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# Monthly Market Outlook: September 2020

## Equity Market, Macroeconomics

### Equity Outlook

We maintain that financial markets are probably poised for an imminent correction from the highs of recent months if economic data undercut expectations and US-China tensions start to escalate again.

### Sector Outlook

#### Financials

We maintain a neutral stance on Polish financials, with no upside catalysts likely to come in September either from the institutions themselves, or from regulators. PZU is one possible exception as it continues to mull over options on how to best engage in the banking sector. At the same time, we are still overweight foreign banks which seem set for a much more rapid recovery than their Polish counterparts.

#### Chemicals

Both Ciech and Grupa Azoty are expected to report lower recurring EBITDA for Q2 2020 than achieved in the same period a year earlier. Looking ahead, at Grupa Azoty profits in the second half of the year might come under pressure from upward-trending prices of natural gas, and at Ciech the sales prospects seem bleak given persistently weak demand for core products.

#### Mining

Prices of metals are trending upward, supported by sizable inflows into metal ETFs and good momentum in China. The rated coking coal producer, JSW, might soon receive new crisis relief funding.

#### Oil & Gas

Downstream fundamentals remain largely unsupportive, but since this is already priced in we opt to upgrade our view on Lotos. We also have a positive stance on MOL (improved earnings) and PGNiG (rising gas prices).

#### Power Utilities

Sentiment for Polish power stocks will most likely worsen in September with the government seen to be backpedaling on initial coal phase-out plans. Hence Czech's CEZ is our top pick for the month ahead.

#### Telecoms, Media, IT

We maintain a positive outlook for OPL and PLY, and we expect both telecoms to outperform CPS in September. We are bullish on the IT sector, with the most upside potential offered by ASE and SGN. We also opt to raise our target price for ACP, which we see as capable of generating net earnings in excess of PLN 360m.

#### Gaming

Gaming stocks held on to their high valuations in August, but we see more upside potential still in Ten Square Games and in PlayWay, with its large release pipeline. An intensifying marketing campaign could give a push to CD Projekt shares in the coming weeks.

#### Industrials

The 2020 second-quarter reporting season in the industrial sector has been full of positive surprises despite extremely challenging business conditions. Our top picks for September include Amica, Astarta, Cognor, Famur, Forte, Stalprodukt, and TIM. We would avoid Alumetal and Boryszew.

#### Retail

Stocks in clothing and footwear retailers are seen to be recovering, and here we favor LPP and VRG over others. Among grocery retailers, we prefer EUR and JMT over DNP.

#### Key Ratings

**Positive:** ACP, AMC, ASE, AST, CEZ, COG, EBS, EUR, FMF, JMT, LPP, LTS, MOL, MONET, OPL, PEO, PGN, PLW, PLY, SGN, STP, TEN, TIM

**Negative:** AML, BRS, DNP

EU Indices	Value	1M chng	YTD chng
WIG	50,937	+0.9%	-12%
ATX	2,219	+4.7%	-30%
BUX	34,500	-0.6%	-25%
PX	903	+2.3%	-17%

WSE WIG Ind.	Value	1M	YTD
WIG20	1,773	+0.3%	-17%
mWIG40	3,675	+3.2%	-5%
sWIG80	14,561	+1.2%	+23%
Banking	3,773	-1.8%	-44%
Basic Materials	4,158	+7.2%	+35%
Chemicals	7,219	-6.3%	-14%
Clothes	4,189	+2.1%	-26%
Construction	2,934	+1.5%	+29%
Energy	1,807	-9.2%	-8%
Food	2,908	-1.4%	-7%
Gaming	33,224	+2.5%	+78%
IT	3,879	+5.4%	+37%
Media	5,170	+1.7%	-4%
Oil & Gas	4,427	-5.8%	-32%
Telecom	842	-2.9%	-4%

Top 5 / Worst 5		1M	YTD
Stalprodukt	230.00	+53.3%	+27%
Mirbud	2.18	+38.9%	+108%
Cognor	1.22	+33.5%	-2%
OncoArendi	18.45	+32.7%	+89%
Mabion	32.25	+31.6%	-58%
Rafako	1.05	-20.3%	+15%
Mennica	20.20	-21.1%	-6%
Idea Bank	1.79	-21.6%	-26%
Synektik	24.20	-30.5%	+61%
Global Cosmed	5.25	-37.9%	+323%

#### Rating & 9M TP Changes as of 2 Sep.

Name	Rating	9M TP
11 bit studios	hold ►	493.00 PLN ▲
Asseco BS	neutral ►	-
Asseco Poland	buy ▲	80.70 PLN ▲
CD Projekt	hold ►	429.10 PLN ▲
Cyfrowy Polsat	hold ►	26.30 PLN ▲
Grupa Azoty	hold ►	25.83 PLN ▼
Grupa Kęty	hold ►	465.74 PLN ▲
JSW	hold ►	15.82 PLN ▼
Komercni Banka	accumulate ▼	618.97 CZK ►
Lotos	accumulate ▲	47.09 PLN ▼
MOL	buy ►	1976.00 HUF ▼
OTP Bank	accumulate ▲	11039 HUF ►
PGNiG	accumulate ▼	5.94 PLN ►
PKN Orlen	hold ►	56.37 PLN ▼
PKP Cargo	hold ▲	12.80 PLN ▲
Ten Square Games	accumulate ►	623.00 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>9</b>
<b>5. Overview of Updated Earnings Expectations .....</b>	<b>11</b>
<b>6. Current Recommendations By mBank .....</b>	<b>13</b>
<b>7. Ratings Statistics .....</b>	<b>13</b>
<b>8. Calendar of Upcoming Corporate Events .....</b>	<b>13</b>
<b>9. Macroeconomic Update .....</b>	<b>15</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. Komerční Banka .....	24
10.9. Moneta Money Bank.....	25
10.10. Erste Bank.....	26
10.11. RBI.....	27
10.12. OTP Bank .....	28
10.13. PZU.....	29
10.14. Skarbiec Holding.....	30
10.15. GPW .....	31
<b>11. Chemicals .....</b>	<b>32</b>
11.1. Ciech.....	32
11.2. Grupa Azoty .....	33
<b>12. Mining.....</b>	<b>34</b>
12.1. JSW .....	34
12.2. KGHM .....	35
<b>13. Oil &amp; Gas.....</b>	<b>36</b>
13.1. Lotos.....	36
13.2. MOL .....	37
13.3. PGNiG.....	38
13.4. PKN Orlen .....	39
<b>14. Power Utilities .....</b>	<b>40</b>
14.1. CEZ.....	40
14.2. Enea.....	41
14.3. Energa.....	42
14.4. PGE.....	43
14.5. Tauron.....	44
<b>15. Telecoms.....</b>	<b>45</b>
15.1. Cyfrowy Polsat .....	45
15.2. Netia .....	46
15.3. Orange Polska.....	47
15.4. Play.....	48
<b>16. Media .....</b>	<b>49</b>
16.1. Agora .....	49
16.2. Wirtualna Polska.....	50
<b>17. IT.....</b>	<b>51</b>
17.1. Asseco Poland .....	52
17.2. Comarch .....	53
17.3. Sygnity .....	54
<b>18. Gaming .....</b>	<b>55</b>
18.1. 11 bit studios.....	55
18.2. CD Projekt.....	56
18.3. PlayWay.....	57
18.4. Ten Square Games .....	58
<b>19. Industrials, Mining.....</b>	<b>59</b>
19.1. Cognor.....	59
19.2. Famur.....	60
19.3. Grupa Kęty .....	61
19.4. Kernel.....	62
19.5. PKP Cargo .....	63
19.6. Stalprodukt .....	64
<b>20. Retail .....</b>	<b>65</b>
20.1. Dino .....	65
20.2. Eurocash .....	66
20.3. Jeronimo Martins .....	67
20.4. LPP .....	68
20.5. VRG .....	69

## Investing Outlook

**August played out differently on the US stock market than we had anticipated, with gains logged across the board (Nasdaq Comp: +9.6%, S&P500: +7.0%).**

**The coronavirus pandemic so far does not seem to have undercut economic recovery in the US, and it is fueling a boom in the housing market, but Europe is a different story, as indicated by performance of local markets. The US-China trade relations were not in the news much throughout August, temporarily fading into the background. US investors are flocking into tech stocks, and their activity continues to shape global market sentiment. The announcement a few days ago of a major policy shift by Fed chairman Powell was the ultimate acknowledgment that real interest rates will stay negative for a long time, and that the shift of savings from banks to capital markets and real estate can be expected to continue. The market capitalization of Tesla keeps growing beyond those of the world's biggest automakers, and the Company is currently valued on a par with giants like Toyota, Volkswagen, GM, Ford, Daimler, BMW, and Fiat.**

**Like for most of the emerging world, August was a slow month for the Polish stock market. In coming weeks several newcomers are preparing to float on the WSE, including Allegro, Poland's answer to eBay, and the IPOs can be expected to attract more trade than more seasoned WIG index members.**

**In a surprising turn of events, Poland's just-announced 2021 budget proposal does not contain any reference to potential proceeds from the dismantling of OFE pension funds. The question now is whether the reform has been simply postponed (a positive scenario for the stock market), or, whether the government is working on something new in the face of covid-fueled budget gaps.**

**We would advise a careful stance on equities with 40% allocation in the coming weeks.**

### COVID-19 Stalls Recovery in EU, But Not in USA

Last month we wrote that we were expecting the pace of economic recovery to slow down in the coming weeks due to the second wave of the coronavirus pandemic. That expectation has come true only in part.

The forward-looking indicators in the USA and in Europe have reacted in opposite ways to the increase in the incidence of COVID-19. Unexpectedly, purchasing managers in the US are reporting improved sentiment both in manufacturing and in services, and the PMI Composite has increased from 50.3 to 54.7. Despite the still high number of COVID-19 infections, companies are reporting more demand for labor thanks to strong domestic demand and growing new orders (especially from abroad).

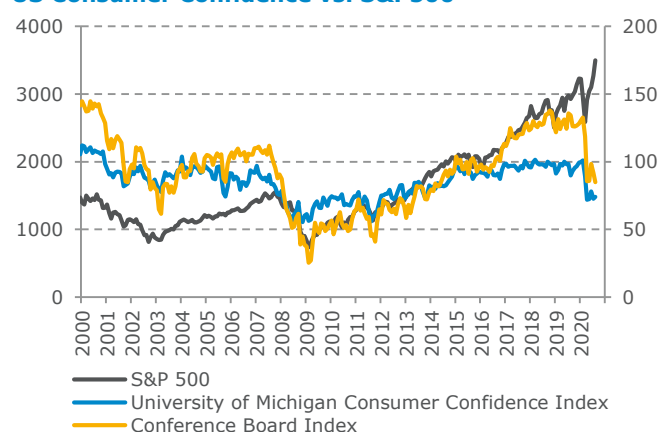
In Europe, in turn, business sentiment has deteriorated mainly in the service sector (50.1 v. 64.7) and only slightly in manufacturing (51.7 v. 51.8). As an exception, the German PMI Composite increased from 51 to 53. Europe stands at the opposite end from the US: companies are concerned about new orders, and as they finishing clearing lockdown backlogs they downsize staff, which additionally augments uncertainty among consumers and encourages them to cut their spending.

In China, the second wave of the contagion is not happening and the economy, stimulated by cheap financing and a range

of infrastructure packages (albeit smaller than in previous rounds), is recovering steadily, as demonstrated by China's official PMIs (manufacturing 51; services 54.3, the highest since January 2018). Construction also continues to enjoy a strong sentiment (PMI 60.2).

It is interesting to note that the confidence of US consumers, which usually correlates well with that of stock market investors, currently seems to have lost this correlation, as evidenced by both the Conference Board and the Michigan surveys. It looks as though US consumers, anxious about their jobs and income, are opting to put savings into more tangible assets, such as houses or home improvements, that give them a greater sense of security as infections in the US continue to rise. If we add to this the uncertain future of coronavirus relief programs for consumers, and a sluggish decline in unemployment, we believe consumer spending may be a major source of negative surprises for the market in the coming weeks.

### US Consumer Confidence vs. S&P500



Source: Bloomberg

### Fed Gives more Comfort to Investors

The key and most anticipated event in August was Powell's statements at Jackson Hole confirming the change of direction in the Fed's monetary policy (mid-term inflation target and a new approach to employment figures). With the admission that inflation may temporarily exceed the target (2%), combined with the goal of maximum employment, interest rates are bound to remain very low for a long time, supporting the migration of capital from deposits and money funds to equities, real estate, and other real-economy assets. US households currently have around USD 1.54bn invested in money market funds, which are generating negative returns.

Apart from stocks, Americans are increasingly putting their savings in real estate, fueling a housing boom beyond anyone's expectations. The number of new home starts increased to 1,496k in July (v. 1,240k expected), up by 23.4% compared to July 2019. Next to cheap mortgage loans, the boom is driven by larger migration to suburbs since working from home has become more acceptable, and where the virus seems less of a threat.

### US-China and Geopolitics

Tensions between the USA and China have not become much more strained in recent weeks but the US continues to pursue its policy of mounting pressure, if not openly provoking China, as exemplified by its decision to sell 77 F-16s, Abrams tanks, and advanced drones to Taiwan (the Congress has approved the sale of USD 10bn military equipment to Taiwan). Both countries have engaged in

intense military manoeuvres in South-East Asia and are accusing each other of airspace and waters trespassing nearly every day. On the other hand, big Chinese corporations, responsible for building and installing weapons on artificial islands on the South China Sea, have been added to the US sanctions list (24 companies in total). A potential point of contention (eventually not against China) was holding China accountable for its commitments under last year's trade deal. China is running late with purchases of food products (only 27% of the target was accomplished after July). A summit scheduled for August to discuss that issue was eventually cancelled and Trump was satisfied with China's assurances that they will be buying more. In the run-up to presidential elections, Trump is flaunting the deal with China as his key achievement. A summit and potential escalation of demands to meet the commitments would show that the deal is not working. It is hard to say how Trump and Biden will play the China card in the final round of the election campaign. Whoever wins the election, in our opinion, will try to further escalate the tensions. It is an open question how Beijing will react; for now, it is showing restraint.

### **WSE Remains Relatively Weak**

The Polish stock market is underperforming its US benchmark. In our opinion, the key drivers of the underperformance include: (i) weak global sentiment around the banking industry, which is a key component of WIG20; (ii) the resulting meagre interest of international institutional investors in the Polish market (basically limited to large retailers and gaming); (iii) the absence of bigger inflows into local mutual funds; and (iv) the relatively weak performance of other European markets (COVID-19) and emerging markets (ex-China) despite a weaker dollar and a rally on commodities.

We do not see much upside potential in Polish stocks in the coming weeks. On the contrary, we see a downside risk coming from the many IPOs lined up for the fall. On the one hand, new interesting listings could draw more money to the Polish market; on the other hand, however, in the short term, in the absence of a liquidity buffer in investment funds an IPO will typically require taking money out of existing investments, draining capital from the secondary market. The Allegro IPO alone is expected to reach PLN 8-9 billion, while several other IPOs in hundreds of millions each still in the pipeline.

According to the latest statistics, the share of retail investors in the WSE's trading volumes increased from 11% in H2 2019 to 22% in H1 2020. Given that retail activity intensified after the outbreak of COVID, it seems most likely that individuals represented more than 30% of total trade in Q2, and in Q3 their share might have reached 40%.

Polish pension funds and investment funds accounted for a record-low 9% of total trade in H1 2020. The same factors that fueled the activity of individual investors probably resulted in reduced activity from institutions in Q2 compared to the previous quarter.

According to the Polish Chamber of Fund and Asset Managers (IZFIA), net flows into equity and absolute return funds increased from PLN 119m in June to PLN 243m in July 2020, the fourth consecutive month of growth (+PLN 1.38bn in aggregate over that period). The trend is clearly positive, but it is too small in scale to influence the performance of WSE indices, especially since funds are allocating part of the new inflows to foreign securities (the year-to-date net flows remain negative at -PLN 287m).

Speaking about funds, it is important to note that the Polish government's budget proposal for 2021 makes no mention of expected proceeds from levies on savings shifted from OFE pension funds to new savings plans – a shocking twist to everyone who assumed that the reform, which has been greenlighted by the parliament, was an obvious shoo-in. It is hard to say whether the original plan has been shelved forever or just temporarily postponed. Factors which may have prompted the cabinet to reconsider include higher budget gaps currently expected in 2020 and 2021 and the disappointing drop-out rate so far of the PPK pension savings scheme created as an alternative to OFEs.

### **The Belarus Effect**

We do not think it likely that investors will put an additional risk premium on Polish stocks as a proxy for the situation in Belarus. We also see low odds of a military escalation in Belarus, in which case we would see a sell-off across all CEE assets. Russia has other means of addressing the situation in Belarus to its advantage without triggering the West.

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## Sector Strategies

### Financials

- Polish banks delivered a better-than-expected second-quarter earnings season, with beats posted by all rated lenders except Alior. In some cases (Pekao, BNP, Handlowy) earnings exceeded expectations by double-digit percentages. Net interest income was the common driver of upside surprises after analysts underestimated the pace of asset growth. Risk costs surprised on the upside as well, with ECL-adjusted provisioning not noticeably increased relative to the year-ago levels. The situation could change dramatically once existing moratoria on loan payments come to an end during Q3, but until that time we do not see any compelling reasons to shift from our neutral stance on Polish banks.
- At PZU, there is a discussion in top management ranks about a need for a change of the Company's banking strategy, and we are seeing executive reshuffling and balance sheet clean-ups at the subsidiary banks. PZU recently wrote off all goodwill recorded on the acquisition of Alior Bank along with trademarks, and it made downward adjustments to Pekao goodwill. At the same time, Alior significantly increased loan loss provisioning and wrote off goodwill recorded on the acquisition of Meritum Bank five years ago. If these are signs of preparations for a merger, we believe the marriage of Pekao and Alior, especially with interest rates as low as they are, makes a lot of sense (you can read more about the potential synergies in our July 9th Special Comment).
- As loan moratoria and other temporary borrower relief measures slowly come to an end, there is rising fear over a spike in default rates across the European banking sector. In the UK, the Financial Conduct Authority has proposed that banks must continue to offer tailored relief to borrowers affected by the coronavirus crisis, including by extending repayment terms to reduce monthly payments, and by restructuring loans. Hedge funds are reportedly raising bets against the financial sector ahead of second-half earnings. For example, Marshall Wace is said by the Financial Times to have "built the largest short position against Lloyds Banking Group in record" at over £100m. Overseas, a Bank of America survey revealed that US managers have maintained an underweight position in financials for six months straight. The next big catalyst when it comes to the sector's future performance will be earnings forecasts for Q3 2020, with the expectations for US banks set to come out as first.
- Key Ratings:** EBS (buy), MONET (buy), PEO (buy)

### Chemicals

- Neither Ciech nor Grupa Azoty can be expected to have improved on the year-ago results in Q2 2020.
- Looking ahead, a second-half recovery at Grupa Azoty is looking tentative due to rising prices of natural gas. Polish production of fertilizers was reported to have increased 36% in July 2020 on the same month a year earlier, but the rebound came off a low comparable base. The volume of phosphorus and potassium fertilizer put out in the month remained stable compared to July 2019.
- For Ciech, downside catalysts include persistently low production of float glass in Poland compared to 2019, combined with reduced volumes of table salt, indicating a disappointingly slow recovery in the Company's core business segments.

### Mining

- Investors kept pouring money into metals in August, driving up the prices of copper and precious metals, encouraged by lower production in Q2 2020, combined with strong demand from China, which is setting in motion ambitious infrastructure programs.
- The continuing spread of COVID-19, and a growing global monetary base, fuel an upward trend in prices of precious metals which might continue through September 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.
- Transactions in seaborne coking coal edged slightly higher toward the end of August, led by buyers from China who were drawn in by low prices. Coking coal is currently trading in the \$105-110/t range. Prices might go up temporarily depending on weather events in the Australia region.
- Vale expects higher supply of iron ore in H2 2020, and this is a negative sign for Anglo America, BHP, and Rio Tinto.
- The Polish mining sector is negatively affected by the zloty's current appreciation versus the US dollar.

### Oil & Gas

- Oil continued its upward march in August, but looking ahead we do not see any more upside catalysts – on the contrary, there is downside risk from the expiration of production curbs on OPEC+, and as production forecasts for 2021 are seen to be rising on less damaging than expected covid fallout. The expectations of increasing supply are not met with any signs of rising demand.
- Gas prices have traded sharply higher in recent weeks, supported by seasonal variations, reflected in September deliveries priced at >EUR 9 vs. EUR 4 in summertime. Other factors are also contributing looking at rising bids on 2021 gas deliveries; these include lower US production, reduced LNG shipments from Australia's Gorgon terminal, slower inventory builds, and increasing demand from the power industry as it switches over from coal. With 1Y forward contracts currently close to EUR 14, we feel comfortable with our 2021 gas price forecast of EUR ~12/MWh.
- The profits of refiners remain squeezed by high supply. In Europe, diesel producers are also experiencing lower demand from the farming industry, which had stocked up at lower prices in spring. For PKN Orlen, the model refining margin hovers in the \$0-1/bbl range. Cracking margins will most likely expand going forward in line with the expected downward shift in crude prices. As shipments of heavy blends get larger, this should also help to push the Urals/Brent differential out of its negative territory. Looking at the spread's highly unfavorable levels to date, however, we opt to revise lower our already conservative expectations for complex refining margins in 2020-22.
- When it comes to retail margins on fuel sales, in Poland the volume of vehicle traffic in August 2020 was similar to that registered in August last year, as confirmed by GDDKiA statistics and fuel station card payments by mBank customers. Aside from passenger vacation travel, contributing even more noticeably to the August traffic was increased movement of commercial vehicles.
- The long-term outlook for petrochemicals remains weak given planned capacity additions.
- In terms of returns, stocks in energy companies continued to trade under pressure in August, except for gas stocks,



which enjoyed stronger performance last month. Interestingly, Poland's PGNiG has so far managed to buck the trend, which means it has substantial upside potential still to offer. We maintain a bullish stance on MOL after a 2020 second-quarter beat which prompted upward revisions to our FY earnings expectations. We also see more upside potential in Lotos at the current price level.

- **Key Ratings:** LTS (accumulate), MOL (buy), PGN (accumulate)

## Power Utilities

- German power contracts rebounded sharply to about EUR 43/MWh, driven by a continued appreciation in emission allowances, currently at EUR 29/t, spurred by reports about French nuclear plant stoppages, combined with high inflows into commodity funds and expectations of steeper emission cuts by the EU combined with a tightening supply of EUAs.
- The rising power prices should reverse the slightly more negative sentiment reflected in a 2% August decline in Stoxx Utilities and a 3% fall in MSCI Utilities US.
- In Poland, the model clean-dark spread of a coal-powered power plant shrunk by a staggering 15 zlotys to PLN 230/MWh in August in the wake of the EUA rebound. Polish power consumption is back at year-ago levels after lockdown declines.
- The Polish government seems to have softened its stance on the pace of a possible shift of the domestic energy policy away from coal, with officials no longer as keen to close loss-making coal mines, and the timeline of the phase-out extended to 2050. There is also no official consensus so far on the specifics of a draft energy policy through 2040.
- With no relaxing of the no-dividend regime imposed on Polish power generators currently under consideration, we see no upside catalysts for domestic utility stocks in the weeks ahead.
- **Key Ratings:** CEZ (accumulate)

## Telecoms, Media, IT

- Poland is aiming to auction off and award 5G spectrum in the 3.6 GHz band in early 2021. In August, a digitization ministry official was quoted as saying that the asking price in the original auction, canceled earlier this year due to the coronavirus outbreak, was "relatively steep," but she added that what counts in the end is the ultimate selling price.
- The Polish PM has nominated Jacek Oko to fill the position of 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.
- Orange Polska in August announced that it was initiating a "review of options for potential partnership into further fibre rollout through co-controlled vehicle (FiberCo)." The options being considered include, to quote the Company's press release: "1. Creating a FiberCo vehicle to rollout an FTTH access network to about 1.7 million households connectable in Poland focused predominantly on areas without fast broadband infrastructure. 2. Contribution by Orange Polska of about 0.6 million of its existing FTTH footprint (assumed to include wholesale access for about 0.15 million clients) to the FiberCo. 3. Granting an open access to this network to Orange Polska and other operators. 4. Using Orange Polska as FiberCo's main industrial partner for network roll-out, delivery, maintenance and connectivity. 5. Sale by Orange Polska of

a co-controlling stake of the FiberCo to an investor."

- T-Mobile Poland launched a new data plan in June and Play Mobile followed suit soon after.
- In Media, according to estimates by Zenith Polska, total Polish adspend in 2020 might decrease by just 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 ads 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.
- In IT, The WIG-Info index gained 11.8% in August, outperforming the broad WIG benchmark by 7.4pp and pushing 6.0pp ahead of MSCI IT EU. At 18.1x 12M fwd P/E, Polish tech stocks are currently trading almost 22% above the average ratio for the last three years.
- Four of our rated tech companies have reported 2020 second-quarter results so far, delivering 18.6% growth in median EBITDA and a 15.2% increase in net profit as compared with the respective figures for the same period a year earlier. Fears over a coronavirus second wave aside, FY2020 is likely to be a very good year for Polish IT companies. We maintain a bullish outlook for the sector.
- **Key Ratings:** OPL (buy), PLY (accumulate), ACP (buy), ASE (overweight)

## Gaming

- Shares in CD Projekt spiked toward the end of August on a new mobile game announcement called *The Witcher: Monster Slayer*, which has already soft-launched in New Zealand. We will most likely hear more about the game as it hits new milestones, but as of today its success seems to us priced in. On the other hand, upside catalysts going forward could be generated by continuing marketing for *Cyberpunk 2077*. After updating our earnings expectations for CD Projekt to include *Monster Slayer*, we maintain a neutral stance on the stock.
- 11 bit studios delivered strong results for Q2 2020, proving its ability to monetize the game portfolio even during periods without new releases. The August release of the third add-on to *Frostpunk*, called *On the Edge*, received low ratings on Steam, but it nevertheless gave a boost to sales of the main game and its extensions. After updating our earnings outlook to reflect 2020 H1 results, we maintain a neutral view on 11B.
- An increased marketing budget weighed down the Q2 2020 profits of Ten Square Games, but it significantly pushed up sales. In July, on a high revenue, the Company cut monthly marketing spend to PLN 11m from an average of PLN 24m in the three months prior, implying a rebound in profits. On top of that, *Hunting Clash* and *Solitaires* have moved on to the global launch phase, and they are working to acquire users (monthly marketing expenses on both games are about \$1.5m). We see *Hunting Clash* as the more promising of the two.
- PlayWay is slated to release two major titles in September, and before that it plans to launch *House Flipper* for mobile in the early part of the month. At the end of the month, the Company is scheduled to release its financial results for Q2 2020, and we expect to see the quarterly profits boosted by proceeds from divestment of Games Operators, together with higher contributions from subsidiaries (incl. Movie Games). PlayWay has 110+ titles listed on the

Steam Global Wishlist, representing 12% of all the games on the list, and it has many more releases slated for the coming quarters.

- **Key Ratings:** PLW (accumulate), TEN (accumulate)

## Industrials

- The 2020 second-quarter reporting season in the industrial sector has been full of positive surprises (Cognor, Famur, Forte, GrupA Kęty, Stalprodukt) despite extremely challenging business conditions. Of those that have yet to report, we expect good results from Amica and TIM, while Boryszew will most likely disappoint.
- Our current top picks include Amica, expected to grow profits in Q2 and give a positive outlook for H2 after a 43% July surge in Polish production of electric stoves. Next, Astarta benefits from a structural shift in the Ukrainian sugar market, and it generates high FCF/EV and wants to significantly reduce debt this year. Cognor is expected to recoup losses in Q3 and possibly resume dividend payments from 2021. Famur has accumulated surplus cash worth PLN 0.30+ per share, and its order book might thicken if the Polish government allocates more funds to coal mines as part of crisis relief. Forte generated better-than-expected results in Q2, and its future prospects are looking up with Polish furniture production up by 20% in July relative to the same month a year earlier. Stalprodukt is grossly undervalued relative to its future cash-generation potential after the completion of a multi-year investment push; in the near term rising zinc prices could provide an upside catalyst. Finally, TIM offers high dividend yield of more than 6%, and its sales are strong thanks to a rise in online shopping.
- We would steer clear of Alumetal, suffering a decline in demand from the auto industry, and Boryszew, which has violated debt covenants and might have to raise capital to address its worsened financial standing.
- We have updated our financial outlook for PKP Cargo to include first-half results, crisis relief payments, and rescheduled capital spend.
- **Key Ratings:** AMC (overweight), AML (underweight), AST (overweight), BRS (underweight), COG (buy), FMF (buy), FTE (overweight), STP (buy), TIM (overweight)

## Retail

- In our fashion universe, LPP recently released better-than-expected preliminary results for Q2 FY2020/21, showing faster recovery in sales and margins than initially anticipated. At the end of last month, the Company said it had finished rent negotiations with German store owners, and that it would probably be able to significantly reduce the PLN 135m reserve set aside toward the restructuring of the German business. With all this in mind, we see upside potential in LPP. We also see growth potential in VRG assuming a similarly strong pace of post-lockdown recovery.
- When it comes to rated grocery retailers, EUR stock is down after the Company gave a more downbeat outlook for the rest of the year than anticipated by the market.
- Shares in DNP as well have retreated from previous highs. Dino delivered a positive surprise in Q2 2020, owed primarily to strong sales margins, but at the same time its cash conversion cycle in the period increased by 13 days due to a longer inventory cycle.
- Jeronimo Martins reported weak results for Q2 2020, reflecting the negative impact of coronavirus lockdown on business in Portugal and Colombia.
- We see a good opportunity to take profits on Dino ahead of an expected deceleration in profits. On the other hand we are overweight EUR and JMT on expectations of a recovery in the second half of the year.
- AmRest's 2020 Q2 sales preview showed a 44% fall in revenue. The Company said that the proportion of restaurants that were open for business increased from 92% of 30 June to 96% as of 11 August. AmRest issued a profit warning for FY2020 in the wake of the coronavirus epidemic. The restaurant operator generated weak results in Q1 2020, and it expects contraction in the second quarter. Net debt as a ratio of EBITDA amounted to 3.6x as of 31 March, forcing the company to (successfully) apply for a covenant waiver. 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 as soon as reasonably practicable.
- **Key Ratings:** DNP (sell), EUR (buy), JMT (accumulate), LPP (accumulate), VRG (accumulate)

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

Beat / Miss	2017			2018				2019				2020		+ / =
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	
miss	9	16	15	8	11	15	24	11	14	16	20	24	8	183
in-line	24	28	22	35	20	24	22	28	26	28	16	14	14	287
beat	23	14	22	18	31	24	19	26	26	24	32	30	31	289
Σ companies	56	58	59	61	62	63	65	65	66	68	68	68	53	759
miss (%)	16	28	25	13	18	24	37	17	21	24	29	35	15	24
beat (%)	41	24	37	30	50	38	29	40	39	35	47	44	58	38

Source: Companies, Bloomberg, PAP, mBank

YoY	2017			2018				2019				2020			+/=
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q		
miss	22	20	25	27	19	19	23	24	27	23	23	33	36	321	
in-line	8	12	2	8	11	10	6	9	11	7	8	9	5	106	
beat	35	34	39	32	38	39	39	35	30	38	37	26	13	435	
Σ companies	65	66	66	67	68	68	68	68	68	68	68	68	54	862	
miss (%)	34	30	38	40	28	28	34	35	40	34	34	49	67	37	
beat (%)	54	52	59	48	56	57	57	51	44	56	54	38	24	50	

**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, MIL</b>	<b>BAC US, BLK US</b>	<b>EBS, MONET</b>
	<b>Stocks To Avoid</b>		<b>BEN US</b>	
	Key Catalysts	Asset quality data	Lack of clear catalyst despite rising inflationary expectations	Asset quality data
Chemicals	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>NEUTRAL</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>	<b>CIE</b>		<b>AI FP</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>BULLISH</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 relief	Appreciation of precious metals and weakness of Iron Ore	
Oil&Gas, Refining	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>LTS, MOL, PGN</b>	<b>CXO US, COG US, CVX US, SLB US, WPX US</b>	
	<b>Stocks To Avoid</b>			<b>RDSA NA</b>
	Key Catalysts	Strong natgas performance and refining margins' rebound on cheaper crude oil	Curbed costs, companies are braced to stay afloat as they wait for demand to return	First dividend cut since the 80s, little room left for cost cuts
Utilities	<b>SENTIMENT</b>	<b>BEARISH</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>PGE, TPE</b>	<b>HE US</b>	<b>SGRE SM</b>
	Key Catalysts	Delay in decarbonization process in Poland and softening approach to coal sector restructuring	High crisis resistance and relatively better positioning	
Telecoms	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>OPL, PLY</b>	<b>CMCSA US</b>	<b>DTE GY, FNTN GY, TC1 GY, DRI GY</b>
	<b>Stocks To Avoid</b>	<b>CPS</b>		<b>O2D GY</b>
	Key Catalysts	Price increases in both mobile and fixed segments, potential sale of infrastructure	Cheaper exposure to positive tech trends	
Media	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>BEARISH</b>	<b>BEARISH</b>
	<b>Stocks To Own</b>	<b>AGO</b>	<b>MSGS US, DIS US</b>	<b>PSM GY</b>
	<b>Stocks To Avoid</b>		<b>VIAC US, NFLX US</b>	
	Key Catalysts	Poor Q2'20, prospect of a long return to increases y/y	Ad market environment still challenging	
IT	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>NEUTRAL</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>ASE, ACP, SGN</b>	<b>FIS US, MA US, APH US</b>	<b>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 indebtedness	Sector is becoming increasingly overvalued	Strong Q2, support from second COVID wave
Gaming	<b>SENTIMENT</b>	<b>BULLISH</b>	<b>BULLISH</b>	<b>BULLISH</b>
	<b>Stocks To Own</b>	<b>PLW, TEN</b>		
	<b>Stocks To Avoid</b>			
	Key Catalysts	Rising profits, upcoming game releases	Strong Q2, support from second COVID wave	
Industrials	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>AMC, AST, COG, FMF, FTE, STP, 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>ITW US, TEX US</b>	<b>SFC GY, VOE AV, KNEBV FH, MTX GY</b>
	Key Catalysts	Good outlook for H2'20	Strong Q2 but uncertain coronavirus outlook still a risk for many industrials	
Automotive	<b>SENTIMENT</b>	<b>BEARISH</b>	<b>BEARISH</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>ACG, AML, BRS, MGT, SNK</b>	<b>GM US, MGA US</b>	<b>BMW GY, UG FP</b>
	<b>Stocks To Avoid</b>		<b>TSLA US</b>	<b>DAI GY, ZIL2 GY, SFQ GY</b>
	Key Catalysts	New car sales decrease in Europe, overregulated sector	Sector is Tesla... overpriced	Key players well prepared to weather the storm but consumer demand outlook uncertain
Retail	<b>SENTIMENT</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>	<b>NEUTRAL</b>
	<b>Stocks To Own</b>	<b>EUR, JMT, LPP, VRG</b>	<b>AAP US, BBY US, NKE US, PG US</b>	<b>ADS GY, DHER GY, ZAL GY</b>
	<b>Stocks To Avoid</b>	<b>DNP</b>		<b>BOSS GY</b>
	Key Catalysts	Gradual recovery of consumer demand	Strong Q2 but fiscal support slowing, growth concentrated in select retailers	Slow demand recovery, strengthening EUR a risk



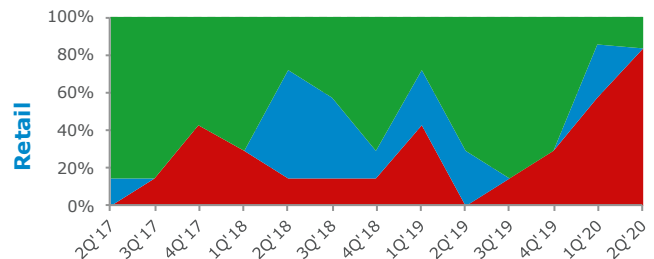
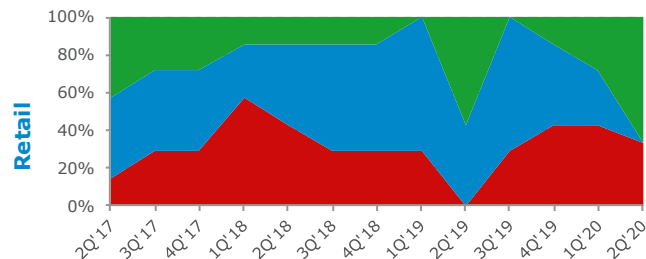
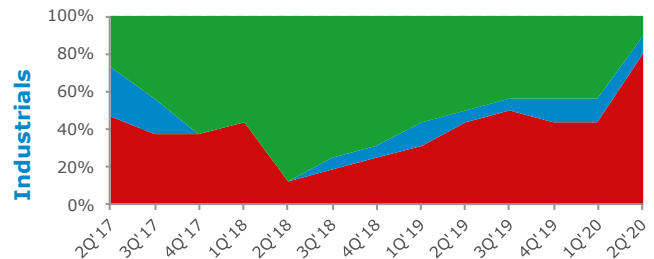
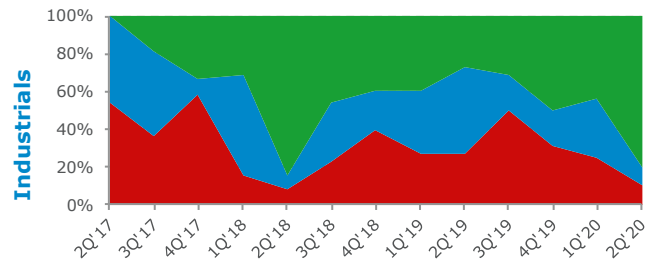
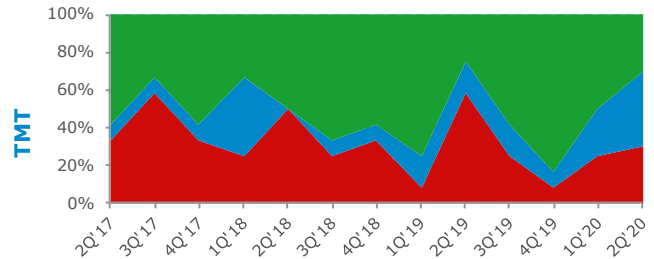
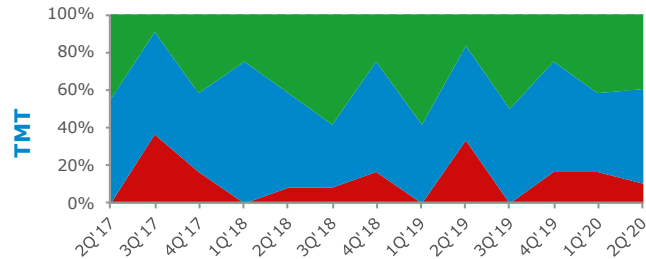
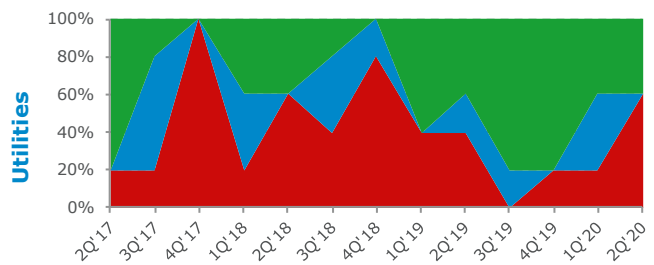
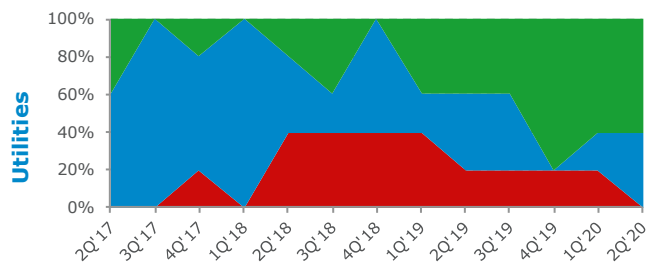
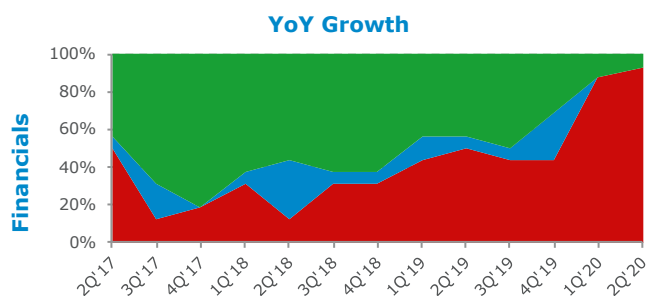
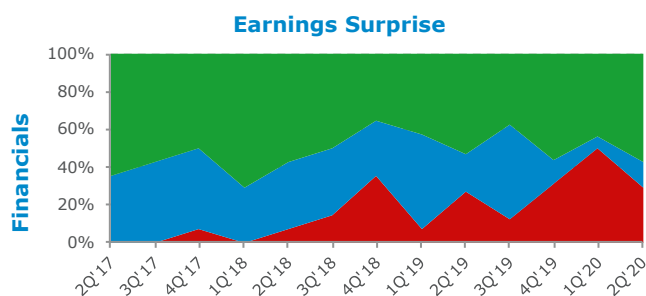
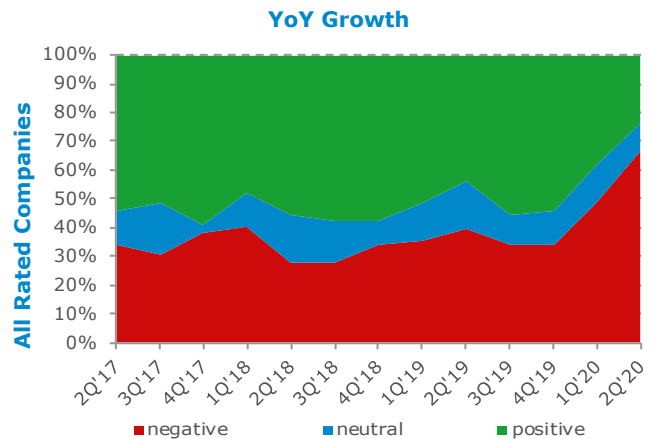
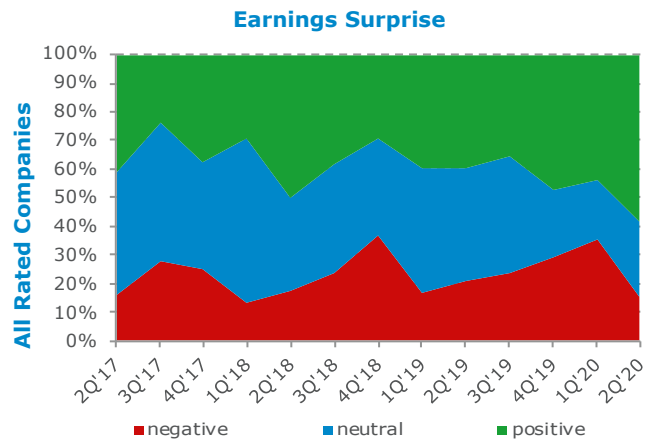
## Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

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%
Sygnity					
<b>Gaming</b>					
11 bit studios	+ -	= - =	+ - -	+ + +	55%
CD Projekt	+ - +	= = -	+ + +	+ +	75%
PlayWay		= = =	+ + +	-	
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%
Stalprodukt			+ + +	= =	83%
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	+ + -	+ + -	- - -	- -	38%
Handlowy	- + +	+ + -	- - -	- -	38%
ING BSK	- + +	+ + =	= + +	- -	77%
Millennium	- + +	+ + +	= - =	- -	62%
Pekao	- = +	+ + -	- + +	- -	62%
PKO BP	= + +	+ + +	+ + +	- -	77%
Santander BP	- + +	= = -	+ - +	- -	46%
Komercni	- - +	+ + +	+ + -	- -	46%
Moneta	- = -	+ + +	+ + =	+ -	62%
Erste Group	- + +	+ + +	+ - +	= -	69%
RBI	+ + +	= + -	= - +	- -	62%
OTP Bank	+ + +	+ + +	+ + +	- -	85%
PZU	+ + +	= + +	+ - +	- -	67%
Kruk	+ = -	- = +	+ - -	- -	46%
Skarbiec	+ + +	- - -	+ + +	- -	42%
GPW	+ + +	= + -	- - +	+ +	54%
<b>Chemicals</b>					
Ciech	- - +	= = -	= + +	-	42%
Grupa Azoty	+ + +	= - -	+ + +	= -	58%
<b>Mining</b>					
JSW	+ + +	= = =	- - -	- -	46%
KGHM	+ + -	= + -	= + +	- - +	54%
<b>Oil &amp; Gas</b>					
Lotos	+ + +	= + =	+ = =	+ -	69%
MOL	+ - +	= - +	= = -	+ -	54%
PGNiG	= = =	= + +	- - -	+ + +	62%
PKN Orlen	+ + -	= - -	+ + =	+ -	54%
<b>Utilities</b>					
CEZ	- - -	= - +	= + =	+ +	54%
Enea	+ = -	= - =	+ + +	+ +	77%
Energia	+ + -	+ + -	= - +	- -	46%
PGE	+ = -	+ + =	- - +	= -	62%
Tauron	+ = -	= - -	+ + +	+ +	62%
<b>Telecoms</b>					
Cyfrowy	+ - -	= - =	= = =	= -	69%
Netia	- - -	= - -	= - +	= =	31%
Orange PL	= - +	= + +	= + +	+ +	85%
Play	+ + =	= - -	+ + =	+ +	69%
<b>Media</b>					
Agora	+ = +	= - +	+ - +	+ -	69%
Wirtualna	+ + +	+ + +	+ + +	- -	85%
<b>IT</b>					
Ailleron	+ - +	= + -	+ - -	-	50%
Asseco BS	+ + +	+ + +	+ - +	= =	92%
Asseco PL	- - -	+ + +	+ - +	+ +	62%
Asseco SEE	+ + +	+ + +	+ + +	+ +	100%
Atende	- - +	= - +	+ - -	- -	33%
Comarch	- - -	= + +	+ - +	+ +	69%
Sygnity					
<b>Gaming</b>					
11 bit studios	- = +	+ - +	+ - -	+ +	69%
CD Projekt	+ - -	= - -	- + -	+ +	38%
PlayWay		+ + +	+ + +	+ +	
Ten Square G		+ + +	+ + +	+ +	100%
<b>Industrials</b>					
AC	+ - -	+ + +	+ - +	- -	54%
Alumetal	- - +	+ + +	= - -	+ -	46%
Amica	= - -	= + +	= + +	- -	67%
Apator	- + -	= + =	+ - -	= =	54%
Astarta	+ +	= - -	+ - +	+ +	42%
Boryszew	+ + +	= - -	= - +	- -	33%
Cognor	= + +	+ + +	+ - -	+ -	54%
Famur	= + +	+ + +	+ + -	+ +	69%
Forte	- - -	= + -	+ - +	+ -	46%
Grupa Kęty	+ + +	+ + +	= + +	+ +	100%
Kernel	- - -	+ + +	+ + =	+ +	50%
Kruszwica	= = +	+ + +	+ + -	=	92%
Mangata	- = +	+ + +	+ = -	- -	75%
PKP Cargo	+ + +	+ + +	+ - -	- -	54%
Pozbud	= + +	+ + +	+ + +	- -	69%
Stalprodukt			+ + +	+ +	
TIM	- - +	+ + +	+ + +	+ +	83%
<b>Retail</b>					
AmRest	+ + -	+ = +	+ + +	- -	75%
CCC	+ + +	= - -	= + -	- -	23%
Dino	+ + +	+ + +	+ + +	+ +	100%
Eurocash	= - -	+ = +	= + +	= -	69%
Jeronimo	+ + +	+ = =	= + +	= -	92%
LPP	+ + +	+ + +	+ + +	+ +	77%
VRG	+ + +	+ = +	+ + +	- -	77%

'+' = positive surprise, '-' = negative surprise, '=' = in-line results vis-à-vis consensus expectations; +/- column shows the sum of 'in-line' or 'beat quarters' in the last three years as a percentage of all quarters. Source: Companies, Bloomberg, PAP, mBank

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



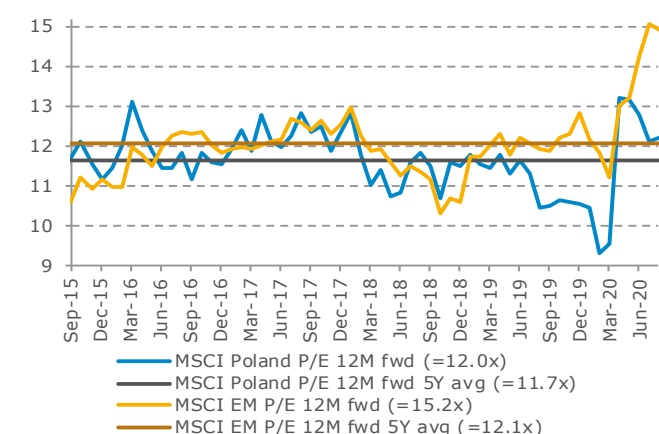
Source: Companies, Bloomberg, PAP, mBank

# Revisions To FY2020 Earnings Forecasts For WIG30 Companies

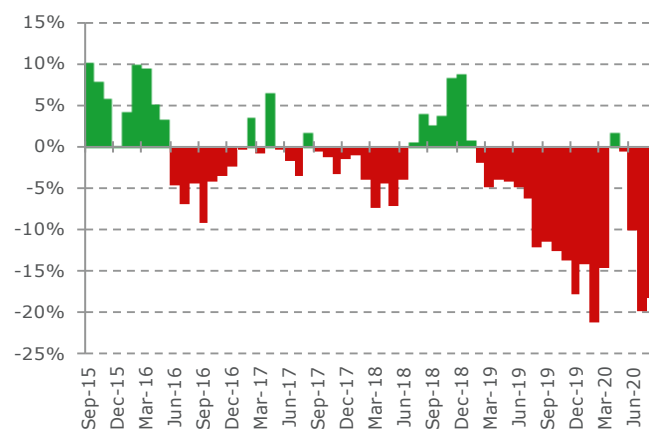
Aug-19=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank
Sep-19	-1%	-2%	+0%	-4%	+1%	+0%	-5%	+0%	-1%	-0%	-0%	-1%	-5%	-41%	-11%	+0%
Oct-19	-3%	-6%	-3%	-7%	+3%	-6%	-7%	-16%	-2%	-3%	+4%	-1%	-25%	-27%	-20%	+22%
Nov-19	-4%	-8%	-3%	-11%	-0%	-3%	-11%	-16%	-3%	-3%	+0%	-4%	-44%	-25%	-19%	+5%
Dec-19	-5%	-8%	-2%	-11%	-2%	-3%	-13%	-16%	-8%	-3%	+2%	-4%	-48%	-25%	-22%	+5%
Jan-20	-10%	-13%	-5%	-11%	-17%	-32%	-14%	-16%	-11%	-5%	+1%	-4%	-68%	+37%	-18%	+19%
Feb-20	-14%	-14%	-7%	-11%	-23%	-32%	-31%	-16%	-13%	-8%	+0%	-4%	-42%	+68%	-22%	-6%
Mar-20	-25%	-42%	-16%	-41%	-39%	-75%	-31%	-16%	-24%	-57%	-4%	-12%	-29%	+68%	-71%	-91%
Apr-20	-43%	-53%	-45%	-52%	-52%	-86%	-35%	-37%	-52%	-67%	+1%	-14%	-45%	+32%	-82%	-91%
May-20	-44%	-51%	-46%	-55%	-58%	-86%	-37%	-41%	-58%	-60%	+7%	-0%	-46%	+32%	-76%	-30%
Jun-20	-45%	-28%	-51%	-55%	-48%	+25%	-36%	-41%	-86%	-60%	+1%	-0%	-29%	+9%	-67%	-30%
Jul-20	-44%	-24%	-58%	-55%	-22%	+28%	-47%	-41%	-97%	-57%	+1%	+3%	-37%	+9%	-64%	+39%
Aug-20	-41%	-31%	-56%	-55%	-18%	+0%	-47%	-41%	-93%	-58%	+2%	-4%	-37%	-16%	-54%	+42%

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)

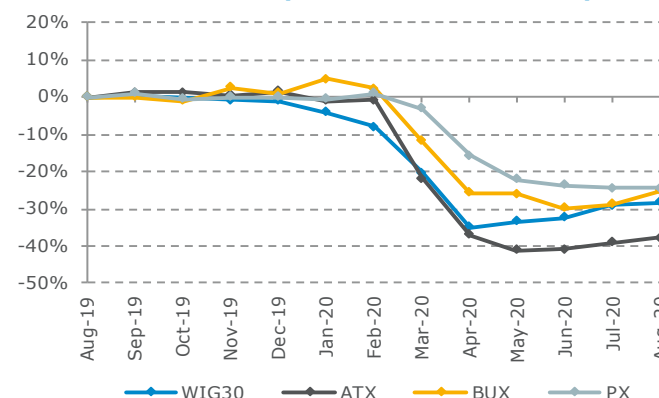


Source: Bloomberg, mBank



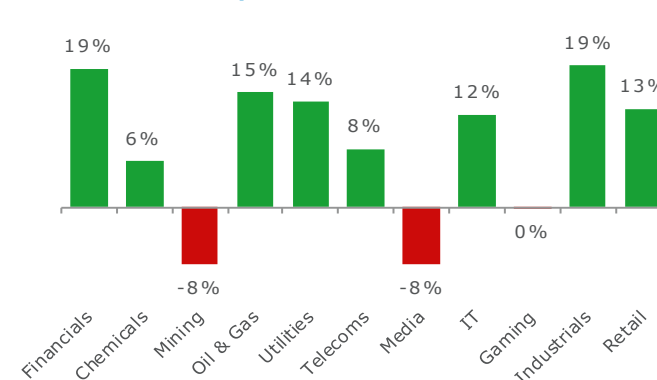
Source: Bloomberg, mBank

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



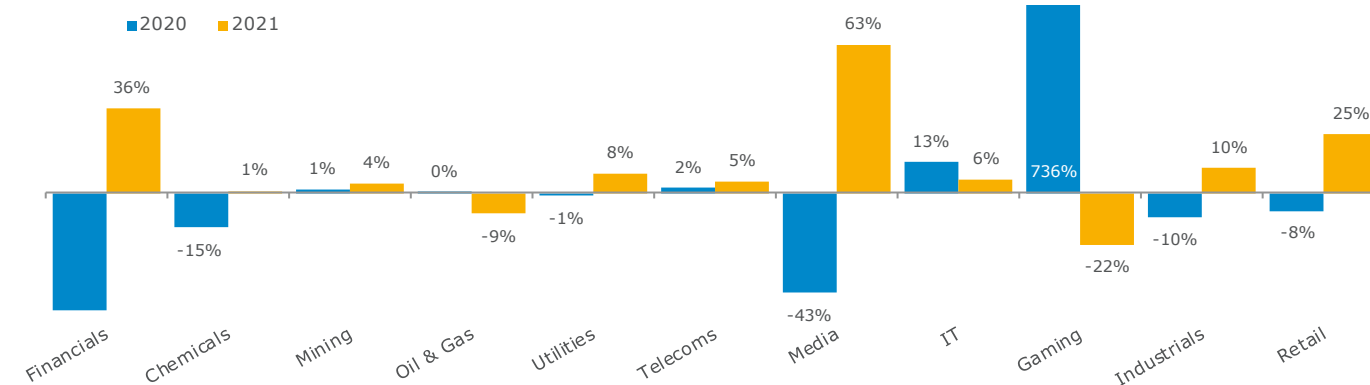
Source: Bloomberg, mBank

## 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	2	3	9	17.37	-13.7%	-	-	+42%				10
Handlowy	hold	37.64	1	4	6	37.77	-0.4%	-19%	-10%	-17%				6
ING BSK	sell	117.78	2	5	5	139.54	-15.6%	-4%	-6%	-10%				6
Millennium	buy	3.72	3	8	2	3.65	+1.9%	-16%	-52%	-63%				3
Pekao	buy	68.90	14	4	1	68.88	+0.0%	+20%	+5%	+16%				13
PKO BP	hold	22.58	7	11	1	27.30	-17.3%	-26%	-8%	-8%				11
Santander BP	buy	179.37	3	10	4	182.72	-1.8%	-6%	-3%	-2%				9
Komercni Banka	accumulate	618.97	12	4	3	657.53	-5.9%	-7%	-4%	+1%				15
Moneta Money Bank	buy	79.68	13	0	0	78.00	+2.2%	+9%	+20%	+8%				6
Erste Group	buy	26.00	17	6	1	26.92	-3.4%	-7%	+22%	+11%				14
RBI	buy	17.67	10	7	3	19.49	-9.3%	+2%	-3%	+17%				16
OTP Bank	accumulate	11,039	8	7	1	12,157	-9.2%	-30%	+2%	-				12
PZU	buy	35.93	6	5	1	37.29	-3.6%	-3%	-2%	+4%				6
Skarbiec Holding	hold	21.20	1	1	0	21.20	+0.0%	-10%	+14%	-				2
GPW	hold	41.56	1	4	0	46.45	-10.5%	-8%	+0%	-1%				4/4
<b>Chemicals</b>														
Ciech	hold	34.09	4	4	2	37.46	-9.0%	-8%	-4%	-16%	-1%	+2%	-7%	7/7
Grupa Azoty	hold	25.83	2	4	2	32.72	-21.1%	-44%	-70%	-70%	-7%	-16%	-14%	3/4
<b>Mining</b>														
JSW	hold	15.82	1	2	6	27.43	-42.3%	-	-	-	+172%	+14%	-26%	5/3
KGHM	hold	124.67	5	6	5	120.11	+3.8%	+27%	-4%	+3%	+13%	-5%	+0%	14/14
<b>Oil &amp; Gas</b>														
Lotos	accumulate	47.09	7	6	1	66.70	-29.4%	-	-57%	-32%	-	-29%	-19%	11/10
MOL	buy	1,976.0	11	2	1	2,273.2	-13.1%	-	-52%	-34%	-8%	-20%	-12%	12/11
PGNiG	accumulate	5.94	5	5	1	4.89	+21.4%	+36%	+24%	+27%	+20%	+6%	+8%	5/6
PKN Orlen	hold	56.37	3	12	3	65.60	-14.1%	-21%	-52%	-39%	-5%	-21%	-12%	7/6
<b>Utilities</b>														
CEZ	accumulate	514.80	11	6	1	554.79	-7.2%	+3%	-20%	-40%	+1%	-5%	-11%	11/12
Enea	suspended	-	6	2	1	10.00	-	+9%	+21%	+15%	+6%	+10%	+5%	8/7
Energia	suspended	-	2	5	0	9.04	-	+94%	-22%	-3%	+4%	+4%	-3%	3/2
PGE	suspended	-	5	3	5	7.48	-	+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	26.30	3	8	1	29.08	-9.6%	-5%	+2%	+7%	-2%	-1%	-1%	7/7
Netia	hold	4.40	3	3	0	4.23	+3.9%	+1%	+5%	-1%	-2%	-3%	-4%	4/4
Orange Polska	buy	8.30	3	9	1	7.07	+17.5%	-6%	+25%	+16%	+14%	+18%	+17%	5/4
Play	accumulate	35.70	10	3	0	36.20	-1.4%	+0%	-4%	-9%	+0%	-1%	-2%	11/10
<b>Media</b>														
Agora	hold	8.60	1	1	0	8.60	+0.0%	-	-	-	+82%	-0%	+0%	2/1
Wirtualna Polska	reduce	63.10	4	0	2	82.65	-23.7%	-8%	-3%	+3%	-9%	-6%	-2%	6/6
<b>IT</b>														
Asseco Poland	buy	80.70	4	4	0	74.82	+7.9%	+1%	+2%	+2%	+12%	+11%	+12%	7/8
Asseco SEE	overweight	-	2	2	0	44.05	-	+4%	+5%	-	+3%	+3%	-	3/4
Comarch	hold	220.30	2	4	0	226.33	-2.7%	-27%	-3%	-3%	-8%	-1%	-1%	3/4
Sygnity	buy	10.70	1	0	0	10.70	+0.0%	-0%	-0%	+0%	+0%	+0%	-0%	1/1
<b>Gaming</b>														
11 bit studios	hold	493.00	5	5	0	485.37	+1.6%	+38%	+45%	+41%	+26%	+45%	+44%	4/3
CD Projekt	hold	429.10	4	13	5	378.59	+13.3%	+22%	+14%	-0%	+11%	+5%	-8%	13/12
PlayWay	accumulate	549.00	3	2	1	507.83	+8.1%	+5%	+29%	+15%	+1%	+50%	+37%	5/5
Ten Square Games	accumulate	623.00	9	0	1	619.27	+0.6%	+4%	+10%	-1%	+8%	+10%	+0%	8/9
<b>Industrials</b>														
AC	neutral	-	1	2	0	44.50	-	+16%	+13%	+19%	+14%	+10%	+14%	3/3
Alumetal	underweight	-	3	0	1	57.20	-	-31%	-18%	-28%	-15%	-10%	-17%	3/3
Amica	overweight	-	5	0	0	164.50	-	+16%	+8%	+4%	+7%	+3%	+0%	4/4
Apator	neutral	-	1	3	0	-	-	-8%	-1%	-0%	-1%	+4%	-0%	2/2
Astarta	overweight	-	2	0	1	16.52	-	-	+35%	-66%	-23%	-8%	-34%	2/2
Cognor	buy	1.98	1	0	0	1.98	+0.0%	+24%	-21%	-44%	-3%	-12%	-21%	2/2
Famur	buy	2.86	2	3	0	3.18	-10.1%	-9%	-4%	+23%	-5%	+7%	+4%	4/3
Forte	overweight	-	2	2	1	19.80	-	+47%	+31%	+12%	+34%	+18%	+10%	2/3
Grupa Kęty	hold	465.74	6	2	0	496.59	-6.2%	+13%	+3%	-4%	+8%	+1%	-6%	8/8
Kemel	hold	44.58	3	2	0	50.49	-11.7%	-11%	+11%	-0%	-6%	-2%	+0%	4/3
Mangata	neutral	-	1	2	0	85.00	-	-14%	+0%	-7%	-8%	+0%	-6%	2/2
PKP Cargo	hold	12.80	2	2	3	16.99	-24.7%	-	-	-	-1%	-21%	-7%	5/5
Stalprodukt	buy	336.15	3	0	0	278.72	+20.6%	+41%	+37%	-3%	+16%	+18%	-0%	2/2
<b>Retail</b>														
Dino	sell	155.60	5	6	7	186.33	-16.5%	+1%	+7%	+4%	-0%	-0%	-1%	12/11
Eurocash	buy	19.90	10	4	4	21.01	-5.3%	+60%	+73%	+62%	-34%	-29%	-25%	11/9
Jeronimo Martins	accumulate	15.30	13	12	1	15.83	-3.4%	-11%	-7%	-10%	-20%	-16%	-17%	12/13
LPP	accumulate	7,900.0	9	5	2	7,338.5	+7.7%	-73%	+121%	+44%	-56%	-10%	-13%	7/7
VRG	accumulate	2.43	5	1	0	2.73	-11.0%	-	-66%	-13%	-93%	-62%	-32%	5/3

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>+19.6%</b>	<b>13.3</b>	<b>10.6</b>		
Alior Bank	hold	2020-06-03	15.19	14.98	13.69	+9.4%	-	8.7		
Handlowy	hold	2020-06-03	38.00	37.64	35.70	+5.4%	20.7	15.7		
ING BSK	sell	2020-06-03	145.20	117.78	133.20	-11.6%	18.9	16.1		
Millennium	buy	2020-06-03	2.64	3.72	2.91	+27.8%	22.3	13.7		
Pekao	buy	2020-06-03	52.40	68.90	50.90	+35.4%	10.1	9.3		
PKO BP	hold	2020-06-03	22.06	22.58	21.10	+7.0%	14.4	10.7		
Santander Bank Polska	buy	2020-08-04	152.50	179.37	146.30	+22.6%	16.7	12.0		
Komerční Banka	accumulate	2020-09-02	534.00	618.97 CZK	534.00	+15.9%	13.1	11.7		
Moneta Money Bank	buy	2020-08-10	54.20	79.68 CZK	55.40	+43.8%	12.7	10.6		
Erste Group	buy	2020-08-10	19.85	26.00 EUR	20.38	+27.6%	13.3	7.4		
RBI	buy	2020-08-10	15.20	17.67 EUR	15.04	+17.5%	7.5	7.2		
OTP Bank	accumulate	2020-09-02	9,950	11,039 HUF	9,950	+10.9%	14.6	8.1		
PZU	buy	2020-04-28	29.92	35.93	26.98	+33.2%	9.1	8.2		
Kruk	buy	2019-12-05	150.90	210.31	155.90	+34.9%	8.8	8.4		
Skarbiec Holding	hold	2020-07-02	21.40	21.20	26.10	-18.8%	10.0	10.8		
GPW	hold	2020-05-20	40.00	41.56	42.55	-2.3%	16.2	14.7		
<b>Chemicals</b>						<b>+6.2%</b>	<b>14.4</b>	<b>25.5</b>	<b>5.9</b>	<b>6.3</b>
Ciech	hold	2020-07-02	32.30	34.09	30.45	+12.0%	10.2	8.8	5.5	4.7
Grupa Azoty	hold	2020-09-02	25.30	25.83	25.30	+2.1%	18.7	42.2	6.3	7.8
<b>Mining</b>						<b>-7.6%</b>	<b>10.1</b>	<b>10.7</b>	<b>4.9</b>	<b>4.2</b>
JSW	hold	2020-09-02	15.18	15.82	15.18	+4.2%	-	-	4.3	3.3
KGHM	hold	2020-07-29	129.45	124.67	136.25	-8.5%	10.1	10.7	5.4	5.2
<b>Oil &amp; Gas</b>						<b>+15.3%</b>	<b>6.6</b>	<b>12.3</b>	<b>5.5</b>	<b>5.2</b>
Lotos	accumulate	2020-09-02	39.22	47.09	39.22	+20.1%	-	14.2	-	5.2
MOL	buy	2020-09-02	1,686	1,976 HUF	1,686	+17.2%	-	13.1	6.1	5.5
PGNiG	accumulate	2020-09-02	5.15	5.94	5.15	+15.3%	4.1	10.2	2.1	3.8
PKN Orlen	hold	2020-09-02	50.32	56.37	50.32	+12.0%	9.1	11.4	5.5	5.3
<b>Power Utilities</b>						<b>+14.1%</b>	<b>7.8</b>	<b>3.8</b>	<b>5.1</b>	<b>4.4</b>
CEZ	accumulate	2020-06-03	489.00	514.80 CZK	451.00	+14.1%	11.1	15.6	6.4	7.1
Enea	suspended	2020-06-23	7.90	-	6.16	-	2.5	2.1	3.3	2.7
Energia	suspended	2020-06-03	8.19	-	7.82	-	10.2	7.9	5.1	4.4
PGE	suspended	2020-04-27	4.05	-	5.79	-	7.8	3.8	3.6	2.7
Tauron	suspended	2020-05-05	1.14	-	2.31	-	6.1	3.4	5.4	4.7
<b>Telecoms</b>						<b>+7.9%</b>	<b>22.0</b>	<b>16.2</b>	<b>5.5</b>	<b>5.1</b>
Cyfrowy Polsat	hold	2020-09-02	26.92	26.30	26.92	-2.3%	15.2	11.7	7.4	6.9
Netia	hold	2020-08-04	4.46	4.40	4.47	-1.6%	28.8	26.0	4.6	4.4
Orange Polska	buy	2020-07-30	7.07	8.30	7.19	+15.5%	38.7	20.8	5.2	4.7
Play	accumulate	2020-08-04	32.54	35.70	29.98	+19.1%	8.2	8.1	5.8	5.4
<b>Media</b>						<b>-7.7%</b>	<b>37.7</b>	<b>21.8</b>	<b>17.3</b>	<b>9.3</b>
Agora	hold	2020-06-03	8.36	8.60	6.86	+25.4%	-	-	19.7	7.4
Wirtualna Polska	reduce	2020-04-20	67.80	63.10	74.00	-14.7%	37.7	21.8	14.9	11.3
<b>IT</b>						<b>+12.8%</b>	<b>16.4</b>	<b>14.7</b>	<b>7.6</b>	<b>5.5</b>
Aiileron	neutral	2020-05-05	6.26	-	7.08	-	14.1	11.0	4.4	3.4
Asseco BS	neutral	2020-09-02	36.00	-	36.00	-	16.4	15.6	10.7	10.2
Asseco Poland	buy	2020-09-02	70.20	80.70	70.20	+15.0%	16.0	14.7	4.9	4.6
Asseco SEE	overweight	2020-08-07	43.70	-	47.50	-	21.4	18.8	10.8	9.6
Atende	neutral	2020-05-05	2.94	-	3.24	-	17.9	10.8	7.6	5.5
Comarch	hold	2020-05-13	210.00	220.30	214.00	+2.9%	23.6	16.9	7.8	7.0
Sygnity	buy	2020-09-01	7.20	10.70	8.58	+24.7%	7.7	6.9	4.8	4.3
<b>Gaming</b>						<b>-0.2%</b>	<b>25.8</b>	<b>21.9</b>	<b>19.1</b>	<b>17.6</b>
11 bit studios	hold	2020-09-02	482.00	493.00	482.00	+2.3%	30.2	48.2	20.2	29.3
CD Projekt	hold	2020-09-02	440.70	429.10	440.70	-2.6%	17.3	25.9	14.8	21.9
PlayWay	accumulate	2020-08-25	484.00	549.00	495.00	+10.9%	31.2	17.9	26.1	10.4
Ten Square Games	accumulate	2020-09-02	548.00	623.00	548.00	+13.7%	21.4	16.3	18.1	13.4
<b>Industrials</b>						<b>+18.9%</b>	<b>12.2</b>	<b>10.0</b>	<b>6.5</b>	<b>6.2</b>
AC	neutral	2020-06-29	38.50	-	42.50	-	14.4	14.3	8.7	8.6
Alumetal	underweight	2020-07-30	38.00	-	37.00	-	22.5	14.4	9.1	7.4
Amica	overweight	2020-07-30	145.00	-	156.00	-	10.1	10.0	6.6	6.6
Apator	neutral	2020-06-29	20.80	-	22.00	-	14.0	12.8	7.6	7.1
Astarta	overweight	2020-05-11	11.75	-	16.10	-	-	3.1	4.4	2.8
Boryszew	underweight	2020-06-08	3.59	-	3.46	-	64.1	12.3	8.9	7.0
Cognor	buy	2020-08-04	0.93	1.98	1.22	+62.3%	8.0	9.8	4.6	4.7
Famur	buy	2020-08-04	1.70	2.86	1.85	+54.6%	7.8	9.9	3.5	3.5
Forte	overweight	2020-08-28	28.85	-	29.50	-	22.8	10.0	8.1	6.7
Grupa Kęty	hold	2020-09-02	482.50	465.74	482.50	-3.5%	12.2	14.9	8.8	10.1
Kemel	hold	2020-06-03	43.80	44.58	38.85	+14.7%	9.1	6.2	6.0	5.8
Kruszwica	neutral	2020-06-29	60.40	-	57.00	-	11.5	10.9	6.5	6.2
Mangata	neutral	2020-06-29	50.50	-	50.50	-	13.1	9.2	7.5	5.8
PKP Cargo	hold	2020-09-02	12.38	12.80	12.38	+3.4%	-	-	4.9	5.1
Pozbud	neutral	2020-06-29	1.70	-	1.59	-	7.2	10.0	6.0	7.2
Stalprodukt	buy	2020-08-07	186.00	336.15	230.00	+46.2%	10.9	9.8	3.5	3.0
TIM	overweight	2020-06-29	10.90	-	12.45	-	14.1	10.4	6.5	5.7
<b>Retail</b>						<b>+13.2%</b>	<b>26.3</b>	<b>27.4</b>	<b>8.3</b>	<b>9.2</b>
AmRest	hold	2020-03-04	39.55	40.00	20.10	+99.0%	18.7	15.1	6.8	5.8
CCC	suspended	2020-03-19	24.98	-	55.08	-	-	-	-	-
Dino	sell	2020-07-02	199.10	155.60	218.00	-28.6%	38.5	28.8	22.8	17.8
Eurocash	buy	2020-07-02	17.34	19.90	15.50	+28.4%	-	99.6	5.5	5.2
Jerónimo Martins	accumulate	2020-08-04	14.29	15.30 EUR	13.86	+10.4%	26.3	21.3	8.3	7.0
LPP	accumulate	2020-08-04	7,105.00	7,900.00	7,145.00	+10.6%	-	25.9	25.0	12.7
VRG	accumulate	2020-07-02	2.33	2.43	2.33	+4.5%	-	50.1	-	11.3



### Stocks Re-Rated as of 2 September 2020

Company	Rating	Previous Rating	Target Price		Issued on
11 bit studios	hold	hold	493.00	PLN	2020-09-02
Asseco BS	neutral	neutral	-	-	2020-09-02
Asseco Poland	buy	accumulate	80.70	PLN	2020-09-02
CD Projekt	hold	hold	429.10	PLN	2020-09-02
Cyfrowy Polsat	hold	hold	26.30	PLN	2020-09-02
Grupa Azoty	hold	hold	25.83	PLN	2020-09-02
Grupa Kęty	hold	hold	465.74	PLN	2020-09-02
JSW	hold	hold	15.82	PLN	2020-09-02
Komercni Banka	accumulate	buy	618.97	CZK	2020-09-02
Lotos	accumulate	hold	47.09	PLN	2020-09-02
MOL	buy	buy	1976.00	HUF	2020-09-02
OTP Bank	accumulate	hold	11039.00	HUF	2020-09-02
PGNiG	accumulate	buy	5.94	PLN	2020-09-02
PKN Orlen	hold	hold	56.37	PLN	2020-09-02
PKP Cargo	hold	reduce	12.80	PLN	2020-09-02
Ten Square Games	accumulate	accumulate	623.00	PLN	2020-09-02

### Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price		Issued on
Asseco Poland	accumulate	hold	68.39	PLN	2020-08-04
Asseco SEE	overweight	overweight	-	-	2020-08-07
Cognor	buy	hold	1.98	PLN	2020-08-04
Erste Group	buy	buy	26.00	EUR	2020-08-10
Famur	buy	hold	2.86	PLN	2020-08-04
Forte	overweight	overweight	-	-	2020-08-28
Jeronimo Martins	accumulate	hold	15.30	EUR	2020-08-04
JSW	hold	sell	16.41	PLN	2020-08-04
Komercni Banka	buy	buy	618.97	CZK	2020-08-10
LPP	accumulate	accumulate	7900.00	PLN	2020-08-04
MOL	buy	accumulate	2158.00	HUF	2020-08-04
Moneta Money Bank	buy	buy	79.68	CZK	2020-08-10
Netia	hold	accumulate	4.40	PLN	2020-08-04
OTP Bank	hold	hold	11039.00	HUF	2020-08-10
PGNiG	buy	buy	5.94	PLN	2020-08-04
Play	accumulate	buy	35.70	PLN	2020-08-04
PlayWay	accumulate	-	549.00	PLN	2020-08-25
RBI	buy	accumulate	17.67	EUR	2020-08-10
Santander Bank Polska	buy	hold	179.37	PLN	2020-08-04
Stalprodukt	buy	-	336.15	PLN	2020-08-07
Sygnity	buy	-	10.70	PLN	2020-09-01

### 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	3.1%	1	4.5%
reduce	1	1.5%	0	0.0%
underweight	2	3.1%	1	4.5%
hold	20	30.8%	7	31.8%
neutral	8	12.3%	0	0.0%
accumulate	11	16.9%	3	13.6%
buy	16	24.6%	8	36.4%
overweight	5	7.7%	2	9.1%

## Corporate Events Calendar For September

Date	Time	Company	Event
3-Sep		<b>Atal</b>	Q2'20 earnings announcement
3-Sep		<b>CD Projekt</b>	Q2'20 earnings announcement
3-Sep		<b>Enea</b>	Q2'20 earnings announcement
3-Sep		<b>Erbud</b>	Q2'20 earnings announcement
4-Sep	12:00	<b>CD Projekt</b>	Teleconference with the Management Board (registration required)
4-Sep		<b>Torpol</b>	Q2'20 earnings announcement
4-Sep	12:00	<b>Enea</b>	Teleconference with the Management Board ( <a href="https://media.enea.pl/transmisja">https://media.enea.pl/transmisja</a> )
8-Sep		<b>Ciech</b>	Q2'20 earnings announcement
8-Sep		<b>Develia</b>	Q2'20 earnings announcement
9-Sep		<b>CCC</b>	Q2'20 earnings announcement
9-Sep	10:00	<b>Ciech</b>	Teleconference with the Management Board
10-Sep		<b>PZU</b>	Q2'20 earnings announcement
10-Sep	11:30	<b>Apator</b>	Teleconference with the Management Board (CC Group)
10-Sep		<b>Grupa Azoty</b>	Q2'20 earnings announcement
15-Sep		<b>PGE</b>	Q2'20 earnings announcement
15-Sep		<b>Atende</b>	Q2'20 earnings announcement
15-Sep		<b>Mangata</b>	Q2'20 earnings announcement
16-Sep		<b>Trakcja PRKiI</b>	Q2'20 earnings announcement
17-Sep		<b>Archicom</b>	Q2'20 earnings announcement
18-Sep		<b>Pozbud</b>	Q2'20 earnings announcement
18-Sep		<b>Amica</b>	Q2'20 earnings announcement
21-Sep		<b>Kruszwica</b>	Q2'20 earnings announcement
23-Sep		<b>Echo Investment</b>	Q2'20 earnings announcement
23-Sep		<b>TIM</b>	Q2'20 earnings announcement
25-Sep		<b>Amica</b>	Q2'20 earnings announcement
25-Sep		<b>Boryszew</b>	Q2'20 earnings announcement
30-Sep		<b>Ailleron</b>	Q2'20 earnings announcement
30-Sep		<b>Alumetal</b>	Q2'20 earnings announcement
30-Sep		<b>Elektrobudowa</b>	Q2'20 earnings announcement

## Macroeconomic Update

### Retail Sales

Polish retail sales rebounded 3% in July, indicating a recovery to pre-pandemic levels and a stronger upturn than anticipated by the market. Aside from catch-up shopping, the drivers behind the July rise included higher spending on food amid high vacation season. In addition, some of the categories which were on a decline in previous months seem to have improved in July, but on the other hand categories which had rebounded before either settled at their high growth rates (furniture, appliances, electronics), or logged small declines (print media). Sales of cars were more or less on a level with the year-ago numbers. The potential for retail sales to automatically grow further in the months ahead has become limited, undercut by a deceleration in wages and potentially by general spending cutbacks if infection numbers rise too rapidly. Consumer confidence was seen to dampen somewhat in August.

### Industrial Production

Polish industrial production was up by 1.1% y/y, and producer prices were down -0.6% on the year, in July. Manufacturing is now only 3.5% off its February level, and its rebound despite unfavorable base effects is a clear sign that producers have been able to make up lost ground. We anticipate gradual stabilization in future months as the catch-up effects wane. Nevertheless the recovery seen so far has been V-shaped.

The PPI index in recent weeks has largely trailed commodity markets, coke and petroleum products being one example, rising a further 5% in July after a 16% surge in June. Adjusted for immediate price effects, manufacturing prices for the month were flat to lower.

Construction activity shrunk 10.9% in July compared to the same month a year earlier, led mainly by infrastructure volumes which fell 16.9%. The slowdown in public infrastructure spend seems to coincide with curbed expenditures by private investors.

### Jobs

Employment in Poland decreased by 2.3% in July compared to the same month a year earlier, a smaller fall than expected by us (-3% y/y) and market analysts (-3.1% y/y). The average salary for the month increased in line with our estimate at 3.8% y/y (consensus was 2.9% y/y), and it was up by 1.1% from June. The Polish economy added 66,200 full-time positions in July, thanks probably in part to employers restoring previously-cut hours and employees returning from parental time off and unpaid leaves, however Statistics Poland also reported new hiring in the month.

### Inflation

The consumer price index increased 3% in July, a smaller rise than the 3.1% forecast by the market but a faster rate than the 2.9% projected by us. The increase was driven by a surprising acceleration in the core inflation rate.

Compared to June, prices of food fell 1.4%, and prices of energy declined by 0.6% – a revision to the initial release which put the monthly fall at 0.1%. It seems that the flash print might not have taken into consideration the sharp slump in prices of natural gas, partly offset by hiked prices of firewood to reflect increased VAT. As predicted, prices of motor fuels went up 2.3% month on month. From what we can tell, the sharp jump was triggered by a combination of many variables and temporary or one-time shocks. These included a more moderate upward trend in prices of communications and entertainment & culture, set against a continuing steep rise in rates at restaurants and hotels as the

vacation season heated up. The main driver of "other" prices in July was insurance, where are known to fluctuate wildly depending on the month. Apparel prices decreased less than expected in July.

Looking at the composition of the July acceleration in core CPI, we remain confident that inflation in Poland is headed for a significant deceleration in 2021.

### Government Budget

Poland's budget proposal for 2021 assumes revenues of PLN 403.7 billion against expenditures of PLN 486 billion, indicating a deficit of PLN 82.3 billion. This after 2020's planned deficit of PLN 109.3bn put forward in an amended budget draft, where the initial revenue forecast has been cut from PLN 435bn to PLN 398.7bn. Off this, revenues in 2021 are expected to be 1.3% higher at PLN 403.7bn. Relative to the adjusted new 2020 levels, tax revenues are expected to increase 6.5% to PLN 181bn from VAT, 4.8% to PLN 71bn from excise taxes, 6.2% to PLN 68.1bn from personal income tax, and fall 4.2% to PLN 36.9bn for corporate income tax.

The 2021 proposal also assumes new revenue sources, including a tax on retailers (PLN 1.5bn), a 5G auction (PLN 1.9bn), and dividends from NBP (PLN 1.3bn). On the other hand, contrary to expectations, the draft in its current form does not envision either revenues from charges on pension savings shifted from OFE funds to other state-run savings alternatives, or higher pension contributions if the 30-times-average-salary cap were to be removed.

2021 government spend is expected to total PLN 486 billion, which would be less than the updated PLN 508bn expenditures forecast this year. The proposed expenditures do not include any further rise in covid-related relief funding.

At PLN 82.3bn next year's budget gap would be equivalent to 3.5% of the year's projected GDP (the ratio in case of the 2020 deficit is 4.9%). The general government deficit as a percentage of GDP is expected to be 12% this year after the inclusion of various covid relief measures, and in 2021 it is budgeted at 6%. GG debt will be 62.2% in 2020 and 64.7% in 2021 according to the current proposals.

The underlying assumptions for the 2021 budget proposal included GDP growth at 4% and an average inflation rate of 1.8%.

### mBank Research

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## Financial Sector

### Alior Bank

#### hold (no change)

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ALR stock fell in August on news that the Bank had set aside PLN 676m in loan loss provisions in Q2, but the sell-off was surprisingly mild relative to the size of the charge-offs, with shares drifting only 4% lower for the month as the blow was probably cushioned by the ongoing reexamination by the Bank's principal shareholder, the listed insurer PZU, of its banking sector engagement strategy. We believe PZU might make a tender offer for more Alior shares, either directly or via its other bank unit, Pekao – a suspicion reinforced by a complete write-down of goodwill in Alior and its trademarks in the second quarter. The charge-offs notwithstanding, Alior's earnings results in Q2 2020 surprised slightly on the downside – a sign that the Bank may be struggling to recover lost ground. We maintain a hold recommendation for Alior as we wait for conclusions from PZU's reexamination of its banking strategy.

Current Price

13.69 PLN

Upside

9M Target Price

14.98 PLN

+9.4%

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

Key Metrics			ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-6.1%	-7.1%
ISIN	PLALIOR00045	YTD Price Chng	-52.3%	-40.3%
Outst. Stock (m)	129.3	ADTV 1M		PLN 5.4m
MC (PLN m)	1,769.5	ADTV 6M		PLN 13.6m
		P/E 12M fwd	56.2	+353.4%
Free Float	74.8%	P/E 5Y avg	12.4	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	2.6	7.5	-	9.3	4.9
P/B	0.3	0.3	0.3	0.3	0.2
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 lockdown 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 and much higher additional capital (ca. PLN 80m) set aside to shield against the coronavirus crisis. We maintain a hold rating for BHW. The likely extra distributions to shareholders from retained earnings expected in 2021 and 2022 improve the Bank's valuation.

<b>Current Price</b>	35.70 PLN	<b>Upside</b>
<b>9M Target Price</b>	37.64 PLN	<b>+5.4%</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	-2.3%	-3.3%
ISIN	PLBH000000012	YTD Price Chng	-31.1%	-19.2%
Outst. Stock (m)	130.7	ADTV 1M		PLN 0.7m
MC (PLN m)	4,664.5	ADTV 6M		PLN 1.9m
		P/E 12M fwd	14.8	+2.9%
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	7.2	9.5	20.5	15.6	11.0
P/B	0.7	0.7	0.6	0.6	0.6
ROE	9.1%	6.9%	3.1%	4.1%	5.8%
DPS	4.10	3.74	0.00	2.55	3.57
DYield	11.5%	10.5%	0.0%	7.1%	10.0%
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	1,108	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 CEE bank at 1.1x 2021E price-to-book, a high level 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 did deliver a positive surprise in the 2020 Q2 reporting season, but the margins by which its profit exceeded market expectations were lower than the beats achieved by the competition. Relative to our estimates, the quarterly revenues were in line but provisioning was not as high as anticipated. ING BSK gave a cautious outlook for H2 2020, but we think it can deliver more positive surprises still this year assuming no major rise in risk costs. We maintain a sell rating for ING, which is trading at a substantial premium to CEE banks even though it does not stand to be any less badly hit than any of its peers by the coronavirus crisis. Rather, we believe the premium is a consequence of the Bank's low liquidity and small free-float capitalization.

<b>Current Price</b>	133.20 PLN	<b>Downside</b>
<b>9M Target Price</b>	117.78 PLN	<b>-11.6%</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	+0.9%	-0.0%
ISIN	PLBSK0000017	YTD Price Chng	-33.0%	-21.0%
Outst. Stock (m)	130.1	ADTV 1M		PLN 1.2m
MC (PLN m)	17,329.3	ADTV 6M		PLN 2.4m
		P/E 12M fwd	15.6	+1.5%
Free Float	25.0%	P/E 5Y avg	15.4	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	11.4	10.5	19.0	16.2	12.2
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%	2.6%	0.0%	2.6%	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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Millennium delivered solid results for Q2 2020, and, more importantly, it gave an upbeat guidance for the third quarter. The Bank generated higher-than-expected second-quarter 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. 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. The Bank will probably have to keep setting aside fresh provisions for potential losses in cases brought by CHF mortgage holders for the foreseeable future, and this might have a negative effect on its long-term returns. Nevertheless, based on relative valuation, Millennium remains our top pick among smaller banks and a buy opportunity for September.

<b>Current Price</b>	2.91 PLN	<b>Upside</b>
<b>9M Target Price</b>	3.72 PLN	<b>+27.8%</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	+2.5%	+1.5%
ISIN	PLBIG0000016	YTD Price Chng	-50.3%	-38.3%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 3.4m
MC (PLN m)	3,530.2	ADTV 6M		PLN 9.8m
		P/E 12M fwd	6.9	-39.7%
Free Float	50.0%	P/E 5Y avg	11.5	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
NII	1,817	2,437	2,460	2,410	2,576
Total income	2,778	3,552	3,633	3,564	3,779
Costs	1,332	-1,842	-1,927	-1,875	-1,867
Provisioning	-222	-627	-1,153	-1,002	-1,164
Net income	761	561	158	259	303
P/E	4.6	6.3	22.3	13.7	11.7
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's worst underperformers this year – an effect of top management reshuffling and media speculation about the Bank's possible involvement in industry consolidation. In the mean time, in Q2 2020 Pekao beat net profit expectations by 32% on 4% higher-than-expected net interest income, and for the year to 30 June the respective results fulfilled 41% and 56% of our corresponding forecasts for the full year. Cost of risk for the year is close to our 96bp forecast. Keep in mind that Pekao is in the process of downsizing and further scaling its branch network. Last but not least, a merger with Alior Bank in our view would be a great leap forward for Pekao, which is still our top bank pick.

### Current Price

50.90 PLN

Upside

### 9M Target Price

68.90 PLN

+35.4%

	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	+0.6%	-0.3%
ISIN	PLPEKAO000016	YTD Price Chng	-49.3%	-37.4%
Outst. Stock (m)	262.5	ADTV 1M		PLN 32.5m
MC (PLN m)	13,359.7	ADTV 6M		PLN 74.8m
		P/E 12M fwd	10.8	-19.3%
Free Float	67.2%	P/E 5Y avg	13.4	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	6.1	6.4	10.5	9.7	6.7
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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PKO stock has not veered too far away from our target after a month of lackluster performance, with sentiment not galvanized even by the Bank's relatively strong second-quarter results which will probably prompt analysts to revise upward their expectations for the whole year. PKO BP also fulfilled an impressive 71% of our FY net income forecast in the year to 30 June 2020, thanks among others to high fee income, which also beat consensus by 10%, and to lower-than-expected provisioning at a ytd level equivalent to just 34% of what we are forecasting for the year. Risk reserves will most likely go up faster toward the end of the year, once loan payment moratoria granted under coronavirus relief start to expire. PKO will probably tap retained earnings for 2018 and 2019 to pay higher dividends in 2021 and 2022. We maintain a hold rating for PKO.

<b>Current Price</b>	21.10 PLN	<b>Upside</b>
<b>9M Target Price</b>	22.58 PLN	<b>+7.0%</b>

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

Key Metrics	PKO PW	PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-3.0% -3.9%
ISIN	PLPKO0000016	YTD Price Chng	-35.9% -24.0%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 37.9m
MC (PLN m)	26,375.0	ADTV 6M	PLN 81.9m
		P/E 12M fwd	10.5 -15.9%
Free Float	70.6%	P/E 5Y avg	12.4 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	7.2	6.7	14.8	11.0	8.7
P/B	0.7	0.6	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	2.6%	6.3%	0.0%	9.8%	10.5%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

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

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We maintain a buy rating for Santander Bank Polska after better-than-expected second-quarter results which demonstrated tight management of expenses and loan loss provisions. In the year to 30 June 2020, Santander fulfilled 53% of our net income target and set aside risk reserves representing only 38% of the full-year forecast. The Bank expects to keep costs under control in the quarters ahead.

<b>Current Price</b>	146.30 PLN	<b>Upside</b>
<b>9M Target Price</b>	179.37 PLN	<b>+22.6%</b>

	rating	target price	issued
unchanged	buy	179.37 PLN	2020-08-04

Key Metrics			SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-2.7%	-3.7%
ISIN	PLBZ000000044	YTD Price Chng	-52.4%	-40.5%
Outst. Stock (m)	102.1	ADTV 1M		PLN 7.5m
MC (PLN m)	14,935.5	ADTV 6M		PLN 18.8m
		P/E 12M fwd	12.2	-10.2%
Free Float	31.7%	P/E 5Y avg	13.6	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	6.5	7.2	17.3	12.5	9.0
P/B	0.6	0.6	0.6	0.6	0.5
ROE	10.1%	8.5%	3.5%	4.7%	6.4%
DPS	3.10	19.72	0.00	16.25	17.25
DYield	2.1%	13.5%	0.0%	11.1%	11.8%
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	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>



## Komercni Banka accumualte (downgraded)

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We downgrade Komercni Banka from buy to accumulate to reflect the August share price rise. The Czech economy is projected to shrink 8% this year as one of the hardest-hit by the coronavirus crisis in the EU. The Czech National Bank has cut interest rates by 200bp to 25bp since the beginning of the year as economists kept marking down their estimates (though keep in mind that between 2012 and 2017 the basic rate was 5 basis points). A low rate environment, compounded by significantly higher costs of risk, prompted us to cut 2020-21 earnings expectations for Komercni by 50% and play down hopes of a noticeable improvement in profits before risk costs start to normalize in 2022. On our updated estimates, KOMB stock is trading at a 43% discount to the average P/B in the forecast period, and a 10% discount to its own book value. Komercni is an attractive alternative to Polish banks owing to a higher ROE, expected to reach a target 9% in the final year of our forecast period, and consistent dividends offering projected yield of 6%.

<b>Current Price</b>	534.00 CZK	<b>Upside</b>
<b>9M Target Price</b>	618.97 CZK	<b>+15.9%</b>

	rating	target price	issued
<b>new</b>	<b>accumulate</b>	<b>618.97 CZK</b>	<b>2020-09-02</b>
<b>old</b>	<b>buy</b>	<b>618.97 CZK</b>	<b>2020-08-10</b>
Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	+3.7% +2.8%
ISIN	CZ0008019106	YTD Price Chng	-30.8% -18.9%
Outst. Stock (m)	188.9	ADTV 1M	CZK 52.4m
MC (CZK bn)	100.8	ADTV 6M	CZK 113.0m
		P/E 12M fwd	11.6 -7.3%
Free Float	39.6%	P/E 5Y avg	12.6 discount

### Earnings Projections

(CZK m)	2018	2019	2020P	2021P	2022P
NII	22,509	23,591	21,586	20,616	22,095
Total income	32,202	32,573	29,942	29,017	30,616
Costs	-14,635	-14,932	-14,815	-14,839	-15,019
Provisioning	643	572	-5,777	-3,783	-2,484
Net income	14,846	14,901	7,724	8,600	10,848
P/E	6.7	6.7	12.9	11.6	9.2
P/B	1.0	1.0	0.9	0.9	0.8
ROE	14.9%	14.3%	7.1%	7.5%	9.2%
DPS	47.00	51.00	0.00	26.00	30.00
DYield	8.8%	9.6%	0.0%	4.9%	5.6%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(CZK m)	2018	2019	2020P	2021P	2022P
Net interest income	22,509	23,591	21,586	20,616	22,095
Fee income	6,219	5,983	5,325	5,337	5,425
Trading income	3,215	2,804	2,832	2,860	2,889
Other income	259	195	199	203	207
<b>Total income</b>	<b>32,202</b>	<b>32,573</b>	<b>29,942</b>	<b>29,017</b>	<b>30,616</b>
Operating expenses	-14,634	-14,932	-14,815	-14,839	-15,019
<b>Operating income</b>	<b>17,569</b>	<b>17,641</b>	<b>15,127</b>	<b>14,178</b>	<b>15,597</b>
Provisioning	643	572	-5,777	-3,783	-2,484
<b>Net oper. income</b>	<b>18,211</b>	<b>18,213</b>	<b>9,350</b>	<b>10,395</b>	<b>13,113</b>
Profits of associates	308	378	397	417	438
Retirement benefits	0	0	0	0	0
<b>Pre-tax income</b>	<b>18,518</b>	<b>18,591</b>	<b>9,747</b>	<b>10,811</b>	<b>13,550</b>
Tax	-3,349	-3,419	-1,754	-1,946	-2,439
Minority interests	324	271	268	266	263
<b>Net income</b>	<b>14,846</b>	<b>14,901</b>	<b>7,724</b>	<b>8,600</b>	<b>10,848</b>

### Key Balance Sheet Figures

(CZK bn)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>625</b>	<b>647</b>	<b>647</b>	<b>680</b>	<b>713</b>
Other assets	435	430	449	470	491
<b>Total assets</b>	<b>1,060</b>	<b>1,077</b>	<b>1,096</b>	<b>1,149</b>	<b>1,205</b>
<b>Deposits</b>	<b>812</b>	<b>822</b>	<b>864</b>	<b>887</b>	<b>911</b>
Other liabilities	144	147	117	143	170
Minority interests	3	3	3	3	3
<b>Equity</b>	<b>100</b>	<b>106</b>	<b>113</b>	<b>116</b>	<b>121</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	2.3%	2.3%	2.1%	1.9%	1.9%
C/I	45.4%	45.8%	49.5%	51.1%	49.1%
CoR	-0.1%	-0.1%	0.9%	0.6%	0.3%
NPL Ratio	2.6%	2.1%	5.0%	4.0%	3.1%
Tier 1 Ratio	17.9%	18.5%	21.6%	20.7%	19.9%

### Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2020-22)	8,970	8%
PV Adjustment	6,505	6%
Value Driver (2023-37)	69,514	63%
Fade (2038-57)	18,911	17%
Terminal Value	6,368	6%
<b>Fair Value</b>	<b>110,267</b>	<b>100%</b>

Outst. Shares (millions)	189
Cost of equity	7.0%
<b>Fair Value Per Share (CZK)</b>	<b>584</b>
<b>9M Target Price (CZK)</b>	<b>615</b>

### Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	102,151	91%
Explicit Forecast (2020-22)	2,473	2%
PV Adjustment	4,490	4%
Value Driver (2023-37)	2,368	2%
Fade (2038-57)	381	0%
<b>Fair Value</b>	<b>111,863</b>	<b>100%</b>

Outst. Shares (millions)	189
Cost of equity	7.0%
<b>Fair Value Per Share (CZK)</b>	<b>592</b>
<b>9M Target Price (CZK)</b>	<b>623</b>

### Valuation Summary

(CZK m)	Weight	Value
DDM	50%	110,267
Economic Profits	50%	111,863
Fair Value Avg.		111,065
Fair Value Per Share (CZK)		588.10
Cost of equity (9M)		5.3%
<b>9M Target Price (CZK)</b>		<b>618.97</b>

## Moneta Money Bank buy (no change)

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We maintain a buy rating for Moneta Money Bank. Moneta has not been spared by the covid fallout, including sharp interest rate cuts in the Czech Republic, but it can mitigate the negative effects (including an expected rise in risk costs to 1.99%) with negative goodwill on the April acquisition of the Czech business of Wüstenrot. Nevertheless low rates will continue to put a squeeze on net interest margins for years to come through fixed interest temporarily charged on housing loans, the share of which increased from 28% to 40% of total portfolio with Wüstenrot deal. A likely economic recovery from 2021, however, should drive a rebuilding of loan volumes which will more than offset the NIM declines. Coming back to the Wüstenrot merger, given estimated integration costs of CZK 400m total, against anticipated cost synergies of CZK 300m from 2022, we put the associated delta on the year's costs at as much as CZK 400m. We recently cut our 2020 and 2021 net income expectations for Moneta by 46% and 36%, respectively, but in 2022 we are currently anticipating a rebound of 45% from the year-ago bottom-line result thanks to a thicker loan book, a gradual decrease in cost of risk, and lower costs. Further, with ROE expected to be 7.9% in 2020, 8.5% in 2021, and 11.5% in 2022, we believe MONET deserves to be traded at a premium to its book value. Moneta would like to pay the remaining CZK 3.35 dividend for 2019 next year together with an 80% distribution 2020 net profit. At today's share price level, this implies 2021 dividend yield of 12%.

### Current Price

55.40 CZK

Upside

### 9M Target Price

79.68 CZK

+43.8%

	rating	target price	issued
unchanged	buy	79.68 CZK	2020-08-10

Key Metrics		MONET CP	vs. WIG
Ticker	MONET CP	1M Price Chng	+9.1% +8.1%
ISIN	CZ0008040318	YTD Price Chng	-32.1% -20.2%
Outst. Stock (m)	511.0	ADTV 1M	CZK 46.4m
MC (CZK bn)	28.3	ADTV 6M	CZK 106.8m
		P/E 12M fwd	12.4 +10.5%
Free Float	100.0%	P/E 5Y avg	11.2 premium

### Earnings Projections

(CZK m)	2018	2019	2020P	2021P	2022P
NII	7,409	7,925	7,942	8,000	8,232
Total income	10,162	10,519	11,808	10,888	11,182
Costs	-4,491	-4,571	-4,943	-4,901	-4,895
Provisioning	-274	-517	-3,780	-2,119	-1,184
Net income	4,200	4,019	2,223	2,682	3,653
P/E	6.6	6.9	12.5	10.3	7.6
P/B	1.1	1.2	0.9	0.9	0.9
ROE	16.5%	16.2%	7.9%	8.5%	11.5%
DPS	8.00	6.15	0.00	6.83	4.20
DYield	14.4%	11.1%	0.0%	12.3%	7.6%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(CZK m)	2018	2019	2020P	2021P	2022P
Net interest income	7,409	7,925	7,942	8,000	8,232
Fee income	1,892	1,950	1,962	2,020	2,080
Trading income	399	531	690	686	683
Other income	462	113	1,214	182	188
<b>Total income</b>	<b>10,162</b>	<b>10,519</b>	<b>11,808</b>	<b>10,888</b>	<b>11,182</b>
Operating expenses	-4,491	-4,571	-4,943	-4,901	-4,895
<b>Operating income</b>	<b>5,310</b>	<b>5,500</b>	<b>6,404</b>	<b>5,472</b>	<b>5,751</b>
Provisioning	-274	-517	-3,780	-2,119	-1,184
<b>Pre-tax income</b>	<b>5,036</b>	<b>4,983</b>	<b>2,624</b>	<b>3,352</b>	<b>4,567</b>
Tax	-836	-964	-401	-670	-913
Minority interests	0	0	0	0	0
<b>Net income</b>	<b>4,200</b>	<b>4,019</b>	<b>2,223</b>	<b>2,682</b>	<b>3,653</b>

### Key Balance Sheet Figures

(CZK bn)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>140,123</b>	<b>156,409</b>	<b>214,988</b>	<b>228,561</b>	<b>246,420</b>
<b>Total assets</b>	<b>206,932</b>	<b>219,053</b>	<b>297,447</b>	<b>315,720</b>	<b>338,664</b>
<b>Deposits</b>	<b>168,792</b>	<b>181,154</b>	<b>254,139</b>	<b>267,487</b>	<b>281,540</b>
Minority interests	0	0	0	0	0
<b>Equity</b>	<b>25,237</b>	<b>24,411</b>	<b>31,922</b>	<b>31,096</b>	<b>32,587</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	3.7%	3.8%	3.2%	2.7%	2.6%
C/I	47.7%	47.7%	45.8%	49.7%	48.6%
CoR	0.2%	0.3%	2.0%	0.9%	0.5%
Tier 1 Ratio	16.4%	14.1%	11.5%	10.4%	10.3%

### Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2020-22)	4,800	12%
PV Adjustment	236	1%
Value Driver (2023-37)	26,964	65%
Fade (2038-57)	7,460	18%
Terminal Value	1,750	4%
<b>Fair Value</b>	<b>41,209</b>	<b>100%</b>

Outst. Shares (millions)	511
Cost of equity	700.0%
<b>Fair Value Per Share (CZK)</b>	<b>81</b>
<b>9M Target Price (CZK)</b>	<b>85</b>

### Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	24,411	67%
Explicit Forecast (2020-22)	1,940	5%
PV Adjustment	1,394	4%
Value Driver (2023-37)	8,314	23%
Fade (2038-57)	106	0%
<b>Fair Value</b>	<b>36,165</b>	<b>100%</b>

Outst. Shares (millions)	511
Cost of equity	700.0%
<b>Fair Value Per Share (CZK)</b>	<b>71</b>
<b>9M Target Price (CZK)</b>	<b>74</b>

### Valuation Summary

(CZK m)	weight	Value
DDM	50%	80.64
Economic Profit	50%	70.77
<b>Fair value avg.</b>		<b>75.71</b>
<b>9M Target Price (CZK)</b>		<b>79.68</b>

## Erste Group buy (no change)

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We maintain a buy rating for Erste Group. Erste's FY2020 earnings outlook has been badly affected by the coronavirus pandemic through operations in the Czech Republic and Slovakia, expected to experience the worst economic declines this year of all CEE countries. We currently expect Erste's cost of risk in 2020 to be 79bp, a level consistent with the high end of the Bank's own target range of 65-80bp, and as a result our net income forecast for the year is 19% lower than the going consensus estimate. At the same time, we are confident Erste can recover from the coronavirus crisis faster than most other banks owing to unchanged interest rates in the euro area and the various forms of stimulus being put into motion by the EU. For example, the aid extended to the Czech Republic in 2021 could reach an equivalent of 11% of GDP and exceed funding from the country's own government. Based on this, we assume Erste can generate higher earnings in 2021 and 2022 than currently assumed by the market. We recognize Erste's strong growth potential, and we see a discount in the Bank's current value relative to book value which creates huge upside risk and makes Erste a top pick in the euro bank line up.

<b>Current Price</b>	20.38 EUR	<b>Upside</b>
<b>9M Target Price</b>	26.00 EUR	<b>+27.6%</b>

	rating	target price	issued
unchanged	buy	26.00 EUR	2020-08-10

Key Metrics	EBS AV	1M Price Chng	EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	+7.8%	+6.9%
ISIN	AT0000652011	YTD Price Chng	-39.3%	-27.3%
Outst. Stock (m)	429.8	ADTV 1M	EUR 11.6m	
MC (EUR m)	8,759.3	ADTV 6M	EUR 25.8m	
		P/E 12M fwd	11.2	+9.9%
Free Float	69.5%	P/E 5Y avg	10.2	premium

### Earnings Projections

(EUR m)	2018	2019	2020P	2021P	2022P
NII	4,582	4,747	4,740	4,797	4,989
Total income	6,726	7,086	6,752	6,938	7,205
Costs	-4,181	-4,283	-4,176	-4,235	-4,350
Provisioning	59	-39	-1,317	-642	-444
Net income	1,793	1,470	661	1,181	1,397
P/E	4.8	5.8	12.9	7.2	6.1
P/B	0.6	0.6	0.5	0.5	0.5
ROE	12.7%	9.8%	4.1%	7.1%	8.0%
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
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(EUR m)	2018	2019	2020P	2021P	2021P
Net interest income	4,582	4,747	4,740	4,797	4,582
Fee income	1,908	2,000	1,952	2,003	1,908
Trading income	236	339	60	138	236
<b>Total income</b>	<b>6,726</b>	<b>7,086</b>	<b>6,752</b>	<b>6,938</b>	<b>6,726</b>
Other oper. income	3	-306	-196	-182	3
Asset tax	-112	-128	-116	-85	-112
Operating expenses	-4,181	-4,283	-4,176	-4,235	-4,181
<b>Operating income</b>	<b>2,436</b>	<b>2,369</b>	<b>2,264</b>	<b>2,437</b>	<b>2,436</b>
Provisioning	59	-39	-1,317	-642	59
<b>Net operating income</b>	<b>2,495</b>	<b>2,330</b>	<b>947</b>	<b>1,795</b>	<b>2,495</b>
Extraordinary gains	0	0	0	0	0
<b>Pre-tax income</b>	<b>2,495</b>	<b>2,330</b>	<b>947</b>	<b>1,795</b>	<b>2,495</b>
Tax	-332	-419	-33	-201	-332
Minority interests	-369	-441	-254	-413	-369
<b>Net income</b>	<b>1,793</b>	<b>1,470</b>	<b>661</b>	<b>1,181</b>	<b>1,793</b>

### Key Balance Sheet Figures

(EUR m)	2018	2019	2020P	2021P	2021P
<b>Net loans</b>	<b>143,953</b>	<b>163,417</b>	<b>167,987</b>	<b>175,126</b>	<b>183,869</b>
Other assets	92,838	82,276	84,819	89,849	94,736
<b>Total assets</b>	<b>236,792</b>	<b>245,693</b>	<b>252,806</b>	<b>264,975</b>	<b>278,605</b>
<b>Deposits</b>	<b>162,638</b>	<b>173,846</b>	<b>190,774</b>	<b>201,227</b>	<b>211,555</b>
Total liabilities	55,285	51,371	40,642	41,094	43,111
Minority interests	4,494	4,857	5,111	5,524	6,002
<b>Equity</b>	<b>14,375</b>	<b>15,619</b>	<b>16,279</b>	<b>17,130</b>	<b>17,936</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2021P
NIM	2.3%	2.0%	2.0%	1.9%	1.9%
C/I	62.2%	64.8%	64.7%	63.7%	62.7%
CoR	-0.1%	0.0%	0.8%	0.4%	0.2%
NPL Ratio	3.2%	2.5%	4.6%	4.4%	4.4%
Tier 1 Ratio	14.4%	15.0%	15.8%	15.9%	15.7%

### SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV		P/B
			2020P	2021P	2022P	2020P	2021P	2022P	2020	2020	
<b>Austria</b>	<b>4,963</b>	<b>11.55</b>	<b>157</b>	<b>353</b>	<b>451</b>	<b>31.7</b>	<b>14.1</b>	<b>11.0</b>	<b>5,356</b>	<b>0.9</b>	
Savings Banks	615	1.43	37	64	75	16.5	9.6	8.2	3,471	0.2	
Erste Oesterreich	2,473	5.75	99	150	204	24.9	16.5	12.1	1,884	1.3	
Other Austria	1,875	4.36	20	139	172	93.0	13.5	10.9	2,252	0.8	
<b>CEE</b>	<b>12,386</b>	<b>28.82</b>	<b>750</b>	<b>1,074</b>	<b>1,190</b>	<b>16.5</b>	<b>11.5</b>	<b>10.4</b>	<b>6,950</b>	<b>1.7</b>	
Czech Republic	5,211	12.12	378	516	548	13.8	10.1	9.5	2,449	2.1	
Romania	2,303	5.36	129	181	205	17.8	12.7	11.2	1,303	1.7	
Slovakia	2,456	5.71	122	202	242	20.2	12.2	10.1	1,141	2.0	
Hungary	1,239	2.88	69	102	111	18.0	12.1	11.1	919	1.4	
Croatia	948	2.21	50	64	72	18.8	14.9	13.1	912	1.0	
Serbia	229	0.53	2	9	11	113.1	24.8	21.1	226	1.0	
<b>Other</b>	<b>-6,717</b>	<b>-15.63</b>	<b>-246</b>	<b>-245</b>	<b>-244</b>	<b>27.3</b>	<b>27.4</b>	<b>27.6</b>	<b>-14,558</b>	<b>0.0</b>	
<b>Total Erste Group</b>	<b>10,632</b>	<b>24.74</b>									

### Valuation Summary

(EUR m)	Weight	Value
Cost of equity (12M)		6.8%
DDM	50%	10,139
Economic Profits	50%	11,125
Fair Value Avg.		10,632
Fair Value Per Share (EUR)		24.74
Cost of equity (9M)		5.1%
<b>9M Target Price (EUR)</b>		<b>26.00</b>

## RBI

### buy (no change)

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We maintain a buy rating for RBI. After rate cuts in key markets to mitigate economic contraction in the wake of the coronavirus crisis, RBI faces downward pressure on income on the one hand, and upward pressure on risk costs on the other hand, though the extent of these impacts may differ between countries. In most cases, the Bank will bear the brunt of the expected declines in profits this year through reduced interest income and lower loan volumes. When it comes to cost of risk, it will be determined by the different timing of the moratoria on loan payments established in each geographic market. In Poland, RBI will probably have to set aside additional reserves of a projected EUR 50m every year due to the sustained risk associated with CHF housing loans. To reflect this, we reduced our initial 2021 and 2020 net income forecasts by 46% and 44%, respectively. Upside risk in case of RBI stems from differences in interest rate levels in different markets and a low valuation despite real prospects of dividend payments resuming from 2021.

<b>Current Price</b>	15.04 EUR	<b>Upside</b>
<b>9M Target Price</b>	17.67 EUR	<b>+17.5%</b>

	rating	target price	issued
unchanged	buy	17.67 EUR	2020-08-10

Key Metrics			RBI AV	vs. WIG
Ticker	RBI AV	1M Price Chng	+3.4%	+2.4%
ISIN	AT0000606306	YTD Price Chng	-32.8%	-20.9%
Outst. Stock (m)	328.9	ADTV 1M		EUR 6.9m
MC (EUR m)	4,947.3	ADTV 6M		EUR 12.0m
		P/E 12M fwd	7.4	-9.7%
Free Float	41.2%	P/E 5Y avg	8.2	discount

### Earnings Projections

(EUR m)	2018	2019	2020P	2021P	2022P
NII	3,362	3,412	3,294	3,288	3,491
Total income	5,210	5,226	4,840	4,991	5,253
Costs	-3,237	-2,876	-3,040	-3,078	-3,131
Provisioning	-220	-373	-820	-919	-705
Net income	1,270	1,432	662	684	1,021
P/E	3.6	3.5	7.6	7.3	4.9
P/B	0.4	0.4	0.4	0.4	0.3
ROE	11.4%	11.6%	5.0%	5.0%	7.1%
DPS	0.80	1.12	0.00	0.60	0.64
DYield	5.3%	7.4%	0.0%	4.0%	4.3%
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

(EUR m)	2017	2018	2019P	2020P	2021P
Net interest income	3,362	3,412	3,294	3,288	3,491
Fee income	1,791	1,797	1,645	1,777	1,832
Trading income	57	17	-99	-74	-70
<b>Total income</b>	<b>5,210</b>	<b>5,226</b>	<b>4,840</b>	<b>4,991</b>	<b>5,253</b>
Total costs	-3,237	-2,876	-3,040	-3,078	-3,131
<b>Operating income</b>	<b>1,973</b>	<b>2,350</b>	<b>1,800</b>	<b>1,913</b>	<b>2,121</b>
Provisioning	-220	-373	-820	-919	-705
<b>Gross income</b>	<b>1,753</b>	<b>1,976</b>	<b>980</b>	<b>994</b>	<b>1,416</b>
Income tax	-355	-402	-237	-235	-304
<b>Net income</b>	<b>1,398</b>	<b>1,574</b>	<b>743</b>	<b>759</b>	<b>1,111</b>
Minority interests	-128	-143	-80	-76	-90
<b>Net income after minor</b>	<b>1,270</b>	<b>1,432</b>	<b>662</b>	<b>684</b>	<b>1,021</b>

### Key Balance Sheet Figures

(EUR m)	2017	2018	2019P	2020P	2021P
<b>Net loans</b>	<b>80,866</b>	<b>85,528</b>	<b>87,001</b>	<b>90,653</b>	<b>95,602</b>
<b>Total assets</b>	<b>140,115</b>	<b>146,413</b>	<b>151,403</b>	<b>157,493</b>	<b>165,648</b>
<b>Deposits</b>	<b>87,038</b>	<b>88,741</b>	<b>91,424</b>	<b>95,858</b>	<b>101,133</b>
Total assets	127,702	132,648	137,240	142,817	147,156
Minority interests	701	811	715	743	3,750
<b>Equity</b>	<b>11,713</b>	<b>12,954</b>	<b>13,448</b>	<b>13,933</b>	<b>14,742</b>

### Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.5%	2.4%	2.3%	2.2%	2.3%
C/I	62.1%	55.0%	62.8%	61.7%	59.6%
CoR	0.3%	0.4%	0.9%	1.0%	0.7%

### SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E	BV		P/B
			2020	2021	2022	2020	2021	2022	2021
CEE	1,496	4.55	45	19	54	33.2	80.6	28.0	4,352.8
SEE	3,470	10.55	283	263	367	12.3	13.2	9.4	2,881.4
EE	2,431	7.39	506	532	666	4.8	4.6	3.6	2,763.0
Corporate Center	4,300	13.07	302	332	351	14.3	12.9	12.3	3,090.8
Corporates and Markets	3,423	10.41	233	252	302	14.7	13.6	11.3	4,218.5
Reconciliation	-9,686	-29.45	-626	-638	-629	15.5	15.2	15.4	###
<b>Raiffeisen Group</b>	<b>5,434</b>	<b>16.52</b>	<b>742.7</b>	<b>759.5</b>	<b>1111</b>	<b>7.3</b>	<b>7.2</b>	<b>4.9</b>	<b>###</b>

### Valuation Summary

(EUR m)	Weight	Value
DDM	50%	15.27
Economic profit	50%	17.77
<b>Fair value avg.</b>		<b>16.52</b>
<b>9M Target Price (EUR)</b>		<b>17.67</b>

## OTP Bank accumulate (upgraded)

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We upgrade OTP Bank to accumulate after a recent drop in share price, but we keep the price target unchanged. We recently revised our 2020 earnings estimates for OTP downward by 57%, and cut the 2021 forecast by 25%, to reflect greater downward pressure on net interest income and increased costs of risk. The massive, HUF 4bn loss that the Bank incurred in the first quarter of 2020 is not likely to be repeated in subsequent quarters, but risk costs will most likely remain high throughout the year, driving ROE down to a projected 7% (vs. 10% guidance), though on a positive note this should be followed by a rebound to 13% in 2021. At 187bp, our 2020 CoR prediction is only a fraction below the level registered in 2008, and it is among the highest in the region. OTP has had to increase provisioning so much this year because of a high, 36% share in its loan portfolio of high-risk exposures of SMEs and consumers which are likely to become problematic during a period of economic crisis. At the same time, it is surprising to find that OTP's geographic territory is represented by countries where the coronavirus crisis has had the least effect on economic growth. The potential downside of this is that the future rebound might not be smaller in magnitude. On our estimates, OTP is currently trading at 1.0x 2021E P/B.

<b>Current Price</b>	9,950.00 HUF	<b>Upside</b>
<b>9M Target Price</b>	11,039.00 HUF	<b>+10.9%</b>

	rating	target price	issued
<b>new</b>	<b>accumulate</b>	<b>11,039.00 HUF</b>	<b>2020-09-02</b>
<b>old</b>	<b>hold</b>	<b>11,039.00 HUF</b>	<b>2020-08-10</b>
<b>Key Metrics</b>			
Ticker	OTP HB	1M Price Chng	-4.2%
ISIN	HU00000061726	YTD Price Chng	-35.5%
Outst. Stock (m)	267.0	ADTV 1M	HUF 4.7bn
MC (HUF bn)	2,657.0	ADTV 6M	HUF 8.6bn
		P/E 12M fwd	9.3
Free Float	100.0%	P/E 5Y avg	10.2

### Earnings Projections

(HUF bn)	2018	2019	2020P	2021P	2022P
NII	600	706	799	802	826
Total income	886	1,081	1,164	1,180	1,216
Costs	497	568	624	636	653
Provisioning	26	47	279	190	161
Net income	318	412	182	326	370
P/E	8.8	6.8	15.3	8.5	7.5
P/B	1.5	1.2	1.1	0.9	0.9
ROE	18.4%	20.1%	7.6%	12.2%	12.6%
DPS	229.63	229.63	0.00	107.44	368.91
DYield	2.3%	2.3%	0.0%	1.1%	3.7%
<b>Forecast Update (% change)</b>					
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

(HUF bn)	2018	2019	2020P	2021P	2022P
Net interest income	600	706	799	802	826
Fee income	221	283	289	297	305
Other income	65	92	77	81	85
<b>Total income</b>	<b>886</b>	<b>1,081</b>	<b>1,164</b>	<b>1,180</b>	<b>1,216</b>
Operating expenses	497	568	624	636	653
<b>Operating income</b>	<b>389</b>	<b>513</b>	<b>541</b>	<b>544</b>	<b>563</b>
Provisioning	26	47	279	190	161
<b>Pre-tax income</b>	<b>363</b>	<b>466</b>	<b>261</b>	<b>354</b>	<b>401</b>
Tax	37	47	30	40	45
<b>Net income</b>	<b>325</b>	<b>419</b>	<b>231</b>	<b>314</b>	<b>357</b>
Asset impairment	-5	-8	0	0	0
Asset tax	-15	-16	-29	-23	-23
Other	0	0	1	2	2
Minority interests	0	17	-22	33	34
<b>Net income</b>	<b>318</b>	<b>412</b>	<b>182</b>	<b>326</b>	<b>370</b>

### Key Balance Sheet Figures

(HUF bn)	2018	2019	2020P	2021P	2022P
<b>Net loans</b>	<b>8,067</b>	<b>12,248</b>	<b>15,910</b>	<b>16,386</b>	<b>17,261</b>
Other assets	6,524	7,874	7,701	7,704	7,756
<b>Total assets</b>	<b>14,590</b>	<b>20,122</b>	<b>23,611</b>	<b>24,090</b>	<b>25,017</b>
<b>Deposits</b>	<b>11,285</b>	<b>15,523</b>	<b>19,545</b>	<b>20,575</b>	<b>21,840</b>
Other liabilities	1,476	2,308	1,531	704	96
Minority interests	2	5	6	6	7
<b>Equity</b>	<b>1,827</b>	<b>2,286</b>	<b>2,530</b>	<b>2,804</b>	<b>3,074</b>

### Key Ratios

(%)	2018	2019	2020P	2021P	2022P
NIM	4.3%	4.1%	3.7%	3.4%	3.4%
C/I	56.1%	52.5%	53.6%	53.9%	53.7%
CoR	0.3%	0.4%	1.9%	1.1%	0.9%
NPL Ratio	6.3%	5.8%	6.8%	6.6%	6.3%
Tier 1 Ratio	16.5%	15.8%	12.9%	14.1%	14.7%

### SOTP Valuation

(HUF bn)	Fair Value	FVPS (HUF)	Net Income			P/E	BV	P/B
			2020	2021	2022	2020	2021	2022
<b>Hungary + Other</b>	<b>1,324</b>	<b>4,957</b>	<b>113.7</b>	<b>135.7</b>	<b>153.1</b>	<b>11.6</b>	<b>9.8</b>	<b>8.6</b>
<b>CEE</b>	<b>1,717</b>	<b>6,424</b>	<b>117.5</b>	<b>178.4</b>	<b>203.5</b>	<b>14.6</b>	<b>9.6</b>	<b>8.4</b>
DSK	700	2,622	30.4	70.4	80.1	23.0	9.9	8.7
OBS	61	229	-5.5	-4.0	-1.8	-11.3	-15.8	-35.3
OTP Banka Hrvatska	272	1,018	20.5	27.0	28.4	13.3	10.1	9.6
OTP Banka Romania	117	439	2.5	5.2	6.8	47.2	22.4	17.2
OTP Russia	118	437	17.5	20.5	20.9	6.9	5.9	5.8
CJSC OTP Bank	98	369	26.6	25.9	26.9	3.7	3.8	3.7
OTP Banka Serbia	226	845	13.6	18.4	24.1	18.2	13.4	10.3
CKB	20	76	1.6	1.8	2.1	12.7	11.5	9.6
OTP Albania	8	31	1.6	2.0	2.1	5.3	4.1	3.9
OTP Moldova	34	129	2.9	3.3	4.7	12.0	10.4	7.3
OTP Slovenia	61	230	5.9	7.8	9.2	10.3	7.9	6.7
<b>Total Divisions</b>	<b>3,041</b>	<b>11,381</b>	<b>231.2</b>	<b>314.1</b>	<b>356.6</b>	<b>12.8</b>	<b>9.7</b>	<b>8.3</b>
Asset tax	-281	-1,054						
<b>Total OTP Group</b>	<b>2,759</b>	<b>10,327</b>						

### Valuation Summary

(HUF bn)	Weight	Value
Cost of equity (12M)		9.2%
DDM	50%	3,099
Economic Profits	50%	3,035
Fair Value Avg.		3,067
Fair Value Per Share (HUF)		11,381
Asset tax (HUF)		-1,054
Minority interests (HUF)		-104
Fair Value Per Share (HUF)		10,327
Cost of equity (9M)		6.9%
<b>9M Target Price (HUF)</b>		<b>11,039</b>



## PZU

### buy (no change)

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PZU has been a top performer among financial institutions since the coronavirus outbreak, and it continued its positive streak in August even after disclosing that the results for Q2 2020 will be weighed down by goodwill write-downs associated with the subsidiary banks, Alior and Pekao. In total, the Insurer expects to take a hit of ca. PLN 827m against the quarterly consolidated net income, and charge PLN 648m (PLN 0.75 per share) against standalone income. Standalone profits are the basis for shareholder distributions at PZU, but even after a loss this big the dividend yield in 2021 should be above 5%. The one-time charges notwithstanding, PZU is expected to deliver strong results for Q2 2020, supported by few claims and spectacular income from trading, set to come close to PLN 1bn (not including trades by subsidiary banks). Recurring bottom-line income for the quarter is also likely to approximate PLN 1bn. We maintain a buy rating for PZU.

<b>Current Price</b>	26.98 PLN	<b>Upside</b>
<b>9M Target Price</b>	35.93 PLN	<b>+33.2%</b>

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

Key Metrics	PZU PW	1M Price Chng	PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-0.1%	-1.1%
ISIN	PLPZU0000011	YTD Price Chng	-32.6%	-20.7%
Outst. Stock (m)	863.5	ADTV 1M		PLN 36.4m
MC (PLN m)	23,297.9	ADTV 6M		PLN 68.2m
		P/E 12M fwd	8.8	-20.6%
Free Float	64.8%	P/E 5Y avg	11.1	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	7.3	7.1	9.2	8.2	7.6
P/B	1.6	1.4	1.2	1.2	1.1
ROE	21.7%	21.2%	14.6%	14.9%	15.4%
DPS	2.70	2.80	0.00	2.37	2.64
DYield	10.0%	10.4%	0.0%	8.8%	9.8%
Forecast Update (% change)			2020P	2021P	2022P
Gross written premiums			0.0%	0.0%	0.0%
Claims			0.0%	0.0%	0.0%
Investment income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

### Financial Highlights

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

### Key Balance Sheet Figures

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

### Key Ratios

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

### Dividend Discount Model (DDM)

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

### Economic Profits Model

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

### Valuation Ex. Banks

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

### SOTP Valuation

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

## Skarbiec Holding hold (no change)

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We maintain a hold recommendation for Skarbiec. The asset manager is enjoying an unprecedented boost in investor activity this year which might improve its future earnings prospects. With high demand for investment management, Skarbiec probably no longer has to hold back on charging success fees, 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>	26.10 PLN	<b>Downside</b>
<b>9M Target Price</b>	21.20 PLN	<b>-18.8%</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	-3.3%
ISIN	PLSKRBH00014	YTD Price Chng	+37.4%
Outst. Stock (m)	6.8	ADTV 1M	PLN 0.0m
MC (PLN m)	178.0	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	5.7	13.8	10.1	10.9
P/B	1.7	1.6	1.7	1.6
ROE	30.3%	12.0%	16.3%	15.3%
DPS	4.45	0.50	3.69	1.80
DYield	17.0%	1.9%	14.2%	6.9%
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
<b>Total assets</b>	<b>117.5</b>	<b>131.8</b>	<b>149.9</b>	<b>152.3</b>	<b>155.9</b>
Borrowing	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
<b>Equity</b>	<b>102.4</b>	<b>103.2</b>	<b>112.8</b>	<b>105.3</b>	<b>109.5</b>

### Relative Valuation Summary

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

### Dividend Discount Model (DDM)

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

### Economic Profits Model

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

### Valuation Summary

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

### Per-Share Valuation

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

## GPW hold (no change)

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GPW's recurring 2020 Q2 results came out broadly in line with expectations, but there was a negative surprise in the form of a PLN 3.5m write-off of goodwill related to Bondspot, leaving PLN 19m of goodwill still carried on the books which may be a source of downside risk in the future if trading activity on the Treasury BondSpot Poland market does not pick up. Despite ending the first half of 2020 on a stellar note, GPW has already declared that dividends next year will be on the low end of the policy range, i.e. PLN 2.50 per share. Some investors might have felt disappointed by this minimalist approach after a year of record-high stock market revenues. The dividend yield implied by the DPS declared for 2021 is 5.5-6% at the current price level. GPW will probably decide to extend free trading on its new agricultural commodity exchange beyond September as an incentive to draw in more investors, but, although a letdown to some, this does not affect its earnings outlook since the potential revenues are not yet included in analysts' models.

<b>Current Price</b>	42.55 PLN	<b>Downside</b>
<b>9M Target Price</b>	41.56 PLN	<b>-2.3%</b>

	rating	target price	issued
<b>unchanged</b>	<b>hold</b>	<b>41.56 PLN</b>	<b>2020-05-20</b>

Key Metrics	GPW PW	1M Price Chng	GPW PW	vs. WIG
Ticker	GPW PW	1M Price Chng	-2.2%	-3.1%
ISIN	PLGPW0000017	YTD Price Chng	+15.3%	+27.2%
Outst. Stock (m)	42.0	ADTV 1M		PLN 2.3m
MC (PLN m)	1,785.9	ADTV 6M		PLN 2.5m
EV (PLN m)	1,763.8	EV/EBITDA 12M fwd	9.9	+30.7%
Free Float	64.8%	EV/EBITDA 5Y avg	7.6	premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	347	336	339	349	356
EBITDA	205	205	192	179	185
EBITDA margin	59.0%	61.0%	56.6%	51.2%	52.0%
EBIT	173	173	156	141	144
Net income	184	119	110	122	124
P/E	9.7	15.0	16.2	14.7	14.4
P/B	2.0	2.0	2.0	2.0	2.0
EV/EBITDA	9.0	8.6	9.2	9.8	9.3
DPS	2.20	3.18	2.40	2.50	2.60
DYield	5.2%	7.5%	5.6%	5.9%	6.1%
<b>Forecast Update (% change)</b>					
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 might be seeing a U-shaped recovery in sales in Q3 looking at July glass and salt production data for Poland, with float glass volumes up by 20% relative to June but down 8% still compared to July 2019, marking the fifth month straight of falls. Table salt production fell 15% y/y in July. Ciech agreed higher prices for 2020 soda ash supplies than charged in 2019, but we nevertheless expect to see a 23% y/y decrease in the adjusted second-quarter EBITDA, indicating the second consecutive quarter of declines. Reported results might receive a PLN 11m boost (not factored into consensus forecasts) from state refunds of high 2020 emission costs. We maintain that Ciech will probably have a hard time reaching its PLN 600m EBITDA target this year. We have a hold call for CIE.

<b>Current Price</b>	30.45 PLN	<b>Upside</b>
<b>9M Target Price</b>	34.09 PLN	<b>+12.0%</b>

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

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-0.5%	-1.4%
ISIN	PLCIECH000018	YTD Price Chng	-23.3%	-11.4%
Outst. Stock (m)	52.7	ADTV 1M		PLN 1.4m
MC (PLN m)	1,604.7	ADTV 6M		PLN 2.7m
EV (PLN m)	3,303.8	EV/EBITDA 12M fwd	5.3	-7.0%
Free Float	33.0%	EV/EBITDA 5Y avg	5.7	discount

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	3,673	3,549	3,171	3,429	3,567
EBITDA adj.	633	663	600	671	680
EBITDA margin	17.2%	18.7%	18.9%	19.6%	19.1%
EBIT adj.	358	353	275	295	312
Net income adj.	166	187	158	182	199
P/E adj.	9.7	8.6	10.2	8.8	8.1
P/B	0.8	0.8	0.8	0.7	0.7
EV/EBITDA adj.	4.8	4.7	5.5	4.7	4.5
DPS	7.50	0.00	0.00	0.90	1.72
DYield	24.6%	0.0%	0.0%	3.0%	5.7%

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

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA. Soda Div.	540	488	554	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

	20P	P/E	22P	20P	EV/EBITDA	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 (reiterated)

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European fertilizer producers are negatively impacted by low sales prices, underpinned by upward-trending costs of natural gas feedstocks, generating an increasingly bleak outlook for the coming periods. In Q2 2020, we expect to see a 29% decrease in Grupa Azoty's adjusted EBITDA relative to the same year-ago quarter driven by the segments of chemicals and plastics. 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 for the second half of 2020. With all this in mind, after lowering our FY2020-2022 expectations for the fertilizer business, we reduce our target price for ATT from PLN 29.90 to PLN 25.83 per share, and we maintain a hold rating for the stock.

Current Price

25.30 PLN

Upside

9M Target Price

25.83 PLN

+2.1%

		rating	target price	issued
new		hold	25.83 PLN	2020-09-02
old		hold	29.90 PLN	2020-07-02
Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-11.2%	-12.2%
ISIN	PLZATRM00012	YTD Price Chng	-13.6%	-1.7%
Outst. Stock (m)	99.2	ADTV 1M		PLN 1.0m
MC (PLN m)	2,509.6	ADTV 6M		PLN 3.1m
EV (PLN m)	6,898.1	EV/EBITDA 12M fwd	5.6	-8.1%
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	9,502	10,363	10,753
EBITDA adj.	805	1,496	1,102	1,044	1,135
EBITDA margin	8.1%	13.2%	11.6%	10.1%	10.6%
EBIT adj.	122	685	297	204	258
Net income adj.	43	431	134	60	79
P/E adj.	58.9	5.8	18.7	42.2	31.9
P/B	0.4	0.4	0.3	0.3	0.3
EV/EBITDA adj.	6.7	4.0	6.3	7.8	8.1
DPS	1.20	0.00	0.00	0.00	0.00
DYield	4.7%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		-4.4%	-7.6%	-5.7%	
Net income		-22.8%	-52.8%	-41.3%	
Urea price (PLN/t)			0.0%	-0.2%	+0.3%
Ammonium Nitrate price (PLN/t)			0.0%	-0.5%	+0.1%
Natural Gas price (PLN/m3)			-1.0%	0.0%	0.0%
Melamine (PLN/t)			-5.1%	0.0%	0.0%
Polyamide 6 (PLN/t)			-5.1%	+0.1%	+0.1%
Propylene (PLN/t)			-5.1%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Fertilizers	82	965	829	604	635
EBITDA, Plastics	192	66	-27	25	60
EBITDA, Chemicals	282	208	125	195	233
EBITDA, Energy	94.0	102.3	110.9	152.1	143.5
EBITDA, Other	114	83	63	68	64
<b>Operating cash flow</b>	<b>1,043</b>	<b>2,033</b>	<b>1,161</b>	<b>1,003</b>	<b>1,111</b>
D&A	683	811	805	840	877
Working capital	155	636	76	-36	-17
<b>Investing cash flow</b>	<b>-1,761</b>	<b>-1,186</b>	<b>-1,945</b>	<b>-2,071</b>	<b>-1,863</b>
CAPEX	2,042	1,044	1,945	2,071	2,037
<b>Financing cash flow</b>	<b>440</b>	<b>-923</b>	<b>80</b>	<b>1,012</b>	<b>832</b>
Dividends/Buyback	-119	0	0	0	0
FCF	-1,158	883	-798	-1,070	-927
FCF/EBITDA	-151%	62%	-72%	-102%	-82%
OCF/EBITDA	136%	143%	105%	96%	98%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Urea price (PLN/t)	1,530	1,516	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,538	1,546
AN price (PLN/t)	1,250	1,254	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,274	1,281
NGas cost (PLN/m3)	555	696	830	830	830	830	830	830	830	830	830
Revenue	9,502	10,363	10,753	12,087	12,288	12,453	12,571	12,692	12,781	12,907	13,035
EBITDA	1,102	1,044	1,135	1,562	1,563	1,551	1,534	1,528	1,516	1,534	1,553
EBITDA margin	11.6%	10.1%	10.6%	12.9%	12.7%	12.5%	12.2%	12.0%	11.9%	11.9%	11.9%
EBIT	297	204	258	386	414	473	501	509	483	496	516
Tax	30	7	9	18	13	27	35	39	36	39	44
CAPEX	-1,945	-2,071	-2,037	-526	-765	-804	-862	-878	-917	-981	-1,038
Working capital	76	-36	-17	-56	-9	-7	-5	-5	-4	-5	-5
FCF	-798	-1,070	-927	962	776	713	632	606	559	510	0
PV FCF	-782	-991	-815	789	594	514	427	384	332	284	
WACC	6.2%	5.9%	5.7%	6.1%	6.4%	6.3%	6.4%	6.4%	6.5%	6.5%	6.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	14,160	15,479	15,389	16,821	18,008
Fixed assets	9,886	10,705	11,849	13,084	14,252
Equity	6,703	7,036	7,179	7,239	7,317
Minority interests	625	658	878	885	895
Net debt	2,226	2,807	3,511	4,717	5,812
Net debt/EBITDA (x)	2.9	2.0	3.2	4.5	5.1
Net debt/Equity (x)	0.3	0.4	0.5	0.7	0.8

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	12.8	9.9	9.4	6.6	5.9	5.5
Maximum	66.5	21.1	15.0	9.6	8.9	8.2
Median	18.7	12.8	11.5	8.7	7.1	6.2
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	6,533
Net debt	2,596
Other adjustments	-658
Value per share (PLN)	33.06

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	15.54
DCF Val.	50%	33.06
Implied Price		24.30
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>25.83</b>

## Mining

### JSW

#### hold (reiterated)

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As predicted, JSW generated weak results in Q2 2020 in the wake of low steel demand and employee absences caused by the coronavirus pandemic. The Miner says it wants to recoup production losses in the second half of the year assuming the European economy is spared another lockdown. JSW has applied for partly non-refundable crisis relief in a total amount of PLN 1.75bn to help restore liquidity and continue upgrading capacity. If granted, the financing may provide a short-term boost to its value. The recent pick-up in coking coal trading activity in the seaborne market, and possible weather-induced disruptions in global supply, could provide additional upside catalysts. After updating our models to reflect impairment losses of PLN 431m recognized in Q2 and the PLN 1.75bn potential aid, we raised our 2020 and 2021 CAPEX expectations for JSW, and we lower our target price for the stock from PLN 16.41 to PLN 15.82 per share with an unchanged hold recommendation.

<b>Current Price</b>	15.18 PLN	<b>Upside</b>
<b>9M Target Price</b>	15.82 PLN	<b>+4.2%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>15.82 PLN</b>	<b>2020-09-02</b>
<b>old</b>	hold	16.41 PLN	2020-08-04
Key Metrics		JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng	-8.0% -8.9%
ISIN	PLJSW0000015	YTD Price Chng	-29.0% -17.1%
Outst. Stock (m)	117.4	ADTV 1M	PLN 7.1m
MC (PLN m)	1,782.3	ADTV 6M	PLN 15.6m
EV (PLN m)	2,816.9	EV/EBITDA 12M fwd	5.5 +83.5%
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	7,242	8,648	8,834
EBITDA adj.	3,101	1,839	448	955	1,114
EBITDA margin	31.6%	21.2%	6.2%	11.0%	12.6%
EBIT adj.	2,335	806	-683	-280	-220
Net income adj.	1,802	548	-641	-355	-307
P/E adj.	1.0	3.3	-	-	-
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj.	-	0.5	6.3	3.3	3.2
DPS	0.00	1.71	0.00	0.00	0.00
DYield	0.0%	11.3%	0.0%	0.0%	0.0%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA (adj.)		+115.8%	+6.0%	+6.6%	
Net income (adj.)		-	-	-	
Coking Coal price (\$/t)		-1.3%	0.0%	0.0%	
Thermal Coal price (PLN/t)		0.0%	0.0%	0.0%	
Coke price (\$/t)		-2.3%	-4.0%	0.0%	
Total coal output (kt)		0.0%	+0.9%	+0.8%	
Coking coal (kt)		0.0%	+0.9%	+0.8%	
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	14,986	15,113
Coking coal (kt)	10,351	10,208	11,360	11,989	12,090
Coking coal (% of total)	69%	69%	80%	80%	80%
Thermal coal (kt)	4,668	4,554	2,840	2,997	3,023
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>154</b>	<b>1,701</b>	<b>1,411</b>
D&A	766	1,034	1,132	1,234	1,334
Working capital	338	-162	-586	708	289
<b>Investing cash flow</b>	<b>-1,582</b>	<b>-2,261</b>	<b>-1,970</b>	<b>-1,870</b>	<b>-1,670</b>
CAPEX	1,248	2,181	1,970	1,870	1,670
<b>Financing cash flow</b>	<b>-755</b>	<b>-180</b>	<b>1,667</b>	<b>-133</b>	<b>-133</b>
Dividends/Buyback	0	-201	0	0	0
FCF	1,754	-691	-2,002	-129	-200
FCF/EBITDA (adj.)	57%	-38%	-447%	-13%	-18%
OCF/EBITDA (adj.)	92%	84%	34%	178%	127%

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	13,763	14,926	15,710	15,839	15,596
Fixed assets	8,475	10,391	11,230	11,885	12,259
Equity	8,081	8,463	7,989	7,634	7,327
Minority interests	364	388	388	388	388
Net debt	-3,286	-1,252	646	949	1,341
Net debt/EBITDA (adj.)	-1.1	-0.7	1.4	1.0	1.2
Net debt/Equity (x)	-0.4	-0.1	0.1	0.1	0.2

#### Relative Valuation Summary

	P / E			EV / EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	3.4	2.5	0.5	0.5	0.5
Maximum	46.8	16.8	218.7	17.7	11.9	9.8
Median	8.5	7.7	7.2	6.0	4.7	4.1
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
Thrm coal (PLN/t)	253	247	247	247	247	247	247	247	247	247	247
Coke (\$/t)	780	831	884	884	884	884	884	884	884	884	884
Revenue	7,242	8,648	8,834	9,188	9,279	9,420	9,571	9,722	9,900	9,913	9,915
EBITDA	655	955	1,114	1,489	1,561	1,576	1,595	1,614	1,692	1,700	1,619
EBITDA margin	9.0%	11.0%	12.6%	16.2%	16.8%	16.7%	16.7%	16.6%	17.1%	17.1%	16.3%
EBIT	-477	-280	-220	114	-23	12	124	237	323	306	219
Tax	-106	-78	-67	-4	-22	-9	13	34	50	46	28
CAPEX	-1,970	-1,870	-1,670	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400
Working capital	-586	708	289	131	10	25	33	33	35	3	-5
FCF	-2,002	-129	-200	224	193	210	216	213	277	256	186
PV FCF	-1,955	-118	-172	180	144	146	139	129	156	136	
WACC	7.3%	7.0%	6.6%	6.9%	6.9%	7.0%	7.1%	7.1%	7.1%	7.0%	6.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

#### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	-1,213
Net debt	-1,252
Other adjustments	388
Value per share (PLN)	9.32

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	20.45
DCF Val.	50%	9.32
Implied Price		14.89
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>15.82</b>



## KGHM hold (no change)

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The price of copper has rebounded on higher demand from China, driven by a fast-paced recovery in manufacturing activity and infrastructure programs, fueling long position taking by speculative traders. This is accompanied by a rally in silver prices, reflected in record-high inflows to precious metals funds. From the standpoint of KGHM, this could mean a major earnings boost in the second half of 2020 at a projected average annual rate of 42%, 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 FY2020. We maintain a hold rating for KGH.

### Current Price

136.25 PLN

Downside

### 9M Target Price

124.67 PLN

-8.5%

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

Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+8.1% +7.2%
ISIN	PLKGHM000017	YTD Price Chng	+42.6% +54.5%
Outst. Stock (m)	200.0	ADTV 1M	PLN 85.6m
MC (PLN m)	27,250.0	ADTV 6M	PLN 73.1m
EV (PLN m)	32,031.4	EV/EBITDA 12M fwd	5.6 +16.6%
Free Float	63.2%	EV/EBITDA 5Y avg	4.8 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.	14.4	12.2	10.1	10.7	11.4
P/B	1.4	1.4	1.2	1.1	1.0
EV/EBITDA adj.	6.9	6.5	5.4	5.2	5.2
DPS	0.00	0.00	0.00	2.00	5.11
DYield	0.0%	0.0%	0.0%	1.5%	3.8%
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

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 & Gas

### Lotos

#### accumulate (upgraded)

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Shares in Lotos fell again in August, resulting in an even worse share swap ratio vs. PKN, led by statements that the latter was not likely to make a 100% stakebuilding bid sooner than two years out. Investors fear marginalization of Lotos after the merger, but keep in mind that PKN has to present a compelling case to Lotos's shareholders if it wants them to ok the deal, plus, the prospective buyers of the assets that have to be divested before the merger under EU competition laws are not likely to want to become involved in controversy or legal battles. That is why, in the end, we still expect PKN to make cash tender offers on LTS shares – at least those in the hands of non-state shareholders. The merger aside, Lotos's refining profits have been under pressure from overall weak downstream fundamentals, but this is more than priced in and in the short term we might see market conditions pick up thanks to a higher supply of crude inputs, decreasing inventories during the US hurricane season, and a potential rebound in diesel demand from the agricultural industry. After updating our models to assume a more conservative long-term downstream outlook, and after factoring in a significantly reduced relative valuation, we lower our target price for LTS from PLN 55.87 to PLN 47.09, and with more upside from the current level we upgrade the stock to accumulate.

#### Current Price

39.22 PLN

Upside

#### 9M Target Price

47.09 PLN

+20.1%

	rating	target price	issued
new	accumulate	47.09 PLN	2020-09-02
old	hold	55.87 PLN	2020-07-02
Key Metrics		LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-19.2% -20.1%
ISIN	PLLOTOS00025	YTD Price Chng	-53.1% -41.2%
Outst. Stock (m)	184.9	ADTV 1M	PLN 17.6m
MC (PLN m)	7,250.7	ADTV 6M	PLN 26.0m
EV (PLN m)	9,771.0	EV/EBITDA 12M fwd	4.6 -14.3%
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	20,639	19,889	23,403
EBITDA	3,704	2,879	-118	1,904	2,768
EBITDA margin	12.3%	9.8%	-0.6%	9.6%	11.8%
EBIT	2,981	1,970	-1,225	791	1,600
Net income	1,587	1,153	-1,051	510	1,024
P/E	4.6	6.3	-	14.2	7.1
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	2.5	3.5	-	5.2	3.7
DPS	1.00	3.00	1.00	3.00	3.00
DYield	2.6%	7.6%	2.5%	7.6%	7.6%
Forecast Update (% change)		2020P	2021P	2022P	
LIFO EBITDA		-7.2%	+1.0%	-7.0%	
Net income		-	-8.4%	-23.7%	
Price of Brent crude (\$/bbl)		0.0%	0.0%	0.0%	
Margin+Urals/Brent price differ. (\$/b)		-12.5%	0.0%	-9.1%	
USD/PLN		-1.3%	0.0%	0.0%	

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
LIFO EBITDA (adj.)	3,126	2,861	1,851	1,980	2,408
Upstream (US)	917	630	306	328	721
Downstream (DS)	2,022	1,965	1,351	1,443	1,476
Retail	181	259	194	209	211
EV/ LIFO EBITDA (adj.)	3.1	3.7	5.5	5.2	4.4
LIFO effect	500	-141	-857	-76	360
Other one-offs	78	159	-1,112	0	0
Financing activity	-259	-278	-342	-171	-185
Crude thrghpt (mmt)	10.8	10.7	10.2	10.6	10.6
\$ LIFO EBITDA/bbl, DS	7.1	6.5	4.6	5.2	5.3
PLN EBITDA/tonne, Retail	144	156	140	140	140
\$ EBITDA/boe, US	34.1	21.7	9.9	13.8	25.3
US output (mboepd)	20.4	20.7	21.4	18.1	21.7
natural gas	11.5	10.9	11.2	8.2	6.0
crude oil	8.9	9.8	10.2	10.0	15.7

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	2,328	2,130	2,554	1,946	1,776
OCF/EBITDA LIFO adj.	74%	74%	138%	98%	74%
CAPEX	967	805	1,144	1,453	1,241
Working capital	4,816	5,523	4,138	3,993	4,781
Equity	12,035	12,715	11,479	11,534	12,004
Net debt	1,943	2,900	2,520	2,658	2,867
Net debt/EBITDA (x)	0.6	1.0	1.4	1.3	1.2

#### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	2.5	2.0	5.2	1.7	1.6	2.5
Maximum	29.7	25.4	21.8	20.0	16.3	14.3
Median	16.3	9.0	7.0	5.4	5.1	4.4
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	3.5	4.5	5.0	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/PLN	3.95	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	19,797	19,120	22,153	22,130	22,284	22,299	22,314	22,329	22,344	22,359	22,359
EBITDA	310	1,576	2,047	1,802	1,916	1,890	1,863	1,830	1,814	1,783	1,783
EBITDA margin	1.6%	8.2%	9.2%	8.1%	8.6%	8.5%	8.4%	8.2%	8.1%	8.0%	8.0%
EBIT	-479	756	1,224	952	1,149	1,108	1,067	1,017	985	936	936
Tax	-91	144	233	181	218	211	203	193	187	178	178
CAPEX	-770	-633	-633	-633	-633	-686	-686	-686	-686	-686	-847
Working capital	1,385	145	-788	0	-3	10	7	9	7	5	5
FCF	1,016	944	393	988	1,062	1,004	982	960	948	925	764
PV FCF	990	852	329	764	756	659	594	536	487	438	
WACC	8.0%	8.0%	7.9%	8.2%	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	11,227
Net debt	2,900
Petrobaltic	1,295
Value per share (PLN)	52.05

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	36.54
DCF Val.	50%	52.05
Implied Price		44.29
Cost of equity (9M)		6.3%
9M Target Price		47.09

## MOL buy (reiterated)

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MOL continues to be dragged down by globally weak downstream sentiment even though it offers a much more compelling story than most competition thanks to a well-diversified business mix. In the first half of 2020, amid cheap gas and oil, MOL generated higher-than-expected profits from Downstream and Gas Midstream, and in H2 it is poised for improvement in Upstream thanks to higher hydrocarbon prices and contributions from the newly acquired ACG field – an assumption which has prompted us to raise our 2020-22 EBITDA forecasts for the Hungarian refiner by an average of 5% against cuts of 4-5% applied to the expectations for the Polish counterparts, PKN and Lotos. Furthermore, we must point out that, unlike most of the energy industry, MOL has been taking cost-cutting initiatives to help weather pandemic conditions. Moreover, MOL is a potential beneficiary of the planned merger of 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 pandemic. We maintain our buy call on MOL with the target price reduced by 8% to reflect updated peer multiples.

<b>Current Price</b>	1,686 HUF	<b>Upside</b>
<b>9M Target Price</b>	1,976 HUF	<b>+17.2%</b>

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>1,976 HUF</b>	<b>2020-09-02</b>
<b>old</b>	buy	2,158 HUF	2020-08-04
Key Metrics		MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-1.8% -2.7%
ISIN	HU0000153937	YTD Price Chng	-42.7% -30.7%
Outst. Stock (m)	753.1	ADTV 1M	HUF 1,275.6m
MC (HUF m)	1,269,653.2	ADTV 6M	HUF 2,282.4m
EV (HUF m)	2,991,186.3	EV/EBITDA 12M fwd	4.1 -2.7%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3 discount

### Earnings Projections

(HUF bn)	2018	2019	2020P	2021P	2022P
Revenue	5,169	5,267	3,762	3,515	3,971
EBITDA	764	685	491	552	707
EBITDA margin	14.8%	13.0%	13.1%	15.7%	17.8%
EBIT	353	294	66	109	266
Net income	301	223	-39	97	191
P/E	4.2	5.7	-	13.1	6.6
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	2.5	3.1	6.1	5.5	4.1
DPS	127.50	142.44	0.00	69.72	73.20
DYield	7.6%	8.4%	0.0%	4.1%	4.3%
Forecast Update (% change)			2020P	2021P	2022P
CCS EBITDA			+10.6%	+4.7%	-0.9%
Net income			-	+20.4%	-1.5%
Margin+Urals/Brent price differ. (\$/b)			-12.5%	0.0%	-9.1%
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>546</b>	<b>549</b>	<b>685</b>
Upstream (US)	344	305	207	232	311
Downstream (DS)	183	169	99	122	164
Retail	115	137	135	145	150
Petchem	87	83	79	37	48
Gas Midstream	50	54	64	58	57
General expenses	-51	-40	-39	-45	-45
<b>EV/LIFO EBITDA (adj.)</b>	<b>2.6</b>	<b>3.0</b>	<b>5.5</b>	<b>5.5</b>	<b>4.3</b>
LIFO effect	19	-16	-54	2	22
Other one-offs	17	-8	0	0	0
<b>Financing activity</b>	<b>-22</b>	<b>-18</b>	<b>-119</b>	<b>-18</b>	<b>-38</b>
\$ LIFO EBITDA/bbl, DS	4.9	4.6	2.9	3.7	4.7
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	3.5	4.5	5.0	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/HUF	298	272	272	272	272	272	272	272	272	272	272
Revenue	3,507	3,262	3,679	3,704	3,719	3,721	3,723	3,725	3,727	3,729	3,729
EBITDA	284	320	396	419	439	441	443	446	448	450	450
EBITDA margin	8.1%	9.8%	10.8%	11.3%	11.8%	11.9%	11.9%	12.0%	12.0%	12.1%	12.1%
EBIT	61	72	145	170	196	196	194	191	188	185	227
Tax	17	19	38	46	53	53	52	51	50	49	43
CAPEX	-508	-366	-230	-223	-223	-223	-223	-223	-223	-223	-223
Working capital	-83	24	-45	-2	1	2	2	1	1	1	0
FCF	-324	-42	83	149	164	168	170	173	176	179	184
PV FCF	-317	-38	72	121	123	116	109	103	97	91	
WACC	6.4%	6.3%	6.5%	6.7%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(HUF bn)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>596</b>	<b>704</b>	<b>391</b>	<b>581</b>	<b>625</b>
OCF/EBITDA LIFO adj.	82%	99%	72%	106%	91%
<b>CAPEX</b>	<b>380</b>	<b>596</b>	<b>1,177</b>	<b>543</b>	<b>406</b>
Working capital	300	286	369	345	390
Equity	1,994	2,151	2,124	2,153	2,274
<b>Net debt</b>	<b>314</b>	<b>559</b>	<b>1,452</b>	<b>1,499</b>	<b>1,387</b>
Net debt/EBITDA (x)	0.4	0.8	2.7	2.7	2.0

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	2.5	2.0	5.2	1.7	1.6	2.5
Maximum	29.7	25.4	21.8	20.0	16.3	14.3
Median	17.5	9.5	7.6	5.5	5.0	4.3
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,820
Net debt & adjustments	337
Upstream Valuation	94
<b>Value per share (HUF)</b>	<b>2,212</b>

### Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	1,505
DCF Val.	50%	2,212
Implied Price		1,858
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>1,976</b>

## PGNiG accumualte (downgraded)

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PGNiG delivered strong 2020 Q2 results on a recurring basis, which reaffirmed an upbeat outlook for the rest of the year. After receiving the payout from Gazprom in July, the Company has a cash surplus of more than PLN 5.5bn (~PLN 1/share), equivalent to 18% of the current market capitalization, and we expect it will tap these funds to make a distribution to shareholders (that being said, the latest update on dividends from the Company is that it is not planning any distributions at the present time). PGNiG's prospects going forward are also improved by the upward shift in gas prices on the spot market as well as the forward market, where contracts for 2021 delivery are already 1 euro above our average FY forecast of EUR 12/MWh. At the same time, despite the rebound, EU markets are still lagging their counterparts in Asia and the US, indicating more upside potential later this fall and winter. We downgrade our call on PGN to accumulate to reflect the August share price rise, but we remain bullish on the Company's growth prospects, and we continue to expect upward revisions to the earnings expectations of analysts to factor in among others the stellar results provided this year by the gas trading business.

<b>Current Price</b>	5.15 PLN	<b>Upside</b>
<b>9M Target Price</b>	5.94 PLN	<b>+15.3%</b>

	rating	target price	issued
<b>new</b>	<b>accumulate</b>	<b>5.94 PLN</b>	<b>2020-09-02</b>
<b>old</b>	<b>buy</b>	5.94 PLN	2020-08-04
<b>Key Metrics</b>		<b>PGN PW</b>	<b>vs. WIG</b>
Ticker	PGN PW	1M Price Chng	+0.6% -0.3%
ISIN	PLPGNIG00014	YTD Price Chng	+21.5% +33.4%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 19.6m
MC (PLN m)	29,758.3	ADTV 6M	PLN 27.4m
EV (PLN m)	27,272.7	EV/EBITDA 12M fwd	3.5 -23.8%
Free Float	28.1%	EV/EBITDA 5Y avg	4.6 discount

### 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	9.3	21.7	4.1	10.2	9.2
P/B	0.8	0.8	0.7	0.6	0.6
EV/EBITDA	4.2	6.1	2.1	3.8	3.6
DPS	0.07	0.11	0.09	0.19	0.25
DYield	1.4%	2.1%	1.8%	3.7%	4.9%
<b>Forecast Update (% change)</b>		<b>2020P</b>	<b>2021P</b>	<b>2022P</b>	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of 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
<b>EBITDA (adj.)</b>	<b>7,511</b>	<b>6,452</b>	<b>7,042</b>	<b>7,263</b>	<b>7,967</b>
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
<b>Financing activity</b>	<b>107</b>	<b>-289</b>	<b>-444</b>	<b>41</b>	<b>1</b>
<b>Crude output, mmt</b>	<b>1.41</b>	<b>1.21</b>	<b>1.36</b>	<b>1.55</b>	<b>1.47</b>
domestic	0.82	0.77	0.75	0.73	0.73
international	0.59	0.44	0.61	0.82	0.74
<b>NatGas output, bn m3</b>	<b>4.5</b>	<b>4.5</b>	<b>4.7</b>	<b>5.3</b>	<b>5.4</b>
domestic	3.8	3.8	3.8	4.0	4.0
international	0.7	0.7	0.9	1.3	1.4
<b>Trade mrgn, PLN/MWh</b>	<b>-6.6</b>	<b>-4.5</b>	<b>46.7</b>	<b>6.6</b>	<b>5.2</b>

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Operating cash flow</b>	<b>5,814</b>	<b>4,938</b>	<b>11,950</b>	<b>6,255</b>	<b>5,974</b>
OCF/EBITDA	82%	90%	93%	89%	78%
<b>CAPEX</b>	<b>4,534</b>	<b>6,069</b>	<b>5,103</b>	<b>4,489</b>	<b>5,110</b>
Working capital	5,358	6,059	4,541	4,356	4,824
Equity	36,634	38,108	45,095	46,921	48,701
<b>Net debt</b>	<b>-223</b>	<b>3,715</b>	<b>-2,485</b>	<b>-3,063</b>	<b>-2,368</b>
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
<b>Value per share (PLN)</b>	<b>4.72</b>

### 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%
<b>9M Target Price</b>		<b>5.94</b>

## PKN Orlen hold (reiterated)

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Downstream conditions remain tough, with dramatically low cracking margins and increasing supply, and in terms of future prospects the negative implications are underpinned by expectations of lower margins on retail fuel sales and rebounding prices of natural gas. PKN's more relaxed approach to cost management lately can be expected to add to the downward pressure. A share swap in place of a cash bid represents a positive change in the Company's approach to the upcoming takeover of Lotos, but we would not count on many more concessions from the latter company's shareholders. It would not be advisable for PKN to take an overly combative stance in its pursuit of value on the Lotos merger given that it also has to negotiate with the prospective buyers of the assets that have to be divested under the EU's competition laws. In fact, in order to avoid conflict with Lotos's voting shareholders, in the end PKN might have to put a cash tender offer back on the table. At this juncture, given uncertainty as to the acquisition price and the profits attainable on divested assets, it is still impossible to conclude whether the merger is a good deal for PKN. When it comes to PKN's tentative designs on PGNiG, the potential synergies of such a merger have not been made known yet, and looking at the current earnings of both companies in a share swap scenario it is PGNiG that would stand to gain more on the transaction. We lower our target price for PKN from PLN 67.72 to PLN 56.37 after updating our models to assume a more conservative outlook for refining, and we reiterate a hold recommendation for the stock.

### Current Price

50.32 PLN

Upside

### 9M Target Price

56.37 PLN

+12.0%

	rating	target price	issued
new	hold	56.37 PLN	2020-09-02
old	hold	67.72 PLN	2020-07-02
<b>Key Metrics</b>			
	PKN PW	1M Price Chng	-5.6%
Ticker	PLPKN0000018	YTD Price Chng	-40.7%
ISIN			
Outst. Stock (m)	427.7	ADTV 1M	PLN 55.2m
MC (PLN m)	21,522.3	ADTV 6M	PLN 94.5m
EV (PLN m)	40,151.4	EV/EBITDA 12M fwd	4.4
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	75,525	75,965	91,872
EBITDA	9,888	8,862	7,312	7,780	9,652
EBITDA margin	9.0%	8.0%	9.7%	10.2%	10.5%
EBIT	7,215	5,365	2,836	2,539	3,877
Net income	5,556	4,300	2,363	1,889	2,750
P/E	3.9	5.0	9.1	11.4	7.8
P/B	0.6	0.6	0.5	0.5	0.5
EV/EBITDA	2.7	3.2	5.5	5.3	4.4
DPS	3.00	3.50	1.00	1.00	2.65
DYield	6.0%	7.0%	2.0%	2.0%	5.3%
<b>Forecast Update (% change)</b>			<b>2020P</b>	<b>2021P</b>	<b>2022P</b>
LIFO EBITDA			-3.2%	-0.7%	-5.3%
Net income			-	+5.9%	-12.8%
Margin+Urals/Brent price differ. (\$/b)			-12.5%	0.0%	-9.1%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
USD/PLN			-1.3%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
<b>LIFO EBITDA (adj.)</b>	<b>8,448</b>	<b>8,999</b>	<b>7,778</b>	<b>7,970</b>	<b>8,752</b>
Downstream(DS)	3,764	2,690	1,111	793	1,427
Petchem	2,103	2,200	1,386	1,305	1,471
Retail	2,781	3,067	2,735	2,909	3,037
Upstream	305	331	298	165	267
Electricity	188	1,564	3,228	3,877	3,662
General expenses	-693	-853	-981	-1,079	-1,111
<b>EV/LIFO EBITDA (adj.)</b>	<b>3.3</b>	<b>3.2</b>	<b>5.3</b>	<b>5.3</b>	<b>5.0</b>
LIFO effect	860	-145	-2,241	-190	900
Other one-offs	580	8	1,776	0	0
<b>Financing activity</b>	<b>-104</b>	<b>-11</b>	<b>-609</b>	<b>-205</b>	<b>-480</b>
\$ LIFO EBITDA/bbl, DS	4.3	2.8	1.3	1.0	1.7
PLN EBITDA/tonne, Retail	294	312	301	298	308
<b>Refinery thrghpt (mmt)</b>	<b>33.4</b>	<b>33.9</b>	<b>29.8</b>	<b>29.8</b>	<b>31.3</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	3.5	4.5	5.0	5.5	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	3.95	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	75,525	75,965	91,872	92,911	93,967	94,708	95,425	95,342	95,754	96,167	96,167
EBITDA	3,622	7,780	9,652	9,855	10,772	10,978	10,925	10,839	10,883	10,925	10,925
EBITDA margin	4.8%	10.2%	10.5%	10.6%	11.5%	11.6%	11.4%	11.4%	11.4%	11.4%	11.4%
EBIT	2,836	2,539	3,877	3,760	4,854	5,019	4,878	4,685	4,586	4,462	4,630
Tax	539	482	737	714	922	954	927	890	871	848	880
CAPEX	-8,309	-7,569	-7,487	-6,599	-6,297	-6,304	-6,308	-6,310	-6,307	-6,295	-6,295
Working capital	4,356	-31	-1,679	-423	-222	-95	-91	4	-55	-55	-55
FCF	-9,963	-302	-250	2,118	3,330	3,626	3,598	3,643	3,649	3,727	3,695
PV FCF	-9,736	-276	-213	1,684	2,469	2,504	2,314	2,179	2,029	1,918	
WACC	7.2%	7.2%	7.1%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%	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>8,116</b>	<b>7,306</b>	<b>7,329</b>
OCF/EBITDA LIFO adj.	59%	104%	104%	92%	84%
<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	6,726	6,757	8,436
Equity	35,727	38,596	40,534	41,997	43,615
<b>Net debt</b>	<b>5,599</b>	<b>6,446</b>	<b>16,769</b>	<b>17,664</b>	<b>19,436</b>
Net debt/EBITDA (x)	0.6	0.7	2.3	2.3	2.0

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	9.7	6.1	5.4	2.9	2.5	2.5
Maximum	57.2	25.4	21.8	20.0	16.3	14.9
Median	16.3	9.9	7.6	6.0	5.6	4.7
Weight	17%	17%	17%	17%	17%	17%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	31,981
Net debt	6,018
Other adjustments	-1,860
<b>Value per share (PLN)</b>	<b>56.35</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	49.69
DCF Val.	50%	56.35
Implied Price		53.02
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>56.37</b>



## Power Utilities

### CEZ

**accumulate (no change)**

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CEZ stock traded flat in August despite delivering better-than-expected second-quarter results and a more upbeat guidance on the rest of the year thanks to less severe covid impacts than initially anticipated. The Company's subdued performance was most likely a result of more negative sentiment on European and US utilities. Meanwhile CEZ confirmed at the second-quarter earnings call that the planned construction of a nuclear power station has not changed its dividend policy, and with the cash base for next year's payout likely to be 10% higher than this year the implied dividend yield might be as big as 8%. In addition, the Generator has added new green energy projects to its decarbonization pipeline after receiving funding commitments from the Czech government. Moreover, CEZ is poised to earn extra cash on planned divestments in Romania, Poland, and Bulgaria, and possibly 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**

451.00 CZK

**Upside**

**9M Target Price**

514.80 CZK

**+14.1%**

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

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+1.0%	+0.1%
ISIN	CZ0005112300	YTD Price Chng	-5.2%	+6.8%
Outst. Stock (m)	538.0	ADTV 1M		CZK 66.5m
MC (CZK bn)	242.6	ADTV 6M		CZK 141.4m
EV (CZK bn)	407.0	EV/EBITDA 12M fwd	6.9	-3.0%
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	23.5	16.9	11.1	15.6	20.5
P/B	1.0	1.0	1.0	1.0	1.0
EV/EBITDA	8.0	6.8	6.4	7.1	7.7
DPS	32.71	23.86	34.00	36.40	25.99
DYield	7.3%	5.3%	7.5%	8.1%	5.8%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (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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Stocks in Enea have reversed most of the gains made during the earlier utilities rally, and the Company is underperforming all other local generators despite having delivered another quarterly beat in Q2 profits (with ytd EBITDA fulfilling 58% of our forecast for the full year), and even though it is expected to start generating positive cash flow earlier than the competition. When it comes to a potential coal asset spin-off as part of Poland's tentative coal phase-out plan, as a reminder Enea's value without these assets could go up to PLN 19 or 6.0x EV/EBITDA as compared with the current valuation of its "clean" assets at 2.3x 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.

### Current Price

6.16 PLN

### 9M Target Price

-

	rating	target price	issued
unchanged	suspended		2020-06-23

Key Metrics			ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	-13.6%	-14.5%
ISIN	PLENEA000013	YTD Price Chng	-22.2%	-10.2%
Outst. Stock (m)	441.4	ADTV 1M		PLN 2.0m
MC (PLN m)	2,719.3	ADTV 6M		PLN 4.1m
EV (PLN m)	10,298.1	EV/EBITDA 12M fwd	3.2	-22.6%
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	4.0	6.4	2.5	2.1	2.3
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	3.9	2.9	3.3	2.7	2.6
DPS	0.00	0.00	0.00	0.24	0.57
DYield	0.0%	0.0%	0.0%	3.9%	9.3%
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 ended August flat as the market continues to ignore its nearly coal-free power mix since the cancellation of the Ostrołęka C generator, while most of its peers have yet to detach themselves from coal. Instead of viewing it as the benchmark to which all others should aspire, investors are currently trading ENG at 4.7x, a similar ratio to that attributed to the clean assets of rival Tauron. We think the worry might be about the interests of Energa's minority shareholders under the owner, PKN Orlen, but in our view PKN's planned investment in CCGT and offshore wind capacity will actually add value to the Company in a longer-term perspective. 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 the Energa for the second half of the year.

**Current Price**

7.82 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	+0.3%	-0.7%
ISIN	PLENERG00022	YTD Price Chng	+10.5%	+22.4%
Outst. Stock (m)	414.1	ADTV 1M		PLN 0.6m
MC (PLN m)	3,238.0	ADTV 6M		PLN 3.0m
EV (PLN m)	9,576.0	EV/EBITDA 12M fwd	5.4	+24.6%
Free Float	48.5%	EV/EBITDA 5Y avg	4.4	premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	10,337	12,172	12,413	11,753	11,725
EBITDA	1,877	2,039	1,883	2,102	2,102
EBITDA margin	18.2%	16.8%	15.2%	17.9%	17.9%
EBIT	1,176	459	704	812	816
Net income	739	-952	318	409	414
P/E	4.4	-	10.2	7.9	7.8
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	4.1	4.6	5.1	4.4	4.4
DPS	0.00	0.00	0.00	0.00	0.15
DYield	0.0%	0.0%	0.0%	0.0%	1.9%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

### Financial Highlights

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

### Key Balance Sheet Figures

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

## PGE

### suspended (no change)

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Poland has toned down its stance on the trajectory of an eventual energy shift away from coal, and it has backed down on mine closures after union protests, as well as extending the transition timeline until 2050. Under these circumstances, we would not expect PGE's strategy update, scheduled for the fall, to make any mention of the potential spin-off of coal-based generators that we have pegged as boosting the Company's value to about PLN 15 per share. We might also not get a clear strategy on the opencast lignite mining project in Złocze. On top of that, assets minister Sasin has recently reiterated his no-dividend regime with respect to state companies. In terms of business, PGE is not likely to deliver any surprises with 2020 earnings, but next year's profits will be boosted by capacity payments and by plans to reduce the volume of power that Polish utilities are required to offer via the domestic energy exchange.

### Current Price

5.79 PLN

### 9M Target Price

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	rating	target price	issued
unchanged	suspended		2020-04-27

Key Metrics			PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	-12.5%	-13.4%
ISIN	PLPGER000010	YTD Price Chng	-27.2%	-15.3%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 11.2m
MC (PLN m)	10,833.5	ADTV 6M		PLN 26.7m
EV (PLN m)	22,816.0	EV/EBITDA 12M fwd	3.6	-16.3%
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	7.2	-	7.8	3.8	4.2
P/B	0.2	0.3	0.2	0.2	0.2
EV/EBITDA	3.3	3.2	3.6	2.7	2.7
DPS	0.00	0.00	0.00	0.18	0.38
DYield	0.0%	0.0%	0.0%	3.2%	6.6%
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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Tauron outperformed the utilities sector again in August, but not as much as in previous months as the market's expectations got tempered by the government backtracking on coal mine closures as part of a transition to a carbon-free economy. The odds that Tauron will be allowed to close its mining operations are slim, especially since the mines seem to be doing better lately in terms of production volumes and profitability. The possible sale of the district heating business to PGNiG is already priced in, and with no fresh upside catalysts that we can see TPE stock at the current level contains higher downside risk in our view than most of its competition if the decarbonization solutions discussed so far, including coal mine spin-offs, do not pan out.

### Current Price

2.31 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	-10.9%	-11.9%
ISIN	PLTAURN00011	YTD Price Chng	+41.1%	+53.0%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 8.4m
MC (PLN m)	4,055.4	ADTV 6M		PLN 17.9m
EV (PLN m)	18,978.9	EV/EBITDA 12M fwd	4.8	+3.3%
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	19.8	-	6.1	3.4	3.4
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	4.1	5.0	5.4	4.7	4.2
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%
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 (reiterated)

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Cyfrowy generated 2020 Q2 results in line with expectations, but based on the Company's more upbeat outlook on Polish TV advertising spend, and looking at higher-than-forecast smartphone and electronics sales so far this year, after updating peer valuations, we raise our target price for CPS from PLN 24.10 to PLN 26.30 per share, without changing our hold recommendation. Cyfrowy is currently valued higher than rival OPL and PLY at 7.4x 2020E EV/EBITDA even though it achieves slower earnings growth, including due to a likely rise in defections by pay TV customers, and pays perfectly average dividends. Further, Cyfrowy's mobile arm, Plus, has to wait for a new 5G auction after the original one had to be canceled due to the coronavirus outbreak, with no guarantee that the terms will be at least as good. To be fair, if the price of 5G spectrum should exceed what we are currently assuming for each rated telecom (i.e. PLN 550m in 2020), the negative impact relative to size would be less painful for Cyfrowy than for Orange or Play.

Current Price

26.92 PLN

Downside

9M Target Price

26.30 PLN

-2.3%

	rating	target price	issued	
new	hold	26.30 PLN	2020-09-02	
old	hold	24.10 PLN	2020-04-01	
Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-3.3%	-4.2%
ISIN	PLCFRPT00013	YTD Price Chng	-3.7%	+8.3%
Outst. Stock (m)	639.5	ADTV 1M		PLN 11.1m
MC (PLN m)	17,216.5	ADTV 6M		PLN 16.8m
EV (PLN m)	30,003.9	EV/EBITDA 12M fwd	6.9	+2.6%
Free Float	33.5%	EV/EBITDA 5Y avq	6.7	premium

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	10,686	11,676	11,739	11,945	12,207
EBITDA	3,698	4,197	4,066	4,293	4,389
EBITDA margin	34.6%	35.9%	34.6%	35.9%	36.0%
EBIT	1,727	1,967	1,784	2,116	2,308
Net income	834	1,101	1,133	1,471	1,623
P/E	20.7	15.6	15.2	11.7	10.6
P/B	1.3	1.2	1.2	1.1	1.1
EV/EBITDA	7.6	7.2	7.4	6.9	6.7
DPS	0.00	0.93	0.35	1.58	1.25
DYield	0.0%	3.5%	1.3%	5.9%	4.7%
Forecast Update (% change)		2020P	2021P	2022P	
Revenue		+3.2%	+2.4%	+1.7%	
EBITDA		+1.0%	+1.4%	+0.8%	
EBIT		-3.5%	-1.9%	-2.4%	
Net income		-7.2%	-1.3%	-1.5%	
CAPEX		+21.5%	0.0%	0.0%	

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
RGUs pospaid	16.91	17.43	17.57	17.66	17.72
incl. Pay TV	5.10	5.01	4.97	4.96	4.96
incl. mobile	7.35	7.83	7.98	8.05	8.09
Sales	10,686	11,676	11,739	11,945	12,207
YoY		9.3%	0.5%	1.8%	2.2%
EBIT	1,727	1,967	1,784	2,116	2,308
margin	16.2%	16.8%	15.2%	17.7%	18.9%
EBITDA	3,698	4,197	4,066	4,293	4,389
margin	34.6%	35.9%	34.6%	35.9%	36.0%
Financial costs, net	-387	-466	-438	-366	-374
Other	-34	-34	72	87	93
PBT	1,306	1,468	1,419	1,838	2,028
Tax	-490	-353	-270	-349	-385
Minorities	-18	14	16	18	19
Net income	834	1,101	1,133	1,471	1,623

#### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	2,915	3,087	3,136	3,272	3,390
OCF/EBITDA	79%	74%	77%	76%	77%
CAPEX	-928	-1,232	-2,385	-1,308	-2,303
Assets	30,697	32,590	33,534	34,074	34,994
Equity	13,227	13,811	14,720	15,180	16,003
Net debt ex. IFRS16	10,092	10,792	10,703	10,116	10,203
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	3.3	3.0	2.7	4.5	5.4	4.6
Maximum	21.9	12.3	12.4	86.7	343.2	74.0
Median	6.0	5.5	5.3	13.4	13.1	11.5
Weight	0%	0%	0%	33%	33%	33%

#### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	11,739	11,945	12,207	12,400	12,583	12,770	12,961	13,157	13,356	13,549	13,549
EBITDA	3,591	3,818	3,914	3,964	4,009	4,051	4,091	4,131	4,172	4,203	4,203
EBITDA margin	30.6%	32.0%	32.1%	32.0%	31.9%	31.7%	31.6%	31.4%	31.2%	31.0%	31.0%
D&A	1,807	1,702	1,606	1,534	1,488	1,454	1,419	1,404	1,411	1,416	1,416
EBIT	1,784	2,116	2,308	2,430	2,521	2,596	2,671	2,727	2,761	2,788	2,788
Tax	339	402	439	462	479	493	508	518	525	530	530
NOPLAT	1,445	1,714	1,870	1,969	2,042	2,103	2,164	2,209	2,236	2,258	2,258
CAPEX	-2,385	-1,308	-2,303	-2,639	-1,645	-1,370	-1,959	-1,390	-1,411	-1,429	-1,429
Working capital	-258	-284	-231	-204	-193	-196	-199	-203	-206	-208	-208
FCF	609	1,824	941	659	1,692	1,992	1,425	2,020	2,030	2,037	2,037
PV FCF	596	1,671	808	530	1,274	1,404	940	1,245	1,169	1,095	
WACC	6.7%	6.8%	6.8%	6.7%	6.8%	6.9%	6.9%	7.0%	7.1%	7.2%	7.2%
Net debt / EV	36.8%	35.5%	35.7%	36.7%	35.7%	34.0%	33.6%	31.8%	29.8%	27.7%	27.7%
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%

\*Cyfrowy Polsat only (without Netia)

#### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	26,234
Net debt ex. IFRS16	10,792
Other adjustments	1,200
Value per share (PLN)	26.02

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	33%	22.12
DCF Val.	67%	26.02
Implied Price		24.72
Cost of equity (9M)		6.4%
9M Target Price		26.30

## Netia hold (no change)

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We maintain a neutral call on NET. 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 depreciation versus other currencies with most bank debt denominated in the Polish currency, except for a potential rise in costs of planned investment denominated in foreign currencies. Moreover, NET, a defensive telco stock, is trading at an attractive 4.6x 2020E EV/EBITDA, and its earnings are set to stabilize from 2021 after years of declines (with a small, 3% contraction, still likely in 2020). With all that said, NET stock does not offer any more upside potential from the current level.

**Current Price**

4.47 PLN

Downside

**9M Target Price**

4.40 PLN

-1.6%

	rating	target price	issued
unchanged	hold	4.40 PLN	2020-08-04

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	+1.4%	+0.4%
ISIN	PLNETIA00014	YTD Price Chng	+1.1%	+13.1%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,506.6	ADTV 6M		PLN 0.1m
EV (PLN m)	2,014.9	EV/EBITDA 12M fwd	4.2	-13.0%
Free Float	33.0%	EV/EBITDA 5Y avg	4.9	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	1,373	1,297	1,280	1,278	1,290
EBITDA	356	457	439	439	436
EBITDA margin	25.9%	35.2%	34.3%	34.3%	33.8%
EBIT	76	71	77	85	88
Net income	65	48	52	58	60
P/E	23.2	31.7	28.8	26.0	25.0
P/B	0.8	0.8	0.8	0.7	0.7
EV/EBITDA	4.8	4.4	4.6	4.4	4.1
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

\*% change excluding IFRS16

### Financial Highlights

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

### DCF Analysis

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

### Key Balance Sheet Figures

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

### Relative Valuation Summary

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

### DCF Summary

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

### Valuation Summary

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



## Orange Polska 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, it has boosted revenues from broadband, as reflected in the 2020 Q2 results of Orange Polska. The Company acquired 44,000 new fiber network connections in the period, and its 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 16% in OPL at the current level, and so we maintain a bullish view on the stock, reinforced by the plans to spin off part of fiber operations and onboard an external partner to help build FTTH infrastructure. 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 with no guarantee that the terms will be at least as good.

Current Price

7.19 PLN

Upside

9M Target Price

8.30 PLN

+15.5%

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

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+2.1%	+1.2%
ISIN	PLTLKPL00017	YTD Price Chng	+0.9%	+12.8%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 7.7m
MC (PLN m)	9,426.7	ADTV 6M		PLN 12.9m
EV (PLN m)	17,618.1	EV/EBITDA 12M fwd	4.9	+5.4%
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	942.7	103.2	38.7	20.8	15.2
P/B	0.9	0.9	0.9	0.9	0.8
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%	3.5%	3.5%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
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 accumulate (no change)

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We maintain a positive outlook for Play. The Telecom did not wow with its 2020 Q2 results – a consequence of the coronavirus pandemic – but it did manage to curb subscriber losses to 34,000, and its FCFE guidance is intact at >PLN 800m, representing unsurpassed cash generation capacity which constitutes the biggest attraction to investors. Other catalysts include rising prices of mobile services in Poland, supported by massive demand for data, and a 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.

<b>Current Price</b>	29.98 PLN	<b>Upside</b>
<b>9M Target Price</b>	35.70 PLN	<b>+19.1%</b>

	rating	target price	issued
unchanged	accumulate	35.70 PLN	2020-08-04

Key Metrics			PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	-7.4%	-8.3%
ISIN	LU1642887738	YTD Price Chng	-10.1%	+1.8%
Outst. Stock (m)	253.7	ADTV 1M		PLN 13.0m
MC (PLN m)	7,605.9	ADTV 6M		PLN 18.9m
EV (PLN m)	14,381.6	EV/EBITDA 12M fwd	5.4	-7.2%
Free Float	49.4%	EV/EBITDA 5Y avg	5.8	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	6,839	7,041	7,102	7,211	7,361
EBITDA	2,160	2,406	2,500	2,573	2,653
EBITDA margin	31.6%	34.2%	35.2%	35.7%	36.0%
EBIT	1,371	1,500	1,567	1,574	1,627
Net income	744	867	927	941	944
P/E	10.2	8.8	8.2	8.1	8.1
P/B	-	23.6	9.2	5.6	4.1
EV/EBITDA	6.6	5.9	5.8	5.4	5.3
DPS	2.57	1.45	1.65	1.65	1.65
DYield	8.6%	4.8%	5.5%	5.5%	5.5%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
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)		7.5%
<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 it sold two noncore business lines. Looking ahead, we do not see much upside risk, with the results for Q2 2020 likely to be weak after revenue in the key segment of Movies and Books Agora fell more than 11% year over year in Q1 2020 due to a 19.8% slump in cinema attendance, resulting in a 16.5% fall in concession sales. Cinemas in Poland continue to suffer as social distancing restrictions remain in place. and Agora's ad-based businesses face tight revenues this year. Agora has canceled its earnings guidance through 2022, and while this came as no surprise to anyone the retraction brings to light the upheaval and uncertainty currently reigning the media landscape, and the narrow elbow room to cope if things turn for the worse (all that said, we have to give Agora's managers credit for the quick cost-cutting measures taken as soon as the coronavirus outbreak reached Poland).

### Current Price

6.86 PLN

Upside

### 9M Target Price

8.60 PLN

+25.4%

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

Key Metrics	AGO PW	1M Price Chng	AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	-8.5%	-9.5%
ISIN	PLAGORA00067	YTD Price Chng	-34.0%	-22.1%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.0m
MC (PLN m)	319.5	ADTV 6M		PLN 0.1m
EV (PLN m)	1,094.3	EV/EBITDA 12M fwd	9.1	+61.2%
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	69.9	90.3	-	-	-
P/B	0.3	0.3	0.4	0.4	0.4
EV/EBITDA	3.7	5.5	19.7	7.4	5.8
DPS	0.50	0.50	0.00	0.00	0.50
DYield	7.3%	7.3%	0.0%	0.0%	7.3%
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
Daily circulaton (k copies)	106	98	94	93	91
Movie ticket sales (mn)	12.4	14.0	9.7	14.4	15.1
Avg. ticket price (PLN)	19.1	18.5	15.9	15.9	16.5
Conc. rev./patron (PLN)	7.3	7.9	7.4	7.5	7.8
<b>Revenue</b>	<b>1,141</b>	<b>1,250</b>	<b>892</b>	<b>1,080</b>	<b>1,191</b>
Press and Print	286	255	229	235	239
Movies & Books	419	522	329	448	480
Outdoor	172	184	110	137	169
Internet	178	209	166	196	228
Radio	116	113	79	89	103
Print	-	-	-	-	-
Eliminations	-29	-33	-22	-26	-27
<b>EBITDA</b>	<b>86</b>	<b>104</b>	<b>-23</b>	<b>69</b>	<b>108</b>
margin	7.6%	8.4%	-2.5%	6.4%	9.0%
<b>Net income</b>	<b>5.1</b>	<b>3.5</b>	<b>-136.9</b>	<b>-42.5</b>	<b>-5.5</b>

### Key Balance Sheet Figures

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

### Relative Valuation Summary

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

### DCF Analysis

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

### DCF Summary

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

### Valuation Summary

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

## Wirtualna Polska reduce (no change)

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We maintain our contrarian negative view on WPL. Wirtualna exceeded our expectations with 2020 Q2 profits, but its online vacation booking business remains squeezed by the pandemic, and the fashion platform Domodi is not delivering the expected results. The savings measures implemented right after the coronavirus outbreak hit are not enough to make up for the losses experienced in the second quarter. In the long term WPL faces increased competition risk after the listed media firm Cyfrowy Polsat acquired rival websites. At 11.3x 2021E EV/EBITDA, WPL seems overvalue considering low projected 2019-2021 EBITDA CAGR of less than 2%.

<b>Current Price</b>	74.00 PLN	<b>Downside</b>
<b>9M Target Price</b>	63.10 PLN	<b>-14.7%</b>

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

Key Metrics	WPL PW	WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+3.9% +3.0%
ISIN	PLWRTPL00027	YTD Price Chng	+6.0% +17.9%
Outst. Stock (m)	29.7	ADTV 1M	PLN 0.5m
MC (PLN m)	2,194.2	ADTV 6M	PLN 1.2m
EV (PLN m)	2,510.2	EV/EBITDA 12M fwd	11.1 +8.6%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	567	709	593	729	812
EBITDA	163	209	169	219	243
EBITDA margin	28.7%	29.5%	28.5%	30.0%	29.9%
EBIT	107	130	91	142	164
Net income	74	69	58	101	121
P/E	29.7	31.8	37.7	21.8	18.1
P/B	4.7	4.3	4.1	3.6	3.2
EV/EBITDA	15.4	12.1	14.9	11.3	9.9
DPS	0.96	1.00	1.00	1.00	1.72
DYield	1.3%	1.3%	1.4%	1.4%	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

	20P	P/E	22P	20P	EV/EBITDA	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

## 2019-2021 Financial Projections (PLN m) and Recommended Allocations for IT Stocks

Company	MCap	EV	Net Debt	ND/ EBITDA	Revenue			EBITDA			EBIT			Net Profit		
					2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Ailleron	88	75	-13.0	-0.8	141	148	160	12.4	17.1	19.2	4.0	8.8	10.9	0.5	6.2	8.0
Asseco BS	1,202	1,231	28.1	0.2	274	282	296	112.2	115.1	119.8	87.7	89.2	92.9	73.4	73.5	77.0
Asseco PL	5,827	9,141	704.3	0.4	10,667	11,973	12,492	1,611.6	1,869.0	1,950.9	976.2	1,183.6	1,248.9	322.4	363.1	396.5
Asseco SEE	2,465	2,374	-93.5	-0.4	881	1,024	1,157	175.7	219.4	242.3	110.0	143.1	161.3	90.9	115.4	131.3
Atende	118	132	11.0	0.6	295	256	273	28.1	17.3	22.6	20.0	9.3	14.6	12.1	6.6	10.9
Comarch	1,741	1,655	-104.1	-0.5	1,437	1,463	1,593	228.3	212.1	232.3	143.4	125.3	144.4	104.8	73.8	103.0
Sygnity	195	264	68.5	1.3	235	235	243	37.4	54.4	54.5	29.4	38.4	39.0	15.9	25.5	28.2
Company	Rating		Target Price	Current Price	1M Chng	P/E			EV/EBITDA			EV/Sales			PEG Ratio	
	Current	Change				2019	2020	2021	2019	2020	2021	2019	2020	2021	2020	2021
Ailleron	N	-	-	7.08	+3.9%	-	14.1	11.0	6.8	4.4	3.4	0.6	0.5	0.4	0.0	0.0
Asseco BS	N	►	-	36.00	+2.3%	16.4	16.4	15.6	11.1	10.7	10.2	4.5	4.4	4.1	6.8	6.5
Asseco PL	OW	►	80.70	70.20	-2.7%	18.1	16.0	14.7	5.7	4.9	4.6	0.9	0.8	0.7	1.5	1.3
Asseco SEE	OW	-	-	47.50	-1.0%	27.1	21.4	18.8	13.9	10.8	9.6	2.8	2.3	2.0	1.1	0.9
Atende	N	-	-	3.24	+2.5%	9.7	17.9	10.8	4.9	7.6	5.5	0.5	0.5	0.5	-3.3	-2.0
Comarch	N	-	220.30	214.00	-3.6%	16.6	23.6	16.9	7.4	7.8	7.0	1.2	1.1	1.0	-26.8	-19.2
Sygnity	OW	-	10.70	8.58	-0.6%	12.3	7.7	6.9	7.8	4.8	4.3	1.2	1.1	1.0	0.2	0.2
<b>Median</b>						<b>16.5</b>	<b>16.4</b>	<b>14.7</b>	<b>7.4</b>	<b>7.6</b>	<b>5.5</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.2</b>	<b>0.2</b>

Source: mBank; OW – overweight, N – neutral, UW – underweight

## Asseco Business Solutions (neutral)

Asseco Business Solutions (ABS) generated better-than-expected results for Q2 2020, with EBITDA showing a 7.3% beat at 25.4m and net profit coming out 10.2% above target at PLN 15.7m. However it was revenues that were the biggest upside surprise in Q2; contrary to our assumption of flat sales at best given a high share of SMEs in the customer base, sales in Poland increased 5.8% on the same period a year earlier, representing an acceleration from the first quarter, and globally they surged 18.1% YoY. Moving forward, on 5% higher backlog than this time last year, ABS is not likely to grow profits by much in 2020 given the upward trend in tech salaries. What is more, the Company itself said it expected some of its customers to cut back IT spend over the coming months. With all this in mind, we assume flat sales revenue in H2 2020, but we nevertheless opt to raise our 2020 and 2021 EBITDA estimates for ABS to PLN 115.1m and PLN 119.8m, respectively, and revise the corresponding net profit forecasts higher to PLN 73.5m and PLN 77.0m. At 10.7x 2020E EV/EBITDA and 16.4x P/E, ABS seems to us fairly valued relative to its earnings potential.

## Asseco Poland buy (upgraded)

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Shares in Asseco Poland gained 6% since the beginning of August. The Company delivered strong results for Q2 2020, with net profit up by 19% from the same period a year earlier at PLN 95.1m. Consequently, ACP fulfilled more than 55% of our FY earnings estimate in the year to 30 June, and it gave an upbeat outlook for the second half of the year based on a strong backlog which grew 12% in total and 16% in Poland relative to this time in 2019. To reflect this, we have updated our models for Asseco Poland to assume net profit of PLN 363m in 2020, and we raise our target price for the Company as well as upgrading our investment call to buy. Factors which contributed to the upgrade included an increase in the valuations of subsidiary units Asseco SEE and Formula Systems. On our estimates, ACP is currently trading at 16.0x 2020E P/E, showing a >25% discount to peer median. Strong earnings in Q3 and Q4 2020 should serve as upside catalysts going forward.

**Current Price**

70.20 PLN

Upside

**9M Target Price**

80.70 PLN

+15.0%

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>80.70 PLN</b>	<b>2020-09-02</b>
<b>old</b>	<b>accumulate</b>	<b>68.39 PLN</b>	<b>2020-08-04</b>
<b>Key Metrics</b>			
Ticker	ACP PW	1M Price Chng	+9.7%
ISIN	PLSOFTB000016	YTD Price Chng	+15.8%
Outst. Stock (m)	83.0	ADTV 1M	PLN 3.8m
MC (PLN m)	5,826.6	ADTV 6M	PLN 5.9m
		P/E 12M fwd	15.0
Free Float	68.0%	P/E 5Y avg	12.8
			premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	9,329	10,667	11,973	12,492	12,940
EBITDA	1,256	1,612	1,869	1,951	2,022
EBITDA margin	13.5%	15.1%	15.6%	15.6%	15.6%
EBIT	797	976	1,184	1,249	1,307
Net income	333	322	363	397	422
P/E	17.5	18.1	16.0	14.7	13.8
P/B	1.0	1.0	1.0	1.0	0.9
P/S	0.62	0.55	0.49	0.47	0.45
DPS	3.01	3.07	3.01	3.01	3.01
DYield	4.3%	4.4%	4.3%	4.3%	4.3%
<b>Forecast Update (% change)</b>					
Revenue			+10.1%	+14.2%	+13.8%
EBITDA			+15.3%	+14.0%	+12.2%
EBIT			+20.6%	+16.4%	+13.6%
Net income			+20.2%	+15.8%	+13.0%
CAPEX			+13.7%	+10.8%	+8.5%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Revenue</b>	<b>9,329</b>	<b>10,667</b>	<b>11,973</b>	<b>12,492</b>	<b>12,940</b>
change	0.0%	14.4%	12.2%	4.3%	3.6%
Poland	1,614	1,486	1,619	1,710	1,788
South-Eastern Europe	670	890	1,033	1,166	1,256
Western Europe	600	697	820	861	878
Central Europe	958	1,060	1,092	1,125	1,159
Israel	5,403	6,554	7,402	7,624	7,853
Eastern Europe	4	8	7	7	7
<b>EBIT</b>	<b>797</b>	<b>976</b>	<b>1,184</b>	<b>1,249</b>	<b>1,307</b>
D&A	460	635	685	702	715
<b>EBITDA</b>	<b>1,256</b>	<b>1,612</b>	<b>1,869</b>	<b>1,951</b>	<b>2,022</b>
margin	13.5%	15.1%	15.6%	15.6%	15.6%
Associates	-260	-381	-561	-584	-609
Tax	-182	-191	-246	-253	-258
<b>Net income</b>	<b>333</b>	<b>322</b>	<b>363</b>	<b>397</b>	<b>422</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>1,436</b>	<b>1,628</b>	<b>1,703</b>
OCF/EBITDA	80%	93%	77%	83%	84%
<b>CAPEX</b>	<b>-240</b>	<b>-320</b>	<b>-419</b>	<b>-500</b>	<b>-518</b>
Assets	12,642	14,598	15,277	16,001	16,730
Equity	5,718	5,762	5,876	6,022	6,195
<b>Net debt</b>	<b>305</b>	<b>1,103</b>	<b>704</b>	<b>109</b>	<b>-508</b>
Net debt/EBITDA (x)	0.2	0.7	0.4	0.1	-0.3

### Relative Valuation Summary

	20P	P/E 21P	22P
Minimum	28.0	24.1	0.0
Maximum	10.5	7.5	0.0
Median	21.9	16.1	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	888	965	1,011	1,032	1,054	1,076	1,099	1,122	1,146	1,170	1,170
EBITDA	191	216	230	233	236	238	241	244	247	250	250
NOPLAT	105	123	133	135	138	140	142	144	147	149	149
FCF	108	127	143	144	145	145	146	146	147	149	149
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%	1,909
Asseco CE	12x PE'20	93%	964
Asseco BS	DCF	43%	1,197
Asseco SEE	DCF	51%	2,612
Western Europe	12x PE'20	100%	301
Formula Systems	market	26%	5,595
Other	10x PE	0%	218
<b>Value</b>			<b>6,644</b>
Value Per Share (PLN)			80.05

\*net debt adj. for paid dividend

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	71.67
SOTP Val.	50%	80.05
Implied Price		75.86
Cost of equity (9M)		6.4%
<b>9M Target Price*</b>		<b>80.70</b>



## Comarch hold (no change)

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Comarch generated revenue of PLN 331.0m in Q2 2020, representing a miss of nearly PLN 23m relative to our forecast caused in a large part by weaker sales of TMT solutions. Sales to the Polish TMT sector were particularly disappointing in Q2 (with revenue ending up PLN >22m lower than anticipated), but sales in the DACH region and other global markets also fell short of expectations. EBITDA in Q2 showed an increase from the year before thanks only to one-time events (including among others reversals of receivables reserves). The quarterly gross profit was PLN 10m off target at PLN 85m. Looking ahead, 7-8% growth in the order book compared to last year is a disappointing result, but on the upside Comarch achieves very high cash flow, and recently it signed a high-profile contract in New Zealand. Trading at 7.8x 2020E EV/EBITDA, CMR is valued at a significant discount to peers. We maintain a neutral stance on Comarch.

### Current Price

214.00 PLN

Upside

### 9M Target Price

220.30 PLN

+2.9%

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

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-1.8%	-2.8%
ISIN	PLCOMAR00012	YTD Price Chng	+15.4%	+27.3%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.8m
MC (PLN m)	1,740.5	ADTV 6M		PLN 1.1m
EV (PLN m)	1,655.1	EV/EBITDA 12M fwd	6.8	-7.6%
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	56.9	16.6	23.6	16.9	16.1
P/B	2.0	1.8	1.7	1.5	1.4
EV/EBITDA	11.8	7.4	7.8	7.0	6.6
DPS	1.50	1.50	1.50	1.50	1.50
DYield	0.7%	0.7%	0.7%	0.7%	0.7%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
<b>Revenue</b>	<b>1,370</b>	<b>1,437</b>	<b>1,463</b>	<b>1,593</b>	<b>1,692</b>
TMT	316	336	363	384	404
Finance & Banking	205	191	195	203	211
Retail Solutions	202	252	257	295	316
Manufacturing	138	179	183	198	207
Public Sector	193	130	143	158	173
SME	260	291	262	293	317
Other	54	58	61	62	64
Gross profit	362	421	412	448	469
margin	26.4%	29.3%	28.1%	28.1%	27.7%
Selling expenses	139	146	147	160	170
G&A expenses	106	128	134	140	145
<b>EBIT</b>	<b>88</b>	<b>143</b>	<b>125</b>	<b>144</b>	<b>151</b>
margin	6.4%	10.0%	8.6%	9.1%	8.9%
<b>Net income</b>	<b>30.6</b>	<b>104.8</b>	<b>73.8</b>	<b>103.0</b>	<b>107.9</b>

### Key Balance Sheet Figures

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

### Relative Valuation Summary

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

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	1,463	1,593	1,692	1,765	1,840	1,913	1,983	2,051	2,121	2,193	
EBITDA	212	232	242	249	255	263	269	275	280	286	
EBITDA margin	14.5%	14.6%	14.3%	14.1%	13.9%	13.7%	13.6%	13.4%	13.2%	13.1%	
D&A	87	88	91	94	97	101	104	108	112	116	
EBIT	125	144	151	155	158	162	165	166	168	170	
Tax	33	39	41	42	43	44	44	45	45	46	
NOPLAT	92	106	110	113	116	118	120	122	123	124	
CAPEX	-79	-107	-107	-85	-89	-89	-90	-92	-93	-97	
Working capital	-4	-24	-19	-17	-19	-21	-21	-22	-23	-24	
FCF	96	62	76	104	106	109	113	116	119	119	122
PV FCF	91	54	61	78	72	69	66	62	59	54	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Net debt / EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,519
Net debt	-58
Other adjustments	19
Value per share (PLN)	191.60

### Valuation Summary

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

## Sygnity buy (no change)

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Sygnity, the latest addition to our IT coverage universe, creates IT solutions across many different industries. Once the second-largest Polish IT company with annual turnover of PLN 1.2bn, after a period of turmoil between 2014 and 2017 Sygnity fell into financial distress and had to ask lenders and bondholders to agree to standstill deals after violating covenants in September 2017. In June 2018, Sygnity signed rescheduling agreements with financing providers and business partners, and soon after it conducted two equity raises and used the proceeds to partly pay off bondholders. Over the last few quarters, Sygnity undertook a number of initiatives to minimize costs, grow the role of in-house solutions as a revenue driver, diversify revenue sources, and discontinue loss-making projects and hardware deliveries. Today, with its sales stabilized at PLN 250m a year, Sygnity is able to generate high sales margins of about 30% after shifting the sales mix toward proprietary software. The Company also currently achieves high FCFE in the range of PLN 27-32m with potential to offer high yield of 16-19%. That is why, despite its checkered history, even with risks, we see upside potential in Sygnity, currently trading at 4.8x FY2019/20E EV/EBITDA and 7.7x P/E.

<b>Current Price</b>	8.58 PLN	<b>Upside</b>
<b>9M Target Price</b>	10.70 PLN	<b>+24.7%</b>

	rating	target price	issued
unchanged	buy	10.70 PLN	2020-09-01

Key Metrics	SGN PW	vs. WIG
Ticker	SGN PW	1M Price Chng +24.3% +23.4%
ISIN	PLCMLD00016	YTD Price Chng +237.8% +249.7%
Outst. Stock (m)	22.8	ADTV 1M PLN 0.3m
MC (PLN m)	195.3	ADTV 6M PLN 0.2m
EV (PLN m)	263.7	EV/EBITDA 12M fwd 4.3 +37.3%
Free Float	100.0%	EV/EBITDA 5Y avg 3.1 premium

### Earnings Projections

(PLN m)	17/18	18/19	19/20P	20/21P	21/22P
Revenue	288.3	234.6	235.0	243.4	255.1
EBITDA	0.7	37.4	54.4	54.5	54.9
EBITDA margin	0.3%	15.9%	23.2%	22.4%	21.5%
EBIT	-7.3	29.4	38.4	39.0	39.0
Net income	-11.3	15.9	25.5	28.2	28.7
P/E	-	12.3	7.7	6.9	6.8
P/B	5.9	3.0	2.1	1.6	1.3
EV/EBITDA	-	7.8	4.8	4.3	3.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			19/20P	20/21P	21/22P
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)	17/18	18/19	19/20P	20/21P	21/22P
Revenue	288.3	234.6	235.0	243.4	255.1
COGS	249.4	164.3	162.6	169.9	180.1
Gross profit	38.9	70.3	72.4	73.5	75.0
margin	13.5%	30.0%	30.8%	30.2%	29.4%
Sales costs	12.1	7.4	9.5	9.6	10.1
G&A expenses	31.7	26.1	25.3	25.3	26.1
Other op. Activity	-2.4	-7.4	0.9	0.5	0.2
EBIT	-7.3	29.4	38.4	39.0	39.0
margin	-2.5%	12.5%	16.3%	16.0%	15.3%
D&A	8.1	8.0	16.0	15.5	15.9
EBITDA	0.7	37.4	54.4	54.5	54.9
Financials	-4.3	-10.6	-7.9	-5.2	-4.6
Profit before tax	-11.7	18.7	30.6	33.7	34.4
Tax	0.4	-0.2	-5.1	-5.6	-5.7
Net income	-11.3	15.9	25.5	28.2	28.7

### Key Balance Sheet Figures

(PLN m)	17/18	18/19	19/20P	20/21P	21/22P
Operating cash flow	-12	19	45	48	48
OCF/EBITDA	-	51%	83%	88%	88%
CAPEX	-1	-1	-2	-5	-6
Assets	341	294	299	313	327
Equity	33	66	91	119	148
Net debt	-	95	68	37	6
Net debt/EBITDA (x)	-	2.5	1.3	0.7	0.1

### Relative Valuation Summary

	20P	P/E	21P	22P	20P	EV/EBITDA	21P	22P
Minimum	14.7	11.0	9.2	4.6	3.6	2.7		
Maximum	21.6	19.0	17.3	11.5	10.9	10.1		
Median	18.1	15.8	14.6	7.4	6.3	5.9		
Weight	17%	17%	17%	17%	17%	17%		

### DCF Analysis

(PLN m)	19/20P	20/21P	21/22P	22/23P	23/24P	24/25P	25/26P	26/27P	27/28P	28/29P	+
Revenue	235	243	255	265	275	286	296	306	317	327	
EBITDA	54	55	55	55	55	56	56	57	57	57	
EBITDA margin	23.2%	22.4%	21.5%	20.7%	20.1%	19.6%	19.0%	18.5%	17.9%	17.4%	
D&A	7	7	7	7	8	8	9	9	9	10	
EBIT	38	39	39	39	39	39	39	39	38	38	
Tax	7	7	7	7	7	7	7	7	7	7	
NOPLAT	31	32	32	31	32	32	31	31	31	31	
CAPEX	-2	-5	-6	-7	-7	-8	-8	-9	-9	-10	
Working capital	-6	-1	-1	-1	-1	-2	-2	-2	-2	-2	
FCF	30	33	31	31	31	30	30	30	29	29	29
PV FCF	30	29	26	23	21	19	17	16	14	13	
WACC	7.7%	8.4%	9.2%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	
Net debt / EV	29.5%	18.4%	3.8%	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	1.2
FCF perp. growth rate	0.0%
PV FCF	208
Adj. net debt	134
Other adjustments	3
Value per share (PLN)	9.21

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	15%	14.42
DCF Val.	85%	9.21
Implied Price		9.99
Cost of equity (9M)		7.1%
<b>9M Target Price</b>		<b>10.70</b>

## Gaming

### 11 bit studios

#### hold (reiterated)

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11B stock was in a holding pattern in August. In 2020 Q2 the Studio achieved high sales of third-party games and in-house productions, and it stopped expensing costs of management incentives against profits, and started to book "IP Box" tax credits on a quarterly basis. The August release of the third add-on to Frostpunk, called On the Edge, received low ratings on Steam, but it nevertheless helped to push up sales of the game and its extensions. Based on 2020 first-half results, and looking at next year's game release pipeline, we have raised our EBITDA and net profit expectations for 11 bit studios, and as a result we raise our target price for the Company without changing our hold call.

<b>Current Price</b>	482.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	493.00 PLN	<b>+2.3%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>493.00 PLN</b>	<b>2020-09-02</b>
old	hold	476.00 PLN	2020-06-03
Key Metrics		11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	-3.5%
ISIN	PL11BTS00015	YTD Price Chng	+20.5%
Outst. Stock (m)	2.4	ADTV 1M	PLN 3.3m
MC (PLN m)	1,174.7	ADTV 6M	PLN 7.1m
EV (PLN m)	1,080.6	EV/EBITDA 12M fwd	33.2 +129.5%
Free Float	79.4%	EV/EBITDA 5Y avg	14.4 premium

#### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	82.1	71.2	93.1	76.2	205.6
EBITDA	51.4	30.3	53.6	36.6	154.1
EBITDA margin	62.6%	42.5%	57.6%	48.0%	75.0%
EBIT	46.9	23.9	43.3	25.7	138.5
Net income	49.6	20.8	38.8	24.4	121.2
P/E	22.2	56.4	30.2	48.2	9.7
P/B	12.3	9.8	7.4	6.4	3.9
EV/EBITDA	20.6	36.4	20.2	29.3	6.4
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		+30.7%	+40.3%	+7.4%	
Net income		+31.6%	+50.9%	-2.4%	
Frostpunk (S)		+39.1%	+28.7%	+28.5%	
Projekt 8 (S)		0.0%	0.0%	+0.3%	
Publishing (S)		+0.4%	+0.4%	+0.0%	

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
TWOM (S)	18.3	13.7	17.2	16.2	15.4
Frostpunk (S)	53.8	44.3	57.2	27.4	26.4
Project 8 (S)	0.0	0.0	0.0	0.0	125.4
Publishing (S)	15.2	25.5	21.6	47.1	94.6
External services	-16.5	-26.4	-26.3	-27.6	-39.4
OCF/EBITDA	75.9%	137.5%	87.8%	104.6%	73.9%
<b>Operating cash flow</b>	<b>39.0</b>	<b>41.6</b>	<b>47.0</b>	<b>38.3</b>	<b>113.9</b>
D&A	4.5	6.4	10.3	10.9	15.6
Working capital	-8.0	-1.9	1.2	3.0	-22.9
<b>Investing cash flow</b>	<b>-55.6</b>	<b>-49.3</b>	<b>-24.2</b>	<b>-27.8</b>	<b>-30.6</b>
CAPEX	-26.6	-14.4	-25.2	-27.8	-30.6
CFO/EBITDA	1260%	-167%	-72%	0%	0%
FCF	22.8	6.3	14.8	-4.7	94.0
FCF/EBITDA	44%	21%	28%	-13%	61%
FCF Yield	2%	1%	1%	0%	9%

#### Balance sheet

(PLN m)	2018	2019	2020P	2021P	2022P
Tangible assets	41.3	49.8	66.4	83.4	98.4
Receivables	14.6	17.8	16.5	13.5	36.4
Production in progress	17.1	24.9	34.3	51.2	66.2
Cash	24.3	14.9	37.0	47.4	130.7
Cash deposit	27.0	67.3	66.3	66.3	66.3
Net debt	-45.0	-71.8	-94.1	-104.5	-187.7
Net debt/EBITDA (x)	-0.3	-0.1	-0.5	-1.0	-0.8

#### Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	16.0	5.7
Maximum	26.7	13.7
Median	20.3	10.2
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)		669	636	477	358	268	174	174	174	174	0
Next games (k copies)		0	1,750	2,711	2,169	2,116	3,140	2,709	2,477	2,265	0
Revenue	93	76	206	247	208	171	215	217	179	130	137
EBITDA	54	37	154	190	151	113	155	160	124	93	98
EBITDA margin	57.5%	48.0%	75.0%	77.0%	72.4%	65.9%	72.0%	73.6%	69.1%	71.3%	71.3%
EBIT	43	26	139	171	135	100	141	146	120	89	94
Tax	3	3	14	17	14	10	14	15	12	9	9
CAPEX	-25	-28	-31	-34	-37	-41	-45	-50	-55	-60	-34
Working capital	-10	-11	-16	-19	-15	-13	-14	-14	-4	-4	-4
FCF	15	-5	94	121	85	49	82	82	53	20	55
PV FCF	14	-4	78	92	60	32	49	45	27	9	
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	1,149
Net debt	-72
Other adjustments	0
Value per share (PLN)	500.80

#### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	426.00
DCF Val.	50%	500.80
Implied Price		463.40
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>493.00</b>

## CD Projekt hold (reiterated)

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CDR stock turned up sharply at the end of August on the announcement of *The Witcher: Monster Slayer*, an augmented reality mobile game currently undergoing a soft launch in New Zealand. We hope to hear more about the new production at the September earnings call to discuss the earnings report for Q2 2020 which we expected to show a 60% surge in EBIT from the same period a year earlier on 23% higher sales. CDR stock is likely to continue posting gains leading up to the 19 November release of Cyberpunk 2077. After raising our earnings expectations to include the new Witcher game, we raise our target price for CD Projekt without changing our hold call.

<b>Current Price</b>	440.70 PLN	<b>Downside</b>
<b>9M Target Price</b>	429.10 PLN	<b>-2.6%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>429.10 PLN</b>	<b>2020-09-02</b>
<b>old</b>	hold	388.10 PLN	2020-06-03
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+9.6% +8.7%
ISIN	PLOPTTC00011	YTD Price Chng	+57.7% +69.6%
Outst. Stock (m)	102.1	ADTV 1M	PLN 116.6m
MC (PLN m)	45,004.3	ADTV 6M	PLN 135.1m
EV (PLN m)	42,089.5	EV/EBITDA 12M fwd	19.1 -20.7%
Free Float	70.1%	EV/EBITDA 5Y avg	24.1 discount

### Earnings Projections

Earnings Projections					
(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	363	521	3,372	2,450	1,944
EBITDA	117	188	2,852	1,908	1,383
EBITDA margin	32.3%	36.1%	84.6%	77.9%	71.1%
EBIT	112	180	2,843	1,899	1,374
Net income	109	175	2,606	1,738	1,249
P/E	-	-	17.3	25.9	36.0
P/B	42.2	38.3	12.1	8.2	6.7
EV/EBITDA	355.9	222.3	14.8	21.9	30.0
DPS	0.00	1.05	0.00	12.76	0.00
DYield	0.0%	0.2%	0.0%	2.9%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			-11.8%	-0.2%	+21.9%
Net income			-11.9%	-0.6%	+20.2%
Sales of The Witcher 3			-	-	-
Sales of Gwent: The Card Game			0.0%	0.0%	0.0%
Sales of Cyberpunk 2077			-12.2%	-1.4%	+15.5%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Sales, Video Games	228	369	3,198	2,279	1,764
EBIT, VG	114	177	2,833	1,891	1,364
EBIT margin, VG	49.8%	47.9%	88.6%	83.0%	77.3%
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>2,606</b>	<b>1,842</b>	<b>1,292</b>
D&A	5	8	9	9	9
Working capital	46	-128	-65	39	21
<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	2,389	1,686	1,144
FCF/EBITDA	83%	85%	80%	84%	85%
OCF/EBITDA	91%	93%	91%	87%	89%

### 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	2,833	2,084	1,399
	0	0	0	0	0
Development exp.	243	386	529	614	744
Cash	104	49	2,450	2,836	3,102
Net debt	-659	-461	-2,893	-3,279	-3,545
Net debt/EBITDA (x)	-5.1	-2.1	-1.0	-1.7	-2.5

### Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	16.0	5.7
Maximum	21.3	11.9
Median	20.1	9.4
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)	16,100	11,500	8,050	4,600	3,450	2,300	1,500	1,500	0	0	0
Next AAA game (k copies)	0	0	0	0	24,200	14,300	11,000	25,000	15,000	0	0
Revenue	3,372	2,450	1,944	4,348	3,084	5,827	4,196	3,393	4,942	3,268	3,268
EBITDA	2,878	1,981	1,424	3,566	2,186	4,637	2,980	2,142	3,514	1,840	1,840
EBITDA margin	85.4%	80.9%	73.3%	82.0%	70.9%	79.6%	71.0%	63.1%	71.1%	56.3%	56.3%
EBIT	2,843	1,899	1,374	3,306	2,031	4,377	2,890	1,782	3,503	1,829	1,829
Tax	245	164	119	285	176	378	251	156	304	161	161
CAPEX	-179	-170	-182	-196	-206	-207	-213	-220	-227	-235	-235
Working capital	-65	39	21	-101	53	-115	68	34	-65	70	70
FCF	2,389	1,686	1,144	2,984	1,857	3,937	2,584	1,799	2,917	1,514	2,281
PV FCF	2,262	1,471	920	2,212	1,269	2,479	1,500	963	1,438	688	688
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

(PLN m)	
Beta	1.0
FCF perp. growth rate	5.0%
PV FCF	31,894
Net debt	-461
Other adjustments	0
<b>Value per share (PLN)</b>	<b>465.70</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	341.00
DCF Val.	50%	465.70
Implied Price		403.40
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>429.10</b>

## PlayWay accumulate (no change)

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We initiated coverage of PlayWay in August with an accumulate recommendation. The Company has a number of new game titles lined up for Q4 2020 and 2021, and in September, according to the most up-to-date information, we should see the premiere of Junkyard from subsidiary Rebelia Games on the 17th (122k wishlists), and before that there is the launch of House Flipper for mobile (225k wishlists) in the early part of the month. and Lust From Beyond from Movie Games on the 24th (165k wishlists). September 30th is when PlayWay is scheduled to release results for Q2 2020. We expect to see a 101% surge in net profit from the same period a year earlier on 26% higher sales, additionally boosted by divestment proceeds and contributions from subsidiaries. Major premieres coming in 2020 include Occupy Mars: The Game, BUM Simulator, Alaskan Truck Simulator, and I'am Your President. In total, PlayWay has 110 titles scheduled for release in the coming years, accounting for 12% of the Steam Wishlist.

<b>Current Price</b>	495.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	549.00 PLN	<b>+10.9%</b>

	rating	target price	issued
unchanged	accumulate	549.00 PLN	2020-08-25

Key Metrics	PLW PW	1M Price Chng	PLW PW	vs. WIG
Ticker	PLW PW	1M Price Chng	-1.4%	-2.3%
ISIN	PLPLAYW00015	YTD Price Chng	+115.6%	+127.6%
Outst. Stock (m)	6.6	ADTV 1M		PLN 2.3m
MC (PLN m)	3,267.0	ADTV 6M		PLN 7.2m
EV (PLN m)	3,153.8	EV/EBITDA 12M fwd	18.2	+50.1%
Free Float	18.2%	EV/EBITDA 5Y avg	12.1	premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	79	131	174	359	369
EBITDA	50	83	121	297	306
EBITDA margin	63.6%	63.5%	69.3%	82.8%	82.8%
EBIT	50	82	120	296	305
Net income	47	87	105	182	183
P/E	69.5	37.6	31.2	17.9	17.9
P/B	33.5	18.7	14.8	9.9	8.5
EV/EBITDA	64.2	38.4	26.1	10.4	10.0
DPS	2.38	3.22	9.41	11.12	19.31
DYield	0.5%	0.6%	1.9%	2.2%	3.9%
Forecast Update (% change)			2020P	2021P	2022P
Sales			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales on PC			0.0%	0.0%	0.0%
Sales on consoles			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Inventories	17	24	32	66	67
Receivables	7	14	18	37	38
Payables	1	3	4	7	8
Associates	22	46	42	42	42
<b>Operating cash flow</b>	<b>36</b>	<b>43</b>	<b>83</b>	<b>134</b>	<b>181</b>
D&A	0	1	1	1	1
Working capital	-9	-28	-13	-49	-3
<b>Investing cash flow</b>	<b>0</b>	<b>-2</b>	<b>19</b>	<b>-1</b>	<b>-1</b>
CAPEX	0	-1	-1	-1	-1
<b>Financial cash flow</b>	<b>-13</b>	<b>-12</b>	<b>-61</b>	<b>-73</b>	<b>-127</b>
Share issues	2.16	10.994	0.815	0	0
Dividend	-16	-21	-62	-73	-127
FCF	26	37	78	132	178
FCF/EBITDA	51%	44%	65%	44%	58%
OCF/EBITDA	72%	52%	69%	45%	59%

### Key Figures

(PLN m)	2018	2019	2020P	2021P	2022P
external services costs	17	30	37	43	43
% of sales	22.2%	23.3%	21.2%	11.8%	11.8%
Wages costs	9	14	14	15	16
% of sales	12.1%	10.5%	8.2%	4.2%	4.3%
Cash	70	99	139	199	251
Net debt	-69	-99	-139	-199	-251
Net debt/EBITDA (x)	-1.4	-1.2	-1.2	-0.7	-0.8

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	9.5	10.6	11.9	5.5	4.6	4.3
Maximum	197.3	187.2	166.1	26.0	43.3	20.9
Median	29.7	29.4	28.2	16.5	13.2	12.1
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales on PC	179	295	303	317	319	337	373	392	404	415	0
Sales on consoles	218	359	369	387	389	411	455	479	493	506	0
Minorities	18	87	94	99	99	106	119	125	129	133	0
Revenue	174	359	369	387	389	411	455	479	493	506	519
EBITDA	121	297	306	321	321	342	384	405	417	428	439
EBITDA margin	69.3%	82.8%	82.8%	83.0%	82.7%	83.1%	84.3%	84.6%	84.6%	84.6%	84.6%
EBIT	120	296	305	320	320	340	382	403	416	427	437
Tax	12	30	30	32	32	34	38	40	42	43	44
CAPEX	-1	-1	-1	-1	-1	-1	-2	-2	-2	-2	-2
Working capital	-13	-49	-3	-5	-1	-6	-12	-6	-4	-4	-4
FCF	78	132	178	185	190	196	215	233	243	250	390
PV FCF	76	118	147	141	133	127	128	128	123	117	-
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	3,229
Net debt	-99
Other adjustments	0
<b>Value per share (PLN)</b>	<b>504.20</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	528.80
DCF Val.	50%	504.20
Implied Price		516.50
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>549.00</b>

## Ten Square Games accumulate (reiterated)

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Ten Square games generated better-than-expected results in Q2 2020 with a 96% surge in net profit achieved on 240% higher sales. In July, TEN significantly reduced market spend on Fishing Clash, and as a result its net profit for the month may have totaled PLN 26m versus PLN 31.6m generated in the whole Q2. We expect profits in the months after to be equally high after scaled-back costs. Hunting Clash and Solitales have moved into the global launch phase and the former has big potential for commercial success in our view. TEN is actively looking for M&A opportunities. We raise our target price for TEN after small upward revisions to reflect strong 2020 Q3 results, but we maintain an accumulate call on the stock.

**Current Price**

548.00 PLN

Upside

**9M Target Price**

623.00 PLN

+13.7%

	rating	target price	issued
new	accumulate	623.00 PLN	2020-09-02
old	accumulate	592.00 PLN	2020-07-02
Key Metrics		TEN PW	vs. WIG
Ticker	TEN PW	1M Price Chng	-0.4% -1.3%
ISIN	PLTSQGM00016	YTD Price Chng	+182.2% +194.1%
Outst. Stock (m)	7.4	ADTV 1M	PLN 9.6m
MC (PLN m)	4,058.0	ADTV 6M	PLN 12.3m
EV (PLN m)	3,850.0	EV/EBITDA 12M fwd	15.7 +21.6%
Free Float	49.9%	EV/EBITDA 5Y avg	12.9 premium

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	115.3	241.1	651.4	865.0	982.1
EBITDA	45.0	85.7	212.9	280.8	306.5
EBITDA margin	39.1%	35.6%	32.7%	32.5%	31.2%
EBIT	44.3	84.6	210.0	277.0	302.1
Net income	36.5	76.4	189.7	249.3	271.9
P/E	-	52.2	21.4	16.3	14.9
P/B	94.7	43.3	15.5	11.0	8.9
EV/EBITDA	87.7	45.6	18.1	13.4	12.0
DPS	0.87	3.75	3.70	19.21	25.25
DYield	0.2%	0.7%	0.7%	3.5%	4.6%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Fishing Clash (S)			0.0%	0.0%	0.0%
Other games (S)			0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Fishing Clash (S)	89	207	599	778	856
Let's Fish (S)	16	15	16	16	16
Wild Hunt (S)	5	10	17	19	21
Other games (S)	6	11	20	51	88
Gross margin	93.6%	95.3%	96.0%	96.0%	96.0%
<b>Operating cash flow</b>	<b>41</b>	<b>66</b>	<b>164</b>	<b>238</b>	<b>268</b>
D&A	1	1	3	4	4
Working capital	-4	-12	-34	-15	-8
<b>Investing cash flow</b>	<b>-2</b>	<b>-4</b>	<b>-4</b>	<b>-6</b>	<b>-6</b>
CAPEX	-2	-3	-4	-6	-6
<b>Financial cash flow</b>	<b>-6</b>	<b>-27</b>	<b>-27</b>	<b>-142</b>	<b>-187</b>
Dividend/buyback	-6	-27	-27	-142	-187
FCF	31	62	154	233	262
FCF/EBITDA	69%	73%	72%	83%	85%
FCF Yield	92%	77%	77%	85%	87%

### Balance sheet

(PLN m)	2018	2019	2020P	2021P	2022P
Marketing costs	24	65	193	251	289
mark-up on sales	0	26.8%	29.6%	29.1%	29.4%
Other sales costs	35	72	198	270	316
mark-up on sales	30.0%	30.1%	30.4%	31.2%	32.1%
Cash	40	75	208	298	373
Net debt	-40	-75	-208	-298	-373
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)	599	778	856	899	944	991	892	803	723	650	0
Wild Hunt (S)	17	19	21	23	26	28	31	34	38	41	0
Other games (S)	20	51	88	150	193	234	266	299	336	375	0
Revenue	651	865	982	1,088	1,178	1,269	1,204	1,151	1,111	1,080	1,113
EBITDA	213	281	306	327	347	364	336	312	294	279	287
EBITDA margin	32.7%	32.5%	31.2%	30.1%	29.4%	28.7%	27.9%	27.1%	26.4%	25.8%	25.8%
EBIT	210	277	302	323	342	359	330	307	289	274	282
Tax	21	28	30	32	34	36	33	31	29	27	28
CAPEX	-4	-6	-6	-7	-8	-8	-8	-7	-7	-5	-5
Working capital	-34	-15	-8	-7	-6	-6	5	4	3	2	2
FCF	154	233	262	281	299	314	300	278	261	249	256
PV FCF	150	209	216	214	210	203	179	153	132	116	
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	3.0%
PV FCF	3,957
Net debt	-75
Other adjustments	0
Value per share (PLN)	544.50

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	625.90
DCF Val.	50%	544.50
Implied Price		585.20
Cost of equity (9M)		6.4%
<b>9M Target Price</b>		<b>623.00</b>



## Industrials, Mining

### Cognor

buy (no change)

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The coronavirus crisis is having an immense negative impact on the steel industry, however Cognor and other producers using electric arc furnace (EAF) technology have the ability to adjust production more flexibly than BOF steelmakers, plus their long steel products, which are used mostly for construction, remain more in demand. Cognor generated better-than-expected results in H1 2020, and as a result it is expected to keep the net debt/EBITDA ratio at 2.2x for the year, a level which would allow it to resume paying dividends again in 2021. The Company expects to reverse the downward earnings trend in Q3 2020. Positive surprises in Q2 included lower-than-expected net debt and fairly good cash flow from operations considering the circumstances. We maintain a buy rating for COG.

<b>Current Price</b>	1.22 PLN	<b>Upside</b>
<b>9M Target Price</b>	1.98 PLN	<b>+62.3%</b>

	rating	target price	issued
unchanged	buy	1.98 PLN	2020-08-04

Key Metrics	COG PW	vs. WIG
Ticker	COG PW	1M Price Chng +33.5% +32.5%
ISIN	PLCNTSL00014	YTD Price Chng -1.6% +10.3%
Outst. Stock (m)	175.0	ADTV 1M PLN 0.3m
MC (PLN m)	213.5	ADTV 6M PLN 0.1m
EV (PLN m)	456.3	EV/EBITDA 12M fwd 3.8 +1.7%
Free Float	-	EV/EBITDA 5Y avg 3.7 premium

#### 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.	2.3	19.0	8.0	9.8	10.8
P/B	0.8	0.8	0.7	0.7	0.7
EV/EBITDA adj.	2.2	4.9	4.6	4.7	4.7
DPS	0.07	0.21	0.00	0.08	0.06
DYield	5.6%	16.9%	0.0%	6.2%	5.1%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales volume			0.0%	0.0%	0.0%
Product prices			0.0%	0.0%	0.0%
Scrap prices			0.0%	0.0%	0.0%

#### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Ferrostal volume (k tons)	401	424	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%

#### 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	2,054	2,067	2,080	2,092	2,103	2,113	2,123	2,133	2,141	2,149
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%

#### 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

	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 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 (no change)

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Against extremely adverse market conditions, which included the closure of 12 coal mines during one month, Famur managed to improve 2020 second-quarter EBITDA by 3% compared to the previous quarter by taking urgent cost-cutting initiatives. Furthermore, the Company increased the share of revenues from recurring operations in total to 55% in the period from 43% in Q2 2019, and it reduced net debt considerably to show a net cash position equivalent to PLN 0.32 per share as of 30 June. Faced with a shrinking domestic market, Famur wants to undertake efforts to diversify its portfolio through acquisitions. If the right opportunities fail to materialize, however, the Company will consider distributing surplus cash to shareholders. Near-term catalysts might be provided by the approval of coronavirus relief for the Company's major coal mining customers, PGG and JSW. We maintain a buy rating for FMF.

<b>Current Price</b>	1.85 PLN	<b>Upside</b>
<b>9M Target Price</b>	2.86 PLN	<b>+54.6%</b>

	rating	target price	issued
unchanged	buy	2.86 PLN	2020-08-04

Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	+13.6%	+12.7%
ISIN	PLFAMUR00012	YTD Price Chng	-37.9%	-26.0%
Outst. Stock (m)	574.8	ADTV 1M		PLN 1.1m
MC (PLN m)	1,063.3	ADTV 6M		PLN 1.1m
EV (PLN m)	1,162.7	EV/EBITDA 12M fwd	3.2	-42.0%
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	5.1	4.3	7.8	9.9	9.2
P/B	0.7	0.7	0.6	0.6	0.6
EV/EBITDA	2.7	2.7	3.5	3.5	3.3
DPS	0.44	0.53	0.00	0.12	0.14
DYield	23.8%	28.7%	0.0%	6.4%	7.6%

Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue, Underground			0.0%	0.0%	0.0%
Revenue, Surface			0.0%	0.0%	0.0%
Sales margin, UG			0.0%	0.0%	0.0%
Sales margin, Surface			0.0%	0.0%	0.0%

### Financial Highlights

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

### Key Balance Sheet Figures

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

### Relative Valuation Summary

	P / E			EV / EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	11.1	12.3	10.4	7.0	6.3	5.3
Maximum	28.9	25.4	22.8	17.0	15.1	13.5
Median	20.1	17.7	14.7	11.6	9.5	8.8
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	1,196	1,112	1,118	1,197	1,197	1,197	1,197	1,197	1,197	1,197	1,197
YoY % change	-44.7%	-7.1%	0.5%	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	333	305	306	314	308	299	293	288	281	274	270
EBITDA margin	27.8%	27.4%	27.4%	26.2%	25.7%	25.0%	24.5%	24.1%	23.5%	22.9%	22.5%
D&A	160	151	148	142	139	135	135	137	136	135	135
EBIT	173	154	158	172	169	164	158	151	145	138	135
Tax	28	25	27	30	30	30	29	28	27	26	25
NOPAT	144	129	131	142	139	134	129	124	118	113	110
CAPEX	-120	-120	-122	-125	-127	-130	-132	-135	-135	-135	-135
Working capital	-131	22	-6	-73	0	0	0	0	0	0	0
FCF	53	182	152	87	150	139	132	125	119	113	110
PV FCF	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 (reiterated)

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Grupa Kęty's 2020 second quarter results made for a stellar showing 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. The Company signaled increasing cost and price pressures at the recent earnings call, but we assume that it will be able to improve on the year-ago results in H2 2020. It is also worth noting the high, 7% dividend yield still offered by Kęty. From a long-term perspective, we see risk of decreasing demand for building aluminum structures down the line with a possible decline in hospitality and office building projects. After updating 2020 and 2021 dividend estimates and the relative valuation model, we raise our target price for KTY from PLN 453.70 to PLN 465.74 per share, but we maintain a hold rating for the stock.

### Current Price

482.50 PLN

Downside

### 9M Target Price

465.74 PLN

-3.5%

	rating	target price	issued
new	hold	465.74 PLN	2020-09-02
old	hold	453.70 PLN	2020-06-25
Key Metrics		KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	+11.0% +10.1%
ISIN	PLKETY000011	YTD Price Chng	+39.5% +51.4%
Outst. Stock (m)	9.6	ADTV 1M	PLN 4.5m
MC (PLN m)	4,623.2	ADTV 6M	PLN 2.4m
EV (PLN m)	5,486.6	EV/EBITDA 12M fwd	9.7 +7.6%
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	3,349	3,381
EBITDA	463	523	625	546	541
EBITDA margin	15.5%	16.3%	19.1%	16.3%	16.0%
EBIT	338	385	484	402	404
Net income	268	295	378	311	312
P/E	17.2	15.6	12.2	14.9	14.8
P/B	3.3	3.1	3.0	3.0	2.9
EV/EBITDA	11.6	10.2	8.8	10.1	10.1
DPS	23.94	23.99	35.00	31.56	25.95
DYield	5.0%	5.0%	7.3%	6.5%	5.4%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		+0.3%	-0.1%	-0.1%	
Net income		+0.3%	-0.7%	-0.7%	
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%	-0.2%	-0.2%	
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	145	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>367</b>	<b>451</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>-275</b>	<b>-270</b>	<b>-317</b>
Dividends/Buyback	-229	-229	-334	-302	-249
FCF	72	296	248	304	338
FCF/EBITDA	15%	57%	40%	56%	62%
OCF/EBITDA	63%	108%	59%	82%	84%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	2,780	2,779	2,911	2,975	2,989
Fixed assets	1,575	1,680	1,770	1,779	1,766
Equity	1,396	1,477	1,521	1,530	1,593
Minority interests	1	1	2	2	3
Net debt	774	703	862	881	815
Net debt/EBITDA (x)	1.7	1.3	1.4	1.6	1.5
Net debt/Equity (x)	0.6	0.5	0.6	0.6	0.5

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	7.5	4.4	4.1	3.8	3.7	3.8
Maximum	2045.7	64.2	38.8	33.8	13.6	10.7
Median	21.3	13.5	11.1	10.2	7.2	5.8
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)	100	102	104	105	107	109	110	112	114	116	118
Revenue	3,275	3,349	3,381	3,418	3,455	3,493	3,532	3,571	3,611	3,652	3,694
EBITDA	625	546	541	536	534	534	534	535	537	538	540
EBITDA margin	19.1%	16.3%	16.0%	15.7%	15.5%	15.3%	15.1%	15.0%	14.9%	14.7%	14.6%
EBIT	484	402	404	403	401	401	399	398	397	400	405
Tax	89	73	73	73	73	73	73	73	73	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	248	304	338	329	325	322	320	318	317	317	318
PV FCF	242	275	282	255	232	213	196	180	165	153	
WACC	7.9%	7.9%	8.0%	8.0%	8.0%	8.1%	8.1%	8.1%	8.1%	8.2%	8.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	2,192
Net debt	703
Other adjustments	0
Value per share (PLN)	413.32

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	462.89
DCF Val.	50%	413.32
Implied Price		438.10
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>465.74</b>

## Kernel hold (no change)

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Kernel has pushed selected capital projects back to 2021, signaling another year in a row of tighter free cash flow, although after an expected 2% decrease in 2020 the FCF/EV ratio 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>	38.85 PLN	<b>Upside</b>
<b>9M Target Price</b>	44.58 PLN	<b>+14.7%</b>

	rating	target price	issued
<b>unchanged</b>	<b>hold</b>	<b>44.58 PLN</b>	<b>2020-06-03</b>

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	-1.5%	-2.5%
ISIN	LU0327357389	YTD Price Chng	-13.7%	-1.7%
Outst. Stock (m)	84.0	ADTV 1M		PLN 1.2m
MC (PLN m)	3,264.6	ADTV 6M		PLN 2.0m
EV (PLN m)	7,872.3	EV/EBITDA 12M fwd	5.7	+21.3%
Free Float	60.1%	EV/EBITDA 5Y avg	4.7	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	9.1	6.2	5.6
P/B	0.7	0.6	0.6	0.6	0.5
EV/EBITDA	6.7	4.5	6.0	5.8	5.5
DPS	0.25	0.25	0.25	0.25	0.25
DYield	2.3%	2.3%	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	21/22P
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	21/22P
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
<b>Value per share (PLN)</b>	<b>23.05</b>

### Valuation Summary

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

## PKP Cargo hold (upgraded)

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PKP Cargo continued to experience year-on-year declines in cargo volumes in July. In Q2 2020 the Company generated weak results, with EBITDA at PLN 117m and a net loss of PLN 78m, even after receiving PLN 34m in crisis relief and reducing salaries. The pay cuts will probably stay in place during the third quarter, when PKP expects to receive the remaining crisis aid of ca. PLN 86m. Nevertheless the Carrier has come dangerously close to reaching lender thresholds with its debt levels. PKP said in its second-quarter report that, with net debt/EBITDA at less than 3.0x and debt/assets at less than 60% covenants had not been violated as of 30 June, but in our view this is a question of methodology and covenants will be violated by the end of the year unless the Company is given additional crisis funding owing to its status as a state-run enterprise. After updating our models to reflect lower expected volumes in 2020 and 2021, rescheduled capital projects, reduced costs, and state aid, we arrived at negative trading multiples in our valuation model which prompted us to discontinue valuations of PKP Cargo using this method. At the same time, based on long-term DCF forecasts, we arrived at a slightly higher target price for PKP stock which implies an upgraded hold recommendation.

<b>Current Price</b>	12.38 PLN	<b>Upside</b>
<b>9M Target Price</b>	12.80 PLN	<b>+3.4%</b>

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>12.80 PLN</b>	<b>2020-09-02</b>
<b>old</b>	<b>reduce</b>	<b>12.37 PLN</b>	<b>2020-07-02</b>
<b>Key Metrics</b>			
Ticker	PKP PW	1M Price Chng	-4.5%
ISIN	PLPKPCR00011	YTD Price Chng	-39.6%
Outst. Stock (m)	44.8	ADTV 1M	PLN 0.6m
MC (PLN m)	554.5	ADTV 6M	PLN 2.2m
EV (PLN m)	2,764.3	EV/EBITDA 12M fwd	4.0
Free Float	67.0%	EV/EBITDA 5Y avg	3.8

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	5,183	4,782	4,014	4,422	4,778
EBITDA adj.	901	830	439	577	722
EBITDA margin	17.4%	17.4%	10.9%	13.0%	15.1%
EBIT adj.	272	114	-336	-224	-36
Net income adj.	242	6	-369	-244	-89
P/E adj.	2.3	97.3	-	-	-
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj.	1.5	3.2	6.3	5.1	4.3
DPS	0.00	1.50	0.00	0.00	0.00
DYield	0.0%	12.1%	0.0%	0.0%	0.0%
<b>Forecast Update (% change)</b>					
Revenue			-5.4%	-2.8%	-0.0%
EBITDA adj.			-12.5%	-5.7%	+4.9%
Net income			-	-	-
Freight turnover (tkm m)			-4.9%	-3.0%	-0.0%
Freight volume (ton m)			-4.6%	-3.4%	-0.8%
Costs per tkm			-0.3%	+0.3%	+0.8%

### Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Traction electricity	405	407	354	379	404
Traction fuel	211	177	127	148	166
Employee benefits	1,651	1,737	1,682	1,788	1,864
Access to infrastructure	732	573	490	558	609
Other	1,292	1,065	932	972	1,014
<b>Operating cash flow</b>	<b>863</b>	<b>807</b>	<b>514</b>	<b>656</b>	<b>767</b>
D&A	629	717	775	801	758
Working capital	20	16	-91	18	16
<b>Investing cash flow</b>	<b>-612</b>	<b>-815</b>	<b>-573</b>	<b>-778</b>	<b>-788</b>
CAPEX	-695	-1,028	-595	-785	-795
<b>Financing cash flow</b>	<b>-323</b>	<b>111</b>	<b>21</b>	<b>19</b>	<b>-33</b>
Dividends/Buyback	0	-67	0	0	0
FCF	173	-188	-82	-129	-27
FCF/EBITDA	13%	-7%	-3%	-4%	-1%
OCF/EBITDA	95%	94%	92%	114%	106%

### DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Freight turnover	22,666	25,058	26,792	26,750	26,754	26,911	27,079	27,197	27,322	27,453	27,591
Average prices	147	147	149	152	154	156	159	161	163	166	168
Costs per tkm	192	185	180	181	184	185	187	189	190	192	192
Revenue	4,014	4,422	4,778	4,841	4,912	5,011	5,114	5,210	5,309	5,411	5,511
EBITDA	559	577	722	723	724	730	753	765	777	765	774
EBITDA margin	13.9%	13.0%	15.1%	14.9%	14.7%	14.6%	14.7%	14.7%	14.6%	14.1%	14.0%
EBIT	-216	-224	-36	-13	-3	27	50	80	118	144	207
Tax	-46	-61	-30	-24	-22	-14	-9	-1	9	15	31
CAPEX	-595	-785	-795	-589	-621	-568	-692	-536	-574	-563	-567
Working capital	-91	18	16	3	3	4	5	4	4	5	5
FCF	-82	-129	-27	162	128	181	75	234	199	191	182
PV FCF	-79	-118	-24	134	101	135	53	157	126	115	
WACC	5.8%	5.5%	5.2%	5.2%	5.3%	5.3%	5.3%	5.3%	5.4%	5.4%	5.4%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	6,806	7,991	7,669	7,617	7,658
Fixed assets	5,187	6,504	6,324	6,308	6,346
Equity	3,484	3,423	3,174	2,930	2,840
Minority interests	0	0	0	0	0
Net debt	779	2,072	2,210	2,413	2,516
Net debt/EBITDA (x)	0.9	2.4	4.0	4.2	3.5
Net debt/Equity (x)	0.2	0.6	0.7	0.8	0.9

### Relative Valuation Summary

	P/E			EV/EBITDA			FCF/EV
	20P	21P	22P	20P	21P	22P	17-23P
Minimum	3.8	3.5	3.1	4.7	3.9	3.5	-4%
Maximum	60.2	29.8	25.0	16.4	14.2	13.5	8%
Median	23.0	18.1	15.1	8.3	8.6	9.7	3%
Weight	0%	0%	0%	33%	33%	33%	0%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	2,612
Net debt	2,072
Other adjustments	0
<b>Value per share (PLN)</b>	<b>12.04</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	0%	50.52
DCF Val.	100%	12.04
Implied Price		12.04
Cost of equity (9M)		6.3%
<b>9M Target Price</b>		<b>12.80</b>

## Stalprodukt buy (no change)

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By the end of 2020 Stalprodukt is set to close its biggest zinc mine as it switches over to feedstocks from secondary zinc produced by a new recycling plant with a target capacity equivalent to 30% of annual production, and to ordering concentrates from external buyers. According to our calculations, if the recycling plant can reach a capacity comparable with that of the leading European recycler Befesa, it will generate additional annual EBITDA for Stalprodukt in the range of PLN 120-175m. The profitability of zinc recycling is not subject to the same price risks as production from mined ores, where margins fluctuate in line with trends in global metal markets. As a result, down the line Stalprodukt's valuation might eventually line up with those of its peers (13.5x P/E'20-22, 7.4x EV/EBITDA'20-22). The Polish company maintains a healthy balance sheet (with an expected net cash position of PLN 50 per share at the end of FY2020) and it has robust cash generation ability reflected in over-10% FCF/EV ratios forecast in 2020 and 2021. This year, Stalprodukt is benefitting from upward-trending prices in world zinc markets and improved smelter profits. We maintain a buy rating for STP stock.

<b>Current Price</b>	230.00 PLN	<b>Upside</b>
<b>9M Target Price</b>	336.15 PLN	<b>+46.2%</b>

	rating	target price	issued
unchanged	buy	336.15 PLN	2020-08-07

Key Metrics			STP PW	vs. WIG
Ticker	STP PW	1M Price Chng	+53.3%	+52.4%
ISIN	PLSTLPD00017	YTD Price Chng	+26.7%	+38.6%
Outst. Stock (m)	5.6	ADTV 1M		PLN 1.6m
MC (PLN m)	1,283.5	ADTV 6M		PLN 0.7m
EV (PLN m)	1,122.7	EV/EBITDA 12M fwd	3.8	-1.4%
Free Float	-	EV/EBITDA 5Y avg	3.9	discount

### Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	3,957	3,816	3,159	3,174	3,269
EBITDA	449	371	324	354	329
EBITDA margin	11.3%	9.7%	10.3%	11.2%	10.1%
EBIT	300	204	166	186	168
Net income	270	142	118	131	118
P/E	4.7	9.0	10.9	9.8	10.9
P/B	0.5	0.5	0.5	0.5	0.4
EV/EBITDA	2.8	3.4	3.5	3.0	3.2
DPS	4.38	6.37	0.00	8.43	11.76
DYield	1.9%	2.8%	0.0%	3.7%	5.1%

Revision of Projections (% change)		2020E	2021E	2022E
EBITDA adj.		0.0%	0.0%	0.0%
Net income adj.		0.0%	0.0%	0.0%
Elec. Steel (PLN/t)		0.0%	0.0%	0.0%
Zinc (PLN/t)		0.0%	0.0%	0.0%
Lead (PLN/t)		0.0%	0.0%	0.0%
Elec. Steel (1kt)		0.0%	0.0%	0.0%
Zinc (1kt)		0.0%	0.0%	0.0%

### Financial Highlights

(PLN m)	2018	2019	2020E	2021E	2022E
Elect. Steel (1kt)	124	132	119	130	133
Zinc ash (1kt)	0	0	150	170	190
Zinc (1kt)	156	154	121	121	121
Profiles (1kt)	188	184	150	175	169
Road barriers (1kt)	26	21	17	20	25
<b>Operating cash flow</b>	<b>350</b>	<b>370</b>	<b>301</b>	<b>257</b>	<b>184</b>
D&A	149	168	159	168	162
Working capital	-176	33	34	-74	-98
<b>Investing cash flow</b>	<b>-337</b>	<b>-235</b>	<b>-150</b>	<b>-120</b>	<b>-100</b>
CAPEX	242	243	150	120	100
<b>Financing cash flow</b>	<b>-39</b>	<b>-203</b>	<b>-5</b>	<b>-52</b>	<b>-71</b>
Dividends/Buyback	-24	-36	0	-47	-66
FCF	-37	141	176	124	99
FCF/EBITDA adj.	-8%	36%	54%	35%	30%
OCF/EBITDA adj.	80%	93%	93%	72%	56%

### Key Balance Sheet Figures

(PLN m)	2018	2019	2020E	2021E	2022E
Assets	4,357	4,345	4,380	4,423	4,413
Fixed assets	2,313	2,407	2,399	2,351	2,290
Equity	2,594	2,650	2,743	2,841	2,879
Minority interests	106	108	118	131	144
Net debt	-141	-134	-279	-363	-376
Net debt/EBITDA adj.	-0.3	-0.3	-0.9	-1.0	-1.1
Net debt/Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1

### Relative Valuation Summary

	P/E			EV/EBITDA		
	20E	21E	22E	20E	21E	22E
Minimum	7.4	8.6	5.2	5.1	3.7	3.0
Maximum	33.8	26.8	44.5	40.2	12.8	11.2
Median	15.1	13.9	11.6	8.8	8.2	5.4
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	+
Elec. Steel (PLN/t)	7,400	7,200	7,380	7,380	7,380	7,380	7,380	7,380	7,380	7,380	7,380
Zinc (PLN/t)	8,200	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280
Lead (PLN/t)	6,800	6,840	7,560	7,560	7,560	7,560	7,560	7,560	7,560	7,560	7,560
Revenue	3,159	3,174	3,269	3,314	3,372	3,370	3,369	3,369	3,370	3,372	3,386
EBITDA	324	354	329	341	355	356	356	355	356	355	346
EBITDA margin	10.3%	11.2%	10.1%	10.3%	10.5%	10.5%	10.6%	10.5%	10.6%	10.5%	10.2%
EBIT	166	186	168	184	201	203	204	211	210	215	205
Tax	32	36	32	36	39	40	40	41	41	42	40
CAPEX	-150	-120	-100	-105	-110	-116	-122	-128	-134	-141	-141
Working capital	34	-74	-98	-44	-49	-31	-31	-31	0	0	-4
FCF	176	124	99	156	157	170	164	155	181	172	161
PV FCF	169	109	79	114	105	104	92	79	84	73	
WACC	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.2
FCF perp. growth rate	0.0%
PV FCF	1,731
Net debt	-134
Other adjustments	108
<b>Value per share (PLN)</b>	<b>314.77</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	313.28
DCF Val.	50%	314.77
Implied Price		314.03
Cost of equity (9M)		7.0%
<b>9M Target Price</b>		<b>336.15</b>



## Retail

### Dino

#### sell (no change)

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Dino delivered a positive surprise with 2020 second-quarter results, with higher-than-expected margins generated on in-line sales thanks to improved supplier terms and lower costs of meat and fuels. At the same time, the cash conversion cycle in the period increased by 13 days y/y due to a longer payables cycle which probably also contributed to the higher sales margins (Dino did not provide an explanation for the positive margin surprise at Q2 earnings call). Dino maintains that it wants to achieve double-digit lfl growth in 2020, alongside improved EBITDA, and it plans to open 20% more stores this year than in 2019. In Q2 2020 the Company experienced a deterioration in the ratio of operating cash flow to investing cash flow. In August it disclosed that it was considering a debt issue under its PLN 500m bond program. In H2 2020 lfl growth generated by Dino stores will most likely decelerate from a high year-ago comparable base, and as a result profits in the period can also be expected to grow at a slower rate.

Current Price

218.00 PLN

Downside

9M Target Price

155.60 PLN

-28.6%

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

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+4.9%	+4.0%
ISIN	PLDINPL00011	YTD Price Chng	+51.4%	+63.3%
Outst. Stock (m)	98.0	ADTV 1M		PLN 37.1m
MC (PLN m)	21,372.7	ADTV 6M		PLN 39.2m
EV (PLN m)	21,613.6	EV/EBITDA 12M fwd	19.7	+20.0%
Free Float	48.9%	EV/EBITDA 5Y avg	16.4	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	69.5	53.0	38.5	28.8	23.6
P/B	17.6	13.2	9.8	7.3	5.6
EV/EBITDA	40.5	30.3	22.8	17.8	14.4
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 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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Eurocash delivered a beat with 2020 Q2 earnings, but due to a cautious guidance for the rest of the year the Company's shares did not move any higher in August. Second-quarter IAS 17 EBITDA in the Wholesale segment came out similar to the year-ago figure as lower physical sales were mitigated by online services via the eurocash.pl platform. IAS 17 EBITDA from Retail fell on weaker sales and additional costs necessitated by the coronavirus pandemic. The segment of Projects managed to curb losses in Q2 thanks to the success of the Duży Ben alcohol franchise. Going forward, Eurocash wants to focus on keeping IFR growth positive. The Company continues to work on store restructuring and integration, and it is expected to post further improvement in H2 2020 thanks to a recovery in Retail combined with a lack of the one-time losses that weighed down the prior year's results. Eurocash should continue on a positive momentum throughout 2021, driven mostly by Retail.

**Current Price**

15.50 PLN

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

19.90 PLN

**+28.4%**

	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	-1.4%	-2.3%
ISIN	PLEURCH00011	YTD Price Chng	-29.0%	-17.1%
Outst. Stock (m)	139.2	ADTV 1M		PLN 6.0m
MC (PLN m)	2,157.0	ADTV 6M		PLN 8.9m
EV (PLN m)	2,770.4	EV/EBITDA 12M fwd	5.6	-39.4%
Free Float	56.0%	EV/EBITDA 5Y avg	9.3	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	32.2	21.4	17.0	12.5	10.9
P/B	2.1	2.2	2.5	2.6	2.7
EV/EBITDA	7.5	6.8	6.4	6.0	5.5
DPS	0.76	1.03	0.50	0.50	0.50
DYield	4.9%	6.6%	3.2%	3.2%	3.2%
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 (no change)

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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 supermarkets increased their share in the Polish market 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 all coronavirus-induced sales losses, though in Q3 the costs of 47 pharmacy closures might weigh. Biedronka received a PLN 115m fine in August from Poland's consumer watchdog UOKiK over multiple pricing, but JMT intends to appeal the fine. As countries slowly lift lockdown restrictions Jeronimo's Portuguese grocers and Polish drugstores are set to recover in the second half of 2020.

Current Price

13.86 EUR

Upside

9M Target Price

15.30 EUR

+10.4%

	rating	target price	issued
unchanged	accumulate	15.30 EUR	2020-08-04

Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	-3.1%
ISIN	PTJMT0AE0001	YTD Price Chng	-4.2%
Outst. Stock (m)	629.3	ADTV 1M	EUR 7.7m
MC (EUR m)	8,718.9	ADTV 6M	EUR 18.1m
EV (EUR m)	8,765.9	EV/EBITDA 12M fwd	6.5
Free Float	38.9%	EV/EBITDA 5Y avg	9.2 discount

### Earnings Projections (adjusted for IFRS 16)

(EUR m)	2018	2019	2020P	2021P	2022P
Revenue	17,336	18,638	19,710	21,257	22,376
EBITDA	960	1,045	1,058	1,209	1,264
EBITDA margin	5.5%	5.6%	5.4%	5.7%	5.6%
EBIT	588	632	624	757	798
Net income	401	523	451	531	561
P/E	21.7	16.7	19.3	16.4	15.5
P/B	4.9	4.4	4.1	3.7	3.4
EV/EBITDA	9.4	8.4	8.3	7.0	6.5
DPS	0.64	0.35	0.26	0.33	0.35
DYield	4.6%	2.5%	1.9%	2.3%	2.5%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Y/Y sales/sqm, Biedronka			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Pingo Doce			0.0 p.p.	0.0 p.p.	0.0 p.p.
Y/Y sales/sqm, Recheio			0.0 p.p.	0.0 p.p.	0.0 p.p.

### Financial Highlights (adjusted for IFRS 16)

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

### Key Ratios (adjusted for IFRS 16)

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

### Relative Valuation Summary

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

### DCF Analysis (adjusted for IFRS 16)

(EUR m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Biedronka stores	3,103	3,183	3,243	3,283	3,323	3,363	3,403	3,443	3,483	3,523	3,483
Pingo Doce stores	442	442	442	442	442	442	442	442	442	442	442
Ara stores	664	824	984	1,144	1,264	1,344	1,384	1,424	1,464	1,504	1,464
Revenue	19,710	21,257	22,376	23,111	23,760	24,324	24,801	25,251	25,707	26,170	26,562
EBITDA	1,058	1,209	1,264	1,295	1,325	1,351	1,377	1,404	1,431	1,459	1,540
EBITDA margin	5.4%	5.7%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.8%
EBIT	624	757	798	822	851	880	911	944	979	1,011	1,050
Tax	177	212	223	230	238	246	255	264	274	283	294
CAPEX	-621	-628	-565	-508	-457	-435	-413	-392	-373	-448	-448
Working capital	33	216	156	102	90	79	67	63	64	64	63
FCF	291	585	631	659	720	749	776	810	848	792	822
PV FCF	278	515	514	495	499	480	459	442	428	369	
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	1.5%
PV FCF	10,509
Net debt	-290
Other adjustments	225
Value per share (EUR)	16.19

### Valuation Summary

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

## LPP

### accumulate (no change)

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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 believe sales in July must have continued to bounce back. LPP expects to report a sales profit of PLN 70 in Q2m versus a sales loss of PLN 33m forecast by us. The Company booked a PLN 135m provision in the period for costs related to the restructuring of German its stores, but it expects to be able to reverse much of these costs thanks to successful rent negotiations with local store owners. The hope is that the German business can recover from past losses, which went into the tens of millions of zlotys, with the help of lower rental costs. LPP boasts a strong balance sheet compared to most of its competition, which it can use to increase market share under the current circumstances.

### Current Price

7,145.00 PLN

Upside

### 9M Target Price

7,900.00 PLN

+10.6%

	rating	target price	issued
unchanged	accumulate	7,900.00 PLN	2020-08-04

Key Metrics			LPP PW	vs. WIG
Ticker	LPP PW	1M Price Chng	+3.6%	+2.6%
ISIN	PLLPP0000011	YTD Price Chng	-19.0%	-7.1%
Outst. Stock (m)	1.9	ADTV 1M		PLN 13.2m
MC (PLN m)	13,235.6	ADTV 6M		PLN 22.8m
EV (PLN m)	13,624.1	EV/EBITDA 12M fwd	12.4	-1.0%
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	26.2	23.3	274.9	25.9	16.5
P/B	4.7	4.1	5.0	6.0	6.3
EV/EBITDA adj.	11.2	9.3	25.0	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%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales per sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
Sales area			0.0%	0.0%	0.0%

### Financial Highlights (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
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 generated better-than-expected results in Q2 2020 thanks to lower SG&A expenses facilitated by coronavirus relief and rent suspensions during lockdown. Net debt as of 30 June 2020 was PLN 79m vs. PLN 150m in June 2019, and the net debt/EBITDA ratio stood at 1.1x. VRG generated operating cash flow of PLN 64.4m in Q2 vs. PLN 27.5m in the same period a year earlier, an improvement owed largely to the optimization of working capital (inventory reductions and extension of payment terms). The Company revealed during the August earnings call that its sales for the month to the 23rd were down only 3% compared to the corresponding year-ago period, with jewelry stores registering a rise in sales. VRG's goals for FY2020 remain unchanged, and they include online store growth to 25% of total sales, revenue contraction of no more than 20%, tight management of SG&A expenses, and a positive IAS 17 EBITDA result.

## Current Price

2.33 PLN

Upside

## 9M Target Price

2.43 PLN

+4.5%

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

Key Metrics	VRG PW	VRG PW	vs. WIG
Ticker	VRG PW	1M Price Chng	+2.4%
ISIN	PLVSTLA00011	YTD Price Chng	-42.5%
Outst. Stock (m)	234.5	ADTV 1M	PLN 0.5m
MC (PLN m)	545.1	ADTV 6M	PLN 0.9m
EV (PLN m)	613.2	EV/EBITDA 12M fwd	6.3
Free Float	40.1%	EV/EBITDA 5Y avg	8.4 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	10.2	8.3	-	50.1	11.8
P/B	0.7	0.6	0.7	0.7	0.6
EV/EBITDA adj.	6.8	5.5	103.3	11.3	6.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
B&M sales/sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%
Floorspace			0.0%	0.0%	0.0%

## Financial Highlights (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Fashion Sales	483	692	525	656	761
Fashion EBIT	33	43	-22	2	28
Jewelry Sales	323	376	298	376	394
Jewelry EBIT	39.4	44.5	5.9	28.5	37.6
Gross profit margin	51.2%	52.1%	47.9%	48.8%	49.0%
<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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**Strong and weak points of valuation methods used in recommendations:**

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

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

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

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

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



## Comparable Companies Used In Relative Valuation Models

<b>11 bit studios</b>	Activision, Blizzard, CAPCOM, Electronic Arts, Paradox Interactive, Take Two Interactive, Ubisoft Entertainment
<b>Agora</b>	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroeer Media
<b>AmRest</b>	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
<b>Asseco Poland</b>	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
<b>CCC</b>	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Zalando
<b>CD Projekt</b>	Activision, Blizzard, CAPCOM, Electronic Arts, Take Two Interactive, Ubisoft Entertainment
<b>CEZ</b>	EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
<b>Ciech</b>	Akzo Nobel, BASF, Bayer, Ciner Resources, GHCL, Hongda Xindye, Huntsman, ICI Pakistan, MISR Chemical, PCC Rokita, OCI, Qingdao, Sesoda, Shandong Haihua, Soda Samayii, Solvay, Tangshan Sanyou Chemical, Tata Chemicals, Tessenderlo Chemie, Wacker Chemie
<b>Cognor</b>	AK Steel, Alumetal, ArcelorMittal, Baoshan Iron & Steel, Commercial Metals, HeSteel, Hitachi Metals, Hyundai Steel, JFE Holdings, JSW Steel, Kloeckner & Co, Metalurgica Gerdau, Nippon Yakin Kogyo, Nucor, Olympic Steel, Outokumpu, POSCO, Salzgitter, SSAB, Steel Authority Of India, Steel Dynamics, Tata Steel, thyssenkrupp, United States Steel Corp, voestalpine
<b>Comarch</b>	Asseco Poland, Atos, CAP Gemini, Computacenter, Fiserv INC, Indra Sistemas, Oracle Corp, Sage Group, SAP, Software AG, Tieto
<b>Cyfrowy Polsat</b>	BT Group, Comcast, Deutsche Telekom, Hellenic Telecom, Iliad, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Polska, Shaw Communications, Talktalk Telecom, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
<b>Dino</b>	Carrefour, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Eurocash</b>	Carrefour, Dino, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
<b>Famur</b>	Caterpillar, Epiroc, Komatsu, Sandvik, Weir Group, Metso, Flsmidth
<b>Grupa Azoty</b>	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
<b>Jeronimo Martins</b>	BIM, Carrefour, Dino, Eurocash, Magnit, Metro, O'Key, Group, Tesco, X5
<b>JSW</b>	Alliance Resource Partners, Arch Coal, Banpu Public, BHP Billiton, 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, Nisshin Oillio Group, Ovostar, Wilmar
<b>Kęty</b>	Alcoa, Alumetal, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Fuji Seal, Kaiser Aluminium, Mercor, Midas Holdings, Nippon Light Metal, Norsk Hydro, UACJ, United CO Rusal
<b>KGHM</b>	Anglo American, Antofagasta, BHP Billiton, Boliden, First Quantum Minerals, Freeport-McMoRan, Grupo Mexico, KAZ Minerals, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
<b>Kruk</b>	Arrow Global, Collection House, Credit Corp, Encore Capital, Intrum, PRA Group
<b>Lotos, MOL</b>	Aker BP, Bashneft, BP, ENI, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras, Shell, Statoil, Total, Tullow Oil, Tupras
<b>LPP</b>	CCC, H&M, Hugo Boss, Inditex, Marks & Spencer, Next, Tom Tailor
<b>Netia</b>	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, O2 Czech, Orange, Orange Polska, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
<b>Orange Polska</b>	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Mobile Telesystems, Netia, O2 Czech, Orange, Rostelecom, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vodafone Group
<b>PGNiG</b>	A2A, BP, Centrica, Enagas, Endesa, Enea, Energa, Engie, ENI, EON, Galp Energia, Gas Natural, Gazprom, Hera, MOL, Novatek, OMV, Red Electrica, Romgaz, RWE, Shell, Snam, Statoil, Total
<b>PKN Orlen</b>	Braskem, Dow Chemical, Eastman, Formosa Plastics, Hellenic Petroleum, Huntsman, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui Chemicals, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Westlake Chemical
<b>PKP Cargo</b>	Aurizon Holdings, Canadian National Railway, Canadian Pacific Railway, Center for Cargo Container, China Railway Group, China Railway Tielong Container Logistics, CSX Corp, Daqin Railway, Global Ports Holding, Globaltrans Investment, Hamburger Hafen und Logistik, Hub Group, Kansas City Southern, Kuehne + Nagel International, Log-In Logistica Intermodal, Nikkon Holdings, Norfolk Southern Corp, Rumo, Tidewater Midstream, Union Pacific Corp
<b>Play</b>	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, TalkTalk, Tele2, Telecom Italia, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
<b>PlayWay</b>	Activision, Blizzard, CAPCOM, Electronic Arts, Hasbro, Konami, SEGA Sammy, Take Two Interactive, Ubisoft Entertainment, Gungho Online, Squasre Enix, Playtech, 11 bit studios
<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>Stalprodukt</b>	Baoshan Iron and Steel, Befesa, Boliden, Cleveland Cliffs, Gem, Hinustan Zinc, Kloeckner, Korea Zinc, Material Technologies, Novolipetsk Steel, Nyrstar, Posco, Salgitter, SSAB, Tata Steel, ThyssenKrupp, Umicore, United States Steel, Vallourec, VoestAlpine, Yechiu Metal Recycling
<b>Sygnity</b>	AiLeron, Asseco Business Solutions, Asseco Poland, Asseco South Eastern Europe, Atende, Comarch
<b>Ten Square Games</b>	Nexon, NetEase, IGG, Gree, NHN, Naver, Koei, Wuhu, Tencent, Zynga
<b>Wirtualna Polska</b>	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
<b>VRG</b>	CCC, Chow Sang, Chow Tai Fook, H&M, Hugo Boss, Inditex, Lao Fen Xiang, Lao Feng, LPP, Luk Fook, Marks & Spencer, Next, Pandora, Tiffany

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

### 11 bit studios

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>buy</b>	<b>buy</b>
Rating date	2020-09-02	2020-06-03	2020-05-05	2020-02-05	2019-12-05	2019-11-06
Target price (PLN)	493.00	476.00	422.00	439.00	454.00	483.00
Price on rating day	482.00	475.00	408.50	440.00	360.50	332.00

### AC

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

### Agora

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

### Ailleron

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

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

<b>Rating</b>	<b>underweight</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>
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
Target price (PLN)	-	-	-	-	-	-	-	-
Price on rating day	38.00	40.10	37.00	34.60	43.50	42.80	39.30	35.40

### Amica

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

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

### Apator

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

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>overweight</b>	<b>neutral</b>
Rating date	2020-09-02	2020-05-05	2020-04-23	2020-01-30	2019-12-05
Target price (PLN)	-	-	-	-	-
Price on rating day	36.00	35.80	35.80	32.60	27.60

### Asseco Poland

<b>Rating</b>	<b>buy</b>	<b>accumulate</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>
Rating date	2020-09-02	2020-08-04	2020-06-03	2020-05-05	2019-12-05
Target price (PLN)	80.70	68.39	68.39	63.90	59.20
Price on rating day	70.20	66.50	72.60	64.70	57.35

### Asseco SEE

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>	<b>overweight</b>
Rating date	2020-08-07	2020-05-05	2020-02-28	2019-12-05	2019-10-10
Target price (PLN)	-	-	-	-	-
Price on rating day	43.70	31.40	28.80	25.60	19.40

### Astarta

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

### Atal

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

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

### Boryszew

<b>Rating</b>	<b>underweight</b>	<b>underweight</b>	<b>underweight</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>
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	hold	accumulate	accumulate	accumulate
Rating date	2020-09-02	2020-06-03	2020-05-05	2020-02-05	2019-12-05	2019-11-06	2019-09-05
Target price (PLN)	429.10	388.10	342.50	284.20	281.30	276.40	272.50
Price on rating day	440.70	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	hold	reduce
Rating date	2020-09-02	2020-04-01	2020-03-04	2019-11-14
Target price (PLN)	26.30	24.10	26.10	26.10
Price on rating day	26.92	23.82	26.24	28.86

**Dino**

Rating	sell	reduce	reduce	hold	reduce	accumulate
Rating date	2020-07-02	2020-06-03	2020-05-05	2020-03-04	2020-02-05	2019-11-25
Target price (PLN)	155.60	155.60	151.60	152.30	149.70	148.60
Price on rating day	199.10	185.70	173.70	155.00	164.70	134.00

**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
Rating date	2019-12-05	2019-10-30
Target price (PLN)	-	-
Price on rating day	3.84	3.20

**Erste Group**

Rating	buy	buy	accumulate
Rating date	2020-08-10	2020-03-04	2019-12-05
Target price (EUR)	26.00	36.61	36.61
Price on rating day	19.85	29.44	32.20

**Eurocash**

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

**Famur**

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

**Forte**

Rating	overweight	overweight	neutral	underweight	underweight	underweight	neutral	neutral
Rating date	2020-08-28	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	28.85	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	hold	buy	buy	buy	hold	hold	hold	hold
Rating date	2020-09-02	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
Target price (PLN)	25.83	29.90	28.42	30.55	30.31	30.31	32.75	37.12	34.09	39.77
Price on rating day	25.30	30.45	28.00	22.24	27.50	26.10	30.00	36.58	31.18	39.98

**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

**ING BSK**

Rating	sell	sell	sell	sell	hold	hold	accumulate
Rating date	2020-06-03	2020-04-16	2020-03-30	2020-02-04	2019-12-05	2019-10-07	2019-09-05
Target price (PLN)	117.78	114.14	126.36	170.00	187.77	197.53	197.53
Price on rating day	145.20	141.00	153.80	202.00	190.80	194.80	187.40

**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	hold	sell	hold	hold	hold	buy	buy
Rating date	2020-09-02	2020-08-04	2020-03-27	2020-03-04	2020-02-05	2020-01-20	2019-12-05	2019-09-05
Target price (PLN)	15.82	16.41	9.78	15.34	18.41	23.32	28.04	39.29
Price on rating day	15.18	17.40	12.85	15.15	19.78	22.68	18.80	26.50

**Kernel**

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

**Grupa Kęty**

Rating	hold	hold	hold	hold	hold	hold	hold	hold
Rating date	2020-09-02	2020-06-25	2020-04-07	2020-03-04	2019-12-05	2019-11-06	2019-10-07	2019-09-05
Target price (PLN)	465.74	453.70	335.96	360.29	335.44	333.45	298.64	327.11
Price on rating day	482.50	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
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
Target price (PLN)	124.67	62.94	46.83	46.83	76.92	86.33	85.54	96.13	96.14	90.12
Price on rating day	129.45	88.10	74.00	54.64	77.82	96.44	88.66	96.70	91.64	79.92

**Komerční Banka**

Rating	accumulate	buy	buy
Rating date	2020-09-02	2020-08-10	2019-12-05
Target price (CZK)	618.97	618.97	928.20
Price on rating day	534.00	529.00	792.00

**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	accumulate	hold	hold	reduce	hold	reduce	reduce
Rating date	2020-09-02	2020-07-02	2020-06-03	2020-04-07	2020-03-04	2020-02-05	2019-12-05
Target price (PLN)	47.09	55.87	60.39	59.22	67.19	68.47	77.80
Price on rating day	39.22	60.14	60.52	65.10	61.06	76.78	85.20

**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**

Rating	buy	hold	buy	hold	reduce	hold	sell	reduce
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
Target price (PLN)	3.72	3.38	4.06	5.47	5.47	5.47	5.18	5.18
Price on rating day	2.64	3.28	3.30	5.06	5.91	5.49	6.40	5.48

**MOL**

Rating	buy	buy	accumulate	hold	hold	accumulate	accumulate	accumulate	accumulate	buy
Rating date	2020-09-02	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
Target price (HUF)	1,976.00	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
Price on rating day	1,686.00	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

**Moneta Money Bank**

Rating	buy
Rating date	2020-08-10
Target price (CZK)	79.68
Price on rating day	54.20

**Monnari**

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

**Netia**

Rating	hold	accumulate	hold
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**

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

**OTP Bank**

Rating	accumulate	hold	hold	accumulate
Rating date	2020-09-02	2020-08-10	2019-12-05	2019-11-06
Target price (HUF)	11,039.00	11,039.00	14,681.00	14,681.00
Price on rating day	9,950.00	10,430.00	14,870.00	13,860.00

**Pekao**

Rating	buy	buy	buy	buy
Rating date	2020-06-03	2020-04-16	2020-03-30	2019-12-05
Target price (PLN)	68.90	77.70	83.51	115.20
Price on rating day	52.40	54.30	55.32	96.34

**Pfleiderer Group**

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

**PGE**

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

**PGNiG**

Rating	accumulate	buy	buy	buy	buy	hold	hold	hold	buy	buy
Rating date	2020-09-02	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
Target price (PLN)	5.94	5.94	5.23	4.91	4.44	3.24	3.88	4.06	5.64	6.33
Price on rating day	5.15	5.10	4.63	4.31	3.48	3.14	3.20	3.86	5.07	4.49

**PKN Orlen**

Rating	hold	hold	hold	hold	accumulate	hold	reduce	hold	reduce
Rating date	2020-09-02	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)	56.37	67.72	66.85	58.61	58.61	66.70	68.03	94.17	94.17
Price on rating day	50.32	63.28	67.80	59.52	52.58	62.26	75.66	88.50	102.45

**PKO BP**

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

**PKP Cargo**

Rating	hold	reduce	hold	hold	reduce	reduce	reduce
Rating date	2020-09-02	2020-07-02	2020-05-05	2020-02-26	2020-02-05	2019-12-05	2019-11-26
Target price (PLN)	12.80	12.37	12.37	13.89	16.40	18.13	20.44
Price on rating day	12.38	14.04	11.46	13.66	17.50	20.00	22.40

**Play**

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

**PlayWay**

Rating	accumulate
Rating date	2020-08-25
Target price (PLN)	549.00
Price on rating day	484.00

**Pozbud**

Rating	neutral	neutral	neutral	neutral
Rating date	2020-06-29	2020-04-01	2019-12-05	2019-09-05
Target price (PLN)	-	-	-	-
Price on rating day	1.70	0.81	1.80	2.14

**PZU**

Rating	buy	buy	hold	accumulate	buy
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	buy	accumulate	hold
Rating date	2020-08-10	2019-12-05	2019-11-06
Target price (EUR)	17.67	23.05	23.05
Price on rating day	15.20	21.24	22.83

**Santander Bank Polska**

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

**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

**Stalprodukt**

Rating	buy
Rating date	2020-08-07
Target price (PLN)	336.15
Price on rating day	186.00

**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

**Sygnity**

Rating	buy
Rating date	2020-09-01
Target price (PLN)	10.70
Price on rating day	7.20

**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	accumulate	buy	accumulate	hold	buy
Rating date	2020-09-02	2020-07-02	2020-06-03	2020-05-26	2020-05-05	2020-04-23
Target price (PLN)	623.00	592.00	592.00	592.00	462.00	462.00
Price on rating day	548.00	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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