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Equity Market in 2020: An Investment Strategy

Equity Market

The broad consensus today as traders look at an improving outlook signaled by leading economic indicators seems to be that we might be seeing the end of the third mini-cycle of the current expansion. Markets are currently giving good odds on a 'phase-one' trade deal between China and the US which will at worst maintain the status quo and prevent further escalation of the conflict. The phase-one scenario is the driver behind 10% 2020 EPS growth forecasts for the S&P500 and DAX, which, with bond yields as low as they are, justify the US market's current P/E at 20.8x.

Our own view on the future of the global trade relations is more skeptical. The future developments in the US-China negotiations are a critical factor that will shape the global economic patterns in 2020. Looking at the big picture, we are not convinced that the two sides are capable of a compromise to actually shift the momentum towards an upward direction. More likely, we will see an escalation of tensions in the months to come, and with the markets having priced in the optimistic scenario of a partial tariff removal this could send markets into a tailspin. As we see it, the risk-reward payoff at the moment points to an underweight allocation in equities.

The WIG index has been one of the worst underperformers this year as it remains squeezed by a shortage of flows from domestic funds, and has to rely on passive investing by ETFs (which exposes Polish equities to shifts in global sentiment). The internal risk factors can be expected to continue hurting domestic equity valuations moving forward. If our 2020 GDP prediction at 2.8% proves accurate, we will see further contraction in the already-challenged earnings of local companies, accompanied by forecast downgrades. Our models show that, on 3% higher revenue, the 2020 aggregate net earnings of our coverage universe will not grow in a meaningful way. Banks remain the biggest drag on the Polish stock market.

Only about 35-40% of the employees of Poland's largest enterprises, which are the first group to implement PPK pension schemes, decided not to opt out of the program – a disappointingly low proportion. As a result, we have had to slash our estimate as to next year's total net pension flows (OFE/PPK) from PLN 3bn to around PLN 2bn, with implications for the stock market. An even bigger risk posed by the pension reform, however, are the upcoming transfers of the nation's retirement savings, to date managed by OFE funds, to either individual retirement accounts (IKE), or to the state pension system (ZUS). Poles' reluctance to plan for retirement is baffling, nevertheless it means the market has to accept a smaller liquidity injection.

Against this backdrop, our top idea for 2020 is to go defensive with more recession-resistant bets like telecoms (OPL, PLY) and power utilities (offering exposure to an evolving national energy policy and robust FCF). We also like select technology stocks capable of delivering earnings growth (CMR, ASE), and we see a returns potential in video game developers (CDR, 11B). We also see upside within the beleaguered Polish financial sector in PEO and BHW, i.e. banks with little to no exposure to FX loan risk, offering handsome dividend yields. Outside of Poland, our top pick is the Czech Moneta Money Bank. The near-term outlook for the industrial sector looks gloomy as momentum slows and cost pressures persist, but even here we are able to pick out several attractively-priced ideas such as AMC, CIE, FMF, KSW, STP, and TIM. In Gas & Oil, refiners like PKN Orlen and Lotos do not have much more to offer in terms of upside, but the two more upstream-biased firms, MOL and PGNiG, still have attractive valuations based on underestimated earnings expectations. Last but not least, in Retail, we can recommend CCC footwear and LPP apparel, both set to deliver strong EBITDA growth next year against an economic slowdown, and we have confidence in the chain grocer Dino Polska.

Key Ratings

Positive: 1AT, 11B, AGO, ASE, AST, BHW, CCC, CDR, CEZ, CIE, CMR, DNP, ENA, ENG, FMF, JSW, KSW, KRU, LPP, MOL, MONET, OPL, PGE, PGN, PLY, PEO, TIM, TPE, VRG

Negative: CPS, EUR, LTS, PKP

Rating & 9M TP Changes as of 5 Dec.

Company	Rating	9M TP
11 bit studios	buy ►	454.00 PLN ▼
AC	neutral ►	-
Alumetal	neutral ►	-
Amica	neutral ►	-
AmRest	hold ►	47.00 PLN ▼
Apator	neutral ▲	-
Asseco BS	neutral ►	-
Asseco Poland	hold ►	59.20 PLN ▲
Asseco SEE	overweight ►	-
Astarta	overweight ►	-
Atal	buy ▲	44.90 PLN ▲
Atende	neutral ►	-
Boryszew	neutral ►	-
CCC	buy ►	157.00 PLN ▼
CD Projekt	accumulate ►	281.30 PLN ▲
CEZ	buy ▲	597.80 CZK ►
Ciech	buy ►	44.41 PLN ▲
Cognor	hold ►	1.25 PLN ▼
Dom Dev	hold ►	88.92 PLN ▲
Ergis	suspended -	-
Erste Group	accumulate ▼	36.61 EUR ▼
Famur	buy ►	5.18 PLN ▼
Forte	neutral ►	-
Grupa Azoty	hold ►	32.75 PLN ▼
Grupa Kęty	hold ►	335.44 PLN ▲
Handlowy	accumulate ►	57.44 PLN ▼
ING BSK	hold ►	187.77 PLN ▼
JSW	buy ►	28.04 PLN ▼
Kernel	hold ▲	41.60 PLN ▲
KGHM	hold ►	85.54 PLN ▼
Komercni Banka	buy ►	928.20 CZK ▼
Kruk	buy ►	210.31 PLN ▼
Kruszwica	overweight ►	-
Lotos	reduce ▲	77.80 PLN ▲
LPP	buy ►	10100 PLN ▲
Mangata	neutral ►	-
Millennium	hold ▲	5.47 PLN ▲
Monnari	suspended -	-
Netia	hold ►	4.70 PLN ►
OTP Bank	hold ▼	14681 HUF ►
Pekao	buy ►	115.20 PLN ▼
PKN Orlen	hold ▲	94.17 PLN ►
PKO BP	accumulate ▼	39.50 PLN ▼
PKP Cargo	reduce ►	18.13 PLN ▼
Pozbud	neutral ►	-
PZU	accumulate ▼	41.91 PLN ▼
RBI	accumulate ▲	23.05 EUR ►
Santander BP	hold ▲	265.50 PLN ▼
Skarbiec Holding	buy ►	29.34 PLN ▲
Stelmet	hold ►	8.78 PLN ▲
Tarczyński	suspended -	-
TIM	overweight ►	-
Wirtualna Polska	hold ►	70.00 PLN ▲

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Investing Outlook

Geopolitics to set the economic situation

It is a mistake to consider the trade war, its effects and, above all, the prospects for a lasting agreement which would change the current state of affairs without first analyzing the broader geopolitical context of the USA-China relationship and the processes taking place in China itself. The macro scenario for 2020 (recession/recovery) will be strongly determined by the effects of the USA-China talks. This is why we dedicate so much attention to this subject in our Equity Strategy for the coming year.

Historical background

In China, the power still rests with the Communist Party of China (CPC) guided by "laudable" Leninist slogans, whose main objective is to stay in power in the country of 1.3 billion citizens. Even in the first years of the current decade China has presented itself in the international arena as a "peaceful growth" country, with little engagement in international affairs (Deng Xiaoping's doctrine: *hide your strength, bide your time*). In the Western world, this formed a belief in a systematic democratization of the country and thus in a continued co-operation in the future. The growing impact of Western culture on the society (in particular the Internet) has systematically eroded the CPC's position in the state ("moral sloth"), being further exacerbated by the growing corruption in the local administration equipped with broad competencies (after 1976, a gradual decentralization of power took place). After 2010 the concerned family clans which form the CPC decided that it was time to implement fundamental internal reforms and change the foreign policy. China's exit from the shadows takes place when Western countries are trying to pull themselves together after the financial crisis and the US is still strongly involved in the Middle East and engaged in the war against terrorism. In 2012, the CPC elects Xi Jinping to be its Secretary General, who announces the plan for profound changes in the State (turn to conservative line). The essence of those changes consists in the "two centuries" strategy:

- By 2021 (100th anniversary of the formation of the CPC), China concludes the socio-economic transformation whereby urban middle class is built and becomes a regional power;
- By 2049 (100th anniversary of the establishment of the PRC), China becomes a global superpower.

Xi Jinping's reforms

The main lines of action in Xi Jinping's internal policy implemented after 2012 confirm a thorough reform of the foundations of the state. Their main objective is a strong authority, increasingly focused in the hands of one person, and social control that is to maintain this authority.

Those are, in particular:

- The reorganization of state administration, which boils down to the centralization of power (reduction of local governments' role in the provinces in favor of Beijing, strengthening of CPC's decision-making power and position);
- Under the guise of anti-bribery activities, cleansing in the party and disposal of people hostile to the system (so far, 2.7 million people have been affected);
- Stronger control of the society through an extensive police system and the use of modern technologies including AI and big data (the Social Credit System, which monitors the daily activity of each citizen and assigns each person a score determining its position and rights in society; currently, it covers 200 million people, the first phase of the project to monitor the entire population is to

be introduced in 2020), more severe censorship of the Internet and restrictions on the freedom of expression;

- More in power in the hands of Xi Jinping himself by placing trusted people in key positions in the state (including the army); these activities culminated in the abolition of the limitation on the maximum number of terms of office at the post of the Secretary General;
- A steered economy with extensive market mechanisms, deregulation of sectors, establishment of ministries coordinating the respective economy sectors (inter alia, in terms of environmental protection or development of the weapons industry) as well as a greater link between private business and the state (including through various grants in the areas of strategic importance for the state – one of the areas of conflict with the US);
- Transfer of jobs from industry to services, reduced dependence on export, shortened and domesticated supply chains;
- Huge emphasis on development (including external acquisitions) of new technologies (in 2018, China has patented twice as many inventions in the field of robotics and artificial intelligence as the US and Japan together); the strategy "Made in China 2025", which foresees an increase in the Chinese companies' share in the production of components in high-tech sectors (renewable energy, modern transport, robotics) from current 40% to 70% and identifies mechanisms for obtaining new technologies including the acquisition of foreign companies (area of conflict with the US);
- Stronger political position of the army in the state authorities structure; reorganization of the army (including the establishment of cyber intelligence units, responsible inter alia for the theft of technology – Unit 61398); weapons modernization based on China's own weapons industry (the program is to be completed in 2035);
- The urbanization program, which foresees 250 million people moving from villages to cities; in 2025, no more than 30% of the population would live in rural areas (53.7% in 2013).

The internal changes have made it possible to make a strong shift in China's foreign policy, which caused concern for Western countries. Under Xi Jinping's rule, China presents its own vision of the global economic order, implementing, inter alia, the Belt and Road project and establishing the Asian Infrastructure Investment Bank to finance that project (investment potential: USD 1 trillion). China is developing commodities exchange that does not involve the USD and building its own bank transfer system – equivalent of Elixir [more]. In addition, the Chinese increase their involvement in the South China Sea, thus entering into an open conflict with the US and their allies in the region. Sooner or later, the implementation of China's global superpower strategy must move to the financial market and the USD's position as a global reserve currency. Even today Beijing is gradually reducing its share in the US treasury bonds, while increasing other reserves, including gold. According to the US Treasury Department, in June China held debt securities denominated in USD worth 1.11 trillion. Moreover, it is estimated that Chinese companies hold around 500 billion USD in foreign corporate debt.

Will the US hand over global leader chair?

The policy pursued by Xi Jinping means a collision course with the US, with the Americans having missed the time when change was occurring in China. It was only in 2017 that the US took more aggressive actions. In December that

year, the Congress adopted the National Security Strategy, which explicitly identifies China as a major challenge for the American security and position (enemy). Since then Trump's administration, but also the Congress, have taken a number of measures to put pressure on China, the most spectacular manifestation being the introduction of customs duties. In addition, USA strike China's technology companies (including Huawei) operating in the USA. At the military level, USA increases its involvement in the South China Sea – the draft "South China Sea and East China Sea Sanctions Act" appeared in the Senate. Finally, the Congress and the President accepted a document openly supporting the protesters in Hong Kong just prior to the expected signing of the trade agreement (Phase 1).

What's next?

In our view, from a strategic (long-term) viewpoint, the actions taken by the US are an attempt to curb China on its way to global domination (the matter of trade deficit, for instance, is only a tool). How do you stop a country with the potential of 1.3 billion citizens, which is quickly catching up technologically with the current champion, whose authorities are not restrained by civil rights or ethics (scientific research)? If it is still possible, the US could try to exploit China's "sensitive points". The country's structural problem is the high indebtedness of local authorities and enterprises (in Xi's economic plan this is one of key risk factors, to be removed in subsequent years). For a long time the prevailing opinion was that the decline in GDP growth below 6% poses a risk of increased social unrest. Xi Jinping (who is responsible for the reforms) has built strong authority, yet his position is not absolute (as was the case of Mao Zedong) and depends on the support of the party's elders who elevated him to rule. It seems that the only factor that can actually stop the Chinese plans is the economic crisis, which will lead to social unrest and remove Xi Jinping from power, while weakening the CPC's position, and making it more inclined to make bigger concessions. Achieving this objective will be increasingly difficult as China expands its economic, technological and military potential and social control capabilities. Like every war, this scenario entails costs for the Western world, with Europe being particularly affected. In general, in response to China's long-standing action, US presented demands and aggressively escalated them by imposing subsequent duties and unwilling to step down in negotiations. For "hurt" China, the adoption of such a consensus could be unacceptable.

From the US perspective. As long as stock indices are high, the American economy is doing relatively well, and polls suggest a chance for a re-election, President Trump does not need to make any concessions for the US. In the short term, it is China that has the bigger economic problem (the possible objective in itself for Trump's policy seems to be achieved), while the US benefits from the state of never-ending negotiations or China's approval of the current terms.

From the perspective of China. By introducing customs duties and demanding reforms in relation to intellectual property and market access (including the banking system, which is one of the tools for central control of resource allocation), the US put China's back to the wall. In addition, the Senate unanimously adopted a draft law supporting protesters in Hong Kong. The US' actions so far (including Trump's offensive messages in the media) has led to even more nationalist rhetoric from the authorities in China ("The Great Renaissance of the Chinese Nation") and the society's belief that resistance must be given to the new wave of Western culture's colonialism and that suffered injustice must be avenged. Considering this, it will be politically difficult for Xi Jinping to accept the Americans' terms, in particular when

no concession are made, such as withdrawal from some customs tariffs. It would be easier for China to agree to make concessions where intellectual property is concerned, as this would be hard to monitor later, than to accept customs duties which hit the economy directly. In light of the US' relentlessness, it is more beneficial for China to drag the negotiations (in an attempt to mitigate the effects of the slowdown) than break off (a scenario that would accelerate the recession and potential social unrest).

Would the game aimed at removing Trump from power (lost elections due to the recession appearing in the US as a result e.g. of the breakdown of the talks, among other factors) change anything from China's perspective? The anti-Chinese rhetoric is a common thing among both Republicans and Democrats. Trump's main opponent in the elections, Joe Biden, also presents in its launched election campaign a firm stand that China needs to be opposed. The whole election campaign in the USA may take place under this heading. The cost of this scenario for the Chinese would be an economic crisis, which they are not ready for.

Investors and analysts assume that an agreement will be reached in the short term (Phase 1). Phase 1 does not solve the problem, but will allow the economic slowdown of the recent quarters to be released. The next year's GDP growth rate will depend on whether the duties imposed in 2019 will be withdrawn (at least partially) or maintained. Finding a difficult consensus brings time for both sides. Trump and Xi could then announce the success of negotiations in their respective countries, to be milked politically: Trump at his election rallies, Xi in the game with the party's decision-makers.

In theory, the time for the negotiations ends on 15 December, when the US will introduce customs duties for further products (\$160 billion) – in theory, because the deadline can be extended again as it has already happened in October. It is for Trump to decide whether to drop the bomb on 15 December and push the global economy into recession. From the viewpoint of US long-term interest, this can be a painful, but beneficial solution to the problem. As Trump himself admitted in one of the interviews, "there are more important things than a short-term perspective of recession"...

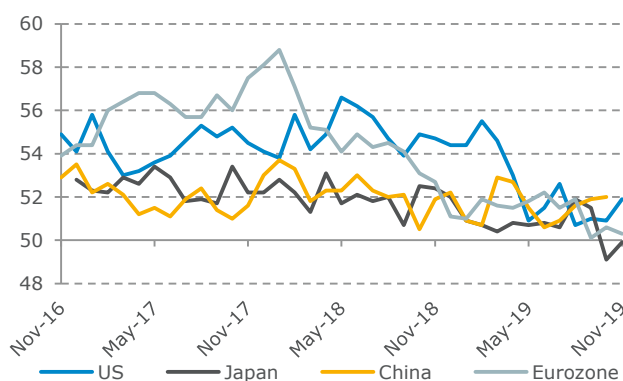
The end of a slowdown or the beginning of a recession?

In September/October, the leading indicators for main world economies fell to a level at which any further drop in their value would be considered a start into recession (so far, only industry). The recent weeks, when hopes for a US-China agreement were rekindled, brought a halt to the downward trend in PMI. As a result, the base-case scenario currently adopted by investors is that the global economy can gradually recover from the slowdown (end of the third minicycle), supposedly indicated by slightly better macro data and November's leading indicators, but first and foremost by the hopes for a US-China deal (phase 1).

The epicenter of the slowdown is in China, whose economy has a negative impact on such export leaders as Germany, Australia and Asian developing countries. In 3Q, the Chinese economy's growth was 6% y/y, which is the smallest since China started to report quarterly data in 1993. The reading on October's industry output (+4.7% y/y) and retail sales (7.2% y/y), published in November, have been the lowest growth rates since the financial crisis. We need to remember that China reduced taxes, among other measures, at the turn of the year 2018 to stimulate the economy during the period of the ongoing trade war. Further options for stimulating the

economy seem not to be so simple. The sharp increase in the CPI inflation rate up to 3.8% limits the possibility of monetary easing, while new infrastructural investments offer a short-term growth effect, but on the other hand, this results in new debts for the provinces – and this is one of Beijing's main economic problems today. China estimates that the economic slowdown has eliminated around 5 million jobs in the first seven months of this year, mainly due to weak consumer demand. Out of this number, 1.3-1.9 million lost jobs are attributed directly to export industries and the impact of tariff increases in the US. In 2020, analysts expect Chinese GDP to grow at 5.8%, after it reaches 6.2% in 2019.

PMI in major global economies



Source: Bloomberg

The American economy – perhaps with the exception of manufacturing (ISM – 48.1, industry in October -1.1% y/y) – copes relatively well. While the situation in services (2/3 of the GDP) is next to cool down after manufacturing (PMI for services – 51.6), it is still in the growth phase (retail sales at 3-4% y/y). Labor market data do not indicate any long-term economic slowdown so far. The Conference Board index has fallen to 125.5 pts (136 in July this year), but it still indicates a great optimism of American consumers. After the weaker data period, the construction sector has revived itself (new home starts went up by 8.5% y/y, and sales of new houses rose from less than 600 thousand a year ago to more than 730 thousand). Next year, the forecast consensus is in the range of 1.7% for real GDP growth.

The health of the main European economies is far worse. Even the rebound after a prior drop in leading indicators is weaker than in the US or China. The Manufacturing PMI for the Euro-zone increased to 46.6 in November (45.9 in September), but the Services PMI dropped to 51.5 from 52.2 in the previous month. Considering that another risk factor reflected in PMI surveys i.e. Brexit, was postponed at least for some time, a stronger rebound of indicators could have been expected. Without a clear revival in Asia and other export markets, it is difficult to expect the situation in Europe to improve. The fiscal packages expected by some investors still remain a wish. In the base scenario, where the economy would slowly recover from the slowdown, real growth in the Euro-zone is to be 0.9% (0.5% in 2019).

In Poland, next year's GDP growth forecasts are systematically reduced, which is due not only to the external environment, but above all to local factors. Our macroeconomists estimate that the economy will grow by 2.8% in 2020. This weaker forecast (as compared to November assumptions – 3.2% y/y) is due, inter alia, to the slowdown in private consumption (3.9% in 3Q y/y), which comes rather as a surprise, considering continued good situation in the labor market (employment), the degree of payroll budgets' increase and the effect of the extended "Family 500+" scheme. Analysts believe that lower

consumption is likely a result of the increasing rate of savings. The main factor responsible for the weaker dynamics of GDP is a slower increase in investments (+4.7% in 3Q vs. expected 6.5%). Even though corporate investments are growing, this is not enough to counter the slowdown in public investments, in particular those by local governments (-10% y/y in 3Q).

Central banks around the world ease their monetary policy, markets expect a fiscal easing

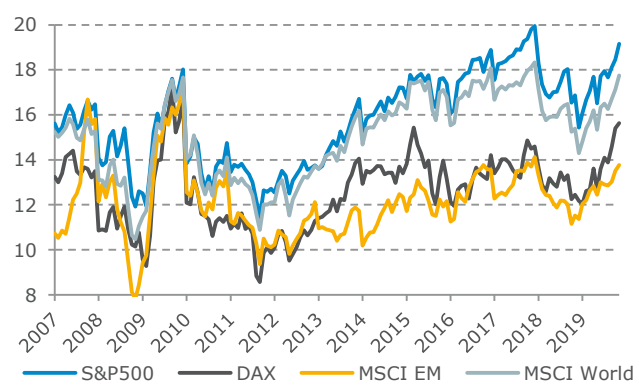
This is a response to the global economic slowdown and decreasing inflation rate. The latter is not growing despite the imposition of additional customs duties on Chinese products, even in the US. In emerging markets, monetary easing mainly manifests in lower interest rates (more than 60 reductions in the last five months). In the next 6 months, the main central banks will carry out the announced asset purchases of enormous value – \$95 billion a month (FED: 46 billion, BoJ: 27 billion, ECB: 22 billion). This means a reversal of the two-year trend when FED's balance sheet was shrinking (decrease from 4.4 to 3.8 trillion USD). In this regard, the policy has, of course, a fundamental impact on the inflow of capital into the global stock market as well as on the USD remaining strong.

In addition to central banks, there are growing expectations for the launch of fiscal packages, particularly in China, Japan and the Euro-zone countries. In our opinion, except for Japan, where an investment scheme has already been announced, only a further deterioration in the economic situation will lead governments to take such decisions. Such a position was clearly declared by Germany, among others.

Valuations discount trade deal and economic recovery

In early 2019, analysts expected the EPS for DAX to grow by 10%, now the consensus is 2%. Similarly, expectations for major global indices have changed, including S&P500's drop from +9.8% to +1.5%. Will it happen again in 2020? Although the consequential momentum had a clear downward trend for the past months (since mid-2018, the only exception was the upward adjustment after 1Q2019 reports were published), analysts expect that in the case of DAX, the EPS would grow by 12% next year, 9.3% for S&P500 and 13% for the NASDAQ. With such assumptions, the current P/E for the German index (13,200 pts) is 15.8x, and the level expected at the end of 2020 is 14.1x. Relatively (e.g. in relation to US indices), low index is the effect of low-priced car industry (P/E for European manufacturers – 6.5x), which, together with the industry linked to the automotive production, generates more than 1/3 of the index companies' profits. It is therefore worth noticing the MDAX, where P/E ratio is 22.9x and 20.1x, respectively.

P/E for major global indices



Source: Bloomberg

For S&P500 the expected index at end 2020 is 19.1x (currently 20.8x), and for NASDAQ 26.1x (currently 31.6x). Historically, these are high levels (see the chart below). With the 10Y bond yield in the US at 1.85% and DY for S&P500 at 1.86%, it is difficult to talk about a price bubble, but the term "expensive stocks" appears to be in order. We believe that in the course of the year EPS forecasts will be further reduced, causing the investors not to be willing to accept increasingly higher P/E levels.

The impact of the US-China conflict on the economy, strong USD and the lack of direct support for the valuation of assets from local central banks have caused emerging markets indices to be weaker than the base indices. As a result, the current P/E makes MSCI EM (15.0) to be quoted with a nearly 25% discount to MSCI World (19.9). The average discount in the last 5 years is 26% (range of 18-33%), meaning that weak EM movement is the result a slower current yield growth rate and does not come from any additional discount for the risk of future slowdown.

Why is the WSE so weak? What change will 2020 bring?

Measured for the year to date, when we consider that the S&P500 during that time gained 24.5%, the DAX moved 23% higher, and MSCI EM gained 9.7%, the change in WIG (-6.8%) is a real bummer, especially considering that Poland's economy this year will have expended by 4%. The main factors responsible for this state of affairs remain the same:

- Disappointing growth in corporate profits;
- Regulatory risks and corporate governance (banks, selected companies controlled by the State Treasury);
- Outflow of capital from domestic investment funds and disappointing initial figures generated by PPKs (employee capital plans).
- Weaker performance of EM indices as compared to developed markets (less inflow of capital to the ETF).

P/E for emerging markets against WIG20



Source: Bloomberg

The weaker performance of the Polish stock market, even in relation to the MSCI EM index, renders the P/E for WIG20 one of the lowest ratios for indices worldwide (12.7x) today. With P/E for MSCI EM at 15.0x, this means a 15.3% discount. It should be noted here that a huge share in WIG20 falls to industries that are low priced in EM sub-indices. For example, the current P/E for EM banks, a sector representing more than 40% of WIG20, is only 9.5x. When we assign to sector-based structure of WIG20 the P/E for EM industries, in model conditions this ratio for the Polish index should be 13.6x. This means that there is an 8% discount.

Company performance – will it finally support the valuation on the WSE?

Our forecasts and the anticipated economic growth scenario indicate that the answer to this question is 'no'.

In December 2018, we predicted that in 2019 the total profits of rated companies would increase by 3%. By the time we wrote this Strategy, the original expectations for 2019 had gone down by 8%, and the forecasts for 2020 had been cut by as much as 17%. All this while the economy expands at an annual rate of 4%. The changes in the expected growth for rated industries are presented in the table below.

Change in FY sector earnings forecasts, December 2019 vs. December 2018

Companies		Revenue		EBITDA (adj.)*		Net profit (adj.)	
		2019E	2020E	2019E	2020E	2019E	2020E
Industrials	14	+1%	-1%	+8%	-0%	-3%	-10%
TMT	12	+6%	+7%	+5%	+5%	+15%	+12%
Financials	10	+0%	-2%	+0%	-4%	-8%	-16%
Residential Developers	2	-3%	-6%	+2%	+3%	+0%	+1%
Apparel	3	-3%	+0%	-17%	-8%	-50%	-43%
Retail & Wholesale	3	-6%	-4%	+1%	+1%	-1%	-1%
Chemicals	2	-4%	-10%	+26%	-13%	+48%	-53%
Mining & Metals	2	+2%	-2%	+8%	-16%	-9%	-35%
Utilities	4	-3%	+1%	-8%	-10%	-15%	-30%
Oil & Gas	3	-5%	-10%	+0%	-6%	-8%	-11%
Total	55	-2%	-4%	+0%	-5%	-8%	-17%
Total ex. Fin/Oil	42	-1%	-0%	+0%	-6%	-8%	-22%
Total ex. Fin/Oil/Min	40	-2%	+0%	-1%	-4%	-8%	-19%
Total ex. Fin/Oil/Min/Ene	36	-0%	-0%	+5%	+1%	-1%	-10%

Source: Dom Maklerski mBanku; *Net interest income for Financials, calculated ex. PZU, Kruk, Skarbiec

2020 Earnings Growth Forecast by Sector

	Revenue	EBITDA (adj.)	Net Profit (adj.)	EBITDA Margin (adj.)		Net Profit Margin (adj.)		Share In 2020 Earnings		
	2020	2020	2020	2019	2020	2019	2020	Revenue	EBITDA (adj.)	Net Profit (adj.)
Industrials	+1%	-6%	-3%	11%	10%	5%	4%	5%	3%	3%
TMT	+3%	+4%	+15%	25%	25%	6%	7%	9%	13%	9%
Financials	+4%	+9%	+5%	54%	56%	21%	21%	15%	32%	43%
Residential Developers	+11%	+13%	+13%	21%	21%	16%	16%	1%	1%	1%
Apparel	+18%	+27%	+33%	12%	12%	4%	5%	4%	3%	2%
Retail & Wholesale	+9%	+18%	+30%	4%	4%	2%	2%	7%	2%	2%
Chemicals	-3%	-23%	-63%	15%	12%	5%	2%	3%	2%	1%
Mining & Metals	-4%	-27%	-43%	24%	18%	9%	5%	6%	6%	4%
Utilities	+11%	+6%	-8%	18%	17%	6%	5%	18%	18%	13%
Oil & Gas	-3%	+1%	+6%	10%	11%	4%	5%	33%	21%	22%
Total	+3%	+2%	+0%	17%	17%	7%	7%	100%	100%	100%
Total ex. Fin/Oil	+6%	-1%	-8%	17%	16%	6%	5%	52%	48%	35%
Total ex. Fin/Oil/Min	+8%	+4%	+0%	16%	15%	5%	5%	47%	41%	31%
Total ex. Fin/Oil/Min/Ene	+5%	+3%	+6%	14%	14%	5%	5%	28%	23%	18%

Source: Dom Maklerski mBanku

According to our analysts' forecasts, the combined net earnings of rated companies will not grow at all in 2020, with the aggregate topline growth forecast at 3%. The fastest-growing results are expected in the retail and clothing sector, which, as it happens, was also the biggest disappointment in terms of earnings in 2018. Positive growth rates should also apply to TMT companies as well as banks and financial firms. 2020 promises to be a difficult year for manufacturers, again.

The performance of WSE-listed companies plays into a broader context of Polish corporate results. According to data from the Central Statistical Office, despite a 5% increase in revenues (Jan-Sept 2019 y/y), the profit on sales in the manufacturing industry fell from 5.9% a year ago to 5.6%. As a result, the net profit in this group of companies decreased by 2.4% y/y. All this when there is 4% growth of real GDP. For comparison, in 2007, i.e. the last year of the economy's growth cycle before the financial crisis, the gross sales margin was 7.1%; in the same period in 2016, it was 6.4%.

In 2020, profitability may deteriorate further. On the risks side, we consider several factors:

- Our macroeconomists expect the GDP growth rate to slow to 2.8%;
- Energy costs are expected to go up;
- The raise in minimum wage, and the mandatory rollout of the PPK pension savings schemes, will boost personnel costs;
- Exposure to external environment (revival or further deterioration in the economic situation).

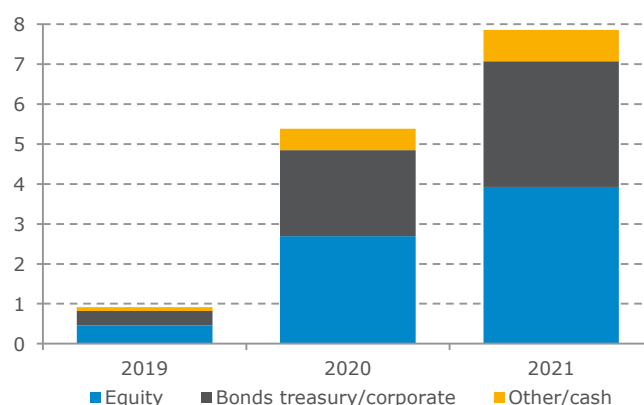
Changes in OFE (Open Pension Funds) and PPK. What would happen now to investment fund companies – is the balance of inflows to domestic funds positive or negative?

Even as late as the first half of the year, we still expected that participation in the PPK would be at 61%, out of which 70% in the first group of companies joining the scheme (employment 250+). The subsequent months of 2019 resulted in a systematic reduction of the forecasts. In mid-November, when the first estimates from the PPK management funds came out, the participation level among largest companies was under 40%, which is a huge disappointment in relation to the original expectations and indicators for other countries. The government announced that it will check whether the participation level of measly

10% in many companies (including state-owned companies) is not a result of active attempts at persuading the employees to withdraw from the scheme (this would be unlawful). However, any positive changes will take a long time, big companies have given a bad signal to smaller ones, which are about to join the scheme.

In previous calculations, we assumed that increasingly small companies would be increasingly less participating. Unfortunately, the negative scenario seems to be taking place. We basically assume that with the rate of 36% for the entire PPK scheme (40% for large companies), annual inflow of pension savings into funds in a full year of the scheme would be about PLN 7.85bn (all groups of companies). Assuming a 50% share of equities, this would give approximately PLN 2.9bn of money dedicated to the WSE and PLN 0.98bn to foreign stocks. In 2020, the total fund inflows are estimated at PLN 5.4bn, out of which 2bn could be spent on WSE stocks. In the long term, we can hope that the participation rate will improve as people become more aware of the need to build up their individual pension savings.

Projected inflow of funds into PPK



Source: Dom Maklerski mBanku

The PPK may be seen as a kind of a poll showing how much confidence the Poles have in the capital market. Here is where our greatest concern comes from. In the coming weeks, the Polish Parliament will pass a law ending the changes in the Open Pension Funds. Earlier we have assumed that only a small portion of people (20%) will decide to transfer their OFE savings to the ZUS (Social

Insurance Institution) rather than to individual retirement accounts (IKE). Seeing how many people opted out of saving with PPK so far (despite the obvious, in our opinion, benefits from the saver's viewpoint), this means that this assumption could be overly optimistic and we cannot rule out a scenario where one in two savers decide to take this step. This, in turn, would mean that the Polish Development Fund (PFR), which is to manage the funds transferred from OFEs to ZUS, will become a major shareholder in the vast number of companies listed on the WSE. We do not know the PFR's investment policy in this respect, but this scenario would mean that there is a risk of a sell-off of Polish equities over a long term, as well as being a negative signal to international investors.

In the latest draft regulation concerning Open Pension Funds, it is assumed that the law will enter into force in June 2020 instead of January, as originally planned. In November's special commentary, we estimated that the March date for the elimination of the "slider" would mean that the Funds would have no need to sell Polish stocks in 2020 (to raise funds to pay the assets transfer fee).

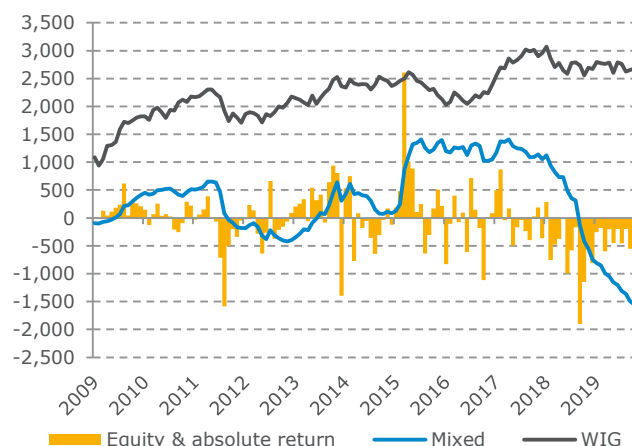
Balance of flows in the national pension system (private savings; PLN billion)

Net flows of Open Pension Funds	2019	2020	2021	2022
Net pension benefits/ZUS	-1.8	-2.2	-0.4	-0.9
Dividends	0.0	2.8	2.6	2.6
Fee		-12.7	-5.5	
Total	-1.8	-12.1	-3.3	1.7
Sources of financing	2019	2020	2021	2022
Cash	-0.7	-4.2	-0.5	
Bonds, other	-0.4	-1.8	-1.6	
Foreign equities	-0.7	-4.8	-1.1	
Polish equities	0.0	0.0	0.0	
Net flows in PPK	2019	2020	2021	2022
PPK total	0.7	5.4	7.9	8.2
PPK stocks	0.3	2.0	2.9	3.1

Source: Dom Maklerski mBanku

As a result, the balance of next year's flows in the "stock" part of the pension system would be close to PLN 2bn, and only in 2021 it could be expected to inject PLN 2.9bn of fresh capital. In our calculations, we assumed that the funds receive cash from dividends, but we did not include any income from tender offers. Any amount received this way improves the flow balance.

Net inflows of investment fund companies (equity- and absolute return funds)



Source: Dom Maklerski mBanku

The balance of flows in investment fund companies is a function of the situation on the WSE and the mid-market environment. Our optimistic assumptions for 2019 (net: about 0 PLN) did not come true. After 10 months, net outflows from equities funds and absolute return funds amounted to 3.35 billion PLN as compared to 7.8 billion PLN in entire 2018. This means that since early 2016, these funds reported a net outflow of capital of 12.3 billion PLN. In the same period, the value of domestic deposits held by banks increased by 220 billion PLN.

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Sector Strategies

Financials

- **We are overweight CEE financials heading into 2020, with the exception of Poland, on which we are neutral.** Our coverage universe as a whole based on our price targets shows potential for upside gains to the tune of 7%, led by CEE banks outside of Poland, with 10% upside, and Polish banks, offering 4%.
- The domestic banking sector looks attractive on the face of it, trading at a 25% discount to its average P/E ratio for the last 5 years and a 21% discount to the 5Y price-to-book. It is important to note, however, that the discount has been created by over-optimistic expectations of analysts; in light of the two crucial rulings this year given by the EU top court (one ordering refunds of remaining loan costs to early payers – the "premature loan ruling," and the other paving the way for mass lawsuits by FX mortgage borrowers to have their loans converted or de-pegged – the "FX loan ruling"), and a likely increase in provisioning amid decelerating economic momentum, we believe the market should cut its 2020 net income forecast for the sector by 11%, and slash the 2021 projection by 15%. Based on our 2020 fair P/E estimate of 11.8x versus a historical average of 13.5x, we also see a need for the sell side to de-rate Polish banks to reflect the long-term loss of profits. Our neutral stance on the sector stems from the belief that the inevitable forecast downgrades, and the de-rating, are already priced in. Our best bets in Poland are Pekao and Handlowy, which, owing to their conservative balance sheets, lending policies, and small FX mortgage books, can be expected to navigate the 2020 turbulence better than others, delivering outperformance.
- In the CEE, we have a bias in favor of Czech banks like Moneta Money Bank and Komerční Banka, benefitting from favorable macro- and micro-economic conditions while offering very generous dividends. On the other hand, we see limited upside in Erste, RBI, and OTP after the gains registered in the last few weeks.
- **Polish banks give an impression of having potential for further growth in 2020 at a rate of 5% off the 2019 comparable base (with an 0.5% average earnings rise anticipated across the sector) vis-à-vis 6% growth expected of banks in other CEE countries ("CEE Banks").** If we strip the 2019 results of one-time events, however, we see negative growth to the tune of 3% next year for the first time since 2015. The contraction as we see it will be led by a 29% provisioning boost necessitated by the FX loan ruling, paired with an economic slowdown (with the Polish GDP expected to decelerate to 2.8% from 4.5% expected in 2019). Further, we expect cost of risk to the sector to increase to 93bp in 2020, a level not seen since 2013, when economic growth was only 1.4%. We realize that these are rather conservative assumptions, subject to possible future revisions, but on the other hand we presume that any economic slowdown and pickup will reflect on cost of risk sooner under IFRS 9. When it comes to positive drivers in 2020, they will include increasing loan volumes (+8% vs. +11% in 2019E) and fee income.
- At CEE Banks, we anticipate 7% bottom-line growth despite gradual normalization of cost of risk to a projected 8bp from zero in 2019. We also expect flat growth in net interest income and fee income, accompanied by decreasing costs (-3% y/y). Net interest margins in the region will most likely remain stable in 2020.
- **Polish banks have the most risk exposure.** 1) CHF-denominated mortgage loans remain the primary source of risk for Polish banks in 2020. The FX loan ruling has paved the way for borrower action, including on franc-denominated loans, not just the mortgages indexed to the

Swiss currency which were the subject of the original case. The scale of the potential future lawsuits, and the eagerly-awaited opinions of auditors, will be the two main factors shaping the performance of Polish bank stocks in 2020. 2) The expected slowdown in economic momentum is another major risk factor which, together with rising costs of labor, can be expected to drive up cost of risk associated with corporate exposures. 3) The spending pledges made during this year's general and EU election campaigns have implications for Poland's 2020 budget. The government has to find additional revenue sources to fulfill its campaign promises amid a slowing economy, and we can imagine a brand new levy on banks as one such potential source. 4) Corporate governance at state-controlled banks, which make up a major part of the Polish financial sector, is also a constant risk factor. So far, we have already seen post-election reshuffling within the executive ranks of Pekao, and next in line might be PZU, which has a deciding vote in board appointments at Alior Bank. 5) Finally, there are reasons to believe that the Polish bank industry will see increased M&A activity next year, motivated by political interests more than the pursuit of synergies.

- Elsewhere in the CEE, we see downside risk if provisioning next year exceeds our expectations, and in possible tax hikes and economic contraction.
- **Stable CEE interest rates, further cuts in euro area.** The European Central Bank has called for more fiscal stimulus to mitigate a challenging economic environment. New ECB President, Christine Lagarde, in her first speech said she would continue to support the economy and try to meet future challenges head on. The expectation ahead of the ECB's first meeting with Lagarde at the helm on 12 December is for interest rate cuts in the second half of 2020, at 40% odds. Meanwhile there is an increasing consensus that the extended period of low rates in the euro area is a source of major risk. According to Commerzbank analysts, financial stocks lack the appeal to attract investors in the current fiscal environment despite low valuations (they see Allianz and DWS as having the capacity to weather the unfavorable market conditions). The planned review of monetary policy and tools by the ECB coming in 2020 might be a major catalyst for CEE banks. Countries where rate cuts are not likely next year according to market analysts include Hungary, Romania, and the Czech Republic.
- **Pick Pekao and Moneta.** Our top picks among Polish stocks are Pekao (PEO) and Handlowy (BHW), expected to outperform the competition thanks to their conservative balance sheets, high dividends, improving returns, and low exposure to FX loan risk. The recent executive reshuffle at Pekao is a reminder that the Bank is far from a politically-neutral institution, however the fact that the incoming CEO has been appointed from among seasoned executive ranks should mitigate the negative response. We cannot rule out that Board change will be followed up by more firings, but we see the odds of this as low at the moment.
- Pekao and Moneta (MONET) both took one-time hits against their profits this year, indicating more growth potential in 2020, and they are both expected to pay dividend yield greater than 6% next year. At Pekao, the main risk next year is its potential involvement in M&A.
- Moneta is our top pick in the CEE region, preferred over Komerční Banka and Erste Group. What makes Moneta stand out are its incomparable returns (with 2020E ROE at 15.8% and ROA at 1.7%), coupled with dividend yields in excess of 7%. What is more, with two acquisitions planned in the Czech Republic, Moneta is poised to boost its market share, EPS, and DPS, and potentially recognize negative goodwill. The Czech economy is expected to expand at the

slower rate of 2.2% in 2020 versus 2.5% in 2019, but this is not likely to affect the earnings of local banks.

- **Kruk and Skarbiec have more upside potential than other non-bank financials.** Kruk (KRU) remains our top pick among non-bank financials, with more upside potential likely to be provided by strong fourth-quarter collections and earnings, supported by portfolio value adjustments. Kruk sees big buying opportunities for debt portfolios in 2020, as do its most of its major rivals across Europe, such as Intrum, B2Holding, and Hoist. It is worth noting the decrease in short positions in the debt collection market from 4.8% to 4.5% in the span of a month. For PZU, the upside potential at less than 15% implies an accumulate call. Downside risks here include a reshuffle and replacement of the current Management Board, who are trusted by the market, and potential M&A activity.
- Skarbiec Holding (SKH) as well offers substantial upside potential in 2020. Downside risks include the lack of transparency as to its ownership structure, and potential acquisitions which might curb dividends.
- **Key Ratings:** PEO (buy), BHW (accumulate), MONET (buy), KRU (buy)

Chemicals

- We see tighter market conditions for basic chemicals in 2020, with EU producers squeezed by competitive imports from Asia, potentially resulting in local oversupply.
- Cheaper coking coal means lower fuel costs for companies like Ciech (CIE), but as prices of natural gas recover this creates pressure on Grupa Azoty (ATT), underpinned by rising costs of emission allowances.
- A debate on the future of the ETS system and the size of free allocations might provide a catalyst around mid-2020: a reduction in free allowances can dramatically boost costs at Grupa Azoty and Ciech.
- We have Ciech as our top chemicals pick for 2020, with potential to generate growing profits and capitalize on rising prices of soda ash. On the other hand, Grupa Azoty faces challenges next year in the form of high CAPEX (mainly the propane dehydrogenation project) and decreasing profitability of fertilizer production.
- We found a good trade alternative outside of Poland in Covestro (1COV GY), with its cost-efficient MDI and TDI capacity perfectly positioned to leverage a recovery in China.
- **Key ratings:** CIE (buy)

Oil & Gas

- We predict that the global oil market will reach an equilibrium next year at a projected average price for Brent of \$65 per barrel assuming OPEC countries adhere to their own production quotas.
- The natural gas market should carry its upward trend into 2020 barring unusual weather conditions, driven by increasing demand from the power industry.
- Refining margins will most likely tighten next year under pressure from huge new global capacity additions (China, Saudi Arabia, Malaysia, Brunei), set to boost global supply by nearly 2%. The shipping industry's mandatory shift to low-sulfur oil under the IMO regulations is not going to have any positive effects on refiners other than deep-conversion facilities. Amid reduced supply, the discounts in prices of Urals-type heavy sour crude grades are not likely to grow.
- In the petrochemicals industry, increasing overproduction relative to demand is putting a squeeze on already-tight margins. In addition, lower prices in China are fueling imports of cheaper polyethylene into Europe. The

ethylene/Brent price ratio at the current level shows more downside potential before it reaches a cyclical low.

- All in all, the current earnings consensus for downstream companies in our view is due for downgrades which will have implications for the performance of refining and petrochemical stocks. In case of the E&P sector, we believe market analysts have already completed the necessary reality checks.
- We would look to the US market for energy stocks offering better exposure to our expected rebound in gas prices and higher prices of oil after these decoupled away from the underlying commodities over the past year (YTD -20%), accompanied by a substantial decline in EPS estimates (~30%). Our advice would be to focus on US firms with conservative balance sheets (<1.5x net debt/EBITDA) and less downside risk in case of a slump in energy commodities (base case vs. bear case). Such firms can be found among the latest top picks recommended by our US research partner, Evercore ISI: they include Canadian Natural Resources (CNQ), Cabot Oil&Gas (COG), Concho Resources (CXO), and Diamondback Energy (FANG).
- Within our own coverage universe, we are overweight gas and oil companies with larger exposure to upstream (PGN, MOL), expected to deliver stronger earnings next year than mostly downstream-oriented refiners (PKN).
- **Key Ratings:** LTS (reduce), MOL (accumulate), PGN (buy)

Power Utilities

- After a sharp rise at the end of 2018, electricity prices on Germany's EEX power exchange this year have been on a consistent downward trend driven by lower prices of coal and retreating costs of emission allowances. EEX contracts are hovering around EUR 46/MWh as of this writing, but we expect them to recover gradually to a target EUR 51/MWh in the medium term. On the other hand, emission prices are not likely to regain an upward trajectory going forward given the worldwide push to reduce pollution combined with indecision in the EU about the future of the Emissions Trading Scheme.
- In Poland, baseload 2020 contracts at around PLN 267/MWh will likely show a premium over the 2019 delivery at PLN 240/MWh, indicating a decline in model margins by PLN 15/MWh for lignite-fired power plants and PLN 4/MWh for hard coal generators in the older fleet, but signaling an increase of about PLN 5/MWh in the margins of new, high-efficiency coal plants. Another factor affecting next year's profits will be a lack of free emission allowances (PGE and Enea will feel the hit more than others).
- When it comes to market sentiment, traders in the months ahead will watch closely the price movements on the Polish TGE power exchange, driven on the one hand by incoming new capacity and increasing imports, and on the other hand by capacity taken off line for BAT upgrades. The expectation is increasingly for a decline in power prices after the capacity market launches in 2021 (in our base-case scenario, prices will decrease by PLN 17/MWh). From an earnings standpoint, the weather is a major factor shaping the profits of power plants (especially facilities that also produce heat); on this point, the comparable year-ago base for 2020 first-quarter profits is low.
- Further, utilities in Poland again face uncertainty next year as to household tariff rates. In our baseline scenario, the government will keep in place the compensation mechanism making up for frozen household prices throughout next year. However if the state backs out and passes price control onto the energy regulator or the utilities themselves, this would be a source of downside risk.

- Upcoming catalysts also include final versions of Poland's updated energy policy through 2040 ("PEP 2040") and the draft 2021-2030 environmental policy, which will allow utilities to map out their future strategies. Note that the Energy Minister who spearheaded the current PEP 2040 draft has since left office, leaving breathing room to potentially adjust Poland's future energy mix more towards clean energy.
- With all that said, our view on the power sector remains bullish based on expectations of strong earnings growth and positive cash flows after five years of intense capital expenditures. Last but not least, we anticipate a return of regular shareholder distributions from the sector.
- **Key Ratings:** CEZ (buy), ENA (buy), ENG (buy), PGE (buy), TPE (buy)

Telecoms, Media, IT

- The key theme for the Polish IT sector in 2020 will be the 5G auction for frequencies in the C-band spectrum (3.6-3.8 GHz). The auction is expected by the Digitization Ministry to fetch about PLN 1bn per bidder, but we assume more conservative receipts of about PLN 844m apiece per band, making out to a total of about PLN 3.4bn.
- Next year, Poland's telecoms regulator UKE also expects to allocate an 800 MHz block which we assume will go to Play for a price similar to that paid in the 2015 auction.
- In October, Poland signed a memorandum with three private telecoms: Orange, T-Mobile, and Pekomtel, to form a single national wholesale wireless operator for the 700 MHz frequency band.
- 5G aside, mobile telecoms in Poland have been adjusting their pricing policies, as evidenced by successful data plan hikes this year by Play and Orange Polska.
- In media, total advertising expenditures in Poland as predicted by the Zenith media agency will increase by 3.9% to PLN 7.908bn in 2019, with the growth in global adspend projected at 4.6% to make US \$639bn. Expenditures for internet advertising are expected to increase at a faster rate than television through 2021, by which time they will account for 52% of total global spend.
- In 2020, total ad spend growth in Poland according to Agora will be flat to negative.
- In IT, the WIG-Info sector index has widely outperformed the broad market benchmark this year after rising 26%. With IT companies in Poland struggling with low government orders and persistent pay pressures, we maintain a neutral view on the sector.
- Alternative TMT opportunities which we see outside of Poland might include Tele Columbus (TC1 GY), expected to improve profits from Q4 2019 (positive EPS from 2020), supported by a wholesale agreement with Telefonica Deutschland and a potential sale infrastructure after a spin-off at an attractive multiple of roughly 15.0x compared to its own current valuation at ca. 7.2x.
- **Key Ratings:** OPL (accumulate), PLY (buy), CPS (reduce), AGO (buy), ASE (overweight), CMR (buy)

Industrials

- Manufacturing activity in Europe is shrinking, as reflected in weak PMI prints, and the outlook for 2020 remains challenging amid a slowing economic momentum which affects global demand.
- In Poland, rising costs of labor and electricity create additional pressure on the industrials sector – we assume that labor costs in the industry will increase between 3% and 7% next year. Within our coverage universe, the companies where payroll accounts for the highest proportion of total operating costs include JSW (47%), PKP

Cargo (37%), KGHM (28%), Apator (27%), AC (25%), Mangata (25%), Forte (22%), and Stelmet (22%).

- When it comes to utility bills, industrial consumers are facing a 7% hike next year according to our estimates, which, unlike this year, will probably not be offset by state compensations. Rated companies incurring the highest energy costs as a percentage of total are PKP Cargo (8%), Cognor (7%), JSW (7%), and Mangata (6%). On top of that, industrial companies are observing upward pressure on prices of transport which in case of exporters can account for as much as 10% of yearly expenses.
- Under these circumstances, most manufacturers will most likely restrict capital investment in 2020 to automation-related projects designed to hedge against an increasing shortage of skilled labor.
- Rated industrial companies are currently trading at 10.8x 2019E P/E and 5.9x EV/EBITDA, showing substantial discounts to global peers which, however, are not likely to be viewed as incentives to invest given their weak growth prospects.
- We see the most revenue potential in 2020 in Pozbud (+36% y/y), Alumetal (+17%), and Astarta (+8%), and we expect to see topline contraction at Famur (-15%) and JSW (-7%).
- In terms of EBITDA growth, or best bets for 2020 include Astarta (+105% on higher sugar & milk prices), Ciech (+7% on higher prices of soda ash), TIM (+5%), and Kruszwica (+5%), against falling earnings anticipated at JSW (-64% on falling prices of coal), Grupa Azoty (-36% on a worsened fertilizer outlook), Cognor (-29% on higher costs), Grupa Kęty (-13% on higher costs), and Famur (-13% on a slowdown in orders).
- When it comes to leverage, the companies set to end 2020 with the highest ratios of net debt to EBITDA are likely to be Boryszew (3.9x), Grupa Azoty (3.7x), Kernel (3.7x), Forte (3.4x), and Pozbud (3.2x).
- Summing up, the most worthwhile stories within the Polish industrial sector are Famur, JSW, Kruszwica, and Stalprodukt, offering attractive valuations combined with healthy fundamentals and strong balance sheets.
- Of these, Famur and Kruszwica also have the potential to offer generous dividend yields in 2020 at a projected 13% and 7%, respectively, alongside other high-yielding stocks: TIM (8%), Grupa Kęty (7%), Apator (7%), and AC (7%).
- When it comes to investment alternatives in the global industrial sector, we see a compelling growth story for 2020 in MTU Aero Engines (MTX GY) and we like Varta batteries (VAR1 GY), which constantly builds earnings momentum through increasing capacity and innovation. We also like Volkswagen (VOW3 GY) with its aggressive pursuit of electrification and high free cash flow.
- As of today we suspend coverage of Ergis after free float reduction, and we suspend ratings for Tarczyński because of communication problems.
- **Key Ratings:** AST (overweight), FMF (buy), KSW (overweight), PKP (reduce), TIM (overweight)

Mining

- Global copper mine production is expected by the ICSG to rebound 3% in 2020 with additional supply of 900,000 tonnes after declining 1-2% in 2019. As a result, despite weaker demand amid a slowing global economy, the copper deficit is projected to increase from 190kt to 250kt. With mining output in the 2022-2023 period set to grow at an annual rate of 2-3% according to ICSG forecasts, by 2023 the undersupply might expand to 270kt.
- When it comes to prices, however, trends in the copper market are currently shaped by developments in the US-China trade relations, with any events that point to a deal

potentially fueling a closing of bearish bets by speculative traders. On the other hand any escalation will most likely increase uncertainty as to economic growth and send commodity prices lower.

- In Poland, mining companies face continuing costs pressures in 2020 due to rising electricity prices. At KGHM copper, the resulting boost to opex is projected at PLN 107m, but JSW coal should be able to mitigate the pressure with captive power from methane gas. The higher energy bills will be accompanied by an upward shift in labor costs. At KGHM, the current labor contract provides for annual pay adjustments in line with average salary growth, set to be boosted next year by a 15.6% minimum wage hike in Poland (+PLN 103m). At JSW, where employee compensation increased significantly this year with pension benefits on top of annual bonuses in the amount of PLN 130m, we expect a less dramatic rise next year at PLN 160m plus annual bonuses of PLN 50m based on weaker anticipated profits.
- A trend that works in favor of Polish miners, in particular its biggest beneficiary, JSW, is the zloty's depreciation versus the US dollar.
- Prices of steel are about to bottom out in our view looking at falling inventories in China, where prices are already picking up, and considering the unwillingness of local coking coal producers to accept lower prices for Q1 2020 deliveries (China coking coal is currently trading around \$180/t). Elsewhere in the world, there are reports of curbed coal production, for example in North America. In our opinion, the steel market looks ripe to shift gears on any positive trigger, with positive effects on JSW. Prices of iron ore will probably remain under pressure in 2020 due to a projected increase in production.
- Outside of Poland, companies positioned to benefit from an upswing in the steel market include ArcelorMittal (MT NA; low valuation, high OCF) and thyssenkrupp (TKA GY; expected to sell part of its business). On the other hand, we would avoid the overpriced voestalpine (VOE AV).
- **Key ratings:** JSW (buy)

Property Developers

- After bolstering supply, Polish housing developers have been able to increase sales further in 2019, and they should be able to carry the positive momentum into 2020. In the year to 30 September, new homes sales in Poland's six largest cities posted a minor decline of only 1% relative to the same period in 2018 despite a dramatic rise in prices. Demand this year has exceeded our expectations, and it is not likely to drop more than 5-7% for the year. At the same time, supply is up by 8.5% at an average of 50,000 flats per developer, and sales effectiveness, measured as a ratio of sales to inventory, remains high at 31%, slightly above the equilibrium value and the long-term average.
- New home prices this year are up by an average of 9% relative to 2018, when they also increased at an annual rate of 7%, indicating that developers going forward should be able to pass a major part of the rising costs of construction services onto end homebuyers. We assume prices in 2020 will continue on an upward trajectory, fueled by strong demand, albeit at a slower pace than in the last two years. The expected deceleration will be driven by stabilization in construction costs, a higher supply (at 31% the sales/inventory ratio has retreated from 35% registered in 2018), and the fact that the rate of expansion in actual sales prices for new homes finally caught up with list in Q3 2019 prices after a period of rising at a 3pp slower average pace.
- Higher prices probably eliminated a number of low-income buyers from the housing market, however the sales

potential for 2020 remains strong in our view owing to a still-high buying power of Polish consumers, set to be boosted over the next two years by two consecutive hikes in the minimum wage, and supported by low borrowing costs as interest rates remain down.

- Moreover, despite a buildup in the average inventory, new home supply in certain cities, in particular Warsaw and Krakow, remains tight with new home starts and permits issued to commercial homebuilders down 10-15% y/y in the year to date. While some places in Poland are running out of land for development, most of the nine companies we cover have managed quite well to prepare with a combined land bank as of 30 June 16% higher than in June 2018 and up 44% relative to June 2017 (though, admittedly, in some cases, e.g. LKD, the strong growth was owed to earlier lulls in construction activity).
- We have Atal (1AT) as our top residential pick for 2020 even after a 50% ytd share price gain. The Company had a 23% larger home volume under construction as of September 2019 than at the same time last year (+53% vs. Sep'17), and once complete these homes will drive profits over the next three years. 1AT is currently trading at 6.1x P/E compared to an average of 9.0x expected in 2019-20, and its dividend yield in the 2020-22 period might average 11%.
- **Key Ratings:** 1AT (buy)

Retail

- Polish consumer spending is forecast to grow at the slower rate of 3.6% in 2020 compared to 4.1% expected in 2019 and 4.3% registered in 2018.
- On the one hand, disposable household income, in particular in smaller towns and rural areas, can be expected to rise next year on the heels of a 15.6% hike to PLN 2,600 in the minimum wage, but on the other hand the higher pay creates upward cost pressures on the retail industry which might have to be mitigated with rising prices. In the changing market landscape, the retailers that we consider the best equipped to withstand the pressures are LPP, CCC, EAT, DNP, and JMT, owing to their established presence and optimized payroll.
- CCC's financial results this year are heavily impacted by one-time items, all of which are fully priced in. The negative impacts are not expected to recur next year, and some of them will turn into positives, such as, among others, an expected improvement in the inventory structure, a more effective logistics management system, a full year of contributions from Gino Rossi, the former footwear rival acquired in July, and further development of the deezee.pl Web store. Before that, we expect CCC to report higher EBITDA for Q4 2019 despite unseasonably warm weather in October and November, and we anticipate a 66% rebound to PLN 612m in the EBITDA for FY2020 (refer to the Top Picks presentation for details). As a result, we believe CCC will be able to reduce its net debt/EBITDA ratio to 1.7x by next December. CCC is our top retail pick based on robust growth prospects.
- Dino has seen its share price plummet since the comments made at the third-quarter earnings call about downward pressure on EBITDA margins experienced in Q4 2019, which some analysts seem to have extrapolated to the whole year, and about target 2020 store openings at the same level as in 2019. Our current outlook for Dino assumes a decline in the 2019 Q4 EBITDA margin by 0.2pp from a high year-ago base, with the full-year margin likely to show an increase of 0.1pp relative to 2018. As regards openings, note that in past years Dino has always topped the previous-year's numbers at a rate of 120%, and we expect the same to happen in 2020. As a grocer based primarily in small towns, Dino is poised to be among

the biggest beneficiaries of next year's minimum wage hike in Poland. With projected 2019-2023 EBITDA CAGR of 24.7%, Dino ranks among the fastest-growing businesses in the Polish grocery sector.

- In the last few years LPP focused its efforts on improving the quality of its fashion collections, developing online sales, and deployment of innovative technologies, and as a result it has been able to increase sales effectiveness and reduce SG&A expenses. Combined with accelerated store expansion, this will drive earnings in the coming years, making LPP one of our top picks for 2020.
- Looking beyond Poland, we see a good opportunity in Kering (KER FR), which is on the forefront of innovation when it comes to the consumer discretionary sector, deploying technology to help grow sales, manage inventories, and plan deals. The Retailer is shifting to take e-commerce activities fully in house by 2020. It is expected to grow net earnings by 15% in 2020 and further by 13% in 2021, on 9%-8% higher revenues. KER FR is currently trading at 18.46x 2020E P/E.
- As of today we suspend ratings for Monnari due to its significantly-reduced liquidity.
- **Key Ratings:** CCC (buy), DNP (accumulate), LPP (buy), VRG (accumulate)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat/Miss	4Q	2017				2018				2019				+ / =
miss	16	11	9	18	16	9	11	13	22	10	15	16		166
in-line	18	25	24	28	22	36	19	24	23	28	24	27		298
beat	23	20	25	14	23	18	33	26	20	27	27	24		280
Σ companies	57	56	58	60	61	63	63	63	65	65	66	67		744
miss	28%	20%	16%	30%	26%	14%	17%	21%	34%	15%	23%	24%		22%
beat	40%	36%	43%	23%	38%	29%	52%	41%	31%	42%	41%	36%		38%

YoY	4Q	2017				2018				2019				+ / =
miss	21	25	23	20	25	26	19	19	23	23	29	24		277
in-line	5	4	8	13	2	9	11	11	7	9	11	7		97
beat	39	37	36	35	41	33	38	38	38	36	28	36		435
Σ companies	65	66	67	68	68	68	68	68	68	68	68	67		809
miss	32%	38%	34%	29%	37%	38%	28%	28%	34%	34%	43%	36%		34%
beat	60%	56%	54%	51%	60%	49%	56%	56%	56%	53%	41%	54%		54%

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

Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

mBank Sentiment Watch for 2020, by Sector

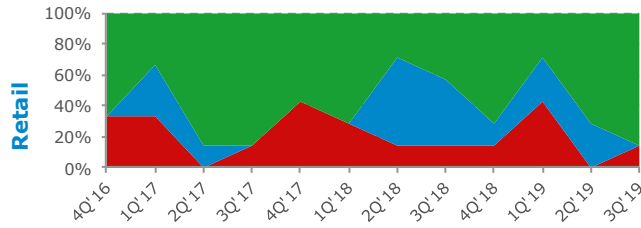
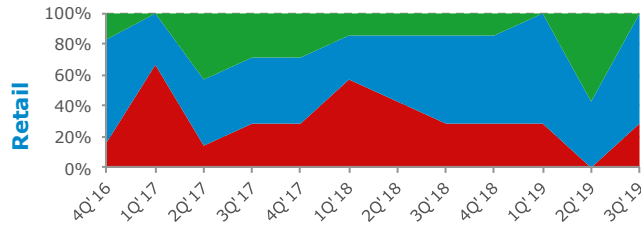
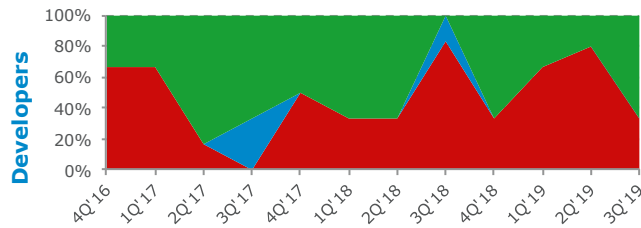
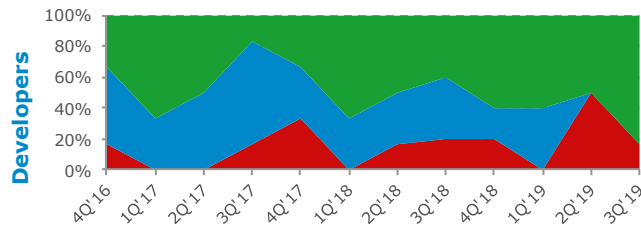
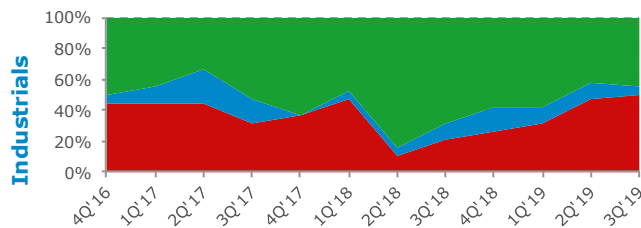
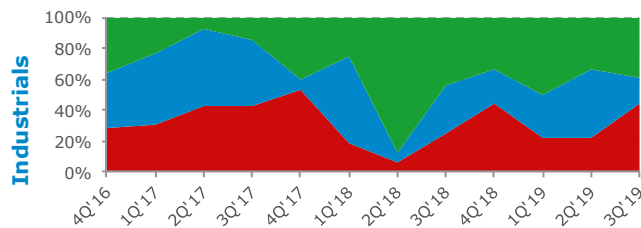
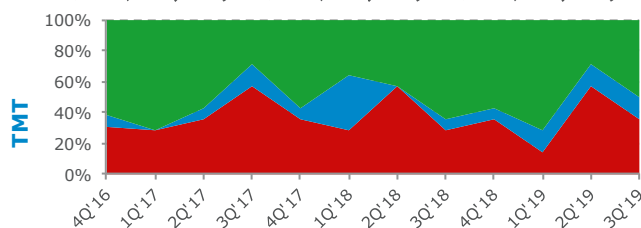
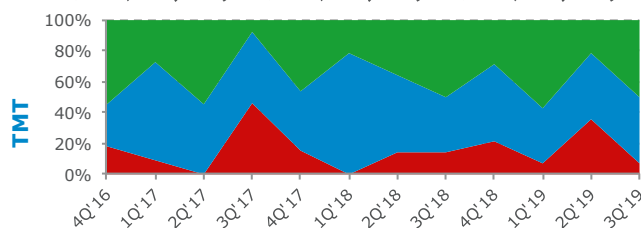
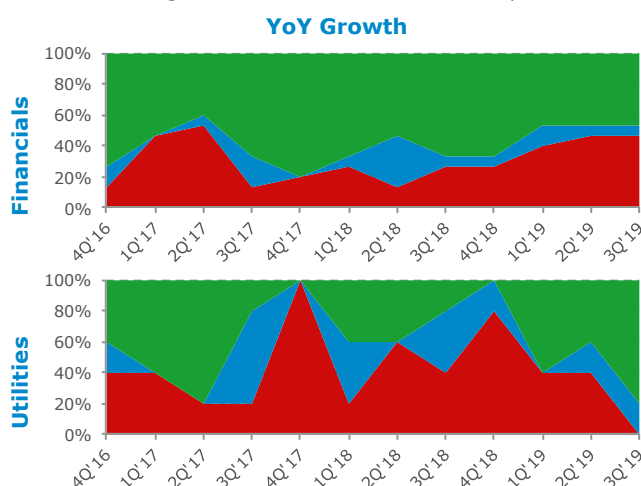
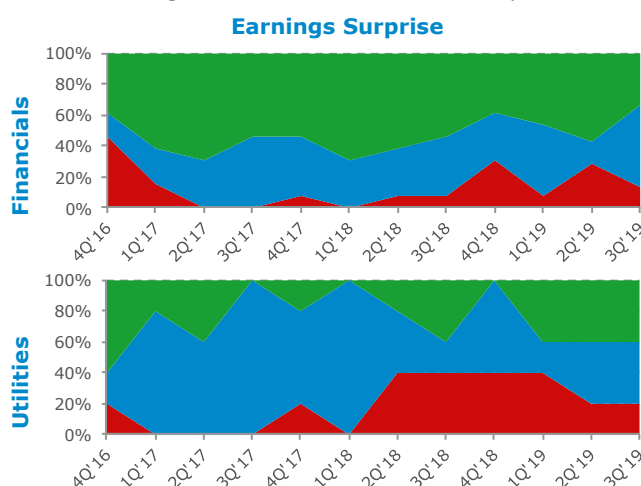
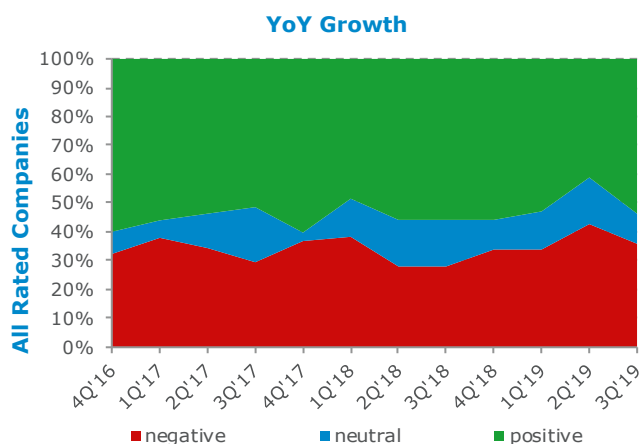
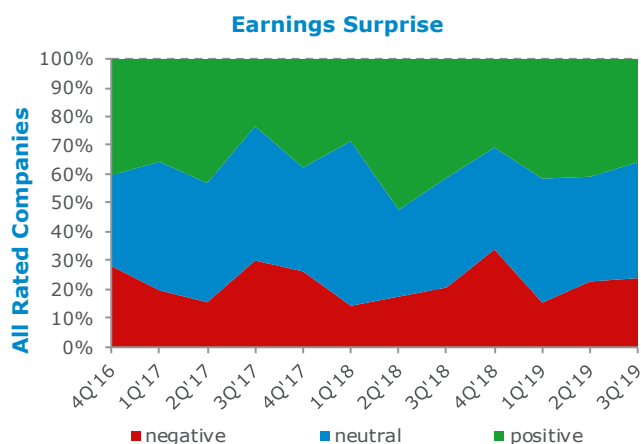
Sector		Poland	US	Germany
	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	BHW, PEO	BX US, VOYA US	ALV GY, DWS GY, EBS AV, RBI AV
Banks	Stocks To Avoid	MIL, SPL		
	Key Catalysts	Sector valuation already includes provisions for CHF and economic slowdown	Rebound in yields, mediocre results delivery	ECB decisions should support sector as well as economic growth in CEE countries
	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	CIE		1COV GY
Chemicals	Stocks To Avoid	ATT		BAYN GY, FPE1 GY
	Key Catalysts	Coal price decrease, natural gas increase		
	SENTIMENT	NEUTRAL	BEARISH	BULLISH
	Stocks To Own	1AT	ALEX US, KBX US	DWNI GY
Real-Estate Developers	Stocks To Avoid	PND		
	Key Catalysts		Deteriorating sentiment on EPS growth	Negative yields remain a tailwind
	SENTIMENT	BULLISH	BEARISH	NEUTRAL
	Stocks To Own	CEZ, ENA, ENG, PGE, TPE	NRG US, VST US	RWE GY
Utilities	Stocks To Avoid			
	Key Catalysts	Results improvement and stronger FCF profile outlook	Biggest negative correlation with rebounding yields	Demanding valuations, favorable rotation
	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	CCC, DNP, LPP	HD US, LEVI US, NKE US	
Retail, Consumer	Stocks To Avoid			
	Key Catalysts	Market leaders should benefit from an increase in disposable income	Reasonable valuations, support from the labor market conditions, conducive for salaries growth, Discretionary over Staples	
	SENTIMENT	NEUTRAL	BEARISH	NEUTRAL
	Stocks To Own	MOL, PGN	COP US, CVX US, PSX US, VLO US	
Oil&Gas, Refining	Stocks To Avoid	LTS		
	Key Catalysts	Downward revisions in downstream, attractive upstream valuation	Evercore optimistic on crude, positive IMO 2020 impact	
	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own	AMC, AST, FMF, KSW, STP, TIM	CAT US, URI US	G1A GY, MTX GY, VAR1 GY
Industrials	Stocks To Avoid	APT, FTE, KER, KTY, MGT, PKP		
	Key Catalysts	Cost inflation	Modest expected growth, low sentiment	
	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	JSW		MT NA, TKA GY
Mining	Stocks To Avoid			VOE AV
	Key Catalysts	Rebound in steel	China slowdown, growing US-China uncertainty	
	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own		APT US, CRNC US	VOW3 GY
Automotive	Stocks To Avoid	BRS		BMW GY
	Key Catalysts	Cost inflation	Risk of trade war escalation vs attractive multiples	
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own	ASE, CMR	AMZN US, DISCA US, MSFT US	WDI GY
Tech, Media	Stocks To Avoid			
	Key Catalysts		Strong cash, flows, biggest buybacks, large number of disruptors	
	SENTIMENT	NEUTRAL	BULLISH	BEARISH
	Stocks To Own	OPL, PLY	GLIBA US	TC1 GY
Telecoms	Stocks To Avoid	CPS		DTY GY
	Key Catalysts	Changes in pricing, 5G Capex	Telco is cheap Tech, strong EPS dynamics, large buybacks	

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017					2018				2019			+ / =
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Financials													
Alior Bank	+	-	+	+	+	=	+	=	=	=	-	+	83%
Handlowy	-	-	+	+	=	+	+	-	-	-	-	-	50%
ING BSK	-	+	=	=	=	=	-	=	+	+	+	=	75%
Millennium	+	+	=	+	=	+	+	=	+	+	+	+	100%
Pekao	+	+	=	=	+	=	=	+	+	=	=	=	100%
PKO BP	-	+	+	+	=	+	=	=	=	=	+	=	92%
Santander BP	+	=	+	=	=	=	+	=	-	=	-	=	83%
Komercni	=	+	+	+	+	+	+	+	+	+	+	=	100%
Moneta	na	na	na	na	na	na	na	na	na	na	na	+	100%
Erste Group	-	=	+	=	+	+	+	+	+	+	+	=	92%
RBI	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	=	+	+	+	=	-	+	=	-	=	=	-	75%
MOL	-	+	+	-	=	=	=	+	+	=	+	=	83%
PGNiG	+	+	-	-	=	=	+	-	-	=	+	-	50%
PKN Orlen	+	=	=	-	=	=	-	=	+	=	+	=	83%
Utilities													
CEZ	+	=	=	=	+	=	-	+	=	=	+	-	83%
Enea	+	=	+	=	=	=	=	=	=	+	+	+	92%
Energia	=	=	=	=	-	=	=	-	-	-	-	=	58%
PGE	-	=	=	=	=	=	=	-	-	-	=	=	67%
Tauron	+	+	+	+	=	=	+	+	=	+	=	+	100%
TMT													
Netia	+	=	=	+	+	=	=	=	=	=	+	=	100%
Orange PL	=	=	+	=	=	=	+	+	+	=	=	=	100%
Play	na	na	na	=	=	=	+	=	=	+	+	+	100%
Agora	+	=	+	=	+	=	+	+	=	+	-	+	92%
Cyfrowy	=	+	=	=	=	+	=	=	=	=	=	=	100%
Wirtualna	-	+	+	=	=	=	=	=	=	=	=	=	92%
Ailleron	na	na	na	-	+	=	=	-	-	+	-	=	56%
Asseco BS	=	=	=	=	+	=	=	+	+	=	=	+	100%
Asseco PL	-	=	=	-	=	+	+	+	+	+	=	+	75%
Asseco SEE	+	=	+	-	=	=	=	+	=	+	=	+	92%
Atende	na	na	na	na	+	=	-	+	-	+	-	=	63%
Comarch	+	-	+	+	=	+	+	+	+	+	+	+	67%
11 bit studios	+	=	+	-	na	=	-	=	+	-	-	-	55%
CD Projekt	+	+	+	-	+	=	=	-	-	+	+	+	75%
Industrials													
AC	na	na	na	na	na	na	na	na	=	=	-	+	75%
Alumetal	=	-	=	+	=	=	+	=	-	-	=	=	75%
Amica	-	=	=	-	+	=	+	+	+	=	=	+	75%
Apator	=	=	-	=	=	=	+	+	+	+	=	+	83%
Astarta	na	na	na	na	na	na	na	na	na	na	na	-	0%
Boryszew	-	+	-	+	=	=	=	-	-	-	=	-	33%
Cognor	na	na	na	na	na	+	+	+	=	-	+	-	57%
Famur	+	na	-	=	+	+	+	+	+	+	+	-	82%
Forte	=	=	=	-	-	=	+	-	-	+	=	+	58%
Grupa Kęty	=	=	=	=	-	=	+	=	=	=	=	=	92%
JSW	-	+	+	-	-	=	+	=	-	+	+	+	67%
Kernel	-	-	-	-	+	=	-	+	+	-	=	+	50%
KGHM	+	+	=	=	+	=	+	-	-	+	=	+	83%
Kruszwica	+	-	-	-	=	+	+	+	+	+	+	-	67%
Mangata	+	=	-	-	-	+	+	+	+	+	=	=	67%
Pozbud	na	na	na	na	+	=	+	-	=	+	=	-	63%
PKP Cargo	+	=	=	=	=	=	+	+	+	=	-	-	67%
Stelmet	=	-	=	=	+	-	+	+	+	+	+		73%
TIM	na	na	na	na	na	na	na	na	+	+	+	-	75%
Real-Estate													
Atal	=	+	+	-	-	=	+	=	+	+	-	+	75%
Dom Dev.	=	=	+	+	=	+	=	+	=	=	+	+	100%
Retail													
AmRest	+	-	+	+	+	-	-	=	+	-	+	=	67%
CCC	=	-	+	-	-	-	-	-	-	-	+	-	25%
Dino	na	na	+	=	+	+	=	=	=	=	+	=	100%
Eurocash	=	=	=	-	=	=	=	-	-	=	=	=	50%
Jeronimo	=	=	=	=	=	=	=	=	=	=	=	=	100%
LPP	=	=	=	+	=	-	+	+	=	=	+	-	83%
VRG	=	-	-	=	=	=	=	=	=	=	=	=	67%

YoY	4Q	2017				2018				2019				+/=
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
Financials														
Alior Bank	+	-	+	+	-	+	+	-	+	-	-	-	50%	
Handlowy	+	-	-	+	+	+	+	-	-	-	-	-	42%	
ING BSK	+	+	-	+	+	+	=	=	+	=	+	+	92%	
Millennium	+	+	-	+	+	+	+	+	+	=	-	=	83%	
Pekao	+	-	-	=	+	+	=	+	-	-	+	+	67%	
PKO BP	+	-	=	+	+	+	+	+	+	+	+	+	92%	
Santander BP	+	-	-	+	+	=	=	-	+	-	-	+	58%	
Komercni	+	+	-	-	+	-	+	+	+	+	+	-	67%	
Moneta	-	-	-	=	-	+	-	+	+	-	+	+	50%	
Erste Group	-	-	-	+	+	+	+	+	+	+	-	+	67%	
RBI	+	+	+	+	+	+	=	+	-	-	=	-	75%	
OTP Bank	=	+	+	+	+	+	+	+	+	+	+	+	100%	
PZU	+	+	+	+	+	-	+	+	=	+	-	-	75%	
Kruk	+	+	+	=	-	-	=	+	+	+	+	-	67%	
Skarbiec	=	+	+	-	+	-	-	-	-	+	+	-	50%	
Chemicals														
Ciech	+	+	-	-	+	-	=	-	-	-	=	+	50%	
Grupa Azoty	-	-	+	+	+	-	-	-	-	+	+	+	50%	
Oil & Gas														
Lotos	+	+	+	+	-	-	+	=	+	+	=	=	83%	
MOL	-	+	+	-	+	-	-	+	+	-	=	=	58%	
PGNiG	+	+	=	=	=	-	+	+	-	-	-	-	58%	
PKN Orlen	+	+	+	+	-	-	-	+	-	=	+	+	67%	
Utilities														
CEZ	-	-	-	-	-	-	-	+	=	+	+	=	42%	
Enea	+	+	+	=	-	=	-	=	-	+	+	+	75%	
Energia	=	-	+	+	-	+	+	-	-	-	=	+	58%	
PGE	-	+	+	=	-	+	+	=	-	-	-	+	58%	
Tauron	+	+	+	=	-	=	-	-	-	+	-	+	58%	
TMT														
Netia	=	-	-	-	-	=	-	-	-	-	-	-	17%	
Orange PL	-	-	=	-	+	=	-	+	+	=	=	+	67%	
Play	na	+	+	+	=	-	-	-	-	+	+	=	64%	
Agora	-	+	+	=	+	-	-	+	+	+	-	+	67%	
Cyfrowy	+	+	+	-	-	=	-	=	=	=	=	=	75%	
Wirtualna	+	+	+	+	+	+	+	+	+	+	+	+	100%	
Ailleron	+	+	+	-	+	=	+	-	-	+	-	-	58%	
Asseco BS	+	+	+	+	+	+	+	+	+	+	-	+	92%	
Asseco PL	-	-	-	-	-	+	+	+	+	+	-	+	50%	
Asseco SEE	+	+	+	+	+	+	+	+	+	+	+	+	100%	
Atende	-	+	-	-	+	-	-	+	-	-	-	-	33%	
Comarch	+	-	-	-	-	=	+	+	+	+	-	+	58%	
11 bit studios	+	+	-	=	+	+	-	+	+	+	-	-	67%	
CD Projekt	+	+	+	-	-	-	-	-	-	-	+	-	33%	
Industrials														
AC	+	-	+	-	-	+	+	+	+	+	-	+	67%	
Alumetal	-	-	-	-	+	+	+	+	-	-	-	-	33%	
Amica	=	-	=	-	-	-	+	+	+	=	+	+	67%	
Apator	+	+	-	+	-	-	+	=	+	+	-	-	58%	
Astarta				+	+	-	-	-	-	-	+	-	33%	
Boryszew	-	+	+	+	+	-	-	-	-	-	-	+	42%	
Cognor	+	+	=	+	+	+	+	+	+	-	-	-	67%	
Famur	+	+	=	+	+	+	+	+	+	+	+	-	92%	
Forte	+	-	-	-	-	-	+	-	+	+	-	+	42%	
Grupa Kęty	+	+	+	+	+	+	+	+	+	=	+	+	100%	
JSW	+	+	+	+	+	-	=	=	-	-	=	-	67%	
Kernel	-	-	-	-	-	-	+	+	+	-	+	=	42%	
KGHM	+	+	+	+	-	-	+	-	=	+	-	+	67%	
Kruszwica	+	=	=	=	+	+	+	+	+	+	+	-	92%	
Mangata	-	=	-	=	+	+	+	+	=	+	=	-	75%	
Pozbud	-	-	-	=	+	-	+	+	+	+	+	+	67%	
PKP Cargo	-	+	+	+	+	+	+	+	+	+	-	-	67%	
Stelmet	-	-	-	+	+	=	+	+	=	+	-		64%	
TIM	-	-	-	-	+	+	+	+	+	+	+	+	67%	
Real-Estate														
Atal	-	+	+	=	+	+	+	=	-	-	-	-	58%	
Dom Dev.	+	-	+	+	+	+	+	-	+	+	-	+	75%	
Retail														
AmRest	+	=	+	+	-	+	=	+	+	+	+	+	92%	
CCC	+	+	+	+	-	-	-	-	-	-	+	-	42%	
Dino	na	na	+	+	+	+	+	+	+	+	+	+	100%	
Eurocash	-	-	=	-	+	+	=	=	+	-	=	+	58%	
Jeronimo	+	=	+	+	+	+	=	=	=	=	+	+	100%	
LPP	-	+	+	+	+	-	+	+	+	=	=	+	83%	
VRG	+	-	+	+	+	+	+	=	+	+	+	+	83%	

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



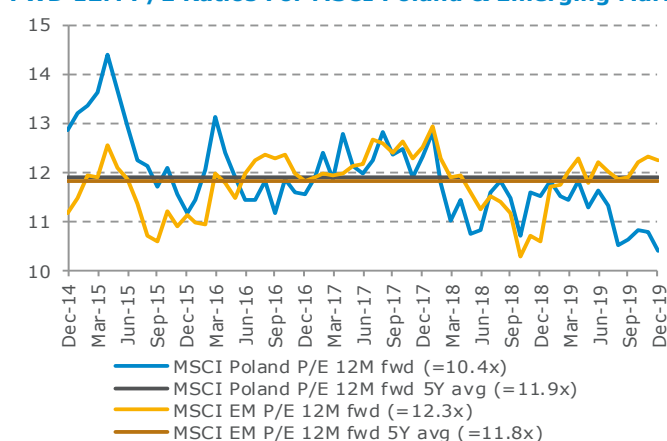
Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

Revisions To FY2019 Earnings Forecasts For WIG30 Companies

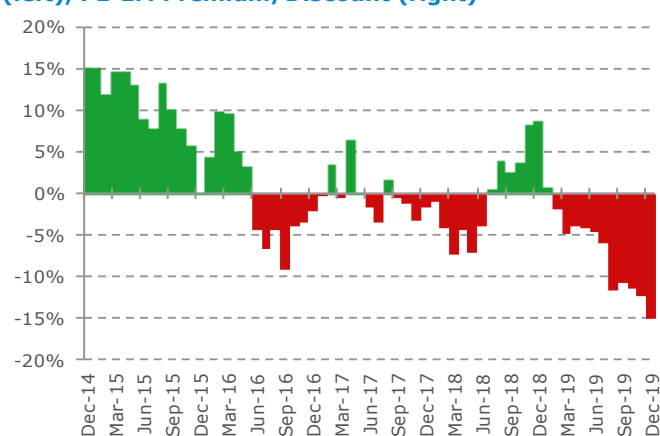
Nov-18=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM
Dec-18	-2%	-0%	-1%	+0%	-2%	+0%	-2%	+0%	-0%	-1%	-1%	+0%	-0%	+0%	-6%	+0%
Jan-19	-2%	-1%	-1%	+0%	+0%	+1%	-1%	-6%	-4%	-2%	-2%	+1%	-18%	+0%	-7%	-2%
Feb-19	-3%	-2%	-2%	+0%	-2%	-4%	-2%	-6%	-6%	-2%	-9%	+1%	+26%	+67%	-7%	-2%
Mar-19	-2%	-2%	-2%	-0%	-3%	-8%	-0%	-12%	-6%	-8%	-10%	+4%	+35%	+67%	+1%	+14%
Apr-19	-6%	-2%	-2%	-0%	-13%	-8%	-3%	-13%	-5%	-8%	-14%	+4%	+15%	+173%	-2%	+14%
May-19	-6%	-2%	-2%	-3%	-16%	-12%	+2%	-1%	-9%	-12%	-14%	+12%	+51%	+246%	-5%	+6%
Jun-19	-7%	-3%	-2%	-1%	-19%	-12%	+1%	-3%	-13%	-30%	-15%	+16%	+64%	+306%	-9%	-7%
Jul-19	-8%	-3%	-3%	-4%	-20%	-6%	-0%	-3%	-14%	-30%	-13%	+18%	+104%	+306%	-13%	-7%
Aug-19	-8%	-2%	-3%	-3%	-19%	-6%	-0%	-3%	-16%	-30%	-10%	+19%	+123%	+306%	-17%	-4%
Sep-19	-9%	-3%	-3%	-3%	-18%	-6%	-8%	-3%	-18%	-30%	-10%	+17%	+123%	+267%	-19%	-4%
Oct-19	-10%	-6%	-4%	-5%	-16%	-11%	-8%	-15%	-20%	-32%	-7%	+17%	+94%	+286%	-22%	+0%
Nov-19	-11%	-8%	-5%	-7%	-18%	-8%	-9%	-15%	-23%	-38%	-6%	+20%	+96%	+259%	-22%	-12%

Source: "Con" - Bloomberg consensus forecasts, "mDM" - estimates by Dom Maklerski mBanku, provided ex. mBank.
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)

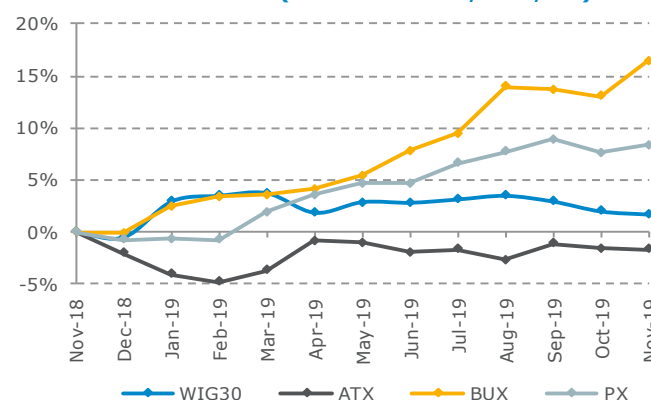


Source: Bloomberg, Dom Maklerski mBanku



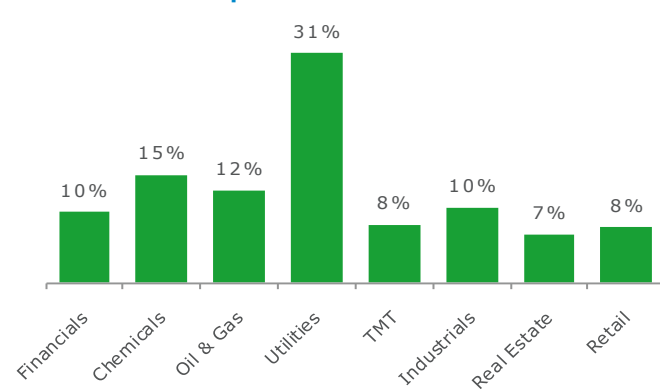
Source: Bloomberg, Dom Maklerski mBanku

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



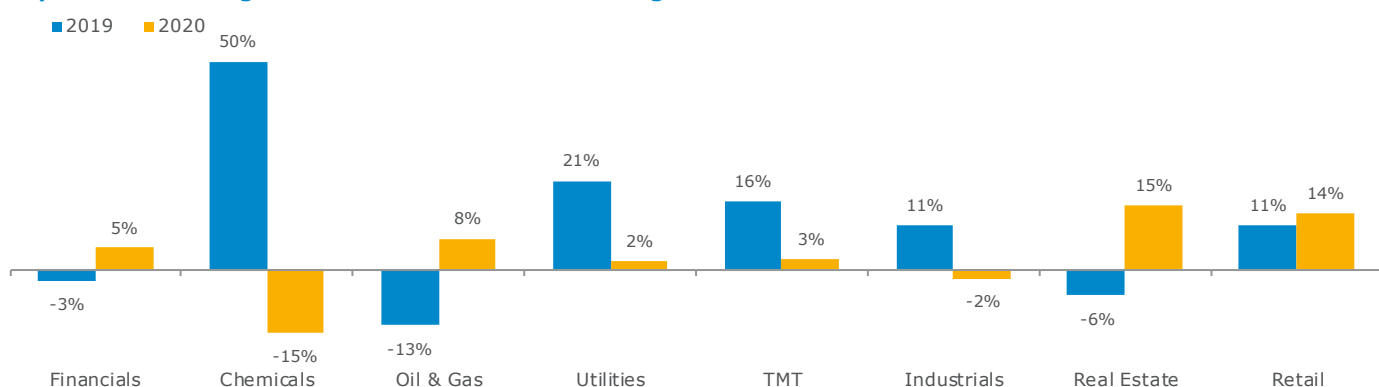
Source: Bloomberg, Dom Maklerski mBanku

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; TMT'19 change without adjusting for IFRS16

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	hold	31.00	8	3	2	43.58	-28.9%	-16%	-26%	-34%				13
Handlowy	accumulate	57.44	9	1	0	61.41	-6.5%	-15%	-0%	-1%				8
ING BSK	hold	187.77	2	4	5	198.77	-5.5%	-8%	-4%	-3%				9
Millennium	hold	5.47	4	4	4	7.10	-22.9%	-7%	-42%	-60%				10
Pekao	buy	115.20	13	6	0	127.49	-9.6%	+1%	-5%	-6%				16
PKO BP	accumulate	39.50	7	11	1	41.65	-5.2%	+1%	-7%	-7%				14
Santander Bank Polska	hold	265.50	6	8	2	352.67	-24.7%	-6%	-10%	-17%				14
Komercni Banka	buy	928.20	9	9	1	919.04	+1.0%	+1%	+1%	+5%				11
Moneta Money Bank	buy	94.33	14	0	0	96.76	-2.5%	-0%	+7%	+5%				10
Erste Group	accumulate	36.61	21	3	1	37.79	-3.1%	-2%	+4%	+4%				16
RBI	accumulate	23.05	11	9	1	26.58	-13.3%	+3%	+5%	+4%				14
OTP Bank	hold	14,681	13	3	2	14,320	+2.5%	+4%	+6%	-				14
PZU	accumulate	41.91	6	6	0	44.28	-5.3%	-1%	+3%	+2%				9
Kruk	buy	210.31	3	1	2	165.50	+27.1%	-1%	-0%	+7%				4
Chemicals														
Ciech	buy	44.41	10	1	0	47.46	-6.4%	-34%	-5%	-13%	-9%	-1%	-5%	6/6
Grupa Azoty	hold	32.75	4	3	0	42.02	-22.1%	-2%	-56%	-94%	+2%	-10%	-20%	5/5
Oil & Gas														
Lotos	reduce	77.80	11	2	1	102.88	-24.4%	-25%	-30%	-32%	-8%	-13%	-15%	10/9
MOL	accumulate	3,302.0	9	4	0	3,512.1	-6.0%	-12%	-18%	-12%	-3%	-5%	+2%	13/13
PGNiG	buy	5.64	3	6	1	5.07	+11.2%	-5%	+42%	+37%	-0%	+15%	+20%	9/9
PKN Orlen	hold	94.17	6	8	4	105.98	-11.1%	-3%	-24%	-36%	-3%	-14%	-19%	15/14
Utilities														
CEZ	buy	597.80	8	8	1	595.67	+0.4%	+1%	-5%	-4%	+1%	-1%	+1%	11/11
Enea	buy	11.53	8	1	1	11.75	-1.9%	+8%	+2%	+1%	+8%	+3%	+2%	6/6
Energia	buy	11.67	2	6	2	8.67	+34.6%	-16%	-17%	-1%	+3%	+1%	+2%	5/5
PGE	buy	12.20	6	4	3	11.06	+10.3%	+11%	+0%	+3%	+9%	+4%	+3%	7/6
Tauron	buy	2.45	6	5	2	2.10	+16.6%	-11%	+4%	+8%	+0%	+4%	+3%	6/6
TMT														
Netia	hold	4.70	4	1	1	4.79	-1.8%	-7%	-27%	-32%	+11%	+6%	+0%	4/6
Orange Polska	accumulate	7.40	4	10	1	6.39	+15.9%	+38%	-4%	+22%	+5%	+2%	+6%	6/12
Play	buy	36.00	10	2	3	34.14	+5.4%	-3%	+3%	+1%	+0%	+4%	+4%	12/12
Agora	buy	17.00	3	2	0	14.25	+19.3%	-	-	-	+16%	-8%	-8%	4/4
Cyfrowy Polsat	reduce	26.10	3	9	2	28.86	-9.6%	-4%	-2%	+3%	+2%	+2%	+2%	12/11
Wirtualna Polska	hold	70.00	6	2	0	70.32	-0.5%	-13%	+13%	+11%	-1%	+17%	+16%	4/4
Asseco Poland	hold	59.20	3	5	0	58.25	+1.6%	-1%	-0%	-0%	+7%	+6%	+5%	3/4
Asseco BS	neutral	-	0	3	0	29.30	-	+2%	+60%	+60%	+3%	+5%	+6%	3/2
Asseco SEE	overweight	-	3	1	0	24.40	-	+6%	+8%	+8%	-1%	+1%	+3%	5/5
Comarch	buy	250.00	5	0	0	226.22	+10.5%	+6%	+7%	+4%	+7%	+8%	+4%	5/5
11 bit studios	buy	454.00	6	2	1	438.39	+3.6%	-9%	-0%	+15%	+5%	+10%	+22%	7/7
CD Projekt	accumulate	281.30	10	6	3	270.13	+4.1%	+3%	+27%	+62%	-15%	-1%	+19%	14/13
Industrials														
AC	neutral	-	1	2	0	42.00	-	+13%	+9%	+4%	+6%	+5%	+4%	2/2
Alumetal	neutral	-	4	2	0	49.95	-	-1%	-16%	-19%	+4%	-8%	-9%	4/4
Amica	neutral	-	3	2	0	145.40	-	+14%	+12%	+13%	+9%	+6%	+7%	5/5
Apator	neutral	-	1	2	1	26.75	-	-4%	-2%	+6%	-2%	-2%	+2%	3/3
Astarta	overweight	-	3	2	0	25.18	-	-	+10%	+21%	-29%	+6%	+9%	4/4
Famur	buy	5.18	6	0	0	6.14	-15.7%	+22%	-2%	+5%	-3%	+1%	+8%	5/4
Forte	neutral	-	2	4	1	29.65	-	-40%	-20%	-19%	-6%	-4%	-6%	5/5
Grupa Kęty	hold	335.44	5	7	0	359.02	-6.6%	+3%	-9%	-15%	+2%	-6%	-12%	8/8
JSW	buy	28.04	4	2	4	41.50	-32.4%	-7%	-	-	+9%	-17%	-27%	7/6
Kemel	hold	41.60	4	1	1	58.52	-28.9%	+2%	-27%	-35%	-1%	-1%	-2%	5/4
KGHM	hold	85.54	0	8	8	80.92	+5.7%	-7%	-12%	-29%	+3%	-10%	-20%	13/12
PKP Cargo	reduce	18.13	4	4	2	33.15	-45.3%	-20%	-	-	-1%	-13%	-19%	7/6
Real Estate														
Atal	buy	44.90	5	0	0	43.38	+3.5%	-5%	-5%	+9%	-5%	-4%	+10%	3/3
Dom Development	hold	88.92	2	4	0	87.52	+1.6%	+7%	+11%	+31%	+5%	+4%	+15%	5/4
Retail														
AmRest	hold	47.00	8	4	0	51.00	-7.9%	+18%	-8%	-13%	+14%	+1%	-2%	9/6
CCC	buy	157.00	4	8	5	139.40	+12.6%	-61%	-10%	-1%	-1%	+10%	+11%	16/15
Dino	accumulate	148.60	9	6	3	149.25	-0.4%	-1%	+1%	+8%	-1%	+1%	+6%	14/14
Eurocash	reduce	19.80	9	5	4	22.90	-13.5%	-15%	-9%	+1%	+6%	+2%	-1%	7/11
Jeronimo Martins	hold	14.30	13	13	5	15.29	-6.5%	+4%	+6%	+1%	-1%	-0%	-3%	16/18
LPP	buy	10,100	6	8	3	8,934.0	+13.1%	-2%	+10%	+22%	-5%	-2%	-0%	13/12
VRG	accumulate	4.50	7	0	0	4.85	-7.3%	-7%	-12%	-11%	-6%	-5%	-8%	4/4

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 of 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						+9.7%	9.9	10.0		
Alior Bank	hold	2019-11-06	29.34	31.00	27.78	+11.6%	8.7	8.0		
Handlowy	accumulate	2019-12-05	51.70	57.44	51.70	+11.1%	15.0	10.9		
ING BSK	hold	2019-12-05	190.80	187.77	190.80	-1.6%	15.6	13.9		
Millennium	hold	2019-12-05	5.49	5.47	5.49	-0.4%	9.5	12.0		
Pekao	buy	2019-12-05	96.34	115.20	96.34	+19.6%	11.2	10.2		
PKO BP	accumulate	2019-12-05	34.99	39.50	34.99	+12.9%	9.7	10.0		
Santander Bank Polska	hold	2019-12-05	279.00	265.50	279.00	-4.8%	13.0	11.8		
Komercni Banka	buy	2019-12-05	792.00	928.20 CZK	792.00	+17.2%	9.9	10.5		
Moneta Money Bank	buy	2019-08-28	75.95	94.33 CZK	81.85	+15.2%	11.0	10.2		
Erste Group	accumulate	2019-12-05	32.20	36.61 EUR	32.20	+13.7%	8.9	8.6		
RBI	accumulate	2019-12-05	21.24	23.05 EUR	21.24	+8.5%	6.0	5.7		
OTP Bank	hold	2019-12-05	14,870	14,681 HUF	14,870	-1.3%	10.2	9.3		
PZU	accumulate	2019-12-05	36.47	41.91	36.47	+14.9%	10.0	9.5		
Kruk	buy	2019-12-05	150.90	210.31	150.90	+39.4%	8.6	8.5		
Skarbiec Holding	buy	2019-12-05	17.20	29.34	17.20	+70.6%	5.4	5.1		
Chemicals						+14.5%	10.0	16.7	5.2	6.0
Ciech	buy	2019-12-05	36.40	44.41	36.40	+22.0%	14.0	8.6	6.3	5.5
Grupa Azoty	hold	2019-12-05	30.00	32.75	30.00	+9.2%	6.1	24.8	4.1	6.6
Oil & Gas						+12.4%	11.5	9.4	4.8	4.9
Lotos	reduce	2019-12-05	85.20	77.80	85.20	-8.7%	13.8	9.9	6.5	5.1
MOL	accumulate	2019-11-27	2,926	3,302 HUF	2,844	+16.1%	9.5	8.6	4.4	4.7
PGNiG	buy	2019-11-06	5.07	5.64	4.50	+25.3%	13.5	8.8	4.9	3.8
PKN Orlen	hold	2019-12-05	88.50	94.17	88.50	+6.4%	7.9	9.9	4.7	5.1
Power Utilities						+30.4%	5.4	5.2	3.6	3.8
CEZ	buy	2019-12-05	502.00	597.80 CZK	502.00	+19.1%	15.0	13.0	7.3	6.7
Enea	buy	2019-11-06	8.59	11.53	8.65	+33.3%	3.6	3.5	3.3	3.2
Energa	buy	2019-11-06	6.37	11.67	6.90	+69.1%	5.4	5.2	3.6	4.2
PGE	buy	2019-10-24	8.42	12.20	8.39	+45.4%	5.6	7.3	3.4	3.8
Tauron	buy	2019-11-06	1.73	2.45	1.68	+46.2%	3.2	2.7	4.1	3.8
Telecoms, Media, IT						+8.2%	26.4	16.1	6.2	6.2
Netia	hold	2019-12-05	4.44	4.70	4.44	+5.9%	31.0	31.7	4.5	4.6
Orange Polska	accumulate	2019-11-29	6.46	7.40	6.56	+12.9%	30.9	33.8	5.2	5.4
Play	buy	2019-11-14	31.30	36.00	31.42	+14.6%	9.1	8.3	6.1	5.9
Agora	buy	2019-10-30	9.50	17.00	10.15	+67.5%	48.4	25.8	6.8	6.4
Cyfrowy Polsat	reduce	2019-11-14	28.86	26.10	26.54	-1.7%	15.1	12.8	6.9	6.7
Wirtualna Polska	hold	2019-12-05	68.20	70.00	68.20	+2.6%	26.4	18.3	12.1	9.5
Asseco Poland	hold	2019-12-05	57.35	59.20	57.35	+3.2%	14.5	14.0	5.0	4.7
Comarch	buy	2019-11-25	189.50	250.00	197.50	+26.6%	14.3	13.7	6.2	6.0
11 bit studios	buy	2019-12-05	360.50	454.00	360.50	+25.9%	36.2	43.2	22.8	25.5
CD Projekt	accumulate	2019-12-05	260.30	281.30	260.30	+8.1%	-	11.1	-	9.5
Industrials, Mining						+10.1%	6.9	11.0	4.4	5.1
Cognor	hold	2019-12-05	1.17	1.25	1.17	+6.8%	6.3	36.3	4.3	5.9
Famur	buy	2019-12-05	2.98	5.18	2.98	+73.8%	4.6	7.0	3.7	3.8
Grupa Kęty	hold	2019-12-05	338.50	335.44	338.50	-0.9%	11.5	13.2	7.9	8.6
JSW	buy	2019-12-05	18.80	28.04	18.80	+49.1%	3.1	-	0.3	2.0
Kemcel	hold	2019-12-05	41.20	41.60	41.20	+1.0%	4.7	7.9	4.5	6.4
KGHM	hold	2019-12-05	88.66	85.54	88.66	-3.5%	8.8	9.2	4.5	4.9
PKP Cargo	reduce	2019-12-05	20.00	18.13	20.00	-9.4%	7.6	-	2.8	3.4
Stelmet	hold	2019-12-05	8.20	8.78	8.20	+7.1%	12.8	12.8	5.6	5.3
Property Developers						+6.6%	9.6	8.4	8.7	7.7
Atal	buy	2019-12-05	37.20	44.90	37.20	+20.7%	9.9	8.1	10.0	7.8
Dom Development	hold	2019-12-05	93.00	88.92	93.00	-4.4%	9.2	8.6	7.5	7.5
Retail						+7.6%	25.4	20.7	9.0	8.2
AmRest	hold	2019-12-05	46.35	47.00	46.35	+1.4%	-	-	44.7	41.3
CCC	buy	2019-12-05	108.10	157.00	108.10	+45.2%	-	22.7	6.0	4.7
Dino	accumulate	2019-11-25	134.00	148.60	136.00	+9.3%	32.8	24.4	19.5	14.8
Eurocash	reduce	2019-11-25	22.22	19.80	21.96	-9.8%	74.5	44.3	8.0	7.6
Jeronimo Martins	hold	2019-10-07	14.92	14.30 EUR	14.54	-1.6%	20.6	18.5	9.0	8.2
LPP	buy	2019-12-05	8,575.00	10,100.00	8,575.00	+17.8%	25.4	18.7	10.7	9.2
VRG	accumulate	2019-12-02	3.94	4.50	4.00	+12.5%	15.4	12.8	4.9	4.4

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2019	2020	2019	2020
IT						14.0	12.1	6.6	5.5
Ailleron	neutral	2019-10-31	7.16	7.74	+8.1%	14.0	10.6	5.5	4.3
Asseco BS	neutral	2019-12-05	27.60	27.60	+0.0%	14.1	13.6	9.2	8.7
Asseco SEE	overweight	2019-12-05	25.60	25.60	+0.0%	15.8	14.2	7.7	6.6
Atende	neutral	2019-12-05	3.06	3.06	+0.0%	10.8	10.1	4.6	4.3
Industrials						11.0	10.7	6.5	6.7
AC	neutral	2019-12-05	43.20	43.20	+0.0%	10.9	10.9	7.6	7.2
Alumetal	neutral	2019-12-05	39.30	39.30	+0.0%	12.3	12.7	7.1	7.4
Amica	neutral	2019-12-05	133.20	133.20	+0.0%	9.0	8.4	5.9	5.9
Apator	neutral	2019-12-05	21.10	21.10	+0.0%	11.2	11.3	6.5	6.8
Astarta	overweight	2019-12-05	15.90	15.90	+0.0%	-	2.7	6.4	2.9
Boryszew	neutral	2019-12-05	4.09	4.09	+0.0%	13.5	10.7	6.7	6.8
Forte	neutral	2019-12-05	28.15	28.15	+0.0%	22.8	13.1	9.5	8.0
Kruszwica	overweight	2019-12-05	45.80	45.80	+0.0%	10.6	9.6	5.2	4.9
Mangata	neutral	2019-12-05	72.00	72.00	+0.0%	8.7	10.2	6.2	6.7
Pozbud	neutral	2019-12-05	1.80	1.80	+0.0%	4.2	4.1	4.6	5.6
TIM	overweight	2019-12-05	10.90	10.90	+0.0%	12.2	10.8	6.5	5.9

Stocks Re-Rated as of 5 December 2019

Company	Rating	Previous Rating	Target Price		Issued on
11 bit studios	buy	buy	454.00	PLN	2019-12-05
AC	neutral	neutral	-	-	2019-12-05
Alumetal	neutral	neutral	-	-	2019-12-05
Amica	neutral	neutral	-	-	2019-12-05
AmRest	hold	hold	47.00	PLN	2019-12-05
Apator	neutral	underweight	-	-	2019-12-05
Asseco BS	neutral	neutral	-	-	2019-12-05
Asseco Poland	hold	hold	59.20	PLN	2019-12-05
Asseco SEE	overweight	overweight	-	-	2019-12-05
Astarta	overweight	overweight	-	-	2019-12-05
Atal	buy	accumulate	44.90	PLN	2019-12-05
Atende	neutral	neutral	-	-	2019-12-05
Boryszew	neutral	neutral	-	-	2019-12-05
CCC	buy	buy	157.00	PLN	2019-12-05
CD Projekt	accumulate	accumulate	281.30	PLN	2019-12-05
CEZ	buy	accumulate	597.80	CZK	2019-12-05
Ciech	buy	buy	44.41	PLN	2019-12-05
Cognor	hold	hold	1.25	PLN	2019-12-05
Dom Development	hold	hold	88.92	PLN	2019-12-05
Ergis	suspended	neutral	-	-	2019-12-05
Erste Group	accumulate	buy	36.61	EUR	2019-12-05
Famur	buy	buy	5.18	PLN	2019-12-05
Forte	neutral	neutral	-	-	2019-12-05
Grupa Azoty	hold	hold	32.75	PLN	2019-12-05
Grupa Kęty	hold	hold	335.44	PLN	2019-12-05
Handlowy	accumulate	accumulate	57.44	PLN	2019-12-05
ING BSK	hold	hold	187.77	PLN	2019-12-05
JSW	buy	buy	28.04	PLN	2019-12-05
Kernel	hold	reduce	41.60	PLN	2019-12-05
KGHM	hold	hold	85.54	PLN	2019-12-05
Komercni Banka	buy	buy	928.20	CZK	2019-12-05
Kruk	buy	buy	210.31	PLN	2019-12-05
Kruszwica	overweight	overweight	-	-	2019-12-05
Lotos	reduce	sell	77.80	PLN	2019-12-05
LPP	buy	hold	10100.00	PLN	2019-12-05
Mangata	neutral	neutral	-	-	2019-12-05
Millennium	hold	sell	5.47	PLN	2019-12-05
Monnari	suspended	neutral	-	-	2019-12-05
Netia	hold	hold	4.70	PLN	2019-12-05
OTP Bank	hold	accumulate	14681.00	HUF	2019-12-05
Pekao	buy	buy	115.20	PLN	2019-12-05
PKN Orlen	hold	reduce	94.17	PLN	2019-12-05
PKO BP	accumulate	buy	39.50	PLN	2019-12-05
PKP Cargo	reduce	reduce	18.13	PLN	2019-12-05
Pozbud	neutral	neutral	-	-	2019-12-05
PZU	accumulate	buy	41.91	PLN	2019-12-05
RBI	accumulate	hold	23.05	EUR	2019-12-05
Santander Bank Polska	hold	reduce	265.50	PLN	2019-12-05
Skarbiec Holding	buy	buy	29.34	PLN	2019-12-05
Stelmet	hold	hold	8.78	PLN	2019-12-05
Tarczyński	suspended	neutral	-	-	2019-12-05
TIM	overweight	overweight	-	-	2019-12-05
Wirtualna Polska	hold	hold	70.00	PLN	2019-12-05

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Issued on
11 bit studios	buy	buy	483.00	PLN	2019-11-06
Alior Bank	hold	buy	31.00	PLN	2019-11-06
AmRest	hold	accumulate	48.00	PLN	2019-11-06
CCC	buy	buy	160.00	PLN	2019-11-06
CD Projekt	accumulate	accumulate	276.40	PLN	2019-11-06
Cognor	hold	accumulate	1.55	PLN	2019-11-04
Comarch	buy	buy	250.00	PLN	2019-11-25
Cyfrowy Polsat	reduce	reduce	26.10	PLN	2019-11-14
Dino	accumulate	hold	148.60	PLN	2019-11-25
Enea	buy	buy	11.53	PLN	2019-11-06
Energa	buy	buy	11.67	PLN	2019-11-06
Eurocash	reduce	sell	19.80	PLN	2019-11-25
Eurocash	sell	reduce	18.10	PLN	2019-11-06
Grupa Azoty	hold	hold	37.12	PLN	2019-11-06
Grupa Kęty	hold	hold	333.45	PLN	2019-11-06
KGHM	hold	accumulate	96.13	PLN	2019-11-08
KGHM	accumulate	accumulate	96.14	PLN	2019-11-06
Millennium	sell	reduce	5.18	PLN	2019-11-06
MOL	accumulate	accumulate	3,302.00	HUF	2019-11-27
MOL	accumulate	buy	3,258.00	HUF	2019-11-06
Orange Polska	accumulate	buy	7.40	PLN	2019-11-29
OTP Bank	accumulate	buy	14,681.00	HUF	2019-11-06
PGNiG	buy	buy	5.64	PLN	2019-11-06
PKN Orlen	reduce	hold	94.17	PLN	2019-11-14
PKP Cargo	reduce		20.44	PLN	2019-11-26
Play	buy	buy	36.00	PLN	2019-11-14
RBI	hold	accumulate	23.05	EUR	2019-11-06
Santander Bank Polska	reduce	hold	276.55	PLN	2019-11-06
Tauron	buy	buy	2.45	PLN	2019-11-06
VRG	accumulate	buy	4.50	PLN	2019-12-02

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	0	0.0%	0	0.0%
reduce	4	5.9%	0	0.0%
underweight	0	0.0%	0	0.0%
hold	18	26.5%	6	28.6%
neutral	11	16.2%	3	14.3%
accumulate	10	14.7%	6	28.6%
buy	21	30.9%	6	28.6%
overweight	4	5.9%	0	0.0%

Financial Sector

Alior Bank

hold (no change)

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We maintain our hold recommendation for Alior with a 9-month target price of PLN 31.00 per share. Our forecasts were recently revised downwards by as much as 52%-56% for 2020/21, adjusting mainly for the potential loan fee refunds following the ruling of the EU Court of Justice. According to Alior, the refunds will have a negative, recurring effect on interest income of ca. PLN 80m. The Management Board has announced mitigating measures, which should compensate for the loss by the end of 2021. In addition, our projections include a conservative forecast of risk reserves, with risk cost at 220 bps in 2020-21. Finally, we reduced the expected rate of lending growth to approximately PLN 4bn per year (from PLN 5bn previously) due to the protection of the Tier 1 capital adequacy ratio, which remains at a safe level of 14.2% over the forecast horizon. The changes made will cause the Bank's profitability (ROE) to drop to 6% in the next two years, i.e. below the cost of capital (8.5%). We emphasize that despite a significant drop in profitability, the bank will not need fresh capital (Tier1 at a level of 14% compared to the minimum of 11.5%). We believe that our forecast is conservative and that the Bank may positively surprise in the future with much lower cost of risk and higher interest income growth, which must, however, be proven in the results of subsequent quarters. We value Alior Bank at 0.5x P/BV, i.e. with a near-60% discount to comparable companies and an over-30% discount to Millennium, which may have even greater problems with profitability in the coming years.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	2,841	3,085	3,210	3,210	3,369
Fee income	453	436	671	691	708
Trading income	376	476	100	102	104
Other income	127	127	137	144	151
Noninterest income	956	1,039	909	937	963
Total income	3,797	4,124	4,119	4,147	4,333
Operating expenses	1,930	1,847	1,705	1,816	1,860
Operating income	1,867	2,277	2,304	2,330	2,473
Provisioning	930	1,080	1,432	1,449	1,540
Profits of associates	0	0	0	0	1
Pre-tax income	937	1,196	872	882	934
Tax	221	275	231	185	196
Minority interests	0	0	0	0	0
Asset tax	201	208	229	250	266
Net income	515	713	412	446	471

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	0	0%
PV Adjustment	196	3%
Value Driver (2022-36)	4,515	65%
Fade (2037-56)	992	14%
Terminal Value	1,287	18%
Fair Value	6,989	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	54.07	
9M Target Price (PLN)	57.52	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,920	103%
Explicit Forecast (2019-21)	161	2%
PV Adjustment	448	7%
Value Driver (2022-36)	114	2%
Fade (2037-56)	-930	-14%
Fair Value	6,713	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	51.93	
9M Target Price (PLN)	55.24	

Current Price 27.78 PLN
9M Target Price 31.00 PLN **Upside +11.6%**

	rating	target price	issued
unchanged	hold	31.00 PLN	2019-11-06

Key Metrics	ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng -1.1% +4.3%
ISIN	PLALIOR00045	YTD Price Chng -47.7% -45.0%
Outst. Stock (m)	129.3	ADTV 1M PLN 35.9m
MC (PLN m)	3,590.8	ADTV 6M PLN 20.4m
		P/E 12M fwd 6.0 -51.4%
Free Float	74.8%	P/E 5Y avg 12.4 discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,601	3,085	3,210	3,210	3,369
Total income	3,797	4,124	4,119	4,147	4,333
Costs	-1,930	-1,847	-1,815	-1,816	-1,860
Provisioning	-930	-1,080	-1,432	-1,449	-1,540
Net income	515	713	412	446	471
P/E	7.0	5.0	8.7	8.0	7.6
P/B	0.5	0.6	0.5	0.5	0.5
ROE	8.0%	10.8%	6.1%	6.2%	6.2%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	51,267	54,246	59,053	62,564	66,208
Other assets	18,227	19,174	20,434	21,777	23,213
Total assets	69,494	73,420	79,488	84,341	89,421
Deposits	57,614	62,436	66,945	70,870	75,046
Other liabilities	5,117	4,498	5,594	6,077	6,509
Minority interests	1	0	0	0	0
Equity	6,761	6,486	6,948	7,395	7,866

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	4.3%	4.5%	4.4%	4.1%	4.1%
C/I	50.8%	44.8%	44.1%	43.8%	42.9%
CoR	1.8%	1.9%	2.3%	2.2%	2.2%
NPL Ratio	10.8%	10.6%	10.4%	10.2%	10.2%
Tier 1 Ratio	12.1%	12.8%	14.2%	14.2%	14.2%

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	6,989
Economic Profits	50%	6,713
Fair Value Avg.		6,851
Fair Value Per Share (PLN)		53.00
Asset tax		-23.86
Fair Value Per Share		29.14
Cost of equity (9M)		6.4%
9M Target Price (PLN)		31.00

Handlowy accumulate (reiterated)

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We maintain our accumulate recommendation for Handlowy, but we slightly reduce the target price to PLN 57.44 per share. Our forecasts have been reduced by 2% for 2020 and 4% for 2021 due to lower interest income expectations (CJEU ruling on early loan fee refunds) and higher cost of risk (economic slowdown). At present, we expect that the cost of risk (to gross loans) will amount to 54bps in 2020 and 57bps in 2021. Our forecast is quite conservative given that the cost of risk of Bank Handlowy in the last 8 years was in the range of -11 bps and 57 bps (not counting the year 2019, which is abundant in corporate write-offs). On the other hand, we believe that an increase in fee income (+3% in 2020 and 2021) and a conservative cost policy (+1%-2% in 2020/21) will significantly mitigate the negative effects of the decrease in interest income and the increase in provisioning. We believe that a potential positive surprise in respect to our forecasts may come from lower-than-anticipated provisions and higher loan growth, which is currently expected to be around 5% per annum. On the other hand, the Bank may negatively surprise with its dividend due to regulatory restrictions. In the environment of growing risk of currency conversion of CHF loans and forced restructuring of a part of the sector, the regulator may, but does not have to, limit dividend payments. Nevertheless, it is precisely because of the Bank's secure profile and abundant dividend that it is the most preferred among smaller Polish banks. The Bank should guarantee stability amidst growing concerns about the currency conversion of CHF loans and declining profitability of the sector. We value the Bank at similar ratios as Bank Pekao but at a discount to an equally safe ING due to significantly lower profitability.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	1,082	1,108	1,147	1,167	1,220
Fee income	581	550	575	593	611
Trading income	396	487	489	499	511
Other income	21	15	41	42	44
Noninterest income	997	1,052	1,104	1,134	1,166
Total income	2,079	2,159	2,251	2,301	2,385
Operating expenses	1,192	1,180	1,259	1,270	1,295
Operating income	888	980	991	1,030	1,090
Provisioning	103	64	275	120	132
Profits of associates	0	0	0	0	0
Pre-tax income	785	916	716	911	958
Tax	172	190	172	191	201
Minority interests	0	0	0	0	0
Asset tax	78	87	94	99	108
Net income	536	639	451	621	649

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	857	11%
PV Adjustment	304	4%
Value Driver (2022-36)	6,049	74%
Fade (2037-56)	743	9%
Terminal Value	200	2%
Fair Value	8,153	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	62.40	
9M Target Price (PLN)	66.38	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,537	103%
Explicit Forecast (2019-21)	-171	-2%
PV Adjustment	598	7%
Value Driver (2022-36)	-539	-7%
Fade (2037-56)	-141	-2%
Fair Value	8,284	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	63.40	
9M Target Price (PLN)	67.44	

Current Price	51.70 PLN	Upside
9M Target Price	57.44 PLN	+11.1%

	rating	target price	issued
new	accumulate	57.44 PLN	2019-12-05
old	accumulate	59.45 PLN	2019-07-03
Key Metrics			
Ticker	BHW PW	1M Price Chng	+0.2%
ISIN	PLBH000000012	YTD Price Chng	-20.9%
Outst. Stock (m)	130.7	ADTV 1M	PLN 2.1m
MC (PLN m)	6,755.1	ADTV 6M	PLN 2.3m
		P/E 12M fwd	11.0
Free Float	25.0%	P/E 5Y avg	14.8

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,082	1,108	1,147	1,167	1,220
Total income	2,079	2,159	2,251	2,301	2,385
Costs	-1,192	-1,180	-1,259	-1,270	-1,295
Provisioning	-103	-64	-275	-120	-132
Net income	536	639	451	621	649
P/E	12.6	10.6	15.0	10.9	10.4
P/B	1.0	1.0	1.0	0.9	0.9
ROE	7.8%	9.1%	6.4%	8.8%	8.9%
DPS	4.60	4.10	3.74	3.84	3.56
DYield	8.9%	7.9%	7.2%	7.4%	6.9%
Forecast Update (% change)					
Net interest income			-2.8%	-8.3%	-9.9%
Fee income			+5.2%	+7.1%	+8.0%
Total costs			-0.6%	-1.8%	-1.8%
Provisioning			+73.2%	+42.8%	+43.8%
Net income			-12.8%	-1.6%	-3.8%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	17,854	19,802	20,949	21,902	23,056
Other assets	25,184	29,503	30,401	31,624	32,909
Total assets	43,038	49,305	51,350	53,525	55,965
Deposits	27,284	31,057	34,737	36,830	38,786
Other liabilities	8,815	11,191	9,594	9,558	9,788
Minority interests	0	0	0	0	0
Equity	6,939	7,057	7,019	7,138	7,391

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.5%	2.5%	2.4%	2.3%	2.3%
C/I	57.9%	54.6%	56.0%	55.2%	54.3%
CoR	0.6%	0.3%	1.3%	0.5%	0.6%
NPL Ratio	3.5%	3.0%	3.1%	4.1%	4.1%
Tier 1 Ratio	17.9%	16.8%	17.3%	17.0%	17.5%

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	8,153
Economic Profits	50%	8,284
Fair Value Avg.		8,218
Fair Value Per Share (PLN)		62.90
Asset tax		-8.90
Fair Value Per Share		54.00
Cost of equity (9M)		6.4%
9M Target Price (PLN)		57.44

ING BSK hold (reiterated)

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We lower our target price for ING BSK to PLN 187.77 per share with a reiterated hold recommendation. Our forecasts have been revised downwards by as much as 9% after weak Q3'19 results and by 6%-4% for 2020/21. The results for 2019 also include a one-off provision for CHF exposure in the amount of PLN 100m. On the other hand, the results for 2020/21 include a 15% increase in the balance of provisions due to the slowing economy in Poland. We expect cost of risk in 2020/21 to increase to 60-63bps, the highest level since 2012. We expect that the impact of early loan fee refunds on interest income will be offset by growing credit volumes. We expect the growth of ING loans to continue at a double-digit rate also in 2020 and to slow down to around 9% only in 2021, which makes the Bank unique in comparison to its competitors. Our forecasts are 3% below the consensus for 2020 and 2% below the consensus for 2021. We see the most serious threat to our forecasts in the ambitious C/I forecast, where we expect this ratio to fall to 40% in 2021 and in the ambitious forecast of credit volumes. On the other hand, we would like to point out that our forecast of the cost of risk is quite conservative, which may be a source of positive surprises in the future. ING BSK is the most expensive bank in the region and we believe it will remain so due to its high return on equity (ROE >12%), safe profile (low L/D and low exposure to CHF) and low liquidity. Among banks with a similar profile as ING BSK, we definitely prefer Komercni Banka due to better operating environment, higher dividend, profitability and much lower valuation.

Current Price	190.80 PLN	Downside
9M Target Price	187.77 PLN	-1.6%

	rating	target price	issued
new	hold	187.77 PLN	2019-12-05
old	hold	197.53 PLN	2019-10-07
Key Metrics		ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-3.8% +1.6%
ISIN	PLBSK0000017	YTD Price Chng	+8.1% +10.8%
Outst. Stock (m)	130.1	ADTV 1M	PLN 1.0m
MC (PLN m)	24,823.1	ADTV 6M	PLN 1.5m
		P/E 12M fwd	13.3 -13.7%
Free Float	25.0%	P/E 5Y avg	15.5 discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,453	3,760	4,309	4,720	5,151
Total income	4,756	5,233	5,823	6,292	6,809
Costs	-2,123	-2,327	-2,506	-2,614	-2,727
Provisioning	-421	-501	-728	-764	-890
Net income	1,403	1,526	1,591	1,788	1,954
P/E	17.7	16.3	15.6	13.9	12.7
P/B	2.1	1.9	1.8	1.7	1.5
ROE	12.6%	12.1%	11.7%	12.4%	12.5%
DPS	0.00	3.20	3.50	3.67	4.12
DYield	0.0%	1.7%	1.8%	1.9%	2.2%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			+0.8%	-0.2%	+1.2%
Fee income			+1.4%	+0.2%	+0.3%
Total costs			0.0%	0.0%	0.0%
Provisioning			+36.0%	+13.7%	+14.7%
Net income			-9.1%	-6.4%	-4.4%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	3,453	3,760	4,309	4,720	5,151
Fee income	1,183	1,305	1,369	1,402	1,480
Trading income	117	154	151	159	166
Other income	3	14	-6	12	12
Noninterest income	1,303	1,473	1,515	1,572	1,658
Total income	4,756	5,233	5,823	6,292	6,809
Operating expenses	2,123	2,327	2,506	2,614	2,727
Operating income	2,633	2,906	3,318	3,678	4,082
Provisioning	421	501	728	764	890
Profits of associates	0	0	6	11	11
Pre-tax income	2,212	2,405	2,595	2,924	3,204
Tax	479	507	571	643	705
Minority interests	0	0	0	0	0
Asset tax	330	372	433	493	545
Net income	1,403	1,526	1,591	1,788	1,954

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	91,088	103,126	116,745	130,646	142,911
Other assets	34,926	38,477	41,171	44,139	47,354
Total assets	126,014	141,603	157,916	174,785	190,265
Deposits	104,503	117,683	129,968	144,293	157,539
Other liabilities	9,716	10,584	14,156	15,472	16,385
Minority interests	0	0	0	0	0
Equity	11,795	13,336	13,793	15,021	16,341

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.9%	2.9%	2.9%	2.9%	2.9%
C/I	44.6%	44.5%	43.0%	41.5%	40.0%
CoR	0.5%	0.5%	0.6%	0.6%	0.6%
NPL Ratio	2.8%	2.8%	3.0%	3.3%	3.6%
Tier 1 Ratio	15.8%	14.8%	15.0%	14.9%	15.2%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	895	3%
PV Adjustment	1,301	4%
Value Driver (2022-36)	17,453	59%
Fade (2037-56)	7,648	26%
Terminal Value	2,468	8%
Fair Value	29,765	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	228.79	
9M Target Price (PLN)	243.37	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	13,585	47%
Explicit Forecast (2019-21)	2,285	8%
PV Adjustment	2,070	7%
Value Driver (2022-36)	8,438	29%
Fade (2037-56)	2,311	8%
Fair Value	28,689	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	220.51	
9M Target Price (PLN)	234.57	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	29,765
Economic Profits	50%	28,689
Fair Value Avg.		29,227
Fair Value Per Share (PLN)		224.65
Asset tax		-48.13
Fair Value Per Share		176.52
Cost of equity (9M)		6.4%
9M Target Price (PLN)		187.77

Millennium hold (upgraded)

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We upgrade Bank Millennium to hold after a significant share price drop and a target price hike to PLN 5.47 per share. Our 2021 forecasts for the Bank have been revised 5% higher to reflect stronger positive impact of the Eurobank acquisition on interest income. On the other hand, we have again raised our already conservative risk cost projections due to the economic slowdown. Currently, we expect the CoR to be 121bps in 2020 and 171bps in 2021, although both figures factor in the possible cancellation of CHF loans. Our forecasts assume a worst-case scenario for banks after the CJEU judgment, which presumes lawsuits from 100% of the bank's FX borrowers to cancel their loan contracts (more: <https://tinyurl.com/t8l38vz>). We estimate the impact of this at PLN 6.9bn in total, spread over 7 years, with the largest share of write-downs expected in 2023/24 (PLN 2.4bn and PLN 1.7bn, respectively). However this is admittedly a very conservative assumption which creates upside potential for the future. Bank Millennium is very sensitive to customer participation in court actions and related write-offs. In case of customer participation in agreements cancellation at a level of 80%, our valuation would increase by about PLN 1.3 per share and in case of 50% by about PLN 2.1 per share, which radically changes the investment recommendation. To sum up, we believe that Bank Millennium is now adequately valued taking into account the full write-down on CHF loans and the economic slowdown. We believe that the chances for a significant increase in the share price in the near future are very limited due to the expected weak Q4'19 results and a plethora of negative information related to CHF. On the other hand, all positive information about participation in the further part of 2020 should be in the Bank's favor.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	1,696	1,817	2,436	2,868	3,036
Fee income	664	661	698	744	789
Trading income	220	248	331	275	280
Other income	70	51	101	104	108
Noninterest income	953	960	1,131	1,124	1,177
Total income	2,650	2,778	3,567	3,991	4,213
Operating expenses	1,281	1,332	1,875	2,047	1,910
Operating income	1,369	1,445	1,692	1,945	2,303
Provisioning	255	222	486	901	1,364
Profits of associates	0	0	0	0	0
Pre-tax income	1,114	1,223	1,206	1,044	939
Tax	244	264	260	225	202
Minority interests	0	959	0	0	0
Asset tax	188	198	248	263	283
Net income	681	761	698	556	454

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	0	0%
PV Adjustment	418	4%
Value Driver (2022-36)	5,845	59%
Fade (2037-56)	2,684	27%
Terminal Value	898	9%
Fair Value	9,845	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	8.12	
9M Target Price (PLN)	8.63	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,695	95%
Explicit Forecast (2019-21)	198	2%
PV Adjustment	665	7%
Value Driver (2022-36)	-1,162	-13%
Fade (2037-56)	799	9%
Fair Value	9,196	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	7.58	
9M Target Price (PLN)	8.06	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	9,845
Economic Profits	50%	9,196
Fair Value Avg.		9,520
Fair Value Per Share (PLN)		7.85
Asset tax		-2.70
Fair Value Per Share		5.14
Cost of equity (9M)		6.4%
9M Target Price (PLN)		5.47

Current Price

5.49 PLN

Downside

9M Target Price

5.47 PLN

-0.4%

	rating	target price	issued
new	hold	5.47 PLN	2019-12-05
old	sell	5.18 PLN	2019-11-06
Key Metrics			
			MIL PW vs. WIG
Ticker	MIL PW	1M Price Chng	-10.9%
ISIN	PLBIG0000016	YTD Price Chng	-38.1%
Outst. Stock (m)	1,213.1	ADTV 1M	PLN 4.0m
MC (PLN m)	6,660.0	ADTV 6M	PLN 7.0m
		P/E 12M fwd	7.3
Free Float	50.0%	P/E 5Y avg	12.3 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,696	1,817	2,436	2,868	3,036
Total income	2,650	2,778	3,567	3,991	4,213
Costs	-1,156	-1,332	-1,875	-2,047	-1,910
Provisioning	-255	-222	-486	-901	-1,364
Net income	681	761	698	556	454
P/E	9.8	8.8	9.5	12.0	14.7
P/B	0.9	0.8	0.8	0.7	0.7
ROE	9.3%	9.4%	8.2%	6.2%	4.8%
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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	47,411	52,712	69,944	74,788	79,801
Other assets	23,730	27,747	29,563	30,585	31,648
Total assets	71,141	80,459	99,507	105,373	111,449
Deposits	57,273	66,244	81,586	86,297	90,658
Other liabilities	6,096	5,831	9,224	9,860	11,169
Minority interests	0	0	0	0	0
Equity	7,773	8,384	8,696	9,216	9,622

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.4%	2.5%	2.8%	2.9%	2.9%
C/I	48.3%	47.9%	52.6%	51.3%	45.3%
CoR	0.5%	0.5%	0.8%	1.2%	1.7%
NPL Ratio	4.6%	4.5%	4.4%	4.3%	4.3%
Tier 1 Ratio	20.3%	19.8%	16.4%	16.7%	16.7%

Pekao buy (reiterated)

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We lower our target price to PLN 115.20 with a reiterated buy rating. Our projections have been reduced by 5% for 2020 and by 4% for 2021 to reflect a weaker macroeconomic environment, which translates into a higher balance of provisions in the next two years by +20% and +14%, respectively (compared to earlier expectations). Additionally, the balance of provisions includes a 30% probability of currency conversion of loans denominated in PLN at the grant rate. The low probability assumed by us results from the current course of court proceedings against Bank Pekao. Although our projected cost of risk at 51bps in 2020 (to average gross loans) will be the highest since 2013, it will still remain one of the lowest in the sector. Our forecasts are again below the Management Board's 2020 target of 10.4% ROE compared to 11.5% (+/- 0.5%) expected by Pekao, which gives room for potential upgrades in the forecasts. As in the case of PKO BP, our forecasts for Pekao are among the lowest in the market, underlining our conservative approach. On the other hand, the greatest threat we can see is the conservative approach of the regulator to the payment of future dividends from the sector in connection with the problem of CHF loans. An additional shadow has been cast on the company by the recent changes in the Management Board (3 members resigned together with the President), which reminds of the bank's political connections and creates uncertainty as to the credibility of the strategy. With comparable dividends and return on equity we prefer Bank Pekao over PKO BP due to significantly lower exposure to CHF loans, although we would like to point out that possible movements on the M&A market may change our assessment (threat of a significant issue of shares).

Current Price	96.34 PLN	Upside
9M Target Price	115.20 PLN	+19.6%

		rating	target price	issued
new		buy	115.20 PLN	2019-12-05
old		buy	119.75 PLN	2019-08-02
Key Metrics			PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-11.8%	-6.4%
ISIN	PLPEKAO000016	YTD Price Chng	-5.9%	-3.2%
Outst. Stock (m)	262.5	ADTV 1M		PLN 65.0m
MC (PLN m)	25,286.4	ADTV 6M		PLN 65.8m
		P/E 12M fwd	9.8	-33.1%
Free Float	67.2%	P/E 5Y avg	14.6	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	4,593	4,994	5,452	5,831	6,218
Total income	7,278	7,830	8,266	8,718	9,181
Costs	-3,535	-3,710	-3,999	-3,915	-4,030
Provisioning	-521	-511	-580	-790	-848
Net income	2,475	2,287	2,259	2,482	2,655
P/E	10.2	11.1	11.2	10.2	9.5
P/B	1.1	1.1	1.1	1.0	1.0
ROE	10.7%	9.9%	9.8%	10.4%	10.8%
DPS	8.68	7.90	6.60	6.46	7.09
DYield	9.0%	8.2%	6.9%	6.7%	7.4%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			-0.7%	-0.8%	-0.8%
Fee income			-0.1%	-0.4%	-0.7%
Total costs			-2.3%	-1.4%	-1.4%
Provisioning			+10.3%	+19.7%	+14.3%
Net income			-1.0%	-4.9%	-4.2%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	4,593	4,994	5,452	5,831	6,218
Fee income	2,353	2,463	2,553	2,612	2,674
Trading income	255	237	175	181	187
Other income	77	137	86	94	103
Noninterest income	2,685	2,836	2,814	2,887	2,963
Total income	7,278	7,830	8,266	8,718	9,181
Operating expenses	3,535	3,710	3,999	3,915	4,030
Operating income	3,743	4,120	4,268	4,803	5,152
Provisioning	521	511	580	790	848
Profits of associates	453	0	0	0	0
Pre-tax income	3,675	3,609	3,688	4,013	4,304
Tax	677	760	811	863	925
Minority interests	-1	-1	-1	-1	-1
Asset tax	522	562	617	668	723
Net income	2,475	2,287	2,259	2,482	2,655

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	132,301	129,297	141,455	152,138	162,700
Other assets	53,165	61,793	64,206	66,786	69,491
Total assets	185,466	191,090	205,660	218,923	232,192
Deposits	146,186	149,491	161,450	173,454	184,619
Other liabilities	16,011	18,791	20,839	21,260	22,526
Minority interests	0	11	12	13	14
Equity	23,268	22,797	23,358	24,197	25,033

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.6%	2.8%	2.9%	2.8%	2.9%
C/I	48.6%	47.4%	49.2%	45.8%	44.7%
CoR	0.4%	0.4%	0.4%	0.5%	0.5%
NPL Ratio	5.4%	5.4%	5.4%	5.4%	6.0%
Tier 1 Ratio	16.1%	16.3%	16.9%	16.5%	16.3%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	3,143	8%
PV Adjustment	1,170	3%
Value Driver (2022-36)	24,367	66%
Fade (2037-56)	6,268	17%
Terminal Value	2,238	6%
Fair Value	37,186	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	141.75	
9M Target Price (PLN)	150.79	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,966	67%
Explicit Forecast (2019-21)	2,452	7%
PV Adjustment	2,705	7%
Value Driver (2022-36)	6,699	18%
Fade (2037-56)	675	2%
Fair Value	37,497	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	142.86	
9M Target Price (PLN)	151.97	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	37,186
Economic Profits	50%	37,497
Fair Value Avg.		37,341
Fair Value Per Share (PLN)		142.31
Asset tax		-34.01
Fair Value Per Share		108.30
Cost of equity (9M)		6.4%
9M Target Price (PLN)		115.20

PKO BP accumulate (downgraded)

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We lowering our recommendation for PKO to accumulate, and we cut the target price to PLN 39.50 per share. Our revision takes into account a significant slowdown in Poland's expansion rate from this year's expected 4% to <3%. Additionally, due to recent rulings by the EU Justice Court, we decided to provide for a 30% probability that CHF loans will be converted to PLN at the origination exchange rates. The low probability assumed by us results is based on the history so far of the cases brought against PKO, which the Bank has mostly won. These factors lead us to increase expected provisioning by 28% for the years 2020 and 2021. Our net profit forecast for 2020 is lower than our forecast for 2019 (PLN 4.4bn vs. PLN 4.5bn) and in 2021 it amounts to PLN 4.5bn. This means that we are more conservative than the Bank's Management Board, but at the same time we would like to point out that our macroeconomic forecasts are also more cautious than those presented by PKO BP. Our forecasts are currently among the lowest in the market. A further threat to our forecasts may be the wider than expected conversion of CHF loans (additional -5.91 per share), more conservative dividend policy of the Polish Financial Supervision Authority, bigger than expected economic slowdown or forced restructuring of banks in trouble, and consequently higher contributions to the BGF. Despite conservative forecasts, we believe that the valuation of PKO BP is at a rather attractive point with over-10% upside potential.

Current Price	34.99 PLN	Upside
9M Target Price	39.50 PLN	+12.9%

	rating	target price	issued
new	accumulate	39.50 PLN	2019-12-05
old	buy	47.17 PLN	2019-08-02
Key Metrics			
Ticker	PKO PW	1M Price Chng	-11.3%
ISIN	PLPKO00000016	YTD Price Chng	-8.3%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 91.2m
MC (PLN m)	43,737.5	ADTV 6M	PLN 104.7m
		P/E 12M fwd	9.6
Free Float	70.6%	P/E 5Y avg	12.9

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	8,606	9,353	10,338	11,091	11,633
Total income	12,803	13,660	15,049	15,855	16,510
Costs	-6,050	-6,218	-6,462	-6,656	-6,845
Provisioning	-1,617	-1,451	-1,368	-2,224	-2,394
Net income	3,104	3,741	4,498	4,358	4,517
P/E	14.1	11.7	9.7	10.0	9.7
P/B	1.2	1.1	1.0	1.0	1.0
ROE	9.0%	9.9%	11.1%	10.2%	10.3%
DPS	0.00	0.55	1.33	3.13	3.55
DYield	0.0%	1.6%	3.8%	9.0%	10.1%
Forecast Update (% change)					
Net interest income			+0.5%	+1.1%	+0.1%
Fee income			+1.6%	+0.8%	-0.2%
Total costs			+0.6%	+1.6%	+1.7%
Provisioning			-6.0%	+28.0%	+27.6%
Net income			+2.0%	-4.2%	-6.5%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	8,606	9,353	10,338	11,091	11,633
Fee income	2,969	3,013	3,046	3,105	3,150
Trading income	518	664	758	706	727
Other income	733	630	907	953	1,000
Noninterest income	4,220	4,307	4,711	4,764	4,877
Total income	12,826	13,660	15,049	15,855	16,510
Operating expenses	6,050	6,218	6,462	6,656	6,845
Operating income	6,776	7,442	8,588	9,199	9,665
Provisioning	1,617	1,451	1,368	2,224	2,394
Profits of associates	22	37	39	41	43
Pre-tax income	5,181	6,028	7,258	7,016	7,313
Tax	-1,140	-1,336	-1,727	-1,543	-1,609
Minority interests	-5	-1	-1	-1	-1
Asset tax	932	950	1,032	1,113	1,187
Net income	3,104	3,741	4,498	4,358	4,517

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	205,628	214,912	233,115	248,739	261,114
Other assets	91,284	109,343	114,103	119,262	124,669
Total assets	296,912	324,255	347,219	368,002	385,782
Deposits	218,800	242,816	261,936	277,092	291,320
Other liabilities	41,856	42,338	43,345	47,701	50,243
Minority interests	-11	-10	-10	-11	-11
Equity	36,267	39,111	41,948	43,219	44,230

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	3.0%	3.2%	3.2%	3.2%	3.2%
C/I	47.1%	45.5%	42.9%	42.0%	41.5%
CoR	0.8%	0.6%	0.6%	0.9%	0.9%
NPL Ratio	5.5%	4.9%	4.3%	4.9%	5.5%
Tier 1 Ratio	16.5%	17.5%	17.1%	17.1%	17.0%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	7,379	12%
PV Adjustment	864	1%
Value Driver (2022-36)	42,318	71%
Fade (2037-56)	7,700	13%
Terminal Value	1,668	3%
Fair Value	59,928	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	47.94	
9M Target Price (PLN)	51.00	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	42,477	70%
Explicit Forecast (2019-21)	4,418	7%
PV Adjustment	4,258	7%
Value Driver (2022-36)	8,297	14%
Fade (2037-56)	969	2%
Fair Value	60,419	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	48.34	
9M Target Price (PLN)	51.42	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	59,928
Economic Profits	50%	60,419
Fair Value Avg.		60,174
Fair Value Per Share (PLN)		48.14
Asset tax		-11.01
Fair Value Per Share		37.13
Cost of equity (9M)		6.4%
9M Target Price (PLN)		39.50

Santander Bank Polska hold (upgraded)

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We upgrade Santander to hold after a significant drop in share price, but we cut the target price to PLN 265.50. We have lowered our earnings forecasts for the Bank again (by 8%-4% for 2020-21) to reflect costs of loan fee refunds to early payers after an unfavorable CJEU judgment (set to reduce net interest income by c.4%). Additionally, we would like to point out that our forecasts already take into account the full effect of the cancellation of CHF loans, as discussed in our October Monthly Market Outlook. We estimate the impact of this event on Santander Bank Polska at PLN 4.6bn in total, but the effect, in our opinion, will be spread over 7 years, with the largest share of write-downs expected in 2023/24 (PLN 1.61bn and PLN 1.15bn, respectively). We believe that write-downs at such a level will not result in a net loss or a problem with the capital situation in the bank. As a result, the cost of risk for Santander increases from 88bps predicted by us in 2019 to 108bps in 2020 and 117 bps in 2021. Our net income forecasts are 10% below consensus for 2020 and 17% below consensus for 2021. Currently, we are valuing the bank at the P/E ratio with a premium to PKO BP and Pekao, which in our opinion is justified by the shareholder structure (no political risk). We believe that the greatest threat to our forecasts is further deterioration of the economic situation and a chance is a very low share of participation of its customers with CHF loans in the lawsuits. In the event of 80% customer participation in the cancellation, our valuation would increase by approximately PLN 5.5 per share and in the event of 50% by approximately PLN 19.5 per share, which does not change the investment recommendation anyway.

Current Price

279.00 PLN

Downside

9M Target Price

265.50 PLN

-4.8%

		rating	target price	issued
new		hold	265.50 PLN	2019-12-05
old		reduce	276.55 PLN	2019-11-06
Key Metrics			SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-13.1%	-7.7%
ISIN	PLBZ000000044	YTD Price Chng	-17.6%	-14.9%
Outst. Stock (m)	102.1	ADTV 1M		PLN 17.1m
MC (PLN m)	28,482.6	ADTV 6M		PLN 18.6m
		P/E 12M fwd	11.0	-22.4%
Free Float	31.7%	P/E 5Y avg	14.2	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	5,277	5,742	6,643	7,010	7,322
Total income	7,764	8,296	9,556	9,940	10,344
Costs	-3,372	-3,769	-4,345	-4,061	-4,101
Provisioning	-690	-1,085	-1,290	-1,690	-1,943
Net income	2,213	2,365	2,183	2,415	2,465
P/E	12.5	11.9	13.0	11.8	11.6
P/B	1.3	1.1	1.1	1.0	1.0
ROE	10.6%	10.1%	8.7%	9.2%	8.7%
DPS	5.40	3.10	19.72	5.35	5.91
DYield	1.9%	1.1%	7.1%	1.9%	2.1%
Forecast Update (% change)		2019P	2020P	2021P	
Net interest income		-1.1%	-3.7%	-3.6%	
Fee income		+1.5%	+0.6%	+0.2%	
Total costs		+1.7%	+0.1%	+0.1%	
Provisioning		+6.2%	+4.5%	-3.4%	
Net income		-4.7%	-8.3%	-4.0%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	5,277	5,742	6,643	7,010	7,322
Fee income	2,013	2,058	2,134	2,198	2,276
Trading income	323	282	522	527	532
Other income	151	214	257	205	213
Noninterest income	2,487	2,554	2,913	2,930	3,022
Total income	7,764	8,296	9,556	9,940	10,344
Operating expenses	3,372	3,769	4,345	4,061	4,101
Operating income	4,391	4,527	5,211	5,879	6,243
Provisioning	690	1,085	1,290	1,690	1,943
Profits of associates	58	63	63	63	63
Pre-tax income	3,759	3,892	3,984	4,251	4,363
Tax	817	727	829	893	916
Minority interests	-305	-334	-324	-324	-333
Asset tax	-424	-466	-648	-620	-648
Net income	2,213	2,365	2,183	2,415	2,465

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	65,192	67,259	69,394
Total assets	152,674	205,853	213,044	223,736	233,435
Deposits	111,481	149,617	155,830	162,656	170,747
Other liabilities	17,850	29,568	30,252	32,124	31,356
Minority interests	1,436	1,564	1,688	1,812	1,939
Equity	21,907	25,104	25,274	27,144	29,392

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	3.6%	3.3%	3.3%	3.3%	3.3%
C/I	43.4%	45.4%	45.5%	40.9%	39.6%
CoR	0.6%	0.9%	0.9%	1.1%	1.2%
NPL Ratio	5.8%	4.5%	4.5%	4.4%	4.6%
Tier 1 Ratio	15.3%	14.1%	14.2%	14.4%	15.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	1,016	3%
PV Adjustment	177	1%
Value Driver (2022-36)	22,812	72%
Fade (2037-56)	6,294	20%
Terminal Value	1,532	5%
Fair Value	31,831	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	320.77	
9M Target Price (PLN)	341.22	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,751	76%
Explicit Forecast (2019-21)	2,037	6%
PV Adjustment	1,353	4%
Value Driver (2022-36)	3,547	11%
Fade (2037-56)	695	2%
Fair Value	32,382	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	326.32	
9M Target Price (PLN)	347.12	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	31,831
Economic Profits	50%	32,382
Fair Value Avg.		32,107
Fair Value Per Share (PLN)		323.54
Asset tax		-73.96
Fair Value Per Share		249.59
Cost of equity (9M)		6.4%
9M Target Price (PLN)		265.50

Komercni Banka buy (reiterated)

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We leave our buy recommendation unchanged, but we slightly reduce the target price for Komercni Banka to CZK 928.20 per share. We have reduced our forecasts by 2% for 2020 and 2021 and increased them by 1% for 2019. The change in projections for 2020/21 results mainly from a more conservative approach to the evolution of interest and commissions income. We expect KB's interest margin in 2020 to fall by a further 10bps and to stabilize in 2021. Nevertheless, we believe that the quarterly interest margin in 2020 and 2021 should see a slight rebound due to the rollover of mortgage and consumer products at ever higher rates and the subsiding price war in these products. At the same time, we expect that the favorable macroeconomic environment will continue to be reflected in the cost of risk, which we forecast at 7bps in 2020 and 13bps in 2021. Net banking income growing at +1% y/y and normalizing cost of risk will result in a decrease in net profit in 2020 by about 6%. Nevertheless, ROE will remain at a high level of 13%, which is unattainable for the Polish banking sector. Combined with a dividend yield of >6%, we believe that KB looks best as a safe haven for 2020.

Current Price	792.00 CZK	Upside
9M Target Price	928.20 CZK	+17.2%

	rating	target price	issued
new	buy	928.20 CZK	2019-12-05
old	buy	945.02 CZK	2019-08-28
Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	+0.3% +5.7%
ISIN	CZ0008019106	YTD Price Chng	-0.5% +2.2%
Outst. Stock (m)	188.9	ADTV 1M	CZK 108.1m
MC (CZK bn)	149.6	ADTV 6M	CZK 111.8m
		P/E 12M fwd	10.6 -20.8%
Free Float	39.6%	P/E 5Y avg	13.3 discount

Earnings Projections

(CZK m)	2017	2018	2019P	2020P	2021P
NII	20,808	22,509	23,616	23,949	25,215
Total income	31,060	32,202	32,689	33,114	34,512
Costs	-14,516	-14,635	-14,997	-15,147	-15,352
Provisioning	391	643	798	-502	-922
Net income	14,930	14,846	15,152	14,271	14,922
P/E	10.0	10.1	9.9	10.5	10.0
P/B	1.5	1.4	1.4	1.4	1.3
ROE	15.0%	14.9%	14.6%	13.3%	13.4%
DPS	1.55	47.00	51.00	51.00	51.00
DYield	0.2%	5.9%	6.4%	6.4%	6.4%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			-0.6%	-1.7%	-2.0%
Fee income			-4.4%	-5.4%	-6.2%
Total costs			-0.8%	-0.9%	-2.1%
Provisioning			+38.5%	0.0%	0.0%
Net income			+0.9%	-2.1%	-1.9%

Financial Highlights

(CZK m)	2017	2018	2019P	2020P	2021P
Net interest income	20,808	22,509	23,616	23,949	25,215
Fee income	6,465	6,219	5,936	5,994	6,093
Trading income	3,576	3,215	2,952	2,982	3,012
Other income	211	259	185	188	192
Total income	31,060	32,202	32,689	33,114	34,512
Operating expenses	-13,374	-14,634	-14,997	-15,147	-15,352
Operating income	17,686	17,569	17,692	17,966	19,160
Provisioning	391	643	798	-502	-922
Net oper. income	18,077	18,209	18,490	17,464	18,238
Profits of associates	209	308	311	327	343
Retirement benefits	0	0	69	0	0
Pre-tax income	18,286	18,518	18,870	17,791	18,581
Tax	-3,012	-3,349	-3,397	-3,202	-3,345
Minority interests	344	324	321	318	314
Net income	14,930	14,846	15,152	14,271	14,922

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	1,154	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%	2.1%
C/I	43.1%	45.4%	45.9%	45.7%	44.5%
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	3,961	2%
Value Driver (2022-36)	104,437	62%
Fade (2037-56)	31,352	19%
Terminal Value	11,672	7%
Fair Value	168,946	100%
Outst. Shares (millions)	189	
Cost of equity	7.0%	
Fair Value Per Share (CZK)	895	
9M Target Price (CZK)	942	

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	86,848	53%
Explicit Forecast (2019-21)	18,940	12%
PV Adjustment	6,968	4%
Value Driver (2022-36)	44,694	27%
Fade (2037-56)	6,706	4%
Fair Value	164,157	100%
Outst. Shares (millions)	189	
Cost of equity	7.0%	
Fair Value Per Share (CZK)	869	
9M Target Price (CZK)	915	

Valuation Summary

(CZK m)	Weight	Value
DDM	50%	168,946
Economic Profits	50%	164,157
Fair Value Avg.		166,551
Fair Value Per Share (CZK)		881.90
Cost of equity (9M)		5.3%
9M Target Price (CZK)		928.20

Moneta Money Bank buy (no change)

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We maintain our buy recommendation and target price of CZK 94.33 per share for Moneta Money Bank. Very good results for Q3'19 (9% above expectations) leave us with a wide margin of security regarding our year-round forecasts. Our projections for 2020 and 2021 remain 7%-5% above the consensus level, which is in line with the Management Board's projections. Our forecasts and consensus do not include the impact of the acquisition of Wüstenrot – stavební spořitelna and Wüstenrot hypoteční banka, which was announced at the end of November 2019. Moneta intends to finalize the transaction by April 2020. The new acquisition is expected to bring 400,000 new customers to the bank, and thus CZK 45bn of new deposits and CZK 13bn of loans. The transaction is also expected to translate into an increase in operating profit by at least 10%, profitability by 15% and generate cost synergies of 6% of the current cost base (i.e. CZK 288m). The price for the acquired entities should be below the book value, which may lead to a one-off profit in 2020. In conclusion, the Management Board expects that the acquired assets will positively affect both EPS and DPS of Moneta Money Bank and will not affect the proposed dividend. Tentatively, we believe that the acquisition will result in a positive revision of forecasts and strengthen sentiment towards the bank. Moneta Money Bank is our top-pick among smaller banks and is a very good alternative for Polish banks, which will have to face a significant number of problems in 2020.

Current Price

81.85 CZK

Upside

9M Target Price

94.33 CZK

+15.2%

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

Key Metrics		MONET CP	vs. WIG
Ticker	MONET CP	1M Price Chng	+10.5% +15.9%
ISIN	CZ0008040318	YTD Price Chng	+18.3% +21.0%
Outst. Stock (m)	511.0	ADTV 1M	CZK 97.7m
MC (CZK bn)	41.8	ADTV 6M	CZK 80.0m
		P/E 12M fwd	10.9 -3.4%
Free Float	100.0%	P/E 5Y avg	11.3 discount

Earnings Projections

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	10.7	10.0	11.0	10.2	10.1
P/B	1.6	1.7	1.6	1.6	1.6
ROE	14.8%	16.5%	15.0%	15.8%	15.5%
DPS	9.80	8.00	6.15	5.59	6.01
DYield	12.0%	9.8%	7.5%	6.8%	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

(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 accumualte (downgraded)

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We downgrade Erste Group from buy to accumulate to reflect recent share price gains and a lowered target price. Erste has been positively surprising with its quarterly results for two years now, and the profit scale is usually in double-digits. Erste, like other regional banks, is a beneficiary of the macroeconomic situation, which in turn translates into a very low cost of risk. Erste Group's forecast for 2020 assumes lower interest income growth dynamics than in 2019, strong growth in commission income, lower trading income, low single-digit growth in operating expenses, cost of risk below 20 bps and finally ROTE >10%. The Management Board's forecast announced for 2020 led us to revise our expectations, which have been reduced by 3% for 2020 and by 8% for 2021. We have reduced our expectations regarding interest income growth (+2% in 2020), increased our expectations regarding the balance of provisions (20% higher than the original forecasts in 2021) and doubled the bank tax in Slovakia. Under these assumptions, we expect Erste to generate 13% ROTE in 2020 and 12.5% in 2021. Our forecasts are 4% above market expectations for 2020 and 2021. A threat to our forecasts in 2020 may be a faster than expected increase in the cost of risk and a chance may be a higher loan and fee income growth. Erste Group is currently trading at a discount to its own book value, which in our opinion is unjustified and creates an investment opportunity. Compared to similar companies, Erste presents high profitability and dividend yields as high as 5%.

Current Price	32.20 EUR	Upside
9M Target Price	36.61 EUR	+13.7%

	rating	target price	issued
new	accumulate	36.61 EUR	2019-12-05
old	buy	40.38 EUR	2019-08-28
Key Metrics			
Ticker	EBS AV	1M Price Chng	-2.7% +2.6%
ISIN	AT0000652011	YTD Price Chng	+16.5% +19.2%
Outst. Stock (m)	429.8	ADTV 1M	EUR 18.8m
MC (EUR m)	13,839.6	ADTV 6M	EUR 22.3m
		P/E 12M fwd	8.8 -15.4%
Free Float	69.5%	P/E 5Y avg	10.4 discount

Earnings Projections

(EUR m)	2017	2018	2019P	2020P	2021P
NII	4,353	4,582	4,741	4,858	5,063
Total income	6,475	6,726	7,038	7,243	7,519
Costs	-4,158	-4,181	-4,338	-4,450	-4,550
Provisioning	-132	59	-13	-209	-342
Net income	1,316	1,793	1,547	1,612	1,629
P/E	10.5	7.7	8.9	8.6	8.5
P/B	1.0	1.0	0.9	0.9	0.9
ROE	10.0%	12.7%	10.6%	10.7%	10.5%
DPS	1.00	1.20	1.30	1.51	1.57
DYield	3.1%	3.7%	4.0%	4.7%	4.9%
Forecast Update (% change)					
Net interest income			0.0%	-1.4%	-2.6%
Fee income			0.0%	+1.0%	+1.5%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	+19.5%
Net income			+0.9%	-3.3%	-8.1%

Financial Highlights

(EUR m)	2017	2018	2019P	2020P	2021P
Net interest income	4,353	4,582	4,741	4,858	5,063
Fee income	1,852	1,908	1,981	2,053	2,117
Trading income	270	236	316	332	339
Total income	6,475	6,726	7,038	7,243	7,519
Other oper. income	-1	3	-164	-20	-13
Asset tax	-106	-112	-137	-172	-174
Operating expenses	-4,158	-4,181	-4,338	-4,450	-4,550
Operating income	2,210	2,436	2,399	2,601	2,782
Provisioning	-132	59	-13	-209	-342
Net operating income	2,078	2,495	2,385	2,392	2,440
Extraordinary gains	0	0	0	0	0
Pre-tax income	2,078	2,495	2,385	2,392	2,440
Tax	-410	-332	-413	-384	-394
Minority interests	-352	-369	-425	-396	-417
Net income	1,316	1,793	1,547	1,612	1,629

Key Balance Sheet Figures

(EUR m)	2017	2018	2019P	2020P	2021P
Net loans	139,532	143,953	165,789	175,512	186,265
Other assets	81,127	92,838	87,325	91,700	96,365
Total assets	220,659	236,792	253,115	267,212	282,630
Deposits	150,969	162,638	177,121	187,918	197,600
Total liabilities	51,402	55,285	56,211	58,648	63,509
Minority interests	4,416	4,494	4,919	5,315	5,732
Equity	13,872	14,375	14,863	15,331	15,789

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.0%	2.3%	2.0%	1.9%	1.9%
C/I	64.2%	62.2%	64.0%	61.7%	60.7%
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%	13.3%

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV		P/B
			2019P	2020P	2021P	2019P	2020P	2021P	2019	2020	2021P
Austria	5,390	12.54	541	491	482	10.0	11.0	11.2	5,327	1.0	
Savings Banks	395	0.92	67	60	64	5.9	6.6	6.2	3,459	0.1	
Erste Oesterreich	2,876	6.69	249	231	243	11.5	12.4	11.8	1,868	1.5	
Other Austria	2,120	4.93	225	199	176	9.4	10.6	12.1	2,311	0.9	
CEE	14,865	34.59	1,164	1,278	1,304	12.8	11.6	11.4	7,367	2.0	
Czech Republic	7,987	18.58	629	657	661	12.7	12.2	12.1	2,581	3.1	
Romania	1,725	4.01	74	186	180	23.3	9.3	9.6	1,561	1.1	
Slovakia	1,842	4.28	207	175	187	8.9	10.5	9.8	1,106	1.7	
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	-5,284	-12.30	-164	-163	-163	32.3	32.5	32.4	-15,005	0.3	
Total Erste Group	14,971	34.83									

Valuation Summary

(EUR m)	Weight	Value
Cost of equity (12M)		6.8%
DDM	50%	15,609
Economic Profits	50%	14,332
Fair Value Avg.		14,971
Fair Value Per Share (EUR)		34.83
Cost of equity (9M)		5.1%
9M Target Price (EUR)		36.61

RBI

accumulate (upgraded)

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After a fall in share price over the past month, we upgrade our recommendation for RBI to accumulate while leaving the target price unchanged. The RBI strategy includes a medium-term return on equity of 11%, an average single-digit loan growth, a risk cost of less than 45 bps in 2019 and a C/I of about 55% in 2021. The Management Board also plans to pay a dividend of between 20% and 50% of the net profit, while keeping CET1 at >13%. Both we and the consensus are more skeptical than the Management Board. In the next three years, we expect ROEs of approximately 9%, C/I at 61%, but also the cost of risk at 32-45 bps in 2020/21. RBI is exposed to the highest risk from regional banks due to the portfolio of CHF loans in Poland (we estimate the portfolio at PLN 8 billion). We believe that the unfavorable case-law of the CJEU on CHF loans may in an extreme case result in class actions, currency conversion of CHF loans at the grant rate, and thus significant write-offs. In the black scenario, which also assumes lawsuits from customers who have already repaid loans and the posting of a one-off loss, the write-down attributable to RBI would amount to PLN 5bn, i.e. approximately EUR 1.15bn (EUR 3.4 per share), absorbing the net result of the whole year. We are valuing RBI at 2020 fair P/E 6.2x and P/BV 0.6x, i.e. at a discount to comparable companies. We believe that such a valuation is justified because of the by far lowest profitability among regional banks and the entire CEE sector and the risk associated with the CHF portfolio.

Current Price	21.24 EUR	Upside
9M Target Price	23.05 EUR	+8.5%

	rating	target price	issued
new	accumulate	23.05 EUR	2019-12-05
old	hold	23.05 EUR	2019-11-06
Key Metrics			
	RBI AV	1M Price Chng	-6.3%
Ticker	AT0000606306	YTD Price Chng	-0.1%
ISIN	328.9	ADTV 1M	+2.6%
Outst. Stock (m)	6,986.7	ADTV 6M	EUR 9.8m
MC (EUR m)		P/E 12M fwd	EUR 9.4m
		P/E 5Y avg	6.0
Free Float	41.2%		-30.4%
			8.6 discount

Earnings Projections

(EUR m)	2017	2018	2019P	2020P	2021P
NII	3,225	3,362	3,443	3,674	3,835
Total income	4,999	5,210	5,127	5,415	5,635
Costs	-2,994	-3,237	-3,229	-3,353	-3,418
Provisioning	-392	-220	-161	-297	-445
Net income	1,116	1,270	1,162	1,216	1,225
P/E	5.3	5.0	6.0	5.7	5.7
P/B	0.7	0.6	0.6	0.5	0.5
ROE	11.3%	11.4%	9.6%	9.4%	8.9%
DPS	0.00	0.80	1.16	1.06	1.11
DYield	0.0%	3.8%	5.5%	5.0%	5.2%
Forecast Update (% change)					
Net interest income			+0.7%	-1.3%	-2.7%
Fee income			+1.7%	+1.8%	+1.8%
Total costs			+11.1%	+10.1%	+9.7%
Provisioning			+22.6%	-2.9%	-0.4%
Net income			+6.9%	+5.0%	-2.5%

Financial Highlights

(EUR m)	2017	2018	2019P	2020P	2021P
Net interest income	3,225	3,362	3,443	3,674	3,835
Fee income	1,718	1,791	1,770	1,822	1,879
Trading income	56	57	-85	-81	-79
Total income	4,999	5,210	5,127	5,415	5,635
Total costs	-2,994	-3,237	-3,229	-3,353	-3,418
Operating income	2,004	1,973	1,899	2,062	2,217
Provisioning	-392	-220	-161	-297	-445
Gross income	1,612	1,753	1,738	1,765	1,772
Income tax	-366	-355	-430	-412	-408
Net income	1,246	1,398	1,308	1,353	1,363
Minority interests	-130	-128	-146	-137	-139
Net income after minor	1,116	1,270	1,162	1,216	1,225

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	140,683	146,652	152,588
Minority interests	660	701	760	811	856
Equity	10,582	11,713	12,493	13,361	14,221

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.5%	2.5%	2.4%	2.4%	2.4%
C/I	59.9%	62.1%	63.0%	61.9%	60.7%
CoR	0.5%	0.3%	0.2%	0.3%	0.5%

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV	
			2019P	2020P	2021P	2019P	2020P	2021P	2019P	2021P
CEE	3,764	11.44	444	383	381	8.5	9.8	9.9	12.2	0.9
SEE	3,518	10.69	407	417	409	8.6	8.4	8.6	7.9	1.4
EE	4,264	12.96	734	754	773	5.8	5.7	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	3,736	11.36	326	349	324	11.5	10.7	11.5	11.8	1.0
Reconciliation	-11,212	-34.09	-794	-762	-748	14.1	14.7	15.0	-10.5	3.3
Raiffeisen Group	7,073	21.50	1310	1355	1365	5.4	5.2	5.2	38.0	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 hold (downgraded)

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Since the beginning of the year, OTP's share price has increased by 27%, which prompts us to lower our recommendation from accumulate to hold. At the same time, we leave our target price unchanged at HUF 14,681. In our preliminary opinion, the acquisition from Societe Generale of their business in CEE was a very good move. The newly acquired banks will drive the group's results, which is important because on the other hand, we expect economic growth to slow down and, consequently, the cost of risk to normalize. Despite the progressing consolidation of businesses, OTP Bank's capital position remains solid. At the end of Q3'19, OTP Bank reported the CET1 solvency ratio of 14.3% and TCR of 16.8%. OTP does not plan any further significant acquisitions, which encourages the Management Board to increase the stream of dividends to shareholders or other forms such as buy-back of own shares. OTP Bank is listed with a 36-30% premium on the 2020-21 P/BV ratio to CEE average. We believe that the premium is justified because of the conservative balance sheet (low L/D) and the highest ROE among the banks analyzed by us (>17%). A high premium should also be justified by the prospect of high dividends with a DY above 4% in 2021. Although the prospect of results is very promising, OTP share price behaved better than was the case with the comparable companies, and thus we can see limited growth potential in comparison to other regional banks, such as Austrian banks.

Current Price

14,870.00 HUF

Downside

9M Target Price

14,681.00 HUF

-1.3%

	rating	target price	issued
new	hold	14,681.00 HUF	2019-12-05
old	accumulate	14,681.00 HUF	2019-11-06
Key Metrics		OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	+7.4% +12.8%
ISIN	HU0000061726	YTD Price Chng	+34.3% +37.1%
Outst. Stock (m)	267.0	ADTV 1M	HUF 5.6bn
MC (HUF bn)	3,970.8	ADTV 6M	HUF 5.2bn
		P/E 12M fwd	10.1 -3.8%
Free Float	100.0%	P/E 5Y avg	10.5 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	14.1	12.5	10.2	9.3	9.1
P/B	2.4	2.2	1.9	1.6	1.4
ROE	18.4%	18.4%	19.6%	18.4%	16.6%
DPS	199.22	229.63	228.94	237.45	548.51
DYield	1.3%	1.5%	1.5%	1.6%	3.7%
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

(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

accumualte (downgraded)

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We downgrade PZU to accumulate, and we cut the target price to PLN 41.91 per share. On the one hand, we have increased our expectations regarding the insurer's investment income, but on the other hand, we have reduced our expectations regarding the result of the banking segment. As a result, our forecast for PZU has been reduced by 3% for 2020 and 4% for 2021. At the same time, our forecasts remain 2%-3% above consensus. It also means that the trend in consensus should reverse and the latest forecasts of PLN 3bn for 2019 are too pessimistic. PZU has recently been taken into account again as a potential bank market consolidator, especially after the Management Board confirmed its interest in the acquisition of mBank. At the same time, we believe that the potential sale or merger of Alior Bank with any entity is currently unrealistic. The merger could result in including a realistic valuation of Alior in the PZU balance sheet, and thus in a write-down of the order of approximately PLN 1.5 billion. It is worth noting that currently PZU is quoted on the P/E forward ratio at a 7% discount to the Bloomberg Insurance index, compared to a 15% premium on a 5-year average which, in our opinion, is an attractive entry point.

Current Price

36.47 PLN

Upside

9M Target Price

41.91 PLN

+14.9%

	rating	target price	issued
new	accumulate	41.91 PLN	2019-12-05
old	buy	43.38 PLN	2019-09-05
Key Metrics			
	PZU PW	1M Price Chng	-2.9% +2.5%
Ticker	PLPZU0000011	YTD Price Chng	-11.3% -8.5%
ISIN	863.5	ADTV 1M	PLN 55.0m
Outst. Stock (m)	31,492.7	ADTV 6M	PLN 65.2m
MC (PLN m)		P/E 12M fwd	9.7 -18.2%
Free Float	64.8%	P/E 5Y avg	11.9 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
GWP	22,847	23,470	23,962	24,486	25,035
Claims	-14,942	-14,563	-15,108	-15,432	-15,771
Inv. income	1,895	892	987	1,076	1,017
Total costs	-4,511	-4,750	-4,957	-5,089	-5,226
Net income	2,910	3,213	3,163	3,319	3,374
P/E	10.8	9.8	10.0	9.5	9.3
P/B	2.2	2.1	2.1	2.1	2.0
ROE	21.1%	21.7%	21.1%	21.9%	22.0%
DPS	1.40	2.70	2.98	2.93	3.07
DYield	3.8%	7.4%	8.2%	8.0%	8.4%
Forecast Update (% change)					
Gross written premiums			-0.0%	-0.0%	-0.0%
Claims			+0.0%	-0.0%	-0.0%
Investment income			+6.8%	+17.2%	-0.0%
Total costs			+1.1%	+1.1%	0.0%
Net income			-3.1%	-3.3%	-3.9%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Gross written prems	22,847	23,470	23,962	24,486	25,035
Net earned premiums	21,354	22,350	22,793	23,327	23,836
Claims & benefits	-14,941	-14,563	-15,108	-15,432	-15,771
Net inv. income	1,895	892	987	1,076	1,017
Acquisition costs	-2,901	-3,130	-3,292	-3,384	-3,479
Admin expenses	-1,614	-1,620	-1,664	-1,705	-1,746
Other oper. rev, net	-774	-878	-874	-867	-862
Banking income	2,439	4,036	3,714	3,977	4,248
Operating income	5,458	7,087	6,555	6,992	7,243
Financing costs	0	0	0	0	0
Subsidiaries	16	-1	-1	-1	-1
Pre-tax income	5,474	7,086	6,554	6,991	7,242
Tax	-1,289	-1,718	-1,566	-1,670	-1,730
Minority interest	1,290	2,155	1,826	2,002	2,138
Net income	2,895	3,213	3,163	3,319	3,374

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Financial assets	281,854	286,206	306,844	322,781	338,758
Other assets	35,604	42,348	43,599	44,905	46,266
Total assets	317,458	328,554	350,443	367,686	385,025
Technical provisions	44,558	45,839	50,840	51,852	52,913
Other liabilities	235,340	245,308	262,026	277,880	293,855
Minority interests	22,961	22,482	22,582	22,682	22,782
Equity	14,599	14,925	14,995	15,272	15,475

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
Claims ratio	6996.8%	6515.9%	6628.3%	6615.5%	6616.4%
Total cost ratio	2114.4%	2125.3%	2174.6%	2181.5%	2192.3%
Return on inv. portf.	-594.0%	## ##	601.7%	635.9%	653.8%
Non-Life, CoR	9052.7%	8784.5%	8921.6%	8902.3%	8903.8%
Life, Oper. Margin	1610.6%	2406.3%	2246.1%	2129.1%	2056.8%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	6,597	25%
PV Adjustment	441	2%
Value Driver (2022-36)	14,196	54%
Fade (2037-56)	4,125	16%
Terminal Value	850	3%
Fair Value	26,209	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	30.35	
9M Target Price (PLN)	32.29	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	11,054	42%
Explicit Forecast (2019-21)	2,562	10%
PV Adjustment	1,893	7%
Value Driver (2022-36)	9,027	34%
Fade (2037-56)	1,930	7%
Fair Value	26,466	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	30.65	
9M Target Price (PLN)	32.60	

Valuation Ex. Banks

(PLN m)	Weight	Value
DDM	50%	26,209
Economic Profits	50%	26,466
Fair Value Avg.		26,338

SOTP Valuation

(PLN m)	Value	/Share
PZU ex banks	26,338	30.50
Bank Pekao	6,578	7.62
Alior Bank	1,105	1.28
Value	34,020	39.40
9M Target Price (PLN)		41.91

Kruk buy (reiterated)

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We leave our buy recommendation for Kruk unchanged, with the target price reduced slightly to PLN 210.31 per share. The 9M'19 results are in line with our expectations. Kruk expects to spend PLN 800-900m in 2019, which is only slightly weaker than we expected at the beginning of the year and much better than could have been expected from its reported outlays for 9M'19. At the same time, Kruk expects that Romania's 2019 outlays may be among the highest in history, which only indicates premature speculation about the end of this market. The Management Board has announced that despite the execution of 50% of the 9M'19 spending plans, Kruk's NPV portfolios are only 7% below budget targets, indicating high profitability of purchased portfolios. Next year Kruk intends to return to the Italian market and expects higher sales of portfolios by banks in Poland. We believe that the Management Board's forecast is fully in line with our assumptions. In 2019, we expect a practically stable net result, which will also remain stable in 2020. We believe that after quarters of negative forecast revisions, the market may again look more optimistically at the results in subsequent quarters. In addition, if payout trends in Poland, Romania and Italy remain at similar levels in November and December as in October, Kruk may positively surprise already with its Q4'19 results (on the revaluation line). We also note the declining short position in the sector, which has narrowed to 4.3% from 4.8% in just one month. Kruk remains our top pick among financial companies, representing growth potential close to 40%. We believe that sentiment towards Kruk should gradually improve, especially after a good Q4'19.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Rev., Purchased Debt	559	633	697	706	716
Revenue, Collections	15	15	11	12	13
Other revenue	15	16	25	26	27
Gross profit	589	664	732	745	756
Costs	148	161	179	182	185
One-time events	-2	-5	-5	-5	-5
EBITDA	439	498	548	557	566
D&A	19	20	44	49	40
EBIT	421	478	504	509	526
Financing activity	-86	-126	-142	-143	-145
Pre-tax income	335	353	362	365	381
Tax	40	22	29	29	30
Net income	295	330	333	336	351
Portfolio purchases	976	1,247	891	949	1,259
Collections	-1,369	-1,582	-1,836	-2,118	-1,993

DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		1,732
Explicit Forecast (2019-28)	1,235	1,352
Value Driver (2029-48)	1,751	700
PV TV	665	
Fair Value as of Nov. 2019	3,652	3,784
PV Adjustment	204	69
Fair Value	3,856	3,853
Outst. Shares (millions)	18.9	18.9
Cost of equity	7.8%	7.8%
Fair Value Per Share (PLN)	204.14	204.03
9M Target Price (PLN)	218.84	218.71

DCF Summary

(PLN m)	
FCF	1,128
Terminal Value (TV)	9,460
FCF perp. growth rate	3.0%
Present Value of Terminal Value	4,956
Enterprise Value	6,084
Net Debt	2,353
Minority Interest	0
Equity Value as of Nov. 2019	3,731
PV Adjustment	68
Fair Value	3,798
Outst. Shares (millions)	18.9
Value Per Share (PLN)	201.11

Current Price 150.90 PLN
9M Target Price 210.31 PLN **Upside +39.4%**

	rating	target price	issued
new	buy	210.31 PLN	2019-12-05
old	buy	213.65 PLN	2019-04-02
Key Metrics			
Ticker	KRU PW	1M Price Chng	+4.1% +9.5%
ISIN	PLKRK0000010	YTD Price Chng	-0.5% +2.2%
Outst. Stock (m)	18.9	ADTV 1M	PLN 5.0m
MC (PLN m)	2,850.0	ADTV 6M	PLN 7.0m
		P/E 12M fwd	8.9 -32.3%
Free float	87.0%	P/E 5Y avg	13.1 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Total revenue	1,055	1,165	1,297	1,319	1,338
Purchased debt	972	1,070	1,161	1,177	1,193
Collections	59	67	64	65	66
Total costs	-148	-161	-179	-182	-185
Net income	295	330	333	336	351
P/E	9.6	8.6	8.6	8.5	8.1
P/B	1.9	1.6	1.5	1.4	1.3
ROE	21.9%	20.7%	18.4%	17.0%	16.3%
DPS	5.76	5.00	5.00	8.83	8.91
DYield	3.8%	3.3%	3.3%	5.9%	5.9%
Forecast Update (% change)					
Purchased debt portfolios			+0.5%	+0.7%	+0.9%
Collections			-40.8%	-33.8%	-30.3%
Other			+59.0%	+61.1%	+61.1%
Total costs			+0.8%	+1.2%	+1.5%
Net income			-2.1%	-2.7%	+1.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Cash	173	147	159	159	174
Purchased debt	3,169	4,157	4,294	4,302	4,762
Other assets	218	178	374	363	369
Total assets	3,560	4,482	4,827	4,823	5,306
Loans	1,897	2,500	2,749	2,564	2,823
Other liabilities	202	250	185	197	238
Equity	1,460	1,732	1,893	2,062	2,245

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
Net debt / Equity	1.2	1.4	1.4	1.2	1.2
Net debt / EBITDA	3.9	4.7	4.7	4.3	4.7
EBITDA margin	41.6%	42.8%	42.2%	42.3%	42.3%
EBIT margin	39.9%	41.1%	38.8%	38.6%	39.3%
EV / Cash EBITDA	5.8	5.4	4.7	3.7	4.2

Valuation Summary

(PLN m)	Weight	Value
DDM & EVA	33%	3,854
Peer valuation	33%	3,312
DCF	33%	3,798

Per-Share Valuation

(PLN)	Weight	Value
DDM & EVA	33%	204.08
Peer valuation	33%	175.35
DCF	33%	201.11
Fair Value Avg.		196.19
Cost of equity (9M)		6.2%
9M Target Price (PLN)		210.31

Skarbiec Holding buy (reiterated)

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After very good results for the financial year 2018/19, we updated our forecasts for Skarbiec Holding. The net result for the next financial year 2019/20 has been raised by us by 9% mainly due to the success fee (forecast increased by 28%), which is now much more aggressively charged than in the past. On the other hand, we have significantly reduced our forecasts for the market which, combined with a falling management fee, has resulted in a 4% decrease in our fixed fee projections in 2019/20 and a 9% decrease in 2020/21. We are currently forecasting market growth over the next five years at an average annual rate of 4%. On the other hand, the Management Board of Skarbiec TFI has announced that it will not focus on market share, but on profitability. Nevertheless, we expect the share of Skarbiec to increase from 1.3% to 1.6% over the next three years, additionally supported by PLN 550m connected with the ECP. Our forecasts assume that 80% of net profit will be paid out, which translates into a DY of 21% in 2020, which should then range from 12% to 15% over the next 9 years. We would like to point out that DPS may be reduced in the event of acquisitions, e.g. a funds distributor, which would be a natural business complement to the company. We believe that the company is still overshadowed by the unclear situation regarding shareholders, which may indirectly translate into relations with distributors. Compared to benchmark companies, Skarbiec is quoted at a deep discount, although on the other hand it has to face a difficult regulatory environment. We believe that high profitability and a very strong dividend deserve a narrower discount.

Current Price

17.20 PLN

Upside

9M Target Price

29.34 PLN

+70.6%

	rating	target price	issued
new	buy	29.34 PLN	2019-12-05
old	buy	28.17 PLN	2019-06-03
Key Metrics			
		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+4.6% +10.0%
ISIN	PLSKRBH00014	YTD Price Chng	-16.5% -13.8%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.0m
MC (PLN m)	117.3	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	2018	2019P	2020P	2021P
Revenue	101.5	112.9	93.7	98.7	98.9
Mgmt fees	80.9	78.3	73.6	76.1	74.2
Success fees	15.2	33.2	18.9	21.2	23.2
Costs	-78.1	-75.0	-67.9	-71.3	-74.0
Net income	19.6	31.2	21.7	23.0	21.1
P/E	6.0	3.8	5.4	5.1	5.6
P/B	1.1	1.1	1.0	1.0	1.0
ROE	19.3%	30.3%	19.3%	19.1%	17.4%
DPS	2.62	4.45	0.50	3.69	2.62
DYield	15.2%	25.9%	2.9%	21.5%	15.3%
Forecast Update (% change)					
Management fees			-4.4%	-8.9%	-11.6%
Success fees			+27.8%	+22.5%	+19.1%
Revenue			+1.2%	-3.1%	-5.3%
Total costs			-1.4%	-4.0%	-5.7%
Net income			+9.1%	+0.1%	-3.4%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Management fees	80.9	78.3	73.6	76.1	74.2
Success fees	15.2	33.2	18.9	21.2	23.2
Other	5.4	1.4	1.3	1.4	1.5
Revenue	101.5	112.9	93.7	98.7	98.9
Distribution costs	-41.5	-34.3	-33.0	-35.3	-36.7
Payroll	-19.8	-24.6	-18.3	-19.1	-19.9
Other operating costs	-16.8	-16.1	-16.6	-17.0	-17.4
Operating expenses	-78.1	-75.0	-67.9	-71.3	-74.0
Other	0.9	0.9	1.0	1.0	1.1
Pre-tax income	24.3	38.8	26.8	28.4	26.0
Tax	-4.7	-7.6	-5.1	-5.4	-4.9
Net income	19.6	31.2	21.7	23.0	21.1
Retail AUM	4,414	3,457	3,794	4,362	4,577
Dedicated AUM	2,375	406	406	406	406
Total AUM	6,789	3,862	4,199	4,767	4,982

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Cash	50.1	53.9	61.3	62.3	63.8
Other assets	67.4	77.9	88.6	90.0	92.2
Total assets	117.5	131.8	149.9	152.3	155.9
Borrowing	0.1	0.0	2.1	6.6	6.0
Other liabilities	15.0	28.6	26.2	26.3	27.4
Minority interests	0.0	0.0	0.0	0.0	0.0
Equity	102.4	103.2	121.6	119.4	122.5

Relative Valuation Summary

	P/E			Market Cap./AUM		
	18	19P	20P	18	19P	20P
Minimum	6.2	6.1	5.8	0.0	0.0	0.0
Maximum	20.1	16.7	15.3	0.0	0.0	0.0
Median	12.5	12.1	11.8	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)	100	56%
PV of Dividends (Value Driver)	68	38%
PV of Terminal Value	10	6%
Fair Value as of Jul. 2019	178	100%
PV Adjustment	20	
Fair Value	198	
Dilution (stock options)	-7	
Fair Value	190	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	27.89	
9M Target Price (PLN)	30.20	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	103	63%
Explicit Forecast (2016-2026)	45	27%
Value Driver - 20 yrs	16	10%
Fair Value as of Jul. 2019	163	100%
PV Adjustment	7	
Fair Value	171	
Dilution (stock options)	-6	
Fair Value	165	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	24.13	
9M Target Price (PLN)	26.12	

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	190
Economic Profits	33%	165
Relative	33%	205

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	27.89
Economic Profits	33%	24.13
Relative	33%	30.10
Cost of equity (9M)		8.3%
9M Target Price (PLN)		29.34



Chemicals

Ciech

buy (reiterated)

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Expected higher prices of soda ash in 2020 (+4% y/y in EUR; +76m PLN), declines in coking coal prices (-15% in USD; -42m PLN) and commencement of industrial production of soda ash from the new installation (+12m PLN) should positively affect the results in 2020. On the other hand, the challenges include the expected increase in gas prices (+PLN 20m) and fixed costs incurred in H1'20 by the Govora plant in Romania which is being decommissioned (PLN 18m quarterly). We expect the Group's adjusted EBITDA in 2020 to increase by 7% y/y to PLN 680m and the adjusted net profit by 12% y/y to PLN 223m. With our expected increase in capital expenditures in 2020 (to PLN 714m), the net debt to EBITDA ratio will not exceed 2.6x and will fall in the next two years. We reduce our expectations for adjusted EBITDA for 2019 and 2020 by 8% and 6%, respectively. We adjust our target price from PLN 42.03 per share to PLN 44.41 per share and maintain our buy recommendation.

Current Price

36.40 PLN

Upside

9M Target Price

44.41 PLN

+22.0%

	rating	target price	issued
new	buy	44.41 PLN	2019-12-05
old	buy	42.03 PLN	2019-09-05
Key Metrics		CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	+4.3% +9.7%
ISIN	PLCIECH000018	YTD Price Chng	-17.8% -15.1%
Outst. Stock (m)	52.7	ADTV 1M	PLN 1.7m
MC (PLN m)	1,918.3	ADTV 6M	PLN 2.2m
EV (PLN m)	3,558.5	EV/EBITDA 12M fwd	5.4 -8.8%
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	3,543	3,439	3,592
EBITDA adj.	808	633	637	680	692
EBITDA margin	22.6%	17.2%	18.0%	19.8%	19.3%
EBIT adj.	564	358	324	354	356
Net income adj.	373	166	198	223	224
P/E adj.	5.1	11.5	9.7	8.6	8.6
P/B	0.9	1.0	1.0	0.9	0.8
EV/EBITDA adj.	3.4	5.3	5.6	5.5	5.3
DPS	0.00	7.50	0.00	0.00	2.12
DYield	0.0%	20.6%	0.0%	0.0%	5.8%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA		-7.8%	-6.2%	-3.2%	
Net income		-25.6%	-12.5%	-7.9%	
Soda price (US \$/t)		-1.9%	+1.9%	+5.5%	
Soda Ciech (PLN/t)		-3.8%	+0.2%	+0.2%	
Soda vol (1,000t)		-0.5%	0.0%	0.0%	
Thermal Coal price (PLN/t)		0.0%	0.0%	0.0%	
Coking Coal price (\$/t)		-6.1%	-14.3%	-6.1%	
Natural Gas price (PLN/m3)		-17.5%	-15.3%	-20.7%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA. Soda Div.	704	540	508	627	635
EBITDA, Organic Div.	97	76	56	58	61
EBITDA, Silicates	37	34	41	40	41
EBITDA, Other	-5	9	-45	-45	-45
EBITDA/tonne, Soda	808	633	637	680	692
Operating cash flow	629	454	317	627	612
D&A	244	275	312	326	336
Working capital	-66	-97	-195	11	-16
Investing cash flow	-389	-627	-330	-715	-400
CAPEX	402	595	330	715	400
Financing cash flow	-164	-125	-64	32	-250
Dividends/Buyback	0	-395	0	0	-111
FCF	234	-170	-21	-86	213
FCF/EBITDA	28%	-26%	-4%	-13%	31%
OCF/EBITDA	75%	69%	57%	92%	88%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Soda Price (\$/t)	235	245	245	245	245	245	245	245	245	245	245
Soda Price (PLN/t)	847.6	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4
Soda vol (1000t)	2,087	1,775	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,826
Revenue	3,543	3,439	3,592	3,668	3,700	3,724	3,739	3,755	3,771	3,788	3,806
EBITDA	561	680	692	700	696	691	679	667	655	642	630
EBITDA margin	15.8%	19.8%	19.3%	19.1%	18.8%	18.6%	18.2%	17.8%	17.4%	17.0%	16.5%
EBIT	249	354	356	375	376	363	344	325	307	291	275
Tax	57	62	62	67	68	66	62	58	55	51	48
CAPEX	-330	-715	-400	-306	-311	-323	-330	-338	-345	-351	-355
Working capital	-195	11	-16	-8	-3	-2	-2	-2	-2	-2	-2
FCF	-21	-86	213	319	313	299	285	269	253	238	225
PV FCF	-21	-80	187	261	240	214	191	169	148	130	
WACC	6.4%	6.6%	6.6%	6.7%	6.7%	6.8%	6.8%	6.8%	6.8%	6.9%	6.9%
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	2018	2019P	2020P	2021P
Assets	4,644	4,831	4,891	5,190	5,268
Fixed assets	3,205	3,559	3,577	3,966	4,032
Equity	2,188	1,970	2,007	2,230	2,342
Minority interests	-3	0	0	0	0
Net debt	865	1,464	1,640	1,796	1,765
Net debt/EBITDA (x)	1.0	2.2	2.9	2.6	2.6
Net debt/Equity (x)	0.4	0.7	0.8	0.8	0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.9	4.5	4.2	5.4	5.0	4.1
Maximum	34.7	22.9	18.9	13.9	12.3	11.4
Median	13.9	12.8	10.4	9.3	7.0	6.6
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,440
Net debt	1,464
Other adj.	-201
Value per share (PLN)	43.46

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	40.09
DCF Val.	50%	43.46
Implied Price		41.78
Cost of equity (9M)		6.3%
9M Target Price		44.41

Grupa Azoty hold (reiterated)

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After the record-breaking 2019 in terms of financial results, we expect that in the next year the trading environment will be more difficult. The 10% increase in gas prices in PLN expected by us in 2020 translates into PLN 173m of additional costs in the fertilizers segment. In addition, with higher gas prices, the Group will be forced to carry out price increases, which may not necessarily be met with a friendly response by the market at lower prices of agricultural produce on a year-to-year basis. In total, we expect the results in the fertilizers segment to deteriorate by PLN 420m, despite the assumed PLN 100m compensation for energy-intensive industrial producers. Additionally, the weaker economic environment translates into worse results of the plastic and chemical segments (by PLN 5 and 28 million, respectively). With lower year-to-year financial results, the Azoty Group will significantly increase capital expenditures in 2020 (in total we expect CAPEX of PLN 2 billion), which is connected with the launch of the PDH investment project. Three consecutive years of anticipated negative cash flows will, in our opinion, translate into an increase in the Group's debt to almost 4.8x EBITDA in 2020. We are updating our forecasts for the Azoty Group and reducing our target price to PLN 32.75 per share (previously PLN 37.12 per share). We reiterate our hold recommendation for ATT.

Current Price

30.00 PLN

Upside

9M Target Price

32.75 PLN

+9.2%

		rating	target price	issued	
new		hold	32.75 PLN	2019-12-05	
old		hold	37.12 PLN	2019-11-06	
Key Metrics			ATT PW	vs. WIG	
Ticker	ATT PW	1M Price Chng	-16.7%	-11.3%	
ISIN	PLZATRM00012	YTD Price Chng	-3.8%	-1.1%	
Outst. Stock (m)	99.2	ADTV 1M		PLN 1.8m	
MC (PLN m)	2,975.9	ADTV 6M		PLN 3.2m	
EV (PLN m)	6,408.9	EV/EBITDA 12M fwd	4.8	-24.2%	
Free Float	29.0%	EV/EBITDA 5Y avg	6.3	discount	

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,617	9,999	11,312	11,025	11,067
EBITDA adj.	1,262	805	1,594	1,028	1,062
EBITDA margin	13.1%	8.1%	14.1%	9.3%	9.6%
EBIT adj.	672	122	773	160	154
Net income adj.	550	43	517	39	21
P/E adj.	5.4	69.8	5.8	75.9	142.7
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA adj.	3.1	7.2	4.0	7.3	8.3
DPS	0.79	1.20	0.00	0.00	0.00
DYield	2.6%	4.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA		+0.8%	+12.8%	-4.7%	
Net income		-7.0%	+3.3%	-89.1%	
Urea price (PLN/t)		+1.3%	+5.8%	+2.0%	
Ammonium Nitrate price (PLN/t)		+1.7%	+6.3%	+2.5%	
Natural Gas price (PLN/m3)		+2.1%	+3.1%	0.0%	
Melamine (PLN/t)		+26.6%	+3.1%	+0.9%	
Polyamide 6 (PLN/t)		+5.2%	-7.6%	-7.0%	
Propylene (PLN/t)		-0.1%	+3.5%	0.0%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA, Fertilizers	484	82	1,029	609	546
EBITDA, Plastics	221	192	84	79	64
EBITDA, Chemicals	348	282	250	222	212
EBITDA, Energy	0.0	0.0	0.0	0.0	0.0
EBITDA, Other	134	208	198	218	240
Operating cash flow	1,087	1,043	1,649	1,122	1,075
D&A	590	683	821	868	908
Working capital	13	155	177	4	-1
Investing cash flow	-709	-1,761	-1,022	-2,054	-2,224
CAPEX	1,063	2,042	1,037	2,054	2,224
Financing cash flow	39	440	-130	-128	953
Dividends/Buyback	-78	-119	0	0	0
FCF	49	-1,158	584	-944	-1,157
FCF/EBITDA	4%	-151%	37%	-84%	-109%
OCF/EBITDA	92%	136%	106%	99%	101%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Urea price (PLN/t)	1,621	1,599	1,583	1,596	1,603	1,610	1,617	1,617	1,617	1,617	1,626
AN price (PLN/t)	1,342	1,326	1,318	1,331	1,338	1,345	1,352	1,352	1,352	1,352	1,359
NGas cost (PLN/m3)	848	930	964	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025
Revenue	11,312	11,025	11,067	11,336	13,067	13,336	13,558	13,681	13,807	13,895	14,021
EBITDA	1,561	1,128	1,062	1,153	1,553	1,592	1,604	1,576	1,560	1,529	1,561
EBITDA margin	13.8%	10.2%	9.6%	10.2%	11.9%	11.9%	11.8%	11.5%	11.3%	11.0%	11.1%
EBIT	739	260	154	238	340	408	477	493	489	454	485
Tax	117	21	-5	-4	0	16	32	38	38	33	39
CAPEX	-1,037	-2,054	-2,224	-1,229	-549	-789	-828	-1,014	-1,028	-1,071	-1,076
Working capital	177	4	-1	-3	-22	-3	-3	-2	-2	-1	-2
FCF	584	-944	-1,157	-76	982	783	741	522	492	424	445
PV FCF	581	-884	-1,025	-62	753	566	502	331	292	235	
WACC	6.6%	6.3%	6.0%	7.1%	6.7%	6.6%	6.6%	6.6%	6.7%	6.7%	6.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	11,738	14,160	15,741	15,794	16,932
Fixed assets	8,070	9,886	11,133	12,322	13,645
Equity	6,856	6,703	7,190	7,310	7,331
Minority interests	588	625	649	655	661
Net debt	367	2,226	2,784	3,844	5,141
Net debt/EBITDA (x)	0.3	2.9	1.8	3.4	4.8
Net debt/Equity (x)	0.1	0.3	0.4	0.5	0.7

Relative Valuation Summary

	19P	20P	21P	19P	20P	21P
Minimum	7.9	8.4	8.1	5.7	5.8	5.1
Maximum	35.6	17.5	14.9	9.7	8.9	8.1
Median	11.8	10.5	9.4	7.3	6.4	5.8
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	6,526
Net debt	2,226
Other adjustments	-625
Value per share (PLN)	37.04

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	24.58
DCF Val.	50%	37.04
Implied Price		30.81
Cost of equity (9M)		6.3%
9M Target Price		32.75



Oil & Gas

Lotos

reduce (upgraded)

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Contrary to what we had predicted at the beginning of the year, refining industry fundamentals have been strong in 2019, and on top of that the service station business is also doing better than expected. To reflect this, we raised our 2019 LIFO EBITDA estimate for Lotos by close to 15% in the course of the year, putting us on a level with the consensus. Moving into 2020, however, our outlook is again less positive than that of an average analyst even after factoring in the likely growth in margins after the launch of the new delayed coking unit (DCU). This is reflected in a 9% upwardly-revised 2020 LIFO EBITDA estimate which nevertheless still sits over 10% below the average of market forecasts. This is based on our belief that the positive contributions to 2020 earnings growth of the effective refining project (EFRA, of which the new DCU is a crucial part) will be partly offset by lower product margins and geographic premiums. Moreover we do not think the high margins on retail fuel sales can be sustained in the long run. Another potential source of downside risk is if the restart of the North Sea Yme field, tentatively set for mid-2020, is delayed. Lotos's cash flow outlook looks good from today's vantage point, however the Company did sign a letter offering to invest in a propane dehydrogenation plant planned by Grupa Azoty, plus it has put other projects on hold while it waits to be taken over by PKN Orlen. With this much uncertainty as to cash flow, relative valuation is probably a more reliable proxy for Lotos's value, and at the current level the valuation is quite challenging. We maintain a bearish view on LTS even after an upgrade from sell to reduce to reflect recent share price declines and a target price revision to PLN 77.8 per share.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	3,050	3,126	2,960	3,389	3,408
Upstream (US)	863	917	618	832	1,170
Downstream (DS)	2,058	2,022	2,047	2,265	1,942
Retail	139	181	296	293	296
EV/ LIFO EBITDA (adj.)	6.3	6.0	6.6	5.5	5.3
LIFO effect	171	500	-119	73	0
Other one-offs	-148	78	18	0	0
Financing activity	219	-259	-364	-137	-104
Crude thrghpt (mmt)	9.6	10.8	10.8	10.5	10.5
\$ LIFO EBITDA/bbl, DS	7.7	7.1	6.7	7.9	7.0
PLN EBITDA/tonne, Retail	119	144	185	180	180
\$ EBITDA/boe, US	26.9	34.1	23.2	28.8	34.6
US output (mboepd)	23.3	20.4	19.0	21.3	25.7
natural gas	13.4	11.5	10.7	11.2	11.6
crude oil	9.9	8.9	8.3	10.1	14.1

DCF Analysis (ex. Upstream)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	65.0	65.0	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Margin+Urals/Brent	6.6	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/PLN	3.83	3.72	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	28,423	26,910	27,451	29,099	29,099	29,099	29,099	29,099	29,156	29,207	29,207
EBITDA	2,242	2,630	2,238	2,287	2,192	2,187	2,181	2,176	2,147	2,164	2,164
EBITDA margin	7.9%	9.8%	8.2%	7.9%	7.5%	7.5%	7.5%	7.5%	7.4%	7.4%	7.4%
EBIT	1,575	1,866	1,453	1,459	1,403	1,370	1,348	1,327	1,282	1,283	1,418
Tax	299	354	276	277	267	260	256	252	244	244	269
CAPEX	-709	-691	-708	-746	-746	-746	-746	-746	-746	-746	-746
Working capital	-388	-162	-115	-374	27	20	42	10	5	2	2
FCF	846	1,422	1,140	889	1,206	1,200	1,220	1,187	1,162	1,177	1,151
PV FCF	835	1,298	965	699	877	808	761	685	621	582	
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%

Current Price

85.20 PLN

Downside

9M Target Price

77.80 PLN

-8.7%

	rating	target price	issued
new	reduce	77.80 PLN	2019-12-05
old	sell	72.31 PLN	2019-08-02
Key Metrics			
Ticker	LTS PW	1M Price Chng	-14.3%
ISIN	PLLOTOS00025	YTD Price Chng	-0.4%
Outst. Stock (m)	184.9	ADTV 1M	PLN 29.2m
MC (PLN m)	15,751.2	ADTV 6M	PLN 23.2m
EV (PLN m)	18,475.3	EV/EBITDA 12M fwd	4.4
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	29,584	28,315	29,374
EBITDA	3,073	3,704	2,859	3,462	3,408
EBITDA margin	12.7%	12.3%	9.7%	12.2%	11.6%
EBIT	2,229	2,981	1,977	2,467	2,323
Net income	1,672	1,587	1,142	1,595	1,433
P/E	9.4	9.9	13.8	9.9	11.0
P/B	1.5	1.3	1.3	1.1	1.1
EV/EBITDA	5.9	4.8	6.5	5.1	5.0
DPS	1.00	1.00	3.00	3.00	3.00
DYield	1.2%	1.2%	3.5%	3.5%	3.5%
Forecast Update (% change)					
LIFO EBITDA			+4.1%	+8.6%	-0.9%
Net income			-6.0%	+21.1%	-0.8%
Price of Brent crude (\$/bbl)			0.0%	-7.1%	-6.7%
Margin+Urals/Brent price differ. (\$/b)			+8.2%	0.0%	0.0%
USD/PLN			+2.1%	+3.5%	0.0%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	3,127	2,328	2,158	2,781	2,510
OCF/EBITDA LIFO adj.	103%	74%	73%	82%	74%
CAPEX	1,439	967	1,244	1,501	1,187
Working capital	4,035	4,816	5,203	5,366	5,480
Equity	10,712	12,035	12,501	13,730	14,609
Net debt	2,505	1,943	2,724	1,950	1,289
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	3.0	2.9	2.4	2.0	2.0	1.7
Maximum	34.2	16.9	15.5	11.6	11.1	10.3
Median	10.3	8.9	8.4	4.6	4.5	4.6
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	16,247
Net debt	3,589
Petrobaltic	1,552
Value per share (PLN)	76.86

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	69.49
DCF Val.	50%	76.86
Implied Price		73.18
Cost of equity (9M)		6.3%
9M Target Price		77.80

MOL accumulate (no change)

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MOL did not achieve outperformance this year despite attractive valuation ratios and solid earnings, trading amid dampened sentiment for the oil & gas sector following a string of earnings disappointments and consensus downgrades. We feel analysts must be comfortable with their estimates at this point, with no more downside risk to 2020 performance. The downstream business, and petrochemicals production in particular, are currently experiencing tightening profit margins, but keep in mind that petchem accounts for just about 14% of the yearly EBITDA, a proportion which ensures a limited impact on the consolidated financials. What is more, the worsened petchem outlook is more than offset by the improved prospects of Consumer Services in combination with the planned investment in the Azeri ACG oil field complex which, in our view can create value for shareholders and grow MOL's market capitalization by as much as 9%. We still see MOL as a more compelling bet than most of its CEE competition owing to a well-balanced business mix (a 50-50 split between Upstream and Downstream) and relatively cheap earnings multiples at 4.9x 2020E EV/LIFO EBITDA and 4.5x 2021E earnings. Further, even with capital-intensive projects lined up for the next two years, we are confident MOL can deliver on the pledge of a steady rise in base annual DPS (after an expected increase in the net debt/EBITDA ratio to 1.3x in 2020 followed by a decrease to 0.9x in 2022). Finally, MOL still holds treasury stock worth an estimated HUF 200bn, which it cash in when needed, and it is waiting to sell the INA refinery to the Croatian government in a deal which can potentially boost its value by 15%. We maintain an accumulate rating for MOL.

Current Price	2,844 HUF	Upside
9M Target Price	3,302 HUF	+16.1%

	rating	target price	issued
unchanged	accumulate	3,302 HUF	2019-11-27

Key Metrics	MOL HB	1M Price Chng	MOL HB	vs. WIG
Ticker	MOL HB		-5.3%	+0.1%
ISIN	HU0000153937	YTD Price Chng	-4.7%	-1.9%
Outst. Stock (m)	753.1	ADTV 1M		HUF 2,109.7m
MC (HUF m)	2,141,692.6	ADTV 6M		HUF 1,797.7m
EV (HUF m)	2,933,103.4	EV/EBITDA 12M fwd	4.4	+2.7%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3	premium

Earnings Projections

(HUF bn)	2017	2018	2019P	2020P	2021P
Revenue	4,130	5,169	5,164	5,005	5,205
EBITDA	673	764	668	727	797
EBITDA margin	16.3%	14.8%	12.9%	14.5%	15.3%
EBIT	354	353	305	339	393
Net income	307	301	226	249	271
P/E	7.0	7.1	9.5	8.6	7.9
P/B	1.2	1.1	1.0	1.0	0.9
EV/EBITDA	4.3	3.6	4.4	4.7	4.3
DPS	78.13	127.50	142.44	149.61	157.09
DYield	2.7%	4.5%	5.0%	5.3%	5.5%
Forecast Update (% change)			2019P	2020P	2021P
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	681	718	795
Upstream (US)	235	344	300	370	439
Downstream (DS)	198	183	152	153	168
Retail	97	115	135	148	158
Petchem	127	87	95	46	30
Gas Midstream	61	50	47	50	51
General expenses	-45	-51	-48	-49	-51
EV/LIFO EBITDA (adj.)	4.4	3.9	4.4	4.9	4.4
LIFO effect	7	19	-13	8	1
Other one-offs	-7	17	0	0	0
Financing activity	11	-22	-24	-21	-35
\$ LIFO EBITDA/bbl, DS	5.3	4.9	4.1	4.2	4.8
EBITDA/boe, US	23.7	34.8	27.8	32.4	37.8
Ref. thrghpt, mmt	18.5	19.2	17.6	17.6	17.6
Upstr output, mboepd	107.4	110.6	111.2	120.3	126.1

DCF Analysis (ex. Upstream)

(HUF bn)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	65	65	70	75	75	75	75	75	75	75	75
Margin+Urals/Brent	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/HUF	290	281	273	273	273	273	273	273	273	273	273
Revenue	4,812	4,617	4,780	5,087	5,089	5,092	5,094	5,096	5,099	5,101	5,101
EBITDA	368	357	357	392	405	408	410	413	415	418	418
EBITDA margin	7.6%	7.7%	7.5%	7.7%	8.0%	8.0%	8.1%	8.1%	8.1%	8.2%	8.2%
EBIT	168	145	129	155	173	176	175	172	168	164	208
Tax	44	40	38	44	49	49	49	48	47	45	40
CAPEX	-471	-460	-360	-224	-209	-209	-209	-209	-209	-209	-209
Working capital	0	9	-12	-19	1	2	2	1	1	1	1
FCF	-147	-134	-52	105	148	151	154	157	160	164	169
PV FCF	-144	-123	-45	84	110	104	98	92	87	83	
WACC	7.7%	7.0%	7.0%	7.3%	7.7%	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

(HUF bn)	2017	2018	2019P	2020P	2021P
Operating cash flow	560	596	621	677	709
OCF/EBITDA LIFO adj.	83%	82%	91%	94%	89%
CAPEX	286	380	566	1,047	546
Working capital	248	300	300	291	302
Equity	1,741	1,994	2,108	2,240	2,387
Net debt	435	314	468	976	972
Net debt/EBITDA (x)	0.6	0.4	0.7	1.3	1.2

Relative Valuation Summary

	P / E			EV / EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.0	2.9	2.4	2.0	2.0	1.7
Maximum	34.2	16.9	15.5	11.6	11.1	10.3
Median	12.0	9.4	9.2	4.7	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	1,566
Net debt & adjustments	272
Upstream Valuation	792
Value per share (HUF)	2,925

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	3,287
DCF Val.	50%	2,925
Implied Price		3,106
Cost of equity (9M)		6.3%
9M Target Price		3,302



PGNiG buy (no change)

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PGNiG has seen its shares underperform by a wide margin this year after a string of sharp revisions to earnings expectations in the wake of a downturn in prices of natural gas. We have had to adjust our outlook as well by lowering the expected price levels to EUR 17.2/MWh in 2020 and EUR 17.9/MWh in 2021, rising from an average of EUR 15.4 registered this year. On top of weak profits from gas production, PGNiG has improved its trading profits less than expected this year. With that said, the market's earnings expectations for 2020 are set relatively low after a 20% cut in the course of the last 12 months, and the EV/EBITDA ratio on the low 2019 earnings (on the lowest EBITDA in six years) stands only a hair above the average for the last five years (5.0x). We believe PGNiG can improve earnings next year with an expected increase in volumes and gas prices, combined with gradual stabilization in trading profits. In addition, the long-awaited ruling in the arbitration case against Gazprom should provide an upside catalyst in a matter of months in the form of back-compensation as large as \$1.5 billion (20% MCap), underpinned by eliminated risks entailed in gas-oil spreads. Moreover, we hope PGNiG will continue utilizing excess liquidity by making more profit-generating acquisitions in upstream (the Company can take advantage of opportunities emerging with the sale of minority stakes in gas-producing assets by large global players). Last but not least, as a state-controlled company, PGNiG is the first in line to be asked to increase dividend payments.

Current Price

4.50 PLN

Upside

9M Target Price

5.64 PLN

+25.3%

	rating	target price	issued
unchanged	buy	5.64 PLN	2019-11-06

Key Metrics	PGN PW	PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	-9.0%
ISIN	PLPGNIG000014	YTD Price Chng	-33.8%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 22.1m
MC (PLN m)	26,002.4	ADTV 6M	PLN 27.0m
EV (PLN m)	27,267.7	EV/EBITDA 12M fwd	4.3
Free Float	28.1%	EV/EBITDA 5Y avg	5.0 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	35,857	41,234	40,020	40,781	43,864
EBITDA	6,579	7,115	5,551	7,114	7,932
EBITDA margin	18.3%	17.3%	13.9%	17.4%	18.1%
EBIT	3,910	4,395	2,720	4,154	4,788
Net income	2,923	3,212	1,924	2,941	3,328
P/E	8.9	8.1	13.5	8.8	7.8
P/B	0.8	0.7	0.7	0.7	0.6
EV/EBITDA	4.0	3.6	4.9	3.8	3.3
DPS	0.20	0.07	0.11	0.13	0.20
DYield	4.4%	1.6%	2.4%	3.0%	4.5%
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	5,777	7,198	8,013
EBITDA	6,579	7,115	5,551	7,114	7,932
Mining	3,865	5,019	3,528	3,984	4,439
Trade	-435	-848	-477	252	408
Distribution	2,493	2,385	1,935	2,038	1,977
Heat & Power	843	788	811	1,094	1,368
Other	-187	-229	-247	-253	-260
Financing activity	12	107	-25	-38	-26
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	-4.6	-0.7	0.3

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	65.0	65.0	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	15.4	17.2	17.9	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
USD/PLN	3.83	3.72	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	40,020	40,781	43,864	45,865	42,751	42,143	40,414	39,281	39,788	40,158	40,158
EBITDA	5,383	6,923	7,725	8,017	7,917	8,404	8,480	8,582	8,752	8,510	8,510
EBITDA margin	13.4%	17.0%	17.6%	17.5%	18.5%	19.9%	21.0%	21.8%	22.0%	21.2%	21.2%
EBIT	2,720	4,154	4,788	5,023	4,873	4,880	4,911	4,922	4,967	4,607	4,112
Tax	771	1,175	1,433	1,477	1,385	1,253	1,310	1,343	1,399	1,263	1,263
CAPEX	-4,911	-4,433	-3,988	-4,680	-4,770	-4,300	-4,312	-4,342	-4,404	-4,398	-4,398
Working capital	505	-92	-374	-243	378	74	210	137	-61	-45	-45
FCF	207	1,224	1,930	1,618	2,139	2,924	3,068	3,034	2,887	2,804	2,804
PV FCF	199	1,084	1,570	1,208	1,466	1,840	1,772	1,609	1,405	1,253	
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	4,816	5,814	5,241	5,696	5,958
OCF/EBITDA	73%	82%	94%	80%	75%
CAPEX	3,162	4,534	4,911	4,433	3,988
Working capital	5,280	5,358	4,853	4,945	5,319
Equity	33,626	36,634	37,872	39,994	42,096
Net debt	428	-223	1,267	901	224
Net debt/EBITDA (x)	0.1	0.0	0.2	0.1	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.0	2.8	2.3	2.8	2.6	2.3
Maximum	23.0	18.0	18.0	12.8	13.0	13.2
Median	12.5	11.9	10.9	6.5	5.9	5.7
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	32,814
Net debt	1,493
Other adjustments	833
Value per share (PLN)	5.56

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	6.23
Relative (DYield)	17%	2.60
DCF	50%	5.56
Cost of equity (9M)		6.7%
9M Target Price		5.64

PKN Orlen hold (upgraded)

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PKN Orlen has delivered better-than-expected results this year thanks to the strong performance of the service station business, combined with higher margins from refining and petrochemical production. PKN stock did experience a few short-lived rallies this year following resulting upgrades to analysts' expectations, but as it stands the whole oil sector at the moment is being dragged by shrinking margins from downstream and their cooling effect on future earnings estimates. Our own forecasts for FY2020-21 sit 15-20% below the market forecasts because they use more conservative assumptions as to refining margin benchmarks and take into consideration the unsustainable mix of positive factors, including record-low prices of natural gas, record-high margins on retail fuel sales, and unusually high land premiums, that have fueled PKN's earnings this year. This mix also includes record-high refinery throughput which the Company will most likely not be able to maintain given demand forecasts. Also adding to the cloudy future outlook are PKN's capital investment plans and their impact on medium-term free cash flow. Finally, there is the matter of the merger deal with local rival Lotos, which we do not see as creating much value even with synergy factored in looking at the future EV/EBITDA LIFO multiple of the merged company. We upgrade PKN to hold with downside risks all priced in after the recent share price declines, however we do see downside risk in the medium term looking at the still-high valuations of the Company's peers, especially in the petchem sector, despite the sharp downtrend in margins.

Current Price

88.50 PLN

Upside

9M Target Price

94.17 PLN

+6.4%

	rating	target price	issued
new	hold	94.17 PLN	2019-12-05
old	reduce	94.17 PLN	2019-11-14
Key Metrics			
	PKN PW	1M Price Chng	-18.3% -12.9%
Ticker	PLPKN0000018	YTD Price Chng	-15.4% -12.7%
ISIN			
Outst. Stock (m)	427.7	ADTV 1M	PLN 77.6m
MC (PLN m)	37,852.3	ADTV 6M	PLN 75.4m
EV (PLN m)	44,509.6	EV/EBITDA 12M fwd	4.3 -21.2%
Free Float	67.6%	EV/EBITDA 5Y avg	5.4 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	95,364	109,706	109,098	103,438	107,567
EBITDA	11,078	9,888	9,511	8,585	7,889
EBITDA margin	11.6%	9.0%	8.7%	8.3%	7.3%
EBIT	8,657	7,215	6,065	4,908	4,021
Net income	6,655	5,556	4,805	3,835	3,090
P/E	5.7	6.8	7.9	9.9	12.3
P/B	1.2	1.1	1.0	0.9	0.9
EV/EBITDA	3.8	4.4	4.7	5.1	5.6
DPS	3.00	3.00	3.50	3.50	3.50
DYield	3.4%	3.4%	4.0%	4.0%	4.0%
Forecast Update (% change)					
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	8,392	9,862	8,149	7,889
Downstream(DS)	4,689	3,764	3,743	2,741	2,580
Petchem	3,034	2,103	2,847	2,274	2,055
Retail	2,049	2,781	3,184	3,107	3,158
Upstream	293	305	346	394	445
Electricity	129	188	626	605	671
General expenses	-613	-749	-883	-971	-1,020
EV/LIFO EBITDA (adj.)	4.6	5.4	4.7	5.6	5.9
LIFO effect	788	860	-353	436	0
Other one-offs	709	636	2	0	0
Financing activity	60	-104	-132	-173	-206
\$ LIFO EBITDA/bbl, DS	5.1	4.3	3.9	3.1	3.0
PLN EBITDA/tonne, Retail	232	294	326	315	317
Refinery thrghpt (mmt)	33.2	33.4	34.0	32.8	32.8
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	6.6	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	369	308	302	314	314	314	314	314	314	314	314.4
USD/PLN	3.83	3.72	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	109,098	103,438	107,567	114,747	115,096	115,477	115,863	116,252	116,646	117,043	117,043
EBITDA	9,511	8,585	7,889	8,595	8,484	8,823	8,870	8,923	8,987	9,047	9,047
EBITDA margin	8.7%	8.3%	7.3%	7.5%	7.4%	7.6%	7.7%	7.7%	7.7%	7.7%	7.7%
EBIT	6,065	4,908	4,021	4,422	4,426	4,736	4,779	4,814	4,838	4,820	4,547
Tax	1,152	933	764	840	841	900	908	915	919	916	864
CAPEX	-4,450	-5,775	-5,775	-5,675	-4,775	-4,500	-4,500	-4,500	-4,500	-4,500	-4,500
Working capital	305	481	-197	-865	-369	-151	-54	-55	-55	-56	-56
FCF	4,214	2,359	1,153	1,214	2,499	3,272	3,408	3,454	3,512	3,576	3,628
PV FCF	4,161	2,156	976	952	1,814	2,199	2,120	1,989	1,873	1,765	
WACC	7.9%	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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	8,050	4,980	8,689	8,167	6,967
OCF/EBITDA LIFO adj.	84%	59%	88%	100%	88%
CAPEX	4,039	4,454	4,450	5,775	5,775
Working capital	7,489	11,144	10,839	10,358	10,555
Equity	32,197	35,727	39,035	41,373	42,966
Net debt	761	5,599	6,645	5,924	6,435
Net debt/EBITDA (x)	0.1	0.6	0.7	0.7	0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	6.5	5.4	6.0	2.6	2.6	2.7
Maximum	23.7	24.3	19.2	18.8	17.0	14.3
Median	11.8	8.9	9.1	6.0	5.4	5.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	45,537
Net debt	10,752
Other adjustments	0
Value per share (PLN)	81.33

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	95.84
DCF Val.	50%	81.33
Implied Price		88.58
Cost of equity (9M)		6.3%
9M Target Price		94.17

Power Utilities

CEZ

buy (upgraded)

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European power stocks have gained over 25% this year, driven by rising prices of electricity and carbon emissions, combined with attractive dividend yields. However CEZ has failed to measure up despite its ability to capitalize on the same market trends, reflected in strong growth in EBITDA. One downside catalyst was probably the planned expansion of nuclear capacity being pushed by the Czech government. Both CEZ and the Czech PM have tried to reassure minority shareholders that their interests would be protected, but the market is probably waiting for these reassurances to be put into more concrete terms. Another factor which might be keeping CEZ from gaining in value is its 40% exposure to coal-fired generation. What the market is overlooking, however, are the relatively low emissions levels produced by these assets (0.4 t/MWh), combined with CEZ's commitment to phase out low-efficiency coal through 2040 (of which up to 3 GW out of current 6.2 GW by 2025). We expect CEZ to deliver continuing positive earnings momentum in 2020, supported by a projected rise to EUR 13/MWh in the average sales price of electricity, asset sales, and tight CAPEX management, ensuring continuation of the current dividend policy. We upgrade CEZ to buy at the current price level.

Current Price

502.00 CZK

Upside

9M Target Price

597.80 CZK

+19.1%

	rating	target price	issued
new	buy	597.80 CZK	2019-12-05
old	accumulate	597.80 CZK	2019-06-25
Key Metrics			
Ticker	CEZ CP	1M Price Chng	-4.4% +1.0%
ISIN	CZ0005112300	YTD Price Chng	-1.8% +1.0%
Outst. Stock (m)	538.0	ADTV 1M	CZK 99.6m
MC (CZK bn)	270.1	ADTV 6M	CZK 98.1m
EV (CZK bn)	426.4	EV/EBITDA 12M fwd	6.8 -5.0%
Free Float	30.2%	EV/EBITDA 5Y avg	7.1 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	14.4	26.2	15.0	13.0	13.1
P/B	1.1	1.2	1.1	1.1	1.1
EV/EBITDA	7.5	8.6	7.3	6.7	6.6
DPS	33.00	32.71	24.00	30.17	34.73
DYield	6.6%	6.5%	4.8%	6.0%	6.9%
Forecast Update (% change)					
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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ENA stock has outperformed its local competition this year, but at the current level it is trading at an EV/EBITDA ratio below the average for the WIG-Energy benchmark despite a strong earnings streak. We put the discount valuation on the fact that the Generator derives close to 66% of its yearly earnings from coal (power plants and mines), coupled with the extremely underpriced valuation of its subsidiary coal miner LW Bogdanka at 1.3x EV/EBITDA – a shockingly low ratio even for the coal industry. Enea's involvement in the new coal-based power plant project in Ostrołęka also puts a damper on value, due largely to the project's vague status, with the Company's potential investment very tentatively reported at PLN 1bn max, but with no financing arrangements in place so far. Even in a scenario where Enea has to pay 50% of the costs, we still see potential to generate positive cash flow going forward (PLN 1.3+ billion in the 2020-22 period, i.e. over 30% of current MCap), while maintaining a healthy balance sheet (with a net debt/EBITDA of 1.7x ratio as of 30 September) with plenty of room to resume dividend payments. Note also that, from 2021, Enea will be receiving capacity payments in a yearly amount of PLN 0.6bn. With all this in mind, we consider Enea an attractively-priced dividend play whenever the Polish government decides to lift the dividend freeze on power utilities, and a growth story if the Ostrołęka project gets canceled or Enea's stake in it becomes officially capped at PLN 1bn – not an unlikely scenario considering that, judging by latest statements, support for the project within the government ranks seems to be waning. We maintain a buy rating for ENA.

Current Price

8.65 PLN

Upside

9M Target Price

11.53 PLN

+33.3%

	rating	target price	issued
unchanged	buy	11.53 PLN	2019-11-06

Key Metrics	ENA PW	1M Price Chng	ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	+0.8%	+6.2%
ISIN	PLENEA000013	YTD Price Chng	-12.6%	-9.9%
Outst. Stock (m)	441.4	ADTV 1M		PLN 3.3m
MC (PLN m)	3,818.5	ADTV 6M		PLN 3.5m
EV (PLN m)	10,749.0	EV/EBITDA 12M fwd	3.4	-25.5%
Free Float	48.5%	EV/EBITDA 5Y avg	4.6	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	11,406	12,673	16,541	18,326	17,589
EBITDA	2,684	2,348	3,298	3,274	3,706
EBITDA margin	23.5%	18.5%	19.9%	17.9%	21.1%
EBIT	1,488	1,037	1,763	1,741	2,160
Net income	1,070	686	1,052	1,079	1,382
P/E	3.6	5.6	3.6	3.5	2.8
P/B	0.3	0.3	0.3	0.2	0.2
EV/EBITDA	3.8	4.4	3.3	3.2	2.9
DPS	0.28	0.00	0.00	0.00	0.24
DYield	3.2%	0.0%	0.0%	0.0%	2.8%
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	3,298	3,274	3,706
EBITDA	2,684	2,348	3,298	3,274	3,706
Generation	735	869	1,404	1,317	1,663
Mining	709	470	772	679	789
Distribution	1,073	1,111	1,084	1,132	1,112
Trade	178	-76	40	143	146
Other	-13	-12	-2	3	-5
Financing activity	-21	-168	-296	-280	-279
Power output, TWh	22.7	26.5	26.0	27.2	26.7
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	7.0	7.0
RAV (PLN bn)	7.5	8.0	8.3	8.6	8.9
RAV return (EBIT)	7.7%	7.2%	6.4%	6.5%	6.0%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,580	2,435	2,772	3,414	3,366
OCF/EBITDA	96%	104%	84%	104%	91%
CAPEX	2,058	1,979	2,505	2,873	3,046
Working capital	698	605	852	435	417
Equity	13,078	14,097	15,150	16,228	17,503
Net debt	5,523	5,566	5,843	5,581	5,649
Net debt/EBITDA (x)	2.1	2.4	1.8	1.7	1.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.7	2.9	2.3	3.4	3.8	3.0
Maximum	29.7	27.3	23.4	11.2	11.1	10.6
Median	14.3	13.5	12.4	7.4	6.8	6.7
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	267.0	251.9	250.9	231.2	231.2	231.2	231.2	231.2	231.2	231.2
Coal (PLN/t)	258.0	250.0	263.6	263.6	263.6	263.6	263.6	263.6	263.6	263.6	263.6
CO2 (EUR/t)	24.7	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	16,541	18,326	17,589	17,697	17,109	17,556	17,678	17,806	17,941	18,125	18,125
EBITDA	3,298	3,274	3,706	3,707	3,348	3,520	3,546	3,415	3,452	3,515	3,515
EBITDA margin	19.9%	17.9%	21.1%	20.9%	19.6%	20.1%	20.1%	19.2%	19.2%	19.4%	19.4%
EBIT	1,763	1,741	2,160	2,152	1,759	1,870	1,868	1,704	1,703	1,723	1,058
Tax	335	331	410	409	334	355	355	324	323	327	201
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	-248	418	17	-3	14	-11	-3	-3	-3	-4	-4
FCF	210	488	266	449	624	813	821	676	667	679	852
PV FCF	203	440	224	351	454	552	518	398	365	345	
WACC	7.0%	7.2%	7.3%	7.4%	7.3%	7.4%	7.4%	7.4%	7.5%	7.5%	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	11,513
Net debt	5,813
Other adjustments	-952
Value per share (PLN)	10.75

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	37.04
Relative (DYield)	0%	2.03
DCF	100%	10.75
Cost of equity (9M)		6.7%
9M Target Price		11.53



Energa buy (no change)

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Shares in Energa have taken the worst hit in the final weeks of 2019 of all Polish utilities in a sell-off which we would attribute to its relatively high EV/EBITDA ratios, contrasted by limited medium-term growth prospects, the involvement in the Ostrołęka C coal-based generator project, and decreasing WACC taken to calculate the value of distribution assets. These are undeniable facts, however, we would argue that Energa deserves to be valued at a premium to its Polish peers owing to the composition of its assets. Energa is set to generate over 90% of annual EBITDA from distribution and renewables over the next four years, and the two segments account for over 60% of the capital spend planned for the future even after factoring in the potential 50% stake in the Ostrołęka costs. The problem with the Ostrołęka project at the current stage is mainly an image one due to a lack of transparency as to financing and timeline; from a cash flow standpoint, the negative net present value of the generator (estimated roughly at PLN 1bn) is mitigated by a 15-year capacity contract promised by the state. Meanwhile the discount that the market applies to Energa's EV as a penalty for Ostrołęka exceeds PLN 3bn, an amount equivalent to the total potential investment. As such, we see the discount as a perfect opportunity to buy into the very real chance of the project being canceled or transformed into something else, in which case Energa's value as a clean power generator with a stable distribution business would go up to the point where it would mandate twice the current EV/EBITDA ratio.

Current Price

6.90 PLN

Upside

9M Target Price

11.67 PLN

+69.1%

	rating	target price	issued
unchanged	buy	11.67 PLN	2019-11-06

Key Metrics	ENG PW	1M Price Chng	ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	+10.6%	+16.0%
ISIN	PLENERG00022	YTD Price Chng	-22.6%	-19.8%
Outst. Stock (m)	414.1	ADTV 1M		PLN 4.7m
MC (PLN m)	2,857.1	ADTV 6M		PLN 3.6m
EV (PLN m)	8,006.2	EV/EBITDA 12M fwd	4.1	-9.9%
Free Float	48.5%	EV/EBITDA 5Y avg	4.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	10,534	10,337	11,721	12,560	12,292
EBITDA	2,160	1,877	2,228	2,132	2,147
EBITDA margin	20.5%	18.2%	19.0%	17.0%	17.5%
EBIT	1,210	1,176	894	1,019	1,055
Net income	773	739	530	552	608
P/E	3.7	3.9	5.4	5.2	4.7
P/B	0.3	0.3	0.3	0.3	0.2
EV/EBITDA	3.2	3.9	3.6	4.2	4.4
DPS	0.19	0.00	0.00	0.00	0.00
DYield	2.8%	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	2,228	2,132	2,147
EBITDA	2,160	1,877	2,228	2,132	2,147
Conv. Gener./CHP	229	137	94	66	151
Renewables	169	191	225	257	238
Distribution	1,723	1,704	1,642	1,676	1,623
Trade	85	-85	324	191	194
Other	-46	-70	-57	-58	-59
Financing activity	-208	-223	-268	-335	-302
Power output, TWh	4.3	3.9	3.7	3.7	3.7
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	10.0	10.0	10.0
RAV (PLN bn)	11.7	12.2	12.7	13.1	13.5
RAV return (EBIT)	8.2%	7.7%	6.4%	6.2%	5.7%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,182	1,859	1,909	1,880	2,043
OCF/EBITDA	101%	99%	86%	88%	95%
CAPEX	1,280	1,638	2,009	2,365	2,346
Working capital	1,403	1,499	1,700	1,821	1,783
Equity	9,409	10,295	10,788	11,303	11,874
Net debt	4,064	4,441	5,111	5,969	6,610
Net debt/EBITDA (x)	1.9	2.4	2.3	2.8	3.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.5	2.9	2.3	3.2	3.2	2.9
Maximum	29.7	27.3	23.4	11.2	11.1	10.6
Median	14.3	13.5	12.4	7.4	6.8	6.7
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	267.0	251.9	250.9	231.2	231.2	231.2	231.2	231.2	231.2	231.2
Coal (PLN/t)	258.0	250.0	263.6	263.6	263.6	263.6	263.6	263.6	263.6	263.6	263.6
CO2 (EUR/t)	24.7	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	11,721	12,560	12,292	12,452	12,185	12,340	12,421	12,505	12,590	12,672	12,672
EBITDA	2,228	2,132	2,147	2,182	2,328	2,560	2,597	2,601	2,641	2,677	2,677
EBITDA margin	19.0%	17.0%	17.5%	17.5%	19.1%	20.7%	20.9%	20.8%	21.0%	21.1%	21.1%
EBIT	894	1,019	1,055	1,069	1,212	1,395	1,418	1,403	1,420	1,474	1,166
Tax	170	194	200	203	230	265	269	267	270	280	221
CAPEX	-2,009	-2,365	-2,346	-2,159	-1,712	-1,531	-1,527	-1,521	-1,511	-1,475	-1,511
Working capital	-201	-122	39	-23	39	-23	-12	-12	-12	-12	-12
FCF	-151	-549	-360	-204	425	741	789	802	848	910	932
PV FCF	-146	-494	-303	-160	311	506	502	474	466	464	
WACC	7.3%	7.2%	7.1%	7.1%	7.1%	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	9,296
Net debt	4,706
Other adjustments	-61
Value per share (PLN)	10.94

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	20.10
Relative (DYield)	0%	0.00
DCF	100%	10.94
Cost of equity (9M)		6.7%
9M Target Price		11.67

PGE

buy (no change)

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PGE is going to give a negative return for the year after the slump experienced in the first six months, even though most of those risks have either disappeared (including profits lost ytd under a power price freeze on all public utilities, later balanced out by compensation offered by the state), or weakened (curbed rise in EUA prices, no tightening of CDS). Moreover, PGE reported a 16% y/y rebound in Q3 EBITDA, fueled by contributions from new generators, cogeneration subsidies, positive base effects for emission costs, reversal of valuation charges booked in H1, and improved retail margins. Unfortunately PGE decided to cool expectations for the future with a conservative guidance for 2020, suggesting flat growth in recurring profits. This compares to our 7% EBITDA growth estimate based on increasing contributions from new capacity, more downtime planned by rival generators, higher prices of clean energy, and improvement in retail. By 2021, we see EBITDA growing to PLN 9bn, supported by the launch of the capacity market the year before. PGE is also a bargain on the balance-sheet front with robust free-cash-generating potential emerging in the next few years after four years of high capital investment (during which net debt increased by PLN 10bn), on top of PLN 1.4bn-worth of free emission allowances ripe to be sold at market prices. We assume that average annual CAPEX in the 2020-2023 period will not exceed PLN 6.2bn vs. PLN 7.3bn spent per year in 2015-19, plus the investment this time is going mostly into renewables, gas, and distribution (60% vs. 30% in 2015-19). Finally, given the emerging budget shortfalls that might violate the expenditure rule governing Poland's fiscal policy, there is an increasing likelihood that PGE, along with other state-controlled utilities, will be asked to resume dividend payments soon.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	6,481	6,701	6,972	7,438	9,024
EBITDA	7,650	6,364	8,083	7,438	9,024
Generation	4,099	2,938	4,694	3,820	5,357
Renewables	364	463	546	626	709
Distribution	2,333	2,463	2,406	2,400	2,365
Trade	811	263	673	598	599
Other	43	237	-236	-6	-6
Financing activity	-330	-304	-397	-383	-405
Power output, TWh	56.8	65.9	60.8	73.1	74.8
Renewables	2.4	2.0	2.2	2.4	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	16.4	14.4	14.2
RAV (PLN bn)	15.6	16.3	16.7	17.2	17.7
RAV return (EBIT)	7.5%	7.9%	7.3%	6.9%	6.4%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	267.0	249.0	248.0	232.3	232.3	232.3	232.3	232.3	232.3	232.3
Coal (PLN/t)	258.0	250.0	254.6	254.6	254.6	254.6	254.6	254.6	254.6	254.6	254.6
CO2 (EUR/t)	24.7	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	38,245	43,174	42,060	42,487	41,054	42,556	43,012	43,639	43,860	44,309	44,309
EBITDA	8,083	7,438	9,024	8,778	7,721	8,187	8,410	8,760	8,877	9,026	9,026
EBITDA margin	21.1%	17.2%	21.5%	20.7%	18.8%	19.2%	19.6%	20.1%	20.2%	20.4%	20.4%
EBIT	4,036	3,148	4,555	4,206	3,098	3,212	2,942	2,892	2,669	2,551	3,953
Tax	767	598	865	799	589	610	559	550	507	485	751
CAPEX	-7,396	-6,178	-5,906	-6,086	-6,675	-7,207	-7,107	-7,059	-5,073	-4,652	-5,073
Working capital	318	-641	145	-55	186	-195	-59	-82	-29	-58	-58
FCF	239	20	2,397	1,837	644	174	685	1,070	3,268	3,831	3,143
PV FCF	234	19	2,017	1,429	463	116	423	613	1,734	1,878	
WACC	8.0%	7.9%	8.1%	8.2%	8.1%	8.0%	7.9%	7.8%	8.0%	8.2%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Current Price

8.39 PLN

Upside

9M Target Price

12.20 PLN

+45.4%

	rating	target price	issued
unchanged	buy	12.20 PLN	2019-10-24

Key Metrics	PGE PW	1M Price Chng	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-0.1%	+5.3%
ISIN	PLPGER000010	YTD Price Chng	-16.1%	-13.4%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 21.4m
MC (PLN m)	15,691.2	ADTV 6M		PLN 15.0m
EV (PLN m)	27,348.0	EV/EBITDA 12M fwd	3.8	-16.1%
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	38,245	43,174	42,060
EBITDA	7,650	6,364	8,083	7,438	9,024
EBITDA margin	33.1%	24.5%	21.1%	17.2%	21.5%
EBIT	3,552	2,471	4,036	3,148	4,555
Net income	2,600	1,473	2,792	2,160	3,282
P/E	6.0	10.7	5.6	7.3	4.8
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	3.2	4.1	3.4	3.8	3.0
DPS	0.00	0.00	0.00	0.37	0.29
DYield	0.0%	0.0%	0.0%	4.4%	3.4%
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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	7,934	5,102	7,670	6,272	8,380
OCF/EBITDA	104%	80%	95%	84%	93%
CAPEX	6,071	6,393	7,396	6,178	5,906
Working capital	3,762	5,290	4,972	5,613	5,468
Equity	45,128	46,727	49,473	50,890	53,585
Net debt	7,487	9,421	10,468	11,502	10,019
Net debt/EBITDA (x)	1.0	1.5	1.3	1.5	1.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.7	2.6	2.2	3.2	3.0	2.7
Maximum	27.2	27.3	23.4	11.2	11.1	10.6
Median	14.3	13.5	12.4	7.4	6.8	6.7
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	32,765
Net debt	10,299
Other adjustments	-1,074
Value per share (PLN)	11.44

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	21.83
Relative (DYield)	0%	5.50
DCF	100%	11.44
Cost of equity (9M)		6.7%
9M Target Price		12.20

Tauron buy (no change)

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Tauron is going to fulfill our FY2019 EBITDA forecast despite higher-than-expected losses generated by subsidiary coal mines (9M EBITDA loss at PLN 262m). The mining losses are be offset by stronger results from trading after the introduction of a compensation mechanism to make up for the government-mandated 2019 power price freeze on utilities. Challenges faced in 2020 include the returning issue of increasing power prices and whether they should remain frozen for households, combined with weak coal production. On the first point, the compensation mechanism will most likely be maintained through 2020 from what we can tell based on statements by government officials. On the second issue, Tauron's coal mines have already started to improve production. Under these circumstances, after several years of stable profits, we see Tauron entering a period of growth moving forward, facilitated by new capacity, the upcoming creation of a capacity market, and mine restructuring. This alongside an expected decrease in capital expenditures to an average projected annual spend of PLN 2.86bn in 2020-24 vs. PLN 3.77bn in the 2015-19 period, indicating solid cash flow and room to deleverage. We see the market's expectations as to future net debt as overestimated looking at a net debt/EBITDA ratio of 3.3x at most at the end of 2019 even after a wind farm investment. The potential sale of one of the loss-making coal mines, the "Janina," might provide an upside catalyst in the next few months. In the longer term, we like Tauron's express ambition to grow the clean energy capacity while gradually phasing out coal-based generators, which makes it stand out from among the Polish competition. We maintain a buy rating for TPE.

Current Price

1.68 PLN

Upside

9M Target Price

2.45 PLN

+46.2%

	rating	target price	issued
unchanged	buy	2.45 PLN	2019-11-06

Key Metrics	TPE PW	1M Price Chng	TPE PW	vs. WIG
Ticker	PLTAURN00011	YTD Price Chng	-1.9%	+3.5%
ISIN	PLTAURN00011	YTD Price Chng	-23.5%	-20.8%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 9.4m
MC (PLN m)	2,937.3	ADTV 6M		PLN 7.8m
EV (PLN m)	14,958.1	EV/EBITDA 12M fwd	4.4	-6.1%
Free Float	59.6%	EV/EBITDA 5Y avg	4.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	17,425	18,122	20,344	22,719	22,516
EBITDA	3,618	3,375	3,614	3,905	4,257
EBITDA margin	20.8%	18.6%	17.8%	17.2%	18.9%
EBIT	1,879	791	1,455	1,738	2,081
Net income	1,381	205	905	1,090	1,361
P/E	2.1	14.3	3.2	2.7	2.2
P/B	0.2	0.2	0.2	0.1	0.1
EV/EBITDA	3.3	3.9	4.1	3.8	3.3
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 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	3,324	3,905	4,257
EBITDA	3,618	3,375	3,614	3,905	4,257
Generation	537	731	755	1,015	1,309
Mining	-83	-207	-380	-201	-72
Distribution	2,283	2,517	2,531	2,565	2,518
Trade	841	321	632	476	448
Other	40	13	76	50	54
Financing activity	-122	-286	-270	-392	-401
Power output, TWh	18.4	16.2	13.9	18.2	19.1
Renewables	1.3	1.0	1.3	1.7	1.7
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	14.0	13.0
RAV (PLN bn)	16.3	16.9	17.9	18.4	18.9
RAV return (EBIT)	7.4%	8.4%	7.7%	7.2%	6.6%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	3,559	2,057	3,234	3,542	3,947
OCF/EBITDA	98%	61%	89%	91%	93%
CAPEX	3,562	3,576	4,085	3,074	2,690
Working capital	489	817	917	1,024	1,015
Equity	18,036	18,296	19,201	20,291	21,652
Net debt	8,944	10,140	11,890	11,814	10,958
Net debt/EBITDA (x)	2.5	3.0	3.3	3.0	2.6

Relative Valuation Summary

	19P	20P	21P	19P	20P	21P
Minimum	3.5	3.5	2.7	3.2	3.2	2.9
Maximum	29.7	27.3	23.4	11.2	11.1	10.6
Median	14.3	13.5	12.4	7.4	6.8	6.7
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	267.0	251.9	250.9	231.2	231.2	231.2	231.2	231.2	231.2	231.2
Coal (PLN/t)	258.0	250.0	263.6	263.6	263.6	263.6	263.6	263.6	263.6	263.6	263.6
CO2 (EUR/t)	24.7	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	20,344	22,719	22,516	22,839	22,282	22,613	22,907	23,209	23,520	23,839	23,839
EBITDA	3,614	3,905	4,257	4,469	4,313	4,492	4,600	4,570	4,698	4,834	4,834
EBITDA margin	17.8%	17.2%	18.9%	19.6%	19.4%	19.9%	20.1%	19.7%	20.0%	20.3%	20.3%
EBIT	1,455	1,738	2,081	2,234	2,088	2,209	2,246	2,131	2,164	2,202	1,616
Tax	276	330	395	424	397	420	427	405	411	418	307
CAPEX	-4,085	-3,074	-2,690	-2,755	-2,856	-2,944	-3,034	-3,126	-3,218	-3,310	-3,218
Working capital	-100	-107	9	-15	25	-15	-13	-14	-14	-14	-14
FCF	-848	393	1,181	1,274	1,085	1,113	1,126	1,026	1,055	1,091	1,295
PV FCF	-836	366	1,031	1,042	828	791	743	627	596	569	
WACC	5.9%	6.0%	6.4%	6.8%	7.1%	7.4%	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	16,209
Net debt	10,767
Other adjustments	-1,423
Value per share (PLN)	2.29

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	8.01
Relative (DYield)	0%	0.00
DCF	100%	2.29
Cost of equity (9M)		6.7%
9M Target Price		2.45

TMT

2019-2021 Financial Projections (PLN m) and Recommended Allocations for IT Stocks

Company	MCap	EV	Net Debt	D/E*	Revenue			EBITDA			EBIT			Net Profit			
					2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	
Ailleron	96	96	-18.4	-1.1	141	155	169	17.5	20.6	23.8	9.0	11.2	13.7	6.9	9.1	11.1	
Asseco BS	922	968	6.6	0.1	268	282	295	105.7	110.3	114.4	81.4	84.0	86.9	65.4	67.6	69.9	
Asseco PL	4,760	8,203	343.8	0.3	10,874	11,276	11,624	1,654.9	1,706.6	1,746.9	949.2	993.8	1,030.2	328.9	339.9	348.4	
Asseco SEE	1,328	1,216	-116.8	-1.0	867	957	1,006	158.2	175.0	185.8	107.3	118.7	124.2	84.2	93.4	97.8	
Atende	111	127	-2.8	-0.1	296	324	333	27.8	29.8	30.4	13.8	15.8	16.4	10.3	11.0	11.3	
Comarch	1,606	1,619	-28.2	-0.2	1,476	1,590	1,678	260.1	257.5	267.3	175.6	170.0	176.7	112.3	117.2	121.9	
Company	Rating		Target Price	Current Price	1M Chng	P/E			EV/EBITDA			EV/Sales			PEG Ratio		
	Current	Change				2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Ailleron	N	-	-	7.74	+4.6%	14.0	10.6	8.6	5.5	4.3	3.2	0.7	0.6	0.5	0.5	0.3	0.3
Asseco BS	N	►	-	27.60	-5.5%	14.1	13.6	13.2	9.2	8.7	8.3	3.6	3.4	3.2	3.7	3.6	3.5
Asseco PL	N	►	59.20	57.35	+12.5%	14.5	14.0	13.7	5.0	4.7	4.5	0.8	0.7	0.7	9.7	9.4	9.2
Asseco SEE	OW	►	-	25.60	+30.6%	15.8	14.2	13.6	7.7	6.6	5.9	1.4	1.2	1.1	1.1	1.0	0.9
Atende	N	►	-	3.06	-10.5%	10.8	10.1	9.8	4.6	4.3	4.2	0.4	0.4	0.4	5.9	5.5	5.4
Comarch	OW	-	250.00	197.50	+13.8%	14.3	13.7	13.2	6.2	6.0	5.6	1.1	1.0	0.9	0.4	0.4	0.4
Median						14.2	13.7	13.2	5.9	5.4	5.1	0.9	0.8	0.8	2.4	2.3	2.2

Source: Dom Maklerski mBanku; OW – overweight, N – neutral, UW – underweight; *Net debt/Equity

Ailleron (neutral)

Ailleron's results in 2019 are disappointing. Despite a 3% increase in sales revenues in the Fintech segment (where the results of the key Livebank solution are posted), the company reported a loss of PLN 6.6m for 9M'19. Sales plans of financial products on Asian markets have not been executed. The Company is currently applying for contracts in North America, which carries a risk for the Company's results. Fortunately for Ailleron, the weakness of the Fintech segment is mitigated by the Enterprise Solutions segment, where the results of outsourcing activities are posted (increase in profit from PLN 4.4m to PLN 11.5m y/y at 9M'19). After three quarters, we believe that the chances of returning to 2017 results are low, we assume only PLN 6.9m net profit, which implies a P/E'19 ratio of 14.0x, slightly above the IT median. We maintain our neutral approach to the company.

Asseco Business Solutions (neutral)

The quotations of Asseco BS have increased by 4.0% since the beginning of the year and outperformed the broad index by nearly 6.7 percentage points. The company has shown a slight improvement in its results in 2019 (+4.6% on the net line) and is currently valued at P/E'19 = 14.1x (on our revised forecasts). Hence, we maintain a neutral approach to the company. DYield'20 is 5.4%, which in our opinion will maintain the sentiment towards the company.

Asseco South Eastern Europe (overweight)

The quotations of Asseco South Eastern Europe have increased by nearly 130% since November 2018. Nevertheless, the company remains our favorite among Polish IT companies with small and medium capitalization. We are raising our financial forecasts for the company after the company published very good financial results for Q3'19 (+30% increase in organic results, without acquisitions and impact of IFRS16 since 2019), by 2.2%/3.6% on EBITDA and 5.8%/6.6% on net profit for 2019/2020, respectively. Based on our new forecasts, Asseco SEE is quoted at the attractive EV/EBITDA'19 and P/E'19 indices of 7.7x and 15.8x, respectively. After adjusting P/E'19 by net cash (excluding leasing), we obtain a value of 14.8x, which we consider attractive given the scale of growth in Asseco SEE's results and the level of dividend payment.

Atende (neutral)

We maintain our neutral approach to Atende. In 9M'19, the company generated weak financial results, i.e. PLN 0.6m net loss vs. PLN 3.2m profit in 9M'18. The main reason for the weak performance is the weakness of the public market in connection with, to a large extent, the parliamentary elections. We're updating our forecasts after Q3'19. Throughout the year, we expect a significant drop in the parent company's results (>60% on the EBIT line). Therefore, for the whole of 2019, we currently assume PLN 10.3m, which implies P/E'19 = 10.8x. We maintain our neutral approach to the company. At the same time, we would like to point out that in Q4'19 we are already expecting an improvement in earnings (especially in Atende subsidiaries): net profit should amount to approximately PLN 10.9m, which will translate into flat y/y results of the Atende Group for the whole of 2019. Our forecasts are in line with the Management Board's announcements made at a conference after Q3'19. In 2020, we assume an improvement in the public market and a positive impact of new contacts in Atende Software. Hence, net profit should increase to PLN 11.0m (+7% y/y). In case of prolonged weakness of the public market, the forecast will be an ambitious task for the company.

Netia hold (reiterated)

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Netia reported Q3'19 results in line with our expectations. Performance trends have been improving for several quarters and some investors are counting on Cyfrowy Polsat's potential call for the rest of the package. However, we are skeptical about the call itself (we think that for Cyfrowy Polsat it would make more business sense to wait a while longer with the call). We are also slightly disappointed with the pace of improvement of revenue trends and modernization of Netia's network. We would like to stress that all the generated cash flow will be spent in the coming years on the continuation of the network modernization plan (the Company wants to have 2.6 million households within the reach of its modern network by 2020). In addition, we do not expect a dividend payment from Netia in the coming years (Cyfrowy Polsat, after taking over a controlling stake in Netia, declared it had no need for dividends), and the fixed-line Internet access market has seen increased competition (mainly from UPC). Due to the above arguments, we consider Netia's shares to be unattractive, especially when compared to Orange Polska. After updating our forecasts and our financial model, we set the target price at PLN 4.70. Therefore, we maintain our neutral approach.

Current Price

4.44 PLN

Upside

9M Target Price

4.70 PLN

+5.9%

	rating	target price	issued
new	hold	4.70 PLN	2019-12-05
old	hold	4.70 PLN	2018-11-26
Key Metrics			
Ticker	NET PW	1M Price Chng	-2.4% +3.0%
ISIN	PLNETIA00014	YTD Price Chng	-11.2% -8.5%
Outst. Stock (m)	337.0	ADTV 1M	PLN 0.1m
MC (PLN m)	1,496.5	ADTV 6M	PLN 0.2m
EV (PLN m)	1,978.2	EV/EBITDA 12M fwd	4.7 -6.5%
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	1,299	1,280	1,280
EBITDA	383	356	438	431	431
EBITDA margin	26.6%	25.9%	33.7%	33.7%	33.7%
EBIT	72	76	67	73	82
Net income	35	65	48	47	52
P/E	42.2	23.1	31.0	31.7	28.6
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	4.6	4.7	4.5	4.6	4.6
DPS	0.20	0.00	0.00	0.00	0.40
DYield	4.5%	0.0%	0.0%	0.0%	9.0%
Forecast Update (% change)					
Revenue			+1.9%	-3.6%	-6.7%
EBITDA*			+0.3%	-4.5%	-8.2%
EBIT			+2.3%	-25.1%	-31.1%
Net income			+29.2%	-20.4%	-33.7%
CAPEX			-3.2%	-18.2%	-16.0%

*% change excluding IFRS16

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Voice subs (1,000)	1,014	937	886	843	805
On-Netw. Voice ARPU (PLN)	26.5	25.3	23.2	22.4	22.0
WLR+LLU Voice ARPU (PLN)	39.0	38.3	35.1	34.4	34.4
Broadband subs (1,000)	640	608	582	580	588
Broadband ARPU (PLN)	56.5	56.3	56.0	56.6	57.4
Revenue	1,442	1,373	1,299	1,280	1,280
Direct Voice	405	350	293	265	246
Data	616	581	565	563	573
Interop & Wholesale	234	236	217	219	222
Other	188	207	224	233	240
Selling expenses	275	275	265	256	260
G&A expenses	148	134	142	137	136
EBIT	72	76	67	73	82
margin	5.0%	5.5%	5.2%	5.7%	6.4%
Net income	35.5	64.8	48.2	47.1	52.3

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,299	1,280	1,280	1,293	1,309	1,326	1,343	1,364	1,386	1,407	1,407
EBITDA	346	339	340	339	339	338	338	339	341	342	342
EBITDA margin	26.7%	26.5%	26.6%	26.2%	25.9%	25.5%	25.1%	24.9%	24.6%	24.3%	24.3%
D&A	279	267	259	253	249	242	233	222	208	197	197
EBIT	67	73	82	86	90	96	105	117	132	145	145
Tax	13	14	15	16	17	18	20	22	25	28	28
NOPLAT	55	59	66	69	73	78	85	94	107	118	118
CAPEX	-378	-319	-185	-186	-188	-189	-191	-193	-195	-197	-197
Working capital	1	-1	-4	-1	-1	-1	-2	-2	-3	-2	-2
FCF	-43	5	135	135	133	129	125	122	118	115	115
PV FCF	-43	5	115	107	97	88	79	72	65	59	
WACC	7.8%	7.8%	7.8%	7.7%	7.6%	7.5%	7.4%	7.3%	7.1%	7.0%	7.0%
Net debt / EV	13.6%	14.0%	14.8%	15.7%	18.1%	20.6%	23.1%	25.6%	28.0%	30.4%	30.4%
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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	346	380	345	327	324
OCF/EBITDA	90%	105%	100%	96%	95%
CAPEX	-268	-281	-378	-319	-185
Assets	2,401	2,526	2,819	2,929	2,838
Equity	1,778	1,867	1,915	1,962	1,876
Net debt	285	192	482	489	506
Net debt/EBITDA (x)	0.7	0.5	1.1	1.1	1.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	36.7	98.2	29.9	11.8	9.5	9.4
Maximum	5.6	5.3	4.4	4.0	3.6	3.3
Median	13.9	12.7	12.1	5.1	5.1	4.8
Weight	25%	45%	30%	25%	45%	30%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	1,476
Net debt	192
Other adjustments	0
Value per share (PLN)	3.81

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.03
DCF Val.	50%	3.81
Implied Price		4.42
Cost of equity (9M)		6.4%
9M Target Price		4.70

Orange Polska accumulate (no change)

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Orange Polska's quotations have increased by >30% since the beginning of the year. The market believed in our non-consensus approach to the Company, but despite this, we still believe in its growing potential. The main argument is (1) the improvement in the credit situation of the group. Net debt (ex. IFRS16)/EBITDAaL EBITDA at the end of Q3'19 was 2.2x. Orange still has more than PLN 1bn in properties for sale and is taking advantage of the boom to monetize its asset base. In this context, the risk of 5G auctions in 2020 should not be overly discounted. In addition, we point out to (2) consistent cost reductions within the group. Orange has recently announced the start of talks with the unions on a further reduction in the number of employees, which will allow for an increase in the results in 2020 despite the inflation in the cost of labor and energy. Hence, we estimate EBITDaL growth at 4.1% y/y and count on the announcement of further savings initiatives in the group at the beginning of 2020. In addition, (3) the company confirmed its plan to reduce its FTTx spending at a conference after Q3'19, and de facto arbitrarily addressed the issue of dividends, which should stimulate investors' sentiment. Orange Polska is currently listed on EV/EBITDA'19 = 5.2x, with a clear discount to CEE telecoms and Western peers.

Current Price

6.56 PLN

Upside

9M Target Price

7.40 PLN

+12.9%

	rating	target price	issued
unchanged	accumulate	7.40 PLN	2019-11-29

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+0.7%	+6.1%
ISIN	PLTLKPL00017	YTD Price Chng	+36.8%	+39.6%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 6.6m
MC (PLN m)	8,600.2	ADTV 6M		PLN 11.0m
EV (PLN m)	16,809.6	EV/EBITDA 12M fwd	5.2	+12.6%
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	11,381	11,552	11,690
EBITDA	2,801	2,889	3,246	3,179	3,373
EBITDA margin	24.6%	26.1%	28.5%	27.5%	28.9%
EBIT	229	345	661	640	879
Net income	-60	10	279	254	463
P/E	-	860.0	30.9	33.8	18.6
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	5.4	5.4	5.2	5.4	4.9
DPS	0.00	0.00	0.00	0.00	0.25
DYield	0.0%	0.0%	0.0%	0.0%	3.8%
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	1,696	1,817	1,936
Voice lines (1,000)	2,438	2,560	2,612	2,663	2,715
Revenue	11,381	11,087	11,381	11,552	11,690
Mobile	3,373	2,726	2,597	2,541	2,517
Fixed Line	2,748	2,441	2,193	2,018	1,888
Other	5,260	5,920	6,592	6,993	7,285
Costs	-	7,980	8,230	8,289	8,299
Payroll	-	-1,577	-1,500	-1,467	-1,444
External services	-	-6,200	-6,484	-6,573	-6,603
Other rev & exp	-	-203	-245	-249	-252
Real estate sale	-	192	287	230	160
Other	-	-490	-471	-471	-472
EBITDAaL*	-	2,809	2,968	3,022	3,079
margin	-	25.3%	26.1%	26.2%	26.3%
Net income	-60	10	279	254	463

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,064	1,812	2,530	2,261	2,461
OCF/EBITDAaL	-	65%	85%	75%	80%
CAPEX	1,933	2,282	2,094	2,964	1,855
Assets	23,486	23,295	24,134	24,340	24,420
Equity	10,521	10,494	10,756	11,010	11,145
Net debt	6,478	6,939	8,207	8,450	7,852
Net debt/EBITDA (x)	2.3	2.4	2.5	2.6	2.3

Relative Valuation Summary

	EV / EBITDA			DYield - RFR		
	19P	20P	21P	19P	20P	21P
Minimum	13.3	12.6	12.0	7.6%	7.6%	7.5%
Maximum	3.7	3.4	3.0	-8.6%	-4.8%	-3.0%
Median	5.9	5.8	5.7	3.5%	3.7%	3.8%
Weight	33%	33%	33%	0%	0%	100%

DCF Analysis*

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,381	11,552	11,690	11,884	12,082	12,282	12,472	12,654	12,839	13,024	13,024
EBIT + D&A ex. IFRS16	3,003	2,935	3,128	3,163	3,225	3,328	3,403	3,456	3,508	3,556	3,556
EBITDA margin	26.4%	25.4%	26.8%	26.6%	26.7%	27.1%	27.3%	27.3%	27.3%	27.3%	27.3%
D&A	2,342	2,295	2,249	2,204	2,160	2,095	2,033	1,972	1,912	1,855	1,855
EBIT	661	640	879	958	1,064	1,233	1,370	1,485	1,595	1,701	1,701
Tax	126	122	167	182	202	234	260	282	303	323	323
NOPLAT	535	518	712	776	862	999	1,110	1,203	1,292	1,378	1,378
CAPEX	-2,240	-2,734	-1,695	-3,231	-1,834	-1,882	-1,894	-1,908	-2,272	-1,964	-1,964
Working capital	71	-58	-91	-63	-63	-62	-61	-61	-60	-60	-60
FCF	708	22	1,175	-314	1,126	1,150	1,187	1,206	872	1,209	1,209
PV FCF	704	20	1,027	-257	866	829	802	763	517	672	672
WACC	6.6%	6.6%	6.7%	6.5%	6.6%	6.7%	6.7%	6.8%	6.7%	6.7%	6.7%
Net debt / EV	38.4%	39.2%	37.0%	40.4%	38.4%	37.5%	36.5%	35.2%	36.7%	36.8%	36.8%
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	15,945
Net debt	6,939
Other adjustments	2
Value per share (PLN)	6.86

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	7.06
DCF Val.	50%	6.86
Implied Price		6.96
Cost of equity (9M)		6.4%
9M Target Price		7.40

Play buy (no change)

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Play published a set of very good results for Q3'19 and increased its targets for the whole year. The new guidance from the Management Board regarding the amount of FCFE (i.e. >900m PLN in the whole of 2019) will, in our opinion, mitigate the risks associated with the dividend and the 5G auction next year. In our opinion, the company will pay out at least PLN 1.45 in 2020 in our baseline conservative scenario (PLN 1.2bn of additional frequency expenditures in 2020). Assuming a more optimistic scenario (i.e. PLN 800m per auction), Play may increase its dividend by as much as >25%. In addition to a significant improvement in the credit standing, the improvement of the mobile market in Poland should be an argument supporting this telecom's quotations. Both Play's and Orange's management board have confirmed the calmly response of the market to higher mobile service prices. Due to an increase in data consumption by customers (32.2% y/y in Q3'19) and the current inflationary environment in Poland, customers are ready for further price increases. We maintain our positive approach to the company. In our opinion, Play is now a more attractive choice than Cyfrowy Polsat.

Current Price

31.42 PLN

Upside

9M Target Price

36.00 PLN

+14.6%

	rating	target price	issued
unchanged	buy	36.00 PLN	2019-11-14

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+3.2%	+8.5%
ISIN	LU1642887738	YTD Price Chng	+62.4%	+65.1%
Outst. Stock (m)	253.7	ADTV 1M		PLN 19.5m
MC (PLN m)	7,971.3	ADTV 6M		PLN 19.4m
EV (PLN m)	14,578.0	EV/EBITDA 12M fwd	6.0	+2.2%
Free Float	49.4%	EV/EBITDA 5Y avg	5.9	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	6,670	6,839	7,058	7,266	7,409
EBITDA	1,904	2,160	2,405	2,582	2,691
EBITDA margin	28.5%	31.6%	34.1%	35.5%	36.3%
EBIT	1,107	1,371	1,504	1,630	1,625
Net income	387	744	881	964	967
P/E	20.6	10.7	9.1	8.3	8.2
P/B	-	-	25.5	8.8	5.3
EV/EBITDA	7.7	6.8	6.1	5.9	5.5
DPS	0.00	2.57	1.45	1.45	1.45
DYield	0.0%	8.2%	4.6%	4.6%	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
Active subscribers (000s)	12,394	12,653	12,664	12,730	12,815
ARPU (PLN)	32.0	32.3	32.9	33.8	34.3
Revenue	6,670	6,839	7,058	7,266	7,409
Service revenue	4,878	5,083	5,260	5,369	5,484
Sales of goods and other	1,792	1,756	1,776	1,807	1,832
Costs	4,766	4,679	4,635	4,626	4,658
Interconnection	1,729	1,922	1,766	1,711	1,663
Contract costs	429	421	405	421	430
Cost of goods sold	1,410	1,442	1,444	1,477	1,505
Employee benefits	526	255	303	301	310
External services	606	515	562	609	657
Other	65	124	154	107	94
EBITDA (adj.)	2,298	2,159	2,432	2,579	2,687
margin	34.4%	31.6%	34.5%	35.5%	36.3%
Net income	387	744	881	964	967

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	7,058	7,266	7,409	7,531	7,634	7,723	7,802	7,873	7,939	8,000	8,000
EBITDA	2,405	2,582	2,691	2,753	2,821	2,848	2,870	2,887	2,899	2,914	2,914
EBITDA margin	35.2%	36.6%	37.0%	37.2%	37.5%	37.3%	37.2%	37.0%	36.8%	36.7%	36.7%
D&A	901	951	1,066	1,080	1,142	1,159	1,159	1,137	1,112	1,083	1,083
EBIT	1,504	1,630	1,625	1,673	1,679	1,689	1,711	1,750	1,787	1,831	1,831
Tax	286	310	309	318	319	321	325	332	339	348	348
NOPLAT	1,218	1,321	1,316	1,355	1,360	1,368	1,386	1,417	1,447	1,483	1,483
CAPEX	-844	-2,077	-830	-1,772	-1,248	-1,085	-800	-807	-814	-1,502	-728
Work. cap. + other	-196	-276	-276	-296	-288	-285	-283	-281	-281	-281	-281
FCF	1,079	-80	1,277	367	966	1,158	1,462	1,466	1,465	784	1,456
PV FCF	1,071	-74	1,098	294	720	803	941	874	806	398	
WACC	7.5%	7.3%	7.5%	7.4%	7.4%	7.5%	7.7%	8.0%	8.3%	8.4%	8.4%
Net debt / EV	45.4%	48.1%	45.9%	47.4%	46.4%	44.4%	40.8%	36.2%	30.7%	28.8%	28.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	1,389	2,037	2,190	2,253	2,373
OCF/EBITDA adj.	60%	94%	90%	87%	88%
CAPEX	-650	-781	-844	-2,077	-830
Assets	8,831	8,521	8,905	10,115	10,225
Equity	-213	-201	313	910	1,510
Net debt	6,710	6,653	6,607	7,354	6,737
Net debt/EBITDA (x)	2.9	3.1	2.7	2.9	2.5

Relative Valuation Summary

Relative Valuation Summary						
	P/E			DYield - RFR		
	19P	20P	21P	19P	20P	21P
Minimum	29.1	20.7	17.7	555.4%	524.3%	506.7%
Maximum	40.2	31.0	25.2	1321.2%	1246.5%	1196.2%
Median	14.1	13.5	12.3	576.3%	576.1%	561.8%
Weight	33%	33%	33%	0%	0%	0%

DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	0.0%
PV FCF	15,839
Net debt	6,034
Other adjustments	0
Value per share (PLN)	38.65

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	28.23
DCF Val.	50%	38.65
Implied Price		33.49
Cost of equity (9M)		7.5%
9M Target Price		36.00

Agora buy (no change)

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We maintain our positive approach to the company. Agora reported very good results for Q3'19. We would like to draw attention to three key issues in Agora, which will change the perception of the company in the eyes of investors and significantly improve sentiment towards the company: (1) significant rebound in the cinema market and thus a significant change in Helios' results, (2) reversal of negative trends in Radio and (3) stabilization in the press segment. In addition, the company surprised with the high performance of the Outdoor segment. We assume a significant improvement in Agora's results in 2020. EBITDA should be 19.1% higher y/y (+12.6% after the removal of one-off events). Agora is listed on EV/EBITDA'19=6.8x, i.e. at a 30% discount to a comparable group. Improved results combined with an attractive DivYield'20 (at a level of 4.9%) should encourage the market to invest in the company's shares in the short term. At a conference held after the Q3'19 results, the Management Board announced that it intends to approach investments (especially those outside the media) more selectively and that it counts on maintaining positive dynamics in the advertising market in Q4'19.

Current Price

10.15 PLN

Upside

9M Target Price

17.00 PLN

+67.5%

	rating	target price	issued
unchanged	buy	17.00 PLN	2019-10-30

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	-1.9%	+3.5%
ISIN	PLAGORA00067	YTD Price Chng	+6.8%	+9.6%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.2m
MC (PLN m)	472.8	ADTV 6M		PLN 0.2m
EV (PLN m)	1,132.7	EV/EBITDA 12M fwd	6.2	+13.5%
Free Float	76.9%	EV/EBITDA 5Y avg	5.5	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,165	1,141	1,224	1,268	1,329
EBITDA	30	84	168	181	194
EBITDA margin	2.6%	7.4%	13.7%	14.3%	14.6%
EBIT	-73	0	12	29	41
Net income	-84	5	10	18	28
P/E	-	103.4	48.4	25.8	17.1
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	16.5	5.5	6.8	6.4	6.1
DPS	0.00	0.50	0.50	0.50	0.50
DYield	0.0%	4.9%	4.9%	4.9%	4.9%
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
Daily circulaton (k copies)	124	106	98	94	93
Movie ticket sales (mn)	12.2	12.4	13.8	14.7	15.3
Avg. ticket price (PLN)	18.4	19.1	18.7	18.8	19.1
Conc. rev./patron (PLN)	6.8	7.3	8.1	8.2	8.3
Revenue	1,165	1,141	1,224	1,268	1,329
Press	236	214	203	203	206
Movies & Books	416	419	501	513	538
Outdoor	163	172	180	191	201
Internet	169	178	203	223	241
Radio	114	116	112	115	119
Print	102	72	55	54	54
Eliminations	-34	-29	-30	-30	-31
EBITDA	30	84	97	116	130
margin	2.6%	7.4%	8.0%	9.2%	9.8%
Net income	-83.5	4.6	9.8	18.3	27.7

Key Balance Sheet Figures

(PLN m)	2017	2018*	2019P	2020P	2021P
Operating cash flow	77	128	90	97	111
OCF/EBITDA	258%	152%	92%	83%	85%
CAPEX	-70	-144	-115	-95	-99
Assets	1,406	1,952	1,976	2,006	2,052
Equity	996	975	961	957	961
Net debt	4	114	162	184	195
Net debt/EBITDA (x)	0.1	1.3	1.7	1.6	1.5

*we assume 40% Eurozet purchase at the end of 2018

Relative Valuation Summary

	19P	P/E	20P	21P	19P	EV/EBITDA	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	16.5	15.3	13.9	9.9	9.5	8.9		
Weight	0%	0%	0%	33%	33%	33%		

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,224	1,268	1,329	1,389	1,448	1,495	1,538	1,573	1,606	1,640	1,673
EBITDA	97	116	130	143	149	151	154	156	157	158	161
EBITDA margin	8.0%	9.2%	9.8%	10.3%	10.3%	10.1%	10.0%	9.9%	9.8%	9.6%	9.8%
D&A	86	87	89	90	92	94	96	99	103	109	111
EBIT	12	29	41	53	56	57	58	57	54	49	50
Tax	2	5	8	10	11	11	11	11	10	9	10
NOPLAT	10	23	33	43	46	47	47	46	43	40	41
CAPEX	-115	-95	-99	-97	-94	-94	-92	-85	-87	-89	-90
Working capital	-4	-7	-5	-3	-3	-3	-3	-2	-2	-3	-3
FCF	-23	8	19	34	41	44	49	58	57	57	58
PV FCF	-23	7	16	27	30	30	30	33	31	28	
WACC	7.8%	7.7%	7.7%	7.7%	7.7%	7.8%	7.8%	8.0%	8.1%	8.2%	8.2%
Net debt / EV	15.1%	16.7%	17.6%	17.3%	16.5%	15.4%	13.9%	11.6%	9.1%	6.5%	6.5%
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	676
Net debt ex IFRS16*	137
Other adjustments	151
Value per share (PLN)	13.91

*adj. for Div. & 40% Eurozet purchase

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	18.05
DCF Val.	50%	13.91
Implied Price		15.98
Cost of equity (9M)		6.4%
9M Target Price		17.00

Cyfrowy Polsat reduce (no change)

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The Q3'19 results for Cyfrowy Polsat were quite weak in comparison to OPL and PLY. EBITDA in Q3'19 fell by 2.0% y/y vs. increase of EBITDA in OPL by 7.1% y/y and EBITDA profit in Play by 17.0%. There is also a relatively lower potential to generate cash vs. PLY: FCFE'19 = 7.5% vs. PLY 11.3%, DivYield'20 = 3.5% vs. PLY 4.6%. Therefore, we maintain our opinion that the shares in Cyfrowy are currently less attractive than those of its competitors. In Cyfrowy Polsat, we appreciate the consistent implementation of the multiplay strategy (increase in the number of SmartDom customers by >13% y/y in Q3'19) and low churn (only 6.8% in Q3'19). On the other hand, the slowdown in TV advertising (-0.7% y/y in 9M'19) translates into disappointing results in the TV segment (-2% y/y EBITDA in Q3'19). A significant positive argument would be the sale of tower assets, which would significantly improve the balance sheet situation of the company. Contrary to consensus, we are of the opinion that there will be no transaction. The company's balance sheet situation is currently relatively good: net debt/EBITDA amounted to 2.6x at the end of Q3'19. In fact, the Management Board has separated the tower assets into a separate company, but we believe that it treats their potential sale as a security in the event of deterioration of the situation in the Group. Meanwhile, the mobile market in Poland is going through a slow rebirth. We maintain our negative approach to the company.

Current Price	26.54 PLN	Downside
9M Target Price	26.10 PLN	-1.7%

	rating	target price	issued
unchanged	reduce	26.10 PLN	2019-11-14

Key Metrics	CPS PW	1M Price Chng	CPS PW	vs. WIG
Ticker	PLCFRPT00013	YTD Price Chng	-6.9%	-1.5%
ISIN	639.5	ADTV 1M	+20.0%	+22.8%
Outst. Stock (m)	16,973.5	ADTV 6M		PLN 11.4m
MC (PLN m)	28,800.2	EV/EBITDA 12M fwd	6.7	PLN 13.3m
EV (PLN m)	33.5%	EV/EBITDA 5Y avg	6.8	-2.5%
Free Float				discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,829	10,686	11,698	11,918	12,118
EBITDA	3,617	3,698	4,153	4,251	4,351
EBITDA margin	36.8%	34.6%	35.5%	35.7%	35.9%
EBIT	1,834	1,727	1,922	2,107	2,306
Net income	981	834	1,121	1,322	1,498
P/E	17.3	20.4	15.1	12.8	11.3
P/B	1.4	1.3	1.2	1.2	1.1
EV/EBITDA	7.6	7.5	6.9	6.7	6.4
DPS	0.32	0.00	0.93	0.93	0.93
DYield	1.2%	0.0%	3.5%	3.5%	3.5%
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
RGUs pospaid	16.52	16.91	17.43	17.57	17.66
incl. Pay TV	4.94	5.10	5.01	4.97	4.96
incl. mobile	6.93	7.35	7.83	7.98	8.05
Sales	9,829	10,686	11,698	11,918	12,118
YoY		8.7%	9.5%	1.9%	1.7%
EBIT	1,834	1,727	1,922	2,107	2,306
margin	18.7%	16.2%	16.4%	17.7%	19.0%
EBITDA	3,617	3,698	4,153	4,251	4,351
margin	36.8%	34.6%	35.5%	35.7%	35.9%
Financial costs, net	-509	-387	-504	-455	-435
Other	10	-34	0	0	0
PBT	1,335	1,306	1,418	1,652	1,871
Tax	-390	-490	-281	-314	-355
Minorities	-35	-18	16	16	18
Net income	981	834	1,121	1,322	1,498

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,941	2,915	3,199	3,423	3,477
OCF/EBITDA	81%	79%	77%	81%	80%
CAPEX	-739	-928	-1,403	-2,241	-1,335
Assets	27,756	30,697	30,311	31,604	31,824
Equity	12,074	13,227	14,016	14,744	15,508
Net debt	10,518	10,092	11,033	10,901	9,929
Net debt/EBITDA (x)	2.9	2.7	2.7	2.6	2.3

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	11,698	11,918	12,118	12,323	12,515	12,707	12,902	13,103	13,308	13,517	13,517
EBITDA	3,711	3,809	3,909	3,979	4,031	4,079	4,126	4,174	4,223	4,272	4,272
EBITDA margin	31.7%	32.0%	32.3%	32.3%	32.2%	32.1%	32.0%	31.9%	31.7%	31.6%	31.6%
D&A	1,789	1,701	1,603	1,513	1,446	1,403	1,370	1,337	1,491	1,498	1,498
EBIT	1,922	2,107	2,306	2,466	2,585	2,676	2,756	2,837	2,732	2,774	2,774
Tax	365	400	438	468	491	509	524	539	519	527	527
NOPLAT	1,557	1,707	1,868	1,997	2,094	2,168	2,232	2,298	2,213	2,247	2,247
CAPEX	-1,403	-2,241	-1,335	-2,354	-2,700	-1,705	-1,429	-2,017	-1,477	-1,498	-1,498
Working capital	-240	-72	-77	-74	-74	-73	-72	-78	-83	-89	-89
FCF	1,704	1,096	2,059	1,082	766	1,793	2,102	1,540	2,143	2,158	2,080
PV FCF	1,694	1,020	1,792	880	583	1,277	1,399	957	1,244	1,168	
WACC	6.8%	6.8%	6.9%	6.9%	6.9%	6.9%	7.0%	7.0%	7.1%	7.2%	7.2%
Net debt / EV	34.1%	33.8%	31.4%	31.4%	32.6%	31.5%	29.7%	29.4%	27.4%	25.3%	25.3%
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%

*Cyfrowy Polsat only (without Netia)

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	28,157
Net debt	10,092
Other adjustments	797
Value per share (PLN)	27.00

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	22.09
DCF Val.	50%	27.00
Implied Price		24.55
Cost of equity (9M)		6.3%
9M Target Price		26.10

Wirtualna Polska hold (reiterated)

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Despite stagnation in the advertising market and problems in the area of e-commerce tourism (the breaking of the agreement with Wakacje.pl by TUI) and the bankruptcy of Thomas Cook (the owner of Neckermann), the group generated a nearly 12% increase in EBITDA (online, without barbers, TV, IFRS16) vs. proforma'18. The company has significantly improved the viewability of advertising on its websites, develops a fast-growing mobile segment, takes care of relationships with suppliers through media houses (69% of respondents assessed the contacts as definitely good, with 30% as good-rated, opinions are positive compared to the competition), as well as with end customers. However, after updating our forecasts, our EBITDA'20 estimate is PLN 240.1m, which means that the company is listed on EV/EBITDA'20 at a level of 9.5x, i.e. with a premium to comparable companies. We set the new target price at PLN 70.0, which implies only small, 3% growth potential. Thus, we maintain our neutral approach to the company.

Current Price

68.20 PLN

Upside

9M Target Price

70.00 PLN

+2.6%

	rating	target price	issued
new	hold	70.00 PLN	2019-12-05
old	hold	61.50 PLN	2019-07-03
Key Metrics		WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+4.9%
ISIN	PLWRTPL00027	YTD Price Chng	+31.7%
Outst. Stock (m)	29.8	ADTV 1M	PLN 0.4m
MC (PLN m)	2,030.7	ADTV 6M	PLN 0.7m
EV (PLN m)	2,360.7	EV/EBITDA 12M fwd	10.9
Free Float	53.0%	EV/EBITDA 5Y avg	10.3

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	466	567	734	818	891
EBITDA	130	163	195	240	260
EBITDA margin	27.8%	28.7%	26.6%	29.4%	29.2%
EBIT	79	107	124	163	177
Net income	45	76	77	111	126
P/E	44.9	26.7	26.4	18.3	16.1
P/B	4.8	4.4	4.0	3.5	3.1
EV/EBITDA	17.1	14.4	12.1	9.5	8.5
DPS	1.10	0.96	1.00	1.20	1.94
DYield	1.6%	1.4%	1.5%	1.8%	2.8%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			+17.5%	+21.1%	+24.1%
EBITDA			-0.7%	+11.4%	+13.1%
EBIT			-8.6%	+7.3%	+8.6%
Net income			-27.6%	-0.1%	+1.1%
CAPEX			+16.9%	+20.4%	+23.3%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	466	567	734	818	891
Cash	425	543	686	765	835
Barter	33.0	24.6	24.6	25.1	26.2
Costs	387	460	610	655	714
D&A	51.0	44.6	70.9	77.4	83.3
Materials & Utilities	5.9	6.2	6.5	6.8	7.0
Payroll	134	165	212	219	231
Other	196	223	321	352	392
EBITDA	130	163	195	240	260
margin	27.8%	29.8%	26.6%	29.4%	29.2%
EBITDA (adj.)	151	173	213	238	258
margin	32.3%	32.1%	29.1%	29.1%	28.9%
EBIT	79	107	124	163	177
margin	16.9%	19.7%	16.9%	19.9%	19.9%
Net income	35.3	76.0	68.7	111.2	126.4

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	114	170	163	200	219
OCF/EBITDA	88%	104%	83%	83%	84%
CAPEX	-42	-52	-62	-69	-76
Assets	894	1,063	1,112	1,200	1,282
Equity	420	468	511	587	656
Net debt	170	299	314	239	169
Net debt/EBITDA (x)	1.3	1.8	1.6	1.0	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	19.7	15.7	18.4	15.9	11.8	10.0
Maximum	9.8	9.9	12.7	4.8	4.4	3.5
Median	14.6	14.6	16.0	9.5	8.7	7.6
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	4Q'19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	213	818	891	958	1,020	1,079	1,137	1,190	1,243	1,296	1,321
EBITDA	56	240	260	278	293	307	319	330	340	349	356
EBITDA margin	26.3%	29.4%	29.2%	29.0%	28.7%	28.4%	28.1%	27.7%	27.4%	26.9%	26.9%
D&A	20	77	83	88	93	97	101	105	109	114	116
EBIT	36	163	177	189	200	209	218	224	231	235	240
Tax	7	31	34	36	38	40	41	43	44	45	46
NOPLAT	29	132	144	153	162	170	176	182	187	190	194
CAPEX	-20	-69	-76	-83	-90	-96	-103	-109	-116	-122	-125
Working capital	-19	-9	-6	-4	-4	-4	-3	-4	-4	-5	-5
FCF	10	131	144	154	162	167	171	173	176	177	181
PV FCF	10	121	123	122	118	112	106	99	93	86	
WACC	7.8%	7.9%	8.1%	8.2%	8.3%	8.4%	8.4%	8.3%	8.3%	8.3%	8.3%
Net debt / EV	14.6%	11.9%	9.1%	7.1%	5.0%	2.8%	2.9%	3.3%	3.9%	4.7%	4.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,394
Net debt	273
Other adjustments	12
Value per share (PLN)	72.02

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	59.59
DCF Val.	50%	72.02
Implied Price		65.81
Cost of equity (9M)		6.4%
9M Target Price		70.00

Asseco Poland hold (reiterated)

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The year 2019 has been very good for the companies in the Asseco Poland Group (record-breaking results of Asseco SEE, very large scale of improvement in the Formula Systems Group, significant increase in the results of Asseco CE). On the other hand, the main generator of net result (about 33% during 9M'19), i.e. the parent company, remains under pressure of reduced orders in the public administration, but also in other segments (e.g. banking). The parent company's operating profit decreased by 35.0% y/y during 9M'19. We are updating our forecasts after Q3'19 and due to the announcement of an improvement in the Polish market (the portfolio of orders for the next 12 months in this area is about 7% higher y/y). The company is listed on P/E'20 = 14.0x, i.e. at 7% discount to peer group. In addition, we do not see any major development plans (including acquisitions) at the moment, so we assume that the company will go for a stable y/y dividend, which implies a high DYield'20=5.4%. On the other hand, we still believe that in the medium and long term the current dividend level is too high and the parent company will have to face new plans for the development of the main unit. We are raising our net profit forecast by 8%/6% for 2019/2020. After updating the financial model, we set the target price at PLN 59.20, which implies 3% growth potential. Hence, we have a neutral approach towards Asseco Poland.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,829	9,329	10,874	11,276	11,624
change	0.0%	19.1%	16.6%	3.7%	3.1%
Poland	1,558	1,614	1,575	1,623	1,668
South-Eastern Europe	571	670	867	957	1,006
Western Europe	638	705	719	726	741
Central Europe	791	957	986	1,016	1,046
Israel	5,161	5,403	6,721	6,948	7,156
Eastern Europe	19	4	7	7	7
EBIT	585	797	949	994	1,030
D&A	337	460	706	713	717
EBITDA	922	1,256	1,655	1,707	1,747
margin	11.8%	13.5%	15.2%	15.1%	15.0%
Associates	-150	-260	-427	-454	-477
Tax	-122	-182	-232	-237	-240
Net income	467	333	329	340	348

DCF Summary

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Asseco Poland (Standalone Figures)											
Revenue	827	847	864	881	899	917	935	954	973	992	992
EBITDA	169	163	164	165	166	168	169	171	172	174	174
NOPLAT	107	107	108	108	109	109	110	111	111	112	112
FCF	115	95	101	107	104	105	105	105	106	107	107
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%
Asseco Business Solutions											
Revenue	268	282	295	306	316	325	333	341	348	354	361
EBITDA	106	110	114	118	121	123	125	126	127	128	131
NOPLAT	66	68	70	72	74	75	76	77	77	77	79
FCF	62	64	67	69	71	72	73	73	74	74	78
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%
Asseco South Eastern Europe											
Revenue	867	957	1,006	1,040	1,067	1,087	1,102	1,114	1,123	1,130	1,152
EBITDA	171	188	199	207	214	220	225	230	235	239	243
NOPLAT	87	96	101	104	106	108	109	110	110	111	113
FCF	60	84	94	100	103	105	107	108	108	108	110
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%

Current Price

57.35 PLN

Upside

9M Target Price

59.20 PLN

+3.2%

	rating	target price	issued
new	hold	59.20 PLN	2019-12-05
old	hold	50.80 PLN	2019-06-03
Key Metrics			
Ticker	ACP PW	1M Price Chng	+8.4% +13.8%
ISIN	PLSOFTB000016	YTD Price Chng	+33.2% +35.9%
Outst. Stock (m)	83.0	ADTV 1M	PLN 3.4m
MC (PLN m)	4,760.1	ADTV 6M	PLN 3.6m
		P/E 12M fwd	13.6 +7.0%
Free Float	68.0%	P/E 5Y avg	12.7 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,829	9,329	10,874	11,276	11,624
EBITDA	922	1,256	1,655	1,707	1,747
EBITDA margin	11.8%	13.5%	15.2%	15.1%	15.0%
EBIT	585	797	949	994	1,030
Net income	467	333	329	340	348
P/E	10.2	14.3	14.5	14.0	13.7
P/B	0.8	0.8	0.8	0.8	0.8
P/S	0.61	0.51	0.44	0.42	0.41
DPS	3.01	3.01	3.07	3.07	2.25
DYield	5.2%	5.2%	5.3%	5.4%	3.9%
Forecast Update (% change)					
Revenue			+9.5%	+9.6%	+9.9%
EBITDA			+9.9%	+10.4%	+10.8%
EBIT			+12.0%	+12.9%	+13.4%
Net income			+10.9%	+11.7%	+12.3%
CAPEX			+6.0%	+6.8%	+8.1%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	691	1,001	1,035	1,242	1,288
OCF/EBITDA	75%	80%	63%	73%	74%
CAPEX	-226	-240	-326	-395	-465
Assets	11,882	12,642	14,318	14,748	15,305
Equity	5,601	5,718	5,792	5,877	6,039
Net debt	360	305	1,262	799	260
Net debt/EBITDA (x)	0.4	0.2	0.8	0.5	0.1

Relative Valuation Summary

	19P	P/E 20P	21P
Minimum	29.2	23.5	0.0
Maximum	9.3	8.0	0.0
Median	16.7	13.9	0.0
Weight	33%	33%	0%

SOTP Summary

(PLN m)	Method	%	Value
Asseco PL (stndln)*	DCF	100%	1,255
Asseco CE	12x PE	93%	906
Asseco BS	DCF	22%	983
Asseco SEE	DCF	51%	1,451
Western Europe	12x PE	100%	395
Formula Systems	market	26%	4,073
Other	10x PE	0%	218
Value			4,733
Value Per Share (PLN)			57.03

*net debt adj. for paid dividend

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	54.25
SOTP Val.	50%	57.03
Implied Price		55.64
Cost of equity (9M)		6.4%
9M Target Price		59.20

Comarch buy (no change)

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Comarch reported a very good set of results for Q3'19, significantly exceeding market expectations. EBITDA adjusted for IFRS16, ZUS provision reversal and favorable currency structure is up by 41% y/y. This is mainly the result of positive changes in Comarch's sales structure. The Group has increased its exposure to foreign markets and strengthened its position in fast-growing segments: TMT, trade and services, and at the same time has decreased its exposure to the Polish public sector, under pressure from the parliamentary elections in H2'19. After the Q3'19 results, we raised our EBITDA and net profit forecasts in the November analytical report. Our 2019/20 EBITDA profit forecast for the years 2019/20 is 10-11% higher than the Bloomberg consensus. Comarch is currently quoted at 6.2x and 6.0x EV/EBITDA'19/'20, i.e. with 36% discounts to comparable companies. Looking at the results momentum, the discount should fall significantly in the near future. The new target price level is PLN 250.00, which implies a growth potential of almost 27%. This is why we maintain our buy recommendation for Comarch shares.

Current Price

197.50 PLN

Upside

9M Target Price

250.00 PLN

+26.6%

	rating	target price	issued
unchanged	buy	250.00 PLN	2019-11-25

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	+10.0%	+15.4%
ISIN	PLCOMAR00012	YTD Price Chng	+31.2%	+33.9%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.7m
MC (PLN m)	1,606.3	ADTV 6M		PLN 0.6m
EV (PLN m)	1,618.6	EV/EBITDA 12M fwd	6.4	-14.1%
Free Float	60.9%	EV/EBITDA 5Y avg	7.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,102	1,365	1,476	1,590	1,678
EBITDA	99	177	260	257	267
EBITDA margin	9.0%	13.0%	17.6%	16.2%	15.9%
EBIT	34	112	176	170	177
Net income	43	52	112	117	122
P/E	37.3	31.1	14.3	13.7	13.2
P/B	1.8	1.8	1.6	1.5	1.3
EV/EBITDA		9.0	6.2	6.0	5.6
DPS	1.50	1.50	1.50	1.50	1.50
DYield	0.8%	0.8%	0.8%	0.8%	0.8%
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	1,476	1,590	1,678
TMT	258	313	360	389	412
Finance & Banking	186	204	210	218	227
Retail Solutions	174	201	255	293	317
Manufacturing	142	138	181	195	205
Public Sector	63	194	129	137	142
SME	236	260	284	299	314
Other	43	54	57	59	61
Gross profit	268	387	475	475	495
margin	24.3%	28.3%	32.1%	29.9%	29.5%
Selling expenses	134	138	148	158	167
G&A expenses	98	109	133	141	147
EBIT	34	112	176	170	177
margin	3.1%	8.2%	11.9%	10.7%	10.5%
Net income	43	52	112	117	122

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	61	181	170	198	197
OCF/EBITDA	62%	102%	65%	77%	74%
CAPEX	-141	-87	-70	-96	-119
Assets	1,503	1,740	1,850	2,011	2,152
Equity	880	876	976	1,081	1,191
Net debt	19	-28	-80	-149	-193
Net debt/EBITDA (x)	0.2	-0.2	0.0	-0.3	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	28.7	23.7	21.8	26.1	18.6	15.8
Maximum	8.8	8.1	7.6	5.1	4.9	4.8
Median	16.4	14.9	13.9	9.7	9.4	9.0
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,476	1,590	1,678	1,752	1,828	1,905	1,979	2,045	2,108	2,173	2,217
EBITDA	260	257	267	278	288	298	305	310	313	316	323
EBITDA margin	17.6%	16.2%	15.9%	15.9%	15.8%	15.6%	15.4%	15.1%	14.9%	14.5%	14.8%
D&A	85	88	91	94	97	101	105	109	113	117	119
EBIT	176	170	177	184	191	197	200	201	200	199	203
Tax	50	50	52	54	56	57	58	57	57	56	57
NOPLAT	125	120	124	130	135	140	142	143	143	143	146
CAPEX	-70	-96	-119	-116	-93	-96	-97	-97	-99	-99	-101
Working capital	-45	-10	-19	-19	-20	-22	-22	-22	-23	-25	-25
FCF	95	101	77	89	119	123	128	133	134	136	138
PV FCF	94	92	65	69	85	81	78	74	69	64	
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	1,781
Net debt	46
Other adjustments	18
Value per share (PLN)	211.03

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	259.01
DCF Val.	50%	211.02
Implied Price		235.02
Cost of equity (9M)		6.4%
9M Target Price		250.00

11 bit studios buy (reiterated)

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We expect the company's results in 2019 to be lower YoY, mainly due to no launches of own games. In 2019, the Company has consistently implemented a development strategy based on increasing the number of publishing projects and extending the sales cycle of the issued products by developing add-ons. The Company is to provide more information on its next projects in the game publishing segment still in 2019. The assumed lack of launches of own products in 2020 should translate into a further decrease in the results over that period. We assume that Project 8 will be issued in 2021. In our opinion, there is a high chance that the company will publish more information about Project 8 in 2020, which should positively affect the 11B quotations. We assume that the next own product has significantly higher sales potential than Frostpunk, due to the following reasons: (1) the game is to be launched simultaneously on all platforms (PC, consoles), (2) the price of the game is likely to be higher than Frostpunk, and (3) the greater potential range of gamers (greater recognizability of the studio, expanded geographical range of distribution). With a view to the above, we consider 11B as one of the sector's most interesting investment options.

Current Price

360.50 PLN

Upside

9M Target Price

454.00 PLN

+25.9%

	rating	target price	issued
new	buy	454.00 PLN	2019-12-05
old	buy	483.00 PLN	2019-11-06
Key Metrics		11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	+7.6% +13.0%
ISIN	PL11BTS00015	YTD Price Chng	+47.7% +50.5%
Outst. Stock (m)	2.3	ADTV 1M	PLN 1.4m
MC (PLN m)	824.5	ADTV 6M	PLN 2.0m
EV (PLN m)	787.7	EV/EBITDA 12M fwd	26.3 +113.7%
Free Float	81.6%	EV/EBITDA 5Y avg	12.3 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	19.2	82.1	76.0	76.0	200.4
EBITDA	9.2	51.4	34.5	30.2	126.3
EBITDA margin	48.2%	62.6%	45.5%	39.8%	63.0%
EBIT	7.5	46.9	28.9	22.8	115.5
Net income	3.6	37.5	22.8	19.1	94.8
P/E	-	22.0	36.2	43.2	8.7
P/B	17.8	9.2	7.0	6.0	3.5
EV/EBITDA	86.2	15.6	22.8	25.5	5.5
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA		-15.8%	-15.3%	-4.0%	
Net income		-18.6%	-19.0%	-4.5%	
Frostpunk (S)		-16.3%	-13.5%	-15.1%	
Projekt 8 (S)		0.0%	0.0%	+0.3%	
Publishing (S)		-1.7%	-0.7%	-0.2%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
TWOM (S)	17.6	18.3	16.6	16.6	15.8
Frostpunk (S)	0.0	53.8	35.2	32.0	30.6
Project 8 (S)	0.0	0.0	0.0	0.0	107.3
Publishing (S)	1.9	7.9	16.6	27.4	46.7
External services	-5.9	-16.5	-29.1	-33.1	-61.4
OCF/EBITDA	87.3%	75.9%	114.8%	90.8%	66.9%
Operating cash flow	8.1	39.0	39.6	27.5	84.5
D&A	1.7	4.5	5.6	7.5	10.8
Working capital	2.6	-8.0	2.7	0.0	-22.0
Investing cash flow	-10.0	-55.6	-26.3	-11.5	-12.6
CAPEX	-7.4	-26.6	-10.3	-11.5	-12.6
Development exp.	1.0	12.6	-0.7	0.0	0.0
FCF	-1.5	10.1	12.2	7.0	80.9
FCF/EBITDA	-16%	20%	35%	23%	64%
FCF Yield	0%	1%	2%	1%	11%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
TWOW (k copies)	425	425	404	383	364	0	0	0	0	0	0
Frostpunk (k copies)		700	665	632	474	355	267	173	173	173	0
Next games (k copies)		0	1,568	980	2,705	2,009	1,962	3,584	2,656	2,289	0
Revenue	76	76	200	172	264	197	174	263	218	185	185
EBITDA	35	30	126	103	191	121	98	186	141	108	108
EBITDA margin	45.4%	39.8%	63.0%	60.1%	72.4%	61.7%	56.1%	70.6%	64.6%	58.4%	58.4%
EBIT	29	23	116	88	173	106	85	172	127	105	105
Tax	6	4	22	17	33	20	16	33	24	20	20
CAPEX	-10	-11	-13	-14	-15	-17	-19	-21	-23	-25	-25
Working capital	-6	-7	-11	-16	-18	-15	-13	-13	-13	-3	-3
FCF	12	7	81	57	125	69	50	119	80	60	66
PV FCF	12	6	69	45	90	46	31	67	42	29	
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%

Balance sheet

(PLN m)	2017	2018	2019P	2020P	2021P
Tangible assets	17.2	41.3	42.1	46.1	47.9
Receivables	2.7	14.6	13.5	13.5	35.5
Production in progress	13.1	17.1	22.2	26.2	27.9
Cash	28.2	24.3	36.9	52.8	124.6
Cash deposit	0.0	27.0	48.2	48.2	48.2
Net debt	-28.2	-24.3	-36.8	-52.8	-124.6
Net debt/EBITDA (x)	-3.0	-0.5	-1.1	-1.7	-1.0

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.3	5.7
Maximum	25.8	13.7
Median	19.8	10.2
Weight	50%	50%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	4.0%
PV FCF	1,140
Net debt	-24
Other adjustments	0
Value per share (PLN)	509.20

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	344.60
DCF Val.	50%	509.20
Implied Price		426.90
Cost of equity (9M)		6.4%
9M Target Price		454.00

CD Projekt accumulate (reiterated)

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The main event that will drive CDR's performance in 2020 is the release of Cyberpunk 2077, slated for April 16. We assume that the game will sell a total of 24 million copies next year, which would be double the sales of The Witcher 3 in the first 12 months. This based on interest already garnered within the international gaming community. We believe CD Projekt might want to keep momentum going next year by announcing its next big release once Cyberpunk is out in the world. The Company also wants to release an updated strategy plan for the next 4-6 years in mid-2020. Meanwhile, it will most likely conduct a rights issue next year in accordance with the current Stock Option Plan, with an estimated value of PLN 1.6bn. With the market's expectations as to Cyberpunk's sales running high, if the game should disappoint in the slightest, this could trigger a profit-taking sell-off. We have updated out 2020 outlook for CDR to account for the potential rights issue and tax breaks under Poland's "IP Box" tax incentive.

Current Price

260.30 PLN

Upside

9M Target Price

281.30 PLN

+8.1%

	rating	target price	issued
new	accumulate	281.30 PLN	2019-12-05
old	accumulate	276.40 PLN	2019-11-06
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+0.8% +6.2%
ISIN	PLOPTTC00011	YTD Price Chng	+80.1% +82.8%
Outst. Stock (m)	96.1	ADTV 1M	PLN 56.7m
MC (PLN m)	25,020.0	ADTV 6M	PLN 60.7m
EV (PLN m)	24,449.3	EV/EBITDA 12M fwd	9.8 -58.0%
Free Float	65.3%	EV/EBITDA 5Y avg	23.3 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	463	363	430	3,259	2,561
EBITDA	246	117	120	2,479	2,068
EBITDA margin	53.1%	32.3%	27.9%	76.1%	80.7%
EBIT	241	112	112	2,469	2,058
Net income	200	109	100	2,391	2,148
P/E	-	-	-	11.1	12.4
P/B	28.1	24.9	24.3	7.8	4.8
EV/EBITDA	98.2	207.9	203.8	9.5	10.4
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			+29.7%	+0.1%	+0.6%
Net income			+27.6%	-3.0%	-2.0%
Sales of The Witcher 3			+7.2%	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	280	3,099	2,406
EBIT, VG	223	114	112	2,471	2,061
EBIT margin, VG	67.4%	49.8%	39.9%	79.7%	85.7%
Sales, GOG.com	169.6	144.3	157.2	160.2	154.8
EBIT, GOG.com	18.4	-1.1	-0.2	-1.7	-3.2
EBIT margin, GOG	10.8%	-0.8%	-0.2%	-1.0%	-2.1%
Operating cash flow	232	133	170	2,471	1,983
D&A	5	5	8	9	10
Working capital	34	46	-66	-119	29
Investing cash flow	-291	-106	399	-160	-173
CAPEX	-13	-15	-13	-10	-11
Development exp.	-77	-98	-138	-150	-162
FCF	144	40	-96	2,322	1,832
FCF/EBITDA	-80%	94%	89%	83%	88%
OCF/EBITDA	142%	100%	96%	96%	92%

Key Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, The Witcher 3	288	174	166	138	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	367	198	287
Cash	67	104	102	2,543	4,629
Net debt	-647	-659	-565	-3,006	-5,092
Net debt/EBITDA (x)	-2.6	-5.6	-4.7	-1.2	-2.5

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)	1,878	1,757	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	430	3,259	2,561	1,625	4,314	2,596	4,515	2,553	1,612	1,191	1,191
EBITDA	120	2,479	2,068	1,195	3,593	1,993	3,684	1,850	1,029	566	566
EBITDA margin	27.9%	76.1%	80.7%	73.6%	83.3%	76.8%	81.6%	72.5%	63.8%	47.5%	47.5%
EBIT	112	2,469	2,058	1,186	3,583	1,983	3,674	1,840	1,018	556	556
Tax	18	197	165	95	287	159	294	147	82	45	45
CAPEX	-151	-160	-173	-186	-199	-209	-211	-218	-225	-232	-232
Working capital	-66	-119	29	39	-113	72	-80	82	39	18	18
FCF	-96	2,322	1,832	995	3,145	1,798	3,280	1,688	763	308	1,603
PV FCF	-95	2,127	1,547	774	2,255	1,188	1,998	948	395	147	
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

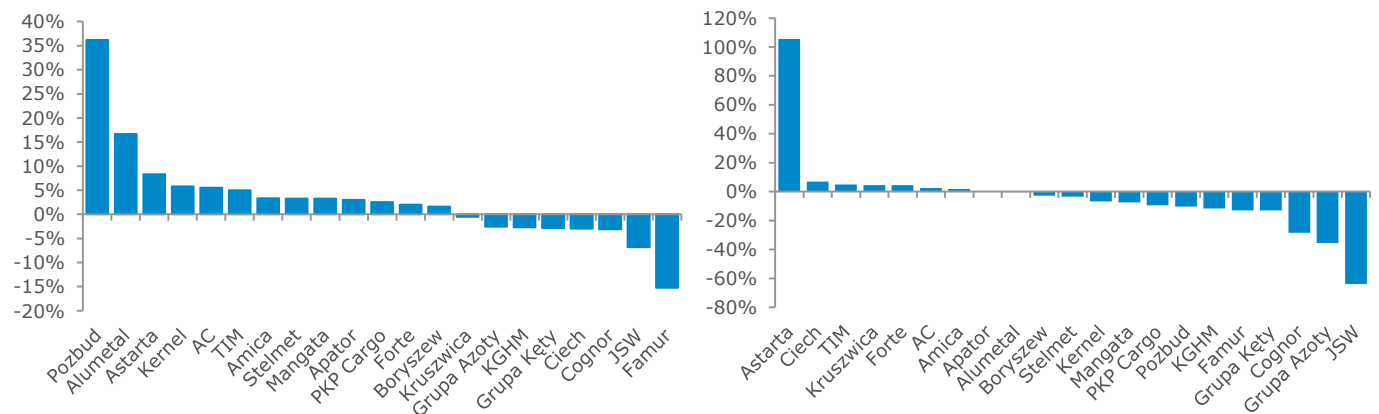
(PLN m)	
Beta	1.0
FCF perp. growth rate	4.0%
PV FCF	18,436
Net debt	-659
Other adjustments	0
Value per share (PLN)	297.50

Valuation Summary

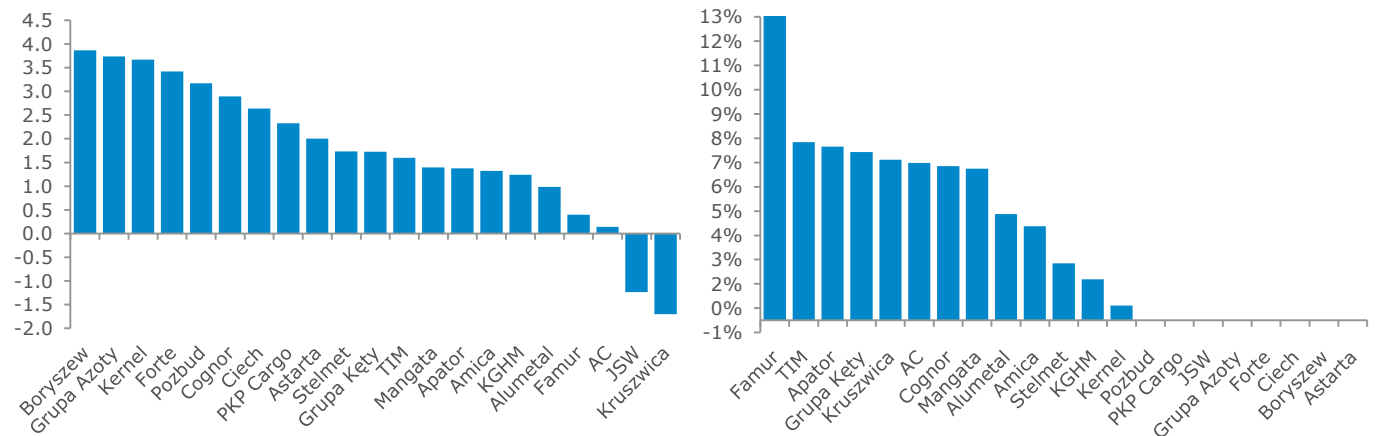
(PLN)	Weight	Price
Relative Val.	50%	231.20
DCF Val.	50%	297.50
Implied Price		264.40
Cost of equity (9M)		6.4%
9M Target Price		281.30

Industrials, Mining

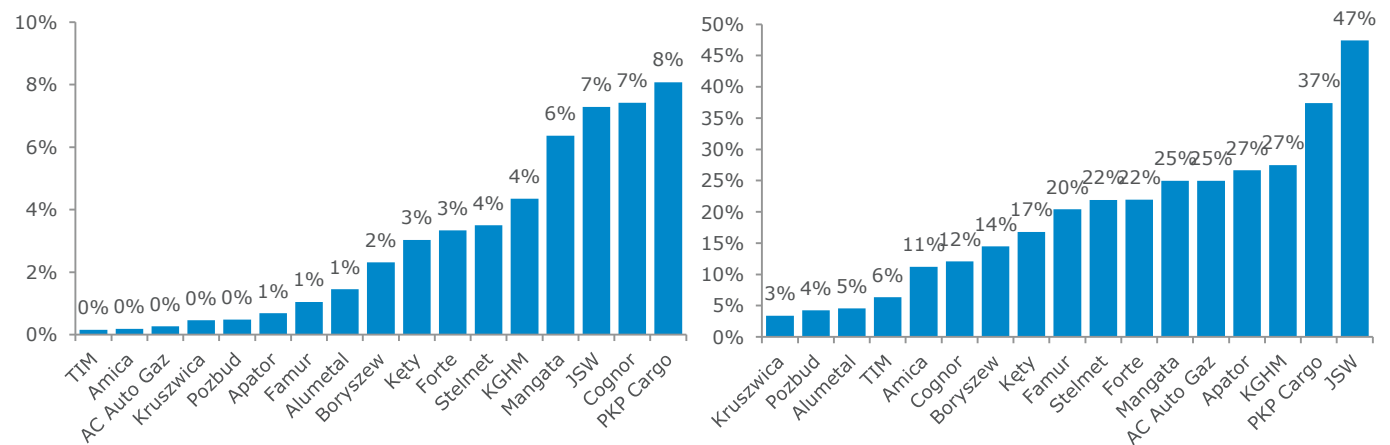
Revenue (left) and EBITDA (right) growth expectations for FY2020



FY2020 Net Debt/EBITDA forecast (eop, left) and dividend yield estimates (right)



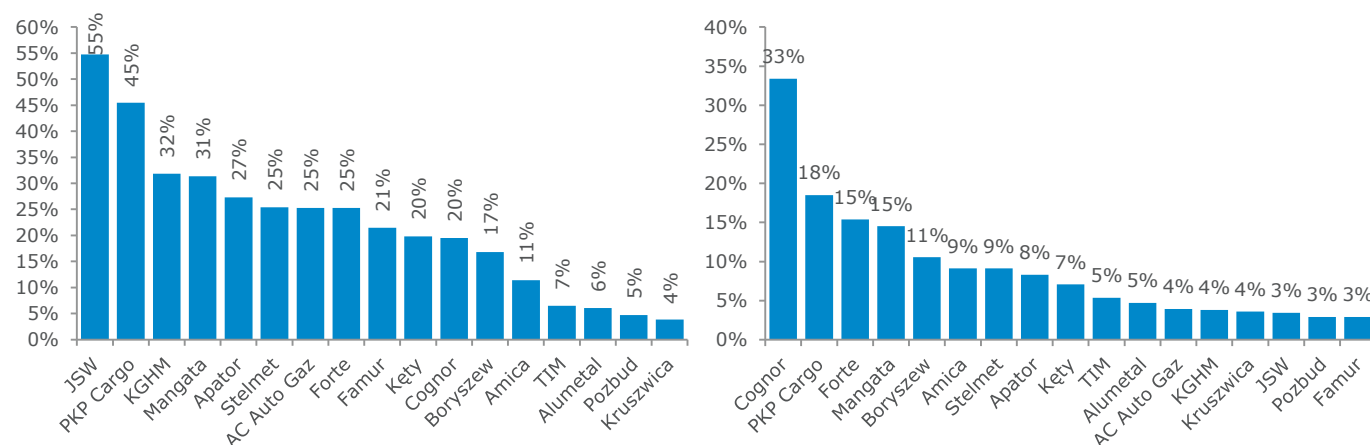
Energy (left) and labor (right) as a percentage of total costs



Source: Dom Maklerski m Banku

Industrials, Mining

Energy and labor as a pct. of total costs (left) and as a pct. setback against 2019E EBITDA (right)



Source: Dom Maklerski m Banku

2019-2021 Financial Projections (PLN m) and Recommended Allocations for Industrial Stocks

Company	Weight		Current price	MoM change	P/E			EV/EBITDA			DYield			P/(BV-goodwill)			'19E ND /EBITDA
	current	change			2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	
AC	N	►	43.20	+5.4%	10.9	10.9	10.4	7.6	7.2	6.7	9.1%	6.5%	7.2%	3.7	3.4	3.1	0.4
Alumetal	N	►	39.30	+12.9%	12.3	12.7	11.8	7.1	7.4	6.9	10.4%	5.7%	6.3%	1.2	1.1	1.1	0.8
Amica	N	►	133.20	+14.2%	9.0	8.4	8.3	5.9	5.9	6.0	3.0%	3.9%	4.2%	1.2	1.1	1.0	1.2
Apator	N	▲	21.10	+2.7%	11.2	11.3	11.3	6.5	6.8	6.8	7.4%	7.2%	7.1%	1.9	1.8	2.1	1.1
Astarta	OW	►	15.90	-5.6%	-	2.9	2.5	6.4	2.9	2.6	0.0%	0.0%	10.5%	0.2	0.2	0.2	4.6
Boryszew	N	►	4.09	-4.7%	13.5	10.7	10.5	6.7	6.8	6.5	0.0%	0.0%	0.0%	0.6	0.7	0.7	3.9
Cognor	N	►	1.17	-22.8%	6.3	36.3	23.4	4.3	5.9	5.7	17.6%	6.3%	2.2%	0.8	0.8	0.8	2.1
Famur	OW	►	2.98	-14.9%	4.6	7.0	8.1	3.7	3.8	4.1	17.8%	13.2%	10.9%	1.3	1.2	1.2	0.5
Forte	N	►	28.15	+12.2%	22.8	13.1	12.2	9.5	8.0	7.6	0.0%	0.0%	0.0%	1.1	1.1	1.1	4.3
Kemel	N	▲	41.20	-3.3%	4.7	8.2	7.8	4.5	6.4	6.0	2.3%	2.3%	2.2%	0.7	0.7	0.7	2.0
Grupa Kęty	N	►	338.50	+9.9%	11.5	13.2	13.6	7.9	8.6	8.9	7.1%	6.9%	5.7%	2.3	2.2	2.2	1.5
Kruszwica	OW	►	45.80	+1.8%	10.6	9.6	9.8	5.2	4.9	4.9	5.6%	6.6%	7.3%	1.3	1.3	1.2	-1.7
Mangata	N	►	72.00	+2.9%	8.7	10.2	10.2	6.2	6.7	6.6	6.3%	6.2%	6.8%	1.3	1.2	1.2	1.3
PKP Cargo	UW	►	20.00	-18.4%	7.6	-	-	2.8	3.4	3.4	7.5%	0.0%	0.0%	0.3	0.3	0.3	1.9
Pozbud	N	►	1.80	-11.8%	4.2	4.1	3.6	4.6	5.6	4.1	0.0%	0.0%	0.0%	0.3	0.3	0.2	2.5
Stelmet	N	►	8.20	-1.8%	12.8	12.8	12.6	5.6	5.3	4.9	0.0%	2.3%	3.9%	0.5	0.5	0.5	2.1
TIM	OW	►	10.90	+18.5%	12.2	10.8	9.5	6.5	5.9	5.3	7.3%	7.3%	7.3%	1.6	1.5	1.4	2.0
Median					10.7	10.8	10.3	6.2	5.9	6.0	6.3%	5.7%	5.7%	1.2	1.1	1.1	1.9
(PLN m)	Revenue			EBITDA			Net Profit			Net Debt			DPS				
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021		
AC	226.3	238.8	249.6	59.4	60.9	63.3	39.3	39.5	41.6	26.2	8.5	-8.0	3.94	2.80	3.10		
Alumetal	1,426.7	1,664.2	1,634.7	94.2	93.9	98.8	48.6	47.0	50.5	74.3	92.5	86.0	4.08	2.23	2.47		
Amica	3,056.1	3,157.8	3,225.0	222.6	226.7	231.4	114.8	123.2	124.9	267.7	299.1	347.5	4.00	5.17	5.55		
Apator	897.8	924.8	943.3	137.7	137.7	139.4	66.3	65.4	65.5	154.9	189.1	202.3	1.57	1.51	1.49		
Astarta (mln UAH)	12,613.5	13,664.8	13,858.1	1,392.6	2,861.6	2,850.8	-385.1	897.0	1,029.0	6,405.2	5,724.0	5,008.1	0.00	0.00	10.76		
Boryszew	6,371.6	6,472.8	6,492.7	422.3	410.0	421.3	72.6	91.9	93.2	1,644.3	1,585.1	1,533.4	0.00	0.00	0.00		
Cognor	1,859.9	1,801.9	2,009.4	102.9	73.5	73.9	32.5	5.6	8.7	218.0	212.7	201.6	0.21	0.07	0.03		
Famur	2,105.3	1,783.9	1,672.0	528.1	497.8	437.9	373.8	245.1	212.3	257.1	196.0	100.0	0.53	0.39	0.33		
Forte	1,145.6	1,168.5	1,180.2	129.3	145.1	147.1	29.4	51.2	54.8	554.9	496.8	442.1	0.00	0.00	0.00		
Kemel (USD m)	3,992.1	4,223.1	4,783.0	345.5	321.9	344.9	189.5	112.3	120.8	691.0	1,182.3	1,185.1	0.25	0.25	0.25		
Kęty	3,163.7	3,073.6	3,048.2	505.6	473.4	457.8	280.2	244.2	236.8	778.3	860.1	821.8	24.00	23.48	19.19		
Kruszwica	2,818.4	2,803.4	2,803.4	153.5	160.5	156.9	99.6	110.1	107.7	-253.3	-272.9	-282.2	2.56	3.03	3.35		
Mangata	705.0	727.9	742.5	102.6	94.8	95.6	55.3	47.0	47.2	135.7	132.4	128.3	4.50	4.49	4.92		
PKP Cargo	4,863.9	4,986.9	5,262.1	914.7	805.4	827.5	118.6	-0.9	-14.8	1,709.1	1,874.8	1,916.3	1.50	0.00	0.00		
Pozbud	211.2	287.5	314.9	24.9	22.3	26.8	11.4	11.7	13.4	61.1	70.7	55.5	0.00	0.00	0.00		
Stelmet	580.7	599.6	618.4	70.3	67.9	69.2	18.8	18.8	19.1	150.3	117.6	96.1	0.00	0.19	0.32		
TIM	882.0	926.3	969.3	53.7	56.3	59.1	19.8	22.3	25.4	107.0	91.5	73.9	0.80	0.80	0.80		

Source: Dom Maklerski mBanku; OW – overweight, N – neutral, UW – underweight; *Net debt/Equity

AC (neutral)

The main challenge for AC in 2019 turned out to be the situation in foreign markets, in particular in Russia (responsible for over 11% of sales in 2018), where changes in the manner of registration of LPG powered vehicles were introduced, thus stopping sales for a few months. In 9M'19, the Polish market also showed a 4% decline after a 4-year growth streak. In our opinion, however, high cost discipline and efficient management will allow the company to execute the incentive scheme in 2019 (EBITDA at PLN 55.6m) and the company will close the year with a slightly positive result (after a high base of the excellent 2018). In 2020, we are counting on further international development (including new markets) and a certain rebuilding of lost volumes, while maintaining high cost discipline. The latest revaluation of the company's assets means that it is again trading below its long-term average at P/E and EV/EBITDA, returning to a very attractive dividend yield (~7%). A good Q3 earnings structure and maintained cost discipline mean that we are changing our AC forecasts upwards. We will hold back a return to a fully positive outlook until the first signs of growing sales (mainly foreign sales).

Alumetal (neutral)

We believe that in 2020 Alumetal has a chance to stabilize its sales volumes. Higher costs of electricity (we expect PLN 2m) and labor (PLN 3m), which will probably not be compensated by lower costs of natural gas (PLN -1m) are going to be a challenge. Alumetal seems to have gone through the worst phase, and considering its strong balance sheet (net debt below 1.0x in 2020 and 2021) and its ability to pay dividends (6-7% Dyield in the two coming years), it may become an additional argument for investors if sentiment towards Polish companies improves. We reiterate our "neutral" investment recommendation for the Alumetal Group.

Amica (neutral)

Despite rising labor costs (+PLN 19.4 million in 2019) and higher electricity costs (+PLN 0.9 million), in 2020 Amica may, in our opinion, show low dynamics of financial results growth. This will be facilitated by growing sales in the Eastern markets and the rebuilding of Fagor's position in the markets of the Iberian Peninsula. Good hedging of currencies on Western European markets (good hedging concluded previously) and lower contracted steel prices will also be beneficial. In our opinion, Amica may positively stand out from other industrial companies in Poland in terms of results. A tender offer announced by the larger global white goods manufacturers (visible consolidation in the industry) may also be an opportunity. We are upgrading our financial forecasts for 2019 and 2020 and maintaining our neutral position.

Apator (neutral)

In 2020, in our opinion the results of the Apator Group will still be under the pressure of increasing labor costs (budget over PLN 200 million annually – 27% of total costs) and growing debt (willingness to maintain the stream of dividends with growing investment expenditures). Apator remains at the forefront of industrial companies with the highest share of wages in total costs and the highest sensitivity of results to salary increases (5% increase in labour costs translates into 7-8% decrease in EBITDA of the Apator Group). Another challenge is the weakening of PLN to USD observed in the second half of 2019, which has a negative impact on the cost of electronics purchases from external suppliers (up to PLN 50 million per year). After significant drops in the share price as a result of lowering the year-round financial results forecasts, we upgrade our position of the Apator Group from underweight to neutral.

Astarta (overweight)

In our opinion, sugar production in Ukraine is much weaker than its consumption and will translate into higher prices from Q1'20 (we assume +24% to UAH 12,800/t). In addition, the Group should benefit from lower gas prices (UAH+ 95m) and higher milk prices (UAH +91m). In our opinion, with a significant sale of inventories in 2019, free cash flow will amount to UAH 3.1bn (current capitalization value and approximately 30% EV) and will result in significant debt repayment by the Group (by 30% to UAH 6.4bn). Additionally, the expected improvement in results in 2020 will reduce the net debt to EBITDA ratio to 2.0x (4.6x at the end of 2019). We are downgrading our earnings expectations for 2019 (EBITDA from UAH 2.1bn to UAH 1.4bn; effect of lower non-cash biological revaluations) and net debt at the end of 2019 (from UAH 8.8bn to 6.4bn). We reiterate our overweight recommendation.

Boryszew (neutral)

Boryszew is ending 2019 with a debt of PLN 1.6bn (from IRFS 16; 3.9xEBITDA'19). In order to reduce the current record level of debt, the Group will have to sell assets related to the production of aluminum sheets, which historically generated cash flows from operating activities even during economic downturns. In our opinion, the transaction will not bring any added value to minority shareholders (sale at 6x EBITDA vs. 6.7x EBITDA of the Boryszew Group). The proceeds from the sale of assets are likely to be used to invest in other assets of the Group (Automotive, Alchemia) or to reduce the Group's debt. In 2020, the Boryszew Group will face higher electricity (PLN +33.5m) and labor costs (PLN 11m). In our opinion, Boryszew will not manage to improve its financial results in 2020. We updated our forecasts to reflect higher net debt, and we maintain our neutral recommendation for BRS.

Forte (neutral)

The coming year, 2020, seems to be a big challenge due to growing labor costs (PLN+11.7m), electricity (PLN+8.2m) and logistics costs (PLN+8m). In our opinion, the group's EBITDA, adjusted for one-off events, will increase to PLN 145m from PLN 139m in 2019 at the most. Our forecasts are below the expectations of the Management Board (EBITDA of PLN 160m) and market consensus (EBITDA of PLN 150m). Potential risk is the persistently high debt (we assume PLN 497 million at the end of 2020); 3.4x EBITDA'20) and a possible slowdown in consumer spending in Western Europe. We are slightly upgrading our expectations for 2020 results (EBITDA +8%, net profit +10%) and reiterating our neutral recommendation.

Kruszwica (overweight)

The significantly better y/y rapeseed harvest in Poland in 2019 (2.3m tonnes +4% y/y) is a good sign for domestic producers of rapeseed oil. The model margins we observe on stock exchanges are also higher than in the previous year. In our opinion, the factors making investing in Kruszwica's shares a viable option are: a large amount of net cash on the balance sheet (PLN 270-280m in the next two years) and a consistent dividend policy (at least 50% of the net result used for paying dividends in the last nine years). In our opinion, Kruszwica is able to pay out 7-8% of Dyield in the next two years. It is also worth noting that Kruszwica is not very sensitive to increases in wage costs (PLN +4.5m in 2020) and energy costs (PLN +1.9m in 2020). After small forecast revisions (2019E EBITDA decline from PLN 160m to PLN 154m), we reiterate our overweight recommendation.

Mangata (neutral)

Expected higher electricity costs (PLN +7.8m) and wages (PLN +7.1m) will, in our opinion, have a negative impact on the 2020 results. In the year coming to the end, the Mangata Group received about PLN 4m in compensation for higher electricity costs, which will not be repeated in subsequent periods. The results of 2020 may still show weaker trading conditions in the automotive sector and fasteners. In our opinion, the decline in results may be visible in H1'20, where the results base remains at a high level. We do not change our neutral recommendation for Mangata.

Pozbud (neutral)

The results of 2019 in the Pozbud Group are rather disappointing due to weak cash flows from operating activity (despite transfers within the development business) and lower-than-expected profitability within the Strzeszyn project (preliminary estimates indicated gross sales margins of over 30%, while the real data indicate a margin closer to 20%). In our opinion, the biggest challenge for the Company in 2020 is the net debt, which may increase to over 3x EBITDA due to the launch of the Strzeszyn II project, on the basis of slightly declining financial results. A possible acquisition of an export partner in the American market and higher turnover in the joinery segment are a chance for a positive surprise. We are once again downgrading our forecasts for the Pozbud Group (EBITDA'19 from PLN 27m to PLN 25m) and increasing our debt projection for 2020 (from PLN 62m to PLN 71m). We reiterate our neutral recommendation.

TIM (overweight)

The year 2019 was exceptionally successful for the TIM Group. The company is growing faster than the market, uses the effects of operating leverage, reaches new sales records (in October, monthly sales exceeded PLN 80 million for the first time), and the introduction of the IFRS16 standard had a positive impact on the presentation of data (but also on the reporting of net debt at a level of ca. 2x EBITDA). In addition, the start of cooperation with IKEA and the extension of cooperation with one of the largest tyre companies in the country are very good signs for 2020 for the logistics segment (long-term, the most interesting asset in the Group). In 2020, we expect sales growth to continue, but with decreasing dynamics (base effect and possible economic slowdown). Although the value of TIM Group's shares has increased by more than 50% since we started issuing our recommendations (including dividends paid), we still see potential in the Group, which has recently announced that it will consider publishing its dividend policy (and is currently in the process of reviewing its strategic options). We update our forecasts and recommend overweighting of TIM shares.

Cognor hold (reiterated)

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In 2020, Cognor will face a further increase in electricity prices (PLN +30.8m) and higher wages (PLN +3.5m). In our opinion, the difficult trading conditions in the steel market will not compensate for the negative cost factors, and as a result, the Group's EBITDA, adjusted for one-off events, will decrease by 29% y/y. As a result of the decrease in the result, the net debt to EBITDA ratio will increase to 2.9x EBITDA at the end of 2020, which will have a negative impact on the ability to pay dividends in 2020. We expect the dividend to fall to PLN 0.11 per share in 2020 (PLN 0.28 per share in 2019). We are downgrading our forecasts for 2019 based on the Management Board's weaker than expected outlook for Q4'19 and our forecasts for 2020-2021 due to cost pressures and a more prudent approach to market spreads. We reduce our target price from PLN 1.55 to PLN 1.25 per share with a reiterated hold rating.

Current Price

1.17 PLN

Upside

9M Target Price

1.25 PLN

+6.8%

		rating	target price	issued
new		hold	1.25 PLN	2019-12-05
old		hold	1.55 PLN	2019-11-04
Key Metrics			COG PW	vs. WIG
Ticker	COG PW	1M Price Chng	-17.6%	-12.2%
ISIN	PLCNTSL00014	YTD Price Chng	-11.4%	-8.6%
Outst. Stock (m)	175.0	ADTV 1M		PLN 0.1m
MC (PLN m)	204.7	ADTV 6M		PLN 0.1m
EV (PLN m)	440.5	EV/EBITDA 12M fwd	3.6	+2.1%
Free Float	-	EV/EBITDA 5Y avq	3.5	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,789	2,082	1,860	1,802	2,009
EBITDA adj.	146	200	103	74	74
EBITDA margin	8.1%	9.6%	5.5%	4.1%	3.7%
EBIT adj.	104	156	56	23	25
Net income adj.	32	94	29	6	9
P/E adj.	6.4	2.2	7.0	36.3	23.4
P/B	0.9	0.7	0.7	0.8	0.8
EV/EBITDA adj.	3.7	2.2	4.3	5.9	5.7
DPS	0.00	0.07	0.21	0.07	0.03
DYield	0.0%	5.8%	17.6%	6.3%	2.2%
Forecast Update (% change)		2019P	2020P	2021P	
Revenue		-3.1%	+0.2%	-0.5%	
EBITDA		-6.8%	-25.8%	-22.8%	
Net income		-17.1%	-78.6%	-67.0%	
Sales volume		+3.0%	+3.9%	+3.6%	
Product prices		+0.1%	-1.1%	-1.6%	
Scrap prices		-1.4%	+3.5%	0.0%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Ferrostal volume (k tons)	426	401	381	350	424
HSJ volume (k tons)	231	237	231	255	277
Złomrex volume (k tons)	131	173	152	155	158
Ferrostal spread (PLN/t)	953	1,191	1,175	1,090	1,128
HSJ spread (PLN/t)	1,272	1,723	1,763	1,619	1,607
Operating cash flow	145	232	97	85	64
D&A	41	44	47	50	49
Working capital	11	44	26	13	-7
Investing cash flow	-15	-38	-50	-50	-35
CAPEX	16	38	50	50	35
Financing cash flow	-53	-196	-9	-79	-53
Dividends/Buyback	0	-12	-36	-13	-5
FCF	123	179	72	36	30
FCF/EBITDA	87%	90%	70%	48%	41%
OCF/EBITDA	103%	116%	94%	115%	87%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	951	1,001	1,003	935	943
Fixed assets	398	379	401	393	370
Equity	225	278	275	267	272
Minority interests	225	278	275	267	272
Net debt	325	209	218	213	202
Net debt/EBITDA (x)	2.3	1.0	2.1	2.9	2.7
Net debt/Equity (x)	1.4	0.8	0.8	0.8	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.6	5.9	4.8	3.9	2.9	3.3
Maximum	125.5	276.4	53.6	10.8	10.6	7.6
Median	11.1	12.6	10.5	6.5	6.8	5.8
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales volume	612	605	701	749	778	803	817	832	834	836	836
Product prices	2,285.9	2,154.9	2,145.9	2,180.8	2,192.8	2,204.2	2,213.7	2,223.1	2,238.4	2,253.7	2,261.3
Scrap prices	1,084	1,003	990	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008
Revenue	1,860	1,802	2,009	2,151	2,228	2,298	2,343	2,388	2,411	2,433	2,444
EBITDA	103	74	74	71	77	76	75	73	79	85	83
EBITDA margin	5.5%	4.1%	3.7%	3.3%	3.5%	3.3%	3.2%	3.1%	3.3%	3.5%	3.4%
EBIT	56	23	25	24	31	30	29	27	31	37	35
Tax	6	1	2	2	3	4	3	3	4	5	5
CAPEX	-50	-50	-35	-36	-37	-39	-40	-43	-46	-47	-47
Working capital	26	13	-7	-6	-6	-5	-3	-3	-2	-2	-1
FCF	72	36	30	27	30	28	28	24	27	33	32
PV FCF	72	33	26	21	23	20	18	15	15	17	
WACC	7.2%	7.2%	7.2%	7.3%	7.3%	7.4%	7.4%	7.4%	7.5%	7.5%	7.5%
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	1.2
FCF perp. growth rate	2.0%
PV FCF	259
Net debt	245
Other adj.	18
Value per share (PLN)	1.71

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	0.63
DCF Val.	50%	1.71
Implied Price		1.17
Cost of equity (9M)		7.0%
9M Target Price		1.25

Famur buy (reiterated)

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In 2020, we expect a slight cooling of the market for mining machinery and equipment, which results from falling prices of thermal and coking coal. We assume that the Underground segment's turnover will fall by 12% y/y. In addition, we believe that the Surface segment will also come under pressure (-10% y/y), which in our opinion will result from a more prudent approach of the Management Board to signed contracts after significant write-downs in 2019. We expect that the decrease in sales revenues will be accompanied by an increase in profitability due to the greater share of Aftermining in revenues. Famur is entering a period of economic downturn with a strong balance sheet (net debt/EBITDA'20 below 0.5x) and a high ability to pay dividends (with 75% distribution making for DPS of PLN 0.36; Dyield above 10%). In our opinion, the potential for a fall in the price of Famur's shares seems to be very limited, which, if there is any positive information, will result in a rebound in quotations. We reiterate a buy recommendation for Famur and reduce the target price from PLN 5.33 per share to PLN 5.18 per share.

Current Price

2.98 PLN

Upside

9M Target Price

5.18 PLN

+73.8%

		rating	target price	issued
new		buy	5.18 PLN	2019-12-05
old		buy	5.33 PLN	2019-08-07
Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-19.0%	-13.6%
ISIN	PLFAMUR00012	YTD Price Chng	-38.8%	-36.1%
Outst. Stock (m)	574.8	ADTV 1M		PLN 0.5m
MC (PLN m)	1,712.8	ADTV 6M		PLN 0.7m
EV (PLN m)	1,936.1	EV/EBITDA 12M fwd	3.2	-42.8%
Free Float	52.3%	EV/EBITDA 5Y avq	5.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,460	2,229	2,105	1,784	1,672
EBITDA	308	491	528	498	438
EBITDA margin	21.1%	22.0%	25.1%	27.9%	26.2%
EBIT	133	300	330	315	270
Net income	49	208	374	245	212
P/E	34.4	8.2	4.6	7.0	8.1
P/B	1.2	1.1	1.1	1.1	1.1
EV/EBITDA	6.0	4.0	3.7	3.8	4.1
DPS	0.00	0.44	0.53	0.39	0.33
DYield	0.0%	14.8%	17.8%	13.2%	10.9%
Forecast Update (% change)		2019P	2020P	2021P	
Revenue		-0.9%	+1.1%	+0.7%	
EBITDA		-4.5%	+6.1%	+11.3%	
Net income		-17.4%	-1.7%	+8.3%	
Revenue, Underground		+1.2%	+1.6%	+1.6%	
Revenue, Surface		-21.0%	-26.2%	-27.3%	
Sales margin, UG		+90.9%	-29.6%	+160.7%	
Sales margin, Surface		-713.0%	-448.2%	-496.0%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, Underground	1,019	1,407	1,527	1,340	1,234
Revenue, Surface	292	371	285	256	254
Sales margin, UG	25.0%	30.6%	33.8%	33.0%	32.4%
Sales margin, Surface	8.3%	3.9%	0.0%	1.7%	1.7%
Operating cash flow	192	215	405	374	395
D&A	175	191	198	183	168
Working capital	-16	-127	-51	-66	7
Investing cash flow	-231	-138	-16	-95	-95
CAPEX	132	141	16	95	95
Financing cash flow	287	-458	-520	-318	-304
Change in debt	-88	-213	-200	-100	-100
Dividends/Buyback	0	-253	-305	-206	-196
FCF	-91	173	413	279	300
FCF/EBITDA	-30%	35%	78%	56%	69%
OCF/EBITDA	44%	44%	77%	75%	90%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	2,105	1,784	1,672	1,735	1,796	1,827	1,859	1,891	1,924	1,958	1,992
YoY % change	-5.6%	-15.3%	-6.3%	3.8%	3.5%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
EBITDA	528	498	438	426	420	414	418	421	410	409	412
EBITDA margin	25.1%	27.9%	26.2%	24.6%	23.4%	22.7%	22.5%	22.2%	21.3%	20.9%	20.7%
D&A	198	183	168	160	146	138	138	138	138	135	135
EBIT	330	315	270	266	274	277	280	283	271	274	277
Tax	48	57	50	50	52	52	53	54	52	53	54
NOPAT	281	258	220	216	222	224	227	229	219	221	223
CAPEX	-16	-95	-95	-122	-125	-127	-130	-132	-135	-135	-135
Working capital	-51	-66	7	-87	-36	-18	-19	-19	-20	-20	-20
FCF	413	279	300	166	207	216	216	215	203	202	205
PV FCF	410	256	254	130	149	143	132	121	105	96	
WACC	8.1%	8.2%	8.3%	8.3%	8.4%	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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	3,138	2,880	2,614	2,474	2,363
Fixed assets	1,099	1,158	1,016	928	855
Goodwill	222	222	222	222	222
Equity	1,437	1,625	1,558	1,598	1,614
Minority interests	115	-37	-34	-34	-34
Net debt	80	286	257	196	100
Net debt/EBITDA (x)	0.3	0.6	0.5	0.4	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.7	11.8	11.2	6.2	6.9	6.2
Maximum	21.1	19.8	18.7	13.3	12.2	11.5
Median	16.4	14.6	12.9	9.7	9.2	8.4
Weight	0%	25%	25%	0%	25%	25%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,795
Net debt	590
Other adjustments	58
Value per share (PLN)	4.74

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.00
DCF Val.	50%	4.74
Implied Price		4.87
Cost of equity (9M)		6.3%
9M Target Price		5.18

Grupa Kęty hold (reiterated)

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In 2020, Kęty will have to face a weakening of PLN to USD and an increase in aluminum prices in PLN (+8% in PLN, PLN +34m in additional cost in SSA, although our forecasts assume PLN +20m), higher wages (we assume +5% y/y; PLN +23m) and higher electricity costs (PLN +15m). As a result, we expect the Group's EBITDA to fall by 6% to PLN 473m in 2020, with the largest contribution coming from the SSA (PLN 27m), SOG (PLN 9m) and EPS (PLN 4m) segments. In our opinion, given the increase in aluminum prices in PLN in 2020, the value of cash flow from operating activity will fall from a record high of PLN 501m in 2019 to PLN 320m in 2020. We also expect the net debt to EBITDA ratio to increase to 1.8x EBITDA in the next two years. We are slightly updating our current forecasts. We are raising our target price from PLN 333.45 per share to PLN 335.44 per share and are reiterating our hold recommendation.

Current Price

338.50 PLN

Downside

9M Target Price

335.44 PLN

-0.9%

	rating	target price	issued
new	hold	335.44 PLN	2019-12-05
old	hold	333.45 PLN	2019-11-06
Key Metrics			
	KTY PW	1M Price Chng	+6.4% +11.8%
Ticker	PLKETY000011	YTD Price Chng	+5.1% +7.8%
ISIN		ADTV 1M	PLN 1.3m
Outst. Stock (m)	9.5	ADTV 6M	PLN 0.7m
MC (PLN m)	3,231.1	EV/EBITDA 12M fwd	8.3 -9.8%
EV (PLN m)	4,010.5	EV/EBITDA 5Y avg	9.2 discount
Free Float	42.0%		

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	2,643	2,994	3,164	3,074	3,048
EBITDA	421	463	506	473	458
EBITDA margin	15.9%	15.5%	16.0%	15.4%	15.0%
EBIT	301	338	368	329	320
Net income	236	268	280	244	237
P/E	13.6	12.0	11.5	13.2	13.6
P/B	2.4	2.3	2.2	2.2	2.1
EV/EBITDA	9.0	8.6	7.9	8.6	8.9
DPS	30.00	23.94	24.00	23.48	19.19
DYield	8.9%	7.1%	7.1%	6.9%	5.7%
Forecast Update (% change)					
EBITDA			-0.1%	+0.2%	-0.5%
Net income			-0.7%	-0.5%	-1.5%
Aluminum price (US\$/t)			0.0%	+0.4%	-2.7%
Producer premium (US\$/t)			0.0%	-6.7%	-6.7%
EBITDA, Packaging			0.0%	0.0%	0.0%
EBITDA, Extrusions			0.0%	0.0%	0.0%
EBITDA, Al Systems			0.0%	+0.1%	-0.9%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA, Packaging	113	119	140	131	129
EBITDA, Extrusions	150	163	149	144	143
EBITDA, Al Systems	172	190	233	206	194
EBITDA, Other	-13	-8	-8	-8	-8
EBITDA/t of Al	5	5	5	5	5
Operating cash flow	276	293	501	320	368
D&A	120	126	137	144	138
Working capital	-91	-114	133	-92	-29
Investing cash flow	-187	-229	-250	-150	-120
CAPEX	187	229	250	150	120
Financing cash flow	-85	-43	-155	-272	-230
Dividends/Buyback	-285	-229	-229	-224	-183
FCF	86	72	328	174	254
FCF/EBITDA	20%	15%	64%	37%	55%
OCF/EBITDA	66%	63%	99%	68%	80%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	2,499	2,780	2,956	2,945	2,972
Fixed assets	1,439	1,575	1,760	1,770	1,757
Equity	1,363	1,396	1,447	1,467	1,521
Minority interests	1	1	1	1	1
Net debt	591	774	778	860	822
Net debt/EBITDA (x)	1.4	1.7	1.5	1.8	1.8
Net debt/Equity (x)	0.4	0.6	0.5	0.6	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	5.2	4.0	3.7	1.7	1.6	1.5
Maximum	66.0	399.9	19.6	15.1	12.1	10.3
Median	17.2	16.6	13.1	8.1	7.4	6.2
Weight	0%	25%	25%	0%	25%	25%

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	140	140	140	140	140	140	140	140	140	140
Al usage (1,000 t)	94	95	98	100	102	104	106	108	110	112	113
Revenue	3,164	3,074	3,048	3,098	3,133	3,176	3,229	3,273	3,310	3,348	3,386
EBITDA	506	473	458	461	464	467	472	476	478	483	488
EBITDA margin	16.0%	15.4%	15.0%	14.9%	14.8%	14.7%	14.6%	14.5%	14.4%	14.4%	14.4%
EBIT	368	329	320	325	332	333	337	339	339	341	350
Tax	62	57	56	57	58	59	60	60	61	61	63
CAPEX	-250	-150	-120	-122	-125	-127	-130	-132	-135	-138	-138
Working capital	133	-92	-29	-15	-11	-13	-16	-14	-11	-12	-12
FCF	328	174	254	266	270	268	267	269	271	272	276
PV FCF	326	160	217	210	197	181	166	155	144	133	
WACC	7.9%	7.9%	7.9%	7.9%	8.0%	8.0%	8.1%	8.1%	8.1%	8.2%	8.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,890
Net debt	1,003
Other adjustments	0
Value per share (PLN)	320.89

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	309.30
DCF Val.	50%	320.89
Implied Price		315.10
Cost of equity (9M)		6.5%
9M Target Price		335.44

JSW buy (reiterated)

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With a possible drop in coking coal prices to USD 145/t in 2020, JSW's results will be defended by higher output (15.5 million tonnes; +3% y/y) and a higher share of coking coal production (74% vs. 70% in 2019). On the cost side, we expect a decrease in electricity consumption (PLN -84m; effect of start-up of the first methane combustion plants), other materials (PLN -29m; effect of falling steel prices) and savings on preparatory work in connection with the acquisition of PBSz (PLN -89m). Labor costs will show a further increase (PLN +161 million with stable employment; we expect a 3% y/y growth in labor costs and PLN 50m in annual bonuses). Despite the expected negative free cash flow (FCF) in 2020-2021 (PLN -814m and PLN -311m, respectively), we believe that JSW will continue to maintain its cash surplus over debt (PLN -985m and PLN -586m, respectively) in the next two years. With the limited potential for decline, JSW has a chance to bounce back strongly in the event of any improvement in the global economic situation and in the steel market. We are reducing our forecasts for 2020 and 2021 (lower assumed coal prices) and reducing our target price from PLN 39.29 per share to PLN 28.04 per share. We are reiterating a buy recommendation for the company.

Current Price

18.80 PLN

Upside

9M Target Price

28.04 PLN

+49.1%

	rating	target price	issued
new	buy	28.04 PLN	2019-12-05
old	buy	39.29 PLN	2019-09-05
Key Metrics			
	JSW PW	1M Price Chng	-8.6%
Ticker	JSW PW	YTD Price Chng	-71.3%
ISIN	PLJSW00000015	ADTV 1M	PLN 30.4m
Outst. Stock (m)	117.4	ADTV 6M	PLN 18.4m
MC (PLN m)	2,207.3	EV/EBITDA 12M fwd	1.4
EV (PLN m)	703.3	EV/EBITDA 5Y avg	3.0
Free Float	44.8%		discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	8,877	9,810	9,216	8,586	8,570
EBITDA adj.	3,509	3,101	2,203	797	994
EBITDA margin	39.5%	31.6%	23.9%	9.3%	11.6%
EBIT adj.	2,684	2,335	1,224	-313	-221
Net income adj.	2,189	1,802	819	-284	-213
P/E adj.	1.0	1.2	2.7	-	-
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA adj.	0.2	-	0.3	2.0	2.0
DPS	0.00	0.00	1.71	0.00	0.00
DYield	0.0%	0.0%	9.1%	0.0%	0.0%
Forecast Update (% change)					
EBITDA (adj.)		+13.6%	-22.2%	-28.7%	
Net income (adj.)		-0.1%	+360.2%	-257.6%	
Coking Coal price (\$/t)		-4.1%	-4.6%	-3.1%	
Thermal Coal price (PLN/t)		+2.7%	+9.4%	+9.4%	
Coke price (\$/t)		+4.7%	+2.0%	-2.0%	
Total coal output (kt)		-2.8%	-2.5%	-5.6%	
Coking coal (kt)		-2.1%	+1.6%	-1.7%	
Coke (kt)		-7.5%	-11.8%	0.0%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Total coal output (kt)	14,768	15,019	15,065	15,500	15,240
Coking coal (kt)	10,675	10,351	10,620	11,470	11,430
Coking coal (% of total)	72%	69%	70%	74%	75%
Thermal coal (kt)	4,093	4,668	4,444	4,030	3,810
Coke (kt)	3,458	3,559	3,238	3,000	3,400
Operating cash flow	2,871	2,856	1,431	825	1,034
D&A	825	766	979	1,110	1,215
Working capital	-76	338	-574	28	71
Investing cash flow	-2,170	-1,582	-2,050	-1,700	-1,420
CAPEX	737	1,248	2,050	1,700	1,420
Financing cash flow	-701	-755	-195	-8	-13
Dividends/Buyback	0	0	-201	0	0
FCF	2,129	1,754	-748	-814	-311
FCF/EBITDA (adj.)	61%	57%	-34%	-102%	-31%
OCF/EBITDA (adj.)	82%	92%	65%	104%	104%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Coking coal (\$/t)	168	148	155	155	155	155	155	155	155	155	155
Thml coal (PLN/t)	275	273	270	248	248	248	248	248	248	248	248
Coke (\$/t)	1,080	895	879	879	879	879	879	879	879	879	880
Revenue	9,216	8,586	8,570	9,247	9,590	9,776	9,972	9,928	9,926	9,928	9,933
EBITDA	2,065	797	994	1,430	1,655	1,773	1,881	1,810	1,751	1,692	1,693
EBITDA margin	22.4%	9.3%	11.6%	15.5%	17.3%	18.1%	18.9%	18.2%	17.6%	17.0%	17.0%
EBIT	1,086	-313	-221	101	260	379	484	414	353	293	293
Tax	327	-61	-44	17	47	70	90	76	65	53	53
CAPEX	-2,050	-1,700	-1,420	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400
Working capital	-574	28	71	99	61	39	32	-7	-4	-3	2
FCF	-748	-814	-311	113	269	342	424	327	283	236	242
PV FCF	-742	-745	-262	88	193	226	258	183	146	113	
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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	12,090	13,763	14,074	13,584	13,365
Fixed assets	8,118	8,475	9,559	10,186	10,443
Equity	6,389	8,081	8,321	8,037	7,824
Minority interests	232	364	364	364	364
Net debt	-1,641	-3,286	-1,868	-985	-586
Net debt/EBITDA (adj.)	-0.5	-1.1	-0.8	-1.2	-0.6
Net debt/Equity (x)	-0.3	-0.4	-0.2	-0.1	-0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.6	3.8	3.8	0.9	0.5	0.2
Maximum	51.6	14.9	14.6	11.6	11.5	10.2
Median	6.7	7.3	7.1	3.7	4.1	4.2
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	-543
Net debt	-3,085
Other adjustments	364
Value per share (PLN)	30.13

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	22.62
DCF Val.	50%	30.13
Implied Price		26.37
Cost of equity (9M)		6.3%
9M Target Price		28.04

Kernel hold (upgraded)

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In the 2019/2020 season, Kernel will benefit from improved margins on sunflower processing and improved grain yields. We expect the vegetable oil segment in the 2019/20 season to improve its EBITDA by 13% y/y and infrastructure by 23% y/y. At the same time, weaker harvests on own agricultural production and lower market prices will translate into a significant drop in the agricultural production segment (EBITDA -47% y/y). Kernel's challenge is also the highest Capex in the Company's history and an increase in debt resulting from the implementation of IFRS 18. With negative free cash flow (FCF in 2020 \$US -24m), we expect the Group's reported net debt to increase to US\$ 1182m (3.7xEBITDA) at the end of the 2019/2020 season. As the stock price falls, we are closing our negative recommendation to hold (previously reduce) and increasing our target price to PLN 41.60 per share (previously PLN 40.76 per share).

Current Price

41.20 PLN

Upside

9M Target Price

41.60 PLN

+1.0%

	rating	target price	issued
new	hold	41.60 PLN	2019-12-05
old	reduce	40.76 PLN	2019-10-07
Key Metrics			
Ticker	KER PW	1M Price Chng	-3.2% +2.2%
ISIN	LU0327357389	YTD Price Chng	-15.8% -13.1%
Outst. Stock (m)	82.7	ADTV 1M	PLN 1.5m
MC (PLN m)	3,405.6	ADTV 6M	PLN 2.4m
EV (PLN m)	6,055.7	EV/EBITDA 12M fwd	5.0 +17.0%
Free Float	60.5%	EV/EBITDA 5Y avg	4.3 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	322	345
EBITDA margin	14.7%	9.3%	8.7%	7.6%	7.2%
EBIT	265	140	269	226	236
Net income	176	52	189	112	121
P/E	5.0	16.9	4.7	7.9	7.3
P/B	0.8	0.8	0.7	0.6	0.6
EV/EBITDA	4.4	6.8	4.5	6.4	6.0
DPS	0.24	0.25	0.25	0.25	0.25
DYield	2.3%	2.3%	2.3%	2.3%	2.3%
Forecast Update (% change)		19/20P	20/21P	21/22P	
EBITDA		+2.4%	+0.4%	+0.4%	
Net income		-4.1%	-12.0%	-8.9%	
Margin, Sunflower Oil (\$/t)		+9.1%	+2.9%	+2.8%	
Margin, Wheat (\$/t)		0.0%	0.0%	0.0%	
Margin, Corn (\$/t)		0.0%	0.0%	0.0%	
Bulk sunflower oil sales (kt)		0.0%	0.0%	0.0%	
Grain production (kt)		0.0%	0.0%	0.0%	
Grain sales (kt)		0.0%	0.0%	0.0%	

Financial Highlights

(US\$ m)	17/18	18/19	19/20P	20/21P	20/21P
EBITDA, Bottled Oil	13	16	17	17	18
EBITDA, Bulk Oil	63	93	106	111	134
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	245	270	300
D&A	83	76	96	108	107
Working capital	-63	-305	-37	-53	-50
Investing cash flow	-156	-241	-300	-145	-104
CAPEX	179	234	300	145	104
Financing cash flow	76	29	44	-127	-186
Dividends/Buyback	-20	-20	-21	-21	-30
FCF	-14	-205	-24	136	212
FCF/EBITDA	-6%	-59%	-7%	40%	56%
OCF/EBITDA	37%	55%	76%	78%	79%

DCF Analysis

(US\$ m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin, Veg Oil (\$/t)	74	73	75	73	70	68	66	63	60	57	56
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	322	345	378	365	362	376	372	368	364	360	371
EBITDA margin	7.6%	7.2%	7.3%	7.0%	6.8%	7.0%	6.8%	6.6%	6.5%	6.4%	6.5%
EBIT	226	236	271	257	252	258	247	236	227	222	236
Tax	9	10	12	12	11	12	12	11	10	10	11
CAPEX	-300	-145	-104	-109	-114	-119	-125	-130	-135	-135	-135
Working capital	-37	-53	-50	-20	-21	-20	-21	-19	-19	-20	-21
FCF	-24	136	212	225	216	224	215	207	199	196	204
PV FCF	-22	110	149	138	115	103	86	72	60	51	
WACC	14.6%	14.6%	14.7%	14.8%	14.8%	14.9%	14.9%	14.9%	15.0%	15.0%	
Risk-free rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	

Key Balance Sheet Figures

(US\$ m)	17/18	18/19	19/20P	20/21P	20/21P
Assets	2,211	2,464	3,039	3,173	3,270
Fixed assets	1,006	1,207	1,714	1,756	1,758
Equity	1,171	1,351	1,443	1,543	1,666
Minority interests	7	-5	-5	-5	-5
Net debt	619	691	1,182	1,185	1,125
Net debt/EBITDA (x)	2.8	2.0	3.7	3.4	3.0
Net debt/Equity (x)	0.5	0.5	0.8	0.8	0.7

Relative Valuation Summary

	20P	P/E	22P	20P	EV/EBITDA	22P
Minimum	3.0	1.9	4.3	3.6	3.4	3.7
Maximum	44.3	26.1	17.1	14.0	13.3	8.0
Median	14.4	13.1	11.4	8.9	8.0	5.8
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(US\$ m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	863
Net debt	691
Other adjustments	-5
Value per share (PLN)	29.17

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	44.99
DCF Val.	50%	29.17
Implied Price		37.08
Cost of equity (9M)		12.2%
9M Target Price		41.60

KGHM hold (reiterated)

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In 2020, we assume that the Group's copper production volume will amount to 692,000 tonnes (-1.4% y/y), silver 1312 tonnes (-2.4% y/y), gold 207,000 troy (-0.8% y/y) and molybdenum 4.5 million lb (-58% y/y). The results will be supported by higher silver prices (+4% y/y in PLN), while lower molybdenum prices (-26% y/y in PLN) will hinder the growth. We assume stable prices of copper and gold in PLN. On the cost side, the main risk factors are expected to be higher labour costs (PLN +103m) and higher electricity costs (PLN +107m). On the other hand, lower costs related to the mining tax (PLN +85 million) will be an opportunity. In our base scenario, we assume that the Group's results will deteriorate in 2020 (by 12% y/y to PLN 4.9bn). Sentiment towards KGHM will be set at the beginning of the year by the negotiations between the USA and China, which may determine the sentiment towards raw materials. We are lowering our target price from PLN 96.13 per share to PLN 85.54 per share and are reiterating our hold recommendation.

Current Price

88.66 PLN

Downside

9M Target Price

85.54 PLN

-3.5%

	rating	target price	issued
new	hold	85.54 PLN	2019-12-05
old	hold	96.13 PLN	2019-11-08
Key Metrics			
	KGH PW	1M Price Chng	-0.3% +5.1%
Ticker	PLKGHM000017	YTD Price Chng	-0.2% +2.5%
ISIN			
Outst. Stock (m)	200.0	ADTV 1M	PLN 60.9m
MC (PLN m)	17,732.0	ADTV 6M	PLN 52.5m
EV (PLN m)	25,089.3	EV/EBITDA 12M fwd	4.5 -6.0%
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	22,930	22,306	22,322
EBITDA adj.	5,753	4,972	5,531	4,884	4,524
EBITDA margin	28.4%	24.2%	24.1%	21.9%	20.3%
EBIT adj.	4,144	3,176	3,599	2,861	2,510
Net income adj.	1,792	1,888	2,025	1,919	1,638
P/E adj.	9.9	9.4	8.8	9.2	10.8
P/B	1.0	0.9	0.9	0.9	0.8
EV/EBITDA adj.	4.2	5.0	4.5	4.9	5.1
DPS	1.00	0.00	0.00	1.50	2.88
DYield	1.1%	0.0%	0.0%	1.7%	3.2%
Forecast Update (% change)					
EBITDA adj.			+3.7%	+1.3%	-11.1%
Net income adj.			-16.5%	-2.0%	-22.7%
Copper price (\$/t)			-1.7%	-3.9%	-3.0%
Silver price (\$/oz)			-1.6%	+2.9%	0.0%
Molybdenum price (\$/t)			+4.4%	0.0%	0.0%
Copper output (kt)			+0.8%	-2.6%	-2.4%
Silver output (t)			-0.7%	-3.0%	-1.7%
Molybdenum output (mmb)			-5.8%	-3.5%	-3.5%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Cu Output, PL (kt)	359	385	416	392	382
Cu Output, Int (kt)	81	79	79	86	89
Sierra Gorda (kt)	53	53	60	66	70
Ag output (tonnes)	1,234	1,205	1,344	1,312	1,320
Au output (ozt k)	219	174	209	207	210
Operating cash flow	3,054	3,826	4,150	4,097	3,780
D&A	1,609	1,796	1,932	2,023	2,014
Working capital	-1,270	1,412	77	26	-1
Investing cash flow	-3,340	-3,539	-2,354	-2,461	-2,461
CAPEX	3,257	3,541	2,354	2,461	2,461
Financing cash flow	12	84	-116	-429	-704
Dividends/Buyback	-200	0	0	-300	-576
FCF	788	1,924	2,181	1,637	1,319
FCF/EBITDA	27%	41%	39%	34%	29%
OCF/EBITDA	53%	77%	75%	84%	84%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	34,122	37,237	39,901	41,354	42,420
Fixed assets	26,515	29,375	29,797	30,235	30,683
Equity	17,694	19,133	19,205	20,824	21,886
Minority interests	91	92	92	92	92
Net debt	6,570	6,992	7,265	6,058	5,445
Net debt/EBITDA (x)	2.2	1.5	1.3	1.2	1.2
Net debt/Equity (x)	0.4	0.4	0.4	0.3	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	6.4	6.4	5.8	2.5	2.0	1.4
Maximum	2322.0	21.9	17.3	13.7	9.5	8.9
Median	13.6	11.4	10.8	5.8	5.7	5.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Copper price (\$/t)	5,999	6,200	6,500	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Silver (\$/oz)	16.2	17.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Molybdenum (\$/t)	26,109	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Revenue	22,930	22,306	22,322	22,733	22,667	22,624	22,447	21,051	21,092	21,133	21,172
EBITDA	5,531	4,884	4,524	4,665	4,578	4,466	4,238	4,208	4,192	3,954	3,905
EBITDA margin	15.7%	12.8%	11.2%	11.9%	11.8%	11.7%	10.8%	11.4%	11.4%	10.3%	10.9%
EBIT	3,599	2,861	2,510	2,694	2,665	2,642	2,426	2,409	2,411	2,175	2,315
Tax	1,072	812	743	784	778	772	731	727	727	682	708
CAPEX	-2,354	-2,461	-2,461	-2,020	-1,590	-1,617	-1,643	-1,670	-1,696	-1,723	-1,590
Working capital	77	26	-1	-17	3	2	7	59	-2	-2	-2
FCF	2,181	1,637	1,319	1,843	2,213	2,079	1,872	1,870	1,768	1,548	1,605
PV FCF	2,169	1,517	1,139	1,475	1,636	1,418	1,177	1,079	934	751	
WACC	7.1%	7.2%	7.3%	7.3%	7.5%	7.7%	7.9%	8.1%	8.2%	8.3%	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	1.0
FCF perp. growth rate	0.0%
PV FCF	13,296
Net debt	6,992
Other adjustments	272
Value per share (PLN)	79.13

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	81.79
DCF Val.	50%	79.13
Implied Price		80.46
Cost of equity (9M)		6.3%
9M Target Price		85.54

PKP Cargo reduce (reiterated)

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While in 2020 we expect a rebound in rail transport work (+4% y/y) in Poland, in the case of PKP Cargo it will grow by only 1% y/y due to the risk of a decrease in volumes of one of the largest customers – ArcelorMittal (after the temporary shutdown of the Krakow blast furnace). With our 2.5% y/y growth in the Group's sales revenue expected in 2020, we believe that costs will grow much more dynamically, especially electricity (PLN +57m) and labor (PLN +112m). In our opinion, the age structure of the PKP Cargo staff (70% of employees over 46) will be one of the most important challenges for the coming years (in 6-7 years at least 15% of employees will retire). We expect the Group's adjusted EBITDA to decline by 9% in 2020 (PLN 805m), which, with high capital expenditure (PLN 969m), will lead to an increase in negative cash flows (FCF -PLN 132m vs. PLN -103m in 2019). In our opinion, this situation will force the Management Board to suspend the dividend policy for the next three years. In our opinion, the consensus on EBITDA will soon have to be reduced for 2020 and 2021 by 18% and 20% respectively. We have updated our model for PKP to reflect current peer valuations and higher weights assigned to ratios forecast for 2020 and 2021 as we think investors are more focused on the short term. Consequently, we cut our target price from PLN 20.44 to PLN 18.13 per share, and we reiterate a reduce recommendation for PKP.

Current Price	20.00 PLN	Downside
9M Target Price	18.13 PLN	-9.4%

		rating	target price	issued
new		reduce	18.13 PLN	2019-12-05
old		reduce	20.44 PLN	2019-11-26
Key Metrics			PKP PW	vs. WIG
Ticker	PKP PW	1M Price Chng	-16.7%	-11.3%
ISIN	PLPKPCR00011	YTD Price Chng	-52.8%	-50.1%
Outst. Stock (m)	44.8	ADTV 1M		PLN 0.9m
MC (PLN m)	895.7	ADTV 6M		PLN 0.9m
EV (PLN m)	2,604.8	EV/EBITDA 12M fwd	2.9	-27.5%
Free Float	67.0%	EV/EBITDA 5Y avg	4.0	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,689	5,183	4,864	4,987	5,262
EBITDA adj.	693	901	889	805	828
EBITDA margin	14.8%	17.4%	18.3%	16.2%	15.7%
EBIT adj.	147	272	159	32	14
Net income adj.	49	242	94	-1	-15
P/E adj.	18.1	3.7	9.5	-	-
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA adj.	2.6	1.9	2.9	3.4	3.4
DPS	0.00	0.00	1.50	0.00	0.00
DYield	0.0%	0.0%	7.5%	0.0%	0.0%
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%
Freight turnover (tkm m)			0.0%	0.0%	0.0%
Freight volume (ton m)			0.0%	0.0%	0.0%
Costs per tkm			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Traction electricity	645	703	611	619	641
Traction fuel	45	45	39	40	42
Employee benefits	1,510	1,651	1,760	1,872	2,026
Access to infrastructure	718	732	579	597	640
Other	1,198	1,292	1,051	1,093	1,121
Operating cash flow	601	863	866	812	846
D&A	547	629	729	773	813
Working capital	-62	20	-17	6	14
Investing cash flow	-740	-612	-845	-944	-853
CAPEX	-502	-695	-969	-944	-853
Financing cash flow	-99	-323	-202	-4	-14
Dividends/Buyback	0	0	-67	0	0
FCF	101	173	-103	-132	-7
FCF/EBITDA	6%	10%	-4%	-5%	0%
OCF/EBITDA	86%	95%	95%	101%	102%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Freight turnover	27,287	27,748	28,890	28,562	27,651	27,649	27,844	28,055	28,283	28,528	28,791
Average prices	150	152	154	158	162	165	169	172	175	179	183
Costs per tkm	172	179	182	184	188	191	194	197	200	204	207
Revenue	4,864	4,987	5,262	5,329	5,293	5,394	5,533	5,679	5,832	5,992	6,159
EBITDA	914	805	828	849	864	892	911	933	955	976	995
EBITDA margin	18.8%	16.2%	15.7%	15.9%	16.3%	16.5%	16.5%	16.4%	16.4%	16.3%	16.2%
EBIT	184	32	14	76	107	125	139	153	166	180	197
Tax	31	0	-5	10	18	23	26	30	33	36	41
CAPEX	-969	-944	-853	-799	-773	-778	-783	-787	-792	-798	-799
Working capital	-17	6	14	3	-2	5	7	8	8	8	9
FCF	-103	-132	-7	44	70	96	110	124	137	150	165
PV FCF	-102	-123	-6	36	56	72	77	82	86	89	
WACC	6.0%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.9%	5.9%	5.9%
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	2018	2019P	2020P	2021P
Assets	6,646	6,806	7,539	7,595	7,659
Fixed assets	4,952	5,187	6,277	6,448	6,489
Equity	3,317	3,484	3,535	3,534	3,519
Minority interests	0	0	0	0	0
Net debt	931	779	1,709	1,875	1,916
Net debt/EBITDA (x)	1.3	0.9	1.9	2.3	2.3
Net debt/Equity (x)	0.3	0.2	0.5	0.5	0.5

Relative Valuation Summary

	P/E			EV/EBITDA			FCF/EV		
	19P	20P	21P	19P	20P	21P	19P	20P	21P
Minimum	5.0	4.6	4.1	3.5	3.8	3.9	-33%	-2%	0%
Maximum	530.0	31.1	24.7	13.6	12.7	12.1	7%	7%	9%
Median	18.0	15.8	14.7	11.0	8.4	9.5	3%	4%	5%
Weight	0%	17%	17%	0%	17%	17%	0%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	1,913
Net debt	846
Other adjustments	0
Value per share (PLN)	23.84

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	10.28
DCF Val.	50%	23.84
Implied Price		17.06
Cost of equity (9M)		6.3%
9M Target Price		18.13

Stelmet hold (reiterated)

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Rising labor costs (PLN +4.7m), rising energy costs (PLN +1.7m) and higher wood purchase costs (PLN +4.9m) are the main challenges facing the Stelmet Group in 2020. In this context, given the limited possibilities of price increases for customers, our opinion is that it will be difficult for the Group to improve its results in the coming year. On the other hand, the lack of significant capital expenditures on the horizon should translate into an increase in the cash flow for distribution to shareholders. In our opinion, 2020 may be the first year since 2015 when Stelmet will pay dividend (we expect DPS to be PLN 0.19 per share). We are updating our forecasts and increasing our target price from PLN 8.10 per share to PLN 8.78 per share. We reiterate our hold recommendation for the company.

Current Price

8.20 PLN

Upside

9M Target Price

8.78 PLN

+7.1%

	rating	target price	issued
new	hold	8.78 PLN	2019-12-05
old	hold	8.10 PLN	2019-10-07
Key Metrics		STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-0.6% +4.8%
ISIN	PLSTLMT00010	YTD Price Chng	+13.3% +16.0%
Outst. Stock (m)	29.4	ADTV 1M	PLN 0.0m
MC (PLN m)	240.8	ADTV 6M	PLN 0.0m
EV (PLN m)	391.1	EV/EBITDA 12M fwd	5.1 -22.0%
Free Float	15.0%	EV/EBITDA 5Y avg	6.6 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	538	553	581	600	618
EBITDA	58	69	70	68	69
EBITDA margin	10.7%	12.4%	12.1%	11.3%	11.2%
EBIT	21	27	28	25	25
Net income	19	10	19	19	19
P/E	12.4	25.1	12.8	12.8	12.6
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	7.3	6.1	5.6	5.3	4.9
DPS	0.00	0.00	0.00	0.19	0.32
DYield	0.0%	0.0%	0.0%	2.3%	3.9%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA		-4.9%	-0.6%	-0.9%	
Net income		-13.4%	-1.7%	-2.7%	
Sales price (PLN/m3)		0.0%	+0.5%	+0.5%	
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	103	105
Revenue, Core, DE	101	113	155	168	174
Revenue, Wood Pellets	68	89	90	94	97
Operating cash flow	39	32	59	60	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	-29	-32
Dividends/Buyback	0	0	0	-6	-9
FCF	-11	9	31	42	34
FCF/EBITDA	-18%	13%	44%	61%	49%
OCF/EBITDA	68%	46%	83%	89%	89%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	821	816	815	811	804
Fixed assets	554	522	509	485	468
Equity	454	461	480	493	503
Minority interests	0	0	0	0	0
Net debt	182	176	150	118	96
Net debt/EBITDA (x)	3.2	2.6	2.1	1.7	1.4
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	8.6	8.5	8.2	6.3	5.4	4.6
Maximum	73.7	59.9	396.0	40.4	18.9	17.3
Median	22.5	17.0	12.5	12.8	7.1	6.3
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	1,829	1,853	1,878	1,904	1,930	1,956	1,983	2,010	2,038	2,066
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	600	618	633	649	664	680	696	713	731	749
EBITDA	70	68	69	70	71	71	71	71	70	69	67
EBITDA margin	12.1%	11.3%	11.2%	11.0%	10.9%	10.7%	10.4%	10.2%	9.9%	9.5%	9.0%
EBIT	28	25	25	25	26	26	24	23	21	20	18
Tax	3.6	3.1	3.0	3.0	2.6	2.1	1.9	1.6	1.4	1.1	0.8
CAPEX	-29	-19	-28	-31	-33	-36	-39	-42	-46	-48	-49
Working capital	-6.3	-4.4	-4.4	-3.5	-3.6	-3.7	-3.7	-3.8	-3.9	-4.2	-4.3
FCF	31	42	34	32	31	30	27	23	20	18	16
PV FCF	31	39	30	26	23	20	17	14	11	9	
WACC	6.9%	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	220
Net debt	182
Other adjustments	0
Value per share (PLN)	6.02

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	10.49
DCF Val.	50%	6.02
Implied Price		8.26
Cost of equity (9M)		6.3%
9M Target Price		8.78

Property Developers

Atal

buy (upgraded)

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Thanks to the scaling up of operations, at the end of September Atal had approximately 4.8K units on offer (+44% YoY). Expansion of the offer (significantly exceeding the vast market) with strong housing demand translated into an increase of sales by 29% YoY (9M). In our view, there are no threats to successful execution of the record 2019 sales target set by the Management Board, i.e. 3,00 units, and, taking into account a sound offer (1.7x 12M sales vs. ~ 1.1x in 2017-18), there is also an opportunity to stay close to that level in 2020. Due to the '19 offer expansion above our expectations (and slightly higher assumptions for '20), we increase our 2019-2021 sales volume forecast cumulatively by 6.5%. Moreover, the increased number of flats under construction (7.6K, +23% YoY) indicates more handovers and growing profits in 2020-22. Due to the postponement of the closings schedule to the end of 4Q, we reduce our 2019 closings and net profit estimate to PLN 145m (P/E = 9.8x), but at the same time we increase expected closings in subsequent years (cumulatively by +8.5% in 2019-22), expecting an increase of net profit to PLN 177m in '20 (P/E = 8.1x) and to approx. PLN 225-250m in 2021-22 (P/E = 5.8-6.3x). The above-average large land bank (12.3K), which, together with units under construction (7.6K), allows for settling the average of around 2.9K units per year for more than 6 years, limits the current land purchase needs. With the expected reduction of the debt to equity ratio, this allows for high dividends (DY '20-23 = 12%). An additional upside to our forecasts is the investment in Dresden (the preliminary land purchase agreement signed in August within a JV). We increase the target price for 1AT to PLN 44.90 and we upgrade the stock to buy.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,308	2,678	2,188	2,871	3,327
Revenue/unit (PLN k)	375	394	372	361	389
SG&A	28	31	33	35	36
SG&A/Sales	3.3%	2.9%	4.1%	3.3%	2.8%
EBIT margin	25.6%	24.6%	23.4%	22.6%	22.9%
Net profit margin	19.8%	19.0%	17.8%	17.0%	17.5%
Cash	266	192	328	274	235
Net debt	214	333	568	473	483
Net debt/Equity	27%	39%	58%	47%	48%
Inventory	1,342	1,487	1,797	1,725	1,778
Inventory/Sales	155%	141%	210%	161%	135%
Earnest money deposits	365	225	326	300	277
Deposits/Inventory	27%	15%	18%	17%	16%
Equity	795	858	820	864	929
ROE	24.9%	25.3%	16.9%	21.5%	26.2%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	813	1,037	1,294	1,332	949	968	987	1,007	1,027	1,047	1,068
EBITDA	192	237	298	322	198	183	186	190	193	197	201
EBITDA margin	23.6%	22.8%	23.0%	24.2%	20.9%	18.9%	18.8%	18.8%	18.8%	18.8%	18.8%
D&A	1	2	2	2	2	2	2	2	2	2	2
EBIT	190	235	296	320	196	181	184	188	191	195	199
Tax	37	45	56	61	37	34	35	36	36	37	38
NOPLAT	153	190	240	260	159	146	149	152	155	158	161
CAPEX	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Working capital	-71	19	-106	3	32	-9	-9	-8	-8	-8	-8
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	83	209	134	263	191	137	140	144	147	150	153
PV FCF	83	193	115	210	141	94	89	86	81	77	
WACC	7.5%	7.6%	7.5%	7.7%	7.6%	7.6%	7.7%	7.7%	7.7%	7.7%	7.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Current Price

37.20 PLN

Upside

9M Target Price

44.90 PLN

+20.7%

	rating	target price	issued
new	buy	44.90 PLN	2019-12-05
old	accumulate	41.89 PLN	2019-07-03
Key Metrics			
Ticker	1AT PW	1M Price Chng	+7.8% +13.2%
ISIN	PLATAL000046	YTD Price Chng	+45.0% +47.7%
Outst. Stock (m)	38.7	ADTV 1M	PLN 0.2m
MC (PLN m)	1,440.2	ADTV 6M	PLN 0.4m
EV (PLN m)	1,913.2	EV/EBITDA 12M fwd	7.9 +0.2%
Free Float	11.6%	EV/EBITDA 5Y avg	7.8 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	866	1,055	813	1,037	1,294
Gross profit	248	284	222	270	333
Gross margin	28.6%	26.9%	27.3%	26.0%	25.8%
EBIT	222	260	190	235	296
Net income	171	201	145	177	226
P/E	8.4	7.2	9.9	8.1	6.4
P/B	1.8	1.7	1.8	1.7	1.6
EV/EBITDA	7.4	6.8	10.0	7.8	6.3
DPS	1.68	3.54	4.70	3.44	4.16
DYield	4.5%	9.5%	12.6%	9.3%	11.2%
Forecast Update (% change)					
Revenue			-16.6%	+3.8%	+16.6%
Gross profit margin			+0.0 p.p.	-0.2 p.p.	-0.2 p.p.
EBIT			-19.0%	+3.2%	+17.4%
Net income			-19.7%	+2.5%	+18.2%
Residential closings			-15.0%	+1.8%	+15.8%

Cash Flow Summary

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	198	38	56	214	138
D&A	1	1	2	2	2
Working capital	-13	-194	-71	19	-106
Investing cash flow	1	1	12	5	4
CAPEX	-1	-1	-1	-2	-2
Financing cash flow	-121	-113	68	-273	-181
Dividends	-65	-137	-183	-133	-161

Relative Valuation Summary

	P/BV			P/E		
	19P	20P	21P	19P	20P	21P
Minimum	0.68	0.87	0.71	4.6	7.3	5.9
Maximum	2.22	2.18	2.15	9.5	15.0	9.6
Median	0.99	1.18	0.93	6.3	8.8	8.3
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,555
Adj. net debt*	516
Other adjustments	-1
Value per share (PLN)	52.69

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	28.58
Relative (DYield)	17%	38.19
DCF	50%	52.69
Cost of equity (9M)		6.3%
9M Target Price		44.90

Dom Development hold (reiterated)

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DOM exceeded expectations in 2019, and this, along with good housing demand, drove its stock 68% higher YTD. The latest guidance (net profit '19 +10% YoY) suggests that the annual result will be ~6% better than consensus. The prospects for 2020-21 are also promising and, in view of the strong increase in housing prices in '19, we expect that the 2020-21 consensus might also be underestimated. We raise our net profit forecasts by 8% in '20 (PLN 271m) and by 26% in '21 (PLN 287m), landing 11% and 31%, respectively, above consensus. In 2020, despite fewer handovers, we expect record results due to the settlement of projects with high price and profit margins. Considering the accumulation of handovers in 4Q'20 (out of 3.8K units to be completed in '20 approx. 45% are to be completed in 4Q), we assume that 950 units will contribute to the 2021 results; and that, with the pace of new home starts in 4Q'19-1H'20, generates potential for high levels of closings and results also in 2021. Equally important, amid a short supply of new homes in Warsaw (-25% YoY), DOM can compete successfully by expanding into the Tricity (offer of +31%) and in Wrocław (+50%) and allows for maintaining stable sales volumes (+4% YoY in 9M'19). The Company's plans assume partial reconstruction of the offer in Warsaw in 4Q, and the extended land bank in the Tricity gives rise to further expansion of business in this location. We therefore expect that handovers in '20-21 will be maintained at a level comparable to '18-19, although their structure is different (WRO and TRI:↑, WWA↓). The prospects for high profits favor the continued high dividends (DY'20-21=11%). In our opinion, however, the current market price of DOM accurately reflects its strengths: operational efficiency, strong balance sheet, dividend potential. We maintain a hold rating for DOM but we raise the target price by 9.6%.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,929	3,633	3,512	3,189	3,892
Revenue/unit (PLN k)	480	455	481	545	490
SG&A	138	162	161	167	173
SG&A/Sales	9.9%	9.8%	9.5%	9.6%	9.1%
EBIT margin	16.8%	17.1%	18.6%	19.4%	18.8%
Net profit margin	13.6%	13.7%	14.9%	15.6%	15.1%
Cash	331	317	311	241	217
Net debt	64	78	143	319	442
Net debt/Equity	6%	7%	13%	29%	40%
Inventory	1,989	2,114	2,370	2,472	2,621
Inventory/Sales	142%	128%	140%	142%	138%
Earnest money deposits	568	625	707	685	705
Deposits/Inventory	29%	30%	30%	28%	27%
Equity	1,002	1,046	1,077	1,096	1,112
ROE	20.5%	22.7%	24.1%	25.2%	26.2%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,689	1,738	1,906	1,699	1,631	1,663	1,697	1,731	1,765	1,800	1,836
EBITDA	325	347	369	281	226	221	223	228	232	236	241
EBITDA margin	19.2%	20.0%	19.4%	16.5%	13.9%	13.3%	13.2%	13.2%	13.1%	13.1%	13.1%
D&A	11	11	11	11	11	11	11	11	11	11	11
EBIT	314	336	358	270	215	210	212	217	221	225	230
Tax	61	64	68	51	41	40	40	41	42	43	44
NOPLAT	253	272	290	218	174	170	172	175	179	183	186
CAPEX	-12	-11	-11	-11	-11	-11	-11	-11	-11	-11	-11
Working capital	-95	-181	-144	39	91	-8	-8	-8	-8	-8	-8
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	157	91	147	257	265	161	163	167	170	174	178
PV FCF	156	84	125	203	195	110	103	98	92	87	
WACC	8.3%	8.0%	7.8%	7.8%	7.9%	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%

Current Price

93.00 PLN

Downside

9M Target Price

88.92 PLN

-4.4%

	rating	target price	issued
new	hold	88.92 PLN	2019-12-05
old	hold	81.10 PLN	2019-09-05
Key Metrics			
	DOM PW	1M Price Chng	+9.4% +14.8%
Ticker	PLDMDVL00012	YTD Price Chng	+72.4% +75.1%
ISIN	25.1	ADTV 1M	PLN 0.2m
Outst. Stock (m)	2,331.4	ADTV 6M	PLN 0.3m
MC (PLN m)	2,474.2	EV/EBITDA 12M fwd	7.9 -9.7%
EV (PLN m)	25.2%	EV/EBITDA 5Y avg	8.7 discount
Free Float			

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,405	1,654	1,689	1,738	1,906
Gross profit	386	455	481	509	537
Gross margin	27.5%	27.5%	28.5%	29.3%	28.2%
EBIT	235	282	314	336	358
Net income	191	227	252	271	287
P/E	12.1	10.2	9.2	8.6	8.1
P/B	2.3	2.2	2.2	2.1	2.1
EV/EBITDA	9.8	8.2	7.5	7.5	7.4
DPS	5.05	7.60	9.05	10.06	10.81
DYield	5.4%	8.2%	9.7%	10.8%	11.6%
Forecast Update (% change)				2019P	2020P
Revenue			-0.0%	-4.3%	+6.9%
Gross profit margin			+1.2 p.p.	+2.4 p.p.	+2.0 p.p.
EBIT			+7.3%	+7.4%	+25.9%
Net income			+7.1%	+7.9%	+26.2%
Closings			-0.4%	-6.6%	+2.8%

Cash Flow Summary

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	198	233	166	89	162
D&A	7	10	15	15	15
Working capital	-9	-1	-95	-181	-144
Investing cash flow	-213	-43	-17	-16	-11
CAPEX	-8	-11	-13	-11	-11
Financing cash flow	-120	-187	-169	-149	-175
Dividends	-126	-190	-227	-252	-271

Relative Valuation Summary

	P/BV			P/E		
	19P	20P	21P	19P	20P	21P
Minimum	0.68	0.87	0.71	4.6	7.3	5.9
Maximum	1.74	1.65	1.54	9.8	15.0	9.6
Median	0.99	1.18	0.93	6.3	8.1	7.4
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,778
Adj. net debt*	305
Other adjustments	0
Value per share (PLN)	99

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	58.50
Relative (DYield)	17%	88.73
DCF	50%	98.67
Cost of equity (9M)		6.3%
9M Target Price		88.92

Retail

AmRest

hold (reiterated)

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Following a series of acquisitions made in previous years, the AmRest debt ratio increased to 2.9x at the end of 3Q'19. The positive effect of the Sushi Shop restaurant consolidation on the dynamics of the Group's results will be reduced in 4Q'19. The results in 4Q'19 can be supported by the recognition of one-off gain on the sale of pizzaportal.pl to Glovo (we assume EUR 30 million). We expect that the pace of organic improvement of EBITDA will fall to several percent YoY vs. 20%+ YoY reported in 1Q-3Q'19. At the 3Q'19 conference, the company again reduced the rate of opening new restaurants to approximately 260-70 restaurants gross (against 300 openings earlier), and most of the new restaurants will be added in 4Q'19. Given the lower rate of openings, the continuation of additional costs associated with the integration of the acquired businesses and the base effect, we expect a slowdown in the improvement rate of clear EBITDA YoY in 2020 to 19.7% YoY. At the same time, we see the limited potential to speed up the rate of growth through acquisitions due to the high level of indebtedness of the company. One option to finance the potential acquisition would be to issue shares. AmRest is currently valued at a premium to Alsea, which represents a very similar business model. Historically, the premium was justified due to the growth of business by a number of acquisitions. Given the prospects for business growth in subsequent years, we believe that the company is adequately valued.

Current Price	46.35 PLN	Upside
9M Target Price	47.00 PLN	+1.4%

	rating	target price	issued
new	hold	47.00 PLN	2019-12-05
old	hold	48.00 PLN	2019-11-06
Key Metrics			
Ticker	EAT PW	1M Price Chng	-2.0% +3.4%
ISIN	ES0105375002	YTD Price Chng	+15.9% +18.6%
Outst. Stock (m)	219.6	ADTV 1M	PLN 31.2m
MC (PLN m)	10,176.3	ADTV 6M	PLN 8.0m
EV (PLN m)	12,847.7	EV/EBITDA 12M fwd	11.9 +7.8%
Free Float	31.1%	EV/EBITDA 5Y avg	11.0 premium

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,238	1,547	1,957	2,226	2,500
EBITDA	131	152	242	262	304
EBITDA margin	10.5%	9.8%	12.3%	11.8%	12.2%
EBIT	63	72	131	135	156
Net income	43	43	63	66	79
P/E	55.4	55.3	37.5	36.2	30.2
P/B	7.6	5.7	5.0	4.4	3.8
EV/EBITDA	20.9	19.3	12.4	11.6	9.9
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)					
EBITDA			+17.5%	+2.9%	-2.8%
Net income			+16.1%	-12.0%	-25.0%
Revenue per restaurant			+1.3%	+2.4%	+2.6%
Adj. EBITDA margin			+0.9p.p.	+0.9p.p.	+0.3p.p.
Restaurant count			-5.2%	-7.6%	-7.2%

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
EBITDA (PL)	370	409	461	516	559
EBITDA (WE)	400	570	802	866	954
EBITDA (ES)	217	244	281	320	348
EBITDA (RU)	142.4	168.5	205.6	255.1	300.0
EBITDA (CZ)	139	170	197	234	276
Operating cash flow	150	164	213	227	262
D&A	78	92	111	127	148
D&A (IFRS 16)	0	0	143.4183	161.3683	181.1572
Working capital	-22	-7	3	20	20
Investing cash flow	-230	-421	-262	-256	-236
CAPEX	-217	-398	-255	-256	-236
Financing cash flow	139	242	-120	-101	-181
Dividends/Buyback	436	283	61	60	0
FCF	-117	-266	-49	-6	51
OCF/EBITDA	101%	94%	85%	86%	86%

Key Ratios (adjusted for IFRS 16)

(%)	2017	2018	2019P	2020P	2021P
EBITDA margin (PL)	12.6%	11.8%	12.3%	11.4%	11.4%
EBITDA margin (WE)	11.6%	10.1%	9.8%	10.6%	11.1%
EBITDA margin (ES)	22.6%	22.0%	19.5%	19.2%	18.7%
EBITDA margin (RU)	11.8%	13.5%	12.1%	12.6%	12.5%
EBITDA margin (CZ)	19.7%	20.8%	19.4%	18.9%	18.9%
Net debt (PLN m)	340	543	614	643	616
Net debt/EBITDA (x)	2.3	3.1	2.5	2.4	2.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	12.3	11.7	11.1	8.1	8.0	7.8
Maximum	58.6	45.5	36.1	35.0	27.3	22.4
Median	26.5	24.2	21.7	15.8	13.5	12.5
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	+
Sales/rest., (PLN k)	204	206	207	211	213	215	215	216	216	217	217
change y/y	12.1%	0.9%	0.5%	1.8%	1.1%	0.8%	0.3%	0.2%	0.2%	0.2%	0.2%
Rest. count	2,393	2,698	3,017	3,288	3,519	3,715	3,901	4,077	4,245	4,405	4,405
Revenue	1,547	1,957	2,226	2,500	2,775	3,001	3,193	3,362	3,523	3,676	3,676
EBITDA	174	250	263	305	345	381	409	431	452	472	472
EBITDA margin	11.2%	12.8%	11.8%	12.2%	12.4%	12.7%	12.8%	12.8%	12.8%	12.8%	12.8%
EBIT	72	131	135	156	185	216	245	271	296	322	322
Tax	20	32	32	37	44	52	59	65	71	77	77
CAPEX	-398	-255	-256	-236	-205	-180	-158	-153	-148	-143	-143
Working capital	-12	-3	20	20	20	17	14	12	12	11	11
FCF	-266	-49	-6	51	115	165	204	223	241	259	259
PV FCF	0	-48	-6	43	89	117	133	133	132	130	
WACC	8.6%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	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	2.0%
PV FCF	2,652
Net debt	543
Other adjustments	43
Value per share (PLN)	40.50

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	48.45
DCF Val.	50%	40.50
Implied Price		44.48
Cost of equity (9M)		6.6%
9M Target Price		47.00

CCC buy (reiterated)

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2019 is not a successful year for CCC. In 9M'19, the results of CCC were affected by (1) optimization of the stocks structure, (2) introduction of a new system for handling logistics (affecting the 1Q'19 result), (3) consolidation of the KVAG loss, (4) restructuring KVAG, (5) consolidation and restructuring of Gino Rossi, (6) additional expenditure on sponsorship and (7) excessive marketing costs (2Q'19 in e-commerce). The company extended its offer by Gino Rossi footwear, DeeZee footwear and sports brands. The improvement of the stocks structure, which is reflected by the decrease in the stock index/sqm by 12% YoY at the end of 3Q'19, despite expanding the offer by Gino Rossi, DeeZee, footwear of sports brands (stocks/sqm -25% YoY in CCC brands), should positively affect the results of 4Q'19 (less promotional activity). In our opinion, the company's EBITDA in 4Q'19 (without IFRS 16) will improve YoY, which should be influenced by (1) maintaining a similar gross margin on sales YoY, despite an increase in the share of sports brands and e-commerce in sales, (2) maintaining the G&A cost discipline, (3) lower KVAG costs, (4) positive effect of consolidation with Gino Rossi and (5) low profit base in the e-commerce segment. We expect that the results will continue to improve in subsequent quarters, supported by (1) improvement of YoY results in KVAG, (2) increasing the attractiveness of the offer (3) improving the result in e-commerce, (4) low base effect (one-off events occurring in 2019) and (5) further improvement of the Gino Rossi result. We have revised our forecasts based on a more conservative sales/sqm estimation formula. Considering the above, we consider that the price excessively discounts the negative events of 2019 and does not take into account the expected path of improving the results in the company from 4Q'19.

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, B&M sales	3,332	3,748	4,567	5,257	5,718
EBITDA, B&M	393	423	300	454	530
Revenue, e-commerce	606	977	1,454	1,890	2,362
EBITDA, e-commerce	88.7	103.0	68.5	158.4	221.6
Gross profit margin	50.9%	50.1%	49.4%	49.3%	48.5%
Operating cash flow	78	996	1,027	1,010	1,195
D&A	93	602	729	822	877
Working capital	-383	244	151	-152	-117
Investing cash flow	-222	-621	-717	-246	-228
CAPEX	245	439	486	246	228
Financing cash flow	515	-515	-276	-669	-1,115
Dividends/Buyback	-101	-95	-20	-82	-82
FCF	-189	274	-87	131	298
FCF/EBITDA	-39%	52%	-24%	21%	40%
OCF/EBITDA	16%	189%	279%	165%	159%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/sqm (PLN)	537	552	550	539	536	525	514	506	501	499	
SG&A/sqm (PLN)	255	248	244	240	239	239	238	238	237	237	
Sales area (k sqm)	754	832	900	936	975	1,009	1,039	1,061	1,085	1,110	
Revenue	6,021	7,147	8,080	8,537	9,001	9,391	9,778	10,176	10,640	11,177	11,457
EBITDA	369	612	751	815	863	858	862	875	904	953	976
EBITDA margin	6.1%	8.6%	9.3%	9.5%	9.6%	9.1%	8.8%	8.6%	8.5%	8.5%	8.5%
EBIT	202	433	567	634	685	684	692	709	742	793	813
Tax	120	82	108	120	130	130	131	135	141	151	155
CAPEX	-486	-246	-228	-155	-168	-155	-149	-133	-141	-150	-150
Working capital	151	-152	-117	-97	-69	-80	-67	-68	-72	-83	-83
FCF	-87	131	298	442	496	493	514	539	549	569	583
PV FCF	-86	120	254	348	360	329	315	303	283	269	
WACC	7.5%	7.7%	7.8%	8.1%	8.4%	8.7%	9.0%	9.0%	9.0%	9.0%	9.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Current Price

108.10 PLN

Upside

9M Target Price

157.00 PLN

+45.2%

	rating	target price	issued
new	buy	157.00 PLN	2019-12-05
old	buy	160.00 PLN	2019-11-06
Key Metrics			
Ticker	CCC PW	1M Price Chng	-4.8% +0.6%
ISIN	PLCCC0000016	YTD Price Chng	-43.9% -41.2%
Outst. Stock (m)	41.1	ADTV 1M	PLN 10.1m
MC (PLN m)	4,445.8	ADTV 6M	PLN 18.6m
EV (PLN m)	5,494.3	EV/EBITDA 12M fwd	6.3 -56.2%
Free Float	59.4%	EV/EBITDA 5Y avg	14.5 discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	3,938	4,726	6,021	7,147	8,080
EBITDA adj.	481	526	369	612	751
EBITDA margin	12.2%	11.1%	6.1%	8.6%	9.3%
EBIT	463	279	202	433	567
Net income	347	133	44	196	295
P/E	12.8	33.4	101.8	22.7	15.0
P/B	3.8	3.9	3.9	3.6	3.1
EV/EBITDA	10.2	9.9	14.9	9.2	7.4
DPS	2.47	2.30	0.48	2.00	2.00
DYield	2.3%	2.1%	0.4%	1.9%	1.9%
Forecast Update (% change)					
EBITDA			-7.2%	-4.0%	-3.7%
Net income			-29.1%	-9.2%	-7.0%
Gross profit margin			-0.2 p.p.	-0.2 p.p.	-0.2 p.p.
B&M sales/sqm			-1.6%	-1.9%	-1.9%
SG&A/sqm			0.0%	0.0%	0.0%

Key Ratios (adjusted for IFRS 16)

(PLN)	2017	2018	2019P	2020P	2021P
Segment result, PL	378	283	339	393	411
Segment result, CEE	111	110	85	116	137
Segment result, WE	-38	-72	-106	-42	-13
e-comm as % of sales	15.4%	20.7%	24.1%	26.4%	29.2%
Cash (PLN m)	512	376	407	502	354
Net debt (PLN m)	406	641	942	1,048	996
Net debt/EBITDA (x)	0.8	0.7	1.0	0.8	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.8	8.1	7.6	7.6	7.7	7.6
Maximum	339.7	90.2	43.7	43.7	26.3	23.7
Median	24.9	22.6	20.2	20.2	15.9	14.9
Weight	10%	20%	20%	10%	20%	20%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.5%
PV FCF	6,741
Net debt	641
Other adjustments	0
Value per share (PLN)	148.30

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	147.40
DCF Val.	50%	148.30
Implied Price		147.85
Cost of equity (9M)		6.4%
9M Target Price		157.00

Dino accumulate (no change)

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In our opinion, Dino's share price was excessively discounted by the Management Board's comment on difficulties with the improvement of the EBITDA margin in 4Q'19 YoY (some market participants deemed this statement applicable to entire 2019) and information on the planned addition of at least the same number of stores in 2020 as in 2019. We would like to note that despite we assumed the deterioration of the EBITDA margin by 0.2pp YoY in 4Q'19 (negative base effect), the company should improve the EBITDA profitability by 0.1pp YoY in 2019. As for openings, the Board's rhetoric was much the same as in previous years when the company finally opened around 120% of the number of stores from the previous year. Taking into account the estimated amount of plots of land secured for stores (estimated 900+ plots), we do not see any risk for achieving the rate of expansion that we have assumed (expanding the network by 293 shops in 2020). The currently low rate of unemployment may pose a risk to the assumed dynamics of openings. In 2020, we assume that the pressure of the payroll cost on the EBITDA margin will be offset by continued increase in sales performance (the company is most exposed to the market segment where disposable income should grow most rapidly) and improved purchasing conditions. As a result, we expect a slight improvement of the EBITDA margin by 0.1pp YoY to 9.5% and an increase of EBITDA at the rate of 31% in 2020. We forecast that the company will improve EBITDA at the rate of 24.7% CAGR 2019-23, which places Dino among most dynamically growing players in the sector. Considering the above, we would use the current price adjustment to accumulate Dino shares.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
Store count	775	977	1,221	1,514	1,837
Total store area (ksqm)	295	376	474	592	724
Avg. store area (sqm)	381	385	388	391	394
Sales margin	23.3%	24.2%	24.4%	25.1%	25.4%
Stores per distr. center	258	244	305	303	306
Operating cash flow	497	643	826	1,107	1,386
D&A	86	112	152	201	258
Working capital	131	125	214	288	343
Investing cash flow	-402	-634	-926	-956	-1,137
CAPEX	-411	-636	-928	-956	-1,137
Financing cash flow	41	82	184	-266	-253
Dividends/Buyback	31	174	117	-200	-203
FCF	50	-55	-102	131	231
FCF/EBITDA	13%	-10%	-14%	14%	19%
OCF/EBITDA	128%	119%	115%	118%	115%

DCF Analysis (adjusted for IFRS 16)

(EUR m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Store count	1,221	1,514	1,837	2,153	2,453	2,738	3,009	3,266	3,511	3,743	3,743
Sales/sqm	1,497	1,552	1,597	1,594	1,608	1,622	1,621	1,620	1,619	1,618	1,618
SG&A/Sales	17.0%	17.7%	17.9%	17.9%	17.9%	18.0%	18.3%	18.3%	18.3%	18.3%	18.3%
Revenue	7,628	9,923	12,611	15,112	17,741	20,343	22,692	24,970	27,178	29,321	29,321
EBITDA	707	929	1,195	1,437	1,695	1,919	2,139	2,346	2,551	2,738	2,748
EBITDA margin	9.3%	9.4%	9.5%	9.5%	9.6%	9.4%	9.4%	9.4%	9.4%	9.3%	9.4%
EBIT	565	739	947	1,123	1,328	1,502	1,674	1,842	2,004	2,161	2,161
Tax	105	140	180	213	252	285	318	350	381	411	1,892
CAPEX	-928	-956	-1,137	-1,121	-1,127	-1,179	-1,056	-1,138	-1,158	-587	-587
Working capital	214	288	343	327	352	308	261	268	260	-345	-345
FCF	-102	131	231	439	678	773	1,036	1,137	1,281	1,405	1,440
PV FCF	-94	112	183	322	459	484	599	607	631	638	
WACC	8.4%	8.4%	7.7%	7.9%	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%

Current Price

136.00 PLN

Upside

9M Target Price

148.60 PLN

+9.3%

	rating	target price	issued
unchanged	accumulate	148.60 PLN	2019-11-25

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	-13.5%	-8.1%
ISIN	PLDINPL00011	YTD Price Chng	+41.9%	+44.6%
Outst. Stock (m)	98.0	ADTV 1M		PLN 45.1m
MC (PLN m)	13,333.4	ADTV 6M		PLN 24.6m
EV (PLN m)	13,980.7	EV/EBITDA 12M fwd	15.3	-4.4%
Free Float	48.9%	EV/EBITDA 5Y avg	16.0	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,463	5,839	7,628	9,923	12,611
EBITDA	389	541	717	939	1,205
EBITDA margin	8.7%	9.3%	9.4%	9.5%	9.6%
EBIT	303	429	565	739	947
Net income	214	308	407	547	728
P/E	62.4	43.4	32.8	24.4	18.3
P/B	14.7	11.0	8.2	6.1	4.6
EV/EBITDA	35.5	25.7	19.5	14.8	11.4
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.	

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019P	2020P	2021P
Days inventory	39.3	36.7	35.5	34.5	33.3
Days receivables	3.1	2.4	1.3	1.3	1.3
Days payables	86.5	94.2	87.2	89.2	90.2
CCC (days)	-44.1	-55.0	-50.3	-53.3	-55.5
SG&A/Sales	16.6%	16.9%	17.0%	17.7%	17.9%
Net debt (PLN m)	485	565	647	561	362
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	-5.4	-4.7	-4.7	11.8	10.4	9.8	6.1	6.8	6.6
Maximum	2.3	1.8	1.6	35.2	24.9	21.8	13.1	12.2	11.4
Median	1.3	1.2	1.1	15.7	13.6	12.3	9.8	7.7	7.3
Weight	11%	11%	11%	11%	11%	11%	11%	11%	11%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	11,023
Net debt	565
Other adjustments	0
Value per share (EUR)	146.87

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	122.20
DCF Val.	50%	146.87
Implied Price		139.47
Cost of equity (9M)		6.5%
9M Target Price		148.60

Eurocash reduce (no change)

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Reorganization and cost optimization allow Eurocash to gradually improve its result in the wholesale segment. In our opinion, the performed operations enabled the company to offset the payroll cost pressure on the business profitability. In 3Q'19, the result in the retail segment significantly improved, where, according to the Management Board's commentary, the improvement of purchasing conditions was the key factor (dynamics of comparable sales in shops was low). In subsequent periods, critical for the retail segment will be (1) improvement of sales performance, which should help reduce the effect of increasing wages on EBITDA profitability (2) and the rate of expansion of the Delikatesy Centrum network (the company should announce its new strategy assumptions in 2020). We draw your attention to the discrepancy between Cash EBITDA (calculated from cash flows from operating activities) and reported EBITDA, which amounted to PLN -30/-17 million in 2018/9M'19, respectively. The main reason for this discrepancy is the different way in which interest costs are recognized since 2018. The dynamics of the calculated Cash EBITDA amounted to -7.7%/+9.8% YoY in 2018/9M, respectively, vs. reported EBITDA of +3%/+10% YoY in 2018/9M'19, respectively. In order to preserve comparability of data with other companies in the sector, we adjust our estimate of the EBITDA result in the valuation. Despite an EBITDA improvement YoY in 3Q'19, the company noted low sales dynamics in C&C, EC Dystrybucja (calculated together with EC Alkohole), own Delikatesy Centrum and the Eko network. Taking into account the base effect, we expect a slowdown in comparable sales in 4Q'19. Low improvement in sales performance may contribute to the company's difficulties in offsetting the negative effect of wage growth in 2020.

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Wholesale (S)	18,539	18,850	19,055	19,109	19,122
Retail (S)	5,829	6,105	6,441	6,771	7,092
New Projects (S)	81	81	81	81	81
Other (EBITDA)	-116	-109	-108	-107	-105
Operating cash flow	494	582	745	763	780
D&A	183	204	214	217	222
D&A (financial lease)	0	0	323	327	321
Working capital	247	196	95	28	42
Investing cash flow	-336	-462	-272	-196	-215
CAPEX	-307	-445	-241	-196	-215
Financing cash flow	-117	-126	-563	-532	-622
Dividends/Buyback	-111	-106	-143	-83	-105
FCF	-64	83	155	163	177
FCF/EBITDA	-26%	24%	41%	41%	42%
OCF/EBITDA	223%	139%	167%	164%	161%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Wholesale (EBITDA)	422	420	415	407	397	395	393	392	392	393	393
Retail (EBITDA)	147	160	182	252	299	327	336	340	342	344	344
New Projects (EBITD)	-44	-42	-41	-40	-40	-40	-40	-40	-40	-40	-40
Revenue	24,581	25,163	25,705	26,089	26,422	26,643	26,763	26,769	26,845	26,921	26,921
EBITDA	379	399	418	482	521	548	556	559	563	566	566
EBITDA margin	1.54%	1.59%	1.63%	1.85%	1.97%	2.06%	2.08%	2.09%	2.10%	2.10%	2.10%
EBIT	181	197	211	266	300	322	327	329	351	354	354
Tax	51	84	83	95	99	104	102	102	109	110	110
CAPEX	-283	-196	-215	-217	-220	-222	-192	-197	-207	-246	-246
Working capital	95	28	42	34	32	26	21	15	19	19	19
FCF	155	163	177	218	249	263	298	289	299	263	263
PV FCF	155	150	152	173	183	179	188	169	162	132	
WACC	7.9%	7.9%	7.9%	7.9%	7.9%	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%

Current Price

21.96 PLN

Downside

9M Target Price

19.80 PLN

-9.8%

	rating	target price	issued
unchanged	reduce	19.80 PLN	2019-11-25

Key Metrics			EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-3.3%	+2.1%
ISIN	PLEURCH00011	YTD Price Chng	+32.3%	+35.0%
Outst. Stock (m)	139.2	ADTV 1M		PLN 5.9m
MC (PLN m)	3,056.0	ADTV 6M		PLN 5.5m
EV (PLN m)	3,558.6	EV/EBITDA 12M fwd	8.9	-11.7%
Free Float	53.0%	EV/EBITDA 5Y avg	10.0	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,814	22,833	24,581	25,163	25,705
EBITDA adj.	361	341	379	399	418
EBITDA margin	1.7%	1.5%	1.5%	1.6%	1.6%
EBIT	38	214	195	212	225
Net income	85	67	83	105	136
P/E	36.0	45.7	36.9	29.0	22.5
P/B	3.0	2.9	3.3	3.3	3.4
EV/EBITDA	9.0	10.2	9.4	8.8	8.3
DPS	0.80	0.76	1.03	0.60	0.76
DYield	3.6%	3.5%	4.7%	2.7%	3.5%
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%

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019P	2020P	2021P
Days inventory	26.3	23.6	23.8	23.9	23.9
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	-24.8	-25.0
SG&A/Sales	11%	12%	12%	12%	12%
Net debt (PLN m)	115	346	442	406	363
Net debt/EBITDA (x)	0.5	0.8	1.0	0.9	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	13.4	10.4	9.8	8.2	7.1	6.8
Maximum	31.8	24.2	19.8	19.5	15.1	12.3
Median	16.5	13.6	12.3	9.9	7.7	7.3
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.5%
PV FCF	3,395
Net debt	346
Other adjustments	61
Value per share (PLN)	21.47

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	16.05
DCF Val.	50%	21.47
Implied Price		18.76
Cost of equity (9M)		5.7%
9M Target Price		19.80

Jeronimo Martins hold (no change)

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The results of Jeronimo Martins in 3Q'19 were consistent with market expectations, and the company reported a high increase in comparable sales, which was partially supported by the base effect and high inflation of food prices. The increase in comparable sales allows for offsetting the negative impact of rising payroll and marketing costs on the profitability of the Biedronka network (the network recorded a flat EBITDA margin YoY). In 2019, a minor improvement in comparable sales and the EBITDA margin was reported by the Portuguese business. The question is the announced reduction of expansion rate of the Ara network in Colombia and focusing on the network's profitability vs. rapid expansion plans (the network has 578 stores at the end of 3Q'19). At the same time, JMT representatives mention the search for potential acquisition targets. As for the Biedronka network, we expect it to maintain a high dynamics of comparable sales in 4Q'19/1Q'20, which should be supported by the base effect and inflation of food prices. From 2Q'20, we expect a slowdown in the lfl dynamics in the Biedronka network, which, in combination with payroll pressure, may force the company to focus on improving the gross margin on sales in order to maintain flat profitability at the EBITDA level in 2020. The YoY EBITDA increase in 2020 should be supported by further improvement of the result of the Hebe network and reduction of losses in the Ara network. As regards risk factors for 2020, we identify: (1) two proceedings conducted by UOKiK against the Biedronka network, and (2) an above-average increase of the minimum wage in 2020.

Current Price

14.54 EUR

Downside

9M Target Price

14.30 EUR

-1.6%

	rating	target price	issued
unchanged	hold	14.30 EUR	2019-10-07

Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-3.9%
ISIN	PTJMT0AE0001	YTD Price Chng	+45.1%
Outst. Stock (m)	629.3	ADTV 1M	EUR 13.1m
MC (EUR m)	9,146.8	ADTV 6M	EUR 12.5m
EV (EUR m)	9,541.3	EV/EBITDA 12M fwd	8.3
Free Float	43.8%	EV/EBITDA 5Y avg	9.5 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	23.7	22.8	20.6	18.5	17.7
P/B	5.1	5.1	4.7	4.3	3.9
EV/EBITDA	10.0	9.9	9.0	8.2	7.7
DPS	0.69	0.64	0.27	0.29	0.30
DYield	4.8%	4.4%	1.9%	2.0%	2.1%
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

	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 buy (upgraded)

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In 2019, the company provides a stable, two-digit increase of the YoY results. Investments made in IT have positive impact on sales performance and cost efficiency. A large proportion of positive effects (including the full scale of introducing the RFID technology) will be recognized in subsequent periods. In 4Q'19, the company should maintain a high dynamics of results, which may additionally be supported by a low base effect (in 4Q'19, the company recognized an additional provision for closing stores). We positively assess the acceleration of plans to expand the sales space to 16%/15% YoY in 2019/2020, respectively, where the main growth factor will be the Sinsay brand in a new format (increasing the product offer and extending the range of potential customers). According to the commentary by the Management Board, the company should record an increase of approx. 3% in SG&A costs/sqm in 2020, despite a significant increase in the minimum wage (we assume a decrease in lease/sqm and an increase of the cost efficiency thanks to IT solutions). In 2020, the company should continue its dynamic increase in sales in the e-commerce channel, which, according to our estimates, should increase by 30% YoY to PLN 1.36 billion (12.5% of total sales). Focusing on shortening the supply chain (deliveries from stores, construction of warehouses serving e-commerce) should support the profitability of the e-commerce channel. Taking into account the acceleration of the surface expansion and the maintenance of cost efficiency, we increase our EBITDA forecast for the company to PLN 1,400/1,656 million in 2019/20, respectively. Considering the above, we upgrade our recommendation from hold to buy.

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue/sqm, PL (Reserv	501	513	497	498	501
Revenue/sqm, RU (Cropp	725	723	730	736	737
Revenue/sqm, CZ (House	631	681	721	733	729
Revenue/sqm, DE (Mohitc	692	616	618	617	622
Revenue/sqm, DE (Sinsay	682	713	744	762	732
Operating cash flow	893	1,212	1,514	1,898	2,316
D&A	293	349	405	483	568
Working capital	0	0	596	695	795
Investing cash flow	101	125	41	-116	-95
CAPEX	-384	-704	-781	-1,124	-1,226
Financing cash flow	-360	21	-656	-173	-185
Dividends/Buyback	66	73	110	82	125
FCF	203	-47	217	99	319
FCF/EBITDA	23%	-4%	16%	6%	17%
OCF/EBITDA	102%	110%	76%	79%	84%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/sqm (PLN)	656	676	680	681	677	670	673	675	683	689	689
SG&A/sqm (PLN)	277	280	280	283	277	274	273	273	278	280	280
Sales area (k sqm)	1,252	1,434	1,626	1,835	2,025	2,173	2,310	2,424	2,545	2,655	2,655
Revenue	9,226	10,894	12,494	14,141	15,684	16,881	18,091	19,186	20,373	21,501	21,501
EBITDA	1,400	1,656	1,908	2,119	2,346	2,465	2,633	2,797	2,915	3,135	3,135
EBITDA margin	15.2%	15.2%	15.3%	15.0%	15.0%	14.6%	14.6%	14.6%	14.3%	14.6%	14.6%
EBIT	1,010	1,173	1,340	1,476	1,701	1,831	1,997	2,147	2,240	2,370	2,370
Tax	366	317	268	295	340	366	399	429	448	474	474
CAPEX	-873	-1,124	-1,226	-714	-589	-656	-730	-809	-894	-765	-765
Working capital	41	-116	-95	-83	-78	-61	-62	-56	-61	-352	-352
FCF	217	99	319	1,026	1,338	1,381	1,442	1,503	1,513	1,544	1,582
PV FCF	201	84	250	742	892	849	817	784	728	684	
WACC	8.4%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Current Price

8,575.00 PLN

Upside

9M Target Price

10,100.00 PLN

+17.8%

	rating	target price	issued
new	buy	10,100.00 PLN	2019-12-05
old	hold	8,500.00 PLN	2019-10-07
Key Metrics			
		LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	+2.8% +8.2%
ISIN	PLLPP0000011	YTD Price Chng	+10.1% +12.8%
Outst. Stock (m)	1.9	ADTV 1M	PLN 19.2m
MC (PLN m)	15,884.5	ADTV 6M	PLN 17.6m
EV (PLN m)	15,187.3	EV/EBITDA 12M fwd	9.4 -29.4%
Free Float	69.5%	EV/EBITDA 5Y avg	13.3 discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,029	8,047	9,226	10,894	12,494
EBITDA	872	1,106	1,400	1,656	1,908
EBITDA margin	12.4%	13.7%	15.2%	15.2%	15.3%
EBIT	578	757	1,010	1,173	1,340
Net income	441	505	625	847	1,063
P/E	36.0	31.4	25.4	18.7	14.9
P/B	6.5	5.6	4.7	3.8	3.1
EV/EBITDA adj.	17.9	13.7	10.8	9.2	7.9
DPS	35.71	39.96	59.97	44.92	68.36
DYield	0.4%	0.5%	0.7%	0.5%	0.8%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			+11.2%	+17.6%	+21.6%
Net income			-16.7%	+11.5%	+27.8%
Sales per sqm			-0.6%	+0.5%	-1.5%
SG&A/sqm			-1.3%	-2.1%	-5.5%
Sales area			2.2%	6.6%	11.5%

Key Ratios (adjusted for IFRS 16)

(k sqm)	2017	2018	2019P	2020P	2021P
Salea area, Reserved	562	617	672	686	706
Salea area, Cropp	127	134	151	171	190
Sales area, House	111	116	130	153	170
Sales area, Mohito	104	109	114	115	119
Sales area, Sinsay	85	103	175	301	433
Gross profit margin	1	1	1	1	1
Net debt/EBITDA (x)	-0.4	-0.7	-0.5	-0.4	-0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	23.1	20.1	14.4	8.4	7.1	6.2
Maximum	41.9	22.7	21.3	15.5	11.6	11.0
Median	24.7	21.3	19.9	11.1	10.3	9.8
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	17,677
Net debt	-753
Other adjustments	0
Value per share (PLN)	9,900

Valuation Summary

(PLN)	Weight	cena
Relative Val.	50%	9,000
DCF Val.	50%	9,900
Implied Price		9,450
Cost of equity (9M)		6.4%
9M Target Price		10,100

VRG

accumulate (no change)

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In 2019, VRG consolidated the results of Bytom and experienced the first positive synergy effects. The company modified its pricing policy, which had a positive effect on the gross margin on sales and a slightly negative effect on sales performance/sqm. In 2019, the Bytom brand records a decrease in sales/sqm, which, in our opinion, indicates bad customer reception of the brand's collection (also in 4Q'19). Bytom's poor performance is one of the main reasons behind the lower-than-expected performance dynamics in the clothing segment. The jewelry segment records a high increase in comparable sales, which, thanks to the operating leverage effect, positively affects the operating profitability of the segment. According to the VRG's assumptions, the W. Kruk brand will increase sales space at a rate of 10% YoY in 2020 (both organic growth and franchising), which will increase the company's demand for working capital during this period. The challenge for VRG in 2020 will be to improve the sales/sqm ratio in the clothing segment (mainly Bytom and Vistula brands), which should allow for a reduction in the pressure of the payroll costs on segment profitability. Given the lower-than-expected performance in the clothing segment, in the last report we revised our EBITDA forecasts (cleaned by IFRS 16) for the company to PLN 109/121 million for 2019/20, respectively.

Current Price

4.00 PLN

Upside

9M Target Price

4.50 PLN

+12.5%

	rating	target price	issued
unchanged	accumulate	4.50 PLN	2019-12-02

Key Metrics	VRG PW	1M Price Chng	VRG PW	vs. WIG
Ticker	VRG PW	1M Price Chng	-2.4%	+3.0%
ISIN	PLVSTLA00011	YTD Price Chng	-1.0%	+1.7%
Outst. Stock (m)	234.5	ADTV 1M		PLN 0.6m
MC (PLN m)	937.8	ADTV 6M		PLN 0.7m
EV (PLN m)	996.5	EV/EBITDA 12M fwd	6.9	-21.1%
Free Float	40.5%	EV/EBITDA 5Y avg	8.7	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	689	806	1,068	1,168	1,255
EBITDA adj.	78	89	204	223	237
EBITDA margin	11.4%	11.1%	19.1%	19.1%	18.9%
EBIT	63	72	92	105	114
Net income	43	54	61	73	81
P/E	16.1	17.5	15.4	12.8	11.5
P/B	1.3	1.2	1.1	1.0	0.9
EV/EBITDA adj.	10.1	11.2	9.2	8.2	7.2
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%
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	677	728	772
Fashion EBIT	29	33	39	43	47
Jewelry Sales	271	323	378	427	469
Jewelry EBIT	34.0	39.4	46.9	55.1	59.7
Gross profit margin	52.2%	51.2%	52.2%	53.0%	53.1%
Operating cash flow	21	54	103	120	166
D&A	16	17	23	23	24
D&A (IFRS 16)	0	0	88	95	99
Working capital	-27	-21	-60	-66	-32
Investing cash flow	-15	-19	-18	-25	-25
Financing cash flow	-5	-18	-41	-107	-111
Credit/loans	-8	8	113	-12	-12
FCF	19	37	7	12	54
FCF/EBITDA	25%	41%	7%	10%	41%
OCF/EBITDA	26%	60%	14%	20%	52%

Key Ratios (adj. for IFRS 16)

(PLN)	2017	2018	2019P	2020P	2021P
Sales/sqm, Fashion	1,495	1,207	1,303	1,340	1,380
Sales/sqm, Jewelry	2,602	2,814	2,970	3,049	3,161
SG&A/sqm, Fashion	618	420	579	615	634
SG&A/sqm, Jewelry	1,062	1,118	1,214	1,242	1,292
Cash (PLN m)	16	34	78	66	96
Net debt (PLN m)	99	63	66	66	24
Net debt/EBITDA (x)	1.3	0.7	0.6	0.5	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	6.1	5.8	5.3	4.8	4.4	4.1
Maximum	44.1	27.6	25.8	17.2	16.9	15.9
Median	15.6	14.7	13.5	8.5	7.4	6.5
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)	1,646	1,706	1,764	1,808	1,813	1,814	1,814	1,827	1,842	1,856	
SG&A/sqm (PLN)	725	758	784	800	810	816	816	821	828	834	
Sales area (ksqm)	55	58	60	62	64	66	68	70	72	74	
Revenue	1,055	1,155	1,241	1,318	1,367	1,410	1,453	1,509	1,569	1,632	1,665
EBITDA	109	121	130	140	139	139	143	147	152	157	160
EBITDA margin	10.3%	10.5%	10.5%	10.6%	10.2%	9.8%	9.8%	9.8%	9.7%	9.6%	9.6%
EBIT	86	98	106	116	114	114	117	122	127	132	135
Tax	16	19	20	22	22	22	22	23	24	25	26
CAPEX	26	25	25	25	26	26	25	25	26	25	25
Working capital	-60	-66	-32	-29	-16	-15	-15	-17	-17	-7	-7
FCF	7	12	54	63	76	77	79	81	85	100	102
PV FCF	7	11	45	48	53	50	47	44	43	46	
WACC	8.7%	9.1%	8.9%	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	1,104
Net debt	63
Other adjustments	0
Value per share (PLN)	4.44

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.00
DCF Val.	50%	4.44
Implied Price		4.22
Cost of equity (9M)		6.4%
9M Target Price		4.50

List of abbreviations and ratios contained in the report:

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

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

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ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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Economic profits – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

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

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



Comparable Companies Used In Relative Valuation Models

11 bit studios	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts, Paradox Interactive
Agora	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroeer Media,
AmRest	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Panera Bread, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
Asseco Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
Atal, Dom Development	Archicom, Atal, Develia, Dom Development, Lokum Deweloper, Echo Investment
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voox Net-a-Porter, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
CEZ, Enea, 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
Eurocash	Carrefour, Dixy Group, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Epiroc, Caterpillar, Duro Felguera, Komatsu, Sandvik
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	Carrefour, Eurocash, Magnit, Tesco, X5
JSW	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukin Asam, Henan Shenhua, Shanxi Xishan Coal & Elec, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heima, China Coal, Shougang Fushan Resources, Cokal, Teck Resources, Walter Energy, Stanmore Coal, Terracom, Cloud Peak Energy, Natural Resource Partners, Rio Tinto, BHP Billiton, Warrior Met Coal
Kernel	Astarta, Andersnons, ADM, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland, Nisshin Oillio Group, Ovostar, Wilmar
Kęty	Alcoa, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Impexmetal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
KGHM	Anglo American, Antofagasta, BHP Billiton, Boliden, First Quantum Minerals, Freeport-McMoRan, Grupo Mexico, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
Kruk	Arrow Global, Collection House, Credit Corp, Encore Capital, Intrum, PRA Group
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
PKP Cargo	Aurizon Holdings, Canadian Pacific Railway, Center for Cargo Container, China Railway Group, CSX Corp, Daqin Railway, Genesee & Wyoming, Global Ports Holding, Globaltrans Investment, Hamburger Hafen und Logistik, Hub Group, Kansas City Southern, Kuehne + Nagel International, Nikkon Holdings, Norfolk Southern Corp, Rumo, Tidewater Midstream, Union Pacific Corp
Play	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, Telecom Italia, TalkTalk, Tele2, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
Skarbiec Holding	Affiliated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
Stelmet	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pflaiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmarin, West Fraser
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
VRG	H&M, Inditex, Kappahl, Marks & Spencer, Next, Hugo Boss, CCC, LPP, Tiffany, Pandora, Lao Feng, Chow Sang, Luk Fook, Chow Tai Fook, Lao Fen Xiang

Recommendations Issued In the 12 Months Prior To This Publication

11 bit studios

Rating	buy	buy	buy
Rating date	2019-12-05	2019-11-06	2019-05-20
Target price (PLN)	454.00	483.00	518.00
Price on rating day	360.50	332.00	398.00

AC

Rating	neutral	neutral	underweight	neutral
Rating date	2019-12-05	2019-10-30	2019-08-30	2019-03-22
Target price (PLN)	-	-	-	-
Price on rating day	43.20	41.00	43.60	48.50

Agora

Rating	buy
Rating date	2019-10-30
Target price (PLN)	17.00
Price on rating day	9.50

Ailleron

Rating	neutral	neutral	underweight
Rating date	2019-10-31	2019-06-28	2019-01-31
Target price (PLN)	-	-	-
Price on rating day	7.16	8.40	11.75

Alor Bank

Rating	hold	buy	buy	buy	buy
Rating date	2019-11-06	2019-07-03	2019-06-03	2019-02-01	2018-12-05
Target price (PLN)	31.00	72.30	77.00	87.00	92.50
Price on rating day	29.34	51.10	52.80	57.50	56.65

Alumetal

Rating	neutral	neutral	underweight	underweight	neutral	neutral
Rating date	2019-12-05	2019-10-07	2019-08-30	2019-05-29	2019-04-15	2019-03-28
Target price (PLN)	-	-	-	-	-	-
Price on rating day	39.30	35.40	34.50	38.20	41.40	40.50

Amica

Rating	neutral	neutral	neutral	overweight
Rating date	2019-12-05	2019-09-20	2019-04-29	2019-04-02
Target price (PLN)	-	-	-	-
Price on rating day	133.20	118.00	130.00	143.00

AmRest

Rating	hold	hold	accumulate	buy	accumulate	buy
Rating date	2019-12-05	2019-11-06	2019-10-07	2019-04-02	2019-03-05	2018-12-05
Target price (PLN)	47.00	48.00	48.00	48.00	46.00	46.00
Price on rating day	46.35	47.20	44.05	41.20	41.40	39.60

Apator

Rating	neutral	underweight	neutral	neutral	overweight	overweight	neutral	underweight
Rating date	2019-12-05	2019-10-18	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	21.10	22.00	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	neutral	overweight
Rating date	2019-12-05	2019-03-29	2019-02-28
Target price (PLN)	-	-	-
Price on rating day	27.60	29.50	26.60

Asseco Poland

Rating	hold	hold	hold	accumulate	hold
Rating date	2019-12-05	2019-06-03	2019-03-05	2019-02-04	2018-12-05
Target price (PLN)	59.20	50.80	53.00	51.20	49.60
Price on rating day	57.35	51.10	54.30	48.00	48.30

Asseco SEE

Rating	overweight	overweight	overweight
Rating date	2019-12-05	2019-10-10	2019-04-11
Target price (PLN)	-	-	-
Price on rating day	25.60	19.40	14.20

Astarta

Rating	overweight	overweight	overweight
Rating date	2019-12-05	2019-10-30	2019-09-05
Target price (PLN)	-	-	-
Price on rating day	15.90	16.85	23.00

Atal

Rating	buy	accumulate	accumulate	hold
Rating date	2019-12-05	2019-07-03	2019-06-06	2019-04-02
Target price (PLN)	44.90	41.89	43.16	41.03
Price on rating day	37.20	36.60	39.10	39.90

Atende

Rating	neutral	neutral	neutral
Rating date	2019-12-05	2019-10-31	2019-01-31
Target price (PLN)	-	-	-
Price on rating day	3.06	3.14	4.40

BBI Development

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

Boryszew

Rating	neutral	neutral	underweight	underweight	neutral
Rating date	2019-12-05	2019-10-30	2019-09-20	2019-07-26	2019-04-29
Target price (PLN)	-	-	-	-	-
Price on rating day	4.09	4.29	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	buy	buy	hold	buy	buy	buy
Rating date	2019-12-05	2019-11-06	2019-09-05	2019-06-06	2019-04-02	2019-02-04	2018-12-05
Target price (PLN)	157.00	160.00	161.00	161.00	275.00	291.00	288.00
Price on rating day	108.10	112.20	131.90	153.80	217.00	178.80	204.60

CD Projekt

Rating	accumulate	accumulate	accumulate	accumulate	accumulate	accumulate
Rating date	2019-12-05	2019-11-06	2019-09-05	2019-05-09	2019-04-02	2019-02-04
Target price (PLN)	281.30	276.40	272.50	237.50	221.00	217.70
Price on rating day	260.30	255.20	251.30	215.00	204.00	190.00

CEZ

Rating	buy	accumulate	hold	hold
Rating date	2019-12-05	2019-06-25	2019-04-02	2019-02-04
Target price (CZK)	597.80	597.80	565.50	537.80
Price on rating day	502.00	544.00	540.50	568.00

Ciech

Rating	buy	buy	hold	buy	buy	buy	buy
Rating date	2019-12-05	2019-09-05	2019-07-03	2019-06-03	2019-05-09	2019-04-02	2019-02-04
Target price (PLN)	44.41	42.03	41.72	55.00	68.11	68.66	75.82
Price on rating day	36.40	34.00	41.60	42.65	44.85	54.80	52.40

Cognor

Rating	hold	hold	accumulate	hold	accumulate	accumulate	overweight	neutral	underweight	neutral
Rating date	2019-12-05	2019-11-04	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)	1.25	1.55	2.00	1.84	1.84	1.79	-	-	-	-
Price on rating day	1.17	1.52	1.65	1.75	1.77	1.64	1.60	1.59	1.94	1.80

Comarch

Rating	buy	buy	buy	buy	hold	accumulate
Rating date	2019-11-25	2019-07-25	2019-04-17	2019-03-05	2019-02-04	2018-12-05
Target price (PLN)	250.00	231.00	230.00	195.00	160.80	173.30
Price on rating day	189.50	178.50	181.00	162.50	155.00	160.00

Cyfrowy Polsat

Rating	reduce	reduce
Rating date	2019-11-14	2019-05-31
Target price (PLN)	26.10	24.15
Price on rating day	28.86	26.00

Develia

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

Dino

Rating	accumulate	hold	sell	sell	reduce	hold	accumulate
Rating date	2019-11-25	2019-08-23	2019-08-13	2019-08-02	2019-04-02	2019-02-04	2018-12-05
Target price (PLN)	148.60	149.20	111.20	112.70	112.70	105.90	106.30
Price on rating day	134.00	149.60	135.90	143.80	126.10	100.30	100.40

Dom Development

Rating	hold	hold	hold	hold	hold	accumulate	buy
Rating date	2019-12-05	2019-09-05	2019-07-03	2019-06-06	2019-04-02	2019-02-04	2018-12-05
Target price (PLN)	88.92	81.10	79.80	82.65	84.40	84.10	84.10
Price on rating day	93.00	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	2019-11-06	2019-06-25	2019-04-02	2019-02-04
Target price (PLN)	11.53	12.41	12.51	13.12
Price on rating day	8.59	8.53	8.76	10.73

Energa

Rating	buy	buy	buy	buy
Rating date	2019-11-06	2019-06-25	2019-04-02	2019-02-04
Target price (PLN)	11.67	12.67	12.21	13.26
Price on rating day	6.37	7.33	8.58	10.14

Erbud

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

Ergis

Rating	suspended	neutral	neutral	neutral	overweight	overweight	underweight
Rating date	2019-12-05	2019-10-30	2019-08-30	2019-05-29	2019-04-29	2019-02-27	2018-12-05
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	3.84	3.20	2.48	3.00	3.00	2.75	2.80

Erste Group

Rating	accumulate	buy	buy	buy
Rating date	2019-12-05	2019-08-28	2019-02-04	2018-12-05
Target price (EUR)	36.61	40.38	43.72	46.18
Price on rating day	32.20	30.03	31.00	34.41

Eurocash

Rating	reduce	sell	reduce	hold	reduce	reduce	sell	reduce	hold
Rating date	2019-11-25	2019-11-06	2019-09-05	2019-08-02	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-12-05
Target price (PLN)	19.80	18.10	18.10	18.10	18.10	18.90	18.90	17.90	18.20
Price on rating day	22.22	23.80	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	2019-12-05	2019-08-07	2019-08-02	2019-07-03	2019-06-03	2019-05-09	2019-02-04
Target price (PLN)	5.18	5.33	6.71	6.96	6.67	6.90	6.61
Price on rating day	2.98	4.42	4.47	5.24	4.85	4.82	4.98

Forte

Rating	neutral	neutral	neutral
Rating date	2019-12-05	2019-09-20	2019-04-29
Target price (PLN)	-	-	-
Price on rating day	28.15	23.25	28.35

Getin Noble Bank

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	0.33

Grupa Azoty

Rating	hold	hold	hold	hold	hold	accumulate	accumulate	buy	hold
Rating date	2019-12-05	2019-11-06	2019-10-07	2019-09-05	2019-08-02	2019-07-03	2019-06-03	2019-05-09	2019-03-05
Target price (PLN)	32.75	37.12	34.09	39.77	45.93	45.93	44.42	45.39	43.20
Price on rating day	30.00	36.58	31.18	39.98	42.30	42.10	39.86	35.92	43.88

GTC

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

Handlowy

Rating	accumulate	accumulate	accumulate	buy	buy	hold	reduce	accumulate
Rating date	2019-12-05	2019-07-03	2019-06-03	2019-05-21	2019-05-09	2019-03-05	2019-02-01	2018-12-05
Target price (PLN)	57.44	59.45	61.00	61.00	65.50	65.50	65.50	76.00
Price on rating day	51.70	53.60	53.70	52.40	52.80	65.90	69.10	71.10

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	hold	accumulate	hold	reduce	hold	accumulate
Rating date	2019-12-05	2019-10-07	2019-09-05	2019-08-02	2019-07-03	2019-02-01	2018-12-05
Target price (PLN)	187.77	197.53	197.53	191.80	191.80	191.80	199.63
Price on rating day	190.80	194.80	187.40	189.80	203.50	191.40	183.60

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	buy	accumulate	hold	reduce	hold	reduce	reduce
Rating date	2019-12-05	2019-09-05	2019-07-03	2019-05-09	2019-03-25	2019-02-20	2019-02-04	2018-12-05
Target price (PLN)	28.04	39.29	50.02	54.80	54.80	60.68	60.68	59.14
Price on rating day	18.80	26.50	47.00	49.86	62.50	59.96	68.30	71.20

JWC

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

Kemel

Rating	hold	reduce	reduce	buy	buy
Rating date	2019-12-05	2019-10-07	2019-08-19	2019-06-03	2019-03-05
Target price (PLN)	41.60	40.76	42.70	58.63	62.86
Price on rating day	41.20	42.90	48.60	46.50	49.20

Grupa Kęty

Rating	hold	hold	hold	hold	hold	reduce	hold	hold	reduce
Rating date	2019-12-05	2019-11-06	2019-10-07	2019-09-05	2019-07-03	2019-06-03	2019-04-02	2019-01-18	2018-12-05
Target price (PLN)	335.44	333.45	298.64	327.11	345.32	326.37	341.33	324.30	309.30
Price on rating day	338.50	313.50	283.00	310.00	337.00	347.50	324.00	336.50	343.00

KGHM

Rating	hold	hold	accumulate	accumulate	hold	reduce	hold	hold	hold	hold	hold
Rating date	2019-12-05	2019-11-08	2019-11-06	2019-10-14	2019-08-22	2019-08-05	2019-07-03	2019-06-03	2019-04-02	2019-02-04	2018-12-05
Target price (PLN)	85.54	96.13	96.14	90.12	77.51	80.38	98.35	91.71	105.57	92.41	84.56
Price on rating day	88.66	96.70	91.64	79.92	74.90	87.78	101.70	95.00	109.40	94.16	92.60

Komerční Banka

Rating	buy	buy	accumulate	buy	accumulate
Rating date	2019-12-05	2019-08-28	2019-08-02	2019-05-09	2018-12-05
Target price (CZK)	928.20	945.02	1000.00	1000.00	1000.00
Price on rating day	792.00	817.00	872.00	873.00	906.50

Kruk

Rating	buy	buy	buy	buy
Rating date	2019-12-05	2019-04-02	2019-02-04	2018-12-05
Target price (PLN)	210.31	213.65	279.32	292.77
Price on rating day	150.90	152.30	167.60	177.10

Kruszwica

Rating	overweight	overweight	overweight	neutral
Rating date	2019-12-05	2019-10-07	2019-09-20	2019-04-02
Target price (PLN)	-	-	-	-
Price on rating day	45.80	44.40	43.00	43.90

Lokum Deweloper

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

Lotos

Rating	reduce	sell	sell	sell	sell	sell
Rating date	2019-12-05	2019-08-02	2019-06-03	2019-04-02	2019-03-05	2019-02-04
Target price (PLN)	77.80	72.31	65.95	65.41	65.18	65.36
Price on rating day	85.20	88.66	87.82	86.22	93.90	93.00

LPP

Rating	buy	hold	buy	accumulate	accumulate	hold	buy	accumulate	buy
Rating date	2019-12-05	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)	10,100.00	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	8,575.00	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	neutral
Rating date	2019-12-05	2019-09-20	2019-05-29	2019-05-09	2019-04-29
Target price (PLN)	-	-	-	-	-
Price on rating day	72.00	66.00	69.50	69.00	71.00

Millennium

Rating	hold	sell	reduce	buy	accumulate
Rating date	2019-12-05	2019-11-06	2019-10-07	2019-08-02	2019-02-01
Target price (PLN)	5.47	5.18	5.18	10.00	10.00
Price on rating day	5.49	6.40	5.48	7.51	8.82

MOL

Rating	accumulate	accumulate	buy	accumulate	hold	hold	hold	hold	hold
Rating date	2019-11-27	2019-11-06	2019-10-07	2019-08-02	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05
Target price (HUF)	3,302.00	3,258.00	3,258.00	3,258.00	3,223.00	3,223.00	3,423.00	3,433.00	3,280.00
Price on rating day	2,926.00	3,042.00	2,826.00	3,004.00	3,276.00	3,278.00	3,250.00	3,284.00	3,206.00

Moneta Money Bank

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

Monnari

Rating	suspended	neutral	underweight
Rating date	2019-12-05	2019-07-17	2018-12-05
Target price (PLN)	-	-	-
Price on rating day	2.99	4.66	4.75

Netia

Rating	hold
Rating date	2019-12-05
Target price (PLN)	4.70
Price on rating day	4.44

Orange Polska

Rating	accumulate	buy	accumulate	hold
Rating date	2019-11-29	2019-09-05	2019-08-02	2019-06-19
Target price (PLN)	7.40	7.50	7.50	7.50
Price on rating day	6.46	6.12	6.70	7.29

OTP Bank

Rating	hold	accumulate	buy	hold	buy	hold	accumulate
Rating date	2019-12-05	2019-11-06	2019-08-28	2019-08-02	2019-07-03	2019-04-02	2018-12-05
Target price (HUF)	14,681.00	14,681.00	14,681.00	13,046.00	13,046.00	13,046.00	13,046.00
Price on rating day	14,870.00	13,860.00	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

Pekao

Rating	buy	buy	accumulate	buy	buy	buy
Rating date	2019-12-05	2019-08-02	2019-07-03	2019-05-30	2019-02-01	2018-12-05
Target price (PLN)	115.20	119.75	121.00	121.00	131.80	136.29
Price on rating day	96.34	99.88	112.95	103.75	110.60	113.25

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	2019-10-24	2019-06-25	2019-06-03	2019-05-09	2019-04-02	2019-03-26	2019-02-04
Target price (PLN)	12.20	13.26	13.39	13.38	13.66	13.77	14.47
Price on rating day	8.42	9.00	9.23	8.61	10.10	9.88	11.86

PGNIG

Rating	buy	buy	accumulate	buy	accumulate	hold	hold
Rating date	2019-11-06	2019-09-05	2019-08-02	2019-05-28	2019-04-02	2019-03-05	2019-02-04
Target price (PLN)	5.64	6.33	6.33	6.47	6.92	7.08	7.72
Price on rating day	5.07	4.49	5.62	5.58	6.31	6.58	7.63

PKN Orlen

Rating	hold	reduce	hold	sell	sell	sell	sell
Rating date	2019-12-05	2019-11-14	2019-08-01	2019-06-03	2019-04-02	2019-03-05	2019-02-04
Target price (PLN)	94.17	94.17	92.82	80.01	79.39	81.22	83.43
Price on rating day	88.50	102.45	97.36	96.78	99.94	101.50	104.70

PKO BP

Rating	accumulate	buy	accumulate	accumulate	hold	accumulate
Rating date	2019-12-05	2019-08-02	2019-06-26	2019-05-09	2019-02-01	2018-12-05
Target price (PLN)	39.50	47.17	47.17	40.92	40.92	45.00
Price on rating day	34.99	39.34	42.20	37.78	39.51	41.96

PKP Cargo

Rating	reduce	reduce
Rating date	2019-12-05	2019-11-26
Target price (PLN)	18.13	20.44
Price on rating day	20.00	22.40

Play

Rating	buy	buy	hold	accumulate	hold	buy	accumulate	accumulate	hold
Rating date	2019-11-14	2019-09-12	2019-09-05	2019-08-02	2019-07-03	2019-05-31	2019-05-09	2019-04-12	2019-02-04
Target price (PLN)	36.00	33.10	34.20	34.20	29.00	29.00	25.25	26.70	21.30
Price on rating day	31.30	27.16	33.34	31.22	33.34	25.08	24.42	24.08	22.80

Polnord

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

Pozbud

Rating	neutral	neutral	overweight
Rating date	2019-12-05	2019-09-05	2019-04-29
Target price (PLN)	-	-	-
Price on rating day	1.80	2.14	2.37

PZU

Rating	accumulate	buy	hold	accumulate	accumulate	hold	accumulate
Rating date	2019-12-05	2019-09-05	2019-07-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05
Target price (PLN)	41.91	43.38	43.38	43.38	46.50	46.50	46.50
Price on rating day	36.47	36.59	44.35	40.79	42.00	44.66	43.80

RBI

Rating	accumulate	hold	accumulate
Rating date	2019-12-05	2019-11-06	2019-08-28
Target price (EUR)	23.05	23.05	23.05
Price on rating day	21.24	22.83	20.44

Ronson

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

Santander Bank Polska

Rating	hold	reduce	hold	hold	reduce	hold	hold	accumulate
Rating date	2019-12-05	2019-11-06	2019-10-07	2019-08-02	2019-07-12	2019-06-03	2019-02-01	2018-12-05
Target price (PLN)	265.50	276.55	276.55	337.00	337.00	377.27	388.00	400.00
Price on rating day	279.00	317.40	286.00	319.60	357.20	365.20	373.80	364.80

Skarbiec Holding

Rating	buy	buy	buy
Rating date	2019-12-05	2019-06-03	2018-12-05
Target price (PLN)	29.34	28.17	31.36
Price on rating day	17.20	16.50	23.50

Stelmet

Rating	hold	hold	hold	hold	hold	hold
Rating date	2019-12-05	2019-10-07	2019-09-05	2019-07-03	2019-03-05	2019-02-04
Target price (PLN)	8.78	8.10	6.50	7.95	8.36	8.39
Price on rating day	8.20	7.90	6.70	7.00	10.25	8.88

Tarczyński

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

Tauron

Rating	buy	buy	buy	buy
Rating date	2019-11-06	2019-06-25	2019-04-02	2019-02-04
Target price (PLN)	2.45	2.52	2.89	3.12
Price on rating day	1.73	1.57	2.03	2.37

TIM

Rating	overweight	overweight	overweight
Rating date	2019-12-05	2019-04-29	2018-12-05
Target price (PLN)	-	-	-
Price on rating day	10.90	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

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	accumulate	buy	overweight	overweight	overweight
Rating date	2019-12-02	2019-07-26	2019-05-29	2019-03-28	2018-12-05
Target price (PLN)	4.50	5.20	-	-	-
Price on rating day	3.94	4.20	3.90	4.29	3.83

Wasko

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

Wirtualna Polska

Rating	hold	hold	accumulate	buy
Rating date	2019-12-05	2019-07-03	2019-02-04	2018-12-05
Target price (PLN)	70.00	61.50	61.50	61.50
Price on rating day	68.20	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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