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Monthly Market Outlook: October 2020

Equity Market, Macroeconomics

Equity Markets

We upgrade our stance on equities to neutral after September corrections as we anticipate global sentiment to lift with the passing of a new stimulus package in the US. In Poland, stocks have reached attractive valuations after the latest sell-off, and now that the Allegro IPO has come and gone investors can put leftover cash to work in other places. The pandemic and the US-China trade relations are still the two biggest drivers of stock markets.

Sector Outlook

Financials

We maintain a neutral stance on Polish banks as we watch for upcoming third-quarter earnings previews to assess the full magnitude of earlier rate cuts, and to get an idea of how badly the crisis has affected loan portfolios.

Chemicals

Chemical stocks do not have any upside catalysts ahead amid uncertainty as to future allocations of free emission allowances, and rising costs of energy (gas, coking coal). Nevertheless, with risks already priced in, we have recently upgraded the sector from underweight to neutral.

Mining

Speculative metal traders have built up bullish positions which will have to be unwound at some point in the near future (a red flag for KGHM). An upward trend in metallurgical coal prices benefits JSW.

Oil & Gas

Downstream fundamentals remain weak, but we see areas of recovery where the best exposure is through Lotos. PGN is still our top sector pick.

Power Utilities

Polish utility stocks cannot fall much lower than the current lows as Poland continues to carve out a path toward a sustainable energy future without coal. For the time being, we have CEZ our top pick in anticipation of an increase in emissions prices.

Telecoms, Media, IT

Shares in Play jumped after Iliad's takeover bid, and so PLY it is replaced by Orange Polska (OPL) as our top pick for October. We maintain a bullish stance on the IT sector, with Comarch and Sygnty seen as offering the most upside potential at relatively low multiples, although we also like ACP and ASE.

Gaming

Gaming stocks made substantial gains at the end of September. For October, we still like CD Projekt as it nears the final stretch toward the release of Cyberpunk 2077, and we would also look out for strong sales figures from TEN.

Industrials

The 2020 second-quarter earnings season turned out better than expected for 69% of rated industrials. We maintain a positive outlook for AMC, AST, COG, FMF, KER, STP, and TIM, but we would avoid AML.

Retail

The fashion retailers LPP and VRG are making huge strides in their recovery from lockdown losses. Among grocery retailers, we favor EUR and JMT over DNP.

Key Ratings

Positive: ACP, AMC, ASE, AST, CDR, CEZ, COG, EUR, FMF, JMT, KER, LPP, LTS, MOL, OPL, PGN, SGN, STP, TEN, TIM, VRG

Negative: AML, DNP, GPW, KGH

EU Indices	Value	1M chng	YTD chng
WIG	49,035	-3.7%	-15%
ATX	2,090	-5.6%	-34%
BUX	33,658	-2.4%	-27%
PX	859	-4.4%	-21%
WSE WIG Ind.	Value	1M	YTD
WIG20	1,694	-4.4%	-21%
mWIG40	3,550	-2.5%	-8%
sWIG80	14,137	-2.7%	+20%
Banking	3,692	-2.2%	-45%
Basic Materials	3,657	-12.1%	+18%
Chemicals	6,678	-7.5%	-20%
Clothes	4,038	-3.6%	-29%
Construction	2,990	+1.9%	+31%
Energy	1,974	+9.3%	+1%
Food	2,999	+3.1%	-4%
Gaming	32,173	-3.2%	+72%
IT	3,759	-3.1%	+33%
Media	4,836	-6.5%	-10%
Oil & Gas	4,079	-7.9%	-37%
Telecom	908	+7.9%	+4%
Top 5 / Worst 5		1M	YTD
Krynica Vitamin	28.10	+319.4%	+466%
JSW	25.00	+64.7%	+17%
Play	38.72	+29.2%	+16%
Libet	2.59	+23.9%	+383%
Pamapol	1.39	+20.9%	+32%
Trakcja	1.65	-17.5%	-1%
Prairie Mining	0.66	-17.7%	+2%
Stalprodukt	188.80	-17.9%	+4%
Idea Bank	1.46	-18.2%	-39%
Braster	0.60	-21.6%	+7%

Rating & 9M TP Changes as of 2 October

Name	Rating	9M TP
CD Projekt	accumulate ▲	429.10 PLN ►
CEZ	buy ▲	514.80 CZK ►
Ciech	hold ►	30.10 PLN ▼
ING BSK	hold ▲	117.78 PLN ►
JSW	hold ►	25.96 PLN ▲
KGHM	reduce ▼	103.84 PLN ▼
Komercni Banka	buy ▲	618.97 CZK ►
Lotos	buy ▲	47.09 PLN ►
LPP	buy ▲	7900 PLN ►
Play	reduce ▼	35.20 PLN ►
PlayWay	hold ▼	549.00 PLN ►

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Investing Outlook

World stock markets as predicted went into a downward correction in September, driven most likely by a waning confidence in a new US stimulus deal for even amid improving economic data. Neither the Democrats (with Biden leading the presidential polls), nor the Republicans (who have nothing to lose at this point) benefit from a deadlocked Congress, and so we expect a deal to be reached before the November election, giving markets a breather. As for the election itself, as things stand we do not see it as causing upheaval in capital markets. The date of the vote is not likely to change despite Donald Trump's positive COVID-19 diagnosis which will probably strengthen Biden's lead and improve the Democrats' performance in voter polls. The continued spread of the pandemic remains the most pressing risk in our view as we enter autumn and winter; although a repeat of lockdowns on the scale seen in April and May is unlikely, restrictions on economic activity are bound to turn market sentiment bearish.

Polish equities should lift up in line with global benchmarks in October, led by banks, offering attractive valuations at the current price levels, alongside the TMT sector, underpinned by money left over from the Allegro IPO. After considering all current risk factors, i.e. geopolitical uncertainty on top of a spreading pandemic, we would increase equity allocations to 50%.

Covid-19 Fades To Background Despite a New Wave of Contagion

Another wave of the contagion is a fact. Incidence has increased after the summer break, especially in Europe, where certain countries are hitting historical highs of daily new cases (France, UK, Spain, Netherlands, Czech Republic, Poland). As expected, no decisions have yet been made to impose a lockdown on the scale witnessed in the spring. Instead, the governments are focusing on containing local outbreaks by imposing restrictions on a micro level. Their approach follows among others from the fact that Covid-19 is now affecting a younger population and so the percentage of serious and fatal cases is lower than a few months back. In our opinion, there is a certain threshold (which is hard to quantify by country) which, once crossed, will trigger pressure in favour of tougher restrictions (affecting the economy) and may change consumer sentiment (fear of infection), as seen in the Czech Republic and the UK. The more serious consequences include a lockdown on schools.

The Basic Reproductive Rate (R_0 , the number of cases generated by one individual) suggests that the USA is also entering a new wave of the contagion. After a decrease in daily cases to approx. 45k (from approx. 75k in July), R_0 has been rising since August and is now above 1.0 for an area representing 51% of the US population (less than 5% of the population in August). As a result, daily numbers in the coming weeks will amount to another boom in the pandemic, affecting those states which seemed to have the contagion under control and where governments have been lifting restrictions (New York). According to the latest CDC report, analysts estimate that less than 10% of the US population have developed Covid-19 antibodies, which leaves a lot of room for the pandemic to expand further unless an effective vaccine is marketed soon.

US Presidential Election

The US presidential election is one month away (3 November). In our opinion, the final weeks will be crucial to stock indices (high volatility) for a number of reasons:

pressure exerted by the Trump administration to have a vaccine before the election (+); Trump's weak poll results which could push his campaign to try and save the day at any cost (+/-); Biden's associations with higher taxes (-); a stalemate in the approval of the stimulus package (-); a very close election result (-).

Current polls give Biden a strong majority of votes (50%) over Trump (43%). The gap is wide enough not to expect that the November election could turn out differently. The first public debate of the candidates was considered a "draw to Biden's slight advantage" (Trump failed to take the opportunity and improve his poll results). It is unlikely that the elections will turn out like last time, when the polls favored Clinton; she won 3 million more votes than Trump, but he ultimately got more votes in the Electoral College by winning the key states (those that turned away from their traditional party choice). The current distribution of votes in such states (according to the polls) also shows Biden as the winner:

Election poll results in US swing states (30 Sep)

State	Biden	Trump	2018 Winner
New Hampshire	51.3%	42.8%	Clinton (+0.4%)
Virginia	51.3%	40.3%	Clinton (+5.4%)
Minnesota	50.4%	41.0%	Clinton (+1.5%)
Wisconsin	49.8%	44.3%	Trump (+0.8%)
Pennsylvania	49.6%	43.9%	Trump (+0.7%)
Michigan	49.2%	44.0%	Trump (+0.2%)
Nevada	49.0%	43.7%	Clinton (+2.4%)
Ohio	49.0%	45.7%	Trump (+8.2%)
Arizona	48.0%	45.2%	Trump (+3.6%)
Florida	47.8%	46.7%	Trump (+1.2%)
Karolina Północna	47.1%	46.6%	Trump (+3.7%)
Iowa	46.0%	46.0%	Trump (+9.5%)
Georgia	45.8%	47.0%	Trump (+5.2%)
Texas	45.2%	48.4%	Trump (+9.1%)

Source: Real Clear Politics, Associated Press

Moreover, as already mentioned, Covid-19 cases are expected to keep rising in the USA, including the number of fatalities, which makes Trump no more popular.

Who would be better for Wall Street and corporations? According to common perception, Trump would, because Biden wants higher taxes (up from 21% to 28%, Trump has cut taxes from 35%) and favors restrictions for polluter industries (fuels, mining); Biden is also considered to be an anti-billionaire (higher taxes for the richest). Trump's positive track record includes deregulation in many sectors. In our opinion, the final outcome is not really essential. Biden would also be a good prospect for several key sectors of the US economy (environment, technology). Biden's USA would be likely to continue an anti-China policy but in a more moderate manner (less aggressive, more alliance building – a chance for Europe), which should be good for the overall business sentiment. In the previous election, Clinton was considered a good prospect for the stock market and Trump, a catastrophe. The reality turned out to be different. At the end of the day, the decisive role is that of the Fed.

In the context of the US election, the worst scenario for the markets would be Biden's win by a slim majority, which could encourage Trump to contest the result (as he has suggested in public statements). A media war in that scenario would, in our opinion, result in a risk-off on the stock market.

Strong Momentum in US, Europe Impacted by Covid, Recovery in Asia

The US economy as well as Asian economies, in particular China, are reporting further improvement in their macro parameters. China has announced that accelerated development of the internal market is a panacea to the global slow-down, which is impacting the markets among others with rising prices of industrial commodities. Americans have not yet suffered in the wake of discontinuation of household support schemes. Although retail sales in August were below the expectations (0.6% v. 1.0% MoM, mainly due to weak sales of restaurants, clothing, and fuel), the uptrend has continued and the latest Conference Board consumer confidence index came a very nice surprise (our previous report pointed to disappointing indicators thus far as a potential risk for the coming months). The real estate market remains a strong pillar of the economy while the job market is recovering steadily albeit below expectations. Importantly, top corporations (including Boeing, Disney, American Airlines, United Airlines JPM, GS) have recently announced headcount reductions of thousands of jobs. That positive momentum is corroborated by leading indicators for industry and services. The PMI Composite index remained stable at 54.4. Companies are reporting growing new orders and production backlogs, demand for labor and rising prices. Such is the economic landscape at the beginning of Q4. In our opinion, the risks in the coming weeks include a continued refusal of the Congress to approve the fourth economic stimulus package.

In Europe, manufacturers benefit from growing export orders while services are still affected by the new wave of the pandemic, as demonstrated by PMIs. The Services PMI has dropped from 47.6 to 50.5 while the Manufacturing PMI has improved from 51.7 to 53.7. That trend is likely to gain strength in the coming weeks (the survey took place in mid-September) due to the mounting contagion and additional restrictions, which will be mainly hitting the services sector (including employment). As a result, retail sales will in the best case remain flat (and are more likely to drop modestly). In contrast to services, the Industry PMI for the eurozone is the highest in two years. Growing industrial orders, especially export orders, suggest a stable trend as manufacturers are making up for the production backlog of the last few months, which is unlikely to revert any time soon.

WSE: Time to Bounce Back

The weak performance of financial stocks (a key component of WIG and WIG20) across Europe, a correction in benchmark markets, and the unloading of other stocks in anticipation of the Allegro IPO (a risk we highlighted in our previous report) are, in our opinion, the key drivers of the continued relative weakness of the Warsaw Stock Exchange in September. We expect benchmark indexes to stabilize in the coming weeks (in a lateral trend). Looking at attractive valuations of bank stocks and TMT stocks, combined with an improved sentiment for energy, stronger-than-expected earnings recovery in industrials, and the expected return of capital after Allegro share allocations, we expect WIG to rise in October.

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Sector Strategies

Financials

- PZU had no updates to give in September on the plans as regards a possible expansion of its banking business; the Group will share its vision in an updated medium-term strategy plan which it hopes to release closer to the end of the year.
- Elsewhere in financials, making headlines in September was Idea Bank and its struggle to stay afloat. After having its recovery plan rejected by the market regulator, Idea is set to unveil a new plan in mid-October, and on the 20th its shareholders are gathering to vote on a PLN 100m equity issue – two milestones which will determine the bank's future. Our baseline assumption for Idea is that it is at risk of being placed into resolution, which would have ripple effects for the whole banking sector through increased payments into the national resolution fund. For more on this, see our 23 September Special Comment.
- European banking stocks experienced a pummeling in September on a string of bad news which included rising COVID-19 cases and the threat of another lockdown, on a macro scale, and at industry level shares were battered in the wake of the FinCen files scandal and its potential consequences in the form of massive fines. One of the institutions named in the FinCen papers is ING BSK. The messy Brexit process was also adding to the general mood. As a result, we saw Euro Stoxx Banks pull back by close to 12% last month after a bumpy August. To assuage fears over a slowdown in the Euro Area, on 21 September Christine Lagarde gave reassurance that the ECB had more room to add stimulus if the economy needs more help.
- Events to watch in October include the kick-off of the third-quarter earnings season in the US, and an earnings preview season in Poland, with profits likely to be weighed down by earlier rate cuts, and provisioning providing an idea of how badly the crisis has affected loan portfolios.
- **Key Ratings:** PEO (buy), Erste (buy), GPW (sell)

Chemicals

- Neither Ciech nor Grupa Azoty improved on the year-ago results in Q2 2020. Ciech is eyeing a long U-shaped recovery in the soda division, where prices of 2021 deliveries might have to be reduced. At Grupa Azoty, sales prices have been hiked to reflect increasing costs of natural gas.
- Overall sentiment to the chemical sector is clouded by uncertainty as to the size of free carbon allocations after 2020. Further, Grupa Azoty will lose state support as an energy-incentive producer from 2021.
- With all that said, we see the negative catalysts as priced in at the current share price levels, and so on 30 September we upgraded rated chemical companies from underweight to neutral.

Mining

- Commodity prices are trending upwards on an economic rebound Asia, most notably China, but at the same time we are seeing a buildup of global metal inventories after months of draws. In addition, speculative metals traders have increased their bullish positions to high levels, and so we see the likelihood of a sell-off on metals in the medium term, especially copper which, if it goes into a downward correction, could drag with it the shares of KGHM.
- As the world races to develop a coronavirus vaccine, precious metals are no longer viewed as a safe haven, and uncertainty about economic stimulus has reduced inflation

expectations. As of today we withdraw our bullish stance on the metals producers: ANG SJ, GFI SJ, FRES LN, POLY LN, PLZL RX.

- Transactions in seaborne coking coal edged slightly higher toward the end of August, led by buyers from China and India, drawn in by low prices. As a result, coking coal is currently trading close to \$140. Prices might go up temporarily after extreme 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.
- **Key Ratings:** KGH (reduce)

Oil & Gas

- Oil was trading under downward pressure in September as predicted, but toward the end of the month the declines started to gather momentum which will most likely continue into October, underpinned by the usual mix of increasing supply set against comparatively sluggish demand and high inventories of petroleum products.
- Lower input prices might be expected to help lift refining margins, however for now cracking spreads, especially for diesel, barely exceed zero. Looking ahead, there have been some positive developments in the inventory department in recent weeks, including the potential closure of five refineries in Europe and Asia with combined capacity to process 0.6mbpd. We remain optimistic about a recovery in the Urals/Brent differential as the supply of sour crude increases.
- Gas prices have traded sharply higher in recent weeks, supported by seasonal variations, reflected in September deliveries priced at €12+ vs. €4 in summertime. There are also other factors, however, looking at rising prices of 2021 contracts, such as decreasing 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. We feel comfortable with our 2021 gas price forecast of ~€12/MWh. In the upcoming heating season, we believe EU prices will converge toward US LNG rates to try and close the current 40% gap.
- For fuel retailers, a September rise in vehicle traffic 4-5% above the year-ago volume indicates solid third-quarter profits supported by a rise in sales margins in September.
- Petrochemical profits are again experiencing erosion due to a downward shift in prices compared to August levels; in the long term the sector's growth will be stunted by new capacity additions.
- Against this backdrop, we maintain a bullish view on PGNiG, but we also see more upside in selected oil refiners after several months of share price falls (we favor LTS and MOL over PKN).
- **Key Ratings:** LTS (buy), MOL (buy), PGN (buy)

Power Utilities

- German power contracts stabilized around €42/MWh in September and prices of carbon allowances as well seem unfazed by the EU's plans to increase the original 2030 targets for emission reductions. Nevertheless EUA prices can be expected to move higher in the months to come as the ETS reform takes shape, and with the planned 2021 review of the Market Stability Reserve.
- If electricity markets pick up as anticipated in the coming weeks, utility indexes in the US and EU can be expected to gather momentum as well, helping CEZ to finally realize its upside potential.
- In Poland, the model clean-dark spread of a coal-powered

power plant remains squeezed with power prices currently at PLN 230/MWh.

- Polish electricity demand has stopped growing and seems to have reached its limit. However stocks in Polish utilities registered an upturn from earlier lows over the past week thanks to a deal hammered out between the government and coal mining unions on a planned mine phase-out. The draft legislation is not likely to pass in its current form and will probably be revised, however it does signal a change in Poland's attitudes toward a more sustainable energy policy. The coal phase-out plan is in its early stages and is likely to undergo more changes still going forward, but the downside risk that we flagged last month for Polish utility stocks has decreased.
- **Key Ratings:** CEZ (buy)

Telecoms, Media, IT

- The October IPO of Poland's e-commerce giant Allegro has been priced at PLN 43 per share, valuing the company at PLN 44 billion – probably the highest market capitalization in the history of the WSE. The expected first day of listing is 12 October.
- Poland is aiming to 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" at ca. PLN 1.9bn, but she added that it was the ultimate selling price that was the more important question.
- 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."
- Cyfrowy Polsat is in the process of reviewing its options with respect to the potential sale of mobile network infrastructure which services the subscribers of its mobile provider Plus.
- Shares in Play skyrocketed 36.7% after a takeover bid by the French telecommunications group Iliad on 21 September. Iliad wants to guide Play's move into fixed broadband, and to help further this we might see it target UPC or Vectra cable.
- 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.
- The WIG Info index fell 4.2% in September, Which means it beat the Polish broad market WIG benchmark by 1.0pp but underperformed MSCI IT EU by 2.3pp. At 16.1x 12M

fwd P/E, Polish tech stocks are currently trading 9.1% above the average ratio for the last three years.

- Four of our rated tech companies have reported 2020 second-quarter results so far, and all delivered growth in the period, which was marked by early stages of the coronavirus outbreak and economic and social lockdown. Since the resilience demonstrated in second-quarter reports did not stop the sector from trending downwards in September, we maintain our bullish stance with plenty of worthwhile opportunities still available.
- **Key Ratings:** OPL (buy), CMR (buy), SGN (buy), ACP (buy), ASE (overweight)

Gaming

- Shares in CD Projekt were trading under pressure all September as employees cashed out their 2016-19 incentives. We expect the stock to recover in October with the launch of more advanced marketing for Cyberpunk 2077, which given its low minimum requirements can be expected to draw in many PC users. We upgrade CDR from hold to accumulate after the September falls.
- 11 bit studios has nothing major lined up for October.
- Sensor Tower data for September show 156% growth in Fishing Clash app revenue compared to the same month a year earlier, and flat sales relative to August. Sales of Hunting Clash quadrupled vis-a-vis August, and downloads of the newer game have outpaced Fishing Clash when it was in the same stage from launch, showing it is set for commercial success. Flip This House went into the global launch phase in September.
- PlayWay's 2020 Q2 results far exceeded expectations on strong sales, driven among others by a higher share of consoles. Companies from PlayWay's portfolio postponed two releases: Junkyard and Lust From Beyond, to allow more time to make the games better and therefore more commercially viable. PlayWay companies will show demos of their games at the 7-13 October Steam Game Festival: Autumn Edition.
- Among these companies, we would overweight Movie Games, which has just released the demo for Lust From Beyond: Scarlet, expected to come out by the end of the year (the game is featured on over 130,000 wishlists). The PlayWay portfolio also includes Alaskan Truck Simulator, expected to be released in early 2021, estimated to be on more than 115,000 wishlists.
- PlayWay shareholders approved the company's move from NewConnect to the WSE in September.
- **Key Ratings:** CDR (accumulate), TEN (accumulate)

Industrials

- The 2020 second-quarter reporting season in the industrial sector has been full of positive surprises despite extremely challenging business conditions. In our coverage universe, 69% of companies registered earnings declines relative to Q2 2019, but at the same time the same proportion exceeded our expectations – the highest percentage since Q2 2018. Cognor, Famur, Forte, Grupie Kęty, Stalprodukt, and TIM were the top winners of the earnings season.
- Near-term catalysts for industrials include an improving momentum in factory activity in Germany, where the PMI new orders subindex for September jumped to 64.8. In addition, August data released by Statistics Poland also point to a recovery in Polish factory orders.
- Some companies (including Boryszew, Cognor, Famur) are expected to again recognize coronavirus-related state aid in Q3 2020.
- We have a neutral stance on Industrials. Our top picks for October include Amica, expected to see increasing sales and profits, combined with significant deleveraging, in Q3,

resulting in better valuation ratios. Astarta is benefitting from an expected undersupply of sugar in Ukraine, coupled with rising prices of grains. Cognor is set to reverse negative earnings trends in Q3, with potential to resume dividend payments in 2021. Famur is an undervalued play with an increasing cash hoard. Kernel benefits from thick sunflower crushing margins not seen since 2015, and from rising prices of grains. Stalprodukt is a grossly undervalued firm with a strong balance sheet which benefits from rising prices of zinc and transformer sheets. TIM offers high dividend yields of +6% alongside consistently growing sales and profits.

- We would avoid Alumetal, which manages to stay afloat with the help of state aid despite low demand from the auto industry.
- In our monthly Industrials Update of 30 September, we downgraded Forte to neutral to reflect a 50% surge in share price since the previous call, and slightly worsened sentiment in the German furniture industry reported to Ifo. At the same time, after better-than-expected 2020 second-quarter results, we raised our FY2020 forecasts for Alumetal (EBITDA +3%; net profit +14%), Amica (EBITDA +5%), Apator (EBITDA +6%), Mangata (EBITDA +15%) and Pozbud (EBITDA +6%).
- **Key Ratings:** AMC (overweight), AML (underweight), AST (overweight), COG (buy), FMF (buy), KER (buy), STP (buy), TIM (overweight)

Retail

- Clothing & Footwear Retailers: LPP is slated to release final Q2 2020 results at the beginning of October after previewing better-than-expected preliminary figures which in the final report will receive additional support from reduced rental rates on German clothing stores. VRG has growth potential ahead assuming post-lockdown recovery at the fast pace observed to date.

- When it comes to 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. In Q3 2020 we expect a recovery of wholesale profits and slower declines in retail profits than in the same period a year earlier. Shares in DNP have retreated from previous highs. The Company 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 y/y due to a longer payables cycle. JMT 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 second-quarter earnings, which are more than likely to show a deceleration in growth. We are overweight EUR and JMT on expectations of a recovery in the second half of the year.
- AmRest experienced a dramatic fall in revenues and profits in Q2 2020. The Company said that the proportion of restaurants that were open for business increased from 92% as of 30 June to 96% as of 11 August and 98% toward the end of September. As of 30 September like-for-like revenue growth at AmRest restaurants was negative in the range of 10-15%. AmRest says that in 2020 it will have opened 80-90 new locations to make a 3% larger trading area than in the previous year. The restaurants are set to rebuild revenues to pre-pandemic levels by mid-2021 according to the company. The main focus now is on cash generation and increasing operating efficiency. AmRest's net debt/EBITDA ratio as of 30 June was 5.4x, but lenders temporarily waived their covenant rights. We opt not to provide an updated earnings outlook for AmRest due to uncertainty about a second lockdown. We will renew forecasts for the company as soon as reasonably practicable.
- **Key Ratings:** DNP (sell), EUR (buy), JMT (accumulate), LPP (buy), VRG (buy)

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	12	15	17	21	24	9	196
in-line	24	28	22	35	20	24	22	28	26	28	16	15	18	306
beat	23	14	22	18	31	24	19	26	26	24	32	30	40	329
Σ companies	56	58	59	61	62	63	65	66	67	69	69	69	67	831
miss (%)	16	28	25	13	18	24	37	18	22	25	30	35	13	24
beat (%)	41	24	37	30	50	38	29	39	39	35	46	43	60	40

Source: Companies, Bloomberg, PAP, mBank

YoY	2017			2018				2019				2020		+/=
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	
miss	23	21	25	28	20	20	24	25	29	24	23	34	42	338
in-line	8	12	2	8	11	10	6	9	11	7	9	9	5	107
beat	35	34	40	33	39	40	40	36	30	39	38	27	21	452
Σ companies	66	67	67	69	70	70	70	70	70	70	70	70	68	897
miss (%)	35	31	37	41	29	29	34	36	41	34	33	49	62	38
beat (%)	53	51	60	48	56	57	57	51	43	56	54	39	31	50

mBank Sentiment Watch (next 30 days, by sector)

Sector		Poland	US	Europe
Financials	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	PEO	BAC US, JPM US	EBS
	Stocks To Avoid		BEN US, IVZ US	
	Key Catalysts	Quarterly results preview	Weak global sentiment, more hawkish FED in anticipation of fiscal stimulus a support	ECB meeting, first Q3 results, M&A rumors
Chemicals	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	CIE	APD US, ECL US	LIN GY, 1COV GY
	Stocks To Avoid	ATT	ALB US	
	Key Catalysts	Q3 still under pressure	Better than mkt YTD, autos still a drag vs demand recovery, relatively attractive input prices, good industrial gases outlook	
Mining	SENTIMENT	NEUTRAL	BEARISH	BEARISH
	Stocks To Own	JSW		
	Stocks To Avoid	KGH	ANG SJ, BHP AU, RIO LN	
	Key Catalysts	Cash inflow from crisis aid	Inflationary trade correction, mkt discounted V recovery,	
Oil&Gas, Refining	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	LTS, MOL, PGN	BKR US	
	Stocks To Avoid		XOM US	BP/ LN, RDSA NA
	Key Catalysts	Natgas prices and refining macro rebound	Crude Oil demand remains weak	
Utilities	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	CEZ	VST US, AEE US	ENR GY, RWE GY
	Stocks To Avoid			
	Key Catalysts	Power and CO2 price increase	Biden win would imply introduction of the climate	Power and CO2 price increase
Telecoms	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	OPL	CMCSA US	DRI GY
	Stocks To Avoid	CPS		O2D GY
	Key Catalysts	Price hikes for both mobile and broadband, potential network sale, PLY takeover bid	A safe haven in COVID environment, attractively valued taken quasi-tech exposure	
Media	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own		MSGS US, DIS US	PSM GY
	Stocks To Avoid		VIAC US, NFLX US	
	Key Catalysts	Poor Q2'20, prospect of a long return to increases y/y		
IT	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	ASE, ACP, CMR, SGN	FIS US, MA US, APH US	IFX GY, SAP GY, SOW GY
	Stocks To Avoid		SPLK US	TMV GY, RIB GY, BC8 GY
	Key Catalysts	In the long term the sector should benefit from COVID-19, low debt, and profit momentum	Still too many overpriced components in the segment	
Gaming	SENTIMENT	BULLISH	BULLISH	BULLISH
	Stocks To Own	CDR, TEN		
	Stocks To Avoid			
	Key Catalysts	Continued improvement in profits	Continually strong numbers, COVID uncertainty supportive for revenues	
Industrials	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	AMC, AST, COG, FMF, KER, STP, TIM	CAT US, URI US	KGX GY, G1A GY, IAG LN, SIE GY, ALO FP
	Stocks To Avoid		ITW US, TEX US	SFC GY, VOE AV, KNEBV FH, MTX GY
	Key Catalysts	Good outlook for H2'20	Discounted possibility of positive surprises in H2 after strong Q2	
Automotive	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own		GM US, MGA US	BMW GY, UG FP, VOW3 GY
	Stocks To Avoid	ACG, AML, BRS, MGT, SNK	TSLA US	DAI GY, ZIL2 GY, SFQ GY
	Key Catalysts	Overregulated Automotive sector	Tesla still overpriced, better global sales data in the last few weeks, China	Key players well prepared to weather the storm but consumer demand outlook uncertain
Retail	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	LPP, VRG	AAP US, BBY US, NKE US, PG US	ADS GY, DHER GY, ZAL GY
	Stocks To Avoid			BOSS GY
	Key Catalysts	Faster than expected sales recovery; COVID-19 return		

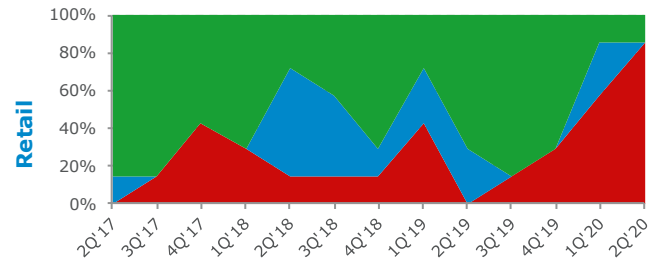
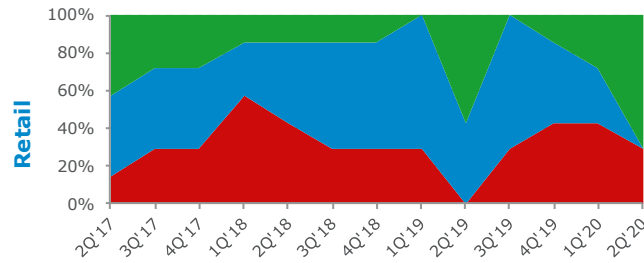
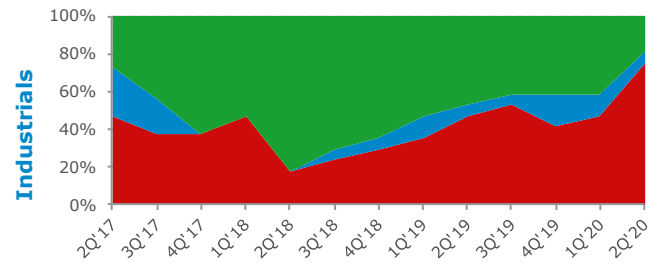
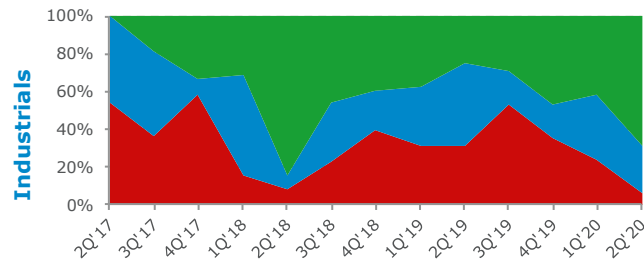
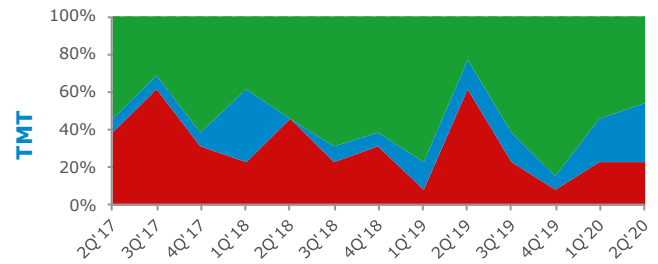
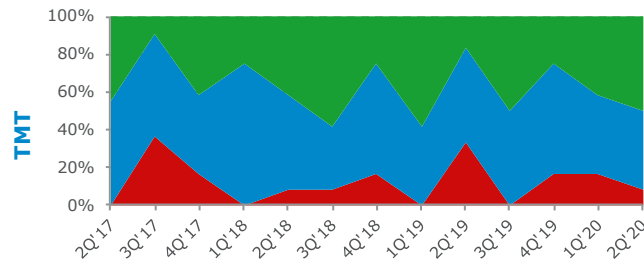
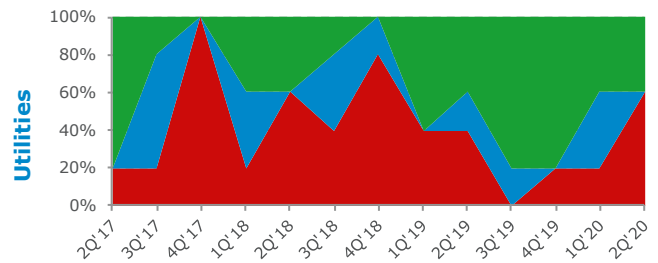
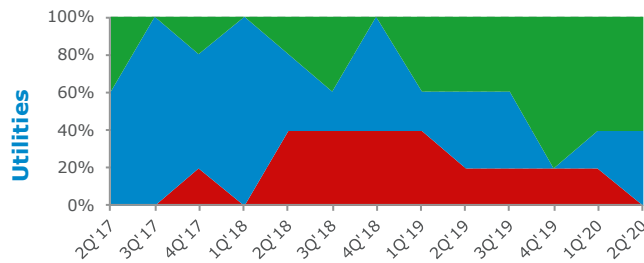
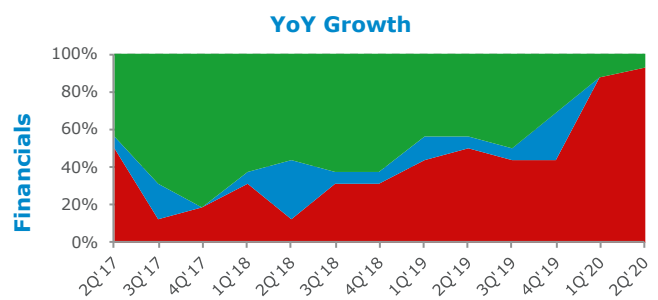
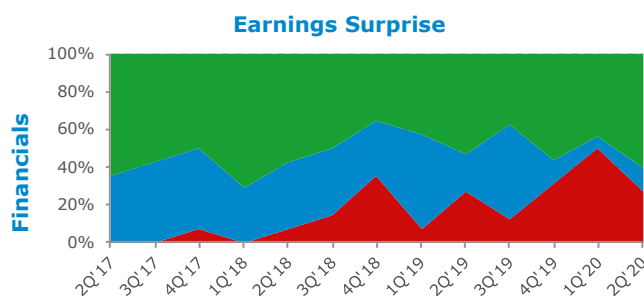
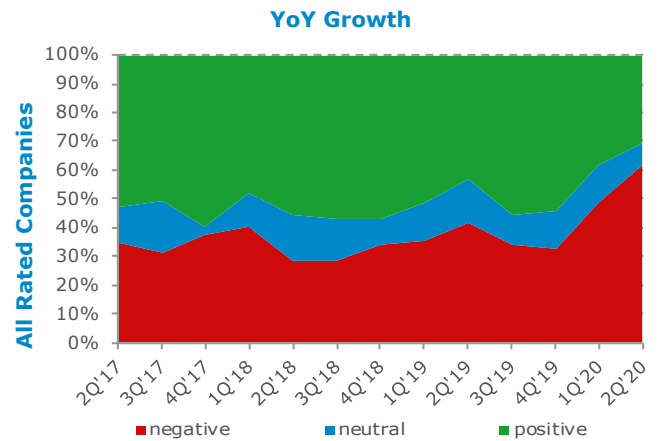
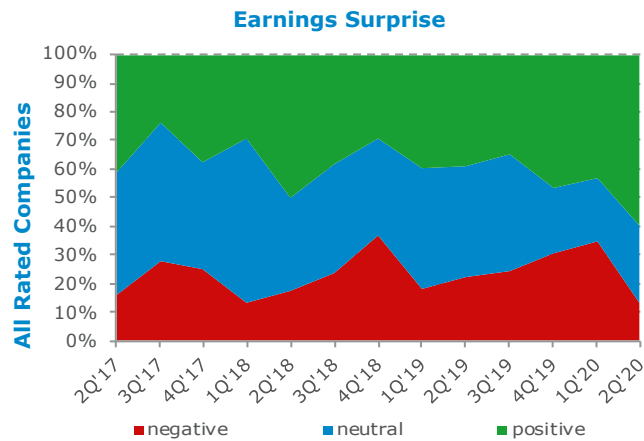
Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2017 2Q 3Q 4Q	2018 1Q 2Q 3Q 4Q	2019 1Q 2Q 3Q 4Q	2020 1Q 2Q	+ / =
Financials					
Alior Bank	+ + +	= + =	= - + -	+ -	77%
Handlowy	+ + =	+ + -	- - -	+ +	54%
ING BSK	= = =	= - +	+ + -	+ +	77%
Millennium	= + =	+ + =	+ + +	-	85%
Pekao	= + =	= + +	= = +	+ +	100%
PKO BP	+ + +	= = =	= + =	+ +	100%
Santander BP	+ = =	= + =	= - =	+ -	77%
Komercni	+ + +	+ + +	= + =	+ -	92%
Moneta			+ =	+ -	75%
Erste Group	+ = +	+ + +	+ + =	+ -	85%
RBI			+ = +	+ +	100%
OTP Bank	+ + +	+ + +	= + +	+ +	92%
PZU	= = +	+ = +	+ = +	+ -	92%
Kruk	+ = -	+ + +	- - +	+ -	62%
Skarbiec	+ + +	= + =	= + =	+ -	83%
GPW	= + =	+ = -	= = +	=	77%
Chemicals					
Ciech	= = +	= + =	= = +	+ -	85%
Grupa Azoty	- = -	= - -	+ = +	+ =	69%
Mining					
JSW	+ - -	= + =	+ + +	-	69%
KGHM	= = +	= + -	+ = +	-	69%
Oil & Gas					
Lotos	+ + =	= + =	= = -	+ -	62%
MOL	+ - =	= + +	= + =	+ +	92%
PGNiG	- - =	= + -	= + -	+ +	54%
PKN Orlen	= - =	= - =	+ = -	+ =	77%
Utilities					
CEZ	= = +	= - +	= + -	+ +	85%
Enea	+ = =	= - =	+ + +	+ +	92%
Energia	= = -	= - -	= - -	=	46%
PGE	= = =	= = -	= = +	=	77%
Tauron	+ = =	= + +	+ = +	+ +	100%
Telecoms					
Cyfrowy	= = =	+ = =	= = =	= =	100%
Netia	= + +	= = =	= + =	= =	100%
Orange PL	+ =	= + +	= = +	+ +	100%
Play	= =	= + =	+ + +	= =	100%
Media					
Agora	+ = +	= + +	+ - +	+ =	92%
Wirtualna	= = =	= = =	= = =	-	92%
IT					
Ailleron	- +	= -	+ -	-	50%
Asseco BS	= + =	= + +	= + +	+ +	100%
Asseco PL	= - -	+ + +	+ = +	+ +	85%
Asseco SEE	+ - =	= + =	+ + +	+ +	92%
Atende		+ = -	+ -	= +	73%
Comarch	+ - -	+ + +	+ - +	+ -	62%
Sygnity					
Gaming					
11 bit studios	+ -	= - =	+ -	+ +	58%
CD Projekt	+ - +	= = -	+ + +	+ -	69%
PlayWay		= = +	+ + -	+ -	78%
Ten Square G		- - -	= +	=	50%
Industrials					
AC		= =	= + +	= =	86%
Alumetal	= + =	= + =	= = =	+ +	85%
Amica	= - +	= + +	= + =	+ =	85%
Apator	- = -	= + =	= + =	= +	77%
Astarta			- + +	+ -	50%
Boryszew	- + -	= - -	= - -	-	31%
Cognor		+ + =	+ -	+ +	60%
Famur	- = +	+ + +	+ + -	+ +	77%
Forte	= - -	= + -	+ - +	+ +	62%
Grupa Kęty	= - =	= + =	= = +	+ +	92%
Kernel	- - +	= + +	= + +	+ +	67%
Kruszwica	- = -	+ + +	+ + -	=	77%
Mangata	- - -	+ + +	= + =	+ -	62%
PKP Cargo	= - =	+ + =	= - -	- +	54%
Pozbud		+ = +	+ -	+ +	64%
Stalprodukt			- - -	= +	33%
TIM		+ + +	= -	= +	86%
Retail					
AmRest	+ + +	= - =	+ - =	- -	62%
CCC	+ = -	= - -	= + =	- -	15%
Dino	+ + +	+ = =	= + =	+ +	100%
Eurocash	= - -	= = -	= = +	+ +	69%
Jeronimo	= = =	= = =	= = =	- -	85%
LPP	= + =	= + +	= + -	+ +	77%
VRG	- = =	= - =	= = =	+ +	77%

YoY	2017 2Q 3Q 4Q	2018 1Q 2Q 3Q 4Q	2019 1Q 2Q 3Q 4Q	2020 1Q 2Q	+ / =
Financials					
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	+ + +	= + +	+ - -	+ -	62%
Kruk	+ = -	- = +	+ - -	- -	46%
Skarbiec	+ + +	- - -	+ + +	-	42%
GPW	+ + +	= + -	= - +	+ +	54%
Chemicals					
Ciech	- - +	= = -	= = +	+ -	46%
Grupa Azoty	+ + +	= - -	+ + +	= -	62%
Mining					
JSW	+ + +	= = =	- - -	- -	46%
KGHM	+ + -	= + -	= + -	-	54%
Oil & Gas					
Lotos	+ + +	= + =	+ = -	+ -	69%
MOL	+ - +	= - +	= = -	+ -	54%
PGNiG	= = =	= + +	- - -	+ +	62%
PKN Orlen	+ + -	= - -	+ = +	+ -	54%
Utilities					
CEZ	- - -	= - +	= + =	+ -	54%
Enea	+ = -	= - =	+ + +	+ +	77%
Energia	+ + -	+ + -	= - +	- -	46%
PGE	+ = -	+ + =	- - +	= -	62%
Tauron	+ = -	= - -	+ - +	= +	62%
Telecoms					
Cyfrowy	+ - -	= - =	= = =	= -	69%
Netia	- - -	= - -	- - -	= =	31%
Orange PL	= - +	= + +	= = +	+ =	85%
Play	+ + =	= - -	+ + +	= +	69%
Media					
Agora	+ = +	= - +	+ - +	+ -	69%
Wirtualna	+ + +	+ + +	+ + +	- -	85%
IT					
Ailleron	+ - +	= + -	+ - -	+ -	54%
Asseco BS	+ + +	+ + +	+ - +	=	92%
Asseco PL	- - -	+ + +	+ - +	+ +	62%
Asseco SEE	+ + +	+ + +	+ + +	+ +	100%
Atende	- - +	= - +	+ + +	+ +	38%
Comarch	- - -	= + +	+ - +	+ +	69%
Sygnity	- - +	+ + +	+ - +	+ +	77%
Gaming					
11 bit studios	- = +	+ - +	+ - -	+ +	69%
CD Projekt	+ - -	= - -	- + +	+ +	38%
PlayWay		+ + +	+ + +	+ +	89%
Ten Square G		+ + +	+ + +	+ +	100%
Industrials					
AC	+ - -	+ + +	+ - +	- -	54%
Alumetal	- - +	+ + +	= - -	= +	46%
Amica	= - -	= + +	= + +	- +	69%
Apator	- + -	= + =	+ - -	=	54%
Astarta	+ +	= - -	+ - +	+ -	42%
Boryszew	+ + +	= - -	= - +	- -	31%
Cognor	= + +	+ + +	+ - -	+ -	54%
Famur	= + +	+ + +	+ + -	+ -	69%
Forte	- - -	= + -	+ - +	+ -	46%
Grupa Kęty	+ + +	+ + +	= + +	+ +	100%
Kernel	- - -	+ + +	= + =	+ -	50%
Kruszwica	= = +	+ + +	+ + -	= -	85%
Mangata	- = +	+ + +	= - -	- -	69%
PKP Cargo	+ + +	+ + +	+ + +	- -	54%
Pozbud	= +	+ + +	+ + +	- -	69%
Stalprodukt		= - -	= - -	= -	10%
TIM	- - +	+ + +	+ + +	+ +	85%
Retail					
AmRest	+ + -	+ = +	+ + +	- -	69%
CCC	+ + +	= - -	= + -	- -	23%
Dino	+ + +	+ + +	+ + +	+ +	100%
Eurocash	= - -	+ = +	= + +	= -	69%
Jeronimo	+ + +	+ = =	= + +	= -	92%
LPP	+ + +	+ + +	= + +	+ -	77%
VRG	+ + +	+ = +	+ + +	- -	77%

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

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



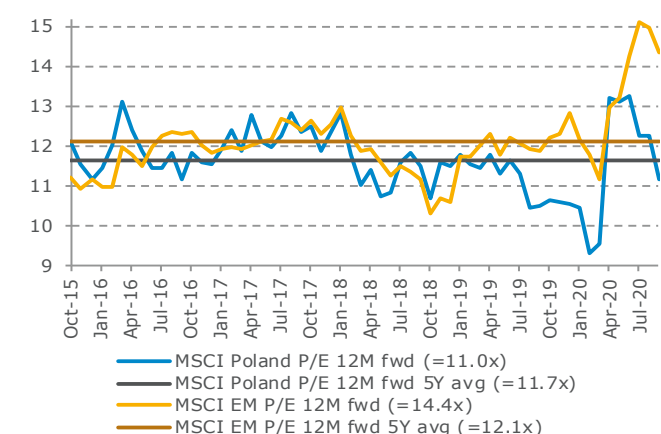
Source: Companies, Bloomberg, PAP, mBank

Revisions To FY2020 Earnings Forecasts For WIG30 Companies

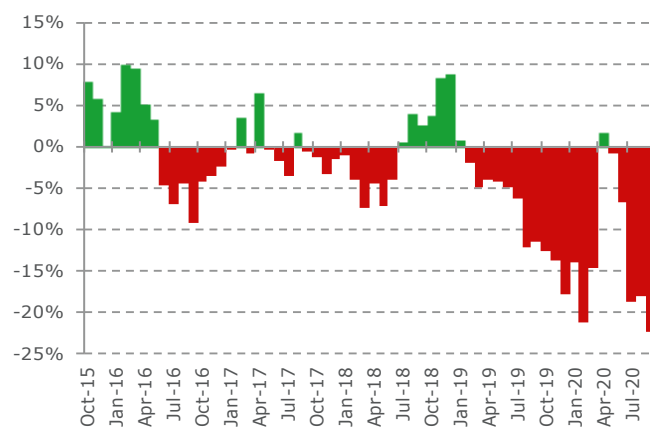
Sep-19=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank
Oct-19	-2%	-4%	-4%	-3%	+2%	-6%	-2%	-16%	-2%	-3%	+5%	+0%	-21%	+23%	-11%	+22%
Nov-19	-3%	-6%	-3%	-7%	-2%	-3%	-6%	-16%	-3%	-3%	+1%	-3%	-41%	+27%	-9%	+5%
Dec-19	-4%	-6%	-2%	-7%	-3%	-3%	-8%	-16%	-8%	-3%	+2%	-3%	-45%	+27%	-12%	+5%
Jan-20	-9%	-12%	-6%	-8%	-18%	-32%	-10%	-16%	-10%	-5%	+1%	-3%	-67%	+131%	-8%	+19%
Feb-20	-13%	-13%	-7%	-8%	-24%	-32%	-27%	-16%	-13%	-8%	+0%	-3%	-39%	+184%	-12%	-6%
Mar-20	-24%	-41%	-16%	-39%	-40%	-75%	-27%	-16%	-24%	-57%	-4%	-11%	-25%	+184%	-67%	-91%
Apr-20	-42%	-52%	-45%	-51%	-53%	-86%	-32%	-37%	-52%	-67%	+2%	-13%	-42%	+123%	-80%	-91%
May-20	-43%	-50%	-46%	-53%	-58%	-86%	-34%	-41%	-58%	-60%	+7%	+1%	-43%	+123%	-75%	-30%
Jun-20	-44%	-27%	-47%	-53%	-54%	+25%	-34%	-41%	-86%	-60%	+2%	+1%	-25%	+84%	-63%	-30%
Jul-20	-42%	-23%	-54%	-53%	-24%	+28%	-47%	-41%	-96%	-57%	+3%	+4%	-34%	+84%	-50%	+39%
Aug-20	-41%	-30%	-54%	-53%	-23%	+0%	-46%	-41%	-91%	-58%	+4%	-3%	-34%	+42%	-44%	+42%
Sep-20	-41%	-30%	-54%	-55%	-20%	-0%	-45%	-41%	-107%	-58%	-0%	-3%	-37%	+42%	-47%	+44%

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)

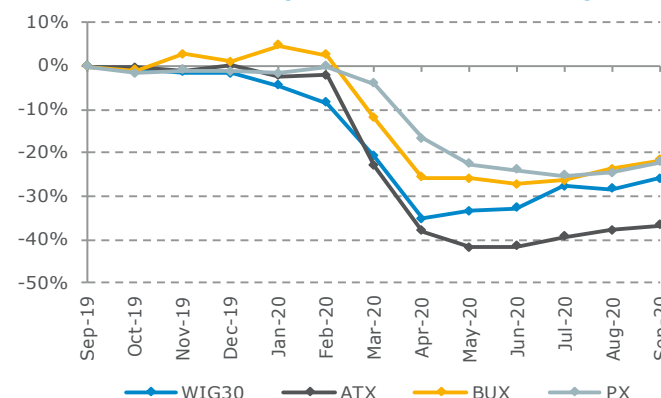


Source: Bloomberg, mBank



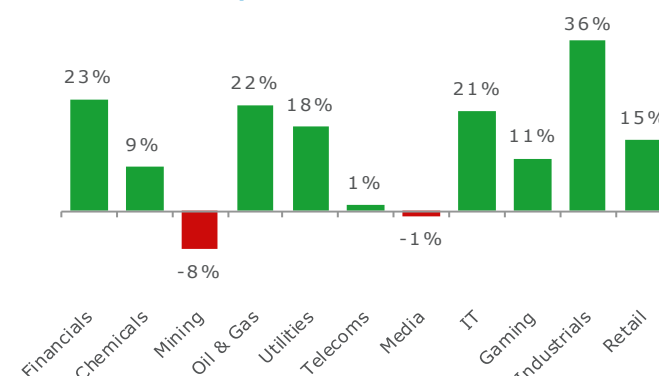
Source: Bloomberg, mBank

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



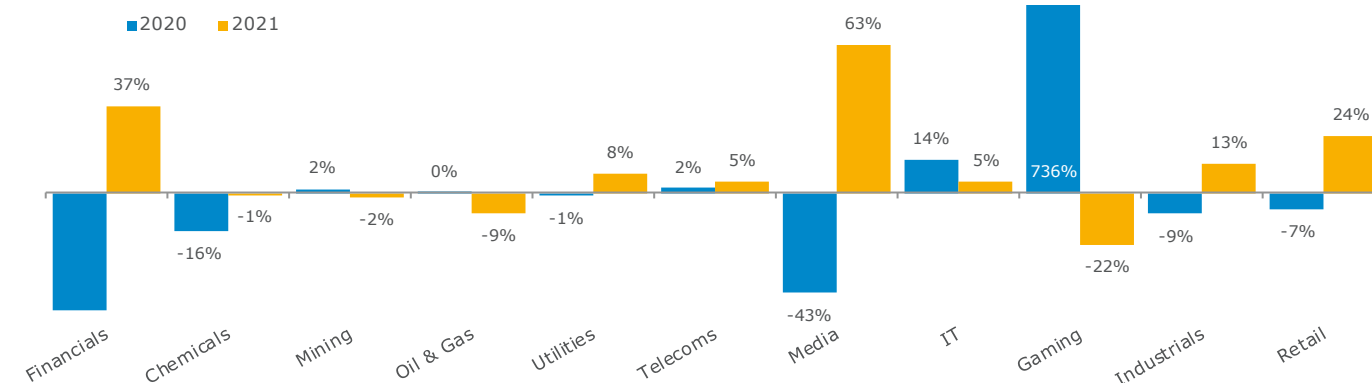
Source: Bloomberg, mBank

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 ¹	BBG Ratings ²			BBG TP ³	mBank v. BBG TP	mBank v. BBG Earnings			mBank v. BBG EBITDA			Analyst Count ⁴
			▲	►	▼			2020E	2021E	2022E	2020E	2021E	2022E	
Financials														
Alior Bank	hold	14.98	2	3	9	19.46	-23.0%	-	-	+2%				6
Handlowy	hold	37.64	1	4	6	35.45	+6.2%	-17%	-0%	+7%				4
ING BSK	hold	117.78	3	6	3	142.56	-17.4%	-12%	-15%	-8%				5
Millennium	buy	3.72	3	8	2	3.60	+3.2%	-16%	-52%	-63%				3
Pekao	buy	68.90	15	4	0	70.06	-1.7%	+21%	+2%	+16%				10
PKO BP	hold	22.58	8	10	1	27.47	-17.8%	-30%	-13%	-10%				10
Santander BP	buy	179.37	4	10	3	181.72	-1.3%	-5%	-3%	-2%				9
Komercni Banka	buy	618.97	12	4	3	666.28	-7.1%	-3%	-5%	-0%				10
Moneta Money Bank	buy	79.68	12	0	0	78.33	+1.7%	+9%	+20%	+8%				6
Erste Group	buy	26.00	20	4	0	27.22	-4.5%	-8%	+17%	+15%				8
RBI	buy	17.67	10	8	2	19.28	-8.4%	+6%	-3%	+16%				13
OTP Bank	accumulate	11,039	9	6	1	12,232	-9.8%	-30%	+0%	-				12
PZU	buy	35.93	5	5	1	35.25	+1.9%	-13%	-4%	+8%				3
Kruk	buy	183.17	2	4	1	147.39	+24.3%	-	+20%	+0%				2
Skarbier Holding	accumulate	26.86	2	0	0	26.86	+0.0%	-7%	+16%	+42%				2
GPW	sell	39.19	2	2	1	45.43	-13.7%	+8%	+1%	-3%				3/3
Chemicals														
Ciech	hold	30.10	5	4	1	38.14	-21.1%	-45%	-22%	-30%	-5%	-7%	-14%	7/7
Grupa Azoty	hold	25.83	2	4	2	31.53	-18.1%	-40%	-68%	-68%	-6%	-11%	-13%	3/4
Mining														
JSW	hold	25.96	1	2	5	13.67	+89.8%	-	-	-	-	+72%	-12%	4/3
KGHM	reduce	103.84	5	5	6	128.96	-19.5%	+20%	-38%	-11%	+2%	-28%	-14%	10/10
Oil & Gas														
Lotos	buy	47.09	8	4	2	58.27	-19.2%	-	-38%	-14%	-	-21%	-13%	7/7
MOL	buy	1,976.0	10	3	1	2,184.7	-9.6%	-	-48%	-28%	-7%	-17%	-9%	11/10
PGNiG	buy	5.97	4	6	1	4.96	+20.4%	+21%	+2%	-1%	+25%	-5%	-6%	5/5
PKN Orlen	hold	56.37	3	12	3	62.71	-10.1%	-20%	-48%	-35%	-4%	-18%	-10%	9/9
Utilities														
CEZ	buy	514.80	12	5	1	556.33	-7.5%	+5%	-19%	-39%	+1%	-3%	-10%	4/3
Enea	suspended	-	7	1	1	9.62	-	+17%	+21%	+28%	+4%	+10%	+5%	8/7
Energa	suspended	-	2	5	0	9.11	-	+41%	-18%	+7%	+3%	+8%	+8%	4/3
PGE	suspended	-	6	3	4	8.56	-	+105%	+43%	+22%	+12%	+15%	+5%	4/4
Tauron	suspended	-	7	4	0	2.97	-	-1%	+18%	-5%	+0%	+7%	+11%	3/2
Telecoms														
Cyfrowy Polsat	hold	26.30	3	9	1	29.02	-9.4%	-9%	-1%	+2%	-1%	-0%	-0%	6/6
Orange Polska	buy	8.30	4	9	1	7.35	+12.9%	+41%	+67%	+40%	+10%	+14%	+13%	7/6
Play	reduce	35.20	11	3	0	35.70	-1.4%	+0%	-4%	-8%	+1%	-1%	-2%	9/8
Media														
Agora	hold	8.60	0	1	0	-	-	-	-	-	+82%	-0%	+0%	2/1
Wirtualna Polska	reduce	63.10	4	0	2	82.65	-23.7%	-21%	-8%	+19%	-7%	-2%	+5%	3/2
IT														
Asseco Poland	buy	80.70	4	4	0	76.33	+5.7%	-6%	-7%	-12%	+9%	+8%	-0%	4/4
Asseco SEE	overweight	-	1	2	0	44.05	-	+2%	+3%	-	+0%	+2%	-	2/2
Comarch	buy	247.60	3	3	0	231.65	+6.9%	-6%	-0%	-0%	-0%	-0%	+0%	2/2
Gaming														
11 bit studios	hold	493.00	5	5	0	488.20	+1.0%	+49%	+46%	+0%	+30%	+39%	+0%	3/2
CD Projekt	accumulate	429.10	6	11	5	409.49	+4.8%	+25%	+11%	-6%	+14%	+4%	-13%	15/14
PlayWay	hold	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	699.32	-10.9%	+3%	+2%	-4%	+3%	+3%	-3%	8/9
Industrials														
Alumetal	underweight	-	3	0	1	57.20	-	-30%	-15%	-21%	-16%	-10%	-14%	3/3
Amica	overweight	-	5	0	0	174.25	-	+19%	+11%	+7%	+11%	+3%	+1%	4/4
Apator	neutral	-	1	3	0	21.50	-	-0%	+5%	+4%	+3%	+7%	+8%	2/2
Boryszew	neutral	-	0	1	0	-	-	-	+0%	-0%	+10%	-0%	-0%	2/2
Famur	buy	2.86	2	2	1	3.01	-5.1%	-18%	-14%	+195%	-9%	+23%	+40%	2/1
Forte	neutral	-	1	3	1	14.00	-	-8%	+2%	-4%	+3%	+3%	-2%	2/2
Grupa Kęty	hold	465.74	5	4	0	505.18	-7.8%	+6%	-2%	-7%	+4%	-2%	-7%	6/5
Kemel	buy	56.35	4	1	0	53.99	+4.4%	-10%	+40%	+0%	-5%	+8%	+0%	4/3
Mangata	neutral	-	1	1	0	85.00	-	-3%	+0%	-7%	-1%	+0%	-6%	2/2
PKP Cargo	hold	12.80	2	2	2	22.70	-43.6%	-	-	-	-2%	-10%	-3%	2/2
Retail														
AmRest	hold	40.00	3	4	1	33.94	+17.9%	-	-	-	+80%	+4%	-	5/4
CCC	suspended	-	5	9	2	69.58	-	-	-	-	-	-	-	13/12
Dino	sell	155.60	4	7	7	199.27	-21.9%	+2%	+9%	+6%	+0%	+0%	+1%	8/7
Eurocash	buy	19.90	10	4	3	21.02	-5.3%	+32%	+49%	+33%	-32%	-33%	-29%	6/5
Jeronimo Martins	accumulate	15.30	13	12	1	15.83	-3.4%	-10%	-8%	-10%	-20%	-17%	-17%	13/14
LPP	buy	7,900.0	9	5	2	7,402.9	+6.7%	-73%	+94%	+37%	-56%	-16%	-18%	7/7

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

Current Recommendations of mBank

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E 2020	P/E 2021	EV/EBITDA 2020	EV/EBITDA 2021
Financials						+28.9%	13.7	10.1		
Alior Bank	hold	2020-06-03	15.19	14.98	13.12	+14.2%	-	8.4		
Handlowy	hold	2020-06-03	38.00	37.64	36.80	+2.3%	21.3	16.2		
ING BSK	hold	2020-10-02	124.40	117.78	124.40	-5.3%	17.7	15.0		
Millennium	buy	2020-06-03	2.64	3.72	2.74	+35.9%	21.0	12.8		
Pekao	buy	2020-06-03	52.40	68.90	49.80	+38.4%	9.9	9.1		
PKO BP	hold	2020-06-03	22.06	22.58	21.09	+7.1%	14.4	10.7		
Santander Bank Polska	buy	2020-08-04	152.50	179.37	142.50	+25.9%	16.2	11.7		
Komercni Banka	buy	2020-10-02	484.50	618.97 CZK	484.50	+27.8%	11.8	10.6		
Moneta Money Bank	buy	2020-08-10	54.20	79.68 CZK	53.50	+48.9%	12.3	10.2		
Erste Group	buy	2020-08-10	19.85	26.00 EUR	17.77	+46.4%	11.6	6.5		
RBI	buy	2020-08-10	15.20	17.67 EUR	12.77	+38.4%	6.3	6.1		
OTP Bank	accumulate	2020-09-02	9,950	11,039 HUF	9,750	+13.2%	14.3	8.0		
PZU	buy	2020-04-28	29.92	35.93	24.61	+46.0%	8.3	7.4		
Kruk	buy	2020-09-03	156.70	183.17	133.10	+37.6%	23.2	8.4		
Skarbiec Holding	accumulate	2020-09-11	24.70	26.86	24.70	+8.7%	9.0	9.9		
GPW	sell	2020-09-30	47.10	39.19	45.10	-13.1%	13.7	15.0		
Chemicals						+9.1%	16.7	24.7	5.8	6.2
Ciech	hold	2020-10-02	27.25	30.10	27.25	+10.5%	15.9	9.6	5.6	4.7
Grupa Azoty	hold	2020-09-02	25.30	25.83	23.85	+8.3%	17.6	39.8	6.1	7.6
Mining						-8.1%	9.1	18.2	4.5	3.9
JSW	hold	2020-10-02	25.00	25.96	25.00	+3.8%	-	23.6	4.1	2.2
KGHM	reduce	2020-10-02	115.15	103.84	115.15	-9.8%	9.1	12.7	4.9	5.5
Oil & Gas						+22.1%	6.1	11.2	5.2	4.8
Lotos	buy	2020-10-02	34.00	47.09	34.00	+38.5%	-	12.3	-	4.7
MOL	buy	2020-09-02	1,686	1,976 HUF	1,690	+16.9%	-	13.2	6.1	5.5
PGNiG	buy	2020-09-22	4.56	5.97	5.05	+18.3%	4.0	9.9	2.1	3.7
PKN Orlen	hold	2020-09-02	50.32	56.37	44.86	+25.7%	8.1	10.2	5.2	5.0
Power Utilities						+17.5%	9.5	4.6	5.2	4.5
CEZ	buy	2020-10-02	438.00	514.80 CZK	438.00	+17.5%	10.8	15.2	6.3	7.0
Enea	suspended	2020-06-23	7.90	-	6.10	-	2.5	2.1	3.3	2.7
Energia	suspended	2020-06-03	8.19	-	8.32	-	10.8	8.4	5.2	4.5
PGE	suspended	2020-04-27	4.05	-	6.99	-	9.5	4.6	3.9	2.9
Tauron	suspended	2020-05-05	1.14	-	2.31	-	6.1	3.4	5.4	4.7
Telecoms						+1.3%	22.2	16.1	5.9	5.5
Cyfrowy Polsat	hold	2020-09-02	26.92	26.30	27.30	-3.7%	15.4	11.9	7.4	6.9
Netia	hold	2020-08-04	4.46	4.40	4.50	-2.2%	29.0	26.2	4.6	4.4
Orange Polska	buy	2020-07-30	7.07	8.30	7.04	+18.0%	37.9	20.3	5.1	4.6
Play	reduce	2020-10-02	38.72	35.20	38.72	-9.1%	10.6	10.4	6.6	6.4
Media						-1.2%	35.2	20.3	16.7	8.9
Agora	hold	2020-06-03	8.36	8.60	6.46	+33.1%	-	-	19.4	7.2
Wirtualna Polska	reduce	2020-04-20	67.80	63.10	69.00	-8.6%	35.2	20.3	14.0	10.6
IT						+21.3%	15.5	14.0	6.6	5.3
Aiellon	neutral	2020-05-05	6.26	-	6.98	-	13.9	10.8	4.3	3.4
Asseco BS	neutral	2020-09-02	36.00	-	34.00	-	15.5	14.7	10.1	9.6
Asseco Poland	buy	2020-09-02	70.20	80.70	67.10	+20.3%	15.3	14.0	4.8	4.5
Asseco SEE	overweight	2020-08-07	43.70	-	45.10	-	20.3	17.8	10.3	9.1
Atende	neutral	2020-05-05	2.94	-	3.06	-	16.9	10.2	7.3	5.3
Comarch	buy	2020-09-29	204.00	247.60	202.00	+22.6%	17.4	15.4	6.6	6.4
Sygnity	buy	2020-09-01	7.20	10.70	7.68	+39.3%	6.9	6.2	4.5	3.9
Gaming						+11.1%	26.3	20.8	19.5	16.4
11 bit studios	hold	2020-09-02	482.00	493.00	478.50	+3.0%	30.0	47.8	20.0	29.0
CD Projekt	accumulate	2020-10-02	382.60	429.10	382.60	+12.2%	15.0	22.5	12.7	18.7
PlayWay	hold	2020-10-02	527.00	549.00	527.00	+4.2%	33.2	19.1	27.8	11.1
Ten Square Games	accumulate	2020-09-02	548.00	623.00	576.00	+8.2%	22.5	17.1	19.1	14.1
Industrials						+35.9%	10.7	10.5	6.0	5.6
AC	neutral	2020-06-29	38.50	-	40.80	-	13.9	13.8	8.4	8.3
Alumetal	underweight	2020-09-30	35.90	-	35.40	-	18.9	14.9	8.4	7.5
Amica	overweight	2020-09-30	136.60	-	134.00	-	8.3	8.3	4.9	5.2
Apator	neutral	2020-09-30	20.60	-	20.70	-	12.0	10.9	6.8	6.4
Astarta	overweight	2020-05-11	11.75	-	17.55	-	-	3.3	4.5	2.9
Boryszew	neutral	2020-09-09	3.39	-	3.27	-	60.6	11.7	8.7	6.8
Cognor	buy	2020-09-25	1.10	2.03	1.27	+59.8%	7.0	10.2	4.3	4.8
Famur	buy	2020-08-04	1.70	2.86	1.69	+69.0%	7.1	9.1	3.2	3.2
Forte	neutral	2020-09-30	32.40	-	31.45	-	24.3	10.7	8.4	7.0
Grupa Kęty	hold	2020-09-02	482.50	465.74	457.00	+1.9%	11.6	14.1	8.4	9.6
Kemel	buy	2020-09-23	39.90	56.35	40.00	+40.9%	8.7	4.7	5.9	5.1
Kruszwica	neutral	2020-06-29	60.40	-	53.00	-	10.7	10.1	6.0	5.6
Mangata	neutral	2020-09-30	47.00	-	45.80	-	9.4	8.3	6.0	5.3
PKP Cargo	hold	2020-09-02	12.38	12.80	11.36	+12.7%	-	-	4.9	5.1
Pozbud	neutral	2020-09-30	1.65	-	1.61	-	3.0	13.3	4.3	8.8
Stalprodukt	buy	2020-08-07	186.00	336.15	188.80	+78.0%	9.0	8.0	2.8	2.3
TIM	overweight	2020-06-29	10.90	-	12.95	-	14.6	10.8	6.7	5.9
Retail						+14.7%	33.7	23.2	12.1	7.9
AmRest	hold	2020-03-04	39.55	40.00	18.46	+116.7%	16.9	13.5	6.4	5.5
CCC	suspended	2020-03-19	24.98	-	55.34	-	-	-	-	-
Dino	sell	2020-07-02	199.10	155.60	230.00	-32.3%	40.6	30.4	24.0	18.8
Eurocash	buy	2020-07-02	17.34	19.90	14.29	+39.3%	-	91.8	5.2	4.9
Jeronimo Martins	accumulate	2020-08-04	14.29	15.30 EUR	14.14	+8.2%	26.8	21.7	8.5	7.2
LPP	buy	2020-10-02	6,800.00	7,900.00	6,800.00	+16.2%	-	24.7	23.8	12.2
VRG	buy	2020-09-23	2.51	3.14	2.34	+34.2%	68.8	18.9	15.7	8.6

Stocks Re-Rated as of 2 October 2020

Company	Rating	Previous Rating	Target Price	Issued on
CD Projekt	accumulate	hold	429.10 PLN	2020-10-02
CEZ	buy	accumulate	514.80 CZK	2020-10-02
Ciech	hold	hold	30.10 PLN	2020-10-02
ING BSK	hold	sell	117.78 PLN	2020-10-02
JSW	hold	hold	25.96 PLN	2020-10-02
KGHM	reduce	hold	103.84 PLN	2020-10-02
Komercni Banka	buy	accumulate	618.97 CZK	2020-10-02
Lotos	buy	accumulate	47.09 PLN	2020-10-02
LPP	buy	accumulate	7900.00 PLN	2020-10-02
Play	reduce	buy	35.20 PLN	2020-10-02
PlayWay	hold	accumulate	549.00 PLN	2020-10-02

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
11 bit studios	hold	hold	493.00 PLN	2020-09-02
Alumetal	underweight	underweight	- -	2020-09-30
Amica	overweight	overweight	- -	2020-09-30
Apator	neutral	neutral	- -	2020-09-30
Asseco BS	neutral	neutral	- -	2020-09-02
Asseco Poland	buy	accumulate	80.70 PLN	2020-09-02
Boryszew	neutral	underweight	- -	2020-09-09
CD Projekt	hold	hold	429.10 PLN	2020-09-02
Cognor	buy	buy	2.03 PLN	2020-09-25
Comarch	buy	hold	247.60 PLN	2020-09-29
Cyfrowy Polsat	hold	hold	26.30 PLN	2020-09-02
Forte	neutral	overweight	- -	2020-09-30
GPW	sell	hold	39.19 PLN	2020-09-30
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
Kernel	buy	hold	56.35 PLN	2020-09-23
Komercni Banka	accumulate	buy	618.97 CZK	2020-09-02
Kruk	buy	buy	183.17 PLN	2020-09-03
Lotos	accumulate	hold	47.09 PLN	2020-09-02
Mangata	neutral	neutral	- -	2020-09-30
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
PGNiG	buy	accumulate	5.97 PLN	2020-09-22
PKN Orlen	hold	hold	56.37 PLN	2020-09-02
PKP Cargo	hold	reduce	12.80 PLN	2020-09-02
Play	buy	accumulate	35.20 PLN	2020-09-18
Pozbud	neutral	neutral	- -	2020-09-30
Skarbiec Holding	accumulate	hold	26.86 PLN	2020-09-11
Sygnity	buy		10.70 PLN	2020-09-01
Ten Square Games	accumulate	accumulate	623.00 PLN	2020-09-02
VRG	buy	accumulate	3.14 PLN	2020-09-23

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	3	4.6%	0	0.0%
underweight	1	1.5%	0	0.0%
hold	16	24.6%	5	22.7%
neutral	10	15.4%	1	4.5%
accumulate	5	7.7%	4	18.2%
buy	24	36.9%	9	40.9%
overweight	4	6.2%	2	9.1%

Corporate Events Calendar For October

Date	Time	Company	Event
5-Oct		Kernel	Q2'20 earnings announcement
5-Oct	15:00	Kernel	Teleconference with the Management Board
6-Oct	12:00	EnterAir	Teleconference with the Management Board
8-Oct		LPP	Q2'20 earnings announcement
21-Oct		Grupa Kęty	Q3'20 earnings announcement
22-Oct		PKN Orlen	Q2'20 earnings announcement
27-Oct		CCC	Q3'20 earnings announcement
27-Oct		Millennium	Q3'20 earnings announcement
28-Oct		Budimex	Q3'20 earnings announcement
28-Oct		Jeronimo Martins	Q3'20 earnings announcement (after market close)
28-Oct		Santander	Q3'20 earnings announcement
29-Oct		Lotos	Q3'20 earnings announcement
29-Oct		Mangata	Q3'20 earnings announcement
29-Oct		mBank	Q3'20 earnings announcement
30-Oct		Cognor	Q3'20 earnings announcement

Macroeconomic Update

Retail Sales

August retail sales growth in constant prices decelerated to an annual rate of 0.5%, falling far short of the market's expected 2.6% growth while we were closer in anticipating zero growth in sales. We expect mostly flat sales through to the end of the year, followed by an acceleration in 2021. Consumers are done making up for withheld lockdown buying, and they are starting to feel weighed down by income and job uncertainty.

By category, car sales fell considerably in August, as they are wont to do every year. New car dealerships usually saw traffic return in September, but this year we are seeing a rise in demand for used vehicles, plus consumers going forward may be wanting to save on parts and maintenance. Sales of food came out weak for August, and there were stronger declines than last year in the monthly sales of electronics, appliances, and apparel.

The sales rebound anticipated from 2021 is based on an assumption of greater consumer confidence after the discovery of a coronavirus vaccine and a recovery in wage growth.

It is interesting to point out that e-commerce sales in August accounted for 6.1% of total sales compared to 11.9% in April and 5.6% at the beginning of the year. In case of clothes and shoes, online sales in August were lower than in January at 15.7% vs. 17.1% after consistent declines from the April peak of 61.3% of total sales.

Industrial Production

Polish industrial production was up by 1.5% in August compared to the same month a year earlier, which means it grew less than our 3.6% estimate and the 2.8% consensus. On a positive note, compared to July seasonally-adjusted manufacturing grew 0.6% m/m, indicating a continued forward momentum even if the recovery is moving at a slower pace than we would have expected.

Producer prices were consistent with forecasts, with PPI registering a 1.2% decline from August 2019.

By category, the main driver of factory activity in August were durable consumer goods (+12.7% y/y), while production of energy was down by 5.7% and investment goods edged 1.6% lower. Computers and electronics outpaced all other categories with a 20% y/y jump, and industries which quickly bounced back from lockdown are seeing orders normalize; for example, on a month-over-month basis, August saw declines in orders for furniture, rubber, and plastics.

When it comes to PPI, the biggest fall in August was registered in coke and petroleum prices (-20.6% y/y).

Building activity continued to shrink August, falling 12.1% year over year after a 10.9% fall in July, a much faster rate of decline than anticipated by analysts. The falls were led mainly by infrastructure volumes, which fell 16.9% from August 2019, although they did not change much from July. Where activity did fall off noticeably was housing (-5.5% m/m) and specialized construction (-6.4% m/m).

Building activity in Poland is not following the same V-shaped recovery pattern as factory orders, and the reason is curbed public spending, especially by local governments, although private investment is also lagging amid huge economic uncertainty and a push to cut costs.

Employment

Employment slowed its declines in August to an annual rate of 1.5% from 2.3% in July. The average salary kept the pace in March, rising 4.1% year over year after 3.8% growth the month before. The Polish economy added 43,000 new full-time positions last month, a record figure for August, though the way Statistic Poland calibrates its FTE data this might not be equivalent to the same number of people finding jobs. In addition, August job growth was still propped up by parents and furloughed employees returning to work full time, effects which will disappear as the year progresses. All that being said, the coronavirus outbreak so far has not caused a crash in the Polish labor market. There was a decline in August wage growth relative to July, which, however, can be explained with an accumulation in the previous month of various bonus payments. Looking at the annual rate of wage recovery, the numbers nevertheless do not instill much optimism in us as regards future consumer spending.

Inflation

The Polish consumer price index increased 3.2% in September, exceeding the consensus estimate of 2.9%. Core CPI must have accelerated as well to an estimated 4.2-4.3%.

Compared to August, food prices went up by 0.4%, and fuels registered a strong rise of 1.6%. The expansion in prices of apparel and footwear seems to have been curbed by high demand.

We believe CPI inflation will most likely slow in the months ahead, albeit not as much as we had originally assumed, and to account for potential one-time effects we raise our 2020 CPI projection to just over 2%.

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Financial Sector

Alior Bank

hold (no change)

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ALR stock hit a new low at the end of September after a month of trading downwards in step with the whole banking sector. It seems the Bank got knocked off course by a lack of declarations on the part of its owner, PZU, as regards the future of the banking business. PZU currently intends to unveil its plans closer to the end of the year. We believe the insurer might make a tender offer for more Alior shares, either directly or via its other bank unit – a suspicion reinforced by a complete write-down of goodwill in Alior and its trademarks in the second quarter. One-time charges notwithstanding, Alior's earnings results in Q2 2020 surprised slightly to 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 investments.

Current Price	13.12 PLN	Upside
9M Target Price	14.98 PLN	+14.2%

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

Key Metrics		ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-4.2%
ISIN	PLALIOR00045	YTD Price Chng	-54.3%
Outst. Stock (m)	129.3	ADTV 1M	PLN 5.8m
MC (PLN m)	1,695.9	ADTV 6M	PLN 12.0m
		P/E 12M fwd	7.9
Free Float	74.8%	P/E 5Y avg	11.1 discount

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	2.4	6.9	-	8.6	4.5
P/B	0.3	0.3	0.3	0.2	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
Noninterest income	1,039	959	878	903	946
Total income	4,124	4,140	3,617	3,505	3,718
Operating expenses	1,847	1,705	1,685	1,649	1,650
Operating income	2,277	2,164	1,933	1,856	2,068
Provisioning	1,080	1,443	1,774	1,328	1,298
Profits of associates	0	0	0	1	2
Pre-tax income	1,196	721	159	528	770
Tax	275	242	33	111	162
Minority interests	0	0	0	0	0
Asset tax	208	226	215	214	224
Net income	713	253	-89	203	384

Key Balance Sheet Figures

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

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%
Fair Value	4,437	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	34.33	
9M Target Price (PLN)	36.52	

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%
Fair Value	4,260	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	32.96	
9M Target Price (PLN)	35.06	

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%
9M Target Price (PLN)		14.98

Handlowy hold (no change)

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Handlowy has outperformed the WIG-Banks benchmark since the beginning of the year. In September, however, BHW stock was testing 35 zlotys, which we think could be considered its support level. As circumstances and business conditions shift, we feel it is worth pointing out Handlowy's relatively high sensitivity to interest rate cuts, its loan portfolio with a high share of credit extended to exporters, and its relatively large off-balance-sheet exposure – characteristics which constitute an advantage under normal conditions through diversification of risks and sources of fee income, but which could turn into a potential driver of losses under crisis conditions. With this in mind, we forecast that Handlowy will report cost of risk close to 200 bps in 2020. When it comes to the 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.

Current Price	36.80 PLN	Upside
9M Target Price	37.64 PLN	+2.3%

	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	+3.1%	+6.8%
ISIN	PLBH00000012	YTD Price Chng	-29.0%	-13.7%
Outst. Stock (m)	130.7	ADTV 1M		PLN 0.7m
MC (PLN m)	4,808.3	ADTV 6M		PLN 1.4m
		P/E 12M fwd	15.9	+10.5%
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	7.5	9.8	21.2	16.2	11.4
P/B	0.7	0.7	0.7	0.7	0.7
ROE	9.1%	6.9%	3.1%	4.1%	5.8%
DPS	4.10	3.74	0.00	2.55	3.57
DYield	11.1%	10.2%	0.0%	6.9%	9.7%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	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
Noninterest income	1,052	1,102	1,112	1,144	1,185
Total income	2,159	2,256	2,126	2,007	2,124
Operating expenses	1,180	1,254	1,246	1,264	1,295
Operating income	980	1,002	879	743	829
Provisioning	64	238	432	201	124
Profits of associates	0	0	0	0	0
Pre-tax income	916	764	447	543	704
Tax	190	180	101	122	158
Minority interests	0	0	0	0	0
Asset tax	87	98	121	124	127
Net income	639	487	226	296	419

Key Balance Sheet Figures

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

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%
Fair Value	6,315	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	48.33	
9M Target Price (PLN)	51.41	

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%
Fair Value	6,038	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	46.21	
9M Target Price (PLN)	49.16	

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%
9M Target Price (PLN)		37.64

ING BSK hold (upgraded)

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ING stock crashed in September after the emergence of the FinCen money laundering allegations, and at 0.9x price-to-book the Bank looks adequately valued relative to the underlying fundamentals, prompting an upgrade from sell to hold. ING BSK did deliver a positive surprise in the 2020 Q2 reporting season, but the margins by which its profits exceeded market expectations were lower than 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. The Bank is fairly valued at the current level considering its above-average ROE (the driver of a premium vs. peers) on the one hand, and the negative effects of lockdown and recession on the other hand.

Current Price

124.40 PLN

Downside

9M Target Price

117.78 PLN

-5.3%

		rating	target price	issued
new		hold	117.78 PLN	2020-10-02
old		sell	117.78 PLN	2020-06-03
Key Metrics			ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-6.6%	-2.9%
ISIN	PLBSK0000017	YTD Price Chng	-37.4%	-22.2%
Outst. Stock (m)	130.1	ADTV 1M		PLN 1.9m
MC (PLN m)	16,184.4	ADTV 6M		PLN 2.1m
		P/E 12M fwd	12.9	-15.2%
Free Float	25.0%	P/E 5Y avg	15.3	discount

Earnings Projections

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	10.5	9.6	17.5	14.9	11.2
P/B	1.2	1.1	1.0	1.0	0.9
ROE	12.1%	11.6%	5.9%	6.7%	8.5%
DPS	3.20	3.50	0.00	3.52	4.13
DYield	2.6%	2.8%	0.0%	2.8%	3.3%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Net interest income	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
Noninterest income	1,473	1,496	1,546	1,582	1,645
Total income	5,233	5,790	5,934	5,927	6,166
Operating expenses	2,327	2,497	2,671	2,746	2,826
Operating income	2,906	3,292	3,263	3,181	3,340
Provisioning	501	606	1,483	1,174	860
Profits of associates	0	7	17	17	17
Pre-tax income	2,405	2,694	1,798	2,024	2,497
Tax	507	599	403	453	559
Minority interests	0	0	0	0	0
Asset tax	372	436	480	495	515
Net income	1,526	1,659	915	1,076	1,423

Key Balance Sheet Figures

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

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%
Fair Value	20,553	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	157.98	
9M Target Price (PLN)	168.05	

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%
Fair Value	19,772	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	151.98	
9M Target Price (PLN)	161.66	

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%
9M Target Price (PLN)		117.78

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. On the upside the Bank generated higher-than-expected net interest income and lower-than-expected costs in Q2, but on the downside it recognized additional provisions for CHF loan disputes in the amount of PLN 113m. Looking 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, and this might have a negative effect on long-term returns. Nevertheless, based on relative valuation, Millennium remains our top pick among smaller banks and a buy opportunity for October.

Current Price	2.74 PLN	Upside
9M Target Price	3.72 PLN	+35.9%

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

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-5.9%	-2.2%
ISIN	PLBIG0000016	YTD Price Chng	-53.2%	-38.0%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 2.8m
MC (PLN m)	3,321.5	ADTV 6M		PLN 9.4m
		P/E 12M fwd	6.0	-47.8%
Free Float	50.0%	P/E 5Y avg	11.4	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	4.4	6.0	21.2	13.0	11.1
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
Noninterest income	960	1,115	1,173	1,155	1,203
Total income	2,778	3,552	3,633	3,564	3,779
Operating expenses	1,332	1,842	1,927	1,875	1,867
Operating income	1,445	1,710	1,707	1,689	1,912
Provisioning	222	627	1,153	1,002	1,164
Profits of associates	0	0	0	0	0
Pre-tax income	1,223	1,083	553	688	748
Tax	264	275	119	148	161
Minority interests	959	0	0	0	0
Asset tax	198	248	276	281	285
Net income	761	561	158	259	303

Key Balance Sheet Figures

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

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%
Fair Value	6,321	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	5.21	
9M Target Price (PLN)	5.54	

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%
Fair Value	8,766	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	7.23	
9M Target Price (PLN)	7.69	

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%
9M Target Price (PLN)		3.72

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, confirmed by statements to the same effect given by top executives. 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 estimate. 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. PEO is still our top bank pick for October.

Current Price

49.80 PLN

Upside

9M Target Price

68.90 PLN

+38.4%

	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	-2.2%	+1.6%
ISIN	PLPEKAO000016	YTD Price Chng	-50.4%	-35.2%
Outst. Stock (m)	262.5	ADTV 1M		PLN 34.2m
MC (PLN m)	13,071.0	ADTV 6M		PLN 69.0m
		P/E 12M fwd	9.7	-26.9%
Free Float	67.2%	P/E 5Y avg	13.3	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	5.8	6.1	10.0	9.2	6.3
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	15.9%	13.3%	0.0%	20.0%	8.3%
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
Noninterest income	2,836	2,814	2,766	2,888	3,008
Total income	7,830	8,282	7,743	7,592	8,225
Operating expenses	3,710	3,992	3,824	3,768	3,831
Operating income	4,120	4,290	3,919	3,824	4,394
Provisioning	511	696	1,423	1,160	836
Profits of associates	0	0	0	0	0
Pre-tax income	3,609	3,594	2,496	2,664	3,558
Tax	760	836	574	613	818
Minority interests	-1	-2	-2	-2	-2
Asset tax	562	591	600	610	650
Net income	2,287	2,165	1,321	1,439	2,088

Key Balance Sheet Figures

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

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%
Fair Value	25,039	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	95.45	
9M Target Price (PLN)	101.53	

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%
Fair Value	24,084	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	91.76	
9M Target Price (PLN)	97.61	

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%
9M Target Price (PLN)		68.90

PKO BP

hold (no change)

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Stocks in PKO eventually rebounded close to PLN 21-22 in September after falling in the first half of the month, which means they ended up very near out target. The upturn was probably driven by rumors of a share buyback which, if at all, in our view is not likely to get regulatory clearance before the end of the year. PKO BP generated relatively strong second-quarter results which should drive analysts to revise upward their current expectations for the full year. The Bank 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.

Current Price	21.09 PLN	Upside
9M Target Price	22.58 PLN	+7.1%

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

Key Metrics		PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-0.0% +3.7%
ISIN	PLPKO0000016	YTD Price Chng	-36.0% -20.8%
Outst. Stock (m)	1,250.0	ADTV 1M	PLN 57.4m
MC (PLN m)	26,362.5	ADTV 6M	PLN 74.3m
		P/E 12M fwd	9.5 -23.2%
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	7.1	6.6	14.5	10.8	8.6
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
Noninterest income	4,307	4,759	4,471	4,841	5,155
Total income	13,660	15,038	14,273	14,318	15,270
Operating expenses	6,218	6,967	6,695	6,867	7,172
Operating income	7,442	8,071	7,577	7,450	8,097
Provisioning	1,451	1,261	3,915	2,958	2,785
Profits of associates	37	31	33	34	36
Pre-tax income	6,028	6,841	3,695	4,527	5,349
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
Net income	3,741	4,031	1,830	2,455	3,092

Key Balance Sheet Figures

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

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%
Fair Value	40,195	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	32.16	
9M Target Price (PLN)	34.21	

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%
Fair Value	39,271	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	31.42	
9M Target Price (PLN)	33.42	

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%
9M Target Price (PLN)		22.58

Santander Bank Polska buy (no change)

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We maintain a buy rating for Santander Bank Polska, reinforced by a September crash to a lower low even than seen in April, underpinned by a general sell-off on banks. At the current level, SPL stock looks to us grossly undervalued 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 Bank Polska fulfilled 53% of our net income target and set aside risk reserves representing only 38% of our full-year forecast. The Bank expects to keep costs under control in the quarters ahead.

Current Price	142.50 PLN	Upside
9M Target Price	179.37 PLN	+25.9%

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

Key Metrics			SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	-2.6%	+1.1%
ISIN	PLBZ000000044	YTD Price Chng	-53.6%	-38.4%
Outst. Stock (m)	102.1	ADTV 1M		PLN 7.7m
MC (PLN m)	14,547.6	ADTV 6M		PLN 16.0m
		P/E 12M fwd	11.6	-14.6%
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	6.1	6.8	16.2	11.7	8.4
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	2.2%	13.8%	0.0%	11.4%	12.1%
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	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
Noninterest income	2,554	2,904	2,839	2,983	3,164
Total income	8,296	9,485	8,792	8,829	9,451
Operating expenses	3,769	4,489	4,103	4,010	4,051
Operating income	4,527	4,996	4,690	4,819	5,400
Provisioning	1,085	1,219	2,487	2,179	2,119
Profits of associates	63	67	67	67	67
Pre-tax income	3,924	3,844	2,269	2,707	3,348
Tax	727	800	477	568	703
Minority interests	-334	-306	-305	-305	-304
Asset tax	-500	-599	-591	-593	-612
Net income	2,363	2,138	896	1,240	1,730

Key Balance Sheet Figures

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

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%
Fair Value	24,238	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	244.25	
9M Target Price (PLN)	259.82	

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%
Fair Value	23,178	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	233.57	
9M Target Price (PLN)	248.46	

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%
9M Target Price (PLN)		179.37

Komercni Banka buy (upgraded)

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We upgrade Komercni Banka to buy after September falls driven by dampened sentiment of Czech investors in the wake of rising COVID-19 cases and the possibility of another lockdown (a risk which we do not expect the Czech government to take). 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 to 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 of a target 9% and consistent dividends with a projected yield of 6%.

Current Price	484.50 CZK	Upside
9M Target Price	618.97 CZK	+27.8%

	rating	target price	issued
new	buy	618.97 CZK	2020-10-02
old	accumulate	618.97 CZK	2020-09-02
Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	-9.3%
ISIN	CZ0008019106	YTD Price Chng	-37.2%
Outst. Stock (m)	188.9	ADTV 1M	CZK 71.7m
MC (CZK bn)	91.5	ADTV 6M	CZK 94.9m
		P/E 12M fwd	10.5
Free Float	39.6%	P/E 5Y avg	12.5

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	6.2	6.2	11.9	10.7	8.5
P/B	0.9	0.9	0.8	0.8	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	9.7%	10.5%	0.0%	5.4%	6.2%
Forecast Update (% change)			2020P	2021P	2022P
Net interest income			0.0%	0.0%	0.0%
Fee income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Provisioning			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(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
Total income	32,202	32,573	29,942	29,017	30,616
Operating expenses	-14,634	-14,932	-14,815	-14,839	-15,019
Operating income	17,569	17,641	15,127	14,178	15,597
Provisioning	643	572	-5,777	-3,783	-2,484
Net oper. income	18,211	18,213	9,350	10,395	13,113
Profits of associates	308	378	397	417	438
Retirement benefits	0	0	0	0	0
Pre-tax income	18,518	18,591	9,747	10,811	13,550
Tax	-3,349	-3,419	-1,754	-1,946	-2,439
Minority interests	324	271	268	266	263
Net income	14,846	14,901	7,724	8,600	10,848

Key Balance Sheet Figures

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

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%
Fair Value	110,267	100%

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

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%
Fair Value	111,863	100%

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

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%
9M Target Price (CZK)		618.97

Moneta Money Bank buy (no change)

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We maintain a buy rating for Moneta Money Bank even as rising cases threaten a new lockdown in the Czech Republic. Moneta has not been spared by the Covid fallout, including by way of sharp cuts in Czech interest rates, however the negative effects in its case will probably be mitigated by the April acquisition of the Czech business of Wüstenrot and the negative goodwill boost it is expected to provide to FY2020 results to offset an expected rise in risk costs to 1.99%. Nevertheless the low rates will continue to put a squeeze on net interest margin 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 the acquisition of Wüstenrot. 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 from the net income for 2020. At today's share price level this implies 2021 dividend yield of 12%.

Current Price

53.50 CZK

Upside

9M Target Price

79.68 CZK

+48.9%

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

Key Metrics		MONET CP	vs. WIG
Ticker	MONET CP	1M Price Chng	-3.4% +0.3%
ISIN	CZ0008040318	YTD Price Chng	-34.5% -19.3%
Outst. Stock (m)	511.0	ADTV 1M	CZK 51.9m
MC (CZK bn)	27.3	ADTV 6M	CZK 89.3m
		P/E 12M fwd	11.8 +5.0%
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	6.5	6.8	12.2	10.1	7.4
P/B	1.1	1.1	0.9	0.9	0.8
ROE	16.5%	16.2%	7.9%	8.5%	11.5%
DPS	8.00	6.15	0.00	6.83	4.20
DYield	15.0%	11.5%	0.0%	12.8%	7.8%
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

(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
Total income	10,162	10,519	11,808	10,888	11,182
Operating expenses	-4,491	-4,571	-4,943	-4,901	-4,895
Operating income	5,310	5,500	6,404	5,472	5,751
Provisioning	-274	-517	-3,780	-2,119	-1,184
Pre-tax income	5,036	4,983	2,624	3,352	4,567
Tax	-836	-964	-401	-670	-913
Minority interests	0	0	0	0	0
Net income	4,200	4,019	2,223	2,682	3,653

Key Balance Sheet Figures

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

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%
Fair Value	41,209	100%

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

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%
Fair Value	36,165	100%

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

Valuation Summary

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

Erste Group buy (no change)

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We maintain a buy rating for Erste Group despite weak sentiment for the financial sector. 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 internal state funding. Based on this, we assume Erste can generate higher earnings in 2021 and 2022 than currently expected by the market. Even though we recognize Erste's strong growth potential, 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.

Current Price	17.77 EUR	Upside
9M Target Price	26.00 EUR	+46.4%

	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	-12.8%	-9.1%
ISIN	AT0000652011	YTD Price Chng	-47.1%	-31.9%
Outst. Stock (m)	429.8	ADTV 1M		EUR 17.4m
MC (EUR m)	7,635.4	ADTV 6M		EUR 21.9m
		P/E 12M fwd	9.4	-7.8%
Free Float	69.5%	P/E 5Y avg	10.1	discount

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	4.3	5.2	11.6	6.5	5.5
P/B	0.5	0.5	0.5	0.4	0.4
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
Total income	6,726	7,086	6,752	6,938	6,726
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
Operating income	2,436	2,369	2,264	2,437	2,436
Provisioning	59	-39	-1,317	-642	59
Net operating income	2,495	2,330	947	1,795	2,495
Extraordinary gains	0	0	0	0	0
Pre-tax income	2,495	2,330	947	1,795	2,495
Tax	-332	-419	-33	-201	-332
Minority interests	-369	-441	-254	-413	-369
Net income	1,793	1,470	661	1,181	1,793

Key Balance Sheet Figures

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

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	2020P	2021P	2020	2020	
Austria	4,963	11.55	157	353	451	31.7	14.1	11.0	5,356	0.9	
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	
CEE	12,386	28.82	750	1,074	1,190	16.5	11.5	10.4	6,950	1.7	
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	
Other	-6,717	-15.63	-246	-245	-244	27.3	27.4	27.6	-14,558	0.0	
Total Erste Group	10,632	24.74									

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%
9M Target Price (EUR)		26.00

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 from the Bank's low valuation despite real prospects of a restart on dividend payments from 2021.

Current Price	12.77 EUR	Upside
9M Target Price	17.67 EUR	+38.4%

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

Key Metrics			RBI AV	vs. WIG
Ticker	RBI AV	1M Price Chng	-15.1%	-11.4%
ISIN	AT0000606306	YTD Price Chng	-43.0%	-27.8%
Outst. Stock (m)	328.9	ADTV 1M		EUR 7.5m
MC (EUR m)	4,200.6	ADTV 6M		EUR 10.1m
		P/E 12M fwd	6.1	-24.9%
Free Float	41.2%	P/E 5Y avg	8.1	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	3.1	3.0	6.5	6.3	4.2
P/B	0.4	0.3	0.3	0.3	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	6.3%	8.8%	0.0%	4.7%	5.0%
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	2022P
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
Total income	5,210	5,226	4,840	4,991	5,253
Total costs	-3,237	-2,876	-3,040	-3,078	-3,131
Operating income	1,973	2,350	1,800	1,913	2,121
Provisioning	-220	-373	-820	-919	-705
Gross income	1,753	1,976	980	994	1,416
Income tax	-355	-402	-237	-235	-304
Net income	1,398	1,574	743	759	1,111
Minority interests	-128	-143	-80	-76	-90
Net income after minor	1,270	1,432	662	684	1,021

Key Balance Sheet Figures

(EUR m)	2018	2019	2020P	2021P	2022P
Net loans	80,866	85,528	87,001	90,653	95,602
Total assets	140,115	146,413	151,403	157,493	165,648
Deposits	87,038	88,741	91,424	95,858	101,133
Total assets	127,702	132,648	137,240	142,817	147,156
Minority interests	701	811	715	743	3,750
Equity	11,713	12,954	13,448	13,933	14,742

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
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	FVPS	Net Income			P/E			BV	P/B
	Value	(EUR)	2020	2021	2022	2020	2021	2022	2020	2021
CEE	1,496	4.55	45	19	54	33.2	80.6	28.0	4,353	0.3
SEE	3,470	10.55	283	263	367	12.3	13.2	9.4	2,881	1.2
EE	2,431	7.39	506	532	666	4.8	4.6	3.6	2,763	0.9
Corporate Center	4,300	13.07	302	332	351	14.3	12.9	12.3	3,091	1.4
Corporates and Markets	3,423	10.41	233	252	302	14.7	13.6	11.3	4,218	0.8
Reconciliation	-9,686	-29.45	-626	-638	-629	15.5	15.2	15.4	-3,859	2.5
Raiffeisen Group	5,434	16.52	742.7	759.5	1111	7.3	7.2	4.9	13448	0.4

Valuation Summary

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

OTP Bank accumulate (no change)

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Hungary's central bank unexpectedly raised its deposit rate by 15bp at a late September meeting, but this did not help OTP break out of the downward drift experienced by bank stocks across the board. We believe the Hungarian bank deserves higher valuation. We recently revised our 2020 earnings estimate 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.

Current Price 9,750.00 HUF **Upside**
9M Target Price 11,039.00 HUF **+13.2%**

rating **target price** **issued**
unchanged **accumulate** **11,039.00 HUF** **2020-09-02**

Key Metrics			OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	-2.0%	+1.7%
ISIN	HU00000061726	YTD Price Chng	-36.8%	-21.6%
Outst. Stock (m)	267.0	ADTV 1M		HUF 6.2bn
MC (HUF bn)	2,603.6	ADTV 6M		HUF 7.4bn
		P/E 12M fwd	8.2	-18.7%
Free Float	100.0%	P/E 5Y avg	10.1	discount

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	7.8	6.1	13.7	7.6	6.7
P/B	1.4	1.1	1.0	0.9	0.8
ROE	18.4%	20.1%	7.6%	12.2%	12.6%
DPS	229.63	229.63	0.00	107.44	368.91
DYield	2.4%	2.4%	0.0%	1.1%	3.8%
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

(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
Total income	886	1,081	1,164	1,180	1,216
Operating expenses	497	568	624	636	653
Operating income	389	513	541	544	563
Provisioning	26	47	279	190	161
Pre-tax income	363	466	261	354	401
Tax	37	47	30	40	45
Net income	325	419	231	314	357
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
Net income	318	412	182	326	370

Key Balance Sheet Figures

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

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
Hungary + Other	1,324	4,957	113.7	135.7	153.1	11.6	9.8	8.6
CEE	1,717	6,424	117.5	178.4	203.5	14.6	9.6	8.4
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
Total Divisions	3,041	11,381	231.2	314.1	356.6	12.8	9.7	8.3
Asset tax	-281	-1,054						
Total OTP Group	2,759	10,327						

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%
9M Target Price (HUF)		11,039

PZU

buy (no change)

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PZU has been a top performer among financial institutions since the coronavirus outbreak even after disclosing substantial charge-offs in Q2 2020. On a recurring basis, the Insurer delivered strong results for the second-quarter. PZU's plans with respect to banking investments remain under wraps until the announcement of a new strategy plan, slated for late 2020. The coronavirus crisis is probably easier to navigate for the insurance industry than for banks. We maintain a buy rating for PZU.

Current Price	24.61 PLN	Upside
9M Target Price	35.93 PLN	+46.0%

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

Key Metrics		PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-8.8%
ISIN	PLPZU0000011	YTD Price Chng	-38.5%
Outst. Stock (m)	863.5	ADTV 1M	PLN 46.3m
MC (PLN m)	21,251.3	ADTV 6M	PLN 59.8m
		P/E 12M fwd	8.5
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	6.7	6.5	8.4	7.5	6.9
P/B	1.4	1.3	1.1	1.1	1.0
ROE	21.7%	21.2%	14.6%	14.9%	15.4%
DPS	2.70	2.80	0.00	2.37	2.64
DYield	11.0%	11.4%	0.0%	9.6%	10.7%
Forecast Update (% change)			2020P	2021P	2022P
Gross written premiums			0.0%	0.0%	0.0%
Claims			0.0%	0.0%	0.0%
Investment income			0.0%	0.0%	0.0%
Total costs			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Key Ratios

(%)	2018	2019	2020P	2021P	2022P
Claims ratio	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%
Fair Value	25,035	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	28.99	
9M Target Price (PLN)	30.84	

Economic Profits Model

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

Valuation Ex. Banks

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

SOTP Valuation

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

Kruk buy (no change)

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We maintain a buy rating for Kruk. In our opinion, unlike banks, the debt collection industry is set for a V-shaped recovery. On the one hand, bad debts are not likely to pile up as quickly as predicted at the start of the pandemic thanks to various borrower relief measures, and on the other hand these measures should help to improve recovery rates on managed debt portfolios. For Kruk, 2020 brings lower-than-originally assumed recoveries and portfolio purchases, but in subsequent years the Company can expect more portfolio buying opportunities. We are confident looking at the results for Q2 2020 that Kruk is capable of a fairly quick recovery from the coronavirus crisis, with the first rebound phase anticipated in 2021 characterized by low operating expenses, small gains on quarterly portfolio valuation, and a lack of one-time charges. In phase two, profits in 2022 and beyond will be supported by an increased supply of NPL portfolios from banks, accompanied by normalization of costs. In the home market of Poland, we are predicting 20% growth in the nominal value of bad debt portfolios in 2021, followed by more portfolios being put up for sale in 2022. Another factor which sets Kruk apart from banks is the planned shareholder distribution in the form of a PLN 350-apiece share repurchase.

Current Price	133.10 PLN	Upside
9M Target Price	183.17 PLN	+37.6%

	rating	target price	issued
unchanged	buy	183.17 PLN	2020-09-03

Key Metrics			KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-11.8%	-8.1%
ISIN	PLKRK0000010	YTD Price Chng	-18.1%	-2.9%
Outst. Stock (m)	18.6	ADTV 1M		PLN 4.9m
MC (PLN m)	2,477.8	ADTV 6M		PLN 6.7m
		P/E 12M fwd	12.0	-2.7%
Free float	100.0%	P/E 5Y avg	12.4	discount

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Total revenue	1,165	1,251	1,093	1,299	1,380
Purchased debt	1,070	1,138	946	1,152	1,230
Collections	67	52	54	59	60
Total costs	-161	-178	-164	-185	-197
Net income	330	277	108	294	327
P/E	7.5	9.0	22.9	8.3	7.5
P/B	1.5	1.3	1.2	1.1	1.0
ROE	20.7%	15.0%	5.4%	13.6%	13.6%
DPS	5.00	5.00	0.04	1.92	5.24
DYield	3.8%	3.8%	0.0%	1.4%	3.9%
Forecast Update (% change)			2020P	2021P	2022P
Purchased debt portfolios			0.0%	0.0%	0.0%
Collections			0.0%	0.0%	0.0%
Other			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	2019P	2020P	2021P	2022P
Rev., Purchased Debt	633	661	482	657	714
Revenue, Collections	15	-1	-16	9	10
Other revenue	16	6	17	16	16
Gross profit	664	665	483	682	739
Costs	161	178	164	185	197
One-time events	-5	-2	3	-2	-3
EBITDA	498	484	323	495	540
D&A	20	44	46	48	49
EBIT	478	440	277	447	491
Financing activity	-126	-126	-139	-120	-128
Pre-tax income	353	314	138	327	363
Tax	22	37	30	33	36
Net income	330	277	108	294	327
Portfolio purchases	1,395	783	298	874	1,306
Collections	-1,582	-1,782	-1,838	-1,884	-1,828

Key Balance Sheet Figures

(PLN m)	2018	2019P	2020P	2021P	2022P
Cash	147	150	233	242	286
Purchased debt	4,157	4,446	3,605	3,756	4,477
Other assets	178	244	273	277	288
Total assets	4,482	4,840	4,112	4,275	5,051
Loans	2,500	2,706	1,957	1,782	2,267
Other liabilities	250	176	117	197	258
Equity	1,732	1,958	2,038	2,296	2,526

Key Ratios

(%)	2018	2019P	2020P	2021P	2022P
Net debt / Equity	1.4	1.3	0.8	0.7	0.8
Net debt / EBITDA	4.7	5.3	5.3	3.1	3.7
EBITDA margin	42.8%	38.7%	29.5%	38.1%	39.1%
EBIT margin	41.1%	35.2%	25.3%	34.4%	35.6%
EV / Cash EBITDA	5.3	4.9	3.8	3.6	4.3

DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		1,958
Explicit Forecast (2020-29)	621	749
Value Driver (2030-49)	977	426
PV TV	1479	
Fair Value as of Jan. 2020	3,077	3,133
PV Adjustment	234	160
Fair Value	3,311	3,294
Outst. Shares (millions)	18.9	18.9
Cost of equity	9.6%	9.6%
Fair Value Per Share (PLN)	175.29	174.40
9M Target Price (PLN)	187.90	186.96

DCF Summary

	(PLN m)
FCF	997
Terminal Value (TV)	8,862
FCF perp. growth rate	3.0%
Present Value of Terminal Value	4,724
Enterprise Value	5,721
Net Debt	2,555
Minority Interest	1
Equity Value as of Jan. 2020	3,165
PV Adjustment	161
Fair Value	3,326
Outst. Shares (millions)	18.9
Value Per Share (PLN)	176.09

Valuation Summary

(PLN m)	Weight	Value
DDM & EVA	33%	3,302
Peer valuation	33%	2,976
DCF	33%	3,326

Per-Share Valuation

(PLN)	Weight	Value
DDM & EVA	33%	174.84
Peer valuation	33%	157.57
DCF	33%	176.09
Fair Value Avg.		170.87
Cost of equity (9M)		6.2%
9M Target Price (PLN)		183.17

Skarbiec Holding accumulate (no change)

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We maintain an accumulate rating for Skarbiec Holding. 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 18% this year on stellar FY2019 earnings, followed by yields of 9-10% 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.

Current Price

24.70 PLN

Upside

9M Target Price

26.86 PLN

+8.7%

	rating	target price	issued
unchanged	accumulate	26.86 PLN	2020-09-11

Key Metrics			SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	-5.4%	-1.6%
ISIN	PLSKRBH00014	YTD Price Chng	+30.0%	+45.2%
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.0m
MC (PLN m)	168.5	ADTV 6M		PLN 0.1m
		P/E 12M fwd	9.8	+34.7%
Free Float	25.4%	P/E 5Y avg	7.3	premium

Earnings Projections

(PLN m)	18/19	19/20P	20/21P	21/22P
Revenue	112.9	91.6	85.6	84.8
Mgmt fees	78.3	63.3	62.0	58.7
Success fees	33.2	27.0	22.3	24.7
Costs	-75.0	-62.2	-63.7	-65.0
Net income	31.2	24.0	18.7	16.9
P/E	5.5	7.1	9.1	10.1
P/B	1.6	1.4	1.5	1.5
ROE	30.3%	21.2%	15.8%	15.1%
DPS	4.45	0.50	4.39	2.50
DYield	18.0%	2.0%	17.8%	10.1%
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	63.3	62.0	58.7
Success fees	15.2	33.2	27.0	22.3	24.7
Other	5.4	1.4	1.3	1.3	1.4
Revenue	101.5	112.9	91.6	85.6	84.8
Distribution costs	-41.5	-34.3	-25.0	-26.2	-26.1
Payroll	-19.8	-24.6	-19.7	-19.3	-20.1
Other operating costs	-16.8	-16.1	-17.5	-18.1	-18.8
Operating expenses	-78.1	-75.0	-62.2	-63.7	-65.0
Other	0.9	0.9	1.0	1.1	1.1
Pre-tax income	24.3	38.8	30.4	23.1	20.9
Tax	-4.7	-7.6	-6.4	-4.4	-4.0
Net income	19.6	31.2	24.0	18.7	16.9
Retail AUM	4,414	3,457	3,293	3,795	4,039
Dedicated AUM	2,375	406	1,014	1,014	1,014
Total AUM	6,789	3,862	4,307	4,809	5,053

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Cash	50.1	53.9	77.0	65.5	67.8
Other assets	67.4	77.9	78.5	81.8	84.8
Total assets	117.5	131.8	155.5	147.3	152.6
Borrowing	0.1	0.0	5.4	8.5	12.7
Other liabilities	15.0	28.6	26.2	26.3	27.4
Minority interests	0.0	0.0	0.0	0.0	0.0
Equity	102.4	103.2	123.9	112.6	112.5

Relative Valuation Summary

	P/E			Market Cap./AUM		
	19P	20P	21P	19P	20P	21P
Minimum	2.8	5.1	4.1	0.0	0.0	0.0
Maximum	22.8	25.9	30.2	0.0	0.0	0.0
Median	11.6	11.1	10.1	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)	99	54%
PV of Dividends (Value Driver)	76	41%
PV of Terminal Value	10	5%
Beginning fair value	186	100%
Adj. for time value of money	16	
Ending fair Value	201	
Dilution effect (ESO)	-7	
Current fair value	194	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	28.45	
9M Target Price (PLN)	30.79	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	103	60%
Explicit Forecast (2019-2028)	44	26%
Value Driver - 20 yrs	24	14%
Beginning fair value	170	100%
Adj. for time value of money	19	
Ending fair Value	189	
Dilution effect (ESO)	-7	
Current fair value	182	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	26.69	
9M Target Price (PLN)	28.89	

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	194
Economic Profits	33%	182
Relative	33%	137

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	28.45
Economic Profits	33%	26.69
Relative	33%	20.04
Cost of equity (9M)		8.3%
9M Target Price (PLN)		26.86

GPW sell (no change)

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We maintain our sell call for GPW, which we see as ripe for profit taking after strong 2020 ytd earnings and worsened prospects for the years to come if Poland releases its power utilities from the obligation to sell 100% of electricity output via the TGE power exchange. Furthermore, it is unclear why GPW's shareholders will not agree to up next year's dividends beyond the PLN 2.50 floor set in the dividend policy considering the Company's excellent cash position. In September, GPW signed a term sheet with the Central Bank of Armenia for negotiation of a 65% acquisition of the Armenian Securities Exchange – a low-priced deal with a negligible potential impact on earnings. In other developments, GPW will probably decide to extend free trading on its new agricultural commodity exchange beyond the end of September as an incentive to draw in more investors, but, although a letdown to some, this does not affect the Company's earnings outlook since the potential revenues are not yet baked into analysts' models.

Current Price	45.10 PLN	Downside
9M Target Price	39.19 PLN	-13.1%

	rating	target price	issued
unchanged	sell	39.19 PLN	2020-09-30

Key Metrics	GPW PW	1M Price Chng	GPW PW	vs. WIG
Ticker	GPW PW	1M Price Chng	+6.0%	+9.7%
ISIN	PLGPW0000017	YTD Price Chng	+22.2%	+37.4%
Outst. Stock (m)	42.0	ADTV 1M		PLN 3.0m
MC (PLN m)	1,892.9	ADTV 6M		PLN 2.7m
EV (PLN m)	1,843.6	EV/EBITDA 12M fwd	9.5	+27.8%
Free Float	64.8%	EV/EBITDA 5Y avg	7.5	premium

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	347	336	381	355	358
EBITDA	205	205	192	214	191
EBITDA margin	59.0%	61.0%	50.4%	60.3%	53.2%
EBIT	173	173	156	176	150
Net income	184	119	138	126	125
P/E	10.3	15.9	13.7	15.0	15.1
P/B	2.1	2.2	2.1	2.0	2.0
EV/EBITDA	9.5	9.1	9.6	8.5	9.4
DPS	2.20	3.18	2.40	2.50	2.60
DYield	4.9%	7.1%	5.3%	5.5%	5.8%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	347	336	381	355	358
Capital market	192	185	236	226	227
Equities trading	94	87	131	121	119
Other	98	98	105	105	108
Commodity market	154	150	144	128	130
Trading activities	79	75	73	62	63
Other	75	75	71	65	67
Other	1	1	1	1	1
EBIT	173	156	176	150	147
EBITDA	205	188	212	188	187
Equity in profits of assoc.	11	11	13	13	13
Net financing gains/losses	45	-17	-14	-4	-1
Pre-tax profit	226	150	175	159	159
Tax	-42	-31	-37	-33	-33
Net income	184	119	138	126	125

Dividend Discount Model (DDM)

	(PLN)	%
Stage I (2021-22)	4.18	12.2%
Stage II (2023-29)	11.01	32.2%
PV of terminal value	19.04	55.6%
Equity value per share	34.24	100%
CoE (%)	8.5%	
Target price	36.42	

DCF Summary

	(PLN m)
Terminal value	1,564
PV of terminal value	705
PV of FCF in ther forecast period	880
Net debt	-71
Equity investment	0
Equity value	1,656
Million shares outstanding (adj.)	42
Equity value per share	39.45
CoE (%)	8.5%
Target price	41.97

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	1,217	1,257	1,302	1,318	1,334
Fixed assets	581	590	593	589	588
Current assets	637	667	708	730	746
Equity & Liabilliteis	1,217	1,257	1,302	1,318	1,334
Non-current liabilliteis	269	284	283	282	281
Current liabilities	61	100	107	104	105
Equity & Liabilliteis	888	873	911	932	948

Key Ratios

	2018	2019	2020P	2021P	2022P
P/E	10.8	16.6	14.3	15.7	15.8
P/BV	2.2	2.3	2.2	2.1	2.1
P/S	5.7	5.9	5.2	5.6	5.5
EV/EBITDA	9.9	10.3	9.1	10.1	10.1
Dyield	5.5%	7.4%	5.1%	5.3%	5.5%

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	34.24
DCF	50%	39.45
	price	36.85
9M target price		39.19

Scenario Analysis

scenario	TP	diff.
base	39.19	-
optimistic	42.57	+8.6%
pessimistic	37.79	-3.6%

Chemicals

Ciech

hold (reiterated)

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Ciech said at the 2020 Q2 earnings call that it was bracing for a downward trend in prices of soda ash in 2021 (our current forecasts assume a 4% decline), and that it was anticipating a U-shaped recovery in demand for washing soda and salt. Ciech has postponed the launch of a new salt production facility in Germany to Q2 2021, and it acknowledged for the first time that some of its current strategic business goals might have to be revisited. The uncertainty as to prices of 2021 soda ash deliveries, underpinned by rising costs of natural gas and coking coal, and possible reductions in free CO2 allocations for next year, suggest downward pressure in the coming months. After factoring in an assumptions of a 20% cut in 2021 free emissions, and after taking into account a likely divestment of the resins business, our current view is that Ciech might not achieve the PLN 600m EBITDA that the market is expecting it to deliver this year. After reducing our target price for CIE from PLN 34.09 to PLN 30.10 per share, we maintain a hold rating for the stock.

Current Price

27.25 PLN

Upside

9M Target Price

30.10 PLN

+10.5%

		rating	target price	issued
new		hold	30.10 PLN	2020-10-02
old		hold	34.09 PLN	2020-07-02
Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-10.5%	-6.8%
ISIN	PLCIECH000018	YTD Price Chng	-31.4%	-16.1%
Outst. Stock (m)	52.7	ADTV 1M		PLN 1.9m
MC (PLN m)	1,436.1	ADTV 6M		PLN 2.4m
EV (PLN m)	3,200.9	EV/EBITDA 12M fwd	5.0	-11.9%
Free Float	33.0%	EV/EBITDA 5Y avq	5.6	discount

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	3,673	3,549	3,077	3,146	3,257
EBITDA adj.	633	663	577	621	624
EBITDA margin	17.2%	18.7%	18.7%	19.7%	19.2%
EBIT adj.	358	353	251	254	268
Net income adj.	166	187	90	149	164
P/E adj.	8.6	7.7	15.9	9.6	8.8
P/B	0.7	0.7	0.7	0.7	0.6
EV/EBITDA adj.	4.6	4.4	5.6	4.7	4.5
DPS	7.50	0.00	0.00	0.51	1.42
DYield	27.5%	0.0%	0.0%	1.9%	5.2%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		-3.9%	-13.3%	-14.1%	
Net income		-42.7%	-31.0%	-30.3%	
Soda price (US \$/t)		0.0%	0.0%	0.0%	
Soda Ciech (PLN/t)		0.0%	0.0%	0.0%	
Soda vol (1,000t)		0.0%	0.0%	0.0%	
Thermal Coal price (PLN/t)		0.0%	0.0%	0.0%	
Coking Coal price (\$/t)		0.0%	0.0%	0.0%	
Natural Gas price (PLN/m3)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2021P
EBITDA. Soda Div.	540	488	526	564	569
EBITDA, Organic Div.	76	72	52	44	43
EBITDA, Silicates	34	40	26	40	39
EBITDA, Other	5	-34	-27	-27	-27
EBITDA/tonne, Soda	633	663	577	621	624
Operating cash flow	454	532	489	578	577
D&A	275	310	325	366	356
Working capital	-97	56	8	-1	-2
Investing cash flow	-627	-407	-699	-223	-314
CAPEX	595	385	699	223	314
Financing cash flow	-125	-17	-66	-192	-235
Dividends/Buyback	-395	0	0	-27	-75
FCF	-170	174	-207	355	263
FCF/EBITDA	-26%	30%	-36%	57%	42%
OCF/EBITDA	69%	92%	85%	93%	92%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	+	+
Soda Price (\$/t)	258	247	247	247	247	247	247	247	247	247	247
Soda Price (PLN/t)	850.2	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	3,077	3,146	3,257	3,288	3,311	3,325	3,340	3,355	3,371	3,386	3,403
EBITDA	577	621	624	615	603	591	581	570	560	549	537
EBITDA margin	18.7%	19.7%	19.2%	18.7%	18.2%	17.8%	17.4%	17.0%	16.6%	16.2%	15.8%
EBIT	251	254	268	261	255	253	233	217	202	189	175
Tax	93	41	45	44	44	44	40	37	34	32	29
CAPEX	-699	-223	-314	-324	-339	-351	-342	-351	-356	-360	-363
Working capital	8	-1	-2	-1	0	0	0	0	0	0	0
FCF	-207	355	263	247	219	196	199	182	169	156	147
PV FCF	-205	330	228	201	167	140	133	113	98	85	
WACC	5.5%	6.6%	6.7%	6.7%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.9%
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%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	4,831	5,046	5,013	5,053	5,072
Fixed assets	3,559	3,734	4,109	3,967	3,927
Equity	1,970	1,978	2,069	2,191	2,280
Minority interests	0	-1	-1	-1	-1
Net debt	1,464	1,490	1,766	1,503	1,376
Net debt/EBITDA (x)	2.2	2.6	3.1	2.4	2.2
Net debt/Equity (x)	0.7	0.8	0.9	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	3.9	6.3	4.0	5.1	4.8	4.0
Maximum	55.1	20.5	18.2	13.1	11.4	10.2
Median	13.5	13.8	11.0	9.0	6.9	6.0
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,290
Net debt	1,490
Other adj.	-202
Value per share (PLN)	23.62

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	33.01
DCF Val.	50%	23.62
Implied Price		28.31
Cost of equity (9M)		6.3%
9M Target Price		30.10

Grupa Azoty hold (no change)

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European fertilizer producers are negatively impacted by low sales prices and upward-trending costs of natural gas feedstocks, suggesting an increasingly bleak outlook for future earnings periods. With plastics demand showing no signs of a rebound so far, and fertilizer markets still in a downward slide, we would not expect an optimistic guidance from Grupa Azoty for the second half of 2020. A rumored need to revisit cost estimates for the PDH project to account for COVID-19 effects represents another downside risk. We maintain a hold rating for ATT.

Current Price	23.85 PLN	Upside
9M Target Price	25.83 PLN	+8.3%

	rating	target price	issued
unchanged	hold	25.83 PLN	2020-09-02

Key Metrics			ATT PW	vs. WIG
Ticker	ATT PW	1M Price Chng	-5.7%	-2.0%
ISIN	PLZATRM00012	YTD Price Chng	-18.5%	-3.3%
Outst. Stock (m)	99.2	ADTV 1M		PLN 1.0m
MC (PLN m)	2,365.8	ADTV 6M		PLN 2.7m
EV (PLN m)	6,754.3	EV/EBITDA 12M fwd	5.8	-4.9%
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.	55.5	5.5	17.6	39.8	30.1
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA adj.	6.5	3.9	6.1	7.6	8.0
DPS	1.20	0.00	0.00	0.00	0.00
DYield	5.0%	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%
Urea price (PLN/t)			0.0%	0.0%	0.0%
Ammonium Nitrate price (PLN/t)			0.0%	0.0%	0.0%
Natural Gas price (PLN/m3)			0.0%	0.0%	0.0%
Melamine (PLN/t)			0.0%	0.0%	0.0%
Polyamide 6 (PLN/t)			0.0%	0.0%	0.0%
Propylene (PLN/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Fertilizers	82	965	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
Operating cash flow	1,043	2,033	1,161	1,003	1,111
D&A	683	811	805	840	877
Working capital	155	636	76	-36	-17
Investing cash flow	-1,761	-1,186	-1,945	-2,071	-1,863
CAPEX	2,042	1,044	1,945	2,071	2,037
Financing cash flow	440	-923	80	1,012	832
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%
9M Target Price		25.83

Mining

JSW

hold (reiterated)

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Prices of coking coal in world markets are rising, driven by strong demand from China and India vis-a-vis supply pressures stemming from concerns over disruptions in the event of negative weather events in Australia. In addition, metallurgical plants are able to accept higher prices for coal feedstocks without losing margins thanks to an expected decline in prices of iron ore. As a result, we are able to raise our 2020-2021 price forecasts for coking coal and coke, and consequently we are upgrading the corresponding EBITDA projections for JSW by over 50%. This leads to an upward revision to our target price from PLN 15.82 to PLN 25.96. JSW has applied for coronavirus state aid up to PLN 2bn which can be an upside catalyst if granted soon. If the aid is not awarded by the end of October, however, JSW might be forced to tap the last of its contingency cash reserves – a potential near-term downside risk. We maintain a hold recommendation for JSW.

Current Price	25.00 PLN	Upside
9M Target Price	25.96 PLN	+3.8%

	rating	target price	issued
new	hold	25.96 PLN	2020-10-02
old	hold	15.82 PLN	2020-09-02
Key Metrics		JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng	+64.7% +68.4%
ISIN	PLJSW0000015	YTD Price Chng	+16.9% +32.1%
Outst. Stock (m)	117.4	ADTV 1M	PLN 61.0m
MC (PLN m)	2,935.3	ADTV 6M	PLN 21.8m
EV (PLN m)	3,710.3	EV/EBITDA 12M fwd	6.6 +118.7%
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	7,498	9,251	9,147
EBITDA adj.	3,101	1,839	695	1,547	1,427
EBITDA margin	31.6%	21.2%	9.3%	16.7%	15.6%
EBIT adj.	2,335	806	-437	312	93
Net income adj.	1,802	548	-441	124	-53
P/E adj.	1.6	5.4	-	23.6	-
P/B	0.4	0.3	0.4	0.4	0.4
EV/EBITDA adj.	0.0	1.1	5.3	2.2	2.6
DPS	0.00	1.71	0.00	0.00	0.00
DYield	0.0%	6.8%	0.0%	0.0%	0.0%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA (adj.)		+55.1%	+62.0%	+28.1%	
Net income (adj.)		-31.2%	-	-82.7%	
Coking Coal price (\$/t)		+3.8%	+3.3%	0.0%	
Thermal Coal price (PLN/t)		0.0%	0.0%	0.0%	
Coke price (\$/t)		+4.5%	+15.2%	+10.1%	
Total coal output (kt)		0.0%	0.0%	0.0%	
Coking coal (kt)		0.0%	0.0%	0.0%	
Coke (kt)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Total coal output (kt)	15,019	14,762	14,200	14,986	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
Operating cash flow	2,856	1,538	414	2,261	1,597
D&A	766	1,034	1,132	1,234	1,334
Working capital	338	-162	-526	789	221
Investing cash flow	-1,582	-2,261	-1,970	-1,870	-1,670
CAPEX	1,248	2,181	1,970	1,870	1,670
Financing cash flow	-755	-180	1,667	-133	-133
Dividends/Buyback	0	-201	0	0	0
FCF	1,754	-691	-1,742	431	-14
FCF/EBITDA (adj.)	57%	-38%	-251%	28%	-1%
OCF/EBITDA (adj.)	92%	84%	60%	146%	112%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Coking coal (\$/t)	124	155	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)	816	958	973	884	884	884	884	884	884	884	884
Revenue	7,498	9,251	9,147	9,188	9,279	9,420	9,571	9,722	9,900	9,913	9,915
EBITDA	901	1,547	1,427	1,489	1,561	1,576	1,595	1,614	1,692	1,700	1,619
EBITDA margin	12.0%	16.7%	15.6%	16.2%	16.8%	16.7%	16.7%	16.6%	17.1%	17.1%	16.3%
EBIT	-230	312	93	114	-23	12	124	237	323	306	219
Tax	-59	34	-8	-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	-526	789	221	59	10	25	33	33	35	3	-5
FCF	-1,742	431	-14	152	193	210	216	213	277	256	186
PV FCF	-1,720	393	-12	119	140	140	132	120	144	125	
WACC	8.0%	8.3%	8.0%	8.0%	8.1%	8.2%	8.3%	8.3%	8.3%	8.2%	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	2019P	2020P	2021P	2022P
Assets	13,763	14,926	15,998	16,726	16,637
Fixed assets	8,475	10,391	11,230	11,885	12,259
Equity	8,081	8,463	8,189	8,314	8,260
Minority interests	364	388	388	388	388
Net debt	-3,286	-1,252	387	129	335
Net debt/EBITDA (adj.)	-1.1	-0.7	0.6	0.1	0.2
Net debt/Equity (x)	-0.4	-0.1	0.0	0.0	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.7	3.7	2.7	0.5	0.6	0.6
Maximum	61.1	16.4	186.0	17.7	11.9	9.8
Median	8.4	7.4	7.6	6.1	4.7	4.3
Weight	0%	0%	0%	33%	33%	33%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	-420
Net debt	-1,252
Other adjustments	388
Value per share (PLN)	13.39

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	35.44
DCF Val.	50%	13.39
Implied Price		24.42
Cost of equity (9M)		6.3%
9M Target Price		25.96

KGHM reduce (downgraded)

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Speculative open positions in copper reached 68,000 – a level seen only once before, in June 2018, when open interest hit 70,000, and a volume which usually signals an imminent downward correction in copper markets. The risk of a sell-off on precious metals is additionally exacerbated by hopes of economic recovery, sparked by reports of discovery of coronavirus vaccines. At KGHM, August brought production declines which, if they continue into subsequent months, could force the Company to revise its FY2020 production and sales targets. After lowering price forecasts for gold and silver, we also reduce our target price for KGH from PLN 124.67 to PLN 103.84 per share, and we downgrade the stock from hold to reduce.

Current Price	115.15 PLN	Downside
9M Target Price	103.84 PLN	-9.8%

	rating	target price	issued
new	reduce	103.84 PLN	2020-10-02
old	hold	124.67 PLN	2020-07-29
Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	-15.5% -11.8%
ISIN	PLKGHM000017	YTD Price Chng	+20.5% +35.7%
Outst. Stock (m)	200.0	ADTV 1M	PLN 70.7m
MC (PLN m)	23,030.0	ADTV 6M	PLN 73.3m
EV (PLN m)	27,974.9	EV/EBITDA 12M fwd	4.4 -6.4%
Free Float	63.2%	EV/EBITDA 5Y avg	4.8 discount

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	20,526	22,723	23,506	22,421	22,530
EBITDA adj.	4,972	5,229	5,710	4,928	4,867
EBITDA margin	24.2%	23.0%	24.3%	22.0%	21.6%
EBIT adj.	3,176	3,309	3,679	2,750	2,715
Net income adj.	1,888	2,230	2,524	1,812	1,784
P/E adj.	12.2	10.3	9.1	12.7	12.9
P/B	1.2	1.1	1.0	1.0	0.9
EV/EBITDA adj.	6.1	5.7	4.9	5.5	5.4
DPS	0.00	0.00	0.00	2.00	3.62
DYield	0.0%	0.0%	0.0%	1.7%	3.1%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA adj.		-3.6%	-16.3%	-13.9%	
Net income adj.		-6.2%	-29.1%	-25.3%	
Copper price (\$/t)		0.0%	-4.8%	-5.5%	
Silver price (\$/oz)		0.0%	-8.3%	-4.3%	
Molybdenum price (\$/t)		0.0%	0.0%	0.0%	
Copper output (kt)		0.0%	0.0%	0.0%	
Silver output (t)		0.0%	0.0%	0.0%	
Molybdenum output (mmb)		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Cu Output, PL (kt)	385	418	401	385	384
Cu Output, Int (kt)	79	77	75	77	77
Sierra Gorda (kt)	53	60	75	80	82
Ag output (tonnes)	1,205	1,417	1,433	1,390	1,390
Au output (ozt k)	174	220	207	210	212
Operating cash flow	3,826	5,048	4,706	4,157	4,093
D&A	1,796	1,920	2,031	2,178	2,152
Working capital	1,412	1,227	-7	10	-1
Investing cash flow	-3,539	-3,643	-2,544	-2,756	-2,349
CAPEX	3,541	3,336	2,544	2,756	2,349
Financing cash flow	84	-1,346	-157	-557	-882
Dividends/Buyback	0	0	0	-400	-725
FCF	1,924	2,310	2,162	1,401	1,743
FCF/EBITDA	41%	51%	38%	28%	36%
OCF/EBITDA	77%	97%	82%	84%	84%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	37,237	39,409	42,143	43,265	44,354
Fixed assets	29,375	31,669	32,182	32,761	32,959
Equity	19,133	20,110	22,634	24,047	25,106
Minority interests	92	92	92	92	92
Net debt	6,992	6,857	4,853	4,009	3,149
Net debt/EBITDA (x)	1.5	1.5	0.8	0.8	0.6
Net debt/Equity (x)	0.4	0.3	0.2	0.2	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	6.4	5.8	4.9	1.4	0.9	0.9
Maximum	60.0	74.7	21.0	12.4	10.7	11.1
Median	13.6	11.2	10.8	6.1	5.3	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	6,000	6,000	6,400	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Silver (\$/oz)	20.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
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	23,506	22,421	22,530	23,454	23,634	23,423	22,202	22,198	22,200	22,117	22,048
EBITDA	5,710	4,928	4,867	5,516	5,530	5,251	5,169	5,130	5,084	4,983	4,898
EBITDA margin	15.7%	12.3%	12.1%	14.5%	14.8%	13.7%	14.0%	13.7%	13.4%	13.8%	13.5%
EBIT	3,679	2,750	2,715	3,404	3,489	3,198	3,102	3,051	2,976	3,047	2,967
Tax	997	780	773	930	952	895	876	865	850	860	843
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	-7	10	-1	-8	-2	2	11	0	0	1	1
FCF	2,162	1,401	1,743	2,647	2,614	2,362	2,277	2,205	2,143	2,193	2,125
PV FCF	2,135	1,284	1,479	2,065	1,874	1,555	1,377	1,229	1,100	0	0
WACC	7.6%	7.8%	7.9%	8.2%	8.3%	8.4%	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	15,137
Net debt	6,857
Other adjustments	454
Value per share (PLN)	102.85

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	92.50
DCF Val.	50%	102.85
Implied Price		97.67
Cost of equity (9M)		6.3%
9M Target Price		103.84

Oil & Gas

Lotos

buy (upgraded)

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Lotos stock continued to trend downward in September in line with oil refiners everywhere. Refining profits at the Polish company have been under pressure from 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, a potential rebound in diesel demand from the agricultural industry, and the first refinery closures. With the fundamental risks baked into our models, we upgrade LTS to buy at the current price level. Further, we see greater benefits in Lotos's merger with PKN Orlen than are currently being priced by the market. Investors fear marginalization of Lotos after the takeover, but keep in mind that PKN has to present a compelling case to Lotos's shareholders if it wants them to back the deal, plus the prospective buyers of the assets that have to be divested under EU competition laws are not likely to want to become involved in controversy or legal battles. That is why we still expect PKN to make cash tender offers on LTS shares, at least those in the hands of non-state shareholders.

Current Price

34.00 PLN

Upside

9M Target Price

47.09 PLN

+38.5%

	rating	target price	issued
new	buy	47.09 PLN	2020-10-02
old	accumulate	47.09 PLN	2020-09-02
Key Metrics		LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-11.0% -7.3%
ISIN	PLLOTOS00025	YTD Price Chng	-58.8% -43.6%
Outst. Stock (m)	184.9	ADTV 1M	PLN 16.4m
MC (PLN m)	6,285.7	ADTV 6M	PLN 24.1m
EV (PLN m)	8,806.0	EV/EBITDA 12M fwd	4.7 -13.8%
Free Float	46.8%	EV/EBITDA 5Y avg	5.4 discount

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	30,122	29,493	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	4.0	5.5	-	12.3	6.1
P/B	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	2.2	3.2	-	4.7	3.3
DPS	1.00	3.00	1.00	3.00	3.00
DYield	2.9%	8.8%	2.9%	8.8%	8.8%
Forecast Update (% change)		2020P	2021P	2022P	
LIFO EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of Brent crude (\$/bbl)		0.0%	0.0%	0.0%	
Margin+Urals/Brent price differ. (\$/b)		0.0%	0.0%	0.0%	
USD/PLN		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
LIFO EBITDA (adj.)	3,126	2,861	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.)	2.6	3.2	4.8	4.5	3.8
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	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/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 (no change)

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MOL announced a 5% share buyback at the end of September which turned out to be the missing catalyst that helped to break out of a long-running downward trend. Since the Company announced it was suspending cash dividends, its stock was stuck in a descending pattern and not even strong second-quarter results managed to break it loose. It is good to remember MOL's well-diversified sales mix which is less sensitive than average to unfavorable shifts in refining margins. To reflect this resilience, recently we raised out 2020-22 EBITDA forecasts for the downstream business by an average of 5%. 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. We maintain a bullish view on MOL.

Current Price

1,690 HUF

Upside

9M Target Price

1,976 HUF

+16.9%

	rating	target price	issued
unchanged	buy	1,976 HUF	2020-09-02

Key Metrics			MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	+0.2%	+4.0%
ISIN	HU0000153937	YTD Price Chng	-42.5%	-27.3%
Outst. Stock (m)	753.1	ADTV 1M		HUF 1,755.7m
MC (HUF m)	1,272,665.4	ADTV 6M		HUF 2,005.0m
EV (HUF m)	2,994,198.5	EV/EBITDA 12M fwd	4.4	+3.8%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3	premium

Earnings Projections

(HUF bn)	2018	2019	2020P	2021P	2022P
Revenue	5,169	5,267	3,762	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	-	13.2	6.7
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	7.5%	8.4%	0.0%	4.1%	4.3%
Forecast Update (% change)			2020P	2021P	2022P
CCS EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin+Urals/Brent price differ. (\$/b)			0.0%	0.0%	0.0%
Petchem margin (\$/t)			0.0%	0.0%	0.0%
Price of Brent crude (\$/bbl)			0.0%	0.0%	0.0%

Financial Highlights

(HUF bn)	2018	2019	2020P	2021P	2022P
LIFO EBITDA (adj.)	728	709	546	549	685
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
EV/LIFO EBITDA (adj.)	2.6	3.0	5.5	5.5	4.3
LIFO effect	19	-16	-54	2	22
Other one-offs	17	-8	0	0	0
Financing activity	-22	-18	-119	-18	-38
\$ 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
Ref. thrghpt, mmt	19.2	17.5	15.7	16.5	17.3
Upstr output, mboepd	110.6	112.0	120.2	126.1	123.6

Key Balance Sheet Figures

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

DCF Summary

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

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%
9M Target Price		1,976

PGNiG buy (no change)

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Stocks in PGNiG collapsed over the recent weeks despite a lack of new downside catalysts and in complete disengagement from European peers, and so we maintain our buy call for the Company. The EU natural gas market has recovered from a summer slump at a faster-than-expected pace, and the spread on imported LNG indicates growth potential in this heating season. EU spot prices have crossed €12, and contracts for next year's deliveries at €14/MWh are trading closer to our conservative forecast for 2022 (€15), than the cautious estimate for 2021 (€11.8). The key drivers behind our positive view on gas prices remain intact: European gas reserves increased at a slower rate during the summer, production of US gas for supply to the EU is down, and LNG exports from Australia are experiencing disruptions; meanwhile coal-to-gas switching in the European power sector continues. Against this backdrop, with Yamal contract prices now linked to EU market prices, PGNiG moving forward stands to gain more stability and generate 60% of annual EBITDA from selling gas to end-users. As such we would expect PGNiG to re-rate higher, meanwhile its EV/EBITDA multiple has sunk 25% below the average for the last five years. Another thing to point out is that the market's expectations for 2021-22 earnings as predicted have gone up more than 10% since June after PGNiG fulfilled 60% of the consensus EBITDA forecast in the first half of the year.

Current Price

5.05 PLN

Upside

9M Target Price

5.97 PLN

+18.3%

	rating	target price	issued
unchanged	buy	5.97 PLN	2020-09-22

Key Metrics		PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	-2.0% +1.7%
ISIN	PLPGNIG00014	YTD Price Chng	+19.1% +34.3%
Outst. Stock (m)	5,778.3	ADTV 1M	PLN 24.7m
MC (PLN m)	29,157.4	ADTV 6M	PLN 25.7m
EV (PLN m)	27,014.3	EV/EBITDA 12M fwd	3.3 -28.6%
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	33,372	36,958
EBITDA	7,115	5,504	12,745	7,110	7,749
EBITDA margin	17.3%	13.1%	36.7%	21.3%	21.0%
EBIT	4,395	2,448	9,378	3,613	4,221
Net income	3,212	1,371	7,291	2,936	3,258
P/E	9.1	21.3	4.0	9.9	8.9
P/B	0.8	0.8	0.6	0.6	0.6
EV/EBITDA	4.1	6.0	2.1	3.7	3.5
DPS	0.07	0.11	0.09	0.19	0.25
DYield	1.4%	2.2%	1.9%	3.8%	5.0%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of Brent crude (\$/bbl)		0.0%	0.0%	0.0%	
Price of EU NatGas (EUR/MWh)		0.0%	0.0%	0.0%	
USD/PLN		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	7,511	6,452	7,042	7,316	8,036
EBITDA	7,115	5,504	12,745	7,110	7,749
Mining	5,019	3,360	1,860	2,748	3,629
Trade	-848	-470	7,934	1,240	1,060
Distribution	2,385	1,995	2,114	2,133	2,194
Heat & Power	788	856	1,105	1,265	1,151
Other	-229	-237	-267	-275	-284
Financing activity	107	-289	-444	41	0
Crude output, mmt	1.41	1.21	1.36	1.62	1.53
domestic	0.82	0.77	0.75	0.73	0.73
international	0.59	0.44	0.61	0.89	0.79
NatGas output, bn m3	4.5	4.5	4.7	5.4	5.4
domestic	3.8	3.8	3.8	4.0	4.0
international	0.7	0.7	0.9	1.4	1.4
Trade mrgn, PLN/MWh	-6.6	-4.5	46.7	6.6	5.2

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	5,814	4,938	11,928	6,303	6,030
OCF/EBITDA	82%	90%	94%	89%	78%
CAPEX	4,534	6,069	5,423	4,498	5,120
Working capital	5,358	6,059	4,541	4,364	4,833
Equity	36,634	38,108	45,072	46,915	48,705
Net debt	-223	3,715	-2,142	-2,763	-2,107
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	35.7	16.8	16.0	14.9	12.0	11.7
Median	18.8	11.5	9.5	6.5	5.6	5.1
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Brent	40	40	50	50	50	50	50	50	50	50	50
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	33,372	36,958	37,190	35,125	35,643	36,109	36,406	36,411	36,444	36,444
EBITDA	12,177	6,711	7,363	6,886	7,275	7,508	7,746	7,849	7,666	7,564	7,564
EBITDA margin	35.1%	20.1%	19.9%	18.5%	20.7%	21.1%	21.5%	21.6%	21.1%	20.8%	20.8%
EBIT	9,378	3,613	4,221	3,655	3,347	3,472	3,505	3,490	3,210	3,735	3,124
Tax	1,644	718	963	816	549	617	651	677	639	927	623
CAPEX	-5,423	-4,498	-5,120	-5,157	-4,612	-4,654	-4,578	-4,594	-4,541	-4,440	-4,440
Working capital	1,518	177	-469	-30	270	-68	-61	-39	-1	-4	-4
FCF	6,627	1,673	812	883	2,384	2,171	2,456	2,539	2,485	2,193	2,497
PV FCF	6,486	1,503	669	667	1,653	1,381	1,433	1,360	1,223	991	
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	8.9%	8.9%	8.9%	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	35,592
Net debt	6,102
Other adjustments	-7
Value per share (PLN)	5.10

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	7.23
Relative (DYield)	17%	2.67
DCF	50%	5.10
Cost of equity (9M)		6.7%
9M Target Price		5.97

PKN Orlen hold (no change)

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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 by 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 Lotos given that it also has to negotiate with prospective buyers of the assets that have to be divested under the EU's competition laws. In fact, in order to avoid conflicts 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. For the time being we maintain a neutral view on PKN.

Current Price	44.86 PLN	Upside
9M Target Price	56.37 PLN	+25.7%

	rating	target price	issued
unchanged	hold	56.37 PLN	2020-09-02

Key Metrics		PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-10.9%
ISIN	PLPKN0000018	YTD Price Chng	-47.1%
Outst. Stock (m)	427.7	ADTV 1M	PLN 44.5m
MC (PLN m)	19,187.0	ADTV 6M	PLN 79.5m
EV (PLN m)	37,816.1	EV/EBITDA 12M fwd	4.1
Free Float	67.6%	EV/EBITDA 5Y avg	5.1 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	3.5	4.5	8.1	10.2	7.0
P/B	0.5	0.5	0.5	0.5	0.4
EV/EBITDA	2.5	2.9	5.2	5.0	4.2
DPS	3.00	3.50	1.00	1.00	2.65
DYield	6.7%	7.8%	2.2%	2.2%	5.9%
Forecast Update (% change)		2020P	2021P	2022P	
LIFO EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Margin+Urals/Brent price differ. (\$/b)		0.0%	0.0%	0.0%	
Petchem margin (\$/t)		0.0%	0.0%	0.0%	
USD/PLN		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
LIFO EBITDA (adj.)	8,448	8,999	7,778	7,970	8,752
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
EV/LIFO EBITDA (adj.)	2.9	2.9	4.9	4.9	4.6
LIFO effect	860	-145	-2,241	-190	900
Other one-offs	580	8	1,776	0	0
Financing activity	-104	-11	-609	-205	-480
\$ LIFO EBITDA/bbl, DS	4.3	2.8	1.3	1.0	1.7
PLN EBITDA/tonne, Retail	294	312	301	298	308
Refinery thrghpt (mmt)	33.4	33.9	29.8	29.8	31.3
Petchem output (kt)	3,616	3,781	3,781	3,781	3,781

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Margin+Urals/Brent	6.3	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
Operating cash flow	4,980	9,319	8,116	7,306	7,329
OCF/EBITDA LIFO adj.	59%	104%	104%	92%	84%
CAPEX	4,454	4,450	8,309	7,569	7,487
Working capital	11,144	9,611	6,726	6,757	8,436
Equity	35,727	38,596	40,534	41,997	43,615
Net debt	5,599	6,446	16,769	17,664	19,436
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
Value per share (PLN)	56.35

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%
9M Target Price		56.37

Power Utilities

CEZ

buy (upgraded)

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CEZ power plants are characterized by low emissions (0.34 tCO₂/MWh) and the Company is on a path to further reduce its reliance on coal in the future. As such, it offers valuable exposure as the EU pushes on member states to accelerate reductions in greenhouse gas emissions. In addition, 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%. Further, the Company has added new green energy projects to its decarbonization pipeline after funding commitments from the Czech government. Moreover CEZ is poised to earn extra cash on planned divestments in Romania, Poland, and Bulgaria, and 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. The planned nuclear plant expansion does not infringe on the interests of CEZ's minority shareholders in our view. We upgrade CEZ to buy at the current price level.

Current Price

438.00 CZK

Upside

9M Target Price

514.80 CZK

+17.5%

	rating	target price	issued
new	buy	514.80 CZK	2020-10-02
old	accumulate	514.80 CZK	2020-06-03
Key Metrics		CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	-2.9% +0.9%
ISIN	CZ0005112300	YTD Price Chng	-7.9% +7.3%
Outst. Stock (m)	538.0	ADTV 1M	CZK 65.7m
MC (CZK bn)	235.6	ADTV 6M	CZK 100.4m
EV (CZK bn)	400.0	EV/EBITDA 12M fwd	7.2 +0.3%
Free Float	30.2%	EV/EBITDA 5Y avg	7.1 premium

Earnings Projections

(CZK m)	2018	2019	2020P	2021P	2022P
Revenue	184,486	206,192	222,619	217,213	217,452
EBITDA	49,664	60,305	63,772	57,884	53,957
EBITDA margin	26.9%	29.2%	28.6%	26.6%	24.8%
EBIT	19,759	26,429	35,543	29,156	25,258
Net income	10,327	14,373	21,761	15,534	11,834
P/E	22.8	16.4	10.8	15.2	19.9
P/B	1.0	0.9	0.9	0.9	1.0
EV/EBITDA	7.9	6.6	6.3	7.0	7.6
DPS	32.71	23.86	34.00	36.40	25.99
DYield	7.5%	5.4%	7.8%	8.3%	5.9%
Forecast Update (% change)		2020P	2021P	2022P	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Price of electricity (EUR/MWh)		0.0%	0.0%	0.0%	
EUR/CZK		0.0%	0.0%	0.0%	
CO ₂ (EUR/t)		0.0%	0.0%	0.0%	

Financial Highlights

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

DCF Analysis

(CZK m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	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
CO ₂ (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
Operating cash flow	35,351	42,931	59,651	56,400	53,428
OCF/EBITDA	71%	71%	94%	97%	99%
CAPEX	26,018	29,802	35,163	34,500	34,500
Working capital	112,247	70,553	76,174	74,324	74,406
Equity	234,721	250,761	254,232	250,182	248,036
Net debt	151,721	159,987	159,806	165,099	168,609
Net debt/EBITDA (x)	3.1	2.7	2.5	2.9	3.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	11.3	12.5	11.1	5.1	5.2	5.1
Maximum	28.4	25.9	22.4	13.2	13.0	11.7
Median	15.7	14.0	13.8	9.4	9.0	9.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

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

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	463.53
Relative (DYield)	17%	502.33
DCF	50%	498.78
Cost of equity (9M)		5.6%
9M Target Price		514.80

Enea suspended (no change)

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Stocks in Enea have recouped most of the earlier losses, but the Company still underperforms compared to 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 2.0x EV/EBITDA and an average ratio of 4.0x 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

6.10 PLN

9M Target Price

-

	rating	target price	issued
unchanged	suspended		2020-06-23

Key Metrics	ENA PW	1M Price Chng	ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	-1.0%	+2.8%
ISIN	PLENEA000013	YTD Price Chng	-22.9%	-7.7%
Outst. Stock (m)	441.4	ADTV 1M		PLN 2.0m
MC (PLN m)	2,692.8	ADTV 6M		PLN 3.9m
EV (PLN m)	10,271.6	EV/EBITDA 12M fwd	3.2	-23.1%
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	3.9	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%	4.0%	9.4%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	2,413	3,285	3,156	3,550	3,413
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
Financing activity	-168	-985	-99	-214	-199
Power output, TWh	26.5	25.9	24.0	24.0	24.0
Renewables	2.0	2.3	2.3	2.3	2.3
Trade volume, TWh	20.5	19.3	19.6	19.8	20.0
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
RAV (PLN bn)	8.0	8.4	8.6	9.0	9.4
RAV return (EBIT)	7.2%	5.9%	6.4%	5.5%	5.5%

Key Balance Sheet Figures

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

Energa suspended (no change)

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PKN Orlen's takeover and delisting offer provided the upside catalyst behind Energa's September rebound which, however, in our view, does not yet fully price in the Generator's nearly coal-free power mix since the cancellation of the Ostrołęka C coal-fired generator project. ENG stock currently trades at 4.7x, a similar ratio to that attributed to the clean assets of rival Tauron. With PKN seeking an 80% stake, there are questions about protections for minority shareholders in Energa after the takeover, but we do not think investors have reason to worry looking at PKN's medium-term energy strategy.

Current Price

8.32 PLN

9M Target Price

-

	rating	target price	issued
unchanged	suspended		2020-06-03

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	+6.4%	+10.1%
ISIN	PLENERG00022	YTD Price Chng	+17.5%	+32.7%
Outst. Stock (m)	414.1	ADTV 1M		PLN 2.5m
MC (PLN m)	3,445.0	ADTV 6M		PLN 2.3m
EV (PLN m)	9,783.0	EV/EBITDA 12M fwd	5.0	+16.0%
Free Float	48.5%	EV/EBITDA 5Y avg	4.4	premium

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	10,337	12,172	12,413	11,753	11,725
EBITDA	1,877	2,039	1,883	2,102	2,102
EBITDA margin	18.2%	16.8%	15.2%	17.9%	17.9%
EBIT	1,176	459	704	812	816
Net income	739	-952	318	409	414
P/E	4.7	-	10.8	8.4	8.3
P/B	0.3	0.4	0.4	0.3	0.3
EV/EBITDA	4.2	4.7	5.2	4.5	4.5
DPS	0.00	0.00	0.00	0.00	0.15
DYield	0.0%	0.0%	0.0%	0.0%	1.8%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

PGE

suspended (no change)

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Shares in PGE regained most of lost ground since the Polish government agreed a coal mine closure deal with miner unions. Although the draft legislation will probably undergo many changes before it is passed, the fact itself of unions giving a green light to a coal phase-out is a big accomplishment which signals that Poland is ready to slowly turn to a more sustainable energy future. That being said, we still do not expect PGE's strategy update, scheduled for the fall, to make any mention of the potential spin-off of coal-based generator that we had 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 Żłoczew. In terms of core business, PGE is not likely to deliver any surprises with 2020 earnings, but next year's profits will be boosted by capacity payments and possibly also by the removal of the obligation to sell electricity via the official energy exchange.

Current Price

6.99 PLN

9M Target Price

-

	rating	target price	issued
unchanged	suspended		2020-04-27

Key Metrics	PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng +20.6% +24.3%
ISIN	PLPGER000010	YTD Price Chng -12.2% +3.0%
Outst. Stock (m)	1,869.8	ADTV 1M PLN 15.7m
MC (PLN m)	13,066.0	ADTV 6M PLN 25.5m
EV (PLN m)	25,048.5	EV/EBITDA 12M fwd 3.9 -9.3%
Free Float	42.6%	EV/EBITDA 5Y avg 4.3 discount

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	25,946	37,627	41,772	40,002	39,617
EBITDA	6,375	7,141	6,349	8,351	8,162
EBITDA margin	24.6%	19.0%	15.2%	20.9%	20.6%
EBIT	2,482	-4,175	2,225	3,885	3,577
Net income	1,498	-3,961	1,380	2,864	2,554
P/E	8.7	-	9.5	4.6	5.1
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	3.7	3.5	3.9	2.9	3.0
DPS	0.00	0.00	0.00	0.18	0.38
DYield	0.0%	0.0%	0.0%	2.6%	5.5%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (PLN/MWh)			0.0%	0.0%	0.0%
Price of coal (PLN/t)			0.0%	0.0%	0.0%
Price of CO2 allowance (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA (adj.)	6,973	6,711	6,483	8,351	8,162
EBITDA	2,262	2,698	2,439	3,524	3,347
Generation	982	926	1,079	1,244	1,092
Renewables	463	519	485	723	722
Distribution	2,503	2,340	2,340	2,270	2,332
Trade	494	256	420	541	621
Other	269	-28	-279	49	48
Financing activity	-290	-528	-525	-352	-427
Power output, TWh	65.9	58.3	62.2	68.9	70.5
Renewables	2.1	2.7	2.9	2.9	2.9
Trade volume, TWh	42.6	44.0	42.2	43.9	44.3
YoY pct. change	6.4%	3.4%	-4.0%	4.0%	0.8%
Trade mrgn (PLN/MWh)	5.3	6.4	6.8	12.3	14.0
RAV (PLN bn)	16.4	16.9	17.6	18.2	18.7
RAV return (EBIT)	7.8%	6.5%	6.3%	5.5%	5.6%

Key Balance Sheet Figures

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

Tauron suspended (no change)

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Tauron suffered the biggest falls of all in the latest generator sell-off but it has managed to claw its way back somewhat since Poland's deal with coal miners which, unfortunately, does not mention anything about a quick closure of three of its mines. Worse still, Tauron does feature in the draft legislation as a potential investor in a costly carbon capture and utilization project designed to extend the lifecycle of coal production in the Upper Silesia basin. Further, the sale of district heating plants to PGNiG is taking longer than thought, and as negotiations drag on we are starting to suspect that the transaction might end up being shelved while Poland hones its new energy policy. Even if the original idea of mine spin-off by power utilities were upheld, TPE stock at the current level contains higher downside risk in our view than most of its competition.

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	-0.2%	+3.6%
ISIN	PLTAURN00011	YTD Price Chng	+40.9%	+56.1%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 10.8m
MC (PLN m)	4,048.4	ADTV 6M		PLN 18.0m
EV (PLN m)	18,971.9	EV/EBITDA 12M fwd	5.4	+16.9%
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
EBITDA (adj.)	3,476	3,352	3,542	3,865	4,105
EBITDA	3,492	3,597	3,542	3,865	4,105
Generation	731	984	797	1,233	1,168
Mining	-90	-500	-344	-315	-94
Distribution	2,466	2,606	2,567	2,445	2,519
Trade	372	429	486	460	467
Other	13	81	35	42	45
Financing activity	-286	-311	-577	-110	-325
Power output, TWh	16.2	13.9	13.4	17.5	17.5
Renewables	1.0	1.4	1.8	1.8	1.8
Trade volume, TWh	34.5	33.7	32.4	32.8	33.3
YoY pct. change	-1.2%	-2.3%	-4.0%	1.5%	1.5%
Trade mrgn (PLN/MWh)	10.8	11.6	14.0	14.0	14.0
RAV (PLN bn)	16.9	17.5	18.0	18.3	18.7
RAV return (EBIT)	8.2%	8.2%	7.6%	6.6%	6.5%

Key Balance Sheet Figures

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

Telecoms

Cyfrowy Polsat

hold (no change)

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We maintain a neutral view on Cyfrowy Polsat. Cyfrowy is currently valued higher than rival groups OPL and PLY at 7.4x 2020E EV/EBITDA even though it achieves slower earnings growth, faces higher pay TV customer churn, and offers dividends that do not go beyond sector averages. 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 new auction terms will be at least as good. On the upside, Cyfrowy recently announced a review of strategic options which involves a potential spin-off of network assets worth between PLN 4.4bn and 6.0bn if our estimates are correct. Cyfrowy will most likely opt to sell a minority stake (50% of shares minus one) in the mobile network. However with Play and Orange Polska also considering similar operations Cyfrowy's assets might not fetch the price the Company is hoping for. That being said, the sale of mobile towers is a good idea in our view.

Current Price	27.30 PLN	Downside
9M Target Price	26.30 PLN	-3.7%

	rating	target price	issued
unchanged	hold	26.30 PLN	2020-09-02

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+1.4%	+5.1%
ISIN	PLCFRPT00013	YTD Price Chng	-2.3%	+12.9%
Outst. Stock (m)	639.5	ADTV 1M		PLN 10.9m
MC (PLN m)	17,459.5	ADTV 6M		PLN 14.5m
EV (PLN m)	30,246.9	EV/EBITDA 12M fwd	7.0	+4.6%
Free Float	33.5%	EV/EBITDA 5Y avg	6.7	premium

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	10,686	11,676	11,739	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	20.9	15.9	15.4	11.9	10.8
P/B	1.3	1.3	1.2	1.2	1.1
EV/EBITDA	7.6	7.2	7.4	6.9	6.8
DPS	0.00	0.93	0.35	1.58	1.25
DYield	0.0%	3.4%	1.3%	5.8%	4.6%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
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 its 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, the stock does not offer any more upside potential from the current level.

Current Price

4.50 PLN

Downside

9M Target Price

4.40 PLN

-2.2%

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

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	+0.7%	+4.4%
ISIN	PLNETIA00014	YTD Price Chng	+1.8%	+17.0%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.5m
MC (PLN m)	1,516.7	ADTV 6M		PLN 0.2m
EV (PLN m)	2,025.0	EV/EBITDA 12M fwd	4.3	-11.9%
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	23.4	31.9	29.0	26.2	25.2
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
Revenue	1,373	1,297	1,280	1,278	1,290
Direct Voice	350	293	265	246	233
Data	581	566	566	576	594
Interop & Wholesale	236	211	214	216	218
Other	207	226	235	241	245
Selling expenses	275	256	247	250	254
G&A expenses	134	149	144	144	145
EBITDA	-	457	439	439	436
margin	-	35.2%	34.3%	34.3%	33.8%
Net income	64.8	47.6	52.4	57.9	60.2

DCF Analysis

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

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Summary

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

Valuation Summary

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

Orange Polska buy (no change)

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We maintain a bullish view on Orange Polska which in Q 2020 acquired 44,000 new fiber network connections, and its fixed-only average revenue per offer (ARPO) increased 5.6% from the comparable year-ago period, alongside improved pricing and continued cost-cutting measures. OPL is currently trading at an attractive 5.1x 2020E EV/EBITDA. In September, rival mobile telecom Play was approached by France's Iliad with a takeover bid of PLN 39.00 per share in a deal which, we hope, will awaken investors to the fact that, at the current level, the EV attributed to OPL and PLY are comparable (at PLN 17.4bn and PLN 16.7bn, respectively), which means investors are not at all taking into consideration Orange's fixed-line business. Meanwhile Orange serves 600+ thousand customers in 152 Polish towns and cities over fiber, and the total potential of its FTTH network is for 4.6 million households. At the moment Orange is considering a spin-off of part of the fiber infrastructure to continue its expansion together with an external partner. 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 new auction terms will be at least as good.

Current Price

7.04 PLN

Upside

9M Target Price

8.30 PLN

+18.0%

	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%	+1.6%
ISIN	PLTLKPL00017	YTD Price Chng	-1.2%	+14.0%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 9.8m
MC (PLN m)	9,229.9	ADTV 6M		PLN 11.5m
EV (PLN m)	17,421.3	EV/EBITDA 12M fwd	5.1	+9.0%
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	923.0	101.1	37.9	20.3	14.8
P/B	0.9	0.9	0.9	0.8	0.8
EV/EBITDA	5.6	5.5	5.1	4.6	4.5
DPS	0.00	0.00	0.00	0.25	0.25
DYield	0.0%	0.0%	0.0%	3.6%	3.6%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
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
Revenue	11,087	11,406	11,528	11,741	11,905
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
Costs	7,980	8,092	8,014	8,043	8,097
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
EBITDAaL*	-	2,718	2,864	3,008	3,147
margin	-	23.8%	24.8%	25.6%	26.4%
Net income	10	74	244	454	622

Key Balance Sheet Figures

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

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
Value per share (PLN)	8.40

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%
9M Target Price		8.30

Play reduce (downgraded)

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We issued a buy recommendation for Play on Friday, 17 September, after weeks of falls in the Company's share price which, we argued, was unjustified, especially in the face of high FCFE yields that the Telecom is capable of offering. The following Monday, Play was approached by France's Iliad with a takeover bid of PLN 39.00 per share, a nearly 11% higher value than our target price. Iliad's tender offer represents an opportunity to cash out at a premium, and we would take it even though this means walking away from an FCFE Yield of 7-8% at the tender price. Accordingly, we lower our call on PLY to reduce. Iliad wants to guide Play's move into fixed broadband, and if this is to be done by acquiring cable providers we might see the Polish Telecom's substantial cash flow diverted to M&A deals. In addition, expansion into broadband carries certain risks for Play. All in all, again, we would respond positively to Iliad's tender offer and we would look toward Orange Polska as a more worthwhile alternative at the current price level.

Current Price

38.72 PLN

Downside

9M Target Price

35.20 PLN

-9.1%

	rating	target price	issued
new	reduce	35.20 PLN	2020-10-02
old	buy	35.20 PLN	2020-09-18
Key Metrics		PLY PW	vs. WIG
Ticker	PLY PW	1M Price Chng	+29.2% +32.9%
ISIN	LU1642887738	YTD Price Chng	+16.1% +31.3%
Outst. Stock (m)	253.7	ADTV 1M	PLN 104.7m
MC (PLN m)	9,823.3	ADTV 6M	PLN 31.7m
EV (PLN m)	16,598.9	EV/EBITDA 12M fwd	6.3 +6.9%
Free Float	49.4%	EV/EBITDA 5Y avg	5.9 premium

Earnings Projections

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	1,619
Net income	744	867	927	941	937
P/E	13.2	11.3	10.6	10.4	10.5
P/B	-	30.5	11.8	7.3	5.3
EV/EBITDA	7.6	6.8	6.6	6.4	6.3
DPS	2.57	1.45	1.65	1.65	1.65
DYield	6.6%	3.7%	4.3%	4.3%	4.3%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Active subscribers (000s)	12,653	12,678	12,291	12,176	12,130
ARPU (PLN)	32.3	33.3	35.4	35.7	36.3
Revenue	6,856	7,041	7,102	7,211	7,361
Service revenue	5,083	5,296	5,634	5,516	5,589
Sales of goods and other	1,773	1,745	1,468	1,696	1,771
Costs	4,670	4,635	4,601	4,639	4,708
Interconnection	1,922	1,770	1,902	1,688	1,646
Contract costs	411	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
EBITDA (adj.)	2,186	2,436	2,530	2,603	2,683
margin	31.9%	34.6%	35.6%	36.1%	36.5%
Net income	771	867	927	941	937

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	1,035	1,080	1,105	1,113	1,099	1,083	1,076	1,098	1,098
EBIT	1,567	1,574	1,619	1,660	1,675	1,701	1,741	1,777	1,803	1,794	1,794
Tax	298	299	308	315	318	323	331	338	343	341	341
NOPLAT	1,269	1,275	1,311	1,344	1,357	1,378	1,410	1,439	1,461	1,453	1,453
CAPEX	-1,416	-1,073	-1,502	-1,370	-1,198	-913	-920	-927	-1,477	-811	-811
Work. cap. + other	-164	-252	-314	-298	-295	-294	-295	-294	-299	-299	-299
FCF	623	949	530	757	969	1,283	1,294	1,301	760	1,442	1,442
PV FCF	608	862	448	596	709	873	816	760	411	719	
WACC	7.4%	7.5%	7.4%	7.4%	7.5%	7.6%	7.8%	8.0%	8.1%	8.4%	8.4%
Net debt / EV	50.5%	49.6%	50.5%	50.3%	49.2%	46.7%	43.7%	40.3%	39.4%	34.1%	34.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	2,037	2,230	2,192	2,251	2,263
OCF/EBITDA adj.	93%	92%	87%	86%	84%
CAPEX	-783	-843	-1,416	-1,073	-1,502
Assets	8,521	8,885	9,693	9,780	10,401
Equity	-201	322	829	1,350	1,868
Net debt	6,653	6,572	6,776	6,523	6,760
Net debt/EBITDA (x)	3.0	2.7	2.7	2.5	2.5

Relative Valuation Summary

	P/E			DYield - RFR		
	20P	21P	22P	20P	21P	22P
Minimum	16.7	13.2	11.9	421.2%	404.5%	395.2%
Maximum	41.3	29.7	22.6	1171.6%	1122.8%	1049.9%
Median	12.6	11.4	10.9	527.4%	513.7%	504.6%
Weight	0%	0%	0%	33%	33%	33%

DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	0.0%
PV FCF	15,348
Net debt	6,001
Other adjustments	0
Value per share (PLN)	36.84

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	28.47
DCF Val.	50%	36.84
Implied Price		32.66
Cost of equity (9M)		7.8%
9M Target Price		35.20

Media

Agora

hold (no change)

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Agora's final 2020 second-quarter figures were consistent with earlier guidance. Compared to our estimates, the segment of Outdoor Advertising and the Internet Division did better than anticipated. Agora has updated its 2020 adspend outlook for Poland to assume declines in the range of 8-12% versus original falls of 20%-25%. When it comes to the segment of Movies and Books, the 2020 ticket sales guidance for Helios cinemas still assumes a 50% fall from 2019. Cinema attendance in Poland is not likely to improve much until more theaters in the US reopen for new Hollywood releases. In September, Agora disclosed that it had secured debt financing to fund current operating needs, including PLN 100m overdraft for the parent company and PLN 40m facilities for Helios. Nevertheless we remain neutral on AGO based on expectations of withheld dividends.

Current Price

6.46 PLN

Upside

9M Target Price

8.60 PLN

+33.1%

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

Key Metrics			AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	-5.8%	-2.1%
ISIN	PLAGORA00067	YTD Price Chng	-37.9%	-22.7%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.1m
MC (PLN m)	300.9	ADTV 6M		PLN 0.1m
EV (PLN m)	1,075.7	EV/EBITDA 12M fwd	8.4	+47.5%
Free Float	76.9%	EV/EBITDA 5Y avg	5.7	premium

Earnings Projections

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	65.8	85.1	-	-	-
P/B	0.3	0.3	0.4	0.4	0.4
EV/EBITDA	3.5	5.4	19.4	7.2	5.7
DPS	0.50	0.50	0.00	0.00	0.50
DYield	7.7%	7.7%	0.0%	0.0%	7.7%
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
Daily circulaton (k copies)	106	98	94	93	91
Movie ticket sales (mn)	12.4	14.0	9.7	14.4	15.1
Avg. ticket price (PLN)	19.1	18.5	15.9	15.9	16.5
Conc. rev./patron (PLN)	7.3	7.9	7.4	7.5	7.8
Revenue	1,141	1,250	892	1,080	1,191
Press and Print	286	255	229	235	239
Movies & Books	419	522	329	448	480
Outdoor	172	184	110	137	169
Internet	178	209	166	196	228
Radio	116	113	79	89	103
Print	-	-	-	-	-
Eliminations	-29	-33	-22	-26	-27
EBITDA	86	104	-23	69	108
margin	7.6%	8.4%	-2.5%	6.4%	9.0%
Net income	5.1	3.5	-136.9	-42.5	-5.5

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Analysis

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

DCF Summary

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

Valuation Summary

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

Wirtualna Polska reduce (no change)

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We 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 10.6x 2021E EV/EBITDA WPL seems overvalued considering low projected 2019-2021 EBITDA CAGR of less than 2%.

Current Price

69.00 PLN

Downside

9M Target Price

63.10 PLN

-8.6%

	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	-6.8%
ISIN	PLWRTPL00027	YTD Price Chng	-1.1%
Outst. Stock (m)	29.7	ADTV 1M	+14.1%
MC (PLN m)	2,045.9	ADTV 6M	PLN 0.7m
EV (PLN m)	2,362.0	EV/EBITDA 12M fwd	PLN 1.1m
Free Float	53.0%	EV/EBITDA 5Y avg	10.5 +2.6%
			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	27.7	29.7	35.2	20.3	16.9
P/B	4.4	4.0	3.8	3.3	3.0
EV/EBITDA	14.5	11.4	14.0	10.6	9.3
DPS	0.96	1.00	1.00	1.00	1.72
DYield	1.4%	1.4%	1.4%	1.4%	2.5%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

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

Key Balance Sheet Figures

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

Relative Valuation Summary

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

DCF Analysis

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

DCF Summary

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

Valuation Summary

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

IT

Asseco Poland

buy (no change)

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ACP stock declined more than 4% in the last month despite strong 2020 second-quarter results, with net profit up by 19% from the same period a year earlier at PLN 95.1m. Asseco also gave an upbeat guidance for H2 2020 based on a thick portfolio of orders which grew 12% in total and 16% in Poland relative to this time in 2019. We currently expect Asseco Poland to generate net profit over PLN 360m in FY2020. On our estimates, ACP is trading at 15.3x 2020E P/E, well below the median peer ratio. We maintain a positive view on ACP in anticipation of strong earnings in Q3 and Q4 2020, which should serve as upside catalysts.

Current Price

67.10 PLN

Upside

9M Target Price

80.70 PLN

+20.3%

	rating	target price	issued
unchanged	buy	80.70 PLN	2020-09-02

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	-4.4%	-0.7%
ISIN	PLSOFTB000016	YTD Price Chng	+10.7%	+25.9%
Outst. Stock (m)	83.0	ADTV 1M		PLN 2.7m
MC (PLN m)	5,569.3	ADTV 6M		PLN 5.1m
		P/E 12M fwd	12.7	-0.2%
Free Float	68.0%	P/E 5Y avg	12.7	discount

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	16.7	17.3	15.3	14.0	13.2
P/B	1.0	1.0	0.9	0.9	0.9
P/S	0.60	0.52	0.47	0.45	0.43
DPS	3.01	3.07	3.01	3.01	3.01
DYield	4.5%	4.6%	4.5%	4.5%	4.5%
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
Revenue	9,329	10,667	11,973	12,492	12,940
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
EBIT	797	976	1,184	1,249	1,307
D&A	460	635	685	702	715
EBITDA	1,256	1,612	1,869	1,951	2,022
margin	13.5%	15.1%	15.6%	15.6%	15.6%
Associates	-260	-381	-561	-584	-609
Tax	-182	-191	-246	-253	-258
Net income	333	322	363	397	422

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	1,001	1,501	1,436	1,628	1,703
OCF/EBITDA	80%	93%	77%	83%	84%
CAPEX	-240	-320	-419	-500	-518
Assets	12,642	14,598	15,277	16,001	16,730
Equity	5,718	5,762	5,876	6,022	6,195
Net debt	305	1,103	704	109	-508
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	+
Asseco Poland (Standalone Figures)											
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%	
Asseco Business Solutions											
Revenue	275	288	311	329	344	358	372	385	397	407	416
EBITDA	108	112	120	126	130	134	138	141	144	146	149
NOPLAT	65	68	73	76	78	81	82	84	85	86	88
FCF	66	67	70	74	77	79	81	82	84	85	86
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Asseco South Eastern Europe											
Revenue	1,034	1,178	1,275	1,355	1,423	1,483	1,540	1,596	1,651	1,705	1,722
EBITDA	194	219	240	255	268	280	291	302	313	323	326
NOPLAT	96	109	120	127	133	138	143	148	153	157	159
FCF	86	99	115	125	132	137	141	145	148	151	153
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	

SOTP Summary

(PLN m)	Method	%	Value
Asseco PL (stndln)*	DCF	100%	1,909
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
Value			6,644
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%
9M Target Price*		80.70

Comarch buy (no change)

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Comarch stock has fallen nearly 6% in the past month, for unclear reasons. In the first half of 2020, the Company generated EBITDA of PLN 118m, and if seasonal patterns hold it should deliver even better results in the second half of the year. The coronavirus pandemic is having even less of an effect on Comarch than we had originally assumed, and after updating our models to account for this we are now expecting FY2020 EBITDA of PLN 234m. We see upside potential of more than 20% in CMR at the current price level. Comarch stock is currently trading at 6.6x 2020E EV/EBITDA and 17.4x P/E, showing discounts to the corresponding peer multiples of 42% and 22%, respectively – huge gaps which we see as narrowing before long, supported by the global contracts that the Company has recently added to its backlog and that help to strengthen its international presence. Among them is a PLN 300m high-profile contract with Vodafone New Zealand.

Current Price

202.00 PLN

Upside

9M Target Price

247.60 PLN

+22.6%

	rating	target price	issued
unchanged	buy	247.60 PLN	2020-09-29

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-5.6%	-1.9%
ISIN	PLCOMAR00012	YTD Price Chng	+8.9%	+24.1%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.2m
MC (PLN m)	1,642.9	ADTV 6M		PLN 0.9m
EV (PLN m)	1,547.6	EV/EBITDA 12M fwd	6.4	-12.7%
Free Float	60.9%	EV/EBITDA 5Y avg	7.3	discount

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	1,370	1,437	1,531	1,620	1,700
EBITDA	153	228	234	237	240
EBITDA margin	11.2%	15.9%	15.3%	14.7%	14.1%
EBIT	88	143	147	150	149
Net income	31	105	95	107	107
P/E	53.7	15.7	17.4	15.4	15.4
P/B	1.9	1.7	1.6	1.4	1.3
EV/EBITDA	11.2	7.0	6.6	6.4	6.1
DPS	1.50	1.50	1.50	1.50	1.50
DYield	0.7%	0.7%	0.7%	0.7%	0.7%
Forecast Update (% change)			2020P	2021P	2022P
Revenue			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
CAPEX			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	1,370	1,437	1,531	1,620	1,700
TMT	316	336	344	371	396
Finance & Banking	205	191	234	241	248
Retail Solutions	202	252	268	281	293
Manufacturing	138	179	188	197	207
Public Sector	193	130	122	127	132
SME	260	291	313	338	358
Other	54	58	62	64	66
Gross profit	362	421	431	454	469
margin	26.4%	29.3%	28.1%	28.0%	27.6%
Selling expenses	139	146	147	161	172
G&A expenses	106	128	130	139	145
EBIT	88	143	147	150	149
margin	6.4%	10.0%	9.6%	9.2%	8.8%
Net income	30.6	104.8	94.7	106.8	106.7

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Operating cash flow	160	179	188	179	185
OCF/EBITDA	105%	78%	80%	76%	77%
CAPEX	-87	-45	-82	-105	-103
Assets	1,740	1,843	1,967	2,094	2,219
Equity	876	971	1,053	1,148	1,242
Net debt	46	-58	-114	-153	-199
Net debt/EBITDA (x)	-0.2	-0.3	-0.5	-0.6	-0.8

Relative Valuation Summary

Relative Valuation Summary						
	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	27.3	26.5	23.8	18.9	17.1	15.9
Maximum	10.0	9.0	7.4	5.2	4.9	4.4
Median	22.2	17.1	15.0	11.3	10.6	10.7
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Revenue	1,531	1,620	1,700	1,771	1,843	1,914	1,983	2,050	2,119	2,190	2,234
EBITDA	234	237	240	247	253	259	265	271	277	283	288
EBITDA margin	15.3%	14.7%	14.1%	13.9%	13.7%	13.6%	13.4%	13.2%	13.1%	12.9%	0
D&A	87	88	91	94	97	101	104	107	110	112	114
EBIT	147	150	149	153	155	159	161	164	167	171	174
Tax	39	40	40	41	42	43	43	44	45	46	47
NOPLAT	108	109	109	112	114	116	118	120	122	125	127
CAPEX	-82	-105	-103	-82	-85	-86	-86	-88	-89	-92	-94
Working capital	-12	-19	-16	-17	-18	-20	-21	-22	-24	-25	-26
FCF	101	73	80	107	108	111	115	117	120	119	122
PV FCF	98	66	66	81	76	72	68	64	61	56	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0
Net debt / EV	0.0%	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%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,577
Net debt	-46
Other adjustments	19
Value per share (PLN)	197.25

Valuation Summary

(PLN)	Weight	Price
Relative Val.	40%	285.93
DCF Val.	60%	197.25
Implied Price		232.72
Cost of equity (9M)		6.4%
9M Target Price		247.60

Sygnity buy (no change)

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Sygnity 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 15-18%. That is why, despite its checkered history, even with risks, we see upside potential in SGN, currently trading at 4.5x FY2019/20E EV/EBITDA and 6.9x P/E.

Current Price	7.68 PLN	Upside
9M Target Price	10.70 PLN	+39.3%

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

Key Metrics	SGN PW	1M Price Chng	SGN PW	vs. WIG
Ticker	SGN PW	1M Price Chng	-10.5%	-6.8%
ISIN	PLCMPLD00016	YTD Price Chng	+202.4%	+217.6%
Outst. Stock (m)	22.8	ADTV 1M		PLN 0.2m
MC (PLN m)	174.8	ADTV 6M		PLN 0.2m
EV (PLN m)	243.3	EV/EBITDA 12M fwd	3.9	+18.5%
Free Float	100.0%	EV/EBITDA 5Y avg	3.3	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	-	11.0	6.9	6.2	6.1
P/B	5.3	2.7	1.9	1.5	1.2
EV/EBITDA		7.2	4.5	3.9	3.3
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			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	22P	20P	EV/EBITDA	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%
9M Target Price		10.70

Gaming

11 bit studios

hold (no change)

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11bit stock retreated somewhat in September. In Q2 2020 the Company 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. 11B does not have any major new releases lined up until 2021, and October will probably be slow news-wise.

Current Price

478.50 PLN

Upside**9M Target Price**

493.00 PLN

+3.0%

	rating	target price	issued
unchanged	hold	493.00 PLN	2020-09-02

Key Metrics			11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	-0.7%	+3.0%
ISIN	PL11BTS00015	YTD Price Chng	+19.6%	+34.8%
Outst. Stock (m)	2.4	ADTV 1M		PLN 2.7m
MC (PLN m)	1,166.2	ADTV 6M		PLN 6.4m
EV (PLN m)	1,072.1	EV/EBITDA 12M fwd	28.0	+91.2%
Free Float	79.4%	EV/EBITDA 5Y avg	14.6	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	22.0	56.0	30.0	47.8	9.6
P/B	12.2	9.7	7.3	6.4	3.8
EV/EBITDA	20.4	36.1	20.0	29.0	6.3
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Frostpunk (S)			0.0%	0.0%	0.0%
Projekt 8 (S)			0.0%	0.0%	0.0%
Publishing (S)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
TWOM (S)	18.3	13.7	17.2	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%
Operating cash flow	39.0	41.6	47.0	38.3	113.9
D&A	4.5	6.4	10.3	10.9	15.6
Working capital	-8.0	-1.9	1.2	3.0	-22.9
Investing cash flow	-55.6	-49.3	-24.2	-27.8	-30.6
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%
9M Target Price		493.00

CD Projekt accumulate (upgraded)

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CDR stock was trading under pressure for the better part of September as employees were selling their stock incentives, only to shift upwards again from the 25th. CD Projekt's 2020 second-quarter report came as a bit of a disappointment because of lower-than-expected sales margins and higher SG&A expenses. At the quarterly earnings call the Company laid out a marketing roadmap for Cyberpunk 2077, and it announced the release of a special edition of The Witcher 3 for new consoles in 2021. Looking at the relatively low minimum requirements to play Cyberpunk 2077, we believe the game will sell well to PC owners. CDR stock is likely to continue posting gains leading up to Cyberpunk's 19 November release. We upgrade CDR from hold to accumulate after the September falls.

Current Price	382.60 PLN	Upside
9M Target Price	429.10 PLN	+12.2%

	rating	target price	issued
new	accumulate	429.10 PLN	2020-10-02
old	hold	429.10 PLN	2020-09-02
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	-13.2%
ISIN	PLOPTTC00011	YTD Price Chng	+36.9%
Outst. Stock (m)	102.1	ADTV 1M	PLN 194.7m
MC (PLN m)	39,071.1	ADTV 6M	PLN 141.2m
EV (PLN m)	36,156.3	EV/EBITDA 12M fwd	16.9
Free Float	70.1%	EV/EBITDA 5Y avg	24.3 discount

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	-	-	15.0	22.5	31.3
P/B	36.7	33.3	10.5	7.2	5.8
EV/EBITDA	308.3	192.6	12.7	18.7	25.7
DPS	0.00	1.05	0.00	12.76	0.00
DYield	0.0%	0.3%	0.0%	3.3%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Sales of The Witcher 3			0.0%	0.0%	0.0%
Sales of Gwent: The Card Game			0.0%	0.0%	0.0%
Sales of Cyberpunk 2077			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Sales, Video Games	228	369	3,198	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%
Operating cash flow	133	217	2,606	1,842	1,292
D&A	5	8	9	9	9
Working capital	46	-128	-65	39	21
Investing cash flow	-105	-174	-212	-170	-182
CAPEX	-15	-92	-13	-11	-12
Development exp.	-98	-165	-166	-159	-170
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	0	24,200	14,300	11,000	25,000	15,000	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
Value per share (PLN)	465.70

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%
9M Target Price		429.10

PlayWay hold (downgraded)

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PLW stock rebounded after much better-than-expected second-quarter earnings achieved on stronger sales, supported by a rise in games being ported to consoles as sales of the latter grew, combined with the stay-at-home rules of the coronavirus pandemic. On the other hand, operating cash flow turned out worse than anticipated in Q2 due to a surge in payables and tax overpayment – factors which are not likely to recur in future quarters. Selected companies from the PlayWay portfolio are slated to show demos at the 7-13 October Steam Game Festival (the games previewed will include Contraband Police, I Am Your President, and Aircraft Carrier Survival), generating anticipation and potentially more preorders. PlayWay companies have postponed two releases: Junkyard Simulator and Lust From Beyond, to allow more time to make the games better. We expect a wider range of new releases in Q4 2020 and 2021, with major premieres still coming this year, including 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 Steam Wishlists. We downgrade PLW to hold to reflect the recent rise in share price.

Current Price

527.00 PLN

Upside

9M Target Price

549.00 PLN

+4.2%

	rating	target price	issued
new	hold	549.00 PLN	2020-10-02
old	accumulate	549.00 PLN	2020-08-25
Key Metrics		PLW PW	vs. WIG
Ticker	PLW PW	1M Price Chng	+6.5% +10.2%
ISIN	PLPLAYW00015	YTD Price Chng	+129.6% +144.8%
Outst. Stock (m)	6.6	ADTV 1M	PLN 5.5m
MC (PLN m)	3,478.2	ADTV 6M	PLN 6.2m
EV (PLN m)	3,365.0	EV/EBITDA 12M fwd	18.7 +51.9%
Free Float	18.2%	EV/EBITDA 5Y avg	12.3 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	74.0	40.0	33.2	19.1	19.1
P/B	35.7	19.9	15.8	10.6	9.0
EV/EBITDA	68.4	41.0	27.8	11.1	10.6
DPS	2.38	3.22	9.41	11.12	19.31
DYield	0.5%	0.6%	1.8%	2.1%	3.7%
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
Operating cash flow	36	43	83	134	181
D&A	0	1	1	1	1
Working capital	-9	-28	-13	-49	-3
Investing cash flow	0	-2	19	-1	-1
CAPEX	0	-1	-1	-1	-1
Financial cash flow	-13	-12	-61	-73	-127
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
Value per share (PLN)	504.20

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%
9M Target Price		549.00

Ten Square Games accumulate (no change)

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Ten Square games generated slightly lower-than-expected results in Q2 2020, with a 96% surge in net profit, achieved on 240% higher sales, representing a slowdown from previous quarters due to significantly higher marketing expenses. 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. In September, Fishing Clash generated revenue of \$9m according to Sensor Tower data, an equally high amount as in August. At the same time, sales of Hunting Clash quadrupled vis-a-vis August, and downloads of the newer game have outpaced Fishing Clash when it was in the same stage from launch – a good sign for the future. Flip This House went into the global launch phase in September. TEN is actively looking for M&A opportunities. Its third-quarter sales figures are due out in early October.

Current Price

576.00 PLN

Upside
9M Target Price

623.00 PLN

+8.2%

	rating	target price	issued
unchanged	accumulate	623.00 PLN	2020-09-02

Key Metrics	TEN PW	1M Price Chng	TEN PW	vs. WIG
Ticker	TEN PW	1M Price Chng	+5.1%	+8.8%
ISIN	PLTSQGM00016	YTD Price Chng	+196.6%	+211.8%
Outst. Stock (m)	7.4	ADTV 1M		PLN 8.0m
MC (PLN m)	4,265.3	ADTV 6M		PLN 11.3m
EV (PLN m)	4,057.4	EV/EBITDA 12M fwd	15.2	+17.1%
Free Float	49.9%	EV/EBITDA 5Y avg	13.0	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	-	54.9	22.5	17.1	15.7
P/B	99.6	45.5	16.3	11.5	9.4
EV/EBITDA	92.2	48.0	19.1	14.1	12.7
DPS	0.87	3.75	3.70	19.21	25.25
DYield	0.2%	0.7%	0.6%	3.3%	4.4%
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%
Operating cash flow	41	66	164	238	268
D&A	1	1	3	4	4
Working capital	-4	-12	-34	-15	-8
Investing cash flow	-2	-4	-4	-6	-6
CAPEX	-2	-3	-4	-6	-6
Financial cash flow	-6	-27	-27	-142	-187
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%
9M Target Price		623.00

Industrials, Mining

Cognor

buy (no change)

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The coronavirus pandemic has massively affected 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, offering dividend yield as high as 10% (adjusted for dilution). The Company expects to reverse downward earnings trends in Q3 2020. In Q2 positive surprises included lower-than-expected net debt and fairly good cash flow from operations under the circumstances. We maintain a buy rating for COG.

Current Price

1.27 PLN

Upside

9M Target Price

2.03 PLN

+59.8%

	rating	target price	issued
unchanged	buy	2.03 PLN	2020-09-25

Key Metrics	COG PW	vs. WIG
Ticker	COG PW	1M Price Chng +4.1% +7.8%
ISIN	PLCNTSL00014	YTD Price Chng +2.4% +17.6%
Outst. Stock (m)	175.0	ADTV 1M PLN 0.1m
MC (PLN m)	222.2	ADTV 6M PLN 0.1m
EV (PLN m)	459.7	EV/EBITDA 12M fwd 4.0 +6.2%
Free Float	-	EV/EBITDA 5Y avg 3.7 premium

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	2,082	1,902	1,696	1,873	1,969
EBITDA adj.	200	93	107	93	89
EBITDA margin	9.6%	4.9%	6.3%	5.0%	4.5%
EBIT adj.	156	47	59	46	44
Net income adj.	69	19	32	22	20
P/E adj.	3.2	11.6	7.0	10.2	11.3
P/B	0.8	0.9	0.8	0.8	0.7
EV/EBITDA adj.	2.2	5.0	4.3	4.8	4.8
DPS	0.07	0.21	0.00	0.11	0.09
DYield	5.3%	16.2%	0.0%	8.6%	6.9%
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	1,121	1,131	1,145
HSJ spread (PLN/t)	1,723	1,508	1,423	1,490	1,506
Operating cash flow	232	142	76	88	83
D&A	44	46	48	47	45
Working capital	44	61	-22	1	0
Investing cash flow	-38	-56	-50	-33	-35
CAPEX	38	56	50	33	35
Financing cash flow	-196	-84	-24	-39	-35
Dividends/Buyback	-12	-36	0	-19	-15
FCF	179	102	27	56	50
FCF/EBITDA	90%	101%	25%	60%	56%
OCF/EBITDA	116%	141%	71%	95%	94%

Key Balance Sheet Figures

(PLN m)	2018	2019	2020P	2021P	2022P
Assets	1,001	1,052	995	1,035	1,060
Fixed assets	379	487	481	459	445
Equity	278	259	291	293	298
Minority interests	278	259	291	293	298
Net debt	209	226	219	203	189
Net debt/EBITDA (x)	1.0	2.2	2.1	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	1.1	6.9	5.2	2.0	1.0	1.1
Maximum	22.9	100.4	34.9	64.8	15.5	8.6
Median	13.6	12.9	9.5	8.4	5.9	5.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales volume	612	693	733	756	776	790	804	806	808	808	808
Product prices	2,045	2,054	2,067	2,080	2,092	2,103	2,113	2,123	2,133	2,141	2,149
Scrap prices	1,027	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008
Revenue	1,696	1,873	1,969	2,030	2,087	2,129	2,172	2,187	2,203	2,213	2,224
EBITDA	107	93	89	103	99	94	93	92	92	88	85
EBITDA margin	6.3%	5.0%	4.5%	5.1%	4.7%	4.4%	4.3%	4.2%	4.2%	4.0%	3.8%
EBIT	59	46	44	59	56	52	50	48	48	44	41
Tax	7	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	27	56	50	57	53	49	46	43	43	40	37
PV FCF	27	52	43	46	39	33	29	25	23	20	
WACC	7.1%	7.2%	7.3%	7.5%	7.5%	7.6%	7.7%	7.7%	7.8%	7.8%	7.8%
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	1.2
FCF perp. growth rate	2.0%
PV FCF	337
Net debt	262
Other adj.	18
Value per share (PLN)	2.17

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	1.61
DCF Val.	50%	2.17
Implied Price		1.89
Cost of equity (9M)		7.2%
9M Target Price		2.03

Famur buy (no change)

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Against extremely adverse market conditions, which included the closure of twelve 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 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. Near-term catalysts for FMF might be provided by the approval of coronavirus relief for the Company's major coal mining customers, PGG and JSW. Longer term, Poland and its coal unions have agreed on a longer process of mine phase-out than initially planned, plus the whole coal industry is currently benefitting from upward-trending prices. We maintain a buy rating for FMF.

Current Price	1.69 PLN	Upside
9M Target Price	2.86 PLN	+69.0%

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

Key Metrics			FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	-8.5%	-4.8%
ISIN	PLFAMUR00012	YTD Price Chng	-43.2%	-28.0%
Outst. Stock (m)	574.8	ADTV 1M		PLN 0.7m
MC (PLN m)	972.5	ADTV 6M		PLN 1.1m
EV (PLN m)	1,071.9	EV/EBITDA 12M fwd	4.7	-15.5%
Free Float	52.3%	EV/EBITDA 5Y avg	5.6	discount

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	2,229	2,165	1,196	1,112	1,118
EBITDA	491	451	333	305	306
EBITDA margin	22.0%	20.8%	27.8%	27.4%	27.4%
EBIT	300	269	173	154	158
Net income	208	245	137	107	115
P/E	4.7	4.0	7.1	9.1	8.4
P/B	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	2.5	2.5	3.2	3.2	3.0
DPS	0.44	0.53	0.00	0.12	0.14
DYield	26.0%	31.4%	0.0%	7.0%	8.3%

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

Financial Highlights

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

Key Balance Sheet Figures

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

Relative Valuation Summary

	P / E			EV / EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	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%
9M Target Price		2.86

Grupa Kęty hold (no change)

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Grupa Kęty's 2020 Q3 guidance indicates that the Company may exceed our expectations for the period. Against our assumption of flat revenue and a 6% increase in EBITDA, the Company expects to post an 8% rebound in sales with EBITDA soaring 20% year over year. By operating segment, Aluminum Systems and Extrusions seem to have done better than anticipated this past quarter. On top of that, Kęty expects to reduce net debt by approximately PLN 90m as of 30 September. We expect the positive trends to continue into the fourth quarter. When it comes to downside risks, they include uncertainty about next year's dividends and whether the Company can keep up its recovery. 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. We maintain a hold rating for KTY.

Current Price

457.00 PLN

Upside

9M Target Price

465.74 PLN

+1.9%

	rating	target price	issued
unchanged	hold	465.74 PLN	2020-09-02

Key Metrics			KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-3.1%	+0.7%
ISIN	PLKETY000011	YTD Price Chng	+36.4%	+51.6%
Outst. Stock (m)	9.6	ADTV 1M		PLN 2.3m
MC (PLN m)	4,378.9	ADTV 6M		PLN 2.4m
EV (PLN m)	5,242.3	EV/EBITDA 12M fwd	9.2	+2.0%
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	16.3	14.8	11.6	14.1	14.0
P/B	3.1	3.0	2.9	2.9	2.7
EV/EBITDA	11.1	9.7	8.4	9.6	9.6
DPS	23.94	23.99	35.00	31.56	25.95
DYield	5.2%	5.2%	7.7%	6.9%	5.7%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Aluminum price (US\$/t)			0.0%	0.0%	0.0%
Producer premium (US\$/t)			0.0%	0.0%	0.0%
EBITDA, Packaging			0.0%	0.0%	0.0%
EBITDA, Extrusions			0.0%	0.0%	0.0%
EBITDA, Al Systems			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
EBITDA, Packaging	119	148	216	176	171
EBITDA, Extrusions	163	152	156	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
Operating cash flow	293	563	367	451	453
D&A	126	138	141	144	137
Working capital	-114	86	-113	-20	-10
Investing cash flow	-229	-244	-175	-150	-120
CAPEX	229	244	175	150	120
Financing cash flow	-43	-316	-275	-270	-317
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%
9M Target Price		465.74

Kernel buy (no change)

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Prices of sunflower oil have been trending sharply higher since May in line with decreasing world inventories, driving up the profits of producers. According to the US Department of Agriculture by, the end of the 2020/21 season the worldwide reserves of vegetable oils may be reduced to a level last seen in 2010/11, reaching the lowest level on record as a percentage of demand. With the sunflower oil stocks expected to be at their lowest in a decade, we currently expect the FY2020/21 EBITDA of Kernel's Oilseed Processing segment to register a 50% rebound from the year -ago figure to \$190m, including a \$15m boost from new captive biofuel facilities. As a result, we are anticipating free cash flow for the year of \$77m, and we are predicting a decrease in the net debt/EBITDA ratio to 3.1x (a revision of our original estimate of 3.6x). Together with improved results in the Farming segment, the total FY2020/21 EBITDA in our view might increase to \$445m, implying a need for an upward revision to the current consensus forecast of \$403m. We maintain a buy rating for KER.

Current Price	40.00 PLN	Upside
9M Target Price	56.35 PLN	+40.9%

	rating	target price	issued
unchanged	buy	56.35 PLN	2020-09-23

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+3.0%	+6.7%
ISIN	LU0327357389	YTD Price Chng	-11.1%	+4.1%
Outst. Stock (m)	84.0	ADTV 1M		PLN 1.6m
MC (PLN m)	3,361.2	ADTV 6M		PLN 1.9m
EV (PLN m)	8,164.3	EV/EBITDA 12M fwd	5.1	+9.1%
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	3,841	4,095	4,419
EBITDA	223	346	361	445	476
EBITDA margin	9.3%	8.7%	9.4%	10.9%	10.8%
EBIT	140	269	270	336	368
Net income	52	189	101	187	211
P/E	16.6	4.6	8.7	4.7	4.2
P/B	0.7	0.6	0.6	0.6	0.5
EV/EBITDA	6.7	4.5	5.9	5.1	4.6
DPS	0.25	0.25	0.25	0.25	0.25
DYield	2.4%	2.4%	2.4%	2.4%	2.4%

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

Financial Highlights

(US\$ m)	17/18	18/19	19/20P	20/21P	21/22P
EBITDA, Bottled Oil	77	109	124	190	201
EBITDA, Bulk Oil	101	105	183	189	196
EBITDA, Terminals	89	182	107	101	117
EBITDA, Farming	-44	-51	-38	-35	-37
EBITDA, Grain Trade	14	15	17	19	19
Operating cash flow	82	189	70	228	264
D&A	83	76	91	109	108
Working capital	-63	-305	-183	-125	-132
Investing cash flow	-156	-241	-225	-227	-105
CAPEX	179	234	225	227	105
Financing cash flow	76	29	143	-14	-21
Dividends/Buyback	-20	-20	-21	-21	-21
FCF	-14	-205	-48	77	223
FCF/EBITDA	-6%	-59%	-13%	17%	47%
OCF/EBITDA	37%	55%	19%	51%	55%

Key Balance Sheet Figures

(US\$ m)	17/18	18/19	19/20P	20/21P	21/22P
Assets	2,211	2,464	3,084	3,366	3,675
Fixed assets	1,006	1,207	1,643	1,766	1,768
Equity	1,171	1,351	1,431	1,597	1,787
Minority interests	7	-5	-5	-5	-5
Net debt	619	691	1,264	1,377	1,338
Net debt/EBITDA (x)	2.8	2.0	3.5	3.1	2.8
Net debt/Equity (x)	0.5	0.5	0.9	0.9	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	4.4	3.9	5.4	3.2	3.2	3.3
Maximum	104.2	56.4	38.8	14.6	13.4	12.6
Median	13.3	13.5	13.0	9.0	7.4	7.6
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	122	113	122	121	118	116	113	110	107	105
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	3,841	4,095	4,419	4,483	4,546	4,613	4,672	4,716	4,761	4,806	4,817
EBITDA	361	445	476	480	473	473	465	456	449	439	436
EBITDA margin	9.4%	10.9%	10.8%	10.7%	10.4%	10.3%	10.0%	9.7%	9.4%	9.1%	9.0%
EBIT	270	336	368	371	361	354	338	324	310	299	299
Tax	1	15	17	18	17	17	16	15	14	13	13
CAPEX	-225	-227	-105	-110	-115	-121	-126	-131	-136	-136	-136
Working capital	-183	-125	-132	-22	-23	-24	-23	-21	-21	-21	-17
FCF	-48	77	223	331	317	312	301	290	278	269	269
PV FCF	-48	70	176	227	190	162	136	114	94	79	
WACC	15.0%	14.4%	14.4%	14.6%	14.7%	14.7%	14.8%	14.9%	15.0%	15.0%	15.1%
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	1,200
Net debt	691
Other adjustments	-281
Value per share (PLN)	41.06

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	59.40
DCF Val.	50%	41.06
Implied Price		50.23
Cost of equity (9M)		12.2%
9M Target Price		56.35

PKP Cargo hold (no change)

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PKP Cargo was able to report slightly improved volumes for August in that the rate of year-over-year declines in tonnage and freight traffic were reduced to 9.7% and 9.3%, respectively, compared to corresponding declines of 3% and 2.2% overall in the Polish market. YTD volumes are down 19.5% compared to the same period a year earlier. In light of the continued loss of business and market share, employees of PKP Cargo have come together and presented the Management Board with a list of demands that include a restoration of PKP Cargo to its market position as it was in 2018 or better, and a full utilization of freight capacity at a level of no less than 9mmt per month. Unfortunately, in order to increase volumes, in our view PKP Cargo would have to give up a substantial portion of its profit margin; this year the Company carried an average of just about 6.9mmt per month out of 18.4mmt total cargo carried by rail in Poland at the time. At the end of September, PKP Cargo announced it had renewed its coal delivery contract with ArcelorMittal for another three-year period, with the value of the freight over this period estimated at PLN 989m. At the same time, the expected average revenue from the contract is 15% lower than generated in 2019, indicating that Arcelor intends to keep its Polish steelmaking operations scaled back.

Current Price	11.36 PLN	Upside
9M Target Price	12.80 PLN	+12.7%

	rating	target price	issued
unchanged	hold	12.80 PLN	2020-09-02

Key Metrics		PKP PW	vs. WIG
Ticker	PKP PW	1M Price Chng	-8.2%
ISIN	PLPKPCR00011	YTD Price Chng	-44.6%
Outst. Stock (m)	44.8	ADTV 1M	PLN 1.0m
MC (PLN m)	508.8	ADTV 6M	PLN 2.1m
EV (PLN m)	2,718.6	EV/EBITDA 12M fwd	4.6 +19.4%
Free Float	67.0%	EV/EBITDA 5Y avg	3.9 premium

Earnings Projections

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	5,183	4,782	4,014	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.	2.1	89.3	-	-	-
P/B	0.1	0.1	0.2	0.2	0.2
EV/EBITDA adj.	1.4	3.1	6.2	5.1	4.2
DPS	0.00	1.50	0.00	0.00	0.00
DYield	0.0%	13.2%	0.0%	0.0%	0.0%
Forecast Update (% change)		2020P	2021P	2022P	
Revenue		0.0%	0.0%	0.0%	
EBITDA adj.		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
Freight turnover (tkm m)		0.0%	0.0%	0.0%	
Freight volume (ton m)		0.0%	0.0%	0.0%	
Costs per tkm		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2018	2019	2020P	2021P	2022P
Traction electricity	405	407	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
Operating cash flow	863	807	514	656	767
D&A	629	717	775	801	758
Working capital	20	16	-91	18	16
Investing cash flow	-612	-815	-573	-778	-788
CAPEX	-695	-1,028	-595	-785	-795
Financing cash flow	-323	111	21	19	-33
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
Value per share (PLN)	12.04

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%
9M Target Price		12.80

Stalprodukt buy (no change)

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Stalprodukt is set to close its biggest zinc mine by the end of 2020 as it switches over to producing recycled zinc in a new plant opened at the end of 2019, with a target capacity equivalent to 30% of annual production, and to ordering remaining 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 road Stalprodukt's valuation might eventually line up with those of its peers (13.5x P/E'20-22, 7.4x EV/EBITDA'20-22). Stalprodukt 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. We maintain a buy rating for STP stock.

Current Price

188.80 PLN

Upside

9M Target Price

336.15 PLN

+78.0%

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

Key Metrics	STP PW	1M Price Chng	STP PW	vs. WIG
Ticker	STP PW	1M Price Chng	-17.9%	-14.2%
ISIN	PLSTLPD00017	YTD Price Chng	+4.0%	+19.2%
Outst. Stock (m)	5.6	ADTV 1M		PLN 0.5m
MC (PLN m)	1,053.6	ADTV 6M		PLN 0.7m
EV (PLN m)	892.8	EV/EBITDA 12M fwd	2.5	-35.5%
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	3.9	7.4	9.0	8.0	9.0
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	2.3	2.8	2.8	2.3	2.5
DPS	4.38	6.37	0.00	8.43	11.76
DYield	2.3%	3.4%	0.0%	4.5%	6.2%

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%
Profiles (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
Operating cash flow	350	370	301	257	184
D&A	149	168	159	168	162
Working capital	-176	33	34	-74	-98
Investing cash flow	-337	-235	-150	-120	-100
CAPEX	242	243	150	120	100
Financing cash flow	-39	-203	-5	-52	-71
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

	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
Value per share (PLN)	314.77

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%
9M Target Price		336.15

Retail

Dino

sell (no change)

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Dino delivered a positive surprise in Q2 2020 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 to -39 due to a longer payables cycle which probably also contributed to the higher sales margins (Dino did not provide an explanation for the positive surprise at the 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 Chain Grocer experienced a deterioration in the ratio of operating cash flow to investing cash flow. In September, Dino announced a PLN 250m 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

230.00 PLN

Downside

9M Target Price

155.60 PLN

-32.3%

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

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+5.5%	+9.2%
ISIN	PLDINPL00011	YTD Price Chng	+59.7%	+74.9%
Outst. Stock (m)	98.0	ADTV 1M		PLN 30.6m
MC (PLN m)	22,549.2	ADTV 6M		PLN 36.9m
EV (PLN m)	22,790.1	EV/EBITDA 12M fwd	20.4	+23.9%
Free Float	48.9%	EV/EBITDA 5Y avg	16.5	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	73.3	55.9	40.6	30.4	24.9
P/B	18.6	13.9	10.3	7.7	5.9
EV/EBITDA	42.7	31.9	24.0	18.8	15.2
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 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
Operating cash flow	643	799	1,087	1,333	1,575
D&A	112	164	198	241	293
Working capital	125	153	265	296	322
Investing cash flow	-634	-828	-957	-1,068	-1,078
CAPEX	-636	-830	-958	-1,068	-1,078
Financing cash flow	82	155	22	-252	-48
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%
9M Target Price		155.60

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 on the strong results. 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 positive IFl growth. The Company continues to work on store restructuring and integration. We expect the situation in the Wholesale business to normalize and improve in H2 2020. Eurocash should continue on a positive momentum throughout 2021, driven mostly by Retail.

Current Price

14.29 PLN

Upside

9M Target Price

19.90 PLN

+39.3%

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

Key Metrics	EUR PW	1M Price Chng	EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	-7.8%	-4.1%
ISIN	PLEURCH00011	YTD Price Chng	-34.6%	-19.4%
Outst. Stock (m)	139.2	ADTV 1M		PLN 3.6m
MC (PLN m)	1,988.6	ADTV 6M		PLN 6.6m
EV (PLN m)	2,602.0	EV/EBITDA 12M fwd	5.0	-45.8%
Free Float	56.0%	EV/EBITDA 5Y avg	9.1	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	29.7	19.8	15.7	11.5	10.0
P/B	1.9	2.1	2.3	2.4	2.5
EV/EBITDA	7.0	6.4	6.0	5.6	5.1
DPS	0.76	1.03	0.50	0.50	0.50
DYield	5.3%	7.2%	3.5%	3.5%	3.5%
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
Operating cash flow	582	683	468	528	551
D&A	204	222	232	242	252
D&A (financial lease)	0	328	83	0	0
Working capital	196	-14	12	23	17
Investing cash flow	-462	-300	-205	-215	-217
CAPEX	-445	-237	-188	-215	-217
Financing cash flow	-126	-433	-262	-311	-399
Dividends/Buyback	-106	-143	-70	-70	-70
FCF	83	30	186	103	222
FCF/EBITDA	24%	7%	43%	22%	45%
OCF/EBITDA	139%	147%	93%	99%	98%

Key Ratios (adjusted for IFRS 16)

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

Relative Valuation Summary

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

DCF Analysis (adjusted for IFRS 16)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Wholesale (EBITDA)	492	489	481	473	470	468	466	467	467	468	468
Retail (EBITDA)	147	181	225	250	261	268	271	272	274	274	274
New Projects (EBITD)	-64	-64	-65	-65	-65	-66	-66	-66	-67	-67	-67
Revenue	26,071	26,706	27,112	27,478	27,702	27,824	27,833	27,914	27,995	28,078	28,078
EBITDA	435	464	498	512	518	520	518	517	517	517	517
EBITDA margin	1.67%	1.74%	1.84%	1.86%	1.87%	1.87%	1.86%	1.85%	1.85%	1.84%	1.84%
EBIT	219	238	262	270	271	269	266	284	282	281	281
Tax	66	185	92	67	68	54	53	57	56	56	56
CAPEX	-211	-215	-217	-220	-222	-192	-197	-207	-207	-269	-269
Working capital	12	23	17	16	9	5	0	3	3	3	3
FCF	186	103	222	255	252	293	282	290	290	228	228
PV FCF	178	92	183	194	178	192	171	163	151	110	
WACC	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.5%
PV FCF	2,998
Net debt	502
Other adjustments	61
Value per share (PLN)	18.62

Valuation Summary

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

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 grocery market to over 25% after adding 2pp, and in Q3 they are expected to add another 3pp. Sales in Q3 should have been boosted by a new loyalty program. In H2 2020, we predict that Jeronimo Martins's businesses across the board will recoup any 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 said it would appeal.

Current Price	14.14 EUR	Upside
9M Target Price	15.30 EUR	+8.2%

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

Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+2.1% +5.8%
ISIN	PTJMT0AE0001	YTD Price Chng	-2.2% +13.0%
Outst. Stock (m)	629.3	ADTV 1M	EUR 9.8m
MC (EUR m)	8,898.2	ADTV 6M	EUR 15.1m
EV (EUR m)	8,945.2	EV/EBITDA 12M fwd	6.7 -27.4%
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	22.2	17.0	19.7	16.8	15.9
P/B	5.0	4.5	4.2	3.8	3.5
EV/EBITDA	9.6	8.6	8.5	7.2	6.7
DPS	0.64	0.35	0.26	0.33	0.35
DYield	4.5%	2.5%	1.9%	2.3%	2.4%
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
Operating cash flow	849	1,492	1,322	1,646	1,647
D&A	372	413	432	452	466
D&A (leasing)	0	391	403	421	438
Investing cash flow	-43	329	33	216	156
CAPEX	-700	-567	-621	-628	-565
Financing cash flow	-273	-549	-884	-924	-808
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%
9M Target Price		15.30

LPP buy (upgraded)

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LPP released strong preliminary figures for Q2 2020/21, with the results exceeding our expectations on faster-than-anticipated recovery in sales and profits. We currently estimate that sales in July must have continued to bounce back. LPP reported a sales profit of PLN 70m in Q2 2020 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 stores, but it expects to be able to reverse much of these costs thanks to successful rent negotiations with local property owners, expected to help stores recover from losses which in the past went into the tens of millions of zlotys. LPP boasts a strong balance sheet compared to most of its competition which it can use to increase market share under the current circumstances. We upgrade LPP from accumulate to buy after recent declines in share price

Current Price

6,800.00 PLN

Upside
9M Target Price

7,900.00 PLN

+16.2%

	rating	target price	issued
new	buy	7,900.00 PLN	2020-10-02
old	accumulate	7,900.00 PLN	2020-08-04
Key Metrics			
Ticker	LPP PW	1M Price Chng	-4.8%
ISIN	PLLPP0000011	YTD Price Chng	-22.9%
Outst. Stock (m)	1.9	ADTV 1M	PLN 15.6m
MC (PLN m)	12,596.5	ADTV 6M	PLN 20.7m
EV (PLN m)	12,985.0	EV/EBITDA 12M fwd	11.3
Free Float	64.6%	EV/EBITDA 5Y avg	12.5 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	24.9	22.2	261.6	24.7	15.7
P/B	4.5	3.9	4.8	5.7	6.0
EV/EBITDA adj.	10.6	8.8	23.8	12.2	9.0
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)					
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%
Operating cash flow	1,212	2,424	381	789	1,136
D&A	349	431	489	527	609
Working capital	0	603	677	733	814
Investing cash flow	125	-25	-218	-41	-43
CAPEX	-704	-910	-930	-1,226	-714
Financing cash flow	21	-560	-618	-401	-857
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%
9M Target Price		7,900

VRG

buy (no change)

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VRG generated better-than-expected results in Q2 2020 thanks to lower SG&A expenses offset 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 1.3x after decreasing by 0.2x from the year-ago level in spite of lower earnings. VRG generated operating cash flow of PLN 14.7m in the first half of 2020 vs. negative OCF of PLN -43.7m posted in the same period a year earlier, an improvement owed largely to the optimization of working capital (inventory reductions and extension of payment terms). In August, VRG reported another consecutive month of improving sales with revenues up by 1.3% year over year. In September, VRG's principal shareholder, Jerzy Mazgaj, increased his stake in the Company. We have recently raised our earnings outlook for VRG, but even at the updated levels our current forecasts are not as optimistic as the goals that the Company has set for its top executives as part of a new 2021-2023 incentive scheme. The objectives 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

2.34 PLN

Upside

9M Target Price

3.14 PLN

+34.2%

	rating	target price	issued
unchanged	buy	3.14 PLN	2020-09-23

Key Metrics	VRG PW	1M Price Chng	VRG PW	vs. WIG
Ticker	VRG PW	1M Price Chng	+0.6%	+4.4%
ISIN	PLVSTLA00011	YTD Price Chng	-42.1%	-26.9%
Outst. Stock (m)	234.5	ADTV 1M		PLN 0.5m
MC (PLN m)	548.6	ADTV 6M		PLN 0.8m
EV (PLN m)	618.3	EV/EBITDA 12M fwd	9.8	+15.1%
Free Float	36.7%	EV/EBITDA 5Y avg	8.5	premium

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2018	2019	2020P	2021P	2022P
Revenue	806	1,068	904	1,066	1,185
EBITDA adj.	89	111	39	67	94
EBITDA margin	11.1%	10.4%	4.4%	6.3%	7.9%
EBIT	72	87	19	48	74
Net income	54	66	8	29	53
P/E	10.2	8.3	68.8	18.9	10.3
P/B	0.7	0.6	0.6	0.6	0.6
EV/EBITDA adj.	6.9	5.5	15.7	8.6	5.9
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2020P	2021P	2022P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
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	544	648	746
Fashion EBIT	33	43	-17	12	36
Jewelry Sales	323	376	360	418	439
Jewelry EBIT	39.4	44.5	35.7	42.6	45.0
Gross profit margin	51.2%	52.1%	49.6%	50.7%	51.0%
Operating cash flow	54	109	110	156	151
D&A	17	24	21	19	20
D&A (IFRS 16)	0	87	96	99	104
Working capital	-21	-75	7	9	-25
Investing cash flow	-19	-17	-15	-20	-22
Financing cash flow	-18	-100	-73	-141	-132
Credit/loans	8	-5	27	-42	-28
FCF	37	-6	35	48	33
FCF/EBITDA	41%	-6%	88%	71%	35%
OCF/EBITDA	60%	19%	35%	84%	51%

Key Ratios (adj. for IFRS 16)

(PLN)	2018	2019	2020P	2021P	2022P
Sales/sqm, Fashion	1,318	1,048	719	927	1,049
Sales/sqm, Jewelry	2,540	2,689	2,314	2,693	2,759
SG&A/sqm, Fashion	420	598	538	626	643
SG&A/sqm, Jewelry	1,118	1,216	1,140	1,304	1,368
Cash (PLN m)	34	25	47	42	40
Net debt (PLN m)	63	66	70	33	7
Net debt/EBITDA (x)	0.7	0.6	1.8	0.5	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	20P	21P	22P	20P	21P	22P
Minimum	6.1	5.9	5.2	4.7	3.7	3.5
Maximum	174.6	53.4	28.2	22.0	23.9	15.2
Median	18.3	19.9	13.5	8.2	7.2	5.7
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis (adj. for IFRS 16)

(PLN m)	20P	21P	22P	23P	24P	25P	26P	27P	28P	29P	+
Sales/sqm (PLN)	1,408	1,675	1,808	1,804	1,818	1,824	1,829	1,834	1,840	1,845	1,845
SG&A/sqm (PLN)	652	772	808	805	811	814	820	826	832	839	839
Sales area (ksqm)	53	53	56	57	59	59	60	61	62	62	62
Revenue	904	1,066	1,185	1,227	1,266	1,290	1,309	1,329	1,350	1,371	1,399
EBITDA	39	67	94	105	108	110	109	107	106	104	106
EBITDA margin	4.4%	6.3%	7.9%	8.6%	8.5%	8.5%	8.3%	8.1%	7.9%	7.6%	7.6%
EBIT	19	48	74	85	87	89	88	86	85	83	85
Tax	-3	9	14	16	17	17	17	16	16	16	16
CAPEX	15	20	22	22	22	21	21	20	20	20	21
Working capital	7	9	-25	-22	-8	-8	-8	-9	-9	-6	-6
FCF	35	48	33	45	62	64	63	62	60	61	62
PV FCF	34	43	27	34	43	41	38	34	31	29	
WACC	8.6%	8.7%	8.8%	8.5%	8.5%	8.4%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	845
Net debt	66
Other adjustments	0
Value per share (PLN)	3.32

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	2.60
DCF Val.	50%	3.32
Implied Price		2.96
Cost of equity (9M)		6.4%
9M Target Price		3.14

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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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

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

Recommendations Issued In the 12 Months Prior To This Publication

11 bit studios

Rating	hold	hold	hold	hold	buy	buy
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

Rating	neutral	neutral	neutral	neutral	neutral
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

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

Ailleron

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

Alior Bank

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

Alumetal

Rating	underweight	underweight	neutral	neutral	neutral	neutral	neutral	neutral	neutral
Rating date	2020-09-30	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	35.90	38.00	40.10	37.00	34.60	43.50	42.80	39.30	35.40

Amica

Rating	overweight	overweight	neutral	neutral	neutral
Rating date	2020-09-30	2020-07-30	2020-06-29	2020-04-01	2019-12-05
Target price (PLN)	-	-	-	-	-
Price on rating day	136.60	145.00	120.00	84.30	133.20

AmRest

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

Apator

Rating	neutral	neutral	neutral	neutral	neutral	neutral	underweight
Rating date	2020-09-30	2020-06-29	2020-04-01	2020-03-04	2020-01-30	2019-12-05	2019-10-18
Target price (PLN)	-	-	-	-	-	-	-
Price on rating day	20.60	20.80	16.20	20.00	20.70	21.10	22.00

Asseco BS

Rating	neutral	neutral	neutral	overweight	neutral
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

Rating	buy	accumulate	hold	hold	hold
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

Rating	overweight	overweight	overweight	overweight	overweight
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

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

Atal

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

Atende

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

Boryszew

Rating	neutral	underweight	underweight	underweight	neutral	neutral
Rating date	2020-09-09	2020-06-08	2020-04-01	2020-01-30	2019-12-05	2019-10-30
Target price (PLN)	-	-	-	-	-	-
Price on rating day	3.39	3.59	3.74	4.54	4.09	4.29

CCC

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

CD Projekt

Rating	accumulate	hold	hold	hold	hold	accumulate	accumulate
Rating date	2020-10-02	2020-09-02	2020-06-03	2020-05-05	2020-02-05	2019-12-05	2019-11-06
Target price (PLN)	429.10	429.10	388.10	342.50	284.20	281.30	276.40
Price on rating day	382.60	440.70	388.20	357.90	305.00	260.30	255.20

CEZ

Rating	buy	accumulate	accumulate	buy	buy
Rating date	2020-10-02	2020-06-03	2020-05-05	2020-02-20	2019-12-05
Target price (CZK)	514.80	514.80	527.86	592.91	597.80
Price on rating day	438.00	489.00	451.00	503.00	502.00

Ciech

Rating	hold	hold	hold	buy	buy	buy
Rating date	2020-10-02	2020-07-02	2020-05-29	2020-04-14	2020-02-13	2019-12-05
Target price (PLN)	30.10	34.09	38.94	45.14	47.46	44.41
Price on rating day	27.25	32.30	39.25	31.80	39.40	36.40

Cognor

Rating	buy	buy	hold	hold	hold	hold
Rating date	2020-09-25	2020-08-04	2020-04-22	2019-12-06	2019-12-05	2019-11-04
Target price (PLN)	2.03	1.98	0.94	1.25	1.25	1.55
Price on rating day	1.10	0.93	0.95	1.20	1.17	1.52

Comarch

Rating	buy	hold	buy
Rating date	2020-09-29	2020-05-13	2019-11-25
Target price (PLN)	247.60	220.30	250.00
Price on rating day	204.00	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
Rating date	2020-04-02	2019-12-05
Target price (PLN)	-	88.92
Price on rating day	68.40	93.00

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

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	neutral	overweight	overweight	neutral	underweight	underweight	underweight	neutral
Rating date	2020-09-30	2020-08-28	2020-06-29	2020-05-21	2020-04-01	2020-03-20	2020-01-30	2019-12-05
Target price (PLN)	-	-	-	-	-	-	-	-
Price on rating day	32.40	28.85	20.25	17.60	11.20	11.80	32.30	28.15

GPW

Rating	sell	hold	buy
Rating date	2020-09-30	2020-05-20	2020-01-16
Target price (PLN)	39.19	41.56	47.82
Price on rating day	47.10	40.00	40.85

Grupa Azoty

Rating	hold	hold	hold	buy	buy	buy	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
Target price (PLN)	25.83	29.90	28.42	30.55	30.31	30.31	32.75	37.12	34.09
Price on rating day	25.30	30.45	28.00	22.24	27.50	26.10	30.00	36.58	31.18

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	hold	sell	sell	sell	sell	hold	hold
Rating date	2020-10-02	2020-06-03	2020-04-16	2020-03-30	2020-02-04	2019-12-05	2019-10-07
Target price (PLN)	117.78	117.78	114.14	126.36	170.00	187.77	197.53
Price on rating day	124.40	145.20	141.00	153.80	202.00	190.80	194.80

Jeronimo Martins

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

JSW

Rating	hold	hold	hold	sell	hold	hold	hold	buy
Rating date	2020-10-02	2020-09-02	2020-08-04	2020-03-27	2020-03-04	2020-02-05	2020-01-20	2019-12-05
Target price (PLN)	25.96	15.82	16.41	9.78	15.34	18.41	23.32	28.04
Price on rating day	25.00	15.18	17.40	12.85	15.15	19.78	22.68	18.80

Kernel

Rating	buy	hold	hold	hold	reduce
Rating date	2020-09-23	2020-06-03	2020-02-05	2019-12-05	2019-10-07
Target price (PLN)	56.35	44.58	47.25	41.60	40.76
Price on rating day	39.90	43.80	47.20	41.20	42.90

Grupa Kęty

Rating	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
Target price (PLN)	465.74	453.70	335.96	360.29	335.44	333.45	298.64
Price on rating day	482.50	432.00	339.00	381.00	338.50	313.50	283.00

KGHM

Rating	reduce	hold	sell	sell	reduce	hold	reduce	hold	hold	accumulate	accumulate
Rating date	2020-10-02	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)	103.84	124.67	62.94	46.83	46.83	76.92	86.33	85.54	96.13	96.14	90.12
Price on rating day	115.15	129.45	88.10	74.00	54.64	77.82	96.44	88.66	96.70	91.64	79.92

Komerční Banka

Rating	buy	accumulate	buy	buy
Rating date	2020-10-02	2020-09-02	2020-08-10	2019-12-05
Target price (CZK)	618.97	618.97	618.97	928.20
Price on rating day	484.50	534.00	529.00	792.00

Kruk

Rating	buy	buy
Rating date	2020-09-03	2019-12-05
Target price (PLN)	183.17	210.31
Price on rating day	156.70	150.90

Kruszwica

Rating	neutral	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
Target price (PLN)	-	-	-	-	-	-
Price on rating day	60.40	59.00	54.80	52.20	45.80	44.40

Lotos

Rating	buy	accumulate	hold	hold	reduce	hold	reduce	reduce
Rating date	2020-10-02	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	47.09	55.87	60.39	59.22	67.19	68.47	77.80
Price on rating day	34.00	39.22	60.14	60.52	65.10	61.06	76.78	85.20

LPP

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

Mangata

Rating	neutral	neutral	neutral	neutral
Rating date	2020-09-30	2020-06-29	2020-04-01	2019-12-05
Target price (PLN)	-	-	-	-
Price on rating day	47.00	50.50	50.00	72.00

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

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	buy	accumulate	buy	buy	buy	buy	hold	hold	hold	buy
Rating date	2020-09-22	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
Target price (PLN)	5.97	5.94	5.94	5.23	4.91	4.44	3.24	3.88	4.06	5.64
Price on rating day	4.56	5.15	5.10	4.63	4.31	3.48	3.14	3.20	3.86	5.07

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	reduce	buy	accumulate	buy	buy	accumulate	buy
Rating date	2020-10-02	2020-09-18	2020-08-04	2020-05-15	2020-03-25	2020-02-05	2019-11-14
Target price (PLN)	35.20	35.20	35.70	35.70	33.50	36.00	36.00
Price on rating day	38.72	26.16	32.54	31.02	29.04	34.80	31.30

PlayWay

Rating	hold	accumulate
Rating date	2020-10-02	2020-08-25
Target price (PLN)	549.00	549.00
Price on rating day	527.00	484.00

Pozbud

Rating	neutral	neutral	neutral	neutral
Rating date	2020-09-30	2020-06-29	2020-04-01	2019-12-05
Target price (PLN)	-	-	-	-
Price on rating day	1.65	1.70	0.81	1.80

PZU

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

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	accumulate	hold	accumulate	buy	buy
Rating date	2020-09-11	2020-07-02	2020-06-03	2020-03-04	2019-12-05
Target price (PLN)	26.86	21.20	21.20	21.20	29.34
Price on rating day	24.70	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
Rating date	2020-07-02	2020-04-01	2020-02-05	2019-12-05	2019-10-07
Target price (PLN)	-	9.04	8.92	8.78	8.10
Price on rating day	8.55	6.75	7.85	8.20	7.90

Sygnity

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

Tarczyński

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

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	buy	accumulate	hold	hold	buy	accumulate
Rating date	2020-09-23	2020-07-02	2020-06-03	2020-04-06	2020-02-05	2019-12-02
Target price (PLN)	3.14	2.43	2.43	2.00	4.50	4.50
Price on rating day	2.51	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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