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Monthly Market Outlook: October 2019

Equity Market, Macroeconomics

Equity Market

October might be a tough month for equities amid rising recession fears fueled by weak economic data. Monetary stimulus from central banks may lead to brief upticks in sentiment, but we do not think interest rate cuts alone can combat the global slowdown; what can is trade deal between the US and China or fiscal stimulus in Europe.

Sector Outlook

Financials

The long-awaited verdict finally given by the EU Court of Justice on the case of Polish mortgage loans indexed to the Swiss franc does reflect on the whole local bank sector, but from a bottom-line standpoint it will only have a tangible impact on Millennium and Santander. Accordingly, banks not affected by the verdict, such as PKO and PEO, might see gains by comparison in the weeks ahead. That being said, with the CJEU verdict opening the door for borrowers to take banks to court to have loan contracts annulled, the potential losses continue to cast a shadow over Polish lenders, and so we are still overweight CEE stocks.

Chemicals

Ciech has switched places with Grupa Azoty as the one with the more bullish prospects. The zloty's weakness vs. the dollar supports Polish producers.

Oil & Gas

Owing to favorable business conditions for refining and retail, oil companies should deliver strong financial results, with PKN showing the most promise. Our positive view on the natgas market keeps us bullish on PGNiG.

Power Utilities

There has been no sentiment shift for utilities despite the establishment of state power price refunds enough to balance out any lost profits, and in spite of strong cash flow generated in Q2. Looking at earnings prospects and financial positions, we maintain a positive view on the power sector.

Telecoms, Media, IT

We see upside potential in PLY in October, and among telecoms we expect strong 2019 Q3 results from OPL while our view on CPS remains negative even after a September sell-off. In IT, we still like ASE and CMR the most. In Media, AGO is currently trading at attractively low multiples.

Industrials & Mining

Industrial companies are still experiencing pressures due to high costs of labor and power. We have Astarta, Cognor, Famur, Kruszwica, and TIM as our top picks. On the other hand we would avoid AC, Boryszew, and Kernel. The zloty's current depreciation vs. the dollar benefits KGHM, JSW, Famur, and Stalprodukt, but hurts Apator and Grupa Kęty. JSW might be set for a rebound in October after a recent drop in share price.

Property Developers

Polish homebuilders generated stable profits in Q2 2019, but Q3 might see slightly more growth from WSE- and Catalyst-listed firms thanks to positive base effects. We maintain a selective approach to residential stocks, and we continue to recommend Atal (1AT) as our top pick, reporting a high inventory and strong sales.

Retail

Fashion retailers enjoyed good shopping weather in September, and the sales for October will be supported by positive base effects assuming seasonally-appropriate weather. Our top picks for the month ahead are CCC and VRG.

Key Ratings

Positive: AST, CEZ, CIE, CCC, COG, ENA, ENG, FMF, JSW, KSW, MOL, PGE, PGN, TIM, TPE, VRG

Negative: ACD, BRS, KER, LTS, EUR

EU Indices	Value	1M chng	YTD chng
WIG	55,980	-0.3%	-3%
ATX	2,923	+0.5%	+9%
BUX	39,827	+0.2%	+2%
PX	1,005	-2.2%	+6%

WSE WIG Ind.	Value	1M	YTD
WIG20	2,121	+1.0%	-4%
mWIG40	3,598	-5.0%	-5%
sWIG80	11,403	-1.9%	+11%
Banking	6,877	-1.3%	-8%
Basic Materials	2,487	-5.3%	-27%
Chemicals	8,025	-16.0%	-14%
Clothes	5,448	+5.0%	-10%
Construction	1,884	-4.4%	-2%
Energy	1,909	-0.6%	-21%
Food	3,063	-3.6%	-9%
Gaming	15,842	-5.1%	+60%
IT	2,369	-3.8%	+19%
Media	5,115	+0.3%	+13%
Oil & Gas	7,388	+12.0%	-8%
Real estate	2,307	-0.3%	+21%
Telecom	766	-8.5%	+24%

Top 5 / Worst 5		1M	YTD
Getin Holding	1.31	+41.8%	+93%
Datawalk	54.00	+39.9%	+117%
Idea Bank	2.64	+36.1%	+9%
Ergis	3.12	+22.8%	+32%
Stelmet	7.90	+17.9%	+9%
Braster	0.98	-25.7%	-51%
Elektrobudowa	5.72	-29.2%	-78%
Rafako	0.90	-31.8%	-48%
Ursus	0.62	-46.2%	-59%
Work Service	0.82	-50.5%	-45%

Rating & 9M TP Changes as of 7 Oct.

Name	Rating	9M TP
Alumetal	neutral ▲	-
AmRest	accumulate ▼	48.00 PLN ►
Grupa Azoty	hold ►	34.09 PLN ▼
Grupa Kęty	hold ►	298.64 PLN ▼
ING BSK	hold ▼	197.53 PLN ►
Jeronimo Martins	hold ▲	14.30 EUR ►
Kernel	reduce ►	40.76 PLN ▼
Kruszwica	overweight ►	-
LPP	hold ▼	8500 PLN ►
Millennium	reduce ▼	5.18 PLN ▼
MOL	buy ▲	3258.00 HUF ►
Santander BP	hold ►	276.55 PLN ▼
Stelmet	hold ►	8.10 PLN ▲
Tarczyński	neutral ►	-

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Investing Outlook

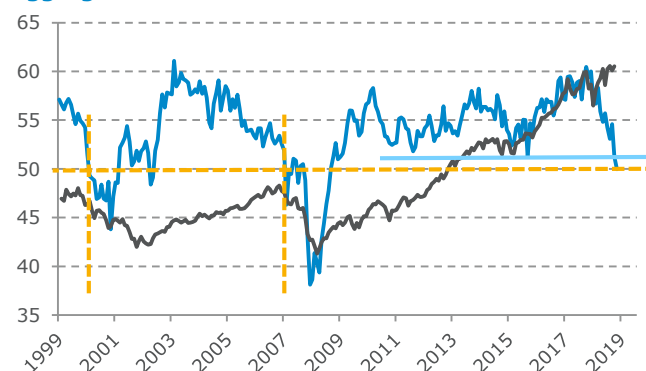
Our predictions of a global economic slowdown, reflected in a string of disappointing economic data, are proving accurate. The US job and housing markets remain in good shape, and this, along with more optimistic earnings expectations for 2020 (EPS +10%), is keeping investors upbeat and not yet compelled to discount a recession. There is still faith on the market in the possibility of an imminent trade deal between China and the US, and in its ability to revive the economy and avert a recession. In our view, any further declines in the PMI index would have to be taken as a sign of contraction in the US economy. In this respect, it is important to mention the retaliatory US tariffs on EU exports over Airbus subsidies while the euro braces for Brexit; we would add that, frankly, in our view a US-China deal under the current circumstances is highly unlikely. A solution which could turn things around would be if major EU members, most notably Germany, came out with fiscal stimulus, though admittedly a decision to start stimulus would have to be preceded by a set of dismal economic prints.

In Poland, it is business as usual on the WSE, which continues to track global equity movements (with investors turning mostly to ETFs) as the domestic economy slows in keeping with the global momentum. The first inflows into the PKK pension savings schemes that are slowly being set up by Polish employers at this junction are not having any effect whatsoever on the stock market. However the employee opt-in rate reported in the first round of the PKK scheme, consisting of businesses with 250+ headcounts, will be a crucial story to watch in the coming months - if participation is less than 50%, this will be a major disappointment. The long-awaited (and long-discounted) October ruling on CHF-indexed mortgage loans by the EU Court of Justice was not exactly favorable for Polish lenders, however, in the time it will take for borrowers to bring cases to annul loan contracts, and for courts to resolve those cases, we see room for Polish banks stocks to recoup from losses.

ISM in focus

The markets have in the past weeks been holding on to a steadfast conviction that the Fed is cutting the rates in this cycle ahead of time, which will help to avoid a recession. Better than expected real estate and new orders data have sparked the hope that a further slowdown has been stopped. Powell's September statements that cuts will not be automatic but rather depend on current data corroborated the good economic conditions. As we expected (September monthly report), manufacturing and non-manufacturing ISM readings were like a cold shower for investors. It had been clear for a long time that manufacturing was in trouble but the decline of expectations for services raises serious concerns as to the Americans' continued propensity for consumption (75% of GDP). The manufacturing ISM is 74.8 (previously 49.1) and the non-manufacturing ISM is 52.6 (previously 56.4), which does not yet portend a recession across the economy. However, the aggregate ISM (25% manufacturing, 75% non-manufacturing) has reached 51.25 points approaching the lows of the mini-cycles from July 2012 and August 2016. In both those cases, S&P500 at best saw a local correction in an uptrend. Continued decline of the forward-looking indicators would suggest that the economy momentum is the weakest since 2009. Looking back 20 years, only when an aggregate ISM fell below 50 points would S&P500 suffer a long-time downtrend.

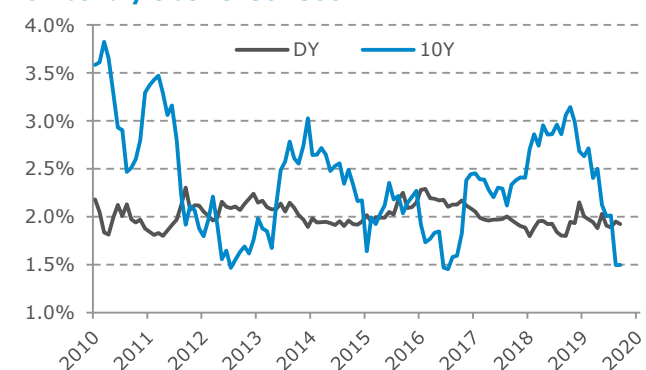
Aggregate ISM vs. S&P500



Source: Bloomberg, Dom Maklerski mBanku

Why is S&P500 still trading only 4% off its historical high even though the macroeconomy has clearly slowed down? First of all, weak PMI readings have prompted a sharp change of expectations of the rates being cut (0.25%) already at the October FOMC meeting (over 80% probability). The Fed has made investors believe that it would always support the stock market in a downturn. Some comments even deploy the term "Powell put." Second, the weak macro readings have not affected the expected corporate results. EPS growth expected next year remains at 10%. This suggests that investors still expect companies to generate high FCF and consequently maintain high profitability of stocks (dividends, share buy-backs). Combined with 10Y bond yields falling to only 1.5%, stock valuations remain strong.

10Y bond yields vs. S&P500 DY



Source: Bloomberg, Dom Maklerski mBanku

Third, some investors expect that October (10-11, Washington) could bring about a mini-truce between the US and China. That would genuinely improve the global macro (less business uncertainty even if the current tariffs stay in place). We agree that any agreement, even of little relevance (one that does not resolve the key issues around intellectual property and market access), could trigger a new uptrend for the indices (S&P500 - 3100+). In that scenario, the rhetoric would be that the current weak macro readings represent a local low in another mini-cycle and that the readings would improve in the coming months. We are still of the opinion that such a scenario is unlikely. The declining US macro readings and growing pressures on the stock market work to the advantage of China. Furthermore, President Trump will be under growing pressure of the election campaign and the initiated impeachment. Our baseline scenario is that the negotiations will be postponed. If an agreement is reached this year, November seems much more likely. Trump and Xi will meet at the APEC summit in Chile on 16-17 November.

Continued decline of European PMIs

The European manufacturing slow-down increasingly implies weak macro readings for services and the previously relatively resilient labor market. The manufacturing PMI has dropped from 47.0 to only 45.6 points and the "more important" non-manufacturing PMI from 51.9 to 50.4 points. The slow-down in both sectors of the economy is spilling over to all eurozone countries. In the context of the negative readings, we recall the recent tariffs imposed by the US on selected European industrial and agricultural products (in response to Airbus subsidies) and the October decisions concerning Brexit. The grounds for companies to remain pessimistic have been the same for months. As there are no prospects that those factors would vanish, the current trend is unlikely to revert (recession in Germany). While the ECB still has some tools under its belt (bank debt purchase, TLTRO at negative rates), they wouldn't really change the overall picture. Germany's fiscal package would come as a break-through. The market already played that scenario last month but Berlin quickly dampened those expectations.

Despite strong fiscal stimulation, the Polish macro is also slowing down. Following eurozone data, the Polish manufacturing PMI has dropped to 47.8 points. Retail and industrial output figures are disappointing. The new orders subindex raises particular concerns as it has dropped to 44.1 points. As a consequence, our macroeconomists have downgraded Poland's 2020 GDP forecast from 4.0 to 3.2%.

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Sector Strategies

Financials

- The verdict given by the EU Court of Justice on FX mortgages reinforced our preference for regional banks over Poland. In our baseline scenario, the verdict opens the door for mass action by borrowers to have their loan contracts annulled by courts, resulting in estimated total charges to the Polish bank sector of roughly PLN 42bn over the next seven years assuming lenders can successfully recover costs of principal on the canceled loans in counter-claims against their customers. If they cannot, in the worst-case scenario the losses could ultimately double to PLN 85bn. In yet another scenario where Polish courts allow FX-indexed loans to be converted to zlotys at the exchange rates prevailing at the time of origination, while keeping them tied to LIBOR, our calculations point to estimated losses of PLN 45.5bn. You can read more on the CJEU ruling in our October 3 Special Comments (<https://tinyurl.com/yveq638b>). The verdict reassures us in our top investment picks from within the Polish bank sector: they are Handlowy (BHW) and Pekao (PEO), which have no exposure to CHF mortgage risk, and PKO BP (PKO), whose strong capital position means the Bank can handle the FX loan fallout.
- Pick CEE over Poland: Polish banks are much less attractively priced at the current levels than their counterparts in other CEE countries, and so we again identify Moneta Money Bank (MONET) and Erste Bank (EBS) as our top picks for October. In case of the former, we expect continued earnings expansion driven by strong economic momentum, and at Erste we see an overly-conservative guidance and underestimated analysts' expectations. We are less enthusiastic about RBI due to much higher investment risk coming, among others, from the Polish portfolio of Swiss franc-denominated loans, and from the Bank's dependence on the Russian business which delivers solid profits but weighs on the SOTP valuation. We also see relatively less upside in OTP Bank (OTP) after recent share price gains, and in Komerční Banka (KOMB), which grows its profits at a comparatively slow rate due to slowing economic momentum.
- The European Central Bank in September announced a set of stimulus measures to bolster the eurozone, including a reboot of quantitative easing and tiered deposit rates on top of interest rate cuts. The two-tier deposit rate system will help reduce costs of central bank deposits by about EUR 4bn a year, and EBS and RBI are positioned to benefit from this.
- **Key ratings:** EBS (buy), MONET (buy), OTP (buy), PZU (buy)

Chemicals

- Prices in the natural gas market look poised for a rise, generating risk of higher production costs for fertilizer producers like Grupa Azoty (ATT), for whom Q3 2019 might be the last quarter of strong year-over-year earnings expansion as the upward momentum in Q4 2019 will be curbed by a high year-ago base effect. Azoty's profits are expected to shrink further in 2020, accompanied by high debt.
- On the other hand, Ciech (CIE) is likely to capitalize on falling prices of coal with 2020 savings in excess of PLN 50m. Looking at the recovering prices of soda ash in Asian markets, the outlook for next year is looking increasingly better.
- The zloty has depreciated vis-à-vis the euro, and this is having a positive effect on Polish chemical producers. Similarly, prices of chemical inputs and end-products

linked to USD promise generate higher margins as the zloty weakens against the dollar.

- **Key ratings:** CIE (buy)

Oil & Gas

- Prices of Brent oil are back at \$60/bbl after a sharp, over-10% surge following attacks on facilities in Saudi Arabia. However the recovery took less time than thought, and meanwhile trade tensions and slowing economic momentum continue to loom; on a positive note, the IEA so far has not cut its demand forecasts.
- Refining margins widened in response to the temporarily curbed supply from Saudi Arabia, especially reduced shipments of diesel and HSFO, but they are not likely to hold that high much longer as the refinery maintenance season comes to an end, and while the Rhine remains fully navigable.
- Petrochemical margins are on a decline again across the whole sales mix due to increasing supply combined with concerns over waning demand amid a global slowdown.
- Natural gas prices on the EU spot market have slowed their upward climb, and their performance going forward will be shaped by updates on storage volumes (at the moment EU storages are 97% full) and demand trends as we enter the winter heating season. Year-ahead contracts are trading close to EUR 18.5/MWh. We maintain a bullish medium-term view on the gas market. We expect increasing imports from China (in order to shift sentiment, the rebound in incoming shipments versus last year has to reach 15-20% compared to 7% in August).
- When it comes to the 2019 Q3 reporting season, we expect strong results in downstream and weak growth in E&P, and we see PKN Orlen as the season's earnings leader.
- **Key ratings:** LTS (sell), MOL (buy), PGN (buy)

Power Utilities

- German electricity prices are down to EUR 48/MWh after falls triggered by a downward shift in EUA prices (EUR 25/t) and coal prices. The emissions market is shaped by widespread fuel switching from coal to gas.
- In Poland, prices of 2020 power have dropped to PLN 269/MWh, and the model margin for a vertically-integrated power station is about PLN 174/MWh. With POLPX volumes still low (trading in September was down 26% on the year), it is hard to predict how bookings will go in the final months of the year. Spot prices dropped from an average of PLN 267/MWh in August to PLN 244/MWh in September.
- The compensation offered to power generators for the state-mandated power price freeze imposed in January has turned out to be enough to balance out any profits lost in the year through to September (the Q4 refunds will be announced at a later date).
- The next big policy move will be the approval of the final version of Poland's national energy framework until 2040 (the 'PEP40' framework), expected some time after the 13 October general election.
- The September announcement of price freeze refunds coincided with a downward shift in emission prices to generate a short-lived uptick in WIG-Energy stocks – ultimately, however, the index ended the month in the red as investors seem to be overlooking the strong earnings and cash flow prospects of its component stocks.
- **Key Ratings:** CEZ (accumulate), ENA (buy), ENG (buy), PGE (buy), TPE (buy)

Telecoms, Media, IT

- Poland's telecoms regulator UKE in August confirmed it was going to distribute 5G spectrum via an auction rather than a competitive tendering procedure.
- Recently the UKE announced it would be distributing a block of the 800 MHz band next year, but has not specified yet whether through an auction or a tender. Keep in mind that at the moment Orange Polska and T-Mobile already control one-third of the 800 MHz spectrum, which means if any of them won next year's bid it would gain dominance over the frequencies – something the UKE is not likely to agree to. We expect the 800 MHz block to go to Play for a price similar to that paid in the 2015 auction.
- According to Poland's Digitization Minister, there are a lot of good reasons to have a national operator for the 700 MHz spectrum. In the wholesale model, the frequencies would be allocated to MVOs. We like this idea because it eliminates a need for an auction and prevents a doubling of expenditures on the construction of 5G infrastructure in underserved areas.
- Play and Orange Polska raised the prices of mobile plans in H1 2019, and Cyfrowy Polsat is supposed to follow suit by the end of the year. 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 for the hikes to be reflected in telecom profits.
- After a 5G security pact inked between Poland and the US, the Digitization Ministry issued a statement saying it had no plans to exclude any potential 5G RAN vendors from competing for contracts.
- The UKE's decisions regulating access to the residential cable infrastructure owned by six providers: Netia, UPC, Multimedia, Vectra, Toya, and Inea aim for cable providers to make their networks available to competitors, 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.
- Agora has cut its 2019 adspend growth forecast to 1.5-3.5pp from 2.5-4.5pp. By medium, the Company sees a growth range of 0.5-2.5pp for television, 5-8pp for online advertising, 1-3pp for radio, and 2-4pp for outdoor, while expenditures on magazine advertising are expected to fall by 8-10pp, accompanied by 11-13pp shrinkage in newspaper ad spend. Expenditures in the smallest segment of advertising, cinemas, are set to rise 3-5pp this year according to Agora.
- The WIG-Info index fell 2.1% in September, underperforming the WIG broad market benchmark by 7.2pp and trailing MSCI IT EU by 7.6pp. At 13.4x 12M fwd P/E, Polish IT stocks are currently trading 10.6% below their average ratio for the last three years.
- **Key Ratings:** ASE (overweight), CMR (buy), CPS (reduce), OPL (buy), PLY (buy), AGO (buy)

Industrials

- 50% of rated industrial companies registered falls in the profits for Q2 2019 compared to 44% which delivered improvement. We saw positive surprises in 47% of the rated cases, and we had negative surprises from 29% of the line-up. Kęty, Mangata, Stelmet, and TIM have all painted a more subdued outlook for the second half of the year, marked by rising costs of labor and energy.

Producers of wood-based products also expect timber prices to go up next year. Following the signing in August of legislation to establish a system of compensations for industrial consumers to mitigate soaring power prices, a handful of companies (Cognor, Boryszew, PKP Cargo) recognized the expected refunds on the financial statements for the first half of the year.

- Among more liquid rated stocks, we still have the most faith in Famur (FMF), expected to generate increasing profits and strong cash flow in H2 2019 while trading at low 2020E earnings multiples. Among smaller stocks we prefer Astarta (AST), benefitting from rising sugar prices in Ukraine, Cognor (COG), expected to pay 17% DYield in October, Kruszwica (KSW), poised to capitalize on high oilseed supply, and expected to pay 8% DYield in 2020 and 2021, and TIM, which is improving profits at a robust pace this year.
- We would avoid AC (ACG), expected to post weak Q3 results amid weakening demand from the key market of Russia, and Boryszew (BRS), hurt by increasing costs and high debt.
- We upgrade Alumetal (AML) from underweight to neutral to reflect a recent share price decline, accompanied by recovering profit margins. In other revisions, we raise our 2019 EBITDA forecast for Kruszwica (KSW) from PLN 137m to PLN 160m based on a strong second quarter, and conversely we lower our forecast for Tarczyński (TAR) from PLN 69m to PLN 59m after a weak second quarter.
- We upgrade Stelmet (STL) to hold, and we would not sell shares in the Company in the ongoing tender offer.
- The zloty's current depreciation versus the dollar can have a positive influence on Famur (better cost advantage and export profits) and Stalprodukt (higher margins on zinc production). On the other hand, Apator stands to suffer due to dollar-denominated costs of materials, and Grupa Kęty will also see an increase in aluminum costs.
- Simultaneously, the Ukrainian hryvnia has strengthened vis-a-vis EUR and USD, and this results in reduced FX debt at Astarta while putting a dent in the profits of the grain and vegetable oil exporter Kernel.
- **Key Ratings:** ACG (overweight), AST (overweight), BRS (underweight), COG (accumulate), FMF (buy), KER (reduce), KSW (overweight), TIM (overweight)

Mining

- Mining companies are under pressure from global trade tensions, which have sent falling the prices of metals, iron ore, and coking coal. The main focus in October will be on trade negotiations between the US and China.
- KGHM is trading under pressure from low copper prices and weak sales results in July and August. The Company is currently benefitting from the zloty's depreciation against the dollar.
- JSW coal stands to benefit even more from the zloty's weakness; if USDPLN averaged 4.0 in 2020, and the average coal price were \$150/t, JSW's EBITDA would decrease by no more than PLN 100-150m.
- Prices of coking coal tested \$130/t in September, followed by a rebound in October, with prices today headed toward \$150/t. Once this level is reached, assuming good third-quarter production volumes, this should provide an upside catalyst to the grossly undervalued JSW stock.
- **Key Ratings:** JSW (buy)

Property Developers

- Polish homebuilders are expected to report similar preliminary sales figures for Q3 2019 as in the quarter before, supported by increasing listings (+14% y/y as of 30 June 2019 for WSE and Catalyst-listed firms).
- Atal had a 60% higher inventory in June 2019 than in the same month in 2018 compared to average growth of 6% registered by other companies. As a result, the developer delivered 37% growth in sales and raised the FY pre-sales target for the second time this year, to 3,000 units. Echo also delivered robust sales in Q2 after increasing its inventory by 81% relative to the year-ago period.
- 1AT stock fell close to 6% in September, and at ~7.5x 2019-21E P/E and ~12.0% avg. dividend yield it is an attractive play in our view given strong pre-sales, which indicate strong future profits.
- **Key Ratings:** Atal (accumulate)

Retail

- **AmRest** (EAT) generated stronger sales growth in Q2 2019 than in previous quarters, accompanied by a robust, 26.9% rebound in EBITDA. In the third quarter, profits will continue on their fast-paced momentum, supported by base effects and acquisitions. We downgrade EAT from buy to accumulate to reflect recent share price gains
- **CCC** stock experienced a lot of volatility in September, including an upward shift in response to tight cost management reported in Q2 2019, combined with a commitment to focus on profit improvement going forward. CCC managed to keep a lid on SG&A expenses in Q3, however the preliminary results for the period indicate a miss relative to market expectations. Depending on how sales go in October, which is the peak month for CCC from the point of view of profits, assuming sustained savings, the results for the fourth quarter might be good.
- **LPP** stock took an upward turn after the publication of final 2019 Q2 results, which came out better than the preliminary figures. The Company says it wants to accelerate the rate of store expansion, specifically the Sinsay line. The preliminary figures for Q3 2019 reported at the beginning of October were not as good as we had anticipated because of high SG&A. We expect costs to increase further in future quarters, including by virtue of negative base effects. We downgrade LPP from buy to hold after a recent share price rally.
- **Key Ratings:** EAT (accumulate), CCC (buy), EUR (reduce), JMT (hold), LPP (hold), VRG (buy)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies: Summary

Beat / Miss	2016		2017				2018				2019		+ / =
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	
miss	12	17	12	9	19	16	10	12	15	23	12	16	173
in-line	26	19	25	25	28	23	36	19	25	22	26	24	298
beat	20	23	21	26	15	24	19	34	25	20	27	26	280
Σ companies	58	59	58	60	62	63	65	65	65	65	65	66	751
miss	21%	29%	21%	15%	31%	25%	15%	18%	23%	35%	18%	24%	23%
beat	34%	39%	36%	43%	24%	38%	29%	52%	38%	31%	42%	39%	37%

YoY	2016		2017				2018				2019		+ / =
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	
miss	25	20	23	22	19	23	28	18	21	23	22	29	273
in-line	5	5	5	9	13	2	9	11	11	8	10	11	99
beat	33	38	36	34	34	41	29	37	34	35	34	28	413
Σ companies	63	63	64	65	66	66	66	66	66	66	66	68	785
miss	40%	32%	36%	34%	29%	35%	42%	27%	32%	35%	33%	43%	35%
beat	52%	60%	56%	52%	52%	62%	44%	56%	52%	53%	52%	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



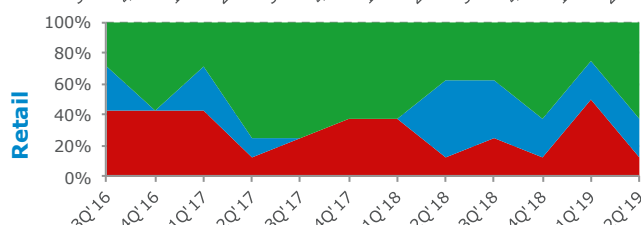
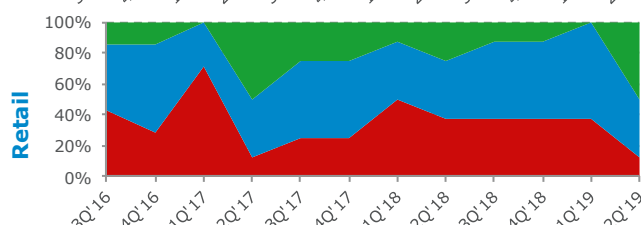
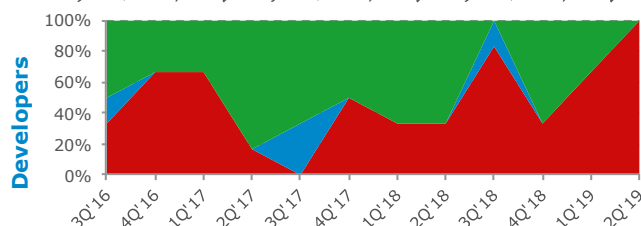
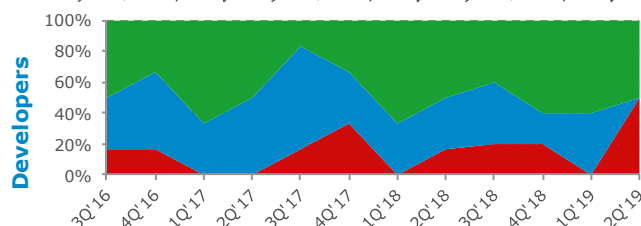
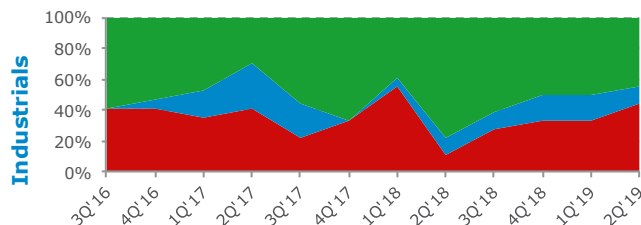
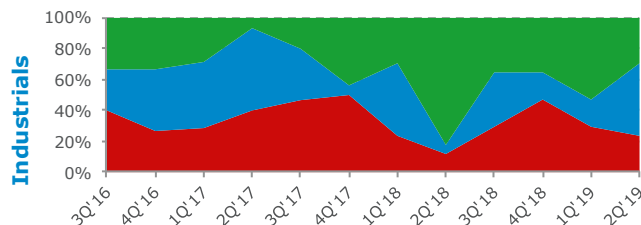
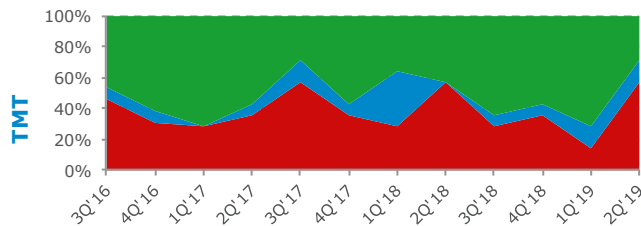
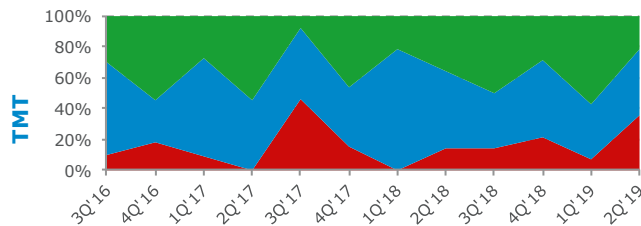
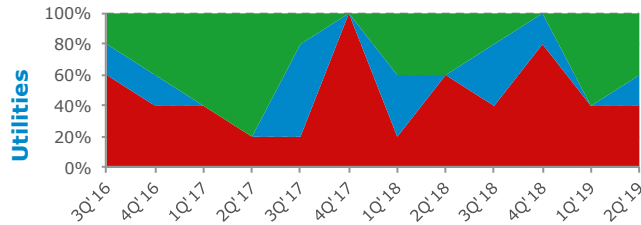
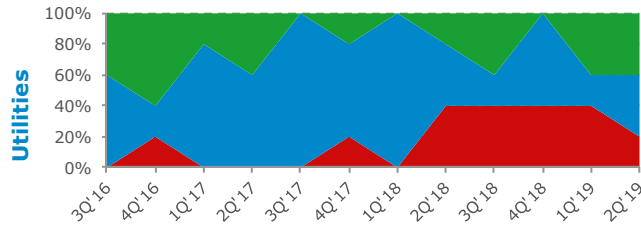
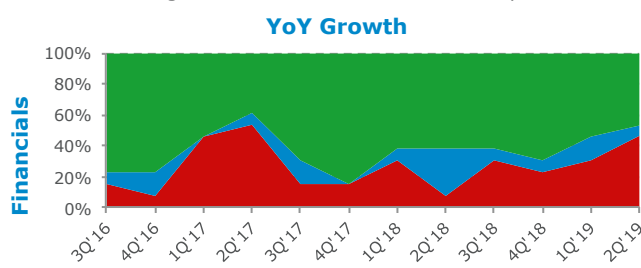
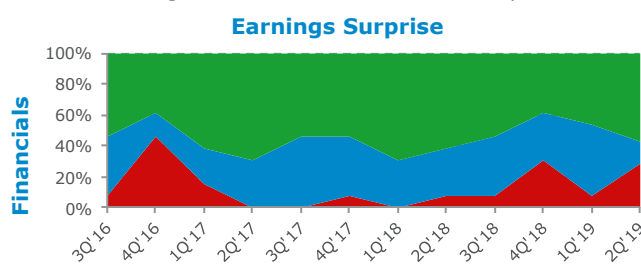
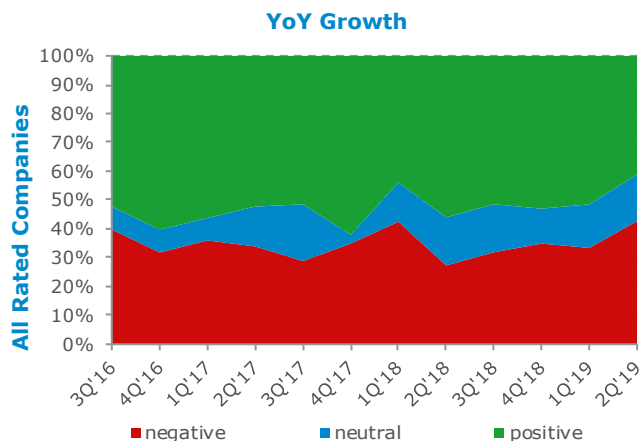
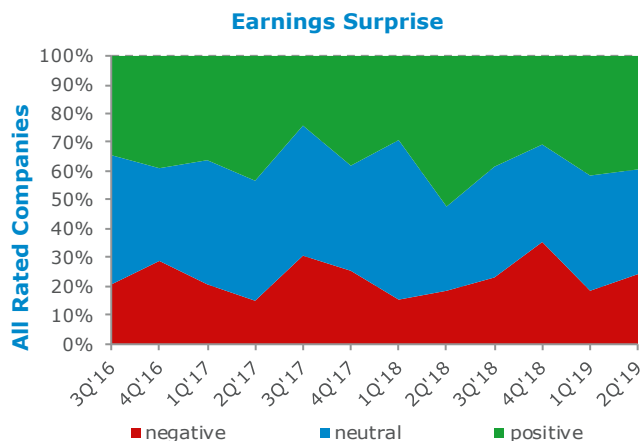
mBank Sentiment Watch (next 30 days, by sector)

Sector		Poland	US	Germany
	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
Banks	Stocks To Own	EBS AV, MONET CP, OTP HB	JPM US, BAC US, MS US, BLK US	
	Stocks To Avoid	MIL, SPL, GNB, PKO		
	Key Catalysts	ECJ ruling for CHF banks	Strong capital levels, big buybacks, dividend yields	
	SENTIMENT	NEUTRAL		NEUTRAL
Chemicals	Stocks To Own	CIE		1COV GY, EVK GY, LXS GY
	Stocks To Avoid			FPE GY
	Key Catalysts	Coal price decrease		
	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
Real-Estate Developers	Stocks To Own	1AT	FPH US, KBH US, LEN US, MDC US	
	Stocks To Avoid		TPH US	
	Key Catalysts	Sales volume vs. home price increase, housing inventory potential (selective approach)	Easy 2H order comparisons, declining rates, forthcoming acceleration in housing starts	
	SENTIMENT	BULLISH	NEUTRAL	BULLISH
Utilities	Stocks To Own	ENA, ENG, PGE, TPE	NRG US, VST US, EXC US, PEG US	EOAN GY
	Stocks To Avoid		ED US	UN01 GY
	Key Catalysts	Power prices freeze compensations in Q2 results and expected CO2 decline	Compelling cash flow valuations	Value rotation
	SENTIMENT	BULLISH	BULLISH	NEUTRAL
Retail, Consumer	Stocks To Own	CCC, LPP, VRG	AMZN US, NKE US, HD US	ADS GY, BOSS GY
	Stocks To Avoid			
	Key Catalysts	We expect strong sales in September	Strong consumer, supportive 2Q	
	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
Oil&Gas, Refining	Stocks To Own	MOL, PGN	MPC US, PSX US, VLO US, CXO US, SLB US	
	Stocks To Avoid	LTS		
	Key Catalysts	Strong refining margins and expected natgas price rebound	Strengthening of global gross margins, current valuations at record lows	
	SENTIMENT	BEARISH	BEARISH	BEARISH
Industrials	Stocks To Own	AST, COG, FMF, STP, TIM	CAT US, ETN US	NDX1 GY, SIE GY, RHM GY, KGX GY
	Stocks To Avoid	ACG, AML, BRS, KER, KTY, PFL	TEX US, DE US, URI US	AAG GY, G1A GY
	Key Catalysts	Cost inflation	US-China trade war, current macro uncertainty	
	SENTIMENT	NEUTRAL	BEARISH	BEARISH
Mining	Stocks To Own	JSW	MNOD LI	
	Stocks To Avoid		ANG JS, BHP AU, RIO LN	
	Key Catalysts		Iron ore price decrease, nickel increase	
	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
Automotive	Stocks To Own		APTV US, GM US	VOW3 GY
	Stocks To Avoid	AML, BRS, SNK	ALV US	BMW GY, UG FP
	Key Catalysts	EURO 6 Temp regulation	Tariffs threat, potential impairments	
	SENTIMENT	NEUTRAL	NEUTRAL	BULLISH
Tech, Media	Stocks To Own	ASE, CMR	MA US, DISCA US, MSFT US, CRM US	SAX GY, SAP GY, WDI GY, VAR1 GY
	Stocks To Avoid			CYR GY
	Key Catalysts		Demand for cloud services, robust IT spending environment	
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
Telecoms	Stocks To Own	OPL		DTE GY, DRI GY, FNTN GY
	Stocks To Avoid	CPS		TC1 GY
	Key Catalysts			5G technology

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	
Financials													
Alior Bank	+	+	-	+	+	+	=	+	=	=	=	-	83%
Handlowy	-	-	=	+	+	=	=	+	-	-	=	-	50%
ING BSK	+	-	+	=	=	=	=	-	=	+	+	+	83%
Millennium	=	+	+	=	+	=	+	+	=	+	+	+	100%
Pekao	+	+	+	=	+	+	=	=	+	+	=	=	100%
PKO BP	+	-	+	+	+	=	=	+	=	=	=	+	92%
Santander BP	=	+	=	+	=	=	=	+	=	-	=	-	83%
Komercni	+	=	+	+	+	+	+	+	+	+	=	+	100%
Moneta	na	na	na	na	na	na	na	na	na	na	na	na	
Erste Group	=	-	=	+	=	+	+	+	+	+	+	+	92%
RBI	na	na	na	na	na	na	na	na	na	na	na	+	100%
OTP Bank	+	-	+	+	+	+	+	+	+	=	+	+	92%
PZU	=	+	+	=	=	+	+	=	+	=	+	=	100%
Kruk	+	-	+	+	=	-	+	+	+	-	+	-	67%
Skarbiec	=	-	=	+	+	+	+	+	+	=	+	+	83%
Chemicals													
Ciech	=	+	=	=	=	+	=	+	=	-	=	=	92%
Grupa Azoty	=	-	+	-	=	-	=	-	-	+	+	=	58%
Oil & Gas													
Lotos	+	=	+	+	+	=	-	+	=	-	=	=	83%
MOL	=	-	+	+	-	=	=	=	+	+	=	=	83%
PGNiG	-	+	+	-	-	=	-	+	-	=	+	-	50%
PKN Orlen	=	+	=	=	-	=	=	-	=	+	=	+	83%
Utilities													
CEZ	=	+	=	=	=	+	=	-	+	=	=	+	92%
Enea	+	+	=	+	=	=	=	-	=	=	+	+	92%
Energia	=	=	=	=	=	-	=	=	-	-	-	-	58%
PGE	+	-	=	=	=	=	=	=	-	-	-	=	67%
Tauron	=	+	+	+	=	=	=	+	+	=	+	=	100%
TMT													
Netia	=	+	=	=	+	+	=	=	=	=	=	+	100%
Orange PL	=	=	=	+	=	=	=	+	+	+	=	=	100%
Play	na	na	na	na	=	=	=	+	=	=	+	+	100%
Agora	=	+	=	+	=	+	=	+	+	=	+	-	92%
Cyfrowy	+	=	+	=	=	=	+	=	=	=	=	=	100%
Wirtualna	-	-	+	=	=	=	=	=	=	=	=	=	83%
Ailleron	na	na	na	na	-	+	=	=	-	-	+	-	50%
Asseco BS	=	=	=	=	=	+	=	=	+	+	=	=	100%
Asseco PL	+	-	=	=	-	-	+	+	+	+	+	=	75%
Asseco SEE	=	+	=	+	-	=	=	=	+	=	+	=	92%
Atende	na	na	na	na	na	+	=	-	+	-	+	-	57%
Comarch	=	+	-	+	-	-	+	+	+	+	+	-	67%
11 bit studios	na	+	=	+	-	na	=	-	=	+	-	-	60%
CD Projekt	+	+	+	+	-	+	=	=	-	-	+	+	75%
Industrials													
Alumetal	-	=	-	=	+	=	=	+	=	-	-	=	67%
Amica	=	-	=	=	-	+	-	+	+	+	=	=	75%
Apator	-	=	=	=	-	=	=	+	+	+	=	=	75%
Astarta	na	na	na	na	na	na	na	na	na	na	na	na	
Boryszew	+	-	+	-	+	-	-	=	-	-	-	=	42%
Cognor	na	na	na	na	na	na	+	+	=	-	-	+	67%
Ergis	+	=	+	=	-	-	-	-	-	-	-	-	33%
Famur	=	+	na	-	=	+	+	+	+	+	+	+	91%
Forte	=	=	=	=	-	-	=	+	=	-	+	-	58%
Grupa Kęty	=	=	=	=	=	-	=	+	=	=	=	=	92%
JSW	-	-	+	+	+	-	=	+	=	-	+	+	58%
Kernel	+	-	-	-	-	+	=	-	+	+	-	=	50%
KGHM	+	+	+	=	=	+	=	+	-	-	+	=	83%
Kruszwica	+	+	-	-	=	+	+	+	+	+	+	+	75%
Mangata	-	+	=	=	-	-	+	+	+	-	+	=	58%
Pozbud	na	na	na	na	na	+	=	+	-	=	+	+	71%
Stelmet	-	=	-	=	=	+	+	+	+	+	+	+	67%
Tarczyński	-	+	=	=	+	+	+	+	=	+	+	+	83%
Real-Estate													
Atal	+	=	+	+	-	-	=	+	=	+	+	-	75%
Dom Dev.	=	=	=	+	+	=	+	=	+	=	=	+	100%
Retail													
AmRest	=	+	-	+	+	+	-	-	=	+	-	+	67%
CCC	+	=	-	+	-	-	-	-	-	-	-	+	33%
Dino	na	na	na	+	=	+	+	=	=	=	=	+	100%
Eurocash	-	-	=	=	-	-	=	=	-	-	=	=	42%
Jeronimo	=	=	=	=	=	=	=	=	=	=	=	=	100%
LPP	=	=	=	=	+	=	-	+	+	=	=	+	92%
Monnari	-	-	-	+	=	=	=	+	-	-	-	-	42%
VRG	-	-	-	-	=	=	-	-	=	=	=	=	58%
YoY													
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	+/=
Financials													
Alior Bank	=	+	-	+	+	-	+	+	-	+	-	-	58%
Handlowy	+	+	-	-	+	+	+	+	-	-	-	-	50%
ING BSK	+	+	+	-	+	+	+	=	=	+	=	+	92%
Millennium	+	+	+	-	+	+	+	+	+	+	+	=	83%
Pekao	-	+	-	-	=	+	+	=	+	-	-	+	58%
PKO BP	-	+	-	=	+	+	+	+	+	+	+	+	83%
Santander BP	+	+	-	-	+	+	=	=	-	+	-	-	58%
Komercni	+	+	+	-	-	+	-	+	+	+	+	+	75%
Moneta												+	100%
Erste Group	+	-	-	-	+	+	+	+	+	+	+	+	67%
RBI													100%
OTP Bank	+	=	+	+	+	+	+	+	+	+	+	+	100%
PZU	+	+	+	+	+	+	-	+	+	=	+	-	83%
Kruk	+	+	+	+	=	-	-	=	+	+	+	-	75%
Skarbiec	+	=	+	+	-	+	-	-	-	-	+	+	58%
Chemicals													
Ciech	+	+	+	-	-	+	-	=	-	-	-	=	50%
Grupa Azoty	-	-	-	+	+	+	-	-	-	-	+	+	42%
Oil & Gas													
Lotos	+	+	+	+	+	-	-	+	=	+	+	=	83%
MOL	-	-	+	+	-	+	-	-	+	+	-	=	50%
PGNiG	-	+	+	=	=	=	-	+	+	-	-	-	58%
PKN Orlen	-	+	+	+	+	-	-	-	-	+	=	+	58%
Utilities													
CEZ	-	-	-	-	-	-	-	-	+	=	+	+	33%
Enea	+	+	+	+	=	-	=	-	=	-	+	+	75%
Energia	=	=	-	+	+	-	+	+	-	-	-	=	58%
PGE	-	-	+	+	=	-	+	+	=	-	-	-	50%
Tauron	-	+	+	+	=	-	=	-	-	-	+	-	50%
TMT													
Netia	-	=	-	-	-	-	=	-	-	-	-	-	17%
Orange PL	-	-	-	=	-	+	=	-	+	+	=	=	58%
Play	na	na	+	+	+	=	-	-	-	-	+	+	60%
Agora	-	-	+	+	=	+	-	-	+	+	+	-	58%
Cyfrowy	+	+	+	+	-	-	=	-	=	=	=	=	75%
Wirtualna	+	+	+	+	+	+	+	+	+	+	+	+	100%
Ailleron	+	+	+	+	-	+	=	+	-	-	+	-	67%
Asseco BS	+	+	+	+	+	+	+	+	+	+	+	-	92%
Asseco PL	-	-	-	-	-	-	+	+	+	+	+	+	42%
Asseco SEE	=	+	+	+	+	+	+	+	+	+	+	+	100%
Atende	-	-	+	-	-	+	-	-	+	-	+	-	33%
Comarch	+	+	-	-	-	-	=	+	+	+	+	+	58%
11 bit studios	-	+	+	-	=	+	+	+	+	+	+	-	67%
CD Projekt	+	+	+	+	-	+	-	-	-	-	-	+	42%
Industrials													
Alumetal	-	-	-	-	-	+	+	+	+	+	-	-	33%
Amica	+	=	-	=	-	-	-	+	+	+	=	+	67%
Apator	-	+	+	-	+	-	-	+	=	+	+	-	58%
Astarta						+	+	-	-	-	-	+	38%
Boryszew	+	-	+	+	+	+	-	-	-	-	-	-	42%
Cognor	+	+	+	=	+	+	+	+	+	-	-	-	75%
Ergis	+	+	+	+	=	=	-	=	-	-	=	-	58%
Famur	+	+	+	=	+	+	+	+	+	+	+	+	100%
Forte	+	+	-	-	-	-	-	+	-	+	+	-	42%
Grupa Kęty	+	+	+	+	+	+	+	+	+	+	+	=	100%
JSW	-	+	+	+	+	+	-	=	=	-	-	=	67%
Kernel	+	-	-	-	-	-	-	+	+	+	-	+	42%
KGHM	+	+	+	+	+	+	-	+	-	=	+	-	67%
Kruszwica	-	+	=	=	=	+	+	+	+	+	+	+	92%
Mangata	+	-	=	-	=	+	+	+	+	=	+	=	83%
Pozbud	-	-	-	=	=	+	-	+	+	+	+	+	58%
Stelmet	-	-	-	-	+	+	=	+	+	=	+	+	58%
Tarczyński	-	-	=	+	+	+	+	+	+	+	+	+	83%
Real-Estate													
Atal	+	-	+	+	=	+	+	+	=	-	-	-	67%
Dom Dev.	+	+	-	+	+	+	+	+	-	+	+	-	75%
Retail													
AmRest	+	+	=	+	+	-	+	=	+	+	+	+	92%
CCC	=	+	+	+	+	-	-	-	-	-	-	+	50%
Dino	na	na	na	+	+	+	+	=	=	+	+	+	100%
Eurocash	-	-	=	=	-	-	=	=	=	+	=	=	50%
Jeronimo	+	+	=	+	+	+	+	=	=	=	=	+	100%
LPP	-	-	+	+	+	+	-	+	+	+	+	=	75%
Monnari	-	-	-	-	+	=	+	-	+	=	-	-	25%
VRG	=	+	-	+	+	+	+	+	=	+	+	+	83%

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



Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

Macroeconomic Update

Retail Sales

Real retail sales growth amounted to 4.4% y/y (6% y/y in nominal terms) in August, close to our forecast (4% y/y). The deceleration stems primarily from the difference in working days and seasonality inherent in many categories. We do not see any major surprises in the breakdown of the release.

Of course, it would be easier to comment a better-than-expected figure as additional social transfers were disbursed in the economy starting in May, but it is fairly easy to close the reasoning from other angle: services. What we had failed to see in retail sales since the beginning of disbursement found its way to consumption of services. It makes sense since the market for goods seems more satiated than it was some years ago and purchasing power shifted higher. A more wealthy society should spend bigger portion of its incomes on services (the rise in sharing economy may make this shift even more compelling). We bet on accelerating consumption in H2 helped by strong labor market, record high consumer optimism and social transfers. It will stabilize GDP growth in H2.

Retail sales deflator (more or less "goods" part of CPI) fell to 1.4% and diverged visibly with CPI. It is set to be an anchor for CPI in 2020 and a ballast for inflation when statistical base starts to kick in and supply shocks fade. It's one of the reasons to expect that the surge in inflation will end in Q1'20.

Industrial Production

Polish industrial output declined by 1.3% y/y in August, below market consensus and our forecast (both at 1.5% y/y). The slowdown vis-a-vis July (to remind our Readers, output rose by 5.8% y/y at the time) is primarily the result of unfavorable working day difference (down from +1 to -1 y/y), but the surprise itself is completely attributable to weakening industrial momentum. In seasonally and calendar adjusted terms industrial output declined by 1.2% m/m. Provided that September does not bring a miracle, Q3 will be the weakest quarter for Polish industry since the beginning of 2012. After two months, average IP is down by 1.1% q/q. A review of detailed industry data indicates that there is little to tone down the negative interpretation of the headline number. While automotive production clocked a roughly 10% decline in annual terms, it is not enough to explain the drop in headline IP number completely. Without the aforementioned drop in car and car part production, industrial output would have declined by 0.4% y/y. Thus, the weakness in industry is by no means limited to one sector – and that is confirmed by the on-going downtrend in manufacturing sentiment indicators. Why is Polish manufacturing flagging is not a mystery – the ongoing retrenchment in external demand coupled with the downturn in public investment fits both the extent and the structure of the downtrend in industry.

Jobs

Employment in the enterprise sector slowed down from 2.7% y/y in July to 2.6% y/y in August, matching our forecast, but coming slightly below market consensus of 2.7% y/y. On a monthly basis, almost 8 thousand jobs were lost, which makes last August the worst such month since 2011. Furthermore, we do not see this as a one off, but rather the extension of a long-established downtrend. It is seen both in hard (multiple measures of employment, vacancies and job offer counts) and soft indicators (various business sentiment and hiring intention surveys). In our view, this should be seen as a result of slowing labor demand, itself a byproduct of a broader tendency seen in macroeconomic data for

Poland, and on-going contraction in labor supply. All indications are for these tendencies to continue in the coming months and that implies further slowdown in employment growth.

Average gross wage rose by 6.8% in August, matching our forecast and market consensus. A quick comparison of our assumptions and scant details provided by Statistics Poland in the press release suggest that we have overestimated wage growth in mining and underestimated the potential of Administrative and support services section. It is also possible that manufacturing wages accelerated despite unfavorable working day count. To confirm or invalidate our guesses we will have to wait a week for the release of the monthly Statistical Bulletin. In any case, nominal wage growth remains quite steady, with only subtle signs of a slowdown in recent months.

At the same time Statistics Poland published consumer confidence data for September. This month's print brings further increase in consumer sentiment indicators, lifting the average index (equally weighed current and leading sentiment) to a new all-time high. It is an indirect proof that the on-going slowdown seen in key labor market metrics is not seen as significant by households and is not translating into worsening of expectations regarding their future financial situation. Unemployment is also not a concern at the moment.

Inflation

Consumer prices rose in August by 2.9% y/y, hence slightly faster than in the flash reading (2.8% y/y). After the flash reading we saw a high chance of an upward revision, as its details suggested that the reading was on the knife's edge. Indeed it happened, not for the first time this year.

Details are mostly unsurprising. Prices of food and non-alcoholic beverages dropped by 0.3% m/m (high result for this month). But in fact, it is hard to say that the food price shock is waning – we have seen further increases in processed food, meat and fruit prices. Only vegetables prices has stabilized. We expect high food prices dynamics to continue until the end of the year. This time, energy and transport price seem boring, with figures of 0.0% and 1.2% m/m, respectively. In those categories, we can see more significant changes at the turn of the year – chance for a reduction in natural gas prices, and still unclear situation in electricity prices.

As in previous months, core inflation is still high. Here, most of our estimates were correct (in particular in case of airline tickets and package holidays), but there are also few surprises. First of all, August was another month of increases in telecommunication prices (+0.8% m/m). Secondly, dynamics of prices in the Restaurants and Hotels category was at a solid 0.5% m/m. Thirdly, there were no price changes in the Other category. It sums up to the core inflation of 2.2% y/y in August. Higher labor costs are still being passed onto the labor-intensive services prices.

mBank Research

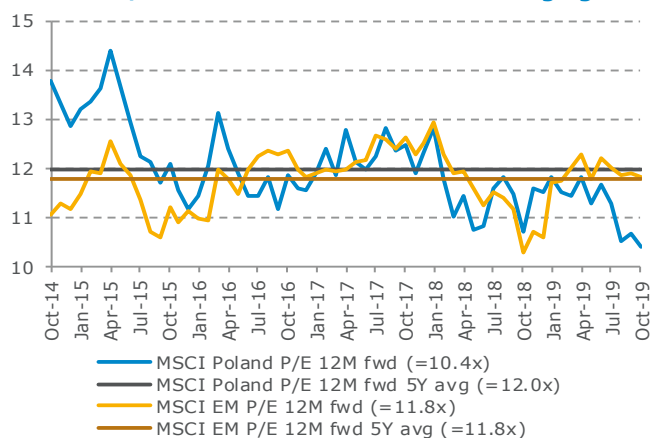
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Revisions To FY2019 Earnings Forecasts For WIG30 Companies

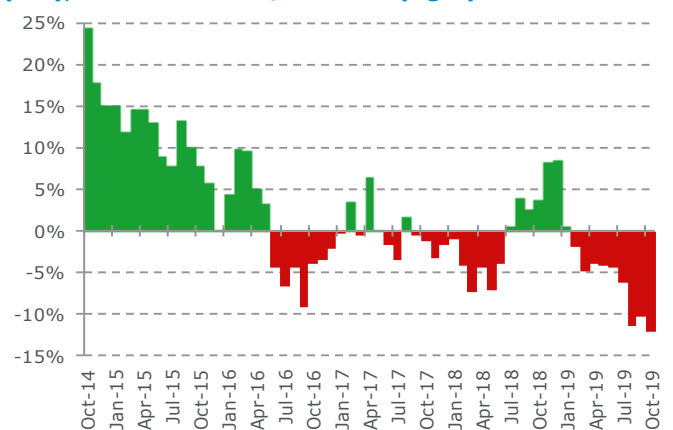
Sep-18=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM
Oct-18	-2%	-8%	-2%	-5%	+0%	-2%	-4%	+0%	-1%	-5%	-8%	-15%	-18%	-36%	+5%	-40%
Nov-18	-2%	-9%	-2%	-5%	+3%	-2%	-7%	+1%	-3%	-5%	-10%	-35%	-29%	-45%	+4%	-31%
Dec-18	-4%	-9%	-3%	-5%	+1%	-2%	-8%	+1%	-4%	-6%	-11%	-35%	-29%	-45%	-3%	-31%
Jan-19	-4%	-10%	-3%	-5%	+3%	-1%	-8%	-5%	-8%	-7%	-12%	-34%	-42%	-45%	-4%	-32%
Feb-19	-5%	-11%	-4%	-5%	+1%	-6%	-9%	-5%	-9%	-7%	-19%	-34%	-10%	-9%	-3%	-32%
Mar-19	-5%	-11%	-4%	-6%	-1%	-10%	-7%	-11%	-9%	-12%	-19%	-32%	-4%	-9%	+4%	-21%
Apr-19	-8%	-11%	-4%	-6%	-10%	-10%	-10%	-13%	-8%	-12%	-23%	-32%	-18%	+50%	+2%	-21%
May-19	-8%	-11%	-5%	-8%	-13%	-13%	-6%	-1%	-12%	-17%	-23%	-27%	+8%	+90%	-2%	-27%
Jun-19	-9%	-12%	-5%	-7%	-17%	-13%	-6%	-2%	-16%	-34%	-23%	-24%	+17%	+123%	-6%	-36%
Jul-19	-10%	-12%	-6%	-9%	-18%	-7%	-5%	-2%	-18%	-34%	-22%	-23%	+30%	+123%	-8%	-36%
Aug-19	-10%	-11%	-5%	-8%	-17%	-7%	-5%	-2%	-19%	-33%	-18%	-23%	+33%	+123%	-13%	-34%
Sep-19	-11%	-11%	-5%	-8%	-16%	-7%	-5%	-2%	-21%	-33%	-18%	-24%	+33%	+101%	-16%	-34%

Source: "Con" - Bloomberg consensus forecasts, "mDM" - estimates by Dom Maklerski mBanku, provided ex. mBank, and PKP Cargo. The percentages indicate changes between the dates of this Monthly Outlook and the previous Monthly Outlook.

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

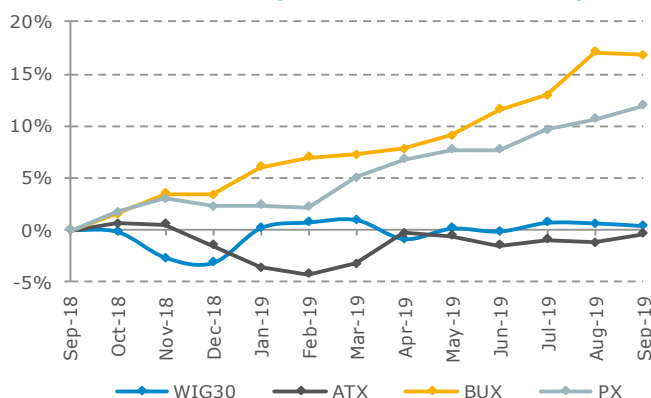


Source: Bloomberg, Dom Maklerski mBanku



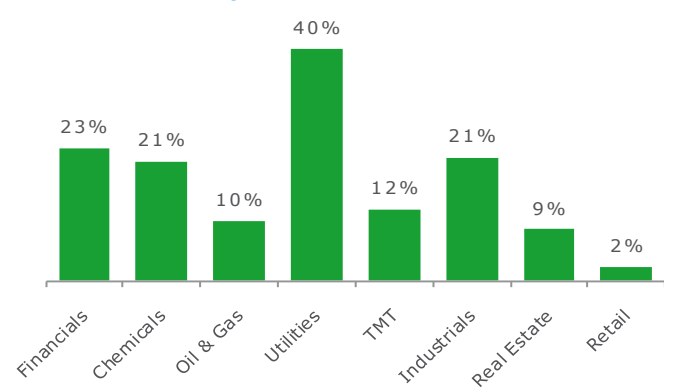
Source: Bloomberg, Dom Maklerski mBanku

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



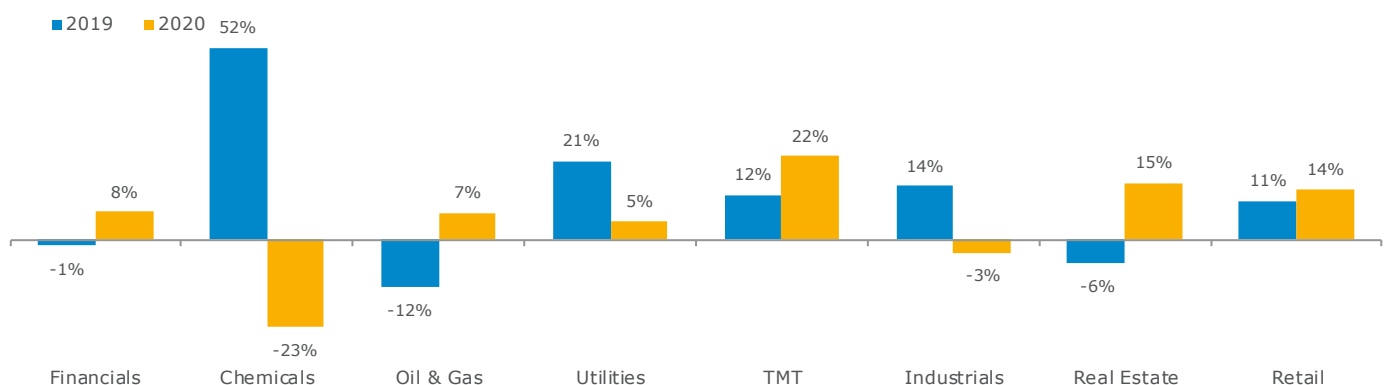
Source: Bloomberg, Dom Maklerski mBanku

Estimated Sector Upside Potential*



Source: Dom Maklerski mBanku; *To MDM price targets

Expected YoY Change in FY2019-2020E Sector Earnings*



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

Divergence of Dom Maklerski mBanku Estimates From Consensus Estimates

Sector/Name	mDM Rating	mDM TP ¹	BBG Ratings ²			BBG TP ³	mDM v. BBG TP	mDM v. BBG Earnings			mDM v. BBG EBITDA			Analyst Count ⁴
			▲	►	▼			2019E	2020E	2021E	2019E	2020E	2021E	
Financials														
Alior Bank	buy	72.30	11	3	0	61.16	+18.2%	+15%	+13%	+20%				13
Handlowy	accumulate	59.45	9	0	1	63.43	-6.3%	-7%	-3%	-2%				8
ING BSK	hold	197.53	5	4	2	202.76	-2.6%	+2%	+1%	-0%				8
Millennium	reduce	5.18	3	6	3	8.46	-38.8%	+13%	-43%	-63%				9
Pekao	buy	119.75	15	4	0	130.66	-8.3%	-1%	-2%	-4%				17
PKO BP	buy	47.17	9	8	1	43.62	+8.1%	+0%	-1%	-2%				15
Santander Bank Polska	hold	276.55	6	8	1	367.59	-24.8%	-6%	-6%	-18%				11
Komercni Banka	buy	945.02	7	9	1	957.67	-1.3%	+1%	+1%	+3%				9
Moneta Money Bank	buy	94.33	12	2	0	95.10	-0.8%	+2%	+6%	+2%				9
Erste Group	buy	40.38	20	4	1	38.92	+3.7%	+0%	+4%	+6%				11
RBI	accumulate	23.05	13	7	1	26.95	-14.5%	+0%	+3%	+7%				6
OTP Bank	buy	14,681	11	4	2	13,759	+6.7%	+3%	+8%	-				8
PZU	buy	43.38	6	6	0	45.47	-4.6%	+0%	+3%	+5%				8
Kruk	buy	213.65	2	3	2	153.67	+39.0%	-4%	-4%	-6%				5
Chemicals														
Ciech	buy	42.03	8	3	0	53.76	-21.8%	-4%	-20%	-21%	-7%	-7%	-9%	8/8
Grupa Azoty	hold	34.09	5	3	0	45.89	-25.7%	+4%	-72%	-72%	+1%	-26%	-25%	4/4
Oil & Gas														
Lotos	sell	72.31	11	2	1	98.54	-26.6%	-18%	-38%	-26%	-7%	-17%	-9%	12/11
MOL	buy	3,258.0	10	3	1	3,506.2	-7.1%	-22%	-24%	-10%	-5%	-7%	-0%	12/12
PGNiG	buy	6.33	2	6	2	5.37	+18.0%	+8%	+45%	+43%	+5%	+21%	+29%	9/9
PKN Orlen	hold	92.82	6	10	2	104.48	-11.2%	-6%	-22%	-21%	-4%	-15%	-13%	15/14
Utilities														
CEZ	accumulate	597.80	7	7	2	593.95	+0.6%	+0%	-2%	-3%	+0%	-0%	+3%	9/9
Enea	buy	12.41	8	1	1	11.81	+5.1%	+16%	+7%	+4%	+8%	+3%	+1%	7/7
Energia	buy	12.67	1	8	2	7.67	+65.3%	+4%	-16%	-6%	+0%	-2%	+0%	6/6
PGE	buy	13.26	5	5	3	10.77	+23.1%	+18%	+4%	+14%	+11%	+2%	+7%	9/9
Tauron	buy	2.52	6	5	2	2.10	+20.1%	+9%	+11%	+3%	+1%	+6%	+0%	8/8
TMT														
Netia	hold	4.70	4	2	2	4.78	-1.6%	-3%	-3%	-8%	-4%	-4%	-4%	5/5
Orange Polska	buy	7.50	2	10	3	6.38	+17.6%	+50%	+12%	+13%	+7%	+5%	+6%	6/12
Play	buy	33.10	6	4	3	31.40	+5.4%	-7%	-2%	-7%	+1%	+2%	+1%	11/11
Agora	buy	16.00	3	2	0	13.50	+18.5%	-	-	-	-6%	-0%	+4%	4/4
Cyfrowy Polsat	reduce	24.15	4	8	2	29.16	-17.2%	+2%	+5%	+8%	+0%	-0%	-1%	10/8
Wirtualna Polska	hold	61.50	7	1	0	70.89	-13.2%	-1%	+6%	+1%	+2%	+7%	+2%	5/4
Asseco Poland	hold	50.80	2	6	0	60.00	-15.3%	-6%	-5%	-9%	+5%	+4%	-3%	4/4
Asseco BS	neutral	-	0	3	0	29.30	-	-0%	+42%	-	-1%	+1%	-	4/3
Asseco SEE	overweight	-	4	0	0	22.17	-	-6%	-5%	-	-1%	-3%	-	5/5
Comarch	buy	231.00	5	0	0	225.95	+2.2%	+3%	-4%	-4%	+5%	+2%	-1%	4/4
11 bit studios	buy	518.00	8	1	0	472.81	+9.6%	-1%	+7%	-2%	+4%	+3%	+10%	6/6
CD Projekt	accumulate	272.50	12	4	3	255.68	+6.6%	-29%	+28%	+63%	-44%	-4%	+22%	13/14
Industrials														
AC	underweight	-	2	1	1	50.80	-	-10%	-11%	-6%	-6%	-7%	-3%	4/4
Alumetal	neutral	-	3	2	1	49.70	-	-3%	-19%	-21%	+1%	-11%	-16%	4/4
Amica	neutral	-	2	3	0	138.20	-	+7%	+4%	+2%	+2%	-1%	-2%	5/5
Apator	neutral	-	1	3	0	27.00	-	-2%	-1%	-1%	-1%	-3%	-3%	3/3
Astarta	overweight	-	3	2	0	28.72	-	-	+15%	-12%	-14%	-3%	+4%	3/3
Famur	buy	5.33	6	0	0	6.23	-14.5%	+67%	-5%	-30%	+3%	-6%	-19%	5/6
Forte	neutral	-	2	3	3	29.83	-	-33%	-30%	-34%	-10%	-11%	-13%	5/5
Grupa Kęty	hold	298.64	4	8	0	354.94	-15.9%	+2%	-16%	-20%	+2%	-11%	-16%	7/7
JSW	buy	39.29	4	3	4	48.25	-18.6%	-28%	-	-60%	-16%	-27%	-13%	8/7
Kemel	reduce	40.76	4	1	1	59.15	-31.1%	+2%	-24%	-30%	-1%	-3%	+3%	4/3
KGHM	hold	77.51	1	7	9	78.54	-1.3%	+10%	-19%	-12%	+3%	-13%	-10%	16/15
Real Estate														
Atal	accumulate	41.89	5	0	0	43.38	-3.4%	+13%	-6%	-6%	+12%	-5%	-5%	4/4
Dom Development	hold	81.10	2	4	0	87.65	-7.5%	+3%	+9%	+7%	+4%	+9%	+5%	5/5
Retail														
AmRest	accumulate	48.00	9	2	0	49.52	-3.1%	-5%	-5%	+4%	-1%	+2%	+4%	8/8
CCC	buy	161.00	4	9	4	145.58	+10.6%	-33%	-0%	-14%	+7%	+13%	+4%	15/15
Dino	hold	149.20	8	7	4	143.75	+3.8%	-2%	+2%	+7%	+2%	+4%	+7%	15/15
Eurocash	reduce	18.10	8	5	5	22.34	-19.0%	-21%	-17%	-0%	-8%	-10%	-7%	11/13
Jeronimo Martins	hold	14.30	15	9	6	14.89	-4.0%	+3%	+7%	+3%	+1%	+2%	-1%	20/19
LPP	hold	8,500.0	8	6	3	8,900.7	-4.5%	+0%	-5%	-6%	-12%	-13%	-14%	13/12
Monnari	neutral	-	1	3	0	-	-	-1%	-2%	+9%	-22%	-25%	-16%	4/4
VRG	buy	5.20	7	0	0	4.99	+4.2%	+3%	+4%	+4%	-19%	-17%	-19%	5/5

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						+23.0%	9.5	9.1		
Alior Bank	buy	2019-07-03	51.10	72.30	35.80	+102.0%	6.5	5.0		
Handlowy	accumulate	2019-07-03	53.60	59.45	50.00	+18.9%	12.6	10.4		
ING BSK	hold	2019-10-07	194.80	197.53	194.80	+1.4%	14.5	13.3		
Millennium	reduce	2019-10-07	5.48	5.18	5.48	-5.4%	7.9	11.7		
Pekao	buy	2019-08-02	99.88	119.75	101.50	+18.0%	11.7	10.2		
PKO BP	buy	2019-08-02	39.34	47.17	37.74	+25.0%	10.7	10.4		
Santander Bank Polska	hold	2019-10-07	286.00	276.55	286.00	-3.3%	12.7	11.1		
Komercni Banka	buy	2019-08-28	817.00	945.02 CZK	765.50	+23.5%	9.6	9.9		
Moneta Money Bank	buy	2019-08-28	75.95	94.33 CZK	71.00	+32.9%	9.5	8.9		
Erste Group	buy	2019-08-28	30.03	40.38 EUR	28.83	+40.1%	8.1	7.4		
RBI	accumulate	2019-08-28	20.44	23.05 EUR	20.04	+15.0%	6.1	5.7		
OTP Bank	buy	2019-08-28	12,000	14,681 HUF	12,590	+16.6%	8.7	7.9		
PZU	buy	2019-09-05	36.59	43.38	36.10	+20.2%	9.6	9.1		
Kruk	buy	2019-04-02	152.30	213.65	143.50	+48.9%	8.1	7.9		
Skarbiec Holding	buy	2019-06-03	16.50	28.17	16.60	+69.7%	5.7	4.9		
Chemicals						+20.6%	6.5	19.9	4.6	6.3
Ciech	buy	2019-09-05	34.00	42.03	30.50	+37.8%	6.9	7.2	4.9	4.8
Grupa Azoty	hold	2019-10-07	31.18	34.09	31.18	+9.3%	6.2	32.7	4.2	7.8
Oil & Gas						+10.3%	10.7	10.2	5.0	4.9
Lotos	sell	2019-08-02	88.66	72.31	89.18	-18.9%	13.6	12.5	6.9	5.8
MOL	buy	2019-10-07	2,826	3,258 HUF	2,826	+15.3%	10.2	9.0	4.3	4.0
PGNiG	buy	2019-09-05	4.49	6.33	4.61	+37.4%	11.1	7.7	4.3	3.3
PKN Orlen	hold	2019-08-01	97.36	92.82	101.90	-8.9%	9.7	11.4	5.7	6.0
Power Utilities						+39.2%	3.5	3.9	3.6	3.7
CEZ	accumulate	2019-06-25	544.00	597.80 CZK	515.50	+16.0%	15.4	13.4	7.4	6.9
Enea	buy	2019-06-25	8.53	12.41	8.32	+49.2%	3.1	2.9	3.2	3.0
Energa	buy	2019-06-25	7.33	12.67	6.12	+107.0%	3.5	3.9	3.6	4.0
PGE	buy	2019-06-25	9.00	13.26	7.79	+70.3%	4.8	5.3	3.1	3.2
Tauron	buy	2019-06-25	1.57	2.52	1.60	+57.1%	2.5	2.4	4.1	3.7
Telecoms, Media, IT						+12.4%	21.1	15.0	5.8	5.7
Netia	hold	2018-11-26	4.66	4.70	4.35	+8.0%	29.2	24.2	5.0	5.1
Orange Polska	buy	2019-09-05	6.12	7.50	5.41	+38.6%	35.0	22.0	4.5	4.4
Play	buy	2019-09-12	27.16	33.10	27.82	+19.0%	8.5	7.9	5.8	5.8
Agora	buy	2018-11-27	9.50	16.00	9.28	+72.4%	30.8	16.4	4.2	3.9
Cyfrowy Polsat	reduce	2019-05-31	26.00	24.15	27.34	-11.7%	14.3	12.2	7.0	6.7
Wirtualna Polska	hold	2019-07-03	61.20	61.50	67.20	-8.5%	21.1	18.0	11.1	9.8
Asseco Poland	hold	2019-06-03	51.10	50.80	50.65	+0.3%	13.6	13.2	4.5	4.2
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	384.00	+34.9%	25.7	36.7	18.0	22.2
CD Projekt	accumulate	2019-09-05	251.30	272.50	238.70	+14.2%	-	9.9	-	8.7
Industrials, Mining						+21.4%	6.4	10.3	4.4	5.1
Cognor	accumulate	2019-09-05	1.65	2.00	1.76	+6.4%	6.4	11.4	4.4	5.2
Famur	buy	2019-08-07	4.42	5.33	3.47	+53.8%	4.4	8.0	3.6	4.2
Grupa Kęty	hold	2019-10-07	283.00	298.64	283.00	+5.5%	10.1	11.8	7.4	8.0
JSW	buy	2019-09-05	26.50	39.29	20.66	+90.2%	3.5	-	0.2	1.4
Kemcel	reduce	2019-10-07	42.90	40.76	42.90	-5.0%	4.8	7.7	4.6	5.6
KGHM	hold	2019-08-22	74.90	77.51	74.94	+3.4%	6.5	9.3	3.7	4.3
Stelmet	hold	2019-10-07	7.90	8.10	7.90	+2.5%	10.7	12.1	5.1	5.1
Property Developers						+8.9%	8.1	8.0	7.4	7.4
Atal	accumulate	2019-07-03	36.60	41.89	34.50	+21.4%	7.4	7.7	7.0	7.3
Dom Development	hold	2019-09-05	84.00	81.10	82.00	-1.1%	8.7	8.2	7.7	7.5
Retail						+2.4%	36.3	19.7	9.3	8.4
AmRest	accumulate	2019-10-07	44.05	48.00	44.05	+9.0%	41.4	30.2	13.9	11.1
CCC	buy	2019-09-05	131.90	161.00	127.70	+26.1%	47.7	19.7	6.6	5.2
Dino	hold	2019-08-23	149.60	149.20	150.60	-0.9%	36.3	26.3	20.9	15.7
Eurocash	reduce	2019-09-05	20.62	18.10	19.67	-8.0%	38.0	26.9	8.2	7.3
Jeronimo Martins	hold	2019-10-07	14.92	14.30 EUR	14.92	-4.1%	21.2	19.0	9.3	8.4
LPP	hold	2019-10-07	7,950.00	8,500.00	7,950.00	+6.9%	21.7	19.6	11.0	9.9
VRG	buy	2019-07-26	4.20	5.20	4.15	+25.3%	13.2	11.5	8.3	7.0

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2019	2020	2019	2020
IT						11.6	10.7	5.0	4.8
Ailleron	neutral	2019-06-28	8.40	7.30	-13.1%	9.4	8.5	3.2	2.3
Asseco BS	neutral	2019-03-29	29.50	27.20	-7.8%	13.8	12.8	9.2	8.6
Asseco SEE	overweight	2019-04-11	14.20	19.90	+40.1%	14.5	13.9	6.1	5.6
Atende	neutral	2019-01-31	4.40	3.34	-24.1%	8.4	7.8	4.0	3.9
Industrials						10.8	10.1	6.3	6.1
AC	underweight	2019-08-30	43.60	39.20	-10.1%	11.6	11.1	7.6	7.0
Alumetal	neutral	2019-10-07	51.00	35.40	-30.6%	11.3	11.0	7.7	7.7
Amica	neutral	2019-09-20	118.00	113.20	-4.1%	8.4	8.0	5.4	5.4
Apator	neutral	2019-09-20	22.60	22.00	-2.7%	10.9	11.2	6.5	6.8
Astarta	overweight	2019-09-05	23.00	18.20	-20.9%	-	3.3	6.6	3.8
Boryszew	underweight	2019-09-20	4.54	4.30	-5.3%	10.8	10.3	7.2	7.3
Ergis	neutral	2019-08-30	2.48	3.12	+25.8%	12.8	15.9	5.9	6.1
Forte	neutral	2019-09-20	40.60	23.70	-41.6%	15.4	12.1	9.0	8.2
Kruszwica	overweight	2019-10-07	44.40	44.40	+0.0%	9.6	9.3	4.8	4.7
Mangata	neutral	2019-09-20	66.00	68.00	+3.0%	9.4	10.1	6.2	6.5
Pozbud	neutral	2019-09-05	2.14	1.96	-8.4%	3.8	4.5	2.9	5.5
Tarczyński	neutral	2019-10-07	16.30	16.30	+0.0%	10.8	6.5	6.3	4.9
TIM	overweight	2019-04-29	7.90	8.66	+9.6%	9.8	8.7	5.8	5.2
Retail						6.9	6.8	2.2	1.4
Monnari	neutral	2019-07-17	4.66	3.48	-25.3%	6.9	6.8	2.2	1.4

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
Amica	neutral	neutral	- -	2019-09-20
Apator	neutral	neutral	- -	2019-09-20
Astarta	overweight	suspended	- -	2019-09-05
Boryszew	underweight	underweight	- -	2019-09-20
CCC	buy	hold	161,00 PLN	2019-09-05
CD Projekt	accumulate	accumulate	272,50 PLN	2019-09-05
Ciech	buy	hold	42,03 PLN	2019-09-05
Cognor	accumulate	hold	2,00 PLN	2019-09-05
Dom Development	hold	hold	81,10 PLN	2019-09-05
Eurocash	reduce	hold	18,10 PLN	2019-09-05
Forte	neutral	neutral	- -	2019-09-20
Grupa Azoty	hold	hold	39,77 PLN	2019-09-05
Grupa Kęty	hold	hold	327,11 PLN	2019-09-05
ING BSK	accumulate	hold	197,53 PLN	2019-09-05
Jeronimo Martins	reduce	hold	14,30 EUR	2019-09-05
JSW	buy	accumulate	39,29 PLN	2019-09-05
Kruszwica	overweight	neutral	- -	2019-09-20
LPP	buy	accumulate	8500,00 PLN	2019-09-05
Mangata	neutral	neutral	- -	2019-09-20
Orange Polska	buy	accumulate	7,50 PLN	2019-09-05
PGNiG	buy	accumulate	6,33 PLN	2019-09-05
Play	buy	hold	33,10 PLN	2019-09-12
Play	hold	accumulate	34,20 PLN	2019-09-05
Pozbud	neutral	overweight	- -	2019-09-05
PZU	buy	hold	43,38 PLN	2019-09-05
Stelmet	hold	hold	6,50 PLN	2019-09-05
Tarczyński	neutral	neutral	- -	2019-09-20

Ratings and Valuations Changed as of 7 October 2019

Company	Rating	Previous Rating	Target Price	Issued on
Alumetal	neutral	underweight	- -	2019-10-07
AmRest	accumulate	buy	48.00 PLN	2019-10-07
Grupa Azoty	hold	hold	34.09 PLN	2019-10-07
Grupa Kęty	hold	hold	298.64 PLN	2019-10-07
ING BSK	hold	accumulate	197.53 PLN	2019-10-07
Jeronimo Martins	hold	reduce	14.30 EUR	2019-10-07
Kernel	reduce	reduce	40.76 PLN	2019-10-07
Kruszwica	overweight	overweight	- -	2019-10-07
LPP	hold	buy	8500.00 PLN	2019-10-07
Millennium	reduce	buy	5.18 PLN	2019-10-07
MOL	buy	accumulate	3258.00 HUF	2019-10-07
Santander Bank Polska	hold	hold	276.55 PLN	2019-10-07
Stelmet	hold	hold	8.10 PLN	2019-10-07
Tarczyński	neutral	neutral	- -	2019-10-07

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	1	1.4%	0	0.0%
reduce	4	5.7%	1	4.3%
underweight	2	2.9%	1	4.3%
hold	14	20.0%	3	13.0%
neutral	12	17.1%	4	17.4%
accumulate	7	10.0%	3	13.0%
buy	26	37.1%	11	47.8%
overweight	4	5.7%	0	0.0%

Corporate Events Calendar For October

Date	Company	Event
21-Oct	Cognor	Dividend record date: 0.29 PLN per share
23-Oct	Grupa Kęty	Q3'19 earnings announcement
23-Oct	Jeronimo Martins	Q3'19 earnings announcement (after market close)
24-Oct	Asseco BS	Q3'19 earnings announcement
24-Oct	Kruk	Q3'19 earnings announcement
24-Oct	PKN Orlen	Q3'19 earnings announcement
28-Oct	Millennium	Q3'19 earnings announcement
28-Oct	Orange Polska	Q3'19 earnings announcement
29-Oct	Budimex	Q3'19 earnings announcement
29-Oct	Netia	Q3'19 earnings announcement
30-Oct	Alumetal	Q3'19 earnings announcement
30-Oct	Apator	Q3'19 earnings announcement
30-Oct	CCC	Q3'19 earnings announcement
30-Oct	Erste Bank	Q3'19 earnings announcement
30-Oct	GPW	Q3'19 earnings announcement
30-Oct	Lotos	Q3'19 earnings announcement
30-Oct	Mangata	Q3'19 earnings announcement
30-Oct	mBank	Q3'19 earnings announcement
30-Oct	Santander	Q3'19 earnings announcement
31-Oct	Cognor	Q3'19 earnings announcement
31-Oct	ING BSK	Q3'19 earnings announcement
31-Oct	Mennica Polska	Q3'19 earnings announcement
31-Oct	MOL	Q3'19 earnings announcement

Financial Sector

Alior Bank

buy (no change)

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We maintain our buy recommendation for Alior Bank with an unchanged target price. Alior wrote off PLN 160m of a total of PLN 235m in outstanding loans from the strapped meat producer ZM Kania in Q2 2019. At the same time, the Bank raised the FY2019 cost-of-risk forecast from 1.8% to 2.3%, indicating average provisioning in Q3 and Q4 of PLN 317m or 200bp. Moreover Alior hinted at the earnings conference that it might revisit the guidance for 2020. Aside from ZM Kania, the Bank's other major corporate default risk exposures include the fuel trader Onico and the press distributor Ruch, which, however, has recently had its turnaround plan approved by the court. Assuming sufficient provisions for total risk exposure, and no further rise in cost of risk, at 5.0x 2020E P/E and 12% ROE ALR is currently trading at very attractive ratios. On the downside, not included in our current model are the potential consequences of a recent EUCJ decision on the reimbursement of loan fees upon early repayment, the implications of which might be more problematic for Alior than for other banks.

Current Price

35.80 PLN

Upside

9M Target Price

72.30 PLN

+102.0%

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

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-10.7%	-9.6%
ISIN	PLALIOR00045	YTD Price Chng	-32.6%	-29.7%
Outst. Stock (m)	129.3	ADTV 1M		PLN 18.2m
MC (PLN m)	4,627.4	ADTV 6M		PLN 13.1m
		P/E 12M fwd	6.3	-50.4%
Free Float	74.8%	P/E 5Y avg	12.7	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	9.0	6.5	6.5	5.0	4.3
P/B	0.7	0.7	0.6	0.6	0.5
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 our accumulate recommendation for Handlowy with an unchanged target price. Handlowy's 2018 Q2 results were dented by one-time charge-offs of PLN 69m on the one hand, and boosted by one-off fees in the amount of PLN 12m on the other hand, and the adjusted quarterly net income at nearly PLN 180m was one of the highest in the last four years. In H2 2019, we expect normalization of cost of risk in the corporate segment combined with further growth in net interest income. Handlowy has implemented a biometric credit card approval process, but the tangible effects of this will not be evident until the fourth quarter. The CJEU verdict on loan fee reimbursement upon early repayment has limited implications for Handlowy. At the moment the Bank is working on partnerships to reach a wider group of prospects with its consumer banking offer, and it is reinforcing its position as the Polish leader in securitization (in September, Handlowy co-managed deals with a total value of PLN 2.5bn). With risk of loan default by troubled commercial borrowers not yet fully eliminated, we leave unchanged our PLN 517m net income forecast for FY2019. We view Handlowy as one of the safest bets at the moment in the Polish bank sector.

Current Price	50.00 PLN	Upside
9M Target Price	59.45 PLN	+18.9%

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

Key Metrics		BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-1.4%
ISIN	PLBH00000012	YTD Price Chng	-23.5%
Outst. Stock (m)	130.7	ADTV 1M	PLN 1.7m
MC (PLN m)	6,533.0	ADTV 6M	PLN 5.7m
		P/E 12M fwd	10.4
Free Float	25.0%	P/E 5Y avg	15.0
			discount

Earnings Projections

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	12.2	10.2	12.6	10.4	9.7
P/B	0.9	0.9	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	9.2%	8.2%	7.5%	8.4%	7.2%
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 (downgraded)

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We downgrade ING BSK ("ING") to hold to reflect recent share price gains, but we leave the target price unchanged. ING generated better-than-expected results for Q2 2019, owing mainly to low cost of risk. We adjusted our model for reduced financing costs, alongside expectations of slightly higher provisioning in future years. We maintain ING deserves a higher premium to the bank sector than any other banks looking at its strong capital position, supreme ROE, and fast-paced growth. At the same time ING stock has the least upside in the CEE sector after a period of outperformance. Relative to the Polish peer group, ING is currently trading at an over-20% premium on P/E and a 40% premium on P/B after a sell-off on Polish banks with large FX loan exposures. In a trading pair of ING-Komercni Banka (the two banks have similar profiles), we currently prefer the latter with its stronger capital position, higher dividends and ROE, and much lower systemic risk. ING's sensitivity to potential court-ordered loan contract annulments facilitated by the October EUCJ ruling is limited by a relatively small portfolio of mortgage loans expressed in CHF at approximately PLN 1bn.

Current Price	194.80 PLN	Upside
9M Target Price	197.53 PLN	+1.4%

	rating	target price	issued
new	hold	197.53 PLN	2019-10-07
old	accumulate	197.53 PLN	2019-09-05
Key Metrics		ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	+3.9% +5.0%
ISIN	PLBSK0000017	YTD Price Chng	+10.4% +13.3%
Outst. Stock (m)	130.1	ADTV 1M	PLN 2.3m
MC (PLN m)	25,343.5	ADTV 6M	PLN 1.6m
		P/E 12M fwd	13.9 -10.5%
Free Float	25.0%	P/E 5Y avg	15.5 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,453	3,760	4,275	4,728	5,092
Total income	4,756	5,233	5,792	6,301	6,749
Costs	-2,123	-2,327	-2,506	-2,614	-2,727
Provisioning	-421	-501	-535	-672	-776
Net income	1,403	1,526	1,750	1,910	2,045
P/E	18.1	16.6	14.5	13.3	12.4
P/B	2.1	1.9	1.8	1.7	1.5
ROE	12.6%	12.1%	12.8%	13.1%	12.8%
DPS	0.00	3.20	3.50	4.04	4.40
DYield	0.0%	1.6%	1.8%	2.1%	2.3%
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	3,453	3,760	4,275	4,728	5,092
Fee income	1,183	1,305	1,351	1,400	1,476
Trading income	117	154	151	159	166
Other income	3	14	15	15	15
Noninterest income	1,303	1,473	1,516	1,573	1,657
Total income	4,756	5,233	5,792	6,301	6,749
Operating expenses	2,123	2,327	2,506	2,614	2,727
Operating income	2,633	2,906	3,286	3,687	4,022
Provisioning	421	501	535	672	776
Profits of associates	0	0	12	25	24
Pre-tax income	2,212	2,405	2,763	3,039	3,271
Tax	479	507	583	641	690
Minority interests	0	0	0	0	0
Asset tax	330	372	430	488	536
Net income	1,403	1,526	1,750	1,910	2,045

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	91,088	103,126	116,276	129,537	141,162
Other assets	34,926	38,477	41,171	44,139	47,354
Total assets	126,014	141,603	157,447	173,676	188,517
Deposits	104,503	117,683	129,968	144,293	157,539
Other liabilities	9,716	10,584	13,527	14,128	14,349
Minority interests	0	0	0	0	0
Equity	11,795	13,336	13,952	15,254	16,629

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.9%	2.9%	2.9%	2.9%	2.9%
C/I	44.6%	44.5%	43.3%	41.5%	40.4%
CoR	0.5%	0.5%	0.5%	0.5%	0.6%
NPL Ratio	2.8%	2.8%	3.0%	3.3%	3.6%
Tier 1 Ratio	15.8%	14.8%	15.0%	15.1%	15.5%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	971	3%
PV Adjustment	-1,609	-5%
Value Driver (2021-35)	20,563	67%
Fade (2036-55)	8,662	28%
Terminal Value	2,324	8%
Fair Value	30,911	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	237.59	
9M Target Price (PLN)	252.74	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	13,585	46%
Explicit Forecast (2018-20)	2,566	9%
PV Adjustment	-618	-2%
Value Driver (2021-35)	10,746	36%
Fade (2036-55)	3,465	12%
Fair Value	29,744	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	228.63	
9M Target Price (PLN)	243.20	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	30,911
Economic Profits	50%	29,744
Fair Value Avg.		30,328
Fair Value Per Share (PLN)		233.11
Asset tax		-47.42
Fair Value Per Share		185.69
Cost of equity (9M)		6.4%
9M Target Price (PLN)		197.53

Millennium reduce (downgraded)

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We downgrade Millennium from buy to reduce, and we cut the target price to PLN 5.18 per share after revising 2020 and 2021 earnings expectations lower by 45% and 62%, respectively, to reflect possible losses in the wake of the EUCJ ruling on FX loans. At the same time, we have raised the 2019 net income estimate by 15% based on better-than-expected results generated in the first half of the year (in Q2 2018 Millennium reported an 18% consensus beat on low provisioning and high income). The revisions to 2020-21 earnings expectations are predicated on a worst-case scenario where, following the EUCJ ruling, 100% of the affected borrowers file cases with courts to have their FX-indexed loan contracts canceled (for more, refer to our 3 October Special Comments: <https://tinyurl.com/yveq638b>). The resulting loss to Millennium according to our calculations may reach PLN 6.9bn over seven years, with the highest charges expected in 2023-24 (PLN 2.4bn and PLN 1.7bn, respectively). In actuality the proportion of suing borrowers will probably be much lower, however as a side effect bank auditors might call on lenders to set aside higher reserves for borrower claims as a precaution after a few lost cases. On our updates estimates, MIL is trading at 0.7x 2020E fair P/B, reflecting a sustained deterioration in returns (with 2020-2021E ROE at 6-5%) coupled with a lack of dividends. If we were to assume a lower, 80% participation rate in borrower court action to cancel FX loans, our valuation of Millennium would go up to PLN 6.5 per share, and at 50% it would rise to PLN 7.27 per share.

Current Price	5.48 PLN	Downside
9M Target Price	5.18 PLN	-5.4%

	rating	target price	issued
new	reduce	5.18 PLN	2019-10-07
old	buy	10.00 PLN	2019-08-02
Key Metrics			
Ticker	MIL PW	1M Price Chng	-16.0% -14.9%
ISIN	PLBIG0000016	YTD Price Chng	-38.3% -35.3%
Outst. Stock (m)	1,213.1	ADTV 1M	PLN 8.2m
MC (PLN m)	6,641.8	ADTV 6M	PLN 7.0m
		P/E 12M fwd	7.2 -42.0%
Free Float	50.0%	P/E 5Y avg	12.5 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,696	1,817	2,433	2,657	2,779
Total income	2,650	2,778	3,496	3,781	3,956
Costs	-1,156	1,332	-1,758	-1,931	-1,788
Provisioning	-255	-222	-371	-821	-1,285
Net income	681	761	845	567	432
P/E	9.7	8.7	7.9	11.7	15.4
P/B	0.9	0.8	0.8	0.7	0.7
ROE	9.3%	9.4%	9.8%	6.2%	4.5%
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)					
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	2,433	2,657	2,779
Fee income	664	661	707	761	807
Trading income	220	248	279	284	290
Other income	70	51	76	78	81
Noninterest income	953	960	1,062	1,124	1,177
Total income	2,650	2,778	3,496	3,781	3,956
Operating expenses	1,281	1,332	1,758	1,931	1,788
Operating income	1,369	1,445	1,737	1,850	2,168
Provisioning	255	222	371	821	1,285
Profits of associates	0	0	0	0	0
Pre-tax income	1,114	1,223	1,366	1,029	883
Tax	244	264	294	222	190
Minority interests	0	959	0	0	0
Asset tax	188	198	227	241	261
Net income	681	761	845	567	432

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	47,411	52,712	66,079	71,014	75,983
Other assets	23,730	27,747	30,486	31,559	32,672
Total assets	71,141	80,459	96,565	102,573	108,656
Deposits	57,273	66,244	75,205	77,273	79,398
Other liabilities	6,096	5,831	12,517	15,927	19,500
Minority interests	0	0	0	0	0
Equity	7,773	8,384	8,843	9,374	9,758

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.4%	2.5%	2.8%	2.7%	2.7%
C/I	48.3%	47.9%	50.3%	51.1%	45.2%
CoR	0.5%	0.5%	0.6%	1.2%	1.7%
NPL Ratio	4.6%	4.5%	4.4%	4.3%	4.3%
Tier 1 Ratio	20.3%	19.8%	17.6%	18.1%	18.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	275	3%
Value Driver (2021-35)	5,700	62%
Fade (2036-55)	2,432	26%
Terminal Value	845	9%
Fair Value	9,252	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	7.63	
9M Target Price (PLN)	8.11	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,695	101%
Explicit Forecast (2018-20)	253	3%
PV Adjustment	516	6%
Value Driver (2021-35)	-1,537	-18%
Fade (2036-55)	665	8%
Fair Value	8,592	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	7.08	
9M Target Price (PLN)	7.53	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	9,252
Economic Profits	50%	8,592
Fair Value Avg.		8,922
Fair Value Per Share (PLN)		7.35
Asset tax		-2.49
Fair Value Per Share		4.87
Cost of equity (9M)		6.4%
9M Target Price (PLN)		5.18

Pekao buy (no change)

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We maintain our buy recommendation for Pekao with an unchanged target price. Pekao delivered in-line but high-quality earnings in H1 2019, and despite achieving only 36% of the FY forecast in the period before due to high one-time charges, we believe the Bank can fulfill the market's expectations with the full-year results. Pekao has a very small portfolio of mortgage loans indexed to the Swiss franc, and as such it faces little risk of losses on canceled loan contracts compared to other banks in the wake of the EUCJ ruling. PEO is trading at 6% and 5% discounts, respectively, to the 2020E and 2021E P/E multiples of its peers, as well as showing respective discounts of 6% each to the ratios of rival PKO BP.

Current Price	101.50 PLN	Upside
9M Target Price	119.75 PLN	+18.0%

	rating	target price	issued
unchanged	buy	119.75 PLN	2019-08-02

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	+0.2%	+1.3%
ISIN	PLPEKAO000016	YTD Price Chng	-0.9%	+2.1%
Outst. Stock (m)	262.5	ADTV 1M		PLN 65.9m
MC (PLN m)	26,640.7	ADTV 6M		PLN 73.3m
		P/E 12M fwd	10.4	-29.7%
Free Float	67.2%	P/E 5Y avg	14.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	4,593	4,994	5,493	5,881	6,271
Total income	7,278	7,830	8,337	8,807	9,283
Costs	-3,535	-3,710	-4,094	-3,971	-4,089
Provisioning	-521	-511	-526	-660	-742
Net income	2,475	2,287	2,282	2,609	2,772
P/E	10.8	11.6	11.7	10.2	9.6
P/B	1.1	1.2	1.1	1.1	1.1
ROE	10.7%	9.9%	9.9%	10.9%	11.2%
DPS	8.68	7.90	6.60	6.52	7.46
DYield	8.6%	7.8%	6.5%	6.4%	7.3%
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 (no change)

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We maintain our buy recommendation for PKO BP with an unchanged target price. PKO generated record quarterly net income of PLN 1,217m in Q2 2019, and the adjusted figure was equally impressive. Nevertheless the Bank has been trading under pressure over potential FX loan risk even though its CHF-indexed loan book is relatively low and the potential losses in the wake of the EUCJ ruling will be negligible. The portfolio of loans denominated in francs is not affected by the ruling, but other judgments pertaining to these types of loans might be issued in the future, which means risk is still there. PKO is allowed to make extra shareholder distributions from retained earnings, and we believe it will do so in 2020 and the year after, especially considering the state's plans to form a national investment vehicle with funding provided in the form of dividends from state-owned companies.

Current Price	37.74 PLN	Upside
9M Target Price	47.17 PLN	+25.0%

	rating	target price	issued
unchanged	buy	47.17 PLN	2019-08-02

Key Metrics	PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng -4.6% -3.6%
ISIN	PLPKO0000016	YTD Price Chng -1.0% +1.9%
Outst. Stock (m)	1,250.0	ADTV 1M PLN 118.3m
MC (PLN m)	47,175.0	ADTV 6M PLN 101.5m
		P/E 12M fwd 10.5 -19.5%
Free Float	70.6%	P/E 5Y avg 13.0 discount

Earnings Projections

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	15.2	12.6	10.7	10.4	9.8
P/B	1.3	1.2	1.1	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%	1.5%	3.5%	8.2%	9.9%
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

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	205,628	214,912	226,071	245,842	259,870
Other assets	91,284	109,343	114,103	119,262	124,669
Total assets	296,912	324,255	340,175	365,104	384,539
Deposits	218,800	242,816	243,611	259,587	272,849
Other liabilities	41,856	42,338	54,716	62,161	67,261
Minority interests	-11	-10	-10	-11	-11
Equity	36,267	39,111	41,859	43,367	44,440

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	3.0%	3.2%	3.2%	3.2%	3.2%
C/I	47.1%	45.5%	43.8%	42.6%	41.7%
CoR	0.8%	0.6%	0.6%	0.7%	0.7%
NPL Ratio	5.5%	4.9%	4.8%	4.8%	4.8%
Tier 1 Ratio	16.5%	17.5%	17.6%	17.3%	16.9%

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 (reiterated)

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We maintain a hold rating for Santander Bank Polska, but we lower the target price from PLN 337.00 to PLN 276.55. Santander generated 2019 Q2 net income 13% below the conservative expectations of analysts after worse-than-expected income and provisioning. As a result, even though we see a rebound in H2 2019 supported by a strong increase in net interest margins, we decided to cut our own FY2019 estimate by 2.6%. Further, we have also reduced our expectations for FY2020 and 2021 by 8% and 17%, respectively, to reflect the possible losses in the event of mass legal action to annual FX loans in the wake of the EUCJ ruling. The downward revisions are predicated on a worst-case scenario where 100% of the affected borrowers file cases in courts (for more, refer to our 3 October Special Comments: <https://tinyurl.com/yveq638b>). The total charges that Santander may be facing in this scenario might reach PLN 4.6bn over seven years, with the highest costs expected in 2023-24 (PLN 1.61bn and PLN 1.15bn, respectively) — levels at which the Bank is not likely to sustain a bottom-line loss or stumble into capital shortfalls. Nevertheless our expectations as to dividend payout ratios in the next two years have been cut to 25%. In actuality, the proportion of suing borrowers will probably be much lower than 100%, however as a side effect bank auditors might call on lenders to set aside higher reserves for borrower claims as a precaution after a few lost cases. If we were to assume a lower, 80% participation rate in borrower court action, our valuation of Santander would go up to PLN 282.01 per share, and at 50% it would rise to PLN 296.01 per share.

Current Price	286.00 PLN	Downside
9M Target Price	276.55 PLN	-3.3%

	rating	target price	issued
new	hold	276.55 PLN	2019-10-07
old	hold	337.00 PLN	2019-08-02
Key Metrics		SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-4.6%
ISIN	PLBZ000000044	YTD Price Chng	-15.5%
Outst. Stock (m)	102.1	ADTV 1M	PLN 25.0m
MC (PLN m)	29,197.3	ADTV 6M	PLN 19.4m
		P/E 12M fwd	10.9
Free Float	31.7%	P/E 5Y avg	14.3

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	5,277	5,742	6,715	7,277	7,593
Total income	7,764	8,296	9,412	10,067	10,482
Costs	-3,372	-3,769	-4,274	-4,059	-4,099
Provisioning	-690	-1,085	-1,214	-1,617	-2,012
Net income	2,213	2,365	2,292	2,633	2,568
P/E	12.8	12.2	12.7	11.1	11.4
P/B	1.3	1.1	1.2	1.1	1.0
ROE	10.6%	10.1%	9.1%	10.0%	9.0%
DPS	5.40	3.10	19.72	5.61	6.45
DYield	1.9%	1.1%	6.9%	2.0%	2.3%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	+0.2%	-0.8%
Fee income			-1.4%	-1.4%	-0.8%
Total costs			+1.1%	+1.0%	+1.0%
Provisioning			+3.6%	+20.9%	+39.4%
Net income			-2.6%	-8.1%	-17.1%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	5,277	5,742	6,715	7,277	7,593
Fee income	2,013	2,058	2,102	2,184	2,273
Trading income	323	282	423	427	432
Other income	151	214	171	178	185
Noninterest income	2,487	2,554	2,696	2,789	2,890
Total income	7,764	8,296	9,412	10,067	10,482
Operating expenses	3,372	3,769	4,274	4,059	4,099
Operating income	4,391	4,527	5,138	6,007	6,383
Provisioning	690	1,085	1,214	1,617	2,012
Profits of associates	58	63	63	63	63
Pre-tax income	3,759	3,892	3,986	4,453	4,434
Tax	817	727	801	895	891
Minority interests	-305	-334	-311	-305	-327
Asset tax	-424	-466	-583	-620	-648
Net income	2,213	2,365	2,292	2,633	2,568

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	107,840	137,460	147,852	156,477	164,040
Other assets	44,835	68,392	72,561	74,922	77,365
Total assets	152,674	205,853	220,413	231,399	241,405
Deposits	111,481	149,617	155,830	162,656	170,747
Other liabilities	17,850	29,568	37,517	39,501	38,993
Minority interests	1,436	1,564	1,683	1,800	1,925
Equity	21,907	25,104	25,383	27,443	29,740

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	3.6%	3.3%	3.3%	3.3%	3.3%
C/I	43.4%	45.4%	45.4%	40.3%	39.1%
CoR	0.6%	0.9%	0.8%	1.0%	1.2%
NPL Ratio	5.8%	4.5%	4.5%	4.4%	4.6%
Tier 1 Ratio	15.3%	14.1%	13.4%	13.7%	14.5%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	1,087	3%
PV Adjustment	183	1%
Value Driver (2022-36)	23,157	71%
Fade (2037-56)	6,799	21%
Terminal Value	1,598	5%
Fair Value	32,823	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	330.77	
9M Target Price (PLN)	351.85	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,751	74%
Explicit Forecast (2019-21)	2,323	7%
PV Adjustment	1,393	4%
Value Driver (2022-36)	3,962	12%
Fade (2037-56)	902	3%
Fair Value	33,331	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	335.88	
9M Target Price (PLN)	357.30	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	32,823
Economic Profits	50%	33,331
Fair Value Avg.		33,077
Fair Value Per Share (PLN)		333.33
Asset tax		-73.35
Fair Value Per Share		259.98
Cost of equity (9M)		6.4%
9M Target Price (PLN)		276.55

Komerční Banka buy (no change)

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We maintain our buy recommendation for Komerční Banka. KOMB stock has shed 12% in the last 12 months, ignoring the quarterly earnings beats that the Bank delivered for two years running (except for in-line results posted in Q1 2019). We blame the squeezed valuation on new-bank-tax fears stoked by Czech politicians, which in the end proved an idle threat. In August we reduced our 2019 and 2020 net income forecasts for Komerční by 1% and 7%, respectively, to reflect lower-than-expected interest income guidance. Over the last two years, the Czech central bank increased its reference rate by 100bp (with 195bp added since the 2012 low), and at the same time the net interest margin of KB has edged up by a meager 4bp. We attribute this to the way the Bank's fixed-rate loan book is constructed, and to fierce competition in the Czech loan market. That said, we do see slight NIM growth in 2020 and 2021. We continue to perceive KB as a safe haven for CEE bank investors owing to its strong capital position, stable operating environment, high returns, and decent dividends.

Current Price	765.50 CZK	Upside
9M Target Price	945.02 CZK	+23.5%

	rating	target price	issued
unchanged	buy	945.02 CZK	2019-08-28

Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	-6.8%
ISIN	CZ0008019106	YTD Price Chng	-3.8%
Outst. Stock (m)	188.9	ADTV 1M	CZK 148.3m
MC (CZK bn)	144.6	ADTV 6M	CZK 112.8m
		P/E 12M fwd	9.9
Free Float	39.6%	P/E 5Y avg	13.5 discount

Earnings Projections

(CZK m)	2017	2018	2019P	2020P	2021P
NII	20,808	22,509	23,767	24,355	25,728
Total income	31,060	32,202	32,867	33,610	35,178
Costs	-14,516	-14,635	-15,113	-15,278	-15,674
Provisioning	391	643	576	-502	-922
Net income	14,930	14,846	15,022	14,571	15,205
P/E	9.7	9.7	9.6	9.9	9.5
P/B	1.5	1.4	1.4	1.3	1.3
ROE	15.0%	14.9%	14.4%	13.6%	13.6%
DPS	1.60	47.00	51.00	51.00	51.00
DYield	0.2%	6.1%	6.7%	6.7%	6.7%
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

(CZK m)	2017	2018	2019P	2020P	2021P
Net interest income	20,808	22,509	23,767	24,355	25,728
Fee income	6,465	6,219	6,210	6,333	6,497
Trading income	3,576	3,215	2,631	2,658	2,684
Other income	211	259	259	264	269
Total income	31,060	32,202	32,867	33,610	35,178
Operating expenses	-13,374	-14,634	-15,113	-15,278	-15,674
Operating income	17,686	17,569	17,754	18,332	19,504
Provisioning	391	643	576	-502	-922
Net oper. income	18,077	18,209	18,330	17,830	18,583
Profits of associates	209	308	311	327	343
Retirement benefits	0	0	69	0	0
Pre-tax income	18,286	18,518	18,710	18,156	18,926
Tax	-3,012	-3,349	-3,368	-3,268	-3,407
Minority interests	344	324	321	318	314
Net income	14,930	14,846	15,022	14,571	15,205

Key Balance Sheet Figures

(CZK bn)	2017	2018	2019P	2020P	2021P
Net loans	598	625	648	675	703
Other assets	406	435	506	530	555
Total assets	1,004	1,060	1,155	1,205	1,258
Deposits	762	812	882	924	969
Other liabilities	142	144	164	168	172
Minority interests	4	3	4	4	4
Equity	97	100	105	109	114

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.2%	2.3%	2.2%	2.1%	2.2%
C/I	43.1%	45.4%	46.0%	45.5%	44.6%
CoR	-0.1%	-0.1%	-0.1%	0.1%	0.1%
NPL Ratio	3.1%	2.6%	2.7%	3.0%	3.1%
Tier 1 Ratio	18.0%	17.9%	17.7%	17.8%	17.7%

Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2020-21)	17,524	10%
PV Adjustment	4,034	2%
Value Driver (2022-36)	107,075	62%
Fade (2037-56)	31,755	18%
Terminal Value	11,672	7%
Fair Value	172,061	100%

Outst. Shares (millions)	189
Cost of equity	7.0%
Fair Value Per Share (CZK)	911
9M Target Price (CZK)	959

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	86,848	52%
Explicit Forecast (2019-21)	19,309	12%
PV Adjustment	7,092	4%
Value Driver (2022-36)	46,746	28%
Fade (2037-56)	7,083	4%
Fair Value	167,079	100%

Outst. Shares (millions)	189
Cost of equity	7.0%
Fair Value Per Share (CZK)	885
9M Target Price (CZK)	931

Valuation Summary

(CZK m)	Weight	Value
DDM	50%	172,061
Economic Profits	50%	167,079
Fair Value Avg.		169,570
Fair Value Per Share (CZK)		897.88
Cost of equity (9M)		5.3%
9M Target Price (CZK)		945.02

Moneta Money Bank buy (no change)

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We maintain our buy recommendation for Moneta Money Bank. Moneta targets mostly consumers and small-to-mid-sized businesses, with consumer loans, mortgages, and investment loans accounting for 76% of the total portfolio. The Bank accepts high-risk borrowers, but nevertheless it registers a low NPL ratio of 1.8%, supported by regular divestment of loan portfolios. On the upside, a high-risk loan portfolio generates higher NIM (3.7% over average assets) and boosts the Bank's ROE, which exceeds 15%. This means Moneta can afford to distribute generous dividends, with dividend yields in the next three years likely to top 5%. Overall, Moneta offers more upside potential in our view than Komerční Banka, at least so long as its underlying market conditions remain favorable (a high-risk loan portfolio makes Moneta more sensitive to economic slowdown).

Current Price	71.00 CZK	Upside
9M Target Price	94.33 CZK	+32.9%

	rating	target price	issued
unchanged	buy	94.33 CZK	2019-08-28

Key Metrics		MONET CP	vs. WIG
Ticker	MONET CP	1M Price Chng	-6.4%
ISIN	CZ0008040318	YTD Price Chng	+7.0%
Outst. Stock (m)	511.0	ADTV 1M	CZK 106.9m
MC (CZK bn)	36.3	ADTV 6M	CZK 77.3m
		P/E 12M fwd	9.4
Free Float	100.0%	P/E 5Y avg	11.4 discount

Earnings Projections

(CZK m)	2017	2018	2019P	2020P	2021P
NII	7,364	7,409	7,965	8,675	9,358
Total income	10,335	10,162	10,514	11,334	12,112
Costs	-4,763	-4,580	-4,662	-4,643	-4,813
Provisioning	-381	-274	-604	-1,063	-1,606
Net income	3,923	4,200	3,808	4,098	4,139
P/E	9.2	8.6	9.5	8.9	8.8
P/B	1.4	1.4	1.4	1.4	1.3
ROE	14.8%	16.5%	15.0%	15.8%	15.5%
DPS	9.80	8.00	6.15	5.59	6.01
DYield	13.8%	11.3%	8.7%	7.9%	8.5%
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

(CZK m)	2017	2018	2019P	2020P	2021P
Net interest income	7,364	7,409	7,965	8,675	9,358
Fee income	1,933	1,892	1,942	2,074	2,168
Trading income	709	399	478	454	452
Other income	329	462	129	131	135
Total income	10,335	10,162	10,514	11,334	12,112
Operating expenses	-4,763	-4,580	-4,662	-4,643	-4,813
Operating income	5,388	5,310	5,364	6,185	6,780
Provisioning	-381	-274	-604	-1,063	-1,606
Pre-tax income	4,903	5,036	4,760	5,123	5,174
Tax	-980	-836	-952	-1,025	-1,035
Minority interests	0	0	0	0	0
Net income	3,923	4,200	3,808	4,098	4,139

Key Balance Sheet Figures

(CZK bn)	2017	2018	2019P	2020P	2021P
Net loans	123,680	140,123	156,550	174,395	190,656
Total assets	199,734	206,932	227,527	249,208	269,458
Deposits	141,469	168,792	181,154	194,436	205,883
Minority interests	0	0	0	0	0
Equity	25,763	25,237	25,483	26,305	26,950

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	4.3%	3.7%	3.8%	3.7%	3.7%
C/I	47.9%	47.7%	49.0%	45.4%	44.0%
CoR	0.3%	0.2%	0.4%	0.6%	0.9%
Tier 1 Ratio	17.4%	16.4%	15.2%	14.4%	13.9%

Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2020-21)	5,354	12%
PV Adjustment	426	1%
Value Driver (2022-36)	22,786	51%
Fade (2037-56)	8,677	20%
Terminal Value	7,187	16%
Fair Value	44,430	100%
Outst. Shares (millions)	511	
Cost of equity	7.0%	
Fair Value Per Share (CZK)	87	
9M Target Price (CZK)	92	

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	25,237	54%
Explicit Forecast (2019-21)	5,806	12%
PV Adjustment	2,002	4%
Value Driver (2022-36)	13,672	29%
Fade (2037-56)	453	1%
Fair Value	47,170	100%
Outst. Shares (millions)	511	
Cost of equity	7.0%	
Fair Value Per Share (CZK)	92	
9M Target Price (CZK)	97	

Valuation Summary

(CZK m)	weight	Value
DDM	50%	86.95
Economic Profit	50%	92.31
Fair value avg.		89.63
9M Target Price (CZK)		94.33

Erste Group buy (no change)

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We maintain our buy recommendation for Erste Group. For another year in a row, Erste seems to be on track to exceeding its own earnings guidance judging by 2019 first-half results. Erste has a tendency to understate its earnings expectations, as evidenced by historical ROTE figures which in 2017 and 2018 came out comfortably above the ">10%" guidance at 11.5% and 15.2%, respectively. In 2019 the Management is guiding for ROTE of ">11%," but we are anticipating another beat closer to 12.7%. Like most of its CEE peers, Erste currently pays low cost of risk owing to strong economic growth in the region, and as momentum slows and risk costs normalize we predict that the Bank will achieve earnings growth in the mid-single digits in the coming years. EBS has seen its stock price retreat 15% over the last 12 months against a 2% gain in the same period logged by MSCI EME Financials, indicating a solid buy opportunity. While the 2019 and 2020 earnings expectations of analysts have been seen to rise over the past three months, Erste's valuation has hit a 3-year low at 8.6x 12M forward P/E vs. an average for the period of 10.6x.

Current Price

28.83 EUR

Upside

9M Target Price

40.38 EUR

+40.1%

	rating	target price	issued
unchanged	buy	40.38 EUR	2019-08-28

Key Metrics		EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	-3.3%
ISIN	AT0000652011	YTD Price Chng	+4.3%
Outst. Stock (m)	429.8	ADTV 1M	EUR 25.6m
MC (EUR m)	12,391.1	ADTV 6M	EUR 23.2m
		P/E 12M fwd	7.9
Free Float	69.5%	P/E 5Y avg	10.6

Earnings Projections

Earnings Projections

(EUR m)	2017	2018	2019P	2020P	2021P
NII	4,353	4,582	4,741	4,925	5,197
Total income	6,475	6,726	7,007	7,268	7,607
Costs	-4,158	-4,181	-4,338	-4,450	-4,550
Provisioning	-132	59	-13	-209	-286
Net income	1,316	1,793	1,534	1,667	1,773
P/E	9.4	6.9	8.1	7.4	7.0
P/B	0.9	0.9	0.8	0.8	0.8
ROE	10.0%	12.7%	10.5%	11.0%	11.3%
DPS	1.00	1.20	1.30	1.50	1.63
DYield	3.5%	4.2%	4.5%	5.2%	5.6%
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

(EUR m)	2017	2018	2019P	2020P	2021P
Net interest income	4,353	4,582	4,741	4,925	5,197
Fee income	1,852	1,908	1,981	2,033	2,086
Trading income	270	236	286	310	324
Total income	6,475	6,726	7,007	7,268	7,607
Other oper. income	-1	3	-164	-20	-13
Asset tax	-106	-112	-137	-142	-147
Operating expenses	-4,158	-4,181	-4,338	-4,450	-4,550
Operating income	2,210	2,436	2,368	2,657	2,897
Provisioning	-132	59	-13	-209	-286
Net operating income	2,078	2,495	2,355	2,447	2,611
Extraordinary gains	0	0	0	0	0
Pre-tax income	2,078	2,495	2,355	2,447	2,611
Tax	-410	-332	-396	-388	-423
Minority interests	-352	-369	-425	-393	-415
Net income	1,316	1,793	1,534	1,667	1,773

Key Balance Sheet Figures

(EUR m)	2017	2018	2019P	2020P	2021P
Net loans	139,532	143,953	165,789	175,512	186,601
Other assets	81,127	92,838	87,325	91,700	96,358
Total assets	220,659	236,792	253,115	267,212	282,959
Deposits	150,969	162,638	177,121	187,918	197,600
Total liabilities	51,402	55,285	56,225	58,605	63,674
Minority interests	4,416	4,494	4,919	5,312	5,727
Equity	13,872	14,375	14,849	15,377	15,958

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.0%	2.3%	2.0%	1.9%	1.9%
C/I	64.2%	62.2%	64.2%	61.5%	60.0%
CoR	0.1%	-0.1%	0.0%	0.1%	0.2%
NPL Ratio	4.0%	3.2%	4.8%	4.8%	4.8%
Tier 1 Ratio	14.0%	14.4%	14.1%	13.7%	13.4%

SOTP Valuation

(EUR m)	Fair	FVPS	Net Income			P/E			BV	P/B
	Value	(EUR)	2019P	2020P	2021P	2019P	2020P	2021P	2019	2019P
Austria	5,507	12.81	541	491	510	10.2	11.2	10.8	5,327	1.0
Savings Banks	383	0.89	67	59	63	5.8	6.4	6.1	3,459	0.1
Erste Oesterreich	2,545	5.92	249	229	239	10.2	11.1	10.6	1,868	1.4
Other Austria	2,578	6.00	225	202	208	11.4	12.8	12.4	2,311	1.1
CEE	16,396	38.15	1,164	1,342	1,427	14.1	12.2	11.5	7,367	2.2
Czech Republic	8,443	19.64	629	667	698	13.4	12.7	12.1	2,581	3.3
Romania	1,999	4.65	74	195	212	27.0	10.3	9.4	1,561	1.3
Slovakia	2,643	6.15	207	220	242	12.8	12.0	10.9	1,106	2.4
Hungary	1,625	3.78	155	150	158	10.5	10.8	10.3	1,048	1.5
Croatia	1,506	3.50	86	98	106	17.5	15.3	14.2	819	1.8
Serbia	180	0.42	13	12	12	14.2	15.1	14.4	252	0.7
Other	-5,391	-12.54	-177	-172	-170	30.4	31.3	31.7	-15,005	0.3
Total Erste Group	16,512	38.42								

Valuation Summary

(EUR m)	Weight	Value
Cost of equity (12M)		6.8%
DDM	50%	17,179
Economic Profits	50%	15,845
Fair Value Avg.		16,512
Fair Value Per Share (EUR)		38.42
Cost of equity (9M)		5.1%
9M Target Price (EUR)		40.38

RBI

accumulate (no change)

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We maintain our accumulate recommendation for RBI. Raiffeisen Bank International is headquartered in Austria but has a presence across the whole of Emerging Europe spanning over 15 countries. In its business strategy, the Bank aims to achieve return of equity of 11% in the medium term, and it targets loan volume growth in the mid-single digits, 2019 cost of risk below 45bp, and a 2021 costs/income ratio of approximately 55%. RBI would like to distribute between 20% and 50% of annual net earnings as dividends subject to a CET1 ratio above 13%. Compared to these goals, our (and other analysts') assessment of RBI's growth potential is somewhat more modest, as reflected in 2019-2021 ROE projections of ca. 9% and expectations of C/I at 59% at best; on the other hand, we expect to see cost of risk below 40bp in 2021. RBI's risk exposure is the highest in the region due to a large portfolio, estimated at PLN 8 billion, of mortgages denominated in Swiss francs held in Poland. On our estimates, RBI is currently trading at 6.6x 2020E fair P/E and 0.6x P/B, showing a discount to peers fully justified by low returns of equity, reflected in the lowest ROE in the CEE sector, coupled with the risk exposure associated with the Polish FX loan portfolio.

Current Price

20.04 EUR

Upside

9M Target Price

23.05 EUR

+15.0%

	rating	target price	issued
unchanged	accumulate	23.05 EUR	2019-08-28

Key Metrics	RBI AV	1M Price Chng	RBI AV	vs. WIG
Ticker	RBI AV	1M Price Chng	-1.2%	-0.1%
ISIN	AT0000606306	YTD Price Chng	-5.8%	-2.8%
Outst. Stock (m)	328.9	ADTV 1M		EUR 10.2m
MC (EUR m)	6,592.0	ADTV 6M		EUR 10.1m
		P/E 12M fwd	5.8	-34.2%
Free Float	41.2%	P/E 5Y avg	8.7	discount

Earnings Projections

(EUR m)	2017	2018	2019P	2020P	2021P
NII	3,225	3,362	3,420	3,722	3,943
Total income	4,999	5,210	4,831	5,185	5,465
Costs	-2,994	-3,237	-3,067	-3,173	-3,239
Provisioning	-392	-220	-131	-306	-388
Net income	1,116	1,270	1,087	1,147	1,254
P/E	5.0	4.7	6.1	5.7	5.3
P/B	0.6	0.6	0.5	0.5	0.5
ROE	11.3%	11.4%	9.0%	8.9%	9.2%
DPS	0.00	0.80	1.16	0.99	1.05
DYield	0.0%	4.0%	5.8%	4.9%	5.2%
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

(EUR m)	2017	2018	2019P	2020P	2021P
Net interest income	3,225	3,362	3,420	3,722	3,943
Fee income	1,718	1,791	1,740	1,789	1,846
Trading income	56	57	-329	-326	-325
Total income	4,999	5,210	4,831	5,185	5,465
Total costs	-2,994	-3,237	-3,067	-3,173	-3,239
Operating income	2,004	1,973	1,765	2,012	2,225
Provisioning	-392	-220	-131	-306	-388
Gross income	1,612	1,753	1,633	1,706	1,837
Income tax	-366	-355	-402	-418	-438
Net income	1,246	1,398	1,231	1,288	1,399
Minority interests	-130	-128	-144	-141	-145
Net income after minor	1,116	1,270	1,087	1,147	1,254

Key Balance Sheet Figures

(EUR m)	2017	2018	2019P	2020P	2021P
Net loans	77,745	80,866	88,470	94,256	99,905
Total assets	135,146	140,115	153,937	160,824	167,664
Deposits	84,974	87,038	94,440	100,221	106,403
Total assets	123,905	127,702	140,758	146,773	152,659
Minority interests	660	701	760	811	856
Equity	10,582	11,713	12,419	13,240	14,150

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.5%	2.5%	2.4%	2.5%	2.5%
C/I	59.9%	62.1%	63.5%	61.2%	59.3%
CoR	0.5%	0.3%	0.2%	0.3%	0.4%

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV		P/B
			2019P	2020P	2021P	2019P	2020P	2021P	2019P	2019P	
CEE	4,479	13.62	451	423	442	9.9	10.6	10.1	12.2		1.1
SEE	3,621	11.01	432	425	415	8.4	8.5	8.7	7.9		1.4
EE	4,422	13.44	703	757	802	6.3	5.8	5.5	7.7		1.7
Corporate Center	3,004	9.13	192	214	226	15.7	14.0	13.3	8.8		1.0
Corporates and Markets	4,212	12.81	304	324	353	13.9	13.0	11.9	11.8		1.1
Reconciliation	-12,650	-38.46	-848	-853	-838	14.9	14.8	15.1	-10.7		3.6
Raiffeisen Group	7,090	21.55	1233	1290	1401	5.7	5.5	5.1	37.8		0.6

Valuation Summary

(EUR m)	Weight	Value
DDM	50%	20.80
Economic profit	50%	22.30
Fair value avg.		21.55
9M Target Price (EUR)		23.05

OTP Bank buy (no change)

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We maintain our buy recommendation for OTP Bank. OTP has recently bought the CEE business of Societe Generale, a good move in our initial assessment with the acquisitions showing potential to drive earnings growth while the economic momentum in the region decelerates, generating higher cost of risk. The intense M&A activity has not impaired OTP's healthy financial standing, with the CET1 ratio as of 30 June 2019 at 15.9%, and the total capital ratio at 17.4%. With no more major acquisitions planned in the foreseeable future, OTP is inclined to increase distributions to shareholders, either as cash dividends or by share repurchases. OTP Bank is trading at premiums of 18%-13% to the average 2020E and 2021E P/B ratios of CEE banks, which we find fully justified by its conservative balance sheet, with a low ratio of loans to deposits, and by strong ROE which at 17% is the highest of all the banks in our coverage universe. High dividends are another factor warranting a high premium to the sector, with 2021 dividend yield expected to top 4%. With all that said, despite robust earnings prospects, OTP has less upside potential at the moment than its Austrian peers after the recent outperformance.

Current Price

12,590.00 HUF

Upside

9M Target Price

14,681.00 HUF

+16.6%

	rating	target price	issued
unchanged	buy	14,681.00 HUF	2019-08-28

Key Metrics			OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	+0.3%	+1.4%
ISIN	HU00000061726	YTD Price Chng	+13.7%	+16.7%
Outst. Stock (m)	267.0	ADTV 1M		HUF 4.7bn
MC (HUF bn)	3,362.0	ADTV 6M		HUF 5.0bn
		P/E 12M fwd	8.9	-14.7%
Free Float	100.0%	P/E 5Y avg	10.4	discount

Earnings Projections

(HUF bn)	2017	2018	2019P	2020P	2021P
NII	547	600	702	803	843
Total income	809	886	1,054	1,189	1,243
Costs	442	497	560	621	641
Provisioning	46	26	46	102	124
Net income	281	318	388	425	435
P/E	12.0	10.6	8.7	7.9	7.7
P/B	2.1	1.8	1.6	1.4	1.2
ROE	18.4%	18.4%	19.6%	18.4%	16.6%
DPS	199.22	229.63	228.94	237.45	548.51
DYield	1.6%	1.8%	1.8%	1.9%	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

(HUF bn)	2017	2018	2019P	2020P	2021P
Net interest income	547	600	702	803	843
Fee income	209	221	262	284	293
Other income	53	65	90	102	107
Total income	809	886	1,054	1,189	1,243
Operating expenses	442	497	560	621	641
Operating income	367	389	494	568	602
Provisioning	46	26	46	102	124
Pre-tax income	321	363	448	466	478
Tax	37	37	52	57	59
Net income	284	325	396	410	419
Asset impairment	-6	-5	0	0	0
Asset tax	-15	-15	-17	-18	-19
Other	15	0	0	1	2
Minority interests	0	0	9	32	32
Net income	281	318	388	425	435

Key Balance Sheet Figures

(HUF bn)	2017	2018	2019P	2020P	2021P
Net loans	6,988	8,067	11,331	12,175	12,845
Other assets	6,203	6,524	7,830	8,076	8,199
Total assets	13,190	14,590	19,161	20,251	21,044
Deposits	10,219	11,285	14,303	15,288	16,090
Other liabilities	1,328	1,476	2,725	2,478	2,183
Minority interests	3	2	3	3	3
Equity	1,640	1,827	2,130	2,481	2,769

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	4.5%	4.3%	4.2%	4.1%	4.1%
C/I	54.6%	56.1%	53.2%	52.2%	51.6%
CoR	0.6%	0.3%	0.4%	0.8%	0.9%
NPL Ratio	9.2%	6.3%	7.1%	6.6%	6.7%
Tier 1 Ratio	12.7%	16.5%	15.5%	16.9%	17.9%

SOTP Valuation

(HUF bn)	Fair Value	FVPS (HUF)	Net Income			P/E			BV	P/B
			2019P	2020P	2021P	2019P	2020P	2021P	2019	2019
Hungary + Other	1,959	7,338	205.4	176.6	172.7	9.5	11.1	11.3	1,164	6.3
CEE	1,915	7,158	203.8	233.0	246.5	9.4	8.2	7.8	6,289	1.1
DSK	710	2,657	67.9	70.1	72.4	10.5	10.1	9.8	2,218	1.2
OBS	22	84	0.7	0.5	0.5	35.0	43.7	46.3	105	0.8
OTP Banka Hrvatska	331	1,241	31.3	29.7	32.7	10.6	11.2	10.1	1,105	1.1
OTP Banka Romania	86	321	5.6	5.1	5.7	15.2	17.0	15.0	333	1.0
OTP Russia	248	916	30.4	35.8	38.3	8.3	7.1	6.6	629	1.5
CJSC OTP Bank	84	313	32.4	32.9	36.1	2.6	2.5	2.3	256	1.2
OTP Banka Serbia	233	872	12.2	30.8	31.7	20.9	8.3	8.0	833	1.1
CKB	35	132	3.2	6.1	6.3	10.9	5.8	5.6	218	0.6
OTP Albania	41	153	3.6	5.2	5.1	11.3	7.9	7.9	99	1.5
OTP Moldova	39	146	4.7	4.8	5.1	8.3	8.1	7.7	107	1.4
OTP Slovenia	86	322	11.6	12.1	12.5	7.4	7.1	6.9	386	0.8
Total Divisions	3,874	14,496	409.2	409.6	419.2	9.3	9.3	9.1	7,453	2.2
Asset tax	-204	-763								
Total OTP Group	3,671	13,733								

Valuation Summary

(HUF bn)	Weight	Value
Cost of equity (12M)		9.2%
DDM	50%	3,967
Economic Profits	50%	3,839
Fair Value Avg.		3,903
Fair Value Per Share (HUF)		14,496
Asset tax (HUF)		-763
Minority interests (HUF)		-121
Fair Value Per Share (HUF)		13,733
Cost of equity (9M)		6.9%
9M Target Price (HUF)		14,681

PZU

buy (no change)

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We maintain our buy recommendation for PZU. The Insurer generated 2019 Q2 income 2% ahead of our estimate, and though ytd earnings through 30 June fulfilled only 45% of our FY forecast we are holding off revisions for now as we expect PZU's subsidiary banks to make better earnings contributions in H2. PZU says it wants to increase future dividends from year to year regardless of market challenges, but this might not be possible in our view depending on the size of insurance 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. PZU offers a relatively safe investment alternative to banks in a post-CJEU-ruling reality.

Current Price	36.10 PLN	Upside
9M Target Price	43.38 PLN	+20.2%

	rating	target price	issued
unchanged	buy	43.38 PLN	2019-09-05

Key Metrics		PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-2.2%
ISIN	PLPZU0000011	YTD Price Chng	-12.2%
Outst. Stock (m)	863.5	ADTV 1M	PLN 57.8m
MC (PLN m)	31,173.2	ADTV 6M	PLN 64.0m
		P/E 12M fwd	9.5
Free Float	64.8%	P/E 5Y avg	12.0

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	10.7	9.7	9.6	9.1	8.9
P/B	2.1	2.1	2.1	2.0	2.0
ROE	21.1%	21.7%	21.8%	22.5%	22.6%
DPS	1.40	2.70	2.98	3.01	3.18
DYield	3.9%	7.5%	8.2%	8.3%	8.8%
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 prems	22,847	23,290	23,962	24,486	25,035
Net earned premiums	21,354	22,222	22,793	23,327	23,836
Claims & benefits	-14,941	-14,607	-15,108	-15,432	-15,771
Net inv. income	1,895	1,020	924	918	836
Acquisition costs	-2,901	-3,081	-3,292	-3,384	-3,479
Admin expenses	-1,614	-1,589	-1,664	-1,705	-1,746
Other oper. rev, net	-774	-1,354	-874	-867	-862
Banking income	2,439	3,971	4,635	5,158	5,618
Operating income	5,458	6,820	7,414	8,015	8,431
Financing costs	0	0	0	0	0
Subsidiaries	-1	-1	16	-1	0
Pre-tax income	5,457	6,836	7,430	8,014	8,431
Tax	-1,289	-1,631	-1,770	-1,913	-2,012
Minority interest	1,290	2,155	2,397	2,669	2,908
Net income	2,878	3,203	3,263	3,432	3,511

Key Balance Sheet Figures

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

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
Claims ratio	70.0%	65.2%	66.3%	66.2%	66.2%
Total cost ratio	21.1%	21.3%	21.7%	21.8%	21.9%
Return on inv. portf.	-5.9%	-12.0%	1.8%	1.9%	1.8%
Non-Life, CoR	90.5%	87.8%	89.2%	89.0%	89.0%
Life, Oper. Margin	16.1%	24.1%	22.7%	21.1%	20.4%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-21)	6,724	26%
PV Adjustment	1,123	4%
Value Driver (2022-36)	13,355	51%
Fade (2037-56)	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 (2019-21)	3,308	14%
PV Adjustment	462	2%
Value Driver (2022-36)	7,350	31%
Fade (2037-56)	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 our buy recommendation for Kruk. The Debt Collector registered solid collections on existing portfolios in Q2, and it paid low prices for new portfolios, but still the earnings results for the period turned out worse than anticipated as the Italian business continued to weigh. The miss has not prompted downward adjustments to our already -conservative FY estimates. Kruk has a positive outlook for the second half of 2019, with further impairment on Italian portfolios expected in the future after the last of the write-offs in the amount of PLN 23m recognized in Q2. The other PLN 23m written off in Q2 was a one-off affecting a retail portfolio in Slovakia. Kruk will most likely publish portfolio expenditure data for the third quarter around 10 October. We expect to see increased expenses in the second half of the year, especially in Q4.

Current Price	143.50 PLN	Upside
9M Target Price	213.65 PLN	+48.9%

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

Key Metrics		KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-7.7%
ISIN	PLKRK0000010	YTD Price Chng	-5.4%
Outst. Stock (m)	18.9	ADTV 1M	PLN 7.0m
MC (PLN m)	2,710.3	ADTV 6M	PLN 6.8m
		P/E 12M fwd	7.9
Free float	87.0%	P/E 5Y avg	13.2 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	9.1	8.2	8.1	7.9	7.9
P/B	1.9	1.6	1.4	1.3	1.2
ROE	21.9%	20.7%	18.5%	17.2%	15.9%
DPS	5.76	5.00	5.00	8.90	9.06
DYield	4.0%	3.5%	3.5%	6.2%	6.3%
Forecast Update (% change)			2019P	2020P	2021P
Purchased debt portfolios			0.0%	0.0%	0.0%
Collections			0.0%	0.0%	0.0%
Other			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
Net debt / Equity	1.2	1.4	1.3	1.1	1.1
Net debt / EBITDA	3.9	4.7	4.4	4.0	4.4
EBITDA margin	41.6%	42.8%	42.9%	42.9%	42.9%
EBIT margin	39.9%	41.1%	41.2%	41.1%	41.0%
EV / Cash EBITDA	5.4	5.1	4.3	3.4	3.9

DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		1,460
Explicit Forecast (2019-28)	1,496	2,041
Value Driver (2029-48)	2,383	1,034
PV TV	967	
Fair Value as of Apr. 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 Apr. 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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Skarbiec has declared annual dividends of PLN 0.5 per share for the fiscal year ended 30 September, representing a much lower payout than we had anticipated stemming from the Asset Manager's desire to create a cash cushion to cover upcoming IT expenditures and possible costs associated with the launch of Poland's new national retirement savings scheme, PPK. Next year, however, we might see a higher distribution given that the net income for FY2018/19 came out at an equivalent of 130% of our estimate. An interesting takeaway from the latest earnings conference was that Skarbiec's managers are bound by NDA agreements which ban them from naming the Company's current controlling shareholders. Our forecasts assume AUM growth at an average annual rate of 5.5% over the next five years, supported by inflows of an estimated PLN 550m after the launch of the PPK retirement scheme.

Current Price	16.60 PLN	Upside
9M Target Price	28.17 PLN	+69.7%

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

Key Metrics			SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	-2.9%	-1.8%
ISIN	PLSKRBH00014	YTD Price Chng	-21.3%	-18.4%
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.1m
MC (PLN m)	113.2	ADTV 6M		PLN 0.0m
		P/E 12M fwd	5.3	-28.0%
Free Float	25.4%	P/E 5Y avg	7.4	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	5.8	4.7	5.7	4.9	5.2
P/B	1.1	1.2	1.1	1.1	1.1
ROE	19.3%	24.2%	19.7%	22.5%	22.1%
DPS	2.62	4.45	1.47	4.45	3.15
DYield	15.8%	26.8%	8.8%	26.8%	18.9%
Forecast Update (% change)			2019P	2020P	2021P
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

Key Balance Sheet Figures

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

Relative Valuation Summary

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

Dividend Discount Model (DDM)

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

Economic Profits Model

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

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	185
Economic Profits	33%	202
Relative	33%	151

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

buy (no change)

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Most of the downside risks that have weighed on Ciech's performance since March 2019 have materialized, the last of which was the temporary closure in August of the Romanian soda ash unit, Govora. Despite its inactivity, the least efficient of Ciech's assets will continue to generate costs in Q4 2019 with quarterly overheads estimated at PLN 19m. With the past risks more than priced in, Ciech's future prospects are seen to be improving with a downward shift observed in the prices of thermal and metallurgical coal, at the current rate indicating savings potential in 2020 of PLN 16m and PLN 42m, respectively, combined with an upward shift in soda prices in China since mid-August. We maintain a buy rating for CIE.

Current Price

30.50 PLN

Upside

9M Target Price

42.03 PLN

+37.8%

	rating	target price	issued
unchanged	buy	42.03 PLN	2019-09-05

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-12.4%	-11.3%
ISIN	PLCIECH000018	YTD Price Chng	-31.2%	-28.2%
Outst. Stock (m)	52.7	ADTV 1M		PLN 1.9m
MC (PLN m)	1,607.3	ADTV 6M		PLN 2.0m
EV (PLN m)	3,202.4	EV/EBITDA 12M fwd	4.5	-24.8%
Free Float	33.0%	EV/EBITDA 5Y avg	6.0	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	3,579	3,673	3,805	3,626	3,792
EBITDA adj.	808	633	648	685	695
EBITDA margin	22.6%	17.2%	17.0%	18.9%	18.3%
EBIT adj.	564	358	357	346	351
Net income adj.	373	166	232	221	225
P/E adj.	4.3	9.7	6.9	7.3	7.1
P/B	0.7	0.8	0.7	0.7	0.6
EV/EBITDA adj.	3.1	4.8	4.9	4.8	4.6
DPS	0.00	7.50	0.00	0.00	2.12
DYield	0.0%	24.6%	0.0%	0.0%	7.0%
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	506	535	538
EBITDA, Organic Div.	97	76	96	102	109
EBITDA, Silicates	37	34	37	39	39
EBITDA, Other	-5	9	9	9	9
EBITDA/tonne, Soda	306	243	239	301	295
Operating cash flow	629	454	474	635	619
D&A	244	275	291	339	344
Working capital	-66	-97	-110	13	-12
Investing cash flow	-389	-627	-545	-678	-331
CAPEX	402	595	545	678	331
Financing cash flow	-164	-125	-160	39	-272
Dividends/Buyback	0	-395	0	0	-112
FCF	234	-170	-70	-41	291
FCF/EBITDA	28%	-26%	-11%	-6%	42%
OCF/EBITDA	75%	69%	73%	93%	89%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	4,644	4,831	4,996	5,277	5,333
Fixed assets	3,205	3,559	3,813	4,154	4,142
Equity	2,188	1,970	2,203	2,427	2,543
Minority interests	-3	0	0	0	0
Net debt	865	1,464	1,595	1,699	1,582
Net debt/EBITDA (x)	1.0	2.2	2.5	2.5	2.3
Net debt/Equity (x)	0.4	0.7	0.7	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.3	4.4	3.9	3.8	3.1	3.4
Maximum	26.4	19.8	17.6	13.5	11.8	10.7
Median	13.5	11.9	9.4	7.4	5.7	5.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Soda Price (\$/t)	235	235	235	235	235	235	235	235	235	235	235
Soda Price (PLN/t)	881.1	893.9	893.9	893.9	893.9	893.9	893.9	893.9	893.9	893.9	893.9
Soda vol (1000t)	2,115	1,775	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,826
Revenue	3,805	3,626	3,792	3,845	3,877	3,901	3,917	3,932	3,949	3,966	3,984
EBITDA	648	685	695	703	702	697	686	675	663	652	640
EBITDA margin	17.0%	18.9%	18.3%	18.3%	18.1%	17.9%	17.5%	17.2%	16.8%	16.4%	16.1%
EBIT	357	346	351	370	373	360	341	322	304	287	273
Tax	63	61	62	67	68	66	62	58	55	51	49
CAPEX	-545	-678	-331	-313	-319	-332	-340	-348	-356	-363	-368
Working capital	-110	13	-12	-4	-2	-2	-1	-1	-1	-1	-1
FCF	-70	-41	291	319	312	297	283	267	251	236	223
PV FCF	-69	-38	251	257	235	209	185	164	144	126	
WACC	6.8%	6.7%	6.8%	6.9%	6.9%	6.9%	7.0%	7.0%	7.0%	7.1%	7.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,464
Net debt	1,464
Other adj.	-201
Value per share (PLN)	40.41

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	38.67
DCF Val.	50%	40.41
Implied Price		39.54
Cost of equity (9M)		6.3%
9M Target Price		42.03

Grupa Azoty hold (reiterated)

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Natural gas prices have no more room to fall that we can see, and their rebound just as the winter season kicks in in turn would negatively affect sales margins in later periods. We do not see any upside surprises any more in 2019, and if gas prices rise in 2020 this might drive Azoty's profit for the year lower to about PLN 1bn. Adding to the worsened outlook are planned capital-intensive investments. After updating our forecasts for Azoty's Fertilizer business to reflect recent declines in ammonium nitrate prices, and after cutting expected profits in Plastics and Chemicals to reflect weaker demand, we reduce our target price for ATT from PLN 39.77 to PLN 34.09 per share, with an unchanged hold recommendation.

Current Price

31.18 PLN

Upside

9M Target Price

34.09 PLN

+9.3%

	rating	target price	issued
new	hold	34.09 PLN	2019-10-07
old	hold	39.77 PLN	2019-09-05
Key Metrics			
Ticker	ATT PW	1M Price Chng	-16.9%
ISIN	PLZATRM00012	YTD Price Chng	0.0%
Outst. Stock (m)	99.2	ADTV 1M	PLN 1.8m
MC (PLN m)	3,092.9	ADTV 6M	PLN 3.1m
EV (PLN m)	6,313.6	EV/EBITDA 12M fwd	4.7
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	12,133	11,812	12,125
EBITDA adj.	1,262	805	1,535	967	991
EBITDA margin	13.1%	8.1%	12.6%	8.2%	8.2%
EBIT adj.	672	122	784	223	260
Net income adj.	550	43	528	95	101
P/E adj.	5.6	72.6	5.9	32.7	30.7
P/B	0.5	0.5	0.4	0.4	0.4
EV/EBITDA adj.	3.2	7.4	4.1	7.8	9.0
DPS	0.79	1.20	0.00	0.00	0.29
DYield	2.5%	3.8%	0.0%	0.0%	0.9%
Forecast Update (% change)					
EBITDA			-4.9%	-9.4%	-8.5%
Net income			-11.9%	-45.9%	-42.9%
Urea price (PLN/t)			0.0%	0.0%	0.0%
Ammonium Nitrate price (PLN/t)			0.0%	-1.3%	-1.3%
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	907	513	545
EBITDA, Plastics	221	192	144	77	55
EBITDA, Chemicals	348	282	284	209	218
EBITDA, Energy	0.0	0.0	127.0	120.4	124.0
EBITDA, Other	134	208	41	47	48
Operating cash flow	1,087	1,043	1,207	972	969
D&A	590	683	751	743	731
Working capital	13	155	-200	14	-13
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	582	1,221
Dividends/Buyback	-78	-119	0	0	-28
FCF	49	-1,158	-207	-1,077	-1,237
FCF/EBITDA	4%	-151%	-14%	-111%	-125%
OCF/EBITDA	92%	136%	80%	101%	98%

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	1,307	1,345	1,344	1,342	1,341	1,340	1,338	1,337	1,336	1,342
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	12,133	11,812	12,125	13,013	13,987	14,248	14,463	14,609	14,758	14,841	14,978
EBITDA	1,502	967	991	1,333	1,472	1,535	1,505	1,495	1,480	1,462	1,474
EBITDA margin	12.4%	8.2%	8.2%	10.2%	10.5%	10.8%	10.4%	10.2%	10.0%	9.9%	9.8%
EBIT	751	223	260	380	519	592	600	619	602	570	582
Tax	122	17	16	20	34	52	57	63	61	56	59
CAPEX	-1,387	-2,040	-2,199	-844	-572	-619	-660	-814	-832	-878	-892
Working capital	-200	14	-13	-38	-42	-11	-9	-6	-6	-4	-6
FCF	-207	-1,077	-1,237	431	824	852	779	612	581	525	518
PV FCF	-204	-998	-1,085	353	632	612	523	384	341	288	
WACC	6.7%	6.3%	6.0%	6.3%	6.4%	6.5%	6.6%	6.6%	6.7%	6.7%	6.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	11,738	14,160	14,647	15,375	16,927
Fixed assets	8,070	9,886	10,553	11,855	13,330
Equity	6,856	6,703	7,201	7,296	7,368
Minority interests	588	625	657	663	671
Net debt	367	2,226	2,564	3,751	5,160
Net debt/EBITDA (x)	0.3	2.9	1.7	3.9	5.2
Net debt/Equity (x)	0.1	0.3	0.4	0.5	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.0	9.0	7.8	6.0	5.4	4.8
Maximum	20.4	16.8	14.9	9.7	8.5	7.8
Median	12.9	10.4	9.3	7.1	6.4	6.2
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	6,818
Net debt	2,226
Other adjustments	-625
Value per share (PLN)	39.99

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	24.14
DCF Val.	50%	39.99
Implied Price		32.07
Cost of equity (9M)		6.3%
9M Target Price		34.09

Oil & Gas

Lotos

sell (no change)

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The European Commission has stopped the clock in its anti-trust review of the Lotos-PKN merger in September to allow more time to consider possible remedies, which means it is not likely to issue a decision by the original date of January 2020. Lotos stock has mostly ignored the delay, which as a side effect gives investors an opportunity to shift attention from the merger to the Company's near-term and future business prospects. The expectations of analysts as to 2020-2021 earnings are already high at close to PLN 4bn annual LIFO EBITDA. However the incremental increase in model margins after the launch of the new delayed coking unit (DCU) should be adjusted for a decrease in the "old" benchmark (pressure on HSFO not fully offset by higher margins on diesel, combined with possible oversupply on the heels of increased capacity). Moreover, keep in mind that the improvement in refining profits seen this year is owed in a large part to low prices of natural gas. Finally, Lotos says it is working on new capital projects set to have a bearing on future cash flow (the Company has not shared any specifics so far, and so the potential projects are not yet factored into analysts' forecasts). When it comes to the results for Q3 2019, we expect to see a 13% rebound in LIFO EBITDA for the quarter, which, however, does not change our bearish view on Lotos.

Current Price

89.18 PLN

Downside

9M Target Price

72.31 PLN

-18.9%

	rating	target price	issued
unchanged	sell	72.31 PLN	2019-08-02

Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+7.1%	+8.1%
ISIN	PLLOTOS00025	YTD Price Chng	+4.3%	+7.3%
Outst. Stock (m)	184.9	ADTV 1M		PLN 20.7m
MC (PLN m)	16,487.0	ADTV 6M		PLN 23.4m
EV (PLN m)	19,418.1	EV/EBITDA 12M fwd	4.9	-13.9%
Free Float	46.8%	EV/EBITDA 5Y avg	5.7	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	9.9	10.4	13.6	12.5	11.4
P/B	1.5	1.4	1.3	1.2	1.1
EV/EBITDA	6.2	5.0	6.9	5.8	5.1
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			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	3,050	3,126	2,844	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.)	6.2	5.9	6.8	5.9	5.2
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 buy (upgraded)

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MOL widened its performance gap relative to Polish peers even more in September as the market discounted falling gas and oil prices and a further depreciation in the forint led by capital outflow from the Hungarian market (otherwise the Company typically benefits from a weak forint). Norway's decision to cut oil sector investment also adds to the pressure. The gas price risk is overestimated in our view since MOL is subject to state price regulation in Hungary and Croatia, nevertheless the Upstream business was probably not able to improve earnings on the year in Q3 2019 (profits in Downstream and Retail are expected to show y/y growth). By comparison, the listed Polish refiners Lotos and PKN Orlen are set to report segmental annual EBITDA growth at respective rates of 13% and 32%. That being said, MOL continues to offer a much more attractive EV/LIFO EBITDA ratio than its Polish peers, as well as generating more steady FCF owing to a balanced capital investment program. The risk of downward revisions to 2020-2021 analysts' expectations is also lower in case of MOL than it is in case of Lotos and PKN Orlen. We upgrade MOL to buy after the recent sell-off, with an unchanged price target.

Current Price

2,826 HUF

Upside

9M Target Price

3,258 HUF

+15.3%

	rating	target price	issued	
new	buy	3,258 HUF	2019-10-07	
old	accumulate	3,258 HUF	2019-08-02	
Key Metrics			MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-3.4%	-2.3%
ISIN	HU0000153937	YTD Price Chng	-5.3%	-2.3%
Outst. Stock (m)	750.3	ADTV 1M	HUF	1,646.0m
MC (HUF m)	2,120,264.3	ADTV 6M	HUF	1,853.3m
EV (HUF m)	2,854,806.9	EV/EBITDA 12M fwd	4.0	-6.7%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3	discount

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	6.9	7.0	10.2	9.0	7.8
P/B	1.2	1.1	1.0	1.0	0.9
EV/EBITDA	4.3	3.6	4.3	4.0	3.6
DPS	78.13	127.50	142.44	150.17	157.67
DYield	2.8%	4.5%	5.0%	5.3%	5.6%
Forecast Update (% change)					
CCS EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

Financial Highlights

(HUF bn)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	673	728	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.)	4.3	3.8	4.2	4.0	3.6
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 buy (no change)

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Shares in PGNiG have retreated after a short-lived spike, tracking the downward shift in natural gas prices, which, however, are poised for an eventual rebound in our view once EU inventories start to fall with increasing winter heating demand, and once imports into China pick up the pace; also reinforcing our positive outlook is widespread fuel switching by EU power plants. The move away from coal will eventually bring price parity for gas-carbon and gas-coal. Further, PGNiG's trade business seems to be recovering from a weak first half of the year contrary to the losses anticipated by some analysts. The stock trades at 3.5x 2020E EV/EBITDA on our estimates, an attractive level even if we consider that 60% of annual EBITDA is generated by the E&P segment. The long-awaited ruling in the arbitration case against Gazprom should provide an upside catalyst in a matter of months. Summing up, in our view analysts are overestimating the impact of market conditions on PGNiG's earnings capacity, and they incorrectly link PGN stock to spot gas market prices, resulting in underperformance relative to EU peers.

Current Price

4.61 PLN

Upside

9M Target Price

6.33 PLN

+37.4%

	rating	target price	issued
unchanged	buy	6.33 PLN	2019-09-05

Key Metrics			PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	+0.6%	+1.7%
ISIN	PLPGNIG00014	YTD Price Chng	-32.2%	-29.3%
Outst. Stock (m)	5,778.3	ADTV 1M		PLN 26.7m
MC (PLN m)	26,626.5	ADTV 6M		PLN 28.3m
EV (PLN m)	26,720.4	EV/EBITDA 12M fwd	4.1	-17.4%
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	9.1	8.3	11.1	7.7	6.4
P/B	0.8	0.7	0.7	0.7	0.6
EV/EBITDA	4.1	3.7	4.3	3.3	2.7
DPS	0.20	0.07	0.11	0.17	0.24
DYield	4.3%	1.5%	2.4%	3.6%	5.2%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	7,261	7,511	6,377	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

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 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%

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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Shares in PKN caught up with regional peers in September, owing probably to expectations of strong third-quarter earnings. We expect to see adjusted quarterly LIFO EBITDA of PLN 3.2 billion after a rebound of more than 30% over the same year-ago period driven by favorable trends in refining and retail margins for fuels, high refinery throughput, and low costs of natural gas inputs. This would mean the Company will have delivered as much as 84% of our full-year LIFO EBITDA forecast after just three quarters, but nevertheless we keep this forecast intact amid volatile market conditions marked by downward pressure on petrochemical margins, an upward trend in prices of gas, and a less robust outlook for the fuel station business. 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 (not yet factored into our model due to a lack of specifics except for plans for 2020 CAPEX of PLN 8bn) on top of the steep price it is poised to pay for Lotos. The positive effects of IMO 2020 regulation might also not be as robust as thought looking at decreasing demand for bunker fuel and diesel amid a global economic slowdown. With this in mind, we remain neutral on PKN.

Current Price

101.90 PLN

Downside

9M Target Price

92.82 PLN

-8.9%

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

Key Metrics			PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	+15.8%	+16.9%
ISIN	PLPKN0000018	YTD Price Chng	-2.6%	+0.3%
Outst. Stock (m)	427.7	ADTV 1M		PLN 82.6m
MC (PLN m)	43,583.6	ADTV 6M		PLN 75.5m
EV (PLN m)	51,309.3	EV/EBITDA 12M fwd	5.0	-8.8%
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	6.5	8.0	9.7	11.4	11.6
P/B	1.4	1.2	1.1	1.1	1.0
EV/EBITDA	4.3	5.0	5.7	6.0	5.8
DPS	3.00	3.00	3.50	3.00	3.00
DYield	2.9%	2.9%	3.4%	2.9%	2.9%
Forecast Update (% change)			2019P	2020P	2021P
LIFO EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	9,581	8,344	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.)	4.8	5.8	5.6	6.0	6.1
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	6.0	5.1	5.5	2.6	2.3	2.7
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 has enjoyed steady performance over the last few weeks, ignoring the persistent downturn in carbon and power prices in the same way as it previously ignored an upturn. This means that, despite a good emissions profile, its underperformance on a ytd basis has exceeded 23%, due most likely to still-high exposure to coal generation (>40%), increasingly shunned by investors. The risks associated with the Czech nuclear power project have diminished over the last few months with politicians now more inclined to take into account the interests of CEZ's other shareholders. Moreover CEZ has good prospects ahead in terms of earnings (with EBITDA up 19% y/y in H1) and cash flow. CEZ's effective 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. 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. We maintain an accumulate rating for CEZ.

Current Price

515.50 CZK

Upside

9M Target Price

597.80 CZK

+16.0%

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

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+0.1%	+1.2%
ISIN	CZ0005112300	YTD Price Chng	+0.9%	+3.8%
Outst. Stock (m)	538.0	ADTV 1M		CZK 84.8m
MC (CZK bn)	277.3	ADTV 6M		CZK 123.7m
EV (CZK bn)	433.7	EV/EBITDA 12M fwd	6.9	-2.9%
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	14.8	26.9	15.4	13.4	13.5
P/B	1.1	1.2	1.2	1.1	1.1
EV/EBITDA	7.7	8.7	7.4	6.9	6.7
DPS	33.00	32.71	24.00	30.17	34.73
DYield	6.4%	6.3%	4.7%	5.9%	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		597.80

Enea buy (no change)

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Investors had no reaction to Enea's September earnings release, or to the announcement of state compensation for the 2019 power price freeze in a sufficient amount to balance out lost profits. Meanwhile the adjusted EBITDA for the second quarter came out 16% above our forecast, and cash flow rebounded to PLN 1.5bn after a weaker first quarter, resulting in a decrease in net debt by PLN 1bn to 2.0x EBITDA. We see further growth beyond 2019 based on higher production by the subsidiary coal miner LW Bogdanka, coupled with predictions of no falls in coal prices in the coming years. Moreover the profits of the new generator in Kozienice are set to grow with time, and by next year both of the 500MW generators will be operating at full capacity. From 2021, Enea will also be receiving capacity payments in a yearly amount of PLN 0.6bn. Note that our model conservatively assumes a proportional share in the 'Ostrolęka C' power plant CAPEX (PLN 3bn on the balance sheet), but Enea itself maintains it will not have to contribute more than PLN 1bn. Even if our assumptions are correct, free cash flow in 2020-21 is likely to exceed PLN 1bn, equivalent to nearly 30% of the current market cap. We maintain a buy rating for Enea.

Current Price

8.32 PLN

Upside

9M Target Price

12.41 PLN

+49.2%

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

Key Metrics			ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	-5.5%	-4.4%
ISIN	PLENEA000013	YTD Price Chng	-16.0%	-13.0%
Outst. Stock (m)	441.4	ADTV 1M		PLN 2.1m
MC (PLN m)	3,672.8	ADTV 6M		PLN 4.5m
EV (PLN m)	10,489.2	EV/EBITDA 12M fwd	3.3	-30.2%
Free Float	48.5%	EV/EBITDA 5Y avg	4.7	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	5.4	3.1	2.9	2.3
P/B	0.3	0.3	0.2	0.2	0.2
EV/EBITDA	3.8	4.3	3.2	3.0	2.7
DPS	0.28	0.00	0.00	0.00	0.29
DYield	3.3%	0.0%	0.0%	0.0%	3.5%
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%

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

	P/E			EV/EBITDA		
	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 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%

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's dramatic underperformance this year (-30% ytd) continued in September, with the stock dropping to new all-time lows even after the publication of good 2019 Q2 results. The distribution business is registering a slowdown this year, but 2020 looks better owing to expected price hikes. The involvement in the 'Ostrołęka C' project is bound to have an effect on future financials, but 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 total capital spend planned for the future. Nevertheless ENG stock is trading at an over-30% 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. We maintain a buy rating for ENG.

Current Price

6.12 PLN

Upside

9M Target Price

12.67 PLN

+107.0%

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

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-9.3%	-8.3%
ISIN	PLENERG00022	YTD Price Chng	-31.3%	-28.3%
Outst. Stock (m)	414.1	ADTV 1M		PLN 2.0m
MC (PLN m)	2,534.1	ADTV 6M		PLN 3.5m
EV (PLN m)	7,824.2	EV/EBITDA 12M fwd	3.6	-21.4%
Free Float	48.5%	EV/EBITDA 5Y avg	4.6	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	3.3	3.4	3.5	3.9	3.8
P/B	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	3.1	3.7	3.6	4.0	4.2
DPS	0.19	0.00	0.00	0.00	0.00
DYield	3.1%	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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The volume of power produced by Polish lignite-fired power plants is down this year compared to 2018, and though this may be concerning in case of PGE the impact on profits is limited by a state compensation scheme set up to offset forced capacity reductions. We estimate that PGE may be losing about PLN 35 per held-back MWh at its two power stations, which would make for a total 2019 H1 loss of roughly PLN 70m. The centrally-managed grid safety scheme, consisting in keeping less efficient generators running at minimum capacity, does not change the structure of the merit order, or PGE's prospects as power supplier. We expect strong earnings improvement in 2020, driven by new generators with potential to add PLN 0.9-1.0bn of EBITDA based on cash contributions already made in Q2, combined with recovering margins and higher production of clean energy. 2021 will see continued growth with the launch of capacity payments and a new generator in Turów. Further, we anticipate a considerable reduction in CAPEX, resulting in strong cash flow and a healthier balance sheet (in Q3'19 additionally boosted by the sale of free emission credits for PLN 1.4bn), and consequently in resumed dividend payments. We maintain a buy rating for PGE.

Current Price

7.79 PLN

Upside

9M Target Price

13.26 PLN

+70.3%

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

Key Metrics		PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-0.6% +0.4%
ISIN	PLPGER000010	YTD Price Chng	-22.1% -19.2%
Outst. Stock (m)	1,869.8	ADTV 1M	PLN 13.7m
MC (PLN m)	14,561.9	ADTV 6M	PLN 16.1m
EV (PLN m)	25,317.8	EV/EBITDA 12M fwd	3.4 -26.5%
Free Float	42.6%	EV/EBITDA 5Y avg	4.6 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	5.6	9.7	4.8	5.3	3.7
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	3.0	3.9	3.1	3.2	2.4
DPS	0.00	0.00	0.00	0.41	0.36
DYield	0.0%	0.0%	0.0%	5.2%	4.7%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of electricity (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 shares recovered somewhat in September after the publication of good Q2 results, showing minimized risk of trading losses which might push the leverage ratio over the covenant threshold. By reversing earlier charges, Tauron achieved stellar cash flow in Q2 at PLN 1.2bn, and as a result it was able to reduce net debt by PLN 0.4bn to 3.37x LTM EBITDA (2.6x after adjustments). The prospects for the quarters ahead remain cautiously positive depending on the performance of subsidiary coal mines. Tauron has been approached to sell its mining assets, a move which would greatly improve its upside potential, but it is not likely to reach a deal before the end of the year. After it completes the project in Jaworzno, which will be 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 possibly start closing coal-based generators in favor of renewables. We maintain a buy rating for TPE.

Current Price

1.60 PLN

Upside

9M Target Price

2.52 PLN

+57.1%

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

Key Metrics	TPE PW	1M Price Chng	TPE PW	vs. WIG
Ticker	PLTAURN00011	YTD Price Chng	+2.8%	+3.9%
ISIN	PLTAURN00011	ADTV 1M	-26.8%	-23.8%
Outst. Stock (m)	1,752.5	ADTV 6M		PLN 5.6m
MC (PLN m)	2,811.1	EV/EBITDA 12M fwd	4.1	PLN 8.6m
EV (PLN m)	14,540.7	EV/EBITDA 5Y avg	4.7	-11.7%
Free Float	59.6%			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	13.7	2.5	2.4	2.0
P/B	0.2	0.2	0.1	0.1	0.1
EV/EBITDA	3.3	3.9	4.1	3.7	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

	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's 2019 Q2 results came slightly ahead of our estimates thanks to tight cost control, marking another quarter in a row of improving profits. There is expectation on the market that Netia's controlling shareholder, the listed telco and media group Cyfrowy Polsat, will offer to buy up the remaining stake, but in terms of timing, from a business perspective, we reckon it might make more sense for Cyfrowy to wait a little longer. We are slightly disappointed with the pace of revenue recovery and network upgrades at Netia. The Company has allocated its total cash flow for the next few years to the upgrades with the aim of reaching 2.6 million households with high-speed services by 2020. This means no dividend payments in the near future after a freeze on shareholder distributions approved by Cyfrowy. With all this in mind, we do not find Netia a compelling bet at the moment, especially compared to Orange Polska, and we maintain a neutral view on NET stock.

Current Price	4.35 PLN	Upside
9M Target Price	4.70 PLN	+8.0%

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

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-3.3%	-2.3%
ISIN	PLNETIA00014	YTD Price Chng	-13.0%	-10.0%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.3m
MC (PLN m)	1,466.2	ADTV 6M		PLN 0.2m
EV (PLN m)	1,743.7	EV/EBITDA 12M fwd	4.9	-2.7%
Free Float	33.0%	EV/EBITDA 5Y avg	5.0	discount

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	41.3	22.6	29.2	24.2	20.6
P/B	0.8	0.8	0.8	0.7	0.8
EV/EBITDA	4.6	4.7	5.0	5.1	4.9
DPS	0.20	0.00	0.00	0.00	0.40
DYield	4.6%	0.0%	0.0%	0.0%	9.2%
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
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	25,946	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	2,471	74	90	106
margin	5.0%	6.2%	5.5%	6.7%	7.7%
Net income	35.5	1498.0	50.2	60.5	71.1

Key Balance Sheet Figures

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

Relative Valuation Summary

	19P	P/E	20P	21P	19P	EV/EBITDA	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 Analysis

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

DCF Summary

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

Valuation Summary

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

Orange Polska buy (no change)

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Shares in Orange Polska have pulled back nearly 13% over the past month, but our view on the Company remains bullish and assumes a rebound after the upcoming publication of third-quarter results. We expect 2019 Q3 EBITDAaL to come in at PLN 926m (+19.9% Y/Y) after a one-time boost of PLN 212m provided by the sale of a building complex in Warsaw (with total divestment gains for the period estimated at PLN 220m). The adjusted EBITDaL at PLN 706m would be 3.9% lower year over year, with the annual contraction in the cumulative recurring first-half result at 3.4%. Orange plans to continue selling off overdue receivables in future periods, as well as pursuing more real-estate deals.

Current Price

5.41 PLN

Upside

9M Target Price

7.50 PLN

+38.6%

	rating	target price	issued
unchanged	buy	7.50 PLN	2019-09-05

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-10.7%	-9.6%
ISIN	PLTLKPL00017	YTD Price Chng	+12.9%	+15.9%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 9.2m
MC (PLN m)	7,097.9	ADTV 6M		PLN 11.9m
EV (PLN m)	14,581.0	EV/EBITDA 12M fwd	4.6	+0.9%
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	-	709.8	35.0	22.0	15.7
P/B	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	4.8	4.9	4.5	4.4	4.1
DPS	0.00	0.00	0.00	0.00	0.25
DYield	0.0%	0.0%	0.0%	0.0%	4.6%
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 buy (no change)

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Play's stock price dropped after the announcement of a 9% stake sale by institutional investors, underpinned by the press around the 5G auction. In our view the sell-off has been undeserved given Play's vastly-improved earnings performance, with 2020 dividend yield possibly reaching 5.1% (compared to zero dividend offered by rival OPL PW and DY of 3.4% expected of CPS PW), and 2019 FCFE Yield estimated at 11.4%. This after what is shaping up to be a robust second half of 2019, marked by 8.2% growth in EBITDA. Poland's digitization ministry estimates the 3.4-3.8 GHz spectrum auction at PLN 1.0-1.5bn, which should be interpreted as positive. Moreover the 700 MHz band is to be distributed wholesale by a single national operator, which rules out an expensive auction of the kind seen in Italy. Last but not least, Play generated strong results for Q2 2019, reflecting improving market conditions for mobile telecoms. All these reasons make Play an undervalued buying opportunity at the current level, in particular when compared to the listed competitor Cyfrowy Polsat. We see 19% upside potential in PLY to our target price.

Current Price	27.82 PLN	Upside
9M Target Price	33.10 PLN	+19.0%

	rating	target price	issued
unchanged	buy	33.10 PLN	2019-09-12

Key Metrics		PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-3.8%
ISIN	LU1642887738	YTD Price Chng	+43.8%
Outst. Stock (m)	253.7	ADTV 1M	PLN 23.5m
MC (PLN m)	7,057.9	ADTV 6M	PLN 19.0m
EV (PLN m)	13,763.5	EV/EBITDA 12M fwd	5.7
Free Float	49.4%	EV/EBITDA 5Y avg	5.9 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	6,670	6,839	7,054	7,256	7,421
EBITDA	1,904	2,160	2,380	2,522	2,611
EBITDA margin	28.5%	31.6%	33.7%	34.8%	35.2%
EBIT	1,107	1,371	1,454	1,572	1,546
Net income	387	744	826	899	895
P/E	18.2	9.5	8.5	7.9	7.9
P/B	-	-	1.1	0.9	0.9
EV/EBITDA	7.2	6.3	5.8	5.8	5.4
DPS	0.00	2.57	1.45	1.42	1.42
DYield	0.0%	9.2%	5.2%	5.1%	5.1%
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
Active subscribers (000s)	12,394	12,653	12,610	12,724	12,855
ARPU (PLN)	32.0	32.3	32.9	33.7	34.2
Revenue	6,670	6,839	7,054	7,256	7,421
Service revenue	4,878	5,083	5,221	5,333	5,461
Sales of goods and other	1,792	1,756	1,811	1,832	1,867
Costs	4,766	4,679	4,661	4,676	4,750
Interconnection	1,729	1,922	1,772	1,745	1,720
Contract costs	429	421	426	421	431
Cost of goods sold	1,410	1,442	1,463	1,498	1,537
Employee benefits	526	255	282	291	300
External services	606	515	551	608	662
Other	65	124	167	114	100
EBITDA (adj.)	2,298	2,159	2,402	2,520	2,608
margin	34.4%	31.6%	34.0%	34.7%	35.1%
Net income	387	744	826	899	895

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	1,389	2,037	2,101	2,201	2,302
OCF/EBITDA adj.	60%	94%	87%	87%	88%
CAPEX	-650	-781	-844	-2,076	-831
Assets	8,831	8,521	8,887	10,039	10,096
Equity	-213	-201	259	797	1,332
Net debt	6,710	6,653	6,706	7,512	6,964
Net debt/EBITDA (x)	2.9	3.1	2.8	3.0	2.7

Relative Valuation Summary

	P/E			DYield - RFR		
	19P	20P	21P	19P	20P	21P
Minimum	30.6	22.2	18.9	583.9%	554.5%	534.1%
Maximum	57.5	27.0	21.9	1232.0%	1171.8%	1117.5%
Median	13.1	12.9	11.8	552.2%	547.6%	529.4%
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	7,054	7,256	7,421	7,568	7,689	7,790	7,879	7,957	8,027	8,092	8,092
EBITDA	2,380	2,522	2,611	2,668	2,728	2,744	2,755	2,760	2,760	2,762	2,762
EBITDA margin	34.8%	35.8%	36.0%	36.0%	36.0%	35.7%	35.4%	35.0%	34.7%	34.4%	34.4%
D&A	926	950	1,065	1,079	1,141	1,158	1,159	1,139	1,116	1,091	1,091
EBIT	1,454	1,572	1,546	1,589	1,587	1,586	1,596	1,621	1,644	1,671	1,671
Tax	276	299	294	302	301	301	303	308	312	318	318
NOPLAT	1,178	1,273	1,253	1,287	1,285	1,293	1,313	1,313	1,331	1,354	1,354
CAPEX	-844	-2,076	-831	-1,776	-1,254	-1,091	-808	-816	-823	-1,511	-728
Work. cap. + other	-266	-276	-277	-300	-291	-286	-284	-282	-281	-281	-281
FCF	994	-128	1,209	290	881	1,065	1,360	1,354	1,343	652	1,325
PV FCF	965	-116	1,022	229	648	730	868	803	738	332	
WACC	7.3%	7.2%	7.3%	7.2%	7.2%	7.3%	7.4%	7.7%	7.9%	7.9%	
Net debt / EV	49.3%	52.2%	50.3%	51.9%	51.3%	49.8%	46.8%	43.2%	38.8%	37.9%	
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	14,758
Net debt	6,034
Other adjustments	0
Value per share (PLN)	34.39

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	27.11
DCF Val.	50%	34.39
Implied Price		30.78
Cost of equity (9M)		7.5%
9M Target Price		33.10

Agora buy (no change)

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Agora generated 2019 Q2 results in line with our estimates, with adjusted EBITDA before IFRS 16 registering an over-23% drop from the comparable period in 2018. By segment, EBITDA in the key line of Film & Books showed a slightly lower-than-expected loss of PLN 3.5m due to challenging market conditions in the period experienced by Helios chain, even though the cinema operator fared better than the competition with a 15% increase in ticket sales compared to an average rise of 1.7%. Agora has announced plans to exercise its call option for remaining 60% stake in the radio broadcaster Eurozet, a decision which in our view restricts the capacity for M&A-led expansion and makes the Company more sensitive to shifts in the advertising market, such as the radio adspend cuts observed this year. On a positive note the Eurozet deal should not affect dividends, with 2020 dividend yield expected to be 5.4%. We maintain a buy recommendation for AGO, with risks and earnings doubtless priced in after the 11% share price drop of the past month.

Current Price

9.28 PLN

Upside

9M Target Price

16.00 PLN

+72.4%

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

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	-10.8%	-9.7%
ISIN	PLAGORA00067	YTD Price Chng	-2.3%	+0.6%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	432.3	ADTV 6M		PLN 0.2m
EV (PLN m)	440.5	EV/EBITDA 12M fwd	4.6	-15.0%
Free Float	76.9%	EV/EBITDA 5Y avg	5.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,165	1,141	1,168	1,213	1,272
EBITDA	30	89	104	117	135
EBITDA margin	2.6%	7.8%	8.9%	9.7%	10.6%
EBIT	-73	1	24	39	58
Net income	-84	5	14	26	42
P/E	-	85.0	30.8	16.4	10.2
P/B	0.4	0.4	0.5	0.5	0.4
EV/EBITDA	15.2	4.8	4.2	3.9	3.5
DPS	0.00	0.50	0.50	0.50	0.50
DYield	0.0%	5.4%	5.4%	5.4%	5.4%
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
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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CPS stock has retreated nearly 3% in the past month, but we still rate it as reduce. Cyfrowy's 2019 Q2 results came in line with expectations, showing 3.4% contraction in recurring EBITDA before IFRS16 and Netia, while at the same time rival mobile operator Play registered 13.6% growth. On the one hand, Cyfrowy gained more contract mobile RGUs in Q2, but on the other hand it continued to lose pay-TV RGUs, indicating what may be a sustained downward trend as more customers switch to the Internet. CPS continues to trade at expensive multiples, including 2019 dividend yield at 3.3%.

Current Price

27.34 PLN

Downside

9M Target Price

24.15 PLN

-11.7%

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-2.5%	-1.4%
ISIN	PLCFRPT00013	YTD Price Chng	+23.7%	+26.6%
Outst. Stock (m)	639.5	ADTV 1M		PLN 13.3m
MC (PLN m)	17,485.1	ADTV 6M		PLN 13.2m
EV (PLN m)	29,116.1	EV/EBITDA 12M fwd	6.7	-3.4%
Free Float	33.5%	EV/EBITDA 5Y avg	6.9	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,829	10,686	11,394	11,548	11,759
EBITDA	3,617	3,698	4,179	4,255	4,356
EBITDA margin	36.8%	34.6%	36.7%	36.9%	37.0%
EBIT	1,834	1,727	1,966	2,127	2,317
Net income	981	834	1,224	1,431	1,595
P/E	17.8	21.0	14.3	12.2	11.0
P/B	1.4	1.3	1.2	1.2	1.1
EV/EBITDA	7.8	7.6	7.0	6.7	6.3
DPS	0.32	0.00	0.93	0.93	0.93
DYield	1.2%	0.0%	3.4%	3.4%	3.4%
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
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%	

*Cyfrowy Polsat only (without Netia)

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

Wirtualna Polska hold (no change)

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Wirtualna Polska reported 2019 Q2 results in line with expectations, reflecting strong momentum in online advertising and fast expansion of e-commerce. Revenue in the online segment showed a 35.3% rebound from Q2 2018, and the adjusted segmental IAS 17 EBITDA increased 16.7% to PLN 50.1m (EBITDA under IFRS 16 came in at PLN 52.2m). Wirtualna says it is in acquisition talks with undisclosed potential targets, but the CEO would not say whether any of the deals are expected to be closed before the end of the year. The Company expects similar market conditions in Q3 as experienced in the first half of the year, with no cuts anticipated in online adspend. We stand by our 2019 FY estimates for Wirtualna, and we continue to rate it as a hold in the absence of meaningful upside potential.

Current Price

67.20 PLN

Downside

9M Target Price

61.50 PLN

-8.5%

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

Key Metrics			WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+9.1%	+10.2%
ISIN	PLWRTPL00027	YTD Price Chng	+29.7%	+32.7%
Outst. Stock (m)	29.8	ADTV 1M		PLN 1.0m
MC (PLN m)	2,000.9	ADTV 6M		PLN 0.8m
EV (PLN m)	2,180.0	EV/EBITDA 12M fwd	10.8	+5.5%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2	premium

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	44.3	26.3	21.1	18.0	16.4
P/B	4.8	4.3	3.8	3.4	3.1
EV/EBITDA	16.9	14.2	11.1	9.8	8.9
DPS	1.10	0.96	1.00	1.66	1.95
DYield	1.6%	1.4%	1.5%	2.5%	2.9%
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	466	567	625	675	718
Cash	425	543	574	620	660
Barter	33.0	24.6	24.7	25.7	26.5
Costs	387	460	489	524	555
D&A	51.0	44.6	60.5	64.1	67.2
Materials & Utilities	5.9	6.2	6.3	6.5	6.8
Payroll	134	165	171	177	184
Other	196	223	251	276	297
EBITDA	130	163	196	216	230
margin	27.8%	29.8%	31.5%	31.9%	32.1%
EBITDA (adj.)	151	173	197	213	226
margin	32.3%	32.1%	31.5%	31.5%	31.5%
EBIT	79	107	136	152	163
margin	16.9%	19.7%	21.8%	22.4%	22.7%
Net income	35.3	76.0	94.9	111.3	125.1

Key Balance Sheet Figures

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

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	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%	8.5%
Net debt / EV	11.9%	8.6%	4.7%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

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

Valuation Summary

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

Asseco Poland hold (no change)

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ACP stock underperformed the broad market by more than 8% in the past month after a 9.1% fall, and with no more downside left we continue to rate it as a hold. We still like rival Comarch more than Asseco Poland, which, in our view, is poised for a slowdown in the second half of 2019 looking at the deteriorating profits of the operations in Poland, most notably the parent company, led by lower sales of banking solutions after the loss of the Deutsche Bank account, coupled with stalled orders from government agencies in an election year. Dividends had been the main factor driving ACP's performance before the ex-date for 2019 dividend, now passed. ACP is currently trading at 13.2x 2019E P/E.

Current Price

50.65 PLN

Upside

9M Target Price

50.80 PLN

+0.3%

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

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	-9.1%	-8.1%
ISIN	PLSOFTB000016	YTD Price Chng	+17.7%	+20.6%
Outst. Stock (m)	83.0	ADTV 1M		PLN 3.2m
MC (PLN m)	4,204.0	ADTV 6M		PLN 3.3m
		P/E 12M fwd	12.1	-4.5%
Free Float	68.0%	P/E 5Y avg	12.7	discount

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	9.0	12.6	13.6	13.2	13.0
P/B	0.8	0.7	0.7	0.7	0.7
P/S	0.54	0.45	0.42	0.41	0.40
DPS	3.01	3.01	3.07	2.29	2.27
DYield	5.9%	5.9%	6.1%	4.5%	4.5%
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 1.50bn 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 4m as of 30 June 2019, a very creditable amount considering that the Company had just completed major CAPEX push (data centers, offices) in 2018, alongside continued investment in in-house software capacity. Meanwhile CMR is trading at a large discount to the median 2019E EV/EBITDA of the peer group. We remain bullish on CMR even though the Company reported 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	-2.8%	-1.7%
ISIN	PLCOMAR00012	YTD Price Chng	+15.9%	+18.9%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.3m
MC (PLN m)	1,419.3	ADTV 6M		PLN 0.6m
EV (PLN m)	1,436.8	EV/EBITDA 12M fwd	6.1	-18.9%
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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The 2019 Q2 EBITDA of 11 bit studios missed our estimate by about PLN 1m due to slightly higher-than-expected SG&A expenses. Sales of *Moonlighter* continue to go well. On 27 August, 11bit released a Season Pass for *Frostpunk* for EUR/USD 25 vs. EUR/USD 29 charged for the game at the time of release. *Children of Morta*, released on 3 September, was on 200,000 Steam wishlists by the premiere date, and it reached the #41 spot on average on the Global Top Sellers lists within two weeks. The Company is happy with the game's sales so far. It plans to release *Frostpunk* for consoles in Q4. The faster rate of new releases seen in the second half of 2019 indicate better financial results in the period.

Current Price

384.00 PLN

Upside

9M Target Price

518.00 PLN

+34.9%

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

Key Metrics			11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	-6.0%	-4.9%
ISIN	PL11BTS00015	YTD Price Chng	+57.4%	+60.3%
Outst. Stock (m)	2.3	ADTV 1M		PLN 1.5m
MC (PLN m)	878.3	ADTV 6M		PLN 2.1m
EV (PLN m)	824.9	EV/EBITDA 12M fwd	21.1	+79.2%
Free Float	81.6%	EV/EBITDA 5Y avg	11.8	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	19.2	82.1	79.6	87.0	195.0
EBITDA	9.2	51.4	45.8	36.2	128.4
EBITDA margin	48.2%	62.6%	57.6%	41.7%	65.8%
EBIT	7.5	46.9	41.7	28.7	117.5
Net income	3.6	37.5	34.1	24.0	96.6
P/E	-	23.4	25.7	36.7	9.1
P/B	19.0	9.8	7.0	5.9	3.6
EV/EBITDA	92.0	16.6	18.0	22.2	5.7
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 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 reported a substantial earnings beat in Q2 2019 thanks to one-off extra revenues received in the period, including advances on *Cyberpunk 2077* (C2077) paid by business partners. CD Projekt continued to market C2077 in September, when the game had a 39th ranking on average on the Steam Global Top Sellers list (the game made the top-10 of Steam TOP after a trailer release on 30 August). Currently the game is #1 on Steam's wishlist chart, heralding robust sales potential. In 2019, CD Projekt's profits will be supported by the release of *The Witcher 3* for Nintendo Switch and *Gwent* for iOS.

Current Price

238.70 PLN

Upside

9M Target Price

272.50 PLN

+14.2%

	rating	target price	issued
unchanged	accumulate	272.50 PLN	2019-09-05

Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	-6.6%
ISIN	PLOPTTC00011	YTD Price Chng	+65.1%
Outst. Stock (m)	96.1	ADTV 1M	PLN 52.3m
MC (PLN m)	22,943.8	ADTV 6M	PLN 62.3m
EV (PLN m)	22,441.9	EV/EBITDA 12M fwd	10.6
Free Float	65.3%	EV/EBITDA 5Y avg	23.2 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	463	363	376	3,254	2,559
EBITDA	246	117	79	2,471	2,052
EBITDA margin	53.1%	32.3%	20.9%	75.9%	80.2%
EBIT	241	112	72	2,464	2,045
Net income	200	109	65	2,458	2,187
P/E	-	-	-	9.9	11.1
P/B	25.7	22.9	23.2	7.3	4.6
EV/EBITDA	89.8	190.2	285.4	8.7	9.6
DPS	1.06	0.00	1.05	0.00	0.00
DYield	0.4%	0.0%	0.4%	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	227	3,095	2,406
EBIT, VG	223	114	75	2,465	2,047
EBIT margin, VG	67.4%	49.8%	33.0%	79.6%	85.1%
Sales, GOG.com	169.6	144.3	154.5	158.3	152.8
EBIT, GOG.com	18.4	-1.1	-2.9	-0.7	-2.4
EBIT margin, GOG	10.8%	-0.8%	-1.9%	-0.5%	-1.6%
Operating cash flow	232	133	89	2,540	2,039
D&A	5	5	7	7	7
Working capital	34	46	-49	-121	29
Investing cash flow	-291	-106	-616	-160	-173
CAPEX	-13	-15	-10	-10	-11
Development exp.	77	98	129	150	162
FCF	144	40	-108	2,386	1,878
FCF/EBITDA	-138%	97%	92%	86%	90%
OCF/EBITDA	114%	103%	99%	100%	96%

Key Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, The Witcher 3	288	174	144	135	95
Sales, Gwent	43	45	45	31	16
Sales, Cyberpunk	0	0	0	2,839	937
	0	0	0	0	0
Development exp.	142	243	363	194	283
Cash	67	104	41	2,425	4,295
Net debt	-647	-659	-496	-2,880	-4,750
Net debt/EBITDA (x)	-2.6	-5.6	-6.3	-1.2	-2.3

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.1	5.6
Maximum	19.8	11.8
Median	19.5	9.3
Weight	50%	50%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
W3 (k copies)	1,896	1,687	1,395	1,380	1,165	0	0	0	0	0	0
C2077 (k copies)	24,000	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	376	3,254	2,559	1,623	4,031	2,593	4,232	2,550	1,609	1,188	-
EBITDA	79	2,471	2,052	1,163	3,270	1,895	3,299	1,739	934	496	-
EBITDA margin	20.9%	75.9%	80.2%	71.6%	81.1%	73.1%	78.0%	68.2%	58.0%	41.7%	-
EBIT	72	2,464	2,045	1,156	3,263	1,888	3,292	1,732	927	488	-
Tax	12	123	102	58	163	95	165	87	47	25	-
CAPEX	-140	-160	-173	-186	-199	-209	-208	-215	-222	-229	-
Working capital	-49	-121	29	39	-101	60	-69	70	39	18	-
FCF	-108	2,386	1,878	999	2,957	1,753	3,038	1,629	706	261	1,550
PV FCF	-105	2,142	1,554	762	2,078	1,135	1,813	896	358	122	-
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	17,462
Net debt	-659
Other adjustments	0
Value per share (PLN)	282.80

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	229.60
DCF Val.	50%	282.80
Implied Price		256.20
Cost of equity (9M)		6.4%
9M Target Price		272.50

Industrials, Mining

Cognor

accumulate (no change)

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Cognor's shareholders approved the Management Board's recommendation for a 2019 dividend payout in a total amount of PLN 36m, representing per-share dividend 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 the now scheduled for 17 January 2020. As the WSE's top high-yield dividend stock, COG looks poised for gains throughout September and October. On top of that, Cognor generated 2019 Q2 results well ahead of our expectations owing to a one-time boost of PLN 14m from compensation received from the government for this year's electricity price increases. We maintain an accumulate rating for Cognor and we keep the target price at PLN 2.00 per share.

Current Price

1.76 PLN

Upside

9M Target Price

2.00 PLN

+14.0%

	rating	target price	issued
unchanged	accumulate	2.00 PLN	2019-09-05

Key Metrics	COG PW	vs. WIG
Ticker	COG PW	1M Price Chng +3.5% +4.6%
ISIN	PLCNTSL00014	YTD Price Chng +9.7% +12.7%
Outst. Stock (m)	175.0	ADTV 1M PLN 0.1m
MC (PLN m)	307.1	ADTV 6M PLN 0.1m
EV (PLN m)	538.1	EV/EBITDA 12M fwd 3.9 +12.7%
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	122	100	106
EBITDA margin	8.1%	9.6%	6.1%	5.3%	5.1%
EBIT adj.	104	156	76	50	57
Net income adj.	32	94	45	27	35
P/E adj.	9.6	3.3	6.8	11.4	8.8
P/B	0.9	1.5	1.4	1.5	1.8
EV/EBITDA adj.	4.5	2.7	4.4	5.2	4.7
DPS	0.00	0.07	0.21	0.17	0.11
DYield	0.0%	3.9%	11.7%	9.4%	6.1%
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	102	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	-95	-68
Dividends/Buyback	0	-12	-36	-29	-19
FCF	123	179	77	60	58
FCF/EBITDA	87%	90%	63%	60%	55%
OCF/EBITDA	103%	116%	83%	110%	86%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	951	1,001	1,046	975	990
Fixed assets	398	379	401	393	370
Equity	225	278	290	288	305
Minority interests	225	278	290	288	305
Net debt	325	209	213	199	174
Net debt/EBITDA (x)	2.3	1.0	1.7	2.0	1.6
Net debt/Equity (x)	1.4	0.8	0.7	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.2	4.3	3.8	2.5	2.3	2.6
Maximum	239.2	25.7	15.6	7.7	7.0	7.3
Median	9.5	9.0	8.2	5.7	5.5	5.0
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	122	100	106	94	90	86	83	81	81	83	85
EBITDA margin	6.1%	5.3%	5.1%	4.3%	3.9%	3.6%	3.5%	3.3%	3.3%	3.3%	3.4%
EBIT	76	50	57	47	43	40	38	35	34	35	37
Tax	10	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	77	60	58	47	40	36	34	29	29	31	33
PV FCF	76	55	49	37	29	24	21	17	15	15	
WACC	7.6%	7.7%	7.8%	7.9%	7.9%	8.0%	8.0%	8.0%	8.1%	8.1%	8.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.2
FCF perp. growth rate	2.0%
PV FCF	338
Net debt	209
Other adj.	18
Value per share (PLN)	2.12

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	1.61
DCF Val.	50%	2.12
Implied Price		1.87
Cost of equity (9M)		7.0%
9M Target Price		2.00

Famur buy (no change)

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The inventory of hard coal held by Polish mines is increasing, and as prices of thermal and metallurgical coal fall worldwide this is putting downward pressure on the sales profits of domestic producers. As a result, the earnings of coal mines are probably poised to tighten next year, underpinned by higher costs of labor, possibly prompting cutbacks in capital expenditures from the highest spend in seven years seen in 2019 at PLN 5 billion to a projected PLN 4.4bn (-12% y/y). Reduced mine investment means fewer bookings for the industry's suppliers like Famur, whose revenue next year is expected by us to be 17% lower than this year at a projected PLN 1.8 billion, with EBITDA likely to post a 15% drop to PLN 469m. The impact of lower sales on sales margins should be mitigated by a higher share of aftermarket equipment and lower costs of production thanks to declines in the costs of steel and services, resulting in a higher 2020 EBITDA margin of 26.6% (+0.6 pp). Famur has a dominant position in the Polish market for mining equipment since the takeover of former rival Kopex in 2017, and as such we believe it can successfully navigate a more competitive environment. The Company is expected to generate FCF/EV ratio over 10% in 2020 and 2021, while offering dividend yields upward of 10%. We maintain a buy rating for Famur.

Current Price

3.47 PLN

Upside

9M Target Price

5.33 PLN

+53.8%

	rating	target price	issued
unchanged	buy	5.33 PLN	2019-08-07

Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-11.3%	-10.2%
ISIN	PLFAMUR00012	YTD Price Chng	-28.9%	-25.9%
Outst. Stock (m)	574.8	ADTV 1M		PLN 0.6m
MC (PLN m)	1,991.6	ADTV 6M		PLN 0.8m
EV (PLN m)	1,985.4	EV/EBITDA 12M fwd	3.8	-32.7%
Free Float	52.3%	EV/EBITDA 5Y avg	5.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,460	2,229	2,125	1,765	1,661
EBITDA	308	491	553	469	394
EBITDA margin	21.1%	22.0%	26.0%	26.6%	23.7%
EBIT	133	300	390	314	248
Net income	49	208	452	249	196
P/E	39.9	9.6	4.4	8.0	10.2
P/B	1.3	1.2	1.2	1.2	1.2
EV/EBITDA	6.9	4.6	3.6	4.2	4.8
DPS	0.00	0.44	0.53	0.39	0.33
DYield	0.0%	12.7%	15.3%	11.4%	9.4%
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%
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	1,319	1,214
Revenue, Surface	292	371	361	346	350
Sales margin, UG	25.0%	30.6%	32.8%	33.3%	30.8%
Sales margin, Surface	8.3%	3.9%	7.1%	6.2%	6.6%
Operating cash flow	192	215	466	354	350
D&A	175	191	162	155	145
Working capital	-16	-127	-29	-57	2
Investing cash flow	-231	-138	109	-95	-95
CAPEX	132	141	-109	95	95
Financing cash flow	287	-458	-516	-332	-193
Change in debt	-88	-213	-200	-100	0
Dividends/Buyback	0	-253	-305	-226	-187
FCF	-91	173	581	259	255
FCF/EBITDA	-30%	35%	105%	55%	65%
OCF/EBITDA	44%	44%	84%	75%	89%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	3,138	2,880	2,671	2,503	2,486
Fixed assets	1,099	1,158	887	826	776
Goodwill	222	222	222	222	222
Equity	1,437	1,625	1,637	1,660	1,669
Minority interests	115	-37	-32	-32	-32
Net debt	80	286	26	0	-62
Net debt/EBITDA (x)	0.3	0.6	0.0	0.0	-0.2

Relative Valuation Summary

	P / E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.7	9.3	9.2	5.8	5.9	5.7
Maximum	18.0	16.8	15.9	11.4	10.4	9.8
Median	11.7	11.0	10.5	7.9	7.5	6.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	+	+
Revenue	2,125	1,765	1,661	1,727	1,793	1,829	1,866	1,904	1,943	1,982	2,022
YoY % change	-4.7%	-16.9%	-5.9%	4.0%	3.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	553	469	394	407	406	405	404	410	420	422	429
EBITDA margin	26.0%	26.6%	23.7%	23.6%	22.6%	22.2%	21.7%	21.5%	21.6%	21.3%	21.2%
D&A	162	155	145	137	129	125	121	123	130	132	135
EBIT	390	314	248	270	277	280	284	287	290	290	293
Tax	52	58	46	50	52	53	54	55	56	56	57
NOPAT	339	255	202	219	225	227	230	232	234	234	237
CAPEX	109	-95	-95	-122	-125	-127	-130	-132	-135	-135	-135
Working capital	-29	-57	2	15	-35	-19	-19	-20	-20	-21	-21
FCF	581	259	255	249	195	206	201	203	209	211	218
PV FCF	565	232	211	190	137	133	120	112	106	99	
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	1,904
Net debt	590
Other adjustments	58
Value per share (PLN)	5.03

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.99
DCF Val.	50%	5.03
Implied Price		5.01
Cost of equity (9M)		6.3%
9M Target Price		5.33

Grupa Kęty hold (reiterated)

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Grupa Kęty reported better-than-expected preliminary results for Q3 2019, with the quarterly EBITDA showing the strongest y/y growth so far this year. At the same time, the Company gave a rather muted outlook for the quarters ahead, predicting stable sales of aluminum systems and flat sales of extrusions in 2019 Q4 despite increase capacity. With the ex-dividend date now passed, investors should pay more attention to Kęty's large debt, which makes the Company vulnerable in the event of any setback. We have raised our FY2019 estimates for Kęty to reflect the better-than-expected performance this year in the segments of Packaging and Aluminum Systems, but we cut the expectations for 2020 and 2021 based on a worsened outlook for Extrusions. As a result, we lower our target price for KTY from PLN 327.11 to PLN 298.64 per share, with an unchanged hold recommendation.

Current Price	283.00 PLN	Upside
9M Target Price	298.64 PLN	+5.5%

	rating	target price	issued
new	hold	298.64 PLN	2019-10-07
old	hold	327.11 PLN	2019-09-05
Key Metrics		KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-12.9%
ISIN	PLKETY000011	YTD Price Chng	-12.1%
Outst. Stock (m)	9.5	ADTV 1M	PLN 0.9m
MC (PLN m)	2,701.4	ADTV 6M	PLN 0.5m
EV (PLN m)	3,625.1	EV/EBITDA 12M fwd	7.3
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	3,143	2,989	2,993
EBITDA	421	463	492	451	439
EBITDA margin	15.9%	15.5%	15.7%	15.1%	14.7%
EBIT	301	338	356	310	304
Net income	236	268	267	228	224
P/E	11.4	10.1	10.1	11.8	12.1
P/B	2.0	1.9	1.9	1.8	1.8
EV/EBITDA	7.8	7.5	7.4	8.0	8.2
DPS	30.00	23.94	24.00	21.00	17.92
DYield	10.6%	8.5%	8.5%	7.4%	6.3%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA		+7.0%	-7.2%	-10.4%	
Net income		+8.4%	-12.5%	-16.6%	
Aluminum price (US\$/t)		-6.0%	0.0%	0.0%	
Producer premium (US\$/t)		+4.1%	0.0%	0.0%	
EBITDA, Packaging		+18.2%	-1.9%	-6.6%	
EBITDA, Extrusions		-6.8%	-17.5%	-17.6%	
EBITDA, Al Systems		+17.7%	-1.6%	-6.5%	

Financial Highlights

(PLN m)	2017	2018P	2019P	2020P	2021P
EBITDA, Packaging	113	119	133	130	129
EBITDA, Extrusions	150	163	155	138	137
EBITDA, Al Systems	172	190	223	191	182
EBITDA, Other	-13	-8	-8	-8	-8
EBITDA/t of Al	5	5	5	5	5
Operating cash flow	276	293	307	383	345
D&A	120	126	135	141	135
Working capital	-91	-114	-46	-11	-37
Investing cash flow	-187	-229	-200	-150	-120
CAPEX	187	229	200	150	120
Financing cash flow	-85	-43	-155	-209	-219
Dividends/Buyback	-285	-229	-229	-200	-171
FCF	86	72	183	236	230
FCF/EBITDA	20%	15%	36%	52%	52%
OCF/EBITDA	66%	63%	62%	85%	79%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Al price (US\$/t)	1,786	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Al premium (US\$/t)	135	150	150	150	150	150	150	150	150	150	150
Al usage (1,000 t)	94	92	94	96	98	100	102	104	106	107	109
Revenue	3,143	2,989	2,993	3,042	3,076	3,118	3,169	3,216	3,251	3,288	3,325
EBITDA	492	451	439	442	445	448	452	456	458	463	467
EBITDA margin	15.7%	15.1%	14.7%	14.5%	14.5%	14.4%	14.3%	14.2%	14.1%	14.1%	14.1%
EBIT	356	310	304	310	317	318	320	323	323	325	330
Tax	63	54	53	54	55	56	56	57	57	58	59
CAPEX	-200	-150	-120	-122	-125	-127	-130	-132	-135	-138	-138
Working capital	-46	-11	-37	-17	-12	-15	-18	-16	-12	-13	-13
FCF	183	236	230	249	253	250	249	251	253	255	259
PV FCF	181	217	196	197	186	170	157	147	137	127	
WACC	7.6%	7.6%	7.6%	7.6%	7.7%	7.7%	7.7%	7.8%	7.8%	7.8%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Assets	2,499	2,780	2,939	2,969	2,999
Fixed assets	1,439	1,575	1,715	1,728	1,718
Equity	1,363	1,396	1,434	1,462	1,515
Minority interests	1	1	1	1	1
Net debt	591	774	923	919	893
Net debt/EBITDA (x)	1.4	1.7	1.9	2.0	2.0
Net debt/Equity (x)	0.4	0.6	0.6	0.6	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	5.1	4.2	3.8	3.3	2.9	2.3
Maximum	47.3	34.0	17.8	14.1	10.3	9.6
Median	14.8	12.2	10.1	7.7	5.4	4.9
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,715
Net debt	1,003
Other adjustments	0
Value per share (PLN)	306.23

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	255.60
DCF Val.	50%	306.23
Implied Price		280.92
Cost of equity (9M)		6.3%
9M Target Price		298.64

JSW buy (no change)

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JSW's market capitalization has shrunk to an equivalent of the carrying amount of net cash after a brutal sell-off driven by global slowdown fears and falling prices of coking coal. With coal prices seen to recover, accompanied by the zloty's favorable depreciation versus the dollar, assuming solid figures in the Q3 production update in October, we see a chance for a sentiment shift in the weeks ahead and we maintain a buy rating for JSW.

Current Price

20.66 PLN

Upside

9M Target Price

39.29 PLN

+90.2%

	rating	target price	issued
unchanged	buy	39.29 PLN	2019-09-05

Key Metrics	JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng -27.2% -26.1%
ISIN	PLJSW0000015	YTD Price Chng -68.5% -65.5%
Outst. Stock (m)	117.4	ADTV 1M PLN 13.8m
MC (PLN m)	2,425.7	ADTV 6M PLN 12.0m
EV (PLN m)	428.2	EV/EBITDA 12M fwd 0.6 -81.1%
Free Float	44.8%	EV/EBITDA 5Y avg 3.1 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	8,877	9,810	9,231	8,309	8,685
EBITDA adj.	3,509	3,101	1,940	1,024	1,394
EBITDA margin	39.5%	31.6%	21.0%	12.3%	16.1%
EBIT adj.	2,684	2,335	1,027	-54	194
Net income adj.	2,189	1,802	819	-62	135
P/E adj.	1.1	1.3	3.0	-	17.9
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA adj.	0.3	-	0.2	1.4	1.1
DPS	0.00	0.00	1.71	0.00	0.00
DYield	0.0%	0.0%	8.3%	0.0%	0.0%
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	1,651	800	1,351
D&A	825	766	912	1,078	1,201
Working capital	-76	338	-268	-176	65
Investing cash flow	-2,170	-1,582	-2,050	-1,800	-1,450
CAPEX	737	1,248	2,050	1,800	1,450
Financing cash flow	-701	-755	-188	7	3
Dividends/Buyback	0	0	-201	0	0
FCF	2,129	1,754	-546	-943	-28
FCF/EBITDA (adj.)	61%	57%	-28%	-92%	-2%
OCF/EBITDA (adj.)	82%	92%	85%	78%	97%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	12,090	13,763	14,068	13,709	13,973
Fixed assets	8,118	8,475	9,626	10,386	10,689
Equity	6,389	8,081	8,574	8,512	8,648
Minority interests	232	364	364	364	364
Net debt	-1,641	-3,286	-2,362	-1,368	-1,272
Net debt/EBITDA (adj.)	-0.5	-1.1	-1.2	-1.3	-0.9
Net debt/Equity (x)	-0.3	-0.4	-0.3	-0.2	-0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.2	2.9	0.9	0.5	0.2
Maximum	22.5	13.4	216.8	10.6	11.0	10.2
Median	6.6	6.8	7.5	3.9	4.2	4.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Coking coal (\$/t)	175	155	160	160	160	160	160	160	160	160	160
Thrmal coal (PLN/t)	268	250	247	247	247	247	247	247	247	247	247
Coke (\$/t)	1,031	878	897	897	897	897	897	897	897	897	898
Revenue	9,231	8,309	8,685	8,861	9,022	9,105	9,202	9,309	9,416	9,524	9,582
EBITDA	1,784	1,024	1,394	1,598	1,695	1,730	1,776	1,818	1,857	1,878	1,926
EBITDA margin	19.3%	12.3%	16.1%	18.0%	18.8%	19.0%	19.3%	19.5%	19.7%	19.7%	20.1%
EBIT	872	-54	194	273	198	329	390	412	448	467	526
Tax	168	-9	37	52	38	63	75	79	85	89	100
CAPEX	-2,050	-1,800	-1,450	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400
Working capital	-268	-176	65	30	22	29	18	17	18	17	13
FCF	-546	-943	-28	176	279	296	319	356	390	406	439
PV FCF	-535	-852	-23	135	197	193	192	197	199	191	
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	0.0%
PV FCF	-107
Net debt	-3,085
Other adjustments	364
Value per share (PLN)	42.96

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	30.97
DCF Val.	50%	42.96
Implied Price		36.96
Cost of equity (9M)		6.3%
9M Target Price		39.29

Kernel reduce (reiterated)

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Kernel's Agro business, which in fiscal 2018/2019 accounted for over 50% of annual EBITDA, is struggling with increasing production costs, not mitigated by sufficient price hedging, indicating worse performance overall in terms of the earnings results for the second half of calendar 2019. At the same time, Kernel's debt is set to increase in line with record-high capital expenditures (2019/20 CAPEX is set at \$300m), and by the end of fiscal 2019/20 the net debt/EBITDA ratio is expected by us to reach 2.6x. We maintain a reduce call on KER, but we lower our target price from PLN 42.70 to 40.76 after shifting our valuation model forward by a year.

Current Price

42.90 PLN

Downside

9M Target Price

40.76 PLN

-5.0%

	rating	target price	issued
new	reduce	40.76 PLN	2019-10-07
old	reduce	42.70 PLN	2019-08-19
Key Metrics		KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-3.2% -2.1%
ISIN	LU0327357389	YTD Price Chng	-11.9% -8.9%
Outst. Stock (m)	82.7	ADTV 1M	PLN 4.4m
MC (PLN m)	3,546.2	ADTV 6M	PLN 2.4m
EV (PLN m)	6,246.3	EV/EBITDA 12M fwd	5.1 +20.3%
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	3,992	4,223	4,783
EBITDA	319	223	346	314	343
EBITDA margin	14.7%	9.3%	8.7%	7.4%	7.2%
EBIT	265	140	269	219	240
Net income	176	52	189	117	137
P/E	5.1	17.3	4.8	7.7	6.6
P/B	0.8	0.8	0.7	0.6	0.6
EV/EBITDA	4.4	6.9	4.6	5.6	5.0
DPS	0.24	0.25	0.25	0.25	0.35
DYield	2.2%	2.3%	2.3%	2.3%	3.2%
Forecast Update (% change)			19/20P	20/21P	21/22P
EBITDA			+3.5%	+3.4%	+3.4%
Net income			+5.2%	+9.2%	+12.2%
Margin, Sunflower Oil (\$/t)			+12.0%	+11.5%	+10.7%
Margin, Wheat (\$/t)			0.0%	0.0%	0.0%
Margin, Corn (\$/t)			0.0%	0.0%	0.0%
Bulk sunflower oil sales (kt)			-0.1%	-0.1%	-0.1%
Grain production (kt)			0.0%	0.0%	0.0%
Grain sales (kt)			-4.9%	-4.4%	-4.2%

Financial Highlights

(US\$ m)	17/18	18/19	19/20P	20/21P	20/21P
EBITDA, Bottled Oil	13	16	16	17	18
EBITDA, Bulk Oil	63	93	97	108	130
EBITDA, Terminals	39	36	40	51	57
EBITDA, Farming	89	182	97	97	101
EBITDA, Grain Trade	17	31	49	57	59
Operating cash flow	82	189	237	267	297
D&A	83	76	96	104	102
Working capital	-63	-305	-37	-53	-50
Investing cash flow	-156	-241	-300	-95	-100
CAPEX	179	234	300	95	100
Financing cash flow	76	29	7	-146	-159
Dividends/Buyback	-20	-20	-21	-29	-41
FCF	-14	-205	-32	184	213
FCF/EBITDA	-6%	-59%	-10%	53%	57%
OCF/EBITDA	37%	55%	75%	78%	79%

Key Balance Sheet Figures

(US\$ m)	17/18	18/19	19/20P	20/21P	20/21P
Assets	2,211	2,464	2,694	2,810	2,936
Fixed assets	1,006	1,207	1,414	1,410	1,412
Equity	1,171	1,351	1,447	1,555	1,682
Minority interests	7	-5	-5	-5	-5
Net debt	619	691	878	827	763
Net debt/EBITDA (x)	2.8	2.0	2.8	2.4	2.0
Net debt/Equity (x)	0.5	0.5	0.6	0.5	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	3.5	2.2	4.2	3.8	3.5	3.7
Maximum	60.4	24.1	18.3	13.6	12.9	6.1
Median	12.7	11.9	11.5	7.8	7.4	4.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(US\$ m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin, Veg Oil (\$/t)	68	70	73	71	68	66	64	61	58	55	54
Margin, Wheat (\$/t)	180	195	195	195	195	195	195	195	195	195	196
Margin, Corn (\$/t)	180	185	185	185	185	185	185	185	185	185	186
Revenue	4,223	4,783	5,176	5,247	5,332	5,406	5,481	5,542	5,603	5,664	5,745
EBITDA	314	343	376	363	360	374	369	365	362	358	369
EBITDA margin	7.4%	7.2%	7.3%	6.9%	6.8%	6.9%	6.7%	6.6%	6.5%	6.3%	6.4%
EBIT	219	240	274	260	255	262	251	240	231	226	238
Tax	9	11	14	13	12	13	12	12	11	11	12
CAPEX	-300	-95	-100	-104	-109	-115	-120	-126	-131	-131	-131
Working capital	-37	-53	-50	-20	-21	-20	-21	-19	-19	-20	-21
FCF	-32	184	213	226	217	225	216	209	200	196	205
PV FCF	-29	144	144	133	110	99	82	69	57	48	
WACC	15.0%	15.1%	15.2%	15.3%	15.4%	15.4%	15.4%	15.4%	15.5%	15.5%	15.5%
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	856
Net debt	691
Other adjustments	-5
Value per share (PLN)	26.94

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	45.71
DCF Val.	50%	26.94
Implied Price		36.33
Cost of equity (9M)		12.2%
9M Target Price		40.76

KGHM hold (no change)

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The escalation of US-China trade tensions hurt copper and the valuations of its producers, including KGHM, which generates higher costs and lower free cash flow than most of its global peers. The current depreciation in the zloty against the dollar is beneficial for KGHM, but on the downside the Company reported weak sales figures for July and August. We maintain a hold rating for KGH.

Current Price

74.94 PLN

Upside

9M Target Price

77.51 PLN

+3.4%

	rating	target price	issued
unchanged	hold	77.51 PLN	2019-08-22

Key Metrics			KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	-5.7%	-4.6%
ISIN	PLKGHM000017	YTD Price Chng	-15.7%	-12.7%
Outst. Stock (m)	200.0	ADTV 1M	PLN 47.5m	
MC (PLN m)	14,988.0	ADTV 6M	PLN 50.9m	
EV (PLN m)	19,432.9	EV/EBITDA 12M fwd	4.3	-11.0%
Free Float	63.2%	EV/EBITDA 5Y avg	4.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,275	20,526	22,544	21,998	22,867
EBITDA adj.	5,753	4,972	5,184	4,385	4,827
EBITDA margin	28.4%	24.2%	23.0%	19.9%	21.1%
EBIT adj.	4,144	3,176	3,331	2,453	2,843
Net income adj.	1,792	1,888	2,304	1,619	1,915
P/E adj.	8.4	7.9	6.5	9.3	7.8
P/B	0.8	0.8	0.7	0.7	0.6
EV/EBITDA adj.	3.8	4.4	3.7	4.3	3.8
DPS	1.00	0.00	0.00	1.50	2.43
DYield	1.3%	0.0%	0.0%	2.0%	3.2%
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 (mmb)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Cu Output, PL (kt)	359	385	406	402	391
Cu Output, Int (kt)	81	79	76	88	90
Sierra Gorda (kt)	53	53	59	65	69
Ag output (tonnes)	1,234	1,205	1,354	1,353	1,342
Au output (ozt k)	219	174	210	212	215
Operating cash flow	3,054	3,826	5,540	3,650	4,011
D&A	1,609	1,796	1,853	1,932	1,984
Working capital	-1,270	1,412	1,279	-6	9
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	-589
Dividends/Buyback	-200	0	0	-300	-486
FCF	788	1,924	2,743	874	1,434
FCF/EBITDA	27%	41%	53%	20%	30%
OCF/EBITDA	53%	77%	107%	83%	83%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	34,122	37,237	40,077	41,252	42,912
Fixed assets	26,515	29,375	30,319	31,164	31,758
Equity	17,694	19,133	21,437	22,757	24,186
Minority interests	91	92	92	92	92
Net debt	6,570	6,992	4,353	3,883	3,040
Net debt/EBITDA (x)	2.2	1.5	0.8	0.9	0.6
Net debt/Equity (x)	0.4	0.4	0.2	0.2	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.9	4.7	4.3	2.3	1.5	1.0
Maximum	63.9	20.8	13.4	10.2	7.4	7.0
Median	12.6	9.3	8.2	5.2	4.5	4.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Copper price (\$/t)	6,100	6,300	6,650	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700
Silver (\$/oz)	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Molybdenum (\$/t)	22,500	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Revenue	22,544	21,998	22,867	23,118	23,066	23,009	22,802	21,400	21,430	21,463	21,541
EBITDA	5,184	4,385	4,827	4,870	4,799	4,664	4,411	4,333	4,301	3,967	3,940
EBITDA margin	14.8%	11.1%	12.4%	12.7%	12.5%	12.2%	11.1%	11.4%	11.3%	9.6%	10.3%
EBIT	3,331	2,453	2,843	2,933	2,885	2,799	2,533	2,449	2,415	2,069	2,215
Tax	922	729	824	843	833	816	764	748	741	675	702
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	1,279	-6	9	3	-1	-1	-2	-15	0	0	1
FCF	2,743	874	1,434	2,362	2,240	2,094	1,863	1,760	1,721	1,424	1,513
PV FCF	2,679	794	1,207	1,828	1,589	1,359	1,111	967	872	665	
WACC	7.4%	7.5%	7.7%	8.0%	8.2%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	13,071
Net debt	6,992
Other adjustments	290
Value per share (PLN)	73.42

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	72.40
DCF Val.	50%	73.42
Implied Price		72.91
Cost of equity (9M)		6.3%
9M Target Price		77.51

Stelmet hold (reiterated)

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Stelmet's controlling shareholder offered to repurchase all remaining shares in the Company in September at PLN 7.74 per share. Looking at increasing costs of energy, timber, and labor, we do not see much potential for Stelmet to grow earnings in the next three years. After the high capital expenses incurred over the last four years, going forward Stelmet's main focus should be on deleveraging and improving cash flow. At the current share price we see a 2019-2021E FCF/EV ratio of 10%. This leads us to conclude that the PLN 7.74 tender offer does not adequately reflect Stelmet's value. We maintain a hold rating for STL but we raise our target price for the stock from PLN 6.50 to PLN 8.10 per share.

Current Price

7.90 PLN

Upside

9M Target Price

8.10 PLN

+2.5%

	rating	target price	issued
new	hold	8.10 PLN	2019-10-07
old	hold	6.50 PLN	2019-09-05
Key Metrics		STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	+17.0% +18.1%
ISIN	PLSTLMT00010	YTD Price Chng	+9.1% +12.1%
Outst. Stock (m)	29.4	ADTV 1M	PLN 0.1m
MC (PLN m)	232.0	ADTV 6M	PLN 0.0m
EV (PLN m)	379.4	EV/EBITDA 12M fwd	5.4 -18.7%
Free Float	15.0%	EV/EBITDA 5Y avg	6.7 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	538	553	581	597	616
EBITDA	58	69	74	68	70
EBITDA margin	10.7%	12.4%	12.7%	11.4%	11.3%
EBIT	21	27	31	26	26
Net income	19	10	22	19	20
P/E	11.9	24.2	10.7	12.1	11.8
P/B	0.4	0.4	0.5	0.5	0.5
EV/EBITDA	7.2	5.9	5.1	5.1	4.7
DPS	0.00	0.00	0.00	0.22	0.33
DYield	0.0%	0.0%	0.0%	2.8%	4.1%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	+6.3%	+6.4%
Net income			+0.0%	+19.7%	+22.6%
Sales price (PLN/m3)			0.0%	+0.9%	+0.9%
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	27	28	28
Revenue, Core, UK	158	137	113	104	107
Revenue, Core, FR	120	107	102	102	104
Revenue, Core, DE	101	113	155	166	172
Revenue, Wood Pellets	68	89	90	94	97
Operating cash flow	39	32	61	61	62
D&A	37	41	42	43	44
Working capital	-2	-30	-6	-4	-4
Investing cash flow	-62	-24	-29	-19	-28
CAPEX	62	23	29	19	28
Financing cash flow	76	-9	-29	-30	-32
Dividends/Buyback	0	0	0	-7	-10
FCF	-11	9	34	43	35
FCF/EBITDA	-18%	13%	46%	62%	50%
OCF/EBITDA	68%	46%	83%	89%	89%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	821	816	818	813	806
Fixed assets	554	522	509	485	468
Equity	454	461	483	496	506
Minority interests	0	0	0	0	0
Net debt	182	176	147	115	93
Net debt/EBITDA (x)	3.2	2.6	2.0	1.7	1.3
Net debt/Equity (x)	0.4	0.4	0.3	0.2	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	7.0	6.8	6.5	5.5	4.8	4.5
Maximum	123.3	45.8	27.0	18.0	15.6	9.2
Median	21.9	14.7	13.4	10.5	5.9	5.6
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales px (PLN/m3)	1,792	1,819	1,843	1,868	1,894	1,920	1,946	1,973	2,000	2,028	2,056
Volume (1,000 m3)	255	255	259	262	265	268	271	274	277	281	284
Timber px (PLN/m3)	260	271	276	282	287	293	299	305	311	317	324
Revenue	581	597	616	631	646	662	678	694	710	728	746
EBITDA	74	68	70	70	70	70	70	70	69	68	67
EBITDA margin	12.7%	11.4%	11.3%	11.1%	10.9%	10.7%	10.4%	10.1%	9.8%	9.4%	8.9%
EBIT	31	26	26	26	26	25	24	22	21	19	18
Tax	4.2	3.2	3.1	3.1	2.5	2.0	1.8	1.4	1.2	0.9	0.6
CAPEX	-29	-19	-28	-31	-33	-36	-39	-42	-46	-48	-49
Working capital	-6.3	-3.9	-4.4	-3.5	-3.6	-3.7	-3.7	-3.8	-3.9	-4.1	-4.3
FCF	34	43	35	33	31	29	26	23	20	17	16
PV FCF	34	40	30	26	23	20	17	13	11	9	
WACC	6.8%	7.1%	7.3%	7.5%	7.6%	7.8%	7.9%	7.9%	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	2.0%
PV FCF	223
Net debt	182
Other adjustments	0
Value per share (PLN)	5.89

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	9.35
DCF Val.	50%	5.89
Implied Price		7.62
Cost of equity (9M)		6.3%
9M Target Price		8.10

Property Developers

Atal

accumulate (no change)

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Atal's 2019 Q2 results missed market expectations because of one-time costs, but with low closing numbers the quarter plays a marginal part in shaping FY profits. The sales margin for H1 2019 amounted to 26.1%, and we expect a higher margin in H2. The delay of several projects from Q3 to Q4 indicates Atal may have to postpone a number of completions originally scheduled for 2019 to 2020, which would mean a miss relative to our current FY estimates. Nevertheless the outlook for 2020-21 remains strong looking at this year's pre-sales numbers. Atal is able to break ground on new residential projects at a faster rate than most competition, as evidenced by a 60% increase in the listed inventory available as of 30 June compared to June 2018 (vs. a 3% average rise registered by other listed developers). Sales of listed off-plan homes increased by 36% y/y in Q3, and the ytd sales volume was 28% higher than in 9M 2018 and 13% higher than in 9M 2017. As a result, Atal has again raised its FY2019 sales guidance to 3,000 units (vs. 2,400 in 2018 and close to 2,800 in 2017). In 9M 2019 it fulfilled 77% of the new target. Even in our scenario of 2,800 homes sold in 2019, followed by relatively slow sales growth in subsequent years, at the current level 1AT stock offers high dividend yield at an average 12%. We maintain our accumulate call on Atal.

Current Price

34.50 PLN

Upside

9M Target Price

41.89 PLN

+21.4%

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

Key Metrics	1AT PW	1M Price Chng	1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	-1.1%	-0.1%
ISIN	PLATAL000046	YTD Price Chng	+34.5%	+37.5%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.6m
MC (PLN m)	1,335.7	ADTV 6M		PLN 0.4m
EV (PLN m)	1,654.3	EV/EBITDA 12M fwd	7.6	-3.7%
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	7.8	6.7	7.4	7.7	7.0
P/B	1.7	1.6	1.6	1.5	1.5
EV/EBITDA	6.9	6.4	7.0	7.3	6.7
DPS	1.68	3.54	4.70	4.26	4.06
DYield	4.9%	10.3%	13.6%	12.3%	11.8%
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%

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		
	19P	20P	21P	19P	20P	21P
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 is guiding for a 43% y/y increase in 2019 Q3 closings to 839 units, indicating higher profits compared to a low year-ago base despite lower margins likely generated on the homes completed in the period. Based on current projects, we expect relatively stable financial profits of approximately PLN 230m in 2019-21, peaking at >PLN 250m in 2020. After listing 50% of the 3,900 homes set to be listed this year in the first six months, DOM had a 13% higher inventory at 30 June than in June 2018. On the other hand, land purchases are not going as well as planned, in particular in Warsaw, where residential land is in limited supply and expensive. Nevertheless DOM is watching the market for new purchase opportunities, and it is in talks to close several deals soon, leading us to expect a more diversified Warsaw land bank by 2020.

Current Price	82.00 PLN	Downside
9M Target Price	81.10 PLN	-1.1%

	rating	target price	issued
unchanged	hold	81.10 PLN	2019-09-05

Key Metrics	DOM PW	1M Price Chng	DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	-0.7%	+0.4%
ISIN	PLDMDVL00012	YTD Price Chng	+52.0%	+55.0%
Outst. Stock (m)	25.1	ADTV 1M		PLN 0.1m
MC (PLN m)	2,055.6	ADTV 6M		PLN 0.3m
EV (PLN m)	2,355.5	EV/EBITDA 12M fwd	7.7	-13.3%
Free Float	25.2%	EV/EBITDA 5Y avg	8.9	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,405	1,654	1,690	1,816	1,784
Gross profit	386	455	461	489	467
Gross margin	27.5%	27.5%	27.3%	26.9%	26.2%
EBIT	235	282	293	313	285
Net income	191	227	236	251	228
P/E	10.7	9.0	8.7	8.2	9.0
P/B	2.0	2.0	1.9	1.9	2.0
EV/EBITDA	8.7	7.3	7.7	7.5	8.4
DPS	5.05	7.60	9.05	9.40	10.02
DYield	6.2%	9.3%	11.0%	11.5%	12.2%
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%
Closings			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,929	3,633	3,525	3,414	3,784
Revenue/unit (PLN k)	480	455	479	532	471
SG&A	138	162	160	167	173
SG&A/Sales	9.9%	9.8%	9.5%	9.2%	9.7%
EBIT margin	16.8%	17.1%	17.3%	17.2%	16.0%
Net profit margin	13.6%	13.7%	13.9%	13.8%	12.8%
Cash	331	317	276	266	254
Net debt	64	78	300	374	437
Net debt/Equity	6%	7%	28%	35%	42%
Inventory	1,989	2,114	2,594	2,601	2,587
Inventory/Sales	142%	128%	154%	143%	145%
Earnest money deposits	568	625	765	665	615
Deposits/Inventory	29%	30%	29%	26%	24%
Equity	1,002	1,046	1,060	1,075	1,052
ROE	20.5%	22.7%	22.5%	23.7%	21.2%

Cash Flow Summary

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	198	233	12	174	202
D&A	7	10	13	12	12
Working capital	-9	-1	-226	-93	-41
Investing cash flow	-213	-43	-34	0	-10
CAPEX	-8	-11	-10	-10	-10
Financing cash flow	-120	-187	-45	-173	-205
Dividends	-126	-190	-227	-236	-251

Relative Valuation Summary

	P/BV			P/E		
	19P	20P	21P	19P	20P	21P
Minimum	0.67	0.63	0.61	5.0	5.5	6.6
Maximum	1.61	1.60	1.54	7.6	8.0	9.2
Median	0.99	0.97	0.98	5.9	7.3	7.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,690	1,816	1,784	1,683	1,616	1,648	1,681	1,714	1,749	1,784	1,819
EBITDA	302	323	294	233	211	213	217	221	226	230	234
EBITDA margin	17.9%	17.8%	16.5%	13.8%	13.0%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%
D&A	10	10	10	10	10	10	10	10	10	10	10
EBIT	293	313	285	223	201	204	208	212	216	220	225
Tax	56	59	54	42	38	39	39	40	41	42	43
NOPLAT	237	254	231	181	163	165	168	172	175	179	182
CAPEX	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10
Working capital	-226	-93	-41	21	21	-9	-9	-9	-9	-9	-9
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	11	161	189	202	184	156	159	163	166	170	173
PV FCF	10	146	159	157	133	104	99	94	89	84	
WACC	8.0%	7.9%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,564
Adj. net debt*	305
Other adjustments	227
Value per share (PLN)	90

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	53.20
Relative (DYield)	17%	80.90
DCF	50%	90.12
Cost of equity (9M)		6.3%
9M Target Price		81.10

Retail

AmRest

accumualte (downgraded)

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AmRest generated strong earnings in Q2 2019 ahead of market expectations. Like-for-like sales improved across all geographic markets in the period, and effective cost and sales management helped to achieve better margins on restaurants in Poland, Hungary, and China. On the other hand, restaurants in Spain and the Czech Republic experienced a squeeze on margins due to higher costs of labor. AmRest aims to complete the post-merger reorganization of Sushi Shop (which in 2018 was reported to have generated EBITDA margin of 15%, higher than the average achieved by AmRest) in 2019. We expect further sales growth in Q3 2019, resulting in strong EBITDA expansion supported by positive base effects. Nevertheless we downgrade EAT from buy to accumulate after September share price gains, with the target price intact at PLN 48.00.

Current Price

44.05 PLN

Upside**9M Target Price**

48.00 PLN

+9.0%

	rating	target price	issued
new	accumulate	48.00 PLN	2019-10-07
old	buy	48.00 PLN	2019-04-02
Key Metrics		EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	+3.6% +4.7%
ISIN	ES0105375002	YTD Price Chng	+10.1% +13.1%
Outst. Stock (m)	219.6	ADTV 1M	PLN 4.6m
MC (PLN m)	9,671.4	ADTV 6M	PLN 2.5m
EV (PLN m)	12,197.9	EV/EBITDA 12M fwd	11.0 +0.4%
Free Float	31.1%	EV/EBITDA 5Y avg	10.9 premium

Earnings Projections (adjusted for IFRS 16)

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	49.0	50.5	41.4	30.2	21.5
P/B	7.1	5.3	4.7	4.1	3.4
EV/EBITDA	17.8	17.0	13.9	11.1	8.7
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 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	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 buy (no change)

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CCC stock experienced a lot of volatility over the past month, with a rebound in September after the announcement of curbed store expansion plans to improve profitability amid good shopping weather followed by a sell-off on weaker-than-expected 2019 Q3 results released at the beginning of October. The miss on quarterly EBIT relative to our FY expectations was about 5% in what is seasonally the least significant quarter, and we see sustained discipline on quarterly SG&A expenses as a more meaningful predictor of CCC's future performance. Combined with higher sales and positive base effects, the savings are expected to drive profits higher in Q4 2019. Note that Q3 2019 was the second consecutive quarter of increasing sales profits after a two-year break, and we anticipate continuing expansion in future quarters.

Current Price	127.70 PLN	Upside
9M Target Price	161.00 PLN	+26.1%

	rating	target price	issued
unchanged	buy	161.00 PLN	2019-09-05

Key Metrics	CCC PW	1M Price Chng	CCC PW	vs. WIG
Ticker	PLCCC0000016	YTD Price Chng	-33.8%	-30.8%
ISIN		ADTV 1M		PLN 26.8m
Outst. Stock (m)	41.1	ADTV 6M		PLN 21.2m
MC (PLN m)	5,251.9	EV/EBITDA 12M fwd	7.2	-51.6%
EV (PLN m)	6,424.4	EV/EBITDA 5Y avg	14.8	discount
Free Float	59.4%			

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	284	134	123	267	302
P/E	18.5	39.2	42.7	19.7	17.4
P/B	4.8	5.1	4.7	4.0	3.8
EV/EBITDA	11.5	18.4	15.3	10.3	8.0
DPS	2.47	2.30	0.48	2.00	2.00
DYield	1.9%	1.8%	0.4%	1.6%	1.6%
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%

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 hold (no change)

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Shares in Dino traded mostly sideways in September. In Q2 2019, the Retailer generated strong like-for-like sales growth and improved sales margins enough to more than offset higher costs of materials and utilities. In a favorable market, underpinned by positive base effects, we expect to see lfi growth in the low single digits through Q1 2020, resulting in continuing expansion in EBITDA margins. In 2019, we expect to see y/y EBITDA margin expansion by 0.2pp to 9.5%, accompanied by EBITDA growth by an estimated 34.6% to PLN 728m. The rate of store expansion registered in 2019 Q3 at 25.4% was consistent with our 26% forecast for the full year. The cost and labor pressures expected to continue into 2020 will most likely be mitigated by increasing sales effectiveness. DNP stock looks to us to be fairly valued at the current level.

Current Price

150.60 PLN

Downside

9M Target Price

149.20 PLN

-0.9%

	rating	target price	issued
unchanged	hold	149.20 PLN	2019-08-23

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	-1.7%	-0.6%
ISIN	PLDINPL00011	YTD Price Chng	+57.1%	+60.1%
Outst. Stock (m)	98.0	ADTV 1M		PLN 26.2m
MC (PLN m)	14,764.8	ADTV 6M		PLN 22.1m
EV (PLN m)	15,462.6	EV/EBITDA 12M fwd	17.4	+8.6%
Free Float	48.9%	EV/EBITDA 5Y avg	16.0	premium

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,463	5,839	7,698	10,072	12,616
EBITDA	389	541	738	974	1,228
EBITDA margin	8.7%	9.3%	9.6%	9.7%	9.7%
EBIT	303	429	582	784	993
Net income	214	308	407	560	730
P/E	69.1	48.0	36.3	26.3	20.2
P/B	16.3	12.2	9.1	6.7	5.0
EV/EBITDA	39.2	28.3	20.9	15.7	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
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	1,514	1,814
Total store area (ksqm)	295	376	474	593	716
Avg. store area (sqm)	381	385	388	391	395
Sales margin	23.3%	24.2%	24.8%	25.0%	25.1%
Stores per distr. center	258	244	305	303	302
Operating cash flow	497	643	889	1,138	1,364
D&A	86	112	157	190	235
Working capital	131	125	280	295	310
Investing cash flow	-402	-634	-862	-906	-1,050
CAPEX	-411	-636	-862	-906	-1,050
Financing cash flow	41	82	213	-186	-36
Dividends/Buyback	31	174	141	0	47
FCF	50	-55	45	206	290
FCF/EBITDA	13%	-10%	6%	21%	24%
OCF/EBITDA	128%	119%	120%	117%	111%

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019P	2020P	2021P
Days inventory	39.3	36.7	37.0	37.1	37.2
Days receivables	3.1	2.4	3.2	3.2	3.2
Days payables	86.5	94.2	94.2	96.2	97.2
CCC (days)	-44.1	-55.0	-54.0	-55.9	-56.9
SG&A/Sales	16.6%	16.9%	17.2%	17.2%	17.2%
Net debt (PLN m)	485	565	698	552	321
Net debt/EBITDA (x)	1.2	1.0	0.9	0.6	0.3

Relative Valuation Summary

	PEG			P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P	19P	20P	21P
Minimum	-72.3	-74.9	-74.5	10.7	8.1	8.3	5.5	4.8	4.6
Maximum	1.4	1.3	1.2	28.8	20.2	18.2	13.0	12.1	11.0
Median	1.1	1.0	0.9	14.5	12.8	11.9	7.9	7.1	6.9
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	1,514	1,814	2,134	2,414	2,654	2,894	3,134	3,374	3,614	3,614
Sales/sqm	1,510	1,574	1,606	1,603	1,587	1,573	1,563	1,562	1,561	1,560	1,560
SG&A/Sales	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%	17.3%	17.3%	17.3%	17.3%	17.3%
Revenue	7,698	10,072	12,616	15,062	17,328	19,310	21,196	23,212	25,261	27,345	27,345
EBITDA	728	964	1,218	1,458	1,680	1,878	2,049	2,248	2,453	2,642	2,652
EBITDA margin	9.5%	9.6%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%
EBIT	582	784	993	1,185	1,362	1,516	1,643	1,799	1,957	2,118	2,118
Tax	111	157	199	237	272	303	329	360	391	424	1,854
CAPEX	-862	-906	-1,050	-1,120	-1,069	-1,182	-1,145	-1,257	-1,343	-534	-534
Working capital	280	295	310	311	264	231	220	235	239	-318	-318
FCF	45	206	290	422	613	634	805	876	968	1,376	1,417
PV FCF	41	171	221	297	396	377	440	440	447	584	
WACC	8.6%	8.6%	8.7%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
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

(EUR m)	
Beta	1.0
FCF perp. growth rate	3.0%
PV FCF	10,385
Net debt	565
Other adjustments	0
Value per share (EUR)	134.97

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	145.20
DCF Val.	50%	134.97
Implied Price		140.09
Cost of equity (9M)		6.5%
9M Target Price		149.20

Eurocash reduce (no change)

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Eurocash generated strong earnings in Q2 2019 slightly ahead of market expectations, with the Wholesale segment registering further strong growth in EBITDA and Retail benefitting from the Easter Effect. Year-over-year earnings expansion was curbed by costs of employee bonuses and investment in new projects. We expect further growth in Q3, supported by positive base effects, though the EBITDA figure for the period might be affected by discontinued business relationship worth an estimated PLN 600m in yearly sales and 3-4% in annual EBITDA. The positive trends in Wholesale are expected to continue in upcoming quarters. The completion of reorganization in Retail should bring improving EBITDA margins in the segment from 2020. Finally, Eurocash might become a beneficiary of Poland's planned minimum wage hikes due to their potentially destructive impact on smaller competition.

Current Price	19.67 PLN	Downside
9M Target Price	18.10 PLN	-8.0%

	rating	target price	issued
unchanged	reduce	18.10 PLN	2019-09-05

Key Metrics	EUR PW	1M Price Chng	EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-7.7%	-6.6%
ISIN	PLEURCH00011	YTD Price Chng	+18.5%	+21.5%
Outst. Stock (m)	139.2	ADTV 1M		PLN 7.9m
MC (PLN m)	2,737.3	ADTV 6M		PLN 4.3m
EV (PLN m)	3,063.9	EV/EBITDA 12M fwd	7.2	-29.2%
Free Float	53.0%	EV/EBITDA 5Y avg	10.1	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,814	22,833	23,640	23,711	24,135
EBITDA adj.	440	361	374	375	401
EBITDA margin	2.1%	1.6%	1.6%	1.6%	1.7%
EBIT	38	214	158	181	217
Net income	85	67	72	102	144
P/E	32.3	40.9	38.0	26.9	19.0
P/B	2.7	2.6	2.6	2.4	2.3
EV/EBITDA	7.2	8.8	8.2	7.8	6.7
DPS	0.80	0.76	1.00	0.26	0.37
DYield	4.1%	3.9%	5.1%	1.3%	1.9%
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%	101%	97%	99%

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

	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 (upgraded)

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Shares in Jeronimo Martins took an upward shift on 2019 Q2 results, showing 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 in the latter part of the year is likely to stay in the high-single digits amid supportive market conditions. Jeronimo is slated to release 2019 Q3 earnings on 23 October. The Company has reiterated plans to open 110 new Biedronka stores net, and confirmed a 2019 CAPEX budget of EUR 700-750m. We upgrade JMTEUR from reduce to hold after a September share price fall, with the target price maintained at an unchanged level.

Current Price

14.92 EUR

Downside

9M Target Price

14.30 EUR

-4.1%

	rating	target price	issued
new	hold	14.30 EUR	2019-10-07
old	reduce	14.30 EUR	2019-09-05
Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-6.0% -4.9%
ISIN	PTJMT0AE0001	YTD Price Chng	+48.9% +51.9%
Outst. Stock (m)	629.3	ADTV 1M	EUR 14.3m
MC (EUR m)	9,385.9	ADTV 6M	EUR 12.7m
EV (EUR m)	9,780.4	EV/EBITDA 12M fwd	8.8 -7.1%
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	24.3	23.4	21.2	19.0	18.1
P/B	5.2	5.3	4.8	4.4	4.0
EV/EBITDA	10.3	10.1	9.3	8.4	7.9
DPS	0.69	0.64	0.27	0.29	0.30
DYield	4.6%	4.3%	1.8%	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 hold (downgraded)

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LPP stock rebounded in September on the final 2019 Q2 earnings figures, with EBIT topping the preliminary estimate, and on a pledge to accelerate store expansion to include more Sinsay stores. On the other hand, the preliminary Q3 results published earlier this month missed market estimates and fell short of our expectations on higher SG&A expenses, which increased instead of falling in terms of zlotys per square meter of store area. Given negative base effects, SG&A will probably show further growth in the quarters ahead. The outlook for FY2020 is currently clouded by a high USDPLN exchange rate, which affects costs of merchandise, and by the planned minimum wage hikes in Poland. We downgrade LPP from buy to hold to reflect a recent rally, with an unchanged target price.

Current Price	7,950.00 PLN	Upside
9M Target Price	8,500.00 PLN	+6.9%

	rating	target price	issued
new	hold	8,500.00 PLN	2019-10-07
old	buy	8,500.00 PLN	2019-09-05
Key Metrics		LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	+10.8% +11.9%
ISIN	PLPPP0000011	YTD Price Chng	+2.1% +5.0%
Outst. Stock (m)	1.9	ADTV 1M	PLN 23.8m
MC (PLN m)	14,726.8	ADTV 6M	PLN 17.9m
EV (PLN m)	13,988.9	EV/EBITDA 12M fwd	9.0 -33.4%
Free Float	69.5%	EV/EBITDA 5Y avg	13.5 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	1,259	1,408	1,569
EBITDA margin	12.4%	13.7%	13.7%	13.6%	13.5%
EBIT	578	757	851	916	999
Net income	441	505	677	750	820
P/E	33.4	29.2	21.7	19.6	18.0
P/B	6.0	5.1	4.3	3.6	3.1
EV/EBITDA	16.5	12.6	11.1	9.9	8.6
DPS	35.71	39.96	59.97	78.34	61.29
DYield	0.4%	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 generated strong earnings in Q2 2019 slightly ahead of market expectations. The quarterly gross margin expanded by 1.4pp to 53.5%, driven by improved pricing at fashion stores and higher sales of silver pieces at jewelry stores. In H2 2019, margin improvement will be additionally supported by sourcing synergies, favorable USDPLN movements, which are relevant to costs of fashion collections, and rising prices of gold and silver, which influence the profits of the jewelry business. In September, VRG registered declining like-for-like sales growth across all of its fashion lines, possibly indicating cool reception of the 2019 autumn/winter collections among shoppers. The sales margin for the month retreated as well, down by 0.1pp on the year, and with the pace of ytd margin expansion at ca. 0.9pp the FY2019 growth target is not likely to be raised any more this year. Much depends on the sales results for October. On the whole, however, we believe VRG is on track to generating record earnings in 2019, fueled by organic expansion and merger synergies. The strong momentum will probably continue into 2020 with sustained EBITDA growth in the double digits.

Current Price

4.15 PLN

Upside

9M Target Price

5.20 PLN

+25.3%

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

Key Metrics	VRG PW	1M Price Chng	VRG PW	vs. WIG
Ticker	VRG PW	1M Price Chng	-3.9%	-2.9%
ISIN	PLVSTLA00011	YTD Price Chng	+2.7%	+5.7%
Outst. Stock (m)	234.5	ADTV 1M		PLN 0.9m
MC (PLN m)	973.0	ADTV 6M		PLN 0.9m
EV (PLN m)	1,024.4	EV/EBITDA 12M fwd	6.9	-21.2%
Free Float	46.5%	EV/EBITDA 5Y avg	8.7	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	16.7	18.2	13.2	11.5	10.3
P/B	1.3	1.2	1.1	1.0	0.9
EV/EBITDA	10.5	11.6	8.3	7.0	6.1
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 payments + 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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A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
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Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

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

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

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

Comparable Companies Used In Relative Valuation Models

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, Voxx Net-a-Porter, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
CEZ, Enea, Energia, PGE, Tauron	CEZ, EDF, EDP, Endesa, Enea, Enel, Energia, 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, Alumetal, 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, Bukit 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, Nissin 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, Energia, 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 Polska, Rostelecom, 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, Pfleiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmorin, 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	underweight	neutral	overweight
Rating date	2019-08-30	2019-03-22	2018-11-30
Target price (PLN)	-	-	-
Price on rating day	43.60	48.50	41.50

Agora

Rating	buy
Rating date	2018-11-27
Target price (PLN)	16.00
Price on rating day	9.50

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	neutral	underweight	underweight	neutral	neutral
Rating date	2019-10-07	2019-08-30	2019-05-29	2019-04-15	2019-03-28
Target price (PLN)	-	-	-	-	-
Price on rating day	51.00	51.00	51.00	51.00	51.00

Amica

Rating	neutral	neutral	overweight
Rating date	2019-09-20	2019-04-29	2019-04-02
Target price (PLN)	-	-	-
Price on rating day	118.00	130.00	143.00

AmRest

Rating	accumulate	buy	accumulate	buy	accumulate
Rating date	2019-10-07	2019-04-02	2019-03-05	2018-12-05	2018-11-05
Target price (PLN)	48.00	48.00	46.00	46.00	41.20
Price on rating day	44.05	41.20	41.40	39.60	40.00

Apator

Rating	neutral	neutral	overweight	overweight	neutral	underweight
Rating date	2019-09-20	2019-04-29	2019-03-05	2019-02-27	2019-01-30	2018-12-05
Target price (PLN)	-	-	-	-	-	-
Price on rating day	22.60	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
Rating date	2019-06-03	2019-03-05	2019-02-04	2018-12-05
Target price (PLN)	50.80	53.00	51.20	49.60
Price on rating day	51.10	54.30	48.00	48.30

Asseco SEE

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

Astarta

Rating	overweight
Rating date	2019-09-05
Target price (PLN)	-
Price on rating day	23.00

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	underweight	neutral
Rating date	2019-09-20	2019-07-26	2019-04-29
Target price (PLN)	-	-	-
Price on rating day	4.54	4.49	4.65

Budimex

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	119.40

Capital Park

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

CCC

Rating	buy	hold	buy	buy	buy	buy
Rating date	2019-09-05	2019-06-06	2019-04-02	2019-02-04	2018-12-05	2018-11-05
Target price (PLN)	161.00	161.00	275.00	291.00	288.00	272.00
Price on rating day	131.90	153.80	217.00	178.80	204.60	173.60

CD Projekt

Rating	accumulate	accumulate	accumulate	accumulate	buy	reduce
Rating date	2019-09-05	2019-05-09	2019-04-02	2019-02-04	2018-11-23	2018-10-16
Target price (PLN)	272.50	237.50	221.00	217.70	170.40	136.60
Price on rating day	251.30	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	buy	hold	buy	buy	buy	buy	buy
Rating date	2019-09-05	2019-07-03	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-11-05
Target price (PLN)	42.03	41.72	55.00	68.11	68.66	75.82	77.05
Price on rating day	34.00	41.60	42.65	44.85	54.80	52.40	42.58

Cognor

Rating	accumulate	hold	accumulate	accumulate	overweight	neutral	underweight	neutral
Rating date	2019-09-05	2019-07-25	2019-07-03	2019-06-14	2019-06-03	2019-05-09	2019-03-05	2018-12-05
Target price (PLN)	2.00	1.84	1.84	1.79	-	-	-	-
Price on rating day	1.65	1.75	1.77	1.64	1.60	1.59	1.94	1.80

Comarch

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

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

Develia

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	2.55

Dino

Rating	hold	sell	sell	reduce	hold	accumulate	buy
Rating date	2019-08-23	2019-08-13	2019-08-02	2019-04-02	2019-02-04	2018-12-05	2018-11-05
Target price (PLN)	149.20	111.20	112.70	112.70	105.90	106.30	103.50
Price on rating day	149.60	135.90	143.80	126.10	100.30	100.40	84.70

Dom Development

Rating	hold	hold	hold	hold	accumulate	buy
Rating date	2019-09-05	2019-07-03	2019-06-06	2019-04-02	2019-02-04	2018-12-05
Target price (PLN)	81.10	79.80	82.65	84.40	84.10	84.10
Price on rating day	84.00	77.40	82.00	80.80	75.00	66.00

Echo

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

Elektrobudowa

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	32.00

Elektrotim

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

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

Erbud

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	9.64

Ergis

Rating	neutral	neutral	overweight	overweight	underweight
Rating date	2019-08-30	2019-05-29	2019-04-29	2019-02-27	2018-12-05
Target price (PLN)	-	-	-	-	-
Price on rating day	2.48	3.00	3.00	2.75	2.80

Erste Group

Rating	buy	buy	buy
Rating date	2019-08-28	2019-02-04	2018-12-05
Target price (EUR)	40.38	43.72	46.18
Price on rating day	30.03	31.00	34.41

Eurocash

Rating	reduce	hold	reduce	reduce	sell	reduce	hold
Rating date	2019-09-05	2019-08-02	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-12-05
Target price (PLN)	18.10	18.10	18.10	18.90	18.90	17.90	18.20
Price on rating day	20.62	18.60	19.31	21.00	22.58	20.13	18.00

Famur

Rating	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-08-07	2019-08-02	2019-07-03	2019-06-03	2019-05-09	2019-02-04	2018-11-30
Target price (PLN)	5.33	6.71	6.96	6.67	6.90	6.61	6.41
Price on rating day	4.42	4.47	5.24	4.85	4.82	4.98	5.58

Forte

Rating	neutral	neutral	neutral
Rating date	2019-09-20	2019-04-29	2018-10-31
Target price (PLN)	-	-	-
Price on rating day	40.60	40.60	40.60

Getin Noble Bank

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

Grupa Azoty

Rating	hold	hold	hold	accumulate	accumulate	buy	hold	hold	buy
Rating date	2019-10-07	2019-09-05	2019-08-02	2019-07-03	2019-06-03	2019-05-09	2019-03-05	2018-11-23	2018-11-05
Target price (PLN)	34.09	39.77	45.93	45.93	44.42	45.39	43.20	33.00	31.47
Price on rating day	31.18	39.98	42.30	42.10	39.86	35.92	43.88	32.36	24.00

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	suspended	underweight	neutral
Rating date	2019-08-30	2019-04-25	2018-12-05
Target price (PLN)	-	-	-
Price on rating day	4.22	4.16	3.40

ING BSK

Rating	hold	accumulate	hold	reduce	hold	accumulate	buy	accumulate
Rating date	2019-10-07	2019-09-05	2019-08-02	2019-07-03	2019-02-01	2018-12-05	2018-11-05	2018-10-04
Target price (PLN)	197.53	197.53	191.80	191.80	191.80	199.63	200.00	200.00
Price on rating day	194.80	187.40	189.80	203.50	191.40	183.60	166.00	181.00

Jeronimo Martins

Rating	hold	reduce	hold	accumulate	hold	buy	buy
Rating date	2019-10-07	2019-09-05	2019-05-09	2019-04-02	2019-03-05	2019-02-04	2018-12-05
Target price (EUR)	14.30	14.30	14.30	14.10	13.60	14.60	14.50
Price on rating day	14.92	15.88	13.89	13.15	13.40	12.38	10.60

JSW

Rating	buy	accumulate	hold	reduce	hold	reduce	reduce	sell
Rating date	2019-09-05	2019-07-03	2019-05-09	2019-03-25	2019-02-20	2019-02-04	2018-12-05	2018-11-26
Target price (PLN)	39.29	50.02	54.80	54.80	60.68	60.68	59.14	59.14
Price on rating day	26.50	47.00	49.86	62.50	59.96	68.30	71.20	72.56

JWC

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

Kernel

Rating	reduce	reduce	buy	buy	buy
Rating date	2019-10-07	2019-08-19	2019-06-03	2019-03-05	2018-11-05
Target price (PLN)	40.76	42.70	58.63	62.86	60.85
Price on rating day	42.90	48.60	46.50	49.20	52.10

Grupa Kęty

Rating	hold	hold	hold	reduce	hold	hold	reduce	sell
Rating date	2019-10-07	2019-09-05	2019-07-03	2019-06-03	2019-04-02	2019-01-18	2018-12-05	2018-10-29
Target price (PLN)	298.64	327.11	345.32	326.37	341.33	324.30	309.30	309.30
Price on rating day	283.00	310.00	337.00	347.50	324.00	336.50	343.00	365.50

KGHM

Rating	hold	reduce	hold	hold	hold	hold	hold	hold
Rating date	2019-08-22	2019-08-05	2019-07-03	2019-06-03	2019-04-02	2019-02-04	2018-12-05	2018-10-15
Target price (PLN)	77.51	80.38	98.35	91.71	105.57	92.41	84.56	87.99
Price on rating day	74.90	87.78	101.70	95.00	109.40	94.16	92.60	85.40

Komerční Banka

Rating	buy	accumulate	buy	accumulate
Rating date	2019-08-28	2019-08-02	2019-05-09	2018-12-05
Target price (CZK)	945.02	1000.00	1000.00	1000.00
Price on rating day	817.00	872.00	873.00	906.50

Kruk

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

Kruszwica

Rating	overweight	overweight	neutral	neutral
Rating date	2019-10-07	2019-09-20	2019-04-02	2018-10-16
Target price (PLN)	-	-	-	-
Price on rating day	44.40	43.00	43.90	43.90

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

LPP

Rating	hold	buy	accumulate	accumulate	hold	buy	accumulate	buy
Rating date	2019-10-07	2019-09-05	2019-07-03	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05
Target price (PLN)	8,500.00	8,500.00	8,500.00	8,300.00	8,400.00	9,300.00	9,300.00	9,300.00
Price on rating day	7,950.00	7,280.00	7,745.00	7,335.00	8,405.00	7,990.00	8,370.00	7,730.00

Mangata

Rating	neutral	neutral	neutral	neutral
Rating date	2019-09-20	2019-05-29	2019-05-09	2019-04-29
Target price (PLN)	-	-	-	-
Price on rating day	66.00	69.50	69.00	71.00

Millennium

Rating	reduce	buy	accumulate	accumulate	hold	reduce
Rating date	2019-10-07	2019-08-02	2019-02-01	2018-11-14	2018-11-05	2018-10-04
Target price (PLN)	5.18	10.00	10.00	10.10	8.40	8.40
Price on rating day	5.48	7.51	8.82	9.49	8.85	9.27

MOL

Rating	buy	accumulate	hold	hold	hold	hold	hold	accumulate	accumulate
Rating date	2019-10-07	2019-08-02	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-11-15	2018-11-05
Target price (HUF)	3,258.00	3,258.00	3,223.00	3,223.00	3,423.00	3,433.00	3,280.00	3,280.00	3,296.00
Price on rating day	2,826.00	3,004.00	3,276.00	3,278.00	3,250.00	3,284.00	3,206.00	3,088.00	3,006.00

Moneta Money Bank

Rating	buy
Rating date	2019-08-28
Target price (CZK)	94.33
Price on rating day	75.95

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
Rating date	2018-11-26
Target price (PLN)	4.70
Price on rating day	4.66

Orange Polska

Rating	buy	accumulate	hold	buy
Rating date	2019-09-05	2019-08-02	2019-06-19	2018-11-26
Target price (PLN)	7.50	7.50	7.50	6.40
Price on rating day	6.12	6.70	7.29	4.91

OTP Bank

Rating	buy	hold	buy	hold	accumulate
Rating date	2019-08-28	2019-08-02	2019-07-03	2019-04-02	2018-12-05
Target price (HUF)	14,681.00	13,046.00	13,046.00	13,046.00	13,046.00
Price on rating day	12,000.00	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
Rating date	2019-05-09	2019-03-05	2018-12-05
Target price (PLN)	-	66.57	66.57
Price on rating day	66.00	68.80	62.00

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	suspended	underweight	underweight	neutral	neutral	neutral	underweight
Rating date	2019-09-20	2019-07-29	2019-07-26	2019-05-29	2019-04-16	2019-02-27	2019-01-30
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	26.20	28.00	28.00	20.40	25.50	28.40	32.60

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	buy	accumulate	buy	accumulate	hold	hold	buy
Rating date	2019-09-05	2019-08-02	2019-05-28	2019-04-02	2019-03-05	2019-02-04	2018-11-05
Target price (PLN)	6.33	6.33	6.47	6.92	7.08	7.72	7.72
Price on rating day	4.49	5.62	5.58	6.31	6.58	7.63	6.35

PKN Orlen

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

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	buy	hold	accumulate	hold	buy	accumulate	accumulate	hold	buy	buy
Rating date	2019-09-12	2019-09-05	2019-08-02	2019-07-03	2019-05-31	2019-05-09	2019-04-12	2019-02-04	2018-11-26	2018-10-17
Target price (PLN)	33.10	34.20	34.20	29.00	29.00	25.25	26.70	21.30	21.30	21.50
Price on rating day	27.16	33.34	31.22	33.34	25.08	24.42	24.08	22.80	16.54	17.14

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	neutral	overweight
Rating date	2019-09-05	2019-04-29
Target price (PLN)	-	-
Price on rating day	2.14	2.37

PZU

Rating	buy	hold	accumulate	accumulate	hold	accumulate	buy
Rating date	2019-09-05	2019-07-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-11-05
Target price (PLN)	43.38	43.38	43.38	46.50	46.50	46.50	47.50
Price on rating day	36.59	44.35	40.79	42.00	44.66	43.80	40.60

RBI

Rating	accumulate
Rating date	2019-08-28
Target price (EUR)	23.05
Price on rating day	20.44

Ronson

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

Santander Bank Polska

Rating	hold	hold	reduce	hold	hold	accumulate	buy	accumulate
Rating date	2019-10-07	2019-08-02	2019-07-12	2019-06-03	2019-02-01	2018-12-05	2018-11-05	2018-10-04
Target price (PLN)	276.55	337.00	337.00	377.27	388.00	400.00	400.00	400.00
Price on rating day	286.00	319.60	357.20	365.20	373.80	364.80	353.80	367.00

Skarbiec Holding

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

Stelmet

Rating	hold	hold	hold	hold	hold	hold
Rating date	2019-10-07	2019-09-05	2019-07-03	2019-03-05	2019-02-04	2018-11-05
Target price (PLN)	8.10	6.50	7.95	8.36	8.39	7.72
Price on rating day	7.90	6.70	7.00	10.25	8.88	7.50

Tarczyński

Rating	neutral	neutral	neutral	underweight	underweight
Rating date	2019-10-07	2019-09-20	2019-05-29	2019-04-29	2018-12-05
Target price (PLN)	-	-	-	-	-
Price on rating day	16.30	15.90	15.40	15.60	17.50

Tauron

Rating	buy	buy	buy	buy
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-29
Target price (PLN)	2.52	2.89	3.12	3.06
Price on rating day	1.57	2.03	2.37	2.21

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

Trakcja

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

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
Rating date	2019-07-03	2019-02-04	2018-12-05
Target price (PLN)	61.50	61.50	61.50
Price on rating day	61.20	58.40	52.20

ZUE

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

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