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# Monthly Market Outlook: August 2020

## Equity Market, Macroeconomics

### Equity Market

Financial markets are probably headed for a correction in August from the highs of the last few months if economic data undercut expectations and with US-China tensions back in the headlines.

### Sector Outlook

#### Financials

The WIG-Banks index slumped 6% in July, in keeping with Stoxx Europe 600 peers, but in August Polish banks could retrace some of the losses with positive earnings surprises assuming the market starts to pay attention to sector results. Elsewhere in Europe, investors took the July coronavirus recovery package deal as an opportunity to take profits on bank stocks. Worthwhile alternatives can be found among other financial institutions, among them PZU and GPW with their expected strong Q2 results.

#### Chemicals

Neither Ciech nor Grupa Azoty can be expected to have improved on the year-ago results in Q2 2020. Looking ahead, in case of the latter a second-half recovery is looking tentative.

#### Mining

KGHM's prospects for the second half of 2020 have improved significantly with an upward shift in markets for copper and silver. On the other hand, JSW continues to struggle with weak demand, though short term its financial standing could temporarily improve thanks to coronavirus aid.

#### Oil & Gas

Refinery profits have not recovered as much as usual with the kick-off of the 2020 travel season, indicating a bleak second-half outlook and no growth potential in downstream companies despite the latest share price declines. By contrast, PGNiG gas has a bright outlook ahead.

#### Telecoms, Media, IT

Telecommunications are a non-cyclical and an increasingly profitable business, and as such the sector is destined for outperformance. Our top telco pick for August is OPL due to strong Q2 results and a potential spin-off of network infrastructure. In Media, we expect underperformance from WPL and AGO on weak second-quarter results. IT retains a positive outlook, and ASE remains our top tech pick despite a nearly-80% share price rise since the beginning of the year.

#### Gaming

Gaming stocks shifted lower in July but later rebounded to end the month flat compared to the end of June. We see more upside potential still in Ten Square Games, and CD Projekt as well could see further gains fueled by Cyberpunk 2077 publicity.

#### Industrials

The 2020 Q2 earnings season in the industrials sector is looking better than we had initially anticipated. We see Amica, Cognor, Famur, Forte, and TIM in particular as delivering upside surprises, and we expect disappointing results from Alumetal, Boryszew, and PKP Cargo. As of today we upgrade our calls on COG and FMF to buy.

#### Retail

Stocks in clothing and footwear retailers took a downward turn toward the end of July on a rise in daily coronavirus cases, and at the current level we see LPP and VRG as worthwhile bets for August. Among grocery retailers we prefer EUR and JMT and we would avoid DNP.

#### Key Ratings

**Positive:** AMC, ASE, AST, COG, EUR, FMF, FTE, EBS, LPP, MIL, MOL, MONET, OPL, PEO, PGN, PZU, SPL, TEN, TIM, VRG

**Negative:** AML, BRS, DNP, PKP, WPL

EU Indices	Value	1M chng	YTD chng
WIG	51,534	+1.1%	-11%
ATX	2,155	-5.0%	-32%
BUX	34,620	-3.6%	-25%
PX	892	-4.9%	-18%
WSE WIG Ind.	Value	1M	YTD
WIG20	1,804	+0.4%	-16%
mWIG40	3,629	+0.7%	-6%
sWIG80	14,873	+7.5%	+25%
Banking	3,864	-8.9%	-43%
Basic Materials	4,009	+33.9%	+30%
Chemicals	7,781	-7.1%	-7%
Clothes	4,251	+7.7%	-25%
Construction	2,952	+6.0%	+30%
Energy	2,043	-0.5%	+4%
Food	2,954	-3.0%	-5%
Gaming	33,006	-0.4%	+77%
IT	3,730	+4.3%	+32%
Media	5,343	+3.1%	-1%
Oil & Gas	4,671	-9.5%	-28%
Telecom	877	+4.4%	+0%
Top 5 / Worst 5		1M	YTD
Global Cosmed	10.40	+176.6%	+739%
PZ Cormay	3.00	+153.2%	+199%
Work Service	1.07	+133.4%	+104%
ML System	97.60	+88.4%	+274%
Elemental	2.76	+60.5%	+30%
Enter Air	24.00	-27.7%	-45%
Altus TFI	0.88	-31.8%	-40%
BAH	0.64	-34.7%	-36%
Mabion	24.70	-38.0%	-68%
Elektrobudowa	1.49	-41.1%	-80%

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

Name	Rating	9M TP
Asseco Poland	accumulate ▲	68.39 PLN ►
Cognor	buy ▲	1.98 PLN ▲
Famur	buy ▲	2.86 PLN ▲
Jeronimo Martins	accumulate ▲	15.30 EUR ►
JSW	hold ▲	16.41 PLN ▲
LPP	accumulate ►	7900 PLN ▲
MOL	buy ▲	2158.00 HUF ►
Netia	hold ▼	4.40 PLN ►
PGNiG	buy ►	5.94 PLN ▲
Play	accumulate ▼	35.70 PLN ►
Santander BP	buy ▲	179.37 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>8</b>
<b>4. Quarterly Earnings Surprises .....</b>	<b>10</b>
<b>5. Overview of Updated Earnings Expectations .....</b>	<b>12</b>
<b>6. Current Recommendations By mBank .....</b>	<b>13</b>
<b>7. Ratings Statistics .....</b>	<b>14</b>
<b>8. Calendar of Upcoming Corporate Events .....</b>	<b>15</b>
<b>9. Macroeconomic Update .....</b>	<b>16</b>
<b>10. Financial Sector .....</b>	<b>17</b>
10.1. Alior Bank .....	17
10.2. Handlowy .....	18
10.3. ING BSK .....	19
10.4. Millennium.....	20
10.5. Pekao .....	21
10.6. PKO BP .....	22
10.7. Santander Bank Polska .....	23
10.8. PZU.....	24
10.9. Skarbiec Holding .....	25
10.10. GPW .....	26
<b>11. Chemicals .....</b>	<b>27</b>
11.1. Ciech.....	27
11.2. Grupa Azoty .....	28
<b>12. Mining.....</b>	<b>29</b>
12.1. JSW .....	29
12.2. KGHM .....	30
<b>13. Oil &amp; Gas.....</b>	<b>31</b>
13.1. Lotos.....	31
13.2. MOL .....	32
13.3. PGNiG.....	33
13.4. PKN Orlen .....	34
<b>14. Power Utilities .....</b>	<b>35</b>
14.1. CEZ.....	35
14.2. Enea.....	36
14.3. Energa.....	37
14.4. PGE .....	38
14.5. Tauron.....	39
<b>15. Telecoms.....</b>	<b>40</b>
15.1. Cyfrowy Polsat .....	40
15.2. Netia .....	41
15.3. Orange Polska.....	42
15.4. Play.....	43
<b>16. Media .....</b>	<b>44</b>
16.1. Agora .....	44
16.2. Wirtualna Polska.....	45
<b>17. IT.....</b>	<b>46</b>
17.1. Asseco Poland .....	46
17.2. Comarch .....	47
<b>18. Gaming .....</b>	<b>48</b>
18.1. 11 bit studios.....	48
18.2. CD Projekt.....	49
18.3. Ten Square Games .....	50
<b>19. Industrials, Mining.....</b>	<b>51</b>
19.1. Cognor.....	51
19.2. Famur.....	52
19.3. Grupa Kęty.....	53
19.4. Kernel.....	54
19.5. PKP Cargo .....	55
<b>20. Retail .....</b>	<b>56</b>
20.1. Dino .....	56
20.2. Eurocash .....	57
20.3. Jeronimo Martins .....	58
20.4. LPP .....	59
20.5. VRG .....	60

## Investing Outlook

**The global economy is slowly losing momentum as the coronavirus pandemic continues to spread, the effects of a post-lockdown comeback in consumer spending dissipate, and relief programs to support jobs and businesses get scaled back. Looking at high expectations, upcoming economic prints might therefore be a source of disappointment for many analysts and investors. In the US, the most crucial phase of the second-quarter earnings season is over, trade tensions with China are escalating again, and, with only three months left until the November 3rd Presidential Election Day, if Joe Biden's lead over Donald Trump stays as high as it is today (with some polls indicating a 10-point lead) this might generate anxiety on Wall Street in the weeks to come. In Poland, the Warsaw Stock Exchange is experiencing a marked rise in retail investing, and the valuations of many small- and mid-cap stocks have become divorced from reality. Against this backdrop, financial markets look ripe for a correction in August after months of gains.**

### Comeback of COVID-19 in Europe and Asia

Daily new coronavirus cases keep reaching new highs lately in many places in the world, with high infections in the US and South America now accompanied by the virus's resurgence in Europe and Asia.

In the US, new cases seem to have settled around 70,000 per day, giving rise to hopes of an imminent decline. Mortality attributed to COVID-19 is currently up, but the numbers probably reflect hospitalizations from two weeks ago – at the moment the hospitalization rate has leveled off.

On the other hand, in Europe the number of reported infections seems to be on the rise, with Spain, Belgium, and France registering the biggest spikes since the beginning of May, and daily cases in Poland and Romania hitting all-time highs.

The proportion of people infected by the coronavirus relative to total populations remains low despite the rise in cases, but fears over a second wave of the pandemic, and the virus getting out of control (people flouting social distancing rules would be one reason) are escalating. The likelihood that countries will reintroduce sweeping lockdowns is low at the moment; rather, we will probably see restrictions on regional or community levels. While such localized lockdowns are not likely to have much economic impact, in combination with other factors they could prove powerful enough to flatten economic recovery.

### Is Economic Momentum About to Turn?

We see the global economy as entering a new, third phase in the coronavirus crisis.

Phase one was the total crash that came with total lockdown. Phase two was the re-opening phase with fast-paced recovery observed from month to month, supported by crisis relief financing. Phase three probably entails a leveling off or deceleration of the economic recovery if a "second wave" takes hold and as financial support for businesses and jobs gets rolled back.

This would be consistent with Fed Chair Powell's statement after the last meeting that the United States' "pace of recovery looks like it has slowed" since June. When it comes to jobs, a V-shaped return has not happened so far in the US, with jobless claims on the rise still as social distancing restrictions have to be kept in place due to the continuing

rise in cases. The financial assistance offered to cover income loss is losing its effectiveness as stimulus, and consumer confidence in the US is seen to be weakening, as reflected in curbed household spending while the savings rate rises.

At the time we write this, the US Congress has not yet agreed on a new coronavirus relief package, causing millions of unemployed Americans to lose \$600 in weekly benefits – another reason why consumption might plummet in the coming weeks.

The Fed did not make any major decisions at its July meeting, and is it not expected to until September. Investors are anticipating that the Fed will extend its inflation-targeting horizon and peg rates to unemployment in addition to inflation – a shift which would result in a long period (potentially several years) of very loose monetary policy.

The euro area has enjoyed a faster pace of economic recovery than the US, evidenced by positive data surprises, including PMI from the aggregate through to the manufacturing and services gauges, alongside a recovery in demand and new orders. The only area where there has been no noticeable improvement are jobs. Business confidence in Europe has been boosted by the passing of the 2021-2027 budget, including a EUR 1.8-trillion pandemic recovery program and its EUR 672.5bn Recovery and Resilience Facility, to be distributed in the form of loans and grants.

Funding aside, however, we believe Europe has passed the point where consumers and businesses went from strength to strength following lockdown easing, and where people on stay-at-home orders tap their disposable income to fulfil a new-found desire to remodel and refurbish their living/working spaces. Moreover, at the moment, the confidence of European consumers is again being undercut by rising infections, local lockdowns, and restriction extensions like in the UK, although for now there are no expectations of a repeat of the total spring lockdowns.

### US-China Tensions Back In Headlines

The US keeps escalating its tense relationship with China. The July speech by Mike Pompeo where he used cold war rhetoric is one recent example, alongside respective consulate closures by both sides and multiplying mutual sanctions, among others. The Trump administration keeps warning US firms against doing business with China, while the Bank of China urges Chinese banks to get off SWIFT and adopt a local cross border settlement system in preparation for US sanctions. Both sides are also expanding their military presence in the South China Sea, where they are holding competing naval drills. In this phase of their fight for world dominance, the US and China have become extremely unpredictable.

### US Earnings Season So Far

US companies have delivered a reassuring second-quarter reporting season so far, with the tech mega-caps clearly demonstrating their resilience in the face of any COVID-19-type global events.

One-third of S&P500 have already reported, and most of them (85%) delivered upside surprises, a 20% higher percentage than initially anticipated, though with that said it is good to remember how low the bar was with the S&P 500 EPS initially forecast to drop 44% from the year-ago period. By now the FY2020 consensus EPS estimate for S&P500 firms has been raised from \$126.5 to \$129.1, and the expectations for 2021 have gone up from \$159.4 to \$161.6.

Positive surprises from the companies scheduled to report in the coming weeks as not likely to be as big as those provided by Big Tech or by multinational banks which raked in huge profits from trading.

### **Retail Rules the Warsaw Stock Exchange**

Total trading volumes on the WSE jumped by 39% in July 2020 compared to the same month a year ago. The Polish stock market today is reminiscent of the 1990s and the 2007-2008 years in that, calculated very roughly based on crude monthly statistics, as much as 35-40% of the July volumes might have come from retail investors as compared with 12% in the second half of 2019.

The increased activity of individuals is reflected in the larger market shares of retail brokerages, and in rankings of most traded stocks. The rise of retail investing is a worldwide phenomenon, with the same trends observed in the US and Asia. In July 2019, only two retail brokers made it to the top ten of Poland's most active brokers with a combined share in total trading volumes of just 13.9%. In July 2020, the top ten included five retail brokers accounting for 34% of total volumes.

At the same time, top-10 lists of high-liquidity stocks recently feature companies from outside the WIG20 blue chips index, registering daily trading volumes that far exceed those typically enjoyed even by the biggest banks, with highly volatile valuations which at times seem completely detached from reality – an observation which might prove useful if sentiment shifts and a sell off starts to look imminent.

That being said, the high activity of retail investors so far has not brought with it a massive reallocation of money from banks to investment funds. After promising trends observed in April and May, when equity funds and absolute return vehicles registered inflows in excess of PLN 1 billion, net receipts in June turned low again at just about PLN 119m.

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## Sector Strategies

### Financials

- July is seasonally an uneventful month for banks, and after EU leaders reached a deal on the recovery fund on the 21st investors decided to take profits on EU banks ahead of second-quarter earnings. In Poland, we are seeing a shift in the balance-sheet compositions of banks after a lending slump amid coronavirus uncertainty on the one hand, and an inpouring of deposits on the other hand, fueled by a rush to save money for a potential recession, combined with emergency funding paid to businesses, which has so far totaled about PLN 60 billion. Lenders are trying to manage the excess liquidity among others by buying debt securities which as a result are making up an increasing share of their assets while deposits surge as a percentage of liabilities. The Monetary Council did not make any decisions of note at its July meeting.
- The 2nd quarter earnings season kicked off on a high note in Poland with strong numbers reported by Millennium and Santander Bank Polska. Lenders seem to have been able to cut down costs this year, including through lower sales bonuses but more importantly by reducing expenditures on non-payroll processes. We felt heartened by Millennium's cautious guidance for stable net interest income in the third quarter. In August, we expect a generally good report from PKO BP and healthy results from Pekao, against a net quarterly loss from Alior Bank. As more and more franc borrowers file lawsuits against their lenders, legal reserves will continue to weigh on the profits of Polish banks for the foreseeable future.
- Elsewhere in the EU, the EUR 750 billion recovery fund deal agreed on 21 July sparked a "buy the rumor sell the fact"-type profit-taking activity among bank investors, with the ECB's recommendation to hold off dividend payments until 2021 adding fuel to the selling pressure by killing hopes that some institutions capable of better coping with the crisis would opt to make distributions this year. The July meeting of the ECB was fairly uneventful with no changes made to the current monetary policy.
- Key Ratings:** PEO (buy), MIL (buy), MONET (buy)

### Chemicals

- Neither Ciech nor Grupa Azoty can be expected to have improved on the year-ago results in Q2 2020. Looking ahead, and in case of the latter a second-half recovery is looking tentative but the former could paint an improved sales outlook for soda ash in the second half of the year.
- 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 generated disappointing earnings results in H1 2020, not saved by low costs of gas and coking coal fuels, but we see a pickup in soda ash markets since June. Nevertheless Ciech's FY2020 full-year EBITDA might miss the PLN 600m target.

### Mining

- Investors kept pouring money into metals in July, driving the prices of copper and precious metals, ignoring reports of rising production in Chile (Escondida +2% y/y; Collahuasi +38% y/y in Q2 2020). Copper traders in July

turned their attention to increasing imports into China (+17% y/y in June) and decreasing inventories in LME warehouses.

- In turn, the continuing spread of COVID-19, and a growing global monetary base, fueled an upward shift in prices of precious metals which might continue through August as coronavirus cases among mine employees rise. The potential beneficiaries include gold producers like ANG SJ, GFI SJ, FRES LN, POLY LN, and PLZL RX.
- The coronavirus situation is having no noticeable effects on KGHM. Based on monthly production reports, we estimate that the Company's 2020 Q2 revenue might come in at approximately PLN 5,767m (+0.5% y/y), and we expect to see EBITDA of PLN 1,255m (-2% y/y) and net profit of PLN 480m (+15% y/y).
- JSW is experiencing low demand for its metallurgical coal as buyers hold off purchases until after the summer vacation season. Coking coal is currently trading in the \$110-115/t range. In China the coking coal market has entered into consolidation, with prices edging higher in some provinces, and inching lower in others. China's Steel PMI rebounded to 51.1 points in July, with the new orders sub-index rising by 0.3 points to 51.7, and the current output sub-index 0.1pt higher than in June.
- In Q2 2020, based on reported monthly volumes, we estimate that JSW sold its coking coal at a 3% premium to market prices, but marked coke down 21% below the market rates. We also estimate that the second-quarter mining cash cost was 12% higher than a year ago at PLN 519/t (\$127/t), and the cash conversion cost increased 13% to PLN 197/t – levels which would render coal production in the period unprofitable at the sales prices in effect at the time (\$116/t). We suspect that JSW was able to reduce costs by about PLN 190m in Q2 compared to the previous quarter by curbing mining operations, but nevertheless we expect the quarterly EBITDA to show an operating loss of PLN 96m. A likely reduction in coal inventories might facilitate the release of a projected PLN 62m in cash, and with OCF additionally boosted to the tune of PLN 185m thanks to payroll relief measures, combined with minimal CAPEX, JSW might report a cash surplus of PLN 324m (PLN 2.76/share) as of 30 June 2020.

### Oil & Gas

- The strong upward momentum that the oil market enjoyed earlier this year is probably over with rising OPEC production likely to swing the market back into oversupply territory once the current commitments expire and while the recovery in demand occurs at a sluggish pace. Nevertheless we keep our 2020 average oil price forecast of \$40/bbl intact for now looking at a weakening dollar, which props up Brent.
- Moving on to gas, the situation in the EU market did not change much in July, and the volumes held in regional storages are no longer that much higher than the year-ago inventories. Forward contracts indicate a recovery in prices in the 2020 heating season, supported by reduced supply from the US, expected to hit a low in November, alongside continued gas-for-coal fuel switching by European power generators.
- The summer travel season is in full swing, but refining margins have not recovered as much as the market was anticipating 2-3 months ago. Companies cannot run refineries at pre-pandemic utilization rates while they hold on to unsold products and demand remains lower than needed. In addition, a rise in cases has brought back



concerns about another round of travel restrictions. All this indicates a very challenging second half of 2020 for oil refiners, especially when compared to the first half, when cracking margins kept hitting all-time highs for several weeks. The challenges also apply to pumping stations.

- In petrochemicals, amid persistently low prices, volumes in July exceeded our expectations, and with supply increasing we maintain a cautious view on the sector.
- Refiner stocks have lost most downside potential after July falls, but to take this as a signal to buy PKN or LTS would be premature at this stage. On the other hand, MOL is a buy at the current level leading up to a likely 2020 Q2 earnings beat. We also remain bullish on PGNiG, and we raise our target price for the gas producer to PLN 5.94 per share.

▪ **Key Ratings:** PGN (buy), MOL (buy)

## Power Utilities

- EEX power contracts have retreated below EUR 40/MWh, but as costs of carbon allowances hold at EUR 26/t, even though coal prices have gone down, this is putting a squeeze on generator profits.
- The EU deal to further the region's energy transition provided an upside catalyst for Euro Stoxx Utilities in July (up by 4% versus a 7% gain registered by US peers), with clean producers benefitting the most from the improved sentiment.
- In Poland, the model clean-dark spread of a coal-powered power plant widened somewhat in July after an earlier decrease driven by rising EUA prices. Electricity use in the last four weeks was 3-4% lower than in the same period last year, similar rates of decline as recorded before the coronavirus outbreak.
- When it comes to the 2020 Q2 reporting season, there are not likely to be many positive surprises despite understandably low expectations.
- The optimism that has buoyed Polish utilities over the last few weeks, sparked by statements from top energy officials about Poland's likely shift away from coal, has been thwarted by the government back-pedaling on a restructuring plan for the state coal group PGG. The canceled proposals included a 15-year plan for coal mine closures – an idea which met with vocal opposition from miner unions even before it could be presented to the general public. The government keeps yielding to miner demands, and given the power unions wield over politics the transition away from coal will not be easy or fast, and this can be expected to weigh on Polish utility stocks until a new catalyst comes along.
- **Key Ratings:** CEZ (accumulate)

## Telecoms, Media, IT

- The Polish PM has nominated Jacek Oko to take over as Head of the Office for Electronic Communications (UKE). Mr. Oko is a member of the academic staff of the Wrocław University of Science and Technology, and he heads the Wrocław Centre for Networking and Supercomputing. UKE's current acting chief decided not to stay on for a full-term position.
- Other noteworthy developments in July included a story by Bloomberg claiming that Orange Polska was planning to sell up to 50% of its fiber network for an estimated price of EUR 1bn. Orange Polska refused to confirm any of Bloomberg's calculations, saying only that it was on a search for a co-investor in fiber infrastructure.
- T-Mobile Poland launched a new data plan in June which

we see as a move to leverage soaring data traffic to convince customers to upgrade to the higher-priced 15GB plan. The refurbished data plans are similar to those offered by Orange Polska. Play Mobile also introduced new phone+data plans in June which seem designed to have user switch to bigger plans. Still Play's mid-tier plans are cheaper per GB of data than those of most competitors.

- Advertising expenditures in Poland are estimated to have grown by 0.5% to PLN 2.1bn in Q1 2020, with expenses in January and February showing increases from the same year-ago periods, followed by a decrease in March when the coronavirus pandemic reached Poland.
- According to estimates by Zenith Polska, total Polish adspend in 2020 might drop by about 7.3% assuming an uninterrupted recovery from lockdown, but if restrictions have to be reintroduced for a second wave of the pandemic the fall will be twice as severe at 14%. Internet advertising is the least affected by spending cuts, while print, cinema, and outdoor ad revenues can be expected to fall the most this year.
- 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.
- The WIG-Info index gained more than 4% in July, outperforming the broad WIG benchmark and rising 2.5pp above MSCI IT EU. At 15.3x 12M fwd P/E, Polish tech stocks are currently trading 3% above the average ratio for the last three years. Our top July pick, ASE, registered an 11.3% rebound in July.
- In the 2020 Q2 reporting season, we expect to see median EBITDA growth of approximately 7.8% from rated companies – a big accomplishment in the midst of a pandemic. All IT firms in our coverage universe will most likely improve on the year-ago EBITDA results in Q2 2020, and most of them will also deliver bottom line growth. We maintain a bullish outlook for the IT sector.
- **Key Ratings:** OPL (buy), PLY (accumulate), WPL (reduce), ASE (overweight)

## Gaming

- Shares in CD Projekt were trading mostly flat in July. Cyberpunk 2077 has received positive early reviews from industry critics and journalists. Last month CD Projekt announced it was dropping some features from the game for design reasons. By further building excitement and anticipation leading up to Cyberpunk's November release, CD Projekt should be able to keep market sentiment high in the coming months. For August we maintain a neutral stance on CDR.
- 11b stock also traded mostly sideways in July. Potential catalysts in August include Frostpunk extensions and the earnings report on the 27th – we expect strong results, with EBIT potentially showing a 102% y/y rebound to PLN 5.9m even though the Company did not release any games or add-ons in the period.
- Ten Square Games saw a 241% jump in sales in Q2 2020, driven mainly by Fishing Clash. We estimate that the recurring quarterly EBITDA might have rebounded by 106% y/y to PLN 34m. The unprecedented PLN 70m spent on marketing in Q2 will pay off in the future. TEN released Solitaires for mobile on July 23rd, and in the months ahead it is expected to launch Hunting Clash and Flip This House on the global market. July marked the end of a 180-day lock-up period on TEN shares. TEN is our top gaming pick for August due to its substantial growth potential.
- **Key Ratings:** TEN (accumulate)

## Industrials

- Only three companies in our industrials universe: Amica, Grupa Kęty, and TIM, accounting for 20% of total, can be expected to have improved on the year-ago results in Q2 2020. On the whole, however, the second quarter reporting season is looking better today than it did a month ago, with more positive P&L and cash flow surprises facilitated by coronavirus assistance and more favorable zloty exchange rates. We see Amica, Cognor, Famur, Forte, and TIM in particular as delivering upside surprises, and we expect disappointing results from Alumetal, Boryszew, and PKP Cargo.
- Amica has seen a rapid post-lockdown sales rebound in Poland and Germany, underpinned by the zloty's depreciation versus the euro. Another of our top August picks, Astarta, benefits from a structural shift in the Ukrainian sugar market, and it is trading at unparalleled 2020-2021 FCF/EV ratios. We also like Cognor, which is doing better than expected amid tough circumstances, delivering positive earnings surprises which lead us to expect resumption of dividend payments in 2021 or 2022. Famur is set to report increased cash in Q2 2020, and looking ahead its prospects might improve thanks to lifelines thrown to JSW and PGG. At the current level, Famur could opt for a share buyback. The outlook for Forte seems to be improving looking at recovering business confidence indicators in the German furniture industry, 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 5%, with its sales not affected by the coronavirus crisis thanks to a strong online presence.
- Alumetal faces a slow recovery in sales and profits as the auto industry braces for a crisis and its parts suppliers are managing to hang on thanks only to coronavirus aid payments (the current consensus is that automotive suppliers will not build volumes back up to pre-pandemic levels before 2023). We would avoid Boryszew, which might have to raise capital after violating loan covenants, and we would steer clear of PKP Cargo (PKP), expected to report another quarter of weak earnings in Q2 2020 even after receiving a crisis lifeline.
- Key Ratings:** AMC (overweight), AML (underweight), AST (overweight), BRS (underweight), COG (buy), FMF (buy), FTE (overweight), PKP Cargo (reduce), TIM (overweight)

## Retail

- According to statistics published by the Polish Council of Shopping Centres (PRCH), footfall in the period from 29 June to 26 July 2020 was up to 82% of the year-ago figure. The conversion rate has increased according to retailers, mitigating the decline in visits.
- In Clothing & Footwear, LPP reported preliminary Q2 20/21 figure well ahead of expectations after a faster-than-anticipated recovery in revenues and margins which instills confidence for further growth in the future, and makes us optimistic on the prospects of the other rated fashion brand VRG.
- When it comes to grocery retailers, Eurocash stock fell in July on expectations of weak second-quarter results, while DNP bounced close to an all-time high on strong first-quarter figures. Polish grocery stores were affected by lower shopper demand in Q2 2020, accompanied by rising costs incurred to adapt stores to more stringent health and safety requirements. This was reflected in the weak quarterly results of Jeronimo Martins, weighed down by lockdown restrictions on stores in Portugal and Colombia. We see a good opportunity to take profits on Dino ahead second-quarter earnings, which are more than likely to show a deceleration in growth. We are overweight EUR and JMT on expectations of a recovery in the second half of the year.
- 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 further contraction in the second quarter. Net debt as a ratio of EBITDA amounted to 3.6x as of 31 March, forcing the company to (successfully) apply for a covenant waiver. AmRest has so far not issued an estimate of how the coronavirus crisis might affect its FY2020 profits. We opt not to provide an updated outlook on AmRest this month due to high uncertainty as to when the Company will be allowed to reopen restaurants, and as to the magnitude of revenue losses and the effectiveness of the savings measures. We will renew forecasts for the Company as soon as reasonably practicable.
- Key ratings:** DNP (sell), EUR (buy), VRG (accumulate)

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

Beat / Miss	2017			2018				2019				2020		+ / =
	20	30	40	10	20	30	40	10	20	30	40	10	20	
miss	9	16	15	8	11	15	24	11	14	16	19	23	5	181
in-line	24	28	22	35	19	23	21	28	26	28	16	14	4	284
beat	23	14	22	18	31	24	19	25	25	23	32	30	5	286
Σ companies	56	58	59	61	61	62	64	64	65	67	67	67	14	751
miss (%)	16	28	25	13	18	24	38	17	22	24	28	34	36	24
beat (%)	41	24	37	30	51	39	30	39	38	34	48	45	36	38

Source: Companies, Bloomberg, PAP, mBank

YoY	2017			2018			2019			2020		+ / =		
	20	30	40	10	20	30	40	10	20	30	40			
miss	22	20	25	27	19	19	23	23	27	23	23	33	11	295
in-line	8	12	2	8	11	10	6	9	11	7	8	9	2	103
beat	35	34	39	32	37	38	38	35	29	37	36	25	1	416
Σ companies	65	66	66	67	67	67	67	67	67	67	67	67	14	814
miss (%)	34	30	38	40	28	28	34	34	40	34	34	49	79	36
beat (%)	54	52	59	48	55	57	57	52	43	55	54	37	7	51

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

Sector		Poland	US	Europe
Financials	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>PEO, PKO</b>	<b>BAC US, BLK US</b>	<b>MONET CP</b>
	<b>Stocks To Avoid</b>	<b>ALR</b>	<b>BEN US</b>	
	Key Catalysts	Q2 results		Q2 results
Chemicals	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>NEUTRAL</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>	<b>CIE</b>		
	<b>Stocks To Avoid</b>	<b>ATT</b>		<b>BASF GY, 1COV GY</b>
	Key Catalysts	Q3 still under pressure		Third quarter is set to be another challenging one for the sector
Mining	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>KGH, JSW</b>	<b>ANG SJ, GFI SJ, FRES LN, POLY LN, PLZL RX</b>	
	<b>Stocks To Avoid</b>		<b>ANG SJ, BHP AU, RIO LN</b>	
	Key Catalysts	Cash inflow from crisis shield	Appreciation of precious metals nad weakness of Iron Ore	
Oil&Gas, Refining	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>MOL, PGN</b>	<b>CXO US, COG US, WPX US</b>	
	<b>Stocks To Avoid</b>			<b>RDSA NA</b>
	Key Catalysts	Q2 results and outlook on H2	Low cost base allows to wait until demand recovers	First dividend cut since '80s, further cust cutting remains challenging
Utilities	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>BULLISH</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>CEZ</b>	<b>AEE US, EVRG US</b>	<b>EOAN GY, VWS DC</b>
	<b>Stocks To Avoid</b>	<b>TPE</b>	<b>HE US</b>	<b>SGRE SM</b>
	Key Catalysts	Delay in sector transition process	Comparatively strong sector due to economic crisis resilience	
Telecoms	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>OPL</b>	<b>CMCSA US</b>	<b>DTE GY, TC1 GY, DRI GY</b>
	<b>Stocks To Avoid</b>			<b>O2D GY</b>
	Key Catalysts	Price increase im both mobile and fixed segments	Returning rotation to Tech and Defensives should be favourable for Telcos	
Media	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>BEARISH</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>		<b>MSGS US, DIS US</b>	<b>PSM GY</b>
	<b>Stocks To Avoid</b>	<b>WPL, AGO</b>	<b>VIAC US</b>	
	Key Catalysts	Poor Q2'20, prospect of a long return to increases y/y	Mediocre Q2, difficult advertising landscape	
IT	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>ASE</b>	<b>FIS US, MA US, CRM US, NVDA US</b>	<b>DHER GY, IFX GY, SAP GY, SOW GY</b>
	<b>Stocks To Avoid</b>		<b>SPLK US</b>	<b>TMV GY, RIB GY, BC8 GY</b>
	Key Catalysts	In the long term the sector should benefit from COVID-19, low indebtness	Strong Q2, second wave supportive for segment results	
Gaming	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>TEN</b>		
	<b>Stocks To Avoid</b>			
	Key Catalysts	Good results for Q2'20. COVID-19 -resistant sector	Strong Q2, second wave supportive for segment results	
Industrials	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>AMC, AST, COG, FMF, FTE, TIM</b>	<b>CAT US, URI US</b>	<b>KGX GY, G1A GY, IAG LN, SIE GY, ALO FP</b>
	<b>Stocks To Avoid</b>	<b>PKP</b>	<b>ITW US, TEX US</b>	<b>SFC GY, VOE AV, KNEBV FH, MTX GY</b>
	Key Catalysts	Good outlook for H2'20	Better than expected Q2 numbers, COVID-19 secod wave still a drag	
Automotive	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>		<b>GM US</b>	<b>BMW GY, UG FP</b>
	<b>Stocks To Avoid</b>	<b>ACG, AML, BRS, MGT, SNK</b>	<b>TSLA US</b>	<b>DAI GY, ZIL2 GY, SFQ GY</b>
	Key Catalysts	New car sales decrease in Europe, overregulated secur	Mixed Q3 (US +, EU =), key players ell prepared for vols slowdown	
Retail	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>BEARISH</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>VRG</b>	<b>NKE US, PG US</b>	<b>ADS GY, PUM GY, ZAL GY</b>
	<b>Stocks To Avoid</b>			<b>BOSS GY</b>
	Key Catalysts	Continuation of sales recovery	Second wave takin toll on consumer, some USD weakness support	Slow recovery continues, EUR strength is a headwind



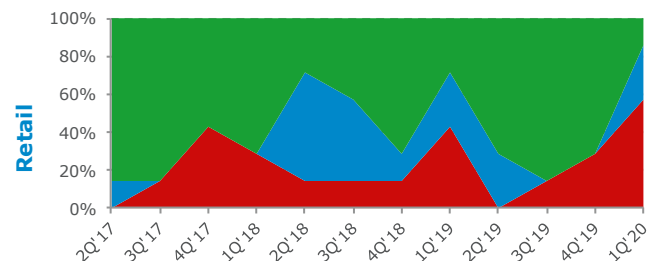
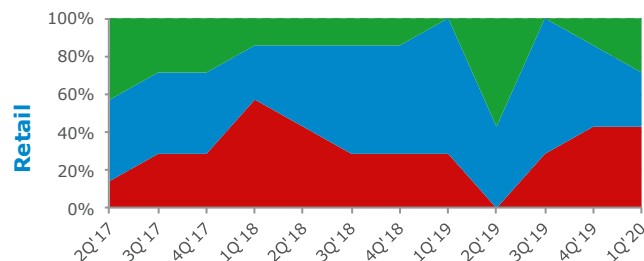
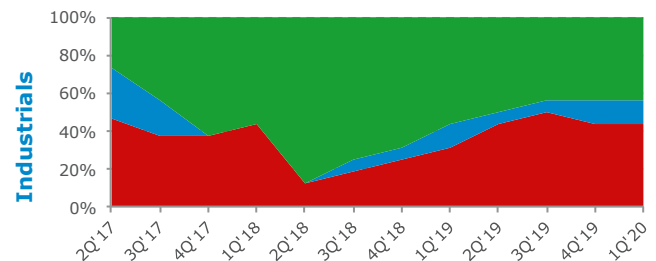
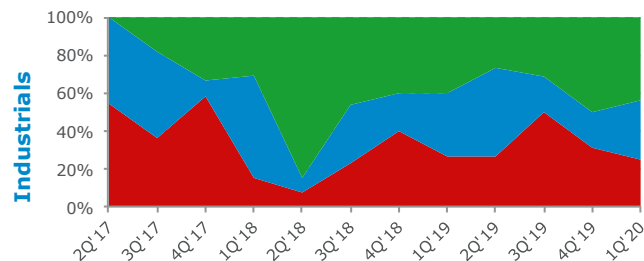
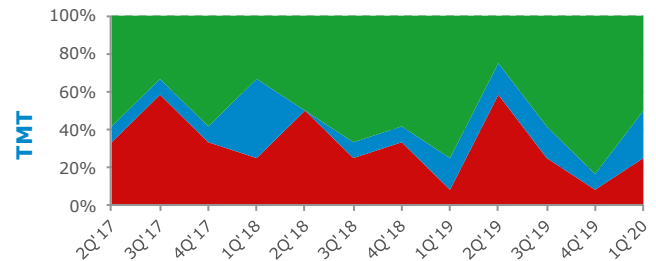
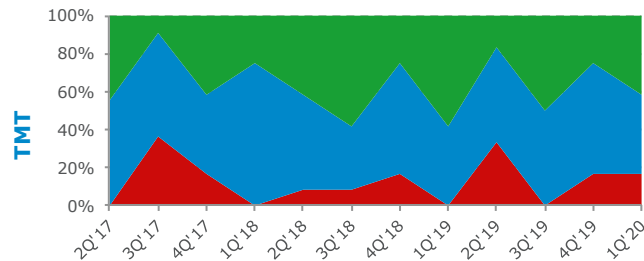
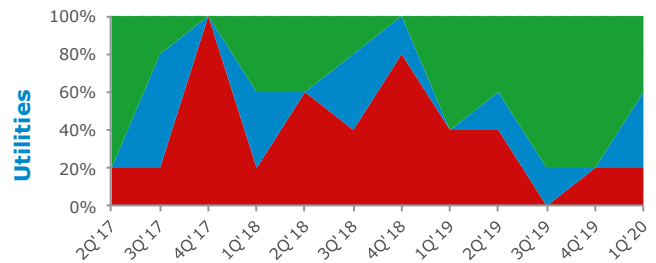
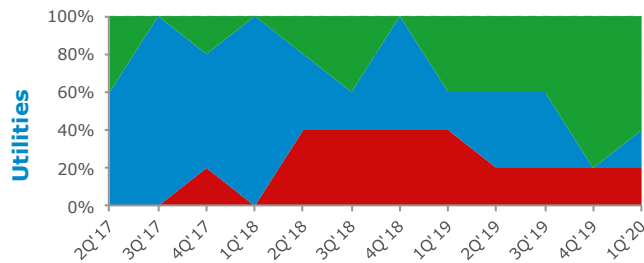
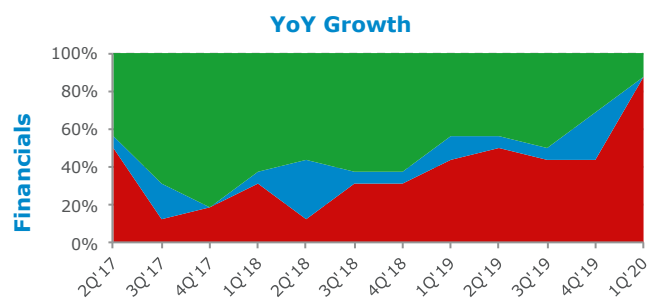
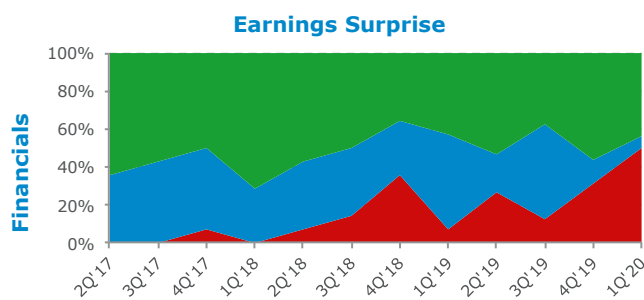
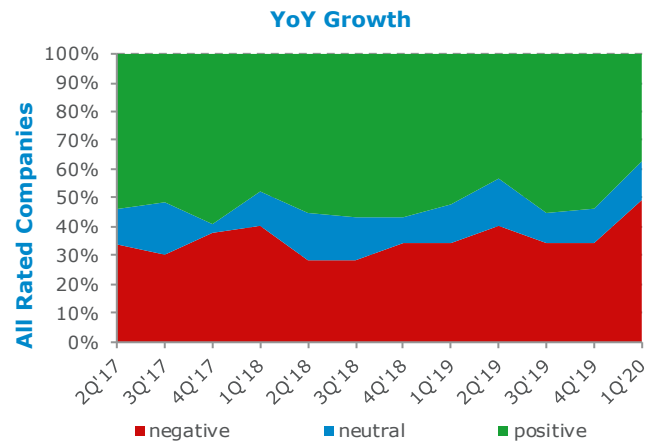
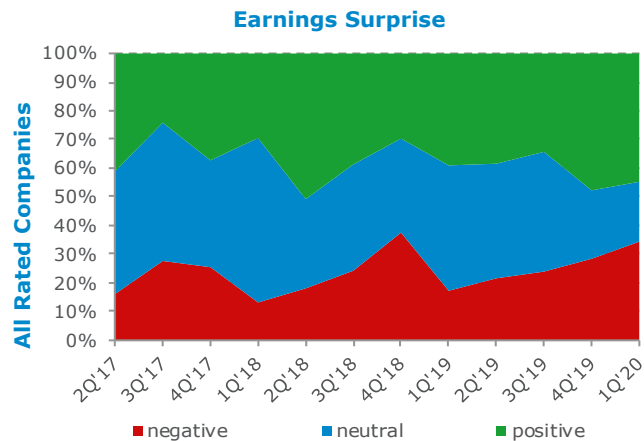
## Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017 2Q 3Q 4Q	2018 1Q 2Q 3Q 4Q	2019 1Q 2Q 3Q 4Q	2020 1Q 2Q	+ / =
<b>Financials</b>					
Alior Bank	+ + +	= + =	= - + - +	+ +	83%
Handlowy	+ + =	+ + - -	- - - + -	+ +	50%
ING BSK	= = =	= - = +	+ + - - +	+ +	75%
Millennium	= + =	+ + = +	+ + + + -	- +	83%
Pekao	= + =	= + + =	= = = + +	+ +	100%
PKO BP	+ + =	+ = = =	= + = + +	+ +	100%
Santander BP	+ = =	= + = -	= - = + -	= -	75%
Komercni	+ + +	+ + + +	= + = + -	+ -	100%
Moneta			+ = + -	+ -	100%
Erste Group	+ = +	+ + + +	+ + = + -	- -	92%
RBI			+ = + +	+ +	100%
OTP Bank	+ + +	+ + + =	= + + + -	+ -	92%
PZU	= = +	+ = + =	+ = = + -	- -	92%
Kruk	+ = -	+ + + -	+ - + - -	- -	58%
Skarbiec	+ + +	+ = + -	= + = + -	- -	83%
GPW	= + =	+ = - -	= = + - =	= -	75%
<b>Chemicals</b>					
Ciech	= = +	= + = -	= = = + -	- -	83%
Grupa Azoty	- = -	= - - +	+ = + = +	+ +	67%
<b>Mining</b>					
JSW	+ - -	= + = -	+ + + + -	- -	67%
KGHM	= = +	= + - -	+ = + - -	- -	67%
<b>Oil &amp; Gas</b>					
Lotos	+ + =	- + = -	= = - - -	- +	58%
MOL	+ - =	= + + +	= + = + +	+ +	92%
PGNiG	- - =	- + - -	= + - + +	+ +	50%
PKN Orlen	= - =	= - = +	= + = - -	+ +	75%
<b>Utilities</b>					
CEZ	= = +	= - + =	= + = - +	+ +	83%
Enea	+ = =	= - = -	+ + + + +	+ +	92%
Energia	= = -	= - - -	= - - - -	= -	42%
PGE	= = =	= = - -	= = = + =	= -	75%
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	= - -	+ + + =	+ = + + =	+ +	83%
Asseco SEE	+ - =	= + + =	+ = + + +	+ +	92%
Atende		+ = - +	+ - = = =	= -	70%
Comarch	+ - -	+ + + +	+ - + - +	+ +	67%
<b>Gaming</b>					
11 bit studios	+ - -	= - = +	- - - + +	+ +	55%
CD Projekt	+ - +	= = - -	+ + + + +	+ +	75%
Ten Square G		- - -	- - = + -	- -	43%
<b>Industrials</b>					
AC			= = - + +	= -	83%
Alumetal	= + =	= + = -	- = = + +	+ +	83%
Amica	= - +	= + + +	= = + = +	+ +	83%
Apator	- = -	= + + +	= = + = +	+ +	75%
Astarta			- + +	+ +	67%
Boryszew	- + -	= - - -	= - - - -	- -	25%
Cognor		+ + = -	+ - - - -	+ -	56%
Famur	- = +	+ + + +	+ + - - =	= -	75%
Forte	= - -	= + - -	= - + + +	+ +	58%
Grupa Kęty	= = -	= + = =	= = = + +	+ +	92%
Kernel	- - +	= - + +	- = + + +	+ +	67%
Kruszwica	- = -	+ + + +	+ + - + =	= -	75%
Mangata	- - -	+ + + +	+ = + + -	+ -	58%
PKP Cargo	= = -	= + + -	= - - - -	- -	50%
Pozbud		+ = + -	= + - - +	+ -	60%
TIM			+ + + - =	= -	83%
<b>Retail</b>					
AmRest	+ + +	= - = +	- + = - -	- -	58%
CCC	+ - -	= - - -	= + = - -	- -	17%
Dino	+ = +	+ = = =	= + = = +	+ +	100%
Eurocash	= - -	= = - -	= = = + =	= -	67%
Jeronimo	= = =	= = = =	= = = + -	- -	92%
LPP	= + =	= - + +	= + - - -	+ +	75%
VRG	- = =	= - = =	= = = = +	+ +	75%

YoY	2017 2Q 3Q 4Q	2018 1Q 2Q 3Q 4Q	2019 1Q 2Q 3Q 4Q	2020 1Q 2Q	+ / =
<b>Financials</b>					
Alior Bank	+ + -	+ + - +	- - - - -	- -	42%
Handlowy	- + +	+ + - -	- - - - -	- -	42%
ING BSK	- + +	+ + = +	= + + = -	- -	83%
Millennium	- + +	+ + + +	= - = - -	- -	62%
Pekao	- = +	+ = + -	- + + = -	- -	67%
PKO BP	= + +	+ + + +	+ + + - -	- -	83%
Santander BP	- + +	= = - +	- - + - -	- -	46%
Komercni	- - +	- + + +	+ + - - -	- -	46%
Moneta	- = -	- + + +	- + + = +	+ -	62%
Erste Group	- + +	+ + + +	+ - + = -	- -	69%
RBI	+ + +	+ = + -	= - = + -	- -	67%
OTP Bank	+ + +	+ + + +	+ + + + -	- -	92%
PZU	+ + +	- + + =	+ - - + -	- -	67%
Kruk	+ = -	- = + +	+ - - - -	- -	50%
Skarbiec	+ + +	- - - -	+ + + - +	- -	42%
GPW	+ + +	- + - -	- - + - +	+ +	50%
<b>Chemicals</b>					
Ciech	- - +	= = - -	= = + + -	- -	42%
Grupa Azoty	+ + +	= - - -	+ + + = -	- -	58%
<b>Mining</b>					
JSW	+ + +	= = = -	- - = - -	- -	50%
KGHM	+ + -	- + - =	+ + + - -	- -	50%
<b>Oil &amp; Gas</b>					
Lotos	+ + +	- + = +	+ = = - +	- -	69%
MOL	+ - +	- - + +	- = = - +	+ +	58%
PGNiG	= = =	- + + -	- - - + +	+ +	62%
PKN Orlen	+ + -	- - - +	= + + - -	+ -	54%
<b>Utilities</b>					
CEZ	- - -	= - + =	+ + = + +	+ +	58%
Enea	+ = -	= - = -	+ + + + +	+ +	75%
Energia	+ + -	+ + - -	= - = + -	- -	46%
PGE	+ = -	+ + = -	- - + + =	= -	67%
Tauron	+ = -	= - - -	+ - + + +	+ +	58%
<b>Telecoms</b>					
Cyfrowy	+ - -	= - = =	= = = = =	= -	75%
Netia	- - -	= - - -	= - - + =	= -	25%
Orange PL	= - +	= - + +	= = + + +	+ +	85%
Play	+ + =	- - - -	+ + = + +	+ +	67%
<b>Media</b>					
Agora	+ = +	- - + +	+ - + + +	+ +	75%
Wirtualna	+ + +	+ + + +	+ + + + -	- -	92%
<b>IT</b>					
Ailleron	+ - +	= + - -	+ - - + -	- -	50%
Asseco BS	+ + +	+ + + +	+ - + + =	= -	92%
Asseco PL	- - -	+ + + +	+ - + - +	+ +	58%
Asseco SEE	+ + +	+ + + +	+ + + + +	+ +	100%
Atende	- - +	= - + -	+ - - + -	- -	33%
Comarch	- - -	= + + +	+ - + + +	+ +	67%
<b>Gaming</b>					
11 bit studios	- = +	+ - + +	+ - - + +	+ +	67%
CD Projekt	+ - -	- - - -	- + - + +	+ +	33%
Ten Square G		+ + + +	+ + + + +	+ +	100%
<b>Industrials</b>					
AC	+ - -	+ + + +	+ - + - -	- -	58%
Alumetal	- - +	+ + + -	- - - = +	+ +	50%
Amica	= - -	= + + +	= + + - -	+ +	67%
Apator	- + -	- + + +	+ = + - -	= -	50%
Astarta	+ + +	- - - -	- + - + +	+ +	45%
Boryszew	+ + +	- - - -	- - - + -	+ -	33%
Cognor	= + +	+ + + -	- - - - +	+ +	58%
Famur	= + +	+ + + +	+ + - - -	- -	75%
Forte	- - -	= + - +	= - + + +	+ +	50%
Grupa Kęty	+ + +	+ + + +	= + + + +	+ +	100%
Kernel	- - -	- + + +	- + = - +	+ +	50%
Kruszwica	= = +	+ + + +	+ + - + =	= -	92%
Mangata	- = +	+ + + +	+ = - = -	= -	75%
PKP Cargo	+ + -	+ + + +	+ - - - -	- -	58%
Pozbud	- = +	- + + +	+ + + + -	- -	75%
TIM	- - +	+ + + +	+ + + + +	+ +	83%
<b>Retail</b>					
AmRest	+ + -	+ = + +	+ + + - -	- -	75%
CCC	+ + +	= - - -	= - + - -	- -	23%
Dino	+ + +	+ + + +	+ + + + +	+ +	100%
Eurocash	= - -	+ = + +	= - = + =	= -	75%
Jeronimo	+ + +	+ = = =	= + + + -	- -	92%
LPP	+ + +	- + + +	= + + + -	- -	77%
VRG	+ + +	+ = + +	- + + + -	- -	83%

'+' = 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)



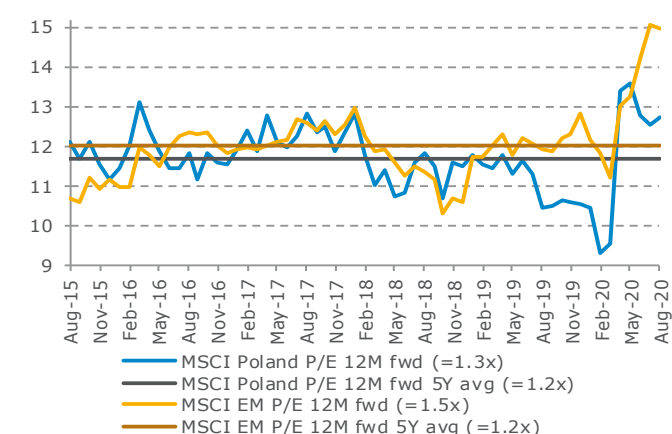
Source: Companies, Bloomberg, PAP, mBank

# Revisions To FY2020 Earnings Forecasts For WIG30 Companies

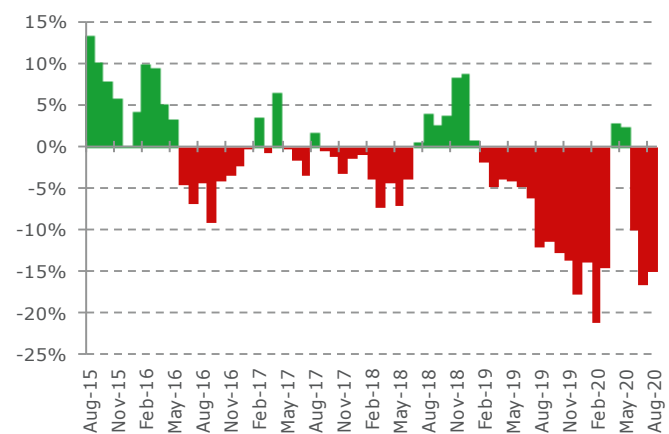
Jul-19=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank
Aug-19	+0%	-1%	+0%	+0%	+0%	+0%	+2%	+0%	-0%	+2%	+8%	+10%	-3%	-27%	-8%	-33%
Sep-19	-1%	-3%	+0%	-4%	+1%	+0%	-3%	+0%	-1%	+2%	+8%	+9%	-8%	-57%	-18%	-33%
Oct-19	-2%	-7%	-3%	-6%	+3%	-6%	-5%	-16%	-2%	-1%	+13%	+9%	-28%	-47%	-26%	-19%
Nov-19	-4%	-9%	-3%	-11%	-0%	-3%	-9%	-16%	-4%	-1%	+8%	+5%	-46%	-45%	-25%	-30%
Dec-19	-5%	-9%	-2%	-11%	-2%	-3%	-11%	-16%	-9%	-1%	+10%	+5%	-49%	-45%	-28%	-30%
Jan-20	-10%	-15%	-5%	-11%	-17%	-32%	-13%	-16%	-11%	-3%	+9%	+5%	-69%	+0%	-24%	-21%
Feb-20	-14%	-16%	-7%	-11%	-23%	-32%	-29%	-16%	-14%	-6%	+8%	+5%	-44%	+23%	-28%	-37%
Mar-20	-25%	-43%	-16%	-41%	-39%	-75%	-29%	-16%	-24%	-56%	+4%	-4%	-31%	+23%	-73%	-94%
Apr-20	-43%	-54%	-46%	-52%	-52%	-86%	-34%	-37%	-53%	-66%	+9%	-6%	-47%	-3%	-84%	-94%
May-20	-44%	-52%	-47%	-55%	-58%	-86%	-36%	-41%	-58%	-59%	+15%	+10%	-48%	-3%	-78%	-53%
Jun-20	-46%	-29%	-51%	-55%	-52%	+25%	-36%	-41%	-86%	-59%	+10%	+10%	-31%	-20%	-70%	-53%
Jul-20	-26%	-25%	-56%	-55%	-26%	+28%	-44%	-41%	-97%	-56%	+9%	+13%	-39%	-20%	-67%	-7%

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)

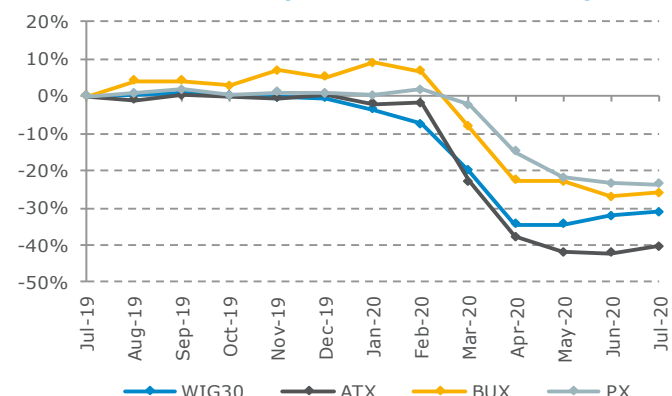


Source: Bloomberg, mBank



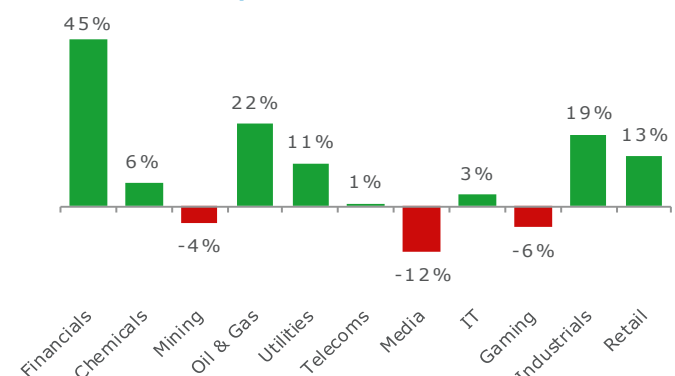
Source: Bloomberg, mBank

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



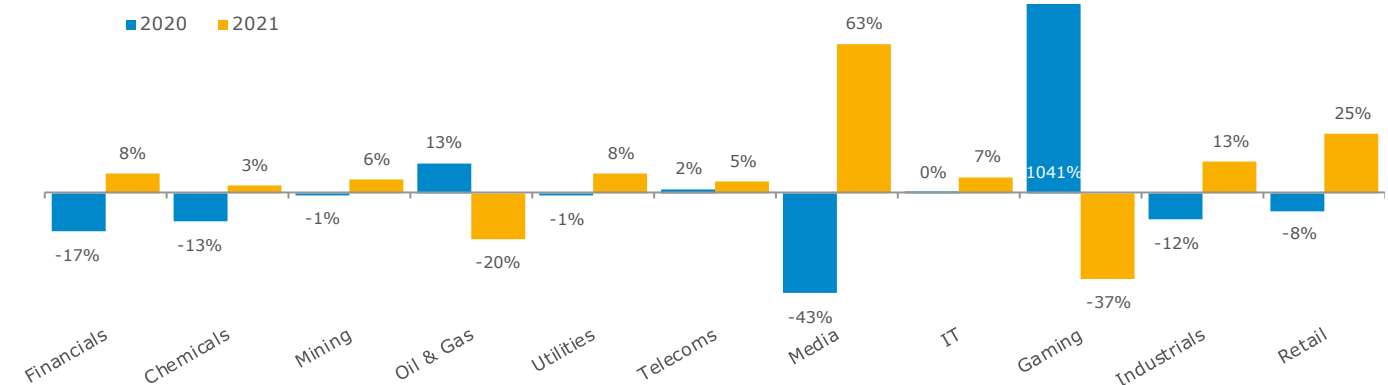
Source: Bloomberg, mBank

## 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	3	2	9	18.42	-18.7%	-	+378%	+21%				10
Handlowy	hold	37.64	1	4	6	37.33	+0.8%	-19%	-10%	-17%				6
ING BSK	sell	117.78	2	5	5	137.95	-14.6%	+2%	-6%	-13%				5
Millennium	buy	3.72	3	7	3	3.61	+3.2%	-5%	-44%	-61%				5
Pekao	buy	68.90	13	6	1	69.16	-0.4%	+30%	+11%	+17%				12
PKO BP	hold	22.58	7	12	1	27.33	-17.4%	-23%	-4%	-8%				10
Santander BP	buy	179.37	2	11	4	185.51	-3.3%	-17%	-3%	-3%				12
PZU	buy	35.93	6	5	1	37.07	-3.1%	-2%	-2%	+4%				5
GPW	hold	41.56	1	4	0	44.82	-7.3%	-8%	+0%	-1%				4/4
<b>Chemicals</b>														
Ciech	hold	34.09	5	4	2	37.46	-9.0%	-8%	-4%	-16%	-2%	+2%	-7%	7/7
Grupa Azoty	hold	29.90	2	4	2	32.72	-8.6%	-27%	-37%	-49%	-3%	-9%	-9%	3/4
<b>Mining</b>														
JSW	hold	16.41	0	1	7	11.32	+45.0%	-	-	-	+372%	+10%	-40%	4/2
KGHM	hold	124.67	4	6	6	106.54	+17.0%	+42%	+11%	+18%	+14%	+1%	+5%	13/12
<b>Oil &amp; Gas</b>														
Lotos	hold	55.87	7	6	1	69.07	-19.1%	-	-53%	-16%	-28%	-33%	-14%	10/9
MOL	buy	2,158.0	10	3	1	2,302.2	-6.3%	-26%	-61%	-34%	-17%	-24%	-11%	12/11
PGNiG	buy	5.94	5	5	1	4.87	+22.0%	+41%	+33%	+35%	+34%	+9%	+11%	5/6
PKN Orlen	hold	67.72	4	11	3	66.67	+1.6%	+61%	-53%	-31%	+32%	-20%	-9%	14/13
<b>Utilities</b>														
CEZ	accumulate	514.80	11	6	1	550.02	-6.4%	+3%	-21%	-41%	+1%	-5%	-12%	11/12
Energa	suspended	-	2	5	0	9.07	-	+36%	-20%	-10%	+3%	+5%	+2%	5/4
PGE	suspended	-	4	5	4	7.13	-	+53%	+11%	+10%	+11%	+15%	+6%	7/7
Tauron	suspended	-	6	4	1	2.86	-	-22%	-9%	-2%	+5%	-7%	+2%	7/6
<b>Telecoms</b>														
Cyfrowy Polsat	hold	24.10	3	9	1	28.68	-16.0%	+4%	+3%	+9%	-3%	-2%	-2%	7/7
Orange Polska	buy	8.30	3	10	1	7.01	+18.5%	+13%	+43%	+35%	+11%	+17%	+15%	7/7
Play	accumulate	35.70	10	3	1	36.51	-2.2%	-1%	-5%	-11%	-0%	-2%	-3%	11/10
<b>Media</b>														
Wirtualna Polska	reduce	63.10	4	0	2	79.65	-20.8%	-11%	-7%	-2%	-11%	-8%	-4%	5/5
<b>IT</b>														
Asseco Poland	accumulate	68.39	3	5	0	70.75	-3.3%	-11%	-9%	-4%	-2%	-2%	+2%	7/7
Asseco SEE	overweight	-	2	2	0	40.30	-	-5%	-5%	-	-3%	-0%	-	3/4
Comarch	hold	220.30	3	3	0	219.87	+0.2%	-32%	-4%	-2%	-10%	-4%	-2%	2/2
<b>Gaming</b>														
11 bit studios	hold	476.00	5	5	0	485.37	-1.9%	+5%	-4%	+44%	-4%	+3%	+34%	4/3
CD Projekt	hold	388.10	4	13	5	374.83	+3.5%	+40%	+15%	-15%	+28%	+7%	-22%	12/11
Ten Square Games	accumulate	592.00	9	0	1	630.70	-6.1%	-3%	+2%	-6%	+2%	+3%	-4%	8/9
<b>Industrials</b>														
Alumetal	underweight	-	3	1	1	57.20	-	-31%	-18%	-28%	-15%	-10%	-17%	3/3
Amica	overweight	-	5	0	0	164.50	-	+15%	+8%	+4%	+7%	+3%	+0%	3/3
Apator	neutral	-	1	3	0	-	-	-8%	-1%	-0%	-1%	+4%	-0%	2/2
Astarta	overweight	-	2	0	1	16.52	-	-	+36%	-66%	-23%	-7%	-33%	2/2
Famur	buy	2.86	1	4	0	3.26	-12.4%	-12%	-5%	+39%	-7%	+10%	+6%	3/2
Forte	overweight	-	3	2	1	19.80	-	-11%	+30%	-3%	+25%	+19%	+3%	2/3
Grupa Kęty	hold	453.70	6	3	0	448.43	+1.2%	+13%	+5%	-1%	+8%	+2%	-4%	6/6
Kemel	hold	44.58	3	2	0	50.49	-11.7%	-13%	+10%	-18%	-7%	-4%	-13%	5/5
PKP Cargo	reduce	12.37	2	2	3	16.99	-27.2%	-	-	-	-9%	-16%	-9%	5/5
<b>Retail</b>														
CCC	suspended	-	5	8	2	68.95	-	-	-	-	-	-	-	13/12
Dino	sell	155.60	6	5	7	185.16	-16.0%	+2%	+7%	+4%	+0%	+0%	-0%	12/11

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

## Current Recommendations of mBank

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E 2020	P/E 2021	EV/EBITDA 2020	EV/EBITDA 2021
<b>Financials</b>						<b>+48.6%</b>	<b>10.1</b>	<b>9.3</b>		
Alior Bank	hold	2020-06-03	15.19	14.98	14.57	+2.8%	-	9.3		
Handlowy	hold	2020-06-03	38.00	37.64	36.30	+3.7%	21.0	16.0		
ING BSK	sell	2020-06-03	145.20	117.78	131.80	-10.6%	18.7	15.9		
Millennium	buy	2020-06-03	2.64	3.72	2.82	+31.9%	21.6	13.2		
Pekao	buy	2020-06-03	52.40	68.90	50.88	+35.4%	10.1	9.3		
PKO BP	hold	2020-06-03	22.06	22.58	21.85	+3.3%	14.9	11.1		
Santander Bank Polska	buy	2020-08-04	152.50	179.37	152.50	+17.6%	17.4	12.6		
Komercni Banka	buy	2019-12-05	792.00	928.20 CZK	511.00	+81.6%	6.8	6.5		
Moneta Money Bank	buy	2019-08-28	75.95	94.33 CZK	51.20	+84.2%	6.4	6.3		
Erste Group	buy	2020-03-04	29.44	36.61 EUR	19.48	+88.0%	5.2	5.1		
RBI	accumulate	2019-12-05	21.24	23.05 EUR	14.66	+57.2%	4.0	3.9		
OTP Bank	hold	2019-12-05	14,870	14,681 HUF	10,260	+43.1%	6.4	6.3		
PZU	buy	2020-04-28	29.92	35.93	27.34	+31.4%	9.2	8.3		
Kruk	buy	2019-12-05	150.90	210.31	137.00	+53.5%	7.7	7.4		
Skarbiec Holding	hold	2020-07-02	21.40	21.20	27.80	-23.7%	10.7	11.5		
GPW	hold	2020-05-20	40.00	41.56	46.00	-9.7%	17.5	15.9		
<b>Chemicals</b>						<b>+6.3%</b>	<b>13.4</b>	<b>15.8</b>	<b>5.9</b>	<b>6.1</b>
Ciech	hold	2020-07-02	32.30	34.09	30.90	+10.3%	10.3	9.0	5.5	4.8
Grupa Azoty	hold	2020-07-02	30.45	29.90	28.80	+3.8%	16.4	22.7	6.3	7.4
<b>Mining</b>						<b>-4.3%</b>	<b>9.7</b>	<b>10.2</b>	<b>5.5</b>	<b>4.0</b>
JSW	hold	2020-08-04	17.40	16.41	17.40	-5.7%	-	-	5.8	3.0
KGHM	hold	2020-07-29	129.45	124.67	130.15	-4.2%	9.7	10.2	5.2	5.0
<b>Oil &amp; Gas</b>						<b>+21.9%</b>	<b>5.5</b>	<b>14.3</b>	<b>5.5</b>	<b>5.7</b>
Lotos	hold	2020-07-02	60.14	55.87	47.81	+16.9%	-	15.9	15.4	6.0
MOL	buy	2020-08-04	1,722	2,158 HUF	1,722	+25.3%	33.6	16.1	6.8	5.8
PGNiG	buy	2020-08-04	5.10	5.94	5.10	+16.5%	4.0	10.1	2.1	3.7
PKN Orlen	hold	2020-07-02	63.28	67.72	53.02	+27.7%	5.5	12.7	4.1	5.5
<b>Power Utilities</b>						<b>+11.4%</b>	<b>9.3</b>	<b>4.5</b>	<b>5.0</b>	<b>4.4</b>
CEZ	accumulate	2020-06-03	489.00	514.80 CZK	462.00	+11.4%	11.4	16.0	6.5	7.2
Enea	suspended	2020-06-23	7.90	-	7.16	-	3.0	2.5	3.4	2.8
Energia	suspended	2020-06-03	8.19	-	7.56	-	9.8	7.7	5.0	4.4
PGE	suspended	2020-04-27	4.05	-	6.85	-	9.3	4.5	3.9	2.9
Tauron	suspended	2020-05-05	1.14	-	2.67	-	7.1	3.9	5.5	4.9
<b>Telecoms</b>						<b>+0.8%</b>	<b>21.6</b>	<b>16.5</b>	<b>5.6</b>	<b>5.2</b>
Cyfrowy Polsat	hold	2020-04-01	23.82	24.10	27.80	-13.3%	14.6	11.9	7.6	7.0
Netia	hold	2020-08-04	4.46	4.40	4.46	-1.3%	28.7	26.0	4.6	4.3
Orange Polska	buy	2020-07-30	7.07	8.30	7.31	+13.6%	39.4	21.1	5.2	4.7
Play	accumulate	2020-08-04	32.54	35.70	32.54	+9.7%	8.9	8.8	6.0	5.7
<b>Media</b>						<b>-12.0%</b>	<b>38.9</b>	<b>22.5</b>	<b>17.8</b>	<b>9.6</b>
Agora	hold	2020-06-03	8.36	8.60	7.58	+13.5%	-	-	20.3	7.6
Wirtualna Polska	reduce	2020-04-20	67.80	63.10	76.40	-17.4%	38.9	22.5	15.3	11.6
<b>IT</b>						<b>+3.1%</b>	<b>17.9</b>	<b>15.5</b>	<b>7.8</b>	<b>6.3</b>
Aiieron	neutral	2020-05-05	6.26	-	7.10	-	14.1	11.0	4.4	3.4
Asseco BS	neutral	2020-05-05	35.80	-	32.80	-	16.3	15.6	10.5	9.9
Asseco Poland	accumulate	2020-08-04	66.50	68.39	66.50	+2.8%	17.3	15.4	5.4	5.0
Asseco SEE	overweight	2020-05-05	31.40	-	43.00	-	23.5	20.5	11.1	9.7
Atende	neutral	2020-05-05	2.94	-	3.36	-	18.5	11.2	7.9	5.7
Comarch	hold	2020-05-13	210.00	220.30	212.00	+3.9%	23.4	16.7	7.7	6.9
<b>Gaming</b>						<b>-5.6%</b>	<b>23.0</b>	<b>24.4</b>	<b>19.6</b>	<b>20.5</b>
11 bit studios	hold	2020-06-03	475.00	476.00	500.00	-4.8%	41.3	75.4	27.4	43.0
CD Projekt	hold	2020-06-03	388.20	388.10	417.00	-6.9%	14.4	24.4	12.2	20.5
Ten Square Games	accumulate	2020-07-02	548.00	592.00	556.00	+6.5%	23.0	17.8	19.6	14.7
<b>Industrials</b>						<b>+19.3%</b>	<b>12.5</b>	<b>9.6</b>	<b>7.0</b>	<b>6.4</b>
AC	neutral	2020-06-29	38.50	-	40.80	-	13.9	13.8	8.4	8.3
Alumetal	underweight	2020-07-30	38.00	-	38.20	-	23.3	14.8	9.3	7.6
Amica	overweight	2020-07-30	145.00	-	149.00	-	9.6	9.6	6.4	6.4
Apator	neutral	2020-06-29	20.80	-	21.00	-	13.4	12.2	7.4	6.8
Astarta	overweight	2020-05-11	11.75	-	17.20	-	-	3.2	4.5	2.8
Boryszew	underweight	2020-06-08	3.59	-	3.57	-	66.1	12.7	9.0	7.0
Cognor	buy	2020-08-04	0.93	1.98	0.93	+113.4%	6.1	7.5	4.0	4.1
Famur	buy	2020-08-04	1.70	2.86	1.70	+68.2%	7.1	9.1	3.2	3.2
Forta	overweight	2020-06-29	20.25	-	27.00	-	72.7	9.3	9.1	6.6
Grupa Kęty	hold	2020-06-25	432.00	453.70	446.00	+1.7%	11.3	13.7	8.1	9.3
Kemel	hold	2020-06-03	43.80	44.58	39.40	+13.1%	9.0	6.2	6.0	5.7
Kruszwica	neutral	2020-06-29	60.40	-	58.40	-	11.8	11.1	6.7	6.3
Mangata	neutral	2020-06-29	50.50	-	51.00	-	13.2	9.3	7.6	5.8
PKP Cargo	reduce	2020-07-02	14.04	12.37	13.00	-4.8%	-	-	5.3	4.6
Pozbud	neutral	2020-06-29	1.70	-	1.40	-	6.3	8.8	5.7	6.8
TIM	overweight	2020-06-29	10.90	-	14.35	-	16.2	12.0	7.2	6.4
<b>Retail</b>						<b>+13.2%</b>	<b>27.1</b>	<b>25.8</b>	<b>16.1</b>	<b>9.1</b>
AmRest	hold	2020-03-04	39.55	40.00	18.16	+120.3%	16.8	13.5	6.4	5.5
CCC	suspended	2020-03-19	24.98	-	58.86	-	-	-	-	-
Dino	sell	2020-07-02	199.10	155.60	226.60	-31.3%	40.0	30.0	23.7	18.5
Eurocash	buy	2020-07-02	17.34	19.90	16.14	+23.3%	-	-	5.7	5.4
Jeronimo Martins	accumulate	2020-08-04	14.29	15.30 EUR	14.29	+7.1%	27.1	21.9	8.6	7.3
LPP	accumulate	2020-08-04	7,105.00	7,900.00	7,105.00	+11.2%	-	25.8	24.8	12.7
VRG	accumulate	2020-07-02	2.33	2.43	2.24	+8.5%	-	48.3	100.0	10.9



### Stocks Re-Rated as of 4 August 2020

Company	Rating	Previous Rating	Target Price	Issued on
Asseco Poland	accumulate	hold	68.39 PLN	2020-08-04
Cognor	buy	hold	1.98 PLN	2020-08-04
Famur	buy	hold	2.86 PLN	2020-08-04
Jeronimo Martins	accumulate	hold	15.30 EUR	2020-08-04
JSW	hold	sell	16.41 PLN	2020-08-04
LPP	accumulate	accumulate	7900.00 PLN	2020-08-04
MOL	buy	accumulate	2158.00 HUF	2020-08-04
Netia	hold	accumulate	4.40 PLN	2020-08-04
PGNiG	buy	buy	5.94 PLN	2020-08-04
Play	accumulate	buy	35.70 PLN	2020-08-04
Santander Bank Polska	buy	hold	179.37 PLN	2020-08-04

### Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
Alumetal	underweight	neutral	- -	2020-07-30
Amica	overweight	neutral	- -	2020-07-30
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
KGHM	hold	sell	124.67 PLN	2020-07-29
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
Orange Polska	buy	accumulate	8.30 PLN	2020-07-30
PGNiG	buy	buy	5.23 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

### Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Biuro maklerskie mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	2	3.2%	1	4.8%
reduce	2	3.2%	0	0.0%
underweight	2	3.2%	1	4.8%
hold	21	33.9%	8	38.1%
neutral	8	12.9%	0	0.0%
accumulate	8	12.9%	2	9.5%
buy	14	22.6%	7	33.3%
overweight	5	8.1%	2	9.5%

## Corporate Events Calendar For August

Date	Time	Company	Event
5-Aug	12:00	<b>Pekao</b>	Teleconference with the Management Board ( <a href="http://infostrefa.tv/pekaoa/">http://infostrefa.tv/pekaoa/</a> )
5-Aug	14:00	<b>PKO BP</b>	Q2'20 earnings announcement and conference call (+44 203 984 9844; PIN: 146816)
5-Aug		<b>Grupa Kęty</b>	Q2'20 earnings announcement
5-Aug		<b>Pekao</b>	Q2'20 earnings announcement
5-Aug	10:00	<b>VRG</b>	Videoconferencje with the Management Board
6-Aug		<b>ING BSK</b>	Q2'20 earnings announcement
6-Aug	10:00	<b>ING BSK</b>	Teleconference with the Management Board ( <a href="http://infostrefa.tv/ing/en">http://infostrefa.tv/ing/en</a> )
6-Aug		<b>Asseco SEE</b>	Q2'20 earnings announcement
6-Aug		<b>Asseco SEE</b>	Teleconference with the Management Board (via Webex)
7-Aug	10:00	<b>MOL</b>	Q2'20 earnings announcement and conference call (MS Teams/+44 20 3321 5202 ID: 908 601 304#)
7-Aug		<b>OTP Bank</b>	Q2'20 earnings announcement
7-Aug	15:00	<b>OTP Bank</b>	Teleconference with the Management Board (T: +44 203 481 5237; Passcode: 938349)
10-Aug		<b>AC</b>	Q2'20 earnings announcement
10-Aug		<b>Play</b>	Q2'20 earnings announcement
11-Aug	08:00	<b>CEZ</b>	Q2'20 earnings announcement
11-Aug	16:00	<b>CEZ</b>	Teleconference with the Management Board (+44 207 194 3759; PIN: 97505741#)
11-Aug		<b>PGE</b>	Q2'20 earnings announcement
11-Aug		<b>RBI</b>	Q2'20 earnings announcement
12-Aug		<b>Astarta</b>	Q2'20 earnings announcement
12-Aug		<b>BOŚ</b>	Q2'20 earnings announcement
12-Aug		<b>Lotos</b>	Q2'20 earnings announcement
13-Aug		<b>BNP Paribas</b>	Q2'20 earnings announcement
13-Aug		<b>GPW</b>	Q2'20 earnings announcement
13-Aug		<b>Netia</b>	Teleconference with the Management Board
13-Aug		<b>Netia</b>	Q2'20 earnings announcement
14-Aug		<b>Agora</b>	Q2'20 earnings announcement
17-Aug		<b>Cognor</b>	Q2'20 earnings announcement
19-Aug		<b>Alior Bank</b>	Q2'20 earnings announcement
19-Aug		<b>KGHM</b>	Q2'20 earnings announcement
19-Aug		<b>Tauron</b>	Q2'20 earnings announcement
20-Aug		<b>Citi Handlowy</b>	Q2'20 earnings announcement
20-Aug		<b>Cyfrowy Polsat</b>	Q2'20 earnings announcement
20-Aug		<b>GTC</b>	Q2'20 earnings announcement
20-Aug		<b>JSW</b>	Q2'20 earnings announcement
20-Aug		<b>PGNiG</b>	Q2'20 earnings announcement
20-Aug		<b>PKP Cargo</b>	Q2'20 earnings announcement
21-Aug		<b>Dino</b>	Q2'20 earnings announcement
24-Aug		<b>Ten Square Games</b>	Q2'20 earnings announcement
25-Aug		<b>Budimex</b>	Q2'20 earnings announcement
25-Aug		<b>CCC</b>	Q2'20 earnings announcement
25-Aug		<b>Dom Development</b>	Q2'20 earnings announcement
25-Aug		<b>Eurocash</b>	Q2'20 earnings announcement
25-Aug		<b>Wirtualna Polska</b>	Q2'20 earnings announcement
26-Aug		<b>Lokum</b>	Q2'20 earnings announcement
26-Aug		<b>VRG</b>	Q2'20 earnings announcement
27-Aug		<b>11 bit studios</b>	Q2'20 earnings announcement
27-Aug		<b>Asseco Poland</b>	Q3'20 earnings announcement
27-Aug		<b>Stelmet</b>	Q3'20 earnings announcement
28-Aug		<b>Apator</b>	Q2'20 earnings announcement
28-Aug		<b>Comarch</b>	Q2'20 earnings announcement
28-Aug		<b>PZU</b>	Q2'20 earnings announcement
31-Aug		<b>Unibep</b>	Q2'20 earnings announcement

## Macroeconomic Update

### Retail Sales

Polish retail sales registered 1% contraction in June 2020 from the same month a year ago, representing a less severe rate of decline than the 3% anticipated by the market. It seems that the post-lockdown spending boost effects have mostly dissipated. On a reported basis, sales decreased 1.9% y/y in June due to price deflation. On a seasonally-adjusted basis, at first glance the category which performed the best in June were durable goods, specifically "furniture, electronics, and appliances," with sales up by 16.1% y/y, and cars, where the sales losses compared to a year ago were curtailed to 6.4% compared to -55% registered in March. There was also ongoing improvement in "other" sales, which were down 6.3% y/y in June versus 25% falls observed at the lowest point. Similarly, the declines in sales of clothing and footwear narrowed to 3.7% in June from 65% at their worst. With the leaps and bounds already made in certain categories, going forward the momentum driving the recovery will most likely slow down considering the little room for improvement left in some other categories (food, energy) and as consumers get used to a post-COVID world and return to normal spending patterns. In addition, the coronavirus crisis has cut into the disposable income of many Polish households, as well as dampening optimism about the future and discouraging consumers from spending in favor of savings. Last but not least, some services still remain restricted under pandemic conditions.

### Construction

June construction volumes were down 2.4% on the year, a slightly faster rate of decline than the 1.8% anticipated by the market. Compared to May building activity accelerated by 12.5%, but this was a result of the usual seasonal variations rather than a sign of a victory over the covid crisis, the effects of which on the construction industry have been much more subtle than on other sectors. Most of the projects started before the pandemic hit have continued through the strict lockdown period, and they are still moving ahead although on the whole building activity seems to be slowing down. In June, compared to the year-ago period construction of buildings was down 5.7%, and the declines can be expected to widen in the months to come, driven by fewer private building projects. Infrastructure volumes and specialist building services did not contract as much at -1.2% and +0.2% y/y, respectively, a sign that public investment is not being scaled back.

### Jobs

The unemployment rate hit 6.1% in June after edging 0.1% higher compared to May, a slower rate of increase than anticipated by the market, marking the second consecutive positive monthly surprise. It seems that the worst of job cuts by companies employing 9 or more people is over, however small businesses are a different story, with more layoffs most likely still to come. The actual jobless numbers might also be distorted by the close to 100,000 people collecting the so-called "solidarity benefits" which because of how the underlying legislation is drafted can be drawn regardless of whether a person has registered as unemployed. The unemployment rate can be expected to rise further in the coming months, however it is not likely to reach 8% this year. Statistics are not showing a second wave of layoffs, and the question now is how soon companies will start to hire again. We think it will be months before we see a noticeable uptick in job creation.

### Inflation

The inflation rate fulfilled analysts' expectations in July at 3.1%, led by an acceleration in the core inflation rate. Compared to June prices of food fell 1.4%, and prices of energy edged only 0.1% lower as a downturn in gas was mostly offset by upward-trending prices of other power sources. As predicted, prices of motor fuels went up 2.3% month on month. Core CPI accelerated to an estimated annual rate of 4.3% in July, for reasons which unfortunately cannot be identified based on the quick flash print.

### mBank Research

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## Financial Sector

### Alior Bank

#### hold (no change)

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Shares in Alior logged a nearly 10% fall in July after a statement made by a top executive with the Bank's principal shareholder, the listed insurer PZU, with a 31.93% share, that PZU was reexamining its banking sector involvement (though the review apparently does not include any divestments). We believe PZU might make a tender offer for more Alior shares, either directly or via its other bank, Pekao, although it has not yet written off all Alior goodwill from its balance sheet (we expect to see this write-off in Q2). When it comes to Alior's results for the second-quarter of 2020, we are expecting additional crisis reserves which will push the bottom line into the negative territory to make a first-ever quarterly net loss. In addition, we could see increased provisioning for potential impairment of existing loans due to the economic crisis. That being said, the weak results in Q2 and the rest of FY2020 should be fully priced in at this point, and so we maintain a hold rating for ALR.

Current Price

14.57 PLN

Upside

9M Target Price

14.98 PLN

+2.8%

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

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-11.6%	-12.8%
ISIN	PLALIOR00045	YTD Price Chng	-49.2%	-38.3%
Outst. Stock (m)	129.3	ADTV 1M		PLN 7.3m
MC (PLN m)	1,883.3	ADTV 6M		PLN 14.9m
		P/E 12M fwd	85.5	+549.6%
Free Float	74.8%	P/E 5Y avg	13.2	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)

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Handlowy has outperformed the 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 through diversification of risks and sources of fee income, but which could turn into a potential driver of losses under crisis conditions. With this in mind, we forecast that Handlowy will report cost of risk close to 200 bps in 2020. When it comes to results for the second-quarter, we expect to see much stronger trading income, but at the same time we anticipate much higher additional capital (ca. PLN 80m) set aside as crisis backup. We maintain a hold rating for BHW. The extra distributions to shareholders from retained earnings expected in 2021 and 2022 improve the Bank's valuation.

<b>Current Price</b>	36.30 PLN	<b>Upside</b>
<b>9M Target Price</b>	37.64 PLN	<b>+3.7%</b>

	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	-7.3%	-8.4%
ISIN	PLBH000000012	YTD Price Chng	-29.9%	-19.0%
Outst. Stock (m)	130.7	ADTV 1M		PLN 0.7m
MC (PLN m)	4,742.9	ADTV 6M		PLN 2.2m
		P/E 12M fwd	15.3	+6.4%
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	0.6	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	11.3%	10.3%	0.0%	7.0%	9.8%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	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)

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ING BSK remains the most expensive bank in the whole CEE sector at 1.2x 2021E price-to-book, thanks not to its outstanding resilience in the face of an economic crisis, but, rather, to its low liquidity, reflected in free-float capitalization of less than 5% if we take out pension fund holdings. Such a high valuation is surprising for an institution which is expected to suffer ROE declines to 5.9% in 2020, 6.7% in 2021, and 8.5% in 2022. ING BSK will probably report solid results for Q2 2020, but at the current overvalued level we maintain a sell rating for its stock. We see no good reason why ING should be traded at such a substantial premium to other CEE banks given that its earnings have not been hit any less by the coronavirus crisis.

<b>Current Price</b>	131.80 PLN	<b>Downside</b>
<b>9M Target Price</b>	117.78 PLN	<b>-10.6%</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	-13.1%	-14.2%
ISIN	PLBSK0000017	YTD Price Chng	-33.7%	-22.8%
Outst. Stock (m)	130.1	ADTV 1M		PLN 0.9m
MC (PLN m)	17,147.2	ADTV 6M		PLN 2.6m
		P/E 12M fwd	15.8	+3.0%
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	1.3	1.1	1.1	1.1	1.0
ROE	12.1%	11.6%	5.9%	6.7%	8.5%
DPS	3.20	3.50	0.00	3.52	4.13
DYield	2.4%	2.7%	0.0%	2.7%	3.1%
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	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)

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In Q2 2020 Millennium generated higher-than-expected net interest income and lower-than-expected costs, on the upside, but on the downside it recognized additional provisions for CHF loan disputes in the amount of PLN 113m. More interestingly, looking ahead at the third quarter, Millennium says based on strong volumes generated in June and July that it might keep NII at a stable quarterly level – something which seemed impossible a few weeks ago. Going forward, the Bank will probably have to keep setting aside more provisions for potential losses in cases brought by CHF mortgage holders, with negative effects on long-term equity returns. Nevertheless, based on relative valuation, MIL remains our top pick among smaller banks and a buy opportunity for August.

<b>Current Price</b>	2.82 PLN	<b>Upside</b>
<b>9M Target Price</b>	3.72 PLN	<b>+31.9%</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	-8.0%	-9.2%
ISIN	PLBIG0000016	YTD Price Chng	-51.8%	-40.9%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 6.9m
MC (PLN m)	3,421.0	ADTV 6M		PLN 10.0m
		P/E 12M fwd	15.6	+32.1%
Free Float	50.0%	P/E 5Y avg	11.8	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)

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Pekao has been one of WIG-Banks' worst underperformers this year – an effect of executive reshuffling and media speculation about the Bank's possible involvement in industry consolidation. A potential merger with Alior Bank would not be a burden on earnings in our view as it would provide a goodwill gain which would largely offset the costs. We think investors will change their mind about PEO with the publication of second-quarter results, which will most likely feature strong interest revenue and higher-than-expected net income that might trigger upward revisions to analysts' expectations for the full year. We also expect Pekao to give more optimistic guidance for 2020 risk costs closer to the low end of the 2x-3x-normal-CoR range forecast delivered after the first quarter. PEO is still our top bank pick.

<b>Current Price</b>	50.88 PLN	<b>Upside</b>
<b>9M Target Price</b>	68.90 PLN	<b>+35.4%</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	-7.5%	-8.6%
ISIN	PLPEKAO00016	YTD Price Chng	-49.3%	-38.5%
Outst. Stock (m)	262.5	ADTV 1M		PLN 38.3m
MC (PLN m)	13,354.5	ADTV 6M		PLN 78.6m
		P/E 12M fwd	11.2	-16.7%
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	0.5	0.6	0.5
ROE	9.9%	9.4%	5.5%	5.9%	8.5%
DPS	7.90	6.60	0.00	9.96	4.11
DYield	15.5%	13.0%	0.0%	19.6%	8.1%
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)

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Stocks in PKO BP fell alongside all other banks in July, but their decline was not as bad as suffered by the WIG-Banks index as a whole, indicating a sentiment shift ahead of second-quarter results which will most likely exceed the expectations of analysts. In an extremely challenging environment, we expect to see decent interest income relative to what might have been expected after three rate cuts, and we predict solid F&C income and lower risk reserves, with cost of risk close to the levels registered in 2019 (PKO is guiding for FY2020 CoR at 2x-3x the 2019 amount, but after Q2 it will probably narrow the guidance down to 2x). With all that said, we maintain a hold call for PKO, which continues to trade close to our target.

<b>Current Price</b>	21.85 PLN	<b>Upside</b>
<b>9M Target Price</b>	22.58 PLN	<b>+3.3%</b>

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

Key Metrics		PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	+0.5%
ISIN	PLPKO0000016	YTD Price Chng	-33.7%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 50.1m
MC (PLN m)	27,312.5	ADTV 6M	PLN 89.9m
		P/E 12M fwd	11.0
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	0.6	0.6	0.6
ROE	9.9%	10.0%	4.3%	5.7%	7.0%
DPS	0.55	1.33	0.00	2.07	2.22
DYield	2.5%	6.1%	0.0%	9.5%	10.2%
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 buy (upgraded)

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We upgrade Santander Bank Polska by two notches to buy after a 12% share price fall in July and after better-than-expected second-quarter results, which demonstrated the Bank's ability to tightly manage expenses. Loan loss provisions remain at a comfortable level after Q2. Santander fulfilled 53% of our FY2020 net income forecast in the year to 30 June, but its risk reserves for the year to date represent only 38% of the FY target. The Bank expects to keep costs under control in the quarters ahead.

<b>Current Price</b>	152.50 PLN	<b>Upside</b>
<b>9M Target Price</b>	179.37 PLN	<b>+17.6%</b>

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>179.37 PLN</b>	<b>2020-08-04</b>
<b>old</b>	<b>hold</b>	<b>179.37 PLN</b>	<b>2020-07-02</b>
Key Metrics		SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-12.1% -13.2%
ISIN	PLBZ000000044	YTD Price Chng	-50.4% -39.5%
Outst. Stock (m)	102.1	ADTV 1M	PLN 13.4m
MC (PLN m)	15,568.5	ADTV 6M	PLN 20.6m
		P/E 12M fwd	13.1 -4.5%
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	0.6	0.6	0.6	0.6	0.6
ROE	10.1%	8.5%	3.5%	4.7%	6.4%
DPS	3.10	19.72	0.00	16.25	17.25
DYield	2.0%	12.9%	0.0%	10.7%	11.3%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

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

### Key Balance Sheet Figures

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

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	3.3%	3.3%	3.0%	2.9%	2.9%
C/I	45.4%	47.3%	46.7%	45.4%	42.9%
CoR	0.9%	0.8%	1.7%	1.5%	1.4%
NPL Ratio	4.5%	5.2%	4.4%	4.6%	4.6%
Tier 1 Ratio	14.1%	14.9%	17.0%	16.1%	15.9%

### Dividend Discount Model (DDM)

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

### Economic Profits Model

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

### Valuation Summary

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



## PZU

### buy (no change)

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PZU has been a top performer among financial institutions since the coronavirus outbreak – a mark of its defensive qualities. The crisis is probably easier to navigate for the insurance industry than for banks. PZU is expected to deliver strong results for Q2 2020, supported by few claims and spectacular gains on trading, set to come close to PLN 1bn (not including trades by subsidiary banks). Our Q2 forecasts assume PZU will write off remaining goodwill on the acquisition of Alior Bank in Q2 as a first step in its current reexamination of banking investments. Not including this one-time charge, we see the quarterly net income as coming close to PLN 1bn. We maintain a buy rating for PZU.

<b>Current Price</b>	27.34 PLN	<b>Upside</b>
<b>9M Target Price</b>	35.93 PLN	<b>+31.4%</b>

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

Key Metrics		PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-7.3%
ISIN	PLPZU0000011	YTD Price Chng	-31.7%
Outst. Stock (m)	863.5	ADTV 1M	PLN 45.6m
MC (PLN m)	23,608.7	ADTV 6M	PLN 72.7m
		P/E 12M fwd	9.0
Free Float	64.8%	P/E 5Y avg	11.2
			discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
GWP	23,470	24,191	24,145	24,643	25,309
Claims	-14,563	-15,695	-15,391	-15,808	-16,225
Inv. income	892	2,210	1,611	1,671	1,826
Total costs	-4,750	-5,119	-5,133	-5,296	-5,418
Net income	3,213	3,295	2,555	2,853	3,090
P/E	7.8	7.6	9.8	8.8	8.1
P/B	1.6	1.5	1.3	1.2	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	9.9%	10.2%	0.0%	8.7%	9.7%
Forecast Update (% change)			2020P	2021P	2022P
Gross written premiums			0.0%	0.0%	0.0%
Claims			0.0%	0.0%	0.0%
Investment income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

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

### Key Balance Sheet Figures

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

### Key Ratios

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

### Dividend Discount Model (DDM)

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

### Economic Profits Model

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

### Valuation Ex. Banks

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

### SOTP Valuation

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

## Skarbiec Holding hold (no change)

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We maintain a hold recommendation for Skarbiec. The Asset Manager is enjoying an unprecedented boost in business this year thanks to robust investor activity which might also improve the earnings prospects for the future. With business booming, Skarbiec probably no longer has to keep success fees low, and as a result its 2021 dividend potential might also go up. At the moment we are anticipating dividend yield of 13% this year on stellar FY2019 earnings, followed by lower yields of 6-7% in subsequent years. With that said, DPS may be reduced in the event of an acquisition of a distributor, for example, which would be a natural business complement to the company.

<b>Current Price</b>	27.80 PLN	<b>Downside</b>
<b>9M Target Price</b>	21.20 PLN	<b>-23.7%</b>

	rating	target price	issued
unchanged	hold	21.20 PLN	2020-07-02

Key Metrics		SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+28.1%
ISIN	PLSKRBH00014	YTD Price Chng	+46.3%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.3m
MC (PLN m)	189.6	ADTV 6M	PLN 0.1m
		P/E 12M fwd	8.7
Free Float	25.4%	P/E 5Y avg	7.2

### 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	1.8	1.7	1.8	1.7
ROE	30.3%	12.0%	16.3%	15.3%
DPS	4.45	0.50	3.69	1.80
DYield	16.0%	1.8%	13.3%	6.5%
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	50.1	53.9	61.3	62.3	63.8
Other assets	67.4	77.9	88.6	90.0	92.2
Total assets	117.5	131.8	149.9	152.3	155.9
Borrowing	0.1	0.0	10.9	20.7	19.1
Other liabilities	15.0	28.6	26.2	26.3	27.4
Minority interests	0.0	0.0	0.0	0.0	0.0
Equity	102.4	103.2	112.8	105.3	109.5

### Relative Valuation Summary

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

### Dividend Discount Model (DDM)

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

### Economic Profits Model

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

### Valuation Summary

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

### Per-Share Valuation

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

## GPW hold (no change)

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The trading boom that started in March continues to drive earnings for GPW, including through a higher average blended fee facilitated by the massive activity of retail investors. The huge volatility in global markets also helps to promote Polish derivatives, and in Q2 there was increased trading in energy securities. Further, GPW's second-quarter earnings prospects look good judging by equity investment fund flows for April through June, and if the Company beats our estimates we will most likely have to raise our full-year forecasts by as much as 20%, as well as making suitable adjustments to our valuation models. At the moment we maintain a hold recommendation for GPW.

<b>Current Price</b>	46.00 PLN	<b>Downside</b>
<b>9M Target Price</b>	41.56 PLN	<b>-9.7%</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	+10.6% +9.4%
ISIN	PLGPW0000017	YTD Price Chng	+24.7% +35.6%
Outst. Stock (m)	42.0	ADTV 1M	PLN 3.8m
MC (PLN m)	1,930.7	ADTV 6M	PLN 2.5m
EV (PLN m)	1,908.6	EV/EBITDA 12M fwd	10.7 +41.3%
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	10.5	16.2	17.5	15.9	15.6
P/B	2.2	2.2	2.2	2.1	2.1
EV/EBITDA	9.7	9.3	9.9	10.6	10.1
DPS	2.20	3.18	2.40	2.50	2.60
DYield	4.8%	6.9%	5.2%	5.4%	5.7%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

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

### Key Balance Sheet Figures

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

### Key Ratios

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

### Dividend Discount Model (DDM)

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

### DCF Summary

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

### Valuation Summary

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

### Scenario Analysis

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

## Chemicals

### Ciech

hold (no change)

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Ciech's 2020 second-quarter earnings prospects do not look promising looking at Poland's declining production of glass and salt – the two commodities that constitute a major share of the Company's sales mix. Ciech agreed higher prices for its 2020 soda ash deliveries than received in 2019, but we nevertheless expect to see a 23% y/y decrease in adjusted second-quarter EBITDA, indicating the second consecutive quarter of declines. In the third quarter, sales of soda ash seem to have increased, alongside higher demand for silicates and PUR foam, but even with this improvement Ciech might have a hard time reaching its PLN 600m EBITDA target this year. We maintain a hold rating for CIE

Current Price

30.90 PLN

Upside

9M Target Price

34.09 PLN

+10.3%

	rating	target price	issued
unchanged	hold	34.09 PLN	2020-07-02

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-6.5%	-7.6%
ISIN	PLCIECH000018	YTD Price Chng	-22.2%	-11.3%
Outst. Stock (m)	52.7	ADTV 1M		PLN 3.0m
MC (PLN m)	1,628.4	ADTV 6M		PLN 3.1m
EV (PLN m)	3,327.5	EV/EBITDA 12M fwd	5.3	-6.8%
Free Float	33.0%	EV/EBITDA 5Y avq	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.	9.8	8.7	10.3	9.0	8.2
P/B	0.8	0.8	0.8	0.7	0.7
EV/EBITDA adj.	4.9	4.7	5.5	4.8	4.5
DPS	7.50	0.00	0.00	0.90	1.72
DYield	24.3%	0.0%	0.0%	2.9%	5.6%

Forecast Update (% change)		2020P	2021P	2022P
EBITDA		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%
Soda price (US \$/t)		0.0%	0.0%	0.0%
Soda Ciech (PLN/t)		0.0%	0.0%	0.0%
Soda vol (1,000t)		0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)		0.0%	0.0%	0.0%
Coking Coal price (\$/t)		0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)		0.0%	0.0%	0.0%

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	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%

#### 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 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%

#### 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 (no change)

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European fertilizer producers are negatively impacted by low market prices which affect the outlook for the second half of the year, potentially underpinned by a seasonal rebound in costs of natural gas. We expect a 29% decrease in adjusted EBITDA, driven by the segments of chemicals and plastics. The reported figure could be higher if Grupa Azoty opts to recognize the close-to-PLN 100m in one-time state compensation for high electricity prices in Q2 2020. With plastics demand showing no signs of a rebound so far, and fertilizer markets still in a downward slide, we would not expect an optimistic guidance from Grupa Azoty for the second half of 2020. We maintain a hold rating for ATT.

<b>Current Price</b>	28.80 PLN	<b>Upside</b>
<b>9M Target Price</b>	29.90 PLN	<b>+3.8%</b>

	rating	target price	issued
unchanged	hold	29.90 PLN	2020-07-02

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-10.3%	-11.4%
ISIN	PLZATRM00012	YTD Price Chng	-1.6%	+9.3%
Outst. Stock (m)	99.2	ADTV 1M		PLN 2.6m
MC (PLN m)	2,856.8	ADTV 6M		PLN 3.4m
EV (PLN m)	7,210.0	EV/EBITDA 12M fwd	5.9	-4.4%
Free Float	29.0%	EV/EBITDA 5Y avg	6.1	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.	67.0	6.6	16.4	22.7	21.3
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA adj.	7.1	4.2	6.3	7.4	7.8
DPS	1.20	0.00	0.00	0.00	0.00
DYield	4.2%	0.0%	0.0%	0.0%	0.0%

Forecast Update (% change)		2020P	2021P	2022P
EBITDA		0.0%	0.0%	0.0%
Net income		0.0%	0.0%	0.0%
Urea price (PLN/t)		0.0%	0.0%	0.0%
Ammonium Nitrate price (PLN/t)		0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)		0.0%	0.0%	0.0%
Melamine (PLN/t)		0.0%	0.0%	0.0%
Polyamide 6 (PLN/t)		0.0%	0.0%	0.0%
Propylene (PLN/t)		0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Fertilizers	82	965	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%

### 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 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%

### 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 hold (upgraded)

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Demand for metallurgical coal and coke remains tight with European steel production curbed in the wake of the coronavirus crisis. 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 8% relative to market rates, with the 2020 average selling price forecast to be \$130/t. Amid weak demand from steel mills and power plants, by December 2020 JSW's inventories will most likely end up higher at 2.5mmt. Using these assumptions, alongside estimated EBITDA of PLN 200m, we expect FY2020 OCF to be PLN 17m in the red, and we foresee negative FCF in the amount of PLN 2bn, implying an ending net debt balance of PLN 504m. In the short term, JSW stock might shift higher with the extension of coronavirus assistance; out of the PLN 1.75bn total requested, we expect the Company to recognize approximately PLN 300m on the P&L. Aside from this, JSW can apply for state-backed loans to finance day-to-day operations and investment. After lowering our 2020 average price forecast for coking coal from \$150 to \$130/t, and after raising the expected share of coking coal in total production from 70% to 80%, we raise our target price for JSW from PLN 9.78 to PLN 16.41 per share, and we upgrade the Miner from sell to hold.

**Current Price**

17.40 PLN

Downside

**9M Target Price**

16.41 PLN

-5.7%

	rating	target price	issued
new	hold	16.41 PLN	2020-08-04
old	sell	9.78 PLN	2020-03-27
<b>Key Metrics</b>			
Ticker	JSW PW	1M Price Chng	-7.7% -8.8%
ISIN	PLJSW00000015	YTD Price Chng	-18.6% -7.7%
Outst. Stock (m)	117.4	ADTV 1M	PLN 10.4m
MC (PLN m)	2,042.4	ADTV 6M	PLN 17.6m
EV (PLN m)	2,934.6	EV/EBITDA 12M fwd	8.0 +169.8%
Free Float	44.8%	EV/EBITDA 5Y avg	3.0 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	9,810	8,672	6,989	8,637	8,725
EBITDA adj.	3,101	1,839	208	901	1,045
EBITDA margin	31.6%	21.2%	3.0%	10.4%	12.0%
EBIT adj.	2,335	806	-888	-235	-150
Net income adj.	1,802	548	-771	-248	-179
P/E adj.	1.1	3.7	-	-	-
P/B	0.3	0.2	0.3	0.3	0.3
EV/EBITDA adj.	-	0.6	14.1	3.0	2.8
DPS	0.00	1.71	0.00	0.00	0.00
DYield	0.0%	9.8%	0.0%	0.0%	0.0%
<b>Forecast Update (% change)</b>					
EBITDA (adj.)			-65.4%	-0.1%	+9.2%
Net income (adj.)			-	-	-
Coking Coal price (\$/t)			-16.1%	-3.2%	0.0%
Thermal Coal price (PLN/t)			-3.8%	-1.0%	0.0%
Coke price (\$/t)			-14.1%	-2.0%	0.0%
Total coal output (kt)			0.0%	0.0%	0.0%
Coking coal (kt)			0.0%	0.0%	0.0%
Coke (kt)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Total coal output (kt)	15,019	14,762	14,200	14,859	14,986
Coking coal (kt)	10,351	10,208	11,360	11,887	11,989
Coking coal (% of total)	69%	69%	80%	80%	80%
Thermal coal (kt)	4,668	4,554	2,840	2,972	2,997
Coke (kt)	3,559	3,170	2,700	3,200	3,400
<b>Operating cash flow</b>	<b>2,856</b>	<b>1,538</b>	<b>-17</b>	<b>1,709</b>	<b>1,257</b>
D&A	766	1,034	1,095	1,135	1,194
Working capital	338	-162	-623	793	227
<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>-39</b>	<b>-46</b>	<b>-46</b>
Dividends/Buyback	0	-201	0	0	0
FCF	1,754	-691	-1,997	327	-91
FCF/EBITDA (adj.)	57%	-38%	-962%	36%	-9%
OCF/EBITDA (adj.)	92%	84%	-8%	190%	120%

### Key Balance Sheet Figures

(PLN m)	2018	2019P	2020P	2021P	2022P
Assets	13,763	14,926	13,819	14,138	13,990
Fixed assets	8,475	10,391	10,996	11,298	11,534
Equity	8,081	8,463	7,935	7,687	7,508
Minority interests	364	388	388	388	388
Net debt	-3,286	-1,252	504	261	449
Net debt/EBITDA (adj.)	-1.1	-0.7	2.4	0.3	0.4
Net debt/Equity (x)	-0.4	-0.1	0.1	0.0	0.1

### Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.5	3.4	2.1	0.6	0.7	0.5
Maximum	44.0	16.5	224.0	14.6	11.4	9.2
Median	8.0	6.3	6.6	5.8	4.5	4.2
Weight	0%	0%	0%	0%	50%	50%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Coking coal (\$/t)	120	150	155	155	155	155	155	155	155	155	155
Thrmal coal (PLN/t)	253	247	247	247	247	247	247	247	247	247	247
Coke (\$/t)	799	866	884	884	884	884	884	884	884	884	884
Revenue	6,989	8,637	8,725	9,185	9,279	9,420	9,571	9,722	9,900	9,913	9,915
EBITDA	508	901	1,045	1,456	1,523	1,537	1,554	1,570	1,645	1,650	1,568
EBITDA margin	7.3%	10.4%	12.0%	15.8%	16.4%	16.3%	16.2%	16.2%	16.6%	16.6%	15.8%
EBIT	-588	-235	-150	224	82	83	140	217	300	279	168
Tax	-119	-53	-37	34	7	7	18	33	48	44	21
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	-623	793	227	153	10	23	29	31	35	2	-7
FCF	-1,997	327	-91	175	126	152	165	168	232	208	141
PV FCF	-1,937	293	-76	135	90	101	102	96	123	105	
WACC	7.6%	8.0%	7.7%	8.0%	7.9%	7.9%	7.9%	7.8%	7.8%	7.6%	7.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	-968
Net debt	-1,252
Other adjustments	388
Value per share (PLN)	7.29

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	23.59
DCF Val.	50%	7.29
Implied Price		15.44
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>16.41</b>

## KGHM

### hold (no change)

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The price of copper has rebounded on higher demand from China has upped its copper purchases by 7% in the year to date compared with the same period last year as it experiences a fast-paced recovery in manufacturing activity and infrastructure programs. This has turned copper sentiment bullish, reflected in increasing long positions by speculative traders (currently at +39,000 contracts versus -46 in mid-February). This is accompanied by a rally in silver prices, fueled by record-high inflows to precious metals funds (with \$3.8bn invested in one week in July – the second-largest-ever weekly inflow). From the standpoint of KGHM, this could mean a major earnings boost in the second half of 2020 as large as 42% relative to the year-ago result, potentially facilitating a net debt reduction to about 0.8x EBITDA by the end of the year. Our current models anticipate 13% EBITDA growth and an 89% rebound in net profit in the full fiscal 2020. For August we maintain a hold rating for KGH.

<b>Current Price</b>	130.15 PLN	<b>Downside</b>
<b>9M Target Price</b>	124.67 PLN	<b>-4.2%</b>

	rating	target price	issued
unchanged	hold	124.67 PLN	2020-07-29

Key Metrics			KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+38.1%	+36.9%
ISIN	PLKGHM000017	YTD Price Chng	+36.2%	+47.1%
Outst. Stock (m)	200.0	ADTV 1M		PLN 113.6m
MC (PLN m)	26,030.0	ADTV 6M		PLN 68.5m
EV (PLN m)	30,811.4	EV/EBITDA 12M fwd	5.8	+21.4%
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	23,794	23,660	23,612
EBITDA adj.	4,972	5,229	5,924	5,887	5,650
EBITDA margin	24.2%	23.0%	24.9%	24.9%	23.9%
EBIT adj.	3,176	3,309	3,893	3,709	3,498
Net income adj.	1,888	2,230	2,690	2,557	2,389
P/E adj.	13.8	11.7	9.7	10.2	10.9
P/B	1.4	1.3	1.1	1.0	1.0
EV/EBITDA adj.	6.7	6.3	5.2	5.0	5.0
DPS	0.00	0.00	0.00	2.00	5.11
DYield	0.0%	0.0%	0.0%	1.5%	3.9%

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>4,869</b>	<b>4,894</b>	<b>4,699</b>
D&A	1,796	1,920	2,031	2,178	2,152
Working capital	1,412	1,227	-9	1	0
<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>-557</b>	<b>-1,180</b>
Dividends/Buyback	0	0	0	-400	-1,023
FCF	1,924	2,310	2,325	2,137	2,349
FCF/EBITDA	41%	51%	39%	36%	42%
OCF/EBITDA	77%	97%	82%	83%	83%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	37,237	39,409	42,387	44,508	45,861
Fixed assets	29,375	31,669	32,182	32,761	32,959
Equity	19,133	20,110	22,800	24,957	26,324
Minority interests	92	92	92	92	92
Net debt	6,992	6,857	4,689	3,109	1,940
Net debt/EBITDA (x)	1.5	1.5	0.8	0.5	0.3
Net debt/Equity (x)	0.4	0.3	0.2	0.1	0.1

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	8.5	8.2	6.4	2.4	1.9	2.2
Maximum	107.0	29.9	22.9	14.3	11.6	11.1
Median	14.8	12.6	11.2	6.7	6.1	5.3
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Copper price (\$/t)	5,850	6,300	6,350	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Silver (\$/oz)	20.0	24.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Molybdenum (\$/t)	20,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Revenue	23,794	23,660	23,612	23,901	23,828	23,615	22,388	22,384	22,386	22,301	22,232
EBITDA	5,924	5,887	5,650	5,860	5,703	5,420	5,333	5,294	5,248	5,146	5,060
EBITDA margin	16.4%	15.7%	14.8%	15.7%	15.4%	14.3%	14.6%	14.4%	14.0%	14.4%	14.1%
EBIT	3,893	3,709	3,498	3,748	3,662	3,368	3,266	3,216	3,140	3,210	3,130
Tax	1,045	995	951	1,008	990	933	913	902	887	897	879
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	-9	1	0	-3	1	2	11	0	0	1	1
FCF	2,325	2,137	2,349	2,919	2,750	2,494	2,404	2,333	2,270	2,319	2,251
PV FCF	2,254	1,917	1,944	2,216	1,918	1,603	1,424	1,274	1,142	0	
WACC	7.7%	8.0%	8.2%	8.4%	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	0.0%
PV FCF	16,769
Net debt	6,857
Other adjustments	454
Value per share (PLN)	113.25

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	121.29
DCF Val.	50%	113.25
Implied Price		117.27
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>124.67</b>

## Oil &amp; Gas

## Lotos

hold (no change)

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Lotos stock took a big hit in July after it became clear that the merger with PKN Orlen would be delayed, first, because it has to be preceded by the fulfillment by PKN of a series of commitments to the European Commission designed to alleviate competition concerns, and, second, because of a possible formula change from a tender offer to a share swap. In our view a cash tender offer is a more practical and easier solution than a share swap, which involves a lot of variables that would have to be considered by both sets of shareholders. We predict that the PKN/LTS share exchange ratio will eventually improve in favor of Lotos, even if in absolute terms the Company's valuation does not show much upside risk from the current level. The current refining fundamentals are obviously much worse than what analysts were envisioning for Lotos not six months ago, including thinner cracking margins on fuels produced by the new DCU facility, and weak demand for middle distillates. After a mostly disappointing first half of 2020, the second part of the year looks equally unremarkable, with low refining margins underpinned by above-average prices of Urals crude and cheap gas which weighs on upstream profits. In the midst of all this, Lotos has to focus on dividing out the assets that it has to sell as part of anti-trust remedies before it can merge with PKN. With all this in mind, we maintain a hold rating for LTS for the time being.

## Current Price

47.81 PLN

Upside

## 9M Target Price

55.87 PLN

+16.9%

	rating	target price	issued
unchanged	hold	55.87 PLN	2020-07-02

Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-19.9%	-21.1%
ISIN	PLLOTOS00025	YTD Price Chng	-42.8%	-31.9%
Outst. Stock (m)	184.9	ADTV 1M		PLN 25.5m
MC (PLN m)	8,838.8	ADTV 6M		PLN 26.9m
EV (PLN m)	11,445.7	EV/EBITDA 12M fwd	5.3	-2.8%
Free Float	46.8%	EV/EBITDA 5Y avg	5.4	discount

## 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	5.6	7.7	-	15.9	6.6
P/B	0.7	0.7	0.7	0.7	0.7
EV/EBITDA	2.9	4.1	15.4	6.0	3.7
DPS	1.00	3.00	1.00	3.00	3.00
DYield	2.1%	6.3%	2.1%	6.3%	6.3%
Forecast Update (% change)			2020P	2021P	2022P
LIFO EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

## Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
<b>LIFO EBITDA (adj.)</b>	<b>3,126</b>	<b>2,861</b>	<b>1,994</b>	<b>1,960</b>	<b>2,590</b>
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
<b>EV/ LIFO EBITDA (adj.)</b>	<b>3.5</b>	<b>4.2</b>	<b>5.9</b>	<b>6.0</b>	<b>4.6</b>
LIFO effect	500	-141	-1,250	-56	504
Other one-offs	78	159	0	0	0
<b>Financing activity</b>	<b>-259</b>	<b>-278</b>	<b>-229</b>	<b>-214</b>	<b>-222</b>
<b>Crude thrghpt (mmt)</b>	<b>10.8</b>	<b>10.7</b>	<b>9.5</b>	<b>9.9</b>	<b>10.4</b>
\$ 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
<b>US output (mboepd)</b>	<b>20.4</b>	<b>20.7</b>	<b>19.7</b>	<b>16.8</b>	<b>20.7</b>
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
<b>Operating cash flow</b>	<b>2,328</b>	<b>2,130</b>	<b>2,472</b>	<b>2,135</b>	<b>1,896</b>
OCF/EBITDA LIFO adj.	74%	74%	124%	109%	73%
<b>CAPEX</b>	<b>967</b>	<b>805</b>	<b>1,140</b>	<b>1,365</b>	<b>1,229</b>
Working capital	4,816	5,523	3,910	3,580	4,515
Equity	12,035	12,715	11,988	12,046	12,834
<b>Net debt</b>	<b>1,943</b>	<b>2,900</b>	<b>2,607</b>	<b>2,555</b>	<b>2,669</b>
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%
<b>9M Target Price</b>		<b>55.87</b>

## MOL buy (upgraded)

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MOL stock shifted lower in July in step with the industry benchmark even though before it refused to budge when a rebound in oil prices sent a bullish signal for the upstream business. If our optimistic scenario for gas is correct, MOL represents a much more worthwhile growth story in our view than its Polish peers, meanwhile it continues to trade at a discount to the Polish sector's EV/EBITDA. MOL's better underlying fundamentals should be reflected in narrower declines in 2020 Q2 CCS EBITDA at an estimated 40% y/y versus falls of 50-60% anticipated at PKN and Lotos, owed to the mitigating effects of retail, the petrochemical business (polymers), and the gas transmission business, combined with cost saving initiatives. MOL is also a potential beneficiary of the planned merger between PKN and Lotos which will create more room for others to build a presence in the Polish retail and wholesale market. Alternatively, MOL could tap its cash reserves to unfreeze dividends, currently on hold due to the coronavirus pandemic. We maintain a bullish view on MOL, and we upgrade the stock to buy after the recent share price falls.

<b>Current Price</b>	1,722 HUF	<b>Upside</b>
<b>9M Target Price</b>	2,158 HUF	<b>+25.3%</b>

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>2,158 HUF</b>	<b>2020-08-04</b>
<b>old</b>	<b>accumulate</b>	<b>2,158 HUF</b>	<b>2020-07-02</b>
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-7.3% -8.4%
ISIN	HU0000153937	YTD Price Chng	-41.4% -30.5%
Outst. Stock (m)	753.1	ADTV 1M	HUF 1,322.2m
MC (HUF m)	1,296,763.2	ADTV 6M	HUF 2,511.8m
EV (HUF m)	3,000,561.8	EV/EBITDA 12M fwd	4.3 +1.0%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3 premium

### Earnings Projections

(HUF bn)	2018	2019	2020P	2021P	2022P
Revenue	5,169	5,267	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	4.3	5.8	33.6	16.1	6.7
P/B	0.7	0.6	0.6	0.6	0.6
EV/EBITDA	2.5	3.1	6.8	5.8	4.1
DPS	127.50	142.44	0.00	69.72	73.20
DYield	7.4%	8.3%	0.0%	4.0%	4.3%
Forecast Update (% change)			2020P	2021P	2022P
CCS EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

### 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>2.7</b>	<b>3.1</b>	<b>5.5</b>	<b>5.9</b>	<b>4.3</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
<b>Value per share (HUF)</b>	<b>1,989</b>

### 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)

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PGNiG's preliminary 2020 second-quarter results confirmed that the high profits from gas trade generated in Q1 were not a one-off but rather a sign of a structural improvement facilitated by the pegging of the purchase prices of Yamal gas to market rates. Based on this, and on a less destructive impact of the coronavirus crisis than initially assumed, we are able to raise our full-year earnings expectations for PGNiG's Trade business. Our outlook for the Distribution business is also improved after factoring in smaller-than-expected volume losses and lower balancing costs. Accordingly, after updating the relative valuation model, we raise our target price for PGN to PLN 5.94 per share. Other analysts will probably also soon make upward revisions to their expectations for FY2020 and the two subsequent years (our updated FY2021-22 forecasts stand 10% above the current consensus), but in doing so they should keep in mind that this year's improvement in trade is owed partly to natural hedging of E&P prices, and that the tariff rates for certain groups of PGNiG's customers will at some point most likely be adjusted lower from their current high levels. We believe PGNiG is poised to capitalize on a likely rebound in European gas prices next year, and we are hopeful that the Company will not be forced to help bail out failing coal mines even though so far the first attempt by Poland to solve the coal mine issue has been struck down by labor unions. Last but not least, with a FY2020 year-end cash surplus of a projected PLN 2.5bn, PGNiG could rekindle investors' hopes for dividends.

### Current Price

5.10 PLN

Upside

### 9M Target Price

5.94 PLN

+16.5%

	rating	target price	issued
new	buy	5.94 PLN	2020-08-04
old	buy	5.23 PLN	2020-07-02
<b>Key Metrics</b>			
	PGN PW	1M Price Chng	+10.9% +9.7%
Ticker	PLPGNIG00014	YTD Price Chng	+20.3% +31.2%
ISIN		ADTV 1M	PLN 29.9m
Outst. Stock (m)	5,778.3	ADTV 6M	PLN 27.0m
MC (PLN m)	29,469.4	EV/EBITDA 12M fwd	3.6 -22.8%
EV (PLN m)	26,983.8	EV/EBITDA 5Y avg	4.7 discount
Free Float	28.1%		

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	41,234	42,023	34,727	33,307	36,887
EBITDA	7,115	5,504	12,790	7,058	7,682
EBITDA margin	17.3%	13.1%	36.8%	21.2%	20.8%
EBIT	4,395	2,448	9,423	3,605	4,193
Net income	3,212	1,371	7,313	2,924	3,242
P/E	9.2	21.5	4.0	10.1	9.1
P/B	0.8	0.8	0.7	0.6	0.6
EV/EBITDA	4.1	6.0	2.1	3.7	3.5
DPS	0.07	0.11	0.09	0.19	0.25
DYield	1.4%	2.2%	1.9%	3.7%	5.0%
<b>Forecast Update (% change)</b>					
EBITDA			+4.7%	+5.1%	+4.8%
Net income			+4.1%	+10.5%	+9.6%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%
Price of EU NatGas (EUR/MWh)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	7,511	6,452	7,042	7,263	7,967
EBITDA	7,115	5,504	12,790	7,058	7,682
Mining	5,019	3,360	1,904	2,696	3,562
Trade	-848	-470	7,934	1,240	1,060
Distribution	2,385	1,995	2,114	2,133	2,194
Heat & Power	788	856	1,105	1,265	1,151
Other	-229	-237	-267	-275	-284
Financing activity	107	-289	-444	41	1
Crude output, mmt	1.41	1.21	1.36	1.55	1.47
domestic	0.82	0.77	0.75	0.73	0.73
international	0.59	0.44	0.61	0.82	0.74
NatGas output, bn m3	4.5	4.5	4.7	5.3	5.4
domestic	3.8	3.8	3.8	4.0	4.0
international	0.7	0.7	0.9	1.3	1.4
Trade mrgn, PLN/MWh	-6.6	-4.5	46.7	6.6	5.2

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	5,814	4,938	11,950	6,255	5,974
OCF/EBITDA	82%	90%	93%	89%	78%
CAPEX	4,534	6,069	5,103	4,489	5,110
Working capital	5,358	6,059	4,541	4,356	4,824
Equity	36,634	38,108	45,095	46,921	48,701
Net debt	-223	3,715	-2,485	-3,063	-2,368
Net debt/EBITDA (x)	0.0	0.7	-0.2	-0.4	-0.3

### 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	39.3	19.1	16.6	16.5	13.3	12.4
Median	18.4	13.0	10.0	7.2	5.9	5.3
Weight	17%	17%	17%	17%	17%	17%

### 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	33,307	36,887	37,156	35,041	35,524	35,759	36,038	36,084	36,125	36,125
EBITDA	12,222	6,660	7,296	6,849	7,204	7,409	7,498	7,598	7,446	7,342	7,342
EBITDA margin	35.2%	20.0%	19.8%	18.4%	20.6%	20.9%	21.0%	21.1%	20.6%	20.3%	20.3%
EBIT	9,423	3,605	4,193	3,634	3,330	3,467	3,464	3,441	3,173	3,721	2,968
Tax	1,666	722	952	811	533	603	628	654	621	914	586
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	186	-468	-35	277	-63	-31	-36	-6	-5	-5
FCF	6,970	1,634	766	850	2,347	2,099	2,331	2,400	2,359	2,049	2,376
PV FCF	6,581	1,416	609	620	1,570	1,288	1,313	1,241	1,120	894	
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	8.9%	8.9%	8.8%	8.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	33,390
Net debt	6,102
Other adjustments	-7
Value per share (PLN)	4.72

### Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	7.61
Relative (DYield)	17%	2.88
DCF	50%	4.72
Cost of equity (9M)		6.7%
9M Target Price		5.94



## PKN Orlen hold (no change)

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PKN accepted the EU's exacting terms for a merger with Lotos, and the market's response to this was understandably negative considering how these measures will change the competitive landscape in Poland, and how they seem to restrict the potential synergies and interfere with integration processes in terms of merging production capacity. As it stands now, the deal is fraught with too many risks and variables to convince the market that it can generate value for PKN's shareholders. As if this was not enough, in mid-July PKN made the first gesture toward a potential acquisition of Poland's gas utility, PGNiG – the potential benefits of such a takeover in terms of revenue and cost synergies are not immediately apparent to us. Nevertheless the potential M&A activity spells larger debt which, as the coronavirus pandemic continues to worsen refining fundamentals, suggests further downside risk even after the July sell-off. PKN did not fall short of market expectations with second-quarter results, but its prospects for the second half of the year are looking worse than analysts were anticipating 2-3 months ago given low refining margins, high prices of Urals crude, thinner margins on retail fuel sales, and unfavorable conditions in petrochemicals. We maintain a hold rating for PKN.

**Current Price**

53.02 PLN

Upside

**9M Target Price**

67.72 PLN

+27.7%

	rating	target price	issued
unchanged	hold	67.72 PLN	2020-07-02

Key Metrics			PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-15.1%	-16.2%
ISIN	PLPKN0000018	YTD Price Chng	-37.5%	-26.6%
Outst. Stock (m)	427.7	ADTV 1M		PLN 69.0m
MC (PLN m)	22,677.1	ADTV 6M		PLN 101.2m
EV (PLN m)	42,789.7	EV/EBITDA 12M fwd	4.4	-15.0%
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	4.1	5.3	5.5	12.7	7.2
P/B	0.6	0.6	0.5	0.5	0.5
EV/EBITDA	2.9	3.3	4.1	5.5	4.5
DPS	3.00	3.50	1.00	1.00	2.50
DYield	5.7%	6.6%	1.9%	1.9%	4.7%
Forecast Update (% change)			2020P	2021P	2022P
LIFO EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
USD/PLN			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
<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>3.4</b>	<b>3.2</b>	<b>5.4</b>	<b>5.5</b>	<b>5.0</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)

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CEZ stock shifted lower after the ex-dividend date against an upward drift in EU utilities, due probably to the Czech nuclear plant project, which was back in the news after the government passed its legal framework. In reality, the project is still in phase 1, and although it is surrounded by some uncertainty the risks will not materialize until about three years from now. For now, we believe CEZ deserves better considering its good financial results and its EU-funded decarbonization program and state-funded investment in RES. The Company could take advantage of low valuations to make value-generating acquisitions. As a reminder, CEZ currently generates more than 50% of annual EBITDA from clean energy, and it offers above-average dividends. We maintain an accumulate rating for CEZ.

Current Price

462.00 CZK

Upside

9M Target Price

514.80 CZK

+11.4%

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

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	-4.7%	-5.9%
ISIN	CZ0005112300	YTD Price Chng	-2.8%	+8.1%
Outst. Stock (m)	538.0	ADTV 1M		CZK 86.7m
MC (CZK bn)	248.6	ADTV 6M		CZK 161.6m
EV (CZK bn)	413.0	EV/EBITDA 12M fwd	6.7	-5.0%
Free Float	30.2%	EV/EBITDA 5Y avg	7.1	discount

#### Earnings Projections

(CZK m)	2018	2019	2020P	2021P	2022P
Revenue	184,486	206,192	222,619	217,213	217,452
EBITDA	49,664	60,305	63,772	57,884	53,957
EBITDA margin	26.9%	29.2%	28.6%	26.6%	24.8%
EBIT	19,759	26,429	35,543	29,156	25,258
Net income	10,327	14,373	21,761	15,534	11,834
P/E	24.1	17.3	11.4	16.0	21.0
P/B	1.1	1.0	1.0	1.0	1.0
EV/EBITDA	8.2	6.9	6.5	7.2	7.8
DPS	32.71	23.86	34.00	36.40	25.99
DYield	7.1%	5.2%	7.4%	7.9%	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 (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)

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The Polish government's July defeat in a face-off with coal miner unions over plans to close a number of mines was a painful reminder of the structural risks that underlie the Polish energy sector, and it drove home the point that Poland's transition toward a less carbon-intensive economy will be a long process. It is unlikely that the idea of a coal mine bailout by power utilities will even be revived again given the amount of EU funding that Poland can tap if it can move forward with decarbonization, but Enea and other generators invested in loss-making coal operations will probably not be allowed to part with these assets any time soon. In June, we estimated that by spinning off its coal-based assets Enea could see its value grow to as much as PLN 19 per share or 6.0x EV/EBITDA as compared with the current valuation of its "clean" assets at 2.4x EV/EBITDA and an average ratio of 4.1x attributed to other producers. 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. Enea's near-term upside catalysts include what are expected to be outstanding 2020 second-quarter results, with EBITDA as of 30 June fulfilling 57% of our full-year forecast.

**Current Price**

7.16 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	ENEA		-5.2%	-6.3%
ISIN	PLENEA000013	YTD Price Chng	-9.6%	+1.3%
Outst. Stock (m)	441.4	ADTV 1M		PLN 4.8m
MC (PLN m)	3,158.5	ADTV 6M		PLN 4.5m
EV (PLN m)	10,737.4	EV/EBITDA 12M fwd	3.4	-19.4%
Free Float	48.5%	EV/EBITDA 5Y avg	4.2	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	4.6	7.5	3.0	2.5	2.7
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	4.1	3.0	3.4	2.8	2.8
DPS	0.00	0.00	0.00	0.24	0.57
DYield	0.0%	0.0%	0.0%	3.4%	8.0%
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>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)

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Energa continues to slide in step with other generators even though it is already mostly rid of carbon-generating assets since the cancellation of the Ostrołęka C 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, and at 4.7x EV/EBITDA ENG is also trading at a big discount to European peers. Near-term upside catalysts for ENG could include a positive outcome of ongoing negotiations with the energy regulator to change the current unfavorable formula for calculating distribution tariffs. After a weak second quarter, weighed down by lower-than-budgeted electricity use and weak distribution revenues and hedging profits, we see a more positive outlook for Energa for the second half of the year. We continue to expect ENG to break away from its downward-trending peers in the coming weeks.

### Current Price

7.56 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	-7.0%	-8.1%
ISIN	PLENERG00022	YTD Price Chng	+6.8%	+17.7%
Outst. Stock (m)	414.1	ADTV 1M		PLN 1.0m
MC (PLN m)	3,130.3	ADTV 6M		PLN 3.7m
EV (PLN m)	9,468.3	EV/EBITDA 12M fwd	4.8	+10.7%
Free Float	48.5%	EV/EBITDA 5Y avg	4.3	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	4.2	-	9.8	7.7	7.6
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	4.1	4.6	5.0	4.4	4.3
DPS	0.00	0.00	0.00	0.00	0.15
DYield	0.0%	0.0%	0.0%	0.0%	2.0%
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
EBITDA (adj.)	2,039	2,164	1,883	2,102	2,102
EBITDA	1,877	2,039	1,883	2,102	2,102
Conv. Gener./CHP	137	29	-38	134	111
Renewables	191	233	213	222	215
Distribution	1,704	1,648	1,625	1,629	1,660
Trade	-85	182	144	180	181
Other	-70	-53	-62	-63	-65
Financing activity	-223	-1,218	-311	-308	-305
Power output, TWh	3.9	3.5	3.2	3.3	3.3
Renewables	0.5	0.6	0.6	0.6	0.6
Trade volume, TWh	19.8	19.7	18.9	19.6	19.8
YoY pct. change	-4.1%	-0.5%	-4.0%	4.0%	0.8%
Trade mrgn (PLN/MWh)	3.9	15.6	7.6	9.1	9.1
RAV (PLN bn)	12.2	12.6	13.0	13.2	13.3
RAV return (EBIT)	7.7%	6.4%	5.3%	4.5%	4.7%

### Key Balance Sheet Figures

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

## PGE

### suspended (no change)

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The Polish government's July defeat in a face-off with coal miner unions over plans to close a number of mines was a painful reminder of the structural risks that underlie the Polish energy sector, and it drove home the point that Poland's transition toward a less carbon-intensive economy will be a long process. It is unlikely that the idea of a coal mine bailout by power utilities will even be revived again given the amount of EU funding that Poland can tap if it can move forward with decarbonization, but PGE and other generators invested in loss-making coal operations will probably not be allowed to part with these assets any time soon. Some Polish officials have regressed to hailing coal as the only guarantee of Poland's energy security that no Green New Deal should try and take away, and in this climate a scenario where PGE might have begun to jettison coal-based assets has become a more distant prospect. In June, we estimated that by unloading these assets PGE could see its value grow to as much as PLN 14.6 per share or 6.0x EV/EBITDA.

### Current Price

6.85 PLN

### 9M Target Price

-

	rating	target price	issued
unchanged	suspended		2020-04-27

Key Metrics	PGE PW	1M Price Chng	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-4.2%	-5.3%
ISIN	PLPGER000010	YTD Price Chng	-14.0%	-3.1%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 24.6m
MC (PLN m)	12,800.5	ADTV 6M		PLN 27.2m
EV (PLN m)	24,783.0	EV/EBITDA 12M fwd	3.9	-8.3%
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	8.5	-	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)

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The Polish government's July defeat in a face-off with coal miner unions over plans to close a number of mines was a painful reminder of the structural risks that underlie the Polish energy sector, and it drove home the point that Poland's transition toward a less carbon-intensive economy will be a long process. It is unlikely that the idea of a coal mine bailout by power utilities will even be revived again given the amount of EU funding that Poland can tap if it can move forward with decarbonization, but Tauron and other generators invested in loss-making coal operations will probably not be allowed to part with these assets any time soon. This might be a disappointing turn of events for those investors who were expecting the Company to quickly start the process of closing loss-making mines. In addition, after the July move by PKN Orlen toward a possible takeover bid for PGNiG, the planned purchase by the latter of Tauron's district heating business might not happen. All this generates risk of a sharper sell-off on TPE stock than the downside risk anticipated for its peers, underpinned by the fact that at 4.7x EV/EBITDA the current valuation of its "clean" target energy mix is higher than those of any of its peers. Tauron's value could go up to as much as PLN 5.1 per share (6.0x EV/EBITDA) according to our rough calculations if it could jettison all coal-based assets.

### Current Price

2.67 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	+8.8%	+7.7%
ISIN	PLTAURN00011	YTD Price Chng	+62.8%	+73.7%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 23.1m
MC (PLN m)	4,679.3	ADTV 6M		PLN 17.6m
EV (PLN m)	19,602.8	EV/EBITDA 12M fwd	5.0	+8.8%
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	22.8	-	7.1	3.9	3.9
P/B	0.3	0.3	0.2	0.2	0.2
EV/EBITDA	4.3	5.2	5.5	4.9	4.4
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
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

### Financial Highlights

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

### Key Balance Sheet Figures

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

## Telecoms

### Cyfrowy Polsat

hold (no change)

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We maintain a neutral call for Cyfrowy Polsat, which is trading at an unattractive 2020E EV/EBITDA ratio of 7.6x. Cyfrowy's pay-TV business faces high uncertainty as to advertising revenues, and it is expected to generate weaker profits this year than in 2019, underpinned by customer losses which in Q1 2020 exceeded 100,000 relative to the same year-ago period. Cyfrowy itself has set modest profit goals for itself for FY2020, 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 3.3%. 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 auction had to be canceled due to the coronavirus outbreak.

<b>Current Price</b>	27.80 PLN	<b>Downside</b>
<b>9M Target Price</b>	24.10 PLN	<b>-13.3%</b>

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

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+1.7%	+0.6%
ISIN	PLCFRPT00013	YTD Price Chng	-0.5%	+10.4%
Outst. Stock (m)	639.5	ADTV 1M		PLN 13.3m
MC (PLN m)	17,779.3	ADTV 6M		PLN 17.2m
EV (PLN m)	30,511.7	EV/EBITDA 12M fwd	7.0	+4.9%
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	21.3	16.2	14.6	11.9	10.8
P/B	1.3	1.3	1.2	1.2	1.1
EV/EBITDA	7.7	7.3	7.6	7.0	6.8
DPS	0.00	0.93	0.93	0.93	1.27
DYield	0.0%	3.3%	3.3%	3.3%	4.6%
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
<b>Value per share (PLN)</b>	<b>24.96</b>

#### 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 hold (downgraded)

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Shares in Netia gained nearly 16% in the past month, outperforming the broad market by 14%, and so we are prompted to downgrade the Telecom from accumulate to hold. The coronavirus crisis is having a negligible impact on Netia as provider of broadband internet – an essential service always in demand in pandemic times. Netia is also not too greatly affected by the zloty's movements versus other currencies with its bank debt denominated in the Polish currency, except for a potential rise in costs of FCY-denominated investment. We see NET as set for further outperformance in the coming weeks looking at its attractive valuation at 4.6x 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.

### Current Price

4.46 PLN

Downside

### 9M Target Price

4.40 PLN

-1.3%

	rating	target price	issued
new	hold	4.40 PLN	2020-08-04
old	accumulate	4.40 PLN	2020-05-05
<b>Key Metrics</b>			
	NET PW	1M Price Chng	+15.5% +14.4%
Ticker	PLNETIA00014	YTD Price Chng	+0.9% +11.8%
ISIN		ADTV 1M	PLN 0.2m
Outst. Stock (m)	337.0	ADTV 6M	PLN 0.1m
MC (PLN m)	1,503.2	EV/EBITDA 12M fwd	4.2 -14.3%
EV (PLN m)	2,011.5	EV/EBITDA 5Y avg	4.9 discount
Free Float	33.0%		

### 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	23.2	31.6	28.7	26.0	25.0
P/B	0.8	0.8	0.8	0.7	0.7
EV/EBITDA	4.8	4.4	4.6	4.3	4.1
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Forecast Update (% change)</b>			<b>2020P</b>	<b>2021P</b>	<b>2022P</b>
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>

### 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

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 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%

### 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 buy (no change)

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The telecoms sector has suffered hardly any negative effects from the coronavirus crisis; in fact, thanks to additional demand for fast home internet, the pandemic has boosted revenues from broadband. Orange Polska acquired 44,000 new fiber network connections in Q2 2020, when the average revenue per convergent bundle (average revenue per offer; ARPO) shifted sharply higher, rising 5.6% from the comparable year-ago period. Looking at the fiber boom, accompanied by an upward trend in prices of telecommunications services as a whole, and considering that sales of smartphones and electronics have not gone down as much as thought, after taking into account Orange's successful cost-cutting initiatives, in July we raised our 2020 and 2021 EBITDAaL forecasts by close to 8%. We see upside potential close to 14% in OPL at the current level, and so we maintain a bullish view on the stock. In addition, the likely sale of shares in mobile sites should add to medium-term upside. The wait for a new 5G auction after the original one had to be canceled due to the coronavirus outbreak is a source of potential downside risk due to a lack of guarantee that the new auction terms will be at least as good as the old ones.

<b>Current Price</b>	7.31 PLN	<b>Upside</b>
<b>9M Target Price</b>	8.30 PLN	<b>+13.6%</b>

	rating	target price	issued
unchanged	buy	8.30 PLN	2020-07-30

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+11.3%	+10.1%
ISIN	PLTLKPL00017	YTD Price Chng	+2.6%	+13.5%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 15.2m
MC (PLN m)	9,584.2	ADTV 6M		PLN 14.3m
EV (PLN m)	17,775.5	EV/EBITDA 12M fwd	5.4	+14.6%
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	11,528	11,741	11,905
EBITDA	2,889	3,165	3,419	3,619	3,789
EBITDA margin	26.1%	27.8%	29.7%	30.8%	31.8%
EBIT	345	417	593	836	1,053
Net income	10	91	244	454	622
P/E	958.4	104.9	39.4	21.1	15.4
P/B	0.9	0.9	0.9	0.9	0.9
EV/EBITDA	5.7	5.6	5.2	4.7	4.6
DPS	0.00	0.00	0.00	0.25	0.25
DYield	0.0%	0.0%	0.0%	3.4%	3.4%
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
Broadband lines (1,000)	1,547	1,697	1,807	1,908	2,005
Voice lines (1,000)	2,560	2,607	2,667	2,730	2,801
<b>Revenue</b>	<b>11,087</b>	<b>11,406</b>	<b>11,528</b>	<b>11,741</b>	<b>11,905</b>
Mobile	2,726	2,598	2,565	2,576	2,586
Fixed Line	2,441	2,192	2,079	1,948	1,854
Other	5,920	6,616	6,884	7,216	7,466
<b>Costs</b>	<b>7,980</b>	<b>8,092</b>	<b>8,014</b>	<b>8,043</b>	<b>8,097</b>
Payroll	-1,577	-1,490	-1,374	-1,334	-1,314
External services	-6,200	-6,417	-6,505	-6,572	-6,644
Other rev & exp	-203	-185	-135	-137	-139
Real estate sale	192	271	70	120	150
Other	-490	-596	-651	-690	-661
<b>EBITDAaL*</b>	<b>-</b>	<b>2,718</b>	<b>2,864</b>	<b>3,008</b>	<b>3,147</b>
margin	-	23.8%	24.8%	25.6%	26.4%
<b>Net income</b>	<b>10</b>	<b>74</b>	<b>244</b>	<b>454</b>	<b>622</b>

### DCF Analysis\*

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	11,528	11,741	11,905	12,075	12,264	12,451	12,659	12,817	13,027	13,217	13,217
EBIT + D&A ex. IFRS16	2,992	3,187	3,357	3,449	3,442	3,490	3,569	3,589	3,642	3,676	3,676
EBITDA margin	26.0%	27.1%	28.2%	28.6%	28.1%	28.0%	28.2%	28.0%	28.0%	27.8%	27.8%
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	593	836	1,053	1,191	1,251	1,365	1,508	1,570	1,663	1,736	1,736
Tax	113	159	200	226	238	259	286	298	316	330	330
NOPLAT	480	677	853	965	1,014	1,106	1,221	1,271	1,347	1,406	1,406
CAPEX ex. real estate gains	-2,688	-1,814	-2,823	-1,799	-1,898	-1,926	-1,926	-1,919	-2,389	-2,389	-2,389
Working capital	19	-54	-67	-67	-67	-66	-66	-66	-61	-61	-61
FCF	210	1,160	267	1,356	1,239	1,238	1,290	1,305	876	896	896
PV FCF	205	1,057	227	1,082	923	861	838	791	496	473	
WACC	6.8%	6.9%	6.8%	6.9%	7.0%	7.1%	7.1%	7.2%	7.2%	7.1%	7.1%
Net debt / EV	35.5%	33.2%	34.4%	32.5%	30.9%	29.5%	28.0%	26.6%	27.5%	28.6%	28.6%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>1,812</b>	<b>2,776</b>	<b>2,592</b>	<b>2,631</b>	<b>2,709</b>
OCF/EBITDAaL	-	102%	90%	87%	86%
<b>CAPEX</b>	<b>2,282</b>	<b>2,140</b>	<b>2,758</b>	<b>1,934</b>	<b>2,973</b>
Assets	23,295	24,340	24,539	24,659	24,908
Equity	10,494	10,566	10,810	10,936	11,230
<b>Net debt</b>	<b>-</b>	<b>8,163</b>	<b>8,189</b>	<b>7,580</b>	<b>7,872</b>
Net debt/EBITDA (x)	-	2.5	2.4	2.1	2.1

### Relative Valuation Summary

	EV / EBITDA			DYield - RFR		
	20P	21P	22P	20P	21P	22P
Minimum	11.9	11.5	10.7	18.2%	37.3%	24.0%
Maximum	3.4	3.1	2.8	-5.8%	-4.4%	-2.9%
Median	5.2	5.0	4.9	4.4%	4.4%	5.1%
Weight	22%	22%	22%	0%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	17,199
Net debt ex. IFRS16	6,182
Other adjustments	2
<b>Value per share (PLN)</b>	<b>8.40</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	6.62
DCF Val.	67%	8.40
Implied Price		7.81
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>8.30</b>

## Play accumualte (downgraded)

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We have a bullish outlook for Play, but we are prompted to downgrade the stock from buy to accumulate after a July rally. Play's results for the second quarter of 2020 will probably be less than impressive with slower ARPU growth due to subscriber erosion, in particular in pre-paid where Play may have lost as many as 170k users in the quarter, accompanied by a 16% expected slump in smartphone sales, most likely resulting in flat growth in the contribution margin and a 2% decline recurring EBITDA – a disappointment after several quarters of strong upward momentum. The near-term negative surprise notwithstanding, long term it is important to keep in mind Play's robust cash generation ability and the potential sale of mobile towers. The wait for a new 5G auction after the original one had to be canceled due to the coronavirus outbreak is a source of potential downside risk due to a lack of guarantee that the new auction terms will be at least as good as the old ones.

### Current Price

32.54 PLN

Upside

### 9M Target Price

35.70 PLN

+9.7%

	rating	target price	issued
new	accumulate	35.70 PLN	2020-08-04
old	buy	35.70 PLN	2020-05-15
Key Metrics		PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+1.7%
ISIN	LU1642887738	YTD Price Chng	-2.4%
Outst. Stock (m)	253.7	ADTV 1M	PLN 11.7m
MC (PLN m)	8,255.4	ADTV 6M	PLN 20.3m
EV (PLN m)	15,031.1	EV/EBITDA 12M fwd	5.7
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	11.1	9.5	8.9	8.8	8.7
P/B	-	25.7	10.0	6.1	4.4
EV/EBITDA	6.9	6.2	6.0	5.7	5.6
DPS	2.57	1.45	1.65	1.65	1.65
DYield	7.9%	4.5%	5.1%	5.1%	5.1%
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
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>

### 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%

### 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 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)		7.51
<b>9M Target Price</b>		<b>35.70</b>

## Media

### Agora

**hold (no change)**

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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. When it comes to second-quarter results, we expect a weak report from Agora based on an 11% revenue decline in the key segment of Movies and Books already in Q1 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 low revenues this year. Agora has canceled its earnings guidance through 2022, and while this came as no surprise to anyone the retraction brought 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).

<b>Current Price</b>	7.58 PLN	<b>Upside</b>
<b>9M Target Price</b>	8.60 PLN	<b>+13.5%</b>

	rating	target price	issued
<b>unchanged</b>	<b>hold</b>	<b>8.60 PLN</b>	<b>2020-06-03</b>

Key Metrics			AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	-13.5%	-14.6%
ISIN	PLAGORA00067	YTD Price Chng	-27.1%	-16.2%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	353.1	ADTV 6M		PLN 0.1m
EV (PLN m)	1,127.9	EV/EBITDA 12M fwd	10.0	+80.2%
Free Float	76.9%	EV/EBITDA 5Y avg	5.6	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	77.2	99.8	-	-	-
P/B	0.4	0.4	0.4	0.5	0.5
EV/EBITDA	4.1	5.7	20.3	7.6	6.0
DPS	0.50	0.50	0.00	0.00	0.50
DYield	6.6%	6.6%	0.0%	0.0%	6.6%
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
<b>Value per share (PLN)</b>	<b>9.02</b>

#### Valuation Summary

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

## Wirtualna Polska reduce (no change)

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We maintain our contrarian negative view on WPL ahead of what will most likely be weak second-quarter results with adjusted EBITDA (ex. TV and barter and ex. IFRS 16 effects) at an estimated PLN 32.1m showing a 36% fall from Q2 2019. Wirtualna wasted no time and quickly implemented a range of savings measures when the coronavirus pandemic started to spread, but this was not enough to cushion the blow in case of its travel business, which might have suffered a quarterly loss as large as PLN 15m after vacation bookings plummeted as Poland's borders stayed closed for the larger part of the three-month period and did not pick up right after they opened. On top of the plunge in new bookings, also adding to the loss will be money refunds by tour operators for canceled package holidays – wakacje.pl recognizes revenues at the time a trip is sold, not after it has been completed. In the long term, WPL faces increased competition risk after the listed media firm Cyfrowy Polsat acquired rival websites.

### Current Price

76.40 PLN

Downside

### 9M Target Price

63.10 PLN

-17.4%

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

Key Metrics			WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+9.1%	+8.0%
ISIN	PLWRTPL00027	YTD Price Chng	+9.5%	+20.3%
Outst. Stock (m)	29.7	ADTV 1M		PLN 0.8m
MC (PLN m)	2,265.3	ADTV 6M		PLN 1.3m
EV (PLN m)	2,581.4	EV/EBITDA 12M fwd	11.4	+11.8%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2	premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	567	709	593	729	812
EBITDA	163	209	169	219	243
EBITDA margin	28.7%	29.5%	28.5%	30.0%	29.9%
EBIT	107	130	91	142	164
Net income	74	69	58	101	121
P/E	30.6	32.8	38.9	22.5	18.7
P/B	4.8	4.4	4.2	3.7	3.3
EV/EBITDA	15.8	12.5	15.3	11.6	10.2
DPS	0.96	1.00	1.00	1.00	1.72
DYield	1.3%	1.3%	1.3%	1.3%	2.3%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Revenue</b>	<b>567</b>	<b>709</b>	<b>593</b>	<b>729</b>	<b>812</b>
Cash	526	665	557	687	763
Barter	24.6	23.2	21.3	23.8	25.2
<b>Costs</b>	<b>460</b>	<b>579</b>	<b>501</b>	<b>587</b>	<b>649</b>
D&A	55.6	69.0	68.7	68.4	70.7
Materials & Utilities	6.2	6.3	6.6	6.9	7.1
Payroll	165	200	194	204	213
Other	233	304	233	308	357
<b>EBITDA</b>	<b>163</b>	<b>208</b>	<b>169</b>	<b>219</b>	<b>243</b>
margin	28.7%	29.3%	28.5%	30.0%	29.9%
<b>EBITDA (adj.)</b>	<b>178</b>	<b>223</b>	<b>169</b>	<b>219</b>	<b>243</b>
margin	31.4%	31.5%	28.5%	30.0%	29.9%
<b>EBIT</b>	<b>107</b>	<b>130</b>	<b>91</b>	<b>142</b>	<b>164</b>
margin	18.9%	18.3%	15.4%	19.5%	20.2%
<b>Net income</b>	<b>73.9</b>	<b>69.0</b>	<b>58.2</b>	<b>100.7</b>	<b>121.3</b>

### Key Balance Sheet Figures

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

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	31.5	20.9	17.0	17.8	11.3	9.2
Maximum	12.7	11.4	10.3	9.2	6.9	6.2
Median	22.2	16.6	11.8	10.0	9.2	8.2
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	593	729	812	885	950	1,007	1,056	1,103	1,149	1,194	1,218
EBITDA	160	210	234	255	272	286	295	302	308	314	320
EBITDA margin	27.0%	28.9%	28.9%	28.8%	28.6%	28.4%	27.9%	27.3%	26.8%	26.3%	26.3%
D&A	69	68	71	76	81	85	88	92	96	100	102
EBIT	91	142	164	179	191	201	206	210	212	214	218
Tax	17	27	31	34	36	38	39	40	40	41	41
NOPLAT	74	115	133	145	155	163	167	170	172	173	176
CAPEX	-51	-62	-69	-76	-82	-87	-91	-94	-97	-100	-102
Working capital	4	-6	-9	-8	-7	-6	-5	-5	-5	-4	-5
FCF	96	116	125	138	147	154	160	163	166	169	172
PV FCF	91	101	102	103	102	98	94	88	83	78	
WACC	7.9%	8.0%	8.2%	8.2%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	12.1%	9.3%	6.6%	6.2%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,157
Ajd. net debt ex. IFRS16	329
Other adjustments	12
Value per share (PLN)	61.23

### Valuation Summary

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

## IT

### Asseco Poland accumulate (upgraded)

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ACP stock declined nearly 3% in the last month, and with more upside potential we upgrade the stock from hold to accumulate. When it comes to second-quarter results, Asseco will most likely report flat growth in the period's net profit compared to the same period a year earlier, a positive catalyst from the point of view of sentiment. From talking Asseco, we do not get the impression that the Company's business has been disrupted in any major way by the coronavirus pandemic, and so we expect it to deliver an optimistic outlook for the second half of the year after the Q2 earnings release. ACP is a defensive asset offering high dividends (4.5%) in times of low interest rates.

**Current Price**

66.50 PLN

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

68.39 PLN

**+2.8%**

	rating	target price	issued
<b>new</b>	<b>accumulate</b>	<b>68.39 PLN</b>	<b>2020-08-04</b>
<b>old</b>	<b>hold</b>	68.39 PLN	2020-06-03
<b>Key Metrics</b>			
Ticker	ACP PW	1M Price Chng	-2.8%
ISIN	PLSOFTB000016	YTD Price Chng	+9.7%
Outst. Stock (m)	83.0	ADTV 1M	PLN 4.4m
MC (PLN m)	5,519.5	ADTV 6M	PLN 6.1m
		P/E 12M fwd	14.0
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	16.6	17.1	17.3	15.4	14.2
P/B	1.0	1.0	0.9	0.9	0.9
P/S	0.59	0.52	0.51	0.50	0.49
DPS	3.01	3.07	3.01	3.01	3.01
DYield	4.5%	4.6%	4.5%	4.5%	4.5%
<b>Forecast Update (% change)</b>			<b>2020P</b>	<b>2021P</b>	<b>2022P</b>
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>9,329</b>	<b>10,667</b>	<b>10,879</b>	<b>10,937</b>	<b>11,370</b>
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
<b>EBIT</b>	<b>797</b>	<b>976</b>	<b>981</b>	<b>1,073</b>	<b>1,151</b>
D&A	460	635	640	638	651
<b>EBITDA</b>	<b>1,256</b>	<b>1,612</b>	<b>1,621</b>	<b>1,711</b>	<b>1,801</b>
margin	13.5%	15.1%	14.9%	15.6%	15.8%
Associates	-260	-381	-450	-489	-523
Tax	-182	-191	-205	-218	-228
<b>Net income</b>	<b>333</b>	<b>322</b>	<b>319</b>	<b>358</b>	<b>389</b>

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>1,001</b>	<b>1,501</b>	<b>1,387</b>	<b>1,472</b>	<b>1,511</b>
OCF/EBITDA	80%	93%	86%	86%	84%
<b>CAPEX</b>	<b>-240</b>	<b>-320</b>	<b>-381</b>	<b>-437</b>	<b>-455</b>
Assets	12,642	14,598	14,977	15,497	16,114
Equity	5,718	5,762	5,832	5,940	6,079
<b>Net debt</b>	<b>305</b>	<b>1,103</b>	<b>709</b>	<b>186</b>	<b>-321</b>
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	+
<b>Asseco Poland (Standalone Figures)</b>											
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%	
<b>Asseco Business Solutions</b>											
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%	
<b>Asseco South Eastern Europe</b>											
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
<b>Value</b>			<b>5,881</b>
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%
<b>9M Target Price*</b>		<b>68.39</b>



## Comarch hold (no change)

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We maintain a neutral stance on Comarch with the upside potential to our target slim at just 3.9%. Nevertheless we expect the Company to report strong 2020 second-quarter results with EBITDA at an estimated PLN 48.3m showing an increase of more than 7% from the same period a year earlier. This should lend more confidence to investors about future earnings prospects, especially if Comarch itself gives a more confident guidance for H2 2020. Assuming our estimates are correct, Comarch will fulfill upwards of 54% of our FY EBITDA forecast and deliver close to 52% of the net profit target in the year to 30 June. CMR is currently trading at 7.7x 2020E EV/EBITDA, i.e. below the median ratio of its peers, but to be fair its dividend yields are low at just about 0.7% despite solid financial standing.

### Current Price

212.00 PLN

Upside

### 9M Target Price

220.30 PLN

+3.9%

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

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-0.9%	-2.1%
ISIN	PLCOMAR00012	YTD Price Chng	+14.3%	+25.2%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.6m
MC (PLN m)	1,724.3	ADTV 6M		PLN 1.1m
EV (PLN m)	1,638.8	EV/EBITDA 12M fwd	6.7	-9.0%
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	56.3	16.4	23.4	16.7	16.0
P/B	2.0	1.8	1.7	1.5	1.4
EV/EBITDA	11.7	7.4	7.7	6.9	6.5
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
Revenue	1,370	1,437	1,463	1,593	1,692
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
EBIT	88	143	125	144	151
margin	6.4%	10.0%	8.6%	9.1%	8.9%
Net income	30.6	104.8	73.8	103.0	107.9

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	160	179	182	170	183
OCF/EBITDA	105%	78%	86%	73%	76%
CAPEX	-87	-45	-79	-107	-107
Assets	1,740	1,843	1,920	2,058	2,192
Equity	876	971	1,032	1,123	1,219
Net debt	46	-58	-104	-132	-173
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%
9M Target Price		220.30

## Gaming

### 11 bit studios

hold (no change)

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11bit stock was mostly in a holding pattern in July. Ahead of second-quarter results, we are predicting that, on strong sales of third-party games and in-house productions, revenue will show a 9% rebound from the same period a year earlier to PLN 18.1m, and EBIT will register a boost of 102% to an estimated PLN 5.9m without the help of any one-time gains. At the end of July, 11B listed August 20th as the release date for the *On The Edge* extension to Frostpunk, likely to prolong the game's sales cycle. Otherwise, the publishing schedule for the rest of the year does not contain any more major releases. 11B plans to develop a mobile version of Frostpunk, expected to be available in 2021, in cooperation with NetEase, who are also helping the Company to create a marketing strategy for the Chinese market. In 2021 11B will also publish one of the third-party games acquired this year. The Company has markedly scaled up its publishing budget. We are anticipating two publishing premieres and the launch of Project 8 in 2021.

**Current Price**

500.00 PLN

Downside

**9M Target Price**

476.00 PLN

-4.8%

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

Key Metrics			11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	-8.1%	-9.2%
ISIN	PL11BTS00015	YTD Price Chng	+25.0%	+35.9%
Outst. Stock (m)	2.4	ADTV 1M		PLN 4.4m
MC (PLN m)	1,218.6	ADTV 6M		PLN 7.8m
EV (PLN m)	1,121.0	EV/EBITDA 12M fwd	33.1	+137.6%
Free Float	79.4%	EV/EBITDA 5Y avg	13.9	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	23.0	58.5	41.3	75.4	9.8
P/B	12.7	10.2	8.0	7.3	4.2
EV/EBITDA	21.4	37.9	27.4	43.0	7.2
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			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)

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CDR stock edged slightly higher in July. June developments around Cyberpunk 2077 included the announcement on the 18th of the game's postponement from 17 September to 19 November, followed by a Night City Wire gameplay livestream on the 25th, expected to be followed up by a similar event in August. Most recently, CDR's shareholders passed a new incentive plan and approved the repurchase of up to 516,700 shares. In July, Netflix announced plans for a *The Witcher* prequel series called *Blood Origin*, but the premiere date is not known yet. Also in July, CD Projekt announced it was dropping another feature from *Cyberpunk 2077*, suggesting that work on the game is gathering pace to meet the November deadline. We expect to see ramped-up marketing for Cyberpunk in the months leading up to the premiere, and the hype will probably keep CDR stock trading high. We see CDR as fairly priced at the current level, with the likely success of Cyberpunk 2077 already priced in, and so we maintain a hold rating for the stock.

### Current Price

417.00 PLN

Downside

### 9M Target Price

388.10 PLN

-6.9%

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

Key Metrics			CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+2.7%	+1.6%
ISIN	PLOPTTC00011	YTD Price Chng	+49.2%	+60.1%
Outst. Stock (m)	102.1	ADTV 1M		PLN 154.3m
MC (PLN m)	42,584.0	ADTV 6M		PLN 134.9m
EV (PLN m)	39,335.7	EV/EBITDA 12M fwd	17.7	-25.7%
Free Float	70.1%	EV/EBITDA 5Y avg	23.9	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	-	-	14.4	24.4	41.0
P/B	40.0	36.3	10.5	7.3	6.2
EV/EBITDA	336.5	210.2	12.2	20.5	34.4
DPS	0.00	1.05	0.00	14.47	0.00
DYield	0.0%	0.3%	0.0%	3.5%	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
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 accumulate (no change)

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TEN's preliminary second-quarter sales figures, released at the beginning of July, topped our estimates, which had been based on Sensor Tower data. After factoring in the higher sales and marketing expenses, we currently expect to see a 106% rebound in recurring quarterly EBITDA on 241% higher revenue than generated in the same period a year earlier. Included in the second quarter results will be a one-time gain from a share sale by principal shareholders, which TEN puts at PLN 72.4m. In July, sales of Fishing Clash as reported by Sensor Tower increased by an estimated 210% y/y to PLN 55m, and in the months ahead they are likely to continue growing at an over-200% pace on a sustained rise in user acquisition numbers despite scaled-back marketing. The same phenomenon was observed in 2019, when after a marketing boost in March and April sales maintained a strong upward momentum for the rest of the year. TEN completed a global launch of its Solitaires app in July, and it has Hunting Clash and Flip This House lined up for a release in H2 2020. In the near term, the approval of a long-awaited license to release the Fishing Clash app in China could provide an upside catalyst.

**Current Price**

556.00 PLN

Upside

**9M Target Price**

592.00 PLN

+6.5%

	rating	target price	issued
unchanged	accumulate	592.00 PLN	2020-07-02

Key Metrics	TEN PW	1M Price Chng	TEN PW	vs. WIG
Ticker	TEN PW	1M Price Chng	-1.9%	-3.1%
ISIN	PLTSQGM00016	YTD Price Chng	+186.3%	+197.2%
Outst. Stock (m)	7.4	ADTV 1M		PLN 10.4m
MC (PLN m)	4,117.2	ADTV 6M		PLN 12.3m
EV (PLN m)	3,914.3	EV/EBITDA 12M fwd	16.3	+27.0%
Free Float	49.9%	EV/EBITDA 5Y avg	12.8	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	-	53.0	23.0	17.8	15.9
P/B	96.1	43.9	16.9	12.0	9.6
EV/EBITDA	89.0	46.3	19.6	14.7	12.9
DPS	0.87	3.75	3.70	18.09	23.47
DYield	0.2%	0.7%	0.7%	3.3%	4.2%
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%
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%

### 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 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%

### 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

#### buy (upgraded)

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The steel industry has been hard hit by the coronavirus crisis, however Cognor and other producers using electric arc furnace (EAF) technology have proved that they have the ability to adjust production more flexibly than BOF steelmakers, plus their long steel products, which are used mostly for construction, remain in demand. That is why we are currently expecting Cognor to report smaller-than-expected EBITDA contraction of 15% in Q2 2020 (+9% q/q), potentially forcing us to raise our FY estimate by as much as PLN 30m to PLN 100m. This in turn would imply that, with the net debt/EBITDA ratio maintained at 2.2x for the year, Cognor could go back to paying dividends again in 2021. We have also raised our 2020 sales volume estimate for Cognor by 2%, and revised the expected per-tonne revenue 5% higher to reflect a more favorable sales mix with a higher share of finished products. After all this, we raise our target price for COG from PLN 0.94 to PLN 1.98, and we upgrade the stock from hold to buy.

<b>Current Price</b>	0.93 PLN	<b>Upside</b>
<b>9M Target Price</b>	1.98 PLN	<b>+113.4%</b>

	rating	target price	issued	
new	buy	1.98 PLN	2020-08-04	
old	hold	0.94 PLN	2020-04-22	
Key Metrics		COG PW	vs. WIG	
Ticker	COG PW	1M Price Chng	-7.2%	-8.3%
ISIN	PLCNTSL00014	YTD Price Chng	-25.2%	-14.3%
Outst. Stock (m)	175.0	ADTV 1M		PLN 0.1m
MC (PLN m)	162.4	ADTV 6M		PLN 0.1m
EV (PLN m)	405.2	EV/EBITDA 12M fwd	3.3	-10.2%
Free Float	-	EV/EBITDA 5Y avg	3.7	discount

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	2,082	1,902	1,697	1,873	1,969
EBITDA adj.	200	93	100	93	89
EBITDA margin	9.6%	4.9%	5.9%	5.0%	4.5%
EBIT adj.	156	47	52	46	44
Net income adj.	94	11	27	22	20
P/E adj.	1.7	14.5	6.1	7.5	8.2
P/B	0.6	0.6	0.6	0.6	0.5
EV/EBITDA adj.	1.9	4.4	4.0	4.1	4.1
DPS	0.07	0.21	0.00	0.08	0.06
DYield	7.3%	22.2%	0.0%	8.2%	6.7%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			+4.1%	+2.4%	+1.3%
EBITDA			+43.1%	+39.1%	+38.3%
Net income			-	-	-
Sales volume			+2.2%	-1.8%	-3.1%
Product prices			+4.5%	+5.9%	+5.6%
Scrap prices			0.0%	0.0%	0.0%

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Ferrostal volume (k tons)	401	424	399	470	505
HSJ volume (k tons)	237	237	213	223	228
Złomrex volume (k tons)	173	142	130	137	140
Ferrostal spread (PLN/t)	1,191	1,127	1,110	1,131	1,145
HSJ spread (PLN/t)	1,723	1,508	1,414	1,490	1,506
<b>Operating cash flow</b>	<b>232</b>	<b>142</b>	<b>71</b>	<b>88</b>	<b>83</b>
D&A	44	46	48	47	45
Working capital	44	61	-22	1	0
<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>-33</b>	<b>-30</b>
Dividends/Buyback	-12	-36	0	-13	-11
FCF	179	102	22	56	50
FCF/EBITDA	90%	101%	22%	60%	56%
OCF/EBITDA	116%	141%	71%	95%	94%

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	1,001	1,052	990	1,036	1,064
Fixed assets	379	487	481	459	445
Equity	278	259	285	294	303
Minority interests	278	259	285	294	303
Net debt	209	226	224	202	184
Net debt/EBITDA (x)	1.0	2.2	2.2	2.2	2.1
Net debt/Equity (x)	0.8	0.9	0.8	0.7	0.6

#### Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	4.3	5.6	4.5	2.0	2.2	1.2
Maximum	24.3	27.7	28.7	29.6	15.5	9.1
Median	15.3	12.1	9.3	8.1	6.7	4.9
Weight	17%	17%	17%	17%	17%	17%

#### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales volume	612	693	733	756	776	790	804	806	808	808	808
Product prices	2,045.0	2,054.3	2,066.7	2,079.8	2,092.1	2,102.7	2,113.2	2,123.3	2,133.4	2,141.3	2,149.1
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	1,697	1,873	1,969	2,030	2,087	2,129	2,172	2,187	2,203	2,213	2,224
EBITDA	100	93	89	103	99	94	93	92	92	88	85
EBITDA margin	5.9%	5.0%	4.5%	5.1%	4.7%	4.4%	4.3%	4.2%	4.2%	4.0%	3.8%
EBIT	52	46	44	59	56	52	50	48	48	44	41
Tax	6	5	5	8	7	6	6	5	5	5	4
CAPEX	-50	-33	-35	-35	-36	-38	-40	-43	-43	-43	-43
Working capital	-22	1	0	-3	-3	-2	-2	-1	-1	0	0
FCF	22	56	50	57	53	49	46	43	43	40	37
PV FCF	21	51	42	45	39	33	29	25	23	20	
WACC	6.9%	7.0%	7.1%	7.3%	7.4%	7.4%	7.5%	7.5%	7.6%	7.6%	7.6%
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	1.2
FCF perp. growth rate	2.0%
PV FCF	328
Net debt	262
Other adj.	18
Value per share (PLN)	2.17

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	1.52
DCF Val.	50%	2.17
Implied Price		1.84
Cost of equity (9M)		7.2%
<b>9M Target Price</b>		<b>1.98</b>

## Famur buy (upgraded)

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Despite extremely adverse conditions after the closure of a number of Polish coal mines due to coronavirus cases, Famur's EBITDA for Q2 2020 is estimated to have declined as little as 13% relative to the previous quarter. Furthermore, we expect to see an increased share of aftermarket revenues and strong cash flow which will help bring net debt down to PLN 160m (PLN 0.28/share) as of 30 June 2020, a low enough level for Famur to consider a share buyback (FMF is currently trading at just above 3x EBITDA compared to a peer average of 9-11x). In July the Polish government tried to pitch an energy transition plan that would involve the permanent closure of coal mines, but the plan was struck down by miner unions before it could be formally presented to the public. Meanwhile Famur's two main customers, JSW and PGG, have applied for coronavirus relief of PLN 1.75bn and PLN 0.8bn, respectively, and if confirmed in August the money should boost the market's confidence in Famur. We keep our conservative earnings forecasts intact, but after updating the relative valuation model we raise our target price for FMF from PLN 2.20 to PLN 2.86, and we upgrade the stock from hold to buy.

<b>Current Price</b>	1.70 PLN	<b>Upside</b>
<b>9M Target Price</b>	2.86 PLN	<b>+68.2%</b>

	rating	target price	issued
new	buy	<b>2.86 PLN</b>	<b>2020-08-04</b>
old	hold	2.20 PLN	2020-04-30
Key Metrics		FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-24.8%
ISIN	PLFAMUR00012	YTD Price Chng	-43.0%
Outst. Stock (m)	574.8	ADTV 1M	PLN 1.7m
MC (PLN m)	977.1	ADTV 6M	PLN 1.1m
EV (PLN m)	1,076.5	EV/EBITDA 12M fwd	2.7
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	4.7	4.0	7.1	9.1	8.5
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	2.5	2.6	3.2	3.2	3.0
DPS	0.44	0.53	0.00	0.12	0.14
DYield	25.9%	31.2%	0.0%	7.0%	8.2%
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

	P/E		EV/EBITDA		
	20P	21P	22P	20P	21P
Minimum	11.1	12.3	10.4	7.0	6.3
Maximum	28.9	25.4	22.8	17.0	15.1
Median	20.1	17.7	14.7	11.6	9.5
Weight	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	51	160	121	63	100	84	72	63	55	47	
WACC	9.3%	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	816
Net debt	220
Other adjustments	-3
Value per share (PLN)	2.02

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	3.32
DCF Val.	50%	2.02
Implied Price		2.67
Cost of equity (9M)		7.2%
<b>9M Target Price</b>		<b>2.86</b>



## Grupa Kęty hold (no change)

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Grupa Kęty on 25 June released preliminary results for the second quarter of 2020 which look phenomenal when contrasted with reports of Poland's falling aluminum production, and when set against the Company's own outlook given at the first-quarter earnings call. Despite restrictions in 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 builder 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. 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 building aluminum structures with a possible decline in hospitality and office building projects. We maintain a hold rating for KTY.

### Current Price

446.00 PLN

Upside

### 9M Target Price

453.70 PLN

+1.7%

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

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-1.1%	-2.2%
ISIN	PLKETY000011	YTD Price Chng	+28.9%	+39.8%
Outst. Stock (m)	9.6	ADTV 1M		PLN 2.1m
MC (PLN m)	4,273.5	ADTV 6M		PLN 2.2m
EV (PLN m)	5,054.6	EV/EBITDA 12M fwd	9.0	+0.3%
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	15.9	14.4	11.3	13.7	13.6
P/B	3.0	2.9	2.7	2.6	2.5
EV/EBITDA	10.9	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, Al Systems			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Packaging	119	148	216	176	171
EBITDA, Extrusions	163	152	156	146	146
EBITDA, Al Systems	190	237	263	238	237
EBITDA, Other	-8	-14	-12	-12	-12
EBITDA/t of Al	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%

### 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 Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Al price (US\$/t)	1,700	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,901
Al premium (US\$/t)	140	140	140	140	140	140	140	140	140	140	141
Al usage (1,000 t)	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%

### 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)

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Kernel has pushed selected capital projects back to 2021, signaling another year of tighter free cash flow, although after an expected 2% decrease in 2020 the FCF/EV ratio for 2021 will most likely bounce back by the same amount. 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 slightly lower profits than in the prior-year period. We are waiting for updates on Ukraine's harvest season to assess the Company's sales prospects for 2021. For now we maintain a hold rating for KER.

<b>Current Price</b>	39.40 PLN	<b>Upside</b>
<b>9M Target Price</b>	44.58 PLN	<b>+13.1%</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	-4.5%	-5.6%
ISIN	LU0327357389	YTD Price Chng	-12.4%	-1.6%
Outst. Stock (m)	84.0	ADTV 1M		PLN 4.1m
MC (PLN m)	3,310.8	ADTV 6M		PLN 2.1m
EV (PLN m)	8,003.0	EV/EBITDA 12M fwd	4.8	+4.9%
Free Float	60.1%	EV/EBITDA 5Y avg	4.6	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	16.7	4.6	9.0	6.2	5.6
P/B	0.7	0.6	0.6	0.6	0.5
EV/EBITDA	6.7	4.5	6.0	5.7	5.5
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	22P
Minimum	13.2	2.6	8.4	4.1	2.6	3.3
Maximum	18.0	39.2	24.8	13.8	12.9	12.0
Median	14.3	13.0	12.3	9.7	7.8	7.1
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(US\$ m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin, Veg Oil (\$/t)	82	93	88	94	93	90	87	84	80	77	75
Margin, Wheat (\$/t)	177	195	195	195	195	195	195	195	195	195	196
Margin, Corn (\$/t)	176	190	190	190	190	190	190	190	190	190	190
Revenue	3,822	3,741	4,113	4,185	4,248	4,308	4,365	4,408	4,452	4,496	4,508
EBITDA	358	397	419	421	414	409	402	393	385	376	373
EBITDA margin	9.4%	10.6%	10.2%	10.1%	9.7%	9.5%	9.2%	8.9%	8.6%	8.4%	8.3%
EBIT	267	288	311	311	302	290	274	261	247	236	236
Tax	1	12	13	13	13	12	11	10	9	8	8
CAPEX	-225	-227	-105	-110	-115	-121	-126	-131	-136	-136	-136
Working capital	-172	-114	-130	-22	-23	-22	-22	-20	-20	-20	-16
FCF	-40	44	172	276	263	254	243	233	220	211	212
PV FCF	-39	38	130	182	151	127	106	89	73	61	
WACC	15.0%	14.4%	14.4%	14.5%	14.5%	14.6%	14.6%	14.6%	14.6%	14.6%	14.7%
Risk-free rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

### DCF Summary

(US\$ m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	918
Net debt	691
Other adjustments	-281
Value per share (PLN)	23.05

### Valuation Summary

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

## PKP Cargo reduce (no change)

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The falls in PKP Cargo's monthly freight volumes narrowed to an annual rate of about 16% in June from ~25% in prior months, albeit off a low June 2019 base. Based on the monthly data, we estimate that in the full second quarter of 2020 PKP Cargo moved a 22.8% lower tonnage and 22.0% less revenue freight than in the same period a year earlier, indicating a 20% fall in revenues. Despite reduced costs of electricity, fuel, infrastructure access, and labor (thanks to shorter hours approved by employees), coupled with coronavirus assistance in the amount of PLN 34m, we are anticipating a high second-quarter operating loss of PLN 108m. With quarterly capital expenditures again exceeding EBITDA, PKP Cargo might come close to exceeding the net debt/EBITDA threshold set by lenders at 30 June 2020. Looking ahead, negative trends are persisting with Poland's major steel plants on lockdown, coal mines cutting production due to weak demand and COVID cases among employees, lower electricity demand, and as infrastructure projects get postponed amid the coronavirus crisis.

<b>Current Price</b>	13.00 PLN	<b>Downside</b>
<b>9M Target Price</b>	12.37 PLN	<b>-4.8%</b>

	rating	target price	issued
unchanged	reduce	12.37 PLN	2020-07-02

Key Metrics	PKP PW	PKP PW	vs. WIG
Ticker	PKP PW	1M Price Chng	-10.6%
ISIN	PLPKPCR00011	YTD Price Chng	-36.6%
Outst. Stock (m)	44.8	ADTV 1M	PLN 1.4m
MC (PLN m)	582.2	ADTV 6M	PLN 2.4m
EV (PLN m)	2,657.6	EV/EBITDA 12M fwd	4.1
Free Float	67.0%	EV/EBITDA 5Y avg	3.9 premium

### 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.	2.4	102.1	-	-	-
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj.	1.5	3.2	5.3	4.6	4.3
DPS	0.00	1.50	0.00	0.00	0.00
DYield	0.0%	11.5%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA adj.			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Freight turnover (tkm m)			0.0%	0.0%	0.0%
Freight volume (ton m)			0.0%	0.0%	0.0%
Costs per tkm			0.0%	0.0%	0.0%

### Financial Highlights

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

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Freight turnover	23,824	25,823	26,793	26,436	26,444	26,649	26,870	27,108	27,363	27,637	27,929
Average prices	148	147	149	152	154	156	159	161	163	166	168
Costs per tkm	188	182	179	181	183	185	187	188	190	192	193
Revenue	4,243	4,548	4,779	4,789	4,860	4,967	5,078	5,195	5,317	5,445	5,575
EBITDA	502	612	689	698	694	702	716	732	748	740	755
EBITDA margin	11.8%	13.5%	14.4%	14.6%	14.3%	14.1%	14.1%	14.1%	14.1%	13.6%	13.5%
EBIT	-229	-144	-29	9	19	48	61	92	112	142	189
Tax	-77	-56	-28	-18	-16	-9	-5	3	8	15	27
CAPEX	-573	-759	-808	-470	-540	-567	-691	-535	-573	-562	-566
Working capital	-64	15	11	0	4	5	5	6	6	6	6
FCF	-58	-76	-80	247	173	149	36	199	173	169	169
PV FCF	-56	-70	-70	205	136	111	26	134	110	102	
WACC	5.3%	5.3%	5.2%	5.3%	5.3%	5.3%	5.3%	5.4%	5.4%	5.4%	5.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	6,806	7,991	7,640	7,642	7,661
Fixed assets	5,187	6,504	6,346	6,349	6,439
Equity	3,484	3,423	3,193	3,026	2,944
Minority interests	0	0	0	0	0
Net debt	779	2,072	2,075	2,231	2,392
Net debt/EBITDA (x)	0.9	2.4	4.1	3.6	3.5
Net debt/Equity (x)	0.2	0.6	0.6	0.7	0.8

### Relative Valuation Summary

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

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	2,493
Net debt	2,072
Other adjustments	0
<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>

## Dino sell (no change)

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DNP stock is hitting all-time highs on expectations of strong second-quarter results. Our own view on the Company's performance in the period is that sales growth in Q2 probably slowed to an annual rate of 26%, with lfl sales potentially squeezed by negative base effects (+16.6% in Q2'20) on top of lockdown and less Easter shopping amid a pandemic. At the same time, rising labor costs most likely tightened the quarterly EBITDA margin, though the negative impact will be mitigated by a higher gross margin facilitated by lower costs of fuel and meat. After all this, we expect EBITDA to show a 25% boost to PLN 227m. In the second half of the year, lfl growth will most likely decelerate from a high year-ago comparable base. Dino is forecast by us to grow net profit at a CAGR of 24% in the 2020-23 period, but this does not justify its current valuation at 30x 2021E P/E (and 1.23x PEG).

**Current Price**

226.60 PLN

Downside

**9M Target Price**

155.60 PLN

-31.3%

	rating	target price	issued
unchanged	sell	155.60 PLN	2020-07-02

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+14.3%	+13.2%
ISIN	PLDINPL00011	YTD Price Chng	+57.4%	+68.3%
Outst. Stock (m)	98.0	ADTV 1M		PLN 30.1m
MC (PLN m)	22,215.9	ADTV 6M		PLN 38.4m
EV (PLN m)	22,456.7	EV/EBITDA 12M fwd	20.8	+28.0%
Free Float	48.9%	EV/EBITDA 5Y avg	16.3	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	72.2	55.1	40.0	30.0	24.5
P/B	18.3	13.7	10.2	7.6	5.8
EV/EBITDA	42.1	31.4	23.7	18.5	15.0
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 (no change)

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EUR stock took a downward turn in July on expectations of weak second-quarter results. We anticipate that, on 1% lower sales, the Company will register a 14% decrease in EBITDA to PLN 108m. LFL growth in the period most likely decelerated due to weaker Easter sales and as consumers no longer feel compelled to stock up amid the epidemic, combined with unfavorable weather in May and June. Wholesale revenues are expected to have dropped on lost orders from the hospitality and food service industries, and retail revenues were probably weighed down by losses of the InMedio newsagents' chain. That said, we expect Eurocash to register big improvement in the second half of 2020, led by retail, where profits will improve with the completion of store restructuring and post-merger integration of new stores, combined with a lack of the one-time losses that weighed down the prior year's results. The positive momentum in retail will most likely continue throughout 2021.

### Current Price

16.14 PLN

Upside

### 9M Target Price

19.90 PLN

+23.3%

	rating	target price	issued
unchanged	buy	19.90 PLN	2020-07-02

Key Metrics	EUR PW	1M Price Chng	EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-7.5%	-8.6%
ISIN	PLEURCH00011	YTD Price Chng	-26.1%	-15.2%
Outst. Stock (m)	139.2	ADTV 1M		PLN 3.8m
MC (PLN m)	2,246.1	ADTV 6M		PLN 8.5m
EV (PLN m)	2,859.5	EV/EBITDA 12M fwd	5.8	-38.0%
Free Float	56.0%	EV/EBITDA 5Y avg	9.4	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	33.6	22.3	17.8	13.0	11.3
P/B	2.2	2.3	2.6	2.7	2.8
EV/EBITDA	7.8	7.0	6.6	6.2	5.7
DPS	0.76	1.03	0.50	0.50	0.50
DYield	4.7%	6.4%	3.1%	3.1%	3.1%
Forecast Update (% change)			2020P	2021P	2022P
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	22P	20P	EV/EBITDA	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 accumulate (upgraded)

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Jeronimo Martins missed market expectations with 2020 second-quarter results, due mainly to higher losses generated by Hebe and Ara. Biedronka managed to improve slightly on the year-ago EBITDA margin in Q2 despite slower lfl sales, thanks in part to tight cost management. At 30 June the Polish supermarkets increased their market share to over 25% after adding 2pp, and in Q3 they are expected to add another 3pp. In H2 2020 we predict that Jeronimo Martins's businesses across the board will recoup the coronavirus losses, though in Q3 one-time costs of 47 Polish pharmacy closures might weigh. As countries slowly lift lockdown restrictions, Jeronimo's Portuguese grocers and Polish drugstores are set to recover in the second half of 2020. We upgrade JMT from hold to accumulate to reflect the improved growth potential and the latest share price declines.

**Current Price**

14.29 EUR

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

15.30 EUR

**+7.1%**

	rating	target price	issued
new	accumulate	15.30 EUR	2020-08-04
old	hold	15.30 EUR	2020-06-03
<b>Key Metrics</b>			
Ticker	JMT PL	1M Price Chng	-3.1% -4.3%
ISIN	PTJMT0AE0001	YTD Price Chng	-1.2% +9.7%
Outst. Stock (m)	629.3	ADTV 1M	EUR 14.9m
MC (EUR m)	8,989.5	ADTV 6M	EUR 19.8m
EV (EUR m)	9,036.5	EV/EBITDA 12M fwd	6.9 -25.4%
Free Float	38.9%	EV/EBITDA 5Y avg	9.3 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	22.4	17.2	19.9	16.9	16.0
P/B	5.1	4.6	4.2	3.8	3.5
EV/EBITDA	9.7	8.7	8.5	7.3	6.7
DPS	0.64	0.35	0.26	0.33	0.35
DYield	4.5%	2.4%	1.9%	2.3%	2.4%
<b>Forecast Update (% change)</b>					
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 (reiterated)

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LPP released strong preliminary figures for Q2 2020/21, with the results exceeding our expectations on faster-than-anticipated recovery in sales and profits. We currently assume that sales in July continued to bounce back. LPP expects to report a sales profit of PLN 70m in Q2 versus a sales loss of PLN 33m forecast by us. The Company will book a PLN 135m provision in the period for restructuring its German stores, an exercise which will pay off in the long run. The faster-than-expected rate at which LPP is coming back from lockdown losses prompts us to revise our sales estimates to assume a 10% decline in fiscal 2020/2021 from the year prior, combined with a decline of 1.3pp in the annual gross margin. We currently forecast 98% y/y growth in online sales this year. After gradual normalization of costs in H2, we see IAS 17 EBITDA as reaching PLN 546m in FY2020/21, and in fiscal 2021/22 we anticipate an increase to PLN 1,162m. 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 raise our target price for LPP to PLN 7,900, and we reiterate an accumulate call on the stock.

## Current Price

7,105.00 PLN

Upside

## 9M Target Price

7,900.00 PLN

+11.2%

	rating	target price	issued
new	accumulate	7,900.00 PLN	2020-08-04
old	accumulate	6,900.00 PLN	2020-07-02
<b>Key Metrics</b>			
		LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	+11.3%
ISIN	PLLPP0000011	YTD Price Chng	-19.4%
Outst. Stock (m)	1.9	ADTV 1M	PLN 24.4m
MC (PLN m)	13,161.5	ADTV 6M	PLN 23.6m
EV (PLN m)	13,550.0	EV/EBITDA 12M fwd	12.3
Free Float	64.6%	EV/EBITDA 5Y avg	12.6 discount

## Earnings Projections (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	8,047	9,194	8,297	10,472	12,181
EBITDA	1,106	1,312	546	1,162	1,602
EBITDA margin	13.7%	14.3%	6.6%	11.1%	13.2%
EBIT	757	905	57	635	993
Net income	505	567	48	510	803
P/E	26.1	23.2	273.3	25.8	16.4
P/B	4.7	4.1	5.0	6.0	6.3
EV/EBITDA adj.	11.1	9.2	24.8	12.7	9.4
DPS	39.96	0.00	0.00	0.00	-70.26
DYield	0.6%	0.0%	0.0%	0.0%	-1.0%
<b>Forecast Update (% change)</b>					
EBITDA			-	-	-
Net income			-	-	-
Sales per sqm			-	-	-
SG&A/sqm			-	-	-
Sales area			-	-	-

## Financial Highlights (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Offline sales (PLNm)	7,335	8,151	6,232	8,098	9,570
change y/y	10.0%	11.1%	-23.5%	29.9%	18.2%
Online sales (PLNm)	712	1,042	2,065	2,374	2,612
change y/y	97.3%	46.4%	98.1%	15.0%	10.0%
online share in total sales	9%	11%	25%	23%	21%
<b>Operating cash flow</b>	<b>1,212</b>	<b>2,424</b>	<b>381</b>	<b>789</b>	<b>1,136</b>
D&A	349	431	489	527	609
Working capital	0	603	677	733	814
<b>Investing cash flow</b>	<b>125</b>	<b>-25</b>	<b>-218</b>	<b>-41</b>	<b>-43</b>
CAPEX	-704	-910	-930	-1,226	-714
<b>Financing cash flow</b>	<b>21</b>	<b>-560</b>	<b>-618</b>	<b>-401</b>	<b>-857</b>
Dividends/Buyback	73	0	0	0	-129
FCF	-47	156	-603	-232	646
FCF/EBITDA	-4%	12%	-110%	-20%	40%
OCF/EBITDA	110%	115%	30%	41%	46%

## Key Ratios (adjusted for IFRS 16)

(k sqm)	2018	2019	2020P	2021P	2021P
Salea area, Reserved	617	672	686	706	727
Salea area, Cropp	134	151	168	187	207
Sales area, House	116	130	148	164	183
Sales area, Mohito	109	114	115	119	128
Sales area, Sinsay	103	175	253	363	480
Gross profit margin	54.7%	53.0%	51.7%	52.8%	52.8%
Net debt/EBITDA (x)	-0.8	-0.8	0.7	1.3	1.1

## 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)	395	462	486	482	477	477	476	479	479	482	482
SG&A/sqm (PLN)	255	272	269	271	266	266	267	271	276	280	280
Sales area (k sqm)	1,377	1,547	1,733	1,902	2,036	2,162	2,269	2,382	2,485	2,595	2,595
Revenue	8,297	10,472	12,181	13,523	14,573	15,650	16,665	17,769	18,840	19,997	19,997
EBITDA	546	1,162	1,602	1,826	1,971	2,123	2,265	2,420	2,580	2,718	2,718
EBITDA margin	6.6%	11.1%	13.2%	13.5%	13.5%	13.6%	13.6%	13.6%	13.7%	13.6%	13.6%
EBIT	57	635	993	1,209	1,360	1,505	1,630	1,758	1,826	1,964	1,964
Tax	5	127	199	242	272	301	326	352	365	393	393
CAPEX	-926	-1,226	-714	-589	-656	-730	-809	-894	-754	-754	-754
Working capital	-218	-41	-43	26	-38	-23	-22	-24	-282	-315	-315
FCF	-603	-232	646	1,021	1,005	1,069	1,108	1,151	1,179	1,256	1,288
PV FCF	-584	-208	534	780	708	695	665	638	603	593	0
WACC	8.3%	8.2%	8.2%	8.3%	8.3%	8.3%	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	14798
Net debt	-1081
Other adjustments	0
Value per share (PLN)	8600

## Valuation Summary

(PLN)	Weight	cena
Relative Val.	50%	5,600
DCF Val.	50%	8,600
Implied Price		7,400
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>7,900</b>

## VRG

### accumulate (no change)

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VRG stock took a downward turn at the end of July, most likely on reports of an increase in Poland's daily coronavirus infections. In June, the Company reported a huge improvement in sales, which declined only 8.3% from the same year-ago month as compared to falls of 42% in March, 65% in April, and 35% in May. Of this, the contraction in clothing sales amounted to 13.7% while sales of jewelry fell much less at -4% y/y, thanks in part to positive base effects. The sales margin tightened by 1.8pp in June relative to the year-ago figure, much less than the margin declines suffered in previous months. We expect that the positive trends continued in July. Our 2020 Q2 estimates for VRG assume an IAS 17 EBITDA loss of PLN 5.6m vs. an operating profit of PLN 35m posted in Q2 2019. We predict that year-over-year declines in sales and margins in the period were mitigated by tight cost management and financial crisis relief (resulting in a reduction in per-sqm SG&A by an estimated 17.5% y/y). VRG held a Management Board reshuffle in early July, with Andrzej Jaworski taking over as CEO.

<b>Current Price</b>	2.24 PLN	<b>Upside</b>
<b>9M Target Price</b>	2.43 PLN	<b>+8.5%</b>

	rating	target price	issued
unchanged	accumulate	2.43 PLN	2020-07-02

Key Metrics			VRG PW	vs. WIG
Ticker	VRG PW	1M Price Chng	-12.2%	-13.3%
ISIN	PLVSTLA00011	YTD Price Chng	-44.6%	-33.7%
Outst. Stock (m)	234.5	ADTV 1M		PLN 0.9m
MC (PLN m)	525.2	ADTV 6M		PLN 0.9m
EV (PLN m)	593.3	EV/EBITDA 12M fwd	6.3	-25.3%
Free Float	40.1%	EV/EBITDA 5Y avg	8.5	discount

#### 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	9.8	8.0	-	48.3	11.4
P/B	0.7	0.6	0.6	0.6	0.6
EV/EBITDA adj.	6.6	5.3	100.0	10.9	6.5
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Forecast Update (% change)	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%
<b>Operating cash flow</b>	<b>54</b>	<b>109</b>	<b>98</b>	<b>145</b>	<b>90</b>
D&A	17	24	22	21	22
D&A (IFRS 16)	0	87	85	86	90
Working capital	-21	-75	33	30	-64
<b>Investing cash flow</b>	<b>-19</b>	<b>-17</b>	<b>-16</b>	<b>-21</b>	<b>-23</b>
<b>Financing cash flow</b>	<b>-18</b>	<b>-100</b>	<b>10</b>	<b>-128</b>	<b>-117</b>
Credit/loans	8	-5	95	-42	-28
FCF	37	-6	23	54	-11
FCF/EBITDA	41%	-6%	380%	106%	-12%
OCF/EBITDA	60%	19%	230%	116%	1%

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

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

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	6.0	5.3	5.2	4.6	5.2	4.6
Maximum	121.5	67.8	34.4	26.1	26.8	20.0
Median	16.6	14.4	11.1	8.7	6.6	6.3
Weight	17%	17%	17%	17%	17%	17%

#### DCF Analysis (adj. for IFRS 16)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales/sqm (PLN)	1,301	1,669	1,814	1,818	1,835	1,846	1,864	1,881	1,900	1,919	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%
<b>9M Target Price</b>		<b>2.43</b>

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

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

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

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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.

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**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, Bukit 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,
<b>Kęty</b>	Alcoa, Alumetal, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Fuji Seal, Kaiser Aluminium, Mercor, Midas Holdings,
<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,
<b>PGNiG</b>	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, Statoil, Total
<b>PKN Orlen</b>	Braskem, Dow Chemical, Eastman, Formosa Plastics, Hellenic Petroleum, Huntsman, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui
<b>PKP Cargo</b>	Aurizon Holdings, Canadian National Railway, Canadian Pacific Railway, Center for Cargo Container, China Railway Group, China Railway Tielong Container Logistics, CSX Corp, Daqin Railway, Global Ports Holding, Globaltrans Investment, Hamburger Hafen und Logistik, Hub Group, Kansas City Southern, Kuehne + Nagel International, Log-In Logistica Intermodal, Nikkon Holdings, Norfolk Southern Corp, Rumo, Tidewater Midstream, Union Pacific Corp
<b>Play</b>	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, TalkTalk, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
<b>Skarbiec Holding</b>	Affiliated Managers, AllianceBernstein, Ashmore Group, Blackrock, Brewin Dolphin, Eaton Vance Mgmt, Franklin Resources, GAM Holding, Invesco, Investec, Janus Henderson, Jupiter AM, Legg Mason, Liontrust AM, Och-Ziff Capital Mgmt., Schroders, Standard Life, T Rowe Price
<b>Stelmet</b>	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia,
<b>Ten Square Games</b>	Nexon, NetEase, IGG, Gree, NHN, Naver, Koei, Wuhu, Tencent, Zynga
<b>Wirtualna Polska</b>	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
<b>VRG</b>	CCC, Chow Sang, Chow Tai Fook, H&M, Hugo Boss, Inditex, Lao Fen Xiang, Lao Feng, LPP, Luk Fook, Marks & Spencer, Next, Pandora, Tiffany
<b>VRG</b>	CCC, Chow Sang, Chow Tai Fook, H&M, Hugo Boss, Inditex, Lao Fen Xiang, Lao Feng, LPP, Luk Fook, Marks & Spencer, Next, Pandora, Tiffany

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

11 bit studios									
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				
Rating date	2020-06-03	2020-04-16	2020-03-30	2020-02-21	2019-11-06				
Target price (PLN)	14.98	21.00	24.72	30.50	31.00				
Price on rating day	15.19	16.45	13.00	26.62	29.34				
Alumetal									
Rating	underweight	neutral	neutral	neutral	neutral	neutral	neutral	neutral	underweight
Rating date	2020-07-30	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	38.00	40.10	37.00	34.60	43.50	42.80	39.30	35.40	34.50
Amica									
Rating	overweight	neutral	neutral	neutral	neutral				
Rating date	2020-07-30	2020-06-29	2020-04-01	2019-12-05	2019-09-20				
Target price (PLN)	-	-	-	-	-				
Price on rating day	145.00	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					
Apator									
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	accumulate	hold	hold	hold					
Rating date	2020-08-04	2020-06-03	2020-05-05	2019-12-05					
Target price (PLN)	68.39	68.39	63.90	59.20					
Price on rating day	66.50	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						
Rating date	2020-04-02	2020-02-05	2019-12-05						
Target price (PLN)	-	44.28	44.90						
Price on rating day	24.40	39.80	37.20						
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			
Rating date	2020-06-08	2020-04-01	2020-01-30	2019-12-05	2019-10-30	2019-09-20			
Target price (PLN)	-	-	-	-	-	-			
Price on rating day	3.59	3.74	4.54	4.09	4.29	4.54			

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

### Cognor

Rating	buy	hold	hold	hold	hold	accumulate
Rating date	2020-08-04	2020-04-22	2019-12-06	2019-12-05	2019-11-04	2019-09-05
Target price (PLN)	1.98	0.94	1.25	1.25	1.55	2.00
Price on rating day	0.93	0.95	1.20	1.17	1.52	1.65

### Comarch

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

### 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
Rating date	2020-04-02	2019-12-05	2019-09-05
Target price (PLN)	-	88.92	81.10
Price on rating day	68.40	93.00	84.00

### 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	buy	hold	buy	buy	buy	buy
Rating date	2020-08-04	2020-04-30	2020-03-04	2019-12-05	2019-08-07	2019-08-02
Target price (PLN)	2.86	2.20	4.58	5.18	5.33	6.71
Price on rating day	1.70	2.08	2.73	2.98	4.42	4.47

### 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
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
Target price (PLN)	29.90	28.42	30.55	30.31	30.31	32.75	37.12	34.09	39.77	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

**Handlowy**

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

**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
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
Target price (PLN)	117.78	114.14	126.36	170.00	187.77	197.53	197.53	191.80
Price on rating day	145.20	141.00	153.80	202.00	190.80	194.80	187.40	189.80

**Jeronimo Martins**

Rating	accumulate	hold	hold	hold	reduce
Rating date	2020-08-04	2020-06-03	2020-02-05	2019-10-07	2019-09-05
Target price (EUR)	15.30	15.30	16.30	14.30	14.30
Price on rating day	14.29	15.46	15.78	14.92	15.88

**JSW**

Rating	hold	sell	hold	hold	hold	buy	buy
Rating date	2020-08-04	2020-03-27	2020-03-04	2020-02-05	2020-01-20	2019-12-05	2019-09-05
Target price (PLN)	16.41	9.78	15.34	18.41	23.32	28.04	39.29
Price on rating day	17.40	12.85	15.15	19.78	22.68	18.80	26.50

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

**KGHM**

Rating	hold	sell	sell	reduce	hold	reduce	hold	hold	accumulate	accumulate	hold	reduce
Rating date	2020-07-29	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
Target price (PLN)	124.67	62.94	46.83	46.83	76.92	86.33	85.54	96.13	96.14	90.12	77.51	80.38
Price on rating day	129.45	88.10	74.00	54.64	77.82	96.44	88.66	96.70	91.64	79.92	74.90	87.78

**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	accumulate	hold	hold	buy	buy	buy	hold	buy
Rating date	2020-08-04	2020-07-02	2020-06-03	2020-05-05	2020-03-24	2020-02-05	2019-12-05	2019-10-07	2019-09-05
Target price (PLN)	7,900.00	6,900.00	6,900.00	5,800.00	5,800.00	10,100.00	10,100.00	8,500.00	8,500.00
Price on rating day	7,105.00	6,110.00	6,980.00	6,075.00	4,902.00	8,610.00	8,575.00	7,950.00	7,280.00

**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**

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

<b>Rating</b>	<b>buy</b>	<b>accumulate</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>
Rating date	2020-08-04	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	2,158.00	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	1,722.00	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**

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

**Monnari**

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

**Netia**

<b>Rating</b>	<b>hold</b>	<b>accumulate</b>	<b>hold</b>
Rating date	2020-08-04	2020-05-05	2019-12-05
Target price (PLN)	4.40	4.40	4.70
Price on rating day	4.46	3.91	4.44

**Orange Polska**

<b>Rating</b>	<b>buy</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>	<b>buy</b>	<b>accumulate</b>
Rating date	2020-07-30	2020-06-03	2020-03-27	2019-11-29	2019-09-05	2019-08-02
Target price (PLN)	8.30	6.90	6.90	7.40	7.50	7.50
Price on rating day	7.07	6.49	5.88	6.46	6.12	6.70

**OTP Bank**

<b>Rating</b>	<b>hold</b>	<b>accumulate</b>	<b>buy</b>	<b>hold</b>
Rating date	2019-12-05	2019-11-06	2019-08-28	2019-08-02
Target price (HUF)	14,681.00	14,681.00	14,681.00	13,046.00
Price on rating day	14,870.00	13,860.00	12,000.00	12,080.00

**Pekao**

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

**Pfleiderer Group**

<b>Rating</b>	<b>suspended</b>
Rating date	2019-09-20
Target price (PLN)	-
Price on rating day	26.20

**PGE**

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

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>	<b>accumulate</b>
Rating date	2020-08-04	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)	5.94	5.23	4.91	4.44	3.24	3.88	4.06	5.64	6.33	6.33
Price on rating day	5.10	4.63	4.31	3.48	3.14	3.20	3.86	5.07	4.49	5.62

**PKN Orlen**

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>hold</b>	<b>reduce</b>	<b>hold</b>	<b>reduce</b>
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
Target price (PLN)	67.72	66.85	58.61	58.61	66.70	68.03	94.17	94.17
Price on rating day	63.28	67.80	59.52	52.58	62.26	75.66	88.50	102.45

**PKO BP**

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

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

<b>Rating</b>	<b>accumulate</b>	<b>buy</b>	<b>buy</b>	<b>accumulate</b>	<b>buy</b>	<b>buy</b>	<b>hold</b>	<b>accumulate</b>
Rating date	2020-08-04	2020-05-15	2020-03-25	2020-02-05	2019-11-14	2019-09-12	2019-09-05	2019-08-02
Target price (PLN)	35.70	35.70	33.50	36.00	36.00	33.10	34.20	34.20
Price on rating day	32.54	31.02	29.04	34.80	31.30	27.16	33.34	31.22

**Pozbud**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>
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
Rating date	2020-04-28	2020-03-04	2020-02-05	2019-12-05	2019-09-05
Target price (PLN)	35.93	41.91	41.91	41.91	43.38
Price on rating day	29.92	36.31	40.54	36.47	36.59

**RBI**

Rating	accumulate	hold	accumulate
Rating date	2019-12-05	2019-11-06	2019-08-28
Target price (EUR)	23.05	23.05	23.05
Price on rating day	21.24	22.83	20.44

**Santander Bank Polska**

Rating	buy	hold	accumulate	buy	buy	hold	hold	reduce	hold	hold
Rating date	2020-08-04	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
Target price (PLN)	179.37	179.37	179.37	194.52	229.52	287.90	265.50	276.55	276.55	337.00
Price on rating day	152.50	174.50	163.60	160.70	173.90	304.00	279.00	317.40	286.00	319.60

**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
Rating date	2020-07-02	2020-04-01	2020-02-05	2019-12-05	2019-10-07	2019-09-05
Target price (PLN)	-	9.04	8.92	8.78	8.10	6.50
Price on rating day	8.55	6.75	7.85	8.20	7.90	6.70

**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
Rating date	2020-07-02	2020-06-03	2020-04-06	2020-02-05	2019-12-02
Target price (PLN)	2.43	2.43	2.00	4.50	4.50
Price on rating day	2.33	2.40	1.94	3.93	3.94

**Wirtualna Polska**

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



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