

Thursday, July 02, 2020 | periodical publication

# Monthly Market Outlook: July 2020

## Equity Market, Macroeconomics

### Equity Market

We maintain a neutral stance on equities. The recovery in global economic momentum after a cataclysmic March and April seems slightly stronger than initially thought. Markets are choosing to overlook any negative signals as they focus on global central bank actions to shore up their respective economies, and this is not likely to change in the near future.

### Sector Outlook

#### Financials

We expect Polish banks to experience more optimism in July with early second-quarter estimates expected to show marked improvement from a disastrous Q1. Banks were able to bring in solid non-interest income in April despite lockdown restrictions according to NBP data, and they most likely kept provisioning close to long-term averages. The EU's various crisis mitigation programs also provide a major boost for European banks.

#### Chemicals

Both Grupa Azoty and Ciech may disappoint investors with their second-quarter earnings. Falling prices put a strain on the quarterly profits of the fertilizer producer, and for Ciech weak national production numbers for April and May signal less demand for sheet glass and salt.

#### Mining

Both the copper miner KGHM and the coal miner JSW experienced lower production and sales volumes in Q2 2020 than in the corresponding year-ago period, underpinned by declining prices of their respective commodities.

#### Oil & Gas

Disastrously thin refining margins have had little effect so far on the performance of PKN Orlen and Lotos. We still view PGNiG gas as the more compelling bet, with MOL also offering more upside after June's falls.

#### Power Utilities

WIG-Energy stocks rallied in June on hopes of Poland's transition toward a more carbon-neutral economy sparked by the government. We expect further gains provided lawmakers do not start to backtrack.

#### Telecoms, Media, IT

We maintain a positive outlook for Telcos, reinforced by price hikes implemented by T-Mobile and Play, and by reports about planned mobile tower sales by Play and Cyfrowy Polsat which can help investors to realize the true value of the passive infrastructure assets owned by Polish telecoms. PLY remains our top telco pick for July. In Media, we want to highlight our bearish view on Wirtualna Polska (WPL). In IT, we are still bullish on ASE despite an over-70% share price rise since the beginning of the year.

#### Gaming

Gaming stocks enjoyed an uninterrupted upward run in June, but we see more upside potential still in Ten Square Games (TEN). 11B took a nosedive at the end of June after a disappointing investor conference. CD Projekt will most likely continue marketing efforts in the coming months to keep buzz around Cyberpunk 2077 going.

#### Industrials

The industrial sector is seeing tailwinds ahead in H2 2020 looking at recovering demand and decreasing costs of labor, commodities, and energy, combined with a weak zloty. Our top July picks are Astarta, Forte, and TIM; we would avoid Boryszew and PKP Cargo. We suspend recommendations for Stelmet as of today in view of a potential minority squeeze-out.

#### Retail

Stocks in clothing and footwear retailers retreated in June, creating an opportunity to increase positions in LPP and VRG. Our top grocery pick for July is Eurocash (EUR), and we would steer clear of Dino (DNP).

#### Key Ratings

**Positive:** AST, EBS AV, EUR, FTE, LPP, MOL, PEO, PGN, PLY, PZU, TEN, TIM, VRG

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

EU Indices	Value	1M chng	YTD chng
WIG	50,104	+3.0%	-13%
ATX	2,254	+1.4%	-29%
BUX	35,395	-1.3%	-23%
PX	924	+1.8%	-16%
WSE WIG Ind.	Value	1M	YTD
WIG20	1,772	+2.2%	-17%
mWIG40	3,548	+3.8%	-9%
sWIG80	13,575	+7.5%	+14%
Banking	4,188	+4.1%	-38%
Basic Materials	2,951	+6.4%	-4%
Chemicals	8,033	-9.3%	-4%
Clothes	3,757	-6.4%	-34%
Construction	2,813	+3.9%	+23%
Energy	1,978	+27.5%	+1%
Food	3,057	-1.1%	-2%
Gaming	32,360	+5.8%	+73%
IT	3,532	+3.4%	+25%
Media	5,037	-5.7%	-6%
Oil & Gas	5,140	-2.4%	-21%
Telecom	804	+0.2%	-8%
Top 5 / Worst 5		1M	YTD
Datawalk	151.00	+84.6%	+176%
Tauron	2.35	+82.2%	+43%
PBG	0.07	+72.5%	+360%
Mabion	41.70	+66.1%	-46%
Vivid Games	2.73	+60.6%	+121%
Ursus	0.67	-11.4%	+21%
Ciech	32.30	-12.8%	-19%
AmRest	22.35	-12.9%	-48%
Centrum NT	13.90	-20.6%	-3%
Elektrobudowa	2.20	-28.1%	-71%

#### Rating & 9M TP Changes as of 2 July

Name	Rating	9M TP
Ciech	hold ►	34.09 PLN ▼
Dino	sell ▼	155.60 PLN ►
Eurocash	buy ►	19.90 PLN ►
Grupa Azoty	hold ►	29.90 PLN ►
Lotos	hold ►	55.87 PLN ▼
LPP	accumulate ►	6900 PLN ►
MOL	accumulate ►	2158.00 HUF ►
PGNiG	buy ►	5.16 PLN ►
PKN Orlen	hold ►	67.72 PLN ►
PKP Cargo	reduce ▼	12.37 PLN ►
Santander BP	hold ▼	179.37 PLN ►
Skarbiec Holding	hold ▼	21.20 PLN ►
Stelmet	suspended ▼	-
Ten Square Games	accumulate ▼	592.00 PLN ►
VRG	accumulate ►	2.43 PLN ►

## Table of Contents

<b>1. Investing Outlook .....</b>	<b>3</b>
<b>2. Sector Strategies .....</b>	<b>5</b>
<b>3. mBank Sentiment Watch.....</b>	<b>9</b>
<b>4. Quarterly Earnings Surprises .....</b>	<b>10</b>
<b>5. Overview of Updated Earnings Expectations .....</b>	<b>13</b>
<b>6. Current Recommendations By mBank .....</b>	<b>14</b>
<b>7. Ratings Statistics .....</b>	<b>16</b>
<b>8. Calendar of Upcoming Corporate Events .....</b>	<b>16</b>
<b>9. Macroeconomic Update .....</b>	<b>17</b>
<b>10. Financial Sector .....</b>	<b>18</b>
10.1. Alior Bank .....	18
10.2. Handlowy .....	19
10.3. ING BSK .....	20
10.4. Millennium.....	21
10.5. Pekao .....	22
10.6. PKO BP .....	23
10.7. Santander Bank Polska .....	24
10.8. PZU.....	25
10.9. Skarbiec Holding .....	26
10.10. GPW .....	27
<b>11. Chemicals .....</b>	<b>28</b>
11.1. Ciech.....	28
11.2. Grupa Azoty .....	29
<b>12. Mining.....</b>	<b>30</b>
12.1. JSW .....	30
12.2. KGHM .....	31
<b>13. Oil &amp; Gas.....</b>	<b>32</b>
13.1. Lotos.....	32
13.2. MOL .....	33
13.3. PGNiG.....	34
13.4. PKN Orlen .....	35
<b>14. Power Utilities .....</b>	<b>36</b>
14.1. CEZ.....	36
14.2. Enea.....	37
14.3. Energa.....	38
14.4. PGE.....	39
14.5. Tauron.....	40
<b>15. Telecoms.....</b>	<b>41</b>
15.1. Cyfrowy Polsat .....	41
15.2. Netia .....	42
15.3. Orange Polska.....	43
15.4. Play.....	44
<b>16. Media .....</b>	<b>45</b>
16.1. Agora .....	45
16.2. Wirtualna Polska.....	46
<b>17. IT.....</b>	<b>47</b>
17.1. Asseco Poland .....	47
17.2. Comarch .....	48
<b>18. Gaming .....</b>	<b>49</b>
18.1. 11 bit studios.....	49
18.2. CD Projekt.....	50
18.3. Ten Square Games .....	51
<b>19. Industrials, Mining.....</b>	<b>52</b>
19.1. Cognor.....	52
19.2. Famur.....	53
19.3. Grupa Kęty.....	54
19.4. Kernel.....	55
19.5. PKP Cargo .....	56
<b>20. Retail .....</b>	<b>57</b>
20.1. Dino .....	57
20.2. Eurocash .....	58
20.3. Jeronimo Martins .....	59
20.4. LPP .....	60
20.5. VRG .....	61

## Investing Outlook

**We maintain a neutral stance on equities. The pace of recovery in the global economic momentum after a cataclysmic March and April seems slightly stronger than initially thought looking at the latest data, but it is not strong enough to bring world GDP to pre-pandemic levels before the end of 2021 – if that.**

**From the point of view of stock markets, however, none of this has any relevance as long as major central banks keep pumping money into their respective economies. Markets are also demonstrating resilience in the face of reports about the fast spread of coronavirus infections in the US, where state after state is having to re-impose lockdown, giving rise to renewed economic risks in the months ahead. The US's relations with China remain tense, especially after the new national security law imposed on Hong Kong.**

**The latest surveys among hedge fund managers reveal very little conviction in a swift economic recovery, and, on a related note, many market gurus are being quoted as saying that the stock market is overvalued relative to the economic fundamentals. Tesla is a good example of this with a market capitalization of \$206 billion, surpassing that of Toyota (\$202 billion), even though the former makes about 450,000 cars a year against the latter's 10+ million. The question is whether Tesla deserves the status of the world's most valuable auto maker at this stage of its growth.**

**July kicks off the second-quarter reporting season, which is set to make or break the year for many companies, helping to alleviate some of the earnings uncertainty surrounding the second half of 2020.**

**When it comes to Polish equities, Warsaw indices in July will most likely move in step with global markets without taking time to discount the outcome of the presidential run-off vote on the 12th.**

### COVID-19: A Second Wave of the Contagion in the USA

A month ago, as we were drafting our outlook for June, the daily number of new coronavirus cases globally was around 125k, including approx. 20k in the USA. South America was the key hot spot, but investors remained largely indifferent how much the region contributes to the global economy.

Today, the numbers are 170k cases globally and over 40k in the USA. The reaction to the sharp increase of incidence in the US, and its ramifications (some states have restored lockdown restrictions, demand in the restaurant business has slumped, macro recovery is at risk) came and went as markets promptly assimilated the daily infection reports as a "new normal", not least due to a low morbidity rate (with approx. 500 deaths per day). What is more, investors have been given reassurance over the recent weeks that it makes little sense to bet Covid numbers because the Federal Reserve has everything under control. Instead, markets turned their attention to economic indicators for May and June, which by and large exceeded expectations in the USA, China, and Europe (consumer demand and housing in the US, consumption in Germany, manufacturing activity in China).

From the perspective of market sentiment, the contagion in the US remains the key risk (the pandemic seems to be under control in Europe and Asia, except for some local outbreaks). In our opinion, the fast rise in new US cases will eventually result in more hospitalisations and, unfortunately,

more fatalities (most likely the numbers are poised to rise sharply in the latter part of July). If the mortality rate reverts to 1,000 deaths per day, markets are unlikely to be phased and pushed to an adverse reaction. A stronger increase could stoke concerns about the extent of state lockdowns and their adverse economic impacts. According to the White House's chief coronavirus expert, Dr. Anthony Fauci, covid incidence in the US could reach up to 100k new cases per day. According to media reports, work on a vaccine against the virus is progressing according to plan, which means the vaccine should become available in several months. Unfortunately, a vaccine is not a cure-all to all that the coronavirus has brought in its wake.

One big unknown is how the rise in infections might impact consumer behaviour and whether it will undercut the macro data for July, fuelling concerns about recovery. During the first wave of the contagion, consumption dropped less than expected, not least because people who were forced to stay at home were buying goods to improve the comfort of work and leisure at home. That demand has been partly filled and may not necessarily rebound during a second wave or under extended restrictions, especially as the US labour market remains weak. Households are still getting money from support schemes, but protracted unemployment of many American workers would sooner or later force them to economise on shopping.

### Global Economy is Recovering Faster than Expected

The observed V-shaped recovery suggests that the economy is recovering faster than initially expected by economists and faster than previously priced by the markets. That is corroborated by forward-looking indicators for both manufacturing and services in most if not all the core markets (Japan being the only negative case), as well as consumption, which is supported by aid schemes and cash being pulled from banks due to record-low interest rates.

US job numbers are still far from upbeat (though revisions like that in the ADP National Employment Report for May, to say 2.36 million jobs were added rather than 2.76 million being lost, are making it hard to get a clear picture of the situation), and this is an important conclusion in the face of a possible second wave of coronavirus infections. Europe, including Poland, is on the verge of massive redundancies (delayed by labour market regulations). One European corporation after another have announced headcount reductions, including BMW, Lufthansa, Airbus, and Commerzbank. The developments in the labour market lead us to conclude that the current recovery has fragile foundations, compounded by a high risk of declining consumer sentiment.

It seems highly unlikely if not impossible, that any government faced with a second wave of the contagion would decide to restore lockdown on the scale deployed in March and April. As a result, the only question about the macro scenario is how soon economies can bounce back to pre-crisis levels. Given the strong volatility of macro numbers over the past weeks, it is very hard to quantify the strength of the recovery. According to ISI Evercore estimates, the US GDP will drop 40% Q/Q in 2Q, and then rise by 20% Q/Q in the next two quarters, which suggests that it will bounce back to the pre-crisis level in 2021. Charles Evans, chief of Chicago Fed, is more sceptical and expects the economy not to fully recover until late 2022, with some sectors quite unable to bounce back. Evans is expecting local lockdowns to be the main roadblock to a steeper recovery trajectory.

As long as markets do not get shocked by rising inflation or a shut-down of quantitative easing, the actions or mere announcements of central banks (such as the Fed's readiness to buy commercial bonds in the event of market turbulences) are good enough of a push to buy exposure to high-risk assets, even if the economic growth trajectory turns out to be somewhat more sluggish than expected.

### **USA-China and Geopolitics**

According to the latest IMF forecasts, global trade will shrink by 11.9% in 2020, mainly due to the Covid-19 crisis. However, anti-globalisation is also on the rise due to tensions between the world's biggest powers. The anti-Chinese strategy pursued by the USA relies on consistent efforts to build an international coalition which would replace the existing supply chains. The US is focusing on co-ordinating the common international and economic policies of the core English-speaking countries which previously formed a military and intelligence alliance (Five Eye: USA, UK, Australia, Canada, New Zealand). Starting in June, their Finance Ministers are to hold regular meetings dedicated to "maintaining the stability of the global financial system." The group is to include Japan, India (engaged in a local military conflict with China), South Korea, and Vietnam (Economic Prosperity Network). These tactics are bound to provoke a response from China.

The US is turning attention to the Asia-Pacific region while relations with Europe seem to be cooler. President Trump recently announced the withdrawal of US troops (approx. one-third) from Germany, and the US is considering imposing additional tariffs (up to 100%) on European goods worth approx. EUR 3.1bn, including food products and cars. The outward reason for Washington's threats is unlawful aid for Airbus, but it is certainly no coincidence that the threats come at a time when German chancellor Angel Merkel is holding "very friendly" talks with Chinese leader Xi Jinping on their mutual economic relations. Germany has threatened to retaliate if the US imposes sanctions on companies engaged in the Nord Stream 2 project.

As we have said on prior occasions, geopolitical games played in the background of a global economic recovery will cause tensions in the coming months, remaining a key risk to stock valuations, especially since the anti-Chinese card is being played in the US Presidential campaign leading up to the November vote.

### **Earnings Season Kicks Off in the US**

Apart from current macroeconomic data, investors in the weeks ahead will be focusing on second-quarter earnings reports. Given strong volatility, everyone is probably aware that this coming reporting season is going to be packed with surprises. That is why we think investors will focus on the prospects ahead, as communicated by CEOs, rather than on Q2 numbers. Currently the expectation is for the S&P500 EPS to drop 44% in 2Q and decrease by 22% overall in 2020.

### **Presidential Election in Poland and How It May Impact the Warsaw Stock Exchange**

There is no good reason to believe that the Polish stock market is not influenced by global investor sentiment. In our opinion, the presidential election will not change that fact.

The re-election of President Andrzej Duda, will solidify the status quo. The victory of his liberal opponent, Rafał Trzaskowski, in turn could potentially represent a positive scenario for international investors in the long term. In the short term, Trzaskowski's win would undermine the stability of the government at a time when the economy requires quick decisions. A president in opposition to the ruling majority, represented by the right-wing party Prawo i Sprawiedliwość (PiS), wields veto power that PiS does not have the votes to overturn. As a result, we could see him kill economically-critical bills; otherwise, PiS would be forced to build coalitions in the Parliament, unleashing chaos that at times becomes an inherent part of Polish politics. And chaos is not something international investors are looking for.

#### **Michał Marczak**

tel. +48 22 438 24 01

[michal.marczak@mbank.pl](mailto:michal.marczak@mbank.pl)

## Sector Strategies

### Financials

- Polish banks had a relatively uneventful June in terms of a lack of new legislative or regulatory curveballs. It is interesting to note a recent prediction by Pekao executives that the sector's profit this year will most likely fall by at least 50% – a much more optimistic forecast than the NBP's anticipated fall in the range of 80%-85%.

With interest rates not likely to be reduced any further in the near future, lenders have breathing room to think about how to minimize losses under extreme circumstances. Based on hints from CEOs and on how euro-area banks handled zero rates in the past, we are anticipating a greater focus on maximizing fee income and a departure from "free" banking services (something which is factored into our current models). Some lenders might also take the route of limiting access to credit – with interest rates as low as they are, after sectoral levies, the risk-adjusted prices of certain types of loans could prove lower than bond prices. The Polish Bank Association (ZBP) is reportedly working on a credit crunch prevention plan which it expects to make public within the coming weeks.

June saw an unexpected upswing in cases against banks brought by distressed holders of Swiss franc-denominated mortgage loans after a temporary lockdown-induced lull, and with courts issuing decisions at a brisk pace this definitely adds to an already-bearish sentiment (our models assume a total cost to the sector over the next ten years associated with CHF loans of PLN 40 billion).

- July is a month of preliminary second-quarter releases which will presumably come out better than the first-quarter results, depressed by a slew of one-time charges. We expect that banks began the process of raising fees for basic products and services in Q2, however this being a gradual operation their F&C income for the quarter will probably be affected more by reduced transaction volumes in April and May.

The deadline for submitting loan moratoria applications has been officially extended until September, but we would think most borrowers will have already filed their requests. It is worth noting that the sector's risk costs did not exceed long-term averages in April, indicating relatively low provisioning levels still in Q2.

With Visa stock gaining nearly 19%, its shareholders, and Polish banks among them, can be expected to register boosts to their second-quarter trading income.

- 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 same applies to the Polish debt collector Kruk.
- The ECB decided to expand its pandemic emergency purchase program (PEPP) by EUR 600bn in June, an amount which went slightly beyond initial expectations and which provided an upward push to EU bank stocks in the past month. On top of that, the European Council might to approve the Commission's EUR 750 billion Next Generation proposal at the July meeting provided member states can resolve their differences as to allocations by then. If passed or at least green-lit for passing, the Next Generation EU funding vehicle would generate more upbeat sentiment for banks across the EU.

The ECB is also slated to release its assessment of the coronavirus pandemic's impact on the banking sector in July, a potentially useful tool for forecasting future costs of risk.

- Key Ratings:** EBS EV (buy), PEO (buy), PZU (buy), MIL (buy), ING (sell)

### Chemicals

- Chemical stocks are part of the same upward price trend as industrials as traders ignore outlook downgrades by equity analysts.
- We opt to maintain a negative view on the Polish sector due to short-term risks.
- European markets for nitrogen fertilizer have been in a downtrend since mid-June, putting downward pressure on producer profits not offset by low costs of natural gas feedstocks. For Grupa Azoty, as its plastics and chemicals business lines yield to economic pressures, this might spell a downgrade of analyst' expectations for the rest of the year.
- Ciech reported disappointing earnings results for Q1 2020, not saved by low costs of gas and coking coal fuels, and its second-quarter prospects do not look promising looking at May declines in Polish production of glass and salt – two commodities which constitute a major share of the Company's sales mix.

### Mining

- Copper markets recovered in June, driven by an economic recovery in China, the world's biggest consumer of copper, set against increasing coronavirus cases in Chile, the biggest supplier. This has resulted in a rising number of speculative trader positions. In US dollar terms copper is hovering around the \$6000/t threshold. The focus in the month ahead might be on increasing coronavirus infections in the US, and rising supply from Peru, which is the second-largest copper producer in the world. What is more, narrowing producer premiums in China might be a sign of high supply in the local market – all trends which will probably bring copper prices back down in July.
- The continuing spread of COVID-19, and a growing global monetary base, fueled an upward shift in prices of precious metals in June which might continue through July as suppliers identify cases among their employees. The potential beneficiaries include ANG SJ, GFI SJ, FRES LN, POLY LN, PLZL RX.
- KGHM did not report a material decline in copper sales in April or May, however production volumes for the two months 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 downward trend in global mining volumes. Much depends on whether the Polish miner opts to keep the coronavirus safety measures in place until the end of the year in anticipation of a second wave of infections.
- Buying activity in the seaborne coking coal market is recovering with the return from lockdown of steel plants in Europe, India, and China, and market sources are predicting a possible price rebound to \$120-130. On the



other hand, China's steel inventories have decreased at a slower rate lately, and they are still much higher than they were on average in the last five years. Note also the dip below 50 points in China's steel PMI for June, led by weaker demand from domestic buyers as production increased.

- 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 several mines due to coronavirus outbreaks, production in Q2 2020 will probably also decrease, resulting in weak earnings and a diminished cash surplus. JSW is expected to release preliminary production figures in mid-July.

As an added risk, JSW is facing a probe into its coronavirus precautions after a slew of infections among employees. In the future, workers might decide to sue over a lack of sufficient protection. Finally, the changes in shift arrangements necessitated by the pandemic can be expected to continue affecting production volumes in H2 2020.

- **Key Ratings:** JSW (sell), KGH (sell)

## Oil & Gas

- Oil sentiment remains upbeat, as confirmed by high speculative positions, supported by supply curbs in the US and OPEC+ effective enough to allow us to raise our 2020 Brent price forecast from \$30 to \$40/bbl.
- The EU gas market seems to have halted its downhill slide and we are not anticipating any further declines in spot prices before the next heating season, when they are expected to rebound thanks to reduced supply from the US anticipated by that time.
- When it comes to the outlook for retail fuel sales, we are currently seeing a general rise in mobility, resulting in increasing traffic at fuel stations in June, 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-June to January-February, 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 7% in June from 16% in May and 35% in April. The situation is improving but is still far from normal.
- In petrochemicals, margins across the whole product mix came under pressure again in June amid global oversupply as costs of crude inputs continue to rise. Historically, demand for chemicals has shown high leverage of 1.6x relative to economic growth. With 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. Hungary's MOL gets an upgrade to accumulate to reflect recent share price declines, coinciding with rising crude prices.
- **Key Ratings:** PGN (buy), MOL (accumulate)

## Power Utilities

- German power contracts have bounced back to EUR 40/MWh, driven by an upward shift in EUA prices (currently at over EUR 26/t), and ARA coal quotes. We stand by our current scenario where emission allowances retreat to EUR 18/MWh (an effect of fuel switching) and electricity drops to EUR 35/MWh for the time being, but we recognize the upside risk.
- Wit EU utilities gaining 4% in June while US stocks lost 5%, it is hard to suss out what the current sentiment is among investors. Under the current circumstances, we would guess traders are not likely to abandon their safe havens, especially in Europe, where the EU Green Deal and other programs provide an extra cushion.
- In Poland, at PLN 230-240/MWh power prices do not yet fully reflect the higher emission costs, with the clean-dark spread reduced by another 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. At the moment Polish power consumption is still about 7% lower than this time last year. 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.
- As possible additional upside, Polish utilities have commenced negotiations with the energy regulator as regards calculation of returns on regulated assets.
- WIG-Energy stocks rallied in June on hopes of Poland's transition toward a more carbon-neutral economy, sparked by public statements by top energy officials, who have also denied that Poland is planning to build a nuclear power station, or that local utilities would be forced to bail out failing coal mines. In our assessment, a committed and consistent approach to transitioning the Polish economy away from carbon would help uphold the upward trend in domestic utility stocks and their convergence toward EU benchmarks from the current, much lower levels. A transition like this would be long and fraught with obstacles, but it also seems inevitable if Poland is to remain a beneficiary of the EU's renewable energy funding programs. We opt not to resume recommendation for Polish power generators for the moment.
- **Key Ratings:** CEZ (accumulate)

## Telecoms, Media, IT

- T-Mobile Poland launched a new data plan in June in a range of sizes from 'XS' to 'L.' The plans start at PLN 35 a month for 3 GB of data for the XS option – 4 zloty less than the carrier's previous cheapest option. At first glance, the new plans look like they have been marked down across the board, however when considered on a per-gigabyte-per-month basis the rates have actually gone up considerably. For example, the new 15 GB plan tagged as size "M" is the equivalent of the old L-size plan which today costs 6 zlotys more after the revamp. Considering the rate of growth in mobile data usage (for example, Play Mobile reported a 30% surge to >9.2GB in average postpaid user traffic in Q4 2020, i.e. even before the outbreak of the COVID-19 pandemic), in our opinion T-Mobile wants to leverage this to convince customers to upgrade to the higher-priced 15GB plan. T-Mobile has constructed its refurbished data plans in a similar way as rival carrier Orange Polska (the main difference is in the second-highest data limits at 45 zloty for 8GB at T-Mobile and 7GB for the same price at Orange).

- Wasting no time, Play Mobile followed suit in June with its own new phone+data plans. Its strategy was to reduce the data limit in the cheapest offer from 7 to 3 gigabytes, cushioned by unlimited texts, without changing the price. For the most expensive plan, Play raised the price from PLN 70 to 75 for 70GB per month (versus 70GB for six months followed by a reduction to 35GB a month offered previously). The carrier also hiked the monthly rate for the HomeBox package from PLN 75 to 85. With its June price revamp, Play most likely wants to incentivize its cheapest plan users to upgrade to the next plan tier, and if it succeeds its ARPU is bound to go up amid huge data demand. Play's mid-tier plans are still cheaper per GB of data than those of most competitors.
- Krzysztof Dyl, former deputy head of the Office for Electronic Communications, took 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 deadline for the submission of offers for four reservations along the 3480-3800 MHz frequency band of April 23rd 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.
- In Media, 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 less rapidly.
- 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.
- At 16.1x 12M fwd P/E, Polish technology stocks are currently trading 13.1% above the average ratio for the last three years after earnings declines due to the coronavirus pandemic. We maintain a bullish outlook for the IT sector, expected to come out relatively unscathed from the coronavirus crisis, owing among others to low leverage (most firms currently have cash on hand or at worst they owe small amounts to banks) and regular dividends (a bonus in Poland's low interest rate environment), as Poland's economic indicators improve with the easing of lockdown restrictions.
- Key Ratings:** PLY (buy), OPL (accumulate), WPL (reduce), ASE (overweight)

## Gaming

- Covid-19's positive effect on video and mobile game sales was observed to lessen in June compared to the previous months.
- Shares in CD Projekt were trading mostly flat last month, with investors not too phased by the two-month delay of the Cyberpunk 2077 launch to November. The game has received positive early reviews from industry critics, and by further building excitement and anticipation CD Projekt should be able to keep market sentiment high in the coming months. For July we maintain a neutral stance on CDR.
- Stocks in 11 bit studios surged over 25% from the beginning of June to the day of the investor conference on the 29th, when investors were expecting to find out the latest scoop on the next big release called "Project 8." To

everyone's disappointment, all the Company had to share about Project 8 was that it would take longer than originally thought to make because of a switch to the Unreal Engine. Other upcoming launches will include an add-on to Frostpunk in 2020, and Frostpunk for mobile plus one third-party game set to be published in 2021. 11bit stock has plummeted over 20% since the 29 June letdown, and it is currently trading close to our target.

- Ten Square Games had a strong May and June in terms of mobile game sales according to preliminary Sensor Tower statistics – an effect of an increase in the marketing budget aimed at capitalizing on user acquisition opportunities. The higher spend will most likely continue to pay off in the future. TEN stock moved higher in June, and with less upside potential we are downgrading it from buy to accumulate.

- Key Ratings:** TEN (accumulate)

## Industrials

- We maintain our neutral stance on industrials, newly upgraded from negative on June 29th.
- Industrial stocks worldwide are showing bullish price momentum even as analysts cut their earnings expectations.
- For our coverage universe, the 2020 Q1 earnings season ended with positive profit surprises from 53% of rated companies, with only 7% missing the mark. The proportion of firms reporting improvement relative to the year-ago period increased to 53% from 47% in Q4 2019 and 29% in 3Q'19.
- When it comes to the second quarter, looking at Polish industrial production numbers for May, we maintain it is shaping up to be the worst reporting quarter of the year for most industrial companies, but it will probably be followed by a recovery in the second half of the year, facilitated by the zloty's weakness versus the euro, an easing of pay pressures, and lower prices of raw materials like plastics, metals, steel, natural gas, and cheaper electricity. Low interest rates can give an additional boost to Polish small- and mid-caps, including industrial stocks, with bank customers likely to shift their savings from deposits to investments.
- Our top picks for the month ahead include Astarta, benefitting from a structural shift in the Ukrainian sugar market, and trading at an unparalleled 2020-2021 FCF/EV ratio of close to 50%. The outlook for Forte seems to be improving looking at recovering business confidence indicators in the German furniture industry, slower declines in prices of wood-based panels and curbed rises in costs of wood and labor, and a weak zloty. We also favor TIM, offering one of the highest dividend yields in the sector at 7%, with its sales not affected by the coronavirus crisis thanks to a strong online presence.
- We would avoid Boryszew, which might have to raise capital after violating loan covenants.
- We are suspending recommendations for Stelmet after a substantial decrease in free-float, generating risk of a minority squeeze-out now that the majority shareholder owns 95% of all shares. We suspect that the owner might want to take the Company off the stock market.
- Key Ratings:** AST (overweight), BRS (underweight), FTE (overweight), TIM (overweight)

## Retail

- According to data by the shopping center association PRCH, footfall in the seven days between 15 and 21 June 2020 was equivalent to 71-79% of the year-ago levels, having stabilized at a similar rate as in the weeks prior.
- 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 future earnings prospects of these companies remain uncertain and depend on the rate of recovery in brick store footfall and the outcome of rent negotiations with retail property owners. Shares in LPP and VRG experienced declines in June which prompt us to upgrade our recommendations to accumulate.
- When it comes to rated grocery retailers, EUR stock fell in June on expectations of weak second-quarter results, while DNP bounced close to its all-time high on strong first-quarter figures and stakebuilding by the principal shareholder. Grocery stores were affected by lower

shopper demand in Q2 than the previous year, accompanied by rising costs incurred to adapt stores to more stringent health and safety requirements. We would take the opportunity to take profits on Dino. At the same time we would overweight EUR after the June share price decline.

- AmRest 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 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 the Company will be allowed to reopen restaurants, and as to the magnitude of revenue losses and the effectiveness of the savings measures. We will renew forecasts as soon as reasonably practicable.
- **Key Ratings:** DNP (sell), EUR (buy), LPP (accumulate), VRG (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	
miss	11	9	17	15	9	11	15	24	11	14	16	19	23	<b>194</b>
in-line	25	25	28	22	35	19	23	22	28	26	28	16	14	<b>311</b>
beat	19	23	14	23	18	32	25	19	26	26	24	33	31	<b>313</b>
<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>68</b>	<b>68</b>	<b>818</b>
miss (%)	20	16	29	25	15	18	24	37	17	21	24	28	34	<b>24</b>
beat (%)	35	40	24	38	29	52	40	29	40	39	35	49	46	<b>38</b>

Source: Companies, Bloomberg, PAP, mBank

YoY	2017				2018				2019				20	+ / =
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	
miss	24	23	20	25	27	19	19	23	23	28	23	23	33	<b>310</b>
in-line	4	8	12	2	9	11	10	7	9	11	7	8	9	<b>107</b>
beat	37	35	35	40	32	38	39	38	36	29	38	37	26	<b>460</b>
<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>68</b>	<b>68</b>	<b>877</b>
miss (%)	37	35	30	37	40	28	28	34	34	41	34	34	49	<b>35</b>
beat (%)	57	53	52	60	47	56	57	56	53	43	56	54	38	<b>52</b>



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

Sector		Poland	US	Europe
Financials	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	PEO	BAC US, MS US, VOYA US	EBS AV, BG AV, MONET CP
	Stocks To Avoid	ING	BEN US	DBK GY
	Key Catalysts	Quarterly forecasts	Closing of yield performance gap vs buyback restrictions	Chance of reaching agreement on recovery fund on EU summit
Chemicals	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own			LXS GY, ACT GY
	Stocks To Avoid	ATT, CIE		FPE3 GY
	Key Catalysts	Decrease of results in Q2'20	Weak Q2, unfavorable H2 outlook, rotation into cyclicals potential exhausted	
Mining	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own	STP	ANG SJ, GFI SJ, FRES LN, POLY LN, PLZL RX	
	Stocks To Avoid	JSW, KGH	OZL AU	
	Key Catalysts	PLN appreciation, cost inflation, decrease in production	Precious metals hike, watch out for companies from Brazil	
Oil&Gas, Refining	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	MOL, PGN	EQT US, FANG US	BP LN
	Stocks To Avoid	PKN	APA US	
	Key Catalysts	Positive sentiment on crude oil, poor downstream macro		
Utilities	SENTIMENT	BULLISH	BULLISH	NEUTRAL
	Stocks To Own	CEZ, PGE, ENA	AEE US, AEP US, EVRG US	EOAN GY, FORTUM FH, RWE GY
	Stocks To Avoid		HE US	
	Key Catalysts	Polish utilities re-rating on transition discussion	High divi yield vs bond returns	
Telecoms	SENTIMENT	BULLISH	BULLISH	NEUTRAL
	Stocks To Own	PLY, OPL	CHTR US	DTE GY, TC1 GY, DRI GY
	Stocks To Avoid			O2D GY
	Key Catalysts	Price increase, potential sale of infrastructure, good momentum in results	After a slower month marked by pro-cyclical rotation, dividends have are again the dominant support factor.	
Media	SENTIMENT	BEARISH	BEARISH	BEARISH
	Stocks To Own			PSM GY
	Stocks To Avoid	WPL	NFLX US, SPOT US, IAC US	
	Key Catalysts	Poor Q2'20, prospect of a long return to increases y/y	Excessive expectations in Internet media	
IT	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	ASE	FIS US, MA US, CRM US	DHER GY, IFX GY, SAP GY
	Stocks To Avoid		SPLK US	TMV GY, RIB GY, CYR GY
	Key Catalysts	In the long term the sector should benefit from COVID-19, low indebtedness	Rich valuations on mega-caps	
Gaming	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	TEN		
	Stocks To Avoid			
	Key Catalysts	The lockdown associated with COVID-19 supports sales of games	Strong Q2, second COVID-19 wave providing further H2'20 support	
Industrials	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	AST, FTE, TIM	CAT US, URI US	KGX GY, G1A GY, IAG LN, SIE GY
	Stocks To Avoid		ITW US, TEX US	SFC GY, VOE AV, KNEBV FH
	Key Catalysts	Improving outlook for H2'20		
Automotive	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own		GM US	VOW3 GY, BMW GY, UG FP
	Stocks To Avoid	ACG, AML, BRS, MGT, SNK	F US, TSLA US	DAI GY, ZIL2 GY, SFQ GY
	Key Catalysts	New car sales decrease in Europe, overregulated sector	Weak car sales after reopening but segment traded with premium in recovery phase	
Retail	SENTIMENT	NEUTRAL	BEARISH	NEUTRAL
	Stocks To Own	EUR, LPP, VRG		ADS GY, PUM GY, ZAL GY
	Stocks To Avoid	DNP	AMZN US	BOSS GY
	Key Catalysts	Gradual recovery of sales; high costs risk to profitability	Expensive e-comm vs "cheap" brick & mortar with problems ahead	

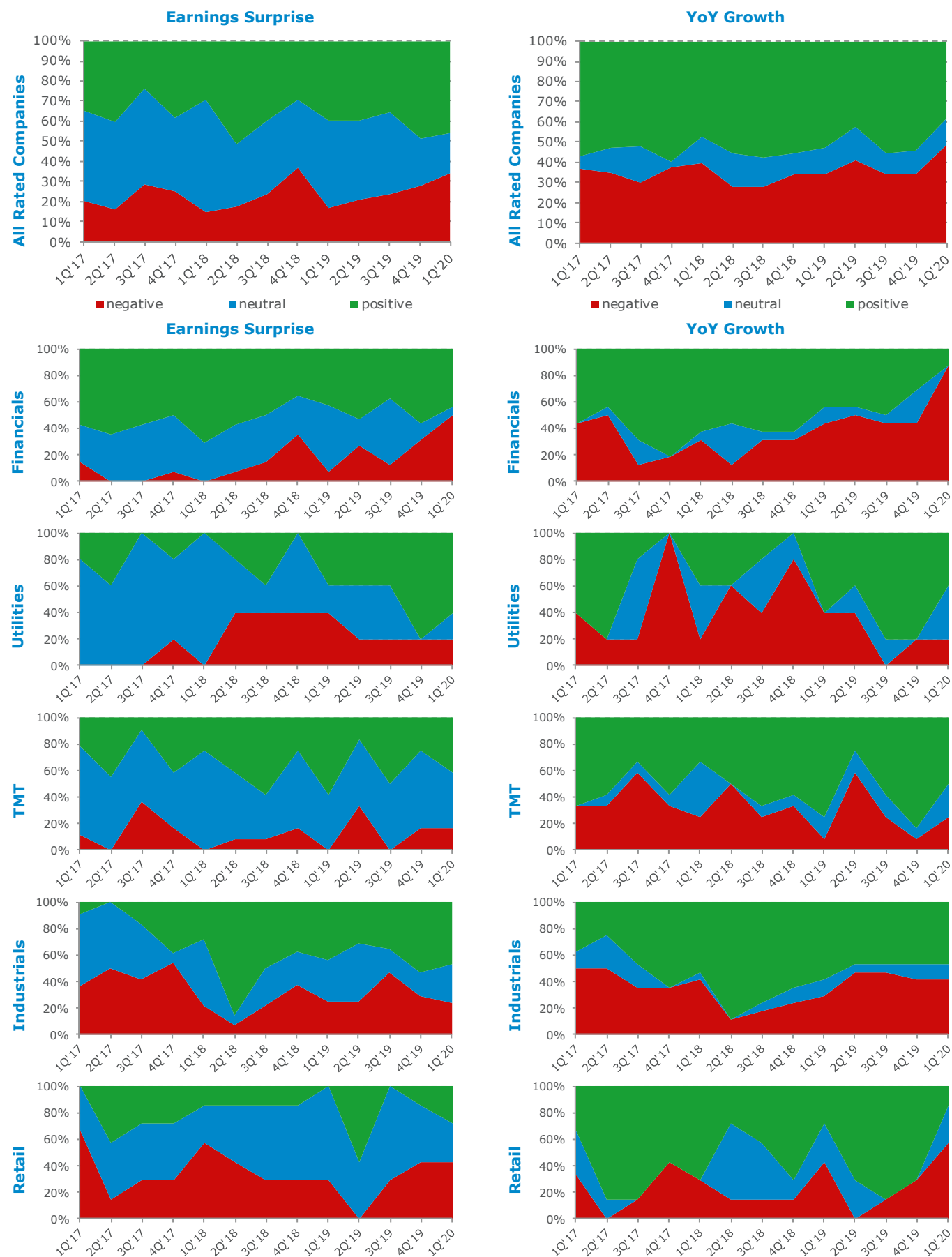
## Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017	2018	2019	20	+ / =
1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	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	+ - + -	- = - -	= - - -	- -	31%
Cognor		+ + = -	- + - +	+ +	56%
Famur	- = + +	+ + + +	+ + - -	=	75%
Forte	= = - -	= + = -	+ - + +	+ +	62%
Grupa Kęty	= = - -	= + = =	= = + +	+ +	92%
Kernel	- - - +	= - + +	- = + +	+ +	62%
Kruszwica	- - - =	+ + + +	+ + = +	=	69%
Mangata	- - - -	+ + + +	+ = + -	+ +	62%
PKP Cargo	= = = -	= + + -	= - - -	- -	54%
Pozbud		+ = + -	= + - +	+ +	60%
Stelmet	- - - +	- + + =	+ + + +	+ +	77%
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 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	+ + = -	= - = -	+ + + +	+ +	77%
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	+ + + +	+ + - -	- - + -	- -	38%
Cognor	+ + + +	+ + - -	- - - -	+ +	62%
Famur	+ + + +	+ + + +	+ + - -	- -	77%
Forte	- - - -	+ + - +	+ - + +	+ +	46%
Grupa Kęty	+ + + +	+ + + +	= + + +	+ +	100%
Kernel	- - - -	- + + +	- + = -	+ +	46%
Kruszwica	= = = +	+ + + +	+ + = +	=	92%
Mangata	= - = +	+ + + +	= + - =	- -	77%
PKP Cargo	+ + + -	+ + + +	+ - - -	- -	62%
Pozbud	- - = +	+ + + +	+ + + +	+ +	69%
Stelmet	- - + +	= + + +	+ + + +	+ +	77%
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; \*The column shows the sum of 'in-line' or 'beat quarters' in the last three years as a percentage of all quarters. Source: Companies, Bloomberg, PAP, mBank

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



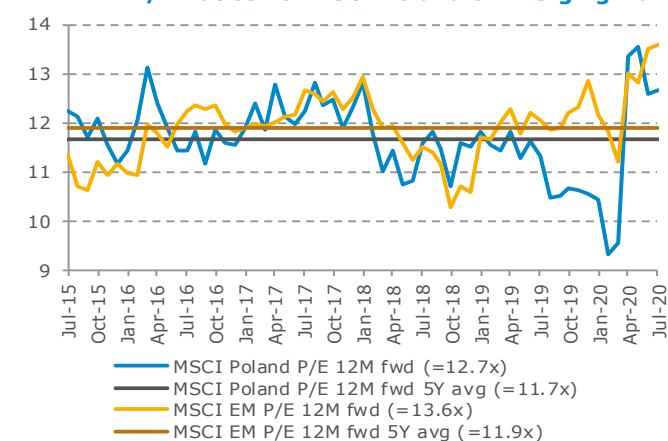
Source: Companies, Bloomberg, PAP, mBank

## Revisions To FY2020 Earnings Forecasts For WIG30 Companies

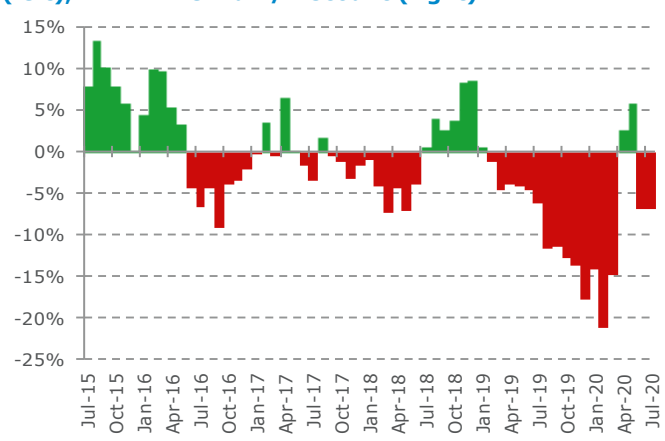
Jun-19=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank
Jul-19	-1%	+0%	-0%	-2%	-2%	+5%	-3%	+0%	-1%	+0%	-0%	+2%	+16%	+0%	-2%	+0%
Aug-19	-0%	-1%	-0%	-2%	-2%	+5%	-1%	+0%	-2%	+2%	+8%	+12%	+12%	-27%	-10%	-33%
Sep-19	-2%	-3%	-0%	-6%	-1%	+5%	-6%	+0%	-2%	+2%	+7%	+10%	+6%	-57%	-19%	-33%
Oct-19	-3%	-7%	-4%	-8%	+1%	-1%	-8%	-16%	-4%	-1%	+13%	+10%	-16%	-47%	-28%	-19%
Nov-19	-5%	-9%	-3%	-13%	-2%	+3%	-12%	-16%	-5%	-1%	+8%	+7%	-37%	-45%	-27%	-30%
Dec-19	-5%	-9%	-2%	-13%	-4%	+3%	-14%	-16%	-10%	-1%	+10%	+7%	-41%	-45%	-29%	-30%
Jan-20	-11%	-14%	-6%	-13%	-19%	-28%	-15%	-16%	-12%	-3%	+9%	+7%	-65%	+0%	-26%	-21%
Feb-20	-15%	-15%	-7%	-13%	-24%	-28%	-31%	-16%	-15%	-6%	+8%	+7%	-35%	+23%	-29%	-37%
Mar-20	-26%	-43%	-16%	-42%	-40%	-74%	-32%	-16%	-25%	-56%	+4%	-2%	-21%	+23%	-74%	-94%
Apr-20	-44%	-54%	-46%	-53%	-54%	-86%	-36%	-37%	-56%	-66%	+9%	-5%	-38%	-3%	-84%	-94%
May-20	-45%	-51%	-47%	-56%	-59%	-86%	-38%	-41%	-64%	-59%	+15%	+11%	-40%	-3%	-79%	-53%
Jun-20	-48%	-29%	-51%	-56%	-57%	+32%	-40%	-41%	-94%	-59%	+10%	+11%	-20%	-20%	-70%	-53%

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)

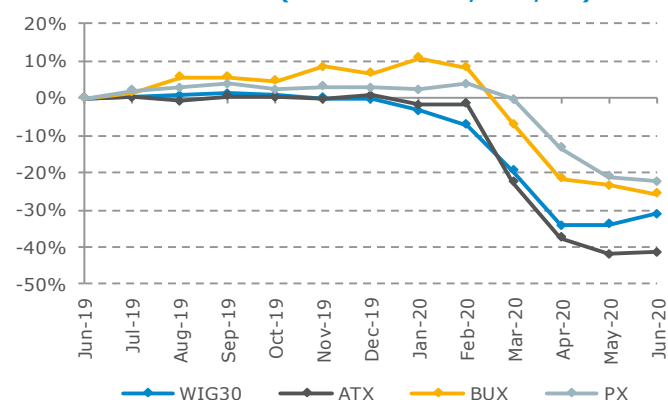


Source: Bloomberg, mBank



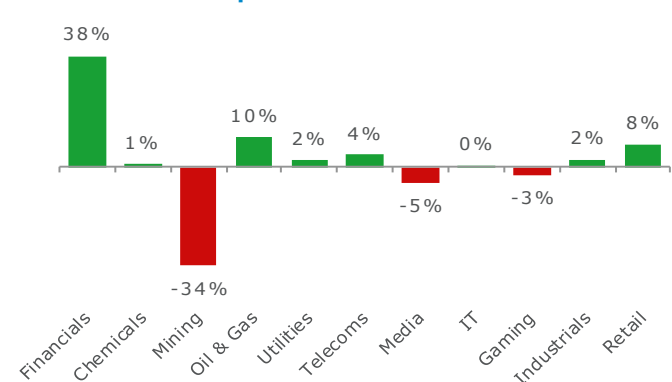
Source: Bloomberg, mBank

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



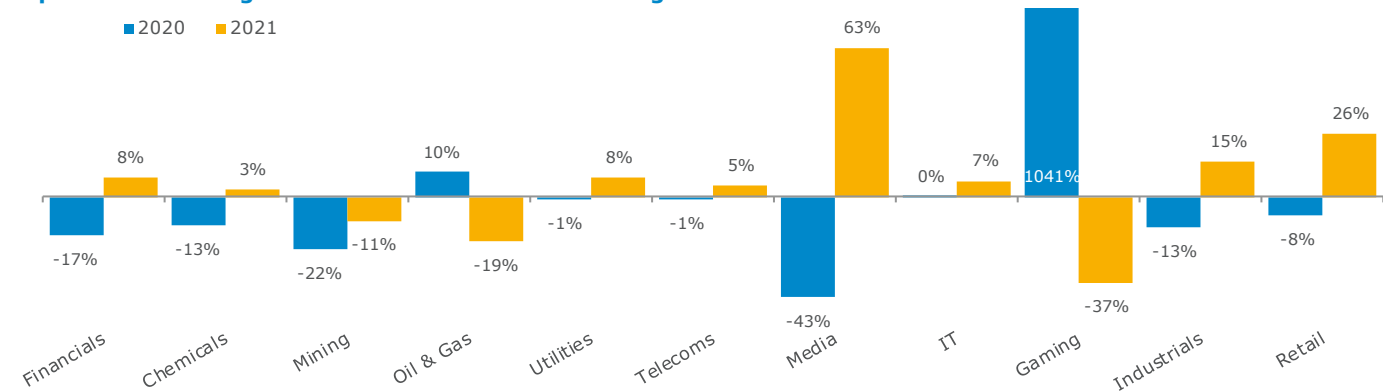
Source: Bloomberg, mBank

## 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	6	3	6	21.28	-29.6%	-	+27%	+4%				9
Handlowy	hold	37.64	2	4	5	37.92	-0.7%	-20%	-13%	-20%				4
ING BSK	sell	117.78	2	3	7	135.06	-12.8%	+2%	-6%	-12%				4
Millennium	buy	3.72	4	3	6	3.67	+1.3%	+5%	-24%	-59%				6
Pekao	buy	68.90	13	6	1	75.51	-8.8%	+3%	-7%	+15%				11
PKO BP	hold	22.58	6	13	1	27.79	-18.7%	-29%	-13%	-6%				8
Santander BP	hold	179.37	5	9	3	197.57	-9.2%	-32%	-24%	-12%				11
PZU	buy	35.93	6	4	1	38.06	-5.6%	-2%	-2%	+7%				4
GPW	hold	41.56	1	4	0	44.82	-7.3%	-4%	+0%	-1%				3/3
<b>Chemicals</b>														
Ciech	hold	34.09	5	4	2	39.88	-14.5%	-23%	-18%	-16%	-5%	-2%	-7%	6/5
Grupa Azoty	hold	29.90	2	5	1	32.04	-6.7%	-36%	-36%	-56%	-4%	-9%	-15%	1/2
<b>Mining</b>														
JSW	sell	9.78	0	3	6	11.45	-14.6%	-	-	-	+458%	+7%	-54%	3/2
KGHM	sell	62.94	3	6	8	80.00	-21.3%	-4%	-54%	-11%	-2%	-31%	-11%	10/10
<b>Oil &amp; Gas</b>														
Lotos	hold	55.87	7	6	1	71.53	-21.9%	-	-60%	-17%	-47%	-39%	-15%	8/7
MOL	accumulate	2,158.0	6	7	1	2,303.2	-6.3%	-38%	-63%	-34%	-18%	-24%	-11%	12/11
PGNiG	buy	5.23	6	3	1	4.22	+24.1%	+328%	+13%	+29%	+120%	+4%	+8%	5/5
PKN Orlen	hold	67.72	3	14	1	68.91	-1.7%	+54%	-59%	-32%	+17%	-24%	-8%	11/10
<b>Utilities</b>														
CEZ	accumulate	514.80	7	7	1	531.89	-3.2%	+1%	-20%	-33%	+1%	-1%	-1%	7/6
Energa	suspended	-	2	5	0	9.07	-	-25%	-27%	-10%	+1%	+2%	+3%	7/6
PGE	suspended	-	3	4	4	6.40	-	+21%	+23%	+9%	+10%	+23%	+6%	6/5
Tauron	suspended	-	3	6	1	1.98	-	-24%	-1%	-4%	+4%	-3%	+1%	6/5
<b>Telecoms</b>														
Cyfrowy Polsat	hold	24.10	2	9	1	28.49	-15.4%	+1%	+2%	+7%	-3%	-2%	-1%	5/4
Orange Polska	accumulate	6.90	3	9	1	6.74	+2.4%	-67%	-7%	+7%	+5%	+16%	+9%	4/2
Play	buy	35.70	9	3	1	36.22	-1.4%	-1%	-4%	-9%	-0%	-2%	-3%	8/7
<b>Media</b>														
Wirtualna Polska	reduce	63.10	4	0	2	70.02	-9.9%	-25%	+7%	+1%	-18%	-8%	-3%	4/4
<b>IT</b>														
Asseco Poland	hold	68.39	3	4	0	65.60	+4.3%	-11%	-9%	-2%	-1%	-0%	+6%	5/5
Asseco SEE	overweight	-	2	2	0	34.25	-	-1%	-3%	-	+2%	+2%	-	2/2
Comarch	hold	220.30	3	3	0	220.24	+0.0%	-32%	-13%	-12%	-10%	-9%	-7%	2/2
<b>Gaming</b>														
11 bit studios	hold	476.00	8	3	0	467.87	+1.7%	+28%	+28%	+31%	+17%	+24%	+26%	3/2
CD Projekt	hold	388.10	5	12	5	374.29	+3.7%	+37%	+12%	-16%	+25%	+4%	-23%	10/9
Ten Square Games	accumulate	592.00	10	0	1	595.70	-0.6%	-2%	+3%	-5%	-2%	+4%	-4%	9/9
<b>Industrials</b>														
Alumetal	neutral	-	4	2	0	54.80	-	-32%	+0%	+0%	-17%	-0%	-0%	2/2
Amica	neutral	-	3	2	0	143.37	-	-3%	+11%	+8%	-1%	+6%	+4%	2/2
Apator	neutral	-	1	3	0	19.50	-	-8%	-1%	-0%	-1%	+4%	-0%	2/2
Astarta	overweight	-	2	1	1	12.00	-	-	+47%	-63%	-13%	+0%	-28%	2/2
Famur	hold	2.20	1	3	1	3.05	-27.9%	-12%	-5%	+39%	-7%	+10%	+6%	3/2
Forte	overweight	-	3	3	0	19.80	-	-11%	+16%	-2%	+18%	+11%	+1%	2/2
Grupa Kęty	hold	453.70	6	4	0	427.86	+6.0%	+19%	+10%	+4%	+12%	+5%	-0%	6/6
Kemel	hold	44.58	5	1	0	55.15	-19.2%	-18%	+9%	-18%	-5%	-2%	-13%	5/5
PKP Cargo	reduce	12.37	2	3	2	15.59	-20.7%	-	-	-	-14%	-20%	-14%	3/2
<b>Retail</b>														
CCC	suspended	-	6	7	2	71.23	-	-	-	-	-	-	-	10/10
Dino	sell	155.60	7	5	7	171.57	-9.3%	+3%	+8%	+5%	+0%	+0%	+0%	10/9

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>+39.0%</b>	<b>9.8</b>	<b>9.3</b>		
Alior Bank	hold	2020-06-03	15.19	14.98	16.34	-8.3%	-	10.4		
Handlowy	hold	2020-06-03	38.00	37.64	39.20	-4.0%	22.7	17.3		
ING BSK	sell	2020-06-03	145.20	117.78	146.80	-19.8%	20.9	17.8		
Millennium	buy	2020-06-03	2.64	3.72	3.05	+22.0%	23.4	14.3		
Pekao	buy	2020-06-03	52.40	68.90	53.76	+28.2%	10.7	9.8		
PKO BP	hold	2020-06-03	22.06	22.58	23.04	-2.0%	15.7	11.7		
Santander Bank Polska	hold	2020-07-02	174.50	179.37	174.50	+2.8%	19.9	14.4		
Komerční Banka	buy	2019-12-05	792.00	928.20 CZK	552.00	+68.2%	7.3	7.0		
Moneta Money Bank	buy	2019-08-28	75.95	94.33 CZK	53.90	+75.0%	6.7	6.7		
Erste Group	buy	2020-03-04	29.44	36.61 EUR	21.05	+73.9%	5.6	5.6		
RBI	accumulate	2019-12-05	21.24	23.05 EUR	16.09	+43.3%	4.4	4.3		
OTP Bank	hold	2019-12-05	14,870	14,681 HUF	10,850	+35.3%	6.8	6.7		
PZU	buy	2020-04-28	29.92	35.93	28.92	+24.2%	9.8	8.8		
Kruk	buy	2019-12-05	150.90	210.31	105.00	+100.3%	5.9	5.7		
Skarbiec Holding	hold	2020-07-02	21.40	21.20	21.40	-0.9%	8.2	8.9		
GPW	hold	2020-05-20	40.00	41.56	42.05	-1.2%	16.0	14.5		
<b>Chemicals</b>						<b>+1.0%</b>	<b>12.5</b>	<b>7.9</b>	<b>5.9</b>	<b>6.7</b>
Ciech	hold	2020-07-02	32.30	34.09	32.30	+5.5%	10.8	7.9	5.7	4.5
Grupa Azoty	hold	2020-07-02	30.45	29.90	30.45	-1.8%	14.3	-	6.1	9.0
<b>Mining</b>						<b>-33.6%</b>	<b>12.0</b>	<b>23.8</b>	<b>5.2</b>	<b>5.0</b>
JSW	sell	2020-03-27	12.85	9.78	18.64	-47.5%	-	-	4.9	3.1
KGHM	sell	2020-06-03	88.10	62.94	92.96	-32.3%	12.0	23.8	5.5	6.8
<b>Oil &amp; Gas</b>						<b>+10.0%</b>	<b>15.0</b>	<b>9.8</b>	<b>7.8</b>	<b>4.6</b>
Lotos	hold	2020-07-02	60.14	55.87	60.14	-7.1%	-	8.5	26.3	4.8
MOL	accumulate	2020-07-02	1,821	2,158 HUF	1,821	+18.5%	-	10.9	7.4	5.2
PGNiG	buy	2020-07-02	4.63	5.23	4.63	+13.0%	15.0	10.4	5.3	4.4
PKN Orlen	hold	2020-07-02	63.28	67.72	63.28	+7.0%	-	9.3	8.3	4.5
<b>Power Utilities</b>						<b>+2.3%</b>	<b>9.3</b>	<b>4.5</b>	<b>5.1</b>	<b>4.5</b>
CEZ	accumulate	2020-06-03	489.00	514.80 CZK	503.00	+2.3%	12.4	17.4	6.8	7.6
Enea	suspended	2020-06-23	7.90	-	7.47	-	3.1	2.4	3.1	2.8
Energia	suspended	2020-06-03	8.19	-	8.08	-	10.5	8.2	5.1	4.5
PGE	suspended	2020-04-27	4.05	-	6.88	-	9.3	4.5	3.9	2.9
Tauron	suspended	2020-05-05	1.14	-	2.35	-	6.2	3.4	5.4	4.7
<b>Telecoms</b>						<b>+4.0%</b>	<b>13.5</b>	<b>16.6</b>	<b>5.6</b>	<b>5.2</b>
Cyfrowy Polsat	hold	2020-04-01	23.82	24.10	25.82	-6.7%	13.5	11.1	7.3	6.7
Netia	accumulate	2020-05-05	3.91	4.40	3.80	+15.8%	24.5	22.1	4.1	3.8
Orange Polska	accumulate	2020-06-03	6.49	6.90	6.32	+9.2%	-	31.5	5.3	4.9
Play	buy	2020-05-15	31.02	35.70	31.00	+15.2%	8.5	8.4	5.9	5.5
<b>Media</b>						<b>-5.5%</b>	<b>34.8</b>	<b>20.1</b>	<b>17.3</b>	<b>9.1</b>
Agora	hold	2020-06-03	8.36	8.60	8.18	+5.1%	-	-	20.8	7.8
Wirtualna Polska	reduce	2020-04-20	67.80	63.10	68.40	-7.7%	34.8	20.1	13.9	10.5
<b>IT</b>						<b>+0.5%</b>	<b>18.4</b>	<b>15.5</b>	<b>8.0</b>	<b>6.5</b>
Aiellon	neutral	2020-05-05	6.26	-	6.60	-	13.1	10.2	4.0	3.1
Asseco BS	neutral	2020-05-05	35.80	-	31.80	-	15.8	15.1	10.1	9.6
Asseco Poland	hold	2020-06-03	72.60	68.39	68.30	+0.1%	17.8	15.8	5.5	5.1
Asseco SEE	overweight	2020-05-05	31.40	-	39.00	-	21.3	18.6	10.1	8.8
Atende	neutral	2020-05-05	2.94	-	3.46	-	19.1	11.6	8.1	5.9
Comarch	hold	2020-05-13	210.00	220.30	217.00	+1.5%	23.9	17.1	7.9	7.1
<b>Gaming</b>						<b>-2.7%</b>	<b>22.7</b>	<b>23.6</b>	<b>19.3</b>	<b>19.7</b>
11 bit studios	hold	2020-06-03	475.00	476.00	525.00	-9.3%	43.3	79.2	28.8	45.3
CD Projekt	hold	2020-06-03	388.20	388.10	403.20	-3.7%	13.9	23.6	11.7	19.7
Ten Square Games	accumulate	2020-07-02	548.00	592.00	548.00	+8.0%	22.7	17.5	19.3	14.4
<b>Industrials</b>						<b>+2.5%</b>	<b>13.7</b>	<b>11.4</b>	<b>6.9</b>	<b>6.4</b>
AC	neutral	2020-06-29	38.50	-	40.00	-	13.6	13.5	8.6	8.5
Alumetal	neutral	2020-06-29	40.10	-	39.00	-	20.8	13.8	8.9	7.3
Amica	neutral	2020-06-29	120.00	-	124.80	-	15.3	11.4	8.1	7.1
Apator	neutral	2020-06-29	20.80	-	20.60	-	13.7	12.4	7.4	6.9
Astarta	overweight	2020-05-11	11.75	-	16.50	-	-	2.8	4.3	2.7
Boryszew	underweight	2020-06-08	3.59	-	3.53	-	65.4	12.6	8.9	7.0
Cognor	hold	2020-04-22	0.95	0.94	1.00	-6.0%	82.1	-	6.3	6.4
Famur	hold	2020-04-30	2.08	2.20	2.27	-3.1%	9.5	12.2	4.2	4.3
Forta	overweight	2020-06-29	20.25	-	20.45	-	15.0	11.3	8.1	7.1
Grupa Kęty	hold	2020-06-25	432.00	453.70	445.00	+2.0%	16.4	15.6	10.5	10.1
Kemel	hold	2020-06-03	43.80	44.58	41.50	+7.4%	9.0	6.1	5.9	5.7
Kruszwica	neutral	2020-06-29	60.40	-	59.60	-	12.1	11.3	6.9	6.5
Mangata	neutral	2020-06-29	50.50	-	51.00	-	13.3	9.1	7.0	5.8
PKP Cargo	reduce	2020-07-02	14.04	12.37	14.04	-11.9%	-	-	5.4	4.7
Pozbud	neutral	2020-06-29	1.70	-	1.68	-	6.8	7.1	5.7	5.6
Stelmet	suspended	2020-07-02	8.55	-	8.55	-	-	-	-	-
TIM	overweight	2020-06-29	10.90	-	10.95	-	12.6	10.9	6.4	5.8
<b>Retail</b>						<b>+7.4%</b>	<b>28.7</b>	<b>23.2</b>	<b>9.1</b>	<b>8.9</b>
AmRest	hold	2020-03-04	39.55	40.00	22.35	+79.0%	20.4	16.4	7.2	6.2
CCC	suspended	2020-03-19	24.98	-	59.00	-	-	-	-	-
Dino	sell	2020-07-02	199.10	155.60	199.10	-21.8%	35.2	26.3	20.9	16.3
Eurocash	buy	2020-07-02	17.34	19.90	17.34	+14.8%	-	-	6.0	5.7
Jeronimo Martins	hold	2020-06-03	15.46	15.30 EUR	15.13	+1.2%	28.7	23.2	9.1	7.7
LPP	accumulate	2020-07-02	6,110.00	6,900.00	6,110.00	+12.9%	-	22.1	24.6	10.0
VRG	accumulate	2020-07-02	2.33	2.43	2.33	+4.3%	-	50.2	-	11.3

## Stocks Re-Rated as of 2 July 2020

Company	Rating	Previous Rating	Target Price	Issued on
Ciech	hold	hold	34.09 PLN	2020-07-02
Dino	sell	reduce	155.60 PLN	2020-07-02
Eurocash	buy	accumulate	19.90 PLN	2020-07-02
Grupa Azoty	hold	hold	29.90 PLN	2020-07-02
Lotos	hold	hold	55.87 PLN	2020-07-02
LPP	accumulate	hold	6900.00 PLN	2020-07-02
MOL	accumulate	hold	2158.00 HUF	2020-07-02
PGNiG	buy	buy	5.16 PLN	2020-07-02
PKN Orlen	hold	hold	67.72 PLN	2020-07-02
PKP Cargo	reduce	hold	12.37 PLN	2020-07-02
Santander Bank Polska	hold	accumulate	179.37 PLN	2020-07-02
Skarbiec Holding	hold	accumulate	21.20 PLN	2020-07-02
Stelmet	suspended	buy	- -	2020-07-02
Ten Square Games	accumulate	buy	592.00 PLN	2020-07-02
VRG	accumulate	hold	2.43 PLN	2020-07-02

## Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
11 bit studios	hold	hold	476.00 PLN	2020-06-03
AC	neutral	neutral	- -	2020-06-29
Agora	hold	accumulate	8.60 PLN	2020-06-03
Alior Bank	hold	buy	14.98 PLN	2020-06-03
Alumetal	neutral	neutral	- -	2020-06-29
Amica	neutral	neutral	- -	2020-06-29
Apator	neutral	neutral	- -	2020-06-29
Asseco Poland	hold	hold	68.39 PLN	2020-06-03
Boryszew	underweight	underweight	- -	2020-06-08
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
Enea	suspended	suspended	- -	2020-06-23
Energia	suspended	suspended	- -	2020-06-03
Eurocash	accumulate	hold	19.90 PLN	2020-06-03
Forte	overweight	neutral	- -	2020-06-29
Grupa Kęty	hold	hold	453.70 PLN	2020-06-25
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
Kruszwica	neutral	overweight	- -	2020-06-29
Lotos	hold	reduce	60.39 PLN	2020-06-03
LPP	hold	hold	6900.00 PLN	2020-06-03
Mangata	neutral	neutral	- -	2020-06-29
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
Pozbud	neutral	neutral	- -	2020-06-29
Santander Bank Polska	accumulate	buy	179.37 PLN	2020-06-03
Skarbiec Holding	accumulate	buy	21.20 PLN	2020-06-03
Ten Square Games	buy	accumulate	592.00 PLN	2020-06-03
TIM	overweight	overweight	- -	2020-06-29
VRG	hold	hold	2.43 PLN	2020-06-03

## Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Biuro maklerskie mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	4	6.5%	1	4.8%
reduce	2	3.2%	0	0.0%
underweight	1	1.6%	1	4.8%
hold	23	37.1%	9	42.9%
neutral	10	16.1%	1	4.8%
accumulate	8	12.9%	3	14.3%
buy	10	16.1%	5	23.8%
overweight	4	6.5%	1	4.8%

## Corporate Events Calendar For July

Date	Time	Company	Event
6-Jul	9:30	<b>Protektor</b>	Teleconference with the Management Board
7-Jul	11:00	<b>Mercor</b>	Teleconference with the Management Board
20-Jul		<b>Kernel</b>	Volume data for Q4'20
22-Jul		<b>Santander</b>	Q2'20 earnings announcement
23-Jul		<b>Millennium</b>	Q2'20 earnings announcement
29-Jul		<b>Orange Polska</b>	Q2'20 earnings announcement (after market close)
29-Jul		<b>Jeronimo Martins</b>	Q2'20 earnings announcement (after market close)
30-Jul		<b>PKN Orlen</b>	Q2'20 earnings announcement
30-Jul		<b>Asseco BS</b>	Q2'20 earnings announcement
30-Jul		<b>mBank</b>	Q2'20 earnings announcement
31-Jul		<b>Erste Bank</b>	Q2'20 earnings announcement
31-Jul		<b>Moneta Money</b>	Q2'20 earnings announcement

## Macroeconomic Update

### Retail Sales

Polish retail sales rebounded by a stronger-than-forecast 7.7% in May, a pace consistent with the rate of revival in consumer spending, which was nearly 15% higher compared to April. The most noteworthy bounce was recorded in the category of furniture and household appliances, where May sales exceeded pre-pandemic levels. With households freshly refurbished, it will be interesting to see where consumers will direct their disposable income as next. If the flow of money to certain sectors is stemmed, this might find a negative reflection in future employment numbers.

Looking at the correlation between sales and consumption, we would assume consumption in the second quarter will decrease by 5%-10%.

### Industrial Production

Industrial production was down 17% in May relative to the same period a year earlier, after declines led primarily by manufacturing (-18.6% y/y) and mining (-14.3% y/y) – figures which indicate an improvement from April. Relative to May 2019, 30 out of 34 sectors experienced a contraction, most notably the automotive sector (where output was down 58%) and the leather industry (-37.7%). The slowdown in activity can be attributed to disruptions in global supply chains and different timings of post-lockdown openings. In mining, after a 27% drop in output in May relative to April, the closure in June of several mines due to coronavirus outbreaks is bound to send an even less upbeat signal with next month's release.

Producer prices accelerated their downward slide to an annual rate of 1.5% in May, in line with the market consensus.

### Jobs

Job numbers continued to fall in May, with a year-over-year decline of 3.2%, a higher loss than the 2.6% forecast by analysts, equivalent to nearly 85,000 full-time positions. This makes out to 267,000 jobs lost in the year to date. Since many of the previous lockdown restrictions began to be lifted in May, we would attribute the further declines to intervals between the time notices were given and the notice periods ended – an effect which will probably continue to boost the job loss numbers for June.

The pace of rise in salaries decelerated to 1.2% in May from 1.9% the month before, a worse result than the 1.5% growth forecast by analysts. The April wage boost was owed most likely to annual bonus payouts and overtime pay earned by employees of grocery chains, not seen on the same scale in May, which was also when pay cuts started to take effect in many cases.

The easing of social distancing and lockdown restrictions, together with job-saving programs, should help to slowly curb the rate of employment deterioration in Poland. When it comes to salaries, while their declines month to month are bound to get narrower, compared to 2019 the rates of growth in pay will be tight.

### Inflation

The inflation rate accelerated to 3.3% in June from 2.9% the month before, exceeding the 2.9% pace forecast by the market. June price drivers included upward post-covid adjustments in services which might have brought core inflation up as high as to 4.2%. There was not much change in groceries and electricity relative to May, but fuels did increase by 5.4% m/m as anticipated. Non-essential businesses from hair salons to dentists' offices, which had to stay closed during lockdown, were most likely adding covid-surcharges to their service rates once they were allowed to re-open. Prices in the travel and food service sectors also rose in June – a trend which will most likely recur throughout the summer season as more Poles opt to vacation in domestic destinations.

Looking ahead, the prospect of the inflation rate shifting downwards has become more distant, but it has not quite disappeared with 2020 creating a unique comparable base for 2021 price trends with the various kinds of crisis assistance and increased domestic travel. Further, as consumer spending remains strong, small service providers will most likely to continue adding costs of hygiene supplies and cleaning agents to our bills. At the same time, industries like air travel will lose economies of scale. We predict that Poland's inflation rate will remain below target in 2021, but it will not turn into a deflation.

### mBank Research

(M. Mazurek, M. Zdrolik, I. Łapkiewicz, A. Bała)  
[research@mbank.pl](mailto:research@mbank.pl)

## Financial Sector

### Alior Bank

hold (no change)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

Alior stock outperformed all other rated banks in June, thanks in a large part to a statement by a top executive with PZU, the Bank's principal shareholder with a 31.93% stake, that PZU's reexamination of its banking sector involvement did not include any divestments. In fact, we believe PZU might want to seek a higher share in Alior, either directly or via its other bank, Pekao (although it has not yet completely written all of the Alior goodwill off the balance sheet). Alior generated higher-than-expected net interest income in Q1 2020 thanks to lower financing costs and loan fee refunds to early payers. Looking ahead, however, the Bank's profits and value will most likely be squeezed by the May interest rate cut due to its high sensitivity to rate changes. We maintain a hold recommendation for Alior as we wait for the conclusions of PZU's review of banking investments.

**Current Price**

16.34 PLN

Downside

**9M Target Price**

14.98 PLN

-8.3%

	rating	target price	issued
unchanged	hold	14.98 PLN	2020-06-03

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	+10.7%	+7.7%
ISIN	PLALIOR00045	YTD Price Chng	-43.0%	-29.7%
Outst. Stock (m)	129.3	ADTV 1M		PLN 20.3m
MC (PLN m)	2,112.1	ADTV 6M		PLN 15.2m
		P/E 12M fwd	44.0	+267.8%
Free Float	74.8%	P/E 5Y avg	12.0	premium

#### 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	3.0	8.4	-	10.4	5.5
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			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	3,085	3,181	2,740	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 (no change)

Michał Konarski

+48 22 438 24 05

michal.konarski@mbank.pl

Handlowy has outperformed its WIG-Banks benchmark since the beginning of the year. As circumstances and business conditions shift, however, we feel it is worth pointing out the Bank's relatively high sensitivity to interest rate cuts, its loan portfolio, which includes a high share of credit extended to exporters, and its relatively large off-balance-sheet exposure – characteristics which constitute an advantage under normal conditions thanks to diversified risks and sources of fee income, but which could turn into a potential driver of losses under lockdown conditions. With this in mind, we forecast that Handlowy will report cost of risk close to 200bps in 2020. BHW remains a hold for us. The likely extra distributions to shareholders from retained earnings expected in 2021 and 2022 improve the Bank's valuation.

### Current Price

39.20 PLN

Downside

### 9M Target Price

37.64 PLN

-4.0%

	rating	target price	issued
unchanged	hold	37.64 PLN	2020-06-03

Key Metrics	BHW PW	1M Price Chng	BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	+2.9%	-0.1%
ISIN	PLBH000000012	YTD Price Chng	-24.3%	-11.0%
Outst. Stock (m)	130.7	ADTV 1M		PLN 1.8m
MC (PLN m)	5,121.9	ADTV 6M		PLN 2.3m
		P/E 12M fwd	16.4	+14.3%
Free Float	25.0%	P/E 5Y avg	14.4	premium

### 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	8.0	10.5	22.7	17.3	12.2
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	10.5%	9.5%	0.0%	6.5%	9.1%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	1,108	1,154	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 (no change)

Michał Konarski +48 22 438 24 05 [michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)

Despite recent underperformance versus the sector, ING BSK remains the most expensive CEE bank at 1.2x 2021E price-to-book – a high level for an institution expected to suffer ROE declines to 5.9% in 2020, 6.7% in 2021, and 8.5% in 2022. ING BSK generated better-than-expected results in Q1 2020, with a beat on net interest income outweighing the negative impact of interest rate cuts on the quarterly profits. Our current models for the Bank take into account higher fee income and lower trading income. Nevertheless we maintain a sell rating for ING, which is trading at a substantial premium to CEE banks despite the fact that it is set to take equally devastating losses this year due to the coronavirus crisis (-50%) as all of its competition in CEE.

<b>Current Price</b>	146.80 PLN	<b>Downside</b>
<b>9M Target Price</b>	117.78 PLN	<b>-19.8%</b>

	rating	target price	issued
unchanged	sell	117.78 PLN	2020-06-03

Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	+1.4%	-1.6%
ISIN	PLBSK0000017	YTD Price Chng	-26.1%	-12.8%
Outst. Stock (m)	130.1	ADTV 1M		PLN 2.4m
MC (PLN m)	19,098.7	ADTV 6M		PLN 2.7m
		P/E 12M fwd	16.9	+10.5%
Free Float	25.0%	P/E 5Y avg	15.3	premium

### 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	12.5	11.5	20.9	17.8	13.4
P/B	1.4	1.3	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			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	3,760	4,294	4,388	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 (no change)

Michał Konarski +48 22 438 24 05 [michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)

Millennium's share performance relative to other domestic banks has been weak even after a 20% rebound in June, due mainly to concerns over NII and provisioning which we think might be overplayed. After lower-than-expected expenses incurred in the first quarter, we revised downward our future cost forecasts for Millennium. The legal representatives of Polish franc loan borrowers increased their activity in June – a bad sign for Millennium with its large CHF loan portfolio, though on the upside the potential lawsuits will not yet weigh on the results for Q2 2020. We value MIL at 0.5x price-to-book based on low ROE and a lack of dividends, but our 3.72 zloty target price still implies enough upside potential to warrant a buy recommendation.

<b>Current Price</b>	3.05 PLN	<b>Upside</b>
<b>9M Target Price</b>	3.72 PLN	<b>+22.0%</b>

	rating	target price	issued
unchanged	buy	3.72 PLN	2020-06-03

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	+19.0%	+16.0%
ISIN	PLBIG0000016	YTD Price Chng	-47.9%	-34.5%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 15.2m
MC (PLN m)	3,700.0	ADTV 6M		PLN 9.6m
		P/E 12M fwd	12.3	+4.7%
Free Float	50.0%	P/E 5Y avg	11.7	premium

### 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	4.9	6.6	23.4	14.3	12.2
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 (no change)

Michał Konarski +48 22 438 24 05 [michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)

Pekao has been one of WIG-Banks's worst underperformers this year – an effect of top management reshuffling and media speculation about the Bank's possible involvement in industry consolidation. What is more, Pekao is still 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 reduced interest revenues with non-interest income, which in 2019 was reported to grow 35%, and by raising fees and commissions. In addition, Pekao is set to downsize and further scale 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. We continue to tag PEO as our top financial sector pick.

<b>Current Price</b>	53.76 PLN	<b>Upside</b>
<b>9M Target Price</b>	68.90 PLN	<b>+28.2%</b>

	rating	target price	issued
unchanged	buy	68.90 PLN	2020-06-03

Key Metrics	PEO PW	1M Price Chng	PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	+1.4%	-1.6%
ISIN	PLPEKAO000016	YTD Price Chng	-46.5%	-33.1%
Outst. Stock (m)	262.5	ADTV 1M		PLN 85.1m
MC (PLN m)	14,110.4	ADTV 6M		PLN 84.3m
		P/E 12M fwd	10.6	-21.5%
Free Float	67.2%	P/E 5Y avg	13.5	discount

### 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	6.2	6.5	10.7	9.8	6.8
P/B	0.6	0.6	0.6	0.6	0.6
ROE	9.9%	9.4%	5.5%	5.9%	8.5%
DPS	7.90	6.60	0.00	9.96	4.11
DYield	14.7%	12.3%	0.0%	18.5%	7.6%
Forecast Update (% change)		2020P	2020P	2021P	
Net interest income		0.0%	0.0%	0.0%	
Fee income		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Provisioning		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	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 (no change)

Michał Konarski +48 22 438 24 05 [michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)

PKO stock has again settled close to our target after a period of volatile sessions. Our current models for the Bank take into account the latest rate cuts and expectations of mitigating increases in fees and commissions. The 2020 first-quarter profits of most Polish banks were depressed by big one-time charges which are not likely to recur to the same extent in the second quarter except for likely provisioning for CHF borrower lawsuits. Risk reserves will most likely go up faster toward the end of the year, once loan payment moratoria granted under coronavirus relief start to expire. As regards dividends, after withholding payout in 2020, PKO will probably tap retained earnings from 2018 and 2019 to pay higher dividends in 2021 and 2022. We maintain a hold rating for PKO,

<b>Current Price</b>	23.04 PLN	<b>Downside</b>
<b>9M Target Price</b>	22.58 PLN	<b>-2.0%</b>

	rating	target price	issued
unchanged	hold	22.58 PLN	2020-06-03

Key Metrics	PKO PW	1M Price Chng	PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	+2.6%	-0.4%
ISIN	PLPKO0000016	YTD Price Chng	-33.1%	-19.8%
Outst. Stock (m)	1,250.0	ADTV 1M		PLN 114.1m
MC (PLN m)	28,800.0	ADTV 6M		PLN 96.6m
		P/E 12M fwd	11.2	-9.8%
Free Float	70.6%	P/E 5Y avg	12.5	discount

### 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	7.7	7.1	15.7	11.7	9.3
P/B	0.7	0.7	0.7	0.7	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	2.4%	5.8%	0.0%	9.0%	9.6%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	9,353	10,279	9,801	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 hold (downgraded)

Michał Konarski +48 22 438 24 05 [michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)

We downgrade SPL from accumulate to hold after a June share price increase. Santander Bank Polska's higher-than-expected net interest income for Q1 2020 served as a mitigating factor when we were revising downward our earnings forecasts to reflect the expected impacts of the May rate cut. On top of that, we see the Bank as hiking its fees and commissions 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 by distributing earnings retained in 2018 and 2019. 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. Performance-wise, the potential positive surprise is already priced in at the current level.

<b>Current Price</b>	174.50 PLN	<b>Upside</b>
<b>9M Target Price</b>	179.37 PLN	<b>+2.8%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>179.37 PLN</b>	<b>2020-07-02</b>
<b>old</b>	<b>accumulate</b>	<b>179.37 PLN</b>	<b>2020-06-03</b>
<b>Key Metrics</b>		<b>SPL PW</b>	<b>vs. WIG</b>
Ticker	SPL PW	1M Price Chng	+5.8% +2.8%
ISIN	PLBZ000000044	YTD Price Chng	-43.2% -29.9%
Outst. Stock (m)	102.1	ADTV 1M	PLN 21.9m
MC (PLN m)	17,814.4	ADTV 6M	PLN 21.5m
		P/E 12M fwd	12.4 -9.6%
Free Float	31.7%	P/E 5Y avg	13.7 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	7.4	8.3	19.9	14.4	10.3
P/B	0.7	0.7	0.7	0.7	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	1.8%	11.3%	0.0%	9.3%	9.9%
<b>Forecast Update (% change)</b>		<b>2020P</b>	<b>2021P</b>	<b>2022P</b>	
Net interest income		0.0%	0.0%	0.0%	
Fee income		0.0%	0.0%	0.0%	
Total costs		0.0%	0.0%	0.0%	
Provisioning		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	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)

Michał Konarski +48 22 438 24 05 [michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)

PZU has been a top performer among financial institutions since the coronavirus outbreak – a mark of its defensive qualities. Quarantine lockdown will most likely curtail 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 non-life insurance business was about to decelerate anyway even before the coronavirus outbreak due to a high market penetration rate. 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 its banking business and its squeezed profitability after three interest rate cuts this year. On top of that, PZU's investments are bound to perform far worse in 2020 in terms of income generation, in particular when it comes to the gains from equities and real estate. Looking at current bond yields, to achieve decent investment returns will be a challenge, which, however, can be tackled by further building stakes in the banking sector – a strategy which PZU itself seems to be considering if a recent chat with one of its top executives is anything to go by. We believe PZU's weak first-quarter results were a temporary setback, and we expect them to bounce back in Q2. The unexpected PLN 516m goodwill write-off affecting the investment in Alior Bank recognized in the first quarter still leaves PLN 200m-worth of elbowroom within our current forecasts for unexpected charges in the future.

#### 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>

#### 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>	

<b>Current Price</b>	28.92 PLN	<b>Upside</b>
<b>9M Target Price</b>	35.93 PLN	<b>+24.2%</b>

	rating	target price	issued
<b>unchanged</b>	<b>buy</b>	<b>35.93 PLN</b>	<b>2020-04-28</b>

Key Metrics	PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng -2.7% -5.7%
ISIN	PLPZU0000011	YTD Price Chng -27.8% -14.4%
Outst. Stock (m)	863.5	ADTV 1M PLN 83.4m
MC (PLN m)	24,973.1	ADTV 6M PLN 79.8m
		P/E 12M fwd 9.4 -16.7%
Free Float	64.8%	P/E 5Y avg 11.3 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
<b>Net income</b>	<b>3,213</b>	<b>3,295</b>	<b>2,555</b>	<b>2,853</b>	<b>3,090</b>
P/E	7.8	7.6	9.8	8.8	8.1
P/B	1.7	1.5	1.3	1.3	1.2
ROE	21.7%	21.2%	14.6%	14.9%	15.4%
DPS	2.70	2.80	0.00	2.37	2.64
DYield	9.3%	9.7%	0.0%	8.2%	9.1%
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%
<b>Net income</b>			<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</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

## Skarbiec Holding hold (downgraded)

Michał Konarski +48 22 438 24 05 [michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)

We downgrade Skarbiec Holding from accumulate to hold to reflect recent share price gains, with the price target unchanged at PLN 21.20. Our current models for the asset manager reflect the latest 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 AUM contraction. Nevertheless we still believe Skarbiec can offer dividend yield of 17% this year on stellar FY2019 earnings, followed by lower yields of 8%-10% in subsequent years unless DPS is reduced to acquire, for example, a fund distributor.

<b>Current Price</b>	21.40 PLN	<b>Downside</b>
<b>9M Target Price</b>	21.20 PLN	<b>-0.9%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>21.20 PLN</b>	<b>2020-07-02</b>
<b>old</b>	<b>accumulate</b>	<b>21.20 PLN</b>	<b>2020-06-03</b>
Key Metrics		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+11.2% +8.2%
ISIN	PLSKRBH00014	YTD Price Chng	+12.6% +26.0%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.1m
MC (PLN m)	146.0	ADTV 6M	PLN 0.1m
		P/E 12M fwd	8.7 +20.8%
Free Float	25.4%	P/E 5Y avg	7.2 premium

### 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	4.7	11.3	8.2	8.9
P/B	1.4	1.3	1.4	1.3
ROE	30.3%	12.0%	16.3%	15.3%
DPS	4.45	0.50	3.69	1.80
DYield	20.8%	2.3%	17.3%	8.4%
Forecast Update (% change)		2020P	2021P	2022P
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)

Mikołaj Lemańczyk +48 22 438 24 07 mikolaj.lemanczyk@mbank.pl

As operator of the Warsaw Stock Exchange, GPW has directly benefitted from the global equity market turmoil of the last few months, which in March and April drove trading volumes to record highs. 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, and the TGE energy exchange as well delivered solid performance in the first quarter of 2020. Prospects for Q2 2020 look good judging by fund flows in April and May, with individual investors still generating more trading activity than their usual averages. In fact, trading volumes have been strong enough this year that we might raise our FY2020 revenue forecast for GWP is this continues through the third quarter. That being said, at 14.5x P/E GPW is currently trading at an all-time high from which there is no more upside in our view given that the national exchange operator cannot ever be targeted for acquisition. We maintain a hold rating for GPW with an unchanged target price of PLN 41.56 per share.

<b>Current Price</b>	42.05 PLN	<b>Downside</b>
<b>9M Target Price</b>	41.56 PLN	<b>-1.2%</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 +5.1% +2.1%
ISIN	PLGPW0000017	YTD Price Chng +7.0% +20.4%
Outst. Stock (m)	42.0	ADTV 1M PLN 2.3m
MC (PLN m)	1,764.9	ADTV 6M PLN 2.3m
EV (PLN m)	1,742.9	EV/EBITDA 12M fwd 9.9 +31.1%
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	9.6	14.8	16.0	14.5	14.2
P/B	2.0	2.0	2.0	2.0	1.9
EV/EBITDA	8.9	8.5	9.1	9.6	9.2
DPS	2.20	3.18	2.40	2.50	2.60
DYield	5.2%	7.6%	5.7%	5.9%	6.2%
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 (reiterated)

Jakub Szkopek +48 22 438 24 03 [jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)

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 spot market. We have lowered expectations for second-quarter profits due to the negative impact of the coronavirus crisis on the Organic and Silicates Divisions, reflected in falling Polish production of sheet glass and salt reported in April and May. In light of current uncertainty, we lower our 2021 price forecast for soda ash by 4%, and we assume prices next year will drop by 4%. 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. After cutting the 2021 soda ash price forecast, we also lower our target price for Ciech to PLN 34.09 with an unchanged hold rating.

<b>Current Price</b>	32.30 PLN	<b>Upside</b>
<b>9M Target Price</b>	34.09 PLN	<b>+5.5%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>34.09 PLN</b>	<b>2020-07-02</b>
<b>old</b>	hold	38.94 PLN	2020-05-29
Key Metrics		CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-12.8%
ISIN	PLCIECH000018	YTD Price Chng	-18.6%
Outst. Stock (m)	52.7	ADTV 1M	PLN 2.6m
MC (PLN m)	1,702.2	ADTV 6M	PLN 2.7m
EV (PLN m)	3,401.3	EV/EBITDA 12M fwd	5.2
Free Float	33.0%	EV/EBITDA 5Y avg	5.7 discount

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	3,673	3,549	3,171	3,429	3,567
EBITDA adj.	633	663	600	671	680
EBITDA margin	17.2%	18.7%	18.9%	19.6%	19.1%
EBIT adj.	358	353	275	295	312
Net income adj.	166	187	158	182	199
P/E adj.	10.2	9.1	10.8	9.4	8.6
P/B	0.9	0.9	0.8	0.7	0.7
EV/EBITDA adj.	5.0	4.8	5.7	4.9	4.6
DPS	7.50	0.00	0.00	0.90	1.72
DYield	23.2%	0.0%	0.0%	2.8%	5.3%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	-6.3%	-6.4%
Net income			0.0%	-16.2%	-15.5%
Soda price (US \$/t)			0.0%	-4.0%	-4.0%
Soda Ciech (PLN/t)			0.0%	-4.0%	-4.0%
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	2021P
EBITDA. Soda Div.	540	488	554	577	583
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	671	680
<b>Operating cash flow</b>	<b>454</b>	<b>532</b>	<b>555</b>	<b>616</b>	<b>623</b>
D&A	275	310	325	376	368
Working capital	-97	56	7	-5	-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>-251</b>
Dividends/Buyback	-395	0	0	-47	-91
FCF	-170	174	-145	234	301
FCF/EBITDA	-26%	30%	-24%	35%	44%
OCF/EBITDA	69%	92%	92%	92%	92%

#### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	+	+
Soda Price (\$/t)	258	247	247	247	247	247	247	247	247	247	247
Soda Price (PLN/t)	896.0	858.4	861.4	861.4	861.4	861.4	861.4	861.4	861.4	861.4	861.4
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	3,429	3,567	3,598	3,620	3,635	3,649	3,665	3,680	3,696	3,717
EBITDA	600	671	680	671	659	646	635	623	611	599	587
EBITDA margin	18.9%	19.6%	19.1%	18.7%	18.2%	17.8%	17.4%	17.0%	16.6%	16.2%	15.8%
EBIT	275	295	312	304	297	293	271	253	235	220	205
Tax	52	50	54	54	53	53	48	45	42	39	36
CAPEX	-699	-383	-323	-334	-351	-364	-356	-367	-373	-379	-382
Working capital	7	-5	-2	-1	0	0	0	0	0	0	0
FCF	-145	234	301	283	254	229	230	211	196	181	170
PV FCF	-140	212	256	224	188	159	149	127	111	95	
WACC	6.5%	6.7%	6.8%	6.8%	6.9%	6.9%	6.9%	6.9%	7.0%	7.0%	7.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	4,831	5,046	5,105	5,207	5,251
Fixed assets	3,559	3,734	4,109	4,118	4,074
Equity	1,970	1,978	2,136	2,270	2,378
Minority interests	0	-1	-1	-1	-1
Net debt	1,464	1,490	1,700	1,579	1,430
Net debt/EBITDA (x)	2.2	2.6	2.8	2.4	2.1
Net debt/Equity (x)	0.7	0.8	0.8	0.7	0.6

#### Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	3.2	3.9	3.2	5.2	5.0	4.3
Maximum	118.7	23.4	18.3	16.9	11.1	10.3
Median	13.7	13.1	10.0	8.1	6.3	5.9
Weight	17%	17%	17%	17%	17%	17%

#### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,381
Net debt	1,490
Other adj.	-202
Value per share (PLN)	28.05

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	36.08
DCF Val.	50%	28.05
Implied Price		32.07
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>34.09</b>



## Grupa Azoty hold (reiterated)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

European fertilizer markets are weak, affecting the 2020 second-half outlook of producers which might be additionally undercut by a seasonal rebound in costs of natural gas inputs. Based on the latest trends, we are having to revise downward our 2020 price expectations for urea and ammonium nitrate by 4% and 5%, respectively, and as a result we reduce Grupa Azoty's Fertilizer EBITDA target by 15% to PLN 805m. On the upside, we now have a more positive outlook for the Plastics business, reflected in an upward EBITDA revision from PLN 4m to PLN 15m, along with an increase in the expected EBITDA from Chemicals from PLN 161m to PLN 171m. All told, our new FY2020 total EBITDA estimate has been reduced by 5% to PLN 1,152m. In 2021, after further profit declines in Fertilizers, we predict annual EBITDA might decrease to PLN 1,130m. Grupa Azoty is expected to generate negative free cash flow of a combined PLN 2.6bn in the next three years, and as such it is a less attractive investment than other chemical stocks. We raise our target price for ATT from PLN 28.42 to PLN 29.90 per share with a reiterated hold recommendation.

Current Price

30.45 PLN

Downside

9M Target Price

29.90 PLN

-1.8%

	rating	target price	issued
new	hold	29.90 PLN	2020-07-02
old	hold	28.42 PLN	2020-04-17
Key Metrics		ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-9.2% -12.2%
ISIN	PLZATRM00012	YTD Price Chng	+4.0% +17.4%
Outst. Stock (m)	99.2	ADTV 1M	PLN 3.2m
MC (PLN m)	3,020.5	ADTV 6M	PLN 3.4m
EV (PLN m)	7,373.7	EV/EBITDA 12M fwd	6.1 -1.0%
Free Float	29.0%	EV/EBITDA 5Y avg	6.2 discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	9,999	11,308	9,607	10,409	10,763
EBITDA adj.	805	1,496	1,152	1,130	1,204
EBITDA margin	8.1%	13.2%	12.0%	10.9%	11.2%
EBIT adj.	122	685	347	290	327
Net income adj.	43	431	174	126	134
P/E adj.	70.9	7.0	17.3	24.0	22.5
P/B	0.5	0.4	0.4	0.4	0.4
EV/EBITDA adj.	7.3	4.3	6.4	7.5	7.9
DPS	1.20	0.00	0.00	0.00	0.00
DYield	3.9%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		-4.9%	+17.6%	+11.0%	
Net income		-17.7%	-	+223.2%	
Urea price (PLN/t)		-4.4%	-0.2%	-0.6%	
Ammonium Nitrate price (PLN/t)		-5.3%	-0.2%	-0.7%	
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%
Melamine (PLN/t)		+3.7%	-5.0%	0.0%	
Polyamide 6 (PLN/t)		+14.6%	+7.6%	+5.0%	
Propylene (PLN/t)		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Fertilizers	82	965	805	634	632
EBITDA, Plastics	192	66	15	45	83
EBITDA, Chemicals	282	208	171	212	247
EBITDA, Energy	94.0	102.3	97.4	160.9	149.3
EBITDA, Other	114	83	63	78	93
<b>Operating cash flow</b>	<b>1,043</b>	<b>2,033</b>	<b>1,198</b>	<b>1,075</b>	<b>1,168</b>
D&A	683	811	805	840	877
Working capital	155	636	72	-34	-15
<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>79</b>	<b>1,009</b>	<b>831</b>
Dividends/Buyback	-119	0	0	0	0
FCF	-1,158	883	-761	-998	-870
FCF/EBITDA	-151%	62%	-66%	-88%	-72%
OCF/EBITDA	136%	143%	104%	95%	97%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Urea price (PLN/t)	1,530	1,519	1,526	1,526	1,526	1,526	1,526	1,526	1,526	1,534	1,542
AN price (PLN/t)	1,250	1,260	1,267	1,267	1,267	1,267	1,267	1,267	1,267	1,274	1,280
NGas cost (PLN/m3)	560	696	830	830	830	830	830	830	830	830	830
Revenue	9,607	10,409	10,763	12,097	12,298	12,462	12,581	12,702	12,791	12,918	13,045
EBITDA	1,152	1,130	1,204	1,629	1,629	1,617	1,598	1,591	1,578	1,595	1,614
EBITDA margin	12.0%	10.9%	11.2%	13.5%	13.2%	13.0%	12.7%	12.5%	12.3%	12.4%	12.4%
EBIT	347	290	327	453	480	539	565	572	546	558	576
Tax	40	23	22	30	25	39	47	51	47	51	55
CAPEX	-1,945	-2,071	-2,037	-526	-765	-804	-862	-878	-917	-981	-1,038
Working capital	72	-34	-15	-56	-9	-7	-5	-5	-4	-5	-5
FCF	-761	-998	-870	1,016	831	766	684	657	609	560	0
PV FCF	-738	-914	-754	823	627	543	453	407	353	303	
WACC	6.4%	6.1%	5.9%	6.2%	6.5%	6.5%	6.5%	6.6%	6.6%	6.7%	6.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	14,160	15,479	15,455	16,940	18,173
Fixed assets	9,886	10,705	11,849	13,084	14,252
Equity	6,703	7,036	7,219	7,345	7,479
Minority interests	625	658	878	885	896
Net debt	2,226	2,807	3,475	4,611	5,649
Net debt/EBITDA (x)	2.9	2.0	3.0	4.1	4.7
Net debt/Equity (x)	0.3	0.4	0.5	0.6	0.8

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	10.9	9.1	8.5	5.6	5.1	4.7
Maximum	111.9	21.5	16.7	9.2	8.4	7.7
Median	19.3	10.8	9.6	8.2	6.2	6.1
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	7,032
Net debt	2,596
Other adjustments	-658
Value per share (PLN)	38.09

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	18.17
DCF Val.	50%	38.09
Implied Price		28.13
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>29.90</b>

## Mining

### JSW

sell (no change)

Jakub Szkopek +48 22 438 24 03 [jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)

Global steel demand is set to slump dramatically in the coming months, led by reduced orders from the transport industry, which accounts for 25% of total demand, following plant closures by automakers like VW, PSA, Daimler, and BMW. 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 suppliers, including coke producers like JSW. 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. We maintain a sell rating for JSW.

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Total coal output (kt)	15,019	14,762	14,200	14,859	14,986
Coking coal (kt)	10,351	10,208	10,104	10,647	10,888
Coking coal (% of total)	69%	69%	71%	72%	73%
Thermal coal (kt)	4,668	4,554	4,096	4,212	4,098
Coke (kt)	3,559	3,170	2,500	3,200	3,400
<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%

<b>Current Price</b>	18.64 PLN	<b>Downside</b>
<b>9M Target Price</b>	9.78 PLN	<b>-47.5%</b>

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

Key Metrics	JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng +6.5% +3.5%
ISIN	PLJSW0000015	YTD Price Chng -12.8% +0.5%
Outst. Stock (m)	117.4	ADTV 1M PLN 27.2m
MC (PLN m)	2,188.6	ADTV 6M PLN 20.4m
EV (PLN m)	2,966.5	EV/EBITDA 12M fwd 7.8 +168.1%
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	4.0	-	-	-
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA adj.	-	0.7	4.9	3.1	3.2
DPS	0.00	1.71	0.00	0.00	0.00
DYield	0.0%	9.2%	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%

#### 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 (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

Prices of industrial metals firmed in May and June on more upbeat data from China, where the local steel inventory was reported to decrease, accompanied by recovering car sales, supported 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 and May indicate declining volumes across all global mine locations, due most likely to the implementation of coronavirus-related health and safety measures, giving rise to expectations of a possible downward revision to the 2020 production guidance. We maintain a sell rating for KGH.

### Current Price

92.96 PLN

Downside

### 9M Target Price

62.94 PLN

-32.3%

	rating	target price	issued
unchanged	sell	62.94 PLN	2020-06-03

Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+6.3% +3.3%
ISIN	PLKGHM000017	YTD Price Chng	-2.7% +10.6%
Outst. Stock (m)	200.0	ADTV 1M	PLN 58.3m
MC (PLN m)	18,592.0	ADTV 6M	PLN 59.0m
EV (PLN m)	24,500.1	EV/EBITDA 12M fwd	5.2 +9.3%
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.	9.8	8.3	12.0	23.8	12.4
P/B	1.0	0.9	0.9	0.8	0.8
EV/EBITDA adj.	5.2	4.9	5.5	6.8	5.3
DPS	0.00	0.00	0.00	1.55	1.95
DYield	0.0%	0.0%	0.0%	1.7%	2.1%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA adj.		0.0%	0.0%	0.0%	
Net income adj.		0.0%	0.0%	0.0%	
Copper price (\$/t)		0.0%	0.0%	0.0%	
Silver price (\$/oz)		0.0%	0.0%	0.0%	
Molybdenum price (\$/t)		0.0%	0.0%	0.0%	
Copper output (kt)		0.0%	0.0%	0.0%	
Silver output (t)		0.0%	0.0%	0.0%	
Molybdenum output (mmb)		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Cu Output, PL (kt)	385	418	401	385	384
Cu Output, Int (kt)	79	77	75	77	77
Sierra Gorda (kt)	53	60	75	80	82
Ag output (tonnes)	1,205	1,417	1,433	1,390	1,390
Au output (ozt k)	174	220	207	210	212
<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 & Gas

### Lotos

#### hold (reiterated)

Kamil Kliszczyk

+48 22 438 24 02

kamil.kliszczyk@mbank.pl

We are prompted to downgrade our refining margin forecasts for 2020 and 2021 to reflect the persistently low levels observed so far this year, alongside a negative Urals/Brent pricing differential. After a reduction by \$1.5/bbl in the average expected benchmark (driven mainly by the negative heavy-sour crude price spread), we are having to lower our segmental LIFO EBITDA estimate for Lotos's Downstream business by PLN 0.4bn. After adjusting our models further to assume higher market prices of crude oil (raised from \$30 to \$40/bbl), we cut our target price for Lotos to PLN 55.87, a value which still indicates a hold recommendation. With refining fundamentals still challenging, a possible upside catalyst in the coming months could be provided by a takeover bid by PKN Orlen, assuming Reuters was correct in reporting that the company was about to get a green light to proceed with the deal from the European Commission. The tender offer will most likely use the statutory benchmark of 3M/6M VWAP, currently at PLN 60-65. We would not expect PKN to offer a huge premium considering how over-optimistic the original expectations as to Lotos's earnings potential have turned out to be. What is more, due to planned capital investment, Lotos's future FCF is at risk of turning negative. Finally, LTS stock is still trading at a premium to PKN Orlen (8% to 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

60.14 PLN

Downside

#### 9M Target Price

55.87 PLN

-7.1%

	rating	target price	issued
new	hold	55.87 PLN	2020-07-02
old	hold	60.39 PLN	2020-06-03
Key Metrics		LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	+0.0%
ISIN	PLLOTOS00025	YTD Price Chng	-28.0%
Outst. Stock (m)	184.9	ADTV 1M	PLN 32.9m
MC (PLN m)	11,118.3	ADTV 6M	PLN 27.4m
EV (PLN m)	13,725.2	EV/EBITDA 12M fwd	5.8
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	19,864	19,095	23,283
EBITDA	3,704	2,879	745	1,904	3,094
EBITDA margin	12.3%	9.8%	3.7%	10.0%	13.3%
EBIT	2,981	1,970	-266	867	2,013
Net income	1,587	1,153	-421	557	1,343
P/E	7.0	9.6	-	19.9	8.3
P/B	0.9	0.9	0.9	0.9	0.9
EV/EBITDA	3.5	4.9	18.4	7.2	4.5
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		-12.4%	-16.6%	-5.0%	
Net income		-	-57.3%	-8.2%	
Price of Brent crude (\$/bbl)		+33.3%	0.0%	0.0%	
Margin+Urals/Brent price differ. (\$/b)		-27.3%	-25.0%	-8.3%	
USD/PLN		0.0%	0.0%	0.0%	

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
LIFO EBITDA (adj.)	3,126	2,861	1,994	1,960	2,590
Upstream (US)	917	630	274	284	666
Downstream (DS)	2,022	1,965	1,496	1,437	1,684
Retail	181	259	224	239	241
EV/ LIFO EBITDA (adj.)	4.2	4.9	6.9	7.0	5.3
LIFO effect	500	-141	-1,250	-56	504
Other one-offs	78	159	0	0	0
Financing activity	-259	-278	-229	-214	-222
Crude thrghpt (mmt)	10.8	10.7	9.5	9.9	10.4
\$ LIFO EBITDA/bbl, DS	7.1	6.5	5.4	5.5	6.1
PLN EBITDA/tonne, Retail	144	156	140	140	140
\$ EBITDA/boe, US	34.1	21.7	9.5	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	2,472	2,135	1,896
OCF/EBITDA LIFO adj.	74%	74%	124%	109%	73%
CAPEX	967	805	1,140	1,365	1,229
Working capital	4,816	5,523	3,910	3,580	4,515
Equity	12,035	12,715	11,988	12,046	12,834
Net debt	1,943	2,900	2,607	2,555	2,669
Net debt/EBITDA (x)	0.6	1.0	1.3	1.3	1.0

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	2.3	2.2	5.1	1.7	1.6	1.9
Maximum	40.3	23.0	15.4	15.7	12.7	10.1
Median	21.3	10.1	7.3	6.1	5.8	4.6
Weight	17%	17%	17%	17%	17%	17%

#### DCF Analysis (ex. Upstream)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Brent	40.0	40.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Margin+Urals/Brent	4.0	4.5	5.5	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	19,078	18,386	22,097	22,071	22,085	22,100	22,114	22,129	22,143	22,158	22,158
EBITDA	471	1,620	2,428	2,037	2,012	1,986	1,959	1,926	1,910	1,879	1,879
EBITDA margin	2.5%	8.8%	11.0%	9.2%	9.1%	9.0%	8.9%	8.7%	8.6%	8.5%	8.5%
EBIT	-315	807	1,613	1,195	1,253	1,212	1,169	1,121	1,088	1,040	1,040
Tax	-60	153	306	227	238	230	222	213	207	198	198
CAPEX	-737	-603	-625	-625	-625	-677	-677	-677	-677	-677	-839
Working capital	1,612	330	-934	-102	10	10	7	9	7	5	5
FCF	1,406	1,194	563	1,083	1,159	1,088	1,067	1,045	1,033	1,009	848
PV FCF	1,353	1,063	464	825	814	704	636	574	523	471	
WACC	8.0%	8.0%	8.0%	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	12,702
Net debt	2,900
Petrobaltic	767
Value per share (PLN)	57.17

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	47.93
DCF Val.	50%	57.17
Implied Price		52.55
Cost of equity (9M)		6.3%
9M Target Price		55.87

## MOL accumulate (upgraded)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

We raise our 2020 Brent price forecast from \$30 to \$40/bbl to reflect more dynamic than expected supply curbs – a revision which has positive implications for MOL's Upstream business. On the other hand, we have to cut 2020-21 refining margin assumptions by \$0.5/bbl, and slash the expected Urals/Brent spread by \$1/bbl, with negative implications for Downstream. At the moment we assume that cracking margins will rebound from their current low levels in the second half of 2020. MOL's petrochemical business is also trailing due to rising costs of naphtha. After taking all this into account, we raise MOL's expected FY2020 CCS EBITDA by 2%, but reduce the 2021 forecast by 7%. On the updated estimates, after adjusting relative valuation models, we raise our target price for MOL slightly to HUF 2,158, and with more upside after the recent declines we upgrade the stock to accumulate. Supply cuts being put into effect by oil producers across the world, including in particular in the US, should boost sentiment going forward, lifting with it the valuations of European E&P companies. Moreover, EU gas prices have stopped falling, reaffirming our positive outlook for the future. Considering the dramatic tightening of refining margins, the 10% discount at which MOL is currently trading relative to the 2020-22E EV/EBITDA LIFO multiples of its more downstream-oriented Polish counterparts is completely unjustified.

### Current Price

1,821 HUF

Upside

### 9M Target Price

2,158 HUF

+18.5%

	rating	target price	issued
new	accumulate	2,158 HUF	2020-07-02
old	hold	2,072 HUF	2020-06-03
<b>Key Metrics</b>			
	MOL HB	1M Price Chng	-7.6% -10.6%
Ticker	HU0000153937	YTD Price Chng	-38.1% -24.7%
ISIN	753.1	ADTV 1M	HUF 2,326.7m
Outst. Stock (m)	1,371,315.8	ADTV 6M	HUF 2,717.6m
MC (HUF m)	3,075,114.4	EV/EBITDA 12M fwd	4.8 +11.8%
EV (HUF m)	53.5%	EV/EBITDA 5Y avg	4.3 premium
Free Float			

### Earnings Projections

(HUF bn)	2018	2019	2020P	2021P	2022P
Revenue	5,169	5,267	3,786	3,506	3,981
EBITDA	764	685	439	527	713
EBITDA margin	14.8%	13.0%	11.6%	15.0%	17.9%
EBIT	353	294	34	84	272
Net income	301	223	39	80	194
P/E	4.6	6.1	35.5	17.1	7.1
P/B	0.7	0.6	0.6	0.6	0.6
EV/EBITDA	2.6	3.3	7.0	5.9	4.2
DPS	127.50	142.44	0.00	69.72	73.20
DYield	7.0%	7.8%	0.0%	3.8%	4.0%
<b>Forecast Update (% change)</b>					
CCS EBITDA			+1.9%	-6.9%	-1.0%
Net income			-	-36.1%	-3.2%
Margin+Urals/Brent price differ. (\$/b)			-27.3%	-25.0%	-8.3%
Petchem margin (\$/t)			+1.2%	+3.4%	+3.6%
Price of Brent crude (\$/bbl)			+33.3%	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>493</b>	<b>525</b>	<b>691</b>
Upstream (US)	344	305	210	232	311
Downstream (DS)	183	169	117	122	181
Retail	115	137	125	145	149
Petchem	87	83	34	19	43
Gas Midstream	50	54	55	56	55
General expenses	-51	-40	-48	-49	-49
<b>EV/LIFO EBITDA (adj.)</b>	<b>2.8</b>	<b>3.2</b>	<b>5.7</b>	<b>6.1</b>	<b>4.5</b>
LIFO effect	19	-16	-55	2	22
Other one-offs	17	-8	0	0	0
<b>Financing activity</b>	<b>-22</b>	<b>-18</b>	<b>-23</b>	<b>-15</b>	<b>-37</b>
\$ LIFO EBITDA/bbl, DS	4.9	4.6	3.4	3.7	5.2
EBITDA/boe, US	34.8	28.0	17.1	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>

### DCF Analysis (ex. Upstream)

(HUF bn)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Brent	40	40	50	50	50	50	50	50	50	50	50
Margin+Urals/Brent	4.0	4.5	5.5	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	3,529	3,253	3,689	3,717	3,719	3,721	3,723	3,725	3,727	3,729	3,729
EBITDA	229	296	402	430	432	435	437	439	441	443	443
EBITDA margin	6.5%	9.1%	10.9%	11.6%	11.6%	11.7%	11.7%	11.8%	11.8%	11.9%	11.9%
EBIT	6	47	151	181	190	189	188	185	181	179	221
Tax	7	15	40	49	52	51	51	50	49	48	42
CAPEX	-511	-366	-230	-223	-223	-223	-223	-223	-223	-223	-223
Working capital	-86	27	-47	-2	2	2	2	1	1	1	0
FCF	-374	-58	85	156	160	162	165	167	170	173	179
PV FCF	-363	-53	72	125	119	112	105	99	93	88	
WACC	6.4%	6.3%	6.6%	6.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(HUF bn)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>596</b>	<b>704</b>	<b>374</b>	<b>565</b>	<b>627</b>
OCF/EBITDA LIFO adj.	82%	99%	76%	108%	91%
<b>CAPEX</b>	<b>380</b>	<b>596</b>	<b>1,188</b>	<b>543</b>	<b>406</b>
Working capital	300	286	372	344	391
Equity	1,994	2,151	2,175	2,188	2,312
<b>Net debt</b>	<b>314</b>	<b>559</b>	<b>1,411</b>	<b>1,471</b>	<b>1,357</b>
Net debt/EBITDA (x)	0.4	0.8	2.9	2.8	2.0

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	2.3	2.2	5.1	1.7	1.6	1.9
Maximum	40.3	23.0	15.4	15.7	12.7	10.1
Median	22.3	10.7	8.2	6.4	5.7	4.8
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,684
Net debt & adjustments	337
Upstream Valuation	70
Value per share (HUF)	1,989

### Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	2,071
DCF Val.	50%	1,989
Implied Price		2,030
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>2,158</b>



## PGNiG buy (reiterated)

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

Gazprom made its court-mandated payout to PGNiG about a year-and-a-half sooner than we had been anticipating, and so we are revising our 2020 EBITDA estimate accordingly. Our higher oil price forecast for 2020, raised by \$10/bbl, implies higher profits for the E&P business which, however, will probably be offset by a corresponding increase in the oil-linked price of gas bought from Qatargas. After factoring in the Gazprom payout, and after updating the relative valuation model, we raise our target price for PGN by 5% to PLN 5.23, and we maintain a buy rating for the stock. We suspect some analysts incorrectly assume that PGNiG uses a hedging strategy based on the big one-time gain posted in Q1 2020. In actuality, the source of the surprise was natural hedging, facilitated by fixed sales tariffs which might generate more positive surprises in the coming quarters and be a source of upside in the coming months. Note that our FY2020 earnings estimates for PGNiG conservatively price in a PLN 0.6bn lockdown loss. Further, the Company has clarified that it was only pursuing the heating business of Tauron, not the entire company, and its potential involvement in a coal mine bailout no longer weighs as the Polish government explores a decarbonization approach. Expectations of an extra shareholder distribution fueled by 2020 year-end cash on hand estimated at PLN 1.6bn might provide another upside catalyst.

**Current Price**

4.63 PLN

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

5.23 PLN

**+13.0%**

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>5.23 PLN</b>	<b>2020-07-02</b>
<b>old</b>	buy	4.91 PLN	2020-06-03
<b>Key Metrics</b>			
		<b>PGN PW</b>	<b>vs. WIG</b>
Ticker	PGN PW	1M Price Chng	+7.8% +4.8%
ISIN	PLPGNIG00014	YTD Price Chng	+6.9% +20.3%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 30.1m
MC (PLN m)	26,742.0	ADTV 6M	PLN 25.9m
EV (PLN m)	24,766.7	EV/EBITDA 12M fwd	4.6 -2.8%
Free Float	28.1%	EV/EBITDA 5Y avg	4.7 discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	41,234	42,023	34,727	33,339	36,918
EBITDA	7,115	5,504	12,213	6,717	7,332
EBITDA margin	17.3%	13.1%	35.2%	20.1%	19.9%
EBIT	4,395	2,448	8,846	3,263	3,843
Net income	3,212	1,371	7,025	2,646	2,956
P/E	8.3	19.5	3.8	10.1	9.0
P/B	0.7	0.7	0.6	0.6	0.6
EV/EBITDA	3.7	5.5	2.0	3.6	3.4
DPS	0.07	0.11	0.09	0.18	0.23
DYield	1.5%	2.4%	2.1%	3.9%	4.9%
<b>Forecast Update (% change)</b>		<b>2020P</b>	<b>2021P</b>	<b>2022P</b>	
EBITDA		+115.3%	0.0%	0.0%	
Net income		+293.5%	+2.7%	+2.7%	
Price of Brent crude (\$/bbl)		+33.3%	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
<b>EBITDA (adj.)</b>	<b>7,511</b>	<b>6,079</b>	<b>5,880</b>	<b>6,538</b>	<b>7,251</b>
EBITDA	7,115	5,504	12,213	6,717	7,332
Mining	5,019	3,360	1,887	2,682	3,541
Trade	-848	-470	7,723	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>-222</b>	<b>40</b>	<b>-1</b>
<b>Crude output, mmt</b>	<b>1.41</b>	<b>1.21</b>	<b>1.36</b>	<b>1.55</b>	<b>1.47</b>
domestic	0.82	0.77	0.75	0.73	0.73
international	0.59	0.44	0.61	0.82	0.74
<b>NatGas output, bn m3</b>	<b>4.5</b>	<b>4.5</b>	<b>4.7</b>	<b>5.3</b>	<b>5.4</b>
domestic	3.8	3.8	3.8	4.0	4.0
international	0.7	0.7	0.9	1.3	1.4
<b>Trade mrgn, PLN/MWh</b>	<b>-6.6</b>	<b>-4.5</b>	<b>45.4</b>	<b>4.9</b>	<b>3.5</b>

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Brent	40.0	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	34,727	33,339	36,918	37,202	35,087	35,572	35,807	36,086	36,132	36,174	36,174
EBITDA	11,644	6,318	6,946	6,499	6,881	7,084	7,172	7,270	7,116	7,010	7,010
EBITDA margin	33.5%	19.0%	18.8%	17.5%	19.6%	19.9%	20.0%	20.1%	19.7%	19.4%	19.4%
EBIT	8,846	3,263	3,843	3,285	3,007	3,141	3,137	3,112	2,843	3,390	2,636
Tax	1,599	657	885	744	472	541	566	591	558	850	523
CAPEX	-5,103	-4,489	-5,110	-5,153	-4,600	-4,644	-4,508	-4,508	-4,460	-4,374	-4,374
Working capital	1,518	182	-468	-37	277	-63	-31	-36	-6	-5	-5
FCF	6,460	1,354	483	566	2,086	1,835	2,067	2,134	2,092	1,781	2,108
PV FCF	6,045	1,159	379	407	1,376	1,112	1,150	1,091	983	770	
WACC	9.2%	9.3%	9.2%	9.1%	9.0%	8.9%	8.9%	8.8%	8.8%	8.7%	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
<b>Operating cash flow</b>	<b>5,814</b>	<b>4,938</b>	<b>11,440</b>	<b>5,975</b>	<b>5,691</b>
OCF/EBITDA	82%	90%	94%	89%	78%
<b>CAPEX</b>	<b>4,534</b>	<b>6,069</b>	<b>5,103</b>	<b>4,489</b>	<b>5,110</b>
Working capital	5,358	6,059	4,541	4,360	4,828
Equity	36,634	38,108	44,585	46,176	47,810
<b>Net debt</b>	<b>-223</b>	<b>3,715</b>	<b>-1,974</b>	<b>-2,314</b>	<b>-1,473</b>
Net debt/EBITDA (x)	0.0	0.7	-0.2	-0.3	-0.2

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	-3.5	3.1	2.6	2.9	2.9	2.4
Maximum	39.2	22.5	16.0	15.8	13.0	11.9
Median	17.9	12.9	10.0	7.0	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	29,189
Net debt	5,554
Other adjustments	-7
<b>Value per share (PLN)</b>	<b>4.09</b>

### Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	6.80
Relative (DYield)	17%	2.59
DCF	50%	4.09
Cost of equity (9M)		6.7%
<b>9M Target Price</b>		<b>5.23</b>



## PKN Orlen hold (reiterated)

Kamil Kliszczy

+48 22 438 24 02

kamil.kliszczy@mbank.pl

After revising our refinery outlook to reflect rising costs of crude oil and tanking cracking margins, with the benchmark margin forecast cut by \$1.5/bbl, we had to revise our FY2020-2021 average annual EBITDA LIFO projection for PKN Orlen downward by PLN 1bn, a loss which, however, will most likely be more than offset by profits contributed by the newly-acquired power generator Energa. We assume that PKN will recognize a bargain acquisition gain of PLN 4.6bn on the Energa deal, which it will most likely credit to EBITDA or EBIT. In terms of cash flow, Energa adds about PLN 3 to PKN's per-share value as calculated using the DCF model, and provides an even bigger boost to relative valuation. After adjusting for the worsened downstream prospects, however, we make a small upward revision to our target price to PLN 67.72 per share and at the current price level we maintain a hold rating for PKN. We do not see positive catalysts in the coming weeks as refining and petrochemical profits remain tight, signaling weak second-quarter results. Under the current circumstances, the upcoming acquisition of Lotos may no longer be viewed as building value due to a likely increase in leverage and Lotos's weaker-than-expected earnings performance.

<b>Current Price</b>	63.28 PLN	<b>Upside</b>
<b>9M Target Price</b>	67.72 PLN	<b>+7.0%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>67.72 PLN</b>	<b>2020-07-02</b>
<b>old</b>	hold	66.85 PLN	2020-06-03
Key Metrics		PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-6.5%
ISIN	PLPKN0000018	YTD Price Chng	-26.3%
Outst. Stock (m)	427.7	ADTV 1M	PLN 106.9m
MC (PLN m)	27,065.4	ADTV 6M	PLN 107.0m
EV (PLN m)	47,178.0	EV/EBITDA 12M fwd	4.2
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	80,713	77,690	94,361
EBITDA	9,888	8,862	10,438	7,927	10,141
EBITDA margin	9.0%	8.0%	12.9%	10.2%	10.7%
EBIT	7,215	5,365	5,486	2,683	4,412
Net income	5,556	4,300	4,156	1,783	3,152
P/E	4.9	6.3	6.5	15.2	8.6
P/B	0.8	0.7	0.6	0.6	0.6
EV/EBITDA	3.3	3.8	4.5	6.1	4.9
DPS	3.00	3.50	1.00	1.00	2.50
DYield	4.7%	5.5%	1.6%	1.6%	4.0%
Forecast Update (% change)		2020P	2021P	2022P	
LIFO EBITDA		+13.5%	+15.7%	+26.8%	
Net income		-	-39.0%	+11.6%	
Margin+Urals/Brent price differ. (\$/b)		-27.3%	-25.0%	-8.3%	
Petchem margin (\$/t)		-16.0%	-0.4%	-0.4%	
USD/PLN		0.0%	0.0%	0.0%	

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
<b>LIFO EBITDA (adj.)</b>	<b>8,448</b>	<b>9,364</b>	<b>8,032</b>	<b>8,027</b>	<b>9,241</b>
Downstream(DS)	3,764	3,792	1,536	1,465	2,562
Petchem	2,103	2,428	1,827	1,583	1,749
Retail	2,781	3,067	2,814	2,993	3,037
Upstream	305	331	166	165	267
Electricity	188	599	2,670	2,899	2,738
General expenses	-693	-853	-981	-1,079	-1,111
<b>EV/LIFO EBITDA (adj.)</b>	<b>4.0</b>	<b>3.7</b>	<b>6.0</b>	<b>6.1</b>	<b>5.5</b>
LIFO effect	860	-148	-2,231	-100	900
Other one-offs	580	-354	4,637	0	0
<b>Financing activity</b>	<b>-104</b>	<b>-11</b>	<b>-353</b>	<b>-480</b>	<b>-518</b>
\$ LIFO EBITDA/bbl, DS	4.3	4.0	1.8	1.8	3.0
PLN EBITDA/tonne, Retail	294	312	310	307	308
<b>Refinery thrghpt (mmt)</b>	<b>33.4</b>	<b>33.9</b>	<b>29.8</b>	<b>31.3</b>	<b>32.9</b>
<b>Petchem output (kt)</b>	<b>3,616</b>	<b>3,781</b>	<b>3,781</b>	<b>3,781</b>	<b>3,781</b>

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin+Urals/Brent	6.3	4.0	4.5	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	359	271	294	305	305	305	305	305	305	305	304.6
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	80,713	77,690	94,361	95,343	96,072	96,846	97,562	97,440	97,852	98,265	98,265
EBITDA	5,800	7,927	10,141	10,334	10,826	11,019	10,966	10,904	10,948	10,990	10,990
EBITDA margin	7.2%	10.2%	10.7%	10.8%	11.3%	11.4%	11.2%	11.2%	11.2%	11.2%	11.2%
EBIT	5,486	2,683	4,412	4,316	5,089	5,271	5,161	5,020	4,946	4,839	4,795
Tax	1,042	510	838	820	967	1,002	981	954	940	919	911
CAPEX	-8,309	-7,569	-7,487	-6,599	-6,197	-6,204	-6,208	-6,210	-6,207	-6,195	-6,195
Working capital	1,551	39	-2,413	-382	-194	-106	-96	6	-60	-61	-61
FCF	-11,093	-113	-598	2,532	3,469	3,707	3,680	3,746	3,741	3,815	3,823
PV FCF	-10,718	-102	-504	1,993	2,547	2,538	2,347	2,224	2,066	1,950	
WACC	7.1%	7.1%	7.0%	7.1%	7.2%	7.3%	7.3%	7.4%	7.5%	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
<b>Operating cash flow</b>	<b>4,980</b>	<b>9,319</b>	<b>6,377</b>	<b>7,548</b>	<b>6,988</b>
OCF/EBITDA LIFO adj.	59%	100%	79%	94%	76%
<b>CAPEX</b>	<b>4,454</b>	<b>4,450</b>	<b>8,309</b>	<b>7,569</b>	<b>7,487</b>
Working capital	11,144	9,611	9,531	9,492	11,905
Equity	35,727	38,596	42,326	43,684	45,768
<b>Net debt</b>	<b>5,599</b>	<b>6,446</b>	<b>18,252</b>	<b>19,181</b>	<b>21,268</b>
Net debt/EBITDA (x)	0.6	0.7	1.7	2.4	2.1

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	9.9	7.9	5.8	2.7	2.2	1.9
Maximum	39.8	64.1	22.9	20.2	16.9	16.3
Median	19.4	10.8	7.6	7.2	6.3	5.1
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	32,204
Net debt	6,446
Other adjustments	0
<b>Value per share (PLN)</b>	<b>60.22</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	67.18
DCF Val.	50%	60.22
Implied Price		63.70
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>67.72</b>

## Power Utilities

### CEZ

#### accumulate (no change)

Kamil Kliszczyk

+48 22 438 24 02

kamil.kliszczyk@mbank.pl

We continue to 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 the Czech government, which has also provided reassurance recently that the planned nuclear energy push will not harm CEZ's interests. CEZ is expected to grow EBITDA again in 2020, supported by price hedging and an increased generator output. In 2021, earnings might contract after a slight 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 maintain an accumulate rating for CEZ.

**Current Price**

503.00 CZK

Upside

**9M Target Price**

514.80 CZK

+2.3%

	rating	target price	issued
unchanged	accumulate	514.80 CZK	2020-06-03

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+11.8%	+8.8%
ISIN	CZ0005112300	YTD Price Chng	+5.8%	+19.1%
Outst. Stock (m)	538.0	ADTV 1M		CZK 120.3m
MC (CZK bn)	270.6	ADTV 6M		CZK 162.4m
EV (CZK bn)	435.0	EV/EBITDA 12M fwd	7.2	+1.5%
Free Float	30.2%	EV/EBITDA 5Y avg	7.1	premium

#### 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	26.2	18.8	12.4	17.4	22.9
P/B	1.2	1.1	1.1	1.1	1.1
EV/EBITDA	8.6	7.2	6.8	7.6	8.2
DPS	32.71	23.86	34.00	36.40	25.99
DYield	6.5%	4.7%	6.8%	7.2%	5.2%
Forecast Update (% change)			2020P	2021P	2022P
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
<b>Value per share (CZK)</b>	<b>498.78</b>

#### 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>

## Enea suspended (no change)

Kamil Kliszczy

+48 22 438 24 02

kamil.kliszczy@mbank.pl

Our recommendations for Enea remain suspended until more light is shed on the Company's future involvement in the advancement of Poland's energy strategy. In June we were able to update our financial outlook for Enea based on the FY2019 earnings report, and we attempted to assess the value of the Company's "green" and coal-based generation assets, leading us to arrive at a per-share value of PLN 19 in a (for now purely theoretical) scenario of a coal assets spin-off. Enea has had a one-sided relationship with its minority investors, whose low confidence is reflected in the low valuation of the Company's clean assets at 2.7x EV/EBITDA compared to a ratio of 4.3x on average attributed to the competition. There is no good reason that we can see for such a discount considering that Enea's clean business is very similar to those of Tauron and Energa, with 78% of EBITDA provided by power distribution, 13% coming from RES, and 9% generated from trading. All that being said, again, there are no concrete plans at this point for any of Poland's utilities to spin off their coal assets. In the near term, upside catalysts in case of Enea might include positive earnings surprises and promising prospects for 2021.

### Current Price

7.47 PLN

### 9M Target Price

-

	rating	target price	issued
unchanged	suspended		2020-06-23

Key Metrics	ENA PW	1M Price Chng	ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	+20.5%	+17.5%
ISIN	PLENEA000013	YTD Price Chng	-5.6%	+7.7%
Outst. Stock (m)	441.4	ADTV 1M		PLN 7.5m
MC (PLN m)	3,297.6	ADTV 6M		PLN 4.2m
EV (PLN m)	10,876.4	EV/EBITDA 12M fwd	3.5	-17.6%
Free Float	48.5%	EV/EBITDA 5Y avg	4.3	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	12,673	16,401	17,810	15,893	15,758
EBITDA	2,348	3,410	3,156	3,550	3,413
EBITDA margin	18.5%	20.8%	17.7%	22.3%	21.7%
EBIT	1,037	1,857	1,497	1,847	1,719
Net income	686	423	1,068	1,266	1,177
P/E	4.8	7.8	3.1	2.6	2.8
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	4.2	3.1	3.4	2.9	2.8
DPS	0.00	0.00	0.00	0.24	0.57
DYield	0.0%	0.0%	0.0%	3.2%	7.7%
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>2,413</b>	<b>3,285</b>	<b>3,156</b>	<b>3,550</b>	<b>3,413</b>
EBITDA	2,348	3,410	3,156	3,550	3,413
Generation	869	1,594	1,295	1,672	1,516
Mining	470	771	599	586	586
Distribution	1,111	1,090	1,169	1,137	1,156
Trade	-76	23	59	139	140
Other	-12	-43	34	16	14
<b>Financing activity</b>	<b>-168</b>	<b>-985</b>	<b>-99</b>	<b>-214</b>	<b>-199</b>
<b>Power output, TWh</b>	<b>26.5</b>	<b>25.9</b>	<b>24.0</b>	<b>24.0</b>	<b>24.0</b>
Renewables	2.0	2.3	2.3	2.3	2.3
<b>Trade volume, TWh</b>	<b>20.5</b>	<b>19.3</b>	<b>19.6</b>	<b>19.8</b>	<b>20.0</b>
YoY pct. change	14.4%	-5.9%	1.9%	1.0%	1.0%
Trade mrgn (PLN/MWh)	0.1	1.2	3.0	7.0	7.0
<b>RAV (PLN bn)</b>	<b>8.0</b>	<b>8.4</b>	<b>8.6</b>	<b>9.0</b>	<b>9.4</b>
RAV return (EBIT)	7.2%	5.9%	6.4%	5.5%	5.5%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>2,435</b>	<b>2,145</b>	<b>2,388</b>	<b>3,465</b>	<b>3,140</b>
OCF/EBITDA	104%	63%	76%	98%	92%
<b>CAPEX</b>	<b>1,979</b>	<b>2,077</b>	<b>2,643</b>	<b>2,330</b>	<b>2,107</b>
Working capital	605	1,586	2,088	1,863	1,848
Equity	14,097	14,456	15,524	16,683	17,607
<b>Net debt</b>	<b>5,566</b>	<b>6,137</b>	<b>6,491</b>	<b>5,677</b>	<b>5,096</b>
Net debt/EBITDA (x)	2.4	1.8	2.1	1.6	1.5

## Energa suspended (no change)

Kamil Kliszczyk +48 22 438 24 02 [kamil.kliszczyk@mbank.pl](mailto:kamil.kliszczyk@mbank.pl)

Energa did not partake in the latest rally on Polish utilities spurred by the Polish government's ostensible U-turn on coal energy, just as it had been spared from the January-April sell-off by the PKN Orlen's takeover bid. We are not sure why Energa is being overlooked by the market this time considering that it is already mostly rid of carbon-producing assets since the cancellation of the Ostrołęka C coal-fired generator project, while most of its peers have yet to detach themselves from coal. In spite of this, the market currently values the clean assets of Tauron higher than Energa's which, at 4.7x EV/EBITDA, is trading at a big discount to European peers. If it were to catch up, at 6.0x Energa's value would increase to PLN 14 per share. Near-term upside catalysts could include a positive outcome of ongoing negotiations with the energy regulator to change the current unfavorable formula for calculating distribution tariffs. Energa's earnings prospects this year are affected by the coronavirus crisis and its negative impact on electricity use, affecting distribution revenues and hedging profits.

**Current Price**

8.08 PLN

**9M Target Price**

-

	rating	target price	issued
unchanged	suspended		2020-06-03

Key Metrics	ENG PW	1M Price Chng	ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	+1.0%	-2.0%
ISIN	PLENERG00022	YTD Price Chng	+14.1%	+27.5%
Outst. Stock (m)	414.1	ADTV 1M		PLN 2.0m
MC (PLN m)	3,345.7	ADTV 6M		PLN 4.0m
EV (PLN m)	9,683.7	EV/EBITDA 12M fwd	5.0	+14.9%
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	4.5	-	10.5	8.2	8.1
P/B	0.3	0.4	0.3	0.3	0.3
EV/EBITDA	4.2	4.7	5.1	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			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>2,039</b>	<b>2,164</b>	<b>1,883</b>	<b>2,102</b>	<b>2,102</b>
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
<b>Financing activity</b>	<b>-223</b>	<b>-1,218</b>	<b>-311</b>	<b>-308</b>	<b>-305</b>
<b>Power output, TWh</b>	<b>3.9</b>	<b>3.5</b>	<b>3.2</b>	<b>3.3</b>	<b>3.3</b>
Renewables	0.5	0.6	0.6	0.6	0.6
<b>Trade volume, TWh</b>	<b>19.8</b>	<b>19.7</b>	<b>18.9</b>	<b>19.6</b>	<b>19.8</b>
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
<b>RAV (PLN bn)</b>	<b>12.2</b>	<b>12.6</b>	<b>13.0</b>	<b>13.2</b>	<b>13.3</b>
RAV return (EBIT)	7.7%	6.4%	5.3%	4.5%	4.7%

### Key Balance Sheet Figures

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

**PGE****suspended (no change)**

Kamil Kliszcz

+48 22 438 24 02

kamil.kliszcz@mbank.pl

PGE stock rebounded in June on hopes of a U-turn in Poland's coal-intensive energy policy. In June we attempted to assess the value of the Company's "green" and coal-based generation assets, and we arrived at a 6.0x EV/EBITDA valuation and a per-share price of PLN 14.6 in a scenario where the coal assets were to be spun off, compared to a current valuation of just 3.0x. That being said, the spin-off scenario is just an idea at this point, albeit one that the Polish government seems willing to explore. Until Poland makes known its plans as regards the future energy mix, and whether it will include the construction of a nuclear power station in cooperation with the US, and until PGE can eliminate the uncertainty over whether it wants to proceed with an open-pit lignite mine project, our recommendations for the Company remain suspended.

**Current Price**

6.88 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	+30.2%	+27.2%
ISIN	PLPGER000010	YTD Price Chng	-13.6%	-0.3%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 64.6m
MC (PLN m)	12,856.6	ADTV 6M		PLN 25.3m
EV (PLN m)	24,839.1	EV/EBITDA 12M fwd	4.2	-3.3%
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	8.6	-	9.3	4.5	5.0
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	3.7	3.5	3.9	2.9	3.0
DPS	0.00	0.00	0.00	0.18	0.38
DYield	0.0%	0.0%	0.0%	2.7%	5.6%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

**Financial Highlights**

(PLN m)	2018	2019	2020P	2021P	2022P
<b>EBITDA (adj.)</b>	<b>6,973</b>	<b>6,711</b>	<b>6,483</b>	<b>8,351</b>	<b>8,162</b>
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
<b>Financing activity</b>	<b>-290</b>	<b>-528</b>	<b>-525</b>	<b>-352</b>	<b>-427</b>
<b>Power output, TWh</b>	<b>65.9</b>	<b>58.3</b>	<b>62.2</b>	<b>68.9</b>	<b>70.5</b>
Renewables	2.1	2.7	2.9	2.9	2.9
<b>Trade volume, TWh</b>	<b>42.6</b>	<b>44.0</b>	<b>42.2</b>	<b>43.9</b>	<b>44.3</b>
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
<b>RAV (PLN bn)</b>	<b>16.4</b>	<b>16.9</b>	<b>17.6</b>	<b>18.2</b>	<b>18.7</b>
RAV return (EBIT)	7.8%	6.5%	6.3%	5.5%	5.6%

**Key Balance Sheet Figures**

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

## Tauron suspended (no change)

Kamil Kliszcz

+48 22 438 24 02

[kamil.kliszcz@mbank.pl](mailto:kamil.kliszcz@mbank.pl)

The June rally catapulted Tauron's valuation as investors discounted PGNiG's takeover bid on the Company's heating business, alongside the prospect of a split from loss-making coal mines as part of a broader transformation of the energy sector being explored by the Polish government. We agree that such a spin-off is a huge potential value driver assuming it is actually put into action. In June, we attempted to assess the value of the Tauron's "green" and coal-based generation assets, leading us to arrive at a per-share value of PLN 5.1 in the (purely theoretical) coal spin-off scenario, and we got an EV/EBITDA ratio of 6.0x for the remaining clean business compared to a current valuation of 4.5x, the highest in the sector. With that said, our recommendations for Tauron remain suspended until more light is shed on the Company's future involvement in the advancement of Poland's energy strategy.

**Current Price**

2.35 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	+82.2%	+79.2%
ISIN	PLTAURN00011	YTD Price Chng	+43.3%	+56.7%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 50.8m
MC (PLN m)	4,118.5	ADTV 6M		PLN 14.4m
EV (PLN m)	19,042.0	EV/EBITDA 12M fwd	5.1	+10.7%
Free Float	59.6%	EV/EBITDA 5Y avg	4.6	premium

### 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	20.1	-	6.2	3.4	3.4
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	4.1	5.0	5.4	4.7	4.3
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
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)

Paweł Szpigiel

+48 22 438 24 06

pawel.szpigiel@mbank.pl

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 100k relative to the same year-ago period. Cyfrowy has set modest goals for itself in the year ahead, 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, with no guarantee that the new auction terms will be at least as good.

Current Price

25.82 PLN

Downside

9M Target Price

24.10 PLN

-6.7%

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-2.0%	-5.0%
ISIN	PLCFRPT00013	YTD Price Chng	-7.6%	+5.8%
Outst. Stock (m)	639.5	ADTV 1M		PLN 16.9m
MC (PLN m)	16,513.0	ADTV 6M		PLN 16.6m
EV (PLN m)	29,245.4	EV/EBITDA 12M fwd	6.8	+0.8%
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	19.8	15.0	13.5	11.1	10.0
P/B	1.2	1.2	1.1	1.1	1.0
EV/EBITDA	7.4	7.0	7.3	6.7	6.6
DPS	0.00	0.93	0.93	0.93	1.27
DYield	0.0%	3.6%	3.6%	3.6%	4.9%
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
<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)

Paweł Szpigel +48 22 438 24 06 [pawel.szpigel@mbank.pl](mailto:pawel.szpigel@mbank.pl)

We maintain a positive outlook for Netia, whose share price has decreased 14% since the beginning of the year, just narrowly outperforming the broad market. Investors may have not noticed Netia's resilience in the face of the coronavirus crisis, ensured by its core product that is broadband internet access, which is proving to be a staple of life and business in a coronavirus world. 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 the foreign-currency costs of planned investment. Our current positive view despite a lack of dividends is backed by NET's attractive valuation at 4.1x 2020E EV/EBITDA, 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 its 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>	3.80 PLN	<b>Upside</b>
<b>9M Target Price</b>	4.40 PLN	<b>+15.8%</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	-2.1%	-5.1%
ISIN	PLNETIA00014	YTD Price Chng	-14.0%	-0.7%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,280.8	ADTV 6M		PLN 0.1m
EV (PLN m)	1,789.1	EV/EBITDA 12M fwd	3.5	-29.1%
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	19.8	26.9	24.5	22.1	21.3
P/B	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	4.1	3.9	4.1	3.8	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
<b>Value per share (PLN)</b>	<b>3.82</b>

### 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 accumulate (no change)

Pawel Szpigiel

+48 22 438 24 06

pawel.szpigiel@mbank.pl

Orange's main Polish rivals, T-Mobile and Play, raised the prices of their mobile plans in June 2020 in a move which is likely to raise confidence in the telecoms sector going forward. Orange Polska generated better-than-expected results in Q1 2020, with EBITDAaL registering a 6% rebound from the same period a year earlier, and in Q2 we expect it to deliver a solid showing considering that this was the height of coronavirus lockdown in Poland, supported by increased demand for home internet, improved pricing, and low churn rates. With borders sealed, roaming revenue most likely decreased in Q2, but nevertheless we expect to see further growth in recurring eEBITDAaL at an annual rate of about 4.0%. This should make sentiment for OPL more upbeat. 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

6.32 PLN

Upside

9M Target Price

6.90 PLN

+9.2%

	rating	target price	issued
unchanged	accumulate	6.90 PLN	2020-06-03

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	-2.6%	-5.6%
ISIN	PLTLKPL00017	YTD Price Chng	-11.2%	+2.1%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 11.8m
MC (PLN m)	8,291.8	ADTV 6M		PLN 14.0m
EV (PLN m)	16,615.6	EV/EBITDA 12M fwd	5.3	+13.8%
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	829.2	90.8	132.3	31.5	19.6
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	5.3	5.2	5.3	4.9	4.8
DPS	0.00	0.00	0.00	0.25	0.25
DYield	0.0%	0.0%	0.0%	4.0%	4.0%
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
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>

### 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 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 gains	-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%

### 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)

Paweł Szpigel +48 22 438 24 06 [pawel.szpigel@mbank.pl](mailto:pawel.szpigel@mbank.pl)

We maintain a bullish outlook for Play, which is reported to be preparing to sell 8,000 mobile tower sites some time in early 2021 in a deal estimated at EUR 800m which is likely to serve as an upside catalyst in the months ahead. The potential sale is not going to increase Play's EV/EBITDA valuation by much under IFRS 16 accounting, but from an FCFE standpoint the prospective cash flow in our assessment would be more than enough to cover leaseback payments for the passive infrastructure without affecting dividend potential. It is worth noting the huge difference in how the market values mobile service providers versus infrastructure operators (5-6x vs. >15.0x EV/EBITDA). PLY is trading at attractive multiples of 5.9x 2020 EV/EBITDA and 5.5x 2021E earnings. 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 because there is no guarantee that the new auction terms will be at least as good.

<b>Current Price</b>	31.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	35.70 PLN	<b>+15.2%</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	+5.8%	+2.8%
ISIN	LU1642887738	YTD Price Chng	-7.0%	+6.3%
Outst. Stock (m)	253.7	ADTV 1M		PLN 17.8m
MC (PLN m)	7,864.7	ADTV 6M		PLN 21.0m
EV (PLN m)	14,640.4	EV/EBITDA 12M fwd	5.5	-5.4%
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	10.6	9.1	8.5	8.4	8.3
P/B	-	24.5	9.5	5.8	4.2
EV/EBITDA	6.7	6.0	5.9	5.5	5.4
DPS	2.57	1.45	1.65	1.65	1.65
DYield	8.3%	4.7%	5.3%	5.3%	5.3%
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
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
<b>Value per share (PLN)</b>	<b>37.85</b>

### 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 (no change)

Paweł Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

We maintain a neutral view on Agora. In June the Company announced that it would not be paying dividends this year, and that it had sold two noncore business lines. Otherwise, however, we expect weak results for Q2 2020 after revenue in the key segment of Movies and Books fell more than 11% year over year after in Q1 2020 due to a 19.8% slump in cinema attendance, resulting in a 16.5% fall in concession sales. Cinemas continue to suffer as social distancing restrictions remain in place, and Agora's ad-based businesses face tight revenues this year (Agora itself is forecasting 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 said, we have to give Agora's managers credit for the quick cost-cutting measures taken as soon as the coronavirus outbreak reached Poland).

Current Price

8.18 PLN

Upside

9M Target Price

8.60 PLN

+5.1%

	rating	target price	issued
unchanged	hold	8.60 PLN	2020-06-03

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	-0.7%	-3.7%
ISIN	PLAGORA00067	YTD Price Chng	-21.3%	-8.0%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	381.0	ADTV 6M		PLN 0.2m
EV (PLN m)	1,155.8	EV/EBITDA 12M fwd	7.1	+30.1%
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	83.3	107.7	-	-	-
P/B	0.4	0.4	0.5	0.5	0.5
EV/EBITDA	4.5	5.9	20.8	7.8	6.1
DPS	0.50	0.50	0.00	0.00	0.50
DYield	6.1%	6.1%	0.0%	0.0%	6.1%
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>

### 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 Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	892	1,080	1,191	1,266	1,324	1,372	1,416	1,460	1,500	1,539	1,570
EBITDA	-23	69	108	121	125	130	134	137	139	140	143
EBITDA margin	-2.5%	6.4%	9.0%	9.6%	9.5%	9.5%	9.4%	9.4%	9.2%	9.1%	9.1%
D&A	89	88	86	84	83	82	81	82	83	83	85
EBIT	-112	-19	22	37	42	48	52	55	56	57	59
Tax	0	0	4	7	8	9	10	10	11	11	11
NOPLAT	-112	-19	18	30	34	39	42	44	45	47	47
CAPEX	-40	-48	-66	-80	-80	-77	-81	-83	-83	-83	-85
Working capital	-12	0	0	0	-1	-1	-1	-1	-1	-1	-1
FCF	-75	21	38	34	37	43	42	42	44	45	46
PV FCF	-71	19	31	26	26	28	26	24	23	22	
WACC	7.5%	7.6%	7.6%	7.7%	7.7%	7.8%	7.9%	8.0%	8.1%	8.2%	8.2%
Net debt / EV	40.0%	38.7%	37.9%	37.6%	37.0%	35.5%	34.1%	32.6%	30.7%	28.4%	28.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	2.0%
PV FCF	507
Net debt ex IFRS16	157
Other adjustments	112
Value per share (PLN)	9.02

### Valuation Summary

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

## Wirtualna Polska reduce (no change)

Paweł Szpigel +48 22 438 24 06 [pawel.szpigel@mbank.pl](mailto:pawel.szpigel@mbank.pl)

Shares in Wirtualna Polska lost nearly 10% over the past month, underperforming the broad market, but we maintain our contrarian negative view on the Company as we see more downside risk based on expectations of a 23% fall in recurring EBITDA for 2020, driven in a major part by the travel business, represented by the wakacje.pl vacation booking Website. Reduced digital advertising spend is another major driver of the expected slump. 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 relatively low FCFE yields and increased competition risk after the listed media firm Cyfrowy Polsat acquired rival websites.

<b>Current Price</b>	68.40 PLN	<b>Downside</b>
<b>9M Target Price</b>	63.10 PLN	<b>-7.7%</b>

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

Key Metrics	WPL PW	1M Price Chng	WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	-9.5%	-12.5%
ISIN	PLWRTPL00027	YTD Price Chng	-2.0%	+11.4%
Outst. Stock (m)	29.7	ADTV 1M		PLN 0.8m
MC (PLN m)	2,028.1	ADTV 6M		PLN 1.4m
EV (PLN m)	2,344.2	EV/EBITDA 12M fwd	10.2	-0.1%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2	discount

### 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	27.4	29.4	34.8	20.1	16.7
P/B	4.3	4.0	3.7	3.3	3.0
EV/EBITDA	14.4	11.4	13.9	10.5	9.2
DPS	0.96	1.00	1.00	1.00	1.72
DYield	1.4%	1.5%	1.5%	1.5%	2.5%
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

	20P	P/E	21P	22P	20P	EV/EBITDA	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 (no change)

Paweł Szpigel

+48 22 438 24 06

pawel.szpigel@mbank.pl

ACP stock declined by 3.8% in the last month, and although it has all but reached our target we see potential for outperformance in the medium term. Asseco Poland delivered better-than-expected results for Q1 2020, with attributable 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%. It is also worth noting that the market capitalization of Asseco's US subsidiary, Formula Systems, has more than doubled in the past year. Last but not least, ACP is a defensive bet which pays consistently high annual dividends.

Current Price

68.30 PLN

Upside

9M Target Price

68.39 PLN

+0.1%

	rating	target price	issued
unchanged	hold	68.39 PLN	2020-06-03

Key Metrics	ACP PW	1M Price Chng	ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	-3.8%	-6.8%
ISIN	PLSOFTB000016	YTD Price Chng	+12.6%	+26.0%
Outst. Stock (m)	83.0	ADTV 1M		PLN 6.1m
MC (PLN m)	5,668.9	ADTV 6M		PLN 6.3m
		P/E 12M fwd	14.3	+13.2%
Free Float	68.0%	P/E 5Y avg	12.7	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	17.0	17.6	17.8	15.8	14.6
P/B	1.0	1.0	1.0	1.0	0.9
P/S	0.61	0.53	0.52	0.52	0.50
DPS	3.01	3.07	3.01	3.01	3.01
DYield	4.4%	4.5%	4.4%	4.4%	4.4%
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
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*		68.39

## Comarch hold (no change)

Paweł Szpigiel

+48 22 438 24 06

pawel.szpigiel@mbank.pl

Our current outlook on Comarch, updated in May, assumes lower profits than initially forecast. We expect that, on slightly higher revenue (+1.8% y/y), Comarch will register EBITDA contraction of 7.1% in 2020. Shares in the Company are still trading at attractive levels of 7.4x EV/2020E EBITDA, but its profits are about turn south, and its dividends are very modest at just about 0.7%. Comarch generated strong financial results for Q1 2020, but this was probably its last such a successful quarter this year due to probable cutbacks in IT expenditures. Even as it faces a fall in demand, according to its CFO Comarch has no plans to scale back hiring or capital investment, indicating contraction in FCFE.

### Current Price

217.00 PLN

Upside

### 9M Target Price

220.30 PLN

+1.5%

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

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	+5.9%	+2.9%
ISIN	PLCOMAR00012	YTD Price Chng	+16.0%	+29.4%
Outst. Stock (m)	8.1	ADTV 1M		PLN 1.4m
MC (PLN m)	1,764.9	ADTV 6M		PLN 1.1m
EV (PLN m)	1,679.5	EV/EBITDA 12M fwd	6.5	-10.7%
Free Float	60.9%	EV/EBITDA 5Y avg	7.3	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	57.6	16.8	23.9	17.1	16.4
P/B	2.0	1.8	1.7	1.6	1.4
EV/EBITDA	12.0	7.6	7.9	7.1	6.7
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 (no change)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

11B stock soared 25% in June up to the day of the annual investor conference on the 29th, when the market was expecting to get the scoop on the Company's secret next title codenamed "Project 8." To everyone's disappointment, the release of Project 8 has to be delayed due to time needed to migrate it to Unreal Engine – news which sent shares falling again. Other developments announced at the conference included four publishing deals closed and a fifth one in the works, the upcoming release of a third add-on to Frostpunk still this year, and a mobile version of Frostpunk, expected to be available in 2021, developed in cooperation with NetEase, who are also helping 11 bit studios to create a marketing strategy for the Chinese market. In 2021 11bit will also publish one of the third-party games acquired this year. The Company has markedly scaled up its publishing budget. A repeat of the high earnings posted in Q1 2020 is unlikely in subsequent quarters. We consider 11bit fairly priced at the current level.

**Current Price**

525.00 PLN

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

476.00 PLN

**-9.3%**

	rating	target price	issued
unchanged	hold	476.00 PLN	2020-06-03

Key Metrics			11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	+12.3%	+9.3%
ISIN	PL11BTS00015	YTD Price Chng	+31.3%	+44.6%
Outst. Stock (m)	2.4	ADTV 1M		PLN 13.3m
MC (PLN m)	1,279.5	ADTV 6M		PLN 7.3m
EV (PLN m)	1,181.9	EV/EBITDA 12M fwd	39.9	+197.2%
Free Float	79.4%	EV/EBITDA 5Y avg	13.4	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	24.2	61.4	43.3	79.2	10.3
P/B	13.4	10.7	8.4	7.6	4.4
EV/EBITDA	22.5	39.9	28.8	45.3	7.6
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
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Frostpunk (S)			0.0%	0.0%	0.0%
Projekt 8 (S)			0.0%	0.0%	0.0%
Publishing (S)			0.0%	0.0%	0.0%

**Financial Highlights**

(PLN m)	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%

**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 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%

**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 (no change)

Piotr Bogusz

+48 22 438 24 08

[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)

June developments around Cyberpunk 2077 included the announcement of the game's postponement from 17 September to 19 November, followed by a Night City Wire gameplay livestream on June 25th, and a number of hands-on presentations for journalists and industry experts. The early reviews have been mostly positive, but the players have also found bugs which the Company is working on removing to get the game ready for the November launch. CD Projekt can be expected to ramp-up marketing for Cyberpunk in the months leading up to the premiere in order to turn up hype which will most likely also keep its shares trading higher. We see CDR as fairly priced at the current level, with the likely success of Cyberpunk 2077 also priced in, and so we maintain a hold rating for the stock.

### Current Price

403.20 PLN

Downside

### 9M Target Price

388.10 PLN

-3.7%

	rating	target price	issued
unchanged	hold	388.10 PLN	2020-06-03

Key Metrics			CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+1.6%	-1.4%
ISIN	PLOPTTC00011	YTD Price Chng	+44.3%	+57.6%
Outst. Stock (m)	102.1	ADTV 1M		PLN 130.0m
MC (PLN m)	41,174.8	ADTV 6M		PLN 132.3m
EV (PLN m)	37,926.5	EV/EBITDA 12M fwd	16.2	-31.6%
Free Float	70.1%	EV/EBITDA 5Y avg	23.7	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	-	-	13.9	23.6	39.6
P/B	38.6	35.1	10.1	7.1	6.0
EV/EBITDA	325.2	203.1	11.7	19.7	33.2
DPS	0.00	1.05	0.00	14.47	0.00
DYield	0.0%	0.3%	0.0%	3.6%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales of The Witcher 3			0.0%	0.0%	0.0%
Sales of Gwent: The Card Game			0.0%	0.0%	0.0%
Sales of Cyberpunk 2077			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	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	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 accumualte (downgraded)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

Ten Square Games (TEN) grew 2020 first-quarter EBITDA by a staggering 204% compared to the same year-ago period, but it nevertheless missed the market's expectations. 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 for the month vs. PLN 18.3m in total spent in the first quarter). The marketing strategy seems to be paying off, with April sales of TEN's biggest game, Fishing Clash, soaring 197% on the same month a year earlier, followed by a 214% surge in May and a 267% spike in June (as estimated by Sensor Tower). We expect user acquisition numbers to continue rising in the following months, but we downgrade TEN from buy to accumulate after the recent share price gains.

### Current Price

548.00 PLN

Upside

### 9M Target Price

592.00 PLN

+8.0%

	rating	target price	issued
new	accumulate	592.00 PLN	2020-07-02
old	buy	592.00 PLN	2020-06-03
Key Metrics		TEN PW	vs. WIG
Ticker	TEN PW	1M Price Chng	+4.6% +1.6%
ISIN	PLTSQGM00016	YTD Price Chng	+182.2% +195.5%
Instn. Stock (m)	7.4	ADTV 1M	PLN 13.6m
MC (PLN m)	4,058.0	ADTV 6M	PLN 11.6m
EV (PLN m)	3,855.1	EV/EBITDA 12M fwd	16.2 +28.0%
Free Float	49.9%	EV/EBITDA 5Y avg	12.7 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	-	52.2	22.7	17.5	15.7
P/B	94.7	43.3	16.6	11.9	9.5
EV/EBITDA	87.7	45.6	19.3	14.4	12.7
DPS	0.87	3.75	3.70	18.09	23.47
DYield	0.2%	0.7%	0.7%	3.3%	4.3%
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)

Jakub Szkopek

+48 22 438 24 03

[jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)

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 in operating profit of PLN 138m driven by lower sales prices. Further, with no state compensation offered this year for high electricity prices, expected to rise 7% relative to 2019, the Company faces additional costs of a projected PLN 17m. On the upside, Cognor might realize savings this year thanks to lower prices of graphite electrodes used in EAF steel making (PLN 60m), improved performance after investments (PLN 31m), and lower costs of payroll and services incurred on lower sales (PLN 30m). Nevertheless we see FY2020 EBITDA as falling 30% to PLN 70m, resulting in a higher-but-still-safe leverage ratio of 3.5x. Cognor will probably put shareholder distributions on hold for the foreseeable future. We maintain a hold rating for Cognor, with an unchanged target price of PLN 0.94 per share.

**Current Price**

1.00 PLN

Downside

**9M Target Price**

0.94 PLN

-6.0%

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

Key Metrics	COG PW	vs. WIG
Ticker	COG PW	1M Price Chng +2.0% -1.0%
ISIN	PLCNTSL00014	YTD Price Chng -19.4% -6.0%
Outst. Stock (m)	175.0	ADTV 1M PLN 0.1m
MC (PLN m)	175.0	ADTV 6M PLN 0.1m
EV (PLN m)	440.6	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.	1.9	15.6	82.1	328.8	-
P/B	0.6	0.7	0.7	0.7	0.7
EV/EBITDA adj.	2.0	4.5	6.3	6.4	6.5
DPS	0.07	0.21	0.00	0.00	0.00
DYield	6.8%	20.6%	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
Złomrex 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

	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)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

Faced with the biggest coal glut since 2015 (at nearly 8mmt), 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 the drastic step of closing loss-making coal mines; according to our estimates, the shutdown of the operations owned by the state mining group PGG and the power utility Tauron that generated losses in 2019 would curtail coal production in Poland by 21%, in the process wiping out their potential investment budgets. Under these circumstances, Famur most likely faces a 45% revenue slump in 2020. On a positive note, Famur's current financial position is very healthy, leading us to expect a 2020 year-end net debt/EBITDA ratio of just 0.3x despite likely delays in payments from mining customers. Nevertheless the Company canceled this year's dividend distribution, and next year it is not likely to pay out more than 50% of annual profit. In Q1 2020 Famur exceeded expectations with its quarterly results. Famur recently 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 its business mix. We maintain a hold rating for FMF.

Current Price

2.27 PLN

Downside

9M Target Price

2.20 PLN

-3.1%

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

Key Metrics		FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-7.3%
ISIN	PLFAMUR00012	YTD Price Chng	-23.8%
Outst. Stock (m)	574.8	ADTV 1M	PLN 1.6m
MC (PLN m)	1,304.7	ADTV 6M	PLN 1.0m
EV (PLN m)	1,404.1	EV/EBITDA 12M fwd	3.7
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	6.3	5.3	9.5	12.2	11.3
P/B	0.8	0.8	0.8	0.8	0.7
EV/EBITDA	3.2	3.3	4.2	4.3	4.1
DPS	0.44	0.53	0.00	0.12	0.14
DYield	19.4%	23.4%	0.0%	5.2%	6.2%
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

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)

Jakub Szkopek

+48 22 438 24 03

[jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)

Grupa Kęty on 25 June released preliminary results for the second quarter of 2020 which look sensational when contrasted with reports of Poland's falling aluminum production, and when set against the Company's own guidance. Despite restrictions on business activity introduced in March, Kęty expect its quarterly aluminum sales volume to be 3% higher than in the same period a year earlier, which would be tantamount to an increasing market share, and it also anticipates growth in packaging sales, facilitated by capacity upgrades completed in 2019. Revenues from aluminum systems according to Kęty did not change much compared to the year-ago level even despite lower prices and disruptions on many construction sites due to a surge in worker absences. The zloty's depreciation versus the euro observed in Q2 was probably a mitigating factor which will continue to cushion low prices in the quarters ahead. We currently expect Kęty's EBITDA to grow at an annual rate of 6% in Q3 and 9% in Q4 2020. What is more, we are convinced the Company's shareholders will use the better-than-expected ytd performance to call for a distribution of as much as 85% of 2019 earnings as dividends at the 20 August AGM, which would make DPS of PLN 26.16 and a dividend yield of 6% at the current price level. Kęty is having a great year so far compared to other industrials, and if profits continue to improve in the quarters ahead, this, combined with dividend anticipation and expectations of a FY2020 guidance raise, should generate positive market sentiment. From a long-term perspective, we see risk of decreasing demand for aluminum structures with a possible decline in hospitality and office building projects. We maintain a hold rating for KTY.

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Packaging	119	148	216	176	171
EBITDA, Extrusions	163	152	156	146	146
EBITDA, AI Systems	190	237	263	238	237
EBITDA, Other	-8	-14	-12	-12	-12
EBITDA/t of AI	5	6	6	5	5
<b>Operating cash flow</b>	<b>293</b>	<b>563</b>	<b>365</b>	<b>450</b>	<b>453</b>
D&A	126	138	141	144	137
Working capital	-114	86	-113	-20	-10
<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>-266</b>	<b>-318</b>	<b>-296</b>
Dividends/Buyback	-229	-229	-251	-302	-250
FCF	72	296	246	303	338
FCF/EBITDA	15%	57%	40%	55%	62%
OCF/EBITDA	63%	108%	59%	82%	84%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
AI 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
AI premium (US\$/t)	140	140	140	140	140	140	140	140	140	140	141
AI usage (1,000 t)	101	102	104	106	107	109	111	112	114	116	118
Revenue	3,275	3,352	3,385	3,422	3,459	3,497	3,536	3,575	3,615	3,656	3,698
EBITDA	623	547	542	537	535	535	535	536	537	539	541
EBITDA margin	19.0%	16.3%	16.0%	15.7%	15.5%	15.3%	15.1%	15.0%	14.9%	14.7%	14.6%
EBIT	481	403	405	404	402	401	400	399	398	400	406
Tax	89	74	74	74	74	74	74	74	74	74	75
CAPEX	-175	-150	-120	-122	-125	-127	-130	-132	-135	-135	-135
Working capital	-113	-20	-10	-11	-11	-11	-11	-12	-12	-12	-12
FCF	246	303	338	330	325	322	320	318	317	318	318
PV FCF	237	270	278	250	227	208	190	174	159	146	
WACC	8.1%	8.1%	8.2%	8.2%	8.3%	8.3%	8.4%	8.4%	8.4%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

**Current Price**

445.00 PLN

Upside

**9M Target Price**

453.70 PLN

+2.0%

	rating	target price	issued
unchanged	hold	453.70 PLN	2020-06-25

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+25.7%	+22.7%
ISIN	PLKETY000011	YTD Price Chng	+28.6%	+42.0%
Outst. Stock (m)	9.6	ADTV 1M		PLN 3.0m
MC (PLN m)	4,263.9	ADTV 6M		PLN 2.1m
EV (PLN m)	5,045.0	EV/EBITDA 12M fwd	9.3	+2.7%
Free Float	42.0%	EV/EBITDA 5Y avg	9.0	premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	2,994	3,204	3,275	3,352	3,385
EBITDA	463	523	623	547	542
EBITDA margin	15.5%	16.3%	19.0%	16.3%	16.0%
EBIT	338	385	481	403	405
Net income	268	295	377	313	315
P/E	15.8	14.4	11.3	13.6	13.6
P/B	3.0	2.9	2.7	2.6	2.5
EV/EBITDA	10.8	9.5	8.1	9.3	9.2
DPS	23.94	23.99	26.16	31.47	26.13
DYield	5.4%	5.4%	5.9%	7.1%	5.9%
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, AI Systems			0.0%	0.0%	0.0%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	2,780	2,779	2,918	2,935	2,970
Fixed assets	1,575	1,680	1,770	1,779	1,766
Equity	1,396	1,477	1,603	1,615	1,679
Minority interests	1	1	2	2	3
Net debt	774	703	779	797	730
Net debt/EBITDA (x)	1.7	1.3	1.3	1.5	1.3
Net debt/Equity (x)	0.6	0.5	0.5	0.5	0.4

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.7	4.0	3.4	3.6	3.4	3.1
Maximum	31.1	47.0	92.4	18.1	12.7	10.0
Median	18.6	14.5	10.8	11.3	7.8	5.5
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,138
Net debt	703
Other adjustments	0
Value per share (PLN)	383.86

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	468.27
DCF Val.	50%	383.86
Implied Price		426.06
Cost of equity (9M)		6.5%
<b>9M Target Price</b>		<b>453.70</b>

## Kernel hold (no change)

Jakub Szkopek

+48 22 438 24 03

jakub.szkopek@mbank.pl

Kernel has pushed selected capital projects back to 2021, signaling another year in a row of tighter free cash flow, although after an expected 2% decrease in 2020 the FCF/EV ratio will most likely bounce back by the same amount in 2021. Moreover, with the net debt/EBITDA ratio expected to hold above 3.0x through to the end of 2021, Kernel is not likely to increase dividends in the near future. Our expectations for Q2 2020 are for flat growth in profits relative to the prior-year period. We are waiting for updates on Ukraine's harvest season to assess Kernel's sales prospects for 2021, and for now we maintain a hold rating for KER stock.

<b>Current Price</b>	41.50 PLN	<b>Upside</b>
<b>9M Target Price</b>	44.58 PLN	<b>+7.4%</b>

	rating	target price	issued
unchanged	hold	44.58 PLN	2020-06-03

Key Metrics		KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-1.2%
ISIN	LU0327357389	YTD Price Chng	-7.8%
Outst. Stock (m)	84.0	ADTV 1M	PLN 1.1m
MC (PLN m)	3,487.3	ADTV 6M	PLN 2.1m
EV (PLN m)	8,461.7	EV/EBITDA 12M fwd	4.9
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	16.5	4.6	9.0	6.1	5.6
P/B	0.7	0.6	0.6	0.6	0.5
EV/EBITDA	6.7	4.5	5.9	5.7	5.4
DPS	0.25	0.25	0.25	0.25	0.25
DYield	2.4%	2.4%	2.4%	2.4%	2.4%

Forecast Update (% change)		19/20P	20/21P	21/22P
EBITDA		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%
Margin, Oilseed Processing (\$/t)		0.0%	0.0%	0.0%
Margin, Infrstr & Trade (\$/t)		0.0%	0.0%	0.0%
Margin, Farming (\$/t)		0.0%	0.0%	0.0%
Volumes, Oilseed Processing (kt)		0.0%	0.0%	0.0%
Volumes, Farming (kt)		0.0%	0.0%	0.0%
Volumes, Infr & Trade (kt)		0.0%	0.0%	0.0%

### 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
Minimum	13.2	2.6	8.4	4.1	2.6
Maximum	18.0	39.2	24.8	13.8	12.9
Median	14.3	13.0	12.3	9.7	7.8
Weight	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 reduce (downgraded)

Piotr Poniatowski +48 22 438 24 09 [piotr.poniatowski@mbank.pl](mailto:piotr.poniatowski@mbank.pl)

PKP Cargo reported another slow month in May in terms of volumes, with the freight moved during the month down by 22.3% from May 2019 and ytd activity through May reduced by 22.2%. Consequently, PKP is also losing market share, which is down to 40.9%. The negative trends 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, with electricity demand weighed down by lockdown, and as infrastructure projects get postponed amid the coronavirus crisis (an example of this are the scaled-down trackage building plans of Poland's railway operator PKP PLK, which currently plans to issue PLN 12-13bn-worth of tenders instead of the initial PLN 15bn). PKP Cargo received PLN 34.1m in job retention aid in June, the first payment of three, but this will not be enough to offset low freight volumes and low costs in the second quarter, when the net debt/EBITDA ratio will most likely come close to the covenant cap imposed by lenders. With no upside catalysts in sight, we downgrade PKP from hold to reduce after recent share price gains without changing the target price.

<b>Current Price</b>	14.04 PLN	<b>Downside</b>
<b>9M Target Price</b>	12.37 PLN	<b>-11.9%</b>

	rating	target price	issued
<b>new</b>	<b>reduce</b>	<b>12.37 PLN</b>	<b>2020-07-02</b>
<b>old</b>	<b>hold</b>	<b>12.37 PLN</b>	<b>2020-05-05</b>
<b>Key Metrics</b>			
Ticker	PKP PW	1M Price Chng	+11.4% +8.4%
ISIN	PLPKPCR00011	YTD Price Chng	-31.5% -18.1%
Outst. Stock (m)	44.8	ADTV 1M	PLN 4.4m
MC (PLN m)	628.8	ADTV 6M	PLN 2.3m
EV (PLN m)	2,704.2	EV/EBITDA 12M fwd	3.9 -0.0%
Free Float	67.0%	EV/EBITDA 5Y avg	3.9 discount

### 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.	2.6	110.3	-	-	-
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj.	1.6	3.3	5.4	4.7	4.4
DPS	0.00	1.50	0.00	0.00	0.00
DYield	0.0%	10.7%	0.0%	0.0%	0.0%
<b>Forecast Update (% change)</b>					
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
<b>Value per share (PLN)</b>	<b>9.39</b>

### 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>

## Retail

### Dino

#### sell (downgraded)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

Dino stock hit an all-time high in June on the heels of better-than-expected first-quarter results and intact guidance for 2020 like-for-like sales growth in the low single digits and a potentially higher EBITDA margin. Strong lfl growth in Q1 was supported by consumers stocking on groceries during the initial days of lockdown, 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 curbed 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 introduced at stores, and sales bonuses (labor costs for the quarter were up 43% on the year, outpacing sales, which grew by 42%). The record-high first-quarter SG&A/Sales ratio went hand in hand with the highest lfl growth rate since Q1 2018, not likely to be repeated in the quarters to follow. We downgrade DNP from reduce to sell after recent share price gains without changing the price target.

**Current Price**

199.10 PLN

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

155.60 PLN

**-21.8%**

	rating	target price	issued
new	sell	155.60 PLN	2020-07-02
old	reduce	155.60 PLN	2020-06-03
Key Metrics		DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+8.9% +5.9%
ISIN	PLDINPL00011	YTD Price Chng	+38.3% +51.6%
Outst. Stock (m)	98.0	ADTV 1M	PLN 40.9m
MC (PLN m)	19,519.8	ADTV 6M	PLN 37.7m
EV (PLN m)	19,760.6	EV/EBITDA 12M fwd	18.8 +15.8%
Free Float	48.9%	EV/EBITDA 5Y avg	16.2 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	63.5	48.4	35.2	26.3	21.5
P/B	16.1	12.0	8.9	6.7	5.1
EV/EBITDA	37.1	27.7	20.9	16.3	13.1
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net profit			0.0%	0.0%	0.0%
Store count			0.0%	0.0%	0.0%
Sales/sqm			0.0%	0.0%	0.0%
EBITDA margin			0.0 p.p.	0.0 p.p.	0.0 p.p.

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

(EUR m)	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 buy (upgraded)

Piotr Bogusz

+48 22 438 24 08

[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)

Stocks in Eurocash traded downwards in June on expectations of weak second-quarter results, which indeed turned out lower than anticipated, showing flat EBITDA growth from the same year-ago period. The lackluster results despite strong sales, driven by increased demand, were due to higher costs incurred on adapting stores to the coronavirus 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 post-merger integration expenses. In Q2 2020 lfl growth will most likely decelerate due to weaker sales this Easter season, and because shoppers no longer felt as compelled to urgently stock up on groceries as at the beginning of the epidemic, combined with unfavorable weather in May and June and negative base effects. However sales will most likely rebound in the second half of the year, and continue on a positive momentum throughout 2021, driven mostly by retail stores. We upgrade EUR from accumulate to buy after recent share price declines without changing the target price.

**Current Price**

17.34 PLN

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

19.90 PLN

**+14.8%**

	rating	target price	issued
new	buy	19.90 PLN	2020-07-02
old	accumulate	19.90 PLN	2020-06-03
<b>Key Metrics</b>			
	EUR PW	1M Price Chng	-6.3%
Ticker	EUR PW	1M Price Chng	-9.3%
ISIN	PLEURCH00011	YTD Price Chng	-20.6%
Outst. Stock (m)	139.2	ADTV 1M	-7.2%
MC (PLN m)	2,413.1	ADTV 6M	PLN 6.7m
EV (PLN m)	3,026.5	EV/EBITDA 12M fwd	PLN 8.5m
Free Float	56.0%	EV/EBITDA 5Y avg	5.0
			-47.3%
			9.5 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	36.1	24.0	19.1	13.9	12.2
P/B	2.3	2.5	2.8	3.0	3.0
EV/EBITDA	8.3	7.5	7.0	6.5	6.0
DPS	0.76	1.03	0.50	0.50	0.50
DYield	4.4%	5.9%	2.9%	2.9%	2.9%
<b>Forecast Update (% change)</b>					
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Wholesale (EBITDA)			0.0%	0.0%	0.0%
Retail (EBITDA)			0.0%	0.0%	0.0%
New Projects (EBITDA)			0.0%	0.0%	0.0%

### Financial Highlights (adjusted for IFRS 16)

(PLN m)	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

	20P	P/E	21P	22P	20P	EV/EBITDA	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 (no change)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

Jeronimo Martins generated lower-than-expected profits in Q1 2020 despite strong lfl sales, due mainly to higher costs of adapting stores to more stringent health and safety requirements. Geographically, the Polish unit 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 sales and profits generated by Portuguese supermarkets and Polish drugstores will most likely recover in the second half of 2020, while the Colombian supermarkets successfully curb losses from quarter to quarter.

Current Price

15.13 EUR

Upside

9M Target Price

15.30 EUR

+1.2%

	rating	target price	issued
unchanged	hold	15.30 EUR	2020-06-03

Key Metrics	JMT PL	JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-1.5%
ISIN	PTJMT0AE0001	YTD Price Chng	+3.1%
Outst. Stock (m)	629.3	ADTV 1M	EUR 17.5m
MC (EUR m)	9,518.1	ADTV 6M	EUR 19.7m
EV (EUR m)	9,565.1	EV/EBITDA 12M fwd	0.2
Free Float	38.9%	EV/EBITDA 5Y avg	9.2 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	23.7	18.2	21.1	17.9	17.0
P/B	5.4	4.8	4.4	4.1	3.7
EV/EBITDA	10.3	9.2	9.0	7.7	7.2
DPS	0.64	0.35	0.26	0.33	0.35
DYield	4.2%	2.3%	1.7%	2.2%	2.3%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Y/Y sales/sqm, Biedronka			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Pingo Doce			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Recheio			0.0 p.p.	0.0 p.p.	0.0 p.p.

### Financial Highlights (adjusted for IFRS 16)

(EUR m)	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

### accumulate (upgraded)

Piotr Bogusz

+48 22 438 24 08

[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)

LPP's final first-quarter figures came out slightly better than the preliminary results. The Company is currently negotiating rental rates with retail property owners, and it hopes to reopen most brick stores by the end of July. Online sales in Q1 increased at a triple-digit rate, and the Web stores are expected to keep the pace in the following quarters, generating improving profits facilitated by cost savings. In May and June the e-commerce business generated an EBIT margin of 15%, exceeding the normal operating margins of brick-and-mortar stores. Offline stores are slowly recovering since the easing of lockdown restrictions in May, reporting better sales numbers than originally anticipated. LPP is also in the process of restructuring its German business, and it might set aside a provision for this purpose in Q2 2020 in the amount of PLN 200m, which would be equivalent to 1.7% of its market capitalization. In the long run, however, the restructuring will have a positive effect on profits. LPP boasts a strong balance sheet compared to most of its competition which it can use to increase market share under the current circumstances. We upgrade LPP from hold to accumulate after the recent share price declines without changing the target price.

### Current Price

6,110.00 PLN

Upside

### 9M Target Price

6,900.00 PLN

+12.9%

	rating	target price	issued
new	accumulate	6,900.00 PLN	2020-07-02
old	hold	6,900.00 PLN	2020-06-03
Key Metrics		LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	-10.9% -13.9%
ISIN	PLPP0000011	YTD Price Chng	-30.7% -17.4%
Outst. Stock (m)	1.9	ADTV 1M	PLN 26.8m
MC (PLN m)	11,318.3	ADTV 6M	PLN 21.7m
EV (PLN m)	11,512.9	EV/EBITDA 12M fwd	10.9 -14.0%
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	22.4	20.0	-	22.1	16.9
P/B	4.0	3.4	3.5	3.0	2.7
EV/EBITDA adj.	9.6	8.3	24.6	10.0	7.8
DPS	39.96	59.97	0.00	0.00	78.21
DYield	0.7%	1.0%	0.0%	0.0%	1.3%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales per sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
Sales area			0.0%	0.0%	0.0%

### Financial Highlights (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue/sqm, PL (Reserv	513	497	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 accumulate (upgraded)

Piotr Bogusz

+48 22 438 24 08

piotr.bogusz@mbank.pl

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 42% in March, registered a 65% slump in April, but in May their falls decreased to 35%, indicating a recovery. At the same time, VRG raised its online/total sales guidance for 2020 from 20% to 25% based on increased Web store traffic. Online sales increased by 82% in March compared to the prior-year period, accelerating to 169% in April and 118% in the first half of May. VRG 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 still expects a 20% fall in total sales for FY2020, and it is guiding for a positive IAS 17 EBITDA result for the year. We upgrade VRG from hold to accumulate after recent share price falls, with an unchanged target price.

### Current Price

2.33 PLN

Upside

### 9M Target Price

2.43 PLN

+4.3%

	rating	target price	issued
new	accumulate	2.43 PLN	2020-07-02
old	hold	2.43 PLN	2020-06-03
Key Metrics		VRG PW	vs. WIG
Ticker	VRG PW	1M Price Chng	-1.9%
ISIN	PLVSTLA00011	YTD Price Chng	-42.3%
Outst. Stock (m)	234.5	ADTV 1M	PLN 0.8m
MC (PLN m)	546.3	ADTV 6M	PLN 0.8m
EV (PLN m)	614.4	EV/EBITDA 12M fwd	12.0 +40.9%
Free Float	40.1%	EV/EBITDA 5Y avg	8.5 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	10.2	8.3	-	50.2	11.8
P/B	0.7	0.6	0.7	0.7	0.6
EV/EBITDA adj.	6.8	5.5	103.5	11.3	6.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
B&M sales/sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
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%
Operating cash flow	54	109	98	145	90
D&A	17	24	22	21	22
D&A (IFRS 16)	0	87	85	86	90
Working capital	-21	-75	33	30	-64
Investing cash flow	-19	-17	-16	-21	-23
Financing cash flow	-18	-100	10	-128	-117
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	1,919
SG&A/sqm (PLN)	647	765	781	780	787	792	800	807	814	821	821
Sales area (ksqm)	51	52	54	56	57	57	58	59	59	60	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%
9M Target Price		2.43

**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

**Recommendations of Biuro maklerskie mBanku:**

A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

**BUY** – we expect that the rate of return from an investment will be at least 15%  
**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
**REDUCE** – we expect that the rate of return from an investment will range from -5% to -15%  
**SELL** – we expect that an investment will bear a loss greater than 15%  
Recommendations are updated at least once every nine months.

mBank S.A. with its registered office in Warsaw at Senatorska 18 renders brokerage services in the form of derived organisational unit – Brokerage Office which uses name Biuro maklerskie mBanku.

mBank S.A. as part of the Exchange's Analytical Coverage Support Programme ("Programme", <https://www.gpw.pl/eacsp>) prepares analytical reports for the following companies: Cognor Holding, Comarch, VRG. These documents are prepared at the request of Giełda Papierów Wartościowych w Warszawie S.A. ("WSE"), which is entitled to copyrights to these materials. mBank S.A. receives remuneration from the WSE for the preparation of the reports. All documents prepared for the Programme are available at: [https://www.mdm.pl/ui-pub/site/market\\_and\\_analysis/analysis\\_and\\_recommendations/analytical\\_coverage\\_support\\_programme](https://www.mdm.pl/ui-pub/site/market_and_analysis/analysis_and_recommendations/analytical_coverage_support_programme)

This document has been created and published by Biuro maklerskie mBanku. The present report expresses the knowledge as well as opinions of the authors on day the report was prepared. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which Biuro maklerskie mBanku considers reliable, including information published by issuers, shares of which are subject to recommendations. However, Biuro maklerskie mBanku, in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. mBank S.A. bears no responsibility for investment decisions taken on the basis of the present report or for any damages incurred as a result of investment decisions taken on the basis of the present report.

This document does not constitute an offer or invitation to subscribe for or purchase any financial instruments and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document does not constitute investment, legal, accounting or other advice, and mBank is not liable for damages resulting from or related to the use of data provided in the documents. This document may not be copied, duplicated and/or be directly or indirectly distributed in the United States, Canada, Australia or Japan, nor transferred to citizens or residents of a state where its distribution may be legally restricted, which does not limit the possibility of publishing materials prepared for the Programme on Cognor Holding, Comarch, VRG, mBank or WSE websites. Persons who disseminate this document should be aware of the need to comply with such restrictions.

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation.

Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

It is possible that mBank S.A. in its brokerage activity renders, will render or in the past has rendered services for companies and other entities mentioned in the present report.

mBank S.A. does not rule out offering brokerage services to an issuer of securities being the subject of a recommendation. Information concerning a conflict of interest arising in connection with issuing a recommendation (should such a conflict exist) is located below.

The present publication was not transferred to issuers prior to publication.

The production of new recommendations was completed on July 02, 2020, 08:35 AM.  
New recommendations were first disseminated on July 02, 2020, 08:35 AM.

mBank S.A., its shareholders and employees may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares.

mBank S.A. may have received compensation from the following companies in the last 12 months: Alchemia, Alior Bank, Ambra, Amica, Bank Handlowy, Bank Millennium, Bank Pekao, BGŻ BNP Paribas, Boryszew, Capital Park, CD Projekt, Centrum Nowoczesnych Technologii, Ceramika Nowa Gala, CI Games, Echo Investment, Elemental Holding, Elzab, Enea, Energoaparatura, Erbud, Ergis, Erste Bank, Ferrum, GetBack, Getin Holding, Getin Noble Bank, Globalworth Poland, GPW, Groclin, Helio SA, i2 Development, INDATA, ING BSK, Kruk, LW Bogdanka, MCI Capital, Mennica Polska, Mostostal Warszawa, Netia, Neuca, NWA Dom Maklerski, Oponeo.pl, OTP Bank, PA Nova, PBKM, Pfeiderer Group, PGNiG, PKO BP, Polimex-Mostostal, Polnord, Polwax, Poznańska Korporacja Budowlana PEKABEX, Primetech, Prochem, Projprzem, PZU, Raiffeisen Bank International, Rawplug, Rubicon Partners NFI, Santander Bank Polska, Seco/Warwick, Skarbiec Holding, Solar Company, Sygnyty, Tarczyński, Ten Square Games, TIM, Trakcja, Unibep, Vistal Gdynia, Wittchen, Work Service, YOLO, Zastal, ZUE.

In the last 12 months mBank S.A. has acted as dealer-manager for tender or exchange offers for the shares of: Centrum Nowoczesnych Technologii, Ceramika Nowa Gala, CI Games, Ergis, Globalworth Poland, Helio SA, MCI Capital, Mostostal Warszawa, NWA Dom Maklerski, Pfeiderer Group, Primetech.

Asseco Poland provides IT services to mBank S.A.

mBank S.A. has a cash service agreement in place with Pekao and a phone subscription agreement in place with Orange Polska S.A.

mBank S.A., its shareholders and employees may hold long or short positions in the issuers' shares or other financial instruments related to the issuers' shares. mBank, its affiliates and/or clients may conduct or may have conducted transactions for their own account or for account of another with respect to the financial instruments mentioned in this report or related investments before the recipient has received this report.

Copying or publishing the present report, in full or in part, or disseminating in any way information contained in the present report requires the prior written consent of mBank S.A.

Recommendations are addressed to all Clients of Biuro maklerskie mBanku.

All investment recommendations and strategies issued by mBank S.A. over the last 12 months are available at: [http://www.mdm.pl/ui-pub/site/market\\_and\\_analysis/analysis\\_and\\_recommendations/fundamental\\_analysis/recommendations?recent\\_filter\\_active=true&lang=en](http://www.mdm.pl/ui-pub/site/market_and_analysis/analysis_and_recommendations/fundamental_analysis/recommendations?recent_filter_active=true&lang=en)

The activity of mBank S.A. is subject to the supervision of the Polish Financial Supervision Commission.

Individuals who did not participate in the preparation of recommendations, but had or could have had access to recommendations prior to their publication, are employees of Biuro maklerskie mBanku authorised to access the premises in which recommendations are prepared and/or individuals having to access to recommendations based on their corporate roles, other than the analysts mentioned as the authors of the present recommendations.

This publication constitutes investment research within the meaning of Art. 36.1 of Commission Delegated Regulation (EU) 2017/565.

The compensation of the research analysts responsible for preparing investment research is determined independently of and without regard to the compensation of or revenue generated by any other employee of the Bank, including but not limited to any employee whose business interests may reasonably be considered to conflict with the interests of the persons to whom the investment research prepared by the Research Department of Biuro maklerskie mBanku is disseminated. With that being said, since one of the factors taken into consideration when determining the compensation of research analysts is the degree of fulfillment of annual financial targets by customer service functions, there is a risk that the adequacy of compensation offered to persons preparing investment research will be questioned by a competent oversight body.

**For U.S. persons only:** This research report is a product of mBank SA which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by mBank SA only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, mBank SA has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

**Strong and weak points of valuation methods used in recommendations:**

**DCF** – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

**Comparative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**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, Constellium, 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>	AZA, 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>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

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

### 11 bit studios

Rating	hold	hold	hold	buy	buy
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

Rating	neutral	neutral	neutral	neutral	neutral	underweight
Rating date	2020-06-29	2020-05-21	2020-04-01	2019-12-05	2019-10-30	2019-08-30
Target price (PLN)	-	-	-	-	-	-
Price on rating day	38.50	36.50	39.00	43.20	41.00	43.60

### Agora

Rating	hold	accumulate	buy
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

### Aiileron

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

### Alior Bank

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

### Alumetal

Rating	neutral	neutral	neutral	neutral	neutral	neutral	neutral	underweight
Rating date	2020-06-29	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	40.10	37.00	34.60	43.50	42.80	39.30	35.40	34.50

### Amica

Rating	neutral	neutral	neutral	neutral
Rating date	2020-06-29	2020-04-01	2019-12-05	2019-09-20
Target price (PLN)	-	-	-	-
Price on rating day	120.00	84.30	133.20	118.00

### AmRest

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

### Aparator

Rating	neutral	neutral	neutral	neutral	neutral	underweight	neutral
Rating date	2020-06-29	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	20.80	16.20	20.00	20.70	21.10	22.00	22.60

### Asseco BS

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

### Asseco Poland

Rating	hold	hold	hold
Rating date	2020-06-03	2020-05-05	2019-12-05
Target price (PLN)	68.39	63.90	59.20
Price on rating day	72.60	64.70	57.35

### Asseco SEE

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

### Astarta

Rating	overweight	overweight	overweight	overweight	overweight	overweight
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

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

### Atende

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

### Boryszew

Rating	underweight	underweight	underweight	neutral	neutral	underweight	underweight
Rating date	2020-06-08	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	3.59	3.74	4.54	4.09	4.29	4.54	4.49



**CCC**

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

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

**Ciech**

Rating	hold	hold	buy	buy	buy	buy	hold
Rating date	2020-07-02	2020-05-29	2020-04-14	2020-02-13	2019-12-05	2019-09-05	2019-07-03
Target price (PLN)	34.09	38.94	45.14	47.46	44.41	42.03	41.72
Price on rating day	32.30	39.25	31.80	39.40	36.40	34.00	41.60

**Cognor**

Rating	hold	hold	hold	hold	accumulate	hold	accumulate
Rating date	2020-04-22	2019-12-06	2019-12-05	2019-11-04	2019-09-05	2019-07-25	2019-07-03
Target price (PLN)	0.94	1.25	1.25	1.55	2.00	1.84	1.84
Price on rating day	0.95	1.20	1.17	1.52	1.65	1.75	1.77

**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	sell	reduce	reduce	hold	reduce	accumulate	hold	sell	sell
Rating date	2020-07-02	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	155.60	151.60	152.30	149.70	148.60	149.20	111.20	112.70
Price on rating day	199.10	185.70	173.70	155.00	164.70	134.00	149.60	135.90	143.80

**Dom Development**

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

**Enea**

Rating	suspended	suspended	buy
Rating date	2020-06-23	2020-02-27	2019-11-06
Target price (PLN)	-	-	11.53
Price on rating day	7.90	6.00	8.59

**Energa**

Rating	suspended	suspended	buy
Rating date	2020-06-03	2020-02-27	2019-11-06
Target price (PLN)	-	-	11.67
Price on rating day	8.19	7.36	6.37

**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	buy	accumulate	hold	hold	reduce	sell	reduce	hold
Rating date	2020-07-02	2020-06-03	2020-05-05	2020-02-05	2019-11-25	2019-11-06	2019-09-05	2019-08-02
Target price (PLN)	19.90	19.90	20.50	19.80	19.80	18.10	18.10	18.10
Price on rating day	17.34	18.50	21.10	19.94	22.22	23.80	20.62	18.60

**Famur**

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

**Forte**

Rating	overweight	neutral	underweight	underweight	underweight	neutral	neutral
Rating date	2020-06-29	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	20.25	17.60	11.20	11.80	32.30	28.15	23.25

**GPW**

Rating	hold	buy
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**

Rating	hold	hold	buy	buy	buy	hold	hold	hold	hold	hold	accumulate
Rating date	2020-07-02	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
Target price (PLN)	29.90	28.42	30.55	30.31	30.31	32.75	37.12	34.09	39.77	45.93	45.93
Price on rating day	30.45	28.00	22.24	27.50	26.10	30.00	36.58	31.18	39.98	42.30	42.10

**Handlowy**

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

**Impexmetal**

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

**ING BSK**

Rating	sell	sell	sell	sell	hold	hold	accumulate	hold	reduce
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

**Jerónimo Martins**

Rating	hold	hold	hold	reduce
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**

Rating	sell	hold	hold	hold	buy	buy	accumulate
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**

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

**Grupa Kęty**

Rating	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2020-06-25	2020-04-07	2020-03-04	2019-12-05	2019-11-06	2019-10-07	2019-09-05	2019-07-03
Target price (PLN)	453.70	335.96	360.29	335.44	333.45	298.64	327.11	345.32
Price on rating day	432.00	339.00	381.00	338.50	313.50	283.00	310.00	337.00

**KGHM**

Rating	sell	sell	reduce	hold	reduce	hold	hold	accumulate	accumulate	hold	reduce	hold
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**

Rating	buy	buy	accumulate
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**

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

**Kruszwica**

Rating	neutral	overweight	overweight	overweight	overweight	overweight	overweight
Rating date	2020-06-29	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	60.40	59.00	54.80	52.20	45.80	44.40	43.00

**Lotos**

Rating	hold	hold	reduce	hold	reduce	reduce	sell
Rating date	2020-07-02	2020-06-03	2020-04-07	2020-03-04	2020-02-05	2019-12-05	2019-08-02
Target price (PLN)	55.87	60.39	59.22	67.19	68.47	77.80	72.31
Price on rating day	60.14	60.52	65.10	61.06	76.78	85.20	88.66

**LPP**

Rating	accumulate	hold	hold	buy	buy	buy	hold	buy	accumulate
Rating date	2020-07-02	2020-06-03	2020-05-05	2020-03-24	2020-02-05	2019-12-05	2019-10-07	2019-09-05	2019-07-03
Target price (PLN)	6,900.00	6,900.00	5,800.00	5,800.00	10,100.00	10,100.00	8,500.00	8,500.00	8,500.00
Price on rating day	6,110.00	6,980.00	6,075.00	4,902.00	8,610.00	8,575.00	7,950.00	7,280.00	7,745.00

**Mangata**

Rating	neutral	neutral	neutral	neutral
Rating date	2020-06-29	2020-04-01	2019-12-05	2019-09-20
Target price (PLN)	-	-	-	-
Price on rating day	50.50	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	accumulate	hold	hold	accumulate	accumulate	accumulate	accumulate	buy	accumulate
Rating date	2020-07-02	2020-06-03	2020-03-31	2020-03-04	2020-02-05	2019-11-27	2019-11-06	2019-10-07	2019-08-02
Target price (HUF)	2,158.00	2,072.00	1,927.00	2,726.00	2,816.00	3,302.00	3,258.00	3,258.00	3,258.00
Price on rating day	1,821.00	1,916.00	1,849.00	2,530.00	2,618.00	2,926.00	3,042.00	2,826.00	3,004.00

**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
Rating date	2020-06-03	2020-03-27	2019-11-29	2019-09-05	2019-08-02
Target price (PLN)	6.90	6.90	7.40	7.50	7.50
Price on rating day	6.49	5.88	6.46	6.12	6.70

**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
Rating date	2020-04-27	2020-02-27	2019-10-24
Target price (PLN)	-	-	12.20
Price on rating day	4.05	5.15	8.42

**PGNiG**

Rating	buy	buy	buy	hold	hold	hold	buy	buy	accumulate
Rating date	2020-07-02	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)	5.23	4.91	4.44	3.24	3.88	4.06	5.64	6.33	6.33
Price on rating day	4.63	4.31	3.48	3.14	3.20	3.86	5.07	4.49	5.62

**PKN Orlen**

Rating	hold	hold	hold	accumulate	hold	reduce	hold	reduce	hold
Rating date	2020-07-02	2020-06-03	2020-05-05	2020-03-23	2020-03-04	2020-02-03	2019-12-05	2019-11-14	2019-08-01
Target price (PLN)	67.72	66.85	58.61	58.61	66.70	68.03	94.17	94.17	92.82
Price on rating day	63.28	67.80	59.52	52.58	62.26	75.66	88.50	102.45	97.36

**PKO BP**

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

**PKP Cargo**

Rating	reduce	hold	hold	reduce	reduce	reduce
Rating date	2020-07-02	2020-05-05	2020-02-26	2020-02-05	2019-12-05	2019-11-26
Target price (PLN)	12.37	12.37	13.89	16.40	18.13	20.44
Price on rating day	14.04	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	neutral
Rating date	2020-06-29	2020-04-01	2019-12-05	2019-09-05
Target price (PLN)	-	-	-	-
Price on rating day	1.70	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	hold	accumulate	buy	buy	hold	hold	reduce	hold	hold	reduce
Rating date	2020-07-02	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
Target price (PLN)	179.37	179.37	194.52	229.52	287.90	265.50	276.55	276.55	337.00	337.00
Price on rating day	174.50	163.60	160.70	173.90	304.00	279.00	317.40	286.00	319.60	357.20

**Skarbiec Holding**

Rating	hold	accumulate	buy	buy
Rating date	2020-07-02	2020-06-03	2020-03-04	2019-12-05
Target price (PLN)	21.20	21.20	21.20	29.34
Price on rating day	21.40	19.05	18.80	17.20

**Stelmet**

Rating	suspended	buy	accumulate	hold	hold	hold	hold
Rating date	2020-07-02	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	8.55	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
Rating date	2020-05-05	2020-02-27	2019-11-06
Target price (PLN)	-	-	2.45
Price on rating day	1.14	1.22	1.73

**Ten Square Games**

Rating	accumulate	buy	accumulate	hold	buy
Rating date	2020-07-02	2020-06-03	2020-05-26	2020-05-05	2020-04-23
Target price (PLN)	592.00	592.00	592.00	462.00	462.00
Price on rating day	548.00	505.00	539.00	450.00	371.00

**TIM**

Rating	overweight	overweight	overweight
Rating date	2020-06-29	2020-04-01	2019-12-05
Target price (PLN)	-	-	-
Price on rating day	10.90	9.20	10.90

**VRG**

Rating	accumulate	hold	hold	buy	accumulate	buy
Rating date	2020-07-02	2020-06-03	2020-04-06	2020-02-05	2019-12-02	2019-07-26
Target price (PLN)	2.43	2.43	2.00	4.50	4.50	5.20
Price on rating day	2.33	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

**mBank S.A.**  
 Senatorska 18  
 00-950 Warszawa  
<http://www.mbank.pl/>

## Research Department

Kamil Kliszczyk  
 director  
 +48 22 438 24 02  
[kamil.kluszcz@mbank.pl](mailto:kamil.kluszcz@mbank.pl)  
 energy, power generation

Jakub Szkopek  
 +48 22 438 24 03  
[jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)  
 industrials, chemicals, metals

Aleksandra Szklarczyk  
 +48 22 438 24 04  
[aleksandra.szklarczyk@mbank.pl](mailto:aleksandra.szklarczyk@mbank.pl)  
 construction, real-estate development

Michał Marczak  
 +48 22 438 24 01  
[michal.marczak@mbank.pl](mailto:michal.marczak@mbank.pl)  
 strategy

Paweł Szpigiel  
 +48 22 438 24 06  
[pawel.szpigiel@mbank.pl](mailto:pawel.szpigiel@mbank.pl)  
 media, IT, telco

Piotr Poniąkowski  
 +48 22 438 24 09  
[piotr.poniatowski@mbank.pl](mailto:piotr.poniatowski@mbank.pl)  
 industrials

Michał Konarski  
 +48 22 438 24 05  
[michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)  
 banks, financials

Piotr Bogusz  
 +48 22 438 24 08  
[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)  
 retail, gaming

Mikołaj Lemańczyk  
 +48 22 438 24 07  
[mikolaj.lemanczyk@mbank.pl](mailto:mikolaj.lemanczyk@mbank.pl)  
 financials

## Sales and Trading

### Traders

Piotr Gawron  
 director  
 +48 22 697 48 95  
[piotr.gawron@mbank.pl](mailto:piotr.gawron@mbank.pl)

Adam Prokop  
 +48 22 697 47 90  
[adam.prokop@mbank.pl](mailto:adam.prokop@mbank.pl)

Krzysztof Bodek  
 +48 22 697 48 89  
[krzysztof.bodek@mbank.pl](mailto:krzysztof.bodek@mbank.pl)

Magdalena Bernacik  
 +48 22 697 47 35  
[magdalena.bernacik@mbank.pl](mailto:magdalena.bernacik@mbank.pl)

Tomasz Jakubiec  
 +48 22 697 47 31  
[tomasz.jakubiec@mbank.pl](mailto:tomasz.jakubiec@mbank.pl)

Andrzej Sychowski  
 +48 22 697 48 46  
[andrzej.sychowski@mbank.pl](mailto:andrzej.sychowski@mbank.pl)

### Sales, Foreign Markets

Bartosz Orzechowski  
 +48 22 697 48 47  
[bartosz.orzechowski@mbank.pl](mailto:bartosz.orzechowski@mbank.pl)

Jędrzej Łukomski  
 +48 22 697 49 85  
[jedrzej.lukomski@mbank.pl](mailto:jedrzej.lukomski@mbank.pl)

### Private Client Sales

Kamil Szymański  
 director  
 +48 22 697 47 06  
[kamil.szymanski@mbank.pl](mailto:kamil.szymanski@mbank.pl)

Jarosław Banasiak  
 deputy director  
 +48 22 697 48 70  
[jaroslaw.banasiak@mbank.pl](mailto:jaroslaw.banasiak@mbank.pl)