

Wednesday, June 03, 2020 | periodical publication

# Monthly Market Outlook: June 2020

## Equity Market, Macroeconomics

### Equity Market

Stock markets are choosing to tune out bad news and focus instead on economic indicators, which do look better when compared to the dismal prints for the month prior, and the Fed has managed to convince investors that the equity risk premium is near zero. We see no catalysts in the near future that could change the current optimistic narrative.

### Sector Outlook

#### Financials

Analysts will most likely be revising their estimates for Polish banks lower after another rate cut in May, though the falls might be softened by strong first-quarter income figures. For our part, we have cut 2020-2022 forecasts by 7%-11%. The prospects for the Polish financial sector at large are looking up thanks to the various emergency aid schemes, including loan subsidies which should benefit borrowers services by Kruk. By taking a write-off on its investment in Alior Bank, PZU has removed significant earnings uncertainty.

#### Chemicals

Chemical companies will feel a slowdown in Q2 2020 in segments sensitive to economic fluctuations. Grupa Azoty delivered a positive 2020 Q1 surprise while Ciech was disappointment. We have neutral calls on both stocks.

#### Mining

Mining companies are set to report continuing earnings contraction in Q2 2020 after a weak first-quarter reporting season, underpinned by the zloty's appreciation against the dollar.

#### Oil & Gas

Oil refiners are experiencing further downward pressure on cracking margins alongside shrinking profits on petrochemical products. Under these circumstances, PGNiG gas remains a better alternative.

#### Power Utilities

Global market rotation from growth to value has improved sentiment for Polish utilities, supported by a shift in thinking about how to improve the sector's structural underpinnings

#### Telecoms, Media, IT

We have PLY as our top June Telco pick, and we are also positive on OPL and NET. In Media, we would avoid WPL after a sharp downward profit shift signaled with Q1 results. In IT, we see positive sentiment thanks sound financial standings and delayed effects of the coronavirus crisis. We have ASE as the top IT pick for June.

#### Gaming

Despite an uninterrupted upward rise in May, we still see upside potential in Ten Square Games. At CD Projekt, a ramp-up of Cyberpunk 2077 marketing efforts could provide an upside catalyst in June.

#### Industrials

The first-quarter reporting season in tsector so far is turning out better than anticipated, with 50% of reports showing beats. However we see challenges ahead in Q2 2020 for AML, AMC, FMF, FTE, MGT, STL, and PKP. Our top June picks are AST, KSW, STL, and TIM. We would steer clear of BRS.

#### Retail

Stocks in clothing and footwear producers rebounded in May on expectations of further easing of lockdown restrictions. Nevertheless the lockdown can be expected to take a toll on their second-quarter results. With this in mind, we would pick the grocery retailer EUR after the recent sell-off.

#### Key Ratings

**Positive:** ASE, AST, CEZ, EBS, EUR, KSW, NET, PEO, PGN, PLY, PZU, STL, TEN, TIM

**Negative:** BRS, DNP, ING, JSW, KGH, WPL

EU Indices	Value	1M chng	YTD chng
WIG	48,879	+6.0%	-15%
ATX	2,309	+3.8%	-27%
BUX	35,967	+2.2%	-22%
PX	922	+6.3%	-16%

WSE WIG Ind.	Value	1M	YTD
WIG20	1,736	+5.3%	-19%
mWIG40	3,479	+6.2%	-11%
sWIG80	12,794	+10.2%	+7%
Banking	3,997	+1.2%	-41%
Basic Materials	2,802	+15.3%	-9%
Chemicals	9,050	+15.1%	+8%
Clothes	4,143	+6.5%	-27%
Construction	2,720	+17.0%	+19%
Energy	1,614	+20.1%	-18%
Food	3,167	+8.9%	+1%
Gaming	30,082	+12.7%	+61%
IT	3,390	+7.6%	+20%
Media	5,315	+10.2%	-1%
Oil & Gas	5,278	+7.9%	-19%
Telecom	808	-2.9%	-8%

#### Rating & 9M TP Changes as of 3 June

Name	Rating	9M TP
11 bit studios	hold ►	476.00 PLN ▲
Agora	hold ▼	8.60 PLN ►
Alior Bank	hold ▼	14.98 PLN ▼
Asseco Poland	hold ►	71.40 PLN ▲
CD Projekt	hold ►	388.10 PLN ▲
CEZ	accumulate ►	514.80 CZK ▼
Dino	reduce ►	155.60 PLN ▲
Energa	suspended ►	-
Eurocash	accumulate ▲	19.90 PLN ▼
Handlowy	hold ►	37.64 PLN ▼
ING BSK	sell ►	117.78 PLN ▲
Jeronimo Martins	hold ►	15.30 EUR ▼
Kernel	hold ►	44.58 PLN ▼
KGHM	sell ►	62.94 PLN ▲
Lotos	hold ▲	60.39 PLN ▲
LPP	hold ►	6900 PLN ▲
Millennium	buy ▲	3.72 PLN ▲
MOL	hold ►	2072.00 HUF ▲
Orange Polska	accumulate ▼	6.90 PLN ►
Pekao	buy ►	68.90 PLN ▼
PGNiG	buy ►	4.91 PLN ▲
PKN Orlen	hold ►	66.85 PLN ▲
PKO BP	hold ▼	22.58 PLN ▼
Santander BP	accumulate ▼	179.37 PLN ▼
Skarbiec Holding	accumulate ▼	21.20 PLN ►
Ten Square Games	buy ▲	592.00 PLN ►
VRG	hold ►	2.43 PLN ▲

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## Investing Outlook

The markets have ignored disastrous macro data (especially from the US labor market), worse than expected corporate earnings (2020 EPS consensus for S&P500 reduced from -20% to -22%), and rising political tensions between China and the USA and their allies. Investors are not impressed by COVID-19 numbers (+125k new cases, new daily high on 29 May, more than 20k new cases per day in the USA). In that adverse environment, the S&P500 gained another 4.5% in May and trades only 11% below its all-time high hit in February 2020. Although most of the projected risks have materialized, we were wrong about the strength of the stock market and the impact that central banks liquidity injections have had on the market. Investors are focusing more on the direction of change (positive momentum) than the actual GDP or EPS (rising from very low levels in April), and they are euphoric about any report on the development of a vaccine, even if the news is debunked shortly after release. The US labor market should improve sharply in June/July as the service sectors reopen, in particular entertainment and restaurants. If the market has survived the last months and the Fed has managed to convince investors that the risk premium is almost 0%, then we can find no adverse factors (other than those we have invoked on many other occasions) that could permanently reverse the trend. With that in mind, we are upgrading our equity allocation to neutral.

### Is COVID-19 Fading Into the Background?

Now that the governments have decided to gradually remove lockdown measures, infection statistics have been put on the back burner. The only exception are reports about the development of a vaccine, which make investors euphoric, even if the same news is discounted over and over again.

The global number of infections has surged by 3.0 million to 6.3 million in the span of a month. The number of cases in the USA has reached 1.8 million, including 106 thousand deaths, hitting the lower band of the projections presented in Congress last March. The basic reproduction number has dropped to 1.1 but the USA still report more than 20 thousand new cases per day. The contagion is peaking the most in Brazil (+30k cases per day); with relatively infrequent testing, Brazil has reported 515k cases in total.

The key takeaway about COVID-19 is that the unlocking of the European economies has not spiked the number of new cases. The average remains stable since before the unlocking. Given the general relaxation of social distancing and quarantine rules, this is probably a containment pattern typical of "regular" flu in summer time now that potential outbreaks have been isolated.

According to epidemiologists, until we have a vaccine and an effective treatment, there is a risk that a second wave of the contagion will occur this autumn. As the governments will not accept another lockdown, the contagion could be more widespread than in the spring. This is a risk for the markets but it will not materialize until months from now. That the markets underestimate the pandemic is clear from the appreciation in the currencies of the affected economies, including Brazil (we have said that it would be a key risk for the emerging markets).

### The Economy is Recovering But It Will Be Weeks Before We Can Assess the Magnitude

Gradual unlocking helps the economies gradually recover, reflecting on the forward-looking indicators. The industrial PMI in the euro zone has risen from 33.4 to 39.5 and the service PMI, from a very low 12.0 to 28.7. In the USA, the Manufacturing ISM has increased to 43.1 from 41.5 and the service PMI to 26.7 from 36.9. That increase does not change the fact that the PMIs still point to economic contraction.

Naturally, the Chinese indicators have been the first to bounce back (50.7). However, as anticipated in our previous report, in our opinion, the damage wrecked by COVID in China was on a different scale than in the West. The Chinese PMI bounced back to 50 as soon as a month after the end of the lockdown (different than in Europe and the USA). At the recent annual party assembly, the Chinese PM said that China would not pump as much liquidity into the economy as the USA or Europe, which could also corroborate the different momentum of the Asian economies (China has announced a limited support scheme for SMEs, aid for the unemployed, and development of Western regions).

Given that the European and US economies were in lockdown in April and started to gradually reopen in May, macroeconomic data are bound to improve in the coming months. It is another question how fast added value will bounce back to the pre-pandemic levels, and what makes the markets keep up the good sentiment. The improvement of the European service PMI from 12 to almost 29 is great but the indicator remains very low.

The biggest unknowns is still the US labor market and the related factor of consumption as a key GDP driver. Employment data showing a loss of over 20 million jobs in May (back to the 2011 levels) and more than 34 million new jobless claims since March would be truly shocking were it not for the support schemes approved by Congress and financed by the Fed. Household income in the US has not shrunk dramatically, which would have otherwise caused a deep recession. The optimists' sentiment will improve further in June/July when hotels, restaurants, movie theatres, schools, and stores reopen (those services have been hit by the lockdown the most) and the data improve sharply. Yes, the reference levels will have been record-low but at this time the markets are focusing on the direction rather than the target (pre-COVID levels are not expected to be reached before the end of 2021).

### US-Chinese Relations Still in Focus

While the tensions between the USA and China keep rising, the risk is not enough to force a major correction on the markets. The main hotspot is the US reaction to the decisions of the Chinese party assembly, which has imposed new security regulations in Hong Kong. The USA threaten to deprive Hong Kong of its privileged nation status (financial hub, tariff preference) established in 1997. President Trump has threatened to impose a limit on the number of Chinese students allowed in the USA. In retaliation, China has threatened to limit the imports of US soybean, a part of the 2019 trade deal. At the time of this writing, the USA has not yet reacted, but the developments could stir new trade wars and result in new US tariffs on Chinese exports. The US position is hawkish due to this year's presidential election and the anti-Chinese rhetoric of both political parties. Politicians will play that card as long as the stock market remains indifferent.

An anti-China coalition is emerging on the international scene, made up of the USA, the UK, Canada, and Australia (they have issued a joint statement regarding Hong Kong). As a result of China's recent activity in Hong Kong, the UK will review its earlier decisions to allow Huawei to develop a 5G network; the Chinese corporation may be excluded from the UK telecom network altogether by 2023. Australia is the coalition member most heavily hit: its economy is strongly dependent on China, which is gradually reducing Australian exports (and even resorting to military threats). In the context of the conflict, the EU tends to keep a low profile (issuing declarations in favor of friendly strategic relations with both blocks) but may have to take sides as the tensions escalate. The USA makes its demands clear, as felt palpably by Australia (Pompeo's threats of breaking economic ties) and Saudi Arabia in disputes around oil production levels (threats of withdrawing the military contingent).

### **May Interest Rate Cut Affecting WIG20's Biggest Sector**

The reference rate cut imposed by the Monetary Policy Council to a mere 0.1%, which took investors by surprise, has forced the prices of Polish bank stocks further down. According to our macroeconomists, the rates will remain unchanged for approximately 24 months, leading to downgrades of earnings and target prices for the WIG20's biggest sector, which could result in the index underperformance vis-a-vis developed markets.

### **Cash Gets Rerouted From Deposits to Equity Funds; PPK Underperforms**

On the other hand, low interest rates are fueling cash withdrawals from bank deposits and into investment funds. This is something we have been expecting for years, but we thought funds would have to demonstrate attractive returns for 3 to 6 months running to draw in inflows this size. As it turns out, in the end what it took was for Polish equities to plummet to all-time low prices.

According to the Polish Chamber of Fund and Asset Managers (IZFiA), domestic fund managers saw net inflows into equity and absolute return funds (+PLN 483.5m) in April 2020 for the first time since January 2018. The monthly inflows were the highest since February 2017. Fund flows for the year to date into these types of funds are still negative to the tune of PLN 1.19bn. Bond funds reported negative cash flows once again in April at PLN -3.3bn, but those were much lower than the record-high PLN 17.9bn withdrawals suffered in March.

Unfortunately, the state of inflows into pension schemes is much less optimistic causing us to downgrade our expectations for the PPK Employee Capital Plans. We initially expected PLN 5.4bn of PPK receipts in 2020, of which PLN 2.7bn invested in stocks. In view of the low enrolment rate achieved in large enterprises, and, more importantly, the extension of the PPK implementation deadline for companies with 50-249 employees, pushed back from April to November, we lower the initial forecasts to PLN 2.33bn and PLN 1.17bn, respectively (PLN 875m into equities).

PPK raised PLN 802 million four months into 2020 and PLN 868 million in total since its launch. The monthly member contributions at the moment are approximately PLN 150 million. The extra PLN 318 million received in April were one-off enrolment incentives paid for by the government.

Under the current circumstances, it is hard to predict how COVID-19 could impact PPK enrolment levels. We see no prevalent trend of headcount redundancies among large corporations in Poland but smaller companies, scheduled to implement PPKs in 2021, are another story.

The future of OFE pension funds remains a big unknown. According to the framework approved by the government in late 2019, Polish workers were to decide in June/July 2020 whether to move their pension fund assets to individual retirement accounts or to the national pensions administrator ZUS. COVID-19 has pushed the transition to late autumn.

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## Sector Strategies

### Financials

- The Polish central bank cut its benchmark interest rate again on 28 May to 0.10% in a shock move which in our view will shake up the local banking sector. Lenders have limited room to cut financing costs, and with the special bank tax constantly weighing we believe the diminished earning capacity will cause some global players to withdraw from Poland, as well as having a destructive impact on credit unions and small co-op banks, and potentially driving low-earning banks to failure.
- Given the lack of interest in M&A opportunities even before the coronavirus crisis hit, today major institutions are probably even less open to mergers with weaker competitors. As a result, many of these smaller players might be forced into bankruptcy or restructuring, and the surviving banks will have to bail them out through even higher payments into the resolution fund.
- Many banks can be expected to protect themselves against the losses implied by emergency loan moratoria by drastically raising fees. At the same time, the low loan interest in our view is not likely to boost borrowing in the coming years. In conclusion, we see the May rate cut as a source of major long-term losses for the Polish banking sector, and a measure that will undercut the stability of the banking system and undermine the confidence of consumers. We believe the sitting Monetary Policy Council will not change its policy until the end of its term in 2022.
- We have updated our models for rated Polish banks to reflect the May rate cut. The downward revisions to the aggregate 2020-2021 earnings expectations are in the range of 10%-11%, and the 2022 forecast was reduced by 7% – relatively modest adjustments which reflect strong recurring income figures reported in the first quarter of 2020, with quarterly interest income in some cases exceeding expectations to a point where the beat canceled out the total of the downward forecast revisions.
- We anticipate sweeping changes in the banking sector in the wake of the May policy move, including most notably drastic hikes in fees and commissions similar to those implemented after the introduction of the bank tax in 2016. Another precedent is the Hungarian transaction tax, which has been fully passed on to clients through higher fees. Further, banks in Western European countries have had to adjust to zero-to-negative rates some time ago, and today an average fee as a % of risk-weighted assets at Italy's Intesa Sanpaolo is 2.75% compared to 1.59% at Poland's PKO BP. Banks obviously have to make the hikes slow and gradual before they reach the target levels some time in 2022.
- Our latest revisions did not affect provisioning levels, with some lenders, like Santander, likely to surprise on the upside with this year's charge-offs.
- When it comes to performance, we believe the low interest rates are largely priced in at the current levels, but Polish banking stocks in the weeks ahead might fluctuate in line with changes in earnings expectations. We have Pekao and Millennium as our top picks for June.
- More than the May action, the two previous 100bp total interest rate cuts are a greater risk to banks due to their limited potential to cut financing costs. Assuming 25% greater sensitivity to rate cuts of 40bp, this indicates additional FY2020 losses of an estimated PLN 400m at PKO BP, PLN 243m at Santander PL, PLN 119m at ING, PLN 103m at Millennium, and PLN 70m at Handlowy. Pekao estimates that the May rate cut will put a dent of PLN 200m in its net earnings for 2020, and Alior puts the setback in the range of PLN 41-48m per quarter. The three cuts of 2020 come up to a total of 140bp, but their ultimate impact will depend on the extent and magnitude

of future fee hikes and other mitigating measures, such as potential reductions in deposit rates.

- We opt to leave forecasts for rated CEE banks out of this month's publication in anticipation of substantial revisions to their earnings prospects.
- The EU bank index gained 10% in May, thanks probably to reports on the new recovery instrument, Next Generation EU, with a budget of EUR 750 billion over the 2021-2027 period, on top of additional allocations planned to the existing funding vehicles. The proposals, if put into action, would greatly alleviate the current concerns over the future of the banking system.
- Banks aside, the debt collector Kruk delivered a set of solid first-quarter results despite a high net loss posted after large downward adjustments to receivable portfolios, compensated by higher-than-expected interest revenues. We expect that the first-quarter adjustments took into account the lower repayments (-85%) recorded in April and May. Kruk is anticipating an increased supply of debt portfolios in 2020 and 2021 – an expectation shared by other regional players like Hoist, B2Holding, and Intrum. With a leverage ratio of 1.2x equity, the Polish debt collector has the capacity to bid for new portfolios that can guarantee years of sustained profits.
- **Key Ratings:** Erste Group (buy), PEO (buy), PZU (buy), KRU (buy)

### Chemicals

- The coronavirus crisis had no measurable effects on the sales or profits of Polish chemical companies in the first quarter of 2020. Thanks to reduced imports from China, Ciech enjoyed higher demand for resins, and Grupa Azoty received more orders for OXO alcohols. In terms of earnings performance, Grupa Azoty delivered a positive surprise in Q1 2020, while the financial results of Ciech fell short of expectations.
- Grupa Azoty is not likely to grow profits this year relative to 2019 despite reduced costs of natural gas fuel, with year-over-year declines likely to be posted in Q2 2020 in a continuation of the negative trends registered in the first quarter. On top of weaker earnings growth, the fertilizer producer is facing higher debt this year, driven by investment in a new propane dehydrogenation plant.
- At Ciech, weaker-than-expected first-quarter results were accompanied by a subdued outlook for the rest of the year outlined for the core soda ash business. Looking at its growing debt, the Company is not likely to move forward with the promised share buyback any time soon as it faces contraction in demand for organic chemicals and silicates in the second half of 2020.

### Mining

- The coronavirus epidemic has had a devastating effect on the mining industry. In copper, demand has been diminished by curbed economic activity in both Europe and the US, 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. According to a forecast by the International Wrought Copper Council (IWCC), copper use is set to fall by 5.4% this year, but it will rebound in 2021 at a rate of 4.4%. At the same time, the International Copper Study Group is predicting that global supply in 2020 might decrease by as much as 950,000 tonnes due to the coronavirus crisis. The resulting oversupply is estimated by IWCC at 258,000t in 2020, set to grow to 675,000t in 2021; if this prediction proves correct, this would represent the biggest global surplus since 1997 and a higher overrun than in 2014.



- 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 estimate the reduction in mining costs thanks to the oil slump at about 10%. This benefits KGHM's Chilean unit, Sierra Gorda, which, however, accounts for just 10% about of the Group's total production.
- At the same time, 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.
- KGHM did not report a material decline in copper sales in April, however production volumes for the month came out relatively weak, due probably to adjustments to working arrangements necessitated by more stringent health and safety requirements. After using up surplus concentrates built up after a 2018 smelter stoppage, KGHM's production and sales in the months ahead can be expected to mirror the trends displayed by global mining production, with volumes likely on a downward curve.
- 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. The discount will probably narrow in the second quarter according to the Coal Miner, but quarter-on-quarter the average price will be lower. Given reduced working hours and the temporary closure of one of the mines, production in Q2 2020 will probably also decrease, resulting in weak earnings and a diminished cash surplus.
- **Key Ratings:** JSW (sell), KGH (sell)

## Oil & Gas

- The worst seems to be over for the oil market, with demand recovering as countries start to ease lockdown restrictions and supply decreasing enough to allow inventories to shift lower from week to week. The positive trends are reflected in increasing positions of speculators, on the rise for seven consecutive weeks. When it comes to prices, however, their upward move will most likely be capped by a potential easing of the current production quotas by OPEC+. With this in mind, we stand by our \$30-a-barrel forecast for Brent crude prices for 2020, followed by a rebound to \$40 in 2021.
- Despite low spot quotes and high inventories, 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 EUR 15/MWh in a matter of two years. According to Rystad Energy, US gas production will hit bottom in November (-12% y/y), and as it moves toward this low the supply from local producers, who account for 22% of global output, should decline at a similar rate as the rate of expected falls in demand (-2%). In 2021 the reduced supply will meet with a likely recovery in demand, supported by fuel switching by power generators.
- We maintain that, structurally, cheap oil benefits the downstream sector, but 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 have been putting downward pressure on refining margins for weeks now, not mitigated by production curbs. Refiners will probably have to keep run rates lower for months to come with demand not expected to recover to pre-pandemic levels until some time after 2021 (current consensus is for a decrease of 8-9mbpd in 2020 and a recovery by 5-6mbpd

in 2021), and as new capacity is about to be brought on line in Asia and the Middle East. The current premium in the price of Urals crude to Brent is not likely to turn back to the usual discount until after Russia lifts the current production curbs.

- When it comes to the outlook for retail fuel sales, in Poland we are currently seeing a general rise in mobility, resulting in increasing traffic at fuel stations, as confirmed by (aggregated and fully anonymized) data on petrol station card payments by mBank clients. If we compare the data for the weeks of April-May to January, and check them against the corresponding periods of 2018 and 2019 (high seasonality), we can say very roughly that the gap versus the year-ago baseline in Polish petrol station sales narrowed to about-16% in May from 35% in April. While there is no question that these figures indicate an improvement, we have to keep in mind the magnitude of the COVID-induced collapse. The recovery in petrol station traffic to pre-pandemic levels is likely to be slow and gradual even after all travel restrictions are removed.
- In petrochemicals, margins after a brief lockdown-led rebound are seen to be tightening under pressure from more expensive crude feedstocks combined with declining product markets as the coronavirus crisis catches up with demand (historically, demand for chemicals has shown high leverage of 1.6x relative to economic growth).
- With all this in mind, we would maintain a cautious approach to the downstream sector in the near term. PGNiG remains our top CEE pick for June owing to the more optimistic prospects for gas prices and the strong performance of the trading business, confirmed by first-quarter results.
- **Key Ratings:** PGN (buy)

## Power Utilities

- EU power contracts have retreated to EUR 37/MWh under pressure from falling prices of gas and coal fuels even as prices of carbon allowances rebounded to EUR 21/t despite a significant drop in emissions and the ongoing shift from coal to gas-fired energy. Nevertheless we maintain a base-case assumption of EUA prices retreating to EUR 18/t, accompanied by a decline below EUR 35/MWh in power prices.
- Utility stocks in both the US and EU gained about 5% in May, and they can be expected to gather momentum in the weeks ahead, driven by a rotation from growth to value. Outside of Poland, we would pay attention to defensive regulated utilities from Northern Europe (E.ON, National Grid). In light of the EU's "Green Deal" investment ramp-up, opportunities might also emerge among clean power generators, currently trading at lower multiples than the, admittedly high, levels reached in 2019.
- In Poland, at PLN 220/MWh power prices do not yet fully reflect current emission costs, with the clean-dark spread reduced by about 6 zlotys compared to this time last month. Eventually, as normal demand is restored with the easing of lockdown restrictions, the profits of power plants are bound to improve. 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.
- Today, lower demand and lockdown-driven volume losses are having the biggest impact on the distribution profits of ENG and TPE. Tightened bond yields add to the pressure through downward adjustments to cost of capital used to calculate the value of regulatory assets. Power companies revealed during first-quarter earnings calls that they were in negotiations with the Energy Regulatory Office on measures to stabilize future profits, but the outcomes of these talks is unknown.

- 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. Production losses can be compensated with transactions in the balancing market.
- The crucial catalysts that could move the utility sector in the coming months will be provided by the government and the emerging new more green-leaning energy policy reflected in a proposal to spin off the mining assets of PGE to a separate state-run company, commitments to phase out coal by 2040, and voices against the cash involvement of utilities in the construction of a nuclear power plant, and against them having to bail out failing coal mines. These proposals seem to fit nicely with the EU's potential Green Deal spending push.
- Enea has pushed the publication of FY2019 financial results back from 14 May to 4 June 2020, and we leave forecasts for the Company out of this month's publication as we wait for the release.
- **Key Ratings:** CEZ (accumulate)

## Telecoms, Media, IT

- The 2020 first-quarter reporting season in the Polish telecoms sector ended with a relatively good showing from T-Mobile, which managed to improve quarterly revenue by 4% relative to the same quarter a year earlier, as well as growing EBITDAaL by 4% to PLN 414m. Revenue from mobile services increased nearly 7% on the year, alongside 232,000 new contract customers added in Q1. Churn in the contract segment was maintained at a low 0.7%.
- The carriers reporting previously generated similarly solid results in Q1 considering the outbreak of a global epidemic, and most gave encouraging guidance for the whole year. Both Play and Orange Polska reaffirmed their initial FY2020 targets, pointing to lower electronics sales as the area where they are the most vulnerable to coronavirus effects. On the upside, during times of lockdown restrictions and social distancing, people need good quality communications services more than ever.
- Increasing phone use is driving revenue expectations in the sector, with data seen as the main driver of ARPU; for example, Orange recorded a 13% rebound in mobile traffic and a 30% boost in fixed-line broadband use in March compared to February.
- Demand for broadband connectivity has been particularly strong, with Orange Polska adding a record 44,000 users over its FTTx network in Q1 2020.
- Krzysztof Dyl, former deputy head of the Office for Electronic Communications, has taken over as the Office's acting chief as of 1 June.
- Poland's digitization ministry still hopes to resume the 5G auction before the end of the year. The original 23 April deadline for the submission of offers for four reservations along the 3480-3800 MHz frequency band had to be canceled because of the coronavirus outbreak. Initially the plan was to resume the process after the cessation of pandemic risks, but in the end the government decided to cancel the auction as part of its anti-crisis measures due to cybersecurity concerns, without specifying a new framework for a new auction as of this writing.
- The coronavirus epidemic has had a damaging impact on the advertising industry. According to Agora, Polish advertising spend in Q1 2020 totaled PLN 2.1bn after inching 0.5% higher from the same period a year earlier. The only medium to register increasing expenses in the period was the internet (+7.5%), and otherwise there were falls of 13.5% in cinemas, 3.0% in TV, 2% in radio, 3.5% in OOH, 11.0% in newspapers, and 7.5% in magazines. Agora sees total advertising expenditures for

the year as decreasing by 20-25%, with cinemas, outdoor, and print ad budgets set to be cut the most, and online ads most likely scaled back as well, though at a less rapid rate.

- Our current base-case forecast for the Polish advertising market assumes its 19.1% contraction, 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 contest for market leadership among 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 which might serve as an upside catalyst.
- **Key Ratings:** PLY (buy), OPL (accumulate), WPL (reduce), ASE (overweight)

## Gaming

- Travel restrictions and social distancing rules has been good for the gaming sector, with 11B, CDR, PLW, and TEN all reporting growth in 2020 first-quarter profits relative to the same period a year earlier.
- Stocks in CD Projekt reached new all-time highs in May on strong first-quarter results and the anticipated success of Cyberpunk 2077. We have updated our models for the Company to reflect the strong performance, but we continue to rate CDR as a hold.
- Shares in 11 bit studios also moved up on better-than-expected Q1 figures, and although we have factored the positive surprise into our models we do not expect equally spectacular numbers in the quarters to follow. Accordingly, we maintain a hold call for 11B despite raising the price target.
- Ten Square Games delivered very good 2020 first-quarter financials, and revealed that it had considerably raised marketing expenses in April and May in order to capitalize on emerging user acquisition opportunities. The higher spend will most likely pay off in the future, and with TEN's share price shifting lower since our last rating we upgrade our call from accumulate to buy, and we view TEN as our top gaming pick for June.
- **Key Ratings:** TEN (buy)

## Industrials

- As analysts cut their FY2020 earnings estimates for the industrial sector, the multiples of stocks in the MSCI World and Europe Industrials indices have risen to three-year highs at 20-22x P/E and 10-12x EV/EBITDA.
- Ahead of expected weak results for Q2 2020, underpinned by a slow-moving recovery in sales post-lockdown, we maintain an underweight stance on the sector.
- The first-quarter reporting season turned out better than we had anticipated with 36% of the 80% of companies to have reported so far delivering declines, and 50% improving results relative to the same year-ago quarter. At the same time, only 7% missed expectations while 50% posted beats. The winners included Astarta, Cognor, Kernel, and Kęty, and among the laggards were Famur, Mangata, and PKP Cargo. The coronavirus outbreak had a relatively measured effect on the manufacturing sector in Q1 2020, with companies supplying materials and components to the construction industry (Cognor, TIM, Grupa Kęty) benefitting from warm winter weather.
- Looking ahead, Alumetal, Grupa Kęty, Boryszew, Famur, and Forte, have given toned-down outlooks for the second and third quarter of 2020. Most likely Q2 2020 will be the worst quarter of the year for the manufacturing industry. Salary demands among permanent employees have reportedly eased according to industry insiders. A weak zloty is helping exporters.
- Looking ahead, we see room for earnings improvement at Astarta, benefitting from a sugar shortage in the home market of Ukraine, set to boost prices in H2 2020. AST is forecast to generate average FCF yield at 50% of EV in the 2020-21 period.
- Kruszwica in 2020 can capitalize on a high supply of oilseeds after a bumper rapeseed harvest. KSW is forecast to generate average FCF yield of 25% on EV in the 2020-21 period, and with low debt it will probably not be forced to scale back dividend payments.
- Stelmet's garden furniture business might see a boost this year as people spend more time in their homes and gardens amid the coronavirus pandemic. Looking at low leverage and high cash generation, STL has the capacity to pay regular dividends in the coming years.
- Finally, TIM saw its sales increased at a double-digit rate in April, making for ytd growth of 10.3% y/y. With over 70% of revenues generated by the online store, TIM is perfectly positioned to strengthen its market presence this year with the help of its subsidiary logistics operator 3LP.

- The outlook for Boryszew is more tentative due to its increasing debt (expected to reach 5.0x EBITDA by the end of 2020) and expectations of weak earnings in the first three quarters of the year.
- **Key Ratings:** AST (overweight), BRS (underweight), KSW (overweight), STL (buy), TIM (overweight)

## Retail

- Footfall at Poland's shopping centers is improving week to week since stores reopened, and the figures for May turned out slightly better than forecast by retailers. On top of that, LPP and VRG reported that their Web store sales for May also exceeded expectations.
- When it comes to fashion retailers, 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. We see LPP and VRG as fairly priced at the current levels.
- Among grocery retailers, stocks in EUR and JMT shifted downward after first-quarter results and second-quarter sales estimates. On the other hand, Dino (DNP) rebounded close to all-time highs after strong first-quarter results, supported by the acquisition of shares by the principal shareholders.
- Polish grocery store sales in the second quarter of 2020 were affected by lower shopper demand than in the previous year, accompanied by higher costs to adapt stores to more stringent health and safety requirements.
- Our advice for June is to reduce exposure to Dino and overweight EUR after the May share price decline.
- AmRest has issued a profit warning for FY2020 in the wake of the coronavirus epidemic. The restaurant operator generated weak results in Q1 2020, and it expects further contraction in the second quarter. Net debt as a ratio of EBITDA amounted to 3.6x as of 31 March, forcing the company to (successfully) apply for a covenant waiver. We opt not to provide an updated outlook on AmRest this month due to high uncertainty as to when it will be allowed to reopen restaurants, and as to the magnitude of revenue losses to date and the effectiveness of savings initiatives. We will renew forecasts for the Company as soon as reasonably practicable.
- **Key Ratings:** DNP (reduce), EUR (accumulate)

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

Beat / Miss	2017				2018				2019				20				+ / =
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
miss	11	9	17	15	9	11	15	24	11	14	16	19	21				192
in-line	25	25	28	22	35	19	23	22	28	26	28	16	14				311
beat	19	23	14	23	18	32	25	19	26	26	24	32	29				310
<b>Σ companies</b>	<b>55</b>	<b>57</b>	<b>59</b>	<b>60</b>	<b>62</b>	<b>62</b>	<b>63</b>	<b>65</b>	<b>65</b>	<b>66</b>	<b>68</b>	<b>67</b>	<b>64</b>				<b>813</b>
miss (%)	20	16	29	25	15	18	24	37	17	21	24	28	33				24
beat (%)	35	40	24	38	29	52	40	29	40	39	35	48	45				38

Source: Companies, Bloomberg, PAP, mBank

YoY	2017				2018				2019				20				+ / =
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
miss	24	23	20	25	27	19	19	23	23	28	23	23	31				308
in-line	4	8	12	2	9	11	10	7	9	11	7	8	9				107
beat	37	35	35	40	32	38	39	38	36	29	38	36	24				457
<b>Σ companies</b>	<b>65</b>	<b>66</b>	<b>67</b>	<b>67</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>67</b>	<b>64</b>				<b>872</b>
miss (%)	37	35	30	37	40	28	28	34	34	41	34	34	48				35
beat (%)	57	53	52	60	47	56	57	56	53	43	56	54	38				52



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

Sector		Poland	US	Europe
Financials	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	PEO, MIL	BAC US, MS US, VOYA US	ALV GY, EBS AV, TLX GY, UBSG SW
	Stocks To Avoid	ING		
	Key Catalysts	Latest rate cut already priced in	Risk-on rotation providing short term support	
Chemicals	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own			BAS GY, EVK GY, LXS GY
	Stocks To Avoid	CIE		1COV GY
	Key Catalysts	Slowdown in results in Q2'20	Potential for continuation of rebound in June despite results weakness in H1'20	
Mining	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own		ANG SJ, BHP AU, GFI SJ, FRES LN, POLY LN, PLZL RX, RIO LN	
	Stocks To Avoid	JSW, KGH	AAL LN, FM CN, ANTO LN, OZL AU	
	Key Catalysts	PLN appreciation, cost inflation	Precious metals appreciation, iron ore price surge	
Oil&Gas, Refining	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	PGN	EQT US, FANG US	BP LN
	Stocks To Avoid			
	Key Catalysts	Pressure on downstream margins; expected nat gas prices rebound	Unfavorable downstream environment; despite crude pick-up. Situation in sector remains challenging; large integrated names to prevail	
Utilities	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	CEZ, ENA, PGE		EOAN GY, FORTUM FH, RWE GY
	Stocks To Avoid			
	Key Catalysts	Political discussion on reducing coal exposure	Unfavorable rotation but yield providing support	
Telecoms	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	PLY, OPL	CHTR US	DTE GY, TC1 GY, DRI GY
	Stocks To Avoid			O2D GY
	Key Catalysts	Good momentum on Q1'20 results, stable outlook until the end of 2020, low interest rates	Unfavorable rotation but yield providing support	
Media	SENTIMENT	BEARISH	BULLISH	BULLISH
	Stocks To Own		DIS US	PSM GY
	Stocks To Avoid	WPL		SAX GY
	Key Catalysts	Poor Q2'20, long return to y/y increases	Segment a late joine to cyclical rotation	
IT	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	ASE	MSFT US, FIS US, MA US, CRM US	DHER GY, IFX GY
	Stocks To Avoid		SPOT US, NFLX US	TMV GY, RIB GY
	Key Catalysts	In the long term, the sector should benefit from COVID-19, low level of debt	Risk-on rotation pausing rally in Tech	
Gaming	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	TEN		
	Stocks To Avoid			
	Key Catalysts	Companies after significant increases	Risk-on rotation pausing rally in Tech	
Industrials	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own	AST, KSW, TIM, STL	URI US	KGX GY, G1A GY, IAG LN
	Stocks To Avoid	BRS, PKP		AAG GY, VOE AV, KONE AV, VAR1 GY
	Key Catalysts	Weak Q2'20	Outlook is bleak but rotation likely to allow for partial closing of performance gap	
Automotive	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own	AML	GM US	VOW3 GY
	Stocks To Avoid	SNK, BRS, MGT	TESLA US	DAI GY, ZIL2 GY, SFQ GY
	Key Catalysts	Weak H1'20, volume drop	Weak consumer vs better sentiment on plant restart & pent-up demand	
Retail	SENTIMENT	NEUTRAL	BEARISH	BEARISH
	Stocks To Own		LEVI US, JWN US	ADS GY, B2B GY
	Stocks To Avoid		RAD US, DKS US	
	Key Catalysts	Weak H1'20, weak consumption expected	Low consumption propensity undermining risk-on rotation; segment among YTD best performers	

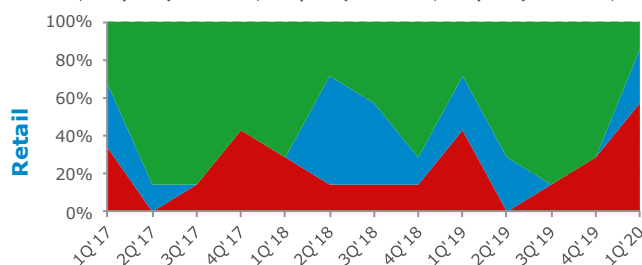
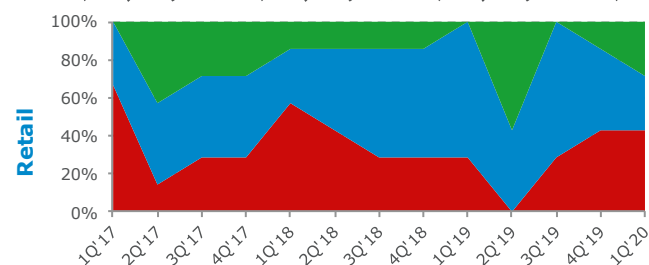
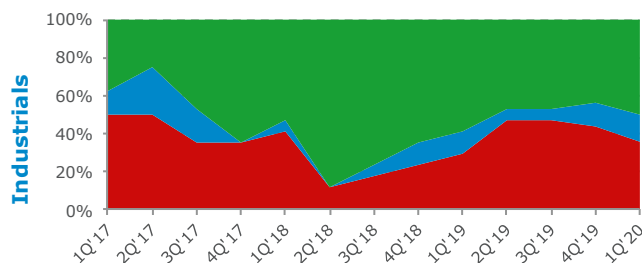
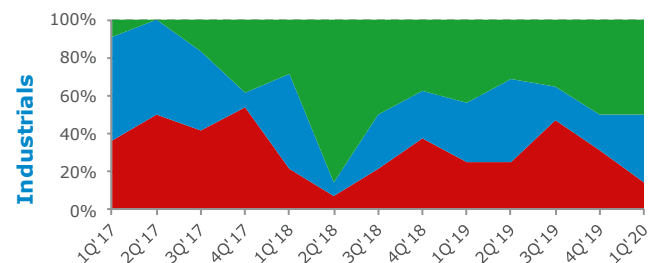
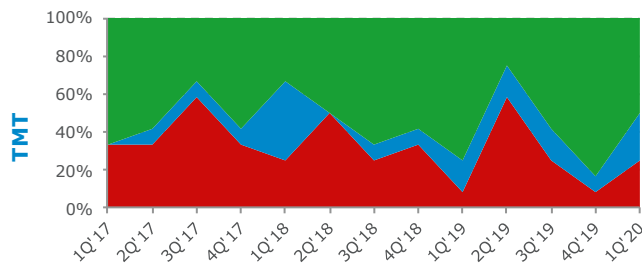
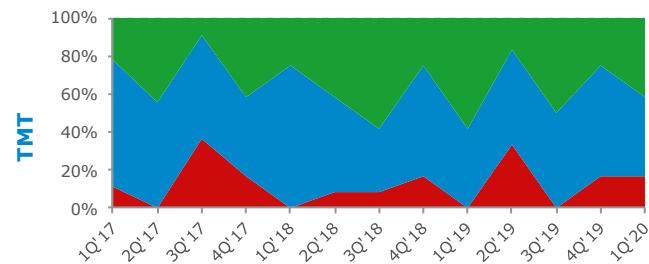
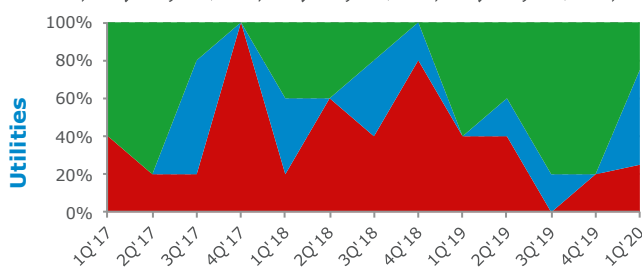
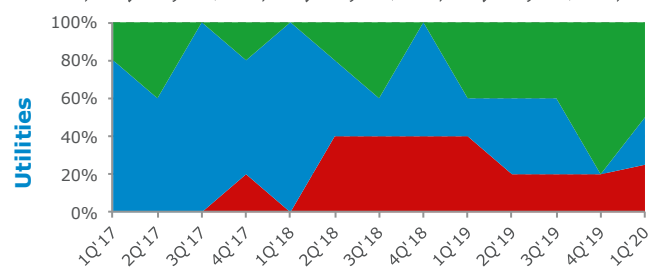
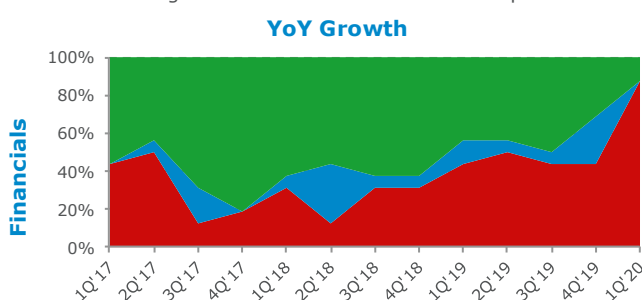
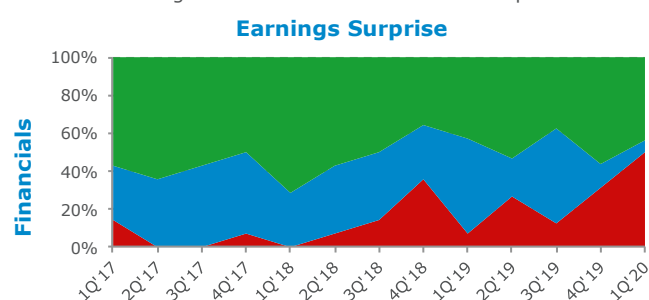
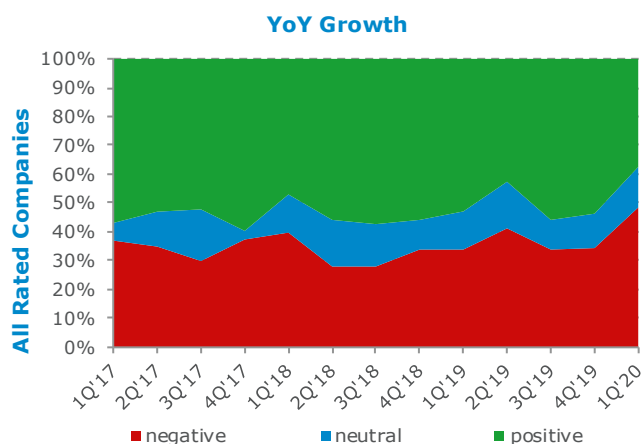
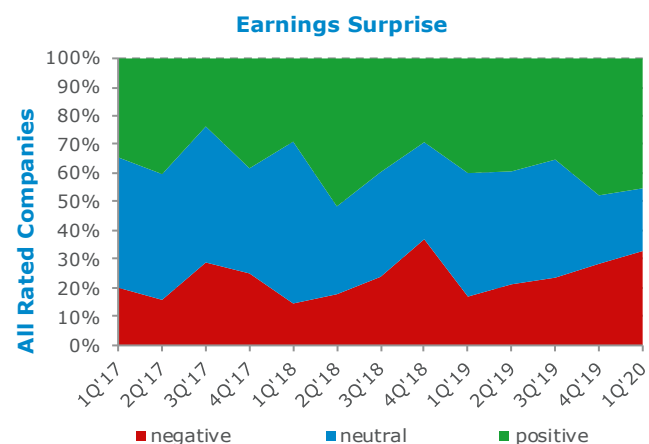
## Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017	2018	2019	20	+ / =
	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q	
<b>Financials</b>					
Alior Bank	- + + +	= + = =	= - + -	+ 77%	
Handlowy	- + + =	+ + - =	- - - +	- 46%	
ING BSK	+ = = =	= - = +	+ + - -	+ 77%	
Millennium	+ = + =	+ + = +	+ + + -	- 85%	
Pekao	+ = + =	= + + =	= = + +	+ 100%	
PKO BP	+ + + +	= = = =	= + + +	+ 100%	
Santander BP	= + = =	= + = -	= - = +	- 77%	
Komercni	+ + + +	+ + + +	= + = +	+ 100%	
Moneta			+ = +	+ 100%	
Erste Group	= + = +	+ + + +	+ + = +	- 92%	
RBI			+ = +	+ 100%	
OTP Bank	+ + + +	+ + + =	= + + +	- 92%	
PZU	+ = = +	+ = + =	+ = + +	- 92%	
Kruk	+ + = -	+ + = -	+ - + -	- 62%	
Skarbiec	= + + +	+ + = +	= + + +	- 85%	
GPW	= = + =	+ = - -	= = + -	= 77%	
<b>Chemicals</b>					
Ciech	= = = +	= + = -	= = = +	- 85%	
Grupa Azoty	+ - = -	= - - +	+ = + =	+ 69%	
<b>Mining</b>					
JSW	+ + - -	= + = -	+ + + +	- 69%	
KGHM	+ = + +	= + - -	+ = + -	- 69%	
<b>Oil &amp; Gas</b>					
Lotos	+ + + =	- + = -	= = - -	- 62%	
MOL	+ + - =	= = + +	= + = +	+ 92%	
PGNiG	+ - - =	- + - -	= + - +	+ 54%	
PKN Orlen	= = - =	= - = +	= + = -	+ 77%	
<b>Utilities</b>					
CEZ	= = = +	= - + =	= + - +	+ 85%	
Enea	= + = =	= = - =	+ + + +	- 92%	
Energia	= = = -	= = - -	- - = -	- 46%	
PGE	= = = =	= = - -	= = + =	= 77%	
Tauron	+ + = =	= + + =	+ = + +	+ 100%	
<b>Telecoms</b>					
Cyfrowy	+ = = =	+ = = =	= = = =	= 100%	
Netia	= = + +	= = = =	= + = =	= 100%	
Orange PL	= + = =	= + + +	= = + +	+ 100%	
Play		= = + =	+ + + =	= 100%	
<b>Media</b>					
Agora	= + = +	= + + =	+ - + =	+ 92%	
Wirtualna	+ = = =	= = = =	= = = =	- 92%	
<b>IT</b>					
Ailleron		- + = -	+ - = -	- 45%	
Asseco BS	= = = +	= + + +	= + + +	= 100%	
Asseco PL	= = - -	+ + + =	+ = + =	+ 85%	
Asseco SEE	= + = =	= = + +	+ = + +	+ 92%	
Atende		+ = - +	+ - = =	= 70%	
Comarch	- + - -	+ + + +	+ - + -	+ 62%	
<b>Gaming</b>					
11 bit studios	= + - =	= - = +	- - - +	+ 58%	
CD Projekt	+ + - +	= = - -	+ + + +	+ 77%	
Ten Square G		- - -	- - = +	- 43%	
<b>Industrials</b>					
AC		= = - +	= + = +	= 83%	
Alumetal	- = + =	= + = -	- = = +	+ 77%	
Amica	= = - +	- + + +	= = + =	+ 85%	
Apator	= - = -	= + + +	= = + =	+ 77%	
Astarta			- + +	+ 67%	
Boryszew	+ - + -	- = - -	- - - -	- 33%	
Cognor		+ + = -	- + = -	+ 56%	
Famur	- = + +	+ + + +	+ + - -	= 75%	
Forte	= = - -	= + = -	+ - + +	+ 62%	
Grupa Kęty	= = = =	= + = =	= = + +	+ 92%	
Kernel	- - - +	= - + +	- = + +	+ 62%	
Kruszwica	- - = -	+ + + +	+ + = +	= 69%	
Mangata	- - - -	+ + + +	= + = +	= 62%	
PKP Cargo	= = = -	= + + =	= - - -	- 54%	
Pozbud		+ = + -	+ = - -	+ 63%	
Stelmet	- = - +	- + + +	= + + +	+ 75%	
TIM		+ + + =	= = = =	= 83%	
<b>Retail</b>					
AmRest	- + + +	- - = +	- + = -	- 54%	
CCC	- + - -	- - - -	- + - -	- 15%	
Dino	+ = + +	+ = = =	= + = =	+ 100%	
Eurocash	- = - -	= - - -	= = + =	= 62%	
Jeronimo	= = = =	= = = =	= = = =	- 92%	
LPP	= = + =	- + + =	= + = -	+ 77%	
VRG	- - = =	- - = =	= = + +	+ 69%	

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

'+' = positive surprise, '-' = negative surprise, '=' = in-line results vis-à-vis consensus expectations; '+/=' 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)



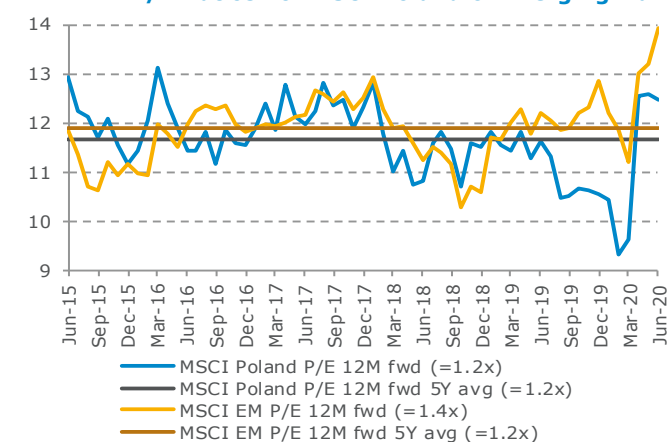
Source: Companies, Bloomberg, PAP, mBank

## Revisions To FY2020 Earnings Forecasts For WIG30 Companies

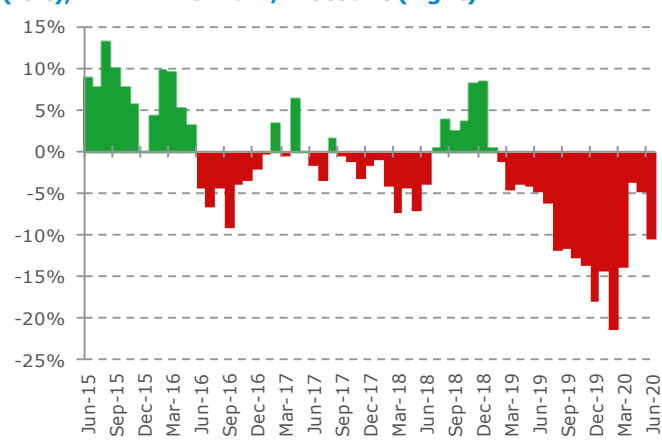
May-19=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank
Jun-19	-3%	-1%	-0%	+1%	-2%	+0%	-13%	-6%	-6%	-13%	+4%	+1%	-1%	-13%	-7%	-8%
Jul-19	-3%	-1%	-0%	-1%	-4%	+5%	-15%	-6%	-6%	-13%	+4%	+2%	+14%	-13%	-9%	-8%
Aug-19	-3%	-2%	-0%	-1%	-4%	+5%	-14%	-6%	-9%	-11%	+12%	+12%	+11%	-36%	-15%	-38%
Sep-19	-4%	-4%	-0%	-5%	-3%	+5%	-18%	-6%	-10%	-11%	+12%	+11%	+5%	-62%	-25%	-38%
Oct-19	-6%	-8%	-4%	-7%	-1%	-1%	-20%	-21%	-12%	-13%	+17%	+11%	-17%	-54%	-33%	-25%
Nov-19	-7%	-10%	-3%	-12%	-4%	+3%	-23%	-21%	-13%	-14%	+13%	+8%	-38%	-52%	-32%	-35%
Dec-19	-8%	-10%	-2%	-12%	-6%	+3%	-25%	-21%	-19%	-14%	+14%	+8%	-42%	-52%	-34%	-35%
Jan-20	-13%	-16%	-6%	-12%	-21%	-28%	-26%	-21%	-23%	-15%	+13%	+8%	-65%	-13%	-31%	-27%
Feb-20	-17%	-16%	-7%	-12%	-26%	-28%	-40%	-21%	-26%	-18%	+12%	+8%	-36%	+7%	-34%	-42%
Mar-20	-28%	-44%	-16%	-41%	-44%	-74%	-40%	-21%	-43%	-62%	+8%	-2%	-21%	+7%	-78%	-94%
Apr-20	-48%	-54%	-46%	-53%	-60%	-86%	-45%	-41%	-91%	-70%	+11%	-4%	-38%	-16%	-92%	-94%
May-20	-48%	-52%	-47%	-55%	-63%	-86%	-46%	-44%	-106%	-65%	+18%	+12%	-38%	-16%	-88%	-57%

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 [here](#). 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)

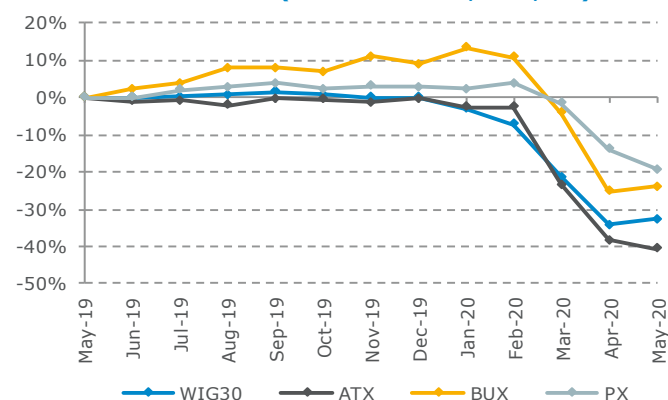


Source: Bloomberg, mBank



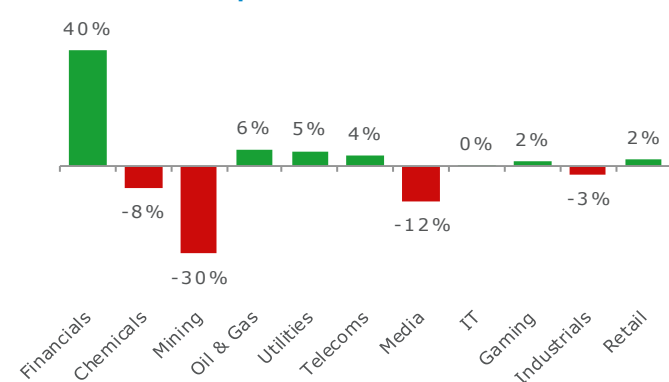
Source: Bloomberg, mBank

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



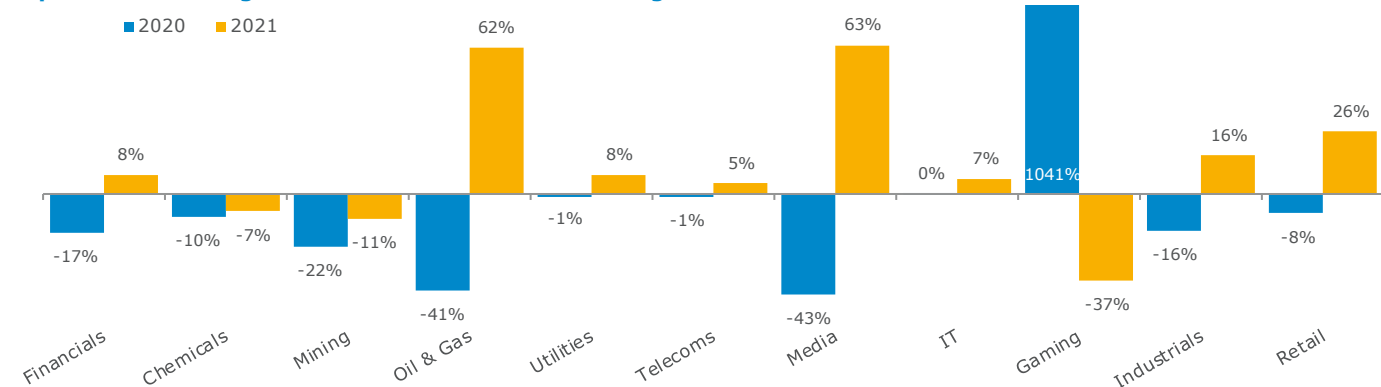
Source: Bloomberg, mBank

## 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 <sup>1</sup>	BBG Ratings <sup>2</sup>			BBG TP <sup>3</sup>	mBank v. BBG TP	mBank v. BBG Earnings			mBank v. BBG EBITDA			Analyst Count <sup>4</sup>
			▲	►	▼			2020E	2021E	2022E	2020E	2021E	2022E	
<b>Financials</b>														
Alior Bank	hold	14.98	8	1	6	23.22	-35.5%	-	+68%	+16%				11
Handlowy	hold	37.64	2	4	5	38.16	-1.4%	-29%	-14%	-10%				8
ING BSK	sell	117.78	3	2	7	132.89	-11.4%	-4%	-9%	-7%				8
Millennium	buy	3.72	5	2	6	3.78	-1.5%	+22%	-13%	-59%				9
Pekao	buy	68.90	15	5	0	76.84	-10.3%	-6%	-16%	+3%				14
PKO BP	hold	22.58	7	12	1	28.47	-20.7%	-32%	-16%	-18%				14
Santander BP	accumulate	179.37	7	9	1	198.72	-9.7%	-34%	-27%	-20%				8
PZU	buy	35.93	7	4	1	39.36	-8.7%	-7%	-3%	+6%				6
GPW	hold	41.56	1	4	1	45.49	-8.6%	-7%	-4%	-2%				4/4
<b>Chemicals</b>														
Ciech	hold	38.94	10	2	0	49.19	-20.8%	-32%	-8%	-13%	-10%	+1%	-4%	5/4
Grupa Azoty	hold	28.42	4	5	1	34.23	-17.0%	-0%	-	-89%	+4%	-21%	-23%	3/4
<b>Mining</b>														
JSW	sell	9.78	0	3	6	11.07	-11.6%	-	-	-	+198%	-8%	-40%	6/5
KGHM	sell	62.94	1	7	8	68.51	-8.1%	+37%	-47%	-4%	+15%	-26%	-8%	10/10
<b>Oil &amp; Gas</b>														
Lotos	hold	60.39	8	4	2	72.51	-16.7%	-	-1%	-12%	-65%	-11%	-14%	10/10
MOL	hold	2,072.0	6	7	1	2,316.4	-10.6%	-82%	-41%	-31%	-26%	-16%	-11%	11/10
PGNiG	buy	4.91	7	1	2	4.03	+22.0%	+9%	+5%	+43%	+5%	+1%	+16%	6/4
PKN Orlen	hold	66.85	3	11	2	69.33	-3.6%	-	-31%	-40%	-48%	-23%	-25%	13/13
<b>Utilities</b>														
CEZ	accumulate	514.80	7	7	1	524.39	-1.8%	-1%	-23%	-47%	+0%	-3%	-12%	8/8
Energa	suspended	-	1	3	1	8.56	-	-44%	-35%	-20%	-6%	+0%	+3%	7/6
PGE	suspended	-	3	3	5	5.95	-	+19%	+16%	+13%	+5%	+6%	+5%	7/7
Tauron	suspended	-	2	5	3	1.56	-	-5%	+11%	+9%	+7%	+0%	+3%	8/7
<b>Telecoms</b>														
Cyfrowy Polsat	hold	24.10	3	9	1	28.21	-14.6%	-1%	+5%	+11%	-3%	-2%	-1%	6/7
Netia	accumulate	4.40	6	1	0	4.30	+2.3%	+0%	-4%	-12%	+4%	-4%	-7%	3/4
Orange Polska	accumulate	6.90	4	9	1	6.76	+2.1%	-73%	-10%	+14%	+15%	+18%	+19%	3/1
Play	buy	35.70	10	3	1	36.47	-2.1%	-0%	-3%	-9%	-1%	-2%	-3%	11/11
<b>Media</b>														
Wirtualna Polska	reduce	63.10	5	0	2	73.51	-14.2%	-26%	+5%	+1%	-17%	-4%	-1%	5/5
<b>IT</b>														
Asseco Poland	hold	71.40	2	5	1	61.83	+15.5%	-3%	-9%	-13%	+2%	-0%	+3%	5/5
Asseco SEE	overweight	-	2	2	0	27.70	-	-2%	+4%	-	+1%	+11%	-	2/2
Comarch	hold	220.30	3	3	0	220.24	+0.0%	-8%	-3%	-1%	+2%	-3%	-2%	5/5
<b>Gaming</b>														
11 bit studios	hold	476.00	8	3	0	458.87	+3.7%	+36%	-48%	+38%	+26%	-39%	+21%	6/5
CD Projekt	hold	388.10	5	13	4	351.69	+10.4%	+30%	+18%	-22%	+16%	+12%	-29%	11/10
Ten Square Games	buy	592.00	10	0	1	489.19	+21.0%	+14%	+22%	+14%	+8%	+23%	+17%	8/8
<b>Industrials</b>														
AC	neutral	-	2	1	0	40.80	-	+20%	+7%	-	+15%	+6%	-	3/3
Alumetal	neutral	-	4	2	0	54.80	-	-25%	-16%	-	-11%	-9%	-	3/3
Amica	neutral	-	3	2	0	132.10	-	-17%	-9%	-	-11%	-6%	-	2/2
Apator	neutral	-	1	3	0	19.50	-	-10%	-2%	-	-2%	+2%	-	2/2
Astarta	overweight	-	2	2	0	16.77	-	-	-3%	-	-2%	-3%	-	2/2
Boryszew	underweight	-	0	0	1	-	-	-	+0%	-	+13%	+0%	-	2/2
Famur	hold	2.20	2	3	0	3.25	-32.2%	-16%	-20%	-28%	-16%	-15%	-22%	4/4
Forte	neutral	-	2	4	0	14.00	-	-	+29%	-	+107%	+15%	-	3/3
Grupa Kęty	hold	335.96	5	6	0	404.75	-17.0%	-11%	-3%	-5%	-9%	-1%	-6%	5/4
Kemel	hold	44.58	5	1	0	57.32	-22.2%	-22%	+12%	-22%	-4%	-3%	-17%	5/5
Mangata	neutral	-	1	2	0	-	-	-10%	+5%	-	-2%	+3%	-	2/2
PKP Cargo	hold	12.37	3	4	1	16.03	-22.8%	-	-	-	-11%	-20%	-20%	5/5
<b>Retail</b>														
CCC	suspended	-	4	6	2	77.25	-	-	-	-	-	-	-	5/5
Dino	reduce	155.60	8	5	5	166.42	-6.5%	+4%	+10%	+9%	+2%	+2%	+2%	11/11

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



## Current Recommendations of mBank

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E 2020	P/E 2021	EV/EBITDA 2020	EV/EBITDA 2021
<b>Financials</b>						<b>+39.1%</b>	<b>10.2</b>	<b>9.3</b>		
Alior Bank	hold	2020-06-03	15.19	14.98	15.19	-1.4%	-	9.7		
Handlowy	hold	2020-06-03	38.00	37.64	38.00	-0.9%	22.0	16.8		
ING BSK	sell	2020-06-03	145.20	117.78	145.20	-18.9%	20.7	17.6		
Millennium	buy	2020-06-03	2.64	3.72	2.64	+41.0%	20.2	12.4		
Pekao	buy	2020-06-03	52.40	68.90	52.40	+31.5%	10.4	9.6		
PKO BP	hold	2020-06-03	22.06	22.58	22.06	+2.4%	15.1	11.2		
Santander Bank Polska	accumulate	2020-06-03	163.60	179.37	163.60	+9.6%	18.6	13.5		
Komercni Banka	buy	2019-12-05	792.00	928.20 CZK	531.00	+74.8%	7.0	6.7		
Moneta Money Bank	buy	2019-08-28	75.95	94.33 CZK	54.00	+74.7%	6.7	6.7		
Erste Group	buy	2020-03-04	29.44	36.61 EUR	21.30	+71.9%	5.7	5.6		
RBI	accumulate	2019-12-05	21.24	23.05 EUR	16.95	+36.0%	4.6	4.6		
OTP Bank	hold	2019-12-05	14,870	14,681 HUF	10,800	+35.9%	6.8	6.6		
PZU	buy	2020-04-28	29.92	35.93	30.04	+19.6%	10.2	9.1		
Kruk	buy	2019-12-05	150.90	210.31	107.20	+96.2%	6.0	5.8		
Skarbiec Holding	accumulate	2020-06-03	19.05	21.20	19.05	+11.3%	7.3	7.9		
GPW	hold	2020-05-20	40.00	41.56	40.65	+2.2%	15.5	14.0		
<b>Chemicals</b>						<b>-7.8%</b>	<b>14.2</b>	<b>9.0</b>	<b>6.2</b>	<b>7.1</b>
Ciech	hold	2020-05-29	39.25	38.94	37.15	+4.8%	12.4	9.0	6.1	4.9
Grupa Azoty	hold	2020-04-17	28.00	28.42	34.20	-16.9%	16.0	-	6.4	9.3
<b>Mining</b>						<b>-30.0%</b>	<b>11.4</b>	<b>22.6</b>	<b>5.1</b>	<b>4.8</b>
JSW	sell	2020-03-27	12.85	9.78	18.00	-45.7%	-	-	4.8	3.0
KGHM	sell	2020-06-03	88.10	62.94	88.10	-28.6%	11.4	22.6	5.3	6.6
<b>Oil &amp; Gas</b>						<b>+5.8%</b>	<b>14.0</b>	<b>9.8</b>	<b>8.2</b>	<b>4.8</b>
Lotos	hold	2020-06-03	60.52	60.39	60.52	-0.2%	-	8.6	26.5	4.8
MOL	hold	2020-06-03	1,916	2,072 HUF	1,916	+8.1%	-	11.5	7.5	5.3
PGNiG	buy	2020-06-03	4.31	4.91	4.31	+13.9%	14.0	9.7	5.0	4.1
PKN Orlen	hold	2020-06-03	67.80	66.85	67.80	-1.4%	-	9.9	8.8	4.7
<b>Power Utilities</b>						<b>+5.3%</b>	<b>7.5</b>	<b>3.6</b>	<b>4.9</b>	<b>4.3</b>
CEZ	accumulate	2020-06-03	489.00	514.80 CZK	489.00	+5.3%	12.1	16.9	6.7	7.5
Enea	suspended	2020-02-27	6.00	-	6.50	-	2.7	2.1	2.9	2.7
Energia	suspended	2020-06-03	8.19	-	8.19	-	10.7	8.3	5.2	4.5
PGE	suspended	2020-04-27	4.05	-	5.52	-	7.5	3.6	3.5	2.6
Tauron	suspended	2020-05-05	1.14	-	1.40	-	3.7	2.0	4.9	4.3
<b>Telecoms</b>						<b>+3.7%</b>	<b>14.1</b>	<b>17.0</b>	<b>5.5</b>	<b>5.1</b>
Cyfrowy Polsat	hold	2020-04-01	23.82	24.10	26.86	-10.3%	14.1	11.5	7.4	6.9
Netia	accumulate	2020-05-05	3.91	4.40	3.86	+14.0%	24.9	22.5	4.1	3.9
Orange Polska	accumulate	2020-06-03	6.49	6.90	6.49	+6.4%	-	32.3	5.4	5.0
Play	buy	2020-05-15	31.02	35.70	29.02	+23.0%	7.9	7.8	5.7	5.3
<b>Media</b>						<b>-12.2%</b>	<b>38.0</b>	<b>22.0</b>	<b>18.0</b>	<b>9.6</b>
Agora	hold	2020-06-03	8.36	8.60	8.36	+2.9%	-	-	21.0	7.8
Wirtualna Polska	reduce	2020-04-20	67.80	63.10	74.60	-15.4%	38.0	22.0	15.0	11.4
<b>IT</b>						<b>+0.5%</b>	<b>18.5</b>	<b>16.2</b>	<b>7.6</b>	<b>6.1</b>
Aiellon	neutral	2020-05-05	6.26	-	6.30	-	12.5	9.8	3.8	2.9
Asseco BS	neutral	2020-05-05	35.80	-	34.20	-	17.0	16.2	10.9	10.3
Asseco Poland	hold	2020-06-03	72.60	71.40	72.60	-1.7%	18.9	16.8	5.7	5.3
Asseco SEE	overweight	2020-05-05	31.40	-	40.40	-	22.0	19.2	10.4	9.1
Atende	neutral	2020-05-05	2.94	-	3.28	-	18.1	11.0	7.7	5.6
Comarch	hold	2020-05-13	210.00	220.30	205.00	+7.5%	22.6	16.2	7.5	6.7
<b>Gaming</b>						<b>+1.7%</b>	<b>20.9</b>	<b>22.7</b>	<b>17.7</b>	<b>18.9</b>
11 bit studios	hold	2020-06-03	475.00	476.00	475.00	+0.2%	39.2	71.7	25.9	40.6
CD Projekt	hold	2020-06-03	388.20	388.10	388.20	-0.0%	13.4	22.7	11.3	18.9
Ten Square Games	buy	2020-06-03	505.00	592.00	505.00	+17.2%	20.9	16.1	17.7	13.2
<b>Industrials</b>						<b>-3.1%</b>	<b>13.3</b>	<b>11.5</b>	<b>6.9</b>	<b>6.3</b>
AC	neutral	2020-05-21	36.50	-	37.00	-	12.6	12.5	8.0	7.9
Alumetal	neutral	2020-05-21	37.00	-	39.10	-	20.9	13.8	8.9	7.3
Amica	neutral	2020-04-01	84.30	-	116.00	-	14.3	10.6	7.6	6.7
Apator	neutral	2020-04-01	16.20	-	20.20	-	13.5	12.2	7.2	6.8
Astarta	overweight	2020-05-11	11.75	-	16.00	-	-	2.8	4.3	2.7
Boryszew	underweight	2020-04-01	3.74	-	3.70	-	43.8	12.9	8.5	6.9
Cognor	hold	2020-04-22	0.95	0.94	0.96	-2.5%	79.1	-	6.2	6.3
Famur	hold	2020-04-30	2.08	2.20	2.44	-9.8%	10.3	13.1	4.5	4.6
Forte	neutral	2020-05-21	17.60	-	22.20	-	16.3	12.2	8.5	7.4
Grupa Kęty	hold	2020-04-07	339.00	335.96	358.00	-6.2%	13.2	12.5	8.8	8.5
Kemel	hold	2020-06-03	43.80	44.58	43.80	+1.8%	9.6	6.6	6.1	5.9
Kruszwica	overweight	2020-05-21	59.00	-	60.80	-	12.4	11.5	7.1	6.6
Mangata	neutral	2020-04-01	50.00	-	50.00	-	13.1	9.0	6.9	5.7
PKP Cargo	hold	2020-05-05	11.46	12.37	13.74	-10.0%	-	-	5.4	4.7
Pozbud	neutral	2020-04-01	0.81	-	1.57	-	6.4	6.6	5.5	5.5
Stelmet	buy	2020-04-01	6.75	9.04	8.20	+10.2%	29.9	6.8	5.0	3.2
TIM	overweight	2020-04-01	9.20	-	11.50	-	13.3	11.5	6.6	6.0
<b>Retail</b>						<b>+2.3%</b>	<b>29.3</b>	<b>24.6</b>	<b>9.3</b>	<b>9.7</b>
AmRest	hold	2020-03-04	39.55	40.00	26.00	+53.8%	24.3	19.5	8.1	6.9
CCC	suspended	2020-03-19	24.98	-	56.40	-	-	-	-	-
Dino	reduce	2020-06-03	185.70	155.60	185.70	-16.2%	32.8	24.6	19.5	15.2
Eurocash	accumulate	2020-06-03	18.50	19.90	18.50	+7.6%	-	-	6.3	6.0
Jeronimo Martins	hold	2020-06-03	15.46	15.30 EUR	15.46	-1.0%	29.3	23.8	9.3	7.9
LPP	hold	2020-06-03	6,980.00	6,900.00	6,980.00	-1.1%	-	25.3	28.0	11.4
VRG	hold	2020-06-03	2.40	2.43	2.40	+1.3%	-	51.7	-	11.7

## Stocks Re-Rated as of 3 June 2020

Company	Rating	Previous Rating	Target Price	Issued on
11 bit studios	hold	hold	476.00 PLN	2020-06-03
Agora	hold	accumulate	8.60 PLN	2020-06-03
Alior Bank	hold	buy	14.98 PLN	2020-06-03
Asseco Poland	hold	hold	71.40 PLN	2020-06-03
CD Projekt	hold	hold	388.10 PLN	2020-06-03
CEZ	accumulate	accumulate	514.80 CZK	2020-06-03
Dino	reduce	reduce	155.60 PLN	2020-06-03
Energa	suspended	suspended	- -	2020-06-03
Eurocash	accumulate	hold	19.90 PLN	2020-06-03
Handlowy	hold	hold	37.64 PLN	2020-06-03
ING BSK	sell	sell	117.78 PLN	2020-06-03
Jeronimo Martins	hold	hold	15.30 EUR	2020-06-03
Kernel	hold	hold	44.58 PLN	2020-06-03
KGHM	sell	sell	62.94 PLN	2020-06-03
Lotos	hold	reduce	60.39 PLN	2020-06-03
LPP	hold	hold	6900.00 PLN	2020-06-03
Millennium	buy	hold	3.72 PLN	2020-06-03
MOL	hold	hold	2072.00 HUF	2020-06-03
Orange Polska	accumulate	buy	6.90 PLN	2020-06-03
Pekao	buy	buy	68.90 PLN	2020-06-03
PGNiG	buy	buy	4.91 PLN	2020-06-03
PKN Orlen	hold	hold	66.85 PLN	2020-06-03
PKO BP	hold	accumulate	22.58 PLN	2020-06-03
Santander Bank Polska	accumulate	buy	179.37 PLN	2020-06-03
Skarbier Holding	accumulate	buy	21.20 PLN	2020-06-03
Ten Square Games	buy	accumulate	592.00 PLN	2020-06-03
VRG	hold	hold	2.43 PLN	2020-06-03

## Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
11 bit studios	hold	hold	422.00 PLN	2020-05-05
AC	neutral	neutral	- -	2020-05-21
Ailleron	neutral	neutral	- -	2020-05-05
Alumetal	neutral	neutral	- -	2020-05-21
Asseco BS	neutral	neutral	- -	2020-05-05
Asseco Poland	hold	hold	63.90 PLN	2020-05-05
Asseco SEE	overweight	overweight	- -	2020-05-05
Astarta	overweight	overweight	- -	2020-05-11
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
Ciech	hold	buy	38.94 PLN	2020-05-29
Comarch	hold	buy	220.30 PLN	2020-05-13
Dino	reduce	hold	151.60 PLN	2020-05-05
Eurocash	hold	hold	20.50 PLN	2020-05-05
Forte	neutral	underweight	- -	2020-05-21
GPW	hold	buy	41.56 PLN	2020-05-20
KGHM	sell	reduce	46.83 PLN	2020-05-05
Kruszwica	overweight	overweight	- PLN	2020-05-13
Kruszwica	overweight	overweight	- -	2020-05-21
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
Play	buy	buy	35.70 PLN	2020-05-15
Tauron	suspended	suspended	- -	2020-05-05
Ten Square Games	hold	buy	462.00 PLN	2020-05-05
Ten Square Games	accumulate	hold	592.00 PLN	2020-05-26

## 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	4.8%
reduce	2	3.2%	0	0.0%
underweight	1	1.6%	1	4.8%
hold	25	39.7%	7	33.3%
neutral	10	15.9%	1	4.8%
accumulate	7	11.1%	4	19.0%
buy	11	17.5%	6	28.6%
overweight	4	6.3%	1	4.8%

**Corporate Events Calendar For June**

Date	Time	Company	Event
4-Jun		<b>Enea</b>	Q4'19 earnings announcement
4-Jun	09:00	<b>PGNiG</b>	Q1'20 earnings conference call (+48 22 584 42 05 ; ID:60115664#)
5-Jun	12:00	<b>Enea</b>	Teleconference with the Management Board ( <a href="https://media.enea.pl/transmisja">https://media.enea.pl/transmisja</a> )
10-Jun		<b>Energa</b>	Q1'20 earnings announcement
16-Jun		<b>Pozbud</b>	2019 earnings announcement
18-Jun		<b>Enea</b>	Q1'20 earnings announcement
25-Jun		<b>LPP</b>	Q1'20 earnings announcement
25-Jun		<b>Stelmet</b>	Q2'20 earnings announcement
26-Jun		<b>Pozbud</b>	Q1'20 earnings announcement
29-Jun		<b>Boryszew</b>	Q1'20 earnings announcement

## Macroeconomic Update

### GDP

The Polish economy expanded by 2% in the first quarter of 2020, more than anticipated by analysts.

A breakdown by sector revealed a stronger-than-expected rise in household spending, up by 1.2%, alongside an acceleration in public consumption from 3.2% to 4.3%, which, combined, proved to be the biggest drivers of the first-quarter growth in a surprising turn of events as earlier data on card transactions and retail sales, combined with the March lockdown of most service sections, had suggested strong falls. It seems that analysts underestimated the magnitude of expansion in these sectors in January and February, or, alternatively, Statistics Poland (GUS) interpreted the first consumption data coming out during the lockdown period as indicating a smoother ride than would have been reasonably expected. We will look out for revisions of the 2020 Q1 personal consumption data as analysts revisit the official statistics in the coming years. In the mean time, the market should be bracing for a double-digit consumption slump in the second quarter.

First-quarter investment growth was a disappointment at just 0.9%, a figure which missed our 5% estimate by a wide margin. It looks like investment was the first victim of the coronavirus pandemic from among economic growth drivers after businesses rushed to cut costs in the face of falling orders. The extra money spent on transitioning employees to a work-from-home set-up was not enough to offset the falls, with spending cuts implemented by local governments most likely contributing to the general slump.

### Retail Sales

Retail sales fell 22.9% in April, with most stores on lockdown, and a post-Easter slowdown taking hold in the latter part of the month. By category, April saw the biggest falls in sales of cars and fuels (not surprising given restrictions on movement), and clothing and footwear (with most brick stores closed for business in the period). Overall, the sales declines observed during the month were led by the plethora of inconveniences associated with shopping during an epidemic, and self-imposed spending restrictions of consumers amid reports of an impending economic crisis.

The retail sales price deflator decreased to 0.3% in April, a substantial fall led mainly by prices of fuels. We can safely assume that the falling consumer demand will generate disinflationary pressures in the months ahead. We also presume that April spending on services shrank at an even faster rate than the total retail sales index. Our standing prediction for the second quarter is for an 18% slump in consumption, and beyond that we assume that the rate of recovery in consumer spending will be slow and gradual.

### Industrial Production

Polish industrial production fell 24.6% in April, twice the 12.4% rate of decline anticipated by analysts. One possible explanation of the huge disparity might be reporting methodology, with the GUS's "sold industrial production" index more of a reflection of changes in demand for manufactured goods than of the supply. However this is only a guess that cannot be backed up by hard figures. Aside from the obvious consequences of lockdown restrictions (plant closures, reductions in working hours, employee absences due to childcare leaves), the contraction in "sold production" nevertheless is an indication of considerably weakened demand. According to comments by Statistic Poland, the main reason why industrial production fell so much in April was a slump in new orders, affecting most prominently such sectors as furniture, cars, fuels, metals,

and plastics. May might bring improvement in our view, facilitated by a gradual easing of lockdown measures. One trend to back this view is the recovery in demand for electricity observed last month after falling sharply in March and April.

A sector-by-sector breakdown of April manufacturing trends revealed sharp declines in most major categories, including manufacturing (-27.5%), electricity (-15.5%), mining (-9.9%), and even water supply (-5.1%). The volume of motor vehicles plummeted nearly 80% in April, driven by supply chain disruptions and a slump in orders. A huge, 70% drop was also registered in the production of leather and leather goods. Not surprisingly, the pharmaceutical sector was the only sector to increase production in April (up by 14.8%). Despite a rise in orders for certain types of clothing and chemicals needed in connection with the coronavirus, there was no growth in the output of either of these sectors in April.

### Jobs

Job creation in April shrunk at an annual rate of 2.1%, a much more dramatic fall than the 0.6% decline anticipated by the market, which represents a loss of 152,000 full-time positions – a figure which has no precedence in recorded history (we mean data for any month since data collection began). That being said, the reduction in FTEs reported by Statistics Poland includes absences of parents on childcare leaves (which increased in April as the first full month of nursery and school lockdown) and sick leaves. Nevertheless the surge in job losses is undeniable, and the downward trend is likely to continue over the coming months. The pace of the contraction will depend on the success of the job protection scheme introduced by the government as part of the "anti-crisis shield" measures, and on whether businesses opt to apply for the aid or choose to downsize in preparation for the economic crisis.

The rate of salary growth decelerated in April, with the average pay rising by 1.9% compared to the same month a year earlier, a much lower figure than the 4.4% boost forecast by analysts. Compared to March 2020, average employee compensation decreased from PLN 5,489 to PLN 5,285. The catalyst behind the April declines was the economic lockdown and its negative consequences for Polish businesses and their employees. With employers and employees still in the process of negotiating arrangements, May is not looking up in terms of job numbers.

### Inflation

The flash inflation print for May came out at 2.9%, accompanied by a likely acceleration in headline inflation from 3.6% to 3.7%.

We expect that the price falls were led by categories that are exogenous to monetary policy (fuels, food), while core CPI held steady. Price measurements are made hard at the moment, plus inflation was sent on an upward trend when the output gap closed in 2019. All standard cyclical tools point to a deceleration in the core inflation rate; the question is its pace. We would venture a guess that CPI 12 months out will be lower than today, and that it will bottom out at the beginning of 2021 with a brief brush with deflation. The factors that cut into Poland's economic growth should be offset by monetary and fiscal stimulus (both domestic and global) and EU crisis aid. The various aid schemes also reduce the risk of negative aftereffects. We are looking forward to the upcoming May inflation updates.

## Government Deficit

Poland's government revenues for the year through April, the first full month of economic lockdown, increased to PLN 129.6bn against expenditures of PLN 148.5bn, resulting in a deficit of PLN 18.9bn.

The total tax receipts for the year through April were lower by PLN 0.3bn than in the same period a year ago, and compared to April 2019 the monthly revenues were down by 15.7%. The two main drivers behind the April trends included tax deferments facilitated by coronavirus aid schemes, and by increased benefit payouts as part of job reductions, combined with fully-expected catalysts that had to have emerged amid an economic slowdown and its inevitable negative effects on salary growth, jobs, and business.

By category, the biggest decrease in April budget receipts was observed in income taxes, including corporate taxes, which were down by 28.9% for the year to April compared to the same period in 2019, with the monthly receipts for April falling 58.3% y/y. Personal income tax receipts decreased by 10.9% for the year to date and dropped 31% y/y in April. Revenues from indirect taxes declined at a slower pace, and as economic contraction materialized and businesses went on lockdown VAT revenue for the first four months of 2020 posted a 1.7% decline from the corresponding year-ago period, and excise revenue edged 1.4% lower (April-over-April the respective falls amounted to 16.8% and 21.1%). On the upside, nontax revenue is up by 8.3bn y/y (84%), thanks mainly to higher interest income received on Treasury assets (at PLN 7.5bn so far versus a FY target of PLN 1.5bn).

Government spending increased by PLN 1.5bn or 14.2% in the year through April, due mainly to higher payments into the social security fund and larger subsidies to local governments. Expenditures in the months ahead can be expected to rise further as the government rolls out its anti-crisis shield, including pay protection schemes for businesses. However the magnitude of the increase will depend on how much of the aid will be distributed via dedicated vehicles that are not part of the central budget. More than increased spending, a more noticeable trend for the central government in the months ahead will be decreasing tax revenues.

## mBank Research

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## Financial Sector

### Alior Bank

#### hold (downgraded)

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Alior's 2020 first-quarter net interest income exceeded our estimate thanks to lower-than-expected financing costs and fee refunds to early loan payers. Looking ahead, however, Alior's profits and value will most likely be squeezed by the May interest rate cut, which prompts us to cut our 2021 and 2022 earnings forecasts for the Bank by 31% and 16%, respectively, and to expect an annual net loss of PLN 89m in 2020. With that said, we see Alior as a prime takeover target with its share price near bottom, and we would peg PZU, which already owns a 32% stake in the Bank, as the most likely to make the tender offer. We downgrade ALR from buy to hold with the target price cut to PLN 14.98 per share.

#### Current Price

15.19 PLN

Downside

#### 9M Target Price

14.98 PLN

-1.4%

	rating	target price	issued
new	hold	14.98 PLN	2020-06-03
old	buy	21.00 PLN	2020-04-16
Key Metrics		ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	+0.8%
ISIN	PLALIOR00045	YTD Price Chng	-47.0%
Outst. Stock (m)	129.3	ADTV 1M	PLN 13.3m
MC (PLN m)	1,963.4	ADTV 6M	PLN 13.5m
		P/E 12M fwd	48.8 +316.4%
Free Float	74.8%	P/E 5Y avg	11.7 premium

#### Earnings Projections

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
NII	3,085	3,181	2,740	2,601	2,771
Total income	4,124	4,140	3,617	3,505	3,718
Costs	-1,847	-1,976	-1,685	-1,649	-1,650
Provisioning	-1,080	-1,443	-1,774	-1,328	-1,298
Net income	713	253	-89	203	384
P/E	2.8	7.8	-	9.7	5.1
P/B	0.3	0.3	0.3	0.3	0.3
ROE	10.8%	3.8%	-	3.0%	5.4%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			-3.6%	-5.5%	-5.5%
Fee income			0.0%	0.0%	0.0%
Total costs			-1.5%	-1.5%	-1.5%
Provisioning			0.0%	0.0%	0.0%
Net income			-295.9%	-26.9%	-20.1%

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	3,085	3,181	2,740	2,601	2,771
Fee income	436	667	608	624	657
Trading income	476	149	119	121	124
Other income	127	143	151	158	166
<b>Noninterest income</b>	<b>1,039</b>	<b>959</b>	<b>878</b>	<b>903</b>	<b>946</b>
<b>Total income</b>	<b>4,124</b>	<b>4,140</b>	<b>3,617</b>	<b>3,505</b>	<b>3,718</b>
Operating expenses	1,847	1,705	1,685	1,649	1,650
<b>Operating income</b>	<b>2,277</b>	<b>2,164</b>	<b>1,933</b>	<b>1,856</b>	<b>2,068</b>
Provisioning	1,080	1,443	1,774	1,328	1,298
Profits of associates	0	0	0	1	2
<b>Pre-tax income</b>	<b>1,196</b>	<b>721</b>	<b>159</b>	<b>528</b>	<b>770</b>
Tax	275	242	33	111	162
Minority interests	0	0	0	0	0
Asset tax	208	226	215	214	224
<b>Net income</b>	<b>713</b>	<b>253</b>	<b>-89</b>	<b>203</b>	<b>384</b>

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>54,246</b>	<b>55,871</b>	<b>52,818</b>	<b>54,230</b>	<b>57,505</b>
Other assets	19,174	20,865	20,982	21,180	21,477
<b>Total assets</b>	<b>73,420</b>	<b>76,736</b>	<b>73,799</b>	<b>75,410</b>	<b>78,983</b>
<b>Deposits</b>	<b>62,436</b>	<b>64,999</b>	<b>62,007</b>	<b>62,436</b>	<b>65,124</b>
Other liabilities	4,498	4,978	5,122	6,101	6,471
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>6,486</b>	<b>6,759</b>	<b>6,670</b>	<b>6,873</b>	<b>7,388</b>

#### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	4.5%	4.5%	3.8%	3.7%	3.8%
C/I	44.8%	47.7%	46.6%	47.0%	44.4%
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%	13.6%	13.3%

#### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	0	0%
PV Adjustment	321	7%
Value Driver (2023-37)	2,713	61%
Fade (2038-57)	749	17%
Terminal Value	654	15%
<b>Fair Value</b>	<b>4,437</b>	<b>100%</b>
Outst. Shares (millions)	129	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>34.33</b>	
<b>9M Target Price (PLN)</b>	<b>36.52</b>	

#### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	7,419	174%
Explicit Forecast (2020-22)	-710	-17%
PV Adjustment	142	3%
Value Driver (2023-37)	-1,840	-43%
Fade (2038-57)	-752	-18%
<b>Fair Value</b>	<b>4,260</b>	<b>100%</b>
Outst. Shares (millions)	129	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>32.96</b>	
<b>9M Target Price (PLN)</b>	<b>35.06</b>	

#### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	4,437
Economic Profits	50%	4,260
Fair Value Avg.		4,349
Fair Value Per Share (PLN)		33.64
Asset tax		-19.56
Fair Value Per Share		14.08
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>14.98</b>

## Handlowy hold (reiterated)

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The May rate cut has further further worsened Handlowy's prospects after a less-than-stellar first quarter, and to reflect this we cut our 2020-2022 earnings expectations for the Bank by 28-10%, and we lower our target price its shares to PLN 37.64 apiece. Handlowy's trading income in Q1 2020 missed the mark after a sharp downward shift in securities prices, resulting in downward adjustments which are not likely to recur in the following quarters. Considering that the Bank was buying bonds in Q1, we think trading income for the full year could come out solid. Handlowy has recognized additional coronavirus-related provisions of approximately PLN 53m to date, but this amount could increase further given large exposures in the loan portfolio to export-oriented commercial borrowers, and considering relatively high off-balance-sheet liabilities. After factoring in a potential extra shareholder distribution in 2022 from earnings retained in 2019, we reiterate our hold rating for BHW.

<b>Current Price</b>	38.00 PLN	<b>Downside</b>
<b>9M Target Price</b>	37.64 PLN	<b>-0.9%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>37.64 PLN</b>	<b>2020-06-03</b>
<b>old</b>	hold	39.86 PLN	2020-04-16
Key Metrics		BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	+3.7%
ISIN	PLBH00000012	YTD Price Chng	-26.6%
Outst. Stock (m)	130.7	ADTV 1M	PLN 2.3m
MC (PLN m)	4,965.1	ADTV 6M	PLN 2.4m
		P/E 12M fwd	14.7
Free Float	25.0%	P/E 5Y avg	12.5

### Earnings Projections

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
NII	1,108	1,154	1,013	863	938
Total income	2,159	2,256	2,126	2,007	2,124
Costs	-1,180	-1,254	-1,246	-1,264	-1,295
Provisioning	-64	-238	-432	-201	-124
Net income	639	487	226	296	419
P/E	7.8	10.2	22.0	16.8	11.9
P/B	0.7	0.7	0.7	0.7	0.7
ROE	9.1%	6.9%	3.1%	4.1%	5.8%
DPS	4.10	3.74	0.00	2.55	3.57
DYield	10.8%	9.8%	0.0%	6.7%	9.4%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			+6.3%	-4.6%	-3.8%
Fee income			+2.8%	+3.6%	+4.4%
Total costs			+1.7%	+2.5%	+2.4%
Provisioning			0.0%	0.0%	0.0%
Net income			-28.0%	-15.4%	-9.8%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	1,108	1,154	1,013	863	938
Fee income	550	565	555	573	595
Trading income	487	491	511	522	540
Other income	15	46	46	48	50
<b>Noninterest income</b>	<b>1,052</b>	<b>1,102</b>	<b>1,112</b>	<b>1,144</b>	<b>1,185</b>
<b>Total income</b>	<b>2,159</b>	<b>2,256</b>	<b>2,126</b>	<b>2,007</b>	<b>2,124</b>
Operating expenses	1,180	1,254	1,246	1,264	1,295
<b>Operating income</b>	<b>980</b>	<b>1,002</b>	<b>879</b>	<b>743</b>	<b>829</b>
Provisioning	64	238	432	201	124
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>916</b>	<b>764</b>	<b>447</b>	<b>543</b>	<b>704</b>
Tax	190	180	101	122	158
Minority interests	0	0	0	0	0
Asset tax	87	98	121	124	127
<b>Net income</b>	<b>639</b>	<b>487</b>	<b>226</b>	<b>296</b>	<b>419</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>19,802</b>	<b>20,589</b>	<b>20,840</b>	<b>21,566</b>	<b>22,252</b>
Other assets	29,503	31,397	30,093	31,195	32,145
<b>Total assets</b>	<b>49,305</b>	<b>51,986</b>	<b>50,933</b>	<b>52,761</b>	<b>54,398</b>
<b>Deposits</b>	<b>31,057</b>	<b>35,231</b>	<b>35,039</b>	<b>36,233</b>	<b>37,616</b>
Other liabilities	11,191	9,674	8,587	9,257	9,560
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>7,057</b>	<b>7,081</b>	<b>7,307</b>	<b>7,271</b>	<b>7,223</b>

### Key Ratios

(%)	2018	2019	2020P	2022P	2021P
NIM	2.5%	2.4%	2.1%	1.7%	1.8%
C/I	54.6%	55.6%	58.6%	63.0%	61.0%
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%	18.0%	17.3%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	648	10%
PV Adjustment	479	8%
Value Driver (2023-37)	4,482	71%
Fade (2038-57)	410	6%
Terminal Value	296	5%
<b>Fair Value</b>	<b>6,315</b>	<b>100%</b>
Outst. Shares (millions)	131	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>48.33</b>	
<b>9M Target Price (PLN)</b>	<b>51.41</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,659	143%
Explicit Forecast (2020-22)	-830	-14%
PV Adjustment	202	3%
Value Driver (2023-37)	-1,579	-26%
Fade (2038-57)	-414	-7%
<b>Fair Value</b>	<b>6,038</b>	<b>100%</b>
Outst. Shares (millions)	131	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>46.21</b>	
<b>9M Target Price (PLN)</b>	<b>49.16</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	6,315
Economic Profits	50%	6,038
Fair Value Avg.		6,177
Fair Value Per Share (PLN)		47.27
Asset tax		-11.89
Fair Value Per Share		35.39
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>37.64</b>

## ING BSK sell (reiterated)

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ING BSK generated better-than-expected financials in Q1 2020, with the beat on net interest income outweighing the negative impact of interest rate cuts on the quarterly profits. With this in mind, assuming lower trading income and higher income from fees in the quarters to come (fees are probably set to go up across the whole sector), we raise our 2020 net income estimate for ING BSK by 1%, alongside upward revisions of 2% each in the forecasts for 2021 and 2022. At the same time, we are still anticipating a 45% fall in 2020 EPS with ING's share price down 29% for the year to date. ING BSK generates above-average ROE which makes it worthy of premium valuation, however at the current level the premium makes the Bank overvalued and a sell with a downside to our updated PLN 117.78-a-share target.

### Current Price

145.20 PLN

Downside

### 9M Target Price

117.78 PLN

-18.9%

	rating	target price	issued
new	sell	117.78 PLN	2020-06-03
old	sell	114.14 PLN	2020-04-16
Key Metrics		ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	+8.8%
ISIN	PLBSK0000017	YTD Price Chng	-26.9%
Outst. Stock (m)	130.1	ADTV 1M	PLN 3.0m
MC (PLN m)	18,890.5	ADTV 6M	PLN 2.6m
		P/E 12M fwd	17.8
Free Float	25.0%	P/E 5Y avg	14.9

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
NII	3,760	4,294	4,388	4,344	4,521
Total income	5,233	5,790	5,934	5,927	6,166
Costs	-2,327	-2,497	-2,671	-2,746	-2,826
Provisioning	-501	-606	-1,483	-1,174	-860
Net income	1,526	1,659	915	1,076	1,423
P/E	12.4	11.4	20.7	17.6	13.3
P/B	1.4	1.2	1.2	1.2	1.1
ROE	12.1%	11.6%	5.9%	6.7%	8.5%
DPS	3.20	3.50	0.00	3.52	4.13
DYield	2.2%	2.4%	0.0%	2.4%	2.8%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			+2.2%	+0.6%	+1.0%
Fee income			+6.8%	+7.7%	+7.7%
Total costs			+4.1%	+3.1%	+3.1%
Provisioning			0.0%	0.0%	0.0%
Net income			+1.3%	+1.8%	+2.2%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	3,760	4,294	4,388	4,344	4,521
Fee income	1,305	1,372	1,401	1,435	1,495
Trading income	154	130	130	133	136
Other income	14	-6	14	14	15
<b>Noninterest income</b>	<b>1,473</b>	<b>1,496</b>	<b>1,546</b>	<b>1,582</b>	<b>1,645</b>
<b>Total income</b>	<b>5,233</b>	<b>5,790</b>	<b>5,934</b>	<b>5,927</b>	<b>6,166</b>
Operating expenses	2,327	2,497	2,671	2,746	2,826
<b>Operating income</b>	<b>2,906</b>	<b>3,292</b>	<b>3,263</b>	<b>3,181</b>	<b>3,340</b>
Provisioning	501	606	1,483	1,174	860
Profits of associates	0	7	17	17	17
<b>Pre-tax income</b>	<b>2,405</b>	<b>2,694</b>	<b>1,798</b>	<b>2,024</b>	<b>2,497</b>
Tax	507	599	403	453	559
Minority interests	0	0	0	0	0
Asset tax	372	436	480	495	515
<b>Net income</b>	<b>1,526</b>	<b>1,659</b>	<b>915</b>	<b>1,076</b>	<b>1,423</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>103,126</b>	<b>118,288</b>	<b>123,228</b>	<b>123,831</b>	<b>133,518</b>
Other assets	38,477	40,323	45,369	47,445	48,485
<b>Total assets</b>	<b>141,603</b>	<b>158,611</b>	<b>168,598</b>	<b>171,276</b>	<b>182,003</b>
<b>Deposits</b>	<b>117,683</b>	<b>130,474</b>	<b>141,064</b>	<b>142,175</b>	<b>149,790</b>
Other liabilities	10,584	12,914	11,759	12,804	14,863
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>13,336</b>	<b>15,223</b>	<b>15,775</b>	<b>16,296</b>	<b>17,350</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.9%	2.9%	2.7%	2.6%	2.6%
C/I	44.5%	43.1%	45.0%	46.3%	45.8%
CoR	0.5%	0.5%	1.2%	0.9%	0.7%
NPL Ratio	2.8%	3.0%	3.2%	3.6%	3.6%
Tier 1 Ratio	14.8%	14.5%	16.6%	17.2%	16.9%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	810	4%
PV Adjustment	1,427	7%
Value Driver (2023-37)	12,178	59%
Fade (2038-57)	3,895	19%
Terminal Value	2,243	11%
<b>Fair Value</b>	<b>20,553</b>	<b>100%</b>
Outst. Shares (millions)	130	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>157.98</b>	
<b>9M Target Price (PLN)</b>	<b>168.05</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	16,306	82%
Explicit Forecast (2020-22)	104	1%
PV Adjustment	660	3%
Value Driver (2023-37)	2,082	11%
Fade (2038-57)	620	3%
<b>Fair Value</b>	<b>19,772</b>	<b>100%</b>
Outst. Shares (millions)	130	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>151.98</b>	
<b>9M Target Price (PLN)</b>	<b>161.66</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	20,553
Economic Profits	50%	19,772
Fair Value Avg.		20,163
Fair Value Per Share (PLN)		154.98
Asset tax		-44.26
Fair Value Per Share		110.72
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>117.78</b>

## Millennium buy (upgraded)

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Millennium has proved more sensitive to interest rate cuts than we had initially reckoned, and so we take the latest May rate reduction as an opportunity to adjust lower the original expectations for future interest income. At the same time, after a positive surprise in Q1, we also reduce our cost forecasts by about 6%. Further, Millennium recognized a lower-than-expected charge of PLN 100m related to potential fee refunds to early loan payers, and its fee income for the quarter came out strong enough to warrant an upward revision to our FY2020 forecast. We also raise the net income expectations for the FY2021-22 period by 12%-14%. On our updated estimates, MIL is trading at 0.5x P/B, reflecting low ROE and a lack of dividends, but with more upside potential to the upgraded target price of PLN 3.72 we currently rate the Bank as a buy.

<b>Current Price</b>	2.64 PLN	<b>Upside</b>
<b>9M Target Price</b>	3.72 PLN	<b>+41.0%</b>

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>3.72 PLN</b>	<b>2020-06-03</b>
<b>old</b>	<b>hold</b>	3.38 PLN	2020-04-16
Key Metrics		MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-6.3% -12.2%
ISIN	PLBIG0000016	YTD Price Chng	-54.9% -39.4%
Outst. Stock (m)	1,213.1	ADTV 1M	PLN 19.9m
MC (PLN m)	3,200.2	ADTV 6M	PLN 7.5m
		P/E 12M fwd	11.5 -2.5%
Free Float	50.0%	P/E 5Y avg	11.8 discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
NII	1,817	2,437	2,460	2,410	2,576
Total income	2,778	3,552	3,633	3,564	3,779
Costs	1,332	-1,842	-1,927	-1,875	-1,867
Provisioning	-222	-627	-1,153	-1,002	-1,164
Net income	761	561	158	259	303
P/E	4.2	5.7	20.2	12.4	10.6
P/B	0.4	0.4	0.4	0.4	0.4
ROE	9.4%	6.5%	1.8%	3.0%	3.4%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			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	2,460	2,410	2,576
Fee income	661	699	745	773	809
Trading income	248	318	328	279	287
Other income	51	98	100	103	107
<b>Noninterest income</b>	<b>960</b>	<b>1,115</b>	<b>1,173</b>	<b>1,155</b>	<b>1,203</b>
<b>Total income</b>	<b>2,778</b>	<b>3,552</b>	<b>3,633</b>	<b>3,564</b>	<b>3,779</b>
Operating expenses	1,332	1,842	1,927	1,875	1,867
<b>Operating income</b>	<b>1,445</b>	<b>1,710</b>	<b>1,707</b>	<b>1,689</b>	<b>1,912</b>
Provisioning	222	627	1,153	1,002	1,164
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>1,223</b>	<b>1,083</b>	<b>553</b>	<b>688</b>	<b>748</b>
Tax	264	275	119	148	161
Minority interests	959	0	0	0	0
Asset tax	198	248	276	281	285
<b>Net income</b>	<b>761</b>	<b>561</b>	<b>158</b>	<b>259</b>	<b>303</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>52,712</b>	<b>69,755</b>	<b>70,307</b>	<b>71,826</b>	<b>74,386</b>
Other assets	27,747	28,301	27,805	28,630	29,773
<b>Total assets</b>	<b>80,459</b>	<b>98,056</b>	<b>98,112</b>	<b>100,456</b>	<b>104,159</b>
<b>Deposits</b>	<b>66,244</b>	<b>81,455</b>	<b>81,845</b>	<b>83,921</b>	<b>87,365</b>
Other liabilities	5,831	7,660	7,764	7,822	7,837
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>8,384</b>	<b>8,942</b>	<b>8,503</b>	<b>8,714</b>	<b>8,957</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.5%	2.8%	2.6%	2.5%	2.6%
C/I	47.9%	51.8%	53.0%	52.6%	49.4%
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%	17.2%	17.0%	16.8%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	0	0%
PV Adjustment	414	7%
Value Driver (2023-37)	3,836	61%
Fade (2038-57)	1,202	19%
Terminal Value	870	14%
<b>Fair Value</b>	<b>6,321</b>	<b>100%</b>
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>5.21</b>	
<b>9M Target Price (PLN)</b>	<b>5.54</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	9,657	110%
Explicit Forecast (2020-22)	-908	-10%
PV Adjustment	153	2%
Value Driver (2023-37)	378	4%
Fade (2038-57)	-514	-6%
<b>Fair Value</b>	<b>8,766</b>	<b>100%</b>
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>7.23</b>	
<b>9M Target Price (PLN)</b>	<b>7.69</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	6,321
Economic Profits	50%	8,766
Fair Value Avg.		7,544
Fair Value Per Share (PLN)		6.22
Asset tax		-2.72
Fair Value Per Share		3.49
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>3.72</b>

## Pekao buy (reiterated)

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Pekao is guiding for 2-3x higher-than-normal risk costs in 2020, and it sees NIM as shrinking by 45bp after this year's interest rate reductions by a total of 140bp. We are confident the Bank can mitigate the lower interest revenues with non-interest income, which in 2019 was reported to grow 35%, and by raising its fees and commissions. In addition, Pekao is set to reduce headcount and further scale back its branch network this year. When it comes to provisioning, we are convinced that Pekao's stress-resistant corporate loan portfolio will help keep 2020 risk costs at below-average levels. In 2021 Pekao will probably distribute 75% of undistributed earnings for 2019 as extra dividends to shareholders. After downward revisions to 2020-2022 net income forecasts, we lower our target price for PEO to PLN 68.90 per share and we maintain a buy recommendation for the Bank.

<b>Current Price</b>	52.40 PLN	<b>Upside</b>
<b>9M Target Price</b>	68.90 PLN	<b>+31.5%</b>

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>68.90 PLN</b>	<b>2020-06-03</b>
<b>old</b>	buy	77.70 PLN	2020-04-16
Key Metrics		PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	+0.8%
ISIN	PLPEKAO000016	YTD Price Chng	-47.8%
Outst. Stock (m)	262.5	ADTV 1M	PLN 108.2m
MC (PLN m)	13,753.4	ADTV 6M	PLN 79.5m
		P/E 12M fwd	9.8
Free Float	67.2%	P/E 5Y avg	11.8

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
NII	4,994	5,468	4,977	4,703	5,217
Total income	7,830	8,282	7,743	7,592	8,225
Costs	-3,710	-3,992	-3,824	-3,768	-3,831
Provisioning	-511	-696	-1,423	-1,160	-836
Net income	2,287	2,165	1,321	1,439	2,088
P/E	6.0	6.4	10.4	9.6	6.6
P/B	0.6	0.6	0.6	0.6	0.5
ROE	9.9%	9.4%	5.5%	5.9%	8.5%
DPS	7.90	6.60	0.00	9.96	4.11
DYield	15.1%	12.6%	0.0%	19.0%	7.8%
Forecast Update (% change)		2020P	2020P	2021P	
Net interest income		-5.0%	-10.5%	-8.9%	
Fee income		+3.2%	+4.2%	+5.6%	
Total costs		-0.7%	-2.9%	-4.2%	
Provisioning		0.0%	0.0%	0.0%	
Net income		-20.1%	-16.5%	-7.1%	

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	4,994	5,468	4,977	4,703	5,217
Fee income	2,463	2,534	2,484	2,562	2,669
Trading income	237	237	211	260	265
Other income	137	44	71	67	74
<b>Noninterest income</b>	<b>2,836</b>	<b>2,814</b>	<b>2,766</b>	<b>2,888</b>	<b>3,008</b>
<b>Total income</b>	<b>7,830</b>	<b>8,282</b>	<b>7,743</b>	<b>7,592</b>	<b>8,225</b>
Operating expenses	3,710	3,992	3,824	3,768	3,831
<b>Operating income</b>	<b>4,120</b>	<b>4,290</b>	<b>3,919</b>	<b>3,824</b>	<b>4,394</b>
Provisioning	511	696	1,423	1,160	836
Profits of associates	0	0	0	0	0
<b>Pre-tax income</b>	<b>3,609</b>	<b>3,594</b>	<b>2,496</b>	<b>2,664</b>	<b>3,558</b>
Tax	760	836	574	613	818
Minority interests	-1	-2	-2	-2	-2
Asset tax	562	591	600	610	650
<b>Net income</b>	<b>2,287</b>	<b>2,165</b>	<b>1,321</b>	<b>1,439</b>	<b>2,088</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>129,297</b>	<b>140,913</b>	<b>140,618</b>	<b>146,705</b>	<b>160,016</b>
Other assets	61,793	62,410	62,346	64,968	67,739
<b>Total assets</b>	<b>191,090</b>	<b>203,323</b>	<b>202,964</b>	<b>211,673</b>	<b>227,755</b>
<b>Deposits</b>	<b>149,491</b>	<b>157,990</b>	<b>162,843</b>	<b>167,743</b>	<b>178,501</b>
Other liabilities	18,791	21,935	15,322	20,220	24,002
Minority interests	11	12	13	15	17
<b>Equity</b>	<b>22,797</b>	<b>23,386</b>	<b>24,786</b>	<b>23,695</b>	<b>25,235</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.8%	2.9%	2.6%	2.4%	2.5%
C/I	47.4%	48.8%	50.1%	50.3%	47.3%
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%	18.2%	17.8%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	3,066	12%
PV Adjustment	1,760	7%
Value Driver (2023-37)	15,818	63%
Fade (2038-57)	2,761	11%
Terminal Value	1,635	7%
<b>Fair Value</b>	<b>25,039</b>	<b>100%</b>
Outst. Shares (millions)	262	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>95.45</b>	
<b>9M Target Price (PLN)</b>	<b>101.53</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	26,264	109%
Explicit Forecast (2020-22)	143	1%
PV Adjustment	804	3%
Value Driver (2023-37)	-1,476	-6%
Fade (2038-57)	-1,651	-7%
<b>Fair Value</b>	<b>24,084</b>	<b>100%</b>
Outst. Shares (millions)	262	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>91.76</b>	
<b>9M Target Price (PLN)</b>	<b>97.61</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	25,039
Economic Profits	50%	24,084
Fair Value Avg.		24,562
Fair Value Per Share (PLN)		93.60
Asset tax		-28.83
Fair Value Per Share		64.77
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>68.90</b>



## PKO BP hold (downgraded)

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PKO BP achieved net interest income well above expectations in Q1 2020, and this gives us increased confidence in its ability to push back against low interest rates, including by raising fees and commissions. On the other hand, trading income in 2020 will probably come out lower than we had initially anticipated due to a lack of profit-taking on investments in debt instruments. Our expectations as to provisioning levels have not changed, but we are aware that the risk costs to PKO and the banking sector at large might surge rapidly toward the end of 2020 or in early 2021 as the loan payment moratoria offered as part of coronavirus relief start to expire. PKO will probably tap retained earnings for 2019 to pay higher dividends in 2021 and 2022. After model revisions, we downgrade PKO to hold with the target price lowered to PLN 22.58 per share.

<b>Current Price</b>	22.06 PLN	<b>Upside</b>
<b>9M Target Price</b>	22.58 PLN	<b>+2.4%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>22.58 PLN</b>	<b>2020-06-03</b>
<b>old</b>	<b>accumulate</b>	<b>24.85 PLN</b>	<b>2020-04-16</b>
<b>Key Metrics</b>			
Ticker	PKO PW	1M Price Chng	+0.2%
ISIN	PLPKO0000016	YTD Price Chng	-36.0%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 84.6m
MC (PLN m)	27,575.0	ADTV 6M	PLN 91.0m
		P/E 12M fwd	9.9
Free Float	70.6%	P/E 5Y avg	12.0

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
NII	9,353	10,279	9,801	9,476	10,115
Total income	13,660	15,038	14,273	14,318	15,270
Costs	6,218	-6,967	-6,695	-6,867	-7,172
Provisioning	-1,451	-1,261	-3,915	-2,958	-2,785
Net income	3,741	4,031	1,830	2,455	3,092
P/E	7.4	6.8	15.1	11.2	8.9
P/B	0.7	0.7	0.6	0.6	0.6
ROE	9.9%	10.0%	4.3%	5.7%	7.0%
DPS	0.55	1.33	0.00	2.07	2.22
DYield	2.5%	6.0%	0.0%	9.4%	10.1%
<b>Forecast Update (% change)</b>					
Net interest income			+2.0%	-2.3%	-3.8%
Fee income			+8.4%	+7.0%	+9.5%
Total costs			+2.1%	+2.1%	+2.1%
Provisioning			0.0%	0.0%	0.0%
Net income			-7.1%	-9.5%	-9.7%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	9,353	10,279	9,801	9,476	10,115
Fee income	3,013	3,047	3,148	3,187	3,473
Trading income	664	807	373	657	624
Other income	630	905	950	998	1,058
<b>Noninterest income</b>	<b>4,307</b>	<b>4,759</b>	<b>4,471</b>	<b>4,841</b>	<b>5,155</b>
<b>Total income</b>	<b>13,660</b>	<b>15,038</b>	<b>14,273</b>	<b>14,318</b>	<b>15,270</b>
Operating expenses	6,218	6,967	6,695	6,867	7,172
<b>Operating income</b>	<b>7,442</b>	<b>8,071</b>	<b>7,577</b>	<b>7,450</b>	<b>8,097</b>
Provisioning	1,451	1,261	3,915	2,958	2,785
Profits of associates	37	31	33	34	36
<b>Pre-tax income</b>	<b>6,028</b>	<b>6,841</b>	<b>3,695</b>	<b>4,527</b>	<b>5,349</b>
Tax	-1,336	-1,787	-813	-996	-1,123
Minority interests	-1	-1	-1	-1	-1
Asset tax	950	1,022	1,052	1,075	1,133
<b>Net income</b>	<b>3,741</b>	<b>4,031</b>	<b>1,830</b>	<b>2,455</b>	<b>3,092</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>214,912</b>	<b>231,434</b>	<b>234,787</b>	<b>241,648</b>	<b>258,154</b>
Other assets	109,343	116,610	116,515	121,149	123,806
<b>Total assets</b>	<b>324,255</b>	<b>348,044</b>	<b>351,302</b>	<b>362,798</b>	<b>381,961</b>
<b>Deposits</b>	<b>242,816</b>	<b>258,199</b>	<b>264,211</b>	<b>270,718</b>	<b>284,128</b>
Other liabilities	42,338	48,267	43,684	48,800	53,405
Minority interests	-10	-9	-9	-10	-10
<b>Equity</b>	<b>39,111</b>	<b>41,587</b>	<b>43,417</b>	<b>43,290</b>	<b>44,437</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	3.2%	3.2%	2.9%	2.8%	2.8%
C/I	45.5%	46.3%	46.9%	48.0%	47.0%
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)	4,365	11%
PV Adjustment	2,235	6%
Value Driver (2023-37)	27,728	69%
Fade (2038-57)	4,190	10%
Terminal Value	1,677	4%
<b>Fair Value</b>	<b>40,195</b>	<b>100%</b>
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>32.16</b>	
<b>9M Target Price (PLN)</b>	<b>34.21</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	45,902	117%
Explicit Forecast (2020-22)	-1,409	-4%
PV Adjustment	1,312	3%
Value Driver (2023-37)	-4,414	-11%
Fade (2038-57)	-2,119	-5%
<b>Fair Value</b>	<b>39,271</b>	<b>100%</b>
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>31.42</b>	
<b>9M Target Price (PLN)</b>	<b>33.42</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	40,195
Economic Profits	50%	39,271
Fair Value Avg.		39,733
Fair Value Per Share (PLN)		31.79
Asset tax		-10.56
Fair Value Per Share		21.22
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>22.58</b>

## Santander Bank Polska accumualte (downgraded)

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Santander Bank Polska's higher-than-expected net interest income for Q1 2020 served as a mitigating factor for our downward forecast revisions to reflect the expected impacts of the May rate cut. Because the Bank's profit-taking activity on portfolio investments has not been as robust as anticipated, we also opt to lower the expectations for trading income. On the other hand, we see higher income from fees and commissions in the next three years, driven by likely hikes to offset falling NII. Moreover, Santander still has room left to cut costs as part of Deutsche Bank merger synergies, and it is expected to offer relatively high dividends in 2021. Our current 2020 risk cost prediction for Santander is among the highest in our coverage universe at 167bp, but we see room for a positive surprise on the provisioning front this year. After revising FY2020-22 net income forecasts, we lower our target price for SPL to PLN 179.37, and we downgrade the Bank to accumulate.

<b>Current Price</b>	163.60 PLN	<b>Upside</b>
<b>9M Target Price</b>	179.37 PLN	<b>+9.6%</b>

	rating	target price	issued
<b>new</b>	<b>accumulate</b>	<b>179.37 PLN</b>	<b>2020-06-03</b>
<b>old</b>	<b>buy</b>	<b>194.52 PLN</b>	<b>2020-04-16</b>
<b>Key Metrics</b>		<b>SPL PW</b>	<b>vs. WIG</b>
Ticker	SPL PW	1M Price Chng	+0.4%
ISIN	PLBZ000000044	YTD Price Chng	-46.8%
Outst. Stock (m)	102.1	ADTV 1M	PLN 22.3m
MC (PLN m)	16,701.6	ADTV 6M	PLN 20.6m
		P/E 12M fwd	11.2
Free Float	31.7%	P/E 5Y avg	12.9
			discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
NII	5,742	6,580	5,953	5,846	6,287
Total income	8,296	9,485	8,792	8,829	9,451
Costs	-3,769	-4,489	-4,103	-4,010	-4,051
Provisioning	-1,085	-1,219	-2,487	-2,179	-2,119
Net income	2,363	2,138	896	1,240	1,730
P/E	7.0	7.8	18.6	13.5	9.7
P/B	0.6	0.7	0.6	0.6	0.6
ROE	10.1%	8.5%	3.5%	4.7%	6.4%
DPS	3.10	19.72	0.00	16.25	17.25
DYield	1.9%	12.1%	0.0%	9.9%	10.5%
<b>Forecast Update (% change)</b>		<b>2020P</b>	<b>2021P</b>	<b>2022P</b>	
Net interest income		-3.0%	-7.8%	-6.4%	
Fee income		+7.4%	+4.9%	+5.6%	
Total costs		-2.1%	-1.4%	-1.5%	
Provisioning		0.0%	0.0%	0.0%	
Net income		-10.0%	-17.1%	-9.6%	

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	5,742	6,580	5,953	5,846	6,287
Fee income	2,058	2,128	2,141	2,207	2,373
Trading income	282	500	450	518	523
Other income	214	276	248	258	269
<b>Noninterest income</b>	<b>2,554</b>	<b>2,904</b>	<b>2,839</b>	<b>2,983</b>	<b>3,164</b>
<b>Total income</b>	<b>8,296</b>	<b>9,485</b>	<b>8,792</b>	<b>8,829</b>	<b>9,451</b>
Operating expenses	3,769	4,489	4,103	4,010	4,051
<b>Operating income</b>	<b>4,527</b>	<b>4,996</b>	<b>4,690</b>	<b>4,819</b>	<b>5,400</b>
Provisioning	1,085	1,219	2,487	2,179	2,119
Profits of associates	63	67	67	67	67
<b>Pre-tax income</b>	<b>3,924</b>	<b>3,844</b>	<b>2,269</b>	<b>2,707</b>	<b>3,348</b>
Tax	727	800	477	568	703
Minority interests	-334	-306	-305	-305	-304
Asset tax	-500	-599	-591	-593	-612
<b>Net income</b>	<b>2,363</b>	<b>2,138</b>	<b>896</b>	<b>1,240</b>	<b>1,730</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>137,460</b>	<b>143,403</b>	<b>143,660</b>	<b>145,563</b>	<b>154,124</b>
Other assets	69,196	66,074	65,828	70,183	72,078
<b>Total assets</b>	<b>206,656</b>	<b>209,476</b>	<b>209,488</b>	<b>215,746</b>	<b>226,202</b>
<b>Deposits</b>	<b>149,617</b>	<b>156,480</b>	<b>158,834</b>	<b>164,035</b>	<b>170,243</b>
Other liabilities	30,445	26,016	22,790	23,892	26,619
Minority interests	1,564	1,548	1,535	1,522	1,510
<b>Equity</b>	<b>25,031</b>	<b>25,432</b>	<b>26,328</b>	<b>26,297</b>	<b>27,830</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	3.3%	3.3%	3.0%	2.9%	2.9%
C/I	45.4%	47.3%	46.7%	45.4%	42.9%
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%	16.1%	15.9%

### Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-22)	1,895	8%
PV Adjustment	1,481	6%
Value Driver (2022-37)	15,610	64%
Fade (2038-57)	3,948	16%
Terminal Value	1,305	5%
<b>Fair Value</b>	<b>24,238</b>	<b>100%</b>
Outst. Shares (millions)	99	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>244.25</b>	
<b>9M Target Price (PLN)</b>	<b>259.82</b>	

### Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	25,791	111%
Explicit Forecast (2020-22)	-867	-4%
PV Adjustment	421	2%
Value Driver (2023-37)	-1,203	-5%
Fade (2038-57)	-964	-4%
<b>Fair Value</b>	<b>23,178</b>	<b>100%</b>
Outst. Shares (millions)	99	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>233.57</b>	
<b>9M Target Price (PLN)</b>	<b>248.46</b>	

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	24,238
Economic Profits	50%	23,178
Fair Value Avg.		23,708
Fair Value Per Share (PLN)		238.91
Asset tax		-70.29
Fair Value Per Share		168.62
Cost of equity (9M)		6.4%
<b>9M Target Price (PLN)</b>		<b>179.37</b>

## PZU

### buy (no change)

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The coronavirus crisis is probably easier to navigate for the insurance industry than for banks, by which we do not mean it is easy. 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 due market saturation. On the other hand, as the pandemic spreads across the globe, the life 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 the banking business and its squeezed profitability after three interest rate cuts this year. On top of that, PZU's investments, in particular equities and real estate, are bound to perform far worse in 2020 in terms of capital gains. 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. That being said, we believe PZU's weak first-quarter results were a temporary setback, and we expect them to bounce back in Q2. The PLN 516m goodwill write-off affecting the investment in Alior Bank recognized in the first quarter leaves PLN 200m-worth of elbowroom in our current forecasts for more unexpected charges. All in all, we see PZU as one of the safest bets for pandemic times in the financial sector, and we maintain a buy call on the stock.

<b>Current Price</b>	30.04 PLN	<b>Upside</b>
<b>9M Target Price</b>	35.93 PLN	<b>+19.6%</b>

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

Key Metrics		PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-0.8%
ISIN	PLPZU0000011	YTD Price Chng	-25.0%
Outst. Stock (m)	863.5	ADTV 1M	PLN 60.3m
MC (PLN m)	25,940.2	ADTV 6M	PLN 76.2m
		P/E 12M fwd	8.5
Free Float	64.8%	P/E 5Y avg	9.8 discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
GWP	23,470	24,191	24,145	24,643	25,309
Claims	-14,563	-15,695	-15,391	-15,808	-16,225
Inv. income	892	2,210	1,611	1,671	1,826
Total costs	-4,750	-5,119	-5,133	-5,296	-5,418
Net income	3,213	3,295	2,555	2,853	3,090
P/E	8.1	7.9	10.2	9.1	8.4
P/B	1.7	1.6	1.4	1.3	1.3
ROE	21.7%	21.2%	14.6%	14.9%	15.4%
DPS	2.70	2.80	0.00	2.37	2.64
DYield	9.0%	9.3%	0.0%	7.9%	8.8%
Forecast Update (% change)			2020P	2021P	2022P
Gross written premiums			0.0%	0.0%	0.0%
Claims			0.0%	0.0%	0.0%
Investment income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	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
<b>Operating income</b>	<b>7,087</b>	<b>7,084</b>	<b>5,141</b>	<b>5,939</b>	<b>6,984</b>
Financing costs	0	0	0	0	0
Subsidiaries	-1	-4	-4	-4	-4
<b>Pre-tax income</b>	<b>7,086</b>	<b>7,080</b>	<b>5,137</b>	<b>5,935</b>	<b>6,980</b>
Tax	-1,718	-1,895	-1,303	-1,510	-1,788
Minority interest	2,155	1,890	1,279	1,571	2,102
<b>Net income</b>	<b>3,213</b>	<b>3,295</b>	<b>2,555</b>	<b>2,853</b>	<b>3,090</b>

### Key Balance Sheet Figures

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

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
Claims ratio	65.2	65.2	68.0	65.4	67.4
Total cost ratio	21.3	21.3	22.2	21.8	22.6
Return on inv. portf.	-12.3	-12.3	-9.8	3.5	3.8
Non-Life, CoR	87.8	87.8	89.2	85.6	89.8
Life, Oper. Margin	24.1	24.1	16.4	16.6	15.8

### 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%
<b>Fair Value</b>	<b>25,035</b>	<b>100%</b>
Outst. Shares (millions)	864	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>28.99</b>	
<b>9M Target Price (PLN)</b>	<b>30.84</b>	

### 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%
<b>Fair Value</b>	<b>22,607</b>	<b>100%</b>
Outst. Shares (millions)	864	
Cost of equity	8.5%	
<b>Fair Value Per Share (PLN)</b>	<b>26.18</b>	
<b>9M Target Price (PLN)</b>	<b>27.85</b>	

### Valuation Ex. Banks

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

### SOTP Valuation

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

## Skarbiec Holding accumualte (downgraded)

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We downgrade Skarbiec Holding from buy to accumulate after recent share price gains, with the price target unchanged at PLN 21.20. Our current models for the Asset Manager 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 AUM contraction. On the updated estimates, we still believe Skarbiec can offer dividend yield of 19% 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 a funds distributor, for example, which would nicely complement Skarbiec's business mix.

<b>Current Price</b>	19.05 PLN	<b>Upside</b>
<b>9M Target Price</b>	21.20 PLN	<b>+11.3%</b>

	rating	target price	issued
<b>new</b>	<b>accumulate</b>	<b>21.20 PLN</b>	<b>2020-06-03</b>
<b>old</b>	<b>buy</b>	<b>21.20 PLN</b>	<b>2020-03-04</b>
<b>Key Metrics</b>		<b>SKH PW</b>	<b>vs. WIG</b>
Ticker	SKH PW	1M Price Chng	+4.1% -1.9%
ISIN	PLSKRBH00014	YTD Price Chng	+0.3% +15.7%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.0m
MC (PLN m)	130.0	ADTV 6M	PLN 0.1m
		P/E 12M fwd	5.7 -3.4%
Free Float	25.4%	P/E 5Y avg	5.9 discount

### Earnings Projections

(PLN m)	18/19	19/20P	20/21P	21/22P
Revenue	112.9	76.3	83.6	84.2
Mgmt fees	78.3	65.4	60.0	58.4
Success fees	33.2	9.6	22.4	24.5
Costs	-75.0	-61.3	-62.7	-65.0
Net income	31.2	13.0	17.7	16.4
P/E	4.2	10.0	7.3	7.9
P/B	1.3	1.2	1.2	1.2
ROE	30.3%	12.0%	16.3%	15.3%
DPS	4.45	0.50	3.69	1.80
DYield	23.3%	2.6%	19.4%	9.4%
<b>Forecast Update (% change)</b>		<b>2020P</b>	<b>2021P</b>	<b>2022P</b>
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
<b>Revenue</b>	<b>101.5</b>	<b>112.9</b>	<b>76.3</b>	<b>83.6</b>	<b>84.2</b>
Distribution costs	-41.5	-34.3	-28.0	-26.4	-27.5
Payroll	-19.8	-24.6	-16.7	-19.3	-20.1
Other operating costs	-16.8	-16.1	-16.6	-17.0	-17.4
<b>Operating expenses</b>	<b>-78.1</b>	<b>-75.0</b>	<b>-61.3</b>	<b>-62.7</b>	<b>-65.0</b>
Other	0.9	0.9	1.0	1.0	1.1
<b>Pre-tax income</b>	<b>24.3</b>	<b>38.8</b>	<b>16.0</b>	<b>21.9</b>	<b>20.3</b>
Tax	-4.7	-7.6	-3.0	-4.2	-3.9
<b>Net income</b>	<b>19.6</b>	<b>31.2</b>	<b>13.0</b>	<b>17.7</b>	<b>16.4</b>
Retail AUM	4,414	3,457	2,974	3,421	3,589
Dedicated AUM	2,375	406	406	406	406
<b>Total AUM</b>	<b>6,789</b>	<b>3,862</b>	<b>3,380</b>	<b>3,826</b>	<b>3,995</b>

### Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Cash	<b>50.1</b>	<b>53.9</b>	<b>61.3</b>	<b>62.3</b>	<b>63.8</b>
Other assets	67.4	77.9	88.6	90.0	92.2
<b>Total assets</b>	<b>117.5</b>	<b>131.8</b>	<b>149.9</b>	<b>152.3</b>	<b>155.9</b>
Borrowing	<b>0.1</b>	<b>0.0</b>	<b>10.9</b>	<b>20.7</b>	<b>19.1</b>
Other liabilities	15.0	28.6	26.2	26.3	27.4
Minority interests	0.0	0.0	0.0	0.0	0.0
<b>Equity</b>	<b>102.4</b>	<b>103.2</b>	<b>112.8</b>	<b>105.3</b>	<b>109.5</b>

### Relative Valuation Summary

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

### Dividend Discount Model (DDM)

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

### Economic Profits Model

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

### Valuation Summary

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

### Per-Share Valuation

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

## GPW hold (no change)

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Shares in GPW have outperformed the broad market index by about 20% since our January initiation at 'buy.' As operator of the Warsaw Stock Exchange, GPW has directly benefitted from the global equity market turmoil of the last few months, which drove trading volumes to record highs from March through April. This included volumes provided by individual investors, who pay higher fees on their trades. The huge volatility in global markets also helped to promote Polish derivatives. The TGE energy exchange as well delivered solid performance in the first quarter of 2020, but the prospects for subsequent quarters are less optimistic given lower energy use during the economic lockdown, which is bound to reflect on TGE's volumes in the rest of the year. Trading activity on the WSE might also be curtailed in the medium term after large withdrawals from equity funds and the interrupted rollout of the PPK workplace pension scheme, designed to be adopted by all Polish firms, compounded by a low level of confidence in the Polish capital market. In the midst of all this, GPW has budgeted rising costs for the next few years. Meanwhile, at the current level GPW's valuation has come close to an all-time high at 13-14x P/E – a ratio which leaves little room for further growth; the upside potential is additionally curbed GPW's unapproachability as a potential acquisition target. We maintain a hold rating for GPW with an unchanged target price of PLN 41.56 per share.

<b>Current Price</b>	40.65 PLN	<b>Upside</b>
<b>9M Target Price</b>	41.56 PLN	<b>+2.2%</b>

	rating	target price	issued
unchanged	hold	41.56 PLN	2020-05-20

Key Metrics			GPW PW	vs. WIG
Ticker	GPW PW	1M Price Chng	+0.6%	-5.4%
ISIN	PLGPW0000017	YTD Price Chng	+3.4%	+18.9%
Outst. Stock (m)	42.0	ADTV 1M		PLN 2.2m
MC (PLN m)	1,706.2	ADTV 6M		PLN 2.1m
EV (PLN m)	1,684.1	EV/EBITDA 12M fwd	9.5	+25.7%
Free Float	64.8%	EV/EBITDA 5Y avg	7.6	premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	347	336	339	349	356
EBITDA	205	205	192	179	185
EBITDA margin	59.0%	61.0%	56.6%	51.2%	52.0%
EBIT	173	173	156	141	144
Net income	184	119	110	122	124
P/E	9.3	14.3	15.5	14.0	13.8
P/B	1.9	2.0	1.9	1.9	1.9
EV/EBITDA	8.6	8.2	8.8	9.3	8.9
DPS	2.20	3.18	2.40	2.50	2.60
DYield	5.4%	7.8%	5.9%	6.2%	6.4%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Revenue</b>	<b>347</b>	<b>336</b>	<b>339</b>	<b>349</b>	<b>356</b>
Capital market	192	185	201	206	211
Equities trading	94	87	97	99	100
Other	98	98	104	108	111
Commodity market	154	150	137	142	144
Trading activities	79	75	71	75	76
Other	75	75	65	67	68
Other	1	1	1	1	1
<b>EBIT</b>	<b>173</b>	<b>156</b>	<b>141</b>	<b>144</b>	<b>145</b>
<b>EBITDA</b>	<b>205</b>	<b>188</b>	<b>177</b>	<b>183</b>	<b>186</b>
Equity in profits of assoc.	11	11	13	13	13
Net financing gains/losses	45	-17	-14	-4	-1
<b>Pre-tax profit</b>	<b>226</b>	<b>150</b>	<b>140</b>	<b>154</b>	<b>157</b>
Tax	-42	-31	-29	-32	-33
<b>Net income</b>	<b>184</b>	<b>119</b>	<b>110</b>	<b>122</b>	<b>124</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Assets</b>	<b>1,217</b>	<b>1,257</b>	<b>1,270</b>	<b>1,285</b>	<b>1,300</b>
Fixed assets	581	590	597	592	591
Current assets	637	667	673	693	709
<b>Equity &amp; Liabilities</b>	<b>1,217</b>	<b>1,257</b>	<b>1,270</b>	<b>1,285</b>	<b>1,300</b>
Non-current liabilities	269	284	283	282	281
Current liabilities	61	100	103	104	104
<b>Equity &amp; Liabilities</b>	<b>888</b>	<b>873</b>	<b>883</b>	<b>900</b>	<b>915</b>

### Key Ratios

	2018	2019	2020P	2021P	2022P
P/E	9.1	14.1	15.2	13.8	13.5
P/BV	1.9	1.9	1.9	1.9	1.8
P/S	4.8	5.0	5.0	4.8	4.7
EV/EBITDA	8.5	8.8	9.4	9.0	8.7
DYield	5.5%	7.4%	6.0%	6.3%	6.5%

### Dividend Discount Model (DDM)

	(PLN)	%
Stage I (2020-21)	6.78	17.0%
Stage II (2022-36)	11.91	30.0%
PV of terminal value	21.06	53.0%
<b>Equity value per share</b>	<b>39.75</b>	<b>100%</b>
CoE (%)	8.5%	
<b>Target price</b>	<b>42.28</b>	

### DCF Summary

	(PLN m)
Terminal value	1,610
PV of terminal value	700
PV of FCF in ther forecast period	837
Net debt	-75
Equity investment	0
<b>Equity value</b>	<b>1,611</b>
Million shares outstanding (adj.)	42
<b>Equity value per share</b>	<b>38.38</b>
CoE (%)	8.5%
<b>Target price</b>	<b>40.83</b>

### Valuation Summary

(PLN m)	Weight	Value
DDM	50%	39.75
DCF	50%	38.38
	price	39.07
<b>9M target price</b>		<b>41.56</b>

### Scenario Analysis

scenario	TP	diff.
base	41.56	-
optimistic	47.08	+13.3%
pessimistic	35.74	-24.1%



## Chemicals

### Ciech

hold (no change)

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We revised our 2020 and 2021 earnings expectations for Ciech's soda ash business in May after the Company reported worse-than-expected results for Q1 2020, and based on more subdued guidance for the rest of the year outlined at the first-quarter earnings call. Most crucially, demand for soda ash is seen to be weakening according to Ciech, due mainly to smaller bookings by auto makers and the construction industry. If orders already placed were to be canceled, Ciech might have to sell excess production on the sport market. With this in mind, we recently revised our 2020 and 2021 soda ash sales forecasts downward by 4%, and we reduced the corresponding segmental EBITDA estimates by 12% and 4%, respectively. The FY2020 revisions are also underpinned by lower expectations for second-quarter profits due to the negative impact of the coronavirus crisis on the results of the Organic Division and the Silicates Division. Further, we currently expect Ciech to end FY2020 with a higher net debt/EBITDA ratio of 2.8x, and with this comes a strong possibility that the Company will not be able to repurchase treasury shares over the coming months. We maintain a hold rating for Ciech.

#### Current Price

37.15 PLN

Upside

#### 9M Target Price

38.94 PLN

+4.8%

	rating	target price	issued
unchanged	hold	38.94 PLN	2020-05-29

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-6.1%	-12.1%
ISIN	PLCIECH000018	YTD Price Chng	-6.4%	+9.1%
Outst. Stock (m)	52.7	ADTV 1M		PLN 2.3m
MC (PLN m)	1,957.8	ADTV 6M		PLN 2.5m
EV (PLN m)	3,656.9	EV/EBITDA 12M fwd	5.4	-7.0%
Free Float	33.0%	EV/EBITDA 5Y avg	5.8	discount

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	3,673	3,549	3,171	3,493	3,633
EBITDA adj.	633	663	600	716	727
EBITDA margin	17.2%	18.7%	18.9%	20.5%	20.0%
EBIT adj.	358	353	275	340	359
Net income adj.	166	187	158	217	235
P/E adj.	11.8	10.5	12.4	9.0	8.3
P/B	1.0	1.0	0.9	0.8	0.8
EV/EBITDA adj.	5.4	5.2	6.1	4.9	4.6
DPS	7.50	0.00	0.00	0.90	2.06
DYield	20.2%	0.0%	0.0%	2.4%	5.5%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Soda price (US \$/t)			0.0%	0.0%	0.0%
Soda Ciech (PLN/t)			0.0%	0.0%	0.0%
Soda vol (1,000t)			0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coking Coal price (\$/t)			0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA. Soda Div.	540	488	554	622	629
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	600	716	727
<b>Operating cash flow</b>	<b>454</b>	<b>532</b>	<b>555</b>	<b>650</b>	<b>660</b>
D&A	275	310	325	376	368
Working capital	-97	56	7	-6	-2
<b>Investing cash flow</b>	<b>-627</b>	<b>-407</b>	<b>-699</b>	<b>-383</b>	<b>-323</b>
CAPEX	595	385	699	383	323
<b>Financing cash flow</b>	<b>-125</b>	<b>-17</b>	<b>-66</b>	<b>-212</b>	<b>-269</b>
Dividends/Buyback	-395	0	0	-47	-108
FCF	-170	174	-145	268	337
FCF/EBITDA	-26%	30%	-24%	37%	46%
OCF/EBITDA	69%	92%	92%	91%	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)	1,630	1,730	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Revenue	3,171	3,493	3,633	3,664	3,687	3,701	3,716	3,731	3,747	3,763	3,783
EBITDA	600	716	727	718	705	692	681	669	657	645	633
EBITDA margin	18.9%	20.5%	20.0%	19.6%	19.1%	18.7%	18.3%	17.9%	17.5%	17.1%	16.7%
EBIT	275	340	359	351	344	339	317	299	281	266	251
Tax	52	59	64	64	63	63	58	55	52	48	46
CAPEX	-699	-383	-323	-334	-351	-364	-356	-367	-373	-379	-382
Working capital	7	-6	-2	-1	0	0	0	0	0	0	0
FCF	-145	268	337	319	290	265	266	247	232	217	206
PV FCF	-139	241	283	250	212	180	168	145	127	111	
WACC	6.7%	6.9%	7.0%	7.1%	7.1%	7.2%	7.2%	7.2%	7.2%	7.3%	7.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	4,831	5,046	5,105	5,259	5,323
Fixed assets	3,559	3,734	4,109	4,118	4,074
Equity	1,970	1,978	2,136	2,305	2,432
Minority interests	0	-1	-1	-1	-1
Net debt	1,464	1,490	1,700	1,545	1,377
Net debt/EBITDA (x)	2.2	2.6	2.8	2.2	1.9
Net debt/Equity (x)	0.7	0.8	0.8	0.7	0.6

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	2.5	2.6	2.2	5.1	4.8	3.9
Maximum	69.0	19.3	17.3	14.6	10.4	9.7
Median	12.3	11.9	9.9	7.8	6.3	5.7
Weight	17%	17%	17%	17%	17%	17%

#### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,579
Net debt	1,490
Other adj.	-202
Value per share (PLN)	35.48

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	37.79
DCF Val.	50%	35.48
Implied Price		36.63
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>38.94</b>

## 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 an estimated PLN 988m. 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. In Q1 2020 Grupa Azoty generated better-than-expected results owing to strong performance in the Plastics and Chemicals divisions, offsetting weak profits generated by the Fertilizer business despite favorable market conditions. Nevertheless the Company upgraded its fertilizer sales outlook for 2020 to reflect a less detrimental impact of drought conditions than anticipated earlier. We maintain a hold rating fort ATT.

**Current Price**

34.20 PLN

**Downside**

**9M Target Price**

28.42 PLN

**-16.9%**

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

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	+29.1%	+23.1%
ISIN	PLZATRM00012	YTD Price Chng	+16.8%	+32.3%
Outst. Stock (m)	99.2	ADTV 1M		PLN 3.8m
MC (PLN m)	3,392.5	ADTV 6M		PLN 3.1m
EV (PLN m)	7,708.6	EV/EBITDA 12M fwd	6.6	+6.4%
Free Float	29.0%	EV/EBITDA 5Y avg	6.2	premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	9,999	11,308	9,614	10,239	10,629
EBITDA adj.	805	1,496	1,211	960	1,084
EBITDA margin	8.1%	13.2%	12.6%	9.4%	10.2%
EBIT adj.	122	685	407	120	207
Net income adj.	43	431	211	-4	41
P/E adj.	79.6	7.9	16.0	-	81.8
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA adj.	7.8	4.6	6.4	9.3	9.3
DPS	1.20	0.00	0.00	0.00	0.00
DYield	3.5%	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%
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
<b>Operating cash flow</b>	<b>1,043</b>	<b>2,033</b>	<b>1,246</b>	<b>945</b>	<b>1,070</b>
D&A	683	811	805	840	877
Working capital	155	636	72	-26	-17
<b>Investing cash flow</b>	<b>-1,761</b>	<b>-1,186</b>	<b>-1,945</b>	<b>-2,071</b>	<b>-1,863</b>
CAPEX	2,042	1,044	1,945	2,071	2,037
<b>Financing cash flow</b>	<b>440</b>	<b>-923</b>	<b>71</b>	<b>1,015</b>	<b>835</b>
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%

### 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 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%

### 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%
<b>9M Target Price</b>		<b>28.42</b>

## 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 sales, following plant closures by automakers like VW, PSA, Daimler, and BMW. 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 second-quarter results and falling prices of coking coal. We maintain a sell call for JSW.

**Current Price**

18.00 PLN

**Downside****9M Target Price**

9.78 PLN

**-45.7%**

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

Key Metrics	JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng +31.5% +25.5%
ISIN	PLJSW0000015	YTD Price Chng -15.8% -0.3%
Outst. Stock (m)	117.4	ADTV 1M PLN 15.2m
MC (PLN m)	2,113.4	ADTV 6M PLN 18.7m
EV (PLN m)	2,891.4	EV/EBITDA 12M fwd 5.5 +87.9%
Free Float	44.8%	EV/EBITDA 5Y avg 2.9 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	9,810	8,672	7,504	8,469	8,419
EBITDA adj.	3,101	1,839	600	901	957
EBITDA margin	31.6%	21.2%	8.0%	10.6%	11.4%
EBIT adj.	2,335	806	-495	-234	-237
Net income adj.	1,802	548	-452	-245	-249
P/E adj.	1.2	3.9	-	-	-
P/B	0.3	0.2	0.3	0.3	0.3
EV/EBITDA adj.	-	0.7	4.8	3.0	3.1
DPS	0.00	1.71	0.00	0.00	0.00
DYield	0.0%	9.5%	0.0%	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%	

### 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
<b>Operating cash flow</b>	<b>2,856</b>	<b>1,538</b>	<b>96</b>	<b>1,616</b>	<b>1,203</b>
D&A	766	1,034	1,095	1,135	1,194
Working capital	338	-162	-585	700	245
<b>Investing cash flow</b>	<b>-1,582</b>	<b>-2,261</b>	<b>-1,700</b>	<b>-1,420</b>	<b>-1,400</b>
CAPEX	1,248	2,181	1,700	1,420	1,400
<b>Financing cash flow</b>	<b>-755</b>	<b>-180</b>	<b>-38</b>	<b>-43</b>	<b>-45</b>
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%

### 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%	50%	50%

### 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%
<b>9M Target Price</b>		<b>9.78</b>

## KGHM sell (reiterated)

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Prices of industrial metals firmed in May on more upbeat data from China, where the local steel inventory was reported to decrease, accompanied by recovering sales of cars, underpinned by a lack of escalation in the trade tensions with the USA. A simultaneous upward trend in prices of silver and gold triggered a rebound in KGHM's share price as traders covered their short positions in the copper producer. Despite the temporary bounce, the underlying long term fundamentals for KGHM have not changed: demand for copper is poised to weaken with the global economic slowdown (with oversupply as high as 0.7mmt in 2021 forecast by the International Wrought Copper Council), putting sustained downward pressure on worldwide prices. The oil crash of early 2020 is estimated to have curbed the production costs of open-pit miners by about 10%, but electricity-reliant underground miners like KGHM cannot benefit from this. Finally, KGHM's production data for April indicate declining volumes across all global locations, due most likely to the implementation of coronavirus-related health and safety restrictions. After factoring the higher metal prices into our current models (+6% copper, +10% silver), we still see KGHM's FY2020 EBITDA as falling 15% even after a substantial, 37% upward revision. We raise our target price for KGH from PLN 46.83 to PLN 62.94 per share, but we leave intact our sell call for the stock.

<b>Current Price</b>	88.10 PLN	<b>Downside</b>
<b>9M Target Price</b>	62.94 PLN	<b>-28.6%</b>

	rating	target price	issued
<b>new</b>	<b>sell</b>	<b>62.94 PLN</b>	<b>2020-06-03</b>
<b>old</b>	sell	46.83 PLN	2020-05-05
Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+14.4% +8.5%
ISIN	PLKGHM000017	YTD Price Chng	-7.8% +7.7%
Outst. Stock (m)	200.0	ADTV 1M	PLN 56.3m
MC (PLN m)	17,620.0	ADTV 6M	PLN 56.2m
EV (PLN m)	23,528.1	EV/EBITDA 12M fwd	5.7 +21.3%
Free Float	63.2%	EV/EBITDA 5Y avg	4.7 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	20,526	22,723	21,777	20,953	22,457
EBITDA adj.	4,972	5,229	4,439	3,606	4,507
EBITDA margin	24.2%	23.0%	20.4%	17.2%	20.1%
EBIT adj.	3,176	3,309	2,408	1,428	2,355
Net income adj.	1,888	2,230	1,546	780	1,496
P/E adj.	9.3	7.9	11.4	22.6	11.8
P/B	0.9	0.9	0.8	0.8	0.8
EV/EBITDA adj.	5.0	4.7	5.3	6.6	5.0
DPS	0.00	0.00	0.00	1.55	1.95
DYield	0.0%	0.0%	0.0%	1.8%	2.2%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA adj.		+37.4%	+11.2%	+4.9%	
Net income adj.		+156.2%	+58.9%	+12.9%	
Copper price (\$/t)		+6.0%	0.0%	0.0%	
Silver price (\$/oz)		+16.7%	+6.3%	0.0%	
Molybdenum price (\$/t)		+10.0%	+10.0%	+10.0%	
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
<b>Operating cash flow</b>	<b>3,826</b>	<b>5,048</b>	<b>3,743</b>	<b>3,123</b>	<b>3,792</b>
D&A	1,796	1,920	2,031	2,178	2,152
Working capital	1,412	1,227	8	7	-13
<b>Investing cash flow</b>	<b>-3,539</b>	<b>-3,643</b>	<b>-2,544</b>	<b>-2,756</b>	<b>-2,349</b>
CAPEX	3,541	3,336	2,544	2,756	2,349
<b>Financing cash flow</b>	<b>84</b>	<b>-1,346</b>	<b>-157</b>	<b>-467</b>	<b>-548</b>
Dividends/Buyback	0	0	0	-309	-390
FCF	1,924	2,310	1,198	367	1,442
FCF/EBITDA	41%	51%	27%	10%	32%
OCF/EBITDA	77%	97%	84%	87%	84%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	37,237	39,409	40,701	40,951	42,461
Fixed assets	29,375	31,669	32,182	32,761	32,959
Equity	19,133	20,110	21,656	22,127	23,233
Minority interests	92	92	92	92	92
Net debt	6,992	6,857	5,816	5,916	5,021
Net debt/EBITDA (x)	1.5	1.5	1.3	1.6	1.1
Net debt/Equity (x)	0.4	0.3	0.3	0.3	0.2

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	8.7	7.3	5.5	1.7	1.3	1.4
Maximum	158.4	54.3	20.2	14.7	10.0	9.2
Median	12.3	11.4	9.7	7.0	5.7	4.9
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Copper price (\$/t)	5,300	5,800	6,350	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Silver (\$/oz)	17.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Molybdenum (\$/t)	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Revenue	21,777	20,953	22,457	22,752	22,683	22,486	21,286	21,284	21,286	21,211	21,146
EBITDA	4,439	3,606	4,507	4,677	4,549	4,308	4,250	4,212	4,167	4,073	3,992
EBITDA margin	11.1%	6.8%	10.5%	11.3%	11.1%	10.0%	10.3%	10.0%	9.7%	10.1%	9.7%
EBIT	2,408	1,428	2,355	2,565	2,508	2,256	2,183	2,134	2,059	2,137	2,062
Tax	704	490	702	751	739	690	675	665	650	662	645
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	8	7	-13	-3	1	2	11	0	0	1	1
FCF	1,198	367	1,442	1,993	1,848	1,625	1,558	1,488	1,426	1,482	1,417
PV FCF	1,151	329	1,201	1,536	1,319	1,075	952	838	740	0	0
WACC	7.2%	7.1%	7.3%	7.5%	7.6%	7.7%	7.8%	7.9%	7.9%	8.1%	8.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	9,845
Net debt	6,857
Other adjustments	90
Value per share (PLN)	56.82

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	61.60
DCF Val.	50%	56.82
Implied Price		59.21
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>62.94</b>

## Oil &amp; Gas

## Lotos

## hold (upgraded)

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We upgrade our call on Lotos from reduce to hold after May falls closer toward our price target, which is herewith revised slightly higher to PLN 60.39 per share to reflect updated peer multiples. We cannot identify any positive catalysts for Lotos in the near future after the next milestone in the merger with PKN Orlen got postponed again, and looking at shockingly weak refining margins which remain firmly in the negative territory (diesel cracks have fallen particularly hard). 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). Lotos's upstream business benefits from recovering crude prices, but much of these gains going forward might be wiped by natural gas, which has a higher share in the sales mix, due to its relatively high production costs at close to \$19/boe. In Q1 2020 the upstream business was able to deliver a positive surprise prominent enough to cover up the disappointment in downstream. Due to planned capital investment, FCF at Lotos might turn negative in the future. Finally, LTS stock is still trading at a premium to PKN Orlen (+6% on 2020-22E EV/EBITDA LIFO) even though its capacity to deliver positive surprises in a time of an epidemic-induced economic crisis is diminishing.

## Current Price

60.52 PLN

Downside

## 9M Target Price

60.39 PLN

-0.2%

	rating	target price	issued
new	hold	60.39 PLN	2020-06-03
old	reduce	59.22 PLN	2020-04-07

Key Metrics	LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng -3.0% -8.9%
ISIN	PLLOTOS00025	YTD Price Chng -27.6% -12.1%
Outst. Stock (m)	184.9	ADTV 1M PLN 21.8m
MC (PLN m)	11,188.5	ADTV 6M PLN 25.9m
EV (PLN m)	13,480.9	EV/EBITDA 12M fwd 6.1 +12.8%
Free Float	46.8%	EV/EBITDA 5Y avg 5.4 premium

## Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	30,122	29,493	16,891	19,225	23,283
EBITDA	3,704	2,879	509	2,813	3,231
EBITDA margin	12.3%	9.8%	3.0%	14.6%	13.9%
EBIT	2,981	1,970	-502	1,776	2,150
Net income	1,587	1,153	-561	1,304	1,463
P/E	7.0	9.7	-	8.6	7.7
P/B	0.9	0.9	0.9	0.9	0.8
EV/EBITDA	3.5	4.9	26.5	4.8	4.2
DPS	1.00	3.00	1.00	3.00	3.00
DYield	1.7%	5.0%	1.7%	5.0%	5.0%

Forecast Update (% change)	2020P	2021P	2022P
LIFO EBITDA	0.0%	0.0%	0.0%
Net income	-	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.)	4.1	4.8	5.8	5.7	4.9
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

	20P	21P	22P	20P	21P	22P
Minimum	2.5	2.0	4.6	1.8	1.5	2.1
Maximum	35.1	20.3	15.7	15.1	12.8	10.3
Median	18.9	10.1	7.2	5.7	5.1	4.2
Weight	17%	17%	17%	17%	17%	17%

## DCF Analysis (ex. Upstream)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
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.	50%	56.52
DCF Val.	50%	57.10
Implied Price		56.81
Cost of equity (9M)		6.3%
9M Target Price		60.39



## MOL hold (reiterated)

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MOL's 2020 first-quarter downstream profits far exceeded estimates in a positive surprise which, unfortunately, is not likely to recur in the following quarters, being a product of an unprecedented oil crash coinciding with an expansion in distribution margins and geographic premiums. Nevertheless the strong first-quarter beat prompts us to raise our 2020 CCS EBITDA estimate by 11%, alongside revisions to reflect earlier revenue contributions of the ACG oil field and higher profits in Gas Midstream. After updating peer valuations to account for a marked rise in oil stocks, we raise our target price for MOL to HUF 2,072 with an unchanged hold recommendation. The recovery in crude prices might bring MOL's upstream profits beyond what we are currently anticipating, but on the other hand prices of gas have been low, and refining margins have turned negative. The petroleum demand shocks will most likely keep refinery profits squeezed and run rates low for months to come even as countries start to come back from economic lockdown. In conclusion, we see at least two weak quarters ahead for MOL, whose current EV/CCS EBITDA ratio does not look particularly appetizing vis-a-vis historical averages. In June a catalyst might be provided by the announcement of the Croatian government's valuation of the INA refinery, although in the current environment the valuation INA's upstream business is not likely to be to MOL's satisfaction.

<b>Current Price</b>	1,916 HUF	<b>Upside</b>
<b>9M Target Price</b>	2,072 HUF	<b>+8.1%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>2,072 HUF</b>	<b>2020-06-03</b>
<b>old</b>	hold	1,927 HUF	2020-03-31
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-6.2% -12.2%
ISIN	HU0000153937	YTD Price Chng	-34.8% -19.3%
Outst. Stock (m)	753.1	ADTV 1M	HUF 3,011.7m
MC (HUF m)	1,442,856.2	ADTV 6M	HUF 2,579.7m
EV (HUF m)	3,052,523.0	EV/EBITDA 12M fwd	4.9 +15.3%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3 premium

### Earnings Projections

(HUF bn)	2018	2019	2020P	2021P	2022P
Revenue	5,169	5,267	2,993	3,511	3,973
EBITDA	764	685	406	591	720
EBITDA margin	14.8%	13.0%	13.5%	16.8%	18.1%
EBIT	353	294	0	148	279
Net income	301	223	11	126	201
P/E	4.8	6.5	130.6	11.5	7.2
P/B	0.7	0.7	0.7	0.7	0.6
EV/EBITDA	2.7	3.4	7.5	5.3	4.2
DPS	127.50	142.44	0.00	69.72	73.20
DYield	6.7%	7.4%	0.0%	3.6%	3.8%
Forecast Update (% change)			2020P	2021P	2022P
CCS EBITDA			+8.8%	+1.1%	+0.9%
Net income			-	+4.2%	+2.8%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

### Financial Highlights

(HUF bn)	2018	2019	2020P	2021P	2022P
<b>LIFO EBITDA (adj.)</b>	<b>728</b>	<b>709</b>	<b>484</b>	<b>564</b>	<b>698</b>
Upstream (US)	344	305	154	232	311
Downstream (DS)	183	169	167	169	197
Retail	115	137	125	145	149
Petchem	87	83	31	11	34
Gas Midstream	50	54	55	56	55
General expenses	-51	-40	-48	-49	-49
<b>EV/LIFO EBITDA (adj.)</b>	<b>2.9</b>	<b>3.3</b>	<b>5.9</b>	<b>5.6</b>	<b>4.3</b>
LIFO effect	19	-16	-79	27	22
Other one-offs	17	-8	0	0	0
<b>Financing activity</b>	<b>-22</b>	<b>-18</b>	<b>-21</b>	<b>-13</b>	<b>-34</b>
\$ LIFO EBITDA/bbl, DS	4.9	4.6	4.8	5.1	5.7
EBITDA/boe, US	34.8	28.0	12.5	19.9	27.4
<b>Ref. thrghpt, mmt</b>	<b>19.2</b>	<b>17.5</b>	<b>15.7</b>	<b>16.5</b>	<b>17.3</b>
<b>Upstr output, mboepd</b>	<b>110.6</b>	<b>112.0</b>	<b>120.2</b>	<b>126.1</b>	<b>123.6</b>

### Key Balance Sheet Figures

(HUF bn)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>596</b>	<b>704</b>	<b>527</b>	<b>551</b>	<b>648</b>
OCF/EBITDA LIFO adj.	82%	99%	109%	98%	93%
<b>CAPEX</b>	<b>380</b>	<b>596</b>	<b>1,197</b>	<b>543</b>	<b>406</b>
Working capital	300	286	192	225	255
Equity	1,994	2,151	2,097	2,156	2,286
<b>Net debt</b>	<b>314</b>	<b>559</b>	<b>1,314</b>	<b>1,386</b>	<b>1,248</b>
Net debt/EBITDA (x)	0.4	0.8	2.7	2.5	1.8

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	2.5	2.0	4.6	1.8	1.5	2.1
Maximum	35.1	20.3	15.7	15.1	12.8	10.3
Median	20.4	9.6	7.6	5.6	5.0	4.4
Weight	17%	17%	17%	17%	17%	17%

### 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	252	359	409	421	423	425	428	430	432	434	434
EBITDA margin	9.1%	11.0%	11.1%	11.4%	11.4%	11.5%	11.5%	11.6%	11.6%	11.7%	11.7%
EBIT	29	111	158	172	180	180	178	175	172	169	211
Tax	16	31	43	48	50	50	49	48	47	46	40
CAPEX	-511	-366	-230	-223	-223	-223	-223	-223	-223	-223	-223
Working capital	94	-33	-30	-1	1	1	1	1	0	0	0
FCF	-181	-72	106	149	152	154	157	160	163	166	171
PV FCF	-173	-65	89	118	111	104	98	92	87	82	
WACC	6.5%	6.4%	6.6%	6.9%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,756
Net debt & adjustments	337
Upstream Valuation	30
Value per share (HUF)	2,033

### Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	1,864
DCF Val.	50%	2,033
Implied Price		1,949
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>2,072</b>



## PGNiG buy (reiterated)

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The market has finally caught up on PGNiG's 30 March win against Gazprom, and the resulting cash payout, estimated at PLN 0.65 per share, as well as noticing the Company's strong first-quarter results. It is important to note the structural shift which has taken place in PGNiG's trading business whereby buy vs. sell price risk has been neutralized by the revised terms achieved for the Gazprom supply deal. Trading profits in 2020 are additionally supported by the formula used in intercompany transactions with upstream. We have long-term annual EBITDA forecasts of PLN 0.5bn for PGNiG's Trading and Storage segment, but we see them as conservative. 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. PGNiG's net debt as a percentage of EBITDA is not likely to exceed 0.6x this year, indicating capacity to increase next year's shareholder distribution, or, alternatively, to make strategic acquisitions of gas-producing assets. We maintain a buy rating for PGN, with the price target raised to PLN 4.91 per share. Note that our FY2020 earnings estimates conservatively price in a PLN 0.6bn lockdown loss.

### Current Price

4.31 PLN

Upside

### 9M Target Price

4.91 PLN

+13.9%

	rating	target price	issued
new	buy	4.91 PLN	2020-06-03
old	buy	4.44 PLN	2020-04-07
<b>Key Metrics</b>			
		PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	+16.1% +10.1%
ISIN	PLPGNIG00014	YTD Price Chng	-0.4% +15.1%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 24.1m
MC (PLN m)	24,916.1	ADTV 6M	PLN 25.1m
EV (PLN m)	28,121.3	EV/EBITDA 12M fwd	4.4 -7.2%
Free Float	28.1%	EV/EBITDA 5Y avg	4.8 discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	41,234	42,023	34,498	33,289	36,918
EBITDA	7,115	5,504	5,673	6,717	7,332
EBITDA margin	17.3%	13.1%	16.4%	20.2%	19.9%
EBIT	4,395	2,448	2,309	3,265	3,845
Net income	3,212	1,371	1,785	2,575	2,879
P/E	7.8	18.2	14.0	9.7	8.7
P/B	0.7	0.7	0.6	0.6	0.6
EV/EBITDA	3.5	5.2	5.0	4.1	3.9
DPS	0.07	0.11	0.09	0.12	0.22
DYield	1.6%	2.6%	2.2%	2.9%	5.2%
<b>Forecast Update (% change)</b>					
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	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
<b>Financing activity</b>	<b>107</b>	<b>-289</b>	<b>-228</b>	<b>29</b>	<b>-12</b>
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	29P	+
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		
	20P	21P	22P	20P	21P	22P
Minimum	2.2	2.5	2.1	2.6	2.8	2.4
Maximum	34.8	19.9	15.1	15.3	12.5	11.8
Median	16.1	12.3	10.2	6.9	6.0	5.3
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)	33%	5.67
Relative (DYield)	17%	2.18
DCF	50%	3.34
Cost of equity (9M)		6.7%
<b>9M Target Price</b>		<b>4.91</b>

## PKN Orlen hold (reiterated)

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PKN stock continued on an upward trajectory in May on the heels of good first-quarter results, underpinned by a rise in Stoxx Oil&Gas (the Polish refiner's correlation with crude oil-producing plays is a source of constant surprise to us), as the market ignored the dramatic slump in refining margins. Benchmark cracking spreads have turned negative on oversupply relative to weak demand, dampened by the coronavirus crisis, resulting in high inventories which can be expected to keep global refinery run rates low as new capacity is about to come on line in Asia. The crisis has also finally reached the petrochemical sector, and as profits from downstream shrink PKN stock will probably cease its ascent in the weeks ahead, though long term we still see it as a beneficiary of the recent fluctuations in commodity markets. We raise our target price for PKN to PLN 66.85 after updating relative valuation models to reflect higher peer prices, but we maintain a hold recommendation for the refiner. We are currently working on an update to our models for PKN 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

67.80 PLN

Downside

### 9M Target Price

66.85 PLN

-1.4%

	rating	target price	issued
new	hold	66.85 PLN	2020-06-03
old	hold	58.61 PLN	2020-05-05
Key Metrics		PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	+8.7% +2.7%
ISIN	PLPKN0000018	YTD Price Chng	-21.0% -5.5%
Outst. Stock (m)	427.7	ADTV 1M	PLN 85.6m
MC (PLN m)	28,998.7	ADTV 6M	PLN 101.8m
EV (PLN m)	34,499.2	EV/EBITDA 12M fwd	5.0 -4.9%
Free Float	67.6%	EV/EBITDA 5Y avg	5.2 discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	109,706	111,203	54,524	66,177	82,438
EBITDA	9,888	8,862	3,921	7,764	8,187
EBITDA margin	9.0%	8.0%	7.2%	11.7%	9.9%
EBIT	7,215	5,365	148	3,810	3,744
Net income	5,556	4,300	-46	2,923	2,825
P/E	5.2	6.7	-	9.9	10.3
P/B	0.8	0.8	0.8	0.7	0.7
EV/EBITDA	3.5	4.0	8.8	4.7	4.7
DPS	3.00	3.50	1.00	3.00	3.08
DYield	4.4%	5.2%	1.5%	4.4%	4.5%
Forecast Update (% change)			2020P	2021P	2022P
LIFO EBITDA			0.0%	0.0%	0.0%
Net income			-	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.)	4.1	3.7	4.8	5.2	5.2
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	210	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		
	20P	21P	22P	20P	21P	22P
Minimum	9.5	6.6	5.5	2.9	2.4	2.1
Maximum	34.7	26.2	18.1	19.2	16.1	14.9
Median	17.1	9.8	7.6	6.3	5.9	4.8
Weight	17%	17%	17%	17%	17%	17%

### 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.	50%	69.54
DCF Val.	50%	56.22
Implied Price		62.88
Cost of equity (9M)		6.3%
9M Target Price		66.85

## Power Utilities

### CEZ

#### accumulate (reiterated)

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CEZ delivered a 16% beat on 2020 Q1 EBITDA which we see as a bullish signal for the following quarters. Even after downward adjustments to accommodate coronavirus impacts, CEZ's current guidance still sits firmly within the expectations of analysts. 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 Modernization Fund set up by the Czech government, which has also provided reassurance 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 the 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. We lower our target price for CEZ to CZK 514.80 after updating peer multiples, and we maintain an accumulate rating for the stock.

Current Price

489.00 CZK

Upside

9M Target Price

514.80 CZK

+5.3%

	rating	target price	issued
new	accumulate	514.80 CZK	2020-06-03
old	accumulate	527.86 CZK	2020-05-05
<b>Key Metrics</b>			
Ticker	CEZ CP	1M Price Chng	+6.1% +0.1%
ISIN	CZ0005112300	YTD Price Chng	-4.0% +11.5%
Outst. Stock (m)	538.0	ADTV 1M	CZK 121.3m
MC (CZK bn)	263.1	ADTV 6M	CZK 158.1m
EV (CZK bn)	427.5	EV/EBITDA 12M fwd	6.9 -2.0%
Free Float	30.2%	EV/EBITDA 5Y avg	7.1 discount

#### Earnings Projections

(CZK m)	2018	2019	2020P	2021P	2022P
Revenue	184,486	206,192	222,619	217,213	217,452
EBITDA	49,664	60,305	63,772	57,884	53,957
EBITDA margin	26.9%	29.2%	28.6%	26.6%	24.8%
EBIT	19,759	26,429	35,543	29,156	25,258
Net income	10,327	14,373	21,761	15,534	11,834
P/E	25.5	18.3	12.1	16.9	22.2
P/B	1.1	1.0	1.0	1.1	1.1
EV/EBITDA	8.4	7.1	6.7	7.5	8.1
DPS	32.71	23.86	34.00	36.40	25.99
DYield	6.7%	4.9%	7.0%	7.4%	5.3%
<b>Forecast Update (% change)</b>			<b>2020P</b>	<b>2021P</b>	<b>2022P</b>
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (EUR/MWh)			0.0%	0.0%	0.0%
EUR/CZK			0.0%	0.0%	0.0%
CO2 (EUR/t)			0.0%	0.0%	0.0%

#### Financial Highlights

(CZK m)	2018	2019	2020P	2021P	2022P
<b>EBITDA (adj.)</b>	<b>50,164</b>	<b>61,605</b>	<b>63,772</b>	<b>57,884</b>	<b>53,957</b>
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
<b>Financing activity</b>	<b>-6,242</b>	<b>-8,018</b>	<b>-7,627</b>	<b>-9,229</b>	<b>-10,076</b>
<b>Power output, TWh</b>	<b>63.1</b>	<b>64.6</b>	<b>66.7</b>	<b>64.6</b>	<b>62.1</b>
Renewables	4.3	5.0	5.1	5.1	5.1
<b>Trade volume, TWh</b>	<b>37.6</b>	<b>37.9</b>	<b>38.2</b>	<b>38.5</b>	<b>38.8</b>
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
<b>RAV (CZK bn)</b>	<b>117.8</b>	<b>121.1</b>	<b>126.5</b>	<b>134.7</b>	<b>142.4</b>
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	29P	+
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%

#### Key Balance Sheet Figures

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

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	11.3	12.5	11.1	5.1	5.2	5.1
Maximum	28.4	25.9	22.4	13.2	13.0	11.7
Median	15.7	14.0	13.8	9.4	9.0	9.5
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%	463.53
Relative (DYield)	17%	502.33
DCF	50%	498.78
Cost of equity (9M)		5.6%
<b>9M Target Price</b>		<b>514.80</b>

## Energa suspended (reiterated)

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Energa has finally released the financial statements for FY2019, allowing us to update future earnings expectations, however ratings for the Company remain suspended until a final decision on the fate of the "Ostrołęka C" project. Our current models do not account for any extra expenditures or potential claims for liquidated damages by the project's manager, General Electric, if the venture gets canceled. After revising lower our future price expectations for electricity and coal, and raising forecasts for emission prices, and after adjusting for revenues and hedging profits lost due to the coronavirus crisis, we reduce our 2020 EBITDA estimate for Energa by 11%, with the forecasts for subsequent years adjusted much less by just about -3%. Polish power generators will start receiving capacity payments next year under the new market mechanism, with net receipts for Energa (after adjusting for discontinued payments under old mechanisms) at an estimated PLN 100m, on top of expected improvement in hydropower plant productivity and spot power prices. Moreover, profits from household power sales are set to rise next year, plus hopefully there will be no fluctuations in demand of the kind brought on this year by the coronavirus outbreak. In the distribution business, a reduction in WACC might offset growth in the value of Energa's regulated assets unless the Company can negotiate a formula change in the ongoing talks with the regulator.

### Current Price

8.19 PLN

### 9M Target Price

-

	rating	target price	issued
new	suspended		2020-06-03
old	suspended		2020-02-27
Key Metrics		ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	+5.3% -0.7%
ISIN	PLENERG00022	YTD Price Chng	+15.7% +31.2%
Outst. Stock (m)	414.1	ADTV 1M	PLN 1.2m
MC (PLN m)	3,391.2	ADTV 6M	PLN 4.6m
EV (PLN m)	9,729.2	EV/EBITDA 12M fwd	4.8 +9.0%
Free Float	48.5%	EV/EBITDA 5Y avg	4.4 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	10,337	12,172	12,413	11,753	11,725
EBITDA	1,877	2,039	1,883	2,102	2,102
EBITDA margin	18.2%	16.8%	15.2%	17.9%	17.9%
EBIT	1,176	459	704	812	816
Net income	739	-952	318	409	414
P/E	4.6	-	10.7	8.3	8.2
P/B	0.3	0.4	0.4	0.3	0.3
EV/EBITDA	4.2	4.7	5.2	4.5	4.4
DPS	0.00	0.00	0.00	0.00	0.15
DYield	0.0%	0.0%	0.0%	0.0%	1.8%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			-11.7%	-2.1%	-3.7%
Net income			-42.3%	-32.8%	-30.3%
Price of electricity (PLN/MWh)			0.0%	-0.1%	-11.9%
Price of coal (PLN/t)			0.0%	0.0%	-9.0%
Price of CO2 allowance (EUR/t)			0.0%	-25.0%	-25.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	2,039	2,164	1,883	2,102	2,102
EBITDA	1,877	2,039	1,883	2,102	2,102
Conv. Gener./CHP	137	29	-38	134	111
Renewables	191	233	213	222	215
Distribution	1,704	1,648	1,625	1,629	1,660
Trade	-85	182	144	180	181
Other	-70	-53	-62	-63	-65
Financing activity	-223	-1,218	-311	-308	-305
Power output, TWh	3.9	3.5	3.2	3.3	3.3
Renewables	0.5	0.6	0.6	0.6	0.6
Trade volume, TWh	19.8	19.7	18.9	19.6	19.8
YoY pct. change	-4.1%	-0.5%	-4.0%	4.0%	0.8%
Trade mrgn (PLN/MWh)	3.9	15.6	7.6	9.1	9.1
RAV (PLN bn)	12.2	12.6	13.0	13.2	13.3
RAV return (EBIT)	7.7%	6.4%	5.3%	4.5%	4.7%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	1,859	1,253	1,780	2,084	2,008
OCF/EBITDA	99%	61%	95%	99%	96%
CAPEX	1,638	1,675	1,634	1,494	1,512
Working capital	1,499	1,443	1,472	1,393	1,390
Equity	10,295	9,253	9,571	9,980	10,333
Net debt	4,457	6,161	6,327	6,045	5,915
Net debt/EBITDA (x)	2.4	3.0	3.4	2.9	2.8

## PGE

### suspended (no change)

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PGE generated 2020 first-quarter results in line with expectations, which means it improved operating cash flow in the period after a temporary reduction. Accordingly, we keep intact our full-year earnings expectations, which sit 6% higher on average than the consensus expectations, and which imply a low 2021E EV/EBITDA ratio of 2.5x vs. 3.4x 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 factor 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) coal mine bailout, and 3) investment in a new lignite mine, we opt not to issue investment recommendations for PGE until further notice. PGE's CEO in recent media statements outlined a potential organizational change whereby PGE could spin subsidiary coal mines off into a separate company and embark on a 20-year coal phase-out plan.

### Current Price

5.52 PLN

### 9M Target Price

-

	rating	target price	issued
unchanged	suspended		2020-04-27

Key Metrics	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng +33.9% +27.9%
ISIN	PLPGER000010	YTD Price Chng -30.7% -15.2%
Outst. Stock (m)	1,869.8	ADTV 1M PLN 18.2m
MC (PLN m)	10,321.2	ADTV 6M PLN 16.9m
EV (PLN m)	22,303.6	EV/EBITDA 12M fwd 3.4 -21.8%
Free Float	42.6%	EV/EBITDA 5Y avg 4.3 discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	25,946	37,627	41,772	40,002	39,617
EBITDA	6,375	7,141	6,349	8,351	8,162
EBITDA margin	24.6%	19.0%	15.2%	20.9%	20.6%
EBIT	2,482	-4,175	2,225	3,885	3,577
Net income	1,498	-3,961	1,380	2,864	2,554
P/E	6.9	-	7.5	3.6	4.0
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.3	3.1	3.5	2.6	2.6
DPS	0.00	0.00	0.00	0.18	0.38
DYield	0.0%	0.0%	0.0%	3.3%	6.9%
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 (no change)

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Tauron delivered fantastic results for Q1 2020, including positive surprises in the segments of trading and distribution which we see as a positive sign for the rest of the year. Nevertheless, with actual first-quarter EBITDA fulfilling 31% of our FY forecast, we do not feel prompted to revise our outlook for 2020, which includes potential COVID-19-related losses of approximately PLN 77m (Tauron recognized some charges under financing costs in Q1). As predicted, Tauron is set to generate higher profits from trading 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 pressure 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 a new generator. In the Distribution business, reduced WACC might affect the valuation of distribution assets unless currently ongoing negotiations with the regulator end favorably for the industry. 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 launch (PLN 0.8bn shifted from 2019), indicating an increase in net debt to PLN 14bn by the end of December, with the implied net debt/EBITDA ratio rising to a projected 3.4x. Ratings for Tauron are suspended pending the announcement of Poland's updated energy strategy through 2040 and a decision on the Company's involvement in a potential coal mine bailout.

**Current Price**

1.40 PLN

**9M Target Price**

-

	rating	target price	issued
unchanged	suspended		2020-05-05

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	+23.3%	+17.3%
ISIN	PLTAURN00011	YTD Price Chng	-14.8%	+0.7%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 6.4m
MC (PLN m)	2,448.3	ADTV 6M		PLN 7.5m
EV (PLN m)	17,371.8	EV/EBITDA 12M fwd	4.4	-3.5%
Free Float	59.6%	EV/EBITDA 5Y avg	4.6	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	18,122	20,511	20,708	19,886	19,996
EBITDA	3,492	3,597	3,542	3,865	4,105
EBITDA margin	19.3%	17.5%	17.1%	19.4%	20.5%
EBIT	791	295	1,392	1,597	1,814
Net income	205	-11	660	1,205	1,206
P/E	11.9	-	3.7	2.0	2.0
P/B	0.1	0.1	0.1	0.1	0.1
EV/EBITDA	3.6	4.6	4.9	4.3	3.9
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%
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
<b>EBITDA (adj.)</b>	<b>3,476</b>	<b>3,352</b>	<b>3,542</b>	<b>3,865</b>	<b>4,105</b>
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
<b>Financing activity</b>	<b>-286</b>	<b>-311</b>	<b>-577</b>	<b>-110</b>	<b>-325</b>
<b>Power output, TWh</b>	<b>16.2</b>	<b>13.9</b>	<b>13.4</b>	<b>17.5</b>	<b>17.5</b>
Renewables	1.0	1.4	1.8	1.8	1.8
<b>Trade volume, TWh</b>	<b>34.5</b>	<b>33.7</b>	<b>32.4</b>	<b>32.8</b>	<b>33.3</b>
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
<b>RAV (PLN bn)</b>	<b>16.9</b>	<b>17.5</b>	<b>18.0</b>	<b>18.3</b>	<b>18.7</b>
RAV return (EBIT)	8.2%	8.2%	7.6%	6.6%	6.5%

### Key Balance Sheet Figures

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



## Telecoms

### Cyfrowy Polsat

#### hold (no change)

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We maintain a hold rating for Cyfrowy Polsat, which is trading at an unattractive 2020E EV/EBITDA ratio of 7.3x. Cyfrowy's pay-TV business faces high uncertainty as to advertising revenues, and it is expected to generate weaker profits this year than in 2019, underpinned by customer losses which in Q1 2020 exceeded 100,000 relative to the same year-ago period. Cyfrowy has set modest goals for itself for fiscal 2020, saying it was aiming for stable EBITDA and that it will consider no decline in FCF as a big success. The Company pays the same dividend yields as most telecoms at 3.6%. Summing up, we currently do not see much growth potential in Cyfrowy, whose mobile arm Plus has to wait for a new 5G auction on unknown terms after the original one had to be canceled due to the coronavirus outbreak.

Current Price

26.86 PLN

Downside

9M Target Price

24.10 PLN

-10.3%

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+5.1%	-0.9%
ISIN	PLCFRPT00013	YTD Price Chng	-3.9%	+11.6%
Outst. Stock (m)	639.5	ADTV 1M		PLN 16.9m
MC (PLN m)	17,178.1	ADTV 6M		PLN 16.0m
EV (PLN m)	29,910.6	EV/EBITDA 12M fwd	7.0	+4.2%
Free Float	33.5%	EV/EBITDA 5Y avg	6.7	premium

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	10,686	11,676	11,376	11,661	12,002
EBITDA	3,698	4,197	4,026	4,234	4,353
EBITDA margin	34.6%	35.9%	35.4%	36.3%	36.3%
EBIT	1,727	1,967	1,850	2,156	2,365
Net income	834	1,101	1,221	1,490	1,649
P/E	20.6	15.6	14.1	11.5	10.4
P/B	1.3	1.2	1.2	1.1	1.1
EV/EBITDA	7.6	7.2	7.4	6.9	6.7
DPS	0.00	0.93	0.93	0.93	1.27
DYield	0.0%	3.5%	3.5%	3.5%	4.7%
Forecast Update (% change)			2020P	2021P	2022P
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
<b>RGUs pospaid</b>	<b>16.91</b>	<b>17.43</b>	<b>17.57</b>	<b>17.66</b>	<b>17.72</b>
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
<b>Sales</b>	<b>10,686</b>	<b>11,676</b>	<b>11,376</b>	<b>11,661</b>	<b>12,002</b>
YoY		9.3%	-2.6%	2.5%	2.9%
<b>EBIT</b>	<b>1,727</b>	<b>1,967</b>	<b>1,850</b>	<b>2,156</b>	<b>2,365</b>
margin	16.2%	16.8%	16.3%	18.5%	19.7%
<b>EBITDA</b>	<b>3,698</b>	<b>4,197</b>	<b>4,026</b>	<b>4,234</b>	<b>4,353</b>
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
<b>PBT</b>	<b>1,306</b>	<b>1,468</b>	<b>1,527</b>	<b>1,861</b>	<b>2,059</b>
Tax	-490	-353	-290	-354	-391
Minorities	-18	14	16	18	19
<b>Net income</b>	<b>834</b>	<b>1,101</b>	<b>1,221</b>	<b>1,490</b>	<b>1,649</b>

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>2,915</b>	<b>3,087</b>	<b>3,081</b>	<b>3,172</b>	<b>3,303</b>
OCF/EBITDA	79%	74%	77%	75%	76%
<b>CAPEX</b>	<b>-928</b>	<b>-1,232</b>	<b>-1,963</b>	<b>-1,308</b>	<b>-2,303</b>
Assets	30,697	32,590	33,141	34,140	35,101
Equity	13,227	13,811	14,438	15,332	16,171
<b>Net debt ex. IFRS16</b>	<b>10,092</b>	<b>10,792</b>	<b>10,648</b>	<b>9,731</b>	<b>9,904</b>
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%
<b>9M Target Price</b>		<b>24.10</b>

## Netia accumulate (no change)

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The coronavirus crisis is having a negligible impact on Netia, whose core product, broadband internet, 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. Our current positive view despite a lack of dividends is backed by NET's attractive valuation, expectations of earnings stabilization after years of declines (after a small, 3% contraction this year), and the defensive nature of the telecommunications sector. Further, Netia is poised to benefit from improving synergies thanks to a shared relationship with the parent company, and the potential eventual acquisition of the remaining stake by Cyfrowy can provide a catalyst in the long term.

<b>Current Price</b>	3.86 PLN	<b>Upside</b>
<b>9M Target Price</b>	4.40 PLN	<b>+14.0%</b>

	rating	target price	issued
unchanged	accumulate	4.40 PLN	2020-05-05

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-1.3%	-7.3%
ISIN	PLNETIA00014	YTD Price Chng	-12.7%	+2.8%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,301.0	ADTV 6M		PLN 0.2m
EV (PLN m)	1,809.3	EV/EBITDA 12M fwd	3.8	-22.1%
Free Float	33.0%	EV/EBITDA 5Y avg	4.9	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	1,373	1,297	1,280	1,278	1,290
EBITDA	356	457	439	439	436
EBITDA margin	25.9%	35.2%	34.3%	34.3%	33.8%
EBIT	76	71	77	85	88
Net income	65	48	52	58	60
P/E	20.1	27.3	24.9	22.5	21.6
P/B	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	4.2	3.9	4.1	3.9	3.6
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
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

\*% change excluding IFRS16

### Financial Highlights

(PLN m)	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
<b>Revenue</b>	<b>1,373</b>	<b>1,297</b>	<b>1,280</b>	<b>1,278</b>	<b>1,290</b>
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
<b>EBITDA</b>	<b>-</b>	<b>457</b>	<b>439</b>	<b>439</b>	<b>436</b>
margin	-	35.2%	34.3%	34.3%	33.8%
<b>Net income</b>	<b>64.8</b>	<b>47.6</b>	<b>52.4</b>	<b>57.9</b>	<b>60.2</b>

### 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
<b>Operating cash flow</b>	<b>380</b>	<b>448</b>	<b>426</b>	<b>421</b>	<b>421</b>
OCF/EBITDA	-	127%	123%	122%	123%
<b>CAPEX</b>	<b>-281</b>	<b>-387</b>	<b>-338</b>	<b>-210</b>	<b>-186</b>
Assets	2,526	2,786	2,835	2,889	2,949
Equity	1,867	1,913	1,965	2,023	2,083
<b>Net debt</b>	<b>-</b>	<b>489</b>	<b>508</b>	<b>404</b>	<b>277</b>
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%
<b>9M Target Price</b>		<b>4.40</b>

## Orange Polska accumualte (downgraded)

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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. 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

6.49 PLN

Upside

9M Target Price

6.90 PLN

+6.4%

	rating	target price	issued
new	accumulate	6.90 PLN	2020-06-03
old	buy	6.90 PLN	2020-03-27
Key Metrics		OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-7.0% -13.0%
ISIN	PLTLKPL00017	YTD Price Chng	-8.9% +6.6%
Outst. Stock (m)	1,312.0	ADTV 1M	PLN 11.3m
MC (PLN m)	8,508.3	ADTV 6M	PLN 14.3m
EV (PLN m)	16,832.1	EV/EBITDA 12M fwd	6.1 +30.3%
Free Float	49.3%	EV/EBITDA 5Y avg	4.7 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	11,087	11,406	11,151	11,323	11,524
EBITDA	2,889	3,165	3,113	3,305	3,468
EBITDA margin	26.1%	27.8%	27.9%	29.2%	30.1%
EBIT	345	417	378	613	824
Net income	10	91	63	263	422
P/E	850.8	93.2	135.8	32.3	20.1
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	5.3	5.3	5.4	5.0	4.8
DPS	0.00	0.00	0.00	0.25	0.25
DYield	0.0%	0.0%	0.0%	3.9%	3.9%
Forecast Update (% change)			2020P	2021P	2022P
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
<b>Revenue</b>	<b>11,087</b>	<b>11,406</b>	<b>11,151</b>	<b>11,323</b>	<b>11,524</b>
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
<b>Costs</b>	<b>7,980</b>	<b>8,181</b>	<b>7,942</b>	<b>7,940</b>	<b>8,037</b>
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
<b>EBITDAaL*</b>	<b>-</b>	<b>2,735</b>	<b>2,645</b>	<b>2,780</b>	<b>2,913</b>
margin	-	24.0%	23.7%	24.6%	25.3%
<b>Net income</b>	<b>10</b>	<b>91</b>	<b>63</b>	<b>263</b>	<b>422</b>

### 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%	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%	3.5%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>1,812</b>	<b>2,776</b>	<b>2,411</b>	<b>2,440</b>	<b>2,509</b>
OCF/EBITDAaL	-	101%	91%	88%	86%
<b>CAPEX</b>	<b>2,282</b>	<b>2,140</b>	<b>2,709</b>	<b>1,880</b>	<b>2,924</b>
Assets	23,295	24,340	24,280	24,201	24,258
Equity	10,494	10,566	10,629	10,564	10,658
<b>Net debt</b>	<b>-</b>	<b>8,163</b>	<b>8,322</b>	<b>7,850</b>	<b>8,293</b>
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 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%
<b>9M Target Price</b>		<b>6.90</b>

## Play buy (no change)

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We maintain a bullish outlook for PLY. 2020 first-quarter earnings came out strong, with APRU up by an impressive 4.7% from the same period a year earlier – a sign that the Polish telecommunications industry is on the rise. Play lost only 47,000 post-paid customers in the first quarter, equivalent to just 0.5% of the mobile base – evidence that its "value over volume" approach is working. Last but not least, Play generated superb of FCFE of PLN 340m (after leases) in Q1, nearly twice what it was able to deliver the year before. On our forecasts, which anticipate EBITDA of PLN 2,500m in 2020 and PLN 2,573m in 2021, PLY is trading at attractive multiples of 5.7x 2021 EV/EBITDA and 5.3x 2021E earnings. Further, our PLN 919m FCFE forecast implies FCFE yield close to 12% – the key upside catalyst for the stock over the medium term. The wait for a new 5G auction after the original one had to be canceled due to the coronavirus outbreak is a source of potential downside risk due to a lack of guarantee that the new auction terms will be at least as good as the old ones.

<b>Current Price</b>	29.02 PLN	<b>Upside</b>
<b>9M Target Price</b>	35.70 PLN	<b>+23.0%</b>

	rating	target price	issued
unchanged	buy	35.70 PLN	2020-05-15

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-12.8%	-18.8%
ISIN	LU1642887738	YTD Price Chng	-8.2%	+7.3%
Outst. Stock (m)	253.7	ADTV 1M		PLN 25.8m
MC (PLN m)	7,362.4	ADTV 6M		PLN 19.9m
EV (PLN m)	14,138.1	EV/EBITDA 12M fwd	5.5	-6.5%
Free Float	49.4%	EV/EBITDA 5Y avg	5.9	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	6,839	7,041	7,102	7,211	7,361
EBITDA	2,160	2,406	2,500	2,573	2,653
EBITDA margin	31.6%	34.2%	35.2%	35.7%	36.0%
EBIT	1,371	1,500	1,567	1,574	1,627
Net income	744	867	927	941	944
P/E	9.9	8.5	7.9	7.8	7.8
P/B	-	22.9	8.9	5.5	3.9
EV/EBITDA	6.5	5.8	5.7	5.3	5.2
DPS	2.57	1.45	1.65	1.65	1.65
DYield	8.9%	5.0%	5.7%	5.7%	5.7%
Forecast Update (% change)		2020P	2021P	2022P	
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
Active subscribers (000s)	12,653	12,678	12,291	12,176	12,130
ARPU (PLN)	32.3	33.3	35.4	35.7	36.3
<b>Revenue</b>	<b>6,839</b>	<b>7,041</b>	<b>7,102</b>	<b>7,211</b>	<b>7,361</b>
Service revenue	5,083	5,296	5,634	5,516	5,589
Sales of goods and other	1,756	1,745	1,468	1,696	1,771
<b>Costs</b>	<b>4,679</b>	<b>4,635</b>	<b>4,601</b>	<b>4,639</b>	<b>4,708</b>
Interconnection	1,922	1,770	1,902	1,688	1,646
Contract costs	421	405	405	415	416
Cost of goods sold	1,442	1,437	1,230	1,441	1,515
Employee benefits	255	298	331	344	358
External services	515	571	572	638	669
Other	124	154	162	112	104
<b>EBITDA (adj.)</b>	<b>2,159</b>	<b>2,436</b>	<b>2,530</b>	<b>2,603</b>	<b>2,683</b>
margin	31.6%	34.6%	35.6%	36.1%	36.5%
<b>Net income</b>	<b>744</b>	<b>867</b>	<b>927</b>	<b>941</b>	<b>944</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>2,037</b>	<b>2,230</b>	<b>2,192</b>	<b>2,251</b>	<b>2,260</b>
OCF/EBITDA adj.	94%	92%	87%	86%	84%
<b>CAPEX</b>	<b>-781</b>	<b>-843</b>	<b>-1,416</b>	<b>-944</b>	<b>-1,373</b>
Assets	8,521	8,885	9,693	9,780	10,408
Equity	-201	322	829	1,350	1,875
<b>Net debt</b>	<b>6,653</b>	<b>6,572</b>	<b>6,776</b>	<b>6,395</b>	<b>6,504</b>
Net debt/EBITDA (x)	3.1	2.7	2.7	2.5	2.4

### Relative Valuation Summary

Relative Valuation Summary						
	P / E			DYield - RFR		
	20P	21P	22P	20P	21P	22P
Minimum	18.7	14.6	12.8	450.1%	433.2%	420.3%
Maximum	74.6	40.5	27.9	1128.9%	1072.7%	1013.3%
Median	12.5	10.8	10.5	518.2%	518.1%	509.3%
Weight	0%	0%	0%	33%	33%	33%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	7,102	7,211	7,361	7,454	7,535	7,613	7,685	7,753	7,816	7,875	7,875
EBITDA	2,500	2,573	2,653	2,740	2,780	2,813	2,840	2,861	2,879	2,893	2,893
EBITDA margin	35.5%	36.2%	36.8%	37.2%	37.3%	37.3%	37.3%	37.2%	37.1%	37.0%	37.0%
D&A	934	999	1,026	1,064	1,083	1,084	1,066	1,046	1,035	1,060	1,060
EBIT	1,567	1,574	1,627	1,676	1,697	1,729	1,774	1,815	1,844	1,833	1,833
Tax	298	299	309	318	322	328	337	345	350	348	348
NOPLAT	1,269	1,275	1,318	1,357	1,375	1,400	1,437	1,470	1,494	1,485	1,485
CAPEX	-1,416	-944	-1,373	-1,241	-1,069	-784	-792	-799	-1,477	-811	-811
Work. cap. + other	-164	-252	-314	-298	-295	-294	-295	-294	-299	-299	-299
FCF	623	1,078	657	882	1,093	1,406	1,416	1,423	753	1,434	1,434
PV FCF	594	955	542	676	779	930	868	807	395	695	
WACC	7.4%	7.5%	7.5%	7.5%	7.6%	7.7%	7.9%	8.1%	8.1%	8.3%	8.3%
Net debt / EV	46.3%	44.8%	45.2%	44.5%	43.3%	40.7%	37.7%	34.4%	34.5%	30.6%	30.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	0.0%
PV FCF	15,604
Net debt	6,001
Other adjustments	0
Value per share (PLN)	37.85

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	23.92
DCF Val.	67%	37.85
Implied Price		33.21
Cost of equity (9M)		7.5%
<b>9M Target Price</b>		<b>35.70</b>

## Media Agora hold (downgraded)

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Agora stock gained more than 9% in May, wiping most of the upside potential to our target and prompting a downgrade from accumulate to hold. Agora reported a 30% beat on 2020 first-quarter EBITDA ex. IFRS 16 effects, coming in at PLN 27.2m. Revenue in the key segment of Movies and Books was down more than 11% year over year after a 19.8% slump in cinema attendance, resulting in a 16.5% fall in concession sales. Helios theaters are facing two more tough quarters with social distancing restrictions still in place as the coronavirus pandemic continues. By the same token, all of Agora's ad-based businesses will have to contend with lower revenues this year given the Company's forecast for a 20%-25% slump in total Polish adspend this year. Agora has canceled its earnings guidance through 2022, and while this came as no surprise to anyone the retraction brings to light the upheaval and uncertainty currently reigning the media landscape, and the narrow elbow room to cope if things turn for the worse (all that being said, we have to give Agora credit for the quick cost-cutting measures put into effect as soon as the coronavirus outbreak reached Poland).

### Current Price

8.36 PLN

Upside

### 9M Target Price

8.60 PLN

+2.9%

	rating	target price	issued
new	hold	8.60 PLN	2020-06-03
old	accumulate	8.60 PLN	2020-04-15
Key Metrics		AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	+9.1% +3.1%
ISIN	PLAGORA00067	YTD Price Chng	-19.6% -4.1%
Outst. Stock (m)	46.6	ADTV 1M	PLN 0.2m
MC (PLN m)	389.4	ADTV 6M	PLN 0.2m
EV (PLN m)	1,164.2	EV/EBITDA 12M fwd	7.1 +29.8%
Free Float	76.9%	EV/EBITDA 5Y avg	5.5 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	1,141	1,250	892	1,080	1,191
EBITDA	84	183	56	147	186
EBITDA margin	7.4%	14.6%	6.2%	13.6%	15.6%
EBIT	0	25	-112	-19	22
Net income	5	4	-137	-43	-5
P/E	85.1	110.1	-	-	-
P/B	0.4	0.4	0.5	0.5	0.5
EV/EBITDA	4.6	5.9	21.0	7.8	6.2
DPS	0.50	0.50	0.00	0.00	0.50
DYield	6.0%	6.0%	0.0%	0.0%	6.0%
Forecast Update (% change)		2020P	2021P	2022P	
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
<b>Revenue</b>	<b>1,141</b>	<b>1,250</b>	<b>892</b>	<b>1,080</b>	<b>1,191</b>
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
<b>EBITDA</b>	<b>86</b>	<b>104</b>	<b>-23</b>	<b>69</b>	<b>108</b>
margin	7.6%	8.4%	-2.5%	6.4%	9.0%
<b>Net income</b>	<b>5.1</b>	<b>3.5</b>	<b>-136.9</b>	<b>-42.5</b>	<b>-5.5</b>

### 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%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>81</b>	<b>131</b>	<b>-43</b>	<b>60</b>	<b>96</b>
OCF/EBITDA	94%	126%	-	88%	89%
<b>CAPEX</b>	<b>-84</b>	<b>-111</b>	<b>-40</b>	<b>-48</b>	<b>-66</b>
Assets	1,400	1,992	1,819	1,834	1,849
Equity	975	931	810	784	771
<b>Net debt ex.IFRS16</b>	<b>-23</b>	<b>157</b>	<b>240</b>	<b>227</b>	<b>220</b>
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 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%
<b>9M Target Price</b>		<b>8.60</b>

## Wirtualna Polska reduce (no change)

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We revised our outlook on Wirtualna Polska in April to account for the negative advertising impact of the coronavirus epidemic by 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 weak first-quarter results, most notably a 14.1% y/y slump in EBITDA, paired with relatively low FCFE yield and increased competition risk after the listed media firm Cyfrowy Polsat acquired rival websites.

<b>Current Price</b>	74.60 PLN	<b>Downside</b>
<b>9M Target Price</b>	63.10 PLN	<b>-15.4%</b>

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

Key Metrics			WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+11.3%	+5.4%
ISIN	PLWRTPL00027	YTD Price Chng	+6.9%	+22.4%
Outst. Stock (m)	29.7	ADTV 1M		PLN 1.4m
MC (PLN m)	2,212.0	ADTV 6M		PLN 1.3m
EV (PLN m)	2,528.0	EV/EBITDA 12M fwd	11.3	+11.1%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2	premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	567	709	593	729	812
EBITDA	163	209	169	219	243
EBITDA margin	28.7%	29.5%	28.5%	30.0%	29.9%
EBIT	107	130	91	142	164
Net income	74	69	58	101	121
P/E	29.9	32.1	38.0	22.0	18.2
P/B	4.7	4.3	4.1	3.6	3.2
EV/EBITDA	15.5	12.2	15.0	11.4	10.0
DPS	0.96	1.00	1.00	1.00	1.72
DYield	1.3%	1.3%	1.3%	1.3%	2.3%
Forecast Update (% change)			2020P	2021P	2022P
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
<b>Revenue</b>	<b>567</b>	<b>709</b>	<b>593</b>	<b>729</b>	<b>812</b>
Cash	526	665	557	687	763
Barter	24.6	23.2	21.3	23.8	25.2
<b>Costs</b>	<b>460</b>	<b>579</b>	<b>501</b>	<b>587</b>	<b>649</b>
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
<b>EBITDA</b>	<b>163</b>	<b>208</b>	<b>169</b>	<b>219</b>	<b>243</b>
margin	28.7%	29.3%	28.5%	30.0%	29.9%
<b>EBITDA (adj.)</b>	<b>178</b>	<b>223</b>	<b>169</b>	<b>219</b>	<b>243</b>
margin	31.4%	31.5%	28.5%	30.0%	29.9%
<b>EBIT</b>	<b>107</b>	<b>130</b>	<b>91</b>	<b>142</b>	<b>164</b>
margin	18.9%	18.3%	15.4%	19.5%	20.2%
<b>Net income</b>	<b>73.9</b>	<b>69.0</b>	<b>58.2</b>	<b>100.7</b>	<b>121.3</b>

### Key Balance Sheet Figures

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

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
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%
<b>9M Target Price</b>		<b>63.10</b>



## IT

### Asseco Poland

#### hold (reiterated)

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Asseco Poland delivered better-than-expected results for Q1 2020, with attrib. net profit showing a 14% beat relative to our estimate after rising 3% from the same year-ago period to PLN 81.7m. The composition of the first-quarter financials was also a positive surprise, with the year-over-year improvement achieved without the help of one-time boosts, and positive trends emerging in the performance of the Polish business. Asseco's order backlog as of 31 March (after stripping FX effects) was 13% higher than in March 2019, of which the value of contracts acquired in Poland increased by 17%. With this in mind, in order to factor in the recent ascent in technology stocks and in the value of the Formula Systems unit, we made appropriate revisions to our models for Asseco and arrived at a new target price of PLN 71.40, with a reiterated hold recommendation. Investors like ACP for its defensive qualities and high dividends.

Current Price

72.60 PLN

Downside

9M Target Price

71.40 PLN

-1.7%

	rating	target price	issued
new	hold	71.40 PLN	2020-06-03
old	hold	63.90 PLN	2020-05-05
Key Metrics		ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	+8.5% +2.5%
ISIN	PLSOFTB000016	YTD Price Chng	+14.1% +29.5%
Outst. Stock (m)	83.0	ADTV 1M	PLN 7.0m
MC (PLN m)	6,025.8	ADTV 6M	PLN 6.3m
		P/E 12M fwd	15.8 +40.7%
Free Float	68.0%	P/E 5Y avg	11.3 premium

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	9,329	10,667	10,879	10,937	11,370
EBITDA	1,256	1,612	1,621	1,711	1,801
EBITDA margin	13.5%	15.1%	14.9%	15.6%	15.8%
EBIT	797	976	981	1,073	1,151
Net income	333	322	319	358	389
P/E	18.1	18.7	18.9	16.8	15.5
P/B	1.1	1.0	1.0	1.0	1.0
P/S	0.65	0.56	0.55	0.55	0.53
DPS	3.01	3.07	3.01	3.01	3.01
DYield	4.1%	4.2%	4.1%	4.1%	4.1%
Forecast Update (% change)		2020P	2021P	2022P	
Revenue		+0.9%	+0.7%	+0.8%	
EBITDA		+9.2%	+2.7%	+2.8%	
EBIT		+15.7%	+4.1%	+4.2%	
Net income		+15.8%	+4.1%	+4.2%	
CAPEX		+8.8%	+3.9%	+4.0%	

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	9,329	10,667	10,879	10,937	11,370
change	19.1%	14.4%	2.0%	0.5%	4.0%
Poland	1,614	1,486	1,480	1,611	1,710
South-Eastern Europe	670	890	1,043	1,186	1,284
Western Europe	705	697	662	695	709
Central Europe	957	1,060	1,029	1,059	1,091
Israel	5,403	6,554	6,657	6,377	6,568
Eastern Europe	4	8	8	8	8
EBIT	797	976	981	1,073	1,151
D&A	460	635	640	638	651
EBITDA	1,256	1,612	1,621	1,711	1,801
margin	13.5%	15.1%	14.9%	15.6%	15.8%
Associates	-260	-381	-450	-489	-523
Tax	-182	-191	-205	-218	-228
Net income	333	322	319	358	389

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	1,001	1,501	1,387	1,472	1,511
OCF/EBITDA	80%	93%	86%	86%	84%
CAPEX	-240	-320	-381	-437	-455
Assets	12,642	14,598	14,977	15,497	16,114
Equity	5,718	5,762	5,832	5,940	6,079
Net debt	305	1,103	709	186	-321
Net debt/EBITDA (x)	0.2	0.7	0.4	0.1	-0.2

#### Relative Valuation Summary

	20P	P/E 21P	22P
Minimum	26.2	22.4	0.0
Maximum	9.7	7.6	0.0
Median	19.9	17.2	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	860	959	1,010	1,033	1,058	1,082	1,108	1,134	1,160	1,187	1,187
EBITDA	185	215	229	231	233	236	238	241	244	246	246
NOPLAT	102	123	132	134	136	138	139	141	143	145	145
FCF	105	126	142	143	143	143	144	144	144	146	146
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%	1,921
Asseco CE	12x PE'20	93%	855
Asseco BS	DCF	43%	1,120
Asseco SEE	DCF	51%	1,850
Western Europe	12x PE'20	100%	318
Formula Systems	market	26%	4,570
Other	10x PE	0%	218
Value			5,881
Value Per Share (PLN)			70.85

\*net debt adj. for paid dividend

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	63.38
SOTP Val.	50%	70.85
Implied Price		67.12
Cost of equity (9M)		6.4%
9M Target Price		71.40

## Comarch hold (no change)

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Our current outlook on Comarch, updated in May, assumes lower profits than initially forecast, and indicates a hold recommendation. We expect that, on a slightly higher revenue (+1.8% y/y), Comarch will register EBITDA contraction of 7.1% in 2020. CMR shares are still trading at attractive EV/2020E EBITDA levels, but its profits are about turn south after a relatively good first-quarter showing, the last such a solid one this year in our view, and its dividend yield is nothing to write home about at just about 0.7%. Businesses across the board will most likely be cut their IT expenditures in 2020, but Comarch has no plans to scale down either its hiring policy, or the capital spend for the year, according to what the CFO said during the latest earnings call – to us this is tantamount to lower FCFE.

<b>Current Price</b>	205.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	220.30 PLN	<b>+7.5%</b>

	rating	target price	issued
unchanged	hold	220.30 PLN	2020-05-13

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-1.0%	-7.0%
ISIN	PLCOMAR00012	YTD Price Chng	+9.6%	+25.1%
Outst. Stock (m)	8.1	ADTV 1M		PLN 1.1m
MC (PLN m)	1,667.3	ADTV 6M		PLN 1.0m
EV (PLN m)	1,581.9	EV/EBITDA 12M fwd	7.0	-4.6%
Free Float	60.9%	EV/EBITDA 5Y avg	7.4	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	1,370	1,437	1,463	1,593	1,692
EBITDA	153	228	212	232	242
EBITDA margin	11.2%	15.9%	14.5%	14.6%	14.3%
EBIT	88	143	125	144	151
Net income	31	105	74	103	108
P/E	54.5	15.9	22.6	16.2	15.5
P/B	1.9	1.7	1.6	1.5	1.4
EV/EBITDA	11.3	7.1	7.5	6.7	6.3
DPS	1.50	1.50	1.50	1.50	1.50
DYield	0.7%	0.7%	0.7%	0.7%	0.7%
Forecast Update (% change)			2020P	2021P	2022P
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
<b>Revenue</b>	<b>1,370</b>	<b>1,437</b>	<b>1,463</b>	<b>1,593</b>	<b>1,692</b>
TMT	316	336	363	384	404
Finance & Banking	205	191	195	203	211
Retail Solutions	202	252	257	295	316
Manufacturing	138	179	183	198	207
Public Sector	193	130	143	158	173
SME	260	291	262	293	317
Other	54	58	61	62	64
Gross profit	362	421	412	448	469
margin	26.4%	29.3%	28.1%	28.1%	27.7%
Selling expenses	139	146	147	160	170
G&A expenses	106	128	134	140	145
<b>EBIT</b>	<b>88</b>	<b>143</b>	<b>125</b>	<b>144</b>	<b>151</b>
margin	6.4%	10.0%	8.6%	9.1%	8.9%
<b>Net income</b>	<b>30.6</b>	<b>104.8</b>	<b>73.8</b>	<b>103.0</b>	<b>107.9</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>160</b>	<b>179</b>	<b>182</b>	<b>170</b>	<b>183</b>
OCF/EBITDA	105%	78%	86%	73%	76%
<b>CAPEX</b>	<b>-87</b>	<b>-45</b>	<b>-79</b>	<b>-107</b>	<b>-107</b>
Assets	1,740	1,843	1,920	2,058	2,192
Equity	876	971	1,032	1,123	1,219
<b>Net debt</b>	<b>46</b>	<b>-58</b>	<b>-104</b>	<b>-132</b>	<b>-173</b>
Net debt/EBITDA (x)	-0.2	-0.3	-0.5	-0.6	-0.7

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	24.7	23.1	20.7	16.6	15.8	14.3
Maximum	9.3	8.4	7.7	5.5	5.2	5.1
Median	16.5	15.6	14.1	9.2	9.1	9.0
Weight	33%	33%	33%	33%	33%	33%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	1,463	1,593	1,692	1,765	1,840	1,913	1,983	2,051	2,121	2,193	
EBITDA	212	232	242	249	255	263	269	275	280	286	
EBITDA margin	14.5%	14.6%	14.3%	14.1%	13.9%	13.7%	13.6%	13.4%	13.2%	13.1%	
D&A	87	88	91	94	97	101	104	108	112	116	
EBIT	125	144	151	155	158	162	165	166	168	170	
Tax	33	39	41	42	43	44	44	45	45	46	
NOPLAT	92	106	110	113	116	118	120	122	123	124	
CAPEX	-79	-107	-107	-85	-89	-89	-90	-92	-93	-97	
Working capital	-4	-24	-19	-17	-19	-21	-21	-22	-23	-24	
FCF	96	62	76	104	106	109	113	116	119	119	122
PV FCF	91	54	61	78	72	69	66	62	59	54	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Net debt / EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
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	2.0%
PV FCF	1,519
Net debt	-58
Other adjustments	19
Value per share (PLN)	191.60

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	40%	230.34
DCF Val.	60%	191.60
Implied Price		207.10
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>220.30</b>

## Gaming

### 11 bit studios

#### hold (reiterated)

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The 2020 Q1 results of 11bit studios came well ahead of expectations with the quarterly net profit equivalent to our original forecast for the full year. The stellar results were owed to the successful release of a Frostpunk add-on, which boosted sales of the original game, and the recognition of advances received from customers on the financial statements. Sales of other games were also up considerably in the first quarter, owing to coronavirus lockdown and social distancing requirements. 11bit is not likely to maintain the rapid earnings momentum in subsequent quarters, however sales should continue to grow throughout the year, driven by the existing portfolio alongside new downloadable content and as games are released for other platforms. When it comes to premieres, we are not anticipating any in 2020, and in 2021 we assume 11bit will release one new game, followed by the two other in 2022. As far as the mysterious Project 8, we now expect its release to happen in 2022 versus end-2021 assumed before, with implications for the respective earnings expectations. 11bit has recently announced its medium-term earnings targets for 2020-23/24, which turned out lower than we had been anticipating. Nevertheless, after revising our FY2020 estimates upwards to reflect the first-quarter beat and higher expectations for new games, we raise our target price for 11B but maintain a hold recommendation for the stock.

**Current Price**

475.00 PLN

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

476.00 PLN

**+0.2%**

	rating	target price	issued
new	hold	<b>476.00 PLN</b>	<b>2020-06-03</b>
old	hold	422.00 PLN	2020-05-05
Key Metrics		11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	+9.2% +3.2%
ISIN	PL11BTS00015	YTD Price Chng	+18.8% +34.2%
Outst. Stock (m)	2.4	ADTV 1M	PLN 6.9m
MC (PLN m)	1,157.7	ADTV 6M	PLN 5.6m
EV (PLN m)	1,060.1	EV/EBITDA 12M fwd	27.1 +106.3%
Free Float	79.4%	EV/EBITDA 5Y avg	13.1 premium

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	82.1	71.2	79.9	67.5	196.7
EBITDA	51.4	30.3	41.0	26.1	143.5
EBITDA margin	62.6%	42.5%	51.3%	38.6%	72.9%
EBIT	46.9	23.9	30.8	15.2	127.8
Net income	49.6	20.8	29.5	16.2	124.1
P/E	21.9	55.6	39.2	71.7	9.3
P/B	12.1	9.7	7.6	6.9	4.0
EV/EBITDA	20.2	35.8	25.9	40.6	6.8
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)		2020P	2021P	2022P	
EBITDA		+67.7%	-73.2%	+67.8%	
Net income		+113.2%	-79.4%	+101.9%	
Frostpunk (S)		+32.5%	-4.5%	-4.3%	
Projekt 8 (S)		0.0%	-100.0%	+104.2%	
Publishing (S)		-49.1%	-28.0%	+13.6%	

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
TWOM (S)	18.3	13.7	17.0	16.2	15.3
Frostpunk (S)	53.8	44.3	37.7	18.8	18.1
Project 8 (S)	0.0	0.0	0.0	0.0	125.0
Publishing (S)	15.2	25.5	21.5	47.0	94.5
External services	-16.5	-26.4	-24.8	-27.5	-39.3
OCF/EBITDA	75.9%	137.5%	98.9%	112.3%	81.4%
<b>Operating cash flow</b>	<b>39.0</b>	<b>41.6</b>	<b>40.5</b>	<b>29.3</b>	<b>116.9</b>
D&A	4.5	6.4	10.2	10.9	15.6
Working capital	-8.0	-1.9	6.4	2.2	-22.9
<b>Investing cash flow</b>	<b>-55.6</b>	<b>-49.3</b>	<b>-14.8</b>	<b>-27.3</b>	<b>-30.1</b>
CAPEX	-26.6	-14.4	-24.8	-27.3	-30.1
CFO/EBITDA	1260%	-167%	15%	0%	0%
FCF	22.8	6.3	2.2	-14.1	88.2
FCF/EBITDA	44%	21%	5%	-54%	61%
FCF Yield	2%	1%	0%	-1%	8%

#### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
TWOW (k copies)	435	413	392	373	0	0	0	0	0	0	0
Frostpunk (k copies)		461	438	328	246	185	120	120	120	120	0
Next games (k copies)		0	1,750	3,809	2,205	1,849	4,015	2,727	2,163	1,921	0
Revenue	80	68	197	249	212	152	202	224	159	113	119
EBITDA	41	26	143	191	153	92	140	165	102	74	78
EBITDA margin	51.2%	38.6%	72.9%	76.5%	72.2%	60.7%	69.4%	73.8%	64.2%	65.7%	65.7%
EBIT	31	15	128	172	138	79	126	152	98	71	74
Tax	4	2	10	13	10	6	9	11	7	5	7
CAPEX	-25	-27	-30	-33	-36	-40	-44	-49	-54	-59	-15
Working capital	-10	-11	-16	-19	-15	-13	-14	-14	-4	-4	3
FCF	2	-14	88	126	91	33	73	92	37	6	49
PV FCF	2	-13	73	96	64	21	43	51	19	3	
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)	2018	2019	2020P	2021P	2022P
Tangible assets	41.3	49.8	64.7	81.2	95.6
Receivables	14.6	17.8	14.2	12.0	34.9
Production in progress	17.1	24.9	32.8	49.2	63.6
Cash	24.3	14.9	40.8	42.7	129.5
Cash deposit	27.0	67.3	57.2	57.2	57.2
Net debt	-45.0	-71.8	-97.6	-99.5	-186.3
Net debt/EBITDA (x)	-0.3	-0.1	-0.7	-1.2	-0.8

#### Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.4	7.4
Maximum	26.0	16.9
Median	20.0	13.5
Weight	50%	50%

#### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	5.0%
PV FCF	1,043
Net debt	-72
Other adjustments	0
Value per share (PLN)	457.60

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	436.70
DCF Val.	50%	457.60
Implied Price		447.15
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>476.00</b>

## CD Projekt hold (reiterated)

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CD Projekt generated better-than-expected figures in Q1 2020, owed to high sales of The Witcher 3 with add-ons, driven by the namesake Netflix series, stay-at-home restrictions after the March coronavirus outbreak, and the zloty's depreciation against the dollar. The release of Cyberpunk 2077 is still slated for September. CD Projekt has published a teaser for a "Hands-On" gameplay event in June, and it will allow reviews to come out after a black-out period. The fact that the game is ready to be shown to outsiders is a good sign, though the Company has stressed that its teams are still working on making it fit for the September launch. The 25 June Hands-On event will probably be accompanied by an overall ramp-up of marketing for Cyberpunk to build up hype which should also positively influence the performance of the Company's shares. In May, CD Projekt's market capitalization surpassed that of Ubisoft. We see CDR as fairly priced at the current level, which in our view already fully prices the success of Cyberpunk 2077. After raising our 2020 sales forecast for Cyberpunk 2077 slightly to 25 million copies, and revising upwards the sales expectations for other games, we raise our target price for CDR with an unchanged hold recommendation.

### Current Price

388.20 PLN

Downside

### 9M Target Price

388.10 PLN

-0.0%

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>388.10 PLN</b>	<b>2020-06-03</b>
<b>old</b>	<b>hold</b>	<b>342.50 PLN</b>	<b>2020-05-05</b>
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+8.6% +2.6%
ISIN	PLOPTTC00011	YTD Price Chng	+38.9% +54.4%
Outst. Stock (m)	102.1	ADTV 1M	PLN 132.4m
MC (PLN m)	39,643.0	ADTV 6M	PLN 120.4m
EV (PLN m)	36,394.7	EV/EBITDA 12M fwd	14.6 -37.8%
Free Float	70.1%	EV/EBITDA 5Y avg	23.6 discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	363	521	3,776	2,409	1,566
EBITDA	117	188	3,233	1,911	1,135
EBITDA margin	32.3%	36.1%	85.6%	79.3%	72.5%
EBIT	112	180	3,224	1,902	1,126
Net income	109	175	2,956	1,748	1,039
P/E	-	-	13.4	22.7	38.2
P/B	37.2	33.7	9.7	6.8	5.8
EV/EBITDA	312.9	195.5	11.3	18.9	31.8
DPS	0.00	1.05	0.00	14.47	0.00
DYield	0.0%	0.3%	0.0%	3.7%	0.0%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		+29.4%	+8.0%	+2.1%	
Net income		+27.1%	-0.5%	-13.6%	
Sales of The Witcher 3		-	-	-	
Sales of Gwent: The Card Game		+17.0%	0.0%	0.0%	
Sales of Cyberpunk 2077		+13.6%	+7.5%	+1.4%	

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Sales, Video Games	228	369	3,602	2,237	1,386
EBIT, VG	114	177	3,214	1,895	1,115
EBIT margin, VG	49.8%	47.9%	89.2%	84.7%	80.5%
Sales, GOG.com	144.3	162.3	177.6	171.2	179.8
EBIT, GOG.com	-1.1	3.6	9.6	7.6	10.3
EBIT margin, GOG	-0.8%	2.2%	5.4%	4.4%	5.7%
<b>Operating cash flow</b>	<b>133</b>	<b>217</b>	<b>2,937</b>	<b>1,876</b>	<b>1,112</b>
D&A	5	8	9	9	9
Working capital	46	-128	-82	57	35
<b>Investing cash flow</b>	<b>-105</b>	<b>-174</b>	<b>-212</b>	<b>-170</b>	<b>-182</b>
CAPEX	-15	-92	-13	-11	-12
<b>Development exp.</b>	<b>-98</b>	<b>-165</b>	<b>-166</b>	<b>-159</b>	<b>-170</b>
FCF	40	-180	2,720	1,708	931
FCF/EBITDA	86%	86%	79%	83%	84%
OCF/EBITDA	95%	95%	95%	89%	95%

### Key Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Sales, The Witcher 3	209	358	257	112	111
Sales, Gwent	32	19	23	21	22
Sales, Cyberpunk	0	0	3,225	2,114	1,212
	0	0	0	0	0
Development exp.	243	386	529	614	744
Cash	104	49	2,784	3,023	3,091
Net debt	-659	-461	-3,227	-3,466	-3,534
Net debt/EBITDA (x)	-5.1	-2.1	-1.0	-1.7	-3.0

### Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.3	6.2
Maximum	20.1	12.4
Median	19.5	9.7
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
Next AAA game (k copies)	0	0	0	0	22,000	10,000	12,000	22,000	8,000	0	0
Revenue	3,776	2,409	1,566	3,555	2,188	5,072	2,198	2,042	3,227	1,180	1,180
EBITDA	3,259	1,984	1,176	3,035	1,731	4,431	1,704	1,537	2,631	679	679
EBITDA margin	86.3%	82.4%	75.1%	85.4%	79.1%	87.4%	77.5%	75.3%	81.6%	57.6%	57.6%
EBIT	3,224	1,902	1,126	2,774	1,576	4,170	1,614	1,176	2,621	668	668
Tax	278	164	98	240	137	360	141	104	229	62	62
CAPEX	-179	-170	-182	-196	-206	-207	-213	-220	-227	-235	-235
Working capital	-82	57	35	-83	57	-121	120	7	-50	86	86
FCF	2,720	1,708	931	2,516	1,445	3,743	1,470	1,219	2,126	469	1,835
PV FCF	2,576	1,490	749	1,865	988	2,357	853	652	1,048	213	
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	23,817
Net debt	-461
Other adjustments	0
Value per share (PLN)	363.00

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	366.60
DCF Val.	50%	363.00
Implied Price		364.80
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>388.10</b>

## Ten Square Games buy (upgraded)

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Ten Square Games grew 2020 first-quarter EBITDA by a staggering 204% compared to the same year-ago period, but it nevertheless missed the market's expectations for the period. The Company revealed that it had increased its marketing budget in April and May in order to maximize user acquisition amid a strong rise in mobile game demand (April marketing spend was PLN 19.2m vs. PLN 18.3m in total spent in the first quarter). The marketing strategy seems to be paying off, with April sales of Fishing Clash soaring 197% on the same month a year earlier, followed by a 214% surge in May as estimated by Sensor Tower. We expect user acquisition numbers to continue rising in the following months, and our current 2020 and 2021 sales forecasts were recently upgraded to assume sales growth of 160% in 2020 and 30% in 2021. Accordingly, we now expect TEN to generate revenues of PLN 588m in 2020 compared to the original estimate of PLN 417m, and we are anticipating the annual net profit to be PLN 179m, representing an increase on the previous forecast of PLN 131m. We upgrade TEN to buy after the recent share price decline, with an unchanged target price.

### Current Price

505.00 PLN

Upside

### 9M Target Price

592.00 PLN

+17.2%

	rating	target price	issued
new	buy	592.00 PLN	2020-06-03
old	accumulate	592.00 PLN	2020-05-26
Key Metrics		TEN PW	vs. WIG
Ticker	TEN PW	1M Price Chng	+22.4% +16.4%
ISIN	PLTSQGM00016	YTD Price Chng	+162.0% +177.5%
Outst. Stock (m)	7.4	ADTV 1M	PLN 15.0m
MC (PLN m)	3,739.5	ADTV 6M	PLN 10.1m
EV (PLN m)	3,536.6	EV/EBITDA 12M fwd	17.5 +38.5%
Free Float	49.9%	EV/EBITDA 5Y avg	12.6 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	115.3	241.1	587.7	782.6	885.5
EBITDA	45.0	85.7	199.7	261.4	292.5
EBITDA margin	39.1%	35.6%	34.0%	33.4%	33.0%
EBIT	44.3	84.6	196.8	257.5	288.1
Net income	36.5	76.4	178.6	231.7	259.3
P/E	-	48.1	20.9	16.1	14.4
P/B	87.3	39.9	15.3	10.9	8.7
EV/EBITDA	80.7	42.0	17.7	13.2	11.6
DPS	0.87	3.75	3.70	18.09	23.47
DYield	0.2%	0.7%	0.7%	3.6%	4.6%
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%
Fishing Clash (S)			0.0%	0.0%	0.0%
Other games (S)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Fishing Clash (S)	89	207	543	706	777
Let's Fish (S)	16	15	15	15	15
Wild Hunt (S)	5	10	11	13	14
Other games (S)	6	11	18	49	80
Gross margin	93.6%	95.3%	95.0%	95.0%	95.0%
<b>Operating cash flow</b>	<b>41</b>	<b>66</b>	<b>161</b>	<b>223</b>	<b>257</b>
D&A	1	1	3	4	4
Working capital	-4	-12	-23	-13	-7
<b>Investing cash flow</b>	<b>-2</b>	<b>-4</b>	<b>-7</b>	<b>-10</b>	<b>-11</b>
CAPEX	-2	-3	-7	-10	-11
<b>Financial cash flow</b>	<b>-6</b>	<b>-27</b>	<b>-27</b>	<b>-134</b>	<b>-174</b>
Dividend/buyback	-6	-27	-27	-134	-174
FCF	31	62	150	213	246
FCF/EBITDA	69%	73%	75%	81%	84%
FCF Yield	92%	77%	81%	85%	88%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Fishing Clash (S)	543	706	777	815	856	899	809	728	655	590	0
Wild Hunt (S)	11	13	14	15	17	18	20	22	25	27	0
Other games (S)	18	49	80	117	142	160	181	203	227	252	0
Revenue	588	783	885	962	1,029	1,092	1,024	967	920	881	903
EBITDA	200	261	292	317	341	362	341	324	311	300	307
EBITDA margin	34.0%	33.4%	33.0%	33.0%	33.2%	33.2%	33.3%	33.5%	33.7%	34.0%	34.0%
EBIT	197	257	288	313	336	357	336	319	306	295	303
Tax	20	26	29	31	34	36	34	32	31	30	30
CAPEX	-7	-10	-11	-12	-13	-14	-13	-12	-12	-4	-4
Working capital	-23	-13	-7	-5	-4	-4	5	4	3	3	3
FCF	150	213	246	269	291	309	299	283	272	268	275
PV FCF	143	187	199	201	200	196	175	153	135	123	
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)	2018	2019	2020P	2021P	2022P
Marketing costs	24	65	163	225	258
mark-up on sales	0	26.8%	27.8%	28.7%	29.2%
Other sales costs	35	72	180	238	268
mark-up on sales	30.0%	30.1%	30.6%	30.4%	30.3%
Cash	40	75	203	282	354
Net debt	-40	-75	-203	-282	-354
Net debt/EBITDA (x)	-0.9	-0.9	-1.0	-1.1	-1.2

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	6.9	5.5	5.2	2.6	2.3	2.0
Maximum	32.7	30.1	25.7	29.5	19.8	15.5
Median	22.9	22.3	20.5	16.5	14.1	13.0
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	3,808
Net debt	-75
Other adjustments	0
Value per share (PLN)	524.40

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	589.50
DCF Val.	50%	524.40
Implied Price		556.95
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>592.00</b>

## Industrials, Mining

### 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 high stockpiles in China. 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 of PLN 138m in operating profit 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 a hold rating for Cognor, with an unchanged target price of PLN 0.94 per share.

**Current Price**

0.96 PLN

Downside

**9M Target Price**

0.94 PLN

-2.5%

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

Key Metrics			COG PW	vs. WIG
Ticker	COG PW	1M Price Chng	+1.7%	-4.3%
ISIN	PLCNTSL00014	YTD Price Chng	-22.3%	-6.8%
Outst. Stock (m)	175.0	ADTV 1M		PLN 0.0m
MC (PLN m)	168.7	ADTV 6M		PLN 0.1m
EV (PLN m)	434.3	EV/EBITDA 12M fwd	5.1	+36.9%
Free Float	-	EV/EBITDA 5Y avg	3.7	premium

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	2,082	1,902	1,630	1,828	1,944
EBITDA adj.	200	93	70	67	64
EBITDA margin	9.6%	4.9%	4.3%	3.7%	3.3%
EBIT adj.	156	47	22	20	19
Net income adj.	94	11	2	1	0
P/E adj.	1.8	15.0	79.1	317.0	-
P/B	0.6	0.7	0.6	0.6	0.6
EV/EBITDA adj.	2.0	4.4	6.2	6.3	6.4
DPS	0.07	0.21	0.00	0.00	0.00
DYield	7.0%	21.3%	0.0%	0.0%	0.0%
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%
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
<b>Operating cash flow</b>	<b>232</b>	<b>142</b>	<b>48</b>	<b>66</b>	<b>62</b>
D&A	44	46	48	47	45
Working capital	44	61	-21	0	-1
<b>Investing cash flow</b>	<b>-38</b>	<b>-56</b>	<b>-50</b>	<b>-33</b>	<b>-35</b>
CAPEX	38	56	50	33	35
<b>Financing cash flow</b>	<b>-196</b>	<b>-84</b>	<b>-24</b>	<b>-20</b>	<b>-20</b>
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%
<b>9M Target Price</b>		<b>0.94</b>



## 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. Under these circumstances, after the postponement of PLN 361m-worth of deliveries to the Russian coal miner SUEK, Famur most likely faces a 45% revenue slump in 2020. Famur is entering recession with a strong balance sheet and a low net debt/EBITDA ratio of 0.3x, but it has nevertheless canceled this year's dividend payout. At the same time the Company announced that, in order to cushion the likely contraction in the core business of coal mining equipment in the event of coal mine closures in Poland, it would be pursuing acquisitions that can help diversify out of coal. Famur generated better-than-expected results in Q1 2020. We maintain a hold rating for FMF.

### Current Price

2.44 PLN

Downside

### 9M Target Price

2.20 PLN

-9.8%

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

Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	+17.6%	+11.6%
ISIN	PLFAMUR00012	YTD Price Chng	-18.1%	-2.6%
Outst. Stock (m)	574.8	ADTV 1M		PLN 0.7m
MC (PLN m)	1,402.4	ADTV 6M		PLN 0.8m
EV (PLN m)	1,501.8	EV/EBITDA 12M fwd	3.5	-37.2%
Free Float	52.3%	EV/EBITDA 5Y avg	5.5	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	2,229	2,165	1,196	1,112	1,118
EBITDA	491	451	333	305	306
EBITDA margin	22.0%	20.8%	27.8%	27.4%	27.4%
EBIT	300	269	173	154	158
Net income	208	245	137	107	115
P/E	6.7	5.7	10.3	13.1	12.2
P/B	0.9	0.9	0.8	0.8	0.8
EV/EBITDA	3.4	3.5	4.5	4.6	4.4
DPS	0.44	0.53	0.00	0.12	0.14
DYield	18.1%	21.7%	0.0%	4.9%	5.7%
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%
<b>Operating cash flow</b>	<b>215</b>	<b>504</b>	<b>202</b>	<b>302</b>	<b>274</b>
D&A	191	182	160	151	148
Working capital	-127	66	-131	22	-6
<b>Investing cash flow</b>	<b>-138</b>	<b>-15</b>	<b>-50</b>	<b>-120</b>	<b>-122</b>
CAPEX	141	38	120	120	122
<b>Financing cash flow</b>	<b>-458</b>	<b>-185</b>	<b>-24</b>	<b>-90</b>	<b>-197</b>
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%
<b>9M Target Price</b>		<b>2.20</b>

## 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 constructions 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). It is worth noting the decline in Poland's aluminum production, which shifted about 19% lower in April after rising 8% in the first quarter. We maintain a hold rating for KTY.

**Current Price**

358.00 PLN

**Downside**

**9M Target Price**

335.96 PLN

**-6.2%**

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

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-1.8%	-7.8%
ISIN	PLKETY000011	YTD Price Chng	+3.5%	+19.0%
Outst. Stock (m)	9.6	ADTV 1M		PLN 1.5m
MC (PLN m)	3,429.8	ADTV 6M		PLN 1.8m
EV (PLN m)	4,203.8	EV/EBITDA 12M fwd	8.1	-10.2%
Free Float	42.0%	EV/EBITDA 5Y avg	9.0	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	2,994	3,204	3,058	3,235	3,285
EBITDA	463	523	478	499	501
EBITDA margin	15.5%	16.3%	15.6%	15.4%	15.3%
EBIT	338	385	337	355	364
Net income	268	295	260	273	282
P/E	12.7	11.6	13.2	12.5	12.2
P/B	2.4	2.3	2.2	2.1	2.0
EV/EBITDA	9.0	7.9	8.8	8.5	8.3
DPS	23.94	23.99	15.39	21.68	21.40
DYield	6.7%	6.7%	4.3%	6.1%	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
<b>Operating cash flow</b>	<b>293</b>	<b>563</b>	<b>269</b>	<b>357</b>	<b>415</b>
D&A	126	138	141	144	137
Working capital	-114	86	-92	-74	-16
<b>Investing cash flow</b>	<b>-229</b>	<b>-244</b>	<b>-175</b>	<b>-150</b>	<b>-120</b>
CAPEX	229	244	175	150	120
<b>Financing cash flow</b>	<b>-43</b>	<b>-316</b>	<b>-93</b>	<b>-244</b>	<b>-241</b>
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%

### 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 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%

### 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%
<b>9M Target Price</b>		<b>335.96</b>

## Kernel hold (reiterated)

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Kernel's infrastructure business generated better-than-expected profits in Q1 2020 after a ramp-up in terminal handling capacity and improvement achieved by the trading unit Avere, prompting upward revisions to our segmental earnings forecasts for the 2020-2023 period. We also adjust CAPEX expectations to reflect the sale of shares in the Taman terminal in Russia, and postponement of selected projects to 2021. The improved earnings prospects and reduced capital spend are dulled by high leverage, with the net debt/EBITDA ratio expected to hold above 3.0x through to the end of 2021, and next year's FCF/EV ratio not likely to exceed 2%. Kernel was able to reduce debt in Q1 2020 thanks to increased operating cash flow and the payment received for the Taman shares. Our expectations for Q2 2020 are for flat growth in profits relative to the prior-year period. After updating our models to include IFRS 16 liabilities in the amount of \$281m, we reduce our target price for KER from PLN 47.25 to PLN 44.58 per share, and we maintain a hold rating for the stock.

<b>Current Price</b>	43.80 PLN	<b>Upside</b>
<b>9M Target Price</b>	44.58 PLN	<b>+1.8%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>44.58 PLN</b>	<b>2020-06-03</b>
<b>old</b>	hold	47.25 PLN	2020-02-05
Key Metrics		KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+9.2% +3.2%
ISIN	LU0327357389	YTD Price Chng	-0.1% +15.4%
Outst. Stock (m)	84.0	ADTV 1M	PLN 1.3m
MC (PLN m)	3,680.6	ADTV 6M	PLN 2.3m
EV (PLN m)	8,591.7	EV/EBITDA 12M fwd	4.9 +8.4%
Free Float	60.1%	EV/EBITDA 5Y avg	4.5 premium

### Earnings Projections

(US\$ m)	17/18	18/19P	19/20P	20/21P	21/22P
Revenue	2,403	3,992	3,822	3,741	4,113
EBITDA	223	346	358	397	419
EBITDA margin	9.3%	8.7%	9.4%	10.6%	10.2%
EBIT	140	269	267	288	311
Net income	52	189	98	143	158
P/E	17.7	4.9	9.6	6.6	5.9
P/B	0.8	0.7	0.7	0.6	0.6
EV/EBITDA	7.0	4.7	6.1	5.9	5.6
DPS	0.25	0.25	0.25	0.25	0.25
DYield	2.2%	2.2%	2.2%	2.2%	2.2%
Forecast Update (% change)			19/20P	20/21P	21/22P
EBITDA			+11.1%	+15.0%	+10.8%
Net income			-13.2%	+18.2%	+3.0%
Margin, Oilseed Processing (\$/t)			+4.2%	+5.1%	+3.5%
Margin, Infrstr & Trade (\$/t)			+37.7%	+39.3%	+36.4%
Margin, Farming (\$/t)			+0.5%	-5.2%	+7.0%
Volumes, Oilseed Processing (kt)			+6.2%	+1.4%	+1.2%
Volumes, Farming (kt)			-1.4%	-2.8%	-0.9%
Volumes, Infr & Trade (kt)			-1.4%	-10.3%	-9.7%

### Financial Highlights

(US\$ m)	17/18	18/19	19/20P	20/21P	20/21P
EBITDA, Bottled Oil	77	109	115	133	145
EBITDA, Bulk Oil	101	105	189	194	200
EBITDA, Terminals	89	182	107	105	111
EBITDA, Farming	-44	-51	-38	-36	-37
EBITDA, Grain Trade	14	15	15	16	16
<b>Operating cash flow</b>	<b>82</b>	<b>189</b>	<b>78</b>	<b>195</b>	<b>219</b>
D&A	83	76	91	109	108
Working capital	-63	-305	-172	-114	-130
<b>Investing cash flow</b>	<b>-156</b>	<b>-241</b>	<b>-225</b>	<b>-227</b>	<b>-105</b>
CAPEX	179	234	225	227	105
<b>Financing cash flow</b>	<b>76</b>	<b>29</b>	<b>143</b>	<b>-14</b>	<b>-21</b>
Dividends/Buyback	-20	-20	-21	-21	-21
FCF	-14	-205	-40	44	172
FCF/EBITDA	-6%	-59%	-11%	11%	41%
OCF/EBITDA	37%	55%	22%	49%	52%

### Key Balance Sheet Figures

(US\$ m)	17/18	18/19	19/20P	20/21P	20/21P
Assets	2,211	2,464	3,080	3,297	3,556
Fixed assets	1,006	1,207	1,643	1,766	1,768
Equity	1,171	1,351	1,427	1,549	1,686
Minority interests	7	-5	-5	-5	-5
Net debt	619	691	1,256	1,402	1,410
Net debt/EBITDA (x)	2.8	2.0	3.5	3.5	3.4
Net debt/Equity (x)	0.5	0.5	0.9	0.9	0.8

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	13.2	2.6	8.4	4.1	2.6	3.3
Maximum	18.0	39.2	24.8	13.8	12.9	12.0
Median	14.3	13.0	12.3	9.7	7.8	7.1
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)	82	93	88	94	93	90	87	84	80	77	75
Margin, Wheat (\$/t)	177	195	195	195	195	195	195	195	195	195	196
Margin, Corn (\$/t)	176	190	190	190	190	190	190	190	190	190	190
Revenue	3,822	3,741	4,113	4,185	4,248	4,308	4,365	4,408	4,452	4,496	4,508
EBITDA	358	397	419	421	414	409	402	393	385	376	373
EBITDA margin	9.4%	10.6%	10.2%	10.1%	9.7%	9.5%	9.2%	8.9%	8.6%	8.4%	8.3%
EBIT	267	288	311	311	302	290	274	261	247	236	236
Tax	1	12	13	13	13	12	11	10	9	8	8
CAPEX	-225	-227	-105	-110	-115	-121	-126	-131	-136	-136	-136
Working capital	-172	-114	-130	-22	-23	-22	-22	-20	-20	-20	-16
FCF	-40	44	172	276	263	254	243	233	220	211	212
PV FCF	-39	38	130	182	151	127	106	89	73	61	
WACC	15.0%	14.4%	14.4%	14.5%	14.5%	14.6%	14.6%	14.6%	14.6%	14.6%	14.7%
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	918
Net debt	691
Other adjustments	-281
Value per share (PLN)	23.05

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	56.41
DCF Val.	50%	23.05
Implied Price		39.73
Cost of equity (9M)		12.2%
<b>9M Target Price</b>		<b>44.58</b>

## PKP Cargo hold (no change)

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PKP Cargo generated weak profits in Q1 2020, and reported continuing volume falls in April – trends which are not likely to reverse soon with Poland's major steel plants on lockdown and as coal mines cut production (due to weak demand combined with stoppages caused by COVID cases among employees), electricity demand is weighed down by lockdown, and infrastructure projects get postponed amid the coronavirus crisis. PKP Cargo's employees have agreed to take 10% pay cuts set to last three months from June, but the resulting savings, estimated by the Company at PLN 23m, will only provide temporary relief in Q3 2020 (though PKP did apply for emergency pay protection aid in the amount of PLN 105m). We updated our models for PKP in April to assume PLN 95m lower labor costs in 2020 than originally forecast, but at the same time we significantly slashed our earnings expectations for the year. After what is expected to be a weak second quarter, PKP's net debt/EBITDA ratio will most likely come closer to the cap imposed by lenders.

<b>Current Price</b>	13.74 PLN	<b>Downside</b>
<b>9M Target Price</b>	12.37 PLN	<b>-10.0%</b>

	rating	target price	issued
unchanged	hold	12.37 PLN	2020-05-05

Key Metrics		PKP PW	vs. WIG
Ticker	PKP PW	1M Price Chng	+15.5%
ISIN	PLPKPCR00011	YTD Price Chng	-33.0%
Outst. Stock (m)	44.8	ADTV 1M	PLN 2.8m
MC (PLN m)	615.4	ADTV 6M	PLN 1.7m
EV (PLN m)	2,690.7	EV/EBITDA 12M fwd	4.2
Free Float	67.0%	EV/EBITDA 5Y avg	3.9

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	5,183	4,782	4,243	4,548	4,779
EBITDA adj.	901	830	502	612	689
EBITDA margin	17.4%	17.4%	11.8%	13.5%	14.4%
EBIT adj.	272	114	-229	-144	-29
Net income adj.	242	6	-230	-167	-83
P/E adj.	2.5	108.0	-	-	-
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj.	1.5	3.2	5.4	4.7	4.4
DPS	0.00	1.50	0.00	0.00	0.00
DYield	0.0%	10.9%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA adj.			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Freight turnover (tkm m)			0.0%	0.0%	0.0%
Freight volume (ton m)			0.0%	0.0%	0.0%
Costs per tkm			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	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
<b>Operating cash flow</b>	<b>863</b>	<b>807</b>	<b>515</b>	<b>682</b>	<b>727</b>
D&A	629	717	731	756	718
Working capital	20	16	-64	15	11
<b>Investing cash flow</b>	<b>-612</b>	<b>-815</b>	<b>-440</b>	<b>-759</b>	<b>-808</b>
CAPEX	-695	-1,028	-573	-759	-808
<b>Financing cash flow</b>	<b>-323</b>	<b>111</b>	<b>-78</b>	<b>21</b>	<b>-31</b>
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%
<b>9M Target Price</b>		<b>12.37</b>

## 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, 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. Stelmet's principal shareholder has built holdings in the Company up to 94.5%, which means there is an increased likelihood of a minority squeeze-out in the near future. We maintain a buy rating for STL.

### Current Price

8.20 PLN

Upside

### 9M Target Price

9.04 PLN

+10.2%

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

Key Metrics			STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	+17.1%	+11.2%
ISIN	PLSTLMT00010	YTD Price Chng	+11.6%	+27.0%
Outst. Stock (m)	29.4	ADTV 1M		PLN 0.0m
MC (PLN m)	240.8	ADTV 6M		PLN 0.0m
EV (PLN m)	317.0	EV/EBITDA 12M fwd	3.9	-38.0%
Free Float	5.5%	EV/EBITDA 5Y avg	6.2	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	553	602	523	649	660
EBITDA	69	69	64	88	82
EBITDA margin	12.4%	11.4%	12.2%	13.6%	12.4%
EBIT	27	26	22	46	40
Net income	10	-3	8	36	31
P/E	25.1	-	29.9	6.8	7.8
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	6.1	5.3	5.0	3.2	3.2
DPS	0.00	0.00	0.00	0.00	0.73
DYield	0.0%	0.0%	0.0%	0.0%	8.9%
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
<b>Operating cash flow</b>	<b>32</b>	<b>83</b>	<b>68</b>	<b>56</b>	<b>73</b>
D&A	41	42	41	42	42
Working capital	-30	2	16	-25	-2
<b>Investing cash flow</b>	<b>-24</b>	<b>-24</b>	<b>-16</b>	<b>-23</b>	<b>-25</b>
CAPEX	23	24	16	23	25
<b>Financing cash flow</b>	<b>-9</b>	<b>-56</b>	<b>-23</b>	<b>-23</b>	<b>-44</b>
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	2022P
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%
<b>9M Target Price</b>		<b>9.04</b>

## Retail

### Dino

#### reduce (reiterated)

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Stocks in Dino rallied close to all-time highs in May on the heels of better-than-expected 2020 Q1 results and share purchases by the principal shareholder. Dino is guiding for like-for-like sales growth in 2020 in the low-single digits, and it is aiming for a higher EBITDA this year. Strong lfl growth in Q1 was supported by consumers stocking for an epidemic, accompanied by an acceleration in the food price inflation rate and positive base effects. Sales in Q2 2020 likely increased at a more measured rate, additionally affected by negative base effects. Dino reported higher costs in Q1 2020, with the SG&A/Sales ratio at 12.2%, due to an increase in Poland's official minimum wage, additional health and safety expenses after the coronavirus outbreak, and sales bonuses (as a result labor costs for the quarter were up 43% on the year, outpacing sales which grew by 42%). A record-high SG&A/Sales ratio in Q1 was accompanied by the highest lfl growth rate since Q1 2018, indicating limited room for growth in subsequent quarters. Meanwhile at the current level DNP stock is trading at a whopping 29+x P/E.

<b>Current Price</b>	185.70 PLN	<b>Downside</b>
<b>9M Target Price</b>	155.60 PLN	<b>-16.2%</b>

	rating	target price	issued
<b>new</b>	<b>reduce</b>	<b>155.60 PLN</b>	<b>2020-06-03</b>
<b>old</b>	reduce	151.60 PLN	2020-05-05
Key Metrics		DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+6.4% +0.4%
ISIN	PLDINPL00011	YTD Price Chng	+29.0% +44.4%
Outst. Stock (m)	98.0	ADTV 1M	PLN 44.2m
MC (PLN m)	18,206.0	ADTV 6M	PLN 34.0m
EV (PLN m)	18,446.9	EV/EBITDA 12M fwd	18.2 +13.0%
Free Float	48.9%	EV/EBITDA 5Y avg	16.1 premium

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

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	5,839	7,647	9,939	12,510	15,284
EBITDA	541	725	948	1,203	1,457
EBITDA margin	9.3%	9.5%	9.5%	9.6%	9.5%
EBIT	429	562	749	962	1,164
Net income	308	403	555	741	906
P/E	59.2	45.2	32.8	24.6	20.1
P/B	15.0	11.2	8.3	6.2	4.7
EV/EBITDA	34.7	25.9	19.5	15.2	12.2
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			+2.0%	+1.4%	+2.5%
Net profit			+3.9%	+4.7%	+7.2%
Store count			+0.8%	+1.4%	+1.8%
Sales/sqm			+0.3%	-0.6%	+1.4%
EBITDA margin			+0.1 p.p.	+0.1 p.p.	+0.0 p.p.

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

(EUR m)	2018	2019	2020P	2021P	2022P
Store count	977	1,218	1,510	1,832	2,147
Total store area (ksqm)	376	472	589	718	846
Avg. store area (sqm)	385	388	390	392	394
Sales margin	24.2%	24.3%	24.7%	25.0%	24.9%
Stores per distr, center	244	305	302	305	358
<b>Operating cash flow</b>	<b>643</b>	<b>799</b>	<b>1,087</b>	<b>1,333</b>	<b>1,575</b>
D&A	112	164	198	241	293
Working capital	125	153	265	296	322
<b>Investing cash flow</b>	<b>-634</b>	<b>-828</b>	<b>-957</b>	<b>-1,068</b>	<b>-1,078</b>
CAPEX	-636	-830	-958	-1,068	-1,078
<b>Financing cash flow</b>	<b>82</b>	<b>155</b>	<b>22</b>	<b>-252</b>	<b>-48</b>
Dividends/Buyback	174	103	102	-203	0
FCF	-55	-53	112	247	480
FCF/EBITDA	-10%	-7%	12%	21%	33%
OCF/EBITDA	119%	110%	115%	111%	108%

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

	2018	2019	2020P	2021P	2022P
Days inventory	36.7	39.4	46.4	45.3	43.9
Days receivables	2.4	3.7	1.8	1.8	1.8
Days payables	94.2	93.0	95.0	96.0	96.0
CCC (days)	-55.0	-49.9	-46.8	-49.0	-50.4
SG&A/Sales	16.9%	17.0%	17.1%	17.3%	17.3%
Net debt (PLN m)	565	592	241	26	-423
Net debt/EBITDA (x)	1.0	0.8	0.3	0.0	-0.3

#### Relative Valuation Summary

	EV/EBITDA Growth			P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P	20P	21P	22P
Minimum	1.0	0.9	0.9	11.4	7.4	9.5	5.6	5.3	5.5
Maximum	1.7	1.4	1.4	35.7	21.3	19.4	9.0	8.2	7.8
Median	1.3	1.2	1.2	18.7	14.9	13.4	6.4	6.6	6.1
Weight	11%	11%	11%	11%	11%	11%	11%	11%	11%

#### DCF Analysis (adjusted for IFRS 16)

(EUR m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Store count	1,510	1,832	2,147	2,446	2,731	3,001	3,258	3,501	3,733	3,953	3,953
Sales/sqm	1,561	1,595	1,628	1,629	1,646	1,646	1,646	1,647	1,647	1,647	1,647
SG&A/Sales	17.1%	17.3%	17.3%	17.2%	17.2%	17.6%	17.6%	17.5%	17.5%	17.5%	17.5%
Revenue	9,939	12,510	15,284	17,750	20,325	22,633	24,856	26,998	29,062	31,052	31,052
EBITDA	938	1,192	1,447	1,692	1,939	2,159	2,372	2,603	2,803	2,995	3,005
EBITDA margin	9.4%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.6%	9.6%	9.6%	9.7%
EBIT	749	962	1,164	1,358	1,552	1,723	1,890	2,074	2,228	2,384	2,384
Tax	142	183	221	258	295	327	359	394	423	453	2,087
CAPEX	-958	-1,068	-1,078	-1,112	-1,192	-1,118	-1,210	-1,261	-1,203	-621	-621
Working capital	265	296	322	301	271	225	232	224	96	-564	-564
FCF	112	247	480	634	733	949	1,045	1,182	1,283	1,367	1,401
PV FCF	103	212	381	466	498	596	606	633	633	622	
WACC	8.5%	7.6%	7.9%	8.0%	8.2%	8.3%	8.3%	8.4%	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	10,735
Net debt	592
Other adjustments	0
Value per share (EUR)	151.92

#### Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	140.20
DCF Val.	50%	151.92
Implied Price		146.06
Cost of equity (9M)		6.5%
<b>9M Target Price</b>		<b>155.60</b>



## Eurocash accumulate (upgraded)

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Stocks in Eurocash took a downward turn on weaker-than-expected 2020 first-quarter results, showing flat EBITDA growth from the same year-ago period. The lackluster results despite strong sales, driven by the coronavirus outbreak, were due to higher costs of store adaptation necessitated by the epidemic. It is worth noting that EBITDA in the Wholesale segment increased by over 20% in Q1, fueled by improved cost efficiency and the successful operation of the eurocash.pl Web store. In the Retail segment, we expect results to improve in the second half of the year after the completion of store restructuring and as post-merger integration expenses diminish. In Q2 2020, Ifl growth will most likely decelerate due to weaker Easter sales this year, and as consumers no longer feel compelled to stock up amid the epidemic. After updating our models to reflect the strong performance of the wholesale business, and to factor in changed peer multiples, we upgrade EUR from hold to accumulate after the recent share price declines with the target price lowered slightly to PLN 19.90.

### Current Price

18.50 PLN

Upside

### 9M Target Price

19.90 PLN

+7.6%

	rating	target price	issued
new	accumulate	19.90 PLN	2020-06-03
old	hold	20.50 PLN	2020-05-05
Key Metrics		EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-13.6%
ISIN	PLEURCH00011	YTD Price Chng	-15.3%
Outst. Stock (m)	139.2	ADTV 1M	PLN 9.7m
MC (PLN m)	2,574.5	ADTV 6M	PLN 8.0m
EV (PLN m)	3,187.9	EV/EBITDA 12M fwd	5.0
Free Float	56.0%	EV/EBITDA 5Y avg	9.6 discount

### Earnings Projections (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	22,833	24,852	26,071	26,706	27,112
EBITDA adj.	341	400	435	464	498
EBITDA margin	1.5%	1.6%	1.7%	1.7%	1.8%
EBIT	214	208	233	253	276
Net income	67	101	127	173	198
P/E	38.5	25.6	20.3	14.9	13.0
P/B	2.5	2.7	3.0	3.1	3.2
EV/EBITDA	8.7	7.9	7.3	6.9	6.3
DPS	0.76	1.03	0.50	0.50	0.50
DYield	4.1%	5.6%	2.7%	2.7%	2.7%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			+8.7%	+10.8%	+12.7%
Net income			+32.6%	+21.2%	+19.8%
Wholesale (EBITDA)			+13.0%	+13.2%	+13.5%
Retail (EBITDA)			+10.5%	+18.3%	+23.9%
New Projects (EBITDA)			+40.6%	+44.7%	+49.8%

### Financial Highlights (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Wholesale (S)	19,265	19,526	19,615	19,662	19,568
Retail (S)	6,485	6,805	7,122	7,438	7,755
New Projects (S)	191	248	249	251	252
Other (EBITDA)	-109	-111	-113	-116	-118
<b>Operating cash flow</b>	<b>582</b>	<b>683</b>	<b>468</b>	<b>528</b>	<b>551</b>
D&A	204	222	232	242	252
D&A (financial lease)	0	328	83	0	0
Working capital	196	-14	12	23	17
<b>Investing cash flow</b>	<b>-462</b>	<b>-300</b>	<b>-205</b>	<b>-215</b>	<b>-217</b>
CAPEX	-445	-237	-188	-215	-217
<b>Financing cash flow</b>	<b>-126</b>	<b>-433</b>	<b>-262</b>	<b>-311</b>	<b>-399</b>
Dividends/Buyback	-106	-143	-70	-70	-70
FCF	83	30	186	103	222
FCF/EBITDA	24%	7%	43%	22%	45%
OCF/EBITDA	139%	147%	93%	99%	98%

### Key Ratios (adjusted for IFRS 16)

	2018	2019	2020P	2021P	2022P
Days inventory	23.6	21.5	21.6	21.7	21.8
Days receivables	21.5	20.6	20.4	20.2	20.0
Days payables	69.8	64.1	64.1	64.1	64.1
CCC (days)	-24.7	-22.0	-22.0	-22.1	-22.3
SG&A/Sales	12%	12%	12%	13%	13%
Net debt (PLN m)	346	502	548	546	511
Net debt/EBITDA (x)	0.8	1.1	1.1	1.0	0.9

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	11.4	10.3	9.5	5.6	5.3	5.5
Maximum	33.3	26.1	21.8	20.2	15.9	13.2
Median	18.7	16.1	13.8	6.4	6.4	6.0
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis (adjusted for IFRS 16)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Wholesale (EBITDA)	492	489	481	473	470	468	466	467	467	468	468
Retail (EBITDA)	147	181	225	250	261	268	271	272	274	274	274
New Projects (EBITD)	-64	-64	-65	-65	-65	-66	-66	-66	-67	-67	-67
Revenue	26,071	26,706	27,112	27,478	27,702	27,824	27,833	27,914	27,995	28,078	28,078
EBITDA	435	464	498	512	518	520	518	517	517	517	517
EBITDA margin	1.67%	1.74%	1.84%	1.86%	1.87%	1.87%	1.86%	1.85%	1.85%	1.84%	1.84%
EBIT	219	238	262	270	271	269	266	284	282	281	281
Tax	66	185	92	67	68	54	53	57	56	56	56
CAPEX	-211	-215	-217	-220	-222	-192	-197	-207	-207	-269	-269
Working capital	12	23	17	16	9	5	0	3	3	3	3
FCF	186	103	222	255	252	293	282	290	290	228	228
PV FCF	178	92	183	194	178	192	171	163	151	110	
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	2,998
Net debt	502
Other adjustments	61
Value per share (PLN)	18.62

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	19.01
DCF Val.	50%	18.62
Implied Price		18.81
Cost of equity (9M)		5.6%
<b>9M Target Price</b>		<b>19.90</b>

## Jeronimo Martins hold (reiterated)

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Jeronimo Martins generated lower-than-expected profits in Q1 2020 on strong lfl sales, due mainly to higher costs related to store adaptation to more stringent health and safety requirements. Geographically, the Polish grocer Biedronka delivered higher EBITDA in Q1 than in the same period a year earlier, but this was offset by weaker results in Portugal. Ara supermarkets in Colombia significantly reduced EBITDA losses in Q1 thanks to high lfl growth. Sales in April were seen to decelerate due to subdued Easter shopping in Poland and in Portugal. JMT expects costs of store management to remain elevated in the coming months. Nevertheless as countries slowly lift lockdown restrictions the Portuguese grocers, as well as the Hebe drugstores in Poland, will most likely experience a recovery beyond Q2 2020. After adjusting our models to reflect ytd sales performance, we maintain a hold rating for JMT with the target price lowered slightly to EUR 15.30 per share.

**Current Price**

15.46 EUR

Downside

**9M Target Price**

15.30 EUR

-1.0%

	rating	target price	issued
new	hold	15.30 EUR	2020-06-03
old	hold	16.30 EUR	2020-02-05
<b>Key Metrics</b>			
Ticker	JMT PL	1M Price Chng	+0.3% -5.7%
ISIN	PTJMT0AE0001	YTD Price Chng	+5.4% +20.9%
Outst. Stock (m)	629.3	ADTV 1M	EUR 21.4m
MC (EUR m)	9,728.9	ADTV 6M	EUR 18.1m
EV (EUR m)	9,775.9	EV/EBITDA 12M fwd	7.8 -16.5%
Free Float	38.9%	EV/EBITDA 5Y avg	9.4 discount

### Earnings Projections (adjusted for IFRS 16)

(EUR m)	2018	2019	2020P	2021P	2022P
Revenue	17,336	18,638	19,710	21,257	22,376
EBITDA	960	1,045	1,058	1,209	1,264
EBITDA margin	5.5%	5.6%	5.4%	5.7%	5.6%
EBIT	588	632	624	757	798
Net income	401	523	451	531	561
P/E	24.3	18.6	21.6	18.3	17.3
P/B	5.5	4.9	4.5	4.1	3.8
EV/EBITDA	10.5	9.4	9.2	7.9	7.3
DPS	0.64	0.35	0.26	0.33	0.35
DYield	4.1%	2.3%	1.7%	2.1%	2.2%
<b>Forecast Update (% change)</b>					
EBITDA			-9.7%	-3.2%	-5.2%
Net income			-16.5%	-7.7%	-9.7%
Y/Y sales/sqm, Biedronka			-1.4 p.p.	+2.7 p.p.	+1.0 p.p.
Y/Y sales/sqm, Pingo Doce			-3.4 p.p.	+0.3 p.p.	-0.6 p.p.
Y/Y sales/sqm, Recheio			-0.6 p.p.	+0.7 p.p.	+0.2 p.p.

### Financial Highlights (adjusted for IFRS 16)

(EUR m)	2018	2019	2020P	2021P	2022P
EBITDA Biedronka, PL	850	918	949	1,041	1,085
EBITDA Pingo Doce, PT	188	200	186	201	201
EBITDA Recheio, PT	53	55	53	56	56
EBITDA Other	-80	-62	-30	10	21
CCC (days)	-67	-70	-67	-67	-67
<b>Operating cash flow</b>	<b>849</b>	<b>1,492</b>	<b>1,322</b>	<b>1,646</b>	<b>1,647</b>
D&A	372	413	432	452	466
D&A (leasing)	0	391	403	421	438
<b>Investing cash flow</b>	<b>-43</b>	<b>329</b>	<b>33</b>	<b>216</b>	<b>156</b>
CAPEX	-700	-567	-621	-628	-565
<b>Financing cash flow</b>	<b>-273</b>	<b>-549</b>	<b>-884</b>	<b>-924</b>	<b>-808</b>
Dividends/Buyback	401	220	166	205	218
FCF	62	654	291	585	631
FCF/EBITDA	6%	63%	28%	48%	50%
OCF/EBITDA	88%	143%	125%	136%	130%

### Key Ratios (adjusted for IFRS 16)

(%)	2018	2019	2020P	2021P	2022P
Gross profit margin	21.7%	21.9%	22.1%	22.1%	22.1%
SG&A/Sales	18.2%	18.4%	18.9%	18.5%	18.5%
Y/Y sales/sqm, Biedr.	1.0%	3.5%	1.3%	3.0%	0.9%
Y/Y sales/sqm, P. Doce	3.2%	1.9%	-1.9%	2.2%	0.8%
Y/Y sales/sqm, Recheio	2.8%	2.1%	0.2%	0.1%	0.1%
Net debt (EUR m)	93	-290	-207	-451	-726
Net debt/EBITDA (x)	0.1	-0.3	-0.2	-0.4	-0.6

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	13.1	11.7	10.6	5.6	5.3	5.5
Maximum	30.4	24.1	21.5	7.1	8.0	7.6
Median	18.9	14.7	13.7	6.3	6.1	5.9
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis (adjusted for IFRS 16)

(EUR m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Biedronka stores	3,103	3,183	3,243	3,283	3,323	3,363	3,403	3,443	3,483	3,523	3,483
Pingo Doce stores	442	442	442	442	442	442	442	442	442	442	442
Ara stores	664	824	984	1,144	1,264	1,344	1,384	1,424	1,464	1,504	1,464
Revenue	19,710	21,257	22,376	23,111	23,760	24,324	24,801	25,251	25,707	26,170	26,562
EBITDA	1,058	1,209	1,264	1,295	1,325	1,351	1,377	1,404	1,431	1,459	1,540
EBITDA margin	5.4%	5.7%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.8%
EBIT	624	757	798	822	851	880	911	944	979	1,011	1,050
Tax	177	212	223	230	238	246	255	264	274	283	294
CAPEX	-621	-628	-565	-508	-457	-435	-413	-392	-373	-448	-448
Working capital	33	216	156	102	90	79	67	63	64	64	63
FCF	291	585	631	659	720	749	776	810	848	792	822
PV FCF	278	515	514	495	499	480	459	442	428	369	
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	10,509
Net debt	-290
Other adjustments	225
Value per share (EUR)	16.19

### Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	12.70
DCF Val.	50%	16.19
Implied Price		14.45
Cost of equity (9M)		6.2%
<b>9M Target Price</b>		<b>15.30</b>

## LPP hold (reiterated)

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LPP's preliminary results for first quarter of fiscal 2020/2021, which lasted from February through April (which means it included two months of lockdown), came out in line with market expectations. The Company decided to reopen selected stores (about 45%) in May, and it has given notices for rental contracts equivalent to 30% of total trading area. On a positive note, LPP managed to lower rental rates on 10% of total floor space after negotiations with property owners. Rent talks are still ongoing. When it comes to digital, online sales in May soared nearly 400% for LPP's Web stores, and this was accompanied by an expansion in operating margin by an estimated 2pp to about 11% in April and May. The robust online growth was nevertheless not enough to offset the sales lost by brick-and-mortar stores, down 84% in May, indicating improvement from April, when the falls relative to the year-ago month amounted to 90%, and a less severe rate of contraction than originally anticipated given that only 45% of the total store area was open for business in the period. We raise our 2020 online sales growth forecast for LPP to 133% after faster-than-expected first-quarter expansion, and we also adjust the expectations for brick-and-mortar stores slightly higher to reflect an earlier re-open than our assumed mid-May date. As a result, we raise our target price for LPP to PLN 6,900 per share, with an unchanged hold rating.

### Current Price

6,980.00 PLN

Downside

### 9M Target Price

6,900.00 PLN

-1.1%

	rating	target price	issued
new	hold	6,900.00 PLN	2020-06-03
old	hold	5,800.00 PLN	2020-05-05
Key Metrics		LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	+7.4%
ISIN	PLPP0000011	YTD Price Chng	-20.9%
Outst. Stock (m)	1.9	ADTV 1M	PLN 18.9m
MC (PLN m)	12,929.9	ADTV 6M	PLN 20.0m
EV (PLN m)	13,124.5	EV/EBITDA 12M fwd	11.7
Free Float	64.6%	EV/EBITDA 5Y avg	12.7 discount

### Earnings Projections (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	8,047	9,123	8,241	11,160	12,610
EBITDA	1,106	1,312	469	1,175	1,457
EBITDA margin	13.7%	14.4%	5.7%	10.5%	11.6%
EBIT	757	905	-10	643	844
Net income	505	567	-15	512	671
P/E	25.6	22.8	-	25.3	19.3
P/B	4.5	3.9	4.0	3.4	3.0
EV/EBITDA adj.	11.0	9.5	28.0	11.4	8.9
DPS	39.96	59.97	0.00	0.00	78.21
DYield	0.6%	0.9%	0.0%	0.0%	1.1%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			+60.7%	+3.3%	-1.9%
Net income			-	+7.0%	-3.2%
Sales per sqm			-4.7%	-3.2%	-6.3%
SG&A/sqm			+0.4%	+3.1%	+3.2%
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	318	446	455
Revenue/sqm, RU (Cropp	723	730	474	588	600
Revenue/sqm, CZ (House	681	721	469	582	594
Revenue/sqm, DE (Mohitc	616	618	394	498	512
Revenue/sqm, DE (Sinsay	713	744	480	598	600
<b>Operating cash flow</b>	<b>1,212</b>	<b>1,390</b>	<b>924</b>	<b>1,650</b>	<b>2,084</b>
D&A	349	405	478	532	613
Working capital	0	596	651	720	797
<b>Investing cash flow</b>	<b>125</b>	<b>134</b>	<b>-161</b>	<b>-80</b>	<b>36</b>
CAPEX	-704	-770	-926	-1,226	-714
<b>Financing cash flow</b>	<b>21</b>	<b>-945</b>	<b>-578</b>	<b>-389</b>	<b>-1,114</b>
Dividends/Buyback	73	110	0	0	144
FCF	-47	257	-618	-260	609
FCF/EBITDA	-4%	20%	-132%	-22%	42%
OCF/EBITDA	110%	74%	79%	85%	90%

### Key Ratios (adjusted for IFRS 16)

(k sqm)	2018	2019	2020P	2021P	2022P
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%	48.8%	50.5%	52.2%
Net debt/EBITDA (x)	-0.7	-0.3	0.4	0.4	0.0

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	20.6	21.8	17.6	9.8	9.4	8.5
Maximum	120.0	36.1	23.4	14.4	14.2	10.8
Median	70.3	28.9	20.5	12.1	11.8	9.6
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis (adjusted for IFRS 16)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales/sqm (PLN)	371	492	502	496	490	490	489	491	490	492	492
SG&A/sqm (PLN)	251	282	291	287	279	278	279	284	286	292	292
Sales area (k sqm)	1,356	1,517	1,693	1,854	1,982	2,104	2,209	2,320	2,420	2,527	2,527
Revenue	8,241	11,160	12,610	13,959	15,019	16,114	17,164	18,302	19,413	20,614	20,614
EBITDA	469	1,175	1,457	1,643	1,848	2,014	2,179	2,301	2,536	2,624	2,624
EBITDA margin	5.7%	10.5%	11.6%	11.8%	12.3%	12.5%	12.7%	12.6%	13.1%	12.7%	12.7%
EBIT	-10	643	844	1,023	1,234	1,394	1,542	1,637	1,781	1,869	1,869
Tax	0	129	169	205	247	279	308	327	356	374	374
CAPEX	-926	-1,226	-714	-589	-656	-730	-809	-894	-755	-755	-755
Working capital	-161	-80	36	-56	-60	-47	-45	-48	-312	-349	-349
FCF	-618	-260	609	793	885	959	1,017	1,032	1,113	1,146	1,175
PV FCF	-581	-225	488	587	604	603	590	552	549	522	0
WACC	8.4%	8.3%	8.3%	8.4%	8.4%	8.4%	8.4%	8.4%	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

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	12707
Net debt	-628
Other adjustments	0
Value per share (PLN)	7200

### Valuation Summary

(PLN)	Weight	cena
Relative Val.	50%	5,500
DCF Val.	50%	7,200
Implied Price		6,520
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>6,900</b>

## VRG

### hold (reiterated)

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VRG's 2020 first-quarter profits missed market expectations due to higher-than-forecast SG&A expenses. When it comes to sales during and post-lockdown, compared to the corresponding year-ago periods, they were down 63% in March, followed by a 98% slump in April, but in the first eighteen days of May the falls narrowed to 64%, indicating a gradual recovery in footfall. At the same time, VRG has raised its online/total sales guidance for 2020 from 20% to 25% based on increased Web store traffic. Monthly online sales increased by 82% in March compared to the prior-year period, and they accelerated to 169% in April and 118% in the month to 18 May. VRG has also decided to accelerate this year's brick store closure plans from 2% to 5% of total trading area (mainly fashion stores). The Company is in rent negotiations with retail property owners, and its employees have agreed to take pay cuts until sales are restored to 80% of last year's value. All in all, VRG is still guiding for a 20% fall in total sales for FY2020, and it is expecting to report positive IAS 17 EBITDA for the year. On 26 May, VRG announced that its current Deputy CEO, Michał Wójcik, would be taking over as CEO as of the June AGM. We decided to revise our financial forecasts for VRG to reflect higher-than-expected offline and online sales performance, and as a result we raise our target price for the Company with an unchanged hold recommendation.

**Current Price**

2.40 PLN

Upside

**9M Target Price**

2.43 PLN

+1.3%

	rating	target price	issued
new	hold	2.43 PLN	2020-06-03
old	hold	2.00 PLN	2020-04-06
<b>Key Metrics</b>			
	VRG PW	1M Price Chng	VRG PW vs. WIG
Ticker	VRG PW	1M Price Chng	-12.4% -18.4%
ISIN	PLVSTLA00011	YTD Price Chng	-40.6% -25.1%
Outst. Stock (m)	234.5	ADTV 1M	PLN 0.5m
MC (PLN m)	562.7	ADTV 6M	PLN 0.7m
EV (PLN m)	630.8	EV/EBITDA 12M fwd	9.2 +10.2%
Free Float	40.1%	EV/EBITDA 5Y avg	8.4 premium

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

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	806	1,068	824	1,032	1,155
EBITDA adj.	89	111	6	51	89
EBITDA margin	11.1%	10.4%	0.7%	4.9%	7.7%
EBIT	72	87	-16	30	68
Net income	54	66	-36	11	46
P/E	10.5	8.5	-	51.7	12.2
P/B	0.7	0.7	0.7	0.7	0.6
EV/EBITDA adj.	7.0	5.7	106.3	11.7	6.9
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Forecast Update (% change)</b>			<b>2020P</b>	<b>2021P</b>	<b>2022P</b>
EBITDA			-	+8.6%	+1.4%
Net income			-	+31.8%	+0.3%
B&M sales/sqm			+0.1 p.p.	+0.1 p.p.	+0.1 p.p.
SG&A/sqm			+2.7%	+2.3%	+3.8%
Floorspace			0.0%	0.0%	0.0%

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

(PLN m)	2018	2019	2020P	2021P	2022P
Fashion Sales	483	692	525	656	761
Fashion EBIT	33	43	-22	2	28
Jewelry Sales	323	376	298	376	394
Jewelry EBIT	39.4	44.5	5.9	28.5	37.6
Gross profit margin	51.2%	52.1%	47.9%	48.8%	49.0%
<b>Operating cash flow</b>	<b>54</b>	<b>109</b>	<b>98</b>	<b>145</b>	<b>90</b>
D&A	17	24	22	21	22
D&A (IFRS 16)	0	87	85	86	90
Working capital	-21	-75	33	30	-64
<b>Investing cash flow</b>	<b>-19</b>	<b>-17</b>	<b>-16</b>	<b>-21</b>	<b>-23</b>
<b>Financing cash flow</b>	<b>-18</b>	<b>-100</b>	<b>10</b>	<b>-128</b>	<b>-117</b>
Credit/loans	8	-5	95	-42	-28
FCF	37	-6	23	54	-11
FCF/EBITDA	41%	-6%	380%	106%	-12%
OCF/EBITDA	60%	19%	230%	116%	1%

#### Key Ratios (adj. for IFRS 16)

(PLN)	2018	2019	2020P	2021P	2022P
Sales/sqm, Fashion	1,318	1,049	660	870	981
Sales/sqm, Jewelry	2,540	2,689	2,046	2,577	2,638
SG&A/sqm, Fashion	420	598	549	629	641
SG&A/sqm, Jewelry	1,118	1,216	1,106	1,240	1,239
Cash (PLN m)	34	25	118	114	63
Net debt (PLN m)	63	66	68	30	53
Net debt/EBITDA (x)	0.7	0.6	11.5	0.6	0.6

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	6.0	5.3	5.2	4.6	5.2	4.6
Maximum	121.5	67.8	34.4	26.1	26.8	20.0
Median	16.6	14.4	11.1	8.7	6.6	6.3
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)	1,301	1,669	1,814	1,818	1,835	1,846	1,864	1,881	1,900	1,919	
SG&A/sqm (PLN)	647	765	781	780	787	792	800	807	814	821	
Sales area (ksqm)	51	52	54	56	57	57	58	59	59	60	
Revenue	824	1,032	1,155	1,198	1,236	1,262	1,290	1,318	1,347	1,377	1,405
EBITDA	6	51	89	93	96	98	99	101	103	105	107
EBITDA margin	0.7%	4.9%	7.7%	7.8%	7.8%	7.7%	7.7%	7.7%	7.6%	7.6%	7.6%
EBIT	-16	30	68	71	73	75	76	78	80	82	84
Tax	1	6	13	13	14	14	14	15	15	16	16
CAPEX	16	21	23	24	24	23	23	23	23	22	23
Working capital	33	30	-64	-17	-3	-3	-3	-3	-4	-4	-4
FCF	23	54	-11	39	55	57	59	61	61	63	64
PV FCF	21	46	-9	28	37	35	33	31	29	28	
WACC	9.6%	9.2%	8.8%	8.8%	9.0%	8.9%	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	712
Net debt	66
Other adjustments	0
Value per share (PLN)	2.75

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	40%	1.60
DCF Val.	60%	2.75
Implied Price		2.29
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>2.43</b>

#### List of abbreviations and ratios contained in the report:

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

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

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

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

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



## Comparable Companies Used In Relative Valuation Models

<b>11 bit studios</b>	Activision, Blizzard, CAPCOM, Electronic Arts, Paradox Interactive, Take Two Interactive, Ubisoft Entertainment
<b>Agora</b>	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroeer Media
<b>AmRest</b>	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
<b>Asseco Poland</b>	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
<b>CCC</b>	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Zalando
<b>CD Projekt</b>	Activision, Blizzard, CAPCOM, Electronic Arts, Take Two Interactive, Ubisoft Entertainment
<b>CEZ</b>	EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
<b>Ciech</b>	Akzo Nobel, BASF, Bayer, Ciner Resources, GHCL, Hongda Xindye, Huntsman, ICI Pakistan, MISR Chemical, PCC Rokita, OCI, Qingdao, Sesoda, Shandong Haihua, Soda Samayii, Solvay, Tangshan Sanyou Chemical, Tata Chemicals, Tessenderlo Chemie, Wacker Chemie
<b>Cognor</b>	AK Steel, Alumetal, ArcelorMittal, Baoshan Iron & Steel, Commercial Metals, HeSteel, Hitachi Metals, Hyundai Steel, JFE Holdings, JSW Steel, Kloeckner & Co, Metalurgica Gerdau, Nippon Yakin Kogyo, Nucor, Olympic Steel, Outokumpu, POSCO, Salzgitter, SSAB, Steel Authority Of India, Steel Dynamics, Tata Steel, thyssenkrupp, United States Steel Corp, voestalpine
<b>Comarch</b>	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
<b>Cyfrowy Polsat</b>	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Talktalk Telecom, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
<b>Dino</b>	Carrefour, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Eurocash</b>	Carrefour, Dino, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Famur</b>	Caterpillar, Epiroc, Komatsu, Sandvik, Weir Group, Metso, Flsmidth
<b>Grupa Azoty</b>	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
<b>Jeronimo Martins</b>	BIM, Carrefour, Dino, Eurocash, Magnit, Metro, O'Key, Group, Tesco, X5
<b>JSW</b>	Alliance Resource Partners, Arch Coal, Banpu Public, BHP Billiton, 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, Shougang Fushan Resources, Stanmore Coal, Teck Resources, Terracom, Walter Energy, Warrior Met Coal, Yanzhou Coal Mining
<b>Kernel</b>	ADM, Andersnons, Astarta, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland, Nisshin Oillio Group, Ovostar, Wilmar
<b>Kęty</b>	Alcoa, Alumetal, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Fuji Seal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
<b>KGHM</b>	Anglo American, Antofagasta, BHP Billiton, Boliden, First Quantum Minerals, Freeport-McMoRan, Grupo Mexico, KAZ Minerals, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
<b>Kruk</b>	Arrow Global, Collection House, Credit Corp, Encore Capital, Intrum, PRA Group
<b>Lotos, MOL</b>	Aker BP, Bashneft, BP, ENI, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras, Shell, Statoil, Total, Tullow Oil, Tupras
<b>LPP</b>	CCC, H&M, Hugo Boss, Inditex, Marks & Spencer, Next, Tom Tailor
<b>Netia</b>	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, O2 Czech, Orange, Orange Polska, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
<b>Orange Polska</b>	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, Netia, O2 Czech, Orange, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
<b>PGNiG</b>	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, Statoil, Total
<b>PKN Orlen</b>	Braskem, Dow Chemical, Eastman, Formosa Plastics, Hellenic Petroleum, Huntsman, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui Chemicals, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Westlake Chemical
<b>PKP Cargo</b>	Aurizon Holdings, Canadian National Railway, Canadian Pacific Railway, Center for Cargo Container, China Railway Group, China Railway Tielong Container Logistics, CSX Corp, Daqin Railway, Global Ports Holding, Globaltrans Investment, Hamburger Hafen und Logistik, Hub Group, Kansas City Southern, Kuehne + Nagel International, Log-In Logistica Intermodal, Nikkon Holdings, Norfolk Southern Corp, Rumo, Tidewater Midstream, Union Pacific Corp
<b>Play</b>	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, TalkTalk, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
<b>Skarbiec Holding</b>	Affiliated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
<b>Stelmet</b>	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pflaiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmorin, West Fraser
<b>Ten Square Games</b>	Nexon, NetEase, IGG, Gree, NHN, Naver, Koei, Wuhu, Tencent, Zynga
<b>Wirtualna Polska</b>	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
<b>VRG</b>	CCC, Chow Sang, Chow Tai Fook, H&M, Hugo Boss, Inditex, Lao Fen Xiang, Lao Feng, LPP, Luk Fook, Marks & Spencer, Next, Pandora, Tiffany
<b>VRG</b>	CCC, Chow Sang, Chow Tai Fook, H&M, Hugo Boss, Inditex, Lao Fen Xiang, Lao Feng, LPP, Luk Fook, Marks & Spencer, Next, Pandora, Tiffany



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

**11 bit studios**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>
Rating date	2020-06-03	2020-05-05	2020-02-05	2019-12-05	2019-11-06
Target price (PLN)	476.00	422.00	439.00	454.00	483.00
Price on rating day	475.00	408.50	440.00	360.50	332.00

**AC**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>
Rating date	2020-05-21	2020-04-01	2019-12-05	2019-10-30	2019-08-30
Target price (PLN)	-	-	-	-	-
Price on rating day	36.50	39.00	43.20	41.00	43.60

**Agora**

<b>Rating</b>	<b>hold</b>	<b>accumulate</b>	<b>buy</b>
Rating date	2020-06-03	2020-04-15	2019-10-30
Target price (PLN)	8.60	8.60	17.00
Price on rating day	8.36	7.74	9.50

**Ailleron**

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

**Alior Bank**

<b>Rating</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>
Rating date	2020-06-03	2020-04-16	2020-03-30	2020-02-21	2019-11-06	2019-07-03	2019-06-03
Target price (PLN)	14.98	21.00	24.72	30.50	31.00	72.30	77.00
Price on rating day	15.19	16.45	13.00	26.62	29.34	51.10	52.80

**Alumetal**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>
Rating date	2020-05-21	2020-04-01	2020-02-27	2020-01-30	2019-12-05	2019-10-07	2019-08-30
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	37.00	34.60	43.50	42.80	39.30	35.40	34.50

**Amica**

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

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

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

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

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>
Rating date	2020-06-03	2020-05-05	2019-12-05	2019-06-03
Target price (PLN)	71.40	63.90	59.20	50.80
Price on rating day	72.60	64.70	57.35	51.10

**Asseco SEE**

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

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
Rating date	2020-05-11	2020-04-01	2020-01-30	2019-12-05	2019-10-30	2019-09-05
Target price (PLN)	-	-	-	-	-	-
Price on rating day	11.75	11.50	15.90	15.90	16.85	23.00

**Atal**

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

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

<b>Rating</b>	<b>underweight</b>	<b>underweight</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>	<b>underweight</b>
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	hold	accumulate	accumulate	accumulate
Rating date	2020-06-03	2020-05-05	2020-02-05	2019-12-05	2019-11-06	2019-09-05
Target price (PLN)	388.10	342.50	284.20	281.30	276.40	272.50
Price on rating day	388.20	357.90	305.00	260.30	255.20	251.30

### CEZ

Rating	accumulate	accumulate	buy	buy	accumulate
Rating date	2020-06-03	2020-05-05	2020-02-20	2019-12-05	2019-06-25
Target price (CZK)	514.80	527.86	592.91	597.80	597.80
Price on rating day	489.00	451.00	503.00	502.00	544.00

### Ciech

Rating	hold	buy	buy	buy	buy	hold	buy
Rating date	2020-05-29	2020-04-14	2020-02-13	2019-12-05	2019-09-05	2019-07-03	2019-06-03
Target price (PLN)	38.94	45.14	47.46	44.41	42.03	41.72	55.00
Price on rating day	39.25	31.80	39.40	36.40	34.00	41.60	42.65

### Cognor

Rating	hold	hold	hold	hold	accumulate	hold	accumulate	accumulate	overweight
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
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

### Comarch

Rating	hold	buy	buy
Rating date	2020-05-13	2019-11-25	2019-07-25
Target price (PLN)	220.30	250.00	231.00
Price on rating day	210.00	189.50	178.50

### Cyfrowy Polsat

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

### Dino

Rating	reduce	reduce	hold	reduce	accumulate	hold	sell	sell
Rating date	2020-06-03	2020-05-05	2020-03-04	2020-02-05	2019-11-25	2019-08-23	2019-08-13	2019-08-02
Target price (PLN)	155.60	151.60	152.30	149.70	148.60	149.20	111.20	112.70
Price on rating day	185.70	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	suspended	buy	buy
Rating date	2020-06-03	2020-02-27	2019-11-06	2019-06-25
Target price (PLN)	-	-	11.67	12.67
Price on rating day	8.19	7.36	6.37	7.33

### Ergis

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

### 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	accumulate	hold	hold	reduce	sell	reduce	hold	reduce
Rating date	2020-06-03	2020-05-05	2020-02-05	2019-11-25	2019-11-06	2019-09-05	2019-08-02	2019-06-03
Target price (PLN)	19.90	20.50	19.80	19.80	18.10	18.10	18.10	18.10
Price on rating day	18.50	21.10	19.94	22.22	23.80	20.62	18.60	19.31

### Famur

Rating	hold	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
Target price (PLN)	2.20	4.58	5.18	5.33	6.71	6.96	6.67
Price on rating day	2.08	2.73	2.98	4.42	4.47	5.24	4.85

### Forte

Rating	neutral	underweight	underweight	underweight	neutral	neutral
Rating date	2020-05-21	2020-04-01	2020-03-20	2020-01-30	2019-12-05	2019-09-20
Target price (PLN)	-	-	-	-	-	-
Price on rating day	17.60	11.20	11.80	32.30	28.15	23.25

**GPW**

<b>Rating</b>	<b>hold</b>	<b>buy</b>
Rating date	2020-05-20	2020-01-16
Target price (PLN)	41.56	47.82
Price on rating day	40.00	40.85

**Grupa Azoty**

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

**Handlowy**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>
Rating date	2020-06-03	2020-04-16	2020-03-30	2020-02-27	2019-12-05	2019-07-03	2019-06-03
Target price (PLN)	37.64	39.86	45.66	63.46	57.44	59.45	61.00
Price on rating day	38.00	39.50	44.00	55.90	51.70	53.60	53.70

**Impexmetal**

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

**ING BSK**

<b>Rating</b>	<b>sell</b>	<b>sell</b>	<b>sell</b>	<b>sell</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>hold</b>	<b>reduce</b>
Rating date	2020-06-03	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)	117.78	114.14	126.36	170.00	187.77	197.53	197.53	191.80	191.80
Price on rating day	145.20	141.00	153.80	202.00	190.80	194.80	187.40	189.80	203.50

**Jeronimo Martins**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>reduce</b>
Rating date	2020-06-03	2020-02-05	2019-10-07	2019-09-05
Target price (EUR)	15.30	16.30	14.30	14.30
Price on rating day	15.46	15.78	14.92	15.88

**JSW**

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

**Kemel**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>reduce</b>	<b>reduce</b>	<b>buy</b>
Rating date	2020-06-03	2020-02-05	2019-12-05	2019-10-07	2019-08-19	2019-06-03
Target price (PLN)	44.58	47.25	41.60	40.76	42.70	58.63
Price on rating day	43.80	47.20	41.20	42.90	48.60	46.50

**Grupa Kęty**

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

<b>Rating</b>	<b>sell</b>	<b>sell</b>	<b>reduce</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>accumulate</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>
Rating date	2020-06-03	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
Target price (PLN)	62.94	46.83	46.83	76.92	86.33	85.54	96.13	96.14	90.12	77.51	80.38	98.35
Price on rating day	88.10	74.00	54.64	77.82	96.44	88.66	96.70	91.64	79.92	74.90	87.78	101.70

**Komerční Banka**

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

**Kruk**

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

**Kruszwica**

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
Rating date	2020-05-21	2020-05-13	2020-01-30	2019-12-05	2019-10-07	2019-09-20
Target price (PLN)	-	-	-	-	-	-
Price on rating day	59.00	54.80	52.20	45.80	44.40	43.00

**Lotos**

<b>Rating</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>reduce</b>	<b>reduce</b>	<b>sell</b>	<b>sell</b>
Rating date	2020-06-03	2020-04-07	2020-03-04	2020-02-05	2019-12-05	2019-08-02	2019-06-03
Target price (PLN)	60.39	59.22	67.19	68.47	77.80	72.31	65.95
Price on rating day	60.52	65.10	61.06	76.78	85.20	88.66	87.82

**LPP**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>hold</b>	<b>buy</b>	<b>accumulate</b>	<b>accumulate</b>
Rating date	2020-06-03	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)	6,900.00	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	6,980.00	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**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>
Rating date	2020-04-01	2019-12-05	2019-09-20
Target price (PLN)	-	-	-
Price on rating day	50.00	72.00	66.00

**Millennium**

Rating	buy	hold	buy	hold	reduce	hold	sell	reduce	buy
Rating date	2020-06-03	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)	3.72	3.38	4.06	5.47	5.47	5.47	5.18	5.18	10.00
Price on rating day	2.64	3.28	3.30	5.06	5.91	5.49	6.40	5.48	7.51

**MOL**

Rating	hold	hold	accumulate	accumulate	accumulate	accumulate	buy	accumulate	hold
Rating date	2020-06-03	2020-03-31	2020-03-04	2020-02-05	2020-02-05	2019-11-27	2019-11-06	2019-10-07	2019-08-02
Target price (HUF)	2,072.00	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	1,916.00	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	accumulate	buy	accumulate	buy	accumulate	hold
Rating date	2020-06-03	2020-03-27	2019-11-29	2019-09-05	2019-08-02	2019-06-19
Target price (PLN)	6.90	6.90	7.40	7.50	7.50	7.50
Price on rating day	6.49	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

**Pekao**

Rating	buy	buy	buy	buy	buy	accumulate
Rating date	2020-06-03	2020-04-16	2020-03-30	2019-12-05	2019-08-02	2019-07-03
Target price (PLN)	68.90	77.70	83.51	115.20	119.75	121.00
Price on rating day	52.40	54.30	55.32	96.34	99.88	112.95

**Pfleiderer Group**

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

**PGE**

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

**PGNiG**

Rating	buy	buy	hold	hold	hold	buy	buy	accumulate
Rating date	2020-06-03	2020-04-07	2020-03-23	2020-03-04	2020-01-28	2019-11-06	2019-09-05	2019-08-02
Target price (PLN)	4.91	4.44	3.24	3.88	4.06	5.64	6.33	6.33
Price on rating day	4.31	3.48	3.14	3.20	3.86	5.07	4.49	5.62

**PKN Orlen**

Rating	hold	hold	accumulate	hold	reduce	hold	reduce	hold	sell
Rating date	2020-06-03	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)	66.85	58.61	58.61	66.70	68.03	94.17	94.17	92.82	80.01
Price on rating day	67.80	59.52	52.58	62.26	75.66	88.50	102.45	97.36	96.78

**PKO BP**

Rating	hold	accumulate	buy	buy	accumulate	accumulate	buy	accumulate
Rating date	2020-06-03	2020-04-16	2020-03-30	2020-03-04	2020-02-05	2019-12-05	2019-08-02	2019-06-26
Target price (PLN)	22.58	24.85	26.90	39.69	39.69	39.50	47.17	47.17
Price on rating day	22.06	22.14	22.75	33.10	36.00	34.99	39.34	42.20

**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	buy	accumulate	buy	buy	hold	accumulate	hold
Rating date	2020-05-15	2020-03-25	2020-02-05	2019-11-14	2019-09-12	2019-09-05	2019-08-02	2019-07-03
Target price (PLN)	35.70	33.50	36.00	36.00	33.10	34.20	34.20	29.00
Price on rating day	31.02	29.04	34.80	31.30	27.16	33.34	31.22	33.34

**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	accumulate	buy	buy	hold	hold	reduce	hold	hold	reduce	hold
Rating date	2020-06-03	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)	179.37	194.52	229.52	287.90	265.50	276.55	276.55	337.00	337.00	377.27
Price on rating day	163.60	160.70	173.90	304.00	279.00	317.40	286.00	319.60	357.20	365.20

**Skarbiec Holding**

Rating	accumulate	buy	buy	buy
Rating date	2020-06-03	2020-03-04	2019-12-05	2019-06-03
Target price (PLN)	21.20	21.20	29.34	28.17
Price on rating day	19.05	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
Rating date	2019-12-05	2019-10-07	2019-09-20
Target price (PLN)	-	-	-
Price on rating day	15.60	16.30	15.90

**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	buy	accumulate	hold	buy
Rating date	2020-06-03	2020-05-26	2020-05-05	2020-04-23
Target price (PLN)	592.00	592.00	462.00	462.00
Price on rating day	505.00	539.00	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	hold	buy	accumulate	buy
Rating date	2020-06-03	2020-04-06	2020-02-05	2019-12-02	2019-07-26
Target price (PLN)	2.43	2.00	4.50	4.50	5.20
Price on rating day	2.40	1.94	3.93	3.94	4.20

**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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