

Friday, August 02, 2019 | periodical publication

Monthly Market Outlook: August 2019

Equity Market, Macroeconomics

Equity Market

Any further escalation in US-China trade tensions is bound to further aggravate the situation in global manufacturing, creating negative spillover impacts on services and jobs, enjoying positive momentum at the moment. As traders move funds away from high-risk assets, global equity markets look set for a pullback.

Sector Outlook

Financials

The single biggest factor shaping sentiment for Polish banks at the moment is anticipation over the ECJ ruling on FX mortgage loans. The WIG-Banks index has dipped 8% below its average for the last 5 years, which means any Q2 earnings beats in the mean time will most likely be ignored, while any negative surprises will be penalized with an overreaction. Against this backdrop, CEE banks outside of Poland might be viewed as safe havens and compelling buy opportunities during what is expected to be a strong earnings season. We keep Erste Bank as our top CEE banking pick.

Chemicals

Grupa Azoty has a strong earnings outlook ahead, supported by low prices of natural gas feedstock, but the growth seems to be already priced in. On the other end of the spectrum, rival Ciech remains bearish in the face of falling profits and looming consensus downgrades.

Oil & Gas

Refining margins remain high, with an extra push provided by the threat of a repeat of last year's disruptions in Rhine fuel supplies. Thus the strong momentum registered in Q2 has continued into the third quarter. To reflect this, we have raised our earnings forecasts and target prices for rated refiners, with MOL ranked as the top pick at the current levels.

Power Utilities

With most of the earlier share price gains now erased, utilities make a compelling investment case again now that the uncertainty as to power price compensation has been mostly eliminated, and prices of carbon allowances are set to go down. We like Energa as our top sector pick.

Telecoms, Media, IT

OPL has regained upside potential after a downward correction in July, and we upgrade the telecom to accumulate ahead of a strong second half of 2019. We are also more bullish this month on PLY as we expect analysts to upgrade FY consensus after a strong second quarter. In IT, we like ASE and CMR the most. In Media, AGO shares face downward pressure due to a weak second quarter.

Industrials & Mining

Sentiment for industrial stocks is poised to sour after the 2019 Q2 reporting season. The proportion of companies reporting year-over-year profit declines at an estimated 56% is set to be the highest since we began tracking these statistics. When it comes to earnings surprises, we expect Famur and Pozbud to exceed expectations by a wide margin, while Alumetal, and Boryszew will most likely disappoint. The two rated Polish miners, JSW coal and KGH copper, experienced y/y contraction in Q2.

Residential Developers

We remain selective on the housing sector. DOM and 1AT completed fewer homes in Q2 than in the same year-ago period, implying lower profits, nevertheless at DOM the H1 bottom-line figure will account for 47% of the FY forecast, and in case of 1AT peak closings are scheduled for Q4. 1AT is our top pick for August based on its current housing inventory.

Retail

Good Q2 results and solid prospects for the second half of the year should boost performance for EAT, LPP, and VRG in August. On the other hand, we expect a weak showing from CCC, at EUR there will be a contraction due to restructuring expenses, and at DNP increased prices of pork might curb year-over-year growth.

Key Ratings

Positive: 11B, 1AT, CDR, CEZ, EAT, EBS, ENA, ENG, FMF, JSW, KER, LPP, MOL, OPL, PEO, PGE, PGN, PLY, POZ, TIM, TPE, VRG

Negative: AML, BRS, CPS, DNP, IPX, LTS, PFL

EU Indices	Value	1M chng	YTD chng
WIG	58,864	-2.4%	+2%
ATX	2,961	-1.2%	+11%
BUX	40,474	-0.4%	+3%
PX	1,047	+0.7%	+10%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,241	-2.3%	+1%
mWIG40	3,911	-4.1%	+2%
sWIG80	11,936	+1.3%	+16%
Banking	7,260	-8.4%	-3%
Basic Materials	3,125	-12.8%	-9%
Chemicals	10,432	-2.5%	+12%
Clothes	5,566	-4.4%	-8%
Construction	2,016	-3.6%	+5%
Energy	2,056	-7.8%	-15%
Food	3,313	-0.8%	-2%
Gaming	15,810	+3.8%	+59%
IT	2,444	+0.8%	+23%
Media	5,210	-0.1%	+15%
Oil & Gas	7,428	+10.3%	-7%
Real estate	2,308	+3.5%	+21%
Telecom	873	-1.3%	+41%
Top 5 / Worst 5		1M	YTD
Mostostal Plock	7.08	+58.7%	+137%
Mostostal W-wa	4.49	+46.7%	+116%
Bioton	5.74	+41.4%	+13%
Pfleiderer Group	27.70	+39.2%	-15%
Medicalgo	34.40	+20.3%	+30%
Getin Noble Bank	0.46	-18.0%	+23%
mBank	349.00	-18.1%	-18%
JSW	37.20	-18.8%	-45%
Millennium	7.51	-20.5%	-15%
PKP Cargo	32.90	-20.8%	-22%

Rating & 9M TP Changes as of 2 Aug.

Name	Rating	9M TP
Dino	sell ▼	112.70 PLN ►
Eurocash	hold ▲	18.10 PLN ►
Famur	buy ►	6.71 PLN ▼
Grupa Azoty	hold ▼	45.93 PLN ►
ING BSK	hold ▲	191.80 PLN ►
Komercni Banka	accumulate ▼	1000.00 CZK ►
Lotos	sell ►	72.31 PLN ▲
Millennium	buy ▲	10.00 PLN ►
MOL	accumulate ▲	3258.00 HUF ▲
Orange Polska	accumulate ▲	7.50 PLN ►
OTP Bank	hold ▼	13046 HUF ►
Pekao	buy ▲	119.75 PLN ▼
PGNiG	accumulate ▼	6.33 PLN ▼
PKO BP	buy ▲	47.17 PLN ►
Play	accumulate ▲	34.20 PLN ▲
Santander BP	hold ▲	337.00 PLN ►

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Investing Outlook

Last month, investors were no longer predominantly concerned with the trade wars, Brexit, or the situation on the Arabian Peninsula. In the absence of groundbreaking developments in those themes, economic conditions and results of U.S. companies came back to the fore. The global economy is slowing, but the slowdown is driven mainly by manufacturing; otherwise, momentum is held up by services and consumer spending (in the euro area, the gap between manufacturing and services prints is the largest since 2009). Can the manufacturing contraction infect the entire economy? Can central banks revive the economy? Increasingly, the answers are emerging as "yes" and "no," respectively. As we write this, US President Trump has just announced new tariffs on Chinese imports (10% on another \$300bn-worth of goods), causing heightened business uncertainty set to further curb new factory orders. As for monetary policy, central banks have little influence over the root causes of the slowdown, and their role boils down to mitigating the impacts on the economy and stock markets, in which they are effective up to a point. The chances that the US and China will reach a deal are slim since both economies are doing relatively well. As traders move funds away from high-risk assets, global equity markets look set for a pullback in the coming months, potentially as big as 10%.

Global economy still in slow-down, U.S.-China negotiations unresolved

The U.S. GDP growth is slowing down but the 2Q reading (+21%, +3.1% in 1Q, SAAR, QoQ) is still what the eurozone can only dream of. Private consumption remains the key growth driver (+2.85 points in GDP growth), followed by government investments (+0.9 points). The other components of GDP made a negative contribution to growth (in particular inventories at -0.9 points). Investments are still underperforming, in particular housing investments. In the context of interest rate cuts, the Fed has also pointed out the weak investments. U.S. consumers remain strong (Conference Board increased further to 135 points) as long as the job market and employers are strong. According to ISM readings, the U.S. industry is slowing down (51.2 vs. 51.7 points in June) but it is not yet in recession. Services remain relatively strong as usual (PMI: 52.2). Combined with hopes of Fed decisions, the economic landscape, in particular the job market, leads investors to believe that this is only a slow-down and the uptrend will continue.

The picture in the eurozone is less rosy as PMIs disappointed once again in July (aggregate PMI at 51.5 vs. 52.2) and clouds start to gather in the job market. The question is whether the recession in the European industry (PMI: vs. 47.6 in June, Germany: 43.1) will hit the job market even more strongly, eventually affecting services (PMI: 53.6; services are why Europe is not yet in recession). The key issue in industry is a drop in export orders, especially in Germany and in the automotive industry. The sector is still at risk of increased U.S. tariffs and weak demand from China. ECB rate cuts are unlikely to change this.

After months of lull in the US-China trade talks, on August 1, 2019, Donald Trump announced he would impose a fresh 10% tariff on another \$300bn of Chinese goods, adding later that the tariffs could be lifted further in the future to more than 25%. It seems that President Trump wants to bring the matter of China trade to terms before next year's election. According to official statements over the last few weeks, the two countries were negotiating trade in food products and energy; yet, the communiqués remain silent about the most divisive issues (technology transfers, market access, direct investments). The parties are unlikely to make a deal without reaching a compromise on those matters. The new tariffs threatened by President Trump are probably designed to make China relent on the key issues. The more likely scenario is that China will retaliate instead with its own tariffs on US goods. A lack of progress in the negotiations will fuel business uncertainty, leading to a further slow-down (or lack of recovery) in the global economy.

Europe is the biggest loser here because it does not have the tools to stimulate the economy given its high exports and limited room for further growth in demand. The United States, where manufacturing has a relatively low share in GDP, can keep momentum in services going through monetary and fiscal stimulation. In China, the potential to stimulate domestic consumer demand to replace exports is still substantial. In short, both parties are doing pretty well considering how long the trade war has gone on, which means they both have plenty of potential to further escalate the tensions.

Polish economy is doing well yet corporate profits are not rising

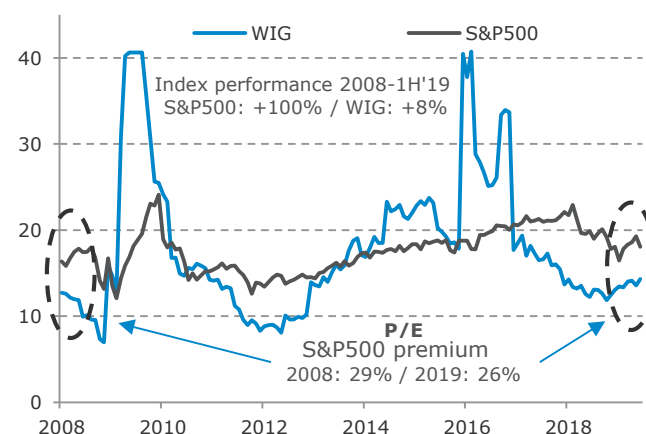
The momentum in the Polish economy is also getting weaker although the slow-down is relatively less acute than in the eurozone: Poland's GDP still performs well and exceeds 4%. However, positive expectations from earlier this year (GDP close to 5%) are now history. With disappointing industrial output and retail sales figures from late 2Q, our macroeconomists put the annual GDP figure close to 4.4%, which will certainly affect corporate results.

The standing of companies is not improving despite the positive macroeconomic readings. According to the Central Statistical Office (GUS), industry in 1Q'19 reported the lowest gross margin on sales since 2013 (since 2004, the margin was lower only in the crisis year 2009). In 1Q, with 6.7% YoY increase in revenue, companies' net profit went down 4.5% YoY (+0.5%) but the losses of unprofitable companies grew 14.8% (to PLN 10.9bn). The slow-down in industry stepped up in late 2Q'19, which probably means that conditions deteriorated from month to month (2Q data are not yet available).

Where to find capital for WSE?

Stagnating corporate profits (especially blue chips' profits) remain a key concern on the stock exchange, which is not actively attracting managed foreign capital to invest in Polish equities (with few exceptions). In view of the macroeconomic scenario, we do not expect profits to boost the stock market in the coming months. In the long term, the EPS problem of WSE-listed companies is clear when you look at P/E of WIG and S&P500 in the context of the performance of those indices. The stock exchange is and will be sensitive to capital flows invested in ETFs (the direction is set by global risk appetite, including the perception of EM).

P/E of WIG and S&P500 in the long term v. index performance



The position of local funds has not changed. TFIs are still registering withdrawals from equity and absolute return portfolios. In June the outflows came up to a total of PLN 200m, making for aggregate PLN 1.9bn in funds pulled so far this year (after PLN 7.8bn withdrawn in 2018). According to our initial estimates early this year, this year's outflows from those funds were expected to be close to nil. In the absence of new capital in pension funds, Employee Capital Plans (PPK) are the only hope. We expect that our earlier estimates of PPK investments allocated to equities may prove too conservative. Our forecast was ca. PLN 5.1bn in 2021 with a 33% share of equities in the portfolio. It now seems more likely that the allocation to equities will be 45-50%, i.e., ca. PLN 7bn annually. We still believe that this will bring a major change to capital flows on GPW, but the genuine market impact will not emerge until next year.

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Sector Strategies

Financials

- Polish bank stocks are trading under pressure from the looming EU Court of Justice ruling on FX mortgage loans, compounded by cases lost in Polish courts, widely reported in the media. The heightened uncertainty will not end until the ECJ ruling comes in some time in September, though keep in mind that the verdict pertains to one specific case and will not necessarily be binding on all of the many FX loan contracts being questioned by individual borrowers.
- The stocks we like the most in the Polish banking sector are Handlowy, Pekao (which has no exposure to CHF mortgage loans), and PKO BP (whose strong capital position will help to handle the FX loan issue). On the other hand, if the ECJ rules in favor of banks, the biggest beneficiary of this will be Millennium. Elsewhere in our CEE universe, our top pick is Erste Bank, which might prompt analysts to upgrade FY2019 forecasts after a strong second quarter.
- As the Q2 2019 reporting season kicks off, our prediction for net interest margins is that, while higher, they will not have expanded enough to offset the contraction observed in the quarter before. We anticipate stronger NIM recovery in Q3 and Q4 as Polish banks embark on a savings rate-cutting exercise, spearheaded by ING BSK and PKO BP, with SPL following suit by ending promotional savings yields for customers taken over from Deutsche Bank. Of Q2 reports already issued, we are concerned by the high cost of risk in retail recognized by SPL, and at Millennium we were positively surprised by an all-out earnings beat, owed to a generally stronger business coupled with lower-than-expected charge-offs.
- To the disappointment of some, the ECB did not cut interest rates in July. Chief Draghi said in his statement that monetary stimulation in the euro area was necessary and that the ECB was considering taking additional measures if the inflation outlook continues to fall short of its aim. Aside from interest rate cuts, the bank is considering resuming quantitative easing. Interestingly, Mr. Draghi added that any rate cuts would have to be accompanied by measures to mitigate their impact on banks, one such measure possibly considered being the tiering of ECB deposit rates.
- **Key Ratings:** PKO (buy), PEO (buy), EBS (buy), KRU (buy)

Chemicals

- Polish chemical stocks should enjoy outperformance in the coming quarters thanks to solid earnings momentum.
- Of rated stocks, Grupa Azoty eyes strong profits in Q2 and Q3 owing to low costs of natural gas and higher prices of nitrogen fertilizers for delivery in Q3. Analysts keep raising their 2019 earnings expectations for ATT, and we anticipate that the average EBITDA estimate will eventually be raised to PLN 1.5bn from PLN 1.38bn today. With the high expectations already priced in, we downgrade ATT from accumulate to hold.
- On the other hand, Ciech remains a disappointment to investors, with no improvement in sight as prices of soda ash in Asia fall. Ciech's soda business did not manage a recovery in the first half of 2019, and in H2 the Romania unit Govora faces curbed production. On top of all this the Company might have to repay back taxes over PLN 60m under a recent decision by its local tax authority.

Oil & Gas

- The price of Brent crude has retreated to \$62 a barrel after spiking to \$67 led by global growth fears and a momentary de-escalation of tensions in the Middle East. Speculative positions in WTI and Brent increased throughout July, although confidence seems to have dipped toward the end of the month. We have lowered our 2019-2020 Brent price forecasts by \$5 to \$65 and \$70, respectively, per barrel.
- When it comes to gas, prices in the EU spot market are down again at ca. EUR 10/MWh due to overstock and constantly-increasing LNG supply, combined with reduced

orders from China, where imports keep decreasing in the face of full storage facilities. The prices set for next year's deliveries, however, paint a more optimistic picture, reflecting expectations of a rebound to EUR 19/MWh during the heating season. This is consistent with our assumptions, which use the gas-coal parity and factor in high prices of emission allowances which drive EU power generators to switch fuels (as evidenced by a 19% YTD drop in the coal-fired power output).

- Downstream is enjoying high refining margins coupled with widening cracking spreads on diesel due to the threat of curbed supply along the Rhine. To reflect this, we have raised our benchmark margin forecast by \$1+, more than enough to offset a narrowed Urals/Brent spread.
- Margins on retail fuel sales also remain high.
- On the other hand, margins on petrochemicals are seen to be tightening in line with an increasing oversupply (mainly polyethylene), underpinned by gas-naphtha arbitrage.
- Our updated market outlook has lifted the valuations of rated downstream companies, while reflecting negatively on upstream. Accordingly, we now have a neutral stance on PKN Orlen after an upgrade, and we lift MOL to accumulate. At the same time, we lower our stance on PGNiG from buy to a still-positive accumulate.
- **Key Ratings:** LTS (sell), MOL (accumulate), PGN (accumulate)

Power Utilities

- German power prices have climbed back above EUR 50/MWh on the heels of a rebound in the prices of EUAs (EUR 28/t) and coal, currently trading at surprisingly high levels relative to a steep downward trend in gas. This despite decreasing coal-based power generation in the EU, down 19% ytd, as generators increasingly switch to gas and renewables in pursuit of lower emissions. Widely ignored so far, eventually the shift away from coal can be expected to start putting downward pressure on EUA prices.
- In Poland, power for delivery in 2020 is trading around PLN 283/MWh and the market is slowly starting to price the higher EUA costs (the model clean-dark spread for vertically-integrated power plants has rebounded since June). At the moment, trading activity on the POLPX exchange remains subdued after a period of uncertainty as to how government would resolve the issue of frozen power prices. Trading volumes in 1Y FWD contracts were down 7% y/y (-1.4 TWh) in June and July, meanwhile they should have tripled since the enactment in January of the rule that utilities have to sell 100% of their production through the power exchange.
- On the spot market, the average price for July did not change much from June at ca. PLN 240/MWh, reflecting lower costs of gas feedstock and imports.
- The Energy Ministry finally confirmed plans in July to compensate utilities for this year's price freeze, and though specifics as to how the compensations will be calculated are still forthcoming it looks like companies can expect to be paid back for lost profit as soon as in the third quarter.
- Poland's Environment Ministry has revealed plans to set up a refurbishment fund for domestic power infrastructure, with the money coming from sales of 275 million emission allowances, of which the proceeds from 57 million to be given directly to the companies. In addition, sales of an extra unused 30 million EUAs through 2020 will also go toward the overhaul budget. Rough estimates indicate a total of EUR 8+ billion in upgrades funding over the next decade, an amount which exceeds the current market cap of Polish utilities. This on top of grants coming under the EU Modernization Fund.
- With most of the earlier share price gains now erased, utilities make a compelling investment case again now that uncertainty as to price freeze compensations has been minimized, and as prices of emission allowances are expected to go down.
- **Key Ratings:** CEZ (accumulate), ENA (buy), ENG (buy), PGE (buy), TPE (buy)

Telecoms, Media, IT

- Polish telecoms are raising prices of mobile plans, with price hike announcements, first by Play and Orange Polska, followed by Cyfrowy, set to raise rates this autumn. There is no doubt that higher sales prices will make for higher earnings over the long term, however keep in mind that it will take several quarters before they start contributing to telecom profits. We are currently positive on OPL and PLY, and we remain bearish on CPS.
- The Office of Electronic Communications (UKE) published decisions regulating access to the building infrastructure owned by six providers: Netia, UPC, Multimedia, Vectra, Toya and Inea. The regulator wants cable providers to make their networks available to competitors in blocks, meaning that these entities could provide their services based on the infrastructure of those cable providers. For customers, this can mean making it easy to change the provider – without the need to replace cables. In addition, customers living in new buildings built after 2012 will be able to choose each service from a different provider. It is worth pointing out though that regulatory decisions are not immediately enforceable, meaning they will enter into force when infrastructure owners are ready for it.
- A long-term financial plan has been published on the Ministry of Finance website. The Ministry expects revenues from selling 3.7 GHz (200 MHz from this range), 26 GHz and 800 MHz frequencies at PLN 3.5–5 billion in 2020. If we deduct ca. 1.5 billion per each 800 MHz and 26 GHz block combined, the implied revenues from 3.7 GHz stand at ca. PLN 0.5–0.9 billion per provider. These figures correspond to current and previous auctions in Europe. Currently, our assumption is PLN 590 million per provider. We also wish to point out that no plans to offer the 700 MHz band can be seen as a positive sign.
- Marcin Cichy, President of the Office of Electronic Communications (UKE), has announced that the 3.7 GHz band will be distributed in blocks of 50 MHz per provider, so that all four infrastructure providers get to participate in the tendering procedure and launch 5G services at the same time. The distribution is to be in the form of a tendering procedure. This spells good news to all Polish MVNOs (a less predictable auction being the alternative).
- In March Zenith media agency increased the growth forecast for the Polish advertising market in 2019 to 5.3% from 4.2%. According to the agency, “Kaczynski’s five” programme as announced by the government will promote high consumption, which has an impact on the advertising market. According to Zenith’s estimates, due to the lower-than-planned GDP growth and a high base last year (up by 6.8%), the TV advertising market growth in 2019 will be lower than in 2018, and will amount to 3.1%. This will be the first year where television’s share of the advertising market is to fall below the 50% threshold. Online advertising expenditure will increase by 12.1% this year. This will be due mostly to the increase in prices of advertisements purchased as part of programmatic model, caused by Google’s announced shift to first price auction by the end of 2019.
- The WIG-Info index has gained 5.8% since the beginning of June, when we upgraded our view on the IT sector from neutral to overweight. This means IT stocks outperformed the local broad market benchmark by 8.1%, as well as running slightly ahead of their MSCI IT EU counterparts. At 13.0x, the median 12M fwd P/E ratio for Polish IT stocks is currently 14.4% below its 3-year average.
- With the 2019 Q2 reporting season fast approaching, we expect to see EBITDA growth of approximately 10.9% from rated companies, owed partly to the adoption of IFRS16. Four of the six companies we cover are set to deliver year-over-year improvement. At the same time the two largest firms, Asseco Poland and Comarch, will probably report contraction in profits (affecting the standalone bottom line in case of ACP and the EBITDA and net profit lines in case of CMR). After a period of healthy share price gains, the lackluster quarterly earnings will curb upside potential, hence our current neutral stance on the IT sectors.
- **Key Rating:** 11B (buy), ASE (overweight), CDR (accumulate), CMR (buy), CPS (reduce), OPL (accumulate), PLY (accumulate)

Industrials

- Sentiment for industrial stocks is poised to sour after the 2019 Q2 reporting season. The proportion of companies reporting year-over-year profit declines at an estimated 56% is set to be the highest since we began tracking these statistics. This means that the ratio of firms delivering growth will be the lowest since Q2 2017 at just 31%. The companies to watch for positive surprises are Famur and Pozbud, while Alumetal and Boryszew will probably fall short.
- Given low earnings, and looking at disappointing PMI prints in the EU, combined with a surprise fall in Poland’s industrial production in June, we recently downgraded the manufacturing sector from neutral to underweight.
- Among the more liquid stocks, we have the most faith in FMF, set to report solid growth in the profits for Q2 and Q3’19, and in KER, which improved earnings significantly in fiscal 2018/2019, and which is currently benefitting from rising corn prices in the US. Among smaller caps, we see strong earnings momentum at POZ and TIM.
- Other stocks to avoid are AML, experiencing accelerating deterioration in profits, BRS (underweight), on the verge of violating loan covenants, Impexmetal, generating low FCF and experiencing tighter earnings in 2019 due to higher costs, and PFL, which operates under pressure from falling chipboard prices and weak business confidence in the German furniture industry.
- Astarta may prove a worthwhile choice given the prospects for the coming quarters, boosted by a record-low sugarbeet acreage in Ukraine which should result in a rebound in sugar prices in the 2019-2020 season. Finally, Stalprodukt looks to us grossly undervalued at the current level.
- **Key Ratings:** AML (underweight), BRS (underweight), FMF (buy), IPX (underweight), KER (buy), PFL (underweight), POZ (overweight), TIM (overweight)

Mining

- Prices of precious metals rebounded in July on prospects of monetary easing in Europe and the US. On the other hand, copper prices are depressed by the US-China trade war, with short speculative positions at their highest level in three years. These positions would probably be unwound on any positive developments in the US-China talks, but unfortunately China seems to be holding off any decisions until after next year’s presidential elections in the US.
- KGH stock in July rebounded in line with precious metals, most notably silver, but in the weeks ahead the market’s focus will probably shift to Q2 earnings, which are not likely to show any improvement in our view given low prices of gold and silver, down 5% and 4% on the year.
- European steel producers had a challenging first half of 2019, but June brought hope for a turnaround after a statement by Arcelor that it expected the situation in the EU steel market to recover, and a decision not to close its Krakow steel plant. In China, the government has allowed regional authorities to decide whether they want to close steel plants to curb pollution during the winter season, and it reduced restrictions on low-emission plants.
- Coking coal prices in Asia and seaborne markets remained under pressure in July. Coking coal in Australian markets is trading just upwards of \$170/t compared to China where it is holding above \$200/t. China has accumulated a worryingly high coke stockpile, and coking premiums are on a decline. A shift in coking coal prices is possible if prices of iron ore fall, and depending on the amount of steel capacity taken off line in China this winter.
- Most risk factors faced by JSW are priced in at this point, and on the upside the Company’s Management Board has decided not to change the business strategy (most of the old Board have stayed in office after the CEO firing). Moreover JSW has set the annual employee bonus lower than expected at PLN 165m, and it is poised to increase production in the quarters ahead. Supported by an improving situation in steel, prices of coking coal should increase in H2 2019. Based on this we expect better performance from JSW in the month ahead.
- **Key Ratings:** JSW (accumulate)

Property Developers

- According to REAS, growth in residential sales in the six largest cities in Poland slowed to an annual rate of 3% in Q2 2019 y/y (-8% q/q), with listed developers reporting aggregate growth of about 4%. The housing inventory was 12% higher in Q2 than in the same year-ago period, which means the curbed sales were mostly a consequence of rising prices, although in Krakow and Warsaw buyers are faced with an undersupply of new homes. The sales/inventory ratio is relatively good at (31%).
- Housing prices in Poland are firmly on the rise. In Q2 2019 the average sales price was up 8.2% y/y (REAS), and the average list price was 9.7% higher, indicating potential for more growth in subsequent quarters.
- REAS expects a total of 60.4k flats to be sold in Poland this year (-7%), a forecast consistent with ours which assumes 5-7% contraction.
- Residential developers listed on the WSE and Catalyst closed 9% fewer flats in Q2 2019 than in the same period in 2018, but total H1 closings were up 9% on the year. The quarterly closing numbers varied greatly from company to company, with LKD, ARH, and JWC, reporting over-100% growth while DOM, ECH, and 1AT posted falls of >40%. ARH is poised for particularly strong earnings momentum, supported by valuation gains on commercial properties. Fewer closings indicate slower growth in profits at DOM, 1AT, and LCC, fully accounted for in our FY forecasts (with the YTD/2019E net profit fulfillment ratio at 47% for DOM & 35% 1AT).
- **Key Ratings:** 1AT (accumulate), DOM (hold)

Retail

- An amendment to the original retail tax bill requires companies to file tax returns from September 2019. The ruling by the EU Court of Justice to dismiss a decision by the European Commission that the planned new tax on big-box retailers was in breach of EU state aid rules has been appealed by the Commission, but if dismissed again retailers will have three months to pay the new tax. We assume most retailers will want to pass the burden onto end consumers early, before it actually enters into force. The levy might have a larger negative impact on grocery retailers (EUR, DNP, JMT) with their lower sales margins.
- Pork prices increased 25% in Q2 2019 vs. Q2 2018, hurting the profits of the meat processing unit of **Dino** and hence potentially the profits of the whole group. A dent in earnings would dampen the confidence of DNP investors in light of the company's record-high market capitalization.
- **AmRest** experienced an acceleration in lfl growth in Q2 2019, and this should result in a robust rebound in EBITDA at a projected annual rate of 28%. In Q3, profits will continue on their fast-paced momentum, supported by base effects and acquisitions. AmRest is our top retail pick.
- **CCC** share price reflects low Q2 2019 earnings expectations, with the net debt/EBITDA ratio probably landing above 3x at the end of June. In future quarters, CCC faces curbed growth due to high costs driven among others by the consolidation of Gino Rossi and DeeZee, and the costs of sponsoring a cycling team. Nevertheless we expect improvement in H2 2019 thanks to a higher share of in-house collections in the 2020 autumn/winter sales mix, coupled with positive base effects
- **VRG** increased sales by 39% in Q2 2019 judging by monthly sales reports. At the same time, the Company experienced a 1.6pp y/y rebound to 53.7% in the quarterly sales margin, achieved despite higher costs in dollars of summer collections and thanks to a successful new pricing policy coupled with lower sales of low-margin watches in June. In H2 2019, margin improvement will be additionally supported by sourcing synergies and favorable USDPLN shifts.
- **Key Ratings:** EAT (buy), DNP (sell), LPP (accumulate), VRG (buy)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat /Miss	2016				2017				2018				2019		+ / =
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	1Q	2Q	
miss	12	19	14	11	19	18	10	13	15	25	13	1	170		
in-line	26	19	25	25	29	23	36	19	25	22	27	2	278		
beat	22	23	21	26	16	24	21	35	27	20	27	7	269		
Σ companies	60	61	60	62	64	65	67	67	67	67	67	10	717		
miss	20%	31%	23%	18%	30%	28%	15%	19%	22%	37%	19%	10%	24%		
beat	37%	38%	35%	42%	25%	37%	31%	52%	40%	30%	40%	70%	38%		

YoY	2016		2017				2018				2019		+ / =
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	
miss	25	21	23	23	19	23	27	18	20	23	23	33	278
in-line	5	6	5	9	14	2	9	11	12	8	10	6	97
beat	35	38	38	35	34	42	31	38	35	36	34	27	423
Σ companies	65	65	66	67	67	67	67	67	67	67	67	66	798
miss	38%	32%	35%	34%	28%	34%	40%	27%	30%	34%	34%	50%	35%
beat	54%	58%	58%	52%	51%	63%	46%	57%	52%	54%	51%	41%	53%

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

Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku



mBank Sentiment Watch (next 30 days, by sector)

Sector		Poland	US	Germany
Banks	SENTIMENT	BEARISH	NEUTRAL	
	Stocks To Own	PEO, PZU	BAC US, JPM US, KEY US	
	Stocks To Avoid	MIL, SPL, GNB	ALV GY	
	Key Catalysts	Uncertainty over ECJ ruling on FX loans	Hawkish adjustment needed	Rate cut protections planned by ECB
Chemicals	SENTIMENT	POSITIVE	NEUTRAL	
	Stocks To Own	ATT	1COV GY, EVK GY, LXS GY	
	Stocks To Avoid	CIE	FPE GY	
	Key Catalysts	Earnings improvement		
Property Developers	SENTIMENT	NEUTRAL	NEUTRAL	
	Stocks To Own	1AT		
	Stocks To Avoid			
	Key Catalysts	Economic slowdown vs. favorably low interest rates		
Power Utilities	SENTIMENT	POSITIVE	NEUTRAL	POSITIVE
	Stocks To Own	CEZ, ENA, ENG, PGE, TPE	NRG US	RWE GY
	Stocks To Avoid			UN01 GY
	Key Catalysts	Upcoming price-freeze compensations, expected profit rebound in H2.		Value rotation
Retail, Consumer	SENTIMENT	Neutral	POSITIVE	NEUTRAL
	Stocks To Own	LPP, VRG	TJX US, WEN US, VFC US	ADS GY, BOSS GY
	Stocks To Avoid	CCC, DNP	LULU US	
	Key Catalysts	Strong consumer demand	Strong Q2 earnings, low valuations	
Oil & Gas	SENTIMENT	POSITIVE	NEUTRAL	
	Stocks To Own	MOL, PGN	MPC US, PSX US, DVN US	
	Stocks To Avoid	LTS		
	Key Catalysts	High cracking margins, likely rebound in gas price later in the year	Slowdown vs. supply restrictions, favorable conditions in downstream	
Industrials	SENTIMENT	BEARISH	NEUTRAL	
	Stocks To Own	AST, FMF, KER, POZ, STP, TIM	CAT US	AIR FP, MTU GY, DUE GY
	Stocks To Avoid	AML, BRS, IPX, PFL, SNK		G1A GY
	Key Catalysts	Increasing costs	Economic slowdown & strong USD vs. decent Q2 results	Economic slowdown
Mining	SENTIMENT	NEUTRAL	BEARISH	
	Stocks To Own	JSW		
	Stocks To Avoid	KGH	AAL LN, ANG JS, BHP AU, FRES LN, GFI SJ, POLY LN, PLZL RX, RIO LN	
	Key Catalysts	Increasing production costs	Lower prices of iron ore and precious metals	
Automotive	SENTIMENT	BEARISH	NEUTRAL	
	Stocks To Own		GM US	BMW GY, VOW3 GY
	Stocks To Avoid	AML, BRS, SNK		
	Key Catalysts	EURO 6 Temp standard	Slowdown vs. low valuations	
Tech, Media	SENTIMENT	NEUTRAL	NEUTRAL	
	Stocks To Own	ASE, CMR	LRCX US, QCOM US, CSCO US, DISCA US	COK GY, WDI GY, IFX GY, SAP GY
	Stocks To Avoid		NFLX US	PSM GY
	Key Catalysts		Good Q2 results vs. expensive Tier 2	
Telecoms	SENTIMENT	NEUTRAL	POSITIVE	
	Stocks To Own	OPL, PLY	DTE GY, DRI GY	
	Stocks To Avoid	CPS	TC1 GY	
	Key Catalysts		Value rotation; US telco=cheaper quasi-Tech	

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2016 3Q 4Q	2017 1Q 2Q 3Q 4Q	2018 1Q 2Q 3Q 4Q	2019 1Q 2Q	+ / =
Financials					
Alior Bank	+ +	- + + +	= + = =	=	91%
Handlowy	- =	- + + =	+ + - -	-	55%
ING BSK	+ -	+ = = =	= - = + + +	+	83%
Millennium	= + +	= + = +	+ + = + + +	+	100%
Pekao	+ + +	= + = +	= = + + =	=	100%
PKO BP	+ -	+ + + =	+ = = =	=	91%
Santander BP	= +	= + = =	= + = -	= -	83%
Komercni	+ =	+ + + +	+ + + +	+ +	100%
Erste Bank	= -	= + = +	+ + + +	+ +	92%
OTP Bank	+ =	+ + + +	+ + + +	=	91%
PZU	= + +	= + = +	+ = + =	+ +	100%
Kruk	+ =	+ + + =	+ + + -	+ +	73%
Skarbiec	= -	= + + +	+ = + -	+ +	82%
Chemicals					
Ciech	= +	= = = +	= + = -	=	91%
Grupa Azoty	= -	+ - = -	= - - + +	+	55%
Oil & Gas					
Lotos	+ =	+ + + =	- + = -	=	82%
MOL	= -	+ + + -	= = + +	=	82%
PGNiG	- + +	- - = -	- + - -	- +	50%
PKN Orlen	= +	= = = -	= - = +	= +	83%
Utilities					
CEZ	= +	= = = +	= - + =	=	91%
Enea	+ +	= + = =	= - = =	+ +	91%
Energa	= =	= = = -	= = - -	-	64%
PGE	+ -	= = = =	= = - -	-	64%
Tauron	= +	+ + = =	= + + =	+ +	100%
TMT					
Netia	= +	= = + +	= = = =	=	100%
Orange PL	= =	= + = =	= + + +	=	100%
Play	na na	na na	= = + =	+ +	100%
Agora	= +	= + = +	= + + =	= +	100%
Cyfrowy	+ =	+ = = =	+ = = =	=	100%
Wirtualna	- -	+ = = =	= = = =	=	82%
Aileron	na na	na na	- + = -	- +	57%
Asseco BS	= =	= = = +	= = + +	=	100%
Asseco PL	+ =	= = = -	+ + + +	+ +	73%
Asseco SEE	= +	= + = -	= = + =	+ +	91%
Atende	na na	na na	+ = - +	- +	67%
Comarch	= +	- + = +	- + + +	+ +	73%
11 bit studios	na +	= + = -	na = -	= + -	67%
CD Projekt	+ +	+ + = +	= = - -	+ +	73%
Industrials					
Alumetal	- =	= = + =	= + = -	-	64%
Amica	= -	= = - +	- + + +	=	73%
Apator	- =	= = = -	= + = +	=	73%
Boryszew	+ -	+ + = +	= - = -	-	36%
Cognor	na na	na na na na	+ + = -	-	60%
Ergis	+ =	+ = = -	- - = -	-	36%
Famur	= +	na - =	+ + + +	+ +	90%
Forte	= =	= = - -	= + - -	+ +	64%
Grupa Kęty	= =	= = = -	= + = =	=	91%
Impexmetal	+ -	= - - +	+ + + +	=	55%
JSW	= -	+ + = -	= + = -	+ +	55%
Kernel	+ +	= - = +	= - + -	+ +	45%
KGHM	+ +	+ = = +	= + - +	+ +	82%
Kruszwica	+ +	= - = -	+ + + +	+ +	73%
Mangata	- +	= - = -	+ + + -	+ +	55%
Pfleiderer	+ -	= - = -	+ - + -	-	36%
Pozbud	na na	na na na +	= + - =	+ +	83%
Stelmet	- =	= = = -	- + + +	+ +	64%
Tarczyński	- +	= = + +	+ + = +	+ +	91%
Real-Estate					
Atal	+ =	+ + = -	= + = +	+ +	82%
Dom Dev.	= =	= + + =	+ + = +	=	100%
Retail					
AmRest	= +	= + + +	- - = + -	-	64%
CCC	+ =	= + = -	- - - -	-	27%
Dino	na na	na + = +	+ = = =	=	100%
Eurocash	- -	= = = -	= = - -	=	36%
Jeronimo	= =	= = = =	= = = =	=	100%
LPP	= =	= = + =	- + + =	= +	92%
Monnari	- -	= + = =	= + - -	-	45%
VRG	- =	= - = =	= - = =	=	55%

YoY	2016 3Q 4Q	2017 1Q 2Q 3Q 4Q	2018 1Q 2Q 3Q 4Q	2019 1Q 2Q	+ / =
Financials					
Alior Bank	= +	- + + -	+ + - +	- -	58%
Handlowy	+ +	= - + +	+ + = -	- -	50%
ING BSK	+ +	+ - + +	+ + = +	= +	92%
Millennium	+ +	+ - + +	+ + + +	= -	83%
Pekao	- +	= - = +	+ + = +	- +	58%
PKO BP	- +	= - + +	+ + + +	+ +	83%
Santander BP	+ +	= - + +	= = - +	= -	67%
Komercni	+ +	+ - - +	- + + +	+ +	75%
Erste Bank	+ -	= - + +	+ + + +	+ -	67%
OTP Bank	+ =	+ - + +	+ + + +	+ +	100%
PZU	+ +	+ + + +	- + + =	+ -	83%
Kruk	+ +	+ + = -	= + + +	+ =	83%
Skarbiec	+ =	+ + - +	= - - -	+ +	58%
Chemicals					
Ciech	+ +	+ - - +	= - = -	- -	42%
Grupa Azoty	= -	= + + +	= - - -	+ +	42%
Oil & Gas					
Lotos	+ +	+ + + -	- + = +	+ -	75%
MOL	= -	+ + = -	= - + +	- -	42%
PGNiG	- +	+ = = -	= + + -	- -	58%
PKN Orlen	- +	+ + + -	= - - +	= +	58%
Utilities					
CEZ	- -	= - - -	= - + =	+ +	33%
Enea	+ +	+ + = -	= - = -	+ +	75%
Energa	= =	= - + +	+ + - -	- +	58%
PGE	- -	+ + = -	+ + = -	= -	58%
Tauron	- +	+ + = -	= - - -	+ -	50%
TMT					
Netia	- =	= - - -	= - - -	- -	17%
Orange PL	- -	= - - +	= - + +	= -	50%
Play	na na	+ + + =	= - - +	+ +	60%
Agora	- -	+ + = +	= - + +	+ -	58%
Cyfrowy	+ +	+ + = -	= - = -	= -	67%
Wirtualna	+ +	+ + + +	+ + + +	+ +	100%
Aileron	+ +	+ + = -	= + - -	+ +	73%
Asseco BS	+ +	+ + + +	+ + + +	+ =	100%
Asseco PL	- -	= - - -	+ + + +	+ -	42%
Asseco SEE	= +	+ + + +	+ + + +	+ +	100%
Atende	- -	+ - - +	= - + -	+ +	42%
Comarch	+ +	= - - -	= + + +	+ +	58%
11 bit studios	- +	+ - = +	+ + - +	+ -	67%
CD Projekt	+ +	+ + = -	= - - -	- -	33%
Industrials					
Alumetal	- -	= - - +	+ + + -	- -	33%
Amica	+ =	= - - -	- + + +	= +	67%
Apator	- +	+ + = +	= - = +	+ -	58%
Boryszew	+ -	+ + + +	= - - -	- -	42%
Cognor	+ +	+ = + +	+ + + -	- -	75%
Ergis	+ +	+ = = -	= - - -	= +	67%
Famur	+ +	+ + = +	+ + + +	+ +	100%
Forte	+ +	= - - -	= + - +	+ -	42%
Grupa Kęty	+ +	+ + + +	+ + + +	= +	100%
Impexmetal	+ -	+ + = +	+ + + +	= +	75%
JSW	- +	+ + + +	= - = -	- -	58%
Kernel	+ +	= - - -	= - + -	- +	42%
KGHM	+ +	+ + + -	= - + =	+ -	67%
Kruszwica	- +	= = = +	+ + + +	+ -	83%
Mangata	+ -	= - = +	+ + + =	+ =	83%
Pfleiderer	+ =	+ - + +	+ - + -	- -	58%
Pozbud	- -	= - = +	= + + +	+ +	58%
Stelmet	- -	= - + +	= + + =	+ -	58%
Tarczyński	- -	= + + +	+ + + +	+ +	83%
Real-Estate					
Atal	+ -	+ + = +	+ + = -	- -	67%
Dom Dev.	+ +	= + + +	+ + - +	+ -	75%
Retail					
AmRest	+ +	= + + -	+ = + +	+ +	92%
CCC	= +	+ + + -	= - - -	- -	42%
Dino	na na	na + = +	+ + + +	+ +	100%
Eurocash	- -	= - = -	+ = = +	= -	50%
Jeronimo	+ +	= + + +	+ + = =	= +	100%
LPP	- -	+ + + +	= - + +	= +	75%
Monnari	- -	= - - +	+ + = -	- -	25%
VRG	= +	= + + +	+ = = +	- +	83%

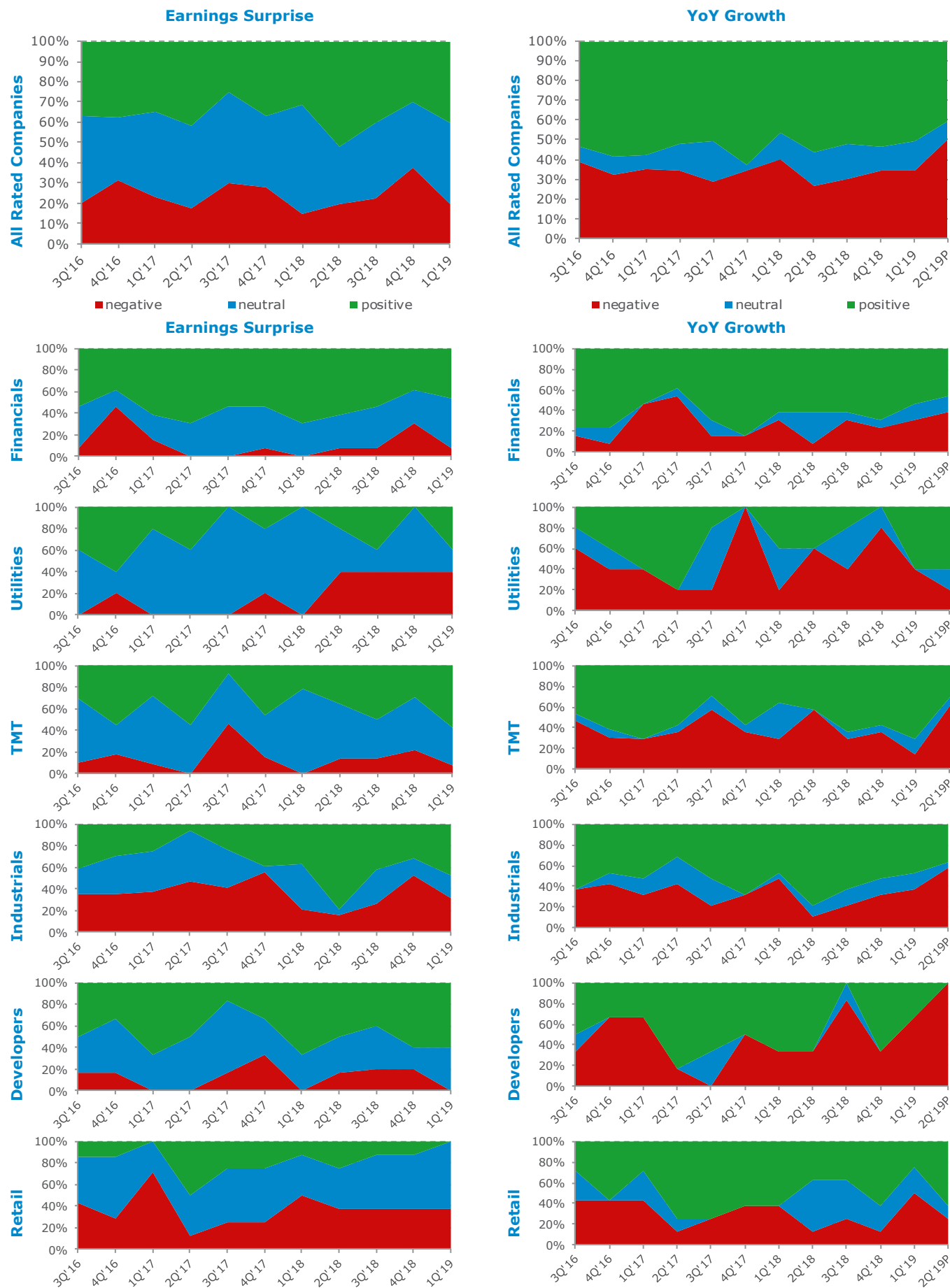
*+ = positive surprise, '-' = negative surprise, '=' = in-line results vis-à-vis consensus expectations

*The column shows the sum of 'in-line' or 'beat quarters' in the last three years as a percentage of all quarters.

**YoY changes in the column "2019 Q2" measure changes between actual earnings posted in Q2 2019 and our estimates for Q2 2019

Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

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



Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

Macroeconomic Update

Retail Sales

Retail sales slowed down in June from 5.6 to 3.7% y/y (in real terms), as expected. Our own forecast (3.0% y/y) was a bit too pessimistic, but the main difference is in the details of the reading. Alas, there is no overarching pattern to the surprises in the categories.

First, while much has been said about the unusually strong and atypical calendar effect in June (we wrote about it in detail in the comment on industrial output data), its impact has been smaller than expected. The two potentially most susceptible categories, car sales and sales in other nonspecialized stores slowed down less than anticipated or not at all (respectively, from 12.6 to 1.7% y/y and steady at 9.6% y/y). Second, semidurables generally fared much better than expected – sales of clothing and footwear swung from -1.9 to 11.2% y/y, reflecting catching up after weak previous months and perhaps accelerated summer sales due to very high temperatures. Third, there are disappointments in the sales of durable goods – the category of furniture, radio, TV and household appliances did not rebound after weak May and its dynamics dropped from 17.4 to 9.2% y/y. Finally, the Others category disappointed (having declined by 2.3% y/y) and this might be the effect of calendar. This category is worth watching as a measure of second-round effects of housing boom, since sales of building materials are included in it.

There is no clear-cut story in June retail sales. The entire second quarter, mainly due to the late timing of Easter, brought a material acceleration in total sales. Its impact on household consumption will be positive, but limited – Easter effects tend to be smoothed out in national accounts aggregates. Nevertheless, Q1's figure of +3.9% likely marked a local bottom and consumer spending is set to accelerate further amid record-high consumer sentiment and the on-going disbursement of fiscal stimulus in the coming months. To remind our readers – investment lifted the overall GDP path upwards, but the U-shape is dependent on household consumption accelerating in the second half of the year. This is the key factor to watch this year.

Industrial Production

First decline in Polish industrial output since April 2017. Industrial output surprised to the downside in June, having fallen by 2.7% y/y. Expectations were massively overstated (ca. 3%) and our already pessimistic forecast (1.4% y/y) fell short of the actual retrenchment in industrial output. In our view, several factors contributed to the disappointment. First, the calendar effect (we've already blamed the surprise in wage growth on it), which was the primary driver of the deceleration in output, was massive and therefore difficult to pin down precisely. To remind our Readers – working day count declined by 3 m/m and the swing in annual terms was a whopping -3 (from +1 to -2 y/y). It was obviously known in advance, but the impact is not as straightforward to calculate as it seems. Average effects might not equal marginal effects and there is some potential for nonlinearity there. Historically, industrial output tended to overreact to these swings and the median surprise vis-a-vis a simple model based on average calendar effects was a respectable 1.5 p.p. In other words, whenever working days swung by 3 p.p. downward (as they did last month), the decline in industrial output was much greater than anticipated. We also suspect that seasonal adjustment fails to adequately correct for this effect and therefore the sequential decline in output (-2% m/m in seasonally adjusted terms) might be somewhat overstated. Second, even though the Polish industry proved to be exceptionally resilient to external factors in the previous months, it was bound to end one month. With the benefits of hindsight, we can note that the adjustment to weaker sentiment (and we are not talking about the Polish PMI) was inevitable. If one is looking for a particular factor, we can point to the end of pre-Brexit stockpiling. Finally, lack of reaction of energy output to record-breaking temperatures in June was the icing on the cake (worth at maximum 0.5 p.p.). It remains to be seen if manufacturing production was negatively impacted by the weather. Regardless of the reasons, lost output is lost output and the IP momentum

took a deep dive in June (see the graph below). July is set to bring a reversal in the said calendar effect and industrial output growth will return to the 7-8% territory. However, the shift in output between the two quarters has important implications for near-term GDP forecasts. The June industry figures are shifting our GDP nowcasts downward, from 4.6-4.7% y/y to 4.4% y/y. As a result, there is no longer any discrepancy between estimates based on soft and hard data. Both point to GDP slowing down from 4.7 to 4.4% y/y. There is no point denying that our full year forecast of 5.0% is now in danger. For it to be realized, GDP would have to accelerate considerably in the second half of the year. Such atypical behavior of the business cycle is not impossible, but basic arithmetic is working against the 5% figure. We are waiting for the full set of June data (due on Friday and Tuesday) to make a decision about revising the forecasts.

Jobs

After a weak May reading, June surprised positively with employment growth of 2.8% y/y. The result above both consensus and our forecast (2.7%) is mainly a result of rounding (the exact growth amounted to 2.76%, hence no surprise was at knife edge). Some of the hiring might also have been moved forward from the previous weak month. Almost 14k new jobs added since is a typical June result. The pessimism after the weak May print was probably exaggerated, however there is no denying that Polish job growth has been on a downward trend for several quarters now. The reasons are always the same, and have to do mostly with supply constraints.

The average gross wage rose by 5.3% y/y in June, much below market consensus (7.1% y/y) and our already pessimistic forecast (5.9% y/y). In our view, the key factor underlying the deceleration in wages was an unusual arrangement of working days in June. The swing from +1 to -2 y/y vastly reduced the aggregate working time and put downward pressure on time-sensitive components of salaries, especially in manufacturing and construction. Mining wages also slowed down materially, but this effect (0.3-0.4 p.p. negative contribution to average wage growth) was dwarfed by the impact of calendar. We expect the full sectoral breakdown (due in a week) to show that the slowdown was broad-based for the very same reason.

This means that the June wage figures need to be taken with a grain of salt and put into proper context, i.e. that no significant slowdown in wage growth is in the cards right now – labor supply and demand continue to evolve as they previously did and wage expectations (as seen in the NBP's quarterly enterprise survey) have remained broadly stable. Over recent months, the trend in wage growth has been stable and close to 7% per annum.

The drop in average wage growth obviously lowered our estimates of current household income growth: in current prices from 10.6 to 8.2% y/y, in real terms from 8.3 to 5.6% y/y (lowest since December 2016). At the same time, consumers appear to be completely unfazed by this and likely see the June drop as temporary (assuming that it was registered at all). In fact, 12-month ahead expectations of the households' financial situation rose to a new all-time high in July. This means that forecasters can safely draw smooth consumption trajectories and bet on an acceleration in the second half of the year as the fiscal stimulus attains maximum impact.

Inflation

Inflation surprised and rose by 2.9% y/y in July (increase from 2.6% y/y last month) above our forecast (2.7% y/y) and market consensus (2.6-2.7% y/y). Food prices have beaten the historical all-time July high with +0.3% m/m growth (following a string of strong readings – momentum here is close to the record). Energy prices did not change, while fuel price decreased by 1.6% m/m. Our estimates of those categories were extremely correct. Once again, like a month ago, the inflation surprise was an effect of rising core inflation, which likely increased to 2.2% y/y, the level last seen in 2012.

What exactly were the reasons of the increase in core inflation? There are many candidates, the most probable ones are: health (pharmaceuticals), airplane tickets (some downside correction from last month's spike might not have realized), recreation and culture (package holidays – same reason as in previous category). For details, as always, we need to wait until the final reading (publication in 2 weeks).

Despite its high growth, inflation still will not change the attitude of MPC. The highest estimate of inflation in staff projections will be revised upward, but both economic growth and global inflation perspectives suggest that inflation should slow down which will keep the status quo in MPC. Over the short term, the market may not share the same opinion, especially that projected rate paths are lower than the flat interest rate path preferred by the MPC.

mBank Research

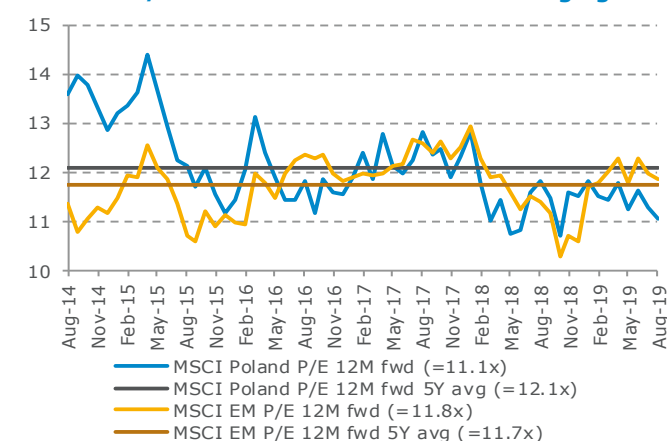
(E. Pytlarczyk, M. Mazurek, P. Bartkiewicz, K. Klimas)
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Revisions To FY2019 Earnings Forecasts For WIG30 Companies

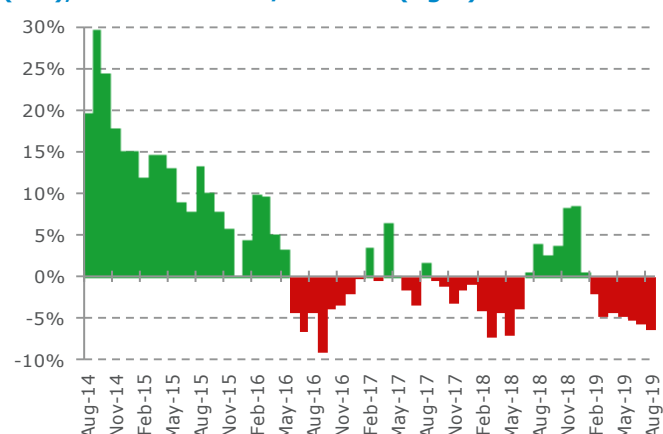
Jul-18=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM
Aug-18	-2%	-1%	-0%	+0%	-2%	-1%	-1%	-0%	-0%	+0%	-4%	-1%	+5%	-6%	-6%	-4%
Sep-18	-1%	-1%	+0%	-0%	+2%	-1%	-1%	-0%	+0%	-2%	-8%	-1%	+3%	-6%	-11%	-4%
Oct-18	-3%	-9%	-2%	-5%	+2%	-3%	-4%	-0%	-1%	-7%	-15%	-15%	-16%	-40%	-7%	-42%
Nov-18	-4%	-10%	-2%	-6%	+5%	-3%	-8%	+1%	-3%	-7%	-17%	-35%	-26%	-49%	-8%	-34%
Dec-18	-5%	-10%	-3%	-6%	+2%	-3%	-9%	+1%	-3%	-7%	-19%	-35%	-27%	-49%	-14%	-34%
Jan-19	-5%	-11%	-3%	-6%	+5%	-2%	-8%	-5%	-7%	-8%	-19%	-35%	-40%	-49%	-15%	-35%
Feb-19	-6%	-12%	-4%	-6%	+3%	-7%	-10%	-5%	-9%	-8%	-25%	-35%	-7%	-14%	-14%	-35%
Mar-19	-6%	-12%	-4%	-6%	+1%	-11%	-8%	-11%	-9%	-14%	-25%	-33%	-1%	-14%	-7%	-24%
Apr-19	-9%	-12%	-4%	-6%	-8%	-11%	-11%	-13%	-7%	-14%	-30%	-33%	-15%	+40%	-11%	-24%
May-19	-9%	-12%	-5%	-8%	-11%	-14%	-9%	-1%	-12%	-18%	-30%	-28%	+13%	+78%	-12%	-30%
Jun-19	-10%	-13%	-5%	-7%	-14%	-14%	-8%	-2%	-17%	-35%	-29%	-25%	+21%	+109%	-16%	-38%
Jul-19	-11%	-13%	-6%	-9%	-15%	-8%	-7%	-2%	-18%	-35%	-30%	-24%	+32%	+109%	-17%	-38%

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)

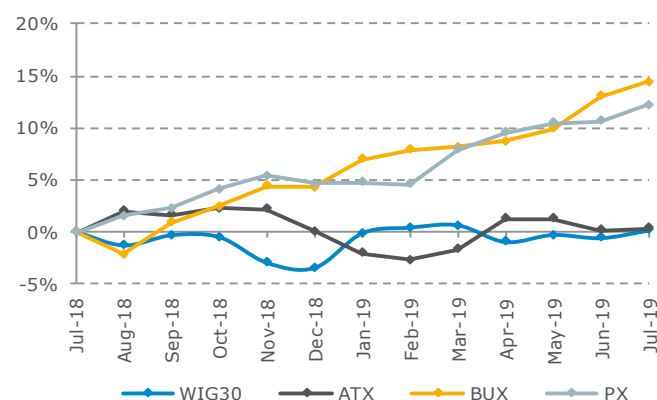


Source: Bloomberg, Dom Maklerski mBanku



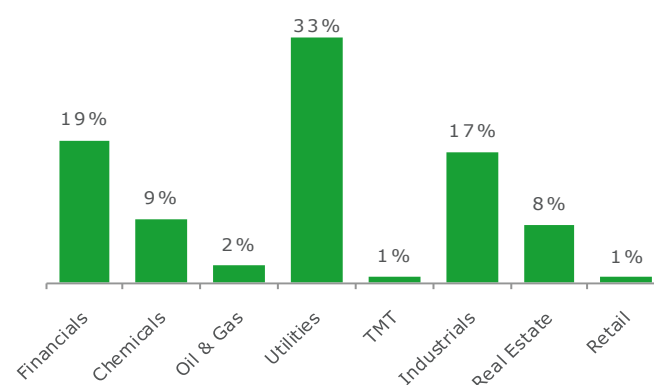
Source: Bloomberg, Dom Maklerski mBanku

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



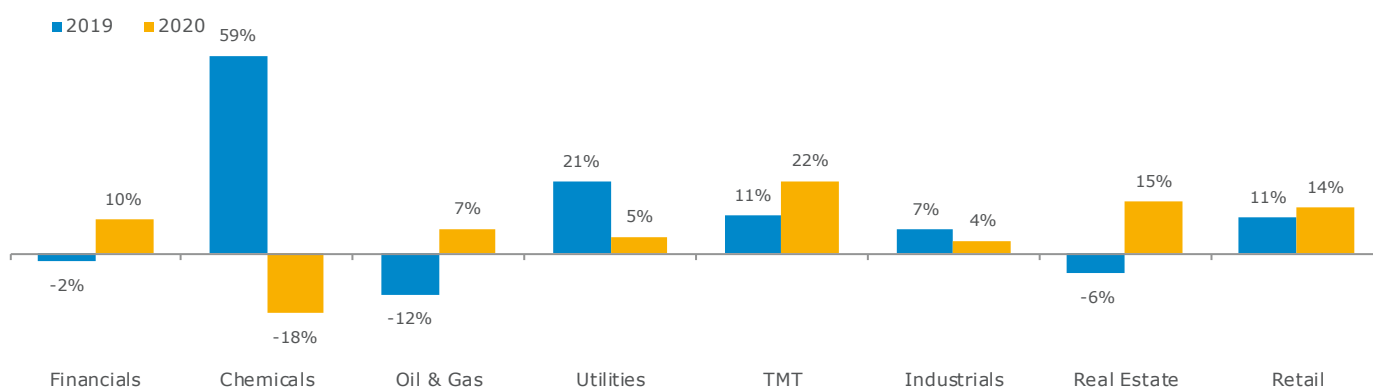
Source: Bloomberg, Dom Maklerski mBanku

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

Divergence of Dom Maklerski mBanku Estimates From Consensus Estimates

Sector/Name	mDM Rating	mDM TP ¹	BBG Ratings ²			BBG TP ³	mDM v. BBG TP	mDM v. BBG Earnings			mDM v. BBG EBITDA			Analyst Count ⁴
			▲	►	▼			2019E	2020E	2021E	2019E	2020E	2021E	
Financials														
Alior Bank	buy	72.30	10	4	1	68.60	+5.4%	-2%	+5%	+11%				10
Handlowy	accumulate	59.45	5	4	1	66.41	-10.5%	-11%	-6%	-6%				8
ING BSK	hold	191.80	3	4	4	202.62	-5.3%	-1%	-1%	+1%				8
Millennium	buy	10.00	4	5	2	9.56	+4.6%	-2%	+2%	-2%				6
Pekao	buy	119.75	13	5	0	130.86	-8.5%	-1%	-2%	-4%				13
PKO BP	buy	47.17	10	7	0	44.27	+6.5%	+5%	+2%	+1%				14
Santander Bank Polska	hold	337.00	5	8	2	381.92	-11.8%	-4%	+0%	-4%				12
Komercni Banka	accumulate	1,000.0	9	7	0	1,007.5	-0.7%	+3%	+4%	-				8
Erste Bank	buy	43.72	20	5	0	39.88	+9.6%	+1%	+2%	-				12
OTP Bank	hold	13,046	10	4	2	13,295	-1.9%	-5%	-6%	-				10
PZU	hold	43.38	5	6	1	45.84	-5.4%	+2%	+2%	+7%				6
Kruk	buy	213.65	5	1	2	193.67	+10.3%	-5%	-7%	-4%				7
Chemicals														
Ciech	hold	41.72	10	2	0	54.15	-23.0%	-3%	-18%	-22%	-3%	-3%	-8%	7/6
Grupa Azoty	hold	45.93	7	2	0	46.50	-1.2%	+20%	-43%	-48%	+8%	-17%	-18%	6/6
Oil & Gas														
Lotos	sell	72.31	9	4	1	95.47	-24.3%	-17%	-40%	-30%	-8%	-20%	-15%	8/9
MOL	accumulate	3,258.0	10	4	0	3,679.7	-11.5%	-23%	-29%	-15%	-4%	-9%	-1%	12/13
PGNiG	accumulate	6.33	5	3	3	5.70	+11.1%	-4%	+28%	+35%	-1%	+14%	+30%	9/9
PKN Orlen	hold	92.82	5	10	4	103.22	-10.1%	-1%	-25%	-23%	+1%	-17%	-12%	12/12
Utilities														
CEZ	accumulate	597.80	8	8	1	598.02	-0.0%	-1%	-3%	+2%	+0%	-0%	+2%	10/11
Enea	buy	12.41	8	1	1	11.42	+8.7%	+13%	+11%	+2%	+7%	+5%	-0%	7/6
Energa	buy	12.67	2	7	2	9.72	+30.3%	+3%	-18%	-16%	+1%	-4%	-5%	7/6
PGE	buy	13.26	5	5	3	10.99	+20.6%	+15%	+7%	+2%	+8%	+4%	-0%	7/6
Tauron	buy	2.52	3	8	2	2.09	+20.9%	-1%	+8%	-4%	+0%	+7%	-2%	5/4
TMT														
Netia	hold	4.70	3	3	2	4.95	-5.0%	-	-0%	-0%	+1%	+2%	+1%	0/2
Orange Polska	accumulate	7.50	4	9	3	6.45	+16.3%	+583%	+24%	+5%	+9%	+7%	+7%	4/9
Play	accumulate	34.20	3	9	2	30.61	+11.7%	+2%	+6%	-1%	+1%	+2%	+1%	10/10
Agora	buy	16.00	3	2	0	14.10	+13.5%	-	-	-	-6%	-2%	+5%	4/4
Cyfrowy Polsat	reduce	24.15	5	7	2	28.49	-15.2%	+5%	+10%	+14%	+2%	+1%	-0%	9/8
Wirtualna Polska	hold	61.50	6	2	0	68.20	-9.8%	+2%	+1%	-0%	+0%	-0%	-2%	6/5
Asseco Poland	hold	50.80	2	6	0	56.80	-10.6%	-9%	-12%	-16%	+9%	+5%	+0%	7/7
Asseco BS	neutral	-	0	2	0	28.80	-	+0%	+2%	-	-1%	+1%	-	3/3
Asseco SEE	overweight	-	2	0	0	22.00	-	-3%	-4%	-	-1%	-3%	-	3/3
Comarch	buy	231.00	5	0	0	223.23	+3.5%	-1%	-2%	-4%	+6%	+6%	+4%	5/5
11 bit studios	buy	518.00	8	1	0	492.29	+5.2%	+7%	+1%	+8%	+9%	+2%	+5%	8/7
CD Projekt	accumulate	237.50	13	2	3	243.68	-2.5%	-39%	+15%	+48%	-62%	-1%	+31%	9/11
Industrials														
AC	neutral	-	1	2	0	48.40	-	+6%	+9%	-0%	+4%	+6%	-0%	2/2
Alumetal	underweight	-	4	0	1	43.70	-	+9%	-3%	-11%	+7%	-1%	-9%	4/4
Amica	neutral	-	1	4	0	136.05	-	+15%	+11%	-	+4%	+3%	-	5/5
Apator	neutral	-	1	3	0	-	-	-1%	+0%	-	-2%	-1%	-	3/3
Famur	buy	6.71	7	0	0	6.44	+4.1%	+91%	+5%	-6%	+2%	-4%	-6%	4/5
Forte	neutral	-	2	3	3	25.85	-	-12%	-9%	-	+1%	+1%	-	3/3
Grupa Kęty	hold	345.32	5	7	0	373.57	-7.6%	-6%	-4%	-6%	-5%	-5%	-7%	7/7
JSW	accumulate	50.02	5	3	4	59.35	-15.7%	-7%	-34%	-65%	-4%	-12%	-17%	10/10
Kemel	buy	58.63	6	1	0	62.41	-6.1%	+8%	+12%	+13%	-1%	+13%	+11%	4/3
KGHM	hold	98.35	1	7	10	95.44	+3.0%	-19%	-21%	-21%	-5%	-13%	-12%	14/13
Pfleiderer Group	underweight	-	5	0	2	47.00	-	-63%	-34%	-0%	-5%	-2%	+0%	3/2
Real Estate														
Atal	accumulate	41.89	5	0	0	41.83	+0.1%	+1%	-7%	+6%	+2%	-4%	+8%	3/3
Dom Development	hold	79.80	1	5	0	82.55	-3.3%	+0%	+10%	+18%	+2%	+11%	+19%	4/4
Retail														
AmRest	buy	48.00	8	2	0	49.36	-2.8%	+2%	+0%	+11%	-2%	-1%	+2%	9/9
CCC	hold	161.00	3	6	4	178.90	-10.0%	-51%	-18%	-26%	+6%	+12%	-1%	11/11
Dino	sell	112.70	9	5	5	138.72	-18.8%	-2%	-3%	-7%	-1%	-4%	-9%	12/13
Eurocash	hold	18.10	5	4	9	20.92	-13.5%	-20%	-14%	-1%	-6%	-10%	-8%	8/12
Jeronimo Martins	hold	14.30	14	11	3	15.01	-4.7%	+2%	+5%	+1%	+1%	+3%	+1%	20/21
LPP	accumulate	8,500.0	3	9	4	8,176.9	+4.0%	+1%	-2%	-1%	-7%	-4%	-2%	11/11
Monnari	neutral	-	1	3	0	6.10	-	+1%	-0%	+9%	-16%	-22%	-15%	3/3
VRG	buy	5.20	6	0	0	5.13	+1.3%	+2%	+1%	-0%	-17%	-17%	-20%	6/6

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

Current Recommendations By Dom Maklerski mBanku

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E		EV/EBITDA	
							2019	2020	2019	2020
Financial Sector						+19.2%	10.9	10.2		
Alior Bank	buy	2019-07-03	51.10	72.30	45.64	+58.4%	8.2	6.4		
Handlowy	accumulate	2019-07-03	53.60	59.45	51.50	+15.4%	13.0	10.7		
ING BSK	hold	2019-08-02	189.80	191.80	189.80	+1.1%	14.9	13.3		
Millennium	buy	2019-08-02	7.51	10.00	7.51	+33.2%	12.4	8.9		
Pekao	buy	2019-08-02	99.88	119.75	99.88	+19.9%	11.5	10.0		
PKO BP	buy	2019-08-02	39.34	47.17	39.34	+19.9%	11.2	10.8		
Santander Bank Polska	hold	2019-08-02	319.60	337.00	319.60	+5.4%	13.9	11.4		
Komercni Banka	accumulate	2019-08-02	872.00	1,000 CZK	872.00	+14.7%	10.9	10.5		
Erste Bank	buy	2019-02-04	31.00	43.72 EUR	31.71	+37.9%	9.1	8.5		
OTP Bank	hold	2019-08-02	12,080	13,046 HUF	12,080	+8.0%	10.0	9.5		
PZU	hold	2019-07-03	44.35	43.38	40.99	+5.8%	10.9	10.3		
Kruk	buy	2019-04-02	152.30	213.65	184.00	+16.1%	10.3	10.2		
Skarbiec Holding	buy	2019-06-03	16.50	28.17	17.90	+57.4%	6.1	5.3		
Chemicals						+8.6%	7.6	13.6	4.9	6.3
Ciech	hold	2019-07-03	41.60	41.72	38.40	+8.6%	7.6	7.9	5.1	5.1
Grupa Azoty	hold	2019-08-02	42.30	45.93	42.30	+8.6%	7.6	19.2	4.7	7.6
Oil & Gas						+2.3%	12.2	10.3	5.4	5.0
Lotos	sell	2019-08-02	88.66	72.31	88.66	-18.4%	13.5	12.4	6.9	5.8
MOL	accumulate	2019-08-02	3,004	3,258 HUF	3,004	+8.5%	10.9	9.6	4.5	4.2
PGNiG	accumulate	2019-08-02	5.62	6.33	5.62	+12.6%	13.6	9.4	5.3	4.0
PKN Orlen	hold	2019-08-01	97.36	92.82	98.00	-5.3%	9.3	11.0	5.5	5.8
Power Utilities						+32.5%	4.1	4.6	3.8	3.6
CEZ	accumulate	2019-06-25	544.00	597.80 CZK	521.50	+14.6%	15.6	13.5	7.5	6.9
Enea	buy	2019-06-25	8.53	12.41	8.18	+51.7%	3.0	2.8	3.2	3.0
Energa	buy	2019-06-25	7.33	12.67	7.26	+74.5%	4.1	4.6	3.8	4.2
PGE	buy	2019-06-25	9.00	13.26	8.68	+52.7%	5.3	6.0	3.3	3.4
Tauron	buy	2019-06-25	1.57	2.52	1.55	+62.6%	2.5	2.3	4.1	3.6
Telecoms, Media, IT						+0.8%	19.4	15.4	6.1	5.9
Netia	hold	2018-11-26	4.66	4.70	4.74	-0.8%	31.8	26.4	5.4	5.5
Orange Polska	accumulate	2019-08-02	6.70	7.50	6.70	+12.0%	43.3	27.2	5.1	4.9
Play	accumulate	2019-08-02	31.22	34.20	31.22	+9.5%	9.1	8.2	6.1	6.0
Agora	buy	2018-11-27	9.50	16.00	12.00	+33.3%	39.9	21.2	5.5	5.0
Cyfrowy Polsat	reduce	2019-05-31	26.00	24.15	30.10	-19.8%	15.7	13.5	7.4	7.2
Wirtualna Polska	hold	2019-07-03	61.20	61.50	62.00	-0.8%	19.4	16.6	10.3	9.1
Asseco Poland	hold	2019-06-03	51.10	50.80	54.50	-6.8%	14.6	14.2	4.7	4.4
Comarch	buy	2019-07-25	178.50	231.00	174.50	+32.4%	15.1	13.7	6.4	5.7
11 bit studios	buy	2019-05-20	398.00	518.00	412.00	+25.7%	27.6	39.3	19.4	24.0
CD Projekt	accumulate	2019-05-09	215.00	237.50	230.00	+3.3%	-	11.3	-	8.4
Industrials, Mining						+17.5%	7.5	9.7	4.8	4.8
Cognor	hold	2019-07-25	1.75	1.84	1.67	-4.6%	7.9	10.8	4.9	5.1
Famur	buy	2019-08-02	4.47	6.71	4.47	+50.1%	5.7	9.4	4.5	4.9
Grupa Kęty	hold	2019-07-03	337.00	345.32	337.50	+2.3%	13.1	12.4	9.0	8.6
JSW	accumulate	2019-07-03	47.00	50.02	37.20	+34.5%	4.2	10.9	0.8	1.5
Kemel	buy	2019-06-03	46.50	58.63	48.35	+21.3%	5.2	5.3	5.7	4.8
KGHM	hold	2019-07-03	101.70	98.35	91.36	+7.7%	9.9	9.5	4.4	4.3
Stelmet	hold	2019-07-03	7.00	7.95	6.35	+25.2%	9.4	9.9	5.0	4.7
Property Developers						+7.8%	7.9	7.9	7.4	7.2
Atal	accumulate	2019-07-03	36.60	41.89	36.90	+13.5%	7.9	8.3	7.4	7.7
Dom Development	hold	2019-07-03	77.40	79.80	77.40	+3.1%	8.7	7.9	7.9	7.2
Retail						+0.8%	34.9	22.3	9.2	8.4
AmRest	buy	2019-04-02	41.20	48.00	40.75	+17.8%	38.3	28.0	13.0	10.4
CCC	hold	2019-06-06	153.80	161.00	144.80	+11.2%	54.1	22.3	7.4	5.8
Dino	sell	2019-08-02	143.80	112.70	143.80	-21.6%	34.9	27.1	20.6	16.4
Eurocash	hold	2019-08-02	18.60	18.10	18.60	-2.7%	36.0	25.4	7.8	6.9
Jeronimo Martins	hold	2019-05-09	13.89	14.30 EUR	14.75	-3.0%	20.9	18.8	9.2	8.4
LPP	accumulate	2019-07-03	7,745.00	8,500.00	7,790.00	+9.1%	21.3	19.2	10.8	9.7
VRG	buy	2019-07-26	4.20	5.20	4.35	+19.7%	13.8	12.0	8.6	7.3

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2019	2020	2019	2020
IT						11.7	11.0	4.9	4.6
Ailleron	neutral	2019-06-28	8.40	7.98	-5.0%	10.3	9.3	3.6	2.7
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	18.00	+26.8%	13.1	12.6	5.4	5.0
Atende	neutral	2019-01-31	4.40	3.68	-16.4%	9.2	8.6	4.4	4.3
Industrials						9.5	9.2	6.0	6.1
AC	neutral	2019-03-22	48.50	46.40	-4.3%	10.3	9.3	7.0	6.4
Alumetal	underweight	2019-05-29	51.00	37.80	-25.9%	9.2	10.1	7.0	7.3
Amica	neutral	2019-04-29	130.00	118.00	-9.2%	7.8	7.4	5.0	4.7
Apator	neutral	2019-04-29	25.80	22.90	-11.2%	10.9	10.7	7.0	6.8
Boryszew	underweight	2019-07-26	4.49	4.43	-1.4%	9.8	9.2	7.6	7.4
Ergis	neutral	2019-05-29	3.00	2.44	-18.7%	6.5	7.3	4.8	4.8
Forte	neutral	2019-04-29	40.60	26.10	-35.7%	13.1	11.4	8.7	8.0
Impexmetal	underweight	2019-04-25	4.16	4.23	+1.7%	5.6	5.8	5.9	5.7
Kruszwica	neutral	2019-04-02	43.90	42.50	-3.2%	10.2	9.3	5.4	4.9
Mangata	neutral	2019-05-29	69.50	65.00	-6.5%	8.7	9.9	6.0	6.5
Pfleiderer Group	underweight	2019-07-29	28.00	27.70	-1.1%	57.3	27.1	7.3	6.8
Pozbud	overweight	2019-04-29	2.37	2.17	-8.4%	2.6	2.8	2.5	1.9
Tarczyński	neutral	2019-05-29	15.40	16.90	+9.7%	7.3	6.2	5.1	4.7
TIM	overweight	2019-04-29	7.90	8.96	+13.4%	10.2	9.0	6.0	5.3
Retail						9.5	9.4	4.6	3.8
Monnari	neutral	2019-07-17	4.66	4.79	+2.8%	9.5	9.4	4.6	3.8

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Issued on
Alior Bank	buy	buy	72.30	PLN	2019-07-03
Atal	accumulate	accumulate	41.89	PLN	2019-07-03
Boryszew	underweight	neutral	-	PLN	2019-07-26
Ciech	hold	buy	41.72	PLN	2019-07-03
Cognor	accumulate	accumulate	1.84	PLN	2019-07-03
Cognor	hold	accumulate	1.84	PLN	2019-07-25
Comarch	buy	buy	231.00	PLN	2019-07-25
Dom Development	hold	hold	79.80	PLN	2019-07-03
Famur	buy	buy	6.96	PLN	2019-07-03
Grupa Azoty	accumulate	accumulate	45.93	PLN	2019-07-03
Grupa Kęty	hold	reduce	345.32	PLN	2019-07-03
Handlowy	accumulate	accumulate	59.45	PLN	2019-07-03
ING BSK	reduce	hold	191.80	PLN	2019-07-03
JSW	accumulate	hold	50.02	PLN	2019-07-03
KGHM	hold	hold	98.35	PLN	2019-07-03
LPP	accumulate	accumulate	8500.00	PLN	2019-07-03
Monnari	neutral	underweight	-	PLN	2019-07-17
OTP Bank	buy	hold	13046.00	HUF	2019-07-03
Pekao	accumulate	buy	121.00	PLN	2019-07-03
Pfleiderer Group	underweight	neutral	-	PLN	2019-07-26
Pfleiderer Group	underweight	underweight	-	PLN	2019-07-29
PKN Orlen	hold	sell	92.82	PLN	2019-08-01
Play	hold	buy	29.00	PLN	2019-07-03
PZU	hold	accumulate	43.38	PLN	2019-07-03
Santander Bank Polska	reduce	hold	337.00	PLN	2019-07-12
Stelmet	hold	hold	7.95	PLN	2019-07-03
VRG	buy	overweight	5.20	PLN	2019-07-26
Wirtualna Polska	hold	accumulate	61.50	PLN	2019-07-03

Ratings and Valuations Changed as of 2nd August 2019

Company	Rating	Previous Rating	Target Price		Issued on
Dino	sell	reduce	112.70	PLN	2019-08-02
Eurocash	hold	reduce	18.10	PLN	2019-08-02
Famur	buy	buy	6.71	PLN	2019-08-02
Grupa Azoty	hold	accumulate	45.93	PLN	2019-08-02
ING BSK	hold	reduce	191.80	PLN	2019-08-02
Komercni Banka	accumulate	buy	1000.00	CZK	2019-08-02
Lotos	sell	sell	72.31	PLN	2019-08-02
Millennium	buy	accumulate	10.00	PLN	2019-08-02
MOL	accumulate	hold	3258.00	HUF	2019-08-02
Orange Polska	accumulate	hold	7.50	PLN	2019-08-02
OTP Bank	hold	buy	13046.00	HUF	2019-08-02
Pekao	buy	accumulate	119.75	PLN	2019-08-02
PGNiG	accumulate	buy	6.33	PLN	2019-08-02
PKO BP	buy	accumulate	47.17	PLN	2019-08-02
Play	accumulate	hold	34.20	PLN	2019-08-02
Santander Bank Polska	hold	reduce	337.00	PLN	2019-08-02

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	2	2.9%	0	0.0%
reduce	1	1.4%	0	0.0%
underweight	4	5.8%	3	11.5%
hold	18	26.1%	6	23.1%
neutral	12	17.4%	4	15.4%
accumulate	11	15.9%	3	11.5%
buy	18	26.1%	10	38.5%
overweight	3	4.3%	0	0.0%

Corporate Events Calendar For August

Date		Company	Event
2-Aug	10:00	MOL	Q2'19 earnings announcement (+44 207 194 37 59; PIN: 18769878#)
6-Aug		Alior Bank	Q2'19 earnings announcement
7-Aug		Grupa Kęty	Q2'19 earnings announcement
7-Aug		Pekao SA	Q2'19 earnings announcement
8-Aug		RBI	Q2'19 earnings announcement
8-Aug		Asseco SEE	Q2'19 earnings announcement
8-Aug		Ronson	Q2'19 earnings announcement
9-Aug		AC	Q2'19 earnings announcement
9-Aug		OTP Bank	Q2'19 earnings announcement
13-Aug	16:00	CEZ	Q2'19 earnings announcement (+44 207 194 37 59; PIN: 32509588#)
13-Aug		PKO BP	Q2'19 earnings announcement
13-Aug		Polenergia	Q2'19 earnings announcement
14-Aug		Cognor	Q2'19 earnings announcement
19-Aug		Dino	Q2'19 earnings announcement
19-Aug		Netia	Q2'19 earnings announcement
19-Aug		LC Corp	Dividend record date: 0.27 PLN per share
20-Aug		KGHM	Q2'19 earnings announcement
20-Aug		Lotos	Q2'19 earnings announcement
22-Aug		Benefit Systems	Q2'19 earnings announcement
22-Aug		PGNiG	Q2'19 earnings announcement
22-Aug		Citi Handlowy	Q2'19 earnings announcement
22-Aug		Grupa Kęty	Dividend record date: 22.50 PLN per share
22-Aug		GTC	Q2'19 earnings announcement
22-Aug		JSW	Q2'19 earnings announcement
22-Aug		PKP Cargo	Q2'19 earnings announcement
22-Aug		Ten Square G.	Q2'19 earnings announcement
23-Aug		CCC	Q2'19 earnings announcement
23-Aug		Dom Dev.	Q2'19 earnings announcement
26-Aug		Asseco Poland	Q2'19 earnings announcement
26-Aug		Play	Q2'19 earnings announcement
27-Aug		Wirtualna PL	Q2'19 earnings announcement
28-Aug		AmRest	Q2'19 earnings announcement
28-Aug		Eurocash	Q2'19 earnings announcement
28-Aug		Lokum	Q2'19 earnings announcement
28-Aug		Neuca	Q2'19 earnings announcement
28-Aug		VRG	Q2'19 earnings announcement
29-Aug		Cyfrowy Polsat	Q2'19 earnings announcement
29-Aug		11 bit studios	Q2'19 earnings announcement
29-Aug		BNP Paribas	Q2'19 earnings announcement
29-Aug		CD Projekt	Q2'19 earnings announcement
29-Aug		JWC	Q2'19 earnings announcement
29-Aug		PZU	Q2'19 earnings announcement
29-Aug		Stelmet	Q3'19 earnings announcement
29-Aug		Trakcja	Q2'19 earnings announcement
29-Aug		Unibep	Q2'19 earnings announcement
30-Aug		Budimex	Q2'19 earnings announcement
30-Aug		Capital Park	Q2'19 earnings announcement
30-Aug		Comarch	Q2'19 earnings announcement
30-Aug		Enea/LWB	Q2'19 earnings announcement
30-Aug		Pozbud	Q2'19 earnings announcement

Financial Sector

Alior Bank

buy (no change)

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We maintain a buy rating for Alior, with the target price intact at PLN 72.30. The risk of default by the troubled corporate borrower, ZM Kania, is expected to reflect on 2019 Q2 cost of risk as well as hiking the effective tax rate for the quarter since the corresponding provisioning is not tax-deductible. The additional risk reserves notwithstanding, Alior is set to report solid net interest income for Q2, supported by strong lending and recovering NIM. The earnings report, slated for 6 August, might be accompanied by a review of the Bank's medium-term targets, especially with regard to cost of risk, potentially raising questions about the quality of the remaining corporate loans. ALR stock might experience continued downward pressure in the near term as a result, even though its long-term prospects remain bright.

Current Price	45.64 PLN	Upside
9M Target Price	72.30 PLN	+58.4%

	rating	target price	issued
unchanged	buy	72.30 PLN	2019-07-03

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-8.1%	-5.7%
ISIN	PLALIOR00045	YTD Price Chng	-14.1%	-16.2%
Outst. Stock (m)	129.3	ADTV 1M		PLN 12.5m
MC (PLN m)	5,899.3	ADTV 6M		PLN 12.5m
		P/E 12M fwd	7.4	-42.6%
Free Float	74.8%	P/E 5Y avg	12.9	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,601	3,085	3,359	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	-1,234	-1,255	-1,249
Net income	515	713	716	924	1,073
P/E	11.4	8.3	8.2	6.4	5.5
P/B	0.9	0.9	0.8	0.7	0.6
ROE	8.0%	10.8%	10.4%	12.0%	12.3%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	2,841	3,085	3,359	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	1,234	1,255	1,249
Profits of associates	0	0	0	0	1
Pre-tax income	937	1,196	1,233	1,478	1,692
Tax	221	275	293	310	355
Minority interests	0	0	0	0	0
Asset tax	201	208	224	244	264
Net income	515	713	716	924	1,073

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	5,291	5,709	6,004
Minority interests	1	0	0	0	0
Equity	6,761	6,486	7,252	8,175	9,249

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%	2.0%	1.9%	1.7%
NPL Ratio	10.8%	10.6%	10.4%	10.2%	10.2%
Tier 1 Ratio	12.1%	12.8%	13.8%	14.5%	15.6%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	-8	0%
Value Driver (2021-35)	8,657	72%
Fade (2036-55)	2,126	18%
Terminal Value	1,298	11%
Fair Value	12,073	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	93.40	
9M Target Price (PLN)	99.36	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,920	60%
Explicit Forecast (2018-20)	1,234	11%
PV Adjustment	455	4%
Value Driver (2021-35)	2,889	25%
Fade (2036-55)	98	1%
Fair Value	11,596	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	89.72	
9M Target Price (PLN)	95.43	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	12,073
Economic Profits	50%	11,596
Fair Value Avg.		11,835
Fair Value Per Share (PLN)		91.56
Asset tax		-23.59
Fair Value Per Share		67.97
Cost of equity (9M)		6.4%
9M Target Price (PLN)		72.30

Handlowy accumulate (no change)

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We maintain an accumulate rating for Handlowy, with the price target intact at PLN 59.45. The 2019 Q2 charge-offs related to default risk by the corporate borrower ZM Kania (PLN 53m) should be partly offset by strong trading income, and NIM in the period is expected to have recovered as well after two quarters of declines. Thanks to a conservative lending policy, cost of risk in the corporate segment should normalize in H2 2019, and start converging toward zero. Finally, we believe that, with the new Business Strategy announced earlier this year, Handlowy can deliver our FY2019 net income forecast of PLN 517m once the improvements start to materialize in the second half of the year. From an investing standpoint, Handlowy offers a safe haven during a time when rivals trade under pressure from the looming ECJ ruling on FX mortgages.

Current Price	51.50 PLN	Upside
9M Target Price	59.45 PLN	+15.4%

	rating	target price	issued
unchanged	accumulate	59.45 PLN	2019-07-03

Key Metrics		BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-3.7%
ISIN	PLBH00000012	YTD Price Chng	-21.2%
Outst. Stock (m)	130.7	ADTV 1M	PLN 2.6m
MC (PLN m)	6,729.0	ADTV 6M	PLN 5.9m
		P/E 12M fwd	10.9
Free Float	25.0%	P/E 5Y avg	15.1
			discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,082	1,108	1,179	1,273	1,353
Total income	2,079	2,159	2,210	2,321	2,427
Costs	-1,192	-1,180	-1,267	-1,294	-1,319
Provisioning	-103	-64	-159	-84	-92
Net income	536	639	517	631	675
P/E	12.6	10.5	13.0	10.7	10.0
P/B	1.0	1.0	0.9	0.9	0.9
ROE	7.8%	9.1%	7.3%	8.9%	9.2%
DPS	4.60	4.10	3.74	4.22	3.62
DYield	8.9%	8.0%	7.3%	8.2%	7.0%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	1,082	1,108	1,179	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 (2020-21)	910	11%
PV Adjustment	26	0%
Value Driver (2022-36)	6,646	79%
Fade (2037-56)	705	8%
Terminal Value	156	2%
Fair Value	8,442	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	64.61	
9M Target Price (PLN)	68.73	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,537	100%
Explicit Forecast (2019-21)	-82	-1%
PV Adjustment	335	4%
Value Driver (2022-36)	-220	-3%
Fade (2037-56)	-24	0%
Fair Value	8,546	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	65.40	
9M Target Price (PLN)	69.57	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	8,442
Economic Profits	50%	8,546
Fair Value Avg.		8,494
Fair Value Per Share (PLN)		65.01
Asset tax		-9.13
Fair Value Per Share		55.88
Cost of equity (9M)		6.4%
9M Target Price (PLN)		59.45

ING BSK hold (upgraded)

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We upgrade ING BSK to hold after recent share price decline, with the price target unchanged at PLN 191.80. ING BSK generated higher-than-expected net income in Q2 2019, thanks mostly to more lucrative settlements with card companies, with the 2019 H2 bottom-line figure fulfilling 48% of our FY forecast and 49% of the consensus forecast, indicating potential for upward revisions. Analysts might feel reassured by ING BSK's recent cuts in deposit yields, but keep in mind that the Bank is facing possible loan default by two corporate borrowers, Polwax and Onico. Our valuation model for ING indicates the Bank should be traded at a higher premium to the sector than most of its peers, owing to minimal exposure to CHF loan risk, fast-paced growth, consistent dividends, and one of the region's highest ROE, expected to come in at 12.3% in 2019.

Current Price

189.80 PLN

Upside

9M Target Price

191.80 PLN

+1.1%

		rating	target price	issued
new		hold	191.80 PLN	2019-08-02
old		reduce	191.80 PLN	2019-07-03
Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-7.2%	-4.8%
ISIN	PLBSK0000017	YTD Price Chng	+7.5%	+5.5%
Outst. Stock (m)	130.1	ADTV 1M		PLN 1.6m
MC (PLN m)	24,693.0	ADTV 6M		PLN 1.6m
		P/E 12M fwd	13.6	-12.4%
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%
Forecast Update (% change)					
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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



Millennium buy (upgraded)

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We upgrade our call for Millennium from accumulate to buy after a 17% nosedive in July triggered by worriers over an unfavorable ECJ ruling on FX mortgage loans. Sentiment did not turn around even after the Bank reported a 17.7% earnings beat for Q2 2019, facilitated by low provisioning and, more importantly, by higher-than-expected interest income and fee income. The potential implications of the forthcoming ECJ ruling still very much loom over Millennium with its current portfolio of FX mortgage loans worth close to PLN 14bn which can potentially unleash a barrage of lawsuits if the EU court rules against banks. On the other hand, a favorable ruling could give a bump to MIL stock of as much as 32%.

Current Price

7.51 PLN

Upside

9M Target Price

10.00 PLN

+33.2%

	rating	target price	issued
new	buy	10.00 PLN	2019-08-02
old	accumulate	10.00 PLN	2019-02-01
Key Metrics			
			MIL PW vs. WIG
Ticker	MIL PW	1M Price Chng	-20.5% -18.1%
ISIN	PLBIG0000016	YTD Price Chng	-15.3% -17.4%
Outst. Stock (m)	1,213.1	ADTV 1M	PLN 8.4m
MC (PLN m)	9,110.5	ADTV 6M	PLN 6.1m
		P/E 12M fwd	10.4 -18.1%
Free Float	50.0%	P/E 5Y avg	12.7 discount

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	13.4	12.4	12.4	8.9	8.0
P/B	1.2	1.1	1.0	0.9	0.8
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%
Forecast Update (% change)					
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

Pekao buy (upgraded)

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We upgrade our call on Pekao to buy, but at the same time we adjust our target price for dividend at PLN 119.75. Pekao is a safe haven amidst the current regulatory pressures in Poland. The Bank is not likely to deliver more than 35% of our FY estimate in H1 2019, when, however, it had to come through with the usual yearly taxes and charges and set aside a downsizing reserve. These charges will not recur in H2, and we maintain Pekao can fulfill our PLN 2,282m forecast this year, and offer dividend yield of 6.3% next year. PEO is trading at 5% and 2.5% discounts, respectively, to the 2020E and 2021E P/E multiples of its peers, as well as showing respective discounts of 4% each to the ratios of rival PKO BP. Aside from attractive valuation, investors should keep in mind that Pekao does not carry CHF-denominated mortgages on its books.

Current Price

99.88 PLN

Upside

9M Target Price

119.75 PLN

+19.9%

	rating	target price	issued
new	buy	119.75 PLN	2019-08-02
old	accumulate	121.00 PLN	2019-07-03
Key Metrics		PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-5.8% -3.4%
ISIN	PLPEKAO000016	YTD Price Chng	-2.5% -4.5%
Outst. Stock (m)	262.5	ADTV 1M	PLN 56.2m
MC (PLN m)	26,215.5	ADTV 6M	PLN 65.2m
		P/E 12M fwd	10.5 -30.1%
Free Float	67.2%	P/E 5Y avg	15.0 discount

Earnings Projections

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	10.6	11.5	11.5	10.0	9.5
P/B	1.1	1.1	1.1	1.1	1.0
ROE	10.7%	9.9%	9.9%	10.9%	11.2%
DPS	8.68	7.90	6.60	6.52	7.46
DYield	8.7%	7.9%	6.6%	6.5%	7.5%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	4,593	4,994	5,493	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 (2019-21)	3,240	8%
PV Adjustment	171	0%
Value Driver (2022-36)	24,898	65%
Fade (2037-56)	7,385	19%
Terminal Value	2,661	7%
Fair Value	38,354	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	146.21	
9M Target Price (PLN)	155.53	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,966	65%
Explicit Forecast (2019-21)	2,662	7%
PV Adjustment	1,785	5%
Value Driver (2022-36)	8,165	21%
Fade (2037-56)	996	3%
Fair Value	38,574	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	146.96	
9M Target Price (PLN)	156.33	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	38,354
Economic Profits	50%	38,574
Fair Value Avg.		38,464
Fair Value Per Share (PLN)		146.59
Asset tax		-34.01
Fair Value Per Share		112.58
Cost of equity (9M)		6.4%
9M Target Price (PLN)		119.75

PKO BP buy (upgraded)

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We upgrade PKO BP from accumulate to buy after a share price slump in July. PKO BP delivered superior-quality earnings at or above market expectations for nine quarters straight through Q1 2019, and we expect that this momentum continued in Q2. Not counting a PLN 55m one-time gain on the bargain acquisition of PCM, the quarterly profits were driven by increasing interest margins and consumer lending, with the bottom-line figure potentially reaching a record PLN 1,202m. PKO has the solvency ratios to make extra shareholder distributions from retained earnings, and we believe it will do that in 2020 and the following year, especially considering the state's plans to form a national capital investment vehicle with funding provided in the form of dividends from state-owned companies. When it comes to the eagerly-awaited ECJ ruling on FX mortgages, it applies to just about 10% of PKO's FX loans since the remaining 90% are denominated in, not indexed to, the Swiss franc.

Current Price	39.34 PLN	Upside
9M Target Price	47.17 PLN	+19.9%

	rating	target price	issued	
new	buy	47.17 PLN	2019-08-02	
old	accumulate	47.17 PLN	2019-06-26	
Key Metrics			PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-5.2%	-2.7%
ISIN	PLPKO0000016	YTD Price Chng	+3.1%	+1.1%
Outst. Stock (m)	1,250.0	ADTV 1M		PLN 109.9m
MC (PLN m)	49,175.0	ADTV 6M		PLN 88.1m
		P/E 12M fwd	11.3	-13.4%
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	10,290	10,975	11,616
Total income	12,803	13,660	14,643	15,389	16,159
Costs	-6,050	6,218	-6,421	-6,553	-6,731
Provisioning	-1,617	-1,451	-1,455	-1,737	-1,876
Net income	3,104	3,741	4,409	4,551	4,833
P/E	15.8	13.1	11.2	10.8	10.2
P/B	1.4	1.3	1.2	1.1	1.1
ROE	9.0%	9.9%	10.9%	10.7%	11.0%
DPS	0.00	0.55	1.33	3.10	3.75
DYield	0.0%	1.4%	3.4%	7.9%	9.5%
Forecast 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	8,606	9,353	10,290	10,975	11,616
Fee income	2,969	3,013	2,997	3,079	3,157
Trading income	518	664	758	706	727
Other income	733	630	599	628	660
Noninterest income	4,220	4,307	4,354	4,414	4,543
Total income	12,826	13,660	14,643	15,389	16,159
Operating expenses	6,050	6,218	6,421	6,553	6,731
Operating income	6,776	7,442	8,222	8,836	9,427
Provisioning	1,617	1,451	1,455	1,737	1,876
Profits of associates	22	37	39	41	43
Pre-tax income	5,181	6,028	6,866	7,140	7,594
Tax	-1,140	-1,336	-1,442	-1,499	-1,595
Minority interests	-5	-1	-1	-1	-1
Asset tax	932	950	1,014	1,089	1,165
Net income	3,104	3,741	4,409	4,551	4,833

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	8,686	12%
PV Adjustment	4,144	6%
Value Driver (2021-35)	44,455	64%
Fade (2036-55)	10,418	15%
Terminal Value	2,059	3%
Fair Value	69,762	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	55.81	
9M Target Price (PLN)	59.37	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	42,477	62%
Explicit Forecast (2018-20)	4,639	7%
PV Adjustment	2,539	4%
Value Driver (2021-35)	14,878	22%
Fade (2036-55)	3,569	5%
Fair Value	68,102	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	54.48	
9M Target Price (PLN)	57.95	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	69,762
Economic Profits	50%	68,102
Fair Value Avg.		68,932
Fair Value Per Share (PLN)		55.15
Asset tax		-10.80
Fair Value Per Share		44.34
Cost of equity (9M)		6.4%
9M Target Price (PLN)		47.17

Santander Bank Polska hold (upgraded)

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We upgrade SPL from reduce to hold after a July sell-off. The Bank will probably not fulfill the current expectations of analysts looking at the results for the first half of the year, even after a likely rebound in interest margins (the Bank is aiming for 34bp growth, but we think 16bps is a more realistic goal), coupled with a reduction in cost of risk. Further, looking at Santander's estimates with respect to DB merger synergies, we find that our costs forecast for 2020 is probably too optimistic; we expect to see operating costs cut by PLN 229m in 2020, of which PLN 149m thanks to downsizing and PLN 50m stemming from cost synergies. Last but not least, as of 30 June 2019 Santander's CHF mortgage exposure approximated PLN 10.1bn, of which 80% were loans indexed to the Swiss franc of the kind affected by the forthcoming ECJ ruling.

Current Price	319.60 PLN	Upside
9M Target Price	337.00 PLN	+5.4%

	rating	target price	issued
new	hold	337.00 PLN	2019-08-02
old	reduce	337.00 PLN	2019-07-12
Key Metrics		SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-13.6%
ISIN	PLBZ000000044	YTD Price Chng	-5.6%
Outst. Stock (m)	102.1	ADTV 1M	PLN 17.3m
MC (PLN m)	32,627.4	ADTV 6M	PLN 19.0m
		P/E 12M fwd	12.3
Free Float	31.7%	P/E 5Y avg	14.4

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	5,277	5,742	6,716	7,260	7,654
Total income	7,764	8,296	9,382	10,019	10,499
Costs	-3,372	-3,769	-4,229	-4,020	-4,059
Provisioning	-690	-1,085	-1,172	-1,338	-1,443
Net income	2,213	2,365	2,352	2,865	3,099
P/E	14.3	13.6	13.9	11.4	10.5
P/B	1.4	1.3	1.3	1.2	1.1
ROE	10.6%	10.1%	9.3%	10.9%	11.0%
DPS	5.40	3.10	19.72	11.52	14.03
DYield	1.7%	1.0%	6.2%	3.6%	4.4%
Forecast 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	6,716	7,260	7,654
Fee income	2,013	2,058	2,132	2,215	2,291
Trading income	323	282	395	399	403
Other income	151	214	139	145	150
Noninterest income	2,487	2,554	2,666	2,759	2,845
Total income	7,764	8,296	9,382	10,019	10,499
Operating expenses	3,372	3,769	4,229	4,020	4,059
Operating income	4,391	4,527	5,153	5,999	6,440
Provisioning	690	1,085	1,172	1,338	1,443
Profits of associates	58	63	63	63	63
Pre-tax income	3,759	3,892	4,044	4,724	5,059
Tax	817	727	813	949	1,017
Minority interests	-305	-334	-297	-292	-296
Asset tax	-424	-466	-581	-618	-648
Net income	2,213	2,365	2,352	2,865	3,099

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	2,301	6%
PV Adjustment	215	1%
Value Driver (2022-36)	26,823	70%
Fade (2037-56)	7,519	19%
Terminal Value	1,707	4%
Fair Value	38,564	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	388.62	
9M Target Price (PLN)	413.39	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,751	64%
Explicit Forecast (2019-21)	3,005	8%
PV Adjustment	1,622	4%
Value Driver (2022-36)	8,000	21%
Fade (2037-56)	1,444	4%
Fair Value	38,822	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	391.22	
9M Target Price (PLN)	416.16	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	38,564
Economic Profits	50%	38,822
Fair Value Avg.		38,693
Fair Value Per Share (PLN)		389.92
Asset tax		-73.11
Fair Value Per Share		316.80
Cost of equity (9M)		6.4%
9M Target Price (PLN)		337.00

Komercni Banka accumualte (downgraded)

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We downgrade Komercni from buy to accumulate to reflect the July share price rise. Komercni's ratings are supported by recent shifts in the political landscape, including the minimized odds of additional taxes on assets and dividends, and the low risk of the National Development Fund being set up in the Czech Republic negatively impacting the profits of local banks. The Fund has a planned initial capital of CZK 7bn, to be contributed in 2020 by the country's four biggest banks (CS, CSOB, KB, UniCredit), and possibly topped up by smaller banks. The contributions are considered an investment which will be recognized in equity without affecting P&Ls. Komercni itself is guiding for higher interest income this year, alongside loan growth in the mid-single digits. The increase in the anti-cyclical buffer by 25bp from July and another 25bp in January 2020 should not affect the Bank's ability to meet all the solvency requirements. Supported by high ROE (>14% compared to 10% expected of Polish banks), we expect Komercni to offer dividend yields close to 6% in the next two years

Current Price	872.00 CZK	Upside
9M Target Price	1,000.00 CZK	+14.7%

	rating	target price	issued
new	accumulate	1,000.00 CZK	2019-08-02
old	buy	1,000.00 CZK	2019-05-09
Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	-2.0% +0.4%
ISIN	CZ0008019106	YTD Price Chng	+9.5% +7.5%
Outst. Stock (m)	188.9	ADTV 1M	CZK 73.0m
MC (CZK bn)	164.7	ADTV 6M	CZK 107.0m
		P/E 12M fwd	11.1 -18.2%
Free Float	39.6%	P/E 5Y avg	13.6 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%
Forecast Update (% change)			2019P	2020P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

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

Erste Bank buy (no change)

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We maintain a buy rating for Erste Bank, which fulfilled 49% of our FY2019 net income forecast in H1 after achieving higher-than-expected earnings, and which is guiding for improvement in H2, leading us to expect an 11% upward revision to the current consensus estimate for FY2019. Erste has also promised to raise dividends in 2020 to EUR 1.50 per share, implying dividend yield over 4%. The Bank has reiterated its FY2019 guidance, which puts target ROTE above 11% (assuming an effective tax rate below 20%), assumes revenues will increase faster than costs, and aims to grow the loan portfolio in the mid-single digits. At the same time, the 2019 cost-of-risk guidance has been reduced from the 10-20bp range to 10bp or less. As a result, Erste is the most-attractively priced rated CEE bank at the current level.

Current Price

31.71 EUR

Upside

9M Target Price

43.72 EUR

+37.9%

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

Key Metrics			EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	-3.1%	-0.6%
ISIN	AT0000652011	YTD Price Chng	+14.7%	+12.6%
Outst. Stock (m)	429.8	ADTV 1M		EUR 20.0m
MC (EUR m)	13,629.0	ADTV 6M		EUR 24.7m
		P/E 12M fwd	8.9	-18.5%
Free Float	69.5%	P/E 5Y avg	10.9	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	3.2%	3.8%	4.4%	4.6%
Forecast Update (% change)			2019P	2020P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

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

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV	P/B
			2018	2019P	2020P	2018	2019P	2020P	2018	2018
Austria	7,422	17.27	645	567	599	11.5	13.1	12.4	4,283	1.7
Savings Banks	501	1.17	54	67	72	3.4	7.4	7.0	2,763	0.2
Erste Oesterreich	4,245	9.88	278	301	321	17.5	14.1	13.2	1,520	2.8
Other Austria	2,675	6.22	313	199	206	10.4	13.4	13.0	1,873	1.4
CEE	15,543	36.16	1,270	1,162	1,214	12.0	13.4	12.8	6,555	2.4
Czech Republic	8,631	20.08	583	608	626	13.9	14.2	13.8	2,489	3.5
Romania	1,199	2.79	220	90	92	5.2	13.3	13.1	1,334	0.9
Slovakia	3,153	7.34	189	219	246	16.3	14.4	12.8	950	3.3
Hungary	1,550	3.61	167	128	134	10.8	12.1	11.6	823	1.9
Croatia	753	1.75	96	103	101	7.5	7.3	7.5	758	1.0
Serbia	256	0.60	16	13	16	28.6	19.3	16.1	202	1.3
Other	-5,063	-11.78	-122	-230	-205	27.2	22.0	24.7	1,440	-3.5
Total Erste Group	17,901	41.65								

Valuation Summary

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

OTP Bank hold (downgraded)

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We downgrade OTP Bank two notches to hold after a July rally. Our outlook for OTP assumes more value-generating M&A activity in the year ahead, such as the recent deal to buy the fourth-largest bank in Montenegro and the completed acquisition of Abanka in Slovenia. Despite higher cost of risk, acquisitions like this should continue to drive earnings momentum in 2020 and beyond. On the risks side, synergies from the acquisitions may take longer to achieve if there is a sudden sharp decline in economic growth in Europe. Earnings in 2019 will probably show flat growth relative to 2018, however they might come out higher than currently forecast by analysts and us, with 2019 net income potentially fulfilling 54% of the current forecast. At the same time, we expect 2019 ROE to reach 16%, a level unattainable by any other bank in our coverage universe, and a forecast consistent with the Bank's own >15% guidance. Note that OTP Bank wants to increase dividends or share buyback allocations after it finishes the M&A push.

Current Price	12,080.00 HUF	Upside
9M Target Price	13,046.00 HUF	+8.0%

	rating	target price	issued
new	hold	13,046.00 HUF	2019-08-02
old	buy	13,046.00 HUF	2019-07-03
Key Metrics		OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	+4.0% +6.4%
ISIN	HU00000061726	YTD Price Chng	+9.1% +7.1%
Outst. Stock (m)	267.0	ADTV 1M	HUF 5.2bn
MC (HUF bn)	3,225.8	ADTV 6M	HUF 5.2bn
		P/E 12M fwd	9.1 -12.6%
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	10.0	10.0	9.5
P/B	2.0	1.8	1.4	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%	2.5%
Forecast Update (% change)			2019P	2020P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Financial Highlights

(HUF bn)	2016	2017	2018	2019P	2020P
Net interest income	522	547	600	675	700
Fee income	176	209	221	243	250
Other income	40	53	65	74	77
Total income	738	809	886	992	1,028
Operating expenses	400	442	497	520	528
Operating income	338	367	389	472	500
Provisioning	93	46	26	93	100
Pre-tax income	245	321	363	379	400
Tax	44	37	37	46	47
Net income	201	284	325	334	353
Asset impairment	12	-6	-5	0	0
Asset tax	-14	-15	-15	-17	-17
Other	6	15	0	0	1
Minority interests	-3	0	0	5	4
Net income	202	281	318	322	341

Key Balance Sheet Figures

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

Key Ratios

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

SOTP Valuation

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

Valuation Summary

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

PZU

hold (no change)

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We maintain a hold rating for PZU with an unchanged target price. The Insurer is expected to report growth in gross written premiums (+2% Q/Q) and net earned premiums (+2.3%) in Q2 2019, accompanied by a 2.2% rise relative to the year-ago period in average weather-driven claims. The quarterly investment income will be strong at a projected PLN 446m, while contributions from subsidiary banks will most likely be weak due to one-time charges. Our current forecasts for PZU assume growth in gross written premiums at an annual rate of 2.1% in 2019 and 2.2% in 2020, accompanied by a 3% average rise in claims. Based on 2019 earnings estimates, the Insurer should offer 2020 dividend yield greater than 6%, one of the highest yields in the Polish financial sector. This provided there is no increase in claims. In 2018 PZU reported an extremely low combined ratio owing to a lack of major catastrophic events, but this is not sustainable over a longer term given the increasing size of an average claim under auto insurance policies and the weather events seen in 2019, which have included flooding and drought, heat waves, and heavy storms.

Current Price	40.99 PLN	Upside
9M Target Price	43.38 PLN	+5.8%

	rating	target price	issued
unchanged	hold	43.38 PLN	2019-07-03

Key Metrics	PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng -4.7% -2.3%
ISIN	PLPZU0000011	YTD Price Chng -6.6% -8.7%
Outst. Stock (m)	863.5	ADTV 1M PLN 79.8m
MC (PLN m)	35,395.8	ADTV 6M PLN 66.9m
		P/E 12M fwd 10.7 -11.6%
Free Float	64.8%	P/E 5Y avg 12.1 discount

Earnings Projections

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	12.2	11.0	10.9	10.3	10.1
P/B	2.4	2.4	2.3	2.3	2.3
ROE	21.1%	21.7%	21.8%	22.5%	22.6%
DPS	1.40	2.70	2.98	3.01	3.18
DYield	3.4%	6.6%	7.3%	7.3%	7.8%
Forecast 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 prem	22,847	23,290	23,962	24,486	25,035
Net earned premiums	21,354	22,222	22,793	23,327	23,836
Claims & benefits	-14,941	-14,607	-15,108	-15,432	-15,771
Net inv. income	1,895	1,020	924	918	836
Acquisition costs	-2,901	-3,081	-3,292	-3,384	-3,479
Admin expenses	-1,614	-1,589	-1,664	-1,705	-1,746
Other oper. rev/exp	-774	-1,354	-874	-867	-862
Banking income	2,439	3,971	4,635	5,158	5,618
Operating income	5,458	6,820	7,414	8,015	8,431
Financing costs	0	0	0	0	0
Subsidiaries	-1	-1	16	-1	0
Pre-tax income	5,457	6,836	7,430	8,014	8,431
Tax	-1,289	-1,631	-1,770	-1,913	-2,012
Minority interest	1,290	2,155	2,397	2,669	2,908
Net income	2,878	3,203	3,263	3,432	3,511

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Ex. Banks

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

SOTP Valuation

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

Kruk buy (no change)

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We maintain a buy rating for Kruk. The Debt Collector registers solid collections on existing portfolios, and pays lower prices for new portfolios. Collections in Romania and Poland are on the rise, and the recovery rate on Italian portfolios is also improving. Kruk expects higher returns on newly-acquired portfolios than on receivables purchased in the two years prior. The financials for Q2 2019 will be supported by favorable EURRON movements. The 2019 H1 bottom-line figure is expected to fulfil 58% of our FY forecast. The outlook for H2 depends on the rate of improvement in recoveries on Italian portfolios, but we have to wait until the September earnings conference for an update on the Italian business. Kruk's near-term performance is affected by the planned anti-usury law and its likely passage before the October parliamentary elections. On the other hand, it is worth noting the decreasing short positions in the debt collection sector and the positive business outlook reported by companies.

Current Price	184.00 PLN	Upside
9M Target Price	213.65 PLN	+16.1%

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

Key Metrics			KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	+2.8%	+5.2%
ISIN	PLKRK0000010	YTD Price Chng	+21.3%	+19.3%
Outst. Stock (m)	18.9	ADTV 1M		PLN 4.0m
MC (PLN m)	3,475.2	ADTV 6M		PLN 8.2m
		P/E 12M fwd	10.1	-23.9%
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	1,257	1,276	1,294
Purchased debt	972	1,070	1,161	1,177	1,193
Collections	59	67	70	72	73
Total costs	-148	-161	-176	-179	-181
Net income	295	330	336	342	343
P/E	11.7	10.5	10.3	10.2	10.1
P/B	2.4	2.0	1.8	1.7	1.6
ROE	21.9%	20.7%	18.5%	17.2%	15.9%
DPS	5.76	5.00	5.00	8.90	9.06
DYield	3.1%	2.7%	2.7%	4.8%	4.9%
Forecast Update (% change)			2019P	2020P	2021P
Purchased debt portfoliois			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

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 (no change)

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We maintain a buy rating for Skarbiec Holding. Skarbiec is expected to report solid success fees for Q2 2019, mitigating the decline in management fees on reduced AuM. We expect that the Company's market will expand at an average annual rate of 6.5% over the next five years. Skarbiec is no longer aiming to have PLN 8 billion of AUM by the end of 2020. Our expectation is for AUM growth at an average annual rate of 5.5%, supported by receipts of an estimated PLN 550m in FY2019/2020 after the launch of Poland's new nationwide retirement savings plan, PPK (assuming Skarbiec applies to be among the PPK state-picked asset managers). The downside of this will be a possible cut in dividends; the PPK legislation requires managers to have at least PLN 25m in equity, which would limit Skarbiec's dividend-paying capacity to about PLN 12m. The actual payout will probably be closer to PLN 10m (with DPS @ PLN 1.47 & DYield @9%), followed by normalized distributions of about 100% of annual net earnings (implying avg. DYield of 20% in the next nine years). The continuing uncertainty as to Skarbiec's ownership might affect the Company's relationships with fund distributors.

Current Price

17.90 PLN

Upside

9M Target Price

28.17 PLN

+57.4%

	rating	target price	issued
unchanged	buy	28.17 PLN	2019-06-03

Key Metrics		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+1.4%
ISIN	PLSKRBH00014	YTD Price Chng	-15.2%
Outst. Stock (m)	6.8	ADTV 1M	-17.2%
MC (PLN m)	122.1	ADTV 6M	PLN 0.0m
		P/E 12M fwd	6.0
Free Float	25.4%	P/E 5Y avg	-17.3%
			7.3 discount

Earnings Projections

(PLN m)	2017	2018P	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	6.2	5.1	6.1	5.3	5.6
P/B	1.2	1.3	1.2	1.1	1.1
ROE	19.3%	24.2%	19.7%	21.6%	20.3%
DPS	2.62	4.45	1.47	3.22	3.15
DYield	14.6%	24.8%	8.2%	18.0%	17.6%
Forecast Update (% change)		2018P	2019P	2020P	
Management fees		0.0%	0.0%	0.0%	
Success fees		0.0%	0.0%	0.0%	
Revenue		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	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

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



Chemicals

Ciech

hold (no change)

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Ciech stock has been in decline since March despite prospects of a rebound in demand for soda ash, potentially resulting in higher prices. The reasons for the underperformance include planned capital investment in 2019 and 2020 to improve production efficiency, with no dividends coming in 2020, combined with weak results for Q1 2019 and a likelihood of fines following tax audits. On top of that, in June, the process steam supplier to Ciech's Romanian unit had to suspend delivery due to a force majeure event, and the resulting drop in the unit's output might affect the 2019 H2 results of the Ciech group. Further, there is a risk of low river levels in Europe after a heat wave in June which might disrupt the operations of the German unit Soda Deutschland. When it comes to financial results for Q2 2019, a likely lack of improvement in year-over-year growth might trigger downward revisions to analysts' expectations for the whole year. We maintain a hold rating for CIE.

Current Price

38.40 PLN

Upside

9M Target Price

41.72 PLN

+8.6%

	rating	target price	issued
unchanged	hold	41.72 PLN	2019-07-03

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-7.5%	-5.0%
ISIN	PLCIECH00018	YTD Price Chng	-13.3%	-15.4%
Outst. Stock (m)	52.7	ADTV 1M		PLN 3.2m
MC (PLN m)	2,023.7	ADTV 6M		PLN 3.4m
EV (PLN m)	3,533.7	EV/EBITDA 12M fwd	5.0	-17.7%
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	3,805	3,844	4,172
EBITDA adj.	808	633	690	725	715
EBITDA margin	22.6%	17.2%	18.1%	18.9%	17.1%
EBIT adj.	564	358	400	386	371
Net income adj.	373	166	267	255	243
P/E adj.	5.4	12.2	7.6	7.9	8.3
P/B	0.9	1.0	0.9	0.8	0.8
EV/EBITDA adj.	3.6	5.5	5.1	5.1	5.0
DPS	0.00	7.50	0.00	1.01	2.42
DYield	0.0%	19.5%	0.0%	2.6%	6.3%

Forecast Update (% change)	2019P	2020P	2021P
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%
Soda price (US \$/t)	0.0%	0.0%	0.0%
Soda Ciech (PLN/t)	0.0%	0.0%	0.0%
Soda vol (1,000t)	0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)	0.0%	0.0%	0.0%
Coking Coal price (\$/t)	0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA. Soda Div.	704	540	549	572	554
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	283	246
Operating cash flow	629	454	559	651	627
D&A	244	275	291	339	344
Working capital	-66	-97	-58	-2	-20
Investing cash flow	-389	-627	-545	-678	-331
CAPEX	402	595	545	678	331
Financing cash flow	-164	-125	-160	-14	-288
Dividends/Buyback	0	-395	0	-53	-127
FCF	234	-170	15	-26	298
FCF/EBITDA	28%	-26%	2%	-4%	42%
OCF/EBITDA	75%	69%	81%	90%	88%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	4,644	4,831	5,030	5,340	5,435
Fixed assets	3,205	3,559	3,813	4,154	4,142
Equity	2,188	1,970	2,236	2,438	2,554
Minority interests	-3	0	0	0	0
Net debt	865	1,464	1,510	1,651	1,543
Net debt/EBITDA (x)	1.0	2.2	2.2	2.3	2.2
Net debt/Equity (x)	0.4	0.7	0.7	0.7	0.6

Relative Valuation Summary

	19P	P/E	20P	21P	19P	EV/EBITDA	20P	21P
Minimum	4.2	4.3	4.0	5.2	4.1	3.5		
Maximum	27.3	19.6	17.3	15.1	12.8	11.6		
Median	11.1	10.9	10.1	6.6	5.5	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)	269	278	277	277	277	277	277	277	277	277	277
Soda Price (PLN/t)	881.1	892.8	892.8	892.8	892.8	892.8	892.8	892.8	892.8	892.8	892.8
Soda vol (1000t)	2,115	2,020	2,250	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,301
Revenue	3,805	3,844	4,172	4,271	4,304	4,330	4,347	4,365	4,383	4,401	4,421
EBITDA	690	725	715	710	708	701	688	675	661	648	634
EBITDA margin	18.1%	18.9%	17.1%	16.6%	16.5%	16.2%	15.8%	15.5%	15.1%	14.7%	14.3%
EBIT	400	386	371	377	379	364	343	322	302	283	266
Tax	73	69	66	68	69	67	63	58	54	51	47
CAPEX	-545	-678	-331	-313	-319	-332	-340	-348	-356	-363	-368
Working capital	-58	-2	-20	-6	-2	-2	-1	-1	-1	-1	-1
FCF	15	-26	298	323	317	301	284	267	250	233	218
PV FCF	15	-23	252	255	234	206	182	159	139	121	
WACC	7.0%	6.9%	6.9%	7.0%	7.0%	7.1%	7.1%	7.1%	7.2%	7.2%	7.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,540
Net debt	1,464
Other adj.	-201
Value per share (PLN)	38.60

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	40.32
DCF Val.	50%	38.60
Implied Price		39.46
Cost of equity (9M)		6.3%
9M Target Price		41.72

Grupa Azoty hold (downgraded)

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Azoty's 2019 Q2 results should reflect the decline in prices of natural gas observed in the period, accompanied by slower falls in local market prices of fertilizers. After a strong second quarter, given that fertilizer inventories currently held by distributors are 20% lower than this time last year, and considering the potential hikes in UAN import duties in H2'19, analysts might raise their FY2019 EBITDA forecasts above PLN 1.5bn from the current consensus forecast of PLN 1.35bn. Azoty's performance is additionally supported by the onboarding of new investors for the PDH project. Higher earnings and lower capital spend indicate potential for a reduction in the net debt/EBITDA ratio to about 1.6x at the end of 2019, with positive effects on risk perception by investors. We downgrade ATT from accumulate to hold after the recent share price gains, with the target price unchanged at PLN 45.93 per share.

Current Price

42.30 PLN

Upside

9M Target Price

45.93 PLN

+8.6%

	rating	target price	issued
new	hold	45.93 PLN	2019-08-02
old	accumulate	45.93 PLN	2019-07-03
Key Metrics		ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	+1.2% +3.7%
ISIN	PLZATRM00012	YTD Price Chng	+35.7% +33.6%
Outst. Stock (m)	99.2	ADTV 1M	PLN 2.6m
MC (PLN m)	4,196.0	ADTV 6M	PLN 4.2m
EV (PLN m)	7,392.9	EV/EBITDA 12M fwd	5.1 -21.2%
Free Float	29.0%	EV/EBITDA 5Y avg	6.4 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,617	9,999	12,483	12,425	12,751
EBITDA adj.	1,262	805	1,560	1,119	1,131
EBITDA margin	13.1%	8.1%	12.5%	9.0%	8.9%
EBIT adj.	672	122	810	376	401
Net income adj.	550	43	554	218	217
P/E adj.	7.6	98.4	7.6	19.2	19.4
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA adj.	4.1	8.8	4.7	7.6	8.7
DPS	0.79	1.20	0.00	0.00	0.66
DYield	1.9%	2.8%	0.0%	0.0%	1.6%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Urea price (PLN/t)		0.0%	0.0%	0.0%	
Ammonium Nitrate price (PLN/t)		0.0%	0.0%	0.0%	
Natural Gas price (PLN/m3)		0.0%	0.0%	0.0%	
Melamine (PLN/t)		0.0%	0.0%	0.0%	
Polyamide 6 (PLN/t)		0.0%	0.0%	0.0%	
Propylene (PLN/t)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA, Fertilizers	484	82	889	549	570
EBITDA, Plastics	221	192	183	171	147
EBITDA, Chemicals	348	282	295	232	241
EBITDA, Energy	0.0	0.0	127.0	121.3	124.4
EBITDA, Other	134	208	66	47	48
Operating cash flow	1,087	1,043	1,225	1,087	1,082
D&A	590	683	751	743	731
Working capital	13	155	-230	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	-118	481	1,086
Dividends/Buyback	-78	-119	0	0	-66
FCF	49	-1,158	-189	-965	-1,126
FCF/EBITDA	4%	-151%	-12%	-86%	-100%
OCF/EBITDA	92%	136%	79%	97%	96%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Urea price (PLN/t)	1,627	1,568	1,607	1,606	1,604	1,603	1,601	1,600	1,599	1,597	1,606
AN price (PLN/t)	1,369	1,324	1,363	1,361	1,360	1,358	1,357	1,356	1,354	1,353	1,360
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	12,483	12,425	12,751	13,647	14,628	14,898	15,121	15,275	15,432	15,523	15,671
EBITDA	1,560	1,119	1,131	1,474	1,616	1,680	1,653	1,645	1,632	1,615	1,630
EBITDA margin	12.5%	9.0%	8.9%	10.8%	11.0%	11.3%	10.9%	10.8%	10.6%	10.4%	10.4%
EBIT	810	376	401	522	663	737	749	770	755	723	738
Tax	133	47	43	48	63	81	87	94	93	88	92
CAPEX	-1,387	-2,040	-2,199	-844	-572	-619	-660	-814	-832	-878	-892
Working capital	-230	3	-14	-39	-43	-12	-10	-7	-7	-4	-6
FCF	-189	-965	-1,126	543	938	968	896	731	701	645	641
PV FCF	-183	-877	-967	436	702	675	581	441	394	337	
WACC	6.9%	6.6%	6.3%	6.5%	6.7%	6.8%	6.9%	7.0%	7.0%	7.1%	7.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	11,738	14,160	14,775	15,588	17,122
Fixed assets	8,070	9,886	10,553	11,855	13,330
Equity	6,856	6,703	7,254	7,472	7,624
Minority interests	588	625	652	659	667
Net debt	367	2,226	2,545	3,618	4,949
Net debt/EBITDA (x)	0.3	2.9	1.6	3.2	4.4
Net debt/Equity (x)	0.1	0.3	0.4	0.5	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.1	8.6	6.3	5.9	5.4	4.8
Maximum	24.7	17.9	15.4	10.3	8.9	8.2
Median	13.6	10.5	8.9	7.5	6.9	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	8,035
Net debt	2,226
Other adjustments	-625
Value per share (PLN)	52.26

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	34.16
DCF Val.	50%	52.26
Implied Price		43.21
Cost of equity (9M)		6.3%
9M Target Price		45.93

Oil & Gas

Lotos

sell (reiterated)

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Our updated outlook on oil prices and refining margins has prompted us to raise our 2019 EBITDA LIFO estimate for Lotos by close to 7%, and upgrade the net profit forecasts for 2020-21 to reflect positive LIFO effects. Consequently, we raise our target price for the refiner from PLN 65.95 to 72.31, but we maintain a sell rating for the stock. With global fuel supply curbed by the closure of a major refinery in the US, combined with low levels on the River Rhine, the near-term outlook for EU refiners look good. At the same time, low prices of natural gas, while cutting into the profitability of the E&P business, are boosting the bottom line of the downstream business through lower costs. In the longer term, however, Lotos still faces deteriorating macro conditions due to increasing global refinery capacity, plus it might not live up to the high earnings expectations for 2020 after the launch of the DCU installation and the implementation of IMO restrictions. Moreover, Lotos is starting to talk about possible investment in petrochemical capacity. Finally, the market is still waiting for details of the forthcoming takeover bid by PKN Orlen.

Current Price

88.66 PLN

Downside

9M Target Price

72.31 PLN

-18.4%

	rating	target price	issued
new	sell	72.31 PLN	2019-08-02
old	sell	65.95 PLN	2019-06-03

Key Metrics		LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+8.1% +10.5%
ISIN	PLLOTOS00025	YTD Price Chng	+0.2% -1.9%
Outst. Stock (m)	184.9	ADTV 1M	PLN 18.5m
MC (PLN m)	16,390.9	ADTV 6M	PLN 26.2m
EV (PLN m)	19,322.0	EV/EBITDA 12M fwd	4.9 -14.4%
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	27,325	27,786	29,963
EBITDA	3,073	3,704	2,804	3,169	3,549
EBITDA margin	12.7%	12.3%	10.3%	11.4%	11.8%
EBIT	2,229	2,981	1,921	2,176	2,469
Net income	1,672	1,587	1,215	1,317	1,444
P/E	9.8	10.3	13.5	12.4	11.4
P/B	1.5	1.4	1.3	1.2	1.1
EV/EBITDA	6.1	4.9	6.9	5.8	5.0
DPS	1.00	1.00	3.00	1.97	2.14
DYield	1.1%	1.1%	3.4%	2.2%	2.4%

Forecast Update (% change)	2019P	2020P	2021P
LIFO EBITDA	+6.6%	-0.8%	+0.9%
Net income	+8.2%	+7.9%	+9.3%
Price of Brent crude (\$/bbl)	-7.1%	-6.7%	0.0%
Margin+Urals/Brent price differ. (\$/b)	+5.2%	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	2,844	3,119	3,438
Upstream (US)	863	917	651	956	1,377
Downstream (DS)	2,058	2,022	1,988	1,954	1,848
Retail	139	181	204	210	214
EV/ LIFO EBITDA (adj.)	6.1	5.8	6.7	5.8	5.1
LIFO effect	171	500	-40	50	111
Other one-offs	-148	78	0	0	0
Financing activity	219	-259	-139	-142	-110
Crude thrghpt (mmt)	9.6	10.8	10.4	10.2	10.2
\$ LIFO EBITDA/bbl, DS	7.7	7.1	7.0	7.3	6.9
PLN EBITDA/tonne, Retail	119	144	130	132	135
\$ EBITDA/boe, US	26.9	34.1	24.5	33.7	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	2,333	2,599	2,165
OCF/EBITDA LIFO adj.	103%	74%	82%	83%	63%
CAPEX	1,439	967	1,571	1,289	1,046
Working capital	4,035	4,816	5,018	5,106	5,579
Equity	10,712	12,035	12,733	13,790	14,798
Net debt	2,505	1,943	2,931	2,026	1,456
Net debt/EBITDA (x)	0.8	0.5	1.0	0.6	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.9	2.8	2.4	1.9	1.8	1.7
Maximum	26.4	18.3	29.5	11.6	10.7	10.2
Median	10.1	7.5	7.9	5.0	4.5	4.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	65.0	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Margin+Urals/Brent	6.1	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	26,139	26,241	27,814	27,565	27,565	27,565	27,565	27,565	27,624	27,678	27,678
EBITDA	2,152	2,213	2,172	2,057	2,052	2,048	2,043	2,038	2,033	2,024	2,024
EBITDA margin	8.2%	8.4%	7.8%	7.5%	7.4%	7.4%	7.4%	7.4%	7.4%	7.3%	7.3%
EBIT	1,485	1,449	1,388	1,233	1,270	1,240	1,221	1,203	1,184	1,160	1,307
Tax	282	275	264	234	241	236	232	229	225	220	248
CAPEX	-686	-679	-717	-717	-717	-717	-717	-717	-717	-717	-717
Working capital	-202	-89	-473	-2	30	23	46	11	5	3	3
FCF	982	1,170	719	1,104	1,124	1,118	1,140	1,103	1,096	1,089	1,061
PV FCF	952	1,047	598	851	803	739	698	625	575	529	
WACC	7.9%	8.2%	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	14,761
Net debt	3,034
Petrobaltic	1,839
Value per share (PLN)	73.38

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	62.66
DCF Val.	50%	73.38
Implied Price		68.02
Cost of equity (9M)		6.3%
9M Target Price		72.31

MOL accumulate (upgraded)

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MOL has underperformed the peer group and the broad market in the past month, ignoring improving refining margins. We have updated our oil outlook by making more conservative assumptions as to prices, and upgrading model refining margins to reflect the high levels observed in the year to date, and the likelihood of disruptions in fuel supplies over the Rhine River due to low water levels. Further, higher-than-expected margins on petrochemicals are likely to add about HUF 30bn to LIFO EBITDA. Moreover, MOL has limited exposure to low prices of natural gas thanks to a high share of regulated sales in total sales in Hungary and Croatia. After all requisite revisions, our target price for MOL increased to HUF 3,258 per share, prompting a rating upgrade from hold to accumulate. MOL offers a much more attractive EV/EBITDA LIFO ratio than its Polish peers, as well as generating more steady FCF owing to a balanced capital investment program.

Current Price

3,004 HUF

Upside

9M Target Price

3,258 HUF

+8.5%

	rating	target price	issued
new	accumulate	3,258 HUF	2019-08-02
old	hold	3,223 HUF	2019-06-03
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-3.7%
ISIN	HU0000153937	YTD Price Chng	+0.7%
Outst. Stock (m)	750.3	ADTV 1M	HUF 1,692.2m
MC (HUF m)	2,253,812.5	ADTV 6M	HUF 1,936.5m
EV (HUF m)	2,988,355.0	EV/EBITDA 12M fwd	4.2
Free Float	53.5%	EV/EBITDA 5Y avg	4.3 discount

Earnings Projections

Earnings Projections

(HUF bn)	2017	2018	2019P	2020P	2021P
Revenue	4,130	5,169	4,598	4,883	5,169
EBITDA	673	764	668	709	755
EBITDA margin	16.3%	14.8%	14.5%	14.5%	14.6%
EBIT	354	353	290	315	362
Net income	307	301	207	236	272
P/E	7.3	7.5	10.9	9.6	8.3
P/B	1.3	1.1	1.1	1.0	1.0
EV/EBITDA	4.5	3.8	4.5	4.2	3.8
DPS	78.13	127.50	142.44	150.17	157.67
DYield	2.6%	4.2%	4.7%	5.0%	5.2%
Forecast Update (% change)			2019P	2020P	2021P
CCS EBITDA			+10.4%	-3.0%	-0.7%
Net income			+39.6%	+2.7%	+6.7%
Margin+Urals/Brent price differ. (\$/b)			+14.5%	0.0%	0.0%
Petchem margin (\$/t)			+9.9%	+0.2%	-0.0%
Price of Brent crude (\$/bbl)			-7.1%	-6.7%	0.0%

Financial Highlights

(HUF bn)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	673	728	672	706	752
Upstream (US)	235	344	299	343	357
Downstream (DS)	198	183	155	148	166
Retail	97	115	128	127	133
Petchem	127	87	85	83	94
Gas Midstream	61	50	56	57	57
General expenses	-45	-51	-52	-52	-54
EV/LIFO EBITDA (adj.)	4.5	4.0	4.4	4.2	3.8
LIFO effect	7	19	-4	3	3
Other one-offs	-7	17	0	0	0
Financing activity	11	-22	-10	-10	-9
\$ LIFO EBITDA/bbl, DS	5.3	4.9	4.2	4.0	4.5
EBITDA/boe, US	23.7	34.8	29.0	33.5	36.5
Ref. thrghpt, mmt	18.5	19.1	19.1	19.1	19.1
Upstr output, mboepd	107.4	110.6	114.7	114.3	109.4

DCF Analysis (ex. Upstream)

(HUF bn)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	65	70	75	75	75	75	75	75	75	75	75
Margin+Urals/Brent	6.3	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	4,282	4,545	4,826	4,836	4,837	4,838	4,838	4,839	4,840	4,841	4,841
EBITDA	369	366	398	434	438	438	437	437	437	437	437
EBITDA margin	8.6%	8.1%	8.2%	9.0%	9.1%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
EBIT	161	145	170	196	203	202	198	193	188	182	217
Tax	42	37	43	51	52	52	51	50	48	46	41
CAPEX	-404	-367	-280	-241	-220	-220	-220	-220	-220	-220	-220
Working capital	33	-17	-17	0	1	2	1	1	1	1	1
FCF	-44	-55	59	143	167	168	168	169	170	171	176
PV FCF	-42	-49	48	108	117	108	100	93	86	80	
WACC	8.3%	8.3%	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%

Key Balance Sheet Figures

(HUF bn)	2017	2018	2019P	2020P	2021P
Operating cash flow	560	596	636	631	663
OCF/EBITDA LIFO adj.	83%	82%	95%	89%	88%
CAPEX	286	380	528	490	402
Working capital	248	300	267	284	300
Equity	1,741	1,994	2,080	2,188	2,326
Net debt	435	314	412	410	291
Net debt/EBITDA (x)	0.6	0.4	0.6	0.6	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.9	2.8	2.4	1.9	1.8	1.7
Maximum	26.4	18.3	29.5	11.6	10.7	10.2
Median	10.3	7.7	7.9	4.9	4.4	4.4
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,742
Net debt & adjustments	296
Upstream Valuation	594
Value per share (HUF)	2,873

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	3,235
DCF Val.	50%	2,873
Implied Price		3,054
Cost of equity (9M)		6.7%
9M Target Price		3,258

PGNiG accumualte (downgraded)

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Gas prices in the spot market continue to hit new lows, but they are bound to recover as the autumn heating season gets closer. Prices of forward contracts for delivery in 2020 at EUR 19/MWh are a better reflection of the actual market fundamentals, and so we keep our medium-term gas price assumptions intact. At the same time, we have cut our mid-term price forecast for oil by \$5/bbl, with implications for PGNiG's E&P business, mitigated by improved cost efficiency reported in Q2, and by a delay in the charging of the mining tax. We have also applied more conservative forecasts to the segments of distribution and trade, though in the latter case we anticipate gradual improvement in EBITDA for the full year, contrary to the losses anticipated by some analysts. After updating our outlook and peer valuations, and after taking into account PGNiG's updated production targets, we raise our target price from PLN 6.47 to PLN 6.33 PLN but we downgrade PGN from buy to accumulate after the recent rise in share price. On the updated forecasts, the 2020E EV/EBITDA goes back to 4.0x.

Current Price	5.62 PLN	Upside
9M Target Price	6.33 PLN	+12.6%

	rating	target price	issued
new	accumulate	6.33 PLN	2019-08-02
old	buy	6.47 PLN	2019-05-28
Key Metrics		PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	+8.3% +10.7%
ISIN	PLPGNIG00014	YTD Price Chng	-17.4% -19.4%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 36.4m
MC (PLN m)	32,474.1	ADTV 6M	PLN 29.1m
EV (PLN m)	32,568.1	EV/EBITDA 12M fwd	4.7 -7.3%
Free Float	28.1%	EV/EBITDA 5Y avg	5.0 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	35,857	41,234	33,754	37,055	43,313
EBITDA	6,579	7,115	6,172	8,017	9,349
EBITDA margin	18.3%	17.3%	18.3%	21.6%	21.6%
EBIT	3,910	4,395	3,303	4,872	6,022
Net income	2,923	3,212	2,395	3,472	4,186
P/E	11.1	10.1	13.6	9.4	7.8
P/B	1.0	0.9	0.8	0.8	0.7
EV/EBITDA	5.0	4.5	5.3	4.0	3.4
DPS	0.20	0.07	0.11	0.17	0.24
DYield	3.6%	1.2%	2.0%	3.0%	4.3%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA		-9.7%	-2.9%	+6.3%	
Net income		-17.2%	-7.0%	+3.0%	
Price of Brent crude (\$/bbl)		-7.1%	-6.7%	0.0%	
Price of EU NatGas (EUR/MWh)		-7.1%	-6.7%	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	6,377	7,919	9,289
EBITDA	6,579	7,115	6,172	8,017	9,349
Mining	3,865	5,019	3,405	4,373	5,562
Trade	-435	-848	73	616	620
Distribution	2,493	2,385	2,035	2,138	2,151
Heat & Power	843	788	894	1,099	1,231
Other	-187	-229	-234	-209	-215
Financing activity	12	107	-9	0	-1
Crude output, mmt	1.27	1.41	1.25	1.36	1.40
domestic	0.79	0.82	0.78	0.75	0.73
international	0.48	0.59	0.48	0.61	0.67
NatGas output, bn m3	4.5	4.5	4.6	4.8	5.2
domestic	3.8	3.8	3.9	3.9	4.0
international	0.7	0.7	0.7	0.9	1.2
Trade mrgn, PLN/MWh	-2.2	-6.6	-1.6	1.7	1.7

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	65.0	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	15.6	19.1	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	33,754	37,055	43,313	43,450	40,775	40,663	39,272	38,380	38,860	39,164	39,164
EBITDA	5,898	7,571	8,907	8,715	8,396	8,990	9,031	9,115	9,284	9,036	9,036
EBITDA margin	17.5%	20.4%	20.6%	20.1%	20.6%	22.1%	23.0%	23.8%	23.9%	23.1%	23.1%
EBIT	3,303	4,872	6,022	5,768	5,394	5,501	5,491	5,481	5,521	5,150	4,555
Tax	899	1,399	1,835	1,703	1,565	1,500	1,530	1,550	1,604	1,460	1,460
CAPEX	-4,903	-4,452	-4,078	-4,746	-4,845	-4,389	-4,398	-4,426	-4,489	-4,481	-4,481
Working capital	1,265	-400	-759	-17	324	14	169	108	-58	-37	-37
FCF	1,362	1,319	2,235	2,249	2,311	3,115	3,272	3,247	3,133	3,059	3,059
PV FCF	1,315	1,169	1,817	1,679	1,584	1,960	1,890	1,722	1,525	1,367	
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	4,816	5,814	6,391	5,823	6,353
OCF/EBITDA	73%	82%	104%	73%	68%
CAPEX	3,162	4,534	4,903	4,452	4,078
Working capital	5,280	5,358	4,093	4,493	5,252
Equity	33,626	36,634	38,343	40,807	43,554
Net debt	428	-223	96	-214	-1,010
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	3.0	2.8	2.3	2.8	2.4	2.2
Maximum	23.8	16.4	16.3	15.8	12.3	12.7
Median	11.8	10.5	9.6	6.0	5.6	5.4
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	37,196
Net debt	1,493
Other adjustments	833
Value per share (PLN)	6.32

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	6.85
Relative (DYield)	17%	2.90
DCF	50%	6.32
Cost of equity (9M)		6.7%
9M Target Price		6.33

PKN Orlen hold (no change)

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Our long-held scenario predicting a cyclical slowdown in the refining and petrochemical markets is taking longer than expected to set in, and so we were again revised our near-term market outlook in July to adjust for the closure of a major refiner in the US, lower-than-anticipated crude prices, better profits achieved by petrochemical installations, and record-low prices of natural gas. Consequently, we have upgraded our earnings outlook for PKN Orlen, especially after the Company generated higher-than-expected profit margins in Q2 thanks to an improved refinery slate and cheaper costs of crude inputs. There are no negative catalysts looming in PKN's near future looking at high refining margin benchmarks this far into the third quarter, combined with low water levels on the River Rhine, strong consumer demand in Poland, reflected in very ample sales margins on retail fuel, low gas prices, and high refinery throughput promised this quarter. The longer-term picture is more cloudy, however, looking at the scale of planned global refinery expansions, and considering that PKN is talking about significantly increasing capital expenditures (with no specifics as regards the potential future projects given so far, we do not factor the higher CAPEX into our outlook at this point) on top of the steep price it is poised to pay for the acquisition of rival Lotos.

Current Price	98.00 PLN	Downside
9M Target Price	92.82 PLN	-5.3%

	rating	target price	issued
unchanged	hold	92.82 PLN	2019-08-01

Key Metrics			PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	+12.7%	+15.1%
ISIN	PLPKN0000018	YTD Price Chng	-6.4%	-8.4%
Outst. Stock (m)	427.7	ADTV 1M		PLN 80.7m
MC (PLN m)	41,915.5	ADTV 6M		PLN 72.1m
EV (PLN m)	49,641.2	EV/EBITDA 12M fwd	4.9	-12.1%
Free Float	67.6%	EV/EBITDA 5Y avg	5.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	95,364	109,706	105,333	106,606	113,874
EBITDA	11,078	9,776	9,077	8,319	8,408
EBITDA margin	11.6%	8.9%	8.6%	7.8%	7.4%
EBIT	8,657	7,103	5,638	4,812	4,869
Net income	6,655	5,463	4,497	3,820	3,747
P/E	6.3	7.7	9.3	11.0	11.2
P/B	1.3	1.2	1.1	1.0	1.0
EV/EBITDA	4.1	4.9	5.5	5.8	5.6
DPS	3.00	3.00	3.50	3.00	3.00
DYield	3.1%	3.1%	3.6%	3.1%	3.1%
Forecast Update (% change)		2019P	2020P	2021P	
LIFO EBITDA		+24.1%	+5.0%	-1.2%	
Net income		+25.4%	+19.0%	+7.9%	
Margin+Urals/Brent price differ. (\$/b)		+18.8%	+9.1%	0.0%	
Petchem margin (\$/t)		+5.7%	+1.3%	-0.2%	
USD/PLN		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	9,581	8,344	9,077	8,082	7,875
Downstream(DS)	4,689	3,751	3,189	3,101	3,115
Petchem	3,034	2,069	2,713	2,267	2,111
Retail	2,049	2,781	3,087	2,758	2,714
Upstream	293	302	310	327	360
Electricity	129	190	505	367	325
General expenses	-613	-749	-728	-739	-750
EV/LIFO EBITDA (adj.)	4.7	5.7	5.4	5.9	5.9
LIFO effect	788	860	-240	238	533
Other one-offs	709	572	240	0	0
Financing activity	60	-104	-86	-96	-242
\$ LIFO EBITDA/bbl, DS	5.1	4.3	3.5	3.6	3.6
PLN EBITDA/tonne, Retail	232	294	316	279	271
Refinery thrghpt (mmt)	33.2	33.4	33.4	32.5	32.5
Petchem output (kt)	3,551	3,616	3,781	3,781	3,781

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Margin+Urals/Brent	5.7	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	374	388	342	342	342	342	342	342	342	342	342.3
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	105,333	106,606	113,874	114,234	114,622	115,087	115,557	116,034	116,517	117,006	117,006
EBITDA	9,077	8,319	8,408	7,909	7,991	8,064	8,144	8,231	8,334	8,432	8,432
EBITDA margin	8.6%	7.8%	7.4%	6.9%	7.0%	7.0%	7.0%	7.1%	7.2%	7.2%	7.2%
EBIT	5,638	4,812	4,869	4,223	4,505	4,586	4,639	4,675	4,714	4,740	4,881
Tax	1,071	914	925	802	856	871	881	888	896	901	927
CAPEX	-4,450	-4,050	-3,950	-3,950	-3,550	-3,550	-3,550	-3,550	-3,550	-3,551	-3,551
Working capital	-448	-469	-978	-53	-199	-68	-69	-70	-71	-72	-72
FCF	3,108	2,886	2,555	3,104	3,385	3,574	3,643	3,723	3,817	3,909	3,598
PV FCF	3,012	2,590	2,121	2,381	2,395	2,341	2,209	2,090	1,984	1,881	
WACC	7.8%	8.0%	8.1%	8.2%	8.4%	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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	8,050	4,979	7,574	6,954	6,551
OCF/EBITDA LIFO adj.	84%	60%	83%	86%	83%
CAPEX	4,039	4,453	4,450	4,050	3,950
Working capital	7,489	10,866	11,314	11,784	12,762
Equity	32,197	35,634	38,634	41,171	43,635
Net debt	761	5,599	7,714	6,189	5,114
Net debt/EBITDA (x)	0.1	0.6	0.8	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	0.0	0.0	0.0	0.0	0.0	0.0
Maximum	18.1	16.1	15.3	18.4	17.0	16.8
Median	10.5	7.8	7.9	6.1	5.5	5.3
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	47,687
Net debt	10,752
Other adjustments	0
Value per share (PLN)	86.36

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	88.26
DCF Val.	50%	86.36
Implied Price		87.31
Cost of equity (9M)		6.3%
9M Target Price		92.82

Power Utilities

CEZ

accumulate (no change)

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CEZ stock is trading at an over-20% discount to its European peers even after the mitigation of risks connected with the nuclear project, and a noticeable recovery in EBITDA after nine years of steady falls. CEZ's effective power sales price this year is set to be EUR 5 higher per MWh than the average for last year, and by 2022 it is poised to rise by another EUR 13, led by market trends and the Company's internal hedging policy. CEZ has plans for capital investment to the tune of about CZK 30bn a year, and this, combined with plans to divest foreign assets and free up cash in a combined amount estimated roughly at CZK 30-40bn, if we add to this the withdrawal from renewable energy projects in Western Europe, indicates substantial dividend potential. CEZ is currently trading at an 8% discount to benchmark EV/EBITDA compared to premiums of 5% at worst during the last three years. The Company keeps offering higher absolute and relative (vs. Stoxx Utilities) dividend yields as its earnings improve, with the 2021 yield assuming a 90% payout ratio potentially bouncing back to 6%. We maintain an accumulate rating for CEZ.

Current Price

521.50 CZK

Upside

9M Target Price

597.80 CZK

+14.6%

	rating	target price	issued
unchanged	accumulate	597.80 CZK	2019-06-25

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	-0.3%	+2.1%
ISIN	CZ0005112300	YTD Price Chng	+2.1%	+0.0%
Outst. Stock (m)	538.0	ADTV 1M		CZK 106.3m
MC (CZK bn)	280.6	ADTV 6M		CZK 126.9m
EV (CZK bn)	436.9	EV/EBITDA 12M fwd	6.8	-5.2%
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	205,365	223,463	234,528
EBITDA	55,155	49,664	58,629	62,640	63,454
EBITDA margin	26.9%	26.9%	28.5%	28.0%	27.1%
EBIT	25,620	19,759	29,601	33,151	34,076
Net income	18,765	10,327	18,036	20,761	20,614
P/E	15.0	27.2	15.6	13.5	13.6
P/B	1.1	1.2	1.2	1.1	1.1
EV/EBITDA	7.7	8.8	7.5	6.9	6.8
DPS	33.00	32.71	24.00	30.17	34.73
DYield	6.3%	6.3%	4.6%	5.8%	6.7%
Forecast 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	58,629	62,640	63,454
EBITDA	55,155	49,664	58,629	62,640	63,454
Generation	24,050	19,906	28,151	30,865	31,039
Mining	4,056	3,754	3,931	3,928	3,897
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	2,469	2,620
Financing activity	-2,867	-6,242	-7,104	-7,255	-8,363
Power output, TWh	62.9	62.9	64.2	64.3	64.3
Renewables	4.7	4.3	4.5	4.6	4.6
Trade volume, TWh	37.0	37.6	37.9	38.2	38.5
YoY pct. change	-1.2%	1.6%	0.8%	0.8%	0.8%
Trade mrgn (CZK/MWh)	124.6	114.7	123.0	130.5	130.2
RAV (CZK bn)	114.0	117.8	121.1	127.6	134.0
RAV return (EBIT)	10.4%	11.0%	10.8%	10.5%	10.2%

DCF Analysis

(CZK m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (EUR/MWh)	47.9	50.0	51.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8
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)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	205,365	223,463	234,528	245,413	249,102	249,684	249,536	249,174	250,252	251,339	251,339
EBITDA	62,756	66,871	67,791	71,177	71,588	71,622	72,069	72,467	73,129	73,777	73,777
EBITDA margin	30.6%	29.9%	28.9%	29.0%	28.7%	28.7%	28.9%	29.1%	29.2%	29.4%	29.4%
EBIT	29,601	33,151	34,076	36,823	37,774	37,693	37,786	37,630	37,564	37,345	36,787
Tax	5,624	6,299	6,473	6,994	7,174	7,158	7,174	7,144	7,130	7,087	6,990
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	-222	-192	-118	-116	-39	-6	2	4	-11	-12	-12
FCF	23,774	26,774	27,982	30,568	29,589	28,380	28,520	28,647	28,997	29,372	29,786
PV FCF	23,121	24,615	24,313	25,089	22,935	20,772	19,710	18,691	17,858	17,072	0
WACC	5.7%	5.8%	5.8%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	6.0%	6.8%
Risk-free rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Key Balance Sheet Figures

(CZK m)	2017	2018	2019P	2020P	2021P
Operating cash flow	45,812	35,351	57,352	60,853	61,904
OCF/EBITDA	83%	71%	98%	97%	98%
CAPEX	30,688	26,018	33,136	33,606	33,218
Working capital	54,916	112,247	124,950	135,962	142,694
Equity	250,018	234,721	239,846	244,375	246,304
Net debt	141,684	151,721	151,794	147,344	145,035
Net debt/EBITDA (x)	2.6	3.1	2.6	2.4	2.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.5	2.3	2.0	3.2	3.0	2.6
Maximum	27.2	24.8	21.6	15.6	10.5	10.0
Median	14.1	12.2	11.1	7.1	6.8	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	574,846
Net debt	156,717
Other adjustments	-59,772
Value per share (CZK)	666.10

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	368.97
Relative (DYield)	17%	661.31
DCF	50%	666.10
Cost of equity (9M)		5.6%
9M Target Price		597.82

Enea buy (no change)

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Enea stock registered a pullback in July despite record Q2 earnings reported by its coal mining unit, LW Bogdanka, and a lack of disruptions in power plant operation. The negative catalyst might have come from concerns over a cooling water shortage in light low river levels, with the market overlooking the fact that Enea has methods in place to prevent water scarcity, and ignoring the lack of production issues in daily TSO reports. We maintain that Enea's generation business will experience an acceleration in H2 2019, helping the Company to deliver our FY forecasts. Enea has less negative exposure to high EUA prices than the rivals PGE and Tauron owing to its relatively low-emission assets, and yet it is trading at a 20% discount to peer EV/EBITDA ratios. After the rebound anticipated in 2019, Enea is also expected to continue growing profits in subsequent years thanks to improved power plant productivity and capacity payments. We maintain a buy rating for ENA.

Current Price

8.18 PLN

Upside

9M Target Price

12.41 PLN

+51.7%

	rating	target price	issued
unchanged	buy	12.41 PLN	2019-06-25

Key Metrics	ENA PW	1M Price Chng	ENA PW	vs. WIG
Ticker	ENEA		-12.8%	-10.4%
ISIN	PLENEA000013	YTD Price Chng	-17.4%	-19.4%
Outst. Stock (m)	441.4	ADTV 1M		PLN 5.9m
MC (PLN m)	3,611.0	ADTV 6M		PLN 6.3m
EV (PLN m)	10,427.4	EV/EBITDA 12M fwd	3.3	-31.9%
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	16,179	18,029	17,210
EBITDA	2,684	2,348	3,307	3,426	3,794
EBITDA margin	23.5%	18.5%	20.4%	19.0%	22.0%
EBIT	1,488	1,037	1,772	1,893	2,248
Net income	1,070	686	1,188	1,283	1,574
P/E	3.4	5.3	3.0	2.8	2.3
P/B	0.3	0.3	0.2	0.2	0.2
EV/EBITDA	3.7	4.3	3.2	3.0	2.7
DPS	0.28	0.00	0.00	0.00	0.29
DYield	3.4%	0.0%	0.0%	0.0%	3.6%
Forecast 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	3,307	3,426	3,794
EBITDA	2,684	2,348	3,307	3,426	3,794
Generation	735	869	1,394	1,470	1,785
Mining	709	470	705	648	653
Distribution	1,073	1,111	1,136	1,150	1,180
Trade	178	-76	100	184	208
Other	-13	-12	-29	-26	-33
Financing activity	-21	-168	-165	-192	-186
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	20.1	20.4	20.8
YoY pct. change	7.3%	14.4%	-2.0%	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%	7.0%	6.7%	6.7%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	272.7	255.0	254.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Coal (PLN/t)	266.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	16,179	18,029	17,210	17,315	16,780	17,173	17,287	17,409	17,538	17,715	17,715
EBITDA	3,307	3,426	3,794	3,798	3,421	3,539	3,564	3,433	3,469	3,534	3,534
EBITDA margin	20.4%	19.0%	22.0%	21.9%	20.4%	20.6%	20.6%	19.7%	19.8%	20.0%	20.0%
EBIT	1,772	1,893	2,248	2,243	1,832	1,888	1,886	1,722	1,720	1,742	1,076
Tax	337	360	427	426	348	359	358	327	327	331	205
CAPEX	-2,505	-2,873	-3,046	-2,847	-2,404	-2,341	-2,368	-2,412	-2,458	-2,505	-2,458
Working capital	-229	406	19	-3	13	-9	-3	-3	-3	-4	-4
FCF	236	600	340	523	681	829	835	691	682	694	868
PV FCF	228	540	285	407	494	559	524	403	369	349	
WACC	7.1%	7.3%	7.5%	7.5%	7.5%	7.5%	7.6%	7.6%	7.6%	7.6%	7.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,580	2,435	2,773	3,509	3,422
OCF/EBITDA	96%	104%	84%	102%	90%
CAPEX	2,058	1,979	2,505	2,873	3,046
Working capital	698	605	834	428	408
Equity	13,078	14,097	15,245	16,488	17,894
Net debt	5,523	5,566	5,751	5,347	5,326
Net debt/EBITDA (x)	2.1	2.4	1.7	1.6	1.4

Relative Valuation Summary

	19P	20P	21P	19P	20P	21P
Minimum	2.4	2.2	1.9	3.8	3.5	2.6
Maximum	26.9	24.6	21.5	16.5	10.5	10.0
Median	15.5	13.5	11.9	7.5	7.0	6.9
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	11,875
Net debt	5,813
Other adjustments	-952
Value per share (PLN)	11.58

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	41.56
Relative (DYield)	0%	2.43
DCF	100%	11.58
Cost of equity (9M)		6.7%
9M Target Price		12.41

Energa buy (no change)

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Energa moved mostly in line with the sector in July despite offering low sensitivity to high EUA prices thanks to a high share of renewable and RMR generation. In addition, Energa is expected to deliver the sector's best 2019 Q2 results, demonstrating sustained improvement in recurring profits from trading and generation. The Company set aside provisions for end-consumer power price cuts in Q1, which might be reversed in Q2 after the announcement of government compensations for the price freezes. We currently have a buy call on ENG. Energa is set to generate over 90% of annual EBITDA from distribution and renewables over the next four years, and the two segments account for over 60% of the capital spend planned for the future. Nevertheless ENG stock is trading at a 25% discount to the Regulatory Asset Base not counting renewable power plants which generate about PLN 0.3bn in annual EBITDA. The negative value attributed to coal-based power plants more than exceeds the total spend on the new coal generator in Ostrołęka, confirming that Energa is grossly undervalued.

Current Price

7.26 PLN

Upside

9M Target Price

12.67 PLN

+74.5%

	rating	target price	issued
unchanged	buy	12.67 PLN	2019-06-25

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-8.7%	-6.3%
ISIN	PLENERG00022	YTD Price Chng	-18.5%	-20.6%
Outst. Stock (m)	414.1	ADTV 1M		PLN 5.1m
MC (PLN m)	3,006.1	ADTV 6M		PLN 4.3m
EV (PLN m)	8,296.2	EV/EBITDA 12M fwd	3.9	-17.0%
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	11,725	12,678	12,394
EBITDA	2,160	1,877	2,165	2,179	2,211
EBITDA margin	20.5%	18.2%	18.5%	17.2%	17.8%
EBIT	1,210	1,176	1,162	1,122	1,170
Net income	773	739	734	654	660
P/E	3.9	4.1	4.1	4.6	4.6
P/B	0.3	0.3	0.3	0.3	0.2
EV/EBITDA	3.3	4.0	3.8	4.2	4.4
DPS	0.19	0.00	0.00	0.00	0.00
DYield	2.6%	0.0%	0.0%	0.0%	0.0%
Forecast 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	2,165	2,179	2,211
EBITDA	2,160	1,877	2,165	2,179	2,211
Conv. Gener./CHP	229	137	190	124	167
Renewables	169	191	275	320	296
Distribution	1,723	1,704	1,678	1,692	1,685
Trade	85	-85	94	116	137
Other	-46	-70	-71	-73	-74
Financing activity	-208	-223	-219	-282	-322
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	18.8	19.1	19.4
YoY pct. change	5.0%	-4.1%	-5.0%	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%	6.4%	6.2%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,182	1,859	1,757	1,857	2,066
OCF/EBITDA	101%	99%	81%	85%	93%
CAPEX	1,280	1,638	2,009	2,367	2,320
Working capital	1,403	1,499	1,700	1,838	1,797
Equity	9,409	10,295	10,979	11,583	12,192
Net debt	4,064	4,441	5,227	6,070	6,696
Net debt/EBITDA (x)	1.9	2.4	2.4	2.8	3.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.4	2.2	1.9	3.2	3.0	2.6
Maximum	26.9	24.6	21.5	16.5	10.5	10.0
Median	15.5	13.5	11.9	7.5	7.0	6.9
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	272.7	255.0	254.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Coal (PLN/t)	266.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	11,725	12,678	12,394	12,561	12,319	12,400	12,484	12,571	12,658	12,743	12,743
EBITDA	2,165	2,179	2,211	2,250	2,407	2,569	2,609	2,616	2,658	2,695	2,695
EBITDA margin	18.5%	17.2%	17.8%	17.9%	19.5%	20.7%	20.9%	20.8%	21.0%	21.2%	21.2%
EBIT	1,162	1,122	1,170	1,185	1,337	1,449	1,472	1,457	1,474	1,524	1,203
Tax	221	213	222	225	254	275	280	277	280	290	229
CAPEX	-2,009	-2,367	-2,320	-2,135	-1,689	-1,509	-1,507	-1,501	-1,492	-1,456	-1,492
Working capital	-201	-138	41	-24	35	-12	-12	-13	-13	-12	-12
FCF	-266	-539	-291	-134	499	773	811	825	873	937	962
PV FCF	-256	-486	-244	-106	366	528	515	488	480	478	
WACC	7.3%	7.2%	7.2%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%	7.8%	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	9,683
Net debt	4,706
Other adjustments	-61
Value per share (PLN)	11.87

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	22.78
Relative (DYield)	0%	0.00
DCF	100%	11.87
Cost of equity (9M)		6.7%
9M Target Price		12.67

PGE

buy (no change)

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PGE stock fell in line with the entire WIG-Energy index in July, under pressure from high EUA prices and disappointing power production statistics for June. The lower-than-expected production will be reflected in the Company's financial results for Q2 2019, resulting in 2019 H1 adjusted EBITDA equivalent to just 49% of our FY forecast. PGE is set for an acceleration in H2 2019, however, supported by new capacity, improved generation volumes in Q4, and the approach to accounting for EUA costs. An acceleration should raise the market's expectations for substantial growth in 2020-21. The average sales price of electricity next year will be much higher than this year based on the Company's modified hedging policy, while costs of coal fuel will be flat. The new generators being added in the Opole power station will start contributing fully by 2020, potentially adding as much as PLN 1bn to the year's EBITDA plus PLN 0.3bn in additional profits possibly coming from another new generator (capital investment at PGE is decided by the controlling shareholder, the State Treasury).

Current Price

8.68 PLN

Upside

9M Target Price

13.26 PLN

+52.7%

	rating	target price	issued
unchanged	buy	13.26 PLN	2019-06-25

Key Metrics			PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-7.8%	-5.4%
ISIN	PLPGER000010	YTD Price Chng	-13.2%	-15.2%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 11.9m
MC (PLN m)	16,237.2	ADTV 6M		PLN 18.6m
EV (PLN m)	26,993.1	EV/EBITDA 12M fwd	3.7	-20.9%
Free Float	42.6%	EV/EBITDA 5Y avq	4.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	23,100	25,946	38,724	44,290	43,162
EBITDA	7,650	6,364	8,168	7,925	9,468
EBITDA margin	33.1%	24.5%	21.1%	17.9%	21.9%
EBIT	3,552	2,471	4,086	3,705	5,174
Net income	2,600	1,498	3,054	2,722	3,926
P/E	6.2	10.8	5.3	6.0	4.1
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	3.3	4.2	3.3	3.4	2.6
DPS	0.00	0.00	0.00	0.41	0.36
DYield	0.0%	0.0%	0.0%	4.7%	4.2%
Forecast Update (% change)		2019P	2020P	2020P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of electricity (PLN/MWh)		0.0%	0.0%	0.0%	
Price of coal (PLN/t)		0.0%	0.0%	0.0%	
Price of CO2 allowance (EUR/t)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	6,481	6,701	6,999	7,925	9,468
EBITDA	7,650	6,364	8,168	7,925	9,468
Generation	4,099	2,938	4,884	4,288	5,693
Renewables	364	463	543	608	679
Distribution	2,333	2,463	2,443	2,438	2,503
Trade	811	263	305	598	599
Other	43	237	-6	-6	-6
Financing activity	-330	-279	-300	-328	-311
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%	7.2%	7.2%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	7,934	5,102	7,705	6,560	8,691
OCF/EBITDA	104%	80%	94%	83%	92%
CAPEX	6,071	6,393	6,704	5,679	4,551
Working capital	3,762	5,290	5,034	5,758	5,611
Equity	45,128	46,727	49,710	51,598	54,772
Net debt	7,487	9,421	9,669	9,951	6,874
Net debt/EBITDA (x)	1.0	1.5	1.2	1.3	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.4	2.2	1.9	3.2	3.0	2.7
Maximum	26.9	24.6	21.5	16.5	10.5	10.0
Median	15.5	13.5	11.9	7.5	7.0	6.9
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	272.7	255.0	254.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Coal (PLN/t)	266.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	38,724	44,290	43,162	43,356	41,424	41,556	41,724	41,887	42,063	42,445	42,445
EBITDA	8,168	7,925	9,468	9,117	7,664	7,441	7,388	7,295	7,376	7,466	7,466
EBITDA margin	21.1%	17.9%	21.9%	21.0%	18.5%	17.9%	17.7%	17.4%	17.5%	17.6%	17.6%
EBIT	4,086	3,705	5,174	4,645	3,202	2,807	2,567	2,273	2,140	2,004	3,043
Tax	776	704	983	883	608	533	488	432	407	381	578
CAPEX	-6,704	-5,679	-4,551	-4,260	-4,165	-4,225	-4,289	-4,355	-4,423	-4,492	-4,423
Working capital	256	-723	147	-25	251	-17	-22	-21	-23	-50	-50
FCF	944	818	4,081	3,949	3,142	2,665	2,590	2,486	2,523	2,543	2,415
PV FCF	908	728	3,351	2,990	2,193	1,715	1,537	1,360	1,272	1,183	
WACC	8.1%	8.1%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	34,607
Net debt	10,299
Other adjustments	-1,074
Value per share (PLN)	12.43

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	23.13
Relative (DYield)	0%	6.45
DCF	100%	12.43
Cost of equity (9M)		6.7%
9M Target Price		13.26

Tauron buy (no change)

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Tauron's 2019 Q2 results will be less than stellar, however after a strong first quarter the Company is on track so far to achieving our FY expectations. Tauron's coal mines continue to experience production setbacks, but the planned sale of one of the mines should curb losses and CAPEX. Even if the divestment should fail to go through, however, we view the market's fears over Tauron's earnings and debt prospects as over-exaggerated, and we believe the weaker Q1 2019 cash flow was a temporary setback created by one-time events. By the end of the year, after working capital cash flow normalizes, we expect the net debt/EBITDA ratio to decrease to 2.5x from the current 2.7x, followed by further reduction to 2.3x in 2021. After it completes the project in Jaworzno soon, Tauron's average annual CAPEX in 2020-2023 will be almost 20% (or PLN 0.8bn) lower than in the 2016-19 period. Further, we think the Company can capitalize on Poland's shifting energy policy and eventually possibly start closing coal-based generators in favor of renewables. Last but not least, keep in mind that Tauron has sold power to the state under long-term capacity contracts for an annual amount of PLN 0.6bn. In the near term, TPE might receive an upside catalyst with the launch of compensations for power suppliers for this year's freeze on end-consumer prices.

Current Price	1.55 PLN	Upside
9M Target Price	2.52 PLN	+62.6%

	rating	target price	issued
unchanged	buy	2.52 PLN	2019-06-25

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-10.4%	-8.0%
ISIN	PLTAURN00011	YTD Price Chng	-29.2%	-31.3%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 11.1m
MC (PLN m)	2,716.5	ADTV 6M		PLN 9.3m
EV (PLN m)	14,446.1	EV/EBITDA 12M fwd	4.2	-11.3%
Free Float	59.6%	EV/EBITDA 5Y avg	4.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	17,425	18,122	20,810	23,219	22,745
EBITDA	3,618	3,375	3,566	3,968	4,235
EBITDA margin	20.8%	18.6%	17.1%	17.1%	18.6%
EBIT	1,879	791	1,671	1,855	2,120
Net income	1,381	205	1,108	1,175	1,383
P/E	2.0	13.3	2.5	2.3	2.0
P/B	0.2	0.1	0.1	0.1	0.1
EV/EBITDA	3.2	3.8	4.1	3.6	3.2
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast 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.)	3,581	3,359	3,566	3,968	4,235
EBITDA	3,618	3,375	3,566	3,968	4,235
Generation	537	731	734	1,091	1,267
Mining	-83	-207	-121	-89	-18
Distribution	2,283	2,517	2,499	2,532	2,574
Trade	841	321	452	442	414
Other	40	13	2	-8	-2
Financing activity	-122	-286	-303	-404	-412
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	33.5	34.0	34.5
YoY pct. change	9.1%	-1.2%	-3.0%	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	17.9	18.3	18.7
RAV return (EBIT)	7.4%	8.4%	7.6%	7.2%	7.2%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	3,559	2,057	3,185	3,584	3,932
OCF/EBITDA	98%	61%	89%	90%	93%
CAPEX	3,562	3,576	3,712	3,165	2,580
Working capital	489	817	938	1,046	1,025
Equity	18,036	18,296	19,404	20,579	21,963
Net debt	8,944	10,140	11,599	11,583	10,643
Net debt/EBITDA (x)	2.5	3.0	3.3	2.9	2.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.9	2.4	3.2	3.0	2.6
Maximum	27.2	24.8	21.6	15.6	10.5	10.0
Median	15.4	12.5	11.6	7.6	7.0	6.9
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	272.7	255.0	254.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Coal (PLN/t)	266.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	20,810	23,219	22,745	23,078	22,502	22,770	23,056	23,351	23,654	23,964	23,964
EBITDA	3,566	3,968	4,235	4,435	4,196	4,248	4,337	4,336	4,443	4,596	4,596
EBITDA margin	17.1%	17.1%	18.6%	19.2%	18.6%	18.7%	18.8%	18.6%	18.8%	19.2%	19.2%
EBIT	1,671	1,855	2,120	2,260	2,035	2,032	2,057	1,980	2,002	2,067	1,534
Tax	318	352	403	429	387	386	391	376	380	393	291
CAPEX	-3,712	-3,165	-2,580	-2,697	-2,763	-2,836	-2,910	-2,986	-3,061	-3,137	-3,061
Working capital	-121	-109	21	-15	26	-12	-13	-13	-14	-14	-14
FCF	-584	343	1,274	1,294	1,072	1,014	1,023	961	988	1,052	1,229
PV FCF	-568	314	1,094	1,039	803	706	662	576	548	539	
WACC	6.0%	6.1%	6.6%	6.9%	7.2%	7.5%	7.7%	7.9%	8.1%	8.3%	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	15,448
Net debt	10,767
Other adjustments	-534
Value per share (PLN)	2.37

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	9.00
Relative (DYield)	0%	0.00
DCF	100%	2.37
Cost of equity (9M)		6.7%
9M Target Price		2.52

TMT

Netia

hold (no change)

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Netia improved its earnings performance in 2018, with EBITDA for the year edging just 6.4% lower versus the year-ago period compared to a y/y drop of 10.2% logged in 2017, and with relatively strong operating cash flow at PLN 380.4m vs. PLN 347.9m generated the year before. On the downside Netia allocated the total cash flow to network upgrades aimed at reaching 2.6 million households with high-speed services by 2020. This means no dividend payments during the two-year period after a freeze on shareholder distributions approved by the controlling shareholder, Cyfrowy Polsat. In fact, we believe Netia might feel compelled to accelerate the infrastructure upgrades to keep up with the competition (including Orange Polska, with its plans to bring fiber to 5 million households by 2020, and T-Mobile, which is preparing to launch a convergent fixed + mobile service in Q2 2019), which would entail higher debt and an increase in the net debt/EBITDA ratio from 0.53x as of December 2018. With this in mind, we do not find Netia a compelling bet, especially compared to Orange Polska. An upside catalyst will be provided if Cyfrowy decides to make a tender offer to increase its stake in Netia, although the likelihood that this will happen soon declined after Cyfrowy declared a dividend for 2019.

Current Price

4.74 PLN

Downside

9M Target Price

4.70 PLN

-0.8%

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

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-2.3%	+0.2%
ISIN	PLNETIA00014	YTD Price Chng	-5.2%	-7.2%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.3m
MC (PLN m)	1,597.6	ADTV 6M		PLN 0.1m
EV (PLN m)	1,875.1	EV/EBITDA 12M fwd	5.4	+8.6%
Free Float	33.0%	EV/EBITDA 5Y avq	5.0	premium

Earnings Projections

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	45.0	24.6	31.8	26.4	22.5
P/B	0.9	0.9	0.8	0.8	0.8
EV/EBITDA	4.9	5.0	5.4	5.5	5.3
DPS	0.20	0.00	0.00	0.00	0.40
DYield	4.2%	0.0%	0.0%	0.0%	8.4%
Forecast 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

DCF Analysis

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

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		
	19P	20P	21P	19P	20P	21P
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 Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	1,688
Net debt	225
Other adjustments	0
Value per share (PLN)	4.34

Valuation Summary

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

Orange Polska accumulate (upgraded)

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OPL stock rallied 49% from November 2018 to mid-June 2019, when we downgraded our call on the stock to hold. Between then and the August 2nd market close the shares retreated about 8% in what was likely a short-term correction. Orange is expected to see a recovery in profits from Q3 2019 after a relatively weak second quarter, with EBITDaL for the second half of the year set to show 5.4% growth versus H2 2018, when profits were boosted by proceeds from real-estate sales. The expansion is driven by stabilization of the direct margin and further cuts in direct costs, combined with sales of accounts receivable and more real-estate deals. We see upside potential of 12.0% in OPL relative to our target price, and so we upgrade the stock from hold to accumulate. We maintain Orange will resume dividend payments in 2021.

Current Price

6.70 PLN

Upside

9M Target Price

7.50 PLN

+12.0%

	rating	target price	issued
new	accumulate	7.50 PLN	2019-08-02
old	# N/D!	7.50 PLN	2019-06-19
Key Metrics		OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-0.8% +1.6%
ISIN	PLTLKPL00017	YTD Price Chng	+39.8% +37.7%
Outst. Stock (m)	1,312.0	ADTV 1M	PLN 9.7m
MC (PLN m)	8,783.8	ADTV 6M	PLN 11.5m
EV (PLN m)	16,266.9	EV/EBITDA 12M fwd	5.3 +15.5%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	11,381	11,087	11,260	11,428	11,625
EBITDA adj.	2,807	2,886	3,211	3,310	3,403
EBITDA margin	24.7%	26.0%	28.5%	29.0%	29.3%
EBIT	229	345	598	743	882
Net income	-60	10	203	323	453
P/E	-	878.4	43.3	27.2	19.4
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	5.4	5.4	5.1	4.9	4.6
DPS	0.00	0.00	0.00	0.00	0.25
DYield	0.0%	0.0%	0.0%	0.0%	3.7%
Forecast 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)	1,306	1,547	1,732	1,936	2,136
Voice lines (1,000)	2,438	2,560	2,698	2,883	3,087
Revenue	11,381	11,087	11,260	11,428	11,625
Mobile	3,373	2,726	2,559	2,485	2,415
Fixed Line	2,748	2,441	2,203	2,056	1,982
Other	5,260	5,920	6,498	6,888	7,228
Costs	-	7,980	7,976	8,029	8,122
Payroll	-	-1,577	-1,476	-1,440	-1,413
External services	-	-6,200	-6,296	-6,381	-6,498
Other rev & exp	-	-203	-204	-207	-211
Real estate sale	-	192	95	75	60
Other	-	-490	-502	-498	-494
EBITDAaL	-	2,809	2,876	2,977	3,069
margin	-	25.3%	25.5%	26.0%	26.4%
Net income	-60	10	203	323	453

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,064	1,812	2,581	2,556	2,572
OCF/EBITDAaL	-	65%	90%	86%	84%
CAPEX	1,933	2,282	2,134	2,613	1,804
Assets	23,486	23,295	24,194	24,470	24,553
Equity	10,521	10,494	10,697	11,020	11,145
Net debt	6,478	6,939	7,481	7,388	6,828
Net debt/EBITDA (x)	2.3	2.4	2.3	2.2	2.0

Relative Valuation Summary

	EV / EBITDA			DYield - RFR		
	19P	20P	21P	19P	20P	21P
Minimum	12.5	12.0	11.4	9.6%	7.6%	7.5%
Maximum	3.4	3.0	2.7	-12.2%	-8.3%	-6.9%
Median	5.6	5.4	5.3	3.0%	3.4%	3.9%
Weight	33%	33%	33%	0%	0%	100%

DCF Analysis*

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,260	11,428	11,625	11,831	12,041	12,227	12,402	12,560	12,701	12,837	12,837
EBIT + D&A ex. IFRS16	2,930	3,029	3,122	3,217	3,308	3,379	3,433	3,452	3,459	3,459	3,459
EBITDA margin	26.0%	26.5%	26.9%	27.2%	27.5%	27.6%	27.7%	27.5%	27.2%	26.9%	26.9%
D&A	2,332	2,285	2,240	2,195	2,151	2,086	2,024	1,963	1,904	1,847	1,847
EBIT	598	743	882	1,022	1,157	1,292	1,409	1,489	1,555	1,612	1,612
Tax	114	141	168	194	220	246	268	283	295	306	306
NOPLAT	484	602	715	828	937	1,047	1,141	1,206	1,259	1,306	1,306
CAPEX	-1,858	-2,538	-1,744	-3,237	-1,807	-1,865	-1,876	-1,888	-2,240	-1,925	-1,925
Working capital	146	22	-61	-62	-61	-60	-60	-59	-59	-59	-59
FCF	1,104	372	1,150	-275	1,220	1,208	1,229	1,222	865	1,170	1,170
PV FCF	1,066	338	980	-221	919	854	815	760	505	641	
WACC	6.4%	6.4%	6.5%	6.3%	6.4%	6.6%	6.6%	6.6%	6.5%	6.5%	6.5%
Net debt / EV	43.9%	43.6%	41.7%	44.7%	42.6%	40.4%	39.1%	39.1%	40.6%	40.8%	40.8%
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	0.0
FCF perp. growth rate	0.0%
PV FCF	16,464
Net debt	6,867
Other adjustments	2
Value per share (PLN)	7.31

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	6.79
DCF Val.	50%	7.31
Implied Price		7.05
Cost of equity (9M)		6.4%
9M Target Price		7.50

Play accumulate (upgraded)

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Play hiked the prices of its mobile plans by about 5 zlotys in June, in return offering its customers more data. After factoring this in, and after taking into account the fast-paced expansion of the mobile network, resulting in reduced costs of domestic roaming, we raise our 2019 and 2020 adj. EBITDA estimates by 1.9% and 4.3%, respectively, to PLN 2.356bn and PLN 2.477bn. On the updated estimates, our raised target price for PLY implies upside potential close to 10%, prompting an upgrade from hold to accumulate. Play is expected to deliver very good results for Q2 2019, with the quarterly adjusted EBITDA at a projected PLN 617m showing a rebound of more than 12% versus the year-ago figure, reflecting sustained improvement after a successful first quarter. The continuing growth should instill renewed confidence in investors, as well as convincing Play to raise its own FY guidance. Based on this, we predict that Play will outperform Cyfrowy Polsat, whose recurring Q2 EBITDA will probably post a 6% y/y decline.

Current Price

31.22 PLN

Upside

9M Target Price

34.20 PLN

+9.5%

	rating	target price	issued
new	accumulate	34.20 PLN	2019-08-02
old	hold	29.00 PLN	2019-07-03
Key Metrics			
		PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-7.1%
ISIN	LU1642887738	YTD Price Chng	+61.3%
Outst. Stock (m)	253.7	ADTV 1M	PLN 16.1m
MC (PLN m)	7,920.5	ADTV 6M	PLN 15.9m
EV (PLN m)	14,145.5	EV/EBITDA 12M fwd	6.2
Free Float	49.4%	EV/EBITDA 5Y avg	5.8 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	6,670	6,839	6,977	7,138	7,309
EBITDA	1,904	2,160	2,326	2,447	2,541
EBITDA margin	28.5%	31.6%	33.3%	34.3%	34.8%
EBIT	1,107	1,371	1,515	1,618	1,622
Net income	387	744	872	966	976
P/E	20.4	10.6	9.1	8.2	8.1
P/B	-	-	26.1	8.5	5.1
EV/EBITDA	7.7	6.7	6.1	6.0	5.6
DPS	0.00	2.57	1.45	1.31	1.45
DYield	0.0%	8.2%	4.6%	4.2%	4.6%
Forecast Update (% change)					
Revenue			+0.2%	+1.1%	+1.7%
EBITDA			+1.9%	+4.3%	+6.0%
EBIT			+3.0%	+6.6%	+9.7%
Net income			+3.9%	+8.6%	+12.8%
CAPEX			+0.1%	+0.4%	+1.6%

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	32.8	33.4	33.9
Revenue	6,670	6,839	6,977	7,138	7,309
Service revenue	4,878	5,083	5,170	5,301	5,434
Sales of goods and other	1,792	1,756	1,807	1,837	1,876
Costs	4,766	4,679	4,651	4,691	4,768
Interconnection	1,729	1,922	1,767	1,747	1,725
Contract costs	429	421	434	445	457
Cost of goods sold	1,410	1,442	1,462	1,491	1,528
Employee benefits	526	255	282	291	300
External services	606	515	579	620	669
Other	65	124	128	96	89
EBITDA (adj.)	2,298	2,159	2,356	2,477	2,571
margin	34.4%	31.6%	33.8%	34.7%	35.2%
Net income	387	744	872	966	976

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	1,389	2,037	2,028	2,118	2,217
OCF/EBITDA adj.	60%	94%	86%	86%	86%
CAPEX	-650	-781	-837	-1,828	-820
Assets	8,831	8,521	8,667	9,519	9,751
Equity	-213	-201	304	936	1,545
Net debt	6,710	6,653	6,225	6,798	6,301
Net debt/EBITDA (x)	2.9	3.1	2.6	2.7	2.5

Relative Valuation Summary

Relative Valuation Summary						
	P/E			DYield - RFR		
	19P	20P	21P	19P	20P	21P
Minimum	7.2	5.8	4.7	353.9%	314.9%	287.7%
Maximum	36.1	28.8	21.3	1249.6%	1187.3%	1131.9%
Median	12.9	12.8	11.5	546.9%	535.3%	529.2%
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	6,977	7,138	7,309	7,457	7,577	7,677	7,763	7,839	7,906	7,968	7,968
EBITDA	2,326	2,447	2,541	2,599	2,662	2,681	2,694	2,700	2,706	2,712	2,712
EBITDA margin	34.0%	35.1%	35.6%	35.6%	35.7%	35.4%	35.1%	34.8%	34.5%	34.3%	34.3%
D&A	810	829	919	942	1,003	1,027	1,037	1,030	1,020	1,010	1,010
EBIT	1,515	1,618	1,622	1,658	1,658	1,654	1,657	1,671	1,686	1,703	1,703
Tax	288	307	308	315	315	314	315	317	320	323	323
NOPLAT	1,227	1,310	1,314	1,343	1,343	1,340	1,342	1,353	1,365	1,379	1,379
CAPEX	-837	-1,828	-820	-1,709	-1,186	-1,022	-737	-745	-751	-1,429	-728
Work. cap. + other	-270	-262	-268	-277	-267	-261	-258	-255	-253	-252	-252
FCF	931	49	1,145	299	894	1,084	1,384	1,384	1,382	707	1,379
PV FCF	903	45	959	233	648	729	865	802	742	352	
WACC	7.7%	7.5%	7.6%	7.5%	7.6%	7.6%	7.7%	7.8%	7.9%	7.8%	
Net debt / EV	42.6%	44.8%	42.9%	44.8%	44.4%	43.6%	41.7%	40.0%	38.5%	40.2%	
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	14,978
Net debt	6,034
Other adjustments	0
Value per share (PLN)	35.25

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	28.28
DCF Val.	50%	35.25
Implied Price		31.80
Cost of equity (9M)		7.5%
9M Target Price		34.20

Agora buy (no change)

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Agora is expected to report weak 2019 Q2 financials, with the key segment of Film & Books on an ex-IFRS 16 basis posting an EBITDA loss of PLN 3.7m (vs. PLN 2.6m in Q2'18) due to a low June box office coupled with additional expenses on concession services. This will be accompanied by an all-out slowdown in the other operating segments except Outdoor. EBITDA ex. IFRS 16 is expected to come in at PLN 10.8m, down from PLN 15.5m the year before. AGO stock might take a downward turn on the weak Q2 results, however fundamentally the Company is a compelling bet given its well-diversified business, attractive valuation, high cash generation, and healthy balance sheet. Hence we would take advantage of the potential weakness to buy shares in Agora.

Current Price

12.00 PLN

Upside

9M Target Price

16.00 PLN

+33.3%

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

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	PLAGORA00067	YTD Price Chng	-6.6%	-4.2%
ISIN	46.6	ADTV 1M	+26.3%	+24.3%
Outst. Stock (m)	559.0	ADTV 6M		PLN 0.4m
MC (PLN m)	567.2	EV/EBITDA 12M fwd	5.7	PLN 0.3m
EV (PLN m)	76.9%	EV/EBITDA 5Y avg	5.5	+4.5%
Free Float				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	-	109.9	39.9	21.2	13.2
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	19.4	6.3	5.5	5.0	4.4
DPS	0.00	0.50	0.50	0.50	0.50
DYield	0.0%	4.2%	4.2%	4.2%	4.2%
Forecast 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		
	19P	20P	21P	19P	20P	21P
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)

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We maintain a negative view on CPS after a rise in share price on the heels of price hike announcements, first by Play and Orange Polska, with Cyfrowy following suit with a promise that it would be raising prices this autumn. At the current level, CPS stock is trading at a mediocre 2019E DivYield of 3.1%, and 7.4x EV/EBITDA. The Telecom is expected to report weak 2019 Q2 results, with comparable adjusted EBITDA at an estimated PLN 872m showing a y/y drop of 6.0% driven by lower advertising revenue TV coupled with higher expenses on marketing and content. By comparison, the quarterly recurring EBITDA of Play is set to show a 12% rebound from Q2 2018.

Current Price

30.10 PLN

Downside

9M Target Price

24.15 PLN

-19.8%

	rating	target price	issued
unchanged	reduce	24.15 PLN	2019-05-31

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+0.7%	+3.2%
ISIN	PLCFRPT00013	YTD Price Chng	+36.1%	+34.1%
Outst. Stock (m)	639.5	ADTV 1M		PLN 13.8m
MC (PLN m)	19,250.2	ADTV 6M		PLN 12.9m
EV (PLN m)	30,881.3	EV/EBITDA 12M fwd	7.3	+4.0%
Free Float	33.5%	EV/EBITDA 5Y avg	7.0	premium

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	19.6	23.1	15.7	13.5	12.1
P/B	1.6	1.5	1.4	1.3	1.2
EV/EBITDA	8.2	8.1	7.4	7.2	6.8
DPS	0.32	0.00	0.93	0.93	0.93
DYield	1.1%	0.0%	3.1%	3.1%	3.1%
Forecast 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
Minorities	-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		
	19P	20P	21P	19P	20P	21P
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*		24.15

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

Wirtualna Polska hold (no change)

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We remain neutral on Wirtualna Polska in the absence of upside potential to our target. Wirtualna is expected to deliver good results for Q2 2019, with revenue (ex barter) up by an estimated 18% vs. the year-ago pro-forma figure, driven by a 12.5% rebound in ad revenue and a 23% surge in e-commerce. The margin on e-commerce might post a y/y decline of about 3pp, and there will be a loss of a projected PLN 1.3m on the TV business, but the recurring EBITDA from the online business at an estimated PLN 50.1m will register 18.0% growth from the comparable year-ago figure. The strong Q2 report might give a lift to WPL stock in August.

Current Price

62.00 PLN

Downside

9M Target Price

61.50 PLN

-0.8%

	rating	target price	issued
unchanged	hold	61.50 PLN	2019-07-03

Key Metrics	WPL PW	1M Price Chng	WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+3.3%	+5.8%
ISIN	PLWRTPL00027	YTD Price Chng	+19.7%	+17.7%
Outst. Stock (m)	29.8	ADTV 1M		PLN 0.3m
MC (PLN m)	1,846.1	ADTV 6M		PLN 0.8m
EV (PLN m)	2,025.2	EV/EBITDA 12M fwd	9.7	-5.7%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2	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	40.8	24.3	19.4	16.6	15.2
P/B	4.4	4.0	3.5	3.2	2.8
EV/EBITDA	15.7	13.3	10.3	9.1	8.2
DPS	1.10	0.96	1.00	1.66	1.95
DYield	1.8%	1.5%	1.6%	2.7%	3.1%
Forecast 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

	19P	P/E	20P	21P	19P	EV/EBITDA	20P	21P
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%	
Net debt / EV	11.9%	8.6%	4.7%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,938
Net debt	206
Other adjustments	19
Value per share (PLN)	59.42

Valuation Summary

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

Asseco Poland hold (no change)

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ACP stock has rallied 27% since the beginning of the year. We attribute this to investors' taking more interest in less-cyclical, dividend-paying stocks, though in case of ACP we believe investors would do well to dial in excitement given 2019 second-half earnings prospects. In our assessment, Asseco's Polish business is set for a 15% EBIT drop this year led by lower sales of banking solutions after the loss of the Deutsche Bank account, coupled with stalled orders from government agencies, reflected in 10% contraction this year in the Polish order backlog (ex. Asseco Business Solutions). Dividends have been the main factor driving ACP's performance, but notice that the ex-date for 2019 dividend has already passed. At 14.6x 2019E P/E, ACP is trading at a premium to Polish peers and a discount of 5% relative to Western European peers, much narrower than the historical average of 18-21%. We maintain a hold rating for ACP.

Current Price

54.50 PLN

Downside

9M Target Price

50.80 PLN

-6.8%

	rating	target price	issued
unchanged	hold	50.80 PLN	2019-06-03

Key Metrics		ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	+1.1%
ISIN	PLSOFTB000016	YTD Price Chng	+26.6%
Outst. Stock (m)	83.0	ADTV 1M	PLN 4.8m
MC (PLN m)	4,523.5	ADTV 6M	PLN 4.2m
		P/E 12M fwd	12.4
Free Float	68.0%	P/E 5Y avg	12.6
			discount

Earnings Projections

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	9.7	13.6	14.6	14.2	14.0
P/B	0.8	0.8	0.8	0.8	0.7
P/S	0.58	0.48	0.46	0.44	0.43
DPS	3.01	3.01	3.07	2.29	2.27
DYield	5.5%	5.5%	5.6%	4.2%	4.2%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,829	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

	19P	P/E 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

Comarch buy (no change)

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Comarch is expected to generate record revenue of PLN 1.53bn in 2019, a figure which would indicate the Company has been able to grow its business by nearly 40% in the span of two years. The fast-paced expansion is driven by sustained investment in in-house software development capabilities, increasing global recognition, and a growing roster of leading household names on the customer list. Comarch stays on top of industry trends by offering subscription plans, building data centers, and offering cloud solutions. According to our forecasts (calculated pre-IFRS16 for comparability), the Company will grow yearly EBITDA at an average annual rate of 9.6% in the 2018-2021 period. Comarch boasts a strong balance-sheet position as well, with net cash on hand at PLN 123m as of 30 June 2019 (PLN 53m pre-IFRS 16) — a very creditable amount considering the Company had just completed major CAPEX (data centers, offices) in 2018, alongside continued investment in in-house software capacity. Meanwhile CMR is trading at a discount to the median 2019E EV/EBITDA of the peer group. We remain bullish on CMR even though we expect to see lower profits in Q2 2019 than in the same period in 2018, when, however, the bottom line received a boost from a large government contract, since completed.

Current Price

174.50 PLN

Upside

9M Target Price

231.00 PLN

+32.4%

	rating	target price	issued
unchanged	buy	231.00 PLN	2019-07-25

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-6.4%	-4.0%
ISIN	PLCOMAR00012	YTD Price Chng	+15.9%	+13.9%
Outst. Stock (m)	8.1	ADTV 1M		PLN 2.4m
MC (PLN m)	1,419.3	ADTV 6M		PLN 0.7m
EV (PLN m)	1,436.8	EV/EBITDA 12M fwd	6.3	-16.8%
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	1,501	1,606	1,690
EBITDA	99	177	226	241	251
EBITDA margin	9.0%	13.0%	15.0%	15.0%	14.9%
EBIT	34	112	141	154	160
Net income	43	52	94	104	110
P/E	32.9	27.5	15.1	13.7	12.9
P/B	1.6	1.6	1.5	1.4	1.2
EV/EBITDA	14.6	8.4	6.4	5.7	5.3
DPS	1.50	1.50	1.50	1.50	1.50
DYield	0.9%	0.9%	0.9%	0.9%	0.9%
Forecast 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	1,501	1,606	1,690
TMT	258	313	379	405	425
Finance & Banking	186	204	235	244	254
Retail Solutions	174	201	241	272	294
Manufacturing	142	138	152	164	172
Public Sector	63	194	131	139	145
SME	236	260	297	312	327
Other	43	54	67	69	71
Gross profit	268	387	425	440	461
margin	24.3%	28.3%	28.3%	27.4%	27.3%
Selling expenses	134	138	145	156	164
G&A expenses	98	109	123	131	137
EBIT	34	112	141	154	160
margin	3.1%	8.2%	9.4%	9.6%	9.5%
Net income	43	52	94	104	110

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	61	181	156	179	185
OCF/EBITDA	62%	102%	69%	74%	74%
CAPEX	-141	-87	-77	-88	-115
Assets	1,503	1,740	1,870	2,005	2,132
Equity	880	876	958	1,050	1,148
Net debt	19	-28	-75	-134	-172
Net debt/EBITDA (x)	0.2	-0.2	0.0	-0.2	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	28.2	25.3	23.3	18.4	17.2	16.0
Maximum	9.2	8.6	8.0	5.6	5.3	5.0
Median	16.7	15.5	14.4	9.4	9.0	8.7
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,501	1,606	1,690	1,764	1,840	1,918	1,992	2,058	2,122	2,187	2,231
EBITDA	226	241	251	260	269	278	286	292	298	303	309
EBITDA margin	15.0%	15.0%	14.9%	14.7%	14.6%	14.5%	14.3%	14.2%	14.0%	13.9%	14.1%
D&A	85	88	91	94	97	101	105	109	113	117	119
EBIT	141	154	160	166	171	177	181	183	185	186	190
Tax	46	48	49	50	51	52	52	52	52	52	53
NOPLAT	95	105	112	116	121	125	129	131	133	134	137
CAPEX	-77	-88	-115	-112	-94	-87	-91	-93	-96	-99	-101
Working capital	-24	-14	-18	-17	-18	-19	-19	-19	-19	-20	-20
FCF	78	91	69	81	106	120	124	128	131	132	135
PV FCF	76	81	57	61	74	77	73	70	66	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	1,659
Net debt	46
Other adjustments	18
Value per share (PLN)	196.10

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	238.22
DCF Val.	50%	196.10
Implied Price		217.16
Cost of equity (9M)		6.4%
9M Target Price		231.00

11 bit studios buy (no change)

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11B released the first DLC for *Moonlighter* in July in keeping with the strategy for extending the lifecycle of games. In 3Q 2019, the Company is premiering its new RPG game, *Children of Morta*, for PC/XONE/PS4 and Nintendo Switch. The hope is that the game will match the commercial success of *Moonlighter*. In addition, 11B is working on DLC for *Frostpunk* and *This War of Mine*, and wants to release a console version of *Frostpunk*. Based on this, we expect growing profits in H2 2019. When it comes to the second quarter, however, sales for the period are likely to be low in the absence of DLC and other releases, while at the same time operating expenses will be high due to payroll and amortization of expenses incurred on *Frostpunk*. With that said, we do not expect the Q2 earnings release to affect 11B's performance. The Company is slated to reveal details of its next major game toward the end of 2019. We assume the game will premiere in 2021.

Current Price	412.00 PLN	Upside
9M Target Price	518.00 PLN	+25.7%

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

Key Metrics			11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	+4.3%	+6.7%
ISIN	PL11BTS00015	YTD Price Chng	+68.9%	+66.8%
Outst. Stock (m)	2.3	ADTV 1M		PLN 2.9m
MC (PLN m)	942.3	ADTV 6M		PLN 2.8m
EV (PLN m)	888.9	EV/EBITDA 12M fwd	22.6	+98.8%
Free Float	-	EV/EBITDA 5Y avg	11.4	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	-	25.1	27.6	39.3	9.8
P/B	20.4	10.5	7.5	6.3	3.8
EV/EBITDA	98.9	17.8	19.4	24.0	6.2
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Frostpunk (S)			0.0%	0.0%	0.0%
Projekt 8 (S)			0.0%	0.0%	0.0%
Publishing (S)			0.0%	0.0%	0.0%

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	0%	1%	3%	1%	9%

Balance sheet

(PLN m)	2017	2018	2019P	2020P	2021P
Tangible assets	17.2	41.3	46.3	48.9	49.1
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	+
TWOW (k copies)	420	420	399	379	360	0	0	0	0	0	0
Frostpunk (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%	416.50
DCF Val.	50%	558.10
Implied Price		487.30
Cost of equity (9M)		6.4%
9M Target Price		518.00

CD Projekt accumulate (no change)

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CD Projekt's performance in August will be shaped by the appearance of *Cyberpunk 2077* at the Gamescom 2019, taking place on 20-24 August. The 2019 Q2 earnings release, slated for August 29th, is expected to show slow growth as *The Witcher 3* sells fewer and fewer copies, combined with higher operating expenses fueled by payroll and marketing. In July Netflix released a trailer for the upcoming *The Witcher* series, an adaptation which might potentially rekindle the game's sales after it premieres later this year. CD Projekt is also working on releasing *The Witcher 3* for Nintendo Switch still in 2019. CDR is set to enjoy good performance in the months ahead as it continues to promote *Cyberpunk 2077*.

Current Price

230.00 PLN

Upside

9M Target Price

237.50 PLN

+3.3%

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

Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+6.2% +8.6%
ISIN	PLOPTTC00011	YTD Price Chng	+59.1% +57.1%
Outst. Stock (m)	96.1	ADTV 1M	PLN 48.3m
MC (PLN m)	22,107.6	ADTV 6M	PLN 57.3m
EV (PLN m)	21,571.2	EV/EBITDA 12M fwd	14.3 -38.4%
Free Float	65.3%	EV/EBITDA 5Y avg	23.2 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	-	-	-	11.3	11.6
P/B	24.8	22.0	21.3	7.5	4.7
EV/EBITDA	86.4	183.1	488.9	8.4	8.3
DPS	1.06	0.00	0.00	0.00	0.00
DYield	0.5%	0.0%	0.0%	0.0%	0.0%
Forecast 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	0
Next AAA game (k copies)	0	10,000	6,000	21,000	13,000	23,000	14,500	9,200	11,200	0	0
Revenue	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

Cognor

hold (no change)

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Cognor shareholders approved the Management Board's recommendation for a 2019 dividend payout in a total amount of PLN 36m, representing per-share dividends of PLN 0.29 and implying dividend yield close to 17%. The date of record has been pushed back to 23 October, with the payout now scheduled for 17 January 2020. Cognor's s 2019 Q2 earnings report, slated to be released on August 14th, is expected to show marked deterioration in profits, and for this reason we would hold off investment until then. When it comes to future prospects, the second half of 2019 at Cognor is looking much better owing to the increasing cost advantage of the more efficient EAF steel producers over BOF steelmaking, with the global steel industry expected to regain momentum in the second half of the year. We maintain a hold rating for Cognor with an intact target price of PLN 1.84 per share.

Current Price

1.67 PLN

Upside

9M Target Price

1.84 PLN

+10.2%

	rating	target price	issued
unchanged	hold	1.84 PLN	2019-07-25

Key Metrics			COG PW	vs. WIG
Ticker	COG PW	1M Price Chng	-5.4%	-3.0%
ISIN	PLCNTSL00014	YTD Price Chng	+4.4%	+2.3%
Outst. Stock (m)	175.0	ADTV 1M		PLN 0.2m
MC (PLN m)	292.2	ADTV 6M		PLN 0.2m
EV (PLN m)	534.5	EV/EBITDA 12M fwd	4.2	+25.3%
Free Float	-	EV/EBITDA 5Y avg	3.4	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,789	2,082	2,004	1,900	2,086
EBITDA adj.	146	200	108	100	106
EBITDA margin	8.1%	9.6%	5.4%	5.3%	5.1%
EBIT adj.	104	156	62	50	57
Net income adj.	32	94	34	27	35
P/E adj.	9.2	3.1	8.6	10.8	8.3
P/B	1.3	1.1	1.0	1.0	1.0
EV/EBITDA adj.	4.3	2.6	4.9	5.1	4.6
DPS	0.00	0.07	0.21	0.13	0.11
DYield	0.0%	4.1%	12.3%	7.6%	6.5%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales volume			0.0%	0.0%	0.0%
Product prices			0.0%	0.0%	0.0%
Scrap prices			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Ferrostal volume (k tons)	426	401	393	361	432
HSJ volume (k tons)	231	237	232	253	268
Złomrex volume (k tons)	131	173	176	180	183
Ferrostal spread (PLN/t)	953	1,191	1,147	1,159	1,189
HSJ spread (PLN/t)	1,272	1,723	1,680	1,610	1,598
Operating cash flow	145	232	91	110	92
D&A	41	44	47	50	49
Working capital	11	44	15	17	-5
Investing cash flow	-15	-38	-50	-50	-35
CAPEX	16	38	50	50	35
Financing cash flow	-53	-196	-9	-88	-68
Dividends/Buyback	0	-12	-36	-22	-19
FCF	123	179	66	60	58
FCF/EBITDA	87%	90%	61%	60%	55%
OCF/EBITDA	103%	116%	84%	110%	86%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	951	1,001	1,035	970	986
Fixed assets	398	379	401	393	370
Equity	225	278	279	284	300
Minority interests	225	278	279	284	300
Net debt	325	209	225	204	179
Net debt/EBITDA (x)	2.3	1.0	2.1	2.0	1.7
Net debt/Equity (x)	1.4	0.8	0.8	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.3	5.3	5.2	2.8	2.9	3.0
Maximum	23.3	16.7	14.1	11.9	6.8	6.4
Median	9.0	9.0	8.7	5.8	5.3	4.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales volume	625	614	700	749	778	804	820	836	836	836	836
Product prices	2,304.4	2,213.3	2,198.3	2,209.6	2,220.4	2,231.6	2,243.7	2,255.8	2,267.8	2,279.9	2,291.9
Scrap prices	1,088	1,005	990	990	990	990	990	990	990	990	990
Revenue	2,004	1,900	2,086	2,207	2,286	2,358	2,409	2,462	2,478	2,494	2,510
EBITDA	108	100	106	94	90	86	83	81	81	83	85
EBITDA margin	5.4%	5.3%	5.1%	4.3%	3.9%	3.6%	3.5%	3.3%	3.3%	3.3%	3.4%
EBIT	62	50	57	47	43	40	38	35	34	35	37
Tax	7	6	8	6	6	5	5	5	5	5	5
CAPEX	-50	-50	-35	-36	-37	-39	-40	-43	-46	-47	-47
Working capital	15	17	-5	-5	-6	-5	-4	-4	-1	-1	-1
FCF	66	60	58	47	40	36	34	29	29	31	33
PV FCF	64	54	48	36	29	24	21	16	15	15	
WACC	7.6%	7.6%	7.8%	7.8%	7.9%	7.9%	8.0%	8.0%	8.0%	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	1.2
FCF perp. growth rate	2.0%
PV FCF	321
Net debt	209
Other adj.	18
Value per share (PLN)	2.01

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	1.43
DCF Val.	50%	2.01
Implied Price		1.72
Cost of equity (9M)		7.0%
9M Target Price		1.84

Famur buy (reiterated)

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Famur is set for continuing growth in 2019 driven by higher rental rates for mining equipment. The Company signed new orders totaling PLN 1,156m in the last 12 months, the highest value since 2012, and the deliveries scheduled for 2019 will boost second-half profits. At the moment Famur is benefitting from low prices of steel inputs, lifting the profit margins on contracts adjusted in 2018. The Company is expected to deliver strong, double-digit growth in the profits for Q2 2019. After updating our FY2019 estimates to reflect the fact that Famur plans to recognize the gain on the divestment of the PBSz shaft sinking unit under gross profit rather than EBITDA as we assumed before, and after adjusting the target price for dividends, we maintain our bullish view on FMF.

Current Price

4.47 PLN

Upside

9M Target Price

6.71 PLN

+50.1%

	rating	target price	issued	
new	buy	6.71 PLN	2019-08-02	
old	buy	6.96 PLN	2019-07-03	
Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-5.3%	-2.9%
ISIN	PLFAMUR00012	YTD Price Chng	-8.2%	-10.2%
Outst. Stock (m)	574.8	ADTV 1M		PLN 0.9m
MC (PLN m)	2,569.2	ADTV 6M		PLN 0.8m
EV (PLN m)	2,493.9	EV/EBITDA 12M fwd	4.8	-17.0%
Free Float	52.3%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,460	2,229	2,145	2,046	2,087
EBITDA	308	491	548	492	486
EBITDA margin	21.1%	22.0%	25.6%	24.1%	23.3%
EBIT	133	300	391	347	314
Net income	49	208	454	275	250
P/E	51.5	12.4	5.7	9.4	10.3
P/B	1.7	1.6	1.6	1.6	1.6
EV/EBITDA	8.8	5.7	4.5	4.9	4.9
DPS	0.00	0.44	0.53	0.55	0.36
DYield	0.0%	9.9%	11.9%	12.4%	8.0%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			-21.5%	0.0%	0.0%
Net income			-0.1%	-0.9%	-1.5%
Revenue, Underground			0.0%	0.0%	0.0%
Revenue, Surface			0.0%	0.0%	0.0%
Sales margin, UG			0.0%	0.0%	0.0%
Sales margin, Surface			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	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	522	465	412
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	-515	-325	-212
Change in debt	-88	-213	-200	0	0
Dividends/Buyback	0	-253	-305	-318	-206
FCF	-91	173	649	382	289
FCF/EBITDA	-30%	35%	118%	78%	60%
OCF/EBITDA	44%	44%	95%	94%	85%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	3,138	2,880	2,677	2,609	2,663
Fixed assets	1,099	1,158	880	817	767
Goodwill	222	222	222	222	222
Equity	1,437	1,625	1,638	1,595	1,639
Minority interests	115	-37	-32	-32	-32
Net debt	80	286	-43	-100	-177
Net debt/EBITDA (x)	0.3	0.6	-0.1	-0.2	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.2	9.5	9.3	6.0	6.0	5.8
Maximum	19.5	18.2	17.2	12.1	11.1	10.5
Median	12.8	12.0	11.4	8.5	7.9	7.4
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	548	492	486	490	491	491	496	503	509	511	515
EBITDA margin	25.6%	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	391	347	314	352	356	360	363	367	371	373	377
Tax	52	64	59	66	67	68	69	70	72	72	73
NOPAT	339	282	256	286	288	291	294	297	300	301	303
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	649	382	289	284	280	277	277	280	282	284	287
PV FCF	628	341	238	215	195	178	164	153	142	132	
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	2,385
Net debt	590
Other adjustments	58
Value per share (PLN)	6.72

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.91
DCF Val.	50%	6.72
Implied Price		6.31
Cost of equity (9M)		6.3%
9M Target Price		6.71

Grupa Kęty hold (no change)

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Kęty expects to post 10% growth in sales and a 7% rebound in EBITDA in Q2 2019 compared to the same period in 2018. These numbers represent faster growth than factored into our forecasts, which assumed a 5% drop in EBITDA led by deterioration in the segment of extrusions, and which anticipated weaker sales of packaging and aluminum systems. We maintain a hold rating for Kęty, with the 9-month price target unchanged at PLN 345.32 per share.

Current Price

337.50 PLN

Upside

9M Target Price

345.32 PLN

+2.3%

	rating	target price	issued
unchanged	hold	345.32 PLN	2019-07-03

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-1.0%	+1.4%
ISIN	PLKETY000011	YTD Price Chng	+2.6%	+0.5%
Outst. Stock (m)	9.5	ADTV 1M		PLN 0.4m
MC (PLN m)	3,221.6	ADTV 6M		PLN 0.5m
EV (PLN m)	4,156.4	EV/EBITDA 12M fwd	8.4	-9.8%
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	460	486	490
EBITDA margin	15.9%	15.5%	15.5%	15.4%	15.1%
EBIT	301	338	331	351	360
Net income	236	268	246	261	268
P/E	13.5	12.0	13.1	12.4	12.0
P/B	2.4	2.3	2.3	2.2	2.1
EV/EBITDA	9.0	8.6	9.0	8.6	8.5
DPS	30.00	23.94	24.00	20.66	23.22
DYield	8.9%	7.1%	7.1%	6.1%	6.9%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Aluminum price (US\$/t)			0.0%	0.0%	0.0%
Producer premium (US\$/t)			0.0%	0.0%	0.0%
EBITDA, Packaging			0.0%	0.0%	0.0%
EBITDA, Extrusions			0.0%	0.0%	0.0%
EBITDA, Al Systems			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018P	2019P	2020P	2021P
EBITDA, Packaging	113	119	112	133	138
EBITDA, Extrusions	150	163	166	167	166
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	296	338	389
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	-206	-271
Dividends/Buyback	-285	-229	-229	-197	-222
FCF	86	72	172	191	274
FCF/EBITDA	20%	15%	37%	39%	56%
OCF/EBITDA	66%	63%	64%	70%	79%

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Assets	2,499	2,780	2,892	3,000	3,038
Fixed assets	1,439	1,575	1,722	1,741	1,735
Equity	1,363	1,396	1,414	1,477	1,524
Minority interests	1	1	1	1	1
Net debt	591	774	934	972	953
Net debt/EBITDA (x)	1.4	1.7	2.0	2.0	1.9
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	4.0	3.5	3.3	3.4	3.0	2.1
Maximum	49.2	20.0	17.1	34.8	11.8	10.7
Median	16.2	9.5	8.9	7.9	6.3	5.7
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	460	486	490	496	501	506	510	508	505	505	505
EBITDA margin	15.5%	15.4%	15.1%	15.0%	14.9%	14.9%	14.8%	14.7%	14.6%	14.6%	14.6%
EBIT	331	351	360	368	376	379	379	376	370	367	367
Tax	58	61	63	65	66	67	67	66	66	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	172	191	274	286	297	297	298	303	301	298	299
PV FCF	166	171	228	221	213	197	184	173	159	146	
WACC	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.8%	7.8%	7.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,859
Net debt	774
Other adjustments	0
Value per share (PLN)	379.70

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	269.96
DCF Val.	50%	379.70
Implied Price		324.83
Cost of equity (9M)		6.3%
9M Target Price		345.32

JSW

accumulate (no change)

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JSW experienced a production stoppage in June, at this point fully priced into the market's earnings expectations for the second quarter. Also priced in is the appointment of the new Management Board, which declared no plans to change the Company's business strategy. Moreover this year's performance bonuses for employees at PLN 165m are lower than our PLN 200m forecast, and the plan to add two new longwall panels will drive coal production in the second half of 2019, when sales and prices of coking coal might be reinforced by stronger demand from steel producers. The improved prospects should support JSW's performance in August. We continue to rate JSW as accumulate.

Current Price

37.20 PLN

Upside

9M Target Price

50.02 PLN

+34.5%

	rating	target price	issued
unchanged	accumulate	50.02 PLN	2019-07-03

Key Metrics	JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng -18.8% -16.4%
ISIN	PLJSW0000015	YTD Price Chng -44.7% -46.7%
Outst. Stock (m)	117.4	ADTV 1M PLN 8.8m
MC (PLN m)	4,367.7	ADTV 6M PLN 13.1m
EV (PLN m)	1,699.6	EV/EBITDA 12M fwd 1.2 -63.9%
Free Float	44.8%	EV/EBITDA 5Y avg 3.2 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.	2.0	2.4	4.2	10.9	25.6
P/B	0.7	0.5	0.5	0.5	0.5
EV/EBITDA adj.	0.8	0.5	0.8	1.5	2.0
DPS	0.00	0.00	1.71	1.78	1.70
DYield	0.0%	0.0%	4.6%	4.8%	4.6%
Forecast 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

	19P	P/E	20P	21P	19P	EV/EBITDA	20P	21P
Minimum	3.9	2.6	3.1	1.3	1.2	1.0		
Maximum	20.7	22.1	67.1	8.6	8.4	8.0		
Median	7.3	7.5	8.0	4.2	4.2	4.3		
Weight	17%	17%	17%	17%	17%	17%		

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Coking coal (\$/t)	185	175	165	165	165	165	165	165	165	165	165
Thrm coal (PLN/t)	268	247	247	247	247	247	247	247	247	247	247
Coke (\$/t)	1,068	949	915	915	915	915	915	915	915	915	916
Revenue	9,594	9,042	8,877	9,060	9,228	9,316	9,417	9,528	9,640	9,753	9,812
EBITDA	2,176	1,506	1,351	1,554	1,650	1,685	1,730	1,771	1,809	1,829	1,872
EBITDA margin	22.7%	16.7%	15.2%	17.2%	17.9%	18.1%	18.4%	18.6%	18.8%	18.8%	19.1%
EBIT	1,306	508	229	308	233	327	357	378	413	431	472
Tax	251	99	46	60	46	64	69	73	80	83	91
CAPEX	-1,750	-1,550	-1,450	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400
Working capital	-209	-115	-33	31	23	27	16	18	19	18	12
FCF	-34	-257	-178	125	228	248	277	316	348	364	394
PV FCF	-33	-229	-145	94	158	159	164	172	175	168	
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	684
Net debt	-3,286
Other adjustments	364
Value per share (PLN)	48.94

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	45.16
DCF Val.	50%	48.94
Implied Price		47.05
Cost of equity (9M)		6.3%
9M Target Price		50.02

Kernel buy (no change)

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Kernel might post double the year-ago EBITDA figure for the fourth quarter of fiscal 2019, ended 30 June. The adoption of IFRS 16 should result in higher future profits considering that Kernel leases its whole farmland. Further, the sale of interests in the Taman grain terminal could free up as much as \$100m in currently locked-up cash. We maintain a buy rating for KER, with the target price intact at PLN 58.63 per share.

Current Price

48.35 PLN

Upside

9M Target Price

58.63 PLN

+21.3%

	rating	target price	issued
unchanged	buy	58.63 PLN	2019-06-03

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-1.8%	+0.6%
ISIN	LU0327357389	YTD Price Chng	-0.7%	-2.8%
Outst. Stock (m)	82.7	ADTV 1M		PLN 3.2m
MC (PLN m)	3,996.7	ADTV 6M		PLN 1.9m
EV (PLN m)	7,463.0	EV/EBITDA 12M fwd	5.2	+23.8%
Free Float	60.5%	EV/EBITDA 5Y avg	4.2	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	5.8	19.7	5.2	5.3	4.2
P/B	0.9	0.9	0.8	0.7	0.7
EV/EBITDA	4.8	7.4	5.7	4.8	4.0
DPS	0.24	0.25	0.25	0.95	1.29
DYield	2.0%	2.0%	2.0%	7.7%	10.3%
Forecast Update (% change)			18/19P	19/20P	20/21P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin, Sunflower Oil (\$/t)			0.0%	0.0%	0.0%
Margin, Wheat (\$/t)			0.0%	0.0%	0.0%
Margin, Corn (\$/t)			0.0%	0.0%	0.0%
Bulk sunflower oil sales (kt)			0.0%	0.0%	0.0%
Grain production (kt)			0.0%	0.0%	0.0%
Grain sales (kt)			0.0%	0.0%	0.0%

Financial Highlights

(US\$ m)	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 (no change)

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Prices of precious metals, especially silver, increased in July on expectations of monetary easing by central banks in light of weak economic prints, resulting in an uplift in KGHM's share price. Nevertheless rising tensions between the US and China with the latter increasingly expected to delay a deal until after the 2020 presidential elections in the US, keep putting downward pressure on KGH, exacerbated by expectations of worsened earnings results for Q2 2019, indicating a continuing downward slide in August in line with a likely downward correction in other precious metals stocks (AAL LN, BOL SS, FRES LN, GFI SJ, KAZ LN, OZL AU, POLY LN, PLZL RX) and iron ore producers (ANG JS, BHP AU, RIO LN). We maintain a hold rating for KGH.

Current Price	91.36 PLN	Upside
9M Target Price	98.35 PLN	+7.7%

	rating	target price	issued
unchanged	hold	98.35 PLN	2019-07-03

Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	-12.2%
ISIN	PLKGHM000017	YTD Price Chng	+2.8%
Outst. Stock (m)	200.0	ADTV 1M	PLN 51.8m
MC (PLN m)	18,272.0	ADTV 6M	PLN 55.4m
EV (PLN m)	22,734.7	EV/EBITDA 12M fwd	4.3
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	22,593	23,029	23,730
EBITDA adj.	5,753	4,972	5,168	5,082	5,398
EBITDA margin	28.4%	24.2%	22.9%	22.1%	22.7%
EBIT adj.	4,144	3,176	3,315	3,150	3,414
Net income adj.	1,792	1,888	2,289	2,154	2,351
P/E adj.	10.2	9.7	8.0	8.5	7.8
P/B	1.0	1.0	0.9	0.8	0.7
EV/EBITDA adj.	4.3	5.1	4.4	4.3	3.8
DPS	1.00	0.00	0.00	1.50	3.23
DYield	1.1%	0.0%	0.0%	1.6%	3.5%

Forecast Update (% change)		2019P	2020P	2021P
EBITDA adj.		0.0%	0.0%	0.0%
Net income adj.		0.0%	0.0%	0.0%
Copper price (\$/t)		0.0%	0.0%	0.0%
Silver price (\$/oz)		0.0%	0.0%	0.0%
Molybdenum price (\$/t)		0.0%	0.0%	0.0%
Copper output (kt)		0.0%	0.0%	0.0%
Silver output (t)		0.0%	0.0%	0.0%
Molybdenum output (mmmb)		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	5,522	4,195	4,446
D&A	1,609	1,796	1,853	1,932	1,984
Working capital	-1,270	1,412	1,277	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	-750
Dividends/Buyback	-200	0	0	-300	-646
FCF	788	1,924	2,726	1,419	1,868
FCF/EBITDA	27%	41%	53%	28%	35%
OCF/EBITDA	53%	77%	107%	83%	82%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	34,122	37,237	40,075	42,046	43,937
Fixed assets	26,515	29,375	30,319	31,164	31,758
Equity	17,694	19,133	21,422	23,276	24,981
Minority interests	91	92	92	92	92
Net debt	6,570	6,992	4,371	3,356	2,239
Net debt/EBITDA (x)	2.2	1.5	0.8	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	8.7	5.5	5.7	2.9	1.6	1.2
Maximum	29.1	17.2	15.1	9.4	8.7	8.2
Median	14.3	10.4	10.2	5.7	5.1	4.6
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	22,593	23,029	23,730	23,857	23,805	23,747	23,536	22,087	22,119	22,153	22,234
EBITDA	5,168	5,082	5,398	5,357	5,282	5,143	4,884	4,755	4,723	4,387	4,361
EBITDA margin	14.7%	13.7%	14.4%	14.3%	14.1%	13.8%	12.8%	13.0%	12.8%	11.2%	11.9%
EBIT	3,315	3,150	3,414	3,420	3,368	3,278	3,006	2,871	2,836	2,490	2,636
Tax	921	891	958	958	947	929	876	850	843	776	804
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	1,277	4	7	1	-1	-1	-2	-15	0	0	1
FCF	2,726	1,419	1,868	2,732	2,609	2,460	2,223	2,079	2,040	1,742	1,833
PV FCF	2,627	1,267	1,540	2,065	1,807	1,571	1,308	1,127	1,020	803	
WACC	7.6%	7.8%	8.0%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	15,136
Net debt	6,992
Other adjustments	290
Value per share (PLN)	91.84

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	93.18
DCF Val.	50%	91.84
Implied Price		92.51
Cost of equity (9M)		6.3%
9M Target Price		98.35

Stelmet hold (no change)

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Stelmet reported stronger-than-expected earnings growth in the second quarter of fiscal 2019, ended 31 March, supported by positive base effects and unseasonably warm spring weather which gave an earlier start to the gardening season. This resulted in strong sales volumes, particularly in Germany, while UK sales dwindled alongside local prices. Stelmet faces a profit slump in the rest of 2019 led by higher costs of energy, timber raw material, and labor. We maintain a hold rating for STL, with the 9-month price target unchanged at PLN 7.95 per share.

Current Price

6.35 PLN

Upside

9M Target Price

7.95 PLN

+25.2%

	rating	target price	issued
unchanged	hold	7.95 PLN	2019-07-03

Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-12.4%	-10.0%
ISIN	PLSTLMT00010	YTD Price Chng	-12.3%	-14.3%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	186.5	ADTV 6M		PLN 0.0m
EV (PLN m)	341.4	EV/EBITDA 12M fwd	4.7	-30.1%
Free Float	15.0%	EV/EBITDA 5Y avg	6.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	538	553	591	606	624
EBITDA	58	69	69	67	68
EBITDA margin	10.7%	12.4%	11.6%	11.1%	10.9%
EBIT	21	27	27	25	25
Net income	19	10	20	19	19
P/E	9.6	19.5	9.4	9.9	9.8
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	6.4	5.3	5.0	4.7	4.3
DPS	0.00	0.00	0.08	0.41	0.45
DYield	0.0%	0.0%	1.3%	6.4%	7.1%
Forecast 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	25	26	26
Revenue, Core, UK	158	137	124	127	130
Revenue, Core, FR	120	107	110	112	115
Revenue, Core, DE	101	113	141	147	153
Revenue, Wood Pellets	68	89	101	104	108
Operating cash flow	39	32	56	60	61
D&A	37	41	42	42	43
Working capital	-2	-30	-9	-4	-4
Investing cash flow	-62	-24	-29	-18	-27
CAPEX	62	23	29	18	27
Financing cash flow	76	-9	-31	-35	-36
Dividends/Buyback	0	0	-2	-12	-13
FCF	-11	9	27	42	34
FCF/EBITDA	-18%	13%	39%	63%	50%
OCF/EBITDA	68%	46%	82%	90%	89%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	821	816	815	805	794
Fixed assets	554	522	509	486	470
Equity	454	461	479	486	492
Minority interests	0	0	0	0	0
Net debt	182	176	155	128	110
Net debt/EBITDA (x)	3.2	2.6	2.3	1.9	1.6
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	8.4	7.8	8.1	5.1	3.1	4.1
Maximum	217.5	49.1	16.4	17.5	16.3	10.0
Median	20.4	12.3	10.3	7.9	6.4	6.0
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)	1,784	1,800	1,823	1,848	1,873	1,898	1,924	1,950	1,977	2,004	2,031
Volume (1,000 m3)	254	259	264	267	270	273	276	279	282	285	288
Timber px (PLN/m3)	260	266	271	276	282	288	293	299	305	311	317
Revenue	591	606	624	639	654	670	686	702	718	735	753
EBITDA	69	67	68	68	68	68	68	67	66	65	63
EBITDA margin	11.6%	11.1%	10.9%	10.7%	10.5%	10.2%	9.9%	9.6%	9.2%	8.8%	8.3%
EBIT	27	25	25	25	25	24	22	20	18	17	15
Tax	3.5	3.1	3.0	2.9	2.3	1.7	1.4	1.1	0.8	0.4	0.1
CAPEX	-29	-18	-27	-30	-32	-35	-38	-41	-45	-47	-48
Working capital	-8.7	-3.5	-4.3	-3.5	-3.6	-3.7	-3.6	-3.7	-3.8	-4.1	-4.2
FCF	27	42	34	32	30	28	25	21	18	16	13
PV FCF	27	39	29	25	22	19	16	12	10	8	
WACC	6.7%	6.9%	7.1%	7.2%	7.4%	7.5%	7.6%	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%
PV FCF	207
Net debt	182
Other adjustments	0
Value per share (PLN)	4.91

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	10.04
DCF Val.	50%	4.91
Implied Price		7.47
Cost of equity (9M)		6.3%
9M Target Price		7.95

Property Developers

Atal

accumulate (no change)

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Atal increased residential sales by 57% Y/Y and 27% Q/Q in Q2 2019, growth well above the industry averages, resulting in 2019 H1 sales equivalent to 59% of our FY2019 forecast, which assumes 14% growth for the year. This, together with an extensive and well-diversified land bank, reassures us in our predictions of stable earnings in the 2019-2021 period. Atal's housing inventory as of 31 March 2019 was 51% larger than in March 2018 at a record 4,400 units, and the number of apartments in progress was 49% higher. As a result, the ratio of units in progress to sales was 70% higher than the average sales volume in 2017-18. Atal continued its sales expansion in Q2 2019 with another 900 listings made in the period. This represents sales potential which probably exceeds our current conservative expectations for 20% growth vs. 24% on average in 2015-18. We assume that Atal will recognize 670+ flats scheduled for completion in 2020 in the profits for next year and the following years, and we expect over 1,100 of the flats scheduled for completion in 2021 to be recognized in subsequent years. Atal has very healthy fundamentals and potential to generate net earnings of PLN 170-190m a year in 2019-21, implying P/E of 7.7x and average DY of 12%. We maintain an accumulate call for 1AT with over-13% upside potential to our target (adjusted for 2019 dividend).

Current Price	36.90 PLN	Upside
9M Target Price	41.89 PLN	+13.5%

	rating	target price	issued
unchanged	accumulate	41.89 PLN	2019-07-03

Key Metrics			1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	+0.5%	+3.0%
ISIN	PLATAL000046	YTD Price Chng	+43.9%	+41.8%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.1m
MC (PLN m)	1,428.6	ADTV 6M		PLN 0.4m
EV (PLN m)	1,747.2	EV/EBITDA 12M fwd	7.5	-5.2%
Free Float	11.6%	EV/EBITDA 5Y avg	7.9	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	866	1,055	975	999	1,110
Gross profit	248	284	266	262	288
Gross margin	28.6%	26.9%	27.3%	26.2%	26.0%
EBIT	222	260	235	227	252
Net income	171	201	181	172	192
P/E	8.3	7.1	7.9	8.3	7.5
P/B	1.8	1.7	1.7	1.7	1.6
EV/EBITDA	7.3	6.7	7.4	7.7	7.0
DPS	1.68	3.54	4.70	4.26	4.06
DYield	4.6%	9.6%	12.7%	11.5%	11.0%
Forecast 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	2,574	2,819	2,874
Revenue/unit (PLN k)	375	394	379	354	386
SG&A	28	31	32	34	36
SG&A/Sales	3.3%	2.9%	3.3%	3.4%	3.2%
EBIT margin	25.6%	24.6%	24.1%	22.8%	22.7%
Net profit margin	19.8%	19.0%	18.5%	17.3%	17.3%
Cash	266	192	242	214	207
Net debt	214	333	451	480	476
Net debt/Equity	27%	39%	37%	40%	39%
Inventory	1,342	1,487	1,638	1,658	1,697
Inventory/Sales	155%	141%	155%	153%	143%
Earnest money deposits	365	225	314	294	302
Deposits/Inventory	27%	15%	19%	18%	18%
Equity	795	858	857	865	899
ROE	24.9%	25.3%	21.1%	20.1%	22.1%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	975	999	1,110	936	879	896	914	932	951	970	989
EBITDA	237	229	254	194	166	169	172	176	179	183	186
EBITDA margin	24.3%	23.0%	22.9%	20.7%	18.9%	18.9%	18.9%	18.9%	18.8%	18.8%	18.8%
D&A	1	2	2	2	2	2	2	2	2	2	2
EBIT	235	227	252	192	164	167	170	174	177	181	184
Tax	45	43	48	36	31	32	32	33	34	34	35
NOPLAT	190	184	204	155	133	135	138	141	144	146	149
CAPEX	10	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Working capital	34	-36	-43	12	58	-9	-8	-5	-5	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	235	148	161	167	191	127	130	136	139	141	144
PV FCF	227	132	134	129	136	84	80	77	73	69	
WACC	7.8%	7.7%	7.7%	7.7%	7.8%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

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

Cash Flow Summary

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	198	38	199	152	166
D&A	1	1	2	2	2
Working capital	-13	-194	34	-36	-43
Investing cash flow	1	1	14	4	3
CAPEX	-1	-1	-2	-2	-2
Financing cash flow	-121	-113	-164	-183	-176
Dividends	-65	-137	-182	-165	-157

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.69	0.65	0.62	5.1	5.7	6.7
Maximum	1.84	1.79	1.83	8.6	8.5	9.2
Median	0.99	0.97	0.98	5.5	7.6	8.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,338
Adj. net debt*	515
Other adjustments	-1
Value per share (PLN)	47.12

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	27.86
Relative (DYield)	17%	39.31
DCF	50%	47.12
Cost of equity (9M)		6.3%
9M Target Price		41.89

Dom Development hold (no change)

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Dom Development increased Q2 sales in line with the average growth achieved by listed developers (+4.2%). The Company experienced a slowdown in the period in the housing market of the Tricity metropolitan area due to a reduced inventory, since replenished with new projects which will drive local sales in the quarters ahead. DOM achieved a high sales/inventory ratio in the Tricity in Q2 of 45%. On the other hand, sales in Warsaw are set to slow in H2 2019 after a 20% drop in new listings. In H1 2019 DOM fulfilled 50% of our FY sales forecast with 3,493 units (-3% Y/Y). We expect the Developer to replenish its Warsaw inventory in 2020. In 2019 DOM plans to list a record 3,900 off-plan flats, a number 6% higher than current sales, which will boost profits after completion during 2020-2021. In Q2 2019 DOM registered contraction in profits relative to a high year-ago base, but nevertheless the ytd net profit for H1 2019 fulfilled 47% of our FY forecast.

Current Price

77.40 PLN

Upside

9M Target Price

79.80 PLN

+3.1%

	rating	target price	issued
unchanged	hold	79.80 PLN	2019-07-03

Key Metrics		DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	+1.0%
ISIN	PLDMDVL00012	YTD Price Chng	+43.5%
Outst. Stock (m)	25.1	ADTV 1M	PLN 0.3m
MC (PLN m)	1,940.3	ADTV 6M	PLN 0.5m
EV (PLN m)	2,277.4	EV/EBITDA 12M fwd	7.1
Free Float	25.2%	EV/EBITDA 5Y avg	9.1 discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,405	1,654	1,688	1,806	1,781
Gross profit	386	455	446	485	466
Gross margin	27.5%	27.5%	26.4%	26.9%	26.2%
EBIT	235	282	277	309	283
Net income	191	227	222	247	225
P/E	10.1	8.5	8.7	7.9	8.6
P/B	1.9	1.8	1.9	1.8	1.9
EV/EBITDA	8.2	6.9	7.9	7.2	8.1
DPS	5.05	7.60	9.05	8.87	9.84
DYield	6.5%	9.8%	11.7%	11.5%	12.7%
Forecast 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%
Closinas			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,929	3,633	3,537	3,401	3,794
Revenue/unit (PLN k)	480	455	477	531	469
SG&A	138	162	164	170	177
SG&A/Sales	9.9%	9.8%	9.7%	9.4%	10.0%
EBIT margin	16.8%	17.1%	16.4%	17.1%	15.9%
Net profit margin	13.6%	13.7%	13.2%	13.7%	12.7%
Cash	331	317	198	169	203
Net debt	64	78	337	381	447
Net debt/Equity	6%	7%	32%	36%	43%
Inventory	1,989	2,114	2,574	2,588	2,582
Inventory/Sales	142%	128%	153%	143%	145%
Earnest money deposits	568	625	734	662	614
Deposits/Inventory	29%	30%	29%	26%	24%
Equity	1,002	1,046	1,046	1,070	1,049
ROE	20.5%	22.7%	21.3%	23.6%	21.1%

Cash Flow Summary

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	198	233	-15	192	195
D&A	7	10	13	12	12
Working capital	-9	-1	-238	-71	-47
Investing cash flow	-213	-43	-45	0	-10
CAPEX	-8	-11	-9	-10	-10
Financing cash flow	-120	-187	-85	-211	-151
Dividends	-126	-190	-227	-222	-247

Relative Valuation Summary

	P/BV			P/E		
	19P	20P	21P	19P	20P	21P
Minimum	0.69	0.65	0.62	5.1	5.7	6.7
Maximum	1.66	1.64	1.58	7.9	8.5	9.2
Median	0.99	0.97	0.98	5.5	7.8	7.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,688	1,806	1,781	1,676	1,609	1,641	1,674	1,708	1,742	1,776	1,812
EBITDA	287	318	292	230	209	211	215	219	223	228	232
EBITDA margin	17.0%	17.6%	16.4%	13.7%	13.0%	12.9%	12.8%	12.8%	12.8%	12.8%	12.8%
D&A	10	10	10	10	10	10	10	10	10	10	10
EBIT	277	309	283	220	199	201	205	209	214	218	222
Tax	53	59	54	42	38	38	39	40	41	41	42
NOPLAT	224	250	229	179	161	163	166	170	173	177	180
CAPEX	-9	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10
Working capital	-238	-71	-47	23	23	-9	-9	-9	-9	-9	-9
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	-13	179	182	201	184	154	157	161	164	168	171
PV FCF	-12	159	151	155	131	102	97	92	87	82	
WACC	7.9%	7.8%	7.7%	7.7%	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	2,519
Adj. net debt*	304
Other adjustments	227
Value per share (PLN)	88

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	52.70
Relative (DYield)	17%	80.01
DCF	50%	88.33
Cost of equity (9M)		6.3%
9M Target Price		79.80

Retail

AmRest

buy (no change)

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AmRest reported a 32.5% Y/Y rebound to an estimated EUR 483m in 2019 Q2 sales, with growth adjusted for acquisitions still showing a strong, 18.3% annual pace. Much of the increase was owed to the pizzaportal.pl food delivery website, generating a 69% surge in revenue. The total quarterly revenue exceeded our forecast by 2%. When it comes to profits, we expect to see a 0.2pp Y/Y decline to 10.9% in Q2 EBITDA margin, but we anticipate 28% expansion in EBITDA. EAT stock rose after the preliminary Q2 sales release, and performance in the months ahead should be strong owing to strong earnings. AmRest is slated to open at least 400 new restaurants net this year, followed by 400+ additions in the two years after, characterized by an increasing share of franchise locations, a strategy which is less capital intensive and less risky, potentially allowing the Company to gradually reduce leverage. With fast-paced growth and solid fundamentals, AmRest is one of our favorite top picks in the retail sector.

Current Price

40.75 PLN

Upside

9M Target Price

48.00 PLN

+17.8%

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

Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	+7.8%	+10.2%
ISIN	ES0105375002	YTD Price Chng	+1.9%	-0.2%
Outst. Stock (m)	219.6	ADTV 1M		PLN 1.7m
MC (PLN m)	8,946.8	ADTV 6M		PLN 3.7m
EV (PLN m)	11,473.4	EV/EBITDA 12M fwd	11.0	+2.2%
Free Float	31.1%	EV/EBITDA 5Y avg	10.8	premium

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	5,270	6,657	8,554	9,990	11,314
EBITDA	606	711	880	1,093	1,342
EBITDA margin	11.5%	10.7%	10.3%	10.9%	11.9%
EBIT	275	315	385	509	696
Net income	191	191	234	320	449
P/E	45.3	46.7	38.3	28.0	19.9
P/B	6.6	4.9	4.4	3.8	3.2
EV/EBITDA	16.7	15.9	13.0	10.4	8.2
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast 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	-584	-757	-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	8,554	9,990	11,314	12,468	13,422	14,238	14,966	15,660	16,321	16,951	16,951
EBITDA	880	1,093	1,342	1,552	1,707	1,815	1,911	2,003	2,091	2,175	2,175
EBITDA margin	10.3%	10.9%	11.9%	12.5%	12.7%	12.7%	12.8%	12.8%	12.8%	12.8%	12.8%
EBIT	385	509	696	880	1,032	1,155	1,258	1,350	1,438	1,522	1,522
Tax	118	156	214	270	317	355	387	415	442	467	467
CAPEX	-937	-927	-807	-709	-625	-554	-653	-653	-653	-653	-653
Working capital	63	115	104	87	67	54	45	40	36	32	32
FCF	-112	124	425	660	832	960	916	975	1,032	1,086	1,086
PV FCF	-101	103	328	472	550	586	517	508	496	482	
WACC	7.8%	7.8%	8.0%	8.0%	8.1%	8.2%	8.3%	8.3%	8.4%	8.4%	8.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

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

Valuation Summary

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

CCC hold (no change)

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CCC stock shed more in July than it had gained in June. The Company did experience a sales rebound in June, but not enough to offset the declines experienced in April and May, with negative implications for 2019 Q2 results, underpinned by high costs. Our expectation for quarterly EBITDA is that it will show a 48% fall versus the year-ago result at an estimated PLN 129.5m. After a sustained earnings contraction since Q3 2018, CCC's net debt/EBITDA ratio might have exceeded 3x as of 30 June 2019. CCC stopped releasing monthly sales figures from July, which means the next possible catalyst in terms of market performance will be the publication of preliminary Q2 2019 earnings at the beginning of August. Going forward growth at CCC will be curbed by high costs, and the profits for H2 2019 hinge on the reception by shoppers of new a new revamped 2019 autumn/winter footwear collection. Assuming sales and margins in H2 are good, we expect CCC to generate FY2019 EBITDA (pre-IFRS 16) of PLN 421m after flat year-over-year growth.

Current Price	144.80 PLN	Upside
9M Target Price	161.00 PLN	+11.2%

	rating	target price	issued
unchanged	hold	161.00 PLN	2019-06-06

Key Metrics	CCC PW	1M Price Chng	CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	-17.3%	-14.8%
ISIN	PLCCC0000016	YTD Price Chng	-25.1%	-27.1%
Outst. Stock (m)	41.1	ADTV 1M		PLN 15.6m
MC (PLN m)	5,955.2	ADTV 6M		PLN 22.1m
EV (PLN m)	7,127.7	EV/EBITDA 12M fwd	7.6	-49.3%
Free Float	59.4%	EV/EBITDA 5Y avg	15.0	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,194	4,726	5,969	6,914	8,020
EBITDA adj.	499	328	421	623	807
EBITDA margin	11.9%	6.9%	7.1%	9.0%	10.1%
EBIT	405	372	259	445	442
Net income	287	15	110	267	302
P/E	20.8	-	54.1	22.3	19.7
P/B	5.4	5.8	5.3	4.6	4.4
EV/EBITDA	12.9	7.4	7.4	5.8	5.6
DPS	2.47	2.30	0.48	2.00	2.00
DYield	1.7%	1.6%	0.3%	1.4%	1.4%
Forecast 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	3,747	4,568	5,120	7,085
EBITDA, B&M	381	225	290	443	379
Revenue, e-commerce	606	979	1,463	1,902	2,378
EBITDA, e-commerce	86.2	103.0	130.8	179.5	248.2
Gross profit margin	51.3%	50.1%	51.5%	50.9%	50.4%
Operating cash flow	78	598	197	365	325
D&A	93	133	708	778	828
Working capital	-588	244	-103	-138	-218
Investing cash flow	-222	-621	-523	-212	-200
CAPEX	-245	-439	-379	-212	-200
Financing cash flow	515	-515	-112	-540	-982
Dividends/Buyback	101	95	20	82	82
FCF	-420	147	-192	169	140
FCF/EBITDA	-90%	45%	-46%	27%	22%
OCF/EBITDA	17%	182%	47%	59%	52%

Key Ratios (adjusted for IFRS 16)

(PLN)	2017	2018	2019P	2020P	2021P
Sales/sqm, PL	744	633	679	686	680
Sales/sqm, CEE	538	464	495	503	500
Sales/sqm, WE	396	276	0	0	0
e-comm as % of sales	14.4%	20.7%	24.5%	27.5%	29.6%
Cash (PLN m)	512	376	481	694	480
Net debt (PLN m)	406	641	1,052	1,039	1,052
Net debt/EBITDA (x)	0.8	1.3	1.1	0.8	0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.4	8.0	7.0	7.0	6.5	5.2
Maximum	34.5	29.0	25.2	25.2	22.7	19.8
Median	26.3	17.2	13.1	13.1	12.6	11.6
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/sqm (PLN)	523	534	568	591	589	582	575	627	635	638	
SG&A/sqm (PLN)	255	237	331	337	332	325	319	332	351	354	
Sales area (k sqm)	727	798	857	914	969	1,021	1,073	1,002	1,019	1,044	
Revenue	5,969	6,914	8,020	8,782	9,495	10,157	10,788	11,429	12,125	12,899	13,222
EBITDA	421	623	627	923	1,010	1,036	1,059	1,081	1,120	1,187	1,217
EBITDA margin	7.1%	9.0%	7.8%	10.5%	10.6%	10.2%	9.8%	9.5%	9.2%	9.2%	9.2%
EBIT	245	429	426	718	802	823	850	883	931	1,002	1,027
Tax	70	86	85	137	152	156	161	168	177	190	195
CAPEX	423	212	200	206	1,163	237	106	111	117	170	170
Working capital	-103	-138	-218	-201	-157	-148	-140	-139	-147	-162	-162
FCF	-192	169	140	402	-439	517	678	690	707	693	711
PV FCF	-185	150	115	306	-310	337	407	380	357	321	
WACC	8.0%	8.1%	8.1%	8.3%	7.8%	8.1%	8.6%	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	6,948
Net debt	641
Other adjustments	0
Value per share (PLN)	153.40

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	149.70
DCF Val.	50%	153.40
Implied Price		151.55
Cost of equity (9M)		6.5%
9M Target Price		161.00

Dino sell (downgraded)

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Dino's share price hit a record high in July. The Company's financial results for Q2 2019 are set to be a mixed bag, showing strong lfl sales growth at a projected 16.5%, owed to positive calendar effects, on the one hand, and on the other hand bringing contraction in the sales margin caused by a 25% surge in pork prices in the period, affecting the profitability of the subsidiary meat processing plant Agro-Rydzyna. The Q2 EBITDA margin is expected to have declined by 0.1pp to 8.7%, with EBITDA up by a projected 34% year on year. In subsequent quarters we anticipate continuing positive momentum in like-for-like sales, supported by positive base effects and improving sales effectiveness at newer stores. On the other hand, persistent cost pressures will weigh on profits, and the cash conversion cycle is not likely to improve much after the successful measures already taken in 2018. Summing up, we view DNP as overvalued given the future earnings prospects, and we downgrade the stock from reduce to sell without changing the target price.

Current Price

143.80 PLN

Downside

9M Target Price

112.70 PLN

-21.6%

	rating	target price	issued
new	sell	112.70 PLN	2019-08-02
old	reduce	112.70 PLN	2019-04-02
Key Metrics			
		DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+6.9% +9.3%
ISIN	PLDINPL00011	YTD Price Chng	+50.0% +48.0%
Outst. Stock (m)	98.0	ADTV 1M	PLN 18.2m
MC (PLN m)	14,098.2	ADTV 6M	PLN 21.2m
EV (PLN m)	14,738.1	EV/EBITDA 12M fwd	17.6 +10.8%
Free Float	48.9%	EV/EBITDA 5Y avg	15.9 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	66.0	45.8	34.9	27.1	22.8
P/B	15.6	11.6	8.7	6.6	5.1
EV/EBITDA	37.5	27.1	20.6	16.4	13.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast 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

Eurocash hold (upgraded)

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Shares in Eurocash traded lower in July. The Company is set to report 4% EBITDA growth in Q2 2019, driven by improvement in both the wholesale and the retail segment, offset by worsened results in the two other non-core segments. The improvement in retail was owed to stronger like-for-like sales, supported by positive base and calendar effects, alongside an acceleration at recently-revamped stores. However the quarterly retail profits were still weighed down by further costs of restructuring. Big-box retailers are expected to file monthly returns for the purposes of the planned new sales tax from September. Even with a high share of wholesale as an earnings driver, the new tax in case of Eurocash might amount to about PLN 30m a year, equivalent to approximately 7.2% of our EBITDA forecast for 2020. Eurocash is not likely to deliver much growth in 2019 due to restructuring measures and sustained cost pressures. Nevertheless we upgrade EUR from reduce to hold after the July share price fall, with the target price maintained at an unchanged level.

Current Price

18.60 PLN

Downside

9M Target Price

18.10 PLN

-2.7%

	rating	target price	issued	
new	hold	18.10 PLN	2019-08-02	
old	reduce	18.10 PLN	2019-06-03	
Key Metrics			EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-9.5%	-7.1%
ISIN	PLEURCH00011	YTD Price Chng	+12.0%	+10.0%
Outst. Stock (m)	139.2	ADTV 1M		PLN 3.3m
MC (PLN m)	2,588.4	ADTV 6M		PLN 5.1m
EV (PLN m)	2,915.0	EV/EBITDA 12M fwd	7.0	-31.3%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2	discount

Earnings Projections (adjusted for IFRS 16)

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	-	23.6	36.0	25.4	17.9
P/B	2.5	2.5	2.5	2.3	2.1
EV/EBITDA	13.7	7.2	7.8	6.9	5.8
DPS	0.80	0.76	1.00	0.26	0.37
DYield	4.3%	4.1%	5.4%	1.4%	2.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Wholesale (EBITDA)			0.0%	0.0%	0.0%
Retail (EBITDA)			0.0%	0.0%	0.0%
New Projects (EBITDA)			0.0%	0.0%	0.0%

Financial Highlights (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 (EBITDA)	-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)

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Shares in Jeronimo Martins took an upward shift on 2019 Q2 results which showed all-out improvement across all geographic segments. In Poland, the lfl momentum at Biedronka supermarkets accelerated to an annual rate of 8.6% in Q2, supported by positive base- and calendar effects. The consolidated gross margin registered small Y/Y contraction due to increased marketing activity at stores in Poland and Colombia, but on high lfl sales the EBITDA margin improved on the year-ago figure. With base effects in the following quarters still positive, like-for-like growth is set to accelerate in the latter part of the year amid supportive market conditions, with the Polish stores expected to continue improving EBITDA margins in the second half of the year. JMT has reiterated plans to open 110 new Biedronka stores net this year, and confirmed a 2019 CAPEX budget of EUR 700-750m. We suspect the Company might want to shield its profits from an abrupt fall in the wake of the new sales tax in Poland by raising prices at the local stores. JMT looks fairly priced to us at the current level.

Current Price

14.75 EUR

Downside

9M Target Price

14.30 EUR

-3.0%

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

Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+1.4% +3.8%
ISIN	PTJMT0AE0001	YTD Price Chng	+47.2% +45.2%
Outst. Stock (m)	629.3	ADTV 1M	EUR 10.5m
MC (EUR m)	9,278.9	ADTV 6M	EUR 11.7m
EV (EUR m)	9,673.4	EV/EBITDA 12M fwd	8.8 -6.4%
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	24.0	23.1	20.9	18.8	17.9
P/B	5.2	5.2	4.8	4.4	4.0
EV/EBITDA	10.2	10.0	9.2	8.4	7.8
DPS	0.69	0.64	0.27	0.29	0.30
DYield	4.7%	4.3%	1.9%	1.9%	2.0%
Forecast 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

LPP

accumulate (no change)

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LPP stock registered a small gain in July. Based on a preliminary earnings release, LPP grew EBIT at an annual rate of 5.9% in Q2 2019, to PLN 330m, representing a slowdown compared to previous quarters underpinned by a deceleration in sales growth to 8.3% relative to a high year-ago base. At the same time, LPP curbed the rate of quarterly gross margin contraction in Q2, thanks probably to lower inventory write-offs, combined with tight cost discipline with per-square-meter SG&A expenses reduced by 0.8% relative to the same period in 2018. Note that retailer profits in Q2 were under pressure from unfavorable weather in April and May. LPP's prospects for H2 2019 are bright thanks to faster like-for-like growth and favorable exchange rates at the time the Company was ordering its fall/winter collections.

Current Price

7,790.00 PLN

Upside

9M Target Price

8,500.00 PLN

+9.1%

	rating	target price	issued
unchanged	accumulate	8,500.00 PLN	2019-07-03

Key Metrics		LPP PW		vs. WIG
Ticker	LPP PW	1M Price Chng	+0.8%	+3.3%
ISIN	PLPP0000011	YTD Price Chng	0.0%	-2.0%
Outst. Stock (m)	1.9	ADTV 1M		PLN 13.7m
MC (PLN m)	14,430.4	ADTV 6M		PLN 16.6m
EV (PLN m)	13,692.5	EV/EBITDA 12M fwd	9.5	-30.5%
Free Float	69.5%	EV/EBITDA 5Y avg	13.7	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,029	8,047	9,172	10,375	11,623
EBITDA	872	1,106	1,268	1,408	1,569
EBITDA margin	12.4%	13.7%	13.8%	13.6%	13.5%
EBIT	578	757	851	916	999
Net income	441	505	677	750	820
P/E	32.7	28.6	21.3	19.2	17.6
P/B	5.9	5.0	4.2	3.6	3.0
EV/EBITDA	16.2	12.4	10.8	9.7	8.4
DPS	35.71	39.96	59.97	78.34	61.29
DYield	0.5%	0.5%	0.8%	1.0%	0.8%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales per sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
Sales area			0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue/sqm, PL (PLN)	595	557	587	569	563
Revenue/sqm, RU (PLN)	591	590	609	592	585
Revenue/sqm, CZ (PLN)	666	759	777	754	745
Revenue/sqm, DE (PLN)	502	500	530	514	508
Gross profit margin	52.9%	54.7%	54.2%	54.1%	54.1%
Operating cash flow	893	1,212	1,398	1,821	2,035
D&A	293	349	417	491	570
Working capital	0	0	575	640	700
Investing cash flow	101	125	-24	-61	-55
CAPEX	-384	-704	-702	-983	-823
Financing cash flow	-360	21	-942	-808	-828
Dividends/Buyback	66	73	110	144	112
FCF	358	92	112	154	464
FCF/EBITDA	41%	8%	9%	11%	30%
OCF/EBITDA	102%	110%	73%	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	805	834	1,218
Net debt (PLN m)	-316	-753	-738	-792	-1,192
Net debt/EBITDA (x)	-0.4	-0.7	-0.6	-0.6	-0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	21.7	17.8	14.7	10.6	8.9	7.5
Maximum	24.0	21.7	20.2	14.8	11.0	10.3
Median	23.6	20.2	19.2	10.6	10.0	9.5
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	671	682	689	693	691	689	689	685	685
SG&A/sqm (PLN)	287	291	296	304	307	311	309	307	306	305	305
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	9,172	10,375	11,623	12,731	13,667	14,505	15,396	16,342	17,247	18,649
EBITDA	1,106	1,259	1,408	1,569	1,685	1,688	1,752	1,857	1,950	2,198	2,177
EBITDA margin	13.7%	13.7%	13.6%	13.5%	13.2%	12.4%	12.1%	12.1%	11.9%	12.7%	11.7%
EBIT	757	851	916	999	1,099	1,121	1,197	1,306	1,400	1,643	1,560
Tax	228	182	174	190	209	213	227	248	266	312	296
CAPEX	-799	-870	-983	-823	-512	-518	-540	-562	-584	-605	-617
Working capital	-14	103	97	93	84	70	63	67	71	68	72
FCF	92	112	154	464	880	887	922	980	1,030	1,213	1,192
PV FCF	0	107	135	376	657	610	585	573	555	602	
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	13,820
Net debt	-753
Other adjustments	0
Value per share (PLN)	7,900

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	8,300
DCF Val.	50%	7,900
Implied Price		7,980
Cost of equity (9M)		6.4%
9M Target Price		8,500

VRG

buy (no change)

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VRG stock enjoyed a sharp rise in price in July, led by expectations of strong 2019 Q2 results. VRG is set to report 39% growth in sales for the quarter based on monthly sales reports, as well as improving the gross margin by 1.6pp to 53.7% despite higher costs in dollars of spring/summer collections. The higher profits are owed to a successful new pricing policy, coupled with lower sales of low-margin watches in June. In H2 2019, margin improvement will be additionally supported by sourcing synergies and favorable USDPLN shifts. Thanks to better inventory management, per-square-meter revenues at the recently-acquired Bytom menswear stores should reverse their downward trend. Last but not least, we expect sustained lfl growth at the W.Kruk jewelry stores. VRG improved operating cash flow significantly in 2018, and the momentum should have continued into 2019.

Current Price

4.35 PLN

Upside

9M Target Price

5.20 PLN

+19.7%

	rating	target price	issued
unchanged	buy	5.20 PLN	2019-07-26

Key Metrics	VST PW	1M Price Chng	VST PW	vs. WIG
Ticker	VST PW	1M Price Chng	+8.6%	+11.0%
ISIN	PLVSTLA00011	YTD Price Chng	+7.5%	+5.5%
Outst. Stock (m)	234.5	ADTV 1M		PLN 1.2m
MC (PLN m)	1,018.7	ADTV 6M		PLN 1.0m
EV (PLN m)	1,070.1	EV/EBITDA 12M fwd	7.0	-19.7%
Free Float	46.5%	EV/EBITDA 5Y avg	8.8	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	689	806	1,035	1,133	1,239
EBITDA adj.	78	89	124	138	149
EBITDA margin	11.4%	11.1%	11.9%	12.2%	12.0%
EBIT	63	72	101	116	126
Net income	43	54	74	85	94
P/E	17.5	19.0	13.8	12.0	10.8
P/B	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	10.9	12.1	8.6	7.3	6.5
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast 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
Fashion Sales	420	483	660	720	784
Fashion EBIT	32	35	53	64	72
Jewelry Sales	271	323	369	413	455
Jewelry EBIT	34.0	39.8	45.9	51.6	54.4
Gross profit margin	52.2%	51.2%	51.9%	52.2%	52.0%
Operating cash flow	21	54	119	167	169
D&A	16	17	22	23	23
D&A (IFRS 16)	0	0	82	87	92
Working capital	-27	-21	-51	-28	-41
Investing cash flow	-15	-19	-25	-24	-24
Financing cash flow	-5	-18	-29	-99	-104
Credit/loans	-8	8	54	-12	-12
FCF	19	37	29	65	60
FCF/EBITDA	25%	41%	24%	47%	40%
OCF/EBITDA	26%	60%	30%	58%	51%

Key Ratios (adj. for IFRS 16)

(PLN)	2017	2018	2019P	2020P	2021P
Sales/sqm, Fashion	1,495	1,207	1,264	1,294	1,329
Sales/sqm, Jewelry	2,602	2,814	2,951	3,061	3,178
SG&A/sqm, Fashion	618	420	530	541	553
SG&A/sqm, Jewelry	1,062	1,118	1,175	1,219	1,266
Cash (PLN m)	16	34	99	143	183
Net debt (PLN m)	99	63	51	-5	-57
Net debt/EBITDA (x)	1.3	0.7	0.4	0.0	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	6.4	6.4	5.9	4.8	4.5	4.2
Maximum	25.4	22.6	21.2	15.4	12.3	11.4
Median	15.4	13.8	12.6	9.0	8.0	7.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adj. for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/sqm (PLN)	1,612	1,651	1,699	1,719	1,720	1,725	1,740	1,756	1,771	1,787	
SG&A/sqm (PLN)	677	691	709	716	725	732	734	741	748	755	
Sales area (ksqm)	55	59	63	66	69	72	75	79	82	86	
Revenue	1,035	1,133	1,239	1,328	1,397	1,463	1,540	1,623	1,709	1,800	1,836
EBITDA	124	138	149	159	161	163	175	183	192	201	205
EBITDA margin	11.9%	12.2%	12.0%	12.0%	11.5%	11.2%	11.4%	11.3%	11.2%	11.1%	11.1%
EBIT	101	116	126	136	136	139	150	158	166	174	178
Tax	18	22	24	26	26	26	28	30	31	33	34
CAPEX	25	24	24	25	26	26	27	27	28	26	27
Working capital	-51	-28	-41	-34	-28	-27	-32	-34	-36	-39	-39
FCF	29	65	60	74	80	83	88	92	96	102	104
PV FCF	28	57	49	55	55	52	50	49	47	46	
WACC	8.8%	9.1%	9.0%	9.0%	8.9%	8.9%	8.8%	8.8%	8.7%	8.7%	8.7%
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	1,189
Net debt	63
Other adjustments	0
Value per share (PLN)	4.80

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.00
DCF Val.	50%	4.80
Implied Price		4.90
Cost of equity (9M)		6.4%
9M Target Price		5.20

List of abbreviations and ratios contained in the report:

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

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

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ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
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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, 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
Cognor	AK Steel, Alumental, ArcelorMittal, Baoshan Iron & Steel, Commercial Metals, HeSteel, Hitachi Metals, Hyundai Steel, JFE Holdings, JSW Steel, Kloeckner & Co, Metalurgica Gerdau, Nippon Yakin Kogyo, Nucor, Olympic Steel, Outokumpu, POSCO, Salzgitter, SSAB, Steel Authority Of India, Steel Dynamics, Tata Steel, thyssenkrupp, United States Steel Corp, voestalpine
Comarch	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
Cyfrowy Polsat	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Talktalk Telecom, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
Dino	Carrefour, Dixy Group, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Dom Development	Archicom, Atal, LC Corp, Lokum Deweloper, Echo
Eurocash	Carrefour, Dixy Group, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Epiroc, Caterpillar, Duro Felguera, Komatsu, Sandvik
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	Carrefour, Eurocash, Magnit, Tesco, X5
JSW	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukin Asam, Henan Shenhua, Shanxi Xishan Coal & Elec, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heima, China Coal, Shougang Fushan Resources, Cokal, Teck Resources, Walter Energy, Stanmore Coal, Terracom, Cloud Peak Energy, Natural Resource Partners, Rio Tinto, BHP Billiton, Warrior Met Coal
Kernel	Astarta, Andersnons, ADM, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland, Nisshin Oillio Group, Ovostar, Wilmar
Kęty	Alcoa, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Impexmetal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
KGHM	Anglo American, Antofagasta, BHP Billiton, Boliden, First Quantum Minerals, Freeport-McMoRan, Grupo Mexico, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
Lotos, MOL	Aker BP, Bashneft, BP, ENI, Galp, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras, Shell, Statoil, Total, Tullow Oil, Tupras, Unipetrol
LPP	CCC, Gerry Weber, H&M, Hugo Boss, IC Companys, Inditex, Kappahl, Marks & Spencer, Next, Tom Tailor
Netia	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, O2 Czech, Orange, Orange Polska, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
Orange Polska	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, Netia, O2 Czech, Orange, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
PGNiG	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, SSE, Statoil, Total
PKN Orlen	Braskem, Dow Chemical, Eastman, Galp, Hellenic, Huntsman, Indorama, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Unipetrol, Westlake
Play	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, Telecom Italia, TalkTalk, Tele2, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
Skarbiec Holding	Affiliated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
Stelmet	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pflaiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmarin, West Fraser
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
VRG	H&M, Inditex, Kappahl, Marks & Spencer, Next, Hugo Boss, CCC, LPP, Tiffany, Pandora, Lao Feng, Chow Sang, Luk Fook, Chow Tai Fook, Lao Fen Xiang

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	neutral	underweight
Rating date	2019-06-28	2019-01-31
Target price (PLN)	-	-
Price on rating day	8.40	11.75

Alior Bank

Rating	buy	buy	buy	buy	buy
Rating date	2019-07-03	2019-06-03	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	72.30	77.00	87.00	92.50	96.00
Price on rating day	51.10	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
Rating date	2019-04-29	2019-04-02	2018-09-13
Target price (PLN)	-	-	-
Price on rating day	130.00	143.00	112.80

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
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	11.90

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

Asseco SEE

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

Atal

Rating	accumulate	accumulate	hold
Rating date	2019-07-03	2019-06-06	2019-04-02
Target price (PLN)	41.89	43.16	41.03
Price on rating day	36.60	39.10	39.90

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

Boryszew

Rating	underweight	neutral	neutral
Rating date	2019-07-26	2019-04-29	2018-09-05
Target price (PLN)	-	-	-
Price on rating day	4.49	4.65	6.25

Budimex

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

Capital Park

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

CCC

Rating	hold	buy	buy	buy	buy
Rating date	2019-06-06	2019-04-02	2019-02-04	2018-12-05	2018-11-05
Target price (PLN)	161.00	275.00	291.00	288.00	272.00
Price on rating day	153.80	217.00	178.80	204.60	173.60

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	accumulate	hold	hold	hold
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-05
Target price (CZK)	597.80	565.50	537.80	518.72
Price on rating day	544.00	540.50	568.00	549.00

Ciech

Rating	hold	buy	buy	buy	buy	buy	buy
Rating date	2019-07-03	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-11-05	2018-08-02
Target price (PLN)	41.72	55.00	68.11	68.66	75.82	77.05	82.52
Price on rating day	41.60	42.65	44.85	54.80	52.40	42.58	56.95

Cognor

Rating	hold	accumulate	accumulate	overweight	neutral	underweight	neutral
Rating date	2019-07-25	2019-07-03	2019-06-14	2019-06-03	2019-05-09	2019-03-05	2018-12-05
Target price (PLN)	1.84	1.84	1.79	-	-	-	-
Price on rating day	1.75	1.77	1.64	1.60	1.59	1.94	1.80

Comarch

Rating	buy	buy	buy	hold	accumulate	accumulate
Rating date	2019-07-25	2019-04-17	2019-03-05	2019-02-04	2018-12-05	2018-10-01
Target price (PLN)	231.00	230.00	195.00	160.80	173.30	180.50
Price on rating day	178.50	181.00	162.50	155.00	160.00	167.00

Cyfrowy Polsat

Rating	reduce	hold
Rating date	2019-05-31	2018-11-26
Target price (PLN)	24.15	23.20
Price on rating day	26.00	22.50

Dino

Rating	sell	reduce	hold	accumulate	buy
Rating date	2019-08-02	2019-04-02	2019-02-04	2018-12-05	2018-11-05
Target price (PLN)	112.70	112.70	105.90	106.30	103.50
Price on rating day	143.80	126.10	100.30	100.40	84.70

Dom Development

Rating	hold	hold	hold	accumulate	buy	buy
Rating date	2019-07-03	2019-06-06	2019-04-02	2019-02-04	2018-12-05	2018-08-02
Target price (PLN)	79.80	82.65	84.40	84.10	84.10	87.80
Price on rating day	77.40	82.00	80.80	75.00	66.00	72.80

Echo

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

Elektrobudowa

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

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	buy
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-29
Target price (PLN)	12.41	12.51	13.12	15.58
Price on rating day	8.53	8.76	10.73	10.50

Energa

Rating	buy	buy	buy	buy	buy
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-29	2018-09-03
Target price (PLN)	12.67	12.21	13.26	13.54	15.27
Price on rating day	7.33	8.58	10.14	9.16	8.40

Erbud

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

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

Eurocash

Rating	hold	reduce	reduce	sell	reduce	hold	buy
Rating date	2019-08-02	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-12-05	2018-10-01
Target price (PLN)	18.10	18.10	18.90	18.90	17.90	18.20	26.40
Price on rating day	18.60	19.31	21.00	22.58	20.13	18.00	18.08

Famur

Rating	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-08-02	2019-07-03	2019-06-03	2019-05-09	2019-02-04	2018-11-30	2018-08-02
Target price (PLN)	6.71	6.96	6.67	6.90	6.61	6.41	6.56
Price on rating day	4.47	5.24	4.85	4.82	4.98	5.58	5.20

Forte

Rating	neutral	neutral
Rating date	2019-04-29	2018-10-31
Target price (PLN)	-	-
Price on rating day	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	hold	accumulate	accumulate	buy	hold	hold	buy	hold	hold
Rating date	2019-08-02	2019-07-03	2019-06-03	2019-05-09	2019-03-05	2018-11-23	2018-11-05	2018-09-03	2018-08-02
Target price (PLN)	45.93	45.93	44.42	45.39	43.20	33.00	31.47	41.13	42.13
Price on rating day	42.30	42.10	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	accumulate	buy	buy	hold	reduce	accumulate	buy
Rating date	2019-07-03	2019-06-03	2019-05-21	2019-05-09	2019-03-05	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	59.45	61.00	61.00	65.50	65.50	65.50	76.00	90.00
Price on rating day	53.60	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
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	11.30

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	reduce	hold	accumulate	buy	accumulate	accumulate
Rating date	2019-08-02	2019-07-03	2019-02-01	2018-12-05	2018-11-05	2018-10-04	2018-08-02
Target price (PLN)	191.80	191.80	191.80	199.63	200.00	200.00	212.00
Price on rating day	189.80	203.50	191.40	183.60	166.00	181.00	190.00

Jeronimo Martins

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

JSW

Rating	accumulate	hold	reduce	hold	reduce	reduce	sell	buy	buy
Rating date	2019-07-03	2019-05-09	2019-03-25	2019-02-20	2019-02-04	2018-12-05	2018-11-26	2018-09-03	2018-08-02
Target price (PLN)	50.02	54.80	54.80	60.68	60.68	59.14	59.14	98.00	108.69
Price on rating day	47.00	49.86	62.50	59.96	68.30	71.20	72.56	77.00	79.50

JWC

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

Kernel

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

Grupa Kęty

Rating	hold	reduce	hold	hold	reduce	sell	hold	hold
Rating date	2019-07-03	2019-06-03	2019-04-02	2019-01-18	2018-12-05	2018-10-29	2018-09-03	2018-08-02
Target price (PLN)	345.32	326.37	341.33	324.30	309.30	309.30	367.45	355.61
Price on rating day	337.00	347.50	324.00	336.50	343.00	365.50	387.50	321.50

KGHM

Rating	hold	hold	hold	hold	hold	hold	buy	buy
Rating date	2019-07-03	2019-06-03	2019-04-02	2019-02-04	2018-12-05	2018-10-15	2018-09-03	2018-08-02
Target price (PLN)	98.35	91.71	105.57	92.41	84.56	87.99	104.21	111.08
Price on rating day	101.70	95.00	109.40	94.16	92.60	85.40	90.80	96.00

Komerční Banka

Rating	accumulate	buy	accumulate
Rating date	2019-08-02	2019-05-09	2018-12-05
Target price (CZK)	1000.00	1000.00	1000.00
Price on rating day	872.00	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
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	2.55

Lokum Deweloper

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	17.40

Lotos

Rating	sell	sell	sell	sell	sell	sell	sell	sell
Rating date	2019-08-02	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-11-15	2018-09-03	2018-08-02
Target price (PLN)	72.31	65.95	65.41	65.18	65.36	59.84	57.21	52.51
Price on rating day	88.66	87.82	86.22	93.90	93.00	73.50	69.90	65.86

LPP

Rating	accumulate	accumulate	hold	buy	accumulate	buy	buy
Rating date	2019-07-03	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-10-01
Target price (PLN)	8500.00	8300.00	8400.00	9300.00	9300.00	9300.00	10200.00
Price on rating day	7,745.00	7,335.00	8,405.00	7,990.00	8,370.00	7,730.00	8,625.00

Mangata

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

Millennium

Rating	buy	accumulate	accumulate	hold	reduce	sell
Rating date	2019-08-02	2019-02-01	2018-11-14	2018-11-05	2018-10-04	2018-08-02
Target price (PLN)	10.00	10.00	10.10	8.40	8.40	7.00
Price on rating day	7.51	8.82	9.49	8.85	9.27	9.12

MOL

Rating	accumulate	hold	hold	hold	hold	hold	accumulate	accumulate	buy
Rating date	2019-08-02	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-11-15	2018-11-05	2018-09-03
Target price (HUF)	3258.00	3223.00	3223.00	3423.00	3433.00	3280.00	3280.00	3296.00	3296.00
Price on rating day	3,004.00	3,276.00	3,278.00	3,250.00	3,284.00	3,206.00	3,088.00	3,006.00	2,870.00

Monnari

Rating	neutral	underweight
Rating date	2019-07-17	2018-12-05
Target price (PLN)	-	-
Price on rating day	4.66	4.75

Netia

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

Orange Polska

Rating	accumulate	hold	buy
Rating date	2019-08-02	2019-06-19	2018-11-26
Target price (PLN)	7.50	7.50	6.40
Price on rating day	6.70	7.29	4.91

OTP Bank

Rating	hold	buy	hold	accumulate
Rating date	2019-08-02	2019-07-03	2019-04-02	2018-12-05
Target price (HUF)	13046.00	13046.00	13046.00	13046.00
Price on rating day	12,080.00	11,790.00	12,600.00	11,810.00

PA Nova

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

PBKM

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

Prime Car Management

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

Pekao

Rating	buy	accumulate	buy	buy	buy	buy
Rating date	2019-08-02	2019-07-03	2019-05-30	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	119.75	121.00	121.00	131.80	136.29	138.70
Price on rating day	99.88	112.95	103.75	110.60	113.25	107.20

Pfleiderer Group

Rating	underweight	underweight	neutral	neutral	neutral	underweight	neutral	overweight
Rating date	2019-07-29	2019-07-26	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	28.00	28.00	20.40	25.50	28.40	32.60	36.45	37.30

PGE

Rating	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-06-25	2019-06-03	2019-05-09	2019-04-02	2019-03-26	2019-02-04	2018-11-29
Target price (PLN)	13.26	13.39	13.38	13.66	13.77	14.47	14.82
Price on rating day	9.00	9.23	8.61	10.10	9.88	11.86	11.47

PGNiG

Rating	accumulate	buy	accumulate	hold	hold	buy	buy
Rating date	2019-08-02	2019-05-28	2019-04-02	2019-03-05	2019-02-04	2018-11-05	2018-09-03
Target price (PLN)	6.33	6.47	6.92	7.08	7.72	7.72	7.86
Price on rating day	5.62	5.58	6.31	6.58	7.63	6.35	5.82

PKN Orlen

Rating	hold	sell	sell	sell	sell	sell	reduce	sell	sell
Rating date	2019-08-01	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-11-15	2018-11-05	2018-09-03	2018-08-02
Target price (PLN)	92.82	80.01	79.39	81.22	83.43	81.52	81.38	81.38	76.84
Price on rating day	97.36	96.78	99.94	101.50	104.70	97.80	93.50	98.24	93.06

PKO BP

Rating	buy	accumulate	accumulate	hold	accumulate	buy	accumulate
Rating date	2019-08-02	2019-06-26	2019-05-09	2019-02-01	2018-12-05	2018-11-05	2018-10-04
Target price (PLN)	47.17	47.17	40.92	40.92	45.00	47.00	47.00
Price on rating day	39.34	42.20	37.78	39.51	41.96	40.39	42.55

Play

Rating	accumulate	hold	buy	accumulate	accumulate	hold	buy	buy	hold
Rating date	2019-08-02	2019-07-03	2019-05-31	2019-05-09	2019-04-12	2019-02-04	2018-11-26	2018-10-17	2018-08-30
Target price (PLN)	34.20	29.00	29.00	25.25	26.70	21.30	21.30	21.50	22.60
Price on rating day	31.22	33.34	25.08	24.42	24.08	22.80	16.54	17.14	21.90

Polnord

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

Polwax

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

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	hold	accumulate	accumulate	hold	accumulate	buy	accumulate
Rating date	2019-07-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-11-05	2018-08-02
Target price (PLN)	43.38	43.38	46.50	46.50	46.50	47.50	47.50
Price on rating day	44.35	40.79	42.00	44.66	43.80	40.60	42.00

Ronson

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	0.84

Santander Bank Polska

Rating	hold	reduce	hold	hold	accumulate	buy	accumulate	accumulate
Rating date	2019-08-02	2019-07-12	2019-06-03	2019-02-01	2018-12-05	2018-11-05	2018-10-04	2018-09-03
Target price (PLN)	337.00	337.00	377.27	388.00	400.00	400.00	400.00	430.00
Price on rating day	319.60	357.20	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	hold	buy
Rating date	2019-07-03	2019-03-05	2019-02-04	2018-11-05	2018-09-03
Target price (PLN)	7.95	8.36	8.39	7.72	20.45
Price on rating day	7.00	10.25	8.88	7.50	11.35

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	buy
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-29	2018-09-03
Target price (PLN)	2.52	2.89	3.12	3.06	2.77
Price on rating day	1.57	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
Rating date	2018-10-16
Target price (PLN)	-
Price on rating day	0.59

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	buy	overweight	overweight	overweight	overweight
Rating date	2019-07-26	2019-05-29	2019-03-28	2018-12-05	2018-11-08
Target price (PLN)	5.20	-	-	-	-
Price on rating day	4.20	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	hold	accumulate	buy	accumulate	buy
Rating date	2019-07-03	2019-02-04	2018-12-05	2018-09-03	2018-08-02
Target price (PLN)	61.50	61.50	61.50	60.00	60.00
Price on rating day	61.20	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

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