

Monday, April 03, 2023 | periodical publication

Monthly Market Outlook: April 2023

Equity Market, Macroeconomics

Equity Market

While equities are betting on AI, bonds are pricing a recession. Central banks are relentless and might break stuff in the process. Our base case, predicting at least one big bear market leg down ahead, remains intact in April.

Poland retail sales and manufacturing data have disappointed while core inflation is to the upside. As an election campaign gathers steam, there is more risk for state-heavy WIG indexes. Tactical temptation vs. strategic prudence.

Financials

The recent sell-off, coupled with less uncertainty regarding CHF loans, prompts us to switch our preference in favor of Polish banks, but a selective approach is key. Our current top picks are Pekao and Alior but we still also like Erste and Komercni in CEE. We consider Polish banks as relatively safe in the face of the current turmoil in the global banking sector.

Oil & Gas

A strong macro environment should boost Q1'23 profits and investors might receive confirmations of solid dividends at MOL and PKN. This might bring about the long-awaited re-rating. The main risk for April are the windfall taxes under discussion in Poland.

Power Utilities

The coal assets carve-out deal expected in April might give a temporary boost to Polish utilities, but ultimately its outcomes might turn out disappointing given a subsequent 2-3-month "transition" period hinted on by the ministry.

Telecoms, Media, IT

In Telco, we remain bullish on Orange Polska, which in our view is eyeing outperformance vs. Cyfrowy Polsat given current earnings trends (+4% EBITDAaL growth at OPL in 4Q vs. 8% contraction at CPS) and a solid balance sheet position.

In IT, Comarch has disappointed with 4Q results and backlog size.

Gaming

We stay positive on gaming as an example of secular growth and a potential beneficiary of the recent AI boom. In the U.S., the sales figures for February data came in strong, proving demand for high-quality AAAs is still high. Upcoming marketing campaigns should support CDR, and 11B. In mobile, we prefer HUG over TEN. We think STS Holding is still undervalued.

Retail & e-Commerce

Further erosion of disposable income, together with retail sales worries, could dampen sentiment for retail companies in the coming weeks.

Strong results of Allegro for 4Q'22, and sound guidance for 1Q'23 (incl. +13-14% GMV growth), should restore some of the positive sentiment for the e-commerce sector knocked by the latest retail sales statistics.

Biotechnology, Healthcare

Ryvu Therapeutics is currently our preferred stock in the sector as we believe RVU120 is on track to enter Phase 2 in solid tumors.

Sentiment for Celon might improve if there is a positive message in the minutes from the meeting with the FDA concerning Falkieri.

Mabion will likely continue to underperform in April due to 'substantial doubt' regarding Novavax's ability to continue as a going concern.

Best Investing Ideas for April

Positive: Alior Bank, Allegro, CD Projekt, Enea, Erste Group, Huuuge, Kruk, MOL, Orange Polska, Pepco, Pekao, PKN Orlen, Polenergia, Ryvu Therapeutics, STS Holding

Negative: CCC, Cyfrowy Polsat, LPP, Mabion, PGE, Tauron

EU Indices	Value	1M chng	YTD chng
WIG	58,609	-2.6%	+2%
ATX	3,209	-9.2%	+3%
BUX	42,318	-5.5%	-3%
PX	1,352	-4.3%	+13%
WSE WIG Ind.	Value	1M	YTD
WIG20	1,759	-4.8%	-2%
mWIG40	4,504	+1.9%	+8%
sWIG80	20,248	+3.9%	+16%
Banking	6,269	-5.4%	+0%
Basic Materials	4,324	-5.8%	-6%
Chemicals	12,183	+2.4%	+12%
Clothes	5,399	+2.8%	-8%
Construction	4,600	+6.5%	+13%
Energy	2,041	-4.9%	-3%
Food	2,211	-1.8%	+10%
Gaming	16,938	-6.5%	+1%
IT	4,378	-2.1%	+10%
Media	6,767	+6.1%	+12%
Oil & Gas	5,485	-12.5%	-9%
Technology	12,098	-2.1%	+7%
Top 5 / Worst 5		1M	YTD
Atrem	7.18	+54.7%	+98%
Benefit Systems	1155.00	+37.5%	+55%
TIM	49.20	+37.4%	+70%
XTPL	130.00	+36.8%	+41%
CI Games	3.44	+34.9%	+38%
Mabion	17.82	-17.9%	-15%
Erste Bank	30.50	-18.0%	+2%
LW Bogdanka	38.08	-19.0%	-24%
Datawalk	57.18	-27.6%	-37%
Ten Square G	92.85	-29.2%	-27%

Rating & 9M TP Changes as of 3 April

Name	Rating	9M TP
11 bit studios	hold ▼	677.00 PLN ▲
Answer	buy ►	39.20 PLN ▲
CCC	hold ►	37.90 PLN ▲
CD Projekt	buy ►	150.00 PLN ▼
CEZ	hold ►	976.68 CZK ▲
Dino	hold ►	398.00 PLN ▲
Enea	suspended ►	-
Erste Group	buy ►	41.50 EUR ▼
Inter Cars	hold ▼	513.93 PLN ►
Jeronimo Martins	buy ►	24.90 EUR ▲
Komercni Banka	buy ►	934.28 CZK ▲
LPP	buy ►	13700 PLN ▲
MOL	buy ►	4048.00 HUF ▲
Moneta Money B	hold ▼	87.63 CZK ▲
OTP Bank	buy ►	16723 HUF ▲
Pepco	buy ►	49.10 PLN ▲
PGE	suspended ►	-
PKN Orlen	buy ►	88.14 PLN ▲
Polenergia	buy ►	99.03 PLN ▲
PZU	buy ►	43.34 PLN ▲
RBI	buy ►	18.11 EUR ▼
Ryvu Therapeutics	buy ►	80.00 PLN ►
STS Holding	buy ►	22.30 PLN ▲
Tauron	suspended ►	-
Ten Square G	accumulate ▲	101.00 PLN ▼

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Equity Strategy

But First, An Announcement: Our Team is Growing!

We are happy to share that **Konrad Anuszkiewicz**, CFA, has joined our team in April as an Industrials and Commodity Analyst.

Konrad has over 15 years of experience on both the sell side and the buy side of the Polish equity market. In his previous sell-side roles, he was consistently ranked among the top Polish analysts in *Parkiet's* industry surveys. We are confident that Konrad's track record and expertise will make our research even stronger.

March Recap

Last month, we pointed to negative risk-reward for equity markets and flagged downside risks for EU and Polish banks stemming from a high interest rates environment. The WIG index in March experienced a near-9% drawdown (17% in case of WIG-Banks), but it largely recovered by the end of the month on reduced worries about the potential spillover of the banking crisis.

A Global Perspective

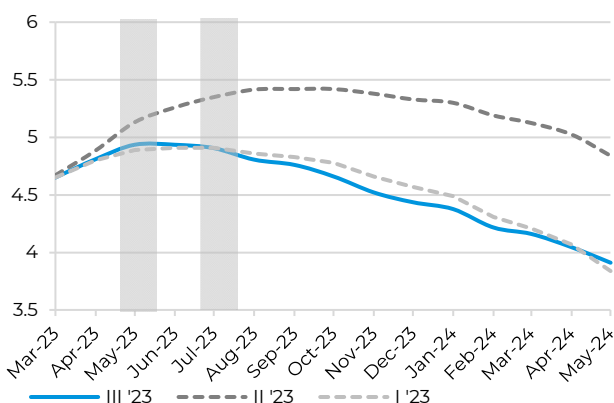
"Monetary tightenings break the weakest links, which can cause financial shocks/crises. Financial shocks/crises are markers that monetary tightening is impacting. And judging by history, crises don't ease until the Fed at least pauses. As long as the Fed is tightening, more links may break."
Ed Hyman, Evercore ISI

"The bond market effectively is pricing some sort of a recession at this point and the equity market is still in denial"
Mike Wilson, Morgan Stanley

Firefighter or arsonist? The Fed, along with other central banks, are facing an intensified trade-off between financial stability and inflation control. Until now, the Fed has never hiked during a financial crisis, or when the curve was inverted, or when M2 was contracting. The market did not like the reaffirmation that the Fed has no cuts in its base case for 2023 and investors were reminded there will be no preemptive rate cuts with inflation this high. The latest financial cracks are likely to tighten credit, dent confidence and eventually hurt growth.

You can read up on technicalities on why one should not mistake BTFP and the recent huge increase in the Fed's balance sheet with QE in this [nice piece from Arek Balcerowski, member of our macro team \(Polish only\)](#).

Fed rates, market-implied path – basically back to January levels after a February shock

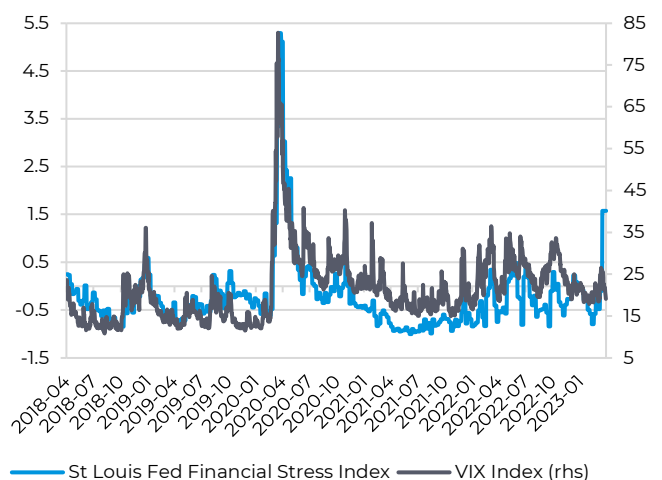


Source: mBank, Bloomberg

Boiling frog syndrome? Waiting for more shocks. The US (and global) banking systems had been stress tested and global banks are staring at the biggest crisis since 2008 after two US banks collapsed minutes before the UBS & Credit Suisse shotgun wedding.

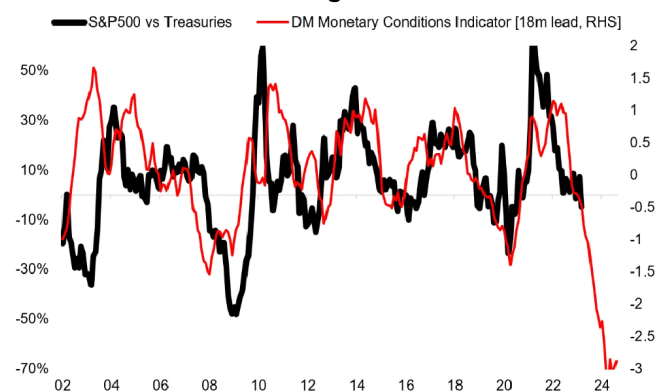
Yet, the Fed and the ECB remain relentless with the latest 25bp and 50bp respective hikes that makes us think that the abovementioned failures were NOT the last big headline victims of this cycle and the change in rate regimes. The CEO of BlackRock fears that 'more seizures and shutdowns' of banks are possible after 'decades of easy money.' Commercial Real Estate might be the next shoe to drop.

St Louis Fed Financial Stress Index and VIX



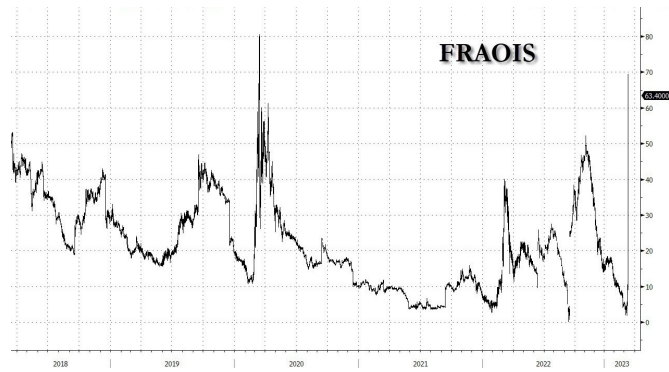
Source: mBank, Bloomberg

Stocks vs Bonds YoY – Leading Indicators



Source: mBank, Topdown Charts, Refinitiv Datastream

Zerohedge: Oh nothing, just liquidity totally frozen



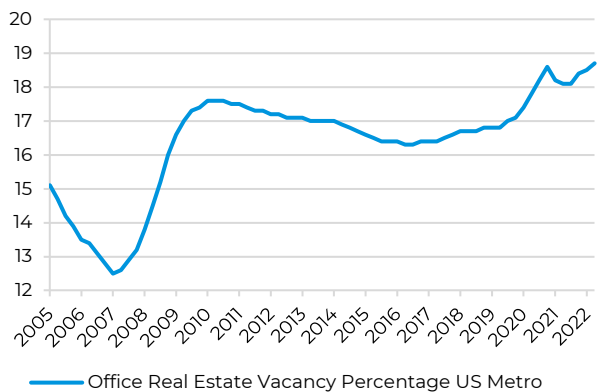
Source: mBank, @zerohedge

Commercial Real Estate: the next shoe to drop? After decades of growth bolstered by low interest rates and easy credit, commercial real estate has hit a wall. Office and retail property valuations have been falling since the pandemic brought about lower occupancy rates and changes in where people work and how they shop.

The Fed's efforts to fight inflation by raising interest rates have also hurt the industry, and the recent banking stress will likely add to those woes. Lending to commercial real estate developers and managers largely comes from small and mid-sized banks, where the pressure on liquidity has been most severe. About 80% of all bank loans for commercial properties come from regional banks, according to Goldman Sachs economists. Short-sellers have stepped up their bets against commercial landlords, indicating that they think the market will continue to fall as regional banks limit access to credit.

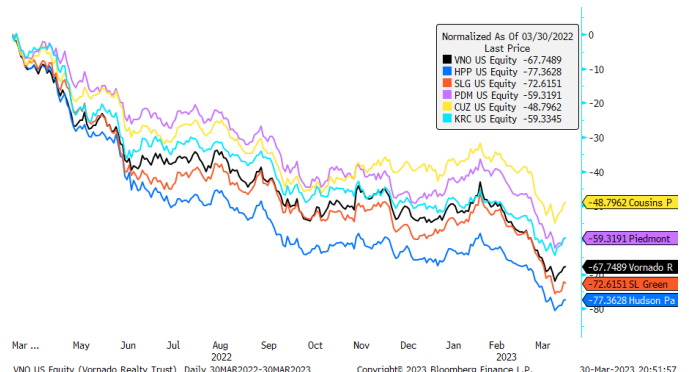
Real estate is the most shorted industry globally and the third most in the United States, according to S&P Global.

Highest proportion of vacant office space in the US ever



Source: mBank, Bloomberg

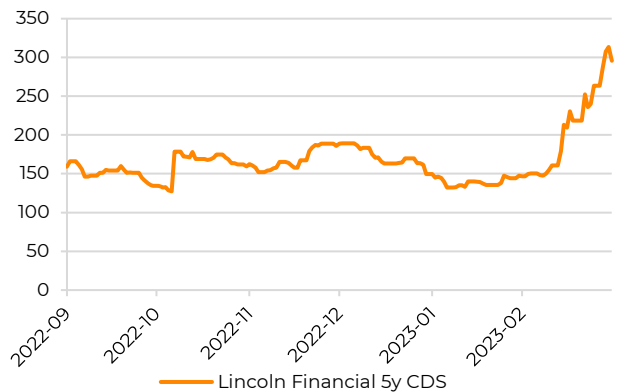
Commercial real estate stocks hit heavily



Source: mBank, Bloomberg

Contagion to insurance companies? The cost to protect the debts of Lincoln National, MetLife & Prudential Financial from default has jumped since concerns about financial-sector stability began to weigh on insurance firms.

Cost to insure Lincoln Financial's senior debt rises



Source: mBank, Bloomberg

A European Perspective

'With a few million you can move the CDS spread of a trillion-euro-asset bank and contaminate of course stock prices and possibly also deposit outflows. So that is something that concerned me a lot.'

Andrea Enria, chair of the ECB Supervisory Board, speaking at a conference in Frankfurt.

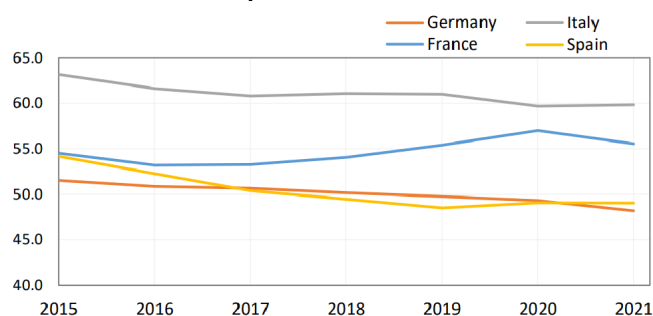
A shotgun wedding. Switzerland's biggest bank, UBS, has agreed to buy its ailing rival Credit Suisse in an emergency rescue deal aimed at stemming financial market panic unleashed by the failure of American banks. Credit Suisse had been losing the trust of investors and customers for years. In 2022, it recorded its worst loss since the global financial crisis and it completely destroyed confidence by acknowledging "material weakness" in bookkeeping and as the demise of Silicon Valley Bank and Signature Bank spread fear about weaker institutions at a time when soaring interest rates have undermined the value of some financial assets.

The surprise wipeout of some \$17bbn of riskier Credit Suisse debt also unsettled many credit investors. A sell-off on Deutsche Bank shares and bonds has drawn attention from regulators and sparked broad debate about whether credit-default swaps caused the market stress or simply reflected investor unease.

Below, we are delighted to share the highlights of our partner Evercore ISI's Krishna Guha from a great note entitled 'The Eurozone and the Banking Crisis - OK Up To Now, But Beware Vulnerabilities,' released on March 24:

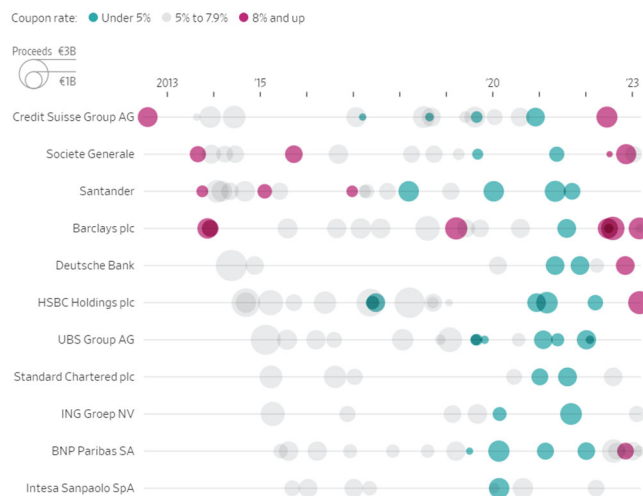
- **EU / eurozone authorities have a more constrained set of financial stability tools.** So separate from the probability of event, the loss-given-event would plausibly be higher. The vulnerability of banks in the EU / eurozone to a US-style "shock to stickiness" of deposits is elevated and has not been stress tested. Less profitable universal banks with CS-lite exposure to a mix of wholesale and uninsured depositor funding could face market pressure. The probability that some bank somewhere in the eurozone has bungled its interest rate risk management, is not viable in this rate environment, and was missed by its national supervisor must be quite high.
- Regulators have responded with aggressive interest rate shock stress testing including at mid-sized banks while big banks have increased their use of swaps contracts to hedge interest rate risk with counterparties including insurers and pension funds – **the under-hedging risk is more about smaller banks.**
- In the jargon, banks report strong CET1 capital (though some lag phased-in MREL requirements) all significant banks are subject to the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) and more than half the High Quality Liquid Assets (HQLA) required by the NSFR held in cash and central bank reserves with no interest rate duration risk – once again indicating the financial stability benefit of a central bank operating with very large excess reserves.
- **There may still be business model pressures, however, even where loss absorbing capacity is sufficient.** (ECB Supervisory Review, 2022)
- **Some banks – particularly those with pre-existing weak profitability – may struggle to earn their cost of capital, making them vulnerable to other shocks** or (in the case of larger universal banks) missteps such as **trading losses in volatile markets.**
- US and Swiss banking stress has been widely covered in European media. Universal banks with a CS-lite mix of funding from **high value uninsured depositors, wholesale and counterparty funding could face an awkward combination of market and depositor pressures** – with markets unlike depositors moving predictably down a list of institutions in order of perceived weakness.

Share of uninsured deposits in selected EU countries



Source: mBank, Evercore ISI, ECB, EBA
 Note: The data on insured deposits for each country is sourced from Deposit Guarantee Schemes data from EBA. The data on total deposits for each country is sourced from aggregated statistical balance sheet data from ECB/Haver. The scope covered by the two data sources could be different.

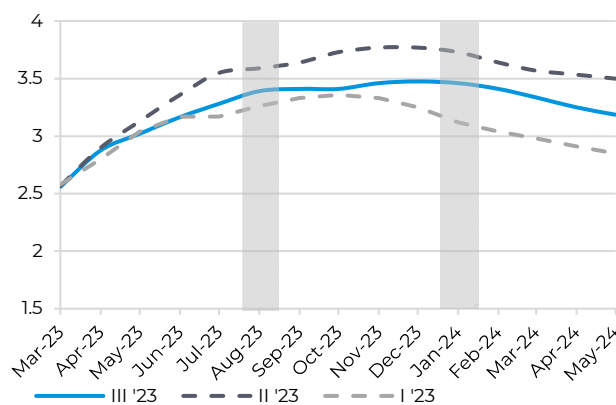
Additional Tier 1 bond issuance, selected European companies



Source: mBank, Dealogic, WSJ
 Note: Deals are grouped by each parent company. Coupon rates expressed as ranges refer to multiple tranches. €1 billion=\$1.086 billion.

Adding fuel to the fire? The ECB has opted for a 50bp rate hike to 3.5% in March despite the banking turmoil, choosing inflation targeting over a quelling of potential further perturbations in the financial sector. Germany's central bank boss Joachim Nagel said the eurozone must be stubborn and keep raising borrowing costs to tackle inflation, as rate-setters on both sides of the Atlantic wrestle with the recent turmoil in the financial sector.

ECB rates market-implied path moderated in March but moves not that aggressive as in the US



Source: mBank, Bloomberg

Xi's visit to Russia. Beijing said it 'needs a strong and successful Russia' in a joint statement with Moscow signed March 21, 2023, something that would have been unimaginable in the 1960-80s. The rise and fall in national power have pulled Beijing and Moscow closer together against Washington. Not targeting third nations is a downright falsehood. Beijing has been successful in building a moral high ground regarding the war in Ukraine with its 12-point position paper on 'Political Settlement', especially in front of Global South. Now, NATO may be facing the dilemma whether to stop Zelensky from talking to Xi.

A Polish Perspective

The third derivative. USA => EU => Poland seems to be the pecking order of the spillover risk. [Banks Just Cannot Catch a Break](#) is the title of the latest update on the banking sector by our financial analysts, Michał Konarski and Mikołaj Lemańczyk. Barring unlikely solvency struggles, we expect a gradual re-rating of the banking sector with the CHF saga nearing a close amid favorable market conditions marked by high interest rates and an economic soft landing.

As regards the wide-spread banking sell-off, we view it as is a compelling entry point for investors with minimal spill-over risk from the CS and SVB situation.

Our top picks right now are the CHF-safe Pekao and Alior, with valuations ex. capital surplus well below the book values. We also see upside in PKO and Santander although we realize that any CHF-related bugs like large one-off charges or dividend caps can hurt sentiment.

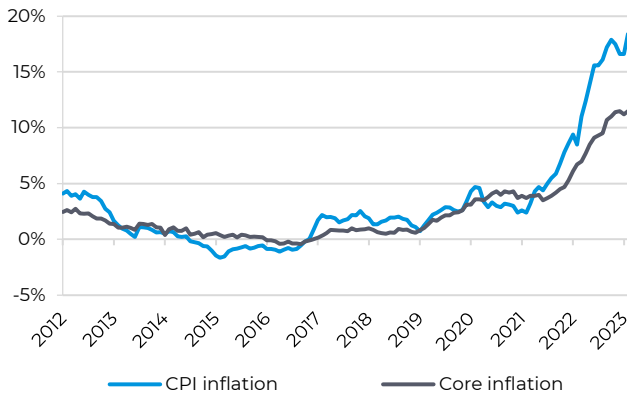
As a final note, the entire banking sector faces political risk ahead of the 2023 general election, though any impacts will most likely be a one-off.

'I am confident we will start seeing softer CPI prints in a month or two' – PM Mateusz Morawiecki.

The magic of base effects. It is widely expected that February marked the highest headline CPI reading this year and that going forward we will see a significant reduction in annual CPI inflation. At the same time, however, February's core CPI print at 12.0% y/y came in higher than anticipated.

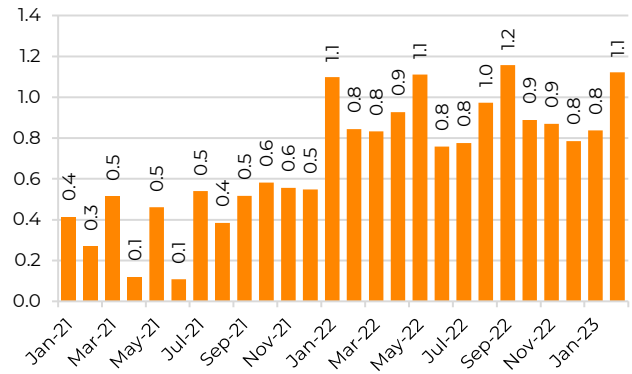
The newest forecasts by the mBank macro team see no interest rate changes until the end of 2024.

Poland headline and core inflation



Source: mBank, Statistics Poland

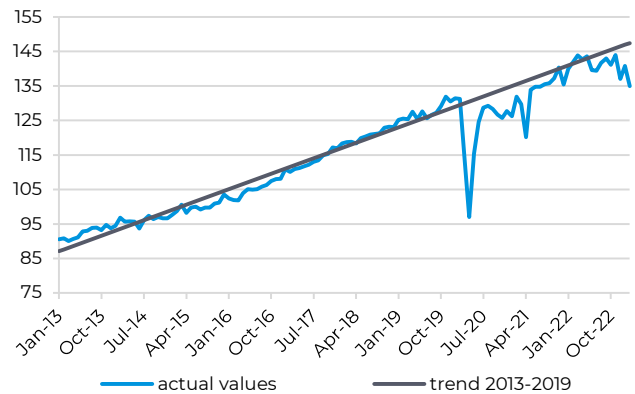
Poland core inflation momentum (% m/m, seasonally-adjusted)



Source: mBank, Statistics Poland

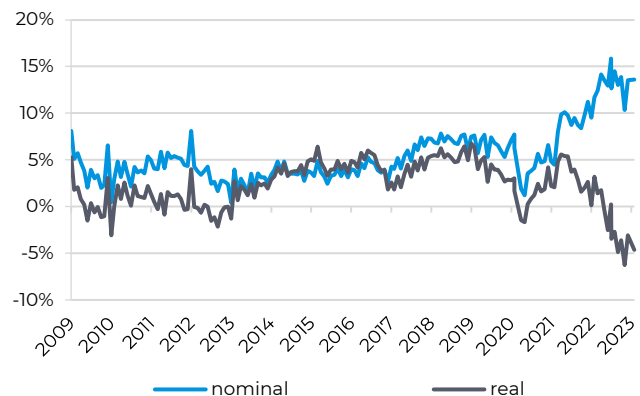
Real retail sales surprised to the downside in February by falling 5% year over year. Looking ahead, however, the decline in consumer spending expected in the coming months might be mitigated by bigger tax refunds (over PLN 17.5bn expected vs. PLN 10.5bn in 2022) after the changes in regulations introduced during 2022.

Poland retail sales (constant prices, seasonally-adjusted)



Source: mBank, Statistics Poland

Poland wage growth, nominal vs. real



Source: mBank, Statistics Poland

Sector Strategies

Financials

- We have followed the developments regarding SVB and Credit Suisse with great interest, keeping in mind that these are very specific cases that are not likely to have a direct impact on the Polish banking sector other than dampening the already bearish sentiment on banks. For us, the sell-off created an attractive entry point once the dust settled, and that is why, in March 2023, we upgraded our view and took a more positive stance towards Polish banks in our newest [banking sector update](#).
- As you may remember, in January's Investment Strategy for 2023, we had warned that Polish banks were not the best portfolio pick at that point and that it would be better to wait for the conclusion of the CHF saga and an easing of the pressures coming from this year's general election campaign. Today, however, on the heels of the recent price action and upward adjustments to the earnings prospects of our coverage universe, we believe that the risk/reward ratio is once again skewed in favor of Polish banks. Our top picks at the moment are Pekao and Alior (you can read why in the March [ratings update](#)).
- ECB's rate hikes are in no way detrimental for the European banking sector in our eyes as we are still in an area where the benefits of higher NII far outweigh any potential deterioration in asset quality. The collapse of SVB, followed by the demise of Credit Suisse, gave rise to a question if the global banking sector was stable. In our view, both these cases were very specific and cannot be simply extrapolated onto the more universal banks, especially in Europe.
- At the same time, the confusion around Deutsche Bank seems to have been a false alarm. The ITraxx index for the 30 biggest European banks shows no major stress, and the same goes for the FRA-OIS spread. In other words, while the SVB case did make us remember that higher interest rates can sometimes bring averse developments for banks, the European banking sector is so far so good and we would use this opportunity to overweight selected banks. Erste remains our top pick in the regional.
- Among other financials, we remain positively biased on Kruk and XTb, but have a more neutral approach to PZU and are on the fence regarding GPW.

When it comes to Kruk, we laid out our bullish case in the latest March [report](#).

For XTb, we believe the company will be able to deliver decent KPIs as regards client acquisition in 1Q'23, which will be consistent with our view that, in the long term, XTb will build value on client volumes.

For PZU, we have two of its banking units, Pekao and Alior, are our current top Polish picks, and we are recommending investing directly in the banks without involving the middleman.

Finally, regarding GPW we are in waiting mode as the company prepares to unveil a new strategy in the coming weeks. Until then, we maintain our view on the company.

- **Key Ratings:** Pekao (buy), Alior (buy), Erste Group (buy), Kruk (buy)

Oil & Gas

- Brent crude prices have rebounded sharply after a few weeks on a losing streak, driven mainly by fears of supply disruptions due to the Turkey-Kurdistan dispute and a partial halt on oil exports to the Ceyhan port. The market is still betting that China's recovery will boost demand and

prices later this year but it seems that global crude supplies will comfortably exceed demand in the first half of this year.

We opt to revise our assumptions as to the 2023 average price of a barrel of Brent downwards from \$90 to \$85, however, in the medium term, our forward curve remains unchanged at \$80 in 2024 and \$75 in 2025 (in the long term, we assume a decrease to \$60).

- As regards gas, negative trends have continued in recent weeks after a short-lived rebound, and the price of a month-ahead gas contract had retreated below €50/MWh.

In the short term, the market is driven by high storage levels and warm and windy weather. The LNG market remains relatively calm with China's LNG imports capped by weaker-than-expected downstream natural gas consumption which can probably be attributed to a slow pace of recovery in economic and industrial activity. Nevertheless, we maintain that more bullish trends may be restored to the gas market over the course of the year by a ramp-up of the energy-intensive manufacturing industry and low river levels in the spring/summer after a fairly dry winter.

With that said, we opt to lower our 2023-24 TTF price forecasts by 40% and 12% respectively to €70/MWh each. That said, downward revisions to 2023-24 forecasts have a limited impact on actual earnings and valuations in the sector amid windfall taxes and price regulation.

- In the refining business, the model refining margin rebounded close to \$20/bbl despite anticipation of a 20% rise in Chinese fuel exports in April, coupled with Russian diesel exports for March pushing towards a record high (since the sanctions, Turkey, Brazil and Morocco have replaced their EU supplies with Russians). It seems that the demand side remains tight, as reflected in further ARA inventory draws, compounded most likely by disruptions at French refineries (where ~32% of the workers have been on strike).

Gasoline margins as well have become an even bigger driver amid increased US product draws during maintenance-driven cutbacks in refinery runs accompanied by a seasonal rise in demand.

After accounting for all this, we have raised our model refining margin assumption for 2023 by 5%.

- In petrochemicals, margins have rebounded from very low levels both in olefins and polymers, but this was mainly thanks to cheaper feedstock. We sustain our bearish view on petchem profitability, underpinned by worsening macro conditions coupled with oversupply prospects. That said, the downside potential here seems to have run out.
- The European energy sector has continued to underperform broad equity markets in March with recession fears stoked by the banking crisis. In our view, however, the current situation in hydrocarbon markets is much different from the 2007-08 period as the demand side is already squeezed and we see supply bottlenecks in the medium term. In the short term, we see strong Q1'23 results as a potential positive catalyst.

- **Key ratings:** MOL (buy), PKN Orlen (buy)

Utilities

- German power futures shed another 10% last month, hitting €130/MWh, due mainly to a sharp drop in commodity prices triggered by global fears about the stability of financial markets and economic recession.

- On the heels of downward revisions to our natural gas price expectations, we also lower the European power price forecasts for 2023-25 by 16% on average. Again, with windfall taxes and price curbs in place, the impact of market movements on the sector's profitability is limited.
- Polish year-ahead power contracts have softened to PLN 710/MWh and at this level the premium to the German market benchmark has rebounded to PLN 90/MWh. Prices of CO₂ allowances are down, pushing the Polish CDS margins higher by PLN 10/MWh.

Once more, negative price trends on the electricity market only affect the future as in the present the margins of Polish power plants are curbed by the price caps implemented in December 2022. In our baseline scenario, the price caps stay in place through to the end of 2025

- As regards the long-awaited coal assets spin-off, the Ministry of Assets stands by its mid-April timing for the deal but afterwards expects a 2-3-month "transition period" for the process to be fully completed. We remain skeptical whether the closing of this transaction before the parliamentary elections is at all possible.

We also uphold the view that it is impossible to assume an automatic re-rating of power sector valuations after the carve-out as it is not the composition of the coal assets that is the problem in terms of valuation, but the general investment profile offered to minority investors.

At the end of 2022, the book values of conventional generation assets reported by the companies were as follows: Enea PLN 5.5bn, PGE PLN 10.5bn, Tauron PLN 5.5bn. In the best-case scenario, these valuations can serve as a proxy for potential carve-out "proceeds." Nevertheless, the valuation process might be seen as controversial in the current volatile macro environment and given the huge regulatory impact on the profits of Polish power plants.

Another thing worth keeping in mind is that, most likely, the companies will receive payment for their coal assets in annual installments over several years.

- Given multiple risks (earnings, regulations, carve-out schedule), we keep our negative positioning for the Utilities sector, especially state-owned companies (with unchanged relative preferences for ENA/PGE over TPE).
- **Key ratings:** -

Telecoms, Media, IT

- The Office for Electronic Communications (UKE) is getting ready to distribute C-band spectrum (3480-3800 MHz) for 5G. Looking at the consultation papers, the terms of the auction are the same as the original auction canceled in 2020. The asking price is still PLN 450m per each of the four blocks up for auction, although the requirements have been adjusted to cap the number of bidders to four Polish MNOs. The four blocks up for auction are not identical but seem to us very similar. Unless the terms change in consultation, the closing price is not likely to be much higher than the asking price.

In our models for Orange Polska and Cyfrowy Polsat, we assume CAPEX of PLN 550m each in 2023 for 5G frequencies.

- Poland's consumer watchdog, UOKiK, is unlikely to sign off on the inflation-adjustment clauses that local telecoms would like to put into their 1Y and 2Y contracts with customers. When it comes to contracts for unlimited periods, on the other hand, the operators should very clearly state in which cases they will have the right to change the terms. This is a negative development for Polish

telco companies. It is hard to believe that their customers will be interested in contracts for indefinite periods.

Moreover, the ban on inflation clauses in 1Y/2Y contracts is a big problem for the telecoms right now, as inflationary pressures keep driving up costs. Even if companies started hiking prices today, there would be a period of mismatch between the pace of revenue growth vs. costs.

- We still prefer Orange Polska over Cyfrowy Polsat for April. Orange Polska posted 4% y/y higher eEBITDAaL in 4Q'22. On the other hand, Cyfrowy is expected to post 8% contraction in adj. EBITDA. Looking at the balance sheet positions of the two companies, OPL is also still looking more attractive.
- Agora has released its 2023 advertising market forecast for Poland, predicting that total ad expenditure will increase between 2 and 4 percent. According to Agora, spending on advertising in cinemas may increase in the range of 9-14%, outdoor advertising – by 5-10%, online – by 2-5%, and radio by 1-4%. Forecasts for TV advertising range from a decline of 1% to an increase of 2%. Expenditure on press ads might drop by 7-10%.
- Comarch's results for Q4'22 fell short of our expectations and the market consensus. Backlog growth so far this year is slower than expected due to rising wages. As a result, a higher profit in 2023 seems like an optimistic scenario, especially since the company has already warned about the potential costs of launching an e-commerce project. Actually, we are somewhat skeptical about this project; Shopee's withdrawal from Poland very clearly shows how hard it is to compete for the Polish market against the local e-commerce giant, Allegro.
- **Key Ratings:** Orange Polska (buy)

Gaming

- We stay positive on the gaming sector in general, as it is a representative of secular growth.

Gaming companies are less affected by macroeconomic trends than other sectors. According to a 2015 study of U.S. consumers, a person who loses their job will not immediately cut back spending on entertainment; in fact, they are likely to spend more on activities that can help pass the newfound free time. It is only after a prolonged period of unemployment, and after the exhaustion of unemployment insurance (UI) benefits, that households will begin to reduce spending on entertainment, the study has found. The UI benefit durations in the U.S. can vary from 16 to 26 weeks depending on the state.

This tells us that, most likely, the challenges faced by the gaming industry in the wake of expected declines in consumer sentiment and spending amid an economic downturn might not be as bad as in other industries. In a recessionary environment, video games appear to be a better positioned form of spending free time than more traditional alternatives like dining, movie going, and sports, offering many more hours of entertainment for the same amount of money.

More on this subject can be found in our extensive gaming research report released in November 2022.

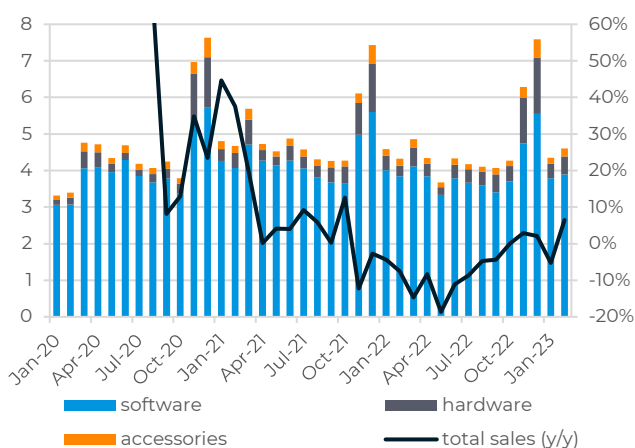
- Current consumer data in the U.S. also confirm the good standing of the sector. According to Circana (formerly NPD Group), the US games industry noted a promising 6% bump in February after a 5% drop in January. Total game spending amounted to \$4.6bn (+6% y/y) for the month, of which software spend was \$3.9bn (+1%) hardware received \$495m (+68%), and accessories \$212m (+13%).

The great results are definitely connected with better console availability (especially PS5) – hardware spending was the highest February hardware total since 2009.

In software, PC, console, and subscription spending were all up enough to offset a decline in the mobile market. The main driver for software keeping strong was *Hogwarts Legacy*, which was the best-selling game of the month. This AAA game sold in over 12m copies in the initial launch week, proving that **high-quality AAAs are still selling in very good numbers**. Another very recent example of this is *Resident Evil 4 Remake* – this remake of 2005 game sold in 3m copies in just 2 days after the release, which is another spectacular result.

We believe this high sales figures for AAA support both the CDR and the 11B pipelines. The strong sales of *RE4 Remake* are also a positive cross-read particularly for the *Silent Hill 2* remake that is being prepared by Bloober Team.

U.S. monthly consumer spending on video games (\$ bn)



Source: Circana (The NPD Group), mBank

- We believe that gaming companies are potential beneficiaries of the ongoing AI (r)evolution. According to our research, some of the local studios are already utilizing ChatGPT and Midjourney/DALL-E, reducing the time needed to prepare mockups, conceptual works, cleaning up the technical documentation.
- In March, Google published a new patent for a system that would allow AI to handle game testing in the future. Up until now, game testing has been a predominantly manual process, highly dependent on humans who repeatedly play the game and look for bugs. According to this new idea, AI actors performing gameplay actions in real-time can drastically improve and speed up QA process, which in turn could result in less delays and fewer bugs.
- In Poland, upcoming marketing campaigns will support CD Projekt, and 11 bit studios. We already know that marketing for *Cyberpunk 2077: Phantom Liberty* will start in June, and we expect to learn more details in the upcoming weeks.
- In May/June, 11 bit studios will hold its annual investor conference, and we believe it will be preceded by the launch of *Frostpunk 2* marketing campaign (so that the Management can talk about the title at the conference).
- In the mobile sector, we still prefer Huuuge Games over Ten Square Games (check out last month's *Monthly Market Outlook*). HUG is highly focused on improving its profitability, and probably in June'23 will be having share buyback, while TEN is still struggling with new titles (deteriorating KPIs for *Wings of Heroes*, the pivot in *Undead Clash* which delayed the title). The first positive newsflow for

TEN might come on May 22 along with strategy update that the company is about to share.

- We maintain a positive view on STS Holding as it continues to generate strong cash flow (distributed in full to shareholders) and operate in a growing Polish market (+15% y/y in FY2022, +21% y/y in Q4'22) with no debt, low CAPEX needs, and high profitability. We think the company is still undervalued. Moreover, positive newsflow is just around the corner with good Q1'23 preliminaries that should be disclosed at the beginning of April.

- **Key Ratings:** CD Projekt (buy), STS Holding (buy)

e-Commerce

- Polish e-commerce sales continued their slowdown in February 2023. According to Statistics Poland, the e-commerce penetration of retail sales was 8.7%, down from 10% in February'22, although compared to January's 8.3% the proportion was slightly higher. This implies a y/y decline in online sales of ca. 4%, compared with a decline of ca. 14% in January and a slowdown from positive growth momentum of over 20% before December.
- Online sales of textiles, clothing and footwear recorded another month of nominal declines (-9% y/y in February, down from an 8% decrease in January and over 20% growth at the end of the year). e-Commerce sales of food, beverages and tobacco, which had been one of the drivers of e-commerce growth in 2022, in February 2023 recorded another double-digit decline.
- We had mixed feelings about Allegro's results for 4Q'22. On the one hand, the figures missed our expectations: net delivery costs turned out higher than anticipated, while the take rate was lower. In Q1 '23, Mall Group is expected to post an EBITDA loss of around PLN 75-80m. At the same time, Allegro is eyeing solid revenue growth in the quarter (>+20% y/y) and expects to maintain EBITDA profitability in the Polish market. This is a crucial outlook given Poland's weaker e-commerce statistics recently.

- InPost revealed an extensive and positive guidance for 2023. The company (unlike other players) expects to grow volumes in core markets and wants to outperform the competition. It expects EBITDA margin in Poland to expand in 2023 and adj. EBITDA in the UK to reach breakeven by the end of 2023. InPost supported the ambitious guidance with a good Q1 trading update.

- Vercom's final financial figures for 4Q'22 came in line with the preliminary results and with our estimates. The company is planning to pay dividends that are likely to generate positive sentiment among investors. Going forward, Vercom has set itself the ambitious task of doubling annual EBITDA every two years. We will update our forecasts for the company in the coming weeks.

- **Key ratings:** Allegro (buy)

Retail

- High food price inflation has so far provided significant support to the performance of grocery retailers. Despite double-digit price increases, consumers have been buying more products in volume terms y/y, accepting a significant proportion of the cost increases experienced by food producers and distributors. This benefited both Jeronimo Martins and Dino. Biedronka even recorded slightly higher LFL growth in Q4'22 than in Q3.
- However, Statistics Poland data on food retail sales showed a relative weakening of consumer spend in the form of a decline in volumes of around 5% y/y in February. In addition,

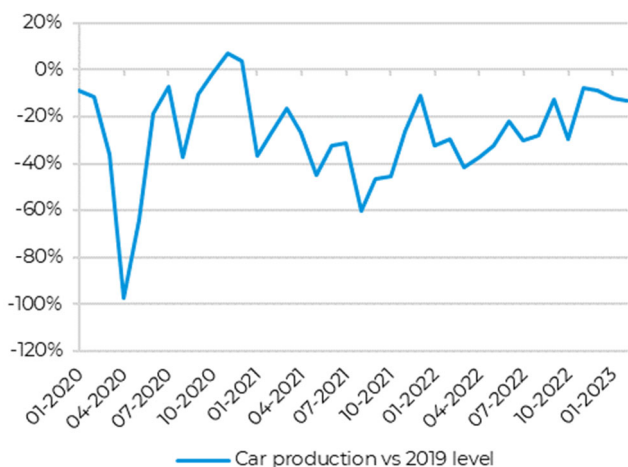
Q4 earnings reports pointed to larger-than-expected margin erosion at Dino and a larger-than-3Q decline in Biedronka's EBITDA margin.

- According to our base case scenario, the entire market will see y/y declines in volumes this year, with both Dino and Biedronka outperforming the market thanks to their reputation for having low prices. In the case of Biedronka, we expect flat volumes for the whole of 2023, but we believe, also due to the base effect, that the retailer will not be able to avoid volume erosion in Q1'23.
- The high comparable base of March 2022, associated with additional refugee consumption, sales for refugees, and shopping for stock, will reinforce the negative retail sales trend observed in the year to date and, consequently, the pace of erosion in food sales volumes in March will exceed that of February, which could negatively impact sentiment for consumer staples and consumer discretionary in the short term. Hence our negative positioning of the retail sector in April.

In addition, in the consumer discretionary sector, earnings momentum should continue to remain unfavorable as still high inventory levels continuously negatively impact company margins.

- Market trends are still favorable for automotive parts distributors as new car supply remains below the pre-pandemic levels. This is the case of the German market, where production is still about 10% lower than in 2019.

German car production vs 2019 levels



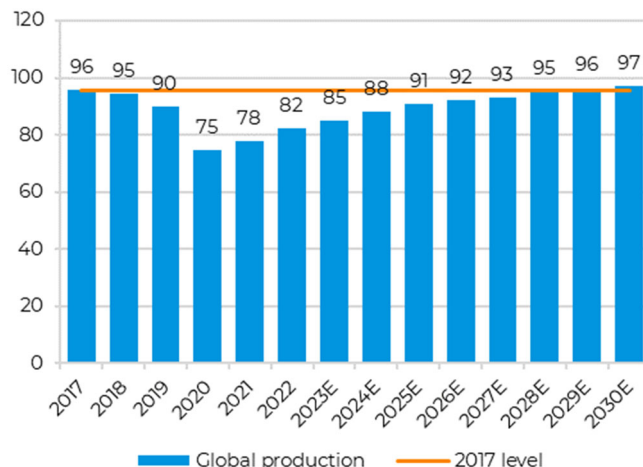
Source: VDA, mBank

- The lower supply of new cars is expected to remain below 2017 levels globally until about 2028, extending stronger demand for replacement parts.

On the risks side, demand for parts could be negatively impacted by the European Union regulations banning the registration of new cars with internal combustion engines from 2035. This may potentially accelerate the adoption of electric vehicles. Electric cars are more complex, which may result in them being serviced by manufacturers rather than garages.

This is, however, a distant prospect for now and the share of electric cars in InterCars's main markets is currently negligible. Nevertheless, due to the outperformance of CAR stock relative to the broad market that sent its price above our target, we opt to downgrade our recommendation for the company from accumulate to hold.

Global car production forecast (millions)



Source: S&P Global Mobility, mBank

- Contrasting with current data, we expect an improvement in consumer demand in the second half of the year, bringing with it a return of upward earnings momentum for consumer discretionary companies and increasing volumes of food sold at retail stores.

In our earnings forecasts for rated grocery retail companies, we have slightly raised the sales expectations after good Q4 results, and we have reduced the margin estimates.

From a valuation standpoint, our preference is for Jeronimo Martins, for which we are raising our target price to €24.9.

We have also raised the target price for Dino to PLN 398 with a reiterated hold recommendation.

When it comes to consumer discretionary, we have lowered the sales and margin forecasts to reflect the bigger impact of inflation on disposable household income. The one exception is Pepco as it sets out to accelerate the roll-out of the Dealz chain in Poland.

Pepco, along with LPP, remain our top picks with raised target prices and reiterated buy calls.

- **Key Ratings:** Jeronimo Martins (buy), LPP (buy), Pepco (buy)

Biotechnology & Healthcare

- Biotechnology indices remained largely flat in March (in line with the market), while YTD NASDAQ Biotechnology has underperformed the broad market by c. 10ppt.

Sentiment for the sector remains low judging by the number of companies that trade below cash, with many of them announcing layoffs and restructuring, and by the lack of IPOs and still limited (although slightly picking up) M&A activity.

The factors that caused biotech indices to drop in 2022 are still in place, including macroeconomic conditions and the impact of the Inflation Reduction Act on drug prices in the US.

- Over the long term horizon, we are positive about the sector globally; M&As and clinical trial results can act as catalysts.
- As regards Polish biotechnology companies and companies from the healthcare sector, we remain selective:
- Ryvu Therapeutics is currently our preferred stock as we believe RVU120 is on track to enter Phase 2 in solid tumors in 2Q'23.

- We also continue to like Synektik due to a strong earnings momentum, fueled mainly by sales of da Vinci systems. We note, however, that Synektik's share price performance has been exceptionally strong recently.
- Selvita reported weak 4Q figures with norm. EBITDA of PLN 26.5m, down 4% y/y, while the preliminary 1Q23 results point to 25-34% y/y EBITDA drop. The management believes the backlog growth will improve in the remaining part of the year, mainly in 2H23, but the short-term earnings momentum does not seem bright to us.
- Celon Pharma will report 4Q figures on April 19. We expect lackluster figures, albeit better than the previous quarter's results, owing to an upfront payment from Zydus and higher grants. Given the weak recent sentiment towards the stock, we think even somewhat-positive minutes from the end-of-Phase 2 meeting concerning Falkieri would improve the market's attitude towards the stock.
- Mabion (reporting 4Q on April 25) might continue to underperform in April due to 'substantial doubt' regarding Novavax's ability to continue as a going concern. The 2023 earnings outlook looks weak with capex on Mabion II that will most likely be fairly sizable.
- **Key Ratings:** Ryvu Therapeutics (buy)

Quarterly Earnings Surprises and YoY Growth Reported By Rated Companies

Beat/Miss	19	2020				2021				2022				+/-
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
miss	20	22	9	7	13	11	11	6	10	10	15	6	6	146
in-line	14	12	14	23	20	12	25	22	19	18	11	17	13	220
beat	30	30	41	36	32	42	30	30	27	28	26	26	17	395
Σ companies	64	64	64	66	65	65	66	58	56	56	52	49	36	761
miss (%)	31	34	14	11	20	17	17	10	18	18	29	12	17	19
beat (%)	47	47	64	55	49	65	45	52	48	50	50	53	47	52

YoY	19	2020				2021				2022				+/-
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
miss	22	35	40	30	28	19	14	11	14	9	18	19	8	267
in-line	9	7	4	8	3	5	5	2	1	3	4	1	5	57
beat	38	27	25	33	37	45	50	47	42	45	31	30	24	474
Σ companies	69	69	69	71	68	69	69	60	57	57	53	50	37	798
miss (%)	32	51	58	42	41	28	20	18	25	16	34	38	22	33
beat (%)	55	39	36	46	54	65	72	78	74	79	58	60	65	59

Source: Companies, Bloomberg, PAP, mBank

mBank Sentiment Watch (next 30 days, by sector)

Sector		Poland	US
Financials	SENTIMENT	BULLISH	NEUTRAL
	Stocks To Own	PEO PW, ALR PW	BAC, WFC
	Stocks To Avoid		ALLY, RKT, FRC
	Key Catalysts	TQ previews	Concerns about the stability of the sector following the collapse of the SVB, growth in deposits at the largest banks
Oil&Gas, Refining	SENTIMENT	BULLISH	BULLISH
	Stocks To Own	MOL, PKN	TRGP, OKE, HAL
	Stocks To Avoid		OXY
	Key Catalysts	Strong model margins, Q1'23 results outlook and potentially high dividends	Attractive valuations, strong model margins
Utilities	SENTIMENT	BEARISH	BEARISH
	Stocks To Own	ENA, PEP	EOS, FLNC, RUN
	Stocks To Avoid	PGE, TPE	AEP, DUK, EVRG
	Key Catalysts	Potential disappointment with scheduled for April coal assets carve-out transactions	Sector priced above historical averages, no near-term catalysts to drive price higher
Telecoms	SENTIMENT	BULLISH	BEARISH
	Stocks To Own	OPL	TMUS
	Stocks To Avoid		
	Key Catalysts	Defensive nature of the sector + mobile tariffs increases	Defensive nature of the sector
Media	SENTIMENT	BEARISH	BEARISH
	Stocks To Own		META, NTLX, GOOGL
	Stocks To Avoid		RBLX, PARA
	Key Catalysts	Expected worsening of ad market	Expected worsening of ad market
IT	SENTIMENT	BULLISH	NEUTRAL
	Stocks To Own		JBL, MCHP, CSCO, MSFT, AAPL
	Stocks To Avoid		AMD, MPWR, ON, ZBRA
	Key Catalysts	Defensive nature of the sector, large order books, attractive valuations of some companies	Rising funding costs, economic slowdown
Gaming	SENTIMENT	BULLISH	NEUTRAL
	Stocks To Own	CDR, HUG	ATVI, TTWO, UBI
	Stocks To Avoid	TEN	EA
	Key Catalysts	Marketing campaigns, monthly sales data	Marketing campaigns, M&As
Biotechnology, Healthcare	SENTIMENT	NEUTRAL	BULLISH
	Stocks To Own	RVU, CLN	HUM, MCK, ABC, VRTX
	Stocks To Avoid	MAB	RGEN, CTLT
	Key Catalysts	Newsflow from clinical studies and scientific data, potential partnering deals, equity issues	M&A, clinical data
Consumer Discretionary	SENTIMENT	BEARISH	BULLISH
	Stocks To Own	PCO	BKNG, ABNB, GPC, BBWI, NKE
	Stocks To Avoid	CCC, LPP	RCL, POOL, KMX, HD, FND, GAP, KSS
	Key Catalysts	Falling real disposable income, disappointing earnings momentum	Strong labour market, high savings rate, China reopening
Consumer Staples	SENTIMENT	NEUTRAL	BULLISH
	Stocks To Own		GIS, WMT, AZO, MCD, SBUX, COST
	Stocks To Avoid		TGT, DPZ, WGA
	Key Catalysts	Weak retail sales data expected	Still strong pricing power and stable margins could buffer against elevated valuations

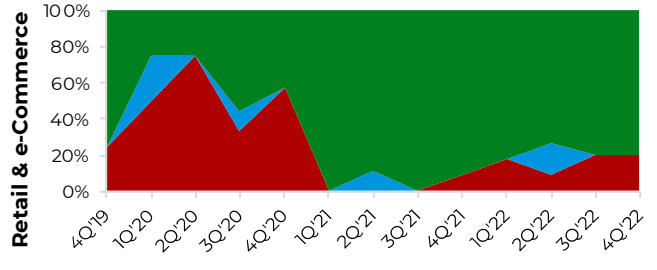
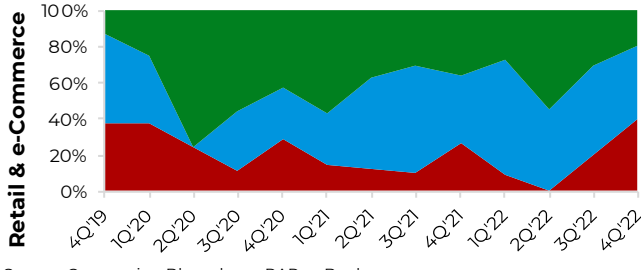
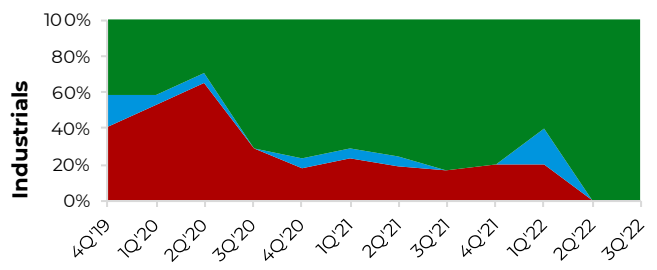
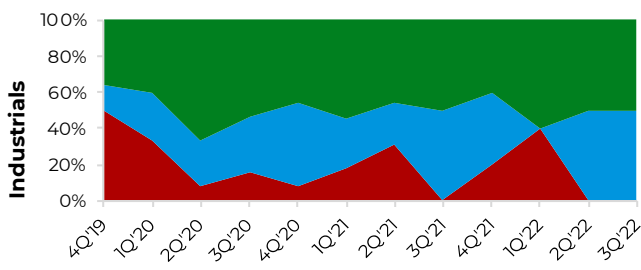
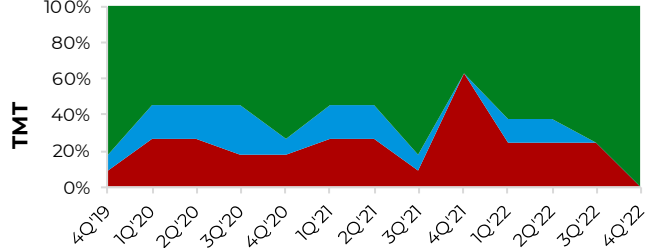
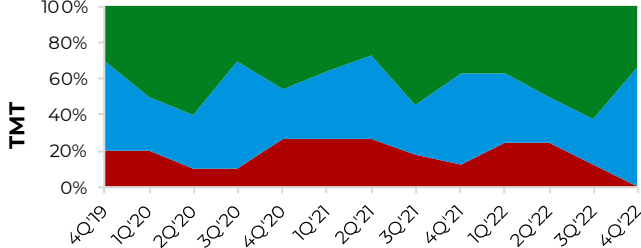
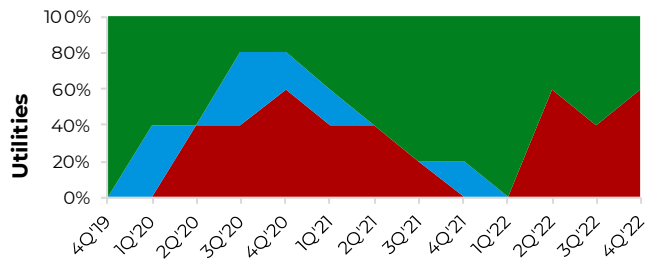
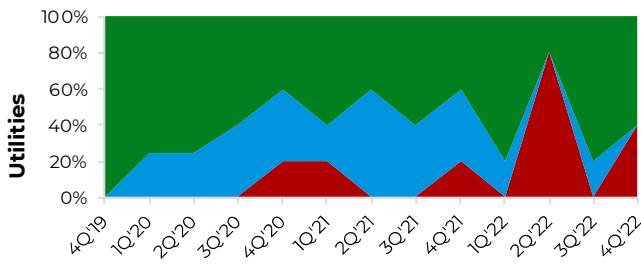
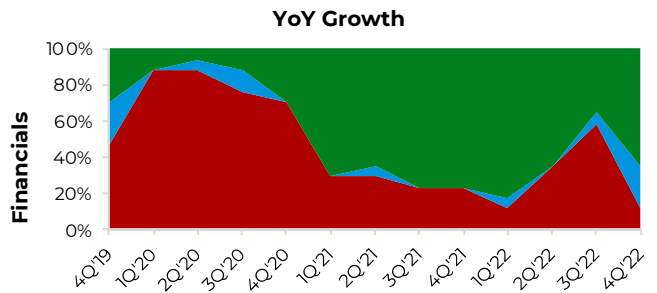
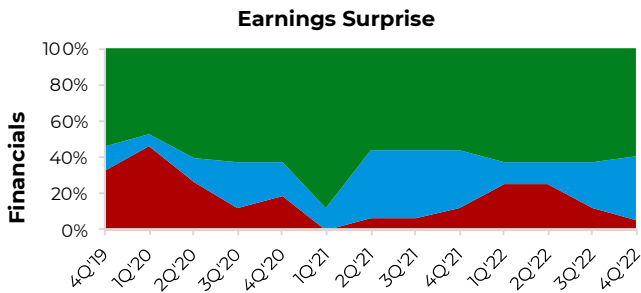
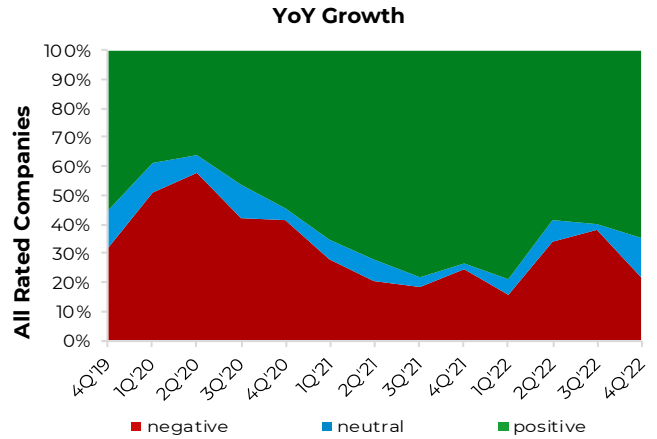
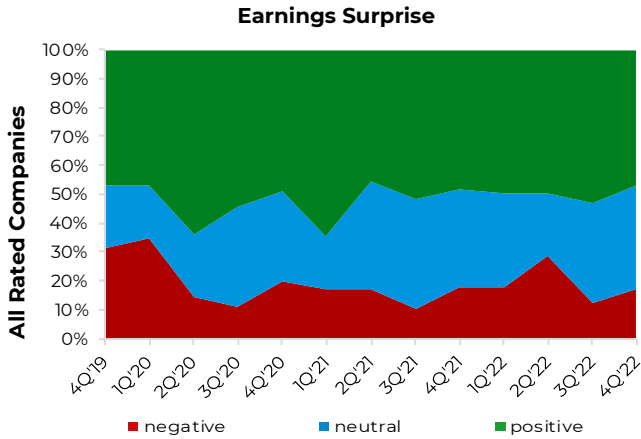
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Beat/Miss	19	2020				2021				2022				+/-
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Financials														
Alior Bank	-	+	-	+	+	+	+	+	-	-	+	+	=	69%
BNP Paribas				+	+	+	=	=	-	-	=	-	+	70%
BOS Bank														100%
Handlowy	+	-	+	+	-	+	-	+	=	+	+	+	=	77%
ING BSK	-	+	+	+	+	+	+	+	+	+	-	+	=	85%
Millennium	-	-	+	-	=	=	=	-	+	-	=	=	+	62%
Pekao	+	+	+	=	+	+	+	=	=	+	+	=	+	92%
PKO BP	+	+	+	=	=	+	=	=	=	+	+	=	=	100%
Santander BP	+	-	=	+	-	+	+	+	=	+	+	-	=	77%
Komercni	=	+	-	-	+	+	+	+	+	=	+	=	+	85%
Moneta	=	+	-	+	=	=	+	+	+	+	+	+	+	92%
Erste Group	+	-	+	+	+	+	+	+	+	+	+	=	+	85%
RBI	+	+	+	+	+	+	+	+	+	+	+	+	+	100%
OTP Bank	+	-	+	+	=	+	=	=	-	+	+	+	+	85%
PZU	+	-	+	+	+	+	=	+	+	+	-	+	+	85%
Kruk	-	-	+	=	+	+	+	+	+	+	+	+	+	85%
GPW	-	=	=	=	-	+	=	+	+	+	-	+	=	75%
XTB														0%
Oil & Gas														
MOL	+	+	+	+	=	+	+	+	+	=	+	+	+	100%
PKN Orlen	-	+	=	+	=	+	=	+	-	=	+	=	+	85%
Utilities														
CEZ	+	+	+	=	=	-	=	+	+	+	-	+	+	85%
Enea	+	+	+	+	=	=	+	+	=	=	+	+	-	92%
PGE	=	=	+	=	+	+	+	-	=	-	=	-	=	77%
Polenergia				=	-	+	+	+	+	+	-	+	+	80%
Tauron	+	+	+	+	+	+	=	+	+	+	-	+	+	92%
Telecoms														
Cyfrowy	=	=	=	=	=	=	=	=	=	=	=	=	=	100%
Orange PL	+	+	+	=	+	+	=	+	+	+	+	+	=	100%
Media														
Wirtualna	=	-	=	+	+	+	+	+	+	+	+	+	+	92%
IT														
Asseco BS	+	=	+	=	=	=	+	=	=	=	+	=	+	100%
Asseco PL	=	+	+	+	+	+	+	+	+	+	+	+	+	100%
Asseco SEE	+	+	+	+	+	+	+	+	+	+	+	+	+	100%
Comarch	-	+	-	=	+	=	-	=	-	-	-	+	=	50%
Svanity						-	-	-	+	=	-	-	+	33%
Gaming														
Tl bit studios	+	+	+	+	-	-	+	+	+	=	+	-	+	77%
CD Projekt	+	+	-	+	-	-	+	-	+	=	+	=	=	69%
STS Holding										-	+	-	+	60%
Ten Square G	+	-	=	=	=	+	-	+	+	-	-	+	-	62%
Industrials														
Grupa Kęty	+	+	+	=	+	+	+	=	=	+	=	=	=	100%
Inter Cars	-	-	+	+	+	+	+	+	+	-	+	+	+	75%
E-commerce														
Allegro				=	+	+	+	=	-	=	=	=	=	89%
Answer										=	+	+	+	83%
Grupa Pracuj										=	=	+	=	100%
Shoper											+	+	+	100%
Vercom						-	=	+	+	+	+	+	+	83%
Retail														
CCC	-	-	+	+	-	+	=	-	+	+	=	-	-	46%
Dino	=	+	+	+	=	=	=	-	-	=	+	+	-	85%
Jeronimo	=	-	-	+	+	+	+	+	+	=	+	+	+	85%
LPP	-	=	+	+	+	-	+	+	-	+	+	-	-	67%
Pepco														100%
Biotechnology														
Ryvü										+	=	-	=	80%

YoY	19	2020				2021				2022				+/-
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Financials														
Alior Bank	-	-	-	-	+	+	+	+	-	+	+	-	+	54%
BNP Paribas	+	-	=	+	+	+	-	-	+	+	-	+	+	62%
BOS Bank	-	-	-	-	-	-	+	+	+	+	+	+	-	38%
Handlowy	+	-	-	=	-	+	-	-	+	+	+	+	+	62%
ING BSK	=	-	-	+	-	+	+	+	+	+	-	-	=	62%
Millennium	-	-	-	-	-	-	-	-	-	+	-	-	+	23%
Pekao	=	-	-	-	-	+	+	+	+	+	+	+	+	54%
PKO BP	-	-	-	-	-	+	+	+	+	+	-	-	+	46%
Santander BP	-	-	-	-	-	-	+	+	+	+	+	+	+	38%
Komercni	-	-	-	-	-	-	+	+	+	+	+	+	+	54%
Moneta	=	+	-	-	-	-	+	+	+	+	+	-	=	62%
Erste Group	=	-	-	-	-	+	+	+	+	+	+	=	+	69%
RBI	+	-	-	-	+	+	+	+	+	+	+	+	+	77%
OTP Bank	+	-	-	-	-	+	+	+	+	+	+	+	=	54%
PZU	+	-	-	=	-	+	+	-	+	-	-	-	+	46%
Kruk	-	-	-	-	+	+	+	+	+	+	+	+	+	69%
GPW	-	+	+	-	+	+	=	+	+	+	-	-	+	58%
XTB														0%
Oil & Gas														
MOL	-	+	-	-	-	=	+	+	+	+	+	+	+	69%
PKN Orlen	-	+	-	-	+	-	+	+	+	+	+	+	+	69%
Utilities														
CEZ	+	+	-	=	-	-	-	+	+	+	+	+	+	69%
Enea	+	+	+	-	=	=	-	+	+	+	+	+	-	77%
PGE	+	=	+	+	+	+	+	+	+	+	+	-	+	69%
Polenergia	+	+	+	-	-	-	+	+	+	+	-	-	+	62%
Tauron	+	=	+	+	+	+	+	-	=	+	-	-	+	69%
Telecoms														
Cyfrowy	=	=	-	+	+	+	+	=	-	-	-	-	-	58%
Orange PL	+	+	=	=	=	+	+	+	+	+	+	+	+	100%
Media														
Wirtualna	+	-	-	-	+	+	+	+	+	+	+	+	+	75%
IT														
Asseco BS	+	=	=	=	+	=	+	+	-	+	=	+	+	92%
Asseco PL	-	+	+	+	+	+	+	+	+	+	+	+	+	83%
Asseco SEE	+	+	+	+	+	+	+	+	+	+	+	+	+	100%
Comarch	+	+	+	=	+	=	-	+	-	=	+	+	+	83%
Svanity	+	+	+	+	-	-	+	+	-	-	-	-	+	46%
Gaming														
Tl bit studios	+	+	+	+	-	-	+	-	+	+	-	-	-	54%
CD Projekt	+	+	+	+	+	-	+	-	-	+	-	+	+	69%
STS Holding										-	+	-	+	60%
Ten Square G	+	+	+	+	+	+	+	-	-	-	-	-	-	54%
Industrials														
Grupa Kęty	+	+	+	+	+	+	+	+	+	+	+	+	+	100%
Inter Cars	+	-	+	+	+	+	+	+	+	+	+	+	+	92%
E-commerce														
Allegro										+	+	+	+	78%
Answer										+	+	-	+	83%
Grupa Pracuj											+	+	+	100%
Shoper											+	+	+	100%
Vercom										+	+	+	+	100%
Retail														
CCC	-	-	-	-	-	+	+	+	+	+	=	-	-	46%
Dino	+	+	+	+	+	+	+	+	+	+	+	+	+	100%
Jeronimo	+	=	-	+	-	+	+	+	+	+	+	+	+	85%
LPP	+	-	-	-	-	+	+	+	+	+	+	-	-	50%
Pepco										+	+	+	+	100%
Biotechnology														
Ryvü										+	+	-	-	50%

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

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



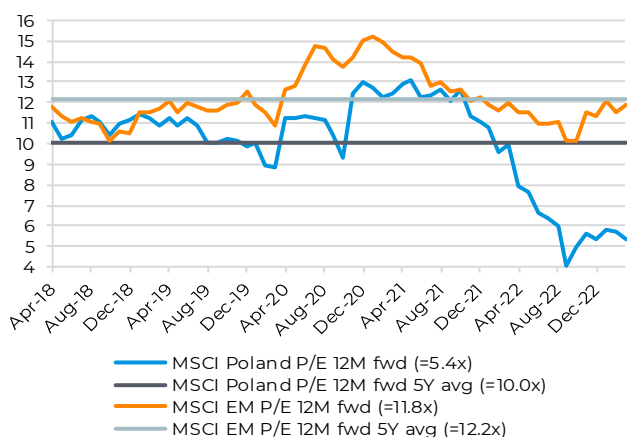
Source: Companies, Bloomberg, PAP, mBank

Revisions To FY2023 Earnings Forecasts For WIG30 Companies

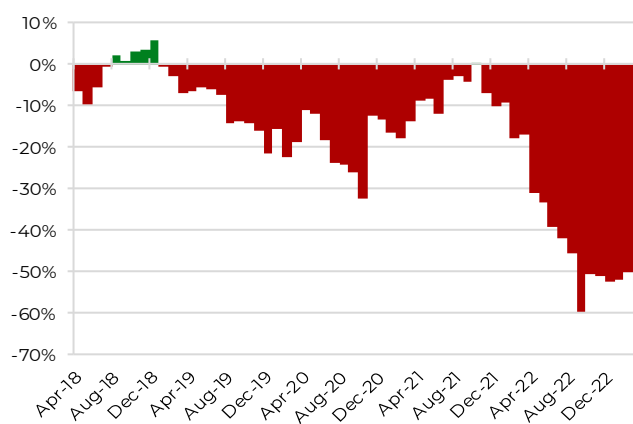
Mar-22=0	WIG30		Financials		Oil & Gas		Utilities		Retail		TMT		Chemicals		Commodities	
	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank	Cons.	mBank
Apr-22	+5%	+0%	+3%	+0%	-1%	+0%	+47%	+0%	-7%	+0%	-4%	+0%	+39%	-	+8%	+0%
May-22	+8%	+0%	+5%	+0%	+2%	+0%	+68%	+0%	-10%	+3%	-9%	+0%	+135%	-	+8%	+0%
Jun-22	+12%	+0%	+10%	+0%	-6%	+0%	+61%	+0%	-8%	+3%	-13%	+0%	+151%	-	+30%	+0%
Jul-22	+24%	+35%	+12%	+1%	+27%	+63%	+191%	+257%	-14%	-4%	-15%	-18%	+126%	-	+7%	-
Aug-22	+12%	+35%	+6%	+1%	-0%	+63%	+138%	+257%	-13%	-0%	-15%	-18%	+126%	-	-5%	-
Sep-22	+30%	+32%	+2%	-11%	+203%	+63%	+110%	+257%	-14%	+35%	-21%	-18%	+126%	-	-13%	-
Oct-22	+26%	+30%	+6%	-13%	+181%	+153%	+70%	+202%	-15%	+38%	-22%	-16%	+101%	-	-10%	-
Nov-22	+25%	+20%	+10%	-6%	+189%	+316%	+55%	-4%	-20%	+71%	-21%	-24%	-	-	-7%	-33%
Dec-22	+32%	+20%	+21%	-6%	+258%	+316%	-36%	-4%	-23%	+71%	-22%	-24%	+27%	-	+1%	-33%
Jan-23	+32%	+20%	+17%	-6%	+258%	+316%	-27%	-4%	-25%	+71%	-22%	-24%	+27%	-	+16%	-33%
Feb-23	+30%	+20%	+15%	-6%	+258%	+316%	-35%	-4%	-24%	+71%	-22%	-24%	+56%	-	+8%	-33%
Mar-23	+31%	+13%	+17%	-9%	+248%	+211%	-14%	-13%	-23%	+127%	-23%	-18%	+56%	-	+3%	-24%

Source: "Cons." - Bloomberg consensus forecasts, "mBank" - estimates by mBank, provided ex. mBank. Not all WIG30 companies have received revisions to reflect the changed economic environment and earnings prospects - current recommendations and forecasts, together with revision dates, are listed [here](#). The percentages indicate changes between the dates of this Monthly Outlook and the previous Monthly Outlook.

FWD 12M P/E Ratios For MSCI Poland & Emerging Markets (left), PL-EM Premium/Discount (right)

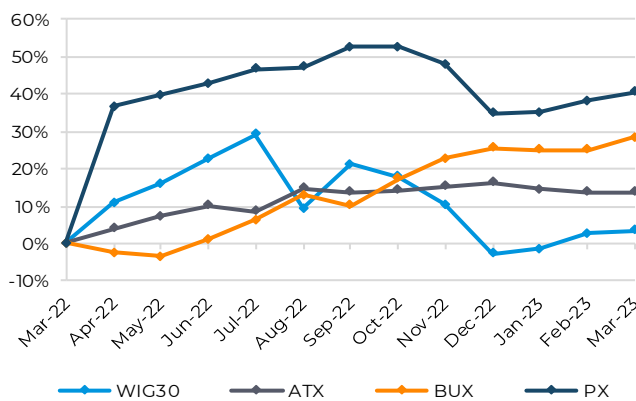


Source: Bloomberg, mBank



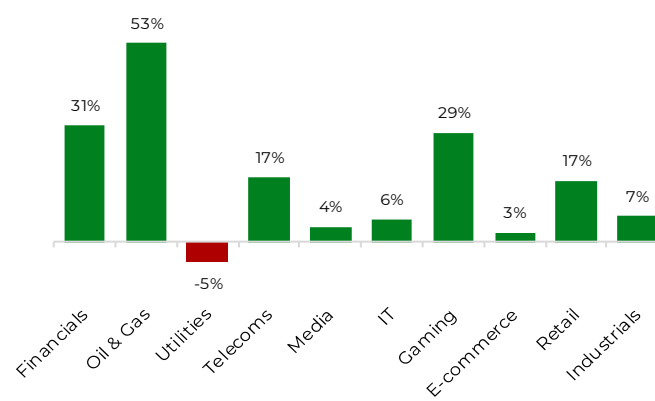
Source: Bloomberg, mBank

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



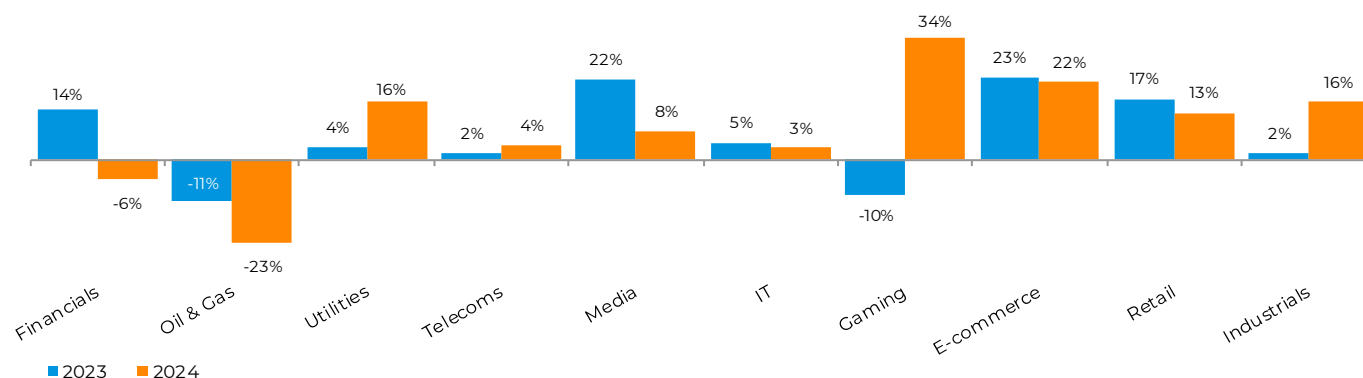
Source: Bloomberg, mBank

Estimated Sector Upside Potential*



Source: mBank; *To mBank price targets

Expected YoY Change in FY2023-2024E Sector Earnings*



Source: mBank; *Net Income for Financials, EBITDA for the remaining sectors

Divergence of mBank Estimates From Consensus Estimates

Sector/Name	mBank Rating	mBank TP ¹	BBG Ratings ²			BBG TP ³	mBank v. BBG TP	mBank v. BBG Earnings			mBank v. BBG EBITDA			Analyst Count ⁴
			▲	▶	▼			2023E	2024E	2025E	2023E	2024E	2025E	
Financials														
Alior Bank	buy	50.00	8	2	2	39.81	+25.6%	+15%	+36%	+2%				8
BNP Paribas Polska	buy	58.50	3	4	1	60.78	-3.7%	-28%	-17%	-16%				4
Handlowy	hold	80.00	6	3	0	86.64	-7.7%	+21%	+18%	+0%				3
ING BSK	accumulate	177.85	6	4	1	195.38	-9.0%	+14%	-15%	-23%				5
Millennium	buy	4.84	7	5	0	5.27	-8.1%	-46%	-97%	-5%				4
Pekao	buy	126.00	16	1	1	112.28	+12.2%	+17%	+28%	+5%				12
PKO BP	buy	35.20	11	5	2	36.62	-3.9%	-30%	-45%	-20%				15
Santander Bank Polska	buy	338.51	8	5	1	301.15	+12.4%	+0%	-11%	+10%				8
Komercni Banka	buy	934.28	11	2	1	870.35	+7.3%	+4%	+0%	-12%				5
Moneta Money Bank	hold	87.63	6	4	0	91.61	-4.3%	-4%	-2%					3
Erste Group	buy	41.50	17	3	2	43.89	-5.4%	+8%	+9%	+7%				12
RBI	buy	18.11	6	7	6	17.58	+3.0%	+74%	+60%	+58%				11
OTP Bank	buy	16,723	8	2	4	13,009	+28.5%	+10%	-1%	-				12
PZU	buy	43.34	7	6	0	36.18	+19.8%	+23%	+4%	-13%				10
Kruk	buy	388.66	3	2	0	370.13	+5.0%	-7%	-6%	-5%				4
GPW	sell	28.17	1	4	2	35.89	-21.5%	+38%	+44%	-	+11%	+16%	-	6/5
XTB	accumulate	35.75	3	0	0	35.88	-0.3%	+26%	+14%	-	+28%	+11%	-	2/2
Mining														
KGHM	reduce	102.75	3	2	9	109.70	-6.3%	+21%	+20%	-	-8%	-7%	-	12/12
Oil & Gas														
MOL	buy	4,048.0	8	4	0	3,277.9	+23.5%	-12%	-3%	-4%	-3%	+2%	-10%	6/5
PKN Orlen	buy	88.14	9	3	2	79.44	+10.9%	+24%	-41%	+27%	+7%	-17%	+16%	7/6
Utilities														
CEZ	hold	976.68	6	4	5	987.27	-1.1%	+21%	+8%	+3%	+5%	-1%	+4%	12/12
Enea	suspended	-	7	0	0	11.50	-	+30%	+138%	+129%	+85%	+93%	+165%	6/6
PGE	suspended	-	6	3	0	10.54	-	+143%	-6%	-28%	+36%	+14%	-6%	6/9
Polenergia	buy	99.03	1	2	1	87.29	+13.4%	+5%	+2%	-	+2%	+2%	-	4/4
Tauron	suspended	-	6	2	0	3.26	-	+79%	+14%	-26%	+24%	+9%	-1%	7/8
Telecoms														
Cyfrowy Polsat	accumulate	20.10	3	5	1	23.62	-14.9%	-8%	-17%	-6%	-3%	-8%	-11%	8/7
Orange Polska	buy	7.80	11	1	0	7.81	-0.1%	+18%	+20%	+20%	-8%	-4%	-6%	4/3
Media														
Wirtualna Polska	accumulate	105.30	4	3	1	115.26	-8.6%	-2%	-4%	-5%	-0%	-2%	-5%	6/5
IT														
Asseco BS	overweight	-	1	2	1	37.53	-	-	-	-	-	-	-	0/0
Asseco Poland	accumulate	77.60	4	3	1	79.78	-2.7%	-2%	-2%	-	+5%	+5%	-	7/5
Asseco SEE	overweight	-	4	2	0	47.50	-	+0%	-8%	-	-5%	-9%	-	1/1
Comarch	buy	201.90	3	2	1	194.63	+3.7%	-6%	-	-	+21%	-	-	1/1
Gaming														
11 bit studios	hold	677.00	6	4	0	640.96	+5.6%	-85%	+18%	+29%	-79%	+17%	+34%	9/9
CD Projekt	buy	150.00	5	4	14	114.96	+30.5%	-55%	-20%	-	-33%	+0%	-87%	20/19
STS Holding	buy	22.30	6	2	0	21.58	+3.3%	-12%	-1%	+24%	-8%	+4%	+3%	7/6
Ten Square Games	accumulate	101.00	3	2	2	141.13	-28.4%	-36%	-47%	-19%	-23%	-35%	-9%	9/8
Industrials														
Grupa Kęty	accumulate	667.61	5	5	0	571.68	+16.8%	-18%	+2%	-	+11%	+25%	-	9/9
Inter Cars	hold	513.93	6	0	0	597.01	-13.9%	+37%	+19%	+15%	-2%	-1%	-11%	5/5
E-commerce														
Allegro	buy	30.00	11	4	5	31.40	-4.5%	-4%	+1%	+1%	+0%	+2%	+1%	11/15
Answear	buy	39.20	3	1	0	32.47	+20.7%	+6%	-4%	-	+5%	-3%	-	3/3
Grupa Pracuj	buy	57.90	5	1	2	53.70	+7.8%	-1%	-12%	-7%	+7%	-4%	+4%	7/6
Shoper	buy	34.10	2	2	1	35.38	-3.6%	-1%	-7%	+0%	-1%	-4%	-7%	4/3
Vercom	hold	41.80	2	2	0	45.25	-7.6%	+0%	+5%	-	-1%	+2%	-	4/4
Retail														
CCC	hold	37.90	3	6	4	42.17	-10.1%	-	-23%	-32%	-1%	+4%	+0%	10/9
Dino	hold	398.00	5	9	3	388.45	+2.5%	-2%	-1%	+2%	-2%	-4%	-0%	17/17
Jeronimo Martins	buy	24.90	14	10	3	22.44	+11.0%	-6%	-1%	+6%	+1%	+4%	+6%	23/20
LPP	buy	13,700	11	4	1	12,060	+13.6%	-5%	-8%	-5%	-2%	-0%	+9%	9/9
Pepco	buy	49.10	13	1	0	50.47	-2.7%	-10%	-13%	-14%	-1%	-5%	-7%	10/9

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

Current Recommendations of mBank

Company	Recommendation	Issued On	Price At Reco.	Target Price	Current Price	Upside/Downside	P/E 2023	P/E 2024	EV/EBITDA 2023	EV/EBITDA 2024
Financials										
Alior Bank	buy	2023-03-27	34.11	50.00	38.75	+31.2%	6.6	7.0	-	-
BNP Paribas Polska	buy	2023-03-27	48.30	58.50	53.20	+10.0%	7.5	7.1	-	-
BOS Bank	buy	2023-03-27	8.82	11.60	9.11	+27.3%	3.9	3.5	-	-
Handlowy	hold	2023-03-27	79.60	80.00	81.60	-2.0%	4.7	5.5	-	-
ING BSK	accumulate	2023-03-27	158.20	177.85	164.00	+8.4%	6.7	8.0	-	-
Millennium	buy	2023-03-27	3.84	4.84	4.45	+8.7%	14.5	-	-	-
Pekao	buy	2023-03-27	78.90	126.00	85.46	+47.4%	4.4	4.5	-	-
PKO BP	buy	2023-03-27	26.72	35.20	28.52	+23.4%	7.6	10.1	-	-
Santander Bank Polska	buy	2023-03-27	271.20	338.51	291.80	+16.0%	8.3	9.1	-	-
Komercni Banka	buy	2023-04-03	717.50	934.28 CZK	717.50	+30.2%	9.0	8.9	-	-
Moneta Money Bank	hold	2023-04-03	87.00	87.63 CZK	87.00	+0.7%	10.7	10.1	-	-
Erste Group	buy	2023-04-03	30.50	41.50 EUR	30.50	+36.1%	5.8	5.5	-	-
RBI	buy	2023-04-03	14.16	18.11 EUR	14.16	+27.9%	2.2	2.4	-	-
OTP Bank	buy	2023-04-03	9,982	16,723 HUF	9,982	+67.5%	4.6	4.3	-	-
PZU	buy	2023-04-03	35.08	43.34	35.08	+23.5%	6.5	7.5	-	-
Kruk	buy	2023-03-28	302.40	388.66	308.20	+26.1%	7.8	7.0	-	-
GPW	sell	2022-12-01	35.46	28.17	35.94	-21.6%	10.4	10.0	8.0	7.4
XTB	accumulate	2023-02-15	32.16	35.75	31.70	+12.8%	5.0	6.0	2.1	2.2
Chemicals										
Ciech	suspended	2022-07-08	36.40	-	57.95	-	-	-	-	-
Grupa Azoty	suspended	2021-11-05	31.74	-	35.88	-	-	-	-	-
Mining										
JSW	suspended	2022-07-08	52.00	-	47.11	-	8.5	7.5	4.8	4.2
KGHM	reduce	2022-11-25	117.00	102.75	122.25	-16.0%	8.5	7.5	4.8	4.2
Oil & Gas										
MOL	buy	2023-04-03	2,564	4,048 HUF	2,564	+57.9%	4.3	4.1	2.1	1.9
PKN Orlen	buy	2023-04-03	58.24	88.14	58.24	+51.3%	2.9	6.6	1.4	2.0
Power Utilities										
CEZ	hold	2023-04-03	1,051.00	976.68 CZK	1,051.00	-7.1%	14.9	13.1	6.1	4.4
Enea	suspended	2023-04-03	6.32	-	6.32	-	1.4	1.5	1.3	1.0
PGE	suspended	2023-04-03	6.28	-	6.28	-	6.6	6.2	2.9	2.9
Polenergia	buy	2023-04-03	78.30	99.03	78.30	+26.5%	16.3	13.2	11.2	9.0
Tauron	suspended	2023-04-03	1.93	-	1.93	-	2.6	2.1	3.5	3.1
Telecoms										
Cyfrowy Polsat	accumulate	2022-12-01	18.59	20.10	16.74	+20.1%	14.9	11.8	7.1	7.0
Orange Polska	buy	2022-12-01	6.32	7.80	6.83	+14.3%	10.9	9.5	4.2	4.0
Media										
Wirtualna Polska	accumulate	2022-11-25	96.90	105.30	101.00	+4.3%	16.8	14.2	8.5	7.6
IT										
Asseco BS	overweight	2022-12-01	30.80	-	37.90	-	14.0	13.3	9.2	8.6
Asseco Poland	accumulate	2022-12-01	73.10	77.60	76.10	+2.0%	12.5	11.8	3.9	3.8
Asseco SEE	overweight	2022-12-01	45.00	-	50.00	-	13.9	13.2	7.4	6.8
Comarch	buy	2022-12-01	158.60	201.90	149.00	+35.5%	12.2	11.3	4.0	3.7
Sygnity	sell	2022-12-01	22.30	13.70	33.60	-59.2%	30.1	28.9	17.9	16.6
Gaming										
11 bit studios	hold	2023-04-03	665.00	677.00	665.00	+1.8%	-	8.2	75.4	5.7
CD Projekt	buy	2023-04-03	111.22	150.00	111.22	+34.9%	59.8	56.1	26.2	27.1
PlayWay	suspended	2021-05-07	430.20	-	420.00	-	-	-	-	-
STS Holding	buy	2023-04-03	18.29	22.30	18.29	+21.9%	15.8	12.9	9.8	7.8
Ten Square Games	accumulate	2023-04-03	92.85	101.00	92.85	+8.8%	10.1	12.5	5.8	7.1
Industrials										
Cognor	suspended	2022-07-08	4.03	-	10.36	-	-	-	-	-
Compreum	suspended	2022-07-08	2.60	-	2.61	-	-	-	-	-
Grupa Kęty	accumulate	2022-12-01	591.00	667.61	530.00	+26.0%	10.8	7.6	7.2	5.5
Inter Cars	hold	2023-04-03	568.00	513.93	568.00	-9.5%	9.2	8.5	6.8	6.2
Mo-BRUK	suspended	2022-07-08	299.50	-	335.00	-	-	-	-	-
E-commerce/Internet										
Allegro	buy	2022-12-01	22.35	30.00	29.31	+2.7%	22.5	18.1	14.3	11.8
Answear	buy	2023-04-03	30.40	39.20	30.40	+28.9%	21.1	15.3	11.7	9.6
Grupa Pracuj	buy	2022-12-01	45.45	57.90	58.00	-0.2%	20.0	18.1	14.3	13.1
Shoper	buy	2022-11-23	28.00	34.10	29.20	+16.8%	29.2	22.7	17.8	14.5
Vercom	hold	2022-12-01	42.00	41.80	45.50	-8.1%	22.5	16.4	14.3	11.0
Retail										
CCC	hold	2023-04-03	38.59	37.90	38.59	-1.8%	-	41.3	8.4	6.4
Dino	hold	2023-04-03	391.10	398.00	391.10	+1.8%	25.4	19.8	16.8	13.5
Eurocash	suspended	2021-05-07	14.32	-	18.66	-	-	-	-	-
Jeronimo Martins	buy	2023-04-03	21.62	24.90 EUR	21.62	+15.2%	21.3	17.8	7.5	6.5
LPP	buy	2023-04-03	9,580.00	13,700.00	9,580.00	+43.0%	14.9	11.6	7.2	5.8
Pepco	buy	2023-04-03	41.50	49.10	41.50	+18.3%	23.3	18.9	8.1	7.0
TIM	suspended	2022-08-25	27.00	-	49.20	-	-	-	-	-
VRG	suspended	2021-07-06	3.64	-	3.29	-	-	-	-	-
Biotechnology										
Ryu Therapeutics	buy	2023-04-03	59.20	80.00	59.20	+35.1%	-	-	-	-

Stocks Re-Rated as of 3 April 2022

Company	Rating	Previous Rating	Target Price	Issued on
Tl bit studios	hold	buy	677.00 PLN	2023-04-03
Answear	buy	buy	39.20 PLN	2023-04-03
CCC	hold	hold	37.90 PLN	2023-04-03
CD Projekt	buy	buy	150.00 PLN	2023-04-03
CEZ	hold	hold	976.68 CZK	2023-04-03
Dino	hold	hold	398.00 PLN	2023-04-03
Enea	suspended	suspended	- -	2023-04-03
Erste Group	buy	buy	41.50 EUR	2023-04-03
Inter Cars	hold	accumulate	513.93 PLN	2023-04-03
Jeronimo Martins	buy	buy	24.90 EUR	2023-04-03
Komercni Banka	buy	buy	934.28 CZK	2023-04-03
LPP	buy	buy	13700.00 PLN	2023-04-03
MOL	buy	buy	4048.00 HUF	2023-04-03
Moneta Money Bank	hold	buy	87.63 CZK	2023-04-03
OTP Bank	buy	buy	16723.00 HUF	2023-04-03
Pepco	buy	buy	49.10 PLN	2023-04-03
PGE	suspended	suspended	- -	2023-04-03
PKN Orlen	buy	buy	88.14 PLN	2023-04-03
Polenergia	buy	hold	99.03 PLN	2023-04-03
PZU	buy	buy	43.34 PLN	2023-04-03
RBI	buy	buy	18.11 EUR	2023-04-03
Ryvü Therapeutics	buy	buy	80.00 PLN	2023-04-03
STS Holding	buy	buy	22.30 PLN	2023-04-03
Tauron	suspended	suspended	- -	2023-04-03
Ten Square Games	accumulate	hold	101.00 PLN	2023-04-03

Recommendations Issued in the Past Month

Company	Rating	Previous Rating	Target Price	Issued on
Alior Bank	buy	hold	50.00 PLN	2023-03-27
BNP Paribas Polska	buy	accumulate	58.50 PLN	2023-03-27
BOŚ Bank	buy	buy	11.60 PLN	2023-03-27
Handlowy	hold	hold	80.00 PLN	2023-03-27
ING BSK	accumulate	hold	177.85 PLN	2023-03-27
Millennium	buy	hold	4.84 PLN	2023-03-27
Pekao	buy	buy	126.00 PLN	2023-03-27
PKO BP	buy	buy	35.20 PLN	2023-03-27
Santander Bank Polska	buy	buy	338.51 PLN	2023-03-27
Kruk	buy	buy	388.66 PLN	2023-03-28

Recommendation Statistics

Recommendation	All		For Issuers Who Are Clients of Biuro maklerskie mBanku	
	Count	As pct. of total	Count	As pct. of total
sell	2	4.2%	2	9.1%
reduce	1	2.1%	0	0.0%
underweight	0	0.0%	0	0.0%
hold	8	16.7%	1	4.5%
neutral	0	0.0%	0	0.0%
accumulate	7	14.6%	3	13.6%
buy	28	58.3%	16	72.7%
overweight	2	4.2%	0	0.0%

Macroeconomic Update

Updating Our Long-Term Forecasts And Macroeconomic Outlook

GDP and Jobs

As we correctly predicted, and as signaled by leading economic indicators, the Polish economy is decelerating. However, there is light at the end of the tunnel: the same leading indicators at the moment are showing that economic activity may be close to bottoming out.

The gross domestic product in our view is poised for recovery after hitting a low in the first quarter. We also remain optimistic on the labor market, anticipating only few job cuts and a peak unemployment rate at no more than 6%. Nominal wages continue to grow rapidly. We expect that the deceleration of the real sphere will also be evident here with some delay.

As far as consumer spending, drivers in the second half of the year will come in the form of lower inflation combined with a very likely deflation or markedly lower inflation in staples like certain foods and fuel.

Inflation and Interest Rates

The overall inflation rate will remain high in Poland in 2023. Prices will most likely show a fair amount of resistance against declines, especially when it comes to more highly processed food items.

The long-lasting effects of high food and energy prices on the inflation rate will continue to drive up core inflation (still very high momentum), compounded by rapidly-rising prices of services (in turn driven by fast-paced nominal wage growth).

We do not see much room for interest rate cuts this year unless the deceleration in the real sphere becomes deeper and carries over into the second half of the year.

Interest rates in Poland

	PLN 3M	Base NBP Rate
Q1'22	4.77	3.50
Q2'22	7.05	6.00
Q3'22	7.21	6.75
Q4'22	7.02	6.75
Q1'23	6.92	6.75
Q2'23	6.87	6.75
Q3'23	6.95	6.75
Q4'23	6.95	6.75

Source: mBank

New/Old Risks

The negative effects of interest rates on the economy have not yet fully manifested themselves. This is especially true for central banks, which have not yet finished tightening. The side effects of rapid interest rate changes are beginning to show (the collapse of SVB and its ripple effects across Europe. Time will tell how significant a tightening of credit terms this will bring, but it would make sense if it is quite significant. A deepening of the erosion of credit in the economy (this time on the supply side) could add to the pace of economic contraction (increasing the likelihood of recession) and flatten the rebound.

In Poland, a sluggish recovery has been the baseline scenario for some time due to stagnant capital in the banking sector.

Macroeconomic prints

	GDP (% y/y)	Consumer Spending	Investment	Inflation (% y/y eop)	Unemployment Rate (% eop)
Q1'22	8.6	6.7	4.7	11.0	5.8
Q2'22	5.8	6.4	6.6	15.5	5.2
Q3'22	3.6	0.9	2.0	17.2	5.1
Q4'22	2.0	-1.5	4.9	16.6	5.2
Q1'23	-1.2	-1.3	-0.1	15.9	5.5
Q2'23	0.3	-1.5	-1.1	11.9	5.4
Q3'23	0.0	-1.1	0.9	10.2	5.5
Q4'23	2.4	2.6	0.9	9.4	5.8

Source: mBank

Interest Rates.

The **ECB** in March raised its base interest rate to 3.5% (with the deposit rate at 3%) without giving any kind of forward guidance; decisions are to be taken on a meeting-by-meeting basis.

In our view, the ECB may be close to ending its monetary tightening. Europe has come out unscathed from the recent gas crisis but the fallout from weaker credit demand has yet to manifest in full (will the public sector take over from lenders?). The European economy is slowing down, and that should ease inflationary pressures on core prices.

Higher-than-expected wage hikes being secured by unions is a cause for concern. This is likely an echo of accelerating inflation. The market is expecting one more small increase.

The U.S. Fed delivered its 4.75%-5% interest rates and, like the ECB, it has moved to decision-making on a meeting-to-meeting basis. This is a consequence primarily of the banking sector turmoil and a tightening of credit on more severe terms than in Europe.

One more 25bp rate hike is expected. The market is basically pricing an impending start of a rate-cutting cycle. In our opinion, this could only happen if a recession begins quickly. Otherwise, the trajectory of the declines will be softer (still large imbalances in the labor market, seeking equilibrium in the home market) and will begin later.

US and Euro Area interest rates

	EUR 3M	USD 3M	SARON 3M
Q1'22	-0.46	0.96	-0.70
Q2'22	-0.20	2.29	-0.40
Q3'22	1.17	3.75	0.45
Q4'22	2.13	4.77	0.95
Q1'23	3.05	5.10	1.45
Q2'23	3.60	5.20	1.70
Q3'23	3.60	5.15	1.70
Q4'23	3.60	4.60	1.70

Source: mBank

EURUSD Exchange Rate

The dollar has run out of steam a fair bit on noticeably weaker data from the US coupled with rising inflation. The turmoil in the U.S. financial sector seems more pronounced than in the euro area. The last few days have seen a lot of volatility, but keep in mind that the two banking systems differ significantly, if only in terms of concentration (deposit) risk. At this time, this is working in favor of the euro but, unfortunately, it is already priced in.

Looking at the negative risk scenario for the next few quarters, it is arguably easier to believe that the Fed has more room to cut interest rates than the ECB. The same is true for upside risks. If there is a place that could use more rate hikes, it is probably the Euro Area more than the U.S. Some correction on the exchange rate may happen, but the trend is still positive in our opinion (upwards on EURUSD).

EURPLN has stabilized in the vicinity of 4.70. Greater volatility and risk aversion have had a minimal impact on the exchange rate. This is news for the zloty. In the context of the situation with the SVB and Credit Suisse, the Polish banking sector is looking strong and stable, and, since stability is not an issue, the immediate effect is to increase the disparity with EUR and USD rates. In addition, since most investors are now expecting a halt to interest rate hikes in major economies, the reluctance of the MPC to raise rates no longer looks as peculiar.

Recent data also show that a slowing economy (and declines in the prices of imported raw materials) is increasingly able to balance out Poland's trade balances with foreign countries (current account).

Ultimately, the fate of the zloty will be determined by the pace of decline in the inflation rate. If we are right and ultimately there is no push to bring inflation back to target (nor will the data show that this is happening), the zloty will strengthen at a moderate or even reluctant pace at best. In a situation of actual disinflation, the gains could be faster, but this is not our baseline scenario.

Exchange rate overview

	EUR/USD	USD/PLN	EUR/PLN	EUR/CHF	CHF/PLN
Q1'22	1.11	4.20	4.65	1.02	4.56
Q2'22	1.05	4.48	4.70	1.00	4.69
Q3'22	0.98	4.95	4.86	0.97	5.02
Q4'22	1.07	4.38	4.69	0.99	4.73
Q1'23	1.08	4.35	4.70	0.99	4.75
Q2'23	1.07	4.41	4.72	0.99	4.77
Q3'23	1.12	4.13	4.62	1.01	4.57
Q4'23	1.14	4.01	4.57	1.01	4.51

Source: mBank

mBank Research

(M. Mazurek, A. Balcerowski, M. Zdrolik, J. Zbrzezny, K. Tomczuk)
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Financial Sector

Alior Bank

buy (no change)

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We maintain our buy recommendation for Alior.

We revised our earnings forecasts for the bank in March mainly to reflect by a higher expected trajectory for net interest income which stems from a better-than-expected result reported in 4Q'22 and a likely reversal of interest expenses related to hedging strategies.

At the same time, Alior fulfilled its CoR guidance in 2022, and it has lowered the 2024 CoR target below 160bps. Additionally, in 4Q'22 the bank delivered another important objective by reporting an NPL ratio of less than 10%. For us, these are signs that has Alior has managed to improve its long-term book quality enough to start thinking about a rerating.

The valuation of ALR stock is currently one of the lowest in the sector despite the bank's strong capital position, superb profitability with ROE at around 19% in 2023E and 17% in 2024E, and a lack of a significant CHF portfolio. Based on this, we believe Alior will make a dividend distribution in 2025 of PLN 3.35 per share.

Alior launched a BNPL platform in late 2022 and although we have reservations about the timing we are not too concerned about the potential risk given the small scale of the project at this point.

On our estimates, Alior is trading at around 0.6-0.5x 2023E P/B and 2024E and 2025E multiples of 0.4x – levels that are not very demanding even after this last upgrade.

Current Price* 38.75 PLN **Upside**
9M Target Price 50.00 PLN **+29.0%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	50.00 PLN	2023-03-27

Key Metrics		ALR PW	vs. WIG
Ticker	ALR PW	1M Price Chng	-2.1% -0.7%
ISIN	PLALIOR00045	YTD Price Chng	+13.1% +11.1%
Outst. Stock (m)	129.3	ADTV 1M	13.6 mln PLN
MC (PLN m)	5,008.7	ADTV 6M	9.8 mln PLN
		P/E 12M fwd	4.3 -46.4%
Free Float	74.8%	P/E 5Y avg	8.0 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
NII	2,798	3,560	4,275	4,421	3,762
Total income	3,805	4,511	5,256	5,445	4,841
Costs	-1,751	-2,127	-1,911	-1,987	-2,150
Provisioning	-1,039	-1,085	-1,308	-1,217	-1,075
Net income	482	683	1,287	1,442	967
P/E	10.4	7.3	3.9	3.5	5.2
P/B	0.8	0.8	0.7	0.5	0.5
ROE	7.7%	11.3%	18.8%	16.9%	9.7%
DPS	0.00	0.00	0.00	0.00	3.35
DYield	0.0%	0.0%	0.0%	0.0%	8.6%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Net interest income	2,798	3,560	4,275	4,421	3,762
Fee income	767	796	809	825	840
Trading income	93	35	53	79	119
Other income	147	120	120	120	120
Noninterest income	1,007	951	982	1,024	1,078
Total income	3,805	4,511	5,256	5,445	4,841
Operating expenses	1,751	2,127	1,911	1,987	2,150
Operating income	2,055	2,384	3,345	3,458	2,690
Provisioning	1,039	1,085	1,308	1,217	1,075
Profits of associates	1	2	3	4	5
Pre-tax income	1,016	1,299	2,038	2,241	1,615
Tax	297	353	489	538	388
Minority interests	0	0	0	0	0
Asset tax	237	263	261	261	260
Net income	482	683	1,287	1,442	967

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Net loans	58,228	57,610	57,820	59,366	60,828
Other assets	24,820	25,267	29,639	32,272	34,508
Total assets	83,048	82,877	87,459	91,638	95,336
Deposits	72,006	72,817	74,565	76,361	78,206
Other liabilities	5,123	3,890	5,337	5,778	6,596
Minority interests	0	0	0	0	0
Equity	5,919	6,170	7,557	9,499	10,534

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	3.8%	4.7%	5.6%	5.5%	4.4%
C/I	46.0%	47.1%	36.4%	36.5%	44.4%
CoR	1.6%	1.7%	2.1%	1.9%	1.7%
NPL Ratio	11.4%	9.8%	9.9%	10.0%	10.0%
Tier 1 Ratio	12.5%	13.0%	14.3%	17.3%	19.5%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	-305	-4%
PV Adjustment	565	7%
Value Driver (2026-40)	6,419	75%
Fade (2041-60)	1,442	17%
Terminal Value	459	5%
Fair Value	8,580	100%
Outst. Shares (millions)	129	
Cost of equity	11.9%	
Fair Value Per Share (PLN)	66.38	
9M Target Price (PLN)	72.30	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	7,655	102%
Explicit Forecast (2023-25)	851	11%
PV Adjustment	166	2%
Value Driver (2026-40)	-866	-12%
Fade (2041-60)	-309	-4%
Fair Value	7,497	100%
Outst. Shares (millions)	129	
Cost of equity	11.9%	
Fair Value Per Share (PLN)	58.00	
9M Target Price (PLN)	63.18	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	8,580
Economic Profits	50%	7,497
Fair Value Avg.		8,038
Fair Value Per Share (PLN)		62.19
Asset tax		-16.29
Fair Value Per Share		45.90
Cost of equity (9M)		8.9%
9M Target Price (PLN)		50.00

BNP Paribas Polska buy (no change)

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The unfavorable opinion of CJEU Advocate General on remuneration for banks in CHF loan annulment cases caught BNP at a difficult time. In the last two years, the bank's Tier 1 ratio dropped by 2.3 p.p. and its profits were weighed down by additional systemic burdens, including loan holidays offered to mortgage borrowers. Moreover, BNP has also experienced a noticeable deceleration in retail lending, with sales of mortgages in 4Q'22 reaching a shockingly low level of PLN 23m.

BNP's profits remain under pressure in 2023 and 2024 due to additional CHF-related costs, which we estimate at PLN 2bn. Although the capital adequacy ratios should continue to slowly recover, the bank is not positioned to aggressively capture market share. We would also not expect a dividend payment from BNP in the coming years.

BNP Paribas is under the obligation to increase the free-float of its Polish subsidiary's shares to 25% by the end of 2023, however, under the current conditions the market valuation of these shares may not be considered satisfactory by the parent company.

All in all, we recognize that BNP is attractively valued but we believe it should be trading at a discount to the peers.

Current Price* 53.20 PLN **Upside**
9M Target Price 58.50 PLN **+10.0%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	58.50 PLN	2023-03-27

Key Metrics		BNPPPL PW	vs. WIG
Ticker	BNPPPL PW	1M Price Chng	+7.3% +8.7%
ISIN	PLBGZ0000010	YTD Price Chng	-5.0% -7.0%
Outst. Stock (m)	147.4	ADTV 1M	0.6 mln PLN
MC (PLN m)	7,842.7	ADTV 6M	0.5 mln PLN
		P/E 12M fwd	5.8 -39.6%
Free Float	11.2%	P/E 5Y avg	9.5 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
NII	3,141	3,493	4,914	5,055	4,284
Total income	5,107	5,640	6,935	7,094	6,372
Costs	-2,841	-3,326	-3,238	-3,331	-3,482
Provisioning	-266	-275	-607	-595	-502
Net income	176	441	1,052	1,110	1,453
P/E	44.5	17.8	7.5	7.1	5.4
P/B	0.7	0.7	0.6	0.6	0.5
ROE	1.5%	3.9%	8.9%	8.6%	10.1%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Net interest income	3,141	3,493	4,914	5,055	4,284
Fee income	1,049	1,137	1,128	1,149	1,179
Trading income	687	806	685	678	692
Other income	230	204	208	212	216
Noninterest income	1,966	2,147	2,021	2,039	2,088
Total income	5,107	5,640	6,935	7,094	6,372
Operating expenses	2,841	3,326	3,238	3,331	3,482
Operating income	2,266	2,313	3,697	3,763	2,890
Provisioning	1,311	1,015	1,594	1,582	502
Profits of associates	1	2	3	4	4
Pre-tax income	954	1,298	2,103	2,182	2,389
Tax	440	430	587	602	454
Minority interests	0	0	0	0	0
Asset tax	338	427	465	470	482
Net income	176	441	1,052	1,110	1,453

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Net loans	86,299	90,040	90,825	96,494	103,524
Other assets	45,478	61,477	67,472	68,259	69,099
Total assets	131,777	151,517	158,297	164,753	172,623
Deposits	101,093	120,021	129,572	132,164	134,807
Other liabilities	19,323	20,234	16,411	18,966	22,539
Minority interests	0	0	0	0	0
Equity	11,362	11,262	12,314	13,624	15,277

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	2.6%	2.5%	3.3%	3.2%	2.6%
C/I	55.6%	59.0%	46.7%	47.0%	54.6%
CoR	0.3%	0.3%	0.6%	0.6%	0.5%
NPL Ratio	3.6%	3.3%	4.0%	3.8%	3.5%
Tier 1 Ratio	12.3%	11.3%	11.2%	11.9%	12.4%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	0	0%
PV Adjustment	0	0%
Value Driver (2026-40)	4,036	31%
Fade (2041-60)	4,115	32%
Terminal Value	4,769	37%
Fair Value	12,919	100%
Outst. Shares (millions)	147	
Cost of equity	0.0%	
Fair Value Per Share (PLN)	87.60	
9M Target Price (PLN)	93.20	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	9,293	76%
Explicit Forecast (2023-25)	1,679	14%
PV Adjustment	227	2%
Value Driver (2026-40)	1,242	10%
Fade (2041-60)	59	0%
Fair Value	12,273	100%
Outst. Shares (millions)	147	
Cost of equity	12.0%	
Fair Value Per Share (PLN)	83.25	
9M Target Price (PLN)	88.56	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	12,919
Economic Profits	50%	12,273
Fair Value Avg.		12,596
Fair Value Per Share (PLN)		85.44
Asset tax		-24.03
Fair Value Per Share		61.42
Cost of equity (9M)		9.0%
9M Target Price (PLN)		58.50

BOŚ Bank buy (no change)

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Looking at trends presently affecting the banking sector, we are currently more optimistic than before on operating cost growth and on the size of risk costs in 2023 and 2024, and we also anticipate stronger net interest income at BOS Bank given easing pressure on term deposit pricing. Moreover, we were positively surprised by the results for 4Q'22, which on a recurring basis beat our estimates by over 30%.

On the other hand, we have had to adjust our 2023-2024 outlook for BOS to reflect additional CHF provisioning at PLN 177m on the back of an expected negative ruling by the CJEU on the right of banks to claim remuneration for canceled CHF loan contracts. All in all in, our March update we raised our net profit estimates for 2023-24 by 13%-14%.

A relatively strong capital position, with TCR nearing 15%, should allow BOS to complete its recovery plan in 2024, at which point, starting in 2025, the lender will have pay annual banking taxes. In our opinion, subpar profitability, with 2025E ROE at 5%, combined with an ongoing management reshuffle, still warrant a discount in BOS's valuation relative to peers; at the same time, 2024E P/B (adjusted for surplus capital) at 0.2x is just too low.

BOŚ Bank, with its sustainability-centric profile, seems like an easy takeover target, especially as the Polish industry continues to consolidate (Pocztowy, Velobank).

Current Price* 9.11 PLN **Upside**
9M Target Price 11.60 PLN **+27.3%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	11.60 PLN	2023-03-27

Key Metrics		BOS PW	vs. WIG
Ticker	BOS PW	1M Price Chng	+5.4% +6.9%
ISIN	PLBOS0000019	YTD Price Chng	+7.9% +5.9%
Outst. Stock (m)	92.9	ADTV 1M	0.2 mln PLN
MC (PLN m)	846.8	ADTV 6M	0.2 mln PLN
		P/E 12M fwd	3.8 -6.6%
Free Float	36.4%	P/E 5Y avg	4.1 discount

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
NII	374	758	812	850	634
Total income	654	996	1,042	1,084	876
Costs	-440	-552	-552	-568	-582
Provisioning	-114	-106	-114	-105	-99
Net income	47	128	216	245	116
P/E	17.8	6.6	3.9	3.5	7.3
P/B	0.5	0.4	0.4	0.3	0.3
ROE	2.5%	6.7%	10.4%	10.5%	4.5%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022P	2023P	2024P	2025P
Net interest income	374	758	812	850	634
Fee income	142	128	126	128	133
Trading income	102	69	62	64	66
Other income	35	41	42	43	44
Noninterest income	279	238	231	235	243
Total income	654	996	1,042	1,084	876
Operating expenses	440	552	552	568	582
Operating income	214	444	491	516	294
Provisioning	135	250	203	193	99
Profits of associates	0	0	0	0	0
Pre-tax income	79	194	288	323	195
Tax	32	66	72	78	41
Minority interests	0	0	0	0	0
Asset tax	0	0	0	0	38
Net income	47	128	216	245	116

Key Balance Sheet Figures

(PLN m)	2021	2022P	2023P	2024P	2025P
Net loans	11,499	11,126	11,316	12,129	13,164
Other assets	8,730	10,880	11,861	12,018	11,462
Total assets	20,230	22,006	23,177	24,147	24,626
Deposits	17,008	18,821	19,559	20,162	20,526
Other liabilities	3,222	3,185	3,617	3,985	4,100
Minority interests	0	0	0	0	0
Equity	1,866	1,964	2,191	2,485	2,652

Key Ratios

(%)	2021	2022P	2023P	2024P	2025P
NIM	1.8%	3.5%	3.6%	3.6%	2.6%
C/I	67.2%	55.4%	52.9%	52.4%	66.4%
CoR	0.9%	0.9%	0.9%	0.8%	0.7%
NPL Ratio	13.3%	14.9%	12.0%	10.0%	9.0%
Tier 1 Ratio	13.3%	14.1%	14.3%	15.7%	16.7%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	0	0%
PV Adjustment	74	7%
Value Driver (2026-40)	537	49%
Fade (2041-60)	306	28%
Terminal Value	176	16%
Fair Value	1,093	100%
Outst. Shares (millions)	93	
Cost of equity	12.4%	
Fair Value Per Share (PLN)	12.45	
9M Target Price (PLN)	12.86	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	1,865	141%
Explicit Forecast (2023-25)	-52	-4%
PV Adjustment	24	2%
Value Driver (2026-40)	-424	-32%
Fade (2041-60)	-95	-7%
Fair Value	1,318	100%
Outst. Shares (millions)	93	
Cost of equity	12.4%	
Fair Value Per Share (PLN)	12.45	
9M Target Price (PLN)	15.51	

Valuation Summary

(PLN m)	Weight	Value
DDM	0%	1,093
Economic Profits	0%	1,318
Fair Value Avg.		1,206
Fair Value Per Share (PLN)		12.97
Asset tax		-2.33
Fair Value Per Share		10.64
Cost of equity (9M)		9.3%
9M Target Price (PLN)		11.60

Handlowy hold (no change)

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We maintain our hold recommendation for Handlowy.

Handlowy again delivered higher-than-expected net interest income in 4Q'22, driven by treasury activity. Looking ahead, however, we believe NII growth at Handlowy may have reached a plateau now that interest rates and their expected future trajectory have likely already peaked in Poland. Nevertheless, in March we raised our 2023 and 2024 net profit estimates by 31% and 27%, respectively, to reflect higher NII.

Handlowy finds itself in a sweet spot relative to other banks as the structure of its balance sheet makes the bank less vulnerable to changing circumstances like borrower relief programs and CHF legislation, and at the same time helps to fully capitalize on high interest rates. The key risk to earnings right now is a potential windfall tax.

On the other hand, investors should consider that Handlowy is not growing its loan book, its retail business is for sale, and today's high interest rates will not stay this high forever. That last factor is reflected in our expectations for 2025, when we assume a reduction of the base interest rate to 4.5% will cause Handlowy's ROE to fall to 13% from 23% the year before. Hence our conservative approach to BHW's valuation, and why we do not apply average multiples to record high results.

On our estimates, BHW is trading at 1.1x 2023E P/B and 2024E P/B and 1.2x 2025E P/B. In the short term, BHW is a pure dividend play with a projected cumulative payout equivalent to ca. 50% of current market cap expected in the next three years. Beyond that, we are more skeptical when it comes to the bank's growth potential.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Net interest income	788	2,741	3,438	2,976	1,890
Fee income	650	580	590	602	614
Trading income	976	333	627	690	729
Other income	29	33	35	37	38
Noninterest income	1,655	946	1,252	1,328	1,381
Total income	2,443	3,687	4,690	4,304	3,270
Operating expenses	1,292	1,375	1,447	1,476	1,541
Operating income	1,151	2,313	3,243	2,829	1,730
Provisioning	39	105	130	109	95
Profits of associates	0	0	0	0	0
Pre-tax income	1,112	2,208	3,113	2,719	1,634
Tax	233	449	633	553	332
Minority interests	0	0	0	0	0
Asset tax	161	213	212	212	212
Net income	717	1,546	2,268	1,955	1,090

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	4,234	37%
PV Adjustment	752	6%
Value Driver (2026-40)	5,895	51%
Fade (2041-60)	457	4%
Terminal Value	245	2%
Fair Value	11,583	100%
Outst. Shares (millions)	131	
Cost of equity	11.9%	
Fair Value Per Share (PLN)	88.65	
9M Target Price (PLN)	96.56	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	9,721	88%
Explicit Forecast (2023-25)	2,013	18%
PV Adjustment	193	2%
Value Driver (2026-40)	-590	-5%
Fade (2041-60)	-314	-3%
Fair Value	11,024	100%
Outst. Shares (millions)	131	
Cost of equity	11.9%	
Fair Value Per Share (PLN)	84.37	
9M Target Price (PLN)	91.90	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	11,583
Economic Profits	50%	11,024
Fair Value Avg.		11,303
Fair Value Per Share (PLN)		86.51
Asset tax		-13.06
Fair Value Per Share		73.44
Cost of equity (9M)		8.9%
9M Target Price (PLN)		80.00

Current Price*

81.60 PLN

Downside

9M Target Price

80.00 PLN

-2.0%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	hold	80.00 PLN	2023-03-27

Key Metrics		BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	-0.1%
ISIN	PLBH00000012	YTD Price Chng	+7.9%
Outst. Stock (m)	130.7	ADTV 1M	2.4 mln PLN
MC (PLN m)	10,661.8	ADTV 6M	2.0 mln PLN
		P/E 12M fwd	4.9
Free Float	25.0%	P/E 5Y avg	11.5
			discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
NII	788	2,741	3,438	2,976	1,890
Total income	2,443	3,687	4,690	4,304	3,270
Costs	-1,292	-1,375	-1,447	-1,476	-1,541
Provisioning	-39	-105	-130	-109	-95
Net income	717	1,546	2,268	1,955	1,090
P/E	14.9	6.9	4.7	5.5	9.8
P/B	1.4	1.3	1.2	1.2	1.3
ROE	9.6%	20.1%	26.5%	21.4%	12.4%
DPS	1.20	5.47	9.00	17.36	14.96
DYield	1.5%	6.7%	11.0%	21.3%	18.3%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Net loans	17,887	17,810	18,563	19,662	20,284
Other assets	43,975	51,991	52,473	53,235	54,050
Total assets	61,863	69,801	71,036	72,897	74,335
Deposits	40,315	46,878	48,551	49,504	50,477
Other liabilities	14,165	14,963	13,313	14,307	15,399
Minority interests	0	0	0	0	0
Equity	7,383	7,960	9,172	9,086	8,459

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	1.3%	4.3%	5.0%	4.3%	2.6%
C/I	52.9%	37.3%	30.9%	34.3%	47.1%
CoR	0.2%	0.6%	0.7%	0.6%	0.5%
NPL Ratio	4.1%	3.9%	3.9%	3.9%	3.9%
Tier 1 Ratio	20.1%	17.6%	19.9%	21.4%	22.3%

ING BSK accumulate (no change)

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We maintain our accumulate view on ING BSK ("ING").

ING has not exactly been a bargain but its premium valuation is warranted by high-quality governance and lending growth. In March, we upgraded our 2023 and 2024 net profit forecasts for the bank by 22% and 15%, respectively.

We assume that, having recently recognized additional provisions, ING finally brought its personal CHF saga to a close. CHF notwithstanding, in 2022, ING managed to deliver sustained loan growth against unfavorable lending conditions – a skill that sets the bank apart from other lenders and that, in our eyes, reaffirms its ability to gradually gain market share over the long term.

On the other hand, due to hedging activities, after adjusting for costs of loan holidays, we expect the pace of growth in net interest income in 2023 will be flattish as opposed to most other banks, where the NII momentum is set to be strong this year. Obviously, the downside of using hedging strategies will turn to upside during periods of monetary easing, however, the next such period is not likely to begin before mid-2024 at the earliest. That is why we expect ING's earnings curve to become more smooth over time.

On our year-end estimates, ING is trading at 1.5x 2023E P/B, 1.2x 2024E P/B, and 1.1x 2025E P/B, levels that suggest a premium that we consider fully justified.

Current Price* 164.00 PLN **Upside**
9M Target Price 177.85 PLN **+8.4%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	accumulate	177.85 PLN	2023-03-27

Key Metrics		ING PW	vs. WIG
Ticker	ING PW	1M Price Chng	-1.7%
ISIN	PLBSK0000017	YTD Price Chng	-0.5%
Outst. Stock (m)	130.1	ADTV 1M	1.5 mln PLN
MC (PLN m)	21,336.4	ADTV 6M	1.9 mln PLN
		P/E 12M fwd	7.1
Free Float	25.0%	P/E 5Y avg	12.8

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
NII	4,970	5,614	7,221	6,486	5,886
Total income	6,868	7,697	9,316	8,690	8,180
Costs	-2,965	-3,642	-3,280	-3,402	-3,686
Provisioning	-316	-736	-1,065	-997	-793
Net income	2,308	1,714	3,207	2,673	2,187
P/E	9.2	12.4	6.7	8.0	9.8
P/B	1.6	2.2	1.6	1.3	1.1
ROE	14.4%	14.8%	27.6%	17.6%	12.3%
DPS	5.10	5.10	0.00	12.32	10.27
DYield	3.1%	3.1%	0.0%	7.5%	6.3%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Net interest income	4,970	5,614	7,221	6,486	5,886
Fee income	1,845	2,095	2,051	2,099	2,157
Trading income	53	-6	50	111	144
Other income	0	-7	-7	-7	-7
Noninterest income	1,898	2,083	2,095	2,204	2,294
Total income	6,868	7,697	9,316	8,690	8,180
Operating expenses	2,965	3,642	3,280	3,402	3,686
Operating income	3,903	4,055	6,036	5,288	4,495
Provisioning	372	1,030	1,065	997	793
Profits of associates	29	26	26	26	26
Pre-tax income	3,560	3,050	4,997	4,316	3,727
Tax	707	689	1,099	950	820
Minority interests	0	0	0	0	0
Asset tax	545	647	690	693	720
Net income	2,308	1,714	3,207	2,673	2,187

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Net loans	146,536	155,189	156,191	165,027	176,086
Other assets	55,118	62,292	68,258	71,172	74,265
Total assets	201,654	217,480	224,449	236,198	250,350
Deposits	170,610	192,731	195,277	203,442	212,507
Other liabilities	17,513	15,175	15,503	16,057	19,053
Minority interests	0	0	0	0	0
Equity	13,531	9,574	13,670	16,699	18,790

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	2.6%	2.7%	3.3%	2.9%	2.5%
C/I	43.2%	47.3%	35.2%	39.2%	45.1%
CoR	0.2%	0.5%	0.7%	0.6%	0.5%
NPL Ratio	2.1%	2.1%	2.5%	2.5%	2.4%
Tier 1 Ratio	14.4%	13.7%	13.7%	15.4%	18.8%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	2,218	8%
PV Adjustment	1,913	7%
Value Driver (2026-40)	16,342	62%
Fade (2041-60)	4,619	18%
Terminal Value	1,188	5%
Fair Value	26,281	100%

Outst. Shares (millions)	130
Cost of equity	11.9%
Fair Value Per Share (PLN)	202.00
9M Target Price (PLN)	220.04

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	17,310	63%
Explicit Forecast (2023-25)	4,932	18%
PV Adjustment	403	1%
Value Driver (2026-40)	3,649	13%
Fade (2041-60)	1,384	5%
Fair Value	27,678	100%

Outst. Shares (millions)	130
Cost of equity	11.9%
Fair Value Per Share (PLN)	212.74
9M Target Price (PLN)	231.73

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	26,281
Economic Profits	50%	27,678
Fair Value Avg.		26,979
Fair Value Per Share (PLN)		207.37
Asset tax		-44.10
Fair Value Per Share		163.28
Cost of equity (9M)		8.9%
9M Target Price (PLN)		177.85

Millennium buy (no change)

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We maintain a buy recommendation for Millennium.

In our March update, we adjusted the expectations regarding the size of CHF provisioning at Millennium, and as a result we had to cut our 2023 and 2024 net profit forecasts by 77% and 98%, respectively. Millennium has the highest beta associated with CHF loan assumptions, and it is the hardest to properly value in this context. With

that said, we believe Millennium will be able to offset the negative impact of higher CHF provisions with excellent operating profits in the next two years, allowing it to avoid a having to raise capital. On the other hand, Millennium's risk appetite is subdued and it is hard to expect that the bank will increase its market share in the near future. While other banks harness favorable market conditions to accumulate capital, grow their loan books, and/or pay generous dividends, Millennium's focus will most likely be on addressing issues with the CHF portfolio. We would consider changing this view if Poland passed a piece of blanket legislation to help solve the CHF problem comprehensively once and for all for the entire banking sector, but we do not see this as a base-case scenario or as a solution that could be implemented with any degree of probability before this year's general election.

At the same time, to reflect less uncertainty regarding CHF loans, we opt for a minor rerating of Millennium, resulting in an adjustment to our 2024E P/B multiple from 0.8x closer to 1.0x.

Current Price* 4.45 PLN **Upside**
9M Target Price 4.84 PLN **+8.7%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	4.84 PLN	2023-03-27

Key Metrics		MIL PW	vs. WIG
Ticker	MIL PW	1M Price Chng	+0.7% +2.2%
ISIN	PLBIG0000016	YTD Price Chng	-2.8% -4.8%
Outst. Stock (m)	1,213.1	ADTV 1M	6.0 mln PLN
MC (PLN m)	5,400.8	ADTV 6M	5.6 mln PLN
		P/E 12M fwd	4.0 -68.4%
Free Float	50.0%	P/E 5Y avg	12.7 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
NII	2,713	3,337	4,671	4,440	3,766
Total income	3,798	4,225	5,528	5,288	4,861
Costs	-1,882	-2,310	-2,134	-2,208	-2,389
Provisioning	-299	-460	-554	-488	-416
Net income	-1,332	-1,015	373	32	1,302
P/E	-	-	14.5	167.1	4.1
P/B	0.8	1.0	0.9	0.9	0.7
ROE	-	-	6.5%	0.5%	18.9%
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Net interest income	2,713	3,337	4,671	4,440	3,766
Fee income	831	808	816	823	843
Trading income	-63	-197	-206	-186	167
Other income	317	276	249	211	85
Noninterest income	1,085	888	858	849	1,095
Total income	3,798	4,225	5,528	5,288	4,861
Operating expenses	1,882	2,310	2,134	2,208	2,389
Operating income	1,916	1,915	3,395	3,081	2,472
Provisioning	2,604	2,477	2,854	2,188	416
Profits of associates	0	0	0	0	0
Pre-tax income	-688	-562	1,041	893	2,056
Tax	331	284	668	519	411
Minority interests	0	0	0	0	0
Asset tax	313	169	0	342	342
Net income	-1,332	-1,015	373	32	1,302

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Net loans	78,603	76,565	72,238	72,657	75,791
Other assets	25,311	34,377	44,983	48,142	51,313
Total assets	103,914	110,942	117,221	120,799	127,104
Deposits	91,448	98,039	99,055	101,976	106,668
Other liabilities	5,769	7,409	12,259	12,683	12,794
Minority interests	0	0	0	0	0
Equity	6,697	5,494	5,907	6,140	7,642

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	2.8%	3.2%	4.2%	3.8%	3.1%
C/I	49.6%	54.7%	38.6%	41.7%	49.1%
CoR	0.4%	0.4%	0.7%	0.7%	0.5%
NPL Ratio	4.3%	4.4%	4.8%	4.8%	4.8%
Tier 1 Ratio	14.0%	11.3%	10.4%	10.7%	13.1%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	0	0%
PV Adjustment	769	9%
Value Driver (2026-40)	5,654	65%
Fade (2041-60)	1,398	16%
Terminal Value	834	10%
Fair Value	8,655	100%
Outst. Shares (millions)	1,213	
Cost of equity	11.9%	
Fair Value Per Share (PLN)	6.50	
9M Target Price (PLN)	7.08	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	8,243	100%
Explicit Forecast (2023-25)	353	4%
PV Adjustment	121	1%
Value Driver (2026-40)	307	4%
Fade (2041-60)	-742	-9%
Fair Value	8,281	100%
Outst. Shares (millions)	1,213	
Cost of equity	11.9%	
Fair Value Per Share (PLN)	6.83	
9M Target Price (PLN)	7.44	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	8,655
Economic Profits	50%	8,281
Fair Value Avg.		8,468
Fair Value Per Share (PLN)		6.66
Asset tax		-2.22
Fair Value Per Share		4.44
Cost of equity (9M)		8.9%
9M Target Price (PLN)		4.84

Pekao buy (no change)

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Pekao finds itself in a sweet spot of a high interest rate environment, a soft landing anticipated for the Polish economy, and an adequately covered CHF exposure.

The market's main focus when it comes to 4Q'22 results was a contraction in NIM that, to be fair, had been mentioned by the bank back in 3Q'22. To us, a far more important highlight of 4Q'22 was cost of risk at 42 bps and a 2023 CoR guidance below 50-60 bps. Good quality of assets, low risk costs, and the soft landing scenario, have allowed us to cut our own CoR expectations for 2023 and 2024 from 88-87bps to 56-46bps.

We are also currently less pessimistic on net interest income as the pressure on term deposit pricing eases, but with that said we still expect a 50bp reduction in NIM between 4Q'22 (adjusted) and 4Q'23.

As a reminder, Pekao is perfectly positioned to play a major role in helping to finance Poland's imminent energy transformation – a potential key driver of loan growth in the next decade.

In terms of dividends, our cautious assumption of a 51% payout ratio in 2023 (same as in 2022) translates to DPS of PLN 3.65 and c.5% DY. In the two years after, given superb earnings anticipated in 2023 and 2024, with average net profit close to PLN 5bn, we could see dividend yield as high as 15% (assuming a 65% payout ratio). PEO is our top Polish banking pick as it currently combines unbeatable profitability, growth, dividends, and CHF risk coverage.

Current Price* 85.46 PLN **Upside**
9M Target Price 126.00 PLN **+47.4%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	126.00 PLN	2023-03-27

Key Metrics		PEO PW	vs. WIG
Ticker	PEO PW	1M Price Chng	-2.2% -0.7%
ISIN	PLPEKAO00016	YTD Price Chng	-1.2% -3.2%
Outst. Stock (m)	262.5	ADTV 1M	68.5 mln PLN
MC (PLN m)	22,430.7	ADTV 6M	77.1 mln PLN
		P/E 12M fwd	5.4 -46.0%
Free Float	67.2%	P/E 5Y avg	10.0 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
NII	5,661	8,244	10,233	10,091	8,746
Total income	8,562	10,809	13,080	13,000	11,769
Costs	-4,028	-5,002	-4,546	-4,709	-5,035
Provisioning	-626	-770	-949	-810	-803
Net income	2,175	1,718	5,064	5,000	3,735
P/E	10.3	13.1	4.4	4.5	6.0
P/B	0.9	1.0	0.9	0.8	0.8
ROE	8.8%	7.4%	21.0%	19.1%	13.8%
DPS	3.21	4.30	3.65	12.54	12.38
DYield	3.8%	5.0%	4.3%	14.7%	14.5%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Net interest income	5,661	8,244	10,233	10,091	8,746
Fee income	2,688	2,807	2,647	2,681	2,762
Trading income	190	215	196	220	249
Other income	24	-457	3	8	12
Noninterest income	2,901	2,565	2,847	2,909	3,023
Total income	8,562	10,809	13,080	13,000	11,769
Operating expenses	4,028	5,002	4,546	4,709	5,035
Operating income	4,534	5,807	8,534	8,290	6,734
Provisioning	818	2,063	949	810	803
Profits of associates	5	5	5	5	5
Pre-tax income	3,913	5,043	7,590	7,485	5,936
Tax	825	1,163	1,617	1,591	1,292
Minority interests	-2	-2	-2	-2	-2
Asset tax	719	866	908	892	906
Net income	2,175	1,718	5,064	5,000	3,735

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Net loans	159,229	158,721	156,954	168,468	181,573
Other assets	91,338	122,418	132,168	127,122	125,064
Total assets	250,567	281,139	289,122	295,590	306,637
Deposits	195,162	210,747	217,724	215,311	220,536
Other liabilities	31,541	47,617	45,895	53,257	58,877
Minority interests	12	12	14	16	19
Equity	23,851	22,763	25,488	27,005	27,205

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	2.5%	3.4%	3.9%	3.8%	3.2%
C/I	47.6%	49.1%	35.4%	36.9%	43.5%
CoR	0.4%	0.5%	0.6%	0.5%	0.4%
NPL Ratio	5.2%	6.4%	8.0%	8.0%	8.0%
Tier 1 Ratio	17.7%	17.4%	19.5%	21.1%	23.2%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	5,768	15%
PV Adjustment	2,424	6%
Value Driver (2026-40)	22,505	59%
Fade (2041-60)	5,460	14%
Terminal Value	1,844	5%
Fair Value	38,001	100%
Outst. Shares (millions)	262	
Cost of equity	12.0%	
Fair Value Per Share (PLN)	144.86	
9M Target Price (PLN)	157.90	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	28,536	79%
Explicit Forecast (2023-25)	2,482	7%
PV Adjustment	658	2%
Value Driver (2026-40)	3,862	11%
Fade (2041-60)	697	2%
Fair Value	36,235	100%
Outst. Shares (millions)	262	
Cost of equity	12.0%	
Fair Value Per Share (PLN)	138.05	
9M Target Price (PLN)	150.48	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	38,001
Economic Profits	50%	36,235
Fair Value Avg.		37,118
Fair Value Per Share (PLN)		141.46
Asset tax		-25.86
Fair Value Per Share		115.60
Cost of equity (9M)		9.0%
9M Target Price (PLN)		126.00

PKO BP buy (no change)

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In our March update, we cut our headline net profit forecasts for PKO by 18% for 2023E and by 44% for 2024E, however, this was mainly triggered by expected higher CHF costs. Adjusting for CHF provisioning, the corresponding estimates went up by 23% and 13% respectively.

The upward revisions were led by lower assumptions as to cost of risk (reflected by cuts in initial CoR forecasts by 28% for 2023 and -34% for 2024) as well as operating costs. We are also currently marginally more positive on net interest income in 2023 given stronger-than-expected NIM growth in 4Q'22. Nonetheless, unfavorable CJEU legislation as regards compensation for CHF lenders is expected to generate additional costs for PKO in the amount of PLN 7bn, to be spread over 2023-2024.

PKO is not at risk of breaching minimum capital adequacy ratios in our view even in the PLN 60bn worst-case CJEU ruling scenario for the sector, however, the additional provisioning will cap the bank's ROE to between 9% and 13% in next three years. Under MREL rules, we assume PKO will want to stagger the loss over two years rather than taking a one-off hit in 2023.

All told, PKO has excellent prospects for 2023 core earnings-wise, but the unsolved CHF-problem will likely prevent it from seeing a major re-rating. Among Tier 1 banks, our preference goes to Bank Pekao as ticking all the boxes from record-high ROE to an adequately covered CHF exposure, attractive dividends, and positioning in the corporate segment, set to become a major earnings driver for banks in the next decade.

Current Price* 28.52 PLN **Upside**
9M Target Price 35.20 PLN **+23.4%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	35.20 PLN	2023-03-27

Key Metrics		PKO PW	vs. WIG
Ticker	PKO PW	1M Price Chng	-6.6%
ISIN	PLPKO0000016	YTD Price Chng	-5.8%
Outst. Stock (m)	1,250.0	ADTV 1M	93.6 mln PLN
MC (PLN m)	35,650.0	ADTV 6M	93.4 mln PLN
		P/E 12M fwd	5.8
Free Float	70.6%	P/E 5Y avg	10.1

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
NII	9,882	11,813	14,704	13,436	11,360
Total income	15,365	17,502	20,580	19,431	17,492
Costs	-6,449	-8,080	-7,033	-7,379	-7,983
Provisioning	-1,355	-1,564	-1,848	-1,720	-1,547
Net income	4,874	3,333	4,662	3,540	5,106
P/E	7.3	10.7	7.6	10.1	7.0
P/B	0.9	1.0	0.9	0.9	0.8
ROE	12.6%	9.1%	12.6%	8.9%	11.7%
DPS	0.00	1.83	1.33	1.86	1.42
DYield	0.0%	6.4%	4.7%	6.5%	5.0%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Net interest income	9,882	11,813	14,704	13,436	11,360
Fee income	4,377	4,951	5,095	5,168	5,257
Trading income	718	310	336	364	394
Other income	388	428	445	463	481
Noninterest income	5,483	5,689	5,876	5,995	6,132
Total income	15,365	17,502	20,580	19,431	17,492
Operating expenses	6,449	8,080	7,033	7,379	7,983
Operating income	8,916	9,422	13,547	12,052	9,510
Provisioning	1,355	3,478	5,410	5,282	1,547
Profits of associates	31	71	72	74	75
Pre-tax income	7,592	6,015	8,210	6,843	8,038
Tax	-1,640	-1,416	-2,265	-2,000	-1,596
Minority interests	1	0	0	0	0
Asset tax	1,079	1,266	1,283	1,303	1,336
Net income	4,874	3,333	4,662	3,540	5,106

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Net loans	234,300	231,721	234,165	245,141	261,258
Other assets	183,786	198,962	210,493	212,274	210,117
Total assets	418,086	430,683	444,658	457,415	471,375
Deposits	322,296	339,582	346,202	354,148	362,300
Other liabilities	58,097	55,666	60,026	61,999	62,738
Minority interests	-14	-14	-14	-14	-14
Equity	37,707	35,449	38,444	41,282	46,350

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	2.6%	3.0%	3.6%	3.2%	2.6%
C/I	42.0%	46.2%	34.2%	38.0%	45.6%
CoR	0.6%	0.6%	0.8%	0.7%	0.6%
NPL Ratio	4.0%	3.8%	4.5%	4.5%	4.5%
Tier 1 Ratio	17.5%	16.6%	17.0%	17.7%	17.9%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	4,591	8%
PV Adjustment	2,782	5%
Value Driver (2026-40)	40,811	68%
Fade (2041-60)	10,558	18%
Terminal Value	1,445	2%
Fair Value	60,187	100%
Outst. Shares (millions)	1,250	
Cost of equity	12.0%	
Fair Value Per Share (PLN)	48.15	
9M Target Price (PLN)	52.48	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	44,672	73%
Explicit Forecast (2023-25)	2,024	3%
PV Adjustment	1,152	2%
Value Driver (2026-40)	10,304	17%
Fade (2041-60)	3,460	6%
Fair Value	61,612	100%
Outst. Shares (millions)	1,250	
Cost of equity	12.0%	
Fair Value Per Share (PLN)	49.29	
9M Target Price (PLN)	53.73	

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	60,187
Economic Profits	50%	61,612
Fair Value Avg.		60,899
Fair Value Per Share (PLN)		48.72
Asset tax		-16.42
Fair Value Per Share		32.30
Cost of equity (9M)		9.0%
9M Target Price (PLN)		35.20

Santander Bank Polska buy (no change)

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Santander was our top pick among Polish banks in December 2022, and its shares have outperformed the WIG-Banks index by 9% since the beginning of the year. Now, following the unfavorable opinion from CJEU Advocate General that could affect Santander's CHF loan portfolio, we opt to raise our expectations as to CHF-related provisioning in the next two years by an additional PLN 3bn.

With surplus capital of ca. PLN 11bn, Santander is not likely to fall short of its capital requirements even in the worst-case CHF scenario. Nonetheless, in this scenario the bank faces another two years of additional costs that could lower ROE to 12%-11%. Santander is not likely to book the full required amount of CHF provisions all at once considering the future implications for i) MREL-related issues, ii) ROE levels, and iii) dividends.

Santander meets the requirements to distribute 100% of annual profits as dividends and for 2023 the management has offered an even higher payout ratio that, however, will most likely be rejected by the regulator. With the CJEU-led CHF risk looming the payout ratio will probably be capped at 50% max. Santander may not be able to pay extraordinary dividends to shareholders in the next 24 months, before reaching target CHF provisions.

Excluding surplus capital, SPL is currently trading at 0.8x 2024E fair P/B, a fair valuation in our opinion given the size of the still-outstanding CHF portfolio, profitability levels that are inferior to those of some peers, and mid-term dividends. Once Santander resolves its CHF predicament, a re-rating of the stock will be warranted.

Current Price*	291.80 PLN	Upside
9M Target Price	338.51 PLN	+16.0%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	338.51 PLN	2023-03-27

Key Metrics		SPL PW	vs. WIG
Ticker	SPL PW	1M Price Chng	+2.0% +3.4%
ISIN	PLBZ000000044	YTD Price Chng	+12.5% +10.5%
Outst. Stock (m)	102.1	ADTV 1M	25.8 mln PLN
MC (PLN m)	29,789.4	ADTV 6M	17.3 mln PLN
		P/E 12M fwd	7.4 -39.0%
Free Float	31.7%	P/E 5Y avg	12.1 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
NII	5,962	9,652	11,382	10,873	9,860
Total income	9,142	12,382	14,373	14,011	13,184
Costs	-3,988	-4,698	-4,240	-4,414	-4,766
Provisioning	-1,124	-895	-1,671	-1,483	-1,484
Net income	1,112	2,799	3,601	3,291	4,365
P/E	26.8	10.6	8.3	9.1	6.8
P/B	1.2	1.1	1.0	0.9	0.9
ROE	4.2%	10.4%	12.2%	10.5%	13.1%
DPS	2.16	2.68	13.71	17.64	16.12
DYield	0.7%	0.9%	4.7%	6.0%	5.5%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Net interest income	5,962	9,652	11,382	10,873	9,860
Fee income	2,487	2,566	2,551	2,685	2,800
Trading income	476	-55	220	231	300
Other income	216	218	220	222	224
Noninterest income	3,179	2,729	2,991	3,138	3,324
Total income	9,142	12,382	14,373	14,011	13,184
Operating expenses	3,988	4,698	4,240	4,414	4,766
Operating income	5,153	7,684	10,133	9,597	8,418
Provisioning	2,555	2,634	3,948	3,760	1,484
Profits of associates	74	84	84	84	84
Pre-tax income	2,672	5,134	6,269	5,922	7,018
Tax	805	1,344	1,628	1,559	1,520
Minority interests	-141	-210	-217	-225	-232
Asset tax	-614	-781	-823	-847	-899
Net income	1,112	2,799	3,601	3,291	4,365

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Net loans	148,250	152,509	152,782	161,562	177,991
Other assets	96,626	106,659	110,612	111,676	112,775
Total assets	244,876	259,167	263,394	273,238	290,766
Deposits	185,373	196,497	194,858	201,713	208,037
Other liabilities	32,289	32,555	36,093	37,462	45,813
Minority interests	1,682	1,797	1,923	2,053	2,187
Equity	25,532	28,318	30,519	32,010	34,730

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	2.6%	4.0%	4.5%	4.2%	3.6%
C/I	43.6%	37.9%	29.5%	31.5%	36.1%
CoR	0.7%	0.6%	1.1%	0.9%	0.8%
NPL Ratio	5.0%	5.0%	5.5%	5.0%	4.5%
Tier 1 Ratio	17.1%	17.5%	18.3%	18.4%	17.5%

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	3,844	10%
PV Adjustment	3,188	9%
Value Driver (2026-40)	23,277	63%
Fade (2041-60)	4,706	13%
Terminal Value	1,693	5%
Fair Value	36,708	100%

Outst. Shares (millions)	99
Cost of equity	12.0%
Fair Value Per Share (PLN)	369.91
9M Target Price (PLN)	403.20

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	30,790	81%
Explicit Forecast (2023-25)	5,029	13%
PV Adjustment	831	2%
Value Driver (2026-40)	1,147	3%
Fade (2041-60)	398	1%
Fair Value	38,194	100%

Outst. Shares (millions)	99
Cost of equity	12.0%
Fair Value Per Share (PLN)	384.89
9M Target Price (PLN)	419.53

Valuation Summary

(PLN m)	Weight	Value
DDM	50%	36,708
Economic Profits	50%	38,194
Fair Value Avg.		37,451
Fair Value Per Share (PLN)		377.40
Asset tax		-66.84
Fair Value Per Share		310.56
Cost of equity (9M)		9.0%
9M Target Price (PLN)		338.51

Komercni Banka

buy (reiterated)

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We maintain a buy recommendation for Komercni with the target price adjusted slightly at CZK 934.28.

We have cut our 2023 net profit forecast for the bank has by 5% but the estimate for 2024 remains largely intact. Komercni will be struggling with rate cuts already in 2023 but the full effects will become visible from 2024. The bank expects net interest income to decline by 1% Y/Y in 2023 accompanied by 5% higher F&C income and 6% higher operating costs whilst cost of risk might reach 19 bps (management expects COR below 30 bps).

Strong results in 2023 will trigger a windfall tax which we estimate at CZK 1.3bn. In 2024, a decline in profits driven by lower net interest income (due to base rate cuts) will probably reduce the windfall tax to just CZK 104m. Our estimates are broadly in line with the market's.

Together with earnings, we expect DY to also normalize assuming a flat payout ratio. We currently forecast DY between 8%-7% in 2023-25, which, in our opinion, is still attractive. All in all, we believe that good asset quality, high dividends and a stable operating environment deserve higher valuation premium.

Financial Highlights

(CZK m)	2021	2022	2023P	2024P	2025P
Net interest income	21,795	28,632	28,470	27,088	25,529
Fee income	5,711	6,121	6,439	6,739	6,984
Trading income	3,630	3,666	3,684	3,703	3,721
Other income	210	213	217	222	226
Total income	31,346	38,632	38,811	37,751	36,460
Operating expenses	-15,099	-16,014	-16,959	-17,508	-17,990
Operating income	16,247	22,618	21,852	20,243	18,470
Provisioning	-731	-1,181	-1,558	-1,491	-1,493
Net oper. income	15,516	21,437	20,294	18,751	16,977
Profits of associates	504	334	367	404	445
Retirement benefits	0	0	0	0	0
Pre-tax income	16,020	21,771	20,661	19,155	17,421
Tax	-3,028	-3,998	-5,326	-3,744	-3,310
Minority interests	265	217	228	239	251
Net income	12,727	17,556	15,108	15,173	13,860

Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2023-24)	25,834	15%
PV Adjustment	14,445	8%
Value Driver (2025-39)	100,745	58%
Fade (2040-59)	27,806	16%
Terminal Value	4,997	3%
Fair Value	173,827	100%

Outst. Shares (millions)	189
Cost of equity	11.2%
Fair Value Per Share (CZK)	920
9M Target Price (CZK)	998

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	105,403	69%
Explicit Forecast (2022-24)	6,515	4%
PV Adjustment	3,627	2%
Value Driver (2025-39)	26,701	18%
Fade (2040-59)	9,432	6%
Fair Value	151,678	100%

Outst. Shares (millions)	189
Cost of equity	11.2%
Fair Value Per Share (CZK)	803
9M Target Price (CZK)	871

Current Price*	717.50 CZK	Upside
9M Target Price	934.28 CZK	+30.2%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	934.28 CZK	2023-04-03
old	buy	929.69 CZK	2022-12-01

Key Metrics		KOMB CP	vs. WIG
Ticker	KOMB CP	1M Price Chng	-3.3%
ISIN	CZ0008019106	YTD Price Chng	+9.5%
Outst. Stock (m)	188.9	ADTV 1M	207.2 mln CZK
MC (CZK bn)	135.5	ADTV 6M	132.9 mln CZK
		P/E 12M fwd	8.9
Free Float	39.6%	P/E 5Y avg	11.1

Earnings Projections

(CZK m)	2021	2022	2023P	2024P	2025P
NII	21,795	28,632	28,470	27,088	25,529
Total income	31,346	38,632	38,811	37,751	36,460
Costs	-15,099	-16,014	-16,959	-17,508	-17,990
Provisioning	-731	-1,181	-1,558	-1,491	-1,493
Net income	12,727	17,556	15,108	15,173	13,860
P/E	10.6	7.7	9.0	8.9	9.8
P/B	1.1	1.1	1.1	1.0	1.0
ROE	10.7%	14.4%	12.4%	12.0%	10.6%
DPS	23.86	99.30	60.04	51.67	51.89
DYield	3.3%	13.8%	8.4%	7.2%	7.2%

Forecast Update (% change)	2023P	2024P	2025P
Net interest income	-1.3%	-1.7%	-
Fee income	+5.1%	+6.1%	-
Total costs	+1.8%	+2.5%	-
Provisioning	-37.2%	-28.2%	-
Net income	-5.1%	-0.2%	-

Key Balance Sheet Figures

(CZK bn)	2021	2022	2023P	2024P	2025P
Net loans	725	781	800	844	894
Other assets	520	523	550	573	603
Total assets	1,244	1,304	1,350	1,417	1,498
Deposits	957	951	979	1,025	1,074
Other liabilities	161	230	244	260	287
Minority interests	3	3	3	3	4
Equity	124	120	124	129	133

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	1.9%	2.3%	2.2%	2.0%	1.8%
C/I	48.2%	41.5%	43.7%	46.4%	49.3%
CoR	0.1%	0.2%	0.2%	0.2%	0.2%
NPL Ratio	2.5%	2.3%	2.4%	2.3%	2.3%
Tier 1 Ratio	20.9%	18.9%	19.4%	19.1%	18.6%

Valuation Summary

(CZK m)	Weight	Value
DDM	50%	173,827
Economic Profits	50%	151,678
Fair Value Avg.		162,753
Fair Value Per Share (CZK)		861.78
Cost of equity (9M)		8.4%
9M Target Price (CZK)		934.28

Moneta Money Bank hold (downgraded)

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We raise our target price for Moneta to CZK 87.63, but we downgrade our view to hold after the relatively strong share price performance in recent weeks.

We have revised our 2023 and 2024 net profit forecasts for Moneta by 3% and 9% respectively. On the one hand, we see a lower trajectory for net interest income, but on the other hand we expect slightly lower net provisioning and a lower burden coming from windfall taxes (an adjustment which has had an especially noticeable impact on the 2024 prospects).

2023 is not likely to be as good a year for Moneta as 2022 due to lower volumes and ongoing pressure on NII, which, according to the management, should unwind in second half the year. That is why our expectations for total operating income are slightly lower than the bank's own guidance – not only that, we also see downside risk to our forecasts.

Nevertheless, we believe Moneta will be able to deliver ROE close to 14% on average in the 2023-25 period, together with cumulative 3-year dividend yield of around 26%, which definitely calls for premium valuation relative to the book value. As a result, on our fair value estimates Moneta is trading at 1.5x 2023E P/B and around 1.4x 2024-25 P/B.

Current Price* 87.00 CZK **Upside**
9M Target Price 87.63 CZK **+0.7%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	hold	87.63 CZK	2023-04-03
old	buy	85.98 CZK	2022-12-01

Key Metrics		MONET CP		vs. WIG
Ticker	MONET CP	1M Price Chng	+2.8%	+4.3%
ISIN	CZ0008040318	YTD Price Chng	+14.5%	+12.5%
Outst. Stock (m)	511.0	ADTV 1M		44.4 mln CZK
MC (CZK bn)	44.5	ADTV 6M		33.9 mln CZK
		P/E 12M fwd	10.2	-5.3%
Free Float	100.0%	P/E 5Y avg	10.7	discount

Earnings Projections

(CZK m)	2021	2022	2023P	2024P	2025P
NII	8,609	9,311	9,084	9,758	9,996
Total income	11,168	12,116	11,945	12,703	13,041
Costs	-5,276	-5,300	-5,521	-5,535	-5,551
Provisioning	-695	-90	-983	-1,005	-1,114
Net income	3,984	5,187	4,159	4,412	4,465
P/E	11.2	8.6	10.7	10.1	10.0
P/B	1.5	1.5	1.5	1.4	1.4
ROE	12.9%	17.4%	13.8%	14.3%	14.0%
DPS	8.15	7.00	8.00	6.51	6.91
DYield	9.4%	8.0%	9.2%	7.5%	7.9%

Forecast Update (% change)	2023P	2024P	2025P
Net interest income	-3.8%	-6.9%	-
Fee income	+4.9%	+4.2%	-
Total costs	-0.1%	-0.9%	-
Provisioning	-2.6%	-4.0%	-
Net income	+2.7%	+8.8%	-

Financial Highlights

(CZK m)	2021	2022	2023P	2024P	2025P
Net interest income	8,609	9,311	9,084	9,758	9,996
Fee income	2,050	2,298	2,318	2,364	2,422
Trading income	428	361	382	405	429
Other income	81	146	161	177	194
Total income	11,168	12,116	11,945	12,703	13,041
Operating expenses	-5,328	-5,365	-5,587	-5,603	-5,621
Operating income	5,630	6,522	6,117	6,848	7,155
Provisioning	-695	-90	-983	-1,005	-1,114
Pre-tax income	4,935	6,432	5,134	5,843	6,041
Tax	-951	-1,245	-975	-1,431	-1,576
Minority interests	0	0	0	0	0
Net income	3,984	5,187	4,159	4,412	4,465

Key Balance Sheet Figures

(CZK bn)	2021	2022	2023P	2024P	2025P
Net loans	255,612	268,752	267,785	270,767	274,753
Total assets	340,222	387,510	378,745	380,189	385,422
Deposits	285,145	334,251	317,255	319,684	325,312
Minority interests	0	0	0	0	0
Equity	29,481	30,095	30,272	31,462	32,502

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	2.8%	2.6%	2.4%	2.7%	2.7%
C/I	49.6%	46.2%	48.8%	46.1%	45.1%
CoR	0.3%	0.0%	0.4%	0.4%	0.4%
Tier 1 Ratio	17.1%	18.0%	18.1%	18.6%	18.8%

Dividend Discount Model (DDM)

(CZK m)	Value	%
Explicit Forecast (2023-25)	9,094	21%
PV Adjustment	2,411	6%
Value Driver (2026-40)	23,036	54%
Fade (2041-60)	4,532	11%
Terminal Value	3,440	8%
Fair Value	42,514	100%

Outst. Shares (millions)	511
Cost of equity	7.0%
Fair Value Per Share (CZK)	83
9M Target Price (CZK)	90

Economic Profits Model

(CZK m)	Value	%
Opening Tangible NAV	30,095	74%
Explicit Forecast (2023-25)	3,140	8%
PV Adjustment	671	2%
Value Driver (2026-40)	6,934	17%
Fade (2041-60)	-300	-1%
Fair Value	40,539	100%

Outst. Shares (millions)	511
Cost of equity	7.0%
Fair Value Per Share (CZK)	79
9M Target Price (CZK)	86

Valuation Summary

(CZK m)	weight	Value
DDM	50%	83.20
Economic Profit	50%	79.33
Fair value avg.		81.27
9M Target Price (CZK)		87.63

Erste Group buy (reiterated)

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We have slightly raised our 2023 and 2024 net interest income forecasts for Erste Group but this has been broadly offset by expectations of higher costs. As a result, the net respective profit estimates increase by 4%-6%, fully in line with consensus.

During the 4Q'22 conference call, Erste confirmed the outlook for with a c.10% increase in NII, c.5% increase in F&C, c.7-8% increase in operating costs, cost of risk <35bps, ROTe at c.13-15% level and loan growth at c.5% level. Our estimates are in line with the guidance on NII and CoR but lower on cost and fee income growth. All in all, our ROTe forecast of 13.5% is at below Erste's target.

Erste has immunity to the fallout of the CS crisis, especially as the Austrian central bank revealed that total exposure to CS ATI bonds is just EUR 2m attributable to private investors and funds. On the other hand, investors are currently worried regarding CRE and that could weigh on short-term sentiment.

All told, we see the recent sell-off on Erste Group shares as a buying opportunity.

Current Price* 30.50 EUR **Upside**
9M Target Price 41.50 EUR **+36.1%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	41.50 EUR	2023-04-03
old	buy	44.45 EUR	2022-12-01
Key Metrics		EBS AV	vs. WIG
Ticker	EBS AV	1M Price Chng	-16.1% -14.6%
ISIN	AT0000652011	YTD Price Chng	+2.0% +0.0%
Outst. Stock (m)	429.8	ADTV 1M	36.5 mln EUR
MC (EUR m)	13,108.9	ADTV 6M	20.6 mln EUR
		P/E 12M fwd	6.0 -34.9%
Free Float	69.5%	P/E 5Y avg	9.2 discount

Earnings Projections

(EUR m)	2021	2022	2023P	2024P	2025P
NII	4,976	5,951	6,541	6,723	6,826
Total income	7,560	8,403	9,068	9,344	9,544
Costs	-4,307	-4,575	-4,758	-4,909	-5,054
Provisioning	-159	-300	-594	-535	-558
Net income	1,923	2,165	2,257	2,392	2,496
P/E	6.8	6.1	5.8	5.5	5.3
P/B	0.7	0.7	0.6	0.6	0.5
ROE	10.9%	11.6%	11.1%	10.6%	9.9%
DPS	1.50	1.60	1.90	2.14	2.26
DYield	4.9%	5.2%	6.2%	7.0%	7.4%
Forecast Update (% change)		2023P	2024P	2025P	
Net interest income		+0.5%	+2.8%	-	
Fee income		+2.1%	+2.8%	-	
Total costs		+0.8%	+1.4%	-	
Provisioning		-12.0%	-5.3%	-	
Net income		+3.7%	+5.9%	-	

Financial Highlights

(EUR m)	2021	2022	2023P	2024P	2025P
Net interest income	4,976	5,951	6,541	6,723	6,826
Fee income	2,304	2,452	2,547	2,637	2,732
Trading income	280	0	-20	-15	-14
Total income	7,560	8,403	9,068	9,344	9,544
Other oper. income	-88	-119	-111	-106	-102
Asset tax	-73	-187	-189	-156	-133
Operating expenses	-4,307	-4,575	-4,758	-4,909	-5,054
Operating income	3,092	3,522	4,009	4,173	4,255
Provisioning	-159	-300	-594	-535	-558
Net operating income	2,933	3,222	3,416	3,637	3,696
Extraordinary gains	0	0	0	0	0
Pre-tax income	2,933	3,222	3,416	3,637	3,696
Tax	-525	-556	-589	-623	-617
Minority interests	-485	-502	-569	-622	-584
Net income	1,923	2,165	2,257	2,392	2,496

Key Balance Sheet Figures

(EUR m)	2021	2022	2023P	2024P	2025P
Net loans	184,177	206,090	214,836	221,979	229,915
Other assets	123,251	117,775	122,407	122,138	122,297
Total assets	307,428	323,865	337,243	344,118	352,213
Deposits	210,523	223,973	236,474	246,882	258,784
Total liabilities	73,392	74,588	72,938	66,295	58,871
Minority interests	5,516	5,957	6,526	7,149	7,733
Equity	17,997	19,348	21,304	23,792	26,825

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	1.7%	1.9%	2.0%	2.1%	2.0%
C/I	58.1%	55.9%	53.7%	53.7%	54.0%
CoR	0.1%	0.2%	0.3%	0.2%	0.2%
NPL Ratio	2.4%	2.0%	3.2%	3.2%	3.2%
Tier 1 Ratio	16.2%	15.8%	16.3%	17.5%	18.8%

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income				P/E		BV		P/B
	Value	2023P	2024P	2025P	2023P	2024P	2025P	2023P	2023P	2023P	
Austria	10,264	23.88	869	886	876	11.8	11.6	11.7	7,382	1.3	
Savings Banks	1,305	3.04	98	109	101	13.3	12.0	13.0	4,933	0.3	
Erste Oesterreich	3,969	9.23	324	322	322	12.3	12.3	12.3	2,448	1.6	
Other Austria	4,990	11.61	447	456	454	11.2	11.0	11.0	2,746	1.8	
CEE	15,517	36.10	1,623	1,751	1,875	9.6	8.9	8.3	11,015	1.3	
Czech Republic	6,609	15.38	695	711	740	9.5	9.3	8.9	4,263	1.5	
Romania	2,547	5.93	321	367	396	7.9	6.9	6.4	2,057	1.1	
Slovakia	2,511	5.84	249	251	257	10.1	10.0	9.8	1,553	1.6	
Hungary	2,311	5.38	272	326	390	8.5	7.1	5.9	1,480	1.4	
Croatia	1,198	2.79	74	81	83	16.2	14.8	14.5	1,344	0.9	
Serbia	341	0.79	12	14	10	28.0	24.1	33.1	319	1.0	
Other	-8,991	-20.92	-234	-244	-255	38.4	36.9	35.2	-436	-7.8	
Total Erste Group	16,789	39.06									

Valuation Summary

(EUR m)	Weight	Value
Cost of equity (12M)		8.3%
DDM	50%	15,942
Economic Profits	50%	17,636
Fair Value Avg.		16,789
Fair Value Per Share (EUR)		39.06
Cost of equity (9M)		6.2%
9M Target Price (EUR)		41.50

RBI buy (reiterated)

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We reiterate our buy call for RBI but we lower the target price to EUR 18.11.

The downward TP adjustment is a consequence of more aggressive provisioning in Poland to cover CHF mortgage risk as we assume RBI will book additional charges of around EUR 1bn in 2023 and 2024 to accomplish a coverage ratio close to 90%. RBI remains a high risk operation as an orderly divestment from Russian assets could prove impossible due to Russia's policy on that matter. At the same time, RBI's plans around the Russian business have been called out by Ukraine, and there is increased interest coming from OFAC. In short, the bank finds itself in a tough spot when it comes to reputational and regulatory risk.

With that said, RBI has emphasized that a deconsolidation Russian operations at a virtual zero cost will have limited fallout in the form of a direct reduction in the CET 1 ratio by 50bps plus an indirect setback of 30bps, which seems manageable to us. As a reminder, we do not include the EE market in our SOTP valuation model. According to our estimates, ex-Russia, RBI will generate around EUR 900m in net profit in 2023-2024 and around EUR 1,350m in 2025 (the sharp rise is related to lower provisions for Poland's CHF portfolio). That suggests P/E ratios of around 7x/7x/4x in 2023/24/25, respectively, making RBI an attractive investment strictly from valuation point of view, although the uncertainty and the risks are still there.

Financial Highlights

(EUR m)	2021	2022	2023P	2024P	2025P
Net interest income	3,327	5,053	4,865	4,439	4,171
Fee income	1,985	3,878	3,026	2,992	3,061
Trading income	138	750	676	742	861
Total income	5,451	9,681	8,567	8,173	8,094
Total costs	-3,366	-4,528	-4,707	-4,797	-4,515
Operating income	2,084	5,153	3,859	3,377	3,578
Provisioning	-295	-949	-771	-486	-366
Gross income	1,790	4,203	3,089	2,890	3,212
Income tax	-368	-859	-803	-747	-687
Net income	1,508	3,797	2,286	2,143	2,525
Minority interests	-135	-170	-178	-181	-181
Net income after minoritie	1,372	3,627	2,108	1,962	2,344

SOTP Valuation

(EUR m)	Fair Value	FVPS (EUR)	Net Income			P/E		BV		P/B
			2022P	2023P	2024P	2022P	2023P	2024P	2022	
CEE	3,006	9.14	222	57	52	13.5	52.6	58.1	4,128	0.7
SEE	3,001	9.12	503	564	528	6.0	5.3	5.7	3,388	0.9
EE	0	0.00	2,236	1,627	1,509	0.0	0.0	0.0	5,053	0.0
Corporate Center	2,301	7.00	536	-100	-54	4.3	-23.0	-42.4	8,542	0.3
Corporates and Markets	3,953	12.02	517	383	366	7.7	10.3	10.8	4,265	0.9
Reconciliation	-6,870	-20.89	-234	-245	-257	29.4	28.1	26.8	-6,612	1.0
Raiffeisen Group	5,392	16.39	3779	2286	2143	1.4	2.4	2.5	18764	0.3

Current Price*	14.16 EUR	Upside
9M Target Price	18.11 EUR	+27.9%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	18.11 EUR	2023-04-03
old	buy	19.05 EUR	2022-12-01

Key Metrics		RBI AV	vs. WIG
Ticker	RBI AV	1M Price Chng	-10.9%
ISIN	AT0000606306	YTD Price Chng	-7.8%
Outst. Stock (m)	328.9	ADTV 1M	8.5 mln EUR
MC (EUR m)	4,657.8	ADTV 6M	7.6 mln EUR
		P/E 12M fwd	4.2
		P/E 5Y avg	6.4
Free Float	41.2%		discount

Earnings Projections

(EUR m)	2021	2022	2023P	2024P	2025P
NII	3,327	5,053	4,865	4,439	4,171
Total income	5,451	9,681	8,567	8,173	8,094
Costs	-3,366	-4,528	-4,707	-4,797	-4,515
Provisioning	-295	-949	-771	-486	-366
Net income	1,372	3,627	2,108	1,962	2,344
P/E	3.4	1.3	2.2	2.4	2.0
P/B	0.3	0.3	0.2	0.2	0.2
ROE	9.8%	22.6%	11.1%	9.4%	10.4%
DPS	1.63	0.00	0.80	1.92	1.79
DYield	11.5%	0.0%	5.7%	13.6%	12.6%

Forecast Update (% change)	2023P	2024P	2025P
Net interest income	-4.3%	-3.2%	-
Fee income	+6.5%	+7.1%	-
Total costs	+0.7%	+2.4%	-
Provisioning	-7.9%	-6.5%	-
Net income	-8.6%	-9.4%	-

Key Balance Sheet Figures

(EUR m)	2021	2022	2023P	2024P	2025P
Net loans	100,832	103,230	100,820	101,781	103,502
Total assets	192,101	207,057	201,951	203,853	206,516
Deposits	115,153	207,057	208,844	214,625	221,008
Total assets	176,625	188,293	180,673	181,215	182,097
Minority interests	1,010	1,127	1,071	1,101	1,126
Equity	14,465	17,637	20,305	21,634	23,390

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	1.9%	2.6%	2.5%	2.3%	2.2%
C/I	61.8%	46.8%	54.9%	58.7%	55.8%
CoR	0.3%	0.9%	0.7%	0.5%	0.4%

Valuation Summary

(EUR m)	Weight	Value
DDM	50%	6.90
Economic profit	50%	25.88
Fair value avg.		16.39
9M Target Price (EUR)		18.11

OTP Bank buy (reiterated)

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We have upgraded our net profit forecasts for OTP by 52% for 2023 and 19% for 2024, landing 49% and 7% respectively above the corresponding market.

The vast difference in the expectations for 2023 is attributable to one-off items. We have incorporated into our forecast a €230m one-off gain from the Nova KBM takeover which has been finalized this year. This should almost entirely offset banking taxes (with additional one-off part) which we estimate at HUF 100bn for 2023. We are also expecting extension of interest rate caps as the base interest rate is expected to prevail.

OTP Bank is guiding for a repeat this year of adjusted ROE at 18.5% (including Ukrainian and Russian business), but our own forecasts indicate a slight deterioration to 17%.

We continue to be worried about new taxes in Hungary once the special bank tax ends in 2023. We also see risk in an extension of interest rate caps, the war in Ukraine, and the difficult relationship between the Hungarian government and the EU (fund cuts?).

On the other hand we admire OTP's increasing ROE and attractive valuation, slightly below book value. All in all, OTP is a good choice for the long term, once most of the risk is resolved, but short term the bank may still experience some turbulence.

Financial Highlights

(HUF bn)	2021	2022	2023P	2024P	2021P
Net interest income	884	1,094	1,225	1,197	1,244
Fee income	326	397	412	411	422
Other income	104	166	143	143	148
Total income	1,313	1,657	1,779	1,751	1,813
Operating expenses	653	788	866	868	892
Operating income	660	868	913	883	920
Provisioning	73	178	218	141	146
Pre-tax income	588	690	695	742	774
Tax	91	97	90	94	96
Net income	497	593	604	648	678
Asset impairment	2	-59	92	0	0
Asset tax	-19	-128	-100	-27	-28
Other	-23	-58	-21	2	2
Minority interests	-1	1	1	1	1
Net income	456	348	576	623	652

SOTP Valuation

(HUF bn)	Fair Value	FVPS (HUF)	Net Income			P/E			BV		P/B
			2023P	2024P	2025P	2023P	2024P	2025P	2023P	2023P	
Hungary + Other	1,784	6,682	272.4	309.4	333.4	6.5	5.8	5.4	585	2.3	
CEE	2,494	9,338	332.0	338.6	344.3	7.5	7.4	7.2	2,262	0.9	
DSK	1,182	4,427	119.5	113.5	119.6	9.9	10.4	9.9	699	1.6	
OBS	-	-	-	-	-	-	-	-	-	-	
OTP Banka Hrvatska	329	1,233	34.2	33.4	35.7	9.6	9.9	9.2	351	0.9	
OTP Banka Romania	129	484	6.0	6.9	10.0	21.4	18.8	12.9	165	0.7	
OTP Russia	21	0	34.4	38.3	32.9	0.6	0.6	0.6	241	0.1	
CJSC OTP Bank	67	0	12.3	26.4	25.9	5.4	2.5	2.6	160	0.7	
OTP Banka Serbia	372	1,394	42.5	40.6	41.8	9.6	10.1	9.8	307	1.1	
CKB	77	290	8.2	8.7	9.4	9.4	8.9	8.2	82	0.8	
OTP Albania	88	329	11.9	12.4	13.1	7.4	7.1	6.7	35	1.3	
OTP Moldova	80	300	12.0	11.6	12.6	6.7	6.9	6.3	43	1.3	
OTP Slovenia	236	883	51.0	46.9	43.4	4.6	5.0	5.4	180	0.4	
Total Divisions	4,278	16,020	604.5	648.0	677.7	8.4	7.3	6.2	2,847	1.4	
Asset tax	-230	-863									
Total OTP Group	4,048	15,158									

Current Price*	9,982 HUF	Upside
9M Target Price	16,723 HUF	+67.5%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	16,723 HUF	2023-04-03
old	buy	16,189 HUF	2022-12-01

Key Metrics		OTP HB	vs. WIG
Ticker	OTP HB	1M Price Chng	-5.9% -4.4%
ISIN	HU0000061726	YTD Price Chng	-1.3% -3.3%
Outst. Stock (m)	267.0	ADTV 1M	6.5 mld HUF
MC (HUF bn)	2,665.5	ADTV 6M	5.3 mld HUF
		P/E 12M fwd	5.1 -40.7%
Free Float	100.0%	P/E 5Y avg	8.5 discount

Earnings Projections

(HUF bn)	2021	2022	2023P	2024P	2025P
NII	884	1,094	1,225	1,197	1,244
Total income	1,313	1,657	1,779	1,751	1,813
Costs	-653	-788	-866	-868	-892
Provisioning	73	178	218	141	146
Net income	456	348	576	623	652
P/E	5.9	7.7	4.6	4.3	4.1
P/B	0.9	0.8	0.7	0.6	0.6
ROE	16.4%	11.0%	16.1%	15.4%	14.7%
DPS	0.00	430.41	300.00	270.17	312.56
DYield	0.0%	4.3%	3.0%	2.7%	3.1%

Forecast Update (% change)	2023P	2024P	2025P
Net interest income	+8.6%	+4.2%	-
Fee income	+5.5%	-2.1%	-
Total costs	+3.7%	-3.7%	-
Provisioning	-9.6%	-17.0%	-
Net income	+52.4%	+19.3%	-

Key Balance Sheet Figures

(HUF bn)	2021	2022	2023P	2024P	2025P
Net loans	15,744	18,641	19,790	20,494	21,687
Other assets	11,809	14,164	15,776	16,441	17,347
Total assets	27,553	32,804	35,566	36,935	39,034
Deposits	21,069	25,189	28,439	29,625	31,279
Other liabilities	3,448	4,293	3,264	3,087	3,092
Minority interests	6	6	7	7	8
Equity	3,031	3,316	3,857	4,216	4,654

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
NIM	3.5%	3.6%	3.6%	3.3%	3.3%
C/I	49.7%	47.6%	48.7%	49.6%	49.2%
CoR	0.5%	1.0%	1.1%	0.7%	0.7%
NPL Ratio	5.1%	4.7%	4.8%	4.7%	4.7%
Tier 1 Ratio	17.5%	16.1%	17.2%	18.1%	18.8%

Valuation Summary

(HUF bn)	Weight	Value
Cost of equity (12M)		15.0%
DDM	50%	4,461
Economic Profits	50%	4,095
Fair Value Avg.		4,278
Fair Value Per Share (HUF)		16,020
Asset tax (HUF)		-863
Minority interests (HUF)		-126
Fair Value Per Share (HUF)		15,032
Cost of equity (9M)		11.2%
9M Target Price (HUF)		16,723

PZU buy (reiterated)

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We have raised our 2023 and 2023 net profit forecasts for PZU by 24% and 18%, respectively, driven mainly by much stronger results in the banking segment but also to reflect higher net investment income.

The Polish banking sector is benefitting from a high interest rate environment, likely to persist throughout 2023 and 2024, combined with a soft economic landing with only a mild impact on cost of risk (you can read more in our [March report on banks](#)). As for investment income, it is boosted by higher revenues from debt instruments and equity exposure.

At the same time, PZU's core insurance business in our opinion has come pressure. We expect a 4% decline in retail loans in Poland in 2023, with negative effects on bancassurance. Moreover, high interest rates have a negative impact on demand for life and p&c insurance as consumer spendings visibly decelerates. All in all, predict that PZU's gross written premium will edge just 1% higher in 2023, and rebound at 4% p.a. in 2024-25.

PZU is likely to offer the maximum dividend payout ratio this year, with DPS at PLN 2.45. In the next two years, DPS is set to grow dynamically in line with increasing earnings, generating DY expansion to c.10% between 2023 and 2024.

We maintain a buy recommendation for PZU, which offers attractive valuation, decent earnings momentum, and dividends. Nonetheless, within the PZU Group, we prefer Bank Pekao as the value driver offering higher dividends to its shareholders, among others.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Gross written prems	25,080	26,710	27,033	27,998	29,264
Net earned premiums	23,232	24,297	24,995	25,793	26,797
Claims & benefits, net	-15,731	-15,542	-15,929	-17,033	-17,983
Net inv. income	2,194	1,397	2,088	1,972	1,903
Acquisition costs	-3,572	-3,903	-4,110	-4,481	-4,748
Admin expenses	-1,749	-1,936	-2,056	-2,134	-2,214
Other oper. rev, net	-684	-597	-579	-583	-581
Banking income	3,779	3,914	8,459	8,573	6,384
Operating income	7,469	7,630	12,868	12,106	9,560
Financing costs	0	0	0	0	0
Subsidiaries	-15	-25	-25	-25	-25
Pre-tax income	7,454	7,605	12,843	12,081	9,535
Tax	-2,020	-2,346	-3,251	-3,071	-2,416
Minority interest	2,098	1,885	4,913	4,970	3,636
Net income	3,336	3,374	4,679	4,040	3,483

Dividend Discount Model (DDM)

(PLN m)	Value	%
Explicit Forecast (2023-25)	6,790	24%
PV Adjustment	1,512	5%
Value Driver (2026-40)	15,131	53%
Fade (2041-60)	3,919	14%
Terminal Value	1,055	4%
Fair Value	28,407	100%
Outst. Shares (millions)	864	
Cost of equity	10.5%	
Fair Value Per Share (PLN)	32.90	
9M Target Price (PLN)	35.49	

Economic Profits Model

(PLN m)	Value	%
Opening Tangible NAV	14,681	63%
Explicit Forecast (2023-25)	2,032	9%
PV Adjustment	567	2%
Value Driver (2026-40)	4,732	20%
Fade (2041-60)	1,286	6%
Fair Value	23,298	100%
Outst. Shares (millions)	864	
Cost of equity	10.5%	
Fair Value Per Share (PLN)	26.98	
9M Target Price (PLN)	29.10	

Valuation Ex. Banks

(PLN m)	Weight	Value
DDM	50%	28,407
Economic Profits	50%	23,298
Fair Value Avg.		25,852

SOTP Valuation

(PLN m)	Value	/Share
PZU ex banks	25,852	29.94
Bank Pekao	6,745	7.81
Alior Bank	1,734	2.01
Value	34,331	39.76
9M Target Price (PLN)	43.34	

Current Price*	35.08 PLN	Upside
9M Target Price	43.34 PLN	+23.5%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	43.34 PLN	2023-04-03
old	buy	35.27 PLN	2022-12-01
Key Metrics		PZU PW	vs. WIG
Ticker	PZU PW	1M Price Chng	-2.9% -1.5%
ISIN	PLPZU0000011	YTD Price Chng	-1.0% -3.0%
Outst. Stock (m)	863.5	ADTV 1M	65.4 mln PLN
MC (PLN m)	30,292.4	ADTV 6M	53.5 mln PLN
		P/E 12M fwd	7.9 -18.1%
Free Float	64.8%	P/E 5Y avg	9.7 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
GWP	25,080	26,710	27,033	27,998	29,264
Claims	-15,731	-15,542	-15,929	-17,033	-17,983
Inv. income	2,194	1,397	2,088	1,972	1,903
Total costs	-5,321	-5,839	-6,166	-6,616	-6,961
Net income	3,336	3,374	4,679	4,040	3,483
P/E	9.1	9.0	6.5	7.5	8.7
P/B	1.8	1.7	1.5	1.4	1.3
ROE	18.6%	19.5%	25.0%	19.4%	15.7%
DPS	3.50	2.28	2.45	3.66	3.92
DYield	10.0%	6.5%	7.0%	10.4%	11.2%
Forecast Update (% change)		2023P	2024P	2025P	
Gross written premiums		+0.3%	+0.3%	-	
Claims		-3.0%	-0.8%	-	
Investment income		+61.4%	+51.3%	-	
Total costs		-1.1%	+1.9%	-	
Net income		+24.2%	+17.6%	-	

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Financial assets	370,713	398,079	383,494	396,109	410,431
Other assets	31,416	38,040	38,618	39,217	39,839
Total assets	402,129	436,119	422,112	435,326	450,269
Technical provisions	50,173	52,496	51,803	53,573	55,838
Other liabilities	311,962	343,871	327,448	336,467	347,503
Minority interests	22,914	22,263	22,900	23,537	24,174
Equity	17,080	17,489	19,960	21,750	22,754

Key Ratios

(%)	2021	2022	2023P	2024P	2025P
Claims ratio	67.7	64.0	63.7	66.0	67.1
Total cost ratio	22.9	24.0	24.7	25.6	26.0
Return on inv. portf.	-7.3	-10.8	3.5	4.5	4.7
Non-Life, CoR	90.7	90.8	89.0	92.4	94.0
Life, Oper. Margin	12.8	17.3	18.3	14.4	13.2

Kruk buy (no change)

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Kruk positively surprised us in 2022 with stronger-than-expected revenue growth, driven in part by revaluation gains and, more importantly, by 20% higher expenditures on receivable portfolios. After considering potential changes to the Wonga business model and factoring in the sale of the ERIF database into our updated models for Kruk, this allowed us to increase our 2024-25 revenue forecasts by 8%-9% in March. At the same time, we raised the 2023 and 2024 portfolio expenditure forecasts by 6% and 9%, respectively, and we currently assume Kruk has permanently passed a PLN 1.5bn-a-year expenditure threshold.

Kruk has reached satisfactory or dominant market shares in Poland, Romania, and Spain, with some room to grow still left only in Italy. Keeping that in mind, the recently announced expansion should not have come as a surprise as it is the logical next step if the Management want to push business to the next level. We have narrowed down the potential new target markets to three: Greece, Portugal, and France, with Portugal as the most likely contender ([more here](#)). We think Kruk might unveil more details as soon as September 2023, around the time of its 25-year anniversary. We see further geographic growth as inevitable step forward and we hope Kruk has learned from past mistakes in Italy and Spain.

Even though Kruk has massively outperformed the peer group in the last 12 months, it is still trading at a discount on 2023E P/E. Given the bright growth prospects, at the current, still attractive level the stock makes a compelling investment opportunity deserving of premium valuation.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Rev., Purchased Debt	1,042	1,260	1,321	1,420	1,454
Revenue, Collections	15	7	15	15	15
Other revenue	59	98	59	60	62
Gross profit	1,116	1,365	1,395	1,495	1,531
Costs	204	269	282	311	332
One-time events	-4	-2	-2	-2	-2
EBITDA	908	1,094	1,111	1,183	1,196
D&A	48	51	53	47	43
EBIT	860	1,043	1,058	1,136	1,153
Financing activity	-86	-179	-227	-184	-162
Pre-tax income	774	864	832	951	991
Tax	79	59	67	95	99
Net income	695	805	765	856	892
Portfolio purchases	1,739	2,311	1,918	2,295	2,126
Collections	-2,216	-2,627	-3,215	-3,605	-3,828

DDM & EVA Summary

(PLN m)	DDM	EVA
Opening Tangible NAV		3,157
Explicit Forecast (2023-32)	2,221	3,794
Value Driver (2033-52)	4,421	1,186
PV TV	770	
Fair Value as of Jul. 2021	7,412	8,136
PV Adjustment	581	161
Fair Value	7,993	8,297
Outst. Shares (millions)	19.3	19.3
Cost of equity	10.1%	10.1%
Fair Value Per Share (PLN)	413.8	429.5
9M Target Price (PLN)	445.0	462.0

DCF Summary

(PLN m)	(PLN m)
FCF	4,673
Terminal Value (TV)	16,623
FCF perp. growth rate	2.0%
Present Value of Terminal Value	6,518
Enterprise Value	11,191
Net Debt	3,744
Minority Interest	0
Equity Value as of Jan. 2022	7,448
PV Adjustment	156
Fair Value	7,604
Outst. Shares (millions)	19.3
Value Per Share (PLN)	393.60

Valuation Summary

(PLN m)	Weight	Value
DCF	33%	8,145
DDM	33%	4,008
EVA	33%	7,604
porównawcza	0%	0
Per-Share Valuation		
(PLN)	Weight	Value
DCF	33%	422
DDM	33%	207
EVA	33%	394
porównawcza	0%	337
Cost of equity (9M)		7.6%
9M Target Price (PLN)		388.66

Current Price* 308.20 PLN **Upside**
9M Target Price 388.66 PLN **+26.1%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	388.66 PLN	2023-03-28

Key Metrics		KRU PW	vs. WIG
Ticker	KRU PW	1M Price Chng	-5.5%
ISIN	PLKRRK0000010	YTD Price Chng	-0.6%
Outst. Stock (m)	19.3	ADTV 1M	8.3 mln PLN
MC (PLN m)	5,954.1	ADTV 6M	8.4 mln PLN
		P/E 12M fwd	7.1
Free float	100.0%	P/E 5Y avg	9.1
			discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Total revenue	1,738	2,139	2,167	2,389	2,557
Purchased debt	1,576	1,913	2,001	2,219	2,384
Collections	62	65	66	68	69
Total costs	-204	-269	-282	-311	-332
Net income	695	805	765	856	892
P/E	8.4	7.3	7.8	7.0	6.7
P/B	2.0	1.8	1.7	1.4	1.3
ROE	28.3%	26.3%	22.4%	22.1%	20.0%
DPS	11.00	12.87	15.01	14.27	15.96
DYield	3.6%	4.2%	4.9%	4.6%	5.2%
Forecast Update (% change)		2023P	2024P	2025P	
Purchased debt portfoliois		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%	

GPW sell (no change)

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We maintain our sell call and keep intact our target price for GPW as we wait for the FY2022 earnings report and a strategy update for the future. We are hoping the new strategy plan will reveal more about the revenue side of GPW's strategic projects as, right now, we only have enough data to price in the costs.

When it comes to core business, we are a bit skeptical with negative base effects (very high trading volumes in 1Q'22) influencing revenue growth in the segment of Financial Markets at the beginning of the year. At the same time, the costs side is under pressure associated with high inflation coupled with seasonal regulatory charges.

As we have said before, GPW's ongoing "projects" need to start showing positive results in order for us to change our view on the company.

Current Price*	35.94 PLN	Downside
9M Target Price	28.17 PLN	-21.6%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	sell	28.17 PLN	2022-12-01

Key Metrics		GPW PW	vs. WIG
Ticker	GPW PW	1M Price Chng	-4.7%
ISIN	PLGPW0000017	YTD Price Chng	+1.2%
Outst. Stock (m)	42.0	ADTV 1M	1.2 mln PLN
MC (PLN m)	1,508.5	ADTV 6M	1.9 mln PLN
EV (PLN m)	1,247.1	EV/EBITDA 12M fwd	8.5 +20.0%
Free Float	64.8%	EV/EBITDA 5Y avg	7.1 premium

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	408	388	371	368	
EBITDA	210	161	156	165	
EBITDA margin	51.6%	41.6%	42.0%	44.8%	
EBIT	180	128	122	128	
Net income	161	141	145	150	
P/E	9.4	10.7	10.4	10.0	
P/B	1.6	1.5	1.5	1.4	
EV/EBITDA	6.7	7.8	8.0	7.4	
DPS	2.50	2.72	2.70	2.80	
Dyield	7.0%	7.6%	7.5%	7.8%	

Forecast Update (% change)	2023P	2024P	2025P
Revenue	0.0%	0.0%	0.0%
EBIT	0.0%	0.0%	0.0%
EBITDA	0.0%	0.0%	0.0%
Net income	0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2020	2021	2022P	2023P	2024P
Revenue	404	408	388	371	368
Capital market	257	255	247	242	240
Equities trading	151	144	125	120	116
Other	106	111	122	122	124
Commodity market	144	150	139	126	125
Trading activities	72	75	68	60	59
Other	72	75	71	66	66
Other	3	3	2	3	3
EBIT	189	180	128	122	128
EBITDA	221	210	161	156	165
Equity in profits of assoc.	16	24	26	24	24
Net financing gains/losses	-15	-11	17	32	30
Pre-tax profit	190	194	171	177	182
Tax	-38	-32	-30	-32	-32
Net income	152	161	141	145	150

Key Balance Sheet Figures

(PLN m)	2020	2021	2022P	2023P	2024P
Assets	1,365	1,411	1,200	1,231	1,262
Fixed assets	592	604	599	614	616
Current assets	773	807	601	616	646
Equity & Liabilities	1,365	1,411	1,200	1,231	1,262
Non-current liabilities	289	44	48	49	48
Current liabilities	158	399	144	142	142
Equity & Liabilities	918	968	1,008	1,039	1,072

Key Ratios

	2020	2021	2022P	2023P	2024P
P/E	9.6	9.0	10.3	10.0	9.7
P/BV	1.6	1.5	1.4	1.4	1.4
P/S	3.6	3.6	3.8	3.9	4.0
EV/EBITDA	5.9	6.5	7.5	7.7	7.1
Dyield	6.9%	7.2%	7.8%	7.8%	8.1%

Dividend Discount Model (DDM)

	(PLN)	%
Stage I (2022-24)	4.72	16%
Stage II (2025-31)	11.72	40%
PV of terminal value	12.98	44%
Equity value per share	29.41	100%
CoE (%)	12.9%	
Target price	32.26	

DCF Summary

	(PLN m)
Terminal value	825
PV of terminal value	225
PV of FCF in ther forecast period	593
Net debt	-103
Equity investment	0
Equity value	921
Million shares outstanding (adj.)	42
Equity value per share	21.94
CoE (%)	12.9%
Target price	24.07

Valuation Summary

(PLN)	Weight	Value
DDM	50%	29.41
DCF	50%	21.94
	price	25.68
	9M target price	28.17

Scenario Analysis

scenario	TP	diff.
base	28.17	-
optimistic	33.83	+20.1%
pessimistic	25.01	-11.2%

XTB

accumulate (no change)

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We maintain our accumulate call for XTB.

Our main focus when it comes to XTB's results in 1Q'21 will be on KPIs regarding client acquisition and activity as these are key to our long-term investment case on the company. In our view, client acquisition on a mass scale will enable XTB to unlock value regardless of markets trends and market volatility that, in the near term, might have a profound effect on the company's profits.

When it comes to market volatility, it was fairly average in January and February but spiked in March, and that can bring different outcomes for profitability per lot in 1Q.

XTB has declared dividends of PLN 3.25 per share in 2023, which, combined with a planned share buyback in amount of PLN 188.7m, matches our assumptions on how much of the net profit for 2022 would be distributed to shareholders (although we did expect the distribution to be made all in in dividend form).

In the short term, XTB has the unique characteristic of being able to capitalize on increased market volatility, and the markets right now seem to be still in their turbulent phase, triggered by war, Fed pivot, worries about banking crisis, etc.

Current Price*	31.70 PLN	Upside
9M Target Price	35.75 PLN	+12.8%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	accumulate	35.75 PLN	2023-02-15

Key Metrics		XTB PW	vs. WIG
Ticker	XTB PW	1M Price Chng	-6.0% -4.6%
ISIN	PLXTRDM00011	YTD Price Chng	+2.2% +0.2%
Outst. Stock (m)	117.4	ADTV 1M	7.7 mln PLN
MC (PLN m)	3,721.1	ADTV 6M	6.9 mln PLN
EV (PLN m)	1,767.7	EV/EBITDA 12M fwd	3.3 +6.4%
Free Float	33.0%	EV/EBITDA 5Y avg	3.1 premium

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	623	1,444	1,524	1,454	1,288
EBITDA	286	898	850	692	460
EBITDA margin	45.8%	62.2%	55.8%	47.6%	35.7%
EBIT	277	886	835	674	439
Net income	238	766	745	615	414
P/E	15.6	4.9	5.0	6.1	9.0
P/B	4.1	2.5	2.2	2.1	2.2
EV/EBITDA	8.9	2.4	2.1	2.2	3.1
DPS	1.66	1.50	4.89	4.76	3.93
DYield	5.2%	4.7%	15.4%	15.0%	12.4%
Forecast Update (% change)			2023P	2024P	2025P
Revenue			0.0%	0.0%	0.0%
EBIT			0.0%	0.0%	0.0%
EBITDA			0.0%	0.0%	0.0%
Net income			0.0%	0.0%	0.0%

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
revenues	623	1,444	1,524	1,454	1,288
operating costs	-349	-559	-690	-780	-849
EBIT	277	886	835	674	439
EBITDA	286	898	850	691	459
financial income (cost)	14	50	75	77	67
others	-	-	-	-	-
pre-tax profit	290	935	909	751	506
income tax	-53	-170	-165	-136	-92
net profit	238	766	745	615	414

Key Ratios

	2021	2022	2023P	2024P	2025P
P/E	15.6	4.9	5.0	6.1	9.0
P/BV	4.1	2.5	2.2	2.1	2.2
ROE	26%	63%	47%	36%	24%
EV/EBITDA	8.9	2.4	2.1	2.2	3.1
DYield	5.2%	4.7%	15.4%	15.0%	12.4%

Dividend Discount Model (DDM)

(PLN)	PLN	%
stage I (2023-25)	11.79	40%
stage II (2026-32)	7.33	25%
PV of terminal value	10.16	35%
Equity value per share	29.27	100%
CoE (%)	9.7%	
Target price	32.12	

DCF Summary

(PLN m)	wartość
Terminal value	2,938
PV of terminal value	829
PV of FCF in ther forecast period	1,755
Net debt	-1,550
Equity investment	542
Equity value	3,592
Million shares outstanding (adj.)	117
Equity value per share	30.60
CoE (%)	9.7%
Target price	33.59

Valuation Summary

(PLN)	waga	wycena
DCF	33%	33.59
DDM	33%	32.12
multiples	33%	41.53
9M target price		35.75

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Total assets	3,148	4,328	5,383	6,218	6,847
own cash	589	1,225	1,588	1,817	1,921
client's cash	1,787	2,015	2,704	3,312	3,843
other assets	2,557	4,325	5,379	6,213	6,841
liabilities and equity	3,148	4,328	5,383	6,218	6,847
liabilities due clients	2,010	2,583	3,467	4,247	4,927
other liabilities	222	239	239	238	234
equity	916	1,506	1,677	1,733	1,686

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
min	8.6	8.4	7.9	4.3	3.6	3.6
max	12.6	10.7	8.8	8.2	6.8	3.6
median	9.7	8.8	8.4	4.7	4.1	3.6
EV pershare	41.53					

Oil & Gas

MOL

buy (reiterated)

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Head of research,

MOL has outperformed its European oil&gas/refining/integrated peers by trading flat despite falling hydrocarbon prices. Dividend expectations probably helped the share price (an official declaration is expected soon).

Falling gas and crude prices have prompted downward revisions to our 2023-25 medium-term EBITDA forecasts for MOL (the long-term assumptions look conservative vs. current forward curves) by 10% on average (to slightly more conservative levels than the market consensus). We do see upside risk in Downstream (an extended tight market with elevated crack spreads, higher throughput and wholesale margins) and Consumer Services (price caps lifted, strong non-fuel contribution). We still assume that the tax on the Brent-Ural spread will be abolished in 2025 (and drop to \$1.5/bbl as a result). We have factored in recent Hungarian tax changes (revenue tax instead of decreasing government take on U/B spread and royalties) but this should be rather neutral.

After these adjustments plus an updated forward RFR curve and peer multiples, in the end our target price for MOL has changed only slightly to HUF 4,048, with a reiterated buy recommendation.

MOL's expected FCF/EV over the next 3 years exceeds 30% on average, which with low debt (0.3x ND/CCS EBITDA) allows for M&As and/or dividend hikes (we eye DYield above 13%). The average sector-weighted EV/EBITDA 2023 ratio for the peer group is ~5.0x while MOL is currently valued at ~2.0x. We expect Q1'23 results (May 12) to be a positive short term catalyst.

Financial Highlights

(HUF bn)	2021	2022	2023P	2024P	2025P
LIFO EBITDA (adj.)	1,072	1,778	1,256	1,252	1,052
Upstream (US)	474	827	504	482	445
Downstream (DS)	203	782	541	493	304
Petchem	247	67	65	121	140
Retail	183	121	179	205	212
Gas Midstream	41	61	51	41	41
General expenses	-76	-80	-84	-89	-90
EV/LIFO EBITDA (adj.)	2.8	1.6	2.1	1.8	1.6
LIFO effect	50	-44	-33	-32	-24
Other one-offs	-2	0	0	0	0
Financing activity	-21	-104	6	10	12
\$ LIFO EBITDA/bbl, DS	5.4	17.4	11.8	11.5	7.6
EBITDA/boe, US	42.3	73.4	46.3	47.6	49.9
Ref. thrghpt, mmt	17.0	16.4	17.0	17.0	17.0
Upstr output, mboepd	110.3	92.1	90.6	89.7	85.8

DCF Analysis (ex. Upstream)

(HUF bn)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Brent	85	80	75	70	60	60	60	60	60	60	60
Margin+Urals/Brent	30.5	28.2	8.0	6.3	5.6	5.6	5.6	5.6	5.6	5.6	5.6
USD/HUF	367	345	320	310	310	310	310	310	310	310	310
Revenue	7,561	7,149	6,700	6,440	6,105	6,254	6,407	6,565	6,711	6,859	6,859
EBITDA	719	738	582	537	563	576	578	578	577	571	571
EBITDA margin	9.5%	10.3%	8.7%	8.3%	9.2%	9.2%	9.0%	8.8%	8.6%	8.3%	8.3%
EBIT	450	457	296	242	283	292	288	279	273	261	276
Tax	140	133	56	46	54	55	55	53	52	50	52
CAPEX	-435	-326	-312	-313	-314	-316	-318	-320	-296	-295	-295
Working capital	142	41	356	19	24	-6	-7	-7	-6	-6	0
FCF	286	320	569	196	220	200	199	198	223	220	224
PV FCF	247	234	353	104	101	79	68	58	56	48	
WACC	21.4%	18.0%	18.0%	17.2%	15.6%	15.8%	16.3%	16.3%	16.3%	16.3%	13.3%
Risk-free rate	12.6%	9.2%	9.2%	8.4%	6.8%	7.0%	7.5%	7.5%	7.5%	7.5%	4.5%

2,564 HUF

Upside

Current Price*

9M Target Price

4,048 HUF

+57.9%

*Price as of March 31, 2023, 5:00 PM

		rating	target price	issued
new	buy		4,048 HUF	2023-04-03
old	buy		4,046 HUF	2022-12-01
Key Metrics			MOL HB	vs. WIG
Ticker	MOL HB	1M Price Chng	-4.0%	-2.6%
ISIN	HU0000153937	YTD Price Chng	-1.5%	-3.5%
Outst. Stock (m)	779.3	ADTV 1M		HUF 1,516.5m
MC (HUF m)	1,998,197.8	ADTV 6M		HUF 1,339.4m
EV (HUF m)	2,601,349.4	EV/EBITDA 12M fwd	2.3	-39.7%
Free Float	53.5%	EV/EBITDA 5Y avg	3.7	discount

Earnings Projections

(HUF bn)	2021	2022	2023P	2024P	2025P
Revenue	5,992	9,912	8,398	7,959	7,329
EBITDA	1,120	1,732	1,222	1,220	1,028
EBITDA margin	18.7%	17.5%	14.6%	15.3%	14.0%
EBIT	613	1,259	742	729	542
Net income	526	628	465	493	414
P/E	3.8	3.2	4.3	4.1	4.8
P/B	0.7	0.5	0.5	0.5	0.5
EV/EBITDA	2.7	1.7	2.1	1.9	1.7
DPS	95.02	302.62	350.00	350.00	350.00
DYield	3.7%	11.8%	13.7%	13.7%	13.7%
Forecast Update (% change)			2023P	2024P	2025P
CCS EBITDA			-15.3%	-13.3%	-3.0%
Net income			-28.1%	-24.8%	-9.5%
Margin+Urals/Brent price differ. (\$/b)			+1.9%	0.0%	0.0%
Petchem margin (\$/t)			+0.9%	-13.7%	-10.0%
Price of Brent crude (\$/bbl)			-5.6%	0.0%	0.0%

Key Balance Sheet Figures

(HUF bn)	2021	2022	2023P	2024P	2025P
Operating cash flow	918	1,389	1,150	1,065	1,278
OCF/EBITDA LIFO adj.	86%	78%	92%	85%	121%
CAPEX	500	616	570	446	418
Working capital	609	927	785	744	388
Equity	2,757	3,633	3,826	4,046	4,187
Net debt	684	517	155	-202	-800
Net debt/EBITDA (x)	0.6	0.3	0.1	-0.2	-0.8

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	1.8	1.9	2.3	0.4	0.4	1.3
Maximum	27.7	489.9	57.1	14.9	12.9	11.6
Median	7.8	7.6	7.2	5.1	4.8	4.9
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(HUF bn)	
Beta	1.1
FCF perp. growth rate	2.0%
PV FCF	1,776
Net debt & adjustments	288
Upstream Valuation	857
Value per share (HUF)	3,009

Valuation Summary

(HUF)	Weight	Price
Relative Val.	20%	5,467
DCF Val.	80%	3,009
Implied Price		3,501
Cost of equity (9M)		15.6%
9M Target Price		4,048

PKN Orlen buy (reiterated)

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Head of research

We hoped PKN's strategy update would serve as an inflection point for the stock but the effect was sadly short-lived despite dividend guidance above and beyond even the most optimistic expectations. High capex (even if it is in line with sector trends and focuses on transformation) with a limited project pipeline spoils the picture a little bit, but it was not what put a damper on the share price. The problem seems to be regulatory risk stemming from the never-ending windfall tax musings, made worse by suggestions that the profit for 2022 might be taxed as well. That would probably affect PKN's plans to pay extraordinary PLN 5.5/share dividend (a final dividend declaration is expected at the end of April).

PKN has underperformed its peers YTD even though, despite upstream's relatively high share in EBITDA, the 2023 earnings prospects are not too badly affected by downward-trending natural gas prices due to inter-segment settlements. We also see upside risk to our expectations for downstream and LNG trading (conservative approach to arbitration margin hedging assumptions).

After updates incl. RFR and peer multiples, we raise our target price for PKN to **PLN 88.14** with a reiterated buy recommendation. Expected FCF/EV'23-25 yields amount to ~20% on average, which with low debt (PLN 7.9bn incl. PLN 10.1bn leases and PLN 8.8bn locked in security deposits at end 2022) leaves a lot of space for dividends and interesting M&As despite high capex guidance.

The average EV/EBITDA 2023 ratio weighted by sector for the peer group is 5.0x compared to PKN's current 1.5x.

Current Price*	58.24 PLN	Upside
9M Target Price	88.14 PLN	+51.3%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	88.14 PLN	2023-04-03
old	buy	87.57 PLN	2022-12-01

Key Metrics		PKN PW	vs. WIG
Ticker	PKN PW	1M Price Chng	-10.6%
ISIN	PLPKN0000018	YTD Price Chng	-9.3%
Outst. Stock (m)	1,160.9	ADTV 1M	PLN 132.2m
MC (PLN m)	67,613.3	ADTV 6M	PLN 141.2m
EV (PLN m)	67,057.1	EV/EBITDA 12M fwd	2.0
Free Float	50.0%	EV/EBITDA 5Y avg	4.3

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	131,341	278,509	316,311	278,436	252,540
EBITDA	19,211	50,455	48,443	33,897	42,799
EBITDA margin	14.6%	18.1%	15.3%	12.2%	16.9%
EBIT	13,870	43,561	33,759	18,214	25,402
Net income	11,122	35,331	23,426	10,321	17,460
P/E	2.2	1.9	2.9	6.6	3.9
P/B	0.5	0.5	0.4	0.4	0.4
EV/EBITDA	2.3	1.5	1.4	2.0	1.3
DPS	3.50	2.39	5.50	4.00	4.25
DYield	6.0%	4.1%	9.4%	6.9%	7.3%

Forecast Update (% change)	2023P	2024P	2025P
LIFO EBITDA	+15.2%	-4.7%	+3.3%
Margin+Urals/Brent price differ. (\$/b)	+4.8%	+3.9%	0.0%
Petchem margin (\$/t)	+2.8%	-3.0%	-1.0%
Natural gas TTF (EUR/MWh)	-46.2%	-41.7%	-37.5%
USD/PLN	-0.1%	-5.6%	0.0%

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
LIFO EBITDA (adj.)	10,410	43,658	50,134	35,186	43,008
Downstream (DS.)	5,129	31,401	13,700	7,354	8,273
Upstream (UP)	389	7,727	8,741	11,909	16,769
Electricity	2,864	5,162	4,399	4,450	4,468
Gas distribution	0	0	2,941	3,639	4,036
Gas trading	0	-2,241	18,939	6,224	7,747
Retail	2,882	2,803	2,945	3,186	3,305
EV/LIFO EBITDA (adj.)	4.1	1.7	1.3	1.9	1.3
LIFO effect	4,246	1,769	-1,691	-1,289	-209
Other one-offs	4,555	5,028	0	0	0
Financing activity	-179	-564	1,696	910	1,363
\$ LIFO EBITDA/bbl, DS	2.8	27.7	12.6	8.0	7.1
PLN EBITDA/tonne, Retail	321	300	299	316	321
\$ LIFO EBITDA/bbl, UP	17.3	74.0	32.1	63.3	82.6
Upstream output kboe/d	16	64	175	138	148

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Operating cash flow	13,295	32,904	41,794	27,114	34,000
OCF/EBITDA LIFO adj.	128%	75%	83%	77%	79%
CAPEX	11,225	20,133	27,608	25,007	19,144
Working capital	13,640	40,980	33,795	29,935	27,616
Equity	51,707	137,863	154,918	160,609	173,149
Net debt	17,830	7,944	-1,552	75	-11,210
Net debt/EBITDA (x)	0.9	0.2	0.0	0.0	-0.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	1.8	1.9	2.3	0.4	0.4	1.3
Maximum	27.7	489.9	57.1	14.9	12.9	11.6
Median	8.3	7.8	7.4	5.0	4.7	4.7
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Margin+Urals/Brent	30.3	28.1	7.9	6.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Petchem margin	307	365	403	417	413	413	413	413	413	413	413.3
USD/PLN	4.26	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Revenue	316,311	278,436	252,540	228,479	201,286	197,104	197,229	198,883	200,936	204,227	204,227
EBITDA	46,624	32,042	40,972	41,522	29,448	27,983	27,732	27,625	27,635	27,983	27,983
EBITDA margin	14.7%	11.5%	16.2%	18.2%	14.6%	14.2%	14.1%	13.9%	13.8%	13.7%	13.7%
EBIT	33,759	18,214	25,402	25,853	13,915	12,591	12,382	12,069	11,858	12,670	10,575
Tax	12,015	8,789	9,291	8,012	4,267	3,412	3,287	3,210	3,254	3,443	2,902
CAPEX	-27,608	-25,007	-19,144	-18,102	-18,026	-17,561	-17,288	-17,328	-17,360	-17,408	-17,408
Working capital	7,185	3,860	2,319	4,020	2,714	830	-185	-143	-180	-349	0
FCF	14,186	2,107	14,856	19,428	9,869	7,840	6,972	6,943	6,841	6,782	7,673
PV FCF	13,032	1,721	10,785	12,523	5,650	3,984	3,151	2,793	2,448	2,152	
WACC	12.0%	12.4%	12.5%	12.6%	12.6%	12.7%	12.4%	12.4%	12.4%	12.8%	10.5%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	86,885
Net debt	7,944
Other adjustments	-996
Value per share (PLN)	64.88

Valuation Summary

(PLN)	Weight	Price
Relative Val.	20%	145.54
DCF Val.	80%	64.88
Implied Price		81.02
Cost of equity (9M)		9.5%
9M Target Price		88.14

Power Utilities

CEZ

hold (reiterated)

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Head of research

Our 2023-25 EBITDA and net profit forecasts for CEZ have undergone extensive revisions to reflect 1) a much smaller-than-expected impact of price regulation (the final methodology applied was different than we assumed in December: the price caps affect annually aggregated revenues from particular technologies, not from particular contracts) and its abolishment from 2024; 2) a lower tax base for solidarity tax (PBT adjusted for impairments); and 3) higher lignite selling prices in the mining segment. As a result, the expected 2023 EBITDA is now close to the upper range of the company's official guidance.

We have also raised our capex assumptions but they remain well below the current guidance as we prefer to wait for more details regarding RES projects/targets for 2023-25. We treat this as a source of upside potential as company guided up to 1.5 GW new capacities by 2025.

After revisions also to mid-term power price expectations, the risk-free rate forward curve, and peer multiples, we raise our target price for CEZ by ~14% to CZK 976.68, keeping our hold recommendation unchanged.

CEZ's P/E'23-25 multiples (a more meaningful metric now than EV/EBITDA due to many different taxes imposed on European utilities) imply a 16% premium to peers which we find reasonable due to a more attractive dividend yield and a better FCF profile (FCF/EV ~9%).

Financial Highlights

(CZK m)	2021	2022	2023P	2024P	2025P
EBITDA (adj.)	63,525	131,820	119,902	150,606	142,089
EBITDA	63,525	131,820	119,902	150,606	142,089
Generation	33,686	103,481	87,196	118,229	111,422
Mining	4,508	6,212	9,108	6,891	2,874
Distribution	19,927	18,074	18,782	19,419	20,017
Trade	5,441	4,408	5,423	6,674	8,383
Other	-37	-355	-607	-607	-607
Financing activity	-2,672	-2,304	-5,743	-5,043	-6,612
Power output, TWh	56.0	54.3	54.7	52.5	51.3
Renewables	4.2	3.3	3.4	3.5	3.6
Trade volume, TWh	26.8	22.5	22.6	22.7	22.8
YoY pct. change	-19.3%	-16.3%	0.5%	0.5%	0.5%
Trade mrgn (CZK/MWh)	202.8	196.2	240.1	294.0	367.5
RAV (CZK bn)	136.0	138.0	148.8	158.6	167.7
RAV return (EBIT)	9.0%	8.3%	7.8%	7.4%	7.0%

DCF Analysis

(CZK m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Power (EUR/MWh)	161.9	138.5	111.8	97.0	86.0	75.5	73.0	70.6	71.4	71.4	71.4
EUR/CZK	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
CO2 (EUR/t)	85.3	87.0	88.7	90.5	92.3	94.2	96.1	98.0	100.0	100.0	100.0
Revenue	303,127	340,866	331,466	294,254	274,909	262,598	253,026	254,966	258,025	266,042	266,042
EBITDA	123,907	154,710	146,296	117,247	101,581	89,853	79,597	77,622	75,805	77,299	77,299
EBITDA margin	40.9%	45.4%	44.1%	39.8%	37.0%	34.2%	31.5%	30.4%	29.4%	29.1%	29.1%
EBIT	86,648	117,633	109,871	80,495	65,939	53,758	42,842	40,027	37,216	37,579	34,261
Tax	43,076	69,437	64,476	14,183	11,472	9,081	6,915	6,286	5,665	5,667	6,510
CAPEX	-39,288	-40,488	-40,733	-40,353	-40,647	-41,332	-41,976	-42,549	-43,038	-43,429	-43,038
Working capital	29,625	51,867	10,636	10,819	5,665	1,443	1,122	-227	-358	-939	0
FCF	71,168	96,653	51,724	73,530	55,127	40,882	31,828	28,559	26,744	27,263	27,751
PV FCF	67,587	85,082	42,462	55,475	38,427	26,340	18,928	15,735	13,718	12,944	0
WACC	7.1%	7.9%	7.2%	8.8%	8.2%	8.2%	8.3%	7.9%	7.4%	8.0%	6.7%
Risk-free rate	5.5%	5.6%	4.6%	5.1%	4.7%	4.8%	5.1%	4.7%	4.2%	4.9%	3.5%

1,051.00 CZK

Downside

Current Price*

9M Target Price

976.68 CZK

-7.1%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	hold	976.68 CZK	2023-04-03
old	hold	859.01 CZK	2023-02-01
Key Metrics		CEZ CP	vs. WIG
Ticker	CEZ CP	1M Price Chng	0.0%
ISIN	CZ0005112300	YTD Price Chng	+36.5%
Outst. Stock (m)	538.0	ADTV 1M	CZK 299.2m
MC (CZK bn)	565.4	ADTV 6M	CZK 275.6m
EV (CZK bn)	729.6	EV/EBITDA 12M fwd	5.7
Free Float	30.2%	EV/EBITDA 5Y avg	7.4

Earnings Projections

(CZK m)	2021	2022	2023P	2024P	2025P
Revenue	227,793	288,485	303,127	340,866	331,466
EBITDA	63,525	131,820	119,902	150,606	142,089
EBITDA margin	27.9%	45.7%	39.6%	44.2%	42.9%
EBIT	16,098	101,927	86,648	117,633	109,871
Net income	9,791	80,786	37,867	43,196	38,822
P/E	57.7	7.0	14.9	13.1	14.6
P/B	3.5	2.2	2.4	2.3	2.3
EV/EBITDA	10.7	5.6	6.1	4.4	4.6
DPS	51.70	47.63	116.58	56.31	64.23
DYield	4.9%	4.5%	11.1%	5.4%	6.1%
Forecast Update (% change)		2023P	2024P	2025P	
EBITDA		+53.5%	+89.1%	+112.7%	
Net income		+119.9%	+140.1%	+153.8%	
Price of electricity (EUR/MWh)		-27.0%	-16.7%	-1.9%	
EUR/CZK		-4.0%	-4.0%	-4.0%	
CO2 (EUR/t)		+4.0%	+3.5%	+3.0%	

Key Balance Sheet Figures

(CZK m)	2021	2022	2023P	2024P	2025P
Operating cash flow	59,156	5,092	109,413	136,064	91,430
OCF/EBITDA	93%	4%	91%	90%	64%
CAPEX	32,226	33,948	39,288	40,488	40,733
Working capital	562,718	386,483	328,816	265,637	217,828
Equity	161,098	258,886	234,033	246,936	251,201
Net debt	111,250	165,537	162,794	101,434	90,840
Net debt/EBITDA (x)	1.8	1.3	1.4	0.7	0.6

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	8.8	8.1	7.8	5.5	5.2	5.4
Maximum	19.2	18.3	17.4	9.5	9.4	8.8
Median	12.1	11.2	11.5	7.6	7.1	6.9
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(CZK m)	
Beta	1.0
FCF perp. growth rate	1.5%
PV FCF	629,027
Net debt	128,928
Other adjustments	-117,997
Value per share (CZK)	710.24

Valuation Summary

(CZK)	Weight	Price
Relative (Earnings)	35%	1122.46
Relative (DYield)	15%	1001.68
DCF	50%	710.24
Cost of equity (9M)		7.4%
9M Target Price		976.68

Enea suspended (reiterated)

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Head of research

Based on worse-than-expected Q4 results from conventional generation, after updating our price assumptions (especially Polish coal prices affecting the profits of LWB) and applying higher regulated WACC in distribution, we have cut our 2023-25 EBITDA forecasts for Enea by 15% on average. We continue to assume that power price caps will stay in place until 2025 and include no windfall taxation on mining. The new 2023 EBITDA estimate (with a PLN 2.5bn contribution from Bogdanka) remains well above the 2022 figure and the current consensus. Our updated capex assumptions are below Enea's bullish guidance of PLN 4.1bn (PLN 2.6bn realized in 2022 vs PLN 3.2bn budgeted) due to the historical track record and not enough details about the projects.

The main driver of ENA's share price in the coming months will not be earnings but a divestment of the LW Bogdanka coal mine (with a market value of PLN 0.8bn and book value of PLN >2bn/1.5bn on group/standalone books) and carve-out of coal assets (NAV of generation assets at end-2022 was PLN 5.5bn). The carve-out, assuming it happens, will not necessarily trigger a re-rating of the whole power sector (dividends and investment profile will probably not be addressed), but in case of Enea asset divestment could bring proceeds just short of the CO₂-adjusted 2022 Enterprise Value (PLN 8.5bn). If so, the new entity established after the carve-out would be listed at the relatively lowest EV/EBITDA ratio with a business profile relatively close to the new "version" of PGE or Tauron.

Our investment recommendations for Enea remain suspended.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
EBITDA (adj.)	3,769	2,652	5,485	5,028	5,168
EBITDA	3,543	2,220	5,485	5,028	5,168
Generation	1,602	310	1,295	1,384	1,440
Mining	821	611	2,509	1,539	1,523
Distribution	1,393	1,329	1,452	1,876	1,978
Trade	-242	-76	230	232	235
Other	-32	46	-1	-4	-7
Financing activity	204	-303	-98	-18	61
Power output, TWh	26.4	26.2	24.4	23.8	23.8
Renewables	2.4	1.9	2.0	2.0	2.0
Trade volume, TWh	22.9	22.8	23.0	23.2	23.5
YoY pct. change	16.0%	-0.7%	1.0%	1.0%	1.0%
Trade mrgn (PLN/MWh)	-2.3	15.8	10.0	10.0	10.0
RAV (PLN bn)	9.3	10.0	10.7	11.6	12.4
RAV return (EBIT)	7.8%	6.2%	6.6%	9.4%	9.3%

Current Price*

6.32 PLN

9M Target Price

-

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	suspended		2023-04-03
old	suspended		2022-12-01
Key Metrics			ENA PW vs. WIG
Ticker	ENA PW	1M Price Chng	+0.3% +1.8%
ISIN	PLENEA000013	YTD Price Chng	+5.3% +3.3%
Outst. Stock (m)	529.7	ADTV 1M	PLN 5.0m
MC (PLN m)	3,347.9	ADTV 6M	PLN 4.8m
EV (PLN m)	7,026.5	EV/EBITDA 12M fwd	2.7 -14.3%
Free Float	48.5%	EV/EBITDA 5Y avg	3.2 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	21,289	30,118	70,640	54,386	45,999
EBITDA	3,543	2,220	5,485	5,028	5,168
EBITDA margin	16.6%	7.4%	7.8%	9.2%	11.2%
EBIT	1,973	578	3,761	3,235	3,364
Net income	1,691	45	2,366	2,291	2,467
P/E	1.6	73.9	1.4	1.5	1.4
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	1.9	3.7	1.3	1.0	0.8
DPS	0.00	0.00	0.00	0.00	2.16
DYield	0.0%	0.0%	0.0%	0.0%	34.2%
Forecast Update (% change)			2023P	2024P	2025P
EBITDA			-10.0%	-21.1%	-13.6%
Net income			-14.3%	-24.1%	-14.4%
Price of electricity (PLN/MWh)			+11.0%	+0.1%	+13.8%
Price of coal (PLN/t)			-0.9%	-31.2%	-23.3%
Price of CO ₂ allowance (EUR/t)			+4.0%	+3.5%	+3.0%

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Operating cash flow	5,510	1,226	4,876	5,438	5,101
OCF/EBITDA	156%	55%	89%	108%	99%
CAPEX	1,925	2,587	2,938	2,902	2,685
Working capital	-11	2,075	3,957	3,047	2,577
Equity	14,026	14,875	17,142	19,334	20,557
Net debt	2,659	3,548	1,806	-614	-1,847
Net debt/EBITDA (x)	0.8	1.6	0.3	-0.1	-0.4

PGE suspended (reiterated)

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Head of research

Based on worse-than-expected Q4 results from conventional generation, after factoring in updated forward price assumptions, the acquisition of PKP Energetyka, and higher regulated WACC, we have cut our 2023-25 EBITDA estimates for PGE by 11% on average. We continue to assume that power price caps will stay in place until 2025. The expected trends in segmental results are broadly in line with PGE's guidance except for generation, where we find it hard to predict yoy deterioration due to margin regulation and a very low comparable base. Please note our assumption that the intersegment portfolio management fee paid to the trading division will not rise in line with market prices and will be adjusted for price caps.

The main driver of PGE's share price in the coming months will not be earnings, but progress in the coal assets carve-out (generation NAV at end-2022 was PLN 10.5bn). In our view however, the carve-out, if it happens, will not necessarily lead to a re-rating of PGE because it does nothing to change the current investment profile. PGE's dividend policy is not likely to change (negative FCF's until 2030) and there is risk related to core trading EBITDA going forward. Moreover, recent comments by the CEO about a nuclear power plant project (no state support needed, internal PPAs securing the financing) suggest the company may be seeking to replace one structural risk (coal) with another (a long-term project with huge commodity/ESG risk built-in).

PGE's CO₂ liabilities-adjusted EV/EBITDA'22 is about 3.5x – not a very appealing multiple given the absence of a compelling new equity story.

Our investment recommendations for PGE remain suspended.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
EBITDA (adj)	8,151	7,098	7,182	7,887	9,084
Conventional generation	2,613	618	1,144	886	911
District heating	844	33	-417	327	1,131
Renewables	1,013	1,796	860	882	1,131
Distribution	2,746	2,836	3,179	3,232	3,457
Trade	905	1,950	1,668	1,579	1,460
Other	30	-135	748	981	993
Financing activity	-252	-189	-220	-417	-483
Power output, TWh	69.0	66.2	62.5	67.0	67.9
Renewables	3.0	3.2	3.1	3.3	4.2
Trade volume, TWh	37.3	34.2	34.5	34.8	35.0
YoY pct. change	-8.2%	-8.4%	0.8%	0.8%	0.8%
Trade mrgn (PLN/MWh)	22.2	59.7	48.4	45.4	41.7
RAV (PLN bn)	18.9	19.6	19.8	21.0	22.3
RAV return (EBIT)	8.2%	8.2%	10.1%	9.4%	9.4%

Current Price*

6.28 PLN

9M Target Price

-

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	suspended		2023-04-03
old	suspended		2022-12-01
Key Metrics			PGE PW vs. WIG
Ticker	PGE PW	1M Price Chng	-2.6% -1.2%
ISIN	PLPGER000010	YTD Price Chng	-8.8% -10.8%
Outst. Stock (m)	2,243.7	ADTV 1M	PLN 13.7m
MC (PLN m)	14,081.7	ADTV 6M	PLN 17.7m
EV (PLN m)	20,712.5	EV/EBITDA 12M fwd	4.2 +12.6%
Free Float	39.0%	EV/EBITDA 5Y avg	3.7 premium

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	52,772	73,435	148,133	133,805	113,166
EBITDA	9,535	8,661	7,182	7,887	9,084
EBITDA margin	18.1%	11.8%	4.8%	5.9%	8.0%
EBIT	5,123	4,299	2,854	3,243	4,136
Net income	3,972	3,328	2,134	2,289	2,959
P/E	3.0	4.2	6.6	6.2	4.8
P/B	0.2	0.3	0.3	0.3	0.2
EV/EBITDA	1.7	1.4	2.9	2.9	2.6
DPS	0.00	0.00	0.74	0.57	0.61
DYield	0.0%	0.0%	11.8%	9.1%	9.8%
Forecast Update (% change)			2023P	2024P	2025P
EBITDA			-5.1%	-14.7%	-8.2%
Net income			-23.8%	-42.9%	-34.0%
Price of electricity (PLN/MWh)			+11.0%	+0.1%	+13.6%
Price of coal (PLN/t)			-0.9%	-31.2%	-23.3%
Price of CO ₂ allowance (EUR/t)			+4.0%	+3.5%	+3.0%

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Operating cash flow	7,439	11,609	6,376	7,885	9,232
OCF/EBITDA	91%	164%	89%	100%	102%
CAPEX	4,682	6,661	7,285	8,560	8,204
Working capital	8,308	10,897	15,119	15,046	13,356
Equity	47,494	53,538	54,008	55,017	56,603
Net debt	4,093	-2,951	5,786	8,158	8,987
Net debt/EBITDA (x)	0.4	-0.3	0.8	1.0	1.0

Polenergia buy (upgraded)

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Head of research

Polenergia shares have underperformed the WIG index by ~10 ppts ytd, mirroring the negative trends visible in European RES peers (wind companies index -8% ytd, solar -18%, RES blended index -11%). In addition performance has been affected by an announcement of a capital raise in late February (rights as of Sep 14): Polenergia is planning to issue up to 24 million shares and raise PLN 500-750m. These proceeds seem to be needed mainly to enter the next stage in offshore project development (with PLN 350m capex planned here in 2023), whereas, in our models for PEP, we include this investment only at a book value adjusted for next 12M capex.

Polenergia surprises on the upside with its Q4'22 results, especially in the trading segment, which reassured us that 2023 might bring a significant rebound in profitability in this area. Nevertheless, we decided to cut our 2023 trading EBITDA forecast by 16% to reflect the volatility of the pro-trading component (PLN 13m in 2022). At the same time, we have raised expectations for Onshore Wind after a change in regulatory environment vs. our assumptions from December (price cap adjusted by premium for fixed costs/capital costs). Polenergia in its Q4'22 report mentioned some contracting strategy changes in order to better reflect market prices, which is potential upside to our estimates (lower share of hedged volumes). As a reminder, our base case assumes an extension of price regulations until 2025.

Taking into account updated forecasts, a downward shift in the forward RFR curve, and current peer valuations, we raise our target price for PEP 13% to PLN 99.03 and we upgrade our call two notches from hold to buy.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
EBITDA (adj.)	361	354	579	699	755
Onshore	203	343	518	589	628
PV	1	13	13	28	43
Gas CHP	136	6	20	36	27
Distribution	18	27	19	28	33
Trading	23	-5	38	48	53
Other	-19	-29	-29	-29	-29
Financing activity	186	-37	-38	-47	-39
Power output, TWh	0.96	1.10	1.75	2.44	2.64
Onshore	0.75	1.02	1.37	1.57	1.71
PV	0.01	0.04	0.05	0.11	0.17
Gas CHP	0.21	0.03	0.33	0.76	0.76
Onshore capacity (MW)	268	365	464	529	574
PV capacity (MW)	8	36	46	96	146
RAB (PLN m)	118	132	147	161	174

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Power (PLN/MWh)	1110.0	815.2	663.2	512.1	461.9	441.9	411.1	396.4	392.0	395.7	395.7
Green certificate	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	201.0	201.0
CO2 (EUR/t)	85.3	87.0	88.7	90.5	92.3	94.2	96.1	98.0	100.0	100.0	100.0
Revenue	7,921	6,834	5,777	5,402	5,022	4,816	4,615	4,537	4,604	4,754	4,754
EBITDA	579	699	755	1,155	1,041	1,013	974	934	971	1,032	1,032
EBITDA margin	7.3%	10.2%	13.1%	21.4%	20.7%	21.0%	21.1%	20.6%	21.1%	21.7%	21.7%
EBIT	435	537	580	971	844	803	751	698	722	748	623
Tax	83	102	110	184	160	153	143	133	137	142	118
CAPEX	-866	-429	-410	-410	-410	-410	-410	-410	-410	-425	-410
Working capital	-35	46	45	16	16	9	9	3	-3	-6	0
FCF	-405	214	280	577	487	459	430	395	421	459	504
PV FCF	-377	180	213	397	303	258	218	182	175	173	
WACC	10.0%	10.5%	10.6%	10.7%	10.7%	10.7%	10.5%	10.4%	10.5%	10.8%	8.7%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

Current Price* 78.30 PLN **Upside**
9M Target Price 99.03 PLN **+26.5%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	99.03 PLN	2023-04-03
old	hold	87.29 PLN	2022-12-01
Key Metrics		PEP PW	vs. WIG
Ticker	PEP PW	1M Price Chng	+2.0% +3.4%
ISIN	PLPLSEP00013	YTD Price Chng	-9.0% -10.9%
Outst. Stock (m)	66.9	ADTV 1M	PLN 0.2m
MC (PLN m)	5,235.9	ADTV 6M	PLN 0.3m
EV (PLN m)	6,496.1	EV/EBITDA 12M fwd	12.7 +19.6%
Free Float	25.3%	EV/EBITDA 5Y avg	10.6 premium

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	3,999	7,089	7,921	6,834	5,777
EBITDA	327	354	579	699	755
EBITDA margin	8.2%	5.0%	7.3%	10.2%	13.1%
EBIT	234	238	435	537	580
Net income	337	160	321	397	439
P/E	10.5	32.7	16.3	13.2	11.9
P/B	1.9	1.7	1.5	1.4	1.2
EV/EBITDA	14.7	17.1	11.2	9.0	8.0
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2022P	2023P	2024P	
EBITDA		+0.5%	+5.5%	+9.3%	
Net income		-2.0%	+2.5%	+7.4%	
Price of electricity (PLN/MWh)		+11.0%	+0.1%	+13.8%	
Price of green certificate (PLN/MWh)		+33.3%	+33.3%	+33.3%	
Price of CO2 allowance (EUR/t)		0.0%	+3.5%	+3.0%	

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Operating cash flow	145	246	468	652	697
OCF/EBITDA	40%	69%	81%	93%	92%
CAPEX	577	660	866	429	410
Working capital	34	300	336	290	245
Equity	1,857	3,083	3,404	3,802	4,240
Net debt	1,266	824	1,260	1,084	836
Net debt/EBITDA (x)	3.9	2.3	2.2	1.6	1.1

Relative Valuation Summary

	P/E			EV/EBITDA		
median	23P	24P	25P	23P	24P	25P
onshore	17.5	17.1	16.0	11.5	11.1	9.7
PV	27.2	22.9	22.0	13.0	12.4	12.2
conventional	12.7	12.1	11.7	7.4	6.6	6.3
weighted avg	17.0	16.6	15.6	11.1	10.6	9.5

DCF Summary

(PLN m)	
Beta	1.00
FCF perp. growth rate	3.5%
PV FCF	5,375
Net debt	824
Other adjustments	744
Value per share (PLN)	79.19

Valuation Summary

(PLN)	Weight	Price
Relative	50%	102.86
DCF	50%	79.19
average		91.03
Cost of equity (9M)		9.5%
9M Target Price		99.03

Tauron suspended (reiterated)

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Head of research

Tauron delivered better-than-expected Q4'22 results with a beat in trading profits that can be seen as a proxy for 2023 prospects, especially taking into account the flat EBITDA guidance for this area. We have raised our expectations for distribution EBITDA due to higher WACC. Note that the current price caps are affecting Tauron relatively less than others (low quality of assets = lower regulatory damage to profits). As a result, the total 2023 EBITDA estimate is revised 8% upwards.

Tauron's share price in the coming months will most likely be shaped by progress in the coal assets carve-out (generation NAC at end-2022 was PLN 5.5bn but this figure could be misleading because of huge value of unallocated liabilities of PLN 16bn in the segmental breakdown). In our view, the carve-out, even if it happens, will not necessarily lead to a re-rating of TPE since it does nothing to change the current investment profile: dividend policy changes are unlikely (negative FCF's until 2030) and the business profile will be dominated by distribution/trading (>80%).

CO₂ liabilities-adjusted EV/EBITDA'22 is 5.1x – the highest multiple among Polish state owned utilities. We definitely prefer Enea on relative terms. Even assuming the coal assets are priced on a book-value basis (PLN 5.5bn), Tauron's net debt would still be in the range of PLN 11-12bn, i.e. 2.9x post-NABE EBITDA, implying EV/EBITDA'23 at 3.7x.

Our investment recommendations for TPE remain suspended.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Clean EBITDA	3,788	3,530	4,619	4,943	5,317
Generation Conv.	1,375	-779	523	586	569
Mining	-130	801	0	0	0
Distribution	2,967	2,939	3,373	3,588	3,966
Trade	-524	594	474	481	488
Renewables	376	476	336	325	301
Others	88	-10	-87	-37	-8
Financing activity	-241	-986	-639	-572	-530
Power output, TWh	15.6	15.4	18.2	18.2	18.3
Renewables	1.7	1.6	1.7	1.7	1.8
Trade volume, TWh	33.4	31.1	31.6	32.1	32.6
YoY pct. change	3.0%	-6.8%	1.5%	1.5%	1.5%
Trade mrgn (PLN/MWh)	11.3	22.4	15.0	15.0	15.0
RAV (PLN bn)	19.0	20.5	21.4	22.1	22.9
RAV return (EBIT)	9.3%	8.2%	8.7%	9.2%	10.1%

Current Price*

1.93 PLN

9M Target Price

-

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	suspended		2023-04-03
old	suspended		2022-12-01
Key Metrics		TPE PW	vs. WIG
Ticker	TPE PW	1M Price Chng	-6.7% -5.3%
ISIN	PLTAURN00011	YTD Price Chng	-9.1% -11.1%
Outst. Stock (m)	1,752.5	ADTV 1M	PLN 9.1m
MC (PLN m)	3,377.2	ADTV 6M	PLN 9.0m
EV (PLN m)	16,133.7	EV/EBITDA 12M fwd	4.6 +1.0%
Free Float	59.6%	EV/EBITDA 5Y avg	4.6 premium

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	25,605	37,825	56,162	49,280	45,520
EBITDA	4,152	4,016	4,619	4,943	5,317
EBITDA margin	16.2%	10.6%	8.2%	10.0%	11.7%
EBIT	916	1,119	2,266	2,576	2,849
Net income	338	-134	1,318	1,623	1,877
P/E	10.0	-	2.6	2.1	1.8
P/B	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	4.0	4.5	3.5	3.1	2.7
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2023P	2024P	2025P	
EBITDA		+8.0%	+0.5%	+2.5%	
Net income		+2.2%	-11.7%	-6.8%	
Price of electricity (PLN/MWh)		+11.0%	+0.1%	+13.8%	
Price of coal (PLN/t)		-0.9%	-31.2%	-23.3%	
Price of CO ₂ allowance (EUR/t)		+4.0%	+3.5%	+3.0%	

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Operating cash flow	4,955	2,775	5,939	5,002	4,935
OCF/EBITDA	119%	69%	129%	101%	93%
CAPEX	3,255	3,879	3,214	3,652	3,403
Working capital	2,007	1,984	2,946	2,585	2,388
Equity	16,491	16,581	17,899	19,522	21,399
Net debt	13,336	14,809	12,724	11,946	10,945
Net debt/EBITDA (x)	2.4	2.9	2.1	1.8	1.5

Telecoms Cyfrowy Polsat

accumulate (no change)

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Equity Analyst, Expert

Cyfrowy Polsat published preliminary financial results for Q4'22 in line with expectations, showing an 8% reduction in adjusted EBITDA vs. Q4'21.

When it comes to Cyfrowy's TV business, it is hard to grow advertising revenues in a period of economic slowdown. In turn, the telco business is struggling with rising costs (energy, rents, salaries). And, in the area of energy investments, after the Ministry of Environment imposed a cap on energy prices for their producers and carved out maximum margins for trading companies, we expect pretty low financial results. All in all, a stabilization of financial results in 2023 is a rather optimistic scenario.

Sentiment towards CPS could be negatively affected by high debt (we estimate net debt/EBITDA'23 at around 3.9x) and the resulting deterioration in FCFE and dividend potential (we assume a dividend cut to zero from 2023). At the same time, we emphasize that Cyfrowy has a broad base of non-operating assets (treasury shares, ACP shares, Port of Prague shares) and room for deleveraging in the coming quarters (this is not our base case scenario).

We will update our outlook for Cyfrowy Polsat after the publication of the full 2022 results.

Current Price*	16.74 PLN	Upside
9M Target Price	20.10 PLN	+20.1%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	accumulate	20.10 PLN	2022-12-01

Key Metrics		CPS PW	vs. WIG
Ticker	CPS PW	1M Price Chng	-3.4%
ISIN	PLCFRPT00013	YTD Price Chng	-4.9%
Outst. Stock (m)	639.5	ADTV 1M	PLN 8.1m
MC (PLN m)	10,706.0	ADTV 6M	PLN 8.8m
EV (PLN m)	24,740.5	EV/EBITDA 12M fwd	6.8 +2.0%
Free Float	32.0%	EV/EBITDA 5Y avg	6.6 premium

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	12,444	12,894	13,340	13,886	15,034
EBITDA	7,700	3,461	3,474	3,665	4,188
EBITDA margin	61.9%	26.8%	26.0%	26.4%	27.9%
EBIT	5,796	1,643	1,680	1,934	2,532
Net income	4,415	775	719	904	1,412
P/E	2.4	13.8	14.9	11.8	7.6
P/B	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	2.4	6.4	7.1	7.0	6.0
DPS	1.20	1.20	0.00	0.00	0.00
DYield	7.2%	7.2%	0.0%	0.0%	0.0%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022P	2023P	2024P	2025P
ARPU's B2C	68.2	70.8	73.6	76.6	79.6
ARPU's RGOs prepaid	16.2	17.6	19.0	20.6	22.1
ARPU's B2B	1,390.3	1,399.8	1,399.8	1,399.8	1,399.8
Sales	12,444	12,894	13,340	13,886	15,034
YoY		3.6%	3.5%	4.1%	8.3%
EBIT	5,796	1,643	1,680	1,934	2,532
margin	46.6%	12.7%	12.6%	13.9%	16.8%
EBITDA	7,700	3,461	3,474	3,665	4,188
margin	61.9%	26.8%	26.0%	26.4%	27.9%
Financial costs, net	-179	-763	-864	-891	-860
Other	26	70	78	80	82
PBT	5,666	951	894	1,123	1,754
Tax	-1,252	-176	-174	-219	-342
Minorities	6	-14	0	0	0
Net income	4,415	775	719	904	1,412

Key Balance Sheet Figures

(PLN m)	2021	2022P	2023P	2024P	2025P
Operating cash flow	3,234	1,822	3,053	3,207	3,599
OCF/EBITDA	42%	53%	88%	88%	86%
CAPEX	-1,654	-2,591	-4,713	-2,994	-2,201
Assets	32,237	31,849	35,717	37,594	39,472
Equity	15,385	15,708	16,427	17,331	18,743
Net debt	7,807	10,793	13,508	14,376	14,027
Net debt/EBITDA	1.0	3.1	3.9	3.9	3.3

Relative Valuation Summary

	P/E			EV/EBITDA		
	22P	23P	24P	22P	23P	24P
Minimum	1.8	1.9	1.9	2.7	6.1	4.0
Maximum	9.4	10.9	11.9	23.4	111.0	24.7
Median	5.8	5.4	5.4	10.9	9.3	9.3
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	22P	23P	24P	25P	26P	27P	28P	29P	30P	31P	+
Revenue	12,894	13,340	13,886	15,034	15,267	15,506	15,788	16,043	16,316	16,587	16,753
EBITDA	3,461	3,474	3,665	4,188	4,179	4,219	4,298	4,368	4,459	4,554	4,600
EBITDA margin	26.8%	26.0%	26.4%	27.9%	27.4%	27.2%	27.2%	27.2%	27.3%	27.5%	27.5%
D&A	1,818	1,794	1,731	1,656	1,570	1,489	1,413	1,341	1,449	1,469	1,484
EBIT	1,643	1,680	1,934	2,532	2,609	2,730	2,885	3,027	3,010	3,085	3,116
Tax	312	319	367	481	496	519	548	575	572	586	592
NOPLAT	1,331	1,361	1,566	2,051	2,113	2,211	2,337	2,452	2,438	2,499	2,524
CAPEX	-2,591	-4,713	-2,994	-2,201	-2,249	-1,433	-1,458	-2,011	-1,504	-1,529	-1,544
Working capital	-691	-325	-318	-329	-334	-314	-315	-314	-313	-311	-314
FCF	-133	-1,883	-15	1,177	1,100	1,953	1,976	1,468	2,070	2,129	2,150
PV FCF	-132	-1,684	-12	849	717	1,153	1,055	707	901	836	
WACC	11.4%	11.5%	11.5%	11.2%	10.7%	10.4%	10.7%	10.7%	10.7%	10.8%	8.7%
Net debt / EV	47.0%	52.6%	54.2%	53.6%	53.1%	50.9%	48.3%	46.6%	43.0%	38.5%	38.5%
Risk-free rate	6.9%	7.9%	8.1%	7.9%	7.4%	7.1%	7.4%	7.5%	7.4%	7.4%	4.5%

*Cyfrowy Polsat only (without Netia)

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	1.0%
PV FCF	4,390
Net debt	7,807
Other adjustments	3,050
Value per share (PLN)	16.58

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	19.67
DCF Val.	50%	16.58
Implied Price		18.12
Cost of equity (9M)		10.9%
9M Target Price		20.10

Orange Polska buy (no change)

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Orange Polska ("Orange") is still our preferred company in the spectrum of Polish telecoms.

In our view, Orange is at a unique moment in its history. The company has completed its business transformation, entering a growth phase. Today, the telco is no longer a copper-based monopolist, but a versatile service provider based on modern technologies. In fact, the fixed-line Internet subscriber base is 52% fiber-connected, and the company's network is still sparsely penetrated. In addition, Orange is reporting solid commercial figures, including ARPO and customer growth in all key business lines.

Orange has a defensive investment profile, and it generates high FCFE and has a solid balance sheet position. Despite inflationary pressures, the company grew its EBITDaL in Q4'22 and raised dividends to PLN 0.35/share. Given improving business trends and a healthy balance sheet, we believe dividends may be raised again in the future.

Orange still has room for further cost-cutting and, in our view, it will manage to generate modest earnings growth in a tough 2023. OPL stock is still trading at a significant discount to EV/EBITDA ratios of the peer group.

We will update our models for Orange Polska in the net few weeks, and in the mean time we remain bullish on the telco.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Convergent B2C (1,000)	1,552	1,625	1,665	1,724	1,788
Broadband lines (1,000)	2,746	2,804	2,871	2,939	3,010
Revenue	11,928	12,488	12,657	12,975	13,397
Mobile	2,636	2,797	2,916	3,006	3,101
Fixed Line	1,968	1,898	1,857	1,825	1,789
Other	7,324	7,793	7,884	8,143	8,507
Costs	8,370	8,746	8,868	9,089	9,395
Payroll	-1,393	-1,399	-1,426	-1,458	-1,477
External services	-6,786	-7,423	-7,516	-7,709	-8,000
Other rev & exp	-191	76	74	79	82
Real estate sale	52	107	100	100	100
Other	-595	-659	-672	-681	-689
EBITDAaL*	2,963	3,078	3,117	3,205	3,314
margin	24.8%	24.6%	24.6%	24.7%	24.7%
Net income	1,672	724	819	942	1,038

DCF Analysis

(PLN m)	22P	23P	24P	25P	26P	27P	28P	29P	30P	31P	+
Revenue	12,372	12,657	12,975	13,397	13,805	14,192	14,554	14,913	15,269	15,617	15,617
EBITDA ex. IFRS16	3,254	3,314	3,408	3,522	3,644	3,752	3,842	3,916	3,979	4,031	4,031
EBITDA margin	26.3%	26.2%	26.3%	26.3%	26.4%	26.4%	26.4%	26.3%	26.1%	25.8%	25.8%
D&A	2,039	1,998	1,978	1,978	1,978	1,978	2,018	2,038	2,059	2,079	2,079
EBIT	1,215	1,316	1,430	1,544	1,666	1,773	1,824	1,877	1,921	1,952	1,952
Tax	231	250	272	293	316	337	347	357	365	371	371
NOPLAT	984	1,066	1,158	1,250	1,349	1,436	1,477	1,521	1,556	1,581	1,581
CAPEX ex. RE gains	-2,342	-2,374	-1,952	-1,972	-1,968	-2,548	-1,965	-2,455	-1,978	-1,982	-1,982
Working capital	-11	-13	-13	-50	-87	-89	-91	-92	-93	-94	-94
FCF	670	677	1,172	1,207	1,273	778	1,440	1,012	1,544	1,584	1,584
PV FCF	664	599	921	845	795	435	719	450	609	554	
WACC	11.2%	12.2%	12.4%	12.3%	12.0%	11.7%	12.2%	12.3%	12.5%	12.9%	10.0%
Net debt / EV	26.4%	26.7%	25.2%	23.4%	21.2%	21.7%	18.4%	17.4%	13.0%	7.6%	7.6%
Risk-free rate	6.9%	7.9%	8.1%	7.9%	7.4%	7.1%	7.4%	7.5%	7.4%	7.4%	4.5%

Current Price*	6.83 PLN	Upside
9M Target Price	7.80 PLN	+14.3%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	7.80 PLN	2022-12-01

Key Metrics		OPL PW	vs. WIG
Ticker	OPL PW	1M Price Chng	+1.1% +2.6%
ISIN	PLTLKPL00017	YTD Price Chng	+3.0% +1.0%
Outst. Stock (m)	1,312.0	ADTV 1M	PLN 9.5m
MC (PLN m)	8,955.7	ADTV 6M	PLN 17.6m
EV (PLN m)	15,842.4	EV/EBITDA 12M fwd	4.6 -6.2%
Free Float	49.3%	EV/EBITDA 5Y avg	4.9 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	11,928	12,488	12,657	12,975	13,397
EBITDA	4,941	3,702	3,806	3,900	4,014
EBITDA margin	41.4%	29.6%	30.1%	30.1%	30.0%
EBIT	2,211	1,161	1,316	1,430	1,544
Net income	1,672	724	819	942	1,038
P/E	5.4	12.4	10.9	9.5	8.6
P/B	0.7	0.7	0.7	0.7	0.6
EV/EBITDA	3.2	4.3	4.2	4.0	3.8
DPS	0.00	0.25	0.35	0.50	0.50
DYield	0.0%	3.7%	5.1%	7.3%	7.3%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Operating cash flow	3,101	2,940	2,704	2,808	2,867
OCF/EBITDAaL	105%	96%	87%	88%	87%
CAPEX	1,995	2,242	2,474	2,052	2,072
Assets	26,157	26,766	26,955	27,235	27,610
Equity	12,611	13,453	13,342	13,628	14,010
Net debt	6,908	6,769	6,885	6,585	6,246
Net debt/EBITDA (x)	1.4	1.8	1.8	1.7	1.6

Relative Valuation Summary

	EV/EBITDA			DYield - RFR		
	22P	23P	24P	22P	23P	24P
Minimum	3.2	3.1	2.3	-5.8%	-4.3%	-2.7%
Maximum	8.5	8.4	8.1	11.2%	6.7%	6.6%
Median	5.4	5.3	5.2	2.1%	2.8%	3.2%
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	0.0%
PV FCF	12,106
Net debt ex. IFRS16	4,083
Other adjustments	2
Value per share (PLN)	6.11

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	8.10
DCF Val.	50%	6.11
Implied Price		7.11
Cost of equity (9M)		9.7%
9M Target Price		7.80

Media

Wirtualna Polska

accumulate (no change)

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Equity Analyst, Expert

Wirtualna Polska has published preliminary results for 4Q'22, and from what we can gather the adjusted EBITDA ex. M&As may have increased by approx. 11% and exceeded our expectations (the actual figure was not revealed).

Wirtualna's travel business is experiencing strong demand despite the deteriorating macroeconomic situation in Poland. The company has recently made a number of acquisitions, strengthening its position especially on the tourism market (through the acquisition of Hungarian Szallas).

In our opinion, Wirtualna is capable of generating revenues of PLN 1.32bn and acc. EBITDA of PLN 442 million in 2023, which would mean an increase of approx. 7% on a pro-forma basis.

WPL's EV/EBITDA'23 ratio is below the peer average and well below the average for the last 7 years (approx. 10.6x). On the other hand, in a slowing economy, online advertising spend might register a significant slowdown in the coming months

Current Price*	101.00 PLN	Upside
9M Target Price	105.30 PLN	+4.3%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	accumulate	105.30 PLN	2022-11-25

Key Metrics		WPL PW	vs. WIG
Ticker	WPL PW	1M Price Chng	+1.7% +3.2%
ISIN	PLWRTPLO0027	YTD Price Chng	0.0% -2.0%
Outst. Stock (m)	29.7	ADTV 1M	PLN 1.0m
MC (PLN m)	2,994.8	ADTV 6M	PLN 1.2m
EV (PLN m)	3,549.6	EV/EBITDA 12M fwd	7.9 -22.5%
Free Float	53.0%	EV/EBITDA 5Y avg	10.2 discount

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	872	1,063	1,329	1,425	1,525
EBITDA	310	340	416	449	485
EBITDA margin	35.6%	32.0%	31.3%	31.5%	31.8%
EBIT	228	247	290	317	346
Net income	183	184	178	211	243
P/E	16.4	16.3	16.8	14.2	12.3
P/B	4.0	3.1	2.7	2.4	2.1
EV/EBITDA	10.2	10.8	8.5	7.6	6.8
DPS	1.52	1.20	1.40	2.58	3.05
DYield	1.5%	1.2%	1.4%	2.6%	3.0%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022P	2023P	2024P	2025P
Revenue	872	1,063	1,329	1,425	1,525
Cash	821	1,014	1,278	1,372	1,468
Barter	24.8	23.0	22.1	23.7	25.3
Costs	645	816	1,040	1,108	1,179
D&A	82.5	93.4	126.6	132.5	138.4
Materials & Utilities	5.7	5.9	6.0	6.2	6.4
Payroll	247	258	267	277	286
Other	309	459	640	693	747
EBITDA	310	340	416	449	485
margin	35.6%	32.0%	31.3%	31.5%	31.8%
EBITDA (adj)	308	363	442	476	513
margin	35.3%	34.1%	33.2%	33.4%	33.6%
EBIT	228	247	290	317	346
margin	26.1%	23.2%	21.8%	22.2%	22.7%
Net income	182.7	184.1	178.3	211.2	243.3

Key Balance Sheet Figures

(PLN m)	2021	2022P	2023P	2024P	2025P
Operating cash flow	207	260	333	364	391
OCF/EBITDA	67%	76%	80%	81%	81%
CAPEX	-78	-86	-122	-130	-136
Assets	1,263	2,031	2,145	2,282	2,437
Equity	743	970	1,107	1,242	1,394
Net debt	162	579	460	337	193
Net debt/EBITDA (x)	0.5	1.7	1.1	0.7	0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	22P	23P	24P	22P	23P	24P
Minimum	10.9	10.5	9.2	5.2	5.2	4.4
Maximum	32.8	25.4	23.8	10.3	9.4	8.6
Median	16.0	13.8	11.6	8.1	8.3	7.9
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis

(PLN m)	4Q'22P	23P	24P	25P	26P	27P	28P	29P	30P	31P	+
Revenue	316	1,329	1,425	1,525	1,626	1,727	1,830	1,934	2,038	2,142	2,185
EBITDA ex. IFRS16	91	416	449	485	521	558	597	636	674	713	727
margin	28.7%	31.3%	31.5%	31.8%	32.0%	32.3%	32.6%	32.9%	33.1%	33.3%	33.3%
D&A	20	127	133	138	144	149	155	159	164	168	172
EBIT	71	290	317	346	377	409	442	476	510	545	556
Tax	13	55	60	66	72	78	84	91	97	104	106
NOPLAT	57	235	257	280	305	331	358	386	413	441	450
CAPEX	-22	-122	-130	-136	-142	-148	-153	-158	-163	-168	-172
Working capital	-20	-23	-14	-11	-11	-11	-11	-12	-12	-12	-12
FCF	35	216	245	272	296	321	348	375	402	430	438
PV FCF	35	189	189	184	177	170	162	154	145	136	
WACC	12.0%	13.2%	13.7%	13.7%	13.5%	13.2%	13.5%	13.6%	13.5%	13.5%	10.6%
Net debt / EV	15.1%	12.1%	8.6%	4.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	6.9%	7.9%	8.1%	7.9%	7.4%	7.1%	7.4%	7.5%	7.4%	7.4%	4.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	3.5%
PV FCF	3,528
Ajd. net debt ex. IFRS16	538
Other adjustments	95
Value per share (PLN)	97.66

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	94.19
DCF Val.	50%	97.66
Implied Price		95.93
Cost of equity (9M)		9.8%
9M Target Price		105.30

IT

Asseco Poland

accumulate (no change)

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Equity Analyst, Expert

Asseco Poland reported that its preliminary consolidated net profit attributable to the shareholders of the parent company for Q4'22 amounted to PLN 126.2m. That was in line with the market consensus and also close to our forecast.

On the other hand, Asseco revealed reservations expressed by auditors regarding the exercise of control and methods of consolidating the results of Formula Systems, which we took as a negative development. That said, a potential switch of the consolidation method to the equity method will have no major impact on our valuation (which is based on two methods, 'sum of the parts' and P/E multiples). What is more, the change could even have an additional one-off positive impact on the group's financials. Still, some investors may be negatively surprised.

Formula Systems accounted for 66% of the Asseco group's revenues in Q3'22LTM and it generated 63% of the operating profit. By changing the method of consolidation, Asseco would recognize significantly lower levels of turnover and EBIT. Hence, in our opinion, the potential changes in accounting methods might be negatively perceived by the market.

Financial Highlights

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	13,893	17,443	18,532	19,135	19,742
change	14.0%	25.6%	6.2%	3.3%	3.2%
Poland	1,851	2,101	2,199	2,259	2,321
South-Eastern Europe	1,149	1,555	1,679	1,793	1,897
Western Europe	886	1,019	1,039	1,060	1,081
Central Europe	1,103	1,158	1,308	1,347	1,388
Israel	8,891	11,597	12,293	12,662	13,042
Eastern Europe	13	13	13	13	13
EBIT	1,393	1,859	1,944	2,009	2,074
D&A	760	899	936	953	975
EBITDA	2,153	2,758	2,881	2,962	3,048
margin	15.5%	15.8%	15.5%	15.5%	15.4%
Associates	-615	-953	-1021	-1053	-1095
Tax	-281	-364	-370	-373	-374
Net income	474	501	507	535	553

DCF Summary

(PLN m)	22P	23P	24P	25P	26P	27P	28P	29P	30P	31P	+
Asseco Poland (Standalone Figures)											
Revenue	1,189	1,248	1,274	1,300	1,327	1,355	1,383	1,412	1,442	1,472	1,501
EBITDA	260	264	268	273	282	291	301	310	316	323	330
NOPLAT	154	156	159	163	166	170	174	178	181	181	185
FCF	145	155	153	154	159	165	171	178	182	182	186
WACC	12.9%	13.9%	14.1%	13.8%	13.3%	13.0%	13.3%	13.4%	13.3%	13.3%	
Asseco Business Solutions											
Revenue	329	350	372	395	419	443	467	493	519	545	556
EBITDA	130	138	147	156	165	174	184	194	204	214	218
NOPLAT	82	87	92	98	104	110	116	122	129	129	131
FCF	75	82	87	93	100	106	113	119	126	126	129
WACC	12.4%	12.3%	12.6%	12.8%	11.4%	11.2%	11.8%	11.7%	11.8%	11.8%	
Asseco South Eastern Europe											
Revenue	1,365	1,474	1,574	1,665	1,751	1,835	1,916	1,994	2,068	2,139	2,182
EBITDA	286	305	324	340	355	370	383	396	408	420	428
NOPLAT	166	179	190	201	211	221	230	239	247	255	260
FCF	155	179	192	206	216	225	233	240	247	253	258
WACC	12.5%	12.3%	12.6%	12.8%	11.4%	11.2%	11.8%	11.7%	11.8%	11.8%	

Current Price*	76.10 PLN	Upside
9M Target Price	77.60 PLN	+2.0%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	accumulate	77.60 PLN	2022-12-01

Key Metrics		ACP PW	vs. WIG
Ticker	ACP PW	1M Price Chng	-3.6% -2.2%
ISIN	0	YTD Price Chng	+4.8% +2.8%
Outst. Stock (m)	83.0	ADTV 1M	PLN 5.2m
MC (PLN m)	6,316.3	ADTV 6M	PLN 4.7m
EV (PLN m)	11,340.8	EV/EBITDA 12M fwd	3.6 -22.3%
Free Float	-	EV/EBITDA 5Y avg	4.7 discount

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	13,893	17,443	18,532	19,135	19,742
EBITDA	2,153	2,758	2,881	2,962	3,048
EBITDA margin	15.5%	15.8%	15.5%	15.5%	15.4%
EBIT	1,393	1,859	1,944	2,009	2,074
Net income	474	501	507	535	553
P/E	13.3	12.6	12.5	11.8	11.4
P/B	1.0	1.0	0.9	0.9	0.9
P/S	0.45	0.36	0.34	0.33	0.32
DPS	3.01	3.11	3.36	3.36	3.36
DYield	4.0%	4.1%	4.4%	4.4%	4.4%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022P	2023P	2024P	2025P
Operating cash flow	1,008	1,693	2,301	2,472	2,556
OCF/EBITDA	47%	61%	80%	83%	84%
CAPEX	-784	-836	-889	-918	-947
Assets	18,571	19,980	21,177	22,384	23,638
Equity	6,283	6,526	6,754	7,010	7,284
Net debt	961	749	22	-852	-1,764
Net debt/EBITDA (x)	0.4	0.3	0.0	-0.3	-0.6

Relative Valuation Summary

	2022P	P/E	2024P
Minimum	41.8	23.9	23.9
Maximum	10.2	5.3	5.3
Median	17.0	12.2	12.2
Weight	33%	33%	33%

SOTP Summary

(PLN m)	Method	%	Value
Asseco PL (stndln)*	DCF	100%	1,518
Asseco CE	10x PE'23	93%	786
Asseco BS	DCF	43%	1,280
Asseco SEE	DCF	51%	2,369
Western Europe	10x PE'23	100%	141
Formula Systems	market	26%	5,324
Other	10x PE'22	0%	630
Value			6,181

Value Per Share (PLN) 74.47

*net debt adj. for paid dividend

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	68.28
SOTP Val.	50%	74.47
Implied Price		71.38
Cost of equity (9M)		8.7%
9M Target Price*		77.60

Comarch buy (no change)

Paweł Szpigiel +48 509 603 258 Equity Analyst, Expert

Comarch's results for Q4'22 came in below our expectations and the market consensus. Exchange rate losses had a colossal impact on the quarterly results, but the core business gross margin was low as well and we were negatively surprised by revenues from the Polish market.

Comarch revealed at the earnings call that its backlog for 2023 was about 9% higher than this time last year. Further, the company continues to experience upward pressure on costs, especially in the area of salaries of IT employees, where low double-digit raises should be expected in 2023.

CAPEX in 2023 should be below PLN 100m but energy costs might increase by ca. PLN 15-20m.

Summing up, earnings growth in 2023 seems to look like an optimistic scenario for Comarch, especially in the face of potential additional expenses on an e-commerce project. We are a little skeptical about this project. After Shopee's withdrawal from Poland, it is clear how difficult it is to compete with Allegro for the Polish market.

We will update our financial forecasts and investment recommendation for Comarch shortly.

Current Price*	149.00 PLN	Upside
9M Target Price	201.90 PLN	+35.5%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	201.90 PLN	2022-12-01

Key Metrics		CMR PW	vs. WIG
Ticker	CMR PW	1M Price Chng	+1.5%
ISIN	PLCOMAR00012	YTD Price Chng	-9.1%
Outst. Stock (m)	8.1	ADTV 1M	PLN 2.0m
MC (PLN m)	1,211.9	ADTV 6M	PLN 0.6m
EV (PLN m)	1,035.9	EV/EBITDA 12M fwd	4.7
Free Float	60.9%	EV/EBITDA 5Y avg	6.0

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	1,627	1,858	2,011	2,146	2,289
EBITDA	279	242	262	271	285
EBITDA margin	17.2%	13.0%	13.0%	12.6%	12.4%
EBIT	187	148	165	171	182
Net income	123	109	99	107	114
P/E	9.8	11.1	12.2	11.3	10.7
P/B	1.0	1.2	0.9	0.9	0.8
EV/EBITDA	3.7	4.1	4.0	3.7	3.4
DPS	3.00	4.00	4.00	5.00	5.00
DYield	2.0%	2.7%	2.7%	3.4%	3.4%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
Revenue	1,627	1,858	2,011	2,146	2,289
TMT	406	447	477	524	577
Finance & Banking	226	262	272	283	294
Retail Solutions	246	256	290	302	314
Manufacturing	182	230	268	289	310
Public Sector	134	160	171	178	185
SME	343	403	431	463	498
Other	90	100	102	108	112
Gross profit	479	484	524	556	590
margin	29.4%	26.1%	26.0%	25.9%	25.8%
Selling expenses	153	189	194	207	221
G&A expenses	130	142	165	177	187
EBIT	187	148	165	171	182
margin	11.5%	8.0%	8.2%	8.0%	8.0%
Net income	123.0	109.1	99.1	106.9	113.8

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Operating cash flow	197	161	193	188	195
OCF/EBITDA	71%	67%	74%	69%	68%
CAPEX	-69	-152	-84	-83	-89
Assets	2,110	2,271	2,369	2,482	2,603
Equity	1,197	1,281	1,297	1,364	1,437
Net debt	-180	-217	-187	-225	-263
Net debt/EBITDA (x)	-0.6	-0.5	-0.7	-0.8	-0.9

Relative Valuation Summary

	P/E			EV/EBITDA		
	22P	23P	24P	22P	23P	24P
Minimum	41.8	26.9	23.9	19.9	18.1	16.4
Maximum	10.2	9.1	5.3	4.2	4.1	4.0
Median	17.0	14.4	12.2	10.9	9.7	8.7
Weight	5%	23%	23%	5%	23%	23%

DCF Analysis

(PLN m)	22P	23P	24P	25P	26P	27P	28P	29P	30P	31P	+
Revenue	1,864	2,011	2,146	2,289	2,407	2,520	2,632	2,749	2,864	2,984	3,044
EBITDA	272	262	271	285	290	294	299	303	307	310	316
EBITDA margin	14.6%	13.0%	12.6%	12.4%	12.1%	11.7%	11.3%	11.0%	10.7%	10.4%	10.4%
D&A	94	97	100	103	106	109	113	118	122	127	130
EBIT	178	165	171	182	185	185	186	186	185	183	187
Tax	62	58	60	64	65	65	65	65	65	65	66
NOPLAT	116	107	111	118	120	120	121	121	120	120	122
CAPEX	-127	-84	-83	-89	-86	-91	-96	-100	-104	-104	-106
Working capital	-18	-15	-26	-29	-27	-28	-30	-32	-34	-34	-34
FCF	65	104	102	103	113	110	108	106	105	105	107
PV FCF	64	90	77	69	66	57	49	43	37	33	
WACC	13.0%	14.0%	14.2%	14.0%	13.5%	13.2%	13.5%	13.6%	13.5%	13.5%	10.6%
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	6.9%	7.9%	8.1%	7.9%	7.4%	7.1%	7.4%	7.5%	7.4%	7.4%	4.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	973
Net debt	-180
Other adjustments	19
Value per share (PLN)	139.42

Valuation Summary

(PLN)	Weight	Price
Relative Val.	40%	250.75
DCF Val.	60%	139.42
Implied Price		183.95
Cost of equity (9M)		9.8%
9M Target Price		201.90

Gaming

11 bit studios

hold (downgraded)

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Q4'22 results were not relevant to valuation to low nominal values that will most likely persist in Q1'23/Q2'23 at the very least. What is on everyone mind is the pipeline. A Q4'22 press release along with what was said at a recent conference hosted by us confirmed that releases in 2023 may be limited to the publishing segment (The Invincible, The Thaumaturge, and perhaps one more title), while own titles might come early next year. W had been hoping that Frostpunk 2 would come out this year although a lack of marketing was an indication such turnaround might not happen. Valuation-wise delaying this key title does not change much (FCFs from FP2 are still included in our forecasts), but the delay is negative news: 2023 was meant to be the year of turnaround.

We have updated our estimates to reflect the Management's guidance regarding potential release windows: The Invincible, and The Thaumaturge in early Q4'23, while Frostpunk 2, and The Alters in early FY2024. We also revised the risk-free rate and long-term FX rates (slightly weaker PLN).

The new DCF valuation does not show much upside right now, but multiples comparison shows 11B as still trading at much cheaper levels (over 40%) than its global peers – a result of differences in release cycles.

11B will hold its annual conference in May/June, which will probably bring positive newsflow regarding wishlist numbers and more details regarding release dates. Moreover, the start of the FP2 marketing campaign in the coming months will also be a positive trigger for the stock.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Frostpunk 2 (Sales)	0	0	0	192	91
Frostpunk 2 (k copies)	0	0	0	1,883	1,235
The Alters (Sales)	0	0	0	49	30
The Alters (k copies)	0	0	0	722	620
Projekt 8 (Sales)	0	0	0	0	139
Projekt 8 (k copies)	0	0	0	0	1,168
Operating cash flow	41	33	20	228	288
D&A	9	6	8	40	74
Working capital	-3	3	0	-5	-1
Investing cash flow	-37	-29	-79	-117	-121
CAPEX	-29	-46	-79	-116	-121
Development exp.	-1	0	-1	-1	-146
FCF	4	-20	-59	110	162
FCF/EBITDA	11%	-78%	-289%	44%	53%
OCF/EBITDA	105%	127%	99%	91%	94%

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Own games	36	251	292	187	78	367	268	649	420	333	
of which FP2	0	192	91	43	21	10	6	4	3	2	
Publishing	38	77	96	110	97	76	101	88	118	64	
Revenue	74	328	388	297	174	443	368	737	537	397	409
EBITDA	21	252	307	210	99	349	286	616	436	287	296
EBITDA margin	27.9%	76.6%	79.2%	70.6%	56.6%	78.8%	77.8%	83.6%	81.1%	72.4%	72.4%
EBIT	13	211	233	110	1	253	188	533	332	226	196
Tax	1	21	23	11	0	25	19	53	33	23	20
CAPEX	-79	-116	-121	-89	-93	-75	-102	-122	-93	-112	-100
Working capital	0	-5	-1	2	2	-5	1	-7	4	3	-1
FCF	-59	110	162	111	8	244	166	433	313	156	164
PV FCF	-55	90	118	72	4	124	75	174	112	49	
WACC	11.9%	12.4%	12.5%	12.6%	12.6%	12.7%	12.4%	12.4%	12.4%	12.8%	10.5%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	3.0%
PV FCF	764
Net debt	-88
Other adjustments	0
Value per share (PLN)	622.60

Valuation Summary

(PLN)	Weight	Price
Relative Val.	0%	898.00
DCF Val.	100%	622.60
Implied Price		622.60
Cost of equity (9M)		8.8%
9M Target Price		677.00

Current Price*

665.00 PLN

Upside

9M Target Price

677.00 PLN

+1.8%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	hold	677.00 PLN	2023-04-03
old	buy	602.00 PLN	2022-11-28
Key Metrics			
Ticker	11B PW	1M Price Chng	+3.3% +4.7%
ISIN	PL11BTS00015	YTD Price Chng	+12.7% +10.7%
Outst. Stock (m)	2.4	ADTV 1M	PLN 1.9m
MC (PLN m)	1,582.8	ADTV 6M	PLN 2.0m
EV (PLN m)	1,552.8	EV/EBITDA 12M fwd	11.6 -48.8%
Free Float	64.4%	EV/EBITDA 5Y avg	22.7 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	70	74	74	328	388
EBITDA	39	26	21	252	307
EBITDA margin	55.3%	34.8%	27.9%	76.6%	79.2%
EBIT	30	20	13	211	233
Net income	29	23	13	192	214
P/E	55.2	69.1	-	8.2	7.4
P/B	8.0	7.0	6.7	3.7	3.2
EV/EBITDA	38.1	57.8	75.4	5.7	4.6
DPS	0.00	0.00	0.00	0.00	60.62
DYield	0.0%	0.0%	0.0%	0.0%	9.1%
Forecast Update (% change)			2023P	2024P	2025P
revenue			-70.8%	+30.5%	+10.7%
EBITDA			-89.5%	+47.3%	+17.8%
net income			-92.3%	+60.9%	+16.6%
Frostpunk 2 (vol)			-100.0%	+54.4%	+34.1%
The Alters (vol)			-	0.0%	0.0%

Key Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Fixed assets	91	143	214	291	338
Development exp.	59	100	171	247	294
Equity	197	225	237	430	500
Debt	9	8	6	5	4
Cash	107	87	28	137	158
Net debt	-99	-88	-30	-140	-163
Net debt/EBITDA (x)	-2.5	-3.4	-1.5	-0.6	-0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	7.6	8.0	6.0	5.3	3.9	3.1
Maximum	58.1	175.2	39.4	22.2	25.2	21.2
Median	21.2	17.1	16.3	10.9	9.5	9.2
Weight	17%	17%	17%	17%	17%	17%

CD Projekt buy (reiterated)

Piotr Poniatowski +48 509 603 046 Equity Analyst, Senior Specialist

CDR reported very good P&L and CF figures for Q4'22, which proved the strongest quarter on each level since the CP77 release in Dec'20. CDR revealed that from Jan'23 it converted future annual employee bonuses into higher base salaries, pointing to a huge rise in the cost-base, though for the exact impact we have to wait till Q1'23 report. CDR games during Q1'23 ranked far down on the Steam Global Top Sellers list, so the upcoming results might be weak. Nevertheless, the key catalyst in the near future will be the marketing campaign for *Cyberpunk 2077: Phantom Liberty* (it starts in June but some details might be shared earlier). This timing suggests that CP77:PL might be released in early Q4'23 (vs. Q2'23 previously). Commenting on Sirius, CDR stated it is "evaluating the situation, and it's better to cut costs early – and even restart if needed – than to carry on". In our opinion such a restart will result in Sirius release delay (we forecast FY26 vs. FY25 previously, therefore FY25 has no release right now, and look very weak). Keep in mind that Sirius was not a main driver of our valuation (it is responsible for less than 5% of target price), but Polaris and Orion are. Right now there are ca. 700 developers working at CDR, of which ca. 340 are working on CP77:PL, and ca. 200 on Polaris (The Witcher 4). We believe that once CP77:PL is released, the Polaris development team will quickly increase in size (as we still have W4 planned for FY2026).

We have updated our estimates to reflect pipeline shifts (delays of CP77:PL and Sirius), higher salaries, and an adjusted risk-free rate. We maintain our positive view on CD Projekt, and we see the start of Cyberpunk 2077 marketing campaign as the key catalyst for the stock.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Sales, Video Games	702	780	688	588	272
EBIT, VG	264	370	157	209	-103
EBIT margin, VG	37.6%	47.4%	22.8%	35.6%	-37.8%
Sales, GOG.com	200.0	188.6	212.6	223.2	234.4
EBIT, GOG.com	-30.6	8.2	7.8	8.2	8.6
EBIT margin, GOG	-15.3%	4.3%	3.7%	3.7%	3.7%
Operating cash flow	968	406	349	297	14
D&A	18	14	13	13	14
Working capital	717	-47	45	16	39
Investing cash flow	-614	-333	-148	-236	-483
CAPEX	-28	-48	-44	-46	-47
Development exp.	-155	-208	-204	-261	-488
FCF	1,086	167	158	53	-453
FCF/EBITDA	322%	34%	41%	14%	-826%
OCF/EBITDA	287%	82%	90%	79%	26%

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
W3+DLC (m copies)	4.7	3.5	2.6	2.0	1.5	1.1	0.8	0.6	0.5	0.4	
CP77+DLC (m)	6.8	7.6	3.4	2.6	2.2	1.9	1.6	1.3	1.1	0.0	
Sirius (m)				1.3	0.9	0.8	0.7	0.6	0.5	0.4	
Polaris (m)					11.0	7.2	28.6	15.0	9.8	31.5	
Canis Majoris (m)						1.6	1.4	1.2	1.0	0.8	
Orion (m)								8.5	7.2	6.1	
Revenue	901	811	506	4,344	2,197	1,366	8,855	3,754	2,438	6,713	6,914
EBITDA	386	376	55	3,224	1,578	789	7,077	2,908	1,675	5,165	5,320
CAPEX	-249	-306	-535	-613	-530	-561	-688	-465	-527	-578	-558
Working capital	41	9	17	-202	113	44	-395	269	69	-226	-21
FCF	158	53	-453	2,069	1,001	199	5,255	2,408	1,062	3,853	1,560
PV FCF	145	43	-329	1,334	573	101	2,376	969	380	1,223	
WACC	11.9%	12.4%	12.5%	12.6%	12.6%	12.7%	12.4%	12.4%	12.4%	12.8%	10.5%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

Current Price* 111.22 PLN
9M Target Price 150.00 PLN
Upside +34.9%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	150.00 PLN	2023-04-03
old	buy	163.00 PLN	2022-11-28
Key Metrics		CDR PW	vs. WIG
Ticker	CDR PW	1M Price Chng	-15.0% -13.5%
ISIN	PLOPTTC00011	YTD Price Chng	-14.2% -16.2%
Outst. Stock (m)	100.7	ADTV 1M	PLN 61.6m
MC (PLN m)	11,204.2	ADTV 6M	PLN 57.4m
EV (PLN m)	10,094.3	EV/EBITDA 12M fwd	19.3 -5.3%
Free Float	65.1%	EV/EBITDA 5Y avg	20.4 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	888	953	901	811	506
EBITDA	338	495	386	376	55
EBITDA margin	38.0%	51.9%	42.8%	46.4%	10.8%
EBIT	233	377	165	218	-94
Net income	209	347	187	200	-99
P/E	53.6	32.3	59.8	56.1	-
P/B	5.9	5.5	5.4	5.3	5.5
EV/EBITDA	29.9	20.5	26.2	27.1	194.3
DPS	5.00	1.00	1.50	1.50	0.00
DYield	4.5%	0.9%	1.3%	1.3%	0.0%
Forecast Update (% change)		2023P	2024P	2025P	
revenue		-7.5%	+28.5%	-39.7%	
EBITDA		-22.3%	+45.3%	-86.0%	
net income		-36.9%	+52.3%	-	
W3+DLC (m copies)		0.0%	0.0%	0.0%	
CP77+DLC (m)		-14.7%	+58.6%	+4.5%	

Key Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Sales, Witcher IP	251	173	113	74	54
Sales, Cyberpunk IP	363	483	547	485	192
Sales, other	21	7	21	22	23
Development exp.	350	473	469	585	938
Cash	1,163	1,102	1,152	1,061	592
Net debt	-1,108	-1,060	-1,110	-1,020	-551
Net debt/EBITDA (x)	-3.3	-2.1	-2.9	-2.7	-10.0

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	7.6	8.0	6.0	5.3	3.9	3.1
Maximum	58.1	175.2	27.1	22.2	23.7	16.2
Median	19.8	17.0	15.4	10.9	9.5	8.2
Weight	25%	25%	0%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	3.0%
PV FCF	6,816
Net debt	-1,060
Other adjustments	0
Value per share (PLN)	137.54

Valuation Summary

(PLN)	Weight	Price
Relative Val.	0%	35.69
DCF Val.	100%	137.54
Implied Price		137.54
Cost of equity (9M)		0.0%
9M Target Price		150.00

STS Holding buy (reiterated)

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FY2022 was the best year so far in STS's history, and Q4'22 was the best quarter to date. Q4'22 results were obviously supported by the 2022 World Cup events, though it is worth mentioning the tournament brought only ca. PLN 51m of NGR out of almost PLN 200m in the whole quarter. The company provided very promising trading outlook for Q1'23 (for the period Jan. 1-Mar. 20), with customer bets up 15% y/y, and NGR +5% y/y.

In Q1'23, we expect STS Holding to achieve adjusted EBITDA of ca. PLN 70m, once again proving its high profitability. In FY2023, there are not likely to be major differences between the quarters (due to a lack of major tournaments in any given quarter), though Q3'23 might be seasonally slower.

During the last conference call, STS presented a positive outlook for the year ahead (single-digit growth in operating results), despite a lack of major football tournament. What is interesting, STS is not expecting Entain to enter Poland this year. Nevertheless, competition here remains tough, and it drives up marketing expenses and customer bonuses.

We have updated our estimates to reflect good player acquisition during the 2022 World Cup and expected cost savings coming from the closure of a foreign subsidiary. We also implemented a new risk-free rate.

We maintain a positive view on STS Holding as it continues to generate strong cash flow (distributed in full to shareholders) and operate in a growing Polish market (+15% y/y in FY2022, +21% y/y in Q4'22) with no debt, low CAPEX needs, and high profitability.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
customer bets	4,492	4,679	4,810	5,547	5,811
GGR	1,085	1,187	1,244	1,429	1,491
NGR	565	663	672	770	801
bonuses	-68	-84	-90	-100	-93
revenue	497	579	582	670	708
operating cash flow	149	219	216	276	284
D&A	23	29	30	34	38
working capital	-11	3	3	17	6
investing cash flow	88	-26	-34	-38	-38
CAPEX	-15	-32	-34	-38	-38
financing cash flow	-140	-117	-138	-174	-214
dividends/buyback	-125	-105	-130	-166	-207
FCFF	93	188	182	238	245
FCFF/EV	3%	7%	7%	9%	10%
OCF/EBITDA	69%	80%	78%	83%	79%

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
revenue	582	670	708	798	825	911	933	1,015	1,028	1,105	1,139
change	0.5%	15.1%	5.6%	12.7%	3.4%	10.5%	2.3%	8.8%	1.3%	7.5%	3.0%
EBITDA ex. IFRS16	267	308	331	387	397	445	448	490	485	510	525
EBITDA margin	45.9%	45.9%	46.7%	48.5%	48.2%	48.9%	48.0%	48.3%	47.1%	46.1%	46.1%
D&A	30	34	38	42	45	48	51	54	57	59	60
EBIT	237	274	293	345	352	397	396	436	428	451	465
tax on EBIT	52	60	64	76	77	87	87	96	94	99	102
NOPLAT	185	214	228	269	275	310	309	340	334	352	362
CAPEX	-34	-38	-38	-43	-43	-47	-47	-50	-49	-52	-60
working capital	3	17	6	20	5	20	4	20	3	19	12
FCF	184	227	234	288	282	331	318	364	344	378	389
PV FCF	167	182	166	180	156	162	137	139	116	113	
WACC	12.5%	13.0%	13.1%	13.2%	13.2%	13.3%	13.0%	13.0%	13.0%	13.4%	11.1%
risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

Current Price* 18.29 PLN **Upside**
9M Target Price 22.30 PLN **+21.9%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	22.30 PLN	2023-04-03
old	buy	19.70 PLN	2022-12-01
Key Metrics			STH PW vs. WIG
Ticker	STH PW	1M Price Chng	+7.6% +9.0%
ISIN	PLSTSHL00012	YTD Price Chng	+5.7% +3.7%
Outst. Stock (m)	156.7	ADTV 1M	PLN 2.2m
MC (PLN m)	2,866.3	ADTV 6M	PLN 2.4m
EV (PLN m)	2,609.2	EV/EBITDA 12M fwd	9.0 +4.5%
Free Float	70.0%	EV/EBITDA 5Y avg	8.6 premium

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	497	579	582	670	708
EBITDA adj.	216	273	278	334	360
EBITDA margin	43.4%	47.1%	47.7%	49.8%	50.9%
EBIT	179	225	237	291	310
Net income	131	169	182	223	237
P/E	21.8	17.0	15.8	12.9	12.1
P/B	28.1	16.0	12.4	10.0	9.1
EV/EBITDA	13.6	10.5	9.8	7.8	7.1
DPS	0.80	0.64	0.83	1.06	1.32
DYield	4.4%	3.5%	4.5%	5.8%	7.2%
Forecast Update (% change)			2023P	2024P	2025P
revenue			+3.1%	+7.1%	+6.2%
EBITDA			+5.9%	+14.9%	+10.6%
net income			+6.3%	+15.5%	+8.2%
customer bets			-1.7%	+1.0%	-0.7%
NGR			+5.8%	+8.8%	+7.0%

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
assets	267	357	406	477	509
fixed assets	103	113	117	121	122
equity	102	178	230	287	317
minority interests	3	9	19	31	43
net debt	-118	-206	-267	-349	-397
net debt/EBITDA (x)	-0.5	-0.8	-1.0	-1.0	-1.1
net debt/Equity (x)	-1.2	-1.2	-1.2	-1.2	-1.3

Relative Valuation Summary

	P/E			EV/EBITDA			FCF/EV		
	23P	24P	25P	23P	24P	25P	23P	24P	25P
minimum	4.1	2.3	1.6	3.8	0.8	4.0	3%	0%	5%
maximum	339.5	25.8	19.4	18.8	111.9	19.4	10%	15%	11%
median	19.9	14.9	12.4	7.9	7.3	7.3	4%	6%	7%
weight	11%	11%	11%	11%	11%	11%	11%	11%	11%

DCF Summary

(PLN m)	
beta	1.1
FCF perp. growth rate	3.0%
PV FCF	1,518
net debt	-206
other adjustments	9
value per share (PLN)	19.20

Valuation Summary

(PLN)	Weight	Price
relative val.	50%	21.58
DCF val.	50%	19.20
implied Price		20.39
cost of equity (9M)		9.2%
9M target price		22.30

Ten Square Games accumulate (upgraded)

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As predicted over a month ago, TEN delivered weak nominal Q4'22 financials (heavily burdened by write-offs and financings costs related to the Rortos earnout) and gave a gloomy outlook for the year ahead.

Despite some stabilization in Fishing Clash and Hunting Clash, TEN is still struggling, having exited China completely while prospects for a new revenue stream are delayed.

TEN recently confirmed that the KPIs for Wings of Heroes are deteriorating (we had talked about this repeatedly in February and March: Feb. 16, Feb. 28, and Mar. 16). The pivot made in Undead Clash is still to be tested, and regardless of the outcome it will definitely delay this game. The closest release seems to be Fishing Masters with a soft launch planned for Q2'23. The game is already being tested in the US. Early gameplay looks promising, TEN is "satisfied with engagement and marketing KPIs, though the monetization part is still something to be improved." Keep in mind that, even if everything goes smoothly, the first P&L impact will appear in H2'23 at the earliest. Current financials are not heartwarming, and point to a rather gloomy year.

We updated our estimates to reflect the deteriorating outlook for Wings of Heroes, no Fishing Clash China, and the delay in the development of Undead Clash. We also implemented a new risk-free rate. Our new valuation is supported by peer comparison, on DCF alone there is downside right now.

TEN is set to release a strategy update on May 22 which could bring positive newsflow like cost cuts or more about the pipeline. Until then, we do not see any catalysts on the horizon.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Fishing Clash (S)	483	356	261	211	175
Fishing Clash China (S)	3	4	0	0	0
Hunting Clash (S)	116	123	118	96	79
Other games (S)	32	56	104	229	369
Gross margin	91.5%	87.0%	88.0%	88.4%	88.9%
Operating cash flow	200	138	76	56	88
D&A	8	16	25	26	27
Working capital	-3	5	3	-3	-5
Investing cash flow	-222	-56	-36	-42	-55
CAPEX	-243	-40	-24	-27	-31
Financial cash flow	-75	-95	-39	-50	-41
Dividend/buyback	-73	-72	-39	-50	-41
FCF	-90	61	72	39	83
FCF/EBITDA	-51%	54%	69%	45%	61%
FCF Yield	113%	123%	73%	63%	66%

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Fishing Clash (S)	261	211	175	143	117	96	78	64	52	42	
Wild Hunt (S)	118	96	79	65	53	43	35	29	24	19	
Other games (S)	104	229	369	401	404	402	403	407	410	411	
Revenue	483	536	624	609	573	541	516	500	485	473	487
EBITDA	104	88	135	123	101	83	68	55	46	44	46
EBITDA margin	21.5%	16.4%	21.6%	20.1%	17.6%	15.4%	13.1%	11.1%	9.4%	9.4%	9.4%
EBIT	62	108	95	72	53	37	23	12	9	19	19
Tax	11	18	16	12	9	6	4	2	2	3	3
CAPEX	-24	-27	-31	-30	-29	-27	-26	-25	-24	-24	-27
Working capital	3	-3	-5	1	2	1	1	1	1	1	0
FCF	72	39	83	81	65	51	39	29	20	18	50
PV FCF	66	32	60	52	37	26	18	12	7	6	
WACC	11.9%	12.4%	12.5%	12.6%	12.6%	12.7%	12.4%	12.4%	12.4%	12.8%	10.5%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

Current Price* 92.85 PLN **Upside**
9M Target Price 101.00 PLN **+8.8%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	accumulate	101.00 PLN	2023-04-03
old	hold	141.00 PLN	2022-11-28
Key Metrics			
Ticker	TEN PW	1M Price Chng	-28.4% -27.0%
ISIN	PLTSQGM00016	YTD Price Chng	-26.7% -28.7%
Outst. Stock (m)	7.3	ADTV 1M	PLN 5.0m
MC (PLN m)	678.0	ADTV 6M	PLN 5.1m
EV (PLN m)	601.9	EV/EBITDA 12M fwd	3.9 -65.0%
Free Float	58.1%	EV/EBITDA 5Y avg	11.1 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	634	539	483	536	624
EBITDA	174	89	104	88	135
EBITDA margin	27.5%	16.6%	21.5%	16.4%	21.6%
EBIT	166	73	79	62	108
Net income	141	52	67	54	91
P/E	4.8	13.0	10.1	12.5	7.5
P/B	1.9	2.0	1.8	1.8	1.6
EV/EBITDA	3.4	6.9	5.8	7.1	4.5
DPS	9.95	10.00	5.38	6.92	5.57
DYield	10.7%	10.8%	5.8%	7.4%	6.0%
Forecast Update (% change)			2023P	2024P	2025P
Revenue			-6.8%	-14.8%	-23.4%
EBITDA			-22.3%	-36.5%	-36.6%
Net income			-37.4%	-53.8%	-48.2%
Fishing Clash (S)			-5.4%	-2.0%	-3.6%
Hunting Clash (S)			+8.5%	+17.0%	+29.2%

Balance sheet

(PLN m)	2021	2022	2023P	2024P	2025P
Marketing costs	140	119	113	159	162
mark-up on sales	22.0%	22.1%	23.5%	29.7%	26.0%
Other sales costs	208	186	175	194	222
mark-up on sales	32.8%	34.6%	36.2%	36.1%	35.5%
Cash	140	127	127	90	83
Net debt	-80	-64	-76	-54	-71
Net debt/EBITDA (x)	-0.4	-0.6	-0.7	-0.6	-0.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	7.3	6.6	6.3	3.7	3.0	3.3
Maximum	122.2	42.7	22.4	27.3	21.0	12.0
Median	17.2	14.3	14.2	8.2	7.3	7.1
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	3.0%
PV FCF	317
Net debt	-64
Other adjustments	0
Value per share (PLN)	78.20

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	107.50
DCF Val.	50%	78.20
Implied Price		92.85
Cost of equity (9M)		8.8%
9M Target Price		101.00

Industrials

Inter Cars hold (downgraded)

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Equity Analyst, Specialist

Market fundamentals remain supportive for auto parts distributors. Car production in Germany, despite improving momentum, is still below pre-pandemic levels (-10% vs 2019 and -20% vs. 2017 levels). Furthermore, according to market forecasts (S&P Global Mobility), global car production in 2023 may increase by a mere 3%, remaining below 2017 levels until around 2028.

This, together with high prices of new cars and a continually ageing existing car fleet, should generate increased demand for car parts and positively impact market growth. Additionally, earnings momentum for January and February 2023 (c. +30% y/y) is supportive for the company.

However, we also identify risks in the form of increased capital expenditure on warehouse space expansion and upgrades, which will negatively impact cash generation. Moreover there is the possibility of weaker demand in the long term due to European Union regulations banning the registration of new cars with internal combustion engines from 2035.

We will update our models for Inter Cars after the publication of full 2022 results. Today, to reflect CAR's recent share price gains and outperformance vis-à-vis the WIG index, we downgrade our call from accumulate to hold with no change in the target price.

Current Price*	568.00 PLN	Downside
9M Target Price	513.93 PLN	-9.5%

*Price as of March 31, 2023, 5:00 PM

		rating	target price	issued
new		hold	513.93 PLN	2023-04-03
old		accumulate	513.93 PLN	2022-12-16
Key Metrics			CAR PW	vs. WIG
Ticker	CAR PW	1M Price Chng	+9.2%	+10.7%
ISIN	PLINTCS00010	YTD Price Chng	+23.2%	+21.2%
Outst. Stock (m)	14.2	ADTV 1M		PLN 2.8m
MC (PLN m)	8,047.5	ADTV 6M		PLN 1.7m
EV (PLN m)	9,444.9	EV/EBITDA 12M fwd	6.8	-16.6%
Free Float	-	EV/EBITDA 5Y avg	8.1	discount

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	12,242	15,229	17,970	20,127	21,938
EBITDA	1,039	1,238	1,384	1,489	1,558
EBITDA margin	8.5%	8.1%	7.7%	7.4%	7.1%
EBIT	909	1,092	1,230	1,304	1,341
Net income	700	795	875	946	1,010
P/E	11.5	10.1	9.2	8.5	8.0
P/B	2.6	2.1	1.7	1.4	1.2
EV/EBITDA	8.9	7.8	6.8	6.2	5.7
DPS	1.42	1.42	1.42	1.42	6.68
DYield	0.3%	0.3%	0.3%	0.3%	1.2%
Forecast Update (% change)		2023P	2024P	2025P	
Revenue		0.0%	0.0%	0.0%	
EBITDA		0.0%	0.0%	0.0%	
Net income		0.0%	0.0%	0.0%	
CAPEX		0.0%	0.0%	0.0%	
EBITDA margin		0.0%	0.0%	0.0%	
net margin		0.0%	0.0%	0.0%	

Financial Highlights

(PLN m)	2021	2022P	2023P	2024P	2025P
revenues	12,242	15,229	17,970	20,127	21,938
EBITDA	1,039	1,238	1,384	1,489	1,558
EBIT	909	1,092	1,230	1,304	1,341
net profit	700	795	875	946	1,010
EBITDA margin	8%	8%	8%	7%	7%
Operating cash flow	34	-91	634	607	756
D&A	130	146	154	185	216
Working capital	-918	-1,132	-529	-638	-536
Investing cash flow	-82	-151	-289	-320	-226
CAPEX	-83	-151	-289	-320	-226
Financing cash flow	55	270	-262	-381	-382
Dividends/Buyback	-20	-20	-20	-20	-95
FCF	-146	-268	312	259	513
FCF/EBITDA	-14%	-22%	23%	17%	33%
Div Yield	0.3%	0.3%	0.3%	0.3%	1.2%

Key Balance Sheet Figures

(PLN m)	2021	2022P	2023P	2024P	2025P
Assets	6,283	7,992	8,743	9,623	10,486
Fixed assets	1,183	1,188	1,323	1,458	1,468
Equity	3,090	3,864	4,719	5,645	6,561
Minority interests	0	0	0	0	0
Net debt	1,240	1,595	1,397	1,239	866
Net debt/EBITDA (x)	1.2	1.3	1.0	0.8	0.6
Net debt/Equity (x)	0.4	0.4	0.3	0.2	0.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	22P	23P	24P	22P	23P	24P
Minimum	8.4	8.0	7.0	6.5	5.5	4.8
Maximum	112.4	67.4	19.7	16.9	16.0	14.8
Median	15.4	13.0	12.2	9.6	9.2	8.6
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
revenues	17,970	20,127	21,938	23,693	25,352	26,873	28,217	29,345	30,226	31,132	31,963
y/y	18.0%	12.0%	9.0%	8.0%	7.0%	6.0%	5.0%	4.0%	3.0%	3.0%	2.7%
EBIT	1,230	1,304	1,341	1,464	1,554	1,631	1,722	1,797	1,765	1,822	1,807
EBIT margin	6.8%	6.5%	6.1%	6.2%	6.1%	6.1%	6.1%	6.1%	5.8%	5.9%	5.7%
NOPAT	976	1,032	1,059	1,153	1,224	1,284	1,356	1,415	1,390	1,435	1,423
D&A	154	185	216	219	221	223	225	228	230	232	232
Working capital	-529	-638	-536	-519	-491	-450	-398	-334	-260	-268	-268
CAPEX	-289	-320	-226	-229	-231	-233	-235	-238	-240	-242	-242
FCF	312	259	513	623	723	824	948	1,071	1,119	1,157	1,145
PV FCF	275	200	349	374	384	387	392	391	360	329	294
WACC	13.6%	13.9%	13.7%	13.2%	13.0%	13.3%	13.4%	13.3%	13.3%	13.3%	10.5%
COE	15.5%	15.2%	14.6%	13.9%	13.5%	13.7%	13.8%	13.6%	13.6%	13.6%	10.8%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.7%
PV FCF	7,611
Net debt	1,595
Other adjustments	0
Value per share (PLN)	471

Valuation Summary

(PLN)	Weight	Price
Relative Val.	20%	900.73
DCF Val.	80%	470.95
9M Target Price		513.93

e-Commerce

Allegro

buy (no change)

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We had mixed feelings about Allegro's Q4'22 results. On the one hand, the figures fell short of our expectations: net costs of delivery turned out to be higher than expected while the take rate was lower. In Q1'23, Mall Group is expected to post an EBITDA loss of around PLN 75-80m.

On the other hand, Allegro switched to a quarterly forecasting cycle and expects GMV from Poland to grow 13-14% y/y in the first quarter of 2023, accompanied by 20-22% revenue expansion. Adjusted EBITDA should increase by 20-23% y/y, while expected CAPEX may amount to PLN 100-110m.

This shows that Allegro is counting on maintaining the pace of GMV growth in Poland and keeping EBITDA margins at approx. 33%. In our opinion, this is a crucially positive outlook given the poor recent prints on Polish e-commerce sales.

Summing up, Allegro continues to post strong GMV growth despite worries about softer consumer spend, and it sounded confident on the conference call. We will update our financial forecasts for the company soon. In the mean time, we remain bullish on ALE.

Current Price*

29.31 PLN

Upside

9M Target Price

30.00 PLN

+2.4%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	30.00 PLN	2022-12-01

Key Metrics		ALE PW	vs. WIG
Ticker	ALE PW	1M Price Chng	+5.3%
ISIN	LU2237380790	YTD Price Chng	+16.6%
Outst. Stock (m)	1,056.9	ADTV 1M	PLN 66.6m
MC (PLN m)	30,972.6	ADTV 6M	PLN 84.8m
EV (PLN m)	36,963.2	EV/EBITDA 12M fwd	13.9
Free Float	39.7%	EV/EBITDA 5Y avg	21.1

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	5,353	9,005	11,085	12,575	14,115
EBITDA	1,994	2,001	2,477	3,047	3,623
EBITDA margin	37.2%	22.2%	22.3%	24.2%	25.7%
EBIT	1,473	-1,182	1,469	2,004	2,544
Net income	1,090	-1,917	834	1,331	1,790
P/E	28.4	-	37.1	23.3	17.3
P/B	3.3	3.4	2.5	2.3	2.2
EV/EBITDA	17.4	18.6	14.9	11.8	9.8
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022	2023P	2024P	2025P
GMV (mld PLN)	42.6	52.5	61.1	70.3	80.1
Sales	5,353	9,005	11,085	12,575	14,115
Marketplace	4,319	5,341	6,419	7,601	8,813
Ad	477	612	747	894	1,047
Price comparison	181	194	198	215	231
1P	334	2,695	3,528	3,641	3,770
Other	42	163	193	223	254
EBITDA Adjusted	2,068	2,153	2,577	3,147	3,723
margin	38.6%	23.9%	23.2%	25.0%	26.4%
D&A	521	872	1,008	1,043	1,079
EBIT	1,473	-1,182	1,469	2,004	2,544
margin	27.5%	-13.1%	13.3%	15.9%	18.0%
Financial, net & other	115	-457	426	339	307
Tax	-269	-277	-340	-440	-542
Net Income	1090	-1917	834	1331	1790

Key Balance Sheet Figures

(PLN m)	2021	2022	2023P	2024P	2025P
Operating cash flow	1,407	1,855	2,120	2,647	3,173
OCF/EBITDA	68%	86%	82%	84%	85%
CAPEX	-407	-722	-1,050	-1,100	-1,150
Assets	16,870	19,239	22,902	22,976	23,005
Equity	9,454	8,981	12,247	13,678	14,236
Net debt	3,646	6,244	5,991	4,883	4,599
Net debt/EBITDA (x)	1.8	2.9	2.3	1.6	1.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	22P	23P	24P	22P	23P	24P
Minimum	7.6	7.2	7.0	4.0	3.7	3.3
Maximum	135.4	112.7	97.0	54.5	29.7	20.7
Median	29.4	30.1	22.8	14.6	11.6	8.7
Weight	0%	25%	25%	0%	25%	25%

DCF Analysis

(PLN m)	2H'22P	22P	23P	24P	25P	26P	27P	28P	29P	30P	+
Revenue	5,272	11,085	12,575	14,115	15,662	17,208	18,515	20,016	21,719	23,410	24,346
EBITDA	1,169	2,477	3,047	3,623	4,224	4,757	5,225	5,742	6,314	6,871	7,146
EBITDA margin	22.2%	22.3%	24.2%	25.7%	27.0%	27.6%	28.2%	28.7%	29.1%	29.4%	29.4%
D&A	480	1,008	1,043	1,079	1,117	1,201	1,291	1,394	1,506	1,626	1,691
EBIT	689	1,469	2,004	2,544	3,106	3,556	3,934	4,348	4,808	5,245	5,455
Tax	131	279	381	483	590	676	747	826	914	997	1,036
NOPLAT	558	1,190	1,623	2,060	2,516	2,880	3,186	3,522	3,895	4,248	4,418
CAPEX	-389	-1,050	-1,100	-1,150	-1,018	-1,118	-1,203	-1,301	-1,412	-1,522	-1,582
Working capital	-192	-248	-167	-103	-92	-96	-96	-100	-109	-116	-121
FCF	458	899	1,399	1,887	2,523	2,867	3,178	3,515	3,880	4,237	4,406
PV FCF	456	796	1,096	1,311	1,560	1,580	1,556	1,526	1,495	1,448	
WACC	11.9%	12.6%	13.0%	12.8%	12.4%	12.2%	12.6%	12.7%	12.7%	12.8%	10.5%
Net debt / EV	21.0%	19.6%	16.5%	15.7%	14.3%	13.3%	12.3%	11.3%	10.2%	9.1%	9.1%
Risk-free rate	6.9%	7.9%	8.1%	7.9%	7.4%	7.1%	7.4%	7.5%	7.4%	7.4%	4.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	4.5%
PV FCF	25,543
Net debt	6,803
Other adjustments	0
Value per share (PLN)	29.87

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	24.12
DCF Val.	50%	29.87
Implied Price		27.60
Cost of equity (9M)		8.7%
9M Target Price		30.00

Answear buy (reiterated)

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Answear posted a relatively low costs in Q4'22. Despite further pressure on gross margin (greater scale of margin erosion y/y in Q4 vs. Q3), the company maintained cost discipline and capped EBITDA margin decline to 0.5pp y/y. Answear stands out from among other e-commerce companies in terms of sales growth and operational efficiency. In 2022, the company recorded >30% EBITDA growth compared to a 30% fall at Zalando and a significant decline at Modivo Group. In addition, Answear's strategy focuses on increasing the share of premium brands in the sales mix from 60% already in Q4'22. We expect this to continue in 2023, with positive effects on demand (customers choosing premium products seem less impacted by price inflation). By raising AOV, Answear can increase the unit profitability of each order.

Answear announced the acquisition of the Sneakerstudio and PRM brands, which fits in with its strategy of positioning itself in the upper-range price segment. The impact of the deal on 2023 results is going to be marginal (the targets are not yet profitable) but at the same time the acquisition represents upside risk to our forecasts with the achievement of cost synergies.

ANR is currently trading at a single-digit discount to Zalando even though it is expected to double its EBITDA in 2021-25 compared to Zalando's 40% growth forecast. Among risks, we highlight the war in Ukraine (which contributes ca. 16% to sales at a significantly higher margin than the group's average).

We raise our target price for ANR to PLN 39.2 with a reiterated buy recommendation.

Financial Highlights (adjusted for IFRS 16)

(PLN m)	2021	2022	2023P	2024P	2025P
No of visits (m)	157.8	209.9	245.3	281.8	319.2
Conversion rate	2.3%	2.1%	2.1%	2.2%	2.2%
No of orders (ths)	3,662	4,493	5,249	6,086	6,927
Average Order Value	280.0	315.0	348.1	355.0	362.1
Gross profit margin	43.0%	40.2%	39.7%	39.9%	40.0%
Operating cash flow	-17.9	46.9	16.2	31.4	47.3
D&A	2.8	4.1	6.7	8.8	11.0
Working capital	-60.9	-7.0	-41.3	-36.2	-36.6
Investing cash flow	-14.5	-21.4	-21.0	-21.6	-22.3
CAPEX	-14.5	-16.6	-21.0	-21.6	-22.3
Financing cash flow	33.4	0.1	6.3	-14.3	-18.9
Dividends/Buyback	0.0	0.0	0.0	0.0	0.0
FCF	-38.0	27.6	-18.8	-2.3	13.0
FCF/EBITDA	-	52%	-36%	-3%	15%
OCF/EBITDA	-	88%	31%	47%	54%

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
No of visits (m)	245.3	281.8	319.2	357.1	395.2	433.1	470.5	507.2	542.7	576.9	
Conversion rate	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	
Return rate (%)	31.0%	31.4%	31.6%	31.7%	31.8%	31.8%	31.8%	31.8%	31.8%	31.8%	
Revenue	1,195	1,405	1,625	1,860	2,108	2,366	2,634	2,908	3,188	3,472	
EBITDA (ex. MSSF16)	53	67	87	106	125	136	151	165	178	188	
margin	4.4%	4.8%	5.4%	5.7%	5.9%	5.8%	5.7%	5.7%	5.6%	5.4%	
EBIT	46	58	76	93	109	118	131	142	153	163	
Tax	9	12	15	19	22	24	26	28	29	31	
CAPEX + leases	-30	-31	-31	-32	-33	-33	-34	-35	-36	-36	
Working capital	-41	-36	-37	-47	-49	-51	-53	-55	-56	-57	
FCF	-19	-2	13	18	30	37	47	56	66	73	79
PV FCF	-17	-2	10	12	18	19	22	23	25	24	
WACC	11.3%	11.7%	11.8%	11.9%	12.0%	12.4%	12.4%	12.4%	12.4%	12.8%	10.5%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

Current Price* 30.40 PLN **Upside**
9M Target Price 39.20 PLN **+28.9%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	39.20 PLN	2023-04-03
old	buy	28.40 PLN	2022-12-01
Key Metrics			
Ticker	ANR PW	1M Price Chng	+10.3% +11.8%
ISIN	PLANSWR00019	YTD Price Chng	+13.6% +11.7%
Outst. Stock (m)	17.3	ADTV 1M	0.3 mln PLN
MC (PLN m)	527.3	ADTV 6M	0.2 mln PLN
EV (PLN m)	719.1	EV/EBITDA 12M fwd	12.2 -1.1%
Free Float	18.7%	EV/EBITDA 5Y avg	12.4 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	684	973	1,195	1,405	1,625
EBITDA	46	62	62	76	96
EBITDA margin	6.8%	6.3%	5.2%	5.4%	5.9%
EBIT	36	49	46	58	76
Net income	23	26	25	35	49
P/E	23.0	20.4	21.1	15.3	10.8
P/B	3.8	3.2	2.7	2.3	1.9
EV/EBITDA	13.2	11.2	11.7	9.6	7.6
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)					
Revenue			0.0%	0.0%	0.0%
EBITDA			+8.2%	+4.6%	+4.1%
EBIT			+10.0%	+5.1%	+4.5%
Net income			+13.9%	+11.0%	+9.5%
CAPEX			0.0%	0.0%	0.0%

Key Ratios (adjusted for IFRS 16)

	2021	2022	2023P	2024P	2025P
Marketing Costs	102	153	194	227	259
as a % of sales	14.9%	15.7%	16.2%	16.2%	16.0%
Logistics Costs	93	125	148	175	202
as a % of sales	13.6%	12.8%	12.4%	12.5%	12.5%
Cash (PLN m)	23	49	50	46	52
Net debt (PLN m)	9	30	58	73	72
Net debt/EBITDA (x)	0.2	0.6	1.1	1.1	0.8

Relative Valuation Summary

	EV/Sales			P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P	23P	24P	25P
Minimum	0.3	0.3	0.3	10.4	9.4	8.6	6.4	5.6	4.6
Maximum	4.9	4.5	4.2	55.1	166.5	59.3	16.1	14.2	13.1
Median	1.0	0.9	0.8	23.3	21.8	18.0	12.4	10.3	8.2
Weight	3%	3%	3%	15%	15%	15%	15%	15%	15%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	5.0%
PV FCF	606
Net debt IAS 17	30
Other adjustments	-17
Value per share (PLN)	32.30

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	39.58
DCF Val.	50%	32.30
Implied Price		35.94
Cost of equity (9M)		8.9%
9M Target Price		39.20

Grupa Pracuj buy (no change)

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The labor market situation remains relatively stable and no mass layoffs are likely in 2023. In January and February, Poland saw a slight increase in the unemployment rate to 5.5% vs. 5.2% in December, with seasonally higher unemployment at the beginning of the year. We think that unemployment will remain low throughout 2023, rising to around 6% max.

A slowdown in the labor market is reflected in lower volumes of job classifieds. According to our baseline scenario, the trends seen in Q4 will also into the rest of 2023. This is supported by Grant Thornton/Element data, according to which job ad volumes were lower in January-February by an average of around 8% y/y.

The start of 2023 also brings an increase in the average wage of around 13.6% y/y. The still high nominal salary increases should help employers to accept higher rates on pracuj.pl within new ad bundles (employers look at the cost of recruitment in terms of a percentage of the wage bill). The rate hikes should largely offset the decline in ad volumes caused by the slowdown in the labor market in 2023.

We will update our models for Grupa Pracuj after the publication of the full 2022 report.

Current Price* 58.00 PLN **Downside**
9M Target Price 57.90 PLN **-0.2%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	57.90 PLN	2022-12-01

Key Metrics		GPP PW	vs. WIG
Ticker	GPP PW	1M Price Chng	+5.5% +6.9%
ISIN	PLGRPRC00015	YTD Price Chng	+41.8% +39.8%
Outst. Stock (m)	68.1	ADTV 1M	0.8 mln PLN
MC (PLN m)	3,950.0	ADTV 6M	0.9 mln PLN
EV (PLN m)	4,705.4	EV/EBITDA 12M fwd	12.8 +10.7%
Free Float	27.9%	EV/EBITDA 5Y avg	11.5 premium

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	475	633	715	780	863
EBITDA	240	288	328	358	386
EBITDA margin	50.4%	45.4%	45.9%	45.8%	44.7%
EBIT	228	266	293	318	342
Net income	255	195	197	218	238
P/E	15.5	20.3	20.0	18.1	16.6
P/B	15.9	12.8	11.0	9.2	7.9
EV/EBITDA	17.4	16.4	14.3	13.1	12.1
DPS	1.57	2.00	2.15	2.17	2.40
DYield	2.7%	3.5%	3.7%	3.7%	4.1%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022P	2023P	2024P	2025P
Revenue	475.1	632.8	714.7	780.3	862.7
YoY	58.7%	33.2%	12.9%	9.2%	10.6%
EBIT	227.5	266.1	292.9	317.9	341.9
EBIT margin	47.9%	42.0%	41.0%	40.7%	39.6%
EBITDA	239.5	287.5	328.4	357.5	385.7
EBITDA margin	50.4%	45.4%	45.9%	45.8%	44.7%
EBITDA adj.	257.3	308.8	328.4	357.5	385.7
EBITDA adj. margin	54.2%	48.8%	45.9%	45.8%	44.7%
financial, net & other	88.9	-18.5	-44.5	-40.9	-39.2
PBT	319.5	246.7	247.9	277.5	303.3
PBT margin	67.3%	39.0%	34.7%	35.6%	35.2%
minorities	1.0	-3.3	-4.5	-2.3	-2.4
tax	-63.9	-55.0	-55.3	-61.9	-67.7
net income	254.7	195.0	197.1	217.9	238.0
net income margin	53.6%	30.8%	27.6%	27.9%	27.6%

Key Balance Sheet Figures

	2021	2022P	2023P	2024P	2025P
Operating cash flow	224.9	241.3	274.2	300.0	338.9
OCF/EBITDA	94%	84%	84%	84%	88%
CAPEX	-8.1	-12.4	-15.1	-18.3	-22.3
Assets	499.7	972.3	1,027.6	1,110.0	1,212.5
Equity	249.1	307.6	358.5	428.5	503.1
Net debt	-158.5	327.1	273.7	197.0	101.0
Net debt/EBITDA (x)	-0.7	1.1	0.8	0.6	0.3

Relative Valuation Summary

	P/S			EV/EBITDA			P/E		
	22P	23P	24P	22P	23P	24P	22P	23P	24P
Minimum	0.9	0.6	0.5	1.8	1.3	1.2	12.7	11.9	10.5
Maximum	14.8	10.0	8.8	29.9	19.4	16.7	63.7	33.4	26.2
Median	3.4	3.0	2.7	16.4	13.6	11.7	27.6	26.5	22.2
Weight	7%	13%	13%	7%	13%	13%	7%	13%	13%

DCF Analysis

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	+
Revenue	715	780	863	942	1,018	1,091	1,161	1,230	1,296	1,328
YoY	12.9%	9.2%	10.6%	9.1%	8.1%	7.2%	6.5%	5.9%	5.4%	2.5%
EBIT	293	318	342	365	393	420	446	493	516	529
Tax	59	64	68	73	79	84	89	99	103	106
NOPLAT	234	254	274	292	314	336	357	394	413	423
D&A	35	40	44	48	52	56	60	40	43	44
CAPEX	-15	-18	-22	-27	-31	-35	-38	-40	-43	-44
Working capital	1	4	21	20	12	11	11	11	11	11
other	0	0	0	0	0	0	0	0	0	0
FCF	256	280	316	333	347	368	389	405	424	434
PV FCF	223	215	213	198	183	171	159	146	135	138
WACC	13.4%	13.7%	13.7%	13.4%	13.1%	13.4%	13.5%	13.4%	13.4%	10.5%
Net debt / EV	8.4%	6.2%	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	7.9%	8.1%	7.9%	7.4%	7.1%	7.4%	7.5%	7.4%	7.4%	4.5%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	1,720
Net debt (IFRS16)	327
Other adjustments	183
Value per share (PLN)	47.26

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	58.37
DCF Val.	50%	47.26
Implied Price		52.81
Cost of equity (9M)		9.7%
9M Target Price		57.90

Shoper buy (no change)

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In the last three months, Shoper has significantly underperformed Allegro and the entire WIG index. We can find no sufficient justification for that.

Shoper has painted a bright picture as regards its prospects for fiscal FY2023. On the one hand, the company has a rather poor outlook for market growth in 2023, predicting an inevitable decline in volumes. On the other hand, sales in annuary 2023 were good and the outlook for the rest of the year is bright according to the Management.

Revenues this year are expected to grow at apace more than 4x faster than the market, and margins should increase as well. Shoper is working on new products. For example, sellers will be granted access to a new website design system, which should result in, among others, better positioning in Google.

More importantly, due to high cost of capital, many players have abandoned their expansion plans for Poland. The weakening of the purchasing power of consumers does not encourage bold investment. As a result, the level of competition in the Polish market is decreasing and Shoper can concentrate on further growing its foothold in Poland.

Last but not least, Shoper is primarily an IT software vendor, which makes its results less vulnerable to slowdown in consumer spending. We stay bullish on the company.

Current Price*	29.20 PLN	Upside
9M Target Price	34.10 PLN	+16.8%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
unchanged	buy	34.10 PLN	2022-11-23

Key Metrics		SHO PW	vs. WIG
Ticker	SHO PW	1M Price Chng	+7.6% +9.0%
ISIN	PLSHPR000021	YTD Price Chng	+15.9% +13.9%
Outst. Stock (m)	28.5	ADTV 1M	PLN 0.3m
MC (PLN m)	832.6	ADTV 6M	PLN 0.5m
EV (PLN m)	839.1	EV/EBITDA 12M fwd	16.3 -39.5%
Free Float	27.1%	EV/EBITDA 5Y avg	27.0 discount

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	80	126	162	198	236
EBITDA	27	34	47	58	70
EBITDA margin	33.1%	26.6%	29.0%	29.2%	29.7%
EBIT	26	24	36	46	58
Net income	20	17	29	37	46
P/E	40.7	48.1	29.2	22.7	18.0
P/B	26.0	23.1	17.6	15.0	12.8
EV/EBITDA	30.9	25.2	17.8	14.5	11.8
DPS	0.44	0.71	0.61	1.00	1.28
DYield	1.5%	2.4%	2.1%	3.4%	4.4%

Forecast Update (% change)	2023P	2024P	2025P
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)	2021	2022P	2023P	2024P	2025P
GMV (mld PLN)	6.36	7.93	9.32	11.08	13.03
Merchants	27.3	31.4	35.1	38.3	41.5
Revenue	80.2	126.3	162.4	197.5	236.1
YoY	70.8%	57.6%	28.6%	21.6%	19.5%
EBITDA	26.7	33.7	47.0	57.6	70.0
YoY	35.1%	26.4%	39.4%	22.4%	21.6%
EBITDA margin	33.3%	26.7%	29.0%	29.2%	29.7%
EBITDA adj.	31.1	36.9	48.5	59.1	71.5
YoY	49.8%	19.0%	31.4%	21.7%	21.1%
EBITDA adj. Margin	38.7%	29.2%	29.9%	29.9%	30.3%
EBIT	21.6	24.4	36.2	46.3	58.1
margin	26.9%	19.3%	22.3%	23.4%	24.6%
Financial, net & other	-0.2	-2.5	-1.0	-1.1	-1.1
Tax	0.2	0.2	0.2	0.2	0.2
Net Income	25.3	17.3	28.5	36.6	46.2

DCF Analysis

(PLN m)	4Q'22P	23P	24P	25P	26P	27P	28P	29P	30P	31P	+
Revenue	39.9	162.4	197.5	236.1	276.1	317.9	356.4	393.7	433.1	475.7	497.1
EBITDA	11.1	47.0	57.6	70.0	81.7	94.5	106.0	117.2	129.0	141.7	148.1
EBITDA margin	27.8%	29.0%	29.2%	29.7%	29.6%	29.7%	29.7%	29.8%	29.8%	29.8%	29.8%
D&A	2.7	10.8	11.3	11.9	12.5	13.1	13.8	14.5	15.2	16.0	16.7
EBIT	8.4	36.2	46.3	58.1	69.2	81.4	92.2	102.7	113.8	125.7	131.4
Tax	1.6	6.9	8.8	11.0	13.2	15.5	17.5	19.5	21.6	23.9	25.0
NOPLAT	6.8	29.4	37.5	47.1	56.1	65.9	74.7	83.2	92.1	101.9	106.4
CAPEX	-2.6	-9.0	-9.5	-10.0	-10.6	-11.2	-11.8	-12.5	-13.2	-14.0	-14.6
Working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	6.9	31.2	39.3	49.0	58.0	67.9	76.6	85.2	94.1	103.8	108.5
PV FCF	6.1	24.1	26.6	29.2	30.5	31.6	31.4	30.8	30.0	29.2	
WACC	12.7%	13.7%	13.9%	13.7%	13.3%	13.0%	13.4%	13.5%	13.4%	13.4%	10.5%
Net debt / EV	4.2%	4.2%	3.0%	2.3%	1.4%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	6.9%	7.9%	8.1%	7.9%	7.4%	7.1%	7.4%	7.5%	7.4%	7.4%	4.5%

Key Balance Sheet Figures

(PLN m)	2021	2022P	2023P	2024P	2025P
Operating cash flow	25.3	30.8	38.3	47.1	57.1
OCF/EBITDA	95%	91%	82%	82%	81%
CAPEX	-18.3	-9.4	-9.0	-9.5	-10.0
Assets	83.5	113.9	125.1	133.2	142.8
Equity	37.6	36.0	47.3	55.4	64.9
Net debt	-3.9	33.3	24.2	18.2	10.8
Net debt/EBITDA (x)	-0.1	1.0	0.5	0.3	0.2

Relative Valuation Summary

	P/E			EV/EBITDA		
	2022P	2023P	2024P	2022P	2023P	2024P
Minimum	1.7	1.6	1.4	7.1	6.2	5.3
Maximum	13.8	11.3	9.3	56.6	1370.7	102.6
Median	5.9	5.2	4.4	20.6	23.2	19.9
Weight	0%	25%	25%	0%	25%	25%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	5.0%
PV FCF	557
Net debt	39
Other adjustments	0
Value per share (PLN)	27.62

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	34.56
DCF Val.	50%	27.62
Implied Price		31.09
Cost of equity (9M)		9.7%
9M Target Price		34.10

Retail

CCC

hold (reiterated)

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CCC disappointed with its Q4'22/23 reporting, including by posting an EBITDA loss at Modivo Group. We believe the company is eyeing persistent unfavorable earnings momentum in Q1'23/24 due to still high stocking levels and intense competition which squeezes margins by forcing retailers to restrict pricing and spend more on marketing.

In H2 2023, however, we are anticipating a recovery in consumer demand in Poland that will combine with CCC's cost-saving program for improved margins. We think Modivo Group will record around 14% y/y top-line growth in 2023 (a slightly lower estimate than the official 15-20% guidance). Because we are much more conservative when it comes to costs, our prediction for EBITDA margin improvement at ca. 1.5pp y/y is less optimistic than CCC's 3-5pp expansion target.

Assuming CCC raises PLN 0.5bn via the upcoming offering, not counting Modivo, it will find itself on the verge of meeting covenants at the end of 2023. CCC has an option to sell and lease back some of its assets to strengthen liquidity, but on the downside this would generate additional OPEX. We think CCC will want to renegotiate Modivo's covenants (our calculations indicate that the company will fall short of the current covenants in the coming quarters).

Modivo's IPO represents upside risk as it would reduce CCC's overall debt and would positively impact cash generation and risk premium. Downside risk comes from the persistence of inflation and its continuing negative impact on consumer demand. We raise our target price for CCC to PLN 37.9 based on a higher updated peer-based valuation and we maintain a hold call on the stock.

Financial Highlights

(PLN m)	2021	2022P	2023P	2024P	2025P
Sales CCC	3,609	4,066	4,232	4,604	4,924
Sales HalfPrice	237	840	1,256	1,705	2,233
Sales DeeZee	108	117	136	181	235
Gross profit margin	47.1%	46.7%	45.7%	46.1%	46.1%
SG&A/Sales	47.9%	46.4%	44.1%	42.8%	41.9%
Operating cash flow	50	522	626	957	1,186
D&A IAS 17	231	260	259	280	302
Working capital	-339	-34	-155	-59	-14
Investing cash flow	-219	-396	-376	-411	-426
CAPEX	-313	-471	-376	-411	-426
Financing cash flow	651	-678	-117	-572	-690
Dividends/Buyback	0	0	0	0	0
FCF	-69	-293	-139	76	330
FCF/EBITDA	-29%	-35%	-11%	4%	15%
OCF/EBITDA	9%	99%	78%	88%	89%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Revenue	10,260	12,183	14,384	16,205	17,603	18,861	20,084	21,380	22,754	24,209	
change	13%	19%	18%	13%	9%	7%	6%	6%	6%	6%	
EBITDA	808	1,092	1,339	1,510	1,654	1,795	1,941	2,075	2,186	2,289	
EBITDA margin	7.9%	9.0%	9.3%	9.3%	9.4%	9.5%	9.7%	9.7%	9.6%	9.5%	
D&A IAS 17	259	280	302	323	343	363	383	403	415	415	
EBIT	165	403	597	723	831	934	1,044	1,142	1,224	1,311	
Tax	31	137	130	148	165	181	199	217	233	249	
NOPLAT	133	265	467	575	666	753	846	925	991	1,062	
CAPEX	-376	-411	-426	-437	-459	-479	-499	-519	-415	-415	
Working capital	-155	-59	-14	-113	-99	-77	-66	-97	-135	-143	
FCF	-139	76	330	348	451	560	664	712	857	919	937
PV FCF	-126	60	228	210	238	258	267	250	263	246	
WACC	14.1%	14.2%	14.5%	14.6%	14.6%	14.7%	14.5%	14.4%	14.4%	14.8%	12.6%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

Current Price* 38.59 PLN **Downside**
9M Target Price 37.90 PLN **-1.8%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	hold	37.90 PLN	2023-04-03
old	hold	36.40 PLN	2022-12-01
Key Metrics		CCC PW	vs. WIG
Ticker	CCC PW	1M Price Chng	+11.3% +12.7%
ISIN	PLCCC0000016	YTD Price Chng	-10.0% -12.0%
Outst. Stock (m)	68.9	ADTV 1M	PLN 7.0m
MC (PLN m)	2,657.6	ADTV 6M	PLN 9.3m
EV (PLN m)	6,758.3	EV/EBITDA 12M fwd	7.0 +2.7%
Free Float	52.9%	EV/EBITDA 5Y avg	6.8 premium

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	7,592	9,110	10,260	12,183	14,384
EBITDA adj.	581	528	808	1,092	1,339
EBITDA margin	7.7%	5.8%	7.9%	9.0%	9.3%
EBIT	4	-58	165	403	597
Net income	-223	-453	-200	64	208
P/E	-	-	-	41.3	12.8
P/B	2.1	3.8	3.1	3.0	2.6
EV/EBITDA	9.6	11.7	8.4	6.4	5.3
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2023P	2024P	2025P	
Revenue		-0.3%	-0.5%	-1.0%	
EBITDA		-1.2%	-1.9%	-2.9%	
Gross profit margin		-0.6 p.p.	-0.6 p.p.	-0.5 p.p.	
SG&A/Sales		-0.0 p.p.	-0.1 p.p.	-0.0 p.p.	
Sales CCC		-1.3%	-0.9%	-0.5%	

Key Ratios

(PLN)	2021	2022P	2023P	2024P	2025P
Days inventory	239	199	196	186	178
Days receivables	11	4	4	4	4
Days payables	135	103	103	105	110
CCC space area	556	532	530	528	526
Cash (PLN m)	941	389	522	497	567
Net debt (PLN m)	3,314	3,897	3,927	4,161	4,199
Net debt/EBITDA (x)	5.7	7.4	4.9	3.8	3.1

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	5.0	4.6	4.2	4.8	4.3	3.9
Maximum	55.4	59.3	48.3	33.2	19.2	17.1
Median	19.7	17.8	17.5	8.8	7.9	7.0
Weight	5%	23%	23%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.5
FCF perp. growth rate	2.0%
PV FCF	4,267
Net debt IAS 17	990
Other adjustments	-1,191
Value per share (PLN)	29.30

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	38.90
DCF Val.	50%	29.30
Implied Price		34.10
Cost of equity (9M)		11.2%
9M Target Price		37.90

Dino hold (reiterated)

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Dino once again reported good sales figures for Q4'22, with LFL growth far outpacing the rate of food price inflation, but margins in the period were a negative surprise, with EBITDA margin posting contraction alongside a sharper erosion in gross margin than in Q3. This is sign of upward cost pressure coming from suppliers and producers – a trend which we think will continue throughout 2023.

Dino is planning 269 new stores in 2023 (set to boost the topline by c.12%). The company's EBITDA margin guidance is more optimistic than our assumption of a 15bp decline, led mainly by gross margin erosion. A strategy of benchmarking prices against grocery market leaders will result in an inflation rate on the average basket close to Biedronka's c.10%. With a high share of young stores (locations 2yo or less account for 32% of all) as part of natural maturation Dino is set to achieve positive volumes this year that may deliver 17% LFL growth.

Upside risks for Dino include increased fiscal stimulation in an election year (campaign promises that have already emerged include low-interest mortgages for the young and cash allowances for mothers returning to the labor market). On the downside is a potential extension of heightened price inflation, which would favor keeping interest rates high and thus stop Dino from stepping up its network roll-out plans in 2025 as expected.

We have raised the weighting of EV/EBITDA and P/E multiples in our relative valuation model for Dino to 75% to reflect the company's growth. On the updated estimates Dino is trading at ca. 16.5x EV/EBITDA'23, a level that in our view reasonably balances the opportunities and risks. We raise our target price for DNP to PLN 398 with a reiterated hold recommendation.

Financial Highlights

(PLN m)	2021	2022	2023P	2024P	2025P
Store count	1,815	2,156	2,425	2,685	3,048
Total store area (ksqm)	710	848	956	1,060	1,205
Avg. store area (sqm)	391	393	394	395	395
Sales margin	24.9%	24.1%	23.6%	23.7%	23.9%
Stores per distr, center	259	270	269	269	277
Operating cash flow	1,326	1,253	2,000	2,652	3,071
D&A	240	294	343	403	469
Working capital	205	-392	9	275	154
Investing cash flow	-1,331	-1,435	-1,408	-1,534	-1,845
CAPEX	-1,336	-1,446	-1,408	-1,534	-1,845
Financing cash flow	-57	145	-740	-1,078	-13
Inflows/repayments of loan	-164	322	-600	-1,045	0
FCF	-48	-301	562	1,107	1,219
FCF/EBITDA	-4%	-16%	24%	39%	35%
OCF/EBITDA	104%	68%	85%	94%	88%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Store count	2,425	2,685	3,048	3,374	3,639	3,824	3,951	4,052	4,107	4,139	
Sales/sqm	2,372	2,525	2,670	2,790	2,893	2,992	3,094	3,191	3,291	3,377	
SG&A/Sales	15.8%	15.7%	15.6%	15.5%	15.3%	15.2%	15.2%	15.1%	15.1%	15.1%	
Revenue	25,667	30,531	36,273	42,521	48,181	53,065	57,188	60,731	63,872	66,245	
EBITDA	2,345	2,831	3,488	4,170	4,770	5,304	5,715	6,067	6,380	6,616	
EBITDA margin	9.1%	9.3%	9.6%	9.8%	9.9%	10.0%	10.0%	10.0%	10.0%	10.0%	
EBIT	1,997	2,423	3,014	3,622	4,165	4,654	5,040	5,373	5,673	5,892	
Tax	-379	-460	-573	-688	-791	-884	-958	-1,021	-1,078	-1,119	
CAPEX	-1,408	-1,534	-1,845	-1,512	-1,460	-1,018	-1,068	-890	-1,047	-1,041	
Working capital	9	275	154	186	169	194	216	191	100	75	
FCF	562	1,107	1,219	2,151	2,683	3,591	3,899	4,343	4,350	4,525	5,042
PV FCF	516	905	885	1,387	1,536	1,825	1,762	1,747	1,557	1,436	
WACC	11.9%	12.4%	12.5%	12.6%	12.6%	12.7%	12.4%	12.4%	12.4%	12.8%	10.5%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

391.10 PLN

Upside

Current Price*

398.00 PLN

+1.8%

9M Target Price

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	hold	398.00 PLN	2023-04-03
old	hold	384.00 PLN	2022-12-01
Key Metrics		DNP PW	vs. WIG
Ticker	DNP PW	1M Price Chng	+4.0% +5.4%
ISIN	PLDINPL00011	YTD Price Chng	+4.2% +2.2%
Outst. Stock (m)	98.0	ADTV 1M	143.2 mln PLN
MC (PLN m)	38,343.4	ADTV 6M	79.5 mln PLN
EV (PLN m)	39,292.7	EV/EBITDA 12M fwd	15.2 -13.6%
Free Float	48.9%	EV/EBITDA 5Y avg	17.5 discount

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	13,362	19,802	25,667	30,531	36,273
EBITDA	1,271	1,838	2,345	2,831	3,488
EBITDA margin	9.5%	9.3%	9.1%	9.3%	9.6%
EBIT	1,024	1,538	1,997	2,423	3,014
Net income	805	1,132	1,508	1,940	2,435
P/E	47.6	33.9	25.4	19.8	15.7
P/B	12.5	9.1	6.7	5.0	3.8
EV/EBITDA	31.0	21.6	16.8	13.5	10.6
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2023P	2024P	2025P	
Revenue		+1.7%	+2.0%	+2.0%	
EBITDA		+0.1%	-1.7%	-1.6%	
Store count		0.0%	0.0%	0.0%	
Sales/sqm		+1.8%	+1.9%	+1.9%	
EBITDA margin		-0.1 p.p.	-0.3 p.p.	-0.3 p.p.	

Key Ratios

	2021	2022	2023P	2024P	2025P
Days inventory	49.9	48.0	49.1	46.5	44.6
Days receivables	3.9	5.1	5.1	5.1	5.1
Days payables	89.2	67.8	65.9	66.0	64.2
CCC (days)	-35.4	-14.7	-11.8	-14.5	-14.5
SG&A/Sales	17.2%	16.3%	15.8%	15.7%	15.6%
Net debt (PLN m)	1,057	1,402	949	-135	-1,348
Net debt/EBITDA (x)	0.8	0.8	0.4	0.0	-0.4

Relative Valuation Summary

	EV/EBITDA Growth			P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P	23P	24P	25P
Minimum	-1.4	-1.3	-1.3	10.0	8.6	7.4	4.5	4.4	4.3
Maximum	3.9	4.1	3.9	22.0	20.2	19.1	10.0	9.3	8.9
Median	1.2	1.1	1.1	11.9	11.1	11.3	6.4	6.1	6.0
Weight	8%	8%	8%	13%	13%	13%	13%	13%	13%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	4.0%
PV FCF	24,618
Net debt IAS 17	1,349
Other adjustments	0
Value per share (PLN)	375.61

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	354.80
DCF Val.	50%	375.61
Implied Price		365.21
Cost of equity (9M)		9.0%
9M Target Price		398.00

Jeronimo Martins

buy (reiterated)

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Biedronka reported solid LFL growth in Q4'22 slightly above Q3 levels and the pace of Polish food price inflation. At the same time, margins in Q4 shrunk more than in previous quarters due to cost pressures. Our expectations for 2023 assume that Biedronka will report flat sales volumes along with a ca. 10% rise in the size of the average shopping basket, a pace slightly below the national food inflation rate. Substantial pressure on gross margin, payroll, and rental costs may drive pre-IFRS 16 EBITDA c.0.3p lower y/y – a downward revision of our earlier margin forecast for Biedronka stemming also from the belief that, in order to maintain volumes, JMT must intensify its promotional activity. Other revisions to our model include increased expenses on employee bonuses, expected to continue being paid after 2023, and an updated EURPLN trajectory.

JMT is planning for net openings of 140 Biedronka and 200 Ara shops in 2023. Among downside risks for JMT, we see regulatory intervention in Portugal, where a potential windfall tax and margin caps might be partially offset by reduced VAT on food. In terms of long-term opportunities, we approve of the hints at a possible expansion into a new market, which would help to consolidate the company's growth image among investors, and we like the reassurance of ample room for growth in Colombia (willingness to invest EUR 1bn over 5 years), which represents upside to our forecasts.

We have raised the weighting of EV/EBITDA and P/E multiples in our relative valuation model for JMT to 75% to reflect the company's growth. JMT is trading at around 7.5x EV/EBITDA'23, which in our view is still an attractive level. We raise our target price to EUR 24.9 due to an increase in peer-based valuation with a reiterated buy call.

Financial Highlights (adjusted for IFRS 16)

(EUR m)	2021	2022	2023P	2024P	2025P
EBITDA Biedronka, PL	1,060	1,246	1,357	1,522	1,680
EBITDA Pingo Doce, PT	180	198	199	216	226
EBITDA Recheio, PT	38	53	57	59	63
EBITDA Other	-9	26	56	94	131
CCC (days)	-73	-68	-67	-67	-67
Operating cash flow	1,756	2,107	1,935	2,123	2,213
D&A	428	454	492	544	578
D&A (leasing)	317	327	336	354	368
Investing cash flow	395	427	401	397	312
CAPEX	-617	-920	-1,000	-870	-792
Financing cash flow	-676	-832	-715	-719	-795
Dividends/Buyback	198	511	346	336	400
FCF	752	595	611	913	1,068
FCF/EBITDA	66%	45%	42%	55%	57%
OCF/EBITDA	154%	159%	133%	127%	118%

DCF Analysis (adjusted for IFRS 16)

(EUR m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Biedronka stores	3,535	3,635	3,715	3,755	3,795	3,835	3,875	3,915	3,955	3,995	
Pingo Doce stores	482	486	490	494	494	494	494	494	494	494	
Ara stores	1293	1493	1593	1673	1733	1773	1813	1853	1893	1933	
Revenue	28,566	31,396	33,622	35,550	37,151	38,779	40,420	42,135	43,927	45,534	
EBITDA IAS 17	1,450	1,667	1,871	2,030	2,149	2,252	2,357	2,467	2,587	2,694	
EBITDA margin	5.1%	5.3%	5.6%	5.7%	5.8%	5.8%	5.8%	5.9%	5.9%	5.9%	
EBIT IAS 17	958	1,123	1,294	1,429	1,533	1,626	1,725	1,830	1,945	2,048	
Tax	-240	-281	-323	-357	-383	-406	-431	-457	-486	-512	
CAPEX	-1,000	-870	-792	-752	-715	-679	-679	-679	-679	-679	
Working capital	401	397	312	309	226	230	232	242	253	227	
FCF	611	913	1,068	1,229	1,278	1,397	1,479	1,573	1,675	1,730	1,807
PV FCF	562	747	777	793	731	708	665	627	592	540	
WACC	11.7%	12.4%	12.6%	12.7%	12.7%	12.9%	12.8%	12.7%	12.9%	13.2%	
Risk-free rate	5.7%	6.4%	6.6%	6.7%	6.7%	6.9%	6.8%	6.7%	6.9%	7.2%	

21.62 EUR

Upside

Current Price*

9M Target Price

24.90 EUR

+15.2%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	24.90 EUR	2023-04-03
old	buy	24.50 EUR	2022-12-01
Key Metrics		JMT PL	vs. WIG
Ticker	JMT PL	1M Price Chng	+10.0% +11.5%
ISIN	PTJMT0AE0001	YTD Price Chng	+7.1% +5.1%
Outst. Stock (m)	629.3	ADTV 1M	19.5 mln EUR
MC (PLN m)	13,605.3	ADTV 6M	15.1 mln EUR
EV (PLN m)	15,180.3	EV/EBITDA 12M fwd	7.3 -5.1%
Free Float	38.9%	EV/EBITDA 5Y avg	7.7 discount

Earnings Projections

(EUR m)	2021	2022	2023P	2024P	2025P
Revenue	20,889	25,385	28,566	31,396	33,622
EBITDA	1,585	1,854	2,015	2,262	2,490
EBITDA margin	7.6%	7.3%	7.1%	7.2%	7.4%
EBIT	840	1,071	1,188	1,364	1,544
Net income	463	590	640	766	893
P/E	29.4	23.1	21.3	17.8	15.2
P/B	6.0	5.9	5.2	4.4	3.7
EV/EBITDA	9.6	8.2	7.5	6.5	5.7
DPS	0.31	0.81	0.55	0.53	0.64
DYield	1.5%	3.8%	2.5%	2.5%	2.9%
Forecast Update (% change)		2023P	2024P	2025P	
Revenue		+2.1%	+1.8%	+2.1%	
EBITDA		+0.2%	-0.6%	-0.1%	
Sales/sqm, Biedronka PLN		+0.1%	+0.1%	+0.1%	
Sales/sqm, Pingo Doce		-0.6%	-0.5%	-0.5%	
Sales/sqm, Recheio		+2.6%	+2.6%	+2.6%	

Key Ratios (adjusted for IFRS 16)

(EUR m)	2021	2022	2023P	2024P	2025P
Gross profit margin	21.5%	21.0%	20.8%	20.8%	20.8%
SG&A/Sales	18.0%	17.2%	17.1%	16.9%	16.6%
Y/Y sales/sqm, Biedr. EUR	2.6%	14.3%	6.9%	6.1%	4.0%
Y/Y sales/sqm, P. Doce	2.3%	8.3%	2.0%	1.7%	1.5%
Y/Y sales/sqm, Recheio	6.8%	25.7%	3.4%	1.5%	1.5%
Net debt IAS 17	-1,034	-1,236	-1,456	-1,990	-2,616
Net debt/EBITDA (x)	-0.9	-0.9	-1.0	-1.2	-1.4

Relative Valuation Summary

	EV/EBITDA Growth			P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P	23P	24P	25P
Minimum	-1.4	-1.3	-1.3	10.0	8.6	7.4	4.5	4.4	4.3
Maximum	3.9	4.1	3.9	24.8	20.2	19.1	16.3	13.3	11.2
Median	1.2	1.1	1.1	11.9	11.1	11.3	6.4	6.1	6.0
Weight	8%	8%	8%	13%	13%	13%	13%	13%	13%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	13,786
Net debt IAS 17	-1,236
Other adjustments	-254
Value per share (EUR)	23.47

Valuation Summary

(EUR)	Weight	Price
Relative Val.	50%	22.30
DCF Val.	50%	23.47
Implied Price		22.88
Cost of equity (9M)		8.8%
9M Target Price		24.90

LPP buy (reiterated)

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The beginning of 2023 has brought a weakening of consumer demand as high inflation increasingly affects the more price-conscious shoppers, among them customers of Sinsay. As a result, we are anticipating negative LFL at Sinsay in 1H'23/24. Beyond that, however, as disinflation continues, the ability to spend will improve, resulting in higher demand for apparel. We opt to revise our 2023/24 sales forecast by c. 5%.

LPP has shifted its focus to offline due to the lower profitability of the e-commerce business. The resulting lower share of e-commerce in sales, combined with a slower growth of Sinsay's share in the sales mix and more favorable USD/PLN is expected to boost LPP's gross margin by c. 1pp in 2023. Along with lower marketing spend and other cost optimization measures, this should partly offset increasing costs and help grow this year's EBIT margin to c. 8.7%. There is upside risk to our forecasts if LPP manages to secure better supplier terms amid a general decline in orders placed with Asian manufacturers. Downside risk stems from the persistence of inflation which squeezes consumer demand and prevents reductions in excessive levels of retailer inventories.

We want to highlight LPP's resilient balance sheet, which will improve in the coming quarters owing to proceeds from the sale of the Russian business. LPP is trading at c. 20% discount to peers on EV/EBITDA'23, which makes it an attractive plan given the strong long-term growth profile. We raise our target price to PLN 13,700 on the back of the higher peer-based valuation, and maintain a buy recommendation for LPP.

Financial Highlights

(PLN m)	2021	2022P	2023P	2024P	2025P
Stores number	2,244	1,947	2,250	2,523	2,732
Total stores area	1,888	1,666	1,945	2,208	2,409
change y/y	32%	-12%	17%	13%	9%
Sinsay sales/sqm	723	921	941	993	1,042
SG&A/Sales	43.3%	43.8%	43.9%	44.0%	44.1%
Operating cash flow	3,004	1,363	3,290	3,794	3,820
D&A IAS 17	575	792	822	953	1,046
D&A leasing	572	331	535	616	683
Working capital	145	-603	549	495	135
Investing cash flow	-1,328	-921	-1,460	-1,464	-1,445
Financing cash flow	-1,635	-307	-1,967	-1,810	-2,000
Dividends/Buyback	-834	-648	-676	-716	-922
FCF	540	133	1,258	1,675	1,653
FCF/EBITDA	21%	5%	41%	45%	40%
OCF/EBITDA	114%	56%	108%	103%	93%

DCF Analysis (adjusted for IFRS 16)

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
Revenue	19,310	23,546	27,429	30,629	33,194	34,935	36,556	37,839	38,750	39,373	
change	22%	22%	16%	12%	8%	5%	5%	4%	2%	2%	
EBITDA	3,040	3,684	4,125	4,434	4,675	4,913	5,128	5,236	5,319	5,265	
EBITDA margin	15.7%	15.6%	15.0%	14.5%	14.1%	14.1%	14.0%	13.8%	13.7%	13.4%	
D&A IAS 17	822	953	1,046	1,111	1,175	1,220	1,255	1,279	1,361	1,387	
EBIT	1,683	2,114	2,396	2,591	2,733	2,903	3,064	3,136	3,130	3,046	
Tax	337	423	479	518	547	581	613	627	626	609	
NOPLAT	1,347	1,691	1,917	2,073	2,186	2,322	2,451	2,509	2,504	2,437	
CAPEX	-1,460	-1,464	-1,445	-1,420	-1,376	-1,389	-1,356	-1,347	-1,361	-1,387	
Working capital	549	495	135	71	16	40	30	10	41	28	
FCF	1,258	1,675	1,653	1,834	2,000	2,193	2,380	2,451	2,545	2,465	2,515
PV FCF	1,155	1,369	1,200	1,182	1,145	1,114	1,076	986	911	782	
WACC	11.9%	12.4%	12.5%	12.6%	12.6%	12.7%	12.4%	12.4%	12.4%	12.8%	10.5%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

Current Price* 9,580 PLN **Upside**
9M Target Price 13,700 PLN **+43.0%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	13,700.00 PLN	2023-04-03
old	buy	13,100.00 PLN	2022-12-01
Key Metrics			LPP PW vs. WIG
Ticker	LPP PW	1M Price Chng	+1.5% +2.9%
ISIN	PLLPP0000011	YTD Price Chng	-10.0% -12.0%
Outst. Stock (m)	1.9	ADTV 1M	PLN 20.8m
MC (PLN m)	17,763.6	ADTV 6M	PLN 25.0m
EV (PLN m)	21,823.8	EV/EBITDA 12M fwd	7.6 -8.3%
Free Float	44.4%	EV/EBITDA 5Y avg	8.2 discount

Earnings Projections

(PLN m)	2021	2022P	2023P	2024P	2025P
Revenue	14,030	15,847	19,310	23,546	27,429
EBITDA	3,235	2,438	3,040	3,684	4,125
EBITDA margin	23.1%	15.4%	15.7%	15.6%	15.0%
EBIT	2,087	1,316	1,683	2,114	2,396
Net income		1,075	1,194	1,537	1,759
P/E	18.6	16.5	14.9	11.6	10.1
P/B	5.4	4.5	4.0	3.4	2.9
EV/EBITDA adj.	6.7	8.9	7.2	5.8	5.1
DPS	450.00	349.66	364.35	386.24	497.48
DYield	4.7%	3.6%	3.8%	4.0%	5.2%
Forecast Update (% change)			2023P	2024P	2025P
Sales			-4.4%	-4.5%	-4.9%
EBITDA			-0.2%	-9.1%	-11.7%
SG&A/Sales			+0.4 p.p.	+1.0 p.p.	+1.1 p.p.
Sales/sqm Sinsay			-7.5%	-8.0%	-8.1%
Sales area			0.0%	0.0%	0.0%

Key Ratios

(k sqm)	2021	2022P	2023P	2024P	2025P
Salea area, Reserved	710	569	577	578	581
Salea area, Cropp	191	148	155	159	163
Sales area, House	173	149	155	160	163
Sales area, Mohito	123	94	97	99	101
Sales area, Sinsay	689	706	962	1,212	1,402
Gross profit margin	57.8%	51.4%	52.4%	53.1%	53.0%
Net debt/EBITDA (x) IAS 17	-0.2	0.2	0.0	-0.3	-0.4

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	9.7	8.3	6.4	4.3	3.8	3.2
Maximum	36.6	38.9	28.7	15.9	14.2	13.2
Median	19.4	16.5	14.6	9.6	9.0	8.5
Weight	17%	17%	17%	17%	17%	17%

DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	20304
Net debt IAS 17	377
Other adjustments	0
Value per share (PLN)	10700

Valuation Summary

(PLN)	Weight	cena
Relative Val.	50%	14,400
DCF Val.	50%	10,700
Implied Price		12,550
Cost of equity (9M)		8.9%
9M Target Price		13,700

Pepco buy (reiterated)

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Pepco is sticking to its pricing policy by raising in-store prices at a much lower rate than the competition. This will strengthen the short-term competitive advantage vis-à-vis the main rivals and allow the group to gain market share by luring the most price-sensitive customers away from the competition and attracting customers from the mid-price range segment.

As a result, Pepco will see faster revenue growth this year vs. our previous assumptions (we now expect LFL growth of 8.5% in 2023 vs. 8% previously). However, this will come at the expense of gross margin, which we expect to record a slight decline. Pepco's policy should prove beneficial in the long term by broadening the customer base and reinforcing the chain's reputation as a low-price proposition, which is key in the less fashion-oriented product segment. Pepco wants to open 200 Dealz stores in Poland (adding to the 170 shops existing at the end of 2022) and possibly double the size of the Polish Dealz network by the end of 2023. These plans exceed the initial target of adding around 50 new Poundland/Dealz shops. As a result, we raise our new store opening assumptions for 2023 accordingly to 100 net new P/D shops (Pepco is running a program to transform selected Dealz stores to the Pepco format). This leads to upward revisions to our EBITDA forecasts for 2023/24 by 2%/3%, respectively. Pepco is expected to post ca. 14% annual EBITDA growth vs. single-digit growth within the peer group in 2022-25, which we believe is attractive.

We raise our target price for PCO to PLN 49.1 with a reiterated buy recommendation.

Current Price*	41.50 PLN	Upside
9M Target Price	49.10 PLN	+18.3%

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	49.10 PLN	2023-04-03
old	buy	48.50 PLN	2022-12-12

Key Metrics		PCO PW	vs. WIG
Ticker	PCO PW	1M Price Chng	-3.0%
ISIN	NL0015000AU7	YTD Price Chng	+5.0%
Outst. Stock (m)	575.0	ADTV 1M	PLN 23.1m
MC (PLN m)	23,862.5	ADTV 6M	PLN 35.6m
EV (PLN m)	25,419.4	EV/EBITDA 12M fwd	7.0
Free Float	20.1%	EV/EBITDA 5Y avg	7.9 discount

Earnings Projections

(EUR m)	2021	2022	2023P	2024P	2025P
Revenue	4,122	4,823	5,716	6,544	7,418
EBITDA	579	665	826	957	1,098
EBITDA margin	14.0%	13.8%	14.5%	14.6%	14.8%
EBIT	253	278	341	412	497
Net income	131	174	219	270	332
P/E	38.9	29.4	23.3	18.9	15.4
P/B	5.3	4.5	3.7	3.1	2.6
EV/EBITDA	10.9	9.8	8.1	7.1	6.1
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)		2023P	2024P	2025P	
Sales		+1.6%	+1.5%	+1.4%	
EBITDA underlying		+1.9%	+2.7%	+3.0%	
No. Of Pepco stores		0.0%	0.0%	0.0%	
EBITDA Pepco		-0.9%	+0.5%	+1.1%	
EBITDA P/D		+7.7%	+7.7%	+7.6%	

Financial Highlights

(EUR m)	2021	2022	2023P	2024P	2025P
No. of Pepco stores	2,464	2,910	3,420	3,940	4,455
No. of P/D stores	1,040	1,051	1,151	1,201	1,251
Gross margin	43%	41%	41%	41%	42%
EBITDA Pepco	457	519	620	743	874
EBITDA P/D	195	214	209	217	228
Operating cash flow	673	363	786	873	985
D&A	326	387	485	545	600
Working capital	101	-219	18	-12	-25
Investing cash flow	-154	-224	-385	-385	-334
CAPEX	-152	-225	-385	-385	-334
Financing cash flow	-415	-299	-396	-434	-463
Inflows/repayments of loan	118	2	0	0	0
FCF	104	-161	4	54	188
FCF/EBITDA underlying	16%	-22%	0%	6%	17%
OCF/EBITDA	104%	50%	95%	91%	90%

Key Ratios

(EUR m)	2021	2022	2023P	2024P	2025P
Days inventory	99	93	123	118	113
Days receivables	5	5	5	5	5
Days payables	107	115	119	118	113
CCC (days)	-3	-18	9	5	5
SG&A/Sales ratio	36.4%	35.0%	34.5%	34.7%	34.8%
Net debt	1,202	1,404	1,557	1,649	1,606
Net debt/EBITDA(X)	1.9	1.9	1.9	1.7	1.5

Relative Valuation Summary

	P/E			EV/EBITDA		
	23P	24P	25P	23P	24P	25P
Minimum	4.5	4.7	4.4	10.0	8.6	7.4
Maximum	25.1	20.0	16.4	42.7	35.2	29.0
Median	9.4	8.6	8.0	16.6	15.3	13.8
Weight	17%	17%	17%	17%	17%	17%

DCF Analysis (adjusted for IFRS 16)

EUR m	23P	24P	25P	26P	27P	28P	29P	30P	31P	32P	+
No. of Pepco stores	3,420	3,940	4,455	4,965	5,465	5,955	6,435	6,905	7,365	7,815	
No. Of P/D stores	1,151	1,201	1,251	1,301	1,341	1,381	1,411	1,441	1,471	1,501	
SG&A sales/ratio	34.5%	34.7%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	35.0%	
Revenue	5,716	6,544	7,418	8,345	9,302	10,304	11,331	12,396	13,497	14,632	
EBITDA IAS17	493	594	712	831	937	1,053	1,170	1,286	1,398	1,505	
EBITDA margin	8.6%	9.1%	9.6%	10.0%	10.1%	10.2%	10.3%	10.4%	10.4%	10.3%	
EBIT	341	412	497	589	665	752	842	930	1,013	1,079	
Tax	-72	-87	-104	-124	-140	-158	-177	-195	-213	-227	
CAPEX	-385	-385	-334	-303	-308	-316	-321	-328	-385	-426	
Working capital	18	-12	-25	51	7	-7	-7	-7	-8	-8	
FCF	55	110	249	456	496	572	666	755	792	845	866
PV FCF	52	93	187	304	293	300	311	313	293	277	
WACC	11.6%	12.2%	12.5%	12.6%	12.6%	12.7%	12.4%	12.4%	12.4%	12.8%	10.5%
Risk-free rate	5.9%	6.4%	6.5%	6.6%	6.6%	6.7%	6.4%	6.4%	6.4%	6.8%	4.5%

DCF Summary

(EUR m)	
Beta	1.0
FCF perp. growth rate	2.5%
PV FCF	3,547
Net debt IAS17	275
EURPLN rate	4.68
Value per share (PLN)	46

Valuation Summary

(PLN)	Weight	cena
Relative Val.	50%	43.77
DCF Val.	50%	46.34
Implied Price		45.06
Cost of equity (9M)		8.9%
9M Target Price		49.10

Biotechnology

Ryvu Therapeutics

buy (reiterated)

Beata Szparaga-Waśniewska, CFA +48 510 929 021 Equity Analyst, Expert

We maintain our buy call for Ryvu with the 9MTP at PLN 80.

RVU120 looks on track to enter Phase 2 study in solid tumors in 2Q'23: the dose escalation has accelerated recently – from 175mg in November to 375mg in March, and a contract with a CRO has been signed. The next set of data from the study in solid tumors will be published at ASCO 2023 (with abstracts coming on May 25), and data from the AML study will be presented at the EHA meeting (abstracts on May 11). Phase 2 in AML might commence in 3Q.

We value RVU120 in solid tumors at PLN 15/share and RVU120 in AML at PLN 14/share. Assuming the project enters Phase 2 in both indications, it would translate into upside to our valuation of PLN 5/share. In synthetic lethality, in MTA-cooperative PRMT5 inhibitors (valued by us at PLN 5/share), a development candidate is to be nominated this year, and enter Phase 1 in 2024. In WRN inhibitors, which are not included in our valuation, an in vivo proof of concept is to be achieved in 2023. On the flip side, Ryvu has signaled there is a risk that the collaboration with Galapagos (previously valued by us at PLN 1/share) will be ended, and so we no longer include it in our valuation. Also, there remains a risk that Menarini will abandon the SEL24/MEN1703 project (valued by us at PLN 5/share), though the partners are still discussing further options for the program.

With gross cash of PLN 321m as of March 17, we believe Ryvu is well positioned to advance its pipeline in line with the 2022-24 strategy goals, while new partnering deals may provide further upside.

Financial highlights

(PLN m)	2021	2022	2023P	2024P	2025P
grants	24	29	17	10	2
partnering revenues	11	39	64	146	271
Revenues	35	68	82	156	273
y/y	-4%	93%	19%	91%	75%
Materials & energy	-14	-17	-21	-22	-7
HR costs	-31	-43	-47	-53	-29
Third party services	-34	-42	-101	-111	-41
EBIT	-79	-78	-111	-48	177
EBITDA	-66	-66	-97	-34	192
EBITDA adj.	-43	-43	-91	-33	192
Financial income	0	-1	9	9	9
Pre-tax profit	-79	-79	-102	-39	185
Income tax	0	-5	0	0	0
Net profit	-79	-84	-102	-39	185
Net profit adj.	-56	-62	-95	-38	186

Probability weighted, discounted CF after tax

(PLN m)	23P	24P	25P	26P	27P	28P	29P	30P	31P	32-44P
Clinical projects										
SEL24/MEN1703	0	10	5	9	31	13	4	5	7	40
RVU120 in AML/MDS	-35	-34	21	125	50	9	13	18	23	131
RVU120 in solid tumors	-15	-18	72	0	0	32	73	32	14	165
Discovery and preclinical projects (internal)										
PRMT5 inhibitors	-15	-21	16	0	17	7	0	11	29	61
HPK1 inhibitors	2	0	1	1	1	1	1	1	0	14
Out-licensed projects										
STING agonist ADC (EXEL)	10	24	9	23	10	15	7	0	10	95
STING agonist standalone (BNTX)	0	19	0	20	9	10	5	0	9	70
Discov. collab.(BNTX)	15	20	12	6	8	6	6	2	1	74
Other costs, capex	-45	-38	-10	-9	-8	0	0	0	0	0
Total	-84	-38	126	174	117	95	109	68	93	650

Current Price* 59.20 PLN **Upside**

9M Target Price 80.00 PLN **+35.1%**

*Price as of March 31, 2023, 5:00 PM

	rating	target price	issued
new	buy	80.00 PLN	2023-04-03
old	buy	80.00 PLN	2023-02-02
Key Metrics		RVU PW	vs. WIG
Ticker	RVU PW	1M Price Chng	-7.2%
ISIN	PLSELV00013	YTD Price Chng	+20.2%
Outst. Stock (m)	23.1	ADTV 1M	PLN 0.7m
MC (PLN m)	1,368.7	ADTV 6M	PLN 0.6m
EV (PLN m)	1,136.3	EV/EBITDA 12M fwd	218.5
Free Float	68.1%	EV/EBITDA 5Y avg	162.7

Earnings Projections

(PLN m)	2021	2022	2023P	2024P	2025P
Revenue	35	68	82	156	273
EBITDA	-66	-66	-97	-34	192
EBITDA margin	-186.5%	-95.7%	-119.1%	-21.6%	70.3%
EBIT	-79	-78	-111	-48	177
Net income	-79	-84	-102	-39	185
P/E	-	-	-	-	7.4
P/B	6.7	3.2	5.5	6.5	3.4
EV/EBITDA	-	-	-	-	5.4
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Update (% change)			2023P	2024P	2025P
revenues			-18.3%	-11.0%	+5.9%
EBITDA adj.			+0.4%	+8.5%	-46.0%
Net income adj.			-0.6%	+9.5%	+6.6%
CAPEX			-19.5%	-20.1%	+6.5%
Net cash			-7.4%	-14.1%	+8.1%

Balance sheet and CF

(PLN m)	2021	2022	2023P	2024P	2025P
Operating cash flow	-59	21	-105	-47	159
Working capital	6	-6	11	2	-17
CAPEX	-12	-6	-14	-15	-16
Equity issue	0	0	243	0	0
Change in debt	-3	-3	45	13	8
Net cash	83	100	232	180	332
Net debt/EBITDA (x)	nm	nm	nm	nm	-1.7

WACC calculations

	23P	24P	25P	26P	27P	28P
US RFR	4.6%	3.6%	3.2%	3.1%	3.1%	3.3%
premium to US	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
cost of equity	14.6%	13.6%	13.2%	13.1%	13.1%	13.3%
cost of debt	3.0%	2.7%	2.7%	2.7%	na	na
WACC	12.7%	11.2%	11.6%	13.0%	13.1%	13.3%

rNPV Summary

(PLN)	
SEL24/MEN1703	5
RVU120	29
Collaboration with BioNTech	12
STING ADC	9
PRMT5 inhibitors	5
Other	-3

Valuation Summary

(PLN)	Weight	Price
rNPV Val. (EV)	100%	57.33
Net cash		14.50
Fair Value		71.84
Cost of equity (9M)		14.6%
9M Target Price		80.00

List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price/Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases)

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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REDUCE – we expect that the rate of return from an investment will range from -5% to -15%

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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, Bandai Namco, Capcom, CD Projekt, Creepy Jar, EA, Embracer, Frontier Dev, Hasbro, Konami, Nintendo, Paradox Interactive, PCF Group, PlayWay, Remedy Ent, Sega Sammy, Square Enix, Take-Two, Team17, Tencent, Ubisoft
Allegro	Alibaba, Amazon, Asos, Boohoo, Ebay, Etsy, Global Fashion Group, Jd.Com, Lojas Americanas, Magazine Luiza, Mercadolibre, Overstock.Com, Via Varejo, Vipshop Holdings, Zalando, Zozo
Answer	Alibaba Group, Amazon.com, Asos, Boohoo, Ebay, Global Fashion Group, Lojas Americanas, Overstock.com, Via Varejo, Zalando, Zozo
Asseco Poland	Atos, CAP Gemini, Comarch, Computacenter, Fiserv, Indra Sistemas, Oracle, Sage Group, SAP, Software AG
CCC	ABC-Mart, Adidas, Asos, Boohoo, Caleres, Crocs, Foot Locker, Geox, H&M, Inditex, LPP, Nike, Steven Madden, TJX, Tod's Spa, Zalando
CEZ	E.ON, Abo Wind, Avangrid, Azure Power Global, Boralex, Brookfield Renewable, Clearway Energy, EDF, EDP, Edp Renovaveis, Elia Group, Encavis, Endesa, Enel, Engie, Eolus Vind, ERG, Evn, Falck Renewables, Fortum, Iberdrola, Iren, Meridian Energy, National Grid, Neoen, Nextera, Northland Power, Orsted, PNE, Red Electrica, Redes Energeticas, RWE, Scatec Solar, Solaria Energia, SSE, Terna, Terna Energy, Transalta Renewables, Verbund, Xcel Energy
CD Projekt	11 bit studios, Activision Blizzard, Bandai Namco, Capcom, Creepy Jar, EA, Embracer, Frontier Dev, Hasbro, Konami, Nintendo, Paradox Interactive, PCF Group, PlayWay, Remedy Ent, Sega Sammy, Square Enix, Take-Two, Team17, Tencent, Ubisoft
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	AXfood, Ahold, Carrefour, Eurocash, Jeronimo Martins, Metro, Tesco, Sonae,
Grupa Kęty	Arcor, Constellium, Huhtamaki, Inwido, Kaiser Aluminum, Mondi, Norsk Hydro, Sealed Air
Grupa Pracuj	Adevinta, Autohome, Beijing Career International, Carsales.Com, Dip, En Japan, Headhunter, Kakaku.Com, New Work, Recruit Holdings, Schibsted, Scout24, Seek
Inter Cars	O'Reilly Automotive, Autozone, Genuine Parts, LKQ, Advance Auto Parts, Mekonomen, Carparts.Com, Auto Partner, Oponeo.PI
Jeronimo Martins	AXfood, Ahold, Carrefour, Dino, Eurocash, Metro, Tesco, Sonae,
Kruk	Arrow Global, Collection House, Credit Corp, Encore Capital, Intrum, PRA Group
MOL, PKN	A2A, Aker Bp, Antero Resources, Apache, Arkema, Basf, Bayer, Braskem, Canadian , Capricorn Energy, Centrica, Chesapeake Energy, Cnx, Comstock Resources, Conocophillips, Continental Resources, Coterra Energy, Cvr Energy, Delek Us Holdings Inc, Devon, Dno, Dowdupont, E.On, Eastman Chemical, Enagas, Endesa, Energiean , Engie, Eog, Eqt, Equinor, Formosa Plastics, Harbour Energy, Hellenic Petroleum, Hera, Hf Sinclair, Huntsman, Indorama Ventures, Lotte Chemical, Lyondellbasell, Marathon Oil, Marathon Petroleum Corp, Mitsubishi Chemical, Mitsui Chemicals, Motor Oil, Naturgy, Neste Oyj, Occidental, Pbf Energy Inc-Class A, Petrobras, Petronas, Phillips 66, Pioneer Natural Resources, Pkn Orlen, Range Resources, Red Electrica, Romgaz, Sabic, Santos, Saras, Saudi Aramco, Serica Energy, Snam, Southwestern Energy, Tullow Oil, Tupras, Valero Energy Corp, Westlake Chemical
LPP	Burberry, CCC, Fast Retailing, GAP, H&M, Hugo Boss, Inditex, Kering, M&S, Moncler, Next, Pepco, Ross Stores, TJX, VRG
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
Pepco	Ahold, B&M, Carrefour, Dollar General, Dollar Tree, Dollarama, Five Below, Jeronimo Martins, LPP, Metro, Sainsbury, Target, Tesco
Polenergia	AB Ignitis, Abo Wind, Avangrid, Azure Power Global, Boralex, CEZ, Clearway Energy, E.ON, EDF, EDP, Edp Renovaveis, Elia Group, Encavis, Endesa, Enel, Engie, Eolus Vind, Evn, Fortum, Iberdrola, Iren, National Grid, Neoen, Orsted, PNE, Red Electrica, Redes Energeticas, Renova, RWE, Scatec Solar, Solaria Energia, SSE, Terna, Transalta Renewables, Xcel Energy
Shoper	Alibaba, Allegro, Amazon, Bigcommerce, Ebay, Etsy, Hubspot, Livechat Software, Paycom Software, Paylocity Holding, Salesforce, Servicenow, Shopify, Zendesk
STS Holding	888, Bally's Corp, bet-at-home, Betsson, Churchill Downs, DraftKings, Entain, FDJ, Flutter, Kindred, Light & Wonder, Opap, PointsBet, Rush Street
Sygnity	Ailleron, Asseco Business Solutions, Asseco Poland, Asseco South Eastern Europe, Atende, Comarch
Ten Square Games	G5 Entertainment, Gree, Huuuge, Koei Tecmo, NetEase, Netmarble, NHN, Playtika, Rovio, Sciplay, Stillfront, Tencent
Wirtualna Polska	eBay, Facebook, Google, Mail.ru, Sina, Yahoo Japan, Yandex
Vercom	Alibaba Group, Allegro, Asseco South Eastern Europe, Avaya Holdings, Ebay, Link Mobility, Livechat Software, Mailup, R22, Sinch, Twilio, Vonage Holdings, Wirtualna Polska
XTB	IG Group, Plus 500, CMC Markets

Recommendations Issued In the 12 Months Prior To This Publication
11 bit studios (Piotr Poniatowski)

Rating	hold	buy	accumulate	accumulate
Rating date	2023-04-03	2022-11-28	2022-10-03	2022-07-08
Target price	677.00	602.00	550.00	550.00
Price on rating	665.00	535.00	529.00	510.00

Alior Bank (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	hold	buy	buy
Rating date	2023-03-27	2022-12-01	2022-09-27	2022-07-06
Target price	50.00	36.06	33.00	37.98
Price on rating	34.11	36.06	24.69	24.49

Allegro (Paweł Szpigiel)

Rating	buy	buy	buy	buy	accumulate	buy	buy
Rating date	2022-12-01	2022-11-03	2022-09-30	2022-08-05	2022-07-08	2022-06-03	2022-04-07
Target price	30.00	31.00	31.90	35.30	31.00	32.30	39.40
Price on rating	22.35	23.30	21.99	26.71	27.50	23.78	30.16

Answear (Paweł Szpigiel, Janusz Pięta)

Rating	buy	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08	2022-04-07
Target price	39.20	28.40	23.90	23.40	39.60
Price on rating	30.40	23.20	17.60	18.80	25.85

Asseco BS (Paweł Szpigiel)

Rating	overweight	neutral
Rating date	2022-12-01	2022-07-08
Target price	-	-
Price on rating	30.80	39.50

Asseco Poland (Paweł Szpigiel)

Rating	accumulate	accumulate	hold
Rating date	2022-12-01	2022-10-03	2022-07-08
Target price	77.60	75.40	77.80
Price on rating	73.10	69.15	76.15

Asseco SEE (Paweł Szpigiel)

Rating	overweight	overweight
Rating date	2022-12-01	2022-07-08
Target price	-	-
Price on rating	4.500	39.90

BNP Paribas Polska (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	accumulate	buy	buy
Rating date	2023-03-27	2022-12-01	2022-09-27	2022-07-06
Target price	58.50	60.80	65.00	89.24
Price on rating	48.30	56.40	48.00	55.00

BOS Bank (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy
Rating date	2023-03-27	2022-11-29
Target price	11.60	10.50
Price on rating	8.82	8.03

CCC (Janusz Pięta, Paweł Szpigiel)

Rating	hold	hold	hold	hold
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-09-15
Target price	37.90	36.40	35.00	38.00
Price on rating	38.59	37.57	37.14	37.98

CD Projekt (Piotr Poniatowski)

Rating	buy	buy	buy	buy	buy
Rating date	2023-04-03	2022-11-28	2022-10-03	2022-07-08	2022-04-07
Target price	150.00	163.00	119.00	125.00	239.00
Price on rating	111.22	140.00	100.20	103.78	175.10

CEZ (Kamil Kliszcz)

Rating	hold	hold	accumulate	buy	reduce	hold	hold	accumulate
Rating date	2023-04-03	2023-02-01	2022-12-01	2022-10-03	2022-08-03	2022-07-08	2022-06-03	2022-04-07
Target price	976.68	859.01	859.01	1059.61	916.39	916.39	1050.30	1050.30
Price on rating	1,051.00	888.00	804.00	860.00	1,016.00	1,009.00	1,159.00	952.50

Clech

Rating	suspended	buy
Rating date	2022-07-08	2022-04-07
Target price	-	49.64
Price on rating	36.40	44.20

Cognor

Rating	suspended	accumulate	buy
Rating date	2022-07-08	2022-05-20	2022-04-07
Target price	-	5.97	6.75
Price on rating	4.03	5.52	5.85

Comarch (Paweł Szpigiel)

Rating	buy	buy	buy
Rating date	2022-12-01	2022-10-03	2022-07-08
Target price	201.90	220.10	231.70
Price on rating	158.60	150.00	169.80

Compremm

Rating	suspended	buy	buy
Rating date	2022-07-08	2022-06-07	2022-04-07
Target price	-	4.01	4.87
Price on rating	2.60	2.94	3.20

Cyfrowy Polsat (Paweł Szpigiel)

Rating	accumulate	buy	hold
Rating date	2022-12-01	2022-10-03	2022-07-08
Target price	20.10	22.00	22.60
Price on rating	18.59	16.05	21.62

Dino (Janusz Pięta)

Rating	hold	hold	buy	accumulate	buy	reduce
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08	2022-05-20	2022-04-07
Target price	398.00	384.00	374.00	380.00	375.00	313.00
Price on rating	391.10	363.80	302.00	337.00	294.70	341.20

Enea (Kamil Kliszcz)

Rating	suspended	suspended	suspended	suspended	suspended
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08	2022-04-07
Target price	-	-	-	-	-
Price on rating	6.32	5.81	6.18	9.64	8.80

Erste Group (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08
Target price	41.50	44.45	40.59	43.59
Price on rating	30.50	29.60	22.64	23.24

GPW (Mikołaj Lemańczyk)

Rating	sell	reduce	hold	accumulate
Rating date	2022-12-01	2022-10-03	2022-07-08	2022-04-07
Target price	2817	29.89	36.32	44.55
Price on rating	35.46	32.78	37.12	39.92

Grupa Kęty (Paweł Wieprzowski)

Rating	accumulate	buy	suspended	hold
Rating date	2022-12-01	2022-09-22	2022-07-08	2022-04-07
Target price	667.61	621.00	-	656.64
Price on rating	591.00	514.00	548.00	622.00

Grupa Pracuj (Paweł Szpigiel, Janusz Pięta)

Rating	buy	buy	buy	buy
Rating date	2022-12-01	2022-10-03	2022-07-08	2022-04-07
Target price	57.90	59.50	65.80	83.30
Price on rating	45.45	38.00	52.60	66.00

Handlowy (Michał Konarski, Mikołaj Lemańczyk)

Rating	hold	hold	buy	buy
Rating date	2023-03-27	2022-12-01	2022-09-27	2022-07-06
Target price	80.00	72.85	73.00	65.70
Price on rating	79.60	73.80	56.80	50.50

ING BSK (Michał Konarski, Mikołaj Lemańczyk)

Rating	accumulate	hold	buy	buy	hold
Rating date	2023-03-27	2022-12-01	2022-09-27	2022-09-02	2022-07-06
Target price	177.85	168.76	165.00	182.39	182.39
Price on rating	158.20	164.40	139.80	137.40	168.00

Inter Cars (Paweł Wieprzowski)

Rating	hold	accumulate	buy	buy
Rating date	2023-04-03	2022-12-16	2022-12-01	2022-10-07
Target price	513.93	513.93	580.40	554.00
Price on rating	568.00	459.50	458.50	374.50

Jeronimo Martins (Janusz Pięta)

Rating	buy	buy	buy	accumulate	accumulate	accumulate
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-08-03	2022-07-08	2022-04-07
Target price	24.90	24.50	23.80	24.50	23.00	22.50
Price on rating	21.62	21.20	19.05	22.60	20.94	21.48

JSW

Rating	suspended	buy
Rating date	2022-07-08	2022-04-07
Target price	-	82.00
Price on rating	52.00	67.96

KGHM (Paweł Wieprzowski)

Rating	reduce	suspended	hold
Rating date	2022-11-25	2022-07-08	2022-04-07
Target price	102.75	-	177.22
Price on rating	117.00	111.80	170.45

Komercni Banka (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08
Target price	934.28	929.69	864.25	757.80
Price on rating	717.50	690.00	629.00	641.00

Kruk (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy
Rating date	2023-03-28	2022-12-01	2022-10-03	2022-07-08
Target price	388.66	337.58	332.04	360.02
Price on rating	302.40	298.20	236.00	254.60

Lotos (Kamil Kliszcz)

Rating	suspended	buy	buy
Rating date	2022-08-03	2022-07-05	2022-04-07
Target price	-	110.62	90.36
Price on rating	79.00	71.90	60.84

LPP (Janusz Pięta)

Rating	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-09-15
Target price	13700.00	13100.00	11300.00	11500.00
Price on rating	9,580.00	9,565.00	7,795.00	8,355.00

Millennium (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	hold	buy	buy
Rating date	2023-03-27	2022-12-01	2022-09-27	2022-07-06
Target price	4.84	5.03	4.60	5.30
Price on rating	3.84	4.64	3.52	3.66

Mo-BRUK

Rating	suspended	buy
Rating date	2022-07-08	2022-04-07
Target price	-	504.53
Price on rating	299.50	390.00

MOL (Kamil Kliszcz)

Rating	buy	buy	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-08-03	2022-07-08	2022-04-07
Target price	4048.00	4046.00	3634.00	4624.00	4927.00	4241.00
Price on rating	2,564.00	2,820.00	2,406.00	2,888.00	2,888.00	2,744.00

Moneta Money Bank (Michał Konarski, Mikołaj Lemańczyk)

Rating	hold	buy	buy	accumulate
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08
Target price	87.63	85.98	92.00	95.50
Price on rating	87.00	72.00	70.60	85.20

Orange Polska (Paweł Szpigiel)

Rating	buy	buy	buy	buy
Rating date	2022-12-01	2022-11-09	2022-10-03	2022-07-08
Target price	7.80	7.40	7.00	7.40
Price on rating	6.32	6.34	5.18	6.41

OTP Bank (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08	2022-06-03	2022-04-07
Target price	16723.00	16189.00	15729.00	15045.00	15161.00	16310.00
Price on rating	9,982.00	10,750.00	7,908.00	8,380.00	9,194.00	10,700.00

Pekao (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy
Rating date	2023-03-27	2022-12-01	2022-09-27	2022-07-06
Target price	126.00	100.00	85.05	99.40
Price on rating	78.90	83.90	64.00	76.96

Pepco (Janusz Pięta)

Rating	buy	buy
Rating date	2023-04-03	2022-12-12
Target price	4910	4850
Price on rating	41.50	39.88

PGE (Kamil Kliszcz)

Rating	suspended	suspended	suspended	suspended	suspended
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08	2022-04-07
Target price	-	-	-	-	-
Price on rating	6.28	6.47	6.28	10.31	9.20

PGNiG (Kamil Kliszcz)

Rating	suspended	buy	buy	buy
Rating date	2022-11-02	2022-10-03	2022-07-08	2022-04-07
Target price	-	9.35	9.89	9.53
Price on rating	5.15	4.88	5.71	6.48

PKN Orlen (Kamil Kliszcz)

Rating	buy	buy	buy	buy	buy	buy	accumulate
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-08-03	2022-07-05	2022-06-03	2022-04-07
Target price	8814	87.57	77.55	91.88	95.38	87.69	87.69
Price on rating	58.24	65.30	53.54	76.10	71.24	71.84	77.00

PKO BP (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy
Rating date	2023-03-27	2022-12-01	2022-09-27	2022-07-06
Target price	35.20	35.02	30.06	33.92
Price on rating	26.72	28.35	22.45	26.17

Polenergia (Kamil Kliszcz)

Rating	buy	hold	buy	hold	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-08-03	2022-07-08	2022-05-06
Target price	99.03	87.29	116.23	104.33	104.33	101.00
Price on rating	78.30	91.00	94.00	101.40	93.30	66.50

PZU (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08
Target price	43.34	35.27	33.16	38.38
Price on rating	35.08	31.60	23.16	29.88

RBI (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08	2022-04-07
Target price	1811	19.05	17.15	15.31	16.09
Price on rating	14.16	15.03	12.21	10.39	11.64

Ryvu Therapeutics (Beata Szparaga-Waśniewska)

Rating	buy	buy
Rating date	2023-04-03	2023-02-02
Target price	80.00	80.00
Price on rating	59.20	53.40

Santander Bank Polska (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy	buy	buy
Rating date	2023-03-27	2022-12-01	2022-09-27	2022-07-06
Target price	338.51	328.96	300.00	337.84
Price on rating	271.20	273.60	206.20	220.20

Shoper (Paweł Szpigiel)

Rating	buy	hold	hold
Rating date	2022-11-23	2022-10-03	2022-07-08
Target price	34.10	33.40	42.00
Price on rating	28.00	34.50	40.15

STS Holding (Piotr Poniatowski)

Rating	buy	buy	buy	buy	buy
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08	2022-05-30
Target price	22.30	19.70	17.60	18.23	22.50
Price on rating	18.29	17.50	13.83	14.00	14.70

Sygnity (Paweł Szpigiel)

Rating	sell	sell	sell	accumulate	reduce
Rating date	2022-12-01	2022-10-18	2022-07-08	2022-05-06	2022-04-07
Target price	13.70	13.30	13.50	10.70	10.70
Price on rating	22.30	18.15	15.80	9.40	11.80

Tauron (Kamil Kliszcz)

Rating	suspended	suspended	suspended	suspended	suspended
Rating date	2023-04-03	2022-12-01	2022-10-03	2022-07-08	2022-04-07
Target price	-	-	-	-	-
Price on rating	1.93	2.04	2.03	3.31	2.85

Ten Square Games (Piotr Poniatowski)

Rating	accumulate	hold	hold	reduce	buy
Rating date	2023-04-03	2022-11-28	2022-10-03	2022-07-08	2022-04-07
Target price	101.00	141.00	96.00	94.00	255.00
Price on rating	92.85	135.20	97.70	108.70	186.10

TIM (Piotr Poniatowski)

Rating	suspended
Rating date	2022-08-25
Target price	-
Price on rating	27.00

Vercom (Paweł Szpigiel)

Rating	hold	buy	accumulate
Rating date	2022-12-01	2022-10-03	2022-07-08
Target price	41.80	36.60	40.80
Price on rating	42.00	31.80	36.20

Wirtualna Polska (Paweł Szpigiel)

Rating	accumulate	accumulate	accumulate	buy
Rating date	2022-11-25	2022-10-03	2022-07-08	2022-04-07
Target price	105.30	104.60	111.80	133.10
Price on rating	96.90	91.00	100.00	117.20

XTB (Mikołaj Lemańczyk)

Rating	accumulate
Rating date	2023-02-15
Target price	35.75
Price on rating	32.16

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