	9.8%
EBITDA margin (WE)	10.6%	13.4%	13.4%	14.3%	15.6%
EBITDA margin (ES)	22.3%	22.1%	22.1%	21.9%	21.9%
EBITDA margin (RU)	11.0%	10.8%	10.8%	10.8%	10.8%
EBITDA margin (CZ)	21.5%	20.5%	20.5%	19.5%	19.4%
Net debt (PLN m)	1,422	2,338	2,491	2,408	2,024
Net debt/EBITDA (x)	2.3	3.3	2.8	2.2	1.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	7.7	7.4	7.0	6.3	5.9	5.5
Maximum	56.9	45.2	37.3	27.9	23.3	20.1
Median	25.1	22.6	20.1	13.2	12.0	10.9
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/rest., (PLN k)	885	921	918	917	918	918	918	917	917	917	917
EBITDA margin	10.7%	10.3%	10.9%	11.9%	12.5%	12.7%	12.7%	12.8%	12.8%	12.8%	12.8%
Rest. count	2,121	2,525	2,919	3,252	3,536	3,777	3,981	4,176	4,360	4,536	4,536
Revenue	6,657	8,554	9,990	11,314	12,468	13,422	14,238	14,966	15,660	16,321	16,321
EBITDA	711	880	1,093	1,342	1,552	1,707	1,815	1,911	2,003	2,091	2,091
EBITDA margin	10.7%	10.3%	10.9%	11.9%	12.5%	12.7%	12.7%	12.8%	12.8%	12.8%	12.8%
EBIT	315	385	509	696	880	1,032	1,155	1,258	1,350	1,438	1,438
Tax	86	118	156	214	270	317	355	387	415	442	442
CAPEX	-1,818	-937	-927	-807	-709	-625	-554	-653	-653	-653	-653
Working capital	32	63	115	104	87	67	54	45	40	36	36
FCF	-1,162	-112	124	425	660	832	960	916	975	1,032	1,032
PV FCF	-1,098	-99	101	320	460	536	572	504	496	484	
WACC	7.9%	7.8%	7.8%	8.0%	8.0%	8.1%	8.2%	8.3%	8.3%	8.4%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	11,328
Net debt	2,338
Other adjustments	43
Value per share (PLN)	42.18

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	47.97
DCF Val.	50%	42.18
Implied Price		45.07
Cost of equity (9M)		6.4%
9M Target Price		48.00

CCC buy (reiterated)

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In line with our expectations, weak Q4'18 results were discounted by the market and the CCC share price has rebounded by 12% since the publication of the results. In our opinion, the most important price-setting event in the near future will be the CCC sales results for March 2019, in which the dynamics should be additionally supported by the base effect. The positive effect of the low base in monthly sales should continue until October (partly limited in April, July and August). Moreover, the company has announced the suspension of the IPO of eobuwie.pl. According to the management's comment, achieving EBITDA'19 at the PLN 800m goal set in the incentive program is an achievable level (our forecast assumes PLN 764m EBITDA). In 2019, CCC should continue to improve the cash conversion cycle y/y and maintain the cost discipline of CCC's own stores. The company expects that the business in Austria and Voegel will generate a result close to zero in 2019 (the result of the Western Europe segment amounted to PLN -72.4 million in 2018). We maintain our positive rating on the stock.

Current Price

217.00 PLN

Upside

9M Target Price

275.00 PLN

+26.7%

	rating	target price	issued
new	buy	275.00 PLN	2019-04-02
old	buy	291.00 PLN	2019-02-04
Key Metrics			
Ticker	CCC PW	1M Price Chng	+16.7% +16.2%
ISIN	PLCCC0000016	YTD Price Chng	+12.3% +7.7%
Outst. Stock (m)	41.1	ADTV 1M	PLN 22.7m
MC (PLN m)	8,924.6	ADTV 6M	PLN 23.8m
EV (PLN m)	9,864.4	EV/EBITDA 12M fwd	12.1 -22.0%
Free Float	59.4%	EV/EBITDA 5Y avg	15.5 discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,117	4,726	6,001	6,936	9,367
EBITDA adj.	499	328	764	910	1,051
EBITDA margin	12.1%	6.9%	12.7%	13.1%	11.2%
EBIT	412	373	610	745	829
Net income	287	59	437	544	576
P/E	31.1	-	20.4	16.4	15.5
P/B	8.1	7.8	6.7	4.9	3.9
EV/EBITDA	18.8	9.9	8.0	6.7	6.0
DPS	2.47	2.30	1.87	1.87	1.87
DYield	1.1%	1.1%	0.9%	0.9%	0.9%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			-2.4%	-5.0%	-9.4%
Net income			-1.1%	-5.7%	-8.3%
Gross profit margin			+1.1 p.p.	+1.7 p.p.	-0.5 p.p.
B&M sales/sqm			-1.8%	-2.0%	-2.1%
SG&A/sqm			+3.4%	+1.2%	+1.1%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, B&M sales	3,588	3,899	4,582	5,092	7,061
EBITDA, B&M	381	438	624	718	789
Revenue, e-commerce	606	979	1,419	1,845	2,306
EBITDA, e-commerce	86.2	100.8	140.3	191.6	262.5
Gross profit margin	51.0%	50.1%	52.6%	53.5%	54.7%
Operating cash flow	78	996	889	1,105	1,053
D&A	93	602	622	677	771
Working capital	-588	244	-211	-168	-337
Investing cash flow	-222	-621	-469	-211	-416
CAPEX	-245	-439	-209	-211	-416
Financing cash flow	515	-515	-480	-437	-1,266
Dividends/Buyback	101	95	77	77	77
FCF	-146	506	208	801	1,145
FCF/EBITDA	-31%	120%	27%	88%	109%
OCF/EBITDA	17%	235%	116%	121%	100%

Key Ratios (adjusted for IFRS 16)

(PLN)	2017	2018	2019P	2020P	2021P
Sales/sqm, PL	744	644	692	698	692
Sales/sqm, CEE	538	515	547	556	552
Sales/sqm, WE	396	477	0	0	0
e-comm as % of sales	14.7%	20.7%	23.6%	26.6%	24.6%
Cash (PLN m)	512	376	432	911	282
Net debt (PLN m)	406	641	813	534	563
Net debt/EBITDA (x)	0.8	0.7	0.7	0.4	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	10.8	10.1	9.2	9.2	6.6	6.2
Maximum	35.2	27.9	23.8	23.8	23.1	20.2
Median	22.8	20.3	14.0	14.0	12.0	11.0
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/sqm (PLN)	534	541	575	593	592	586	580	627	669	632	0
SG&A/sqm (PLN)	249	248	344	347	343	336	331	343	372	373	0
Sales area (k sqm)	715	784	842	898	950	1,000	1,052	991	948	1,042	0
Revenue	6,001	6,936	9,367	10,223	10,831	11,384	11,803	12,215	12,620	13,020	13,346
EBITDA	764	910	1,051	1,161	1,230	1,314	1,326	1,330	1,334	1,345	1,379
EBITDA margin	12.7%	13.1%	11.2%	11.4%	11.4%	11.5%	11.2%	10.9%	10.6%	10.3%	10.3%
EBIT	596	730	809	903	923	984	1,017	1,043	1,067	1,086	1,113
Tax	119	146	162	172	175	187	193	198	203	206	211
CAPEX	209	211	416	218	815	246	114	118	121	238	238
Working capital	-211	-168	-337	-330	-169	-135	-92	-57	-50	-44	-44
FCF	208	801	1,145	1,003	1,411	837	704	714	747	880	902
PV FCF	196	694	913	736	951	518	399	371	357	386	
WACC	8.4%	8.6%	8.6%	8.8%	8.8%	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	2.5%
PV FCF	12,278
Net debt	756
Other adjustments	0
Value per share (PLN)	280.16

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	236.82
DCF Val.	50%	280.16
Implied Price		258.49
Cost of equity (9M)		6.5%
9M Target Price		275.00

Dino reduce (downgraded)

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Shares in Dino increased by 10% during the last month, continuing the rebound initiated in February 2019. Publication of very good results (record EBITDA margin, improved cash conversion cycle) and a guidance of a continuation of high growth rate and improvement in EBITDA profitability in 2019 positively affected company's stock performance. Dino joined the WIG20 blue-chip index, which additionally supported quotations. In spite of the promising outlook for 2019, we draw attention to the expected slowdown in LFL's dynamics in Q1'19 to a low one-digit value. Sales in the first quarter should be adversely affected by the base effect (no Easter) the extension of the Sunday trading ban (6 business days less y/y). The temporary slowdown in the lfl dynamics should provide arguments for the company's share price to fall from the current levels. In our opinion, the company's valuation adequately discounts the business growth outlook. We slightly increase our EBITDA forecasts (excluding IFRS 16) for subsequent years, which means 27% of EBITDA CAGR 2018-21. PEG ratio is at 1.09/0.85 for 2019/20, which in our view is too high. Considering the above, we are downgrading our rating to reduce and upgrading the target price to PLN 112.7.

Current Price

126.10 PLN

Downside**9M Target Price**

112.70 PLN

-10.6%

	rating	target price	issued
new	reduce	112.70 PLN	2019-04-02
old	hold	105.90 PLN	2019-02-04
Key Metrics			
Ticker	DNP PW	1M Price Chng	+14.6% +14.2%
ISIN	PLDINPL00011	YTD Price Chng	+31.6% +27.0%
Outst. Stock (m)	98.0	ADTV 1M	PLN 26.1m
MC (PLN m)	12,362.8	ADTV 6M	PLN 19.8m
EV (PLN m)	13,002.8	EV/EBITDA 12M fwd	17.4 +10.7%
Free Float	48.9%	EV/EBITDA 5Y avg	15.7 premium

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,463	5,839	7,742	9,622	11,172
EBITDA	389	541	715	884	1,028
EBITDA margin	8.7%	9.3%	9.2%	9.2%	9.2%
EBIT	303	429	561	697	806
Net income	214	308	404	520	619
P/E	57.9	40.2	30.6	23.8	20.0
P/B	13.7	10.2	7.6	5.8	4.5
EV/EBITDA	33.0	23.9	18.2	14.5	12.0
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)					
EBITDA			+2.6%	+4.0%	+2.9%
Net profit			-1.9%	+0.6%	+0.2%
Store count			+2.9%	+2.9%	+2.6%
Sales/sqm			+0.3%	+0.4%	-1.7%
EBITDA margin			+0.2 p.p.	+0.1 p.p.	+0.2 p.p.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2020P
Store count	775	977	1,221	1,453	1,613
Total store area (ksqm)	295	376	474	570	638
Avg. store area (sqm)	381	385	388	392	396
Sales margin	23.3%	24.2%	24.4%	24.4%	24.4%
Stores per distr. center	258	244	305	291	269
Operating cash flow	497	634	785	1,019	1,058
D&A	86	112	154	187	222
Working capital	131	116	162	256	177
Investing cash flow	-402	-634	-817	-747	-597
CAPEX	-411	-636	-817	-747	-597
Financing cash flow	41	82	-159	-249	-237
Dividends/Buyback	31	174	-100	-200	-203
FCF	50	-64	-52	254	446
FCF/EBITDA	13%	-12%	-7%	29%	44%
OCF/EBITDA	128%	117%	110%	115%	103%

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019P	2020P	2021P
Days inventory	39.3	36.7	34.2	31.5	31.5
Days receivables	3.1	1.4	1.4	1.4	1.4
Days payables	86.5	94.2	88.2	88.2	88.2
CCC (days)	-44.1	-56.1	-52.6	-55.3	-55.3
SG&A/Sales	16.6%	16.9%	17.2%	17.2%	17.2%
Net debt (PLN m)	485	549	640	418	-9
Net debt/EBITDA (x)	1.2	1.0	0.9	0.5	0.0

Relative Valuation Summary

	PEG			P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P	19P	20P	21P
Minimum	0.5	0.5	0.4	12.3	10.7	8.1	4.9	4.7	4.4
Maximum	23.4	24.6	24.2	31.9	17.9	19.2	8.3	7.6	7.2
Median	1.0	0.9	0.8	15.3	13.4	11.8	6.1	5.6	5.1
Weight	11%	11%	11%	11%	11%	11%	11%	11%	11%

DCF Analysis (adjusted for IFRS 16)

(EUR m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Store count	1,221	1,453	1,613	1,773	1,933	2,033	2,133	2,233	2,333	2,433	2,433
Sales/sqm	1,518	1,537	1,541	1,539	1,530	1,515	1,507	1,507	1,506	1,506	1,506
SG&A/Sales	17.2%	17.2%	17.2%	17.3%	17.4%	17.4%	17.5%	17.5%	17.5%	17.5%	17.5%
Revenue	7,742	9,622	11,172	12,439	13,661	14,614	15,415	16,305	17,210	18,131	18,131
EBITDA	705	874	1,017	1,116	1,204	1,282	1,329	1,393	1,458	1,524	1,534
EBITDA margin	9.1%	9.1%	9.1%	9.0%	8.8%	8.8%	8.6%	8.5%	8.5%	8.4%	8.5%
EBIT	561	697	806	884	957	1,023	1,063	1,125	1,187	1,250	1,250
Tax	112	139	161	177	191	205	213	225	237	250	1,094
CAPEX	-817	-747	-597	-493	-501	-400	-338	-327	-318	-303	-303
Working capital	162	256	177	144	139	108	91	101	103	105	105
FCF	-52	254	446	601	660	796	879	953	1,016	1,085	1,102
PV FCF	-47	212	345	428	435	484	493	493	486	480	
WACC	8.2%	8.3%	8.4%	8.4%	8.3%	8.3%	8.3%	8.3%	8.3%	8.2%	8.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	1.5%
PV FCF	7,230
Net debt	549
Other adjustments	0
Value per share (EUR)	106.99

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	104.90
DCF Val.	50%	106.99
Implied Price		105.95
Cost of equity (9M)		6.4%
9M Target Price		112.70

Eurocash sell (downgraded)

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EUR stock rebounded since Q4 earnings release even though the figures fell short of market expectations and were in line with our estimates. In 2019 Eurocash plans to continue integration of acquired businesses, which should result in reduced costs. The integration process should be completed in 2019. Eurocash recorded positive sales figures in ABC stores (data for 300 stores out of 8,700), Delikatesy Centrum and Eko stores under the name of Delikatesy Centrum in Q4'18. The confirmation of the positive trend should be maintaining positive dynamics in subsequent quarters. We draw attention to possible temporary slowdown/deceleration in earnings in Q1'19 triggered by the base effect (no Easter) and further extension of the Sunday trading ban (6 trading days less y/y in Q1'19). We are revising our forecasts for 2019/20 from PLN 415/458 million to PLN 379/417 million, which means a flat result y/y. We adopt a conservative approach related to the development of the retail segment, in which the company incurs expenditures aimed at increasing sales efficiency in acquired Eko stores (transformed into Delikatesy Centrum at the end of Q3'18) and improvement of results in the Mila network. Our new estimates are below market expectations and we expect a revision of the consensus in the coming months.

Current Price

22.58 PLN

Downside

9M Target Price

18.90 PLN

-16.3%

	rating	target price	issued
new	sell	18.90 PLN	2019-04-02
old	reduce	17.90 PLN	2019-02-04
Key Metrics			
	EUR PW	1M Price Chng	+7.5% +7.1%
Ticker	EUR PW	1M Price Chng	+7.5% +7.1%
ISIN	PLEURCH00011	YTD Price Chng	+28.3% +23.7%
Outst. Stock (m)	139.2	ADTV 1M	PLN 9.8m
MC (PLN m)	3,142.3	ADTV 6M	PLN 8.1m
EV (PLN m)	3,457.4	EV/EBITDA 12M fwd	8.2 -22.7%
Free Float	53.0%	EV/EBITDA 5Y avg	10.6 discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,814	22,833	23,799	24,312	24,736
EBITDA adj.	361	374	379	417	459
EBITDA margin	1.7%	1.6%	1.6%	1.7%	1.9%
EBIT	38	214	161	194	230
Net income	-59	110	75	113	155
P/E	-	28.7	42.1	27.9	20.3
P/B	3.1	3.0	3.0	2.8	2.6
EV/EBITDA	16.2	8.6	9.1	7.8	6.7
DPS	0.80	0.76	0.39	0.27	0.40
DYield	3.5%	3.4%	1.7%	1.2%	1.8%
Projection Update (% change)					
EBITDA			-8.6%	-8.8%	-6.6%
Net income			-23.3%	-19.6%	-11.3%
Wholesale (EBITDA)			-12.2%	-11.8%	-14.3%
Retail (EBITDA)			+5.0%	+2.3%	+20.5%
New Projects (EBITDA)			+1.8%	+4.5%	+7.2%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Wholesale (S)	17,953	18,207	18,390	18,436	18,459
Retail (S)	5,018	5,277	5,518	5,643	5,664
New Projects (S)	680	680	680	680	680
Other (EBITDA)	-82	-82	-82	-82	-82
Operating cash flow	494	582	722	758	790
D&A	183	204	218	224	229
D&A (financial lease)	0	0	330	334	335
Working capital	247	196	39	40	36
Investing cash flow	-336	-462	-148	-148	-150
CAPEX	-307	-445	-148	-148	-150
Financing cash flow	-117	-126	-546	-619	-626
Dividends/Buyback	-111	-106	-55	-37	-56
FCF	-271	446	211	248	281
FCF/EBITDA	-123%	107%	56%	59%	61%
OCF/EBITDA	223%	139%	190%	182%	172%

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019P	2020P	2021P
Days inventory	26.3	23.6	23.8	23.8	23.8
Days receivables	29.5	21.5	21.3	21.1	20.9
Days payables	78.4	69.8	69.8	69.8	69.8
CCC (days)	-22.7	-24.7	-24.7	-24.9	-25.1
SG&A/Sales	11%	12%	12%	12%	12%
Net debt (PLN m)	370	382	254	63	-151
Net debt/EBITDA (x)	1.7	0.9	0.7	0.2	-0.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	18P	19P	20P	18P	19P	20P
Minimum	11.8	10.3	9.3	5.1	4.5	4.3
Maximum	27.8	21.7	17.2	17.0	13.5	10.8
Median	15.2	13.3	12.1	6.1	5.5	5.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Wholesale (EBITDA)	405	429	434	434	435	435	436	436	437	437	437
Retail (EBITDA)	107	123	161	193	222	251	251	251	251	251	251
New Projects (EBITD)	-51	-53	-54	-55	-55	-55	-55	-55	-55	-55	-55
Revenue	23,799	24,312	24,736	24,907	24,951	24,974	24,993	25,006	25,020	25,035	25,035
EBITDA	379	417	459	490	520	549	549	550	550	550	550
EBITDA margin	1.59%	1.72%	1.86%	1.97%	2.08%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
EBIT	143	175	211	240	269	297	298	298	317	317	317
Tax	40	43	46	48	51	55	54	54	57	57	57
CAPEX	-148	-148	-150	-151	-153	-154	-156	-157	-159	-233	-233
Working capital	39	40	36	23	16	15	15	14	15	15	15
FCF	211	248	281	296	313	335	335	334	348	274	274
PV FCF	200	217	228	222	218	216	200	184	178	130	
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	3,700
Net debt	382
Other adjustments	61
Value per share (PLN)	23.40

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	12.44
DCF Val.	50%	23.40
Implied Price		17.92
Cost of equity (9M)		5.7%
9M Target Price		18.90

Jeronimo Martins accumulate (upgraded)

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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 store chain (+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. Jeronimo wants to distribute 50% of 2018 earnings as dividends this year, offering DPS of EUR 0.325. In the perspective of the next quarter, we would like to point out that the dynamics of Ifl may deteriorate. The company will publish the results on April 26th, 2019 and in our opinion the company's share price may be under pressure to this date by discounting potentially weak results for Q1'19. We slightly adjust our estimates and raise the target price to EUR 14.1 per share mainly due to the increase in the value of peer companies. Taking into account the decline in the JMT share price since the last monthly issue, we are upgrading the rating from hold to accumulate.

Current Price

13.19 EUR

Upside

9M Target Price

14.10 EUR

+6.9%

rating		target price	issued	
new	accumulate	14.10 EUR	2019-04-02	
old	hold	13.60 EUR	2019-03-05	
Key Metrics			JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-2.5%	-3.0%
ISIN	PTJMT0AE0001	YTD Price Chng	+27.6%	+23.0%
Outst. Stock (m)	629.3	ADTV 1M		EUR 9.3m
MC (EUR m)	8,300.4	ADTV 6M		EUR 9.7m
EV (EUR m)	8,628.2	EV/EBITDA 12M fwd	8.1	-13.9%
Free Float	-	EV/EBITDA 5Y avq	9.4	discount

Earnings Projections (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
Revenue	16,276	17,336	18,777	20,619	21,771
EBITDA	922	960	1,042	1,125	1,187
EBITDA margin	5.7%	5.5%	5.6%	5.5%	5.5%
EBIT	577	588	641	691	738
Net income	386	401	432	468	502
P/E	21.5	20.7	19.2	17.7	16.5
P/B	4.6	4.7	4.2	3.8	3.4
EV/EBITDA	9.1	9.0	8.3	7.5	6.8
DPS	0.69	0.64	0.31	0.34	0.36
DYield	5.2%	4.8%	2.4%	2.6%	2.7%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			+0.1%	+0.1%	+0.1%
Net income			-1.2%	-1.4%	-1.7%
Y/Y sales/sqm, Biedronka			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Pingo Doce			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Recheio			0.0 p.p.	0.0 p.p.	0.0 p.p.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
EBITDA Biedronka, PL	808	640	695	756	785
EBITDA Pingo Doce, PT	187	145	142	138	139
EBITDA Recheio, PT	50	42	42	43	44
EBITDA Other	-85	-80	-52	-27	5
CCC (days)	-71	-67	-65	-65	-65
Operating cash flow	909	849	1,401	1,623	1,606
D&A	345	372	402	434	449
Working capital	0	0	313	345	364
Investing cash flow	292	-43	133	246	155
CAPEX	-658	-700	-727	-696	-460
Financing cash flow	-229	-273	-670	-732	-775
Dividends/Buyback	435	401	196	212	228
FCF	397	62	288	502	697
FCF/EBITDA	43%	6%	28%	45%	59%
OCF/EBITDA	99%	88%	134%	144%	135%

Key Ratios (adjusted for IFRS 16)

(%)	2017	2018	2019P	2020P	2021P
Gross profit margin	21.2%	21.7%	22.0%	22.0%	22.0%
SG&A/Sales	17.6%	18.2%	18.1%	18.2%	18.2%
Y/Y sales/sqm, Biedr.	9.0%	1.0%	1.7%	0.3%	-1.0%
Y/Y sales/sqm, P. Doce	0.5%	3.2%	1.2%	1.6%	1.9%
Y/Y sales/sqm, Recheio	5.7%	2.8%	-0.7%	-1.7%	-1.7%
Net debt (EUR m)	-144	93	89	-107	-477
Net debt/EBITDA (x)	-0.2	0.1	0.1	-0.1	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	-3.6	0.6	0.5	8.9	7.8	7.0
Maximum	33.4	23.4	18.3	16.3	13.6	12.1
Median	0.2	0.9	1.5	12.4	11.1	10.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

(EUR m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Biedronka stores	3,172	3,444	3,484	3,524	3,564	3,604	3,644	3,684	3,724	3,764	3,724
Pingo Doce stores	432	432	432	432	432	432	432	432	432	432	432
Ara stores	772	1,032	1,192	1,352	1,512	1,632	1,712	1,752	1,792	1,832	1,792
Revenue	18,777	20,619	21,771	22,463	23,114	23,734	24,301	24,814	25,313	25,820	26,272
EBITDA	1,042	1,125	1,187	1,214	1,236	1,257	1,278	1,295	1,308	1,219	1,277
EBITDA margin	5.6%	5.5%	5.5%	5.4%	5.3%	5.3%	5.3%	5.2%	5.2%	4.7%	4.9%
EBIT	641	691	738	764	786	809	835	859	881	797	821
Tax	160	173	185	191	196	202	209	215	220	199	205
CAPEX	-727	-696	-460	-456	-452	-416	-381	-346	-346	-422	-422
Working capital	133	246	155	93	87	83	76	69	67	68	67
FCF	288	502	697	659	675	722	764	803	808	666	822
PV FCF	272	437	560	489	462	456	447	433	403	306	
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	1.8%
PV FCF	10,024
Net debt	93
Other adjustments	225
Value per share (EUR)	15.42

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	11.19
DCF Val.	50%	15.42
Implied Price		13.31
Cost of equity (9M)		6.2%
9M Target Price		14.10

LPP hold (downgraded)

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Last month, LPP share price has gone up by 9% yoy, most probably discounting the good results for Q1'19. According to estimates, EBIT loss in Q1'19 stood at a similar level to last year's result (-PLN 105 million in Q1'19 vs. -PLN 118 million in Q1'18). LPP has improved sales by 15.8% yoy in Q1'19, recording an 11.4% growth in comparable sales. The high lfl growth came at the cost of gross sales margin falling by 1.4 p.p. yoy to 43.7% in Q1'19 (the result of intense promotional sales and of the unfavorable and higher yoy buying price of the spring/summer collection). The company has maintained good cost discipline for SG&A/sqm (+0.3% yoy) for another quarter in a row. Considering the pressure on the gross sales margin (higher yoy cost of purchasing the collection) and the unfavorable base effect (sales increase by 20% yoy in Q2'18), we expect a slowdown in the company's results in Q2'19. We revise our EBITDA estimate down to 4%/4.8% respectively for 2019/20 and we lower our recommendation to "Hold" with a target price of PLN 8400 per share.

Current Price

8,405.00 PLN

Downside

9M Target Price

8,400.00 PLN

-0.1%

	rating	target price	issued
new	hold	8,400.00 PLN	2019-04-02
old	buy	9,300.00 PLN	2019-03-05
Key Metrics		LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	+5.4% +5.0%
ISIN	PLPP0000011	YTD Price Chng	+7.1% +2.5%
Outst. Stock (m)	1.9	ADTV 1M	PLN 16.1m
MC (PLN m)	15,569.6	ADTV 6M	PLN 19.0m
EV (PLN m)	14,879.7	EV/EBITDA 12M fwd	11.6 -17.3%
Free Float	69.5%	EV/EBITDA 5Y avg	14.0 discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018P	2019P	2020P	2021P
Revenue	7,029	8,040	9,387	10,661	11,929
EBITDA	872	1,079	1,256	1,425	1,600
EBITDA margin	12.4%	13.4%	13.4%	13.4%	13.4%
EBIT	578	743	893	1,010	1,152
Net income	441	543	748	851	975
P/E	35.3	28.7	20.8	18.3	16.0
P/B	6.4	5.4	4.4	3.6	3.0
EV/EBITDA	17.5	14.1	11.8	10.1	8.7
DPS	35.71	39.96	44.38	61.16	69.53
DYield	0.4%	0.5%	0.5%	0.7%	0.8%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			-4.0%	-4.8%	-4.3%
Net income			-5.8%	-6.9%	-6.2%
Sales per sqm			-1.1%	-1.4%	-1.4%
SG&A/sqm			-5.3%	-5.2%	-5.1%
Sales area			0.2%	0.3%	0.4%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue/sqm, PL (PLN)	595	607	607	614	619
Revenue/sqm, RU (PLN)	591	594	600	598	597
Revenue/sqm, CZ (PLN)	666	779	784	792	795
Revenue/sqm, DE (PLN)	502	507	518	517	517
Gross profit margin	52.8%	54.7%	53.9%	53.5%	53.5%
Operating cash flow	893	975	1,912	2,156	2,412
D&A	293	335	363	415	448
Working capital	0	0	896	978	1,056
Investing cash flow	101	-10	-95	-87	-67
CAPEX	-384	-871	-592	-636	-622
Financing cash flow	-360	33	-1,214	-1,113	-1,199
Dividends/Buyback	66	73	81	112	128
FCF	358	123	379	494	679
FCF/EBITDA	41%	11%	30%	35%	42%
OCF/EBITDA	102%	90%	80%	81%	83%

Key Ratios (adjusted for IFRS 16)

(k sqm)	2017	2018P	2019P	2020P	2020P
Salea area, PL	514	535	551	567	578
Salea area, RU	194	219	254	287	319
Sales area, CZ	44	48	53	59	64
Sales area, DE	45	46	46	47	47
Cash (PLN m)	515	652	757	1,163	1,754
Net debt (PLN m)	-316	-347	-690	-1,120	-1,725
Net debt/EBITDA (x)	-0.4	-0.3	-0.5	-0.8	-1.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	18.8	17.5	14.3	9.1	8.5	8.1
Maximum	23.4	21.5	20.1	15.0	12.5	11.8
Median	22.8	18.3	16.4	13.4	12.4	11.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	638	677	700	718	730	735	730	723	715	703	703
SG&A/sqm (PLN)	286	286	293	300	304	305	301	297	295	291	291
Sales area (k sqm)	1,100	1,210	1,327	1,441	1,562	1,696	1,854	2,041	2,263	2,530	2,530
Revenue	8,040	9,387	10,661	11,929	13,160	14,375	15,540	16,894	18,475	20,218	20,218
EBITDA	1,079	1,256	1,425	1,600	1,772	1,918	2,085	2,277	2,469	2,638	2,638
EBITDA margin	13.4%	13.4%	13.4%	13.4%	13.5%	13.3%	13.4%	13.5%	13.4%	13.0%	13.0%
EBIT	743	893	1,010	1,152	1,303	1,437	1,583	1,744	1,892	2,004	2,004
Tax	186	150	169	193	218	241	265	292	317	336	336
CAPEX	-749	-592	-636	-622	-562	-609	-691	-793	-918	-1,069	-1,069
Working capital	21	136	126	105	102	101	97	112	131	146	146
FCF	123	379	494	679	890	967	1,032	1,079	1,102	1,087	1,114
PV FCF	123	349	419	532	642	644	633	610	574	522	
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	14,456
Net debt	-316
Other adjustments	0
Value per share (PLN)	8,000

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	7,500
DCF Val.	50%	8,000
Implied Price		7,900
Cost of equity (9M)		6.4%
9M Target Price		8,400

Other PBKM hold (no change)

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We maintain neutral attitude towards PBKM. The company continues to consolidate the stem cell banks market. After the purchase of the Portuguese Stemlabu, the Company controls approximately 30% of the European market, but wants to strengthen its position. 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 sell 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)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
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

68.00 PLN

Downside

9M Target Price

66.57 PLN

-2.1%

	rating	target price	issued
unchanged	hold	66.57 PLN	2019-03-05

Key Metrics			BKM PW	vs. WIG
Ticker	BKM PW	1M Price Chng	+0.9%	+0.4%
ISIN	PLPBKM000012	YTD Price Chng	+17.2%	+12.6%
Outst. Stock (m)	5.0	ADTV 1M		PLN 0.3m
MC (PLN m)	338.0	ADTV 6M		PLN 0.4m
EV (PLN m)	388.3	EV/EBITDA 12M fwd	8.8	+37.7%
Free Float	48.8%	EV/EBITDA 5Y avg	6.4	premium

Earnings Projections

(PLN m)	2017	2018P	2019P	2020P	2021P
Revenue	147.1	151.8	190.4	201.6	206.6
EBITDA	46.0	48.4	46.8	50.5	51.7
EBITDA margin	31.3%	31.9%	24.6%	25.0%	25.0%
EBIT	41.2	42.9	40.8	44.3	45.4
Net income	30.7	33.7	26.8	29.3	30.1
P/E	11.0	10.0	12.6	11.5	11.2
P/B	4.3	3.2	2.4	2.0	1.7
EV/EBITDA	7.3	8.2	8.3	7.4	7.0
DPS	1.72	0.86	0.86	0.86	0.86
DYield	2.5%	1.3%	1.3%	1.3%	1.3%
Projection Update (% change)			2019P	2020P	2021P
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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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%
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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
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voxx 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	neutral	overweight
Rating date	2019-03-22	2018-11-30
Target price (PLN)	-	-
Price on rating day	48.50	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
Rating date	2019-01-31
Target price (PLN)	-
Price on rating day	11.75

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	neutral
Rating date	2019-03-28	2018-08-23
Target price (PLN)	-	-
Price on rating day	51.00	51.00

Amica

Rating	overweight	overweight	overweight
Rating date	2019-04-02	2018-09-13	2018-06-06
Target price (PLN)	-	-	-
Price on rating day	143.00	112.80	121.00

AmRest

Rating	buy	accumulate	buy	accumulate	hold	reduce
Rating date	2019-04-02	2019-03-05	2018-12-05	2018-11-05	2018-09-03	2018-04-06
Target price (PLN)	48.00	46.00	46.00	41.20	42.60	426.00
Price on rating day	41.20	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	neutral	overweight
Rating date	2019-03-29	2019-02-28
Target price (PLN)	-	-
Price on rating day	29.50	26.60

Asseco Poland

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

Asseco SEE

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

Atal

Rating	hold	buy	accumulate	accumulate
Rating date	2019-04-02	2018-07-04	2018-06-22	2018-04-06
Target price (PLN)	41.03	42.86	42.86	47.00
Price on rating day	39.90	36.40	37.30	43.40

Atende

Rating	neutral
Rating date	2019-01-31
Target price (PLN)	-
Price on rating day	4.40

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	buy	accumulate	buy
Rating date	2019-04-02	2019-02-04	2018-12-05	2018-11-05	2018-06-06	2018-05-09	2018-04-06
Target price (PLN)	275.00	291.00	288.00	272.00	295.00	295.00	295.00
Price on rating day	217.00	178.80	204.60	173.60	242.80	255.60	257.40

CD Projekt

Rating	accumulate	accumulate	buy	reduce	sell
Rating date	2019-04-02	2019-02-04	2018-11-23	2018-10-16	2018-04-06
Target price (PLN)	221.00	217.70	170.40	136.60	90.80
Price on rating day	204.00	190.00	139.00	158.60	114.90

CEZ

Rating	hold	hold	hold	sell	sell	sell	reduce
Rating date	2019-04-02	2019-02-04	2018-11-05	2018-07-04	2018-05-29	2018-05-09	2018-04-06
Target price (CZK)	565.50	537.80	518.72	440.96	458.38	449.51	449.51
Price on rating day	540.50	568.00	549.00	550.00	551.00	567.00	519.50

Ciech

Rating	buy	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-04-02	2019-02-04	2018-11-05	2018-08-02	2018-07-04	2018-06-06	2018-05-09	2018-04-06
Target price (PLN)	68.66	75.82	77.05	82.52	81.14	88.64	89.71	85.40
Price on rating day	54.80	52.40	42.58	56.95	53.05	60.20	55.00	57.00

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

Cyfrowy Polsat

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

Dino

Rating	reduce	hold	accumulate	buy	hold	accumulate	buy
Rating date	2019-04-02	2019-02-04	2018-12-05	2018-11-05	2018-06-06	2018-05-09	2018-04-04
Target price (PLN)	112.70	105.90	106.30	103.50	103.50	103.50	103.50
Price on rating day	126.10	100.30	100.40	84.70	107.40	96.65	85.10

Dom Development

Rating	hold	accumulate	buy	buy	accumulate
Rating date	2019-04-02	2019-02-04	2018-12-05	2018-08-02	2018-06-22
Target price (PLN)	84.40	84.10	84.10	87.80	87.80
Price on rating day	80.80	75.00	66.00	72.80	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	2019-04-02	2019-02-04	2018-11-29	2018-05-29	2018-04-06
Target price (PLN)	12.51	13.12	15.58	12.62	11.78
Price on rating day	8.76	10.73	10.50	9.57	9.10

Energa

Rating	buy	buy	buy	buy	buy	buy
Rating date	2019-04-02	2019-02-04	2018-11-29	2018-09-03	2018-05-29	2018-04-06
Target price (PLN)	12.21	13.26	13.54	15.27	15.58	14.91
Price on rating day	8.58	10.14	9.16	8.40	9.00	9.96

Erbud

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

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	sell	reduce	hold	buy	buy
Rating date	2019-04-02	2019-02-04	2018-12-05	2018-10-01	2018-04-06
Target price (PLN)	18.90	17.90	18.20	26.40	30.70
Price on rating day	22.58	20.13	18.00	18.08	24.41

Famur

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

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

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

GTC

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

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

Jeronimo Martins

Rating	accumulate	hold	buy	buy	buy	buy	accumulate
Rating date	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-08-02	2018-06-06	2018-04-06
Target price (EUR)	14.10	13.60	14.60	14.50	15.20	16.40	16.40
Price on rating day	13.15	13.40	12.38	10.60	12.65	13.52	14.90

JSW

Rating	reduce	hold	reduce	reduce	sell	buy	buy	buy	buy	buy	buy
Rating date	2019-03-25	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
Target price (PLN)	54.80	60.68	60.68	59.14	59.14	98.00	108.69	107.00	115.23	109.12	108.14
Price on rating day	62.50	59.96	68.30	71.20	72.56	77.00	79.50	77.50	86.66	79.32	86.78

JWC

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

Kemel

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

Grupa Kęty

Rating	hold	hold	reduce	sell	hold	hold	hold	hold	hold
Rating date	2019-04-02	2019-01-18	2018-12-05	2018-10-29	2018-09-03	2018-08-02	2018-06-06	2018-05-09	2018-04-06
Target price (PLN)	341.33	324.30	309.30	309.30	367.45	355.61	371.08	363.01	357.21
Price on rating day	324.00	336.50	343.00	365.50	387.50	321.50	360.50	353.00	346.00

KGHM

Rating	hold	hold	hold	hold	buy	buy	buy	buy	buy
Rating date	2019-04-02	2019-02-04	2018-12-05	2018-10-15	2018-09-03	2018-08-02	2018-06-06	2018-05-09	2018-04-04
Target price (PLN)	105.57	92.41	84.56	87.99	104.21	111.08	112.92	118.98	115.43
Price on rating day	109.40	94.16	92.60	85.40	90.80	96.00	96.52	92.50	88.00

Komercni Banka

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

Kruk

Rating	buy	buy	buy	buy
Rating date	2019-04-02	2019-02-04	2018-12-05	2018-09-17
Target price (PLN)	213.65	279.32	292.77	292.77
Price on rating day	152.30	167.60	177.10	187.80

Kruszwica

Rating	neutral	neutral	underweight
Rating date	2019-04-02	2018-10-16	2018-08-02
Target price (PLN)	-	-	-
Price on rating day	43.90	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
Rating date	2018-12-05	2018-06-22
Target price (PLN)	-	-
Price on rating day	17.40	18.80

Lotos

Rating	sell	sell	sell	sell	sell	sell	hold	hold	hold
Rating date	2019-04-02	2019-03-05	2019-02-04	2018-11-15	2018-09-03	2018-08-02	2018-06-29	2018-05-09	2018-04-06
Target price (PLN)	65.41	65.18	65.36	59.84	57.21	52.51	52.51	52.81	51.73
Price on rating day	86.22	93.90	93.00	73.50	69.90	65.86	54.50	55.62	54.60

LPP

Rating	hold	buy	accumulate	buy	buy	accumulate	hold	accumulate
Rating date	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-10-01	2018-06-18	2018-05-09	2018-04-06
Target price (PLN)	8400.00	9300.00	9300.00	9300.00	10200.00	10200.00	9500.00	9500.00
Price on rating day	8,405.00	7,990.00	8,370.00	7,730.00	8,625.00	9,025.00	9,260.00	8,900.00

Mangata

Rating	neutral	underweight	neutral
Rating date	2018-10-01	2018-09-13	2018-06-22
Target price (PLN)	-	-	-
Price on rating day	65.40	91.20	90.00

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	hold	accumulate	accumulate	buy	accumulate	hold	hold
Rating date	2019-04-02	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
Target price (HUF)	3223.00	3423.00	3433.00	3280.00	3280.00	3296.00	3296.00	2995.00	2954.00	2898.00
Price on rating day	3,278.00	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

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	hold	accumulate	buy
Rating date	2019-04-02	2018-12-05	2018-06-06
Target price (HUF)	13046.00	13046.00	12090.00
Price on rating day	12,600.00	11,810.00	10,210.00

PA Nova

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

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	buy
Rating date	2019-04-02	2019-03-26	2019-02-04	2018-11-29	2018-05-29	2018-04-06
Target price (PLN)	13.66	13.77	14.47	14.82	13.60	12.89
Price on rating day	10.10	9.88	11.86	11.47	9.28	9.81

PGNiG

Rating	accumulate	hold	hold	buy	buy	buy	buy	buy
Rating date	2019-04-02	2019-03-05	2019-02-04	2018-11-05	2018-09-03	2018-06-29	2018-05-09	2018-04-06
Target price (PLN)	6.92	7.08	7.72	7.72	7.86	8.28	8.17	7.96
Price on rating day	6.31	6.58	7.63	6.35	5.82	5.53	6.20	5.71

PKN Orlen

Rating	sell	sell	sell	sell	reduce	sell	sell	reduce	reduce	reduce
Rating date	2019-04-02	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
Target price (PLN)	79.39	81.22	83.43	81.52	81.38	81.38	76.84	76.84	76.73	76.89
Price on rating day	99.94	101.50	104.70	97.80	93.50	98.24	93.06	82.50	82.30	89.52

PKO BP

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

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	accumulate	hold	accumulate	buy	accumulate
Rating date	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-11-05	2018-08-02
Target price (PLN)	43.38	46.50	46.50	46.50	47.50	47.50
Price on rating day	40.79	42.00	44.66	43.80	40.60	42.00

Ronson

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

Santander Bank Polska

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

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

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	buy	hold
Rating date	2019-04-02	2019-02-04	2018-11-29	2018-09-03	2018-05-29	2018-04-06
Target price (PLN)	2.89	3.12	3.06	2.77	2.76	2.73
Price on rating day	2.03	2.37	2.21	2.00	2.01	2.38

TIM

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

Torpol

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

Trakcja

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

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
Rating date	2018-12-05	2018-05-28
Target price (PLN)	-	-
Price on rating day	72.00	73.00

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	overweight
Rating date	2019-03-28	2018-12-05	2018-11-08	2018-05-23
Target price (PLN)	-	-	-	-
Price on rating day	4.29	3.83	4.06	4.79

Wasko

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

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

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