mBank Dom Maklerski

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Monthly Market Outlook: June 2019

Equity Market, Macroeconomics

Equity Market

US-China talks brought disappointment, change of investors' expectations and global risk-off. One of the last chances to reverse the negative scenario is the G20 summit which takes place in June.

Sector Outlook

Financials

As expected Polish banking sector in May was under pressure related to the difficult situation of Idea Bank. The season of results has ended and we assess it positively, especially in the case of PKO, ING and MIL, where we see a chance for a consensus increase. The market expectations towards BHW, PEO and ALR may follow the opposite direction. In June, we expect the future of GNB and Idea Bank to be clarified. In addition, we expect the details regarding a possible banking tax in the Czech Republic or TLTRO III (beginning of June). In the current month, we overweight dividend companies such as PEO & BHW.

Chemicals

In our opinion, the Polish chemical sector has a chance to continue to perform better vs. the market due to the expected increase in results in the subsequent quarters. Currently, Grupa Azoty looks the most interesting.

Oil & Gas

The confusion with the Friendship pipeline triggered a strong sell-off in refining, but the declines have been recovered last week, probably as a reaction to better reading of margins. We maintain a conservative approach to profitability forecasts in the sector. In our view, an alternative to PKN/LTS is PGN.

Power Utilities

WIG-Energia recorded another weak month, despite the fact that besides PGE the companies delivered strong results, and recent reports indicate possible arrangement of the compensations issue. Sentiment may result from speculation about pressure on decarbonisation from the new European Parliament.

Telecoms, Media, IT

We recommend overweighting PLY. Despite the >60% increase in prices since the release of our analytical report in October 2018, the company has a potential for further growth. We expect the decline of CPS share price. In the IT sector, our top picks are invariably CMR and ASE due to high Q1 2018 results, good outlook for the entire 2019 and attractive valuation.

Industrials & Mining

Polish industrial companies performed slightly better in Q1 2019 than we expected, but still poor in relation to previous quarters. We are most convinced of FMF, KER, POZ and TIM, we would avoid AML, KTY and IPX. In our opinion, in our opinion, it is worth paying attention to the discount leaders in May (Cognor, Mercator, Pozbud, Stalprodukt).

Property Developers

Property developers presented good margins in Q1 2019 (29%), especially LCC and LKD. 1AT has also surprised positively on the margin. DOM with a strong quarter of results. The season of dividends is ahead of us, and 4 of property developers offer DY >=11%.

Retail

Poor sales results in April-May may negatively affect the results of clothing and footwear retailers in Q2 2019. The risk of introducing a tax on retail sales may put pressure on companies of the sector. In our opinion, EAT, LPP and VRG will perform best.

Key Ratings

Positive: 11B, ATT, CDR, CIE, COG, EAT, ENA, ENG, FMF, KER, LPP, PGE, PGN, POZ, TIM, TPE, VST

Negative: AML, DNP, IPX, KTY, LTS, PKN

EU Indices	Value	1M chng	YTD chng
WIG	57,910	-3.7%	+0%
ATX	2,897	-8.8%	+7%
BUX	40,904	-3.8%	+5%
PX	1,044	-1.7%	+9%
WSE WIG Ind.	**Value**	**1M**	**YTD**
WIG20	2,239	-3.7%	-1%
mWIG40	3,951	-3.8%	+2%
sWIG80	11,577	-3.1%	+10%
Banking	7,500	-3.5%	+1%
Basic Materials	2,002	-6.2%	+5%
Chemicals	10,512	-6.2%	+12%
Clothes	2,144	-1.4%	-11%
Construction	3,371	-8.8%	-2%
Energy	2,329	+1.2%	+17%
Food	4,936	-3.3%	+9%
IT	2,104	-2.4%	+10%
Media	5,416	-17.0%	-10%
Oil & Gas	7,167	-0.6%	-10%
Real estate	3,225	-10.1%	-5%
Telecom	720	+2.3%	+16%
Top 5 / Worst 5		**1M**	**YTD**
TIM	9.68	+18.0%	+57%
Enter Air	31.20	+14.3%	+46%
Work Service	2.28	+14.0%	+52%
Play	26.22	+11.3%	+34%
Enea	8.41	+9.9%	-15%
Bumech	3.00	-29.7%	+30%
Idea Bank	2.58	-30.5%	+6%
Trakcja	1.73	-31.7%	-56%
i2 Development	7.05	-35.3%	-21%
Elbudowa	10.25	-40.4%	-60%

Rating & 9M TP Changes as of 3 June

Name	Rating	9M TP
Alior Bank	buy ►	77.00 PLN ▼
Asseco Poland	hold ►	50.80 PLN ▼
Ciech	buy ►	55.00 PLN ▼
Cognor	overweight ▲	-
Eurocash	reduce ►	18.10 PLN ▼
Famur	buy ►	6.67 PLN ▼
Grupa Azoty	accumulate ▼	44.42 PLN ▼
Grupa Kęty	reduce ▼	326.37 PLN ▼
Handlowy	accumulate ▼	61.00 PLN ►
Kernel	buy ►	58.63 PLN ▼
KGHM	hold ►	91.71 PLN ▼
Lotos	sell ►	65.95 PLN ▲
LPP	accumulate ▲	8300 PLN ▼
MOL	hold ►	3223.00 HUF ►
PGE	buy ►	13.39 PLN ▲
PKN Orlen	sell ►	80.01 PLN ▲
Santander BP	hold ►	377.27 PLN ▼
Skarbiec Holding	buy ►	28.17 PLN ▼

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Investing Outlook

Contrary to our expectations, the May summit in Washington brought major disappointment, change of investors' expectations (most of them assume further escalation of the trade war) and global risk-off. The conflict has shifted from the discussion of tariffs to the technological clash (reducing the availability of Android OS for Huawei, the threat of cutting the US access to rare earth elements). Worries about tightening the customs policy with Mexico and Europe has raised again. Unfortunately, weak macro data is no longer a transitory scenario that was supposed to reverse with a consensus between the US and China, not it is rather the base scenario. It seems that one of the last chances to reverse the negative scenario is the G20 summit. Macro data that will be published in the coming weeks will probably disappoint, therefore investors will pay close attention to information regarding the trade talks coming before the summit (high volatility).

April and May on the WSE were dominated by foreign capital, with low activity of local funds and individual investors. There is no indication that this trend will change in the near future. Good macro data of the Polish economy stand out in Europe, which is why Poland can be treated as safe haven by foreign capital. In the environment of global reduction of positions in risky assets, the predictability and stability of this trend is very uncertain. The draft Act on Open Pension Fund ("OFE") confirms our previous opinion that the funds will not be a source of supply of Polish shares.

The consensus assumes the escalation of the trade war

The failure of the US-China talks at the negotiators meeting in Washington drastically reduced the investors' belief in the possibility of reaching a compromise. In addition, after the entry into force of the delayed, increased tariffs on Chinese products in May (USD 250 billion), China not only increased its duties but also threatened to block the supply of rare earth metals. Announcements (enforced by the government) to cut off Chinese companies from the possibility of using US operating system (Android OS) were also important. Survey conducted by Evercore ISI among its clients shows that as many as 63% of respondents expect further escalation of the trade war (increased duties on new products). In such scenario, the probability of recession in the next two years is estimated at 60%.

With such low expectations, the emergence of an opportunity for a deal would result in investors returning to the risky assets. The tension in relations between the parties, however, makes such scenario very uncertain in the investors' opinion. This causes the subsidence of the stock market (in the long term, further duties will reduce the profitability of companies and lead to a CAPEX reduction) and bull market on bonds. ISM & PMI indexes can only confirm investors in their negative attitude to risky assets.

G20 summit

In this context, G20 Summit which will take place in Osaka on June 28th-29th is an important event. So far before this type of meetings, Trump – with his tweets – upheld the expectations for the deal, which resulted in an increase in share prices. The current discount on NYSE does not help the president in face of the meeting with Xi Jinping. In addition, in the longer term (the prospect of next year's presidential election) the discount on S&P translates negatively into consumer behavior through the asset effect (the driving force of economic growth). This scenario is highly speculative, but it seems likely that this 'move' should be repeated in June – especially considering the pessimistic sentiment (positioning/allocation) of investors. Another question is whether the investors respond positively to such information – in this case, the investors' reaction should be an indication of the direction in which the indexes may follow in the coming weeks.

The zone is still weakening, in Poland GDP +4.6% y/y

The escalation of the trade war obviously does not improve the sentiment of enterprises. According to the latest, disappointing PMI readings in European industry, the indicator for the entire EU Zone decreased from 47.9 to 47.7 – it did not decline more due to surprisingly good data from France (50.6 vs. 50.0). There was also a drop in services which until now were more resistant to the weakening global economic situation vs. the industry. The weakening momentum of the economy clearly shifted to the labor market (subindex decline) for the first time in 5 years. The slowdown is more noticeable in the southern European countries, particularly in Italy, where the concerns about the debt level may soon increase (in the context of the budget deficit). Apart from BREXIT, which will probably return to the front pages of the newspapers in the coming weeks, the issue of Italian debt is an important (ignored in the context of the trade war) risk factor for the second half of the year. With the weakening economy of the Zone, macro data in Poland means that at least at the level of currency and bonds, we become safe haven of the markets. The effect of fiscal stimulation should limit the impact of the weaker external situation in the following quarters.

Changes in OFE – the bill

A bill transferring the assets from Open Pension Funds ("OFE") to Individual Pension Accounts ("IKE") / Social Security Institution ("ZUS") has been submitted for public consultation. According to the Government's plans, after consultations, ie. at the turn of June/July, it will proceed to the Council of Ministers and then to the Sejm. The changes will come into force from January 2020. We presented our thoughts on those changes in previous publications, which is why we are now referring only to the most important elements.

The number of people who will decide to change IKA to ZUS still remains the biggest concern among investors. In our opinion, the provisions in the act make the arguments for staying with IKE, and not ZUS: 1) unlike ZUS, the funds accumulated in IKE will be inherited, 2) it will be possible to withdraw them at once (after reaching the retirement age), 3) all OFE members will be transferred to IKE, and those who want to transfer assets to ZUS will have to submit relevant declarations. The news is that people who are 1.5 years ahead of the retirement age (at the time of entry into force of the amendments) will be automatically transferred to ZUS (due to the short contributory period, lack of economic justification of IKE). The key here is that the Government will actively persuade Poles to stay with IKE.

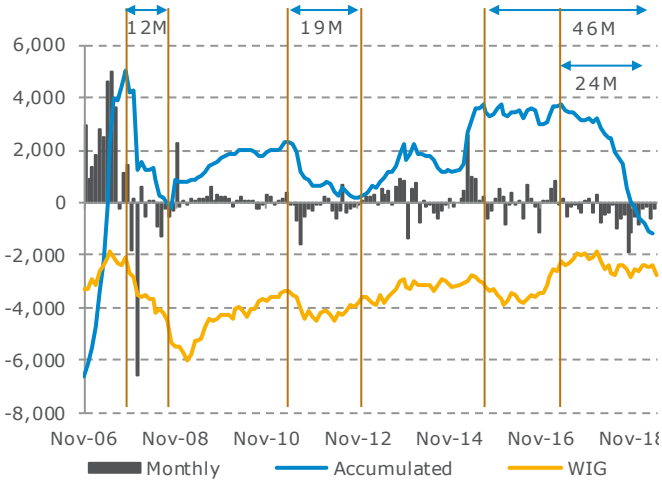
An important element – signaled in the description of planned changes – is the introduction of a minimum level of involvement in Polish shares (90% in 2020, a decrease to 67.5% in 2029). The introduction of such a mechanism sustains our earlier thesis (monthly report of April) that OFE will not actively sell shares as a result of the change. In the context of the Employee Capital Plans ("PPK") launch, the thesis that the government wants the stock market 'not to break down' under the weight of changes in OFE is confirmed.

We still do not know the date when a tax on transferred assets will be charged. Theoretically, by this time, the lower the share prices, the better for savers, and the funds themselves may not be interested in buying shares.

Domestic assets are still shrinking

April brought further redemptions in domestic equity funds and absolute return (PLN -203 million). This is the longest duration of redemptions in the history of the WSE. It has been going on for 24 months now, and counting quarters in which there were no net inflows, the period of 'drought' in stock funds has been lasting for 46 months. The result is a drastic decrease in the activity of domestic financial institutions and a further increase in the share of foreign clients in the market (detailed data in this respect will be available at the end of the summer). It is hard to find arguments for changing this trend in the coming weeks.

Net inflows to equity, and absolute return investment funds against WIG index



Source: Chamber of Fund and Asset Management (IZFiA), Dom Maklerski mBanku

Michał Marczak
tel. +48 22 438 24 01
michal.marczak@mbank.pl

Sector Strategies

Financials

- As we predicted, the sentiment for the sector in May was influenced by the news coming from Idea Bank and as long as the uncertainty regarding the future operation of Idea Bank does not disappear, the pressure on the sector will continue. We note that after Q1 2019, the Tier 1 capital ratio of Idea Bank was at 0.53% level, vs. the acceptable minimum of 6%. We expect the situation to be clarified by the end of June, when we get to know - or not, a new strategic investor.
- Quarterly results of the Polish banks that we cover turned out to be 3% higher than the consensus, mainly due to slightly lower operating costs and net provisions. Adjusting the result for all one-off events (including the BFG restructuring fee), the aggregated net profit increased by 14% y/y. At the same time, the results indicate a quite large polarization of the sector in Q1 2019, which means a chance to increase market expectations for PKO, ING & MIL, as well as reduction in the case of PEO, ALR & BHW (the process has already begun).
- In the region, Czech banks are suffering due to the information suggesting a new tax on the largest Czech lenders. The Czech prime minister once again denied the plan to introduce a classic bank tax, while proposing the creation of a special development fund to which the largest Czech banks would contribute. The details of the new fund's supply are still unknown, but based on preliminary proposals and market shares, the new fee would be ca. 5% of net profit for Erste Group and ca. 10% of net profit for Komercni Banka.
- **Key Ratings:** Pekao (buy), Kruk (buy), Erste Bank (buy)

Chemicals

- Industrial stocks of MSCI Chemicals decreased in May in fear of the escalation of the trade war. Polish chemical companies performed slightly better, benefiting from declining prices of raw materials (gas, oil) & possessing products less exposed to business cycles (soda, fertilizers).
- In our view, the Polish chemical sector is still likely to continue to perform better vs. the market due to the expected increase in results in the subsequent quarters.
- At present, both Ciech (soda prices increases, drop in gas prices, improvement in results in subsequent quarters, consolidation of Proplan and baking soda results in Germany) and Azoty Group (good outlook for Q2 2019, annual consensus is to move to PLN 1,4-1.5bn EBITDA from current PLN 1.3bn, further declines in gas prices with rebounding fertilizer prices in Europe, diversification of participation in the PDH project).
- **Key Ratings:** Azoty Group (accumulate), Ciech (buy)

Oil & Gas

- Brent crude prices fell in May below $70/bbl, mainly due to concerns about further escalation of the China-US trade conflict. The vision of greater tension around Iran ceased to frighten and the investors started to make profits, which is visible in the drop in speculative positions, both WTI (4 weeks in a row, a total of 25%) and Brent (2-week drop by 3%). The data on the further reduction of the number of active drilling rigs in the USA also did not help, as the market focused on current increases in inventories.
- Gas spot prices in Europe after a short rebound are going down (below EUR 13/MWh), and this trend is further aggravated by the correction on the coal market. The inventories in the EU are record-breaking for this time of year, which of course results from a warm winter. However, annual contracts assume that this is a temporary situation (1Y FWD around EUR 20/MWh) and we agree with such a scenario.
- Refining margins on falling crude oil & strong gasoline cracks (shutdowns of Leuna and Mozyr refineries due to the lack of supplies via Friendship pipeline and shutdown of large Shell refinery in Rotterdam) were relatively high in May, although it was neutralized by the low level of Ural/Brent differential. As a result, the comprehensive margin in PLN is quite similar y/y. Nevertheless, recent readings indicate that the situation may deteriorate.
- Supplies via the Friendship pipeline on the southern section were resumed, but there is still no agreement between Poland & Russia regarding the clearing of the Polish section (the issue of compensations). The base scenario assumes a return to regular operations in the perspective of the coming months, and the Companies ensure that logistic disruptions will not affect the Q2 results.
- According to POPIHN data, retail margins on the Polish market continued a downward trend in April, although in y/y terms the readings were not homogeneous. In case of petrol we recorded a drop from PLN 0.10 per liter to PLN 0.30, while diesel increased from PLN 0.30 to PLN 0.66 per liter. We note that in Q1, the companies still benefited from very high fuel margins y/y.
- In case of petrochemicals, oil price decreases improved profitability of monomers, but we recorded similar readings m/m on polyolefins.
- **Key Ratings:** Lotos (sell), PGNiG (buy), PKN Orlen (sell)

Power Utilities

- Energy prices on the German market have fallen below EUR 49/MWh in recent days due to strong correction of coal prices (-6% in May) and subsequent minima of natural gas (spot -16% in May). CO_2 prices also do not help, as they moved back to ca. EUR 25/t. The CDS has slightly improved to the level of EUR 3/MWh, although the model margin of the gas-fired power plant is still preferable on 1Y FWD contracts.
- In Poland, energy prices remain above PLN 270/MWh in annual contract, which means that from the local minimum of Q1, the model margin for the integrated power plant has been vertically rebuilt by about PLN 11/MWh to PLN 173/MWh (the average margin of Polish Power Exchange (pl. TGE) listings in contracts for the current year amounted to PLN 170/MWh). We point out that in case of blocks based on external coal supplies, such price level also implies improvement in profitability in 2020, as in the current market situation it is hard to expect an increase in fuel costs.
- It looks like the time of the frozen energy prices horror is slowly coming to an end. The Ministry of Energy announced that it had consulted this intervention with the European Commission. The compromise assumes that compensations/price reductions for H1 2019 will be implemented in accordance with the current law and the draft of the regulation (covering all recipients), but from July 1st lower prices will be guaranteed only for households, local governments, hospitals and small & micro companies. Medium and large commercial customers will be able to apply for entry into the compensation system on the basis of de minimis aid with a total public aid limit of EUR 200.000 in 3 consecutive years. This means that the scope of price freeze will be significantly limited (a large number of companies

probably will not decide to join the system on such restrictions), which reduces the risk of the lack of full coverage of losses in power utilities. The implementation of these changes requires the amendment of the Act (June 12-14) and the publication of a new regulation (July), so the first compensation for energy will appear in August.

- Prices of energy companies in Europe were rather stable last month. In the case of WIG-Energia, however, we observe a further outflow of investors (-9% in May, -15% YTD), which has been boosted in recent days by poor results of PGE. The terrible sentiment towards the sector is proved by the fact that the market ignores theoretically positive news, such as better quarterly results of Enea and Tauron, or the aforementioned government consensus with the EC on compensation.
- The result of the elections to the European Parliament, which might be more restrictive regarding the EU's decarbonization policy, will be important for Polish energy companies. There has been speculation that Brussels may negatively assess the plan for energy & climate presented by Poland due to unsatisfactory commitments to increase production in RES. In our opinion, a possible change of the Polish government's position regarding renewable sources (an update of Tauron's strategy might be symptomatic in this regard) could be a positive catalyst for the sector, as it would involve the postponement of atomic plans. According to unofficial reports, Ministry of the Environment has begun the work on the concept of a strategic reserve, which would acquire old coal units and would manage them after 2025, when support from the power market expires. Such a solution would help to align state energy companies with European emission trends.
- **Key Ratings:** Enea (buy), Energa (buy), PGE (buy), Tauron (buy)

Telecoms, Media, IT

- The Office of Electronic Communications has published decisions regulating access to building infrastructure belonging to six operators: Netia, UPC, Multimedia, Vectra, Toy and Inea. The regulator wants the operators to make their network available for competitors in blocks, which means that these entities could provide their services based on the infrastructure of these operators. For customers it would mean an easy change of the service provider - no need to replace cables. In addition, customers living in new buildings that were built after 2012 would be able to choose each service from another operator. However, that regulatory decisions do not have to be implemented immediately, which means that they will come into force when infrastructure owners are ready to do so.
- A long-term financial plan has been published on the website of the Ministry of Finance. The Ministry expects revenue from sales of 3.7 GHz (200 MHz from this range), 26 GHz and 800 MHz for PLN 3.5-5 billion 2020. If we deduct approx. 1.5 billion for one 800 MHz and 26 GHz block together, the implied revenue from the 3.7 GHz offer amounts to approximately PLN 0.5-0.9 billion per operator. These numbers correspond to current and previous auctions in Europe. Currently, our assumption is PLN 590 million per operator. We also emphasize that the lack of plans to offer the 700 MHz band can be taken as a positive.
- Marcin Cichy, the President of the Office of Electronic Communications (UKE), announced that the 3.7 GHz band will be distributed in 50 MHz blocks for each operator, so that all four infrastructure operators have the chance to participate in the tender and simultaneously launch 5G services. The distribution will take place in the form of a tender. This is positive news for all Polish MVNOs (a less predictable auction is an alternative).
- In March, media agency Zenith raised its forecast for Polish advertising market in 2019 to 5.3% from 4.2%. According to the agency, the 'Kaczyński's five' promised by the government will be help maintaining high consumption, which has an impact on the advertising market. According to Zenith estimates, due to lower planned GDP dynamics and high last year's base (increase by 6.8%), in 2019 the growth of the TV advertising market will be lower vs. 2018 and will amount to 3.1%. This will also be the first year in which the share of television in the advertising market falls below the 50% limit. Expenditures on online advertising will be higher by 12.11% this year. This will be especially the result of the increase in advertising prices bought in the programmatic model, caused by Google's announcement of the first-price auctions until the end of 2019.
- WIG Info recorded a 0.8% increase in May. Thus, the IT companies' index was better vs. the broad market (vs. +7.4% WSE). WIG Info was also higher vs. MSCI IT EU benchmark by 7.0pp The median 12M P/E fwd for IT companies @13.4x is 12.6% below the historical average for the last three years.
- The Q1 2019 reporting season of IT companies is coming to an end. 5 out of 6 companies we cover have already delivered reports. EBITDA growth at a median annual rate for the five companies was >50%. At this point, we note that this is partly the effect of IFRS16, but the net line also shows significant increases in results (>67%), and the median P/E ratio is 12.8x. Hence, we increase the approach to the sector to positive. The main risk for companies remains, as in previous months, the payroll pressure. Some companies indicate difficulties with building revenues, large enough to generate long-term increases. However, the companies seem to record more revenues from public contracting (especially in terms of smaller contracts) q/q.
- **Key ratings and positioning**: 11 bit studios (buy), Orange Polska (buy), Play (buy), Asseco SEE (overweight), Comarch (buy), Cyfrowy Polsat (reduce)

Industrials

- Industrial stocks as tracked by MSCI Europe and World were under pressure in May and now they are listed with a slight discount to their average P/E and EV/EBITDA ratios for the last three years.
- Polish industrial companies delivered slightly better than expected figures in Q1 2019, but still poor in relation to previous quarters. In Q1 2019, so far 53% of companies improved y/y results (expected 32-33%), but it is still the worst number since Q3 2017. Comparing the results with expectations - 40% beat our forecasts & 33% reported worse results than expected. Positive Q1 surprises were: Forte, Kruszwica, Mangata & Pozbud, negative: Alumetal, Cognor & Pfleiderer.
- In our opinion, it is worth paying attention to the discount leaders in May, whose valuation currently looks much more attractive - Cognor, Mercator, Pozbud, Stalprodukt.
- **Key ratings and positioning:** Alumetal (underweight), Cognor (overweight), Grupa Kęty (reduce), Impexmetal (underweight), Famur (buy), Kernel (buy), Pozbud (overweight), TIM (overweight)

Mining

- The escalation of the trade war between the US and China negatively influenced the sentiment towards emerging markets and industrial metals. The weakening of the emerging markets' currency baskets negatively influenced the listings of raw materials, which also had an impact on the valuation of mining companies. Currently, the number of open speculative positions on metals in general is at the lowest level since 2014 and any positive information could result in closing short positions by active investors and trigger price increases. With weak leading data (PMI in the US & Europe), the market may expect central banks to return to the tools stimulating economic growth. This, in turn, would result in higher prices of precious and industrial metals (in both cases a positive scenario for KGHM).
- KGHM positively surprised with Q1 2019 financial results. The Company does not expect additional employee bonuses and does not see the risk of creating additional reserves for a closed mine in the Sudbury area. After signing of the amendments to the Mining Act by the President, the representatives of the ruling party indicate that this is the first step towards easing the burdens for the domestic copper producer.
- The European steel market experienced a hard time in Q1 2019. The increase in steel imports to the European Union, a drop in prices with rising production costs resulted in a decline in the financial results of almost all companies in the sector (poor earnings of Cognor, Konsorcjum Stali, Stalprodukt, VoestAlpine). Arcelor Mittal has also decided to limit production in Europe by 3 million tonnes per year and to close the steelworks in Krakow, which should reduce competition on the domestic market in H2 2019. Additionally, we will observe a slowdown in the import rate of steel products to Europe in the following months due to the exhaustion of import quotas planned for the current year.
- In the case of JSW, the Q1 2019 results positively surprised investors. The company expects production growth in H2 2019, but weaker Q2 2019, in terms of production still remains likely. The main risk factor for JSW is the election of the new Management Board expected in June. The newly elected authorities may have a different approach to the development of the Group and the management of free financial resources.

Property Developers

- We already know the dividend recommendation of the majority of companies in the sector. 4 of them offer DYield = 11-13% (LKD, 1AT DOM, LCC), ARH & RON ~7-8%, and INP, GTC & PHN ~ 4-5%.
- Developer's margin in stock companies was 29% in Q1 2019 and turned out to be 3.2 pp. higher y/y and also the highest in the last few years. Margins in LC Corp (36%) and Lokum (43%) surprised in particular. Atal also positively surprised the consensus with strong margins. DOM delivered nominally very good Q1 2019 (strong level of completions and high margins).
- **Key Ratings**: Dom Development (hold), Atal (hold)

Retail

- The Ministry of Labor announced a proposal to increase the minimum wage by 8.9% in 2020. This is the highest increase since 2016 (+10.1% y/y). In 2017/18/19, the minimum wage increased +8,1%/+5%/+7.1%, respectively. The increase in the minimum wage growth rate relative to previous years will result in even greater pressure on payroll costs. **We expect the strongest impact on DNP** (low average wage in stores), **EUR** (weakening of competitive position of EUR customers, costs increase in logistics), **JMT** (higher pressure on payroll costs). CCC, EAT and LPP have ever smaller share of business on the Polish market and have introduced a number of activities to optimize payroll costs.
- Unfavorable weather conditions negatively affected the sales of clothing and footwear retailers in May. Considering the low sales dynamics in April-May, companies may be willing to make more intensive promotional campaigns in June, which should positively translate into sales, reducing profitability.
- **AmRest** maintained a high rate of EBITDA improvement in Q1 2019 (+25% y/y). We expect the acceleration of the dynamics of EBITDA improvement in 2-3Q 2019 supported by the base effect and the consolidation of Sushi Shop. In our view, AmRest is one of the investment options in the sector .
- The **CCC** price reacted negatively to the publication of Q1 2019 results. The high cost base associated with the acquired businesses and the increase in expenditures on marketing/sponsoring may significantly affect the company's earnings in 2019. According to the company, weather conditions in May have negatively affected the company's dynamics.
- **EUR** share rate reacted negatively to the confirmed information regarding the planned termination of cooperation with PKN Orlen as well as the information on the CJEU verdict regarding the tax on retail sales. We correct our forecasts for the loss of a contract with PKN Orlen. If the retail sales tax is introduced in 2020 (we do not take into account this event), the projected EBITDA would be flat y/y in 2020. An additional challenge for the company will be an increase in the minimum wage by 8.9% y/y in 2020.
- **Key ratings and positioning**: 11 bit studios (buy), AmRest (buy), CCC (buy), Dino (reduce), LPP (accumulate), VRG (overweight)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat/Miss	2016			2017				2018					+/=
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	
miss	15	12	19	14	11	18	18	10	12	15	25	12	181
in-line	16	26	19	24	25	29	23	35	19	24	22	27	289
beat	27	22	22	21	25	16	24	21	35	27	19	26	285
Σ companies	**58**	**60**	**60**	**59**	**61**	**63**	**65**	**66**	**66**	**66**	**66**	**65**	**755**
miss	26%	20%	32%	24%	18%	29%	28%	15%	18%	23%	38%	18%	24%
beat	47%	37%	37%	36%	41%	25%	37%	32%	53%	41%	29%	40%	38%

YoY	2016			2017				2018					+/=
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	
miss	25	24	21	23	22	19	23	27	17	20	23	23	267
in-line	7	5	6	5	9	13	2	9	11	12	8	10	97
beat	31	35	37	37	35	34	41	30	38	34	35	32	419
Σ companies	**63**	**64**	**64**	**65**	**66**	**66**	**66**	**66**	**66**	**66**	**66**	**65**	**783**
miss	40%	38%	33%	35%	33%	29%	35%	41%	26%	30%	35%	35%	34%
beat	49%	55%	58%	57%	53%	52%	62%	45%	58%	52%	53%	49%	54%

*[+/=] – 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 Dom Maklerski

mBank Sentiment Watch (next 30 days, by sector)

Sector		Poland	US	Germany
Banks	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	PEO, BHW	BAC US, JPM US	PBB GY, WUW GY
	Stocks To Avoid			
	Key Catalysts	Dividends and end of Idea Bank saga	Yields upside from here	Possibilities and alternatives in terms of tiering
Chemicals	SENTIMENT	BULLISH		NEUTRAL
	Stocks To Own	ATT, CIE		EVK GY, LXS GY,
	Stocks To Avoid			1COV GY
	Key Catalysts	Results improvement		Rebound in China
Real-Estate Developers	SENTIMENT	NEUTRAL	NEUTRAL	
	Stocks To Own			
	Stocks To Avoid			
	Key Catalysts		Low yields vs lower confidence	
Utilities	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	ENA, ENG, PGE, TPE		RWE GY
	Stocks To Avoid			UN01 GY
	Key Catalysts	Final agreement on power prices freeze compensations	Value rotation	Deffensive sector
Retail, Consumer	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own	LPP, VRG, EAT	TJX US, WEN US	DHERR GY, ADS GY, BOSS GY, ZAL GY, SAE GY, M12 GY
	Stocks To Avoid	DNP, EUR		ZO1 GY
	Key Catalysts	Retail tax implementation risk	Post Q1 de-rating exhausted	Strong consumer
Oil&Gas, Refining	SENTIMENT	BEARISH	NEUTRAL	
	Stocks To Own	PGN	FANG US; COP US	
	Stocks To Avoid	LTS, PKN	MRO US	
	Key Catalysts	Natural gas prices rebound, further pressure on downstream margins	Energy pricing recession, that's unlikely	
Industrials	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	FMF, KER, POZ, TIM		SIE GY, AIR FP, MTU GY, VAR1 GY, DUE GY
	Stocks To Avoid	AML, IPX, KTY		G1A GY
	Key Catalysts		Slower growth, trade war	We prefer leaders
Mining	SENTIMENT	NEUTRAL	BEARISH	
	Stocks To Own			
	Stocks To Avoid			
	Key Catalysts	Raising costs	Slower growth, trade war	
Automotive	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own		APTV US, GM US	DAI GY, CON GY, VW GY, UG FP, BMW GY
	Stocks To Avoid	BRS, AML		ZIL2GY
	Key Catalysts	Headwinds	Low multiples vs trade war	Low valuation
Tech, Media	SENTIMENT	BULLISH	BEARISH	BULLISH
	Stocks To Own	ASE, CMR	DISCA US, LRCX US, CSCO US	COK GY, WDI GY, IFX GY, 01BC GY, SAP GY
	Stocks To Avoid		NFLX US	NEM GY
	Key Catalysts		II Tier still overvalued	Positive outlook
Telecoms	SENTIMENT	NEUTRAL	BULLISH	NEUTRAL
	Stocks To Own	OPL, PLY		DTE GY, DRI GY
	Stocks To Avoid	CPS		TC1 GY
	Key Catalysts		Tech @ reasonable price	Deffensive sector

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

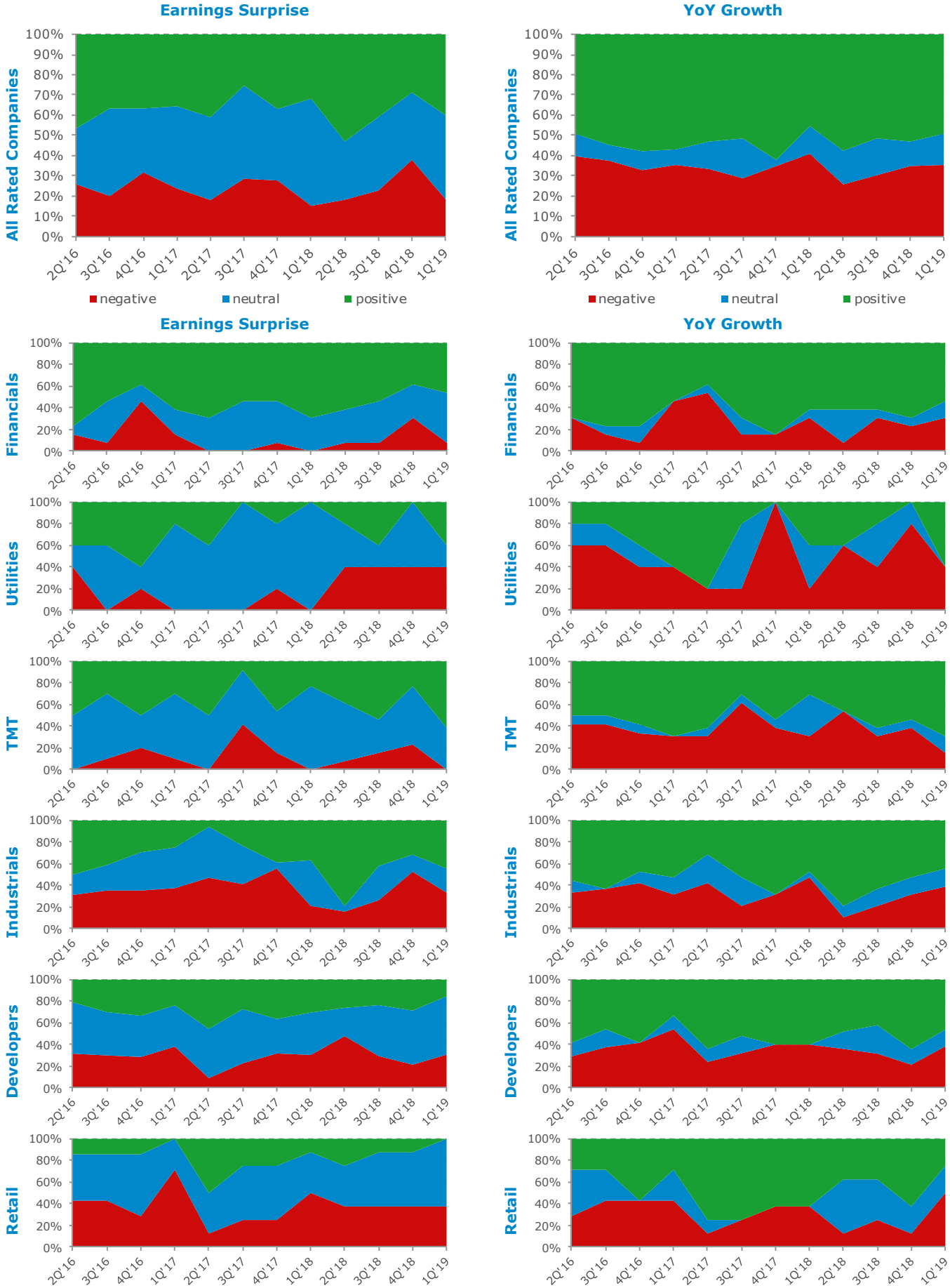
Beat/Miss	2016			2017				2018					
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	+/=
Financials													
Alior Bank	+	+	+	-	+	+	+	=	+	=	=	=	92%
Handlowy	+	-	=	-	+	+	=	+	+	-	-	-	58%
ING BSK	+	+	-	+	=	=	=	=	-	=	+	+	83%
Millennium	+	=	+	+	=	+	=	+	+	=	+	+	100%
Pekao	+	+	+	+	=	=	+	=	=	+	+	=	100%
PKO BP	+	+	-	+	+	+	=	+	=	=	=	=	92%
Santander BP	+	=	+	=	+	=	=	=	+	=	-	=	92%
Komercni	+	+	=	+	+	+	+	+	+	+	+	=	100%
Erste Bank	=	=	-	=	+	=	+	+	+	+	+	+	92%
OTP Bank	+	+	-	+	+	+	+	+	+	+	=	=	92%
PZU	-	=	+	+	=	=	+	+	=	+	=	+	92%
Kruk	-	+	-	+	+	=	-	+	+	+	-	+	67%
Skarbiec	+	=	-	=	+	+	+	+	=	+	-	+	83%
Chemicals													
Ciech	+	=	+	=	=	=	+	=	+	=	-	=	92%
Grupa Azoty	-	=	-	+	-	=	-	=	-	-	+	+	50%
Oil & Gas													
Lotos	=	+	=	+	+	+	=	-	+	=	-	=	83%
MOL	=	=	-	+	+	-	=	=	=	+	+	=	83%
PGNiG	-	-	+	+	-	-	=	-	+	-	-	=	42%
PKN Orlen	-	=	+	=	=	-	=	=	-	=	+	=	75%
Utilities													
CEZ	-	=	+	=	=	=	+	=	-	+	=	=	83%
Enea	+	+	+	=	+	=	=	=	-	=	=	+	92%
Energa	-	=	=	=	=	=	-	=	=	-	-	-	58%
PGE	=	+	-	=	=	=	=	=	=	-	-	-	67%
Tauron	+	=	+	+	+	=	=	=	+	+	=	+	100%
TMT													
Netia	+	=	+	=	=	+	+	=	=	=	=	=	100%
Orange PL	=	=	=	=	+	=	=	=	+	+	+	=	100%
Play	na	na	na	na	na	=	=	=	+	=	=	+	100%
Agora	=	=	+	=	+	=	+	=	+	+	=	+	100%
Cyfrowy	=	+	=	+	=	=	=	+	=	=	=	=	100%
Wirtualna	=	-	-	+	=	=	=	=	=	=	=	=	83%
Ailleron	na	na	na	na	na	-	+	=	=	-	-	+	57%
Asseco BS	+	=	=	=	=	=	+	=	=	+	+	=	100%
Asseco PL	+	+	-	=	=	-	-	+	+	+	=	+	75%
Asseco SEE	=	=	+	=	+	-	=	=	=	+	=	+	92%
Atende	na	na	na	na	na	na	+	=	-	+	-	+	67%
Comarch	+	=	+	-	+	-	-	+	+	+	+	+	75%
CD Projekt	+	+	+	+	+	-	+	=	=	-	-	+	75%
Industrials													
Alumetal	+	-	=	-	=	+	=	=	+	=	-	-	67%
Amica	=	=	-	=	=	-	+	-	+	+	+	=	75%
Apator	+	-	=	=	-	=	-	=	+	=	+	=	75%
Boryszew	+	+	-	+	-	+	-	-	=	-	-	-	42%
Cognor	na	na	na	na	na	na	na	+	+	=	-	-	60%
Ergis	-	+	=	+	=	-	-	-	-	-	-	-	33%
Famur	+	=	+	na	-	=	+	+	+	+	+	+	91%
Forte	+	=	=	=	=	-	-	=	+	-	-	+	67%
Grupa Kęty	+	=	=	=	=	=	-	=	+	=	=	=	92%
Impexmetal	+	+	-	-	-	+	-	+	+	+	-	=	58%
JSW	=	-	-	+	+	-	-	=	+	=	-	+	58%
Kernel	-	+	-	-	-	-	+	=	-	+	+	-	42%
KGHM	-	+	+	+	=	=	+	=	+	-	-	+	75%
Kruszwica	-	+	+	-	-	=	-	+	+	+	+	+	67%
Mangata	+	-	+	=	-	-	-	+	+	+	-	+	58%
Pfleiderer	=	+	-	-	-	=	-	+	-	+	-	-	42%
Pozbud	na	na	na	na	na	na	+	=	+	-	=	+	83%
Stelmet	na	-	=	-	=	-	+	-	+	+	=		60%
Tarczyński	-	-	+	=	=	+	+	+	+	=	+	+	83%
Real-Estate													
Atal	na	+	=	+	+	-	-	=	+	=	+	+	82%
Dom Dev.	=	=	=	=	+	+	=	+	=	+	=	=	100%
Retail													
AmRest	=	=	+	-	+	+	+	-	-	=	+	-	67%
CCC	+	+	=	-	+	-	-	-	-	-	-	-	33%
Dino	na	na	na	na	+	=	+	+	=	=	=	=	100%
Eurocash	-	-	-	-	=	-	-	=	=	-	-	=	33%
Jeronimo	=	=	=	=	=	=	=	=	=	=	=	=	100%
LPP	=	=	=	=	=	+	=	-	+	+	=	=	92%
Monnari	-	-	-	-	+	=	=	=	+	-	-	-	42%
VRG	-	-	=	-	-	=	=	-	-	=	=	=	50%

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

'+' = 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

mBank Dom Maklerski

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



Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

Macroeconomic Update

GDP in Q1'19

Polish economy started the year on a firm footing, having risen by 4.6% y/y. The result was better than market consensus (4.4% y/y) and close to our optimistic forecast of 4.7% y/y. Also, this fits higher frequency data phenomenally well (see the graph below). The sequential growth rate (1.4% q/q, seasonally adjusted) is consistent with monthly data – Q1 saw one of the largest q/q increases in industrial and construction output in recent years. Finally, the positive surprise fits the CEE pattern of beating market consensus.

The structure of Q1 GDP will be published on May 31st, however, we can make some educated guesses. Our forecasts assume that consumption rose by 4.1% y/y and investment advanced by 7.5% y/y. The missing piece of the puzzle was revealed by yesterday's balance of payment data. Strong exports and a deceleration in overall imports imply that net exports likely added more than 1 percentage point to annual GDP growth.

As we indicated repeatedly, sequential Q1 growth rate has the largest weight in annual average GDP growth. Hence, last quarter's result bodes well for this year's economic growth and for our optimistic forecast of 4.5% y/y. The distribution of quarterly growth rates is likely to be U-shaped, though. Weaker business sentiment across the board in April (no hard data has yet been published) implies further deceleration in GDP, this time to 4.4% y/y. The second half of the year will be shaped by the fiscal stimulus and growth will likely firm up.
There are two considerations for the markets. First, today's surprise will not shift the expected NBP rate path in any meaningful way. Polish MPC has already shown that it was capable of becoming more dovish when growth was accelerating, it only makes sense to expect more dovishness as the economy is slowing down (albeit gently). Second, judging from consumer sentiment or labor market stats, one can confidently argue that there is no practical difference between 5.5 (this cycle's peak) and 4.6% GDP growth. This, in turn means, that credit risk premium should be low.

Retail sales

Retail sales increased by 11.9% y/y in constant prices in April, beating market consensus (8.2% y/y). Our forecast (11.3% y/y) turned out to be relatively close to the final result (also in details), which is why we can easily identify the reasons for the double-digit increase in retail sales. Firstly, the effect of late Easter worked, and as a result the expenditures on food and in other non-specialized stores were spent mostly in April, unlike last year - in March. Sales fluctuations in March-April are not surprising because of the mobile nature of this bank holiday. Secondly, retail sales in April last year were even weaker than indicated by the calendar (surprise in minus was 3-4 pp on the entire aggregate). In fact, the around-Easter sales in 2018 were relatively weak, which created a solid low base. Thirdly, in April 2019 (a positive surprise), the sale of durable and semi-durable goods in some categories has been preserved. Surprise by 4-6pp applies mainly to clothing and footwear, pharmaceuticals and furniture, electronics and household appliances. Car sales were in turn insensitive to the fluctuation in working days. After all, the base sales turned out to be the highest since 2011 (+11.3% y/y in current prices, excluding fuels, food and cars) and calendar issues do not fully explain this acceleration. A good retail result and favorable reading details indicate that the consumer boom is not lying and the high indexes (including record expectations of households regarding their financial situation) are reflected in consumption demand. Nevertheless, we would not recommend forecasting a sharp acceleration of private consumption in Q2 on the basis of retail sales alone. This is due to both insufficient data (only one month of the quarter) and the fact that private consumption is much smoother than retail sales. Nevertheless, the first elements of the 'five' go to the households in Q2 and this is the factor that is more likely to cause a slightly higher consumption dynamics.

Industrial production

Industrial production increased by 9.2% y/y in April, which was close to our optimistic forecast (9.5%). In seasonally terms, production increased by 0.1% m/m, which reduces the 3-month momentum of this indicator. However, the drop occurs from high levels, and the momentum itself still ranks significantly above the average (0.8% vs. 0.4%). The reason for the significant acceleration of production is mainly working days, but also the seasonal positive surprise trend in April, most likely related to the order cycle. In slightly broader terms, the most cyclical part of industrial production - industrial processing - is slowly starting to slow down from the peaks (dynamics) recorded in Q1. This is consistent with the trends outlined by business climate indicators. Simple extrapolations of data suggest that GDP may accelerate in Q2, but we note that in such prognosis the scale of error is always the highest with 1 month data (the following month is significant). The response of the economy to the '13th pension' which was paid in May will be interesting in this context. Producer prices increased by 2.6% y/y in April, which was close to our forecast (2.5%). The main reason is the acceleration in prices of industrial processing in terms of the base. What's interesting, this happened with the strengthening of the FX rate, which is rare. Not so rare, however, to come up with the thesis of growing inflationary pressure, especially if the base price index is @1.4%. The persistent upward trend would be disturbing, and for this - using the language of technical analysis - it would be necessary to exceed local maxima @1.9%.

Jobs

Employment growth in April surprised to the downside. 2.9% y/y growth is consistent with a monthly drop in employment. It seems we are seeing a payback after very strong numbers in March. Taking both months together implies that employment growth is stable. However, the volatility of growth increased. Why? There are two alternative explanations. The first one is connected with rounding. Many sections may have employment at the knife's edge and it is rounding that decides how many thousand workers actually work there. Usual frictions make this rounding understate or overstate the current state of employment. The alternative proposal, an older one, suggest that tightness of the labor market makes the process of matching between employers and workers longer. Therefore we see sudden ups and down in growth rate when one record is chasing the other but in the different direction. The trend in employment growth, despite recent stability, seems to be to the downside. Cyclical position of the economy, business activity indicators, fewer job offers – all this speak in favor of further drop in employment growth rate. It is going to be rather slow and gentle. Average gross wage rose by 7.1% y/y in April, beating estimates (ours 6.7% y/y, market consensus 6.5% y/y). As usual, the sources of the surprise will be made known in a week, with the release of the monthly Statistical Bulletin with the usual sectoral breakdown. However, since the surprise is rather small, it could conceivably be attributed to any of the usual suspects (mining, manufacturing, retail trade). In our view it is better to focus on the bigger picture here. First, the relatively strong April comes after a weak March – in seasonally and calendar adjusted terms average wage rose by a solid 0.9% m/m in April and by a mere 0.1% m/m in March. Second, it is worth repeating that there are

no signs of any meaningful acceleration or deceleration in wages since the beginning of 2017. In other words, we are well into the third year of ~7.5% growth in wages, with no signs of a break in trend. Third, wage growth appears to have been exceptionally immune to the many swings in labor demand and supply observed in recent quarters (acceleration and deceleration in immigration, weakening of job openings). Finally, stable nominal wage growth can be related to stable inflation expectations – its changes are likely too small to affect wage demands and formation. The recent increases in inflation and the media attention it got might change this equilibrium, but it should not be seen as a baseline scenario. For now, inflation affects household budgets only by lowering real wage bill growth (see the downtrend since the beginning of 2018). For the MPC, stable wage growth is a good argument in favor of treating it as irrelevant from the monetary policy perspective. Nevertheless, one should remember that wages are not irrelevant for inflation – so far in 2019 services price growth is showing a strong, lagged reaction to wage growth. Therefore, while wage growth itself might not be featured in the MPC's discussions, its consequences (i.e. higher core inflation) will. It should embolden the hawkish wing of the Council, even though the dovish consensus is set to remain in place.

Inflation

Statistics Poland confirmed April inflation at 2.2% y/y. The main sources of the acceleration vis-à-vis March's 1.7% y/y are: strong food price growth (+1.0% m/m), more expensive fuels (+4.1% m/m) and higher core inflation. The latter was mainly due to transport services (up by a whopping 27.2% m/m!), insurance (+1.4% m/m) and other financial services (+3.6% m/m). While our initial estimate of core inflation (1.8% y/y) is thereby confirmed, the increase is much more concentrated than we initially thought. In other words, core inflation was boosted by one-off factors (in all likelihood the ever-more-volatile airline fares).

Next month CPI is set to slightly overshoot the NBP's target (rising to 2.5-2.6% y/y), although the exact number will eventually be determined by food and fuel prices. As for the former, higher wholesale pork prices will start impacting retail prices. For the latter – we feel that April's fuel price hike was underestimated and May is likely to compensate for that shortfall. Core inflation will remain broadly stable as April's one off in airline fares is corrected. Finally, insurance prices are an interesting case. Unless last month's increase was due to higher car insurance premiums, April's increase was due to drought impacting other types of insurance. Since insurers are no longer offering insurance to farmers, there won't be any further boost to inflation from that direction. Other financial services are rising as Poland is converging to Western Europe's price levels.

The Monetary Policy Council will ignore inflation, treating it as a temporary phenomenon, given its structure and the stability of inflation expectations. GDP data published at the same time indicate that the economy is indeed slowing down, albeit more gently than expected. This will be seen as confirmation of the overall trend best embodied in weakening global economy.

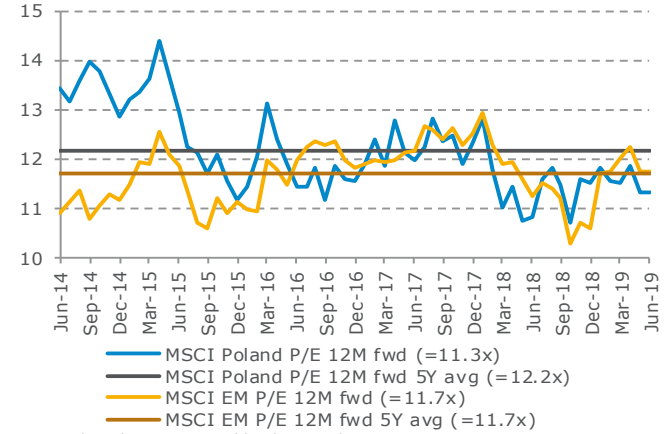
mBank Research
(E. Pytlarczyk, M. Mazurek, P. Bartkiewicz, K. Klimas)
research@mBank.pl

Revisions To FY2019 Earnings Forecasts For WIG30 Companies

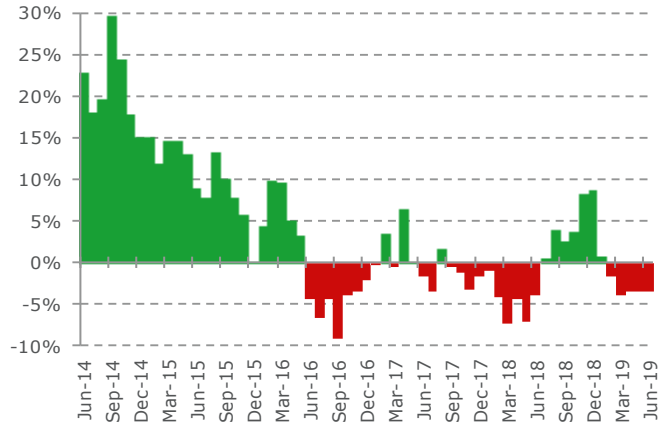
May-18=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mDM	Con	mDM	Con	mDM	Con	mDM	Con	mDM	Con	mDM	Con	mDM	Con	mDM
Jun-18	+0%	+1%	+0%	+0%	+0%	+9%	-1%	+0%	-3%	+2%	+5%	-10%	+0%	+0%	-1%	-1%
Jul-18	+0%	+1%	-0%	+0%	-1%	+9%	+1%	+0%	-3%	+2%	+9%	-10%	-16%	-8%	-0%	-1%
Aug-18	-1%	-0%	-0%	+0%	-3%	+7%	+1%	-0%	-3%	+2%	+5%	-11%	-12%	-14%	-7%	-5%
Sep-18	-1%	-0%	-0%	-0%	+1%	+7%	+1%	-0%	-3%	+1%	+0%	-10%	-13%	-14%	-12%	-5%
Oct-18	-3%	-9%	-2%	-5%	+1%	+5%	-3%	-0%	-4%	-5%	-8%	-23%	-29%	-45%	-7%	-43%
Nov-18	-3%	-9%	-3%	-6%	+3%	+5%	-6%	+1%	-6%	-5%	-10%	-42%	-38%	-53%	-8%	-35%
Dec-18	-5%	-9%	-3%	-6%	+1%	+5%	-8%	+1%	-7%	-5%	-11%	-42%	-38%	-53%	-14%	-35%
Jan-19	-5%	-10%	-4%	-6%	+3%	+6%	-7%	-5%	-11%	-6%	-12%	-41%	-50%	-53%	-15%	-36%
Feb-19	-6%	-11%	-4%	-6%	+1%	+1%	-9%	-5%	-12%	-6%	-18%	-41%	-22%	-22%	-15%	-36%
Mar-19	-6%	-12%	-5%	-6%	-1%	-3%	-7%	-11%	-12%	-12%	-19%	-39%	-17%	-22%	-8%	-25%
Apr-19	-9%	-11%	-5%	-6%	-11%	-3%	-8%	-13%	-11%	-12%	-23%	-39%	-29%	+28%	-11%	-25%
May-19	-9%	-12%	-5%	-8%	-13%	-7%	-7%	-1%	-15%	-16%	-19%	-35%	-31%	+63%	-12%	-31%

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)

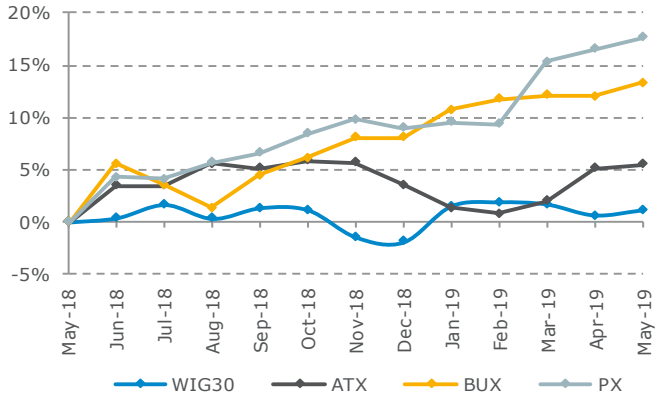


Source: Bloomberg, Dom Maklerski mBanku



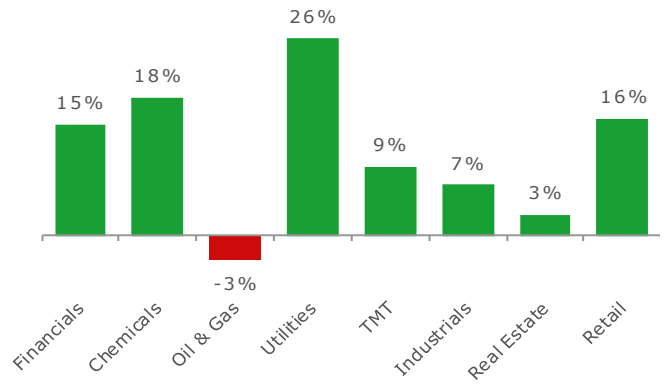
Source: Bloomberg, Dom Maklerski mBanku

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



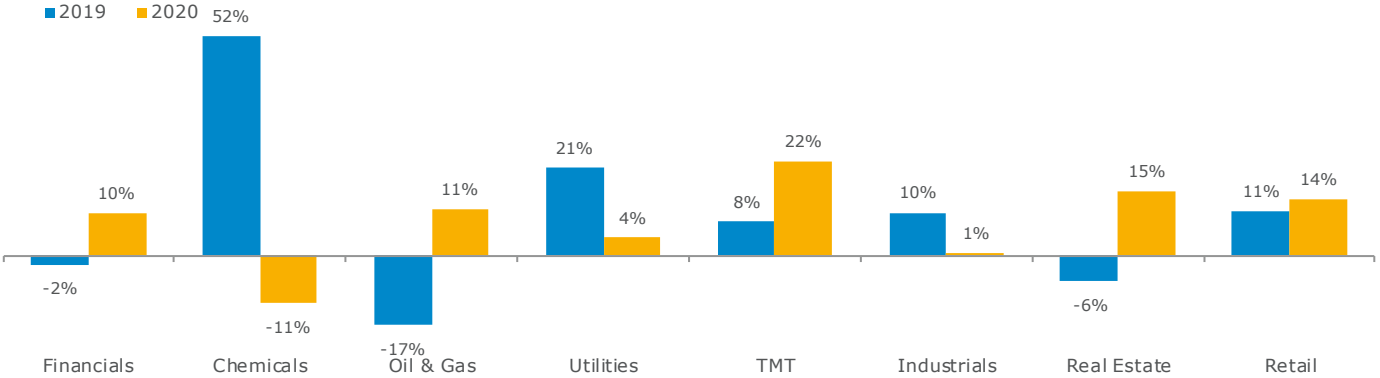
Source: Bloomberg, Dom Maklerski mBanku

Estimated Sector Upside Potential*



Source: Dom Maklerski mBanku; *To mDM price targets

Expected YoY Change in FY2018-2019E Sector Earnings*



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

mBank Dom Maklerski

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 2019E	2020E	2021E	mDM v. BBG EBITDA 2019E	2020E	2021E	Analyst Count[4]
Financials														
Alior Bank	buy	77.00	13	2	1	71.32	+8.0%	-1%	+6%	+4%				11
Handlowy	accumulate	61.00	2	7	2	68.07	-10.4%	-15%	-7%	-6%				9
ING BSK	hold	191.80	3	5	4	199.29	-3.8%	-1%	+1%	+2%				10
Millennium	accumulate	10.00	5	5	3	9.78	+2.2%	-6%	+6%	+2%				9
Pekao	buy	121.00	14	4	0	131.85	-8.2%	-3%	-1%	-4%				15
PKO BP	accumulate	40.92	8	9	1	43.14	-5.1%	+0%	-1%	-4%				14
Santander Bank Polska	hold	377.27	8	7	0	416.70	-9.5%	+3%	+7%	+5%				10
Komercni Banka	buy	1,000.0	10	7	0	1,011.3	-1.1%	+4%	+7%	-				11
Erste Bank	buy	43.72	20	5	0	40.42	+8.2%	-3%	+1%	-				19
OTP Bank	hold	13,046	8	5	3	13,628	-4.3%	-4%	-6%	-				9
PZU	accumulate	43.38	7	4	1	46.23	-6.2%	+2%	+2%	+2%				8
Kruk	buy	213.65	5	1	2	208.24	+2.6%	-5%	-8%	-3%				6
Chemicals														
Ciech	buy	55.00	10	2	0	63.41	-13.3%	-9%	-14%	-3%	-1%	-0%	+4%	8/7
Grupa Azoty	accumulate	44.42	6	3	0	46.41	-4.3%	+63%	-5%	-38%	+10%	-10%	-13%	4/4
Oil & Gas														
Lotos	sell	65.95	9	4	2	93.97	-29.8%	-21%	-40%	-34%	-8%	-22%	-17%	12/12
MOL	hold	3,223.0	10	3	0	3,710.9	-13.1%	-47%	-28%	-17%	-15%	-7%	-1%	12/12
PGNiG	buy	6.47	5	2	4	6.06	+6.8%	+2%	+22%	+27%	+6%	+20%	+22%	9/8
PKN Orlen	sell	80.01	4	10	5	103.34	-22.6%	-18%	-36%	-29%	-6%	-21%	-16%	16/16
Utilities														
CEZ	hold	565.50	6	9	1	594.02	-4.8%	-2%	-13%	+1%	-0%	-4%	-0%	9/9
Enea	buy	12.51	7	2	1	10.75	+16.4%	+13%	+12%	+12%	+7%	+5%	+4%	6/5
Energa	buy	12.21	4	5	2	9.90	+23.4%	-4%	-13%	-13%	-1%	-1%	-2%	7/6
PGE	buy	13.39	5	5	3	11.02	+21.5%	+20%	+1%	+13%	+13%	+2%	+7%	6/6
Tauron	buy	2.89	2	9	2	2.13	+35.4%	+1%	+18%	+4%	+0%	+7%	+1%	7/7
TMT														
Netia	hold	4.70	3	3	2	4.20	+11.9%	-12%	-24%	-26%	-0%	-3%	+1%	2/3
Orange Polska	buy	6.40	7	6	3	5.52	+16.0%	+2%	+3%	+11%	-2%	-1%	+1%	5/9
Play	buy	29.00	6	7	1	26.74	+8.5%	-0%	+1%	-6%	-0%	-0%	-1%	9/8
Agora	buy	16.00	2	3	0	12.70	+26.0%	-	-	-	-6%	-1%	+7%	4/4
Cyfrowy Polsat	reduce	24.60	6	6	2	26.49	-7.1%	+6%	+13%	+18%	+5%	+5%	+4%	10/9
Wirtualna Polska	accumulate	61.50	5	1	0	66.20	-7.1%	-3%	-4%	-8%	-5%	-1%	-2%	5/4
Asseco Poland	hold	50.80	3	5	0	54.40	-6.6%	-4%	-7%	-9%	+13%	+13%	+13%	5/4
Asseco BS	neutral	-	0	2	0	30.30	-	-1%	+1%	-	-0%	+1%	-	4/3
Asseco SEE	overweight	-	2	0	0	19.60	-	-1%	+3%	-	+5%	+5%	-	4/4
Comarch	buy	230.00	4	0	1	206.52	+11.4%	+1%	-0%	-3%	+7%	+6%	+5%	4/4
11 bit studios	buy	518.00	8	1	0	454.18	+14.1%	+8%	-1%	+9%	+12%	+7%	+6%	9/9
CD Projekt	accumulate	237.50	10	3	3	231.76	+2.5%	-77%	+35%	+64%	-82%	+11%	+45%	12/11
Industrials														
AC	neutral	-	1	2	0	49.15	-	+8%	+13%	+13%	+6%	+9%	+10%	3/3
Alumetal	underweight	-	4	1	1	58.80	-	-4%	-19%	-26%	-2%	-11%	-23%	4/4
Amica	neutral	-	1	4	0	138.70	-	+11%	+10%	-	+3%	+1%	-	6/6
Apator	neutral	-	1	3	0	28.50	-	-2%	-2%	-	-3%	-3%	-	3/3
Famur	buy	6.67	7	0	0	6.57	+1.6%	+82%	+0%	-3%	+39%	-6%	+2%	6/6
Forte	neutral	-	2	3	3	27.98	-	-17%	-19%	-	-2%	-4%	-	5/5
Grupa Kęty	reduce	326.37	5	7	0	377.59	-13.6%	-7%	-3%	-7%	-6%	-5%	-7%	8/8
JSW	hold	54.80	5	5	3	63.76	-14.1%	-12%	-40%	-67%	-7%	-15%	-20%	10/10
Kernel	buy	58.63	5	2	0	68.68	-14.6%	+6%	+3%	+10%	-1%	+10%	+6%	6/5
KGHM	hold	91.71	2	7	9	96.71	-5.2%	-8%	-17%	-8%	-11%	-16%	-6%	15/14
Pfleiderer Group	neutral	-	5	1	1	32.93	-	-63%	-34%	+6%	-9%	-8%	-8%	4/3
Real Estate														
Atal	hold	41.03	4	1	0	41.40	-0.9%	-3%	-6%	+1%	-2%	-6%	+0%	4/4
Dom Development	hold	84.40	1	5	0	85.20	-0.9%	-1%	+1%	-2%	-2%	+5%	-2%	6/5
Retail														
AmRest	buy	48.00	7	3	0	50.94	-5.8%	-8%	-10%	-3%	-3%	-1%	+1%	9/8
CCC	buy	275.00	5	7	1	218.91	+25.6%	+34%	+26%	+10%	+30%	+26%	+15%	10/10
Dino	reduce	112.70	8	6	4	133.93	-15.9%	-1%	-2%	-8%	-0%	-4%	-9%	14/14
Eurocash	reduce	18.10	5	4	9	21.13	-14.4%	-18%	-20%	-7%	-7%	-12%	-9%	7/13
Jeronimo Martins	hold	14.30	15	9	3	14.53	-1.5%	+3%	+4%	-2%	+2%	+2%	+0%	21/20
LPP	accumulate	8,300.0	2	5	8	8,248.3	+0.6%	-2%	+0%	-3%	-0%	+0%	+3%	8/7
Monnari	underweight	-	2	0	1	7.20	-	-8%	-7%	+5%	-24%	-25%	-14%	3/3
VRG	overweight	-	4	1	0	4.86	-	+8%	+10%	+6%	+5%	+7%	+6%	4/4

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

Current Recommendations By Dom Maklerski mBanku

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/ Downside	P/E		EV/EBITDA	
							2019	2020	2019	2020
Financial Sector						**+14.8%**	**11.0**	**10.5**		
Alior Bank	buy	2019-06-03	52.80	77.00	52.80	+45.8%	8.3	6.8		
Handlowy	accumulate	2019-06-03	53.70	61.00	53.70	+13.6%	13.6	11.1		
ING BSK	hold	2019-02-01	191.40	191.80	189.80	+1.1%	14.9	13.3		
Millennium	accumulate	2019-02-01	8.82	10.00	9.57	+4.5%	15.8	11.3		
Pekao	buy	2019-05-30	103.75	121.00	106.25	+13.9%	12.2	10.7		
PKO BP	accumulate	2019-05-09	37.78	40.92	39.30	+4.1%	11.9	11.3		
Santander Bank Polska	hold	2019-06-03	365.20	377.27	365.20	+3.3%	14.1	11.8		
Komercni Banka	buy	2019-05-09	873.00	1,000 CZK	873.00	+14.5%	10.9	10.5		
Erste Bank	buy	2019-02-04	31.00	43.72 EUR	31.75	+37.7%	9.1	8.5		
OTP Bank	hold	2019-04-02	12,600	13,046 HUF	12,150	+7.4%	10.1	9.5		
PZU	accumulate	2019-04-02	40.79	43.38	41.43	+4.7%	11.0	10.4		
Kruk	buy	2019-04-02	152.30	213.65	160.70	+32.9%	8.9	8.8		
Skarbiec Holding	buy	2019-06-03	16.50	28.17	16.50	+70.7%	5.6	4.9		
Chemicals						**+18.4%**	**8.1**	**11.8**	**5.1**	**6.1**
Ciech	buy	2019-06-03	42.65	55.00	42.65	+29.0%	7.9	8.0	5.2	5.1
Grupa Azoty	accumulate	2019-06-03	39.86	44.42	39.86	+11.4%	8.4	15.7	5.0	7.1
Oil & Gas						**-3.2%**	**13.0**	**11.7**	**5.7**	**5.2**
Lotos	sell	2019-06-03	87.82	65.95	87.82	-24.9%	14.5	13.3	7.2	6.1
MOL	hold	2019-06-03	3,276	3,223 HUF	3,276	-1.6%	16.3	10.5	5.2	4.4
PGNiG	buy	2019-05-28	5.58	6.47	5.60	+15.5%	11.2	8.7	4.8	3.9
PKN Orlen	sell	2019-06-03	96.78	80.01	96.78	-17.3%	11.5	12.9	6.2	6.3
Power Utilities						**+25.9%**	**4.4**	**4.8**	**3.8**	**3.5**
CEZ	hold	2019-04-02	540.50	565.50 CZK	538.50	+5.0%	16.3	15.6	7.6	7.3
Enea	buy	2019-04-02	8.76	12.51	8.41	+48.8%	3.1	2.8	3.2	2.9
Energa	buy	2019-04-02	8.58	12.21	7.74	+57.8%	4.4	4.8	3.9	4.1
PGE	buy	2019-06-03	9.23	13.39	9.23	+45.1%	5.6	6.0	3.4	3.5
Tauron	buy	2019-04-02	2.03	2.89	1.59	+82.1%	2.5	2.1	3.8	3.4
Telecoms, Media, IT						**+9.3%**	**18.1**	**14.9**	**5.7**	**6.2**
Netia	hold	2018-11-26	4.66	4.70	4.92	-4.5%	33.0	27.4	5.6	5.6
Orange Polska	buy	2018-11-26	4.91	6.40	5.15	+24.3%	64.6	23.7	4.5	4.1
Play	buy	2019-05-31	25.08	29.00	26.22	+10.6%	7.9	7.5	5.6	5.8
Agora	buy	2018-11-27	9.50	16.00	12.55	+27.5%	41.7	22.1	5.7	5.2
Cyfrowy Polsat	reduce	2019-05-31	26.00	24.60	26.10	-5.7%	13.6	11.7	6.8	6.6
Wirtualna Polska	accumulate	2019-02-04	58.40	61.50	57.80	+6.4%	18.1	15.5	9.7	8.5
Asseco Poland	hold	2019-06-03	51.10	50.80	51.10	-0.6%	13.7	13.3	4.5	4.2
Comarch	buy	2019-04-17	181.00	230.00	194.00	+18.6%	16.0	14.4	7.1	6.7
11 bit studios	buy	2019-05-20	398.00	518.00	397.50	+30.3%	26.6	37.9	18.7	23.1
CD Projekt	accumulate	2019-05-09	215.00	237.50	207.80	+14.3%	-	10.2	-	7.4
Industrials, Mining						**+6.8%**	**7.3**	**11.5**	**5.1**	**4.9**
Famur	buy	2019-06-03	4.85	6.67	4.85	+37.5%	6.1	10.1	3.8	5.0
Grupa Kęty	reduce	2019-06-03	347.50	326.37	347.50	-6.1%	13.8	12.9	9.4	8.9
JSW	hold	2019-05-09	49.86	54.80	50.20	+9.2%	5.6	14.8	1.5	2.5
Kernel	buy	2019-06-03	46.50	58.63	46.50	+26.1%	5.1	5.2	5.6	4.8
KGHM	hold	2019-06-03	95.00	91.71	95.00	-3.5%	8.4	8.9	4.6	4.5
Stelmet	hold	2019-03-05	10.25	8.36	7.70	+8.6%	22.2	16.7	6.9	6.0
Property Developers						**+2.9%**	**9.2**	**8.2**	**7.7**	**7.1**
Atal	hold	2019-04-02	39.90	41.03	39.90	+2.8%	9.2	8.9	8.5	8.2
Dom Development	hold	2019-04-02	80.80	84.40	82.00	+2.9%	9.3	8.2	7.7	7.1
Retail						**+15.6%**	**25.3**	**20.7**	**9.4**	**8.4**
AmRest	buy	2019-04-02	41.20	48.00	38.30	+25.3%	36.0	26.3	12.4	9.9
CCC	buy	2019-04-02	217.00	275.00	156.70	+75.5%	14.8	11.9	6.0	5.0
Dino	reduce	2019-04-02	126.10	112.70	124.40	-9.4%	30.2	23.5	17.9	14.3
Eurocash	reduce	2019-06-03	19.31	18.10	19.31	-6.3%	37.3	26.4	8.0	7.1
Jeronimo Martins	hold	2019-05-09	13.89	14.30 EUR	13.63	+5.0%	19.4	17.4	8.5	7.7
LPP	accumulate	2019-06-03	7,335.00	8300.00	7,335.00	+13.2%	20.3	17.8	10.2	9.0

mBank Dom Maklerski

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						**10.6**	**9.9**	**4.4**	**4.2**
Ailleron	underweight	2019-01-31	11.75	7.76	-34.0%	10.0	9.0	3.5	2.6
Asseco BS	neutral	2019-03-29	29.50	28.00	-5.1%	14.2	13.2	9.5	8.9
Asseco SEE	overweight	2019-04-11	14.20	15.40	+8.5%	11.2	10.8	4.5	4.1
Atende	neutral	2019-01-31	4.40	3.60	-18.2%	9.0	8.4	4.3	4.2
Industrials						**9.1**	**9.7**	**6.1**	**5.8**
AC	neutral	2019-03-22	48.50	55.50	+14.4%	12.3	11.1	8.4	7.7
Alumetal	underweight	2019-05-29	51.00	40.90	-19.8%	10.0	10.9	7.4	7.8
Amica	neutral	2019-04-29	130.00	120.00	-7.7%	7.9	7.5	5.1	4.8
Apator	neutral	2019-04-29	25.80	25.80	+0.0%	12.3	12.0	7.7	7.5
Boryszew	neutral	2019-04-29	4.65	4.02	-13.5%	8.9	8.3	7.3	7.1
Cognor	overweight	2019-06-03	1.60	1.60	+0.0%	6.8	9.8	4.6	4.9
Ergis	neutral	2019-05-29	3.00	3.01	+0.3%	8.0	9.0	5.2	5.2
Forte	neutral	2019-04-29	40.60	29.75	-26.7%	14.9	13.0	9.4	8.6
Impexmetal	underweight	2019-04-25	4.16	4.30	+3.4%	5.7	5.9	5.9	5.8
Kruszwica	neutral	2019-04-02	43.90	41.80	-4.8%	10.0	9.1	5.2	4.8
Mangata	neutral	2019-05-29	69.50	67.50	-2.9%	9.1	10.3	6.1	6.6
Pfleiderer Group	neutral	2019-05-29	20.40	19.45	-4.7%	40.0	19.2	6.1	5.8
Pozbud	overweight	2019-04-29	2.37	2.05	-13.5%	2.5	2.6	2.4	1.8
Tarczyński	neutral	2019-05-29	15.40	15.20	-1.3%	6.6	5.5	4.8	4.4
TIM	overweight	2019-04-29	7.90	9.68	+22.5%	11.0	9.7	6.3	5.7
Retail						**11.5**	**10.5**	**6.8**	**5.8**
Monnari	underweight	2018-12-05	4.75	5.38	+13.3%	10.7	10.5	5.6	4.8
VRG	overweight	2019-05-29	3.90	3.91	+0.3%	12.2	10.4	8.1	6.8

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Issued on
11 bit studios	buy	-	518.00	PLN	2019-05-20
Alumetal	underweight	neutral	-	-	2019-05-29
CD Projekt	accumulate	accumulate	237.50	PLN	2019-05-09
Ciech	buy	buy	68.11	PLN	2019-05-09
Cognor	neutral	underweight	-	-	2019-05-09
Cyfrowy Polsat	reduce	hold	24.60	PLN	2019-05-31
Ergis	neutral	overweight	-	-	2019-05-29
Eurocash	reduce	sell	18.90	PLN	2019-05-09
Famur	buy	buy	6.90	PLN	2019-05-09
Grupa Azoty	buy	hold	45.39	PLN	2019-05-09
Handlowy	buy	hold	65.50	PLN	2019-05-09
Handlowy	buy	buy	61.00	PLN	2019-05-21
Jeronimo Martins	hold	accumulate	14.30	EUR	2019-05-09
JSW	hold	reduce	54.80	PLN	2019-05-09
Komercni Banka	buy	accumulate	1000.00	CZK	2019-05-09
Mangata	neutral	neutral	-	-	2019-05-09
Mangata	neutral	neutral	-	-	2019-05-29
Pekao	buy	buy	121.00	PLN	2019-05-30
Pfleiderer Group	neutral	neutral	-	-	2019-05-29
PGE	buy	buy	13.38	PLN	2019-05-09
PGNiG	buy	accumulate	6.47	PLN	2019-05-28
PKO BP	accumulate	hold	40.92	PLN	2019-05-09
Play	accumulate	accumulate	25.25	PLN	2019-05-09
Play	buy	accumulate	29.00	PLN	2019-05-31
Tarczyński	neutral	underweight	-	-	2019-05-29
VRG	overweight	overweight	-	-	2019-05-29

Ratings and Valuations Changed as of 3rd June 2019

Company	Rating	Previous Rating	Target Price		Issued on
Alior Bank	buy	buy	77.00	PLN	2019-06-03
Asseco Poland	hold	hold	50.80	PLN	2019-06-03
Ciech	buy	buy	55.00	PLN	2019-06-03
Cognor	overweight	neutral	-	-	2019-06-03
Eurocash	reduce	reduce	18.20	PLN	2019-06-03
Famur	buy	buy	6.67	PLN	2019-06-03
Grupa Azoty	accumulate	buy	44.42	PLN	2019-06-03
Grupa Kęty	reduce	hold	326.37	PLN	2019-06-03
Handlowy	accumulate	buy	61.00	PLN	2019-06-03
Kernel	buy	buy	58.63	PLN	2019-06-03
KGHM	hold	hold	91.71	PLN	2019-06-03
Lotos	sell	sell	65.95	PLN	2019-06-03
LPP	accumulate	hold	8300.00	PLN	2019-06-03
MOL	hold	hold	3223.00	HUF	2019-06-03
PGE	buy	buy	13.39	PLN	2019-06-03
PKN Orlen	sell	sell	80.01	PLN	2019-06-03
Santander Bank Polska	hold	hold	377.27	PLN	2019-06-03
Skarbiec Holding	buy	buy	28.17	PLN	2019-06-03

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	2	2.9%	0	0.0%
reduce	4	5.8%	0	0.0%
underweight	4	5.8%	1	4.0%
hold	13	18.8%	5	20.0%
neutral	12	17.4%	5	20.0%
accumulate	8	11.6%	5	20.0%
buy	21	30.4%	9	36.0%
overweight	5	7.2%	0	0.0%

Corporate Events Calendar For June

Date	Time	Company	Event
4-Jun			**Chemical Event** (Regent Warsaw Hotel) - registration required
6-Jun	10:00	**Enter Air**	Q1'19 earnings conference (ul. 17 stycznia 74, Warsaw)
7-Jun		**Alumetal**	Dividend record date: 4.08 PLN per share
8-Jun		**Apator**	Dividend record date: 0.90 PLN per share
13-Jun		**Bank Handlowy**	Dividend record date: 3.74 PLN per share
15-Jun		**AC**	Dividend record date: 3.94 PLN per share
18-Jun			**FinTech Day** (mBank HQ) - registration required
18-Jun		**MOL**	Dividend record date: 142.5 HUF per share
21-Jun		**Talex**	Dividend record date: 1,30 PLN per share
28-Jun		**Odlewnie**	Dividend record date: 0,30 PLN per share
28-Jun		**Stelmet**	Q2'19 earnings announcement

Financial Sector

Alior Bank

buy (reiterated)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We are lowering the target price to PLN 77 per share while maintaining the buy rating. The share price of Alior Bank fell by nearly 14% in the last month vs. -8.5% WIG-BANKI. The discount was partly due to the initiated process of reducing the consensus, which is related to higher than expected BFG fee, credit exposure to ZM Kania and general concern regarding the quality of corporate loans portfolio. At the end of 2018, the ALR credit exposure at Kana amounted to PLN 111 million, of which PLN 30 million was due in March 2019, and another PLN 30 million will mature in early June. We believe that potential write-offs are now within the 1.8% cost of risk target and that potential solution to the problem may result in higher forecasts. Our prognosis are currently in line with the consensus for 2019, but by 6% - 4% over the consensus for 2020/21. We believe that Alior Bank is slowly getting rid of the problems of 'maturing' such as the quality of assets (the cost of risk is stable in retail) or capital gaps. We expect Alior Bank to achieve a net profit of PLN 1 billion in 2021, to reach ROE at the level of 12% (#2 in Poland) and solvency ratios to allow for payment of 100% of net profit. We maintain our view that the current 40% discount on the P/E ratio is unjustified.

Current Price	52.80 PLN	**Upside**
9M Target Price	77.00 PLN	+45.8%

	rating	target price	issued
new	**buy**	**77.00 PLN**	**2019-06-03**
old	buy	87.00 PLN	2019-02-01

Key Metrics			**ALR PW**	**vs. WIG**
Ticker	ALR PW	1M Price Chng	-8.5%	-5.4%
ISIN	PLALIOR00045	YTD Price Chng	-0.7%	-1.0%
Outst. Stock (m)	129.3	ADTV 1M		PLN 11.6m
MC (PLN m)	6,824.8	ADTV 6M		PLN 13.4m
		P/E 12M fwd	7.8	-40.1%
Free Float	74.8%	P/E 5Y avg	13.1	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,601	3,085	3,360	3,593	3,821
Total income	3,797	4,124	4,377	4,640	4,904
Costs	-1,930	-1,847	-1,910	-1,907	-1,963
Provisioning	-930	-1,080	-1,092	-1,161	-1,249
Net income	515	713	824	998	1,075
P/E	13.2	9.6	8.3	6.8	6.4
P/B	1.0	1.1	0.9	0.8	0.7
ROE	8.0%	10.8%	11.9%	12.7%	12.1%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
Net interest income	-1.7%	-4.2%	-1.3%
Fee income	+63.4%	+58.3%	+68.6%
Total costs	+0.8%	-2.5%	+1.2%
Provisioning	+6.5%	+5.8%	+7.9%
Net income	-16.5%	-15.8%	-11.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	2,841	3,085	3,360	3,593	3,821
Fee income	453	436	709	729	754
Trading income	376	476	181	185	188
Other income	127	127	127	133	140
Noninterest income	**956**	**1,039**	**1,017**	**1,047**	**1,083**
Total income	**3,797**	**4,124**	**4,377**	**4,640**	**4,904**
Operating expenses	1,930	1,847	1,705	1,907	1,963
Operating income	**1,867**	**2,277**	**2,467**	**2,733**	**2,941**
Provisioning	930	1,080	1,092	1,161	1,249
Profits of associates	0	0	0	0	1
Pre-tax income	**937**	**1,196**	**1,375**	**1,572**	**1,693**
Tax	221	275	327	330	355
Minority interests	0	0	0	0	0
Asset tax	201	208	224	244	263
Net income	**515**	**713**	**824**	**998**	**1,075**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	**51,267**	**54,246**	**59,053**	**63,934**	**68,894**
Other assets	18,227	19,174	20,434	21,777	23,213
Total assets	**69,494**	**73,420**	**79,488**	**85,712**	**92,107**
Deposits	**57,614**	**62,436**	**66,945**	**71,828**	**76,854**
Other liabilities	5,117	4,498	5,183	5,526	5,820
Minority interests	1	0	0	0	0
Equity	**6,761**	**6,486**	**7,359**	**8,358**	**9,432**

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	4.3%	4.5%	4.7%	4.6%	4.5%
C/I	50.8%	44.8%	43.6%	41.1%	40.0%
CoR	1.8%	1.9%	1.8%	1.7%	1.7%
NPL Ratio	10.8%	10.6%	10.4%	10.2%	10.2%
Tier 1 Ratio	12.1%	12.8%	13.8%	14.7%	15.9%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	871	7%
Value Driver (2021-35)	8,164	67%
Fade (2036-55)	1,909	16%
Terminal Value	1,196	10%
Fair Value	**12,140**	**100%**
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**93.92**	
9M Target Price (PLN)	**99.91**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,920	55%
Explicit Forecast (2018-20)	1,376	11%
PV Adjustment	1,373	11%
Value Driver (2021-35)	2,931	23%
Fade (2036-55)	48	0%
Fair Value	**12,649**	**100%**
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**97.86**	
9M Target Price (PLN)	**104.10**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	12,140
Economic Profits	50%	12,649
Fair Value Avg.		12,395
Fair Value Per Share (PLN)		95.89
Asset tax		-23.50
Fair Value Per Share		72.39
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**77.00**

mBank Dom Maklerski

Handlowy

accumualte (downgraded)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

Since our last report on Bank Handlowy the share price has increased by ca. 5%, which is why we are downgrading our rating from buy to accumulate. The valuation of the bank has dropped by 20% since the beginning of the year. The discount was triggered by the announcement of a dividend cut, followed by the announcement of an unsatisfying strategy, higher BFG restructuring fees (x2), problematic credit exposures (probable write-offs in Q2 2019) or exclusion from the MSCI Poland index. We believe that the most of the abovementioned factors should be a one-off effect and only a higher BFG fee will have recurring negative impact on the valuation. At the same time, the market ignores one of the highest DY rates on the market. The bank is prior to the date of setting the right to dividend for 2018 (DY >7%). In addition, we believe that the dividend for 2019, despite very poor results, may surprise positively. If Bank Handlowy decides to allocate 25% of the net profit from 2018 to the undivided portion (currently as reserve capital) and to pay it out in 2020, then DY may reach over 8% next year. Despite a very high dividend and improving profitability in the following years, we value the bank at 1.0x on the P/BV ratio, ie with a 15% discount to the sector.

Current Price	53.70 PLN	**Upside**
9M Target Price	61.00 PLN	+13.6%

	rating	target price	issued
new	**accumulate**	**61.00 PLN**	**2019-06-03**
old	buy	61.00 PLN	2019-05-21

Key Metrics			**BHW PW**	**vs. WIG**
Ticker	BHW PW	1M Price Chng	-11.8%	-8.8%
ISIN	PLBH00000012	YTD Price Chng	-22.3%	-22.7%
Outst. Stock (m)	130.7	ADTV 1M		PLN 20.6m
MC (PLN m)	7,016.4	ADTV 6M		PLN 5.5m
		P/E 12M fwd	11.3	-25.8%
Free Float	25.0%	P/E 5Y avg	15.3	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,082	1,108	1,179	1,274	1,355
Total income	2,079	2,159	2,210	2,323	2,429
Costs	-1,192	-1,180	-1,267	-1,294	-1,319
Provisioning	-103	-64	-159	-84	-92
Net income	536	639	517	632	677
P/E	13.1	11.0	13.6	11.1	10.4
P/B	1.0	1.0	1.0	1.0	0.9
ROE	7.8%	9.1%	7.3%	8.8%	9.1%
DPS	4.60	4.10	3.74	2.97	3.63
DYield	8.6%	7.6%	7.0%	5.5%	6.8%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
Net interest income	-0.7%	+4.4%	+5.6%
Fee income	-3.7%	-5.7%	-6.7%
Total costs	+1.7%	+1.3%	+1.1%
Provisioning	+100.5%	-12.1%	-11.0%
Net income	-26.7%	-11.3%	-11.1%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	1,082	1,108	1,179	1,274	1,355
Fee income	581	550	547	553	565
Trading income	396	487	443	454	465
Other income	21	15	41	42	44
Noninterest income	**997**	**1,052**	**1,031**	**1,049**	**1,074**
Total income	**2,079**	**2,159**	**2,210**	**2,323**	**2,429**
Operating expenses	1,192	1,180	1,267	1,294	1,319
Operating income	**888**	**980**	**943**	**1,029**	**1,110**
Provisioning	103	64	159	84	92
Profits of associates	0	0	0	0	0
Pre-tax income	**785**	**916**	**784**	**945**	**1,018**
Tax	172	190	176	212	228
Minority interests	0	0	0	0	0
Asset tax	78	87	91	101	113
Net income	**536**	**639**	**517**	**632**	**677**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	**17,854**	**19,802**	**21,570**	**23,165**	**25,204**
Other assets	25,184	29,503	30,401	31,624	32,909
Total assets	**43,038**	**49,305**	**51,971**	**54,789**	**58,113**
Deposits	**27,284**	**31,057**	**31,649**	**31,844**	**32,163**
Other liabilities	8,815	11,191	13,237	15,615	18,349
Minority interests	0	0	0	0	0
Equity	**6,939**	**7,057**	**7,085**	**7,329**	**7,601**

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.5%	2.5%	2.4%	2.5%	2.5%
C/I	57.9%	54.6%	57.3%	55.7%	54.3%
CoR	0.6%	0.3%	0.7%	0.4%	0.4%
NPL Ratio	3.5%	3.0%	3.1%	4.1%	4.1%
Tier 1 Ratio	17.9%	16.8%	16.9%	16.8%	16.8%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	780	9%
PV Adjustment	647	7%
Value Driver (2021-35)	6,600	75%
Fade (2036-55)	648	7%
Terminal Value	144	2%
Fair Value	**8,819**	**100%**
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**67.50**	
9M Target Price (PLN)	**71.80**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,537	100%
Explicit Forecast (2018-20)	2	0%
PV Adjustment	263	3%
Value Driver (2021-35)	-227	-3%
Fade (2036-55)	-25	0%
Fair Value	**8,551**	**100%**
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**65.44**	
9M Target Price (PLN)	**69.61**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	8,819
Economic Profits	50%	8,551
Fair Value Avg.		8,685
Fair Value Per Share (PLN)		66.47
Asset tax		-9.13
Fair Value Per Share		57.34
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**61.00**

ING BSK

hold (no change)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We maintain our hold rating unchanged for ING BSK. Like Millennium, ING is not associated with the possibility of acquiring Idea Bank, which was reflected in the share price, which turned out to be much stronger vs. the WIG BANKI Reported Q1 results for were higher than market expectations, due to higher trading result, lower effective tax rate and slightly lower cost of risk. We note, however, that ING should have a higher tax rate in three subsequent quarters. Our valuation still indicates the highest premium to the sector due to the bank's safe profile (low exposure to CHF loans, high asset quality), dynamic growth combined with a dividend and one of the highest profitability in the region (2019 ROE at 12.8%). After good Q1 there is space to increase the consensus, but the adjustments should be rather small.

Current Price	189.80 PLN	**Upside**
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%	+2.3%
ISIN	PLBSK0000017	YTD Price Chng	+7.5%	+7.2%
Outst. Stock (m)	130.1	ADTV 1M		PLN 1.7m
MC (PLN m)	24,693.0	ADTV 6M		PLN 2.3m
		P/E 12M fwd	14.1	-9.6%
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	17.6	16.7	14.9	13.3	12.0
P/B	2.1	1.9	1.8	1.7	1.5
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%	1.7%	1.8%	2.0%	2.3%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
Net interest income	0.0%	0.0%	0.0%
Fee income	0.0%	0.0%	0.0%
Total costs	0.0%	0.0%	0.0%
Provisioning	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

mBank Dom Maklerski

Millennium

accumulate (no change)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We maintain our accumulate rating unchanged. Quarterly results were better than expected, however it was mainly due to the one-off events. In accordance with expectations, Bank Millennium obtained the KNF consent for merger with Eurobank, without additional conditions. We assess the entire transaction positively and we think that it was the only way out for Bank Millennium in the situation of a surplus capital growth caused by stricter regulatory requirements. We note that the merger will be financed with own funds, but it means, in our opinion, that the Company will not pay dividends for at least another three years. We estimate that the acquisition of Societe Generale's assets in Poland will allow to increase market share by 1.6% in retail loans and 0.9% in total loans. The cost of merger with Eurobank is still a big unknown, which should leave its mark on the annual results (we estimate PLN 100m in H2 2019). At the same time, we believe that integration costs may cause a drop in the annual consensus (our forecast is currently 6% below the consensus).

Current Price	9.57 PLN	**Upside**
9M Target Price	10.00 PLN	+4.5%

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

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	+0.3%	+3.4%
ISIN	PLBIG0000016	YTD Price Chng	+7.9%	+7.5%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 6.0m
MC (PLN m)	11,609.5	ADTV 6M		PLN 6.3m
		P/E 12M fwd	13.3	+4.6%
Free Float	50.0%	P/E 5Y avg	12.7	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	17.0	15.8	15.8	11.3	10.1
P/B	1.5	1.4	1.3	1.2	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**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	**47,411**	**52,712**	**67,538**	**71,772**	**77,161**
Other assets	23,730	27,747	27,632	28,597	29,598
Total assets	**71,141**	**80,459**	**95,170**	**100,369**	**106,759**
Deposits	**57,273**	**66,244**	**69,899**	**71,828**	**73,812**
Other liabilities	6,096	5,831	16,241	18,519	21,656
Minority interests	0	0	0	0	0
Equity	**7,773**	**8,384**	**9,031**	**10,021**	**11,292**

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.4%	2.5%	2.7%	2.9%	2.9%
C/I	48.3%	47.9%	54.3%	48.4%	45.9%
CoR	0.5%	0.5%	0.5%	0.6%	0.6%
NPL Ratio	4.6%	4.5%	5.4%	5.2%	5.0%
Tier 1 Ratio	20.3%	19.8%	17.6%	18.3%	19.5%

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)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We maintain our target price & buy rating unchanged. Pekao has dropped by 5.6% since the beginning of the year vs. decline of WIG Banks by 1.9%. Pekao's discount partly results from the expected correction of the consensus caused by over double increase of BFG fee, and partly from rumors indicating the possibility of Pekao's takeover of Idea Bank. In fact, the increase in the BFG contribution and the reserve for collective redundancies, in our opinion, will result in a 4% decrease in consensus for 2019 and 3% - 6% for 2020-21. Nevertheless, it should be emphasized that the BFG contribution should decrease next year due to the change in the structure of deposits, and collective redundancies will cause a significant decrease in the C/I ratio, which will result in a 14% increase in net profit. In addition, Bank Pekao, likewise Bank Handlowy, is still to payout a good dividend in the amount of PLN 6.60 per share (DY >6%), which date was set for 10 July. On the 2020/21 P/E index, Bank Pekao is listed at 7% amd 5% discount to the average and with 4% and 5% discount to PKO BP. Taking into account the upcoming dividend, good outlook for results, post-election stabilization, low probability of acquiring banks in trouble and an attractive valuation, we believe it is a very good moment to invest in Pekao.

Current Price	106.25 PLN	**Upside**
9M Target Price	121.00 PLN	+13.9%

	rating	target price	issued
unchanged	**buy**	**121.00 PLN**	**2019-05-30**

Key Metrics			PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-6.8%	-3.7%
ISIN	PLPEKAO00016	YTD Price Chng	-2.5%	-2.9%
Outst. Stock (m)	262.5	ADTV 1M		PLN 101.4m
MC (PLN m)	27,887.4	ADTV 6M		PLN 72.7m
		P/E 12M fwd	11.3	-25.4%
Free Float	67.2%	P/E 5Y avg	15.1	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	4,593	4,994	5,493	5,881	6,271
Total income	7,278	7,830	8,337	8,807	9,283
Costs	-3,535	-3,710	-4,094	-3,971	-4,089
Provisioning	-521	-511	-526	-660	-742
Net income	2,475	2,287	2,282	2,609	2,772
P/E	11.3	12.2	12.2	10.7	10.1
P/B	1.2	1.2	1.2	1.1	1.1
ROE	10.7%	9.9%	9.9%	10.9%	11.2%
DPS	8.68	7.90	6.60	6.52	7.46
DYield	8.2%	7.4%	6.2%	6.1%	7.0%

Projection Update (% change)	2019P	2020P	2021P
Net interest income	-1.2%	-2.8%	-3.9%
Fee income	+1.4%	+1.1%	+0.5%
Total costs	+9.8%	+3.3%	+3.1%
Provisioning	-18.0%	-5.2%	-2.0%
Net income	-11.2%	-8.5%	-10.9%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	4,593	4,994	5,493	5,881	6,271
Fee income	2,353	2,463	2,554	2,621	2,692
Trading income	255	237	204	210	217
Other income	77	137	86	94	103
Noninterest income	**2,685**	**2,836**	**2,844**	**2,926**	**3,012**
Total income	**7,278**	**7,830**	**8,337**	**8,807**	**9,283**
Operating expenses	3,535	3,710	4,094	3,971	4,089
Operating income	**3,743**	**4,120**	**4,243**	**4,835**	**5,194**
Provisioning	521	511	526	660	742
Profits of associates	453	0	0	0	0
Pre-tax income	**3,675**	**3,609**	**3,718**	**4,175**	**4,453**
Tax	677	760	818	898	957
Minority interests	-1	-1	-1	-1	-1
Asset tax	522	562	617	668	723
Net income	**2,475**	**2,287**	**2,282**	**2,609**	**2,772**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	**132,301**	**129,297**	**141,856**	**154,846**	**168,102**
Other assets	53,165	61,793	64,193	66,774	69,479
Total assets	**185,466**	**191,090**	**206,049**	**221,620**	**237,581**
Deposits	**146,186**	**149,491**	**161,450**	**173,454**	**184,619**
Other liabilities	16,011	18,791	21,205	23,823	27,761
Minority interests	0	11	12	13	14
Equity	**23,268**	**22,797**	**23,382**	**24,330**	**25,187**

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.6%	2.8%	2.9%	2.8%	2.8%
C/I	48.6%	47.4%	49.9%	46.0%	44.9%
CoR	0.4%	0.4%	0.4%	0.4%	0.4%
NPL Ratio	5.4%	5.4%	5.4%	5.4%	6.0%
Tier 1 Ratio	16.1%	16.3%	16.8%	16.2%	15.8%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	4,583	12%
PV Adjustment	2,736	7%
Value Driver (2021-35)	22,947	58%
Fade (2036-55)	6,806	17%
Terminal Value	2,453	6%
Fair Value	**39,525**	**100%**
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**150.67**	
9M Target Price (PLN)	**160.27**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,966	63%
Explicit Forecast (2018-20)	2,662	7%
PV Adjustment	1,229	3%
Value Driver (2021-35)	8,165	21%
Fade (2036-55)	996	3%
Fair Value	**38,017**	**96%**
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**144.84**	
9M Target Price (PLN)	**154.08**	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	39,525
Economic Profits	50%	38,017
Fair Value Avg.		38,771
Fair Value Per Share (PLN)		147.76
Asset tax		-34.01
Fair Value Per Share		113.75
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**121.00**

mBank Dom Maklerski

PKO BP

accumulate (no change)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

PKO BP delivered very good Q1 2019 results, and the net profit adjusted for one-off events (BFG fee & withholding tax) would amount to PLN 1 133 million. What is more, we believe that the PKO BP's annual consensus is too low and should be increased. The Q2 result may be increased by positive one-off events related to the revaluation of shares in BLIK (ca. PLN 50 million) and recognition of the badwill from the call for PCM (PLN <100 million), which would mean a historically record-breaking quarter. We believe there is space for improvement which should be driven by organically good results, positive one-off events and positive revision of the consensus. We would also like to remind you that with the support of the regulator, in 2020, PKO BP will be able to pay an additional PLN 1.33 per share from undistributed profit from 2018, which would result in a DPS at PLN 3 per share and DYield at 7.7%.

Current Price	39.30 PLN	**Upside**
9M Target Price	40.92 PLN	+4.1%

	rating	target price	issued
unchanged	**accumulate**	**40.92 PLN**	**2019-05-09**

Key Metrics			**PKO PW**	**vs. WIG**
Ticker	PKO PW	1M Price Chng	+0.1%	+3.2%
ISIN	PLPKO0000016	YTD Price Chng	-0.4%	-0.8%
Outst. Stock (m)	1,250.0	ADTV 1M		PLN 92.4m
MC (PLN m)	49,125.0	ADTV 6M		PLN 92.0m
		P/E 12M fwd	11.7	-10.4%
Free Float	70.6%	P/E 5Y avg	13.0	discount

Earnings Projections

(PLN m)	2017	2018	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	15.8	13.2	11.9	11.3	10.8
P/B	1.4	1.3	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%	4.2%	4.4%

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 (reiterated)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We maintain our rating unchanged, but we update the target price for the cut of the dividend. The Q1 2019 results are not optimistic in the perspective of the whole year. Preliminary estimates indicate that the annual consensus is currently by ca. 8% too high. Nevertheless, the bank may still positively surprise with the interest margin and possible cost savings resulting from the collective redundancies program, which will allow to 'deliver' the annual forecast. At the same time, the results of Santander Bank Polska are in line with our expectations regarding revenues and the current difference mainly results from the one-off costs (reserve for redundancies and a compulsory restructuring fee). At the same time, Santander's mother company expects the Polish branch to reach a 14% -16% ROE in the medium term. This forecast is in line with our expectations indicating ROE in the range of 14% -15% in the next two years. We believe that Santander Bank Polska is currently adequately priced and the Q1 results will not cause a positive revision of market forecasts.

Current Price	365.20 PLN	**Upside**
9M Target Price	377.27 PLN	+3.3%

	rating	target price	issued
new	**hold**	**377.27 PLN**	**2019-06-03**
old	hold	388.00 PLN	2019-02-01

Key Metrics			**SPL PW**	**vs. WIG**
Ticker	SPL PW	1M Price Chng	-3.8%	-0.7%
ISIN	PLBZ00000044	YTD Price Chng	+7.9%	+7.5%
Outst. Stock (m)	102.0	ADTV 1M		PLN 22.2m
MC (PLN m)	37,244.8	ADTV 6M		PLN 20.9m
		P/E 12M fwd	13.5	-6.3%
Free Float	31.7%	P/E 5Y avg	14.4	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	16.4	15.5	14.1	11.8	10.5
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	1.5%	0.8%	5.4%	3.6%	4.2%

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	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 (2020-21)	2,360	6%
PV Adjustment	2,118	5%
Value Driver (2022-36)	23,554	56%
Fade (2037-56)	10,196	24%
Terminal Value	4,031	10%
Fair Value	**42,259**	**100%**
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	**425.85**	
9M Target Price (PLN)	**453.00**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,408	58%
Explicit Forecast (2019-21)	5,051	12%
PV Adjustment	283	1%
Value Driver (2022-36)	10,470	25%
Fade (2037-56)	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%	42,259
Economic Profits	50%	42,327
Fair Value Avg.		42,293
Fair Value Per Share (PLN)		426.19
Asset tax		-71.54
Fair Value Per Share		354.66
Cost of equity (9M)		6.4%
9M Target Price (PLN)		**377.27**

mBank Dom Maklerski

Komercni Banka

buy (no change)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We maintain our rating unchanged. The pressure on the share price was triggered by the speculation regarding the introduction of a bank tax in Czech Republic and the taxation of dividends by 20% at stake. The last proposal coming from the government, assumes taxation of the top four banks with a tax of CZK 6 billion. By dividing the contribution by market share, the contribution of Komercni Banka could amount to CZK 1.5 billion, or about 10% of the net profit. On the other hand, KB reported 5% higher quarterly results (Q1) than our expectations and 2% lower vs. the consensus. The balance of provisions drags our attention, which once again has been dissolved, which may indicate the still high potential of the line for annual contributions. The bank expects an increase in income driven by interest income and an increase in loans at an average of one digital pace in 2019. The promised increase in the countercyclical buffer (+25 bps from July and subsequent +25 bps from January 2020) should not be a problem, because the bank meets the current capital requirements with a surplus. We believe that the continued high profitability of Komercni Banka (>14% ROE) will allow the DYield ratio to remain at ca. 6% in the next two years. Although current foundations of Komercni look very good, this short-term sentiment will be created by the ideas of the Czech Government regarding the bank tax.

Current Price	873.00 CZK	**Upside**
9M Target Price	1,000.00 CZK	+14.5%

	rating	target price	issued
unchanged	**buy**	**1,000.00 CZK**	**2019-05-09**

Key Metrics			**KOMB CP**	**vs. WIG**
Ticker	KOMB CP	1M Price Chng	-1.0%	+2.0%
ISIN	CZ0008019106	YTD Price Chng	+9.7%	+9.3%
Outst. Stock (m)	188.9	ADTV 1M	CZK 143.6m	
MC (CZK bn)	164.9	ADTV 6M	CZK 127.3m	
		P/E 12M fwd	11.3	-17.7%
Free Float	39.6%	P/E 5Y avg	13.7	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	11.0	11.1	10.9	10.5
P/B	1.7	1.6	1.5	1.4
ROE	15.0%	14.9%	14.2%	13.9%
DPS	40.00	47.00	52.00	52.00
DYield	4.6%	5.4%	6.0%	6.0%

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)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We maintain our rating for Erste Bank unchanged. The Q1 2019 results surprised positively, making up for 25% of our annual forecast and should lead to a positive revision of the consensus. The Management Board maintained the ROTE forecast at >11% despite a significantly lower tax burden in Romania (estimated by the Management Board at EUR 20m). In 2019, the company expects revenues to grow faster than costs, effective tax rate to stay below 20%, and the cost of risk to remain at a very low level (10-20 bps). Erste Bank's stock price was also recently under pressure of news regarding the tax bank in the Czech Republic. The last proposal, coming from the government, assumes taxation of the top four banks with a tax of CZK 6 billion. By dividing the contribution by market share, Ceska Sporitelna's contribution could amount to CZK 1.9 billion, or approximately 5% of the group's net profit.

Current Price	31.75 EUR	**Upside**
9M Target Price	43.72 EUR	+37.7%

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

Key Metrics			**EBS AV**	**vs. WIG**
Ticker	EBS AV	1M Price Chng	-8.5%	-5.4%
ISIN	AT0000652011	YTD Price Chng	+14.8%	+14.4%
Outst. Stock (m)	429.8	ADTV 1M		EUR 23.9m
MC (EUR m)	13,646.2	ADTV 6M		EUR 28.0m
		P/E 12M fwd	8.8	-21.6%
Free Float	69.5%	P/E 5Y avg	11.2	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	10.4	7.8	9.1	8.5
P/B	1.0	0.9	0.9	0.8
ROE	10.0%	12.7%	10.0%	10.0%
DPS	1.00	1.20	1.40	1.46
DYield	3.1%	3.8%	4.4%	4.6%

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 2018**	**Net Income 2019P**	**Net Income 2020P**	**P/E 2018**	**P/E 2019P**	**P/E 2020P**	**BV 2018**	**P/B 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**

mBank Dom Maklerski

OTP Bank

hold (no change)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We maintain our rating for OTP Bank unchanged. We included new OTP acquisitions in Bulgaria and Albania in our forecasts and we believe that OTP Bank will continue its acquisition policy, which we assess positively. To confirm our expectations, OTP has recently announced a new acquisition of the 4th largest bank in Montenegro, and also finalized the purchase of Slovenian Abanka. In our view, these transactions will ensure positive results in 2020+ despite the normalization of the cost of risk. The biggest risk in the acquisition policy is a sudden economic slowdown, which may result in a much longer restructuring of the assets taken over. We expect a flat rate of net profit in 2019. On the one hand, the results will be supported by growing loan volumes (+16% y/y) and interest margin stabilization, and on the other hand, we expect the cost of risk, which was the lowest in least 12 years, to be normalized. All this will cause a very high ROE, which we estimate at 16% in 2019, i.e. a level unachievable by any other bank we cover. Our forecast is in line with the company's expectations of ROE at >15%.

Current Price	12,150.00 HUF	**Upside**
9M Target Price	13,046.00 HUF	+7.4%

	rating	target price	issued
unchanged	**hold**	**13,046.00 HUF**	**2019-04-02**

Key Metrics			**OTP HB**	**vs. WIG**
Ticker	OTP HB	1M Price Chng	-2.8%	+0.3%
ISIN	HU0000061726	YTD Price Chng	+9.8%	+9.4%
Outst. Stock (m)	267.0	ADTV 1M		HUF 6.2bn
MC (HUF bn)	3,244.5	ADTV 6M		HUF 5.5bn
		P/E 12M fwd	9.3	-10.9%
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	11.5	10.1	10.1	9.5
P/B	2.0	1.8	1.5	1.3
ROE	18.4%	18.3%	15.9%	14.4%
DPS	199.22	229.63	229.63	296.56
DYield	1.6%	1.9%	1.9%	2.4%

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

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

Valuation Summary

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

PZU

accumulate (no change)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We recommend accumulating PZU's shares with a target price of PLN 43.38 per share. We predict that in the next two years gross written premium will increase by 2.1% and 2.2% respectively, and damages by 4% and 2% respectively. We believe that the very low COR index in 2018 will be difficult to achieve in the following years, especially considering the increasing value of claims under auto insurance policies and the lack of major catastrophic events in 2018. In addition, we pay attention to drought and floods that took place in Q2 2019. The results from 2018 and 2019 should result in a DYield ratio of >6%, which is still one of the highest dividends in the Polish financial sector. A potential transaction involving the acquisition of a 12.8% Pekao stake from the Polish Development Fund (pl. PFR) may be a risk to the dividend payout, which has been negated by PFR for now.

Current Price	41.43 PLN	**Upside**
9M Target Price	43.38 PLN	+4.7%

	rating	target price	issued
unchanged	**accumulate**	**43.38 PLN**	**2019-04-02**

Key Metrics			PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-0.8%	+2.3%
ISIN	PLPZU0000011	YTD Price Chng	-5.6%	-6.0%
Outst. Stock (m)	863.5	ADTV 1M		PLN 57.8m
MC (PLN m)	35,775.8	ADTV 6M		PLN 69.9m
		P/E 12M fwd	10.9	-10.6%
Free Float	64.8%	P/E 5Y avg	12.2	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	12.3	11.1	11.0	10.4	10.2
P/B	2.4	2.4	2.4	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%	6.5%	7.2%	7.3%	7.7%

Projection Update (% change)	2019P	2020P	2021P
Gross written premiums	0.0%	0.0%	0.0%
Claims	0.0%	0.0%	0.0%
Investment income	0.0%	0.0%	0.0%
Total costs	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Gross written prems	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**

mBank Dom Maklerski

Kruk

buy (no change)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

We maintain our buy rating for Kruk. The Q1 2019 results, including expenditures and revaluations, are in line with our expectations. In 2019 and 2020, we expect the Company to spend PLN 891m and PLN 949m on new portfolios, and then accelerate to PLN 1.2bn in 2021. Lower expenditures in 2019 -20 are related to the purchase caution on the Italian and Spanish market until a reliable curve is generated, thanks to which the Company will preferably value its portfolios. We assume that in the next two years, about 70% of expenditures will come from Poland, and then this figures will drop to around 50%. At the same time, we believe that the decision of the Romanian Constitutional Court has withdrawn the right to a 'double price' for good, thanks to which the Romanian market will remain open. Nevertheless, the nominal value of this market for the last 5 years has dropped significantly (-71%), which is why the Kruk expenditures do not exceed PLN 250m within our forecast, despite the dominant role of the Company in the country. In addition, further positive revaluations should be expected in Poland and Romania additionally supported by stimulus & negative revaluations in Italy (-4 million in Q1 2019). We set the revaluation balance at PLN 100m in the current year, and then gradually reduce it to PLN 34m in the final year of our forecast. Our forecasts for 2019-20 are currently 4% - 5% below consensus and 6% below the company's forecast for 2019. Due to the worse forecasted earnings dynamics, we value the Company with a 10% discount to fair 2020 P/E (10x) peers. At the same time, we emphasize that the Company still looks very attractive with ROE above 17%, very low net debt/equity ratio (1.3x1.1x) and DYield ratio between 3% - 6%. We believe that the current market valuation creates over 30% growth potential.

Current Price	160.70 PLN	**Upside**
9M Target Price	213.65 PLN	+32.9%

	rating	target price	issued
unchanged	**buy**	**213.65 PLN**	**2019-04-02**

Key Metrics			KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-5.9%	-2.8%
ISIN	PLKRK0000010	YTD Price Chng	+2.6%	+2.2%
Outst. Stock (m)	18.9	ADTV 1M		PLN 7.3m
MC (PLN m)	3,035.1	ADTV 6M		PLN 9.9m
		P/E 12M fwd	8.8	-33.8%
Free float	87.0%	P/E 5Y avg	13.3	discount

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	10.2	9.2	8.9	8.8	8.8
P/B	2.1	1.8	1.6	1.5	1.4
ROE	21.9%	20.7%	18.7%	17.4%	16.0%
DPS	5.76	5.00	5.00	9.02	9.16
DYield	3.6%	3.1%	3.1%	5.6%	5.7%

Projection Update (% change)	2019P	2020P	2021P
Purchased debt portfoliis	0.0%	0.0%	0.0%
Collections	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%
Total costs	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	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

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

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**

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 (reiterated)

Michał Konarski +48 22 438 24 05 michal.konarski@mbank.pl

After very good Q1 2019 earnings (Q3 of the financial year), we updated our forecasts for Skarbiec Holding. The net result for the financial year 2018/19 was raised by 9% mainly due to the success fee (forecasts raised by 58%). On the other hand, we have significantly reduced our forecasts for the market, which combined with the falling management fee, caused our forecasts to fall by 14% in 2019/20. We currently estimate market growth at an average annual rate of 6.5% for the next 5 years. On the other hand, the Management of Skarbiec TFI has announced that it will not focus on market share and profitability. We take the Management Board's commentary as a natural abandonment of the strategy in which the Company has previously declared the achievement of 8 billion assets under management (AUM) in 2020. We expect the AUM of Skarbiec to grow at an average annual rate of 5.5% in the next 5 years, additionally supported by PLN 550 million related to the Employee Capital Plans (pl. PPK) program in the financial year 2019/20. At the same time, joining the PPK program will negatively impact the dividend this year. According to the PPK Act, funds joining the program should have own capital of at least PLN 25 million. This means that Skarbiec may pay a maximum of PLN 12 million in the form of a dividend. We cautiously assume a payout of PLN 10 million (DPS PLN 1.47, DY 9%) and then the payment stabilization to about 100% of the net profit (on average 20% of DY in the next 9 years). We believe that the still unclear situation regarding the shareholding negatively affects the company, which may indirectly affect relations with distributors. The achievement of our target price is guaranteed by the high DY ratio (>10%), which will be unachievable for peers.

Current Price	16.50 PLN	**Upside**
9M Target Price	28.17 PLN	+70.7%

	rating	target price	issued
new	**buy**	**28.17 PLN**	**2019-06-03**
old	buy	31.36 PLN	2018-12-05

Key Metrics			**SKH PW**	**vs. WIG**
Ticker	SKH PW	1M Price Chng	+1.2%	+4.3%
ISIN	PLSKRBH00014	YTD Price Chng	-21.8%	-22.2%
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.0m
MC (PLN m)	112.6	ADTV 6M		PLN 0.1m
		P/E 12M fwd	4.9	-32.8%
Free Float	25.4%	P/E 5Y avg	7.3	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	101.5	105.1	92.7	101.9	104.5
Mgmt fees	80.9	78.5	76.9	83.5	83.9
Success fees	15.2	25.6	14.7	17.3	19.5
Costs	-78.1	-76.1	-68.8	-74.3	-78.4
Net income	19.6	24.0	19.9	23.0	21.8
P/E	5.7	4.7	5.6	4.9	5.2
P/B	1.1	1.2	1.1	1.1	1.0
ROE	19.3%	24.2%	19.7%	21.6%	20.3%
DPS	2.62	4.45	1.47	3.22	3.15
DYield	15.9%	27.0%	8.9%	19.5%	19.1%

Projection Update (% change)	**2018P**	**2019P**	**2020P**
Management fees	-4.1%	-11.9%	-9.0%
Success fees	+58.0%	+3.0%	+21.0%
Revenue	+1.3%	-14.0%	-9.6%
Total costs	-2.0%	-14.2%	-13.2%
Net income	+9.4%	-13.7%	+0.7%

Financial Highlights

(PLN m)	2017	2018P	2019P	2020P	2021P
Management fees	80.9	78.5	76.9	83.5	83.9
Success fees	15.2	25.6	14.7	17.3	19.5
Other	5.4	1.0	1.0	1.0	1.1
Revenue	**101.5**	**105.1**	**92.7**	**101.9**	**104.5**
Distribution costs	-41.5	-35.8	-34.4	-38.4	-41.1
Payroll	-19.8	-24.4	-17.9	-18.8	-19.7
Other operating costs	-16.8	-15.8	-16.5	-17.1	-17.6
Operating expenses	**-78.1**	**-76.1**	**-68.8**	**-74.3**	**-78.4**
Other	0.9	0.8	0.8	0.8	0.9
Pre-tax income	**24.3**	**29.8**	**24.6**	**28.4**	**26.9**
Tax	-4.7	-5.8	-4.7	-5.4	-5.1
Net income	**19.6**	**24.0**	**19.9**	**23.0**	**21.8**
Retail AUM	4,414	3,462	4,099	4,778	5,231
Dedicated AUM	2,375	339	339	339	339
Total AUM	6,789	3,802	4,439	5,117	5,570

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Cash	**50.1**	**34.0**	**36.5**	**36.9**	**37.2**
Other assets	67.4	88.7	95.3	96.2	97.0
Total assets	**117.5**	**122.7**	**131.8**	**133.1**	**134.2**
Borrowing	**0.1**	**1.5**	**1.6**	**1.8**	**1.7**
Other liabilities	15.0	25.1	24.2	24.2	25.2
Minority interests	0.0	0.0	0.0	0.0	0.0
Equity	**102.4**	**96.1**	**106.0**	**107.0**	**107.4**

Relative Valuation Summary

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

Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	110	61%
PV of Dividends (Value Driver)	67	37%
PV of Terminal Value	5	3%
Fair Value as of Jul. 2017	**182**	**100%**
PV Adjustment	10	
Fair Value	**192**	
Dilution (stock options)	-7	
Fair Value	**185**	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	**27.09**	
9M Target Price (PLN)	**29.33**	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	102	53%
Explicit Forecast (2018-2025)	64	33%
Value Driver - 20 yrs	25	13%
Fair Value as of Jan. 2017	**191**	**100%**
PV Adjustment	19	
Fair Value	**210**	
Dilution (stock options)	-8	
Fair Value	**202**	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	**29.66**	
9M Target Price (PLN)	**32.11**	

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	185
Economic Profits	33%	202.35
Relative	33%	150.70

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	27.09
Economic Profits	33%	29.66
Relative	33%	22.09
Cost of equity (9M)		8.3%
9M Target Price (PLN)		**28.17**

mBank Dom Maklerski

Chemicals

Ciech

buy (reiterated)

Jakub Szkopek +48 22 438 24 03 jakub.szkopek@mbank.pl

Soda price increases (+7% y/y) and growing demand in Central and Eastern Europe (new Guardian and Euroglas glassworks) allow optimistic assumptions of results in the subsequent quarters. On the other hand, Ciech has production problems, which negatively impacts the volumes. The Group has announced investments in modernization of production lines and improvement of efficiency in the energy sector, which should eliminate problems in the long term and also increase the efficiency. We are updating our forecasts for expected lower production volumes and higher expenditures related to improving efficiency and steam & energy production. In addition, we include all claims of the Tax Office (PLN 168m) in our valuation. Despite a very cautious approach, our valuation implies more than 20% growth potential. We are lowering our target price to PLN 55.00 per share (previously PLN 68.11 per share) and we are maintaining a buy rating.

Current Price	42.65 PLN	**Upside**
9M Target Price	55.00 PLN	+29.0%

	rating	target price	issued
new	**buy**	**55.00 PLN**	**2019-06-03**
old	buy	68.11 PLN	2019-05-09

Key Metrics			**CIE PW**	**vs. WIG**
Ticker	CIE PW	1M Price Chng	-8.0%	-4.9%
ISIN	PLCIECH00018	YTD Price Chng	-3.7%	-4.1%
Outst. Stock (m)	52.7	ADTV 1M		PLN 1.6m
MC (PLN m)	2,247.7	ADTV 6M		PLN 4.2m
EV (PLN m)	3,739.4	EV/EBITDA 12M fwd	5.1	-16.8%
Free Float	33.0%	EV/EBITDA 5Y avg	6.1	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	3,579	3,673	3,812	3,990	4,134
EBITDA adj.	808	633	714	759	791
EBITDA margin	22.6%	17.2%	18.7%	19.0%	19.1%
EBIT adj.	564	358	423	420	447
Net income adj.	373	166	285	282	303
P/E adj.	6.0	13.5	7.9	8.0	7.4
P/B	1.0	1.1	1.0	0.9	0.9
EV/EBITDA adj.	3.8	5.9	5.2	5.1	4.7
DPS	0.00	7.50	0.00	1.08	2.68
DYield	0.0%	17.6%	0.0%	2.5%	6.3%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
EBITDA	-2.0%	-1.4%	-0.6%
Net income	-6.1%	-11.3%	-10.2%
Soda price (US $/t)	0.0%	0.0%	0.0%
Soda Ciech (PLN/t)	0.0%	0.0%	0.0%
Soda vol (1,000t)	-3.5%	-2.4%	-2.1%
Thermal Coal price (PLN/t)	0.0%	0.0%	0.0%
Coking Coal price ($/t)	0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA. Soda Div.	704	540	573	607	630
EBITDA, Organic Div.	97	76	96	102	109
EBITDA, Silicates	37	34	37	41	42
EBITDA, Other	-5	9	9	9	9
EBITDA/tonne, Soda	306	243	260	267	274
Operating cash flow	**629**	**454**	**577**	**670**	**697**
D&A	244	275	291	339	344
Working capital	-66	-97	-58	-11	-9
Investing cash flow	**-389**	**-627**	**-545**	**-678**	**-331**
CAPEX	402	595	545	678	331
Financing cash flow	**-164**	**-125**	**-160**	**-18**	**-301**
Dividends/Buyback	0	-395	0	-57	-141
FCF	234	-170	33	-7	369
FCF/EBITDA	28%	-26%	5%	-1%	47%
OCF/EBITDA	75%	69%	81%	88%	88%

Key Balance Sheet Figures

(PLN m)	2016	2017	2018	2019P	2020P
Assets	4,644	4,831	5,050	5,417	5,514
Fixed assets	3,205	3,559	3,813	4,154	4,142
Equity	2,188	1,970	2,255	2,480	2,642
Minority interests	-3	0	0	0	0
Net debt	865	1,464	1,491	1,618	1,452
Net debt/EBITDA (x)	1.0	2.2	2.1	2.1	1.8
Net debt/Equity (x)	0.4	0.7	0.7	0.7	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.0	4.4	4.2	4.1	2.8	4.1
Maximum	25.9	19.0	16.8	14.5	12.7	11.4
Median	10.0	9.8	8.9	6.6	5.3	5.4
Weight	17%	17%	17%	17%	17%	17%

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)	2,200	2,275	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,301
Revenue	3,812	3,990	4,134	4,189	4,222	4,247	4,265	4,282	4,300	4,319	4,349
EBITDA	714	759	791	825	824	819	806	794	782	769	761
EBITDA margin	18.7%	19.0%	19.1%	19.7%	19.5%	19.3%	18.9%	18.5%	18.2%	17.8%	17.5%
EBIT	423	420	447	491	495	482	461	441	422	404	394
Tax	78	77	83	93	95	93	89	86	82	79	77
CAPEX	-545	-678	-331	-313	-319	-332	-340	-348	-356	-363	-368
Working capital	-58	-11	-9	-3	-2	-2	-1	-1	-1	-1	-2
FCF	33	-7	369	415	408	392	376	360	343	326	315
PV FCF	32	-6	309	324	296	265	236	209	185	163	
WACC	7.0%	7.0%	7.1%	7.2%	7.2%	7.3%	7.3%	7.4%	7.4%	7.5%	7.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,015
Net debt	1,464
Other adj.	-169
Value per share (PLN)	61.02

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	42.45
DCF Val.	50%	61.02
Implied Price		51.74
Cost of equity (9M)		6.3%
9M Target Price		**55.00**

Grupa Azoty

accumualte (downgraded)

Jakub Szkopek +48 22 438 24 03 jakub.szkopek@mbank.pl

The decline in natural gas prices observed in Q2 2019 with a less dynamic decline in fertilizer prices on the domestic market should positively affect the results of this period. In our opinion, taking into account the successful Q2 2019, lower by 20% y/y fertilizer stocks at domestic distributors and possible entry into force of the RSM import tariffs in H2 2019 – the market may shift its annual expectations @EBITDA level to PLN 1.4-1.5 billion (consensus @ PLN 1.3 billion). The appearance of new investors in financing the PDH project also has a positive impact on the valuation. The higher expected 2019 EBITDA and lower expenditures related to the key PDH project cause the net debt relative to EBITDA to drop to 1.8x at the end of 2019, which in our opinion will result in positive perception of risk of the investors. We are upgrading our EBITDA forecast for 2019 by 10% to PLN 1450 million and we are updating our valuation to PLN 44.42 per share (previously PLN 45.39 per share). Due to the increase in the share price, we are downgrading our rating from buy to accumulate.

Current Price	39.86 PLN	Upside
9M Target Price	44.42 PLN	+11.4%

	rating	target price	issued
new	**accumulate**	**44.42 PLN**	**2019-06-03**
old	buy	45.39 PLN	2019-05-09

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	+0.4%	+3.4%
ISIN	PLZATRM00012	YTD Price Chng	+27.8%	+27.5%
Outst. Stock (m)	99.2	ADTV 1M		PLN 3.3m
MC (PLN m)	3,953.9	ADTV 6M		PLN 3.9m
EV (PLN m)	7,220.1	EV/EBITDA 12M fwd	5.3	-18.6%
Free Float	29.0%	EV/EBITDA 5Y avg	6.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,617	9,999	12,325	12,398	12,723
EBITDA adj.	1,262	805	1,447	1,158	1,165
EBITDA margin	13.1%	8.1%	11.7%	9.3%	9.2%
EBIT adj.	672	122	696	415	434
Net income adj.	550	43	472	252	247
P/E adj.	7.2	92.7	8.4	15.7	16.0
P/B	0.6	0.6	0.6	0.5	0.5
EV/EBITDA adj.	3.9	8.5	5.0	7.1	8.2
DPS	0.79	1.20	0.00	0.00	0.76
DYield	2.0%	3.0%	0.0%	0.0%	1.9%

Projection Update (% change)	2019P	2020P	2021P
EBITDA	+10.1%	-0.9%	-1.1%
Net income	+26.8%	-4.3%	-5.1%
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	2018	2019P	2020P	2021P
EBITDA, Fertilizers	484	82	756	523	544
EBITDA, Plastics	221	192	183	171	147
EBITDA, Chemicals	348	282	270	222	230
EBITDA, Energy	0.0	0.0	127.0	122.7	125.8
EBITDA, Other	134	208	111	121	118
Operating cash flow	**1,087**	**1,043**	**1,145**	**1,113**	**1,110**
D&A	590	683	751	743	731
Working capital	13	155	-216	-3	-14
Investing cash flow	**-709**	**-1,761**	**-1,372**	**-2,040**	**-2,199**
CAPEX	1,063	2,042	1,387	2,040	2,199
Financing cash flow	**39**	**440**	**-119**	**481**	**1,078**
Dividends/Buyback	-78	-119	0	0	-75
FCF	49	-1,158	-267	-939	-1,098
FCF/EBITDA	4%	-151%	-18%	-81%	-94%
OCF/EBITDA	92%	136%	79%	96%	95%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	11,738	14,160	14,644	15,519	17,072
Fixed assets	8,070	9,886	10,553	11,855	13,330
Equity	6,856	6,703	7,172	7,423	7,595
Minority interests	588	625	639	646	654
Net debt	367	2,226	2,627	3,673	4,984
Net debt/EBITDA (x)	0.3	2.9	1.8	3.2	4.3
Net debt/Equity (x)	0.1	0.3	0.4	0.5	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.9	8.7	6.9	5.8	5.0	4.4
Maximum	20.5	15.0	13.0	9.4	8.1	7.5
Median	12.8	9.9	8.3	7.6	6.8	6.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Urea price (PLN/t)	1,572	1,547	1,586	1,585	1,583	1,582	1,580	1,579	1,578	1,576	1,585
AN price (PLN/t)	1,323	1,312	1,350	1,348	1,347	1,346	1,344	1,343	1,342	1,340	1,347
NGas cost (PLN/m3)	1,000	1,075	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184
Revenue	12,325	12,398	12,723	13,618	14,600	14,869	15,091	15,245	15,402	15,492	15,640
EBITDA	1,447	1,158	1,165	1,460	1,620	1,672	1,646	1,633	1,618	1,599	1,614
EBITDA margin	11.7%	9.3%	9.2%	10.7%	11.1%	11.2%	10.9%	10.7%	10.5%	10.3%	10.3%
EBIT	696	415	434	508	667	729	742	757	740	707	723
Tax	111	54	50	45	64	79	85	91	90	85	89
CAPEX	-1,387	-2,040	-2,199	-844	-572	-619	-660	-814	-832	-878	-892
Working capital	-216	-3	-14	-39	-43	-12	-10	-7	-7	-4	-6
FCF	-267	-939	-1,098	532	942	961	891	721	690	633	628
PV FCF	-259	-854	-944	428	706	673	580	438	389	332	
WACC	6.9%	6.5%	6.2%	6.4%	6.6%	6.7%	6.8%	6.9%	7.0%	7.0%	7.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	7,985
Net debt	2,226
Other adjustments	-625
Value per share (PLN)	51.76

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	31.81
DCF Val.	50%	51.76
Implied Price		41.78
Cost of equity (9M)		6.3%
9M Target Price		**44.42**

mBank Dom Maklerski

Oil & Gas

Lotos

sell (reiterated)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszcz@mbank.pl

Problems with the Friendship pipeline, the declaration of the interest in PDH project and the uncertainty regarding the future election results (the subject of the merger) led to a strong Lotos discount, but the declines were largely recovered last week. The result of European Parliament election restored faith in the tender from Orlen, possibly in Q3, which may again support the valuation. Nevertheless, we still believe that the deterioration of the macro environment in the refinery will prevent from the implementation of consensus @ EBITDA ~ PLN 3 billion. We are currently observing an unfavorable decline in diesel margins (high inventories, growing imports from the USA & Asia) and heavy fuel oil, with an additional problem of the low Ural/Brent differential. This implies a significant macro deterioration y/y in Q2. The upstream segment's results are highly sensitive to the falling prices of spot gas. The issue of participation in the PDH project may still come back with its negative impact, as it is hard to find rational reasons for such a decision (lack of synergy on the supply & technology side), especially that it is about a minority stake (it looks like it provides the missing financing). The sell rating remains unchanged, but we update the forecasts and valuation (up to PLN 65.95 vs. PLN 65.41) due to the application of the IFRS16 effect (increase of EBITDA, depreciation & net debt) as well as lower gas prices in 2019.

Current Price	87.82 PLN	**Downside**
9M Target Price	65.95 PLN	-24.9%

	rating	target price	issued
new	**sell**	**65.95 PLN**	**2019-06-03**
old	sell	65.41 PLN	2019-04-02

Key Metrics			**LTS PW**	**vs. WIG**
Ticker	LTS PW	1M Price Chng	+6.4%	+9.5%
ISIN	PLLOTOS00025	YTD Price Chng	-0.8%	-1.1%
Outst. Stock (m)	184.9	ADTV 1M		PLN 29.5m
MC (PLN m)	16,235.6	ADTV 6M		PLN 29.2m
EV (PLN m)	19,826.4	EV/EBITDA 12M fwd	5.2	-10.7%
Free Float	46.8%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	24,186	30,122	29,085	29,633	29,963
EBITDA	3,073	3,704	2,748	3,054	3,453
EBITDA margin	12.7%	12.3%	9.4%	10.3%	11.5%
EBIT	2,229	2,981	1,864	2,055	2,367
Net income	1,672	1,587	1,123	1,221	1,321
P/E	9.7	10.2	14.5	13.3	12.3
P/B	1.5	1.3	1.3	1.2	1.1
EV/EBITDA	6.1	4.9	7.2	6.1	5.2
DPS	1.00	1.00	3.00	1.82	1.98
DYield	1.1%	1.1%	3.4%	2.1%	2.3%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
LIFO EBITDA	+5.7%	+4.7%	+4.3%
Net income	+3.0%	+1.0%	+2.2%
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	2021P
LIFO EBITDA (adj.)	**3,050**	**3,126**	**2,667**	**3,144**	**3,408**
Upstream (US)	863	917	724	1,049	1,377
Downstream (DS)	2,058	2,022	1,739	1,885	1,818
Retail	139	181	204	210	214
EV/ LIFO EBITDA (adj.)	**6.1**	**5.8**	**7.4**	**5.9**	**5.2**
LIFO effect	171	500	81	-90	45
Other one-offs	-148	78	0	0	0
Financing activity	**219**	**-259**	**-154**	**-83**	**-160**
Crude thrghpt (mmt)	**9.6**	**10.8**	**10.4**	**10.2**	**10.2**
$ LIFO EBITDA/bbl, DS	7.7	7.1	6.1	7.0	6.8
PLN EBITDA/tonne, Retail	119	144	130	132	135
$ EBITDA/boe, US	26.9	34.1	27.2	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**	**1,705**	**2,812**	**2,452**
OCF/EBITDA LIFO adj.	103%	74%	64%	89%	72%
CAPEX	**1,439**	**967**	**1,588**	**1,325**	**1,046**
Working capital	4,035	4,816	5,583	5,264	5,382
Equity	10,712	12,035	12,640	13,652	14,559
Net debt	**2,505**	**1,943**	**3,591**	**2,399**	**1,571**
Net debt/EBITDA (x)	0.8	0.5	1.3	0.8	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.0	2.9	2.4	2.0	1.8	1.7
Maximum	22.2	15.9	15.2	11.1	10.5	10.0
Median	9.0	7.7	7.5	4.7	4.2	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	27,809	27,979	27,814	27,565	27,565	27,565	27,565	27,565	27,624	27,678	27,678
EBITDA	2,024	2,005	2,076	2,027	2,022	2,018	2,013	2,008	2,003	1,994	1,994
EBITDA margin	7.3%	7.2%	7.5%	7.4%	7.3%	7.3%	7.3%	7.3%	7.3%	7.2%	7.2%
EBIT	1,356	1,236	1,286	1,197	1,236	1,206	1,189	1,171	1,152	1,127	1,277
Tax	258	235	244	228	235	229	226	222	219	214	243
CAPEX	-703	-715	-717	-717	-717	-717	-717	-717	-717	-717	-717
Working capital	-768	319	-118	-2	28	21	43	10	5	2	2
FCF	296	1,374	997	1,081	1,099	1,092	1,113	1,078	1,072	1,065	1,037
PV FCF	280	1,202	810	815	767	706	665	597	550	505	
WACC	7.7%	8.1%	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	13,910
Net debt	3,034
Petrobaltic	1,861
Value per share (PLN)	68.89

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	55.17
DCF Val.	50%	68.89
Implied Price		62.03
Cost of equity (9M)		6.3%
9M Target Price		**65.95**

MOL

hold (reiterated)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszcz@mbank.pl

MOL, alike Polish peers, has already recovered most of the losses related to the interruption of the supplies via the Friendship pipeline, but it is too early to formulate optimistic theses about the lack of its negative impact on the Q2 results. Low gas prices do not affect the production segment 1:1 so far, due to the large share of regulated sales, but pressure on revenues may appear in the second half of the year. In regard of our assumed scenario of systematic deterioration of margins in the downstream sector, MOL remains a more interesting choice vs. Lotos or Orlen due to its business profile, besides it is still valued at a significant discount to Polish refineries. The capex growth scale declared by the Management Board is much lower vs. Orlen, and the balance sheet is clearly stronger (0.6x DN/EBITDA), which ensures stable growth of dividends and builds a liquidity cushion for interesting acquisitions. At the same time, MOL continues to deliver strong growth in the retail segment for the next consecutive quarter (15-16% on the consolidated EBITDA already), which was appreciated by the market in case of the Płock concern. The hold rating remains unchanged, but we update our forecasts due to the application of the IFRS16 effect (increase of EBITDA, depreciation & net debt) and lower gas prices in 2019. Despite the updated forecasts and indicators in the comparative method, the valuation remains unchanged @HUF 3,223.

Current Price	3,276 HUF	**Downside**
9M Target Price	3,223 HUF	-1.6%

	rating	target price	issued
new	**hold**	**3,223 HUF**	**2019-06-03**
old	hold	3,223 HUF	2019-04-02

Key Metrics			**MOL HB**	**vs. WIG**
Ticker	MOL HB	1M Price Chng	-0.6%	+2.5%
ISIN	HU0000153937	YTD Price Chng	+6.4%	+6.1%
Outst. Stock (m)	738.1	ADTV 1M	HUF 2,720.6m	
MC (HUF m)	2,418,108.8	ADTV 6M	HUF 2,030.3m	
EV (HUF m)	3,197,874.3	EV/EBITDA 12M fwd	4.4	+2.3%
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	4,828	5,173	5,163
EBITDA	673	764	614	728	758
EBITDA margin	16.3%	14.8%	12.7%	14.1%	14.7%
EBIT	354	353	209	308	339
Net income	307	301	149	230	255
P/E	7.9	8.0	16.3	10.5	9.5
P/B	1.4	1.2	1.2	1.1	1.1
EV/EBITDA	4.7	4.0	5.2	4.4	4.0
DPS	78.13	127.50	142.50	152.64	160.27
DYield	2.4%	3.9%	4.3%	4.7%	4.9%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
CCS EBITDA	+0.0%	+2.0%	+1.9%
Net income	-8.6%	-1.1%	-0.4%
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**	**609**	**728**	**758**
Upstream (US)	235	344	298	360	357
Downstream (DS)	198	183	135	158	176
Retail	97	115	120	127	133
Petchem	127	87	52	78	89
Gas Midtsream	61	50	56	57	57
General expenses	-45	-51	-52	-52	-54
EV/LIFO EBITDA (adj.)	**4.7**	**4.2**	**5.2**	**4.4**	**4.0**
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	3.6	4.3	4.7
EBITDA/boe, US	23.7	34.8	30.0	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**	**590**	**648**	**690**
OCF/EBITDA LIFO adj.	83%	82%	97%	89%	91%
CAPEX	**286**	**380**	**528**	**490**	**402**
Working capital	248	300	281	301	300
Equity	1,741	1,994	2,021	2,123	2,244
Net debt	**435**	**314**	**457**	**438**	**293**
Net debt/EBITDA (x)	0.6	0.4	0.7	0.6	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.0	2.9	2.4	2.0	1.8	1.7
Maximum	22.2	15.9	15.2	11.1	10.5	10.0
Median	9.3	8.1	7.8	5.0	4.3	4.2
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	316	368	400	439	443	443	443	442	442	444	444
EBITDA margin	7.0%	7.6%	8.3%	9.1%	9.2%	9.2%	9.1%	9.1%	9.1%	9.1%	9.1%
EBIT	108	147	172	201	208	207	203	199	193	189	224
Tax	29	38	44	52	54	54	53	52	50	49	43
CAPEX	-404	-367	-280	-241	-220	-220	-220	-220	-220	-220	-220
Working capital	20	-20	1	0	1	2	1	1	1	0	0
FCF	-98	-58	77	146	170	171	171	172	173	175	181
PV FCF	-92	-50	62	108	116	107	99	92	85	79	
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	1,703
Net debt & adjustments	181
Upstream Valuation	640
Value per share (HUF)	3,097

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	2,946
DCF Val.	50%	3,097
Implied Price		3,022
Cost of equity (9M)		6.7%
9M Target Price		**3,223**

mBank Dom Maklerski

PGNiG

buy (no change)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszcz@mbank.pl

We upgraded our rating for PGNiG in April, hoping for a rebound in gas prices in the coming months. However, for the time being the spot contracts are testing new minima, and the Company's stock price has dropped by another 10%, which places PGNiG among the worst possible investments in the European gas sector YTD. The rising oil/gas spread (risk for mid-term turnover), delayed final arbitration verdict, tariff reduction in distribution & aggressive Capex forecasts of the Company did not help (we note that the forecasts implementation in previous years had reached 60% at this level). Considering the worse environment for the mining and trading segments this year, we are lowering our EBITDA forecast by around 8%, while maintaining a positive scenario for the following years. In the medium term, the fundamentals are still relatively strong, which also seems to be reflected in the forward curve (1Y FWD ~ EUR 20/MWh). The spring-summer season is obviously not a good environment for a rebound on the gas market, but in our opinion the following months will be better due to: i) the return of higher demand in China, ii) active arbitration of LNG, iii) parity of costs in electricity production iiii) return to the oil-gas parity. With such assumptions, the EV/EBITDA ratio returns to around 4.0x in 2019-20, and the still-strong balance (net cash despite the implementation of IFRS 16) gives a chance to increase dividends (growing budgetary needs) or acquisitions that convert liquidity surplus into EBITDA. In spite of the delays, we cannot forget about the upcoming arbitration. We maintain our positive approach to PGNiG unchanged.

Current Price	5.60 PLN	**Upside**
9M Target Price	6.47 PLN	+15.5%

	rating	target price	issued
unchanged	**buy**	**6.47 PLN**	**2019-05-28**

Key Metrics			PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	-3.1%	-0.0%
ISIN	PLPGNIG00014	YTD Price Chng	-19.0%	-19.3%
Outst. Stock (m)	5,778.3	ADTV 1M		PLN 25.3m
MC (PLN m)	32,358.6	ADTV 6M		PLN 33.0m
EV (PLN m)	32,667.1	EV/EBITDA 12M fwd	4.7	-6.2%
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	35,386	38,680	42,922
EBITDA	6,579	7,115	6,835	8,253	8,793
EBITDA margin	18.3%	17.3%	19.3%	21.3%	20.5%
EBIT	3,910	4,395	3,996	5,161	5,611
Net income	2,923	3,212	2,894	3,734	4,064
P/E	11.1	10.1	11.2	8.7	8.0
P/B	1.0	0.9	0.8	0.8	0.7
EV/EBITDA	5.0	4.5	4.8	3.9	3.6
DPS	0.20	0.07	0.11	0.20	0.26
DYield	3.6%	1.2%	2.0%	3.6%	4.6%

Projection Update (% change)	2019P	2020P	2021P
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Price of Brent crude ($/bbl)	0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)	0.0%	0.0%	0.0%
USD/PLN	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	**7,261**	**7,511**	**6,964**	**8,158**	**8,718**
EBITDA	6,579	7,115	6,835	8,253	8,793
Mining	3,865	5,019	3,797	4,535	4,916
Trade	-435	-848	173	616	621
Distribution	2,493	2,385	2,185	2,238	2,251
Heat & Power	843	788	894	1,084	1,231
Other	-187	-229	-214	-220	-225
Financing activity	**12**	**107**	**-27**	**-22**	**-24**
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	**-2.2**	**-6.6**	**-1.0**	**1.7**	**1.7**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	**4,816**	**5,814**	**6,200**	**5,996**	**6,281**
OCF/EBITDA	73%	82%	91%	73%	71%
CAPEX	**3,162**	**4,534**	**4,924**	**4,461**	**4,014**
Working capital	5,280	5,358	4,754	5,197	5,767
Equity	33,626	36,634	38,842	41,369	43,889
Net debt	**428**	**-223**	**311**	**41**	**-635**
Net debt/EBITDA (x)	0.1	0.0	0.0	0.0	-0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.9	2.7	2.2	2.8	2.5	2.3
Maximum	22.0	17.4	16.7	16.2	13.1	12.6
Median	12.2	10.8	10.2	6.1	5.7	5.4
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	16.8	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	35,386	38,680	42,922	43,001	40,369	40,325	38,959	38,079	38,617	38,897	38,897
EBITDA	6,561	7,807	8,351	8,236	7,986	8,588	8,669	8,784	9,042	8,814	8,814
EBITDA margin	18.5%	20.2%	19.5%	19.2%	19.8%	21.3%	22.3%	23.1%	23.4%	22.7%	22.7%
EBIT	3,996	5,161	5,611	5,422	5,109	5,188	5,213	5,229	5,324	4,969	4,362
Tax	1,074	1,405	1,524	1,440	1,342	1,315	1,371	1,411	1,509	1,378	1,378
CAPEX	-4,924	-4,461	-4,014	-4,681	-4,779	-4,334	-4,348	-4,381	-4,457	-4,452	-4,452
Working capital	604	-442	-570	-11	354	6	183	118	-72	-38	-38
FCF	1,166	1,499	2,243	2,104	2,218	2,944	3,133	3,110	3,003	2,947	2,947
PV FCF	1,109	1,309	1,798	1,548	1,499	1,826	1,784	1,626	1,441	1,298	
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	35,344
Net debt	857
Other adjustments	833
Value per share (PLN)	6.11

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	7.33
Relative (DYield)	17%	3.42
DCF	50%	6.11
Cost of equity (9M)		6.7%
9M Target Price		**6.47**

PKN Orlen

sell (reiterated)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszcz@mbank.pl

The results of the elections to the European Parliament indicate that the mandate for the local merger will be maintained, which raises Lotos' price again, and it is difficult to consider this a favorable scenario for Orlen (purchase of refining assets at the top of the cycle and valuation). Orlen's balance sheet may swell up quite quickly, especially as the Company enters a period of very high organic investments, and as a result of the implementation of IFRS16 it has increased the reported debt by PLN 3.6 billion (this has to be taken into account in the calculation of indicators, especially that Orlen reports EBITDA without correction for the effect of these accounting revolutions, despite the fact that they will falsely improve the profits at this level by about PLN 0.5-0.6 billion annually. After achieving full comparability, EBITDA LIFO would be lower than expected by PLN 0.2 billion in Q1 2019, while the annual consensus is still ambitious and assumes maintaining results from 2018 (it has dropped by around PLN 0.3 billion in recent weeks). This will be particularly difficult in the context of a fairly demanding reference base in subsequent periods (record-breaking Q4 result in retail, high margins on diesel caused by the low level of the Rhine in H2 2018), especially as we expect further pressure on model margins in petrochemicals and refineries. Suspension of the pipeline supplies is likely to have some negative implications on profitability in Q2. We maintain a sell rating, but we update our forecasts and valuation (up to PLN 80.01 vs. PLN 79.39) due to the application of the IFRS16 effect (increase of EBITDA, depreciation and net debt), lower gas prices in 2019 and accounting NRV effect from Q1 2019.

Current Price	96.78 PLN	**Downside**
9M Target Price	80.01 PLN	-17.3%

	rating	target price	issued
new	**sell**	**80.01 PLN**	**2019-06-03**
old	sell	79.39 PLN	2019-04-02

Key Metrics			**PKN PW**	**vs. WIG**
Ticker	PKN PW	1M Price Chng	-1.1%	+2.0%
ISIN	PLPKN0000018	YTD Price Chng	-10.5%	-10.9%
Outst. Stock (m)	427.7	ADTV 1M		PLN 83.0m
MC (PLN m)	41,393.7	ADTV 6M		PLN 78.8m
EV (PLN m)	48,904.4	EV/EBITDA 12M fwd	5.1	-8.6%
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	7,952	7,559	8,042
EBITDA margin	11.6%	8.9%	7.4%	6.9%	7.2%
EBIT	8,657	7,103	4,512	4,052	4,503
Net income	6,655	5,463	3,586	3,209	3,473
P/E	6.2	7.6	11.5	12.9	11.9
P/B	1.3	1.2	1.1	1.0	1.0
EV/EBITDA	4.1	4.8	6.2	6.3	5.6
DPS	3.00	3.00	3.50	3.00	3.00
DYield	3.1%	3.1%	3.6%	3.1%	3.1%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
LIFO EBITDA	+9.8%	+6.6%	+5.9%
Net income	+8.0%	+0.4%	+1.7%
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**	**7,313**	**7,694**	**7,974**
Downstream(DS)	4,689	3,751	2,455	2,890	3,315
Petchem	3,034	2,069	2,315	2,439	2,350
Retail	2,049	2,781	2,428	2,384	2,374
Upstream	293	302	337	352	360
Electricity	129	190	505	367	325
General expenses	-613	-749	-728	-739	-750
EV/LIFO EBITDA (adj.)	**4.7**	**5.6**	**6.6**	**6.1**	**5.6**
LIFO effect	788	860	399	-135	68
Other one-offs	709	572	240	0	0
Financing activity	**60**	**-104**	**-84**	**-90**	**-214**
$ LIFO EBITDA/bbl, DS	5.1	4.3	2.9	3.5	4.0
PLN EBITDA/tonne, Retail	232	294	252	245	241
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**	**7,587**	**6,650**	**6,952**
OCF/EBITDA LIFO adj.	84%	60%	104%	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	37,724	39,651	41,842
Net debt	**761**	**5,599**	**7,499**	**5,871**	**3,866**
Net debt/EBITDA (x)	0.1	0.6	0.9	0.8	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	5.3	4.1	4.7	2.3	2.0	2.4
Maximum	17.3	15.9	15.2	20.6	18.8	18.9
Median	8.3	7.2	6.9	5.6	5.1	4.9
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	7,952	7,559	8,042	7,838	7,758	7,762	7,769	7,780	7,803	7,817	7,817
EBITDA margin	7.4%	6.9%	7.2%	7.0%	6.9%	6.9%	6.9%	6.9%	6.9%	6.8%	6.8%
EBIT	4,512	4,052	4,503	4,195	4,316	4,327	4,308	4,267	4,225	4,165	4,366
Tax	857	770	855	797	820	822	818	811	803	791	830
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	3,321	2,983	3,461	3,545	3,437	3,430	3,440	3,458	3,488	3,512	3,189
PV FCF	3,139	2,611	2,799	2,645	2,361	2,181	2,025	1,885	1,760	1,641	
WACC	7.8%	8.0%	8.2%	8.4%	8.6%	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	44,281
Net debt	9,255
Other adjustments	0
Value per share (PLN)	81.89

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	68.62
DCF Val.	50%	81.89
Implied Price		75.26
Cost of equity (9M)		6.3%
9M Target Price		**80.01**

mBank Dom Maklerski

Power Utilities

CEZ

hold (no change)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszcz@mbank.pl

The announced dividend policy update, although it does not change much at first glance (change of the payment range from 60-100% to 80-100% net profit), has had a positive impact on the Company's stock price in recent days. It seems like the market focused on the outline of the Group's new strategy presented by the Management Board, which assumes a capex reduction (no foreign RES projects), divestments (sales of assets in Turkey, Romania, Bulgaria and Poland) and focus on the development of distribution and renewable sources in the Czech Republic (expected new support system). In addition, the nuclear project declaration has been promising, according to which even if the investment agreement with the government is signed this year, preparatory expenditure in the next 5 years will not exceed EUR 100-150 million. All this has calmed down investors in terms of the medium-term cash flow perspective. However, this does not change the fact that the CEZ valuation is already demanding and therefore we maintain a neutral rating. This year's EV/EBITDA ratio amounts to around 7.5x, while the average for the last 5 years for EV/EBITDA 12M FWD is 7.1x, and this ratio for Stoxx Utilities currently amounts to 7.4x. The reason for not buying shares is also the possibility of relatively lower dividends in 2019-20 (average Dyield 4.9% and return to around 6% not earlier than 2021).

Current Price	538.50 CZK	**Upside**
9M Target Price	565.50 CZK	+5.0%

	rating	target price	issued
unchanged	**hold**	**565.50 CZK**	**2019-04-02**

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+0.1%	+3.2%
ISIN	CZ0005112300	YTD Price Chng	+0.7%	+0.3%
Outst. Stock (m)	538.0	ADTV 1M		CZK 159.6m
MC (CZK bn)	289.7	ADTV 6M		CZK 133.9m
EV (CZK bn)	440.1	EV/EBITDA 12M fwd	6.8	-5.1%
Free Float	30.2%	EV/EBITDA 5Y avg	7.2	discount

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	15.4	28.1	16.3	15.6	15.0
P/B	1.2	1.2	1.2	1.2	1.2
EV/EBITDA	7.9	9.0	7.6	7.3	7.0
DPS	33.00	32.71	21.91	29.72	31.05
DYield	6.1%	6.1%	4.1%	5.5%	5.8%

Projection Update (% change)	2019P	2020P	2021P
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Price of electricity (EUR/MWh)	0.0%	0.0%	0.0%
EUR/CZK	0.0%	0.0%	0.0%
CO2 (EUR/t)	0.0%	0.0%	0.0%

Financial Highlights

(CZK m)	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%

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 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%

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 (no change)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszcz@mbank.pl

In May, Enea performed best in the sector, but it was not hard with the WIG-Energia index dropping by 9%, especially that the Company surprised the most with Q1 results. The report for this period is a support for our thesis that last year's disappointment in the generation and production segments resulted from a series of unfavorable one-off events (problems with the availability of blocks, PLN 250m loss on trading/optimization of the portfolio, problem with balancing items in trading, record low yields in Bogdanka). The Company has significantly improved profitability in energy production in the first months of the year, and the subsequent quarters should only be better considering the return of the 500 MW unit after the major renovation. Bogdanka's management declared that maintaining high efficiency in the subsequent periods is realistic, which also makes our annual estimates in this segment credible. We note that Q1 EBITDA could be even higher if there was no consolidation exclusion of PLN 58 million of the Bogdanka's profit on coal, which has not yet been converted in Group power plants (this will be reversed after using these inventories). As for the issue of debt and cash flow, alike peers, the Q1 was distorted by seasonal events (working capital), and capex cannot be extrapolated 1:1 for subsequent periods due to PLN 0.18 billion of contribution to Ostrołęka C project. Currently, Enea is the most interesting company within the sector. We maintain buy rating and the valuation unchanged.

Current Price	8.41 PLN	**Upside**
9M Target Price	12.51 PLN	+48.8%

	rating	target price	issued
unchanged	**buy**	**12.51 PLN**	**2019-04-02**

Key Metrics			ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	+11.3%	+14.4%
ISIN	PLENEA000013	YTD Price Chng	-15.1%	-15.4%
Outst. Stock (m)	441.4	ADTV 1M		PLN 5.8m
MC (PLN m)	3,712.5	ADTV 6M		PLN 7.3m
EV (PLN m)	10,309.7	EV/EBITDA 12M fwd	3.3	-31.8%
Free Float	48.5%	EV/EBITDA 5Y avg	4.8	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	3.5	5.4	3.1	2.8	2.3
P/B	0.3	0.3	0.2	0.2	0.2
EV/EBITDA	3.8	4.4	3.2	2.9	2.7
DPS	0.28	0.00	0.00	0.00	0.60
DYield	3.3%	0.0%	0.0%	0.0%	7.1%

Projection Update (% change)	2019P	2020P	2021P
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)	0.0%	0.0%	0.0%
Price of coal (PLN/t)	0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	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%

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 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%

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**

mBank Dom Maklerski

Energa

buy (no change)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszcz@mbank.pl

Energa is valued at the highest level within the Polish peer group (4.1x EV/EBITDA'19-21 vs. the average of 3.3x), which is of course justified in the context of the business profile (distribution and RES), but with the current terrible sentiment towards the sector it is not in favor of the Company. In this context, it is hard to expect the company to be the leader of a possible rebound of WIG-Energia. Nevertheless, we see a number of factors that should support our buy rating in the coming months. There are many indications that the government will finally reach a compromise with the EC on compensation for freezing energy prices, which will allow to reverse the provisions and losses incurred by Energa in Q1, without which EBITDA would reach PLN 77m vs. expected PLN 53m. This indicates that our annual forecast of PLN 100m would be strongly revised upwards. The result delivered by the distribution segment also indicates that our estimates are quite conservative, and the generation segment should benefit from the greater availability of blocks and higher production in hydro power stations (hydrological conditions). We also note that in the context of concerns regarding the tightening of climate policy in the new term of the European Parliament, the Company has a relatively small exposure to coal production, and the RES segment will be a beneficiary of possible increases in the prices of emission allowances. It is also possible that our assumptions for green certificates will have to be increased when the government opts out from the new mechanism of calculation of the substitution fee.

Current Price	7.74 PLN	**Upside**
9M Target Price	12.21 PLN	+57.8%

	rating	target price	issued
unchanged	**buy**	**12.21 PLN**	**2019-04-02**

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	+4.5%	+7.5%
ISIN	PLENERG00022	YTD Price Chng	-13.1%	-13.5%
Outst. Stock (m)	414.1	ADTV 1M		PLN 3.1m
MC (PLN m)	3,204.9	ADTV 6M		PLN 5.7m
EV (PLN m)	8,308.2	EV/EBITDA 12M fwd	3.9	-17.8%
Free Float	48.5%	EV/EBITDA 5Y avg	4.7	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	4.1	4.3	4.4	4.8	4.7
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	3.4	4.1	3.9	4.1	4.3
DPS	0.19	0.00	0.00	0.00	0.00
DYield	2.5%	0.0%	0.0%	0.0%	0.0%

Projection Update (% change)	2019P	2020P	2021P
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)	0.0%	0.0%	0.0%
Price of coal (PLN/t)	0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	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
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	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)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszczc@mbank.pl

The PGE valuation in May has returned to its minima of September 2018, the final catalyst were disappointing Q1 results and reports on possible further acquisitions in the context of emerging market opportunities. It is hard to assess Q1 report positively, especially when it comes to the results generated by the closest peers. PGE failed because i) the operator reduced lignite-fired power plants ii) coal price increases exceeded +20% y/y iii) the company did not hedge the retail sales portfolio properly iii) energy for network losses in distribution was bought in H2 2018 at high prices. This year's earnings, despite the expected positive dynamics in production (base effect and changes in CO_2 accounting) will be difficult to 'save' (we are lowering our forecasts for the trading segment), but in our opinion these 'setbacks' are one-off events and do not affect the forecasts for the next years. In addition, according to the CFO declaration, the Company will settle the free 10.9 million tons of allowances received for EDF assets this year. In this context, we are adjusting our forecasts for 2019-20 (the positive effect appears now instead of 2020). The change in the valuation is small (target price @PLN 13.39 vs. previous PLN 13.38), we are maintaining a buy rating. The increase in net debt observed in Q1 is mainly due to seasonal (working capital) and accounting (effect of IFRS 16) factors, and it will get back to regular levels in subsequent periods. The Management's declaration on returning to dividend payouts next year is also symptomatic.

Current Price	9.23 PLN	**Upside**
9M Target Price	13.39 PLN	+45.1%

	rating	target price	issued
new	**buy**	**13.39 PLN**	**2019-06-03**
old	buy	13.38 PLN	2019-05-09

Key Metrics			**PGE PW**	**vs. WIG**
Ticker	PGE PW	1M Price Chng	-0.9%	+2.2%
ISIN	PLPGER000010	YTD Price Chng	-7.7%	-8.1%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 19.8m
MC (PLN m)	17,258.1	ADTV 6M		PLN 24.9m
EV (PLN m)	27,998.5	EV/EBITDA 12M fwd	3.8	-19.8%
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	38,896	42,882	41,716
EBITDA	7,650	6,364	8,211	8,091	9,624
EBITDA margin	33.1%	24.5%	21.1%	18.9%	23.1%
EBIT	3,552	2,471	4,129	3,871	5,330
Net income	2,600	1,498	3,089	2,861	4,062
P/E	6.6	11.5	5.6	6.0	4.2
P/B	0.4	0.4	0.3	0.3	0.3
EV/EBITDA	3.4	4.4	3.4	3.5	2.6
DPS	0.00	0.00	0.00	0.41	0.38
DYield	0.0%	0.0%	0.0%	4.5%	4.1%

Projection Update (% change)	**2019P**	**2020P**	**2020P**
EBITDA	+12.3%	-10.4%	0.0%
Net income	+31.5%	-20.8%	-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**	**7,042**	**8,091**	**9,624**
EBITDA	7,650	6,364	8,211	8,091	9,624
Generation	4,099	2,938	4,977	4,465	5,890
Renewables	364	463	492	510	538
Distribution	2,333	2,463	2,443	2,524	2,602
Trade	811	263	305	598	599
Other	43	237	-6	-6	-6
Financing activity	**-330**	**-279**	**-300**	**-322**	**-299**
Power output, TWh	**56.8**	**65.9**	**64.7**	**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	7.4	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**	**7,717**	**6,899**	**8,820**
OCF/EBITDA	104%	80%	94%	85%	92%
CAPEX	**6,071**	**6,393**	**6,704**	**5,679**	**4,551**
Working capital	3,762	5,290	5,057	5,575	5,423
Equity	45,128	46,727	49,745	51,763	55,038
Net debt	**7,487**	**9,421**	**9,653**	**9,600**	**6,416**
Net debt/EBITDA (x)	1.0	1.5	1.2	1.2	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.5	2.1	1.9	3.1	2.9	2.7
Maximum	26.4	24.0	20.8	15.2	10.4	9.9
Median	14.6	13.1	11.8	7.5	7.2	6.5
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	38,896	42,882	41,716	41,942	40,219	40,406	40,609	40,811	41,026	41,440	41,440
EBITDA	8,211	8,091	9,624	9,276	7,952	7,792	7,775	7,721	7,842	7,973	7,973
EBITDA margin	21.1%	18.9%	23.1%	22.1%	19.8%	19.3%	19.1%	18.9%	19.1%	19.2%	19.2%
EBIT	4,129	3,871	5,330	4,789	3,457	3,104	2,880	2,603	2,487	2,368	3,132
Tax	785	735	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	233	-518	152	-29	224	-24	-26	-26	-28	-54	-54
FCF	956	1,158	4,212	3,831	3,077	2,643	2,568	2,465	2,500	2,519	2,483
PV FCF	908	1,017	3,412	2,861	2,119	1,677	1,503	1,330	1,243	1,155	
WACC	8.1%	8.1%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	34,841
Net debt	10,296
Other adjustments	-1,074
Value per share (PLN)	12.55

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	25.57
Relative (DYield)	0%	6.39
DCF	100%	12.55
Cost of equity (9M)		6.7%
9M Target Price		**13.39**

mBank Dom Maklerski

Tauron

buy (no change)

Kamil Kliszcz +48 22 438 24 02 kamil.kliszcz@mbank.pl

Since the beginning of the year, Tauron's shares have already lost almost 30%, and the sentiment was not reversed even by the surprisingly strong Q1 results. Of course, the figures from the beginning of the year should be adjusted for a few one-off events as well as the reversal of the balancing effect in distribution, however this report makes our annual forecast credible at the adjusted EBITDA level (34%). Naturally, the market's concerns are currently focused on the Company's balance sheet, which did not impress in Q1, as on the one hand the debt increased by PLN 0.63bn due to the implementation of IFRS16, and on the other hand, the cash flow from operations surprised in minus due to the cash outflow in working capital @ over PLN 1.1 billion. As a result, the DN/EBITDA ratio increased to 2.74x (calculation on the methodology credit covenants methodology). However, we believe the situation will improve in the following quarters. We cannot ignore the updated strategic directions (the schedule of closing old coal units, disinvesting in heat, ECSW, nuclear power and mining for the development of RES). This is the first such a strong declaration of profile change and shutdowns of locations with high-emission production sources in the sector. While investments in new renewable sources will depend on success in disinvestment, a clear signal about the limitation of exposure to coal should be taken positively by the market, especially as the emerging speculations regarding the establishment of a government-controlled power plant restructuring company make this scenario credible. The buy rating remains unchanged.

Current Price	1.59 PLN	**Upside**
9M Target Price	2.89 PLN	+82.1%

	rating	target price	issued
unchanged	**buy**	**2.89 PLN**	**2019-04-02**

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-9.0%	-5.9%
ISIN	PLTAURN00011	YTD Price Chng	-27.5%	-27.9%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 9.9m
MC (PLN m)	2,781.3	ADTV 6M		PLN 10.7m
EV (PLN m)	13,552.6	EV/EBITDA 12M fwd	4.0	-15.0%
Free Float	59.6%	EV/EBITDA 5Y avg	4.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	17,416	18,122	22,825	24,858	24,336
EBITDA	3,545	3,359	3,549	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	2.0	14.3	2.5	2.1	1.8
P/B	0.2	0.2	0.1	0.1	0.1
EV/EBITDA	3.3	3.9	3.8	3.4	2.9
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
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)	0.0%	0.0%	0.0%
Price of coal (PLN/t)	0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	**3,559**	**2,057**	**3,436**	**3,582**	**3,897**
OCF/EBITDA	100%	62%	97%	90%	91%
CAPEX	**3,562**	**3,576**	**3,677**	**3,116**	**2,542**
Working capital	489	816	639	696	681
Equity	18,036	18,296	19,359	20,689	22,197
Net debt	**8,944**	**10,140**	**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 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%

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)

Paweł Szpigiel +48 22 438 24 06 pawel.szpigiel@mbank.pl

Netia improved its earnings performance in 2018: EBITDA decreased by 6.4% y/y vs. -10.2% a year earlier, and the Company generates a relatively high CFO (PLN 380.4 million in 2018 vs. PLN 347.9 million a year earlier). On the other hand, the entire cash flow generated in the next few years will be spent on continuing the network modernization plan (the company wants to have 2.6 million households within the modern network by 2020). In addition, we do not expect a dividend payout in the coming years (after the acquisition of the controlling stake in Netia, Cyfrowy Polsat has already declared no dividend payout). What's more, the plans of Polish telecoms (coverage with fiber > 5 million households by 2020 in Orange Polska, introduction of fixed + mobile convergent offer in Q2 2019 by T-Mobile) may result in an increase in the rate of investment in the network and raise the Company's debt (0.53x EBITDA at the end of 2018). Due to the above, we consider volumes of Netia unattractive, especially vs. Orange Polska. On the other hand, the main argument for investing in Netia is the potential call for the rest of the package by Cyfrowy Polsat. At the moment it is difficult to assess the intentions of the acquirer, especially since it has recently decided to pay dividends.

Current Price	4.92 PLN	**Downside**
9M Target Price	4.70 PLN	-4.5%

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

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	+0.6%	+3.7%
ISIN	PLNETIA00014	YTD Price Chng	-1.6%	-2.0%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.0m
MC (PLN m)	1,658.3	ADTV 6M		PLN 0.2m
EV (PLN m)	1,935.8	EV/EBITDA 12M fwd	5.4	+9.6%
Free Float	33.0%	EV/EBITDA 5Y avg	5.0	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	46.7	25.6	33.0	27.4	23.3
P/B	0.9	0.9	0.9	0.8	0.9
EV/EBITDA	5.1	5.2	5.6	5.6	5.5
DPS	0.20	0.00	0.00	0.00	0.40
DYield	4.1%	0.0%	0.0%	0.0%	8.1%

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

	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	
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**

mBank Dom Maklerski

Orange Polska

buy (no change)

Paweł Szpigiel +48 22 438 24 06 pawel.szpigiel@mbank.pl

Orange Polska delivered a good set of results for Q1 2019 in line with market consensus and our expectations. The EBITDAaL result adjusted for profits from the sale of real estate is stable y/y. This could have disappointed the expectations of investors counting on the increase in the results. On the other hand, the company maintained its targets for 2019 (EBITDA increase) and emphasized the high potential for further cost cuts. 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 (+186k in 2018), and it has stabilized the prices of these services and the sales over FTTx (151k in Q2 2018-Q1 2019). Looking at these achievements, we are convinced Orange can successfully bring to bear its restructuring plan and go back to delivering EBITDA growth from 2019. After the period of large investments in the 'copper of the XXI century' or FTTx technology, we expect a fall in fiber expenditure and return to the dividend from 2021. The current level of valuation, the lowest among Polish telecoms, ie 4.5x on EV/EBITDA'19 is low and creates an investment opportunity. We maintain a positive approach.

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	+6.5%	+9.6%
ISIN	PLTLKPL00017	YTD Price Chng	+7.5%	+7.1%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 9.4m
MC (PLN m)	6,756.8	ADTV 6M		PLN 9.2m
EV (PLN m)	13,030.0	EV/EBITDA 12M fwd	4.5	-1.9%
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%

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

buy (no change)

Paweł Szpigiel +48 22 438 24 06 pawel.szpigiel@mbank.pl

Since the release of our report of October 2018, Play's valuation has increased by 60%, ahead of Cyfrowy Polsat by >45%. Despite this, we believe the company has further potential for growth. The results for Q1'19 confirm our thesis about breaking down the downward trend on the results of 2018. Play has reported an increase in adjusted EBITDA by >11%, and we expect an increase of >7% in 2019. The company still generates the highest FCFE Yield in the sector (11.6-12.2% in 2019-20) and declares its payout at the level of 40-50% in subsequent years, which in turn implies (3) the highest level of dividend in the sector DYield'19/20 5.5%/5.0% vs. CPS=3.6%/3.6% and OPL = 0.0%/0.0%. The balance sheet position of the group allows this. Net debt/ EBITDA is 2.7x, the company has great opportunities for further debt, hence the 5G auction next year should not break the dividend policy, which is currently the key concern of investors. The target price @ PLN 29.00 implies >10% increase. Hence, we maintain a positive approach.

Current Price	26.22 PLN	**Upside**
9M Target Price	29.00 PLN	+10.6%

	rating	target price	issued
unchanged	**buy**	**29.00 PLN**	**2019-05-31**

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+8.3%	+11.4%
ISIN	LU1642887738	YTD Price Chng	+35.5%	+35.1%
Outst. Stock (m)	253.7	ADTV 1M		PLN 16.8m
MC (PLN m)	6,652.0	ADTV 6M		PLN 13.5m
EV (PLN m)	12,878.8	EV/EBITDA 12M fwd	5.6	-2.7%
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	6,964	7,062	7,184
EBITDA	1,904	2,160	2,282	2,346	2,397
EBITDA margin	28.5%	31.6%	32.8%	33.2%	33.4%
EBIT	1,107	1,371	1,472	1,517	1,479
Net income	387	744	839	889	865
P/E	17.2	8.9	7.9	7.5	7.7
P/B	-	-	24.5	8.0	4.9
EV/EBITDA	7.0	6.2	5.6	5.8	5.4
DPS	0.00	2.57	1.45	1.31	1.37
DYield	0.0%	9.8%	5.5%	5.0%	5.2%

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	12,707	12,848	12,989
ARPU (PLN)	32.0	32.3	32.7	32.9	33.1
Revenue	**6,670**	**6,839**	**6,964**	**7,062**	**7,184**
Service revenue	4,878	5,083	5,157	5,225	5,309
Sales of goodsand other	1,792	1,756	1,807	1,836	1,875
Costs	**4,766**	**4,679**	**4,682**	**4,716**	**4,787**
Interconnection	1,729	1,922	1,781	1,768	1,762
Contract costs	429	421	449	453	457
Cost of goods sold	1,410	1,442	1,464	1,491	1,528
Employee benefits	526	255	282	291	300
External services	606	515	579	617	653
Other	65	124	128	96	87
EBITDA (adj.)	**2,298**	**2,159**	**2,312**	**2,376**	**2,427**
margin	34.4%	31.6%	33.2%	33.6%	33.8%
Net income	**387**	**744**	**839**	**889**	**865**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	**1,389**	**2,037**	**2,025**	**2,071**	**2,126**
OCF/EBITDA adj.	60%	94%	88%	87%	88%
CAPEX	**-650**	**-781**	**-836**	**-1,821**	**-807**
Assets	8,831	8,521	8,644	9,420	9,562
Equity	-213	-201	271	828	1,344
Net debt	**6,710**	**6,653**	**6,227**	**6,840**	**6,404**
Net debt/EBITDA (x)	2.9	3.1	2.7	2.9	2.6

Relative Valuation Summary

	P/E			DYield - RFR		
	18	19P	20P	18	19P	20P
Minimum	28.9	21.4	17.9	535.4%	508.2%	485.2%
Maximum	113.0	27.7	23.7	1265.0%	1199.0%	1135.4%
Median	14.0	12.8	11.6	547.2%	515.7%	505.4%
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	6,964	7,062	7,184	7,290	7,368	7,435	7,494	7,557	7,614	7,666	7,666
EBITDA	2,282	2,346	2,397	2,435	2,480	2,485	2,486	2,493	2,499	2,501	2,501
EBITDA margin	33.4%	33.7%	33.9%	33.9%	34.0%	33.7%	33.4%	33.3%	33.1%	32.8%	32.8%
D&A	810	829	918	940	1,001	1,024	1,032	1,024	1,013	1,001	1,001
EBIT	1,472	1,517	1,479	1,495	1,479	1,462	1,454	1,470	1,486	1,500	1,500
Tax	280	288	281	284	281	278	276	279	282	285	285
NOPLAT	**1,192**	**1,229**	**1,198**	**1,211**	**1,198**	**1,184**	**1,178**	**1,190**	**1,204**	**1,215**	**1,215**
CAPEX	-836	-1,821	-807	-1,693	-1,166	-999	-712	-718	-723	-1,401	-728
Work. cap. + other	-240	-233	-248	-262	-254	-252	-251	-253	-251	-250	-250
FCF	**926**	**4**	**1,061**	**196**	**779**	**957**	**1,248**	**1,243**	**1,242**	**565**	**1,237**
PV FCF	889	3	886	153	566	649	788	730	678	286	
WACC	7.3%	7.2%	7.3%	7.1%	7.2%	7.2%	7.4%	7.5%	7.7%	7.7%	
Net debt / EV	49.5%	51.8%	50.2%	52.2%	51.8%	50.6%	48.1%	45.3%	42.0%	42.2%	
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	1.3
FCF perp. growth rate	0.0%
PV FCF	13,754
Net debt	6,034
Other adjustments	0
Value per share (PLN)	30.43

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	23.43
DCF Val.	50%	30.43
Implied Price		26.96
Cost of equity (9M)		7.6%
9M Target Price		**29.00**

mBank Dom Maklerski

Agora

buy (no change)

Paweł Szpigiel +48 22 438 24 06 pawel.szpigiel@mbank.pl

Agora's stock price grew by 1.2% last month, being better vs. the broad index by >4pp. The Q1 2019 results were better than our expectations. Positive surprises were generated mainly by the Film and Book segment, where the earnings of the Helios cinema network are accounted. The segment generated a 37% higher turnover y/y, thanks to record sales of tickets in cinemas and additional revenues from film production and distribution. EBITDA, excluding the impact of the introduction of the IFRS 16 standard, was higher by 28%. Agora also generated a high CFO thanks to its good working capital management (PLN 54.3 million in the quarter). On the other hand, the results show a slowdown in the advertising market. The Company is convinced that by the end of the year the advertising market will return to average one-digit increases. Our forecast on the EBITDA line in IAS17@PLN 104 million is, in our opinion, an ambitious number and assumes improvement of advertising businesses in H2 2019. Nevertheless, we maintain a positive approach due to success in the cinema business.

Current Price	12.55 PLN	**Upside**
9M Target Price	16.00 PLN	+27.5%

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

Key Metrics			AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	+1.2%	+4.3%
ISIN	PLAGORA00067	YTD Price Chng	+25.5%	+25.1%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.4m
MC (PLN m)	584.6	ADTV 6M		PLN 0.3m
EV (PLN m)	592.8	EV/EBITDA 12M fwd	6.0	+11.0%
Free Float	76.9%	EV/EBITDA 5Y avg	5.4	premium

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	-	114.9	41.7	22.1	13.8
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	20.3	6.5	5.7	5.2	4.6
DPS		0.50	0.50	0.50	0.50
DYield		4.0%	4.0%	4.0%	4.0%

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
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

reduce (no change)

Paweł Szpigiel +48 22 438 24 06 pawel.szpigiel@mbank.pl

Cyfrowy Polsat's price has increased by >15% in 5 months, ahead of the broad market by nearly 19 pp. At that time, the company announced dividend payout, which we assess positively (we have been indicating the possibility of the payout for a long time). On the other hand, current DivYield=3.6% is quite low vs. peers (the median of DivYield'19 for peers @5.4%) and vs. PLY PW (DivYield'19=5.5%). In addition, the net EBITDA result adjusted for the consolidation of Netia and the impact of the introduction of the IFRS 16 standard is lower by 6%, which is disappointing. Despite this, the company is listed on EV/EBITDA'19=6.8x, with a >10% discount to peer group, which in our opinion is unfounded. The EBITDA result in IAS17 is estimated @ PLN 3.75 billion, which is 2.4% lower than the proforma result in 2018. Cyfrowy Polsat is the only one of three largest Polish telecoms recording earnings declines (vs. PLY +7.1%, OPL +2.4%). It is not only Netia that is responsible for this drop, but also the weakness of the advertising market (-3.1% expenditure on TV advertising and sponsorship in Poland in Q1 2019). We maintain a negative approach to the company. In our opinion, Play remains a more interesting choice in the sector.

Current Price	26.10 PLN	**Downside**
9M Target Price	24.60 PLN	-5.7%

	rating	target price	issued
unchanged	**reduce**	**24.60 PLN**	**2019-05-31**

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-1.1%	+1.9%
ISIN	PLCFRPT00013	YTD Price Chng	+15.7%	+15.3%
Outst. Stock (m)	639.5	ADTV 1M		PLN 10.2m
MC (PLN m)	16,692.1	ADTV 6M		PLN 11.3m
EV (PLN m)	28,323.1	EV/EBITDA 12M fwd	6.8	-2.5%
Free Float	33.5%	EV/EBITDA 5Y avg	7.0	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,829	10,686	11,394	11,548	11,759
EBITDA	3,617	3,698	4,179	4,255	4,356
EBITDA margin	36.8%	34.6%	36.7%	36.9%	37.0%
EBIT	1,834	1,727	1,966	2,127	2,317
Net income	981	834	1,224	1,431	1,595
P/E	17.0	20.0	13.6	11.7	10.5
P/B	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	7.5	7.4	6.8	6.6	6.2
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
RGUs pospaid	**16.52**	**16.91**	**17.32**	**17.44**	**17.51**
incl. Pay TV	4.94	5.10	5.13	5.17	5.20
incl. mobile	6.93	7.35	7.60	7.65	7.66
Sales	**9,829**	**10,686**	**11,394**	**11,548**	**11,759**
YoY		8.7%	6.6%	1.3%	1.8%
EBIT	**1,834**	**1,727**	**1,966**	**2,127**	**2,317**
margin	18.7%	16.2%	17.3%	18.4%	19.7%
EBITDA	**3,617**	**3,698**	**4,179**	**4,255**	**4,356**
margin	36.8%	34.6%	36.7%	36.9%	37.0%
Financial costs, net	-509	-387	-379	-342	-323
Other	10	-34	0	0	0
PBT	**1,335**	**1,306**	**1,587**	**1,785**	**1,994**
Tax	-390	-490	-347	-339	-379
Miniorities	-35	-18	15	15	20
Net income	**981**	**834**	**1,224**	**1,431**	**1,595**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	**2,941**	**2,915**	**3,134**	**3,329**	**3,453**
OCF/EBITDA	81%	79%	75%	78%	79%
CAPEX	**-739**	**-928**	**-1,380**	**-1,984**	**-1,306**
Assets	27,756	30,697	30,350	28,249	28,712
Equity	12,074	13,227	14,128	14,963	15,963
Net debt	**10,518**	**10,092**	**10,839**	**10,431**	**9,342**
Net debt/EBITDA (x)	2.9	2.7	2.6	2.5	2.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	19P	20P
Minimum	7.0	4.9	3.7	3.3	2.9	2.6
Maximum	73.9	108.8	168.2	30.7	18.1	17.3
Median	6.0	5.8	5.7	13.1	13.0	11.6
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,394	11,548	11,759	11,946	12,132	12,301	12,473	12,649	12,832	13,013	
EBITDA	3,749	3,825	3,926	3,981	4,030	4,061	4,091	4,119	4,145	4,168	
EBITDA margin	32.9%	33.1%	33.4%	33.3%	33.2%	33.0%	32.8%	32.6%	32.3%	32.0%	
D&A	1,783	1,699	1,609	1,523	1,453	1,411	1,382	1,353	1,449	1,458	
EBIT	1,966	2,127	2,317	2,458	2,577	2,650	2,709	2,765	2,696	2,710	
Tax	373	404	440	467	490	504	515	525	512	515	
NOPLAT	**1,592**	**1,723**	**1,877**	**1,991**	**2,087**	**2,147**	**2,195**	**2,240**	**2,184**	**2,195**	
CAPEX	-1,380	-1,984	-1,306	-2,325	-2,670	-1,674	-1,396	-1,983	-1,440	-1,458	
Working capital	-267	-158	-94	-84	-85	-85	-83	-92	-103	-116	
FCF	**1,728**	**1,279**	**2,086**	**1,105**	**785**	**1,799**	**2,097**	**1,518**	**2,090**	**2,080**	**2,080**
PV FCF	1,662	1,152	1,756	870	578	1,239	1,348	912	1,170	1,085	
WACC	6.8%	6.8%	6.9%	7.0%	6.9%	7.0%	7.1%	7.1%	7.2%	7.3%	
Net debt / EV	36.0%	35.0%	32.1%	31.9%	33.1%	31.7%	29.4%	28.9%	26.6%	24.3%	
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	0.0%
PV FCF	26,596
Net debt	10,092
Other adjustments	797
Value per share (PLN)	24.56

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	21.70
DCF Val.	50%	24.56
Implied Price		23.13
Cost of equity (9M)		6.4%
9M Target Price		**24.60**

mBank Dom Maklerski

Wirtualna Polska

accumulate (no change)

Paweł Szpigiel +48 22 438 24 06 pawel.szpigiel@mbank.pl

We maintain a positive approach to Wirtualna Polska. The company delivered >33% increase y/y in non-barter revenues in Q1 2019. This will partly result from the consolidation of MyTravel and Extradom, but largely from a good market situation in the internet advertising market and further significant increases in e-commerce. The company generates a high CFO (the conversion of CFO/EBITDA in 2018 amounted to 89%). In addition, we would note that the growth of the internet advertising market in Poland in 2019 is estimated at >10%, which will result in strong earnings of the Company (which generates more than half of the turnover from the e-commerce growing >20%). Wirtualna Polska is looking for further acquisitions in Poland as well as opportunities in the region. In the medium term, there may also be transactions abroad - in the Czech Republic, Hungary, and also in Romania. The Group has at least PLN 200m available for potential acquisitions (this amount may increase to PLN 350m after the negotiations with banks). The group assured that it does not consider the issue of shares for investment purposes.

Current Price	57.80 PLN	**Upside**
9M Target Price	61.50 PLN	+6.4%

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

Key Metrics			WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	-2.4%	+0.7%
ISIN	PLWRTPL00027	YTD Price Chng	+9.5%	+9.1%
Outst. Stock (m)	29.8	ADTV 1M		PLN 0.6m
MC (PLN m)	1,721.0	ADTV 6M		PLN 0.9m
EV (PLN m)	1,900.1	EV/EBITDA 12M fwd	9.1	-11.7%
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	38.1	22.6	18.1	15.5	14.1
P/B	4.1	3.7	3.3	2.9	2.6
EV/EBITDA	14.7	12.5	9.7	8.5	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 (reiterated)

Paweł Szpigiel +48 22 438 24 06 pawel.szpigiel@mbank.pl

Since the beginning of the year, Asseco Poland has risen by 19%, ahead of the broad index by >18 pp. After the publication of the Q1 2019 results, we are adjusting our financial forecasts and the level of ratios for peers. We set a new target price level @PLN 50.80, which implies just a 0.6% downside potential. We recommend a neutral attitude towards the company. We maintain our opinion that it will be hard to beat the net result from 2018 for the shareholders of the parent company this year. We estimate PLN 310m, which implies P/E'19=13.7x. The drop in earnings will result from a decrease in turnover in the parent company due to lower turnover in banking (no Deutsche Bank) and downtime in public administration. The order portfolio on the Polish market (with the exception of Asseco BS) is 10% lower y/y. A key argument supporting Asseco Poland is undoubtedly high dividend. However, the date of dividend in 2018 has already passed.

Current Price	51.10 PLN	**Downside**
9M Target Price	50.80 PLN	-0.6%

	rating	target price	issued
new	**hold**	**50.80 PLN**	**2019-06-03**
old	hold	53.00 PLN	2019-03-05

Key Metrics			**ACP PW**	**vs. WIG**
Ticker	ACP PW	1M Price Chng	-1.4%	+1.7%
ISIN	PLSOFTB00016	YTD Price Chng	+18.7%	+18.3%
Outst. Stock (m)	83.0	ADTV 1M		PLN 4.2m
MC (PLN m)	4,241.3	ADTV 6M		PLN 4.3m
		P/E 12M fwd	12.6	+0.6%
Free Float	68.0%	P/E 5Y avg	12.5	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,829	9,329	9,929	10,288	10,581
EBITDA	922	1,256	1,506	1,546	1,576
EBITDA margin	11.8%	13.5%	15.2%	15.0%	14.9%
EBIT	585	797	847	881	909
Net income	467	333	310	318	322
P/E	9.1	12.7	13.7	13.3	13.2
P/B	0.8	0.7	0.7	0.7	0.7
P/S	0.54	0.45	0.43	0.41	0.40
DPS	3.01	3.01	3.07	2.29	2.27
DYield	5.9%	5.9%	6.0%	4.5%	4.4%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
Revenue	+1.8%	+5.9%	+7.0%
EBITDA	+7.0%	+28.6%	+26.2%
EBIT	+0.9%	+6.7%	+3.4%
Net income	+19.2%	+10.9%	+7.0%
CAPEX	+0.1%	+5.0%	+5.3%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	**7,829**	**9,329**	**9,929**	**10,288**	**10,581**
change	0.0%	19.1%	6.4%	3.6%	2.8%
Poland	1,558	1,614	1,571	1,614	1,653
South-Eastern Europe	571	670	770	820	846
Western Europe	638	705	762	800	816
Central Europe	791	957	1,024	1,055	1,087
Israel	5,161	5,403	5,798	5,995	6,175
Eastern Europe	19	4	4	4	4
EBIT	**585**	**797**	**847**	**881**	**909**
D&A	337	460	659	665	668
EBITDA	**922**	**1,256**	**1,506**	**1,546**	**1,576**
margin	11.8%	13.5%	15.2%	15.0%	14.9%
Associates	-150	-260	-371	-392	-413
Tax	-122	-182	-209	-212	-214
Net income	**467**	**333**	**310**	**318**	**322**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	**691**	**1,001**	**405**	**1,113**	**1,151**
OCF/EBITDA	75%	80%	27%	72%	73%
CAPEX	**-226**	**-240**	**-298**	**-360**	**-423**
Assets	11,882	12,642	13,610	14,062	14,522
Equity	5,601	5,718	5,773	5,901	6,035
Net debt	**360**	**305**	**600**	**117**	**-333**
Net debt/EBITDA (x)	0.4	0.2	0.4	0.1	-0.2

Relative Valuation Summary

	P/E		
	19P	20P	21P
Minimum	25.1	21.1	0.0
Maximum	7.7	6.9	0.0
Median	15.4	12.8	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	907	827	847	864	881	899	917	935	954	973	973
EBITDA	242	182	176	177	179	180	181	183	186	188	188
NOPLAT	150	117	118	118	119	120	120	121	123	123	123
FCF	**108**	**124**	**106**	**112**	**118**	**115**	**116**	**116**	**117**	**118**	**118**
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	0.0%
Asseco Business Solutions											
Revenue	258	273	284	293	300	307	314	322	330	337	344
EBITDA	94	101	108	111	114	117	120	123	126	129	132
NOPLAT	61	66	71	73	75	77	79	81	83	85	86
FCF	**48**	**59**	**63**	**66**	**68**	**70**	**71**	**73**	**75**	**77**	**78**
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%	0.0%
Asseco South Eastern Europe											
Revenue	637	678	711	737	757	773	785	794	801	806	822
EBITDA	121	129	137	143	148	152	157	161	166	170	173
NOPLAT	61	65	68	70	72	73	74	74	75	75	77
FCF	**31**	**36**	**39**	**45**	**49**	**53**	**58**	**62**	**66**	**70**	**72**
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%

SOTP Summary

(PLN m)	Method	%	Value
Asseco PL (stndln)*	DCF	100%	1,280
Asseco CE	10x PE	93%	755
Asseco BS	DCF	22%	959
Asseco SEE	DCF	51%	1,110
Western Europe	10x PE	100%	361
Formula Systems	market	26%	2,689
Other	10x PE	0%	187
Value			**4,009**
Value Per Share (PLN)			48.30

*net debt adj. for paid dividend

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	47.21
SOTP Val.	50%	48.30
Implied Price		47.75
Cost of equity (9M)		6.4%
9M Target Price		**50.80**

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Comarch

buy (no change)

Paweł Szpigiel +48 22 438 24 06 pawel.szpigiel@mbank.pl

Shares in Comarch have increased by nearly 28% from the beginning of the year. Despite this, we see the potential for further growth. Comarch reported a set of very good results for Q1 2019. The increase in EBITDA from other operating activities (a large number of one-off events both in Q1 2019 & Q1 2018) and the positive impact of IFRS16 introduction from the beginning of the year is estimated at >70%. This impressive result confirms that the market consensus for the company (PLN 212m on the EBITDA line) is too low. Our forecast is PLN 242m in IFRS 16 and PLN 226m excl. the impact of the new standard (in IAS 17). The company is currently listed at an attractive EV/EBITDA'19=7.1x level, ie with >25% discount to peers. The level of discount is unjustified when looking at the growth rate of Comarch, ie +27.4% on the EBITDA line vs. median +7.5% for peers. We maintain a positive approach to the Company. In our opinion, Comarch is a more attractive choice than Asseco Poland.

Current Price	194.00 PLN	**Upside**
9M Target Price	230.00 PLN	+18.6%

	rating	target price	issued
unchanged	**buy**	**230.00 PLN**	**2019-04-17**

Key Metrics			**CMR PW**	**vs. WIG**
Ticker	CMR PW	1M Price Chng	+3.7%	+6.8%
ISIN	PLCOMAR00012	YTD Price Chng	+27.6%	+27.3%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.3m
MC (PLN m)	1,577.9	ADTV 6M		PLN 0.4m
EV (PLN m)	1,595.9	EV/EBITDA 12M fwd	7.0	-6.3%
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	1,523	1,609	1,692
EBITDA	99	177	226	238	250
EBITDA margin	9.0%	13.0%	14.8%	14.8%	14.8%
EBIT	34	112	157	167	175
Net income	43	52	99	110	117
P/E	36.6	30.5	16.0	14.4	13.4
P/B	1.0	0.9	0.9	0.8	0.8
EV/EBITDA	16.2	9.0	7.1	6.7	6.4
DPS	1.50	1.50	1.50	5.00	5.00
DYield	0.8%	0.8%	0.8%	2.6%	2.6%

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	**1,102**	**1,365**	**1,523**	**1,609**	**1,692**
TMT	258	313	379	398	417
Finance & Banking	186	204	235	244	254
Retail Solutions	174	201	241	265	286
Manufacturing	142	138	152	160	168
Public Sector	63	194	153	162	168
SME	236	260	297	312	327
Other	43	54	67	69	71
Gross profit	268	387	440	451	472
margin	24.3%	28.3%	28.9%	28.0%	27.9%
Selling expenses	134	138	154	159	166
G&A expenses	98	109	120	125	130
EBIT	**34**	**112**	**157**	**167**	**175**
margin	3.1%	8.2%	10.3%	10.3%	10.4%
Net income	**43**	**52**	**99**	**110**	**117**

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	**61**	**144**	**140**	**174**	**182**
OCF/EBITDA	62%	81%	62%	73%	73%
CAPEX	**-141**	**-87**	**-87**	**-87**	**-91**
Assets	1,503	1,675	1,814	1,922	2,030
Equity	880	897	984	1,053	1,129
Net debt	**19**	**-28**	**-66**	**-110**	**-157**
Net debt/EBITDA (x)	0.2	-0.2	-0.3	-0.5	-0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	24.7	21.8	19.5	16.4	15.4	14.6
Maximum	10.1	9.3	8.8	5.0	4.7	4.7
Median	15.0	14.2	13.4	9.1	8.9	8.6
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,523	1,609	1,692	1,767	1,843	1,921	1,995	2,062	2,126	2,191	2,235
EBITDA	226	238	250	260	270	279	288	296	302	309	315
EBITDA margin	14.8%	14.8%	14.8%	14.7%	14.6%	14.5%	14.4%	14.3%	14.2%	14.1%	14.1%
D&A	69	72	75	79	82	86	90	94	99	103	105
EBIT	157	167	175	181	187	193	198	201	204	206	210
Tax	54	55	56	57	58	59	60	60	60	60	62
NOPLAT	**103**	**112**	**119**	**124**	**129**	**134**	**138**	**141**	**143**	**145**	**148**
CAPEX	-87	-87	-91	-93	-95	-97	-99	-100	-101	-103	-105
Working capital	-30	-10	-14	-12	-12	-12	-12	-11	-10	-11	-11
FCF	**55**	**86**	**90**	**98**	**104**	**110**	**117**	**124**	**130**	**135**	**137**
PV FCF	52	75	72	73	71	70	68	66	64	61	
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	1,633
Net debt	-28
Other adjustments	18
Value per share (PLN)	202.04

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	230.39
DCF Val.	50%	202.04
Implied Price		216.22
Cost of equity (9M)		6.4%
9M Target Price		**230.00**

11 bit studios

buy (no change)

Piotr Bogusz +48 22 438 24 08 piotr.bogusz@mbank.pl

In May, we began issuing recommendations for 11 bit studios with a buy rating and target price @PLN 518. The CEO of the company, in the interview given at the end of May, has stated that the level of advancement of Children of Morta (publishing project) and Frostpunk for the consoles is similar. The company plans to launch both productions in the second half of 2019. The CEO of 11B indicates the Children of Morta recorded a higher wishlist interest on the Steam platform vs. the Moonlighter. Nevertheless, the sales potential of the game is estimated to be similar (according to our estimates, 11B has cashed over PLN 10m in sales after deducting royalties on this tittle). The company confirmed that it will publish more information about the next project of the publishing segment in 2019 (it has signed contracts for two more productions within the segment). Currently, the company's development team consists of 70 people (50 working on Frostpunk, 20 on Project 8), which will be gradually expanded to 180 people (the strategic goal is to create three teams of about 60 people each). The E3 event in Los Angeles is held in June. Potential news regarding the releases of games and consoles may result in improved sentiment towards the industry, and 11B stock price is likely to benefit from this.

Current Price	397.50 PLN	**Upside**
9M Target Price	518.00 PLN	+30.3%

	rating	target price	issued
unchanged	**buy**	**518.00 PLN**	**2019-05-20**

Key Metrics			11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	+8.6%	+11.7%
ISIN	PL11BTS00015	YTD Price Chng	+62.9%	+62.5%
Outst. Stock (m)	2.3	ADTV 1M		PLN 2.3m
MC (PLN m)	909.2	ADTV 6M		PLN 3.0m
EV (PLN m)	855.8	EV/EBITDA 12M fwd	21.9	+103.6%
Free Float	-	EV/EBITDA 5Y avg	10.7	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	19	82	80	87	195
EBITDA	9	51	46	36	128
EBITDA margin	48.2%	62.6%	57.6%	41.7%	65.8%
EBIT	8	47	42	29	118
Net income	4	38	34	24	97
P/E	-	24.2	26.6	37.9	9.4
P/B	19.7	10.1	7.3	6.1	3.7
EV/EBITDA	95.4	17.2	18.7	23.1	5.9
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
EBITDA	-	-	-
Net income	-	-	-
Sales of The Witcher 3	-	-	-
Sales of Gwent: The Card Game	-	-	-
Sales of Cyberpunk 2077	-	-	-

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
TWOM (S)	17.6	18.3	16.4	16.4	15.6
Frostpunk (S)	0.0	53.8	50.9	44.4	43.7
Project 8 (S)	0.0	0.0	0.0	0.0	90.3
Publishing (S)	1.9	14.8	22.5	47.4	82.6
External services	-5.9	-16.5	-24.3	-40.9	-56.8
OCF/EBITDA	87.3%	75.9%	86.2%	85.3%	69.3%
Operating cash flow	**8.1**	**39.0**	**39.5**	**30.9**	**89.0**
D&A	1.7	4.5	4.2	7.5	10.9
Working capital	2.6	-8.0	0.4	-1.3	-19.2
Investing cash flow	**-10.0**	**-55.6**	**-9.1**	**-10.1**	**-11.1**
CAPEX	-7.4	-26.6	-9.1	-10.1	-11.1
Development exp.	**1.0**	**12.6**	**-1.3**	**-1.3**	**-1.3**
FCF	-1.5	10.1	24.6	13.2	84.1
FCF/EBITDA	-16%	20%	54%	36%	65%
FCF Yield	1%	3%	1%	9%	8%

Balance sheet

(PLN m)	2017	2018	2019P	2020P	2021P
Tangible assets	0.8	18.7	18.8	18.8	18.8
Receivables	2.7	14.6	14.1	15.4	34.6
Production in progress	13.1	17.1	22.1	24.6	24.8
Cash	28.2	24.3	53.4	73.0	149.6
Cash deposit	0.0	27.0	27.0	27.0	27.0
Net debt	-28.2	-24.3	-53.4	-73.0	-149.6
Net debt/EBITDA (x)	-3.0	-0.5	-1.2	-2.0	-1.2

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.1	6.0
Maximum	26.0	17.8
Median	19.2	12.2
Weight	50%	50%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
W3 (k copies)	420	420	399	379	360	0	0	0	0	0	0
C2077 (k copies)		1,000	950	903	677	508	381	247	247	247	0
Next games (k copies)		0	1,359	1,200	2,695	2,460	2,403	3,710	3,252	2,802	0
Revenue	80	87	195	197	262	223	196	257	248	209	-
EBITDA	46	36	128	119	178	136	106	166	158	118	-
EBITDA margin	57.6%	41.7%	65.8%	60.6%	68.0%	60.8%	54.4%	64.8%	63.5%	56.6%	-
EBIT	42	29	118	104	160	121	93	152	143	114	-
Tax	8	5	22	20	30	23	18	29	27	22	-
CAPEX	-9	-10	-11	-12	-14	-15	-16	-18	-20	-22	-
Working capital	-4	-8	-11	-16	-19	-15	-13	-14	-14	-4	-
FCF	25	13	84	72	116	83	59	105	96	70	72
PV FCF	25	12	71	56	83	55	36	60	50	34	
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	1,252
Net debt	-24
Other adjustments	0
Value per share (PLN)	558.10

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	558.10
DCF Val.	50%	416.50
Implied Price		487.30
Cost of equity (9M)		6.4%
9M Target Price		**518.00**

mBank Dom Maklerski

CD Projekt

accumulate (no change)

Piotr Bogusz +48 22 438 24 08 piotr.bogusz@mbank.pl

CD Projekt's Q1 2019 results were above market expectations (+25% on EBIT). EBIT fell by 26% y/y as a result of recognizing the production costs of Gwent & Thronebreaker (pl. Wojna Krwii) and higher marketing expenditures. CD Projekt announced the launch of beta testing platform GOG Galaxy 2.0 giving the opportunity to connect players and game libraries of the players between the platforms. The potential positive welcome of the platform may result in an increase in the number of active users as well as the turnover of GOG.com. The company announced that the increase in receivables at the end of the quarter was related to the payment of advance payments to the collector's version of the game and payment of advances for the marketing campaign during E3 and in subsequent months. This clearly indicates the company's preparation for the Cyberpunk 2077 marketing campaign and increases the probability of announcing the release date of the game (possible announcement at the Microsoft conference held on June 9th, 2019). In our opinion, the Company's stock price will be discounting investors' expectations in May regarding additional information about the Cyberpunk 2077 game, which should appear during the E3 event in LA.

Current Price	207.80 PLN	**Upside**
9M Target Price	237.50 PLN	+14.3%

	rating	target price	issued
unchanged	**accumulate**	**237.50 PLN**	**2019-05-09**

Key Metrics			CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	-1.9%	+1.2%
ISIN	PLOPTTC00011	YTD Price Chng	+43.8%	+43.4%
Outst. Stock (m)	96.1	ADTV 1M		PLN 61.3m
MC (PLN m)	19,973.7	ADTV 6M		PLN 53.3m
EV (PLN m)	19,437.3	EV/EBITDA 12M fwd	18.3	-21.1%
Free Float	65.3%	EV/EBITDA 5Y avg	23.1	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	463	363	308	3,092	2,641
EBITDA	246	117	44	2,348	2,174
EBITDA margin	53.1%	32.3%	14.3%	75.9%	82.3%
EBIT	241	112	39	2,342	2,168
Net income	200	109	39	1,964	1,909
P/E	98.8	-	-	10.2	10.5
P/B	22.4	19.9	19.3	6.8	4.3
EV/EBITDA	77.8	164.9	440.5	7.4	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	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Sales of The Witcher 3	0.0%	0.0%	0.0%
Sales of Gwent: The Card Game	0.0%	0.0%	0.0%
Sales of Cyberpunk 2077	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, Video Games	330	228	174	2,985	2,479
EBIT, VG	223	114	54	2,384	2,154
EBIT margin, VG	67.4%	49.8%	31.1%	79.9%	86.9%
Sales, GOG.com	169.6	144.3	138.1	145.0	140.2
EBIT, GOG.com	18.4	-1.1	2.0	4.2	2.7
EBIT margin, GOG	10.8%	-0.8%	1.4%	2.9%	1.9%
Operating cash flow	**232**	**133**	**31**	**2,094**	**1,782**
D&A	5	5	5	6	6
Working capital	34	46	-26	-118	21
Investing cash flow	**-291**	**-106**	**-46**	**-160**	**-173**
CAPEX	-13	-15	-9	-10	-11
Development exp.	**77**	**98**	**137**	**150**	**162**
FCF	144	40	-112	1,981	1,674
FCF/EBITDA	-183%	83%	77%	73%	77%
OCF/EBITDA	51%	87%	82%	81%	80%

Key Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, The Witcher 3	288	174	124	108	95
Sales, Gwent	43	45	45	31	16
Sales, Cyberpunk	0	0	0	2,759	979
	0	0	0	0	0
Development exp.	142	243	370	201	290
Cash	67	104	95	2,080	3,757
Net debt	-647	-659	-550	-2,535	-4,212
Net debt/EBITDA (x)	-2.6	-5.6	-9.0	-1.1	-1.9

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.1	5.1
Maximum	19.4	11.6
Median	19.2	8.8
Weight	50%	50%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
W3 (k copies)	1,860	1,624	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
Next AAA game (k copies)		0	10,000	6,000	21,000	13,000	23,000	14,500	9,200	11,200	0
Revenue	312	3,130	2,620	1,600	3,472	2,143	3,397	2,121	1,259	1,327	-
EBITDA	61	2,394	2,163	1,219	2,856	1,634	2,714	1,546	825	855	-
EBITDA margin	19.6%	76.5%	82.6%	76.2%	82.3%	76.3%	79.9%	72.9%	65.5%	64.5%	-
EBIT	56	2,388	2,157	1,213	2,850	1,628	2,708	1,540	818	849	-
Tax	11	454	410	230	542	309	514	293	155	161	-
CAPEX	-146	-160	-173	-186	-199	-209	-207	-214	-221	-228	-
Working capital	-26	-118	21	43	-78	56	-53	53	36	-3	-
FCF	-112	1,981	1,674	886	2,188	1,272	2,121	1,214	485	464	464
PV FCF	-106	1,732	1,349	658	1,497	802	1,233	650	240	211	
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	13,358
Net debt	-659
Other adjustments	0
Value per share (PLN)	231.80

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	214.80
DCF Val.	50%	231.80
Implied Price		223.30
Cost of equity (9M)		6.4%
9M Target Price		**237.50**

Industrials, Mining

Famur

buy (reiterated)

Jakub Szkopek +48 22 438 24 03 jakub.szkopek@mbank.pl

Famur has published higher y/y and better than expected financial results for the consecutive quarter in a row. In our opinion, the main driving factor behind the growth of results in 2019 will be growing profitability as a result of the increase in lease rates as well as market prices. In the last 12 months, the value of signed new contracts for the supply of equipment amounted to PLN 1156 million, which is the highest figure since 2012. New orders will be delivered in H2 2019, which will improve the results in these periods. Currently, the Company benefits from the observed decreases in steel prices, which results in an increase in margins on contracts which prices were raised in 2018. The Management Board proposed a dividend of PLN 0.36 per share, which results in over 7% DYield at the current rate. Due to higher profitability of underground segment we upgrade our FY2019 estimates. We do not change our buy rating for Famur, but as a result of peer valuation we lower target price to PLN 6.67 per share (previously PLN 6.90).

Current Price	4.85 PLN	**Upside**
9M Target Price	6.67 PLN	+37.5%

	rating	target price	issued
new	**buy**	**6.67 PLN**	**2019-06-03**
old	buy	6.90 PLN	2019-05-09

Key Metrics			**FMF PW**	**vs. WIG**
Ticker	FMF PW	1M Price Chng	+0.2%	+3.3%
ISIN	PLFAMUR00012	YTD Price Chng	-10.2%	-10.6%
Outst. Stock (m)	574.8	ADTV 1M		PLN 0.8m
MC (PLN m)	2,787.6	ADTV 6M		PLN 0.9m
EV (PLN m)	2,624.9	EV/EBITDA 12M fwd	5.3	-9.7%
Free Float	35.3%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,609	2,229	2,145	2,046	2,087
EBITDA	308	491	698	492	486
EBITDA margin	19.1%	22.0%	32.6%	24.1%	23.3%
EBIT	133	300	541	347	314
Net income	49	208	454	277	253
P/E	55.9	13.4	6.1	10.1	11.0
P/B	1.9	1.7	1.8	1.7	1.7
EV/EBITDA	9.4	6.2	3.8	5.0	4.9
DPS	0.00	0.44	0.36	0.37	0.39
DYield	0.0%	9.1%	7.5%	7.6%	8.0%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
Revenue	0.0%	0.0%	0.0%
EBITDA	+4.1%	0.0%	0.0%
Net income	+5.2%	0.0%	0.0%
Revenue, Underground	0.0%	0.0%	0.0%
Revenue, Surface	0.0%	0.0%	0.0%
Sales margin, UG	+1.8%	0.0%	0.0%
Sales margin, Surface	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, Underground	1,019	1,407	1,508	1,550	1,582
Revenue, Surface	292	371	381	388	396
Sales margin, UG	25.0%	30.6%	32.8%	30.2%	27.7%
Sales margin, Surface	8.3%	3.9%	7.1%	7.1%	7.1%
Operating cash flow	**192**	**215**	**512**	**464**	**411**
D&A	175	191	157	145	172
Working capital	-16	-127	32	37	-15
Investing cash flow	**-231**	**-138**	**122**	**-83**	**-122**
CAPEX	132	141	-122	83	122
Financing cash flow	**287**	**-458**	**-417**	**-218**	**-223**
Change in debt	-88	-213	-200	0	0
Dividends/Buyback	0	-253	-208	-213	-222
FCF	-91	173	629	382	289
FCF/EBITDA	-30%	35%	90%	78%	59%
OCF/EBITDA	44%	44%	73%	94%	85%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	3,138	2,880	2,614	2,654	2,695
Fixed assets	1,099	1,158	730	667	617
Goodwill	222	222	222	222	222
Equity	1,437	1,625	1,586	1,650	1,681
Minority interests	115	-37	-32	-32	-32
Net debt	80	286	-130	-294	-360
Net debt/EBITDA (x)	0.3	0.6	-0.2	-0.6	-0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.1	9.0	8.8	5.9	5.7	5.4
Maximum	17.5	16.3	15.5	11.0	9.2	8.5
Median	11.7	11.1	10.6	7.8	7.1	6.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	+	+
Revenue	2,145	2,046	2,087	2,129	2,172	2,216	2,261	2,307	2,354	2,401	2,450
YoY % change	-3.8%	-4.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	698	492	486	490	491	491	496	503	509	511	515
EBITDA margin	32.6%	24.1%	23.3%	23.0%	22.6%	22.2%	21.9%	21.8%	21.6%	21.3%	21.0%
D&A	157	145	172	139	135	132	132	135	138	138	138
EBIT	541	347	314	352	356	360	363	367	371	373	377
Tax	73	65	59	67	68	69	70	70	71	72	73
NOPAT	469	282	255	285	288	291	294	297	300	301	304
CAPEX	122	-83	-122	-125	-127	-130	-132	-135	-138	-138	-138
Working capital	32	37	-15	-16	-16	-16	-17	-17	-17	-18	-18
FCF	629	382	289	283	280	276	277	280	283	284	288
PV FCF	599	336	234	211	192	175	162	151	140	130	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,331
Net debt	286
Other adjustments	58
Value per share (PLN)	7.11

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.43
DCF Val.	50%	7.11
Implied Price		6.27
Cost of equity (9M)		6.3%
9M Target Price		**6.67**

mBank Dom Maklerski

Grupa Kęty

reduce (downgraded)

Jakub Szkopek +48 22 438 24 03 jakub.szkopek@mbank.pl

Despite the positive impact of the falling aluminum prices, Kęty Group has negatively surprised with the Q1 2019 results (stable y/y). The drop in profitability in the extruded products segment and aluminum systems attract our attention. Only the flexible packaging segment surprised positively due to the fall in petrochemicals' prices. The Ponzio plant in Płock is likely to start operations in Q3 2019 (the opening was planned for the mid-2019, currently finalizing the investment). This, in turn, may cause pressure on margins from the more profitable producer. In our opinion, it will be extremely difficult to repeat last year's high financial results in Q2 2019 (Company's guidance at the end of June). We are updating our forecasts for weaker results of the extruded products segment and probably higher dividend. We are lowering our target price to PLN 326.37 per share (previously PLN 341.33 per share) and downgrading the rating from hold to reduce.

Current Price	347.50 PLN	**Downside**
9M Target Price	326.37 PLN	-6.1%

	rating	target price	issued
new	**reduce**	**326.37 PLN**	**2019-06-03**
old	hold	341.33 PLN	2019-04-02

Key Metrics			**KTY PW**	**vs. WIG**
Ticker	KTY PW	1M Price Chng	+2.4%	+5.4%
ISIN	PLKETY000011	YTD Price Chng	+5.6%	+5.2%
Outst. Stock (m)	9.5	ADTV 1M		PLN 0.3m
MC (PLN m)	3,317.0	ADTV 6M		PLN 0.5m
EV (PLN m)	4,258.7	EV/EBITDA 12M fwd	8.7	-6.4%
Free Float	42.0%	EV/EBITDA 5Y avg	9.3	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	2,643	2,994	2,958	3,150	3,248
EBITDA	421	463	452	482	489
EBITDA margin	15.9%	15.5%	15.3%	15.3%	15.0%
EBIT	301	338	323	347	359
Net income	236	268	240	257	267
P/E	14.0	12.4	13.8	12.9	12.4
P/B	2.4	2.4	2.4	2.3	2.2
EV/EBITDA	9.2	8.8	9.4	8.9	8.7
DPS	30.00	23.94	24.00	20.09	22.90
DYield	8.6%	6.9%	6.9%	5.8%	6.6%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
EBITDA	-1.8%	-2.0%	-2.0%
Net income	-3.0%	-3.6%	-3.8%
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	-5.0%	-5.0%	-5.0%
EBITDA, Al Systems	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018P	2019P	2020P	2021P
EBITDA, Packaging	113	119	112	133	138
EBITDA, Extrusions	150	163	158	163	164
EBITDA, Al Systems	172	190	189	194	195
EBITDA, Other	-13	-8	-8	-8	-8
EBITDA/t of Al	5	5	5	5	5
Operating cash flow	**276**	**293**	**289**	**335**	**388**
D&A	120	126	129	135	130
Working capital	-91	-114	-30	-83	-33
Investing cash flow	**-187**	**-229**	**-200**	**-150**	**-120**
CAPEX	187	229	200	150	120
Financing cash flow	**-85**	**-43**	**-155**	**-201**	**-268**
Dividends/Buyback	-285	-229	-229	-192	-219
FCF	86	72	165	188	273
FCF/EBITDA	20%	15%	37%	39%	56%
OCF/EBITDA	66%	63%	64%	69%	79%

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Assets	2,499	2,780	2,885	2,995	3,035
Fixed assets	1,439	1,575	1,722	1,741	1,735
Equity	1,363	1,396	1,407	1,472	1,520
Minority interests	1	1	1	1	1
Net debt	591	774	941	977	957
Net debt/EBITDA (x)	1.4	1.7	2.1	2.0	2.0
Net debt/Equity (x)	0.4	0.6	0.7	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.4	2.9	2.8	3.3	3.0	2.5
Maximum	47.0	21.6	17.6	34.5	10.1	9.3
Median	13.1	9.5	8.2	7.4	5.9	5.8
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)	99	104	108	111	113	115	117	118	118	118	118
Revenue	2,958	3,150	3,248	3,318	3,356	3,403	3,447	3,459	3,459	3,459	3,459
EBITDA	452	482	489	494	499	505	508	506	503	503	503
EBITDA margin	15.3%	15.3%	15.0%	14.9%	14.9%	14.8%	14.7%	14.6%	14.6%	14.5%	14.5%
EBIT	323	347	359	367	374	377	377	374	368	365	365
Tax	56	60	63	64	66	66	67	66	65	65	65
CAPEX	-200	-150	-120	-122	-125	-127	-130	-132	-135	-138	-138
Working capital	-30	-83	-33	-23	-13	-16	-15	-7	-4	-4	-4
FCF	165	188	273	284	296	295	297	301	299	297	297
PV FCF	158	167	225	218	211	195	182	171	157	144	
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	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	1,828
Net debt	774
Other adjustments	0
Value per share (PLN)	371.54

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	242.45
DCF Val.	50%	371.54
Implied Price		307.00
Cost of equity (9M)		6.3%
9M Target Price		**326.37**

JSW

hold (no change)

Jakub Szkopek +48 22 438 24 03 jakub.szkopek@mbank.pl

The Q1 2019 results turned out better than expected. Coal mining is likely to remain under pressure in Q2 2019. In our view, earnings adjusted for one-off events will remain under pressure in Q2 2019. The key event in June is going to be the election of a new management board due to the expiration of the current members' term of office. We believe there is a risk that the new management may have new ideas for managing the free funds as well as the future development of the Group. We do not change our target price (PLN 54.80 per share) & hold rating (no change).

Current Price	50.20 PLN	**Upside**
9M Target Price	54.80 PLN	+9.2%

	rating	target price	issued
unchanged	**hold**	**54.80 PLN**	**2019-05-09**

Key Metrics			**JSW PW**	**vs. WIG**
Ticker	JSW PW	1M Price Chng	-11.1%	-8.0%
ISIN	PLJSW0000015	YTD Price Chng	-25.4%	-25.7%
Outst. Stock (m)	117.4	ADTV 1M		PLN 13.5m
MC (PLN m)	5,894.1	ADTV 6M		PLN 14.1m
EV (PLN m)	3,226.0	EV/EBITDA 12M fwd	1.7	-49.2%
Free Float	44.8%	EV/EBITDA 5Y avg	3.4	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.	2.7	3.3	5.6	14.8	34.6
P/B	0.9	0.7	0.7	0.6	0.6
EV/EBITDA adj.	1.3	1.0	1.5	2.5	3.1
DPS	0.00	0.00	1.71	1.78	1.70
DYield	0.0%	0.0%	3.4%	3.6%	3.4%

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%

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 Analysis

(PLN m)	**19P**	**20P**	**21P**	**22P**	**23P**	**24P**	**25P**	**26P**	**27P**	**28P**	**+**
Coking coal ($/t)	185	175	165	165	165	165	165	165	165	165	165
Thrml coal (PLN/t)	268	247	247	247	247	247	247	247	247	247	247
Coke ($/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%

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**

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Kernel

buy (reiterated)

Jakub Szkopek +48 22 438 24 03 jakub.szkopek@mbank.pl

Kernel has unexpectedly negatively surprised with the figures delivered in fiscal Q3 2019 (calendar Q1 2019), due to the weaker result of Avere's trading subsidiary and the shift of some of the profits of the agricultural segment to the last quarter of the financial year. The good cash flow from operating activities and limitation of debt stood out positively. Kernel is likely to at least double the result at the EBITDA level due to the low base effect in the last quarter. The change in accounting standards of IFRS 16 (Kernel leases the whole area of land) is a chance for results improvement in the upcoming season. The potential sale of shares in the port of Taman is a good information as it could release frozen cash resources (even > $100m for Kernel). We are updating our forecasts for the Kernel Group, lowering the target price to PLN 58.63 per share and we uphold a buy rating.

Current Price	46.50 PLN	**Upside**
9M Target Price	58.63 PLN	+26.1%

	rating	target price	issued
new	**buy**	**58.63 PLN**	**2019-06-03**
old	buy	62.86 PLN	2019-03-05

Key Metrics			**KER PW**	**vs. WIG**
Ticker	KER PW	1M Price Chng	-9.7%	-6.6%
ISIN	LU0327357389	YTD Price Chng	-4.5%	-4.9%
Outst. Stock (m)	82.7	ADTV 1M		PLN 1.3m
MC (PLN m)	3,843.7	ADTV 6M		PLN 1.5m
EV (PLN m)	7,265.2	EV/EBITDA 12M fwd	5.1	+23.4%
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	340	400	461
EBITDA margin	14.7%	9.3%	9.7%	8.8%	9.1%
EBIT	265	140	246	305	357
Net income	176	52	197	194	244
P/E	5.7	19.2	5.1	5.2	4.1
P/B	0.9	0.9	0.8	0.7	0.6
EV/EBITDA	4.8	7.3	5.6	4.8	4.0
DPS	0.24	0.25	0.25	0.95	1.29
DYield	2.0%	2.0%	2.1%	7.9%	10.6%

Projection Update (% change)	18/19P	19/20P	20/21P
EBITDA	-6.2%	-4.7%	-4.0%
Net income	+4.2%	-9.1%	-7.3%
Margin, Sunflower Oil ($/t)	-9.8%	0.0%	0.0%
Margin, Wheat ($/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)	16/17	17/18	18/19P	19/20P	20/21P
EBITDA, Bottled Oil	17	13	13	15	16
EBITDA, Bulk Oil	83	63	90	126	166
EBITDA, Terminals	48	39	35	55	63
EBITDA, Farming	144	89	162	160	173
EBITDA, Grain Trade	23	17	44	46	49
Operating cash flow	**77**	**82**	**221**	**269**	**371**
D&A	54	83	93	96	104
Working capital	-212	-63	-154	-113	-67
Investing cash flow	**-223**	**-156**	**-329**	**-108**	**-83**
CAPEX	182	179	329	108	83
Financing cash flow	**173**	**76**	**53**	**-187**	**-283**
Dividends/Buyback	-20	-20	-21	-79	-106
FCF	-93	-14	-145	164	292
FCF/EBITDA	-29%	-6%	-43%	41%	63%
OCF/EBITDA	24%	37%	65%	67%	81%

Key Balance Sheet Figures

(US$ m)	16/17	17/18	18/19P	19/20P	20/21P
Assets	2,009	2,211	2,589	2,771	2,867
Fixed assets	888	1,006	1,245	1,262	1,246
Equity	1,153	1,171	1,296	1,411	1,548
Minority interests	5	7	7	7	7
Net debt	508	619	885	901	816
Net debt/EBITDA (x)	1.6	2.8	2.6	2.3	1.8
Net debt/Equity (x)	0.4	0.5	0.7	0.6	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.8	3.4	2.2	3.1	3.8	2.8
Maximum	54.8	28.0	16.4	18.7	12.4	12.6
Median	11.9	11.4	10.4	7.6	7.2	6.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(US$ m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Margin, Veg Oil ($/t)	69	90	102	111	108	104	100	96	92	91	92
Margin, Wheat ($/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	340	400	461	504	485	478	469	465	463	468	474
EBITDA margin	9.7%	8.8%	9.1%	9.4%	9.0%	8.7%	8.4%	8.2%	8.1%	8.0%	8.0%
EBIT	246	305	357	399	381	374	366	356	351	342	347
Tax	2	15	18	21	20	20	20	19	43	42	42
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	-145	164	292	354	344	327	311	297	268	271	277
PV FCF	-143	141	217	226	190	155	127	105	84	73	
WACC	15.7%	15.3%	15.4%	15.6%	15.7%	15.8%	15.8%	15.9%	15.4%	15.5%	15.6%
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	1,175
Net debt	619
Other adjustments	7
Value per share (PLN)	46.70

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	57.71
DCF Val.	50%	46.70
Implied Price		52.20
Cost of equity (9M)		12.3%
9M Target Price		**58.63**

KGHM

hold (reiterated)

Jakub Szkopek +48 22 438 24 03 jakub.szkopek@mbank.pl

KGHM positively surprised with financial results in Q1 2019. The company does not expect additional employee bonuses and does not see the risk of creating additional provisions for a closed mine in the Sudbury area. Another positive factor is the reduction of copper mining tax, which will have a positive impact on earnings in H2 2019. In our opinion, all these factors make KGHM perform much more resistant than the prices of the main raw materials (copper, silver). After a large discount of basic raw materials, the number of open positions on metals has clearly dropped, which makes us believe that with the appearance of any positive information, the rebound on raw materials will be significant. Unfortunately, with the weaker outlook for raw materials, our valuation drops to PLN 91.71 per share (previously PLN 105.57 per share). We are lowering our price forecasts for 2019 and 2020 for copper (from $6,500/t to $6,350/t and from $6,800/t to $6,500/t, respectively) and silver ($16/oz to $15.5/oz). We maintain a hold rating for the KGHM Group.

		Downside
Current Price	95.00 PLN	
9M Target Price	91.71 PLN	-3.5%

	rating	target price	issued
new	**hold**	**91.71 PLN**	**2019-06-03**
old	hold	105.57 PLN	2019-04-02

Key Metrics			**KGH PW**	**vs. WIG**
Ticker	KGH PW	1M Price Chng	-4.6%	-1.5%
ISIN	PLKGHM000017	YTD Price Chng	+6.9%	+6.5%
Outst. Stock (m)	200.0	ADTV 1M		PLN 49.3m
MC (PLN m)	19,000.0	ADTV 6M		PLN 54.6m
EV (PLN m)	23,490.1	EV/EBITDA 12M fwd	4.3	-13.4%
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	22,558	22,994	23,695
EBITDA adj.	5,753	4,972	5,132	5,045	5,360
EBITDA margin	28.4%	24.2%	22.7%	21.9%	22.6%
EBIT adj.	4,144	3,176	3,279	3,113	3,376
Net income adj.	1,792	1,888	2,260	2,125	2,321
P/E adj.	10.6	10.1	8.4	8.9	8.2
P/B	1.1	1.0	0.9	0.8	0.8
EV/EBITDA adj.	4.5	5.2	4.6	4.5	4.0
DPS	1.00	0.00	0.00	1.50	3.19
DYield	1.1%	0.0%	0.0%	1.6%	3.4%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
EBITDA adj.	-6.1%	-9.5%	0.0%
Net income adj.	-10.1%	-16.0%	0.0%
Copper price ($/t)	-2.3%	-4.4%	0.0%
Silver price ($/oz)	-3.1%	0.0%	0.0%
Molybdenum price ($/t)	0.0%	0.0%	0.0%
Copper output (kt)	0.0%	0.0%	0.0%
Silver output (t)	0.0%	0.0%	0.0%
Molybdenum output (mmb)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	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**	**5,495**	**4,165**	**4,415**
D&A	1,609	1,796	1,853	1,932	1,984
Working capital	-1,270	1,412	1,278	4	7
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**	**-103**	**-403**	**-741**
Dividends/Buyback	-200	0	0	-300	-637
FCF	788	1,924	2,698	1,389	1,838
FCF/EBITDA	27%	41%	53%	28%	34%
OCF/EBITDA	53%	77%	107%	83%	82%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	34,122	37,237	40,037	41,977	43,847
Fixed assets	26,515	29,375	30,319	31,164	31,758
Equity	17,694	19,133	21,393	23,218	24,901
Minority interests	91	92	92	92	92
Net debt	6,570	6,992	4,398	3,413	2,317
Net debt/EBITDA (x)	2.2	1.5	0.9	0.7	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	8.0	5.0	4.9	2.4	1.2	0.8
Maximum	25.0	15.3	13.9	8.2	7.4	6.9
Median	12.4	10.4	9.2	5.2	4.5	4.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Copper price ($/t)	6,350	6,500	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Silver ($/oz)	15.5	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	22,558	22,994	23,695	23,821	23,769	23,711	23,503	22,059	22,090	22,124	22,205
EBITDA	5,132	5,045	5,360	5,319	5,244	5,106	4,849	4,725	4,693	4,357	4,330
EBITDA margin	14.5%	13.5%	14.2%	14.2%	14.0%	13.7%	12.6%	12.9%	12.7%	11.1%	11.7%
EBIT	3,279	3,113	3,376	3,382	3,330	3,241	2,971	2,841	2,806	2,460	2,605
Tax	914	884	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	1,278	4	7	1	-1	-1	-2	-15	0	0	1
FCF	2,698	1,389	1,838	2,702	2,579	2,430	2,195	2,055	2,016	1,718	1,808
PV FCF	2,586	1,235	1,508	2,032	1,774	1,541	1,283	1,107	1,001	786	
WACC	7.6%	7.7%	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	14,852
Net debt	6,992
Other adjustments	290
Value per share (PLN)	89.41

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	83.13
DCF Val.	50%	89.41
Implied Price		86.27
Cost of equity (9M)		6.3%
9M Target Price		**91.71**

mBank Dom Maklerski

Stelmet

hold (no change)

Jakub Szkopek +48 22 438 24 03 jakub.szkopek@mbank.pl

In the 2018/2019 season, Stelmet will experience a significant increase in production costs led by higher costs of energy (PLN +6.6m), timber raw material (PLN +13.4m) and labor (PLN +5.5m). 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. Stelmet says it is planning to raise prices by 2-6% depending on the region, but it said the same last year without following through. 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	7.70 PLN	**Upside**
9M Target Price	8.36 PLN	+8.6%

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

Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	+1.3%	+4.4%
ISIN	PLSTLMT00010	YTD Price Chng	+6.4%	+6.0%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	226.1	ADTV 6M		PLN 0.0m
EV (PLN m)	388.6	EV/EBITDA 12M fwd	6.3	-8.7%
Free Float	15.0%	EV/EBITDA 5Y avg	6.9	discount

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	11.6	23.6	22.2	16.7	14.5
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	7.1	5.9	6.9	6.0	5.4
DPS	0.00	0.00	0.08	0.21	0.32
DYield	0.0%	0.0%	1.1%	2.7%	4.2%

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 (no change)

Aleksandra Szklarczyk +48 22 438 24 04 aleksandra.szklarczyk@mbank.pl

Atal surprised positively in Q1 2019 with high margins (28.2%), beating our net profit forecast by 7.5% and market consensus by 6%. As a result, our full-year net income forecast is delivered in 27% with units handed over at 24%. In addition, the Company positively surprised with the level of sales volumes. After four months of the year, Atal recorded an increase in volumes by 14% y/y, which was supported by significant expansion of the offer. In Q1 2019, the Company increased its offer to nearly 4.4k homes (+ 51% y/y). As a result, the Company increased its sales target for this year to 2.8k units (vs. previous 2.5k and 2.4k sold in 2018), which after the first four months already accounts for 38% of annual sales volume forecast. The company significantly enlarged the offer primarily in Poznań and Katowice (ie on the markets that are currently in the upward trend in sales) and rebuilt its offer in Krakow. Thanks to the successful acquisition of new land, the land bank increased at the end of Q1 to the highest level in the Atal's history (12.6k flats, translating into 5.2-year volume of sales, well above its peers). Sales after the first four months are already account for 41% of our annual sales volume forecast, which, with the high offer, is conducive to exceeding it and, as a consequence, increasing the completion potential in the coming years. In the near future we will update our forecasts.

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

	rating	target price	issued
unchanged	**hold**	**41.03 PLN**	**2019-04-02**

Key Metrics			1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	0.0%	+3.1%
ISIN	PLATAL000046	YTD Price Chng	+42.5%	+42.1%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.2m
MC (PLN m)	1,544.7	ADTV 6M		PLN 0.6m
EV (PLN m)	1,853.5	EV/EBITDA 12M fwd	8.1	+2.7%
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)	2019P	2020P	2021P
Revenue	0.0%	0.0%	0.0%
Gross profit margin	0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Residential closings	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	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%**

Cash Flow Summary

(PLN m)	2016	2017	2018	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 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%

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**

mBank Dom Maklerski

Dom Development

hold (no change)

Aleksandra Szklarczyk +48 22 438 24 04 aleksandra.szklarczyk@mbank.pl

No new price-setting information has appeared since the last monthly report. We note that Dom presented nominally very good financial results in Q1, with a high margin of 27.4%, although in line with market expectations. Unlike in previous years, Q1 was significant for the annual net profit, which currently in delivered in 38% on our full-year forecast. The Company announced that it expects a similar increase in NP y/y and maintained a plan to introduce around 3.9k units this year (+ 8% y/y, of which more than ¼ has already been started), resulting in an increase in the offer to about 3k units (2,6k in Q1). Significant expansion is going to take place in the Tricity and Wrocław. Due to relatively short land bank in Warsaw, the Company plans to introduce almost 20% less units y/y. Throughout the 2019, Dom plans to increase expenditure on new land acquisition up to PLN 500m (vs. PLN 300m in 2018). The current land bank (7.8k homes) allows for the implementation of more than 2 years of sales, but together with the offer fully secures our 2019-21 forecasts. In addition, the company result in 3.4 years of sales.) Taking into account a good track record in the area of launching property investments on new lands, we do not see a risk to decrease in offer after 2020. The company looks good and the message from the conference supports our forecasts.

Current Price	82.00 PLN	**Upside**
9M Target Price	84.40 PLN	+2.9%

	rating	target price	issued
unchanged	**hold**	**84.40 PLN**	**2019-04-02**

Key Metrics			DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	0.0%	+3.1%
ISIN	PLDMDVL00012	YTD Price Chng	+30.2%	+29.8%
Outst. Stock (m)	25.0	ADTV 1M		PLN 0.3m
MC (PLN m)	2,047.4	ADTV 6M		PLN 0.5m
EV (PLN m)	2,182.3	EV/EBITDA 12M fwd	7.6	-17.6%
Free Float	25.2%	EV/EBITDA 5Y avg	9.3	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	10.7	9.0	9.3	8.2	10.4
P/B	2.0	2.0	2.0	1.9	2.0
EV/EBITDA	8.7	7.3	7.7	7.1	9.5
DPS	5.05	7.60	9.05	8.86	9.97
DYield	6.2%	9.3%	11.0%	10.8%	12.2%

Projection Update (% change)	2019P	2020P	2021P
Revenue	0.0%	0.0%	0.0%
Gross profit margin	0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Closings	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	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 (no change)

Piotr Bogusz +48 22 438 24 08 piotr.bogusz@mbank.pl

According to the published preliminary estimates, the Company improved sales by 28% y/y to EUR 445 million in Q1 2019. EBITDA increased by 25% y/y in Q1 and was supported by the consolidation of the results of the Sushi Shop restaurant. The high dynamics of EBITDA improvement should be maintained in Q2-3 2019, which in our opinion will support the performance of the Company's stock price. The Management Board of AmRest announced that at least 400 net restaurants will be opened in 2019. In each of the next two years, AmRest plans to open more than 400 restaurants, and the growth will be driven by the openings of franchise outlets. Such model of expansion requires lower capital expenditures, reduces the risk for the company and should allow for gradual reduction of debt. We believe that AmRest is one of the most interesting investment options in the sector, taking into account the expected acceleration in the pace of EBITDA improvement in relation to Q1 2019 in the coming quarters and the solid fundaments for the growth of results in the medium term.

Current Price	38.30 PLN	**Upside**
9M Target Price	48.00 PLN	+25.3%

	rating	target price	issued
unchanged	**buy**	**48.00 PLN**	**2019-04-02**

Key Metrics			**EAT PW**	**vs. WIG**
Ticker	EAT PW	1M Price Chng	-6.1%	-3.1%
ISIN	NL0000474351	YTD Price Chng	-4.3%	-4.6%
Outst. Stock (m)	219.6	ADTV 1M		PLN 2.6m
MC (PLN m)	8,408.9	ADTV 6M		PLN 4.1m
EV (PLN m)	10,935.5	EV/EBITDA 12M fwd	11.1	+4.3%
Free Float	31.1%	EV/EBITDA 5Y avg	10.7	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	42.6	43.9	36.0	26.3	18.7
P/B	6.2	4.6	4.1	3.6	3.0
EV/EBITDA	15.8	15.2	12.4	9.9	7.8
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**
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Revenue per restaurant	0.0%	0.0%	0.0%
EBITDA margin	0 p.p.	0 p.p.	0 p.p.
Restaurant count	0.0%	0.0%	0.0%

Financial Highlights (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	17%	17%	17%	17%	17%	17%

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%	8.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(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**

mBank Dom Maklerski

CCC

buy (no change)

Piotr Bogusz +48 22 438 24 08 piotr.bogusz@mbank.pl

The CCC stock price was significantly revised after the publication of weak Q1 2019 results, low sales dynamics in April and the management's comment on sales results in May. Potentially low result in April-May, combined with the pressure on the gross margin on sales y/y (worse sales-mix, unfavorable USDPLN FX rate, higher share of branded products in sales, growing share of e-commerce in sales) and cost pressure (high cost base shown in Q1), will negatively affect the company's earnings in Q2 2019. The factor of lower sales in Q2 2019 caused by the weather effect is considered as temporary. However, the high cost base delivered in Q1 2019 should continue in subsequent months, negatively impacting company's results. In addition to the increased costs related to the consolidation of KVAG, DeeZee and Gino Rossi, there was an increase in G&A costs from PLN 36m in Q1 2018 to PLN 72m in Q1 2019, with a 22% increase of store area y/y. The justification for the increase may be the potential additional costs of sponsoring the CCC cycling group and payments to Unicef, which may persist in the subsequent quarters. Taking the above into account, we will review our forecasts in the near future.

Current Price	156.70 PLN	**Upside**
9M Target Price	275.00 PLN	+75.5%

	rating	target price	issued
unchanged	**buy**	**275.00 PLN**	**2019-04-02**

Key Metrics			CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	-23.3%	-20.3%
ISIN	PLCCC0000016	YTD Price Chng	-18.9%	-19.3%
Outst. Stock (m)	41.1	ADTV 1M		PLN 24.2m
MC (PLN m)	6,444.6	ADTV 6M		PLN 22.7m
EV (PLN m)	7,384.4	EV/EBITDA 12M fwd	7.8	-49.1%
Free Float	59.4%	EV/EBITDA 5Y avg	15.2	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	22.4	-	14.8	11.9	11.2
P/B	5.9	5.6	4.8	3.6	2.8
EV/EBITDA	13.9	7.4	6.0	5.0	4.5
DPS	2.47	2.30	1.87	1.87	1.87
DYield	1.6%	1.5%	1.2%	1.2%	1.2%

Projection Update (% change)	2019P	2020P	2021P
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Gross profit margin	0.0 p.p.	0.0 p.p.	0.0 p.p.
B&M sales/sqm	0.0%	0.0%	0.0%
SG&A/sqm	0.0%	0.0%	0.0%

Financial Highlights (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	17%	17%	17%	17%	17%	17%

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 (no change)

Piotr Bogusz +48 22 438 24 08 piotr.bogusz@mbank.pl

In May, Dino's stock price reacted negatively to the verdict of the Court of Justice of the European Union on challenging the EC's decision regarding the tax on retail sales (the verdict is not legally valid). However, the initial negative reaction to the share price was quickly corrected by investors. The potential risk related to the introduction of a tax on retail sales will, in our opinion, exert pressure on the company's price in the coming months. Dino delivered Q1 2019 results slightly above market expectations. Comparable sales were at 5% (in line with expectations). Thanks to the significant improvement of the gross margin on sales, the company was able to improve the EBITDA margin in 1Q despite the pressure on payroll costs. The improvement of the gross margin on sales results from the gradual increase in prices and from obtaining better and better purchase conditions. In the following quarters, the lfl dynamics should be supported by the low base effect and the persistently high percentage of stores operating no longer than 3 years (stores being in the pursuit of targeted sales effectiveness). We expect the company to continue improving its purchase conditions, which will support the gross margin on sales. At the same time, we expect a sustained cost pressure and we see limited potential for further improvement of the cash conversion cycle in 2019 (the company significantly improved this ratio in 2018). Despite the expected improvement in results in the subsequent quarters, we believe that the current valuation discounts the overly optimistic growth path of the company's results in the following years.

Current Price	124.40 PLN	**Downside**
9M Target Price	112.70 PLN	-9.4%

	rating	target price	issued
unchanged	**reduce**	**112.70 PLN**	**2019-04-02**

Key Metrics			**DNP PW**	**vs. WIG**
Ticker	DNP PW	1M Price Chng	0.0%	+3.1%
ISIN	PLDINPL00011	YTD Price Chng	+29.8%	+29.4%
Outst. Stock (m)	98.0	ADTV 1M		PLN 26.6m
MC (PLN m)	12,196.2	ADTV 6M		PLN 21.3m
EV (PLN m)	12,836.1	EV/EBITDA 12M fwd	16.0	+1.6%
Free Float	48.9%	EV/EBITDA 5Y avg	15.8	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	57.1	39.7	30.2	23.5	19.7
P/B	13.5	10.1	7.5	5.7	4.4
EV/EBITDA	32.6	23.6	17.9	14.3	11.9
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**
EBITDA	0.0%	0.0%	0.0%
Net profit	0.0%	0.0%	0.0%
Store count	0.0%	0.0%	0.0%
Sales/sqm	0.0%	0.0%	0.0%
EBITDA margin	0.0 p.p.	0.0 p.p.	0.0 p.p.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	**2017**	**2018**	**2019P**	**2020P**	**2021P**
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**

mBank Dom Maklerski

Eurocash

reduce (reiterated)

Piotr Bogusz +48 22 438 24 08 piotr.bogusz@mbank.pl

The Eurocash stock reacted negatively to the publication of Q1 2019 results and the publication of the verdict of the Court of Justice of the EU regarding the tax on retail sales. Despite the high wholesale share in Eurocash sales, the potential amount of tax paid on retail sales would amount to approximately PLN 30 million, which is approximately 7.2% of our EBITDA forecast for 2020. In addition, the company confirmed speculations regarding the termination of cooperation between Eurocash and PKN Orlen, which should result in a PLN 600 million decrease in sales and a loss of approximately 3-5% of annual EBITDA. Potential consideration of those factors would result in a lack of EBITDA growth y/y in 2020. We are adjusting our forecasts for Eurocash for the loss of a contract with PKN Orlen, which ultimately results in a decrease in EBITDA/net profit by -1%/ -3.5% in 2019 and -4%/- 9.5% in 2020, respectively. The increase in the valuation of peers since the last recommendation was issued partially compensates for the negative impact of lowered forecasts on the valuation. Taking into account the above as well as a dividend cut, we set the target price at PLN 18.2 and maintain the reduce rating.

Current Price	19.31 PLN	**Downside**
9M Target Price	18.10 PLN	-6.3%

	rating	target price	issued
new	**reduce**	**18.10 PLN**	**2019-06-03**
old	reduce	18.90 PLN	2019-05-09

Key Metrics			**EUR PW**	**vs. WIG**
Ticker	EUR PW	1M Price Chng	-8.4%	-5.3%
ISIN	PLEURCH00011	YTD Price Chng	+16.3%	+15.9%
Outst. Stock (m)	139.2	ADTV 1M		PLN 4.2m
MC (PLN m)	2,687.2	ADTV 6M		PLN 6.4m
EV (PLN m)	3,013.8	EV/EBITDA 12M fwd	7.3	-29.8%
Free Float	53.0%	EV/EBITDA 5Y avg	10.4	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,814	22,833	23,640	23,711	24,135
EBITDA adj.	440	361	374	375	401
EBITDA margin	2.1%	1.6%	1.6%	1.6%	1.7%
EBIT	38	214	158	181	217
Net income	-59	110	72	102	144
P/E	-	24.5	37.3	26.4	18.6
P/B	2.6	2.6	2.6	2.4	2.2
EV/EBITDA	14.1	7.5	8.0	7.1	6.0
DPS	0.80	0.76	1.00	0.26	0.37
DYield	4.1%	3.9%	5.2%	1.3%	1.9%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
EBITDA	-1.1%	-4.0%	-3.6%
Net income	-3.5%	-9.5%	-6.9%
Wholesale (EBITDA)	-1.0%	-3.9%	-3.8%
Retail (EBITDA)	0.0%	0.0%	0.0%
New Projects (EBITDA)	0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Wholesale (S)	17,794	17,606	17,789	17,833	17,856
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**	**710**	**715**	**770**
D&A	183	204	217	220	226
D&A (financial lease)	0	0	330	328	330
Working capital	247	196	31	16	36
Investing cash flow	**-336**	**-462**	**-148**	**-148**	**-150**
CAPEX	-307	-445	-148	-148	-150
Financing cash flow	**-117**	**-126**	**-630**	**-613**	**-616**
Dividends/Buyback	-111	-106	-139	-36	-51
FCF	-271	446	200	211	266
FCF/EBITDA	-123%	107%	53%	53%	60%
OCF/EBITDA	223%	139%	190%	178%	174%

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	350	195	-10
Net debt/EBITDA (x)	1.7	0.9	0.9	0.5	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	12.8	11.9	10.6	5.4	4.7	4.5
Maximum	28.5	21.8	17.4	17.8	13.9	11.3
Median	16.1	13.1	11.9	7.8	6.5	6.2
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)	401	413	417	418	418	419	419	420	420	420	420
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	23,640	23,711	24,135	24,304	24,347	24,371	24,389	24,403	24,417	24,432	24,432
EBITDA	375	401	442	474	503	532	533	533	533	534	534
EBITDA margin	1.58%	1.69%	1.83%	1.95%	2.07%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%
EBIT	140	163	198	227	256	284	285	285	304	304	304
Tax	40	40	44	46	49	53	52	52	55	55	55
CAPEX	-148	-148	-150	-151	-153	-154	-156	-157	-159	-229	-229
Working capital	31	16	36	22	16	15	14	14	14	14	14
FCF	200	211	266	281	299	320	321	319	333	263	263
PV FCF	191	187	218	213	210	209	193	178	173	126	
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	3,559
Net debt	521
Other adjustments	61
Value per share (PLN)	21.39

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	12.77
DCF Val.	50%	21.39
Implied Price		17.08
Cost of equity (9M)		5.7%
9M Target Price		**18.10**

Jeronimo Martins

hold (no change)

Piotr Bogusz +48 22 438 24 08 piotr.bogusz@mbank.pl

The Jeronimo Martins stock has dropped in May because of the reports of retail sales tax. In our opinion, the tax case may be a factor inhibiting the potential increase in the company's stock price in the near future. In Q1 2019, Biedronka network recorded a drop in comparable sales by 1.1% y/y (the effect of Easter shift, high base and extension of the trading ban on Sunday). Taking into account the base effect, good macroeconomic environment, we expect a significant improvement in comparable sales in the subsequent quarters. The EBITDA margin in Biedronka network slightly decreased as a result of a weaker operating leverage. The company upholds the intention to maintain a flat EBITDA margin in 2019. We include the opening of 110 Biedronka stores in 2019 and Capex at the level of EUR 725 million in our estimates. In our opinion, the JMT price will strongly react to reports regarding the potential introduction of a tax on retail sales. Another potentially positive event should be the publication of the company's results at the end of July 2019.

Current Price	13.63 EUR	**Upside**
9M Target Price	14.30 EUR	+5.0%

	rating	target price	issued
unchanged	**hold**	**14.30 EUR**	**2019-05-09**

Key Metrics			**JMT PL**	**vs. WIG**
Ticker	JMT PL	1M Price Chng	-4.2%	-1.1%
ISIN	PTJMT0AE0001	YTD Price Chng	+36.0%	+35.7%
Outst. Stock (m)	629.3	ADTV 1M		EUR 13.9m
MC (EUR m)	8,574.1	ADTV 6M		EUR 10.9m
EV (EUR m)	8,968.6	EV/EBITDA 12M fwd	8.3	-12.3%
Free Float	43.8%	EV/EBITDA 5Y avg	9.4	discount

Earnings Projections (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
Revenue	16,276	17,336	18,440	20,039	21,251
EBITDA	922	960	1,055	1,146	1,210
EBITDA margin	5.7%	5.5%	5.7%	5.7%	5.7%
EBIT	577	588	651	710	744
Net income	386	401	443	494	518
P/E	22.2	21.4	19.4	17.4	16.5
P/B	4.8	4.8	4.4	4.0	3.7
EV/EBITDA	9.4	9.3	8.5	7.7	7.3
DPS	0.69	0.64	0.27	0.29	0.30
DYield	5.1%	4.7%	2.0%	2.1%	2.2%

Projection Update (% change)	**2019P**	**2020P**	**2021P**
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Y/Y sales/sqm, Biedronka	0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Pingo Doce	0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Recheio	0.0 p.p.	0.0 p.p.	0.0 p.p.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
EBITDA Biedronka, PL	808	850	913	989	1,033
EBITDA Pingo Doce, PT	187	188	192	197	196
EBITDA Recheio, PT	50	53	55	57	58
EBITDA Other	-85	-80	-56	-46	-28
CCC (days)	-71	-67	-65	-65	-65
Operating cash flow	**909**	**849**	**1,267**	**1,500**	**1,522**
D&A	345	372	404	437	467
Working capital	0	0	303	322	340
Investing cash flow	**292**	**-43**	**85**	**213**	**162**
CAPEX	-658	-700	-725	-732	-739
Financing cash flow	**-229**	**-273**	**-605**	**-670**	**-704**
Dividends/Buyback	435	401	173	181	189
FCF	397	62	234	430	426
FCF/EBITDA	43%	6%	22%	38%	35%
OCF/EBITDA	99%	88%	120%	131%	126%

Key Ratios (adjusted for IFRS 16)

(%)	2017	2018	2019P	2020P	2021P
Gross profit margin	21.2%	21.7%	22.0%	22.1%	22.1%
SG&A/Sales	17.6%	18.2%	18.5%	18.5%	18.6%
Y/Y sales/sqm, Biedr.	9.0%	1.0%	1.9%	3.1%	0.4%
Y/Y sales/sqm, P. Doce	0.5%	3.2%	2.1%	1.4%	1.4%
Y/Y sales/sqm, Recheio	5.7%	2.8%	1.0%	-0.7%	-0.7%
Net debt (EUR m)	-144	93	156	58	-20
Net debt/EBITDA (x)	-0.2	0.1	0.1	0.1	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	14.1	12.9	11.7	5.4	5.1	4.7
Maximum	33.4	23.4	18.3	8.9	7.9	7.2
Median	15.2	13.1	12.3	8.2	7.2	6.8
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	3,004	3,114	3,174	3,234	3,294	3,354	3,414	3,474	3,534	3,594	3,534
Pingo Doce stores	440	440	440	440	440	440	440	440	440	440	440
Ara stores	681	941	1,101	1,261	1,421	1,541	1,621	1,661	1,701	1,741	1,701
Revenue	18,440	20,039	21,251	22,152	22,959	23,731	24,439	25,084	25,714	26,356	26,817
EBITDA	1,055	1,146	1,210	1,285	1,356	1,429	1,471	1,512	1,554	1,597	1,694
EBITDA margin	5.7%	5.7%	5.7%	5.8%	5.9%	6.0%	6.0%	6.0%	6.0%	6.1%	6.3%
EBIT	651	710	744	795	851	918	958	1,001	1,046	1,090	1,135
Tax	181	197	207	221	236	255	266	278	291	303	315
CAPEX	-725	-732	-739	-665	-599	-539	-512	-486	-462	-507	-507
Working capital	85	213	162	121	108	103	95	86	84	86	84
FCF	234	430	426	520	628	739	788	834	886	873	901
PV FCF	223	377	345	388	434	471	464	453	445	405	
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	10,365
Net debt	93
Other adjustments	225
Value per share (EUR)	15.96

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	10.98
DCF Val.	50%	15.96
Implied Price		13.47
Cost of equity (9M)		6.2%
9M Target Price		**14.30**

mBank Dom Maklerski

LPP

accumulate (upgraded)

Piotr Bogusz +48 22 438 24 08 piotr.bogusz@mbank.pl

The company's stock fell by ca. 18% in reaction to unfavorable weather conditions in April-May that have a negative impact on sales\ and the strengthening of USDPLN FX rate, which will affect the company's profitability in H2 2019. The final Q1 2019 results were in line with the preliminary estimates at the sales/EBIT level. The company announced that sales in May fell by 12% y/y, and sales in April were 'satisfactory'. We note that Q2 2019 earnings will be affected by (i) low sales dynamics (high base effect and unfavorable weather conditions) and (ii) pressure on gross sales margin (higher UDSPLN FX rate for purchasing the SS'19 collection). USDPLN appreciation in recent weeks may result in increased costs of purchasing another company's collection (currently it is 7% higher y/y). The company confirmed the gross sales target in the range of 54-55% in 2019 and 53-54% in the period from the beginning of 2019 to the end of January 2020. We slightly revise our expectations of sales/sqm and SG&A costs/sqm and we assume a higher effective tax rate. As a result of the forecast changes, we adjust EBITDA/net profit in 2019 by -0.6%/-12.9%, respectively. We are updating the valuation of peers after their significant drops in April. An important, potentially negative price-setting event will be the publication of the company's estimated results for Q2 2019 at the beginning of April. Taking into account the significant correction of the company's stock price and good prospects for H2 2019, we increase our rating to accumulate with the target price @PLN 8,300.

Current Price	7,335.00 PLN	Upside
9M Target Price	8,300.00 PLN	+13.2%

	rating	target price	issued
new	**accumulate**	**8,300.00 PLN**	**2019-06-03**
old	hold	8,400.00 PLN	2019-04-02

Key Metrics			LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	-13.0%	-9.9%
ISIN	PLLPP0000011	YTD Price Chng	-6.6%	-6.9%
Outst. Stock (m)	1.9	ADTV 1M		PLN 17.7m
MC (PLN m)	13,587.5	ADTV 6M		PLN 18.9m
EV (PLN m)	12,878.6	EV/EBITDA 12M fwd	9.6	-31.2%
Free Float	69.5%	EV/EBITDA 5Y avg	13.9	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,029	8,047	9,164	10,361	11,608
EBITDA	872	1,106	1,257	1,422	1,586
EBITDA margin	12.4%	13.7%	13.7%	13.7%	13.7%
EBIT	578	757	841	931	1,016
Net income	441	505	669	761	834
P/E	30.8	26.9	20.3	17.8	16.3
P/B	5.6	4.7	3.9	3.3	2.8
EV/EBITDA	15.2	11.6	10.2	9.0	7.8
DPS	35.71	39.96	59.97	77.32	62.23
DYield	0.5%	0.5%	0.8%	1.1%	0.8%

Projection Update (% change)	2019P	2020P	2021P
EBITDA	-0.6%	-0.2%	-0.9%
Net income	-12.9%	-10.4%	-14.4%
Sales per sqm	-2.6%	-4.3%	-5.2%
SG&A/sqm	+2.6%	+1.9%	+2.0%
Sales area	1.1%	2.1%	3.3%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue/sqm, PL (PLN)	595	557	586	568	562
Revenue/sqm, RU (PLN)	591	590	608	591	584
Revenue/sqm, CZ (PLN)	666	759	776	753	744
Revenue/sqm, DE (PLN)	502	500	529	513	508
Gross profit margin	52.9%	54.7%	53.7%	53.6%	53.6%
Operating cash flow	**893**	**1,212**	**1,369**	**1,831**	**2,046**
D&A	293	349	417	491	570
Working capital	0	0	575	640	700
Investing cash flow	**101**	**125**	**-44**	**-62**	**-58**
CAPEX	-384	-704	-702	-983	-823
Financing cash flow	**-360**	**21**	**-942**	**-807**	**-830**
Dividends/Buyback	66	73	110	142	114
FCF	358	92	84	164	475
FCF/EBITDA	41%	8%	7%	12%	30%
OCF/EBITDA	102%	110%	72%	84%	85%

Key Ratios (adjusted for IFRS 16)

(k sqm)	2017	2018	2019P	2020P	2020P
Salea area, PL	514	529	542	559	570
Salea area, RU	194	206	229	258	287
Sales area, CZ	44	48	54	62	68
Sales area, DE	45	46	46	47	47
Cash (PLN m)	515	1,045	776	817	1,211
Net debt (PLN m)	-316	-753	-709	-775	-1,184
Net debt/EBITDA (x)	-0.4	-0.7	-0.6	-0.5	-0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	17.8	13.9	11.5	9.5	8.3	6.7
Maximum	22.2	20.4	19.1	12.7	11.9	11.1
Median	19.6	18.3	17.4	9.9	9.0	8.6
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)	641	660	670	681	688	692	690	689	688	684	684
SG&A/sqm (PLN)	287	293	299	306	309	313	312	310	309	308	308
Sales area (k sqm)	1,091	1,223	1,354	1,488	1,592	1,695	1,804	1,918	2,037	2,161	2,161
Revenue	8,047	9,164	10,361	11,608	12,715	13,650	14,487	15,378	16,323	17,226	18,626
EBITDA	1,106	1,249	1,422	1,586	1,705	1,711	1,774	1,879	1,973	2,037	2,207
EBITDA margin	13.7%	13.6%	13.7%	13.7%	13.4%	12.5%	12.2%	12.2%	12.1%	11.8%	11.8%
EBIT	757	841	931	1,016	1,120	1,144	1,219	1,329	1,423	1,482	1,589
Tax	228	180	177	193	213	217	232	253	270	282	302
CAPEX	-799	-870	-983	-823	-512	-517	-539	-562	-584	-605	-617
Working capital	-14	123	98	95	86	72	64	68	72	70	74
FCF	92	84	164	475	895	904	939	997	1,047	1,081	1,214
PV FCF	0	80	144	385	668	622	595	582	564	536	
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	13,972
Net debt	-753
Other adjustments	0
Value per share (PLN)	7,900

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	7,500
DCF Val.	50%	7,900
Implied Price		7,820
Cost of equity (9M)		6.4%
9M Target Price		**8,300**

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

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

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

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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

11 bit studios	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts, Paradox Interactive
Agora	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroeer Media,
AmRest	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Panera Bread, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
Asseco Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
Atal	Archicom, Dom Development, i2 Development, JWC, LC Corp, Lokum Deweloper, Polnord, Ronson
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voox Net-a-Porter, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
CEZ, Enea, Energa, PGE, Tauron	CEZ, EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
Ciech	Akzo Nobel, BASF, Bayer, Ciner Resources, Dow Chemical, GHCL, Hongda Xindye, Huntsman, MISR Chemical, OCI, Soda Samayii, Solvay, Shandong Haihua, Qingdao, Tata Chemicals, Tangshan Sanyou Chemical, Tessenderlo Chemie, Tronox, Wacker Chemie
Comarch	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
Cyfrowy Polsat	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Talktalk Telecom, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
Dino	Carrefour, Dixy Group, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Dom Development	Archicom, Atal, LC Corp, Lokum Deweloper, Echo
Eurocash	Carrefour, Dixy Group, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Epiroc, Caterpillar, Duro Felguera, Komatsu, Sandvik
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	Carrefour, Eurocash, Magnit, Tesco, X5
JSW	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukin Asam, Henan Shenhou, Shanxi Xishan Coal & Elec, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heimao, China Coal, Shougang Fushan Resources, Cokal, Teck Resources, Walter Energy, Stanmore Coal, Terracom, Cloud Peak Energy, Natural Resource Partners, Rio Tinto, BHP Billiton, Warrior Met Coal
Kernel	Astarta, Andersnons, ADM, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland, Nisshin Oillio Group, Ovostar, Wilmar
Kęty	Alcoa, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Impexmetal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
KGHM	Anglo American, Antofagasta, BHP Billiton, Boliden, First Quantum Minerals, Freeport-McMoRan, Grupo Mexico, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
Lotos, MOL	Aker BP, Bashneft, BP, ENI, Galp, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras, Shell, Statoil, Total, Tullow Oil, Tupras, Unipetrol
LPP	CCC, Gerry Weber, H&M, Hugo Boss, IC Companys, Inditex, Kappahl, Marks & Spencer, Next, Tom Tailor
Netia	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, O2 Czech, Orange, Orange Polska, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
Orange Polska	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, Netia, O2 Czech, Orange, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
PBKM	Attendo, Capio, Centrum Medyczne Enel-Med, China Cord Blood, Cordlife Group, Cryolife Inc, Express Scripts, HCA Healthcare, Korian, LabCorp, Life Healthcare Group, Netcare, Polmed, Quest Diagnostics, Vita 34, Voxel
PGNiG	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, SSE, Statoil, Total
PKN Orlen	Braskem, Dow Chemical, Eastman, Galp, Hellenic, Huntsman, Indorama, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Unipetrol, Westlake
Play	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, Telecom Italia, TalkTalk, Tele2, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
Skarbiec Holding	Affilated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
Stelmet	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pflaiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmorin, West Fraser
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex

Recommendations Issued In the 12 Months Prior To This Publication

11 bit studios

Rating	buy
Rating date	2019-05-20
Target price (PLN)	518.00
Price on rating day	398.00

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

Ailleron

Rating	underweight
Rating date	2019-01-31
Target price (PLN)	-
Price on rating day	11.75

Alior Bank

Rating	buy	buy	buy	buy
Rating date	2019-06-03	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	77.00	87.00	92.50	96.00
Price on rating day	52.80	57.50	56.65	62.90

Alumetal

Rating	underweight	neutral	neutral	neutral
Rating date	2019-05-29	2019-04-15	2019-03-28	2018-08-23
Target price (PLN)	-	-	-	-
Price on rating day	51.00	51.00	51.00	51.00

Amica

Rating	neutral	overweight	overweight	overweight
Rating date	2019-04-29	2019-04-02	2018-09-13	2018-06-06
Target price (PLN)	-	-	-	-
Price on rating day	130.00	143.00	112.80	121.00

AmRest

Rating	buy	accumulate	buy	accumulate	hold
Rating date	2019-04-02	2019-03-05	2018-12-05	2018-11-05	2018-09-03
Target price (PLN)	48.00	46.00	46.00	41.20	42.60
Price on rating day	41.20	41.40	39.60	40.00	40.60

Apator

Rating	neutral	overweight	overweight	neutral	underweight
Rating date	2019-04-29	2019-03-05	2019-02-27	2019-01-30	2018-12-05
Target price (PLN)	-	-	-	-	-
Price on rating day	25.80	26.50	25.80	25.40	24.20

Archicom

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

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	hold	accumulate	hold	accumulate	hold
Rating date	2019-06-03	2019-03-05	2019-02-04	2018-12-05	2018-09-03	2018-06-06
Target price (PLN)	50.80	53.00	51.20	49.60	49.00	41.20
Price on rating day	51.10	54.30	48.00	48.30	45.90	44.00

Asseco SEE

Rating	overweight
Rating date	2019-04-11
Target price (PLN)	-
Price on rating day	14.20

Atal

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

Atende

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

BBI Development

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

mBank Dom Maklerski

Boryszew

Rating	neutral	neutral
Rating date	2019-04-29	2018-09-05
Target price (PLN)	-	-
Price on rating day	4.65	6.25

Budimex

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

Capital Park

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	4.60

CCC

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

CD Projekt

Rating	accumulate	accumulate	accumulate	buy	reduce
Rating date	2019-05-09	2019-04-02	2019-02-04	2018-11-23	2018-10-16
Target price (PLN)	237.50	221.00	217.70	170.40	136.60
Price on rating day	215.00	204.00	190.00	139.00	158.60

CEZ

Rating	hold	hold	hold	sell
Rating date	2019-04-02	2019-02-04	2018-11-05	2018-07-04
Target price (CZK)	565.50	537.80	518.72	440.96
Price on rating day	540.50	568.00	549.00	550.00

Ciech

Rating	buy	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-11-05	2018-08-02	2018-07-04	2018-06-06
Target price (PLN)	55.00	68.11	68.66	75.82	77.05	82.52	81.14	88.64
Price on rating day	42.65	44.85	54.80	52.40	42.58	56.95	53.05	60.20

Cognor

Rating	overweight	neutral	underweight	neutral
Rating date	2019-06-03	2019-05-09	2019-03-05	2018-12-05
Target price (PLN)	-	-	-	-
Price on rating day	1.60	1.59	1.94	1.80

Comarch

Rating	buy	buy	hold	accumulate	accumulate
Rating date	2019-04-17	2019-03-05	2019-02-04	2018-12-05	2018-10-01
Target price (PLN)	230.00	195.00	160.80	173.30	180.50
Price on rating day	181.00	162.50	155.00	160.00	167.00

Cyfrowy Polsat

Rating	reduce	hold	accumulate
Rating date	2019-05-31	2018-11-26	2018-06-15
Target price (PLN)	24.60	23.20	24.90
Price on rating day	26.00	22.50	22.76

Dino

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

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
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	3.94

Elektrobudowa

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

Elektrotim

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

Elemental

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

Enea

Rating	buy	buy	buy
Rating date	2019-04-02	2019-02-04	2018-11-29
Target price (PLN)	12.51	13.12	15.58
Price on rating day	8.76	10.73	10.50

Energa

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

Erbud

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

Ergis

Rating	neutral	overweight	overweight	underweight
Rating date	2019-05-29	2019-04-29	2019-02-27	2018-12-05
Target price (PLN)	-	-	-	-
Price on rating day	3.00	3.00	2.75	2.80

Erste Bank

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

Eurocash

Rating	reduce	reduce	sell	reduce	hold	buy
Rating date	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-12-05	2018-10-01
Target price (PLN)	18.10	18.90	18.90	17.90	18.20	26.40
Price on rating day	19.31	21.00	22.58	20.13	18.00	18.08

Famur

Rating	buy	buy	buy	buy	buy
Rating date	2019-06-03	2019-05-09	2019-02-04	2018-11-30	2018-08-02
Target price (PLN)	6.67	6.90	6.61	6.41	6.56
Price on rating day	4.85	4.82	4.98	5.58	5.20

Forte

Rating	neutral	neutral	overweight
Rating date	2019-04-29	2018-10-31	2018-07-27
Target price (PLN)	-	-	-
Price on rating day	40.60	40.60	40.60

Getin Noble Bank

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

Grupa Azoty

Rating	accumulate	buy	hold	hold	buy	hold	hold
Rating date	2019-06-03	2019-05-09	2019-03-05	2018-11-23	2018-11-05	2018-09-03	2018-08-02
Target price (PLN)	44.42	45.39	43.20	33.00	31.47	41.13	42.13
Price on rating day	39.86	35.92	43.88	32.36	24.00	38.00	42.20

GTC

Rating	suspended
Rating date	2019-03-05
Target price (PLN)	-
Price on rating day	9.03

Handlowy

Rating	accumulate	buy	buy	hold	reduce	accumulate	buy
Rating date	2019-06-03	2019-05-21	2019-05-09	2019-03-05	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	61.00	61.00	65.50	65.50	65.50	76.00	90.00
Price on rating day	53.70	52.40	52.80	65.90	69.10	71.10	76.90

Herkules

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

i2 Development

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

Impexmetal

Rating	underweight	neutral
Rating date	2019-04-25	2018-12-05
Target price (PLN)	-	-
Price on rating day	4.16	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

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Jeronimo Martins

Rating	hold	accumulate	hold	buy	buy	buy	buy
Rating date	2019-05-09	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-08-02	2018-06-06
Target price (EUR)	14.30	14.10	13.60	14.60	14.50	15.20	16.40
Price on rating day	13.89	13.15	13.40	12.38	10.60	12.65	13.52

JSW

Rating	hold	reduce	hold	reduce	reduce	sell	buy	buy	buy	buy
Rating date	2019-05-09	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
Target price (PLN)	54.80	54.80	60.68	60.68	59.14	59.14	98.00	108.69	107.00	115.23
Price on rating day	49.86	62.50	59.96	68.30	71.20	72.56	77.00	79.50	77.50	86.66

JWC

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

Kernel

Rating	buy	buy	buy	buy
Rating date	2019-06-03	2019-03-05	2018-11-05	2018-07-23
Target price (PLN)	58.63	62.86	60.85	59.18
Price on rating day	46.50	49.20	52.10	50.50

Grupa Kęty

Rating	reduce	hold	hold	reduce	sell	hold	hold	hold
Rating date	2019-06-03	2019-04-02	2019-01-18	2018-12-05	2018-10-29	2018-09-03	2018-08-02	2018-06-06
Target price (PLN)	326.37	341.33	324.30	309.30	309.30	367.45	355.61	371.08
Price on rating day	347.50	324.00	336.50	343.00	365.50	387.50	321.50	360.50

KGHM

Rating	hold	hold	hold	hold	hold	buy	buy	buy
Rating date	2019-06-03	2019-04-02	2019-02-04	2018-12-05	2018-10-15	2018-09-03	2018-08-02	2018-06-06
Target price (PLN)	91.71	105.57	92.41	84.56	87.99	104.21	111.08	112.92
Price on rating day	95.00	109.40	94.16	92.60	85.40	90.80	96.00	96.52

Komercni Banka

Rating	buy	accumulate
Rating date	2019-05-09	2018-12-05
Target price (CZK)	1000.00	1000.00
Price on rating day	873.00	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
Rating date	2018-12-05	2018-06-22
Target price (PLN)	-	3.58
Price on rating day	2.55	2.39

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	sell	hold
Rating date	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-11-15	2018-09-03	2018-08-02	2018-06-29
Target price (PLN)	65.95	65.41	65.18	65.36	59.84	57.21	52.51	52.51
Price on rating day	87.82	86.22	93.90	93.00	73.50	69.90	65.86	54.50

LPP

Rating	accumulate	hold	buy	accumulate	buy	buy	accumulate
Rating date	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-10-01	2018-06-18
Target price (PLN)	8300.00	8400.00	9300.00	9300.00	9300.00	10200.00	10200.00
Price on rating day	7,335.00	8,405.00	7,990.00	8,370.00	7,730.00	8,625.00	9,025.00

Mangata

Rating	neutral	neutral	neutral	neutral	underweight	neutral
Rating date	2019-05-29	2019-05-09	2019-04-29	2018-10-01	2018-09-13	2018-06-22
Target price (PLN)	-	-	-	-	-	-
Price on rating day	69.50	69.00	71.00	65.40	91.20	90.00

Millennium

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

MOL

Rating	hold	hold	hold	hold	hold	accumulate	accumulate	buy	accumulate
Rating date	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-11-15	2018-11-05	2018-09-03	2018-06-29
Target price (HUF)	3223.00	3223.00	3423.00	3433.00	3280.00	3280.00	3296.00	3296.00	2995.00
Price on rating day	3,276.00	3,278.00	3,250.00	3,284.00	3,206.00	3,088.00	3,006.00	2,870.00	2,654.00

Monnari

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

Netia

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

Orange Polska

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

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	suspended	hold	accumulate	buy	hold
Rating date	2019-05-09	2019-03-05	2018-12-05	2018-10-01	2018-06-06
Target price (PLN)	-	66.57	66.57	66.40	76.26
Price on rating day	66.00	68.80	62.00	57.80	73.00

Prime Car Management

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

Pekao

Rating	buy	buy	buy	buy
Rating date	2019-05-30	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	121.00	131.80	136.29	138.70
Price on rating day	103.75	110.60	113.25	107.20

Pfleiderer Group

Rating	neutral	neutral	neutral	underweight	neutral	overweight
Rating date	2019-05-29	2019-04-16	2019-02-27	2019-01-30	2018-09-28	2018-08-08
Target price (PLN)	-	-	-	-	-	-
Price on rating day	20.40	25.50	28.40	32.60	36.45	37.30

PGE

Rating	buy	buy	buy	buy	buy	buy
Rating date	2019-06-03	2019-05-09	2019-04-02	2019-03-26	2019-02-04	2018-11-29
Target price (PLN)	13.39	13.38	13.66	13.77	14.47	14.82
Price on rating day	9.23	8.61	10.10	9.88	11.86	11.47

PGNiG

Rating	buy	accumulate	hold	hold	buy	buy	buy
Rating date	2019-05-28	2019-04-02	2019-03-05	2019-02-04	2018-11-05	2018-09-03	2018-06-29
Target price (PLN)	6.47	6.92	7.08	7.72	7.72	7.86	8.28
Price on rating day	5.58	6.31	6.58	7.63	6.35	5.82	5.53

PKN Orlen

Rating	sell	sell	sell	sell	sell	reduce	sell	sell	reduce
Rating date	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-11-15	2018-11-05	2018-09-03	2018-08-02	2018-06-29
Target price (PLN)	80.01	79.39	81.22	83.43	81.52	81.38	81.38	76.84	76.84
Price on rating day	96.78	99.94	101.50	104.70	97.80	93.50	98.24	93.06	82.50

PKO BP

Rating	accumulate	hold	accumulate	buy	accumulate
Rating date	2019-05-09	2019-02-01	2018-12-05	2018-11-05	2018-10-04
Target price (PLN)	40.92	40.92	45.00	47.00	47.00
Price on rating day	37.78	39.51	41.96	40.39	42.55

Play

Rating	buy	accumulate	accumulate	hold	buy	buy	hold	reduce
Rating date	2019-05-31	2019-05-09	2019-04-12	2019-02-04	2018-11-26	2018-10-17	2018-08-30	2018-07-03
Target price (PLN)	29.00	25.25	26.70	21.30	21.30	21.50	22.60	23.50
Price on rating day	25.08	24.42	24.08	22.80	16.54	17.14	21.90	24.88

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
Rating date	2018-09-14
Target price (PLN)	-
Price on rating day	7.70

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Pozbud

Rating	overweight	overweight
Rating date	2019-04-29	2018-09-04
Target price (PLN)	-	-
Price on rating day	2.37	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
Rating date	2018-12-05	2018-06-22
Target price (PLN)	-	-
Price on rating day	0.84	1.09

Santander Bank Polska

Rating	hold	hold	accumulate	buy	accumulate	accumulate
Rating date	2019-06-03	2019-02-01	2018-12-05	2018-11-05	2018-10-04	2018-09-03
Target price (PLN)	377.27	388.00	400.00	400.00	400.00	430.00
Price on rating day	365.20	373.80	364.80	353.80	367.00	376.00

Skarbiec Holding

Rating	buy	buy	buy	buy
Rating date	2019-06-03	2018-12-05	2018-11-05	2018-08-31
Target price (PLN)	28.17	31.36	31.02	36.86
Price on rating day	16.50	23.50	21.70	25.30

Stelmet

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

Tarczyński

Rating	neutral	underweight	underweight
Rating date	2019-05-29	2019-04-29	2018-12-05
Target price (PLN)	-	-	-
Price on rating day	15.40	15.60	17.50

Tauron

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

TIM

Rating	overweight	overweight
Rating date	2019-04-29	2018-12-05
Target price (PLN)	-	-
Price on rating day	7.90	7.48

Torpol

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

Trakcja

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

TXM

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

Ulma

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

Unibep

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	4.81

VRG

Rating	overweight	overweight	overweight	overweight
Rating date	2019-05-29	2019-03-28	2018-12-05	2018-11-08
Target price (PLN)	-	-	-	-
Price on rating day	3.90	4.29	3.83	4.06

Wasko

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

Wirtualna Polska

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

ZUE

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

Dom Maklerski mBanku
Senatorska 18
00-082 Warszawa
http://www.mbank.pl/

Research Department

Kamil Kliszcz
director
+48 22 438 24 02
kamil.kliszcz@mbank.pl
energy, power generation

Michał Marczak
+48 22 438 24 01
michal.marczak@mbank.pl
strategy

Michał Konarski
+48 22 438 24 05
michal.konarski@mbank.pl
banks, financials

Jakub Szkopek
+48 22 438 24 03
jakub.szkopek@mbank.pl
industrials, chemicals, metals

Paweł Szpigiel
+48 22 438 24 06
pawel.szpigiel@mbank.pl
media, IT, telco

Piotr Bogusz
+48 22 438 24 08
piotr.bogusz@mbank.pl
retail

Aleksandra Szklarczyk
+48 22 438 24 04
aleksandra.szklarczyk@mbank.pl
construction, real-estate development

Piotr Poniatowski
+48 22 438 24 09
piotr.poniatowski@mbank.pl
industrials

Mikołaj Lemańczyk
+48 22 438 24 07
mikolaj.lemanczyk@mbank.pl
financials

Sales and Trading

Traders

Piotr Gawron
director
+48 22 697 48 95
piotr.gawron@mbank.pl

Krzysztof Bodek
+48 22 697 48 89
krzysztof.bodek@mbank.pl

Tomasz Jakubiec
+48 22 697 47 31
tomasz.jakubiec@mbank.pl

Jędrzej Łukomski
+48 22 697 49 85
jedrzej.lukomski@mbank.pl

Adam Prokop
+48 22 697 47 90
adam.prokop@mbank.pl

Andrzej Sychowski
+48 22 697 48 46
andrzej.sychowski@mbank.pl

Tomasz Galanciak
+48 22 697 49 68
tomasz.galanciak@mbank.pl

Magdalena Bernacik
+48 22 697 47 35
magdalena.bernacik@mbank.pl

Sales, Foreign Markets

Marzena Łempicka-Wilim
deputy director
+48 22 697 48 82
marzena.lempicka@mbank.pl

Bartosz Orzechowski
+48 22 697 48 47
bartosz.orzechowski@mbank.pl

Private Client Sales

Kamil Szymański
director
+48 22 697 47 06
kamil.szymanski@mbank.pl

Jarosław Banasiak
deputy director
+48 22 697 48 70
jaroslaw.banasiak@mbank.pl