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Monthly Market Outlook: February 2020

Equity Market, Macroeconomics

Equity Market

The coronavirus outbreak is not the end of the world, but it does have implications for the global economy which, we feel, are being made light of while investors get excited about last year's earnings and data. We see a period of downward growth- and profit forecast revisions ahead.

Sector Outlook

Financials

Charges related to CHF loan risk and prepaid loan cost refunds cast a long shadow over the 2019 fourth-quarter earning season in the Polish bank sector, whose aggregate net income for the period will most likely fall 21% from a year earlier. At the same time, the market's expectations for FY2020 look overestimated. Look outside of Poland for portfolio choices

Chemicals

Chemical companies are capitalizing on falling prices of gas feedstocks and coal fuel. We see upside potential in Ciech, and we also like Grupa Azoty, with its improved profit outlook thanks to lower costs of gas.

Oil & Gas

As market conditions deteriorate, so do the valuations of oil stocks. Analysts are overdue to revise their earnings expectations for refiners to reflect tight cracking spreads and shift in business cycle. We have a similarly bearish outlook for PGNiG as natural gas prices hit record lows.

Power Utilities

Power utilities kicked off 2020 on a down note (household tariff, warm winter) with no near-term positive catalysts in sight. The market will probably be slightly disappointed by the sector's fourth-quarter results, on top of future plans which show little focus on value growth.

Telecoms, Media, IT

We see upside potential in ASE and ABS in February, and in Media we still pick Agora over others even after a 23% rally in the last three months. In telco, we prefer Play over Cyfrowy Polsat (PLY + 18% vs. CPS in last three months).

Industrials & Mining

We expect 47% of our industrials universe to report year-over-year profit declines in Q4 2019. There is potential for positive surprises from Amica and TIM, while Kernel and PKP Cargo will most likely disappoint. We have Astarta, Famur, Kruszewica, and TIM as our top February picks. We would avoid Boryszew, Forte, and PKP Cargo. In Mining, the industry is affected by the coronavirus outbreak and its impact on business activity in China. In copper in particular, where China accounts for 50% of total demand, there are fears about an inventory buildup leading to a further downward shift in prices. Against this backdrop, we would steer clear of KGH.

Property Developers

Residential developers reported strong pre-sales results for Q4 2019, supported by high housing demand. On the other hand, completions were down in the period vis-à-vis the year-ago levels, resulting in likely profit declines at DOM, DVL, and ARH, among others. Atal (1AT) generated higher profits in Q4 than in the year-ago period, but it nevertheless missed analysts' expectations with fewer completions which, however, are poised to grow at a much faster rate starting in 2020.

Retail

Dino might see subdued performance in February depending on operating margin growth in Q4 2019. At CCC, we expect the earnings momentum to reverse from Q1 2020.

Key Ratings

Positive: AST, ATT, CCC, CEZ, CIE, ENG, FMF, KSW, LPP, MOL, TIM, VRG

Negative: BRS, DNP, FTE, KGH, LTS, PKN, PKP

EU Indices	Value	1M chng	YTD chng
WIG	57,608	-1.7%	-0%
ATX	3,084	-4.1%	-3%
BUX	43,865	-4.9%	-5%
PX	1,090	-2.7%	-2%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,107	-3.1%	-2%
mWIG40	4,042	+1.4%	+3%
sWIG80	12,752	+4.1%	+6%
Banking	6,782	-0.9%	+0%
Basic Materials	3,083	-1.5%	-0%
Chemicals	7,947	-8.5%	-5%
Clothes	5,445	-4.5%	-4%
Construction	2,418	+1.5%	+6%
Energy	1,742	-13.2%	-11%
Food	3,317	+1.9%	+6%
Gaming	21,738	+13.5%	+16%
IT	2,989	+4.7%	+5%
Media	6,238	+13.1%	+16%
Oil & Gas	5,677	-13.4%	-13%
Real estate	2,553	+3.0%	+4%
Telecom	858	-1.5%	-2%
Top 5 / Worst 5		1M	YTD
Tesgas	5.40	+83.7%	+86%
Medicalgo	27.30	+60.6%	+71%
LARQ	3.74	+55.8%	+64%
OncoArendi	14.60	+44.6%	+49%
Inter RAO	21.50	+41.4%	+44%
PGNiG	3.68	-18.0%	-15%
PGE	6.55	-19.6%	-18%
Braster	0.40	-24.3%	-29%
Work Service	0.39	-25.0%	-26%
Mabion	50.80	-38.0%	-34%

Rating & 9M TP Changes as of 5 Feb.

Name	Rating	9M TP
11 bit studios	hold ▼	439.00 PLN ▼
Atal	accumulate ▼	44.28 PLN ▼
CD Projekt	hold ▼	284.20 PLN ▲
Dino	reduce ▼	149.70 PLN ▲
Eurocash	hold ▲	19.80 PLN ►
Grupa Azoty	buy ▲	30.31 PLN ▼
Jeronimo Martins	hold ►	16.30 EUR ▲
JSW	hold ►	18.41 PLN ▼
Kernel	hold ►	47.25 PLN ▲
KGHM	reduce ▼	86.33 PLN ▲
Lotos	reduce ►	68.47 PLN ▼
LPP	buy ►	10100 PLN ►
Millennium	reduce ▼	5.47 PLN ►
MOL	accumulate ►	2816.00 HUF ▼
PKO BP	accumulate ►	39.69 PLN ▲
PKP Cargo	reduce ►	16.40 PLN ▼
Play	accumulate ▼	36.00 PLN ►
PZU	hold ▼	41.91 PLN ►
Santander BP	hold ►	287.90 PLN ▲
Stelmet	accumulate ▲	8.92 PLN ▲
VRG	buy ▲	4.50 PLN ►
Wirtualna Polska	hold ►	79.70 PLN ▲

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Investing Outlook

With tech companies delivering fourth-quarter earnings ahead of Wall Street expectations, combined with exceeded estimates on ISM Manufacturing numbers, this has sparked euphoria in the US stock market, best exemplified by Tesla, whose valuation has swelled to the level of Volkswagen and BMW combined. Fears about the coronavirus outbreak, and its disruptive impact on the economic activity in China, did interrupt the rally in a sell-off that lasted one day. We believe that the severity and duration of the outbreak, and its implications for the global economy, are being underestimated. We see an unfavorable risk/reward trade off at the current valuation levels, and we would advise more cautious sentiment looking at the rate the virus seems to be spreading. Central banks are adding fuel to the buying frenzy, with the new liquidity injection by the Bank of China instilling further confidence in investors that the bull market still has further to go.

In Poland, the latest developments concerning the local stock market, aside from slowing economic expansion, include changes to the bill on pension funds, adjusting the minimum requirements on their future equity portfolios, and a slow return of capital to local investment funds. In the end, however, the performance of WSE indices remains intimately linked to global trends.

Coronavirus: Not the End of the World, but Not a Cakewalk, Either

Approximately 1.25 million people die every year in car accidents, and there are about 2 million deaths globally per year caused by flu complications (the death rate for influenza is estimated at 0.1%-0.5%). These are everyday human tragedies that, however, never seem to have as much of an impact on stock markets as global health scares caused by viral outbreaks, even though in the recent past such outbreaks have always been contained (the SARS episode of 2003 and the H1N1 flu virus of 2009 are two examples). An extreme example in a more distant past of a deadly epidemic which could not be stopped was the 1918 Spanish flu pandemic. Actually, the thing which affects market sentiment are not the viruses themselves, but the response of governments and businesses to the threat, especially once authorities start to close airports, factories, shopping centers, etc., causing disruptions in supplies, cutbacks in factory orders, and reduced consumer spending.

No one can predict with any degree of accuracy how the novel coronavirus, which was first identified in the Chinese city of Wuhan, will progress, or how this might impact the global economy. Markets have a tendency to overreact short term due to an inherent mismatch between expectations and reality. The calming commentary that many investment issued in the early days of the virus to soothe clients is already out of date. Since the virus seems to be spreading more rapidly than anticipated, the markets have been late in their response, which means we might eventually see sudden and sharp adjusting of expectations for both economic developments and company earnings depending on how the situation evolves.

The outbreaks seen in the last twenty years were mostly contained in their countries of origin (China in case of SARS and Mexico in case of the 2009 H1N1 epidemic), without infecting other areas of the world on a massive scale. The death toll was the highest among senior individuals aged 60 or higher. Disease outbreaks sparking fears of pandemics on a global scale are always a captivating story which attracts

strong media coverage and causes stocks to fall and gold to rise in price (a classic risk-off reaction). The real economic impacts have always been short lived, however, with business as usual restored in the span of about six months, and markets fully making back their losses.

The timing of the SARS and pig flu outbreaks was another topic, occurring in both cases as the global economy was just coming out of a recession (SARS after the Internet bubble, H1N1 after the 2008 financial crisis).

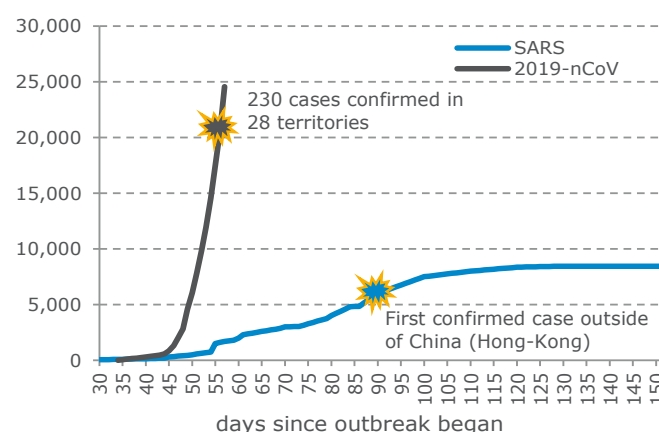
The Spanish flu pandemic of 1918 infected 500 million people and killed 50 million. It had a disastrous impact on the economy, lasting 18 months amid the ongoing destruction of the First World War, the state of medicine at the time being what it was. As we write this, it seems that, like the SARS and H1N1 epidemics in the past, the spread of the coronavirus can be controlled through concerted efforts to contain the outbreak, however it also looks like this time around the economic effects might be more consequential.

2019-nCov vs. SARS: a Comparison

SARS has a shorter incubation period than the 2019 novel coronavirus (2019-nCov) at 5-6 days, which means infected persons could be diagnosed sooner and quarantined. 2019-nCov can go undetected for up to 14 days, giving affected people more time to pass it on others. The SARS epidemic of 2003 caused 8.4 thousand infections across the world (of which 6,000 in China and 1,700 in Hong Kong), and its death toll was 800. The measures taken back then in China to contain the epidemic did have a considerable effect on economic growth, which slowed by an estimated 1% domestically, causing overall growth in South-East Asia to decelerate by 0.5%.

SARS spread at a much slower rate than the novel coronavirus, and the epidemic is said to have lasted about six months before it started to abate. 2019-nCov reached SARS's infection rate in about a month from the first identified case.

SARS infections vs. 2019-nCov



Source: WHO

SARS spread to 26 countries, with the first case outside of China identified after three months from the outbreak, in Hong Kong. It took another 1.5 months for the virus to spread to the other affected areas. Increasing accessibility of air travel is one of the reasons behind the rapid spread: in 2003, about 40% of the Chinese population lived in urban areas versus over 60% today. Furthermore, the number of Chinese nationals in that period traveling by air increased from about 80 million to 660 million a year.

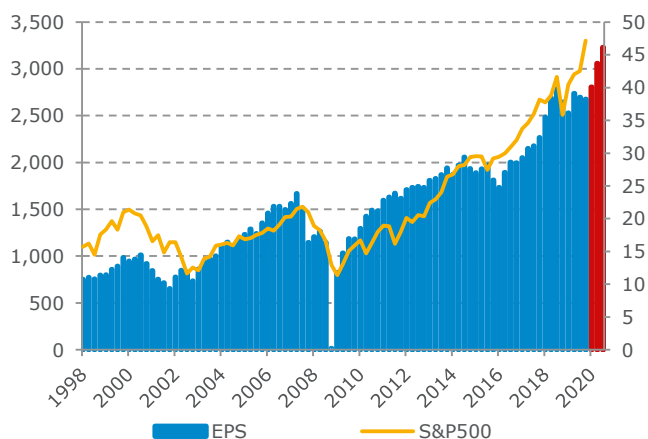
Impact on Economy

China's contribution to global GDP growth has grown to over 16% from 4% in 2003, and the impact the coronavirus can be expected to have on the world will be proportionally greater. China extended the Lunar New Year holiday this year by three days to help curb travel and contain the disease, and as a result local economic activity was put in a holding pattern. It has been reported that businesses in 21 regions (accounting for 80% of nominal GDP and 90% of exports) have been asked not to reopen for business until at least February 10th! This is going to have global consequences considering China's dominant role in the world's supply chain; even a temporary absence will be felt across the manufacturing sectors of many countries for many weeks after the outbreak is contained.

1. China represents a crucial market for many developed countries (Germany, Japan, Italy), emerging economies (South-East Asia, all commodity-dependent countries), and retail giants like Apple, Volkswagen, and Ikea, who have decided to temporarily close their local operations.
2. Curbed business activity in China can also cause untold damage to consumer spending in developed countries, adding to already existing pressures, and it can impact services, which, to date, have been the mainstay of economic growth both in the US and Europe.
3. Further, there is the risk of stock markets taking a hit and piling on the pressure on the spending power of consumers.
4. The question is how soon and with what tools world central banks can act to mitigate the risks. The Bank of China was first, making a 1.2-trillion-yuan injection on February 3rd to "maintain rationally ample liquidity in the banking system," and lowering the money market rate by 10pp. In the US, the odds of a rate cut at the next Fed meeting are increasing.

Our expectation is that upcoming economic prints will bring a decline in manufacturing orders and weaker leading indicators across major economies, prompting downward revisions to corporate earnings forecasts. 2019 showed that, when sentiment is high, investors do not need growing EPS to justify rich valuations. As illustrated in the following diagram, the divergence between the S&P 500's performance and expected EPS growth has not been this great since 1998 as investors price high expectations for companies for the year ahead.

S&P 500 EPS estimates vs. performance



Source: Bloomberg, mBank

US and China Ink Phase-One Trade Deal

We tried to assess the US's strategy with respect to China in our 2020 Investment Strategy, and guess whether a firmer tariff agreement was possible to move the world economy forward. We argued that the US would most likely escalate the tensions or, in the best-case scenario, accept a "truce" without making major concessions. The Phase One deal keeps most tariffs active until at least until the US presidential elections in November (the US has agreed to cut the original 15% tariff on \$120bn-worth of Chinese imports in half to 7.5%). China has committed to buying \$200 billion worth of additional US products over a period of two years, with \$77bn spent in 2020 followed by \$123bn in 2021. As the coronavirus continues to spread, however, it becomes clear that these commitments will most likely not be kept.

One counter-argument to the conflict escalation theory is that the US administration would not want the economy to go into a recession during an election year. China's current economic hardships as it fights the coronavirus can be viewed as a sort of a gift to the US. The Trump administration would be ill-advised to seek a hostile confrontation under the current circumstances (although we must note that the US was the first country to restrict entry into the country and impose quarantines on people traveling from certain regions in China), but an escalation in a few months' time is even more likely than it was two months ago.

Donald Trump has proved again that he was not afraid of confrontation with the 3 January drone strike on Iran, which is part of a trilateral naval cooperation agreement with Russia and China. The strike could have backfired if Iran had retaliated with greater force. As things stand, the strike, and other measures that really target China, have only boosted Donald Trump's ratings.

Iran is a strategically vital region from China's standpoint:

- Its territory is part of the New Silk Road trade route,
- Iran controls the Strait of Hormuz, a vital route used to supply oil to China,
- China has set up a presence in the Pakistani port of Gwadar, 50 kilometers from the Iran border, where it is said to be planning to build its own naval base,
- Iran and China have defied US sanctions with secret oil deals.

All this points to continuing tensions in the Gulf region with new US interference.

Map of the New Silk Road



Source: <http://www.china.org.cn>

New Developments in Poland

Legislators submitted the "OFE" pension fund bill to the parliament on 20 December. Not much has changed from the original version, except for the proposed minimum portfolio investment in Polish equities, and the new bill now specifies some milestone dates:

- 1 Jun- 1 Aug 2020: Decision time for current OFE members on where to move their assets: the state agency ZUS, or personal retirement accounts (IKE).
- 31 Aug: Final asset transfer under the "zipper" mechanism (whereby individuals within 10 years of before retirement have their OFE savings gradually transferred to ZUS accounts in monthly payments).
- 8 Sep: OFE pension assets are shifted to the ZUS (based on decisions made In June-August).
- 27 Nov: Remaining OFE pension assets shifted to IKE accounts.
- 11 Dec: New IKE members get charged the first tranche (70%) of the 15% one-time transfer fee

There is a possibility of further changes to the current bill, especially when it comes to the proposed WSE stock investment requirements. At the moment, the OFE bill requires IKE managers to invest 80% of their assets in Polish stocks as of November 2020, and increase this proportion to 88% by December, levels which imply a need for funds to buy PLN 3-5 billion-worth of stocks in a short time (the proposition had a considerable impact on the performance of mWIG and sWIG companies in the final weeks of 2019). However there have been reports since that the parliamentary group working on the bill has cut the requirements by 5pp to an average of 76%, the same proportion as funds already abide by today.

The rise in small and mid-sized caps late last year boosted inflows to the relevant investment fund strategies, which recorded receipts of PLN 31.7m in December vis-à-vis total net withdrawals from equity and absolute return funds of PLN 206m.

It is important to note that investment funds are being reintegrated to the sales networks of large financial institutions after a period of restrictions on more high-risk strategies, including equities, on the heels of the GetBack scandal. We expect more trading activity as the year progresses. If global sentiment remains high, we should see increasing inflows into Polish equity funds in the coming months.

Nevertheless domestic institutions alone do not have the power to stop a downward correction on the WSE when there is a global risk-off environment. For example, in 2008 OFEs received total funds of PLN 20.5bn from the ZUS, of which they could invest PLN 6-7bn in equities. In the same year, Polish equity funds recorded net outflows totaling PLN 7.7bn. The following year, OFEs invested PLN 7bn in stocks out of PLN 21bn total receipts. This made for fresh capital of PLN 13-14bn invested in just listed equities.

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Top Picks from mWIG40

Name	MCap (PLN m)	1Y Return	1M Return	ADTV (PLN m)	Investment Case
11 bit studios	1,016.7	59%	11%	2.1	Next game release in 2021, development of the publishing segment.
Amica	1,135.2	21%	4%	0.6	
AmRest	10,363.0	22%	9%	9.3	Double-digit earnings growth driven by optimization, further integration of new restaurants, expansion of own restaurant brands.
Asseco Poland	5,395.0	44%	1%	4.1	
Benefit	2,784.5	3%	3%	1.5	
BNP Paribas	10,054.0	36%	-6%	0.2	
Bogdanka	1,013.6	-45%	-17%	0.6	
Boryszew	1,046.4	-7%	3%	0.4	
Budimex	4,549.5	69%	-4%	1.0	
Celon Pharma	1,917.0	22%	-2%	0.5	
Ciech	2,094.8	-25%	2%	1.9	Increase in soda ash prices in 2019 and 2020. Decrease in prices of coking coal and gas.
CI Games	132.8	-27%	1%	1.0	
Comarch	1,683.6	30%	6%	0.4	Expected growth in 2020, attractive valuation.
Develia	1,208.4	18%	7%	0.8	Above-average dividend yield expected in 2020-21. Strong 2021 profit growth driven by a growing housing inventory.
Echo	2,088.2	65%	8%	0.7	
Enea	3,220.3	-35%	-9%	2.6	
Energa	2,948.2	-31%	-2%	3.2	Anticipation of a hike in tender offer price and withdrawal from the Ostrołęka C coal-based power plant project to become the cleanest generator in the region.
Eurocash	2,692.8	4%	-9%	5.8	
Famur	1,758.8	-31%	-8%	0.7	Highest dividend yield in the manufacturing sector. Strong cash flow, low debt.
Forte	775.4	29%	8%	0.3	
Getin Noble	277.1	0%	-12%	1.6	
GPW	1,758.6	13%	2%	1.6	High DYield. Positive surprise in revenues. Lowest valuation in the peer group.
Grupa Azoty	2,553.3	-32%	-18%	2.3	
GTC	4,632.2	6%	-2%	0.8	
Bank Handlowy	7,330.0	-13%	6%	2.1	High DYield. Lack of CHF loans. ROE increase in 2020.
INGBSK	26,345.3	8%	-2%	1.4	
Inter Cars	3,357.8	8%	15%	0.6	
Kernel	3,936.9	-4%	-2%	2.5	
Kęty	3,563.9	21%	8%	1.0	
Kruk	3,081.0	2%	-2%	7.1	
LiveChat	1,189.7	77%	10%	0.8	
Mabion	682.4	-31%	-39%	0.7	
B. Millennium	7,145.3	-33%	-1%	5.8	
Orbis	5,298.9	22%	1%	0.1	
PKP Cargo	819.6	-53%	-12%	0.9	
PlayWay	2,039.4	92%	26%	1.4	
Stalprodukt	1,132.8	-38%	9%	0.6	A perfect takeover target. Low valuation, large free cash resources.
Ten Square G.	1,904.4	201%	26%	3.0	
VRG	893.3	-6%	-2%	0.6	Exposure to Luxury fashion, potential acquisitions in jewelry, synergy benefits.
Wirtualna Polska	2,379.8	41%	15%	0.7	Fast growth in online advertising, good prospects for e-commerce

Source: Bloomberg, mBank

Sector Strategies

Financials

- Compelled by the CJEU ruling, Polish banks have started to make write-offs for potential CHF loan losses which will weigh heavily on their FY2019 bottom lines. The increased provisioning will most likely continue in 2020—something which is not yet reflected in the current expectations of analysts.
- Another crucial development not yet fully accounted for by the market is the requirement placed on banks under another CJEU ruling to refund costs for unused loan periods to borrowers prepaying their loans. We did try to reflect these refunds in our models based on estimates provided by rated banks, however the true cost will only become apparent as the year progresses and borrowers file their cases. In case of Millennium, the extent of the damage might also change if the bank switches to the straight-line method of calculating reimbursable fees from the effective interest rate method used today. Handlowy has not come out with an impact assessment yet, but based on its relatively small consumer loan book we are guessing the future charges will not be too damaging to the bottom line.
- While their Polish counterparts struggle, banks in other CEE countries are doing very well. Both the rated Czech institutions, Komerční and Moneta, are expected to report solid results for Q4 2019, in the former case additionally boosted by a reversal of a corporate risk exposure in the amount of CZK 500m. Komerční's economists do not envision an interest rate hike by the Czech policymaker this year despite accelerating inflation.
- The ECB has left rates unchanged, announcing a broad policy review, scheduled to last throughout 2020, to redefine its mission and tools.
- **Key Ratings:** KOMB (buy), ING (sell)

Chemicals

- The chemical stocks that make up the MSCI's World and Europe indexes are currently trading at small premiums to their respective 3-year averages.
- Chemicals producers in Europe face lower orders from Asia in the wake of the coronavirus outbreak (this applies to 1COV GY, LXS GY, FPE3 GY, BAS GY, SY1 GY, EVK GY).
- Ciech's prospects for FY2020 look brighter after price hikes on this year's soda deliveries. On our updated estimates, CIE stock is trading at a discount of about 17% to the 2020-2021E P/E and EV/EBITDA ratios of comparable companies.
- Grupa Azoty faces lower earnings in 2020, but we see potential for a positive surprise in 2019 Q4 results, and for improved 2020 Q1 profits thanks to low costs of natural gas.
- Falling gas prices also work in favor of Yara International.
- **Key Ratings:** CIE (buy), ATT (buy)

Oil & Gas

- The production deal agreed in January by OPEC + coalition sent oil prices temporarily higher, but this was quickly followed by a downward shift triggered by the coronavirus outbreak which sparked concerns about demand. On top of that, the winter season in Europe is proving unseasonably warm, bringing with it a reduction in heating fuel and diesel use, alongside considerably diminished demand for natural gas; gas prices plunged below EUR 11/MWh at the peak of the heating season, prompting us to cut our earnings expectations for PGNiG.

- In oil, refining margins continue to tighten under pressure from huge new global capacity additions (China, Saudi Arabia, Malaysia, Brunei), set to boost global supply by nearly 2%. Adding to the pressure are strained HSFO cracks after the introduction of the IMO 2020 sulfur caps failed to deliver the expected boost to demand. Margins on transport fuels are shrinking as well due to surplus gasoline stocks in the US, combined with increasing distillate supply in Europe (fueled by higher imports from Russia and India).
- 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 (mainly from the US) into Europe. The ethylene/Brent price ratio at the current level shows more downside potential before it reaches the cyclical low. With analysts finally paying attention, the increasingly bearish oil outlook is starting to be priced into most world oil stocks (LYB: -17% YTD, EMN: -10% YTD, WLK: -12% YTD).
- In our 2020 Investment strategy last December, we argued that the upstream sector had a better year ahead in terms of earnings potential and upside risk owing to less demanding valuations and lower expectations against a high probability of a rebound in energy prices. What we could not predict at the time was that our bullish view would be squashed by abnormally warm weather and a new global health threat.
- After downgrading PGNiG to neutral just days ago, the only stock in our oil universe that still upholds a positive view is MOL, with its sustained potential to generate strong free cash flow even on downwardly-revised earnings prospects.
- **Key Ratings:** LTS (reduce), MOL (accumulate), PKN (reduce)

Power Utilities

- Power prices in Germany have dropped 6% to EUR 41/MWh since the beginning of the year, led by continuing declines in the EUA market (-3%) coupled with another downward shift in prices of coal and natural gas (-4% and -12%, respectively, ytd). At the same time, Stoxx Utilities gained another 7% in January after a 30% total return delivered in 2019, driven by attractive dividend yields (4.4% vs. -0.4% German bund yields) combined with financial rewards promised by the EU and Germany in return for a faster transition to clean power.
- In Poland, 2021 contracts are trading above PLN 250/MWh, indicating a slight widening of the clean-dark spread of an average coal power plant in the year to date. On top of that, Polish generators are set for a boost next year from capacity payments. In the mean time, generation results will probably decline this year due to lower rates agreed last year, combined with a lack of free emission allowances and lower volumes (scheduled downtime, higher imports, coal phase-out, lower demand). At PGE lower heating demand due to warm winter temperatures will add to the pressure.
- The regulator's household tariff adjustment for the new year has proved insufficient to offset the eligible costs incurred by suppliers, prompting them to book reserves for potential losses against the profits for Q4 2019. Based on lower orders for 2021, however, it seems that the revenue gap in the trading business will naturally disappear next year.
- One of the major factors weighing on WIG-Energy stocks (causing their negative correlation with EU peers) since the beginning of the year are the financial struggles and

squeezed liquidity of the PGG coal group. Four Polish utilities own shares in PGG (PGNiG 20.4%, PGE 15.3%, Energa 15.3%, Enea 7.7%), which means they operate under the expectation that they will provide a lifeline to keep the mines above water. PGG's net profit for 9M 2019 fell to PLN 181m from PLN 435m a year earlier, but it is liquidity that is its main issue. Among the proposed solutions, aside from the highly unpopular restructuring route, which would include mine closures and downsizing, is to convince power plants to buy surplus coal from PGG, which would force them to tie up hundreds of millions of zlotys in working capital.

- Poland's new climate minister is slowly getting settled into his role, but aside from a few interviews promising progress on an environmental framework for Poland so far there has been no major news coming out of the ministry that would be relevant to listed utilities.
- January did bring a negative aftershock to the whole sector after Energa accepted the acquisition price offered by PKN Orlen as fair (or, more precisely, as landing within the range proposed by Deloitte) despite it being near an all-time low (0.25 P/B, 63% of RAV).
- The fourth-quarter reporting season is not likely to produce positive surprises in the power sector, with rated utilities expected to fulfill 98% of our EBITDA forecast for the full FY2019 (the narrow miss reflects lower demand due to unfavorable weather).
- **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, 3.4-3.8 GHz. Poland's telecoms regulator, the UKE, in December launched a consultation procedure on the terms of the auction, aimed to distribute four general exclusive frequency licenses for 80 MHz each. The proposed terms include a high deposit, completed network investment in Poland of at least PLN 1bn in the 2016-2018 period, and pre-existing spectrum licenses—conditions which effectively restrict the group of eligible bidders to the four largest operators. In addition, the UKE wants to cap spectrum ownership to one booking per participant. As such, the proposed 5G auction process in many ways is similar to a tender process; in our opinion, it is most likely that the operators will accept its terms, and that the final prices, due to the auction's structure, will not be significantly higher than the asking prices. The individual 80 MHz blocks are not identical, but the differences are not so significant that they should drive up the bidding prices. In our baseline scenario (based on the very expensive 800 MHz procedure in the past), we conservatively assumed operators would have to offer about PLN 844m for just 50 MHz of spectrum in the 3.6-3.8 GHz range. Compared to this, if the actual bids in the auction are just a little over PLN 450m for 80 MHz in the 3.5-3.8 GHz range, this would be a positive outcome for each of our the rated telcos taking part in the auction (CPS, OPL, PLY).
- The first round of consultations ended without major notes at the end of January. At the same time, however, Poland's digitization minister had been quoted as saying that the investment commitments required of the future 5G spectrum owners were too low, and that the 1-block cap per telecom was unnecessary. What we take from this is that prices in the auction will not be low, but they will also not be too high. As for CAPEX we still view our assumptions in this respect as conservative.
- Otherwise, mobile telecoms in Poland have been adjusting their pricing policies, as evidenced by successful data plan hikes by Play and Orange Polska. At Cyfrowy Polsat the

pricing shifts so far have been minor, and we expect more meaningful hikes during 2020.

- Vectra finalized the acquisition of a 100% stake in Multimedia Polska, adding more than 1.7 million users to its customer base, and increasing reach to about 4.4 million households—a move which makes it the #1 cable provider in Poland.
- In Media, total advertising expenditures in Poland as predicted by the Zenith agency increased by 3.9% to 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 advertising spend growth in Poland according to Agora will be flat to negative.
- The WIG-Info index jumped 3.9% in January, outperforming the broad WIG benchmark by 4.7pp, At 14.3x, the median 12M fwd P/E ratio for Polish IT stocks is currently 4.2% below its 3-year average.
- Heading into the 2019 fourth-quarter earnings season, we are anticipating EBITDA growth at all six rated IT firms, with five also delivering improved net earnings. That being said, we must point out that much of the growth comes from the industry's transition to IFRS 16 reporting, combined with one-time boosts. We expect a solid showing from ABS and ASE against weak results from ACP. On the whole, we would not expect sentiment for the IT sector to improve dramatically this earnings season, and we remain neutral on tech.
- 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 infrastructure sale after a spin-off at an attractive multiple of roughly 15.0x.
- **Key ratings:** OPL (accumulate), PLY (accumulate), CPS (reduce), AGO (buy), ASE (overweight), ABS (overweight), CMR (buy)

Industrials

- The manufacturing sector in Poland is facing headwinds in 2020 from a continued rise in costs of energy, employment, and transport.
- The industrial stocks that make up the MSCI's World and Europe indexes are currently trading at small premiums to their respective 3-year averages.
- We expect 47% of our industrials universe to report year-over-year profit declines in Q4 2019. There is potential for a positive surprise from Amica, while Kernel and PKP Cargo will most likely disappoint. At Apator, Boryszew, Famur, and Forte we might see impairment charges impacting the FY2019 bottom lines.
- Our top picks for the month ahead are Astarta (expected to generate 2019E FCF higher than the current market capitalization, and benefitting from upward-trending sugar markets), Famur (with a record-high order book, an estimated 2020E dividend yield of 11%, benefitting from Poland's new regulations to curb payment delays, Kruszwica (reporting high net cash over PLN 200m and offering 2020E dividend yield of 6%), and TIM (strong 2019 Q4 results, 2020E Dyield at 7%).
- We would avoid PKP Cargo, which after a weak 2019 faces a further rise in costs in 2020, resulting in likely revisions to analysts' forecasts.
- We have recently downgraded our view on Boryszew to reflect a challenging market environment for automotive suppliers, the high valuation of BRS relative to earnings expectations, and a high leverage ratio at 3.9x 2019E

EBITDA. We also downgraded Forte to reflect weak business confidence in the German furniture industry, low prices of wood-based panels, and a likely cost boost of a projected PLN 28m in 2020 driven by rising costs of energy, labor, and transport.

- Automotive producers in Europe face lower orders from Asia if the coronavirus outbreak cannot be contained. The Asia exposures as a percentage of sales are 18% in case of VW, 12% at Daimler, and 20% at BMW.
- Lower demand for new cars in China can also affect Polish auto industry suppliers like Elemental Holding (with China's share in sales at ~30%), ACG (12%), Fasing (+10%), and SecoWarwick (+10%). Boryszew has temporarily closed production at its facility in China (Maflow) in the wake of the outbreak.
- **Key Ratings:** AST (overweight), BRS (underweight), FMF (buy), FTE (underweight), KSW (overweight), PKP (reduce), TIM (overweight)

Mining

- Chinese companies have been asked to extend seasonal production stoppages to mid-February to help contain the coronavirus outbreak. With China consuming about a half of the world's copper, steel, and zinc production, the temporarily reduced demand can be expected to cause a build-up of the metals' global reserves, with negative effects on prices.
- Furthermore, cyclical industries like mining and steelmaking face a challenging first quarter of 2020 if China reduces its demand for new cars and experiences declines in retail sales, industrial production, and construction.
- **Key Ratings:** KGH (reduce)

Property Developers

- Polish real-estate stocks tracked by the WIG-Dev index generated an average return of 28% in 2019, and in January they continued their outperformance by gaining another 3.6%. The median 12 fwd P/E ratio for developers at 8.9x is currently 14% above the average for the last three years.
- The January gains were underpinned by strong fourth-quarter sales in the housing sector, with listed homebuilders delivering 16.5% growth from the year-ago period, far outpacing the average broad market rise of 6.6% registered in the first six months of 2019. New home sales in Poland's six largest residential markets increased by 0.8% in the whole 2019, exceeding expectations and confirming strong demand.
- Heading into the 2019 fourth-quarter earnings season, residential developers completed 4% fewer flats in Q4

2019 than in the same period in 2018. The firms achieving the biggest acceleration included JWC (+137% y/y), Ronson (+118%), and Atal (+80%), against the biggest falls reported by Polnord (-81% y/y), Archicom (-70%), and Develia (-51%).

- Accordingly, we expect to see higher profits at Atal despite missed completions numbers due to permit delays, and we anticipate deterioration at Archicom, Dom Development, and Develia.
- At the same time, all three will most likely report growth in the results for the full fiscal 2019, although at Develia further write-offs on commercial properties might put a dent in the reported profit. At Atal there will be a temporary slump due to a momentary decline in completions before a rebound anticipated from 2020.
- The outlook for the year ahead is robust in residential as housing demand rises along with sales prices.
- **Key Ratings:** 1AT (accumulate)

Retail

- The fourth-quarter reporting season should see a strong EBITDA rebound at AmRest, driven by increasing sales and operating margins, combined with one-time gains from divestment (pizzaportal.pl) and value adjustments (Glovo holdings). At the same time, we expect to see substantial impairment of EUR 12m of restaurant assets. At 27x 2020E EV/EBIT, EAT stock looks overvalued given the slowdown in earnings growth expected this year.
- CCC stock bounced back from a three-year low after the release of a 2020-22 strategy plan. The company has a lot to prove to investors after many quarters of consistent earnings declines. CCC has denied plans for a capital raise, and reassured the market that its leverage ratio would not exceed the covenant as of 31 March 2020 at an estimated 3.2-3.3x max. We expect to see improving profits from Q1 2020 at a rate which will most likely allow the Company to exceed the current EBIT margin consensus of 4.5%, and beat the EBIT forecast by 10-15%.
- The coronavirus epidemic is expected to take a toll on economic activity in China, including on consumer spending. With this in mind, we are underweight adidas (ADS GY; 27.5x 2020E P/E), which generates 30% of its annual sales, and derives most of its topline growth, from the Asia-Pacific region.
- Dino stock has retreated toward all-time lows amid expectations of tighter EBITDA margins in Q4 2019 and in the quarter after due to negative base effects underpinned by increasing prices of pork and high employment costs. Meanwhile DNP is currently trading at 12m blended forward EV/EBITDA which is more than one standard deviation below the mean value since May 2017.
- **Key Ratings:** EAT (hold), CCC (buy), DNP (sell), EUR (hold), JMT (hold), LPP (buy), VRG (buy)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017				2018				2019				+ / =
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
miss	11	9	18	16	9	11	14	23	10	15	16	2	154
in-line	26	25	28	23	36	20	24	23	29	25	27	0	286
beat	20	25	15	23	19	33	26	20	27	27	26	1	262
Σ companies	57	59	61	62	64	64	64	66	66	67	69	3	702
miss	19%	15%	30%	26%	14%	17%	22%	35%	15%	22%	23%	67%	22%
beat	35%	42%	25%	37%	30%	52%	41%	30%	41%	40%	38%	33%	37%

YoY	2017				2018				2019				+ / =
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
miss	25	23	20	25	27	19	20	24	24	30	24	3	264
in-line	4	8	13	2	9	11	11	7	9	11	7	0	92
beat	38	37	36	42	33	39	38	38	36	28	38	0	403
Σ companies	67	68	69	69	69	69	69	69	69	69	69	3	759
miss	37%	34%	29%	36%	39%	28%	29%	35%	35%	43%	35%	100%	35%
beat	57%	54%	52%	61%	48%	57%	55%	55%	52%	41%	55%	0%	53%

*[+/-] - The column shows the sum of 'in-line' or 'beat quarters' in the last three years as a percentage of all quarters
Source: Companies, Bloomberg, PAP, mBank

mBank Sentiment Watch (next 30 days, by sector)

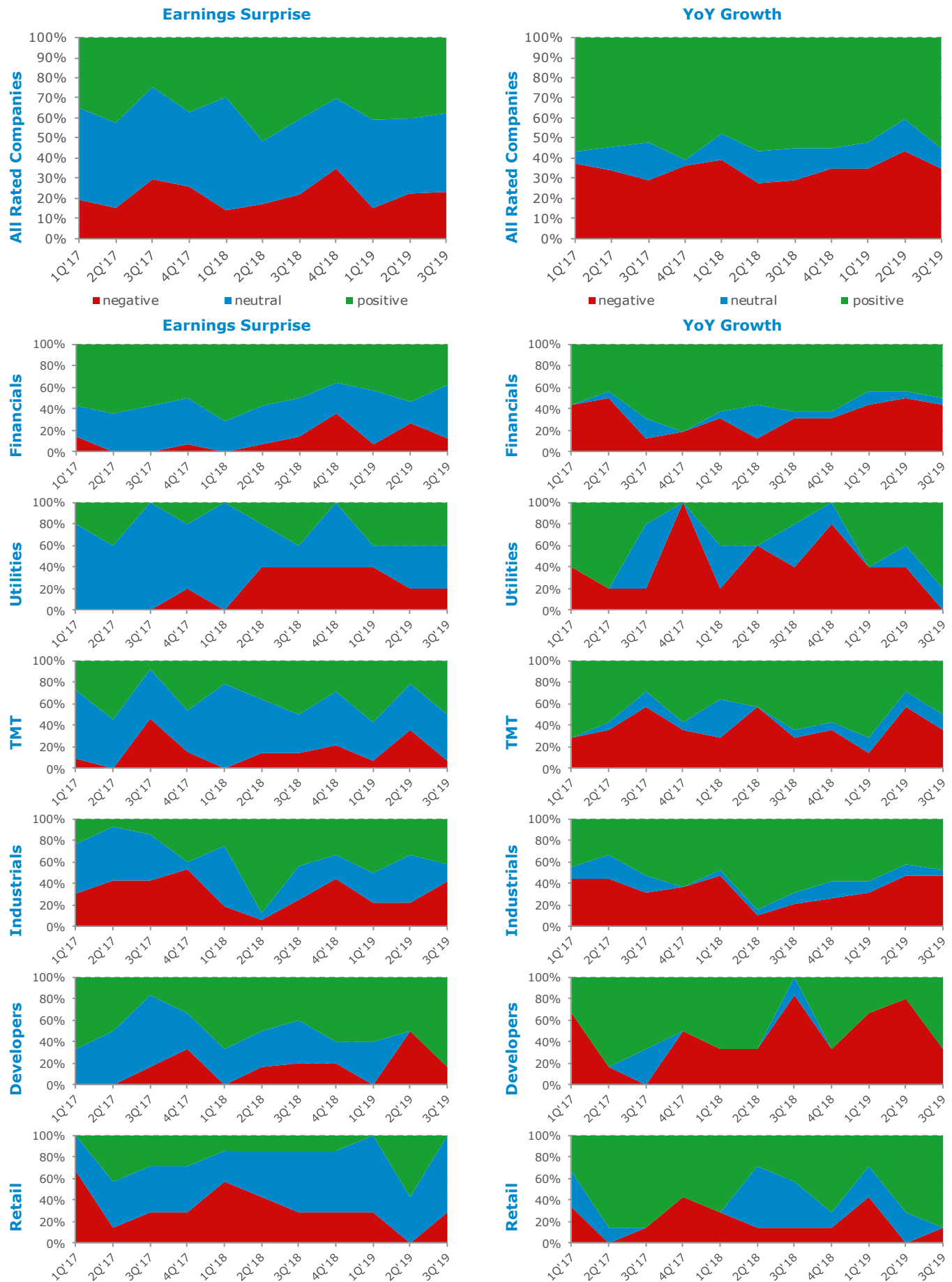
Sector		Poland	US	Germany
	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
Banks	Stocks To Own	PKO	BX US, VOYA US, JPM US	ALV GY, DWS GY, EBS AV, RBI AV
	Stocks To Avoid	ING, MIL		
	Key Catalysts	Q4 results	Decent Q4 results but yields pullback a headwind	
	SENTIMENT	BEARISH	BEARISH	BEARISH
Chemicals	Stocks To Own	CIE, ATT		YAR NO
	Stocks To Avoid	PCR		1COV GY, LXS GY, FPE3 GY, BAS GY, SY1 GY, EVK GY
	Key Catalysts		China slowdown, growing US-China uncertainty	
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
Real-Estate Developers	Stocks To Own	1AT	ALEX US, KBX US	DWNI GY
	Stocks To Avoid			
	Key Catalysts		Yields pullback provides support	
	SENTIMENT	NEUTRAL	BEARISH	BEARISH
Utilities	Stocks To Own	CEZ, ENG	NRG US, VST US	RWE GY
	Stocks To Avoid			
	Key Catalysts	Managements' 2020 guidance during Q4 presentations	Bond yield rebound likely; sector overbought	
	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
Retail, Consumer	Stocks To Own	CCC, LPP		
	Stocks To Avoid	DNP		
	Key Catalysts	Expected results increase y/y	Strong labor market, high consumer confidence vs China demand disruption	
	SENTIMENT	BEARISH	BEARISH	BEARISH
Oil&Gas, Refining	Stocks To Own	MOL	COP US, CVX US, PSX US, VLO US	
	Stocks To Avoid	LTS, PKN		
	Key Catalysts	Macro environment deterioration in petchem and refining, extremely low gas prices	Coronavirus uncertainty undermining crude & final product demand	
	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
Industrials	Stocks To Own	AMC, AST, FMF, KSW, TIM		
	Stocks To Avoid	ACG, BRS, EMT, FTE, PKP		AIR FP
	Key Catalysts		Modest expected growth, low sentiment	
	SENTIMENT	BEARISH	BEARISH	BEARISH
Mining	Stocks To Own			TKA GY
	Stocks To Avoid	KGH PW		VOE AV
	Key Catalysts		China slowdown, growing US-China uncertainty	
	SENTIMENT	BEARISH	BEARISH	BEARISH
Automotive	Stocks To Own		GM US	VOW3 GY
	Stocks To Avoid	AML, BRS, SNK	TSLA US	DAI GY, BMW GY
	Key Catalysts		Risk of trade war escalation vs attractive multiples	
	SENTIMENT	NEUTRAL	BULLISH	BULLISH
Tech, Media	Stocks To Own	ASE, ABS, AGO	AMZN US, DISCA US, MSFT US	WDI GY
	Stocks To Avoid			
	Key Catalysts		Strong cash, flows, biggest buybacks, good Q4	
	SENTIMENT	NEUTRAL	NEUTRAL	BEARISH
Telecoms	Stocks To Own	OPL, PLY	GLIBA US	TC1 GY
	Stocks To Avoid	CPS		DTY GY
	Key Catalysts		Telco is cheap Tech, strong EPS dynamics, large buybacks	

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017				2018				2019				+/=
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Financials													
Alior Bank	-	+	+	+	=	+	=	=	=	-	+		82%
Handlowy	-	+	+	=	+	+	-	-	-	-	-		45%
ING BSK	+	=	=	=	=	-	=	+	+	+	-		82%
Millennium	+	=	+	=	+	+	=	+	+	+	+	-	92%
Pekao	+	=	=	+	=	=	+	+	=	=	=		100%
PKO BP	+	+	+	=	+	=	=	=	=	+	+		100%
Santander BP	=	+	=	=	=	+	=	-	=	-	=	+	83%
Komercni	+	+	+	+	+	+	+	+	=	+	+		100%
Moneta	na	na	na	na	na	na	na	na	na	na	+		100%
Erste Group	=	+	=	+	+	+	+	+	+	+	+		100%
RBI	na	na	na	na	na	na	na	na	na	+	=		100%
OTP Bank	+	+	+	+	+	+	+	=	=	+	+		100%
PZU	+	=	=	+	+	=	+	+	=	+	=		100%
Kruk	+	+	=	-	+	+	+	-	+	-	+		73%
Skarbiec	=	+	+	+	+	=	+	-	+	+	+		91%
GPW	=	=	+	=	+	=	-	-	=	=	+		82%
Chemicals													
Ciech	=	=	=	+	=	+	=	-	=	=	=		91%
Grupa Azoty	+	-	=	-	=	-	-	+	+	=	+		64%
Oil & Gas													
Lotos	+	+	+	=	-	+	=	-	=	=	-		73%
MOL	+	+	-	=	=	=	+	+	=	+	=		91%
PGNiG	+	-	-	=	=	+	-	-	=	+	-		45%
PKN Orlen	=	=	-	=	=	-	=	+	=	+	=	-	75%
Utilities													
CEZ	=	=	=	+	=	-	+	=	=	+	-		82%
Enea	=	+	=	=	=	-	=	=	=	+	+		91%
Energa	=	=	=	-	=	=	-	-	-	-	=		55%
PGE	=	=	=	=	=	=	-	-	-	=	=		73%
Tauron	+	+	+	=	=	+	+	=	+	=	+		100%
TMT													
Netia	=	=	+	+	=	=	=	=	=	+	=		100%
Orange PL	=	+	=	=	=	+	+	+	=	=	=		100%
Play	na	na	=	=	=	+	=	=	=	+	+	=	100%
Agora	=	+	=	+	=	+	+	=	+	-	+		91%
Cyfrowy	+	=	=	=	+	=	=	=	=	=	=		100%
Wirtualna	+	=	=	=	=	=	=	=	=	=	=		100%
Ailleron	na	na	-	+	=	=	-	-	+	-	=		56%
Asseco BS	=	=	=	+	=	=	+	+	=	=	+		100%
Asseco PL	=	=	-	-	+	+	+	+	+	+	+		82%
Asseco SEE	=	+	-	=	=	=	+	=	+	=	+		91%
Atende	na	na	na	+	=	-	+	-	+	-	=		63%
Comarch	-	+	-	-	+	+	+	+	+	-	+		64%
11 bit studios	=	+	-	na	=	-	=	+	-	-	-		50%
CD Projekt	+	+	-	+	=	=	-	-	+	+	+		73%
Industrials													
AC	na	na	na	na	na	na	na	=	=	-	+		75%
Alumetal	-	=	+	=	=	+	=	-	-	=	=		73%
Amica	=	=	-	+	-	+	+	+	=	=	+		82%
Apator	=	-	-	-	=	+	=	+	=	=	+		82%
Astarta	na	na	na	na	na	na	na	na	na	na	-		0%
Boryszew	+	-	+	+	-	=	-	-	-	-	+		36%
Cognor	na	na	na	na	+	+	=	-	-	+	-		57%
Famur	na	-	=	+	+	+	+	+	+	+	-		80%
Forte	=	=	-	-	=	+	-	-	+	-	+		55%
Grupa Kęty	=	=	=	-	=	+	=	=	=	=	=		91%
JSW	+	+	-	-	=	+	=	-	+	+	+		73%
Kernel	-	-	-	+	=	-	+	+	-	=	+		55%
KGHM	+	=	=	+	=	+	-	-	+	=	+		82%
Kruszwica	-	-	=	=	+	+	+	+	+	+	-		64%
Mangata	na	-	-	-	+	+	+	-	+	=	=		64%
Pozbud	na	na	na	+	+	+	=	=	+	=	-		63%
PKP Cargo	=	=	=	-	=	+	+	-	=	-	-		64%
Stelmet	-	=	-	+	-	+	+	=	+	+	+		73%
TIM	na	na	na	na	na	na	na	+	+	+	-		75%
Real-Estate													
Atal	+	+	-	-	=	+	=	+	+	-	+		73%
Dom Dev.	=	+	+	=	+	=	+	=	=	+	+		100%
Retail													
AmRest	-	+	+	+	-	-	=	+	-	+	=		64%
CCC	-	+	-	-	-	-	-	-	-	+	-		18%
Dino	na	+	=	+	+	=	=	=	=	+	=		100%
Eurocash	-	=	-	-	=	=	-	-	=	=	=		55%
Jeronimo	=	=	=	=	=	=	=	=	=	=	=		100%
LPP	=	=	+	=	=	+	+	=	=	+	-		82%
VRG	-	-	=	=	-	-	=	=	=	=	=		64%

YoY	2017				2018				2019				+ / =
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Financials													
Alior Bank	-	+	+	-	+	+	-	+	-	-	-		45%
Handlowy	-	-	+	+	+	+	-	-	-	-	-		36%
ING BSK	+	-	+	+	+	=	=	+	=	+	+		91%
Millennium	+	-	+	+	+	+	+	+	=	-	=	-	75%
Pekao	-	-	=	+	+	=	+	-	-	+	+		64%
PKO BP	-	=	+	+	+	+	+	+	+	+	+		91%
Santander BP	-	-	+	+	=	=	-	+	-	-	+	-	50%
Komercni	+	-	-	+	-	+	+	+	+	+	-		64%
Moneta	-	-	=	-	+	-	+	+	-	+	+		55%
Erste Group	-	-	+	+	+	+	+	+	+	-	+		73%
RBI	+	+	+	+	+	=	+	-	-	=	-		73%
OTP Bank	+	+	+	+	+	+	+	+	+	+	+		100%
PZU	+	+	+	+	-	+	+	=	+	-	-		73%
Kruk	+	+	=	-	-	=	+	+	+	-	-		64%
Skarbiec	+	+	-	+	-	-	-	-	+	+	-		45%
GPW	+	+	+	+	-	+	-	-	-	-	+		55%
Chemicals													
Ciech	+	-	-	+	-	=	-	-	-	=	+		45%
Grupa Azoty	-	+	+	+	-	-	-	-	+	+	+		55%
Oil & Gas													
Lotos	+	+	+	-	-	+	=	+	+	=	=		82%
MOL	+	+	-	+	-	-	+	+	-	=	=		64%
PGNiG	+	=	=	=	-	+	+	+	-	-	-		55%
PKN Orlen	+	+	+	-	-	-	-	+	=	+	+	-	58%
Utilities													
CEZ	-	-	-	-	-	-	+	=	+	+	=		45%
Enea	+	+	=	-	=	-	=	-	+	+	+		73%
Energa	-	+	+	-	+	+	-	-	-	=	+		55%
PGE	+	+	=	-	+	+	=	=	-	-	+		64%
Tauron	+	+	=	-	=	-	-	-	+	-	+		55%
TMT													
Netia	-	-	-	-	=	-	-	-	-	-	-		9%
Orange PL	-	=	=	+	=	-	+	+	=	=	+		73%
Play	+	+	+	=	-	-	-	-	+	+	=		64%
Agora	+	+	=	+	-	-	+	+	+	-	+		73%
Cyfrowy	+	+	-	-	=	-	=	=	=	=	=		73%
Wirtualna	+	+	+	+	+	+	+	+	+	+	+		100%
Ailleron	+	+	-	+	=	+	-	-	+	-	-		55%
Asseco BS	+	+	+	+	+	+	+	+	+	-	+		91%
Asseco PL	-	-	-	-	+	+	+	+	+	-	+		55%
Asseco SEE	+	+	+	+	+	+	+	+	+	+	+		100%
Atende	+	-	-	+	=	-	+	-	+	-	-		36%
Comarch	-	-	-	-	=	+	+	+	+	-	+		55%
11 bit studios	+	-	=	+	+	-	+	+	+	-	-		64%
CD Projekt	+	+	-	-	-	-	-	-	-	+	-		27%
Industrials													
AC	-	+	-	-	+	+	+	+	+	-	+		64%
Alumetal	-	-	-	+	+	+	+	-	-	-	-		36%
Amica	-	=	=	-	-	+	+	+	=	+	+		64%
Apator	+	-	+	-	-	+	=	+	+	-	-		55%
Astarta			+	+	-	-	-	-	-	+	-		33%
Boryszew	+	+	+	+	-	-	-	-	-	-	+		45%
Cognor	+	=	+	+	+	+	+	-	-	-	-		64%
Famur	+	=	+	+	+	+	+	+	+	+	-		91%
Forte	-	-	-	-	-	+	-	+	+	-	+		36%
Grupa Kęty	+	+	+	+	+	+	+	+	=	+	+		100%
JSW	+	+	+	+	-	=	=	=	-	-	=		64%
Kernel	-	-	-	-	-	+	+	+	-	+	=		45%
KGHM	+	+	+	-	-	+	+	=	+	+	+		64%
Kruszwica	=	=	=	+	+	+	+	+	+	+	-		91%
Mangata	=	-	=	+	+	+	+	=	+	=	-		82%
Pozbud	-	-	=	+	-	+	+	+	+	+	+		73%
PKP Cargo	+	+	+	-	+	+	+	+	+	-	+		73%
Stelmet	-	-	+	+	=	+	+	=	+	-	+		73%
TIM	-	-	-	+	+	+	+	+	+	+	+		73%
Real-Estate													
Atal	+	+	=	+	+	+	=	-	-	-	-		64%
Dom Dev.	-	+	+	+	+	+	-	+	+	-	+		73%
Retail													
AmRest	=	+	+	-	+	=	+	+	+	+	+		91%
CCC	+	+	+	-	-	-	-	-	-	+	-		36%
Dino	na		+	+	+	+	+	+	+	+	+		100%
Eurocash	-	=	-	-	+	+	=	+	-	=	+		64%
Jeronimo	=	+	+	+	+	=	=	=	=	+	+		100%
LPP	+	+	+	+	-	+	+	+	=	+	+		91%
VRG	-	+	+	+	+	=	+	+	-	+	+		82%

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



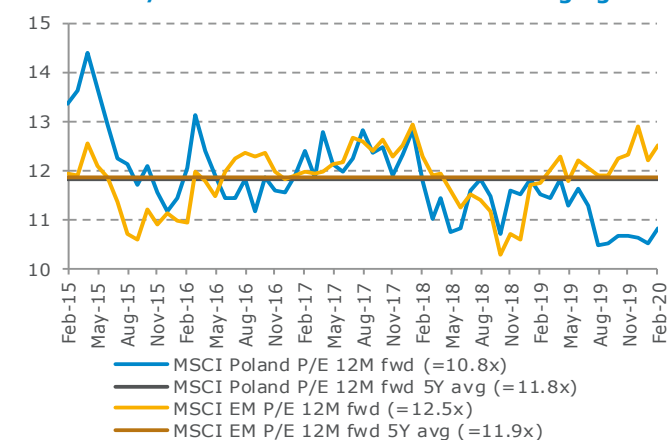
Source: Companies, Bloomberg, PAP, mBank

Revisions To FY2019 Earnings Forecasts For WIG30 Companies

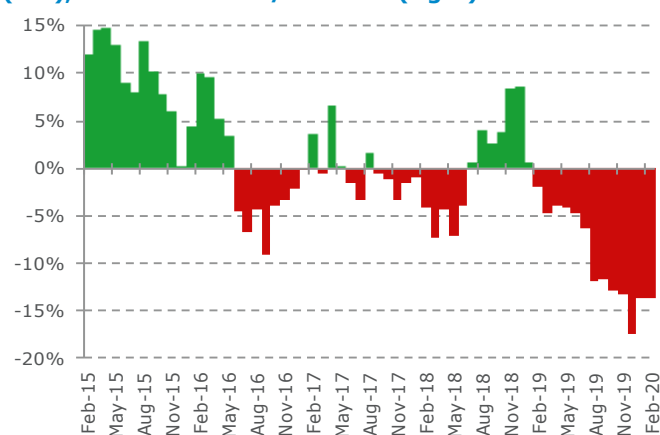
Jan-19=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank
Feb-19	-1%	-1%	-1%	+0%	-2%	-5%	-2%	+0%	-1%	+0%	-8%	+0%	+54%	+67%	+1%	+0%
Mar-19	-1%	-1%	-1%	-0%	-4%	-9%	+0%	-6%	-1%	-6%	-8%	+4%	+65%	+67%	+9%	+16%
Apr-19	-3%	-1%	-1%	-0%	-11%	-9%	-3%	-8%	-0%	-6%	-12%	+4%	+41%	+173%	+6%	+16%
May-19	-4%	-2%	-1%	-3%	-14%	-12%	+2%	+5%	-5%	-11%	-12%	+11%	+85%	+246%	+2%	+8%
Jun-19	-5%	-2%	-1%	-1%	-17%	-12%	+3%	+3%	-9%	-29%	-13%	+15%	+100%	+306%	-2%	-5%
Jul-19	-6%	-2%	-2%	-4%	-19%	-6%	+1%	+3%	-10%	-29%	-11%	+17%	+149%	+306%	-7%	-5%
Aug-19	-7%	-2%	-2%	-3%	-19%	-6%	+1%	+3%	-12%	-29%	-8%	+18%	+172%	+306%	-11%	-2%
Sep-19	-8%	-2%	-2%	-3%	-19%	-6%	-7%	+3%	-16%	-29%	-9%	+16%	+172%	+267%	-13%	-2%
Oct-19	-9%	-6%	-4%	-5%	-18%	-12%	-8%	-10%	-18%	-31%	-5%	+17%	+147%	+286%	-15%	+2%
Nov-19	-10%	-7%	-4%	-8%	-21%	-9%	-8%	-10%	-20%	-37%	-8%	+20%	+151%	+259%	-13%	-11%
Dec-19	-11%	-7%	-3%	-8%	-25%	-9%	-3%	-10%	-25%	-37%	-9%	+20%	+138%	+259%	-17%	-11%
Jan-20	-14%	-10%	-6%	-10%	-33%	-15%	-6%	-10%	-29%	-41%	-6%	+21%	+140%	+193%	-17%	-12%

Source: "Con" - Bloomberg consensus forecasts, "mBank" - estimates by mBank, 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)

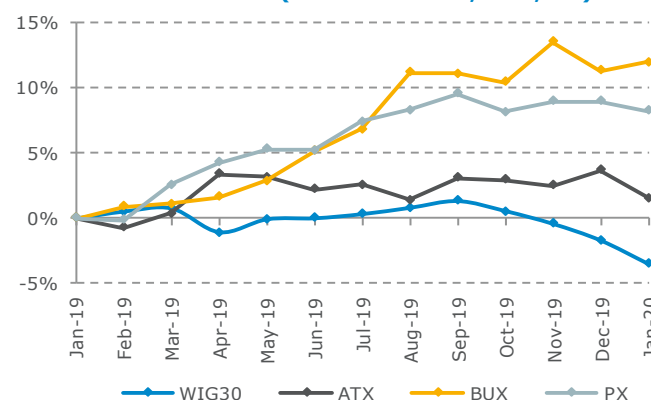


Source: Bloomberg, mBank



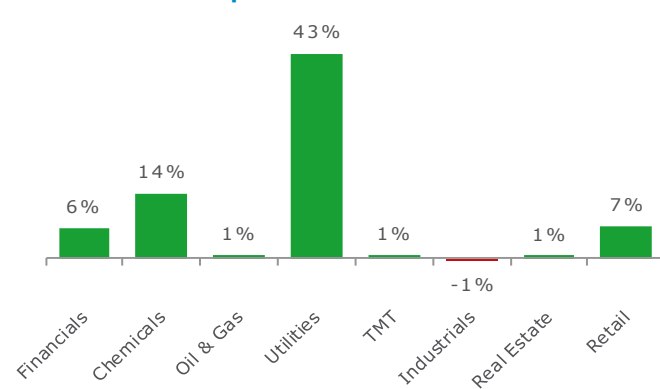
Source: Bloomberg, mBank

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



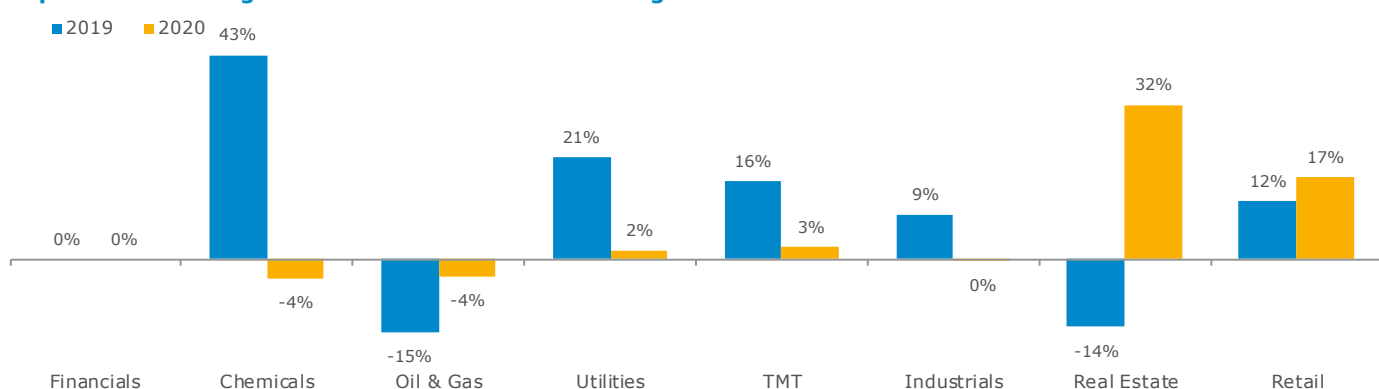
Source: Bloomberg, mBank

Estimated Sector Upside Potential*



Source: mBank; *To mBank price targets

Expected YoY Change in FY2019-2020E Sector Earnings*



Source: mBank; *Net Income for Financials, EBITDA for the remaining sectors; TMT'19 change without adjusting for IFRS16

Divergence of mBank Estimates From Consensus Estimates

Sector/Name	mBank Rating	mBank TP ¹	BBG Ratings ²			BBG TP ³	mBank v. BBG TP	mBank v. BBG Earnings			mBank v. BBG EBITDA			Analyst Count ⁴
			▲	►	▼			2019E	2020E	2021E	2019E	2020E	2021E	
Financials														
Alior Bank	hold	31.00	8	6	1	37.74	-17.9%	-1%	-11%	-20%				12
Handlowy	accumulate	57.44	9	2	0	58.12	-1.2%	-7%	+1%	-1%				9
ING BSK	sell	170.00	2	5	5	192.42	-11.7%	-2%	-4%	-4%				10
Millennium	reduce	5.47	4	4	4	5.72	-4.4%	-5%	-40%	-60%				6
Pekao	buy	115.20	14	6	0	123.95	-7.1%	+2%	-4%	-5%				16
PKO BP	accumulate	39.69	6	10	3	39.87	-0.4%	-6%	-6%	-6%				15
Santander Bank Polska	hold	287.90	6	9	1	332.61	-13.4%	-7%	-4%	-11%				8
Komercni Banka	buy	928.20	8	10	1	911.94	+1.8%	-0%	+0%	+5%				12
Moneta Money Bank	buy	94.33	14	0	0	100.35	-6.0%	-4%	+7%	+4%				3
Erste Group	accumulate	36.61	19	4	1	37.31	-1.9%	+2%	+8%	+7%				9
RBI	accumulate	23.05	12	8	1	27.02	-14.7%	+7%	+7%	+7%				5
OTP Bank	hold	14,681	11	5	2	14,709	-0.2%	+2%	+4%	-				15
PZU	hold	41.91	6	6	0	45.46	-7.8%	-1%	+4%	+2%				7
Kruk	buy	210.31	3	1	2	200.16	+5.1%	-1%	-3%	+1%				4
GPW	buy	47.82	2	3	1	45.46	+5.2%	-4%	-9%	-3%				4/2
Chemicals														
Ciech	buy	44.41	10	1	0	47.62	-6.7%	-31%	-7%	-13%	-7%	-1%	-5%	7/6
Grupa Azoty	buy	30.31	5	3	1	37.03	-18.1%	-21%	-32%	-84%	-5%	-3%	-16%	6/6
Oil & Gas														
Lotos	reduce	68.47	11	2	2	97.47	-29.8%	-7%	-29%	-27%	-3%	-13%	-15%	11/10
MOL	accumulate	2,816.0	9	3	1	3,493.1	-19.4%	-9%	-24%	-16%	-1%	-10%	-3%	13/13
PGNiG	hold	4.06	4	5	1	4.70	-13.6%	-6%	-25%	+6%	-3%	-12%	+8%	7/7
PKN Orlen	reduce	68.03	3	10	4	87.96	-22.7%	-6%	-28%	-31%	-6%	-12%	-16%	15/14
Utilities														
CEZ	buy	597.80	9	6	1	591.04	+1.1%	+3%	-5%	-4%	+1%	-1%	-0%	10/9
Enea	buy	11.53	7	1	0	11.45	+0.7%	+1%	+2%	+2%	+4%	+4%	+2%	6/7
Energa	buy	11.67	1	5	2	8.12	+43.8%	-16%	-15%	-6%	+3%	+1%	-1%	6/6
PGE	buy	12.20	6	4	3	9.21	+32.4%	+12%	+12%	+3%	+8%	+9%	+1%	7/8
Tauron	buy	2.45	4	7	2	1.92	+27.5%	-9%	+17%	+17%	+0%	+10%	+7%	8/9
TMT														
Netia	hold	4.70	4	3	0	5.06	-7.1%	-14%	-14%	-27%	+4%	+2%	-0%	5/7
Orange Polska	accumulate	7.40	1	11	3	6.82	+8.5%	+114%	+3%	+52%	+8%	+4%	+9%	5/10
Play	accumulate	36.00	9	4	2	36.92	-2.5%	-3%	+2%	+0%	-1%	+3%	+4%	12/11
Agora	buy	17.00	4	0	0	13.80	+23.2%	-	-	-	+4%	+2%	-6%	4/4
Cyfrowy Polsat	reduce	26.10	1	10	3	28.87	-9.6%	-3%	-2%	+2%	+2%	+2%	+2%	10/9
Wirtualna Polska	hold	79.70	6	2	0	75.71	+5.3%	-7%	+0%	-3%	+1%	+4%	+3%	5/5
Asseco Poland	hold	59.20	3	4	1	63.59	-6.9%	-5%	-10%	-10%	+6%	+4%	+4%	9/9
Asseco BS	overweight	-	1	2	0	31.50	-	+2%	+4%	+108%	+2%	+6%	+7%	3/3
Asseco SEE	overweight	-	2	2	0	26.60	-	-3%	-1%	-1%	-8%	-5%	-5%	4/3
Comarch	buy	250.00	5	1	0	223.76	+11.7%	-0%	+2%	+2%	+2%	+6%	+6%	6/6
11 bit studios	hold	439.00	8	3	0	444.10	-1.1%	-19%	+15%	+28%	-4%	+23%	+34%	9/10
CD Projekt	hold	284.20	8	8	3	283.04	+0.4%	+14%	+31%	+56%	-11%	-14%	+20%	14/13
Industrials														
AC	neutral	-	2	1	0	47.00	-	+0%	+2%	-3%	+0%	-1%	-1%	2/2
Alumetal	neutral	-	4	2	0	48.85	-	-3%	-13%	-16%	-1%	-6%	-9%	5/5
Amica	neutral	-	3	2	0	149.15	-	+4%	+6%	+6%	+1%	+1%	+1%	4/4
Apator	neutral	-	1	3	0	25.33	-	-16%	-1%	-0%	-7%	-3%	-3%	2/4
Astarta	overweight	-	3	2	0	18.10	-	-	-0%	+108%	-13%	+10%	+7%	3/3
Famur	buy	5.18	6	0	0	5.17	+0.2%	+10%	+6%	+13%	-1%	+2%	+3%	5/5
Forte	underweight	-	2	3	2	32.17	-	-13%	-17%	-18%	+2%	-4%	-6%	6/6
Grupa Kęty	hold	335.44	6	6	0	375.29	-10.6%	+2%	-12%	-18%	+1%	-8%	-14%	8/8
JSW	hold	18.41	1	4	4	31.66	-41.9%	-32%	-	-	-11%	-16%	-19%	6/5
Kemel	hold	47.25	4	2	0	57.20	-17.4%	+2%	-15%	+9%	-1%	+4%	+8%	5/4
KGHM	reduce	86.33	1	7	8	85.37	+1.1%	-1%	-6%	-35%	+4%	-2%	-20%	10/11
PKP Cargo	reduce	16.40	3	4	2	31.10	-47.3%	-58%	-	-	-6%	-16%	-20%	6/5
Real Estate														
Atal	accumulate	44.28	5	0	0	43.11	+2.7%	-18%	+20%	-6%	-26%	+20%	-3%	3/3
Dom Development	hold	88.92	3	4	0	93.95	-5.3%	+3%	+6%	+24%	+1%	-2%	+7%	6/5
Retail														
AmRest	hold	47.00	8	4	0	51.34	-8.5%	-0%	-5%	-13%	+9%	+1%	-2%	8/7
CCC	buy	157.00	2	11	4	117.20	+34.0%	+32%	+26%	+30%	+4%	+9%	+11%	15/12
Dino	reduce	149.70	8	8	2	151.83	-1.4%	-1%	+3%	+10%	-0%	+2%	+5%	17/16
Eurocash	hold	19.80	9	2	7	22.71	-12.8%	-0%	-1%	+9%	+6%	-3%	-12%	9/10
Jeronimo Martins	hold	16.30	14	11	5	16.15	+0.9%	+24%	+16%	+13%	-0%	-1%	-4%	20/18
LPP	buy	10,100	9	7	1	9,521.7	+6.1%	-2%	+8%	+12%	-16%	-11%	-12%	14/13
VRG	buy	4.50	7	0	0	4.74	-5.1%	-2%	-12%	-8%	-6%	-5%	-8%	5/5

Source: Bloomberg (BBG), mBank; ¹Target Price issued by mBank; 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 mBank

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E		EV/EBITDA	
							2019	2020	2019	2020
Financial Sector						+6.6%	10.6	10.4		
Alior Bank	hold	2019-11-06	29.34	31.00	25.86	+19.9%	8.1	7.5		
Handlowy	accumulate	2019-12-05	51.70	57.44	56.20	+2.2%	16.3	11.8		
ING BSK	sell	2020-02-04	202.00	170.00	202.50	-16.0%	15.8	14.9		
Millennium	reduce	2020-02-05	5.91	5.47	5.91	-7.4%	10.3	12.9		
Pekao	buy	2019-12-05	96.34	115.20	97.06	+18.7%	11.3	10.3		
PKO BP	accumulate	2020-02-05	36.00	39.69	36.00	+10.3%	10.9	10.4		
Santander Bank Polska	hold	2020-02-05	304.00	287.90	304.00	-5.3%	14.5	12.7		
Komercni Banka	buy	2019-12-05	792.00	928.20 CZK	787.00	+17.9%	9.8	10.4		
Moneta Money Bank	buy	2019-08-28	75.95	94.33 CZK	86.00	+9.7%	11.5	10.7		
Erste Group	accumulate	2019-12-05	32.20	36.61 EUR	33.40	+9.6%	9.3	8.9		
RBI	accumulate	2019-12-05	21.24	23.05 EUR	21.00	+9.8%	5.9	5.7		
OTP Bank	hold	2019-12-05	14,870	14,681 HUF	14,570	+0.8%	10.0	9.2		
PZU	hold	2020-02-05	40.54	41.91	40.54	+3.4%	11.1	10.5		
Kruk	buy	2019-12-05	150.90	210.31	161.60	+30.1%	9.2	9.1		
Skarbiec Holding	buy	2019-12-05	17.20	29.34	21.80	+34.6%	6.8	6.5		
GPW	buy	2020-01-16	40.85	47.82	41.85	+14.3%	13.8	15.8		
Chemicals						+13.8%	10.9	10.6	5.4	5.7
Ciech	buy	2019-12-05	36.40	44.41	40.05	+10.9%	15.4	9.5	6.7	5.7
Grupa Azoty	buy	2020-02-05	26.10	30.31	26.10	+16.1%	6.5	11.8	4.2	5.6
Oil & Gas						+0.7%	10.4	10.4	4.4	5.0
Lotos	reduce	2020-02-05	76.78	68.47	76.78	-10.8%	12.1	9.8	5.9	5.1
MOL	accumulate	2020-02-05	2,618	2,816 HUF	2,618	+7.6%	8.6	9.2	4.1	5.0
PGNiG	hold	2020-01-28	3.86	4.06	3.68	+10.4%	12.2	14.3	4.6	4.5
PKN Orlen	reduce	2020-02-03	75.66	68.03	74.44	-8.6%	7.1	11.0	4.2	5.1
Power Utilities						+42.3%	4.4	5.3	3.6	3.7
CEZ	buy	2019-12-05	502.00	597.80 CZK	504.50	+18.5%	15.0	13.1	7.3	6.8
Enea	buy	2019-11-06	8.59	11.53	7.29	+58.3%	3.1	3.0	3.1	3.1
Energa	buy	2019-11-06	6.37	11.67	7.08	+64.8%	5.5	5.3	3.6	4.2
PGE	buy	2019-10-24	8.42	12.20	6.55	+86.3%	4.4	5.7	3.0	3.4
Tauron	buy	2019-11-06	1.73	2.45	1.46	+67.8%	2.8	2.3	4.0	3.7
Telecoms, Media, IT						-2.0%	31.7	19.2	6.5	6.6
Netia	hold	2019-12-05	4.44	4.70	4.54	+3.5%	31.7	32.5	4.6	4.7
Orange Polska	accumulate	2019-11-29	6.46	7.40	6.85	+8.0%	32.2	35.4	5.3	5.5
Play	accumulate	2020-02-05	34.80	36.00	34.80	+3.4%	10.0	9.2	6.4	6.3
Agora	buy	2019-10-30	9.50	17.00	12.80	+32.8%	61.0	32.6	7.5	7.1
Cyfrowy Polsat	reduce	2019-11-14	28.86	26.10	27.54	-5.2%	15.7	13.3	7.1	6.9
Wirtualna Polska	hold	2020-02-05	82.20	79.70	82.20	-3.0%	35.5	22.3	13.6	10.9
Asseco Poland	hold	2019-12-05	57.35	59.20	65.60	-9.8%	16.6	16.0	5.4	5.1
Comarch	buy	2019-11-25	189.50	250.00	207.00	+20.8%	15.0	14.4	6.5	6.3
11 bit studios	hold	2020-02-05	440.00	439.00	440.00	-0.2%	56.9	45.5	34.2	28.7
CD Projekt	hold	2020-02-05	305.00	284.20	305.00	-6.8%	-	13.0	-	11.4
Industrials, Mining						-0.5%	6.7	9.4	4.6	4.5
Cognor	hold	2019-12-06	1.20	1.25	1.24	+0.8%	6.7	38.5	4.4	6.1
Famur	buy	2019-12-05	2.98	5.18	2.98	+74.1%	4.6	7.0	3.7	3.8
Grupa Kęty	hold	2019-12-05	338.50	335.44	384.50	-12.8%	13.1	15.0	8.8	9.6
JSW	hold	2020-02-05	19.78	18.41	19.78	-6.9%	5.0	-	0.8	3.3
Kemel	hold	2020-02-05	47.20	47.25	47.20	+0.1%	5.3	7.8	4.9	6.5
KGHM	reduce	2020-02-05	96.44	86.33	96.44	-10.5%	8.7	8.6	4.8	4.7
PKP Cargo	reduce	2020-02-05	17.50	16.40	17.50	-6.3%	14.8	-	3.0	3.7
Stelmet	accumulate	2020-02-05	7.85	8.92	7.85	+13.6%	-	10.3	5.2	4.4
Property Developers						+0.7%	11.7	8.1	10.8	7.4
Atal	accumulate	2020-02-05	39.80	44.28	39.80	+11.3%	13.9	7.4	13.8	7.0
Dom Development	hold	2019-12-05	93.00	88.92	96.00	-7.4%	9.5	8.9	7.8	7.8
Retail						+7.0%	39.8	20.8	9.8	8.7
AmRest	hold	2019-12-05	46.35	47.00	49.15	-4.4%	39.8	38.4	13.0	12.1
CCC	buy	2019-12-05	108.10	157.00	99.05	+58.5%	93.3	20.8	5.6	4.4
Dino	reduce	2020-02-05	164.70	149.70	164.70	-9.1%	40.0	29.5	23.5	17.8
Eurocash	hold	2020-02-05	19.94	19.80	19.94	-0.7%	67.7	40.2	7.4	7.0
Jeronimo Martins	hold	2020-02-05	15.78	16.30 EUR	15.78	+3.3%	18.6	18.4	9.8	8.7
LPP	buy	2020-02-05	8,610.00	10,100.00	8,610.00	+17.3%	28.1	19.7	11.7	9.6
VRG	buy	2020-02-05	3.93	4.50	3.93	+14.6%	15.1	12.6	4.8	4.4

Weighting Recommendations by mBank

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2019	2020	2019	2020
IT						16.0	13.3	7.0	5.8
Ailleron	neutral	2019-10-31	7.16	9.00	+25.7%	16.2	12.3	6.4	5.0
Asseco BS	overweight	2020-01-30	32.60	33.60	+3.1%	16.6	15.4	10.7	10.0
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	3.50	+14.4%	12.4	11.6	5.2	4.9
Industrials						12.6	11.5	6.9	6.9
AC	neutral	2019-12-05	43.20	49.00	+13.4%	12.3	12.4	8.6	8.2
Alumetal	neutral	2020-01-30	42.80	45.20	+5.6%	14.2	14.6	8.1	8.3
Amica	neutral	2019-12-05	133.20	146.80	+10.2%	9.9	9.3	6.3	6.4
Apator	neutral	2020-01-30	20.70	20.70	+0.0%	13.0	11.9	7.1	7.0
Astarta	overweight	2020-01-30	15.90	17.40	+9.4%	-	3.2	7.3	3.1
Boryszew	underweight	2020-01-30	4.54	4.39	-3.3%	14.5	11.5	6.9	7.0
Forte	underweight	2020-01-30	32.30	33.70	+4.3%	20.5	14.5	9.5	8.6
Kruszwica	overweight	2020-01-30	52.20	55.00	+5.4%	12.1	11.5	6.3	6.2
Mangata	neutral	2019-12-05	72.00	75.00	+4.2%	9.1	10.7	6.4	6.9
Pozbud	neutral	2019-12-05	1.80	1.70	-5.8%	4.0	3.9	4.5	5.4
TIM	overweight	2019-12-05	10.90	11.55	+6.0%	13.0	11.5	6.8	6.2

Stocks Re-Rated as of 5 February 2020

Company	Rating	Previous Rating	Target Price	Issued on
11 bit studios	hold	buy	439.00 PLN	2020-02-05
Atal	accumulate	buy	44.28 PLN	2020-02-05
CD Projekt	hold	accumulate	284.20 PLN	2020-02-05
Dino	reduce	accumulate	149.70 PLN	2020-02-05
Eurocash	hold	reduce	19.80 PLN	2020-02-05
Grupa Azoty	buy	hold	30.31 PLN	2020-02-05
Jeronimo Martins	hold	hold	16.30 EUR	2020-02-05
JSW	hold	hold	18.41 PLN	2020-02-05
Kernel	hold	hold	47.25 PLN	2020-02-05
KGHM	reduce	hold	86.33 PLN	2020-02-05
Lotos	reduce	reduce	68.47 PLN	2020-02-05
LPP	buy	buy	10100.00 PLN	2020-02-05
Millennium	reduce	hold	5.47 PLN	2020-02-05
MOL	accumulate	accumulate	2816.00 HUF	2020-02-05
PKO BP	accumulate	accumulate	39.69 PLN	2020-02-05
PKP Cargo	reduce	reduce	16.40 PLN	2020-02-05
Play	accumulate	buy	36.00 PLN	2020-02-05
PZU	hold	accumulate	41.91 PLN	2020-02-05
Santander Bank Polska	hold	hold	287.90 PLN	2020-02-05
Stelmet	accumulate	hold	8.92 PLN	2020-02-05
VRG	buy	accumulate	4.50 PLN	2020-02-05
Wirtualna Polska	hold	hold	79.70 PLN	2020-02-05

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
Alumetal	neutral	neutral	- -	2020-01-30
Apator	neutral	neutral	- -	2020-01-30
Asseco BS	overweight	neutral	- -	2020-01-30
Astarta	overweight	overweight	- -	2020-01-30
Boryszew	underweight	neutral	- -	2020-01-30
Forte	underweight	neutral	- -	2020-01-30
GPW	buy		47.82 PLN	2020-01-16
ING BSK	sell	hold	170.00 PLN	2020-02-04
JSW	hold	buy	23.32 PLN	2020-01-20
Kruszwica	overweight	overweight	- -	2020-01-30
PGNiG	hold	buy	4.06 PLN	2020-01-28
PKN Orlen	reduce	hold	68.03 PLN	2020-02-03

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Biuro maklerskie mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	1	1.4%	1	4.3%
reduce	7	10.1%	1	4.3%
underweight	2	2.9%	1	4.3%
hold	18	26.1%	8	34.8%
neutral	8	11.6%	2	8.7%
accumulate	9	13.0%	4	17.4%
buy	19	27.5%	6	26.1%
overweight	5	7.2%	0	0.0%

Corporate Events Calendar For February

Date	Time	Company	Event
5-Feb		Grupa Kęty	Forecast publication for 2020 year
6-Feb		ING BSK	Q4'19 earnings announcement (preliminary)
6-Feb		Komercni Banka	Q4'19 earnings announcement
6-Feb	12:00	Grupa Kęty	Management meetings (Regent Hotel, Warsaw)
6-Feb		mBank	Q4'19 earnings announcement (preliminary)
6-Feb		Moneta Money	Q4'19 earnings announcement
6-Feb		RBI	Q4'19 earnings announcement (preliminary)
10-Feb	9:30	Famur	Management meetings (GPW, ul. Książęca 4, Warsaw)
12-Feb		Orange Polska	Q4'19 earnings announcement
12-Feb		PKO BP	Q4'19 earnings announcement
13-Feb		Citi Handlowy	Q4'19 earnings announcement (preliminary)
14-Feb		Millennium	Q4'19 earnings announcement
14-Feb		Skarbiec	Q4'19 earnings announcement
20-Feb		Jeronimo Martins	Q4'19 earnings announcement (after market close)
20-Feb		Santander	Q4'19 earnings announcement
21-Feb		MOL	Q4'19 earnings announcement
26-Feb		Play	Q4'19 earnings announcement
27-Feb		Netia	Q4'19 earnings announcement
27-Feb		Pekao	Q4'19 earnings announcement
28-Feb		Alior Bank	Q4'19 earnings announcement
28-Feb		Apator	Q4'19 earnings announcement
28-Feb		Erste Bank	Q4'19 earnings announcement (preliminary)
28-Feb		Kernel	Q2'20 earnings announcement
28-Feb		mBank	Q4'19 earnings announcement
28-Feb		Stelmet	Q1'20 earnings announcement

Macroeconomic Update

GDP Update for Q4 2019

According to the annual estimate, GDP rose by 4.0% y/y in 2019, below market consensus (4.2% r/r) and our forecast (4.0% y/y). GDP growth in the fourth quarter and its composition are rather shocking and it is safe to say that nobody has predicted this exact outcome.

First, using Q1-Q3 data and the Q4 figures, we can estimate likely intervals for key national accounts figures in Q4'19: GDP rose by 2.8-3.1% y/y, household consumption by 3.5-3.8% y/y, gross fixed investment by 7.2-7.3% y/y; net exports subtracted 0.5-0.3 p.p. from the headline.

Second, household consumption has been quite weak at the end of the year, which casts serious doubt on Q1 spending. Further deceleration in household consumption runs against signals from retail sales and is completely inconsistent with sky-high consumer sentiment. It is also evident (granted, we don't know the counterfactual) that 2019 fiscal stimulus failed to overcome the drag from cyclical factors. Perhaps consumers were already adjusting their spending to the expected loss in purchasing power associated with surging inflation, but we are grasping at straws so far. If the negative supply shock is responsible, spending in Q1 will also be affected. In addition, the NBP's assumption of permanently lower precautionary savings rate might no longer hold.

Third, investment was several percentage points (!) higher than forecast and it was impossible to nowcast it from available data without very aggressive and (ex ante) unrealistic assumptions regarding spending on machinery and equipment. Perhaps the fourth-quarter surge is related to defense spending which tends to be cumulated in the final part of the year. We should also be mindful of historical precedents – initial estimates of Q4'17 investment were also surprisingly high (and also blamed on defense spending), only to be revised sharply downwards several months later. In any case, 2020 will be marked by a decline in public investment (UE cycle, lower local government spending) and private investment is unlikely to compensate given the worsening demand prospects and falling capacity utilization. If Q4'19 investment is not revised downwards, high statistical base will also limit the extent to which investment can apparently rebound in 2020.

Net exports posted only a small positive contribution in the whole 2019, which implies a modest negative contribution in Q4. It is somewhat surprising given what we know about October and November trade flows, but perhaps squares neatly with the surge in investment, if big-ticket items were purchased abroad in December. 2020 net exports will see a very regular pattern, with highly positive contributions.

Our forecast of 2020 growth amounted to 2.8% y/y before the publication and we stand firm by it. The risks are symmetric in our view and private and public (incl. the NBP) forecasters will continue drift towards 3%. The on-going slowdown in the Polish economy is the decisive argument in the debate on the optimal reaction to current inflationary episode. It will reinforce the governor's conviction that the next move in Polish rates will be a cut. The confluence of local and global factors are making any bets on monetary tightening in Poland null and void.

December Retail Sales Update

Real retail sales in December increased by 5.7% y/y, close to market consensus and below our forecast (7.2% y/y). Nominal growth amounted to 7.5% y/y. The reading is better than previous ones, although a downtrend is intact and retail growth seems to be more or less stable in recent months

The detailed breakdown reveals two sources of surprise. As usual in December, m/m growth of many categories was in double digits, especially in food and non-specialized stores. And those categories are correlated. According to our judgment, growth there should have been higher than (in our opinion) abnormally modest 2018. It was not the case. The sales in other categories were more or less regular. Another source of surprise came from retail price deflator. It more than doubled in December and it is not only food and fuels but also core categories that drove retail prices upwards. Mind that it is still not a new fact with regard to CPI inflation but a mere reflection of it (albeit from different angle).

The data on retail sales are boon to everyone as it is more or less stable. Automatic deceleration of sales is not definitely not here. Therefore the notions that it is inevitable due to high prices are exaggerated (and the seemed so even beforehand). We expect deceleration of consumption but driven by more moderate growth of nominal wages and overall cautiousness that has been infecting consumers for some months now. Stable sales also wipes out any notions that the economy is overheating. It is not. Any calls for rate hikes can be safely shelved.

Manufacturing Update

Industrial output rose by 3.8% y/y in December, much below market consensus (6.0% y/y) and our pessimistic estimate of 4.9% y/y. On a seasonally and calendar adjusted basis output dropped by a whopping 2.9% m/m, bringing the momentum of output down to zero after a few months of elevated monthly prints.

Several factors contributed to such a weak print. First, last December was marked by a peculiar arrangement of public holidays (with Christmas Eve on Tuesday), which favored very long holiday leaves. The last time this happened was in 2013 (in fact, save for slightly different timing of Easter, calendar was identical in 2013 and 2019) and December output growth was surprisingly weak indeed. Second, the previous two months were characterized by unusually strong industrial output prints, which build a sizable high base for output to fall from. This might be due to stockpiling ahead of Brexit, but the evidence is inconclusive. Finally, energy output decelerated considerably after the November spike.

Weak industrial output data, paired with weak construction print are surprising enough to revise Q4 GDP down, to 3.1% y/y. Note that nowcasts based on hard data are now markedly lower than those based on soft indicators. Why is it then that we favor the latter? Historical experience and the nature of negative shock hitting the economy in the second half of 2019 speak in favor of giving much greater weight to hard data. The sharp slowdown in public investment is probably heavily concentrated and impacts a limited number of economic agents despite the considerable retrenchment in spending (in other words, public investment projects tend to be very large). Sentiment indicators, on the other hand, are not value-weighted and capture the experience of a median economic agent. This is what happened in 2016 and the nature of current slowdown is quite similar.

Jobs Update

Average gross wage rose by 6.2% y/y in December, beating forecasts by a slim margin (market consensus 6.0% y/y, our forecast 5.8% y/y). The acceleration vis-à-vis weak November (5.3% y/y) was mainly due to favorable working day difference and shifts in mining bonus payments. The latter can also easily explain the slight upside surprise in the data.

Our view of cyclical developments in wage growth has not changed. Nominal wage growth is slowing down (this pertains especially to manufacturing) and the culprit is weakening labor demand, seen in a plethora of soft and hard indicators. Weaker wage pressure is also reported by companies themselves, as reflected in business surveys. The upcoming January print will be primarily influenced by the major minimum wage hike (by 15%), but we do not see it as a game changer. It might offer a one-time shift to average wage, but it will not change the negative trend. The extent to which the static effect of the minimum wage hike (ca. 2 p.p.) will be apparent from the headline wage number in January is in addition very uncertain.

Employment growth proved to be a bit worse than our forecast: 2.6% vs 2.7%. However, enterprise sector added more than 1k jobs on monthly basis. Therefore 2.7% was one of those forecasts that were fairly close to the reality. December stays under the heavy influence of seasonal factors so without the details it is really hard to judge on the merit of the reading with respect to macro picture. We still think that the trend is pointing downwards.

CPI Update

In December Polish CPI inflation rose from 2.6 to 3.4% y/y – thus, the flash reading was confirmed and December marks one of the biggest CPI surprises in history.

Food prices rose by 1.2% m/m, exactly in line with the flash estimate. However, we are somewhat surprised by the strong increase in the prices of meat (2.8% m/m), which we assumed to be spread over few months. It remains to be seen what it means for January CPI print. Nevertheless, with normal seasonal patterns for key subcategories, one arrives at a strong decline in food price inflation in 2020. Meteorological anomalies are certainly possible, so nobody should take food price disinflation for granted. Fuel and energy prices were close to the flash estimate and our assumptions.

Unsurprisingly, core inflation surge (to 3.1% y/y) was the main reason for higher inflation. Some of the details were, however, surprising. First, prices of clothing and footwear declined only marginally on a monthly basis. Second, transport services rose by a staggering 30% m/m, which almost certainly is the result of unusually high seasonal increase in airline fares. Third, insurance prices rose by 7.8% m/m. The latter category was not on our list of usual suspects and can reasonably be traced back to very volatile transport insurance premiums. This increase will not be reversed next month.

This is not the end of elevated CPI prints and this print lifts the projected CPI path even higher. Electricity price hikes, further raises of refuse collection fees, alcohol & tobacco excise tax hike and base effects will push inflation beyond 4.5% in the first quarter. The exact print is subject to uncertainty related to the extent that refuse collection fees find their way into Statistics Poland's data and to turn-of-the-year changes in prices set by public and private enterprises and institutions (January is typically a good opportunity). Spring is set to bring some moderation to CPI prints due to base effects and slowing economy, but at the moment we do not foresee inflation returning to target before 2021.

NBP's November CPI projection is set to be overshoot by 1 p.p. or more and the return to target seems more and more distant. Current and future CPI prints will give the Council some food for thought and embolden (and even enlarge) the hawkish wing. The key factor influencing the stability of the status quo will be the March inflation projection. It will be a pivotal moment, since it will inform the Council of the pace in

which CPI returns to target in 2021. Moreover, this MPC exhibits unprecedented preference for sustaining GDP growth over reacting to what it sees as an external and temporary negative supply shock. In other words, the Council does not want to tighten monetary policy in a procyclical manner (previous councils arguably did that). Markets, however, might not believe that this time is different and price in a different scenario. The more so, since the nascent upswing in the global economy will be seen as contradicting the NBP's belief in medium-term economic slowdown in Poland.

mBank Research

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Financial Sector

Alior Bank

hold (no change)

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We leave our hold recommendation and target price for ALR unchanged. Alior Bank's fourth-quarter results may be the first harbinger that the bank is out of the woods. The area we are going to hone in on is provisioning. We are forecasting a slight improvement in CoR (200 bps), which may mark the beginning of a negative trend reversing. However before announcing better days for Alior, we would wait at least until Q1'20 earnings. This does not change the fact that currently Alior has the lowest-ever valuation of 0.5x P/BV on 2020 estimates compared to a sector average of 1.1x, and 7.7x P/E compared to an average value of 11.6x for Polish banks. In our opinion there is limited room for further deterioration in earnings, which is why part of the discount should be removed once the bank regains investors' trust. We expect Alior to pair the Q4 earnings announcement on February 28th with a strategy update which should instill more confidence in the bank's current goals and guidance.

Current Price

25.86 PLN

Upside

9M Target Price

31.00 PLN

+19.9%

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

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-11.1%	-9.4%
ISIN	PLALIOR00045	YTD Price Chng	-9.8%	-9.4%
Outst. Stock (m)	129.3	ADTV 1M		PLN 9.3m
MC (PLN m)	3,342.6	ADTV 6M		PLN 19.1m
		P/E 12M fwd	6.8	-44.1%
Free Float	74.8%	P/E 5Y avg	12.2	discount

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	6.5	4.7	8.1	7.5	7.1
P/B	0.5	0.5	0.5	0.5	0.4
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%

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

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%

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	

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 (no change)

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We leave unchanged our accumulate recommendation and target price for Handlowy. BHW stock significantly outperformed the WIG-Banks index in January (+7.5% vs. -1.5%) owing to a small portfolio of CHF loans and relatively small exposure to prepaid loan fee refunds. Q4 should be the first quarter of 2019 without major negative surprises, and it will represent a baseline for FY2020. We expect risk costs to normalize, and their going back to below PLN 40m will be the greatest support for the quarter's result. Even though Handlowy is the last bank left in our financials universe to not address in any way the question the impact of prepaid loan fee refunds, we do not see much risk there due to the bank's relatively low share in the consumer loan market versus a large share in credit cards. We maintain our view from December's Investment Strategy that, in light of the anticipated economic slowdown in Poland, combined with a continuing Swiss franc saga and expected transactions in the M&A market, from the point of view of investors Handlowy should be seen as a safe haven.

Current Price	56.20 PLN	Upside
9M Target Price	57.44 PLN	+2.2%

	rating	target price	issued
unchanged	accumulate	57.44 PLN	2019-12-05

Key Metrics		BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	+6.4% +8.1%
ISIN	PLBH00000012	YTD Price Chng	+8.5% +8.9%
Outst. Stock (m)	130.7	ADTV 1M	PLN 1.8m
MC (PLN m)	7,343.1	ADTV 6M	PLN 2.0m
		P/E 12M fwd	11.8 -19.2%
Free Float	25.0%	P/E 5Y avg	14.6 discount

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	13.7	11.5	16.3	11.8	11.3
P/B	1.1	1.0	1.0	1.0	1.0
ROE	7.8%	9.1%	6.4%	8.8%	8.9%
DPS	4.60	4.10	3.74	3.84	3.56
DYield	8.2%	7.3%	6.7%	6.8%	6.3%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	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

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%

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	

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 sell (no change)

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We maintain a sell rating for ING BSK. ING Bank Śląski is a leading financial institution in the CE3 region in terms of risk management and growth, with a conservative balance-sheet approach valued by investors. At 15.0x 2020E P/E and 1.8x P/B, ING is trading at a respective premiums of 49% and 53% to its CEE peers—levels which make it overvalued at the moment. The Polish institution does deserves a sizable premium for its high dividends and ROE, but at the current levels it is valued higher than OTP, which generates the highest ROE in CEE, and higher than Czech counterparts, offering three times the dividends. Furthermore, the Polish bank sector as a whole has forever lost its advantage over foreign competition since the introduction of the bank tax, coupled with EU-led regulatory changes such as the requirement to refund borrowing fees on prepaid loans, and the landmark CHF mortgage loan case which has paved the way for mass borrower lawsuits. ING's outperformance relative to the domestic WIG-Banks benchmark has been massive, with the premiums over average 12M forward P/E and P/B boosted from 5% in 2015 to a staggering 39%-59% more recently. Last but not least, with free float capitalization of just 3.75%, ING faces downside price risk in case any of the institutional shareholders, or the parent ING, decide to alter their investment. Our valuation model puts ING BSK's 2020E P/B ratio at 1.5x, indicating a small discount to OTP and Komerční Banka, and a ratio well over the 1.2x average for Polish banks

Current Price

202.50 PLN

Downside

9M Target Price

170.00 PLN

-16.0%

	rating	target price	issued
unchanged	sell	170.00 PLN	2020-02-04

Key Metrics	ING PW	vs. WIG
Ticker	ING PW	1M Price Chng -2.2%
ISIN	PLBSK0000017	YTD Price Chng 0.0%
Outst. Stock (m)	130.1	ADTV 1M +0.4%
MC (PLN m)	26,345.3	ADTV 6M PLN 1.6m
		P/E 12M fwd 14.0
Free Float	25.0%	P/E 5Y avg 15.4 discount

Earnings Projections

Earnings Projections					
(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,453	3,760	4,313	4,729	5,173
Total income	4,756	5,233	5,811	6,306	6,839
Costs	-2,123	-2,327	-2,497	-2,619	-2,721
Provisioning	-421	-501	-628	-800	-968
Net income	1,403	1,526	1,666	1,764	1,918
P/E	18.8	17.3	15.8	14.9	13.7
P/B	2.2	2.0	1.9	1.8	1.6
ROE	12.6%	12.1%	12.2%	12.2%	12.2%
DPS	0.00	3.20	3.50	3.84	4.07
DYield	0.0%	1.6%	1.7%	1.9%	2.0%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	3,453	3,760	4,313	4,729	5,173
Fee income	1,183	1,305	1,374	1,401	1,483
Trading income	117	154	139	146	153
Other income	3	14	-15	30	31
Noninterest income	1,303	1,473	1,498	1,577	1,666
Total income	4,756	5,233	5,811	6,306	6,839
Operating expenses	2,123	2,327	2,497	2,619	2,721
Operating income	2,633	2,906	3,314	3,687	4,118
Provisioning	421	501	628	800	968
Profits of associates	0	0	6	11	11
Pre-tax income	2,212	2,405	2,692	2,898	3,160
Tax	479	507	592	638	695
Minority interests	0	0	0	0	0
Asset tax	330	372	433	496	546
Net income	1,403	1,526	1,666	1,764	1,918

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	91,088	103,126	117,913	130,949	143,516
Other assets	34,926	38,477	41,171	44,139	47,354
Total assets	126,014	141,603	159,084	175,088	190,871
Deposits	104,503	117,683	130,590	143,489	158,054
Other liabilities	9,716	10,584	14,626	16,549	16,475
Minority interests	0	0	0	0	0
Equity	11,795	13,336	13,868	15,050	16,342

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%	39.8%
CoR	0.5%	0.5%	0.6%	0.6%	0.7%
NPL Ratio	2.8%	2.8%	2.9%	3.2%	3.6%
Tier 1 Ratio	15.8%	14.8%	14.8%	14.9%	15.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	910	3%
PV Adjustment	1,516	5%
Value Driver (2022-36)	14,488	51%
Fade (2037-56)	7,586	26%
Terminal Value	4,168	15%
Fair Value	28,668	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	220.36	
9M Target Price (PLN)	234.40	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	13,585	53%
Explicit Forecast (2019-21)	2,303	9%
PV Adjustment	68	0%
Value Driver (2022-36)	7,822	31%
Fade (2037-56)	1,702	7%
Fair Value	25,481	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	195.85	
9M Target Price (PLN)	208.34	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	28,668
Economic Profits	50%	25,481
Fair Value Avg.		27,074
Fair Value Per Share (PLN)		208.11
Asset tax		-48.29
Fair Value Per Share		159.82
Cost of equity (9M)		6.4%
9M Target Price (PLN)		170.00

Millennium reduce (downgraded)

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We downgrade MIL to reduce to reflect the recent share price rise, but we leave our target price unchanged. Millennium's Q4'19 earnings report disclosed provisions for CHF loans in the amount of PLN 223m, a much higher value than the PLN 150m write-offs announced in an earlier market filing which came as a negative surprise to us. We also wish to point out the bank's quite liberal approach both to CHF provisioning and to prepaid loan fee refunds. The reserves for legal risks related to potential CHF lawsuits represent only about 1.50% of the total franc loan portfolio. Compared to competitors, this is quite a low amount. As regards consumer loan fee refunds, the bank still uses the effective interest rate method, which indicates lower costs compared to the generally accepted straight-line method. Both of the above factors create room for negative surprises in the future.

Current Price	5.91 PLN	Downside
9M Target Price	5.47 PLN	-7.4%

	rating	target price	issued
new	reduce	5.47 PLN	2020-02-05
old	hold	5.47 PLN	2019-12-05
Key Metrics			
		MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-0.8% +0.9%
ISIN	PLBIG0000016	YTD Price Chng	+0.9% +1.3%
Outst. Stock (m)	1,213.1	ADTV 1M	PLN 4.5m
MC (PLN m)	7,163.5	ADTV 6M	PLN 5.5m
		P/E 12M fwd	7.4 -38.5%
Free Float	50.0%	P/E 5Y avg	12.1 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	10.5	9.4	10.3	12.9	15.8
P/B	0.9	0.9	0.8	0.8	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%

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

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%

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

Pekao buy (no change)

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We keep unchanged our buy recommendation and target price for PEO. In the context of Q4 forecasts, we estimate the net impact of one-off events (Swiss franc provisioning and NPL sales) at ca. PLN -20m. However, we have not taken into account that Pekao Bank Hipoteczny will write down PLN 35m in preparation for transfer of receivables, so if the bank was to report further provisioning for CHF, our estimates may prove overoptimistic. Results from core operations, however, should be solid, with a special emphasis on the announced cost discipline. We maintain our view that Pekao is one of the safest choices for 2020 due to the relatively small CHF-loan portfolio and high quality of the corporate loan portfolio. On the other hand, what may pose a threat are Pekao's potential activities in the M&A market. In the event of major transactions, the bank could be forced to issue equity, which could potentially cause EPS dilution or spur a large subordinated debt issue, boosting the costs of financing.

Current Price

97.06 PLN

Upside

9M Target Price

115.20 PLN

+18.7%

	rating	target price	issued
unchanged	buy	115.20 PLN	2019-12-05

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-4.7%	-3.0%
ISIN	PLPEKAO000016	YTD Price Chng	-3.4%	-3.0%
Outst. Stock (m)	262.5	ADTV 1M		PLN 75.9m
MC (PLN m)	25,475.3	ADTV 6M		PLN 66.1m
		P/E 12M fwd	9.8	-31.9%
Free Float	67.2%	P/E 5Y avg	14.3	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	10.3	11.1	11.3	10.3	9.6
P/B	1.1	1.1	1.1	1.1	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	8.9%	8.1%	6.8%	6.7%	7.3%
Forecast Update (% change)	2019P	2020P	2021P		
Net interest income	0.0%	0.0%	0.0%		
Fee income	0.0%	0.0%	0.0%		
Total costs	0.0%	0.0%	0.0%		
Provisioning	0.0%	0.0%	0.0%		
Net income	0.0%	0.0%	0.0%		

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	4,593	4,994	5,452	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 (reiterated)

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We reiterate an accumulate recommendation for PKO while slightly raising the target price to PLN 39.69 per share. We believe that the inflow of negative information for PKO BP has been exhausted for several months to come and DY of ca. 9% will tempt new investors. Our forecast revision takes account of the significant write-offs PKO BP will make in the final quarter of 2019 related to CHF loan risk (PLN 446m) and consumer credit fee refunds (PLN 236m). Meanwhile, the Management Board has advised that the higher-than-originally-expected provisioning in Q4'19 will lower the impact of fee refunds on subsequent quarters from the previously expected PLN 70-80m per quarter to PLN 55-65m. Our forecasts for 2020-21 remain virtually unchanged, which does not change the fact that we are 2%-4% below the consensus. Our current forecast takes account of the major macroeconomic slowdown from 4% in 2019 to 2.8% in 2020, which should undoubtedly translate into higher cost of risk. Additionally, due to recent court judgements, we have decided to provide for a 30% probability of converting CHF cases into PLN at the origination rate. The low probability assumed by us results from the current course of court proceedings against PKO BP, which are mostly won by the bank. This means that we are more conservative than the bank's Management Board (which believes that the bank has made adequate provisions for the coming 3 years), 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. Despite conservative forecasts, we believe that the valuation of PKO BP is at a rather attractive point and we see around 15% growth potential.

Current Price	36.00 PLN	Upside
9M Target Price	39.69 PLN	+10.3%

	rating	target price	issued
new	accumulate	39.69 PLN	2020-02-05
old	accumulate	39.50 PLN	2019-12-05
Key Metrics		PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	+3.6% +5.3%
ISIN	PLPKO0000016	YTD Price Chng	+4.5% +4.9%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 90.5m
MC (PLN m)	45,000.0	ADTV 6M	PLN 97.5m
		P/E 12M fwd	9.9 -22.7%
Free Float	70.6%	P/E 5Y avg	12.8 discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	8,606	9,353	10,232	10,977	11,632
Total income	12,803	13,660	14,949	15,746	16,514
Costs	-6,050	6,218	-6,608	-6,601	-6,790
Provisioning	-1,617	-1,451	-1,620	-2,224	-2,394
Net income	3,104	3,741	4,118	4,316	4,563
P/E	14.5	12.0	10.9	10.4	9.9
P/B	1.2	1.2	1.1	1.0	1.0
ROE	9.0%	9.9%	10.2%	10.2%	10.5%
DPS	0.00	0.55	1.33	2.98	3.55
DYield	0.0%	1.5%	3.7%	8.3%	9.9%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			-1.0%	-1.0%	-0.0%
Fee income			+0.2%	+0.2%	+0.2%
Total costs			+2.3%	-0.8%	-0.8%
Provisioning			+18.4%	0.0%	0.0%
Net income			-8.4%	-1.0%	+1.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	8,606	9,353	10,232	10,977	11,632
Fee income	2,969	3,013	3,051	3,110	3,155
Trading income	518	664	758	706	727
Other income	733	630	907	953	1,000
Noninterest income	4,220	4,307	4,716	4,769	4,882
Total income	12,826	13,660	14,949	15,746	16,514
Operating expenses	6,050	6,218	6,608	6,601	6,790
Operating income	6,776	7,442	8,341	9,145	9,725
Provisioning	1,617	1,451	1,620	2,224	2,394
Profits of associates	22	37	39	41	43
Pre-tax income	5,181	6,028	6,760	6,962	7,373
Tax	-1,140	-1,336	-1,609	-1,532	-1,622
Minority interests	-5	-1	-1	-1	-1
Asset tax	932	950	1,032	1,113	1,187
Net income	3,104	3,741	4,118	4,316	4,563

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	43,725	47,933	50,431
Minority interests	-11	-10	-10	-11	-11
Equity	36,267	39,111	41,568	42,987	44,043

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	3.0%	3.2%	3.2%	3.2%	3.2%
C/I	47.1%	45.5%	44.2%	41.9%	41.1%
CoR	0.8%	0.6%	0.7%	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%	17.0%	16.9%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	7,206	12%
PV Adjustment	868	1%
Value Driver (2022-36)	42,642	71%
Fade (2037-56)	7,776	13%
Terminal Value	1,668	3%
Fair Value	60,159	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	48.13	
9M Target Price (PLN)	51.19	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	42,477	70%
Explicit Forecast (2019-21)	4,112	7%
PV Adjustment	4,274	7%
Value Driver (2022-36)	8,742	14%
Fade (2037-56)	1,039	2%
Fair Value	60,644	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	48.52	
9M Target Price (PLN)	51.61	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	60,159
Economic Profits	50%	60,644
Fair Value Avg.		60,401
Fair Value Per Share (PLN)		48.32
Asset tax		-11.01
Fair Value Per Share		37.32
Cost of equity (9M)		6.4%
9M Target Price (PLN)		39.69

Santander Bank Polska hold (reiterated)

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Following better-than-expected results of Santander Bank Polska in Q4'19, we raise our target price to PLN 287.90 per share, but leave our hold recommendation unchanged. In Q4 2019 the bank gave us a positive surprise about operating expenses and the balance of provisions (NPL sales). Our projections, raised by 2% for 2020 and by nearly 8% for 2021, take account of those lower expenses but also of the better-than-expected performance of other revenues. On the other hand, we keep quite a high balance of provisions unchanged both in the period of the explicit 2020-22 forecast and in the subsequent years. This is due to our expectation of further write-offs of CHF loans along with the increasing borrowers' interest in lawsuits and the economic slowdown (GDP 2020 = +2.8%), which will leave its mark on cost of risk on corporate exposures. Our forecasts already take into account the full effect of the cancellation of CHF loans, which we mentioned in our monthly review for October. We estimate the impact 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-offs expected in 2023/24 (PLN 1.61bn and PLN 1.15bn, respectively). We believe that write-offs at such a level will not result in a net loss or a problem with the capital situation in the bank. Our profit after tax forecasts are 11% below consensus for 2021 and 2022. We currently value SPL at a premium to the P/E ratios of PKO BP and Pekao, which in our opinion is justified by the shareholder structure (no political risk) and higher profitability. We believe that the greatest threat to our forecasts is further deterioration of the economic situation, while upside potential is provided by a very low participation rate so far of Santander's customers in CHF loan lawsuits.

Current Price

304.00 PLN

Downside

9M Target Price

287.90 PLN

-5.3%

	rating	target price	issued
new	hold	287.90 PLN	2020-02-05
old	hold	265.50 PLN	2019-12-05
Key Metrics		SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-0.8% +0.9%
ISIN	PLBZ000000044	YTD Price Chng	-1.1% -0.7%
Outst. Stock (m)	102.1	ADTV 1M	PLN 19.5m
MC (PLN m)	31,034.8	ADTV 6M	PLN 18.9m
		P/E 12M fwd	12.0 -14.8%
Free Float	31.7%	P/E 5Y avg	14.1 discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	5,277	5,742	6,580	6,846	7,289
Total income	7,764	8,296	9,485	9,893	10,414
Costs	-3,372	-3,769	-4,489	-3,997	-3,985
Provisioning	-690	-1,085	-1,219	-1,690	-1,943
Net income	2,213	2,365	2,138	2,450	2,659
P/E	13.6	12.9	14.5	12.7	11.7
P/B	1.4	1.2	1.2	1.1	1.1
ROE	10.6%	10.1%	8.5%	9.4%	9.4%
DPS	5.40	3.10	19.72	5.24	6.00
DYield	1.8%	1.0%	6.5%	1.7%	2.0%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			-0.9%	-2.3%	-0.4%
Fee income			-0.3%	+1.8%	+1.0%
Total costs			+3.3%	-1.6%	-2.8%
Provisioning			-5.5%	0.0%	0.0%
Net income			-2.0%	+1.5%	+7.9%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	5,742	6,580	6,846	7,289	7,727
Fee income	2,058	2,128	2,238	2,300	2,368
Trading income	282	500	533	538	543
Other income	214	276	276	287	298
Noninterest income	2,554	2,904	3,047	3,125	3,210
Total income	8,296	9,485	9,893	10,414	10,937
Operating expenses	3,769	4,489	3,997	3,985	4,040
Operating income	4,527	4,996	5,896	6,428	6,897
Provisioning	1,085	1,219	1,690	1,943	1,959
Profits of associates	63	67	67	67	67
Pre-tax income	3,892	3,844	4,273	4,552	5,005
Tax	727	800	897	956	1,051
Minority interests	-334	-306	-305	-289	-300
Asset tax	-466	-599	-620	-648	-664
Net income	2,365	2,138	2,450	2,659	2,990

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Net loans	137,460	147,852	156,477	164,040	172,943
Other assets	68,392	65,192	67,061	69,046	71,124
Total assets	205,853	213,044	223,538	233,086	244,067
Deposits	149,617	155,830	162,656	170,747	179,241
Other liabilities	29,568	30,430	32,065	30,978	30,602
Minority interests	1,564	1,681	1,798	1,908	2,023
Equity	25,104	25,103	27,019	29,453	32,201

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	3.3%	3.3%	3.2%	3.3%	3.3%
C/I	45.4%	47.3%	40.4%	38.3%	36.9%
CoR	0.9%	0.8%	1.1%	1.2%	1.1%
NPL Ratio	4.5%	4.5%	4.4%	4.6%	4.6%
Tier 1 Ratio	14.1%	14.1%	14.3%	15.1%	15.7%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	1,534	4%
PV Adjustment	1,775	5%
Value Driver (2022-36)	23,102	66%
Fade (2037-56)	6,809	19%
Terminal Value	1,752	5%
Fair Value	34,972	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	352.42	
9M Target Price (PLN)	374.88	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	25,376	76%
Explicit Forecast (2019-21)	2,524	8%
PV Adjustment	246	1%
Value Driver (2022-36)	4,246	13%
Fade (2037-56)	1,051	3%
Fair Value	33,443	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	337.01	
9M Target Price (PLN)	358.49	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	34,972
Economic Profits	50%	33,443
Fair Value Avg.		34,207
Fair Value Per Share (PLN)		344.71
Asset tax		-74.06
Fair Value Per Share		270.65
Cost of equity (9M)		6.4%
9M Target Price (PLN)		287.90

Komercni Banka buy (no change)

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We leave our buy recommendation for Komercni Banka unchanged. In the 2020 Investment Strategy, we lowered our forecasts by 2% for 2020 and 2021 and raised by 1% for 2019. The change in projections in 2020/21 resulted 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 finally see a slight rebound due to the rollover of mortgage and consumer products at ever higher rates and the subsiding price war in the market for these products. Meanwhile, we expect the favorable macroeconomic environment to be continually reflected in cost of risk, which we forecast at 7 bps in 2020 and 13 bps in 2021. Net banking income growing at 1% YoY and normalizing cost of risk will result in a decrease in profit after tax in 2020 by about 6%. Nevertheless, ROE will remain at a high level of 13%, which is unattainable for most of 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	787.00 CZK	Upside
9M Target Price	928.20 CZK	+17.9%

	rating	target price	issued
unchanged	buy	928.20 CZK	2019-12-05

Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	-5.2% -3.5%
ISIN	CZ0008019106	YTD Price Chng	-5.1% -4.7%
Outst. Stock (m)	188.9	ADTV 1M	CZK 101.9m
MC (CZK bn)	148.6	ADTV 6M	CZK 116.0m
		P/E 12M fwd	10.5 -20.8%
Free Float	39.6%	P/E 5Y avg	13.2 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	10.0	9.8	10.4	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%	6.0%	6.5%	6.5%	6.5%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(CZK m)	2017	2018	2019P	2020P	2021P
Net interest income	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 leave the buy recommendation and target price of CZK 94.33 per share for Moneta Money Bank unchanged. 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 full 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 is below the book value, which will 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

86.00 CZK

Upside

9M Target Price

94.33 CZK

+9.7%

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

Key Metrics		MONET CP	vs. WIG
Ticker	MONET CP	1M Price Chng	+0.7% +2.4%
ISIN	CZ0008040318	YTD Price Chng	+1.2% +1.6%
Outst. Stock (m)	511.0	ADTV 1M	CZK 52.4m
MC (CZK bn)	43.9	ADTV 6M	CZK 83.5m
		P/E 12M fwd	11.2 -0.8%
Free Float	100.0%	P/E 5Y avg	11.3 discount

Earnings Projections

(CZK m)	2017	2018	2019P	2020P	2021P
NII	7,364	7,409	7,965	8,675	9,358
Total income	10,335	10,162	10,514	11,334	12,112
Costs	-4,763	-4,580	-4,662	-4,643	-4,813
Provisioning	-381	-274	-604	-1,063	-1,606
Net income	3,923	4,200	3,808	4,098	4,139
P/E	11.2	10.5	11.5	10.7	10.6
P/B	1.7	1.7	1.7	1.7	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	11.4%	9.3%	7.2%	6.5%	7.0%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(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 accumulate (no change)

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We leave unchanged our accumulate recommendation for Erste Group. Erste, like other regional banks, is a beneficiary of the macroeconomic situation, which in turn translates into 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 projection for 2020 made us revise our expectations in the 2020 Investment Strategy, which have been lowered by 3% for 2020 and by 8% for 2021. We have also 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 the market expectations for both 2020 and 2021. A threat to our forecasts in 2020 may be a faster-than-expected increase in cost of risk, while upside risk is provided by 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 a dividend ratio of 5%.

Current Price	33.40 EUR	Upside
9M Target Price	36.61 EUR	+9.6%

	rating	target price	issued
unchanged	accumulate	36.61 EUR	2019-12-05

Key Metrics	EBS AV	1M Price Chng	EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	-2.1%	-0.4%
ISIN	AT0000652011	YTD Price Chng	-0.5%	-0.1%
Outst. Stock (m)	429.8	ADTV 1M		EUR 18.1m
MC (EUR m)	14,355.3	ADTV 6M		EUR 20.5m
		P/E 12M fwd	9.2	-11.3%
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	10.9	8.0	9.3	8.9	8.8
P/B	1.0	1.0	1.0	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	3.0%	3.6%	3.9%	4.5%	4.7%
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

(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	2021P	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	2019	
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 (no change)

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We leave our accumulate recommendation for RBI unchanged. Raiffeisen Bank International is an Austrian regional bank with a presence all over Eastern Europe and banks in over 15 countries. RBI's strategy includes a medium-term return on equity of 11%, loan growth in the mid-single digits, 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 dividends of between 20% and 50% of the profit after tax while keeping CET1 at >13%. Both we and the consensus are more skeptical than the Management Board. In the next three years, we expect ROE of approximately 9%, C/I at 61%, but also the cost of risk at 32-45 bps in 2020/21. RBI has the highest risk exposure among regional banks due to its 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 Polish CHF loans may in an extreme case result in class actions, currency conversion of CHF loans at the rate in effect when the loan was granted, and thus significant write-offs. In the worst-case scenario, which also assumes lawsuits from customers who have already repaid their loans and the posting of a one-off loss, the write-off attributable to RBI would amount to PLN 5bn, i.e. approximately EUR 1.15bn (EUR 3.4 per share), absorbing the net result for the whole year. We are valuing RBI at 6.2x 2020E fair P/E and 0.6x P/B, i.e. at discounts to comparable companies. We believe that this valuation is justified due to RBI's definitely lowest profitability among the regional banks and the entire CEE sector, as well as due to the risks associated with the CHF portfolio.

Current Price	21.00 EUR	Upside
9M Target Price	23.05 EUR	+9.8%

	rating	target price	issued
unchanged	accumulate	23.05 EUR	2019-12-05

Key Metrics	RBI AV	1M Price Chng	RBI AV	vs. WIG
Ticker	RBI AV	1M Price Chng	-7.4%	-5.7%
ISIN	AT0000606306	YTD Price Chng	-6.2%	-5.8%
Outst. Stock (m)	328.9	ADTV 1M		EUR 8.0m
MC (EUR m)	6,907.7	ADTV 6M		EUR 8.9m
		P/E 12M fwd	6.1	-29.9%
Free Float	41.2%	P/E 5Y avg	8.7	discount

Earnings Projections

(EUR m)	2017	2018	2019P	2020P	2021P
NII	3,225	3,362	3,443	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	5.2	4.9	5.9	5.7	5.6
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%	5.3%
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

(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		P/B
			2019P	2020P	2021P	2019P	2020P	2021P	2019P	2019P	
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 (no change)

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We leave our hold recommendation for OTP Bank unchanged. 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 a 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 cash distributions to shareholders or other forms of dividends such as buy-back. OTP Bank is trading at 36-30% premiums to the 2020-21 P/B ratios of CEE peers. 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%). The high premium should be also justified by the prospect of high dividends, with the DY ratio above 4% in 2021. Although the prospect for earnings is very promising, OTP's 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	14,570.00 HUF	Upside
9M Target Price	14,681.00 HUF	+0.8%

	rating	target price	issued
unchanged	hold	14,681.00 HUF	2019-12-05

Key Metrics			OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	-4.7%	-3.0%
ISIN	HU00000061726	YTD Price Chng	-5.6%	-5.2%
Outst. Stock (m)	267.0	ADTV 1M		HUF 6.7bn
MC (HUF bn)	3,890.7	ADTV 6M		HUF 5.6bn
		P/E 12M fwd	9.6	-9.0%
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	13.8	12.2	10.0	9.2	8.9
P/B	2.4	2.1	1.8	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	1.4%	1.6%	1.6%	1.6%	3.8%
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 hold (downgraded)

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Following a share price rise, we PZU from accumulate to hold. Our forecasts remain 2%-3% above consensus. This means that the trend in consensus should reverse and the forecasts of PLN 3bn for 2019 are too pessimistic. PZU has recently been mentioned again as a potential consolidator of the Polish banking market, especially after the Management Board confirmed an 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 an adjustment to the Alior's carrying value on PZU's balance sheet, and thus in a write-off in the order of approximately PLN 1.5 billion. Currently we believe there are no significant positive catalysts of further increase in PZU share price, and the risks of a potential issue of, among others, debt, prevail. With the discount to BBG Insurance index reduced to 0%, we believe that PZU is fairly valued at the current level.

Current Price	40.54 PLN	Upside
9M Target Price	41.91 PLN	+3.4%

	rating	target price	issued
new	hold	41.91 PLN	2020-02-05
old	accumulate	41.91 PLN	2019-12-05
Key Metrics			
Ticker	PZU PW	1M Price Chng	-0.9% +0.8%
ISIN	PLPZU0000011	YTD Price Chng	+1.3% +1.7%
Outst. Stock (m)	863.5	ADTV 1M	PLN 87.3m
MC (PLN m)	35,007.2	ADTV 6M	PLN 65.4m
		P/E 12M fwd	10.8 -8.0%
Free Float	64.8%	P/E 5Y avg	11.7 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	12.0	10.9	11.1	10.5	10.4
P/B	2.4	2.3	2.3	2.3	2.3
ROE	21.1%	21.7%	21.1%	21.9%	22.0%
DPS	1.40	2.70	2.98	2.93	3.07
DYield	3.5%	6.7%	7.3%	7.2%	7.6%
Forecast Update (% change)					
Gross written premiums			0.0%	0.0%	0.0%
Claims			0.0%	0.0%	0.0%
Investment income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Gross written prems	22,847	23,470	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 (no change)

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We leave our buy recommendation for Kruk unchanged. Early this year, the company delivered ambivalent figures. On the one hand, portfolio expenses in Q4 were high (PLN 389m), and the average purchase price stood at 9.2% in the quarter, and in the whole year at 9.4% compared to 15.8% in 2018. Meanwhile, the declared repayments of PLN 475m are highest to date, and the nominal value of the portfolios purchased shows Kruk's "engines" are sufficiently powered for 2020. On the other hand, the estimated annual profit after tax amounted to PLN 304m only, which raises a lot of questions about the expenses incurred and the revaluation. We hope Kruk will shed more light on the reasons behind the weaker-than-expected (as implicated by the yearly consensus) fourth quarter at the earnings conference on March 5th. In the negative scenario, the poor result would be attributable to high negative revaluations on the Italian and Spanish markets, which would, again, call into question Kruk's capacity for maintaining profitable operations in those markets. The prospects would look better if Q4 saw higher financial costs resulting from e.g. a higher EURRON exchange rate and if the potential increase in operating costs was attributed to a larger number of lawsuits being filed with Italian courts, heralding better repayments on this market in the future.

Current Price	161.60 PLN	Upside
9M Target Price	210.31 PLN	+30.1%

	rating	target price	issued
unchanged	buy	210.31 PLN	2019-12-05

Key Metrics			KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-2.8%	-1.1%
ISIN	PLKRK0000010	YTD Price Chng	-3.5%	-3.1%
Outst. Stock (m)	18.9	ADTV 1M		PLN 7.3m
MC (PLN m)	3,052.1	ADTV 6M		PLN 7.0m
		P/E 12M fwd	9.2	-29.2%
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	10.3	9.2	9.2	9.1	8.7
P/B	2.1	1.8	1.6	1.5	1.4
ROE	21.9%	20.7%	18.4%	17.0%	16.3%
DPS	5.76	5.00	5.00	8.83	8.91
DYield	3.6%	3.1%	3.1%	5.5%	5.5%
Forecast Update (% change)			2019P	2020P	2021P
Purchased debt portfolios			0.0%	0.0%	0.0%
Collections			0.0%	0.0%	0.0%
Other			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Rev., Purchased Debt	559	633	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

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

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

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 (no change)

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We leave our buy recommendation unchanged. In the 2020 Investment Strategy, we raised the net result for the next financial year 2019/20 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 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 projected inflows of PLN 550m from the PPK workplace pension schemes. Our forecasts assume that 80% of profit after tax will be paid out, which translates into a dividend yield of 21% in 2020, which should then range from 12% to 15% over the next nine years. We would like to point out that DPS may be reduced in the event of an acquisition of a distributor, for example, which would be a natural move to complement the business mix. We believe that Skarbiec's still unclear shareholder structure situation is harming its reputation, which may indirectly translate into relations with distributors. Compared to benchmark companies, Skarbiec is valued at a deep discount, although on the other hand the company has to face a difficult regulatory environment. We believe that high profitability and a very strong dividend deserve a narrower discount.

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

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	

Current Price 21.80 PLN
9M Target Price 29.34 PLN **Upside +34.6%**

	rating	target price	issued
unchanged	buy	29.34 PLN	2019-12-05

Key Metrics	SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng +10.7% +12.4%
ISIN	PLSKRBH00014	YTD Price Chng +14.7% +15.1%
Outst. Stock (m)	6.8	ADTV 1M PLN 0.1m
MC (PLN m)	148.7	ADTV 6M PLN 0.0m
		P/E 12M fwd 6.6 -9.2%
Free Float	25.4%	P/E 5Y avg 7.3 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	7.6	4.8	6.8	6.5	7.1
P/B	1.5	1.4	1.2	1.2	1.2
ROE	19.3%	30.3%	19.3%	19.1%	17.4%
DPS	2.62	4.45	0.50	3.69	2.62
DYield	12.0%	20.4%	2.3%	16.9%	12.0%
Forecast Update (% change)			2019P	2020P	2021P
Management fees			0.0%	0.0%	0.0%
Success fees			0.0%	0.0%	0.0%
Revenue			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

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%

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

GPW buy (no change)

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We leave our buy recommendation and target price unchanged. Low trading volumes at the Warsaw Stock Exchange and the Polish Power Exchange will result in disappointing revenues in Q4, which, combined with growing costs will translate into a weak but fully expected result for the whole quarter. This does not change our positive outlook on GPW, which stems from the high dividend yields, low valuation, and potential new revenue lines. Looking ahead, GWP Group is in for a number of projects which, if positively implemented, may change the company's image and restore investors' faith in the growth potential. The first of them, the "GTR" agricultural commodity exchange, should be launched in late March. Initially, trading on the GTRF is to be carried out as part of a pilot program (GPW will not charge fees during that period), expected to finish at the end of September. After that period, if successful, the exchange should start contributing to the Group's revenues. Another event of significance to future revenues will be an OTF license obtained by the Polish Power Exchange, which will enable PolPX to trade instruments based on CO2 emission permits, among other things. Currently, PolPX is waiting for Polish Financial Supervision Authority's decision thereon.

Current Price	41.85 PLN	Upside
9M Target Price	47.82 PLN	+14.3%

	rating	target price	issued
unchanged	buy	47.82 PLN	2020-01-16

Key Metrics			GPW PW	vs. WIG
Ticker	GPW PW	1M Price Chng	+2.1%	+3.8%
ISIN	PLGPW0000017	YTD Price Chng	+6.5%	+6.9%
Outst. Stock (m)	42.0	ADTV 1M		PLN 1.8m
MC (PLN m)	1,756.5	ADTV 6M		PLN 1.6m
EV (PLN m)	1,736.0	EV/EBITDA 12M fwd	8.7	+12.8%
Free Float	64.8%	EV/EBITDA 5Y avg	7.7	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	352	347	327	319	334
EBITDA	216	218	205	182	164
EBITDA margin	61.3%	62.9%	62.9%	56.9%	49.1%
EBIT	186	186	173	148	127
Net income	159	184	128	111	114
P/E	11.1	9.6	13.8	15.8	15.4
P/B	2.2	2.0	2.0	2.0	2.0
EV/EBITDA	7.0	8.3	8.4	9.4	10.4
DPS	2.15	2.20	3.18	2.50	2.60
DYield	5.1%	5.3%	7.6%	6.0%	6.2%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	352	347	327	319	334
Capital market	209	192	182	191	201
Commodity market	142	154	142	127	132
Other	1	1	2	2	1
EBIT	186	173	148	127	133
EBITDA	216	205	180	161	170
Equity in profits of assoc.	10	11	11	11	11
Net financing gains/losses	-6	45	-1	-1	1
Pre-tax profit	191	226	158	138	144
Tax	-32	-42	-30	-26	-30
Net income	159	184	128	111	114

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	1,147	1,217	1,231	1,236	1,241
Fixed assets	596	580	582	564	561
Current assets	551	637	649	672	680
Equity & Liabilities	1,147	1,217	1,231	1,236	1,241
Non-current liabilities	271	269	286	285	284
Current liabilities	77	57	64	63	64
Equity & Liabilities	799	891	882	888	893

Key Ratios

	2017	2018	2019P	2020P	2021P
P/E	10.8	9.3	13.4	15.4	15.0
P/BV	2.1	1.9	1.9	1.9	1.9
P/S	4.9	4.9	5.3	5.4	5.1
EV/EBITDA	6.8	8.7	9.4	10.3	9.8
DYield	4.4%	5.5%	7.4%	6.1%	6.4%

Dividend Discount Model (DDM)

	(PLN)	%
Stage I (2020-21)	4.66	10.4%
Stage II (2022-36)	13.21	29.4%
PV of terminal value	27.08	60.3%
Equity value per share	44.95	100%
CoE (%)	8.5%	
Target price	47.81	

DCF Summary

	(PLN m)
Terminal value	1,993
PV of terminal value	918
PV of FCF in ther forecast period	949
Net debt	-21
Equity investment	0
Equity value	1,887
Million shares outstanding (adj.)	42
Equity value per share	44.97
CoE (%)	8.5%
Target price	47.83

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	44.95
DCF	50%	44.97
	price	44.96
9M target price		47.82

Chemicals

Ciech

buy (no change)

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Ciech offers brighter earnings prospects for 2020 thanks to higher market prices of soda ash (+4% y/y in EUR; +PLN 76m), lower costs of coking coal (-15% in USD; -PLN 42m) and natural gas (-8% y/y in USD; +PLN 10m), and a production ramp-up through a new facility (+PLN 12m). These positive shifts will be mitigated by costs of an estimated PLN 18m per quarter incurred by the Govora unit in Romania leading up to its complete closure. All told, we anticipate a 7% rebound to PLN 680m in adjusted EBITDA alongside 12% bottom-line growth to PLN 223m in 2020. Even with an expected CAPEX increase to PLN 714m, the 2020 year-end net debt/EBITDA ratio is not likely to exceed 2.6x, and it will decrease in subsequent years. When it comes to the 2019 Q4 reporting season, we do anticipate a slight decline in adjusted EBITDA, but this should not overshadow Ciech's upcoming bright prospects in the new year. We have a buy rating for CIE with a target price of PLN 44.41.

Current Price	40.05 PLN	Upside
9M Target Price	44.41 PLN	+10.9%

	rating	target price	issued
unchanged	buy	44.41 PLN	2019-12-05

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	+3.2%	+4.9%
ISIN	PLCIECH000018	YTD Price Chng	+0.9%	+1.3%
Outst. Stock (m)	52.7	ADTV 1M		PLN 1.6m
MC (PLN m)	2,110.6	ADTV 6M		PLN 1.8m
EV (PLN m)	3,750.8	EV/EBITDA 12M fwd	5.6	-5.5%
Free Float	33.0%	EV/EBITDA 5Y avg	5.9	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.	5.7	12.7	10.6	9.5	9.4
P/B	1.0	1.1	1.1	0.9	0.9
EV/EBITDA adj.	3.7	5.6	5.9	5.7	5.6
DPS	0.00	7.50	0.00	0.00	2.12
DYield	0.0%	18.7%	0.0%	0.0%	5.3%

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

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA. Soda Div.	704	540	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%

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 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%

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 buy (upgraded)

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Grupa Azoty's earnings prospects for FY2020 are lifted by falling prices of natural gas in the EU market, where contracts for month-ahead deliveries have plunged 50% from the same period last year, and year-ahead prices have been slashed by 30%. This means that EU gas is currently the cheapest in the world, giving local fertilizer producers a cost advantage over global competition. What is more, low-cost gas feedstock indicates an 11% rebound in margins on urea production, and 51% expansion in margins on ammonium nitrate. The coronavirus outbreak is also helping to relieve competitive pressures on European fertilizer producers because it has forced China, the world's largest supplier of ammonia, urea, and multi-nutrient fertilizers, to curb economic activity. With fresh capital of PLN 210m raised by its GA Police unit, Grupa Azoty's net debt/EBITDA ratio not counting the PDH project is not likely to exceed 1.5x in the next two years (versus a covenant leverage ratio of 3.5x). In the short term, we would look out for a positive surprise from Grupa Azoty in the 2019 Q4 reporting season. We revise our target price for ATT from PLN 32.75 to PLN 30.31 per share to reflect model shifts and a reduced relative valuation, and we upgrade the stock from hold to buy to reflect recent price falls.

Current Price

26.10 PLN

Upside

9M Target Price

30.31 PLN

+16.1%

	rating	target price	issued
new	buy	30.31 PLN	2020-02-05
old	hold	32.75 PLN	2019-12-05
Key Metrics			
Ticker	ATT PW	1M Price Chng	-17.1% -15.4%
ISIN	PLZATRM00012	YTD Price Chng	-10.9% -10.5%
Outst. Stock (m)	99.2	ADTV 1M	PLN 2.1m
MC (PLN m)	2,589.0	ADTV 6M	PLN 2.2m
EV (PLN m)	6,128.0	EV/EBITDA 12M fwd	4.4 -29.4%
Free Float	29.0%	EV/EBITDA 5Y avg	6.2 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,617	9,999	11,538	11,142	11,261
EBITDA adj.	1,262	805	1,512	1,165	1,101
EBITDA margin	13.1%	8.1%	13.1%	10.5%	9.8%
EBIT adj.	672	122	690	298	195
Net income adj.	550	43	438	138	52
P/E adj.	4.7	60.7	5.9	18.8	49.8
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA adj.	2.8	6.8	4.1	6.1	7.6
DPS	0.79	1.20	0.00	0.00	0.00
DYield	3.0%	4.6%	0.0%	0.0%	0.0%
Forecast Update (% change)					
EBITDA			-6.2%	+12.1%	+3.7%
Net income			-18.6%	+82.1%	+149.4%
Urea price (PLN/t)			-0.3%	+0.3%	+0.3%
Ammonium Nitrate price (PLN/t)			-0.7%	-0.1%	-0.1%
Natural Gas price (PLN/m3)			-0.1%	-19.1%	-10.3%
Melamine (PLN/t)			+0.1%	-19.1%	-10.3%
Polyamide 6 (PLN/t)			0.0%	-10.6%	-6.9%
Propylene (PLN/t)			-7.7%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA, Fertilizers	484	82	1,007	872	680
EBITDA, Plastics	221	192	67	7	29
EBITDA, Chemicals	348	282	202	168	153
EBITDA, Energy	58.4	94.0	87.2	90.2	98.2
EBITDA, Other	76	114	99	127	141
Operating cash flow	1,087	1,043	1,538	1,236	1,105
D&A	590	683	821	867	906
Working capital	13	155	163	5	-2
Investing cash flow	-709	-1,761	-1,022	-2,013	-2,224
CAPEX	1,063	2,042	1,037	2,013	2,224
Financing cash flow	39	440	-131	72	953
Dividends/Buyback	-78	-119	0	0	0
FCF	49	-1,158	476	-791	-1,128
FCF/EBITDA	4%	-151%	33%	-63%	-102%
OCF/EBITDA	92%	136%	105%	98%	100%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	11,738	14,160	15,701	16,040	17,230
Fixed assets	8,070	9,886	11,133	12,283	13,607
Equity	6,856	6,703	7,099	7,318	7,370
Minority interests	588	625	643	864	871
Net debt	367	2,226	2,896	3,601	4,867
Net debt/EBITDA (x)	0.3	2.9	2.0	2.8	4.4
Net debt/Equity (x)	0.1	0.3	0.4	0.5	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	7.9	8.0	7.9	5.6	5.9	5.4
Maximum	47.4	20.4	14.2	9.2	8.6	7.9
Median	12.5	10.6	9.3	8.0	7.2	5.9
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Urea price (PLN/t)	1,616	1,604	1,587	1,601	1,608	1,615	1,622	1,622	1,622	1,622	1,630
AN price (PLN/t)	1,333	1,324	1,316	1,330	1,337	1,344	1,351	1,351	1,351	1,351	1,358
NGas cost (PLN/m3)	848	752	865	971	971	971	971	971	971	971	971
Revenue	11,538	11,142	11,261	11,549	13,280	13,550	13,772	13,896	14,022	14,111	14,237
EBITDA	1,463	1,265	1,101	1,111	1,506	1,540	1,548	1,515	1,495	1,460	1,487
EBITDA margin	12.7%	11.4%	9.8%	9.6%	11.3%	11.4%	11.2%	10.9%	10.7%	10.3%	10.4%
EBIT	642	398	195	198	294	359	423	434	425	385	412
Tax	113	48	3	10	-6	8	23	27	27	21	26
CAPEX	-1,037	-2,013	-2,224	-1,229	-548	-788	-827	-1,013	-1,027	-1,070	-1,074
Working capital	163	5	-2	-4	-23	-4	-3	-2	-2	-1	-2
FCF	476	-791	-1,128	-132	941	741	695	473	439	368	385
PV FCF	478	-749	-1,012	-97	727	543	480	306	266	209	
WACC	6.2%	6.1%	5.8%	11.0%	6.8%	6.5%	6.5%	6.5%	6.5%	6.6%	6.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	5,923
Net debt	2,016
Other adjustments	-625
Value per share (PLN)	33.09

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	23.94
DCF Val.	50%	33.09
Implied Price		28.51
Cost of equity (9M)		6.3%
9M Target Price		30.31

Oil & Gas

Lotos

reduce (reiterated)

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The macroeconomic environment over recent months has ceased to be favorable to Lotos, but nevertheless the 2020 EBITDA consensus at PLN 3.7bn still seems over-optimistic to us. Surely the decline in gas prices affecting the upstream segment should be compensated by lower fuel costs for refineries, but the pressure on product margins will translate into the Group's consolidated earnings. The market also has high hopes for the DCU launch, and the still theoretical net impact on the model margin is clearly below expectations (a positive impact of the delayed coking unit is, admittedly, high and exceeds \$3/bbl, but, at the same time, the margin benchmarks for Lotos's current refinery mix have crashed). There are also some concerns over the reported operating results for Q4 relating to the refining output structure. Of course we are aware that DCU was operating at half steam over that period, but the deviation from its theoretical performance levels indicated in analysts' models is relatively large. The timely production launch at Yme field, which we consider in forecasts from mid-2020 onwards, may prove to be a risk. Admittedly, the cash flow profile for the upcoming years looks promising, but we cannot ignore the commitment to take part in the PDH project (PLN 500m this year). Having considered the revised lower assumptions for gas prices and refining margins (-5% for EBITDA LIFO) and lower ratios in the comparative valuation, we lower our target price to PLN 68.47, and we keep intact our reduce call despite the recent fall in share price.

Current Price

76.78 PLN

Downside

9M Target Price

68.47 PLN

-10.8%

		rating	target price	issued
new		reduce	68.47 PLN	2020-02-05
old		reduce	77.80 PLN	2019-12-05
Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-10.8%	-9.1%
ISIN	PLLOTOS00025	YTD Price Chng	-8.1%	-7.7%
Outst. Stock (m)	184.9	ADTV 1M		PLN 26.5m
MC (PLN m)	14,194.6	ADTV 6M		PLN 24.3m
EV (PLN m)	16,838.8	EV/EBITDA 12M fwd	4.1	-25.8%
Free Float	46.8%	EV/EBITDA 5Y avg	5.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	24,186	30,122	29,492	28,649	29,749
EBITDA	3,073	3,704	2,850	3,218	3,342
EBITDA margin	12.7%	12.3%	9.7%	11.2%	11.2%
EBIT	2,229	2,981	1,963	2,217	2,251
Net income	1,672	1,587	1,169	1,447	1,389
P/E	8.5	8.9	12.1	9.8	10.2
P/B	1.3	1.2	1.1	1.0	1.0
EV/EBITDA	5.4	4.4	5.9	5.1	4.8
DPS	1.00	1.00	3.00	3.00	3.00
DYield	1.3%	1.3%	3.9%	3.9%	3.9%
Forecast Update (% change)			2019P	2020P	2021P
LIFO EBITDA			-0.5%	-4.6%	-4.6%
Net income			+2.3%	-9.3%	-3.0%
Price of Brent crude (\$/bbl)			-1.5%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			+1.1%	-8.3%	-8.3%
USD/PLN			+0.2%	+0.1%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	3,050	3,126	2,946	3,234	3,252
Upstream (US)	863	917	609	726	1,108
Downstream (DS)	2,058	2,022	2,044	2,215	1,848
Retail	139	181	294	293	296
EV/ LIFO EBITDA (adj.)	5.5	5.2	5.7	5.1	5.0
LIFO effect	171	500	-118	-16	90
Other one-offs	-148	78	22	0	0
Financing activity	219	-259	-335	-145	-130
Crude thrghpt (mmt)	9.6	10.8	10.7	10.5	10.5
\$ LIFO EBITDA/bbl, DS	7.7	7.1	6.8	7.7	6.7
PLN EBITDA/tonne, Retail	119	144	185	180	180
\$ EBITDA/boe, US	26.9	34.1	22.9	25.1	32.8
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

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	3,127	2,328	2,170	2,849	2,263
OCF/EBITDA LIFO adj.	103%	74%	74%	88%	70%
CAPEX	1,439	967	1,243	1,510	1,196
Working capital	4,035	4,816	5,193	5,165	5,514
Equity	10,712	12,035	12,565	13,612	14,446
Net debt	2,505	1,943	2,644	2,354	1,973
Net debt/EBITDA (x)	0.8	0.5	0.9	0.7	0.6

Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.1	3.0	2.5	2.1	2.0	1.8
Maximum	37.2	19.0	17.1	12.4	12.6	11.5
Median	9.4	8.8	8.0	4.4	4.7	4.5
Weight	5%	20%	20%	5%	20%	20%

DCF Analysis (ex. Upstream)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	64.0	65.0	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Margin+Urals/Brent	6.7	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
USD/PLN	3.84	3.72	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	28,352	27,349	27,886	29,588	29,588	29,588	29,588	29,588	29,644	29,696	29,696
EBITDA	2,241	2,492	2,234	2,165	2,070	2,065	2,060	2,054	2,025	2,043	2,043
EBITDA margin	7.9%	9.1%	8.0%	7.3%	7.0%	7.0%	7.0%	6.9%	6.8%	6.9%	6.9%
EBIT	1,570	1,722	1,443	1,331	1,274	1,240	1,218	1,196	1,151	1,152	1,287
Tax	298	327	274	253	242	236	232	227	219	219	245
CAPEX	-708	-700	-717	-756	-756	-756	-756	-756	-756	-756	-756
Working capital	-378	29	-350	-380	26	19	40	10	5	2	2
FCF	857	1,493	894	777	1,098	1,093	1,113	1,081	1,056	1,070	1,045
PV FCF	857	1,382	767	619	810	746	703	633	572	537	
WACC	8.0%	8.1%	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	15,096
Net debt	3,589
Petrobaltic	1,448
Value per share (PLN)	70.08

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	58.74
DCF Val.	50%	70.08
Implied Price		64.41
Cost of equity (9M)		6.3%
9M Target Price		68.47

MOL accumulate (reiterated)

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MOL stock has shed more than 10% in the past month, falling hand in hand with the prices of gas and retreating prices of oil. After adjusting our outlook for the worsened market conditions, we are having to cut our 2020 and 2021 EBITDA LIFO forecasts for MOL by 7% and 4%, respectively. Similarly, we are prompted to lower our target price to HUF 2,816 after taking into account the tighter valuations of peers. Nevertheless we keep intact our accumulate stance on MOL. We still see MOL as a more compelling bet than most of its competition in the CEE owing to a well-balanced business mix (split 50-50 between Upstream and Downstream) and relatively cheap earnings multiples at 5.0x 2020E EV/LIFO EBITDA and 4.4x 2021E earnings. MOL is a stand out in terms of cash generation, with average FCF yield in the 2020-2022 period (not counting payment for the recent Azerbaijan acquisition) projected at 5.4%. Further, even with capital-intensive projects lined up for the next two years, we are confident MOL can deliver on the goal of a steady rise in base annual DPS (after an expected rise in the net debt/EBITDA ratio to 1.5x in 2020 followed by a decrease to 1.0x 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%. When it comes to short-term catalysts, we expect MOL to report relatively solid results for Q4 2019.

Current Price	2,618 HUF	Upside
9M Target Price	2,816 HUF	+7.6%

	rating	target price	issued
new	accumulate	2,816 HUF	2020-02-05
old	accumulate	3,302 HUF	2019-11-27
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-11.3% -9.6%
ISIN	HU0000153937	YTD Price Chng	-11.0% -10.6%
Outst. Stock (m)	753.1	ADTV 1M	HUF 2,514.0m
MC (HUF m)	1,971,501.8	ADTV 6M	HUF 1,885.2m
EV (HUF m)	2,771,387.9	EV/EBITDA 12M fwd	4.4 +1.7%
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	5,217	5,081	5,292
EBITDA	673	764	676	672	767
EBITDA margin	16.3%	14.8%	13.0%	13.2%	14.5%
EBIT	354	353	322	291	371
Net income	307	301	229	214	252
P/E	6.4	6.5	8.6	9.2	7.8
P/B	1.1	1.0	0.9	0.9	0.8
EV/EBITDA	4.0	3.4	4.1	5.0	4.4
DPS	78.13	127.50	142.44	149.61	157.09
DYield	3.0%	4.9%	5.4%	5.7%	6.0%
Forecast Update (% change)			2019P	2020P	2021P
CCS EBITDA			+1.0%	-7.2%	-4.4%
Net income			+1.5%	-14.0%	-6.7%
Margin+Urals/Brent price differ. (\$/b)			+1.4%	-8.3%	-8.3%
Petchem margin (\$/t)			-1.0%	-4.4%	-4.5%
Price of Brent crude (\$/bbl)			-1.5%	0.0%	0.0%

Financial Highlights

(HUF bn)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	673	728	687	667	760
Upstream (US)	235	344	304	346	432
Downstream (DS)	198	183	166	146	161
Retail	97	115	134	146	157
Petchem	127	87	84	25	9
Gas Midstream	61	50	48	51	53
General expenses	-45	-51	-47	-48	-50
EV/LIFO EBITDA (adj.)	4.0	3.5	4.0	5.0	4.4
LIFO effect	7	19	-16	5	7
Other one-offs	-7	17	4	0	0
Financing activity	11	-22	-27	-21	-36
\$ LIFO EBITDA/bbl, DS	5.3	4.9	4.4	4.0	4.6
EBITDA/boe, US	23.7	34.8	28.2	30.4	37.2
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	64	65	70	75	75	75	75	75	75	75	75
Margin+Urals/Brent	6.1	5.5	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/HUF	290	281	272	272	272	272	272	272	272	272	272
Revenue	4,871	4,714	4,878	5,208	5,210	5,212	5,214	5,217	5,219	5,222	5,222
EBITDA	368	326	336	386	394	397	399	402	405	407	407
EBITDA margin	7.6%	6.9%	6.9%	7.4%	7.6%	7.6%	7.7%	7.7%	7.8%	7.8%	7.8%
EBIT	177	121	114	155	168	171	170	167	163	158	198
Tax	48	35	35	46	49	50	49	48	47	45	38
CAPEX	-471	-460	-360	-224	-209	-209	-209	-209	-209	-209	-209
Working capital	-3	8	-12	-20	1	2	2	1	1	1	1
FCF	-154	-161	-71	96	137	140	142	146	149	153	161
PV FCF	-154	-151	-62	78	104	98	93	88	83	79	
WACC	7.7%	6.9%	6.9%	7.2%	7.5%	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	620	632	684
OCF/EBITDA LIFO adj.	83%	82%	90%	95%	90%
CAPEX	286	380	566	1,046	546
Working capital	248	300	303	295	307
Equity	1,741	1,994	2,111	2,208	2,337
Net debt	435	314	472	1,026	1,047
Net debt/EBITDA (x)	0.6	0.4	0.7	1.5	1.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.1	3.0	2.5	2.1	2.0	1.8
Maximum	37.2	19.0	17.1	12.4	12.6	11.5
Median	11.4	9.0	8.7	4.8	4.7	4.4
Weight	5%	20%	20%	5%	20%	20%

DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,442
Net debt & adjustments	272
Upstream Valuation	775
Value per share (HUF)	2,728

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	2,570
DCF Val.	50%	2,728
Implied Price		2,649
Cost of equity (9M)		6.3%
9M Target Price		2,816

PGNiG hold (no change)

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We recommended PGNiG as a buy in April 2019 in the belief that the low gas demand during an unseasonably warm 2018-2019 winter heating season was an anomaly and a short-term setback which represented an opportunity to buy into a future rebound. Unfortunately, demand/supply in the EU gas market seems to have been thrown permanently out of balance, with a persistent glut in place as we approach the mid-point of yet another warm winter. For the second year in a row, the Northern Hemisphere is enjoying an abnormally warm winter (with temperatures so far averaging 2 degrees above the 30-year average). As a result, January demand for gas in EU countries was down by about 10% from a year ago, and local storages today operate at 71% of capacity compared to 51% this time last year. Similarly, gas reserves in the US are up 19% on the year, and imports into the crucial Chinese market are down 0.7% instead of the usual double-digit jump. As gas prices retreat with no signs of a rebound in the near future, their decoupling from the oil price represents another setback for PGN. After updating our gas market outlook, we recently cut our 2020-2022 earnings forecasts for PGNiG by an average of 18%, and we lowered our price target to PLN 4.06 and downgraded PGNiG to hold. We do not see upside potential in PGN from the current level unless the upcoming ruling in the Company's arbitration case against Gazprom more than makes up for the impending shrinkage in upstream profits—an unlikely scenario, especially in light of the Company's latest vow to pass part the expected award onto its customers. Finally, it looks like PGNiG's updated strategy plan under the new CEO will include intensified capital investment which might be viewed as a source of downside risk.

Current Price

3.68 PLN

Upside

9M Target Price

4.06 PLN

+10.4%

	rating	target price	issued
unchanged	hold	4.06 PLN	2020-01-28

Key Metrics		PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	-18.0%
ISIN	PLPGNIG00014	YTD Price Chng	-15.1%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 22.7m
MC (PLN m)	21,241.1	ADTV 6M	PLN 23.9m
EV (PLN m)	23,902.0	EV/EBITDA 12M fwd	3.6
Free Float	28.1%	EV/EBITDA 5Y avg	4.9 discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	35,857	41,234	42,226	41,393	42,239
EBITDA	6,579	7,115	5,229	5,446	6,814
EBITDA margin	18.3%	17.3%	12.4%	13.2%	16.1%
EBIT	3,910	4,395	2,308	2,166	3,305
Net income	2,923	3,212	1,738	1,487	2,253
P/E	7.3	6.6	12.2	14.3	9.4
P/B	0.6	0.6	0.6	0.6	0.5
EV/EBITDA	3.3	3.0	4.6	4.5	3.5
DPS	0.20	0.07	0.11	0.12	0.10
DYield	5.4%	1.9%	3.0%	3.3%	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 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	5,321	5,232	6,607
EBITDA	6,579	7,115	5,229	5,446	6,814
Mining	3,865	5,019	3,489	3,175	4,130
Trade	-435	-848	-704	-435	-306
Distribution	2,493	2,385	1,920	1,924	1,929
Heat & Power	843	788	780	1,047	1,335
Other	-187	-229	-256	-265	-274
Financing activity	12	107	87	45	45
Crude output, mmt	1.27	1.41	1.22	1.36	1.55
domestic	0.79	0.82	0.78	0.75	0.73
international	0.48	0.59	0.44	0.61	0.82
NatGas output, bn m3	4.5	4.5	4.6	4.8	5.3
domestic	3.8	3.8	3.9	3.9	4.0
international	0.7	0.7	0.7	0.9	1.3
Trade mrgn, PLN/MWh	-2.2	-6.6	-5.8	-4.4	-4.5

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	4,816	5,814	4,364	4,854	5,121
OCF/EBITDA	73%	82%	83%	89%	75%
CAPEX	3,162	4,534	5,492	4,711	4,151
Working capital	5,280	5,358	5,447	4,802	4,900
Equity	33,626	36,634	37,686	38,428	40,037
Net debt	428	-223	2,663	3,260	2,930
Net debt/EBITDA (x)	0.1	0.0	0.5	0.6	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.1	3.0	2.3	2.7	2.7	2.4
Maximum	20.1	19.3	18.6	14.5	13.1	12.8
Median	12.7	11.9	11.1	6.1	5.6	5.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	65.0	65.0	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	14.9	13.4	15.8	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1
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	42,226	41,393	42,239	46,441	46,453	43,353	43,960	44,170	44,436	44,334	44,334
EBITDA	4,936	4,893	6,276	6,986	7,389	7,688	7,989	8,048	8,132	7,807	7,807
EBITDA margin	11.7%	11.8%	14.9%	15.0%	15.9%	17.7%	18.2%	18.2%	18.3%	17.6%	17.6%
EBIT	2,308	2,166	3,305	3,948	4,283	3,921	4,136	4,085	4,028	3,572	3,296
Tax	656	724	1,097	1,244	1,253	1,029	1,134	1,159	1,198	1,048	1,048
CAPEX	-5,492	-4,711	-4,151	-4,801	-4,912	-4,449	-4,627	-4,519	-4,553	-4,511	-4,511
Working capital	-89	646	-98	-488	-1	360	-70	-24	-31	12	12
FCF	-1,300	103	929	453	1,223	2,569	2,158	2,345	2,350	2,260	2,260
PV FCF	-1,300	95	789	354	881	1,706	1,322	1,326	1,228	1,092	
WACC	8.6%	8.5%	8.6%	8.5%	8.5%	8.5%	8.4%	8.3%	8.2%	8.2%	8.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	24,530
Net debt	1,493
Other adjustments	-7
Value per share (PLN)	3.99

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	4.75
Relative (DYield)	17%	1.92
DCF	50%	3.99
Cost of equity (9M)		6.7%
9M Target Price		4.06

PKN Orlen reduce (no change)

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We recently adjusted our earnings expectations for PKN Orlen to assume 7% lower EBITDA and higher maintenance CAPEX (reflecting additional spend of PLN 1bn announced in 2020), after taking into account record-low margins on petroleum refining, squeezed by excess supply (abnormally warm winter, weaker demand in the wake of the coronavirus outbreak), low prices of gas, and disappointing effects of IMO 2020 on diesel margins. Looking at worse-than-expected 2019 Q4 results, with targets missed across all operating segments, this would imply that the current 2020 LIFO EBITDA consensus for PKN is overestimated by at least 15%. Against a backdrop of shrinking profits, PKN has just announced it was raising its average CAPEX by PLN 2bn minimum per year—a move which, it is safe to say, will no doubt put additional downward strain on its valuation. In the last five years, PKN spent PLN 4.2bn at most per year on capital investment, generating average annual FCF of PLN 3bn thanks to record earnings. This year, its approach to cash flow generation seems to have changed 180 degrees. We have updated our models for PKN to assume average annual capital spend of PLN 6bn in the 2020-2023 period based just on projects where PKN has provided some sense of the potential returns (the Company's less well defined ambitions reach much further), resulting in implied FCF of less than PLN 0.9bn (<2%). We also think PKN's value creation plans through acquisitions could backfire because of an overpriced valuation in case of the local rival refiner Lotos, and because of a structural discount vis-à-vis the sector in case of the coal-dependent power generator Energa. Last but not least, PKN will have to take on much more debt to fund the planned investment.

Financial Highlights

(PLN m)	2017	2018	2019	2020P	2021P
LIFO EBITDA (adj.)	9,581	8,392	9,312	7,661	7,254
Downstream(DS)	4,689	3,764	3,792	2,647	2,494
Petchem	3,034	2,103	2,430	1,816	1,568
Retail	2,049	2,781	3,052	3,065	3,110
Upstream	293	305	331	364	419
Electricity	129	188	599	750	742
General expenses	-613	-749	-892	-981	-1,079
EV/LIFO EBITDA (adj.)	3.8	4.5	4.2	5.1	5.6
LIFO effect	788	860	-148	-81	450
Other one-offs	709	636	-96	0	0
Financing activity	60	-104	-11	-239	-262
\$ LIFO EBITDA/bbl, DS	5.1	4.3	4.0	3.0	2.9
PLN EBITDA/tonne, Retail	232	294	311	309	311
Refinery thrghpt (mmt)	33.2	33.4	33.9	32.8	32.8
Petchem output (kt)	3,551	3,616	3,781	3,781	3,781

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin+Urals/Brent	6.3	5.5	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	359	301	295	306	306	306	306	306	306	306	306.4
USD/PLN	3.84	3.72	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	107,104	111,401	119,322	119,736	120,214	120,662	121,114	121,571	122,032	122,500	122,500
EBITDA	7,579	7,704	8,202	8,170	8,507	8,521	8,535	8,556	8,571	8,588	8,588
EBITDA margin	7.1%	6.9%	6.9%	6.8%	7.1%	7.1%	7.0%	7.0%	7.0%	7.0%	7.0%
EBIT	3,828	3,749	3,758	3,495	4,104	4,144	4,138	4,118	4,054	3,962	3,888
Tax	727	712	714	664	780	787	786	782	770	753	739
CAPEX	-6,675	-6,075	-5,975	-5,075	-4,700	-4,700	-4,700	-4,700	-4,700	-4,700	-4,700
Working capital	1,019	-829	-877	-365	-186	-49	-50	-50	-51	-51	-51
FCF	1,196	87	635	2,066	2,841	2,984	3,000	3,024	3,051	3,084	3,098
PV FCF	1,116	75	510	1,538	1,959	1,905	1,772	1,654	1,545	1,514	
WACC	7.9%	7.8%	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.2%	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	74.44 PLN	Downside
9M Target Price	68.03 PLN	-8.6%

	rating	target price	issued
unchanged	reduce	68.03 PLN	2020-02-03

Key Metrics	PKN PW	1M Price Chng	PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-13.2%	-11.5%
ISIN	PLPKN0000018	YTD Price Chng	-13.3%	-12.9%
Outst. Stock (m)	427.7	ADTV 1M		PLN 103.0m
MC (PLN m)	31,838.7	ADTV 6M		PLN 78.0m
EV (PLN m)	38,286.7	EV/EBITDA 12M fwd	4.3	-18.7%
Free Float	67.6%	EV/EBITDA 5Y avg	5.3	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	95,364	109,706	111,203	107,104	111,401
EBITDA	11,078	9,888	9,068	7,579	7,704
EBITDA margin	11.6%	9.0%	8.2%	7.1%	6.9%
EBIT	8,657	7,215	5,562	3,828	3,749
Net income	6,655	5,556	4,489	2,906	2,823
P/E	4.8	5.7	7.1	11.0	11.3
P/B	1.0	0.9	0.8	0.8	0.8
EV/EBITDA	3.2	3.8	4.2	5.1	5.2
DPS	3.00	3.00	3.50	3.50	3.50
DYield	4.0%	4.0%	4.7%	4.7%	4.7%
Forecast Update (% change)				2020P	2021P
LIFO EBITDA				0.0%	0.0%
Net income				0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)				0.0%	0.0%
Petchem margin (\$/t)				0.0%	0.0%
USD/PLN				0.0%	0.0%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019	2020P	2021P
Operating cash flow	8,050	4,980	9,319	7,917	6,212
OCF/EBITDA LIFO adj.	84%	59%	100%	103%	86%
CAPEX	4,039	4,454	4,450	6,675	6,075
Working capital	7,489	11,144	9,868	8,849	9,678
Equity	32,197	35,727	38,785	40,196	41,523
Net debt	761	5,599	6,437	6,931	8,553
Net debt/EBITDA (x)	0.1	0.6	0.7	0.9	1.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19	20P	21P	19	20P	21P
Minimum	5.9	4.7	5.9	2.5	2.2	2.6
Maximum	444.4	19.0	87.6	18.4	16.5	14.7
Median	11.7	8.4	7.7	5.7	5.1	5.1
Weight	5%	20%	20%	5%	20%	20%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	35,271
Net debt	6,437
Other adjustments	0
Value per share (PLN)	67.42

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	60.57
DCF Val.	50%	67.42
Implied Price		63.99
Cost of equity (9M)		6.3%
9M Target Price		68.03

Power Utilities

CEZ

buy (no change)

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Utility stocks in the EU rallied 9% in January 2020 after gains of nearly 30% already logged in 2019. However CEZ has failed to measure up despite being able to offer dividends, and fulfilling the market's expectations for 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 reaffirmed in more concrete terms. Another factor which might be keeping CEZ from gaining in value is its exposure to coal-fired generation. CEZ does generate 40% of its total power output from coal, but the generators are characterized by relatively low emissions (0.4 t/MWh), plus, the Company's Management has recently laid out a plan for a high-emissions plant phase-out through 2040 (incl. 3GW slated for potential shut-off in 2025 out of current 6.2 GW). We expect CEZ to deliver continuing positive earnings momentum in 2020. The effective sales price of electricity this year should increase by EUR 13 on average per MWh, and with planned asset sales and scaled-back CAPEX this indicates sustained dividend potential in the next two years. We maintain a buy stance on CEZ.

Current Price

504.50 CZK

Upside

9M Target Price

597.80 CZK

+18.5%

	rating	target price	issued
unchanged	buy	597.80 CZK	2019-12-05

Key Metrics		CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	-1.9%
ISIN	CZ0005112300	YTD Price Chng	-1.0%
Outst. Stock (m)	538.0	ADTV 1M	CZK 94.3m
MC (CZK bn)	271.4	ADTV 6M	CZK 92.5m
EV (CZK bn)	427.8	EV/EBITDA 12M fwd	6.8
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	14.5	26.3	15.0	13.1	13.2
P/B	1.1	1.2	1.1	1.1	1.1
EV/EBITDA	7.6	8.6	7.3	6.8	6.6
DPS	33.00	32.71	24.00	30.17	34.73
DYield	6.5%	6.5%	4.8%	6.0%	6.9%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (EUR/MWh)			0.0%	0.0%	0.0%
EUR/CZK			0.0%	0.0%	0.0%
CO2 (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(CZK m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	52,196	50,164	58,629	62,640	63,454
EBITDA	55,155	49,664	58,629	62,640	63,454
Generation	24,050	19,906	28,151	30,865	31,039
Mining	4,056	3,754	3,931	3,928	3,897
Distribution	19,067	19,771	19,899	20,390	20,886
Trade	4,613	4,317	4,665	4,989	5,013
Other	3,369	1,916	1,983	2,469	2,620
Financing activity	-2,867	-6,242	-7,104	-7,255	-8,363
Power output, TWh	62.9	62.9	64.2	64.3	64.3
Renewables	4.7	4.3	4.5	4.6	4.6
Trade volume, TWh	37.0	37.6	37.9	38.2	38.5
YoY pct. change	-1.2%	1.6%	0.8%	0.8%	0.8%
Trade mrgn (CZK/MWh)	124.6	114.7	123.0	130.5	130.2
RAV (CZK bn)	114.0	117.8	121.1	127.6	134.0
RAV return (EBIT)	10.4%	11.0%	10.8%	10.5%	10.2%

DCF Analysis

(CZK m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (EUR/MWh)	47.9	50.0	51.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8
EUR/CZK	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	205,365	223,463	234,528	245,413	249,102	249,684	249,536	249,174	250,252	251,339	251,339
EBITDA	62,756	66,871	67,791	71,177	71,588	71,622	72,069	72,467	73,129	73,777	73,777
EBITDA margin	30.6%	29.9%	28.9%	29.0%	28.7%	28.7%	28.9%	29.1%	29.2%	29.4%	29.4%
EBIT	29,601	33,151	34,076	36,823	37,774	37,693	37,786	37,630	37,564	37,345	36,787
Tax	5,624	6,299	6,473	6,994	7,174	7,158	7,174	7,144	7,130	7,087	6,990
CAPEX	-33,136	-33,606	-33,218	-33,499	-34,786	-36,078	-36,376	-36,680	-36,990	-37,307	-36,990
Working capital	-222	-192	-118	-116	-39	-6	2	4	-11	-12	-12
FCF	23,774	26,774	27,982	30,568	29,589	28,380	28,520	28,647	28,997	29,372	29,786
PV FCF	23,121	24,615	24,313	25,089	22,935	20,772	19,710	18,691	17,858	17,072	0
WACC	5.7%	5.8%	5.8%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	6.0%	6.8%
Risk-free rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Summary

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

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	368.97
Relative (DYield)	17%	661.31
DCF	50%	666.10
Cost of equity (9M)		5.6%
9M Target Price		597.80

Enea buy (no change)

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ENEA stock has already shed 10% in the year to date as it continues its freefall; with a current enterprise value of PLN 10bn (compared to just its regulatory distribution asset base, worth PLN 8bn), the Company is valued at 3.0x EV/EBITDA. One major reason behind the underperformance was the December announcement of massive strategic CAPEX in the coming years, set against flat growth anticipated in annual EBITDA (Enea subsequently tried to mitigate the damage by explaining, albeit in rather vague terms, that the original CAPEX estimates included costs to joint venture partners). Other downside catalysts have included reports that the Company is pushing ahead with a coal gasification project even as gas prices in Europe continue to tank. However the ultimate turn-off from the point of view of investors is Enea's dependence on coal during a time when Europe strives toward carbon neutrality. The coal notoriety eclipses any marks of growth potential, including Enea's low trading multiples, and its improved earnings prospects for 2021 thanks to capacity payments expected to reach at least PLN 0.6bn. Despite hints to this effect from within top government ranks, the market is not convinced that Enea will really quit the Ostrołęka C coal generator project. Even in a scenario where Enea has to pay 50% of the generator's costs, we still see potential for the Company to deliver 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) leaving plenty of room to resume dividends.

Current Price	7.29 PLN	Upside
9M Target Price	11.53 PLN	+58.3%

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

Key Metrics			ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	-9.6%	-7.9%
ISIN	PLENEA000013	YTD Price Chng	-8.0%	-7.6%
Outst. Stock (m)	441.4	ADTV 1M		PLN 3.3m
MC (PLN m)	3,215.9	ADTV 6M		PLN 2.6m
EV (PLN m)	10,146.4	EV/EBITDA 12M fwd	3.1	-30.6%
Free Float	48.5%	EV/EBITDA 5Y avg	4.5	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	3.0	4.7	3.1	3.0	2.3
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.6	4.1	3.1	3.1	2.8
DPS	0.28	0.00	0.00	0.00	0.24
DYield	3.8%	0.0%	0.0%	0.0%	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%

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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PKN Orlen's takeover bid sent ENG stock on a weeks-long upward trajectory in December, fueled by anticipation that PKN would raise the tender offer after Energa's expected withdrawal from the Ostrołęka C coal power plant project. By quitting the project, 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 (at the moment EV is equivalent to just 63% of Energa's regulatory asset base, and the negative NPV attributed to the Ostrołęka generator is staggering at PLN 3bn). In the end, Energa put an end to the anticipation by accepting PKN's 7 zloty-a-share offer as fair (i.e. as landing within the valuation range proposed by Deloitte). The coice, without trying to follow the reasoning behind it, has definitely caused analysts to tone down their expectations as regards an independent value assessment being conducted by the Ministry of State Assets. The low tender offer notwithstanding, the upcoming change of ownership seems beneficial from the point of view of Energa's minority shareholders since it will most likely help transform the utility's reputation to more of a clean generator based on gas and renewables. With all this in mind, we continue to view Energa as the most compelling story in the Polish power sector at the moment.

Current Price

7.08 PLN

Upside

9M Target Price

11.67 PLN

+64.8%

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

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	-2.1%	-0.4%
ISIN	PLENERG00022	YTD Price Chng	0.0%	+0.4%
Outst. Stock (m)	414.1	ADTV 1M		PLN 2.8m
MC (PLN m)	2,931.6	ADTV 6M		PLN 3.2m
EV (PLN m)	8,080.7	EV/EBITDA 12M fwd	4.2	-5.4%
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	3.8	4.0	5.5	5.3	4.8
P/B	0.3	0.3	0.3	0.3	0.2
EV/EBITDA	3.3	4.0	3.6	4.2	4.5
DPS	0.19	0.00	0.00	0.00	0.00
DYield	2.7%	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 stock has lost over 20% in the last two months even though at the same time the price of power on the Polish market started to recover, supported by an upward shift in the allowance market. Among the downside catalysts was an inadequate raise in the 2020 household tariff, the EU's 2050 carbon neutrality deal, low power demand due to warm weather, and the financial struggles of the PGG mining group, in which PGE has a 15% stake. These are factors that can definitely dampen short term sentiment, but they do not affect PGE's good medium-term prospects which include 7% EBITDA growth in 2020 (increasing contributions from the new generators, more downtime planned by rival generators, higher prices of clean energy, and improvement in retail). By 2021, we expect EBITDA to reach PLN 9bn with the help of capacity payments. PGE is also a champion 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 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 2020-23 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 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.

Current Price

6.55 PLN

Upside

9M Target Price

12.20 PLN

+86.3%

	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	-19.6%	-17.9%
ISIN	PLPGER000010	YTD Price Chng	-17.7%	-17.3%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 13.1m
MC (PLN m)	12,247.1	ADTV 6M		PLN 14.3m
EV (PLN m)	23,903.9	EV/EBITDA 12M fwd	3.6	-20.6%
Free Float	42.6%	EV/EBITDA 5Y avg	4.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	23,100	25,946	38,245	43,174	42,081
EBITDA	7,650	6,364	8,083	7,438	8,914
EBITDA margin	33.1%	24.5%	21.1%	17.2%	21.2%
EBIT	3,552	2,471	4,036	3,148	4,445
Net income	2,600	1,473	2,792	2,160	3,192
P/E	4.7	8.3	4.4	5.7	3.8
P/B	0.3	0.3	0.2	0.2	0.2
EV/EBITDA	2.7	3.6	3.0	3.4	2.7
DPS	0.00	0.00	0.00	0.37	0.29
DYield	0.0%	0.0%	0.0%	5.7%	4.4%
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%

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%

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 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%

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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It looks like Tauron will fulfill our recurring EBITDA estimate for FY2019, which means it will exceed consensus expectations for another year in a row despite a conservative initial guidance and dismal results from coal mining. On the downside, Tauron had to book a reserve in Q4 2019 against potential losses on household electricity sales due to an inadequate 2020 tariff, which might weigh on FCF throughout the whole coming year. Otherwise, cash flow levels are about to improve as Tauron finishes a generator project, and with capacity payments set to launch in 2021. We expect reduced CAPEX of PLN 2.86bn on average per year in 2020-24 vs. PLN 3.77bn in 2015-19, facilitating deleveraging. We see the market's expectations as to future net debt as overestimated, and we see the net debt/EBITDA ratio at the end of 2019 as reaching 3.3x at most after taking into account the recent wind farm investment. In the longer term, keep in mind Tauron's express ambition to grow its clean energy capacity while gradually phasing out coal-based generators, which makes it stand out from among the Polish competition.

Current Price

1.46 PLN

Upside

9M Target Price

2.45 PLN

+67.8%

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

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-12.9%	-11.2%
ISIN	PLTAURN00011	YTD Price Chng	-11.0%	-10.6%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 4.1m
MC (PLN m)	2,558.7	ADTV 6M		PLN 6.1m
EV (PLN m)	14,579.5	EV/EBITDA 12M fwd	4.4	-4.3%
Free Float	59.6%	EV/EBITDA 5Y avg	4.6	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	1.9	12.5	2.8	2.3	1.9
P/B	0.1	0.1	0.1	0.1	0.1
EV/EBITDA	3.2	3.8	4.0	3.7	3.2
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	3,581	3,359	3,324	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

	P/E			EV/EBITDA		
	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

Netia

hold (no change)

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Netia is expected to report EBITDA growth close to 5% in Q4 2019 relative to the same period a year earlier, led by stabilization of broadband revenue at an estimated PLN 141m, combined with noticeable cost cuts including a 20% y/y reduction in interconnect costs and lower employment costs. On the downside, Netia has allocated its total cash flow to network upgrades aimed at reaching 2.6 million households with high-speed services, which means it will probably not pay dividends in the near future after a freeze on shareholder distributions approved by its controlling shareholder, Cyfrowy Polsat. As a new development, Cyfrowy is no longer under the legal obligation to pay the same price for Netia's shares in any future stake-building exercise as it paid for the original stake (PLN 5.77 per share). With this in mind, we do not find Netia a compelling bet, especially compared to Orange Polska, and we maintain a neutral stance on the stock.

Current Price

4.54 PLN

Upside

9M Target Price

4.70 PLN

+3.5%

	rating	target price	issued
unchanged	hold	4.70 PLN	2019-12-05

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	+1.3%	+3.0%
ISIN	PLNETIA00014	YTD Price Chng	+2.7%	+3.1%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.2m
MC (PLN m)	1,530.2	ADTV 6M		PLN 0.2m
EV (PLN m)	2,011.9	EV/EBITDA 12M fwd	4.5	-10.2%
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	43.1	23.6	31.7	32.5	29.2
P/B	0.9	0.8	0.8	0.8	0.8
EV/EBITDA	4.7	4.8	4.6	4.7	4.7
DPS	0.20	0.00	0.00	0.00	0.40
DYield	4.4%	0.0%	0.0%	0.0%	8.8%
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%

*% 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

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

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 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%

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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Shares in Orange Polska have taken a hit of more than 10% in the last ten days for reasons which are unclear to us. We remain bullish on the Company's potential, including its improving financial standing, with the ratio of net debt (ex. IFRS16) to EBITDAaL at 30 September 2019 reported at 2.2x. Orange has more than PLN 1 billion-worth of noncore real estate earmarked for sale, and it can capitalize on good economic momentum to effectively monetize its assets. In this context, the risks attributed to Poland's 5G auction next year should not be overestimated. Further, Orange is in the process of cutting operating costs. The Company has entered into talks with unions concerning downsizing which in 2020 will mitigate the negative impact on earnings of rising costs of labor and energy. We expect to see 4.1% growth in 2020 EBITDaL, and we hope Orange will unveil more streamlining initiatives in the weeks ahead. The plan to reduce expenditures on FTTx indicates a possibility of resumed dividend payments from 2021. We have an accumulate recommendation for Orange Polska.

Current Price

6.85 PLN

Upside

9M Target Price

7.40 PLN

+8.0%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-3.6%	-1.9%
ISIN	PLTLKPL00017	YTD Price Chng	-3.8%	-3.4%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 12.8m
MC (PLN m)	8,987.2	ADTV 6M		PLN 9.7m
EV (PLN m)	17,196.6	EV/EBITDA 12M fwd	5.3	+14.3%
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	-	898.7	32.2	35.4	19.4
P/B	0.9	0.9	0.8	0.8	0.8
EV/EBITDA	5.5	5.5	5.3	5.5	5.0
DPS	0.00	0.00	0.00	0.00	0.25
DYield	0.0%	0.0%	0.0%	0.0%	3.6%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Broadband lines (1,000)	1,306	1,547	1,696	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 accumualte (downgraded)

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Shares in Play have gained more than 28% since our last update on 12 September 2019, and with the upside potential to our target narrowed to just about 3.4% we downgrade the stock from buy to accumulate. Play is expected to report 6% expansion in recurring EBITDA in Q4 2019, representing a deceleration from the two preceding quarters when annual growth amounted to a 17% and 16%, respectively. The reasons behind the slowdown included lower sales of devices at tighter margins. Price incentives on smartphones are one of the ways Play aims to keep expanding ARPU. All in all, looking at its FCFE Yield = 9.5%, 2020E dividend yield, which is currently the highest in the sector at 4.2%, considering that the fourth-quarter growth is going to be the strongest of all telecoms despite the slowdown vis-à-vis prior quarters, we see PLY as an attractive investment still, supported by an improving situation in the Polish mobile market. Like its local rival, Orange Polska, Play raised prices of mobile plans last year to no resistance from end users. Consumers are prepared to pay higher prices for the mobile plans amid continuing rapid growth in mobile data usage (32.2% y/y in Q3'19), combined with accelerating price inflation.

Current Price	34.80 PLN	Upside
9M Target Price	36.00 PLN	+3.4%

	rating	target price	issued
new	accumulate	36.00 PLN	2020-02-05
old	buy	36.00 PLN	2019-11-14
Key Metrics		PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+2.6% +4.3%
ISIN	LU1642887738	YTD Price Chng	-0.6% -0.2%
Outst. Stock (m)	253.7	ADTV 1M	PLN 16.7m
MC (PLN m)	8,828.8	ADTV 6M	PLN 17.9m
EV (PLN m)	15,435.5	EV/EBITDA 12M fwd	6.2 +6.0%
Free Float	49.4%	EV/EBITDA 5Y avg	5.9 premium

Earnings Projections

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	22.8	11.9	10.0	9.2	9.1
P/B	-	-	28.2	9.7	5.8
EV/EBITDA	8.2	7.2	6.4	6.3	5.8
DPS	0.00	2.57	1.45	1.45	1.45
DYield	0.0%	7.4%	4.2%	4.2%	4.2%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
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

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 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%

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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AGO stock has rallied over 23% in the last two months, meaning that the 2019 Q3 earnings beat is finally fully priced in at the current level. We expect to see further growth in fourth-quarter EBITDA ex. IFRS 16 at an annual rate of 13%, driven by significant improvement in the Press & Print segment, where recurring EBITDA will most likely shift to a positive PLN 2.5m from a PLN 1.4m loss the year before. At the same time, we see lower EBITDA in Film & Books after a fall from a high year-ago base for cinema profits, combined with an operating loss on the food service start-up. Overall we expect a strong Q4 showing. The 2019 growth story is expected to continue through FY2020, and combined with a high 2020E dividend yield at 3.9% AGO is still a great stock to own in the near term even after the recent increases.

Current Price

12.80 PLN

Upside

9M Target Price

17.00 PLN

+32.8%

	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	+14.8%	+16.5%
ISIN	PLAGORA00067	YTD Price Chng	+23.1%	+23.5%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.4m
MC (PLN m)	596.2	ADTV 6M		PLN 0.2m
EV (PLN m)	1,256.1	EV/EBITDA 12M fwd	7.4	+31.9%
Free Float	76.9%	EV/EBITDA 5Y avg	5.6	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	-	130.3	61.0	32.6	21.5
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	20.7	7.0	7.5	7.1	6.7
DPS	0.00	0.50	0.50	0.50	0.50
DYield	0.0%	3.9%	3.9%	3.9%	3.9%
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

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	24.5	21.7	19.0	14.9	12.3	11.2
Maximum	11.7	8.0	9.2	5.7	4.6	4.3
Median	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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We maintain a negative view on Cyfrowy Polsat, which will most likely report another weak quarter in Q4 2019 compared to its biggest competitors, Play and Orange Polska. We estimate the quarterly EBITDA ex. IFRS 16 and Netia at PLN 843m, indicating a 2% decline from the same period the year before due to relatively low revenues from TV advertising vis-à-vis the high year-ago result, combined with tighter revenue from domestic roaming. Cyfrowy also demonstrates relatively low cash-generation potential compared to Play (FCFE'19 = 7.2% vs. PLY 9.5%), which also offers superior dividends (2020E DivYield at 3.4% CPS vs. PLY 4.2%). The rumored sale of cell phone towers would greatly improve Cyfrowy's balance-sheet position, but unlike most analysts we do not think it will ever happen. Cyfrowy's current standing is actually relatively solid with net debt/EBITDA at 2.6x as of 30 September. Cyfrowy did spin base stations out into a separate company, but we would view this as a precautionary measure against potential future cash shortfalls. Meanwhile the Polish mobile market is slowly regaining momentum. Finally, on January 2nd Cyfrowy finalized the acquisition of a 22% stake in Asseco Poland, citing synergy potential via Asseco's software capabilities which, in our view, does not justify an investment this big even if we take into account the IT firm's high dividend-paying potential.

Current Price	27.54 PLN	Downside
9M Target Price	26.10 PLN	-5.2%

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

Key Metrics		CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-2.4%
ISIN	PLCFRPT00013	YTD Price Chng	-1.4%
Outst. Stock (m)	639.5	ADTV 1M	PLN 10.8m
MC (PLN m)	17,613.0	ADTV 6M	PLN 11.9m
EV (PLN m)	29,439.7	EV/EBITDA 12M fwd	6.7
Free Float	33.5%	EV/EBITDA 5Y avg	6.8 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	18.0	21.1	15.7	13.3	11.8
P/B	1.5	1.3	1.3	1.2	1.1
EV/EBITDA	7.8	7.7	7.1	6.9	6.5
DPS	0.32	0.00	0.93	0.93	0.93
DYield	1.2%	0.0%	3.4%	3.4%	3.4%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
RGUs pospaid	16.52	16.91	17.43	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
Minimum	7.0	4.9	3.7	3.3	2.9
Maximum	73.9	108.8	168.2	30.7	18.1
Median	6.0	5.8	5.7	13.1	13.0
Weight	33%	33%	33%	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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Wirtualna Polska is expected to deliver standout results for Q4 2019, supported by strong performance in online advertising and e-commerce. We expect the quarterly revenue to be 18% higher than the comparable year-ago result, and we anticipate a rebound of 16% in adjusted EBITDA in the online segment to an estimated PLN 61.2m (ex. IFRS16 effects). We have revised our future earnings forecasts for Wirtualna slightly upwards based on the strong fourth-quarter outlook, and after updating the relative valuation model we raise our target price for WPL to PLN 79.70 per share. The new target implies downside potential of 3.0% from the current level, and so we keep our rating at hold. Wirtualna's priority at the moment according to CEO Świdorski is to grow the e-commerce business by targeting acquisition opportunities in the CEE region. The shift toward M&A has resulted in plans for a dividend cut to PLN 1 per share, and the concern is that shareholder distributions will be trimmed further if a major acquisition opportunity comes about.

Current Price

82.20 PLN

Downside

9M Target Price

79.70 PLN

-3.0%

	rating	target price	issued
new	hold	79.70 PLN	2020-02-05
old	hold	70.00 PLN	2019-12-05
Key Metrics		WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+15.8%
ISIN	PLWRTPL00027	YTD Price Chng	+17.8%
Outst. Stock (m)	29.8	ADTV 1M	PLN 1.1m
MC (PLN m)	2,447.5	ADTV 6M	PLN 0.7m
EV (PLN m)	2,775.2	EV/EBITDA 12M fwd	11.0
Free Float	53.0%	EV/EBITDA 5Y avg	10.2

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	466	567	733	836	921
EBITDA	130	163	205	246	268
EBITDA margin	27.8%	28.7%	27.9%	29.4%	29.1%
EBIT	79	107	127	160	175
Net income	45	76	69	110	127
P/E	54.1	32.2	35.5	22.3	19.3
P/B	5.8	5.3	4.8	4.2	3.7
EV/EBITDA	20.3	17.0	13.6	10.9	9.8
DPS	1.10	0.96	1.00	1.00	1.92
DYield	1.3%	1.2%	1.2%	1.2%	2.3%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			-0.1%	+2.2%	+3.4%
EBITDA			+4.9%	+2.4%	+2.9%
EBIT			+2.2%	-1.6%	-1.1%
Net income			+0.2%	-1.4%	+0.2%
CAPEX			+0.1%	+2.1%	+2.9%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	466	567	733	836	921
Cash	425	543	687	783	865
Barter	33.0	24.6	24.9	25.4	26.7
Costs	387	460	606	676	746
D&A	51.0	44.6	69.5	77.6	84.4
Materials & Utilities	5.9	6.2	6.5	6.8	7.0
Payroll	134	165	212	223	236
Other	196	223	318	368	419
EBITDA	130	163	205	246	268
margin	27.8%	29.8%	27.9%	29.4%	29.1%
EBITDA (adj.)	151	173	223	244	265
margin	32.3%	32.1%	30.4%	29.2%	28.8%
EBIT	79	107	127	160	175
margin	16.9%	19.7%	17.3%	19.1%	19.0%
Net income	35.3	76.0	68.9	109.7	126.6

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	114	170	162	203	220
OCF/EBITDA	88%	104%	79%	82%	82%
CAPEX	-42	-52	-62	-71	-78
Assets	894	1,063	1,110	1,213	1,301
Equity	420	468	509	589	658
Net debt	170	299	316	231	159
Net debt/EBITDA (x)	1.3	1.8	1.5	0.9	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	214	836	921	999	1,071	1,142	1,210	1,274	1,338	1,402	1,430
EBITDA	56	238	260	281	300	317	332	346	360	372	379
EBITDA margin	7.7%	28.4%	28.2%	28.1%	28.0%	27.7%	27.5%	27.2%	26.9%	26.5%	27.0%
D&A	20	78	84	90	96	101	106	111	115	120	122
EBIT	36	160	175	190	204	216	226	236	244	252	257
Tax	7	30	33	36	39	41	43	45	46	48	49
NOPLAT	29	130	142	154	165	175	183	191	198	204	208
CAPEX	-20	-71	-78	-86	-92	-98	-104	-109	-115	-120	-122
Working capital	-19	-2	-4	-4	-3	-3	-3	-4	-4	-5	-5
FCF	10	135	144	155	165	174	182	188	194	199	203
PV FCF	10	125	124	123	121	118	113	108	103	97	
WACC	7.9%	8.0%	8.2%	8.2%	8.3%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Net debt / EV	12.7%	9.9%	7.5%	5.7%	3.7%	1.7%	1.6%	1.7%	1.8%	2.1%	2.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,587
Net debt	273
Other adjustments	12
Value per share (PLN)	78.48

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	71.33
DCF Val.	50%	78.48
Implied Price		74.91
Cost of equity (9M)		6.4%
9M Target Price		79.70

Asseco Poland hold (no change)

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Asseco's Polish business, which is the main driver of annual earnings, continues to experience downward pressure on profits due to lower orders from public bodies and from other industries (e.g. banking). As a result, we expect that the standalone EBIT generated in Q4 2019 by the Polish parent company will show a dramatic y/y fall as high as 52% to an estimated PLN 21.4m. The improvement achieved in the period by Formula Systems and other international subsidiaries will not be enough to offset the negative effects on net profit, which will most likely come in at PLN 75.7m after decreasing by 23%. Going forward, however, the prospects of the Polish business have been lifted by the recent acquisition of a 22% stake in Asseco by the listed telecom Cyfrowy Polsat, which is hoping to join forces in modernizing its IT infrastructure. Relatively high dividends are another factor working in Asseco's favor. We currently have a neutral stance on ACP as we see much more growth potential in its two listed subsidiaries, Asseco South Eastern Europe (ASE) and Asseco Business Solutions (ABS).

Current Price

65.60 PLN

Downside

9M Target Price

59.20 PLN

-9.8%

	rating	target price	issued
unchanged	hold	59.20 PLN	2019-12-05

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	+2.3%	+4.0%
ISIN	PLSOFTB000016	YTD Price Chng	+3.1%	+3.5%
Outst. Stock (m)	83.0	ADTV 1M		PLN 4.3m
MC (PLN m)	5,444.8	ADTV 6M		PLN 4.1m
		P/E 12M fwd	14.6	+14.3%
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	11.7	16.3	16.6	16.0	15.6
P/B	1.0	1.0	0.9	0.9	0.9
P/S	0.70	0.58	0.50	0.48	0.47
DPS	3.01	3.01	3.07	3.07	2.25
DYield	4.6%	4.6%	4.7%	4.7%	3.4%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
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

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%

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%

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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CMR stock gained more than 15% in the last three months. Comarch is expected to report a decline in revenues from TMT solutions in Q4 2019 to an estimated PLN 96m from a record-high level of PLN 109m posted in Q4 2018. Combined with higher costs, driven mainly by payroll, this will result in a reduction in recurring EBITDA. On weaker fourth-quarter earnings, CMR's short-term upside potential seems limited. That said, in FY2020 we expect EBITDA of PLN 257m, producing attractive valuation ratios at 6.3x 2020E EV/EBITDA vs. a sector average of 9.4x which make CMR a worthwhile stock to own for the longer term, reflected in nearly 21% upside potential to our target.

Current Price

207.00 PLN

Upside

9M Target Price

250.00 PLN

+20.8%

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

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	+5.9%	+7.6%
ISIN	PLCOMAR00012	YTD Price Chng	+10.7%	+11.1%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.5m
MC (PLN m)	1,683.6	ADTV 6M		PLN 0.5m
EV (PLN m)	1,695.9	EV/EBITDA 12M fwd	6.5	-12.0%
Free Float	60.9%	EV/EBITDA 5Y avg	7.4	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	39.1	32.6	15.0	14.4	13.8
P/B	1.9	1.9	1.7	1.6	1.4
EV/EBITDA		9.4	6.5	6.3	5.9
DPS	1.50	1.50	1.50	1.50	1.50
DYield	0.7%	0.7%	0.7%	0.7%	0.7%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
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 hold (downgraded)

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11bit studios had a successful launch in January of a second add-on to Frostpunk (Frostpunk: The Last Autumn), reviving interest in the game with positive effects expected in Q1 2020. Last December, 11bit signed three publishing contracts with third-party game developers. One is for an RPG game with the working title *Vitriol* being developed by the Polish studio Fool's Theory. The second is for a production tentatively dubbed *Foxhole* by Spain's Digital Sun Games, the creators of *Moonlighter*. The third contract is with an undisclosed international studio. The deals are a way to keep growing the publishing business, which in 9M 2019 generated sales of about PLN 23.5m (48% of total), and paid PLN 16.5m in royalties to the game developers. After adjusting our FY2019 estimates to exclude originally-expected advances in an estimated amount of PLN 6m (these payments will most likely be recognized in Q1 2020), we slightly reduce our target price for 11B stock, and we downgrade it to hold to reflect the recent rise in share price.

Current Price	440.00 PLN	Downside
9M Target Price	439.00 PLN	-0.2%

	rating	target price	issued
new	hold	439.00 PLN	2020-02-05
old	buy	454.00 PLN	2019-12-05
Key Metrics			
Ticker	11B PW	1M Price Chng	+9.9% +11.6%
ISIN	PL11BTS00015	YTD Price Chng	+10.0% +10.4%
Outst. Stock (m)	2.3	ADTV 1M	PLN 2.9m
MC (PLN m)	1,006.4	ADTV 6M	PLN 2.1m
EV (PLN m)	991.1	EV/EBITDA 12M fwd	27.1 +109.2%
Free Float	81.6%	EV/EBITDA 5Y avg	13.0 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	19.2	82.1	69.4	82.0	200.4
EBITDA	9.2	51.4	29.0	33.9	124.0
EBITDA margin	48.2%	62.6%	41.8%	41.4%	61.9%
EBIT	7.5	46.9	22.6	26.4	113.2
Net income	3.6	37.5	17.7	22.1	93.0
P/E	-	26.8	56.9	45.5	10.8
P/B	21.8	11.2	8.9	7.4	4.4
EV/EBITDA	105.9	19.1	34.2	28.7	7.3
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)					
EBITDA			-16.1%	+12.2%	-1.8%
Net income			-22.5%	+15.7%	-2.0%
Frostpunk (S)			0.0%	0.0%	0.0%
Projekt 8 (S)			0.0%	0.0%	0.0%
Publishing (S)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
TWOM (S)	17.6	18.3	16.6	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	-25.8	-33.1	-61.4
OCF/EBITDA	87.3%	75.9%	107.1%	83.4%	67.5%
Operating cash flow	8.1	39.0	31.0	28.3	83.6
D&A	1.7	4.5	6.3	7.5	10.8
Working capital	2.6	-8.0	-1.5	-2.2	-21.0
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	7.1	9.9	79.0
FCF/EBITDA	-16%	20%	25%	29%	64%
FCF Yield	0%	1%	1%	1%	10%

Balance sheet

(PLN m)	2017	2018	2019P	2020P	2021P
Tangible assets	17.2	41.3	42.6	47.4	49.2
Receivables	2.7	14.6	12.4	14.5	35.5
Production in progress	13.1	17.1	21.5	26.2	27.9
Cash	28.2	24.3	15.3	32.1	103.1
Cash deposit	0.0	27.0	69.2	69.2	69.2
Net debt	-28.2	-24.3	-15.3	-32.1	-103.1
Net debt/EBITDA (x)	-3.0	-0.5	-0.5	-0.9	-0.8

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.4	5.9
Maximum	25.6	13.6
Median	19.7	10.3
Weight	50%	50%

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	70	82	200	172	264	197	174	263	218	185	185
EBITDA	29	34	124	101	189	119	95	183	138	106	106
EBITDA margin	41.7%	41.4%	61.9%	58.8%	71.6%	60.6%	54.8%	69.8%	63.5%	57.2%	57.2%
EBIT	23	26	113	86	171	104	82	170	125	102	102
Tax	5	5	22	16	32	20	16	32	24	19	19
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	7	10	79	55	123	67	48	117	78	58	64
PV FCF	7	9	67	43	89	45	29	66	41	28	
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	1,110
Net debt	-24
Other adjustments	0
Value per share (PLN)	495.70

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	329.90
DCF Val.	50%	495.70
Implied Price		412.80
Cost of equity (9M)		6.4%
9M Target Price		439.00

CD Projekt hold (downgraded)

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CD Projekt made headlines in January by announcing that it was pushing the release of Cyberpunk 2077 by five months from April to mid-September 2020 to allow more time to fix any bugs and make sure it is delivering a perfect product. The September release comes as early as possible after the end of the summer vacation season. CDR's performance since the announcement of the delay is indicative of how much confidence the market has in Cyberpunk 2077. When it comes to 2019 fourth-quarter results, we expect to see strong sales of the Witcher 3 for Nintendo Switch and successful numbers in general, spurred by the Netflix series, which was watched 76 million times during four weeks from release. We estimate that, on a revenue of PLN 162m, CD Projekt will report a quarterly net profit of PLN 56m, representing an upward revision of our original estimate and prompting us to also raise the estimates for the full FY2019. According to the latest reports, CD Projekt's mobile games unit, Spokko, may be coming out with its first release in the near future. We downgrade CDR to hold to reflect the increase in share price since our last rating.

Current Price

305.00 PLN

Downside

9M Target Price

284.20 PLN

-6.8%

	rating	target price	issued
new	hold	284.20 PLN	2020-02-05
old	accumulate	281.30 PLN	2019-12-05
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+6.6%
ISIN	PLOPTTC00011	YTD Price Chng	+9.1%
Outst. Stock (m)	96.1	ADTV 1M	PLN 137.4m
MC (PLN m)	29,316.6	ADTV 6M	PLN 69.1m
EV (PLN m)	28,720.3	EV/EBITDA 12M fwd	9.8
Free Float	65.3%	EV/EBITDA 5Y avg	23.3 discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	463	363	469	3,259	2,561
EBITDA	246	117	136	2,476	2,065
EBITDA margin	53.1%	32.3%	29.0%	76.0%	80.6%
EBIT	241	112	128	2,467	2,055
Net income	200	109	122	2,391	2,148
P/E	-	-	-	13.0	14.5
P/B	32.9	29.2	27.9	9.1	5.6
EV/EBITDA	115.5	244.6	210.8	11.4	12.6
DPS	1.06	0.00	1.05	0.00	0.00
DYield	0.3%	0.0%	0.3%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			+10.5%	-0.2%	-0.2%
Net income			+18.0%	-0.1%	-0.1%
Sales of The Witcher 3			+21.7%	-	-
Sales of Gwent: The Card Game			0.0%	0.0%	0.0%
Sales of Cyberpunk 2077			-	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, Video Games	330	228	317	3,099	2,406
EBIT, VG	223	114	129	2,470	2,060
EBIT margin, VG	67.4%	49.8%	40.8%	79.7%	85.6%
Sales, GOG.com	169.6	144.3	159.1	160.2	154.8
EBIT, GOG.com	18.4	-1.1	-1.5	-3.4	-4.9
EBIT margin, GOG	10.8%	-0.8%	-0.9%	-2.1%	-3.2%
Operating cash flow	232	133	195	2,470	1,981
D&A	5	5	8	9	10
Working capital	34	46	-68	-117	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	-71	2,321	1,830
FCF/EBITDA	-52%	94%	89%	83%	88%
OCF/EBITDA	143%	100%	96%	96%	92%

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	469	3,259	2,561	1,625	4,314	2,596	4,515	2,553	1,612	1,191	1,191
EBITDA	136	2,476	2,065	1,193	3,590	1,990	3,682	1,848	1,026	564	564
EBITDA margin	29.0%	76.0%	80.6%	73.4%	83.2%	76.7%	81.5%	72.4%	63.7%	47.3%	47.3%
EBIT	128	2,467	2,055	1,183	3,581	1,980	3,672	1,837	1,016	553	553
Tax	14	197	164	95	286	158	294	147	81	44	44
CAPEX	-151	-160	-173	-186	-199	-209	-211	-218	-225	-232	-232
Working capital	-68	-117	29	39	-113	72	-80	82	39	18	18
FCF	-71	2,321	1,830	992	3,143	1,795	3,277	1,686	760	306	1,604
PV FCF	-72	2,156	1,566	783	2,285	1,203	2,024	960	399	148	
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 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	362	198	287
Cash	67	104	128	2,570	4,656
Net debt	-647	-659	-591	-3,033	-5,119
Net debt/EBITDA (x)	-2.6	-5.6	-4.3	-1.2	-2.5

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.4	5.9
Maximum	20.4	12.1
Median	19.5	9.3
Weight	50%	50%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	4.0%
PV FCF	18,699
Net debt	-659
Other adjustments	0
Value per share (PLN)	301.70

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	232.70
DCF Val.	50%	301.70
Implied Price		267.20
Cost of equity (9M)		6.4%
9M Target Price		284.20

Industrials, Mining

Cognor

hold (no change)

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Cognor faces a continued rise in costs of electricity (+PLN 30.8m) and employment (+PLN 3.5m) in 2020. underpinned by a challenging steel market. Consequently, according to our estimates the Company will see a 29% fall in EBITDA for the year. As a result, the net debt/EBITDA ratio as of 31 December will increase to 2.9x, restricting the capacity for dividends, with 2020E DPS likely to be reduced to PLN 0.11 from PLN 0.28 paid last year. We maintain a hold rating for COG.

Current Price

1.24 PLN

Upside

9M Target Price

1.25 PLN

+0.8%

	rating	target price	issued
unchanged	hold	1.25 PLN	2019-12-06

Key Metrics			COG PW	vs. WIG
Ticker	COG PW	1M Price Chng	-3.1%	-1.4%
ISIN	PLCNTSL00014	YTD Price Chng	0.0%	+0.4%
Outst. Stock (m)	175.0	ADTV 1M		PLN 0.0m
MC (PLN m)	217.0	ADTV 6M		PLN 0.1m
EV (PLN m)	452.7	EV/EBITDA 12M fwd	5.1	+36.4%
Free Float	-	EV/EBITDA 5Y avg	3.7	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.	6.8	2.3	7.4	38.5	24.8
P/B	1.0	0.8	0.8	0.8	0.8
EV/EBITDA adj.	3.8	2.2	4.4	6.1	5.9
DPS	0.00	0.07	0.21	0.07	0.03
DYield	0.0%	5.5%	16.6%	6.0%	2.1%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales volume			0.0%	0.0%	0.0%
Product prices			0.0%	0.0%	0.0%
Scrap prices			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Ferrostal volume (k tons)	426	401	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

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 (no change)

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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% YoY. In addition, we believe that the Surface segment will also come under pressure (-10% YoY), which in our opinion will result from a more prudent approach of the Management Board to signed contracts after significant write-offs 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 from DPS profit of PLN 0.36; DYield above 10%; FCF/EV 14% — second highest for industrial companies). 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 the short-term, market sentiment on mining equipment suppliers is negatively affected by the decline in raw materials prices caused by the spreading coronavirus in China. We do not change our buy call for FMF.

Current Price

2.98 PLN

Upside

9M Target Price

5.18 PLN

+74.1%

	rating	target price	issued
unchanged	buy	5.18 PLN	2019-12-05

Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-10.7%	-9.0%
ISIN	PLFAMUR00012	YTD Price Chng	-0.2%	+0.2%
Outst. Stock (m)	574.8	ADTV 1M		PLN 1.1m
MC (PLN m)	1,709.9	ADTV 6M		PLN 0.7m
EV (PLN m)	1,933.3	EV/EBITDA 12M fwd	3.4	-39.2%
Free Float	52.3%	EV/EBITDA 5Y avg	5.6	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	34.3	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			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue, Underground			0.0%	0.0%	0.0%
Revenue, Surface			0.0%	0.0%	0.0%
Sales margin, UG			0.0%	0.0%	0.0%
Sales margin, Surface			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, Underground	1,019	1,407	1,527	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%

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 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%

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 (no change)

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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 extra cost in the aluminum segment, although our forecasts assume PLN +20m), higher wages (we assume +5% YoY; 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 Aluminum Systems (-PLN 27m), Packaging (-PLN 9m) and Extrusions (-PLN 4m). 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. Another challenge to Kęty Group in 2020, in our opinion, is the increase in US import tariffs on aluminum products. Following the introduction of a 10% import duty on raw aluminum in Q1'20, USA has extended the list to include additional processed products. In our opinion, it's a matter of time before the tariffs hit aluminum window and door frames, and the Management Board of Kęty Group clearly has focused on developing sales in this area in recent years. It is worth pointing out that on 5 February, the Group's Management Board will publish the FY2020 earnings projections. We keep our price target (PLN 335.44 per share) and the hold recommendation for Kęty Group unchanged.

Current Price

384.50 PLN

Downside

9M Target Price

335.44 PLN

-12.8%

	rating	target price	issued
unchanged	hold	335.44 PLN	2019-12-05

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+11.8%	+13.5%
ISIN	PLKETY000011	YTD Price Chng	+11.1%	+11.5%
Outst. Stock (m)	9.5	ADTV 1M		PLN 1.8m
MC (PLN m)	3,670.2	ADTV 6M		PLN 1.1m
EV (PLN m)	4,449.6	EV/EBITDA 12M fwd	8.9	-3.3%
Free Float	42.0%	EV/EBITDA 5Y avg	9.2	discount

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	15.4	13.7	13.1	15.0	15.5
P/B	2.7	2.6	2.5	2.5	2.4
EV/EBITDA	10.1	9.6	8.8	9.6	9.8
DPS	30.00	23.94	24.00	23.48	19.19
DYield	7.8%	6.2%	6.2%	6.1%	5.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Aluminum price (US\$/t)			0.0%	0.0%	0.0%
Producer premium (US\$/t)			0.0%	0.0%	0.0%
EBITDA, Packaging			0.0%	0.0%	0.0%
EBITDA, Extrusions			0.0%	0.0%	0.0%
EBITDA, Al Systems			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	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 hold (reiterated)

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In the mid-term JSW is under the influence of two negative factors — the coronavirus spreading in Asia, translating into a lower demand for steel and coking coal, and the surprisingly very poor operating results for Q4'19. As a result of the former, the rebound of coking coal prices observed in late 2019 and early 2020 has been exhausted, and currently the return of the downward trend is more likely. In turn, poor production and sales figures for Q4'19 imply that our EBITDA projection for Q4'19 was revised downward from ca. +PLN 200m to -PLN 45m, and, in addition, the Group still continued to quickly consume the generated financial surpluses. According to our estimates, net cash as at the end of 2019 will drop to PLN 1.3bn (PLN 11 per share) from the previously assumed PLN 1.9bn. In our opinion, the market will give a cold welcome to Q4'19 financial results. We downgrade our projections for 2020-21 to take account of the slightly more cautious assumptions for average coking coal prices. As a result, we lower our target price from PLN 23.32 to PLN 18.41 per share, and we reiterate our hold recommendation for JSW Group.

Current Price	19.78 PLN	Downside
9M Target Price	18.41 PLN	-6.9%

	rating	target price	issued
new	hold	18.41 PLN	2020-02-05
old	hold	23.32 PLN	2020-01-20
Key Metrics		JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng	-15.0% -13.3%
ISIN	PLJSW0000015	YTD Price Chng	-7.5% -7.1%
Outst. Stock (m)	117.4	ADTV 1M	PLN 24.9m
MC (PLN m)	2,322.4	ADTV 6M	PLN 22.5m
EV (PLN m)	1,369.7	EV/EBITDA 12M fwd	2.5 -14.2%
Free Float	44.8%	EV/EBITDA 5Y avg	2.9 discount

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	8,877	9,810	8,659	8,383	8,254
EBITDA adj.	3,509	3,101	1,759	655	796
EBITDA margin	39.5%	31.6%	20.3%	7.8%	9.6%
EBIT adj.	2,684	2,335	780	-455	-418
Net income adj.	2,189	1,802	579	-402	-377
P/E adj.	1.1	1.3	4.0	-	-
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA adj.	0.3	-	0.8	3.3	3.4
DPS	0.00	0.00	1.71	0.00	0.00
DYield	0.0%	0.0%	8.6%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA (adj.)			0.0%	-9.7%	-17.6%
Net income (adj.)			-0.0%	-	-
Coking Coal price (\$/t)			0.0%	-2.0%	-3.2%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coke price (\$/t)			0.0%	0.0%	-2.0%
Total coal output (kt)			0.0%	0.0%	0.0%
Coking coal (kt)			0.0%	0.0%	0.0%
Coke (kt)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Total coal output (kt)	14,768	15,019	14,760	15,200	15,240
Coking coal (kt)	10,675	10,351	10,204	10,812	10,917
Coking coal (% of total)	72%	69%	69%	71%	72%
Thermal coal (kt)	4,093	4,668	4,556	4,388	4,323
Coke (kt)	3,458	3,559	3,168	3,000	3,400
Operating cash flow	2,871	2,856	895	950	882
D&A	825	766	979	1,110	1,215
Working capital	-76	338	-885	267	78
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	-210	-12	-17
Dividends/Buyback	0	0	-201	0	0
FCF	2,129	1,754	-1,287	-689	-463
FCF/EBITDA (adj.)	61%	57%	-73%	-105%	-58%
OCF/EBITDA (adj.)	82%	92%	51%	145%	111%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	12,090	13,763	13,652	13,160	12,741
Fixed assets	8,118	8,475	9,559	10,186	10,443
Equity	6,389	8,081	8,081	7,680	7,303
Minority interests	232	364	364	364	364
Net debt	-1,641	-3,286	-1,317	-555	1
Net debt/EBITDA (adj.)	-0.5	-1.1	-0.7	-0.8	0.0
Net debt/Equity (x)	-0.3	-0.4	-0.2	-0.1	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.4	3.4	3.5	0.9	0.8	0.9
Maximum	15.2	13.6	14.4	12.1	12.3	10.3
Median	5.9	6.7	6.6	4.1	4.1	4.0
Weight	0%	0%	0%	0%	25%	25%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Coking coal (\$/t)	165	145	150	155	155	155	155	155	155	155	155
Thml coal (PLN/t)	278	273	270	248	248	248	248	248	248	248	248
Coke (\$/t)	1,061	895	861	879	879	879	879	879	879	879	880
Revenue	8,659	8,383	8,254	9,071	9,396	9,525	9,661	9,565	9,560	9,562	9,567
EBITDA	1,621	655	796	1,392	1,614	1,679	1,729	1,609	1,551	1,495	1,499
EBITDA margin	18.7%	7.8%	9.6%	15.4%	17.2%	17.6%	17.9%	16.8%	16.2%	15.6%	15.7%
EBIT	641	-455	-418	63	219	285	332	212	152	95	99
Tax	111	-89	-83	8	38	51	60	37	25	14	14
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	-885	267	78	133	58	27	20	-18	-4	-3	2
FCF	-1,287	-689	-463	118	235	256	289	154	121	78	87
PV FCF	-1,296	-639	-396	93	170	171	179	88	65	40	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.4%	8.1%	7.8%	7.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	-1,526
Net debt	-3,085
Other adjustments	364
Value per share (PLN)	15.10

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	19.54
DCF Val.	50%	15.10
Implied Price		17.32
Cost of equity (9M)		6.3%
9M Target Price		18.41

Kernel hold (reiterated)

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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% YoY and infrastructure by 32% YoY. 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 -40% YoY). 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 -USD 9m), we expect the Group's reported net debt to increase to USD 1.2bn (3.5xEBITDA) at the end of the 2019/2020 season. In our opinion, in the short term the market may give a cold welcome to Q4'19 financial results (lower results + clear debt increase). We upgrade our projections to take account of slightly better margins in the pressing segment, better production volumes in the agro segment and better margins in the infrastructure segment. We raise our price target to PLN 47.25 per share (before: PLN 41.60 per share) and we maintain our hold rating for Kernel Group.

Current Price	47.20 PLN	Upside
9M Target Price	47.25 PLN	+0.1%

	rating	target price	issued
new	hold	47.25 PLN	2020-02-05
old	hold	41.60 PLN	2019-12-05
Key Metrics		KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-1.7%
ISIN	LU0327357389	YTD Price Chng	+4.3%
Outst. Stock (m)	82.9	ADTV 1M	PLN 2.7m
MC (PLN m)	3,912.3	ADTV 6M	PLN 2.5m
EV (PLN m)	6,568.4	EV/EBITDA 12M fwd	5.8
Free Float	60.1%	EV/EBITDA 5Y avg	4.4 premium

Earnings Projections

Earnings Projections

(US\$ m)	16/17	17/18	18/19P	19/20P	20/21P
Revenue	2,169	2,403	3,992	4,244	4,830
EBITDA	319	223	346	339	382
EBITDA margin	14.7%	9.3%	8.7%	8.0%	7.9%
EBIT	265	140	269	243	273
Net income	176	52	189	131	150
P/E	5.7	19.3	5.3	7.8	6.8
P/B	0.9	0.9	0.7	0.7	0.6
EV/EBITDA	4.8	7.3	4.9	6.5	5.7
DPS	0.24	0.25	0.25	0.25	0.25
DYield	2.0%	2.0%	2.0%	2.1%	2.1%
Forecast Update (% change)			19/20P	20/21P	21/22P
EBITDA			+5.3%	+10.7%	+4.9%
Net income			+16.3%	+24.4%	+9.8%
Margin, Sunflower Oil (\$/t)			+0.0%	+15.1%	+7.3%
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)			+3.2%	+6.0%	+3.4%
Grain sales (kt)			+0.9%	+1.4%	+0.8%

Financial Highlights

(US\$ m)	17/18	18/19	19/20P	20/21P	20/21P
EBITDA, Bottled Oil	13	16	17	19	19
EBITDA, Bulk Oil	63	93	106	128	144
EBITDA, Terminals	39	36	45	52	57
EBITDA, Farming	89	182	108	114	105
EBITDA, Grain Trade	17	31	53	62	64
Operating cash flow	82	189	224	264	297
D&A	83	76	96	108	107
Working capital	-63	-305	-38	-55	-49
Investing cash flow	-156	-241	-300	-145	-104
CAPEX	179	234	300	145	104
Financing cash flow	76	29	67	-103	-152
Dividends/Buyback	-20	-20	-21	-21	-21
FCF	-14	-205	-9	169	230
FCF/EBITDA	-6%	-59%	-3%	44%	58%
OCF/EBITDA	37%	55%	66%	69%	75%

Key Balance Sheet Figures

(US\$ m)	17/18	18/19	19/20P	20/21P	20/21P
Assets	2,211	2,464	3,058	3,223	3,344
Fixed assets	1,006	1,207	1,714	1,756	1,758
Equity	1,171	1,351	1,461	1,590	1,737
Minority interests	7	-5	-5	-5	-5
Net debt	619	691	1,180	1,165	1,073
Net debt/EBITDA (x)	2.8	2.0	3.5	3.1	2.7
Net debt/Equity (x)	0.5	0.5	0.8	0.7	0.6

Relative Valuation Summary

	P/E		EV/EBITDA		
	20P	21P	22P	20P	21P
Minimum	2.9	2.5	4.0	3.4	3.2
Maximum	44.2	23.6	18.8	13.6	12.8
Median	13.6	12.5	10.0	8.2	8.7
Weight	17%	17%	17%	17%	17%

DCF Analysis

(US\$ m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin, Veg Oil (\$/t)	74	84	81	78	76	74	71	69	66	63	61
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	4,244	4,830	5,210	5,289	5,376	5,446	5,524	5,585	5,646	5,708	5,789
EBITDA	339	382	397	391	388	400	397	393	390	386	398
EBITDA margin	8.0%	7.9%	7.6%	7.4%	7.2%	7.3%	7.2%	7.0%	6.9%	6.8%	6.9%
EBIT	243	273	290	282	277	282	273	262	252	248	262
Tax	10	12	14	13	13	14	14	13	12	12	14
CAPEX	-300	-145	-104	-109	-114	-119	-125	-130	-135	-135	-135
Working capital	-38	-55	-49	-20	-21	-20	-21	-19	-20	-20	-21
FCF	-9	169	230	248	239	246	238	231	223	219	227
PV FCF	-8	139	165	154	128	114	96	80	67	57	
WACC	14.8%	14.8%	14.9%	15.1%	15.1%	15.2%	15.2%	15.3%	15.3%	15.4%	15.5%
Risk-free rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

DCF Summary

(US\$ m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	992
Net debt	691
Other adjustments	-5
Value per share (PLN)	35.81

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	48.35
DCF Val.	50%	35.81
Implied Price		42.08
Cost of equity (9M)		12.3%
9M Target Price		47.25

KGHM reduce (downgraded)

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Chinese companies have been asked to extend seasonal production stoppages to mid-February to help contain the coronavirus outbreak. With China consuming about a half of the world's copper production, the temporarily reduced demand can be expected to cause a build-up of the metal's global reserves, with implications for KGHM's sales in the first three months of 2020 (KGHM sells 12% of its copper output directly to China). All this makes for a negative February outlook for KGHM, further exacerbated by what we expect to be weak economic data coming out of Asia. After updating our models to reflect higher production of silver and copper expected in 2020, combined with a likely decline in copper markets, we raise our target price for KGH from PLN 85.54 to PLN 86.33, but we downgrade the stock from hold to reduce.

Current Price

96.44 PLN

Downside

9M Target Price

86.33 PLN

-10.5%

	rating	target price	issued
new	reduce	86.33 PLN	2020-02-05
old	hold	85.54 PLN	2019-12-05
Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+0.3% +2.0%
ISIN	PLKGHM000017	YTD Price Chng	+0.9% +1.3%
Outst. Stock (m)	200.0	ADTV 1M	PLN 57.8m
MC (PLN m)	19,288.0	ADTV 6M	PLN 51.1m
EV (PLN m)	26,446.9	EV/EBITDA 12M fwd	4.8 +1.3%
Free Float	63.2%	EV/EBITDA 5Y avg	4.8 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,275	20,526	22,850	22,354	21,695
EBITDA adj.	5,753	4,972	5,549	5,295	4,413
EBITDA margin	28.4%	24.2%	24.3%	23.7%	20.3%
EBIT adj.	4,144	3,176	3,617	3,272	2,399
Net income adj.	1,792	1,888	2,219	2,252	1,564
P/E adj.	10.8	10.2	8.7	8.6	12.3
P/B	1.1	1.0	1.0	0.9	0.9
EV/EBITDA adj.	4.5	5.3	4.8	4.7	5.5
DPS	1.00	0.00	0.00	1.50	3.38
DYield	1.0%	0.0%	0.0%	1.6%	3.5%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA adj.		+0.3%	+8.4%	-2.5%	
Net income adj.		+9.6%	+17.3%	-4.5%	
Copper price (\$/t)		+0.4%	-2.4%	-3.1%	
Silver price (\$/oz)		-0.2%	+2.9%	0.0%	
Molybdenum price (\$/t)		+0.1%	0.0%	0.0%	
Copper output (kt)		-0.0%	+0.4%	-0.8%	
Silver output (t)		+5.4%	+6.7%	-1.6%	
Molybdenum output (mmb)		+2.8%	+86.7%	+53.2%	

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Cu Output, PL (kt)	359	385	418	398	380
Cu Output, Int (kt)	81	79	77	74	77
Sierra Gorda (kt)	53	53	60	74	79
Ag output (tonnes)	1,234	1,205	1,416	1,400	1,299
Au output (ozt k)	219	174	220	207	210
Operating cash flow	3,054	3,826	4,348	4,425	3,735
D&A	1,609	1,796	1,932	2,023	2,014
Working capital	-1,270	1,412	81	21	28
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	-804
Dividends/Buyback	-200	0	0	-300	-676
FCF	788	1,924	2,220	1,964	1,274
FCF/EBITDA	27%	41%	40%	37%	29%
OCF/EBITDA	53%	77%	78%	84%	85%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	34,122	37,237	40,074	41,894	42,607
Fixed assets	26,515	29,375	29,797	30,235	30,683
Equity	17,694	19,133	19,399	21,351	22,240
Minority interests	91	92	92	92	92
Net debt	6,570	6,992	7,067	5,532	5,063
Net debt/EBITDA (x)	2.2	1.5	1.3	1.0	1.1
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	5.9	5.8	5.4	2.4	2.0	1.5
Maximum	30.0	25.5	16.9	13.2	9.1	8.6
Median	12.0	11.2	10.5	5.6	5.4	4.9
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Copper price (\$/t)	6,024	6,050	6,300	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Silver (\$/oz)	16.2	18.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Molybdenum (\$/t)	26,140	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Revenue	22,850	22,354	21,695	22,571	22,495	22,453	22,300	21,128	21,154	21,181	21,207
EBITDA	5,549	5,295	4,413	4,865	4,756	4,634	4,418	4,366	4,337	4,093	4,031
EBITDA margin	15.8%	14.6%	11.1%	12.8%	12.6%	12.5%	11.7%	12.2%	12.1%	10.9%	11.5%
EBIT	3,617	3,272	2,399	2,894	2,843	2,809	2,607	2,568	2,555	2,314	2,441
Tax	1,056	890	705	819	809	802	762	755	752	706	730
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	81	21	28	-37	3	2	6	50	-1	-1	-1
FCF	2,220	1,964	1,274	1,988	2,360	2,217	2,019	1,991	1,888	1,664	1,710
PV FCF	2,232	1,840	1,111	1,605	1,757	1,521	1,274	1,150	996	804	
WACC	7.1%	7.4%	7.4%	7.6%	7.8%	8.0%	8.1%	8.3%	8.4%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	14,291
Net debt	6,992
Other adjustments	272
Value per share (PLN)	86.46

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	75.95
DCF Val.	50%	86.46
Implied Price		81.20
Cost of equity (9M)		6.3%
9M Target Price		86.33

PKP Cargo reduce (reiterated)

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Polish cargo carriers moved a 9.7% smaller volume of goods by rail in December 2019 than in the same month a year earlier, their worst month since February 2017. At the same time, the freight moved in the period by PKP Cargo registered a 25.3% fall, with volumes down 20% on the year. On shrinking volumes, the Company will most likely report weak financial results for Q4 2019 which will weigh on the earnings generated in the whole FY2019. In 2020, PKP Cargo faces continuing headwinds from increasing costs of employment (+PLN 112m) and electricity (+PLN 62m). These negative trends are underpinned by reduced orders this winter due to high temperatures, and persistent stagnation in haulage of building aggregates, with a rebound not likely to occur until after mid-2020. On a positive note, PKP Cargo might soon receive renewed orders from ArcelorMittal's steel plant in Krakow, which is slated to be brought back on line in March after several months of closure; according to our estimates, ArcelorMittal is one of the Company's biggest clients. Given PKP's high operating leverage and decreased volumes, we have lowered our EBITDA expectations for the coming year by about 5%. On the updated outlook, we maintain a reduce rating for PKP, and we cut our target price from PLN 18.13 to PLN 16.40 per share.

Current Price	17.50 PLN	Downside
9M Target Price	16.40 PLN	-6.3%

	rating	target price	issued
new	reduce	16.40 PLN	2020-02-05
old	reduce	18.13 PLN	2019-12-05
Key Metrics			
Ticker	PKP PW	1M Price Chng	-16.3% -14.6%
ISIN	PLPKPCR00011	YTD Price Chng	-14.6% -14.2%
Outst. Stock (m)	44.8	ADTV 1M	PLN 0.8m
MC (PLN m)	783.8	ADTV 6M	PLN 0.9m
EV (PLN m)	2,579.6	EV/EBITDA 12M fwd	3.1 -23.5%
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	4,790	4,949	5,227
EBITDA adj.	693	901	834	764	785
EBITDA margin	14.8%	17.4%	17.4%	15.4%	15.0%
EBIT adj.	147	272	122	7	-12
Net income adj.	49	242	28	-46	-62
P/E adj.	15.8	3.2	27.6	-	-
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj.	2.5	1.7	3.1	3.7	3.7
DPS	0.00	0.00	1.50	0.00	0.00
DYield	0.0%	0.0%	8.6%	0.0%	0.0%
Forecast Update (% change)					
Revenue			-1.5%	-0.8%	-0.7%
EBITDA adj.			-6.2%	-5.1%	-5.1%
Net income			-43.9%	-	-
Freight turnover (tkm m)			-2.0%	-0.9%	-0.8%
Freight volume (ton m)			-2.2%	-1.2%	-1.1%
Costs per tkm			+0.2%	+0.3%	+0.3%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Traction electricity	375	405	364	425	447
Traction fuel	170	211	189	170	178
Employee benefits	1,510	1,651	1,760	1,872	2,028
Access to infrastructure	718	732	569	594	638
Other	1,198	1,292	1,056	1,123	1,151
Operating cash flow	601	863	813	787	820
D&A	547	629	712	757	798
Working capital	-62	20	-20	8	14
Investing cash flow	-740	-612	-845	-944	-853
CAPEX	-502	-695	-969	-944	-853
Financing cash flow	-99	-323	-211	-38	50
Dividends/Buyback	0	0	-67	0	0
FCF	101	173	-144	-156	-33
FCF/EBITDA	6%	11%	-6%	-6%	-1%
OCF/EBITDA	86%	95%	95%	103%	104%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	6,646	6,806	7,482	7,501	7,619
Fixed assets	4,952	5,187	6,294	6,481	6,538
Equity	3,317	3,484	3,469	3,424	3,362
Minority interests	0	0	0	0	0
Net debt	931	779	1,796	2,020	2,124
Net debt/EBITDA (x)	1.3	0.9	2.1	2.6	2.7
Net debt/Equity (x)	0.3	0.2	0.5	0.6	0.6

Relative Valuation Summary

	P/E			EV/EBITDA			FCF/EV		
	19P	20P	21P	19P	20P	21P	19P	20P	21P
Minimum	4.9	4.4	3.9	3.4	3.8	3.9	-34%	-2%	0%
Maximum	50.0	30.8	24.5	14.5	13.3	12.5	7%	7%	10%
Median	19.4	17.1	16.3	11.1	9.6	8.7	3%	4%	5%
Weight	0%	0%	0%	0%	28%	28%	0%	23%	23%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Freight turnover	26,731	27,491	28,648	28,371	27,538	27,562	27,771	27,996	28,238	28,498	28,776
Average prices	151	152	154	158	162	165	169	172	175	179	183
Costs per tkm	175	180	183	185	189	192	195	199	202	206	209
Revenue	4,790	4,949	5,227	5,303	5,279	5,385	5,527	5,676	5,832	5,995	6,167
EBITDA	858	764	785	808	824	851	870	891	911	932	951
EBITDA margin	17.9%	15.4%	15.0%	15.2%	15.6%	15.8%	15.7%	15.7%	15.6%	15.5%	15.4%
EBIT	146	7	-12	46	77	94	105	116	127	139	152
Tax	13	-15	-21	-6	1	5	8	11	14	16	20
CAPEX	-969	-944	-853	-799	-773	-778	-783	-787	-792	-798	-799
Working capital	-20	8	14	4	-1	5	7	8	8	8	9
FCF	-144	-156	-33	19	48	74	87	100	113	126	141
PV FCF	-144	-148	-30	16	39	56	63	69	74	78	
WACC	6.1%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	1,619
Net debt	846
Other adjustments	0
Value per share (PLN)	17.26

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	13.59
DCF Val.	50%	17.26
Implied Price		15.42
Cost of equity (9M)		6.3%
9M Target Price		16.40

Stelmet accumulate (upgraded)

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Rising labor costs (+PLN 7.3m), rising energy costs (+PLN 3.8m) and higher wood purchase costs (+PLN 10.5m) are the main challenges facing the Stelmet Group in 2020. To compensate for the higher costs, the Management Board has introduced a number of price list increases and all clients have accepted higher product prices for 2020. A positive factor for 2020 is the observed decrease in competition (according to Stelmet, its main domestic competitor, Martyna, declared arrangement bankruptcy). In addition, the lack of significant capital expenditures on the horizon should translate into an increase in the cash flow for distribution to shareholders (currently the '19 net debt/adjusted EBITDA 1.6x). Currently Stelmet with its cash generation ratio of 15% (FCF/EBITDA) ranks second among industrial companies. We revise upward our financial projections for 2020 and 2021. We raise our price target to PLN 8.92 per share (before: PLN 8.78 per share) and upgrade our recommendation to accumulate (previously: hold). Assuming even up to 35% discount in the comparative valuation, the raised target implies upside potential of about 15% from the current level

Current Price

7.85 PLN

Upside

9M Target Price

8.92 PLN

+13.6%

	rating	target price	issued
new	accumulate	8.92 PLN	2020-02-05
old	hold	8.78 PLN	2019-12-05
Key Metrics		STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	+4.7%
ISIN	PLSTLMT00010	YTD Price Chng	+6.8%
Outst. Stock (m)	29.4	ADTV 1M	PLN 0.0m
MC (PLN m)	230.5	ADTV 6M	PLN 0.0m
EV (PLN m)	355.3	EV/EBITDA 12M fwd	5.0
Free Float	15.0%	EV/EBITDA 5Y avg	6.5

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	538	553	602	610	634
EBITDA	58	69	69	72	73
EBITDA margin	10.7%	12.4%	11.4%	11.7%	11.5%
EBIT	21	27	26	30	31
Net income	19	10	-3	22	23
P/E	11.9	24.1	-	10.3	10.0
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	7.2	5.9	5.2	4.4	3.9
DPS	0.00	0.00	0.00	0.07	0.31
DYield	0.0%	0.0%	0.0%	0.9%	3.9%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			-1.9%	+5.4%	+5.4%
Net income			-118.3%	+19.2%	+20.9%
Sales price (PLN/m3)			-0.7%	-1.5%	-1.8%
Sales volume (1,000 m3)			+2.6%	+5.7%	+6.8%
Timber price (PLN/m3)			-0.8%	-2.7%	-2.7%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, Core, PL	19	22	26	27	28
Revenue, Core, UK	158	137	110	109	110
Revenue, Core, FR	120	107	106	105	108
Revenue, Core, DE	101	113	163	181	192
Revenue, Wood Pellets	68	89	101	94	97
Operating cash flow	39	32	83	65	63
D&A	37	41	42	41	42
Working capital	-2	-30	2	-1	-5
Investing cash flow	-62	-24	-24	-16	-23
CAPEX	62	23	24	16	23
Financing cash flow	76	-9	-56	-25	-32
Dividends/Buyback	0	0	0	-2	-9
FCF	-11	9	-1	49	41
FCF/EBITDA	-18%	13%	-2%	69%	56%
OCF/EBITDA	68%	46%	121%	91%	87%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales px (PLN/m3)	1,779	1,802	1,819	1,842	1,865	1,890	1,914	1,939	1,964	1,990	2,016
Volume (1,000 m3)	261	269	277	281	284	288	291	294	297	301	304
Timber px (PLN/m3)	258	264	269	274	280	285	291	297	303	309	315
Revenue	602	610	634	652	668	684	701	718	736	755	774
EBITDA	69	72	73	73	74	74	73	72	71	70	68
EBITDA margin	11.4%	11.7%	11.5%	11.3%	11.1%	10.8%	10.4%	10.1%	9.7%	9.3%	8.8%
EBIT	26	30	31	32	32	32	31	29	27	25	22
Tax	47.7	4.6	4.8	5.1	5.3	5.2	5.0	4.8	4.3	3.9	3.4
CAPEX	-24	-16	-23	-25	-27	-29	-31	-34	-41	-44	-45
Working capital	1.5	-1.5	-4.6	-3.5	-3.1	-3.2	-3.3	-3.4	-3.5	-3.6	-3.7
FCF	-1	49	41	39	39	36	33	30	23	21	19
PV FCF	-1	47	36	32	29	25	21	18	13	10	
WACC	3.6%	7.4%	7.7%	8.0%	8.3%	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	821	816	769	771	769
Fixed assets	554	522	480	455	436
Equity	454	461	457	478	492
Minority interests	0	0	0	0	0
Net debt	182	176	125	81	52
Net debt/EBITDA (x)	3.2	2.6	1.8	1.1	0.7
Net debt/Equity (x)	0.4	0.4	0.3	0.2	0.1

Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.1	8.8	10.3	5.6	4.4	3.6
Maximum	61.9	372.0	467.0	18.2	17.3	8.9
Median	17.8	14.5	12.4	7.9	6.7	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	239
Net debt	125
Other adjustments	0
Value per share (PLN)	7.99

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	8.79
DCF Val.	50%	7.99
Implied Price		8.39
Cost of equity (9M)		6.3%
9M Target Price		8.92

Property Developers

Atal

accumualte (downgraded)

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In January Atal announced that the pre-sales of apartments in Q4'19 stood at 892 units (+42% YoY) and nearly 3.2 thousand in all of 2019 (+32% YoY). Thus the company tripled its sales in the last 5 years (CAGR=17%), which placed it among TOP3 housing developers listed on the WSE and Catalyst. We are counting on the strong offer (ca. 4 thousand units) to help maintain similar sales also in 2020. Meanwhile, the result in apartment handovers in Q4'19 was below both our expectations and the consensus — the impact of longer-than-expected time to obtain occupancy permits in Q4. Thus we had to reduce our profit after tax forecast for '19 to PLN 111m (vs. the previous PLN 145m). At the same time we raise the profit after tax forecast for '20 to PLN 210m (vs. the previous PLN 177m), while pointing out that the risk of delays in handovers in '20 is lower than last year (45% of apartments to be potentially accounted for in Q4'19 earnings vs. 24% in 4Q'20). The current level of apartment handovers (1,769 units in '19) does not fully reflect the Company's sales potential, and prospects for 2020-21 look promising. Atal has more than 50% units more under construction than in Q2'18, and in the years 2020-22 it can recognize profits from ca. 3,300 units a year on average. Since our last recommendation was issued, the Company's stock price has risen 10%, and so we downgrade our recommendation to accumulate, with a target price of PLN 44.28 per share, maintaining our positive outlook on the Company. Further to the temporary drop in earnings in '19, the Company is trading at P/E=14x, falling to 7x on average in '20-21, at DY=6.7x in '20 and 12.3x in '21-22.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,308	2,678	1,769	3,290	3,327
Revenue/unit (PLN k)	375	394	363	361	389
SG&A	28	31	33	35	37
SG&A/Sales	3.3%	2.9%	5.2%	2.9%	2.8%
EBIT margin	25.6%	24.6%	22.4%	23.2%	22.9%
Net profit margin	19.8%	19.0%	17.2%	17.6%	17.5%
Cash	266	192	242	272	234
Net debt	214	333	574	466	474
Net debt/Equity	27%	39%	61%	45%	47%
Inventory	1,342	1,487	1,760	1,753	1,767
Inventory/Sales	155%	141%	260%	143%	134%
Earnest money deposits	365	225	317	306	274
Deposits/Inventory	27%	15%	18%	17%	16%
Equity	795	858	786	893	929
ROE	24.9%	25.3%	12.9%	26.6%	25.4%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	642	1,188	1,294	1,332	949	968	987	1,007	1,027	1,047	1,068
EBITDA	146	277	298	322	198	183	186	189	193	197	201
EBITDA margin	22.8%	23.3%	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	144	275	296	320	196	181	184	187	191	195	199
Tax	28	52	56	61	37	34	35	36	36	37	38
NOPLAT	116	223	240	260	159	146	149	152	155	158	161
CAPEX	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Working capital	-42	-31	-76	-4	34	-9	-9	-8	-8	-8	-8
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	75	192	164	255	193	137	139	144	147	150	153
PV FCF	75	178	141	205	143	95	89	86	81	77	
WACC	7.5%	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Current Price

39.80 PLN

Upside

9M Target Price

44.28 PLN

+11.3%

	rating	target price	issued	
new	accumulate	44.28 PLN	2020-02-05	
old	buy	44.90 PLN	2019-12-05	
Key Metrics			1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	-1.7%	-0.0%
ISIN	PLATAL000046	YTD Price Chng	+4.7%	+5.1%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.3m
MC (PLN m)	1,540.8	ADTV 6M		PLN 0.4m
EV (PLN m)	2,019.6	EV/EBITDA 12M fwd	8.8	+11.2%
Free Float	11.6%	EV/EBITDA 5Y avg	7.9	premium

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	866	1,055	642	1,188	1,294
Gross profit	248	284	176	310	334
Gross margin	28.6%	26.9%	27.4%	26.1%	25.8%
EBIT	222	260	144	275	296
Net income	171	201	111	209	227
P/E	9.0	7.7	13.9	7.4	6.8
P/B	1.9	1.8	2.0	1.7	1.7
EV/EBITDA	7.8	7.2	13.8	7.0	6.7
DPS	1.68	3.54	4.70	2.63	4.92
DYield	4.2%	8.9%	11.8%	6.6%	12.4%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			-21.0%	+14.6%	+0.0%
Gross profit margin			+0.1 p.p.	+0.1 p.p.	+0.0 p.p.
EBIT			-24.1%	+17.3%	-0.0%
Net income			-23.8%	+18.4%	+0.1%
Residential closings			-19.1%	+14.6%	0.0%

Cash Flow Summary

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	198	38	47	197	168
D&A	1	1	2	2	2
Working capital	-13	-194	-42	-31	-76
Investing cash flow	1	1	12	4	4
CAPEX	-1	-1	-1	-2	-2
Financing cash flow	-121	-113	-9	-170	-210
Dividends	-65	-137	-183	-102	-191

Relative Valuation Summary

	P/BV			P/E		
	19P	20P	21P	19P	20P	21P
Minimum	0.72	0.71	0.63	5.0	7.6	5.0
Maximum	2.19	2.16	2.12	9.4	18.0	8.2
Median	0.99	0.89	0.84	7.0	8.7	7.6
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,547
Adj. net debt*	516
Other adjustments	-1
Value per share (PLN)	52.50

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	26.97
Relative (DYield)	17%	38.45
DCF	50%	52.50
Cost of equity (9M)		6.3%
9M Target Price		44.28

Dom Development hold (no change)

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The number of apartments accounted for by Dom Development in 2019 earnings (nearly 3.5 thousand, -4% YoY) was similar to the last Management Board's guidance (slightly over 3.5 thousand). Of this, ca. 1.0 thousand apartments were handed over in Q4 itself, 38% fewer compared to the record high base a year before. Therefore we can see no threat to the 2019 year-round financial provisions coming true (profit after tax > PLN 250m). In recent quarters the Company was able to surprise us with a better-than-expected profitability, which was helped by the increase in apartment prices. Prospects for 2020-2021 continue to be advantageous. Despite the limited offer on the key market in Warsaw (offer down by 25% YoY as at the end of Q3), DOM successfully compensates for it by developing its business in Tricity (offer up by 31%) and in Wrocław (+50%) which helps maintain stable sales volumes (+2% YoY in '19). The Company plans assume a partial offer rebuilding in Warsaw, and the extended land bank in Tricity gives rise to further expansion of business in this location. Considering the good sales (3,661 units in 2019, 5% above the handover level, and stable conditions on the housing market in 2020) we expect the profit after tax of '20-21 to increase to ca. PLN 270m and PLN 290m respectively, while maintaining aggregated handovers in '20-21 at a level comparable to '18-19, though with slightly different structure (WRO, TRI:~, WWA:~). The prospects for high profits also favor the continued high dividends (DY'20-21=11%). In our opinion, however, the current market price of DOM adequately reflects its strengths: operational efficiency, strong balance sheet, dividend potential. Thus we maintain a hold recommendation for DOM.

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

96.00 PLN

Downside

9M Target Price

88.92 PLN

-7.4%

	rating	target price	issued
unchanged	hold	88.92 PLN	2019-12-05

Key Metrics	DOM PW	1M Price Chng	DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	-2.0%	-0.3%
ISIN	PLDMDVL00012	YTD Price Chng	+1.5%	+1.9%
Outst. Stock (m)	25.1	ADTV 1M		PLN 0.4m
MC (PLN m)	2,406.6	ADTV 6M		PLN 0.3m
EV (PLN m)	2,549.4	EV/EBITDA 12M fwd	7.5	-12.3%
Free Float	25.2%	EV/EBITDA 5Y avg	8.6	discount

Earnings Projections

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	12.5	10.6	9.5	8.9	8.4
P/B	2.4	2.3	2.2	2.2	2.2
EV/EBITDA	10.1	8.5	7.8	7.8	7.6
DPS	5.05	7.60	9.05	10.06	10.81
DYield	5.3%	7.9%	9.4%	10.5%	11.3%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Closinas			0.0%	0.0%	0.0%

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 (no change)

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In January AmRest published preliminary sales figures for Q4'19, which were 2% above our projections presented in the quarterly forecast. The Company recorded an increase in sales per restaurant YoY in major segments such as CEE and Western Europe. Sales results for the Russian market were supported by the low base effect. According to our expectations, EBITDA should go up to EUR 92m in Q4'19 (taking account of EUR 31m recognized from the sale of pizzaportal.pl) vs. EUR 49m in Q4'18. In addition, the company's results may be supported by the revaluation of AmRest's 7.5% share of Glovo. In our estimates we take account of the -12m revaluation of restaurants in Q4'19 (higher level than in previous quarters; probably due to write-off of part of restaurants taken over in Western Europe). According to our estimates, we expect clean EBITDA to be up by 24% YoY in 2020. In the following quarters, the earnings dynamics will be positively impacted by the focus on profitability improvement (Sushi Shop, businesses taken over) and non-recognition of the loss generated by pizzaportal.pl. Nevertheless we wish to point to the company's high debt and valuation of 27x EV/EBIT'20 vs. 14x Alsea and 20x YUM! Brands. In our opinion, high earnings dynamics is the only argument to justify such a high valuation.

Current Price	49.15 PLN	Downside
9M Target Price	47.00 PLN	-4.4%

	rating	target price	issued
unchanged	hold	47.00 PLN	2019-12-05

Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	+13.0%	+14.7%
ISIN	ES0105375002	YTD Price Chng	+13.5%	+13.9%
Outst. Stock (m)	219.6	ADTV 1M		PLN 5.0m
MC (PLN m)	10,791.1	ADTV 6M		PLN 9.6m
EV (PLN m)	13,460.1	EV/EBITDA 12M fwd	12.0	+8.0%
Free Float	31.1%	EV/EBITDA 5Y avg	11.1	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	58.8	58.7	39.8	38.4	32.1
P/B	8.0	6.0	5.3	4.6	4.1
EV/EBITDA	22.0	20.3	13.0	12.1	10.4
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 income			0.0%	0.0%	0.0%
Revenue per restaurant			0.0%	0.0%	0.0%
Adj. EBITDA margin			0 p.p.	0 p.p.	0 p.p.
Restaurant count			0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(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 (no change)

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In early January, the company published preliminary Q4'19 earnings, which were below our expectations and market expectations. The poorer earnings were mainly caused by low sales generated in the brick-and-mortar segment, which may be explained by unfavorable weather conditions (higher average temperatures YoY in each month of Q4'19) and the still non-optimum offer structure. In late January the company published its strategy for the years 2020-22 (GO.22) where it assumes a significant improvement of EBIT/profit after tax by 2022. The main drivers of the profitability improvement should be: (1) leveraging the IT solutions implemented, (2) improving the collection quality, (3) promoting own-label brands and (4) developing e-commerce. At the strategy presentation the company's management board denied the market speculations over the potential stock issue and the risk of breach of covenants as at the end of Q1'20 (management board assumes a maximum level of 3.2-3.3x). We expect an earnings growth YoY in Q1'20 resulting from (1) much better preparation for the sales of spring-summer collection (shops being better stocked and having a functioning RMS system) and (2) lower cost base resulting from cost discipline in CCC's brick-and-mortar segment and cost optimization in the businesses taken over. In our opinion, the greatest surprise for the positive earnings scenario in Q1'20 may come from weather conditions (potential weather deterioration in February/March). Considering the company's profitability growth path assumed in the strategy, we expect the market consensus for EBIT margin to go up from the present 4.5% to 5%, which would imply raising the expectations of EBIT result '20 by over 10%.

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

99.05 PLN

Upside

9M Target Price

157.00 PLN

+58.5%

	rating	target price	issued
unchanged	buy	157.00 PLN	2019-12-05

Key Metrics	CCC PW	1M Price Chng	CCC PW	vs. WIG
Ticker	PLCCC0000016	YTD Price Chng	-13.1%	-11.4%
ISIN			-10.0%	-9.6%
Outst. Stock (m)	41.1	ADTV 1M		PLN 25.0m
MC (PLN m)	4,073.6	ADTV 6M		PLN 18.3m
EV (PLN m)	5,122.1	EV/EBITDA 12M fwd	6.1	-56.9%
Free Float	59.4%	EV/EBITDA 5Y avg	14.2	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	11.7	30.6	93.3	20.8	13.8
P/B	3.5	3.5	3.6	3.3	2.8
EV/EBITDA	9.4	9.2	13.9	8.5	6.9
DPS	2.47	2.30	0.48	2.00	2.00
DYield	2.5%	2.3%	0.5%	2.0%	2.0%
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%	

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 reduce (downgraded)

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Dino ended 2019 with 1,218 shops (+24.7% YoY), which was in line with our expectations and market expectations. Most of new openings took place in Q4'19 (105 shops in Q4'19 vs. 82 shops in Q4'18). Dino's share price has risen 16% since the beginning of the year, discounting further dynamic business growth. Nevertheless, we wish to point to the expected decrease in EBITDA profitability by 0.3p.p. YoY down to 10.3% in Q4'19 (high base effect). We believe that the EBITDA margin may come under pressure also in Q1'20 due to the high base on gross sales margin, pressure from pork meat prices on profitability and a major increase in payroll cost YoY. Dino's current valuation at 12m blended forward EV/EBITDA is above 1 standard deviation from the mean (calculated since May 2017), which is one of the highest readings for this ratio. We slightly change our 2019 projections and revise the comparative valuation. Considering the potential profitability deterioration in Q1'20, we believe Dino's current high valuation is not justified, and we change our recommendation from accumulate to reduce.

Current Price	164.70 PLN	Downside
9M Target Price	149.70 PLN	-9.1%

	rating	target price	issued
new	reduce	149.70 PLN	2020-02-05
old	accumulate	148.60 PLN	2019-11-25
Key Metrics		DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+16.1%
ISIN	PLDINPL00011	YTD Price Chng	+14.4%
Outst. Stock (m)	98.0	ADTV 1M	PLN 25.5m
MC (PLN m)	16,147.2	ADTV 6M	PLN 26.1m
EV (PLN m)	16,786.5	EV/EBITDA 12M fwd	17.8
Free Float	48.9%	EV/EBITDA 5Y avg	16.1 premium

Earnings Projections (adjusted for IFRS 16)

Earnings Projections (Adjusted For IFRS 16)					
(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,463	5,839	7,632	9,923	12,611
EBITDA	389	541	714	939	1,205
EBITDA margin	8.7%	9.3%	9.4%	9.5%	9.6%
EBIT	303	429	561	739	947
Net income	214	308	404	547	728
P/E	75.6	52.5	40.0	29.5	22.2
P/B	17.9	13.3	10.0	7.4	5.6
EV/EBITDA	42.7	30.9	23.5	17.8	13.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			-0.4%	0.0%	0.0%
Net profit			-0.8%	0.0%	0.0%
Store count			0.0%	0.0%	0.0%
Sales/sqm			+0.1%	0.0%	0.0%
EBITDA margin			-0.0 p.p.	0.0 p.p.	0.0 p.p.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
Store count	775	977	1,221	1,514	1,837
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	1,106	1,386
D&A	86	112	153	201	258
Working capital	131	125	215	286	343
Investing cash flow	-402	-634	-918	-956	-1,137
CAPEX	-411	-636	-919	-956	-1,137
Financing cash flow	41	82	184	-266	-253
Dividends/Buyback	31	174	117	-200	-203
FCF	50	-55	-94	130	231
FCF/EBITDA	13%	-10%	-13%	14%	19%
OCF/EBITDA	128%	119%	116%	118%	115%

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	-50.4	-53.3	-55.5
SG&A/Sales	16.6%	16.9%	17.0%	17.7%	17.9%
Net debt (PLN m)	485	565	639	554	356
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	-0.7	-1.0	-0.9	9.6	11.4	10.6	4.8	6.2	5.9
Maximum	2.8	2.4	2.1	31.2	24.6	22.0	12.1	10.6	9.4
Median	1.2	1.1	1.0	18.3	15.2	13.7	10.0	8.0	7.6
Weight	11%	11%	11%	11%	11%	11%	11%	11%	11%

DCF Analysis (adjusted for IFRS 16)

(EUR m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Store count	1,221	1,514	1,837	2,153	2,453	2,738	3,009	3,266	3,511	3,743	3,743
Sales/sqm	1,498	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	7,632	9,923	12,611	15,112	17,741	20,343	22,692	24,970	27,178	29,321	29,321
EBITDA	704	929	1,195	1,437	1,695	1,919	2,139	2,346	2,551	2,738	2,748
EBITDA margin	9.2%	9.4%	9.5%	9.5%	9.6%	9.4%	9.4%	9.4%	9.4%	9.3%	9.4%
EBIT	561	739	947	1,123	1,328	1,502	1,674	1,842	2,004	2,161	2,161
Tax	104	140	180	213	252	285	318	350	381	411	1,892
CAPEX	-919	-956	-1,137	-1,121	-1,127	-1,179	-1,056	-1,138	-1,158	-587	-587
Working capital	215	286	343	327	352	308	261	268	260	-345	-345
FCF	-94	130	231	439	678	773	1,036	1,137	1,281	1,405	1,440
PV FCF	-86	111	183	322	460	484	599	607	631	638	
WACC	8.4%	8.4%	7.6%	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%

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)	146.94

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	125.60
DCF Val.	50%	146.94
Implied Price		140.54
Cost of equity (9M)		6.5%
9M Target Price		149.70

Eurocash hold (upgraded)

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In January Eurocash's share price dropped by 11.4%, which was fully in line with our prediction. In our opinion, what might have contributed to the share price going down were expectations regarding the revision of the strategic target for openings of Delikatesy Centrum stores (in its strategy, the company communicated it would open 900 shops by the end of 2023). In addition, investors' concerns regarding the earnings growth prospects were fueled by rival Biedronka chain's plan to attract partners for running smaller-format shops in small towns (potential risk of Eurocash losing customers and a risk to the planned expansion of Delikatesy Centrum chain). In addition, in late December the company announced its purchase of the remaining 55.6% shareholding in Frisco.pl for PLN 130m, implying a high EV/sales ratio in 2019 (1.8x; we estimate that Frisco.pl generated no profit in 2019). In Q4'19 we expect the company's earnings to go up by 9% YoY to PLN 118 m, which should be mostly driven by improved profitability in the retail segment. At the same time, we wish to point to the potential slowdown of IFl improvement at C&C and at Delikatesy Centrum chain resulting from the base effect. We upgrade EUR from reduce to hold after the recent sell-off.

Current Price

19.94 PLN

Downside

9M Target Price

19.80 PLN

-0.7%

	rating	target price	issued	
new	hold	19.80 PLN	2020-02-05	
old	reduce	19.80 PLN	2019-11-25	
Key Metrics			EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-6.4%	-4.7%
ISIN	PLEURCH00011	YTD Price Chng	-8.7%	-8.3%
Outst. Stock (m)	139.2	ADTV 1M		PLN 4.2m
MC (PLN m)	2,774.9	ADTV 6M		PLN 5.6m
EV (PLN m)	3,277.5	EV/EBITDA 12M fwd	8.0	-19.8%
Free Float	53.0%	EV/EBITDA 5Y avq	10.0	discount

Earnings Projections (adjusted for IFRS 16)

Earnings Projections (Adjusted For IFRS 16)					
(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,814	22,833	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	32.7	41.5	33.5	26.3	20.4
P/B	2.7	2.7	3.0	3.0	3.1
EV/EBITDA	8.2	9.3	8.6	8.1	7.7
DPS	0.80	0.76	1.03	0.60	0.76
DYield	4.0%	3.8%	5.2%	3.0%	3.8%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Wholesale (EBITDA)			0.0%	0.0%	0.0%
Retail (EBITDA)			0.0%	0.0%	0.0%
New Projects (EBITDA)			0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Wholesale (S)	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%

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 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%

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 (reiterated)

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In early January the company communicated good preliminary sales figures for Q4'19. Biedronka chain maintained high rate of comparable sales improvement (+7.7% in Q4'19), while the revised pricing policy and modified marketing policy in Ara chain helped improve comparable sales by 27.9% in Q4'19 (vs. 17.6% in 2019). In Q4'19 we expect EBITDA result to grow by 16% YoY, driven by Biedronka chain's good results and improved earnings YoY in Ara and Hebe chains. In 2020 the cost pressure in Biedronka chain should be partly compensated by further roll-out of self-checkouts. In addition, the chain may speed up its expansion of the smaller Biedronka shop format in cooperation with third party partners. 2020 earnings at Jeronimo Martins should be supported by improved results in Hebe and Ara chains. On the other hand, we can see a risk related to maintaining high like-for-like sales in Biedronka chain since Q2'19 (negative base effect). Currently the high rate of lfl growth and earnings improvement YoY may partly justify the company's valuation at 14.4x EV/EBIT'20. Considering the improved earnings in Biedronka, Ara and Hebe, we slightly upgrade our forecasts for Jeronimo.

Current Price

15.78 EUR

Upside

9M Target Price

16.30 EUR

+3.3%

	rating	target price	issued
new	hold	16.30 EUR	2020-02-05
old	hold	14.30 EUR	2019-10-07
Key Metrics			
Ticker	JMT PL	1M Price Chng	+7.1% +8.8%
ISIN	PTJMT0AE0001	YTD Price Chng	+7.6% +8.0%
Outst. Stock (m)	629.3	ADTV 1M	EUR 14.9m
MC (EUR m)	9,927.1	ADTV 6M	EUR 12.5m
EV (EUR m)	10,259.7	EV/EBITDA 12M fwd	8.5 -10.1%
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	18,639	20,199	21,481
EBITDA	922	960	1,045	1,172	1,248
EBITDA margin	5.7%	5.5%	5.6%	5.8%	5.8%
EBIT	577	588	643	737	783
Net income	386	401	533	540	575
P/E	25.7	24.8	18.6	18.4	17.3
P/B	5.6	5.6	5.1	4.6	4.2
EV/EBITDA	10.9	10.7	9.8	8.7	8.0
DPS	0.69	0.64	0.34	0.32	0.34
DYield	4.4%	4.0%	2.2%	2.0%	2.2%
Forecast Update (% change)					
EBITDA			-1.0%	+2.2%	+3.1%
Net income			+20.4%	+9.4%	+11.1%
Y/Y sales/sqm, Biedronka			+1.6 p.p.	-0.4 p.p.	-0.1 p.p.
Y/Y sales/sqm, Pingo Doce			-0.2 p.p.	+0.1 p.p.	+0.5 p.p.
Y/Y sales/sqm, Recheio			+1.0 p.p.	+1.4 p.p.	-1.8 p.p.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
EBITDA Biedronka, PL	808	850	918	988	1,035
EBITDA Pingo Doce, PT	187	188	194	199	198
EBITDA Recheio, PT	50	53	54	57	59
EBITDA Other	-85	-80	-57	-22	6
CCC (days)	-71	-67	-65	-65	-65
Operating cash flow	909	849	1,280	1,524	1,575
D&A	345	372	402	435	465
Working capital	0	0	300	320	338
Investing cash flow	292	-43	115	204	172
CAPEX	-658	-700	-725	-732	-739
Financing cash flow	-229	-273	-549	-685	-725
Dividends/Buyback	435	401	214	199	214
FCF	397	62	279	467	492
FCF/EBITDA	43%	6%	27%	40%	39%
OCF/EBITDA	99%	88%	122%	130%	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%	18.4%	18.4%
Y/Y sales/sqm, Biedr.	9.0%	1.0%	3.5%	2.7%	0.3%
Y/Y sales/sqm, P. Doce	0.5%	3.2%	1.9%	1.5%	1.9%
Y/Y sales/sqm, Recheio	5.7%	2.8%	2.1%	0.7%	-2.5%
Net debt (EUR m)	-144	93	87	-20	-130
Net debt/EBITDA (x)	-0.2	0.1	0.1	0.0	-0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	13.1	11.7	10.6	8.7	7.8	7.0
Maximum	33.4	23.4	18.3	11.3	8.6	8.2
Median	18.9	14.7	13.7	9.4	8.0	7.5
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	+
Biedronka stores	3,002	3,103	3,183	3,243	3,283	3,323	3,363	3,403	3,443	3,483	3,443
Pingo Doce stores	441	441	441	441	441	441	441	441	441	441	441
Ara stores	616	876	1,036	1,196	1,356	1,476	1,556	1,596	1,636	1,676	1,636
Revenue	18,639	20,199	21,481	22,447	23,226	23,930	24,562	25,124	25,665	26,215	26,609
EBITDA	1,045	1,172	1,248	1,333	1,407	1,480	1,518	1,554	1,590	1,627	1,729
EBITDA margin	5.6%	5.8%	5.8%	5.9%	6.1%	6.2%	6.2%	6.2%	6.2%	6.2%	6.5%
EBIT	643	737	783	844	903	969	1,006	1,043	1,083	1,121	1,169
Tax	156	177	188	203	217	233	241	250	260	269	281
CAPEX	-725	-732	-739	-665	-599	-539	-512	-486	-462	-507	-507
Working capital	115	204	172	129	104	94	85	75	72	74	72
FCF	279	467	492	595	695	802	849	892	941	926	955
PV FCF	264	409	398	444	479	511	499	484	472	428	
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	1.5%
PV FCF	10,872
Net debt	93
Other adjustments	225
Value per share (EUR)	16.77

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	13.84
DCF Val.	50%	16.77
Implied Price		15.31
Cost of equity (9M)		6.2%
9M Target Price		16.30

LPP buy (reiterated)

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In early January, the company published preliminary Q4'19 earnings, which were below our expectations and market expectations (difference mainly in the lower-than-expected sales and other operating activities). In early February the company published preliminary figures for 4 months further to the change of financial year. The company reported a 20% increase in the stock index/sqm YoY as at the end of 2019, which mainly stems from e-commerce stocks, earlier collection purchase and preparations for the dynamic growth of Sinsay shops. In late January the company's share price responded negatively amid concerns over potential delivery disruptions for upcoming collections in relation to the coronavirus epidemic. In our opinion, this risk is limited for the spring collection. We positively assess the acceleration of the sales space expansion to 16% YoY in 2019/2020, 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 cost/sqm and an increase of the cost efficiency thanks to IT solutions). In 2020, the company should maintain 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% share of total sales). Considering worse-than-expected Q4'19 earnings, we slightly adjust our forecasts for the company. Despite lower forecasts, we keep the target price unchanged due to the higher comparable company valuation.

Current Price	8,610.00 PLN	Upside
9M Target Price	10,100.00 PLN	+17.3%

	rating	target price	issued
new	buy	10,100.00 PLN	2020-02-05
old	buy	10,100.00 PLN	2019-12-05
Key Metrics			
Ticker	LPP PW	1M Price Chng	-2.4% -0.7%
ISIN	PLPP0000011	YTD Price Chng	-2.4% -2.0%
Outst. Stock (m)	1.9	ADTV 1M	PLN 14.3m
MC (PLN m)	15,949.4	ADTV 6M	PLN 17.0m
EV (PLN m)	15,327.7	EV/EBITDA 12M fwd	9.0 -31.4%
Free Float	69.5%	EV/EBITDA 5Y avg	13.1 discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,029	8,047	9,123	10,981	12,588
EBITDA	872	1,106	1,312	1,604	1,823
EBITDA margin	12.4%	13.7%	14.4%	14.6%	14.5%
EBIT	578	757	905	1,121	1,255
Net income	441	505	567	811	996
P/E	36.2	31.6	28.1	19.7	16.0
P/B	6.5	5.6	4.8	3.9	3.3
EV/EBITDA adj.	17.9	13.7	11.7	9.6	8.4
DPS	35.71	39.96	59.97	39.81	65.23
DYield	0.4%	0.5%	0.7%	0.5%	0.8%
Forecast Update (% change)				2019P	2020P
EBITDA				+11.2%	+17.6%
Net income				-16.7%	+11.5%
Sales per sqm				-0.6%	+0.5%
SG&A/sqm				-1.3%	-2.1%
Sales area				2.2%	6.6%

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%

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 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%

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

buy (upgraded)

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VRG generated weak sales in December, due mainly to a decline in revenues generated by jewelry stores relative to a high year-ago comparable base. Nevertheless we expect the Company do deliver 9% y/y EBITDA growth for the fourth quarter of 2019. VRG's main challenge in the months ahead is to improve sales effectiveness in the fashion segment, and to maintain positive like-for-like sales growth in the jewelry segment despite unfavorable base effects. The Company has recently parted ways with former CFO and long-time Board member Mateusz Żmijewski, giving rise to concerns over further reshuffling within the top executive ranks once the current Management Board's term ends on 31 March 2020. These concerns, combined with the fact that first-quarter sales account for a minor portion of VRG's full-year earnings outlook, might prompt investors to hold off investment decisions until the doubts are cleared. We believe VRG can maintain double-digit earnings momentum in 2020, supported by improving organic expansion combined with synergy benefits. We upgrade VRG from accumulate to buy to reflect a recent share price decline.

Current Price

3.93 PLN

Upside
9M Target Price

4.50 PLN

+14.6%

	rating	target price	issued
new	buy	4.50 PLN	2020-02-05
old	accumulate	4.50 PLN	2019-12-02
Key Metrics		VRG PW	vs. WIG
Ticker	VRG PW	1M Price Chng	+0.6% +2.3%
ISIN	PLVSTLA00011	YTD Price Chng	-2.8% -2.5%
Outst. Stock (m)	234.5	ADTV 1M	PLN 0.7m
MC (PLN m)	920.2	ADTV 6M	PLN 0.6m
EV (PLN m)	979.0	EV/EBITDA 12M fwd	5.6 -35.0%
Free Float	40.5%	EV/EBITDA 5Y avg	8.5 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	15.8	17.2	15.1	12.6	11.3
P/B	1.3	1.1	1.1	1.0	0.9
EV/EBITDA adj.	10.0	11.0	9.0	8.0	7.1
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
B&M sales/sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Fashion Sales	420	483	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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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, Energa, PGE, Tauron	CEZ, EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
Ciech	Akzo Nobel, BASF, Bayer, Ciner Resources, Dow Chemical, GHCL, Hongda Xindye, Huntsman, MISR Chemical, OCI, Soda Samayii, Solvay, Shandong Haihua, Qingdao, Tata Chemicals, Tangshan Sanyou Chemical, Tessenderlo Chemie, Tronox, Wacker Chemie
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 Hizmetleri, 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 Hizmetleri, 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 Hizmetleri, Vodafone Group
PGNiG	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, SSE, Statoil, Total
PKN Orlen	Braskem, Dow Chemical, Eastman, Galp, Hellenic, Huntsman, Indorama, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Unipetrol, Westlake
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 Hizmetleri, Vimpel, Vodafone Group
Skarbiec Holding	Affiliated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
Stelmet	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pfleiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmorin, West Fraser
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
VRG	H&M, Inditex, Kappahl, Marks & Spencer, Next, Hugo Boss, CCC, LPP, Tiffany, Pandora, Lao Feng, Chow Sang, Luk Fook, Chow Tai Fook, Lao Fen Xiang

Recommendations Issued In the 12 Months Prior To This Publication

11 bit studios

Rating	hold	buy	buy	buy
Rating date	2020-02-05	2019-12-05	2019-11-06	2019-05-20
Target price (PLN)	439.00	454.00	483.00	518.00
Price on rating day	440.00	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
Rating date	2019-10-31	2019-06-28
Target price (PLN)	-	-
Price on rating day	7.16	8.40

Alior Bank

Rating	hold	buy	buy
Rating date	2019-11-06	2019-07-03	2019-06-03
Target price (PLN)	31.00	72.30	77.00
Price on rating day	29.34	51.10	52.80

Alumetal

Rating	neutral	neutral	neutral	underweight	underweight	neutral	neutral
Rating date	2020-01-30	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	42.80	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
Rating date	2019-12-05	2019-11-06	2019-10-07	2019-04-02	2019-03-05
Target price (PLN)	47.00	48.00	48.00	48.00	46.00
Price on rating day	46.35	47.20	44.05	41.20	41.40

Apator

Rating	neutral	neutral	underweight	neutral	neutral	overweight	overweight
Rating date	2020-01-30	2019-12-05	2019-10-18	2019-09-20	2019-04-29	2019-03-05	2019-02-27
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	20.70	21.10	22.00	22.60	25.80	26.50	25.80

Asseco BS

Rating	overweight	neutral	neutral	overweight
Rating date	2020-01-30	2019-12-05	2019-03-29	2019-02-28
Target price (PLN)	-	-	-	-
Price on rating day	32.60	27.60	29.50	26.60

Asseco Poland

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

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	overweight
Rating date	2020-01-30	2019-12-05	2019-10-30	2019-09-05
Target price (PLN)	-	-	-	-
Price on rating day	15.90	15.90	16.85	23.00

Atal

Rating	accumulate	buy	accumulate	accumulate	hold
Rating date	2020-02-05	2019-12-05	2019-07-03	2019-06-06	2019-04-02
Target price (PLN)	44.28	44.90	41.89	43.16	41.03
Price on rating day	39.80	37.20	36.60	39.10	39.90

Atende

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

Boryszew

Rating	underweight	neutral	neutral	underweight	underweight	neutral
Rating date	2020-01-30	2019-12-05	2019-10-30	2019-09-20	2019-07-26	2019-04-29
Target price (PLN)	-	-	-	-	-	-
Price on rating day	4.54	4.09	4.29	4.54	4.49	4.65

CCC

Rating	buy	buy	buy	hold	buy	buy
Rating date	2019-12-05	2019-11-06	2019-09-05	2019-06-06	2019-04-02	2019-02-04
Target price (PLN)	157.00	160.00	161.00	161.00	275.00	291.00
Price on rating day	108.10	112.20	131.90	153.80	217.00	178.80

CD Projekt

Rating	hold	accumulate	accumulate	accumulate	accumulate	accumulate	accumulate
Rating date	2020-02-05	2019-12-05	2019-11-06	2019-09-05	2019-05-09	2019-04-02	2019-02-04
Target price (PLN)	284.20	281.30	276.40	272.50	237.50	221.00	217.70
Price on rating day	305.00	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	hold	accumulate	hold	accumulate	accumulate	overweight	neutral	underweight
Rating date	2019-12-06	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
Target price (PLN)	1.25	1.25	1.55	2.00	1.84	1.84	1.79	-	-	-
Price on rating day	1.20	1.17	1.52	1.65	1.75	1.77	1.64	1.60	1.59	1.94

Comarch

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

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

Dino

Rating	reduce	accumulate	hold	sell	sell	reduce	hold
Rating date	2020-02-05	2019-11-25	2019-08-23	2019-08-13	2019-08-02	2019-04-02	2019-02-04
Target price (PLN)	149.70	148.60	149.20	111.20	112.70	112.70	105.90
Price on rating day	164.70	134.00	149.60	135.90	143.80	126.10	100.30

Dom Development

Rating	hold	hold	hold	hold	hold	accumulate
Rating date	2019-12-05	2019-09-05	2019-07-03	2019-06-06	2019-04-02	2019-02-04
Target price (PLN)	88.92	81.10	79.80	82.65	84.40	84.10
Price on rating day	93.00	84.00	77.40	82.00	80.80	75.00

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

Ergis

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

Erste Group

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

Eurocash

Rating	hold	reduce	sell	reduce	hold	reduce	reduce	sell	reduce
Rating date	2020-02-05	2019-11-25	2019-11-06	2019-09-05	2019-08-02	2019-06-03	2019-05-09	2019-04-02	2019-02-04
Target price (PLN)	19.80	19.80	18.10	18.10	18.10	18.10	18.90	18.90	17.90
Price on rating day	19.94	22.22	23.80	20.62	18.60	19.31	21.00	22.58	20.13

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	underweight	neutral	neutral	neutral
Rating date	2020-01-30	2019-12-05	2019-09-20	2019-04-29
Target price (PLN)	-	-	-	-
Price on rating day	32.30	28.15	23.25	28.35

GPW

Rating	buy
Rating date	2020-01-16
Target price (PLN)	47.82
Price on rating day	40.85

Grupa Azoty

Rating	buy	hold	hold	hold	hold	hold	accumulate	accumulate	buy	hold
Rating date	2020-02-05	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)	30.31	32.75	37.12	34.09	39.77	45.93	45.93	44.42	45.39	43.20
Price on rating day	26.10	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
Rating date	2019-12-05	2019-07-03	2019-06-03	2019-05-21	2019-05-09	2019-03-05
Target price (PLN)	57.44	59.45	61.00	61.00	65.50	65.50
Price on rating day	51.70	53.60	53.70	52.40	52.80	65.90

Impexmetal

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

ING BSK

Rating	sell	hold	hold	accumulate	hold	reduce
Rating date	2020-02-04	2019-12-05	2019-10-07	2019-09-05	2019-08-02	2019-07-03
Target price (PLN)	170.00	187.77	197.53	197.53	191.80	191.80
Price on rating day	202.00	190.80	194.80	187.40	189.80	203.50

Jeronimo Martins

Rating	hold	hold	reduce	hold	accumulate	hold	buy
Rating date	2020-02-05	2019-10-07	2019-09-05	2019-05-09	2019-04-02	2019-03-05	2019-02-04
Target price (EUR)	16.30	14.30	14.30	14.30	14.10	13.60	14.60
Price on rating day	15.78	14.92	15.88	13.89	13.15	13.40	12.38

JSW

Rating	hold	hold	buy	buy	accumulate	hold	reduce	hold	reduce
Rating date	2020-02-05	2020-01-20	2019-12-05	2019-09-05	2019-07-03	2019-05-09	2019-03-25	2019-02-20	2019-02-04
Target price (PLN)	18.41	23.32	28.04	39.29	50.02	54.80	54.80	60.68	60.68
Price on rating day	19.78	22.68	18.80	26.50	47.00	49.86	62.50	59.96	68.30

Kernel

Rating	hold	hold	reduce	reduce	buy	buy
Rating date	2020-02-05	2019-12-05	2019-10-07	2019-08-19	2019-06-03	2019-03-05
Target price (PLN)	47.25	41.60	40.76	42.70	58.63	62.86
Price on rating day	47.20	41.20	42.90	48.60	46.50	49.20

Grupa Kęty

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

KGHM

Rating	reduce	hold	hold	accumulate	accumulate	hold	reduce	hold	hold	hold	hold
Rating date	2020-02-05	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
Target price (PLN)	86.33	85.54	96.13	96.14	90.12	77.51	80.38	98.35	91.71	105.57	92.41
Price on rating day	96.44	88.66	96.70	91.64	79.92	74.90	87.78	101.70	95.00	109.40	94.16

Komercni Banka

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

Kruk

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

Kruszwica

Rating	overweight	overweight	overweight	overweight	neutral
Rating date	2020-01-30	2019-12-05	2019-10-07	2019-09-20	2019-04-02
Target price (PLN)	-	-	-	-	-
Price on rating day	52.20	45.80	44.40	43.00	43.90

Lotos

Rating	reduce	reduce	sell	sell	sell	sell	sell
Rating date	2020-02-05	2019-12-05	2019-08-02	2019-06-03	2019-04-02	2019-03-05	2019-02-04
Target price (PLN)	68.47	77.80	72.31	65.95	65.41	65.18	65.36
Price on rating day	76.78	85.20	88.66	87.82	86.22	93.90	93.00

LPP

Rating	buy	buy	hold	buy	accumulate	accumulate	hold	buy	accumulate
Rating date	2020-02-05	2019-12-05	2019-10-07	2019-09-05	2019-07-03	2019-06-03	2019-04-02	2019-03-05	2019-02-04
Target price (PLN)	10,100.00	10,100.00	8,500.00	8,500.00	8,500.00	8,300.00	8,400.00	9,300.00	9,300.00
Price on rating day	8,610.00	8,575.00	7,950.00	7,280.00	7,745.00	7,335.00	8,405.00	7,990.00	8,370.00

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	reduce	hold	sell	reduce	buy
Rating date	2020-02-05	2019-12-05	2019-11-06	2019-10-07	2019-08-02
Target price (PLN)	5.47	5.47	5.18	5.18	10.00
Price on rating day	5.91	5.49	6.40	5.48	7.51

MOL

Rating	accumulate	accumulate	accumulate	buy	accumulate	hold	hold	hold	hold
Rating date	2020-02-05	2019-11-27	2019-11-06	2019-10-07	2019-08-02	2019-06-03	2019-04-02	2019-03-05	2019-02-04
Target price (HUF)	2,816.00	3,302.00	3,258.00	3,258.00	3,258.00	3,223.00	3,223.00	3,423.00	3,433.00
Price on rating day	2,618.00	2,926.00	3,042.00	2,826.00	3,004.00	3,276.00	3,278.00	3,250.00	3,284.00

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
Rating date	2019-12-05	2019-07-17
Target price (PLN)	-	-
Price on rating day	2.99	4.66

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
Rating date	2019-12-05	2019-11-06	2019-08-28	2019-08-02	2019-07-03	2019-04-02
Target price (HUF)	14,681.00	14,681.00	14,681.00	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

PBKM

Rating	suspended	hold
Rating date	2019-05-09	2019-03-05
Target price (PLN)	-	66.57
Price on rating day	66.00	68.80

Pekao

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

Pfleiderer Group

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

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	hold	buy	buy	accumulate	buy	accumulate	hold	hold
Rating date	2020-01-28	2019-11-06	2019-09-05	2019-08-02	2019-05-28	2019-04-02	2019-03-05	2019-02-04
Target price (PLN)	4.06	5.64	6.33	6.33	6.47	6.92	7.08	7.72
Price on rating day	3.86	5.07	4.49	5.62	5.58	6.31	6.58	7.63

PKN Orlen

Rating	reduce	hold	reduce	hold	sell	sell	sell	sell
Rating date	2020-02-03	2019-12-05	2019-11-14	2019-08-01	2019-06-03	2019-04-02	2019-03-05	2019-02-04
Target price (PLN)	68.03	94.17	94.17	92.82	80.01	79.39	81.22	83.43
Price on rating day	75.66	88.50	102.45	97.36	96.78	99.94	101.50	104.70

PKO BP

Rating	accumulate	accumulate	buy	accumulate	accumulate
Rating date	2020-02-05	2019-12-05	2019-08-02	2019-06-26	2019-05-09
Target price (PLN)	39.69	39.50	47.17	47.17	40.92
Price on rating day	36.00	34.99	39.34	42.20	37.78

PKP Cargo

Rating	reduce	reduce	reduce
Rating date	2020-02-05	2019-12-05	2019-11-26
Target price (PLN)	16.40	18.13	20.44
Price on rating day	17.50	20.00	22.40

Play

Rating	accumulate	buy	buy	hold	accumulate	hold	buy	accumulate	accumulate	hold
Rating date	2020-02-05	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	36.00	33.10	34.20	34.20	29.00	29.00	25.25	26.70	21.30
Price on rating day	34.80	31.30	27.16	33.34	31.22	33.34	25.08	24.42	24.08	22.80

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	hold	accumulate	buy	hold	accumulate	accumulate	hold
Rating date	2020-02-05	2019-12-05	2019-09-05	2019-07-03	2019-04-02	2019-03-05	2019-02-04
Target price (PLN)	41.91	41.91	43.38	43.38	43.38	46.50	46.50
Price on rating day	40.54	36.47	36.59	44.35	40.79	42.00	44.66

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

Santander Bank Polska

Rating	hold	hold	reduce	hold	hold	reduce	hold
Rating date	2020-02-05	2019-12-05	2019-11-06	2019-10-07	2019-08-02	2019-07-12	2019-06-03
Target price (PLN)	287.90	265.50	276.55	276.55	337.00	337.00	377.27
Price on rating day	304.00	279.00	317.40	286.00	319.60	357.20	365.20

Skarbiec Holding

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

Stelmet

Rating	accumulate	hold	hold	hold	hold	hold	hold
Rating date	2020-02-05	2019-12-05	2019-10-07	2019-09-05	2019-07-03	2019-03-05	2019-02-04
Target price (PLN)	8.92	8.78	8.10	6.50	7.95	8.36	8.39
Price on rating day	7.85	8.20	7.90	6.70	7.00	10.25	8.88

Tarczyński

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

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
Rating date	2019-12-05	2019-04-29
Target price (PLN)	-	-
Price on rating day	10.90	7.90

VRG

Rating	buy	accumulate	buy	overweight	overweight
Rating date	2020-02-05	2019-12-02	2019-07-26	2019-05-29	2019-03-28
Target price (PLN)	4.50	4.50	5.20	-	-
Price on rating day	3.93	3.94	4.20	3.90	4.29

Wirtualna Polska

Rating	hold	hold	hold	accumulate
Rating date	2020-02-05	2019-12-05	2019-07-03	2019-02-04
Target price (PLN)	79.70	70.00	61.50	61.50
Price on rating day	82.20	68.20	61.20	58.40



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