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Monthly Market Outlook: July 2019

Equity Market, Macroeconomics

Equity Market

As trade talks between the US and China drag with no speedy resolution in sight, while the global economy continues to lose steam (as confirmed by plans for a new round of monetary easing worldwide), and tensions between the US and Iran escalate, we are prompted to shift our stance on equities to neutral.

Sector Outlook

Financials

Higher valuations of Polish banks in June curbed the upside potential of rated banks to less than 5%, suggesting a selective and more neutral investment approach. The market is waiting for a potential investor or restructuring at GNB and Idea Bank. Czech and other regional banks look much more interesting in terms of valuations with double-digit upside still available. A positive conclusion to the Czech tax saga would be an upside catalyst for KB and EBS.

Chemicals

In our opinion, the Polish chemical sector has a chance to continue to perform better than the market at large due to its strong earnings prospects in the following quarters. At present, Grupa Azoty looks the most interesting while Ciech continues to disappoint investors.

Oil & Gas

Refining margins have already normalized after strong May readings and the outlook for the second half of the year is not encouraging for the sector, especially with a H2'18 reference comparable for second-half profits. We maintain a negative attitude towards LTS and PKN oil. At the same time, in anticipation of a rebound in gas prices, we maintain a buy rating for PGN.

Power Utilities

The WIG-Energy index has had a spectacular rebound in recent days, but still the distance to the European benchmark is significant in YTD terms. We stand by our positive attitude towards the sector, paying attention to potential catalysts (improvement in profits in subsequent periods, compensation payments, PEP40, modernization fund).

Telecoms, Media, IT

In June our recommendations for PLY (the price of which has skyrocketed 105% since November 2018) and OPL proved correct. Currently we have a neutral view on both. Compared to them, CPS does not look very attractive with the current market valuation. We caution investors against being over-optimistic when it comes to the upside potential of the telco sector, which is limited at this point. In the IT sector, our top choices are invariably CMR and ASE.

Industrials & Mining

Our top industrial picks include Cognor, Famur, Kernel, Pozbud and TIM. We'd avoid Alumetal and Impexmetal. Boryszew's weaker performance in Q2'19 may lead to a breach of agreements with banks (covenants). In our opinion, Astarta (a record low beet area in Ukraine) may look interesting in the perspective of the next few quarters. In Mining, shares in JSW are probably pricing most risks at the current price level and may be set for an imminent rebound.

Property Developers

As pointed out in our June update on residential developers, neither DOM nor 1AT are unlikely to be affected negatively by a more challenging housing market. Of the two, we prefer 1AT, with its well-diversified portfolio of projects and a presence in key growth markets, factors which pushed the Developer's 2019 H1 sales 25% over the year-ago results.

Retail

Retail sales results in June should be supported by good weather conditions. In our opinion, EAT, LPP and VRG will perform best among all sector companies. Poor results in Q2 2019 should be reported by CCC, and EUR results will continue to be under pressure from ongoing reorganisation activities.

Key Ratings

Positive: ATT, 1AT, CEZ, COG, EAT, EBS, ENA, ENG, FMF, JSW, KER, LPP, OTP, PEO, PGE, PGN, PKO, POZ, VST, TIM, TPE

Negative: AML, CPS, EUR, ING, IPX, LTS, PKN

EU Indices	Value	1M chng	YTD chng
WIG	60,538	+4.5%	+5%
ATX	2,985	+3.5%	+11%
BUX	40,767	-0.3%	+4%
PX	1,041	+0.9%	+10%
WSE WIG Ind.	Value	1M	YTD
WIG20	2,341	+4.7%	+3%
mWIG40	4,109	+4.7%	+7%
sWIG80	11,786	+3.4%	+14%
Banking	7,958	+6.1%	+7%
Basic Materials	2,121	+6.0%	+11%
Chemicals	10,741	+2.2%	+15%
Clothes	2,254	+5.1%	-7%
Construction	3,527	+4.6%	+3%
Energy	2,438	+4.7%	+22%
Food	5,286	+7.1%	+17%
IT	2,231	+6.0%	+17%
Media	5,746	+6.1%	-5%
Oil & Gas	6,736	-6.0%	-16%
Real estate	3,344	+3.7%	-1%
Telecom	894	+24.1%	+44%
Top 5 / Worst 5		1M	YTD
Bumech	4.30	+43.3%	+86%
Trakcja	2.38	+37.7%	-40%
Orange	6.77	+31.5%	+41%
Play	33.34	+27.2%	+70%
PHN	13.00	+26.8%	+47%
CI Games	0.98	-14.8%	+20%
Idea Bank	2.12	-17.8%	-13%
Ursus	0.86	-21.1%	-43%
CFI Holding	0.36	-24.2%	-37%
Prairie Mining	0.64	-31.2%	-43%

Rating & 9M TP Changes as of 3 July

Name	Rating	9M TP
Alior Bank	buy ►	72.30 PLN ▼
Atal	accumulate ►	41.89 PLN ▼
Ciech	hold ▼	41.72 PLN ▼
Cognor	accumulate ►	1.84 PLN ▲
Dom Dev	hold ►	79.80 PLN ▼
Famur	buy ►	6.96 PLN ▲
Grupa Azoty	accumulate ►	45.93 PLN ▲
Grupa Kęty	hold ▲	345.32 PLN ▲
Handlowy	accumulate ►	59.45 PLN ▼
ING BSK	reduce ▼	191.80 PLN ►
JSW	accumulate ▲	50.02 PLN ▼
KGHM	hold ►	98.35 PLN ▲
LPP	accumulate ►	8,500 PLN ▲
OTP Bank	buy ▲	13046 HUF ►
Pekao	accumulate ▼	121.00 PLN ►
Play	hold ▼	29.00 PLN ►
PZU	hold ▼	43.38 PLN ►
Stelmet	hold ►	7.95 PLN ▼
Wirtualna Polska	hold ▼	61.50 PLN ►

Table of Contents

1. Investing Outlook	3
2. Sector Strategies	5
3. mBank Sentiment Watch	9
4. Quarterly Earnings Surprises	10
5. Macroeconomic Update	12
6. Overview of Updated Earnings Expectations	14
7. Current Recommendations By Dom Maklerski mBanku	16
8. Ratings Statistics	18
9. Calendar of Upcoming Corporate Events	19
10. Financial Sector	20
10.1. Alior Bank	20
10.2. Handlowy	21
10.3. ING BSK	22
10.4. Millennium	23
10.5. Pekao	24
10.6. PKO BP	25
10.7. Santander Bank Polska	26
10.8. Komerčni Banka	27
10.9. Erste Bank	28
10.10. OTP Bank	29
10.11. PZU	30
10.12. Kruk	31
10.13. Skarbiec Holding	32
11. Chemicals	33
11.1. Ciech	33
11.2. Grupa Azoty	34
12. Oil & Gas	35
12.1. Lotos	35
12.2. MOL	36
12.3. PGNiG	37
12.4. PKN Orlen	38
13. Power Utilities	39
13.1. CEZ	39
13.2. Enea	40
13.3. Energa	41
13.4. PGE	42
13.5. Tauron	43
14. TMT	44
14.1. Netia	44
14.2. Orange Polska	45
14.3. Play	46
14.4. Agora	47
14.5. Cyfrowy Polsat	48
14.6. Wirtualna Polska	49
14.7. Asseco Poland	50
14.8. Comarch	51
14.9. 11 bit studios	52
14.10. CD Projekt	53
15. Industrials, Mining	54
15.1. Cognor	54
15.2. Famur	55
15.3. Grupa Kęty	56
15.4. JSW	57
15.5. Kernel	58
15.6. KGHM	59
15.7. Stelmet	60
16. Property Developers	61
16.1. Atal	61
16.2. Dom Development	62
17. Retail	63
17.1. AmRest	63
17.2. CCC	64
17.3. Dino	65
17.4. Eurocash	66
17.5. Jeronimo Martins	67
17.6. LPP	68

Investing Outlook

Expecting positive effects of the G20 summit and the announcement of central banks about the mitigation of monetary policy allowed S&P500 to reach the historical peak. For a long time, we have been positive about the global stock market. The perspective of the next few months inclines us, however, to reduce allocation in stocks to a neutral position. The outcome of the G20 summit opens negotiations between the US and China again. Nevertheless, it seems that the parties are far from reaching a consensus which would allow the world economy to return to the path of faster growth. Momentum macro is still weakening (despite the stimulus package in China), what will deteriorate the consensus forecast of companies' profits and increase the risk of recession (not only in industry). The data for the Q1 indicate that American corporations decreased Q/Q the value of buyback of shares, which was an essential component of demand for shares, especially during asset sales. The measures taken by central banks, which are at the moment enthusiastically acclaimed by investors guided by experience from the last few years, confirm this scenario. Historically, the beginning of interest rates cuts in the US both initiated a growth tendency on the S&P and signalled the start of recession and bear market. It's worth to remember that the ECB's balance sheet represents 40% of Eurozone GDP and the BoJ's balance sheet corresponds to 101% of Japan GDP. Escalation of the conflict between the USA and Iran remains an additional element of risk. The relatively high level of cash in global investment funds serves as a factor supporting the stock market within the short period.

Trade war

Last month, we indicated that with strongly negative investors' expectations in May/June, the G20 summit is probably the last chance to mitigate the dispute between the US and China before the next year's elections in the US. Despite the still worsening macro environment, investors speculated assuming positive result of the summit, which finally proved to be the proper strategy. President Trump agreed to resume talks and temporarily not to introduce new customs tariffs (currently USD 250 billion, potentially additional USD 300 billion). Moreover, Huawei was added to the list of negotiations topics. With regard to this company, the Americans may mitigate sanctions.

As of today, we know that the parties still want to talk. Nevertheless, there are no specific arrangements after the summit. Apart from the problem of tariff rates for goods, for several quarters the parties have not been able to find a consensus regarding such difficult issues as: intellectual value, technology transfer, access to markets and investment restrictions, and these are a part of the whole package of arrangements. The negotiations showed the power of China, example of which is a threat to cut off the supplies of rare earth metals to the US (as a response to restrictions against Chinese technology companies). Taking into account that the steps taken by Trump will be increasingly more affected by the pressure of the started election campaign, the willingness of China to concede will be rather low. In our opinion, the positive impact of the G20 summit on the markets will soon be over and the concerns about macro environment and escalation of the conflict in the Middle East will return.

Conflict with Iran against the background of trade war

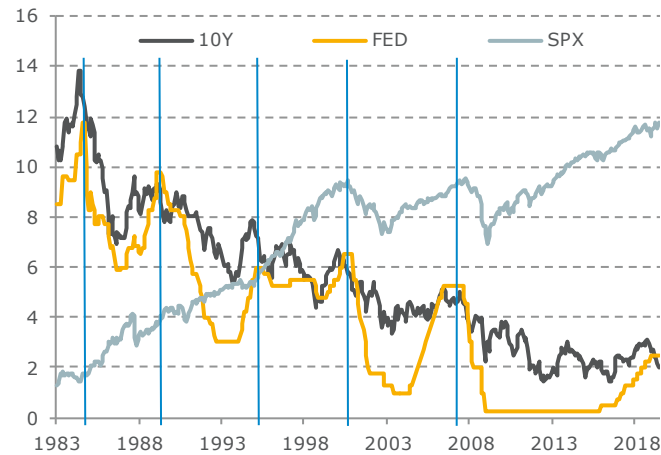
Since in 2018 Trump withdrew from the deal concluded in 2015 which prohibited Iran from producing enriched uranium in exchange for lifting the sanctions, the conflict has been systematically growing. In May, Trump sent a military team with an aircraft carrier at its head to the Persian Gulf and Iran announced that it withdraws from its obligations arising from the agreement of 2015. Moreover, Iran declared that it will recommence the production of uranium if the agreement is not reached until the 7th of July (60 days). Shooting down US drone, the attack on two tankers in the Gulf of Oman and media message of Trump saying that "he stopped retaliatory attack on Iran at the last moment" directly prove that during the last two weeks the situation has deteriorated considerably. The conflict of the US and Iran which has political support from Russia and China may be beneficial for the latter two countries. On the one hand, it increases oil prices and, on the other hand, it diverts attention of the US from the trade dispute and situation on the South China Sea. Breaking of ceasefire in Donbas and intensifying of offensive actions of separatists is not a coincidence as well. It will be really hard for Trump to withdraw from his declarations with regard to Iran, while China and Russia will lead to further provocations, what in turn will result in the increasing concerns of investors.

Play for lower interest rates in the US and restoring QE in Europe

Apart from growing expectations for positive outcome of the G20 summit, investors reacted positively for the next signals from FED about increasingly more probable reductions of interest rates. Powell suggested such measure during the conference after the last meeting of the committee. FED reduced inflation and long-term unemployment rate projections. The placement of "dots", i.e. the expectations of the FOMC members, also indicates that. Markets are discounting one reduction of rates this year with the probability of 100%. The first reduction may take place already in July. This fact, together with expectations after the G20 summit, can influence the buying decisions of investors – especially given the fact that before the G20 the funds had relatively a lot of cash in their portfolios. Also the President of ECB announced the beginning of monetary easing. In the case of lack of economic improvement and increased inflation, Draghi allows another reduction of interest rates as well as the change of parameters of asset purchase programme.

Currently, the key question is whether the reductions of FED will precede the recession in the US or only the economic soft patch. In both scenarios, the reaction of stock exchange will be different. In the case of the last two series of reductions (2000, 2007), their beginning coincided with the S&P500 peak. Then, the economy entered into severe recession. When the FED started to cut interest rates in 1984 and 1995, stock markets continued the growth. Finally, in 1989, the reduction foreshadowed annual adjustment of index and then the stock prices started to increase.

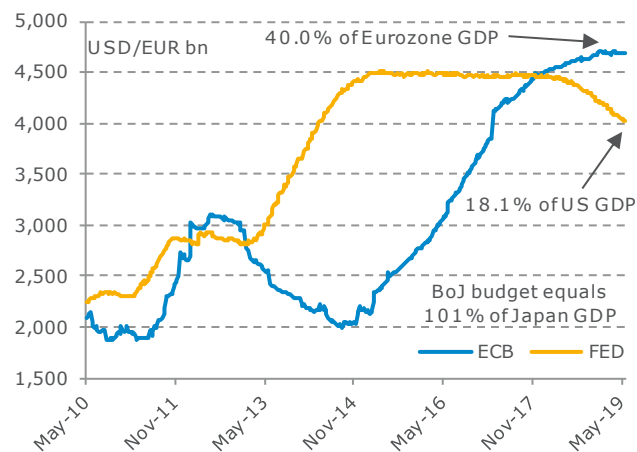
FED Funds, 10Y bonds and S&P500



Source: Bloomberg, Dom Maklerski mBanku

Further interest rates cuts take place from the progressively lower nominal value. As a result, their influence (effectiveness) on the real economy may be lower – Eurozone and Japan can serve as the best example. Therefore, central banks used the purchase of assets as a tool of monetary policy. FED will start mitigating monetary policy in relatively comfortable conditions, i.e. the reduction of rates from 2.5% and the relation of FED balance sheet/GDP at the level of 18.1%. In the case of ECB, the situation is much more difficult – 0% reference rate and 40% relation of the Bank’s balance sheet / GDP of Eurozone. In regard to the second indicator, it is difficult to talk about target/warning level if we take into account that in Japan it already amounts to 101%!

ECB and FED balance sheet

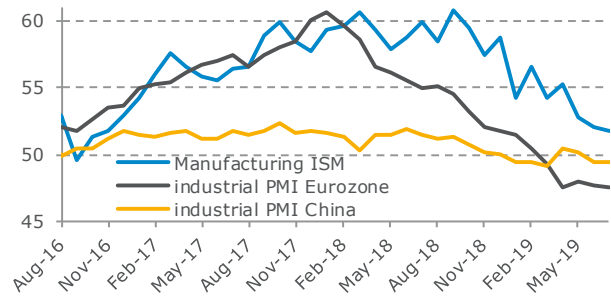


Source: Bloomberg, Dom Maklerski mBanku

Macro environment is still worsening

June leading indicators do not indicate the approach of economic recovery. PMI in the industries of the US, China and the Eurozone are still in contraction, what is confirmed by the subindexes of new orders. In the previous cycles, the growth of ISM Manufacturing was usually preceded by a few month’s growth of the new orders minus inventories index, which is currently not the case. Also the outcome of the G20 summit is not a signal for investors to increase economic activities, especially to start new investments.

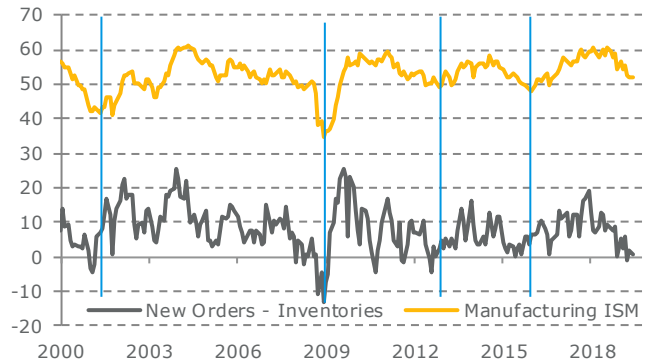
Leading indicators in the industry of the US, China and Eurozone



Source: Bloomberg, Dom Maklerski mBanku

It is significant that despite the introduction of series of stimulus packages in China, macro data still shows no improvement. This demonstrates that the uncertainty connected with a geopolitical situation has much stronger impact than it might result from the simple calculation of the share of trade subject to additional duties. Such uncertainty in Europe (apart from the more and more difficult situation on export markets) is caused by Trump who from time to time shares information about the possibility to impose duties on goods from Europe (i.a. automotive, aviation industry).

ISM Manufacturing against difference between subindex of new orders and inventories



Source: Bloomberg, Dom Maklerski mBanku

Decrease in value of shares buyback in Q1

According to WSJ, in Q1 American companies reduced the funds intended for the buyback of own shares to USD 205.8 billion from the record USD 223 billion in Q4’18 (-7.7% Q/Q). It is still a huge amount supporting stock prices on stock exchange. Nevertheless, investors are afraid that this tendency may intensify in the next quarters. The reasons for the reluctance to purchase are the concerns of companies regarding the results of trade war as well as anxiety connected with the approaching recession/slowdown. In 2018, enterprises were beneficiaries of tax reductions, what contributed to significant financial surpluses, and this year the profit growth may be even negative. Apart from mitigating the potential decrease of stock prices (especially apparent in Q4’18), buybacks led to the reduction of P/E for companies and indexes. It is worth noting that solely technology sector (Apple, Oracle) increased its expenses on the buyback of shares (the share of TMT sector in total expenses constitutes 33%). It means that in the case of “wide” market the cut is even greater (industry -15.6%, trade -29%).

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Sector Strategies

Financials

- Contrary to our assumptions, in June BFG did not address the difficult situation of Idea Bank by introducing a restructuring mechanism. On the other hand, putting the mass redundancy programme at Idea Bank in effect may suggest the regulator's tacit consent to introducing a recovery programme. We reaffirm our opinion that final decisions on the future of Idea Bank will only be taken once the announcement is made about GNB having attracted or failed to attract a potential investor.
- Our predictions as to the potentially higher next year dividend at PKO and BHW have proven right. The information on profits not being distributed and on the potential willingness to disburse it came as a positive surprise to investors, as reflected by the increase in stock prices. We believe that both for PKO BP and for Bank Handlowy, there is still growth potential for the valuation, though a limited one at this point.
- In the monthly review, we are lowering our neutral recommendation for ING to "reduce". We believe that the valuation is rather demanding and any positive forecast revisions will only be cosmetic. It's also worth mentioning PZU (recommendation lowered from "accumulate" to "hold"), which should be affected by the recent violent weather phenomena (storms, hailstorms, hurricanes, droughts and floods). We believe there is a reasonable risk of higher than expected increase in claims in 2019, which, in turn, can have an impact on the dividend in 2020.
- In other CEE markets, the key news is the establishment of the National Development Fund in the Czech Republic, which, however, should not have a major effect on the profitability of banks. The fund's value was initially set at CZK 7 billion, to be contributed in 2020 by the 4 largest Czech banks (CS, CSOB, KB and UniCredit), without ruling out contributions from the rest of the sector. The Fund will be aimed at long-term investment in profitable strategic projects to be approved by a committee composed of banks and governmental representatives. Fund participants will receive investment shares and the investment as a whole shall be recognised in equity and will not affect PLA. The Fund will be managed by the Czech-Moravian Guarantee and Development Bank.
- In the European market, ECB will set the tone. Interest rates have remained unchanged, and the disclosed TLTRO III details have proven to be less generous than the previous round of funding, as was to be expected. ECB has also published new forecasts for the euro area GDP; the forecast for the current year has been increased (+10 bp), but decreased for next year (-20 bp). What seems of key importance, though, is Mario Draghi's speech in Sintra. The President of ECB said central bankers are willing to cut interest rates again or resume asset purchases if inflation doesn't reach its target. This statement has triggered market speculations as to the coming interest rate cut. Currently, the market estimates the probability of an interest rate cut in September at 65%.
- **Key Ratings:** PKO BP (buy), Pekao (accumulate), Erste Bank (buy), OTP Bank (buy), Kruk (buy)

Chemicals

- MSCI Chemicals indices quotations in Europe and worldwide in June rebounded after a clear discount in May. Currently, both are quoted close to their three-year averages on P/E and EV/EBITDA. Reaching an agreement between the USA and Mexico and the announcement of continuing negotiations between the USA and China is conducive to the valuation of chemical companies (large exposure to global economic growth and China).
- In our opinion, the Polish chemical sector has a chance to continue to behave better than the market due to the expected increase in results in the following quarters.
- Currently, Grupa Azoty looks the most attractive (good prospects for Q2'19 and Q3'19 due to low gas prices and an increase in nitrate fertilizer prices in Q3'19, in our opinion the whole year's consensus will have to shift to over PLN 1.5 billion EBITDA from PLN 1.35 billion at present, expectations for this year's EBITDA are in a clear upward trend - see page 15). Ciech also looks attractive in terms of valuation (double-digit discounts to companies comparable to P/E and EV/EBITDA), but the share price has been affected by a number of negative information since the end of March (weak Q1'19 results, new investments in the power sector, tax office controls). It is worth noting that in the last month the share price stopped reacting to negative signals, which may mean that the hole has already been reached.
- **Key Ratings:** Grupa Azoty (accumulate), Ciech (buy)

Oil & Gas

- Brent oil prices, after falling to around 60 USD/Bbl in early June, managed to recover part of their losses, both due to the increase in geopolitical tensions (Iran) and the decrease in oil reserves in the USA after a strong increase in April and May. The improvement in sentiment was also reflected in the number of speculative positions, which in the case of WTI increased after 7 weeks of decline. We maintain our Brent forecasts at USD 70/Bbl with the average YTD at 66 USD/Bbl.
- Spot gas prices in Europe have already fallen to around 10 EUR/MWh due to high stocks and disappointing import data in China in May, which is quite worrying given our assumption that prices will rebound to around 20 EUR/MWh next year. However, prices in annual contracts amount to 18.5 EUR/MWh, which would confirm our thesis that spot readings cannot be extrapolated to subsequent quarters, especially as it is not justified by coal-gas price relations and cross-border LNG spreads between Europe and Asia.
- Refining margins, after stronger readings in May, have already normalized, which resulted from the resumption of supplies via the Druzhba pipeline and increases in raw material prices. For the first reason, the Ural/Brent differential increased, which is currently oscillating above 2 USD/Bbl. In the short term, processing margins may be supported by a decision to close a large refinery in the USA due to a fire (2% of the local capacity), but in the medium term the market will, in our opinion, be influenced by new capacity launches and weakening demand dynamics.
- According to POPIHN data, retail margins on the Polish market were not homogeneous in May. In the case of petrol, the readings fell from +0.09 to -0.07 PLN/liter, while for diesel they rose from -0.01 to +0.07 PLN/liter.
- In the case of petrochemicals, the rebound in oil prices is slowly offsetting margin increases in May and we maintain our negative scenario for profitability in this area.
- **Key Ratings:** Lotos (sell), PGNiG (buy), PKN Orlen (sell)

Power Utilities

- Energy prices on the German market have returned to around 50 EUR/MWh on the wave of CO₂ increases (27 EUR/tonne) and the rebound of coal prices, which behaves much better than gas and so far there is no effective arbitrage on generation between these fuels. CDS is still at historically high levels of ~3 EUR/MWh.
- In Poland, energy prices reflect higher emission allowance prices with some delay, and the annual contract is approaching 275 PLN/MWh. In these circumstances, the model margin of the vertically integrated coal-fired power plant dropped to 171 PLN/MWh from 176 PLN/MWh quoted in the middle of the month (for comparison, the average margin from TGE quotations in contracts for the current year amounted to 170 PLN/MWh). We would like to point out that in the case of units based on external coal supplies, this price level also implies an improvement in profitability in 2020, as in the current market situation it is difficult to expect an increase in fuel costs.
- In July, we should expect regulations to the amended Energy Pricing Act, which should open the way for compensation payments in August, ending the months-long saga related to the price freeze and allowing for the release of reserves for these prices and the ordering of cash flows. Additionally, this month we expect the publication of the final version of PEP40, which will finally confirm the Polish government's move towards RES and an energy mix supported by gas units. The market may also raise the issue of the modernisation fund (in accordance with the Court of Justice of the European Union reform, it will finance the energy transformation in poorer EU countries), because by the end of September, eligible countries must decide on the allocation of funds from the sale of allowances (the maximum amount for Poland is EUR 17 billion at current CO₂ prices, of which EUR 7 billion will come from the solidarity pool).
- Energy companies' quotations have rebounded in recent days, but still the distance to the European benchmark group is significant and reaches 20 percentage points in YTD terms.
- **Key Ratings:** CEZ (accumulate), Enea (buy), Energa (buy), PGE (buy), Tauron (buy)

Telecoms, Media, IT

- In June 2016 Polish telecoms recorded a price ride they had not experienced in a while. Its direct cause were the price increases at PLY and OPL, to which CPS also responded (price increases are to be introduced from autumn this year onwards). Price increases mean better financials in the long run and, in our opinion, this move in Polish telecoms is justified. Our recommendations on PLY and OPL have proven correct, and CPS, on which we had a negative view, has recorded the least growth in recent weeks. Here we wish to caution against being over-optimistic. Polish mobile telecom remains a sector for players, and the impact of higher prices will be reflected in the financials only after several quarters. We currently have a neutral view on OPL and PLY, and we maintain a negative recommendation on CPS.
- The Office of Electronic Communications (UKE) published decisions regulating access to the building infrastructure owned by six providers: Netia, UPC, Multimedia, Vectra, Toya and Inea. The regulator wants cable providers to make their networks available to competitors in blocks, meaning that these entities could provide their services based on the infrastructure of those cable providers. For customers, this can mean making it easy to change the provider – without the need to replace cables. In addition, customers living in new buildings built after 2012 will be able to choose each service from a different provider. It is

worth pointing out though that regulatory decisions are not immediately enforceable, meaning they will enter into force when infrastructure owners are ready for it.

- A long-term financial plan has been published on the Ministry of Finance website. The Ministry expects revenues from selling 3.7 GHz (200 MHz from this range), 26 GHz and 800 MHz frequencies at PLN 3.5–5 billion in 2020. If we deduct ca. 1.5 billion per each 800 MHz and 26 GHz block combined, the implied revenues from 3.7 GHz stand at ca. PLN 0.5–0.9 billion per provider. These figures correspond to current and previous auctions in Europe. Currently, our assumption is PLN 590 million per provider. We also wish to point out that no plans to offer the 700 MHz band can be seen as a positive sign.
- Marcin Cichy, President of the Office of Electronic Communications (UKE), has announced that the 3.7 GHz band will be distributed in blocks of 50 MHz per provider, so that all four infrastructure providers get to participate in the tendering procedure and launch 5G services at the same time. The distribution is to be in the form of a tendering procedure. This spells good news to all Polish MVNOs (a less predictable auction being the alternative).
- In March Zenith media agency increased the forecast for the Polish advertising market in 2019 to 5.3% from 4.2%. According to the agency, "Kaczynski's five" programme as announced by the government will promote high consumption, which has an impact on the advertising market. According to Zenith's estimates, due to the lower-than-planned GDP growth and a high base last year (up by 6.8%), the TV advertising market growth in 2019 will be lower than in 2018, and will amount to 3.1%. This will be the first year where television's share of the advertising market is to fall below the 50% threshold. Online advertising expenditure will increase by 12.1% this year. This will be due mostly to the increase in prices of advertisements purchased as part of programmatic model, caused by Google's announced shift to first price auction by the end of 2019.
- Since the beginning of June 2019, when we raised the recommendation from "neutral" to "overweight" on the IT sector, the WIG Info ratings have increased by 4.4%. Therefore, the index of IT companies was better than the broad market (vs. +5.3% WIG). WIG Info was also slightly better than MSCI IT EU. The median 12M P/E fwd for IT companies is now 13.5x, i.e. 11.4% below the historical average of 3 years.
- **Key Ratings:** Asseco SEE (overweight), Comarch (buy), Cyfrowy Polsat (reduce)

Industrials

- MSCI indices of industrial companies for Europe and the world in June rebounded after a discount in May. Currently, both are listed on their 3-year averages on P/E and EV/EBITDA.
- Currently, among the most liquid companies, we are still the most convinced to invest in Famur (over 10% Dyield'19 growth of the y/y results in subsequent quarters) and Kernel (a significant increase in the results in 2018/2019, a rebound in corn prices in the USA).
- In the case of companies with lower liquidity, our favourites are Cognor (over 15% Dyield'19 with the current number of shares, the momentum in the steel industry improves in H2'19, the main beneficiary of the planned shutdown of Arcelor Mittal's capacity in Krakow), Pozbud (low valuation, transfer of apartments in Strzeszyn in Q2'19 will boost the results and reduce debt) and TIM (dynamic growth of results in 2019).
- We would avoid Alumetal's shares (the dynamics of Q2'19 earnings decline will deepen, possible shutdown of part of the capacity due to low market margins) and Impexmetal's shares (weak FCF in three consecutive

years, decrease in 2019 results due to increased costs and weaker demand). We also see a risk that Boryszew may breach bank contract terms (covenants) with weaker earnings in Q2'19.

- In our opinion, it is worth paying attention to the discount leaders in May, whose valuation now looks much more attractive - Cognor, Pozbud, Stalprodukt.
- In our opinion, Astarta may look interesting in the next few quarters. The record low sugar beet sowing in Ukraine is likely to translate into a significant increase in sugar prices in 2019/2020 and an improvement in financial results.
- **Key Ratings:** Alumetal (underweight), Cognor (accumulate), Famur (buy), Impexmetal (underweight), Kernel (buy), Pozbud (overweight), TIM (overweight)

Mining

- Reaching an agreement between the USA and Mexico and the announcement of the meeting of the presidents of the USA and China stopped the discount on industrial metals in June. Currently, in the case of copper, the number of open speculative positions is at its lowest level in several years and in our opinion any positive information could translate into closing short positions by active investors and causing price increases. With weak pre-emptive data (PMI in the US and Europe), the market increasingly believes in a scenario where central banks return to growth-enhancing tools. This in turn translated into price increases for precious metals and industrial metals (in both cases a positive scenario for KGHM).
- In Q1'19 KGHM positively surprised its financial results. The Management Board does not expect any additional employee bonuses and does not see any risk of making additional reserves for the closed mine in the Sudbury region. Following the President's signature of the amendments to the Mineral Mining Act, representatives of the ruling party indicate that this is the first step towards easing the burden on the domestic copper producer.
- In June, the rebound in copper and precious metal prices helped KGHM's stock price. In our opinion, most of these factors are already in prices. The market may focus on the Q2'19 forecasts. In our opinion, with lower copper and silver prices (-5% y/y and -4% y/y respectively) and rising production costs, KGHM will not be able to improve its results in Q2'19. This may weigh on the sentiment around the Company.
- The European steel market was going through a difficult period in Q1'19. In June, on the other hand, there were first signs that the second half of the year may bring about a recovery.
- Coking coal prices in Asia and overseas markets remain under pressure. In our opinion, as long as iron ore prices are above 100 USD/t, it is difficult to find arguments for increasing coal prices. In the case of JSW, it is worth noting the information on the increase in coking coal imports to Gdańsk with prospects of a drop in demand if Arcelor Mittal closes the blast furnace in Kraków.
- In June, the sentiment towards JSW was overshadowed by the confusion surrounding the dismissal of Daniel Ozon from the position of the former President. In July, we will be threatened by continued weak production results for Q2'19, possible high employee bonuses for 2018 and the election of new board members. The market, on the other hand, has already had the opportunity to evaluate most of these factors. Coking coal prices should be supported in H2'19 with an expected better momentum in the global steel industry. Additionally, in the case of JSW, due to the launch of new longwalls in the second half of the year, production will increase.
- **Key Ratings:** JSW (accumulate)

Property Developers

- In June WIG-Real estate prices bounced back after the price drop observed in April and May. Valuations went up for most major companies, housing and commercial developers alike.
- Thanks to the relatively high number of building permits granted to developers in May, their YTD number from the beginning of the year was 6% lower YoY, while in April the result was still -14% YoY YTD. Similar trends could be observed in the group of 6 largest cities (YTD -6% YoY in May 2019 vs. YTD -18% YoY in April 2019), though it should be pointed out that situation in respective markets still varies. In particular, increased numbers of permits granted are recorded by the Wrocław market. The supply of new permits in Gdańsk has also improved over recent months. However, if we were to exclude the impact of Wrocław, the number of building permits granted would have been lower YTD by as much as 23% YoY. The drop in the number of new permits YoY is especially visible in Krakow, and also in Warsaw and Katowice (though it should be pointed out here that the situation slightly improved in May).
- In the report of 6 June, we pointed out that both DOM and 1AT are in for good and relatively stable financials and dividends in 2019–2021 (for DOM we expect another record of financial results in 2020) and the more demanding market should not harm them for now. At the same time, in the current market environment, we prefer Atal shares, which - in our opinion - should benefit from better offering and presence in growth markets. While the offering in 6 main cities was 5% higher y/y at the end of 2018, Atal's offering at the same time increased by 77%. The results can be seen in very good sales volumes reported in 1H19 (+ 25% y / y).
- In the current monthly review, we update the DOM and 1AT valuation to take account of the dividend cut-off and comparative valuation. We can still see growth potential for Atal's share (+14%), so we maintain our recommendation: "accumulate". As regards Dom Development, with the upside of 3% we maintain our recommendations: "hold".
- **Key Ratings:** Atal (accumulate), Dom Development (hold)

Retail

- The Ministry of Labour announced a proposal to increase the minimum wage by 8.9% in 2020. This is the highest increase since 2016 (+10.1% YoY). In 2017/18/19 the minimum wage increased by +8.1%/+5%/+7.1% respectively. The increase in the minimum wage growth rate as compared to previous years will translate into yet higher pressure from payroll costs. We expect the strongest impact at DNP (low average wage in shops), EUR (weakened competitive position of EUR clients, increased costs in logistics), JMT (higher pressure on labour costs). CCC, EAT and LPP have an increasingly smaller share of business in the Polish market and have introduced a number of measures to optimise labour costs.
- The draft amendment to the Retail Sales Tax Act assumes that the new tax will come into force in September 2019. Potentially, the biggest impact of the new tax should be on food retail companies due to lower margins (EUR, DNP, JMT). However, it is likely that the additional tax burden will be passed on to the prices of the products. Significantly smaller impact of the tax should be felt by companies from the clothing and footwear segment.
- Favorable weather conditions should positively influence the sales of clothing and footwear companies in June.



Considering the low sales growth in the period from April to May, the companies' financials in Q2 2018 may decrease YoY. The exception should be VRG, which is recording high sales growth in the clothing and jewellery segment.

- AmRest maintained a high EBITDA improvement rate for Q1 2019 (+25% YoY). We are expecting a faster EBITDA improvement rate in Q2-Q3 2019 supported by the base effect and Sushi Shop consolidation. In our opinion, AmRest is one of the most interesting investment options.

- CCC price has partly bounced back from its June lows, discounting the high sales growth in this month. Nevertheless, the high cost base and the low sales growth YoY in April-May should translate into deteriorating the result for Q2 2019. The high cost base relating to the businesses acquired and to higher marketing/sponsoring outlays may significantly affect the company's financials in 2019
- **Key Ratings:** 11 bit studios (buy), AmRest (buy), CCC (reduce), Dino (reduce), LPP (accumulate), VRG (overweight)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2016			2017				2018				+ / =	YoY	2016			2017				2018				+ / =		
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q					
miss	15	12	19	14	11	18	18	10	12	15	25	12	181	miss	25	24	21	23	22	19	23	27	17	20	23	23	267
in-line	16	26	19	24	25	29	23	35	19	24	22	27	289	in-line	7	5	6	5	9	13	2	9	11	12	8	10	97
beat	27	22	22	21	25	16	24	21	35	27	19	27	286	beat	31	35	37	37	35	34	41	30	38	34	35	33	420
Σ companies	58	60	60	59	61	63	65	66	66	66	66	66	756	Σ companies	63	64	64	65	66	66	66	66	66	66	66	66	784
miss	26%	20%	32%	24%	18%	29%	28%	15%	18%	23%	38%	18%	24%	miss	40%	38%	33%	35%	33%	29%	35%	41%	26%	30%	35%	35%	34%
beat	47%	37%	37%	36%	41%	25%	37%	32%	53%	41%	29%	41%	38%	beat	49%	55%	58%	57%	53%	52%	62%	45%	58%	52%	53%	50%	54%

*[+ / =] – 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, Dom Maklerski mBanku

mBank Sentiment Watch (next 30 days, by sector)

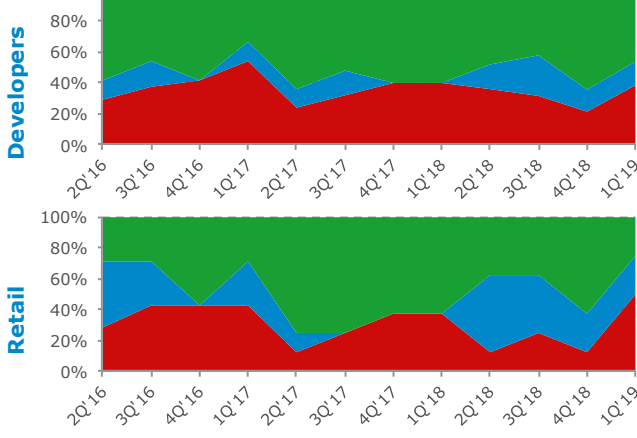
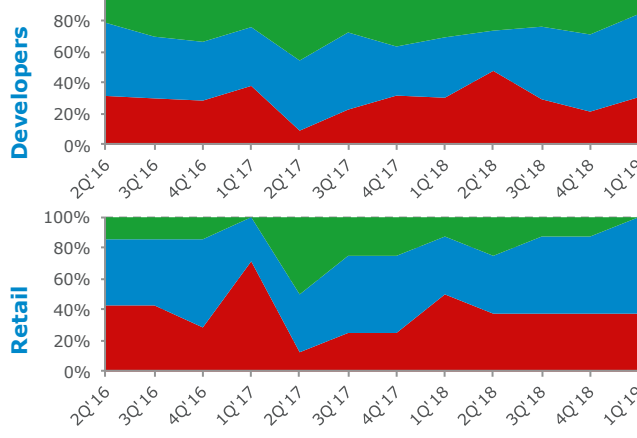
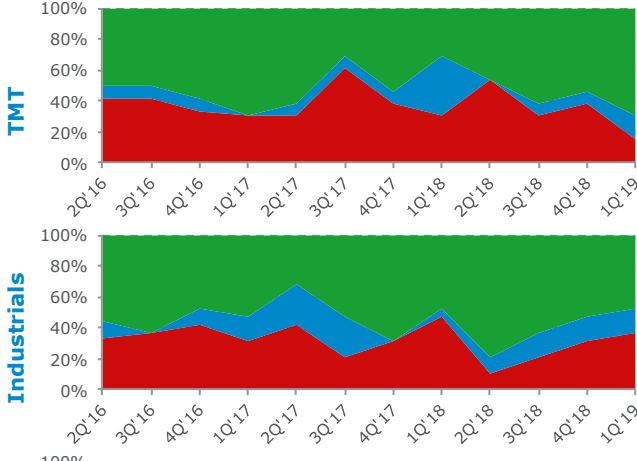
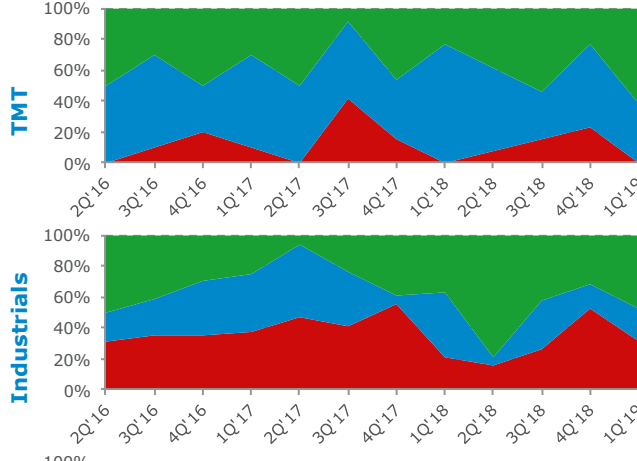
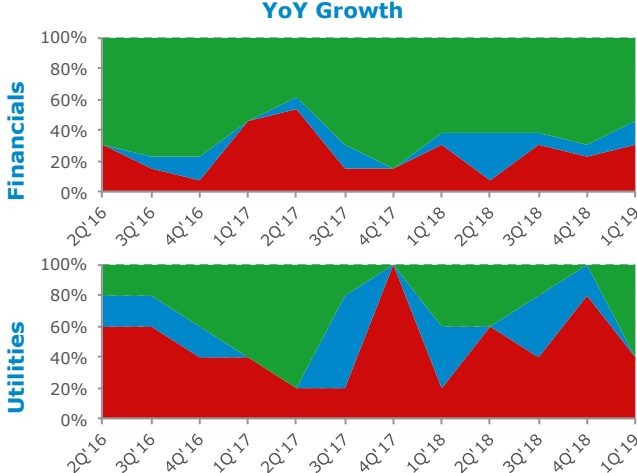
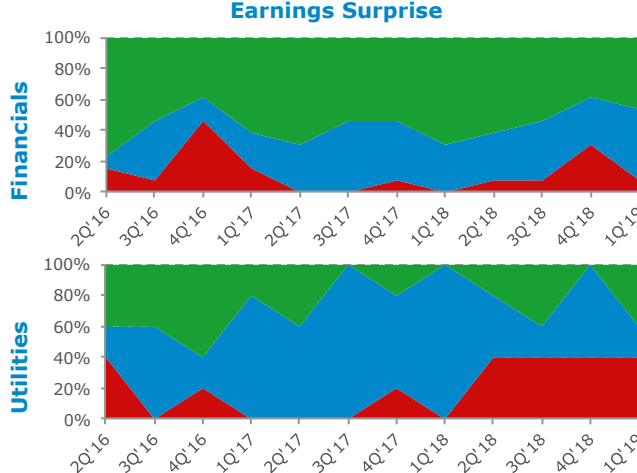
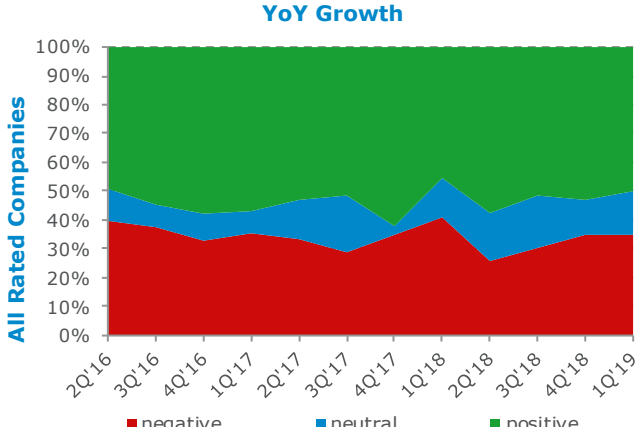
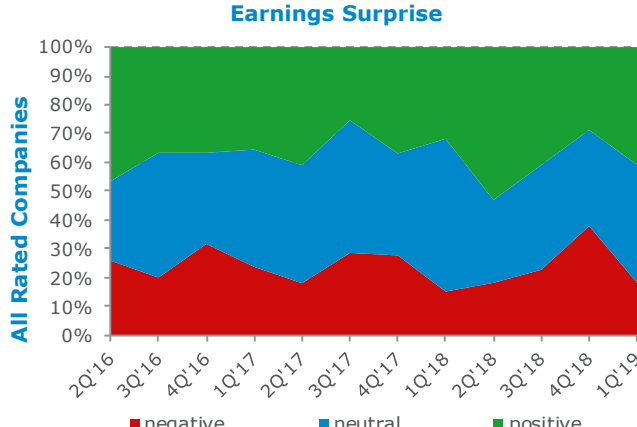
Sector		Poland	US	Germany
Banks	SENTIMENT	BULLISH	NEUTRAL	NEUTRAL
	Stocks To Own	PKO, PEO, EBS, OTP	BAC US, JPM US, KEY US	PBB GY, WUW GY
	Stocks To Avoid	ING		
	Key Catalysts	Supporting operating environment, attractive valuation of regional banks	Yields exceed 10Y Treasury	ECB cuts with bank protective measures
Chemicals	SENTIMENT	BULLISH		NEUTRAL
	Stocks To Own	ATT		EVK GY, LXS GY, BAS GY, FPE GY
	Stocks To Avoid			
	Key Catalysts	Results increase		
Real-Estate Developers	SENTIMENT	NEUTRAL	NEUTRAL	
	Stocks To Own	1AT		
	Stocks To Avoid			
	Key Catalysts			
Utilities	SENTIMENT	BULLISH	NEUTRAL	BULLISH
	Stocks To Own	CEZ, ENA, ENG, PGE, TPE	NRG US	RWE GY
	Stocks To Avoid			UN01 GY
	Key Catalysts	Power prices freeze compensations delivery and publication Polish long term energy policy	Low EPS growth vs Value rotation	Value rotation
Retail, Consumer	SENTIMENT	NEUTRAL	BULLISH	NEUTRAL
	Stocks To Own	LPP, EAT	TJX US, WEN US, VFC US	ADS GY, BOSS GY
	Stocks To Avoid	CCC, EUR, DNP	LULU US	
	Key Catalysts	Good results momentum	Cheaper vs global peers	Staples seems ok, too late in the cycle for discretionary
Oil&Gas, Refining	SENTIMENT	BEARISH	NEUTRAL	
	Stocks To Own	PGN	MPC US, PSX US, DVN US	
	Stocks To Avoid	LTS, PKN		
	Key Catalysts	Poor outlook on downstream margins in 2H and potential delay in PKN/LTS merger process.	Slowdown vs Iran & production cuts	
Industrials	SENTIMENT	NEUTRAL	NEUTRAL	NEUTRAL
	Stocks To Own	AST, COG, FMF, KER, POZ, TIM		SIE GY, AIR FP, MTU GY, DUE GY
	Stocks To Avoid	AML, BRS, IPX, SNK		G1A GY
	Key Catalysts	Cost inflation	Global slowdown	Ifo remains depressed, big gains in June
Mining	SENTIMENT	NEUTRAL	BEARISH	BEARISH
	Stocks To Own	JSW		
	Stocks To Avoid	KGH		
	Key Catalysts	Rise in mining costs	Global slowdown	Global slowdown
Automotive	SENTIMENT	BEARISH	NEUTRAL	NEUTRAL
	Stocks To Own		GM US	CON GY, VW GY, UG FP, BMW GY
	Stocks To Avoid	AML, BRS, SNK		ZIL2GY
	Key Catalysts	New Euro 6 Temp regulation	Slowdown vs low valuations	
Tech, Media	SENTIMENT	BULLISH	BEARISH	NEUTRAL
	Stocks To Own	ASE, CMR	LRCX US, QCOM US, CSCO US	COK GY, WDI GY, IFX GY, SAP GY
	Stocks To Avoid		NFLX US	NEM GY
	Key Catalysts		Tier II names, NDX overvalued	Strong gains in June, demanding valuations
Telecoms	SENTIMENT	NEUTRAL	BULLISH	BULLISH
	Stocks To Own			DTE GY, DRI GY
	Stocks To Avoid	CPS		TC1 GY
	Key Catalysts		Value rotation, Telco = cheap Tech	June underperformance, value rotation

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat / Miss	2016			2017			2018			1Q	+ / =	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q			3Q
Financials												
Alior Bank	+	+	+	-	+	+	=	+	=	=	92%	
Handlowy	+	-	=	+	+	=	+	+	-	-	58%	
ING BSK	+	+	-	+	=	=	=	-	=	+	83%	
Millennium	+	=	+	+	=	+	+	+	=	+	100%	
Pekao	+	+	+	+	=	+	=	=	+	=	100%	
PKO BP	+	+	-	+	+	+	+	=	=	=	92%	
Santander BP	+	=	+	+	+	=	=	+	=	-	92%	
Komercni	+	+	=	+	+	+	+	+	+	+	100%	
Erste Bank	=	+	-	=	+	+	+	+	+	+	92%	
OTP Bank	+	+	-	+	+	+	+	+	+	+	92%	
PZU	-	=	+	+	=	=	+	+	+	=	92%	
Kruk	-	+	-	+	+	=	+	+	+	-	67%	
Skarbiec	+	=	-	=	+	+	+	=	+	-	83%	
Chemicals												
Ciech	+	=	+	=	=	+	=	+	=	-	92%	
Grupa Azoty	-	=	-	+	-	=	=	-	-	+	50%	
Oil & Gas												
Lotos	=	+	=	+	+	+	=	-	+	=	83%	
MOL	=	=	-	+	+	-	=	=	+	+	83%	
PGNiG	-	-	+	+	-	-	=	-	+	-	42%	
PKN Orlen	-	=	+	=	=	=	=	-	=	+	75%	
Utilities												
CEZ	-	=	+	=	=	+	=	-	+	=	83%	
Enea	+	+	+	=	+	=	=	-	=	=	92%	
Energia	-	=	=	=	=	=	=	=	-	-	58%	
PGE	=	+	-	+	+	=	=	=	-	-	67%	
Tauron	+	=	+	+	+	=	=	+	+	+	100%	
TMT												
Netia	+	=	+	=	+	+	=	=	=	=	100%	
Orange PL	=	=	=	+	+	=	=	+	+	+	100%	
Play	na	na	na	na	na	=	=	+	=	+	100%	
Agora	=	=	+	+	+	+	+	+	+	+	100%	
Cyfrowy	=	+	+	+	=	=	+	+	=	=	100%	
Wirtualna	=	-	-	+	=	=	=	=	=	=	83%	
Ailleron	na	na	na	na	na	-	+	=	-	-	57%	
Asseco BS	+	=	=	=	=	+	=	+	+	+	100%	
Asseco PL	+	+	-	=	=	-	+	+	+	+	75%	
Asseco SEE	=	=	+	=	+	-	=	=	+	+	92%	
Atende	na	na	na	na	na	na	+	-	+	+	67%	
Comarch	+	+	+	+	+	-	+	+	+	+	75%	
CD Projekt	+	+	+	+	+	-	+	=	-	+	75%	
Industrials												
Alumetal	+	-	=	-	=	+	=	+	=	-	67%	
Amica	=	=	-	=	=	+	-	+	+	+	75%	
Apator	+	-	=	=	=	-	=	+	=	+	75%	
Boryszew	+	+	-	+	+	+	-	=	-	-	42%	
Cognor	na	na	na	na	na	na	na	+	+	=	60%	
Ergis	-	+	+	+	=	-	-	-	-	-	33%	
Famur	+	=	+	na	-	+	+	+	+	+	91%	
Forte	+	=	=	=	=	-	=	+	-	+	67%	
Grupa Kęty	+	=	=	=	=	-	=	+	=	=	92%	
Impexmetal	+	+	-	+	+	-	+	+	+	-	58%	
JSW	-	-	+	+	+	-	=	+	=	-	58%	
Kernel	-	+	-	-	-	+	=	-	+	+	42%	
KGHM	-	+	+	+	=	+	=	+	-	+	75%	
Kruszwica	-	+	+	-	=	-	+	+	+	+	67%	
Mangata	+	-	+	=	-	-	+	+	+	-	58%	
Pfleiderer	=	+	-	=	=	-	+	+	-	-	42%	
Pozbud	na	na	na	na	na	na	+	+	=	+	83%	
Stelmet	na	-	=	=	=	+	-	+	+	+	64%	
Tarczyński	-	-	+	=	=	+	+	+	=	+	83%	
Real-Estate												
Atal	na	+	=	+	+	-	=	+	+	+	82%	
Dom Dev.	=	=	=	=	+	+	=	+	=	=	100%	
Retail												
AmRest	=	=	+	-	+	+	+	-	-	+	67%	
CCC	+	+	=	-	+	-	-	-	-	-	33%	
Dino	na	na	na	na	+	=	+	=	=	=	100%	
Eurocash	-	-	-	-	=	-	=	=	-	-	33%	
Jeronimo	=	=	=	=	=	=	=	=	=	=	100%	
LPP	=	=	=	=	+	=	-	+	+	=	92%	
Monnari	-	-	-	+	=	=	=	+	=	-	42%	
VRG	-	-	-	-	=	=	=	-	=	=	50%	
YoY												
Financials												
Alior Bank	-	=	+	-	+	+	-	+	+	-	-	58%
Handlowy	+	+	+	-	-	+	+	+	-	-	58%	
ING BSK	+	+	+	+	-	+	+	=	=	=	92%	
Millennium	+	+	+	+	-	+	+	+	+	+	92%	
Pekao	+	-	+	-	=	+	+	=	+	-	58%	
PKO BP	+	+	+	-	=	+	+	+	+	+	83%	
Santander BP	+	+	+	-	+	+	=	=	-	+	67%	
Komercni	+	+	+	+	-	+	-	+	+	+	75%	
Erste Bank	+	+	-	-	+	+	+	+	+	+	75%	
OTP Bank	+	+	=	+	+	+	+	+	+	+	100%	
PZU	-	+	+	+	+	+	+	-	+	=	83%	
Kruk	-	+	+	+	+	=	-	=	+	+	75%	
Skarbiec	-	+	=	+	+	-	+	-	-	-	50%	
Chemicals												
Ciech	+	+	+	+	-	-	+	-	=	-	50%	
Grupa Azoty	-	-	-	-	+	+	+	-	-	-	33%	
Oil & Gas												
Lotos	-	+	+	+	+	+	-	-	+	+	75%	
MOL	-	-	-	+	+	-	=	-	+	+	42%	
PGNiG	-	-	+	+	=	=	=	+	+	-	58%	
PKN Orlen	-	-	+	+	+	+	-	-	-	+	50%	
Utilities												
CEZ	-	-	-	-	-	-	-	-	+	=	25%	
Enea	+	+	+	+	+	=	-	=	=	-	75%	
Energia	=	=	=	-	+	+	-	+	+	-	58%	
PGE	-	-	-	+	+	-	-	+	=	-	50%	
Tauron	-	-	+	+	+	=	=	-	-	+	50%	
TMT												
Netia	=	-	=	-	-	-	=	-	-	-	25%	
Orange PL	-	-	-	-	=	-	+	-	+	+	50%	
Play	na	na	na	+	+	+	=	-	-	+	56%	
Agora	-	-	-	+	+	+	=	+	+	+	58%	
Cyfrowy	-	+	+	+	+	-	=	-	+	=	67%	
Wirtualna	+	+	+	+	+	+	+	+	+	+	100%	
Ailleron	-	+	+	+	+	-	+	=	+	-	67%	
Asseco BS	+	+	+	+	+	+	+	+	+	+	100%	
Asseco PL	+	+	-	-	-	-	+	+	+	+	50%	
Asseco SEE	+	=	+	+	+	+	+	+	+	+	100%	
Atende	+	+	-	+	+	-	+	+	+	+	42%	
Comarch	+	+	+	-	-	-	=	+	+	+	67%	
CD Projekt	-	+	+	+	+	-	-	-	-	-	33%	
Industrials												
Alumetal	+	-	-	-	-	-	+	+	+	-	42%	
Amica	+	+	=	-	=	-	-	+	+	+	67%	
Apator	+	-	+	+	+	-	-	+	+	+	67%	
Boryszew	+	+	-	+	+	+	+	-	-	-	50%	
Cognor	+	+	+	+	=	+	+	+	+	-	83%	
Ergis	-	+	+	+	=	-	-	=	-	-	58%	
Famur	+	+	+	+	=	+	+	+	+	+	100%	
Forte	+	+	+	+	+	-	-	-	-	+	50%	
Grupa Kęty	+	+	+	+	+	+	+	+	+	+	100%	
Impexmetal	+	+	-	+	+	+	+	+	+	+	83%	
JSW	-	-	+	+	+	+	+	=	=	-	58%	
Kernel	-	+	-	-	-	-	-	+	+	-	33%	
KGHM	-	+	+	+	+	+	-	+	+	+	67%	
Kruszwica	=	-	+	=	=	+	+	+	+	+	92%	
Mangata	+	+	-	=	-	-	+	+	+	=	83%	
Pfleiderer	=	+	-	+	+	-	+	+	+	-	67%	
Pozbud	-	-	-	-	-	-	+	+	+	+	50%	
Stelmet	na	-	=	=	=	+	-	+	+	+	64%	
Tarczyński	-	-	-	=	+	+	+	+	+	+	75%	
Real-Estate												
Atal	+	+	-	+	+	=	+	+	=	-	75%	
Dom Dev.	+	+	+	-	+	+	+	+	-	+	83%	
Retail												
AmRest	+	+	+	=	+	+	-	+	=	+	92%	
CCC	+	=	+	+	+	+	-	-	-	-	50%	
Dino	na	na	na	na	+	+	+	+	+	+	100%	
Eurocash	=	=	=	=	=	-	-	+	=	+	50%	
Jeronimo	=	+	+	=	+	+	+	=	=	=	100%	
LPP	-	-	-	+	+	+	+	-	+	+	67%	
Monnari	-	-	-	+	+	+	+	+	+	-	25%	
VRG	=	=	+	-	+	+	+	+	=	+	83%	

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

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



Source: Companies, Bloomberg, PAP, Dom Maklerski mBanku

Macroeconomic Update

Retail Sales

Retail sales in May rose by 5.6% y/y in real terms and 7.3% in nominal terms. It is a minor disappointment with regard to market consensus and our slightly more upbeat forecast. However, it is neither time nor the place to jump into conclusions and envision a major slowdown in retail sales and private consumption.

First of all, the unexpected slowdown happened in categories that are usually volatile ("other" category, fuel sales) or the ones that proved to be a bit exaggerated in the prior month (electronics, home appliances). Secondly, consumer optimism has recently marked and all-time high. Thirdly, additional cash injected in the system (pension+ programme, circa PLN 10bn in May) does not seem to be visible in current data. Due to rather firm budget constraint of beneficiary households it is unlikely that it had already been visible in stellar April's retail sales performance (front-loading of expenditures). Rather, it will be smoothed out in time in coming months. Last but not least, given the real retail sales data alone, private consumption actually accelerated in Q2 vs Q1.

Currently, based on hard data, the economic growth in Q2 can be estimated at 4.6% (previously at 4.8–4.9%). However, this does not change our scenario for the year as a whole – private investments, whose comeback was the pretext for the last forecast increase, are only partly reflected in data from the construction sector. Expenditure on machines and equipment [will] probably grow in Q2 at a double-digit rate. The data has no influence on MPC. It does not deny the vision of a slightly downward GDP trajectory with the inflation rate slightly up in the short run due to one-off factors. MPC has emphasised on many occasions that in such a situation a flat path is the preferred scenario for interest rates.

Industrial Production

Industrial output rose by 7.7% y/y in May, in line with market consensus and close to our forecast (7.7% and 8.0% y/y, respectively). The slowdown vis-à-vis the previous month is, in the absence of any calendar effects, purely a result of high statistical base from the previous year. A quick scan of the details of the release does not suggest that a one-off factor was responsible, while growth appears to be evenly distributed between various industries, exports- and domestically oriented alike. High annual growth rate is, however, hiding a marked pullback in short-term momentum which we had already indicated in last month's comment on the data. Note that May was the third consecutive month in which monthly output growth was essentially zero. It is very likely that the entire quarter will end with marginal growth. After the record-high growth in Q1 (likely boosted by stockpiling ahead of the original Brexit date), it should not come as a surprise. European industry is behaving similarly.

The producer price index slowed from an annual rate of 2.6% to 1.4% in May, against our expectations of a slightly less severe deceleration to 1.6%. The slowdown was due mainly to negative base effects, with prices on a month-over-month basis mostly following a flattish trend. The continued downward-bound march in manufacturing prices was an effect mainly of a high year-ago base. If correlation with exchange rates returns, we can expect a sustained downtrend in June. As a deregulation of electricity prices from 1 July looms, its impact on the prices of goods is hard to predict at this juncture.

Construction output also disappointed, having risen by 9.6% y/y and decreased by 2.7% m/m on a seasonally adjusted basis against predictions of 16% growth on an annual basis. Ex post we can trace it to the slowdown in public investment. It is not unexpected – the breakdown of construction output in Q1 hinted at it, the slowing local government expenditures suggested it and our monitoring of highway and motorway tenders foreshadowed it. The exact timing and the extent of the slowdown was, as usual, hard to pin down. In a comment on industrial output figures, we had warned that the divergence between soft and hard data in Q2 might come down fast with construction output figures – this indeed happened.

Jobs

Employment growth in May disappointed, at 2.7% y/y, with expectations at 2.9%. In comparison to April, there were 12 thousand jobs less, which classifies this month as the second worst May in history (only 2009 was worse). Weaker employment growth together with still solid wage dynamics indicate that supply constraints are getting stronger. Reasons can be found in expiring inflow of labor force from abroad, or even outflow of migrants to better developed economies (it can intensify when Germany opens its market the next year). Supply constraints are also consistently indicated by business surveys, where problems with finding employees are still highly reported, despite the lower labor demand from last few quarters. In consequence, weak employment growth can become a norm in upcoming months as the result of lack of workers.

Average wage surprised positively in May with yearly growth at 7.7%, which is a higher result than both our forecast and market consensus (respectively, 6.7 and 7.1% y/y). As always we can only speculate about its reasons. Our forecast assumed slower wage growth in mining, stabilization in manufacturing and slight decline in some service sectors. As Statistics Poland scant commentary indicates, we were too pessimistic about the mining, but it explains only 0.2pp of the surprise. For now the most probable cause of the surprise is the combination of surprise in mining and manufacturing – our hypothesis will be verified with publication of Statistical Bulletin next week.

In any case, the big picture is unchanged. Since the beginning of 2017, wage growth has been remarkably stable at ca. 7.0% y/y and no statistically significant signs of acceleration or deceleration have been recorded ever since. It would be tempting to assume that 8% constitutes the ceiling for wage growth, but that might not be the case. It seems that the current equilibrium on the labor market is a result of binding supply constraints ameliorated by the slowdown in labor demand. The latter has readily been seen in a variety of soft and hard indicators for a couple of quarters. Nominal wage growth will be impacted by several exogenous factors in the coming months: competition between labor income and social transfers, changes in labor tax wedge (the result of lower PIT rate and higher deductibles), further increases in the minimum wage coming into effect in January and possible rise in inflation expectations in reaction to sustained food price acceleration over the past months.

Nominal and real wage bill growth accelerated in May, from 10.2% to 10.6% and from 8.2% to 8.5% y/y, respectively. In conjunction with the disbursement of the pension bonus, this means that real disposable household income accelerated considerably in May. The local top in income growth will occur in the fourth quarter. As a result, household consumption is unlikely to run out of fuel any time soon.

Strong consumption growth ahead is also reflected in consumer sentiment – at the same time Statistics Poland published its consumer sentiment indices for June and they rose to new all-time highs.

Inflation

After a short break, this year's pattern of upward surprises in inflation reestablished itself – CPI rose by 2.6% y/y (consensus 2.4% y/y, our forecast 2.5% y/y).

Scant details published so far indicate that there were two main sources of the surprise. First, food prices rose by 0.3% m/m, slightly faster than we forecast. We suspect that the increases here can be traced back to fruit and vegetable prices (the latter should not surprise anyone, since both the price level and the growth rate are elevated) as well as more expensive oils and dairy products (somewhat contrary to signals from wholesale prices). Over the past year food prices have already grown by a respectable 5.7% y/y. Other noncore items were slightly deflationary – fuel and energy prices have grown a tad slower than we anticipated (+0.1 and -0.2% m/m, respectively). Second, core inflation turned out to be higher than we expected and rose from 1.7% to 1.9% y/y. What was the source of this? One possibility is communication services prices – we know that several telecom operators have hiked prices starting from June and the relationship between their decisions and prices recorded by Statistics Poland is a non-trivial one. Second, the usual suspect are the prices of services – due to second round effects of higher food prices (restaurant and catering services) and wage growth (all other non-administered prices).

A sharp increase in inflation this year has for long been our baseline scenario, but the durability of food price inflation (let us not forget that upside risks remain) and the surge in core inflation are forcing us to upgrade our CPI trajectory upward. At present we expect inflation to reach 3.5% y/y at the beginning of 2020, although the fate of electricity prices is still uncertain (this number assumes flat prices in this category). Without delving into too much detail, one should note that inflation returned to Poland for good and that inflationary pressures have appeared later than in other countries of the region.

Public Deficit

After the first five months of the year, the state budget recorded a deficit of PLN 2.3 billion, which means that in May alone it rose by PLN 2.2 billion. Such deficit growth in this month is more typical of the 2011–2016 period (in 2017 and 2018 surpluses were recorded in May), but there is an important reason for that – in May a great majority of the so-called “thirteenth pension” were disbursed and this factor greatly increased public expenditure.

Total expenditure rose by 21.6% YoY (in total this year by 14.1% YoY) and this was the main reason for the higher deficit in May. A review of detailed budget implementation confirms the decisive role of the “thirteenth pension” – subsidy for the Social Insurance Fund increased by PLN 4.7 billion YoY (Cf. the chart below) and for the Pension Fund, by PLN 1.3 billion, which explains the nearly 80% increase in expenditure other than the costs of State Treasury debt repayment. The remaining part of increases was distributed equally among smaller expenditure items such as current expenses of budgetary entities, subsidies for universities, contribution to the EU, etc. It should be emphasised that the increase in the 2018 budget expenditure affected virtually all categories and is not only related to the implementation of the fiscal package – as a matter of fact, in the period until May (inclusive) the package accounts for a lesser part of the increase in expenditure. The second local peak expenditure will be in October, with the disbursement of an extended 500+ benefit. The expenditure fireworks overshadow the tax side, the implementation of which in May should be considered good. The fact that the increase in tax receipts (13.4% YoY) significantly reduced the scale of May deficit can be clearly seen in the first chart. Broken down into categories, tax receipts were as follows: VAT +28.2 YoY; CIT +14% YoY; PIT +13.7% YoY; excise tax -3.7% YoY. Whereas solid CIT results have already been taken for granted this year, PIT and VAT increases show that these categories have bounced back from their previous slowdown. For PIT, as we pointed out on many occasions, this was due to the faster tax refund ever since the introduction of e-PITs. The case of VAT is more mysterious, but the May result is almost as good as the results in February to April were bad. Consequently, receipts from VAT based on a 12-month average still remain below last year's highs. A solid nominal private consumption growth (not only the current one but also future consumption) suggests that receipts from this tax should rise at ca. 5–10% YoY.

There should be no doubt that public deficit will rise this year. Based on the current trends on the tax and expenditure sides, we can estimate that budget implementation will be only slightly below the limit laid down in the Budget Law and will amount to ca. PLN 22–25 billion. This means, at the same time, an increase in the general government deficit by ca. 1% of GDP even if the result of local governments turns out (due to the slowdown in public investment projects) better than last year. Consequently and in accordance with forecasts, the sector deficit will grow this year to 1.2–1.4% of GDP – we will be able to say more once we have more complete data for the first half year. This year, despite all appearances, is not of key importance, however. Of much greater importance will be the deficit developments in 2020 and the scale of fiscal tightening (as announced by the recent Convergence Programme Update). For this reason, the budget for next year will be followed by investors with great interest.

mBank Research

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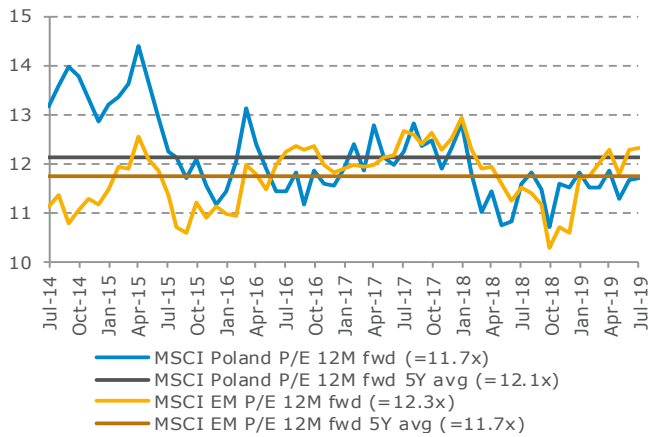


Revisions To FY2019 Earnings Forecasts For WIG30 Companies

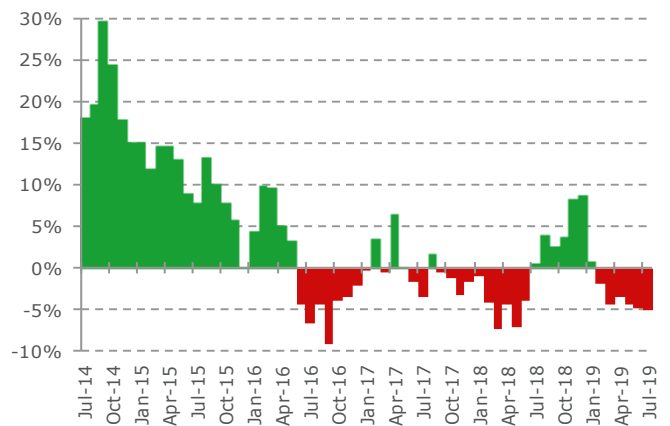
Jun-18=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM	Con.	mDM
Jul-18	-0%	-0%	-1%	+0%	-1%	+0%	+2%	+0%	-0%	+0%	+4%	+0%	-16%	-8%	+1%	+0%
Aug-18	-2%	-1%	-1%	+0%	-3%	-1%	+1%	-0%	-0%	+0%	-0%	-1%	-12%	-14%	-6%	-4%
Sep-18	-1%	-1%	-1%	-0%	+0%	-1%	+1%	-0%	-0%	-2%	-4%	-1%	-13%	-14%	-11%	-4%
Oct-18	-3%	-9%	-3%	-5%	+1%	-3%	-3%	-0%	-1%	-7%	-12%	-15%	-29%	-45%	-6%	-42%
Nov-18	-4%	-10%	-3%	-6%	+3%	-3%	-6%	+1%	-4%	-7%	-14%	-35%	-38%	-53%	-7%	-34%
Dec-18	-5%	-10%	-3%	-6%	+1%	-3%	-7%	+1%	-4%	-7%	-15%	-35%	-38%	-53%	-13%	-34%
Jan-19	-5%	-11%	-4%	-6%	+3%	-2%	-7%	-5%	-8%	-8%	-16%	-35%	-50%	-53%	-14%	-35%
Feb-19	-6%	-12%	-5%	-6%	+1%	-7%	-8%	-5%	-9%	-8%	-22%	-35%	-22%	-22%	-14%	-35%
Mar-19	-6%	-12%	-5%	-6%	-2%	-11%	-6%	-11%	-9%	-14%	-22%	-33%	-17%	-22%	-7%	-24%
Apr-19	-9%	-12%	-5%	-6%	-11%	-11%	-10%	-13%	-8%	-14%	-26%	-33%	-29%	+28%	-10%	-24%
May-19	-10%	-12%	-5%	-8%	-14%	-14%	-9%	-1%	-12%	-18%	-26%	-28%	-5%	+63%	-11%	-30%
Jun-19	-10%	-13%	-5%	-7%	-17%	-14%	-7%	-2%	-17%	-35%	-26%	-25%	+1%	+91%	-15%	-38%

Source: "Con" - Bloomberg consensus forecasts, "mDM" - estimates by Dom Maklerski mBanku, provided ex. mBank, and PKP Cargo. 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)

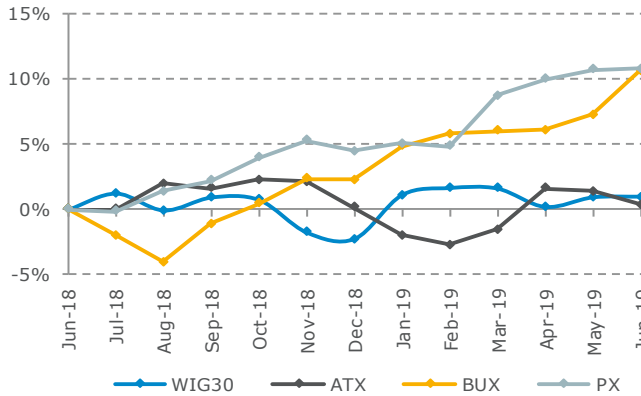


Source: Bloomberg, Dom Maklerski mBanku



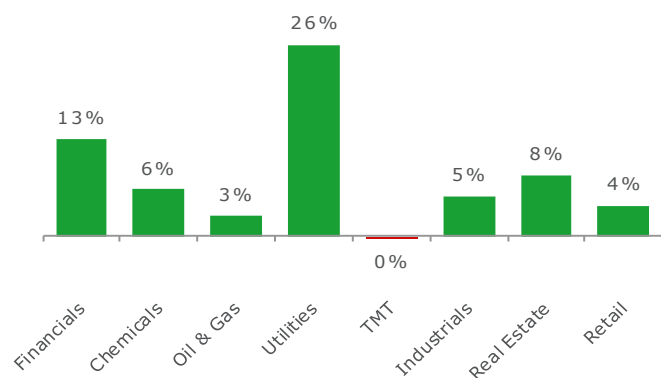
Source: Bloomberg, Dom Maklerski mBanku

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



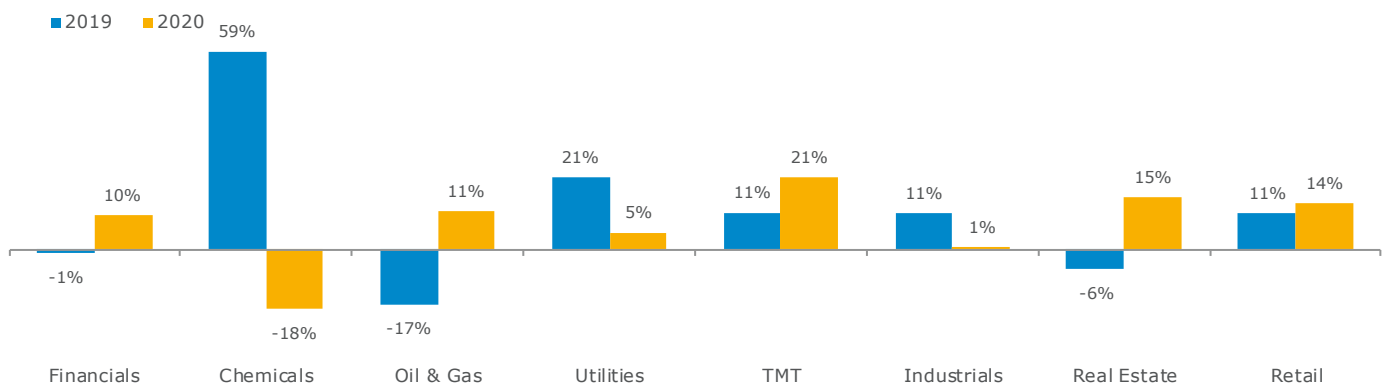
Source: Bloomberg, Dom Maklerski mBanku

Estimated Sector Upside Potential*



Source: Dom Maklerski mBanku; *To MDM price targets

Expected YoY Change in FY2018-2019E Sector Earnings*



Source: Dom Maklerski mBanku; *Net Income for Financials, EBITDA for the remaining sectors

Divergence of Dom Maklerski mBanku Estimates From Consensus Estimates

Sector/Name	mDM Rating	mDM TP ¹	BBG Ratings ²			BBG TP ³	mDM v. BBG TP	mDM v. BBG Earnings			mDM v. BBG EBITDA			Analyst Count ⁴
			▲	▶	▼			2019E	2020E	2021E	2019E	2020E	2021E	
Financials														
Alior Bank	buy	72.30	12	3	1	70.45	+2.6%	-9%	+2%	+8%				12
Handlowy	accumulate	59.45	3	6	2	67.19	-11.5%	-13%	-7%	-6%				9
ING BSK	reduce	191.80	3	5	4	201.75	-4.9%	-1%	+1%	+2%				10
Millennium	accumulate	10.00	4	6	3	9.43	+6.0%	-6%	+6%	+2%				9
Pekao	accumulate	121.00	14	4	0	131.80	-8.2%	-2%	-1%	-3%				16
PKO BP	accumulate	47.17	9	9	0	44.18	+6.8%	+5%	+2%	+1%				14
Santander Bank Polska	hold	377.27	6	10	0	411.85	-8.4%	+3%	+7%	+5%				12
Komerčni Banka	buy	1,000.0	10	7	0	1,007.7	-0.8%	+4%	+7%	-				11
Erste Bank	buy	43.72	20	5	0	40.02	+9.3%	-1%	+1%	-				19
OTP Bank	buy	13,046	9	5	3	13,381	-2.5%	-5%	-7%	-				10
PZU	hold	43.38	7	4	1	46.79	-7.3%	+1%	+1%	+2%				8
Kruk	buy	213.65	5	1	2	202.40	+5.6%	-5%	-7%	-7%				7
Chemicals														
Ciech	hold	41.72	10	2	0	59.15	-29.5%	-15%	-21%	-23%	-4%	-5%	-6%	8/7
Grupa Azoty	accumulate	45.93	7	2	0	45.29	+1.4%	+31%	-41%	-45%	+16%	-13%	-15%	4/4
Oil & Gas														
Lotos	sell	65.95	9	4	2	92.56	-28.8%	-20%	-41%	-34%	-7%	-22%	-16%	12/13
MOL	hold	3,223.0	10	4	0	3,688.8	-12.6%	-43%	-29%	-19%	-12%	-5%	-0%	13/13
PGNiG	buy	6.47	4	3	4	5.97	+8.4%	+10%	+32%	+28%	+7%	+20%	+20%	9/9
PKN Orlen	sell	80.01	5	10	5	101.58	-21.2%	-17%	-35%	-28%	-6%	-21%	-16%	16/16
Utilities														
CEZ	accumulate	597.80	7	8	1	602.51	-0.8%	-0%	-4%	+6%	+0%	-0%	+2%	9/9
Enea	buy	12.41	8	1	1	11.23	+10.5%	+14%	+11%	+3%	+8%	+5%	+0%	7/6
Energa	buy	12.67	3	6	2	9.66	+31.2%	+4%	-16%	-19%	+1%	-3%	-6%	8/7
PGE	buy	13.26	5	5	3	10.95	+21.1%	+16%	+11%	+2%	+10%	+6%	-0%	6/5
Tauron	buy	2.52	3	8	2	2.05	+22.9%	+3%	+9%	-5%	+1%	+6%	-2%	8/8
TMT														
Netia	hold	4.70	3	3	2	4.95	-5.0%	-12%	-24%	-26%	+0%	-2%	+1%	2/3
Orange Polska	hold	7.50	4	9	3	6.27	+19.7%	+84%	+28%	+41%	+8%	+6%	+8%	9/10
Play	hold	29.00	5	7	1	30.03	-3.4%	-0%	-0%	-9%	-0%	-1%	-2%	11/11
Agora	buy	16.00	2	3	0	12.70	+26.0%	-	-	-	-7%	-2%	+5%	4/3
Cyfrowy Polsat	reduce	24.15	6	6	2	27.77	-13.0%	+7%	+11%	+13%	+2%	+2%	+1%	10/9
Wirtualna Polska	hold	61.50	7	1	0	68.31	-10.0%	+1%	+1%	-4%	-3%	+0%	-2%	7/6
Asseco Poland	hold	50.80	2	6	0	55.84	-9.0%	-8%	-11%	-12%	+9%	+6%	+4%	7/7
Asseco BS	neutral	-	0	2	0	28.80	-	-1%	+1%	-	-0%	+1%	-	4/3
Asseco SEE	overweight	-	2	0	0	19.60	-	-3%	+1%	-	+1%	-2%	-	3/3
Comarch	buy	230.00	5	0	0	223.35	+3.0%	+4%	+3%	+0%	+8%	+7%	+6%	5/5
11 bit studios	buy	518.00	8	1	0	473.44	+9.4%	+9%	-1%	+7%	+13%	+5%	+4%	9/9
CD Projekt	accumulate	237.50	12	3	2	236.37	+0.5%	-36%	+26%	+56%	-57%	+6%	+37%	13/12
Industrials														
AC	neutral	-	1	2	0	49.15	-	+8%	+13%	+13%	+6%	+9%	+10%	3/3
Alumetal	underweight	-	4	1	1	51.25	-	+2%	-12%	-17%	+1%	-8%	-14%	5/5
Amica	neutral	-	1	4	0	138.70	-	+11%	+10%	-	+3%	+1%	-	6/6
Apator	neutral	-	1	3	0	28.50	-	-2%	-2%	-	-3%	-3%	-	3/3
Famur	buy	6.96	7	0	0	6.53	+6.6%	+83%	+11%	-1%	+30%	-0%	+2%	5/6
Forte	neutral	-	2	3	3	27.98	-	-17%	-19%	-	-2%	-4%	-	5/5
Grupa Kęty	hold	345.32	4	7	1	375.67	-8.1%	-5%	-4%	-7%	-5%	-5%	-8%	9/9
JSW	accumulate	50.02	4	4	4	59.67	-16.2%	-10%	-34%	-65%	-6%	-11%	-17%	10/10
Kemel	buy	58.63	6	1	0	62.41	-6.1%	+3%	+7%	+13%	+1%	+12%	+11%	4/4
KGHM	hold	98.35	1	7	10	95.75	+2.7%	-21%	-21%	-21%	-7%	-13%	-11%	16/15
Pfleiderer Group	neutral	-	5	1	1	32.93	-	-63%	-34%	+6%	-9%	-8%	-8%	4/3
Real Estate														
Atal	accumulate	41.89	5	0	0	42.47	-1.4%	+1%	-7%	+6%	+2%	-4%	+8%	3/3
Dom Development	hold	79.80	1	5	0	83.26	-4.2%	-0%	+9%	+14%	+1%	+10%	+15%	5/5
Retail														
AmRest	buy	48.00	8	2	0	49.36	-2.8%	+2%	+0%	+11%	+7%	+9%	+15%	9/9
CCC	hold	161.00	4	7	3	183.21	-12.1%	-57%	-26%	-33%	+2%	+7%	-5%	12/12
Dino	reduce	112.70	8	6	4	135.95	-17.1%	-1%	-2%	-7%	-0%	-3%	-8%	13/14
Eurocash	reduce	18.10	5	4	9	21.11	-14.3%	-17%	-18%	-5%	-7%	-11%	-8%	7/13
Jeronimo Martins	hold	14.30	15	11	3	14.87	-3.8%	+2%	+4%	-0%	+2%	+2%	+1%	23/23
LPP	accumulate	8,500.0	3	9	4	8,147.5	+4.3%	+1%	-3%	-1%	+2%	-0%	+1%	11/11
Monnari	underweight	-	1	2	1	6.10	-	+1%	-0%	+9%	-16%	-22%	-15%	3/3
VRG	overweight	-	6	0	0	5.02	-	+3%	+4%	+2%	-8%	-7%	-10%	6/6

Source: Bloomberg (BBG), Dom Maklerski mBanku (mDM); ¹Target Price issued by Dom Maklerski mBanku; 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 By Dom Maklerski mBanku

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E		EV/EBITDA	
							2019	2020	2019	2020
Financial Sector						+12.9%	11.8	11.1		
Alior Bank	buy	2019-07-03	51.10	72.30	51.10	+41.5%	9.2	7.1		
Handlowy	accumulate	2019-07-03	53.60	59.45	53.60	+10.9%	13.5	11.1		
ING BSK	reduce	2019-07-03	203.50	191.80	203.50	-5.7%	16.0	14.3		
Millennium	accumulate	2019-02-01	8.82	10.00	9.40	+6.4%	15.5	11.1		
Pekao	accumulate	2019-07-03	112.95	121.00	112.95	+7.1%	13.0	11.4		
PKO BP	accumulate	2019-06-26	42.20	47.17	43.03	+9.6%	12.2	11.8		
Santander Bank Polska	hold	2019-06-03	365.20	377.27	372.40	+1.3%	14.3	12.0		
Komercni Banka	buy	2019-05-09	873.00	1,000 CZK	888.50	+12.5%	11.1	10.7		
Erste Bank	buy	2019-02-04	31.00	43.72 EUR	32.30	+35.4%	9.3	8.6		
OTP Bank	buy	2019-07-03	11,790	13,046 HUF	11,790	+10.7%	9.8	9.2		
PZU	hold	2019-07-03	44.35	43.38	44.35	-2.2%	11.8	11.2		
Kruk	buy	2019-04-02	152.30	213.65	184.40	+15.9%	10.4	10.2		
Skarbiec Holding	buy	2019-06-03	16.50	28.17	17.80	+58.3%	6.1	5.3		
Chemicals						+6.2%	7.9	13.9	5.0	6.4
Ciech	hold	2019-07-03	41.60	41.72	41.60	+0.3%	8.2	8.6	5.4	5.3
Grupa Azoty	accumulate	2019-07-03	42.10	45.93	42.10	+9.1%	7.5	19.1	4.7	7.6
Oil & Gas						+2.7%	12.2	11.0	5.4	5.0
Lotos	sell	2019-06-03	87.82	65.95	82.66	-20.2%	13.6	12.5	6.9	5.8
MOL	hold	2019-06-03	3,276	3,223 HUF	3,104	+3.8%	15.4	10.0	5.0	4.2
PGNiG	buy	2019-05-28	5.58	6.47	5.29	+22.4%	10.6	8.2	4.5	3.7
PKN Orlen	sell	2019-06-03	96.78	80.01	90.54	-11.6%	10.8	12.1	5.8	5.9
Power Utilities						+25.3%	4.6	5.1	4.0	3.7
CEZ	accumulate	2019-06-25	544.00	597.80 CZK	525.00	+13.9%	15.7	13.6	7.5	6.9
Enea	buy	2019-06-25	8.53	12.41	9.44	+31.5%	3.5	3.2	3.3	3.1
Energa	buy	2019-06-25	7.33	12.67	8.10	+56.4%	4.6	5.1	4.0	4.4
PGE	buy	2019-06-25	9.00	13.26	9.58	+38.4%	5.9	6.6	3.5	3.7
Tauron	buy	2019-06-25	1.57	2.52	1.72	+46.5%	2.7	2.6	4.1	3.7
Telecoms, Media, IT						-0.2%	19.2	15.3	6.4	6.5
Netia	hold	2018-11-26	4.66	4.70	4.79	-1.9%	32.2	26.7	5.5	5.5
Orange Polska	hold	2019-06-19	7.29	7.50	6.77	+10.8%	43.8	27.5	5.1	4.9
Play	hold	2019-07-03	33.34	29.00	33.34	-13.0%	10.1	9.5	6.4	6.5
Agora	buy	2018-11-27	9.50	16.00	13.35	+19.9%	44.3	23.6	6.1	5.6
Cyfrowy Polsat	reduce	2019-05-31	26.00	24.15	30.60	-21.1%	16.0	13.7	7.5	7.2
Wirtualna Polska	hold	2019-07-03	61.20	61.50	61.20	+0.5%	19.2	16.4	10.2	9.0
Asseco Poland	hold	2019-06-03	51.10	50.80	54.30	-6.4%	14.5	14.2	4.7	4.4
Comarch	buy	2019-04-17	181.00	230.00	188.50	+22.0%	15.6	14.0	6.9	6.5
11 bit studios	buy	2019-05-20	398.00	518.00	391.50	+32.3%	26.2	37.4	18.4	22.7
CD Projekt	accumulate	2019-05-09	215.00	237.50	215.00	+10.5%	-	10.5	-	7.7
Industrials, Mining						+5.4%	8.5	10.9	5.0	5.0
Cognor	accumulate	2019-07-03	1.77	1.84	1.77	+0.0%	8.3	11.4	5.1	5.3
Famur	buy	2019-07-03	5.24	6.96	5.24	+32.8%	6.6	10.9	4.2	5.6
Grupa Kęty	hold	2019-07-03	337.00	345.32	337.00	+2.5%	13.1	12.3	9.0	8.6
JSW	accumulate	2019-07-03	47.00	50.02	47.00	+6.4%	5.3	13.8	1.3	2.2
Kemel	buy	2019-06-03	46.50	58.63	49.60	+18.2%	5.5	5.6	5.8	5.0
KGHM	hold	2019-07-03	101.70	98.35	101.70	-3.3%	11.0	10.5	4.8	4.7
Stelmet	hold	2019-07-03	7.00	7.95	7.00	+13.6%	10.4	10.9	5.3	5.0
Property Developers						+8.2%	7.8	7.9	7.3	7.2
Atal	accumulate	2019-07-03	36.60	41.89	36.60	+14.5%	7.8	8.2	7.3	7.7
Dom Development	hold	2019-07-03	77.40	79.80	77.40	+3.1%	8.7	7.9	7.9	7.2
Retail						+4.2%	34.2	25.6	9.7	8.7
AmRest	buy	2019-04-02	41.20	48.00	37.60	+27.7%	35.3	25.8	12.2	9.8
CCC	hold	2019-06-06	153.80	161.00	166.40	-3.2%	62.1	25.6	8.3	6.5
Dino	reduce	2019-04-02	126.10	112.70	136.00	-17.1%	33.0	25.6	19.5	15.6
Eurocash	reduce	2019-06-03	19.31	18.10	19.95	-9.3%	38.6	27.3	8.3	7.4
Jerónimo Martins	hold	2019-05-09	13.89	14.30 EUR	13.79	+3.7%	19.6	17.6	8.6	7.8
LPP	accumulate	2019-07-03	7,745.00	8500.00	7,745.00	+9.7%	21.2	19.1	10.7	9.6

Weighting Recommendations by Dom Maklerski mBanku

Company	Relative Positioning	Rated On	Price At Rating	Current Price	Change	P/E		EV/EBITDA	
						2019	2020	2019	2020
IT						11.5	10.7	4.7	4.4
Ailleron	neutral	2019-06-28	8.40	8.60	+2.4%	11.1	10.0	4.0	3.1
Asseco BS	neutral	2019-03-29	29.50	27.00	-8.5%	13.7	12.7	9.2	8.6
Asseco SEE	overweight	2019-04-11	14.20	16.20	+14.1%	11.8	11.3	4.8	4.4
Atende	neutral	2019-01-31	4.40	3.80	-13.6%	9.5	8.9	4.5	4.4
Industrials						9.4	9.5	6.1	5.8
AC	neutral	2019-03-22	48.50	51.50	+6.2%	11.4	10.3	7.8	7.1
Alumetal	underweight	2019-05-29	51.00	37.00	-27.5%	9.0	9.9	6.9	7.2
Amica	neutral	2019-04-29	130.00	117.80	-9.4%	7.8	7.4	5.0	4.7
Apator	neutral	2019-04-29	25.80	24.50	-5.0%	11.6	11.4	7.4	7.2
Boryszew	neutral	2019-04-29	4.65	4.02	-13.5%	8.9	8.3	7.3	7.1
Ergis	neutral	2019-05-29	3.00	3.02	+0.7%	8.1	9.0	5.2	5.2
Forte	neutral	2019-04-29	40.60	30.50	-24.9%	15.3	13.3	9.5	8.8
Impexmetal	underweight	2019-04-25	4.16	4.22	+1.4%	5.6	5.8	5.9	5.7
Kruszwica	neutral	2019-04-02	43.90	44.60	+1.6%	10.7	9.7	5.7	5.2
Mangata	neutral	2019-05-29	69.50	72.00	+3.6%	9.7	11.0	6.4	7.0
Pfleiderer Group	neutral	2019-05-29	20.40	19.65	-3.7%	41.2	19.8	6.2	5.8
Pozbud	overweight	2019-04-29	2.37	1.99	-16.0%	2.4	2.5	2.3	1.7
Tarczyński	neutral	2019-05-29	15.40	15.00	-2.6%	6.5	5.5	4.8	4.4
TIM	overweight	2019-04-29	7.90	9.18	+16.2%	10.4	9.2	6.1	5.4
Retail						11.6	10.6	6.9	5.9
Monnari	underweight	2018-12-05	4.75	5.36	+12.8%	10.6	10.5	5.6	4.8
VRG	overweight	2019-05-29	3.90	4.01	+2.8%	12.6	10.7	8.3	7.0



Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
Ailleron	neutral	underweight	- -	2019-06-28
Alior Bank	buy	buy	77.00 PLN	2019-06-03
Asseco Poland	hold	hold	50.80 PLN	2019-06-03
Atal	accumulate	hold	43.16 PLN	2019-06-06
CCC	hold	buy	161.00 PLN	2019-06-06
CEZ	accumulate	hold	597.80 CZK	2019-06-25
Ciech	buy	buy	55.00 PLN	2019-06-03
Cognor	overweight	neutral	- -	2019-06-03
Cognor	accumulate	overweight	1.79 PLN	2019-06-14
Dom Development	hold	hold	82.65 PLN	2019-06-06
Enea	buy	buy	12.41 PLN	2019-06-25
Energa	buy	buy	12.67 PLN	2019-06-25
Eurocash	reduce	reduce	18.10 PLN	2019-06-03
Famur	buy	buy	6.67 PLN	2019-06-03
Grupa Azoty	accumulate	buy	44.42 PLN	2019-06-03
Grupa Kęty	reduce	hold	326.37 PLN	2019-06-03
Handlowy	accumulate	buy	61.00 PLN	2019-06-03
Kernel	buy	buy	58.63 PLN	2019-06-03
KGHM	hold	hold	91.71 PLN	2019-06-03
Lotos	sell	sell	65.95 PLN	2019-06-03
LPP	accumulate	hold	8300.00 PLN	2019-06-03
MOL	hold	hold	3223.00 HUF	2019-06-03
Orange Polska	hold	buy	7.50 PLN	2019-06-19
PGE	buy	buy	13.39 PLN	2019-06-03
PGE	buy	buy	13.26 PLN	2019-06-25
PKN Orlen	sell	sell	80.01 PLN	2019-06-03
PKO BP	accumulate	accumulate	47.17 PLN	2019-06-26
Santander Bank Polska	hold	hold	377.27 PLN	2019-06-03
Skarbiec Holding	buy	buy	28.17 PLN	2019-06-03
Tauron	buy	buy	2.52 PLN	2019-06-25

Ratings and Valuations Changed as of 3rd July 2019

Company	Rating	Previous Rating	Target Price	Issued on
Alior Bank	buy	buy	72.30 PLN	2019-07-03
Atal	accumulate	accumulate	41.89 PLN	2019-07-03
Ciech	hold	buy	41.72 PLN	2019-07-03
Cognor	accumulate	accumulate	1.84 PLN	2019-07-03
Dom Development	hold	hold	79.80 PLN	2019-07-03
Famur	buy	buy	6.96 PLN	2019-07-03
Grupa Azoty	accumulate	accumulate	45.93 PLN	2019-07-03
Grupa Kęty	hold	reduce	345.32 PLN	2019-07-03
Handlowy	accumulate	accumulate	59.45 PLN	2019-07-03
ING BSK	reduce	hold	191.80 PLN	2019-07-03
JSW	accumulate	hold	50.02 PLN	2019-07-03
KGHM	hold	hold	98.35 PLN	2019-07-03
LPP	accumulate	accumulate	8500.00 PLN	2019-07-03
OTP Bank	buy	hold	13046.00 HUF	2019-07-03
Pekao	accumulate	buy	121.00 PLN	2019-07-03
Play	hold	buy	29.00 PLN	2019-07-03
PZU	hold	accumulate	43.38 PLN	2019-07-03
Stelmet	hold	hold	7.95 PLN	2019-07-03
Wirtualna Polska	hold	accumulate	61.50 PLN	2019-07-03

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Dom Maklerski mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	2	2.9%	0	0.0%
reduce	4	5.8%	1	4.0%
underweight	3	4.3%	1	4.0%
hold	15	21.7%	4	16.0%
neutral	13	18.8%	5	20.0%
accumulate	11	15.9%	5	20.0%
buy	17	24.6%	9	36.0%
overweight	4	5.8%	0	0.0%

Corporate Events Calendar For July

Date	Time	Company	Event
10-Jul		Pekao	Dividend record date: 6.60 PLN per share
10-Jul		Famur	Dividend record date: 0.53 PLN per share
14-Jul		Ferro	Dividend record date: 1.12 PLN per share
17-Jul		Kernel	Volume data for Q4'19
19-Jul		Kruszwica	Dividend record date: 2.56 PLN per share
22-Jul		PKN Orlen	Dividend record date: 3.50 PLN per share
24-Jul		Orange Polska	Q2'19 earnings announcement
24-Jul		Santander	Q2'19 earnings announcement
25-Jul		Jeronimo Martins	Q2'18 earnings announcement (after the market close)
26-Jul		Millenium	Q2'19 earnings announcement
30-Jul		mBank	Q2'19 earnings announcement
31-Jul		Erste Bank	Q2'19 earnings announcement
31-Jul		GPW	Q2'19 earnings announcement
31-Jul		Torpol	Dividend record date: 0.25 PLN per share

Financial Sector

Alior Bank

buy (reiterated)

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We maintain a buy rating for Alior, with the 9-month price target lowered to PLN 72.30 per share after downward revisions to our earnings forecasts to reflect higher-than-originally assumed provisions, in the amount of PLN 200m, for non-performing loans due from the troubled meat producer ZM Kania. Our updated forecasts assume cost of risk of 2.0% in 2019 and 1.9% in 2020 — higher figures than the 1.8% and 1.7%, respectively, assumed by the Bank. On the other hand, we have slightly bolder expectations as to net interest margins (at 4.7%-4.6%) in the next two years, based on favorable market conditions characterized by strong lending and falling costs of financing. Our updated 2019 net income estimate stands 9% lower than the current consensus, which probably does not yet account for the increased loan charge-offs. Alior seems to have largely overcome the challenges of the growth phase of its business, such as asset quality (cost of risk in retail is stable) and shortfalls in cash. By 2021, we predict that the Bank will post a profit of PLN 1 billion, and achieve ROE of 12% (the second-highest in Poland), reaching solvency ratios good enough to be allowed to distribute 100% of annual earnings as dividends.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	2,841	3,085	3,359	3,593	3,821
Fee income	453	436	709	729	754
Trading income	376	476	181	185	188
Other income	127	127	127	133	140
Noninterest income	956	1,039	1,017	1,047	1,083
Total income	3,797	4,124	4,377	4,640	4,904
Operating expenses	1,930	1,847	1,705	1,907	1,963
Operating income	1,867	2,277	2,467	2,733	2,941
Provisioning	930	1,080	1,234	1,255	1,249
Profits of associates	0	0	0	0	1
Pre-tax income	937	1,196	1,233	1,478	1,692
Tax	221	275	293	310	355
Minority interests	0	0	0	0	0
Asset tax	201	208	224	244	264
Net income	515	713	716	924	1,073

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	-8	0%
Value Driver (2021-35)	8,657	72%
Fade (2036-55)	2,126	18%
Terminal Value	1,298	11%
Fair Value	12,073	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	93.40	
9M Target Price (PLN)	99.36	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	6,920	60%
Explicit Forecast (2018-20)	1,234	11%
PV Adjustment	455	4%
Value Driver (2021-35)	2,889	25%
Fade (2036-55)	98	1%
Fair Value	11,596	100%
Outst. Shares (millions)	129	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	89.72	
9M Target Price (PLN)	95.43	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	12,073
Economic Profits	50%	11,596
Fair Value Avg.		11,835
Fair Value Per Share (PLN)		91.56
Asset tax		-23.59
Fair Value Per Share		67.97
Cost of equity (9M)		6.4%
9M Target Price (PLN)		72.30

Current Price	51.10 PLN	Upside
9M Target Price	72.30 PLN	+41.5%

	rating	target price	issued
new	buy	72.30 PLN	2019-07-03
old	buy	77.00 PLN	2019-06-03
Key Metrics		ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-3.2%
ISIN	PLALIOR00045	YTD Price Chng	-3.9%
Outst. Stock (m)	129.3	ADTV 1M	PLN 13.0m
MC (PLN m)	6,605.1	ADTV 6M	PLN 13.1m
		P/E 12M fwd	7.9
Free Float	74.8%	P/E 5Y avg	13.0

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,601	3,085	3,359	3,593	3,821
Total income	3,797	4,124	4,377	4,640	4,904
Costs	-1,930	-1,847	-1,910	-1,907	-1,963
Provisioning	-930	-1,080	-1,234	-1,255	-1,249
Net income	515	713	716	924	1,073
P/E	12.5	9.0	9.0	7.0	6.0
P/B	1.0	1.0	0.9	0.8	0.7
ROE	8.0%	10.8%	10.4%	12.0%	12.3%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)		2019P	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		+12.9%	+8.1%	0.0%	
Net income		-13.1%	-7.5%	-0.1%	

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	51,267	54,246	59,053	63,934	68,894
Other assets	18,227	19,174	20,434	21,777	23,213
Total assets	69,494	73,420	79,488	85,712	92,107
Deposits	57,614	62,436	66,945	71,828	76,854
Other liabilities	5,117	4,498	5,291	5,709	6,004
Minority interests	1	0	0	0	0
Equity	6,761	6,486	7,252	8,175	9,249

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	4.3%	4.5%	4.7%	4.6%	4.5%
C/I	50.8%	44.8%	43.6%	41.1%	40.0%
CoR	1.8%	1.9%	2.0%	1.9%	1.7%
NPL Ratio	10.8%	10.6%	10.4%	10.2%	10.2%
Tier 1 Ratio	12.1%	12.8%	13.8%	14.5%	15.6%

Handlowy accumulate (reiterated)

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We maintain an accumulate rating for Handlowy, with the updated 9-month price target adjusted for dividend at PLN 59.45 per share. The Bank's shareholders voted against the distribution of 25% of 2018 earnings as dividends this year, indicating potential for an extra cash dividend of PLN 1.25 in 2020, with the implied dividend yield then coming close to 8%. The profit retention in 2019 was fully anticipated by us, but not by the market at large, as evidenced by the June rebound in BHW stock. On top of potentially generous future dividends, Handlowy seems to us a relatively safe haven at the moment amid the recent turmoil in the Polish banking sector. Any climb in cost of risk in the aftermath of the potential insolvency of Poland's troubled meat producer ZM Henryk Kania, which has loans from multiple banks, will be a one-off charge which in any case is already fully priced-in.

Current Price	53.60 PLN	Upside
9M Target Price	59.45 PLN	+10.9%

	rating	target price	issued	
new	accumulate	59.45 PLN	2019-07-03	
old	accumulate	61.00 PLN	2019-06-03	
Key Metrics		BHW PW	vs. WIG	
Ticker	BHW PW	1M Price Chng	+7.3%	+2.7%
ISIN	PLBH00000012	YTD Price Chng	-18.0%	-22.9%
Outst. Stock (m)	130.7	ADTV 1M		PLN 3.9m
MC (PLN m)	7,003.4	ADTV 6M		PLN 5.9m
		P/E 12M fwd	11.3	-25.7%
Free Float	25.0%	P/E 5Y avg	15.2	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,082	1,108	1,179	1,273	1,353
Total income	2,079	2,159	2,210	2,321	2,427
Costs	-1,192	-1,180	-1,267	-1,294	-1,319
Provisioning	-103	-64	-159	-84	-92
Net income	536	639	517	631	675
P/E	13.1	10.9	13.5	11.1	10.4
P/B	1.0	1.0	1.0	1.0	0.9
ROE	7.8%	9.1%	7.3%	8.9%	9.2%
DPS	4.60	4.10	3.74	4.22	3.62
DYield	8.6%	7.6%	7.0%	7.9%	6.8%
Projection Update (% change)			2019P	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)	2017	2018	2019P	2020P	2021P
Net interest income	1,082	1,108	1,179	1,274	1,355
Fee income	581	550	547	553	565
Trading income	396	487	443	454	465
Other income	21	15	41	42	44
Noninterest income	997	1,052	1,031	1,049	1,074
Total income	2,079	2,159	2,210	2,323	2,429
Operating expenses	1,192	1,180	1,267	1,294	1,319
Operating income	888	980	943	1,029	1,110
Provisioning	103	64	159	84	92
Profits of associates	0	0	0	0	0
Pre-tax income	785	916	784	945	1,018
Tax	172	190	176	212	228
Minority interests	0	0	0	0	0
Asset tax	78	87	91	101	113
Net income	536	639	517	632	677

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	910	11%
PV Adjustment	26	0%
Value Driver (2022-36)	6,646	79%
Fade (2037-56)	705	8%
Terminal Value	156	2%
Fair Value	8,442	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	64.61	
9M Target Price (PLN)	68.73	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,537	100%
Explicit Forecast (2019-21)	-82	-1%
PV Adjustment	335	4%
Value Driver (2022-36)	-220	-3%
Fade (2037-56)	-24	0%
Fair Value	8,546	100%
Outst. Shares (millions)	131	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	65.40	
9M Target Price (PLN)	69.57	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	8,442
Economic Profits	50%	8,546
Fair Value Avg.		8,494
Fair Value Per Share (PLN)		65.01
Asset tax		-9.13
Fair Value Per Share		55.88
Cost of equity (9M)		6.4%
9M Target Price (PLN)		59.45

ING BSK reduce (downgraded)

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We downgrade ING BSK to reduce after recent share price gains, with the price target unchanged at PLN 191.80. The Bank's strong performance of late cannot have much to do with first-quarter results, which at best might prompt only very minor revisions to the 2019 earnings forecasts of analysts. Note that the boost in Q1 from lower-than-usual quarterly tax will not be repeated in Q2 or Q3. On the upside, ING's future NIM can be expected to widen after the Bank trimmed interest paid on deposits and savings accounts, effective from July. Our valuation model for ING indicates the Bank should be traded at a higher premium to the sector than most of its peers, owing to minimal exposure to CHF loan risk combined with fast-paced growth, consistent dividends, and one of the region's highest ROE, expected to come in at 12.3% in 2019.

Current Price 203.50 PLN **Downside**
9M Target Price 191.80 PLN **-5.7%**

	rating	target price	issued
new	reduce	191.80 PLN	2019-07-03
old	hold	191.80 PLN	2019-02-01
Key Metrics		ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	+7.2% +2.7%
ISIN	PLBSK0000017	YTD Price Chng	+15.3% +10.4%
Outst. Stock (m)	130.1	ADTV 1M	PLN 2.8m
MC (PLN m)	26,475.4	ADTV 6M	PLN 1.6m
		P/E 12M fwd	14.8 -4.7%
Free Float	25.0%	P/E 5Y avg	15.6 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	3,453	3,760	4,139	4,570	4,980
Total income	4,756	5,233	5,620	6,091	6,573
Costs	-2,123	-2,327	-2,429	-2,524	-2,613
Provisioning	-421	-501	-579	-642	-713
Net income	1,403	1,526	1,658	1,856	2,062
P/E	19.0	18.0	16.0	14.3	12.9
P/B	2.2	2.0	2.0	1.8	1.6
ROE	12.6%	12.1%	12.3%	13.1%	13.3%
DPS	0.00	3.20	3.50	3.82	4.28
DYield	0.0%	1.6%	1.7%	1.9%	2.1%
Projection Update (% change)			2019P	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)	2017	2018	2019P	2020P	2021P
Net interest income	3,453	3,760	4,139	4,570	4,980
Fee income	1,183	1,305	1,327	1,360	1,424
Trading income	117	154	137	144	151
Other income	3	14	17	17	18
Noninterest income	1,303	1,473	1,481	1,521	1,593
Total income	4,756	5,233	5,620	6,091	6,573
Operating expenses	2,123	2,327	2,429	2,524	2,613
Operating income	2,633	2,906	3,191	3,567	3,960
Provisioning	421	501	579	642	713
Profits of associates	0	0	12	25	24
Pre-tax income	2,212	2,405	2,625	2,951	3,272
Tax	479	507	551	620	687
Minority interests	0	0	0	0	0
Asset tax	330	372	415	475	522
Net income	1,403	1,526	1,658	1,856	2,062

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	1,341	5%
PV Adjustment	871	3%
Value Driver (2021-35)	17,232	61%
Fade (2036-55)	7,165	25%
Terminal Value	1,867	7%
Fair Value	28,476	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	218.88	
9M Target Price (PLN)	232.83	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	11,950	41%
Explicit Forecast (2018-20)	2,237	8%
PV Adjustment	1,735	6%
Value Driver (2021-35)	10,137	35%
Fade (2036-55)	3,253	11%
Fair Value	29,311	100%
Outst. Shares (millions)	130	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	225.30	
9M Target Price (PLN)	239.66	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	28,476
Economic Profits	50%	29,311
Fair Value Avg.		28,894
Fair Value Per Share (PLN)		222.09
Asset tax		-41.78
Fair Value Per Share		180.31
Cost of equity (9M)		6.4%
9M Target Price (PLN)		191.80

Millennium accumulate (no change)

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We maintain an accumulate rating for Millennium. The Bank continues its value-enhancing merger with Eurobank, a process which will likely take up the remainder of the year. As a reminder, Millennium paid for deal from cash on hand, which means it will probably not make a distribution to shareholders for at least three years. On the upside, by acquiring Eurobank, Millennium stands to increase its market share by an estimated 1.6% in retail lending and 0.9% in total loans. On the downside, the post-merger integration entails extra costs, but looking at Millennium's strong first-quarter results the core business is set for an equally profitable FY2019.

Current Price 9.40 PLN **Upside**
9M Target Price 10.00 PLN **+6.4%**

	rating	target price	issued
unchanged	accumulate	10.00 PLN	2019-02-01

Key Metrics			MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	-1.8%	-6.3%
ISIN	PLBIG0000016	YTD Price Chng	+6.0%	+1.0%
Outst. Stock (m)	1,213.1	ADTV 1M		PLN 6.5m
MC (PLN m)	11,403.3	ADTV 6M		PLN 5.6m
		P/E 12M fwd	12.9	+1.5%
Free Float	50.0%	P/E 5Y avg	12.7	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	1,696	1,817	2,282	2,783	2,950
Total income	2,650	2,778	3,322	3,913	4,114
Costs	-1,156	1,332	-1,803	-1,894	-1,887
Provisioning	-255	-222	-308	-400	-435
Net income	681	761	735	1,026	1,144
P/E	16.8	15.6	15.6	11.2	10.0
P/B	1.5	1.4	1.3	1.1	1.0
ROE	9.3%	9.4%	8.4%	10.8%	10.7%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2019P	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)	2017	2018	2019P	2020P	2021P
Net interest income	1,696	1,817	2,282	2,783	2,950
Fee income	664	661	717	771	801
Trading income	220	248	276	310	314
Other income	70	51	47	48	50
Noninterest income	953	960	1,039	1,130	1,165
Total income	2,650	2,778	3,322	3,913	4,114
Operating expenses	1,281	1,332	1,803	1,894	1,887
Operating income	1,369	1,445	1,519	2,019	2,228
Provisioning	255	222	308	400	435
Profits of associates	0	0	0	0	0
Pre-tax income	1,114	1,223	1,210	1,619	1,792
Tax	244	264	261	349	386
Minority interests	0	959	0	0	0
Asset tax	188	198	214	244	262
Net income	681	761	735	1,026	1,144

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	0	0%
PV Adjustment	426	3%
Value Driver (2021-35)	10,355	71%
Fade (2036-55)	3,010	21%
Terminal Value	853	6%
Fair Value	14,644	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	12.07	
9M Target Price (PLN)	12.84	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,029	58%
Explicit Forecast (2018-20)	776	6%
PV Adjustment	815	6%
Value Driver (2021-35)	3,061	22%
Fade (2036-55)	1,093	8%
Fair Value	13,774	100%
Outst. Shares (millions)	1,213	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	11.35	
9M Target Price (PLN)	12.08	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	14,644
Economic Profits	50%	13,774
Fair Value Avg.		14,209
Fair Value Per Share (PLN)		11.71
Asset tax		-2.31
Fair Value Per Share		9.40
Cost of equity (9M)		6.4%
9M Target Price (PLN)		10.00

Pekao accumulate (downgraded)

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We downgrade Pekao from buy to accumulate after a 6% share price gain in June driven by expectations of solid dividends, an upgrade of the S&P's ratings outlook to positive, and a reduced probability that Pekao will make a bid for Idea Bank. Pekao's CEO said he believed the Bank's contribution to the Deposit Guarantee Fund next year could go down by as much as PLN 100m, and while we are less optimistic about the size of the cut we do agree that the annual regulatory charges will decrease in 2020. Further, planned downsizing should help to further reduce Pekao's C/I ratio, potentially boosting the net profit for 2020 by as much as 14%. This year, investors can still look forward to a PLN 6.60-a-share dividend payment, with the record date set for July 10th. PEO is trading at 5% and 2.5% discounts, respectively, to the 2020E and 2021E P/E multiples of its peers, as well as showing respective discounts of 4% each to the ratios of rival PKO BP. The upcoming dividend, coupled with strong earnings prospects, supported by greater stability anticipated after this year's parliamentary elections (including lower odds of forced acquisitions of troubled banks), jointly with attractive valuation ratios, mean that PEO still has potential for upside.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Net interest income	4,593	4,994	5,493	5,881	6,271
Fee income	2,353	2,463	2,554	2,621	2,692
Trading income	255	237	204	210	217
Other income	77	137	86	94	103
Noninterest income	2,685	2,836	2,844	2,926	3,012
Total income	7,278	7,830	8,337	8,807	9,283
Operating expenses	3,535	3,710	4,094	3,971	4,089
Operating income	3,743	4,120	4,243	4,835	5,194
Provisioning	521	511	526	660	742
Profits of associates	453	0	0	0	0
Pre-tax income	3,675	3,609	3,718	4,175	4,453
Tax	677	760	818	898	957
Minority interests	-1	-1	-1	-1	-1
Asset tax	522	562	617	668	723
Net income	2,475	2,287	2,282	2,609	2,772

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	4,583	12%
PV Adjustment	2,736	7%
Value Driver (2021-35)	22,947	58%
Fade (2036-55)	6,806	17%
Terminal Value	2,453	6%
Fair Value	39,525	100%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	150.67	
9M Target Price (PLN)	160.27	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,966	63%
Explicit Forecast (2018-20)	2,662	7%
PV Adjustment	1,229	3%
Value Driver (2021-35)	8,165	21%
Fade (2036-55)	996	3%
Fair Value	38,017	96%
Outst. Shares (millions)	262	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	144.84	
9M Target Price (PLN)	154.08	

Current Price 112.95 PLN **Upside**
9M Target Price 121.00 PLN **+7.1%**

	rating	target price	issued
new	accumulate	121.00 PLN	2019-07-03
old	buy	121.00 PLN	2019-05-30
Key Metrics			
Ticker	PEO PW	1M Price Chng	+6.3% +1.8%
ISIN	PLPEKAO000016	YTD Price Chng	+3.6% -1.3%
Outst. Stock (m)	262.5	ADTV 1M	PLN 73.0m
MC (PLN m)	29,646.0	ADTV 6M	PLN 73.2m
		P/E 12M fwd	11.9 -20.6%
Free Float	67.2%	P/E 5Y avg	15.0 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	4,593	4,994	5,493	5,881	6,271
Total income	7,278	7,830	8,337	8,807	9,283
Costs	-3,535	-3,710	-4,094	-3,971	-4,089
Provisioning	-521	-511	-526	-660	-742
Net income	2,475	2,287	2,282	2,609	2,772
P/E	11.9	12.9	13.0	11.3	10.7
P/B	1.3	1.3	1.3	1.2	1.2
ROE	10.7%	9.9%	9.9%	10.9%	11.2%
DPS	8.68	7.90	6.60	6.52	7.46
DYield	7.7%	7.0%	5.8%	5.8%	6.6%
Projection Update (% change)			2019P	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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Net loans	132,301	129,297	141,856	154,846	168,102
Other assets	53,165	61,793	64,193	66,774	69,479
Total assets	185,466	191,090	206,049	221,620	237,581
Deposits	146,186	149,491	161,450	173,454	184,619
Other liabilities	16,011	18,791	21,205	23,823	27,761
Minority interests	0	11	12	13	14
Equity	23,268	22,797	23,382	24,330	25,187

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
NIM	2.6%	2.8%	2.9%	2.8%	2.8%
C/I	48.6%	47.4%	49.9%	46.0%	44.9%
CoR	0.4%	0.4%	0.4%	0.4%	0.4%
NPL Ratio	5.4%	5.4%	5.4%	5.4%	6.0%
Tier 1 Ratio	16.1%	16.3%	16.8%	16.2%	15.8%

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	39,525
Economic Profits	50%	38,017
Fair Value Avg.		38,771
Fair Value Per Share (PLN)		147.76
Asset tax		-34.01
Fair Value Per Share		113.75
Cost of equity (9M)		6.4%
9M Target Price (PLN)		121.00

PKO BP accumulate (no change)

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We maintain an accumulate rating for PKO BP. For nine quarters straight, the Bank has delivered superior-quality earnings in line with or above market expectations. Based on fast-paced growth in net fee income, driven by strong consumer lending and low-risk loans, in June we raised our 2019 net income estimate for the Bank by 7%, with 2020 and 2021 forecasts also revised upward by 5%-6%. Note that the profits for 2019 will receive one-time boosts to the tune of PLN 235m, including from a withholding tax reversal (Q1), negative goodwill on the acquisition of PCM (2Q'19), and revaluation of investments (3Q'19). PKO has the solvency ratios to be eligible to make extra shareholder distributions from retained earnings, and in the future this ticket will be further reinforced by the state's plans to form a National Capital Investment Fund using money provided by dividends from state-owned companies. Given high dividends combined with increasing profits, there is enough reason for PKO's re-rating to 13.0x fair P/E.

Current Price 43.03 PLN **Upside**
9M Target Price 47.17 PLN **+9.6%**

	rating	target price	issued
unchanged	accumulate	47.17 PLN	2019-06-26

Key Metrics			PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	+9.5%	+5.0%
ISIN	PLPKO0000016	YTD Price Chng	+9.0%	+4.1%
Outst. Stock (m)	1,250.0	ADTV 1M		PLN 114.9m
MC (PLN m)	53,787.5	ADTV 6M		PLN 92.6m
		P/E 12M fwd	12.5	-4.1%
Free Float	70.6%	P/E 5Y avg	13.0	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	8,606	9,353	10,290	10,975	11,616
Total income	12,803	13,660	14,643	15,389	16,159
Costs	-6,050	6,218	-6,421	-6,553	-6,731
Provisioning	-1,617	-1,451	-1,455	-1,737	-1,876
Net income	3,104	3,741	4,409	4,551	4,833
P/E	17.2	14.3	12.1	11.8	11.1
P/B	1.5	1.4	1.3	1.2	1.2
ROE	9.0%	9.9%	10.9%	10.7%	11.0%
DPS	0.00	0.55	1.33	3.10	3.75
DYield	0.0%	1.3%	3.1%	7.2%	8.7%
Projection Update (% change)			2019P	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)	2017	2018	2019P	2020P	2021P
Net interest income	8,606	9,353	10,290	10,975	11,616
Fee income	2,969	3,013	2,997	3,079	3,157
Trading income	518	664	758	706	727
Other income	733	630	599	628	660
Noninterest income	4,220	4,307	4,354	4,414	4,543
Total income	12,826	13,660	14,643	15,389	16,159
Operating expenses	6,050	6,218	6,421	6,553	6,731
Operating income	6,776	7,442	8,222	8,836	9,427
Provisioning	1,617	1,451	1,455	1,737	1,876
Profits of associates	22	37	39	41	43
Pre-tax income	5,181	6,028	6,866	7,140	7,594
Tax	-1,140	-1,336	-1,442	-1,499	-1,595
Minority interests	-5	-1	-1	-1	-1
Asset tax	932	950	1,014	1,089	1,165
Net income	3,104	3,741	4,409	4,551	4,833

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2019-20)	8,686	12%
PV Adjustment	4,144	6%
Value Driver (2021-35)	44,455	64%
Fade (2036-55)	10,418	15%
Terminal Value	2,059	3%
Fair Value	69,762	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	55.81	
9M Target Price (PLN)	59.37	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	42,477	62%
Explicit Forecast (2018-20)	4,639	7%
PV Adjustment	2,539	4%
Value Driver (2021-35)	14,878	22%
Fade (2036-55)	3,569	5%
Fair Value	68,102	100%
Outst. Shares (millions)	1,250	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	54.48	
9M Target Price (PLN)	57.95	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	69,762
Economic Profits	50%	68,102
Fair Value Avg.		68,932
Fair Value Per Share (PLN)		55.15
Asset tax		-10.80
Fair Value Per Share		44.34
Cost of equity (9M)		6.4%
9M Target Price (PLN)		47.17

Santander Bank Polska hold (no change)

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We maintain a hold rating for Santander, with an unchanged price target. Analysts cut their FY2019 average earnings forecast for the Bank by only 1% based on first-quarter results, less than we would have expected looking at the quarterly figures. The market is probably hoping for a boost from cost-cutting and downsizing measures. Not counting one-time events, Santander generates revenues consistent with our estimates. According to its Spanish parent, Santander Poland can achieve ROE in the range of 14%-16% in the medium term, a prediction which squares with our ROE forecast of 14%-15% for the next two years. Santander wants to focus on increasing customer retention and improving loyalty and satisfaction, and it has no immediate plans for more M&A deals. At the current level, SPL looks fairly priced to us.

Current Price	372.40 PLN	Upside
9M Target Price	377.27 PLN	+1.3%

	rating	target price	issued
unchanged	hold	377.27 PLN	2019-06-03

Key Metrics			SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	+2.0%	-2.6%
ISIN	PLBZ00000044	YTD Price Chng	+10.0%	+5.1%
Outst. Stock (m)	102.0	ADTV 1M		PLN 16.8m
MC (PLN m)	37,979.0	ADTV 6M		PLN 19.8m
		P/E 12M fwd	13.8	-4.7%
Free Float	31.7%	P/E 5Y avg	14.4	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
NII	5,277	5,742	6,792	7,487	8,031
Total income	7,764	8,349	9,657	10,417	11,050
Costs	-3,372	-3,769	-4,117	-4,116	-4,110
Provisioning	-690	-1,138	-1,182	-1,258	-1,359
Net income	2,213	2,365	2,648	3,155	3,557
P/E	16.6	15.7	14.2	12.0	10.6
P/B	1.7	1.5	1.4	1.3	1.2
ROE	10.6%	10.1%	10.3%	11.4%	11.9%
DPS	5.40	3.10	19.72	12.98	15.47
DYield	1.5%	0.8%	5.3%	3.5%	4.2%

Projection Update (% change)	2019P	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)	2017	2018	2019P	2020P	2021P
Net interest income	5,277	5,742	6,792	7,487	8,031
Fee income	2,013	2,058	2,271	2,323	2,400
Trading income	323	335	371	375	379
Other income	151	214	222	231	241
Noninterest income	2,487	2,606	2,864	2,930	3,019
Total income	7,764	8,349	9,657	10,417	11,050
Operating expenses	3,372	3,769	4,117	4,116	4,110
Operating income	4,391	4,580	5,539	6,301	6,940
Provisioning	690	1,138	1,182	1,258	1,359
Profits of associates	58	63	63	63	63
Pre-tax income	3,759	3,892	4,420	5,105	5,644
Tax	817	727	888	1,026	1,134
Minority interests	-305	-334	-318	-320	-305
Asset tax	-424	-466	-565	-603	-648
Net income	2,213	2,365	2,648	3,155	3,557

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2020-21)	2,360	6%
PV Adjustment	2,118	5%
Value Driver (2022-36)	23,554	56%
Fade (2037-56)	10,196	24%
Terminal Value	4,031	10%
Fair Value	42,259	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	425.85	
9M Target Price (PLN)	453.00	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	24,408	58%
Explicit Forecast (2019-21)	5,051	12%
PV Adjustment	283	1%
Value Driver (2022-36)	10,470	25%
Fade (2037-56)	2,115	5%
Fair Value	42,327	100%
Outst. Shares (millions)	99	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	426.53	
9M Target Price (PLN)	453.73	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	42,259
Economic Profits	50%	42,327
Fair Value Avg.		42,293
Fair Value Per Share (PLN)		426.19
Asset tax		-71.54
Fair Value Per Share		354.66
Cost of equity (9M)		6.4%
9M Target Price (PLN)		377.27

Komercni Banka buy (no change)

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We maintain a buy rating for Komercni Banka. Komercni's performance is supported by recent shifts in the political landscape, including minimized odds of additional taxes on assets and dividends, and a limited earnings impact after the establishment of a 'National Development Fund' in the Czech Republic. The Fund has a planned initial capital of CZK 7bn, to be brought in 2020 by the country's four biggest banks (CS, CSOB, KB, UniCredit), and possibly topped up by smaller banks. The contributions will be considered an investment which will be recognized in equity without affecting P&Ls. In Q1 2019 Komercni delivered a net profit 5% above our estimate, supported by further net reversals which might continue still in future quarters. Komercni itself is guiding for higher interest income this year, alongside loan growth in the mid-single digits. The increase in the anti-cyclical buffer by 25bp from July and another 25bp in January 2020 should not affect the Bank's ability to meet all the solvency requirements. Supported by high ROE (>14% compared to 10% expected of Polish banks), we expect Komercni to offer dividend yields close to 6% in the next two years

Current Price 888.50 CZK **Upside**
9M Target Price 1,000.00 CZK **+12.5%**

	rating	target price	issued
unchanged	buy	1,000.00 CZK	2019-05-09

Key Metrics			KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	+1.8%	-2.8%
ISIN	CZ0008019106	YTD Price Chng	+11.6%	+6.7%
Outst. Stock (m)	188.9	ADTV 1M		CZK 80.2m
MC (CZK bn)	167.8	ADTV 6M		CZK 119.7m
		P/E 12M fwd	11.4	-16.2%
Free Float	39.6%	P/E 5Y avg	13.7	discount

Earnings Projections

(CZK m)	2017	2018	2019P	2020P
NII	20,808	22,509	24,821	26,493
Total income	31,060	32,202	34,401	36,339
Costs	-14,516	-14,495	-14,876	-15,215
Provisioning	391	643	-886	-1,758
Net income	14,930	14,846	15,119	15,728
P/E	11.3	11.3	11.1	10.7
P/B	1.7	1.6	1.5	1.4
ROE	15.0%	14.9%	14.2%	13.9%
DPS	40.00	47.00	52.00	52.00
DYield	4.5%	5.3%	5.9%	5.9%

Projection Update (% change)	2019P	2020P
Net interest income	0.0%	0.0%
Fee income	0.0%	0.0%
Total costs	0.0%	0.0%
Provisioning	0.0%	0.0%
Net income	0.0%	0.0%

Financial Highlights

(CZK m)	2016	2017	2018	2019P	2020P
Net interest income	21,067	20,808	22,509	24,821	26,493
Fee income	6,683	6,465	6,219	6,290	6,452
Trading income	3,837	3,576	3,215	3,057	3,149
Other income	170	211	259	233	244
Total income	31,757	31,060	32,202	34,401	36,339
Operating expenses	-14,033	-13,374	-14,634	-14,876	-15,215
Operating income	17,724	17,686	17,569	19,525	21,124
Provisioning	-1,818	391	643	-886	-1,758
Net oper. income	15,906	18,077	18,208	18,638	19,366
Profits of associates	967	209	308	211	221
Retirement benefits	0	0	0	0	0
Pre-tax income	16,873	18,286	18,518	18,849	19,587
Tax	-2,799	-3,012	-3,349	-3,393	-3,526
Minority interests	386	344	324	337	334
Net income	13,688	14,930	14,846	15,119	15,728

Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2019-20)	17,868	10%
PV Adjustment	7,776	4%
Value Driver (2021-35)	120,343	64%
Fade (2036-55)	30,480	16%
Terminal Value	11,447	6%
Fair Value	187,914	100%

Outst. Shares (millions)	189
Cost of equity	7.0%
Fair Value Per Share (CZK)	995
9M Target Price (CZK)	1,047

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	84,228	49%
Explicit Forecast (2018-20)	24,265	14%
PV Adjustment	10,233	6%
Value Driver (2021-35)	46,287	27%
Fade (2036-55)	5,942	3%
Fair Value	170,955	100%

Outst. Shares (millions)	189
Cost of equity	7.0%
Fair Value Per Share (CZK)	905
9M Target Price (CZK)	953

Key Balance Sheet Figures

(CZK bn)	2016	2017	2018	2019P	2020P
Net loans	580	598	625	672	707
Other assets	343	406	435	521	534
Total assets	923	1,004	1,060	1,193	1,241
Deposits	699	762	812	882	924
Other liabilities	118	142	144	197	195
Minority interests	4	4	3	4	4
Equity	102	97	100	110	117

Key Ratios

(%)	2016	2017	2018	2019P	2020P
NIM	2.4%	2.2%	2.3%	2.2%	2.2%
C/I	44.2%	43.1%	45.5%	43.2%	41.9%
CoR	0.3%	-0.1%	-0.1%	0.1%	0.2%
NPL Ratio	3.8%	3.1%	3.1%	3.3%	3.5%
Tier 1 Ratio	16.2%	18.0%	17.9%	17.6%	17.7%

Valuation Summary

(CZK m)	Weight	Value
DDM	50%	187,914
Economic Profits	50%	170,955
Fair Value Avg.		179,435
Fair Value Per Share (CZK)		950
Cost of equity (9M)		5.3%
9M Target Price (CZK)		1,000

Erste Bank buy (no change)

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We maintain a buy rating for Erste Bank, which fulfilled 25% of our FY2019 net income forecast in Q1 after a better-than-expected quarter. On a less positive note, Erste has warned it will have to set aside up to EUR 230m for a lost legal case in Romania after an unfavorable ruling by the local top court. Nevertheless the Bank has reiterated its ROTE target at +11%. Revenues this year will grow faster than costs according to Erste, which also promises low cost of risk at 10-20bp and an effective tax rate below 20%. Meanwhile shares in the Bank have not recovered yet from the false reports of an alleged new Czech bank tax, despite these being later dispelled by the country's PM. As a result, Erste is the most-attractively-priced CEE bank in our coverage universe at the current level.

Current Price 32.30 EUR **Upside**
9M Target Price 43.72 EUR **+35.4%**

	rating	target price	issued
unchanged	buy	43.72 EUR	2019-02-04

Key Metrics			EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	+1.7%	-2.8%
ISIN	AT0000652011	YTD Price Chng	+16.8%	+11.9%
Outst. Stock (m)	429.8	ADTV 1M		EUR 25.7m
MC (EUR m)	13,882.5	ADTV 6M		EUR 25.7m
		P/E 12M fwd	9.0	-19.1%
Free Float	69.5%	P/E 5Y avg	11.1	discount

Earnings Projections

(EUR m)	2017	2018	2019P	2020P
NII	4,353	4,582	4,828	5,102
Total income	6,475	6,726	7,090	7,446
Costs	-4,158	-4,201	-4,261	-4,329
Provisioning	-132	59	-135	-233
Net income	1,316	1,793	1,499	1,607
P/E	10.7	8.0	9.4	8.7
P/B	1.0	1.0	0.9	0.8
ROE	10.0%	12.7%	10.0%	10.0%
DPS	1.00	1.20	1.40	1.46
DYield	3.1%	3.7%	4.3%	4.5%

Projection Update (% change)		2019P	2020P
Net interest income		0.0%	0.0%
Fee income		0.0%	0.0%
Total costs		0.0%	0.0%
Provisioning		0.0%	0.0%
Net income		0.0%	0.0%

Financial Highlights

(EUR m)	2016	2017	2018	2019P	2020P
Net interest income	4,375	4,353	4,582	4,828	5,102
Fee income	1,783	1,852	1,908	1,998	2,051
Trading income	326	270	236	265	292
Total income	6,484	6,475	6,726	7,090	7,446
Other oper. income	79	-1	3	38	33
Asset tax	-389	-106	-112	-309	-326
Operating expenses	-4,028	-4,158	-4,181	-4,261	-4,329
Operating income	2,146	2,210	2,436	2,559	2,824
Provisioning	-196	-132	59	-135	-233
Net operating income	1,950	2,078	2,495	2,424	2,590
Extraordinary gains	0	0	0	0	0
Pre-tax income	1,950	2,078	2,495	2,424	2,590
Tax	-414	-410	-332	-518	-555
Minority interests	-272	-352	-369	-407	-428
Net income	1,265	1,316	1,793	1,499	1,607

Key Balance Sheet Figures

(EUR m)	2016	2017	2018	2019P	2020P
Net loans	135,267	139,532	143,953	165,544	176,206
Other assets	72,960	81,127	92,838	83,223	86,866
Total assets	208,227	220,659	236,792	248,766	263,071
Deposits	138,013	150,969	162,075	171,776	180,501
Other liabilities	53,612	51,402	55,848	56,107	60,449
Minority interests	4,142	4,416	4,494	5,222	5,650
Equity	12,460	13,872	14,375	15,662	16,471

Key Ratios

(%)	2016	2017	2018	2019P	2020P
NIM	2.2%	2.0%	2.3%	2.1%	2.1%
C/I	60.9%	64.2%	62.2%	59.6%	57.7%
CoR	0.1%	0.1%	-0.1%	0.1%	0.1%
NPL Ratio	4.9%	4.0%	3.2%	4.8%	4.8%
Tier 1 Ratio	13.4%	14.0%	14.4%	13.6%	13.5%

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E			BV		P/B
			2018	2019P	2020P	2018	2019P	2020P	2018	2018	
Austria	7,422	17.27	645	567	599	11.5	13.1	12.4	4,283	1.7	
Savings Banks	501	1.17	54	67	72	3.4	7.4	7.0	2,763	0.2	
Erste Oesterreich	4,245	9.88	278	301	321	17.5	14.1	13.2	1,520	2.8	
Other Austria	2,675	6.22	313	199	206	10.4	13.4	13.0	1,873	1.4	
CEE	15,543	36.16	1,270	1,162	1,214	12.0	13.4	12.8	6,555	2.4	
Czech Republic	8,631	20.08	583	608	626	13.9	14.2	13.8	2,489	3.5	
Romania	1,199	2.79	220	90	92	5.2	13.3	13.1	1,334	0.9	
Slovakia	3,153	7.34	189	219	246	16.3	14.4	12.8	950	3.3	
Hungary	1,550	3.61	167	128	134	10.8	12.1	11.6	823	1.9	
Croatia	753	1.75	96	103	101	7.5	7.3	7.5	758	1.0	
Serbia	256	0.60	16	13	16	28.6	19.3	16.1	202	1.3	
Other	-5,063	-11.78	-122	-230	-205	27.2	22.0	24.7	1,440	-3.5	
Total Erste Group	17,901	41.65									

Valuation Summary

(EUR m)	Weight	Value
Cost of equity (12M)		6.6%
DDM	50%	20,408
Economic Profits	50%	15,394
Fair Value Avg.		17,901
Fair Value Per Share (EUR)		41.65
Cost of equity (9M)		5.0%
9M Target Price (EUR)		43.72

OTP Bank buy (upgraded)

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We upgrade OTP Bank to buy after a recent drop in share price. Our updated outlook takes into account OTP's latest acquisitions in Bulgaria and Albania, and it assumes more value-generating M&A activity in the year ahead, such as the recent deal to buy the fourth-largest bank in Montenegro and the completed acquisition of Abanka in Slovenia. Despite higher cost of risk, acquisitions like this should continue to drive earnings momentum in 2020 and beyond. On the risks side, synergies from the acquisitions may take longer to achieve if there is a sudden sharp decline in economic growth in Europe. Earnings in 2019 will probably show flat growth relative to 2018 as an increasing lending portfolio and stable NIM will probably be offset by normalized cost of risk which last year was at its lowest level in 12 years. At the same time, we expect 2019 ROE to reach 16%, a level unattainable by any other bank in our coverage universe, and a forecast consistent with the Bank's own >15% guidance.

Financial Highlights

(HUF bn)	2016	2017	2018	2019P	2020P
Net interest income	522	547	600	675	700
Fee income	176	209	221	243	250
Other income	40	53	65	74	77
Total income	738	809	886	992	1,028
Operating expenses	400	442	497	520	528
Operating income	338	367	389	472	500
Provisioning	93	46	26	93	100
Pre-tax income	245	321	363	379	400
Tax	44	37	37	46	47
Net income	201	284	325	334	353
Asset impairment	12	-6	-5	0	0
Asset tax	-14	-15	-15	-17	-17
Other	6	15	0	0	1
Minority interests	-3	0	0	5	4
Net income	202	281	318	322	341

SOTP Valuation

(HUF bn)	Fair Value	EVPS (HUF)	Net Income			P/E			BV	P/B
			2018	2019P	2020P	2018	2019P	2020P	2018	2018
Hungary + Other	1,979	7,411	196.8	167.2	178.2	10.1	11.8	11.1	754	2.6
CEE	1,431	5,350	140.2	165.7	174.1	10.2	8.6	8.2	967	1.5
DSK	618	2,314	49.2	70.5	75.8	12.6	8.8	8.2	264	2.3
OBS	25	93	0.6	0.6	0.4	45.0	40.3	68.2	34	0.7
OTP Banka Hrvatska	285	1,067	27.5	26.5	27.0	10.4	10.7	10.5	278	1.0
OTP Banka Romania	127	477	7.0	10.3	10.5	18.3	12.4	12.1	56	2.3
OTP Russia	191	707	27.2	31.4	32.7	7.2	6.2	6.0	163	1.2
CJSC OTP Bank	79	296	24.7	19.7	17.6	3.2	4.0	4.5	63	1.3
OTP Banka Serbia	80	298	1.0	4.2	7.3	87.8	21.0	12.0	84	1.0
CKB	26	97	3.2	2.5	2.9	8.1	10.2	9.0	25	1.0
Total Divisions	3,410	12,761	337.1	333.0	352.3	10.1	10.2	9.7	1,722	2.0
Asset tax	-171	-642								
Total OTP Group	3,239	12,119								

Current Price	11,790.00 HUF	Upside
9M Target Price	13,046.00 HUF	+10.7%

	rating	target price	issued
new	buy	13,046.00 HUF	2019-07-03
old	hold	13,046.00 HUF	2019-04-02
Key Metrics			OTP HB vs. WIG
Ticker	OTP HB	1M Price Chng	-3.0% -7.5%
ISIN	HU0000061726	YTD Price Chng	+6.5% +1.6%
Outst. Stock (m)	267.0	ADTV 1M	HUF 5.0bn
MC (HUF bn)	3,148.3	ADTV 6M	HUF 5.2bn
		P/E 12M fwd	8.9 -14.5%
Free Float	100.0%	P/E 5Y avg	10.4 discount

Earnings Projections

(HUF bn)	2017	2018	2019P	2020P
NII	547	600	675	700
Total income	809	886	992	1,028
Costs	-442	-490	-520	-528
Provisioning	-46	-26	-93	-100
Net income	281	318	322	341
P/E	11.0	9.6	9.6	9.1
P/B	1.9	1.7	1.4	1.3
ROE	18.4%	18.3%	15.9%	14.4%
DPS	199.22	229.63	229.63	296.56
DYield	1.7%	1.9%	1.9%	2.5%
Projection Update (% change)			2019P	2020P
Net interest income			0.0%	0.0%
Fee income			0.0%	0.0%
Total costs			0.0%	0.0%
Provisioning			0.0%	0.0%
Net income			0.0%	0.0%

Key Balance Sheet Figures

(HUF bn)	2016	2017	2018	2019P	2020P
Net loans	5,736	6,988	8,067	9,276	9,685
Other assets	5,571	6,203	6,524	7,182	7,273
Total assets	11,308	13,190	14,590	16,458	16,958
Deposits	8,541	10,219	11,285	12,757	13,330
Other liabilities	1,346	1,328	1,476	1,459	1,107
Minority interests	3	3	2	4	5
Equity	1,417	1,640	1,827	2,237	2,516

Key Ratios

(%)	2016	2017	2018	2019P	2020P
NIM	4.7%	4.5%	4.3%	4.3%	4.2%
C/I	54.2%	54.6%	56.1%	52.4%	51.3%
CoR	1.4%	0.6%	0.3%	1.0%	1.0%
NPL Ratio	15.2%	9.2%	6.3%	6.1%	7.0%
Tier 1 Ratio	13.5%	12.7%	16.5%	16.3%	17.7%

Valuation Summary

(HUF bn)	Weight	Value
Cost of equity (12M)		10.2%
DDM	50%	3,229
Economic Profits	50%	3,617
Fair Value Avg.		3,423
Fair Value Per Share (HUF)		12,761
Asset tax (HUF)		-642
Minority interests (HUF)		-58
Fair Value Per Share (HUF)		12,119
Cost of equity (9M)		7.6%
9M Target Price (HUF)		13,046

PZU hold (downgraded)

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We downgrade PZU from accumulate to hold after a share price increase over the past month. Our current forecasts for PZU assume growth in gross written premiums at an annual rate of 2.1% in 2019 and 2.2% in 2020, accompanied by a 3% rise in average claims. Based on 2019 earnings estimates, the Insurer should offer a dividend yield greater than 6% in 2020, one of the highest yields in the Polish financial sector. This provided there is no increase in claims. In 2018 PZU reported an extremely low combined ratio owing to a lack of major catastrophic events, but this is not sustainable over a longer term given the increasing size of an average claim under auto insurance policies and the weather events seen in 2019, which have included flooding and drought, extremely high temperatures, and heavy storms. PZU is set to report solid results for Q2 2019, driven mainly by strong investment income, which, however, is expected by the Company to decrease in the following quarters.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Gross written prems	22,847	23,290	23,962	24,486	25,035
Net earned premiums	21,354	22,222	22,793	23,327	23,836
Claims & benefits	-14,941	-14,607	-15,108	-15,432	-15,771
Net inv. income	1,895	1,020	924	918	836
Acquisition costs	-2,901	-3,081	-3,292	-3,384	-3,479
Admin expenses	-1,614	-1,589	-1,664	-1,705	-1,746
Other oper. rev/exp	-774	-1,354	-874	-867	-862
Banking income	2,439	3,971	4,635	5,158	5,618
Operating income	5,458	6,820	7,414	8,015	8,431
Financing costs	0	0	0	0	0
Subsidiaries	-1	-1	16	-1	0
Pre-tax income	5,457	6,836	7,430	8,014	8,431
Tax	-1,289	-1,631	-1,770	-1,913	-2,012
Minority interest	1,290	2,155	2,397	2,669	2,908
Net income	2,878	3,203	3,263	3,432	3,511

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2018-20)	6,724	26%
PV Adjustment	1,123	4%
Value Driver (2021-35)	13,355	51%
Fade (2036-55)	3,890	15%
Terminal Value	850	3%
Fair Value	25,942	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	30.04	
9M Target Price (PLN)	31.96	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	11,054	47%
Explicit Forecast (2018-20)	3,308	14%
PV Adjustment	462	2%
Value Driver (2021-35)	7,350	31%
Fade (2036-55)	1,536	6%
Fair Value	23,709	100%
Outst. Shares (millions)	864	
Cost of equity	8.5%	
Fair Value Per Share (PLN)	27.46	
9M Target Price (PLN)	29.21	

Valuation Ex. Banks

(PLN m)	Weight	Value
DDM	50%	25,942
Economic Profits	50%	23,709
Fair Value Avg.		24,826

SOTP Valuation

(PLN m)	Value	/Share
PZU ex banks	24,826	28.75
Bank Pekao	7,303	8.46
Alior Bank	3,089	3.58
Value	35,217	40.78
9M Target Price (PLN)		43.38

Current Price 44.35 PLN **Downside**
9M Target Price 43.38 PLN **-2.2%**

	rating	target price	issued
new	hold	43.38 PLN	2019-07-03
old	accumulate	43.38 PLN	2019-04-02
Key Metrics		PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	+7.0% +2.5%
ISIN	PLPZU0000011	YTD Price Chng	+1.0% -3.9%
Outst. Stock (m)	863.5	ADTV 1M	PLN 69.7m
MC (PLN m)	38,297.2	ADTV 6M	PLN 68.5m
		P/E 12M fwd	11.6 -5.2%
Free Float	64.8%	P/E 5Y avg	12.2 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
GWP	22,847	23,470	23,962	24,486	25,035
Claims	-14,942	-14,563	-15,108	-15,432	-15,771
Inv. income	1,895	892	924	918	836
Total costs	-4,511	-4,750	-4,957	-5,089	-5,226
Net income	2,910	3,213	3,263	3,432	3,511
P/E	12.8	11.6	11.4	10.8	10.6
P/B	2.6	2.6	2.5	2.5	2.4
ROE	21.1%	21.7%	21.8%	22.5%	22.6%
DPS	1.40	2.70	2.98	3.01	3.18
DYield	3.2%	6.1%	6.7%	6.8%	7.2%
Projection Update (% change)		2019P	2020P	2021P	
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%	

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Financial assets	281,854	286,206	320,031	339,207	358,709
Other assets	35,604	42,348	43,599	44,905	46,266
Total assets	317,458	328,554	363,630	384,112	404,976
Technical provisions	44,558	45,839	50,840	51,852	52,913
Other liabilities	235,340	245,308	275,129	294,186	313,646
Minority interests	22,961	22,482	22,582	22,682	22,782
Equity	14,599	14,925	15,078	15,392	15,634

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
Loss ratio	70.0	65.2	66.3	66.2	66.2
Total cost ratio	21.1	21.3	21.7	21.8	21.9
Return on inv. portf.	-5.9	-12.0	1.8	1.9	1.8
Non-Life, COR	90.5	87.8	89.2	89.0	89.0
Life, Oper. Margin	16.11	24.06	22.66	21.12	20.45

Kruk buy (no change)

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We maintain a buy rating for Kruk. The Debt Collector generated 2019 Q1 results in line with our expectations. When it comes to portfolio purchases, we anticipate spend of PLN 891m in 2019 and PLN 949m in 2020, followed by a sharp rise to PLN 1.2bn in 2021. The curbed buying in the next two years reflects scaled-back investment in Italy and Spain until after reliable yield curves can be generated for these markets to better determine acceptable portfolio pricing for the future. As a result, we assume Kruk will spend 70% of its annual portfolio budget in Poland in the next two years, down to about 50% in later years. In Romania, due to a 71% fall in nominal value over the last five years, annual portfolio expenditure is not likely to exceed PLN 250m in the forecast period. Kruk is set to continue recognizing valuation gains on Polish and Romanian portfolios in 2019, partly offset by valuation losses on Italian portfolios (-4m in Q1'19). From a total of PLN 100m in 2019, the yearly valuation gains in subsequent years will most likely decrease to reach PLN 34m in the final year of our forecast period. Our 2019-2020 net income estimates for Kruk are 4%-5% lower than the current consensus forecasts, and with slower anticipated growth we value the Company at a 10% discount to the 2020E fair P/E (10x) of peers. At the same time, KRU remains a very attractive investment with ROE over 17%, a low ratio of net debt to equity (1.3x-1.1x), and DYield in the range of 3%-6%, with close to 20% upside potential currently to our target price.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Rev., Purchased Debt	559	633	693	701	709
Revenue, Collections	15	15	18	19	19
Other revenue	15	16	15	16	17
Gross profit	589	664	727	736	745
Costs	148	161	178	180	182
One-time events	-2	-5	-5	-5	-5
EBITDA	439	498	544	551	558
D&A	19	20	21	23	24
EBIT	421	478	523	528	533
Financing activity	-86	-126	-145	-145	-149
Pre-tax income	335	353	378	384	384
Tax	40	22	38	38	38
Net income	295	330	340	346	346
Portfolio purchases	976	1,395	891	949	1,259
Collections	-1,369	-1,582	-1,856	-2,137	-2,003

DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		1,460
Explicit Forecast (2018-27)	1,496	2,041
Value Driver (2028-47)	2,383	1,034
PV TV	967	
Fair Value as of Jan. 2019	3,515	3,654
PV Adjustment	196	67
Fair Value	3,711	3,721
Outst. Shares (millions)	18.9	18.9
Cost of equity	7.8%	7.8%
Fair Value Per Share (PLN)	196.47	197.01
9M Target Price (PLN)	210.61	211.19

DCF Summary

	(PLN m)
FCF	1,312
Terminal Value (TV)	9,374
FCF perp. growth rate	3.0%
Present Value of Terminal Value	4,834
Enterprise Value	6,146
Net Debt	2,353
Minority Interest	0
Equity Value as of Jan. 2019	3,792
PV Adjustment	69
Fair Value	3,861
Outst. Shares (millions)	18.9
Value Per Share (PLN)	204.44

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	3,711
Economic Profits	33%	3,721
DCF	33%	3,861

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	196.47
Economic Profits	33%	197.01
DCF	33%	204.44
Fair Value Avg.		199.31
Cost of equity (9M)		6.2%
9M Target Price (PLN)		213.65

Current Price	184.40 PLN	Upside
9M Target Price	213.65 PLN	+15.9%

	rating	target price	issued
unchanged	buy	213.65 PLN	2019-04-02

Key Metrics			KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	+18.4%	+13.9%
ISIN	PLKRRK0000010	YTD Price Chng	+21.6%	+16.6%
Outst. Stock (m)	18.9	ADTV 1M		PLN 8.4m
MC (PLN m)	3,482.7	ADTV 6M		PLN 8.7m
		P/E 12M fwd	10.0	-25.0%
Free float	87.0%	P/E 5Y avg	13.3	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Total revenue	1,055	1,165	1,257	1,276	1,294
Purchased debt	972	1,070	1,161	1,177	1,193
Collections	59	67	70	72	73
Total costs	-161	-176	-179	-181	0
Net income	295	330	336	342	343
P/E	11.4	10.2	10.1	9.9	9.9
P/B	2.4	2.0	1.8	1.7	1.6
ROE	21.9%	20.7%	18.5%	17.2%	15.9%
DPS	5.76	5.00	5.00	8.90	9.06
DYield	3.1%	2.7%	2.7%	4.8%	4.9%
Projection Update (% change)		2019P	2020P	2021P	
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%	

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Cash	173	147	152	153	168
Purchased debt	3,169	4,157	4,286	4,285	4,741
Other assets	218	178	194	203	212
Total assets	3,560	4,482	4,633	4,640	5,121
Loans	1,897	2,500	2,548	2,368	2,635
Other liabilities	202	250	185	197	238
Equity	1,460	1,732	1,900	2,075	2,248

Key Ratios

(%)	2017	2018	2019P	2020P	2021P
Net debt / Equity	118.0	135.8	126.1	106.8	109.7
Net debt / EBITDA	392.3	472.3	440.0	401.9	442.4
EBITDA margin	41.6	42.8	42.9	42.9	42.9
EBIT margin	39.9	41.1	41.2	41.1	41.0
EV / Cash EBITDA	5.44	5.13	4.26	3.36	3.89

Skarbiec Holding buy (no change)

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We maintain a buy rating for Skarbiec Holding. We expect the Company's market will expand at an average annual rate of 6.5% over the next five years. Skarbiec is no longer aiming to have PLN 8 billion of AUM by the end of 2020. Our expectation is for AUM growth at an average annual rate of 5.5%, supported by receipts of an estimated PLN 550m in FY2019/2020 after the launch of Poland's new nationwide retirement savings plan, PPK, assuming Skarbiec applies to be among the state-picked asset managers. The downside of this will be a possible cut in dividends; the PPK legislation requires managers to have at least PLN 25m in equity, which would limit Skarbiec's dividend-paying capacity to about PLN 12m. The actual payout will probably be closer to PLN 10m (with DPS @PLN 1.47 & DYield @9%), followed by normalized distributions of about 100% of annual net earnings (implying avg. DYield of 20% in the next nine years). The continuing uncertainty as to Skarbiec's ownership might affect the Company's relationships with fund distributors.

Financial Highlights

(PLN m)	2017	2018P	2019P	2020P	2021P
Management fees	80.9	78.5	76.9	83.5	83.9
Success fees	15.2	25.6	14.7	17.3	19.5
Other	5.4	1.0	1.0	1.0	1.1
Revenue	101.5	105.1	92.7	101.9	104.5
Distribution costs	-41.5	-35.8	-34.4	-38.4	-41.1
Payroll	-19.8	-24.4	-17.9	-18.8	-19.7
Other operating costs	-16.8	-15.8	-16.5	-17.1	-17.6
Operating expenses	-78.1	-76.1	-68.8	-74.3	-78.4
Other	0.9	0.8	0.8	0.8	0.9
Pre-tax income	24.3	29.8	24.6	28.4	26.9
Tax	-4.7	-5.8	-4.7	-5.4	-5.1
Net income	19.6	24.0	19.9	23.0	21.8
Retail AUM	4,414	3,462	4,099	4,778	5,231
Dedicated AUM	2,375	339	339	339	339
Total AUM	6,789	3,802	4,439	5,117	5,570

Dividend Discount Model (DDM)

(PLN m)	Value	%
PV of Dividends (Explicit Forecast)	110	61%
PV of Dividends (Value Driver)	67	37%
PV of Terminal Value	5	3%
Fair Value as of Jul. 2017	182	100%
PV Adjustment	10	
Fair Value	192	
Dilution (stock options)	-7	
Fair Value	185	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	27.09	
9M Target Price (PLN)	29.33	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	102	53%
Explicit Forecast (2018-2025)	64	33%
Value Driver - 20 yrs	25	13%
Fair Value as of Jan. 2017	191	100%
PV Adjustment	19	
Fair Value	210	
Dilution (stock options)	-8	
Fair Value	202	
Outst. Shares (millions)	6.8	
Fair Value Per Share (PLN)	29.66	
9M Target Price (PLN)	32.11	

Valuation Summary

(PLN m)	Weight	Value
DDM	33%	185
Economic Profits	33%	202.35
Relative	33%	150.70

Per-Share Valuation

(PLN)	Weight	Value
DDM	33%	27.09
Economic Profits	33%	29.66
Relative	33%	22.09
Cost of equity (9M)		8.3%
9M Target Price (PLN)		28.17

Current Price	17.80 PLN	Upside
9M Target Price	28.17 PLN	+58.3%

	rating	target price	issued
unchanged	buy	28.17 PLN	2019-06-03

Key Metrics			SKH PW	vs. WIG
Ticker	SKH PW	1M Price Chng	+7.9%	+3.3%
ISIN	PLSKRBH00014	YTD Price Chng	-15.6%	-20.6%
Outst. Stock (m)	6.8	ADTV 1M		PLN 0.0m
MC (PLN m)	121.4	ADTV 6M		PLN 0.1m
		P/E 12M fwd	6.1	-15.7%
Free Float	25.4%	P/E 5Y avg	7.2	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	101.5	105.1	92.7	101.9	104.5
Mgmt fees	80.9	78.5	76.9	83.5	83.9
Success fees	15.2	25.6	14.7	17.3	19.5
Costs	-78.1	-76.1	-68.8	-74.3	-78.4
Net income	19.6	24.0	19.9	23.0	21.8
P/E	6.1	5.0	6.0	5.2	5.5
P/B	1.2	1.3	1.1	1.1	1.1
ROE	19.3%	24.2%	19.7%	21.6%	20.3%
DPS	2.62	4.45	1.47	3.22	3.15
DYield	14.7%	25.0%	8.2%	18.1%	17.7%
Projection Update (% change)			2018P	2019P	2020P
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%

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Cash	50.1	34.0	36.5	36.9	37.2
Other assets	67.4	88.7	95.3	96.2	97.0
Total assets	117.5	122.7	131.8	133.1	134.2
Borrowing	0.1	1.5	1.6	1.8	1.7
Other liabilities	15.0	25.1	24.2	24.2	25.2
Minority interests	0.0	0.0	0.0	0.0	0.0
Equity	102.4	96.1	106.0	107.0	107.4

Relative Valuation Summary

	P/E			Market Cap./AUM		
	18P	19P	20P	18P	19P	20P
Minimum	7.2	7.1	6.2	0.0	0.0	0.0
Maximum	17.4	15.9	14.1	0.0	0.0	0.0
Median	11.1	11.4	10.5	0.0	0.0	0.0
Weight	17%	17%	17%	17%	17%	17%

Chemicals

Ciech

hold (downgraded)

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Ciech stock has been in decline since March despite prospects of a rebound in demand for soda ash, potentially resulting in higher prices. The reasons for the underperformance include planned capital investment in 2019 and 2020 to improve production efficiency, which rules out dividends in 2020, combined with weak results for Q1 2019 and a likelihood of penalties following tax audits. On top of that, in June, the process-steam supplier to Ciech's Romanian unit had to suspend deliveries due to a force majeure event, and the resulting drop in the unit's output might affect the 2019 H2 results of the entire Ciech group. Further, there is risk of low river levels in Europe after a heat wave in June which might disrupt the operations of the German unit Soda Deutschland. CIE's performance in July hinges on analysts' predictions as to the Company's second-quarter results. After updating our outlook for higher possible tax penalties (with our estimate raised from PLN 168m to PLN 201m), production cuts in Romania and Germany, and higher expected costs of carbon allowances, we downgrade Ciech from buy to hold with the target price revised downward from PLN 55.00 to PLN 41.72 per share.

Current Price	41.60 PLN	Upside
9M Target Price	41.72 PLN	+0.3%

	rating	target price	issued
new	hold	41.72 PLN	2019-07-03
old	buy	55.00 PLN	2019-06-03

Key Metrics			CIE PW	vs. WIG
Ticker	CIE PW	1M Price Chng	-2.5%	-7.0%
ISIN	PLCIECH00018	YTD Price Chng	-6.1%	-11.0%
Outst. Stock (m)	52.7	ADTV 1M		PLN 1.9m
MC (PLN m)	2,192.3	ADTV 6M		PLN 3.5m
EV (PLN m)	3,702.3	EV/EBITDA 12M fwd	5.1	-17.2%
Free Float	33.0%	EV/EBITDA 5Y avg	6.1	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	3,579	3,673	3,805	3,844	4,172
EBITDA adj.	808	633	690	725	715
EBITDA margin	22.6%	17.2%	18.1%	18.9%	17.1%
EBIT adj.	564	358	400	386	371
Net income adj.	373	166	267	255	243
P/E adj.	5.9	13.2	8.2	8.6	9.0
P/B	1.0	1.1	1.0	0.9	0.9
EV/EBITDA adj.	3.8	5.8	5.4	5.3	5.2
DPS	0.00	7.50	0.00	1.01	2.42
DYield	0.0%	18.0%	0.0%	2.4%	5.8%

Projection Update (% change)	2019P	2020P	2021P
EBITDA	-3.3%	-4.6%	-9.6%
Net income	-6.5%	-9.6%	-19.7%
Soda price (US \$/t)	+3.5%	+2.1%	+2.1%
Soda Ciech (PLN/t)	+2.9%	+3.8%	+3.8%
Soda vol (1,000t)	-3.9%	-11.2%	-2.2%
Thermal Coal price (PLN/t)	-3.6%	-8.6%	-8.6%
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)	2017	2018	2019P	2020P	2021P
EBITDA, Soda Div.	704	540	549	572	554
EBITDA, Organic Div.	97	76	96	102	109
EBITDA, Silicates	37	34	37	41	42
EBITDA, Other	-5	9	9	9	9
EBITDA/tonne, Soda	306	243	260	283	246
Operating cash flow	629	454	559	651	627
D&A	244	275	291	339	344
Working capital	-66	-97	-58	-2	-20
Investing cash flow	-389	-627	-545	-678	-331
CAPEX	402	595	545	678	331
Financing cash flow	-164	-125	-160	-14	-288
Dividends/Buyback	0	-395	0	-53	-127
FCF	234	-170	15	-26	298
FCF/EBITDA	28%	-26%	2%	-4%	42%
OCF/EBITDA	75%	69%	81%	90%	88%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Soda Price (\$/t)	269	278	277	277	277	277	277	277	277	277	277
Soda Price (PLN/t)	881.1	892.8	892.8	892.8	892.8	892.8	892.8	892.8	892.8	892.8	892.8
Soda vol (1000t)	2,115	2,020	2,250	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,301
Revenue	3,805	3,844	4,172	4,271	4,304	4,330	4,347	4,365	4,383	4,401	4,421
EBITDA	690	725	715	710	708	701	688	675	661	648	634
EBITDA margin	18.1%	18.9%	17.1%	16.6%	16.5%	16.2%	15.8%	15.5%	15.1%	14.7%	14.3%
EBIT	400	386	371	377	379	364	343	322	302	283	266
Tax	73	69	66	68	70	67	63	59	55	52	49
CAPEX	-545	-678	-331	-313	-319	-332	-340	-348	-356	-363	-368
Working capital	-58	-2	-20	-6	-2	-2	-1	-1	-1	-1	-1
FCF	15	-26	298	323	317	300	284	266	249	232	216
PV FCF	15	-23	252	255	233	206	181	159	138	120	
WACC	7.0%	6.9%	6.9%	7.0%	7.0%	7.1%	7.1%	7.1%	7.2%	7.2%	7.2%
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)	2017	2018	2019P	2020P	2021P
Assets	4,644	4,831	5,030	5,340	5,435
Fixed assets	3,205	3,559	3,813	4,154	4,142
Equity	2,188	1,970	2,236	2,438	2,554
Minority interests	-3	0	0	0	0
Net debt	865	1,464	1,510	1,651	1,543
Net debt/EBITDA (x)	1.0	2.2	2.2	2.3	2.2
Net debt/Equity (x)	0.4	0.7	0.7	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.2	4.3	4.0	5.2	4.1	3.5
Maximum	27.3	19.6	17.3	15.1	12.8	11.6
Median	11.1	10.9	10.1	6.6	5.5	5.4
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,537
Net debt	1,464
Other adj.	-201
Value per share (PLN)	38.17

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	40.32
DCF Val.	50%	38.17
Implied Price		39.25
Cost of equity (9M)		6.3%
9M Target Price		41.72

Grupa Azoty accumulate (reiterated)

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Azoty's 2019 Q2 results should reflect the decline in prices of natural gas observed in the period, accompanied by slower falls in local market prices of fertilizers. After a strong second quarter, given that fertilizer inventories currently held by distributors are 20% lower than this time last year, and considering potential hikes in UAN import duties in H2'19, analysts might raise their FY2019 EBITDA forecasts above PLN 1.5bn from the current consensus forecast of PLN 1.35bn. Azoty's performance is additionally supported by the onboarding of new investors for the PDH project. Higher earnings and lower capital spend indicates potential for a reduction in the net debt/EBITDA ratio to about 1.6x at the end of 2019, with positive effects on risk perception by investors. We have raised our 2019E EBITDA estimate for Grupa Azoty by 8% to PLN 1,560m, and increase our target price for the stock from PLN 44.42 to PLN 45.93 per share with an unchanged accumulate rating.

Current Price 42.10 PLN **Upside**
9M Target Price 45.93 PLN **+9.1%**

	rating	target price	issued
new	accumulate	45.93 PLN	2019-07-03
old	accumulate	44.42 PLN	2019-06-03
Key Metrics			ATT PW vs. WIG
Ticker	ATT PW	1M Price Chng	+5.6% +1.1%
ISIN	PLZATRM00012	YTD Price Chng	+35.0% +30.1%
Outst. Stock (m)	99.2	ADTV 1M	PLN 6.0m
MC (PLN m)	4,176.1	ADTV 6M	PLN 4.1m
EV (PLN m)	7,373.0	EV/EBITDA 12M fwd	5.4 -16.4%
Free Float	29.0%	EV/EBITDA 5Y avg	6.5 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,617	9,999	12,483	12,425	12,751
EBITDA adj.	1,262	805	1,560	1,119	1,131
EBITDA margin	13.1%	8.1%	12.5%	9.0%	8.9%
EBIT adj.	672	122	810	376	401
Net income adj.	550	43	554	218	217
P/E adj.	7.6	98.0	7.5	19.1	19.3
P/B	0.6	0.6	0.6	0.6	0.5
EV/EBITDA adj.	4.1	8.7	4.7	7.6	8.7
DPS	0.79	1.20	0.00	0.00	0.66
DYield	1.9%	2.9%	0.0%	0.0%	1.6%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			+7.9%	-3.3%	-2.9%
Net income			+17.5%	-13.2%	-12.3%
Urea price (PLN/t)			+3.5%	+1.3%	+1.3%
Ammonium Nitrate price (PLN/t)			+3.5%	+1.0%	+0.9%
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)	2017	2018	2019P	2020P	2021P
EBITDA, Fertilizers	484	82	889	549	570
EBITDA, Plastics	221	192	183	171	147
EBITDA, Chemicals	348	282	295	232	241
EBITDA, Energy	0.0	0.0	127.0	121.3	124.4
EBITDA, Other	134	208	66	47	48
Operating cash flow	1,087	1,043	1,225	1,087	1,082
D&A	590	683	751	743	731
Working capital	13	155	-230	3	-14
Investing cash flow	-709	-1,761	-1,372	-2,040	-2,199
CAPEX	1,063	2,042	1,387	2,040	2,199
Financing cash flow	39	440	-118	481	1,086
Dividends/Buyback	-78	-119	0	0	-66
FCF	49	-1,158	-189	-965	-1,126
FCF/EBITDA	4%	-151%	-12%	-86%	-100%
OCF/EBITDA	92%	136%	79%	97%	96%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	11,738	14,160	14,775	15,588	17,122
Fixed assets	8,070	9,886	10,553	11,855	13,330
Equity	6,856	6,703	7,254	7,472	7,624
Minority interests	588	625	652	659	667
Net debt	367	2,226	2,545	3,618	4,949
Net debt/EBITDA (x)	0.3	2.9	1.6	3.2	4.4
Net debt/Equity (x)	0.1	0.3	0.4	0.5	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.1	8.6	6.3	5.9	5.4	4.8
Maximum	24.7	17.9	15.4	10.3	8.9	8.2
Median	13.6	10.5	8.9	7.5	6.9	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Urea price (PLN/t)	1,627	1,568	1,607	1,606	1,604	1,603	1,601	1,600	1,599	1,597	1,606
AN price (PLN/t)	1,369	1,324	1,363	1,361	1,360	1,358	1,357	1,356	1,354	1,353	1,360
NGas cost (PLN/m3)	1,000	1,075	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184
Revenue	12,483	12,425	12,751	13,647	14,628	14,898	15,121	15,275	15,432	15,523	15,671
EBITDA	1,560	1,119	1,131	1,474	1,616	1,680	1,653	1,645	1,632	1,615	1,630
EBITDA margin	12.5%	9.0%	8.9%	10.8%	11.0%	11.3%	10.9%	10.8%	10.6%	10.4%	10.4%
EBIT	810	376	401	522	663	737	749	770	755	723	738
Tax	133	47	43	48	63	81	87	94	93	88	92
CAPEX	-1,387	-2,040	-2,199	-844	-572	-619	-660	-814	-832	-878	-892
Working capital	-230	3	-14	-39	-43	-12	-10	-7	-7	-4	-6
FCF	-189	-965	-1,126	543	938	968	896	731	701	645	641
PV FCF	-183	-877	-967	436	702	675	581	441	394	337	
WACC	6.9%	6.6%	6.3%	6.5%	6.7%	6.8%	6.9%	7.0%	7.0%	7.1%	7.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	8,035
Net debt	2,226
Other adjustments	-625
Value per share (PLN)	52.26

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	34.16
DCF Val.	50%	52.26
Implied Price		43.21
Cost of equity (9M)		43.21
9M Target Price		45.93

Oil & Gas

Lotos

sell (no change)

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As refining fundamentals continue to worsen (weakening demand paired with increasing supply from new installations), Lotos will not be able to sustain its current valuation levels much longer unless rival state refiner PKN Orlen finally makes the long-awaited official takeover bid. Recent statements from PKN's CEO, however, suggest further delays as the outcome of the EU's anti-monopoly probe remains uncertain. The decision is not expected to be returned earlier than after Poland's autumn parliamentary elections, in 5-6 months' time — a disappointing delay which has put LTS shares under pressure in recent days, further exacerbated by other potential downside catalysts including a potential increase in Lotos's capital investment in the PDH project, further delays in the EFRA project, disappointing IMO effects, weak margins on diesel, and low prices of natural gas which hurt the profits of the Company's E&P business. In the current market, given a high year-ago comparable base, we do not see Lotos as delivering the market's 2019E EBITDA forecast, currently hovering close to PLN 3bn. We maintain a sell rating for LTS.

Current Price	82.66 PLN	Downside
9M Target Price	65.95 PLN	-20.2%

	rating	target price	issued
unchanged	sell	65.95 PLN	2019-06-03

Key Metrics			LTS PW	vs. WIG
Ticker	LTS PW	1M Price Chng	-5.9%	-10.4%
ISIN	PLLOTOS00025	YTD Price Chng	-6.6%	-11.5%
Outst. Stock (m)	184.9	ADTV 1M		PLN 24.6m
MC (PLN m)	15,281.6	ADTV 6M		PLN 29.2m
EV (PLN m)	18,872.4	EV/EBITDA 12M fwd	4.8	-16.7%
Free Float	46.8%	EV/EBITDA 5Y avg	5.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	24,186	30,122	29,085	29,633	29,963
EBITDA	3,073	3,704	2,748	3,054	3,453
EBITDA margin	12.7%	12.3%	9.4%	10.3%	11.5%
EBIT	2,229	2,981	1,864	2,055	2,367
Net income	1,672	1,587	1,123	1,221	1,321
P/E	9.1	9.6	13.6	12.5	11.6
P/B	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	5.8	4.7	6.9	5.8	4.9
DPS	1.00	1.00	3.00	1.82	1.98
DYield	1.2%	1.2%	3.6%	2.2%	2.4%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	3,050	3,126	2,667	3,144	3,408
Upstream (US)	863	917	724	1,049	1,377
Downstream (DS)	2,058	2,022	1,739	1,885	1,818
Retail	139	181	204	210	214
EV/ LIFO EBITDA (adj.)	5.9	5.6	7.1	5.7	5.0
LIFO effect	171	500	81	-90	45
Other one-offs	-148	78	0	0	0
Financing activity	219	-259	-154	-83	-160
Crude thrght (mmt)	9.6	10.8	10.4	10.2	10.2
\$ LIFO EBITDA/bbl, DS	7.7	7.1	6.1	7.0	6.8
PLN EBITDA/tonne, Retail	119	144	130	132	135
\$ EBITDA/boe, US	26.9	34.1	27.2	37.0	40.3
US output (mboepd)	23.3	20.4	19.4	21.6	26.0
natural gas	13.4	11.5	10.7	11.2	11.6
crude oil	9.9	8.9	8.7	10.4	14.5

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	3,127	2,328	1,705	2,812	2,452
OCF/EBITDA LIFO adj.	103%	74%	64%	89%	72%
CAPEX	1,439	967	1,588	1,325	1,046
Working capital	4,035	4,816	5,583	5,264	5,382
Equity	10,712	12,035	12,640	13,652	14,559
Net debt	2,505	1,943	3,591	2,399	1,571
Net debt/EBITDA (x)	0.8	0.5	1.3	0.8	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.0	2.9	2.4	2.0	1.8	1.7
Maximum	22.2	15.9	15.2	11.1	10.5	10.0
Median	9.0	7.7	7.5	4.7	4.2	4.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Margin+Urals/Brent	5.8	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
USD/PLN	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	27,809	27,979	27,814	27,565	27,565	27,565	27,565	27,565	27,624	27,678	27,678
EBITDA	2,024	2,005	2,076	2,027	2,022	2,018	2,013	2,008	2,003	1,994	1,994
EBITDA margin	7.3%	7.2%	7.5%	7.4%	7.3%	7.3%	7.3%	7.3%	7.3%	7.2%	7.2%
EBIT	1,356	1,236	1,286	1,197	1,236	1,206	1,189	1,171	1,152	1,127	1,277
Tax	258	235	244	228	235	229	226	222	219	214	243
CAPEX	-703	-715	-717	-717	-717	-717	-717	-717	-717	-717	-717
Working capital	-768	319	-118	-2	28	21	43	10	5	2	2
FCF	296	1,374	997	1,081	1,099	1,092	1,113	1,078	1,072	1,065	1,037
PV FCF	280	1,202	810	815	767	706	665	597	550	505	
WACC	7.7%	8.1%	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	13,910
Net debt	3,034
Petrobaltic	1,861
Value per share (PLN)	68.89

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	55.17
DCF Val.	50%	68.89
Implied Price		62.03
Cost of equity (9M)		6.3%
9M Target Price		65.95

MOL hold (no change)

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MOL's performance in June was unaffected by falling prices of oil and gas, a surprising result even if we take into account the fact that the Company generates a major portion of revenues from gas sales at regulated prices. Oil has rebounded over the recent days, reducing the downward pressure on Upstream profits. Our outlook on Downstream remains bearish when it comes to 2019 second-half results. Nevertheless MOL remains a better pick in our view than any of its Polish peers thanks to its business profile and comparatively low valuation. The Company has less extensive CAPEX plans than PKN Orlen, but its balance sheet is much healthier (0.6x net debt/EBITDA), ensuring a steady rise in dividends while maintaining a liquidity cushion. Further, MOL reports fast-paced growth in its retail business, which at this point accounts for 15-16% of total EBITDA. We maintain a hold rating for MOL.

Current Price 3,104 HUF **Upside**
9M Target Price 3,223 HUF **+3.8%**

	rating	target price	issued
unchanged	hold	3,223 HUF	2019-06-03

Key Metrics			MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-2.4%	-7.0%
ISIN	HU0000153937	YTD Price Chng	+4.1%	-0.9%
Outst. Stock (m)	738.1	ADTV 1M		HUF 1,668.1m
MC (HUF m)	2,291,150.7	ADTV 6M		HUF 1,968.1m
EV (HUF m)	3,070,916.2	EV/EBITDA 12M fwd	4.4	+2.0%
Free Float	53.5%	EV/EBITDA 5Y avg	4.3	premium

Earnings Projections

(HUF bn)	2017	2018	2019P	2020P	2021P
Revenue	4,130	5,169	4,828	5,173	5,163
EBITDA	673	764	614	728	758
EBITDA margin	16.3%	14.8%	12.7%	14.1%	14.7%
EBIT	354	353	209	308	339
Net income	307	301	149	230	255
P/E	7.5	7.6	15.4	10.0	9.0
P/B	1.3	1.1	1.1	1.1	1.0
EV/EBITDA	4.5	3.8	5.0	4.2	3.9
DPS	78.13	127.50	142.50	152.64	160.27
DYield	2.5%	4.1%	4.6%	4.9%	5.2%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	673	728	609	728	758
Upstream (US)	235	344	298	360	357
Downstream (DS)	198	183	135	158	176
Retail	97	115	120	127	133
Petchem	127	87	52	78	89
Gas Midstream	61	50	56	57	57
General expenses	-45	-51	-52	-52	-54
EV/LIFO EBITDA (adj.)	4.5	4.0	5.0	4.2	3.8
LIFO effect	7	19	5	0	0
Other one-offs	-7	17	0	0	0
Financing activity	11	-22	-10	-11	-10
\$ LIFO EBITDA/bbl, DS	5.3	4.9	3.6	4.3	4.7
EBITDA/boe, US	23.7	34.8	30.0	36.8	38.8
Ref. thrghpt, mmt	18.5	19.1	19.1	19.1	19.1
Upstr output, mboepd	107.4	110.6	111.1	109.6	103.6

Key Balance Sheet Figures

(HUF bn)	2017	2018	2019P	2020P	2021P
Operating cash flow	560	596	590	648	690
OCF/EBITDA LIFO adj.	83%	82%	97%	89%	91%
CAPEX	286	380	528	490	402
Working capital	248	300	281	301	300
Equity	1,741	1,994	2,021	2,123	2,244
Net debt	435	314	457	438	293
Net debt/EBITDA (x)	0.6	0.4	0.7	0.6	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.0	2.9	2.4	2.0	1.8	1.7
Maximum	22.2	15.9	15.2	11.1	10.5	10.0
Median	9.3	8.1	7.8	5.0	4.3	4.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (ex. Upstream)

(HUF bn)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	70	75	75	75	75	75	75	75	75	75	75
Margin+Urals/Brent	5.5	6.0	6.0	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
USD/HUF	265	265	265	265	265	265	265	265	265	265	265
Revenue	4,516	4,830	4,826	4,837	4,837	4,838	4,838	4,839	4,840	4,859	4,859
EBITDA	316	368	400	439	443	443	443	442	442	444	444
EBITDA margin	7.0%	7.6%	8.3%	9.1%	9.2%	9.2%	9.1%	9.1%	9.1%	9.1%	9.1%
EBIT	108	147	172	201	208	207	203	199	193	189	224
Tax	29	38	44	52	54	54	53	52	50	49	43
CAPEX	-404	-367	-280	-241	-220	-220	-220	-220	-220	-220	-220
Working capital	20	-20	1	0	1	2	1	1	1	0	0
FCF	-98	-58	77	146	170	171	171	172	173	175	181
PV FCF	-92	-50	62	108	116	107	99	92	85	79	
WACC	8.1%	8.2%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

DCF Summary

(HUF bn)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	1,703
Net debt & adjustments	181
Upstream Valuation	640
Value per share (HUF)	3,097

Valuation Summary

(HUF)	Weight	Price
Relative Val.	50%	2,946
DCF Val.	50%	3,097
Implied Price		3,022
Cost of equity (9M)		6.7%
9M Target Price		3,223

PGNiG buy (no change)

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Prices of natural gas unexpectedly accelerated their downward slide in June, with spot prices hovering close to EUR 10/MWh. Nevertheless we keep our buy rating unchanged for now, having made an educated guess that the slump is a temporary aftermath of a high leftover gas inventory after a warm winter. Forward contracts for 2020 delivery, currently at EUR 19/MWh, are a more accurate metric in our view, reinforcing us in our belief that PGNiG will be able to bring the EV/EBITDA ratio back to around 4.0x in 2020, supported by higher demand, especially from China, and by gas-coal arbitrage. We also think the market is overly pessimistic in predicting future quarterly trading profits as the negative effects of the divergence of forward prices of gas and oil in our view can be offset by intercompany settlements with the E&P segment at spot prices, and by the slow pass-through of low market prices onto end consumers. Further, PGNiG is still poised to receive an arbitration award from Gazprom, and its strong balance sheet indicates potential for higher dividends or, alternatively, M&A deals which can convert surplus liquidity into additional EBITDA.

Current Price

5.29 PLN

Upside

9M Target Price

6.47 PLN

+22.4%

	rating	target price	issued
unchanged	buy	6.47 PLN	2019-05-28

Key Metrics			PGN PW	vs. WIG
Ticker	PGN PW	1M Price Chng	-5.6%	-10.2%
ISIN	PLPGNIG00014	YTD Price Chng	-23.5%	-28.5%
Outst. Stock (m)	5,778.3	ADTV 1M		PLN 28.9m
MC (PLN m)	30,538.4	ADTV 6M		PLN 28.6m
EV (PLN m)	30,846.9	EV/EBITDA 12M fwd	4.5	-11.0%
Free Float	28.1%	EV/EBITDA 5Y avg	5.0	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	35,857	41,234	35,386	38,680	42,922
EBITDA	6,579	7,115	6,835	8,253	8,793
EBITDA margin	18.3%	17.3%	19.3%	21.3%	20.5%
EBIT	3,910	4,395	3,996	5,161	5,611
Net income	2,923	3,212	2,894	3,734	4,064
P/E	10.4	9.5	10.6	8.2	7.5
P/B	0.9	0.8	0.8	0.7	0.7
EV/EBITDA	4.7	4.3	4.5	3.7	3.4
DPS	0.20	0.07	0.11	0.20	0.26
DYield	3.8%	1.3%	2.1%	3.8%	4.9%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	7,261	7,511	6,964	8,158	8,718
EBITDA	6,579	7,115	6,835	8,253	8,793
Mining	3,865	5,019	3,797	4,535	4,916
Trade	-435	-848	173	616	621
Distribution	2,493	2,385	2,185	2,238	2,251
Heat & Power	843	788	894	1,084	1,231
Other	-187	-229	-214	-220	-225
Financing activity	12	107	-27	-22	-24
Crude output, mmt	1.27	1.41	1.25	1.24	1.21
domestic	0.79	0.82	0.80	0.80	0.80
international	0.48	0.59	0.45	0.44	0.41
NatGas output, bn m3	4.5	4.5	4.6	4.7	4.7
domestic	3.8	3.8	3.9	3.9	3.9
international	0.7	0.7	0.7	0.8	0.8
Trade mrgn, PLN/MWh	-2.2	-6.6	-1.0	1.7	1.7

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	4,816	5,814	6,200	5,996	6,281
OCF/EBITDA	73%	82%	91%	73%	71%
CAPEX	3,162	4,534	4,924	4,461	4,014
Working capital	5,280	5,358	4,754	5,197	5,767
Equity	33,626	36,634	38,842	41,369	43,889
Net debt	428	-223	311	41	-635
Net debt/EBITDA (x)	0.1	0.0	0.0	0.0	-0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.9	2.7	2.2	2.8	2.5	2.3
Maximum	22.0	17.4	16.7	16.2	13.1	12.6
Median	12.2	10.8	10.2	6.1	5.7	5.4
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Brent	70.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
EU NatGas	16.8	20.5	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8
USD/PLN	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	35,386	38,680	42,922	43,001	40,369	40,325	38,959	38,079	38,617	38,897	38,897
EBITDA	6,561	7,807	8,351	8,236	7,986	8,588	8,669	8,784	9,042	8,814	8,814
EBITDA margin	18.5%	20.2%	19.5%	19.2%	19.8%	21.3%	22.3%	23.1%	23.4%	22.7%	22.7%
EBIT	3,996	5,161	5,611	5,422	5,109	5,188	5,213	5,229	5,324	4,969	4,362
Tax	1,074	1,405	1,524	1,440	1,342	1,315	1,371	1,411	1,509	1,378	1,378
CAPEX	-4,924	-4,461	-4,014	-4,681	-4,779	-4,334	-4,348	-4,381	-4,457	-4,452	-4,452
Working capital	604	-442	-570	-11	354	6	183	118	-72	-38	-38
FCF	1,166	1,499	2,243	2,104	2,218	2,944	3,133	3,110	3,003	2,947	2,947
PV FCF	1,109	1,309	1,798	1,548	1,499	1,826	1,784	1,626	1,441	1,298	
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	35,344
Net debt	857
Other adjustments	833
Value per share (PLN)	6.11

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	7.33
Relative (DYield)	17%	3.42
DCF	50%	6.11
Cost of equity (9M)		6.7%
9M Target Price		6.47



PKN Orlen sell (no change)

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We remain bearish on the prospects of PKN's downstream business as we observe ever-increasing supply from rival installations all over the world, resulting in tightening refining margins. Meanwhile PKN is planning capital investment to the tune of PLN 8bn in 2020 on top of the acquisition of rival Lotos, even after its reported debt increased by PLN 3.6bn following the adoption of IFRS 16. Under these circumstances, the odds that PKN will deliver the 2019 EBITDA consensus are low in our view; moreover it is worth noting the high year-ago comparable base for 2019 H2 results. In spite all this, PKN continues to trade at a premium to international peers as well as local state-owned enterprises. Low prices of natural gas are one possible near-term upside catalyst which, however, is not likely to last for too long.

Current Price

90.54 PLN

Downside

9M Target Price

80.01 PLN

-11.6%

	rating	target price	issued
unchanged	sell	80.01 PLN	2019-06-03

Key Metrics			PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-6.4%	-11.0%
ISIN	PLPKN0000018	YTD Price Chng	-16.3%	-21.2%
Outst. Stock (m)	427.7	ADTV 1M		PLN 76.0m
MC (PLN m)	38,724.8	ADTV 6M		PLN 74.3m
EV (PLN m)	46,235.5	EV/EBITDA 12M fwd	4.8	-13.9%
Free Float	67.6%	EV/EBITDA 5Y avg	5.6	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	95,364	109,706	106,915	110,122	111,098
EBITDA	11,078	9,776	7,952	7,559	8,042
EBITDA margin	11.6%	8.9%	7.4%	6.9%	7.2%
EBIT	8,657	7,103	4,512	4,052	4,503
Net income	6,655	5,463	3,586	3,209	3,473
P/E	5.8	7.1	10.8	12.1	11.2
P/B	1.2	1.1	1.0	1.0	0.9
EV/EBITDA	3.8	4.5	5.8	5.9	5.3
DPS	3.00	3.00	3.50	3.00	3.00
DYield	3.3%	3.3%	3.9%	3.3%	3.3%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
LIFO EBITDA (adj.)	9,581	8,344	7,313	7,694	7,974
Downstream(DS)	4,689	3,751	2,455	2,890	3,315
Petchem	3,034	2,069	2,315	2,439	2,350
Retail	2,049	2,781	2,428	2,384	2,374
Upstream	293	302	337	352	360
Electricity	129	190	505	367	325
General expenses	-613	-749	-728	-739	-750
EV/LIFO EBITDA (adj.)	4.4	5.3	6.3	5.8	5.3
LIFO effect	788	860	399	-135	68
Other one-offs	709	572	240	0	0
Financing activity	60	-104	-84	-90	-214
\$ LIFO EBITDA/bbl, DS	5.1	4.3	2.9	3.5	4.0
PLN EBITDA/tonne, Retail	232	294	252	245	241
Refinery thrghpt (mmt)	33.2	33.4	31.3	31.3	31.3
Petchem output (kt)	3,551	3,616	3,781	3,781	3,781

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	8,050	4,979	7,587	6,650	6,952
OCF/EBITDA LIFO adj.	84%	60%	104%	86%	87%
CAPEX	4,039	4,453	4,250	3,650	3,450
Working capital	7,489	10,866	10,389	10,545	10,821
Equity	32,197	35,634	37,724	39,651	41,842
Net debt	761	5,599	7,499	5,871	3,866
Net debt/EBITDA (x)	0.1	0.6	0.9	0.8	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	5.3	4.1	4.7	2.3	2.0	2.4
Maximum	17.3	15.9	15.2	20.6	18.8	18.9
Median	8.3	7.2	6.9	5.6	5.1	4.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Margin+Urals/Brent	4.8	5.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Petchem margin	354	383	343	343	343	343	343	343	343	343	342.9
USD/PLN	3.75	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Revenue	106,915	110,122	111,098	111,446	111,830	112,288	112,752	113,222	113,697	114,179	114,179
EBITDA	7,952	7,559	8,042	7,838	7,758	7,762	7,769	7,780	7,803	7,817	7,817
EBITDA margin	7.4%	6.9%	7.2%	7.0%	6.9%	6.9%	6.9%	6.9%	6.9%	6.8%	6.8%
EBIT	4,512	4,052	4,503	4,195	4,316	4,327	4,308	4,267	4,225	4,165	4,366
Tax	857	770	855	797	820	822	818	811	803	791	830
CAPEX	-4,250	-3,650	-3,450	-3,450	-3,450	-3,450	-3,450	-3,450	-3,450	-3,451	-3,451
Working capital	477	-156	-275	-45	-50	-60	-61	-61	-62	-63	-63
FCF	3,321	2,983	3,461	3,545	3,437	3,430	3,440	3,458	3,488	3,512	3,189
PV FCF	3,139	2,611	2,799	2,645	2,361	2,181	2,025	1,885	1,760	1,641	
WACC	7.8%	8.0%	8.2%	8.4%	8.6%	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

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	44,281
Net debt	9,255
Other adjustments	0
Value per share (PLN)	81.89

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	68.62
DCF Val.	50%	81.89
Implied Price		75.26
Cost of equity (9M)		6.3%
9M Target Price		80.01

Power Utilities

CEZ

accumulate (no change)

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CEZ stock is trading at an over-20% discount to its European peers even through risks connected with the nuclear project, have been mitigated, and despite a noticeable recovery in EBITDA for the first time after nine years of steady falls. CEZ's effective power sales price this year is set to be EUR 5 higher per MWh than the average for last year, and by 2022 it is poised to rise by another EUR 13, led by market trends and the Company's internal hedging policy. CEZ has modest plans for future capital investment at about CZK 30bn a year, and this, combined with plans to divest foreign assets (and free up cash in a combined amount estimated roughly at CZK 30-40bn), and the withdrawal from renewable energy projects in Western Europe, indicates very substantial dividend potential. CEZ is currently trading at an 8% discount to benchmark EV/EBITDA compared to premiums of 5% at worst during the last three years. The Company keeps offering higher absolute and relative (i.e. vs. Stoxx Utilities) dividend yields as its earnings improve, with the 2021 yield assuming a 90% payout ratio potentially bouncing back to 6%.

Current Price

525.00 CZK

Upside

9M Target Price

597.80 CZK

+13.9%

	rating	target price	issued
unchanged	accumulate	597.80 CZK	2019-06-25

Key Metrics			CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	+2.0%	-2.5%
ISIN	CZ0005112300	YTD Price Chng	+2.7%	-2.2%
Outst. Stock (m)	538.0	ADTV 1M		CZK 117.7m
MC (CZK bn)	282.4	ADTV 6M		CZK 128.5m
EV (CZK bn)	438.8	EV/EBITDA 12M fwd	6.7	-7.4%
Free Float	30.2%	EV/EBITDA 5Y avg	7.2	discount

Earnings Projections

(CZK m)	2017	2018	2019P	2020P	2021P
Revenue	205,092	184,486	205,365	223,463	234,528
EBITDA	55,155	49,664	58,629	62,640	63,454
EBITDA margin	26.9%	26.9%	28.5%	28.0%	27.1%
EBIT	25,620	19,759	29,601	33,151	34,076
Net income	18,765	10,327	18,036	20,761	20,614
P/E	15.1	27.4	15.7	13.6	13.7
P/B	1.1	1.2	1.2	1.2	1.1
EV/EBITDA	7.8	8.8	7.5	6.9	6.8
DPS	33.00	32.71	24.00	30.17	34.73
DYield	6.3%	6.2%	4.6%	5.7%	6.6%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Price of electricity (EUR/MWh)			0.0%	0.0%	0.0%
EUR/CZK			0.0%	0.0%	0.0%
CO2 (EUR/t)			0.0%	0.0%	0.0%

Financial Highlights

(CZK m)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	52,196	50,164	58,629	62,640	63,454
EBITDA	55,155	49,664	58,629	62,640	63,454
Generation	24,050	19,906	28,151	30,865	31,039
Mining	4,056	3,754	3,931	3,928	3,897
Distribution	19,067	19,771	19,899	20,390	20,886
Trade	4,613	4,317	4,665	4,989	5,013
Other	3,369	1,916	1,983	2,469	2,620
Financing activity	-2,867	-6,242	-7,104	-7,255	-8,363
Power output, TWh	62.9	62.9	64.2	64.3	64.3
Renewables	4.7	4.3	4.5	4.6	4.6
Trade volume, TWh	37.0	37.6	37.9	38.2	38.5
YoY pct. change	-1.2%	1.6%	0.8%	0.8%	0.8%
Trade mrgn (CZK/MWh)	124.6	114.7	123.0	130.5	130.2
RAV (CZK bn)	114.0	117.8	121.1	127.6	134.0
RAV return (EBIT)	10.4%	11.0%	10.8%	10.5%	10.2%

DCF Analysis

(CZK m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (EUR/MWh)	47.9	50.0	51.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8
EUR/CZK	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7	25.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	205,365	223,463	234,528	245,413	249,102	249,684	249,536	249,174	250,252	251,339	251,339
EBITDA	62,756	66,871	67,791	71,177	71,588	71,622	72,069	72,467	73,129	73,777	73,777
EBITDA margin	30.6%	29.9%	28.9%	29.0%	28.7%	28.7%	28.9%	29.1%	29.2%	29.4%	29.4%
EBIT	29,601	33,151	34,076	36,823	37,774	37,693	37,786	37,630	37,564	37,345	36,787
Tax	5,624	6,299	6,473	6,994	7,174	7,158	7,174	7,144	7,130	7,087	6,990
CAPEX	-33,136	-33,606	-33,218	-33,499	-34,786	-36,078	-36,376	-36,680	-36,990	-37,307	-36,990
Working capital	-222	-192	-118	-116	-39	-6	2	4	-11	-12	-12
FCF	23,774	26,774	27,982	30,568	29,589	28,380	28,520	28,647	28,997	29,372	29,786
PV FCF	23,121	24,615	24,313	25,089	22,935	20,772	19,710	18,691	17,858	17,072	0
WACC	5.7%	5.8%	5.8%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	6.0%	6.8%
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)	2017	2018	2019P	2020P	2021P
Operating cash flow	45,812	35,351	57,352	60,853	61,904
OCF/EBITDA	83%	71%	98%	97%	98%
CAPEX	30,688	26,018	33,136	33,606	33,218
Working capital	54,916	112,247	124,950	135,962	142,694
Equity	250,018	234,721	239,846	244,375	246,304
Net debt	141,684	151,721	151,794	147,344	145,035
Net debt/EBITDA (x)	2.6	3.1	2.6	2.4	2.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.5	2.3	2.0	3.2	3.0	2.6
Maximum	27.2	24.8	21.6	15.6	10.5	10.0
Median	14.1	12.2	11.1	7.1	6.8	6.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	574,846
Net debt	156,717
Other adjustments	-59,772
Value per share (CZK)	666.10

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	33%	368.97
Relative (DYield)	17%	661.31
DCF	50%	666.10
Cost of equity (9M)		5.6%
9M Target Price		597.82

Enea buy (no change)

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In theory, Enea offers the best positive exposure in Poland to increasing coal-based generation margins, but in reality its underperformance in the year to date has been among the worst in the sector. ENA stock is trading at a 20% discount to peers on 2019-2020E EV/EBITDA even though it is again delivering strong earnings momentum after a temporary slump in 2018, as well as offering estimated FCFE yield of >9% in the next three years, and boasting below-average emissions (0.8t/MWh). Looking at its healthy balance sheet, Enea should soon resume regular dividend payments, following in the footsteps of its listed mining unit LW Bogdanka. We expect the Company to reverse the negative changes in working capital experienced in Q1 2019, and report record-high operating cash flow of a projected PLN 2.8bn at the end of the year. Even after the planned CAPEX of PLN 2.6bn, this would guarantee substantial positive FCF, which should continue increasing in the years to follow, resulting in average FCFE yield of 9% in the 2020-22 period. After the rebound anticipated in 2019, Enea is also expected to continue growing profits in subsequent years owing to improved power plant productivity and capacity payments.

Current Price

9.44 PLN

Upside**9M Target Price**

12.41 PLN

+31.5%

	rating	target price	issued
unchanged	buy	12.41 PLN	2019-06-25

Key Metrics

			ENA PW	vs. WIG
Ticker	ENA PW	1M Price Chng	+12.2%	+7.7%
ISIN	PLENEA000013	YTD Price Chng	-4.6%	-9.6%
Outst. Stock (m)	441.4	ADTV 1M		PLN 7.2m
MC (PLN m)	4,167.2	ADTV 6M		PLN 6.5m
EV (PLN m)	10,983.6	EV/EBITDA 12M fwd	3.5	-28.2%
Free Float	48.5%	EV/EBITDA 5Y avg	4.8	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	11,406	12,673	16,179	18,029	17,210
EBITDA	2,684	2,348	3,307	3,426	3,794
EBITDA margin	23.5%	18.5%	20.4%	19.0%	22.0%
EBIT	1,488	1,037	1,772	1,893	2,248
Net income	1,070	686	1,188	1,283	1,574
P/E	3.9	6.1	3.5	3.2	2.6
P/B	0.3	0.3	0.3	0.3	0.2
EV/EBITDA	4.0	4.6	3.3	3.1	2.8
DPS	0.28	0.00	0.00	0.00	0.29
DYield	2.9%	0.0%	0.0%	0.0%	3.1%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	2,649	2,413	3,307	3,426	3,794
EBITDA	2,684	2,348	3,307	3,426	3,794
Generation	735	869	1,394	1,470	1,785
Mining	709	470	705	648	653
Distribution	1,073	1,111	1,136	1,150	1,180
Trade	178	-76	100	184	208
Other	-13	-12	-29	-26	-33
Financing activity	-21	-168	-165	-192	-186
Power output, TWh	22.7	26.5	27.7	28.2	27.7
Renewables	2.3	2.0	2.0	2.0	2.0
Trade volume, TWh	17.9	20.5	20.1	20.4	20.8
YoY pct. change	7.3%	14.4%	-2.0%	1.9%	1.9%
Trade mrgn (PLN/MWh)	9.9	0.1	5.0	9.0	10.0
RAV (PLN bn)	7.5	8.0	8.3	8.6	8.9
RAV return (EBIT)	7.7%	7.2%	7.0%	6.7%	6.7%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,580	2,435	2,773	3,509	3,422
OCF/EBITDA	96%	104%	84%	102%	90%
CAPEX	2,058	1,979	2,505	2,873	3,046
Working capital	698	605	834	428	408
Equity	13,078	14,097	15,245	16,488	17,894
Net debt	5,523	5,566	5,751	5,347	5,326
Net debt/EBITDA (x)	2.1	2.4	1.7	1.6	1.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.4	2.2	1.9	3.8	3.5	2.6
Maximum	26.9	24.6	21.5	16.5	10.5	10.0
Median	15.5	13.5	11.9	7.5	7.0	6.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	272.7	255.0	254.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Coal (PLN/t)	266.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	16,179	18,029	17,210	17,315	16,780	17,173	17,287	17,409	17,538	17,715	17,715
EBITDA	3,307	3,426	3,794	3,798	3,421	3,539	3,564	3,433	3,469	3,534	3,534
EBITDA margin	20.4%	19.0%	22.0%	21.9%	20.4%	20.6%	20.6%	19.7%	19.8%	20.0%	20.0%
EBIT	1,772	1,893	2,248	2,243	1,832	1,888	1,886	1,722	1,720	1,742	1,076
Tax	337	360	427	426	348	359	358	327	327	331	205
CAPEX	-2,505	-2,873	-3,046	-2,847	-2,404	-2,341	-2,368	-2,412	-2,458	-2,505	-2,458
Working capital	-229	406	19	-3	13	-9	-3	-3	-3	-4	-4
FCF	236	600	340	523	681	829	835	691	682	694	868
PV FCF	228	540	285	407	494	559	524	403	369	349	
WACC	7.1%	7.3%	7.5%	7.5%	7.5%	7.5%	7.6%	7.6%	7.6%	7.6%	7.7%
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	1.1
FCF perp. growth rate	2.0%
PV FCF	11,875
Net debt	5,813
Other adjustments	-952
Value per share (PLN)	11.58

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	41.56
Relative (DYield)	0%	2.43
DCF	100%	11.58
Cost of equity (9M)		6.7%
9M Target Price		12.41

Energa buy (no change)

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Energa is set to generate over 90% of annual EBITDA from distribution and renewables over the next four years, and the two segments account for over 60% of the capital spend planned for the future. Nevertheless ENG stock is trading at a 25% discount to the Regulatory Asset Base not counting renewable power plants, which generate about PLN 0.3bn in annual EBITDA. The negative value attributed to coal-based power plants more than exceeds the total spend on the new coal generator in Ostrołęka, confirming that Energa is grossly undervalued. Performance in the coming months could improve once the government officially announces the size of compensation owed to Polish utilities for this year's freeze on end-consumer prices; the payments would help to turn around the Company's trading profits which, in our assessment, under "normal" circumstances, can generate PLN 0.2bn EBITDA a year. The loss of ~PLN 170m which Energa had to take due to delayed price freeze compensation legislation should be reversed in future periods. After seasonal normalization of working capital, we expect the net debt/EBITDA ratio to return to 2.4x by the end of 2019, and rise no higher than 3.2x in subsequent years assuming full consolidation of the 'Ostrołęka C' generator, a level which still would allow the Company to pay dividends (at 5% Dyield the 'cost' to the balance sheet would be as low as PLN 150m, with the debt ratio raised by less than 0.1x EBITDA).

Current Price

8.10 PLN

Upside

9M Target Price

12.67 PLN

+56.4%

	rating	target price	issued
unchanged	buy	12.67 PLN	2019-06-25

Key Metrics			ENG PW	vs. WIG
Ticker	ENG PW	1M Price Chng	+4.7%	+0.1%
ISIN	PLENERG00022	YTD Price Chng	-9.1%	-14.0%
Outst. Stock (m)	414.1	ADTV 1M		PLN 5.2m
MC (PLN m)	3,353.9	ADTV 6M		PLN 4.5m
EV (PLN m)	8,644.0	EV/EBITDA 12M fwd	4.0	-14.9%
Free Float	48.5%	EV/EBITDA 5Y avg	4.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	10,534	10,337	11,725	12,678	12,394
EBITDA	2,160	1,877	2,165	2,179	2,211
EBITDA margin	20.5%	18.2%	18.5%	17.2%	17.8%
EBIT	1,210	1,176	1,162	1,122	1,170
Net income	773	739	734	654	660
P/E	4.3	4.5	4.6	5.1	5.1
P/B	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	3.5	4.2	4.0	4.4	4.6
DPS	0.19	0.00	0.00	0.00	0.00
DYield	2.4%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	2,091	2,039	2,165	2,179	2,211
EBITDA	2,160	1,877	2,165	2,179	2,211
Conv. Gener./CHP	229	137	190	124	167
Renewables	169	191	275	320	296
Distribution	1,723	1,704	1,678	1,692	1,685
Trade	85	-85	94	116	137
Other	-46	-70	-71	-73	-74
Financing activity	-208	-223	-219	-282	-322
Power output, TWh	4.3	3.9	3.8	3.8	3.8
Renewables	0.7	0.5	0.6	0.6	0.6
Trade volume, TWh	20.6	19.8	18.8	19.1	19.4
YoY pct. change	5.0%	-4.1%	-5.0%	1.5%	1.5%
Trade mrgn (PLN/MWh)	3.1	3.9	5.0	6.1	7.1
RAV (PLN bn)	11.7	12.2	12.7	13.1	13.5
RAV return (EBIT)	8.2%	7.7%	6.9%	6.4%	6.2%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,182	1,859	1,757	1,857	2,066
OCF/EBITDA	101%	99%	81%	85%	93%
CAPEX	1,280	1,638	2,009	2,367	2,320
Working capital	1,403	1,499	1,700	1,838	1,797
Equity	9,409	10,295	10,979	11,583	12,192
Net debt	4,064	4,441	5,227	6,070	6,696
Net debt/EBITDA (x)	1.9	2.4	2.4	2.8	3.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.4	2.2	1.9	3.2	3.0	2.6
Maximum	26.9	24.6	21.5	16.5	10.5	10.0
Median	15.5	13.5	11.9	7.5	7.0	6.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	272.7	255.0	254.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Coal (PLN/t)	266.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	11,725	12,678	12,394	12,561	12,319	12,400	12,484	12,571	12,658	12,743	12,743
EBITDA	2,165	2,179	2,211	2,250	2,407	2,569	2,609	2,616	2,658	2,695	2,695
EBITDA margin	18.5%	17.2%	17.8%	17.9%	19.5%	20.7%	20.9%	20.8%	21.0%	21.2%	21.2%
EBIT	1,162	1,122	1,170	1,185	1,337	1,449	1,472	1,457	1,474	1,524	1,203
Tax	221	213	222	225	254	275	280	277	280	290	229
CAPEX	-2,009	-2,367	-2,320	-2,135	-1,689	-1,509	-1,507	-1,501	-1,492	-1,456	-1,492
Working capital	-201	-138	41	-24	35	-12	-12	-13	-13	-12	-12
FCF	-266	-539	-291	-134	499	773	811	825	873	937	962
PV FCF	-256	-486	-244	-106	366	528	515	488	480	478	
WACC	7.3%	7.2%	7.2%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%	7.8%	8.2%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	9,683
Net debt	4,706
Other adjustments	-61
Value per share (PLN)	11.87

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	22.78
Relative (DYield)	0%	0.00
DCF	100%	11.87
Cost of equity (9M)		6.7%
9M Target Price		12.67



PGE buy (no change)

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PGE stock in June came close to the lows seen last September under pressure from disappointing Q1 results and reports on possible further acquisitions. In our view, the weak first quarter was a temporary setback caused by short-lived catalysts. The pace of year-over-year growth in future quarters should accelerate, potentially raising expectations as to profits in the 2020-2021 period, when the average sales price of electricity will be much higher than this year judging by the Company's modified hedging policy, while costs of coal fuel will be flat. The new generators being added in the Opole power station will start contributing fully by 2020, potentially adding as much as PLN 1bn to the year's EBITDA assuming CDS prices hold at the current level, plus PLN 0.3bn in additional profits possibly coming from another new generator. Margins on trading are expected to normalize as well next year (with 2019E segmental EBITDA at just PLN 0.3bn vs. a 3Y avg. of PLN 0.6bn). Last but not least, PGE's recent declaration of readiness to resume dividend payments should further help restore positive sentiment for a Company whose EV has shrunk by 25% over the last five years despite stable EBITDA from the core business in the period, expected to increase by over 30% in the next two years.

Current Price 9.58 PLN **Upside**
9M Target Price 13.26 PLN **+38.4%**

	rating	target price	issued
unchanged	buy	13.26 PLN	2019-06-25

Key Metrics			PGE PW	vs. WIG
Ticker	PGE PW	1M Price Chng	+3.8%	-0.7%
ISIN	PLPGER000010	YTD Price Chng	-4.2%	-9.1%
Outst. Stock (m)	1,869.8	ADTV 1M		PLN 17.0m
MC (PLN m)	17,912.5	ADTV 6M		PLN 21.6m
EV (PLN m)	28,668.4	EV/EBITDA 12M fwd	4.0	-15.1%
Free Float	42.6%	EV/EBITDA 5Y avg	4.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	23,100	25,946	38,724	44,290	43,162
EBITDA	7,650	6,364	8,168	7,925	9,468
EBITDA margin	33.1%	24.5%	21.1%	17.9%	21.9%
EBIT	3,552	2,471	4,086	3,705	5,174
Net income	2,600	1,498	3,054	2,722	3,926
P/E	6.9	12.0	5.9	6.6	4.6
P/B	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	3.5	4.5	3.5	3.7	2.7
DPS	0.00	0.00	0.00	0.41	0.36
DYield	0.0%	0.0%	0.0%	4.3%	3.8%
Projection Update (% change)			2019P	2020P	2020P
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)	2017	2018	2019P	2020P	2021P
EBITDA (adj.)	6,481	6,701	6,999	7,925	9,468
EBITDA	7,650	6,364	8,168	7,925	9,468
Generation	4,099	2,938	4,884	4,288	5,693
Renewables	364	463	543	608	679
Distribution	2,333	2,463	2,443	2,438	2,503
Trade	811	263	305	598	599
Other	43	237	-6	-6	-6
Financing activity	-330	-279	-300	-328	-311
Power output, TWh	56.8	65.9	64.7	76.5	79.1
Renewables	2.4	2.0	2.2	2.2	2.4
Trade volume, TWh	40.0	40.4	41.0	41.6	42.2
YoY pct. change	-6.8%	0.9%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	20.3	6.5	7.4	14.4	14.2
RAV (PLN bn)	15.6	16.3	16.7	17.2	17.7
RAV return (EBIT)	7.5%	7.9%	7.5%	7.2%	7.2%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	7,934	5,102	7,705	6,560	8,691
OCF/EBITDA	104%	80%	94%	83%	92%
CAPEX	6,071	6,393	6,704	5,679	4,551
Working capital	3,762	5,290	5,034	5,758	5,611
Equity	45,128	46,727	49,710	51,598	54,772
Net debt	7,487	9,421	9,669	9,951	6,874
Net debt/EBITDA (x)	1.0	1.5	1.2	1.3	0.7

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	2.4	2.2	1.9	3.2	3.0	2.7
Maximum	26.9	24.6	21.5	16.5	10.5	10.0
Median	15.5	13.5	11.9	7.5	7.0	6.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	272.7	255.0	254.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Coal (PLN/t)	266.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	38,724	44,290	43,162	43,356	41,424	41,556	41,724	41,887	42,063	42,445	42,445
EBITDA	8,168	7,925	9,468	9,117	7,664	7,441	7,388	7,295	7,376	7,466	7,466
EBITDA margin	21.1%	17.9%	21.9%	21.0%	18.5%	17.9%	17.7%	17.4%	17.5%	17.6%	17.6%
EBIT	4,086	3,705	5,174	4,645	3,202	2,807	2,567	2,273	2,140	2,004	3,043
Tax	776	704	983	883	608	533	488	432	407	381	578
CAPEX	-6,704	-5,679	-4,551	-4,260	-4,165	-4,225	-4,289	-4,355	-4,423	-4,492	-4,423
Working capital	256	-723	147	-25	251	-17	-22	-21	-23	-50	-50
FCF	944	818	4,081	3,949	3,142	2,665	2,590	2,486	2,523	2,543	2,415
PV FCF	908	728	3,351	2,990	2,193	1,715	1,537	1,360	1,272	1,183	
WACC	8.1%	8.1%	8.4%	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	1.1
FCF perp. growth rate	2.0%
PV FCF	34,607
Net debt	10,299
Other adjustments	-1,074
Value per share (PLN)	12.43

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	23.13
Relative (DYield)	0%	6.45
DCF	100%	12.43
Cost of equity (9M)		6.7%
9M Target Price		13.26

Tauron buy (no change)

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Tauron personifies all the real and potential risks facing Polish power producers, as reflected in its unrivaled underperformance. We view the earnings and debt fears as over-exaggerated, and we believe the weaker Q1 2019 cash flow was a temporary setback created by one-time events. By the end of the year, after working capital cash flow normalizes, we expect the net debt/EBITDA ratio to decrease to 2.5x from the current 2.7x, followed by further reduction to 2.3x in 2021. After it completes the project in Jaworzno soon, Tauron's average annual CAPEX in 2020-2023 will be almost 20% (or PLN 0.8bn) lower than in the 2016-19 period. Further, we think the Company can capitalize on Poland's shifting energy policy and possibly start closing coal-based generators in favor of renewables. This might be a remote prospect at this point, however a coal phase-out should meet with the approval of investors as well as reducing future capital spend which today includes expenditures on coal mining capacity and upgrades of old generators to meet BAT standards. Last but not least, keep in mind that Tauron has sold power to the state under long-term capacity contracts for an annual amount of PLN 0.6bn. In the near term, TPE might receive an upside catalyst after the announcement of the size of compensation for power suppliers for this year's freeze on prices charged to end consumers.

Financial Highlights

(PLN m)	2017	2018P	2019P	2020P	2021P
EBITDA (adj.)	3,581	3,359	3,566	3,968	4,235
EBITDA	3,618	3,375	3,566	3,968	4,235
Generation	537	731	734	1,091	1,267
Mining	-83	-207	-121	-89	-18
Distribution	2,283	2,517	2,499	2,532	2,574
Trade	841	321	452	442	414
Other	40	13	2	-8	-2
Financing activity	-122	-286	-303	-404	-412
Power output, TWh	18.4	16.2	15.6	18.7	18.7
Renewables	1.3	1.1	1.2	1.3	1.3
Trade volume, TWh	34.9	34.5	33.5	34.0	34.5
YoY pct. change	9.1%	-1.2%	-3.0%	1.5%	1.5%
Trade mrgn (PLN/MWh)	18.3	16.2	13.5	13.0	12.0
RAV (PLN bn)	16.3	16.9	17.9	18.3	18.7
RAV return (EBIT)	7.4%	8.4%	7.6%	7.2%	7.2%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Power (PLN/MWh)	239.3	272.7	255.0	254.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Coal (PLN/t)	266.0	260.0	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7	260.7
CO2 (EUR/t)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Revenue	20,810	23,219	22,745	23,078	22,502	22,770	23,056	23,351	23,654	23,964	23,964
EBITDA	3,566	3,968	4,235	4,435	4,196	4,248	4,337	4,336	4,443	4,596	4,596
EBITDA margin	17.1%	17.1%	18.6%	19.2%	18.6%	18.7%	18.8%	18.6%	18.8%	19.2%	19.2%
EBIT	1,671	1,855	2,120	2,260	2,035	2,032	2,057	1,980	2,002	2,067	1,534
Tax	318	352	403	429	387	386	391	376	380	393	291
CAPEX	-3,712	-3,165	-2,580	-2,697	-2,763	-2,836	-2,910	-2,986	-3,061	-3,137	-3,061
Working capital	-121	-109	21	-15	26	-12	-13	-13	-14	-14	-14
FCF	-584	343	1,274	1,294	1,072	1,014	1,023	961	988	1,052	1,229
PV FCF	-568	314	1,094	1,039	803	706	662	576	548	539	
WACC	6.0%	6.1%	6.6%	6.9%	7.2%	7.5%	7.7%	7.9%	8.1%	8.3%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Current Price

1.72 PLN

Upside

9M Target Price

2.52 PLN

+46.5%

	rating	target price	issued
unchanged	buy	2.52 PLN	2019-06-25

Key Metrics			TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	+8.4%	+3.8%
ISIN	PLTAURN00011	YTD Price Chng	-21.5%	-26.4%
Outst. Stock (m)	1,752.5	ADTV 1M		PLN 11.6m
MC (PLN m)	3,014.4	ADTV 6M		PLN 8.9m
EV (PLN m)	14,744.0	EV/EBITDA 12M fwd	4.1	-11.8%
Free Float	59.6%	EV/EBITDA 5Y avg	4.7	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	17,425	18,122	20,810	23,219	22,745
EBITDA	3,618	3,375	3,566	3,968	4,235
EBITDA margin	20.8%	18.6%	17.1%	17.1%	18.6%
EBIT	1,879	791	1,671	1,855	2,120
Net income	1,381	205	1,108	1,175	1,383
P/E	2.2	14.7	2.7	2.6	2.2
P/B	0.2	0.2	0.2	0.1	0.1
EV/EBITDA	3.3	3.9	4.1	3.7	3.3
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2019P	2020P	2021P
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%

Key Balance Sheet Figures

(PLN m)	2017	2018P	2019P	2020P	2021P
Operating cash flow	3,559	2,057	3,185	3,584	3,932
OCF/EBITDA	98%	61%	89%	90%	93%
CAPEX	3,562	3,576	3,712	3,165	2,580
Working capital	489	817	938	1,046	1,025
Equity	18,036	18,296	19,404	20,579	21,963
Net debt	8,944	10,140	11,599	11,583	10,643
Net debt/EBITDA (x)	2.5	3.0	3.3	2.9	2.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.2	2.9	2.4	3.2	3.0	2.6
Maximum	27.2	24.8	21.6	15.6	10.5	10.0
Median	15.4	12.5	11.6	7.6	7.0	6.9
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	15,448
Net debt	10,767
Other adjustments	-534
Value per share (PLN)	2.37

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	0%	9.00
Relative (DYield)	0%	0.00
DCF	100%	2.37
Cost of equity (9M)		6.7%
9M Target Price		2.52

TMT

Netia

hold (no change)

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Netia improved its earnings performance in 2018, with EBITDA for the year edging just 6.4% lower versus the year-ago period compared to a y/y drop of 10.2% in 2017, and with relatively strong operating cash flow at PLN 380.4m vs. PLN 347.9m generated in 2017. On the downside, Netia has allocated its total cash flow to network upgrades aimed at reaching 2.6 million households with high-speed services by 2020. This means no dividend payments during the two-year period after a freeze on shareholder distributions approved by the controlling shareholder, Cyfrowy Polsat. In fact, we believe Netia might feel compelled to accelerate the infrastructure upgrades to keep up with the competition (including Orange Polska, with its plans to bring fiber to 5 million households by 2020, and T-Mobile which is preparing to launch a convergent fixed + mobile service in Q2 2019), which would entail higher debt and an increase in the net debt/EBITDA ratio from 0.53x as of December 2018. With this in mind, we do not find NET stock a compelling bet, at the current level especially compared to Orange Polska. An upside catalyst will be provided if Cyfrowy decides to make a tender offer to increase its stake in Netia, although the likelihood that this will happen soon declined after Cyfrowy declared a dividend for 2019.

Current Price 4.79 PLN **Downside**
9M Target Price 4.70 PLN **-1.9%**

	rating	target price	issued
unchanged	hold	4.70 PLN	2018-11-26

Key Metrics			NET PW	vs. WIG
Ticker	NET PW	1M Price Chng	-2.6%	-7.2%
ISIN	PLNETIA00014	YTD Price Chng	-4.2%	-9.1%
Outst. Stock (m)	337.0	ADTV 1M		PLN 0.1m
MC (PLN m)	1,614.5	ADTV 6M		PLN 0.1m
EV (PLN m)	1,892.0	EV/EBITDA 12M fwd	5.3	+6.6%
Free Float	33.0%	EV/EBITDA 5Y avg	5.0	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,442	1,373	1,348	1,348	1,372
EBITDA	383	356	345	356	371
EBITDA margin	26.6%	25.9%	25.6%	26.4%	27.0%
EBIT	72	76	74	90	106
Net income	35	65	50	61	71
P/E	45.5	24.9	32.2	26.7	22.7
P/B	0.9	0.9	0.8	0.8	0.8
EV/EBITDA	5.0	5.1	5.5	5.5	5.3
DPS	0.20	0.00	0.00	0.00	0.40
DYield	4.2%	0.0%	0.0%	0.0%	8.4%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Voice subs (1,000)	1,014	938	880	844	825
On-Netw. Voice ARPU (PLN)	26.5	25.2	24.7	24.5	24.7
WLR+LLU Voice ARPU (PLN)	39.0	38.5	38.1	38.1	38.1
Broadband subs (1,000)	640	605	592	615	642
Broadband ARPU (PLN)	56.2	55.0	55.8	57.0	58.1
Revenue	1,442	1,373	1,348	1,348	1,372
Direct Voice	405	351	317	295	284
Data	616	581	573	586	614
Interop & Wholesale	234	237	244	249	253
Other	188	205	213	217	222
Selling expenses	275	268	270	274	278
G&A expenses	148	128	129	130	133
EBIT	72	76	74	90	106
margin	5.0%	6.2%	5.5%	6.7%	7.7%
Net income	35.5	64.8	50.2	60.5	71.1

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	346	366	342	341	354
OCF/EBITDA	90%	100%	99%	96%	95%
CAPEX	-268	-278	-390	-390	-221
Assets	2,401	2,468	2,517	2,657	2,591
Equity	1,778	1,869	1,919	1,980	1,911
Net debt	285	217	278	342	366
Net debt/EBITDA (x)	0.7	0.6	0.8	1.0	1.0

Relative Valuation Summary

	P/E		EV/EBITDA			
	18	19P	20P	18	19P	20P
Minimum	36.7	98.2	29.9	11.8	9.5	9.4
Maximum	5.6	5.3	4.4	4.0	3.6	3.3
Median	13.9	12.7	12.1	5.1	5.1	4.8
Weight	25%	45%	30%	25%	45%	30%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,348	1,348	1,372	1,400	1,429	1,459	1,489	1,521	1,555	1,555	1,555
EBITDA	345	356	371	378	385	392	400	408	417	417	417
EBITDA margin	25.6%	26.4%	27.0%	27.0%	26.9%	26.9%	26.9%	26.8%	26.8%	26.8%	26.8%
D&A	271	266	265	265	265	262	252	242	225	225	225
EBIT	74	90	106	113	120	130	148	166	192	192	192
Tax	14	17	20	21	23	25	28	32	37	37	37
NOPLAT	60	73	86	91	97	105	120	135	156	156	156
CAPEX	-390	-390	-221	-211	-207	-211	-216	-220	-225	-225	-225
Working capital	8	-1	0	0	0	-1	-2	-2	-3	-3	-3
FCF	-51	-52	130	145	155	156	154	154	153	153	153
PV FCF	-47	-45	103	107	107	100	92	86	79	79	
WACC	7.8%	7.6%	7.6%	7.5%	7.5%	7.4%	7.4%	7.3%	7.2%	7.2%	7.2%
Net debt / EV	15.0%	17.9%	18.9%	19.3%	20.7%	21.9%	23.3%	24.5%	25.8%	25.8%	25.8%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	1,688
Net debt	225
Other adjustments	0
Value per share (PLN)	4.34

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.49
DCF	50%	4.34
Implied Price		4.42
Cost of equity (9M)		6.4%
9M Target Price		4.70

Orange Polska hold (no change)

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We maintain a hold rating for Orange Polska. The telecom is forging ahead with the transformation announced in September 2017, and it has successfully reduced indirect expenses (incl. through the downsizing which after the elimination of more than 15% of FTEs over two years has curtailed the total headcount to 13.4 thousand) while growing the B2C convergent customer base (with 1,276,000 users as of 31 March 2019) and decreasing churn. Moreover Orange once again posts positive FCFE after a long break, with 2019 FCFE expected to be PLN 450m. A recent announcement that the Telecom would be raising the prices of its services caused met with the enthusiastic approval of investors, but at the current level OPL does not offer much more upside, especially when we consider that the 2019 Q2 earnings announcement is more likely than not to be a disappointment, with projected EBITDA of about PLN 693m showing flat growth from the same year-ago period; after adjustment for one-time proceeds from real-estate sales, the quarterly earnings might show y/y shrinkage close to 6%. This is due to a hard-to-contain downturn in revenues from the high-margin legacy business while the new price hikes take time to kick in. In short, OPL stock is probably poised for a dip in July on weak Q2 results.

Current Price

6.77 PLN

Upside

9M Target Price

7.50 PLN

+10.8%

	rating	target price	issued
unchanged	hold	7.50 PLN	2019-06-19

Key Metrics			OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+31.5%	+26.9%
ISIN	PLTLKPL00017	YTD Price Chng	+41.3%	+36.4%
Outst. Stock (m)	1,312.0	ADTV 1M		PLN 29.1m
MC (PLN m)	8,882.2	ADTV 6M		PLN 11.9m
EV (PLN m)	16,365.3	EV/EBITDA 12M fwd	5.2	+14.4%
Free Float	49.3%	EV/EBITDA 5Y avg	4.6	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	11,381	11,087	11,260	11,428	11,625
EBITDA adj.	2,807	2,886	3,211	3,310	3,403
EBITDA margin	24.7%	26.0%	28.5%	29.0%	29.3%
EBIT	229	345	598	743	882
Net income	-60	10	203	323	453
P/E	-	888.2	43.8	27.5	19.6
P/B	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	5.5	5.5	5.1	4.9	4.6
DPS	0.00	0.00	0.00	0.00	0.25
DYield	0.0%	0.0%	0.0%	0.0%	3.7%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Broadband lines (1,000)	1,306	1,547	1,732	1,936	2,136
Voice lines (1,000)	2,438	2,560	2,698	2,883	3,087
Revenue	11,381	11,087	11,260	11,428	11,625
Mobile	3,373	2,726	2,559	2,485	2,415
Fixed Line	2,748	2,441	2,203	2,056	1,982
Other	5,260	5,920	6,498	6,888	7,228
Costs	-	7,980	7,976	8,029	8,122
Payroll	-	-1,577	-1,476	-1,440	-1,413
External services	-	-6,200	-6,296	-6,381	-6,498
Other rev & exp	-	-203	-204	-207	-211
Real estate sale	-	192	95	75	60
Other	-	-490	-502	-498	-494
EBITDAaL	-	2,809	2,876	2,977	3,069
margin	-	25.3%	25.5%	26.0%	26.4%
Net income	-60	10	203	323	453

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,064	1,812	2,581	2,556	2,572
OCF/EBITDAaL	-	65%	90%	86%	84%
CAPEX	1,933	2,282	2,134	2,613	1,804
Assets	23,486	23,295	24,194	24,470	24,553
Equity	10,521	10,494	10,697	11,020	11,145
Net debt	6,478	6,939	7,481	7,388	6,828
Net debt/EBITDA (x)	2.3	2.4	2.3	2.2	2.0

Relative Valuation Summary

	EV/EBITDA			DYield - RFR		
	18	19P	20P	18	19P	20P
Minimum	12.5	12.0	11.4	9.6%	7.6%	7.5%
Maximum	3.4	3.0	2.7	-12.2%	-8.3%	-6.9%
Median	5.6	5.4	5.3	3.0%	3.4%	3.9%
Weight	33%	33%	33%	0%	0%	100%

DCF Analysis*

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,260	11,428	11,625	11,831	12,041	12,227	12,402	12,560	12,701	12,837	12,837
EBIT + D&A ex. IFRS16	2,930	3,029	3,122	3,217	3,308	3,379	3,433	3,452	3,459	3,459	3,459
EBITDA margin	26.0%	26.5%	26.9%	27.2%	27.5%	27.6%	27.7%	27.5%	27.2%	26.9%	26.9%
D&A	2,332	2,285	2,240	2,195	2,151	2,086	2,024	1,963	1,904	1,847	1,847
EBIT	598	743	882	1,022	1,157	1,292	1,409	1,489	1,555	1,612	1,612
Tax	114	141	168	194	220	246	268	283	295	306	306
NOPLAT	484	602	715	828	937	1,047	1,141	1,206	1,259	1,306	1,306
CAPEX	-1,858	-2,538	-1,744	-3,237	-1,807	-1,865	-1,876	-1,888	-2,240	-1,925	-1,925
Working capital	146	22	-61	-62	-61	-60	-60	-59	-59	-59	-59
FCF	1,104	372	1,150	-275	1,220	1,208	1,229	1,222	865	1,170	1,170
PV FCF	1,066	338	980	-221	919	854	815	760	505	641	
WACC	6.4%	6.4%	6.5%	6.3%	6.4%	6.6%	6.6%	6.6%	6.5%	6.5%	6.5%
Net debt / EV	43.9%	43.6%	41.7%	44.7%	42.6%	40.4%	39.1%	39.1%	40.6%	40.8%	40.8%
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	0.0
FCF perp. growth rate	0.0%
PV FCF	16,464
Net debt	6,867
Other adjustments	2
Value per share (PLN)	7.31

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	6.79
DCF Val.	50%	7.31
Implied Price		7.05
Cost of equity (9M)		6.4%
9M Target Price		7.50

Play hold (downgraded)

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Play stock has jumped >110% since October 2018, far outperforming the broad market as well as the rival listed telecom, Cyfrowy Polsat. As predicted, Play has hiked the prices of its services, and it reported solid results for Q1 2019. Our expectation for FY2019 is 7% growth in adjusted EBITDA. Play generates the highest FCFE Yield in the Polish telecoms sector (8.7%-9.1% in 2019-20E), and it has declared cash dividends equivalent to 40-50% of FCFE in the coming years. At the current share price level, however, PLY stock is far from an attractive bet. The hiked prices of mobile plans will take several quarters to materialize in profits, and the acquisition of the optical fiber operator, 3S, involves some risk in our view. The deal will not affect Play's fundamental value (the 3S fiber will serve as a backbone for 5G), but it does curb the Company's borrowing capacity for the medium term. Meanwhile Poland has 3.7 GHz and 800 MHz frequency auctions scheduled for the coming quarters in which Play will want to take part. According to our calculations, in order to maintain the current dividend policy, Play has to keep debt at or below PLN 1.1bn after the 3S acquisition, a lower number than the PLN 1.5bn it could have borrowed pre-merger. In our mind, this is a matter of concern. With not much upside potential left that we can see, we downgrade PLY from buy to hold.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Active subscribers (000s)	12,394	12,653	12,707	12,848	12,989
ARPU (PLN)	32.0	32.3	32.7	32.9	33.1
Revenue	6,670	6,839	6,964	7,062	7,184
Service revenue	4,878	5,083	5,157	5,225	5,309
Sales of goods and other	1,792	1,756	1,807	1,836	1,875
Costs	4,766	4,679	4,682	4,716	4,787
Interconnection	1,729	1,922	1,781	1,768	1,762
Contract costs	429	421	449	453	457
Cost of goods sold	1,410	1,442	1,464	1,491	1,528
Employee benefits	526	255	282	291	300
External services	606	515	579	617	653
Other	65	124	128	96	87
EBITDA (adj.)	2,298	2,159	2,312	2,376	2,427
margin	34.4%	31.6%	33.2%	33.6%	33.8%
Net income	387	744	839	889	865

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	6,964	7,062	7,184	7,290	7,368	7,435	7,494	7,557	7,614	7,666	7,666
EBITDA	2,282	2,346	2,397	2,435	2,480	2,485	2,486	2,493	2,499	2,501	2,501
EBITDA margin	33.4%	33.7%	33.9%	33.9%	34.0%	33.7%	33.4%	33.3%	33.1%	32.8%	32.8%
D&A	810	829	918	940	1,001	1,024	1,032	1,024	1,013	1,001	1,001
EBIT	1,472	1,517	1,479	1,495	1,479	1,462	1,454	1,470	1,486	1,500	1,500
Tax	280	288	281	284	281	278	276	279	282	285	285
NOPLAT	1,192	1,229	1,198	1,211	1,198	1,184	1,178	1,190	1,204	1,215	1,215
CAPEX	-836	-1,821	-807	-1,693	-1,166	-999	-712	-718	-723	-1,401	-728
Work. cap. + other	-240	-233	-248	-262	-254	-252	-251	-253	-251	-250	-250
FCF	926	4	1,061	196	779	957	1,248	1,243	1,242	565	1,237
PV FCF	889	3	886	153	566	649	788	730	678	286	
WACC	7.3%	7.2%	7.3%	7.1%	7.2%	7.2%	7.4%	7.5%	7.7%	7.7%	
Net debt / EV	49.5%	51.8%	50.2%	52.2%	51.8%	50.6%	48.1%	45.3%	42.0%	42.2%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

Current Price 33.34 PLN

Downside

9M Target Price 29.00 PLN

-13.0%

	rating	target price	issued
new	hold	29.00 PLN	2019-07-03
old	buy	29.00 PLN	2019-05-31
Key Metrics			PLY PW vs. WIG
Ticker	PLY PW	1M Price Chng	+27.2% +22.6%
ISIN	LU1642887738	YTD Price Chng	+72.3% +67.4%
Outst. Stock (m)	253.7	ADTV 1M	PLN 24.6m
MC (PLN m)	8,458.4	ADTV 6M	PLN 14.6m
EV (PLN m)	14,685.2	EV/EBITDA 12M fwd	6.4 +10.4%
Free Float	49.4%	EV/EBITDA 5Y avg	5.8 premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	6,670	6,839	6,964	7,062	7,184
EBITDA	1,904	2,160	2,282	2,346	2,397
EBITDA margin	28.5%	31.6%	32.8%	33.2%	33.4%
EBIT	1,107	1,371	1,472	1,517	1,479
Net income	387	744	839	889	865
P/E	21.8	11.4	10.1	9.5	9.8
P/B	-	-	31.2	10.2	6.3
EV/EBITDA	8.0	7.0	6.4	6.5	6.2
DPS	0.00	2.57	1.45	1.31	1.37
DYield	0.0%	7.7%	4.3%	3.9%	4.1%
Projection Update (% change)		2019P	2020P	2021P	
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%	

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	1,389	2,037	2,025	2,071	2,126
OCF/EBITDA adj.	60%	94%	88%	87%	88%
CAPEX	-650	-781	-836	-1,821	-807
Assets	8,831	8,521	8,644	9,420	9,562
Equity	-213	-201	271	828	1,344
Net debt	6,710	6,653	6,227	6,840	6,404
Net debt/EBITDA (x)	2.9	3.1	2.7	2.9	2.6

Relative Valuation Summary

	P/E			DYield - RFR		
	18	19P	20P	18	19P	20P
Minimum	28.9	21.4	17.9	535.4%	508.2%	485.2%
Maximum	113.0	27.7	23.7	1265.0%	1199.0%	1135.4%
Median	14.0	12.8	11.6	547.2%	515.7%	505.4%
Weight	33%	33%	33%	0%	0%	0%

DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	0.0%
PV FCF	13,754
Net debt	6,034
Other adjustments	0
Value per share (PLN)	30.43

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	23.43
DCF Val.	50%	30.43
Implied Price		26.96
Cost of equity (9M)		7.6%
9M Target Price		29.00

Agora buy (no change)

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Agora stock rebounded over 6% over the past month, but we still see upside potential in the Company after better-than-expected 2019 Q1 results, driven by the cinema business, where revenue showed 37% expansion from the same year-ago period thanks to record box office sales combined with increased revenues from film production and distribution. The quarterly pre-IFRS16 EBITDA of the cinema business registered y/y growth of a staggering 28%. Total operating cash flow was also strong in the first quarter, owing to effective working capital management (PLN 54.3m). On a less positive note, Agora's first-quarter results reflected an advertising slowdown which, however, is expected to be reversed in subsequent quarters, with ad spend growth returning to the mid-single digits. A recovery in advertising sales in the second half of the year is a prerequisite for Agora to deliver our FY2019E EBITDA forecast (PLN 104m under IAS17).

Current Price	13.35 PLN	Upside
9M Target Price	16.00 PLN	+19.9%

	rating	target price	issued
unchanged	buy	16.00 PLN	2018-11-27

Key Metrics			AGO PW	vs. WIG
Ticker	AGO PW	1M Price Chng	+6.4%	+1.8%
ISIN	PLAGORA00067	YTD Price Chng	+33.5%	+28.6%
Outst. Stock (m)	46.6	ADTV 1M		PLN 0.2m
MC (PLN m)	621.9	ADTV 6M		PLN 0.3m
EV (PLN m)	630.1	EV/EBITDA 12M fwd	6.2	+14.7%
Free Float	76.9%	EV/EBITDA 5Y avg	5.4	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,165	1,141	1,168	1,213	1,272
EBITDA	30	89	104	117	135
EBITDA margin	2.6%	7.8%	8.9%	9.7%	10.6%
EBIT	-73	1	24	39	58
Net income	-84	5	14	26	42
P/E	-	122.2	44.3	23.6	14.6
P/B	0.6	0.6	0.7	0.7	0.6
EV/EBITDA	21.5	7.0	6.1	5.6	4.9
DPS		0.50	0.50	0.50	0.50
DYield		3.7%	3.7%	3.7%	3.7%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Daily circulator (k copies)	124	104	93	87	84
Movie ticket sales (mn)	12.2	12.3	13.0	14.0	15.2
Avg. ticket price (PLN)	18.4	18.9	18.9	18.9	18.9
Conc. rev./patron (PLN)	6.8	7.1	7.2	7.4	7.5
Revenue	1,165	1,141	1,168	1,213	1,272
Press	236	214	203	200	202
Movies & Books	416	419	434	465	503
Outdoor	163	172	177	186	196
Internet	169	178	191	198	206
Radio	114	116	119	122	126
Print	102	72	70	67	65
Eliminations	-34	-29	-26	-26	-26
EBITDA	30	89	104	117	135
margin	2.6%	7.6%	8.9%	9.7%	10.6%
Net income	-83.5	5.1	14.0	26.4	42.5

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	77	69	91	101	117
OCF/EBITDA	258%	79%	87%	86%	87%
CAPEX	-70	-85	-77	-95	-96
Assets	1,406	1,382	1,389	1,410	1,444
Equity	996	962	953	956	975
Net debt	4	-24	-14	3	5
Net debt/EBITDA (x)	0.1	-0.3	-0.1	0.0	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	19P	20P
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)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,168	1,213	1,272	1,329	1,368	1,389	1,411	1,433	1,457	1,486	1,515
EBITDA	104	117	135	151	161	163	165	166	166	169	173
EBITDA margin	8.9%	9.7%	10.6%	11.4%	11.8%	11.8%	11.7%	11.5%	11.4%	11.4%	11.4%
D&A	80	78	77	75	73	71	75	79	80	82	83
EBIT	24	39	58	77	88	92	90	87	86	88	89
Tax	4	7	11	15	17	18	17	16	16	17	17
NOPLAT	19	31	47	62	71	75	73	70	70	71	72
CAPEX	-77	-95	-96	-98	-68	-73	-76	-78	-80	-82	-83
Working capital	-8	-8	-7	-6	-4	-3	-2	-1	-1	-1	-1
FCF	15	7	22	33	72	71	70	70	69	70	71
PV FCF	14	6	17	24	47	43	39	36	33	33	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	0.0%	0.8%	1.2%	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	773
Net debt	10
Other adjustments	19
Value per share (PLN)	15.96

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	14.11
DCF Val.	50%	15.96
Implied Price		15.03
Cost of equity (9M)		6.4%
9M Target Price		16.00

Cyfrowy Polsat reduce (no change)

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Shares in Cyfrowy Polsat jumped more than 19% in the course of a month amid a general rally in Polish telecom stocks triggered by price hike announcements, first by Play and Orange Polska, with Cyfrowy following suit with a promise that it would be raising prices this autumn. There is no doubt that higher sales prices will make for higher earnings over the long term, but when it comes to near-term prospects investors should keep in mind that the hikes will take several quarters to make a noticeable difference in P&L. At the current level, CPS stock is trading at a mediocre 2019E DivYield of 3.0%, and 7.5x EV/EBITDA'19. At a projected PLN 3.75bn, the IAS17 EBITDA projected for the year might prove 2.4% lower than the pro-forma FY2018 figure, making Cyfrowy the only top-3 telecom to experience earnings contraction this year. The factors putting a damper on profits include the fixed-line unit Netia and a 3.1% drop in Polish TV and sponsorship adspend registered in Q1. All in all, we maintain a negative view on CPS.

Current Price 30.60 PLN **Downside**
9M Target Price 24.15 PLN **-21.1%**

	rating	target price	issued
unchanged	reduce	24.15 PLN	2019-05-31

Key Metrics			CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	+19.3%	+14.8%
ISIN	PLCFRPT00013	YTD Price Chng	+38.4%	+33.5%
Outst. Stock (m)	639.5	ADTV 1M		PLN 21.1m
MC (PLN m)	19,570.0	ADTV 6M		PLN 12.6m
EV (PLN m)	31,201.0	EV/EBITDA 12M fwd	7.4	+5.5%
Free Float	33.5%	EV/EBITDA 5Y avg	7.0	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	9,829	10,686	11,394	11,548	11,759
EBITDA	3,617	3,698	4,179	4,255	4,356
EBITDA margin	36.8%	34.6%	36.7%	36.9%	37.0%
EBIT	1,834	1,727	1,966	2,127	2,317
Net income	981	834	1,224	1,431	1,595
P/E	20.0	23.5	16.0	13.7	12.3
P/B	1.6	1.5	1.4	1.3	1.2
EV/EBITDA	8.3	8.2	7.5	7.2	6.8
DPS	0.32	0.00	0.93	0.93	0.93
DYield	1.0%	0.0%	3.0%	3.0%	3.0%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
RGUs pospaid	16.52	16.91	17.32	17.44	17.51
incl. Pay TV	4.94	5.10	5.13	5.17	5.20
incl. mobile	6.93	7.35	7.60	7.65	7.66
Sales	9,829	10,686	11,394	11,548	11,759
YoY		8.7%	6.6%	1.3%	1.8%
EBIT	1,834	1,727	1,966	2,127	2,317
margin	18.7%	16.2%	17.3%	18.4%	19.7%
EBITDA	3,617	3,698	4,179	4,255	4,356
margin	36.8%	34.6%	36.7%	36.9%	37.0%
Financial costs, net	-509	-387	-379	-342	-323
Other	10	-34	0	0	0
PBT	1,335	1,306	1,587	1,785	1,994
Tax	-390	-490	-347	-339	-379
Minorities	-35	-18	15	15	20
Net income	981	834	1,224	1,431	1,595

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	2,941	2,915	3,134	3,329	3,453
OCF/EBITDA	81%	79%	75%	78%	79%
CAPEX	-739	-928	-1,380	-1,984	-1,306
Assets	27,756	30,697	30,350	28,249	28,712
Equity	12,074	13,227	14,128	14,963	15,963
Net debt	10,518	10,092	10,839	10,431	9,342
Net debt/EBITDA (x)	2.9	2.7	2.6	2.5	2.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	19P	20P
Minimum	7.0	4.9	3.7	3.3	2.9	2.6
Maximum	73.9	108.8	168.2	30.7	18.1	17.3
Median	6.0	5.8	5.7	13.1	13.0	11.6
Weight	33%	33%	33%	0%	0%	0%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	11,394	11,548	11,759	11,946	12,132	12,301	12,473	12,649	12,832	13,013	
EBITDA	3,749	3,825	3,926	3,981	4,030	4,061	4,091	4,119	4,145	4,168	
EBITDA margin	32.9%	33.1%	33.4%	33.3%	33.2%	33.0%	32.8%	32.6%	32.3%	32.0%	
D&A	1,783	1,699	1,609	1,523	1,453	1,411	1,382	1,353	1,449	1,458	
EBIT	1,966	2,127	2,317	2,458	2,577	2,650	2,709	2,765	2,696	2,710	
Tax	373	404	440	467	490	504	515	525	512	515	
NOPLAT	1,592	1,723	1,877	1,991	2,087	2,147	2,195	2,240	2,184	2,195	
CAPEX	-1,380	-1,984	-1,306	-2,325	-2,670	-1,674	-1,396	-1,983	-1,440	-1,458	
Working capital	-267	-158	-94	-84	-85	-85	-83	-92	-103	-116	
FCF	1,728	1,279	2,086	1,105	785	1,799	2,097	1,518	2,090	2,080	2,080
PV FCF	1,662	1,152	1,756	870	578	1,239	1,348	912	1,170	1,085	
WACC	6.8%	6.8%	6.9%	7.0%	6.9%	7.0%	7.1%	7.1%	7.2%	7.3%	
Net debt / EV	36.0%	35.0%	32.1%	31.9%	33.1%	31.7%	29.4%	28.9%	26.6%	24.3%	
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	26,596
Net debt	10,092
Other adjustments	797
Value per share (PLN)	24.56

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	21.70
DCF Val.	50%	24.56
Implied Price		23.13
Cost of equity (9M)		6.4%
9M Target Price*		24.15

*Cyfrowy Polsat only (without Netia); **Pro-forma figures assuming acquisition of a controlling stake in Netia at the end of 2017

Wirtualna Polska hold (downgraded)

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Shares in Wirtualna Polska gained 8% over the past month, prompting a downgrade from accumulate to hold. Wirtualna generated 33% higher revenue in Q1 2019 than in the same quarter in 2018, owing partly to acquisitions and, more importantly, to strong online ad sales and continued fast-paced growth in e-commerce. The Company also generates high operating cash flow (OCF/EBITDA in 2018 was 89%). Polish online ad expenditures are forecast to grow more than 10% in 2019, with positive effects on the revenues and profits of Wirtualna, reinforced by e-commerce, accounting for about a half of the Company's annual sales, projected to grow at a rate of 20% a year. Wirtualna is looking for new M&A opportunities in Poland and the CEE region, including in the Czech Republic, Hungary, and Romania, with a budget of at least PLN 200m, which can be raised to PLN 350m after successful talks with lenders. Wirtualna has reassured the market that it has no plans to raise M&A financing through an equity issue.

Current Price 61.20 PLN **Upside**
9M Target Price 61.50 PLN **+0.5%**

	rating	target price	issued
new	hold	61.50 PLN	2019-07-03
old	accumulate	61.50 PLN	2019-02-04
Key Metrics		WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+7.7% +3.2%
ISIN	PLWRTPL00027	YTD Price Chng	+18.1% +13.2%
Outst. Stock (m)	29.8	ADTV 1M	PLN 1.4m
MC (PLN m)	1,822.3	ADTV 6M	PLN 0.9m
EV (PLN m)	2,001.4	EV/EBITDA 12M fwd	9.6 -6.1%
Free Float	53.0%	EV/EBITDA 5Y avg	10.3 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	466	567	625	675	718
EBITDA	130	163	196	216	230
EBITDA margin	27.8%	28.7%	31.5%	31.9%	32.1%
EBIT	79	107	136	152	163
Net income	45	76	95	111	122
P/E	40.3	24.0	19.2	16.4	15.0
P/B	4.3	3.9	3.5	3.1	2.8
EV/EBITDA	15.5	13.1	10.2	9.0	8.1
DPS	1.10	0.96	1.00	1.66	1.95
DYield	1.8%	1.6%	1.6%	2.7%	3.2%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Revenue	466	567	625	675	718
Cash	425	543	574	620	660
Barter	33.0	24.6	24.7	25.7	26.5
Costs	387	460	489	524	555
D&A	51.0	44.6	60.5	64.1	67.2
Materials & Utilities	5.9	6.2	6.3	6.5	6.8
Payroll	134	165	171	177	184
Other	196	223	251	276	297
EBITDA	130	163	196	216	230
margin	27.8%	29.8%	31.5%	31.9%	32.1%
EBITDA (adj.)	151	173	197	213	226
margin	32.3%	32.1%	31.5%	31.5%	31.5%
EBIT	79	107	136	152	163
margin	16.9%	19.7%	21.8%	22.4%	22.7%
Net income	35.3	76.0	94.9	111.3	125.1

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	114	156	159	176	187
OCF/EBITDA	88%	96%	81%	81%	81%
CAPEX	-42	-43	-53	-57	-62
Assets	894	1,063	924	955	990
Equity	420	457	522	584	651
Net debt	170	217	163	102	37
Net debt/EBITDA (x)	1.3	1.3	0.8	0.5	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	18	19P	20P	18	19P	20P
Minimum	20.7	15.7	18.4	16.4	12.1	9.5
Maximum	11.4	9.9	12.7	4.5	5.2	3.8
Median	17.7	14.6	16.0	11.0	9.8	8.4
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	625	675	718	756	791	824	855	883	910	929	947
EBITDA	196	216	230	244	254	263	270	275	280	285	291
EBITDA margin	31.5%	31.9%	32.1%	32.2%	32.2%	32.0%	31.6%	31.1%	30.7%	30.7%	30.7%
D&A	60	64	67	70	72	74	76	78	80	81	83
EBIT	136	152	163	174	182	189	194	197	200	204	208
Tax	26	29	31	33	35	36	37	37	38	39	40
NOPLAT	110	123	132	141	148	153	157	160	162	165	169
CAPEX	-53	-57	-62	-66	-70	-74	-78	-82	-85	-87	-89
Working capital	-10	-8	-8	-8	-8	-8	-8	-7	-7	-7	-8
FCF	108	121	130	137	142	145	148	149	149	152	155
PV FCF	99	103	102	99	95	90	84	78	72	73	
WACC	8.0%	8.1%	8.3%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	11.9%	8.6%	4.7%	2.1%	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	1,938
Net debt	206
Other adjustments	19
Value per share (PLN)	59.42

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	56.18
DCF Val.	50%	59.42
Implied Price		57.80
Cost of equity (9M)		6.4%
9M Target Price		61.50

Asseco Poland hold (no change)

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Asseco Poland stock has rallied 26% since the beginning of the year, outperforming the Polish IT sector with another 6+ percent gained in June. We attribute this to investors' taking more interest in less-cyclical, dividend-paying stocks, though in the case of ACP we believe traders would do well to dial in excitement given 2019 second-half earnings prospects. In our assessment, Asseco's Polish business is set for a 15% EBIT drop this year, led by lower sales of banking solutions after the loss of the Deutsche Bank account, coupled with stalled orders from government agencies, reflected in 10% contraction this year in the Polish order backlog (ex. Asseco Business Solutions). Dividends have been the main factor driving ACP's performance, but notice that the ex-date for 2019 dividend has already passed. Meanwhile ACP is currently trading at 14.5x 2019E P/E, showing a 13% premium to the Polish IT sector (with median P/E of 12.8x) and a 14% discount to Western European peers (16.6x), much narrower than the historical discounts of 18%-21%. We maintain a hold rating for ACP.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,829	9,329	9,929	10,288	10,581
change	0.0%	19.1%	6.4%	3.6%	2.8%
Poland	1,558	1,614	1,571	1,614	1,653
South-Eastern Europe	571	670	770	820	846
Western Europe	638	705	762	800	816
Central Europe	791	957	1,024	1,055	1,087
Israel	5,161	5,403	5,798	5,995	6,175
Eastern Europe	19	4	4	4	4
EBIT	585	797	847	881	909
D&A	337	460	659	665	668
EBITDA	922	1,256	1,506	1,546	1,576
margin	11.8%	13.5%	15.2%	15.0%	14.9%
Associates	-150	-260	-371	-392	-413
Tax	-122	-182	-209	-212	-214
Net income	467	333	310	318	322

DCF Summary

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Asseco Poland (Standalone Figures)											
Revenue	907	827	847	864	881	899	917	935	954	973	973
EBITDA	242	182	176	177	179	180	181	183	186	188	188
NOPLAT	150	117	118	118	119	120	120	121	123	123	123
FCF	108	124	106	112	118	115	116	116	117	118	118
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	0.0%
Asseco Business Solutions											
Revenue	258	273	284	293	300	307	314	322	330	337	344
EBITDA	94	101	108	111	114	117	120	123	126	129	132
NOPLAT	61	66	71	73	75	77	79	81	83	85	86
FCF	48	59	63	66	68	70	71	73	75	77	78
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%	0.0%
Asseco South Eastern Europe											
Revenue	637	678	711	737	757	773	785	794	801	806	822
EBITDA	121	129	137	143	148	152	157	161	166	170	173
NOPLAT	61	65	68	70	72	73	74	74	75	75	77
FCF	31	36	39	45	49	53	58	62	66	70	72
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	0.0%

Current Price 54.30 PLN

Downside

9M Target Price 50.80 PLN

-6.4%

	rating	target price	issued
unchanged	hold	50.80 PLN	2019-06-03

Key Metrics			ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	+6.3%	+1.7%
ISIN	PLSOFTB000016	YTD Price Chng	+26.1%	+21.2%
Outst. Stock (m)	83.0	ADTV 1M		PLN 2.8m
MC (PLN m)	4,506.9	ADTV 6M		PLN 4.1m
		P/E 12M fwd	12.8	+2.1%
Free Float	68.0%	P/E 5Y avg	12.6	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,829	9,329	9,929	10,288	10,581
EBITDA	922	1,256	1,506	1,546	1,576
EBITDA margin	11.8%	13.5%	15.2%	15.0%	14.9%
EBIT	585	797	847	881	909
Net income	467	333	310	318	322
P/E	9.7	13.5	14.5	14.2	14.0
P/B	0.8	0.8	0.8	0.8	0.7
P/S	0.58	0.48	0.45	0.44	0.43
DPS	3.01	3.01	3.07	2.29	2.27
DYield	5.5%	5.5%	5.6%	4.2%	4.2%
Projection Update (% change)			2019P	2020P	2021P
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%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	691	1,001	405	1,113	1,151
OCF/EBITDA	75%	80%	27%	72%	73%
CAPEX	-226	-240	-298	-360	-423
Assets	11,882	12,642	13,610	14,062	14,522
Equity	5,601	5,718	5,773	5,901	6,035
Net debt	360	305	600	117	-333
Net debt/EBITDA (x)	0.4	0.2	0.4	0.1	-0.2

Relative Valuation Summary

	P/E		
	19P	20P	21P
Minimum	25.1	21.1	0.0
Maximum	7.7	6.9	0.0
Median	15.4	12.8	0.0
Weight	33%	33%	0%

SOTP Summary

(PLN m)	Method	%	Value
Asseco PL (stndln)*	DCF	100%	1,280
Asseco CE	10x PE	93%	755
Asseco BS	DCF	22%	959
Asseco SEE	DCF	51%	1,110
Western Europe	10x PE	100%	361
Formula Systems	market	26%	2,689
Other	10x PE	0%	187
Value			4,009
Value Per Share (PLN)			48.30

*net debt adj. for paid dividend

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	47.21
SOTP Val.	50%	48.30
Implied Price		47.75
Cost of equity (9M)		6.4%
9M Target Price		50.80

Comarch buy (no change)

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Comarch stock has risen nearly 24% since the beginning of the year, but it still shows upside potential in our view. The Company delivered strong results for Q1 2019, with EBITDA up more than 70% year-over-year after stripping out one-time events (which factored heavily in the first quarters of both 2019 and 2018) and the positive effects of the adoption of IFRS16 in January. Such rapid growth indicates that the analysts' current consensus for 2019 EBITDA is too low at PLN 212m; our own estimates for the year are PLN 242m under IFRS16 and PLN 226m under IAS17. Note also that at 6.9x 2019E EV/EBITDA CMR is currently trading at a 22% discount to the sector even though it is set to post an earnings rebound of 27.4% this year vis-a-vis a 7.5% median increase anticipated from its peers. We maintain a buy rating for Comarch which in our view makes a much more worthwhile pick than Asseco Poland.

Current Price

188.50 PLN

Upside

9M Target Price

230.00 PLN

+22.0%

	rating	target price	issued
unchanged	buy	230.00 PLN	2019-04-17

Key Metrics			CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	-2.8%	-7.4%
ISIN	PLCOMAR00012	YTD Price Chng	+24.0%	+19.1%
Outst. Stock (m)	8.1	ADTV 1M		PLN 0.2m
MC (PLN m)	1,533.1	ADTV 6M		PLN 0.3m
EV (PLN m)	1,551.2	EV/EBITDA 12M fwd	6.9	-8.2%
Free Float	59.2%	EV/EBITDA 5Y avg	7.5	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,102	1,365	1,523	1,609	1,692
EBITDA	99	177	226	238	250
EBITDA margin	9.0%	13.0%	14.8%	14.8%	14.8%
EBIT	34	112	157	167	175
Net income	43	52	99	110	117
P/E	35.6	29.7	15.6	14.0	13.1
P/B	1.0	0.9	0.8	0.8	0.8
EV/EBITDA	15.7	8.8	6.9	6.5	6.2
DPS	1.50	1.50	1.50	5.00	5.00
DYield	0.8%	0.8%	0.8%	2.7%	2.7%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Revenue	1,102	1,365	1,523	1,609	1,692
TMT	258	313	379	398	417
Finance & Banking	186	204	235	244	254
Retail Solutions	174	201	241	265	286
Manufacturing	142	138	152	160	168
Public Sector	63	194	153	162	168
SME	236	260	297	312	327
Other	43	54	67	69	71
Gross profit	268	387	440	451	472
margin	24.3%	28.3%	28.9%	28.0%	27.9%
Selling expenses	134	138	154	159	166
G&A expenses	98	109	120	125	130
EBIT	34	112	157	167	175
margin	3.1%	8.2%	10.3%	10.3%	10.4%
Net income	43	52	99	110	117

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	61	144	140	174	182
OCF/EBITDA	62%	81%	62%	73%	73%
CAPEX	-141	-87	-87	-87	-91
Assets	1,503	1,675	1,814	1,922	2,030
Equity	880	897	984	1,053	1,129
Net debt	19	-28	-66	-110	-157
Net debt/EBITDA (x)	0.2	-0.2	-0.3	-0.5	-0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	24.7	21.8	19.5	16.4	15.4	14.6
Maximum	10.1	9.3	8.8	5.0	4.7	4.7
Median	15.0	14.2	13.4	9.1	8.9	8.6
Weight	33%	33%	33%	33%	33%	33%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,523	1,609	1,692	1,767	1,843	1,921	1,995	2,062	2,126	2,191	2,235
EBITDA	226	238	250	260	270	279	288	296	302	309	315
EBITDA margin	14.8%	14.8%	14.8%	14.7%	14.6%	14.5%	14.4%	14.3%	14.2%	14.1%	14.1%
D&A	69	72	75	79	82	86	90	94	99	103	105
EBIT	157	167	175	181	187	193	198	201	204	206	210
Tax	54	55	56	57	58	59	60	60	60	60	62
NOPLAT	103	112	119	124	129	134	138	141	143	145	148
CAPEX	-87	-87	-91	-93	-95	-97	-99	-100	-101	-103	-105
Working capital	-30	-10	-14	-12	-12	-12	-12	-11	-10	-11	-11
FCF	55	86	90	98	104	110	117	124	130	135	137
PV FCF	52	75	72	73	71	70	68	66	64	61	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net debt / EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	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	1,633
Net debt	-28
Other adjustments	18
Value per share (PLN)	202.04

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	230.39
DCF Val.	50%	202.04
Implied Price		216.22
Cost of equity (9M)		6.4%
9M Target Price		230.00

11 bit studios buy (no change)

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11 bit studios set the retail prices for *Children of Morta* at \$/€21.99 for digital PC/PS4/XOne editions, with box editions priced at \$/€24.99 for PC, \$/€24.99 for PS4, and \$/€34.99 for Nintendo Switch, with the premiere date set for the third quarter of 2019. Also coming later this year is the mobile version of *Moonlighter*, paid DLC for *Frostpunk*, *Moonlighter*, and *This War of Mine*, and a console edition of *Frostpunk*. In an interview in June, CEO Miechowski revealed the Company had sold 1.5 million copies of *Frostpunk* and 0.5 million copies of *Moonlighter* to date, owing to a successful sales and marketing strategy which includes follow-up releases of paid add-ons. 11B has two new projects in development at the moment, and it will release more details later in the year. Based on strong 2019 H2 earnings prospects, we consider 11bit studios one of the best picks in the video games sector.

Current Price	391.50 PLN	Upside
9M Target Price	518.00 PLN	+32.3%

	rating	target price	issued
unchanged	buy	518.00 PLN	2019-05-20

Key Metrics			11B PW	vs. WIG
Ticker	11B PW	1M Price Chng	-1.5%	-6.0%
ISIN	PL11BTS00015	YTD Price Chng	+60.5%	+55.5%
Outst. Stock (m)	2.3	ADTV 1M		PLN 1.2m
MC (PLN m)	895.4	ADTV 6M		PLN 2.7m
EV (PLN m)	842.1	EV/EBITDA 12M fwd	21.6	+96.4%
Free Float	-	EV/EBITDA 5Y avg	11.0	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	19.2	82.1	79.6	87.0	195.0
EBITDA	9.2	51.4	45.8	36.2	128.4
EBITDA margin	48.2%	62.6%	57.6%	41.7%	65.8%
EBIT	7.5	46.9	41.7	28.7	117.5
Net income	3.6	37.5	34.1	24.0	96.6
P/E	-	23.8	26.2	37.4	9.3
P/B	19.4	10.0	7.2	6.0	3.6
EV/EBITDA	93.9	16.9	18.4	22.7	5.8
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Projection Update (% change)	2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
TWOM (S)	17.6	18.3	16.4	16.4	15.6
Frostpunk (S)	0.0	53.8	50.9	44.4	43.7
Project 8 (S)	0.0	0.0	0.0	0.0	90.3
Publishing (S)	1.9	14.8	22.5	47.4	82.6
External services	-5.9	-16.5	-24.3	-40.9	-56.8
OCF/EBITDA	87.3%	75.9%	86.2%	85.3%	69.3%
Operating cash flow	8.1	39.0	39.5	30.9	89.0
D&A	1.7	4.5	4.2	7.5	10.9
Working capital	2.6	-8.0	0.4	-1.3	-19.2
Investing cash flow	-10.0	-55.6	-9.1	-10.1	-11.1
CAPEX	-7.4	-26.6	-9.1	-10.1	-11.1
Development exp.	1.0	12.6	-1.3	-1.3	-1.3
FCF	-1.5	10.1	24.6	13.2	84.1
FCF/EBITDA	-16%	20%	54%	36%	65%
FCF Yield	0%	1%	3%	1%	9%

Balance sheet

(PLN m)	2017	2018	2019P	2020P	2021P
Tangible assets	0.8	18.7	18.8	18.8	18.8
Receivables	2.7	14.6	14.1	15.4	34.6
Production in progress	13.1	17.1	22.1	24.6	24.8
Cash	28.2	24.3	53.4	73.0	149.6
Cash deposit	0.0	27.0	27.0	27.0	27.0
Net debt	-28.2	-24.3	-53.4	-73.0	-149.6
Net debt/EBITDA (x)	-3.0	-0.5	-1.2	-2.0	-1.2

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.1	6.0
Maximum	26.0	17.8
Median	19.2	12.2
Weight	50%	50%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
TWOW (k copies)	420	420	399	379	360	0	0	0	0	0	0
Frostpunk (k copies)		1,000	950	903	677	508	381	247	247	247	0
Next games (k copies)		0	1,359	1,200	2,695	2,460	2,403	3,710	3,252	2,802	0
Revenue	80	87	195	197	262	223	196	257	248	209	-
EBITDA	46	36	128	119	178	136	106	166	158	118	-
EBITDA margin	57.6%	41.7%	65.8%	60.6%	68.0%	60.8%	54.4%	64.8%	63.5%	56.6%	-
EBIT	42	29	118	104	160	121	93	152	143	114	-
Tax	8	5	22	20	30	23	18	29	27	22	-
CAPEX	-9	-10	-11	-12	-14	-15	-16	-18	-20	-22	-
Working capital	-4	-8	-11	-16	-19	-15	-13	-14	-14	-4	-
FCF	25	13	84	72	116	83	59	105	96	70	72
PV FCF	25	12	71	56	83	55	36	60	50	34	
WACC	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%	-

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	4.0%
PV FCF	1,252
Net debt	-24
Other adjustments	0
Value per share (PLN)	558.10

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	416.50
DCF Val.	50%	558.10
Implied Price		487.30
Cost of equity (9M)		6.4%
9M Target Price		518.00

CD Projekt accumulate (no change)

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CD Projekt announced the release date for *Cyberpunk 2077* during the Xbox E3 2019 conference in June. The game will be released on April 16, 2020, starring actor Keanu Reeves, revealed to be featured as one of the characters — news which met with universal acclaim and gave the game immediate global recognition. German and US stores selling physical collector's copies of the game reportedly ran out of stock just days after pre-orders launched. The likely ramp-up of marketing for *Cyberpunk* now that the premiere date is known will positively influence CD Projekt's stock performance in the coming months. Sales of the game will probably match those of the biggest global best sellers. In other news, CD Projekt has confirmed it will be releasing *The Witcher 3* for Nintendo Switch, and its CFO Piotr Nielubowicz in a recent interview shared that the Company's next project will be set in the *Cyberpunk* universe. We assume (and we build this assumption into our forecasts) that the project will be a multi-player game.

Current Price

215.00 PLN

Upside

9M Target Price

237.50 PLN

+10.5%

	rating	target price	issued
unchanged	accumulate	237.50 PLN	2019-05-09

Key Metrics			CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	+3.5%	-1.1%
ISIN	PLOPTTC00011	YTD Price Chng	+48.7%	+43.8%
Outst. Stock (m)	96.1	ADTV 1M		PLN 91.9m
MC (PLN m)	20,665.8	ADTV 6M		PLN 60.3m
EV (PLN m)	20,129.4	EV/EBITDA 12M fwd	16.6	-28.2%
Free Float	65.3%	EV/EBITDA 5Y avg	23.1	discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	463	363	308	3,092	2,641
EBITDA	246	117	44	2,348	2,174
EBITDA margin	53.1%	32.3%	14.3%	75.9%	82.3%
EBIT	241	112	39	2,342	2,168
Net income	200	109	39	1,964	1,909
P/E	-	-	-	10.5	10.8
P/B	23.2	20.6	19.9	7.0	4.4
EV/EBITDA	80.6	170.8	456.2	7.7	7.6
DPS	1.06	0.00	0.00	0.00	0.00
DYield	0.5%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Sales, Video Games	330	228	174	2,985	2,479
EBIT, VG	223	114	54	2,384	2,154
EBIT margin, VG	67.4%	49.8%	31.1%	79.9%	86.9%
Sales, GOG.com	169.6	144.3	138.1	145.0	140.2
EBIT, GOG.com	18.4	-1.1	2.0	4.2	2.7
EBIT margin, GOG	10.8%	-0.8%	1.4%	2.9%	1.9%
Operating cash flow	232	133	31	2,094	1,782
D&A	5	5	5	6	6
Working capital	34	46	-26	-118	21
Investing cash flow	-291	-106	-46	-160	-173
CAPEX	-13	-15	-9	-10	-11
Development exp.	77	98	137	150	162
FCF	144	40	-112	1,981	1,674
FCF/EBITDA	-183%	83%	77%	73%	77%
OCF/EBITDA	51%	87%	82%	81%	80%

Key Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Sales, The Witcher 3	288	174	124	108	95
Sales, Gwent	43	45	45	31	16
Sales, Cyberpunk	0	0	0	2,759	979
	0	0	0	0	0
Development exp.	142	243	370	201	290
Cash	67	104	95	2,080	3,757
Net debt	-647	-659	-550	-2,535	-4,212
Net debt/EBITDA (x)	-2.6	-5.6	-9.0	-1.1	-1.9

Relative Valuation Summary

	P/E 12M fwd 4Y avg	EV/EBIT 12M fwd 4Y avg
Minimum	15.1	5.1
Maximum	19.4	11.6
Median	19.2	8.8
Weight	50%	50%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
W3 (k copies)	1,860	1,624	1,395	1,380	1,165	0	0	0	0	0	0
C2077 (k copies)	21,000	9,977	10,525	8,375	6,300	5,225	3,575	0	0	0	0
Next AAA game (k copies)	0	10,000	6,000	21,000	13,000	23,000	14,500	9,200	11,200	0	0
Revenue	312	3,130	2,620	1,600	3,472	2,143	3,397	2,121	1,259	1,327	-
EBITDA	61	2,394	2,163	1,219	2,856	1,634	2,714	1,546	825	855	-
EBITDA margin	19.6%	76.5%	82.6%	76.2%	82.3%	76.3%	79.9%	72.9%	65.5%	64.5%	-
EBIT	56	2,388	2,157	1,213	2,850	1,628	2,708	1,540	818	849	-
Tax	11	454	410	230	542	309	514	293	155	161	-
CAPEX	-146	-160	-173	-186	-199	-209	-207	-214	-221	-228	-
Working capital	-26	-118	21	43	-78	56	-53	53	36	-3	-
FCF	-112	1,981	1,674	886	2,188	1,272	2,121	1,214	485	464	464
PV FCF	-106	1,732	1,349	658	1,497	802	1,233	650	240	211	-
WACC	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%	-

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	4.0%
PV FCF	13,358
Net debt	-659
Other adjustments	0
Value per share (PLN)	231.80

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	214.80
DCF Val.	50%	231.80
Implied Price		223.30
Cost of equity (9M)		6.4%
9M Target Price		237.50

Industrials, Mining

Cognor

accumulate (reiterated)

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Cognor's profits are set to fall noticeably this year vis-a-vis the record numbers posted in 2018, led by a general slump in global steel prices. On a likely 2% decline in sales volumes, significantly tightened margins on flat and long steel products might put a dent in 2019 profit to the tune of PLN 46m, exacerbated by an additional squeeze from higher costs of utilities (+PLN 35m) and labor (+PLN 10m). Despite a resulting drop in 2019 EBITDA by a projected 50%, on a positive note, we predict Cognor can generate steady FCF of about PLN 60m a year in the next three years, retaining its capacity to make regular distributions to shareholders. This year, with PLN 0.30 DPS approved by shareholders, investors who buy COG before the September 25th ex-date can count on a dividend yield of over 15%, the highest among all WSE stocks. In 2020 and 2021, assuming average annual EBITDA of ca. PLN 100m, we believe dividend yields can be kept close to 10%. After a still-weak second quarter, Cognor's prospects for the second half of 2019 are lifted by the planned closure by ArcelorMittal of its Polish steel plant in Krakow, and the improving price advantage of EAF steelmaking over BOF producers. After updating our relative valuation model, we raise our target price for Cognor from PLN 1.79 to PLN 1.84 per share, and we maintain an accumulate rating for the Company.

Current Price 1.77 PLN **Upside**
9M Target Price 1.84 PLN **+4.2%**

	rating	target price	issued
new	accumulate	1.84 PLN	2019-07-03
old	accumulate	1.79 PLN	2019-06-14

Key Metrics			COG PW	vs. WIG
Ticker	COG PW	1M Price Chng	+10.3%	+5.7%
ISIN	PLCNTSL00014	YTD Price Chng	+10.3%	+5.4%
Outst. Stock (m)	175.0	ADTV 1M		PLN 0.1m
MC (PLN m)	308.8	ADTV 6M		PLN 0.2m
EV (PLN m)	551.1	EV/EBITDA 12M fwd	3.6	+17.7%
Free Float	-	EV/EBITDA 5Y avg	3.1	premium

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,789	2,082	2,004	1,900	2,086
EBITDA adj.	146	200	108	100	106
EBITDA margin	8.1%	9.6%	5.4%	5.3%	5.1%
EBIT adj.	104	156	62	50	57
Net income adj.	32	94	34	27	35
P/E adj.	9.7	3.3	9.1	11.4	8.8
P/B	1.4	1.1	1.1	1.1	1.0
EV/EBITDA adj.	4.5	2.7	5.1	5.3	4.8
DPS	0.00	0.07	0.21	0.13	0.11
DYield	0.0%	3.8%	11.7%	7.2%	6.1%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Ferrostal volume (k tons)	426	401	393	361	432
HSJ volume (k tons)	231	237	232	253	268
Zlomrex volume (k tons)	131	173	176	180	183
Ferrostal spread (PLN/t)	953	1,191	1,147	1,159	1,189
HSJ spread (PLN/t)	1,272	1,723	1,680	1,610	1,598
Operating cash flow	145	232	91	110	92
D&A	41	44	47	50	49
Working capital	11	44	15	17	-5
Investing cash flow	-15	-38	-50	-50	-35
CAPEX	16	38	50	50	35
Financing cash flow	-53	-196	-9	-88	-68
Dividends/Buyback	0	-12	-36	-22	-19
FCF	123	179	66	60	58
FCF/EBITDA	87%	90%	61%	60%	55%
OCF/EBITDA	103%	116%	84%	110%	86%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	951	1,001	1,035	970	986
Fixed assets	398	379	401	393	370
Equity	225	278	279	284	300
Minority interests	225	278	279	284	300
Net debt	325	209	225	204	179
Net debt/EBITDA (x)	2.3	1.0	2.1	2.0	1.7
Net debt/Equity (x)	1.4	0.8	0.8	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.3	5.3	5.2	2.8	2.9	3.0
Maximum	23.3	16.7	14.1	11.9	6.8	6.4
Median	9.0	9.0	8.7	5.8	5.3	4.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales volume	625	614	700	749	778	804	820	836	836	836	836
Product prices	2,304.4	2,213.3	2,198.3	2,209.6	2,220.4	2,231.6	2,243.7	2,255.8	2,267.8	2,279.9	2,291.9
Scrap prices	1,088	1,005	990	990	990	990	990	990	990	990	990
Revenue	2,004	1,900	2,086	2,207	2,286	2,358	2,409	2,462	2,478	2,494	2,510
EBITDA	108	100	106	94	90	86	83	81	81	83	85
EBITDA margin	5.4%	5.3%	5.1%	4.3%	3.9%	3.6%	3.5%	3.3%	3.3%	3.3%	3.4%
EBIT	62	50	57	47	43	40	38	35	34	35	37
Tax	7	6	8	6	6	5	5	5	5	5	5
CAPEX	-50	-50	-35	-36	-37	-39	-40	-43	-46	-47	-47
Working capital	15	17	-5	-5	-6	-5	-4	-4	-1	-1	-1
FCF	66	60	58	47	40	36	34	29	29	31	33
PV FCF	64	54	48	36	29	24	21	16	15	15	
WACC	7.6%	7.6%	7.8%	7.8%	7.9%	7.9%	8.0%	8.0%	8.0%	8.1%	8.1%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.2
FCF perp. growth rate	2.0%
PV FCF	321
Net debt	209
Other adj.	18
Value per share (PLN)	2.01

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	1.43
DCF Val.	50%	2.01
Implied Price		1.72
Cost of equity (9M)		7.0%
9M Target Price		1.84

Famur buy (reiterated)

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Famur has reported stronger-than-expected growth in profits for several quarters in a row, and in 2019 we anticipate equally fast-paced expansion driven by higher market rates for rental mining equipment. The Company signed new orders in a combined amount of PLN 1,156m in the last 12 months, the most new business gathered since 2012, and the deliveries scheduled for 2019 will boost its second-half profits. At the moment Famur is benefitting from low prices of steel inputs, lifting the profit margins on contracts adjusted in 2018. Famur has declared dividends of PLN 0.53 per share this year (vs. the Board's original proposal of PLN 0.36 DPS), implying dividend yield over 10% at the current share price level. After adjusting our valuation model for the higher dividends, we maintain a buy rating for FMF, and we raise the target price from PLN 6.67 to PLN 6.96 per share.

Current Price	5.24 PLN	Upside
9M Target Price	6.96 PLN	+32.8%

	rating	target price	issued
new	buy	6.96 PLN	2019-07-03
old	buy	6.67 PLN	2019-06-03
Key Metrics		FMF PW	vs. WIG
Ticker	FMF PW	1M Price Chng	+8.0% +3.5%
ISIN	PLFAMUR00012	YTD Price Chng	-3.0% -7.9%
Outst. Stock (m)	574.8	ADTV 1M	PLN 0.9m
MC (PLN m)	3,011.8	ADTV 6M	PLN 0.9m
EV (PLN m)	2,935.8	EV/EBITDA 12M fwd	5.6 -3.7%
Free Float	35.3%	EV/EBITDA 5Y avg	5.8 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,460	2,229	2,145	2,046	2,087
EBITDA	308	491	698	492	486
EBITDA margin	21.1%	22.0%	32.6%	24.1%	23.3%
EBIT	133	300	541	347	314
Net income	49	208	454	277	253
P/E	60.4	14.5	6.6	10.9	11.9
P/B	2.0	1.9	2.0	1.9	1.9
EV/EBITDA	10.1	6.6	4.2	5.6	5.6
DPS	0.00	0.44	0.53	0.37	0.39
DYield	0.0%	8.4%	10.1%	7.1%	7.4%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Revenue, Underground	1,019	1,407	1,508	1,550	1,582
Revenue, Surface	292	371	381	388	396
Sales margin, UG	25.0%	30.6%	32.8%	30.2%	27.7%
Sales margin, Surface	8.3%	3.9%	7.1%	7.1%	7.1%
Operating cash flow	192	215	522	464	411
D&A	175	191	157	145	172
Working capital	-16	-127	32	37	-15
Investing cash flow	-231	-138	122	-83	-122
CAPEX	132	141	-122	83	122
Financing cash flow	287	-458	-514	-218	-223
Change in debt	-88	-213	-200	0	0
Dividends/Buyback	0	-253	-305	-213	-222
FCF	-91	173	629	382	289
FCF/EBITDA	-30%	35%	90%	78%	59%
OCF/EBITDA	44%	44%	75%	94%	85%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	3,138	2,880	2,528	2,567	2,609
Fixed assets	1,099	1,158	730	667	617
Goodwill	222	222	222	222	222
Equity	1,437	1,625	1,489	1,553	1,585
Minority interests	115	-37	-32	-32	-32
Net debt	80	286	-44	-208	-273
Net debt/EBITDA (x)	0.3	0.6	-0.1	-0.4	-0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	9.5	9.5	9.3	6.1	6.0	5.7
Maximum	17.8	16.6	15.7	11.0	9.2	8.5
Median	12.8	12.1	11.6	8.5	7.9	7.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	+	+
Revenue	2,145	2,046	2,087	2,129	2,172	2,216	2,261	2,307	2,354	2,401	2,450
YoY % change	-3.8%	-4.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	698	492	486	490	491	491	496	503	509	511	515
EBITDA margin	32.6%	24.1%	23.3%	23.0%	22.6%	22.2%	21.9%	21.8%	21.6%	21.3%	21.0%
D&A	157	145	172	139	135	132	132	135	138	138	138
EBIT	541	347	314	352	356	360	363	367	371	373	377
Tax	73	65	59	67	68	69	70	70	71	72	73
NOPAT	469	282	255	285	288	291	294	297	300	301	304
CAPEX	122	-83	-122	-125	-127	-130	-132	-135	-138	-138	-138
Working capital	32	37	-15	-16	-16	-16	-17	-17	-17	-18	-18
FCF	629	382	289	283	280	276	277	280	283	284	288
PV FCF	604	338	235	213	194	176	163	152	141	131	
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	2.0%
PV FCF	2,347
Net debt	286
Other adjustments	58
Value per share (PLN)	7.16

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.92
DCF Val.	50%	7.16
Implied Price		6.54
Cost of equity (9M)		6.3%
9M Target Price		6.96

Grupa Kęty hold (upgraded)

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Kęty expects to post 10% growth in sales and a 7% rebound in EBITDA in Q2 2019 compared with the same period in 2018. These numbers represent faster growth than factored into our forecasts, which assumed a 5% drop in EBITDA led by deterioration in the segment of extrusions, and which anticipated weaker sales of packaging and aluminum systems. Looking at the preliminary Q2 data, Kęty will have fulfilled 54% of our original FY2019 EBITDA forecast in the first half of the year, necessitating an upward adjustment which results in a target price hike from PLN 326.37 to PLN 345.32 per share, and a rating upgrade from reduce to hold.

Current Price

337.00 PLN

Upside

9M Target Price

345.32 PLN

+2.5%

	rating	target price	issued
new	hold	345.32 PLN	2019-07-03
old	reduce	326.37 PLN	2019-06-03
Key Metrics		KTY PW	vs. WIG
Ticker	KTY PW	1M Price Chng	-3.0% -7.6%
ISIN	PLKETY000011	YTD Price Chng	+2.4% -2.5%
Outst. Stock (m)	9.5	ADTV 1M	PLN 0.6m
MC (PLN m)	3,216.8	ADTV 6M	PLN 0.5m
EV (PLN m)	4,151.7	EV/EBITDA 12M fwd	8.4 -9.4%
Free Float	42.0%	EV/EBITDA 5Y avg	9.3 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	2,643	2,994	2,958	3,150	3,248
EBITDA	421	463	460	486	490
EBITDA margin	15.9%	15.5%	15.5%	15.4%	15.1%
EBIT	301	338	331	351	360
Net income	236	268	246	261	268
P/E	13.5	12.0	13.1	12.3	12.0
P/B	2.3	2.3	2.3	2.2	2.1
EV/EBITDA	9.0	8.6	9.0	8.6	8.5
DPS	30.00	23.94	24.00	20.66	23.22
DYield	8.9%	7.1%	7.1%	6.1%	6.9%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			+1.8%	+0.9%	+0.4%
Net income			+2.8%	+1.4%	+0.6%
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			+5.3%	+2.6%	+1.1%
EBITDA, Al Systems			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA, Packaging	113	119	112	133	138
EBITDA, Extrusions	150	163	166	167	166
EBITDA, Al Systems	172	190	189	194	195
EBITDA, Other	-13	-8	-8	-8	-8
EBITDA/t of Al	5	5	5	5	5
Operating cash flow	276	293	296	338	389
D&A	120	126	129	135	130
Working capital	-91	-114	-30	-83	-33
Investing cash flow	-187	-229	-200	-150	-120
CAPEX	187	229	200	150	120
Financing cash flow	-85	-43	-155	-206	-271
Dividends/Buyback	-285	-229	-229	-197	-222
FCF	86	72	172	191	274
FCF/EBITDA	20%	15%	37%	39%	56%
OCF/EBITDA	66%	63%	64%	70%	79%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	2,499	2,780	2,892	3,000	3,038
Fixed assets	1,439	1,575	1,722	1,741	1,735
Equity	1,363	1,396	1,414	1,477	1,524
Minority interests	1	1	1	1	1
Net debt	591	774	934	972	953
Net debt/EBITDA (x)	1.4	1.7	2.0	2.0	1.9
Net debt/Equity (x)	0.4	0.6	0.7	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	4.0	3.5	3.3	3.4	3.0	2.1
Maximum	49.2	20.0	17.1	34.8	11.8	10.7
Median	16.2	9.5	8.9	7.9	6.3	5.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Al price (US\$/t)	1,900	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Al premium (US\$/t)	130	150	150	150	150	150	150	150	150	150	150
Al usage (1,000 t)	99	104	108	111	113	115	117	118	118	118	118
Revenue	2,958	3,150	3,248	3,318	3,356	3,403	3,447	3,459	3,459	3,459	3,459
EBITDA	460	486	490	496	501	506	510	508	505	505	505
EBITDA margin	15.5%	15.4%	15.1%	15.0%	14.9%	14.9%	14.8%	14.7%	14.6%	14.6%	14.6%
EBIT	331	351	360	368	376	379	379	376	370	367	367
Tax	58	61	63	65	66	67	67	66	66	65	65
CAPEX	-200	-150	-120	-122	-125	-127	-130	-132	-135	-138	-138
Working capital	-30	-83	-33	-23	-13	-16	-15	-7	-4	-4	-4
FCF	172	191	274	286	297	297	298	303	301	298	299
PV FCF	166	171	228	221	213	197	184	173	159	146	
WACC	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	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	1.0
FCF perp. growth rate	2.0%
PV FCF	1,859
Net debt	774
Other adjustments	0
Value per share (PLN)	379.70

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	269.96
DCF Val.	50%	379.70
Implied Price		324.83
Cost of equity (9M)		6.3%
9M Target Price		345.32

JSW accumulate (upgraded)

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JSW generated better-than-expected results for Q1 2019, and in Q2 the Miner experienced a production stoppage, at this point fully priced into the market's earnings expectations for the quarter (JSW is slated to release Q2 results around July 20th). JSW has plans to add two new longwall panels which will drive coal volumes in the second half of 2019, when sales and prices of coking coal might be reinforced by stronger demand from steel producers. The improved prospects should support JSW's performance in July. After adjusting peer valuations, we lower our target price for JSW from PLN 54.80 to PLN 50.02 per share, and we upgrade the stock from hold to accumulate.

Current Price 47.00 PLN **Upside**
9M Target Price 50.02 PLN **+6.4%**

	rating	target price	issued
new	accumulate	50.02 PLN	2019-07-03
old	hold	54.80 PLN	2019-05-09
Key Metrics		JSW PW	vs. WIG
Ticker	JSW PW	1M Price Chng	-6.4% -10.9%
ISIN	PLJSW0000015	YTD Price Chng	-30.1% -35.1%
Outst. Stock (m)	117.4	ADTV 1M	PLN 11.7m
MC (PLN m)	5,518.3	ADTV 6M	PLN 13.7m
EV (PLN m)	2,850.3	EV/EBITDA 12M fwd	1.7 -49.9%
Free Float	44.8%	EV/EBITDA 5Y avg	3.3 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	8,877	9,810	9,594	9,042	8,877
EBITDA adj.	3,509	3,101	2,176	1,506	1,351
EBITDA margin	39.5%	31.6%	22.7%	16.7%	15.2%
EBIT adj.	2,684	2,335	1,306	508	229
Net income adj.	2,189	1,802	1,047	399	170
P/E adj.	2.5	3.1	5.3	13.8	32.4
P/B	0.9	0.7	0.6	0.6	0.6
EV/EBITDA adj.	1.2	0.8	1.3	2.2	2.8
DPS	0.00	0.00	1.71	1.78	1.70
DYield	0.0%	0.0%	3.6%	3.8%	3.6%
Projection Update (% change)			2019P	2020P	2021P
EBITDA (adj.)			0.0%	0.0%	0.0%
Net income (adj.)			0.0%	0.0%	0.0%
Coking Coal price (\$/t)			0.0%	0.0%	0.0%
Thermal Coal price (PLN/t)			0.0%	0.0%	0.0%
Coke price (\$/t)			0.0%	0.0%	0.0%
Total coal output (kt)			0.0%	0.0%	0.0%
Coking coal (kt)			0.0%	0.0%	0.0%
Coke (kt)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Total coal output (kt)	14,768	15,019	15,500	15,900	16,150
Coking coal (kt)	10,675	10,351	10,850	11,289	11,628
Coking coal (% of total)	72%	69%	70%	71%	72%
Thermal coal (kt)	4,093	4,668	4,650	4,611	4,522
Coke (kt)	3,458	3,559	3,500	3,400	3,400
Operating cash flow	2,871	2,856	2,019	1,236	1,201
D&A	825	766	870	998	1,121
Working capital	-76	338	-209	-115	-33
Investing cash flow	-2,170	-1,582	-1,750	-1,550	-1,450
CAPEX	737	1,248	1,750	1,550	1,450
Financing cash flow	-701	-755	-185	-195	-189
Dividends/Buyback	0	0	-201	-209	-200
FCF	2,129	1,754	-34	-257	-178
FCF/EBITDA (adj.)	61%	57%	-2%	-17%	-13%
OCF/EBITDA (adj.)	82%	92%	93%	82%	89%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	12,090	13,763	14,538	14,547	14,464
Fixed assets	8,118	8,475	9,366	9,950	10,326
Equity	6,389	8,081	8,927	9,117	9,088
Minority interests	232	364	364	364	364
Net debt	-1,641	-3,286	-3,032	-2,523	-2,084
Net debt/EBITDA (adj.)	-0.5	-1.1	-1.4	-1.7	-1.5
Net debt/Equity (x)	-0.3	-0.4	-0.3	-0.3	-0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.9	2.6	3.1	1.3	1.2	1.0
Maximum	20.7	22.1	67.1	8.6	8.4	8.0
Median	7.3	7.5	8.0	4.2	4.2	4.3
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Coking coal (\$/t)	185	175	165	165	165	165	165	165	165	165	165
Thml coal (PLN/t)	268	247	247	247	247	247	247	247	247	247	247
Coke (\$/t)	1,068	949	915	915	915	915	915	915	915	915	916
Revenue	9,594	9,042	8,877	9,060	9,228	9,316	9,417	9,528	9,640	9,753	9,812
EBITDA	2,176	1,506	1,351	1,554	1,650	1,685	1,730	1,771	1,809	1,829	1,872
EBITDA margin	22.7%	16.7%	15.2%	17.2%	17.9%	18.1%	18.4%	18.6%	18.8%	18.8%	19.1%
EBIT	1,306	508	229	308	233	327	357	378	413	431	472
Tax	251	99	46	60	46	64	69	73	80	83	91
CAPEX	-1,750	-1,550	-1,450	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400	-1,400
Working capital	-209	-115	-33	31	23	27	16	18	19	18	12
FCF	-34	-257	-178	125	228	248	277	316	348	364	394
PV FCF	-33	-229	-145	94	158	159	164	172	175	168	
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	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	684
Net debt	-3,286
Other adjustments	364
Value per share (PLN)	48.94

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	45.16
DCF Val.	50%	48.94
Implied Price		47.05
Cost of equity (9M)		6.3%
9M Target Price		50.02

Kernel buy (no change)

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Kernel reported disappointing figures for Q3 of fiscal 2019, ended 31 March, due to the poor performance of its trading unit Avere, and a delay to the fourth quarter of part of the profits generated by the farming segment. On the upside, the Company generated strong cash flow and reduced debt in the period. Given positive base effects, we expect to see FY2019 Q4 EBITDA of at least double the amount posted in the comparable year-ago period. The adoption of IFRS 16 should result in higher future profits considering that Kernel leases its whole farmland. Further, the possible sale of interests in the Taman grain terminal can free up as much as \$100m in currently locked-up cash. We maintain a buy rating for KER, with the target price intact at PLN 58.63 per share.

Current Price	49.60 PLN	Upside
9M Target Price	58.63 PLN	+18.2%

	rating	target price	issued
unchanged	buy	58.63 PLN	2019-06-03

Key Metrics			KER PW	vs. WIG
Ticker	KER PW	1M Price Chng	+6.7%	+2.1%
ISIN	LU0327357389	YTD Price Chng	+1.8%	-3.1%
Outst. Stock (m)	82.7	ADTV 1M		PLN 2.3m
MC (PLN m)	4,100.0	ADTV 6M		PLN 1.6m
EV (PLN m)	7,454.1	EV/EBITDA 12M fwd	5.4	+30.4%
Free Float	60.5%	EV/EBITDA 5Y avg	4.2	premium

Earnings Projections

(US\$ m)	16/17	17/18	18/19P	19/20P	20/21P
Revenue	2,169	2,403	3,520	4,564	5,085
EBITDA	319	223	340	400	461
EBITDA margin	14.7%	9.3%	9.7%	8.8%	9.1%
EBIT	265	140	246	305	357
Net income	176	52	197	194	244
P/E	6.2	20.9	5.5	5.6	4.5
P/B	0.9	0.9	0.8	0.8	0.7
EV/EBITDA	5.0	7.7	5.8	5.0	4.2
DPS	0.24	0.25	0.25	0.95	1.29
DYield	1.8%	1.9%	1.9%	7.2%	9.8%
Projection Update (% change)			18/19P	19/20P	20/21P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Margin, Sunflower Oil (\$/t)			0.0%	0.0%	0.0%
Margin, Wheat (\$/t)			0.0%	0.0%	0.0%
Margin, Com (\$/t)			0.0%	0.0%	0.0%
Bulk sunflower oil sales (kt)			0.0%	0.0%	0.0%
Grain production (kt)			0.0%	0.0%	0.0%
Grain sales (kt)			0.0%	0.0%	0.0%

Financial Highlights

(US\$ m)	16/17	17/18	18/19P	19/20P	20/21P
EBITDA, Bottled Oil	17	13	13	15	16
EBITDA, Bulk Oil	83	63	90	126	166
EBITDA, Terminals	48	39	35	55	63
EBITDA, Farming	144	89	162	160	173
EBITDA, Grain Trade	23	17	44	46	49
Operating cash flow	77	82	221	269	371
D&A	54	83	93	96	104
Working capital	-212	-63	-154	-113	-67
Investing cash flow	-223	-156	-329	-108	-83
CAPEX	182	179	329	108	83
Financing cash flow	173	76	53	-187	-283
Dividends/Buyback	-20	-20	-21	-79	-106
FCF	-93	-14	-145	164	292
FCF/EBITDA	-29%	-6%	-43%	41%	63%
OCF/EBITDA	24%	37%	65%	67%	81%

DCF Analysis

(US\$ m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Margin, Veg Oil (\$/t)	69	90	102	111	108	104	100	96	92	91	92
Margin, Wheat (\$/t)	170	190	195	195	195	195	195	195	195	195	195
Margin, Com (\$/t)	175	185	194	194	194	194	194	195	196	197	197
Revenue	3,520	4,564	5,085	5,344	5,412	5,501	5,584	5,667	5,756	5,852	5,942
EBITDA	340	400	461	504	485	478	469	465	463	468	474
EBITDA margin	9.7%	8.8%	9.1%	9.4%	9.0%	8.7%	8.4%	8.2%	8.1%	8.0%	8.0%
EBIT	246	305	357	399	381	374	366	356	351	342	347
Tax	2	15	18	21	20	20	20	19	43	42	42
CAPEX	-329	-108	-83	-90	-97	-104	-113	-123	-126	-127	-127
Working capital	-154	-113	-67	-39	-24	-26	-26	-26	-27	-28	-27
FCF	-145	164	292	354	344	327	311	297	268	271	277
PV FCF	-143	141	217	226	190	155	127	105	84	73	
WACC	15.7%	15.3%	15.4%	15.6%	15.7%	15.8%	15.8%	15.9%	15.4%	15.5%	15.6%
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%

Key Balance Sheet Figures

(US\$ m)	16/17	17/18	18/19P	19/20P	20/21P
Assets	2,009	2,211	2,589	2,771	2,867
Fixed assets	888	1,006	1,245	1,262	1,246
Equity	1,153	1,171	1,296	1,411	1,548
Minority interests	5	7	7	7	7
Net debt	508	619	885	901	816
Net debt/EBITDA (x)	1.6	2.8	2.6	2.3	1.8
Net debt/Equity (x)	0.4	0.5	0.7	0.6	0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	3.8	3.4	2.2	3.1	3.8	2.8
Maximum	54.8	28.0	16.4	18.7	12.4	12.6
Median	11.9	11.4	10.4	7.6	7.2	6.7
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(US\$ m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	1,175
Net debt	619
Other adjustments	7
Value per share (PLN)	46.70

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	57.71
DCF Val.	50%	46.70
Implied Price		52.20
Cost of equity (9M)		12.3%
9M Target Price		58.63

KGHM hold (reiterated)

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KGHM reported better-than-expected financials for Q1 2019. Going forward the Company does not expect to have to pay any more bonuses to its employees, nor does it see a need to set aside more reserves related to the closure of the Sudbury mine. The upcoming reduction in the copper tax will also have a positive effect on profits in the second half of the year. As a result, KGH stock has shown much more resistance than the prices of its core metals (copper, silver). Positions in copper contracts have dropped significantly in the last two months, indicating potential for a strong rebound on any positive news. After adjusting our gold price forecast from \$1,350 to \$1,400/oz in 2019E and from \$1,250 to \$1,300/oz in 2020 to reflect the recent gains, we raise our target price for KGH from PLN 91.71 to PLN 98.35 per share, but we maintain a hold rating for the stock.

Current Price 101.70 PLN
9M Target Price 98.35 PLN
Downside -3.3%

	rating	target price	issued
new	hold	98.35 PLN	2019-07-03
old	hold	91.71 PLN	2019-06-03
Key Metrics		KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+7.1% +2.5%
ISIN	PLKGHM000017	YTD Price Chng	+14.4% +9.5%
Outst. Stock (m)	200.0	ADTV 1M	PLN 48.4m
MC (PLN m)	20,340.0	ADTV 6M	PLN 54.5m
EV (PLN m)	24,802.7	EV/EBITDA 12M fwd	4.6 -5.7%
Free Float	63.2%	EV/EBITDA 5Y avg	4.9 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,275	20,526	22,593	23,029	23,730
EBITDA adj.	5,753	4,972	5,168	5,082	5,398
EBITDA margin	28.4%	24.2%	22.9%	22.1%	22.7%
EBIT adj.	4,144	3,176	3,315	3,150	3,414
Net income adj.	1,792	1,888	2,289	2,154	2,351
P/E adj.	11.4	10.8	8.9	9.4	8.7
P/B	1.1	1.1	0.9	0.9	0.8
EV/EBITDA adj.	4.7	5.5	4.8	4.7	4.2
DPS	1.00	0.00	0.00	1.50	3.23
DYield	1.0%	0.0%	0.0%	1.5%	3.2%
Projection Update (% change)			2019P	2020P	2021P
EBITDA adj.			+0.7%	+0.7%	+0.7%
Net income adj.			+1.3%	+1.4%	+1.3%
Copper price (\$/t)			0.0%	0.0%	0.0%
Silver price (\$/oz)			0.0%	0.0%	0.0%
Molybdenum price (\$/t)			0.0%	0.0%	0.0%
Copper output (kt)			0.0%	0.0%	0.0%
Silver output (t)			0.0%	0.0%	0.0%
Molybdenum output (mmb)			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Cu Output, PL (kt)	359	385	406	402	391
Cu Output, Int (kt)	81	79	76	88	90
Sierra Gorda (kt)	53	53	59	65	69
Ag output (tonnes)	1,234	1,205	1,354	1,353	1,342
Au output (ozt k)	219	174	210	212	215
Operating cash flow	3,054	3,826	5,522	4,195	4,446
D&A	1,609	1,796	1,853	1,932	1,984
Working capital	-1,270	1,412	1,277	4	7
Investing cash flow	-3,340	-3,539	-2,798	-2,777	-2,578
CAPEX	3,257	3,541	2,798	2,777	2,578
Financing cash flow	12	84	-103	-403	-750
Dividends/Buyback	-200	0	0	-300	-646
FCF	788	1,924	2,726	1,419	1,868
FCF/EBITDA	27%	41%	53%	28%	35%
OCF/EBITDA	53%	77%	107%	83%	82%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Copper price (\$/t)	6,350	6,500	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Silver (\$/oz)	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Molybdenum (\$/t)	22,400	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Revenue	22,593	23,029	23,730	23,857	23,805	23,747	23,536	22,087	22,119	22,153	22,234
EBITDA	5,168	5,082	5,398	5,357	5,282	5,143	4,884	4,755	4,723	4,387	4,361
EBITDA margin	14.7%	13.7%	14.4%	14.3%	14.1%	13.8%	12.8%	13.0%	12.8%	11.2%	11.9%
EBIT	3,315	3,150	3,414	3,420	3,368	3,278	3,006	2,871	2,836	2,490	2,636
Tax	921	891	958	958	947	929	876	850	843	776	804
CAPEX	-2,798	-2,777	-2,578	-1,668	-1,725	-1,754	-1,783	-1,811	-1,840	-1,869	-1,725
Working capital	1,277	4	7	1	-1	-1	-2	-15	0	0	1
FCF	2,726	1,419	1,868	2,732	2,609	2,460	2,223	2,079	2,040	1,742	1,833
PV FCF	2,627	1,267	1,540	2,065	1,807	1,571	1,308	1,127	1,020	803	
WACC	7.6%	7.8%	8.0%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	34,122	37,237	40,075	42,046	43,937
Fixed assets	26,515	29,375	30,319	31,164	31,758
Equity	17,694	19,133	21,422	23,276	24,981
Minority interests	91	92	92	92	92
Net debt	6,570	6,992	4,371	3,356	2,239
Net debt/EBITDA (x)	2.2	1.5	0.8	0.7	0.4
Net debt/Equity (x)	0.4	0.4	0.2	0.1	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.7	5.5	5.7	2.9	1.6	1.2
Maximum	29.1	17.2	15.1	9.4	8.7	8.2
Median	14.3	10.4	10.2	5.7	5.1	4.6
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	15,136
Net debt	6,992
Other adjustments	290
Value per share (PLN)	91.84

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	93.18
DCF Val.	50%	91.84
Implied Price		92.51
Cost of equity (9M)		6.3%
9M Target Price		98.35

Stelmet hold (reiterated)

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Stelmet reported stronger-than-expected earnings growth in the second quarter of fiscal 2019, ended 31 March, supported by positive base effects and unseasonably warm spring weather which gave an earlier start to the gardening season. This resulted in strong sales volumes, particularly in Germany, while UK sales dwindled alongside local prices. Stelmet faces a profit slump in the rest of 2019 led by higher costs of energy, timber raw material, and labor. After adjusting our forecasts for slightly lower timber prices and higher sales prices and volumes, we lower our target price for STL from PLN 8.36 to PLN 7.95 per share (reflecting updated growth prospects in core markets), and we continue to rate the stock as a hold.

Current Price 7.00 PLN **Upside**
9M Target Price 7.95 PLN **+13.6%**

	rating	target price	issued
new	hold	7.95 PLN	2019-07-03
old	hold	8.36 PLN	2019-03-05
Key Metrics		STL PW	vs. WIG
Ticker	STL PW	1M Price Chng	-9.1%
ISIN	PLSTLMT00010	YTD Price Chng	-3.3%
Outst. Stock (m)	29.4	ADTV 1M	PLN 0.0m
MC (PLN m)	205.5	ADTV 6M	PLN 0.0m
EV (PLN m)	360.5	EV/EBITDA 12M fwd	5.9
Free Float	15.0%	EV/EBITDA 5Y avg	6.8 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	538	553	591	606	624
EBITDA	58	69	69	67	68
EBITDA margin	10.7%	12.4%	11.6%	11.1%	10.9%
EBIT	21	27	27	25	25
Net income	19	10	20	19	19
P/E	10.6	21.5	10.4	10.9	10.8
P/B	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	6.7	5.6	5.3	5.0	4.6
DPS	0.00	0.00	0.08	0.41	0.45
DYield	0.0%	0.0%	1.2%	5.8%	6.4%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			+20.9%	+10.9%	+6.7%
Net income			+94.3%	+39.8%	+22.5%
Sales price (PLN/m3)			-4.1%	-5.1%	-5.4%
Sales volume (1,000 m3)			+3.9%	+4.0%	+4.1%
Timber price (PLN/m3)			-0.9%	-0.9%	-0.9%

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, Core, PL	19	22	25	26	26
Revenue, Core, UK	158	137	124	127	130
Revenue, Core, FR	120	107	110	112	115
Revenue, Core, DE	101	113	141	147	153
Revenue, Wood Pellets	68	89	101	104	108
Operating cash flow	39	32	56	60	61
D&A	37	41	42	42	43
Working capital	-2	-30	-9	-4	-4
Investing cash flow	-62	-24	-29	-18	-27
CAPEX	62	23	29	18	27
Financing cash flow	76	-9	-31	-35	-36
Dividends/Buyback	0	0	-2	-12	-13
FCF	-11	9	27	42	34
FCF/EBITDA	-18%	13%	39%	63%	50%
OCF/EBITDA	68%	46%	82%	90%	89%

Key Balance Sheet Figures

(PLN m)	2017	2018	2019P	2020P	2021P
Assets	821	816	815	805	794
Fixed assets	554	522	509	486	470
Equity	454	461	479	486	492
Minority interests	0	0	0	0	0
Net debt	182	176	155	128	110
Net debt/EBITDA (x)	3.2	2.6	2.3	1.9	1.6
Net debt/Equity (x)	0.4	0.4	0.3	0.3	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.4	7.8	8.1	5.1	3.1	4.1
Maximum	217.5	49.1	16.4	17.5	16.3	10.0
Median	20.4	12.3	10.3	7.9	6.4	6.0
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales px (PLN/m3)	1,784	1,800	1,823	1,848	1,873	1,898	1,924	1,950	1,977	2,004	2,031
Volume (1,000 m3)	254	259	264	267	270	273	276	279	282	285	288
Timber px (PLN/m3)	260	266	271	276	282	288	293	299	305	311	317
Revenue	591	606	624	639	654	670	686	702	718	735	753
EBITDA	69	67	68	68	68	68	68	67	66	65	63
EBITDA margin	11.6%	11.1%	10.9%	10.7%	10.5%	10.2%	9.9%	9.6%	9.2%	8.8%	8.3%
EBIT	27	25	25	25	25	24	22	20	18	17	15
Tax	3.5	3.1	3.0	2.9	2.3	1.7	1.4	1.1	0.8	0.4	0.1
CAPEX	-29	-18	-27	-30	-32	-35	-38	-41	-45	-47	-48
Working capital	-8.7	-3.5	-4.3	-3.5	-3.6	-3.7	-3.6	-3.7	-3.8	-4.1	-4.2
FCF	27	42	34	32	30	28	25	21	18	16	13
PV FCF	27	39	29	25	22	19	16	12	10	8	
WACC	6.7%	6.9%	7.1%	7.2%	7.4%	7.5%	7.6%	7.7%	7.7%	7.7%	7.7%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	207
Net debt	182
Other adjustments	0
Value per share (PLN)	4.91

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	10.04
DCF Val.	50%	4.91
Implied Price		7.47
Cost of equity (9M)		6.3%
9M Target Price		7.95

Property Developers

Atal

accumulate (reiterated)

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As postulated in our 6 June update, Atal is perfectly positioned in the current market to capitalize on a well-designed residential land bank, including locations in the key markets of Warsaw and Krakow and new sites being added in the growth markets of Poznań and Katowice. In 2018, the Developer grew its housing portfolio by 77% compared to average growth of just 5% recorded in the six largest residential markets in Poland. This was followed by the addition of another 1,200+ units listed in Q1 2019, resulting in a 25% rebound in off-plan sales in H1 2019 relative to the same period in 2018, including a 55% jump in second-quarter sales — an impressive achievement even taking into account positive base effects. Consequently, Atal fulfilled 59% of our FY2019 sales forecast, which assumes 14% growth for the year, in the first six months. This, together with an extensive and well-diversified land bank, reassures us in our predictions of stable earnings in the 2019-2021 period. Note that 1AT's actual sales potential is probably much bigger under the right market conditions than the 20% growth currently priced into our conservative forecasts. A land bank enough for seven years of sales means the Company can hold off major purchases for the time being, indicating potential for stable distributions to shareholders. With the stock now trading ex-dividend, after updating our relative valuation model, we maintain an accumulate rating for 1AT.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,308	2,678	2,574	2,819	2,874
Revenue/unit (PLN k)	375	394	379	354	386
SG&A	28	31	32	34	36
SG&A/Sales	3.3%	2.9%	3.3%	3.4%	3.2%
EBIT margin	25.6%	24.6%	24.1%	22.8%	22.7%
Net profit margin	19.8%	19.0%	18.5%	17.3%	17.3%
Cash	266	192	242	214	207
Net debt	214	333	451	480	476
Net debt/Equity	27%	39%	37%	40%	39%
Inventory	1,342	1,487	1,638	1,658	1,697
Inventory/Sales	155%	141%	155%	153%	143%
Earnest money deposits	365	225	314	294	302
Deposits/Inventory	27%	15%	19%	18%	18%
Equity	795	858	857	865	899
ROE	24.9%	25.3%	21.1%	20.1%	22.1%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	975	999	1,110	936	879	896	914	932	951	970	989
EBITDA	237	229	254	194	166	169	172	176	179	183	186
EBITDA margin	24.3%	23.0%	22.9%	20.7%	18.9%	18.9%	18.9%	18.9%	18.8%	18.8%	18.8%
D&A	1	2	2	2	2	2	2	2	2	2	2
EBIT	235	227	252	192	164	167	170	174	177	181	184
Tax	45	43	48	36	31	32	32	33	34	34	35
NOPLAT	190	184	204	155	133	135	138	141	144	146	149
CAPEX	10	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Working capital	34	-36	-43	12	58	-9	-8	-5	-5	-5	-5
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	235	148	161	167	191	127	130	136	139	141	144
PV FCF	227	132	134	129	136	84	80	77	73	69	
WACC	7.8%	7.7%	7.7%	7.7%	7.8%	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%

*Adj. for PLN 3.54 DPS; record day was June 25th

Current Price	36.60 PLN	Upside
9M Target Price	41.89 PLN	+14.5%

	rating	target price	issued
new	accumulate	41.89 PLN	2019-07-03
old	accumulate	43.16 PLN	2019-06-06
Key Metrics			
			1AT PW vs. WIG
Ticker	1AT PW	1M Price Chng	-2.5% -7.1%
ISIN	PLATAL000046	YTD Price Chng	+42.7% +37.8%
Outst. Stock (m)	38.7	ADTV 1M	PLN 0.4m
MC (PLN m)	1,417.0	ADTV 6M	PLN 0.5m
EV (PLN m)	1,735.6	EV/EBITDA 12M fwd	7.3 -6.8%
Free Float	11.6%	EV/EBITDA 5Y avg	7.9 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	865.8	1,055.0	974.9	999.0	1,109.6
Gross profit	247.6	283.5	265.8	261.7	288.4
Gross margin	28.6%	26.9%	27.3%	26.2%	26.0%
EBIT	222.0	259.6	234.6	227.4	252.4
Net income	171.2	200.7	180.8	172.5	191.5
P/E	8.3	7.1	7.8	8.2	7.4
P/B	1.8	1.7	1.7	1.6	1.6
EV/EBITDA	7.3	6.7	7.3	7.7	7.0
DPS	1.68	3.54	4.70	4.26	4.06
DYield	4.6%	9.7%	12.8%	11.6%	11.1%
Projection Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Residential closings			0.0%	0.0%	0.0%

Cash Flow Summary

(PLN m)	2016	2017	2018	2019P	2020P
Operating cash flow	198	38	199	152	166
D&A	1	1	2	2	2
Working capital	-13	-194	34	-36	-43
Investing cash flow	1	1	14	4	3
CAPEX	-1	-1	-2	-2	-2
Financing cash flow	-121	-113	-164	-183	-176
Dividends	-65	-137	-182	-165	-157

Relative Valuation Summary

	P/BV			P/E		
	18P	19P	20P	18P	19P	20P
Minimum	0.69	0.65	0.62	5.1	5.7	6.7
Maximum	1.84	1.79	1.83	8.6	8.5	9.2
Median	0.99	0.97	0.98	5.5	7.6	8.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,338
Adj. net debt*	515
Other adjustments	-1
Value per share (PLN)	47.12

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	27.86
Relative (DYield)	17%	39.31
DCF	50%	47.12
Cost of equity (9M)		6.3%
9M Target Price		41.89

Dom Development hold (reiterated)

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Dom Development is right on track to delivering tis FY2019 targets, including 3,500 closings and a record 3,900 new listings (+8% y/y), with 2,000 units already available for sale. Dom expects to restore its housing stock to ~3k units in the quarters ahead (2.6k in Q1). An expanding inventory will drive sales volumes, however the volume for 2019 is expected to be 3% lower than in 2018 looking at the geographic breakdown of the current portfolio (with more sites added in the Tricity and Wrocław vis-a-vis a 20% fall in new listings in Warsaw). With that said, once Dom secures full ownership of pre-zoning sites held under preliminary contracts, some of which are located in Warsaw, its sales potential will go up from 2.8x now to 4.1x of the current sales volume. Regardless, Dom intends to increase land expenses this year to as much as PLN 500m from PLN 300m in 2018, and we assume it will rebuild the Warsaw-based housing stock by 2020, and keep its sales potential there at a stable level in subsequent years. Based on an ambitious listings schedule, with the planned new units exceeding the volume of current sales by 8%, in June we raised our 2020-2021 closings forecasts by 3.2% to an average of 3,600 flats per year, resulting in a 6% upward revision to the average annual net profit estimates for the period. Looking at the high-value, high-margin developments scheduled for delivery in 2020, next year's profit might be a record-breaking figure after a projected 12% y/y increase. After bringing more construction work in house (with 45% of projects set to be built internally versus 20% in 2018-2019), Dom should achieve higher sales margins on future residential developments. After updating our valuation model and adjusting ex-dividend, we maintain a hold rating for DOM.

Financial Highlights

(PLN m)	2017	2018	2019P	2020P	2021P
Closings (units)	2,929	3,633	3,537	3,401	3,794
Revenue/unit (PLN k)	480	455	477	531	469
SG&A	138	162	164	170	177
SG&A/Sales	9.9%	9.8%	9.7%	9.4%	10.0%
EBIT margin	16.8%	17.1%	16.4%	17.1%	15.9%
Net profit margin	13.6%	13.7%	13.2%	13.7%	12.7%
Cash	331	317	198	169	203
Net debt	64	78	337	381	447
Net debt/Equity	6%	7%	32%	36%	43%
Inventory	1,989	2,114	2,574	2,588	2,582
Inventory/Sales	142%	128%	153%	143%	145%
Earnest money deposits	568	625	734	662	614
Deposits/Inventory	29%	30%	29%	26%	24%
Equity	1,002	1,046	1,046	1,070	1,049
ROE	20.5%	22.7%	21.3%	23.6%	21.1%

DCF Analysis

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Revenue	1,688	1,806	1,781	1,676	1,609	1,641	1,674	1,708	1,742	1,776	1,812
EBITDA	287	318	292	230	209	211	215	219	223	228	232
EBITDA margin	17.0%	17.6%	16.4%	13.7%	13.0%	12.9%	12.8%	12.8%	12.8%	12.8%	12.8%
D&A	10	10	10	10	10	10	10	10	10	10	10
EBIT	277	309	283	220	199	201	205	209	214	218	222
Tax	53	59	54	42	38	38	39	40	41	41	42
NOPLAT	224	250	229	179	161	163	166	170	173	177	180
CAPEX	-9	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10
Working capital	-238	-71	-47	23	23	-9	-9	-9	-9	-9	-9
Other	0	0	0	0	0	0	0	0	0	0	0
FCF	-13	179	182	201	184	154	157	161	164	168	171
PV FCF	-12	159	151	155	131	102	97	92	87	82	
WACC	7.9%	7.8%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
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%

Current Price 77.40 PLN **Upside**
9M Target Price 79.80 PLN **+3.1%**

	rating	target price	issued
new	hold	79.80 PLN	2019-07-03
old	hold	82.65 PLN	2019-06-06
Key Metrics			DOM PW vs. WIG
Ticker	DOM PW	1M Price Chng	+6.1% +1.6%
ISIN	PLDMDVL00012	YTD Price Chng	+43.5% +38.5%
Outst. Stock (m)	25.1	ADTV 1M	PLN 0.7m
MC (PLN m)	1,940.3	ADTV 6M	PLN 0.6m
EV (PLN m)	2,277.4	EV/EBITDA 12M fwd	7.3 -20.7%
Free Float	25.2%	EV/EBITDA 5Y avg	9.1 discount

Earnings Projections

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	1,404.7	1,653.9	1,688.0	1,806.2	1,781.0
Gross profit	385.7	455.1	446.4	485.4	466.2
Gross margin	27.5%	27.5%	26.4%	26.9%	26.2%
EBIT	235.4	282.0	277.1	308.6	282.7
Net income	190.7	227.0	222.4	246.8	225.4
P/E	10.1	8.5	8.7	7.9	8.6
P/B	1.9	1.8	1.9	1.8	1.9
EV/EBITDA	8.2	6.9	7.9	7.2	8.1
DPS	5.05	7.60	9.05	8.87	9.84
DYield	6.5%	9.8%	11.7%	11.5%	12.7%
Projection Update (% change)			2019P	2020P	2021P
Revenue			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
EBIT			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Closings			0.0%	0.0%	0.0%

Cash Flow Summary

(PLN m)	2017	2018	2019P	2020P	2021P
Operating cash flow	198	233	-15	192	195
D&A	7	10	13	12	12
Working capital	-9	-1	-238	-71	-47
Investing cash flow	-213	-43	-45	0	-10
CAPEX	-8	-11	-9	-10	-10
Financing cash flow	-120	-187	-85	-211	-151
Dividends	-126	-190	-227	-222	-247

Relative Valuation Summary

	P/BV			P/E		
	19P	20P	21P	19P	20P	21P
Minimum	0.69	0.65	0.62	5.1	5.7	6.7
Maximum	1.66	1.64	1.58	7.9	8.5	9.2
Median	0.99	0.97	0.98	5.5	7.8	7.4
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
Enterprise value	2,519
Adj. net debt*	304
Other adjustments	227
Value per share (PLN)	88

Valuation Summary

(PLN)	Weight	Price
Relative (Earnings)	33%	52.70
Relative (DYield)	17%	80.01
DCF	50%	88.33
Cost of equity (9M)		6.3%
9M Target Price		79.80

Retail

AmRest

buy (no change)

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On fast-growing revenues, AmRest reported a 25% rebound over the year-ago period in the EBITDA for Q1 2019, supported by contributions from the Sushi Shop franchise, acquired in November 2018. Earnings expansion in Q2 and Q3 is set to continue at the same robust pace, driven by the improving profitability of recently-acquired businesses, including Sushi Shop, reinforced by positive base effects. AmRest is slated to open at least 400 new restaurants net this year, followed by 400+ additions in the two years after, characterized by an increasing share of franchise locations, a strategy which is less capital intensive and less risky, potentially allowing the Company to gradually reduce leverage. With fast-paced growth and solid fundamentals, AmRest is one of our favorite top picks in the retail sector.

Current Price	37.60 PLN	Upside
9M Target Price	48.00 PLN	+27.7%

	rating	target price	issued
unchanged	buy	48.00 PLN	2019-04-02

Key Metrics			EAT PW	vs. WIG
Ticker	EAT PW	1M Price Chng	-1.8%	-6.4%
ISIN	ES0105375002	YTD Price Chng	-6.0%	-10.9%
Outst. Stock (m)	219.6	ADTV 1M		PLN 1.7m
MC (PLN m)	8,255.2	ADTV 6M		PLN 3.8m
EV (PLN m)	10,781.8	EV/EBITDA 12M fwd	11.8	+10.3%
Free Float	31.1%	EV/EBITDA 5Y avg	10.7	premium

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	5,270	6,657	8,554	9,990	11,314
EBITDA	606	711	880	1,093	1,342
EBITDA margin	11.5%	10.7%	10.3%	10.9%	11.9%
EBIT	275	315	385	509	696
Net income	191	191	234	320	449
P/E	41.8	43.1	35.3	25.8	18.4
P/B	6.1	4.6	4.0	3.5	2.9
EV/EBITDA	15.6	15.0	12.2	9.8	7.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Revenue per restaurant			0.0%	0.0%	0.0%
EBITDA margin			0 p.p.	0 p.p.	0 p.p.
Restaurant count			0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
EBITDA (PL)	199	207	192	221	250
EBITDA (WE)	201	247	375	477	591
EBITDA (ES)	209	230	265	307	332
EBITDA (RU)	71.5	92.9	103.9	126.7	148.6
EBITDA (CZ)	116	151	184	210	240
Operating cash flow	635	705	784	1,011	1,191
D&A	330	396	495	584	646
Working capital	74	51	63	115	104
Investing cash flow	-980	-1,812	-937	-927	-807
CAPEX	-527	-108	-937	-927	-807
Financing cash flow	588	1,041	40	60	0
Dividends/Buyback	764	1,217	40	60	0
FCF	-405	-1,162	-112	124	425
FCF/EBITDA	-67%	-163%	-13%	11%	32%
OCF/EBITDA	105%	99%	89%	93%	89%

Key Ratios (adjusted for IFRS 16)

(%)	2017	2018	2019P	2020P	2021P
EBITDA margin (PL)	11.8%	9.9%	9.9%	9.9%	9.8%
EBITDA margin (WE)	10.6%	13.4%	13.4%	14.3%	15.6%
EBITDA margin (ES)	22.3%	22.1%	22.1%	21.9%	21.9%
EBITDA margin (RU)	11.0%	10.8%	10.8%	10.8%	10.8%
EBITDA margin (CZ)	21.5%	20.5%	20.5%	19.5%	19.4%
Net debt (PLN m)	1,422	2,338	2,491	2,408	2,024
Net debt/EBITDA (x)	2.3	3.3	2.8	2.2	1.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	7.7	7.4	7.0	6.3	5.9	5.5
Maximum	56.9	45.2	37.3	27.9	23.3	20.1
Median	25.1	22.6	20.1	13.2	12.0	10.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/rest., (PLN k)	885	921	918	917	918	918	918	917	917	917	917
EBITDA margin	10.7%	10.3%	10.9%	11.9%	12.5%	12.7%	12.7%	12.8%	12.8%	12.8%	12.8%
Rest. count	2,121	2,525	2,919	3,252	3,536	3,777	3,981	4,176	4,360	4,536	4,536
Revenue	6,657	8,554	9,990	11,314	12,468	13,422	14,238	14,966	15,660	16,321	16,321
EBITDA	711	880	1,093	1,342	1,552	1,707	1,815	1,911	2,003	2,091	2,091
EBITDA margin	10.7%	10.3%	10.9%	11.9%	12.5%	12.7%	12.7%	12.8%	12.8%	12.8%	12.8%
EBIT	315	385	509	696	880	1,032	1,155	1,258	1,350	1,438	1,438
Tax	86	118	156	214	270	317	355	387	415	442	442
CAPEX	-1,818	-937	-927	-807	-709	-625	-554	-653	-653	-653	-653
Working capital	32	63	115	104	87	67	54	45	40	36	36
FCF	-1,162	-112	124	425	660	832	960	916	975	1,032	1,032
PV FCF	-1,098	-99	101	320	460	536	572	504	496	484	
WACC	7.9%	7.8%	7.8%	8.0%	8.0%	8.1%	8.2%	8.3%	8.3%	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	1.1
FCF perp. growth rate	2.0%
PV FCF	11,328
Net debt	2,338
Other adjustments	43
Value per share (PLN)	42.18

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	47.97
DCF Val.	50%	42.18
Implied Price		45.07
Cost of equity (9M)		6.4%
9M Target Price		48.00

CCC hold (no change)

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CCC stock recovered in June in anticipation of good monthly sales numbers. Sales did increase in June, but not enough to offset the declines experienced in April and May, with negative implications for 2019 Q2 results, underpinned by high costs. The expected year-over-year contraction in Q2 profit after a loss registered in Q1 indicates that the first half of 2019 will end with an EBIT loss. The June sales report was the last one before CCC stops releasing monthly figures, which means the next possible catalyst in terms of market performance will be the publication of preliminary Q2 2019 earnings at the beginning of August. The 2019 second-half outlook is somewhat better, with expected possible improvement in profits over the year-ago period, and synergy benefits provided by recent acquisitions (on the downside post-merger integration will probably generate higher expenses through to the end of the year). Assuming improvement in H2, we expect CCC to generate FY2019 EBITDA (pre-IFRS 16) of PLN 421m after flat year-over-year growth.

Current Price 166.40 PLN **Downside**
9M Target Price 161.00 PLN **-3.2%**

	rating	target price	issued
unchanged	hold	161.00 PLN	2019-06-06

Key Metrics			CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	+6.2%	+1.7%
ISIN	PLCCC0000016	YTD Price Chng	-13.9%	-18.9%
Outst. Stock (m)	41.1	ADTV 1M		PLN 19.7m
MC (PLN m)	6,843.5	ADTV 6M		PLN 22.9m
EV (PLN m)	8,016.0	EV/EBITDA 12M fwd	8.3	-45.3%
Free Float	59.4%	EV/EBITDA 5Y avg	15.1	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,194	4,726	5,969	6,914	8,020
EBITDA adj.	499	328	421	623	807
EBITDA margin	11.9%	6.9%	7.1%	9.0%	10.1%
EBIT	405	372	259	445	442
Net income	287	15	110	267	302
P/E	23.9	-	62.1	25.6	22.7
P/B	6.2	6.7	6.1	5.3	5.0
EV/EBITDA	14.7	8.4	8.3	6.5	6.3
DPS	2.47	2.30	0.48	2.00	2.00
DYield	1.5%	1.4%	0.3%	1.2%	1.2%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%
Gross profit margin			0.0 p.p.	0.0 p.p.	0.0 p.p.
B&M sales/sqm			0.0%	0.0%	0.0%
SG&A/sqm			0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue, B&M sales	3,588	3,747	4,568	5,120	7,085
EBITDA, B&M	381	225	290	443	379
Revenue, e-commerce	606	979	1,463	1,902	2,378
EBITDA, e-commerce	86.2	103.0	130.8	179.5	248.2
Gross profit margin	51.3%	50.1%	51.5%	50.9%	50.4%
Operating cash flow	78	996	730	965	969
D&A	93	133	708	778	828
Working capital	-588	244	-103	-138	-218
Investing cash flow	-222	-621	-523	-212	-200
CAPEX	-245	-439	-379	-212	-200
Financing cash flow	515	-515	-112	-540	-982
Dividends/Buyback	101	95	20	82	82
FCF	-420	147	-192	169	140
FCF/EBITDA	-90%	45%	-46%	27%	22%
OCF/EBITDA	17%	304%	173%	155%	155%

Key Ratios (adjusted for IFRS 16)

(PLN)	2017	2018	2019P	2020P	2021P
Sales/sqm, PL	744	633	679	686	680
Sales/sqm, CEE	538	464	495	503	500
Sales/sqm, WE	396	276	0	0	0
e-comm as % of sales	14.4%	20.7%	24.5%	27.5%	29.6%
Cash (PLN m)	512	376	481	694	480
Net debt (PLN m)	406	641	1,052	1,039	1,052
Net debt/EBITDA (x)	0.8	1.3	1.1	0.8	0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	8.4	8.0	7.0	7.0	6.5	5.2
Maximum	34.5	29.0	25.2	25.2	22.7	19.8
Median	26.3	17.2	13.1	13.1	12.6	11.6
Weight	10%	20%	20%	10%	20%	20%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Sales/sqm (PLN)	523	534	568	591	589	582	575	627	635	638	
SG&A/sqm (PLN)	255	237	331	337	332	325	319	332	351	354	
Sales area (k sqm)	727	798	857	914	969	1,021	1,073	1,002	1,019	1,044	
Revenue	5,969	6,914	8,020	8,782	9,495	10,157	10,788	11,429	12,125	12,899	13,222
EBITDA	421	623	627	923	1,010	1,036	1,059	1,081	1,120	1,187	1,217
EBITDA margin	7.1%	9.0%	7.8%	10.5%	10.6%	10.2%	9.8%	9.5%	9.2%	9.2%	9.2%
EBIT	245	429	426	718	802	823	850	883	931	1,002	1,027
Tax	70	86	85	137	152	156	161	168	177	190	195
CAPEX	423	212	200	206	1,163	237	106	111	117	170	170
Working capital	-103	-138	-218	-201	-157	-148	-140	-139	-147	-162	-162
FCF	-192	169	140	402	-439	517	678	690	707	693	711
PV FCF	-185	150	115	306	-310	337	407	380	357	321	
WACC	8.0%	8.1%	8.1%	8.3%	7.8%	8.1%	8.6%	9.0%	9.0%	9.0%	9.0%
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%

*Brick-and-mortar business only

DCF Summary

(PLN m)	
Beta	1.1
FCF perp. growth rate	2.5%
PV FCF	6,948
Net debt	641
Other adjustments	0
Value per share (PLN)	153.40

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	149.70
DCF Val.	50%	153.40
Implied Price		151.55
Cost of equity (9M)		6.5%
9M Target Price		161.00

Dino reduce (no change)

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Dino made back the losses suffered in the wake of a preliminary ruling by the EU General Court challenging a decision by the European Commission stating that Poland's planned special tax on big-box retailers constitutes state aid. Even if the Commission does not appeal the ruling, and the new levy takes effect in September, the affected chain retailers more likely than not will hike prices to counteract the higher operating costs. Thanks to accelerating consumer price inflation in Poland, by using scale to obtain discounts from suppliers, in Q1 2019 Dino managed to improve its sales margins, and offset the negative impact of increased labor costs on the EBITDA margin. In subsequent quarters we anticipate like-for-like growth supported by positive base effects and improving sales effectiveness at newer stores, alongside further improvement in sales margins thanks to bigger discounts. On the other hand, persistent cost pressures will weigh on profits, and the cash conversion cycle is not likely to improve much after the successful measures already taken in 2018. Summing up, we view DNP as overvalued at the current level, which overestimates the Company's future earnings prospects.

Current Price	136.00 PLN	Downside
9M Target Price	112.70 PLN	-17.1%

	rating	target price	issued
unchanged	reduce	112.70 PLN	2019-04-02

Key Metrics			DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+9.3%	+4.8%
ISIN	PLDINPL00011	YTD Price Chng	+41.9%	+37.0%
Outst. Stock (m)	98.0	ADTV 1M		PLN 17.9m
MC (PLN m)	13,333.4	ADTV 6M		PLN 21.3m
EV (PLN m)	13,973.4	EV/EBITDA 12M fwd	17.2	+8.6%
Free Float	48.9%	EV/EBITDA 5Y avg	15.8	premium

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	4,463	5,839	7,742	9,622	11,172
EBITDA	389	541	715	884	1,028
EBITDA margin	8.7%	9.3%	9.2%	9.2%	9.2%
EBIT	303	429	561	697	806
Net income	214	308	404	520	619
P/E	62.4	43.4	33.0	25.6	21.5
P/B	14.7	11.0	8.2	6.2	4.8
EV/EBITDA	35.5	25.7	19.5	15.6	13.0
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Store count	775	977	1,221	1,453	1,613
Total store area (ksqm)	295	376	474	570	638
Avg. store area (sqm)	381	385	388	392	396
Sales margin	23.3%	24.2%	24.4%	24.4%	24.4%
Stores per distr. center	258	244	305	291	269
Operating cash flow	497	634	785	1,019	1,058
D&A	86	112	154	187	222
Working capital	131	116	162	256	177
Investing cash flow	-402	-634	-817	-747	-597
CAPEX	-411	-636	-817	-747	-597
Financing cash flow	41	82	-159	-249	-237
Dividends/Buyback	31	174	-100	-200	-203
FCF	50	-64	-52	254	446
FCF/EBITDA	13%	-12%	-7%	29%	44%
OCF/EBITDA	128%	117%	110%	115%	103%

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019P	2020P	2021P
Days inventory	39.3	36.7	34.2	31.5	31.5
Days receivables	3.1	1.4	1.4	1.4	1.4
Days payables	86.5	94.2	88.2	88.2	88.2
CCC (days)	-44.1	-56.1	-52.6	-55.3	-55.3
SG&A/Sales	16.6%	16.9%	17.2%	17.2%	17.2%
Net debt (PLN m)	485	549	640	418	-9
Net debt/EBITDA (x)	1.2	1.0	0.9	0.5	0.0

Relative Valuation Summary

	PEG			P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P	19P	20P	21P
Minimum	0.5	0.5	0.4	12.3	10.7	8.1	4.9	4.7	4.4
Maximum	23.4	24.6	24.2	31.9	17.9	19.2	8.3	7.6	7.2
Median	1.0	0.9	0.8	15.3	13.4	11.8	6.1	5.6	5.1
Weight	11%	11%	11%	11%	11%	11%	11%	11%	11%

DCF Analysis (adjusted for IFRS 16)

(EUR m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Store count	1,221	1,453	1,613	1,773	1,933	2,033	2,133	2,233	2,333	2,433	2,433
Sales/sqm	1,518	1,537	1,541	1,539	1,530	1,515	1,507	1,507	1,506	1,506	1,506
SG&A/Sales	17.2%	17.2%	17.2%	17.3%	17.4%	17.4%	17.5%	17.5%	17.5%	17.5%	17.5%
Revenue	7,742	9,622	11,172	12,439	13,661	14,614	15,415	16,305	17,210	18,131	18,131
EBITDA	705	874	1,017	1,116	1,204	1,282	1,329	1,393	1,458	1,524	1,534
EBITDA margin	9.1%	9.1%	9.1%	9.0%	8.8%	8.8%	8.6%	8.5%	8.5%	8.4%	8.5%
EBIT	561	697	806	884	957	1,023	1,063	1,125	1,187	1,250	1,250
Tax	112	139	161	177	191	205	213	225	237	250	1,094
CAPEX	-817	-747	-597	-493	-501	-400	-338	-327	-318	-303	-303
Working capital	162	256	177	144	139	108	91	101	103	105	105
FCF	-52	254	446	601	660	796	879	953	1,016	1,085	1,102
PV FCF	-47	212	345	428	435	484	493	493	486	480	
WACC	8.2%	8.3%	8.4%	8.4%	8.3%	8.3%	8.3%	8.3%	8.3%	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

(EUR m)	
Beta	1.0
FCF perp. growth rate	1.5%
PV FCF	7,230
Net debt	549
Other adjustments	0
Value per share (EUR)	106.99

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	104.90
DCF Val.	50%	106.99
Implied Price		105.95
Cost of equity (9M)		6.4%
9M Target Price		112.70

Eurocash reduce (no change)

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Eurocash stock took a downward turn after first-quarter results and the announcement of the preliminary ruling by the EU General Court challenging a decision by the European Commission stating that Poland's planned special tax on big-box retailers constitutes state aid. Even with a high share of wholesale as an earnings driver, the new tax on retail sales would amount to about PLN 30m a year in the Company's case, equivalent to approximately 7.2% of our EBITDA forecast for 2020. Further, after Eurocash ceases to supply the PKN Orlen filling station convenience stores from September following termination of business by PKN, the Company is facing the loss of about PLN 600m in annual sales, resulting in an EBITDA squeeze in the range of 3-5%. A new tax and the loss of business from PKN Orlen would result in flat EBITDA growth in 2020 after zero growth in 2019 due to restructuring measures and sustained cost pressures. With all this in mind, we maintain a reduce rating for EUR.

Current Price 19.95 PLN **Downside**
9M Target Price 18.10 PLN **-9.3%**

	rating	target price	issued
unchanged	reduce	18.10 PLN	2019-06-03

Key Metrics			EUR PW	vs. WIG
Ticker	EUR PW	1M Price Chng	+3.3%	-1.2%
ISIN	PLEURCH00011	YTD Price Chng	+20.2%	+15.2%
Outst. Stock (m)	139.2	ADTV 1M		PLN 3.9m
MC (PLN m)	2,776.3	ADTV 6M		PLN 5.9m
EV (PLN m)	3,102.9	EV/EBITDA 12M fwd	7.5	-27.4%
Free Float	53.0%	EV/EBITDA 5Y avg	10.3	discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	20,814	22,833	23,640	23,711	24,135
EBITDA adj.	440	361	374	375	401
EBITDA margin	2.1%	1.6%	1.6%	1.6%	1.7%
EBIT	38	214	158	181	217
Net income	-59	110	72	102	144
P/E	-	25.3	38.6	27.3	19.3
P/B	2.7	2.7	2.6	2.5	2.3
EV/EBITDA	14.5	7.7	8.3	7.4	6.2
DPS	0.80	0.76	1.00	0.26	0.37
DYield	4.0%	3.8%	5.0%	1.3%	1.8%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
Wholesale (S)	17,794	17,606	17,789	17,833	17,856
Retail (S)	5,018	5,277	5,518	5,643	5,664
New Projects (S)	680	680	680	680	680
Other (EBITDA)	-82	-82	-82	-82	-82
Operating cash flow	494	582	710	715	770
D&A	183	204	217	220	226
D&A (financial lease)	0	0	330	328	330
Working capital	247	196	31	16	36
Investing cash flow	-336	-462	-148	-148	-150
CAPEX	-307	-445	-148	-148	-150
Financing cash flow	-117	-126	-630	-613	-616
Dividends/Buyback	-111	-106	-139	-36	-51
FCF	-271	446	200	211	266
FCF/EBITDA	-123%	107%	53%	53%	60%
OCF/EBITDA	223%	139%	190%	178%	174%

Key Ratios (adjusted for IFRS 16)

	2017	2018	2019P	2020P	2021P
Days inventory	26.3	23.6	23.8	23.8	23.8
Days receivables	29.5	21.5	21.3	21.1	20.9
Days payables	78.4	69.8	69.8	69.8	69.8
CCC (days)	-22.7	-24.7	-24.7	-24.9	-25.1
SG&A/Sales	11%	12%	12%	12%	12%
Net debt (PLN m)	370	382	350	195	-10
Net debt/EBITDA (x)	1.7	0.9	0.9	0.5	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	12.8	11.9	10.6	5.4	4.7	4.5
Maximum	28.5	21.8	17.4	17.8	13.9	11.3
Median	16.1	13.1	11.9	7.8	6.5	6.2
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Wholesale (EBITDA)	401	413	417	418	418	419	419	420	420	420	420
Retail (EBITDA)	107	123	161	193	222	251	251	251	251	251	251
New Projects (EBITD)	-51	-53	-54	-55	-55	-55	-55	-55	-55	-55	-55
Revenue	23,640	23,711	24,135	24,304	24,347	24,371	24,389	24,403	24,417	24,432	24,432
EBITDA	375	401	442	474	503	532	533	533	533	534	534
EBITDA margin	1.58%	1.69%	1.83%	1.95%	2.07%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%
EBIT	140	163	198	227	256	284	285	285	304	304	304
Tax	40	40	44	46	49	53	52	52	55	55	55
CAPEX	-148	-148	-150	-151	-153	-154	-156	-157	-159	-229	-229
Working capital	31	16	36	22	16	15	14	14	14	14	14
FCF	200	211	266	281	299	320	321	319	333	263	263
PV FCF	191	187	218	213	210	209	193	178	173	126	
WACC	8.0%	8.0%	8.0%	8.0%	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

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	3,559
Net debt	521
Other adjustments	61
Value per share (PLN)	21.39

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	12.77
DCF Val.	50%	21.39
Implied Price		17.08
Cost of equity (9M)		5.7%
9M Target Price		18.10

Jeronimo Martins hold (no change)

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JMT stock was trading around EUR 14 all through June, and upside in July is curbed by the prospects of a new retail tax after an unfavorable ruling by the EU General Court. In Q1 2019, Jeronimo's Polish supermarket chain, Biedronka, experienced 1.1% contraction in like-for-like sales led by negative base effects (incl. the Easter effect and the extension of the Sunday trading ban from two to three Sundays a month). With base effects in the following quarters turning positive, like-for-like growth is set to accelerate in the latter part of the year amid supportive market conditions. Biedronka's EBITDA margin posted a small decline in Q1 due to weaker operating leverage effects, with guidance for 2019E EBITDA indicating flat growth. We expect Jeronimo to add 110 new Biedronka stores net this year, drawing on a total yearly CAPEX budget of EUR 725m. Jeronimo is slated to release 2019 Q2 financial results at the end of July.

Current Price

13.79 EUR

Upside

9M Target Price

14.30 EUR

+3.7%

	rating	target price	issued
unchanged	hold	14.30 EUR	2019-05-09

Key Metrics			JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+1.2%	-3.3%
ISIN	PTJMT0AE0001	YTD Price Chng	+37.7%	+32.8%
Outst. Stock (m)	629.3	ADTV 1M		EUR 12.3m
MC (EUR m)	8,678.0	ADTV 6M		EUR 11.8m
EV (EUR m)	9,072.5	EV/EBITDA 12M fwd	8.3	-11.9%
Free Float	43.8%	EV/EBITDA 5Y avg	9.4	discount

Earnings Projections (adjusted for IFRS 16)

(EUR m)	2017	2018	2019P	2020P	2021P
Revenue	16,276	17,336	18,440	20,039	21,251
EBITDA	922	960	1,055	1,146	1,210
EBITDA margin	5.7%	5.5%	5.7%	5.7%	5.7%
EBIT	577	588	651	710	744
Net income	386	401	443	494	518
P/E	22.5	21.6	19.6	17.6	16.7
P/B	4.9	4.9	4.4	4.1	3.7
EV/EBITDA	9.5	9.4	8.6	7.8	7.4
DPS	0.69	0.64	0.27	0.29	0.30
DYield	5.0%	4.6%	2.0%	2.1%	2.2%
Projection Update (% change)			2019P	2020P	2021P
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)	2017	2018	2019P	2020P	2021P
EBITDA Biedronka, PL	808	850	913	989	1,033
EBITDA Pingo Doce, PT	187	188	192	197	196
EBITDA Recheio, PT	50	53	55	57	58
EBITDA Other	-85	-80	-56	-46	-28
CCC (days)	-71	-67	-65	-65	-65
Operating cash flow	909	849	1,267	1,500	1,522
D&A	345	372	404	437	467
Working capital	0	0	303	322	340
Investing cash flow	292	-43	85	213	162
CAPEX	-658	-700	-725	-732	-739
Financing cash flow	-229	-273	-605	-670	-704
Dividends/Buyback	435	401	173	181	189
FCF	397	62	234	430	426
FCF/EBITDA	43%	6%	22%	38%	35%
OCF/EBITDA	99%	88%	120%	131%	126%

Key Ratios (adjusted for IFRS 16)

(%)	2017	2018	2019P	2020P	2021P
Gross profit margin	21.2%	21.7%	22.0%	22.1%	22.1%
SG&A/Sales	17.6%	18.2%	18.5%	18.5%	18.6%
Y/Y sales/sqm, Biedr.	9.0%	1.0%	1.9%	3.1%	0.4%
Y/Y sales/sqm, P. Doce	0.5%	3.2%	2.1%	1.4%	1.4%
Y/Y sales/sqm, Recheio	5.7%	2.8%	1.0%	-0.7%	-0.7%
Net debt (EUR m)	-144	93	156	58	-20
Net debt/EBITDA (x)	-0.2	0.1	0.1	0.1	0.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	14.1	12.9	11.7	5.4	5.1	4.7
Maximum	33.4	23.4	18.3	8.9	7.9	7.2
Median	15.2	13.1	12.3	8.2	7.2	6.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

(EUR m)	19P	20P	21P	22P	23P	24P	25P	26P	27P	28P	+
Biedronka stores	3,004	3,114	3,174	3,234	3,294	3,354	3,414	3,474	3,534	3,594	3,534
Pingo Doce stores	440	440	440	440	440	440	440	440	440	440	440
Ara stores	681	941	1,101	1,261	1,421	1,541	1,621	1,661	1,701	1,741	1,701
Revenue	18,440	20,039	21,251	22,152	22,959	23,731	24,439	25,084	25,714	26,356	26,817
EBITDA	1,055	1,146	1,210	1,285	1,356	1,429	1,471	1,512	1,554	1,597	1,694
EBITDA margin	5.7%	5.7%	5.7%	5.8%	5.9%	6.0%	6.0%	6.0%	6.0%	6.1%	6.3%
EBIT	651	710	744	795	851	918	958	1,001	1,046	1,090	1,135
Tax	181	197	207	221	236	255	266	278	291	303	315
CAPEX	-725	-732	-739	-665	-599	-539	-512	-486	-462	-507	-507
Working capital	85	213	162	121	108	103	95	86	84	86	84
FCF	234	430	426	520	628	739	788	834	886	873	901
PV FCF	223	377	345	388	434	471	464	453	445	405	
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	1.8%
PV FCF	10,365
Net debt	93
Other adjustments	225
Value per share (EUR)	15.96

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	10.98
DCF Val.	50%	15.96
Implied Price		13.47
Cost of equity (9M)		6.2%
9M Target Price		14.30

LPP accumulate (reiterated)

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LPP stock gained 8% in the past month on the heels of strong overall sector performance. The shoe retailer released preliminary 2019 Q2 figures in June, showing EBIT growth at an annual rate of 5.9%, representing a slowdown compared to previous quarters, underpinned by deceleration in sales growth to 8.3% from a high year-ago base. At the same time, LPP curbed the rate of quarterly gross margin contraction in Q2, thanks probably to lower inventory write-offs, combined with tight cost discipline with per-square-meter SG&A expenses reduced by 0.8% relative to the same period in 2018. Note that retailer profits in Q2 were under pressure from unfavorable weather in April and May. The prospects for H2 2019 are bright thanks to faster like-for-like growth and favorable exchange rates at the time LPP was ordering its fall/winter collections. We have reviewed our earnings forecasts for LPP to adjust for new cost expectations the potential introduction of a new tax in September, and after updating our relative valuation model we raise our target price for the stock with a reiterated accumulate rating.

Current Price 7,745.00 PLN **Upside**
9M Target Price 8,500.00 PLN **+9.7%**

	rating	target price	issued
new	accumulate	8,500.00 PLN	2019-07-03
old	accumulate	8,300.00 PLN	2019-06-03
Key Metrics			LPP PW vs. WIG
Ticker	LPP PW	1M Price Chng	+6.5% +1.9%
ISIN	PLPPP0000011	YTD Price Chng	-0.6% -5.5%
Outst. Stock (m)	1.9	ADTV 1M	PLN 21.8m
MC (PLN m)	14,347.0	ADTV 6M	PLN 17.8m
EV (PLN m)	13,609.1	EV/EBITDA 12M fwd	10.1 -26.9%
Free Float	69.5%	EV/EBITDA 5Y avg	13.8 discount

Earnings Projections (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue	7,029	8,047	9,172	10,375	11,623
EBITDA	872	1,106	1,268	1,408	1,569
EBITDA margin	12.4%	13.7%	13.8%	13.6%	13.5%
EBIT	578	757	851	916	999
Net income	441	505	677	750	820
P/E	32.5	28.4	21.2	19.1	17.5
P/B	5.9	5.0	4.2	3.5	3.0
EV/EBITDA	16.1	12.3	10.7	9.6	8.4
DPS	35.71	39.96	59.97	78.34	61.29
DYield	0.5%	0.5%	0.8%	1.0%	0.8%
Projection Update (% change)			2019P	2020P	2021P
EBITDA			+0.8%	-1.0%	-1.1%
Net income			+1.3%	-1.5%	-1.6%
Sales per sqm			+0.1%	+0.1%	+0.1%
SG&A/sqm			-0.9%	-0.9%	-0.9%
Sales area			0.0%	0.0%	0.0%

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2017	2018	2019P	2020P	2021P
Revenue/sqm, PL (PLN)	595	557	587	569	563
Revenue/sqm, RU (PLN)	591	590	609	592	585
Revenue/sqm, CZ (PLN)	666	759	777	754	745
Revenue/sqm, DE (PLN)	502	500	530	514	508
Gross profit margin	52.9%	54.7%	54.2%	54.1%	54.1%
Operating cash flow	893	1,212	1,398	1,821	2,035
D&A	293	349	417	491	570
Working capital	0	0	575	640	700
Investing cash flow	101	125	-24	-61	-55
CAPEX	-384	-704	-702	-983	-823
Financing cash flow	-360	21	-942	-808	-828
Dividends/Buyback	66	73	110	144	112
FCF	358	92	112	154	464
FCF/EBITDA	41%	8%	9%	11%	30%
OCF/EBITDA	102%	110%	73%	84%	85%

Key Ratios (adjusted for IFRS 16)

(k sqm)	2017	2018	2019P	2020P	2020P
Salea area, PL	514	529	542	559	570
Salea area, RU	194	206	229	258	287
Sales area, CZ	44	48	54	62	68
Sales area, DE	45	46	46	47	47
Cash (PLN m)	515	1,045	805	834	1,218
Net debt (PLN m)	-316	-753	-738	-792	-1,192
Net debt/EBITDA (x)	-0.4	-0.7	-0.6	-0.6	-0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	19P	20P	21P	19P	20P	21P
Minimum	21.7	17.8	14.7	10.6	8.9	7.5
Maximum	24.0	21.7	20.2	14.8	11.0	10.3
Median	23.6	20.2	19.2	10.6	10.0	9.5
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	18P	19P	20P	21P	22P	23P	24P	25P	26P	27P	+
Sales/sqm (PLN)	641	660	671	682	689	693	691	689	689	685	685
SG&A/sqm (PLN)	287	291	296	304	307	311	309	307	306	305	305
Sales area (k sqm)	1,091	1,223	1,354	1,488	1,592	1,695	1,804	1,918	2,037	2,161	2,161
Revenue	8,047	9,172	10,375	11,623	12,731	13,667	14,505	15,396	16,342	17,247	18,649
EBITDA	1,106	1,259	1,408	1,569	1,685	1,688	1,752	1,857	1,950	2,198	2,177
EBITDA margin	13.7%	13.7%	13.6%	13.5%	13.2%	12.4%	12.1%	12.1%	11.9%	12.7%	11.7%
EBIT	757	851	916	999	1,099	1,121	1,197	1,306	1,400	1,643	1,560
Tax	228	182	174	190	209	213	227	248	266	312	296
CAPEX	-799	-870	-983	-823	-512	-518	-540	-562	-584	-605	-617
Working capital	-14	103	97	93	84	70	63	67	71	68	72
FCF	92	112	154	464	880	887	922	980	1,030	1,213	1,192
PV FCF	0	107	135	376	657	610	585	573	555	602	
WACC	8.4%	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	13,820
Net debt	-753
Other adjustments	0
Value per share (PLN)	7,900

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	8,300
DCF Val.	50%	7,900
Implied Price		7,980
Cost of equity (9M)		6,4% 8,500
9M Target Price		8,500

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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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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Economic profits – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

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

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

Comparable Companies Used In Relative Valuation Models

11 bit studios	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts, Paradox Interactive
Agora	Axel Springer, Cinemark Holdings, Cineworld, Daily Mail&General, IMAX Corp, JC Decaux, Lagardere, Sanoma, Schibsted, Stroer Media,
AmRest	Alsea, Autogrill, Chipotle Mexican, Collins Foods, Jack In The Box, McDonalds, Mitchells & Butlers, Panera Bread, Starbucks, Texas Roadhouse, Wendy's, Yum! Brands
Asseco Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
Atal	Archicom, Dom Development, i2 Development, JWC, LC Corp, Lokum Deweloper, Polnord, Ronson
CCC	Adidas, Asos, Boohoo.com, Caleries, Crocs, Foot Locker, Geox, Nike, Steven Madden, Tod's, Voox Net-a-Porter, Zalando
CD Projekt	Activision, Blizzard, CAPCOM, Take Two Interactive, Ubisoft Entertainment, Electronic Arts
CEZ, Enea, Energa, PGE, Tauron	CEZ, EDF, EDP, Endesa, Enea, Enel, Energa, EON, Innogy, PGE, RWE, Tauron
Ciech	Akzo Nobel, BASF, Bayer, Ciner Resources, Dow Chemical, GHCL, Hongda Xindye, Huntsman, MISR Chemical, OCI, Soda Samayii, Solvay, Shandong Haihua, Qingdao, Tata Chemicals, Tangshan Sanyou Chemical, Tessenderlo Chemie, Tronox, Wacker Chemie
Cognor	AK Steel, Alumetal, ArcelorMittal, Baoshan Iron & Steel, Commercial Metals, HeSteel, Hitachi Metals, Hyundai Steel, JFE Holdings, JSW Steel, Kloekner & 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, Dixy Group, Eurocash, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Dom Development	Archicom, Atal, LC Corp, Lokum Deweloper, Echo
Eurocash	Carrefour, Dixy Group, Jeronimo Martins, Magnit, Metro, O'Key Group, Tesco, X5
Famur	Epiroc, Caterpillar, Duro Felguera, Komatsu, Sandvik
Grupa Azoty	Acron, Agrium, CF Industries, Israel Chemicals, K+S, Mosaic, Phosagro, Potash, Yara
Jeronimo Martins	Carrefour, Eurocash, Magnit, Tesco, X5
JSW	Alliance Resource Partners, Peabody Energy, Arch Coal, Semirara Mining and Power, Bukin Asam, Henan Shenhua, Shanxi Xishan Coal & Elec, Yanzhou Coal Mining, Banpu Public, LW Bogdanka, Shaanxi Heima, China Coal, Shougang Fushan Resources, Cokal, Teck Resources, Walter Energy, Stanmore Coal, Terracom, Cloud Peak Energy, Natural Resource Partners, Rio Tinto, BHP Billiton, Warrior Met Coal
Kernel	Astarta, Andersnons, ADM, Avangard, Bunge, China Agri Industries, Felda Global, Golden Agri Resources, GrainCorp, IMC, MHP, Milkiland, Nisshin Oillio Group, Ovostar, Wilmar
Kęty	Alcoa, Amag, Amcor, Bemis, Century Aluminium, China Hongoiao, Constelium, Impexmetal, 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, Hudbay, Lundin, MMC Norilsk Nickel, OZ Minerals, Rio Tinto, Sandfire Resources, Southern Copper, Vedanta Resources
Lotos, MOL	Aker BP, Bashneft, BP, ENI, Galp, Gazpromneft, Hellenic, Lotos, Lukoil, MOL, Motor Oil, Neste, OMV, OMV Petrom, PKN, Repsol, Rosneft, Saras, Shell, Statoil, Total, Tullow Oil, Tupras, Unipetrol
LPP	CCC, Gerry Weber, H&M, Hugo Boss, IC Companys, Inditex, Kappahl, 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, SSE, Statoil, Total
PKN Orlen	Braskem, Dow Chemical, Eastman, Galp, Hellenic, Huntsman, Indorama, Lotos, Lotte, Lyondellbasell, Mitsubishi, Mitsui, MOL, Motor Oil, Neste, OMV, OMV Petrom, Petronas, Saras, Tupras, Unipetrol, Westlake
Play	BT Group, Cyfrowy Polsat, Deutsche Telekom, Hellenic Telecom, Koninklijke KPN, Magyar Telekom, Netia, O2 Czech, Orange, Orange Belgium, Orange Polska, Telecom Italia, TalkTalk, Tele2, Telefonica, Telekom Austria, Telenor, Turk Telekomunikasyon, Turkcell Iletisim Hizmet, Vimpel, Vodafone Group
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
Stelmet	AFG Arbonia, Canfor, Century Plyboards, Deceuninck, Duratex, Forte, Greenply Industries, Interfor, Inwido, Louisiana Pacific, Nobia, Pflaiderer, Rayonier, Uzin UTZ, Vanachai Group, Vilmorin, West Fraser
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex

Recommendations Issued In the 12 Months Prior To This Publication

11 bit studios

Rating	buy
Rating date	2019-05-20
Target price (PLN)	518.00
Price on rating day	398.00

AC

Rating	neutral	overweight
Rating date	2019-03-22	2018-11-30
Target price (PLN)	-	-
Price on rating day	48.50	41.50

Agora

Rating	buy	buy
Rating date	2018-11-27	2018-09-14
Target price (PLN)	16.00	15.40
Price on rating day	9.50	8.48

Ailleron

Rating	neutral	underweight
Rating date	2019-06-28	2019-01-31
Target price (PLN)	-	-
Price on rating day	8.40	11.75

Alior Bank

Rating	buy	buy	buy	buy	buy
Rating date	2019-07-03	2019-06-03	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	72.30	77.00	87.00	92.50	96.00
Price on rating day	51.10	52.80	57.50	56.65	62.90

Alumetal

Rating	underweight	neutral	neutral	neutral
Rating date	2019-05-29	2019-04-15	2019-03-28	2018-08-23
Target price (PLN)	-	-	-	-
Price on rating day	51.00	51.00	51.00	51.00

Amica

Rating	neutral	overweight	overweight
Rating date	2019-04-29	2019-04-02	2018-09-13
Target price (PLN)	-	-	-
Price on rating day	130.00	143.00	112.80

AmRest

Rating	buy	accumulate	buy	accumulate	hold
Rating date	2019-04-02	2019-03-05	2018-12-05	2018-11-05	2018-09-03
Target price (PLN)	48.00	46.00	46.00	41.20	42.60
Price on rating day	41.20	41.40	39.60	40.00	40.60

Apator

Rating	neutral	overweight	overweight	neutral	underweight
Rating date	2019-04-29	2019-03-05	2019-02-27	2019-01-30	2018-12-05
Target price (PLN)	-	-	-	-	-
Price on rating day	25.80	26.50	25.80	25.40	24.20

Archicom

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	11.90

Asseco BS

Rating	neutral	overweight
Rating date	2019-03-29	2019-02-28
Target price (PLN)	-	-
Price on rating day	29.50	26.60

Asseco Poland

Rating	hold	hold	accumulate	hold	accumulate
Rating date	2019-06-03	2019-03-05	2019-02-04	2018-12-05	2018-09-03
Target price (PLN)	50.80	53.00	51.20	49.60	49.00
Price on rating day	51.10	54.30	48.00	48.30	45.90

Asseco SEE

Rating	overweight
Rating date	2019-04-11
Target price (PLN)	-
Price on rating day	14.20

Atal

Rating	accumulate	accumulate	hold	buy
Rating date	2019-07-03	2019-06-06	2019-04-02	2018-07-04
Target price (PLN)	41.89	43.16	41.03	42.86
Price on rating day	36.60	39.10	39.90	36.40

Atende

Rating	neutral
Rating date	2019-01-31
Target price (PLN)	-
Price on rating day	4.40

BBI Development

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	0.63



Boryszew

Rating	neutral	neutral
Rating date	2019-04-29	2018-09-05
Target price (PLN)	-	-
Price on rating day	4.65	6.25

Budimex

Rating	suspended	hold
Rating date	2018-12-05	2018-08-02
Target price (PLN)	-	125.00
Price on rating day	119.40	122.60

Capital Park

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	4.60

CCC

Rating	hold	buy	buy	buy	buy
Rating date	2019-06-06	2019-04-02	2019-02-04	2018-12-05	2018-11-05
Target price (PLN)	161.00	275.00	291.00	288.00	272.00
Price on rating day	153.80	217.00	178.80	204.60	173.60

CD Projekt

Rating	accumulate	accumulate	accumulate	buy	reduce
Rating date	2019-05-09	2019-04-02	2019-02-04	2018-11-23	2018-10-16
Target price (PLN)	237.50	221.00	217.70	170.40	136.60
Price on rating day	215.00	204.00	190.00	139.00	158.60

CEZ

Rating	accumulate	hold	hold	hold	sell
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-05	2018-07-04
Target price (CZK)	597.80	565.50	537.80	518.72	440.96
Price on rating day	544.00	540.50	568.00	549.00	550.00

Ciech

Rating	hold	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-07-03	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-11-05	2018-08-02	2018-07-04
Target price (PLN)	41.72	55.00	68.11	68.66	75.82	77.05	82.52	81.14
Price on rating day	41.60	42.65	44.85	54.80	52.40	42.58	56.95	53.05

Cognor

Rating	accumulate	accumulate	overweight	neutral	underweight	neutral
Rating date	2019-07-03	2019-06-14	2019-06-03	2019-05-09	2019-03-05	2018-12-05
Target price (PLN)	1.84	1.79	-	-	-	-
Price on rating day	1.77	1.64	1.60	1.59	1.94	1.80

Comarch

Rating	buy	buy	hold	accumulate	accumulate
Rating date	2019-04-17	2019-03-05	2019-02-04	2018-12-05	2018-10-01
Target price (PLN)	230.00	195.00	160.80	173.30	180.50
Price on rating day	181.00	162.50	155.00	160.00	167.00

Cyfrowy Polsat

Rating	reduce	hold
Rating date	2019-05-31	2018-11-26
Target price (PLN)	24.15	23.20
Price on rating day	26.00	22.50

Dino

Rating	reduce	hold	accumulate	buy
Rating date	2019-04-02	2019-02-04	2018-12-05	2018-11-05
Target price (PLN)	112.70	105.90	106.30	103.50
Price on rating day	126.10	100.30	100.40	84.70

Dom Development

Rating	hold	hold	hold	accumulate	buy	buy
Rating date	2019-07-03	2019-06-06	2019-04-02	2019-02-04	2018-12-05	2018-08-02
Target price (PLN)	79.80	82.65	84.40	84.10	84.10	87.80
Price on rating day	77.40	82.00	80.80	75.00	66.00	72.80

Echo

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	3.94

Elektrobudowa

Rating	suspended	buy
Rating date	2018-12-05	2018-09-26
Target price (PLN)	-	45.00
Price on rating day	32.00	32.80

Elektrotim

Rating	suspended	neutral
Rating date	2018-12-05	2018-09-27
Target price (PLN)	-	-
Price on rating day	3.80	4.20

Elemental

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	1.17

Enea

Rating	buy	buy	buy	buy
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-29
Target price (PLN)	12.41	12.51	13.12	15.58
Price on rating day	8.53	8.76	10.73	10.50

Energa

Rating	buy	buy	buy	buy	buy
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-29	2018-09-03
Target price (PLN)	12.67	12.21	13.26	13.54	15.27
Price on rating day	7.33	8.58	10.14	9.16	8.40

Erbud

Rating	suspended	buy
Rating date	2018-12-05	2018-09-03
Target price (PLN)	-	14.40
Price on rating day	9.64	9.60

Ergis

Rating	neutral	overweight	overweight	underweight
Rating date	2019-05-29	2019-04-29	2019-02-27	2018-12-05
Target price (PLN)	-	-	-	-
Price on rating day	3.00	3.00	2.75	2.80

Erste Bank

Rating	buy	buy	buy
Rating date	2019-02-04	2018-12-05	2018-08-02
Target price (EUR)	43.72	46.18	43.00
Price on rating day	31.00	34.41	37.14

Eurocash

Rating	reduce	reduce	sell	reduce	hold	buy
Rating date	2019-06-03	2019-05-09	2019-04-02	2019-02-04	2018-12-05	2018-10-01
Target price (PLN)	18.10	18.90	18.90	17.90	18.20	26.40
Price on rating day	19.31	21.00	22.58	20.13	18.00	18.08

Famur

Rating	buy	buy	buy	buy	buy	buy
Rating date	2019-07-03	2019-06-03	2019-05-09	2019-02-04	2018-11-30	2018-08-02
Target price (PLN)	6.96	6.67	6.90	6.61	6.41	6.56
Price on rating day	5.24	4.85	4.82	4.98	5.58	5.20

Forte

Rating	neutral	neutral	overweight
Rating date	2019-04-29	2018-10-31	2018-07-27
Target price (PLN)	-	-	-
Price on rating day	40.60	40.60	40.60

Getin Noble Bank

Rating	suspended	hold
Rating date	2018-12-05	2018-10-04
Target price (PLN)	-	1.00
Price on rating day	0.33	0.53

Grupa Azoty

Rating	accumulate	accumulate	buy	hold	hold	buy	hold	hold
Rating date	2019-07-03	2019-06-03	2019-05-09	2019-03-05	2018-11-23	2018-11-05	2018-09-03	2018-08-02
Target price (PLN)	45.93	44.42	45.39	43.20	33.00	31.47	41.13	42.13
Price on rating day	42.10	39.86	35.92	43.88	32.36	24.00	38.00	42.20

GTC

Rating	suspended
Rating date	2019-03-05
Target price (PLN)	-
Price on rating day	9.03

Handlowy

Rating	accumulate	accumulate	buy	buy	hold	reduce	accumulate	buy
Rating date	2019-07-03	2019-06-03	2019-05-21	2019-05-09	2019-03-05	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	59.45	61.00	61.00	65.50	65.50	65.50	76.00	90.00
Price on rating day	53.60	53.70	52.40	52.80	65.90	69.10	71.10	76.90

Herkules

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	3.10

i2 Development

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	11.30

Impexmetal

Rating	underweight	neutral
Rating date	2019-04-25	2018-12-05
Target price (PLN)	-	-
Price on rating day	4.16	3.40

ING BSK

Rating	reduce	hold	accumulate	buy	accumulate	accumulate	buy
Rating date	2019-07-03	2019-02-01	2018-12-05	2018-11-05	2018-10-04	2018-08-02	2018-07-04
Target price (PLN)	191.80	191.80	199.63	200.00	200.00	212.00	212.00
Price on rating day	203.50	191.40	183.60	166.00	181.00	190.00	178.40



Jeronimo Martins

Rating	hold	accumulate	hold	buy	buy	buy
Rating date	2019-05-09	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-08-02
Target price (EUR)	14.30	14.10	13.60	14.60	14.50	15.20
Price on rating day	13.89	13.15	13.40	12.38	10.60	12.65

JSW

Rating	accumulate	hold	reduce	hold	reduce	reduce	sell	buy	buy	buy
Rating date	2019-07-03	2019-05-09	2019-03-25	2019-02-20	2019-02-04	2018-12-05	2018-11-26	2018-09-03	2018-08-02	2018-07-04
Target price (PLN)	50.02	54.80	54.80	60.68	60.68	59.14	59.14	98.00	108.69	107.00
Price on rating day	47.00	49.86	62.50	59.96	68.30	71.20	72.56	77.00	79.50	77.50

JWC

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	2.58

Kernel

Rating	buy	buy	buy	buy
Rating date	2019-06-03	2019-03-05	2018-11-05	2018-07-23
Target price (PLN)	58.63	62.86	60.85	59.18
Price on rating day	46.50	49.20	52.10	50.50

Grupa Kęty

Rating	hold	reduce	hold	hold	reduce	sell	hold	hold
Rating date	2019-07-03	2019-06-03	2019-04-02	2019-01-18	2018-12-05	2018-10-29	2018-09-03	2018-08-02
Target price (PLN)	345.32	326.37	341.33	324.30	309.30	309.30	367.45	355.61
Price on rating day	337.00	347.50	324.00	336.50	343.00	365.50	387.50	321.50

KGHM

Rating	hold	hold	hold	hold	hold	hold	buy	buy
Rating date	2019-07-03	2019-06-03	2019-04-02	2019-02-04	2018-12-05	2018-10-15	2018-09-03	2018-08-02
Target price (PLN)	98.35	91.71	105.57	92.41	84.56	87.99	104.21	111.08
Price on rating day	101.70	95.00	109.40	94.16	92.60	85.40	90.80	96.00

Komercni Banka

Rating	buy	accumulate
Rating date	2019-05-09	2018-12-05
Target price (CZK)	1000.00	1000.00
Price on rating day	873.00	906.50

Kruk

Rating	buy	buy	buy	buy
Rating date	2019-04-02	2019-02-04	2018-12-05	2018-09-17
Target price (PLN)	213.65	279.32	292.77	292.77
Price on rating day	152.30	167.60	177.10	187.80

Kruszwica

Rating	neutral	neutral	underweight
Rating date	2019-04-02	2018-10-16	2018-08-02
Target price (PLN)	-	-	-
Price on rating day	43.90	43.90	65.40

LC Corp

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	2.55

Lokum Deweloper

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	17.40

Lotos

Rating	sell	sell	sell	sell	sell	sell	sell
Rating date	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-11-15	2018-09-03	2018-08-02
Target price (PLN)	65.95	65.41	65.18	65.36	59.84	57.21	52.51
Price on rating day	87.82	86.22	93.90	93.00	73.50	69.90	65.86

LPP

Rating	accumulate	accumulate	hold	buy	accumulate	buy	buy
Rating date	2019-07-03	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-10-01
Target price (PLN)	8500.00	8300.00	8400.00	9300.00	9300.00	9300.00	10200.00
Price on rating day	7,745.00	7,335.00	8,405.00	7,990.00	8,370.00	7,730.00	8,625.00

Mangata

Rating	neutral	neutral	neutral	neutral	underweight
Rating date	2019-05-29	2019-05-09	2019-04-29	2018-10-01	2018-09-13
Target price (PLN)	-	-	-	-	-
Price on rating day	69.50	69.00	71.00	65.40	91.20

Millennium

Rating	accumulate	accumulate	hold	reduce	sell
Rating date	2019-02-01	2018-11-14	2018-11-05	2018-10-04	2018-08-02
Target price (PLN)	10.00	10.10	8.40	8.40	7.00
Price on rating day	8.82	9.49	8.85	9.27	9.12

MOL

Rating	hold	hold	hold	hold	hold	accumulate	accumulate	buy
Rating date	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-11-15	2018-11-05	2018-09-03
Target price (HUF)	3223.00	3223.00	3423.00	3433.00	3280.00	3280.00	3296.00	3296.00
Price on rating day	3,276.00	3,278.00	3,250.00	3,284.00	3,206.00	3,088.00	3,006.00	2,870.00

Monnari

Rating	underweight neutral	
Rating date	2018-12-05	2018-07-13
Target price (PLN)	-	-
Price on rating day	4.75	6.60

Netia

Rating	hold	hold
Rating date	2018-11-26	2018-10-01
Target price (PLN)	4.70	4.30
Price on rating day	4.66	4.50

Orange Polska

Rating	hold	buy
Rating date	2019-06-19	2018-11-26
Target price (PLN)	7.50	6.40
Price on rating day	7.29	4.91

OTP Bank

Rating	buy	hold	accumulate
Rating date	2019-07-03	2019-04-02	2018-12-05
Target price (HUF)	13046.00	13046.00	13046.00
Price on rating day	11,790.00	12,600.00	11,810.00

PA Nova

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	17.25

PBKM

Rating	suspended	hold	accumulate	buy
Rating date	2019-05-09	2019-03-05	2018-12-05	2018-10-01
Target price (PLN)	-	66.57	66.57	66.40
Price on rating day	66.00	68.80	62.00	57.80

Prime Car Management

Rating	suspended
Rating date	2018-08-23
Target price (PLN)	-
Price on rating day	7.96

Pekao

Rating	accumulate	buy	buy	buy	buy
Rating date	2019-07-03	2019-05-30	2019-02-01	2018-12-05	2018-10-04
Target price (PLN)	121.00	121.00	131.80	136.29	138.70
Price on rating day	112.95	103.75	110.60	113.25	107.20

Pfleiderer Group

Rating	neutral	neutral	neutral	underweight	neutral	overweight
Rating date	2019-05-29	2019-04-16	2019-02-27	2019-01-30	2018-09-28	2018-08-08
Target price (PLN)	-	-	-	-	-	-
Price on rating day	20.40	25.50	28.40	32.60	36.45	37.30

PGE

Rating	buy	buy	buy	buy	buy	buy	buy
Rating date	2019-06-25	2019-06-03	2019-05-09	2019-04-02	2019-03-26	2019-02-04	2018-11-29
Target price (PLN)	13.26	13.39	13.38	13.66	13.77	14.47	14.82
Price on rating day	9.00	9.23	8.61	10.10	9.88	11.86	11.47

PGNIG

Rating	buy	accumulate	hold	hold	buy	buy
Rating date	2019-05-28	2019-04-02	2019-03-05	2019-02-04	2018-11-05	2018-09-03
Target price (PLN)	6.47	6.92	7.08	7.72	7.72	7.86
Price on rating day	5.58	6.31	6.58	7.63	6.35	5.82

PKN Orlen

Rating	sell	sell	sell	sell	sell	reduce	sell	sell
Rating date	2019-06-03	2019-04-02	2019-03-05	2019-02-04	2018-11-15	2018-11-05	2018-09-03	2018-08-02
Target price (PLN)	80.01	79.39	81.22	83.43	81.52	81.38	81.38	76.84
Price on rating day	96.78	99.94	101.50	104.70	97.80	93.50	98.24	93.06

PKO BP

Rating	accumulate	accumulate	hold	accumulate	buy	accumulate
Rating date	2019-06-26	2019-05-09	2019-02-01	2018-12-05	2018-11-05	2018-10-04
Target price (PLN)	47.17	40.92	40.92	45.00	47.00	47.00
Price on rating day	42.20	37.78	39.51	41.96	40.39	42.55

Play

Rating	hold	buy	accumulate	accumulate	hold	buy	buy	hold	reduce
Rating date	2019-07-03	2019-05-31	2019-05-09	2019-04-12	2019-02-04	2018-11-26	2018-10-17	2018-08-30	2018-07-03
Target price (PLN)	29.00	29.00	25.25	26.70	21.30	21.30	21.50	22.60	23.50
Price on rating day	33.34	25.08	24.42	24.08	22.80	16.54	17.14	21.90	24.88

Polnord

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	9.77

Polwax

Rating	suspended
Rating date	2018-09-14
Target price (PLN)	-
Price on rating day	7.70



Pozbud

Rating	overweight	overweight
Rating date	2019-04-29	2018-09-04
Target price (PLN)	-	-
Price on rating day	2.37	3.57

PZU

Rating	hold	accumulate	accumulate	hold	accumulate	buy	accumulate
Rating date	2019-07-03	2019-04-02	2019-03-05	2019-02-04	2018-12-05	2018-11-05	2018-08-02
Target price (PLN)	43.38	43.38	46.50	46.50	46.50	47.50	47.50
Price on rating day	44.35	40.79	42.00	44.66	43.80	40.60	42.00

Ronson

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	0.84

Santander Bank Polska

Rating	hold	hold	accumulate	buy	accumulate	accumulate
Rating date	2019-06-03	2019-02-01	2018-12-05	2018-11-05	2018-10-04	2018-09-03
Target price (PLN)	377.27	388.00	400.00	400.00	400.00	430.00
Price on rating day	365.20	373.80	364.80	353.80	367.00	376.00

Skarbiec Holding

Rating	buy	buy	buy	buy
Rating date	2019-06-03	2018-12-05	2018-11-05	2018-08-31
Target price (PLN)	28.17	31.36	31.02	36.86
Price on rating day	16.50	23.50	21.70	25.30

Stelmet

Rating	hold	hold	hold	hold	buy	buy
Rating date	2019-07-03	2019-03-05	2019-02-04	2018-11-05	2018-09-03	2018-07-04
Target price (PLN)	7.95	8.36	8.39	7.72	20.45	20.24
Price on rating day	7.00	10.25	8.88	7.50	11.35	10.70

Tarczyński

Rating	neutral	underweight	underweight
Rating date	2019-05-29	2019-04-29	2018-12-05
Target price (PLN)	-	-	-
Price on rating day	15.40	15.60	17.50

Tauron

Rating	buy	buy	buy	buy	buy
Rating date	2019-06-25	2019-04-02	2019-02-04	2018-11-29	2018-09-03
Target price (PLN)	2.52	2.89	3.12	3.06	2.77
Price on rating day	1.57	2.03	2.37	2.21	2.00

TIM

Rating	overweight	overweight
Rating date	2019-04-29	2018-12-05
Target price (PLN)	-	-
Price on rating day	7.90	7.48

Torpol

Rating	suspended	neutral
Rating date	2018-12-05	2018-09-27
Target price (PLN)	-	-
Price on rating day	4.60	5.18

Trakcja

Rating	suspended	underweight
Rating date	2018-12-05	2018-09-27
Target price (PLN)	-	-
Price on rating day	3.75	3.47

TXM

Rating	suspended	buy
Rating date	2018-10-16	2018-07-04
Target price (PLN)	-	3.48
Price on rating day	0.59	1.28

Ulma

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	72.00

Unibep

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	4.81

VRG

Rating	overweight	overweight	overweight	overweight
Rating date	2019-05-29	2019-03-28	2018-12-05	2018-11-08
Target price (PLN)	-	-	-	-
Price on rating day	3.90	4.29	3.83	4.06

Wasko

Rating	suspended
Rating date	2018-12-05
Target price (PLN)	-
Price on rating day	1.27

Wirtualna Polska

Rating	hold	accumulate	buy	accumulate	buy
Rating date	2019-07-03	2019-02-04	2018-12-05	2018-09-03	2018-08-02
Target price (PLN)	61.50	61.50	61.50	60.00	60.00
Price on rating day	61.20	58.40	52.20	57.00	49.00

ZUE

Rating	suspended	neutral
Rating date	2018-12-05	2018-09-27
Target price (PLN)	-	-
Price on rating day	4.64	5.56

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