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Monthly Market Outlook: May 2020

Equity Market, Macroeconomics

Equity Market

We maintain a bearish view on equities looking at the extent of the economic fallout of the coronavirus crisis. As some countries move to relax certain lockdown rules while the epidemic keeps on spreading, it might take much more time than currently envisioned to bring the economy, and company earnings, back on track.

Sector Outlook

Financials

The 2020 first-quarter earnings season in the banking sector is marked by enormous uncertainty with banks calculating risk reserves based on their own internal risk models in the absence of reference data. For example, the Q1 earnings of SPL took a heavy hit from one-time charges, while Erste Group has given a surprisingly low cost of risk projection for 2020. On a positive note, the banking package recently proposed by the European Commission in our view will help to mitigate part of the risk, and aid banks in surviving the crisis. Our top bank picks for May are Pekao and Santander, and elsewhere in the financial sector we also like PZU Insurance.

Chemicals

We see upside potential in Ciech thanks to 2020 first-quarter earnings growth. On the other hand, weak results and drought conditions will most likely dampen sentiment for Grupa Azoty.

Oil & Gas

As the oil demand shock shifts from crude to petroleum products, refining margins are coming under increasing pressure, and we are prompted to downgrade our investment call for PKN Orlen to hold. PGNiG Gas remains a sound buy under the current circumstances, owing to high trading profits and an expected rebound in natgas prices.

Power Utilities

We have a positive view on CEZ based on its earnings performance, dividends, and reduced risk associated with the Czech nuclear energy plans. In Poland, utilities can offer compelling earnings growth provided they are not pressured to help bail out ailing state coal miners.

Telecoms, Media, IT

Telecom stocks might continue to outperform the broad market thanks to their low sensitivity to the coronavirus crisis. Within our coverage universe, we still favor PLY and OPL over CPS. In Media, we are bearish on WPL, expected to report a major profit slump already in Q1 2020. We would not expect CPS to perform strongly in May after the acquisition of Interia. In Tech, we anticipate positive sentiment in the month ahead thanks to the sector's sound financial standing and a lag effect in terms of the coronavirus epidemic and its impact on financial performance. We have ASE lined up as our top pick for May.

Gaming

Gaming stocks have enjoyed a sharp upward rise over the recent weeks, rolling back the upside potential of 11B, CDR, and TEN.

Industrials

The industrial sector has been hit hard by the coronavirus crisis, with some companies likely to have taken a painful blow already in the first quarter. Under the current circumstances, we see the most potential in agricultural producers (AST, KSW), companies with healthy balance sheets (STL), and firms that sell predominantly on line (TIM). We would avoid highly-leveraged companies like BRS and FTE. Coal and metal producers are observing dwindling demand as they prepare to report weak results for the 1Q'20

Retail

The coronavirus lockdown has had disastrous consequences for the retail industry, but as Poland opens shopping centers for business from 4 May there is hope that stores can recoup lost sales. Nevertheless the financial results for the first half of 2020 are bound to be weak. Retailers will most likely be marking prices down significantly in the weeks ahead.

Key Ratings

Positive: ASE, AST, CEZ, CIE, KSW, OPL, PGN, PLY, STL, TIM

Negative: DNP, JSW, KGH, LTS, WPL

EU Indices	Value	1M chng	YTD chng
WIG	45,024	+8.4%	-22%
ATX	2,145	+9.2%	-33%
BUX	34,577	+7.2%	-25%
PX	863	+11.4%	-22%

WSE WIG Ind.	Value	1M	YTD
WIG20	1,601	+6.4%	-25%
mWIG40	3,234	+13.2%	-17%
sWIG80	11,626	+14.1%	-3%
Banking	3,815	-3.0%	-44%
Basic Materials	2,340	+23.7%	-24%
Chemicals	7,694	+29.3%	-8%
Clothes	3,655	+31.8%	-35%
Construction	2,368	+17.6%	+4%
Energy	1,326	+5.1%	-32%
Food	2,855	+7.6%	-9%
Gaming	27,087	+28.6%	+44%
IT	3,076	+15.2%	+9%
Media	4,861	+18.7%	-10%
Oil & Gas	4,706	+0.3%	-27%
Real estate	2,079	+13.3%	-15%
Telecom	810	+8.6%	-7%

Top 5 / Worst 5		1M	YTD
Global Cosmed	3.90	+225.0%	+215%
Rainbow Tours	17.30	+95.3%	-51%
XTB	8.40	+88.2%	+119%
Datawalk	64.80	+85.1%	+18%
CCC	48.60	+68.2%	-56%
Handlowy	37.50	-8.9%	-28%
Bioton	3.80	-13.8%	+0%
Miraculum	1.17	-16.4%	-3%
Millennium	2.66	-17.1%	-55%
PZ Cormay	1.07	-28.9%	+7%

Rating & 9M TP Changes as of 5 May

Name	Rating	9M TP
11 bit studios	hold ►	422.00 PLN ▼
Ailleron	neutral ►	-
Asseco BS	neutral ►	-
Asseco Poland	hold ►	63.90 PLN ▲
Asseco SEE	overweight ►	-
Atende	neutral ►	-
CD Projekt	hold ►	342.50 PLN ▲
CEZ	accumulate ▼	527.86 CZK ▼
Dino	reduce ▼	151.60 PLN ▼
Eurocash	hold ►	20.50 PLN ▲
KGHM	sell ▼	46.83 PLN ►
LPP	hold ►	5800 PLN ►
Netia	accumulate ▲	4.40 PLN ▼
PKN Orlen	hold ▼	58.61 PLN ►
PKP Cargo	hold ►	12.37 PLN ▼
Tauron	suspended ►	-
Ten Square G	hold ▼	462.00 PLN ►

Table of Contents

1. Investing Outlook.....	3
2. Sector Strategies.....	5
3. mBank Sentiment Watch.....	10
4. Quarterly Earnings Surprises	11
5. Overview of Updated Earnings Expectations	13
6. Current Recommendations By mBank	14
7. Ratings Statistics	15
8. Calendar of Upcoming Corporate Events	16
9. Macroeconomic Update.....	17
10. Financial Sector.....	19
10.1. Alior Bank	19
10.2. Handlowy	20
10.3. ING BSK	21
10.4. Millennium.....	22
10.5. Pekao	23
10.6. PKO BP	24
10.7. Santander Bank Polska	25
10.8. PZU	26
10.9. Skarbiec Holding	27
11. Chemicals	28
11.1. Ciech.....	28
11.2. Grupa Azoty	29
12. Mining	30
12.1. JSW	30
12.2. KGHM.....	31
13. Oil & Gas.....	32
13.1. Lotos.....	32
13.2. MOL	33
13.3. PGNiG	34
13.4. PKN Orlen	35
14. Power Utilities	36
14.1. CEZ.....	36
14.2. PGE.....	37
14.3. Tauron.....	38
15. Telecoms	39
15.1. Cyfrowy Polsat	39
15.2. Netia	40
15.3. Orange Polska.....	41
15.4. Play	42
16. Media.....	43
16.1. Agora	43
16.2. Wirtualna Polska.....	44
17. IT	45
17.1. Asseco Poland	46
18. Gaming	47
18.1. 11 bit studios.....	47
18.2. CD Projekt.....	48
18.3. Ten Square Games	49
19. Industrials	50
19.1. Cognor	50
19.2. Famur	51
19.3. Grupa Kęty	52
19.4. Kernel	53
19.5. PKP Cargo	54
19.6. Stelmet	55
20. Retail.....	56
20.1. Dino	56
20.2. Eurocash.....	57
20.3. Jeronimo Martins	58
20.4. LPP	59
20.5. VRG	60

Investing Outlook

Looking at the April rally across the world's leading indices, it would seem that the economy is not suffering that much if the stock exchange is booming. In our opinion, it would be wrong to think that; in the mid-term, the market cannot completely ignore economic conditions, even if low bond yields offer no alternative to stocks. In our opinion, "cash is king" right now and it is too early to go shopping. That approach is consistent with the strategy presented by Warren Buffet at the annual meeting with Berkshire shareholders on 2 May. The fund had piled up a record-high USD 137 billion in cash and cash equivalents at the end of March as it can see no investment opportunities for the time being.

At the time of writing our investing outlook for April a month ago, pessimistic forecasts expected the US unemployment rate to rise to 13-15% by the end of June, followed by very fast recovery in the US economy. Right now unemployment is probably around 20%, the economic decline continues, and the likelihood of a fast recovery seems doubtful given the enormous damage suffered by the job market. Under such macroeconomic conditions, the S&P500 has improved sharply (+32% from 23 March low) reaching only 13% less than the historical high reported in February. We do not share the opinion that the bear market is over.

European and US governments are unlocking their economies amid higher daily infection numbers than reported when restrictions were imposed, and they are unaware of what percentage of the population has become immune. That confirms that the paradigm has shifted from health care to the economy, which seems good for the financial markets but, in our view, generates a huge risk of a second wave of the contagion. The main unknown is how much consumers behavior has changed. The upcoming tug of war between the USA and China, which accuse each other of unleashing the crisis, and raise mutual claims, compounds business uncertainty and investment risks.

We can see no reason to believe that the Polish stock market could avoid the global trend. We expect another sell-off on the Warsaw Stock Exchange

COVID19: What's Next?

Given the economic and social predicament (mounting protests, especially in the USA), governments are under growing pressure to remove lockdown restrictions. Interestingly, China unlocked Wuhan when no new cases had been reported for a dozen days (according to official statistics). Europe and the USA are unlocking much earlier, which creates the risk of a second round of the contagion. According to the WHO, the USA reported the biggest daily number of deaths (2.9 thousand) on 4 May. Germany is one of the first big European countries to have relaxed the regime. According to Germany's disease control agency, the Robert Koch Institute, the local basic reproduction number (the average number of people who can get infected by one individual carrier; the target is less than 1.0) is now 1.0, up from 0.7 in early April.

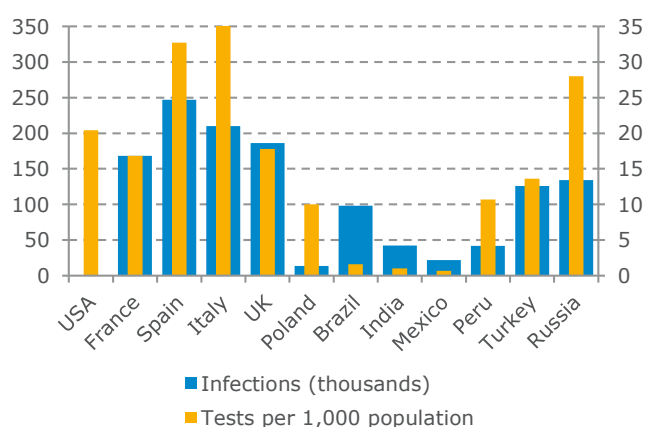
The West has made a mistake by delaying the lock-down; will it make another mistake by unlocking too early? The number of reported cases clearly suggests that the sooner the population locks down, the sooner the epidemic is contained. On the one hand, there is China and some European countries such as Austria and the Czech Republic;

on the other hand, Spain, France, the UK and the USA. The open question is why the pandemic is spreading fast in some countries and less so in others, such as Sweden (which has not locked down). At this time, it is hard to say because no country where the pandemic is spreading relatively fast in the population has had that experience. In our opinion, it makes little sense to invoke China as an example.

What speaks in favor of relaxing the regime is the prevalent social acceptance for the removal of restrictions: people are tired of the lock-down, getting used to incidence statistics, and increasingly concerned about keeping their jobs. Thus, it seems likely that the economies will gradually restart while the number of new cases and deaths remains relatively high. In our opinion, that combination ensures improvement of macroeconomic indicators month after month albeit at a slower pace than recently expected. "Living with the virus" will affect consumer behavior. Meanwhile, genuine death statistics will be significantly delayed. The Financial Times has looked into the aggregate number of deaths by region in recent weeks year on year, and estimates that official COVID19 death statistics might be under-reported by as much as 60%.

Another problem is the spread of the contagion in Latin America, where few patients are tested (the number of tested patients per 1M is 1.6k in Brazil vs. more than 30k in Spain and Italy), yet the numbers of cases keep rising fast.

Number of tested patients per 1k population and number of cases by country



Source: Worldometers

The contribution of this region to the global economy is small but:

- Economic problems caused by the pandemic will affect global capital's perception of EM (including Global EM currencies, bonds, ETFs), leading to potential losses for holders of assets in the region;
- A prevalence of outbreaks in the region would pose the risk of the contagion returning to the West, and travel restrictions would stay in place for a long time.

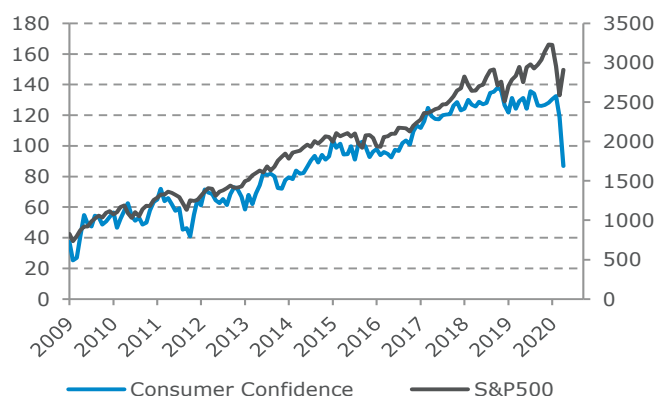
The Economy Has Already Suffered

In our opinion, in contrast to improving incidence statistics, the economy will continue to disappoint, mainly due to the disastrous job market in the USA. As the European labor market is less flexible, employment statistics will deteriorate later than in the USA but the decline is imminent.

According to the US Department of Labor, the number of new jobless claims was 30 million in the past six weeks. Approximately 20 million Americans were unemployed (vs. 7 million in 2009), which implies an unemployment rate of approx. 20% in April (compared to 24% during the Great Depression in the 1930s). By comparison, the number of jobs dropped by 8.7 million during the 2008-2009 crisis and the US economy created 22.4 million new jobs in the 2009-2020 period. A month ago, pessimistic projections of global investment banks expected a 13-15% unemployment rate at the end of June.

As a result of the conditions on the labor market, despite a relative strength of the stock market (historically high correlation), consumer sentiment has dropped dramatically, as have the leading indicators for services and manufacturing. The Conference Board index was 89.9 in April vs. 118.8 in March and 138 in mid-2018.

US consumer confidence: Conference Board vs. S&P500

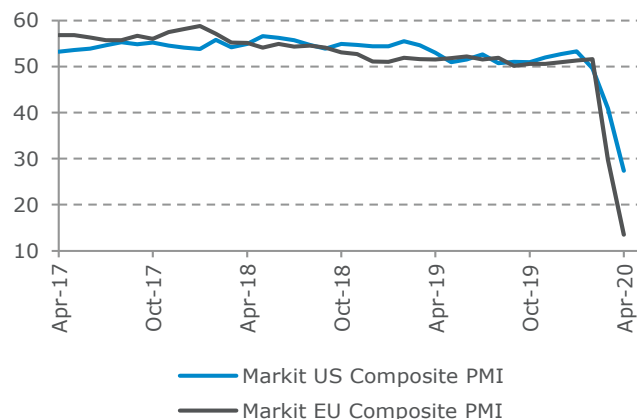


Source: Bloomberg

One of the implications of growing unemployment is a fast rise in the numbers of mortgage loan defaults, as reported by Fannie Mae and Freddie Mac. Any macroeconomic commentary published 18 months ago, when the US industry was in crisis, expected the service sector and strong consumer confidence to save the day. Now it seems that many investors are looking at the macroeconomic conditions from the perspective of stock market indices (S&P500 fares well so the economy is not suffering too much) rather than real data. In our opinion, given the high unemployment, even if the job market in the service industry recovers fast, it will take several quarters before consumption bounces back.

In Poland, where the impact of COVID on the job market is incomparably smaller, the change in consumers' preferences has been measured in a survey commissioned by our macroeconomists. According to the survey, 15% of employees in Poland fear that they might lose their jobs; 66% of the respondents will be spending less on shopping. Consumer preferences are clearly changing as people are focusing on staple goods.

PMI Composite in the USA and the Eurozone



Source: Bloomberg

What the markets could welcome is a recovery of the PMI to approx. 40 next month. The case of China, as well as the structure of the PMI, both suggest that gradual unlocking of the economy is mirrored by improved business confidence (especially since last month's point of reference is record-low). We are not contesting the fact that the economy will recover but we challenge the pace of the recovery, which is why we remain negative about the stock market.

Who is to Blame for the Pandemic? The Tug of War between the USA and China Continues

As economies gradually unlock, the international argument will continue to focus on the reasons for the pandemic, who is to blame, and who should pay the cost. The argument is escalating (China has been accused by Australia, the EU, the USA). Going back to the geopolitical contest between the USA and China mentioned in our Investment Strategy 2020, COVID19 gives President Trump a unique opportunity to establish an international coalition against China, trying to prove that the virus originated from a Chinese laboratory and that China should pay part of the cost of the crisis.

According to US Vice President Mike Pence, the USA has good evidence that the virus was developed in China. Pressure on China may take different forms, from class action in courts and international institutions to forcing Chinese companies, especially technology firms, out of local markets. China will probably retaliate against restrictions while "rewarding" its allies with financial support and investments. The process will span years. It will involve gradual relocation of manufacturing assets from Asia back to Europe and the USA, aggravating geopolitical tensions and business uncertainty.

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Sector Strategies

Financials

- Sentiment in the Polish banking sector in April was shaped by another reduction in interest rates, expansion of state economic aid as part of Poland's 'anti-crisis shield' action, and deliberations on cost of risk. In terms of impact on income from deposits, we see banks as recouping interest margins lost to the rate cuts in a period of three years. At the same time, deposit costs can be reduced thanks to excess liquidity and cash injections from aid programs. The 2020 first-quarter results are not likely to tell us much in terms of the coronavirus's impact on business; this will become more apparent in later quarters. We see Alior as a leader of the earning season and Handlowy as the laggard, with weaker profits from treasury operations than we anticipated two weeks ago. Another rate cut in Poland is unlikely in our view, but just for the sake of clarity we have identified Alior and Millennium as the two most sensitive lenders in this respect. Our top Polish pick for May is Pekao, even though it will most likely report relatively weak first-quarter results like most of its peers.
- The first quarter is when lenders pay the annual contributions into the resolution fund, and this year most of them will also book additional reserves for coronavirus risk, as well as trying to capture as much as possible of the potential risks related to claims for fees on prematurely paid loans and CHF loan conversions, so as to minimize unexpected charges in the future. The banks that have already released first-quarter results have passed up on giving FY guidance due to huge economic uncertainty. The one exception is Erste Group, with guidance for cost of risk in the range of 50-80bps in 2020 – a surprisingly low level given cost of risk as high as 170bp recorded during past crises. If it comes true, the CoR guidance would mean a much better earnings outlook than is currently being priced by the market.
- In the CEE region, April highlights included a debate on solidarity in EU budget decisions, the ECB meeting, and the adoption of a banking package by the European Commission. The main takeaways from the ECB meeting included TLTRO incentives such as the lowering of the minimum lending rate to -1%, and the introduction of new measures like the Pandemic Emergency Targeted Longer-Term Refinancing Operations (PELTRO) to support liquidity. The ECB is forecasting contraction in the eurozone's economic growth at an annual rate of 5%-12% depending on the efficiency of the proposed aid – a range consistent with the IMF's forecast of minus 7.5%. The Commission's proposed banking package is a ray of hope because it eases capital requirements on banks, allows them more flexibility in recognizing loan losses, and extends the IFRS 9 transition by two years. The design of the package is such that it will mostly boost large multi-national banking groups, however it can also have positive effects on smaller local lenders. The Commission has urged regulators and policymakers to fast-track so that the package can be passed in June.
- **Key Ratings:** PEO (buy), SPL (buy), PZU (buy)

Chemicals

- Polish chemical companies are showing resilience in the face of the coronavirus epidemic. At Ciech, weaker soda ash demand from the automotive industry might be offset by increased orders from the glass packaging and detergent industries, accompanied by reduced competitive pressures with the closure of big soda ash facilities in Italy, France, and Spain, where the COVID-19 epidemic has taken the biggest toll. For Grupa Azoty, the negative effects of the lockdown on fertilizer sales will most likely be limited, but demand in the second half of the year could go down depending on the drought situation.
- In terms of first-quarter results, Polish companies in the period could capitalize on reduced shipments from China; for Grupa Azoty, the eased competitive pressures resulted in higher sales in March.
- Further, both Ciech and Grupa Azoty have enjoying stronger profits thanks to falling costs of energy (gas, coking coal, emission allowances).
- As a precaution against a possible crisis, Ciech has recently increased its credit lines and reduced planned capital investment. On the other hand, Grupa Azoty so far is standing by its ambitious investment plans.
- **Key ratings:** CIE (buy)

Mining

- The effects of the coronavirus epidemic on the mining industry have been devastating. In copper, demand has been diminished by curbed economic activity both in Europe and the US, as reflected in rising inventories. Demand is not likely to recover soon as the impending crisis in Europe will most likely cut into orders for Chinese products.
- The position of underground copper miners like KGHM is further exacerbated by low prices of oil, which boosts the competitiveness of surface mining operations located in Latin America and South America. We see the a 10% reduction in mining costs thanks to the oil slump. This benefits KGHM's Chilean unit, Sierra Gorda, which, however, accounts for just about of the Group's total production.
- On the other hand, KGHM is experiencing a continued upward rise in other costs, including payroll (ca. 5% y/y) and electricity (up to 10% y/y), though this is mitigated by a weak zloty.
- Despite downward pressure on prices, KGHM reported a 10% decline in copper sales in March 2020 relative to the same month a year earlier – a trend which we expect to continue in the months ahead. Our 2020 Q1 expectations for KGHM include 13% EBITDA shrinkage and a 19% drop in net profit.
- Global demand for coal has also dwindled after steel plants in Europe and the USA cut production, followed by India, where steelmaking operations were scaled back in April for a countrywide lockdown.
- Amid falling demand and downward-trending prices, Poland's JSW in Q1 2020 had to sell its coking coal at discounted prices in the face of fast-rising inventories. Consequently, the Coal Miner will most likely post an EBITDA loss of PLN 46m for the quarter, and suffer a net loss as high as PLN 209m, with its cash pile significantly diminished by the end of the quarter.
- Globally, mining companies are seen to be cutting capital expenditures as they try to preserve cash to survive the crisis.
- **Key Ratings:** JSW (sell), KGHM (sell)

Oil & Gas

- The oil market is slowly recovering from its meltdown. The production cuts agreed by major suppliers are not enough in our view to restore balance in the market during lockdown periods, but as demand returns in the months ahead the disequilibrium will wane. We stand by our 30 dollar-a-barrel forecast for Brent crude prices in 2020, followed by a rebound to \$40 in 2021. We also remain optimistic on natural gas in anticipation of a return of cold winters and reduced supply from shale formations, which should drive prices up to double the current levels in a matter of two years.
- We maintain that cheap oil also has its upside, namely for the downstream sector, where producers can capitalize on low costs of refinery inputs, higher profits on gas-fueled power, higher naphtha-ethane spreads and cracking margins on heavy oil products, higher margins on fertilizers, slow adjustments of end-product sales prices to market rates, an increasing cost advantage of EU refineries over US counterparts, and a wider Urals-Brent pricing differential. However we would advise caution after the latest rebound. The demand shock is probably about to shift from crudes to petroleum products, as reflected in rapidly-expanded inventories which spell squeezed profit margins as well as sales volumes in Q2 2020, compounded by a markedly tightened Urals/-Brent pricing differential since Russia reduced shipments. In short, the 2020 Q2 earnings outlook is set to worsen significantly relative to what is expected to be a strong first quarter.
- After taking this into consideration, we opt to downgrade our view on PKN Orlen from positive to neutral, and we are agnostic on Lotos and MOL with their sizable exposure to upstream risk. PGNiG is therefore our top CEE pick for May owing to more optimistic prospects for gas prices and, in the near term, the new pricing formula set to be applied to gas purchases from Gazprom.
- **Key Ratings:** LTS (reduce), PGN (buy)

Power Utilities

- Power for delivery in 2021 traded on the EEX has dropped below EUR 40/MWh, dragged by falling prices of energy commodities. Strangely, prices of emission allowances after an initial downward shift have rebounded above EUR 20/t as of this writing, going against an ongoing push toward gas-for-coal substitution in the power industry, and against dwindling lockdown demand. Nevertheless we maintain the base-case assumption of EUA prices retreating to EUR 18/t, accompanied by a downturn below EUR 35/MWh in power prices.
- Utility stocks in the US and EU have recovered from a previous slump, but this leads us to advise taking a more defensive stance with regulated utilities from Northern Europe (EON, National Grid).
- In Poland, prices of 2021 power are also down on lower emission costs. Polish coal-based power plants will probably get about 40 zlotys less per MWh next year than in 2020, but the impact on clean-dark spreads should be minimal. Clean generators (Energia within our universe) are eyeing bigger losses, exacerbated by falling prices of green certificates. Keep in mind also that 2021 marks the start of capacity payments, expected to add a combined PLN 6bn to the sector's aggregate revenues.
- Coming back to the present, lower demand and lockdown-driven volume losses will have the biggest impact on the distribution profits of Energia and Tauron. Tightened bond yields will add to the pressure through downward adjustments to cost of capital as used to calculate the value of regulatory assets.

- Epidemic-related declines in electricity usage so far do not exceed 10%, and as the Polish government starts to ease lockdown rules the potential losses on canceled deliveries are minimized. When it comes to production caps, in most cases (except for lignite-fired generators) the impact on EBITDA should be offset by regulatory allowances.
- The crucial catalysts that could move the utility sector in the coming weeks will be provided by the government; one is the expected announcement of the final version of Poland's new energy policy, and the other is a bailout plan for the ailing state coal miner PGG.
- We decided not to give recommendations on Enea and Energa this month as we wait for both generators to release their final results for FY2019, currently expected on May 14th and 28th, respectively.
- **Key Ratings:** CEZ (accumulate)

Telecommunications, Media, IT

- Internet traffic has spiked as more and more countries close schools and encourage firms to allow their employees to work from home. As more and more people join the #stayathome movement, and governments introduce increasingly strict social distancing rules, demand for online video streaming is estimated to have surged 20-30% over the recent weeks. The surges in activity have sparked concerns over the ability of the European network infrastructure to withstand increasing traffic without outages.
- The epidemic has suppressed roaming usage; according to our estimates Polish MNOs earn about PLN 100m a year from international roaming services
- The Polish government decided to cut short the term in office of the current President of the Office for Electronic Communications, originally scheduled to end in 2021, and it has proposed amendments to the current communications law which give new rights to subscribers. Among others, under the new rules customers of telecommunications firms will be able to terminate contracts by electronic mail, and providers will have to notify customers that their contracts are about to renew automatically. Moreover, firms will be required to inform their customers of their best available calling plans at least once a year.
- A development which we see as negative for the telecom sector is a decision by the government to suspend the 5G auction procedure, citing legal concerns and matters related to cybersecurity which require further discussion. There is a likelihood that the auction terms will change by the time it is resumed (the old terms allowed one frequency block per bidder, and set the asking price at PLN 450m). Initially we expected the final bids to go up to PLN 550m max, but this is probably no longer a viable prediction.
- We are currently anticipating decreases in the FY2020 EBITDA results at an annual rate of 3.1% Play, 3.3% Orange Polska (EBITDAaL), and 4.6% Cyfrowy Polsat – estimates which reflect the sector's relatively low sensitivity to coronavirus impacts, and which support our positive view on telecoms.
- The advertising industry has been hit hard by the coronavirus epidemic as companies put marketing campaigns on hold. Further, lockdown restrictions and stay-at-home orders are hurting some types of advertising (DOOH) while boosting others (TV). It would be premature to draw any conclusions at this stage about the inevitable slump in adspend, however what we can say is that, historically, advertising has shown a close correlation with economic growth, and that during the 2008/09 crisis expenditures fell at a rate of more than 10% per year. This year, we are anticipating a more severe downturn as

we look at closing factories, lockdown restrictions on consumers and businesses, and the reallocation of ad budgets toward fighting the epidemic.

- Our base-case prediction assumes a 19.1% fall in Polish ad spend in 2020, underpinned by cancellations driven by the postponement of the 2020 Summer Olympics and the UEFA Euro 2020 football tournament. Of the total, we expect digital ad budgets to be cut the least this year (-8.2%), while spending on radio ads and out-of-home campaigns will most likely drop more than 35%. After what we expect to be the worst quarter in Q2 2020, with adspend on radio, press, and billboards shrinking by about 70%, we anticipate a noticeable rebound in Q4 2020, and in 2021 we should see advertising expenses bounce back more than 11%.
- The acquisition of the interia.pl Website by Cyfrowy Polsat could trigger a battle for market leadership between Polish Website operators, with potential negative consequences for the advertising profits generated by the media arm of Wirtualna Polska.
- In tech, the coronavirus crisis will take slightly more time to reach its full force. Companies are aware of the threat as customers start to request payment delays. We expect a decline in orders for new technology implementations in 2020. Nevertheless Polish IT companies in most cases run solid balance sheets and generate relatively high amounts of cash. We have a preference for firms capable of paying generous dividends, and those with less exposure to the SME segment, criteria which are met by Asseco SEE but not its sister company Asseco BS. Their parent company, Asseco Poland, offers substantial shareholder distributions.
- In a 19 March market filing, Comarch reassured investors that it did not view the coronavirus epidemic as posing a threat to financial stability. We agree that the Company has a comfortable credit position, moreover it generates a large part of revenues from regular subscription payments. Nevertheless we are skeptical about the minimal impact of the coronavirus crisis, and we skip a recommendation for Comarch this month as we wait for more data to come out.
- **Key Ratings:** PLY (buy), OPL (buy), WPL (reduce), ASE (overweight)

Gaming

- The coronavirus epidemic is having no palpable effect on the video game industry, with March sales reportedly hitting record-highs thanks to self-isolation requirements.
- Stocks in CD Projekt reached new peaks in April on strong sales numbers for The Witcher 3 and the anticipated success of Cyberpunk 2077. We factored the better-than-expected sales results in this month's model update, but we continue to rate CDR as a hold.
- 11 bit studios has underperformed the sector on slightly disappointing FY2019 results, as well as setting lower medium-term earnings targets for 2020-23/24 than we had been anticipating. We maintain a hold stance on 11BIT after model revisions.
- Ten Square Games delivered stellar FY2019 financials followed by an acceleration in sales in Q1 2020. Combined with likely cuts in marketing expenses, we see the quarterly EBITDA as posting a year-over-year rebound of 204%. Beyond Q1, we are confident TEN can keep sales of its flagship game, Fishing Clash, high throughout 2020.

Industrials

- Our base-case scenario for industrials assumes reduced export demand until mid-May 2020 in the wake of the coronavirus epidemic. The sectors we see as the most highly exposed to demand shocks include automotive parts suppliers (Alumetal, Boryszew, Mangata, Sanok), durable goods manufacturers (Amica, Forte, Stelmet), and metallurgical plants (Cognor). Demand risk is less of a concern for Apator, Grupa Kęty, and TIM. On the other hand, for the agricultural industry (represented by Astarta, Kernel, Kruszewica), the current epidemic might create an opportunity to boost profits through rising prices.
- In terms of liquidity, we see Boryszew and Forte as likely to exceed their debt covenant thresholds in Q2 2020 amid falling sales. We expect to see relatively high debt levels at Astarta, Cognor, Kernel, PKP Cargo, and Pozbud, but these companies should stay within the covenant requirements. We favor Kruszewica, which stands on solid financial footing in terms of balance sheet management.
- Some manufacturers are expected to report tighter sales already in Q1 2020 based on weak March figures reported by Amica, Alumetal, and Forte. On the other hand, thanks to warm weather, which allowed construction sites to stay open through winter, Cognor and Grupa Kęty had fewer disruptions in deliveries in the period, on top of less competition from Italian suppliers of building materials.
- Expectations for the second quarter are very restrained for now, with companies trying to work through the complexities of Poland's new anti-crisis laws which, they say, are overly confusing and less generous when it comes to helping big business than in other countries.
- However, most production plants are holding off layoffs for now in fear of being shut out from the aid programs. Those that have confirmed plans for job reductions so far include BRW, Kross, Open Finance, and Famur. Most companies intend to first cut contract and temporary workforce. Salary demands among permanent employees have reportedly eased according to industry insiders.
- Other issues in the wake of the coronavirus epidemic include reduced insurance limits for exporters, and a need to negotiate payment extensions with suppliers.
- Amica, VW Poznań, Bosch Łódź, and Stelmet decided to resume production at the end of April or in early May. Most facilities are operating at reduced capacity. Some (Amica, Stalprodukt) have also cut working hours by 20%.
- Many companies have changed their original dividend declarations since the coronavirus outbreak, including Alumetal, which put the distribution off to the second half of the year, Famur, which canceled the initial PLN 0.40 payout altogether, and Cognor, which also scrapped a distribution this year. When it comes to earnings prospects, we might see downward guidance revisions still from Grupa Kęty, Amica, and Mangata.
- The mining industry has been severely hurt by the coronavirus lockdown and the slump in demand which came in its wake. As a result, companies are having to cut planned capital expenditures, with negative consequences for equipment suppliers like Famur.
- Spending plans are also being revisited across other sectors in the industry, with reviews announced by Grupa Kęty, Apator, and Amica.
- **Key Ratings:** AST (overweight), BRS (underweight), FTE (underweight), KSW (overweight), STL (buy), TIM (overweight)

Retail

- Quarantine measures introduced by countries across the world have drastically disrupted retail activity. Many firms rely on online sales after having to close brick-and-mortar stores. As sales dwindle and inventories sit idle, retailers might have to resort to heavy price markdowns in the coming weeks. Poland has opened shopping malls to visitors from 4 May, paving the way for a gradual recovery in sales and cash flows. However another spike in infections, leading to another round of lockdown measures, remains a risk for now.
- Listed fashion and footwear retailers, VRG, CCC, and LPP, expect sales in the first month from reopen to fall between 50% and 70% short of the original targets. At CCC, which opened a selected 10% of brick footwear stores in April, like-for-like sales were down 20-25%. The pace at which retailers can bring sales back after the lockdown will most likely be the main catalyst for their performance in May.
- CCC and LPP both reported triple-digit growth in online sales in April, and we expect the strong momentum to continue in the months ahead as shoppers remain averse to infection risk in public spaces.
- In Fashion, we are biased in favor of companies with strong balance sheets (LPP, VRG) and low liquidity risk. On the downside, the earnings prospects of these companies remain uncertain as they launch efforts to maximize sales through promotional pricing. At the current levels, we view all upside potential as fully priced into LPP and VRG.

- In Groceries, stocks widely outperformed the broad market in April. We expect to see improved like-for-like sales results for the previous month based on reports of increased consumer spending in March. At the same time, food retailers are experiencing increasing costs due to a need to adjust stores to virus safety requirements, and due to extended store hours, while sales this Easter season were weaker than last year. Now is a good time to cash in on investments in Dino and Eurocash in our view.
- AmRest restaurants has issued a profit warning for FY2020 in the wake of the coronavirus epidemic. The Company has undertaken cost-cutting and downsizing initiatives after ending FY2019 with a net debt/EBITDA ratio of 2.5x and trade payables of EUR 270m, an amount well over the inventory value (EUR 30m) and accounts receivable (EUR 105m, with likely write-offs in the future as franchisees affected by lockdown fall into arrears). We opt not to provide an updated outlook on AmRest this month due to high uncertainty as to when the Company will be allowed to reopen restaurants, and as to the magnitude of revenue losses and the effectiveness of the savings measures. We will renew forecasts for the Company as soon as reasonably practicable.
- **Key Ratings:** DNP (reduce)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017				2018				2019				+ / =	YoY	2017				2018				2019				'20	+ / =
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	
miss	11	9	17	15	9	11	15	24	11	14	16	17	169	miss	24	23	20	25	27	19	19	23	23	28	23	21	30	275
in-line	25	25	28	22	35	19	23	22	28	26	28	16	297	in-line	4	8	12	2	9	11	10	7	9	11	7	8	4	98
beat	19	23	14	23	18	32	25	19	26	26	24	30	279	beat	37	35	35	40	32	38	39	38	36	29	38	34	17	431
Σ companies	55	57	59	60	62	62	63	65	65	66	68	63	745	Σ companies	65	66	67	67	68	68	68	68	68	68	68	63	51	804
miss	20%	16%	29%	25%	15%	18%	24%	37%	17%	21%	24%	27%	23%	miss	37%	35%	30%	37%	40%	28%	28%	34%	34%	41%	34%	33%	59%	34%
beat	35%	40%	24%	38%	29%	52%	40%	29%	40%	39%	35%	48%	37%	beat	57%	53%	52%	60%	47%	56%	57%	56%	53%	43%	56%	54%	33%	54%

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

mBank Sentiment Watch (next 30 days, by sector)

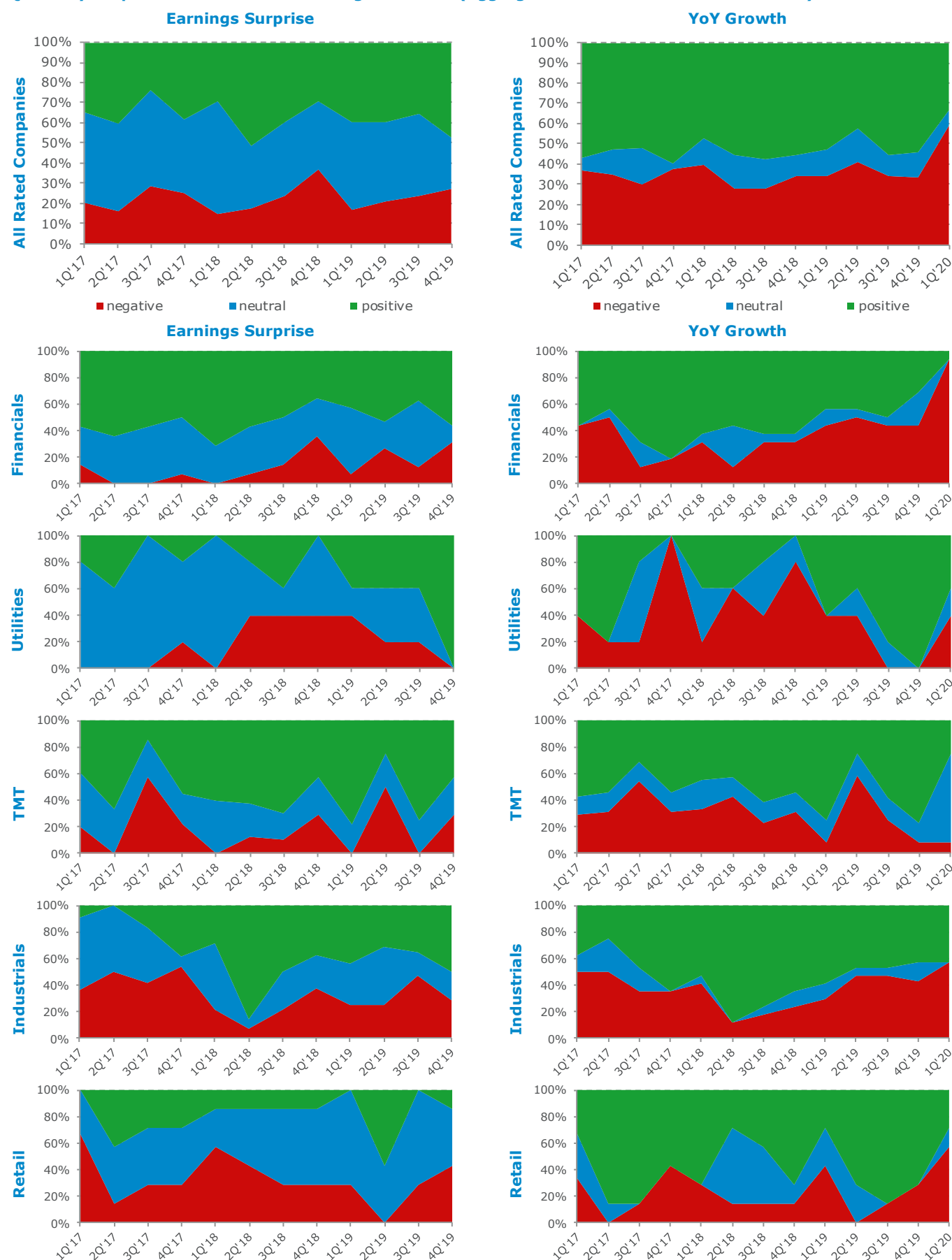
Sector		Poland	US	Europe
Financials	SENTIMENT	NEUTRAL	NEUTRAL	BULLISH
	Stocks To Own	PEO, PZU	VOYA US	ALV GY, EBS, AV TLX GY, UBSG SW
	Stocks To Avoid	ING		
	Key Catalysts	Board comments during Q1 results conferences	Weak Q1 performance	Regulatory measures to fight impact of COVID-19 and improve situation in sector
Chemicals	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	CIE		BAS GY, EVK GY, LXS GY
	Stocks To Avoid	ATT		COV1 DY
	Key Catalysts	Polish chemicals resistant to COVID-19	Strong point in global industrials, supportive Q1 performance	
Mining	SENTIMENT	BEARISH	BEARISH	BEARISH
	Stocks To Own	STP		
	Stocks To Avoid	JSW, KGH		
	Key Catalysts	Weak Q1'20, metal price drop	Too much global optimism yet renewed China demand keeping inventories in check	
Oil&Gas, Refining	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own	PGN	EQT US, COG US, FANG US	BP LN
	Stocks To Avoid	LTS, MOL		
	Key Catalysts	Demand shock shifting from feedstock to products	Rebound in large-caps - long-term crisis beneficiaries; trouble shifts from upstream to downstream	
Utilities	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	CEZ, ENA, PGE		EON BB
	Stocks To Avoid			
	Key Catalysts	Strong Q1 results, promising outlook on 2021 EBITDA and revolutionary ideas on coal assets spin-off	Defensive but some pressure following strong 19/20 rally	
Telecoms	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	PLY, OPL	CHTR US	DTE GY, TC1 GY
	Stocks To Avoid			O2D GY
	Key Catalysts	Defensive nature of the sector, good momentum on Q1'20 results	Negative impact from media exposure	Low yields a support
Media	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own		DISCA US	
	Stocks To Avoid	WPL		SAX GY
	Key Catalysts	High results declines in 2020, high uncertainty in the market environment	Traditional media under pressure of advertising budget cuts	
IT	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	ASE	MSFT US, FIS US, MA US, CRM US	
	Stocks To Avoid		FB US	
	Key Catalysts	In the long term, the sector should benefit from COVID-19, low level of debt	Still "outperform" but stock selection crucial; not all Tech is COVID-19 immune	
Gaming	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	TEN		
	Stocks To Avoid			
	Key Catalysts	Remaining at home in connection with COVID-19 favours the sale of games	Strong H1 but expectations elevated, restrictions easing a sentiment headwind	
Industrials	SENTIMENT	BEARISH	BEARISH	BEARISH
	Stocks To Own	AST, KSW, STL, TIM	URI US	KGX GY
	Stocks To Avoid	FTE		VOE AV, KONE AV, VAR1 GY
	Key Catalysts	Weak H1'20	Production restart more painful than market expects	
Automotive	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own	AML	GM US	VOW3 GY
	Stocks To Avoid	BRS	TSLA US	
	Key Catalysts	Weak H1'20, volume drop	Weak consumer vs better sentiment on plant restart & pent-up demand	
Retail	SENTIMENT	BEARISH	BEARISH	BEARISH
	Stocks To Own		HD US, LEVI US	
	Stocks To Avoid	DNP		
	Key Catalysts	Poor effect of Easter in Q2'20, deterioration in consumer demand	Prolonged consumer weakness underestimated	

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017	2018	2019	+/=	YoY	2017	2018	2019	'20	+/=
1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q		1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q	
Financials										
Alior Bank	- + + +	= + =	= - + -	75%	Alior Bank	- + + -	+ + - +	- - - -	-	38%
Handlowy	- + + +	+ + =	- - - +	50%	Handlowy	- - + +	+ + - -	- - - +	-	38%
ING BSK	+ = = =	= - = +	+ + - -	75%	ING BSK	+ - + +	+ = - +	= + + =	-	85%
Millennium	+ = + =	+ + = +	+ + + -	92%	Millennium	+ - + +	+ + + +	= - = -	-	69%
Pekao	+ = + =	= = + +	= = + +	100%	Pekao	- - = +	+ = + -	- + + =	-	62%
PKO BP	+ + + =	+ = = =	= + = +	100%	PKO BP	- = + +	+ + + +	+ + + -	-	77%
Santander BP	= + + =	= + = -	= - = +	83%	Santander BP	- - + +	= = - +	- - + -	-	46%
Komercni	+ + + +	+ + + +	= + = +	100%	Komercni	+ + + +	+ + + +	+ + - -	-	54%
Moneta	na na na na	na na na na	na na + =	100%	Moneta	- - = -	+ + + +	- + + =	-	54%
Erste Group	= + = +	+ + + +	+ + = +	100%	Erste Group	- - + +	+ + + +	+ - + =	-	69%
RBI	na na na na	na na na na	na + = +	100%	RBI	+ + + +	+ = + -	= - = +	-	69%
OTP Bank	+ + + +	+ + + +	= + + +	100%	OTP Bank	+ + + +	+ + + +	+ + + +	-	92%
PZU	+ = = +	+ = + =	+ = = +	100%	PZU	+ + + +	- + + =	+ - - +	-	69%
Kruk	+ + + -	+ + + -	+ - + -	67%	Kruk	+ + = -	- = + +	+ - - -	-	54%
Skarbiec	= + + +	+ + + -	= + + +	92%	Skarbiec	+ + - +	- - - -	+ + + -	-	46%
GPW	= = + =	+ = - -	= = + =	75%	GPW	+ + + +	- + - -	- - + -	+	54%
Chemicals										
Ciech	= = = +	= + = -	= = = +	92%	Ciech	+ - - +	- = - -	- = + +		50%
Grupa Azoty	+ - = -	= - - +	+ = + =	67%	Grupa Azoty	- - + +	- - - -	+ + + =	-	54%
Mining										
JSW	+ + - -	= + = -	+ + + +	75%	JSW	+ + + +	- = = -	- = - -	-	54%
KGHM	+ = = +	= + - -	+ = + -	75%	KGHM	+ + + -	- + - =	+ - + -	-	54%
Oil & Gas										
Lotos	+ + + =	= + = -	= = - -	67%	Lotos	+ + + -	- + = +	+ = = -	+	77%
MOL	+ + - =	= = + +	= + = +	92%	MOL	+ + - +	- - + +	- = = -	+	62%
PGNiG	+ - - =	- + - -	= + - +	50%	PGNiG	+ = = =	- + + -	- - - +	-	54%
PKN Orlen	= = - =	= - = +	= + = -	75%	PKN Orlen	+ + + -	- - - +	= + + -	+	62%
Utilities										
CEZ	= = = +	= - + =	= + - +	83%	CEZ	- - - -	- - + =	+ + = +	+	54%
Enea	= + = =	= - = -	= + + +	91%	Enea	+ + = -	- = - -	+ + + +	+	75%
Energia	= = = -	= = - -	- - = -	55%	Energia	- + + -	+ + - -	- = + +	-	50%
PGE	= = = =	= = - -	- = = +	75%	PGE	+ + = -	+ + = -	- - + +	=	69%
Tauron	+ + = =	= + + =	+ = + +	100%	Tauron	+ + = -	- - - -	+ - + +	-	54%
Telecoms										
Cyfrowy	+ = = =	+ = = =	= = = =	100%	Cyfrowy	+ + - -	= - = =	= = = =		75%
Netia	= = + +	= = = =	= + = =	100%	Netia	- - - -	= - - -	- - - +	=	23%
Orange PL	= + = =	= + + +	= = = +	100%	Orange PL	- - = +	= - + +	= = + +	+	77%
Play	na na	= = = =	+ + + =	100%	Play	+ + + =	- - - -	+ + = +	+	69%
Media										
Agora	= + = +	= + + =	+ - + =	92%	Agora	+ + = +	- - + +	+ - + +		75%
Wirtualna	+ = = =	= = = =	= = = =	100%	Wirtualna	+ + + +	+ + + +	+ + + +	-	92%
IT										
Ailleron	na na	- + = =	+ = - -	50%	Ailleron	+ + - +	= + - -	+ - - +		58%
Asseco BS	= = = +	= = + +	= = + +	100%	Asseco BS	+ + + +	+ + + +	+ - + +	=	92%
Asseco PL	= = - -	+ + + =	+ = + =	83%	Asseco PL	- - - -	+ + + +	+ - + -		50%
Asseco SEE	= + - =	= = + +	+ = + +	92%	Asseco SEE	+ + + +	+ + + +	+ + + +	+	100%
Atende	na na na	+ - + -	+ - = -	67%	Atende	+ - + +	- + + -	+ - - +		42%
Comarch	- + - -	+ + + +	+ - + -	58%	Comarch	- - - -	= + + +	+ - + +		58%
Gaming										
11 bit studios	= + - -	na = - = +	- - - +	55%	11 bit studios	+ - = +	+ - + +	+ - - +	+	69%
CD Projekt	+ + - +	= = - -	+ + + +	75%	CD Projekt	+ + - -	- - - -	- + - +	+	38%
Ten Square G		- - - -	- = + +	50%	Ten Square G		+ + + +	+ + + +	+	100%
Industrials										
AC	na na na na	na na na =	= - + +	80%	AC	- + - -	+ + + +	+ - + -		58%
Alumetal	- = + =	= + = -	- = = =	75%	Alumetal	- - - +	+ + + -	- - - =	-	38%
Amica	= = - +	- + + +	= = + =	83%	Amica	- - - -	- + + +	= + + +	-	62%
Apator	= - = -	= + + =	= = + =	75%	Apator	- - + -	- + + +	+ - + -		50%
Astarta	na na na na	na na na na	na na - +	50%	Astarta	+ + - -	- - - -	- + - +		40%
Boryszew	+ - + +	- = - -	- = - -	36%	Boryszew	+ + + +	- - - -	- - + +		45%
Cognor	na na na na	+ + + =	- + - -	50%	Cognor	+ + + +	+ + + -	- - - -	-	54%
Famur	na - = + +	+ + + +	+ + + -	73%	Famur	+ + + +	+ + + +	+ + - -		83%
Forte	= = - -	= + - -	+ = + +	58%	Forte	- - - -	- + - +	+ - + +	+	46%
Grupa Kęty	= = = -	= = = =	= = = +	92%	Grupa Kęty	+ + + +	+ + + +	= + + +	+	100%
Kernel	- - - +	= - + +	- = + +	58%	Kernel	- - - -	- + + +	- + = -	+	46%
Kruszwica	- - - =	+ + + +	+ + = +	64%	Kruszwica	= = = +	+ + + +	+ + - -		91%
Mangata	= - - -	+ + + -	+ = = -	67%	Mangata	= - = +	+ + + +	+ = = -		83%
PKP Cargo	= = = -	= + + -	= - - -	58%	PKP Cargo	+ + + -	+ + + +	+ - - -	-	62%
Pozbud	na na na +	= + - =	= + + +	63%	Pozbud	- - = +	- + + +	+ + + +		73%
Stelmet	= - - +	= + + +	+ + + +	75%	Stelmet	- - + +	= + + +	+ - + +		75%
TIM	na na na na	na na na +	+ + + -	80%	TIM	- - - +	+ + + +	+ + + +		75%
Retail										
AmRest	- + + +	- - = +	- + = -	58%	AmRest	= + + -	+ = + +	+ + + -	-	77%
CCC	- + - -	- - - -	- + - -	17%	CCC	+ + + -	- - - -	- + - -	-	31%
Dino	na + = +	+ = = =	= + = =	100%	Dino	na + + +	+ + + +	+ + + +	+	100%
Eurocash	= = - -	= = - -	= = + +	58%	Eurocash	= - - -	+ = + +	- = + +	=	69%
Jeronimo	= = = =	= = = =	= = = =	100%	Jeronimo	= + + +	+ = = =	= + + +	+	100%
LPP	= = + =	- + + =	= + - -	75%	LPP	+ + + +	- + + +	= + + +	-	85%
VRG	- - = =	= = = =	= = = =	67%	VRG	- + + +	+ = + +	- + + +	-	77%

'+' = positive surprise, '-' = negative surprise, '=' = in-line results vis-à-vis consensus expectations; *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 Surprise Charts For Our Coverage Universe (Aggregate and Selected Sector Statistics)



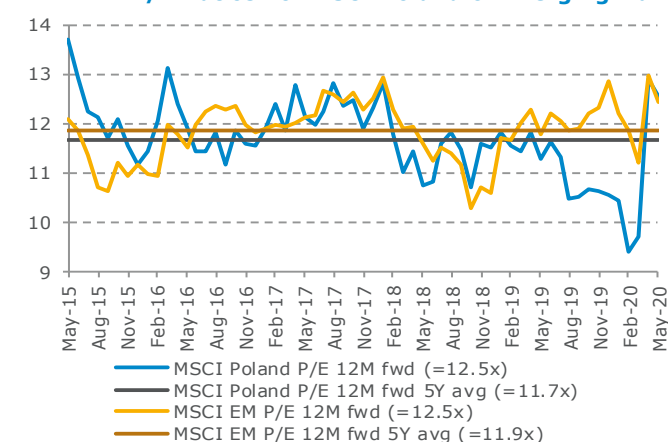
Source: Companies, Bloomberg, PAP, mBank

Revisions To FY2020 Earnings Forecasts For WIG30 Companies

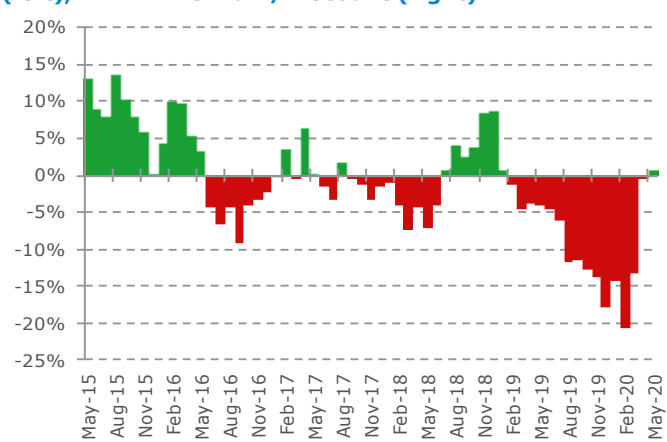
Apr-19=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank
May-19	+0%	-4%	-1%	-2%	+1%	-2%	+2%	-11%	-4%	-4%	+1%	+3%	+44%	-4%	-2%	-14%
Jun-19	+0%	-5%	-1%	-1%	+2%	-2%	+1%	-16%	-9%	-17%	+1%	+4%	+42%	-17%	-3%	-20%
Jul-19	-1%	-5%	-3%	-3%	+1%	+3%	-1%	-16%	-9%	-17%	+7%	+6%	+51%	-17%	-6%	-20%
Aug-19	-2%	-6%	-3%	-3%	+1%	+3%	+1%	-16%	-12%	-15%	+7%	+16%	+37%	-39%	-16%	-47%
Sep-19	-3%	-8%	-3%	-6%	+3%	+3%	-8%	-16%	-12%	-15%	+7%	+15%	+31%	-64%	-17%	-47%
Oct-19	-4%	-12%	-5%	-9%	+6%	-3%	-10%	-29%	-15%	-17%	+3%	+15%	+5%	-56%	-26%	-35%
Nov-19	-7%	-14%	-5%	-13%	-1%	+1%	-14%	-30%	-17%	-17%	+3%	+11%	-19%	-54%	-28%	-44%
Dec-19	-9%	-14%	-4%	-13%	-3%	+1%	-24%	-30%	-22%	-17%	+1%	+11%	-47%	-54%	-32%	-44%
Jan-20	-12%	-19%	-4%	-14%	-17%	-30%	-22%	-30%	-26%	-19%	+5%	+11%	-92%	-17%	-33%	-37%
Feb-20	-14%	-20%	-7%	-14%	-15%	-30%	-28%	-30%	-27%	-21%	+3%	+11%	-81%	+2%	-37%	-50%
Mar-20	-21%	-46%	-15%	-42%	-26%	-74%	-28%	-30%	-42%	-63%	+2%	+2%	-71%	+2%	-49%	-95%
Apr-20	-33%	-56%	-37%	-54%	-27%	-86%	-32%	-47%	-67%	-72%	-0%	-1%	-27%	-20%	-63%	-95%

Source: "Cons." - Bloomberg consensus forecasts, "mBank" - estimates by mBank, provided ex. mBank. Not all WIG30 companies have received revisions to reflect the changed economic environment and earnings prospects - current recommendations and forecasts, together with revision dates, are listed on page 14. 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)

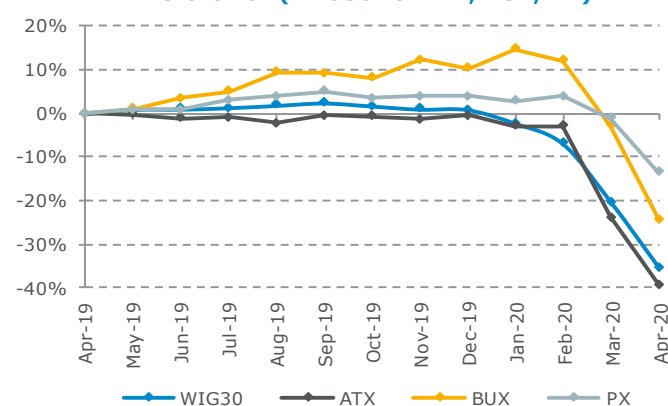


Source: Bloomberg, mBank



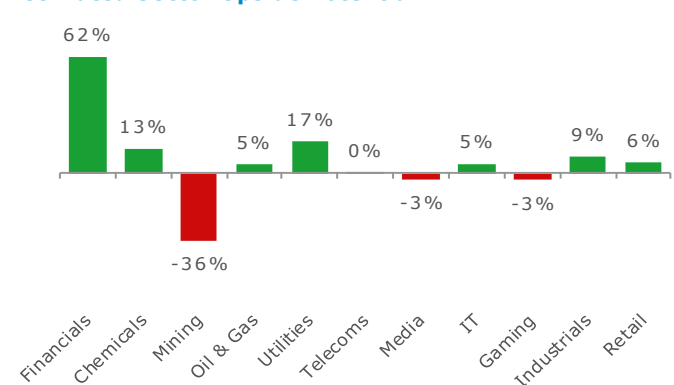
Source: Bloomberg, mBank

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



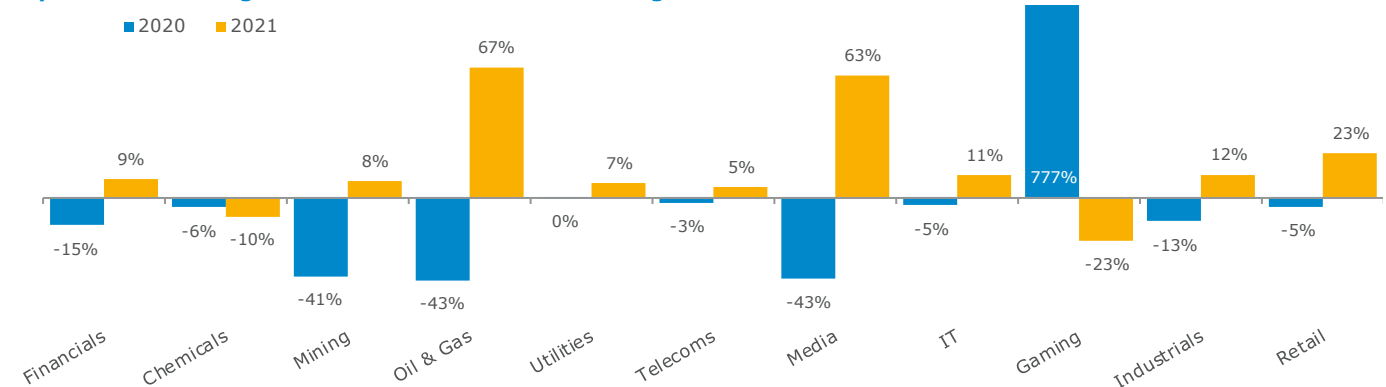
Source: Bloomberg, mBank

Estimated Sector Upside Potential*



Source: mBank; *To mBank price targets

Expected YoY Change in FY2020-2021E Sector Earnings*



Source: mBank; *Net Income for Financials, EBITDA for the remaining sectors

Divergence of mBank Estimates From Consensus Estimates

Sector/Name	mBank Rating	mBank TP ¹	BBG Ratings ²			BBG TP ³	mBank v. BBG TP	mBank v. BBG Earnings		mBank v. BBG EBITDA		Analyst Count ⁴
			▲	►	▼			2020E	2021E	2020E	2021E	
Financials												
Alior Bank	buy	21.00	8	4	3	27.63	-24.0%	-	-10%			8
Handlowy	hold	39.86	6	4	1	46.23	-13.8%	-12%	-2%			3
ING BSK	sell	114.14	3	3	6	150.65	-24.2%	+3%	-5%			4
Millennium	hold	3.38	5	3	5	4.40	-23.2%	-91%	-58%			5
Pekao	buy	77.70	15	4	0	89.81	-13.5%	+7%	-10%			11
PKO BP	accumulate	24.85	9	9	1	31.28	-20.5%	-35%	-23%			10
Santander Bank Polska	buy	194.52	7	8	2	210.31	-7.5%	-23%	-10%			10
Komercni Banka	buy	928.20	9	5	2	719.29	+29.0%	+36%	+29%			11
Moneta Money Bank	buy	94.33	11	1	0	83.39	+13.1%	+53%	+43%			5
Erste Group	buy	36.61	19	4	0	28.55	+28.2%	+73%	+58%			15
RBI	accumulate	23.05	11	8	2	20.65	+11.6%	+72%	+42%			11
OTP Bank	hold	14,681	11	4	1	12,983	+13.1%	+53%	-			8
PZU	buy	35.93	8	3	0	44.88	-19.9%	-15%	-9%			5
Kruk	buy	210.31	4	1	1	169.00	+24.4%	-	+77%			1
Skarbiec Holding	buy	21.20	2	0	0	21.20	+0.0%	+36%	-7%			1
GPW	buy	47.82	2	3	1	43.77	+9.3%	-8%	-10%			3/2
Chemicals												
Ciech	buy	45.14	11	1	0	50.74	-11.0%	-16%	-6%	-3%	+7%	3/3
Grupa Azoty	hold	28.42	4	5	1	34.23	-17.0%	+1%	-	+1%	-23%	2/4
Mining												
JSW	sell	9.78	0	4	5	13.11	-25.4%	-	-	+12%	-10%	4/4
KGHM	sell	46.83	1	7	8	65.22	-28.2%	-40%	-64%	-16%	-31%	10/10
Oil & Gas												
Lotos	reduce	59.22	8	4	2	72.68	-18.5%	-	-13%	-73%	-20%	7/7
MOL	hold	1,927.0	5	8	0	2,525.6	-23.7%	-	-43%	-34%	-15%	7/8
PGNiG	buy	4.44	7	2	1	4.11	+8.2%	-1%	+27%	+0%	+10%	6/4
PKN Orlen	hold	58.61	3	11	2	67.12	-12.7%	-	-18%	-38%	-13%	11/10
Utilities												
CEZ	accumulate	527.86	8	7	1	543.08	-2.8%	-3%	-28%	-0%	-5%	6/5
Enea	suspended	-	5	3	0	9.52	-	+12%	+25%	+9%	+12%	6/5
Energa	suspended	-	1	3	1	9.74	-	-2%	-5%	+7%	+1%	5/4
PGE	suspended	-	3	3	5	7.41	-	+14%	+18%	+6%	+6%	7/6
Tauron	suspended	-	2	6	3	1.69	-	-20%	+10%	+3%	-2%	6/5
Telecoms												
Cyfrowy Polsat	hold	24.10	3	9	2	28.55	-15.6%	-7%	+3%	-5%	-3%	8/9
Netia	accumulate	4.40	5	2	0	4.20	+4.8%	+4%	+2%	+6%	-5%	2/3
Orange Polska	buy	6.90	4	10	1	6.85	+0.7%	-59%	+20%	+2%	+8%	8/6
Play	buy	33.50	10	4	1	36.39	-7.9%	-14%	-12%	-7%	-6%	11/10
Media												
Agora	accumulate	8.60	3	0	0	8.60	+0.0%	-	-	-71%	-14%	1/1
Wirtualna Polska	reduce	63.10	5	1	2	73.51	-14.2%	-29%	-1%	-14%	-2%	5/4
IT												
Asseco BS	neutral	-	0	3	0	31.50	-	-5%	-1%	-3%	+1%	2/2
Asseco Poland	hold	63.90	3	5	0	60.80	+5.1%	-20%	-12%	-11%	-4%	4/4
Asseco SEE	overweight	-	2	2	0	27.70	-	+3%	+10%	+5%	+13%	2/2
Gaming												
11 bit studios	hold	422.00	7	4	0	450.05	-6.2%	-40%	+28%	-28%	+17%	4/3
CD Projekt	hold	342.50	7	11	3	304.95	+12.3%	+28%	+33%	+12%	+14%	12/11
Ten Square Games	hold	462.00	10	0	1	405.06	+14.1%	-7%	+5%	-7%	+4%	8/7
Industrials												
AC	neutral	-	2	1	0	40.80	-	-5%	-14%	-4%	-9%	3/3
Alumetal	neutral	-	4	2	0	-	-	-35%	-16%	-22%	-10%	3/3
Apator	neutral	-	1	3	0	19.50	-	-10%	-2%	-2%	+2%	2/2
Astarta	overweight	-	2	2	0	16.77	-	-	+3%	+17%	+3%	2/2
Boryszew	underweight	-	0	0	1	-	-	-48%	+0%	-4%	+0%	2/2
Famur	hold	2.20	4	2	0	4.19	-47.4%	-34%	-35%	-25%	-23%	4/4
Forte	underweight	-	2	3	1	14.00	-	+48%	-20%	+6%	-8%	4/4
Grupa Kęty	hold	335.96	5	5	0	413.41	-18.7%	-11%	-10%	-10%	-10%	10/10
Kemel	hold	47.25	5	1	0	55.31	-14.6%	+4%	+13%	-9%	-5%	5/5
PKP Cargo	hold	12.37	3	4	1	16.95	-27.0%	-	-	-30%	-28%	5/5
Retail												
Dino	reduce	151.60	8	7	3	162.83	-6.9%	+3%	+8%	+1%	+1%	8/7

Source: Bloomberg (BBG), mBank; ¹Target Price issued by mBank; ²Positive/Neutral/Negative ratings count comprising the Bloomberg Consensus; ³Average of all analyst target prices; ⁴Number of analysts participating in the consensus (of EPS/EBITDA)

Current Recommendations of mBank

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E 2019	P/E 2020	EV/EBITDA 2019	EV/EBITDA 2020
Financials						+55.1%	6.8	7.5		
Alior Bank	buy	2020-04-16	16.45	21.00	14.50	+44.8%	7.4	-		
Handlowy	hold	2020-04-16	39.50	39.86	37.50	+6.3%	10.1	15.6		
ING BSK	sell	2020-04-16	141.00	114.14	129.60	-11.9%	10.2	18.7		
Millennium	hold	2020-04-16	3.28	3.38	2.66	+27.1%	5.8	-		
Pekao	buy	2020-04-16	54.30	77.70	49.95	+55.6%	6.1	7.9		
PKO BP	accumulate	2020-04-16	22.14	24.85	21.58	+15.2%	6.7	13.7		
Santander Bank Polska	buy	2020-04-16	160.70	194.52	151.30	+28.6%	7.2	15.5		
Komercni Banka	buy	2019-12-05	792.00	928.20 CZK	529.00	+75.5%	6.6	7.0		
Moneta Money Bank	buy	2019-08-28	75.95	94.33 CZK	51.00	+85.0%	6.8	6.4		
Erste Group	buy	2020-03-04	29.44	36.61 EUR	18.83	+94.5%	5.2	5.0		
RBI	accumulate	2019-12-05	21.24	23.05 EUR	14.95	+54.2%	4.2	4.0		
OTP Bank	hold	2019-12-05	14,870	14,681 HUF	9,285	+58.1%	6.4	5.8		
PZU	buy	2020-04-28	29.92	35.93	29.38	+22.3%	7.7	9.9		
Kruk	buy	2019-12-05	150.90	210.31	77.75	+170.5%	4.4	4.4		
Skarbiec Holding	buy	2020-03-04	18.80	21.20	18.05	+17.5%	9.5	6.9		
GPW	buy	2020-01-16	40.85	47.82	39.55	+20.9%	13.0	14.9		
Chemicals						+13.4%	12.0	10.6	5.1	5.5
Ciech	buy	2020-04-14	31.80	45.14	37.80	+19.4%	16.9	8.8	6.0	5.3
Grupa Azoty	hold	2020-04-17	28.00	28.42	26.25	+8.3%	7.0	12.3	4.3	5.7
Mining						-35.6%	6.5	24.7	2.6	5.3
JSW	sell	2020-03-27	12.85	9.78	13.31	-26.5%	2.5	-	0.4	3.9
KGHM	sell	2020-05-05	74.00	46.83	74.00	-36.7%	10.4	24.7	4.8	6.8
Oil & Gas						+5.1%	8.2	11.8	4.1	8.2
Lotos	reduce	2020-04-07	65.10	59.22	59.96	-1.2%	9.6	-	4.9	26.3
MOL	hold	2020-03-31	1,849	1,927 HUF	2,032	-5.2%	6.9	-	3.5	8.6
PGNiG	buy	2020-04-07	3.48	4.44	3.65	+21.7%	15.4	11.8	4.5	4.3
PKN Orlen	hold	2020-05-05	59.52	58.61	59.52	-1.5%	5.9	-	3.6	7.9
Power Utilities						+17.0%	6.0	5.4	3.8	4.3
CEZ	accumulate	2020-05-05	451.00	527.86 CZK	451.00	+17.0%	16.9	11.1	6.8	6.4
Enea	suspended	2020-02-27	6.00	-	5.52	-	2.3	2.3	2.8	2.8
Energia	suspended	2020-02-27	7.36	-	7.75	-	6.0	5.8	3.8	4.3
PGE	suspended	2020-04-27	4.05	-	3.99	-	-	5.4	2.7	3.1
Tauron	suspended	2020-05-05	1.14	-	1.14	-	-	3.0	4.4	4.8
Telecoms						+0.5%	21.0	13.0	5.8	6.0
Cyfrowy Polsat	hold	2020-04-01	23.82	24.10	24.80	-2.8%	14.4	13.0	6.8	7.1
Netia	accumulate	2020-05-05	3.91	4.40	3.91	+12.5%	27.7	25.2	4.0	4.2
Orange Polska	buy	2020-03-27	5.88	6.90	6.96	-0.8%	99.9	-	5.5	5.6
Play	buy	2020-03-25	29.04	33.50	31.70	+5.7%	9.3	10.1	6.1	6.4
Media						-3.3%	64.3	34.5	8.5	17.0
Agora	accumulate	2020-04-15	7.74	8.60	7.56	+13.8%	99.5	-	5.7	20.3
Wirtualna Polska	reduce	2020-04-20	67.80	63.10	67.80	-6.9%	29.1	34.5	11.3	13.8
IT						+5.2%	16.3	16.7	6.4	6.6
Aiellon	neutral	2020-05-05	6.26	-	6.26	-	-	12.4	6.0	3.8
Asseco BS	neutral	2020-05-05	35.80	-	35.80	-	16.3	17.8	11.0	11.4
Asseco Poland	hold	2020-05-05	64.70	63.90	64.70	-1.2%	16.7	18.3	5.4	5.8
Asseco SEE	overweight	2020-05-05	31.40	-	31.40	-	17.9	17.1	9.1	8.0
Atende	neutral	2020-05-05	2.94	-	2.94	-	8.8	16.2	4.5	7.0
Comarch	buy	2019-11-25	189.50	250.00	205.00	+22.0%	14.5	14.2	6.8	6.3
Gaming						-3.5%	45.3	25.5	34.8	21.5
11 bit studios	hold	2020-05-05	408.50	422.00	408.50	+3.3%	47.8	67.5	32.4	37.2
CD Projekt	hold	2020-05-05	357.90	342.50	357.90	-4.3%	-	15.7	-	13.5
Ten Square Games	hold	2020-05-05	450.00	462.00	450.00	+2.7%	42.9	25.5	37.3	21.5
Industrials						+9.0%	11.0	12.6	6.0	6.6
AC	neutral	2020-04-01	39.00	-	37.90	-	9.8	12.9	6.8	8.2
Alumetal	neutral	2020-04-01	34.60	-	38.10	-	11.5	19.0	6.5	9.1
Amica	neutral	2020-04-01	84.30	-	95.80	-	6.8	11.8	4.3	6.6
Apator	neutral	2020-04-01	16.20	-	18.95	-	12.3	12.6	6.4	6.9
Astarta	overweight	2020-04-01	11.50	-	12.35	-	-	4.1	6.7	2.7
Boryszew	underweight	2020-04-01	3.74	-	3.55	-	11.7	42.1	6.4	8.4
Cognor	hold	2020-04-22	0.95	0.94	0.91	+3.3%	8.3	75.9	4.0	6.1
Famur	hold	2020-04-30	2.08	2.20	2.07	+6.5%	4.8	8.7	3.0	3.9
Forte	underweight	2020-04-01	11.20	-	18.02	-	11.0	13.2	6.9	7.7
Grupa Kęty	hold	2020-04-07	339.00	335.96	361.00	-6.9%	11.7	13.3	7.9	8.8
Kemel	hold	2020-02-05	47.20	47.25	39.00	+21.2%	4.1	6.0	4.2	5.8
Kruszwica	overweight	2020-01-30	52.20	-	56.20	-	12.4	11.7	6.5	6.3
Mangata	neutral	2020-04-01	50.00	-	52.00	-	7.0	13.6	5.2	7.1
PKP Cargo	hold	2020-05-05	11.46	12.37	11.46	+7.9%	14.3	-	3.0	5.2
Pozbud	neutral	2020-04-01	0.81	-	0.85	-	2.0	3.4	3.4	4.3
Stelmet	buy	2020-04-01	6.75	9.04	6.60	+37.0%	-	-	4.6	6.8
TIM	overweight	2020-04-01	9.20	-	9.96	-	11.0	11.5	6.0	6.0
Retail						+5.9%	19.7	27.8	8.6	9.3
AmRest	hold	2020-03-04	39.55	40.00	26.40	+51.5%	19.6	23.7	9.0	7.9
CCC	suspended	2020-03-19	24.98	-	48.60	-	-	-	-	-
Dino	reduce	2020-05-05	173.70	151.60	173.70	-12.7%	42.2	31.9	24.3	18.9
Eurocash	hold	2020-05-05	21.10	20.50	21.10	-2.8%	40.7	41.7	7.3	7.2
Jeronimo Martins	hold	2020-02-05	15.78	16.30 EUR	15.30	+6.6%	18.0	17.8	9.5	8.4
LPP	hold	2020-05-05	6,075.00	5,800.00	6,075.00	-4.5%	19.8	-	8.2	39.4
VRG	hold	2020-04-06	1.94	2.00	2.68	-25.4%	9.8	-	3.5	10.3

Stocks Re-Rated as of 5 May 2020

Company	Rating	Previous Rating	Target Price	Issued on
11 bit studios	hold	hold	422.00 PLN	2020-05-05
Ailleron	neutral	neutral	- -	2020-05-05
Asseco BS	neutral	neutral	- -	2020-05-05
Asseco Poland	hold	hold	63.90 PLN	2020-05-05
Asseco SEE	overweight	overweight	- -	2020-05-05
Atende	neutral	neutral	- -	2020-05-05
CD Projekt	hold	hold	342.50 PLN	2020-05-05
CEZ	accumulate	buy	527.86 CZK	2020-05-05
Dino	reduce	hold	151.60 PLN	2020-05-05
Eurocash	hold	hold	20.50 PLN	2020-05-05
KGHM	sell	reduce	46.83 PLN	2020-05-05
LPP	hold	buy	5800.00 PLN	2020-05-05
Netia	accumulate	hold	4.40 PLN	2020-05-05
PKN Orlen	hold	accumulate	58.61 PLN	2020-05-05
PKP Cargo	hold	hold	12.37 PLN	2020-05-05
Tauron	suspended	suspended	- -	2020-05-05
Ten Square Games	hold	buy	462.00 PLN	2020-05-05

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
Agora	accumulate	buy	8.60 PLN	2020-04-15
Alior Bank	buy	buy	21.00 PLN	2020-04-16
Asseco BS	neutral	overweight	- -	2020-04-23
Atal	suspended	accumulate	- -	2020-04-02
Ciech	buy	buy	45.14 PLN	2020-04-14
Cognor	hold	hold	0.94 PLN	2020-04-22
Dom Development	suspended	hold	- -	2020-04-02
Famur	hold	buy	2.20 PLN	2020-04-30
Grupa Azoty	hold	buy	28.42 PLN	2020-04-17
Grupa Kęty	hold	hold	335.96 PLN	2020-04-07
Handlowy	hold	hold	39.86 PLN	2020-04-16
ING BSK	sell	sell	114.14 PLN	2020-04-16
Lotos	reduce	hold	59.22 PLN	2020-04-07
Millennium	hold	buy	3.38 PLN	2020-04-16
Pekao	buy	buy	77.70 PLN	2020-04-16
PGE	suspended	suspended	- -	2020-04-27
PGNiG	buy	hold	4.44 PLN	2020-04-07
PKO BP	accumulate	buy	24.85 PLN	2020-04-16
PZU	buy	buy	35.93 PLN	2020-04-28
Santander Bank Polska	buy	buy	194.52 PLN	2020-04-16
Ten Square Games	buy	-	462.00 PLN	2020-04-23
VRG	hold	buy	2.00 PLN	2020-04-06
Wirtualna Polska	reduce	hold	63.10 PLN	2020-04-20

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Biuro maklerskie mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	3	4.8%	1	4.5%
reduce	3	4.8%	0	0.0%
underweight	2	3.2%	1	4.5%
hold	21	33.3%	6	27.3%
neutral	9	14.3%	1	4.5%
accumulate	5	7.9%	3	13.6%
buy	16	25.4%	9	40.9%
overweight	4	6.3%	1	4.5%

Corporate Events Calendar For May

Date	Time	Company	Event
5-May		AC	Q1'20 earnings announcement
5-May		Moneta Money	Q1'20 earnings announcement
6-May		PKN Orlen	Q1'20 earnings conference call (+48 22 583 90 21; ID: 26932685#)
6-May		Alior Bank	Q1'20 earnings announcement
6-May		Komerční Banka	Q1'20 earnings announcement
7-May		MOL	Q1'20 earnings conference call (MS Teams +44 20 3321 5202 ; ID:195 669 000#)
7-May		Mangata	Q1'20 earnings announcement
8-May		Dino	Q1'20 earnings announcement
8-May		ING BSK	Q1'20 earnings announcement
8-May		OTP Bank	Q1'20 earnings announcement
11-May		Millennium	Q1'20 earnings announcement
12-May		CEZ	Q1'20 earnings announcement
12-May		Pekao	Q1'20 earnings announcement
13-May		BNP Paribas	Q1'20 earnings announcement
13-May		BOŚ	Q1'20 earnings announcement
13-May		Eurocash	Q1'20 earnings announcement
13-May		Jeronimo Martins	Q1'20 earnings announcement (after market close)
13-May		KGHM	Q1'20 earnings announcement
13-May		Lokum	Q1'20 earnings announcement
13-May		Tauron	Q1'20 earnings announcement
14-May		11 bit studios	Q1'20 earnings announcement
14-May		Citi Handlowy	Q1'20 earnings announcement
14-May		Cyfrowy Polsat	Q1'20 earnings announcement
14-May		Develia	Q1'20 earnings announcement
14-May		Enea	Q4'19 earnings announcement
14-May		Erbud	Q1'20 earnings announcement
14-May		GPW	Q1'20 earnings announcement
14-May		GTC	Q1'20 earnings announcement
14-May		Lotos	Q1'20 earnings announcement
14-May		PGNiG	Q1'20 earnings announcement
14-May		PZU	Q1'20 earnings announcement
14-May		RBI	Q1'20 earnings announcement
15-May		Apator	Q1'20 earnings announcement
15-May		Kruszwica	Q1'20 earnings announcement
15-May		Monnari	Q4'19 earnings announcement
15-May		Skarbiec	Q1'20 earnings announcement
15-May		Unibep	Q1'20 earnings announcement
20-May		TIM	Q1'20 earnings announcement
21-May		Astarta	Q1'20 earnings announcement
21-May		Atal	Q1'20 earnings announcement
21-May		Forte	Q1'20 earnings announcement
21-May		Grupa Azoty	Q1'20 earnings announcement
21-May		JSW	Q1'20 earnings announcement
21-May		LPP	2019/20 earnings announcement
21-May		PKP Cargo	Q1'20 earnings announcement
22-May		Enea	Q1'20 earnings announcement
22-May		Torpol	Q1'20 earnings announcement
25-May		Ten Square Games	Q1'20 earnings announcement
26-May		Archicom	Q1'20 earnings announcement
26-May		PGE	Q1'20 earnings announcement
26-May		Trakcja PRKiI	Q1'20 earnings announcement
27-May		Ciech	Q1'20 earnings announcement
27-May		Famur	Q1'20 earnings announcement
28-May		Boryszew	2019 earnings announcement
28-May		Echo Investment	Q1'20 earnings announcement
28-May		Energa	Q4'19 earnings announcement
28-May		Kruk	Q1'20 earnings announcement
28-May		PKO BP	Q1'20 earnings announcement
29-May		Amica	Q1'20 earnings announcement
29-May		Elektrobudowa	Q1'20 earnings announcement
29-May		Kernel	Q3'20 earnings announcement
29-May		PZU	Q1'20 earnings announcement

Macroeconomic Update

Retail Sales

Retail sales in constant prices declined in March by 9% y/y (our forecast was -10% y/y). In current prices, the result was slightly better (-7.1%). In March sales we could see some stockpiling ahead of the lockdown (food and non-specialized stores) but also physical (quarantine and restrictions) and psychological limitations (fear of COVID-19, lesser activity, mostly online shopping) that consumer faced last month. Structure of the reading reflects those limitations. The magnitude of change is enormous.

Drop in retail sales was seen almost everywhere. Easter purchases were postponed to April even though seasonality would suggest that some of them should also be realized in March. Late Easter last year results in enormous base effect. Market polls indicate that the value of Easter shopping basket declined by around 10%. Together with low sales in everything beside the "covid basket" (everything except food and pharmaceuticals) it implies another whopping declines in retail sales in April: 20% is a good number to start with. Thus, our assumptions on 20% consumption fall in 2Q are still in the game. Especially that national restrictions are eased slowly which has the biggest impact on services (not included in retail sales).

Industrial Output

Industrial output in March declined by 2.3% y/y. Scale of reduction was lesser than we expected (-5.8% y/y) but close to market consensus (-2.1%); but this time, though, the range of forecasts was really wide, from -16.3% to +4.9%.

Reasons of lower industrial output are quite obvious: lack of workers (some of them are on paid care leaves due to schools closing), limited time of work in some factories, and finally lower new orders due to upcoming recession. The structure of the reading seems intuitive. The most intense declines were in categories of manufacture of motor vehicles (-28.6% y/y – category strongly dependent on global supply chains) and manufacture of apparel (category strongly affected by restrictions, like closed shopping centers). Significant declines were also registered in categories of manufacture of leather, coal, furniture and textiles. Summing up, negative dynamics occurred in categories of about 40% total production value. On the other hand, food production increased more intensively than we expected (+7.1% y/y). Somehow obvious but under-forecast leader of growth is production of pharmaceuticals (+39.7% y/y), which could have added about 0.5pp to overall production.

In April we expect more intense declines. First, restriction period is extended compared to March – now it covers the whole month – March restrictions started on 11th). Secondly, the decline in new orders will be much more significant and many companies decided to stop production at all.

Producer prices were not such a surprise. Price declines were at the same level as month before: -0.5% y/y. They resulted from acceleration of prices in core manufacturing categories as exchange rate changes indicated (in those categories models managed quite well, missing only by 0.1pp), and declines in coke production and refining of crude oil (-16.3% m/m). Totally, those 2 forces resulted in yearly declines of producer prices (but prices declined slightly less than we expected). Next month will bring more intense PPI declines due to slower increases in core categories and another, solid drop in oil prices.

Jobs

Employment in March increased by 0.3% y/y – less than both we and market consensus expected (1% and 0.8% y/y). On monthly basis employment decreased by 34 thousand posts, which is a record low in March (see graph below). Until a detailed structure of employment change comes out, for now we suppose that the most intensive change happened in accommodation and food services, as well as in retail sales and repair of motor vehicles.

Adjustment in employment due to coronavirus begun. But the March reading is not as pessimistic as it seems - lower employment is not only a reason of termination of contracts, but also inclusion of those workers who are on leaves. Statistics Poland comment indicates that change in employment is a result of transition into retirement of some employees, end of fixed-term contracts, unpaid leaves and finally termination of contracts. But decrease in employment is also a result of care benefits. Because of school closings, parents went on care leaves (and got care benefits). They are still employed, but statistics considers them as not employed. In methodology we can find that: people receiving sick, maternity, paternity, parental and care benefits are not included in employment.

It explains employment drop in March. But next months should bring more decreases. In April, people on care benefits still will not be included in statistics, which will be additionally decreased by contracts terminated with the end of March. We expect that employment decrease will stop about July/August because governmental programs (so called anti-crisis and financial shields) should stop some of dismissals. But we will see lower employment figures due to dismissals that already happened (or will happen in April).

Average wages increased in March by 6.3% y/y – close to both our and consensus forecasts (both 6.4%). Impact of current economic situation on March wages was not significant. Contracts were mostly negotiated in February before first cases of COVID-19 in Poland. Wages increased in manufacturing, construction trade and transport categories. Some part of wages (dependent on hours worked) was lower, but it was compensated by wage increases in companies with more intensive period due to COVID-19 (cashiers in food shops, couriers). But in the coming months we will see significant slowdown of wages. Companies cutting down their employment will not increase salaries. Therefore wage dynamics can drop to zero.

Inflation

Inflation flash reading for April was in line with consensus expectations (3.4%) and above our forecast (3.1%). The inflation case is not closed yet as this estimate can change on 15th May (this time history of revisions may not be a good guide). Statistics Poland probably behaved as other statistical offices (e.g. Germany) and replaced missing data by monthly dynamics from last year's April. We estimate that core inflation should stay at the level of 3.6%

May should bring more usual price estimates, based on standard methods of price collections. It will imply declines in core categories that now are only estimated and probably more or less y/y frozen. Inflation will continue to decline. In May it will dip below 3%.

Public Debt

Poland's so-called anti-coronavirus-crisis shield, as spearheaded by the Morawiecki cabinet, so far has been assigned total funds of PLN 86bn. On top of that, the state investment vehicle PFR is offering its own lifeline of PLN 100bn, but this money does not count toward public debt. We have calculated the effects of the crisis shield on public sector deficit based on pertinent regulation passed so far. These include waiver of social security payments for certain business, payroll compensation for furloughed contract workers, stay-at-home benefits for parents, and microloans for businesses. On top of that, there is revenue lost in the amount of PLN 9.7bn after a postponed transformation of OFE pension funds to IKE retirement accounts, and hence of the loss of the related 15% charge that is to be levied on each individual's OFE savings.

The 2020 public sector deficit will be further exacerbated by reduced tax payments in the wake of an economic slowdown. Note also that the 2020 government budget at the moment is still predicated on the assumption of 3.7% economic growth this year. This compares to our current assumption of annual contraction of 4.2%, implying a decrease in tax revenues as large as PLN 131bn for the whole public sector (including local governments and the social security system). If we add to this revenues lost and extra expenditures incurred in relation to the crisis shield (PLN 86bn), we get a total deficit of PLN 227bn.

Why the huge slump in tax revenues? Their growth has a non-linear relationship with the GDP (the output gap plays a major role here). Any percentage point of economic growth lost weighs more heavily on public finance. Further, consumer spending, the bedrock of the tax base, is currently falling, as well as showing a redistribution of funds to a higher share of low-VAT goods. Further still, certain plans to tighten tax collections have had to be put on a back burner, and some of the measures already put in might have to be relaxed again.

Together with the additional deficit of PLN 227bn, the public sector deficit would pass the statutory cap of 55% at 55.6% of GDP. That being said, note that this calculation does not factor in lower public expenditures, which usually come out 2% under budget (at this ratio the deficit would be 54.9% of GDP). This time, however, we think we can safely assume the budget miss was even greater, on the side of the central government as well as local governments, which both already announced significant reductions in expenditures. Last but not least, we cannot forget the NBP's dividend income at PLN 7.4bn. In all, we expect public debt to increase to 53.5% of GDP, resulting in an increase to PLN 180bn in the net borrowing needs of the sector. Including the PFR's PLN 100bn fixed-income funding scheme, we get PLN 280bn in securities floats that have to be absorbed by the market – a huge amount compared to the borrowing needs of past years. There is no cap placed, however, on the value of structural open market operations announced by the NBP.

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Financial Sector

Alior Bank

buy (no change)

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Our current models for Alior Bank incorporate the last two rate cuts by a total of 100bp, and they account for a reduced 2020 contribution into deposit guarantee and resolution funds. We also assume cost of risk growth to 300bp, and a contraction of nearly 6% in the loan portfolio, in 2020. The NBP is unlikely to cut rates again in the coming months considering the deteriorating financial standing of domestic credit unions and co-op banks, and because a deposit rate turned from zero to negative would be counterproductive as a stimulus. However the last cuts prompted us to lower our FY2020 bottom-line estimate for Alior in April from a net profit of PLN 22m to a net loss of PLN 42m. Like most other lenders, Alior should be able to recoup part of lost interest income in the next three years thanks to a high deposit base, expected to grow with the economic stimulus, combined with reductions in currently higher-than-average financing costs. Historically, Alior was able to reclaim 35% of lost NIM within three years following previous 100bp rate cuts. ALR stock shows upside potential to our current target price of PLN 21.00 per share, however in a worst-case scenario where interest rates are slashed to zero and cost of risk rises by another 50bp the Bank's valuation would shrink to an estimated PLN 8.07 per share – a signal to sell. Circumstances where the worst-case scenario would come true would be if the current lockdown was extended beyond May/June 2020.

Current Price

14.50 PLN

Upside

9M Target Price

21.00 PLN

+44.8%

	rating	target price	issued
unchanged	buy	21.00 PLN	2020-04-16

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	+23.4%	+15.0%
ISIN	PLALIOR00045	YTD Price Chng	-49.4%	-27.3%
Outst. Stock (m)	129.3	ADTV 1M		PLN 21.5m
MC (PLN m)	1,874.2	ADTV 6M		PLN 17.0m
		P/E 12M fwd	14.7	+25.0%
Free Float	74.8%	P/E 5Y avg	11.8	premium

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
NII	3,601	3,085	3,181	2,779	2,755
Total income	3,797	4,124	4,140	3,623	3,607
Costs	-1,930	-1,847	-1,976	-1,631	-1,635
Provisioning	-930	-1,080	-1,443	-1,774	-1,328
Net income	515	713	253	-42	295
P/E	3.6	2.6	7.4	-	6.4
P/B	0.3	0.3	0.3	0.3	0.3
ROE	8.0%	10.8%	3.8%	-	4.3%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
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	3,085	3,181	2,779	2,755	2,914
Fee income	436	667	611	610	642
Trading income	476	149	104	106	108
Other income	127	143	129	136	142
Noninterest income	1,039	959	844	852	892
Total income	4,124	4,140	3,623	3,607	3,807
Operating expenses	1,847	1,705	1,631	1,635	1,642
Operating income	2,277	2,164	1,992	1,972	2,165
Provisioning	1,080	1,443	1,774	1,328	1,298
Profits of associates	0	0	0	1	2
Pre-tax income	1,196	721	218	644	867
Tax	275	242	46	135	182
Minority interests	0	0	0	0	0
Asset tax	208	226	215	214	224
Net income	713	253	-42	295	460

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Net loans	54,246	55,871	52,818	54,230	57,505
Other assets	19,174	20,865	20,982	21,180	21,477
Total assets	73,420	76,736	73,799	75,410	78,983
Deposits	62,436	64,999	62,007	62,436	65,124
Other liabilities	4,498	4,978	5,076	5,963	6,256
Minority interests	0	0	0	0	0
Equity	6,486	6,759	6,717	7,011	7,603

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	4.5%	4.5%	3.9%	3.9%	4.0%
C/I	44.8%	47.7%	45.0%	45.3%	43.1%
CoR	1.9%	2.4%	3.0%	2.3%	2.2%
NPL Ratio	10.6%	10.3%	9.9%	9.8%	9.8%
Tier 1 Ratio	12.8%	14.0%	14.6%	13.7%	13.6%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	0	0%
PV Adjustment	324	6%
Value Driver (2023-37)	3,340	64%
Fade (2038-57)	865	17%
Terminal Value	654	13%
Fair Value	5,184	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	40.11	
9M Target Price (PLN)	42.66	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	7,419	149%
Explicit Forecast (2020-22)	-541	-11%
PV Adjustment	115	2%
Value Driver (2023-37)	-1,381	-28%
Fade (2038-57)	-636	-13%
Fair Value	4,976	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	38.50	
9M Target Price (PLN)	40.95	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	5,184
Economic Profits	50%	4,976
Fair Value Avg.		5,080
Fair Value Per Share (PLN)		39.30
Asset tax		-19.56
Fair Value Per Share		19.74
Cost of equity (9M)		6.4%
9M Target Price (PLN)		21.00

Handlowy hold (no change)

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Our current models for Handlowy incorporate the last two rate cuts by a total of 100bp, and assume cost of risk growth by 202bp in 2020, alongside 1.2% expansion in the loan portfolio. Our current FY2020 net income estimate for the Bank is PLN 314m. Like most other banks, Handlowy should be able to recoup part of the lending margins squeezed by the new rate cuts by adjusting its deposit base and the related interest expense. The Bank was able to reclaim about 80% of lost NIM within three years following the previous 100bp rate cuts, but this time the amount that can be expected to be recovered through to the end of FY2022 is not likely to be more than 30%. We maintain a hold rating for Handlowy, however in a worst-case scenario where interest rates in 2021 are slashed by another 50bp, alongside an equivalent increase in cost of risk, the Bank's valuation would shrink to an estimated PLN 31.40 per share, indicating a negative investment recommendation.

Current Price	37.50 PLN	Upside
9M Target Price	39.86 PLN	+6.3%

	rating	target price	issued
unchanged	hold	39.86 PLN	2020-04-16

Key Metrics	BHW PW	1M Price Chng	BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-8.9%	-17.3%
ISIN	PLBH00000012	YTD Price Chng	-27.6%	-5.5%
Outst. Stock (m)	130.7	ADTV 1M		PLN 2.3m
MC (PLN m)	4,899.7	ADTV 6M		PLN 2.4m
		P/E 12M fwd	13.7	+10.3%
Free Float	25.0%	P/E 5Y avg	12.4	premium

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
NII	1,082	1,108	1,154	953	905
Total income	2,079	2,159	2,256	2,196	2,027
Costs	-1,192	-1,180	-1,254	-1,225	-1,233
Provisioning	-103	-64	-238	-432	-201
Net income	536	639	487	314	350
P/E	9.1	7.7	10.1	15.6	14.0
P/B	0.7	0.7	0.7	0.7	0.7
ROE	7.8%	9.1%	6.9%	4.3%	4.8%
DPS	4.60	4.10	3.74	0.00	3.05
DYield	12.3%	10.9%	10.0%	0.0%	8.1%
Forecast Update (% change)			2020P	2021P	2022P
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	953	905	975
Fee income	550	565	539	554	570
Trading income	487	491	657	520	538
Other income	15	46	46	48	50
Noninterest income	1,052	1,102	1,243	1,122	1,158
Total income	2,159	2,256	2,196	2,027	2,133
Operating expenses	1,180	1,254	1,225	1,233	1,265
Operating income	980	1,002	971	793	868
Provisioning	64	238	432	201	124
Profits of associates	0	0	0	0	0
Pre-tax income	916	764	539	593	743
Tax	190	180	121	133	167
Minority interests	0	0	0	0	0
Asset tax	87	98	104	109	112
Net income	639	487	314	350	464

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Net loans	19,802	20,589	20,840	21,566	22,252
Other assets	29,503	31,397	30,093	31,195	32,145
Total assets	49,305	51,986	50,933	52,761	54,398
Deposits	31,057	35,231	35,039	36,233	37,616
Other liabilities	11,191	9,674	8,499	9,181	9,234
Minority interests	0	0	0	0	0
Equity	7,057	7,081	7,395	7,347	7,548

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.5%	2.4%	1.9%	1.8%	1.9%
C/I	54.6%	55.6%	55.8%	60.9%	59.3%
CoR	0.3%	1.1%	2.0%	0.9%	0.5%
NPL Ratio	3.0%	3.4%	3.5%	3.5%	3.5%
Tier 1 Ratio	16.8%	16.7%	18.5%	18.1%	18.2%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	544	8%
PV Adjustment	355	6%
Value Driver (2023-37)	4,730	74%
Fade (2038-57)	481	8%
Terminal Value	296	5%
Fair Value	6,407	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	49.04	
9M Target Price (PLN)	52.16	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,659	141%
Explicit Forecast (2020-22)	-716	-12%
PV Adjustment	74	1%
Value Driver (2023-37)	-1,543	-25%
Fade (2038-57)	-342	-6%
Fair Value	6,131	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	46.93	
9M Target Price (PLN)	49.92	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	6,407
Economic Profits	50%	6,131
Fair Value Avg.		6,269
Fair Value Per Share (PLN)		47.98
Asset tax		-10.51
Fair Value Per Share		37.47
Cost of equity (9M)		6.4%
9M Target Price (PLN)		39.86

ING BSK sell (no change)

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ING BSK finds that its sensitivity to interest rate changes has increased in recent time, the Bank said in an April market filing which also puts the dent in net interest income resulting from this year's rate reductions at PLN 170-220m – almost twice what we had originally anticipated. Our current models for ING BSK incorporate the rate cut shock and assume cost of risk of 123bp, and loan portfolio contraction at an annual rate of 0.8%, in FY2020. ING BSK should be able to recoup part of the lending margins squeezed by the new rate cuts looking at excess liquidity in the deposit facility, additionally bolstered by government stimulus, which should facilitate adjustments to the pricing and composition of the deposit base. That being said, the positive effects of these adjustments will be lower than average due to the Bank's already-low financing costs compared to the rest of the sector (as reported in FY2019). On updated estimates, our current target price for BSK at PLN 114.14 per share indicates a sell recommendation. In our worst-case scenario for the Polish bank sector, which assumes another 50bp rate cut in 2021 and risk costs raised by 50bp, our valuation of ING would shrink to PLN 92.87.

Current Price	129.60 PLN	Downside
9M Target Price	114.14 PLN	-11.9%

	rating	target price	issued
unchanged	sell	114.14 PLN	2020-04-16

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-0.5%	-8.9%
ISIN	PLBSK0000017	YTD Price Chng	-34.8%	-12.6%
Outst. Stock (m)	130.1	ADTV 1M		PLN 3.2m
MC (PLN m)	16,861.0	ADTV 6M		PLN 2.2m
		P/E 12M fwd	17.8	+19.6%
Free Float	25.0%	P/E 5Y avg	14.8	premium

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
NII	3,453	3,760	4,294	4,295	4,318
Total income	4,756	5,233	5,790	5,798	5,797
Costs	-2,123	-2,327	-2,497	-2,566	-2,663
Provisioning	-421	-501	-606	-1,480	-1,174
Net income	1,403	1,526	1,659	903	1,057
P/E	12.0	11.1	10.2	18.7	16.0
P/B	1.4	1.3	1.1	1.1	1.0
ROE	12.6%	12.1%	11.6%	5.8%	6.6%
DPS	0.00	3.20	3.50	0.00	3.47
DYield	0.0%	2.5%	2.7%	0.0%	2.7%
Forecast Update (% change)			2020P	2021P	2022P
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	3,760	4,294	4,295	4,318	4,475
Fee income	1,305	1,372	1,312	1,333	1,388
Trading income	154	130	176	132	139
Other income	14	-6	14	14	15
Noninterest income	1,473	1,496	1,502	1,479	1,542
Total income	5,233	5,790	5,798	5,797	6,017
Operating expenses	2,327	2,497	2,566	2,663	2,741
Operating income	2,906	3,292	3,232	3,134	3,276
Provisioning	501	606	1,480	1,174	859
Profits of associates	0	7	7	7	6
Pre-tax income	2,405	2,694	1,759	1,966	2,423
Tax	507	599	394	440	543
Minority interests	0	0	0	0	0
Asset tax	372	436	462	469	487
Net income	1,526	1,659	903	1,057	1,393

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Net loans	103,126	118,288	117,303	117,851	127,039
Other assets	38,477	40,323	43,245	45,172	46,144
Total assets	141,603	158,611	160,548	163,022	173,183
Deposits	117,683	130,474	135,965	137,077	144,643
Other liabilities	10,584	12,914	8,820	9,674	11,236
Minority interests	0	0	0	0	0
Equity	13,336	15,223	15,763	16,271	17,304

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.9%	2.9%	2.7%	2.7%	2.7%
C/I	44.5%	43.1%	44.3%	45.9%	45.6%
CoR	0.5%	0.5%	1.2%	1.0%	0.7%
NPL Ratio	2.8%	3.0%	3.2%	3.6%	3.6%
Tier 1 Ratio	14.8%	14.5%	17.9%	18.4%	18.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	797	4%
PV Adjustment	1,348	7%
Value Driver (2023-37)	12,273	62%
Fade (2038-57)	3,470	17%
Terminal Value	2,058	10%
Fair Value	19,946	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	153.31	
9M Target Price (PLN)	163.09	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	16,306	86%
Explicit Forecast (2020-22)	4	0%
PV Adjustment	344	2%
Value Driver (2023-37)	1,822	10%
Fade (2038-57)	454	2%
Fair Value	18,930	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	145.50	
9M Target Price (PLN)	154.78	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	19,946
Economic Profits	50%	18,930
Fair Value Avg.		19,438
Fair Value Per Share (PLN)		149.41
Asset tax		-42.10
Fair Value Per Share		107.30
Cost of equity (9M)		6.4%
9M Target Price (PLN)		114.14

Millennium hold (no change)

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Our current models for Millennium incorporate the last two rate cuts by a total of 100bp, and assume cost of risk growth to 144bp in 2020, alongside 0.8% expansion in the loan portfolio. We have also factored in planned provisioning for CHF loan risk in the amount of PLN 55m. The rate cuts of March and April forced us to revise our FY2020 net income estimate downward by 85%, and downgrade the forecasts for the two subsequent reporting years by 41% and 31%, respectively, reflecting the Bank's extreme sensitivity to interest rate variations and high loan loss reserves expected in 2020 and 2021, compounded by additional provisioning for FX mortgage disputes anticipated in 2021 and 2022. We have also factored in planned provisioning for CHF loan risk in the amount of PLN 55m. Millennium should be able to recoup part of the lending margins squeezed by the new rate cuts through appropriate adjustments to deposit pricing; with financing costs among the highest in the sector, amid excess liquidity and stimulus measures, the Bank can improve the structure of its deposit base by increasing the share of overnight rates. Millennium was able to reclaim about 80% of lost NIM within three years following the previous 100bp rate cuts. We currently have a target price of PLN 3.38 for MIL stock, however in a worst-case scenario for the Polish bank sector, which assumes another 50bp rate cut in 2021 and risk costs raised by 50bp, our valuation would shrink to PLN 1.99.

Current Price	2.66 PLN	Upside
9M Target Price	3.38 PLN	+27.1%

	rating	target price	issued
unchanged	hold	3.38 PLN	2020-04-16

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-17.1%	-25.5%
ISIN	PLBIG0000016	YTD Price Chng	-54.5%	-32.4%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 9.2m
MC (PLN m)	3,226.9	ADTV 6M		PLN 5.1m
		P/E 12M fwd	45.2	+263.9%
Free Float	50.0%	P/E 5Y avg	12.4	premium

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
NII	1,696	1,817	2,437	2,581	2,559
Total income	2,650	2,778	3,552	3,709	3,663
Costs	-1,156	-1,332	-1,842	-2,166	-2,014
Provisioning	-255	-222	-627	-1,153	-1,002
Net income	681	761	561	30	227
P/E	4.7	4.2	5.8	107.6	14.2
P/B	0.4	0.4	0.4	0.4	0.4
ROE	9.3%	9.4%	6.5%	0.3%	2.7%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
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	1,817	2,437	2,581	2,559	2,737
Fee income	661	699	700	723	750
Trading income	248	318	328	279	287
Other income	51	98	100	103	107
Noninterest income	960	1,115	1,128	1,104	1,144
Total income	2,778	3,552	3,709	3,663	3,881
Operating expenses	1,332	1,842	2,166	2,014	2,011
Operating income	1,445	1,710	1,543	1,649	1,871
Provisioning	222	627	1,153	1,002	1,164
Profits of associates	0	0	0	0	0
Pre-tax income	1,223	1,083	390	648	707
Tax	264	275	84	140	152
Minority interests	959	0	0	0	0
Asset tax	198	248	276	281	285
Net income	761	561	30	227	270

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Net loans	52,712	69,755	70,307	71,826	74,386
Other assets	27,747	28,301	27,805	28,630	29,773
Total assets	80,459	98,056	98,112	100,456	104,159
Deposits	66,244	81,455	81,845	83,921	87,365
Other liabilities	5,831	7,660	7,893	7,981	8,030
Minority interests	0	0	0	0	0
Equity	8,384	8,942	8,375	8,554	8,765

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.5%	2.8%	2.7%	2.6%	2.7%
C/I	47.9%	51.8%	58.4%	55.0%	51.8%
CoR	0.5%	0.7%	1.4%	0.9%	0.6%
NPL Ratio	4.5%	4.5%	4.3%	4.3%	4.3%
Tier 1 Ratio	19.8%	17.8%	17.1%	16.8%	16.4%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	0	0%
PV Adjustment	387	7%
Value Driver (2023-37)	3,533	60%
Fade (2038-57)	1,128	19%
Terminal Value	870	15%
Fair Value	5,918	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	4.88	
9M Target Price (PLN)	5.19	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	9,657	115%
Explicit Forecast (2020-22)	-1,032	-12%
PV Adjustment	147	2%
Value Driver (2023-37)	207	2%
Fade (2038-57)	-583	-7%
Fair Value	8,395	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	6.92	
9M Target Price (PLN)	7.36	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	5,918
Economic Profits	50%	8,395
Fair Value Avg.		7,157
Fair Value Per Share (PLN)		5.90
Asset tax		-2.72
Fair Value Per Share		3.18
Cost of equity (9M)		6.4%
9M Target Price (PLN)		3.38

Pekao buy (no change)

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Our current models for Pekao incorporate the last two rate cuts by a total of 100bp, and assume cost of risk growth to 96bp, alongside flat loan growth, in FY2020. The NBP is unlikely to cut rates again in the coming months considering the deteriorating financial standing of domestic credit unions and co-op banks, and because a deposit rate turned from zero to negative would be counterproductive as a stimulus. The rate cuts of March and April forced us to revise our FY2020 net income estimate downward by 7%, and downgrade the forecasts for the two subsequent reporting years by 10% and 7%, respectively, reflecting Pekao's increased sensitivity to interest rate changes since the last easing cycle – the Bank itself puts the negative earnings impact in the range of PLN 200-250m for a 50bp reduction. Historically, Pekao was able to reclaim 67% of lost NIM within three years following the previous 100bp rate cuts, but this time such robust pace of recovery would be impossible to achieve. Nevertheless we see upside in PEO even in our worst-case scenario where interest rates are slashed to zero and cost of risk rises by another 50bp, in which our valuation value would shrink to PLN 71.88. Circumstances where the worst-case scenario would come true would be if the current lockdown was extended beyond May/June 2020.

Current Price	49.95 PLN	Upside
9M Target Price	77.70 PLN	+55.6%

	rating	target price	issued
unchanged	buy	77.70 PLN	2020-04-16

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-6.5%	-14.9%
ISIN	PLPEKAO00016	YTD Price Chng	-50.3%	-28.1%
Outst. Stock (m)	262.5	ADTV 1M		PLN 122.9m
MC (PLN m)	13,110.4	ADTV 6M		PLN 73.0m
		P/E 12M fwd	8.7	-26.8%
Free Float	67.2%	P/E 5Y avg	11.9	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
NII	4,593	4,994	5,468	5,240	5,254
Total income	7,278	7,830	8,282	8,203	8,072
Costs	-3,535	-3,710	-3,992	-3,853	-3,879
Provisioning	-521	-511	-696	-1,423	-1,160
Net income	2,475	2,287	2,165	1,653	1,723
P/E	5.3	5.7	6.1	7.9	7.6
P/B	0.6	0.6	0.6	0.5	0.5
ROE	10.7%	9.9%	9.4%	6.8%	6.8%
DPS	8.68	7.90	6.60	0.00	4.72
DYield	17.4%	15.8%	13.2%	0.0%	9.5%
Forecast Update (% change)			2020P	2021P	2022P
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	4,994	5,468	5,240	5,254	5,274
Fee income	2,463	2,534	2,408	2,458	2,527
Trading income	237	237	484	293	276
Other income	137	44	71	67	74
Noninterest income	2,836	2,814	2,963	2,818	2,877
Total income	7,830	8,282	8,203	8,072	8,601
Operating expenses	3,710	3,992	3,853	3,879	4,001
Operating income	4,120	4,290	4,350	4,193	4,600
Provisioning	511	696	1,423	1,160	836
Profits of associates	0	0	0	0	0
Pre-tax income	3,609	3,594	2,927	3,033	3,764
Tax	760	836	673	698	866
Minority interests	-1	-2	-2	-2	-2
Asset tax	562	591	600	610	650
Net income	2,287	2,165	1,653	1,723	2,247

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Net loans	129,297	140,913	140,618	146,705	160,016
Other assets	61,793	62,410	62,317	64,891	67,597
Total assets	191,090	203,323	202,935	211,596	227,614
Deposits	149,491	157,990	162,843	167,743	178,501
Other liabilities	18,791	21,935	14,961	18,152	21,924
Minority interests	11	12	13	15	17
Equity	22,797	23,386	25,118	25,686	27,172

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.8%	2.9%	2.7%	2.6%	2.7%
C/I	47.4%	48.8%	47.6%	48.7%	47.2%
CoR	0.4%	0.5%	1.0%	0.8%	0.5%
NPL Ratio	5.4%	5.2%	8.0%	8.0%	7.0%
Tier 1 Ratio	16.3%	16.9%	19.4%	19.4%	19.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	2,065	8%
PV Adjustment	1,648	6%
Value Driver (2023-37)	18,114	66%
Fade (2038-57)	3,792	14%
Terminal Value	1,635	6%
Fair Value	27,253	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	103.89	
9M Target Price (PLN)	110.51	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	26,264	100%
Explicit Forecast (2020-22)	503	2%
PV Adjustment	608	2%
Value Driver (2023-37)	-541	-2%
Fade (2038-57)	-620	-2%
Fair Value	26,213	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	99.87	
9M Target Price (PLN)	106.24	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	27,253
Economic Profits	50%	26,213
Fair Value Avg.		26,733
Fair Value Per Share (PLN)		101.88
Asset tax		-28.83
Fair Value Per Share		73.05
Cost of equity (9M)		6.4%
9M Target Price (PLN)		77.70

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 accumulate (no change)

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Our current models for PKO BP incorporate the last two rate cuts by a total of 100bp, and they assume cost of risk growth to 161bp, and loan book an expansion of 1%, in FY2020. The NBP is unlikely to cut rates again in the coming months considering the deteriorating financial standing of domestic credit unions and co-op banks, and because a deposit rate turned from zero to negative would be counterproductive as a stimulus. The rate cuts of March and April forced us to revise our FY2020 net income estimate downward by 17%, and downgrade the forecasts for the two subsequent reporting years by 11% and 5%, respectively. PKO's lending margins are characterized by higher sensitivity to interest rate changes than those of most of peers, but the Bank is able to mitigate the bottom-line impact with strong noninterest income. Like most other lenders, PKO BP should be able to recoup part of lost interest income in the next three years thanks to a well-diversified deposit base, strong liquidity, additionally reinforced by economic stimulus, combined with still-relatively high financing costs. Historically, the Bank was able to reclaim 73% of lost NIM within three years following the previous 100bp rate cuts, but this time such robust pace of recovery would be impossible to achieve. In our worst-case scenario for the banking sector where interest rates are slashed to zero and cost of risk rises by another 50bp, our valuation of PKO would shrink to an estimated PLN 18.46 – this would indicate a signal to sell. Circumstances where the worst-case scenario would come true would be if the current lockdown were extended beyond May/June 2020.

Current Price	21.58 PLN	Upside
9M Target Price	24.85 PLN	+15.2%

	rating	target price	issued
unchanged	accumulate	24.85 PLN	2020-04-16

Key Metrics	PKO PW	PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-1.2%
ISIN	PLPKO0000016	YTD Price Chng	-37.4%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 106.0m
MC (PLN m)	26,975.0	ADTV 6M	PLN 92.3m
		P/E 12M fwd	9.0
Free Float	70.6%	P/E 5Y avg	12.1 discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
NII	8,606	9,353	10,279	9,611	9,701
Total income	12,803	13,660	15,038	14,313	14,507
Costs	-6,050	-6,218	-6,967	-6,557	-6,725
Provisioning	-1,617	-1,451	-1,261	-3,915	-2,958
Net income	3,104	3,741	4,031	1,969	2,714
P/E	8.7	7.2	6.7	13.7	9.9
P/B	0.7	0.7	0.6	0.6	0.6
ROE	9.0%	9.9%	10.0%	4.6%	6.2%
DPS	0.00	0.55	1.33	0.00	2.12
DYield	0.0%	2.5%	6.2%	0.0%	9.8%
Forecast Update (% change)			2020P	2021P	2022P
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	9,353	10,279	9,611	9,701	10,509
Fee income	3,013	3,047	2,903	2,979	3,173
Trading income	664	807	849	830	803
Other income	630	905	950	998	1,058
Noninterest income	4,307	4,759	4,702	4,807	5,034
Total income	13,660	15,038	14,313	14,507	15,543
Operating expenses	6,218	6,967	6,557	6,725	7,025
Operating income	7,442	8,071	7,755	7,782	8,518
Provisioning	1,451	1,261	3,915	2,958	2,785
Profits of associates	37	31	33	34	36
Pre-tax income	6,028	6,841	3,873	4,859	5,770
Tax	-1,336	-1,787	-852	-1,069	-1,212
Minority interests	-1	-1	-1	-1	-1
Asset tax	950	1,022	1,052	1,075	1,133
Net income	3,741	4,031	1,969	2,714	3,424

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Net loans	214,912	231,434	234,787	241,648	258,154
Other assets	109,343	116,610	116,515	121,149	123,806
Total assets	324,255	348,044	351,302	362,798	381,961
Deposits	242,816	258,199	264,211	270,718	284,128
Other liabilities	42,338	48,267	43,545	48,471	53,040
Minority interests	-10	-9	-9	-10	-10
Equity	39,111	41,587	43,556	43,618	44,802

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	3.2%	3.2%	2.9%	2.9%	3.0%
C/I	45.5%	46.3%	45.8%	46.4%	45.2%
CoR	0.6%	0.5%	1.6%	1.2%	1.1%
NPL Ratio	4.9%	4.1%	7.0%	7.0%	6.5%
Tier 1 Ratio	17.5%	17.2%	18.0%	17.4%	16.9%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	4,655	11%
PV Adjustment	1,893	4%
Value Driver (2023-37)	30,079	70%
Fade (2038-57)	4,588	11%
Terminal Value	1,677	4%
Fair Value	42,892	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	34.31	
9M Target Price (PLN)	36.50	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	45,902	110%
Explicit Forecast (2020-22)	-833	-2%
PV Adjustment	908	2%
Value Driver (2023-37)	-2,350	-6%
Fade (2038-57)	-1,720	-4%
Fair Value	41,907	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	33.53	
9M Target Price (PLN)	35.66	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	42,892
Economic Profits	50%	41,907
Fair Value Avg.		42,400
Fair Value Per Share (PLN)		33.92
Asset tax		-10.56
Fair Value Per Share		23.36
Cost of equity (9M)		6.4%
9M Target Price (PLN)		24.85

Santander Bank Polska buy (no change)

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Our current models for Santander Bank Polska reflect the March and April rate cuts, a transition from the effective interest rate to the straight-line method of accounting for fees set to be returned to early loan payers, and a reduced 2020 contribution into the mandatory deposit guarantee and resolution funds. Santander's 2020 first-quarter results fulfilled our expectations, and the Bank's unwillingness to provide a provisioning guidance for the year is consistent with global trends. Despite the negative effects expected from the FX mortgage portfolio of the Consumer Bank unit, we believe Santander can keep a handle on risk costs thanks to the loosening of provisioning rules by the market supervisor as part of crisis relief, combined with a PLN 100bn aid package offered to Polish businesses. We also see potential to bring the C/I ratio down to 44.2% after the merger with Deutsche Bank Polska, and we see an opportunity to make back a portion of the rate cut-induced NIM losses by lowering costs of financing. Santander was able to reclaim 40% of lost NIM in the three years following the previous 100bp rate cuts, and we believe a comparable rate of recovery is possible also in this cycle. To reflect an expected shareholder payout in 2021 from total earnings not distributed in previous years (PLN 1.7bn), we recently raised next year's DPS forecast to PLN 16.25. In a worst-case scenario for the banking sector where interest rates are slashed to zero and cost of risk rises by another 50bp, our valuation of SPL would shrink to an estimated PLN 169.73, and it would yield a hold recommendation.

Current Price	151.30 PLN	Upside
9M Target Price	194.52 PLN	+28.6%

	rating	target price	issued
unchanged	buy	194.52 PLN	2020-04-16

Key Metrics		SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-0.8%
ISIN	PLBZ000000044	YTD Price Chng	-50.8%
Outst. Stock (m)	102.1	ADTV 1M	PLN 23.6m
MC (PLN m)	15,446.0	ADTV 6M	PLN 19.8m
		P/E 12M fwd	11.1
Free Float	31.7%	P/E 5Y avg	12.9
			discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
NII	5,277	5,742	6,580	6,136	6,341
Total income	7,764	8,296	9,485	9,005	9,212
Costs	-3,372	-3,769	-4,489	-4,190	-4,068
Provisioning	-690	-1,085	-1,219	-2,487	-2,179
Net income	2,213	2,363	2,138	995	1,497
P/E	6.8	6.4	7.2	15.5	10.3
P/B	0.7	0.6	0.6	0.6	0.6
ROE	10.6%	10.1%	8.5%	3.8%	5.6%
DPS	5.40	3.10	19.72	0.00	16.25
DYield	3.6%	2.0%	13.0%	0.0%	10.7%
Forecast Update (% change)			2020P	2021P	2022P
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	6,136	6,341	6,713
Fee income	2,058	2,128	1,992	2,103	2,247
Trading income	282	500	600	480	485
Other income	214	276	276	287	298
Noninterest income	2,554	2,904	2,869	2,870	3,030
Total income	8,296	9,485	9,005	9,212	9,743
Operating expenses	3,769	4,489	4,190	4,068	4,111
Operating income	4,527	4,996	4,815	5,143	5,633
Provisioning	1,085	1,219	2,487	2,179	2,119
Profits of associates	63	67	67	67	67
Pre-tax income	3,924	3,844	2,395	3,031	3,581
Tax	727	800	503	637	752
Minority interests	-334	-306	-305	-305	-304
Asset tax	-500	-599	-591	-593	-612
Net income	2,363	2,138	995	1,497	1,913

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Net loans	137,460	143,403	143,660	145,563	154,124
Other assets	69,196	66,074	65,828	70,183	72,078
Total assets	206,656	209,476	209,488	215,746	226,202
Deposits	149,617	156,480	158,834	164,035	170,243
Other liabilities	30,445	26,016	22,691	22,126	24,424
Minority interests	1,564	1,548	1,535	1,522	1,510
Equity	25,031	25,432	26,427	28,062	30,025

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	3.3%	3.3%	3.0%	3.1%	3.1%
C/I	45.4%	47.3%	46.5%	44.2%	42.2%
CoR	0.9%	0.8%	1.7%	1.5%	1.4%
NPL Ratio	4.5%	5.2%	4.4%	4.6%	4.6%
Tier 1 Ratio	14.1%	14.9%	17.0%	17.2%	17.3%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	504	2%
PV Adjustment	1,569	6%
Value Driver (2022-37)	18,079	70%
Fade (2038-57)	4,226	16%
Terminal Value	1,305	5%
Fair Value	25,683	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	258.81	
9M Target Price (PLN)	275.31	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	25,791	105%
Explicit Forecast (2020-22)	-539	-2%
PV Adjustment	446	2%
Value Driver (2023-37)	-452	-2%
Fade (2038-57)	-686	-3%
Fair Value	24,560	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	247.50	
9M Target Price (PLN)	263.27	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	25,683
Economic Profits	50%	24,560
Fair Value Avg.		25,121
Fair Value Per Share (PLN)		253.15
Asset tax		-70.29
Fair Value Per Share		182.86
Cost of equity (9M)		6.4%
9M Target Price (PLN)		194.52

PZU

buy (no change)

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The coronavirus crisis is probably easier to navigate for the insurance industry than for banks, but it will not be easy by any stretch of the imagination. For example, quarantine lockdown will most likely slow down growth in non-life premiums amid lower sales of passenger cars and tighter management of disposable income by households. That being said, the momentum in the non-life insurance business was about to decelerate anyway even before the epidemic because of market saturation. On the other hand, as the pandemic spreads across the globe, the life insurance market is probably poised for a revival. This is confirmed by studies which revealed that the coronavirus's high death toll has boosted coverage inquiries even among young people – a demographic where the penetration rate to date has been the lowest. For PZU, one major risk factor moving forward is its banking division, expected to contribute 38% less to consolidated earnings this year, as well as necessitating a goodwill write-down. On top of that, PZU's portfolio investments are bound to perform far worse in 2020 in terms of returns, in particular when it comes to the stock market and real estate. Looking at current bond yields, to achieve decent investment returns in the years ahead will be a challenge, which, however, can be tackled with more acquisitions. We want to emphasize that the expected goodwill impairment has no major effect on valuation. In spite of lower profits, we expect ROE to hold at a high 15% going forward, and we anticipate uninterrupted dividend yields of 8%-9% in the coming years. All in all, we see PZU as one of the safest bets in the financial sector for pandemic times.

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Gross written prems	23,470	24,191	24,145	24,643	25,309
Net earned premiums	22,350	23,090	23,529	23,464	24,004
Claims & benefits	-14,563	-15,695	-15,391	-15,808	-16,225
Net inv. income	892	2,210	1,611	1,671	1,826
Acquisition costs	-3,130	-3,363	-3,440	-3,568	-3,650
Admin expenses	-1,620	-1,756	-1,694	-1,729	-1,768
Other oper. rev, net	-878	-900	-1,806	-945	-958
Banking income	4,036	3,498	2,331	2,853	3,757
Operating income	7,087	7,084	5,141	5,939	6,984
Financing costs	0	0	0	0	0
Subsidiaries	-1	-4	-4	-4	-4
Pre-tax income	7,086	7,080	5,137	5,935	6,980
Tax	-1,718	-1,895	-1,303	-1,510	-1,788
Minority interest	2,155	1,890	1,279	1,571	2,102
Net income	3,213	3,295	2,555	2,853	3,090

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	3,523	14%
PV Adjustment	1,223	5%
Value Driver (2023-37)	15,650	63%
Fade (2038-57)	3,734	15%
Terminal Value	904	4%
Fair Value	25,035	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	28.99	
9M Target Price (PLN)	30.84	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	12,116	54%
Explicit Forecast (2020-22)	3,036	13%
PV Adjustment	569	3%
Value Driver (2023-37)	5,576	25%
Fade (2038-57)	1,310	6%
Fair Value	22,607	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	26.18	
9M Target Price (PLN)	27.85	

Current Price 29.38 PLN
9M Target Price 35.93 PLN **Upside +22.3%**

	rating	target price	issued
unchanged	buy	35.93 PLN	2020-04-28

Key Metrics	PZU PW	1M Price Chng	PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-0.3%	-8.7%
ISIN	PLPZU0000011	YTD Price Chng	-26.6%	-4.5%
Outst. Stock (m)	863.5	ADTV 1M		PLN 89.6m
MC (PLN m)	25,370.3	ADTV 6M		PLN 75.4m
		P/E 12M fwd	8.1	-18.3%
Free Float	64.8%	P/E 5Y avg	9.9	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
GWP	22,847	23,470	24,191	24,145	24,643
Claims	-14,942	-14,563	-15,695	-15,391	-15,808
Inv. income	1,895	892	2,210	1,611	1,671
Total costs	-4,511	-4,750	-5,119	-5,133	-5,296
Net income	2,910	3,213	3,295	2,555	2,853
P/E	8.7	7.9	7.7	9.9	8.9
P/B	1.7	1.7	1.6	1.4	1.3
ROE	21.1%	21.7%	21.2%	14.6%	14.9%
DPS	1.40	2.70	2.80	0.00	2.37
DYield	4.8%	9.2%	9.5%	0.0%	8.1%
Forecast Update (% change)			2019	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%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Financial assets	286,206	286,206	306,433	298,789	308,582
Other assets	42,348	42,348	36,907	35,139	35,573
Total assets	328,554	328,554	343,340	333,928	344,155
Technical provisions	45,839	45,839	47,329	51,325	52,366
Other liabilities	245,308	245,308	256,723	240,086	247,788
Minority interests	22,482	22,482	23,119	23,756	24,393
Equity	14,925	14,925	16,169	18,761	19,607

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
Claims ratio	6515.9%	6515.9%	6797.3%	6541.2%	6737.2%
Total cost ratio	2125.3%	2125.3%	2217.0%	2181.8%	2257.1%
Return on inv. portf.	###	###	-975.7%	353.1%	383.7%
Non-Life, CoR	8784.5%	8784.5%	8924.0%	8559.7%	8982.5%
Life, Oper. Margin	2406.3%	2406.3%	1641.6%	1662.0%	1575.4%

Valuation Ex. Banks

(PLN m)	Weight	Value
DDM	50%	25,035
Economic Profits	50%	22,607
Fair Value Avg.		23,821

SOTP Valuation

(PLN m)	Value	/Share
PZU ex banks	23,821	27.59
Bank Pekao	4,601	5.33
Alior Bank	746	0.86
Value	29,167	33.78
9M Target Price (PLN)		35.93

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.

Skarbiec Holding buy (no change)

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Our current models for Skarbiec Holding reflect the recent stock market falls and the likely outflow of money from high-yielding investment funds. The increased fund withdrawals, 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 contraction in assets under management. 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 9%-10% in subsequent years. With that said, DPS may be reduced in the event of an acquisition of, for example, a fund distributor – a move which would naturally complement Skarbiec's sales mix. That said, continuing ownership uncertainty might affect relationships with fund distributors. SKH is trading at a discount compared to other asset managers, but this is justified by its difficult regulatory environment.

Current Price

18.05 PLN

Upside

9M Target Price

21.20 PLN

+17.5%

	rating	target price	issued
unchanged	buy	21.20 PLN	2020-03-04

Key Metrics		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+24.5%
ISIN	PLSKRBH00014	YTD Price Chng	-5.0%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.1m
MC (PLN m)	123.1	ADTV 6M	PLN 0.1m
		P/E 12M fwd	7.2
Free Float	25.4%	P/E 5Y avg	5.9

Earnings Projections

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	6.3	4.0	9.5	6.9	7.5
P/B	1.2	1.2	1.1	1.2	1.1
ROE	19.3%	30.3%	12.0%	16.3%	15.3%
DPS	2.62	4.45	0.50	3.69	1.80
DYield	14.5%	24.6%	2.8%	20.5%	10.0%
Forecast Update (% change)			2019P	2020P	2021P
Management fees			0.0%	0.0%	0.0%
Success fees			0.0%	0.0%	0.0%
Revenue			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

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
Revenue	101.5	112.9	76.3	83.6	84.2
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
Operating expenses	-78.1	-75.0	-61.3	-62.7	-65.0
Other	0.9	0.9	1.0	1.0	1.1
Pre-tax income	24.3	38.8	16.0	21.9	20.3
Tax	-4.7	-7.6	-3.0	-4.2	-3.9
Net income	19.6	31.2	13.0	17.7	16.4
Retail AUM	4,414	3,457	2,974	3,421	3,589
Dedicated AUM	2,375	406	406	406	406
Total AUM	6,789	3,862	3,380	3,826	3,995

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%
Fair Value as of Jul. 2019	143	100%
PV Adjustment	20	
Fair Value	163	
Dilution (stock options)	-6	
Fair Value	158	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	23.11	
9M Target Price (PLN)	25.02	

Economic Profits Model

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

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%
9M Target Price (PLN)		21.20

Chemicals

Ciech

buy (no change)

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The impact of the coronavirus crisis on the European soda ash market will be fairly limited in our view. When it comes to demand, a likely slump in orders from the auto industry, which accounts for about 10% of total sales at Ciech, is expected to be offset by higher orders from the container glass industry and detergent producers, which, between them, consume nearly 40% of Europe's total soda ash supply. Accordingly, Ciech's 2020 sales will most likely remain unchanged from the year-ago levels, with any potential declines in revenues from the core business mitigated by higher sales prices (we assume a 4% y/y hike, adding PLN 59m to the segmental top line), and savings facilitated by reduced market prices of natural gas (-39%; +PLN 46m), coking coal (-9% y/y; +PLN 35m), and emission permits (-7% y/y; +PLN 6m). We do expect more significant negative effects on Ciech's resins business due to weaker demand, set to drop by a projected 15%, and we also see a 30% fall in orders for sodium silicate, resulting in respective year-on-year contraction of 38% and 36% in segmental EBITDA results. However the soda ash business will more than offset the declines, driving the consolidated FY2020E EBITDA 17% higher to PLN 678m, followed by another 9% increase in 2021. Free cash flow will most likely be negative in 2020, but this will not stop a projected reduction in the net debt/EBITDA ratio to 2.4x at the end of the year from 2.6x a year earlier. We maintain a buy rating for CIE.

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2021P
EBITDA, Soda Div.	540	488	632	646	648
EBITDA, Organic Div.	76	72	45	79	83
EBITDA, Silicates	34	40	26	41	40
EBITDA, Other	5	-34	-25	-25	-25
EBITDA/tonne, Soda	633	663	678	740	745
Operating cash flow	454	532	621	669	675
D&A	275	310	325	376	368
Working capital	-97	56	6	-6	-1
Investing cash flow	-627	-407	-699	-383	-323
CAPEX	595	385	699	383	323
Financing cash flow	-125	-17	-66	-277	-326
Dividends/Buyback	-395	0	0	-113	-165
FCF	-170	174	-78	286	353
FCF/EBITDA	-26%	30%	-12%	39%	47%
OCF/EBITDA	69%	92%	92%	90%	91%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Soda Price (\$/t)	258	258	258	258	258	258	258	258	258	258	258
Soda Price (PLN/t)	896.0	894.2	897.3	897.3	897.3	897.3	897.3	897.3	897.3	897.3	897.3
Soda vol (1000t)	1,700	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Revenue	3,233	3,556	3,633	3,664	3,687	3,701	3,716	3,731	3,747	3,763	3,783
EBITDA	678	740	745	736	724	711	700	688	676	663	652
EBITDA margin	21.0%	20.8%	20.5%	20.1%	19.6%	19.2%	18.8%	18.4%	18.0%	17.6%	17.2%
EBIT	353	364	377	369	363	358	336	318	300	284	270
Tax	63	65	68	68	67	67	62	59	55	52	50
CAPEX	-699	-383	-323	-334	-351	-364	-356	-367	-373	-379	-382
Working capital	6	-6	-1	-1	0	0	0	0	0	0	0
FCF	-78	286	353	334	305	280	281	262	247	232	221
PV FCF	-75	257	296	262	224	192	179	156	137	120	
WACC	6.6%	6.7%	6.8%	6.8%	6.9%	6.9%	7.0%	7.0%	7.0%	7.1%	7.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Current Price	37.80 PLN	Upside
9M Target Price	45.14 PLN	+19.4%

	rating	target price	issued
unchanged	buy	45.14 PLN	2020-04-14

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	+37.5%	+29.0%
ISIN	PLCIECH000018	YTD Price Chng	-4.8%	+17.4%
Outst. Stock (m)	52.7	ADTV 1M		PLN 3.1m
MC (PLN m)	1,992.1	ADTV 6M		PLN 2.4m
EV (PLN m)	3,480.8	EV/EBITDA 12M fwd	5.0	-13.4%
Free Float	33.0%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	3,579	3,673	3,549	3,233	3,556
EBITDA adj.	808	633	663	678	740
EBITDA margin	22.6%	17.2%	18.7%	21.0%	20.8%
EBIT adj.	564	358	353	353	364
Net income adj.	373	166	187	226	236
P/E adj.	5.3	12.0	10.7	8.8	8.4
P/B	0.9	1.0	1.0	0.9	0.9
EV/EBITDA adj.	3.5	5.5	5.2	5.3	4.8
DPS	0.00	7.50	0.00	0.00	2.14
DYield	0.0%	19.8%	0.0%	0.0%	5.7%
Forecast Update (% change)		2019	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%	

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	4,831	5,046	5,189	5,297	5,302
Fixed assets	3,559	3,734	4,109	4,118	4,074
Equity	1,970	1,978	2,204	2,327	2,411
Minority interests	0	-1	-1	-1	-1
Net debt	1,464	1,490	1,633	1,525	1,398
Net debt/EBITDA (x)	2.2	2.6	2.4	2.1	1.9
Net debt/Equity (x)	0.7	0.8	0.7	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.6	2.4	4.6	5.3	4.2
Maximum	40.0	43.9	15.8	10.3	11.2	9.5
Median	11.9	11.9	10.3	5.4	6.5	5.4
Weight	0%	25%	25%	0%	25%	25%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,748
Net debt	1,490
Other adj.	-202
Value per share (PLN)	43.68

Valuation Summary

(PLN)	Weight	Price
Relative Val.	20%	37.60
DCF Val.	80%	43.68
Implied Price		42.46
Cost of equity (9M)		6.3%
9M Target Price		45.14

Grupa Azoty hold (no change)

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The impact of the coronavirus crisis on the European fertilizer market will be fairly limited in our view, however the losses likely to be suffered in the sectors of chemicals and plastics will be substantial. For Azoty's Fertilizer business, the FY2020 prospects are boosted by low costs of gas, down by an estimated 40% from last year, combined with PLN 70-80m one-time state compensation for last year's strong rise in electricity costs, resulting in a 2% EBITDA rebound to a projected PLN 988m. The results from fertilizers could be even better had it not been for sales declines early in the year at annual rates of 4% nitrogen fertilizers and 5% multi-nutrient fertilizers. In Plastics, due to weaker demand, we anticipate sales falls of 25% y/y polyamide, 15% melamine, and 30% OXO alcohol and plasticizer this year, resulting in a segmental EBITDA loss of PLN 65m. At the same time, we expect EBITDA in the Chemicals segment to come in at PLN 98m. A potential negative catalyst for ATT in the medium term are drought warnings for Poland and a possible slump in fertilizer demand in the second half of the year. We maintain a hold rating for ATT.

Current Price

26.25 PLN

Upside

9M Target Price

28.42 PLN

+8.3%

	rating	target price	issued
unchanged	hold	28.42 PLN	2020-04-17

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	+28.0%	+19.6%
ISIN	PLZATRM00012	YTD Price Chng	-10.3%	+11.8%
Outst. Stock (m)	99.2	ADTV 1M		PLN 4.9m
MC (PLN m)	2,603.9	ADTV 6M		PLN 2.8m
EV (PLN m)	6,068.2	EV/EBITDA 12M fwd	5.5	-11.3%
Free Float	29.0%	EV/EBITDA 5Y avg	6.2	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	9,617	9,999	11,308	9,614	10,239
EBITDA adj.	1,262	805	1,496	1,211	960
EBITDA margin	13.1%	8.1%	13.2%	12.6%	9.4%
EBIT adj.	672	122	685	407	120
Net income adj.	550	43	431	211	-4
P/E adj.	4.7	61.1	6.0	12.3	-
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA adj.	2.8	6.8	4.1	5.7	8.5
DPS	0.79	1.20	0.00	0.00	0.00
DYield	3.0%	4.6%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Urea price (PLN/t)			0.0%	0.0%	0.0%
Ammonium Nitrate price (PLN/t)			0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%
Melamine (PLN/t)			0.0%	0.0%	0.0%
Polyamide 6 (PLN/t)			0.0%	0.0%	0.0%
Propylene (PLN/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Fertilizers	82	965	988	585	615
EBITDA, Plastics	192	66	-65	-11	38
EBITDA, Chemicals	282	208	98	119	132
EBITDA, Energy	94.0	102.3	105.8	169.5	187.5
EBITDA, Other	114	83	84	98	112
Operating cash flow	1,043	2,033	1,246	945	1,070
D&A	683	811	805	840	877
Working capital	155	636	72	-26	-17
Investing cash flow	-1,761	-1,186	-1,945	-2,071	-1,863
CAPEX	2,042	1,044	1,945	2,071	2,037
Financing cash flow	440	-923	71	1,015	835
Dividends/Buyback	-119	0	0	0	0
FCF	-1,158	883	-714	-1,128	-968
FCF/EBITDA	-151%	62%	-59%	-117%	-89%
OCF/EBITDA	136%	143%	103%	98%	99%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Urea price (PLN/t)	1,600	1,522	1,535	1,539	1,546	1,553	1,553	1,553	1,553	1,561	1,569
AN price (PLN/t)	1,320	1,263	1,276	1,280	1,287	1,294	1,294	1,294	1,294	1,300	1,307
NGas cost (PLN/m3)	560	696	830	830	830	830	830	830	830	830	830
Revenue	9,614	10,239	10,629	11,979	12,214	12,414	12,536	12,660	12,749	12,875	13,002
EBITDA	1,211	960	1,084	1,498	1,530	1,551	1,535	1,529	1,514	1,520	1,537
EBITDA margin	12.6%	9.4%	10.2%	12.5%	12.5%	12.5%	12.2%	12.1%	11.9%	11.8%	11.8%
EBIT	407	120	207	322	382	473	502	510	482	483	499
Tax	51	-9	-1	5	6	26	34	38	34	35	39
CAPEX	-1,945	-2,071	-2,037	-526	-765	-804	-862	-878	-917	-981	-1,038
Working capital	72	-26	-17	-57	-10	-8	-5	-5	-4	-5	-5
FCF	-714	-1,128	-968	909	749	713	633	608	559	500	0
PV FCF	-685	-1,024	-834	725	558	502	418	376	323	271	
WACC	6.3%	6.0%	5.8%	6.4%	6.5%	6.4%	6.4%	6.5%	6.5%	6.6%	6.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	14,160	15,479	15,497	16,805	17,954
Fixed assets	9,886	10,705	11,849	13,084	14,252
Equity	6,703	7,036	7,256	7,252	7,293
Minority interests	625	658	881	887	897
Net debt	2,226	2,807	3,435	4,696	5,829
Net debt/EBITDA (x)	2.9	2.0	2.8	4.9	5.4
Net debt/Equity (x)	0.3	0.4	0.5	0.6	0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	7.7	9.0	6.4	5.3	5.0	5.3
Maximum	29.3	36.5	14.5	9.6	9.2	8.2
Median	10.8	13.6	10.2	6.2	7.0	6.1
Weight	0%	50%	0%	0%	25%	25%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	6,055
Net debt	2,596
Other adjustments	-658
Value per share (PLN)	28.23

Valuation Summary

(PLN)	Weight	Price
Relative Val.	20%	20.71
DCF Val.	80%	28.23
Implied Price		26.73
Cost of equity (9M)		6.3%
9M Target Price		28.42

Mining JSW sell (no change)

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Global steel demand is set to slump dramatically in the coming months, led by reduced orders from the transport industry, which accounts for 25% of total demand, following plant closures by automakers like VW, PSA, Daimler, and BMW, alongside expected disruptions in construction (40% of total demand) during coronavirus quarantine measures. In response, steel suppliers are scaling down production through plant closures (Arcelor, Salzgitter, ThyssenKrupp) or stalled restarts of idled furnaces (Arcelor's Polish facility in Krakow is one example), signaling bearish prospects for the European steel industry and its supply chain, including coke producers like JSW, that might last at least through the first half of the year. Consequently, we recently cut our 2020 coal production forecast for JSW by 7% to 14.2mmt, indicating a 4% reduction from last year. We also currently expect that the Miner will have to mark its sales prices for coking coal down by about 5% relative to market rates, with the 2020 average selling price forecast at \$150/t. Amid weak demand from steel mills and power plants (Polish electricity consumption went down by about 10% in the time since the coronavirus outbreak), by December 2020 JSW's inventories will most likely end up higher at 2.5mmt. Using these assumptions, on estimated 2020 EBITDA of PLN 600m, we expect low OCF of PLN 100m and negative FCF in the amount of PLN 1.6bn, implying an ending net debt balance of PLN 390m. Possible negative short-term catalysts for JSW include weak first-quarter results and falling prices of coking coal. We maintain a sell rating for JSW.

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Total coal output (kt)	15,019	14,762	14,200	14,859	14,986
Coking coal (kt)	10,351	10,208	10,104	10,647	10,888
Coking coal (% of total)	69%	69%	71%	72%	73%
Thermal coal (kt)	4,668	4,554	4,096	4,212	4,098
Coke (kt)	3,559	3,170	2,500	3,200	3,400
Operating cash flow	2,856	1,538	96	1,616	1,203
D&A	766	1,034	1,095	1,135	1,194
Working capital	338	-162	-585	700	245
Investing cash flow	-1,582	-2,261	-1,700	-1,420	-1,400
CAPEX	1,248	2,181	1,700	1,420	1,400
Financing cash flow	-755	-180	-38	-43	-45
Dividends/Buyback	0	-201	0	0	0
FCF	1,754	-691	-1,583	234	-145
FCF/EBITDA (adj.)	57%	-38%	-264%	26%	-15%
OCF/EBITDA (adj.)	92%	84%	16%	179%	126%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Coking coal (\$/t)	143	155	155	155	155	155	155	155	155	155	155
Thrm coal (PLN/t)	263	250	247	247	247	247	247	247	247	247	247
Coke (\$/t)	930	884	884	884	884	884	884	884	884	884	884
Revenue	7,504	8,469	8,419	8,838	8,949	9,084	9,229	9,374	9,545	9,558	9,560
EBITDA	600	901	957	1,417	1,495	1,511	1,532	1,551	1,625	1,631	1,550
EBITDA margin	8.0%	10.6%	11.4%	16.0%	16.7%	16.6%	16.6%	16.5%	17.0%	17.1%	16.2%
EBIT	-495	-234	-237	185	54	58	117	198	280	260	150
Tax	-101	-53	-54	27	2	3	14	29	44	40	17
CAPEX	-1,700	-1,420	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400
Working capital	-585	700	245	129	14	22	28	30	34	2	-7
FCF	-1,583	234	-145	119	108	131	146	152	215	194	127
PV FCF	-1,499	204	-119	90	76	85	89	86	114	97	
WACC	7.6%	7.9%	7.4%	7.9%	7.7%	7.7%	7.7%	7.6%	7.5%	7.3%	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%

Current Price	13.31 PLN	Downside
9M Target Price	9.78 PLN	-26.5%

	rating	target price	issued
unchanged	sell	9.78 PLN	2020-03-27

Key Metrics	JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng +11.2% +2.8%
ISIN	PLJSW0000015	YTD Price Chng -37.7% -15.6%
Outst. Stock (m)	117.4	ADTV 1M PLN 14.0m
MC (PLN m)	1,562.7	ADTV 6M PLN 21.2m
EV (PLN m)	698.9	EV/EBITDA 12M fwd 3.2 +10.8%
Free Float	44.8%	EV/EBITDA 5Y avg 2.9 premium

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	8,877	9,810	8,672	7,504	8,469
EBITDA adj.	3,509	3,101	1,839	600	901
EBITDA margin	39.5%	31.6%	21.2%	8.0%	10.6%
EBIT adj.	2,684	2,335	806	-495	-234
Net income adj.	2,189	1,802	548	-452	-245
P/E adj.	0.7	0.9	2.9	-	-
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj.	0.0	-	0.4	3.9	2.4
DPS	0.00	0.00	1.71	0.00	0.00
DYield	0.0%	0.0%	12.8%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA (adj.)			0.0%	0.0%	0.0%
Net income (adj.)			0.0%	0.0%	0.0%
Coking Coal price (\$/t)			0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coke price (\$/t)			0.0%	0.0%	0.0%
Total coal output (kt)			0.0%	0.0%	0.0%
Coking coal (kt)			0.0%	0.0%	0.0%
Coke (kt)			0.0%	0.0%	0.0%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	13,763	14,926	14,072	14,159	13,893
Fixed assets	8,475	10,391	10,996	11,298	11,534
Equity	8,081	8,463	8,011	7,766	7,517
Minority interests	364	388	388	388	388
Net debt	-3,286	-1,252	390	236	478
Net debt/EBITDA (adj.)	-1.1	-0.7	0.6	0.3	0.5
Net debt/Equity (x)	-0.4	-0.1	0.0	0.0	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	1.2	1.8	1.5	0.3	0.4	0.2
Maximum	10.8	11.6	11.6	11.2	12.2	10.3
Median	4.0	4.6	4.5	2.9	3.6	3.1
Weight	0%	0%	0%	0%	25%	25%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	-777
Net debt	-1,252
Other adjustments	388
Value per share (PLN)	8.44

Valuation Summary

(PLN)	Weight	Price
Relative Val.	20%	12.20
DCF Val.	80%	8.44
Implied Price		9.20
Cost of equity (9M)		6.3%
9M Target Price		9.78

KGHM sell (downgraded)

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As copper inventories in exchange-monitored warehouses continue to climb (stocks have doubled since mid-January) amid curtailed business activity in Europe and the US (between them, the two regions account for about 20% of global copper consumption), prices in global markets are expected to stay low at least through the end of June. The 2020 estimated median unit cash cost of copper production is currently about \$3,860/t, but the cost to open pit mines, the dominant source of copper, might be closer to \$3,500 after falling 10% from last year, owing to lower costs of crude oil. KGHM is not a beneficiary of this, with its production costs determined largely by prices of electric power – at the current rates the Company is a third quartile producer on cash costs. Another factor affecting KGHM's earnings prospects is if silver markets decline further, underpinned by a slowing manufacturing activity (the manufacturing sector accounts for 40% of total silver consumption). We currently expect KGHM to post EBITDA contraction as high as 40% in 2020, including year-over-year declines in the results for the first quarter. We downgrade KGHM from reduce to sell, with the target price unchanged at PLN 46.83.

Current Price

74.00 PLN

Downside

9M Target Price

46.83 PLN

-36.7%

	rating	target price	issued
new	sell	46.83 PLN	2020-05-05
old	reduce	46.83 PLN	2020-03-24
Key Metrics			
	KGHM PW	1M Price Chng	+24.9% +16.5%
Ticker	PLKGHM000017	YTD Price Chng	-22.6% -0.4%
ISIN			
Outst. Stock (m)	200.0	ADTV 1M	PLN 58.1m
MC (PLN m)	14,800.0	ADTV 6M	PLN 57.0m
EV (PLN m)	21,749.0	EV/EBITDA 12M fwd	5.2 +10.5%
Free Float	63.2%	EV/EBITDA 5Y avg	4.7 premium

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	20,275	20,526	22,723	20,242	20,558
EBITDA adj.	5,753	4,972	5,229	3,227	3,235
EBITDA margin	28.4%	24.2%	23.0%	15.9%	15.7%
EBIT adj.	4,144	3,176	3,309	1,196	1,057
Net income adj.	1,792	1,888	2,230	600	485
P/E adj.	8.3	7.8	6.6	24.7	30.5
P/B	0.8	0.8	0.7	0.7	0.7
EV/EBITDA adj.	3.7	4.4	4.2	6.8	6.8
DPS	1.00	0.00	0.00	1.00	0.75
DYield	1.4%	0.0%	0.0%	1.4%	1.0%
Forecast Update (% change)		2019	2020P	2021P	
EBITDA adj.		0.0%	0.0%	0.0%	
Net income adj.		0.0%	0.0%	0.0%	
Copper price (\$/t)		0.0%	0.0%	0.0%	
Silver price (\$/oz)		0.0%	0.0%	0.0%	
Molybdenum price (\$/t)		0.0%	0.0%	0.0%	
Copper output (kt)		0.0%	0.0%	0.0%	
Silver output (t)		0.0%	0.0%	0.0%	
Molybdenum output (mmb)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Cu Output, PL (kt)	385	418	401	385	384
Cu Output, Int (kt)	79	77	75	77	77
Sierra Gorda (kt)	53	60	75	80	82
Ag output (tonnes)	1,205	1,417	1,433	1,390	1,390
Au output (ozt k)	174	220	207	210	212
Operating cash flow	3,826	5,048	2,814	2,824	3,620
D&A	1,796	1,920	2,031	2,178	2,152
Working capital	1,412	1,227	22	-3	-15
Investing cash flow	-3,539	-3,643	-2,544	-2,756	-2,349
CAPEX	3,541	3,336	2,544	2,756	2,349
Financing cash flow	84	-1,346	-357	-308	-403
Dividends/Buyback	0	0	-200	-151	-246
FCF	1,924	2,310	269	67	1,270
FCF/EBITDA	41%	51%	8%	2%	30%
OCF/EBITDA	77%	97%	87%	87%	84%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	37,237	39,409	39,149	39,575	41,106
Fixed assets	29,375	31,669	32,182	32,761	32,959
Equity	19,133	20,110	20,513	20,854	21,933
Minority interests	92	92	92	92	92
Net debt	6,992	6,857	6,945	7,186	6,319
Net debt/EBITDA (x)	1.5	1.5	2.1	2.2	1.5
Net debt/Equity (x)	0.4	0.3	0.3	0.3	0.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.1	3.4	3.1	0.6	0.6	0.5
Maximum	15.2	21.1	26.3	9.9	7.8	6.7
Median	7.6	7.2	7.2	3.5	4.0	4.0
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Copper price (\$/t)	5,000	5,800	6,350	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Silver (\$/oz)	15.0	16.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Molybdenum (\$/t)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Revenue	20,250	20,571	22,251	22,547	22,480	22,296	21,121	21,117	21,120	21,043	20,978
EBITDA	3,231	3,242	4,296	4,468	4,342	4,116	4,082	4,044	3,998	3,904	3,823
EBITDA margin	5.9%	5.2%	9.6%	10.4%	10.2%	9.3%	9.5%	9.3%	8.9%	9.3%	9.0%
EBIT	1,200	1,064	2,144	2,356	2,301	2,063	2,015	1,966	1,890	1,968	1,892
Tax	439	416	662	711	700	653	643	633	618	630	613
CAPEX	-2,544	-2,756	-2,349	-1,931	-1,963	-1,995	-2,027	-2,059	-2,091	-1,931	-1,931
Working capital	22	-3	-15	-3	1	2	10	0	0	1	1
FCF	269	67	1,270	1,824	1,680	1,469	1,422	1,352	1,289	1,345	1,280
PV FCF	257	61	1,065	1,425	1,224	999	899	794	703	676	
WACC	6.3%	6.2%	6.6%	6.8%	6.9%	6.9%	7.0%	7.1%	7.2%	7.3%	7.4%
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	8,102
Net debt	6,857
Other adjustments	90
Value per share (PLN)	50.56

Valuation Summary

(PLN)	Weight	Price
Relative Val.	20%	18.02
DCF Val.	80%	50.56
Implied Price		44.05
Cost of equity (9M)		6.3%
9M Target Price		46.83

Oil & Gas

Lotos

reduce (no change)

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Shares in Lotos logged a substantial rebound recently which we view as premature given the oil price slump and its irreversible fatal effects on the Company's value. The upstream business has been hit hardest by falling crude prices, and to reflect this in April we revised our average segmental FY2020-22 EBITDA projection downward by PLN 0.67bn after also factoring in relatively high unit production costs at ~\$19/boe. In the midst of an economic recession, while oil prices plummet, combined with a tightening diesel/HSFO pricing spread, profits from the new delayed coker might miss the mark (relatively high HSFO cracks, low geographic premium). Refining margins as well are set to come under increased downward pressure in the coming weeks due to a rising oversupply of middle distillates. In addition, due to planned capital investment, future FCF might turn negative. Finally, LTS stock is currently trading at a considerable premium to its local rival PKN Orlen (+18% on 2020-22E EV/EBITDA LIFO) even though its potential for positive surprise in a time of an epidemic-induced economic crisis is smaller. We maintain a reduce rating for LTS. Lotos's merger with PKN Orlen, expected to reach another milestone at the end of June, looking at how the deal is structured (with PKN set to buy 33% of LTS shares from the State Treasury, and attempt to acquire the remaining 66% through a tender offer), in our view does not present an opportunity for speculative buying.

Current Price

59.96 PLN

Downside

9M Target Price

59.22 PLN

-1.2%

	rating	target price	issued
unchanged	reduce	59.22 PLN	2020-04-07

Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+1.1%	-7.3%
ISIN	PLLOTOS00025	YTD Price Chng	-28.3%	-6.1%
Outst. Stock (m)	184.9	ADTV 1M		PLN 29.6m
MC (PLN m)	11,085.0	ADTV 6M		PLN 27.2m
EV (PLN m)	13,984.9	EV/EBITDA 12M fwd	5.4	-0.1%
Free Float	46.8%	EV/EBITDA 5Y avg	5.4	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	24,186	30,122	29,493	16,891	19,225
EBITDA	3,073	3,704	2,879	509	2,813
EBITDA margin	12.7%	12.3%	9.8%	3.0%	14.6%
EBIT	2,229	2,981	1,970	-502	1,776
Net income	1,672	1,587	1,153	-561	1,304
P/E	6.6	7.0	9.6	-	8.5
P/B	1.0	0.9	0.9	0.9	0.9
EV/EBITDA	4.4	3.5	4.9	26.3	4.8
DPS	1.00	1.00	3.00	2.00	3.00
DYield	1.7%	1.7%	5.0%	3.3%	5.0%
Forecast Update (% change)			2020P	2021P	2022P
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)	2018	2019	2020P	2021P	2022P
LIFO EBITDA (adj.)	3,126	2,861	2,277	2,351	2,727
Upstream (US)	917	630	142	284	666
Downstream (DS)	2,022	1,965	1,910	1,828	1,821
Retail	181	259	224	239	241
EV/ LIFO EBITDA (adj.)	4.3	5.1	6.1	5.9	5.1
LIFO effect	500	-141	-1,768	462	504
Other one-offs	78	159	0	0	0
Financing activity	-259	-278	-220	-201	-211
Crude thrghpt (mmt)	10.8	10.7	9.5	9.9	10.4
\$ LIFO EBITDA/bbl, DS	7.1	6.5	6.9	7.0	6.6
PLN EBITDA/tonne, Retail	144	156	140	140	140
\$ EBITDA/boe, US	34.1	21.7	5.0	12.8	24.5
US output (mboepd)	20.4	20.7	19.7	16.8	20.7
natural gas	11.5	10.9	9.9	7.3	5.3
crude oil	8.9	9.8	9.7	9.6	15.3

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	2,328	2,130	2,778	2,039	1,954
OCF/EBITDA LIFO adj.	74%	74%	122%	87%	72%
CAPEX	967	805	1,140	1,365	1,229
Working capital	4,816	5,523	3,397	3,897	4,883
Equity	12,035	12,715	11,848	12,642	13,550
Net debt	1,943	2,900	2,292	2,334	2,379
Net debt/EBITDA (x)	0.6	1.0	1.0	1.0	0.9

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	1.8	2.3	1.8	1.6	1.6	1.3
Maximum	57.2	97.1	14.8	9.1	10.5	9.4
Median	7.0	10.7	8.3	3.6	4.6	4.0
Weight	5%	20%	25%	5%	20%	25%

DCF Analysis (ex. Upstream)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	28P	+
Brent	30.0	40.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Margin+Urals/Brent	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/PLN	4.00	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	16,244	18,516	22,097	22,071	22,085	22,100	22,114	22,129	22,143	22,158	22,158
EBITDA	367	2,529	2,565	2,037	2,012	1,986	1,959	1,926	1,910	1,879	1,879
EBITDA margin	2.3%	13.7%	11.6%	9.2%	9.1%	9.0%	8.9%	8.7%	8.6%	8.5%	8.5%
EBIT	-419	1,716	1,750	1,195	1,253	1,212	1,169	1,121	1,088	1,040	1,040
Tax	-80	326	332	227	238	230	222	213	207	198	198
CAPEX	-737	-603	-625	-625	-625	-677	-677	-677	-677	-677	-839
Working capital	2,125	-500	-986	-102	12	11	8	10	8	6	6
FCF	1,835	1,101	622	1,083	1,161	1,090	1,068	1,046	1,034	1,010	848
PV FCF	1,730	960	502	806	797	689	622	562	512	461	
WACC	8.1%	8.1%	8.1%	8.3%	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	1.0%
PV FCF	12,803
Net debt	2,900
Petrobaltic	652
Value per share (PLN)	57.10

Valuation Summary

(PLN)	Weight	Price
Relative Val.	10%	43.22
DCF Val.	90%	57.10
Implied Price		55.71
Cost of equity (9M)		6.3%
9M Target Price		59.22

MOL hold (no change)

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After revising our view on energy prices this year, with average expected quotes cut by 36% for oil and 19% for natural gas, and after factoring in probable falls in refining and retail volumes in the wake of an expected recession, in April we lowered our target price for MOL and downgraded our call from accumulate to hold. The main driver of the downward revisions was the Upstream business, including through a reduction in the NPV of the recent acquisition of E&P assets in Azerbaijan, which according to our estimates cannot break even below \$60 Brent. The resulting average segmental FY2020-22 EBITDA projection came out HUF 190bn lower. As for the Downstream business, it should brace for a period of short-term pain before it can start to capitalize on cheap hydrocarbon days through low costs of refinery inputs, higher naphtha-ethane spreads and cracking margins on heavy oil products, slow adjustments of end-product sales prices to market rates, and a wider Urals-Brent pricing differential. Our current assumptions for Downstream include volume contraction at an annual rate of 10% in refining and 15% in petrochemicals in FY2020, accompanied by a 25% downturn in retail fuel sales at service stations in the next two months, combined with a 40% plunge in non-fuel sales margins. All told, in our base-case scenario MOL's CCS EBITDA would register a decrease to roughly HUF 450bn in FY2020. From a balance-sheet standpoint, MOL's low leverage gives it the liquidity needed to survive the worst of the impending crisis, but the net debt/EBITDA ratio might pass 3.0x at the end of the year (the pro-forma ratio assuming a full year of consolidation of Azerbaijan assets comes out at 2.8x). Furthermore, note that at the current level MOL is trading at a substantial premium on EV/CCS EBITDA to Poland's PKN Orlen.

Financial Highlights

(HUF bn)	2018	2019	2020P	2021P	2021P
LIFO EBITDA (adj.)	728	709	445	558	692
Upstream (US)	344	305	146	232	311
Downstream (DS)	183	169	142	169	197
Retail	115	137	125	145	149
Petchem	87	83	26	6	29
Gas Midstream	50	54	54	55	54
General expenses	-51	-40	-48	-49	-49
EV/LIFO EBITDA (adj.)	3.0	3.4	6.8	5.9	4.5
LIFO effect	19	-16	-79	27	22
Other one-offs	17	-8	0	0	0
Financing activity	-22	-18	-21	-13	-34
\$ LIFO EBITDA/bbl, DS	4.9	4.6	4.1	5.1	5.7
EBITDA/boe, US	34.8	28.0	11.9	19.9	27.4
Ref. thrghpt, mmt	19.2	17.5	15.7	16.5	17.3
Upstr output, mboepd	110.6	112.0	120.2	126.1	123.6

DCF Analysis (ex. Upstream)

(HUF bn)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Brent	30	40	50	50	50	50	50	50	50	50	50
Margin+Urals/Brent	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/HUF	302	272	272	272	272	272	272	272	272	272	272
Revenue	2,772	3,258	3,681	3,709	3,711	3,713	3,715	3,717	3,719	3,721	3,721
EBITDA	221	353	403	415	417	419	421	424	426	428	428
EBITDA margin	8.0%	10.8%	11.0%	11.2%	11.2%	11.3%	11.3%	11.4%	11.4%	11.5%	11.5%
EBIT	-2	105	152	166	174	174	172	169	166	163	205
Tax	8	30	42	46	49	48	48	47	46	45	39
CAPEX	-511	-366	-230	-223	-223	-223	-223	-223	-223	-223	-223
Working capital	95	-34	-30	-1	1	1	1	1	0	0	0
FCF	-203	-77	101	145	147	149	152	155	158	161	166
PV FCF	-194	-70	85	114	107	101	95	90	85	80	
WACC	6.4%	6.4%	6.6%	6.8%	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

2,032 HUF

Downside

9M Target Price

1,927 HUF

-5.2%

	rating	target price	issued
unchanged	hold	1,927 HUF	2020-03-31

Key Metrics	MOL HB	1M Price Chng	MOL HB	vs. WIG
Ticker	MOL HB		+7.8%	-0.6%
ISIN	HU0000153937	YTD Price Chng	-30.9%	-8.7%
Outst. Stock (m)	753.1	ADTV 1M		HUF 2,542.4m
MC (HUF m)	1,530,210.7	ADTV 6M		HUF 2,445.7m
EV (HUF m)	2,388,850.7	EV/EBITDA 12M fwd	4.7	+11.8%
Free Float	53.5%	EV/EBITDA 5Y avg	4.2	premium

Earnings Projections

(HUF bn)	2017	2018	2019	2020P	2021P
Revenue	4,130	5,169	5,267	2,985	3,511
EBITDA	673	764	685	366	585
EBITDA margin	16.3%	14.8%	13.0%	12.3%	16.7%
EBIT	354	353	294	-34	141
Net income	307	301	223	-13	121
P/E	5.0	5.1	6.9	-	12.7
P/B	0.9	0.8	0.7	0.7	0.7
EV/EBITDA	3.4	2.8	3.5	8.6	5.5
DPS	78.13	127.50	142.44	0.00	69.72
DYield	3.8%	6.3%	7.0%	0.0%	3.4%
Forecast Update (% change)			2020P	2021P	2022P
CCS EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

Key Balance Sheet Figures

(HUF bn)	2018	2019	2020P	2021P	2021P
Operating cash flow	596	704	498	545	643
OCF/EBITDA LIFO adj.	82%	99%	112%	98%	93%
CAPEX	380	596	1,178	543	406
Working capital	300	286	191	225	255
Equity	1,994	2,151	2,073	2,127	2,252
Net debt	314	559	1,324	1,403	1,270
Net debt/EBITDA (x)	0.4	0.8	3.0	2.5	1.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	0.8	2.1	1.6	1.4	1.5	1.2
Maximum	50.0	25.5	14.1	8.9	10.2	9.1
Median	7.7	7.4	6.9	3.4	3.9	3.4
Weight	5%	20%	25%	5%	20%	25%

DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,672
Net debt & adjustments	337
Upstream Valuation	42
Value per share (HUF)	1,931

Valuation Summary

(HUF)	Weight	Price
Relative Val.	10%	747
DCF Val.	90%	1,931
Implied Price		1,813
Cost of equity (9M)		6.3%
9M Target Price		1,927

PGNiG buy (no change)

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Gazprom has declared it is going to comply with the pricing conditions of the Yamal contract established by the final arbitration award, which means that, aside from retroactive adjustments with potential to boost per-share value by PLN 0.86, PGNiG can look forward to higher trading profits in the coming quarters (to reflect this in April we raised our average 2020-2022 EBITDA forecast for the Trading segment by PLN 0.8bn). The arbitration win effectively eliminates the underlying structural risk that had loomed over PGNiG's trading business for several years, allowing more transparency and clarity from the point of view of equity analysts. Even without the Gazprom money, PGNiG's net debt as a percentage of EBITDA is not likely to exceed 0.6x, indicating capacity to increase next year's distribution to shareholders (an expectation backed by a high equity stake of the Polish State and its strained budget in a crisis); alternatively, the extra cash could be allocated to acquisitions of value-enhancing gas-producing assets at a time of intensified divestment in the sector. Our outlook for PGNiG still assumes a rebound in gas prices next year, led by supply adjustments, improved winter demand, and fuel switching in the power industry, putting EBITDA back on a growth trajectory. In the short term, we might see a positive surprise in first-quarter earnings if higher-than-expected trading profits offset the slump in prices of hydrocarbons. We maintain a buy rating for PGN. Note that, while our FY2020 earnings estimates conservatively price in a PLN 0.6bn lockdown loss (receivables write-offs, 10% fall in distribution volumes), the actual operating figures for the first quarter indicate a less severe impact on gas demand.

Current Price	3.65 PLN	Upside
9M Target Price	4.44 PLN	+21.7%

	rating	target price	issued
unchanged	buy	4.44 PLN	2020-04-07

Key Metrics	PGN PW	PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	+6.4%
ISIN	PLPGNIG00014	YTD Price Chng	-15.7%
Outst. Stock (m)	5,778.3	ADTV 1M	+6.5%
MC (PLN m)	21,085.1	ADTV 6M	PLN 26.3m
EV (PLN m)	24,799.1	EV/EBITDA 12M fwd	PLN 24.8m
Free Float	28.1%	EV/EBITDA 5Y avg	3.7
			-22.4%
			4.8 discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	35,857	41,234	42,023	34,498	33,289
EBITDA	6,579	7,115	5,504	5,673	6,717
EBITDA margin	18.3%	17.3%	13.1%	16.4%	20.2%
EBIT	3,910	4,395	2,448	2,309	3,265
Net income	2,923	3,212	1,371	1,785	2,575
P/E	7.2	6.6	15.4	11.8	8.2
P/B	0.6	0.6	0.6	0.5	0.5
EV/EBITDA	3.3	2.9	4.5	4.3	3.5
DPS	0.20	0.07	0.11	0.09	0.12
DYield	5.5%	1.9%	3.0%	2.6%	3.4%
Forecast Update (% change)			2020P	2021P	2022P
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)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	7,511	6,079	5,359	6,538	7,251
EBITDA	7,115	5,504	5,673	6,717	7,332
Mining	5,019	3,360	1,561	2,682	3,541
Trade	-848	-470	1,509	1,013	830
Distribution	2,385	1,995	1,765	2,033	2,094
Heat & Power	788	856	1,105	1,265	1,151
Other	-229	-237	-267	-275	-284
Financing activity	107	-289	-228	29	-12
Crude output, mmt	1.41	1.21	1.36	1.55	1.47
domestic	0.82	0.77	0.75	0.73	0.73
international	0.59	0.44	0.61	0.82	0.74
NatGas output, bn m3	4.5	4.5	4.7	5.3	5.4
domestic	3.8	3.8	3.8	4.0	4.0
international	0.7	0.7	0.9	1.3	1.4
Trade mrgn, PLN/MWh	-6.6	-4.5	7.1	4.9	3.5

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	28P	+
Brent	30.0	40.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
EU NatGas	8.5	11.8	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
USD/PLN	4.00	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	34,498	33,289	36,918	37,202	35,087	35,572	35,807	36,086	36,132	36,174	36,174
EBITDA	5,105	6,318	6,946	6,499	6,881	7,084	7,172	7,270	7,116	7,010	7,010
EBITDA margin	14.8%	19.0%	18.8%	17.5%	19.6%	19.9%	20.0%	20.1%	19.7%	19.4%	19.4%
EBIT	2,309	3,265	3,845	3,287	3,009	3,143	3,139	3,114	2,845	3,391	2,636
Tax	296	720	954	802	528	599	622	646	610	907	552
CAPEX	-5,071	-4,489	-5,110	-5,153	-4,600	-4,644	-4,508	-4,508	-4,460	-4,374	-4,374
Working capital	1,547	158	-475	-37	277	-63	-31	-36	-6	-5	-5
FCF	1,285	1,268	407	508	2,030	1,778	2,011	2,080	2,040	1,724	2,079
PV FCF	1,208	1,097	324	373	1,374	1,111	1,160	1,108	1,004	784	
WACC	8.6%	8.7%	8.6%	8.5%	8.5%	8.4%	8.3%	8.3%	8.2%	8.2%	8.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	5,814	4,938	6,233	5,889	5,615
OCF/EBITDA	82%	90%	110%	88%	77%
CAPEX	4,534	6,069	5,071	4,489	5,110
Working capital	5,358	6,059	4,512	4,353	4,828
Equity	36,634	38,108	39,345	41,206	42,797
Net debt	-223	3,715	3,206	2,623	3,515
Net debt/EBITDA (x)	0.0	0.7	0.6	0.4	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.1	2.1	1.6	2.5	2.4	2.1
Maximum	14.8	39.2	15.0	12.6	13.4	11.8
Median	9.9	14.5	11.2	5.3	5.8	5.6
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	24,836
Net debt	5,554
Other adjustments	-7
Value per share (PLN)	3.34

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	7%	4.51
Relative (DYield)	3%	1.48
DCF	90%	3.34
Cost of equity (9M)		6.7%
9M Target Price		4.44

PKN Orlen hold (downgraded)

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Upstream represents a marginal portion of PKN's overall portfolio, hence after cutting average price expectations for 2020-2022 by 19% gas and 36% oil, not counting LIFO effects (~PLN -3bn), we see the Downstream segment as providing structural support through lower costs of feedstock, higher profits from CCGT, the naphtha/ethane spread, cracking margins on heavy refining products, Anwil's profits, slow crude price pass-through to end-petrol consumers, and regained competitive edge over US refiners. This would make PKN a major beneficiary of the oil slump. Nevertheless, with its share price boosted by about 20% since our last recommendation on 23 March, PKN stock is currently a hold. The stock has nearly closed the gap between current valuation at 4.9x EV/EBITDA and a 5-year average of 5.3x. In the months ahead, we see downward pressure on sales volumes looking at a rising global inventory of petroleum products. After what are expected to be very strong first-quarter results, the market is likely to start discounting weaker refinery profits and a slump in fuel station sales in the second quarter. Over a medium term horizon, however, there is no more compelling bet than PKN in our view. Our current models for PKN require an update (which we hope to bring to you asap) to include the 30 April acquisition of the listed power generator Energa, which in our view can create meaningful value provided the utility is allowed to drop the "Ostrołęka C" coal-fired power plant project and is not forced to make a cash bailout to the ailing state coal miner PGG.

Current Price

59.52 PLN

Downside

9M Target Price

58.61 PLN

-1.5%

	rating	target price	issued
new	hold	58.61 PLN	2020-05-05
old	accumulate	58.61 PLN	2020-03-23
Key Metrics		PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-2.2%
ISIN	PLPKN0000018	YTD Price Chng	-30.6%
Outst. Stock (m)	427.7	ADTV 1M	PLN 118.4m
MC (PLN m)	25,457.2	ADTV 6M	PLN 100.3m
EV (PLN m)	31,914.2	EV/EBITDA 12M fwd	4.5
Free Float	67.6%	EV/EBITDA 5Y avg	5.2 discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	95,364	109,706	111,203	54,524	66,177
EBITDA	11,078	9,888	8,862	3,921	7,764
EBITDA margin	11.6%	9.0%	8.0%	7.2%	11.7%
EBIT	8,657	7,215	5,365	148	3,810
Net income	6,655	5,556	4,300	-46	2,923
P/E	3.8	4.6	5.9	-	8.7
P/B	0.8	0.7	0.7	0.7	0.7
EV/EBITDA	2.6	3.1	3.6	7.9	4.3
DPS	3.00	3.00	3.50	3.00	3.00
DYield	5.0%	5.0%	5.9%	5.0%	5.0%
Forecast Update (% change)		2020P	2021P	2022P	
LIFO EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Margin+Urals/Brent price differ. (\$/b)		0.0%	0.0%	0.0%	
Petchem margin (\$/t)		0.0%	0.0%	0.0%	
USD/PLN		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
LIFO EBITDA (adj.)	8,392	9,375	7,077	6,939	7,287
Downstream(DS)	3,764	3,792	2,445	2,608	2,945
Petchem	2,103	2,428	1,937	1,463	1,614
Retail	2,781	3,067	2,814	2,993	3,037
Upstream	305	331	80	165	267
Electricity	188	599	782	789	536
General expenses	-749	-842	-981	-1,079	-1,111
EV/LIFO EBITDA (adj.)	3.8	3.5	4.5	4.9	4.9
LIFO effect	860	-148	-3,156	825	900
Other one-offs	636	-365	0	0	0
Financing activity	-104	-11	-203	-199	-254
\$ LIFO EBITDA/bbl, DS	4.3	4.0	2.8	3.2	3.4
PLN EBITDA/tonne, Retail	294	312	310	307	308
Refinery thrghpt (mmt)	33.4	33.9	29.8	31.3	32.9
Petchem output (kt)	3,616	3,781	3,781	3,781	3,781

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin+Urals/Brent	6.3	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	359	323	296	306	306	306	306	306	306	306	305.9
USD/PLN	3.84	4.00	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	54,524	66,177	82,438	82,937	83,299	83,624	83,925	84,222	84,523	84,827	84,827
EBITDA	3,921	7,764	8,187	7,693	8,051	8,080	8,101	8,120	8,133	8,146	8,146
EBITDA margin	7.2%	11.7%	9.9%	9.3%	9.7%	9.7%	9.7%	9.6%	9.6%	9.6%	9.6%
EBIT	148	3,810	3,744	3,018	3,648	3,703	3,703	3,681	3,615	3,519	3,446
Tax	28	724	711	573	693	704	704	699	687	669	655
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	5,186	-1,669	-1,882	-326	-149	-42	-39	-38	-39	-39	-39
FCF	2,404	-704	-381	1,719	2,509	2,635	2,658	2,682	2,707	2,738	2,752
PV FCF	2,268	-616	-310	1,296	1,752	1,703	1,591	1,486	1,389	1,300	
WACC	8.0%	7.8%	7.7%	7.7%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	4,980	9,319	9,118	5,410	5,642
OCF/EBITDA LIFO adj.	59%	99%	129%	78%	77%
CAPEX	4,454	4,450	6,675	6,075	5,975
Working capital	11,144	9,611	4,425	6,094	7,976
Equity	35,727	38,596	37,268	38,910	40,422
Net debt	5,599	6,446	5,490	7,637	9,539
Net debt/EBITDA (x)	0.6	0.7	1.4	1.0	1.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.2	4.4	4.2	1.4	1.5	1.5
Maximum	46.1	13.7	11.8	13.1	14.4	12.8
Median	7.3	6.8	6.0	3.9	4.2	3.8
Weight	5%	20%	25%	5%	20%	25%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	30,490
Net debt	6,446
Other adjustments	0
Value per share (PLN)	56.22

Valuation Summary

(PLN)	Weight	Price
Relative Val.	10%	45.40
DCF Val.	90%	56.22
Implied Price		55.13
Cost of equity (9M)		6.3%
9M Target Price		58.61

Power Utilities

CEZ

accumualte (downgraded)

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CEZ has recouped a good chunk of coronavirus-related losses, but we still see upside potential in the Czech utility. Prospects for energy and emissions markets have obviously worsened, but from an EBITDA standpoint they are not likely to start bearing until 2021 (hedging effects); this year, the assumed earnings setback will come from receivables write-offs in a projected amount of CZK 1.5bn. On the updated estimates, after factoring in the decline in our relative valuation result, we lower our target price for CEZ to CZK 527.86, and we downgrade the stock to accumulate. We see CEZ as undervalued at the current EV/EBITDA levels considering its relatively low carbon emissions, plans put into motion to further reduce pollution, and the fact that the Company generates more than 50% of annual EBITDA from sustainable activities. Dividends are another of CEZ's strong suits, with regular yearly yields well above the Stoxx Utilities average and the risk-free rate. Further, 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, which has also provided reassurance recently that the planned nuclear energy push will not harm CEZ's interests. CEZ is expected to grow EBITDA again in 2020, supported by price hedging and an increased generator output. In 2021, earnings might contract after a reduction in the WACC used to calculate the value of regulatory assets, a decline in volumes after coal plant closures, and tightened clean-dark spreads. Other potential drivers, not currently factored into our models, include larger-than-expected volumes from nuclear and solar power plants, and planned efficiency measures.

Financial Highlights

(CZK m)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	50,164	61,605	63,772	57,884	53,957
EBITDA	49,664	60,305	63,772	57,884	53,957
Generation	19,627	29,576	33,213	27,030	23,207
Mining	4,530	5,021	4,457	3,893	3,125
Distribution	19,946	20,588	21,011	19,391	19,689
Trade	4,280	3,748	3,650	6,227	6,646
Other	1,281	1,372	1,442	1,343	1,291
Financing activity	-6,242	-8,018	-7,627	-9,229	-10,076
Power output, TWh	63.1	64.6	66.7	64.6	62.1
Renewables	4.3	5.0	5.1	5.1	5.1
Trade volume, TWh	37.6	37.9	38.2	38.5	38.8
YoY pct. change	1.6%	0.8%	0.8%	0.8%	0.8%
Trade mrgn (CZK/MWh)	113.7	98.8	95.5	161.7	171.3
RAV (CZK bn)	117.8	121.1	126.5	134.7	142.4
RAV return (EBIT)	11.1%	9.2%	11.3%	9.2%	8.8%

DCF Analysis

(CZK m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	28P	+
Power (EUR/MWh)	32.4	35.9	41.1	42.8	44.5	44.5	44.5	44.5	44.5	44.5	44.5
EUR/CZK	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
CO2 (EUR/t)	18.0	18.0	20.0	22.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	222,619	217,213	217,452	225,813	231,189	235,055	237,437	240,553	243,789	247,157	247,157
EBITDA	68,003	62,221	58,403	61,626	62,911	63,382	63,556	64,286	64,787	65,540	65,540
EBITDA margin	30.5%	28.6%	26.9%	27.3%	27.2%	27.0%	26.8%	26.7%	26.6%	26.5%	26.5%
EBIT	35,543	29,156	25,258	27,826	30,261	30,628	30,436	30,577	30,282	29,932	29,139
Tax	6,753	5,539	4,797	5,284	5,746	5,814	5,777	5,803	5,746	5,678	5,536
CAPEX	-35,163	-34,500	-34,500	-33,999	-34,545	-35,138	-35,759	-36,401	-37,057	-37,721	-36,401
Working capital	-587	193	-9	-299	-192	-138	-85	-111	-116	-120	-116
FCF	25,500	22,375	19,097	22,044	22,429	22,292	21,935	21,971	21,869	22,021	23,487
PV FCF	24,575	20,411	16,495	18,024	17,357	16,329	15,209	14,423	13,593	12,960	0
WACC	5.7%	5.6%	5.6%	5.6%	5.7%	5.6%	5.6%	5.6%	5.6%	5.6%	6.3%
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%

Current Price

451.00 CZK

Upside

9M Target Price

527.86 CZK

+17.0%

	rating	target price	issued
new	accumulate	527.86 CZK	2020-05-05
old	buy	592.91 CZK	2020-02-20
Key Metrics			
Ticker	CEZ CP	1M Price Chng	+11.1% +2.7%
ISIN	CZ0005112300	YTD Price Chng	-11.5% +10.7%
Outst. Stock (m)	538.0	ADTV 1M	CZK 143.7m
MC (CZK bn)	242.6	ADTV 6M	CZK 154.9m
EV (CZK bn)	407.2	EV/EBITDA 12M fwd	6.5 -8.0%
Free Float	30.2%	EV/EBITDA 5Y avg	7.1 discount

Earnings Projections

(CZK m)	2017	2018	2019	2020P	2021P
Revenue	205,092	184,486	206,192	222,619	217,213
EBITDA	55,155	49,664	60,305	63,772	57,884
EBITDA margin	26.9%	26.9%	29.2%	28.6%	26.6%
EBIT	25,620	19,759	26,429	35,543	29,156
Net income	18,765	10,327	14,373	21,761	15,534
P/E	12.9	23.5	16.9	11.1	15.6
P/B	1.0	1.0	1.0	1.0	1.0
EV/EBITDA	7.0	8.0	6.8	6.4	7.1
DPS	33.00	32.71	23.86	34.00	36.40
DYield	7.3%	7.3%	5.3%	7.5%	8.1%
Forecast Update (% change)					
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (EUR/MWh)			0.0%	0.0%	0.0%
EUR/CZK			0.0%	0.0%	0.0%
CO2 (EUR/t)			0.0%	0.0%	0.0%

Key Balance Sheet Figures

(CZK m)	2018	2019	2020P	2021P	2022P
Operating cash flow	35,351	42,931	59,651	56,400	53,428
OCF/EBITDA	71%	71%	94%	97%	99%
CAPEX	26,018	29,802	35,163	34,500	34,500
Working capital	112,247	70,553	76,174	74,324	74,406
Equity	234,721	250,761	254,232	250,182	248,036
Net debt	151,721	159,987	159,806	165,099	168,609
Net debt/EBITDA (x)	3.1	2.7	2.5	2.9	3.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19	20P	21P	19	20P	21P
Minimum	8.9	10.9	11.2	4.4	4.7	4.7
Maximum	29.4	28.3	27.9	14.3	13.6	13.5
Median	15.2	14.8	13.4	10.6	9.3	8.6
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	488,339
Net debt	159,987
Other adjustments	-60,015
Value per share (CZK)	498.78

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	504.70
Relative (DYield)	17%	494.20
DCF	50%	498.78
Cost of equity (9M)		5.6%
9M Target Price		527.86

PGE

suspended (no change)

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We updated our outlook on PGE in April to reflect rapidly-changing economic circumstances, which prompted us to lower the average EBITDA forecast for FY2020-22 by 9% to reflect likely declines in power volumes and clean-dark spreads, weaker demand for heat, receivables write-offs, and reduced WACC for RAV calculations. Even after the downward revisions, our current full-year earnings expectations for PGE sit 6% higher on average than the consensus expectations. At today's low share price level, they also imply a low 2021E EV/EBITDA ratio of 2.3x vs. 3.1x based on 2020E earnings. Our belief in an upward earnings momentum in the coming years is based on next year's launch of capacity payments (ca. PLN 2.3bn net after the discontinuation of existing mechanisms), combined with expectations of heating demand going back to normal in the winter, increasing load factors of lignite-based generators, new capacity, and higher trading margins. We also see PGE as generating stronger cash flow going forward thanks to lower CAPEX, higher profits, and EUA and compensation payments, on top of low leverage at 1.3x EBITDA. That being said, because of lingering uncertainty stemming from three key unresolved issues: 1) the nuclear project 2) restructuring, and 3) investment in a new lignite mine, we opt not to issue investment recommendations for PGE until further notice.

Current Price

3.99 PLN

9M Target Price

-

	rating	target price	issued
unchanged	suspended		2020-04-27

Key Metrics	PGE PW		PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-1.4%	-9.8%
ISIN	PLPGER000010	YTD Price Chng	-49.8%	-27.7%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 20.5m
MC (PLN m)	7,467.9	ADTV 6M		PLN 17.4m
EV (PLN m)	19,310.9	EV/EBITDA 12M fwd	3.1	-30.3%
Free Float	42.6%	EV/EBITDA 5Y avg	4.4	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	23,100	25,946	37,627	41,772	40,002
EBITDA	7,650	6,375	7,141	6,349	8,351
EBITDA margin	33.1%	24.6%	19.0%	15.2%	20.9%
EBIT	3,552	2,482	-4,175	2,225	3,885
Net income	2,600	1,498	-3,961	1,380	2,864
P/E	2.9	5.0	-	5.4	2.6
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	2.1	2.8	2.7	3.1	2.3
DPS	0.00	0.00	0.00	0.00	0.18
DYield	0.0%	0.0%	0.0%	0.0%	4.6%
Forecast Update (% change)			2020P	2021P	2022P
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)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	6,973	6,711	6,483	8,351	8,162
EBITDA	2,262	2,698	2,439	3,524	3,347
Generation	982	926	1,079	1,244	1,092
Renewables	463	519	485	723	722
Distribution	2,503	2,340	2,340	2,270	2,332
Trade	494	256	420	541	621
Other	269	-28	-279	49	48
Financing activity	-290	-528	-525	-352	-427
Power output, TWh	65.9	58.3	62.2	68.9	70.5
Renewables	2.1	2.7	2.9	2.9	2.9
Trade volume, TWh	42.6	44.0	42.2	43.9	44.3
YoY pct. change	6.4%	3.4%	-4.0%	4.0%	0.8%
Trade mrgn (PLN/MWh)	5.3	6.4	6.8	12.3	14.0
RAV (PLN bn)	16.4	16.9	17.6	18.2	18.7
RAV return (EBIT)	7.8%	6.5%	6.3%	5.5%	5.6%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	5,102	6,820	7,011	7,945	7,600
OCF/EBITDA	73%	102%	108%	95%	93%
CAPEX	6,393	6,907	6,685	6,659	6,486
Working capital	5,290	7,818	6,833	6,568	6,531
Equity	46,727	42,289	43,726	46,302	48,198
Net debt	9,427	10,995	11,137	10,492	10,464
Net debt/EBITDA (x)	1.5	1.5	1.8	1.3	1.3

Tauron suspended (reiterated)

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We decided to revise our average 2020-2022 EBITDA forecast for Tauron by 9% to reflect worsened prospects for energy and emissions prices and expectations of volume contraction due to the coronavirus epidemic and a delayed opening of new capacity. We also currently expect Tauron to have to write off a portion of customer receivables this year (PLN 77m), and to suffer losses on trading activity due to lower-than-budgeted power supply to end users. Otherwise, trading activity will most likely generate higher profits this year than last (commercial customers, balancing of power purchased but not produced by the delayed new generator). In 2021, we are anticipating reduced regulatory pressures and higher margins on household power supply. The capacity payments that kick off next year according to our calculations might add about PLN 0.4bn to the yearly EBITDA of Tauron's Generation business, on top of contributions from the new generator. In the Distribution business, reduced WACC might affect the regulator's valuation of distribution assets. Tauron is set to improve free cash flow consistently from year to year starting from 2021, but this year it continues to incur expenditures on the delayed generator (PLN 0.8bn shifted from 2019), indicating an increase in net debt to PLN 13.8bn by the end of December, with the implied net debt/EBITDA ratio rising to a projected 3.4x. We have suspended ratings for Tauron pending the announcement of Poland's updated energy strategy through 2040 and a decision on the Company's involvement in a potential PGG bailout.

Current Price

1.14 PLN

9M Target Price

-

	rating	target price	issued
new	suspended		2020-05-05
old	suspended		2020-02-27
Key Metrics		TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-2.1%
ISIN	PLTAURN00011	YTD Price Chng	-30.7%
Outst. Stock (m)	1,752.5	ADTV 1M	PLN 8.9m
MC (PLN m)	1,990.9	ADTV 6M	PLN 8.0m
EV (PLN m)	15,967.7	EV/EBITDA 12M fwd	4.3
Free Float	59.6%	EV/EBITDA 5Y avg	4.6 discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	17,425	18,122	20,511	20,708	19,886
EBITDA	3,618	3,492	3,597	3,542	3,865
EBITDA margin	20.8%	19.3%	17.5%	17.1%	19.4%
EBIT	1,879	791	295	1,392	1,597
Net income	1,381	205	-11	660	1,205
P/E	1.4	9.7	-	3.0	1.7
P/B	0.1	0.1	0.1	0.1	0.1
EV/EBITDA	3.0	3.5	4.4	4.8	4.2
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			-9.3%	-9.2%	-8.1%
Net income			-39.4%	-11.5%	-20.3%
Price of electricity (PLN/MWh)			-0.1%	-11.9%	-13.8%
Price of coal (PLN/t)			0.0%	-9.0%	-9.0%
Price of CO2 allowance (EUR/t)			-25.0%	-25.0%	-16.7%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	3,476	3,352	3,542	3,865	4,105
EBITDA	3,492	3,597	3,542	3,865	4,105
Generation	731	984	797	1,233	1,168
Mining	-90	-500	-344	-315	-94
Distribution	2,466	2,606	2,567	2,445	2,519
Trade	372	429	486	460	467
Other	13	81	35	42	45
Financing activity	-286	-311	-577	-110	-325
Power output, TWh	16.2	13.9	13.4	17.5	17.5
Renewables	1.0	1.4	1.8	1.8	1.8
Trade volume, TWh	34.5	33.7	32.4	32.8	33.3
YoY pct. change	-1.2%	-2.3%	-4.0%	1.5%	1.5%
Trade mrgn (PLN/MWh)	10.8	11.6	14.0	14.0	14.0
RAV (PLN bn)	16.9	17.5	18.0	18.3	18.7
RAV return (EBIT)	8.2%	8.2%	7.6%	6.6%	6.5%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	2,223	2,036	3,525	3,637	3,814
OCF/EBITDA	64%	57%	100%	94%	93%
CAPEX	3,742	4,035	3,895	2,780	2,673
Working capital	817	1,370	1,383	1,328	1,335
Equity	18,296	18,192	18,853	20,057	21,263
Net debt	10,140	13,076	14,022	13,275	12,459
Net debt/EBITDA (x)	2.5	3.1	3.4	2.9	2.6

Telecoms

Cyfrowy Polsat

hold (no change)

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Stocks in Cyfrowy Polsat underperformed the broad WIG benchmark by 6.6% over the past month despite their ostensibly defensive nature as a telecom, and this is in line with our contrarian view on the equity's potential for returns vs. OPL and PLY. We updated our outlook for the telecoms sector in April to reflect a range of key risks including increased network traffic, potential customer losses, weaker sales of electronics due to low demand exacerbated by quarantine store closures, and reduced use of international roaming. As for Cyfrowy's media business, prone to greater volatility, the main risk here is a likely fall from Q2 2020 in advertising expenditures as businesses cut back costs amid an economic crisis. To sum up, despite currently having an overweight view on the telecoms sector, our stance on Cyfrowy remains neutral. The Company offers high FCFE yields and dividends, but at the current level on EV/EBITDA it is already trading at premiums to comparable equity. Meanwhile Cyfrowy might be facing a severe downturn in advertising revenues (ads account for about 15% of annual EBITDA depending on how it deploys the online ad potential of the just-acquired Web portal interia.pl).

Current Price

24.80 PLN

Downside

9M Target Price

24.10 PLN

-2.8%

	rating	target price	issued
unchanged	hold	24.10 PLN	2020-04-01

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+1.8%	-6.6%
ISIN	PLCFRPT00013	YTD Price Chng	-11.2%	+10.9%
Outst. Stock (m)	639.5	ADTV 1M		PLN 17.3m
MC (PLN m)	15,860.7	ADTV 6M		PLN 15.1m
EV (PLN m)	28,721.2	EV/EBITDA 12M fwd	6.6	-2.1%
Free Float	33.5%	EV/EBITDA 5Y avg	6.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,829	10,686	11,676	11,376	11,661
EBITDA	3,617	3,698	4,197	4,026	4,234
EBITDA margin	36.8%	34.6%	35.9%	35.4%	36.3%
EBIT	1,834	1,727	1,967	1,850	2,156
Net income	981	834	1,101	1,221	1,490
P/E	16.2	19.0	14.4	13.0	10.6
P/B	1.3	1.2	1.1	1.1	1.0
EV/EBITDA	7.3	7.2	6.8	7.1	6.5
DPS	0.32	0.00	0.93	0.93	0.93
DYield	1.3%	0.0%	3.8%	3.8%	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)	2018	2019P	2020P	2021P	2022P
RGUs pospaid	16.91	17.43	17.57	17.66	17.72
incl. Pay TV	5.10	5.01	4.97	4.96	4.96
incl. mobile	7.35	7.83	7.98	8.05	8.09
Sales	10,686	11,676	11,376	11,661	12,002
YoY		9.3%	-2.6%	2.5%	2.9%
EBIT	1,727	1,967	1,850	2,156	2,365
margin	16.2%	16.8%	16.3%	18.5%	19.7%
EBITDA	3,698	4,197	4,026	4,234	4,353
margin	34.6%	35.9%	35.4%	36.3%	36.3%
Financial costs, net	-387	-466	-379	-352	-363
Other	-34	-34	57	57	57
PBT	1,306	1,468	1,527	1,861	2,059
Tax	-490	-353	-290	-354	-391
Minorities	-18	14	16	18	19
Net income	834	1,101	1,221	1,490	1,649

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	2,915	3,087	3,081	3,172	3,303
OCF/EBITDA	79%	74%	77%	75%	76%
CAPEX	-928	-1,232	-1,963	-1,308	-2,303
Assets	30,697	32,590	33,141	34,140	35,101
Equity	13,227	13,811	14,438	15,332	16,171
Net debt ex. IFRS16	10,092	10,792	10,648	9,731	9,904
Net debt/EBITDA ex. IFRS16	2.7	2.9	3.0	2.6	2.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	5.0	4.4	4.3	2.9	2.7	2.4
Maximum	36.4	81.6	51.2	15.4	11.3	11.4
Median	10.7	10.6	9.8	5.6	5.4	5.1
Weight	0%	0%	0%	33%	33%	33%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	11,376	11,661	12,002	12,198	12,385	12,574	12,769	12,969	13,171	13,348	13,348
EBITDA	3,551	3,759	3,878	3,929	3,975	4,018	4,059	4,101	4,143	4,170	4,170
EBITDA margin	31.2%	32.2%	32.3%	32.2%	32.1%	32.0%	31.8%	31.6%	31.5%	31.2%	31.2%
D&A	1,701	1,603	1,513	1,446	1,403	1,370	1,337	1,404	1,411	1,416	1,416
EBIT	1,850	2,156	2,365	2,484	2,572	2,647	2,722	2,697	2,732	2,754	2,754
Tax	351	410	449	472	489	503	517	512	519	523	523
NOPLAT	1,498	1,747	1,916	2,012	2,084	2,144	2,205	2,185	2,213	2,231	2,231
CAPEX	-1,963	-1,308	-2,303	-2,639	-1,645	-1,370	-1,959	-1,390	-1,411	-1,429	-1,429
Working capital	-237	-290	-241	-205	-194	-197	-201	-205	-208	-206	-206
FCF	1,000	1,751	885	613	1,647	1,947	1,382	1,994	2,005	2,012	2,012
PV FCF	954	1,567	743	483	1,217	1,350	898	1,214	1,142	1,072	
WACC	6.5%	6.6%	6.6%	6.5%	6.6%	6.7%	6.7%	6.7%	6.8%	6.9%	6.9%
Net debt / EV	41.1%	39.0%	39.4%	40.7%	39.8%	38.2%	38.0%	36.3%	34.3%	32.2%	32.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

*Cyfrowy Polsat only (without Netia)

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	26,316
Net debt ex. IFRS16	10,792
Other adjustments	653
Value per share (PLN)	24.96

Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	18.05
DCF Val.	67%	24.96
Implied Price		22.66
Cost of equity (9M)		6.4%
9M Target Price		24.10

Netia accumulate (upgraded)

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The coronavirus crisis is having a negligible impact on Netia, whose core product that is broadband internet access is proving to be a staple of life and business in a lockdown world. Netia is still able to reach potential customers via remote channels, and its biggest challenge at the moment is physical installation of connections under social distancing orders. This might result in reduced sales from new customers, but a lower churn rate for existing subscribers should compensate in the medium term. Netia is also not too greatly affected by the zloty's depreciation versus other currencies with its bank debt denominated in the Polish currency, except for a potential rise in costs of planned investment denominated in foreign currencies. We are raising our FY2020 EBITDA estimate for Netia by 1.9%, and on the updated estimates we set our new target price at PLN 4.40 per share, indicating 12.5% upside potential and mandating an upgrade from hold to accumulate. Our current positive view despite a lack of dividends is backed by NET's attractive valuation at 4.2x 2020E EV/EBITDA, expectations of earnings stabilization after years of declines (after a final small 3% contraction this year), and the defensive nature of the telecommunications sector. Further, Netia is poised to benefit from improving synergies thanks to the shared relationship with the parent company, and the prospect of an eventual acquisition of the remaining stake by Cyfrowy can provide a catalyst in the long term.

Current Price	3.91 PLN	Upside
9M Target Price	4.40 PLN	+12.5%

	rating	target price	issued
new	accumulate	4.40 PLN	2020-05-05
old	hold	4.70 PLN	2019-12-05
Key Metrics			
Ticker	NET PW	1M Price Chng	-1.0% -9.4%
ISIN	PLNETIA00014	YTD Price Chng	-11.5% +10.6%
Outst. Stock (m)	337.0	ADTV 1M	PLN 0.2m
MC (PLN m)	1,317.9	ADTV 6M	PLN 0.2m
EV (PLN m)	1,807.2	EV/EBITDA 12M fwd	4.0 -19.9%
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	1,278
EBITDA	383	356	457	439	439
EBITDA margin	26.6%	25.9%	35.2%	34.3%	34.3%
EBIT	72	76	71	77	85
Net income	35	65	48	52	58
P/E	37.1	20.3	27.7	25.2	22.8
P/B	0.7	0.7	0.7	0.7	0.7
EV/EBITDA	4.2	4.2	4.0	4.2	3.9
DPS	0.20	0.00	0.00	0.00	0.00
DYield	5.1%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)				2020P	2021P
Revenue				+0.0%	-0.1%
EBITDA				+1.9%	+1.5%
EBIT				+6.3%	+4.2%
Net income				+11.1%	+10.7%
CAPEX				+6.0%	+13.4%

*% change excluding IFRS16

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Voice subs (1,000)	937	886	843	805	770
On-Netw. Voice ARPU (PLN)	25.3	23.2	22.4	22.0	22.2
WLR+LLU Voice ARPU (PLN)	38.3	35.1	34.4	34.4	34.7
Broadband subs (1,000)	608	582	580	588	605
Broadband ARPU (PLN)	56.3	56.0	56.6	57.4	58.6
Revenue	1,373	1,297	1,280	1,278	1,290
Direct Voice	350	293	265	246	233
Data	581	566	566	576	594
Interop & Wholesale	236	211	214	216	218
Other	207	226	235	241	245
Selling expenses	275	256	247	250	254
G&A expenses	134	149	144	144	145
EBITDA	-	457	439	439	436
margin	-	35.2%	34.3%	34.3%	33.8%
Net income	64.8	47.6	52.4	57.9	60.2

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	1,280	1,278	1,290	1,304	1,318	1,334	1,353	1,373	1,393	1,415	1,415
EBITDA ex. MSSF16	346	345	342	340	338	337	337	338	338	337	337
EBITDA margin	27.0%	27.0%	26.5%	26.1%	25.7%	25.3%	24.9%	24.6%	24.3%	23.8%	23.8%
D&A ex. MSSF16	268	260	254	250	242	233	222	208	196	195	195
EBIT	77	85	88	91	96	104	115	130	142	142	142
Tax	15	16	17	17	18	20	22	25	27	0	0
NOPLAT	63	69	71	74	78	84	93	105	115	115	115
CAPEX	-338	-210	-186	-187	-188	-189	-191	-193	-195	-195	-195
Working capital	-1	-4	-1	-1	-1	-2	-2	-3	-2	-2	-2
FCF	-9	115	139	135	131	126	122	117	114	114	114
PV FCF	-8	101	114	103	93	83	75	67	61	838	
WACC	7.1%	7.4%	7.7%	7.6%	7.6%	7.5%	7.5%	7.4%	7.3%	7.2%	7.2%
Net debt / EV	27.8%	23.5%	17.3%	18.1%	19.1%	20.3%	21.6%	23.1%	24.7%	26.2%	26.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	380	448	426	421	421
OCF/EBITDA	-	127%	123%	122%	123%
CAPEX	-281	-387	-338	-210	-186
Assets	2,526	2,786	2,835	2,889	2,949
Equity	1,867	1,913	1,965	2,023	2,083
Net debt	-	489	508	404	277
Net debt/EBITDA (x)	0.0	1.1	1.2	0.9	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	78.4	46.5	29.3	11.7	11.1	10.5
Maximum	5.0	5.5	4.9	3.4	3.0	2.6
Median	12.4	11.6	10.6	5.3	5.2	5.1
Weight	0%	0%	0%	33%	33%	33%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	1,527
Net debt	240
Other adjustments	0
Value per share (PLN)	3.82

Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	4.77
DCF Val.	67%	3.82
Implied Price		4.14
Cost of equity (9M)		6.4%
9M Target Price		4.40

Orange Polska buy (no change)

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Our contrarian bullish view on Orange Polska, with its defensive power as a telecom, has been reinforced by strong 2020 first-quarter results, likely to improve medium-term sentiment, with EBITDAaL exceeding expectations after a 6% rebound from the same period a year earlier. Pricing KPIs were the highlight of the first-quarter results, with ARPU from convergent services gathering pace to an annual rate of 3.4% from 0.4% registered in 2019. With 44,000 net new FTTH connections, Q1 2020 was the second-best quarter in the Company's history. The numbers will most likely go down in the following quarters, but the odds that our best-case scenario from March will come true have increased. That is why we stand by our buy call for OPL even after a 17.4% share price rally in the past month, resulting in 9.0% outperformance relative to the broad market. The one downside risk factor we see in the months ahead is the cancellation of the 5G auction and the possibility that the terms of the new auction will not be as good; that being said, this risk is already at least partly priced in.

Current Price

6.96 PLN

Downside

9M Target Price

6.90 PLN

-0.8%

	rating	target price	issued
unchanged	buy	6.90 PLN	2020-03-27

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+17.4%	+9.0%
ISIN	PLTLKPL00017	YTD Price Chng	-2.3%	+19.8%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 15.0m
MC (PLN m)	9,125.0	ADTV 6M		PLN 13.5m
EV (PLN m)	17,290.0	EV/EBITDA 12M fwd	5.4	+16.1%
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	11,151	11,323
EBITDA	2,801	2,889	3,165	3,113	3,305
EBITDA margin	24.6%	26.1%	27.8%	27.9%	29.2%
EBIT	229	345	417	378	613
Net income	-60	10	91	63	263
P/E	-	912.5	99.9	145.6	34.7
P/B	0.9	0.9	0.9	0.9	0.9
EV/EBITDA	5.6	5.6	5.5	5.6	5.1
DPS	0.00	0.00	0.00	0.00	0.25
DYield	0.0%	0.0%	0.0%	0.0%	3.6%
Forecast Update (% change)			2019	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)	2018	2019	2020P	2021P	2022P
Broadband lines (1,000)	1,547	1,697	1,827	1,954	2,077
Voice lines (1,000)	2,560	2,607	2,663	2,728	2,798
Revenue	11,087	11,406	11,151	11,323	11,524
Mobile	2,726	2,598	2,546	2,528	2,522
Fixed Line	2,441	2,192	1,992	1,831	1,711
Other	5,920	6,616	6,613	6,963	7,291
Costs	7,980	8,181	7,942	7,940	8,037
Payroll	-1,577	-1,490	-1,402	-1,340	-1,320
External services	-6,200	-6,513	-6,388	-6,445	-6,560
Other rev & exp	-203	-179	-152	-154	-157
Real estate sale	192	271	70	120	150
Other	-490	-489	-564	-603	-574
EBITDAaL*	-	2,735	2,645	2,780	2,913
margin	-	24.0%	23.7%	24.6%	25.3%
Net income	10	91	63	263	422

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	1,812	2,776	2,411	2,440	2,509
OCF/EBITDAaL	-	101%	91%	88%	86%
CAPEX	2,282	2,140	2,709	1,880	2,924
Assets	23,295	24,340	24,280	24,201	24,258
Equity	10,494	10,566	10,629	10,564	10,658
Net debt	-	8,163	8,322	7,850	8,293
Net debt/EBITDA (x)	-	2.6	2.7	2.4	2.4

Relative Valuation Summary

	EV / EBITDA			DYield - RFR		
	20P	21P	22P	20P	21P	22P
Minimum	11.6	11.1	10.5	11.4%	9.2%	8.9%
Maximum	3.3	2.9	2.6	-6.0%	-4.0%	-3.3%
Median	5.4	5.3	5.1	4.4%	4.4%	5.1%
Weight	22%	22%	22%	0%	17%	17%

DCF Analysis*

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	11,151	11,323	11,524	11,732	11,954	12,170	12,373	12,574	12,768	12,957	12,957
EBIT + D&A ex. IFRS16	2,777	2,964	3,128	3,222	3,219	3,265	3,314	3,352	3,377	3,394	3,394
EBITDA margin	24.9%	26.2%	27.1%	27.5%	26.9%	26.8%	26.8%	26.7%	26.5%	26.2%	26.2%
D&A	2,399	2,351	2,304	2,258	2,190	2,125	2,061	2,020	1,979	1,940	1,940
EBIT	378	613	824	964	1,029	1,140	1,254	1,332	1,398	1,455	1,455
Tax	72	116	157	183	195	217	238	253	266	276	276
NOPLAT	307	496	667	781	833	924	1,015	1,079	1,133	1,178	1,178
CAPEX ex. real estate gain	-2,639	-1,760	-2,774	-1,756	-1,860	-1,892	-1,892	-1,891	-2,359	-2,360	-2,360
Working capital	19	-54	-67	-67	-66	-66	-66	-66	-61	-61	-61
FCF	85	1,033	130	1,216	1,097	1,090	1,118	1,142	691	697	697
PV FCF	81	923	109	956	808	752	723	691	392	370	
WACC	6.6%	6.7%	6.6%	6.6%	6.7%	6.7%	6.8%	6.8%	6.8%	6.8%	
Net debt / EV	39.5%	37.7%	39.4%	38.2%	37.4%	36.5%	35.5%	34.4%	35.2%	36.0%	36.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	15,086
Net debt ex. IFRS16	6,182
Other adjustments	2
Value per share (PLN)	6.79

Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	5.89
DCF Val.	67%	6.79
Implied Price		6.49
Cost of equity (9M)		6.4%
9M Target Price		6.90

Play buy (no change)

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Play stock skyrocketed 20.3% over the past month, resulting in 11.9% outperformance vs. the WIG index, but is still has upside potential in our eyes, which reassures us in our bullish view, underpinned by the defensive characteristics of the telecoms sector. Play, and the sector as a whole, face a number of coronavirus-induced risks in the months ahead, which include data overload on mobile networks due to increased user traffic, customer losses, lost revenues from smartphone devices after the closure of physical sales locations, and weaker roaming demand – combined, these factors could knock about 3% off this year's EBITDA. At the same time, on high FCFE of a projected PLN 733m, the Company offers attractive yield at 9.1%. The one downside risk factor we see in the months ahead is the cancellation of the 5G auction and the possibility that the terms of the new auction will not be as good; that being said, this risk is already at least partly priced in. Play has yet to release its 2020 first-quarter earnings, which are expected to show a 5% rebound from the year before.

Current Price	31.70 PLN	Upside
9M Target Price	33.50 PLN	+5.7%

	rating	target price	issued
unchanged	buy	33.50 PLN	2020-03-25

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+20.3%	+11.9%
ISIN	LU1642887738	YTD Price Chng	+0.3%	+22.5%
Outst. Stock (m)	253.7	ADTV 1M		PLN 25.0m
MC (PLN m)	8,042.3	ADTV 6M		PLN 18.9m
EV (PLN m)	14,614.7	EV/EBITDA 12M fwd	5.8	-0.7%
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	6,933	6,985
EBITDA	1,904	2,160	2,406	2,330	2,445
EBITDA margin	28.5%	31.6%	34.2%	33.6%	35.0%
EBIT	1,107	1,371	1,500	1,396	1,443
Net income	387	744	867	797	836
P/E	20.8	10.8	9.3	10.1	9.6
P/B	-	-	25.0	10.7	6.6
EV/EBITDA	7.7	6.8	6.1	6.4	6.0
DPS	0.00	2.57	1.45	1.65	1.45
DYield	0.0%	8.1%	4.6%	5.2%	4.6%
Forecast Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019P	2020P	2021P	2022P
Active subscribers (000s)	12,653	12,929	13,061	13,212	13,322
ARPU (PLN)	32.3	32.8	33.8	34.3	34.7
Revenue	6,839	7,041	6,933	6,985	7,128
Service revenue	5,083	5,296	5,625	5,649	5,768
Sales of goods and other	1,756	1,745	1,308	1,336	1,361
Costs	4,679	4,635	4,604	4,541	4,581
Interconnection	1,922	1,770	1,883	1,725	1,706
Contract costs	421	405	446	458	466
Cost of goods sold	1,442	1,437	1,165	1,189	1,204
Employee benefits	255	298	331	344	355
External services	515	571	659	669	700
Other	124	154	121	157	149
EBITDA (adj.)	2,159	2,436	2,360	2,475	2,577
margin	31.6%	34.6%	34.0%	35.4%	36.2%
Net income	744	867	797	836	806

Key Balance Sheet Figures

(PLN m)	2018	2019P	2020P	2021P	2022P
Operating cash flow	2,037	2,230	2,100	2,162	2,209
OCF/EBITDA adj.	94%	92%	89%	87%	86%
CAPEX	-781	-843	-1,448	-921	-1,325
Assets	8,521	8,885	9,903	9,903	10,739
Equity	-201	322	751	1,220	1,659
Net debt	6,653	6,572	6,894	6,552	6,694
Net debt/EBITDA (x)	3.1	2.7	2.9	2.6	2.6

Relative Valuation Summary

Relative Valuation Summary						
	P / E			DYield - RFR		
	20P	21P	22P	20P	21P	22P
Minimum	17.1	13.8	11.9	446.4%	430.0%	414.5%
Maximum	34.4	25.4	19.9	1156.1%	1103.0%	1045.8%
Median	10.9	10.2	9.3	548.8%	532.6%	511.1%
Weight	0%	0%	0%	33%	33%	33%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	6,933	6,985	7,128	7,245	7,343	7,428	7,503	7,571	7,632	7,690	7,690
EBITDA	2,330	2,445	2,547	2,661	2,708	2,738	2,762	2,781	2,801	2,817	2,817
EBITDA margin	33.1%	35.3%	36.5%	37.3%	37.4%	37.3%	37.2%	37.1%	37.0%	36.9%	36.9%
D&A	934	1,002	1,027	1,061	1,082	1,084	1,065	1,045	1,034	1,059	1,059
EBIT	1,396	1,443	1,520	1,600	1,627	1,654	1,696	1,736	1,767	1,758	1,758
Tax	265	274	289	304	309	314	322	330	336	334	334
NOPLAT	1,130	1,169	1,231	1,296	1,318	1,340	1,374	1,406	1,431	1,424	1,424
CAPEX	-1,448	-921	-1,325	-1,263	-1,082	-779	-787	-794	-1,473	-807	-807
Work. cap. + other	-172	-264	-310	-298	-294	-292	-292	-291	-296	-297	-297
FCF	444	985	623	796	1,023	1,353	1,360	1,366	696	1,379	1,379
PV FCF	420	868	511	608	728	894	833	774	365	667	
WACC	7.3%	7.4%	7.4%	7.4%	7.5%	7.6%	7.8%	8.1%	8.1%	8.4%	8.4%
Net debt / EV	48.3%	47.1%	47.6%	47.2%	45.7%	42.7%	39.1%	34.8%	33.9%	28.5%	28.5%
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	1.3
FCF perp. growth rate	0.0%
PV FCF	14,591
Net debt	5,581
Other adjustments	0
Value per share (PLN)	35.51

Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	22.45
DCF Val.	67%	35.51
Implied Price		31.16
Cost of equity (9M)		7.5%
9M Target Price		33.50

Media Agora accumulate (no change)

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We revised our outlook on Agora in April to account for the negative impact of the coronavirus epidemic on earnings prospects. Our current base-case scenario assumes that Agora will generate an EBITDA loss of PLN 23m in 2020 after experiencing a plunge in revenues from the movie theater business, combined with falling revenues from advertising. When it comes to the balance-sheet position, Agora is on stable footing with FY2019 year-end net debt of PLN 157m, net fixed assets of PLN 460m, and a 40% stake in Eurozet. The Company is planning to cut operating expenses in 2020, and it has slashed its initial CAPEX budget for the year – measures which should save it from having to raise external capital. Nevertheless we do not see AGO as a compelling bet with no dividends likely to be paid this year or next and negative FCF expected in 2020 followed by only a small rebound to PLN 13m in 2021. The coronavirus epidemic has resulted in an unpredictable and volatile advertising market with highly uncertain medium-term prospects. Our current PLN 8.60 target price implies double-digit upside potential, but given how rapidly the global situation is developing our valuation is subject to uncertainty.

Current Price

7.56 PLN

Upside**9M Target Price**

8.60 PLN

+13.8%

	rating	target price	issued
unchanged	accumulate	8.60 PLN	2020-04-15

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	+15.6%	+7.2%
ISIN	PLAGORA00067	YTD Price Chng	-27.3%	-5.2%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	352.2	ADTV 6M		PLN 0.2m
EV (PLN m)	1,044.1	EV/EBITDA 12M fwd	6.0	+7.2%
Free Float	76.9%	EV/EBITDA 5Y avg	5.6	premium

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	1,165	1,141	1,250	892	1,080
EBITDA	30	84	183	56	147
EBITDA margin	2.6%	7.4%	14.6%	6.2%	13.6%
EBIT	-73	0	25	-112	-19
Net income	-84	5	4	-137	-43
P/E	-	77.0	99.5	-	-
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	12.5	4.1	5.7	20.3	7.6
DPS	0.00	0.50	0.50	0.00	0.00
DYield	0.0%	6.6%	6.6%	0.0%	0.0%
Forecast Update (% change)			2019	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)	2018	2019	2020P	2021P	2022P
Daily circulaton (k copies)	106	98	94	93	91
Movie ticket sales (mn)	12.4	14.0	9.7	14.4	15.1
Avg. ticket price (PLN)	19.1	18.5	15.9	15.9	16.5
Conc. rev./patron (PLN)	7.3	7.9	7.4	7.5	7.8
Revenue	1,141	1,250	892	1,080	1,191
Press and Print	286	255	229	235	239
Movies & Books	419	522	329	448	480
Outdoor	172	184	110	137	169
Internet	178	209	166	196	228
Radio	116	113	79	89	103
Print	-	-	-	-	-
Eliminations	-29	-33	-22	-26	-27
EBITDA	86	104	-23	69	108
margin	7.6%	8.4%	-2.5%	6.4%	9.0%
Net income	5.1	3.5	-136.9	-42.5	-5.5

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	81	131	-43	60	96
OCF/EBITDA	94%	126%	-	88%	89%
CAPEX	-84	-111	-40	-48	-66
Assets	1,400	1,992	1,819	1,834	1,849
Equity	975	931	810	784	771
Net debt ex.IFRS16	-23	157	240	227	220
Net debt/EBITDA ex.IFRS1	-0.3	1.5	-	3.3	2.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	24.5	21.7	19.0	14.9	12.3	11.2
Maximum	11.7	8.0	9.2	5.7	4.6	4.3
Median	15.5	14.3	12.3	7.8	7.4	7.1
Weight	0%	0%	0%	33%	33%	33%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	892	1,080	1,191	1,266	1,324	1,372	1,416	1,460	1,500	1,539	1,570
EBITDA	-23	69	108	121	125	130	134	137	139	140	143
EBITDA margin	-2.5%	6.4%	9.0%	9.6%	9.5%	9.5%	9.4%	9.4%	9.2%	9.1%	9.1%
D&A	89	88	86	84	83	82	81	82	83	83	85
EBIT	-112	-19	22	37	42	48	52	55	56	57	59
Tax	0	0	4	7	8	9	10	10	11	11	11
NOPLAT	-112	-19	18	30	34	39	42	44	45	47	47
CAPEX	-40	-48	-66	-80	-80	-77	-81	-83	-83	-83	-85
Working capital	-12	0	0	0	-1	-1	-1	-1	-1	-1	-1
FCF	-75	21	38	34	37	43	42	42	44	45	46
PV FCF	-71	19	31	26	26	28	26	24	23	22	
WACC	7.5%	7.6%	7.6%	7.7%	7.7%	7.8%	7.9%	8.0%	8.1%	8.2%	8.2%
Net debt / EV	40.0%	38.7%	37.9%	37.6%	37.0%	35.5%	34.1%	32.6%	30.7%	28.4%	28.4%
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	1.3
FCF perp. growth rate	2.0%
PV FCF	507
Net debt ex IFRS16	157
Other adjustments	112
Value per share (PLN)	9.02

Valuation Summary

(PLN)	Weight	Price
Relative Val.	20%	3.90
DCF Val.	80%	9.02
Implied Price		8.00
Cost of equity (9M)		7.5%
9M Target Price		8.60

Wirtualna Polska reduce (no change)

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We revised our outlook on Wirtualna Polska to account for the negative advertising impact of the coronavirus epidemic, cutting the FY2020 recurring EBITDA forecast by >30% to PLN 169m, indicating a decrease of 23% from the previous year. We blame half of the fall on the slump in the travel business, represented by the wakacje.pl vacation booking Website, and we attribute the other half to reduced digital advertising spend. Despite a rebound anticipated in FY2021, with 2019-2021 EBITDA CAGR coming out at zero, the current trading multiples of WPL look much less attractive than the ratios of its peers, especially when considered in conjunction with what are likely to be weak first-quarter results, showing 10% contraction in EBITDA, relatively low FCFE yield, and increased competition risk after the listed media firm Cyfrowy Polsat acquired rival websites. That said, given how rapidly the global situation is developing, our valuations are subject to uncertainty, underpinned by the high sensitivity (ca. 15% 2019 EBITDA) of Wirtualna's profits to changes in the travel market. We stand firm in our contrarian negative view on WPL.

Current Price	67.80 PLN	Downside
9M Target Price	63.10 PLN	-6.9%

	rating	target price	issued
unchanged	reduce	63.10 PLN	2020-04-20

Key Metrics	WPL PW	WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+23.7%
ISIN	PLWRTPL00027	YTD Price Chng	-2.9%
Outst. Stock (m)	29.7	ADTV 1M	+15.3%
MC (PLN m)	2,010.3	ADTV 6M	PLN 2.6m
EV (PLN m)	2,357.0	EV/EBITDA 12M fwd	10.9
Free Float	53.0%	EV/EBITDA 5Y avg	10.2

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	466	567	709	593	729
EBITDA	130	163	209	169	219
EBITDA margin	27.8%	28.7%	29.5%	28.5%	30.0%
EBIT	79	107	130	91	142
Net income	40	74	69	58	101
P/E	50.2	27.2	29.1	34.5	20.0
P/B	4.8	4.3	3.9	3.7	3.3
EV/EBITDA	17.0	14.2	11.3	13.8	10.4
DPS	1.10	0.96	1.00	1.00	1.00
DYield	1.6%	1.4%	1.5%	1.5%	1.5%
Forecast Update (% change)			2019	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)	2018	2019	2020P	2021P	2022P
Revenue	567	709	593	729	812
Cash	526	665	557	687	763
Barter	24.6	23.2	21.3	23.8	25.2
Costs	460	579	501	587	649
D&A	55.6	69.0	68.7	68.4	70.7
Materials & Utilities	6.2	6.3	6.6	6.9	7.1
Payroll	165	200	194	204	213
Other	233	304	233	308	357
EBITDA	163	208	169	219	243
margin	28.7%	29.3%	28.5%	30.0%	29.9%
EBITDA (adj.)	178	223	169	219	243
margin	31.4%	31.5%	28.5%	30.0%	29.9%
EBIT	107	130	91	142	164
margin	18.9%	18.3%	15.4%	19.5%	20.2%
Net income	73.9	69.0	58.2	100.7	121.3

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	156	179	148	180	196
OCF/EBITDA	96%	86%	88%	82%	81%
CAPEX	-43	-58	-51	-62	-69
Assets	1,063	1,145	1,145	1,127	1,146
Equity	468	513	542	613	683
Net debt	299	334	304	261	205
Net debt/EBITDA (x)	1.8	1.6	1.8	1.2	0.8

Relative Valuation Summary

	19P	P/E	20P	21P	19P	EV/EBITDA	20P	21P
Minimum	31.5	20.9	17.0	17.8	11.3	9.2		
Maximum	12.7	11.4	10.3	9.2	6.9	6.2		
Median	22.2	16.6	11.8	10.0	9.2	8.2		
Weight	17%	17%	17%	17%	17%	17%		

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	593	729	812	885	950	1,007	1,056	1,103	1,149	1,194	1,218
EBITDA	160	210	234	255	272	286	295	302	308	314	320
EBITDA margin	27.0%	28.9%	28.9%	28.8%	28.6%	28.4%	27.9%	27.3%	26.8%	26.3%	26.3%
D&A	69	68	71	76	81	85	88	92	96	100	102
EBIT	91	142	164	179	191	201	206	210	212	214	218
Tax	17	27	31	34	36	38	39	40	40	41	41
NOPLAT	74	115	133	145	155	163	167	170	172	173	176
CAPEX	-51	-62	-69	-76	-82	-87	-91	-94	-97	-100	-102
Working capital	4	-6	-9	-8	-7	-6	-5	-5	-5	-4	-5
FCF	96	116	125	138	147	154	160	163	166	169	172
PV FCF	91	101	102	103	102	98	94	88	83	78	
WACC	7.9%	8.0%	8.2%	8.2%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	12.1%	9.3%	6.6%	6.2%	3.0%	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	2,157
Ajd. net debt ex.IFRS16	329
Other adjustments	12
Value per share (PLN)	61.23

Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	55.51
DCF Val.	67%	61.23
Implied Price		59.32
Cost of equity (9M)		6.4%
9M Target Price		63.10

IT

2019-2021E Earnings (PLN m) and Recommended Allocations for IT Stocks

Company	MCap	EV	Net Debt	D/E*	Revenue			EBITDA			EBIT			Net Profit			
					2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	
Ailleron	78	74	-3.4	-0.3	141	148	160	12.4	17.1	19.2	4.0	8.8	10.9	0.5	6.2	8.0	
Asseco BS	1,196	1,235	39.3	0.4	274	275	288	112.2	107.8	112.2	87.7	80.5	83.8	73.4	67.0	70.3	
Asseco PL	5,370	8,692	343.8	0.3	10,667	10,783	10,858	1,611.6	1,484.2	1,665.3	976.2	848.4	1,031.0	322.4	293.4	344.3	
Asseco SEE	1,630	1,605	-26.4	-0.2	881	1,034	1,178	175.7	193.8	218.7	110.0	118.3	134.4	90.9	95.1	109.0	
Atende	107	126	16.5	0.6	295	256	273	28.1	17.3	22.6	20.0	9.3	14.6	12.1	6.6	10.9	
Comarch	1,667	1,628	-28.2	-0.2	1,438	1,590	1,678	239.2	257.5	267.3	154.5	170.0	176.7	115.3	117.2	121.9	
Company	Rating		Target Price	Current Price	1M Chng	P/E			EV/EBITDA			EV/Sales			PEG Ratio		
	Current	Change				2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Ailleron	N	►	-	6.26	+45.6%	-	12.4	9.7	6.0	3.8	2.9	0.5	0.4	0.3	9.6	0.7	0.6
Asseco BS	N	►	-	35.80	+14.7%	16.3	17.8	17.0	11.0	11.4	10.8	4.5	4.5	4.2	4.1	4.5	4.3
Asseco PL	N	►	63.90	64.70	+11.6%	16.7	18.3	15.6	5.4	5.8	5.1	0.8	0.8	0.8	15.3	16.8	14.3
Asseco SEE	OW	►	-	31.40	+12.9%	17.9	17.1	14.9	9.1	8.0	7.0	1.8	1.5	1.3	1.0	0.9	0.8
Atende	N	►	-	2.94	+27.8%	8.8	16.2	9.8	4.5	7.0	5.1	0.4	0.5	0.4	14.6	27.0	16.4
Comarch	OW	-	250.00	205.00	+13.9%	14.5	14.2	13.7	6.8	6.3	5.9	1.1	1.0	0.9	0.4	0.4	0.4
Median						16.3	16.7	14.3	6.4	6.6	5.5	1.0	0.9	0.9	6.8	2.7	2.6

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

Ailleron (neutral)

Our updated outlook for Ailleron after incorporating the potential effects of the coronavirus crisis indicates a substantial slump in the Hoteltech business due to lockdown across the hospitality industry. According to the Company, some of its hotel customers are using the downtime as an opportunity to update their systems, but in the long run orders will most likely thin out along with shrinking travel. On the other hand, Ailleron's telco customers are generating higher demand for network stability solutions, driven by increased worldwide use of communications services. Further, demand for outsourcing services is also strong according to Ailleron, and the Livebank platform is in the process of being pitched to a number of large banks, including Citi USA, as part of ongoing calls for tender. This leads us to expect improvement in the Fintech segment this year over the PLN 8.6m operating loss suffered in 2019. On our updated estimates (PLN 6.2m net profit in 2020 and PLN 8.0m in 2021), ALL is currently trading at respective P/E ratios of 12.4x and 9.7x – acceptable values provided that the Company delivers the expected earnings improvement. In the mean time, we maintain a neutral stance on ALL.

Asseco Business Solutions (neutral)

Due to its negative exposure to coronavirus-induced insolvency risk in the SME sector, estimated to account for about 30% of annual sales, Asseco BS faces a slump in the segment of SME solutions (Wapro, Macrologic) in the second half of 2020. The Company has already received requests to adjust payment terms from several customers, and although it does not see this as a major issue at the moment we feel compelled to reduce our earnings expectations for this year. At PLN 67.0m, the updated net profit estimate implies a decrease of 9% from the previous year, and at the level ABS is currently trading it makes a 2020E P/E ratio of 17.8x – an unappealing prospect which does not warrant anything better than a neutral stance.

Asseco South Eastern Europe (overweight)

Asseco SEE is our unfailing top pick in the IT sector, and a compelling bet still even after a 21% rally over the last three months and >40pp outperformance versus the broad market. The areas where ASE is the most vulnerable to the coronavirus crisis include the Spanish BPO call center run by Necomplus, a decline in cash withdrawals from the MoneyGet international ATM network and in transactions processed by Payten, and costs related to the maintenance of card terminals. The global economic crisis can also be expected to reflect on financial results in H2 2020. On the upside, Asseco SEE has assembled an impressive order pipeline for the rest of 2020 (calculated at so-called "fist margins" the order book is up 16% year on year, including a 19% boost at Payten alone). Secondly, the Company generates more than 60% of sales from services provided under permanent contracts. Third, in Q1 2020, ASE achieved over-20% growth in recurring EBITDA. Fourth, the Company ended FY2019 with a net cash pile (ex. IFRS16) of ca. PLN 90m. Fifth, ASE has little exposure to coronavirus-induced SME insolvency risk. On our slightly adjusted 2020 and 2021 net income estimates (PLN 95.1m and PLN 109.0m, respectively), ASE is currently trading at corresponding P/E ratios of 17.1x and 14.9x – attractive levels given the strong upward earnings momentum and cash position.

Atende (neutral)

We have revised our FY2020 net profit estimate for Atende downward to reflect the divestment of the Sputnik Software unit which in 2019 contributed a sizable PLN 3.2m to the annual earnings. As for areas most impacted by the coronavirus crisis, these include mostly services provided to the retail industry and the manufacturing sector, as well as potentially reducing the supply of orders from the public sector. On our updated FY2020 net profit estimate of PLN 6.6m, ATD is currently trading at 16.2x P/E – hardly an attractive prospect, albeit sweetened by a possibility of dividends, made more real by the cash generated from the Sputnik sale.

Asseco Poland hold (reiterated)

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The way the coronavirus epidemic is impacting the technology industry is through the economic crisis that is coming in its wake, resulting in weaker demand for services and solutions. The threat to Asseco Poland specifically is relatively small in our view thanks to a low share in sales of SMEs and the worst-hit industries like travel, entertainment, and retail, and a high share among the clientele of financial institutions and government agencies, which in most cases can be expected to retain their ability to pay vendor bills. ACP's other strengths under the current circumstances include low debt (with the net debt/EBITDA ex. IFRS16 ratio as of December 2019 at 0.3x), geographically diverse revenues, and a solid order book. Business in Poland is about to pick up in our view thanks to the new business relationship with the listed telco & media group Cyfrowy Polsat. Last but not least, ACP offers high dividend yield of 4.7%. After updating our models, we set our new target price at PLN 63.90, and we reiterate a hold rating for ACP, which outperformed the broad market index by >20pp in the last three months, and which is probably headed for further rises thanks to its reputation as a relatively safe bet for coronavirus times.

Current Price

64.70 PLN

Downside

9M Target Price

63.90 PLN

-1.2%

	rating	target price	issued
new	hold	63.90 PLN	2020-05-05
old	hold	59.20 PLN	2019-12-05
Key Metrics			
Ticker	ACP PW	1M Price Chng	+9.3% +0.9%
ISIN	PLSOFTB000016	YTD Price Chng	+1.6% +23.8%
Outst. Stock (m)	83.0	ADTV 1M	PLN 7.1m
MC (PLN m)	5,370.1	ADTV 6M	PLN 5.7m
		P/E 12M fwd	13.3 +18.3%
Free Float	68.0%	P/E 5Y avg	11.2 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,829	9,329	10,667	10,783	10,858
EBITDA	922	1,256	1,612	1,484	1,665
EBITDA margin	11.8%	13.5%	15.1%	13.8%	15.3%
EBIT	585	797	976	848	1,031
Net income	467	333	322	293	344
P/E	11.5	16.1	16.7	18.3	15.6
P/B	1.0	0.9	0.9	0.9	0.9
P/S	0.69	0.58	0.50	0.50	0.49
DPS	3.01	3.01	3.07	3.01	3.01
DYield	4.7%	4.7%	4.7%	4.7%	4.7%
Forecast Update (% change)					
Revenue			-4.4%	-6.6%	-5.7%
EBITDA			-13.0%	-4.7%	-1.9%
EBIT			-14.6%	+0.1%	+3.7%
Net income			-18.4%	-4.0%	-0.4%
CAPEX			-13.7%	-1.2%	+5.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	9,329	10,667	10,783	10,858	11,280
change	19.1%	14.4%	1.1%	0.7%	3.9%
Poland	1,614	1,486	1,440	1,590	1,679
South-Eastern Europe	670	890	1,043	1,186	1,284
Western Europe	705	697	627	658	672
Central Europe	957	1,060	1,007	1,038	1,069
Israel	5,403	6,554	6,657	6,377	6,568
Eastern Europe	4	8	8	8	8
EBIT	797	976	848	1,031	1,105
D&A	460	635	636	634	647
EBITDA	1,256	1,612	1,484	1,665	1,752
margin	13.5%	15.1%	13.8%	15.3%	15.5%
Associates	-260	-381	-371	-469	-502
Tax	-182	-191	-177	-210	-219
Net income	333	322	293	344	374

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	1,001	1,501	1,309	1,420	1,472
OCF/EBITDA	80%	93%	88%	85%	84%
CAPEX	-240	-320	-377	-434	-451
Assets	12,642	14,598	14,882	15,361	15,946
Equity	5,718	5,762	5,806	5,969	6,143
Net debt	305	1,103	784	303	-176
Net debt/EBITDA (x)	0.2	0.7	0.5	0.2	-0.1

Relative Valuation Summary

	20P	P/E 21P	22P
Minimum	23.3	19.6	0.0
Maximum	9.4	7.7	0.0
Median	17.8	15.4	0.0
Weight	33%	33%	0%

DCF Summary

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Asseco Poland (Standalone Figures)											
Revenue	820	939	979	1,002	1,025	1,049	1,074	1,099	1,125	1,151	1,151
EBITDA	175	207	218	220	223	225	227	230	232	235	235
NOPLAT	95	117	125	127	128	130	132	134	136	137	137
FCF	100	120	135	135	136	136	136	136	136	138	138
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Asseco Business Solutions											
Revenue	275	288	311	329	344	358	372	385	397	407	416
EBITDA	108	112	120	126	130	134	138	141	144	146	149
NOPLAT	65	68	73	76	78	81	82	84	85	86	88
FCF	66	67	70	74	77	79	81	82	84	85	86
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Asseco South Eastern Europe											
Revenue	1,034	1,178	1,275	1,355	1,423	1,483	1,540	1,596	1,651	1,705	1,722
EBITDA	194	219	240	255	268	280	291	302	313	323	326
NOPLAT	96	109	120	127	133	138	143	148	153	157	159
FCF	86	99	115	125	132	137	141	145	148	151	153
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	

SOTP Summary

(PLN m)	Method	%	Value
Asseco PL (stndln)*	DCF	100%	1,791
Asseco CE	12x PE'20	93%	805
Asseco BS	DCF	43%	1,120
Asseco SEE	DCF	51%	1,850
Western Europe	12x PE'20	100%	199
Formula Systems	market	26%	4,176
Other	10x PE	0%	218
Value			5,481
Value Per Share (PLN)			66.03

*net debt adj. for paid dividend

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	54.11
SOTP Val.	50%	66.03
Implied Price		60.07
Cost of equity (9M)		6.4%
9M Target Price		63.90

Gaming

11 bit studios

hold (reiterated)

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11 bit studios is slated to release 2020 first-quarter results on 14 May, and we expect the profits for the period to reflect positive effects of a successful release of a second Frostpunk add-on, underpinned by a sales boost from stay-at-home orders. 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. We hope to learn more about the deals and their expected effect on sales at the first-quarter earnings call. In the second half of the year, we would also like the Company to unveil more details about its next secret title, known as "Project 8." 11bit has recently announced its medium-term earnings targets for 2020-23/24, which turned out lower than we had been anticipating. After adjusting for this, and after pushing the expected release date for Project 8 back to Q4 2021, we have slightly lowered our target price for 11bit with an unchanged hold recommendation.

Current Price

408.50 PLN

Upside**9M Target Price**

422.00 PLN

+3.3%

	rating	target price	issued
new	hold	422.00 PLN	2020-05-05
old	hold	439.00 PLN	2020-02-05
Key Metrics		11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	+12.7% +4.3%
ISIN	PL11BTS00015	YTD Price Chng	+2.1% +24.3%
Outst. Stock (m)	2.4	ADTV 1M	PLN 7.0m
MC (PLN m)	995.6	ADTV 6M	PLN 4.7m
EV (PLN m)	980.7	EV/EBITDA 12M fwd	15.7 +22.4%
Free Float	81.6%	EV/EBITDA 5Y avg	12.8 premium

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	19.2	82.1	71.2	77.1	170.4
EBITDA	9.2	51.4	30.3	24.4	108.5
EBITDA margin	48.2%	62.6%	42.5%	31.7%	63.6%
EBIT	7.5	46.9	23.9	16.9	97.6
Net income	3.6	49.6	20.8	13.8	90.5
P/E	-	18.8	47.8	67.5	10.3
P/B	20.2	10.4	8.3	6.9	4.1
EV/EBITDA	98.1	17.7	32.4	37.2	7.8
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019	2020P	2021P
EBITDA			+4.6%	-28.0%	-25.7%
Net income			+17.9%	-37.4%	-18.8%
Frostpunk (S)			+25.9%	-11.0%	-35.5%
Projekt 8 (S)			0.0%	0.0%	-34.9%
Publishing (S)			+53.9%	+54.3%	+39.7%

Financial Highlights

(PLN m)	2017	2018	2019	2020P	2021P
TWOM (S)	17.6	18.3	13.7	16.6	15.8
Frostpunk (S)	0.0	53.8	44.3	28.5	19.7
Project 8 (S)	0.0	0.0	0.0	0.0	86.2
Publishing (S)	1.9	15.2	25.5	42.2	65.2
External services	-5.9	-16.5	-26.4	-38.8	-48.1
OCF/EBITDA	87.3%	75.9%	137.5%	107.7%	79.0%
Operating cash flow	8.1	39.0	41.6	26.3	85.7
D&A	1.7	4.5	6.4	7.5	10.9
Working capital	2.6	-8.0	-1.9	4.1	-16.6
Investing cash flow	-10.0	-55.6	-49.3	-16.1	-17.7
CAPEX	-7.4	-26.6	-14.4	-16.1	-17.7
CFO/EBITDA	103%	1260%	-167%	0%	0%
FCF	-1.5	22.8	6.3	-0.5	72.1
FCF/EBITDA	-16%	44%	21%	-2%	66%
FCF Yield	0%	2%	1%	0%	7%

DCF Analysis

(PLN m)	19	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)	688	482	458	343	257	193	125	125	125	125	0
Next games (k copies)	0	1,300	839	2,524	2,031	1,599	2,864	2,414	1,878	0	0
Revenue	72	77	170	153	236	189	140	199	189	135	-
EBITDA	30	24	108	89	169	123	75	137	129	78	-
EBITDA margin	42.3%	31.7%	63.6%	58.0%	71.5%	64.9%	53.3%	68.6%	68.4%	57.9%	-
EBIT	24	17	98	73	150	107	62	123	116	74	-
Tax	3	1	8	6	12	9	5	10	9	6	-
CAPEX	-14	-16	-18	-20	-21	-24	-26	-29	-32	-35	-
Working capital	-6	-8	-11	-16	-19	-15	-13	-14	-14	-4	-
FCF	6	-1	72	48	117	75	31	85	75	34	54
PV FCF	6	-1	65	40	89	53	20	51	41	17	-
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	-
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	-

Balance sheet

(PLN m)	2017	2018	2019	2020P	2021P
Tangible assets	17.2	41.3	49.8	58.4	65.2
Receivables	2.7	14.6	17.8	13.7	30.2
Production in progress	13.1	17.1	24.9	33.4	40.2
Cash	28.2	24.3	14.9	25.1	93.1
Cash deposit	0.0	27.0	67.3	67.3	67.3
Net debt	-3.0	-0.5	-0.5	-1.0	-0.9
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	15.1	6.0
Maximum	26.0	17.8
Median	19.2	12.2
Weight	50%	50%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	5.0%
PV FCF	1,164
Net debt	-24
Other adjustments	0
Value per share (PLN)	487.70

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	305.50
DCF Val.	50%	487.70
Implied Price		396.60
Cost of equity (9M)		6.4%
9M Target Price		422.00

CD Projekt hold (reiterated)

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CD Projekt generated strong results for Q4 and the full FY2019, with fourth-quarter net profit coming in well ahead of expectations on a stronger-than-forecast sales revenue driven by high sales of The Witcher series and the release of The Witcher 3 for Nintendo Switch. The Company expects a stronger boost to The Witcher game sales provided by the Netflix show in the first quarter of 2020, alongside a general increase in March driven by stay-at-home requirements. The coronavirus pandemic has not had a negative impact on business so far according to CD Projekt, and work on Cyberpunk 2077 leading up to the September release is going as planned. When it comes to earnings prospects, the goals set for the management under an updated incentive program aim for a cumulative net profit of no less than PLN 6bn for the 2020-2023 period, PLN 7bn for the 2020-2024 period, and PLN 8.3bn for 2020-2025 – targets which are lower than our own initial forecasts for the respective corresponding periods of PLN 9.9bn, PLN 12.5bn, and PLN 16.9bn. After adjusting our models accordingly, and after lowering our expectations for Cyberpunk 2077 sales and raising the projections for the next Witcher installment, we raise our target price for CDR with an unchanged hold rating.

Current Price

357.90 PLN

Downside
9M Target Price

342.50 PLN

-4.3%

	rating	target price	issued
new	hold	342.50 PLN	2020-05-05
old	hold	284.20 PLN	2020-02-05
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+20.5% +12.1%
ISIN	PLOPTTC00011	YTD Price Chng	+28.1% +50.2%
Outst. Stock (m)	96.1	ADTV 1M	PLN 132.7m
MC (PLN m)	34,401.3	ADTV 6M	PLN 108.5m
EV (PLN m)	33,919.0	EV/EBITDA 12M fwd	16.0 -31.8%
Free Float	65.3%	EV/EBITDA 5Y avg	23.5 discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	463	363	521	3,276	2,243
EBITDA	246	117	188	2,497	1,770
EBITDA margin	53.1%	32.3%	36.1%	76.2%	78.9%
EBIT	241	112	180	2,488	1,761
Net income	200	109	175	2,327	1,758
P/E	-	-	-	15.7	20.8
P/B	38.6	34.3	31.1	10.6	7.0
EV/EBITDA	136.0	288.0	180.0	13.5	18.7
DPS	1.06	0.00	1.05	0.00	11.39
DYield	0.3%	0.0%	0.3%	0.0%	3.2%
Forecast Update (% change)			2019	2020P	2021P
EBITDA			+0.9%	-14.3%	-6.8%
Net income			-2.7%	-18.2%	-19.4%
Sales of The Witcher 3			-	-	-
Sales of Gwent: The Card Game			-37.7%	+29.8%	+41.0%
Sales of Cyberpunk 2077			0.0%	-11.6%	-8.8%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2021P
Sales, Video Games	228	369	3,114	2,086	1,368
EBIT, VG	114	177	2,485	1,759	1,097
EBIT margin, VG	49.8%	47.9%	79.8%	84.3%	80.2%
Sales, GOG.com	144.3	162.3	162.1	156.8	164.7
EBIT, GOG.com	-1.1	3.6	3.9	2.2	4.7
EBIT margin, GOG	-0.8%	2.2%	2.4%	1.4%	2.8%
Operating cash flow	133	217	2,461	1,669	1,033
D&A	5	8	9	9	9
Working capital	46	-128	-68	43	30
Investing cash flow	-105	-174	-160	-173	-186
CAPEX	-15	-92	-10	-11	-12
Development exp.	-98	-165	-150	-162	-174
FCF	40	-180	2,315	1,520	874
FCF/EBITDA	93%	86%	79%	88%	89%
OCF/EBITDA	99%	94%	93%	93%	100%

Key Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Sales, The Witcher 3	209	358	165	112	111
Sales, Gwent	32	19	19	21	22
Sales, Cyberpunk	0	0	2,839	1,967	1,194
	242.816	385.848	216.4915	305.7523	438.7217
Development exp.	104	49	2,477	3,023	3,241
Cash	-659	-461	-2,888	-3,435	-3,652
Net debt	-6	-2	-1	-2	-3
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	15.1	5.6
Maximum	19.8	11.8
Median	19.5	9.3
Weight	50%	50%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
W3 (k copies)	1,802	1,395	1,380	1,165	0	0	0	0	0	0	0
C2077 (k copies)	18,102	13,278	5,526	2,300	2,225	1,075	0	0	0	0	0
Next AAA game (k copies)	0	0	0	0	16,000	10,000	12,000	15,000	8,000	0	0
Revenue	3,276	2,243	1,533	3,811	2,305	5,409	2,286	2,144	2,354	1,158	1,158
EBITDA	2,497	1,770	1,111	3,022	1,677	4,460	1,642	1,183	1,666	458	458
EBITDA margin	76.2%	78.9%	72.5%	79.3%	72.7%	82.4%	71.8%	55.2%	70.7%	39.5%	39.5%
EBIT	2,488	1,761	1,102	3,012	1,667	4,450	1,632	1,173	1,655	447	447
Tax	274	194	121	331	183	490	180	129	182	49	49
CAPEX	-160	-173	-186	-199	-209	-211	-218	-225	-232	-239	-239
Working capital	-68	43	30	-95	63	-130	131	6	-9	50	50
FCF	2,315	1,520	874	2,647	1,493	3,880	1,456	1,186	1,244	220	1,684
PV FCF	2,192	1,326	703	1,962	1,020	2,443	845	635	613	100	
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	5.0%
PV FCF	21,857
Net debt	-461
Other adjustments	0
Value per share (PLN)	334.50

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	309.40
DCF Val.	50%	334.50
Implied Price		322.00
Cost of equity (9M)		6.4%
9M Target Price		342.50

Ten Square Games hold (downgraded)

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Ten Square Games generated better-than-expected financial results in FY2019, driven by consistently strong sales of its most popular game, Fishing Clash. Sales continued to accelerate in the first quarter of 2020, with Fishing Clash logging a 109% jump from the year-ago period, causing the total quarterly revenue to skyrocket by 126% according to figures released by the Company. Based on this, and taking into account the marketing expenses for Fishing Clash budgeted for January and February, we see the 2020 Q1 EBITDA as rising 204% y/y to PLN 38m. According to Sensor Tower, Fishing Clash generated monthly revenue of about \$7m in April 2020, an increase of roughly 98% on the same month a year ago. Ten Square Games has currently soft-launched new mobile games with good monetization potential, "Hunting Clash" being the most promising one in our opinion. Under the new CEO, scheduled to take over from the outgoing in June, we might see more M&A activity from TEN in the future as part of a strategy to create value for shareholders. Stocks in TEN have rallied massively since we initiated coverage on 23 April, prompting us to downgrade our call two notches from buy to hold, with an unchanged target price.

Current Price

450.00 PLN

Upside

9M Target Price

462.00 PLN

+2.7%

	rating	target price	issued
new	hold	462.00 PLN	2020-05-05
old	buy	462.00 PLN	2020-04-23
Key Metrics		TEN PW	vs. WIG
Ticker	TEN PW	1M Price Chng	+50.0% +41.6%
ISIN	PLTSQGM00016	YTD Price Chng	+127.3% +149.4%
Outst. Stock (m)	7.3	ADTV 1M	PLN 10.8m
MC (PLN m)	3,273.8	ADTV 6M	PLN 8.0m
EV (PLN m)	3,198.5	EV/EBITDA 12M fwd	18.6 +50.3%
Free Float	55.1%	EV/EBITDA 5Y avg	12.4 premium

Earnings Projections

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	27.0	115.3	241.1	416.8	523.1
EBITDA	11.4	45.0	85.7	147.2	183.9
EBITDA margin	42.3%	39.1%	35.6%	35.3%	35.1%
EBIT	10.9	44.3	84.6	145.3	181.4
Net income	8.4	36.5	76.4	130.7	163.2
P/E	-	89.8	42.9	25.5	20.4
P/B	280.1	77.8	35.5	17.0	12.8
EV/EBITDA	285.6	71.8	37.3	21.5	17.0
DPS	0.39	0.87	3.75	3.70	13.24
DYield	0.1%	0.2%	0.8%	0.8%	2.9%
Forecast Update (% change)			2019	2020P	2021P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Fishing Clash (S)			0.0%	0.0%	0.0%
Other games (S)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019	2020P	2021P
Fishing Clash (S)	4	89	207	372	447
Let's Fish (S)	13	16	15	15	15
Wild Hunt (S)	1	5	10	11	12
Other games (S)	10	6	11	18	49
Gross margin	78.4%	93.6%	95.3%	95.2%	95.2%
Operating cash flow	8	41	66	121	159
D&A	1	1	1	2	2
Working capital	-2	-4	-12	-12	-7
Investing cash flow	0	-2	-4	-6	-8
CAPEX	0	-2	-3	-6	-8
Financial cash flow	-3	-6	-27	-27	-98
Dividend/buyback	-3	-6	-27	-27	-98
FCF	7	31	62	115	151
FCF/EBITDA	59%	69%	73%	78%	82%
FCF Yield	67%	92%	77%	82%	86%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Fishing Clash (S)	372	447	491	516	542	569	512	461	415	373	0
Wild Hunt (S)	11	12	13	14	16	17	19	21	23	25	0
Other games (S)	18	49	78	113	135	152	172	193	216	238	0
Revenue	417	523	598	658	707	753	717	688	667	650	667
EBITDA	147	184	211	234	252	269	257	249	244	241	247
EBITDA margin	35.3%	35.1%	35.3%	35.5%	35.7%	35.7%	35.9%	36.2%	36.6%	37.0%	37.0%
EBIT	145	181	208	231	249	265	254	246	241	238	243
Tax	15	18	21	23	25	27	25	25	24	24	24
CAPEX	-6	-8	-9	-10	-11	-11	-11	-10	-10	-3	-3
Working capital	-12	-7	-5	-4	-3	-3	2	2	1	1	1
FCF	115	151	176	197	214	228	224	216	212	215	220
PV FCF	109	132	142	146	146	144	130	116	104	98	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Balance sheet

(PLN m)	2017	2018	2019	2020P	2021P
Marketing costs	0	24	65	111	142
mark-up on sales	0	20.9%	26.8%	26.7%	27.1%
Other sales costs	0	35	72	128	159
mark-up on sales	0.0%	30.0%	30.1%	30.7%	30.5%
Cash	0	40	75	163	216
Net debt	-7	-40	-75	-163	-216
Net debt/EBITDA (x)	-0.6	-0.9	-0.9	-1.1	-1.2

Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	6.8	5.4	5.1	2.6	2.3	2.0
Maximum	85.6	44.5	30.9	27.2	18.8	16.0
Median	27.0	27.8	23.3	16.0	13.9	12.3
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	2,932
Net debt	-75
Other adjustments	0
Value per share (PLN)	406.05

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	463.30
DCF Val.	50%	406.10
Implied Price		434.70
Cost of equity (9M)		6.4%
9M Target Price		462.00

Industrials

Cognor

hold (no change)

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The coronavirus crisis is having an immense negative impact on the steel industry, creating a global glut, evidenced by growing stockpiles in China (currently close to 20mmt vs. a high of 15mmt recorded this week in the last five years). As rebar prices fall, so do the profit margins of steelmakers. In addition, in Q1 2020, electric arc furnaces (EAF) of the kind used by Cognor lost much of their previous cost advantage over basic oxygen furnaces (BOF). Our current FY2020 forecasts for Cognor assume a 9% decrease in sales volumes due to weaker demand, accompanied by a reduction in operating profit of PLN 138m driven by lower sales prices. Further, with no state compensation offered this year for high electricity prices, expected to rise 7% relative to 2019, the Company faces additional costs of a projected PLN 17m. On the upside, Cognor might realize savings this year thanks to lower prices of graphite electrodes used in EAF steel making (PLN 60m), improved performance after investments (PLN 31m), and lower costs of payroll and services incurred on lower sales (PLN 30m). Nevertheless we see FY2020 EBITDA as falling 30% to PLN 70m, resulting in a higher but still safe leverage ratio of 3.5x. Cognor will probably put shareholder distributions on hold for the foreseeable future. We maintain an accumulate rating for Cognor, with an unchanged target price of PLN 0.94 per share.

Current Price

0.91 PLN

Upside

9M Target Price

0.94 PLN

+3.3%

	rating	target price	issued
unchanged	hold	0.94 PLN	2020-04-22

Key Metrics			COG PW	vs. WIG
Ticker	COG PW	1M Price Chng	+11.2%	+2.8%
ISIN	PLCNTSL00014	YTD Price Chng	-26.6%	-4.5%
Outst. Stock (m)	175.0	ADTV 1M		PLN 0.1m
MC (PLN m)	159.2	ADTV 6M		PLN 0.1m
EV (PLN m)	403.5	EV/EBITDA 12M fwd	5.2	+34.7%
Free Float	-	EV/EBITDA 5Y avg	3.8	premium

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	1,902	2,082	1,902	1,630	1,828
EBITDA adj.	146	200	93	70	67
EBITDA margin	7.7%	9.6%	4.9%	4.3%	3.7%
EBIT adj.	104	156	47	22	20
Net income adj.	32	94	11	2	0
P/E adj.	5.0	1.7	14.2	75.9	322.4
P/B	0.7	0.6	0.6	0.6	0.6
EV/EBITDA adj.	3.4	1.9	4.3	6.1	6.1
DPS	0.00	0.07	0.21	0.00	0.00
DYield	0.0%	7.4%	22.6%	0.0%	0.0%
Forecast Update (% change)			2019	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)	2018	2019	2020P	2021P	2022P
Ferrostal volume (k tons)	401	424	371	456	502
HSJ volume (k tons)	237	237	228	250	255
Zlomrex volume (k tons)	173	142	145	148	151
Ferrostal spread (PLN/t)	1,191	1,127	1,107	1,126	1,140
HSJ spread (PLN/t)	1,723	1,508	1,255	1,266	1,279
Operating cash flow	232	142	48	66	62
D&A	44	46	48	47	45
Working capital	44	61	-21	0	-1
Investing cash flow	-38	-56	-50	-33	-35
CAPEX	38	56	50	33	35
Financing cash flow	-196	-84	-24	-20	-20
Dividends/Buyback	-12	-36	0	0	0
FCF	179	102	-1	34	29
FCF/EBITDA	90%	101%	-1%	50%	45%
OCF/EBITDA	116%	141%	69%	98%	97%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	1,001	1,052	950	992	1,016
Fixed assets	379	487	481	459	445
Equity	278	259	261	261	261
Minority interests	278	259	261	261	261
Net debt	209	226	247	234	226
Net debt/EBITDA (x)	1.0	2.2	3.5	3.5	3.5
Net debt/Equity (x)	0.8	0.9	0.9	0.9	0.9

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.6	4.6	4.1	3.7	1.2	0.7
Maximum	42.8	25.5	365.2	8.7	22.6	9.5
Median	8.1	12.0	10.5	5.2	7.4	6.0
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales volume	599	706	757	787	813	828	843	845	846	846	846
Product prices	1,956.2	1,940.5	1,956.5	1,970.3	1,982.9	1,992.9	2,002.8	2,012.4	2,022.1	2,029.5	2,037.0
Scrap prices	1,040	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008
Revenue	1,630	1,828	1,944	2,019	2,085	2,128	2,171	2,186	2,202	2,212	2,223
EBITDA	70	67	64	80	76	72	72	72	74	72	70
EBITDA margin	4.3%	3.7%	3.3%	3.9%	3.7%	3.4%	3.3%	3.3%	3.3%	3.2%	3.1%
EBIT	22	20	19	36	34	30	29	29	30	28	26
Tax	0	0	0	3	3	2	2	2	2	2	1
CAPEX	-50	-33	-35	-35	-36	-38	-40	-43	-43	-43	-43
Working capital	-21	0	-1	-3	-3	-2	-2	-1	-1	0	0
FCF	-1	34	29	38	34	31	29	27	28	27	25
PV FCF	-1	30	24	29	25	21	18	16	16	14	
WACC	6.7%	6.8%	6.8%	6.9%	6.9%	7.0%	7.0%	7.0%	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	1.2
FCF perp. growth rate	2.0%
PV FCF	192
Net debt	262
Other adj.	18
Value per share (PLN)	0.96

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	0.53
DCF Val.	50%	0.96
Implied Price		0.88
Cost of equity (9M)		7.0%
9M Target Price		0.94

Famur hold (no change)

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Faced with the biggest coal glut since 2015 (7.1mmt), combined with weak demand due to the ongoing epidemic, Polish coal producers are forced to cut production, and, in two cases (JSW and PGG, accounting for a combined 70% of domestic supply), declare force majeure. As they deal with falling earnings and hard access to bank financing, miners can be expected to also cut down purchases of new equipment. What is worse, we see risk of the Polish government taking drastic steps to close loss-making coal mines; according to our estimates, the shutdown of operations owned by the state mining group PGG and the power utility Tauron, which generated losses in 2019, would curtail coal production in Poland by 21%, in the process wiping out their potential investment budgets. On top of that, JSW coal has declared a 17% reduction in mining equipment expenditures in 2020 after burning through surplus cash. Under these circumstances, Famur, which in 2019 delivered over 60% of its mining equipment to Polish buyers, after the postponement of PLN 361m-worth of deliveries to the Russian coal miner SUEK, most likely faces a 45% revenue slump in 2020. On a positive note, Famur's current financial position is very healthy, leading us to expect a 2020 year-end net debt/EBITDA ratio of just 0.3x despite likely delays in payments from mining customers. Nevertheless the Company canceled this year's dividend distribution, and next year it is not likely to pay out more than 50% of annual profit. We maintain a hold rating for FMF, with the 9-month price target unchanged at PLN 2.20 per share.

Current Price

2.07 PLN

Upside

9M Target Price

2.20 PLN

+6.5%

	rating	target price	issued
unchanged	hold	2.20 PLN	2020-04-30

Key Metrics		FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-8.2%
ISIN	PLFAMUR00012	YTD Price Chng	-30.7%
Outst. Stock (m)	574.8	ADTV 1M	PLN 0.8m
MC (PLN m)	1,186.9	ADTV 6M	PLN 0.8m
EV (PLN m)	1,360.9	EV/EBITDA 12M fwd	2.7
Free Float	52.3%	EV/EBITDA 5Y avg	5.5 discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	1,460	2,229	2,165	1,196	1,112
EBITDA	308	491	451	333	305
EBITDA margin	21.1%	22.0%	20.8%	27.8%	27.4%
EBIT	133	300	269	173	154
Net income	49	208	245	137	107
P/E	23.8	5.7	4.8	8.7	11.1
P/B	0.8	0.7	0.8	0.7	0.7
EV/EBITDA	4.4	2.9	3.0	3.9	3.9
DPS	0.00	0.44	0.53	0.00	0.12
DYield	0.0%	21.3%	25.7%	0.0%	5.8%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue, Underground			0.0%	0.0%	0.0%
Revenue, Surface			0.0%	0.0%	0.0%
Sales margin, UG			0.0%	0.0%	0.0%
Sales margin, Surface			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue, Underground	1,407	1,621	1,026	950	950
Sales margin, UG	30.6%	33.3%	27.6%	28.6%	29.1%
EBITDA adj.	43	65	54	49	51
EBITDA adj. margin	3612.8%	200.0%	350.0%	400.0%	400.0%
Operating cash flow	215	504	202	302	274
D&A	191	182	160	151	148
Working capital	-127	66	-131	22	-6
Investing cash flow	-138	-15	-50	-120	-122
CAPEX	141	38	120	120	122
Financing cash flow	-458	-185	-24	-90	-197
Change in debt	-213	184	0	0	-100
Dividends/Buyback	-253	-305	0	-68	-81
FCF	173	415	53	182	152
FCF/EBITDA	35%	92%	16%	60%	49%
OCF/EBITDA	44%	112%	61%	99%	89%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	2,880	2,975	2,957	2,974	2,910
Fixed assets	1,158	936	867	836	810
Goodwill	222	162	162	162	162
Equity	1,625	1,557	1,693	1,732	1,767
Minority interests	-37	-46	7	7	7
Net debt	286	220	92	0	-55
Net debt/EBITDA (x)	0.6	0.5	0.3	0.0	-0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	10.4	10.9	9.5	6.6	5.7	4.8
Maximum	24.6	21.7	19.5	14.1	12.6	11.2
Median	15.6	13.4	11.7	9.5	8.3	7.6
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	1,196	1,112	1,118	1,197	1,197	1,197	1,197	1,197	1,197	1,197	1,197
YoY % change	-44.7%	-7.1%	0.5%	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	333	305	306	314	308	299	293	288	281	274	270
EBITDA margin	27.8%	27.4%	27.4%	26.2%	25.7%	25.0%	24.5%	24.1%	23.5%	22.9%	22.5%
D&A	160	151	148	142	139	135	135	137	136	135	135
EBIT	173	154	158	172	169	164	158	151	145	138	135
Tax	28	25	27	30	30	30	29	28	27	26	25
NOPAT	144	129	131	142	139	134	129	124	118	113	110
CAPEX	-120	-120	-122	-125	-127	-130	-132	-135	-135	-135	-135
Working capital	-131	22	-6	-73	0	0	0	0	0	0	0
FCF	53	182	152	87	150	139	132	125	119	113	110
PV FCF	50	156	118	62	98	82	71	62	53	46	
WACC	9.4%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%
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	1.2
FCF perp. growth rate	0.0%
PV FCF	799
Net debt	220
Other adjustments	-3
Value per share (PLN)	1.98

Valuation Summary

(PLN)	Weight	Price
Relative Val.	10%	2.70
DCF Val.	90%	1.98
Implied Price		2.05
Cost of equity (9M)		7.2%
9M Target Price		2.20

Grupa Kęty hold (no change)

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Manufacturing activity in Europe is being curtailed, clouding the prospects of Kęty's extrusions business which according to our calculations might be set for an 11% fall in sales volumes in 2020 (compared to a 16% drop in 2019). At the same time, near-term demand for the Company's aluminum systems is undercut by a slowdown in construction due to workers being put on coronavirus-related quarantine. This includes PLN 50m-worth of projects in the US, which have been put on a standstill. We recently revised our FY2020 outlook for Kęty to reflect lower sales of extrusions and aluminum systems. In addition, we expect the Company's working-capital needs to increase by as much as PLN 90m this year due to likely payment delays. If profits in Q2 2020 fall as anticipated, Kęty might want to revisit its original 2020 annual dividend declaration, similarly to what happened in 2009, when the Company called off the planned distribution after its net debt/EBITDA ratio went up to 1.1x. This year, after an assumed dividend payout of 50% of the net profit for 2019 (PLN 15.39 DPS), according to our calculations by the end of December the leverage ratio would increase to 1.6x (1.8x for an 85% dividend payout ratio). To match our revised forecasts, Grupa Kęty might lower its FY2020 EBITDA guidance by 11% in the course of the year, and cut target net profit by 12%. We maintain a hold rating for KTY.

Current Price	361.00 PLN	Downside
9M Target Price	335.96 PLN	-6.9%

	rating	target price	issued
unchanged	hold	335.96 PLN	2020-04-07

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+10.9%	+2.5%
ISIN	PLKETY000011	YTD Price Chng	+4.3%	+26.5%
Outst. Stock (m)	9.5	ADTV 1M		PLN 1.2m
MC (PLN m)	3,445.9	ADTV 6M		PLN 1.8m
EV (PLN m)	4,150.6	EV/EBITDA 12M fwd	7.9	-12.5%
Free Float	42.0%	EV/EBITDA 5Y avg	9.1	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	2,643	2,994	3,204	3,058	3,235
EBITDA	421	463	523	478	499
EBITDA margin	15.9%	15.5%	16.3%	15.6%	15.4%
EBIT	301	338	385	337	355
Net income	236	268	295	260	273
P/E	14.5	12.8	11.7	13.3	12.7
P/B	2.5	2.5	2.3	2.2	2.1
EV/EBITDA	9.5	9.1	7.9	8.8	8.5
DPS	30.00	23.94	23.99	15.39	21.68
DYield	8.3%	6.6%	6.6%	4.3%	6.0%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Aluminum price (US\$/t)		0.0%	0.0%	0.0%	
Producer premium (US\$/t)		0.0%	0.0%	0.0%	
EBITDA, Packaging		0.0%	0.0%	0.0%	
EBITDA, Extrusions		0.0%	0.0%	0.0%	
EBITDA, Al Systems		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Packaging	119	148	153	152	154
EBITDA, Extrusions	163	152	119	138	139
EBITDA, Al Systems	190	237	221	223	223
EBITDA, Other	-8	-14	-14	-15	-15
EBITDA/t of Al	5	6	5	5	5
Operating cash flow	293	563	269	357	415
D&A	126	138	141	144	137
Working capital	-114	86	-92	-74	-16
Investing cash flow	-229	-244	-175	-150	-120
CAPEX	229	244	175	150	120
Financing cash flow	-43	-316	-93	-244	-241
Dividends/Buyback	-229	-229	-147	-208	-205
FCF	72	296	150	211	299
FCF/EBITDA	15%	57%	31%	42%	60%
OCF/EBITDA	63%	108%	56%	72%	83%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Al price (US\$/t)	1,700	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,901
Al premium (US\$/t)	140	140	140	140	140	140	140	140	140	140	141
Al usage (1,000 t)	88	96	99	101	102	104	105	107	109	110	112
Revenue	3,058	3,235	3,285	3,323	3,350	3,386	3,424	3,462	3,500	3,539	3,580
EBITDA	478	499	501	504	505	507	508	510	512	514	516
EBITDA margin	15.6%	15.4%	15.3%	15.2%	15.1%	15.0%	14.8%	14.7%	14.6%	14.5%	14.4%
EBIT	337	355	364	371	373	373	373	373	372	375	380
Tax	61	64	66	68	68	68	68	69	69	69	70
CAPEX	-175	-150	-120	-122	-125	-127	-130	-132	-135	-135	-135
Working capital	-92	-74	-16	-12	-9	-12	-12	-12	-12	-12	-12
FCF	150	211	299	302	303	299	298	297	296	297	298
PV FCF	143	185	244	227	210	191	176	161	147	136	
WACC	8.0%	8.0%	8.0%	8.1%	8.2%	8.2%	8.3%	8.3%	8.4%	8.4%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	2,780	2,779	2,948	3,011	3,071
Fixed assets	1,575	1,680	1,770	1,779	1,766
Equity	1,396	1,477	1,589	1,655	1,732
Minority interests	1	1	2	2	3
Net debt	774	703	772	789	715
Net debt/EBITDA (x)	1.7	1.3	1.6	1.6	1.4
Net debt/Equity (x)	0.6	0.5	0.5	0.5	0.4

Relative Valuation Summary

Relative Valuation Summary						
	P / E			EV / EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.4	3.6	3.2	2.5	3.5	1.9
Maximum	39.8	22.3	149.3	12.5	12.4	9.2
Median	11.4	10.4	10.1	5.1	5.5	4.7
Weight	0%	25%	25%	0%	25%	25%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,820
Net debt	703
Other adjustments	0
Value per share (PLN)	336.57

Valuation Summary

(PLN)	Weight	Price
Relative Val.	20%	231.13
DCF Val.	80%	336.57
Implied Price		315.48
Cost of equity (9M)		6.5%
9M Target Price		335.96

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 Compay'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. On a positive note, in Q1 2020 the Company sold shares in the Taman terminal for EUR 61m, and the cash should keep the net debt/EBITDA ratio from passing 3.5x at the end of the fiscal year. KER stock took a downward turn after y/y profit declines combined with rising debt reported in Q4 2019. Our expectations for Q1 2020 include a 17% EBITDA boost accompanied by a net loss of an estimated \$28m incurred due to FX losses after the hryvnia's depreciation against the dollar. We maintain a hold rating for Kernel.

Current Price

39.00 PLN

Upside

9M Target Price

47.25 PLN

+21.2%

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

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+12.3%	+3.9%
ISIN	LU0327357389	YTD Price Chng	-11.1%	+11.1%
Outst. Stock (m)	82.9	ADTV 1M		PLN 2.1m
MC (PLN m)	3,232.6	ADTV 6M		PLN 2.4m
EV (PLN m)	6,093.8	EV/EBITDA 12M fwd	4.7	+4.4%
Free Float	60.1%	EV/EBITDA 5Y avg	4.5	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	4.4	14.8	4.1	6.0	5.2
P/B	0.7	0.7	0.6	0.5	0.5
EV/EBITDA	4.0	6.3	4.2	5.8	5.1
DPS	0.24	0.25	0.25	0.25	0.25
DYield	2.6%	2.6%	2.6%	2.7%	2.7%
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
Operating cash flow	82	189	224	264	297
D&A	83	76	96	108	107
Working capital	-63	-305	-38	-55	-49
Investing cash flow	-156	-241	-300	-145	-104
CAPEX	179	234	300	145	104
Financing cash flow	76	29	67	-103	-152
Dividends/Buyback	-20	-20	-21	-21	-21
FCF	-14	-205	-9	169	230
FCF/EBITDA	-6%	-59%	-3%	44%	58%
OCF/EBITDA	37%	55%	66%	69%	75%

Key Balance Sheet Figures

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

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	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%
9M Target Price		47.25

PKP Cargo hold (reiterated)

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With business in March reported to have slumped 20% from the comparable year-ago period in terms of tonne-kilometers of cargo carried, unable to cut costs at the same rate, PKP Cargo is set to report weak profits for Q1 2020, with a net loss expected to exceed PLN 115m. Freight in April most likely continued to fall at an even faster annual rate of an estimated 25%, and it is unlikely to recover in the months that follow. At the same time, pay cut negotiations with employees, and rent negotiations with rail infrastructure providers, are not likely to generate tangible reductions in costs until the turn of the second and third quarter at the earliest. PKP Cargo has said it wants to reduce quarterly CAPEX in 2020 to match EBITDA, but this is an unrealistic objective in our view. After updating our models to reflect worsened economic and operating conditions, and after reducing the weight of relative valuation in target price calculations to 10% in light of high stock market volatility, and updating the earnings forecasts underlying the DCF model, we lower our target price for PKP from PLN 13.89 to PLN 12.37 with an unchanged hold rating.

Current Price	11.46 PLN	Upside
9M Target Price	12.37 PLN	+7.9%

	rating	target price	issued
new	hold	12.37 PLN	2020-05-05
old	hold	13.89 PLN	2020-02-26
Key Metrics		PKP PW	vs. WIG
Ticker	PKP PW	1M Price Chng	+6.5% -1.9%
ISIN	PLPKPCR00011	YTD Price Chng	-44.1% -21.9%
Outst. Stock (m)	44.8	ADTV 1M	PLN 2.4m
MC (PLN m)	513.3	ADTV 6M	PLN 1.4m
EV (PLN m)	2,585.6	EV/EBITDA 12M fwd	3.3 -15.1%
Free Float	67.0%	EV/EBITDA 5Y avg	3.9 discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	4,689	5,183	4,782	4,243	4,548
EBITDA adj.	693	901	830	502	612
EBITDA margin	14.8%	17.4%	17.4%	11.8%	13.5%
EBIT adj.	147	272	114	-229	-144
Net income adj.	49	242	6	-230	-167
P/E adj.	10.4	2.1	90.0	-	-
P/B	0.2	0.1	0.1	0.2	0.2
EV/EBITDA adj.	2.1	1.4	3.1	5.2	4.5
DPS	0.00	0.00	1.50	0.00	0.00
DYield	0.0%	0.0%	13.1%	0.0%	0.0%
Forecast Update (% change)		2020P	2021P	2022P	
Revenue		-14.3%	-13.0%	-9.9%	
EBITDA adj.		-34.3%	-22.1%	-14.7%	
Net income		-	-	-	
Freight turnover (tkm m)		-13.3%	-9.9%	-5.6%	
Freight volume (ton m)		-12.2%	-7.7%	-3.1%	
Costs per tkm		-1.3%	-2.3%	-2.6%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Traction electricity	405	407	372	390	403
Traction fuel	211	177	76	99	129
Employee benefits	1,651	1,737	1,778	1,825	1,877
Access to infrastructure	732	573	515	575	609
Other	1,292	1,065	1,000	1,046	1,072
Operating cash flow	863	807	515	682	727
D&A	629	717	731	756	718
Working capital	20	16	-64	15	11
Investing cash flow	-612	-815	-440	-759	-808
CAPEX	-695	-1,028	-573	-759	-808
Financing cash flow	-323	111	-78	21	-31
Dividends/Buyback	0	-67	0	0	0
FCF	173	-188	-58	-76	-80
FCF/EBITDA	13%	-7%	-2%	-3%	-3%
OCF/EBITDA	95%	94%	103%	112%	106%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Freight turnover	23,824	25,823	26,793	26,436	26,444	26,649	26,870	27,108	27,363	27,637	27,929
Average prices	148	147	149	152	154	156	159	161	163	166	168
Costs per tkm	188	182	179	181	183	185	187	188	190	192	193
Revenue	4,243	4,548	4,779	4,789	4,860	4,967	5,078	5,195	5,317	5,445	5,575
EBITDA	502	612	689	698	694	702	716	732	748	740	755
EBITDA margin	11.8%	13.5%	14.4%	14.6%	14.3%	14.1%	14.1%	14.1%	14.1%	13.6%	13.5%
EBIT	-229	-144	-29	9	19	48	61	92	112	142	189
Tax	-77	-56	-28	-18	-16	-9	-5	3	8	15	27
CAPEX	-573	-759	-808	-470	-540	-567	-691	-535	-573	-562	-566
Working capital	-64	15	11	0	4	5	5	6	6	6	6
FCF	-58	-76	-80	247	173	149	36	199	173	169	169
PV FCF	-56	-70	-70	205	136	111	26	134	110	102	
WACC	5.3%	5.3%	5.2%	5.3%	5.3%	5.3%	5.3%	5.4%	5.4%	5.4%	5.5%
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)	2018	2019	2020P	2021P	2022P
Assets	6,806	7,991	7,640	7,642	7,661
Fixed assets	5,187	6,504	6,346	6,349	6,439
Equity	3,484	3,423	3,193	3,026	2,944
Minority interests	0	0	0	0	0
Net debt	779	2,072	2,075	2,231	2,392
Net debt/EBITDA (x)	0.9	2.4	4.1	3.6	3.5
Net debt/Equity (x)	0.2	0.6	0.6	0.7	0.8

Relative Valuation Summary

	P/E			EV/EBITDA			FCF/EV
	20P	21P	22P	20P	21P	22P	17-23P
Minimum	1.3	1.3	3.1	4.2	3.9	3.7	-5%
Maximum	35.4	24.0	19.6	14.2	12.8	12.1	8%
Median	19.4	16.0	15.0	7.2	6.1	6.8	3%
Weight	0%	0%	0%	33%	33%	33%	0%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	2,493
Net debt	2,072
Other adjustments	0
Value per share (PLN)	9.39

Valuation Summary

(PLN)	Weight	Price
Relative Val.	10%	31.80
DCF Val.	90%	9.39
Implied Price		11.63
Cost of equity (9M)		6.3%
9M Target Price		12.37

Stelmet buy (no change)

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Stelmet faces a 16% sales slump in 2020 in the wake of the coronavirus crisis, partly offset by the zloty's depreciation against the euro, reduced costs of employment, and lower prices of timber material. The failure of a major Polish rival is another mitigating factor through reduced competitive pressures, plus Stelmet has no plans for major capital spend this year, which should bring the net debt/EBITDA ratio below the current 1.6x, facilitating higher distributions to shareholders. Beyond 2020, we see demand for garden structures and patio furniture as increasing as people spend more time at their homes and gardens. We maintain a buy rating for STL.

Current Price

6.60 PLN

Upside

9M Target Price

9.04 PLN

+37.0%

	rating	target price	issued
unchanged	buy	9.04 PLN	2020-04-01

Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-2.2%	-10.6%
ISIN	PLSTLMT00010	YTD Price Chng	-10.2%	+11.9%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.1m
MC (PLN m)	193.8	ADTV 6M		PLN 0.0m
EV (PLN m)	318.6	EV/EBITDA 12M fwd	3.8	-39.1%
Free Float	15.0%	EV/EBITDA 5Y avg	6.3	discount

Earnings Projections

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	538	553	602	501	649
EBITDA	58	69	69	42	88
EBITDA margin	10.7%	12.4%	11.4%	8.3%	13.6%
EBIT	21	27	26	0	46
Net income	19	10	-3	-10	36
P/E	10.0	20.2	-	-	5.5
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	6.5	5.4	4.6	6.8	2.9
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
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)	2018	2019	2020P	2021P	2022P
Revenue, Core, PL	22	26	21	28	28
Revenue, Core, UK	137	110	88	111	113
Revenue, Core, FR	107	106	90	114	114
Revenue, Core, DE	113	163	168	202	203
Revenue, Wood Pellets	89	101	84	97	100
Operating cash flow	32	83	68	56	73
D&A	41	42	41	42	42
Working capital	-30	2	16	-25	-2
Investing cash flow	-24	-24	-16	-23	-25
CAPEX	23	24	16	23	25
Financing cash flow	-9	-56	-23	-23	-44
Dividends/Buyback	0	0	0	0	-21
FCF	9	-1	60	33	48
FCF/EBITDA	13%	-2%	95%	38%	58%
OCF/EBITDA	46%	121%	107%	63%	89%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2021P
Assets	816	769	744	780	772
Fixed assets	522	480	455	436	420
Equity	461	457	465	501	511
Minority interests	0	0	0	0	0
Net debt	176	125	76	46	22
Net debt/EBITDA (x)	2.6	1.8	1.2	0.5	0.3
Net debt/Equity (x)	0.4	0.3	0.2	0.1	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	5.7	4.2	3.7	4.6	3.2	2.7
Maximum	102.2	210.0	75.7	15.0	14.5	5.6
Median	11.9	9.4	7.0	6.2	4.9	4.8
Weight	0%	25%	25%	17%	17%	17%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales px (PLN/m3)	1,902	1,878	1,875	1,899	1,924	1,948	1,973	1,999	2,025	2,051	2,078
Volume (1,000 m3)	219	277	281	284	287	290	294	297	300	304	307
Timber px (PLN/m3)	264	269	274	280	285	291	297	303	309	315	321
Revenue	523	649	660	676	692	709	727	745	763	782	801
EBITDA	64	88	82	82	82	82	81	80	79	78	76
EBITDA margin	12.2%	13.6%	12.4%	12.2%	11.9%	11.5%	11.2%	10.8%	10.4%	9.9%	9.4%
EBIT	22	46	40	41	40	39	38	36	34	31	29
Tax	2.6	7.7	6.6	6.9	6.8	6.7	6.4	6.0	5.7	5.2	4.8
CAPEX	-16	-23	-25	-27	-29	-31	-34	-41	-44	-45	-46
Working capital	15.5	-24.5	-2.1	-3.1	-3.2	-3.3	-3.4	-3.5	-3.6	-3.7	-3.6
FCF	60	33	48	45	43	40	38	30	26	24	21
PV FCF	58	30	39	34	30	26	22	16	13	11	
WACC	7.4%	7.7%	8.1%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	278
Net debt	125
Other adjustments	0
Value per share (PLN)	10.21

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	6.97
DCF Val.	50%	10.21
Implied Price		8.59
Cost of equity (9M)		6.3%
9M Target Price		9.04

Retail

Dino

reduce (downgraded)

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Dino's share price has edged slightly lower after hitting an all-time in April. Early last month, the Company reported that it had added 39 new stores in Q1 2020 versus 33 in Q1 2019, but opened only 16 of these locations pending requisite permits for the other shops. This translates to an annual store expansion rate of 22%, indicating a slowdown from previous periods. Dino will probably report high like-for-like growth again in Q1 2020 at an estimated 5%, facilitated by positive base effects. We expect to see 32% year-over-year revenue growth in the period, along with a 31% rebound in EBITDA. At the same time, the EBITDA margin will probably tighten on narrower sales margins. Sales in the second quarter will most likely contract due to a weak Easter shopping season, undercut by lockdown restrictions, combined with rising costs and a shift in base effects from positive to negative. After small adjustments to our valuation models, we downgrade DNP from hold to reduce with the target price lowered to PLN 151.60.

Current Price	173.70 PLN	Downside
9M Target Price	151.60 PLN	-12.7%

	rating	target price	issued
new	reduce	151.60 PLN	2020-05-05
old	hold	152.30 PLN	2020-03-04
Key Metrics		DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+5.8% -2.6%
ISIN	PLDINPL00011	YTD Price Chng	+20.6% +42.8%
Outst. Stock (m)	98.0	ADTV 1M	PLN 35.8m
MC (PLN m)	17,029.5	ADTV 6M	PLN 33.9m
EV (PLN m)	17,621.9	EV/EBITDA 12M fwd	17.6 +9.2%
Free Float	48.9%	EV/EBITDA 5Y avg	16.1 premium

Earnings Projections (adjusted for IFRS 16)

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	4,463	5,839	7,647	9,880	12,489
EBITDA	389	541	725	929	1,186
EBITDA margin	8.7%	9.3%	9.5%	9.4%	9.5%
EBIT	303	429	562	722	921
Net income	214	308	403	534	708
P/E	79.7	55.4	42.2	31.9	24.1
P/B	18.8	14.1	10.5	7.9	5.9
EV/EBITDA	45.0	32.5	24.3	18.9	14.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2019	2020P	2021P
EBITDA			+1.6%	-1.1%	-1.6%
Net profit			-0.1%	-2.3%	-2.8%
Store count			-0.3%	-1.1%	-1.7%
Sales/sqm			+0.4%	+0.3%	+0.5%
EBITDA margin			+0.1 p.p.	-0.1 p.p.	-0.1 p.p.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2017	2018	2019	2020P	2020P
Store count	775	977	1,218	1,498	1,806
Total store area (ksqm)	295	376	472	586	712
Avg. store area (sqm)	381	385	388	391	394
Sales margin	23.3%	24.2%	24.3%	24.9%	25.2%
Stores per distr, center	258	244	305	300	301
Operating cash flow	497	643	799	1,013	1,336
D&A	86	112	164	207	265
Working capital	131	125	153	200	307
Investing cash flow	-402	-634	-828	-919	-1,094
CAPEX	-411	-636	-830	-919	-1,094
Financing cash flow	41	82	155	-265	-252
Dividends/Buyback	31	174	103	-200	-203
FCF	50	-55	-53	74	224
FCF/EBITDA	13%	-10%	-7%	8%	19%
OCF/EBITDA	128%	119%	110%	109%	113%

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019	2020P	2021P
Days inventory	39.3	36.7	39.4	42.2	41.1
Days receivables	3.1	2.4	3.7	3.7	3.7
Days payables	86.5	94.2	93.0	95.0	96.0
CCC (days)	-44.1	-55.0	-49.9	-49.1	-51.2
SG&A/Sales	16.6%	16.9%	17.0%	17.6%	17.8%
Net debt (PLN m)	485	565	592	563	371
Net debt/EBITDA (x)	1.2	1.0	0.8	0.6	0.3

Relative Valuation Summary

	PEG			P/E			EV/EBITDA		
	19	20P	21P	19	20P	21P	19	20P	21P
Minimum	-5.4	-4.7	-4.7	11.8	10.4	9.8	6.1	6.8	6.6
Maximum	2.3	1.8	1.6	35.2	24.9	21.8	13.1	12.2	11.4
Median	1.3	1.2	1.1	15.7	13.6	12.3	9.8	7.7	7.3
Weight	11%	11%	11%	11%	11%	11%	11%	11%	11%

DCF Analysis (adjusted for IFRS 16)

(EUR m)	19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Store count	1,218	1,498	1,806	2,108	2,395	2,668	2,927	3,173	3,406	3,628	3,628
Sales/sqm	1,503	1,557	1,604	1,606	1,624	1,641	1,642	1,642	1,643	1,643	1,643
SG&A/Sales	17.0%	17.6%	17.8%	17.8%	17.7%	17.8%	18.1%	18.1%	18.1%	18.1%	18.1%
Revenue	7,647	9,880	12,489	14,930	17,503	20,049	22,344	24,568	26,724	28,815	28,815
EBITDA	715	919	1,176	1,412	1,663	1,880	2,092	2,293	2,490	2,677	2,687
EBITDA margin	9.4%	9.3%	9.4%	9.5%	9.5%	9.4%	9.4%	9.3%	9.3%	9.3%	9.3%
EBIT	562	722	921	1,090	1,287	1,453	1,619	1,779	1,935	2,086	2,086
Tax	102	137	175	207	245	276	308	338	368	396	1,826
CAPEX	-830	-919	-1,094	-1,077	-1,083	-1,135	-1,010	-1,092	-1,113	-601	-601
Working capital	153	200	307	295	320	276	231	239	232	-364	-364
FCF	-53	74	224	433	665	755	1,016	1,112	1,251	1,325	1,358
PV FCF	-53	68	192	344	488	513	637	644	669	653	
WACC	8.4%	8.4%	7.7%	7.9%	8.1%	8.2%	8.3%	8.3%	8.4%	8.4%	8.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	11,289
Net debt	565
Other adjustments	0
Value per share (EUR)	151.76

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	120.20
DCF Val.	50%	151.76
Implied Price		142.29
Cost of equity (9M)		6.5%
9M Target Price		151.60

Eurocash hold (reiterated)

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EUR stock has rebounded after taking a nosedive in March with the market viewing grocery retailers as having more resistance to the coronavirus crisis than other sectors. The Company will most likely report strong sales figures for Q1 2020, boosted by increased shopping amid initial lockdown fears, but with selling expenses also rising we see the quarterly EBITDA as posting a small y/y rebound of 2%. Prospects for the second quarter aside from a likely further rise in expenses (including costs of final post-merger integration measures at acquired shops) include weak Easter sales due to lockdown and other negative base effects. The coronavirus epidemic will probably force Eurocash to scale back its 2020 store expansion plans. We maintain a hold rating for EUR after small revisions which resulted in a target price hike to PLN 20.50 per share.

Current Price

21.10 PLN

Downside

9M Target Price

20.50 PLN

-2.8%

	rating	target price	issued
new	hold	20.50 PLN	2020-05-05
old	hold	19.80 PLN	2020-02-05
Key Metrics		EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	+15.3% +6.9%
ISIN	PLEURCH00011	YTD Price Chng	-3.4% +18.8%
Outst. Stock (m)	139.2	ADTV 1M	PLN 10.2m
MC (PLN m)	2,936.3	ADTV 6M	PLN 7.5m
EV (PLN m)	3,398.3	EV/EBITDA 12M fwd	7.4 -24.5%
Free Float	53.0%	EV/EBITDA 5Y avg	9.8 discount

Earnings Projections (adjusted for IFRS 16)

Earnings Projections (adjusted for IFRS 16)					
(PLN m)	2017	2018	2019	2020P	2021P
Revenue	20,814	22,833	24,852	25,834	26,475
EBITDA adj.	361	341	400	401	419
EBITDA margin	1.7%	1.5%	1.6%	1.6%	1.6%
EBIT	38	214	208	201	215
Net income	85	67	118	111	153
P/E	34.6	43.9	24.8	26.5	19.1
P/B	2.9	2.8	3.1	3.2	3.2
EV/EBITDA	8.6	9.8	8.5	8.4	7.8
DPS	0.80	0.76	1.03	0.85	0.79
DYield	3.8%	3.6%	4.9%	4.0%	3.8%
Forecast Update (% change)			2019	2020P	2021P
EBITDA			+5.5%	+0.4%	+0.4%
Net income			+42.9%	+4.9%	+12.9%
Wholesale (EBITDA)			+4.7%	+3.7%	+4.0%
Retail (EBITDA)			-9.6%	-16.8%	-15.6%
New Projects (EBITDA)			+7.1%	+9.6%	+8.6%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019	2020P	2021P
Wholesale (S)	18,710	19,386	19,656	19,749	19,801
Retail (S)	5,905	6,221	6,563	6,897	7,222
New Projects (S)	105	130	130	130	130
Other (EBITDA)	-97	-92	-91	-90	-89
Operating cash flow	494	582	683	798	809
D&A	183	204	222	229	235
D&A (financial lease)	0	0	328	327	321
Working capital	247	196	-14	53	48
Investing cash flow	-336	-462	-300	-196	-215
CAPEX	-307	-445	-237	-196	-215
Financing cash flow	-117	-126	-433	-564	-624
Dividends/Buyback	-111	-106	-143	-118	-111
FCF	-64	83	30	217	203
FCF/EBITDA	-26%	24%	7%	54%	48%
OCF/EBITDA	223%	139%	147%	171%	166%

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019	2020P	2021P
Days inventory	26.3	23.6	23.8	23.8	23.8
Days receivables	29.5	21.5	21.3	21.1	20.9
Days payables	78.4	69.8	69.8	69.8	69.8
CCC (days)	-22.7	-24.7	-24.7	-24.9	-25.1
SG&A/Sales	11%	12%	12%	12%	12%
Net debt (PLN m)	115	346	401	363	293
Net debt/EBITDA (x)	0.5	0.8	0.9	0.8	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19	20P	21P	19	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)	19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Wholesale (EBITDA)	442	436	432	424	415	413	411	409	410	411	411
Retail (EBITDA)	133	133	153	182	226	251	258	261	263	265	265
New Projects (EBITD)	-47	-46	-45	-43	-43	-43	-43	-43	-43	-43	-43
Revenue	24,852	25,834	26,475	26,903	27,280	27,506	27,628	27,636	27,716	27,797	27,797
EBITDA	400	401	419	442	479	503	509	511	514	517	517
EBITDA margin	1.61%	1.55%	1.58%	1.64%	1.76%	1.83%	1.84%	1.85%	1.85%	1.86%	1.86%
EBIT	194	187	200	214	245	264	267	268	289	291	291
Tax	55	57	65	47	54	58	59	59	64	64	64
CAPEX	-317	-196	-215	-217	-220	-222	-192	-197	-207	-259	-259
Working capital	-14	53	48	42	40	33	27	21	25	25	25
FCF	30	217	203	235	260	270	300	290	302	252	252
PV FCF	30	206	179	192	197	190	195	175	169	131	
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	3,393
Net debt	346
Other adjustments	61
Value per share (PLN)	21.45

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	17.32
DCF Val.	50%	21.45
Implied Price		19.38
Cost of equity (9M)		5.7%
9M Target Price		20.50

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 firm EBITDA margins of Portuguese stores and the Ara and Hebe chains. In the first quarter of 2020, we expect to see strong like-for-like sales at Biedronka supermarkets in Poland and Ara stores in Colombia, accompanied by an increase in employment costs. We anticipate 11% year-over-year revenue growth in the period, along with a 9% rebound in EBITDA. The first quarter also saw the launch by Jeronimo Martins of the Biedronka Foundation to help seniors in need living in Poland, with a one-time donation of EUR 11m. Sales in the second quarter will most likely decline due to slower-than-usual Easter and May-Day shopping seasons, combined with negative base effects which are expected to persist throughout 2020. Jeronimo Martins has said it wants to open at least 40 new small-format Biedronka stores this year, but the coronavirus epidemic will probably force the Company to scale back. In addition, lockdown restrictions will have a strong negative impact on the Recheio Cash&Carry business in Portugal, which generates a major portion of sales from the hospitality industry, and on the Polish drugstore chain Hebe, which had to close some of its stores in mid-March.

Current Price

15.30 EUR

Upside

9M Target Price

16.30 EUR

+6.6%

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

Key Metrics	JMT PL	1M Price Chng	JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-5.0%	-13.4%
ISIN	PTJMT0AE0001	YTD Price Chng	+4.3%	+26.4%
Outst. Stock (m)	629.3	ADTV 1M		EUR 19.7m
MC (EUR m)	9,625.0	ADTV 6M		EUR 16.8m
EV (EUR m)	9,957.6	EV/EBITDA 12M fwd	7.6	-19.1%
Free Float	43.8%	EV/EBITDA 5Y avg	9.4	discount

Earnings Projections (adjusted for IFRS 16)

(EUR m)	2017	2018	2019	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	24.9	24.0	18.0	17.8	16.7
P/B	5.4	5.4	4.9	4.5	4.1
EV/EBITDA	10.5	10.4	9.5	8.4	7.8
DPS	0.69	0.64	0.34	0.32	0.34
DYield	4.5%	4.2%	2.2%	2.1%	2.2%
Forecast Update (% change)			2020P	2021P	2022P
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	2019	2020P	2021P
EBITDA Biedronka, PL	808	850	918	988	1,035
EBITDA Pingo Doce, PT	187	188	194	199	198
EBITDA Recheio, PT	50	53	54	57	59
EBITDA Other	-85	-80	-57	-22	6
CCC (days)	-71	-67	-65	-65	-65
Operating cash flow	909	849	1,280	1,524	1,575
D&A	345	372	402	435	465
Working capital	0	0	300	320	338
Investing cash flow	292	-43	115	204	172
CAPEX	-658	-700	-725	-732	-739
Financing cash flow	-229	-273	-549	-685	-725
Dividends/Buyback	435	401	214	199	214
FCF	397	62	279	467	492
FCF/EBITDA	43%	6%	27%	40%	39%
OCF/EBITDA	99%	88%	122%	130%	126%

Key Ratios (adjusted for IFRS 16)

(%)	2017	2018	2019	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		
	19	20P	21P	19	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)	19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Biedronka stores	3,002	3,103	3,183	3,243	3,283	3,323	3,363	3,403	3,443	3,483	3,443
Pingo Doce stores	441	441	441	441	441	441	441	441	441	441	441
Ara stores	616	876	1,036	1,196	1,356	1,476	1,556	1,596	1,636	1,676	1,636
Revenue	18,639	20,199	21,481	22,447	23,226	23,930	24,562	25,124	25,665	26,215	26,609
EBITDA	1,045	1,172	1,248	1,333	1,407	1,480	1,518	1,554	1,590	1,627	1,729
EBITDA margin	5.6%	5.8%	5.8%	5.9%	6.1%	6.2%	6.2%	6.2%	6.2%	6.2%	6.5%
EBIT	643	737	783	844	903	969	1,006	1,043	1,083	1,121	1,169
Tax	156	177	188	203	217	233	241	250	260	269	281
CAPEX	-725	-732	-739	-665	-599	-539	-512	-486	-462	-507	-507
Working capital	115	204	172	129	104	94	85	75	72	74	72
FCF	279	467	492	595	695	802	849	892	941	926	955
PV FCF	264	409	398	444	479	511	499	484	472	428	
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	1.5%
PV FCF	10,872
Net debt	93
Other adjustments	225
Value per share (EUR)	16.77

Valuation Summary

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

LPP hold (downgraded)

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LPP's first quarter of fiscal 2020/2021 spans the months from February through April, which means it includes two months of sales restrictions due to the coronavirus outbreak. The announcement by the Polish government that it would be easing lockdown restrictions from May 4th, including by allowing shopping centers to open under string distancing and hygiene measures, sent LPP stock soaring in the final days of April. Meanwhile, on April 30th the Company reported that it had terminated rental contracts for 29.5% of its Polish store area, and that it was negotiating lease changes with the remaining property owners, and pending resolutions it was not going to reopen these shops right away, on the 4th. LPP estimates its sales losses on brick stores in the first month from reopen at 50-70% relative to the same period in 2019. At the same time, in April its Web stores increased sales at triple-digit rates. An early reopen would give LPP more time to bring back sales at brick stores, but on the other hand the pace and success of the potential recovery are highly uncertain at this time, especially as negotiations with landlords are still ongoing. Our last valuation update for LPP aside from a base-case scenario for FY2020 also provided worst- and best-case scenarios. At the moment the scenario the market seems to be pricing is one that is similar to our best case, way too soon in our view. In the face of high stock market volatility and uncertain prospects for the future, after the recent rally, we downgrade LPP from buy to hold with an unchanged target price.

Current Price

6,075.00 PLN

Downside

9M Target Price

5,800.00 PLN

-4.5%

	rating	target price	issued
new	hold	5,800.00 PLN	2020-05-05
old	buy	5,800.00 PLN	2020-03-24
Key Metrics			
		LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	+26.9%
ISIN	PLPP0000011	YTD Price Chng	-31.1%
Outst. Stock (m)	1.9	ADTV 1M	PLN 23.4m
MC (PLN m)	11,253.5	ADTV 6M	PLN 20.1m
EV (PLN m)	10,791.3	EV/EBITDA 12M fwd	10.1
Free Float	69.5%	EV/EBITDA 5Y avg	12.8 discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	7,029	8,047	9,123	7,498	10,518
EBITDA	872	1,106	1,312	292	1,137
EBITDA margin	12.4%	13.7%	14.4%	3.9%	10.8%
EBIT	578	757	905	-187	605
Net income	441	505	567	-192	483
P/E	25.5	22.3	19.8	-	23.3
P/B	4.6	3.9	3.4	3.6	3.2
EV/EBITDA adj.	12.5	9.5	8.2	39.4	10.4
DPS	35.71	39.96	59.97	0.00	0.00
DYield	0.6%	0.7%	1.0%	0.0%	0.0%
Forecast Update (% change)					
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales per sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
Sales area			0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue/sqm, PL (Reserv)	513	497	333	445	468
Revenue/sqm, RU (Cropp)	723	730	498	623	655
Revenue/sqm, CZ (House)	681	721	492	616	648
Revenue/sqm, DE (Mohitc)	616	618	414	526	558
Revenue/sqm, DE (Sinsay)	713	744	506	634	656
Operating cash flow	1,212	1,394	878	1,592	1,986
D&A	349	405	478	532	613
Working capital	0	596	651	720	797
Investing cash flow	125	134	-30	-108	-84
CAPEX	-704	-770	-926	-1,226	-714
Financing cash flow	21	-945	-578	-389	-1,104
Dividends/Buyback	73	110	0	0	134
FCF	-47	262	-664	-317	513
FCF/EBITDA	-4%	20%	-228%	-28%	35%
OCF/EBITDA	110%	74%	89%	84%	85%

Key Ratios (adjusted for IFRS 16)

(k sqm)	2018	2019	2020P	2021P	2021P
Salea area, Reserved	617	672	686	706	727
Salea area, Cropp	134	151	168	187	207
Sales area, House	116	130	148	164	183
Sales area, Mohito	109	114	115	119	128
Sales area, Sinsay	103	175	232	333	440
Gross profit margin	54.7%	53.4%	51.0%	51.8%	51.9%
Net debt/EBITDA (x)	-0.7	-0.4	0.8	0.5	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19	20P	21P	19	20P	21P
Minimum	13.8	13.6	12.2	6.7	6.6	5.9
Maximum	18.3	16.7	17.7	11.3	8.0	8.5
Median	16.0	15.1	15.0	9.0	7.3	7.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/sqm (PLN)	575	389	508	535	531	524	524	524	526	526	526
SG&A/sqm (PLN)	277	250	274	282	278	278	277	278	282	285	285
Sales area (k sqm)	1,252	1,356	1,517	1,693	1,854	1,982	2,104	2,209	2,320	2,420	2,420
Revenue	9,123	7,498	10,518	12,418	13,717	14,743	15,793	16,780	17,850	18,874	18,874
EBITDA	1,312	292	1,137	1,485	1,656	1,764	1,911	2,047	2,138	2,334	2,334
EBITDA margin	14.4%	3.9%	10.8%	12.0%	12.1%	12.0%	12.1%	12.2%	12.0%	12.4%	12.4%
EBIT	905	-187	605	872	1,036	1,150	1,291	1,411	1,475	1,579	1,579
Tax	320	0	121	174	207	230	258	282	295	316	316
CAPEX	-862	-926	-1,226	-714	-589	-656	-730	-809	-894	-755	-755
Working capital	134	-30	-108	-84	-57	-11	-44	-42	-45	-302	-302
FCF	262	-664	-317	513	802	867	879	915	905	961	985
PV FCF	262	-624	-276	412	595	593	555	533	486	476	
WACC	8.3%	8.4%	8.2%	8.2%	8.3%	8.3%	8.4%	8.4%	8.4%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	11141.2
Net debt	-632
Other adjustments	0
Value per share (PLN)	6400

Valuation Summary

(PLN)	Weight	cena
Relative Val.	50%	4,000
DCF Val.	50%	6,400
Implied Price		5,440
Cost of equity (9M)		0
9M Target Price		5,800

VRG

hold (no change)

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With its shopping center stores closed from mid-March through to the end of April, VRG is set to report weak sales figures for these periods, as well as probably delivering lower profits in the first half of the year. VRG stores registered a sharp upward swing since the announcement by the Polish government that it was opening shopping centers from Monday, May 4th. We agree that the reopened brick stores can help to slowly rebuild sales, although we must keep in mind that the ongoing epidemic and its economic fallout in the months ahead might hurt the spending power of consumers. On the other hand, demand for VRG's particular kinds of semi-formal to smart casual wear, and for jewelry, might require bigger price incentives to help restore sales to pre-epidemic levels. Our last valuation update for VRG aside from a base-case scenario for FY2020 also provided worst- and best-case scenarios. At the current price level, it looks like investors are discounting a scenario similar to our base case – probably somewhat prematurely considering the earnings risks the Company has yet to deal with. In the face of high price volatility and uncertain prospects for the near future, we maintain a hold recommendation for VRG.

Current Price

2.68 PLN

Downside

9M Target Price

2.00 PLN

-25.4%

	rating	target price	issued
unchanged	hold	2.00 PLN	2020-04-06

Key Metrics	VRG PW	1M Price Chng	VRG PW	vs. WIG
Ticker	VRG PW		+38.1%	+29.7%
ISIN	PLVSTLA00011	YTD Price Chng	-33.7%	-11.5%
Outst. Stock (m)	234.5	ADTV 1M		PLN 1.1m
MC (PLN m)	628.3	ADTV 6M		PLN 0.8m
EV (PLN m)	694.5	EV/EBITDA 12M fwd	5.2	-37.0%
Free Float	46.5%	EV/EBITDA 5Y avg	8.3	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019	2020P	2021P
Revenue	689	806	1,068	740	974
EBITDA adj.	78	89	111	-15	47
EBITDA margin	11.4%	11.1%	10.4%	-2.1%	4.8%
EBIT	63	72	87	-37	26
Net income	43	54	64	-62	5
P/E	10.8	11.7	9.8	-	117.3
P/B	0.9	0.8	0.7	0.8	0.8
EV/EBITDA adj.	7.2	7.7	6.3	-	14.3
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
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)	2018	2019	2020P	2021P	2022P
Fashion Sales	483	692	457	607	704
Fashion EBIT	33	43	-37	5	37
Jewelry Sales	323	376	283	367	384
Jewelry EBIT	39.4	44.5	-0.5	25.9	34.8
Gross profit margin	51.2%	52.1%	49.0%	50.3%	50.6%
Operating cash flow	54	109	80	148	94
D&A	17	24	22	20	21
D&A (IFRS 16)	0	87	85	86	90
Working capital	-21	-75	35	36	-59
Investing cash flow	-19	-17	-14	-20	-22
Financing cash flow	-18	-100	10	-128	-117
Credit/loans	8	-5	95	-42	-28
FCF	37	-6	5	59	-5
FCF/EBITDA	41%	-6%	-35%	125%	-6%
OCF/EBITDA	60%	19%	32%	132%	5%

Key Ratios (adj. for IFRS 16)

(PLN)	2018	2019	2020P	2020P	2020P
Sales/sqm, Fashion	1,318	1,049	603	869	978
Sales/sqm, Jewelry	2,540	2,689	1,929	2,505	2,564
SG&A/sqm, Fashion	420	598	526	607	611
SG&A/sqm, Jewelry	1,118	1,216	1,106	1,240	1,239
Cash (PLN m)	34	25	102	102	57
Net debt (PLN m)	63	66	85	42	59
Net debt/EBITDA (x)	0.7	0.6	-5.6	0.9	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	5.4	4.8	3.9	4.7	3.7	3.3
Maximum	28.0	66.7	27.3	15.6	21.9	15.8
Median	11.3	8.6	7.1	6.6	5.7	4.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adj. for IFRS 16)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales/sqm (PLN)	1,169	1,575	1,708	1,706	1,721	1,729	1,742	1,756	1,771	1,786	
SG&A/sqm (PLN)	630	747	757	765	773	778	786	794	801	809	
Sales area (ksqm)	51	52	54	56	57	57	58	59	59	60	
Revenue	740	974	1,088	1,125	1,159	1,182	1,206	1,230	1,256	1,282	1,308
EBITDA	-15	47	88	89	90	91	91	91	91	92	94
EBITDA margin	-2.1%	4.8%	8.1%	7.9%	7.8%	7.7%	7.5%	7.4%	7.3%	7.2%	7.2%
EBIT	-37	26	67	68	69	69	69	70	70	72	73
Tax	1	5	13	13	13	13	13	13	13	14	14
CAPEX	14	20	22	22	21	21	21	21	20	20	21
Working capital	35	36	-59	-19	-3	-3	-3	-3	-4	-5	-5
FCF	5	59	-5	35	52	53	54	54	54	53	54
PV FCF	5	50	-4	25	35	32	30	28	26	23	
WACC	9.5%	9.2%	8.8%	8.8%	9.1%	9.0%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	619
Net debt	66
Other adjustments	0
Value per share (PLN)	2.36

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	1.10
DCF Val.	50%	2.36
Implied Price		1.85
Cost of equity (9M)		6.4%
9M Target Price		2.00

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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Comparable Companies Used In Relative Valuation Models

11 bit studios	Activision, Blizzard, CAPCOM, Electronic Arts, Paradox Interactive, Take Two Interactive, Ubisoft Entertainment
Agora	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroeer Media
AmRest	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
Asseco Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
Atal, Dom Development	Archicom, Atal, Develia, Dom Development, Echo Investment, Lokum Deweloper
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Electronic Arts, Take Two Interactive, Ubisoft Entertainment
CEZ	EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
Ciech	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
Cognor	AK Steel, Alumetal, ArcelorMittal, Baoshan Iron & Steel, Commercial Metals, HeSteel, Hitachi Metals, Hyundai Steel, JFE Holdings, JSW Steel, Kloeckner & Co, Metalurgica Gerdau, Nippon Yakin Kogyo, Nucor, Olympic Steel, Outokumpu, POSCO, Salzgitter, SSAB, Steel Authority Of India, Steel Dynamics, Tata Steel, thyssenkrupp, United States Steel Corp, voestalpine
Comarch	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
Cyfrowy Polsat	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Talktalk Telecom, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell
Dino	Carrefour, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Eurocash	Carrefour, Dino, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Caterpillar, Epiroc, Komatsu, Sandvik, Weir Group, Metso, Flsmidth
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	BIM, Carrefour, Dino, Eurocash, Magnit, Metro, O'Key, Group, Tesco, X5
JSW	Alliance Resource Partners, Arch Coal, Banpu Public, BHP Billiton, Bukin Asam, China Coal, Cloud Peak Energy, Cokal, Henan Shenhua, LW Bogdanka, Natural Resource Partners, Peabody Energy, Rio Tinto, Semirara Mining and Power, Shaanxi Heima, Shanxi Xishan Coal & Elec,
Kernel	ADM, Andersnons, Astarta, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland,
Kęty	Alcoa, Alumetal, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Fuji Seal, Kaiser Aluminium, Mercor, Midas Holdings,
KGHM	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
Kruk	Arrow Global, Collection House, Credit Corp, Encore Capital, Intrum, PRA Group
Lotos, MOL	Aker BP, Bashneft, BP, ENI, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras,
LPP	CCC, H&M, Hugo Boss, Inditex, Marks & Spencer, Next, Tom Tailor
Netia	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, O2 Czech, Orange, Orange Polska, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone
Orange Polska	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, Netia, O2 Czech,
PGNiG	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, Statoil, Total
PKN Orlen	Braskem, Dow Chemical, Eastman, Formosa Plastics, Hellenic Petroleum, Huntsman, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui
PKP Cargo	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,
Play	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 Hizmet, Vimpel, Vodafone Group
Skarbiec Holding	Affiliated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
Stelmet	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia,
Ten Square Games	Nexon, NetEase, IGG, Gree, NHN, Naver, Koei, Wuhu, Tencent, Zynga
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
VRG	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

Rating	hold	hold	buy	buy	buy
Rating date	2020-05-05	2020-02-05	2019-12-05	2019-11-06	2019-05-20
Target price (PLN)	422.00	439.00	454.00	483.00	518.00
Price on rating day	408.50	440.00	360.50	332.00	398.00

AC

Rating	neutral	neutral	neutral	underweight
Rating date	2020-04-01	2019-12-05	2019-10-30	2019-08-30
Target price (PLN)	-	-	-	-
Price on rating day	39.00	43.20	41.00	43.60

Agora

Rating	accumulate	buy
Rating date	2020-04-15	2019-10-30
Target price (PLN)	8.60	17.00
Price on rating day	7.74	9.50

Ailleron

Rating	neutral	neutral	neutral	neutral
Rating date	2020-05-05	2020-02-28	2019-10-31	2019-06-28
Target price (PLN)	-	-	-	-
Price on rating day	6.26	6.34	7.16	8.40

Alor Bank

Rating	buy	buy	buy	hold	buy	buy
Rating date	2020-04-16	2020-03-30	2020-02-21	2019-11-06	2019-07-03	2019-06-03
Target price (PLN)	21.00	24.72	30.50	31.00	72.30	77.00
Price on rating day	16.45	13.00	26.62	29.34	51.10	52.80

Alumetal

Rating	neutral	neutral	neutral	neutral	neutral	underweight	underweight
Rating date	2020-04-01	2020-02-27	2020-01-30	2019-12-05	2019-10-07	2019-08-30	2019-05-29
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	34.60	43.50	42.80	39.30	35.40	34.50	38.20

Amica

Rating	neutral	neutral	neutral
Rating date	2020-04-01	2019-12-05	2019-09-20
Target price (PLN)	-	-	-
Price on rating day	84.30	133.20	118.00

AmRest

Rating	hold	hold	hold	accumulate
Rating date	2020-03-04	2019-12-05	2019-11-06	2019-10-07
Target price (PLN)	40.00	47.00	48.00	48.00
Price on rating day	39.55	46.35	47.20	44.05

Aparator

Rating	neutral	neutral	neutral	neutral	underweight	neutral
Rating date	2020-04-01	2020-03-04	2020-01-30	2019-12-05	2019-10-18	2019-09-20
Target price (PLN)	-	-	-	-	-	-
Price on rating day	16.20	20.00	20.70	21.10	22.00	22.60

Asseco BS

Rating	neutral	neutral	overweight	neutral
Rating date	2020-05-05	2020-04-23	2020-01-30	2019-12-05
Target price (PLN)	-	-	-	-
Price on rating day	35.80	35.80	32.60	27.60

Asseco Poland

Rating	hold	hold	hold
Rating date	2020-05-05	2019-12-05	2019-06-03
Target price (PLN)	63.90	59.20	50.80
Price on rating day	64.70	57.35	51.10

Asseco SEE

Rating	overweight	overweight	overweight	overweight
Rating date	2020-05-05	2020-02-28	2019-12-05	2019-10-10
Target price (PLN)	-	-	-	-
Price on rating day	31.40	28.80	25.60	19.40

Astarta

Rating	overweight	overweight	overweight	overweight	overweight
Rating date	2020-04-01	2020-01-30	2019-12-05	2019-10-30	2019-09-05
Target price (PLN)	-	-	-	-	-
Price on rating day	11.50	15.90	15.90	16.85	23.00

Atal

Rating	suspended	accumulate	buy	accumulate	accumulate
Rating date	2020-04-02	2020-02-05	2019-12-05	2019-07-03	2019-06-06
Target price (PLN)	-	44.28	44.90	41.89	43.16
Price on rating day	24.40	39.80	37.20	36.60	39.10

Atende

Rating	neutral	neutral	neutral
Rating date	2020-05-05	2019-12-05	2019-10-31
Target price (PLN)	-	-	-
Price on rating day	2.94	3.06	3.14

Boryszew

Rating	underweight	underweight	neutral	neutral	underweight	underweight
Rating date	2020-04-01	2020-01-30	2019-12-05	2019-10-30	2019-09-20	2019-07-26
Target price (PLN)	-	-	-	-	-	-
Price on rating day	3.74	4.54	4.09	4.29	4.54	4.49

CCC

Rating	suspended	buy	buy	buy	buy	hold
Rating date	2020-03-19	2020-02-21	2019-12-05	2019-11-06	2019-09-05	2019-06-06
Target price (PLN)	-	135.00	157.00	160.00	161.00	161.00
Price on rating day	24.98	94.00	108.10	112.20	131.90	153.80

CD Projekt

Rating	hold	hold	accumulate	accumulate	accumulate	accumulate
Rating date	2020-05-05	2020-02-05	2019-12-05	2019-11-06	2019-09-05	2019-05-09
Target price (PLN)	342.50	284.20	281.30	276.40	272.50	237.50
Price on rating day	357.90	305.00	260.30	255.20	251.30	215.00

CEZ

Rating	accumulate	buy	buy	accumulate
Rating date	2020-05-05	2020-02-20	2019-12-05	2019-06-25
Target price (CZK)	527.86	592.91	597.80	597.80
Price on rating day	451.00	503.00	502.00	544.00

Ciech

Rating	buy	buy	buy	buy	hold	buy	buy
Rating date	2020-04-14	2020-02-13	2019-12-05	2019-09-05	2019-07-03	2019-06-03	2019-05-09
Target price (PLN)	45.14	47.46	44.41	42.03	41.72	55.00	68.11
Price on rating day	31.80	39.40	36.40	34.00	41.60	42.65	44.85

Cognor

Rating	hold	hold	hold	hold	accumulate	hold	accumulate	accumulate	overweight	neutral
Rating date	2020-04-22	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
Target price (PLN)	0.94	1.25	1.25	1.55	2.00	1.84	1.84	1.79	-	-
Price on rating day	0.95	1.20	1.17	1.52	1.65	1.75	1.77	1.64	1.60	1.59

Comarch

Rating	buy	buy
Rating date	2019-11-25	2019-07-25
Target price (PLN)	250.00	231.00
Price on rating day	189.50	178.50

Cyfrowy Polsat

Rating	hold	hold	reduce	reduce
Rating date	2020-04-01	2020-03-04	2019-11-14	2019-05-31
Target price (PLN)	24.10	26.10	26.10	24.15
Price on rating day	23.82	26.24	28.86	26.00

Dino

Rating	reduce	hold	reduce	accumulate	hold	sell	sell
Rating date	2020-05-05	2020-03-04	2020-02-05	2019-11-25	2019-08-23	2019-08-13	2019-08-02
Target price (PLN)	151.60	152.30	149.70	148.60	149.20	111.20	112.70
Price on rating day	173.70	155.00	164.70	134.00	149.60	135.90	143.80

Dom Development

Rating	suspended	hold	hold	hold	hold
Rating date	2020-04-02	2019-12-05	2019-09-05	2019-07-03	2019-06-06
Target price (PLN)	-	88.92	81.10	79.80	82.65
Price on rating day	68.40	93.00	84.00	77.40	82.00

Enea

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

Energa

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

Ergis

Rating	suspended	neutral	neutral	neutral
Rating date	2019-12-05	2019-10-30	2019-08-30	2019-05-29
Target price (PLN)	-	-	-	-
Price on rating day	3.84	3.20	2.48	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	hold	reduce	sell	reduce	hold	reduce	reduce
Rating date	2020-05-05	2020-02-05	2019-11-25	2019-11-06	2019-09-05	2019-08-02	2019-06-03	2019-05-09
Target price (PLN)	20.50	19.80	19.80	18.10	18.10	18.10	18.10	18.90
Price on rating day	21.10	19.94	22.22	23.80	20.62	18.60	19.31	21.00

Famur

Rating	hold	buy	buy	buy	buy	buy	buy	buy
Rating date	2020-04-30	2020-03-04	2019-12-05	2019-08-07	2019-08-02	2019-07-03	2019-06-03	2019-05-09
Target price (PLN)	2.20	4.58	5.18	5.33	6.71	6.96	6.67	6.90
Price on rating day	2.08	2.73	2.98	4.42	4.47	5.24	4.85	4.82

Forte

Rating	underweight	underweight	underweight	neutral	neutral
Rating date	2020-04-01	2020-03-20	2020-01-30	2019-12-05	2019-09-20
Target price (PLN)	-	-	-	-	-
Price on rating day	11.20	11.80	32.30	28.15	23.25

GPW

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

Grupa Azoty

Rating	hold	buy	buy	buy	hold	hold	hold	hold	hold	accumulate	accumulate	buy
Rating date	2020-04-17	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
Target price (PLN)	28.42	30.55	30.31	30.31	32.75	37.12	34.09	39.77	45.93	45.93	44.42	45.39
Price on rating day	28.00	22.24	27.50	26.10	30.00	36.58	31.18	39.98	42.30	42.10	39.86	35.92

Handlowy

Rating	hold	hold	accumulate	accumulate	accumulate	accumulate	buy	buy
Rating date	2020-04-16	2020-03-30	2020-02-27	2019-12-05	2019-07-03	2019-06-03	2019-05-21	2019-05-09
Target price (PLN)	39.86	45.66	63.46	57.44	59.45	61.00	61.00	65.50
Price on rating day	39.50	44.00	55.90	51.70	53.60	53.70	52.40	52.80

Impexmetal

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

ING BSK

Rating	sell	sell	sell	hold	hold	accumulate	hold	reduce
Rating date	2020-04-16	2020-03-30	2020-02-04	2019-12-05	2019-10-07	2019-09-05	2019-08-02	2019-07-03
Target price (PLN)	114.14	126.36	170.00	187.77	197.53	197.53	191.80	191.80
Price on rating day	141.00	153.80	202.00	190.80	194.80	187.40	189.80	203.50

Jeronimo Martins

Rating	hold	hold	reduce	hold
Rating date	2020-02-05	2019-10-07	2019-09-05	2019-05-09
Target price (EUR)	16.30	14.30	14.30	14.30
Price on rating day	15.78	14.92	15.88	13.89

JSW

Rating	sell	hold	hold	hold	buy	buy	accumulate	hold
Rating date	2020-03-27	2020-03-04	2020-02-05	2020-01-20	2019-12-05	2019-09-05	2019-07-03	2019-05-09
Target price (PLN)	9.78	15.34	18.41	23.32	28.04	39.29	50.02	54.80
Price on rating day	12.85	15.15	19.78	22.68	18.80	26.50	47.00	49.86

Kemel

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

Grupa Kęty

Rating	hold	hold	hold	hold	hold	hold	hold	reduce
Rating date	2020-04-07	2020-03-04	2019-12-05	2019-11-06	2019-10-07	2019-09-05	2019-07-03	2019-06-03
Target price (PLN)	335.96	360.29	335.44	333.45	298.64	327.11	345.32	326.37
Price on rating day	339.00	381.00	338.50	313.50	283.00	310.00	337.00	347.50

KGHM

Rating	sell	reduce	hold	reduce	hold	hold	accumulate	accumulate	hold	reduce	hold	hold
Rating date	2020-05-05	2020-03-24	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
Target price (PLN)	46.83	46.83	76.92	86.33	85.54	96.13	96.14	90.12	77.51	80.38	98.35	91.71
Price on rating day	74.00	54.64	77.82	96.44	88.66	96.70	91.64	79.92	74.90	87.78	101.70	95.00

Komerční Banka

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

Kruk

Rating	buy
Rating date	2019-12-05
Target price (PLN)	210.31
Price on rating day	150.90

Kruszwica

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

Lotos

Rating	reduce	hold	reduce	reduce	sell	sell
Rating date	2020-04-07	2020-03-04	2020-02-05	2019-12-05	2019-08-02	2019-06-03
Target price (PLN)	59.22	67.19	68.47	77.80	72.31	65.95
Price on rating day	65.10	61.06	76.78	85.20	88.66	87.82

LPP

Rating	hold	buy	buy	buy	hold	buy	accumulate	accumulate
Rating date	2020-05-05	2020-03-24	2020-02-05	2019-12-05	2019-10-07	2019-09-05	2019-07-03	2019-06-03
Target price (PLN)	5,800.00	5,800.00	10,100.00	10,100.00	8,500.00	8,500.00	8,500.00	8,300.00
Price on rating day	6,075.00	4,902.00	8,610.00	8,575.00	7,950.00	7,280.00	7,745.00	7,335.00

Mangata

Rating	neutral	neutral	neutral	neutral	neutral
Rating date	2020-04-01	2019-12-05	2019-09-20	2019-05-29	2019-05-09
Target price (PLN)	-	-	-	-	-
Price on rating day	50.00	72.00	66.00	69.50	69.00

Millennium

Rating	hold	buy	hold	reduce	hold	sell	reduce	buy
Rating date	2020-04-16	2020-03-30	2020-03-04	2020-02-05	2019-12-05	2019-11-06	2019-10-07	2019-08-02
Target price (PLN)	3.38	4.06	5.47	5.47	5.47	5.18	5.18	10.00
Price on rating day	3.28	3.30	5.06	5.91	5.49	6.40	5.48	7.51

MOL

Rating	hold	accumulate	accumulate	accumulate	accumulate	buy	accumulate	hold
Rating date	2020-03-31	2020-03-04	2020-02-05	2019-11-27	2019-11-06	2019-10-07	2019-08-02	2019-06-03
Target price (HUF)	1,927.00	2,726.00	2,816.00	3,302.00	3,258.00	3,258.00	3,258.00	3,223.00
Price on rating day	1,849.00	2,530.00	2,618.00	2,926.00	3,042.00	2,826.00	3,004.00	3,276.00

Moneta Money Bank

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

Monnari

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

Netia

Rating	accumulate	hold
Rating date	2020-05-05	2019-12-05
Target price (PLN)	4.40	4.70
Price on rating day	3.91	4.44

Orange Polska

Rating	buy	accumulate	buy	accumulate	hold
Rating date	2020-03-27	2019-11-29	2019-09-05	2019-08-02	2019-06-19
Target price (PLN)	6.90	7.40	7.50	7.50	7.50
Price on rating day	5.88	6.46	6.12	6.70	7.29

OTP Bank

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

PBKM

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

Pekao

Rating	buy	buy	buy	buy	accumulate	buy
Rating date	2020-04-16	2020-03-30	2019-12-05	2019-08-02	2019-07-03	2019-05-30
Target price (PLN)	77.70	83.51	115.20	119.75	121.00	121.00
Price on rating day	54.30	55.32	96.34	99.88	112.95	103.75

Pfleiderer Group

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

PGE

Rating	suspended	suspended	buy	buy	buy	buy
Rating date	2020-04-27	2020-02-27	2019-10-24	2019-06-25	2019-06-03	2019-05-09
Target price (PLN)	-	-	12.20	13.26	13.39	13.38
Price on rating day	4.05	5.15	8.42	9.00	9.23	8.61

PGNiG

Rating	buy	hold	hold	hold	buy	buy	accumulate	buy
Rating date	2020-04-07	2020-03-23	2020-03-04	2020-01-28	2019-11-06	2019-09-05	2019-08-02	2019-05-28
Target price (PLN)	4.44	3.24	3.88	4.06	5.64	6.33	6.33	6.47
Price on rating day	3.48	3.14	3.20	3.86	5.07	4.49	5.62	5.58

PKN Orlen

Rating	hold	accumulate	hold	reduce	hold	reduce	hold	sell
Rating date	2020-05-05	2020-03-23	2020-03-04	2020-02-03	2019-12-05	2019-11-14	2019-08-01	2019-06-03
Target price (PLN)	58.61	58.61	66.70	68.03	94.17	94.17	92.82	80.01
Price on rating day	59.52	52.58	62.26	75.66	88.50	102.45	97.36	96.78

PKO BP

Rating	accumulate	buy	buy	accumulate	accumulate	buy	accumulate	accumulate
Rating date	2020-04-16	2020-03-30	2020-03-04	2020-02-05	2019-12-05	2019-08-02	2019-06-26	2019-05-09
Target price (PLN)	24.85	26.90	39.69	39.69	39.50	47.17	47.17	40.92
Price on rating day	22.14	22.75	33.10	36.00	34.99	39.34	42.20	37.78

PKP Cargo

Rating	hold	hold	reduce	reduce	reduce
Rating date	2020-05-05	2020-02-26	2020-02-05	2019-12-05	2019-11-26
Target price (PLN)	12.37	13.89	16.40	18.13	20.44
Price on rating day	11.46	13.66	17.50	20.00	22.40

Play

Rating	buy	accumulate	buy	buy	hold	accumulate	hold	buy	accumulate
Rating date	2020-03-25	2020-02-05	2019-11-14	2019-09-12	2019-09-05	2019-08-02	2019-07-03	2019-05-31	2019-05-09
Target price (PLN)	33.50	36.00	36.00	33.10	34.20	34.20	29.00	29.00	25.25
Price on rating day	29.04	34.80	31.30	27.16	33.34	31.22	33.34	25.08	24.42

Pozbud

Rating	neutral	neutral	neutral
Rating date	2020-04-01	2019-12-05	2019-09-05
Target price (PLN)	-	-	-
Price on rating day	0.81	1.80	2.14

PZU

Rating	buy	buy	hold	accumulate	buy	hold
Rating date	2020-04-28	2020-03-04	2020-02-05	2019-12-05	2019-09-05	2019-07-03
Target price (PLN)	35.93	41.91	41.91	41.91	43.38	43.38
Price on rating day	29.92	36.31	40.54	36.47	36.59	44.35

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	buy	buy	hold	hold	reduce	hold	hold	reduce	hold
Rating date	2020-04-16	2020-03-30	2020-02-05	2019-12-05	2019-11-06	2019-10-07	2019-08-02	2019-07-12	2019-06-03
Target price (PLN)	194.52	229.52	287.90	265.50	276.55	276.55	337.00	337.00	377.27
Price on rating day	160.70	173.90	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	buy	accumulate	hold	hold	hold	hold
Rating date	2020-04-01	2020-02-05	2019-12-05	2019-10-07	2019-09-05	2019-07-03
Target price (PLN)	9.04	8.92	8.78	8.10	6.50	7.95
Price on rating day	6.75	7.85	8.20	7.90	6.70	7.00

Tarczyński

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

Tauron

Rating	suspended	suspended	buy	buy
Rating date	2020-05-05	2020-02-27	2019-11-06	2019-06-25
Target price (PLN)	-	-	2.45	2.52
Price on rating day	1.14	1.22	1.73	1.57

Ten Square Games

Rating	hold	buy
Rating date	2020-05-05	2020-04-23
Target price (PLN)	462.00	462.00
Price on rating day	450.00	371.00

TIM

Rating	overweight	overweight
Rating date	2020-04-01	2019-12-05
Target price (PLN)	-	-
Price on rating day	9.20	10.90

VRG

Rating	hold	buy	accumulate	buy	overweight
Rating date	2020-04-06	2020-02-05	2019-12-02	2019-07-26	2019-05-29
Target price (PLN)	2.00	4.50	4.50	5.20	-
Price on rating day	1.94	3.93	3.94	4.20	3.90

Wirtualna Polska

Rating	reduce	hold	hold	hold
Rating date	2020-04-20	2020-02-05	2019-12-05	2019-07-03
Target price (PLN)	63.10	79.70	70.00	61.50
Price on rating day	67.80	82.20	68.20	61.20



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