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# Monthly Market Outlook: March 2020

## Equity Market, Macroeconomics

### Equity Market

Stock markets are sharply down but we remain bearish because we do not see the global economic fallout from the COVID-19 outbreak as fully priced in. There are weeks of uncertainty still ahead as the outbreak unfolds, and as for rate cuts they are not an antidote by any stretch of the imagination.

### Sector Outlook

#### Financials

The coronavirus outbreak has taken a toll on the banking sector, with WIG-Banks currently trading at discounts to their book values greater even than at the time of the 2008 crisis. In Europe, there is rising concern over further rate cuts and their potential impact on profits, but the impact is more than priced in at the current levels. We are overweight more defensive plays like BHW, KB, and PZU, for the short term. Looking at dividends and valuation, we also see interesting opportunities in PKO and Erste Group.

#### Chemicals

Polish chemical producers are benefitting from low costs of gas feedstocks and coking coal. The coronavirus-led production stoppages in China are proving advantageous for the European fertilizer industry (Grupa Azoty, Yara) and the soda ash sector (Ciech) through reduced global supply.

#### Oil & Gas

After underperformance relative to the broad market, we issue upgraded recommendations for PKN and LTS. Fundamentally, however, refining margins remain squeezed, and the outlook for the months ahead remains bleak.

#### Power Utilities

Polish power stocks are on a losing streak led by concerns about potential capital-intensive projects, curbed dividends, and consolidation moves in the energy sector. The heavy uncertainty prompted us to suspend coverage of Polish utilities in February until more clarity emerges. The rated Czech generator CEZ remains a buy for March.

#### Telecoms, Media, IT

The spread of the coronavirus in Europe will most likely affect the performance of telecoms and technology stocks in the coming weeks, but not as much as it is hurting Poland's broader market. We maintain positive views on Orange Polska and Play, reinforced by solid fourth-quarter results, and in IT our top March picks are Asseco SEE and Asseco BS.

#### Industrials & Mining

Aside from weak results for Q4 2019, the manufacturing sector's outlook for the month ahead includes possible disruptions in factory supplies from Asia, and weaker demand for manufactured goods in the wake of the coronavirus spread into Europe. Our top industrial picks for March are AST, FMF, KSW, STL, and TIM. Consumer spending in the EU will be affected if infections continue to increase, with negative implications for Borysew auto parts and Forte furniture. As manufacturing in China recovers from weeks-long downtimes, we will most likely see recovering demand for metals, including KGHM's copper, in the coming weeks.

#### Retail

Coronavirus fears have weighed down retailer stocks across the board, including CCC, DNP, EAT, LPP, and VRG in our coverage universe. We would take advantage of the downward correction to accumulate CCC (currently valued as if it were just an e-commerce platform), LPP and VRG (strong balance sheets, increasing profits).

#### Key Ratings

**Positive:** ABS, ASE, AST, ATT, BHW, CCC, CEZ, CIE, EBS, FMF, KOMB, KSW, LPP, MOL, OPL, PLY, STL, TIM, VRG

**Negative:** BRS, FTE

EU Indices	Value	1M chng	YTD chng
WIG	52,231	-8.0%	-10%
ATX	2,810	-8.1%	-12%
BUX	43,301	-0.2%	-6%
PX	1,012	-6.8%	-9%
WSE WIG Ind.	Value	1M	YTD
WIG20	1,890	-8.8%	-12%
mWIG40	3,746	-6.2%	-4%
sWIG80	12,011	-5.2%	-0%
Banking	6,270	-6.5%	-7%
Basic Materials	2,467	-17.0%	-20%
Chemicals	7,062	-9.8%	-16%
Clothes	4,611	-12.3%	-19%
Construction	2,321	-3.0%	+2%
Energy	1,442	-18.3%	-27%
Food	3,107	-5.4%	-1%
Gaming	22,515	+7.5%	+20%
IT	2,935	-1.1%	+4%
Media	5,730	-7.5%	+7%
Oil & Gas	4,753	-14.3%	-27%
Real estate	2,499	-1.4%	+2%
Telecom	804	-6.6%	-8%
Top 5 / Worst 5		1M	YTD
Morizon	1.91	+124.6%	+111%
OPTeam	18.90	+85.3%	+90%
PZ Cormay	1.50	+45.6%	+50%
Work Service	0.54	+35.3%	+3%
Elzab	7.40	+33.3%	+150%
PGE	4.85	-27.7%	-39%
Rainbow Tours	23.10	-28.7%	-35%
Rafako	0.57	-31.3%	-38%
Ailleron	5.90	-33.0%	-29%
LW Bogdanka	19.00	-36.5%	-45%

#### Rating & 9M TP Changes as of 4 Mar.

Name	Rating	9M TP
AmRest	hold ►	40.00 PLN ▼
Apator	neutral ►	-
Cyfrowy Polsat	hold ▲	26.10 PLN ►
Dino	hold ▲	152.30 PLN ▲
Erste Group	buy ▲	36.61 EUR ►
Famur	buy ►	4.58 PLN ▼
Grupa Azoty	buy ►	30.55 PLN ▲
Grupa Kęty	hold ►	360.29 PLN ▲
JSW	hold ►	15.34 PLN ▼
KGHM	hold ▲	76.92 PLN ▼
Lotos	hold ▲	67.19 PLN ▼
Millennium	hold ▲	5.47 PLN ►
MOL	accumulate ►	2726.00 HUF ▼
PGNiG	hold ►	3.88 PLN ▼
PKN Orlen	hold ▲	66.70 PLN ▼
PKO BP	buy ▲	39.69 PLN ►
PZU	buy ▲	41.91 PLN ►
Skarbiec Holding	buy ►	21.20 PLN ▼

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## Investing Outlook

**As COVID-19 spreads beyond China, traders have jettisoned high-risk assets on fears of the virus's impact on the world economy and Treasury yields have hit record lows (the US 10Y yield has broken below 1.0%). Despite heavy falls, we are bearish on equities in the face of a potential pandemic which is without precedent in recent history, and which is unpredictable in nature and carries health risks that are handled differently from country to country. We see weeks of uncertainty still ahead as the virus spreads further around the world before globally-intertwined economies can resume business as usual and start counting their losses. As for monetary action, the role of central banks as we see it at the moment boils down to providing fixes to placate markets. The only thing that could change our gloomy outlook would be if an easily accessible vaccine arrived soon. As the crisis deepens, countries across the world will be coming up with stimulus that can be expected to have positive effects on stock markets down the line. In Poland, despite already being undervalued, WIG stocks are influenced by the same global trends (significant impact of ETF flows). In the long run, the domestic manufacturing industry might benefit from supply chain diversification, or capacity shifts from Asia closer to Europe.**

### Economic impact of the coronavirus

As COVID-19 spreads across the globe, we are seeing a decline in new cases in China against a rise in infections everywhere else, with strong surges reported in South Korea and Europe. The virus has spread to over 80 countries so far, and it is proving hard to contain. Meanwhile, China is slowly getting back to work, thanks largely to its ability to isolate infected patients by imposing restrictions which, politically, might not be possible to reproduce in other countries. It will be weeks before we can assess the full economic fallout of COVID-19, and in the mean time we have a raft of weak data ahead which, on the upside, are already partly priced in.

Evercore ISI anticipates 20% shrinkage in China's GDP for the first quarter of 2020, indicating yearly growth of less than 1% compared to 6.1% in 2019 (China might measure its growth differently). With the first quarter more than half-way through, as the rest of the world just begins its battle with the coronavirus, looking ahead there is no way of telling how much time China's export-oriented economy will need to fully recover. Twenty out of thirty-one provinces have lowered their health alert levels, and an estimated 75% of workers have gone back to work. Meanwhile Japan and Korea, which supply China with vital components, are recording spikes in COVID-19 cases. The current consensus is that the situation in China will improve quickly, with manufacturing PMI in March seen as bouncing closer to 45 from 40.3 in February – an assumption which would look more realistic if not for the virus's continued worldwide spread and the slow pace of recovery so far.

Capital Economics sees low population movement and factory activity in China as of early March compared to the status before the start of the Lunar New Year holidays:

- Travel is down by ca. 20%,
- Street traffic in top 100 cities is down 25%,
- Coal use is more than one-thirds lower,
- There are 70% more unloaded containers in Chinese ports,
- Daily real-estate deals in top-30 cities are less than half of what they were.

On the other hand, food prices are still high.

Germany is one of the countries most affected by disrupted manufacturing activity in China, which accounts for 8.5% of their total trade (EUR 206 billion). An internal COVID-19 epidemic adds to the pressure, further compounding Germany's sluggish economic recovery (with December manufacturing seen to contract by 6.8% y/y). The German PMI did rebound to 48.0 in February from 45.3 the month before, but this was thanks mainly to a faulty methodology which views delivery delays as a sign of high capacity utilization to address strong demand; in reality, the delays this year were caused by withheld shipments from China (note also that shipments kept coming in until well into February, at which time German inventory levels were still high enough).

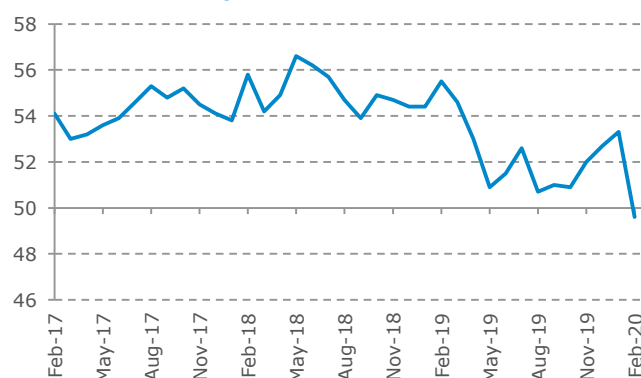
### Central banks to the rescue

The Federal Reserve cut rates by 50 basis on 3 March, days earlier than the 18 March cut previously priced by the market, and BoC and RBA, among others, have followed suit. The ECB remains non-committal on rate cuts for now. We view the central bank action as an attempt to calm down markets rather than having a real impact on the economy (real interest rates after QE are well in the negative territory). If coronavirus infections in the US spike over the next few days, this will reintroduce panic to the local stock market regardless of Fed intervention. If cases continue to rise at the current rate of about 20 a day, however, markets will feel soothed.

### How COVID-19 changed the picture

Before the COVID-19 outbreak, nobody expected the US economy to go into a recession amid strong job and housing data. February, however, brought news of an unexpected manufacturing shrinkage below 50 points to 49.6 as measured by the Markit Composite PMI gauge. Since then, the US's outbreak status has got worse, giving rise to concerns about a possible contraction in the services sector which in 2019 was the mainstay of economic growth.

### United States Composite PMI



Source: Bloomberg

The likelihood of a yield curve inversion to signal a looming recession has become very real. Since the 1970s, it has taken a median 11 months from inversion for the S&P 500 to peak, and 13 months before a recession started. In this cycle, the yield curve inverted 11 months ago, in April 2019 – a time frame which may or may not be just another statistic.

### Months from yield inversion (10Y/2Y) to S&P500 peak and recession

Yield curve inverts	Months until S&P500 peaks	Months until recession begins
March '73	7	9
November '78	15	14
August '80	3	11
December '88	19	19
March '00	5	12
August '06	14	16
Median	11	13
April '19	10	

Source: mBank

### China-US trade war is still on

Markets are no longer as occupied as much by the trade war since the coronavirus outbreak, but the fact is that the US benefits any time China experiences any internal disruptions. Chinese citizens feel let down by way their government handled the outbreak in the initial weeks (e.g. by withholding information about the virus), however as the situation stabilizes Xi Jinping might come out of the crisis even stronger. The US did not want to escalate tensions with China before to avoid a falling stock market and economic contraction in an election year, but since this is happening anyway, due to the coronavirus, Donald Trump might use the opportunity to call China out on failed commitments and resume his tariff hikes in an effort to appeal to voters with his tough trade stance and promises to bring jobs back to America. Markets would enjoy a revival of the infrastructure stimulus idea from three years ago.

An aspect of the trade war are efforts to ban Huawei from 5G networks. In February, the US State Department announced new criminal charges against Huawei, alleging it had provided surveillance equipment to Iran and North Korea, and accusing it of stealing trade secrets.

### ETFs as a risk factor

Morningstar estimates that \$41.1 billion was pulled in 2019 from US actively-managed equity ETFs, the sixth year straight of outflows. Total ETF net inflows for the year amounted to \$162.8bn, with the funds accounting for 51.2% of US assets under management. According to Bloomberg, in the last week of February, when stock markets were in free fall, equity ETFs (all markets) recorded withdrawals of \$31bn, equivalent to just 0.8% of AUM. In the three months prior, these funds reported net inflows in excess of \$170bn.

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## Sector Strategies

### Financials

- The coronavirus outbreak is not likely to have much of an impact on banks, except for default concerns voiced by authorities in northern regions of Italy, which for now do not extend beyond this particular area of Europe. A viral spread does generate risk for debt collection companies based in northern Italy that send employees on home visits and operate a call center environment. This does not apply to Poland's Kruk, however, whose Italian HQ is based 250km south of Milan, where the Company also operates a small office with a few employees.
- Monetary policy makers might consider cutting interest rates if the coronavirus outbreak halts economic momentum. The odds of a cut by the ECB in June/July have increased from 26% a week ago to 61%. This would impact the profitability of the banking industry, but with that said the ECB can use a range of other tools to mitigate economic contraction. In addition, ECB Chief Lagarde has said the threat does not warrant rate cuts yet. In Poland, interest rates will most likely stay put through 2020.
- The rate cut expectations have been weighing on eurozone banks like Erste and RBI, and after sell-offs the two stocks currently show double-digit upside potential, reinforced by reassurances provided by both sets of directors.
- For times of economic slowdown, however, it is better to be invested in more defensive plays like Komercni Banka, Bank Handlowy, and PZU – institutions with relatively greater resilience and superior dividends.
- Our other picks in Poland are PKO BP, with one of the highest dividends in the sector and solid earnings, and Alior, offering cheaper valuation than most of its EME peers as it enters a phase of more robust growth.
- **Key Ratings:** Erste Group (buy), BHW (accumulate), PZU (buy)

### Chemicals

- Chemicals producers in Europe face lower orders from Asia if the coronavirus outbreak cannot be contained (this applies to 1COV GY, LXS GY, FPE3 GY, BAS GY, SY1 GY, EVK GY). Watch out for more virus-driven 2020 first-quarter earnings warnings following Solvay, Basf, and Covestro. The upshot from the point of view of Polish producers (including Ciech soda ash and Grupa Azoty fertilizers) is reduced competition from Asia.
- Ciech's prospects for FY2020 look brighter after price hikes on this year's soda deliveries, set to boost the yearly EBITDA by as much as PLN 50m.
- At Grupa Azoty, an increasingly upbeat outlook is supported by falling costs of natural gas inputs while urea and ammonium nitrate markets shift upward. Look out for positive earnings surprises in Q4 2019 and Q1 2020.
- Falling gas prices also work in favor of Yara International.
- **Key Ratings:** CIE (buy), ATT (buy)

### Oil & Gas

- Oil prices are weighed down by coronavirus-fueled demand concerns and as-yet unfulfilled hopes of bigger production cuts by OPEC. The natural gas market remains bearish as well amid a supply glut created by unseasonably warm weather (with EU storage facilities filled to 60% of capacity vs. a 5-year average of 36%). We might have to revise our long-term price outlook

depending on how the situation develops as we head further into 2020.

- The profits of oil refiners remain squeezed (~2/bbl) by temporary supply and demand shocks, underpinned by what we see as an emerging oversupply pattern created by the addition of new capacity.
- Similar patterns have established themselves in the petrochemicals sector, leading us to assume tight production margins for the long term, with short-lived lifts likely provided by downward shifts in crude oil prices. Global petrochemical stocks are increasingly pricing the negative trends (-20% ytd), underpinned by the coronavirus outbreak with China accounting for ~30% of global demand for key petrochemicals, consuming >30mmt of polyethylene per year relative to 100mmt used globally (local PE production is only about 15mmt).
- The only stock in our oil universe that still retains a positive view is MOL, with its sustained potential to generate strong free cash flow even on downwardly-revised earnings prospects.
- **Key Ratings:** MOL (accumulate)

### Power Utilities

- Power prices in Germany have dropped 11% to EUR 40/MWh since the beginning of the year, led by continuing declines in the EUA market (-4%) coupled with another downward shift in prices of coal and natural gas (-4% and -12%, respectively, ytd). Nevertheless the Stoxx Utilities index continues to make gains (+6%) even as stock markets worldwide shift lower, and investors have no problem with increasing valuations (EV/EBITDA 8.1x) and decreasing dividend yields as they focus on shrinking bond yields. An additional catalyst might be provided by expectations of central bank action in response to the coronavirus spread.
- In Poland, 2021 contracts are trading close to PLN 250/MWh, indicating stable clean-dark spreads for 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 forward prices agreed in 2019, combined with a lack of free emission allowances and lower volumes paired with weaker demand.
- Nevertheless at ~3.2x 2020-2021E EV/EBITDA some Polish utilities are trading at a discount to the value of their clean/regulatory assets after a sell-off triggered by uncertainty about future CAPEX pending the announcement of Poland's new 2040 energy policy and individual medium-term strategy plans. Adding to the pressure are recent statements from energy officials advocating for profit reinvestment by state-owned enterprises in place of dividend distributions, and tentative consolidation plans within the sector. In light of this, in February we decided to suspend recommendations for Enea, Energa, PGE, and Tauron.
- **Key Ratings:** CEZ (buy)

### Telecoms, Media, IT

- Polish 5G consultations have entered their second phase, with no material changes from stakeholders proposed during the first round. At the same time, the digitization minister had been quoted as saying that the investment commitments required of the future 5G spectrum owners were to 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.

- Orange Polska has introduced more-for-more pricing for its B2B customers, and it has announced hikes in prepaid plans, a sign of a recovery in the Polish mobile sector. We expect growing APRU driven by increasing demand for data.
- Vectra has bought a 100% stake in Multimedia Polska becoming the largest cable operator in Poland with +1.7m subscribers and access to ca. 4.4m households.
- In Media, total advertising expenditures in Poland as predicted by the Zenith media agency increased by 3.9% to 7.908bn in 2019, with the growth in global ad spend projected at 4.6% to make US \$639bn. Expenditures for internet advertising are expected to increase at a faster rate than television through 2021, by which time they will account for 52% of total global spend.
- In 2020, total ad spend growth in Poland according to Agora will be flat to negative.
- The WIG-Info index jumped 0.8% in February, outperforming the broad WIG benchmark by 11.3pp, and moving 7.0pp higher than the MSCI IT EU counterpart. At 14.5x, the median 12M fwd P/E ratio for Polish IT stocks is currently 2.6% below its 3-year average. The gains last month days were led mainly by our previous top monthly picks, ASE and ABS, up by a respective 16.1% and 9.8% or 26.6pp and 20.3pp.
- 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), ASE (overweight), ABS (overweight)

## Industrials

- Industrial stocks are trading under pressure from coronavirus fears, and in Poland the [biggest negative exposures as we see it](#) are carried by automotive suppliers Alumat, Boryszew, Sanok, and Izoblok, alongside Amica, Apator, Cognor, Elemental, Ferro, and Kernel. According to Commerzbank, transport disruptions might negatively impact business at Duerr and Infineon.
- As the 2019 fourth-quarter earnings season gets underway, we expect 47% of our industrials universe to report year-over-year profit declines. There is potential for a positive surprise from Amica, while Kernel and PKP Cargo will most likely disappoint. At Boryszew and Forte, we might see impairment charges impacting the FY2019 bottom lines.
- Producers of auto parts and components are already [feeling the consequences](#) of production stoppages in plants in China, and unless the outbreak can be stopped auto makers (VW, Daimler, BMW) and furniture producers (Forte) might also suffer.
- Our top industrial picks for the month ahead are Astarta (AST), offering fast-paced earnings expansion and a 2020E FCF/EV ratio of over 30%, the highest in the agricultural sector. Famur (FMF) offers 2020 DYield of +15% and the sector's #2 FCF/EV ratio at more than 20%. Kruszwica (KSW) keeps a healthy balance sheet with +PLN 200m net cash and 2020E DYield of 6%; the veg oil producer eyes a bumper rapeseed crop after a warm winter. Stelmet (STL) is expected to reduce net debt to 1.1x EBITDA by Dec. 2020, and its FCF/EV ratio is the third-highest in the industrials sector at 15%. TIM followed a strong Q4'19 release with robust sales figures for January; its 2020E DYield is 6%, and the FCF/EV ratio is the sector's fourth-highest at close to 10%.

- Stocks we would stay away from this month include Boryszew (BRS), which operates in a challenging market with a high net debt/EBITDA ratio of 3.9x and a low FCF/EV ratio of just 5%. We would also avoid Forte (FTE) as business confidence in the German furniture industry remains weak and prices of wood-based panels continue to fall; Forte faces a likely cost boost of PLN 28m in 2020 driven by rising prices of energy, labor, and transport. Its FCF/EV ratio is low at 5%.
- We have updated our view on Apator to include reported 2019 Q4 results.
- **Key Ratings:** AST (overweight), BRS (underweight), FMF (buy), FTE (underweight), KSW (overweight), STL (accumulate), TIM (overweight)

## Mining

- As factories in China slowly resume operations and manufacturing activity starts back up, there is room for a recovery in metals markets as Chinese stockpiles slow the pace of their build-up and traders reduce bearish bets. An upward shift in metals will most likely fuel a simultaneous rebound in producer shares like KGHM (upgraded to hold) and Stalprodukt (a buy opportunity).
- China consumes about a half of the world's copper, steel, and zinc production, and once demand recovers this will give a lift to coking coal and steel markets after a period of stockpiling which has created a surplus in China.
- As the virus spreads into Europe, this is giving rise to fears about disruptions in economic activity in the EU, causing production stoppages at companies like JSW, ArcelorMittal, and Voestalpine. On the other hand, elevator maker ThyssenKrupp is not likely to be affected.

## Retail

- AmRest reported weaker-than-expected results for Q4 2019, with EBITDA margins down across most geographic markets (Czech Rep., Other CEE, Spain, France, Other WE) even as sales increased. The bottom line was additionally weighed down by a EUR 30m write off of restaurant assets, mainly in locations in France and Germany. In 2020 AmRest expects EBITDA growth at an annual rate of 10+ percent. After taking all this into consideration, we recently revised our financial forecasts for AmRest and reduced the target price to PLN 40 per share.
- CCC stock plunged to an all-time low in February on coronavirus concerns which in our view have been overplayed by the market. At the current level, the Company's capitalization is equivalent to that of its 75% holdings in the eobuwie.pl online shoe retailer. Our baseline earnings scenario for CCC assumes a flat profit in Q1 2020 followed by consistent improvement from Q2, likely accompanied by improving market sentiment. Analysts are currently expecting CCC to generate EBIT margin of 4.5% in 2020, but we the Company has the capacity for more and can beat consensus by 10-15%.
- Dino stock fully prices all downside risk at the current level after the downward correction experienced in February. The main risk in the near term are tighter EBITDA margins in Q4 2019 and in the quarter after due to negative base effects underpinned by increased prices of pork and high employment costs. DNP is currently trading at 12m blended forward EV/EBITDA below the mean value since May 2017.
- **Key ratings:** EAT (hold), CCC (buy), DNP (hold), EUR (hold), JMT (hold), LPP (buy), VRG (buy)

## mBank Sentiment Watch (next 30 days, by sector)

Sector		Poland	US	Europe
	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>PZU, BHW</b>	<b>JPM US, VOYA US</b>	<b>BG AV, PBB GY</b>
	<b>Stocks To Avoid</b>	<b>ING</b>		
<b>Banks</b>	Key Catalysts	Dividend payouts	Good Q4 numbers vs rates headwinds	Limited potential for further yield declines/easing
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BEARISH</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>	<b>CIE, ATT</b>		<b>YAR NO</b>
	<b>Stocks To Avoid</b>	<b>PCR</b>		<b>LXS GY, FPE3 GY, BAS GY, SY1 GY, EVK GY, AKZA NA</b>
<b>Chemicals</b>	Key Catalysts	Coking coal, natural gas price drop	Suspended output in China negative for most producers	
	<b>SENTIMENT</b>		<b>BULLISH</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>		<b>ALEX US, KBH US</b>	
	<b>Stocks To Avoid</b>			
<b>Real-Estate Developers</b>	Key Catalysts	Support from record low yields		
	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>CEZ</b>		
	<b>Stocks To Avoid</b>			
<b>Utilities</b>	Key Catalysts	Seeking safe haven and DYield		
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BEARISH</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>	<b>LPP, VRG</b>	<b>HD US, LEVI US</b>	<b>ADS GY</b>
	<b>Stocks To Avoid</b>	<b>EAT</b>		
<b>Retail, Consumer</b>	Key Catalysts	Results improvement, solid balance sheet		
	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>BEARISH</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>	<b>MOL</b>	<b>CXO US, EOG US, FANG US</b>	<b>BP LN</b>
	<b>Stocks To Avoid</b>	<b>LTS, PKN</b>	<b>EMN US, LYB US, WLK US</b>	
<b>Oil&amp;Gas, Refining</b>	Key Catalysts	Pressure on downstream margins and exposure on virus consequences		
	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>BEARISH</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>	<b>AST, FMF, KSW, STP, TIM</b>	<b>CAT US</b>	<b>GXI GY, TREL B SS</b>
	<b>Stocks To Avoid</b>	<b>BRS, FTE, FRO</b>		<b>DUE GY, IFX DY</b>
<b>Industrials</b>	Key Catalysts	Cost pressure, problems with deliveries of components from Asia		
	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>KGH PW</b>		<b>TKA GY</b>
	<b>Stocks To Avoid</b>	<b>JSW PW</b>		<b>VOE AV, MT NA</b>
<b>Mining</b>	Key Catalysts	China coming back to normal, pressure should weaken		
	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>BEARISH</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>		<b>GM US</b>	<b>VOW3 GY, FCA IM</b>
	<b>Stocks To Avoid</b>	<b>AML, BRS, MGT, SNK</b>	<b>TSLA US</b>	<b>BMW GY, DAI GY</b>
<b>Automotive</b>	Key Catalysts	Cost pressure, problems with deliveries of components from Asia, autosales drop		
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>ASE, ABS</b>	<b>AMZN US, DISCA US, FIS US</b>	<b>SAX GY, TMV GY</b>
	<b>Stocks To Avoid</b>			
<b>Tech, Media</b>	Key Catalysts	Growing financial results in IT sector, no positive triggers in the media currently	Good Q4 in the segment, high cash yield, multiples improve on coronavirus impact	
	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>OPL, PLY</b>	<b>CMCSA US</b>	<b>DTE GY, TC1 GY</b>
	<b>Stocks To Avoid</b>			<b>O2D GY</b>
<b>Telecoms</b>	Key Catalysts	Rebound on mobile telco market, high FCFs	Strong Q4, support from yield decline & M&A (Spring/T-Mobile US)	

## Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat /Miss	2017	2018	2019	+ / =	YoY	2017	2018	2019	+ / =
	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q			1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	
miss	11 9 18 16	9 11 14 23	10 15 16 10	162	miss	25 23 20 25	27 19 20 24	24 30 24 12	273
in-line	26 25 28 23	36 20 24 23	29 25 27 5	291	in-line	4 8 13 2	9 11 11 7	9 11 7 4	96
beat	20 25 15 23	19 33 26 20	27 27 26 10	271	beat	38 37 36 42	33 39 38 38	36 28 38 9	412
<b>Σ companies</b>	<b>57 59 61 62</b>	<b>64 64 64 66</b>	<b>66 67 69 25</b>	<b>724</b>	<b>Σ companies</b>	<b>67 68 69 69</b>	<b>69 69 69 69</b>	<b>69 69 69 25</b>	<b>781</b>
miss	19% 15% 30% 26%	14% 17% 22% 35%	15% 22% 23% 40%	22%	miss	37% 34% 29% 36%	39% 28% 29% 35%	35% 43% 35% 48%	35%
beat	35% 42% 25% 37%	30% 52% 41% 30%	41% 40% 38% 40%	37%	beat	57% 54% 52% 61%	48% 57% 55% 55%	52% 41% 55% 36%	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

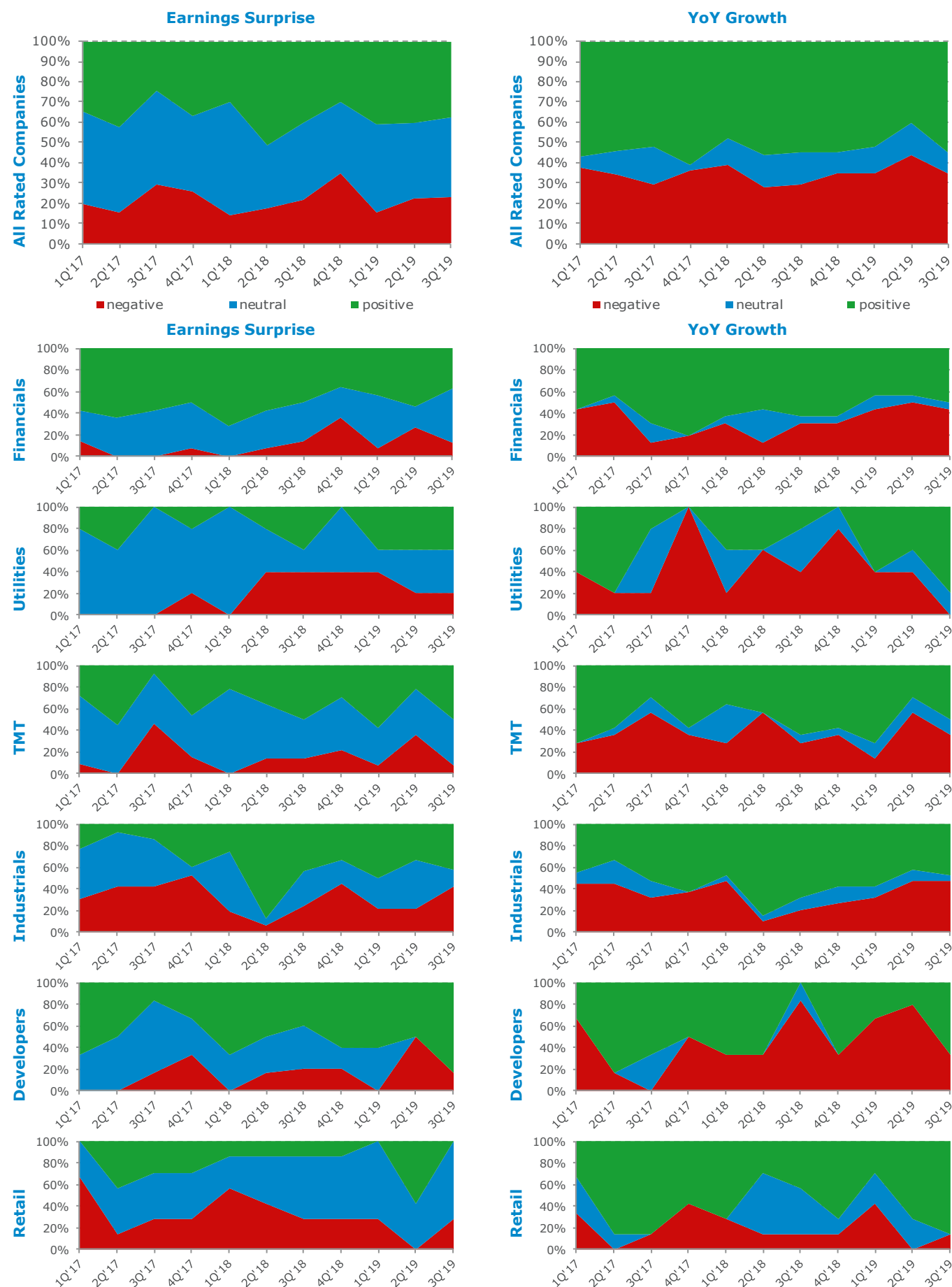
## Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017				2018				2019				+/=
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
<b>Financials</b>													
Alior Bank	-	+	+	+	=	+	=	=	=	-	+	-	75%
Handlowy	-	+	+	=	+	+	-	-	-	-	-	+	50%
ING BSK	+	=	=	=	=	-	=	+	+	+	-	-	75%
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%
<b>Chemicals</b>													
Ciech	=	=	=	+	=	+	=	-	=	=	=	=	91%
Grupa Azoty	+	-	=	-	=	-	-	+	+	=	+	=	64%
<b>Oil &amp; Gas</b>													
Lotos	+	+	+	=	-	+	=	-	=	=	-	=	73%
MOL	+	+	-	=	=	=	+	+	=	+	=	+	92%
PGNiG	+	-	-	=	=	+	-	-	=	+	-	-	45%
PKN Orlen	=	=	-	=	=	-	=	+	=	+	=	-	75%
<b>Utilities</b>													
CEZ	=	=	=	+	=	-	+	=	=	+	-	=	82%
Enea	=	+	=	=	=	-	=	=	=	+	+	+	91%
Energa	=	=	=	-	=	=	-	-	-	-	=	=	55%
PGE	=	=	=	=	=	=	-	-	-	=	=	=	73%
Tauron	+	+	+	=	=	+	+	=	+	=	+	=	100%
<b>TMT</b>													
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	-	+	-	-	+	+	+	+	+	-	+	-	58%
11 bit studios	=	+	-	na	=	-	=	+	-	-	-	-	50%
CD Projekt	+	+	-	+	=	=	-	-	+	+	+	+	73%
<b>Industrials</b>													
AC	na	na	na	na	na	na	na	=	=	-	+	=	75%
Alumetal	-	=	+	=	=	+	=	-	-	=	=	=	73%
Amica	=	=	-	+	-	+	+	+	=	=	+	=	82%
Apator	=	-	-	-	=	+	=	+	=	=	+	-	75%
Astarta	na	na	na	na	na	na	na	na	na	na	-	=	0%
Boryszew	+	-	+	+	-	=	-	-	-	-	+	=	36%
Cognor	na	na	na	na	+	+	=	-	-	-	+	=	57%
Famur	na	-	=	+	+	+	+	+	+	+	-	-	73%
Forte	=	=	-	-	=	+	-	-	+	-	+	=	55%
Grupa Kęty	=	=	=	-	=	+	=	=	=	=	+	+	92%
JSW	+	+	-	-	=	+	=	-	+	+	+	+	73%
Kernel	-	-	-	+	=	-	+	+	-	=	+	+	58%
KGHM	+	=	=	+	=	+	-	-	+	=	+	+	82%
Kruszwica	-	-	=	=	+	+	+	+	+	+	+	=	64%
Mangata	=	-	-	-	+	+	+	+	-	+	=	=	64%
Pozbud	na	na	na	+	=	+	=	=	+	-	-	-	63%
PKP Cargo	=	=	=	-	=	+	+	+	=	-	-	-	64%
Stelmet	-	=	-	+	-	+	+	=	+	+	+	+	75%
TIM	na	na	na	na	na	na	na	+	+	+	-	=	75%
<b>Real-Estate</b>													
Atal	+	+	-	-	=	+	=	+	+	-	+	=	73%
Dom Dev.	=	+	+	=	+	=	+	=	=	+	+	=	100%
<b>Retail</b>													
AmRest	-	-	+	+	-	-	=	+	-	+	=	-	58%
CCC	-	+	+	-	-	-	-	-	-	+	-	-	17%
Dino	na	+	=	+	+	=	=	=	=	+	=	=	100%
Eurocash	-	=	-	-	=	=	-	-	=	=	=	=	55%
Jeronimo	=	=	=	=	=	=	=	=	=	=	=	=	100%
LPP	=	=	+	=	=	+	+	=	=	+	=	-	75%
VRG	-	-	=	=	-	-	=	=	=	=	=	=	64%

YoY	2017				2018				2019				+/=
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Financials													
Alior Bank	-	-	+	-	+	+	-	+	-	-	-	-	42%
Handlowy	-	-	+	+	+	+	-	-	-	-	-	+	42%
ING BSK	+	-	+	+	+	=	=	+	=	+	+	=	92%
Millennium	+	-	+	+	+	+	+	+	=	-	=	-	75%
Pekao	-	-	=	+	+	=	+	-	-	+	+	=	67%
PKO BP	-	=	+	+	+	+	+	+	+	+	+	-	83%
Santander BP	-	-	+	+	=	=	-	+	-	-	+	-	50%
Komercni	+	-	-	+	-	+	+	+	+	+	-	-	58%
Moneta	-	-	=	-	+	-	+	+	-	+	+	=	58%
Erste Group	-	-	+	+	+	+	+	+	+	-	+	=	75%
RBI	+	+	+	+	+	=	+	-	-	=	-	-	73%
OTP Bank	+	+	+	+	+	+	+	+	+	+	+	+	100%
PZU	+	+	+	+	-	+	+	=	+	-	-	-	73%
Kruk	+	+	=	-	-	=	+	+	+	-	-	-	64%
Skarbiec	+	+	-	+	-	-	-	-	+	+	-	-	45%
GPW	+	+	+	+	-	+	-	-	-	-	-	+	55%
Chemicals													
Ciech	+	-	-	+	-	=	-	-	-	=	+	-	45%
Grupa Azoty	-	+	+	+	-	-	-	-	-	+	+	+	55%
Oil & Gas													
Lotos	+	+	+	-	-	+	=	+	+	=	=	-	82%
MOL	+	+	-	+	-	-	+	+	-	=	=	-	58%
PGNiG	+	=	=	=	-	+	+	+	-	-	-	-	55%
PKN Orlen	+	+	+	-	-	-	-	+	=	+	+	-	58%
Utilities													
CEZ	-	-	-	-	-	-	+	=	+	+	=	-	45%
Enea	+	+	=	-	=	-	=	-	+	+	+	-	73%
Energa	-	+	+	-	+	+	-	-	-	=	+	-	55%
PGE	+	+	=	-	+	+	=	-	-	-	+	+	64%
Tauron	+	+	=	-	=	-	-	-	+	-	+	+	55%
TMT													
Netia	-	-	-	-	=	-	-	-	-	-	-	+	17%
Orange PL	-	=	-	+	=	-	+	+	=	=	+	+	75%
Play	+	+	+	=	-	-	-	-	+	+	=	+	67%
Agora	+	+	=	+	-	-	+	+	+	-	+	-	73%
Cyfrowy	+	+	-	-	=	-	=	=	=	=	=	-	73%
Wirtualna	+	+	+	+	+	+	+	+	+	+	+	-	100%
Ailleron	+	+	-	+	=	+	-	-	+	-	-	-	55%
Asseco BS	+	+	+	+	+	+	+	+	+	-	+	+	91%
Asseco PL	-	-	-	-	+	+	+	+	+	-	+	-	55%
Asseco SEE	+	+	+	+	+	+	+	+	+	+	+	-	100%
Atende	+	+	-	-	+	+	+	+	+	-	-	-	36%
Comarch	-	-	-	-	=	+	+	+	+	-	+	+	58%
11 bit studios	+	-	=	+	+	-	+	+	+	-	-	-	64%
CD Projekt	+	+	-	-	-	-	-	-	-	+	-	-	27%
Industrials													
AC	-	+	-	-	+	+	+	+	+	-	+	-	64%
Alumetal	-	-	-	+	+	+	+	-	-	-	-	-	36%
Amica	-	=	-	-	-	+	+	+	=	+	+	-	64%
Apator	+	-	+	-	-	+	=	+	+	-	-	-	50%
Astarta			+	+	-	-	-	-	-	+	-	-	33%
Boryszew	+	+	+	+	-	-	-	-	-	-	-	+	45%
Cognor	+	=	+	+	+	+	+	+	-	-	-	-	64%
Famur	+	=	+	+	+	+	+	+	+	+	-	-	83%
Forte	-	-	-	-	-	+	-	+	-	+	+	-	36%
Grupa Kęty	+	+	+	+	+	+	+	+	+	+	+	+	100%
JSW	+	+	+	+	-	=	=	=	-	=	=	-	64%
Kernel	-	-	-	-	-	+	+	+	+	+	=	-	42%
KGHM	+	+	+	-	-	+	+	=	+	-	+	+	64%
Kruszwica	=	=	=	+	+	+	+	+	+	+	-	-	91%
Mangata	=	-	=	+	+	+	+	+	+	=	-	-	82%
Pozbud	-	-	=	+	-	+	+	+	+	+	+	+	73%
PKP Cargo	+	+	+	-	+	+	+	+	+	-	-	-	73%
Stelmet	-	-	+	+	=	+	+	=	+	-	+	+	75%
TIM	-	-	-	+	+	+	+	+	+	+	+	+	73%
Real-Estate													
Atal	+	+	=	+	+	+	=	-	-	-	-	-	64%
Dom Dev.	-	+	+	+	+	+	-	+	+	-	+	+	73%
Retail													
AmRest	=	+	+	-	+	=	+	+	+	+	+	-	83%
CCC	+	+	+	-	-	-	-	-	-	+	-	-	33%
Dino	na	+	+	+	+	+	+	+	+	+	+	-	100%
Eurocash	-	=	-	-	+	=	+	+	-	=	+	-	64%
Jeronimo	=	+	+	+	+	=	=	=	=	+	+	+	100%
LPP	+	+	+	+	-	+	+	+	+	+	+	+	92%
VRG	-	+	+	+	+	=	+	+	-	+	+	+	82%



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



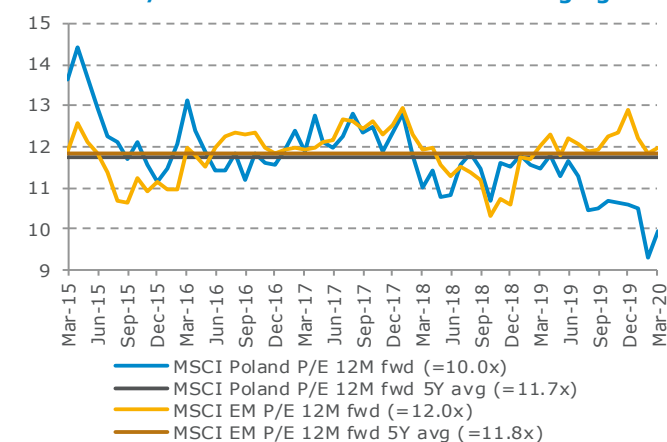
Source: Companies, Bloomberg, PAP, mBank

## Revisions To FY2019 Earnings Forecasts For WIG30 Companies

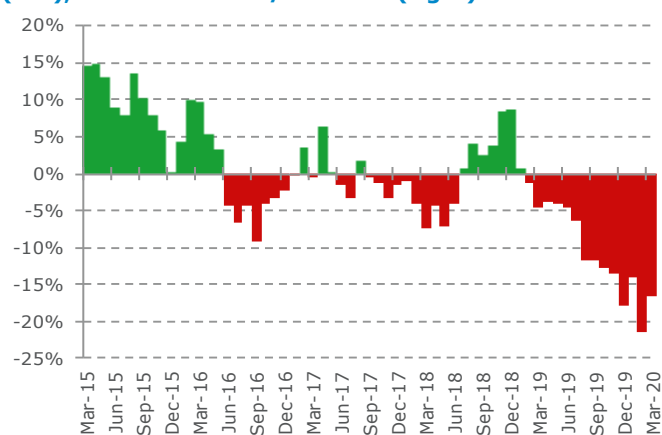
Feb-19=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank	Con.	mBank
Mar-19	+0%	-1%	+0%	-0%	-2%	-4%	+2%	-6%	-0%	-6%	-1%	+4%	+7%	+0%	+8%	+16%
Apr-19	-2%	-1%	-0%	-0%	-9%	-4%	-1%	-8%	+1%	-6%	-5%	+4%	-9%	+64%	+5%	+16%
May-19	-3%	-1%	-1%	-3%	-12%	-8%	+4%	+5%	-4%	-11%	-4%	+11%	+20%	+108%	+1%	+8%
Jun-19	-4%	-2%	-1%	-1%	-15%	-8%	+5%	+3%	-8%	-29%	-4%	+15%	+30%	+144%	-3%	-5%
Jul-19	-5%	-1%	-1%	-4%	-18%	-1%	+3%	+3%	-8%	-29%	-1%	+17%	+62%	+144%	-7%	-5%
Aug-19	-5%	-1%	-1%	-3%	-17%	-1%	+3%	+3%	-11%	-29%	-0%	+18%	+77%	+144%	-12%	-2%
Sep-19	-7%	-1%	-1%	-3%	-17%	-1%	-5%	+3%	-14%	-29%	-1%	+16%	+77%	+120%	-14%	-2%
Oct-19	-8%	-5%	-4%	-5%	-16%	-7%	-6%	-10%	-17%	-31%	-0%	+17%	+60%	+132%	-15%	+2%
Nov-19	-9%	-6%	-4%	-8%	-19%	-4%	-6%	-10%	-19%	-37%	-3%	+20%	+53%	+116%	-17%	-11%
Dec-19	-10%	-6%	-3%	-8%	-24%	-4%	-1%	-10%	-25%	-37%	-3%	+20%	+49%	+116%	-20%	-11%
Jan-20	-14%	-9%	-5%	-10%	-32%	-10%	-4%	-10%	-28%	-41%	-3%	+21%	+49%	+76%	-21%	-12%
Feb-20	-16%	-10%	-7%	-10%	-36%	-10%	-10%	-10%	-30%	-43%	-4%	+12%	+44%	+76%	-25%	-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)

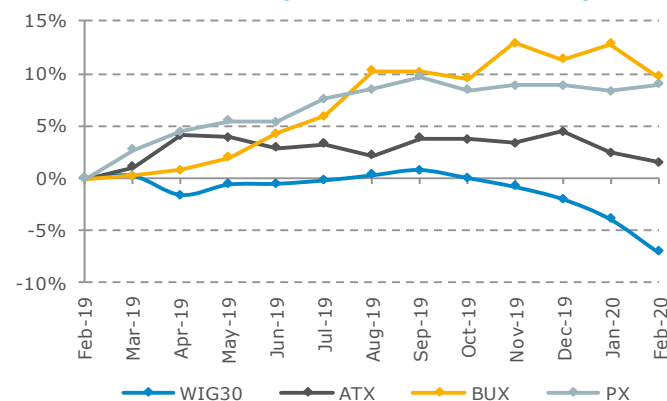


Source: Bloomberg, mBank



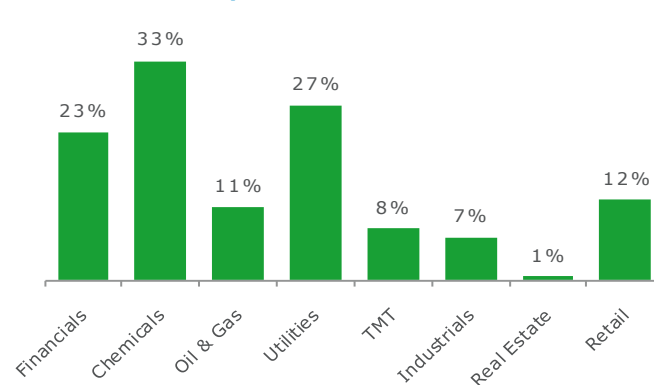
Source: Bloomberg, mBank

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



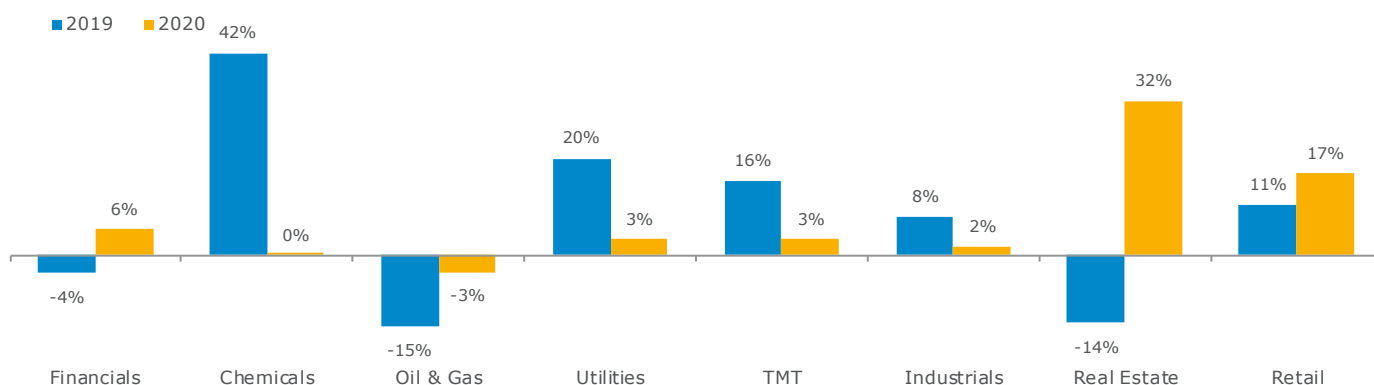
Source: Bloomberg, mBank

## 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 <sup>1</sup>	BBG Ratings <sup>2</sup>			BBG TP <sup>3</sup>	mBank v. BBG TP	mBank v. BBG Earnings			mBank v. BBG EBITDA			Analyst Count <sup>4</sup>
			▲	►	▼			2019E	2020E	2021E	2019E	2020E	2021E	
Financials														
Alior Bank	buy	30.50	9	5	1	35.71	-14.6%	-2%	-15%	-21%				13
Handlowy	accumulate	63.46	9	2	0	58.44	+8.6%	-1%	+6%	+5%				8
ING BSK	sell	170.00	2	5	5	197.18	-13.8%	-2%	-4%	-4%				9
Millennium	hold	5.47	4	3	5	6.55	-16.5%	-5%	-37%	-59%				8
Pekao	buy	115.20	13	7	0	122.51	-6.0%	+3%	-3%	-4%				16
PKO BP	buy	39.69	6	10	3	40.26	-1.4%	-7%	-4%	-4%				14
Santander Bank Polska	hold	287.90	5	10	1	324.31	-11.2%	-7%	-1%	-6%				12
Komercni Banka	buy	928.20	8	10	1	906.40	+2.4%	-0%	+1%	+5%				12
Moneta Money Bank	buy	94.33	14	0	0	100.33	-6.0%	-4%	+3%	+0%				6
Erste Group	buy	36.61	19	4	1	37.56	-2.5%	+4%	+6%	+7%				12
RBI	accumulate	23.05	12	8	1	26.67	-13.6%	+7%	+5%	+4%				10
OTP Bank	hold	14,681	12	4	2	14,934	-1.7%	-1%	+2%	-				5
PZU	buy	41.91	6	6	0	47.22	-11.2%	-2%	+4%	+3%				7
Kruk	buy	210.31	3	1	1	210.31	+0.0%	-1%	-3%	+1%				4
GPW	buy	47.82	2	3	1	44.38	+7.7%	-5%	-9%	-4%				5/4
Chemicals														
Ciech	buy	47.46	11	1	0	44.59	+6.4%	-31%	-6%	-13%	-4%	+1%	-4%	9/8
Grupa Azoty	buy	30.55	6	2	1	34.64	-11.8%	-15%	-12%	-73%	-2%	+4%	-11%	6/6
Oil & Gas														
Lotos	hold	67.19	11	2	2	95.25	-29.5%	-6%	-25%	-26%	-3%	-10%	-15%	12/11
MOL	accumulate	2,726.0	9	3	1	3,338.3	-18.3%	-8%	-14%	-21%	-1%	-5%	-2%	13/13
PGNiG	hold	3.88	5	4	1	4.36	-11.0%	-2%	-23%	+7%	-3%	-11%	+9%	9/8
PKN Orlen	hold	66.70	3	10	4	85.98	-22.4%	-6%	-22%	-30%	-6%	-10%	-16%	15/15
Utilities														
CEZ	buy	592.91	8	6	2	575.66	+3.0%	-7%	-6%	-22%	-1%	+0%	-5%	10/9
Enea	suspended	-	4	2	1	9.72	-	-2%	+3%	+3%	+2%	+5%	+3%	6/7
Energia	suspended	-	0	5	2	9.66	-	-12%	-13%	-4%	+4%	+2%	-0%	6/7
PGE	suspended	-	5	4	4	8.64	-	+23%	+46%	+14%	+8%	+17%	+6%	8/8
Tauron	suspended	-	2	7	2	1.73	-	+0%	+33%	+21%	+1%	+14%	+8%	8/9
TMT														
Netia	hold	4.70	4	3	0	5.04	-6.7%	-14%	-15%	-29%	+6%	+3%	+1%	5/6
Orange Polska	accumulate	7.40	2	10	3	6.95	+6.5%	-25%	+35%	+64%	+7%	+1%	+7%	6/9
Play	accumulate	36.00	8	5	2	36.82	-2.2%	-5%	+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	hold	26.10	2	9	3	29.63	-11.9%	-2%	-3%	+3%	+1%	+1%	+0%	11/10
Wirtualna Polska	hold	79.70	6	2	0	79.05	+0.8%	-5%	+0%	-3%	-0%	+3%	+3%	5/5
Asseco Poland	hold	59.20	4	4	0	63.68	-7.0%	-6%	-11%	-11%	+6%	+4%	+4%	10/10
Asseco BS	overweight	-	1	2	0	28.20	-	+2%	+4%	+108%	+2%	+6%	+7%	2/2
Asseco SEE	overweight	-	2	2	0	28.20	-	+5%	+12%	+18%	+2%	+11%	+15%	3/3
Comarch	buy	250.00	5	1	0	218.39	+14.5%	+2%	+6%	+4%	-6%	+8%	+6%	6/5
11 bit studios	hold	439.00	7	4	0	465.22	-5.6%	-20%	+9%	+33%	-0%	+18%	+38%	9/9
CD Projekt	hold	284.20	7	10	3	276.40	+2.8%	+14%	+25%	+54%	-8%	+5%	+17%	13/12
Industrials														
AC	neutral	-	2	1	0	-	-	+0%	+2%	-3%	+0%	-1%	-1%	2/2
Alumetal	neutral	-	4	2	0	53.50	-	-3%	-1%	-9%	-1%	+2%	-4%	5/5
Amica	neutral	-	3	2	0	139.50	-	+4%	+6%	+6%	+1%	+1%	+1%	4/4
Apator	neutral	-	1	3	0	26.75	-	-19%	+8%	+7%	-6%	+1%	+1%	2/4
Astarta	overweight	-	3	2	0	18.10	-	-	-2%	+104%	-13%	+8%	+6%	3/3
Famur	buy	4.58	5	1	0	4.93	-7.1%	-25%	+8%	-14%	-13%	+3%	-7%	6/6
Forte	underweight	-	2	3	2	30.25	-	-13%	-12%	-21%	+2%	-4%	-8%	6/6
Grupa Kęty	hold	360.29	6	6	0	413.34	-12.8%	+2%	-5%	-7%	+1%	-3%	-6%	10/10
JSW	hold	15.34	0	5	4	15.88	-3.4%	-10%	-	-	-8%	-24%	-16%	8/8
Kemel	hold	47.25	4	2	0	61.43	-23.1%	+2%	-9%	-2%	-1%	+3%	+2%	4/4
KGHM	hold	76.92	1	6	9	85.49	-10.0%	+3%	-22%	-40%	+3%	-11%	-22%	11/12
PKP Cargo	hold	13.89	4	4	1	20.17	-31.1%	-37%	-	-	-3%	-13%	-17%	6/6
Real Estate														
Atal	accumulate	44.28	5	0	0	44.59	-0.7%	-6%	+7%	-2%	-13%	+8%	+1%	5/5
Dom Development	hold	88.92	3	4	0	94.96	-6.4%	+3%	+3%	+11%	+1%	-2%	+4%	7/6
Retail														
AmRest	hold	40.00	8	5	0	52.10	-23.2%	+18%	-18%	-23%	-4%	-26%	-24%	8/7
CCC	buy	135.00	3	10	4	117.55	+14.8%	-	+17%	+41%	-4%	+1%	+8%	15/12
Dino	hold	152.30	7	8	3	154.56	-1.5%	-1%	+3%	+9%	-1%	+2%	+5%	16/16
Eurocash	hold	19.80	9	3	6	23.38	-15.3%	+5%	+0%	+10%	+5%	-11%	-18%	10/10
Jeronimo Martins	hold	16.30	14	11	5	16.60	-1.8%	+22%	+15%	+11%	-0%	+2%	-1%	21/20
LPP	buy	10,100	9	7	0	9,224.4	+9.5%	-1%	+10%	+15%	-16%	-11%	-13%	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; <sup>1</sup>Target Price issued by mBank; <sup>2</sup>Positive/Neutral/Negative ratings count comprising the Bloomberg Consensus; <sup>3</sup>Average of all analyst target prices; <sup>4</sup>Number 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
<b>Financial Sector</b>						<b>+16.6%</b>	<b>9.9</b>	<b>9.6</b>		
Alior Bank	buy	2020-02-21	26.62	30.50	23.50	+29.8%	7.3	7.2		
Handlowy	accumulate	2020-02-27	55.90	63.46	53.70	+18.2%	14.4	10.8		
ING BSK	sell	2020-02-04	202.00	170.00	186.40	-8.8%	14.6	13.7		
Millennium	hold	2020-03-04	5.06	5.47	5.06	+8.1%	8.8	11.0		
Pekao	buy	2019-12-05	96.34	115.20	94.78	+21.5%	11.0	10.0		
PKO BP	buy	2020-03-04	33.10	39.69	33.10	+19.9%	10.0	9.6		
Santander Bank Polska	hold	2020-02-05	304.00	287.90	272.20	+5.8%	13.0	11.3		
Komercni Banka	buy	2019-12-05	792.00	928.20 CZK	730.50	+27.1%	9.1	9.7		
Moneta Money Bank	buy	2019-08-28	75.95	94.33 CZK	79.70	+18.4%	10.7	9.9		
Erste Group	buy	2020-03-04	29.44	36.61 EUR	29.44	+24.4%	8.2	7.8		
RBI	accumulate	2019-12-05	21.24	23.05 EUR	18.44	+25.0%	5.2	5.0		
OTP Bank	hold	2019-12-05	14,870	14,681 HUF	14,220	+3.2%	9.8	8.9		
PZU	buy	2020-03-04	36.31	41.91	36.31	+15.4%	9.9	9.4		
Kruk	buy	2019-12-05	150.90	210.31	137.00	+53.5%	7.8	7.7		
Skarbiec Holding	buy	2020-03-04	18.80	21.20	18.80	+12.8%	9.9	7.2		
GPW	buy	2020-01-16	40.85	47.82	40.70	+17.5%	13.4	15.3		
<b>Chemicals</b>						<b>+33.5%</b>	<b>10.2</b>	<b>8.4</b>	<b>5.2</b>	<b>5.2</b>
Ciech	buy	2020-02-13	39.40	47.46	36.85	+28.8%	14.9	8.5	6.5	5.5
Grupa Azoty	buy	2020-03-04	22.24	30.55	22.24	+37.4%	5.5	8.2	3.9	5.0
<b>Oil &amp; Gas</b>						<b>+11.3%</b>	<b>9.1</b>	<b>8.9</b>	<b>4.0</b>	<b>4.3</b>
Lotos	hold	2020-03-04	61.06	67.19	61.06	+10.0%	9.7	7.8	4.9	4.2
MOL	accumulate	2020-03-04	2,530	2,726 HUF	2,530	+7.7%	8.5	8.6	4.0	4.8
PGNiG	hold	2020-03-04	3.20	3.88	3.20	+21.4%	10.6	12.4	4.0	4.0
PKN Orlen	hold	2020-03-04	62.26	66.70	62.26	+7.1%	5.9	9.2	3.6	4.4
<b>Power Utilities</b>						<b>+26.8%</b>	<b>3.3</b>	<b>4.2</b>	<b>3.7</b>	<b>3.6</b>
CEZ	buy	2020-02-20	503.00	592.91 CZK	467.60	+26.8%	15.6	12.1	7.1	6.3
Enea	suspended	2020-02-27	6.00	-	5.94	-	2.5	2.4	2.9	2.9
Energia	suspended	2020-02-27	7.36	-	7.21	-	5.6	5.4	3.7	4.2
PGE	suspended	2020-02-27	5.15	-	4.85	-	3.3	4.2	2.6	2.9
Tauron	suspended	2020-02-27	1.22	-	1.22	-	2.4	2.0	3.9	3.6
<b>Telecoms, Media, IT</b>						<b>+2.2%</b>	<b>28.8</b>	<b>18.0</b>	<b>6.3</b>	<b>6.3</b>
Netia	hold	2019-12-05	4.44	4.70	4.07	+15.5%	28.8	29.1	4.1	4.3
Orange Polska	accumulate	2019-11-29	6.46	7.40	6.58	+12.5%	94.8	33.9	5.3	5.4
Play	accumulate	2020-02-05	34.80	36.00	30.76	+17.0%	9.0	8.1	6.0	5.9
Agora	buy	2019-10-30	9.50	17.00	11.20	+51.8%	53.4	28.5	7.0	6.7
Cyfrowy Polsat	hold	2020-03-04	26.24	26.10	26.24	-0.5%	15.0	12.7	6.9	6.7
Wirtualna Polska	hold	2020-02-05	82.20	79.70	75.20	+6.0%	32.5	20.4	12.5	10.1
Asseco Poland	hold	2019-12-05	57.35	59.20	64.20	-7.8%	16.2	15.7	5.3	5.0
Comarch	buy	2019-11-25	189.50	250.00	189.50	+31.9%	13.4	13.2	6.3	5.8
11 bit studios	hold	2020-02-05	440.00	439.00	431.00	+1.9%	55.8	44.6	33.5	28.1
CD Projekt	hold	2020-02-05	305.00	284.20	305.80	-7.1%	-	13.1	-	11.4
<b>Industrials, Mining</b>						<b>+6.6%</b>	<b>6.2</b>	<b>8.7</b>	<b>4.1</b>	<b>4.2</b>
Cognor	hold	2019-12-06	1.20	1.25	1.06	+17.9%	5.7	32.9	4.1	5.7
Famur	buy	2020-03-04	2.73	4.58	2.73	+68.1%	6.2	6.1	3.9	3.3
Grupa Kęty	hold	2020-03-04	381.00	360.29	381.00	-5.4%	12.3	13.2	8.4	8.6
JSW	hold	2020-03-04	15.15	15.34	15.15	+1.3%	3.8	-	0.5	2.7
Kemel	hold	2020-02-05	47.20	47.25	43.95	+7.5%	5.0	7.3	4.7	6.3
KGHM	hold	2020-03-04	77.82	76.92	77.82	-1.2%	7.0	8.1	4.1	4.4
PKP Cargo	hold	2020-02-26	13.66	13.89	13.44	+3.3%	11.4	-	2.8	3.4
Stelmet	accumulate	2020-02-05	7.85	8.92	7.05	+26.5%	-	9.2	4.8	4.0
<b>Property Developers</b>						<b>+0.7%</b>	<b>11.7</b>	<b>8.2</b>	<b>10.7</b>	<b>7.4</b>
Atal	accumulate	2020-02-05	39.80	44.28	38.20	+15.9%	13.4	7.1	13.4	6.8
Dom Development	hold	2019-12-05	93.00	88.92	100.00	-11.1%	9.9	9.2	8.1	8.0
<b>Retail</b>						<b>+12.2%</b>	<b>27.5</b>	<b>18.8</b>	<b>9.9</b>	<b>8.1</b>
AmRest	hold	2020-03-04	39.55	40.00	39.55	+1.1%	31.0	37.6	12.5	11.0
CCC	buy	2020-02-21	94.00	135.00	78.20	+72.6%	-	17.3	5.1	3.9
Dino	hold	2020-03-04	155.00	152.30	155.00	-1.7%	37.7	27.8	22.2	16.8
Eurocash	hold	2020-02-05	19.94	19.80	18.53	+6.9%	62.9	37.4	6.9	6.5
Jeronimo Martins	hold	2020-02-05	15.78	16.30 EUR	16.13	+1.1%	19.0	18.8	10.0	8.9
LPP	buy	2020-02-05	8,610.00	10,100.00	7,370.00	+37.0%	24.1	16.8	9.9	8.1
VRG	buy	2020-02-05	3.93	4.50	3.55	+26.8%	13.7	11.4	4.4	4.0

## 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	11.9	6.9	5.5
Ailleron	neutral	2020-02-28	6.34	5.90	-6.9%	-	10.0	5.7	3.4
Asseco BS	overweight	2020-01-30	32.60	35.60	+9.2%	17.5	16.3	11.3	10.6
Asseco SEE	overweight	2020-02-28	28.80	28.00	-2.8%	16.0	13.8	8.1	6.7
Atende	neutral	2019-12-05	3.06	3.00	-2.0%	10.6	9.9	4.5	4.3
Industrials						12.6	11.0	6.9	6.4
AC	neutral	2019-12-05	43.20	45.60	+5.6%	11.5	11.5	8.0	7.6
Alumetal	neutral	2020-02-27	43.50	40.00	-8.0%	12.5	11.0	7.3	6.8
Amica	neutral	2019-12-05	133.20	125.80	-5.6%	8.5	7.9	5.6	5.6
Apator	neutral	2020-03-04	20.00	20.00	+0.0%	13.0	10.8	6.8	6.4
Astarta	overweight	2020-01-30	15.90	14.40	-9.4%	-	2.7	6.9	2.9
Boryszew	underweight	2020-01-30	4.54	4.35	-4.2%	14.4	11.4	6.9	7.0
Forte	underweight	2020-01-30	32.30	32.35	+0.2%	19.7	13.9	9.3	8.3
Kruszwica	overweight	2020-01-30	52.20	57.60	+10.3%	12.7	12.0	6.7	6.5
Mangata	neutral	2019-12-05	72.00	63.00	-12.5%	7.6	9.0	5.6	6.1
Pozbud	neutral	2019-12-05	1.80	1.32	-26.9%	3.1	3.0	4.1	5.0
TIM	overweight	2019-12-05	10.90	11.75	+7.8%	13.2	11.7	6.9	6.3



## Stocks Re-Rated as of 4 March 2020

Company	Rating	Previous Rating	Target Price	Issued on
AmRest	hold	hold	40.00 PLN	2020-03-04
Apator	neutral	neutral	- -	2020-03-04
Cyfrowy Polsat	hold	reduce	26.10 PLN	2020-03-04
Dino	hold	reduce	152.30 PLN	2020-03-04
Erste Group	buy	accumulate	36.61 EUR	2020-03-04
Famur	buy	buy	4.58 PLN	2020-03-04
Grupa Azoty	buy	buy	30.55 PLN	2020-03-04
Grupa Kęty	hold	hold	360.29 PLN	2020-03-04
JSW	hold	hold	15.34 PLN	2020-03-04
KGHM	hold	reduce	76.92 PLN	2020-03-04
Lotos	hold	reduce	67.19 PLN	2020-03-04
Millennium	hold	reduce	5.47 PLN	2020-03-04
MOL	accumulate	accumulate	2726.00 HUF	2020-03-04
PGNiG	hold	hold	3.88 PLN	2020-03-04
PKN Orlen	hold	reduce	66.70 PLN	2020-03-04
PKO BP	buy	accumulate	39.69 PLN	2020-03-04
PZU	buy	hold	41.91 PLN	2020-03-04
Skarbiec Holding	buy	buy	21.20 PLN	2020-03-04

## Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
11 bit studios	hold	buy	439.00 PLN	2020-02-05
Ailleron	neutral	neutral	- -	2020-02-28
Alior Bank	buy	hold	30.50 PLN	2020-02-21
Alumetal	neutral	neutral	- -	2020-02-27
Asseco SEE	overweight	overweight	- -	2020-02-28
Atal	accumulate	buy	44.28 PLN	2020-02-05
CCC	buy	buy	135.00 PLN	2020-02-21
CD Projekt	hold	accumulate	284.20 PLN	2020-02-05
CEZ	buy	buy	592.91 CZK	2020-02-20
Ciech	buy	buy	47.46 PLN	2020-02-13
Dino	reduce	accumulate	149.70 PLN	2020-02-05
Enea	suspended	buy	- -	2020-02-27
Energa	suspended	buy	- -	2020-02-27
Eurocash	hold	reduce	19.80 PLN	2020-02-05
Grupa Azoty	buy	hold	30.31 PLN	2020-02-05
Grupa Azoty	buy	buy	30.31 PLN	2020-02-06
Handlowy	accumulate	accumulate	63.46 PLN	2020-02-27
ING BSK	sell	hold	170.00 PLN	2020-02-04
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
PGE	suspended	buy	- -	2020-02-27
PKN Orlen	reduce	hold	68.03 PLN	2020-02-03
PKO BP	accumulate	accumulate	39.69 PLN	2020-02-05
PKP Cargo	reduce	reduce	16.40 PLN	2020-02-05
PKP Cargo	hold	reduce	13.89 PLN	2020-02-26
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
Tauron	suspended	buy	- -	2020-02-27
VRG	buy	accumulate	4.50 PLN	2020-02-05
Wirtualna Polska	hold	hold	79.70 PLN	2020-02-05

## 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	1.5%	1	4.3%
reduce	0	0.0%	0	0.0%
underweight	2	3.1%	1	4.3%
hold	23	35.4%	7	30.4%
neutral	8	12.3%	2	8.7%
accumulate	7	10.8%	2	8.7%
buy	19	29.2%	9	39.1%
overweight	5	7.7%	1	4.3%

## Corporate Events Calendar For March

Date	Time	Company	Event
4-Mar	12:00	<b>Stalexport</b>	2019 earnings announcement and conference (Novotel Warsaw Center Hotel, Warsaw)
4-Mar	12:30	<b>Arctic Paper</b>	2019 earnings conference (Radisson Collection Hotel, Warsaw)
5-Mar		<b>Kruk</b>	Q4'19 earnings announcement
6-Mar	12:00	<b>Dom Dev</b>	2019 earnings announcement and conference (Radisson Hotel, Warsaw)
6-Mar		<b>CCC</b>	Q4'19 earnings announcement
6-Mar		<b>ING BSK</b>	2019 earnings announcement
6-Mar		<b>OTP Bank</b>	Q4'19 earnings announcement
6-Mar		<b>OTP Bank</b>	Q4'19 earnings call (t: +44 2071943759; ID: 89662459#)
10-Mar	11:30	<b>Apator</b>	Q4'19 earnings conference (Sheraton Hotel, Warsaw)
12-Mar		<b>Cyfrowy Polsat</b>	Q4'19 earnings announcement
12-Mar	10:00	<b>Cyfrowy Polsat</b>	2019 earnings conference (Radisson Collection Hotel, Warsaw)
12-Mar		<b>Develia</b>	Q4'19 earnings announcement
12-Mar		<b>GPW</b>	Q4'19 earnings announcement
12-Mar		<b>Lotos</b>	Q4'19 earnings announcement
12-Mar		<b>PGNiG</b>	Q4'19 earnings announcement
12-Mar		<b>PZU</b>	Q4'19 earnings announcement
12-Mar		<b>Wirtualna PL</b>	Q4'19 earnings announcement
13-Mar		<b>Agora</b>	Q4'19 earnings announcement
13-Mar		<b>Eurocash</b>	Q4'19 earnings announcement
13-Mar		<b>Torpol</b>	Q4'19 earnings announcement
16-Mar		<b>AC</b>	Q4'19 earnings announcement
17-Mar	16:00	<b>CEZ</b>	Q4'19 earnings conference call (+44 207 194 3759; ID: 17397572#)
17-Mar		<b>BOŚ</b>	Q4'19 earnings announcement
17-Mar		<b>KGHM</b>	2019 earnings announcement
18-Mar		<b>RBI</b>	Q4'19 earnings announcement
19-Mar		<b>Atal</b>	Q4'19 earnings announcement
19-Mar		<b>GTC</b>	Q4'19 earnings announcement
19-Mar		<b>JSW</b>	2019 earnings announcement
20-Mar		<b>Echo Investment</b>	Q4'19 earnings announcement
23-Mar		<b>Alumetal</b>	2019 earnings announcement
23-Mar		<b>PKP Cargo</b>	Q4'19 earnings announcement
23-Mar		<b>Ten Square G.</b>	Q4'19 earnings announcement
25-Mar		<b>11 bit studios</b>	Q4'19 earnings announcement
25-Mar		<b>Lokum</b>	Q4'19 earnings announcement
26-Mar		<b>Budimex</b>	Q4'19 earnings announcement
26-Mar		<b>Citi Handlowy</b>	Q4'19 earnings announcement
26-Mar		<b>Enea</b>	Q4'19 earnings announcement
26-Mar		<b>Grupa Kęty</b>	2019 earnings announcement
27-Mar		<b>Erste Bank</b>	Q4'19 earnings announcement
27-Mar		<b>Kruszwica</b>	2019 earnings announcement
30-Mar		<b>Cognor</b>	2019 earnings announcement
30-Mar		<b>Forte</b>	2019 earnings announcement
30-Mar		<b>Unibep</b>	Q4'19 earnings announcement
31-Mar		<b>Amica</b>	2019 earnings announcement
31-Mar		<b>Atende</b>	2019 earnings announcement
31-Mar		<b>Ciech</b>	2019 earnings announcement
31-Mar		<b>Mangata</b>	2019 earnings announcement
31-Mar		<b>PGE</b>	Q4'19 earnings announcement

## Macroeconomic Update

### Retail Sales

Retail sales increased in January by 3.4% y/y in real terms. It was slightly below the market consensus (4.4% y/y) but above our too pessimistic forecast (0.5% y/y). Detailed analysis is problematic this time due to missing details. Namely, there has likely been a change in the number of firms, which resulted in too few representatives in the "other retail sales in non-specialized stores" category. Therefore, because of statistical confidentiality, Statistics Poland did not publish any results for this category. We assume that it does not affect the overall result, in other words that data were collected and included into the reading, but not published in the breakdown.

Food sales dynamics was at the similar level as month before (-0.9% y/y in real terms, vs -0.2% y/y in December). So, against our expectations, there was no payback after positive surprise in December. Fuel sales increased in real terms by 2.5% y/y, pace equal to 2019 average. Among core categories, it is worth to notice lower increases in the sales of durable and semi-durable goods (furniture, radio, TV and household appliances slows down from 13.7 to 5.8% y/y, newspapers and books from 7.9 to -3.7% y/y, pharmaceuticals from 8.9 to 5.2% y/y). Downward trend in retail sales has slowed down last months (see chart below) but it does not have to be a good sign for private consumption. For a few years retail sales has been useless when estimating consumption dynamics.

### Manufacturing

Sold industrial output increased in January by 1.1% y/y. This result is slightly above the market consensus (0.3% y/y) but close to our estimate (0.9% y/y). The structure is different from our expectations, but it does not change our view on the Polish economy.

Manufacturing increased by 5.8% m/m which, considering negative working days difference, is a good result. A key factor here was catching up after Christmas-related work stoppages. Just to remind our Readers, December reading was very weak due to calendar effects (unusual arrangement of public holidays). In this matter the turn of 2019 and 2020 was similar to the one from 2013 and 2014. Following months should still be influenced by base effects from the previous year – manufacturing readings in the 1st quarter of 2019 were probably boosted by inventory buildup before the original Brexit deadline. Dynamics from the last year will not repeat in February of March.

Moreover, production in other sections decreased significantly in January. Lower production of energy (-4.2% y/y) is not a surprise – it is the effect of weather anomalies (one of the warmest Januaries on record) resulting in lower heat and electrical energy demand. Production in mining was lower by 10.4% y/y (we did not expect that) and it resulted in lower dynamics of overall production by 0.4 pp. Volatility of this category suggests that in February we can see a rebound there, while even a cursory look at the weather outside implies low energy demand and production.

Producer prices increased by 0.8% y/y in January. The reading was lower than our forecast and market consensus. There are 2 sources of surprise. First, oil and coke prices registered a m/m fall (slight divergence in minus vs models). Second, core manufacturing prices were lower than models implied (+0.1% m/m vs +0.3% m/m) despite panic mode that was switched on by some producers in business activity indicators. All in all core manufacturing prices are still in deflation and goods inflation is set to be additional source of downside pressure on CPI in coming months.

Construction output rebounded significantly and increased by 6.5% y/y, above both our forecast (3% y/y) and market consensus (-2.1% y/y). Growth adjusted for seasonal and calendar effects was at the level of +9.4% m/m. When looking at this reading one needs to be cautious because of the role of the weather and strong seasonality in January. Raw, unadjusted construction dynamics are typically in the -70-60% m/m range this month, which implies that an error here of 1 pp. translates into an annual difference of 2.5-3 pp. Nevertheless, it is still highly correlated with weather, which helped construction as never seen before (high temperatures, no snow). It can be also confirmed by the record low percentage of enterprises reporting weather as a barrier for activity in Statistics Poland surveys. In consequence, those construction output surges in mild winters, which we've see several times, are not a beginning of a new trend. In the best case they imply stagnation of seasonally adjusted production in the following months (as in January 2018), in the worst – slowdown and negative payback in the following months (as after February 2014).

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### Jobs

Employment in enterprise sector jumped by 45k in January. However, the change was smaller than the last year's one and annual growth collapsed to 1.1% (from 2.6%). It is not a fundamental change in labor demand but statistical issues that mattered. Each and every January the sample of enterprises employing more than 9 workers changes and therefore we observe the jump in employment. It is a rear view mirror reflecting what already happened in the economy. The change of presentation of figures does not entail any changes in the actual shape of the economy. It is running as usual although we see it differently.

As usual the jump could have been approximated by many methods. None is perfect every time. However, this time we decided to double the scale of the jump due to the fact that GDP slowdown was very gentle. It was a mistake and the actual revision followed standard rule.

The new number does not change how the economy operates. However, it may change the perception how it operates. Due to the fact that the starting point is lower and labor demand may soften further as economy decelerates, it is quite possible that annual growth of employment turns negative this year.

Average gross wage rose by 7.1% y/y, in line with market consensus and our forecast (7.0% y/y). We also know that mining wages rose by 1.5% y/y, just as we forecast. We suspect that the acceleration vis-à-vis December was primarily driven by manufacturing and some services sectors – the number of industries exhibiting positive and statistically significant relationship with minimum wage hikes is surprisingly small. In any case, the extent to which wages jumped in January is exactly in line with consensus estimates and half of what had been initially calculated. How can we interpret this?

First, while a large part of the workforce was subject to the minimum wage hike (ca. 15% earned the minimum wage in 2019 and others had salaries below the new minimum), the impact on overall wage distribution was limited. To some extent, it is a matter of sample – the smallest enterprises, where the share of minimum wage earners is highest are not included in this statistics. Moreover, it is likely that the wage distribution was compressed and relationship between wages in upper quintiles and the minimum were not maintained. The NBP's recent survey of corporates strongly suggested such a development. Second, the decisions regarding minimum wage hikes are generally lagging the business cycle and their implementation is lagged even more. As a result, decision is influenced by labor market tightening, but occurs when labor market is already loosening, employees are limiting wage demands and companies are less prone to agree to them for financial reasons. Finally, wage growth has generally been trending down since early 2019 and the small uptick in January might be this category's swan song. The downtrend will be resumed in the next months.

Nominal wages have accelerated, but weaker employment growth and surging inflation are bad omens for wage bill growth. In nominal terms, it decelerated from 9.0 to 8.3% y/y, in real terms from 5.7 to 4.0% y/y (weakest since 2014). Overall household disposable income is still supported by PIT cuts and disbursements of child subsidies, both implemented as part of the 2019 stimulus, but the effect will not last. We expect household income to decelerate to a mere 2-3% y/y by the end of the year, thereby putting a brake on consumption even further. As reflected in the steadily deteriorating consumer sentiment indicators, consumers are well aware of this.

## **Inflation**

The first estimate of January inflation pop at 4.4% (we 4.1%, median estimate 4.2%). It is still based on "old" consumption basket (2018) which is going to be switched in March for the one prepared based on 2019 data. Therefore the revealed details are scarce, however, quite telling.

Food prices surprised to the upside (+1.7% m/m) and they doubled our original estimate. Prices related to housing increased by 2.3% m/m. We forecast that large chunk of the increase stems from garbage collection fees (over 20% m/m) and the rest can be attributed to energy-related prices (+3.0% m/m). What is more, transport category reveals that the drop of airline tickets was somehow less pronounced than we thought. We think core inflation rose to 3.3-3.4%. However, cyclical factors seem to be at the background here.

It is quite likely that inflation is going to accelerate further in February on the back on energy prices (and possibly another, high reading of food prices), but let's not get carried away in forecasts for the path for the whole 2020. First, the consumption basket revision is set to bring the CPI most likely slightly down given the historical evidence and behavioral law that consumers shun higher prices and substitution effect is in place.

It is also quite straightforward to say at this stage that inflation is not going to drop substantially over the course of the year. However, it is also fair to say that Q1 is going to mark a peak. Our measures of cyclical inflation point to the downside soon, the more so since GDP growth forecasts are tilted to the downside (2019 ended with 3.1% y/y growth and we forecast 2.8% in 2020).

## **mBank Research**

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## Financial Sector

### Alior Bank

#### buy (no change)

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Alior has been one of the worst underperformers in the EME sector in the last twelve months, moving even more sharply lower since the announcement of additional charges related to prepaid loan fee refunds. At the same time, Alior delivered solid core figures for Q4 2019, and its FY2020 guidance implies potential for upward revisions to analysts' forecasts provided the Bank proves it is capable of meeting the targets during upcoming earnings seasons. Higher-than-average cost of risk and interest expenses create substantial room for improvement. Our FY2020 net income estimate of PLN 419m looks conservative when compared to the actual profit for FY2019 at PLN +559m. Potential upside catalysts in the months ahead include first-quarter results and cost of risk, which Alior has pledged to reduce to 200bp (we expect 220bp), combined with current low valuation at 0.4x P/B. We maintain a buy recommendation for ALR.

#### Current Price

23.50 PLN

Upside

#### 9M Target Price

30.50 PLN

+29.8%

	rating	target price	issued
unchanged	buy	30.50 PLN	2020-02-21

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-11.7%	-3.6%
ISIN	PLALIOR00045	YTD Price Chng	-18.1%	-8.4%
Outst. Stock (m)	129.3	ADTV 1M		PLN 13.4m
MC (PLN m)	3,037.6	ADTV 6M		PLN 19.3m
		P/E 12M fwd	6.2	-48.5%
Free Float	74.8%	P/E 5Y avg	12.0	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	-1,826	-1,851	-1,871
Provisioning	-930	-1,080	-1,418	-1,449	-1,540
Net income	515	713	414	419	463
P/E	5.9	4.3	7.3	7.2	6.6
P/B	0.4	0.5	0.4	0.4	0.4
ROE	8.0%	10.8%	6.2%	5.9%	6.1%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
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
<b>Noninterest income</b>	<b>956</b>	<b>1,039</b>	<b>909</b>	<b>937</b>	<b>963</b>
<b>Total income</b>	<b>3,797</b>	<b>4,124</b>	<b>4,119</b>	<b>4,147</b>	<b>4,333</b>
Operating expenses	1,930	1,847	1,705	1,851	1,871
<b>Operating income</b>	<b>1,867</b>	<b>2,277</b>	<b>2,293</b>	<b>2,296</b>	<b>2,462</b>
Provisioning	930	1,080	1,418	1,449	1,540
Profits of associates	0	0	0	0	1
<b>Pre-tax income</b>	<b>937</b>	<b>1,196</b>	<b>875</b>	<b>848</b>	<b>923</b>
Tax	221	275	232	178	194
Minority interests	0	0	0	0	0
Asset tax	201	208	229	250	266
<b>Net income</b>	<b>515</b>	<b>713</b>	<b>414</b>	<b>419</b>	<b>463</b>

#### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
<b>Net loans</b>	<b>51,267</b>	<b>54,246</b>	<b>59,053</b>	<b>62,564</b>	<b>66,208</b>
Other assets	18,227	19,174	20,434	21,777	23,213
<b>Total assets</b>	<b>69,494</b>	<b>73,420</b>	<b>79,488</b>	<b>84,341</b>	<b>89,421</b>
<b>Deposits</b>	<b>57,614</b>	<b>62,436</b>	<b>66,945</b>	<b>70,870</b>	<b>75,046</b>
Other liabilities	5,117	4,498	5,592	6,102	6,542
Minority interests	1	0	0	0	0
<b>Equity</b>	<b>6,761</b>	<b>6,486</b>	<b>6,950</b>	<b>7,370</b>	<b>7,832</b>

#### Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	4.3%	4.5%	4.4%	4.1%	4.1%
C/I	50.8%	44.8%	44.3%	44.6%	43.2%
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	239	3%
Value Driver (2022-36)	3,623	52%
Fade (2037-56)	1,642	24%
Terminal Value	1,423	21%
<b>Fair Value</b>	<b>6,928</b>	<b>100%</b>
Outst. Shares (millions)	129	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>53.60</b>	
<b>9M Target Price (PLN)</b>	<b>57.00</b>	

#### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,920	-
Explicit Forecast (2019-21)	135	-
PV Adjustment	485	-
Value Driver (2022-36)	-541	-
Fade (2037-56)	-347	-
<b>Fair Value</b>	<b>6,713</b>	<b>100%</b>
Outst. Shares (millions)	129	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>51.50</b>	
<b>9M Target Price (PLN)</b>	<b>54.70</b>	

#### 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)		52.53
Asset tax		-23.86
Fair Value Per Share		28.67
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>30.50</b>

## Handlowy accumulate (no change)

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As predicted, Handlowy has delivered outperformance in the year to date vis-à-vis the WIG-Banks benchmark, fueled by relatively low-risk CHF and consumer loan portfolios, and reinforced by solid results for Q4 2019, not weighed down too dramatically by one-time charges. We believe Handlowy's conservative approach to loan book management will help mitigate the negative impact of slower economic growth on cost of risk. Furthermore, contrary to most of its local competition, Handlowy's exposure to CHF loan risk is negligible from the point of view of earnings. Interestingly, the thin portfolio of consumer loans, which until recently was considered a flaw, has turned into a major competitive advantage in the wake of the new regimen established by last year's CJEU ruling whereby Polish banks have to pay back unused fees for remainder terms of prepaid consumer loans. In anticipation of future borrower claims, most banks are having to set aside additional provisions, which are setting them back tens to hundreds of millions of zlotys in net interest income. At Handlowy, the loss is not likely to exceed PLN 9 million. Handlowy's dividend yield has been capped by a months-long share price increase, but it is still attractive at an estimated 7% in 2020 and over 6% in subsequent years. The Bank might be able to sweeten the pot this year by tapping undistributed earnings for 2018 (the decision will be announced in mid-March). We believe BHW deserves to be traded at a premium to the rest of the Polish banking sector thanks to its safe-haven profile.

<b>Current Price</b>	53.70 PLN	<b>Upside</b>
<b>9M Target Price</b>	63.46 PLN	<b>+18.2%</b>

	rating	target price	issued
unchanged	accumulate	63.46 PLN	2020-02-27

Key Metrics	BHW PW	1M Price Chng	BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-4.1%	+3.9%
ISIN	PLBH00000012	YTD Price Chng	+3.7%	+13.4%
Outst. Stock (m)	130.7	ADTV 1M		PLN 2.5m
MC (PLN m)	7,016.4	ADTV 6M		PLN 2.0m
		P/E 12M fwd	11.3	-22.4%
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	1,154	1,205	1,262
Total income	2,079	2,159	2,256	2,322	2,411
Costs	-1,192	-1,180	-1,254	-1,249	-1,272
Provisioning	-103	-64	-238	-115	-130
Net income	536	639	487	650	683
P/E	13.1	11.0	14.4	10.8	10.3
P/B	1.0	1.0	1.0	1.0	0.9
ROE	7.8%	9.1%	6.9%	9.1%	9.4%
DPS	4.60	4.10	3.74	4.04	3.73
DYield	8.6%	7.6%	7.0%	7.5%	6.9%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	1,108	1,154	1,205	1,262	1,315
Fee income	550	565	566	585	603
Trading income	487	491	505	517	527
Other income	15	46	46	48	50
<b>Noninterest income</b>	<b>1,052</b>	<b>1,102</b>	<b>1,117</b>	<b>1,149</b>	<b>1,180</b>
<b>Total income</b>	<b>2,159</b>	<b>2,256</b>	<b>2,322</b>	<b>2,411</b>	<b>2,495</b>
Operating expenses	1,180	1,254	1,249	1,272	1,299
<b>Operating income</b>	<b>980</b>	<b>1,002</b>	<b>1,073</b>	<b>1,139</b>	<b>1,196</b>
Provisioning	64	238	115	130	133
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>916</b>	<b>764</b>	<b>959</b>	<b>1,010</b>	<b>1,064</b>
Tax	190	180	201	212	223
Minority interests	0	0	0	0	0
Asset tax	87	98	108	115	117
<b>Net income</b>	<b>639</b>	<b>487</b>	<b>650</b>	<b>683</b>	<b>724</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>19,802</b>	<b>20,589</b>	<b>21,906</b>	<b>22,645</b>	<b>23,241</b>
Other assets	29,503	31,397	32,260	33,104	33,975
<b>Total assets</b>	<b>49,305</b>	<b>51,986</b>	<b>54,166</b>	<b>55,749</b>	<b>57,216</b>
<b>Deposits</b>	<b>31,057</b>	<b>35,231</b>	<b>37,272</b>	<b>38,843</b>	<b>40,486</b>
Other liabilities	11,191	9,674	9,691	9,507	9,121
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>7,057</b>	<b>7,081</b>	<b>7,203</b>	<b>7,398</b>	<b>7,610</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.5%	2.4%	2.4%	2.4%	2.4%
C/I	54.6%	55.6%	53.8%	52.8%	52.0%
CoR	0.3%	1.1%	0.5%	0.6%	0.6%
NPL Ratio	3.0%	3.4%	3.5%	3.5%	3.5%
Tier 1 Ratio	16.8%	16.7%	16.2%	16.6%	17.0%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	1,302	14%
PV Adjustment	522	6%
Value Driver (2022-36)	6,426	68%
Fade (2037-56)	863	9%
Terminal Value	315	3%
<b>Fair Value</b>	<b>9,428</b>	<b>100%</b>
Outst. Shares (millions)	131	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>72.16</b>	
<b>9M Target Price (PLN)</b>	<b>76.76</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,659	96%
Explicit Forecast (2019-21)	101	1%
PV Adjustment	108	1%
Value Driver (2022-36)	145	2%
Fade (2037-56)	6	0%
<b>Fair Value</b>	<b>9,019</b>	<b>100%</b>
Outst. Shares (millions)	131	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>69.03</b>	
<b>9M Target Price (PLN)</b>	<b>73.43</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	9,428
Economic Profits	50%	9,019
Fair Value Avg.		9,224
Fair Value Per Share (PLN)		70.59
Asset tax		-10.94
Fair Value Per Share		59.66
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>63.46</b>

## ING BSK sell (no change)

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We maintain a sell rating for ING BSK. ING Bank Śląski ("ING") 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 13.7x 2020E P/E and 1.6x P/B, ING is trading at a respective premiums of 45% and 46% to its CEE peers, levels which make it overvalued at the moment. The Polish institution does deserve a high premium to comparable banks due to high dividends and ROE, but today ING is valued higher than OTP, generating the highest ROE in CEE, as well as Czech peers, which offer 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 and other yearly levies. ING's outperformance relative to the Polish 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 42%-65% 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 bank, decide to alter their investments. To investors seeking safe havens in the financial sector, we would recommend Komercni Banka, Handlowy, and PZU as the better picks. Komercni and Handlowy both practice the same conservative approach to balance-sheet management as ING BSK, while offering higher dividends, and, in case of KB, also higher ROE. The lack of government ownership in either bank is an added advantage.

### Current Price

186.40 PLN

Downside

### 9M Target Price

170.00 PLN

-8.8%

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

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-7.7%	+0.3%
ISIN	PLBSK0000017	YTD Price Chng	-8.0%	+1.7%
Outst. Stock (m)	130.1	ADTV 1M		PLN 2.1m
MC (PLN m)	24,250.6	ADTV 6M		PLN 1.6m
		P/E 12M fwd	12.8	-16.5%
Free Float	25.0%	P/E 5Y avg	15.4	discount

### 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	17.3	15.9	14.6	13.7	12.6
P/B	2.1	1.8	1.7	1.6	1.5
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%	1.7%	1.9%	2.1%	2.2%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	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
<b>Noninterest income</b>	<b>1,303</b>	<b>1,473</b>	<b>1,498</b>	<b>1,577</b>	<b>1,666</b>
<b>Total income</b>	<b>4,756</b>	<b>5,233</b>	<b>5,811</b>	<b>6,306</b>	<b>6,839</b>
Operating expenses	2,123	2,327	2,497	2,619	2,721
<b>Operating income</b>	<b>2,633</b>	<b>2,906</b>	<b>3,314</b>	<b>3,687</b>	<b>4,118</b>
Provisioning	421	501	628	800	968
Profits of associates	0	0	6	11	11
<b>Pre-tax income</b>	<b>2,212</b>	<b>2,405</b>	<b>2,692</b>	<b>2,898</b>	<b>3,160</b>
Tax	479	507	592	638	695
Minority interests	0	0	0	0	0
Asset tax	330	372	433	496	546
<b>Net income</b>	<b>1,403</b>	<b>1,526</b>	<b>1,666</b>	<b>1,764</b>	<b>1,918</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>28,668</b>	<b>100%</b>
Outst. Shares (millions)	130	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>220.36</b>	
<b>9M Target Price (PLN)</b>	<b>234.40</b>	

### 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%
<b>Fair Value</b>	<b>25,481</b>	<b>100%</b>
Outst. Shares (millions)	130	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>195.85</b>	
<b>9M Target Price (PLN)</b>	<b>208.34</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>170.00</b>

## Millennium hold (upgraded)

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We upgrade MIL from reduce to hold after the recent share price decline. Millennium recognized higher-than-expected reserves for CHF loan risk in Q4 2019 at PLN 223m, and we feel it might have step up further in coming periods after an appeal for provisioning consistency issued to the banking sector by the financial regulator KNF – Millennium's risk reserves as a percentage of loans are still among the lowest of all lenders in our coverage universe. Furthermore, due to its singular approach to fee structuring, Millennium is forecasting lower costs of prepaid loan fee refunds in the coming years than most of its competition. With all that said, the risks associated with Millennium's CHF mortgage portfolio and prepaid consumer loans look more than priced in at the current level.

<b>Current Price</b>	5.06 PLN	<b>Upside</b>
<b>9M Target Price</b>	5.47 PLN	<b>+8.1%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>5.47 PLN</b>	<b>2020-03-04</b>
<b>old</b>	<b>reduce</b>	<b>5.47 PLN</b>	<b>2020-02-05</b>
<b>Key Metrics</b>		<b>MIL PW</b>	<b>vs. WIG</b>
Ticker	MIL PW	1M Price Chng	-12.2% -4.1%
ISIN	PLBIG0000016	YTD Price Chng	-13.5% -3.8%
Outst. Stock (m)	1,213.1	ADTV 1M	PLN 4.8m
MC (PLN m)	6,138.4	ADTV 6M	PLN 5.2m
		P/E 12M fwd	6.5 -46.0%
Free Float	50.0%	P/E 5Y avg	12.0 discount

### Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,696	1,817	2,436	2,868	3,036
Total income	2,650	2,778	3,567	3,991	4,213
Costs	-1,156	1,332	-1,875	-2,047	-1,910
Provisioning	-255	-222	-486	-901	-1,364
Net income	681	761	698	556	454
P/E	9.0	8.1	8.8	11.0	13.5
P/B	0.8	0.7	0.7	0.7	0.6
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%
<b>Forecast Update (% change)</b>		<b>2019P</b>	<b>2020P</b>	<b>2021P</b>	
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
<b>Noninterest income</b>	<b>953</b>	<b>960</b>	<b>1,131</b>	<b>1,124</b>	<b>1,177</b>
<b>Total income</b>	<b>2,650</b>	<b>2,778</b>	<b>3,567</b>	<b>3,991</b>	<b>4,213</b>
Operating expenses	1,281	1,332	1,875	2,047	1,910
<b>Operating income</b>	<b>1,369</b>	<b>1,445</b>	<b>1,692</b>	<b>1,945</b>	<b>2,303</b>
Provisioning	255	222	486	901	1,364
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>1,114</b>	<b>1,223</b>	<b>1,206</b>	<b>1,044</b>	<b>939</b>
Tax	244	264	260	225	202
Minority interests	0	959	0	0	0
Asset tax	188	198	248	263	283
<b>Net income</b>	<b>681</b>	<b>761</b>	<b>698</b>	<b>556</b>	<b>454</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>9,845</b>	<b>100%</b>
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>8.12</b>	
<b>9M Target Price (PLN)</b>	<b>8.63</b>	

### 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%
<b>Fair Value</b>	<b>9,196</b>	<b>100%</b>
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>7.58</b>	
<b>9M Target Price (PLN)</b>	<b>8.06</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>5.47</b>

## Pekao buy (no change)

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We maintain a buy rating for PEO. Pekao reported 2019 fourth-quarter results ahead of market expectations despite high one-time charges, achieved on the strength of recurring income. In 2019 the Bank is planning job cuts which are likely to have a positive effect on profits. PEO is a defensive play owing to a conservative balance sheet, low cost of risk, and high dividends (c.7% DY). We believe the Bank can fulfill our FY2020 forecasts without any negative surprises from unexpected extra charge-offs and loan costs.

<b>Current Price</b>	94.78 PLN	<b>Upside</b>
<b>9M Target Price</b>	115.20 PLN	<b>+21.5%</b>

	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	-5.4%	+2.7%
ISIN	PLPEKAO00016	YTD Price Chng	-5.6%	+4.0%
Outst. Stock (m)	262.5	ADTV 1M		PLN 55.3m
MC (PLN m)	24,876.9	ADTV 6M		PLN 64.2m
		P/E 12M fwd	9.6	-32.3%
Free Float	67.2%	P/E 5Y avg	14.2	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	10.1	10.9	11.0	10.0	9.4
P/B	1.1	1.1	1.1	1.0	1.0
ROE	10.7%	9.9%	9.8%	10.4%	10.8%
DPS	8.68	7.90	6.60	6.46	7.09
DYield	9.2%	8.3%	7.0%	6.8%	7.5%
Forecast Update (% change)		2019P	2020P	2021P	
Net interest income		0.0%	0.0%	0.0%	
Fee income		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Provisioning		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	4,593	4,994	5,452	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
<b>Noninterest income</b>	<b>2,685</b>	<b>2,836</b>	<b>2,814</b>	<b>2,887</b>	<b>2,963</b>
<b>Total income</b>	<b>7,278</b>	<b>7,830</b>	<b>8,266</b>	<b>8,718</b>	<b>9,181</b>
Operating expenses	3,535	3,710	3,999	3,915	4,030
<b>Operating income</b>	<b>3,743</b>	<b>4,120</b>	<b>4,268</b>	<b>4,803</b>	<b>5,152</b>
Provisioning	521	511	580	790	848
Profits of associates	453	0	0	0	0
<b>Pre-tax income</b>	<b>3,675</b>	<b>3,609</b>	<b>3,688</b>	<b>4,013</b>	<b>4,304</b>
Tax	677	760	811	863	925
Minority interests	-1	-1	-1	-1	-1
Asset tax	522	562	617	668	723
<b>Net income</b>	<b>2,475</b>	<b>2,287</b>	<b>2,259</b>	<b>2,482</b>	<b>2,655</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>37,186</b>	<b>100%</b>
Outst. Shares (millions)	262	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>141.75</b>	
<b>9M Target Price (PLN)</b>	<b>150.79</b>	

### 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%
<b>Fair Value</b>	<b>37,497</b>	<b>100%</b>
Outst. Shares (millions)	262	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>142.86</b>	
<b>9M Target Price (PLN)</b>	<b>151.97</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>115.20</b>

Nothing in this Publication is intended as a comment on any report, opinion, or view expressed by media outlets as regards an apparent intention on the part of Bank Pekao S.A. to approach Commerzbank with a preliminary offer to buy shares in mBank (the "Alleged Transaction"). Furthermore, nothing in this Publication shall be construed as an attempt to measure the impact of such an Alleged Transaction on the valuation or the financial results of Bank Pekao S.A. Any recommendations made herein, and all financial forecasts, reflect the present status of Bank Pekao S.A. as of this date and represent our expectations as to Bank Pekao S.A.'s growth on an organic basis. Similarly, nothing in this Publication shall be construed as a comment on how the Alleged Transaction could impact PZU S.A., which is part of our coverage universe and which holds interest in Bank Pekao S.A.



## PKO BP buy (upgraded)

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We upgrade PKO from accumulate to buy based on its attractive valuation ahead of the annual dividend payout. Our current FY2020-2021 earnings forecasts for PKO are 2%-4% lower than the corresponding consensus forecasts and they assume deceleration in Poland's economic growth from 4% in 2019 to 2.8% in 2020, implying higher cost of risk. We also assume that PKO will have to convert 30% of disputed CHF mortgages to zlotys at the origination exchange rate – a low proportion based on the fact that, so far, the Bank has won most of the court cases brought forward by CHF borrowers. Despite a relatively conservative earnings outlook, we see upside potential of more than 20% in PKO stock from the current price level.

<b>Current Price</b>	33.10 PLN	<b>Upside</b>
<b>9M Target Price</b>	39.69 PLN	<b>+19.9%</b>

	rating	target price	issued
new	buy	39.69 PLN	2020-03-04
old	accumulate	39.69 PLN	2020-02-05
Key Metrics		PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-4.5% +3.5%
ISIN	PLPKO00000016	YTD Price Chng	-3.9% +5.7%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 87.2m
MC (PLN m)	41,375.0	ADTV 6M	PLN 94.8m
		P/E 12M fwd	9.1 -28.1%
Free Float	70.6%	P/E 5Y avg	12.7 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	13.3	11.1	10.0	9.6	9.1
P/B	1.1	1.1	1.0	1.0	0.9
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%	1.7%	4.0%	9.0%	10.7%
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

(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
<b>Noninterest income</b>	<b>4,220</b>	<b>4,307</b>	<b>4,716</b>	<b>4,769</b>	<b>4,882</b>
<b>Total income</b>	<b>12,826</b>	<b>13,660</b>	<b>14,949</b>	<b>15,746</b>	<b>16,514</b>
Operating expenses	6,050	6,218	6,608	6,601	6,790
<b>Operating income</b>	<b>6,776</b>	<b>7,442</b>	<b>8,341</b>	<b>9,145</b>	<b>9,725</b>
Provisioning	1,617	1,451	1,620	2,224	2,394
Profits of associates	22	37	39	41	43
<b>Pre-tax income</b>	<b>5,181</b>	<b>6,028</b>	<b>6,760</b>	<b>6,962</b>	<b>7,373</b>
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
<b>Net income</b>	<b>3,104</b>	<b>3,741</b>	<b>4,118</b>	<b>4,316</b>	<b>4,563</b>

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
<b>Net loans</b>	<b>205,628</b>	<b>214,912</b>	<b>233,115</b>	<b>248,739</b>	<b>261,114</b>
Other assets	91,284	109,343	114,103	119,262	124,669
<b>Total assets</b>	<b>296,912</b>	<b>324,255</b>	<b>347,219</b>	<b>368,002</b>	<b>385,782</b>
<b>Deposits</b>	<b>218,800</b>	<b>242,816</b>	<b>261,936</b>	<b>277,092</b>	<b>291,320</b>
Other liabilities	41,856	42,338	43,725	47,933	50,431
Minority interests	-11	-10	-10	-11	-11
<b>Equity</b>	<b>36,267</b>	<b>39,111</b>	<b>41,568</b>	<b>42,987</b>	<b>44,043</b>

### 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%
<b>Fair Value</b>	<b>60,159</b>	<b>100%</b>
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>48.13</b>	
<b>9M Target Price (PLN)</b>	<b>51.19</b>	

### 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%
<b>Fair Value</b>	<b>60,644</b>	<b>100%</b>
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>48.52</b>	
<b>9M Target Price (PLN)</b>	<b>51.61</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>39.69</b>

## Santander Bank Polska hold (no change)

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Santander reported lower-than-expected operating costs and provisioning in Q4 2019, alongside strong recurring income, prompting upward forecast revisions of 2% 2020E and 8% 2021E. At the same time, the Bank will most likely have to keep provisioning high in the coming years to allow for lawsuits lost to CHF mortgage holders, and for an expected rise in default risk on corporate credit if the Polish economy contracts to 2.8% in 2020 as assumed by us. We incorporated the estimated impact of CHF loan losses into our forecasts at PLN 4.6bn over seven years, with the highest costs expected in 2023-24 (PLN 1.61bn and PLN 1.15bn, respectively) – levels at which the Bank is not likely to sustain a bottom-line loss or stumble into capital shortfalls. Nevertheless our 2021-2022 net income projections for Santander sit 11% below the current consensus forecasts. SPL is trading at premiums to the Polish peers PKO BP and Pekao on estimated price-to-earnings which we consider justified by the absence of government holdings in its equity, and hence minimized political risk, combined with higher ROE. We believe that the greatest threat to our forecasts is further deterioration of the economic situation, but we see upside risk depending on the rate of CHF borrower lawsuits. If we were to assume that 80% of eligible mortgage holders sue to have their FX loans canceled, our valuation of Santander would go up to PLN 5.5 per share, and at 50% it would rise to PLN 19.5 per share (without changing our neutral stance on SPL).

### Current Price

272.20 PLN

Upside

### 9M Target Price

287.90 PLN

+5.8%

	rating	target price	issued
unchanged	hold	287.90 PLN	2020-02-05

Key Metrics	SPL PW	1M Price Chng	SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-7.1%	+0.9%
ISIN	PLBZ000000044	YTD Price Chng	-11.5%	-1.8%
Outst. Stock (m)	102.1	ADTV 1M		PLN 18.6m
MC (PLN m)	27,788.4	ADTV 6M		PLN 18.5m
		P/E 12M fwd	11.1	-20.3%
Free Float	31.7%	P/E 5Y avg	14.0	discount

### 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	12.2	11.6	13.0	11.3	10.5
P/B	1.2	1.1	1.1	1.0	0.9
ROE	10.6%	10.1%	8.5%	9.4%	9.4%
DPS	5.40	3.10	19.72	5.24	6.00
DYield	2.0%	1.1%	7.2%	1.9%	2.2%
Forecast Update (% change)		2019P	2020P	2021P	
Net interest income		0.0%	0.0%	0.0%	
Fee income		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Provisioning		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	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
<b>Noninterest income</b>	<b>2,554</b>	<b>2,904</b>	<b>3,047</b>	<b>3,125</b>	<b>3,210</b>
<b>Total income</b>	<b>8,296</b>	<b>9,485</b>	<b>9,893</b>	<b>10,414</b>	<b>10,937</b>
Operating expenses	3,769	4,489	3,997	3,985	4,040
<b>Operating income</b>	<b>4,527</b>	<b>4,996</b>	<b>5,896</b>	<b>6,428</b>	<b>6,897</b>
Provisioning	1,085	1,219	1,690	1,943	1,959
Profits of associates	63	67	67	67	67
<b>Pre-tax income</b>	<b>3,892</b>	<b>3,844</b>	<b>4,273</b>	<b>4,552</b>	<b>5,005</b>
Tax	727	800	897	956	1,051
Minority interests	-334	-306	-305	-289	-300
Asset tax	-466	-599	-620	-648	-664
<b>Net income</b>	<b>2,365</b>	<b>2,138</b>	<b>2,450</b>	<b>2,659</b>	<b>2,990</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>34,972</b>	<b>100%</b>
Outst. Shares (millions)	99	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>352.42</b>	
<b>9M Target Price (PLN)</b>	<b>374.88</b>	

### 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%
<b>Fair Value</b>	<b>33,443</b>	<b>100%</b>
Outst. Shares (millions)	99	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>337.01</b>	
<b>9M Target Price (PLN)</b>	<b>358.49</b>	

### 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%
<b>9M Target Price (PLN)</b>		<b>287.90</b>

## Komercni Banka buy (no change)

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We maintain a buy rating for Komercni Banka. In our 2020 Investing Strategy, we lowered our forecasts by 2% for 2020 and 2021 and raised by 1% for 2019. The change in 2020/21 projections results mainly from a more conservative approach to the evolution of interest and commissions income. We expect KB's interest margin in 2020 to fall by a further 10bps and to stabilize in 2021. Nevertheless, we believe that the quarterly interest margin in 2020 and 2021 should finally see a slight rebound due to the rollover of mortgage and consumer products at ever higher rates and the subsiding price war in these products. The latest unexpected rate hike in the Czech Republic will also contribute to NIM growth. 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 the high level of 13%, unattainable for the Polish banking sector. Combined with a dividend yield of >6%, we believe that KB looks best as a safe haven for 2020.

<b>Current Price</b>	730.50 CZK	<b>Upside</b>
<b>9M Target Price</b>	928.20 CZK	<b>+27.1%</b>

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

Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	-6.8% +1.2%
ISIN	CZ0008019106	YTD Price Chng	-11.9% -2.2%
Outst. Stock (m)	188.9	ADTV 1M	CZK 159.4m
MC (CZK bn)	138.0	ADTV 6M	CZK 125.7m
		P/E 12M fwd	9.8 -25.5%
Free Float	39.6%	P/E 5Y avg	13.1 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	9.2	9.3	9.1	9.7	9.2
P/B	1.4	1.3	1.3	1.3	1.2
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%	6.4%	7.0%	7.0%	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	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
<b>Total income</b>	<b>31,060</b>	<b>32,202</b>	<b>32,689</b>	<b>33,114</b>	<b>34,512</b>
Operating expenses	-13,374	-14,634	-14,997	-15,147	-15,352
<b>Operating income</b>	<b>17,686</b>	<b>17,569</b>	<b>17,692</b>	<b>17,966</b>	<b>19,160</b>
Provisioning	391	643	798	-502	-922
<b>Net oper. income</b>	<b>18,077</b>	<b>18,209</b>	<b>18,490</b>	<b>17,464</b>	<b>18,238</b>
Profits of associates	209	308	311	327	343
Retirement benefits	0	0	69	0	0
<b>Pre-tax income</b>	<b>18,286</b>	<b>18,518</b>	<b>18,870</b>	<b>17,791</b>	<b>18,581</b>
Tax	-3,012	-3,349	-3,397	-3,202	-3,345
Minority interests	344	324	321	318	314
<b>Net income</b>	<b>14,930</b>	<b>14,846</b>	<b>15,152</b>	<b>14,271</b>	<b>14,922</b>

### Key Balance Sheet Figures

(CZK bn)	2017	2018	2019P	2020P	2021P
<b>Net loans</b>	<b>598</b>	<b>625</b>	<b>648</b>	<b>675</b>	<b>703</b>
Other assets	406	435	506	530	555
<b>Total assets</b>	<b>1,004</b>	<b>1,060</b>	<b>1,154</b>	<b>1,205</b>	<b>1,258</b>
<b>Deposits</b>	<b>762</b>	<b>812</b>	<b>882</b>	<b>924</b>	<b>969</b>
Other liabilities	142	144	164	168	172
Minority interests	4	3	4	4	4
<b>Equity</b>	<b>97</b>	<b>100</b>	<b>105</b>	<b>109</b>	<b>114</b>

### 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%
<b>Fair Value</b>	<b>168,946</b>	<b>100%</b>

Outst. Shares (millions)	189
Cost of equity	7.0%
<b>Fair Value Per Share (CZK)</b>	<b>895</b>
<b>9M Target Price (CZK)</b>	<b>942</b>

### 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%
<b>Fair Value</b>	<b>164,157</b>	<b>100%</b>

Outst. Shares (millions)	189
Cost of equity	7.0%
<b>Fair Value Per Share (CZK)</b>	<b>869</b>
<b>9M Target Price (CZK)</b>	<b>915</b>

### 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%
<b>9M Target Price (CZK)</b>		<b>928.20</b>

## Moneta Money Bank buy (no change)

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We maintain a buy rating for Moneta Money Bank. 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 to Polish banks, which will have to face a significant number of problems in 2020. Note that MONET's valuation has currently retreated below the levels seen before the acquisition announcement.

### Current Price

79.70 CZK

Upside

### 9M Target Price

94.33 CZK

+18.4%

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

Key Metrics		MONET CP	vs. WIG
Ticker	MONET CP	1M Price Chng	-6.1% +1.9%
ISIN	CZ0008040318	YTD Price Chng	-6.2% +3.5%
Outst. Stock (m)	511.0	ADTV 1M	CZK 111.8m
MC (CZK bn)	40.7	ADTV 6M	CZK 92.4m
		P/E 12M fwd	10.3 -8.6%
Free Float	100.0%	P/E 5Y avg	11.3 discount

### Earnings Projections

### Earnings Projections

(CZK m)	2017	2018	2019P	2020P	2021P
NII	7,364	7,409	7,965	8,675	9,358
Total income	10,335	10,162	10,514	11,334	12,112
Costs	-4,763	-4,580	-4,662	-4,643	-4,813
Provisioning	-381	-274	-604	-1,063	-1,606
Net income	3,923	4,200	3,808	4,098	4,139
P/E	10.4	9.7	10.7	9.9	9.8
P/B	1.6	1.6	1.6	1.5	1.5
ROE	14.8%	16.5%	15.0%	15.8%	15.5%
DPS	9.80	8.00	6.15	5.59	6.01
DYield	12.3%	10.0%	7.7%	7.0%	7.5%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(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
<b>Total income</b>	<b>10,335</b>	<b>10,162</b>	<b>10,514</b>	<b>11,334</b>	<b>12,112</b>
Operating expenses	-4,763	-4,580	-4,662	-4,643	-4,813
<b>Operating income</b>	<b>5,388</b>	<b>5,310</b>	<b>5,364</b>	<b>6,185</b>	<b>6,780</b>
Provisioning	-381	-274	-604	-1,063	-1,606
<b>Pre-tax income</b>	<b>4,903</b>	<b>5,036</b>	<b>4,760</b>	<b>5,123</b>	<b>5,174</b>
Tax	-980	-836	-952	-1,025	-1,035
Minority interests	0	0	0	0	0
<b>Net income</b>	<b>3,923</b>	<b>4,200</b>	<b>3,808</b>	<b>4,098</b>	<b>4,139</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>44,430</b>	<b>100%</b>

Outst. Shares (millions)	511
Cost of equity	7.0%
<b>Fair Value Per Share (CZK)</b>	<b>87</b>
<b>9M Target Price (CZK)</b>	<b>92</b>

### 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%
<b>Fair Value</b>	<b>47,170</b>	<b>100%</b>

Outst. Shares (millions)	511
Cost of equity	7.0%
<b>Fair Value Per Share (CZK)</b>	<b>92</b>
<b>9M Target Price (CZK)</b>	<b>97</b>

### Valuation Summary

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

## Erste Group buy (upgraded)

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We upgrade Erste Group from accumulate to buy after a share price slump. Like most of its CEE peers, Erste currently pays low cost of risk owing to strong economic growth in the region. Erste Group's forecast for 2020 assumes slower interest income growth 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 Investing Strategy by lowering them by 3% for 2020 and by 8% for 2021. We also reduced our expectations regarding interest income growth (+2% in 2020), increased our expectations regarding 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, and an opportunity may be higher loan and fee income growth. Erste Group is currently quoted at a discount to its own book value, which in our opinion is unjustified and creates an investment opportunity. Compared to similar companies, Erste offers higher returns and dividend yield at 5%.

<b>Current Price</b>	29.44 EUR	<b>Upside</b>
<b>9M Target Price</b>	36.61 EUR	<b>+24.4%</b>

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>36.61 EUR</b>	<b>2020-03-04</b>
<b>old</b>	<b>accumulate</b>	<b>36.61 EUR</b>	<b>2019-12-05</b>
<b>Key Metrics</b>			
Ticker	EBS AV	1M Price Chng	-11.2% -3.2%
ISIN	AT0000652011	YTD Price Chng	-12.3% -2.6%
Outst. Stock (m)	429.8	ADTV 1M	EUR 28.2m
MC (EUR m)	12,653.3	ADTV 6M	EUR 21.8m
		P/E 12M fwd	8.1 -21.7%
Free Float	69.5%	P/E 5Y avg	10.3 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	9.6	7.1	8.2	7.8	7.8
P/B	0.9	0.9	0.9	0.8	0.8
ROE	10.0%	12.7%	10.6%	10.7%	10.5%
DPS	1.00	1.20	1.30	1.51	1.57
DYield	3.4%	4.1%	4.4%	5.1%	5.3%
<b>Forecast Update (% change)</b>					
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
<b>Total income</b>	<b>6,475</b>	<b>6,726</b>	<b>7,038</b>	<b>7,243</b>	<b>7,519</b>
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
<b>Operating income</b>	<b>2,210</b>	<b>2,436</b>	<b>2,399</b>	<b>2,601</b>	<b>2,782</b>
Provisioning	-132	59	-13	-209	-342
<b>Net operating income</b>	<b>2,078</b>	<b>2,495</b>	<b>2,385</b>	<b>2,392</b>	<b>2,440</b>
Extraordinary gains	0	0	0	0	0
<b>Pre-tax income</b>	<b>2,078</b>	<b>2,495</b>	<b>2,385</b>	<b>2,392</b>	<b>2,440</b>
Tax	-410	-332	-413	-384	-394
Minority interests	-352	-369	-425	-396	-417
<b>Net income</b>	<b>1,316</b>	<b>1,793</b>	<b>1,547</b>	<b>1,612</b>	<b>1,629</b>

### Key Balance Sheet Figures

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

### 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	
<b>Austria</b>	<b>5,390</b>	<b>12.54</b>	<b>541</b>	<b>491</b>	<b>482</b>	<b>10.0</b>	<b>11.0</b>	<b>11.2</b>	<b>5,327</b>	<b>1.0</b>	
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	
<b>CEE</b>	<b>14,865</b>	<b>34.59</b>	<b>1,164</b>	<b>1,278</b>	<b>1,304</b>	<b>12.8</b>	<b>11.6</b>	<b>11.4</b>	<b>7,367</b>	<b>2.0</b>	
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	
<b>Other</b>	<b>-5,284</b>	<b>-12.30</b>	<b>-164</b>	<b>-163</b>	<b>-163</b>	<b>32.3</b>	<b>32.5</b>	<b>32.4</b>	<b>-15,005</b>	<b>0.3</b>	
<b>Total Erste Group</b>	<b>14,971</b>	<b>34.83</b>									

### 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%
<b>9M Target Price (EUR)</b>		<b>36.61</b>



## RBI

### accumulate (no change)

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RBI stock has taken a beating over the Bank's high exposure to Asia. At the same, a wide exposure to emerging markets can give RBI an upper hand in the event of a global slowdown, especially through operations in Russia, where the government is expected to provide fiscal stimulus. In its business strategy, RBI aims to achieve return of equity of 11% in the medium term, and it targets loan volume growth in the mid-single digits, 2019 cost of risk below 45bp, and a 2021 costs/income ratio of approximately 55%. RBI would like to distribute between 20% and 50% of annual net earnings as dividends subject to a CET1 ratio above 13%. Compared to these goals, our (and other analysts') assessment of RBI's growth potential is somewhat more modest, as reflected in 2019-2021 ROE projections of ca. 9% and expectations of a C/I of 61% at best; on the other hand, we expect to see cost of risk in the 32-45bp range in 2020/21. RBI's risk exposure is the highest in the region due to a large portfolio, estimated at PLN 8 billion, of mortgages denominated in Swiss francs, held in Poland. In the absolute-worse-case scenario where borrowers who already paid back their franc loans join the class action, and banks book the FX losses on conversion all at once, the write-off required of RBI would approximate PLN 5 billion or EUR 1.15 billion (EUR 3.4 per share), an amount equivalent to net earnings for a full year. On our estimates, RBI is currently trading at 6.2x 2020E fair P/E and 0.6x P/B, showing a discount to peers that is fully justified by low returns of equity (lowest ROE in CEE sector), coupled with the risk exposure associated with the Polish FX loan portfolio.

<b>Current Price</b>	18.44 EUR	<b>Upside</b>
<b>9M Target Price</b>	23.05 EUR	<b>+25.0%</b>

	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	-10.8%	-2.8%
ISIN	AT0000606306	YTD Price Chng	-17.6%	-8.0%
Outst. Stock (m)	328.9	ADTV 1M		EUR 15.0m
MC (EUR m)	6,065.7	ADTV 6M		EUR 9.8m
		P/E 12M fwd	5.3	-38.4%
Free Float	41.2%	P/E 5Y avg	8.6	discount

### Earnings Projections

(EUR m)	2017	2018	2019P	2020P	2021P
NII	3,225	3,362	3,443	3,674	3,835
Total income	4,999	5,210	5,127	5,415	5,635
Costs	-2,994	-3,237	-3,229	-3,353	-3,418
Provisioning	-392	-220	-161	-297	-445
Net income	1,116	1,270	1,162	1,216	1,225
P/E	4.6	4.3	5.2	5.0	5.0
P/B	0.6	0.5	0.5	0.5	0.4
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%	4.3%	6.3%	5.7%	6.0%
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

(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
<b>Total income</b>	<b>4,999</b>	<b>5,210</b>	<b>5,127</b>	<b>5,415</b>	<b>5,635</b>
Total costs	-2,994	-3,237	-3,229	-3,353	-3,418
<b>Operating income</b>	<b>2,004</b>	<b>1,973</b>	<b>1,899</b>	<b>2,062</b>	<b>2,217</b>
Provisioning	-392	-220	-161	-297	-445
<b>Gross income</b>	<b>1,612</b>	<b>1,753</b>	<b>1,738</b>	<b>1,765</b>	<b>1,772</b>
Income tax	-366	-355	-430	-412	-408
<b>Net income</b>	<b>1,246</b>	<b>1,398</b>	<b>1,308</b>	<b>1,353</b>	<b>1,363</b>
Minority interests	-130	-128	-146	-137	-139
<b>Net income after minor</b>	<b>1,116</b>	<b>1,270</b>	<b>1,162</b>	<b>1,216</b>	<b>1,225</b>

### Key Balance Sheet Figures

(EUR m)	2017	2018	2019P	2020P	2021P
<b>Net loans</b>	<b>77,745</b>	<b>80,866</b>	<b>88,470</b>	<b>94,256</b>	<b>99,905</b>
<b>Total assets</b>	<b>135,146</b>	<b>140,115</b>	<b>153,937</b>	<b>160,824</b>	<b>167,664</b>
<b>Deposits</b>	<b>84,974</b>	<b>87,038</b>	<b>94,440</b>	<b>100,221</b>	<b>106,403</b>
Total assets	123,905	127,702	140,683	146,652	152,588
Minority interests	660	701	760	811	856
<b>Equity</b>	<b>10,582</b>	<b>11,713</b>	<b>12,493</b>	<b>13,361</b>	<b>14,221</b>

### 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
<b>Raiffeisen Group</b>	<b>7,073</b>	<b>21.50</b>	<b>1310</b>	<b>1355</b>	<b>1365</b>	<b>5.4</b>	<b>5.2</b>	<b>5.2</b>	<b>38.0</b>	<b>0.6</b>

### Valuation Summary

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

## OTP Bank hold (no change)

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We maintain a hold rating for OTP Bank. OTP has recently bought the CEE business of Societe Generale, a good move in our initial assessment with the acquisitions showing potential to drive earnings growth while the economic momentum in the region decelerates, resulting in higher cost of risk. The intense M&A activity has not impaired OTP's healthy financial standing, with the CET1 ratio as of 30 September 2019 at 14.3%, and the total capital ratio at 16.8%. With no more major acquisitions planned in the foreseeable future, OTP is inclined to increase distributions to shareholders, either as cash dividends or through share repurchases. OTP is trading at premiums of 38%-31% to the average 2020E and 2021E P/B ratios of CEE banks (and a discount on P/E), which we find fully justified by its conservative balance sheet, with a low ratio of loans to deposits, and by strong ROE which at 17% is the highest of all the banks in our coverage universe. High dividends are another factor warranting a high premium to the sector, with 2021 dividend yield expected to top 4%. With all that said, despite the robust earnings prospects, OTP has less upside potential at the moment than its Austrian peers.

<b>Current Price</b>	14,220.00 HUF	<b>Upside</b>
<b>9M Target Price</b>	14,681.00 HUF	<b>+3.2%</b>

	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	-1.3%	+6.8%
ISIN	HU00000061726	YTD Price Chng	-7.8%	+1.8%
Outst. Stock (m)	267.0	ADTV 1M		HUF 8.2bn
MC (HUF bn)	3,797.2	ADTV 6M		HUF 6.0bn
		P/E 12M fwd	9.1	-13.0%
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	13.5	11.9	9.8	8.9	8.7
P/B	2.3	2.1	1.8	1.5	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%	1.7%	3.9%
Forecast Update (% change)			2019P	2020P	2021P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(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
<b>Total income</b>	<b>809</b>	<b>886</b>	<b>1,054</b>	<b>1,189</b>	<b>1,243</b>
Operating expenses	442	497	560	621	641
<b>Operating income</b>	<b>367</b>	<b>389</b>	<b>494</b>	<b>568</b>	<b>602</b>
Provisioning	46	26	46	102	124
<b>Pre-tax income</b>	<b>321</b>	<b>363</b>	<b>448</b>	<b>466</b>	<b>478</b>
Tax	37	37	52	57	59
<b>Net income</b>	<b>284</b>	<b>325</b>	<b>396</b>	<b>410</b>	<b>419</b>
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
<b>Net income</b>	<b>281</b>	<b>318</b>	<b>388</b>	<b>425</b>	<b>435</b>

### Key Balance Sheet Figures

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

### 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
<b>Hungary + Other</b>	<b>1,959</b>	<b>7,338</b>	<b>205.4</b>	<b>176.6</b>	<b>172.7</b>	<b>9.5</b>	<b>11.1</b>	<b>11.3</b>	<b>1,164</b>	<b>6.3</b>
<b>CEE</b>	<b>1,915</b>	<b>7,158</b>	<b>203.8</b>	<b>233.0</b>	<b>246.5</b>	<b>9.4</b>	<b>8.2</b>	<b>7.8</b>	<b>6,289</b>	<b>1.1</b>
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
<b>Total Divisions</b>	<b>3,874</b>	<b>14,496</b>	<b>409.2</b>	<b>409.6</b>	<b>419.2</b>	<b>9.3</b>	<b>9.3</b>	<b>9.1</b>	<b>7,453</b>	<b>2.2</b>
Asset tax	-204	-763								
<b>Total OTP Group</b>	<b>3,671</b>	<b>13,733</b>								

### 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%
<b>9M Target Price (HUF)</b>		<b>14,681</b>

## PZU buy (upgraded)

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We upgrade PZU by two notches to buy in anticipation of a positive surprise in FY2019 results. Further, assuming an 80% payout ratio, on our FY2019 net profit estimate PZU could pay annual dividends of PLN 3.0 in 2020 (DY=8.2%). A 50% payout ratio implies DPS of PLN 1.9 and DY of 5.2%. The current DPS consensus is PLN 2.875. Our earnings outlook for PZU is slightly more positive than the consensus outlook, which we also expect to turn more upbeat down the line. PZU's name is starting to come up again as a potential consolidator of Polish banks, especially after the Management Board confirmed its interest in the acquisition of mBank. At the same time, we believe that the potential sale or merger of Alior Bank with any entity is currently unrealistic. A merger would entail an adjustment to Alior's carrying value in the form of a write-down to the tune of PLN 1.5bn. On another note, PZU stock has taken a pummeling over the last few days which we consider completely undeserved for a defensive play with a high dividend yield. Furthermore, PZU has rebalance its portfolios to mitigate the impact of stock market falls.

<b>Current Price</b>	36.31 PLN	<b>Upside</b>
<b>9M Target Price</b>	41.91 PLN	<b>+15.4%</b>

		rating	target price	issued	
new		buy	41.91 PLN	2020-03-04	
old		hold	41.91 PLN	2020-02-05	
Key Metrics			PZU PW	vs. WIG	
Ticker	PZU PW	1M Price Chng	-9.9%	-1.9%	
ISIN	PLPZU0000011	YTD Price Chng	-9.3%	+0.4%	
Outst. Stock (m)	863.5	ADTV 1M		PLN 63.4m	
MC (PLN m)	31,354.5	ADTV 6M		PLN 63.8m	
		P/E 12M fwd		9.6	-17.0%
Free Float	64.8%	P/E 5Y avg		11.6	discount

### Earnings Projections

### Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
GWP	22,847	23,470	23,962	24,486	25,035
Claims	-14,942	-14,563	-15,108	-15,432	-15,771
Inv. income	1,895	892	987	1,076	1,017
Total costs	-4,511	-4,750	-4,957	-5,089	-5,226
Net income	2,910	3,213	3,163	3,319	3,374
P/E	10.8	9.8	9.9	9.4	9.3
P/B	2.1	2.1	2.1	2.1	2.0
ROE	21.1%	21.7%	21.1%	21.9%	22.0%
DPS	1.40	2.70	2.98	2.93	3.07
DYield	3.9%	7.4%	8.2%	8.1%	8.5%
Forecast Update (% change)			2019P	2020P	2021P
Gross written premiums			0.0%	0.0%	0.0%
Claims			0.0%	0.0%	0.0%
Investment income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Gross written prems	22,847	23,470	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
<b>Operating income</b>	<b>5,458</b>	<b>7,087</b>	<b>6,555</b>	<b>6,992</b>	<b>7,243</b>
Financing costs	0	0	0	0	0
Subsidiaries	16	-1	-1	-1	-1
<b>Pre-tax income</b>	<b>5,474</b>	<b>7,086</b>	<b>6,554</b>	<b>6,991</b>	<b>7,242</b>
Tax	-1,289	-1,718	-1,566	-1,670	-1,730
Minority interest	1,290	2,155	1,826	2,002	2,138
<b>Net income</b>	<b>2,895</b>	<b>3,213</b>	<b>3,163</b>	<b>3,319</b>	<b>3,374</b>

### Key Balance Sheet Figures

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

### 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%
<b>Fair Value</b>	<b>26,209</b>	<b>100%</b>
Outst. Shares (millions)	864	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>30.35</b>	
<b>9M Target Price (PLN)</b>	<b>32.29</b>	

### 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%
<b>Fair Value</b>	<b>26,466</b>	<b>100%</b>
Outst. Shares (millions)	864	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>30.65</b>	
<b>9M Target Price (PLN)</b>	<b>32.60</b>	

### Valuation Ex. Banks

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

### 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
<b>Value</b>	<b>34,020</b>	<b>39.40</b>
<b>9M Target Price (PLN)</b>		<b>41.91</b>

Nothing in this Publication is intended as a comment on any report, opinion, or view expressed by media outlets as regards an apparent intention on the part of Bank Pekao S.A. to approach Commerzbank with a preliminary offer to buy shares in mBank (the "Alleged Transaction"). Furthermore, nothing in this Publication shall be construed as an attempt to measure the impact of such an Alleged Transaction on the valuation or the financial results of Bank Pekao S.A. Any recommendations made herein, and all financial forecasts, reflect the present status of Bank Pekao S.A. as of this date and represent our expectations as to Bank Pekao S.A.'s growth on an organic basis. Similarly, nothing in this Publication shall be construed as a comment on how the Alleged Transaction could impact PZU S.A., which is part of our coverage universe and which holds interest in Bank Pekao S.A.

## Kruk buy (no change)

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We maintain a buy rating for Kruk. Early this year, the Company delivered a mixed set of 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 it was 9.4% compared to 15.8% in 2018. Meanwhile, the declared repayments of PLN 475m are the highest to date, and the nominal value of the portfolios purchased shows Kruk's "engines" are sufficiently powered for 2020. On the other hand, Kruk most recently expects its annual profit after tax to come in at PLN 277m, an adjustment to an earlier estimate of PLN 304m, which raises a lot of questions about the expenses incurred and the revaluation. We hope the Company will shed more light on the reasons during the March earnings conference. 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 on those markets. The prospects would look better if Q4 saw higher financing 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. Going forward, Kruk faces potential risk from Poland's 2020 presidential election if incumbent president Andrzej Duda, running for re-election, decides to fast-track a proposed new anti-usury bill. On top of that, the ongoing coronavirus outbreak in northern Italy might have a negative impact on collections in the region.

<b>Current Price</b>	137.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	210.31 PLN	<b>+53.5%</b>

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

Key Metrics		KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-15.5%
ISIN	PLKRK0000010	YTD Price Chng	-18.2%
Outst. Stock (m)	18.9	ADTV 1M	PLN 7.9m
MC (PLN m)	2,587.5	ADTV 6M	PLN 7.6m
		P/E 12M fwd	7.8
Free float	87.0%	P/E 5Y avg	13.0

### Earnings Projections

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	8.7	7.8	7.8	7.7	7.4
P/B	1.8	1.5	1.4	1.3	1.2
ROE	21.9%	20.7%	18.4%	17.0%	16.3%
DPS	5.76	5.00	5.00	8.83	8.91
DYield	4.2%	3.6%	3.6%	6.4%	6.5%
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
<b>Gross profit</b>	<b>589</b>	<b>664</b>	<b>732</b>	<b>745</b>	<b>756</b>
Costs	148	161	179	182	185
One-time events	-2	-5	-5	-5	-5
<b>EBITDA</b>	<b>439</b>	<b>498</b>	<b>548</b>	<b>557</b>	<b>566</b>
D&A	19	20	44	49	40
<b>EBIT</b>	<b>421</b>	<b>478</b>	<b>504</b>	<b>509</b>	<b>526</b>
Financing activity	-86	-126	-142	-143	-145
Pre-tax income	335	353	362	365	381
Tax	40	22	29	29	30
<b>Net income</b>	<b>295</b>	<b>330</b>	<b>333</b>	<b>336</b>	<b>351</b>
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
<b>Purchased debt</b>	<b>3,169</b>	<b>4,157</b>	<b>4,294</b>	<b>4,302</b>	<b>4,762</b>
Other assets	218	178	374	363	369
<b>Total assets</b>	<b>3,560</b>	<b>4,482</b>	<b>4,827</b>	<b>4,823</b>	<b>5,306</b>
<b>Loans</b>	<b>1,897</b>	<b>2,500</b>	<b>2,749</b>	<b>2,564</b>	<b>2,823</b>
Other liabilities	202	250	185	197	238
<b>Equity</b>	<b>1,460</b>	<b>1,732</b>	<b>1,893</b>	<b>2,062</b>	<b>2,245</b>

### 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	
<b>Fair Value as of Nov. 2019</b>	<b>3,652</b>	<b>3,784</b>
PV Adjustment	204	69
<b>Fair Value</b>	<b>3,856</b>	<b>3,853</b>
Outst. Shares (millions)	18.9	18.9
Cost of equity	7.8%	7.8%
<b>Fair Value Per Share (PLN)</b>	<b>204.14</b>	<b>204.03</b>
<b>9M Target Price (PLN)</b>	<b>218.84</b>	<b>218.71</b>

### 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
<b>Equity Value as of Nov. 2019</b>	<b>3,731</b>
PV Adjustment	68
<b>Fair Value</b>	<b>3,798</b>
Outst. Shares (millions)	18.9
<b>Value Per Share (PLN)</b>	<b>201.11</b>

### 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%
<b>9M Target Price (PLN)</b>		<b>210.31</b>

## Skarbiec Holding buy (reiterated)

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We maintain a buy rating for Skarbiec Holding, but we lower the target price to PLN 21.20 after updating our models to reflect the recent stock market falls and the likely outflow of money from high-yielding investment funds. Increased withdrawals this quarter and next, even if only temporary, when combined with scaled-down management fees, might shrink Skarbiec's asset management income by as much 21% relative to our original estimate. On top of that, we assume Skarbiec will most likely slash by half its high success fees this year in hopes of curbing the AUM contraction. On the updated estimates, we still believe Skarbiec can offer dividend yield of 20% this year on stellar FY2019 earnings, followed by lower yields of 10%-11% in subsequent years. With that said, DPS may be reduced in the event of an acquisition of a distributor, for example, which would be a natural business complement to the company. The continuing uncertainty as to Skarbiec's ownership might affect the Company's relationships with fund distributors. SKH is trading at a deep discount compared to other asset managers, but this is justified by its difficult regulatory environment.

<b>Current Price</b>	18.80 PLN	<b>Upside</b>
<b>9M Target Price</b>	21.20 PLN	<b>+12.8%</b>

		rating	target price	issued	
new		buy	21.20 PLN	2020-03-04	
old		buy	29.34 PLN	2019-12-05	
Key Metrics			SKH PW	vs. WIG	
Ticker	SKH PW	1M Price Chng	-13.4%	-5.3%	
ISIN	PLSKRBH00014	YTD Price Chng	-1.1%	+8.6%	
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.1m	
MC (PLN m)	128.2	ADTV 6M		PLN 0.1m	
		P/E 12M fwd	5.7	-21.3%	
Free Float	25.4%	P/E 5Y avg	7.2	discount	

### Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	101.5	112.9	76.3	83.6	84.2
Mgmt fees	80.9	78.3	65.4	60.0	58.4
Success fees	15.2	33.2	9.6	22.4	24.5
Costs	-78.1	-75.0	-61.3	-62.7	-65.0
Net income	19.6	31.2	13.0	17.7	16.4
P/E	6.5	4.1	9.9	7.2	7.8
P/B	1.3	1.2	1.1	1.2	1.2
ROE	19.3%	30.3%	12.0%	16.3%	15.3%
DPS	2.62	4.45	0.50	3.69	1.80
DYield	13.9%	23.7%	2.7%	19.7%	9.6%
Forecast Update (% change)			2019P	2020P	2021P
Management fees			-11.1%	-21.2%	-21.2%
Success fees			-48.8%	+5.6%	+5.6%
Revenue			-18.6%	-15.3%	-14.8%
Total costs			-9.7%	-12.1%	-12.1%
Net income			-40.4%	-22.9%	-22.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Management fees	80.9	78.3	65.4	60.0	58.4
Success fees	15.2	33.2	9.6	22.4	24.5
Other	5.4	1.4	1.2	1.2	1.3
<b>Revenue</b>	<b>101.5</b>	<b>112.9</b>	<b>76.3</b>	<b>83.6</b>	<b>84.2</b>
Distribution costs	-41.5	-34.3	-28.0	-26.4	-27.5
Payroll	-19.8	-24.6	-16.7	-19.3	-20.1
Other operating costs	-16.8	-16.1	-16.6	-17.0	-17.4
<b>Operating expenses</b>	<b>-78.1</b>	<b>-75.0</b>	<b>-61.3</b>	<b>-62.7</b>	<b>-65.0</b>
Other	0.9	0.9	1.0	1.0	1.1
<b>Pre-tax income</b>	<b>24.3</b>	<b>38.8</b>	<b>16.0</b>	<b>21.9</b>	<b>20.3</b>
Tax	-4.7	-7.6	-3.0	-4.2	-3.9
<b>Net income</b>	<b>19.6</b>	<b>31.2</b>	<b>13.0</b>	<b>17.7</b>	<b>16.4</b>
Retail AUM	4,414	3,457	2,974	3,421	3,589
Dedicated AUM	2,375	406	406	406	406
<b>Total AUM</b>	<b>6,789</b>	<b>3,862</b>	<b>3,380</b>	<b>3,826</b>	<b>3,995</b>

### 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	10.9	20.7	19.1
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	112.8	105.3	109.5

### Relative Valuation Summary

	P/E			Market Cap./AUM		
	19P	20P	21P	19P	20P	21P
Minimum	5.6	5.4	5.3	0.0	0.0	0.0
Maximum	22.1	17.4	14.4	0.0	0.0	0.0
Median	12.9	11.9	11.3	0.0	0.0	0.0
Weight	17%	17%	17%	17%	17%	17%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	82	57%
PV of Dividends (Value Driver)	53	37%
PV of Terminal Value	8	6%
<b>Fair Value as of Jul. 2019</b>	<b>143</b>	<b>100%</b>
PV Adjustment	20	
<b>Fair Value</b>	<b>163</b>	
Dilution (stock options)	-6	
<b>Fair Value</b>	<b>158</b>	
Outst. Shares (millions)	6.8	
<b>Fair Value Per Share (PLN)</b>	<b>23.11</b>	
<b>9M Target Price (PLN)</b>	<b>25.02</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	103	78%
Explicit Forecast (2016-2026)	21	16%
Value Driver - 20 yrs	8	6%
<b>Fair Value as of Jul. 2019</b>	<b>132</b>	<b>100%</b>
PV Adjustment	10	
<b>Fair Value</b>	<b>142</b>	
Dilution (stock options)	-5	
<b>Fair Value</b>	<b>137</b>	
Outst. Shares (millions)	6.8	
<b>Fair Value Per Share (PLN)</b>	<b>20.10</b>	
<b>9M Target Price (PLN)</b>	<b>21.76</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	33%	158
Economic Profits	33%	137
Relative	33%	110

### Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	23.11
Economic Profits	33%	20.10
Relative	33%	16.14
Cost of equity (9M)		8.3%
<b>9M Target Price (PLN)</b>		<b>21.20</b>



## GPW buy (no change)

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We maintain a buy recommendation for GPW. Low trading volumes on the Warsaw Stock Exchange (WSE) and the Power Exchange (TGE) will result in disappointing revenues in Q4, which, combined with growing costs, will translate into a weak but expected result of the whole quarter. This does not change our positive outlook for GPW, which is expected to offer high dividend yields of 6.5% in 2020 and 6.8% in 2021, while trading at attractive ratios. In January 2020 the trading volumes on the WSE and the alternative NewConnect market were higher than the monthly average for 2019, and it will be interesting to see how the rest of the quarter unfolds. Looking ahead, GPW is in for a number of projects which, if positively implemented, may change the company's image and restore investors' faith in its growth potential. The first of them, an agricultural commodity exchange, should be launched in late March. Initially, trading is to be carried out free of charge as part of a pilot program expected to finish at the end of September. After that period, if successful, the agricultural commodity exchange should start contributing to the Group's revenues. Another event of significance to future revenues will be an OTF license for TGE which will enable the power exchange to trade instruments based on CO2 emission permits, among other things. Currently, TGE is waiting for Polish Financial Supervision Authority's decision thereon.

<b>Current Price</b>	40.70 PLN	<b>Upside</b>
<b>9M Target Price</b>	47.82 PLN	<b>+17.5%</b>

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

Key Metrics		GPW PW	vs. WIG
Ticker	GPW PW	1M Price Chng	-2.5% +5.5%
ISIN	PLGPW0000017	YTD Price Chng	+3.6% +13.2%
Outst. Stock (m)	42.0	ADTV 1M	PLN 2.4m
MC (PLN m)	1,708.3	ADTV 6M	PLN 1.7m
EV (PLN m)	1,687.8	EV/EBITDA 12M fwd	7.9 +2.8%
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	10.8	9.3	13.4	15.3	15.0
P/B	2.1	1.9	1.9	1.9	1.9
EV/EBITDA	6.8	8.1	8.2	9.1	10.1
DPS	2.15	2.20	3.18	2.50	2.60
DYield	5.3%	5.4%	7.8%	6.1%	6.4%
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
<b>Assets</b>	<b>1,147</b>	<b>1,217</b>	<b>1,231</b>	<b>1,236</b>	<b>1,241</b>
Fixed assets	596	580	582	564	561
Current assets	551	637	649	672	680
<b>Equity &amp; Liabilities</b>	<b>1,147</b>	<b>1,217</b>	<b>1,231</b>	<b>1,236</b>	<b>1,241</b>
Non-current liabilities	271	269	286	285	284
Current liabilities	77	57	64	63	64
<b>Equity &amp; Liabilities</b>	<b>799</b>	<b>891</b>	<b>882</b>	<b>888</b>	<b>893</b>

### 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%
<b>Equity value per share</b>	<b>44.95</b>	<b>100%</b>
CoE (%)	8.5%	
<b>Target price</b>	<b>47.81</b>	

### DCF Summary

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

### Valuation Summary

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



## Chemicals

### Ciech

buy (no change)

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Ciech eyes an estimated PLN 88m in extra revenue this year thanks to higher market prices of soda ash (+4%) which have facilitated hikes of about 6% on the Company's 2020 deliveries. Also helping are lower costs of coking coal and natural gas, mitigating higher expenses on thermal coal – we assume a decrease in total materials costs in 2020 by PLN 19m. These positive shifts will be partly offset by costs of an estimated PLN 19m per quarter incurred by the Govora unit in Romania leading up to its complete closure, but all told we anticipate a PLN 59m boost to adjusted EBITDA for the year. No major capacity additions are planned in Europe in the coming years, and in the medium term demand should increase with increasing production of packaging glass (+39% y/y in Poland in 2019) to replace plastic. We have a buy rating for CIE, with a target price of PLN 47.46.

Current Price

36.85 PLN

Upside

9M Target Price

47.46 PLN

+28.8%

	rating	target price	issued
unchanged	buy	47.46 PLN	2020-02-13

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-7.8%	+0.3%
ISIN	PLCIECH000018	YTD Price Chng	-7.2%	+2.5%
Outst. Stock (m)	52.7	ADTV 1M		PLN 3.8m
MC (PLN m)	1,942.0	ADTV 6M		PLN 2.1m
EV (PLN m)	3,590.4	EV/EBITDA 12M fwd	5.3	-10.2%
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	3,577	3,466	3,620
EBITDA adj.	808	633	627	686	699
EBITDA margin	22.6%	17.2%	17.5%	19.8%	19.3%
EBIT adj.	564	358	315	360	363
Net income adj.	373	166	189	228	230
P/E adj.	5.2	11.7	10.3	8.5	8.4
P/B	0.9	1.0	1.0	0.9	0.8
EV/EBITDA adj.	3.5	5.4	5.7	5.5	5.3
DPS	0.00	7.50	0.00	0.00	2.16
DYield	0.0%	20.4%	0.0%	0.0%	5.9%
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	489	621	630
EBITDA, Organic Div.	97	76	68	69	72
EBITDA, Silicates	37	34	41	40	41
EBITDA, Other	-5	9	-44	-44	-44
EBITDA/tonne, Soda	808	633	627	686	699
<b>Operating cash flow</b>	<b>629</b>	<b>454</b>	<b>309</b>	<b>633</b>	<b>618</b>
D&A	244	275	312	326	336
Working capital	-66	-97	-196	11	-16
<b>Investing cash flow</b>	<b>-389</b>	<b>-627</b>	<b>-330</b>	<b>-715</b>	<b>-400</b>
CAPEX	402	595	330	715	400
<b>Financing cash flow</b>	<b>-164</b>	<b>-125</b>	<b>-64</b>	<b>32</b>	<b>-253</b>
Dividends/Buyback	0	-395	0	0	-114
FCF	234	-170	-28	-81	219
FCF/EBITDA	28%	-26%	-5%	-12%	31%
OCF/EBITDA	75%	69%	56%	92%	88%

#### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	4,644	4,831	4,893	5,196	5,277
Fixed assets	3,205	3,559	3,577	3,966	4,032
Equity	2,188	1,970	2,000	2,228	2,344
Minority interests	-3	0	0	0	0
Net debt	865	1,464	1,648	1,798	1,763
Net debt/EBITDA (x)	1.0	2.2	3.0	2.6	2.5
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	5.3	4.3	3.9	5.5	4.9	4.2
Maximum	53.2	240.2	19.9	14.4	12.8	11.7
Median	16.2	12.6	11.2	9.3	8.4	6.2
Weight	10%	20%	20%	10%	20%	20%

#### DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Soda Price (\$/t)	248	258	258	258	258	258	258	258	258	258	258
Soda Price (PLN/t)	847.6	897.3	897.3	897.3	897.3	897.3	897.3	897.3	897.3	897.3	897.3
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	3,577	3,466	3,620	3,696	3,728	3,752	3,767	3,783	3,799	3,816	3,834
EBITDA	554	686	699	713	710	704	692	680	668	655	643
EBITDA margin	15.5%	19.8%	19.3%	19.3%	19.0%	18.8%	18.4%	18.0%	17.6%	17.2%	16.8%
EBIT	242	360	363	388	389	377	357	338	320	304	288
Tax	56	63	64	70	71	69	65	61	58	54	51
CAPEX	-330	-715	-400	-306	-311	-323	-330	-338	-345	-351	-355
Working capital	-196	11	-16	-8	-3	-2	-2	-2	-2	-2	-2
FCF	-28	-81	219	330	324	309	295	280	264	249	235
PV FCF	-28	-77	194	274	251	224	200	177	156	137	
WACC	6.6%	6.7%	6.8%	6.8%	6.8%	6.9%	6.9%	6.9%	7.0%	7.0%	7.0%
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	1,508
Net debt	1,464
Other adj.	-201
Value per share (PLN)	45.95

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	43.34
DCF Val.	50%	45.95
Implied Price		44.64
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>47.46</b>

## Grupa Azoty buy (reiterated)

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Our outlook on Grupa Azoty's 2020 earnings has turned more positive since a 2019 Q4 earnings beat reported by Yara International, which also issued an optimistic 2020 first-half view on fertilizer sales and prices. We now expect the Polish producer to achieve stable revenue from fertilizers in Q1 2020 based on falling costs of gas coupled with rising prices of selected end-products (urea, AN), owed to curbed supply from China. At the same time, the expected revenue falls in the segments of plastics and chemicals might be offset by carbon allowance subsidies in an estimated amount of PLN 100m. The crucial first quarter will most likely shape analysts' expectations for the whole FY2020. We have raised our expectations for fertilizer prices in 2020 and 2021, and have adjusted the 2020 sales estimate for Grupa Azoty slightly higher. Consequently, we raise our 9-month target price for ATT from PLN 30.31 to PLN 30.55 per share, and we reiterate a buy rating for the stock.

**Current Price**

22.24 PLN

Upside

**9M Target Price**

30.55 PLN

+37.4%

	rating	target price	issued
new	buy	30.55 PLN	2020-03-04
old	buy	30.31 PLN	2020-02-06
<b>Key Metrics</b>			
Ticker	ATT PW	1M Price Chng	-12.0% -3.9%
ISIN	PLZATRM00012	YTD Price Chng	-24.0% -14.4%
Outst. Stock (m)	99.2	ADTV 1M	PLN 3.3m
MC (PLN m)	2,206.1	ADTV 6M	PLN 2.4m
EV (PLN m)	5,745.1	EV/EBITDA 12M fwd	4.3 -30.9%
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	11,241	11,390
EBITDA adj.	1,262	805	1,512	1,332	1,138
EBITDA margin	13.1%	8.1%	13.1%	11.8%	10.0%
EBIT adj.	672	122	690	465	232
Net income adj.	550	43	438	269	80
P/E adj.	4.0	51.7	5.0	8.2	27.5
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA adj.	2.5	6.3	3.8	5.0	6.9
DPS	0.79	1.20	0.00	0.00	0.00
DYield	3.6%	5.4%	0.0%	0.0%	0.0%
<b>Forecast Update (% change)</b>					
EBITDA			0.0%	+5.3%	+3.4%
Net income			0.0%	+22.7%	+54.3%
Urea price (PLN/t)			0.0%	+0.4%	+0.9%
Ammonium Nitrate price (PLN/t)			0.0%	+0.5%	+1.1%
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%
Melamine (PLN/t)			0.0%	0.0%	0.0%
Polyamide 6 (PLN/t)			0.0%	-0.1%	-0.1%
Propylene (PLN/t)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA, Fertilizers	484	82	1,007	950	726
EBITDA, Plastics	221	192	67	4	25
EBITDA, Chemicals	348	282	202	161	148
EBITDA, Energy	58.4	94.0	87.2	90.2	98.2
EBITDA, Other	76	114	99	127	141
<b>Operating cash flow</b>	<b>1,087</b>	<b>1,043</b>	<b>1,538</b>	<b>1,290</b>	<b>1,135</b>
D&A	590	683	821	867	906
Working capital	13	155	163	4	-2
<b>Investing cash flow</b>	<b>-709</b>	<b>-1,761</b>	<b>-1,022</b>	<b>-2,013</b>	<b>-2,224</b>
CAPEX	1,063	2,042	1,037	2,013	2,224
<b>Financing cash flow</b>	<b>39</b>	<b>440</b>	<b>-131</b>	<b>68</b>	<b>951</b>
Dividends/Buyback	-78	-119	0	0	0
FCF	49	-1,158	476	-738	-1,098
FCF/EBITDA	4%	-151%	33%	-55%	-97%
OCF/EBITDA	92%	136%	105%	97%	100%

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	11,738	14,160	15,701	16,117	17,343
Fixed assets	8,070	9,886	11,133	12,283	13,607
Equity	6,856	6,703	7,099	7,368	7,448
Minority interests	588	625	643	865	874
Net debt	367	2,226	2,896	3,551	4,789
Net debt/EBITDA (x)	0.3	2.9	2.0	2.7	4.2
Net debt/Equity (x)	0.1	0.3	0.4	0.5	0.6

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	6.8	7.4	5.2	5.4	5.8	5.4
Maximum	40.9	28.3	14.9	8.9	9.0	8.2
Median	13.0	11.0	9.3	7.5	7.4	5.9
Weight	0%	25%	25%	0%	25%	25%

### DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Urea price (PLN/t)	1,616	1,611	1,601	1,611	1,615	1,622	1,629	1,629	1,629	1,629	1,637
AN price (PLN/t)	1,333	1,332	1,330	1,341	1,344	1,351	1,358	1,358	1,358	1,358	1,365
NGas cost (PLN/m3)	848	752	865	971	971	971	971	971	971	971	971
Revenue	11,538	11,241	11,390	11,665	13,383	13,654	13,879	14,003	14,131	14,221	14,349
EBITDA	1,463	1,332	1,138	1,132	1,512	1,546	1,554	1,521	1,500	1,465	1,492
EBITDA margin	12.7%	11.8%	10.0%	9.7%	11.3%	11.3%	11.2%	10.9%	10.6%	10.3%	10.4%
EBIT	642	465	232	219	300	364	429	440	431	391	418
Tax	113	61	11	-4	-5	9	24	29	28	22	28
CAPEX	-1,037	-2,013	-2,224	-1,229	-548	-788	-827	-1,013	-1,027	-1,070	-1,074
Working capital	163	4	-2	-4	-23	-4	-3	-2	-2	-1	-2
FCF	476	-738	-1,098	-97	946	745	700	477	443	372	390
PV FCF	480	-703	-992	-79	738	552	488	313	272	214	
WACC	6.1%	6.0%	5.7%	7.4%	6.7%	6.4%	6.4%	6.4%	6.4%	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	6,284
Net debt	2,016
Other adjustments	-625
Value per share (PLN)	36.73

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	20.74
DCF Val.	50%	36.73
Implied Price		28.74
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>30.55</b>

## Oil & Gas

### Lotos

#### hold (upgraded)

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We shift our stance on Lotos from negative to neutral to reflect priced-in downside risk, obliterated in the recent sell off, even after a target price reduction to accommodate updated relative valuation models. Lotos's earnings outlook still features downside risk represented by tight refining margins which, if extrapolated to the full year, imply that we might have to lower our expectations for 2020. In addition, the production figures for January revealed that refinery yields are improving, but not as much as the market would like to see now that the new delayed coker (DCU) is up and running. We see likely cuts in the analysts' forecasts for FY2020 and 2021 when compared with our own forecasts, which are 12-15% lower. Lotos would gain from any new piece of news on its pending merger with PKN, but based on available information we would not expect the European Commission to give its verdict until June.

<b>Current Price</b>	61.06 PLN	<b>Upside</b>
<b>9M Target Price</b>	67.19 PLN	<b>+10.0%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>67.19 PLN</b>	<b>2020-03-04</b>
<b>old</b>	<b>reduce</b>	<b>68.47 PLN</b>	<b>2020-02-05</b>
Key Metrics		LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-18.0%
ISIN	PLLOTOS00025	YTD Price Chng	-26.9%
Outst. Stock (m)	184.9	ADTV 1M	PLN 23.1m
MC (PLN m)	11,288.4	ADTV 6M	PLN 24.1m
EV (PLN m)	13,932.6	EV/EBITDA 12M fwd	3.4
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	6.8	7.1	9.7	7.8	8.1
P/B	1.1	0.9	0.9	0.8	0.8
EV/EBITDA	4.5	3.6	4.9	4.2	4.0
DPS	1.00	1.00	3.00	3.00	3.00
DYield	1.6%	1.6%	4.9%	4.9%	4.9%
Forecast Update (% change)			2019P	2020P	2021P
LIFO EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

#### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
<b>LIFO EBITDA (adj.)</b>	<b>3,050</b>	<b>3,126</b>	<b>2,946</b>	<b>3,234</b>	<b>3,252</b>
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
<b>EV/ LIFO EBITDA (adj.)</b>	<b>4.4</b>	<b>4.1</b>	<b>4.6</b>	<b>4.1</b>	<b>3.9</b>
LIFO effect	171	500	-118	-16	90
Other one-offs	-148	78	22	0	0
<b>Financing activity</b>	<b>219</b>	<b>-259</b>	<b>-335</b>	<b>-145</b>	<b>-130</b>
<b>Crude thrghpt (mmt)</b>	<b>9.6</b>	<b>10.8</b>	<b>10.7</b>	<b>10.5</b>	<b>10.5</b>
\$ 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
<b>US output (mboepd)</b>	<b>23.3</b>	<b>20.4</b>	<b>19.0</b>	<b>21.3</b>	<b>25.7</b>
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
<b>Operating cash flow</b>	<b>3,127</b>	<b>2,328</b>	<b>2,170</b>	<b>2,849</b>	<b>2,263</b>
OCF/EBITDA LIFO adj.	103%	74%	74%	88%	70%
<b>CAPEX</b>	<b>1,439</b>	<b>967</b>	<b>1,243</b>	<b>1,510</b>	<b>1,196</b>
Working capital	4,035	4,816	5,193	5,165	5,514
Equity	10,712	12,035	12,565	13,612	14,446
<b>Net debt</b>	<b>2,505</b>	<b>1,943</b>	<b>2,644</b>	<b>2,354</b>	<b>1,973</b>
Net debt/EBITDA (x)	0.8	0.5	0.9	0.7	0.6

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.7	2.8	2.3	2.0	1.9	1.7
Maximum	67.6	18.6	16.5	11.3	12.0	10.8
Median	8.3	7.7	7.1	3.8	4.1	3.9
Weight	5%	20%	25%	5%	20%	25%

#### 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%	56.33
DCF Val.	50%	70.08
Implied Price		63.20
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>67.19</b>

## MOL accumulate (reiterated)

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MOL stock fell in line with the broader market in February despite delivering better-than-expected results for Q4 2019, which prompted upward revisions to our future earnings estimates, most notably for retail and downstream. We did have to lower our target price after updating relative valuation models to reflect falling share prices, but we keep MOL at accumulate. Our already-conservative outlook for the oil market features more downside risk, but we keep our forecasts intact for the time being. We still see MOL as a more compelling bet than its Polish competition, PKN and Lotos, based on strong cash generation, with average FCF yield in the 2020-2022 period (not counting payment for the recent Azerbaijan acquisition) projected at >5%. 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 1.6x 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 government in a deal which can potentially boost its value by 15%. MOL stock is trading on a par with LTS and at 5% discount relative to PKN on adjusted 2020/2021E EV/ LIFO EBITDA.

**Current Price**

2,530 HUF

Upside

**9M Target Price**

2,726 HUF

+7.7%

	rating	target price	issued
new	accumulate	2,726 HUF	2020-03-04
old	accumulate	2,816 HUF	2020-02-05
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-1.6% +6.5%
ISIN	HU0000153937	YTD Price Chng	-13.9% -4.3%
Outst. Stock (m)	753.1	ADTV 1M	HUF 2,701.0m
MC (HUF m)	1,905,232.8	ADTV 6M	HUF 2,038.3m
EV (HUF m)	2,763,872.8	EV/EBITDA 12M fwd	4.3 +1.8%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3 premium

### Earnings Projections

(HUF bn)	2017	2018	2019	2020P	2021P
Revenue	4,130	5,169	5,267	4,561	4,749
EBITDA	673	764	685	685	783
EBITDA margin	16.3%	14.8%	13.0%	15.0%	16.5%
EBIT	354	353	294	286	339
Net income	307	301	223	221	241
P/E	6.2	6.3	8.5	8.6	7.9
P/B	1.1	1.0	0.9	0.8	0.8
EV/EBITDA	3.9	3.3	4.0	4.8	4.2
DPS	78.13	127.50	142.44	136.02	142.82
DYield	3.1%	5.0%	5.6%	5.4%	5.6%
Forecast Update (% change)			2019P	2020P	2021P
CCS EBITDA			+3.1%	+2.0%	+2.0%
Net income			-2.6%	+3.2%	-4.4%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

### Financial Highlights

(HUF bn)	2017	2018	2019	2020P	2021P
<b>LIFO EBITDA (adj.)</b>	<b>673</b>	<b>728</b>	<b>709</b>	<b>680</b>	<b>775</b>
Upstream (US)	235	344	305	352	438
Downstream (DS)	198	183	169	150	165
Retail	97	115	137	150	161
Petchem	127	87	83	25	10
Gas Midstream	61	50	54	51	53
General expenses	-45	-51	-40	-49	-51
<b>EV/LIFO EBITDA (adj.)</b>	<b>3.8</b>	<b>3.3</b>	<b>3.8</b>	<b>4.3</b>	<b>4.1</b>
LIFO effect	7	19	-16	5	7
Other one-offs	-7	17	-8	0	0
<b>Financing activity</b>	<b>11</b>	<b>-22</b>	<b>-18</b>	<b>-8</b>	<b>-22</b>
\$ LIFO EBITDA/bbl, DS	5.3	4.9	4.6	4.2	4.7
EBITDA/boe, US	23.7	34.8	28.0	30.9	37.8
<b>Ref. thrghpt, mmt</b>	<b>18.5</b>	<b>19.2</b>	<b>17.5</b>	<b>17.5</b>	<b>17.5</b>
<b>Upstr output, mboepd</b>	<b>107.4</b>	<b>110.6</b>	<b>112.0</b>	<b>120.2</b>	<b>126.1</b>

### Key Balance Sheet Figures

(HUF bn)	2017	2018	2019	2020P	2021P
<b>Operating cash flow</b>	<b>560</b>	<b>596</b>	<b>704</b>	<b>675</b>	<b>709</b>
OCF/EBITDA LIFO adj.	83%	82%	99%	99%	91%
<b>CAPEX</b>	<b>286</b>	<b>380</b>	<b>596</b>	<b>1,089</b>	<b>562</b>
Working capital	248	300	286	248	258
Equity	1,741	1,994	2,151	2,255	2,374
<b>Net debt</b>	<b>435</b>	<b>314</b>	<b>559</b>	<b>1,098</b>	<b>1,095</b>
Net debt/EBITDA (x)	0.6	0.4	0.8	1.6	1.4

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.7	2.8	2.3	2.0	1.9	1.7
Maximum	67.6	18.6	16.5	11.3	12.0	10.8
Median	9.5	7.9	7.3	4.2	4.0	3.8
Weight	5%	20%	25%	5%	20%	25%

### DCF Analysis (ex. Upstream)

(HUF bn)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Brent	65	70	75	75	75	75	75	75	75	75	75
Margin+Urals/Brent	5.5	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/HUF	281	272	272	272	272	272	272	272	272	272	272
Revenue	4,233	4,380	4,674	4,677	4,679	4,681	4,684	4,686	4,689	4,692	4,692
EBITDA	333	344	394	403	405	408	410	413	415	418	418
EBITDA margin	7.9%	7.9%	8.4%	8.6%	8.7%	8.7%	8.8%	8.8%	8.9%	8.9%	8.9%
EBIT	111	97	144	154	163	162	161	159	155	154	199
Tax	33	30	43	45	48	48	47	46	45	44	38
CAPEX	-493	-366	-230	-219	-219	-219	-219	-219	-219	-219	-219
Working capital	38	-10	-17	1	2	1	1	1	1	0	0
FCF	-155	-62	104	139	140	142	145	148	151	155	161
PV FCF	-146	-55	86	107	100	94	89	84	80	75	
WACC	6.7%	6.8%	7.1%	7.4%	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

(HUF bn)	
Beta	0.0
FCF perp. growth rate	1.0%
PV FCF	1,630
Net debt & adjustments	337
Upstream Valuation	713
Value per share (HUF)	2,815

### Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	2,313
DCF Val.	50%	2,815
Implied Price		2,564
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>2,726</b>

## PGNiG hold (reiterated)

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Compared to analysts' consensus forecasts, we have a 10% lower EBITDA estimate for PGNiG for FY2020, but at the same time our premise that gas prices in the coming years will eventually rebound to EUR 18/MWh is a source of downside risk looking at current quotes on 2021 deliveries (1Y FWD <15 EUR/MWh). The global gas outlook has turned even more bearish on recession fears on top of a supply glut created by unseasonably warm weather (with EU storage facilities at the end of February filled to 60% of capacity vs. a 5-year average of 36%). The implications of the coronavirus outbreak on future energy prices are hard to quantify at this stage – all we can say for certain is that the risks are definitely skewed to the downside. At the same time, PGNiG's preliminary earnings figures for Q4 2019 came out better than expected across all business segments, and if confirmed in the final annual report we will have to factor this into our current models, along with the shifting macroeconomic conditions. Pending the FY2019 release, after updating peer multiples, we lower our target price for PGNiG to PLN 3.88 per share, but we keep the stock at hold until more clarity emerges as to the future growth prospects. The upcoming verdict in the arbitration case against Gazprom, currently expected at the end of March, might give a short-term performance boost to PGN.

### Current Price

3.20 PLN

Upside

### 9M Target Price

3.88 PLN

+21.4%

	rating	target price	issued
new	hold	3.88 PLN	2020-03-04
old	hold	4.06 PLN	2020-01-28
<b>Key Metrics</b>			
	PGN PW	1M Price Chng	-10.2% -2.1%
	PLPGNIG00014	YTD Price Chng	-26.2% -16.5%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 17.1m
MC (PLN m)	18,467.5	ADTV 6M	PLN 22.0m
EV (PLN m)	21,128.4	EV/EBITDA 12M fwd	3.2 -34.8%
Free Float	28.1%	EV/EBITDA 5Y avg	4.9 discount

### 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	6.3	5.7	10.6	12.4	8.2
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	2.9	2.6	4.0	4.0	3.1
DPS	0.20	0.07	0.11	0.12	0.10
DYield	6.3%	2.2%	3.4%	3.8%	3.2%
<b>Forecast Update (% change)</b>					
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	18.7	18.9	18.1	12.7	12.7	12.5
Median	11.2	10.4	9.8	5.6	5.4	5.1
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%	4.38
Relative (DYield)	17%	1.68
DCF	50%	3.99
Cost of equity (9M)		6.7%
9M Target Price		3.88



## PKN Orlen hold (upgraded)

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We lower our target price for PKN to PLN 66.7 to reflect squeezed peer multiples, and we upgrade the stock to hold after the recent sell off. Against a rapidly-shifting market landscape, our future oil outlook, which assumes a recovery in refining margins to long-term averages, has gone from being seen as overly conservative to overly optimistic looking at 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. We keep our forecasts intact for now, but with risks strongly to the downside we do not see PKN as a buy opportunity despite its low valuation. What is more, PKN reported weaker-than-expected financial results for Q4 2019, and its 2020 first-quarter outlook is far from promising, leading us to expect the analysts consensus for FY EBITDA to be cut by 10-15%. Against a backdrop of shrinking profits, PKN's plan to increase average CAPEX by PLN 2bn minimum per year continues to put additional downward strain on the Company's 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. For some reason, the approach to cash flow generation has changed this year. Our models currently 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%). Finally, expectations that PKN will increase its tender offer for Energa are creating additional downside risk.

### Financial Highlights

(PLN m)	2017	2018	2019	2020P	2021P
<b>LIFO EBITDA (adj.)</b>	<b>9,581</b>	<b>8,392</b>	<b>9,312</b>	<b>7,661</b>	<b>7,254</b>
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
<b>EV/LIFO EBITDA (adj.)</b>	<b>3.0</b>	<b>3.7</b>	<b>3.4</b>	<b>4.2</b>	<b>4.6</b>
LIFO effect	788	860	-148	-81	450
Other one-offs	709	636	-96	0	0
<b>Financing activity</b>	<b>60</b>	<b>-104</b>	<b>-11</b>	<b>-239</b>	<b>-262</b>
\$ LIFO EBITDA/bbl, DS	5.1	4.3	4.0	3.0	2.9
PLN EBITDA/tonne, Retail	232	294	311	309	311
<b>Refinery thrghpt (mmt)</b>	<b>33.2</b>	<b>33.4</b>	<b>33.9</b>	<b>32.8</b>	<b>32.8</b>
<b>Petchem output (kt)</b>	<b>3,551</b>	<b>3,616</b>	<b>3,781</b>	<b>3,781</b>	<b>3,781</b>

### 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	1,446	
WACC	7.9%	7.8%	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Current Price

62.26 PLN

Upside

### 9M Target Price

66.70 PLN

+7.1%

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>66.70 PLN</b>	<b>2020-03-04</b>
<b>old</b>	<b>reduce</b>	<b>68.03 PLN</b>	<b>2020-02-03</b>
<b>Key Metrics</b>			
	PKN PW	1M Price Chng	<b>-14.7%</b>
	PLPKN0000018	YTD Price Chng	<b>-27.5%</b>
Outst. Stock (m)	427.7	ADTV 1M	PLN 96.1m
MC (PLN m)	26,629.2	ADTV 6M	PLN 82.2m
EV (PLN m)	33,077.2	EV/EBITDA 12M fwd	3.8
Free Float	67.6%	EV/EBITDA 5Y avg	5.3

### 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	4.0	4.8	5.9	9.2	9.4
P/B	0.8	0.7	0.7	0.7	0.6
EV/EBITDA	2.7	3.3	3.6	4.4	4.6
DPS	3.00	3.00	3.50	3.50	3.50
DYield	4.8%	4.8%	5.6%	5.6%	5.6%
<b>Forecast Update (% change)</b>					
LIFO EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

### Key Balance Sheet Figures

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

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	5.4	5.2	5.5	2.1	2.2	2.1
Maximum	67.6	130.5	42.6	18.0	17.2	15.9
Median	9.4	8.2	7.5	4.9	4.8	4.6
Weight	5%	20%	25%	5%	20%	25%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	34,229
Net debt	6,437
Other adjustments	0
Value per share (PLN)	64.98

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	60.51
DCF Val.	50%	64.98
Implied Price		62.74
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>66.70</b>



## Power Utilities

### CEZ

#### buy (no change)

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The European utilities sector has rallied over 35% since the beginning of 2019 against a broad market sell-off, meanwhile the total return on CEZ for the period is a negative 12%. Compared to the sector's 12M forward EV/EBITDA ratio of 8.1x, up from 7.2x last January, consequently the Czech utility is currently trading at a discount of over 20%. There is no question that CEZ still has a ways to go in terms of ESG, but it also has its strengths, such as a low-carbon fleet (with an earnings potential positively correlated with prices of emission allowances), an express commitment to decarbonize, and an EBITDA more than 50% comprised of environmentally safe/clean business. The planned development of the ESCO business should be a mitigating factor as well, with the energy service companies expected to contribute as much as CZK 3.6bn to annual EBITDA by 2025. At this level, CEZ's dividend yields are 3pp higher than the average for the utilities sector, and over 6pp higher than the yield of Czech 10Y bond yield, and we do not see any risk to the Company's dividend policy. We assume that CEZ will spend CZK 34bn a year on average on capital investment in the next five years (in 2022 this would be a 15% higher amount than actually budgeted). Accordingly, our EBITDA estimates indicate average FCF/EV yield of 5%. Last but not least, it is worth pointing out CEZ's growing involvement in renewables, supported by financing from the so-called Modernization Fund set up by the Czech government. We maintain a buy rating for CEZ.

#### Current Price

467.60 CZK

Upside

#### 9M Target Price

592.91 CZK

+26.8%

	rating	target price	issued
unchanged	buy	592.91 CZK	2020-02-20

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	-7.3%	+0.7%
ISIN	CZ0005112300	YTD Price Chng	-8.2%	+1.5%
Outst. Stock (m)	538.0	ADTV 1M	CZK	192.3m
MC (CZK bn)	251.6	ADTV 6M	CZK	102.3m
EV (CZK bn)	408.5	EV/EBITDA 12M fwd	6.5	-8.6%
Free Float	30.2%	EV/EBITDA 5Y avq	7.1	discount

#### Earnings Projections

(CZK m)	2017	2018	2019P	2020P	2021P
Revenue	205,092	184,486	205,752	229,058	231,603
EBITDA	55,155	49,664	57,287	63,680	58,827
EBITDA margin	26.9%	26.9%	27.8%	27.8%	25.4%
EBIT	25,620	19,759	27,101	33,219	28,660
Net income	18,765	10,327	16,099	20,812	16,197
P/E	13.4	24.4	15.6	12.1	15.5
P/B	1.0	1.1	1.1	1.0	1.0
EV/EBITDA	7.2	8.2	7.1	6.3	6.9
DPS	33.00	32.71	24.00	28.77	34.82
DYield	7.1%	7.0%	5.1%	6.2%	7.4%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (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
<b>EBITDA (adj.)</b>	<b>52,196</b>	<b>50,164</b>	<b>58,587</b>	<b>63,680</b>	<b>58,827</b>
EBITDA	55,155	49,664	57,287	63,680	58,827
Generation	24,050	19,906	27,575	31,273	27,993
Mining	4,056	3,754	4,908	4,535	4,163
Distribution	19,067	19,771	20,451	20,938	19,157
Trade	4,613	4,317	2,799	4,843	5,475
Other	3,369	1,916	1,554	2,092	2,039
<b>Financing activity</b>	<b>-2,867</b>	<b>-6,242</b>	<b>-7,089</b>	<b>-7,260</b>	<b>-8,456</b>
<b>Power output, TWh</b>	<b>62.9</b>	<b>63.1</b>	<b>65.3</b>	<b>66.1</b>	<b>64.1</b>
Renewables	4.7	4.3	4.5	4.5	4.5
<b>Trade volume, TWh</b>	<b>37.0</b>	<b>37.6</b>	<b>37.9</b>	<b>38.2</b>	<b>38.5</b>
YoY pct. change	-1.2%	1.6%	0.8%	0.8%	0.8%
Trade mrgn (CZK/MWh)	124.6	114.7	73.8	126.7	142.2
<b>RAV (CZK bn)</b>	<b>114.0</b>	<b>117.8</b>	<b>121.1</b>	<b>127.4</b>	<b>133.1</b>
RAV return (EBIT)	10.4%	11.0%	10.1%	10.0%	8.4%

#### DCF Analysis

(CZK m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (EUR/MWh)	48.1	42.6	45.0	47.6	47.6	47.6	47.6	47.6	47.6	47.6	47.6
EUR/CZK	25.7	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
CO2 (EUR/t)	25.2	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	205,752	229,058	231,603	237,312	246,238	247,017	246,469	248,806	252,016	255,351	255,351
EBITDA	61,414	67,911	63,163	61,984	65,654	66,203	65,420	65,592	66,199	66,574	66,574
EBITDA margin	29.8%	29.6%	27.3%	26.1%	26.7%	26.8%	26.5%	26.4%	26.3%	26.1%	26.1%
EBIT	27,101	33,219	28,660	27,000	31,418	32,037	31,079	30,830	30,808	30,376	30,295
Tax	5,149	6,312	5,444	5,128	5,966	6,083	5,900	5,852	5,846	5,764	5,756
CAPEX	-32,936	-34,763	-33,800	-33,900	-34,327	-34,775	-35,255	-35,759	-36,279	-36,809	-36,279
Working capital	-226	-248	-27	-61	-95	-8	6	-25	-34	-35	-35
FCF	23,103	26,589	23,892	22,895	25,265	25,337	24,271	23,957	24,039	23,966	24,504
PV FCF	23,103	25,255	21,459	19,444	20,278	19,213	17,389	16,214	15,368	14,470	0
WACC	5.7%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.9%	5.9%	5.9%	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
<b>Operating cash flow</b>	<b>45,812</b>	<b>35,351</b>	<b>56,578</b>	<b>61,835</b>	<b>58,454</b>
OCF/EBITDA	83%	71%	99%	97%	99%
<b>CAPEX</b>	<b>30,688</b>	<b>26,018</b>	<b>32,936</b>	<b>34,763</b>	<b>33,800</b>
Working capital	54,916	112,247	125,186	139,366	140,914
Equity	250,018	234,721	237,909	243,241	240,709
<b>Net debt</b>	<b>141,684</b>	<b>151,721</b>	<b>152,378</b>	<b>147,364</b>	<b>149,219</b>
Net debt/EBITDA (x)	2.6	3.1	2.7	2.3	2.5

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.2	1.8	1.5	2.5	2.8	2.2
Maximum	29.5	27.7	23.5	11.7	11.5	11.0
Median	17.9	16.3	15.4	8.4	8.1	6.9
Weight	17%	17%	17%	17%	17%	17%

#### DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	500,392
Net debt	169,628
Other adjustments	-51,823
Value per share (CZK)	518.49

#### Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	472.13
Relative (DYield)	17%	869.93
DCF	50%	518.49
Cost of equity (9M)		5.6%
<b>9M Target Price</b>		<b>592.91</b>

## Enea suspended (no change)

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Enea is keeping up with the whole power sector as it continues its freefall; with a current enterprise value barely above PLN 9bn (even though just the regulatory asset base is worth close to PLN 8.6bn), the Company is valued at 2.8x EBITDA. Our current outlook on Enea's earnings prospects in 2020 and 2021 is consistent with the analysts' consensus, but it does feature downside risks stemming from low electricity demand during an abnormally warm winter season, combined with falling coal production by the listed subsidiary miner LW Bogdanka. It is too early to quantify these risks, and in the mean time Enea is reviewing the feasibility of the Ostrołęka C coal-based generator project, and it is expected to announce its conclusions by May 7th. The general expectation is that the project will be dropped, providing an upside catalyst as investors continue to discount Enea's massive but vaguely-defined strategic medium-term CAPEX and its negative impact on FCF in the next three years. We suspended ratings for Enea in February pending the announcement of Poland's new 2040 energy strategy and the final decision on Ostrołęka C.

**Current Price**

5.94 PLN

**9M Target Price**

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	rating	target price	issued
unchanged	suspended		2020-02-27

Key Metrics	ENA PW	1M Price Chng	ENA PW	vs. WIG
Ticker	ENEA		-17.5%	-9.5%
ISIN	PLENEA000013	YTD Price Chng	-25.0%	-15.3%
Outst. Stock (m)	441.4	ADTV 1M		PLN 4.6m
MC (PLN m)	2,622.2	ADTV 6M		PLN 3.0m
EV (PLN m)	9,552.7	EV/EBITDA 12M fwd	2.9	-34.6%
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	2.5	3.8	2.5	2.4	1.9
P/B	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	3.4	3.9	2.9	2.9	2.6
DPS	0.28	0.00	0.00	0.00	0.24
DYield	4.7%	0.0%	0.0%	0.0%	4.1%
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
<b>EBITDA (adj.)</b>	<b>2,649</b>	<b>2,413</b>	<b>3,298</b>	<b>3,274</b>	<b>3,706</b>
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
<b>Financing activity</b>	<b>-21</b>	<b>-168</b>	<b>-296</b>	<b>-280</b>	<b>-279</b>
<b>Power output, TWh</b>	<b>22.7</b>	<b>26.5</b>	<b>26.0</b>	<b>27.2</b>	<b>26.7</b>
Renewables	2.3	2.0	2.0	2.0	2.0
<b>Trade volume, TWh</b>	<b>17.9</b>	<b>20.5</b>	<b>20.1</b>	<b>20.4</b>	<b>20.8</b>
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
<b>RAV (PLN bn)</b>	<b>7.5</b>	<b>8.0</b>	<b>8.3</b>	<b>8.6</b>	<b>8.9</b>
RAV return (EBIT)	7.7%	7.2%	6.4%	6.5%	6.0%

### Key Balance Sheet Figures

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

## Energa suspended (no change)

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PKN Orlen's takeover bid is keeping ENG stock above PLN 7 per share, but the market does not seem to believe that PKN will up its offer even after Energa's likely withdrawal from the Ostrołęka C coal-based power plant project. The downward shift in utility stocks in the past month has created a premium on ENG at 2019-2020E EV/EBITDA of 3.9x vs 3.1x sector average, but this is justified by its different profile. Energa's current enterprise value is approximately PLN 9bn, an amount equivalent to just 68% of the regulatory distribution assets, and it does not take into account RES assets with yearly EBITDA potential of ~PLN 250m EBITDA, or trading potential estimated at PLN 0.2bn EBITDA per year. By quitting the coal-based generator 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, similar to the ratios attributed to comparable EU utilities. We suspended ratings for Energa in February pending the announcement of Poland's new 2040 energy strategy and the final decision on Ostrołęka C.

### Current Price

7.21 PLN

### 9M Target Price

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	rating	target price	issued
unchanged	suspended		2020-02-27

Key Metrics	ENG PW	1M Price Chng	ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	+1.1%	+9.1%
ISIN	PLENERG00022	YTD Price Chng	+1.8%	+11.5%
Outst. Stock (m)	414.1	ADTV 1M		PLN 5.1m
MC (PLN m)	2,985.4	ADTV 6M		PLN 3.6m
EV (PLN m)	8,134.6	EV/EBITDA 12M fwd	4.3	-2.8%
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	3.9	4.0	5.6	5.4	4.9
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	3.3	4.0	3.7	4.2	4.5
DPS	0.19	0.00	0.00	0.00	0.00
DYield	2.6%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
<b>EBITDA (adj.)</b>	<b>2,091</b>	<b>2,039</b>	<b>2,228</b>	<b>2,132</b>	<b>2,147</b>
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
<b>Financing activity</b>	<b>-208</b>	<b>-223</b>	<b>-268</b>	<b>-335</b>	<b>-302</b>
<b>Power output, TWh</b>	<b>4.3</b>	<b>3.9</b>	<b>3.7</b>	<b>3.7</b>	<b>3.7</b>
Renewables	0.7	0.5	0.6	0.6	0.6
<b>Trade volume, TWh</b>	<b>20.6</b>	<b>19.8</b>	<b>18.8</b>	<b>19.1</b>	<b>19.4</b>
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
<b>RAV (PLN bn)</b>	<b>11.7</b>	<b>12.2</b>	<b>12.7</b>	<b>13.1</b>	<b>13.5</b>
RAV return (EBIT)	8.2%	7.7%	6.4%	6.2%	5.7%

### Key Balance Sheet Figures

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

## PGE

### suspended (no change)

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PGE stock has lost over 40% since the beginning of the year after falling in line with the broader market, with additional pressure coming from Poland's Asset Minister's no-dividend stance on state-owned companies, coupled with media speculation about the Company's potential future role as industry consolidator, renewed plans for a new open-pit coal mine, losses generated by the coal mining associate PGG, and low demand for electricity. Due to reduced load factors for coal-based power plants, combined with weaker heating sales due to a warm winter, PGE's 2020 earnings outlook is worsening. We will update our forecasts for the year ahead after the Company releases the final results for FY2019. In 2021, we expect PGE to achieve EBITDA of ~PLN 9bn, and on this estimate the Company's shares are trading at a low 2.2x EV/EBITDA compared to 2.7x based on a 5% higher consensus EBITDA (the average of analysts' net debt forecasts is PLN 1.6bn higher than our estimate). We suspended ratings for PGE in February pending the announcement of Poland's new 2040 energy strategy and the Company's plans with respect to the potential new coal mine and involvement in sector consolidation.

**Current Price**

4.85 PLN

**9M Target Price**

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	rating	target price	issued
unchanged	suspended		2020-02-27

Key Metrics	PGE PW	1M Price Chng	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-27.7%	-19.6%
ISIN	PLPGER000010	YTD Price Chng	-39.0%	-29.3%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 14.4m
MC (PLN m)	9,075.9	ADTV 6M		PLN 14.5m
EV (PLN m)	20,732.7	EV/EBITDA 12M fwd	3.3	-27.1%
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	42,060
EBITDA	7,650	6,364	8,083	7,438	9,024
EBITDA margin	33.1%	24.5%	21.1%	17.2%	21.5%
EBIT	3,552	2,471	4,036	3,148	4,555
Net income	2,600	1,473	2,792	2,160	3,282
P/E	3.5	6.2	3.3	4.2	2.8
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	2.3	3.1	2.6	2.9	2.3
DPS	0.00	0.00	0.00	0.37	0.29
DYield	0.0%	0.0%	0.0%	7.7%	6.0%
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
<b>EBITDA (adj.)</b>	<b>6,481</b>	<b>6,701</b>	<b>6,972</b>	<b>7,438</b>	<b>9,024</b>
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
<b>Financing activity</b>	<b>-330</b>	<b>-304</b>	<b>-397</b>	<b>-383</b>	<b>-405</b>
<b>Power output, TWh</b>	<b>56.8</b>	<b>65.9</b>	<b>60.8</b>	<b>73.1</b>	<b>74.8</b>
Renewables	2.4	2.0	2.2	2.4	2.4
<b>Trade volume, TWh</b>	<b>40.0</b>	<b>40.4</b>	<b>41.0</b>	<b>41.6</b>	<b>42.2</b>
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
<b>RAV (PLN bn)</b>	<b>15.6</b>	<b>16.3</b>	<b>16.7</b>	<b>17.2</b>	<b>17.7</b>
RAV return (EBIT)	7.5%	7.9%	7.3%	6.9%	6.4%

#### Key Balance Sheet Figures

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

## Tauron suspended (no change)

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TPE stock is down 30% for the year to date after falling along with the entire energy sector. At the current share price level, the Company is valued at 3.6x EV/EBITDA while the average ratio for local peers is 3.3x. One of the many drivers behind the sell-off is uncertainty as to future cash flows after public statements from top energy officials about a need for state companies to invest money in future growth. The implications have undermined our expectations of a significant debt reduction after the completion of capacity-building project in 2019 and the launch of capacity payments in 2021, which could lay a groundwork for a renewed dividend policy. Consequently, we suspended ratings for Tauron in February pending the announcement of Poland's new 2040 energy strategy and the Company's investment plans. If it turns out that decarbonization is a big part of the future CAPEX, this would most likely provide a boost to TPE's performance.

### Current Price

1.22 PLN

### 9M Target Price

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	rating	target price	issued
unchanged	suspended		2020-02-27

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-17.6%	-9.6%
ISIN	PLTAURN00011	YTD Price Chng	-25.7%	-16.0%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 6.7m
MC (PLN m)	2,136.4	ADTV 6M		PLN 6.3m
EV (PLN m)	14,157.2	EV/EBITDA 12M fwd	4.5	-4.0%
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	1.5	10.4	2.4	2.0	1.6
P/B	0.1	0.1	0.1	0.1	0.1
EV/EBITDA	3.1	3.7	3.9	3.6	3.1
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%
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
<b>EBITDA (adj.)</b>	<b>3,581</b>	<b>3,359</b>	<b>3,324</b>	<b>3,905</b>	<b>4,257</b>
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
<b>Financing activity</b>	<b>-122</b>	<b>-286</b>	<b>-270</b>	<b>-392</b>	<b>-401</b>
<b>Power output, TWh</b>	<b>18.4</b>	<b>16.2</b>	<b>13.9</b>	<b>18.2</b>	<b>19.1</b>
Renewables	1.3	1.0	1.3	1.7	1.7
<b>Trade volume, TWh</b>	<b>34.9</b>	<b>34.5</b>	<b>33.5</b>	<b>34.0</b>	<b>34.5</b>
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
<b>RAV (PLN bn)</b>	<b>16.3</b>	<b>16.9</b>	<b>17.9</b>	<b>18.4</b>	<b>18.9</b>
RAV return (EBIT)	7.4%	8.4%	7.7%	7.2%	6.6%

### Key Balance Sheet Figures

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

## TMT

### Netia

hold (no change)

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Netia reported 2019 Q4 results in line with expectations, showing continued uptrend in profits. On 5.2% lower revenue, the Company was able to report 8.6% growth in comparable EBITDA by cutting SG&A expenses (-7.6% y/y). The 2019 rebound after a period of falls should improve sentiment for NET. Moreover, Netia's KPIs are also getting better, with broadband churn in Q4 2019 reduced to 18,500 connections from nearly 33k in Q4'18 after losing only 3k customers in the course of the quarter. Note that ARPU from B2C broadband is stable (ca. PLN 56). On the downside, Netia has allocated its total cash flow to network upgrades aimed at reaching 2.6 million households with high-speed services by 2020, 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. Note that Cyfrowy is no longer under a 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). We maintain a neutral stance on Netia.

**Current Price**

4.07 PLN

Upside

**9M Target Price**

4.70 PLN

+15.5%

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

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-10.2%	-2.1%
ISIN	PLNETIA00014	YTD Price Chng	-7.9%	+1.8%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,371.8	ADTV 6M		PLN 0.2m
EV (PLN m)	1,861.1	EV/EBITDA 12M fwd	4.0	-19.5%
Free Float	33.0%	EV/EBITDA 5Y avg	5.0	discount

#### Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	1,442	1,373	1,297	1,280	1,280
EBITDA	383	356	449	431	431
EBITDA margin	26.6%	25.9%	34.6%	33.7%	33.7%
EBIT	72	76	78	73	82
Net income	35	65	48	47	52
P/E	38.6	21.2	28.8	29.1	26.2
P/B	0.8	0.7	0.7	0.7	0.7
EV/EBITDA	4.3	4.4	4.1	4.3	4.4
DPS	0.20	0.00	0.00	0.00	0.40
DYield	4.9%	0.0%	0.0%	0.0%	9.8%
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	2019	2020P	2021P
Voice subs (1,000)	1,014	937	826	843	805
On-Netw. Voice ARPU (PLN)	26.5	25.3	n/a	22.4	22.0
WLR+LLU Voice ARPU (PLN)	39.0	38.3	n/a	34.4	34.4
Broadband subs (1,000)	640	608	589	580	588
Broadband ARPU (PLN)	56.5	56.3	56.0	56.6	57.4
<b>Revenue</b>	<b>1,442</b>	<b>1,373</b>	<b>1,297</b>	<b>1,280</b>	<b>1,280</b>
Direct Voice	405	350	293	265	246
Data	616	581	567	563	573
Interop & Wholesale	234	236	212	219	222
Other	188	207	226	233	240
Selling expenses	275	275	256	256	260
G&A expenses	148	134	152	137	136
<b>EBIT</b>	<b>72</b>	<b>76</b>	<b>78</b>	<b>73</b>	<b>82</b>
margin	5.0%	5.5%	6.0%	5.7%	6.4%
<b>Net income</b>	<b>35.5</b>	<b>64.8</b>	<b>47.6</b>	<b>47.1</b>	<b>52.3</b>

#### DCF Analysis

(PLN m)	19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,297	1,280	1,280	1,293	1,309	1,326	1,343	1,364	1,386	1,407	1,407
EBITDA	356	339	340	339	339	338	338	339	341	342	342
EBITDA margin	27.4%	26.5%	26.6%	26.2%	25.9%	25.5%	25.1%	24.9%	24.6%	24.3%	24.3%
D&A	278	267	259	253	249	242	233	222	208	197	197
EBIT	78	73	82	86	90	96	105	117	132	145	145
Tax	15	14	15	16	17	18	20	22	25	28	28
NOPLAT	63	59	66	69	73	78	85	94	107	118	118
CAPEX	-361	-319	-185	-186	-188	-189	-191	-193	-195	-197	-197
Working capital	-9	-1	-4	-1	-1	-1	-2	-2	-3	-2	-2
FCF	-29	5	135	135	133	129	125	122	118	115	115
PV FCF	-29	5	115	107	97	88	79	72	65	59	
WACC	7.8%	7.8%	7.8%	7.7%	7.6%	7.5%	7.4%	7.3%	7.1%	7.0%	7.0%
Net debt / EV	13.6%	14.0%	14.8%	15.7%	18.1%	20.6%	23.1%	25.6%	28.0%	30.4%	30.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

#### Key Balance Sheet Figures

(PLN m)	2017	2018	2019	2020P	2021P
<b>Operating cash flow</b>	<b>346</b>	<b>380</b>	<b>353</b>	<b>327</b>	<b>324</b>
OCF/EBITDA	90%	105%	80%	96%	95%
<b>CAPEX</b>	<b>-268</b>	<b>-281</b>	<b>-361</b>	<b>-319</b>	<b>-185</b>
Assets	2,401	2,526	2,548	2,929	2,838
Equity	1,778	1,867	1,913	1,962	1,876
<b>Net debt</b>	<b>285</b>	<b>192</b>	<b>489</b>	<b>489</b>	<b>506</b>
Net debt/EBITDA (x)	0.7	0.5	1.1	1.1	1.2

#### Relative Valuation Summary

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

#### DCF Summary

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

#### Valuation Summary

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



## Orange Polska accumulate (no change)

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We maintain a bullish view on Orange Polska. The spread of the coronavirus in Europe will most likely affect the performance of telecoms in the coming weeks, but to a lesser extent than it is hurting Poland's broad stock market. Otherwise, Orange delivered better-than-expected results for Q4 2019, even stripped of one-time gains, reporting an unexpected surge in FTTx connections by 47,000 net – the highest quarterly increase in history, combined with high FCFE. After achieving its earnings targets in 2019, Orange eyes further growth in 2020, and it is hoping to stem declines in mobile-only ARPU from Q4 2020. The Telecom has recently raised prices on its consumer mobile plans, as well as increasing rates as part of a “more-for-more” policy for the B2B business, and hiking pre-paid fees. We expect to see more price hikes across the telecom sector over the coming months. 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. The plan to reduce expenditures on FTTx indicates a possibility of resumed dividend payments from 2021.

Current Price

6.58 PLN

Upside

9M Target Price

7.40 PLN

+12.5%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-4.3%	+3.7%
ISIN	PLTLKPL00017	YTD Price Chng	-7.7%	+2.0%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 16.0m
MC (PLN m)	8,626.4	ADTV 6M		PLN 10.6m
EV (PLN m)	16,791.4	EV/EBITDA 12M fwd	5.0	+7.3%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6	premium

### Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	11,381	11,087	11,406	11,552	11,690
EBITDA	2,801	2,889	3,164	3,179	3,373
EBITDA margin	24.6%	26.1%	27.7%	27.5%	28.9%
EBIT	229	345	416	640	879
Net income	-60	10	91	254	463
P/E	-	862.6	94.8	33.9	18.6
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	5.4	5.4	5.3	5.4	4.9
DPS	0.00	0.00	0.00	0.00	0.25
DYield	0.0%	0.0%	0.0%	0.0%	3.8%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019	2020P	2021P
Broadband lines (1,000)	1,306	1,547	1,697	1,817	1,936
Voice lines (1,000)	2,438	2,560	2,607	2,663	2,715
<b>Revenue</b>	<b>11,381</b>	<b>11,087</b>	<b>11,406</b>	<b>11,552</b>	<b>11,690</b>
Mobile	3,373	2,726	2,598	2,541	2,517
Fixed Line	2,748	2,441	2,192	2,018	1,888
Other	5,260	5,920	6,616	6,993	7,285
<b>Costs</b>	<b>-</b>	<b>7,980</b>	<b>8,400</b>	<b>8,289</b>	<b>8,299</b>
Payroll	-	-1,577	-1,490	-1,467	-1,444
External services	-	-6,200	-6,514	-6,573	-6,603
Other rev & exp	-	-203	-179	-249	-252
Real estate sale	-	192	271	230	160
Other	-	-490	-488	-471	-472
<b>EBITDAaL*</b>	<b>-</b>	<b>2,809</b>	<b>3,006</b>	<b>3,022</b>	<b>3,079</b>
margin	-	25.3%	26.4%	26.2%	26.3%
<b>Net income</b>	<b>-60</b>	<b>10</b>	<b>91</b>	<b>254</b>	<b>463</b>

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019	2020P	2021P
<b>Operating cash flow</b>	<b>2,064</b>	<b>1,812</b>	<b>2,776</b>	<b>2,261</b>	<b>2,461</b>
OCF/EBITDAaL	-	65%	92%	75%	80%
<b>CAPEX</b>	<b>1,933</b>	<b>2,282</b>	<b>2,272</b>	<b>2,964</b>	<b>1,855</b>
Assets	23,486	23,295	24,340	24,340	24,420
Equity	10,521	10,494	10,564	11,010	11,145
<b>Net debt</b>	<b>6,478</b>	<b>6,939</b>	<b>8,163</b>	<b>8,450</b>	<b>7,852</b>
Net debt/EBITDA (x)	2.3	2.4	2.6	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)	19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,406	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	2,864	2,935	3,128	3,163	3,225	3,328	3,403	3,456	3,508	3,556	3,556
EBITDA margin	25.1%	25.4%	26.8%	26.6%	26.7%	27.1%	27.3%	27.3%	27.3%	27.3%	27.3%
D&A	2,448	2,295	2,249	2,204	2,160	2,095	2,033	1,972	1,912	1,855	1,855
EBIT	416	640	879	958	1,064	1,233	1,370	1,485	1,595	1,701	1,701
Tax	79	122	167	182	202	234	260	282	303	323	323
NOPLAT	337	518	712	776	862	999	1,110	1,203	1,292	1,378	1,378
CAPEX	-2,272	-2,734	-1,695	-3,231	-1,834	-1,882	-1,894	-1,908	-2,272	-1,964	-1,964
Working capital	173	-58	-91	-63	-63	-62	-61	-61	-60	-60	-60
FCF	686	22	1,175	-314	1,126	1,150	1,187	1,206	872	1,209	1,209
PV FCF	828	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%
<b>9M Target Price</b>		<b>7.40</b>

## Play accumulate (no change)

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We maintain a positive outlook for PLY. The spread of the coronavirus in Europe will most likely affect the performance of telecoms in the coming weeks, but to a lesser extent than it is hurting Poland's broad stock market. Play reported strong results for Q4 2019, with quarterly EBITDA coming in line with estimates after an impressive y/y rebound of 6.4%. Further, the Company has given guidance for FY2020 with the FCFE target set lower than we currently anticipate and the EBITDA target consistent with our outlook. When it comes to financial objectives through 2022, Play assumes increasing EBITDA, CAPEX/Sales at 11-13% until 2021 and then at 10% – a goal which implies slightly higher expenditures than assumed by us. So much for downside risk, and on the upside is the rebound observed in Poland's mobile market, reflected in rising prices and ARPU, driven by growing data use, alongside plans to spin off mobile masts into a TowerCo in 2020, and a commitment to high payout ratios from future FCFE. We would pick PLY over CPS at the current price level after comparing their respective earnings prospects and dividend yields.

<b>Current Price</b>	30.76 PLN	<b>Upside</b>
<b>9M Target Price</b>	36.00 PLN	<b>+17.0%</b>

	rating	target price	issued
unchanged	accumulate	36.00 PLN	2020-02-05

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-12.1%	-4.0%
ISIN	LU1642887738	YTD Price Chng	-12.1%	-2.4%
Outst. Stock (m)	253.7	ADTV 1M		PLN 21.6m
MC (PLN m)	7,803.8	ADTV 6M		PLN 18.8m
EV (PLN m)	14,434.4	EV/EBITDA 12M fwd	5.8	-1.2%
Free Float	49.4%	EV/EBITDA 5Y avg	5.9	discount

### Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	6,670	6,839	7,041	7,266	7,409
EBITDA	1,904	2,160	2,406	2,582	2,691
EBITDA margin	28.5%	31.6%	34.2%	35.5%	36.3%
EBIT	1,107	1,371	1,500	1,630	1,625
Net income	387	744	867	964	967
P/E	20.1	10.5	9.0	8.1	8.1
P/B	-	-	24.3	8.6	5.2
EV/EBITDA	7.6	6.7	6.0	5.9	5.4
DPS	0.00	2.57	1.45	1.45	1.45
DYield	0.0%	8.4%	4.7%	4.7%	4.7%
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	2019	2020P	2021P
Active subscribers (000s)	12,394	12,653	12,929	12,730	12,815
ARPU (PLN)	32.0	32.3	32.8	33.8	34.3
<b>Revenue</b>	<b>6,670</b>	<b>6,839</b>	<b>7,041</b>	<b>7,266</b>	<b>7,409</b>
Service revenue	4,878	5,083	5,296	5,369	5,484
Sales of goods and other	1,792	1,756	1,745	1,807	1,832
<b>Costs</b>	<b>4,766</b>	<b>4,679</b>	<b>4,605</b>	<b>4,626</b>	<b>4,658</b>
Interconnection	1,729	1,922	1,770	1,711	1,663
Contract costs	429	421	405	421	430
Cost of goods sold	1,410	1,442	1,437	1,477	1,505
Employee benefits	526	255	298	301	310
External services	606	515	571	609	657
Other	65	124	124	107	94
<b>EBITDA (adj.)</b>	<b>2,298</b>	<b>2,159</b>	<b>2,436</b>	<b>2,579</b>	<b>2,687</b>
margin	34.4%	31.6%	34.6%	35.5%	36.3%
<b>Net income</b>	<b>387</b>	<b>744</b>	<b>867</b>	<b>964</b>	<b>967</b>

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019	2020P	2021P
<b>Operating cash flow</b>	<b>1,389</b>	<b>2,037</b>	<b>2,230</b>	<b>2,253</b>	<b>2,373</b>
OCF/EBITDA adj.	60%	94%	92%	87%	88%
<b>CAPEX</b>	<b>-650</b>	<b>-781</b>	<b>-853</b>	<b>-2,077</b>	<b>-830</b>
Assets	8,831	8,521	8,886	10,115	10,225
Equity	-213	-201	322	910	1,510
<b>Net debt</b>	<b>6,710</b>	<b>6,653</b>	<b>6,631</b>	<b>7,354</b>	<b>6,737</b>
Net debt/EBITDA (x)	2.9	3.1	2.7	2.9	2.5

### 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)	19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	7,041	7,266	7,409	7,531	7,634	7,723	7,802	7,873	7,939	8,000	8,000
EBITDA	2,406	2,582	2,691	2,753	2,821	2,848	2,870	2,887	2,899	2,914	2,914
EBITDA margin	34.2%	36.6%	37.0%	37.2%	37.5%	37.3%	37.2%	37.0%	36.8%	36.7%	36.7%
D&A	906	951	1,066	1,080	1,142	1,159	1,159	1,137	1,112	1,083	1,083
EBIT	1,500	1,630	1,625	1,673	1,679	1,689	1,711	1,750	1,787	1,831	1,831
Tax	285	310	309	318	319	321	325	332	339	348	348
NOPLAT	1,215	1,321	1,316	1,355	1,360	1,368	1,386	1,417	1,447	1,483	1,483
CAPEX	-853	-2,077	-830	-1,772	-1,248	-1,085	-800	-807	-814	-1,502	-728
Work. cap. + other	48	-276	-276	-296	-288	-285	-283	-281	-281	-281	-281
FCF	1,316	-80	1,277	367	966	1,158	1,462	1,466	1,465	784	1,456
PV FCF	1,316	-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%
<b>9M Target Price</b>		<b>36.00</b>

## Agora buy (no change)

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Shares in Agora slumped more than 12% in February, reversing the rebound of the month before, led by concerns over the coronavirus outbreak and its potential impact on advertising expenditures and cinema attendance. Nevertheless we maintain a positive view on AGO, currently trading at an attractive ratio of 6.7x EV/EBITDA, in anticipation of growth in 2019 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 at 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 food service start-ups. Nevertheless overall we expect a strong Q4 showing. When it comes to future outlook, Agora announced as part of a draft executive incentives plan that it is aiming to bring its market valuation up to an average of no less than PLN 18.62 per share by Q1 2023, and that it wants to pay annual dividends of PLN 0.50 per share, implying attractive dividend yield of 4.5%.

Current Price

11.20 PLN

Upside

9M Target Price

17.00 PLN

+51.8%

	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	-11.8%	-3.8%
ISIN	PLAGORA00067	YTD Price Chng	+7.7%	+17.4%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.2m
MC (PLN m)	521.7	ADTV 6M		PLN 0.2m
EV (PLN m)	1,181.6	EV/EBITDA 12M fwd	6.8	+22.2%
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	-	114.1	53.4	28.5	18.8
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	18.2	6.1	7.0	6.7	6.3
DPS	0.00	0.50	0.50	0.50	0.50
DYield	0.0%	4.5%	4.5%	4.5%	4.5%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
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
<b>Revenue</b>	<b>1,165</b>	<b>1,141</b>	<b>1,224</b>	<b>1,268</b>	<b>1,329</b>
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
<b>EBITDA</b>	<b>30</b>	<b>84</b>	<b>97</b>	<b>116</b>	<b>130</b>
margin	2.6%	7.4%	8.0%	9.2%	9.8%
<b>Net income</b>	<b>-83.5</b>	<b>4.6</b>	<b>9.8</b>	<b>18.3</b>	<b>27.7</b>

### Key Balance Sheet Figures

(PLN m)	2017	2018*	2019P	2020P	2021P
<b>Operating cash flow</b>	<b>77</b>	<b>128</b>	<b>90</b>	<b>97</b>	<b>111</b>
OCF/EBITDA	258%	152%	92%	83%	85%
<b>CAPEX</b>	<b>-70</b>	<b>-144</b>	<b>-115</b>	<b>-95</b>	<b>-99</b>
Assets	1,406	1,952	1,976	2,006	2,052
Equity	996	975	961	957	961
<b>Net debt</b>	<b>4</b>	<b>114</b>	<b>162</b>	<b>184</b>	<b>195</b>
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. &amp; 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%
<b>9M Target Price</b>		<b>17.00</b>

## Cyfrowy Polsat hold (upgraded)

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We upgrade CPS from reduce to hold after a 4.9% share price fall in the past month, with the upside potential to the updated target price at just about 0.5%. In our view, rival telecoms PLY and OPL are more attractive bets, including on 2019 Q4 earnings prospects; at Cyfrowy, we estimate the quarterly EBITDA ex. IFRS 16 and Netia to come in at PLN 843m after a 2% decline from the same year-ago period 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 = 7.6% vs. PLY 11.9%), which also offers superior dividends (2020E DivYield at 3.5% CPS vs. PLY 4.7%). 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 off 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

26.24 PLN

Downside

### 9M Target Price

26.10 PLN

-0.5%

	rating	target price	issued
new	hold	26.10 PLN	2020-03-04
old	reduce	26.10 PLN	2019-11-14
Key Metrics		CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-4.9% +3.2%
ISIN	PLCFRPT00013	YTD Price Chng	-6.1% +3.6%
Outst. Stock (m)	639.5	ADTV 1M	PLN 14.1m
MC (PLN m)	16,781.6	ADTV 6M	PLN 11.8m
EV (PLN m)	28,608.3	EV/EBITDA 12M fwd	6.6 -2.9%
Free Float	33.5%	EV/EBITDA 5Y avg	6.8 discount

### Earnings Projections

### Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,829	10,686	11,698	11,918	12,118
EBITDA	3,617	3,698	4,153	4,251	4,351
EBITDA margin	36.8%	34.6%	35.5%	35.7%	35.9%
EBIT	1,834	1,727	1,922	2,107	2,306
Net income	981	834	1,121	1,322	1,498
P/E	17.1	20.1	15.0	12.7	11.2
P/B	1.4	1.3	1.2	1.1	1.1
EV/EBITDA	7.6	7.4	6.9	6.7	6.3
DPS	0.32	0.00	0.93	0.93	0.93
DYield	1.2%	0.0%	3.5%	3.5%	3.5%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
<b>RGUs pospaid</b>	<b>16.52</b>	<b>16.91</b>	<b>17.43</b>	<b>17.57</b>	<b>17.66</b>
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
<b>Sales</b>	<b>9,829</b>	<b>10,686</b>	<b>11,698</b>	<b>11,918</b>	<b>12,118</b>
YoY		8.7%	9.5%	1.9%	1.7%
<b>EBIT</b>	<b>1,834</b>	<b>1,727</b>	<b>1,922</b>	<b>2,107</b>	<b>2,306</b>
margin	18.7%	16.2%	16.4%	17.7%	19.0%
<b>EBITDA</b>	<b>3,617</b>	<b>3,698</b>	<b>4,153</b>	<b>4,251</b>	<b>4,351</b>
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
<b>PBT</b>	<b>1,335</b>	<b>1,306</b>	<b>1,418</b>	<b>1,652</b>	<b>1,871</b>
Tax	-390	-490	-281	-314	-355
Minorities	-35	-18	16	16	18
<b>Net income</b>	<b>981</b>	<b>834</b>	<b>1,121</b>	<b>1,322</b>	<b>1,498</b>

### Key Balance Sheet Figures

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

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	7.0	4.9	3.7	3.3	2.9	2.6
Maximum	73.9	108.8	168.2	30.7	18.1	17.3
Median	6.0	5.8	5.7	13.1	13.0	11.6
Weight	33%	33%	33%	0%	0%	0%

### DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,698	11,918	12,118	12,323	12,515	12,707	12,902	13,103	13,308	13,517	13,517
EBITDA	3,711	3,809	3,909	3,979	4,031	4,079	4,126	4,174	4,223	4,272	4,272
EBITDA margin	31.7%	32.0%	32.3%	32.3%	32.2%	32.1%	32.0%	31.9%	31.7%	31.6%	31.6%
D&A	1,789	1,701	1,603	1,513	1,446	1,403	1,370	1,337	1,491	1,498	1,498
EBIT	1,922	2,107	2,306	2,466	2,585	2,676	2,756	2,837	2,732	2,774	2,774
Tax	365	400	438	468	491	509	524	539	519	527	527
NOPLAT	1,557	1,707	1,868	1,997	2,094	2,168	2,232	2,298	2,213	2,247	2,247
CAPEX	-1,403	-2,241	-1,335	-2,354	-2,700	-1,705	-1,429	-2,017	-1,477	-1,498	-1,498
Working capital	-240	-72	-77	-74	-74	-73	-72	-78	-83	-89	-89
FCF	1,704	1,096	2,059	1,082	766	1,793	2,102	1,540	2,143	2,158	2,080
PV FCF	1,694	1,020	1,792	880	583	1,277	1,399	957	1,244	1,168	
WACC	6.8%	6.8%	6.9%	6.9%	6.9%	6.9%	7.0%	7.0%	7.1%	7.2%	7.2%
Net debt / EV	34.1%	33.8%	31.4%	31.4%	32.6%	31.5%	29.7%	29.4%	27.4%	25.3%	25.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

\*Cyfrowy Polsat only (without Netia)

### DCF Summary

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

### Valuation Summary

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

## Wirtualna Polska hold (no change)

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WPL stock has been infected by the coronavirus and the fears about its impact on advertising spend. However when it comes to 2019 Q4 earnings, we expect Wirtualna Polska to deliver standout results, with quarterly revenue up by 18% from the comparable year-ago result, and a rebound of 16% to an estimated PLN 61.2m (ex. IFRS 16 effects) in the adjusted EBITDA in the online segment. This should make sentiment for WPL more upbeat. For the time being we maintain a neutral stance on WPL. Wirtualna's priority at the moment according to CEO Świderski 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. Wirtualna obviously has a specific target in mind, as evidenced by a PLN 978m syndicated financing deal which allocates PLN 602m toward acquisitions and related costs.

### Current Price

75.20 PLN

Upside

### 9M Target Price

79.70 PLN

+6.0%

	rating	target price	issued
unchanged	hold	79.70 PLN	2020-02-05

Key Metrics			WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	-7.8%	+0.2%
ISIN	PLWRTPL00027	YTD Price Chng	+7.7%	+17.4%
Outst. Stock (m)	29.8	ADTV 1M		PLN 0.9m
MC (PLN m)	2,239.1	ADTV 6M		PLN 0.8m
EV (PLN m)	2,566.7	EV/EBITDA 12M fwd	10.0	-1.9%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2	discount

### 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	49.5	29.5	32.5	20.4	17.7
P/B	5.3	4.8	4.4	3.8	3.4
EV/EBITDA	18.7	15.7	12.5	10.1	9.0
DPS	1.10	0.96	1.00	1.00	1.92
DYield	1.5%	1.3%	1.3%	1.3%	2.6%
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
<b>Revenue</b>	<b>466</b>	<b>567</b>	<b>733</b>	<b>836</b>	<b>921</b>
Cash	425	543	687	783	865
Barter	33.0	24.6	24.9	25.4	26.7
<b>Costs</b>	<b>387</b>	<b>460</b>	<b>606</b>	<b>676</b>	<b>746</b>
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
<b>EBITDA</b>	<b>130</b>	<b>163</b>	<b>205</b>	<b>246</b>	<b>268</b>
margin	27.8%	29.8%	27.9%	29.4%	29.1%
<b>EBITDA (adj.)</b>	<b>151</b>	<b>173</b>	<b>223</b>	<b>244</b>	<b>265</b>
margin	32.3%	32.1%	30.4%	29.2%	28.8%
<b>EBIT</b>	<b>79</b>	<b>107</b>	<b>127</b>	<b>160</b>	<b>175</b>
margin	16.9%	19.7%	17.3%	19.1%	19.0%
<b>Net income</b>	<b>35.3</b>	<b>76.0</b>	<b>68.9</b>	<b>109.7</b>	<b>126.6</b>

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
<b>Operating cash flow</b>	<b>114</b>	<b>170</b>	<b>162</b>	<b>203</b>	<b>220</b>
OCF/EBITDA	88%	104%	79%	82%	82%
<b>CAPEX</b>	<b>-42</b>	<b>-52</b>	<b>-62</b>	<b>-71</b>	<b>-78</b>
Assets	894	1,063	1,110	1,213	1,301
Equity	420	468	509	589	658
<b>Net debt</b>	<b>170</b>	<b>299</b>	<b>316</b>	<b>231</b>	<b>159</b>
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'19P	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%
<b>9M Target Price</b>		<b>79.70</b>

## 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 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 23% from the comparable year-ago period. 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 combine resources to modernize its IT infrastructure. Relatively high dividends are another factor working in Asseco's favor. We currently have a hold stance on ACP, and we see much more growth potential in its two listed subsidiaries, Asseco South Eastern Europe (ASE) and Asseco Business Solutions (ABS).

**Current Price**

64.20 PLN

**Downside**

**9M Target Price**

59.20 PLN

**-7.8%**

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

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	-1.8%	+6.3%
ISIN	PLSOFTB000016	YTD Price Chng	+0.9%	+10.6%
Outst. Stock (m)	83.0	ADTV 1M		PLN 5.4m
MC (PLN m)	5,328.6	ADTV 6M		PLN 4.6m
		P/E 12M fwd	14.1	+10.5%
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	11.4	16.0	16.2	15.7	15.3
P/B	1.0	0.9	0.9	0.9	0.9
P/S	0.68	0.57	0.49	0.47	0.46
DPS	3.01	3.01	3.07	3.07	2.25
DYield	4.7%	4.7%	4.8%	4.8%	3.5%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
<b>Revenue</b>	<b>7,829</b>	<b>9,329</b>	<b>10,874</b>	<b>11,276</b>	<b>11,624</b>
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
<b>EBIT</b>	<b>585</b>	<b>797</b>	<b>949</b>	<b>994</b>	<b>1,030</b>
D&A	337	460	706	713	717
<b>EBITDA</b>	<b>922</b>	<b>1,256</b>	<b>1,655</b>	<b>1,707</b>	<b>1,747</b>
margin	11.8%	13.5%	15.2%	15.1%	15.0%
Associates	-150	-260	-427	-454	-477
Tax	-122	-182	-232	-237	-240
<b>Net income</b>	<b>467</b>	<b>333</b>	<b>329</b>	<b>340</b>	<b>348</b>

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
<b>Operating cash flow</b>	<b>691</b>	<b>1,001</b>	<b>1,035</b>	<b>1,242</b>	<b>1,288</b>
OCF/EBITDA	75%	80%	63%	73%	74%
<b>CAPEX</b>	<b>-226</b>	<b>-240</b>	<b>-326</b>	<b>-395</b>	<b>-465</b>
Assets	11,882	12,642	14,318	14,748	15,305
Equity	5,601	5,718	5,792	5,877	6,039
<b>Net debt</b>	<b>360</b>	<b>305</b>	<b>1,262</b>	<b>799</b>	<b>260</b>
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	+
<b>Asseco Poland (Standalone Figures)</b>											
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%
<b>Asseco Business Solutions</b>											
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%
<b>Asseco South Eastern Europe</b>											
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
<b>Value</b>			<b>4,733</b>
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%
<b>9M Target Price</b>		<b>59.20</b>



## Comarch buy (no change)

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CMR stock fell more than 8% in the past month, in step with the broad WIG index. Comarch's 2019 Q4 results turned out weaker than anticipated with a gross margin of just PLN 113.2m vs. PLN 140.8m expected after a dent of ca. PLN 4.9m created by unfavorable FX trends. The gross margin came out low at 27.1% vs. 33.3% expected, due largely to a provision for employee compensation which boosted the period's COGS (according to an explanation obtained from Comarch). EBITDA for the full FY2019 was just short of PLN 240m, and we now question our FY2020 estimate as possibly too ambitious at PLN 257m. With that said, Comarch's guidance for the medium term, issued during the fourth-quarter earnings conference, looks solid enough to keep us bullish on the Company's growth prospects, especially when set against its attractive current valuation at 6.3x 2019E EV/EBITDA.

### Current Price

189.50 PLN

Upside

### 9M Target Price

250.00 PLN

+31.9%

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

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-8.5%	-0.4%
ISIN	PLCOMAR00012	YTD Price Chng	+1.3%	+11.0%
Outst. Stock (m)	8.1	ADTV 1M		PLN 1.0m
MC (PLN m)	1,541.3	ADTV 6M		PLN 0.6m
EV (PLN m)	1,501.6	EV/EBITDA 12M fwd	6.1	-18.2%
Free Float	60.9%	EV/EBITDA 5Y avg	7.4	discount

### Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	1,102	1,365	1,438	1,590	1,678
EBITDA	99	177	239	257	267
EBITDA margin	9.0%	13.0%	16.6%	16.2%	15.9%
EBIT	34	112	155	170	177
Net income	43	52	115	117	122
P/E	35.8	29.8	13.4	13.2	12.6
P/B	1.8	1.8	1.6	1.4	1.3
EV/EBITDA		8.6	6.3	5.8	5.4
DPS	1.50	1.50	1.50	1.50	1.50
DYield	0.8%	0.8%	0.8%	0.8%	0.8%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019	2020P	2021P
<b>Revenue</b>	<b>1,102</b>	<b>1,365</b>	<b>1,438</b>	<b>1,590</b>	<b>1,678</b>
TMT	258	313	334	389	412
Finance & Banking	186	204	191	218	227
Retail Solutions	174	201	252	293	317
Manufacturing	142	138	179	195	205
Public Sector	63	194	132	137	142
SME	236	260	291	299	314
Other	43	54	58	59	61
Gross profit	268	387	426	475	495
margin	24.3%	28.3%	29.6%	29.9%	29.5%
Selling expenses	134	138	145	158	167
G&A expenses	98	109	128	141	147
<b>EBIT</b>	<b>34</b>	<b>112</b>	<b>155</b>	<b>170</b>	<b>177</b>
margin	3.1%	8.2%	10.7%	10.7%	10.5%
<b>Net income</b>	<b>43</b>	<b>52</b>	<b>116</b>	<b>117</b>	<b>122</b>

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019	2020P	2021P
<b>Operating cash flow</b>	<b>61</b>	<b>181</b>	<b>170</b>	<b>198</b>	<b>197</b>
OCF/EBITDA	62%	102%	71%	77%	74%
<b>CAPEX</b>	<b>-141</b>	<b>-87</b>	<b>-55</b>	<b>-96</b>	<b>-119</b>
Assets	1,503	1,740	1,854	2,011	2,152
Equity	880	876	963	1,081	1,191
<b>Net debt</b>	<b>19</b>	<b>-28</b>	<b>-58</b>	<b>-149</b>	<b>-193</b>
Net debt/EBITDA (x)	0.2	-0.2	-0.2	-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)	19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,438	1,590	1,678	1,752	1,828	1,905	1,979	2,045	2,108	2,173	2,217
EBITDA	239	257	267	278	288	298	305	310	313	316	323
EBITDA margin	16.6%	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	155	170	177	184	191	197	200	201	200	199	203
Tax	46	50	52	54	56	57	58	57	57	56	57
NOPLAT	109	120	124	130	135	140	142	143	143	143	146
CAPEX	-70	-96	-119	-116	-93	-96	-97	-97	-99	-99	-101
Working capital	13	-10	-19	-19	-20	-22	-22	-22	-23	-25	-25
FCF	136	101	77	89	119	123	128	133	134	136	138
PV FCF	136	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%
<b>9M Target Price</b>		<b>250.00</b>

## 11 bit studios hold (no change)

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Two of 11bit's top executives sold some of their shares in February, the Company disclosed in last month's market filings. In January, 11bit studios had a successful launch 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 dubbed tentatively as *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.

<b>Current Price</b>	431.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	439.00 PLN	<b>+1.9%</b>

	rating	target price	issued
unchanged	hold	439.00 PLN	2020-02-05

Key Metrics			11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	-1.1%	+6.9%
ISIN	PL11BTS00015	YTD Price Chng	+7.7%	+17.4%
Outst. Stock (m)	2.3	ADTV 1M		PLN 7.5m
MC (PLN m)	985.8	ADTV 6M		PLN 2.9m
EV (PLN m)	970.5	EV/EBITDA 12M fwd	22.9	+76.4%
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	-	26.3	55.8	44.6	10.6
P/B	21.3	11.0	8.7	7.2	4.3
EV/EBITDA	103.7	18.7	33.5	28.1	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%
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%
<b>Operating cash flow</b>	<b>8.1</b>	<b>39.0</b>	<b>31.0</b>	<b>28.3</b>	<b>83.6</b>
D&A	1.7	4.5	6.3	7.5	10.8
Working capital	2.6	-8.0	-1.5	-2.2	-21.0
<b>Investing cash flow</b>	<b>-10.0</b>	<b>-55.6</b>	<b>-26.3</b>	<b>-11.5</b>	<b>-12.6</b>
CAPEX	-7.4	-26.6	-10.3	-11.5	-12.6
CFQ/EBITDA	87%	76%	107%	83%	67%
FCF	-1.5	10.1	7.1	9.9	79.0
FCF/EBITDA	-16%	20%	25%	29%	64%
FCF Yield	0%	1%	1%	1%	9%

### 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%
<b>9M Target Price</b>		<b>439.00</b>

## CD Projekt hold (no change)

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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 17 September 2020 to allow more time to fix any bugs and make sure it is delivering a perfect product. The mid-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 The Witcher number in general, spurred by the Netflix series, which was watched 76 million times in the four weeks from release. We estimate that, on a revenue of PLN 162m, CD Projekt will report a quarterly net profit of PLN 56m. According to the latest reports, CD Projekt's mobile games unit, Spokko, may be coming out with its first release in the near future. CDR stock ended February at around PLN 280 after retreating from an all-time high reached earlier in the month.

Current Price

305.80 PLN

Downside

9M Target Price

284.20 PLN

-7.1%

	rating	target price	issued
unchanged	hold	284.20 PLN	2020-02-05

Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+4.2% +12.2%
ISIN	PLOPTTC00011	YTD Price Chng	+9.4% +19.1%
Outst. Stock (m)	96.1	ADTV 1M	PLN 123.9m
MC (PLN m)	29,393.5	ADTV 6M	PLN 76.6m
EV (PLN m)	28,797.2	EV/EBITDA 12M fwd	11.9 -49.0%
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	-	-	-	13.1	14.5
P/B	33.0	29.3	28.0	9.1	5.6
EV/EBITDA	115.8	245.3	211.4	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			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales of The Witcher 3			0.0%	0.0%	0.0%
Sales of Gwent: The Card Game			0.0%	0.0%	0.0%
Sales of Cyberpunk 2077			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, Video Games	330	228	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%
<b>Operating cash flow</b>	<b>232</b>	<b>133</b>	<b>195</b>	<b>2,470</b>	<b>1,981</b>
D&A	5	5	8	9	10
Working capital	34	46	-68	-117	29
<b>Investing cash flow</b>	<b>-291</b>	<b>-106</b>	<b>399</b>	<b>-160</b>	<b>-173</b>
CAPEX	-13	-15	-13	-10	-11
<b>Development exp.</b>	<b>-77</b>	<b>-98</b>	<b>-138</b>	<b>-150</b>	<b>-162</b>
FCF	144	40	-71	2,321	1,830
FCF/EBITDA	-52%	94%	89%	83%	88%
OCF/EBITDA	143%	100%	96%	96%	92%

### Key Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, The Witcher 3	288	174	166	138	95
Sales, Gwent	43	45	45	31	16
Sales, Cyberpunk	0	0	0	2,839	937
	0	0	0	0	0
Development exp.	142	243	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 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%

### 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%
<b>9M Target Price</b>		<b>284.20</b>

## 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**

1.06 PLN

Upside

**9M Target Price**

1.25 PLN

+17.9%

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

Key Metrics			COG PW	vs. WIG
Ticker	COG PW	1M Price Chng	-13.1%	-5.1%
ISIN	PLCNTSL00014	YTD Price Chng	-14.5%	-4.8%
Outst. Stock (m)	175.0	ADTV 1M		PLN 0.1m
MC (PLN m)	185.5	ADTV 6M		PLN 0.1m
EV (PLN m)	421.2	EV/EBITDA 12M fwd	4.8	+26.9%
Free Float	-	EV/EBITDA 5Y avg	3.8	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.	5.8	2.0	6.3	32.9	21.2
P/B	0.8	0.7	0.7	0.7	0.7
EV/EBITDA adj.	3.6	2.1	4.1	5.7	5.5
DPS	0.00	0.07	0.21	0.07	0.03
DYield	0.0%	6.4%	19.4%	7.0%	2.4%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
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
Zlomrex 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
<b>Operating cash flow</b>	<b>145</b>	<b>232</b>	<b>97</b>	<b>85</b>	<b>64</b>
D&A	41	44	47	50	49
Working capital	11	44	26	13	-7
<b>Investing cash flow</b>	<b>-15</b>	<b>-38</b>	<b>-50</b>	<b>-50</b>	<b>-35</b>
CAPEX	16	38	50	50	35
<b>Financing cash flow</b>	<b>-53</b>	<b>-196</b>	<b>-9</b>	<b>-79</b>	<b>-53</b>
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%
<b>9M Target Price</b>		<b>1.25</b>

## Famur buy (reiterated)

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We stand by our financial outlook for Famur until after the Company releases FY2019 results at the end of the month. Based on a thick order book (PLN 1.3bn, the highest since 2012) and higher rental rates, however, we expect that Famur will be able to curb revenue declines in the Underground business in 2020 to an annual rate of 9%. Following two divestments, we anticipate a 15% EBITDA decrease to PLN 503m on a recurring basis. However it is worth noting that, with current capitalization, Famur generates FCF/EV over 20% (the second-highest ratio in the industrial sector), and its dividend yield surpasses 15%. In addition, the Company has low debt, with the leverage ratio at the end of 2020 not likely to exceed 0.1x EBITDA. After updating our estimates to reflect divestment and increased negative exposure to coal prices, we raised the beta used in our DCF model from 1.0 to 1.2. We also increased the discount applied to relative valuation from 20% to 25% to reflect issues at Famak. Even after these adjustments, at PLN 4.58 our new price target for FMF still indicates upside potential of nearly 70% from the current level, and so we reiterate our buy stance on the stock.

### Current Price

2.73 PLN

Upside

### 9M Target Price

4.58 PLN

+68.1%

		rating	target price	issued
new		buy	4.58 PLN	2020-03-04
old		buy	5.18 PLN	2019-12-05
Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-9.6%	-1.6%
ISIN	PLFAMUR00012	YTD Price Chng	-8.6%	+1.1%
Outst. Stock (m)	574.8	ADTV 1M		PLN 1.1m
MC (PLN m)	1,566.2	ADTV 6M		PLN 0.7m
EV (PLN m)	1,749.3	EV/EBITDA 12M fwd	3.1	-44.8%
Free Float	52.3%	EV/EBITDA 5Y avq	5.6	discount

### Earnings Projections

### Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,460	2,229	2,165	1,642	1,342
EBITDA	308	491	454	503	393
EBITDA margin	21.1%	22.0%	21.0%	30.6%	29.3%
EBIT	133	300	255	309	205
Net income	49	208	253	256	163
P/E	31.4	7.5	6.2	6.1	9.6
P/B	1.1	1.0	1.0	1.0	1.0
EV/EBITDA	5.6	3.7	3.9	3.3	3.8
DPS	0.00	0.44	0.53	0.40	0.33
DYield	0.0%	16.2%	19.4%	14.8%	12.3%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			+1.9%	-7.0%	-19.2%
EBITDA			-17.9%	+7.2%	-0.1%
Net income			-44.0%	+2.8%	-16.9%
Revenue, Underground			+5.9%	+10.2%	-4.6%
Revenue, Surface			-23.8%	-	-
Sales margin, UG			+34.9%	-325.4%	-218.8%
Sales margin, Surface			-1495.7%	-	-

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, Underground	1,019	1,407	1,597	1,453	1,158
Sales margin, UG	25.0%	30.6%	33.2%	30.0%	28.6%
EBITDA adj.	291	491	589	503	393
EBITDA adj. margin	19.9%	22.0%	27.2%	30.6%	29.3%
<b>Operating cash flow</b>	<b>192</b>	<b>215</b>	<b>444</b>	<b>454</b>	<b>464</b>
D&A	175	191	199	194	188
Working capital	-16	-127	-41	5	109
<b>Investing cash flow</b>	<b>-231</b>	<b>-138</b>	<b>-16</b>	<b>-50</b>	<b>-120</b>
CAPEX	132	141	16	120	120
<b>Financing cash flow</b>	<b>287</b>	<b>-458</b>	<b>-519</b>	<b>-342</b>	<b>-296</b>
Change in debt	-88	-213	-200	-100	-100
Dividends/Buyback	0	-253	-305	-232	-192
FCF	-91	173	343	331	344
FCF/EBITDA	-30%	35%	76%	66%	88%
OCF/EBITDA	44%	44%	98%	90%	118%

### DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	+	+
Revenue	2,165	1,642	1,342	1,447	1,506	1,536	1,566	1,597	1,629	1,661	1,694
YoY % change	-2.9%	-24.2%	-18.3%	7.8%	4.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	454	503	393	432	429	416	420	422	426	426	420
EBITDA margin	21.0%	30.6%	29.3%	29.8%	28.5%	27.1%	26.8%	26.4%	26.1%	25.6%	24.8%
D&A	199	194	188	170	157	148	149	149	149	146	135
EBIT	255	309	205	262	272	268	271	274	276	279	285
Tax	54	57	38	50	52	51	52	53	54	55	56
NOPAT	201	252	167	212	220	216	218	220	222	224	228
CAPEX	-16	-120	-120	-122	-125	-127	-130	-132	-135	-135	-135
Working capital	-41	5	109	-102	-35	-18	-18	-18	-19	-19	-20
FCF	343	331	344	157	217	220	219	218	218	217	211
PV FCF	348	307	291	122	153	142	129	117	107	97	
WACC	8.9%	9.3%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	3,138	2,880	2,610	2,461	2,256
Fixed assets	1,099	1,158	955	881	813
Goodwill	222	222	162	162	162
Equity	1,437	1,625	1,528	1,552	1,523
Minority interests	115	-37	-34	22	22
Net debt	80	286	217	55	-93
Net debt/EBITDA (x)	0.3	0.6	0.5	0.1	-0.2

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.2	11.1	10.6	5.5	7.0	6.1
Maximum	20.9	21.3	20.1	13.1	12.8	12.1
Median	14.0	13.3	12.4	8.9	8.6	8.0
Weight	0%	25%	25%	0%	25%	25%

### DCF Summary

(PLN m)	
Beta	1.2
FCF perp. growth rate	2.0%
PV FCF	1,813
Net debt	590
Other adjustments	58
Value per share (PLN)	4.35

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.20
DCF Val.	50%	4.35
Implied Price		4.27
Cost of equity (9M)		7.0%
<b>9M Target Price</b>		<b>4.58</b>

## Grupa Kęty hold (reiterated)

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Kęty eyes stable earnings in 2020 despite rising costs of energy and employment, with EBITDA likely to grow 2% y/y and no change in net profit. The Company is benefitting from a warm winter, which allows construction sites to remain open throughout the season, combined with low aluminum costs which account for 30% of the total segmental costs in Aluminum Systems. Going forward, however, there is a likelihood that construction activity will slow in the wake of the coronavirus spread in Europe. We have raised our 2020 earnings estimates for the Aluminum and Packaging segments to reflect cheap raw materials, in particular aluminum, and we have upgraded revenue expectations for Extrusions. We maintain a hold rating for KTY, with the price target raised from PLN 335.44 to PLN 360.29.

**Current Price**

381.00 PLN

**Downside**

**9M Target Price**

360.29 PLN

**-5.4%**

	rating	target price	issued
new	hold	360.29 PLN	2020-03-04
old	hold	335.44 PLN	2019-12-05
Key Metrics		KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+3.5% +11.6%
ISIN	PLKETY000011	YTD Price Chng	+10.1% +19.8%
Outst. Stock (m)	9.5	ADTV 1M	PLN 3.6m
MC (PLN m)	3,636.8	ADTV 6M	PLN 1.5m
EV (PLN m)	4,375.4	EV/EBITDA 12M fwd	8.4 -8.1%
Free Float	42.0%	EV/EBITDA 5Y avg	9.2 discount

### Earnings Projections

### Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	2,643	2,994	3,205	3,150	3,229
EBITDA	421	463	524	515	517
EBITDA margin	15.9%	15.5%	16.3%	16.4%	16.0%
EBIT	301	338	385	368	375
Net income	236	268	295	276	281
P/E	15.3	13.6	12.3	13.2	12.9
P/B	2.7	2.6	2.5	2.4	2.3
EV/EBITDA	10.0	9.5	8.4	8.6	8.6
DPS	30.00	23.94	24.00	26.25	23.11
DYield	7.9%	6.3%	6.3%	6.9%	6.1%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			+3.6%	+8.8%	+12.8%
Net income			+5.2%	+12.9%	+18.8%
Aluminum price (US\$/t)			+0.6%	-10.0%	-5.0%
Producer premium (US\$/t)			-1.1%	0.0%	0.0%
EBITDA, Packaging			+5.0%	+13.2%	+17.2%
EBITDA, Extrusions			+1.5%	+2.6%	+4.3%
EBITDA, Al Systems			+2.0%	+12.6%	+17.7%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA, Packaging	113	119	147	148	151
EBITDA, Extrusions	150	163	151	148	150
EBITDA, Al Systems	172	190	238	232	228
EBITDA, Other	-13	-8	-12	-13	-13
EBITDA/t of Al	5	5	6	5	5
<b>Operating cash flow</b>	<b>276</b>	<b>293</b>	<b>542</b>	<b>373</b>	<b>398</b>
D&A	120	126	139	147	142
Working capital	-91	-114	158	-73	-47
<b>Investing cash flow</b>	<b>-187</b>	<b>-229</b>	<b>-250</b>	<b>-175</b>	<b>-120</b>
CAPEX	187	229	250	175	120
<b>Financing cash flow</b>	<b>-85</b>	<b>-43</b>	<b>-155</b>	<b>-298</b>	<b>-268</b>
Dividends/Buyback	-285	-229	-229	-251	-221
FCF	86	72	364	202	283
FCF/EBITDA	20%	15%	69%	39%	55%
OCF/EBITDA	66%	63%	103%	72%	77%

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	2,499	2,780	2,974	2,972	3,021
Fixed assets	1,439	1,575	1,762	1,794	1,777
Equity	1,363	1,396	1,462	1,487	1,548
Minority interests	1	1	1	1	1
Net debt	591	774	738	817	787
Net debt/EBITDA (x)	1.4	1.7	1.4	1.6	1.5
Net debt/Equity (x)	0.4	0.6	0.5	0.5	0.5

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.6	4.5	4.1	3.2	3.0	2.6
Maximum	51.6	19.2	49.2	14.0	11.7	10.0
Median	14.3	13.1	10.5	7.1	6.6	5.0
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)	1,801	1,800	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Al premium (US\$/t)	134	140	140	140	140	140	140	140	140	140	140
Al usage (1,000 t)	93	95	98	100	102	104	106	108	110	112	113
Revenue	3,205	3,150	3,229	3,283	3,319	3,365	3,420	3,467	3,505	3,544	3,584
EBITDA	524	515	517	520	523	528	534	538	541	545	549
EBITDA margin	16.3%	16.4%	16.0%	15.9%	15.8%	15.7%	15.6%	15.5%	15.4%	15.4%	15.3%
EBIT	385	368	375	381	388	392	396	400	400	401	411
Tax	68	65	66	68	69	70	71	72	72	72	74
CAPEX	-250	-175	-120	-122	-125	-127	-130	-132	-135	-138	-138
Working capital	158	-73	-47	-15	-11	-13	-16	-14	-11	-11	-12
FCF	364	202	283	315	318	318	318	320	322	323	326
PV FCF	369	190	246	253	236	218	200	186	172	159	
WACC	8.0%	8.0%	8.0%	8.1%	8.1%	8.2%	8.2%	8.3%	8.3%	8.4%	8.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,230
Net debt	1,003
Other adjustments	0
Value per share (PLN)	390.30

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	286.58
DCF Val.	50%	390.30
Implied Price		338.44
Cost of equity (9M)		6.5%
<b>9M Target Price</b>		<b>360.29</b>



## JSW hold (reiterated)

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JSW stock is trading under pressure from weaker-than-anticipated 2019 Q4 volumes and the pay raise demands of its employees. The low fourth-quarter sales imply a quarterly EBITDA loss of PLN 45m versus an operating profit of PLN 200m initially anticipated by us. JSW also seems to have used up most of its cash surplus in the period. JSW workers are demanding a 6% raise in 2020, but they are not likely to succeed in their demands given the shifted circumstances, and so we assume they will get 3% plus one-time payouts in a total amount of PLN 50m – a change relative to the initial assumption of no rise in employment costs in 2020. We have also revised our coking coal price outlook for the year ahead in line with the rising rates in Asia. Consequently, we reduce our target price for JSW from PLN 18.41 to PLN 15.34 per share, with a reiterated hold recommendation.

<b>Current Price</b>	15.15 PLN	<b>Upside</b>
<b>9M Target Price</b>	15.34 PLN	<b>+1.3%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>15.34 PLN</b>	<b>2020-03-04</b>
<b>old</b>	hold	18.41 PLN	2020-02-05
Key Metrics		JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng	-23.1% -15.1%
ISIN	PLJSW0000015	YTD Price Chng	-29.1% -19.5%
Outst. Stock (m)	117.4	ADTV 1M	PLN 19.6m
MC (PLN m)	1,778.8	ADTV 6M	PLN 23.4m
EV (PLN m)	826.0	EV/EBITDA 12M fwd	1.6 -44.6%
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	8,573	8,452
EBITDA adj.	3,509	3,101	1,759	606	911
EBITDA margin	39.5%	31.6%	20.3%	7.1%	10.8%
EBIT adj.	2,684	2,335	780	-504	-304
Net income adj.	2,189	1,802	579	-442	-284
P/E adj.	0.8	1.0	3.1	-	-
P/B	0.3	0.2	0.2	0.2	0.2
EV/EBITDA adj.	0.1	-	0.5	2.7	2.3
DPS	0.00	0.00	1.71	0.00	0.00
DYield	0.0%	0.0%	11.3%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA (adj.)			0.0%	-7.6%	+14.3%
Net income (adj.)			-0.0%	-	-
Coking Coal price (\$/t)			0.0%	+3.4%	+3.3%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coke price (\$/t)			0.0%	+2.1%	+2.6%
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
<b>Operating cash flow</b>	<b>2,871</b>	<b>2,856</b>	<b>895</b>	<b>922</b>	<b>990</b>
D&A	825	766	979	1,110	1,215
Working capital	-76	338	-885	279	94
<b>Investing cash flow</b>	<b>-2,170</b>	<b>-1,582</b>	<b>-2,050</b>	<b>-1,700</b>	<b>-1,420</b>
CAPEX	737	1,248	2,050	1,700	1,420
<b>Financing cash flow</b>	<b>-701</b>	<b>-755</b>	<b>-210</b>	<b>-12</b>	<b>-17</b>
Dividends/Buyback	0	0	-201	0	0
FCF	2,129	1,754	-1,287	-717	-355
FCF/EBITDA (adj.)	61%	57%	-73%	-118%	-39%
OCF/EBITDA (adj.)	82%	92%	51%	152%	109%

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	12,090	13,763	13,652	13,182	12,859
Fixed assets	8,118	8,475	9,559	10,186	10,443
Equity	6,389	8,081	8,081	7,640	7,356
Minority interests	232	364	364	364	364
Net debt	-1,641	-3,286	-1,317	-527	-80
Net debt/EBITDA (adj.)	-0.5	-1.1	-0.7	-0.9	-0.1
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	1.6	2.6	1.9	0.4	0.4	0.3
Maximum	14.6	15.8	12.1	12.0	13.0	11.2
Median	4.7	6.6	6.5	3.8	3.6	3.5
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	150	155	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	914	884	884	884	884	884	884	884	884	884
Revenue	8,659	8,573	8,452	9,088	9,413	9,541	9,677	9,581	9,575	9,578	9,580
EBITDA	1,621	606	911	1,338	1,561	1,625	1,674	1,553	1,492	1,434	1,433
EBITDA margin	18.7%	7.1%	10.8%	14.7%	16.6%	17.0%	17.3%	16.2%	15.6%	15.0%	15.0%
EBIT	641	-504	-304	9	166	231	278	156	93	35	33
Tax	111	-98	-61	-2	28	40	49	26	14	2	1
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	279	94	103	58	27	20	-18	-4	-3	2
FCF	-1,287	-717	-355	43	191	212	245	108	73	29	34
PV FCF	-1,305	-670	-306	34	140	143	152	63	40	15	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.3%	7.9%	7.6%	7.3%
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

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	-1,693
Net debt	-3,085
Other adjustments	364
Value per share (PLN)	10.80

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	18.06
DCF Val.	50%	10.80
Implied Price		14.43
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>15.34</b>

## Kernel hold (no change)

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Kernel is benefitting from improving crushing margins on sunflower seeds, and it is eyeing a good grain harvest. We expect 13% EBITDA growth in the 2019/20 season in the Company's vegetable oil segment, combined with a 32% earnings rebound in the infrastructure segment. On the other hand, earnings in the farming segment will most likely shrink by 40% after a lower harvest than the year before, combined with reduced market prices of grains. Furthermore, Kernel has planned record-high capital expenditures in the coming year, and it eyes an increase in debt after a transition to IFRS 16. We assume that, after negative FCF of \$9m, net debt at the end of FY2020 will increase to \$1.2bn (3.5x EBITDA). KER stock took a downward turn after profit declines and rising debt reported in Q4 2019. We maintain a hold rating for Kernel.

<b>Current Price</b>	43.95 PLN	<b>Upside</b>
<b>9M Target Price</b>	47.25 PLN	<b>+7.5%</b>

	rating	target price	issued
unchanged	hold	47.25 PLN	2020-02-05

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-6.3%	+1.7%
ISIN	LU0327357389	YTD Price Chng	-2.9%	+6.8%
Outst. Stock (m)	82.9	ADTV 1M		PLN 2.5m
MC (PLN m)	3,642.9	ADTV 6M		PLN 2.6m
EV (PLN m)	6,287.6	EV/EBITDA 12M fwd	5.3	+20.8%
Free Float	60.1%	EV/EBITDA 5Y avg	4.4	premium

### 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	5.4	18.1	5.0	7.3	6.4
P/B	0.8	0.8	0.7	0.7	0.6
EV/EBITDA	4.6	7.0	4.7	6.3	5.5
DPS	0.24	0.25	0.25	0.25	0.25
DYield	2.1%	2.2%	2.2%	2.2%	2.2%

Forecast Update (% change)			19/20P	20/21P	21/22P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin, Sunflower Oil (\$/t)			0.0%	0.0%	0.0%
Margin, Wheat (\$/t)			0.0%	0.0%	0.0%
Margin, Corn (\$/t)			0.0%	0.0%	0.0%
Bulk sunflower oil sales (kt)			0.0%	0.0%	0.0%
Grain production (kt)			0.0%	0.0%	0.0%
Grain sales (kt)			0.0%	0.0%	0.0%

### Financial Highlights

(US\$ m)	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
<b>Operating cash flow</b>	<b>82</b>	<b>189</b>	<b>224</b>	<b>264</b>	<b>297</b>
D&A	83	76	96	108	107
Working capital	-63	-305	-38	-55	-49
<b>Investing cash flow</b>	<b>-156</b>	<b>-241</b>	<b>-300</b>	<b>-145</b>	<b>-104</b>
CAPEX	179	234	300	145	104
<b>Financing cash flow</b>	<b>76</b>	<b>29</b>	<b>67</b>	<b>-103</b>	<b>-152</b>
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	22P
Minimum	2.9	2.5	4.0	3.4	3.2	3.6
Maximum	44.2	23.6	18.8	13.6	12.8	8.0
Median	13.6	12.5	10.0	8.2	8.7	5.5
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(US\$ m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin, Veg Oil (\$/t)	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%
<b>9M Target Price</b>		<b>47.25</b>

## KGHM hold (upgraded)

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Copper markets are trading lower on coronavirus fears, however judging by latest inventory reports demand seems to be recovering as Chinese factories come back from hiatus. After an increase in short positions of speculative traders, prices might rebound on any piece of good news. At KGHM, the sales figures for February will probably show declines considering that the Company sells 12% of its copper output directly to China. After updating our model to reflect higher expectations for 2020 gold prices and a likely decline in copper markets, and after lowering the 2020 sales volume forecast to adjust for coronavirus impacts, we lower our target price for KGH from PLN 86.33 to PLN 76.92, but we upgrade the stock from reduce to hold.

### Current Price

77.82 PLN

Downside

### 9M Target Price

76.92 PLN

-1.2%

	rating	target price	issued
new	hold	76.92 PLN	2020-03-04
old	reduce	86.33 PLN	2020-02-05
Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	-16.0% -7.9%
ISIN	PLKGHM000017	YTD Price Chng	-18.6% -8.9%
Outst. Stock (m)	200.0	ADTV 1M	PLN 56.8m
MC (PLN m)	15,564.0	ADTV 6M	PLN 51.2m
EV (PLN m)	22,722.9	EV/EBITDA 12M fwd	4.1 -13.8%
Free Float	63.2%	EV/EBITDA 5Y avg	4.7 discount

### Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,275	20,526	22,850	21,905	21,445
EBITDA adj.	5,753	4,972	5,549	4,872	4,242
EBITDA margin	28.4%	24.2%	24.3%	22.2%	19.8%
EBIT adj.	4,144	3,176	3,617	2,849	2,228
Net income adj.	1,792	1,888	2,219	1,913	1,432
P/E adj.	8.7	8.2	7.0	8.1	10.9
P/B	0.9	0.8	0.8	0.7	0.7
EV/EBITDA adj.	3.9	4.6	4.1	4.4	5.0
DPS	1.00	0.00	0.00	1.50	2.87
DYield	1.3%	0.0%	0.0%	1.9%	3.7%
Forecast Update (% change)		2019P	2020P	2021P	
EBITDA adj.		0.0%	-8.0%	-3.9%	
Net income adj.		0.0%	-15.0%	-8.4%	
Copper price (\$/t)		0.0%	-0.8%	-1.6%	
Silver price (\$/oz)		0.0%	0.0%	0.0%	
Molybdenum price (\$/t)		0.0%	0.0%	0.0%	
Copper output (kt)		0.0%	0.0%	0.0%	
Silver output (t)		0.0%	0.0%	0.0%	
Molybdenum output (mmB)		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Cu Output, PL (kt)	359	385	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
<b>Operating cash flow</b>	<b>3,054</b>	<b>3,826</b>	<b>4,348</b>	<b>4,105</b>	<b>3,594</b>
D&A	1,609	1,796	1,932	2,023	2,014
Working capital	-1,270	1,412	81	40	19
<b>Investing cash flow</b>	<b>-3,340</b>	<b>-3,539</b>	<b>-2,354</b>	<b>-2,461</b>	<b>-2,461</b>
CAPEX	3,257	3,541	2,354	2,461	2,461
<b>Financing cash flow</b>	<b>12</b>	<b>84</b>	<b>-116</b>	<b>-429</b>	<b>-703</b>
Dividends/Buyback	-200	0	0	-300	-574
FCF	788	1,924	2,220	1,644	1,134
FCF/EBITDA	27%	41%	40%	34%	27%
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	41,436	42,172
Fixed assets	26,515	29,375	29,797	30,235	30,683
Equity	17,694	19,133	19,399	21,012	21,871
Minority interests	91	92	92	92	92
Net debt	6,570	6,992	7,067	5,852	5,422
Net debt/EBITDA (x)	2.2	1.5	1.3	1.2	1.3
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	5.4	5.5	5.1	1.7	1.6	1.1
Maximum	28.9	34.6	27.9	12.5	9.2	7.8
Median	10.7	11.2	9.9	5.1	5.0	4.8
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	6,000	6,200	6,350	6,500	6,500	6,500	6,500	6,500	6,500	6,500
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	21,905	21,445	21,943	22,244	22,202	22,050	20,893	20,919	20,945	20,971
EBITDA	5,549	4,872	4,242	4,439	4,588	4,467	4,253	4,217	4,188	3,945	3,883
EBITDA margin	15.8%	13.0%	10.4%	11.2%	12.0%	11.9%	11.1%	11.6%	11.5%	10.3%	10.9%
EBIT	3,617	2,849	2,228	2,468	2,675	2,642	2,442	2,419	2,407	2,165	2,293
Tax	1,056	806	666	721	770	763	724	719	717	671	695
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	40	19	-21	-13	2	6	49	-1	-1	-1
FCF	2,220	1,644	1,134	1,677	2,215	2,089	1,893	1,877	1,775	1,551	1,597
PV FCF	2,244	1,553	1,000	1,374	1,676	1,459	1,219	1,109	960	769	
WACC	6.9%	7.1%	7.1%	7.3%	7.5%	7.7%	7.8%	8.0%	8.2%	8.3%	8.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	13,364
Net debt	6,992
Other adjustments	272
Value per share (PLN)	80.29

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	64.42
DCF Val.	50%	80.29
Implied Price		72.36
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>76.92</b>

## PKP Cargo hold (no change)

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PKP's valuation has been strained by falling cargo volumes, rising costs of employment and electricity, weaker demand expected in Q1 2020 due to an unseasonably warm winter, and growing negative sentiment for coal, which makes up the bulk of the Company's cargos. More recently, fresh downside risk has emerged in the form of Germany's plans to enforce more stringent rail freight noise requirements one year earlier, underpinned by strike threats from PKP's biggest union. However, the risks look largely priced in at the current level, and so currently have a hold recommendation for PKP. Moving forward, however, we also see a few upside catalysts emerging for PKP Cargo, such as upcoming changes in labor laws which will potentially put a strain on the Company's competition, alongside a forthcoming restart of ArcelorMittal's Krakow steel plant, a repeat customer before being idled a few months ago, and good PR generated by media stories about Poland's record-high infrastructure investment plans. Equally crucially, PKP Cargo's Management has the power to restore faith in the Company simply by addressing the challenges and proposing solutions and strategies on, among others, how to manage increasing costs.

<b>Current Price</b>	13.44 PLN	<b>Upside</b>
<b>9M Target Price</b>	13.89 PLN	<b>+3.3%</b>

	rating	target price	issued
unchanged	hold	13.89 PLN	2020-02-26

Key Metrics		PKP PW	vs. WIG
Ticker	PKP PW	1M Price Chng	-24.2%
ISIN	PLPKPCR00011	YTD Price Chng	-34.4%
Outst. Stock (m)	44.8	ADTV 1M	PLN 1.3m
MC (PLN m)	601.9	ADTV 6M	PLN 0.9m
EV (PLN m)	2,397.7	EV/EBITDA 12M fwd	3.0
Free Float	67.0%	EV/EBITDA 5Y avg	4.0

### 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.	12.2	2.5	21.2	-	-
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj.	2.2	1.5	2.9	3.4	3.5
DPS	0.00	0.00	1.50	0.00	0.00
DYield	0.0%	0.0%	11.2%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA adj.			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Freight turnover (tkm m)			0.0%	0.0%	0.0%
Freight volume (ton m)			0.0%	0.0%	0.0%
Costs per tkm			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Traction electricity	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
<b>Operating cash flow</b>	<b>601</b>	<b>863</b>	<b>813</b>	<b>787</b>	<b>820</b>
D&A	547	629	712	757	798
Working capital	-62	20	-20	8	14
<b>Investing cash flow</b>	<b>-740</b>	<b>-612</b>	<b>-845</b>	<b>-944</b>	<b>-853</b>
CAPEX	-502	-695	-969	-944	-853
<b>Financing cash flow</b>	<b>-99</b>	<b>-323</b>	<b>-211</b>	<b>-38</b>	<b>50</b>
Dividends/Buyback	0	0	-67	0	0
FCF	101	173	-144	-156	-33
FCF/EBITDA	7%	12%	-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	17-23P
Minimum	4.9	4.3	3.9	3.4	3.9	3.6	-9%
Maximum	2270.0	31.2	25.7	14.5	13.4	12.6	8%
Median	19.5	16.9	16.3	10.1	8.2	8.1	3%
Weight	0%	0%	0%	0%	33%	33%	35%

### 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	-145	-149	-30	16	39	57	64	70	75	79	
WACC	6.0%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
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	1,719
Net debt	846
Other adjustments	0
Value per share (PLN)	19.49

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	6.65
DCF Val.	50%	19.49
Implied Price		13.07
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>13.89</b>

## Stelmet accumulate (no change)

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Stelmet faces higher costs of employment (+PLN 7.3m), energy (+PLN 3.8m), and timber (+PLN 10.5m) in 2020. The Company decided to counteract the cost expansion by raising prices, and the hikes have gone over well with its customers. The 2020 outlook has been further improved by the failure of a major Polish rival, and a lack of plans for major capital spend, which should bring the net debt/EBITDA ratio below the current 1.6x, facilitating higher distributions to shareholders. Stelmet has the third-highest FCF/EBITDA ratio in the industrial sector at ca. 15%. Last but not least, the Company delivered better-than-expected results for Q4 2019, with declines in sales of garden structures offset [by higher sales of pellets and cost reductions](#). We maintain an accumulate rating for STL, which shows 26% upside potential from the current level even with a 35% discount applied to the relative valuation.

### Current Price

7.05 PLN

Upside

### 9M Target Price

8.92 PLN

+26.5%

	rating	target price	issued
unchanged	accumulate	8.92 PLN	2020-02-05

Key Metrics	STL PW	1M Price Chng	STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-7.2%	+0.8%
ISIN	PLSTLMT00010	YTD Price Chng	-4.1%	+5.6%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	207.0	ADTV 6M		PLN 0.0m
EV (PLN m)	331.8	EV/EBITDA 12M fwd	3.8	-40.5%
Free Float	15.0%	EV/EBITDA 5Y avg	6.4	discount

### 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	10.7	21.6	-	9.2	9.0
P/B	0.5	0.4	0.5	0.4	0.4
EV/EBITDA	6.7	5.6	4.8	4.0	3.6
DPS	0.00	0.00	0.00	0.07	0.31
DYield	0.0%	0.0%	0.0%	1.0%	4.3%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales price (PLN/m3)			0.0%	0.0%	0.0%
Sales volume (1,000 m3)			0.0%	0.0%	0.0%
Timber price (PLN/m3)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, Core, PL	19	22	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
<b>Operating cash flow</b>	<b>39</b>	<b>32</b>	<b>83</b>	<b>65</b>	<b>63</b>
D&A	37	41	42	41	42
Working capital	-2	-30	2	-1	-5
<b>Investing cash flow</b>	<b>-62</b>	<b>-24</b>	<b>-24</b>	<b>-16</b>	<b>-23</b>
CAPEX	62	23	24	16	23
<b>Financing cash flow</b>	<b>76</b>	<b>-9</b>	<b>-56</b>	<b>-25</b>	<b>-32</b>
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%

### 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 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%

### 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%
<b>9M Target Price</b>		<b>8.92</b>

## Property Developers

### Atal

accumulate (no change)

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Ratings for Atal are suspended for the duration of our analyst's extended leave of absence.

**Current Price**

38.20 PLN

Upside

**9M Target Price**

44.28 PLN

+15.9%

	rating	target price	issued
unchanged	accumulate	44.28 PLN	2020-02-05

Key Metrics			1AT PW	vs. WIG
Ticker	1AT PW	1M Price Chng	-2.8%	+5.2%
ISIN	PLATAL000046	YTD Price Chng	+0.5%	+10.2%
Outst. Stock (m)	38.7	ADTV 1M		PLN 0.2m
MC (PLN m)	1,478.9	ADTV 6M		PLN 0.3m
EV (PLN m)	1,957.7	EV/EBITDA 12M fwd	8.1	+2.8%
Free Float	11.6%	EV/EBITDA 5Y avg	7.9	premium

#### 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	8.6	7.4	13.4	7.1	6.5
P/B	1.9	1.7	1.9	1.7	1.6
EV/EBITDA	7.5	6.9	13.4	6.8	6.4
DPS	1.68	3.54	4.70	2.63	4.92
DYield	4.4%	9.3%	12.3%	6.9%	12.9%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Residential closings			0.0%	0.0%	0.0%

#### Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,308	2,678	1,769	3,290	3,327
Revenue/unit (PLN k)	375	394	363	361	389
SG&A	28	31	33	35	37
<b>SG&amp;A/Sales</b>	<b>3.3%</b>	<b>2.9%</b>	<b>5.2%</b>	<b>2.9%</b>	<b>2.8%</b>
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
<b>Net debt/Equity</b>	<b>27%</b>	<b>39%</b>	<b>61%</b>	<b>45%</b>	<b>47%</b>
Inventory	1,342	1,487	1,760	1,753	1,767
<b>Inventory/Sales</b>	<b>155%</b>	<b>141%</b>	<b>260%</b>	<b>143%</b>	<b>134%</b>
Earnest money deposits	365	225	317	306	274
<b>Deposits/Inventory</b>	<b>27%</b>	<b>15%</b>	<b>18%</b>	<b>17%</b>	<b>16%</b>
Equity	795	858	786	893	929
<b>ROE</b>	<b>24.9%</b>	<b>25.3%</b>	<b>12.9%</b>	<b>26.6%</b>	<b>25.4%</b>

#### Cash Flow Summary

(PLN m)	2016	2017	2018	2019P	2020P
<b>Operating cash flow</b>	<b>198</b>	<b>38</b>	<b>47</b>	<b>197</b>	<b>168</b>
D&A	1	1	2	2	2
Working capital	-13	-194	-42	-31	-76
<b>Investing cash flow</b>	<b>1</b>	<b>1</b>	<b>12</b>	<b>4</b>	<b>4</b>
CAPEX	-1	-1	-1	-2	-2
<b>Financing cash flow</b>	<b>-121</b>	<b>-113</b>	<b>-9</b>	<b>-170</b>	<b>-210</b>
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 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%

#### 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%
<b>9M Target Price</b>		<b>44.28</b>



## Dom Development hold (no change)

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Ratings for Dom Development are suspended for the duration of our analyst's extended leave of absence.

### Current Price

100.00 PLN

Downside

### 9M Target Price

88.92 PLN

-11.1%

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

Key Metrics			DOM PW	vs. WIG
Ticker	DOM PW	1M Price Chng	+5.9%	+14.0%
ISIN	PLDMDVL00012	YTD Price Chng	+5.7%	+15.4%
Outst. Stock (m)	25.1	ADTV 1M		PLN 1.2m
MC (PLN m)	2,506.8	ADTV 6M		PLN 0.4m
EV (PLN m)	2,649.7	EV/EBITDA 12M fwd	7.6	-10.8%
Free Float	25.2%	EV/EBITDA 5Y avg	8.5	discount

### 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	13.0	11.0	9.9	9.2	8.7
P/B	2.5	2.4	2.3	2.3	2.3
EV/EBITDA	10.5	8.8	8.1	8.0	7.9
DPS	5.05	7.60	9.05	10.06	10.81
DYield	5.1%	7.6%	9.1%	10.1%	10.8%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Closings			0.0%	0.0%	0.0%

### 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
<b>SG&amp;A/Sales</b>	<b>9.9%</b>	<b>9.8%</b>	<b>9.5%</b>	<b>9.6%</b>	<b>9.1%</b>
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
<b>Net debt/Equity</b>	<b>6%</b>	<b>7%</b>	<b>13%</b>	<b>29%</b>	<b>40%</b>
Inventory	1,989	2,114	2,370	2,472	2,621
<b>Inventory/Sales</b>	<b>142%</b>	<b>128%</b>	<b>140%</b>	<b>142%</b>	<b>138%</b>
Earnest money deposits	568	625	707	685	705
<b>Deposits/Inventory</b>	<b>29%</b>	<b>30%</b>	<b>30%</b>	<b>28%</b>	<b>27%</b>
Equity	1,002	1,046	1,077	1,096	1,112
<b>ROE</b>	<b>20.5%</b>	<b>22.7%</b>	<b>24.1%</b>	<b>25.2%</b>	<b>26.2%</b>

### Cash Flow Summary

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

### 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%
<b>9M Target Price</b>		<b>88.92</b>

## Retail

### AmRest

#### hold (reiterated)

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AmRest reported weaker-than-expected results for Q4 2019, with EBIT on the one hand boosted by a EUR 37.1m divestment gain from the pizzaportal.pl food delivery Website, and on the other hand depressed by record-high impairment charges in the amount of EUR 27.9m, affecting mainly locations in France and Germany. At the same time, EBITDA margins in Q4 fell across virtually all international markets, including in France, where the segmental revenues include the Sushi Shop chain – there, the operating margin shrunk by 7.2p.p. y/y to 2.7%. After stripping a one-time valuation gain on AmRest's 7.5% investment in Glovo, the adjusted net fourth-quarter profit came out much lower than in the same period a year earlier. In the quarters ahead, AmRest will be focusing on improving operating profits at Sushi Shop and other recently-acquired restaurants, and with the loss-making pizzaportal no longer weighing we expect better results this year. On the other hand, the Company has a very high debt, and its stock trades at a staggering 27x 2020E EBIT relative to 13x Alsea and 19x YUM! Brands. We have revised our earnings outlook for AmRest to reflect the disappointing fourth-quarter figures and incorporate the Company's guidance for a slower rate of 2020 EBITDA growth, expected to be "in the teens." Consequently we lower our target price for EAT to PLN 40 per share, but we maintain a hold stance on the stock.

<b>Current Price</b>	39.55 PLN	<b>Upside</b>
<b>9M Target Price</b>	40.00 PLN	<b>+1.1%</b>

	rating	target price	issued	
new	hold	40.00 PLN	2020-03-04	
old	hold	47.00 PLN	2019-12-05	
Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	-15.9%	-7.8%
ISIN	ES0105375002	YTD Price Chng	-8.7%	+1.0%
Outst. Stock (m)	219.6	ADTV 1M		PLN 5.7m
MC (PLN m)	8,683.4	ADTV 6M		PLN 10.2m
EV (PLN m)	11,368.0	EV/EBITDA 12M fwd	9.0	-19.4%
Free Float	31.1%	EV/EBITDA 5Y avg	11.1	discount

#### Earnings Projections (adjusted for IFRS 16)

Earnings Projections (Adjusted For IFRS 16)					
(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,238	1,547	1,962	2,089	2,435
EBITDA	131	152	211	241	276
EBITDA margin	10.5%	9.8%	10.8%	11.5%	11.3%
EBIT	63	72	106	120	141
Net income	43	43	65	54	67
P/E	47.0	46.9	31.0	37.6	30.2
P/B	6.4	4.8	4.3	3.9	3.4
EV/EBITDA	18.1	16.9	12.5	11.0	9.5
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			-1.0%	-6.9%	-7.6%
Net income			-42.9%	-10.8%	-7.8%
Revenue per restaurant			+1.1%	-3.5%	+2.1%
Adj. EBITDA margin			-1,6p.p.	-0,4p.p.	-0,9p.p.
Restaurant count			-0.6%	-0.6%	-2.1%

#### Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
EBITDA (PL)	370	409	465	413	583
EBITDA (WE)	400	570	797	830	892
EBITDA (ES)	217	244	281	306	331
EBITDA (RU)	142.4	168.5	206.6	239.6	248.7
EBITDA (CZ)	139	170	200	239	282
<b>Operating cash flow</b>	<b>150</b>	<b>164</b>	<b>182</b>	<b>192</b>	<b>243</b>
D&A	78	92	106	121	135
D&A (IFRS 16)	0	0	143.4206	156.3874	173.4618
Working capital	-22	-7	-26	1	24
<b>Investing cash flow</b>	<b>-230</b>	<b>-421</b>	<b>-220</b>	<b>-211</b>	<b>-205</b>
CAPEX	-217	-398	-207	-211	-205
<b>Financing cash flow</b>	<b>139</b>	<b>242</b>	<b>-117</b>	<b>-96</b>	<b>-173</b>
Dividends/Buyback	436	283	72	60	0
FCF	-117	-266	-53	3	62
OCF/EBITDA	101%	95%	74%	79%	88%

#### Key Ratios (adjusted for IFRS 16)

(%)	2017	2018	2019P	2020P	2021P
EBITDA margin (PL)	12.6%	11.8%	12.9%	15.4%	12.1%
EBITDA margin (WE)	11.6%	10.1%	8.9%	9.2%	9.8%
EBITDA margin (ES)	22.6%	22.0%	19.0%	18.0%	17.5%
EBITDA margin (RU)	11.8%	12.9%	10.5%	9.1%	9.0%
EBITDA margin (CZ)	19.7%	20.8%	19.2%	18.7%	18.2%
Net debt (PLN m)	340	543	614	633	594
Net debt/EBITDA (x)	2.3	3.1	2.4	2.6	2.1

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.2	8.6	8.2	7.0	6.9	6.4
Maximum	55.4	42.1	33.6	29.2	22.4	18.4
Median	24.1	22.8	19.9	14.1	13.3	12.3
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)	211	201	212	215	217	218	219	219	219	219	219
change y/y	15.9%	-4.9%	5.5%	1.6%	0.8%	0.6%	0.1%	0.1%	0.0%	0.0%	0.0%
Rest. count	2,321	2,599	2,873	3,106	3,303	3,471	3,631	3,783	3,927	4,064	4,064
Revenue	1,962	2,089	2,435	2,674	2,868	3,031	3,174	3,309	3,436	3,556	3,556
EBITDA	248	242	277	313	345	369	388	406	423	439	439
EBITDA margin	12.6%	11.6%	11.4%	11.7%	12.0%	12.2%	12.2%	12.3%	12.3%	12.3%	12.3%
EBIT	106	120	141	169	198	224	247	269	291	310	310
Tax	30	29	34	41	48	54	59	65	70	74	74
CAPEX	-207	-211	-205	-179	-157	-138	-133	-129	-125	-122	-122
Working capital	-28	1	24	17	14	11	10	9	9	3	3
FCF	-53	3	62	110	153	186	201	216	231	239	239
PV FCF	-53	2	53	87	111	124	123	122	119	114	
WACC	8.7%	8.7%	8.7%	8.7%	8.7%	8.8%	8.9%	8.9%	8.9%	8.9%	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%	0.0%

#### DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	2,487
Net debt	543
Other adjustments	43
Value per share (PLN)	37.27

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	38.44
DCF Val.	50%	37.27
Implied Price		37.85
Cost of equity (9M)		6.6%
<b>9M Target Price</b>		<b>40.00</b>

## CCC buy (no change)

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CCC shares were in a freefall in February as the market overplayed potential risks associated with the coronavirus outbreak and its impact on retail outlet foot traffic. At the end of January, CCC released an updated Strategy Plan for the years 2020-2022, dubbed "GO.22," where it guides for significantly stronger profit margins, fueled by new technology, improved collections, intensified marketing for own brands, and e-commerce. Further, CCC 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. Our expectation for the first quarter of 2020 is for flat earnings growth after heavy winter clearance mark-downs in January which will offset better sales-mix and cost management. However the final results depend heavily on March weather. If analysts revise their current 2020 EBIT margin forecast of 4.5% upward to match the GO.22 target of 5%, this would imply a 10% increase in the EBIT consensus for the year. Our analyses indicate that CCC's current market valuation as a whole is just about equal to the value of its 75% stake in the eobuwie.pl e-commerce unit, which represents just one part of a bigger business.

### Current Price

78.20 PLN

Upside

### 9M Target Price

135.00 PLN

+72.6%

	rating	target price	issued
unchanged	buy	135.00 PLN	2020-02-21

Key Metrics	CCC PW	1M Price Chng	CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	-18.5%	-10.5%
ISIN	PLCCC0000016	YTD Price Chng	-28.9%	-19.2%
Outst. Stock (m)	41.1	ADTV 1M		PLN 23.0m
MC (PLN m)	3,216.1	ADTV 6M		PLN 18.9m
EV (PLN m)	4,233.5	EV/EBITDA 12M fwd	5.4	-61.0%
Free Float	59.4%	EV/EBITDA 5Y avg	14.0	discount

### Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	3,938	4,726	5,844	6,933	7,893
EBITDA adj.	508	526	291	527	707
EBITDA margin	12.9%	11.1%	5.0%	7.6%	9.0%
EBIT	463	279	125	344	525
Net income	284	40	16	186	328
P/E	11.3	81.0	206.3	17.3	9.8
P/B	2.8	2.8	3.0	2.8	2.3
EV/EBITDA	7.3	7.6	14.5	8.3	6.1
DPS	2.47	2.30	0.48	2.00	2.00
DYield	3.2%	2.9%	0.6%	2.6%	2.6%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
B&M sales/sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%

### Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, B&M sales	3,332	3,748	4,386	4,971	5,342
EBITDA, B&M	419	423	180	347	478
Revenue, e-commerce	606	977	1,458	1,963	2,551
EBITDA, e-commerce	88.7	103.0	111.0	179.8	228.7
Gross profit margin	50.9%	50.1%	49.8%	49.9%	49.1%
<b>Operating cash flow</b>	<b>78</b>	<b>996</b>	<b>1,065</b>	<b>818</b>	<b>1,033</b>
D&A	93	212	710	761	820
Working capital	-383	244	257	-190	-169
<b>Investing cash flow</b>	<b>-222</b>	<b>-621</b>	<b>-727</b>	<b>-222</b>	<b>-211</b>
CAPEX	245	439	499	222	211
<b>Financing cash flow</b>	<b>515</b>	<b>-515</b>	<b>-273</b>	<b>-522</b>	<b>-1,175</b>
Dividends/Buyback	-101	-95	-20	-82	-82
FCF	-163	274	-204	46	221
FCF/EBITDA	-32%	52%	-70%	9%	31%
OCF/EBITDA	15%	189%	366%	155%	146%

### Key Ratios (adjusted for IFRS 16)

(PLN)	2017	2018	2019P	2020P	2021P
Segment result, PL	378	283	339	385	403
Segment result, CEE	111	110	85	100	121
Segment result, WE	-38	-72	-115	-88	-65
e-comm as % of sales	15.4%	20.7%	25.0%	28.3%	32.3%
Cash (PLN m)	512	376	438	513	160
Net debt (PLN m)	406	641	911	1,036	989
Net debt/EBITDA (x)	0.8	1.2	3.1	2.0	1.4

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	6.2	6.3	5.9	5.9	4.9	5.0
Maximum	596.7	107.2	46.9	46.9	99.8	66.7
Median	24.2	22.3	19.9	19.9	17.3	16.0
Weight	3%	23%	23%	3%	23%	23%

### DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/sqm (PLN)	428	455	462	458	453	456	462	471	480	489	
SG&A/sqm (PLN)	209	213	209	205	205	207	209	213	218	222	
Sales area (k sqm)	1,242	1,265	1,287	1,286	1,306	1,331	1,363	1,390	1,420	1,453	
Revenue	5,844	6,933	7,893	8,505	8,911	9,277	9,682	10,107	10,552	11,017	11,292
EBITDA	291	527	707	796	821	857	867	896	925	974	998
EBITDA margin	5.0%	7.6%	9.0%	9.4%	9.2%	9.2%	9.0%	8.9%	8.8%	8.8%	8.8%
EBIT	125	344	525	616	643	679	690	721	753	786	806
Tax	25	69	105	117	122	129	131	137	143	149	153
CAPEX	-727	-222	-211	-175	-1,098	-185	-176	-158	-163	-188	-188
Working capital	257	-190	-169	-175	-95	-78	-67	-73	-77	-80	-80
FCF	-204	46	221	329	-494	465	493	528	542	556	570
PV FCF	-204	43	193	266	-374	328	324	320	303	285	
WACC	7.7%	7.6%	7.6%	7.8%	6.9%	7.2%	7.7%	8.1%	8.6%	9.0%	9.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.5%
PV FCF	5,977
Net debt	641
Other adjustments	-106
Value per share (PLN)	127.20

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	127.00
DCF Val.	50%	127.20
Implied Price		127.10
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>135.00</b>

## Dino hold (upgraded)

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DNP stock has run out of downside momentum after the February retreat from all-time highs. Dino ended 2019 with 1,218 stores, an increase of 24.7% on the previous year that was consistent with expectations. Most of the new stores were opened in the fourth quarter (105 vs. 82 in Q4'18), when EBITDA margin according to our estimates might have by 0.3pp to 10.3%, led by negative base effects and cost pressures. We see continuing downward pressure on operating profits in Q1 2020, driven by rising costs of fresh pork inputs and further appreciation in employment costs. DNP is currently trading at 12M blended forward EV/EBITDA slightly below the mean value since May 2017. We upgrade the stock from reduce to hold after the February sell-off, with the target price raised slightly based on an updated relative valuation model.

**Current Price**

155.00 PLN

**Downside**

**9M Target Price**

152.30 PLN

**-1.7%**

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>152.30 PLN</b>	<b>2020-03-04</b>
<b>old</b>	<b>reduce</b>	<b>149.70 PLN</b>	<b>2020-02-05</b>
<b>Key Metrics</b>			
Ticker	DNP PW	1M Price Chng	-7.7% +0.4%
ISIN	PLDINPL00011	YTD Price Chng	+7.6% +17.3%
Outst. Stock (m)	98.0	ADTV 1M	PLN 33.1m
MC (PLN m)	15,196.2	ADTV 6M	PLN 27.3m
EV (PLN m)	15,835.5	EV/EBITDA 12M fwd	16.5 +2.8%
Free Float	48.9%	EV/EBITDA 5Y avg	16.0 premium

### Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,463	5,839	7,632	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	71.1	49.4	37.7	27.8	20.9
P/B	16.8	12.5	9.4	7.0	5.2
EV/EBITDA	40.3	29.1	22.2	16.8	12.9
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Forecast Update (% change)</b>					
EBITDA			0.0%	0.0%	0.0%
Net profit			0.0%	0.0%	0.0%
Store count			0.0%	0.0%	0.0%
Sales/sqm			0.0%	0.0%	0.0%
EBITDA margin			0.0 p.p.	0.0 p.p.	0.0 p.p.

### Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
Store count	775	977	1,221	1,514	1,837
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
<b>Operating cash flow</b>	<b>497</b>	<b>643</b>	<b>826</b>	<b>1,106</b>	<b>1,386</b>
D&A	86	112	153	201	258
Working capital	131	125	215	286	343
<b>Investing cash flow</b>	<b>-402</b>	<b>-634</b>	<b>-918</b>	<b>-956</b>	<b>-1,137</b>
CAPEX	-411	-636	-919	-956	-1,137
<b>Financing cash flow</b>	<b>41</b>	<b>82</b>	<b>184</b>	<b>-266</b>	<b>-253</b>
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	-2.9	-3.3	-3.0	8.0	11.9	10.6	5.5	5.3	4.8
Maximum	2.9	2.4	2.1	32.0	24.0	21.4	11.8	10.7	9.8
Median	1.1	0.9	0.9	21.6	18.3	12.8	7.4	6.8	6.4
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	-94	111	183	322	460	484	600	607	632	639	
WACC	8.4%	8.5%	7.6%	7.9%	8.0%	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	11,075
Net debt	565
Other adjustments	0
Value per share (EUR)	147.51

### Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	132.50
DCF Val.	50%	147.51
Implied Price		143.01
Cost of equity (9M)		6.5%
<b>9M Target Price</b>		<b>152.30</b>

## Eurocash hold (no change)

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EUR stock did not experience much volatility in February. In terms of future outlook, we are expecting Eurocash to have to scale back the expansion plans for the Delikatesy Centrum (DC) supermarket chain from 900 target openings through 2023 after rival retailer Biedronka announced that it was looking to partner with shop owners to join its franchise in small towns and rural areas, which are also target markets for DC. It is also worth noting that the purchase last December of the remaining 55.6% stake in the Frisco.pl online grocery and delivery platform for PLN 130m implies a high EV/Sales ratio of 1.8x when we consider that Frisco most likely ended 2019 in the red. Nevertheless Eurocash's 2019 fourth-quarter EBITDA is expected to show a 9% rebound from the year-ago figure, driven by the improved profit margins of the retail business. On the other hand, like-for-like sales of DC and the cash and carry business might show slower growth from a high year-ago base. The earnings release is slated for 13 March.

### Current Price

18.53 PLN

Upside

### 9M Target Price

19.80 PLN

+6.9%

	rating	target price	issued
unchanged	hold	19.80 PLN	2020-02-05

Key Metrics		EUR PW		vs. WIG
Ticker	EUR PW	1M Price Chng	-5.2%	+2.9%
ISIN	PLEURCH00011	YTD Price Chng	-15.2%	-5.5%
Outst. Stock (m)	139.2	ADTV 1M		PLN 3.3m
MC (PLN m)	2,578.7	ADTV 6M		PLN 5.6m
EV (PLN m)	3,081.3	EV/EBITDA 12M fwd	7.1	-28.3%
Free Float	53.0%	EV/EBITDA 5Y avg	9.9	discount

### Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,814	22,833	24,581	25,163	25,705
EBITDA adj.	361	341	379	399	418
EBITDA margin	1.7%	1.5%	1.5%	1.6%	1.6%
EBIT	38	214	195	212	225
Net income	85	67	83	105	136
P/E	30.4	38.5	31.1	24.5	19.0
P/B	2.5	2.5	2.8	2.8	2.8
EV/EBITDA	7.6	8.8	8.1	7.6	7.2
DPS	0.80	0.76	1.03	0.60	0.76
DYield	4.3%	4.1%	5.6%	3.2%	4.1%
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
<b>Operating cash flow</b>	<b>494</b>	<b>582</b>	<b>745</b>	<b>763</b>	<b>780</b>
D&A	183	204	214	217	222
D&A (financial lease)	0	0	323	327	321
Working capital	247	196	95	28	42
<b>Investing cash flow</b>	<b>-336</b>	<b>-462</b>	<b>-272</b>	<b>-196</b>	<b>-215</b>
CAPEX	-307	-445	-241	-196	-215
<b>Financing cash flow</b>	<b>-117</b>	<b>-126</b>	<b>-563</b>	<b>-532</b>	<b>-622</b>
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%
<b>9M Target Price</b>		<b>19.80</b>

## Jeronimo Martins hold (no change)

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Jeronimo Martins generated strong results for Q4 and the full FY2019, achieved on higher lfl growth across all segments, coupled with the firm EBITDA margins of Portuguese stores, of the Colombian Ara business, where start-up losses are consistently decreasing, and the Polish Hebe drugstores, which last year finally reached EBITDA break even. Jeronimo has plans for M&A activity going forward, and it is thinking about expanding the Hebe concept to other CEE countries. Further, there are plans for at least 40 new small-format Biedronka stores in smaller towns and rural areas in Poland. We see continuing improvement at Hebe and Ara in 2020, but at the same time like-for-like growth at Biedronka stores will probably slow from Q2 2020 due to negative base effects. With that said, strong lfl sales to date, and increasing profits, to an extent justify JMT's current high valuation at 14.7x 2020E EV/EBIT.

**Current Price**

16.13 EUR

Upside

**9M Target Price**

16.30 EUR

+1.1%

	rating	target price	issued
unchanged	hold	16.30 EUR	2020-02-05

Key Metrics			JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+3.8%	+11.9%
ISIN	PTJMT0AE0001	YTD Price Chng	+10.0%	+19.6%
Outst. Stock (m)	629.3	ADTV 1M		EUR 18.3m
MC (EUR m)	10,147.4	ADTV 6M		EUR 13.6m
EV (EUR m)	10,479.9	EV/EBITDA 12M fwd	9.0	-4.9%
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	26.3	25.3	19.0	18.8	17.6
P/B	5.7	5.7	5.2	4.7	4.3
EV/EBITDA	11.1	10.9	10.0	8.9	8.2
DPS	0.69	0.64	0.34	0.32	0.34
DYield	4.3%	4.0%	2.1%	2.0%	2.1%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Y/Y sales/sqm, Biedronka			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Pingo Doce			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Recheio			0.0 p.p.	0.0 p.p.	0.0 p.p.

### Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
EBITDA Biedronka, PL	808	850	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
<b>Operating cash flow</b>	<b>909</b>	<b>849</b>	<b>1,280</b>	<b>1,524</b>	<b>1,575</b>
D&A	345	372	402	435	465
Working capital	0	0	300	320	338
<b>Investing cash flow</b>	<b>292</b>	<b>-43</b>	<b>115</b>	<b>204</b>	<b>172</b>
CAPEX	-658	-700	-725	-732	-739
<b>Financing cash flow</b>	<b>-229</b>	<b>-273</b>	<b>-549</b>	<b>-685</b>	<b>-725</b>
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%
<b>9M Target Price</b>		<b>16.30</b>



## LPP buy (no change)

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LPP released preliminary sales results for the four months ended 31 December 2019 at the beginning of last month, showing a 20% boost to per-sqm inventories relative to the same period the previous year, led by e-commerce stocking, earlier deliveries, and fast-paced expansion of the Sinsay teen fashion stores. Nevertheless the Company's shares took a downward turn in February on concerns that the coronavirus outbreak would cause supply disruptions and falling sales at brick-and-mortar stores – risks with a low probability of materializing in our view. On the upside, LPP currently has enough inventory to last through the 2020 spring-summer season, and its cash balance of as of the end of 2019 was strong at PLN 730m. The Company intends to significantly boost the pace of trading space expansion in 2020 to an annual rate of 16%, alongside continued development of e-commerce, all the while keeping a tight lid on costs. With all this taken into consideration, we see the coronavirus-related risks as more than priced in at the current level, with LPP trading at a 20% discount to H&M/Inditex despite offering stronger growth prospects.

### Current Price

7,370.00 PLN

Upside

### 9M Target Price

10,100.00 PLN

+37.0%

	rating	target price	issued
unchanged	buy	10,100.00 PLN	2020-02-05

Key Metrics			LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	-11.2%	-3.2%
ISIN	PLLPP0000011	YTD Price Chng	-16.4%	-6.8%
Outst. Stock (m)	1.9	ADTV 1M		PLN 18.4m
MC (PLN m)	13,652.4	ADTV 6M		PLN 17.1m
EV (PLN m)	13,030.7	EV/EBITDA 12M fwd	7.7	-40.8%
Free Float	69.5%	EV/EBITDA 5Y avg	13.0	discount

### Earnings Projections (adjusted for IFRS 16)

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	31.0	27.0	24.1	16.8	13.7
P/B	5.6	4.8	4.1	3.4	2.8
EV/EBITDA adj.	15.3	11.7	9.9	8.1	7.1
DPS	35.71	39.96	59.97	39.81	65.23
DYield	0.5%	0.5%	0.8%	0.5%	0.9%
Forecast Update (% change)			2019P	2020P	2021P
EBITDA			+11.2%	+17.6%	+21.6%
Net income			-16.7%	+11.5%	+27.8%
Sales per sqm			-0.6%	+0.5%	-1.5%
SG&A/sqm			-1.3%	-2.1%	-5.5%
Sales area			2.2%	6.6%	11.5%

### 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
<b>Operating cash flow</b>	<b>893</b>	<b>1,212</b>	<b>1,514</b>	<b>1,898</b>	<b>2,316</b>
D&A	293	349	405	483	568
Working capital	0	0	596	695	795
<b>Investing cash flow</b>	<b>101</b>	<b>125</b>	<b>41</b>	<b>-116</b>	<b>-95</b>
CAPEX	-384	-704	-781	-1,124	-1,226
<b>Financing cash flow</b>	<b>-360</b>	<b>21</b>	<b>-656</b>	<b>-173</b>	<b>-185</b>
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%
<b>9M Target Price</b>		<b>10,100</b>

## VRG

### buy (no change)

Piotr Bogusz

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VRG improved like-for-like sales at both its clothing stores and jewelry stores in January 2020, but this has not stopped its share price from plummeting in line with the broader market. The drivers behind the fall might have included fears of reduced shopping traffic in the event of a coronavirus epidemic in Poland – an unlikely scenario in our view. VRG is slated to release 2019 Q4 earnings on 31 March 2020. We expect to see 9% y/y EBITDA growth to PLN 50m. 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. During an Extraordinary Meeting in February, VRG's shareholders approved a motion to replace members of the Supervisory Board, and the Company is expected to announce new appointments to the Management Board by the end of the month. We believe VRG can maintain double-digit earnings momentum in 2020, supported by improving organic expansion combined with synergy benefits. The Company's strengths also include a healthy balance sheet and an attractive valuation compared to retail sector peers at 10.2x 12M blended forward P/E.

**Current Price**

3.55 PLN

**Upside**
**9M Target Price**

4.50 PLN

**+26.8%**

	rating	target price	issued
unchanged	buy	4.50 PLN	2020-02-05

Key Metrics	VRG PW	1M Price Chng	VRG PW	vs. WIG
Ticker	VRG PW	1M Price Chng	-6.6%	+1.5%
ISIN	PLVSTLA00011	YTD Price Chng	-12.1%	-2.4%
Outst. Stock (m)	234.5	ADTV 1M		PLN 0.3m
MC (PLN m)	832.3	ADTV 6M		PLN 0.6m
EV (PLN m)	891.0	EV/EBITDA 12M fwd	5.2	-38.7%
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	14.3	15.5	13.7	11.4	10.2
P/B	1.1	1.0	1.0	0.9	0.8
EV/EBITDA adj.	9.1	10.0	8.2	7.3	6.4
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%
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%
<b>Operating cash flow</b>	<b>21</b>	<b>54</b>	<b>103</b>	<b>120</b>	<b>166</b>
D&A	16	17	23	23	24
D&A (IFRS 16)	0	0	88	95	99
Working capital	-27	-21	-60	-66	-32
<b>Investing cash flow</b>	<b>-15</b>	<b>-19</b>	<b>-18</b>	<b>-25</b>	<b>-25</b>
<b>Financing cash flow</b>	<b>-5</b>	<b>-18</b>	<b>-41</b>	<b>-107</b>	<b>-111</b>
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%
<b>9M Target Price</b>		<b>4.50</b>

# List of abbreviations and ratios contained in the report:

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

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

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**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
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## Comparable Companies Used In Relative Valuation Models

<b>11 bit studios</b>	Activision, Blizzard, CAPCOM, Electronic Arts, Paradox Interactive, Take Two Interactive, Ubisoft Entertainment
<b>Agora</b>	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroeer Media
<b>AmRest</b>	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Starbucks, Texas Roadhouse, Wendy's,
<b>Asseco Poland</b>	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
<b>Atal, Dom Development</b>	Archicom, Atal, Develia, Dom Development, Echo Investment, Lokum Deweloper
<b>CCC</b>	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Zalando
<b>CD Projekt</b>	Activision, Blizzard, CAPCOM, Electronic Arts, Take Two Interactive, Ubisoft Entertainment
<b>CEZ</b>	EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
<b>Ciech</b>	Akzo Nobel, BASF, Bayer, Ciner Resources, GHCL, Hongda Xindye, Huntsman, ICI Pakistan, MISR Chemical, PCC Rokita, OCI, Qingdao, Sesoda, Shandong Haihua, Soda Samayii, Solvay, Tangshan Sanyou Chemical, Tata Chemicals, Tessenderlo Chemie, Wacker Chemie
<b>Cognor</b>	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
<b>Comarch</b>	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
<b>Cyfrowy Polsat</b>	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
<b>Dino</b>	Carrefour, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Eurocash</b>	Carrefour, Dino, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Famur</b>	Caterpillar, Epiroc, Komatsu, Sandvik, Weir Group, Metso, Flsmidth
<b>Grupa Azoty</b>	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
<b>Jeronimo Martins</b>	BIM, Carrefour, Dino, Eurocash, Magnit, Metro, O'Key, Group, Tesco, X5
<b>JSW</b>	Alliance Resource Partners, Arch Coal, Banpu Public, BHP Billiton, Bukit Asam, China Coal, Cloud Peak Energy, Coking, Henan Shenhua, LW Bogdanka, Natural Resource Partners, Peabody Energy, Rio Tinto, Semirara Mining and Power, Shaanxi Heima, Shanxi Xishan Coal & Elec, Shougang Fushan Resources, Stanmore Coal, Teck Resources, Terracom, Walter Energy, Warrior Met Coal, Yanzhou Coal Mining
<b>Kernel</b>	ADM, Anderssons, Astarta, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkland, Nisshin Oillio Group, Ovostar, Wilmar
<b>Kęty</b>	Alcoa, Alumetal, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Fuji Seal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
<b>KGHM</b>	Anglo American, Antofagasta, BHP Billiton, Boliden, First Quantum Minerals, Freeport-McMoRan, Grupo Mexico, KAZ Minerals, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
<b>Kruk</b>	Arrow Global, Collection House, Credit Corp, Encore Capital, Intrum, PRA Group
<b>Lotos, MOL</b>	Aker BP, Bashneft, BP, ENI, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras, Shell, Statoil, Total, Tullow Oil, Tupras
<b>LPP</b>	CCC, H&M, Hugo Boss, Inditex, Marks & Spencer, Next, Tom Tailor
<b>Netia</b>	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
<b>Orange Polska</b>	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
<b>PGNiG</b>	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, Statoil, Total
<b>PKN Orlen</b>	Braskem, Dow Chemical, Eastman, Formosa Plastics, Hellenic Petroleum, Huntsman, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui Chemicals, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Westlake Chemical
<b>PKP Cargo</b>	Aurizon Holdings, Canadian National Railway, Canadian Pacific Railway, Center for Cargo Container, China Railway Group, China Railway Tielong Container Logistics, CSX Corp, Daqin Railway, Global Ports Holding, Globaltrans Investment, Hamburger Hafen und Logistik, Hub Group, Kansas City Southern, Kuehne + Nagel International, Log-In Logistica Intermodal, Nikkon Holdings, Norfolk Southern Corp, Rumo, Tidewater Midstream, Union Pacific Corp
<b>Play</b>	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, TalkTalk, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmetleri, Vimpel, Vodafone Group
<b>Skarbiec Holding</b>	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
<b>Stelmet</b>	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pfalderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmar, West Fraser
<b>Wirtualna Polska</b>	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
<b>VRG</b>	CCC, Chow Sang, Chow Tai Fook, H&M, Hugo Boss, Inditex, Lao Fen Xiang, Lao Feng, LPP, Luk Fook, Marks & Spencer, Next, Pandora, Tiffany

## Recommendations Issued In the 12 Months Prior To This Publication

**11 bit studios**

<b>Rating</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>
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**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>	<b>neutral</b>
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**

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

**Aiileron**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>
Rating date	2020-02-28	2019-10-31	2019-06-28
Target price (PLN)	-	-	-
Price on rating day	6.34	7.16	8.40

**Alor Bank**

<b>Rating</b>	<b>buy</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>
Rating date	2020-02-21	2019-11-06	2019-07-03	2019-06-03
Target price (PLN)	30.50	31.00	72.30	77.00
Price on rating day	26.62	29.34	51.10	52.80

**Alumetal**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>	<b>underweight</b>	<b>neutral</b>	<b>neutral</b>
Rating date	2020-02-27	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	43.50	42.80	39.30	35.40	34.50	38.20	41.40	40.50

**Amica**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>overweight</b>
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**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>
Rating date	2020-03-04	2019-12-05	2019-11-06	2019-10-07	2019-04-02	2019-03-05
Target price (PLN)	40.00	47.00	48.00	48.00	48.00	46.00
Price on rating day	39.55	46.35	47.20	44.05	41.20	41.40

**Apator**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>	<b>neutral</b>	<b>neutral</b>	<b>overweight</b>
Rating date	2020-03-04	2020-01-30	2019-12-05	2019-10-18	2019-09-20	2019-04-29	2019-03-05
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	20.00	20.70	21.10	22.00	22.60	25.80	26.50

**Asseco BS**

<b>Rating</b>	<b>overweight</b>	<b>neutral</b>	<b>neutral</b>
Rating date	2020-01-30	2019-12-05	2019-03-29
Target price (PLN)	-	-	-
Price on rating day	32.60	27.60	29.50

**Asseco Poland**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>
Rating date	2019-12-05	2019-06-03	2019-03-05
Target price (PLN)	59.20	50.80	53.00
Price on rating day	57.35	51.10	54.30

**Asseco SEE**

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
Rating date	2020-02-28	2019-12-05	2019-10-10	2019-04-11
Target price (PLN)	-	-	-	-
Price on rating day	28.80	25.60	19.40	14.20

**Astarta**

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
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**

<b>Rating</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>	<b>accumulate</b>	<b>hold</b>
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**

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

**Boryszew**

<b>Rating</b>	<b>underweight</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>	<b>underweight</b>	<b>neutral</b>
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	buy	hold	buy
Rating date	2020-02-21	2019-12-05	2019-11-06	2019-09-05	2019-06-06	2019-04-02
Target price (PLN)	135.00	157.00	160.00	161.00	161.00	275.00
Price on rating day	94.00	108.10	112.20	131.90	153.80	217.00

### CD Projekt

Rating	hold	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
Target price (PLN)	284.20	281.30	276.40	272.50	237.50	221.00
Price on rating day	305.00	260.30	255.20	251.30	215.00	204.00

### CEZ

Rating	buy	buy	accumulate	hold
Rating date	2020-02-20	2019-12-05	2019-06-25	2019-04-02
Target price (CZK)	592.91	597.80	597.80	565.50
Price on rating day	503.00	502.00	544.00	540.50

### Ciech

Rating	buy	buy	buy	hold	buy	buy	buy
Rating date	2020-02-13	2019-12-05	2019-09-05	2019-07-03	2019-06-03	2019-05-09	2019-04-02
Target price (PLN)	47.46	44.41	42.03	41.72	55.00	68.11	68.66
Price on rating day	39.40	36.40	34.00	41.60	42.65	44.85	54.80

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

### Cyfrowy Polsat

Rating	hold	reduce	reduce
Rating date	2020-03-04	2019-11-14	2019-05-31
Target price (PLN)	26.10	26.10	24.15
Price on rating day	26.24	28.86	26.00

### Dino

Rating	hold	reduce	accumulate	hold	sell	sell	reduce
Rating date	2020-03-04	2020-02-05	2019-11-25	2019-08-23	2019-08-13	2019-08-02	2019-04-02
Target price (PLN)	152.30	149.70	148.60	149.20	111.20	112.70	112.70
Price on rating day	155.00	164.70	134.00	149.60	135.90	143.80	126.10

### Dom Development

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

### Enea

Rating	suspended	buy	buy	buy
Rating date	2020-02-27	2019-11-06	2019-06-25	2019-04-02
Target price (PLN)	-	11.53	12.41	12.51
Price on rating day	6.00	8.59	8.53	8.76

### Energa

Rating	suspended	buy	buy	buy
Rating date	2020-02-27	2019-11-06	2019-06-25	2019-04-02
Target price (PLN)	-	11.67	12.67	12.21
Price on rating day	7.36	6.37	7.33	8.58

### Ergis

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

### Erste Group

Rating	buy	accumulate	buy
Rating date	2020-03-04	2019-12-05	2019-08-28
Target price (EUR)	36.61	36.61	40.38
Price on rating day	29.44	32.20	30.03

### Eurocash

Rating	hold	reduce	sell	reduce	hold	reduce	reduce	sell
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
Target price (PLN)	19.80	19.80	18.10	18.10	18.10	18.10	18.90	18.90
Price on rating day	19.94	22.22	23.80	20.62	18.60	19.31	21.00	22.58

### Famur

Rating	buy	buy	buy	buy	buy	buy	buy
Rating date	2020-03-04	2019-12-05	2019-08-07	2019-08-02	2019-07-03	2019-06-03	2019-05-09
Target price (PLN)	4.58	5.18	5.33	6.71	6.96	6.67	6.90
Price on rating day	2.73	2.98	4.42	4.47	5.24	4.85	4.82

### 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**

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

**Grupa Azoty**

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>accumulate</b>	<b>buy</b>	<b>hold</b>
Rating date	2020-03-04	2020-02-06	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)	30.55	30.31	30.31	32.75	37.12	34.09	39.77	45.93	45.93	44.42	45.39	43.20
Price on rating day	22.24	27.50	26.10	30.00	36.58	31.18	39.98	42.30	42.10	39.86	35.92	43.88

**GTC**

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

**Handlowy**

<b>Rating</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>	<b>buy</b>	<b>buy</b>	<b>hold</b>
Rating date	2020-02-27	2019-12-05	2019-07-03	2019-06-03	2019-05-21	2019-05-09	2019-03-05
Target price (PLN)	63.46	57.44	59.45	61.00	61.00	65.50	65.50
Price on rating day	55.90	51.70	53.60	53.70	52.40	52.80	65.90

**Impexmetal**

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

**ING BSK**

<b>Rating</b>	<b>sell</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>hold</b>	<b>reduce</b>
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**

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

**JSW**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>	<b>accumulate</b>	<b>hold</b>	<b>reduce</b>
Rating date	2020-03-04	2020-02-05	2020-01-20	2019-12-05	2019-09-05	2019-07-03	2019-05-09	2019-03-25
Target price (PLN)	15.34	18.41	23.32	28.04	39.29	50.02	54.80	54.80
Price on rating day	15.15	19.78	22.68	18.80	26.50	47.00	49.86	62.50

**Kernel**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>reduce</b>	<b>reduce</b>	<b>buy</b>	<b>buy</b>
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**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>
Rating date	2020-03-04	2019-12-05	2019-10-06	2019-10-07	2019-09-05	2019-07-03	2019-06-03	2019-04-02
Target price (PLN)	360.29	335.44	333.45	298.64	327.11	345.32	326.37	341.33
Price on rating day	381.00	338.50	313.50	283.00	310.00	337.00	347.50	324.00

**KGHM**

<b>Rating</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>accumulate</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>
Rating date	2020-03-04	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
Target price (PLN)	76.92	86.33	85.54	96.13	96.14	90.12	77.51	80.38	98.35	91.71	105.57
Price on rating day	77.82	96.44	88.66	96.70	91.64	79.92	74.90	87.78	101.70	95.00	109.40

**Komercni Banka**

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>accumulate</b>	<b>buy</b>
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**

<b>Rating</b>	<b>buy</b>	<b>buy</b>
Rating date	2019-12-05	2019-04-02
Target price (PLN)	210.31	213.65
Price on rating day	150.90	152.30

**Kruszwica**

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>neutral</b>
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**

<b>Rating</b>	<b>hold</b>	<b>reduce</b>	<b>reduce</b>	<b>sell</b>	<b>sell</b>	<b>sell</b>	<b>sell</b>
Rating date	2020-03-04	2020-02-05	2019-12-05	2019-08-02	2019-06-03	2019-04-02	2019-03-05
Target price (PLN)	67.19	68.47	77.80	72.31	65.95	65.41	65.18
Price on rating day	61.06	76.78	85.20	88.66	87.82	86.22	93.90

**LPP**

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>hold</b>	<b>buy</b>	<b>accumulate</b>	<b>accumulate</b>	<b>hold</b>	<b>buy</b>
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
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
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

**Mangata**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>
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**

<b>Rating</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>sell</b>	<b>reduce</b>	<b>buy</b>
Rating date	2020-03-04	2020-02-05	2019-12-05	2019-11-06	2019-10-07	2019-08-02
Target price (PLN)	5.47	5.47	5.47	5.18	5.18	10.00
Price on rating day	5.06	5.91	5.49	6.40	5.48	7.51

**MOL**

<b>Rating</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>
Rating date	2020-03-04	2020-02-05	2019-11-27	2019-11-06	2019-10-07	2019-08-02	2019-06-03	2019-04-02	2019-03-05
Target price (HUF)	2,726.00	2,816.00	3,302.00	3,258.00	3,258.00	3,258.00	3,223.00	3,223.00	3,423.00
Price on rating day	2,530.00	2,618.00	2,926.00	3,042.00	2,826.00	3,004.00	3,276.00	3,278.00	3,250.00

**Moneta Money Bank**

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

**Monnari**

<b>Rating</b>	<b>suspended</b>	<b>neutral</b>
Rating date	2019-12-05	2019-07-17
Target price (PLN)	-	-
Price on rating day	2.99	4.66

**Netia**

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

**Orange Polska**

<b>Rating</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>	<b>hold</b>
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**

<b>Rating</b>	<b>hold</b>	<b>accumulate</b>	<b>buy</b>	<b>hold</b>	<b>buy</b>	<b>hold</b>
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**

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

**Pekao**

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>accumulate</b>	<b>buy</b>
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**

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

**PGE**

<b>Rating</b>	<b>suspended</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>
Rating date	2020-02-27	2019-10-24	2019-06-25	2019-06-03	2019-05-09	2019-04-02	2019-03-26
Target price (PLN)	-	12.20	13.26	13.39	13.38	13.66	13.77
Price on rating day	5.15	8.42	9.00	9.23	8.61	10.10	9.88

**PGNIG**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>	<b>hold</b>
Rating date	2020-03-04	2020-01-28	2019-11-06	2019-09-05	2019-08-02	2019-05-28	2019-04-02	2019-03-05
Target price (PLN)	3.88	4.06	5.64	6.33	6.33	6.47	6.92	7.08
Price on rating day	3.20	3.86	5.07	4.49	5.62	5.58	6.31	6.58

**PKN Orlen**

<b>Rating</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>sell</b>	<b>sell</b>	<b>sell</b>
Rating date	2020-03-04	2020-02-03	2019-12-05	2019-11-14	2019-08-01	2019-06-03	2019-04-02	2019-03-05
Target price (PLN)	66.70	68.03	94.17	94.17	92.82	80.01	79.39	81.22
Price on rating day	62.26	75.66	88.50	102.45	97.36	96.78	99.94	101.50

**PKO BP**

<b>Rating</b>	<b>buy</b>	<b>accumulate</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>	<b>accumulate</b>
Rating date	2020-03-04	2020-02-05	2019-12-05	2019-08-02	2019-06-26	2019-05-09
Target price (PLN)	39.69	39.69	39.50	47.17	47.17	40.92
Price on rating day	33.10	36.00	34.99	39.34	42.20	37.78

**PKP Cargo**

<b>Rating</b>	<b>hold</b>	<b>reduce</b>	<b>reduce</b>	<b>reduce</b>
Rating date	2020-02-26	2020-02-05	2019-12-05	2019-11-26
Target price (PLN)	13.89	16.40	18.13	20.44
Price on rating day	13.66	17.50	20.00	22.40

**Play**

Rating	accumulate	buy	buy	hold	accumulate	hold	buy	accumulate	accumulate
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
Target price (PLN)	36.00	36.00	33.10	34.20	34.20	29.00	29.00	25.25	26.70
Price on rating day	34.80	31.30	27.16	33.34	31.22	33.34	25.08	24.42	24.08

**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	buy	hold	accumulate	buy	hold	accumulate	accumulate
Rating date	2020-03-04	2020-02-05	2019-12-05	2019-09-05	2019-07-03	2019-04-02	2019-03-05
Target price (PLN)	41.91	41.91	41.91	43.38	43.38	43.38	46.50
Price on rating day	36.31	40.54	36.47	36.59	44.35	40.79	42.00

**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	buy
Rating date	2020-03-04	2019-12-05	2019-06-03
Target price (PLN)	21.20	29.34	28.17
Price on rating day	18.80	17.20	16.50

**Stelmet**

Rating	accumulate	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
Target price (PLN)	8.92	8.78	8.10	6.50	7.95	8.36
Price on rating day	7.85	8.20	7.90	6.70	7.00	10.25

**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	suspended	buy	buy	buy
Rating date	2020-02-27	2019-11-06	2019-06-25	2019-04-02
Target price (PLN)	-	2.45	2.52	2.89
Price on rating day	1.22	1.73	1.57	2.03

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



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