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Agora – 2019 Q3 Results

Rating: buy | target price: PLN 17.00 | current price: PLN 10.30

AGO PW; AGO.WA | Media, Poland

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Agora reported a large beat on 2019 Q3 earnings, with EBITDA ex. IFRS 16 impacts coming 15% ahead of our estimate and 25% above the consensus forecast. In our research update last week, we predicted three developments which we said might shift sentiment for the Company this earnings season: (1) a recovery in the Polish cinema market, fueling improvement at the subsidiary theater operator Helios, (2) a reversal in negative revenue trends in the Radio business, and (3) stabilization in the Press segment. The third-quarter results confirmed our assumptions, as a bonus showing an upswing in the Outdoor segment. We expect the stellar Q3 release to lift AGO shares today.

- At PLN 258.9m, 2019 Q3 revenue showed a small beat over our estimate and the consensus forecast.
- EBITDA stripped of IFRS 16 impacts came in at PLN 27.8m, indicating a rebound of a whopping 64% from the comparable year-ago period, and showing a beat of >15% vs. our estimate and >25% versus consensus.
- The positive surprise was owed to the segments of Press & Print (reported jointly for the first time) and Outdoor, where quarterly EBITDA exceeded our estimates by PLN 1.1m and PLN 1.0m, respectively. At the same time, intercompany eliminations came out lower than forecast.
- EBITDA ex. IFRS 16 in Movies & Books soared 26.4% y/y to PLN 18.7m versus an operating loss of PLN 3.6m posted in the previous quarter. Helios was the main driver in the period, with ticket sales up 33% from a high year-ago base. The average price per ticket was lower than in Q3 2018, but at the same time average concession sales per customer remained stable.

2019 Q3 actual segmental results vs. estimates

(PLN m)	Q3'19	Q3'19E
Press	0.8	0.2
Movies & Books	18.7	18.5
Outdoor	9.9	8.8
Internet	5.6	6.1
Radio	3.6	3.6
Print	0.3	-0.1
Eliminations	-11.1	-13.0
Total	**27.8**	**24.2**

Source: Agora, E - estimates by Dom Maklerski mBanku

- The Radio segment increased profits in Q3 for the first time in a long time, with EBITDA coming at PLN 3.6m on 13% higher revenue.
- The joint EBITDA of PLN 1.1m generated by Press & Print came as a big positive surprise, offering hope for sustained growth in the periods ahead.
- Finally, the Outdoor segment achieved 41% higher y/y EBITDA on 12.9% higher revenue.
- Agora says the trends in the advertising market are "mixed." The biggest rebound in Q3 was registered by Radio and Outdoor. The Company seems to have an optimistic view on the medium-term prospects of Helios.

2019 Q3 actuals vs. expectations

(PLN m)	Q3'19	Q3'18	change	Q3'19E	differ.	consensus	differ.
Revenue	293.3	258.9	13.3%	285.4	2.8%	271.6	8.0%
EBITDA ex. IFRS16	27.8	17.0	63.6%	24.1	15.4%	22.2	25.2%
EBITDA margin	9.5%	6.6%	-	8.4%	-	8.2%	-
EBIT	8.3	-4.1	-	1.5	-	0	-
Pre-tax profit	-1.8	-4.4	-	2.0	-	-	-
Net profit	-3.1	-3.7	-	1.6	-	-	-

Source: Agora, E - estimates by Dom Maklerski mBanku; Consensus estimates provided by PAP mBank Dom Maklerski

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

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

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