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Wirtualna Polska – Forecast of 2020 Q3 Results

Rating: reduce | target price: PLN 63.10 | current price: PLN 73.00

WPL PW; WPL.WA | Media, Poland

Analyst: Paweł Szpigiel +48 22 438 24 06

Before Wirtualna Polska presents its Q3 2020 financial statements on 17 November 2020, read our forecasts below. We expect adjusted EBITDA (excluding IFRS 16) to drop to PLN 49.6 million (-10.3% YoY). The company was relatively quick to make a firm response to negative effects of the COVID-19 pandemic by launching a number of cost-cutting initiatives, while the online advertising market returned to the growth path in Q3 2020. Nevertheless, the slump in the travel industry, in particular in the wakacje.pl portal, will clearly affect the group's Q3 2020 results. Declining performance driven by waning e-commerce business is likely to dampen investor sentiment towards the company.

- In Q3 2020 we forecast a significant rise in revenues of the media business (+8% YoY) amid a considerable improvement expected on the online advertising market. EBITDA of the media business of Wirtualna Polska is likely to improve, helped also by a number of cost-cutting initiatives launched by the company after the outbreak of the pandemic.

- E-commerce, on the other hand, will experience a year-on-year slump in financial performance due to another poor quarter expected by wakacje.pl. We expect EBITDA to plummet by nearly 60%.
- EBITDA of the online business, excl. barter and one-offs, will decrease to PLN 49.6 million (-10.3% YoY).
- The impact of TV (-PLN 0.5 million) will be neutral.
- The impact of one-off events on EBITDA will amount to PLN 3.5 million, while net financial costs will stand at PLN 3.8 million.
- We assume the effective tax rate to be 22%.
- Net profit will amount to PLN 16.4 million.
- Remember that last year's pre-tax and net profit was positively affected by revaluation of obligations arising from a put option over non-controlling interests in Nocowanie.pl.

2020 Q3 estimates (IFRS 16 figures)

(PLN m)	3Q'20E	3Q'19	YoY
Revenue	147.3	183.5	-19.7%
EBITDA (adj.)	49.6	55.3	-10.3%
EBITDA margin	33.7%	30.1%	-
EBIT	24.8	30.9	-19.8%
Pre-tax profit	21.0	27.7	-24.1%
Net profit	16.4	21.4	-23.6%

Source: Wirtualna Polska, E - estimates by mBank

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

Research Department

Kamil Kliszczyk
director
+48 22 438 24 02
kamil.kluszcz@mbank.pl
energy, power generation

Jakub Szkopek
+48 22 438 24 03
jakub.szkopek@mbank.pl
industrials, chemicals, metals

Aleksandra Szklarczyk
+48 22 438 24 04
aleksandra.szklarczyk@mbank.pl
construction, real-estate development

Michał Marczak
+48 22 438 24 01
michal.marczak@mbank.pl
strategy

Paweł Szpigiel
+48 22 438 24 06
pawel.szpigiel@mbank.pl
media, IT, telco

Piotr Poniąkowski
+48 22 438 24 09
piotr.poniatowski@mbank.pl
industrials

Michał Konarski
+48 22 438 24 05
michal.konarski@mbank.pl
banks, financials

Piotr Bogusz
+48 22 438 24 08
piotr.bogusz@mbank.pl
retail, gaming

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

Sales and Trading

Traders

Piotr Gawron
director
+48 22 697 48 95
piotr.gawron@mbank.pl

Adam Prokop
+48 22 697 47 90
adam.prokop@mbank.pl

Krzysztof Bodek
+48 22 697 48 89
krzysztof.bodek@mbank.pl

Magdalena Bernacik
+48 22 697 47 35
magdalena.bernacik@mbank.pl

Tomasz Jakubiec
+48 22 697 47 31
tomasz.jakubiec@mbank.pl

Andrzej Sychowski
+48 22 697 48 46
andrzej.sychowski@mbank.pl

Sales, Foreign Markets

Bartosz Orzechowski
+48 22 697 48 47
bartosz.orzechowski@mbank.pl

Jędrzej Łukomski
+48 22 697 49 85
jedrzej.lukomski@mbank.pl

Private Client Sales

Kamil Szymański
director
+48 22 697 47 06
kamil.szymanski@mbank.pl

Jarosław Banasiak
deputy director
+48 22 697 48 70
jaroslaw.banasiak@mbank.pl