CEE Equity Strategy

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CEE Equity Research

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Green island with red flag

In our half-year strategy report we expected Polish equity market to underperform other markets due to rising geopolitical risks and rising yields. We tend to believe the next several months might not see different direction of the market. We expect the through around the end of 1Q25 when new Trump administration would already have taken first steps to change world economic order. We are concerned about the deterioration of PLN exchange rate in the near-term and further increase of yields in Poland putting pressure on equity valuations.

In terms of global drivers for equity markets, we are afraid about "yen carry trade" reversal due to completely different macro dynamics in the US and Japanese economics (real rates and yields positive in the former and negative in the latter) and its negative impact on valuations. Mid-term economic outlook is also uncertain due to expected new economic policies from Trump administration and negative demographic trends globally. We tend to believe that stagflation / recession risks are rising globally.

We see double digit valuation upside on WIG20 and mWIG40 till the end of 2025, but continue to expect the downward bias on Polish equities till the end of 1Q25. Our short-term top picks include utilities (ENA, PGE, TPE) and telecoms (CPS). We would switch our preference for more cyclical exposure for 2Q25 and onwards.

Green island. We tend to believe macro trends in Poland are stable and allowed our macro team to title the recent Macroscope research "Green island is back". The consumer trends are solid and allowed positive surprise on GDP prints in 1H24 (4.5% growth in consumption as GDP data incudes also spending on services that is not captured by weakish retail sales data). Although close to 0% consumption growth in 3Q24 is a kind of red flag. Our team expects slower but still positive consumption input to GDP with industrial and investments dynamics being key drivers of GDP growth in Poland next year. We tend to believe strong fiscal support from the government and still supportive demographic trends will allow Polish economic prints to truly differentiate from many other global regions that might face stagflation / recession risks. However, due to rising geopolitical risks, we are afraid yields might rise further and PLN exchange rate might weaken significantly.

Global trends. The main short-term risk to equity markets is "yen carry trend" reversal, we believe, due to significant and unsustainably different macro dynamics (real rates positive in the US and negative in Japan) being on the verge on reversal (rising rates in Japan vs declining in the US). We tend to believe recession / stagflation risks are rising globally due to potentially new economic policies being favoured by incoming Trump administration.

Top Picks. Despite seeing visible valuation upside, we have limited number of top picks in this strategy report that include utilities (ENA, PGE, TPE) and telecoms (CPS). Our list of top sells include: JSW and KGH. We expect downward bias on Polish equity markets till the end of 1Q25 and revival thereafter. We would switch our model portfolio significantly towards cyclical exposure starting from 2Q25.

Risks. Main risks to our thesis constitute yields. We left WACC assumptions in our models unchanged. However, should yields rise visibly again, our target prices of companies and indexes would change significantly downwards. Should WACC rise 1p.p. in our models, our valuation target would decline 10-15p.p. (depending on the weight of terminal value in DCF models of covered companies). Value companies would be impacted to a lesser extent as FCF generation mid-term tends to be higher than in growth companies, where significant part of valuation comes from the terminal value.

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Disclosure statements provided in the last section of this report are an integral part of this document.

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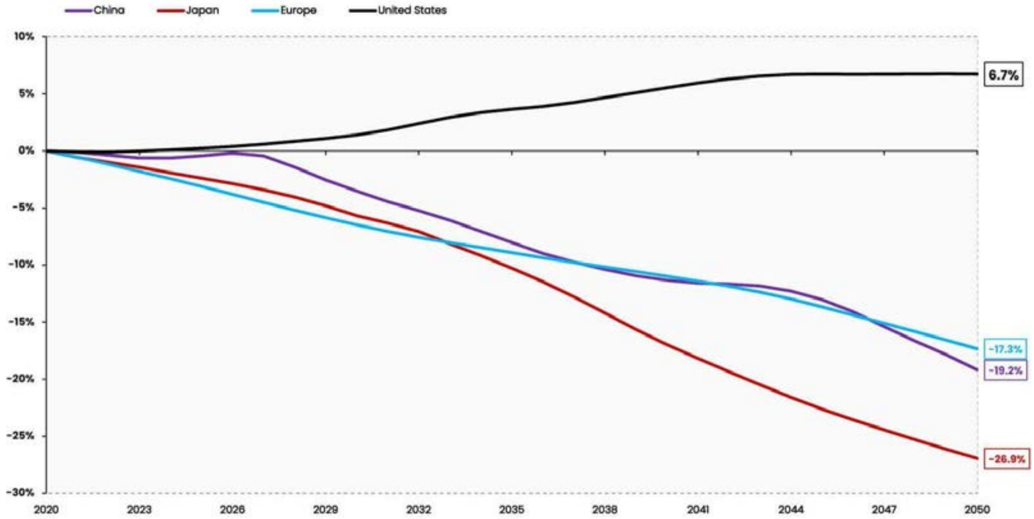
Global trends increasingly unstable

Our strategy reports over the last few quarters focused on several secular themes that, we believed, were key for stability on the financial markets after the healthcare crisis, such as supportive fiscal policies. In this strategy report we slightly modify our main thesis as we now think that all major secular themes mentioned by us previously are the consequence of one key theme: **worsening demographic trends**. And we tend to think global macro situation is becoming less and less stable. We expect macro analysts might use an expression like stagflation to describe macro trends in the quarters ahead.

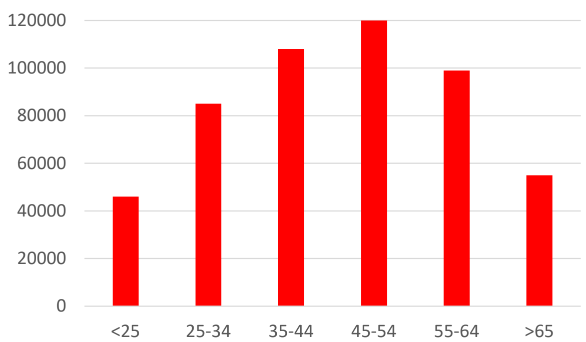
Fig. 1. Expected change in working age population in selected regions of the world



Source: EPB Research

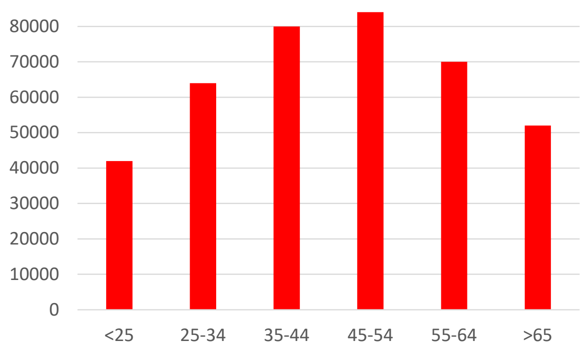
Globalization was the most important secular trend before the healthcare crisis, leading to structural decline in yields and phenomenal outperformance of leading Nasdaq stocks. We tend to believe **the most important secular trend for the next decade is demographic decline** (especially decline in the working-age population) in certain regions. As can be seen in the graph above, number of people of working-age in the US or China is rising or holding flat till 2028, but Europe and Japan are facing 3-4% declines at the same time.

Fig. 2. Average income by demographic cohort in US



Source: EPB Research

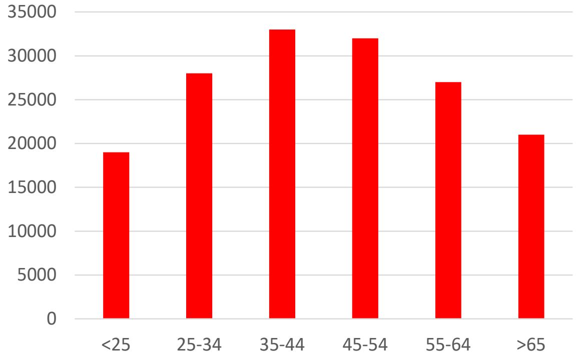
Fig. 3. Average spending by cohort in US



Source: EPB Research

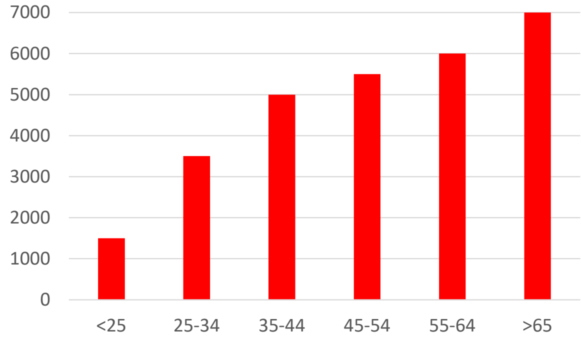
The demographic cohort of people of working age tend to drive economic growth globally. As can be seen in the charts above, people aged 45-55 tend to earn most and tend to spend at the peak of their powers as well. Spending above average is also noted in cohort aged 35-45. But once people retire, their income drops substantially while their spending also declines but visibly less than income.

Fig. 4. Spending on homes and cars in the US



Source: EPB Research

Fig. 5. Healthcare spending in the US

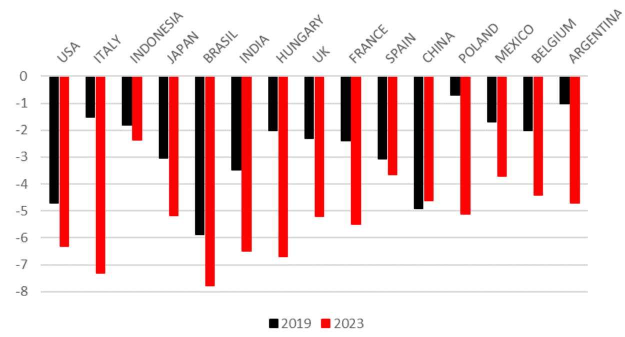


Source: EPB Research

From the economic growth point of view, big ticket spending (spending on homes and cars) is most important as it creates multiplier effect throughout the entire economy (due to increase in demand in other value chains of the economy like industrials or mining). As can be seen on the charts above, working age cohort tends to spend most on homes and cars. Spending in other cohorts is way lower. Healthcare spending is one of the few categories that tend to rise with age. We tend to believe spending on holidays or restaurants might also stay at high level despite ageing. But consumption of basically every other kind of services tend to decline with age.

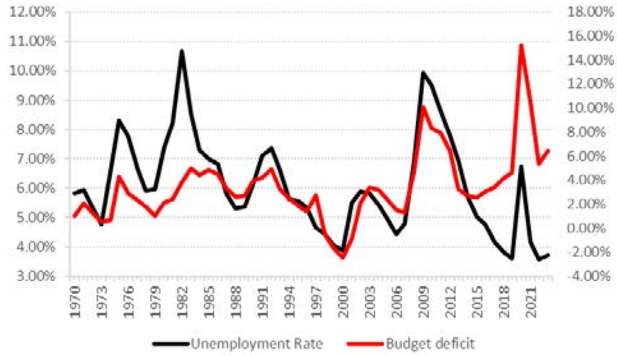
As such, 3-4% decline in working-age population In Europe or in Japan might influence GDP and other key economic indicator readings over time versus regions like the US, making global growth outlook less and less stable. Worsening demographic trends are of utmost importance for some sectors as well. Residential prices in Italy or in some other Western countries in Europe, are in structural decline. In our previous strategy report we highlighted Pepco and Forte's geographical exposure as risk factors. Weakening demographic trends might cause sell-side analysts to include negative (not positive anymore) LFL in discounted cash flow models for discretionary retailers.

Fig. 6. Budget deficits in selected countries



Source: Bloomberg

Fig. 7. Budget deficit vs unemployment rate in the US

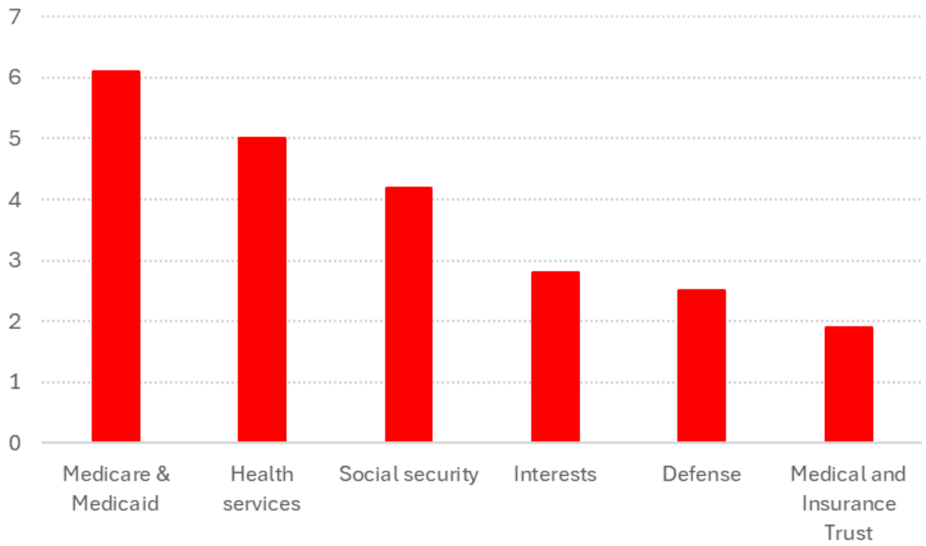


Source: Bloomberg

To offset negative impact of demographic trends and looming collapse in consumption demand on the economy, governments of most countries globally started to increase fiscal impulse. We often used financial analyst Russell Napier's words: **monetary put was replaced by fiscal put**. Despite the healthcare crisis being long gone, budget deficits in many countries around the world are still higher than before the crisis. This structural change has important implications as fiscal impulse helps alleviate fears of recession and keeps EPS the growth trajectory in the majority of sectors not endangered.

We do not believe that fiscal largesse by central governments is about to be reduced as green investments, reshoring initiatives and, above all, rising military spending should prevent deficits from falling. It's worth highlighting that strong fiscal spending by governments is generally unusual during the periods of low unemployment rates. Historically, budget deficits of the US, the largest global economy, tended to rise during recessionary periods when unemployment rate was also rising strongly. However, that changed already before the healthcare crisis with budget deficits above 4% of the GDP threshold despite very low unemployment.

Fig. 8. Cumulative spending of the US government since 2016 (USD in Bn)



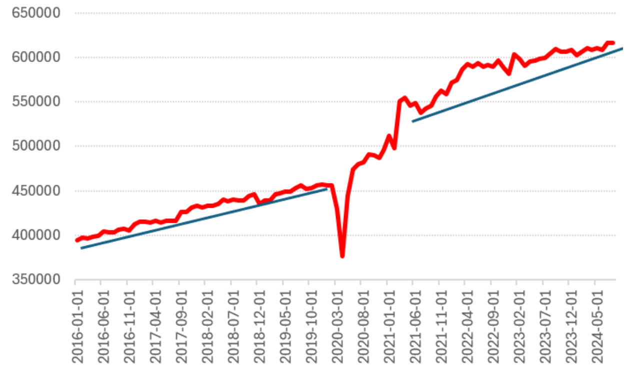
Source: Bloomberg

Simon White, Bloomberg's macro analyst, delivered striking analysis of the causes of such trends. White calculated that three programs influenced by weakening demographic trends (Medicare & Medicaid, Health and Social Security) together account for 48% of US government spending since 2016. Having in mind that more and more people in the US are now of the retirement age and at the same time people tend to live longer, one should expect budget deficits to be under ever-lasting pressure to increase spending in those areas.

Apart from fiscal trends, weakening demographics trends also **influence employment market** (helping to keep unemployment rate low) and **keep upward pressure on salaries**, especially lower income workers groups. We believe that worsening demographic trends may discourage managers of private companies from downsizing even during an economic downturn or recession. With weak labour supply, it may be difficult to recruit new employees even during economic recovery.

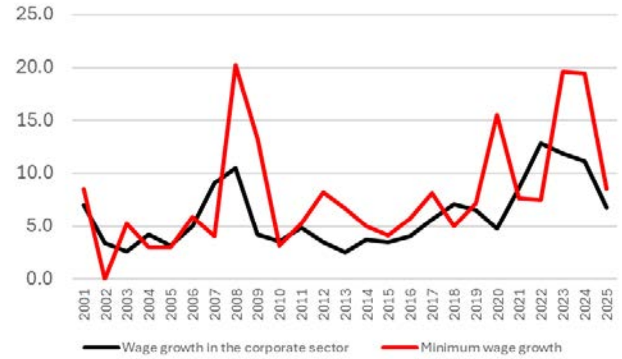
The most profound consequence of weak demographic trends is that wages of blue-collar workers rise significantly faster than white-collar workers' (or in other words minimum wage growth in Poland rising significantly faster than average wage growth in the economy). According to NBER working paper "The unexpected compression", the average worker with bachelor's degree or higher in the Western countries was paid two-thirds more than the average high-school leaver in 2018. This gap narrowed to a half till 2023 (healthcare crisis caused significant growth in wage of lower-income workers). A report in The Economist highlights that generative AI might only reinforce the equalising trend as AI solutions could add significant value to tasks that only humans can do. It seems this is the golden age for blue-collar workers.

Fig. 9. Retail sales in the US



Source: St. Louis FED

Fig. 10. Minimum and average wage growth in Poland



Source: Bloomberg

The trend has utmost importance for overall macro outlook in countries, where consumption tends to be the most important GDP driver. Rising wage of lower income workers helps to increase middle class and boost consumption expenditure as people earning lower salaries tend to spend majority of their additional income (high propensity to consume). Retail sales in the US used to rise linearly before the healthcare crisis taking a big hit immediately after the crisis started. However, a few quarters later retail sales are way above previous trend lines thanks to expanding middle class.

Fig. 11. Military conflicts around the world.

Source: Statista

Fig. 12. Main global trade routes

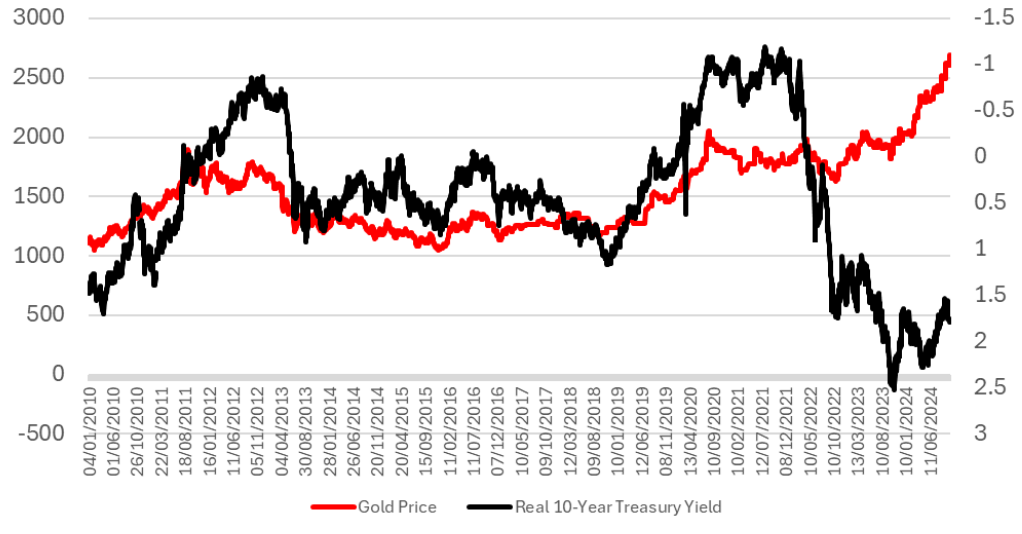
Source: Zeihan on Geopolitics

Interestingly, Peter Zeihan, renowned American geopolitical analyst, claims that demographic changes in the US (baby boomers retiring) and shale revolution started potentially the most powerful trend shaping current world economic situation –

deglobalization trend. In his book, published five years before the healthcare crisis (Accidental Superpower, 2014), he claimed that Bretton Woods agreement (that was the basement for globalization and developing global trade for decades) would be breaking down year after year as the guarantee that the USA would shelter all global trade routes with the power of its maritime fleet (agreed during Bretton Woods conference after World War II) is simply unprofitable for the US (maritime fleet is the cost of US budget with no profits), not even mentioning the lost production facilities that moved to East Asia.

The healthcare crisis only made deglobalization trend even more pronounced as many countries started re-shoring initiatives to diversify production facilities away from East Asia. Shortly thereafter, military conflicts added to logistic chain problems. Zeihan claims in his books that military conflicts (he predicted three areas of conflicts: East Europe, Middle East and East Asia) are just a consequence of Bretton Woods system displacement.

Fig. 13. Gold price vs 10-Y real Treasury yield



Source: Bloomberg

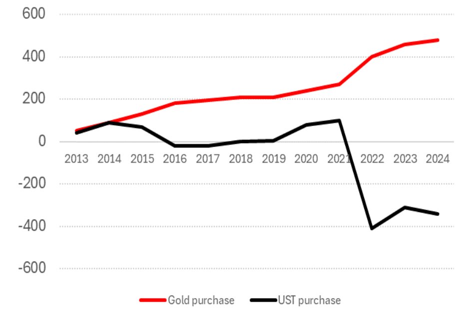
The biggest hint about how strong de-globalization trend is and potentially how unstable the current economic system is, could potentially be derived from the **performance of gold prices**. Bretton Woods system generally derived gold from its status of reserve currency. For decades gold price was highly correlated with real yields in the US. But with the onset of healthcare crisis, gold started multi-year upward trend and completely disconnected from real yields. Interestingly, it's the world central banks that were selling gold in previous decades are now buying it back and are responsible for gold's outperformance.

It could also be interpreted as the proof of de-dollarization trend. US dollar is still the main medium of exchange, but majority of world central banks are turning to gold as the store of value. As the students of Austrian school of economics, we would hope it is a first sign of returning to gold standard as some commodity deals between countries (gas deal between China and Russia) are also backed by gold, but for the moment last several years after healthcare crisis show slow and painful way towards establishing new economic world order (on economic, geopolitical and military level).

For sure, the trend of world's central banks being net sellers of Treasury bonds over the last years doesn't bode well for yields mid-term. Key ingredients of our strategy reports are also connected to yields development as increase in yields is negative for equity prices through higher cost of capital. We continue to believe yields might structurally rise even without increased CPI readings as fiscal spending globally simply increases the scale of bonds supply.

We recently noticed very important development on the bond market that might influence equity markets over time. According to New York FED data, term premium on 10Y yields in the US turned positive in September after having been in negative territory for around 10 years. Term premium is defined as the compensation that investors require for bearing the risk that interest rates might change over the life of the bond. We tend to believe that data for October (not published yet) might again increase.

Fig. 14. Global central banks purchase of gold and UST



Source: US Treasury, World Gold Council

Fig. 15. Term premium on 10Y yields turned positive in September 2024

Source: New York FED

Having in mind recent elections in the US and Mr. Trump's declarations that tariffs would be his most important economic tool, the uncertainty over the longer-term economic growth potential globally might only increase accompanied by rising inflationary risks. This might cause term premium and 10Y yields to rise even further.

It is worth reminding that equity markets might rise in tandem with rising yields as the latter normally signal improving economic prospects. But when yields are rising mainly due to the rise in term premium, equity markets normally suffer (significant declines in equity markets in 2022 are the best example). Unpredictable actions of the Trump administration might cause structural rise in term premium and yields, which would be putting pressure on equity markets performance.

On the other hand, Trump announced plans for cutting spending and Elon Musk is expected to be involved in government works to optimize budgetary spending. On page 17 we present the correlation between yields and government spending on interest on debt outstanding in the US. On that measure, yields are too high and should stabilize for extended period allowing equity markets to thrive.

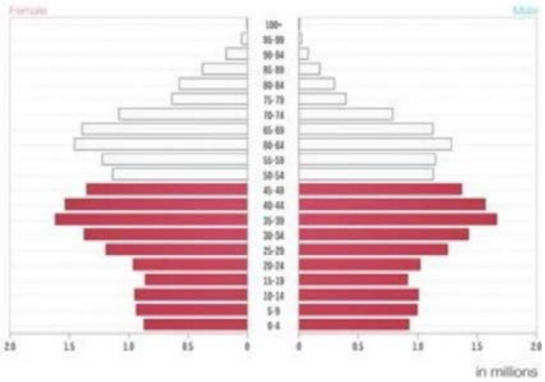
We tend to believe economic growth prospects of certain countries would be the most important determinant of the direction of yields in certain countries or regions. Good prospects in Poland or the US might cause increase in yields. However, EU countries might face more economic challenges from potential tariff increase by the new US government or also from weaker demographic trends, which might cause yields to decrease in Western EU countries.

As such, it might be worth investing in countries with rising yields more than in other regions as growth prospects would be positively impacting EPS trajectory of listed companies. Rising yields might not be a big reason to worry, in such case.

Green island – macro situation in Poland

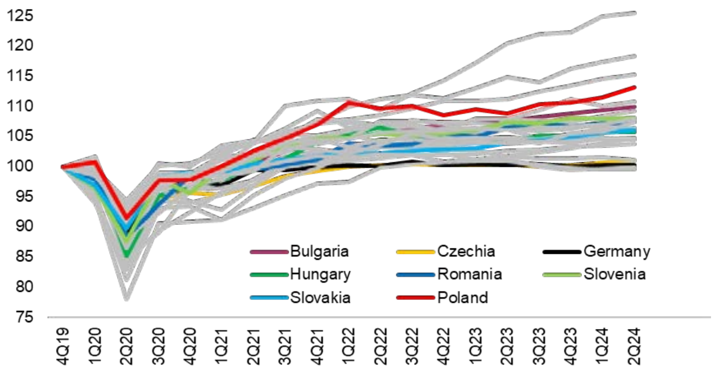
While we think global macro situation is increasingly unstable, Polish macroeconomic trends seem to be the oasis of stability, or "green island" in other words (the term used by our macroeconomic team in recent MACROscope report). Having in mind the most important structural trend (demographic trend), Poland is safe for the next 5 – 10 years as the number of Poles of working age should not decline for the next decade.

Fig. 16. Demographic tree in Poland



Source: Zeihan on Geopolitics

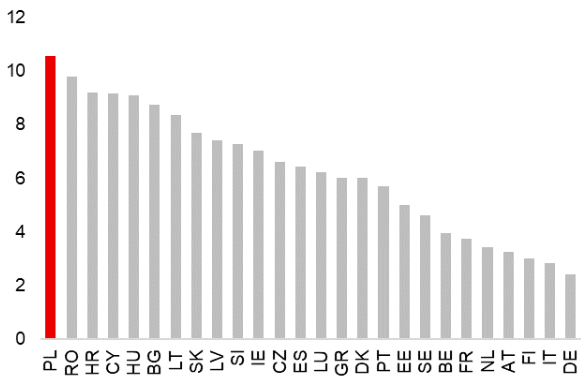
Fig. 17. GDP level in EU countries



Source: Santander Bank Polska

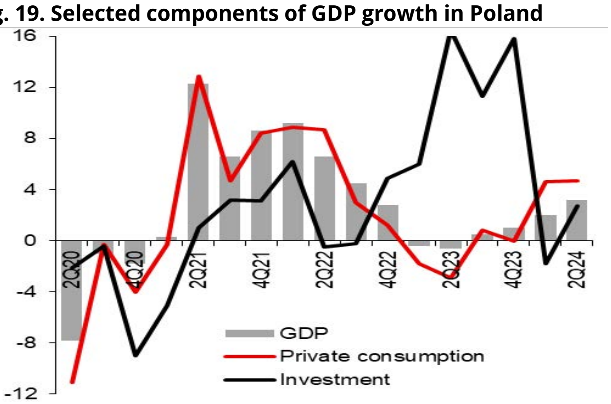
In 2Q24 in the CEE region, Poland was the only country to surprise positively in terms of GDP growth dynamics. Actually, Poland has achieved the highest growth rate in the whole EU in q/q and y/y terms. Based on Bloomberg consensus, the highest GDP growth among EU members should continue in 2024-26. As expected by Santander macro team, consumption is the main driving force in the Polish economy with investments expected to take over in the nearest future.

Fig. 18. Expected GDP growth in EU in 2024-26



Source: Santander Bank Polska

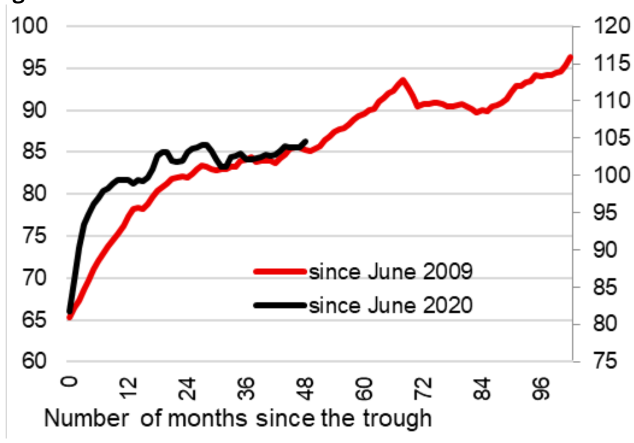
Fig. 19. Selected components of GDP growth in Poland



Source: Santander Bank Polska

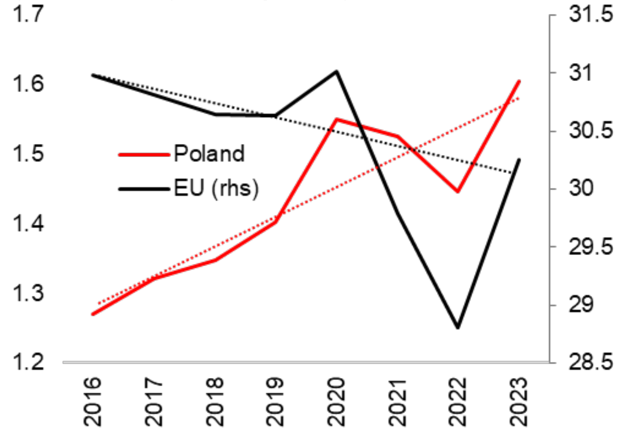
What's particularly worth highlighting and is often overlooked, is that Poland's share of global trade (measure as value of exported goods) is rising despite weak performance of EU countries and despite strong Polish currency recently. Despite clear de-globalization trends, world trade index signals recovery in global world trade after healthcare crisis similar to the recovery after financial crisis in 2007-09. Weaker competitiveness of the EU countries does not prevent Polish companies to compete on the global scene. Remarkable achievement indeed.

Fig. 20. World Trade Monitor index



Source: Santander Bank Polska

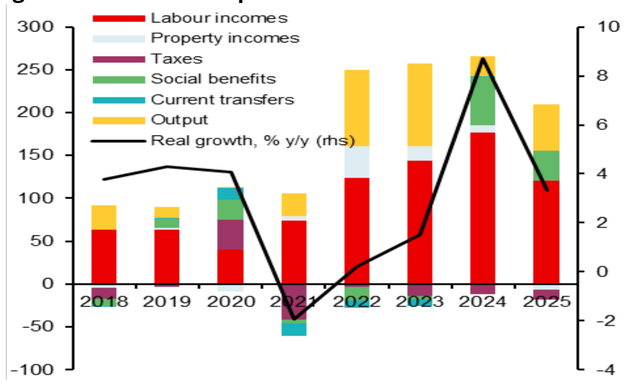
Fig. 21. Share in global export of goods



Source: Santander Bank Polska

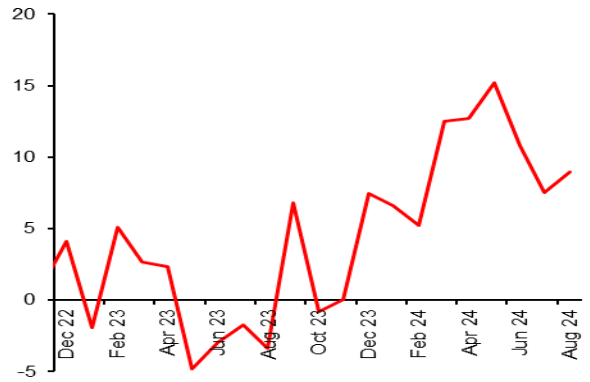
As previously mentioned, consumption is the main engine of Polish macro growth. Private consumption grew 4.7% in 2Q24, which confirmed our macro team's thesis that strong growth in disposable income allows for healthy consumption spending (especially services are booming) and for the increase in savings rate. Santander macro team expects slower growth of household incomes in nominal terms, which should translate into slower consumption growth next year (with still above average inflation). Increased foreign travels could have decreased domestic consumption significantly this year, as the macro team assumes.

Fig. 22. Households' disposable income



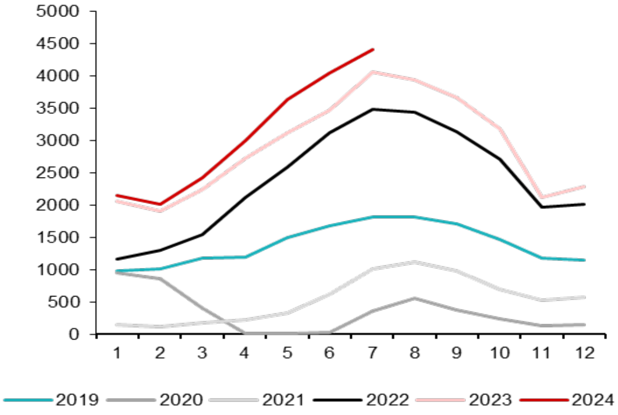
Source: Santander Bank Polska

Fig. 23. Spending on services in Poland



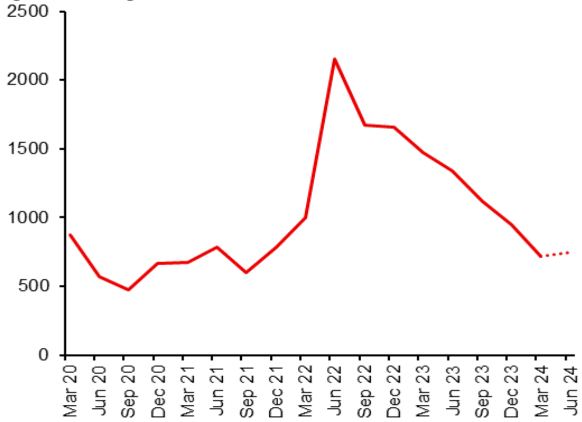
Source: Santander Bank Polska

Fig. 24. Air passengers on domestic airports



Source: Santander Bank Polska

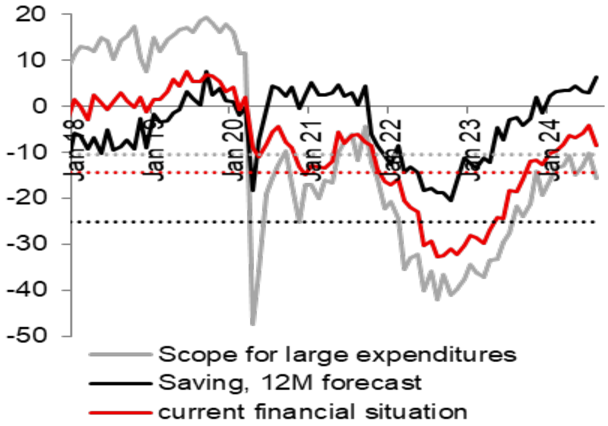
Fig. 25. Foreign travel balance



Source: Santander Bank Polska

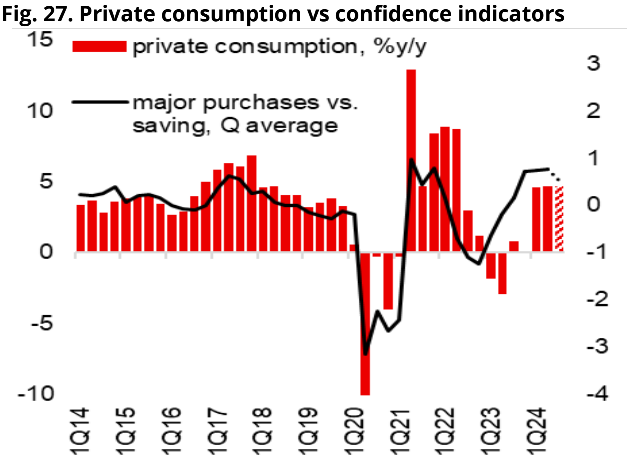
It's worth highlighting also that consumer confidence indicators recovered nicely last year after taking hit when military conflict in the Ukraine started. Leading indicators are strong predictor of consumption spending, which bodes well for the next quarters.

Fig. 26. Consumer confidence indicators



Source: Santander Bank Polska

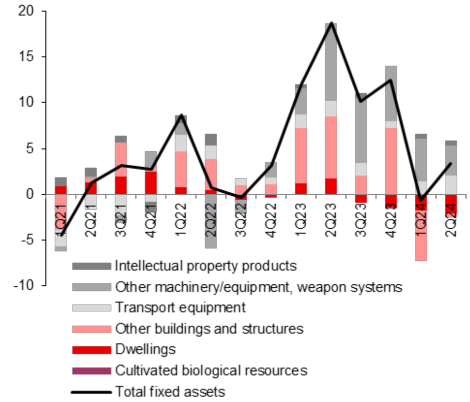
Fig. 27. Private consumption vs confidence indicators



Source: Santander Bank Polska

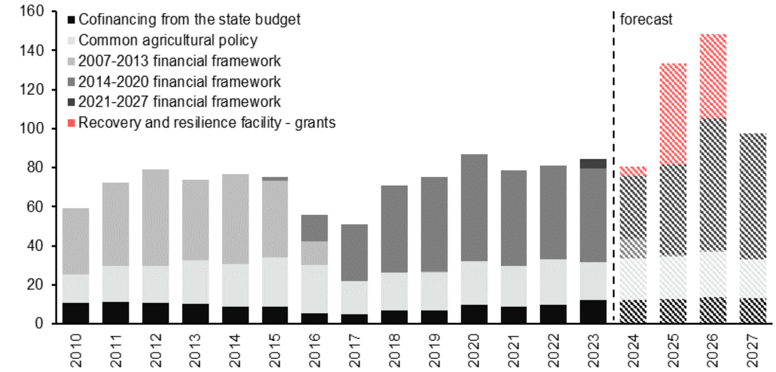
While our macro team expects stable consumption growth next year, investments should be the main engine in 2025. Public investments surprised positively already in 2Q24. In the coming quarters corporate investment sentiment should also improve gradually, we believe. Main impact on boom in investments, however, should come from delayed EU funds. Macro team expects 2025 to be the year of the first effects of spending from Polish Recovery and Resilience Plan. 2026 should also be strong in that respect.

Fig. 28. Investments by asset type



Source: Santander Bank Polska

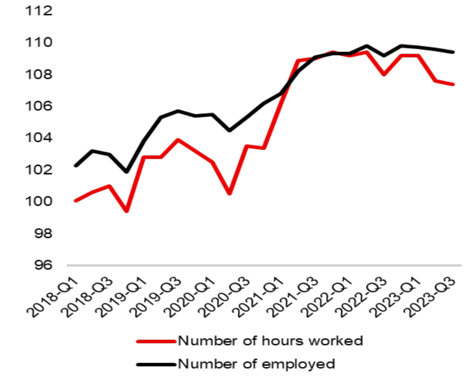
Fig. 29. Expenditures on EU funded programmes



Source: Santander Bank Polska

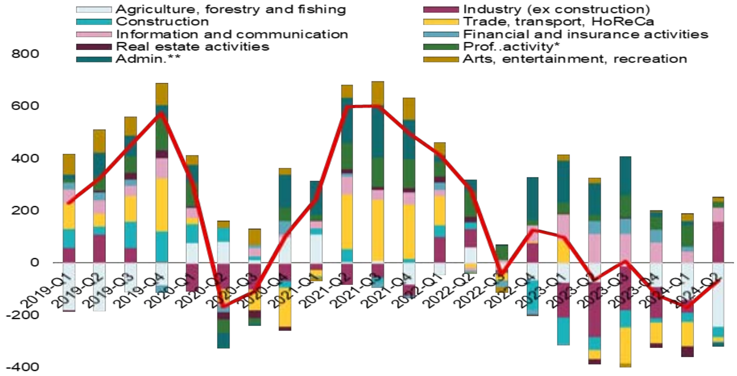
Interestingly, with booming economy, Polish labour market is slowing (similarly to the US economy). The number of people employed in the national economy is declining slightly and the number of hours worked is falling even faster, indicating a decline in utilization of available resources. Nevertheless, unemployment rate remains close to record lows.

Fig. 30. Employment in the economy



Source: Santander Bank Polska

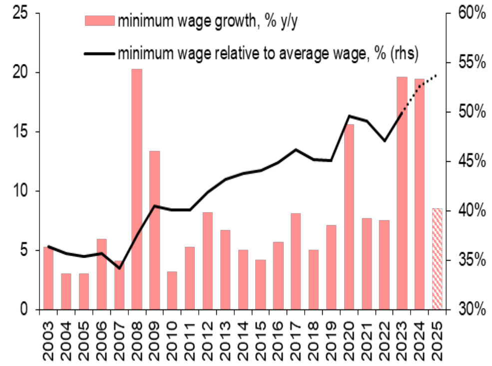
Fig. 31. Employment in the economy



Source: Santander Bank Polska

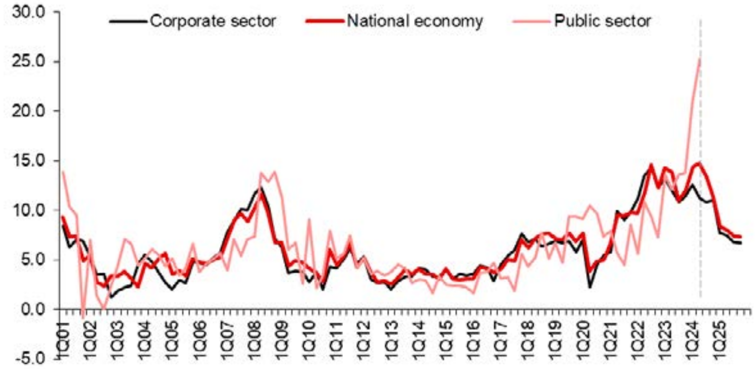
With slowing labour, wage growth should also decelerate. Wage growth in the economy in 2Q24 reached 14.7%, the highest in 25 years. Our macro team expects gradual decline of wage increases in the corporate sector, but still in double digits this year. The growth in 2025 should slow down to 7-8%, mainly on the back of significantly lower scale of minimum wage increase than in previous years (8.5%). Interestingly, an increase in minimum wage should affect wages of around 4m workers (23% of working population).

Fig. 32. Minimum wage growth



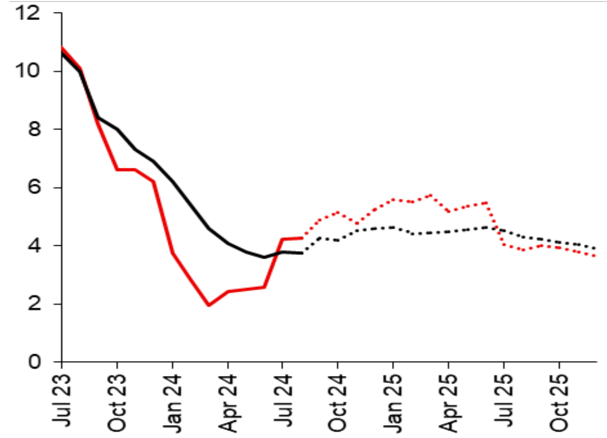
Source: Santander Bank Polska

Fig. 33. Wage growth in the economy



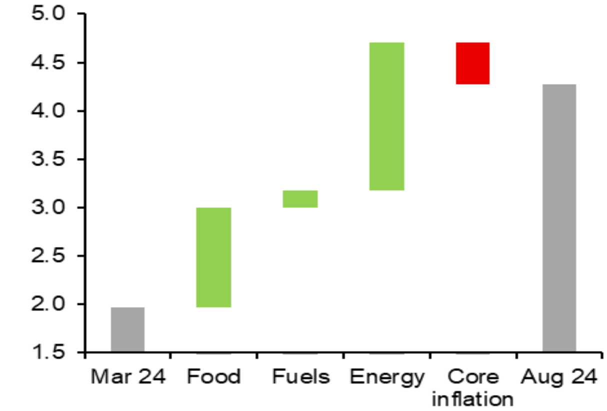
Source: Santander Bank Polska

Fig. 34. CPI and core inflation yoy



Source: Santander Bank Polska

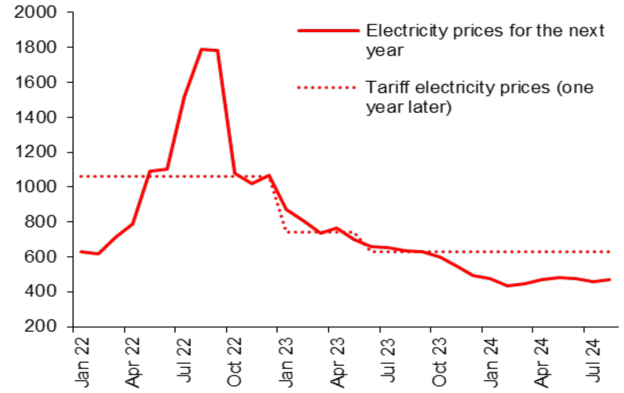
Fig. 35. Breakdown of CPI change in August vs March



Source: Santander Bank Polska

Moderating labour market and slowing wage growth should also help cooling inflation readings. Our macro team expects CPI reading to continue to climb to around 5% in September and 6% in March 2025. But inflation readings should moderate thereafter as base effects related to the energy prices increase appear.

Fig. 36. Electricity prices



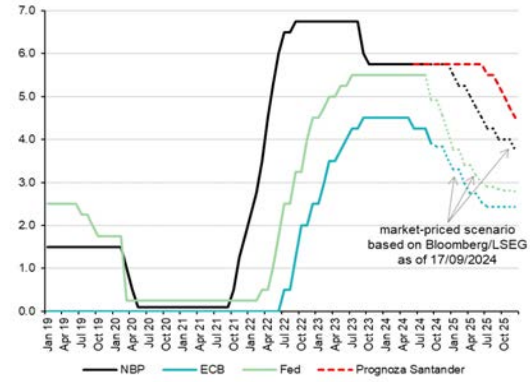
Source: Santander Bank Polska

Fig. 37. Labour productivity

Source: Santander Bank Polska

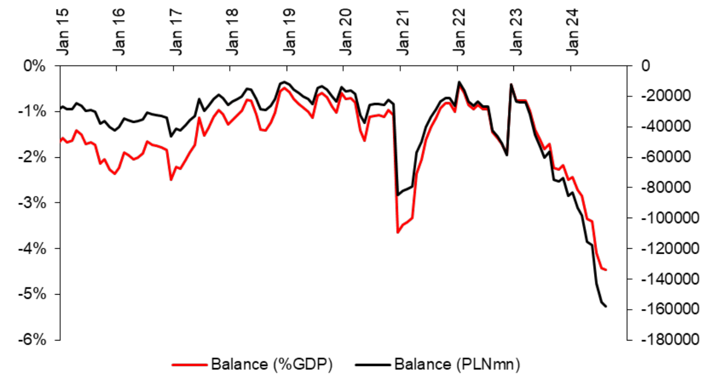
Our macro team noticed that acceleration of economic growth in recent quarters translated in significant improvement in labour productivity. This, in turn, has been slowing down nominal unit labour costs from around 15% in mid-2023 to 7.5% in mid-2024. This bodes well for corporate profits in the economy.

Fig. 38. Interest rates in Poland



Source: Santander Bank Polska

Fig. 39. Budget deficit balance

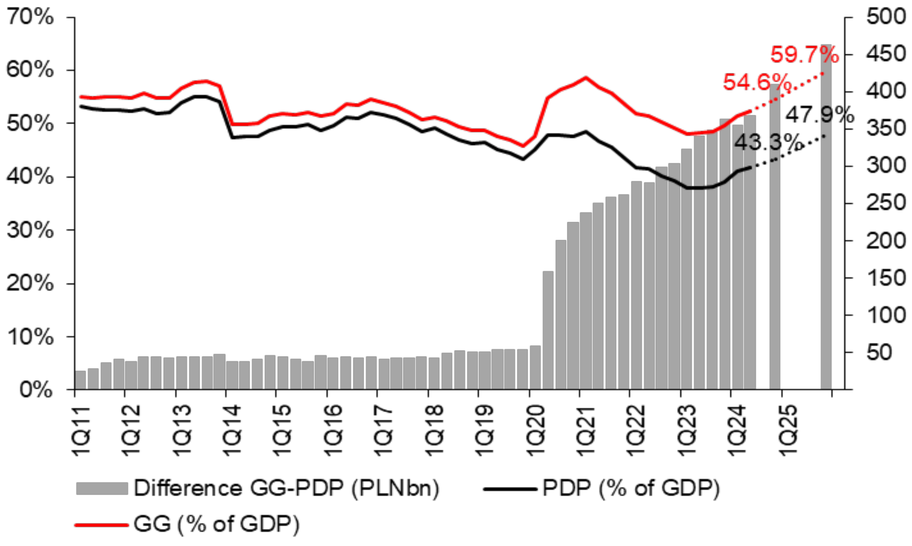


Source: Santander Bank Polska

Another positive development for corporate profits would be a potential decrease of interest rate (similar to trends in Western countries). Santander macro team expects MPC to start cutting interest rates in mid-2025, most likely in July 2025. Most important question is how the path to lower rates would impact exchange rate. Weakening PLN is a positive development for exporters, however consumption might suffer slightly as importers would be probably increasing prices due to weaker currency.

Another worrisome development in terms of macro policy is rising budget deficit and public debt approaching constitutional level of 60%. Macro team expects fiscal balance this year at around 5.7% of GDP, significantly worse than 5.1% planned. The scale of planned deficit reduction in 2025 is very modest – only to 5.5% of GDP, but our macro team sees a risk of higher deficit than forecast.

Fig. 40. Public debt in domestic and EU definitions



Source: Santander Bank Polska

Red flag – geopolitical situation

While the macro situation in Poland is significantly better than in many neighbouring countries, geopolitical situation (including logistic chains breakdowns or military conflicts) might weight on the economy to higher extent than in other countries during unpredictable events like healthcare crisis (CPI reading in Poland were twice as high as in the US or other Western countries).

And, as we mentioned in the first section, the world is currently undergoing de-globalization process. Geopolitical analysts use the words “breakdown of Bretton Woods system” to describe this process. While we often cite Peter Zeihan as the analyst that predicted current events, it is actually the brilliant macroeconomist Henry Hazzlit (the author of “Economics in one lesson” – one of the best-selling economic books of the century) who was predicting the failure of the system during the process of creating it in 1940s.

Fig. 41. Military conflicts around the world.

Source: Statista

Fig. 42. Main global trade routes

Source: Zeihan on Geopolitics

The new monetary system created under Bretton Woods agreement was based on gold with dollar convertibility guaranteed at 1/35 an ounce. All participants agreed to operate open market economies for world trade to expand and make every economy richer. The USA guaranteed to shelter all trade routes with the power of its maritime fleet. Thanks to this agreement, GDP growth of countries under the system have had exploded for the next several decades.

However, Hazlitt criticized the new system. He claimed that the system actually made the dollar as the world reserve currency but there was no mechanism to oversee fiscal and monetary policies of the USA as the core economy under the system. Hazlitt claimed the system allows for endless expansion of credit and money without consequences and is primed for failure. He predicted that dollar convertibility into gold would be suspended, which happened actually in 1971. That did not cause the breakdown of the system, which from 1971 onwards was based simply of the dollar as the cornerstone.

Peter Zeihan, expanded on Hazlitt’s thesis and claimed that the real end of Bretton Woods system came with the onset of shale revolution in the USA. The main global superpower needed the system to import cheap oil from Arabian countries. With shale revolution, US became the oil exporter. On top of that, demographic changes in the US caused significant political shifts with far right movements becoming reality not only in the US (Donald Trump) but in many other Western countries.

Zeihan predicts that the US under Trump would no longer be interested in supporting the system because of ballooning fiscal deficits (while no country is paying for maritime fleet sheltering the global trade routes). On the other hand, countries like China, Russia or India are interested in forming a bloc that would try to decrease the US influence on the global scene. As a result, the globalized world might break down into more localized parts of the globe forming closer economic systems according to Zeihan. It is worth mentioning that such movement is happening quite fast as main US trading partners are now Mexico and Canada with China being on distant third place.

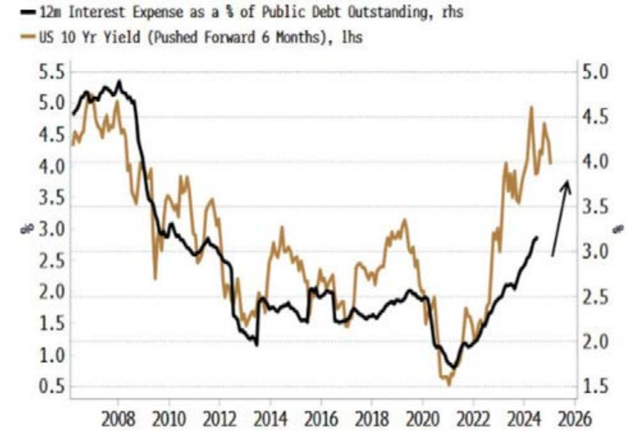
The breakdown of the system is accompanied with military conflicts as some countries want to increase their influence on the global scene (Russia – Ukraine conflict). Zeihan predicts that it might take decades to create the new system and geopolitical risks might not subside till the new system is formed.

Unfortunately, Poland lies very close to places of higher geopolitical conflicts and far away from main trading routes. As such, any breakdowns in logistic chains might weight on the Polish economy to higher extent than on other countries (higher CPI readings, also because of weaker currency). On top of that, risk premium expected by investors might also be higher due to close proximity of military conflicts.

Food for thought – yields rising structurally?

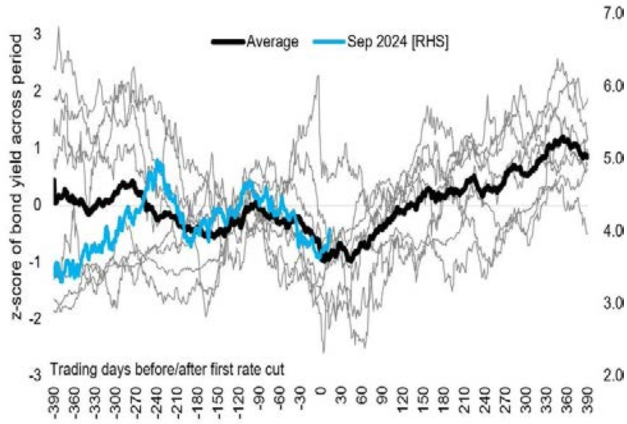
The feedback we had from one of the clients after previous strategy report is that some of our thesis provoke to think about current macro environment. We liked this conclusion so much that we decided to add additional section in our strategy report with "food for thought" ideas, a discussion of long-term trends that might be influencing equity markets.

Fig. 43. Correlation between yields and interest on debt



Source: Bloomberg

Fig. 44. 10Y yields rise after FED cuts rates

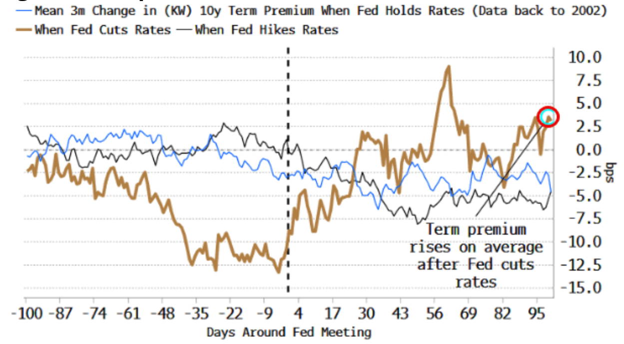


Source: Topdown Charts

We start with discussing developments on yields as this is the key factor for valuation of equities. Our long-term view is that yields should rise structurally due to rising budget deficits and higher costs of servicing the debt. On the other hand, based on analysis of Bloomberg macro strategist Andrew White, we tend to believe the rise in yields are currently overextended.

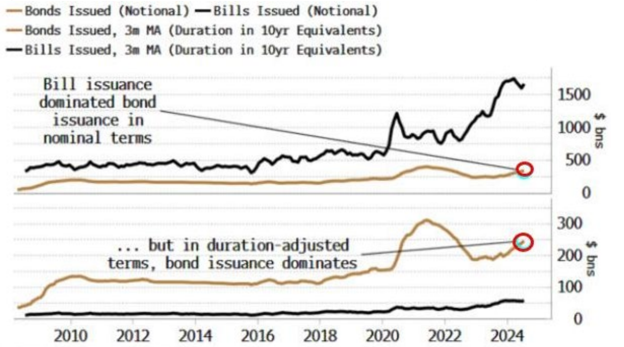
It is also worth highlighting that yields tend to decline before the first rate cut by the FED, but continue to rise structurally after this first cut. Looking at historical patterns, short-term upward move is also quite extended and we tend to believe that in the next several months yields should stabilize.

Fig. 45. Term premium rises after first rate cut



Source: Bloomberg

Fig. 46. Bills versus bonds issuance by State Treasury



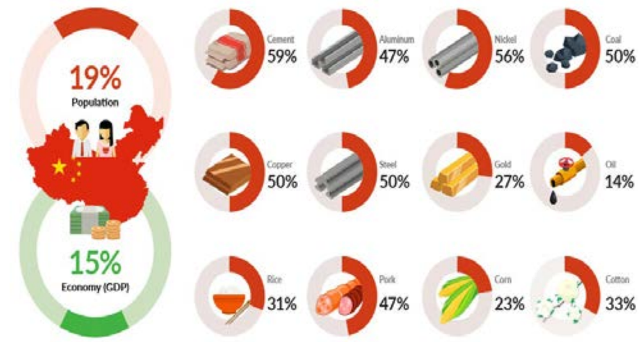
Source: Bloomberg

Yields development would also be dependent on term premium, which usually rises visibly after rate cuts and the structure of issuance as State Treasury used to finance deficit more with short-term bills recently and now needs to rise supply of longer-term bonds, which might put pressure on yields.

Food for thought – commodities bull market?

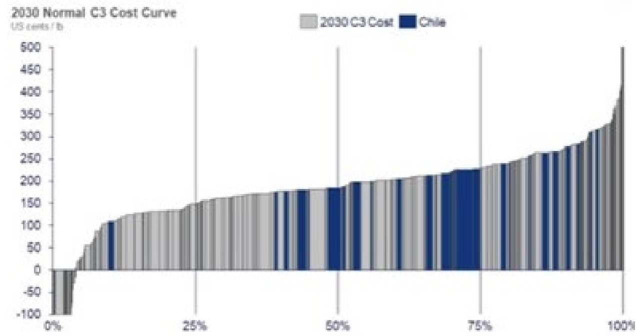
Assuming structurally rising yields and potential second wave of inflation, we normally should overweight commodities as inflation hedge. While we see several positive demand drivers, there is a big question mark of the biggest demand driver of all – China. How is it possible that the country facing deflation problems, urgent need for economic transformation towards consumption based model and downward spiral on the property market for two years managed to increase imports of all basic resources by 16% in volume terms in 2023 and another 6% in the first half of 2024?

Fig. 47. Demand from China for selected commodities



Source: visualcapitalist.com

Fig. 48. Copper cost curve



Source: mining.com

According to The Economist, China is not importing volumes not because its economy is doing well, but because it is **stockpiling more and more basic resources.** Moreover, Jimmy Goodrich from the University of California Institute on Global Conflict and Cooperation claims in his report, that China wants to build "fortress economy" to be self-sufficient in all aspects. This trend has enormous impact on future price development. **Looking at copper cost curve, which is very steep at the right end, 5% demand decrease (when China stops stockpiling) would be moving the copper price significantly downwards**.

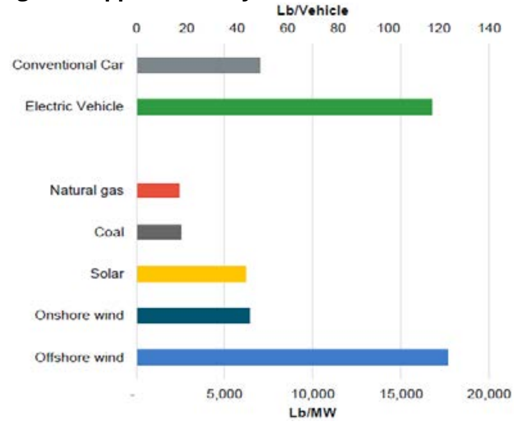
Goodrich's main thesis is that the "fortress economy" strategy in China is designed to bolster national self-sufficiency and resilience against external shocks and ultimately allow the nation to withstand "extreme situations" including protracted armed conflict. The Economist reports that China's crude storage capacity increased by 15% since 2020, while underground gas caves grew from 15bn cubic meters in 2020 to around 55bcm by the end of 2025. China's farming storage capacities (like soya or beans) are expected to be filled to cover one year demand. The same is expected for storage capacities of various metals (copper or nickel). The Economist claims that current capacities are already covering between 35% to 130% of yearly demand. This is very positive short-term development for commodity prices, but it does not seem to be sustainable demand longer-term.

Fortunately, there are several other long-term positive demand drivers for commodities like rising fiscal deficits, reshoring trend due to geopolitical risks, renewable boom, increased military spending or even AI investments (driving higher demand for electricity). Peter Zeihan, geopolitical strategist, claims that the next decade could be characterized by reindustrialization boom in several strategic regions with demand for commodities potentially replacing demand from China easily. Globalization worked wonders for China and the whole world in terms of expanding free trade and building production capacities in China. Zeihan claims that similar production capacities could now be built in the US, Europe or some other countries. As such, China's industrialization trend might be replaced by more global reindustrialization trend.

Fig. 49. Reshoring trend

Source: University of San Diego

Fig. 50. Copper intensity in renewables

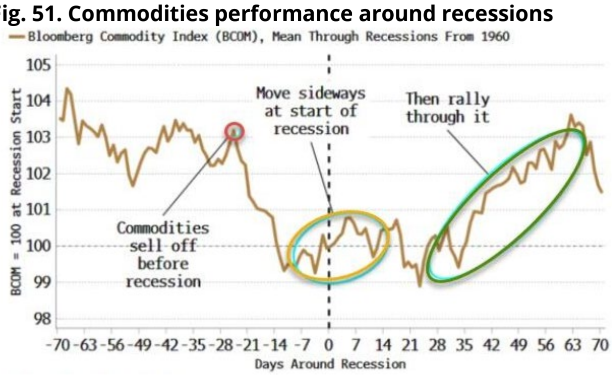


Source: Santander Bank Polska

Summing up, fundamentals on commodity markets seem to be supported on the demand side with supply side being weak (good for prices). Despite that, we expect some decline in prices due to slowing macro (late-cycle) environment. We tend to believe weak macro might cause rise in long-term yields this time around as investors would expect even higher fiscal stimulus and even higher budget deficits with the next recession becoming reality. Rising yields would also cause some correction on commodity markets.

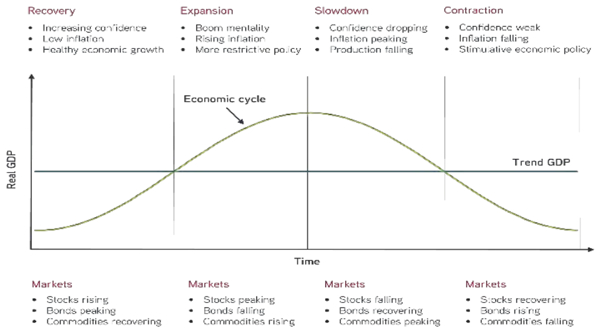
However, once the next slowdown / recession starts, we would be more inclined to structurally overweight commodity companies. We tend to believe growth companies valuation could suffer significantly from rising yields while even higher stimulus than currently delivered by governments could move commodity prices higher (especially with significant constraints on the supply side). The proper long value / short growth trade could start with the next economic slowdown.

Fig. 51. Commodities performance around recessions



Source: Bloomberg

Fig. 52. Asset class behaviour over economic cycle

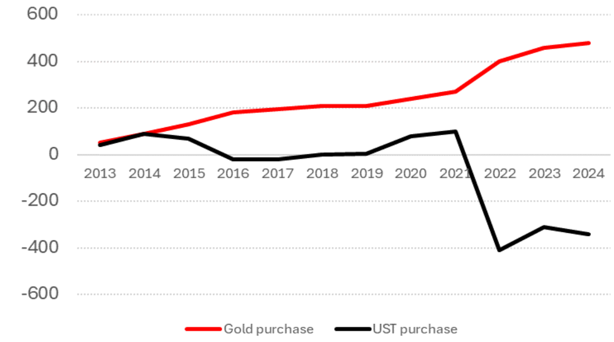


Source: Parametric

Food for thought – USD and PLN exchange rates

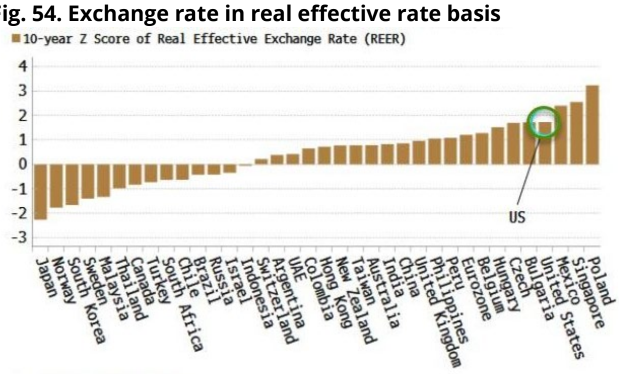
We already mentioned de-dollarization trend happening on central banks level with majority of global central banks switching to buying gold while decreasing exposure to dollar denominated bonds. The trend accelerated after Western countries sanctioned freezing Russian assets shortly after the onset of the conflict in Ukraine. Dollar is slowly losing its status of the store of value to gold.

Fig. 53. Central banks purchases of gold and UST



Source: US Treasury, World Gold Council

Fig. 54. Exchange rate in real effective rate basis



Source: Bloomberg

The dollar is still the main medium of exchange as majority of global transactions are still labelled in dollars. However, the role of the dollar might still be overstated in this regard as some countries migrate to other systems than SWIFT and SWIFT doesn't capture trades in alternative currencies.

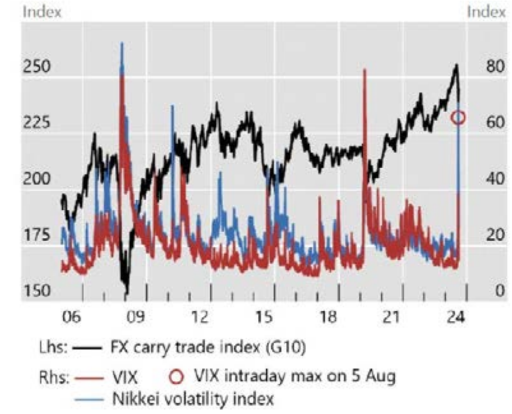
It is worth highlighting the analysis of Simon White, Bloomberg's macro analyst, on world currencies on real effective-rate basis (average bilateral exchange rate weighted by the amount of trade done and adjusted for inflation differentials). The dollar is one of the most overvalued currencies in the world. Interestingly, Japanese yen is the most undervalued currency. This might have significant consequences in terms of carry trade reversal, which we discuss in the next section.

As Fig. 54 shows, the US dollar is one of the most overvalued currency, but it is the Polish zloty that actually is the most overvalued currency in the world. Potential mean-reversion would have significant consequences for several sectors (different depending on whether we consider importers or exporters) but also for inflation readings in the whole economy.

Food for thought – yen carry trades

After reading recent BIS paper, we decided to add section describing carry trades as we tend to believe the unwinding of yen carry trades is the biggest risk to market performance next year, more to global markets than Polish equity market this time.

Fig. 55. Carry trade index



Source: BIS

Fig. 56. US Japan yield differential and exchange rates

Source: macromicro.me

Currency carry trades might potentially carry significant risks due to the reliance on interest rates differentials between countries. Investors borrow in a low-interest currency (like the yen) to invest in higher-yielding assets (like US assets). Such trades are often unhedged and leveraged, which could magnify profits but also expose investors to substantial drawdowns when currencies or interest rates shift unexpectedly.

This is exactly what happened in August when BOJ hiked interest rates and weaker jobs data in the US increased the chance for rate cuts by the FED. Equity markets stabilized quite quickly but the risks are not gone. Japan's real interest rate is now around -2.5p.p., while the differential versus US stands at extreme -5.5p.p. Should macro data weaken in the US, carry trades reversal might again negatively influence the equity markets.

It's worth highlighting that BOJ introduced a series of unconventional monetary policies to revive the economy after decades of economic stagnation and deflation. The most important one seems to be yield curve control mechanism (YCC implemented in 2016), a policy aimed at keeping long-term interest rates around zero. Under YCC, BOJ became dominant buyer of bonds increasing money supply. This was a starting point for yen devaluation.

The healthcare crisis and military conflict in Ukraine caused inflation to pick up substantially in Japan and the whole world. Widening trade deficit increased downward pressure on the yen. While inflation readings are not particularly high in Japan, their policy of keeping structurally negative real rates runs the risk of higher inflation in the future.

As such, unwinding yen carry trades could still be the biggest threat to equity markets. BIS paper calculated that net short yen futures peaked at USD14bn and were unwound in August. But the institution estimates that OTC FX derivatives could be worth around USD160bn. Apart from that, other forms of on- and off-balance sheet instruments could have been used for such trades. Overall, the value of such trades could have reached USD500bn at the peak.

BIS paper claims there is further to go with unwinding of these positions with huge economic imbalance in real rates looming in Japan versus the US. Otherwise, years of deflation and rate cuts in the US will derail the imbalance.

Food for thought – AI, software and utilities

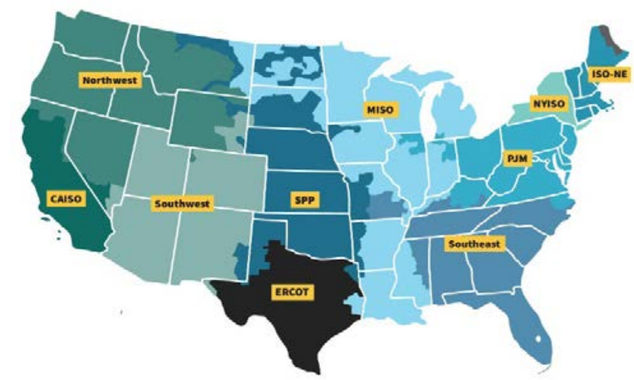
While the obvious winners of AI trend (like Nvidia) are perfectly known to the market, there are interesting trends starting to appear as a result of AI revolution in other sectors like software and utilities.

In general, the AI trend is now improving revenue trend in semiconductor sector. In most other sectors, capex investment in new emerging trend are higher than revenue generated, even in software sector. According to The Economist, today's biggest LLMs cost USD100m to be trained, while next generation models might cost USD1bn-10bn. On top of that, it costs up to USD200m for the model to answer any query (computational cost). As such, AI is still an investment into the future for many companies.

However, it is worth noting, that this new technological breakthrough is a necessity for some companies or otherwise their businesses might become obsolete. At the first sight, AI seems to be net positive for software sector as the cost of coders is no longer rising, thanks to such platforms as Github Copilot. The median wage of software coder was in the top 5% of all occupations in the US. Many companies are thus able to restructure the workforce and improve operational profitability as at least 40% of coders use AI generated code to improve productivity of their work.

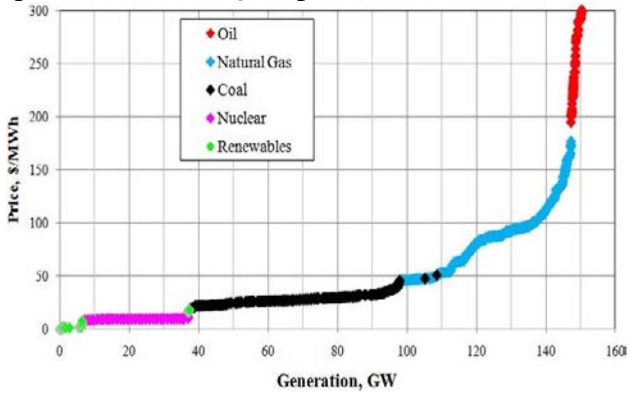
What is even more surprising however, is that declining wages of coders might also lead to … lower prices of some software applications. Actually, it might lead to some of them becoming obsolete as many companies start hiring coders to write in-house applications that might replace existing software providers. Klarna, payment application provider, resigned from Workday or Salesforce services for in-house applications. Our discussions with IT specialists make us believe that there are more corporates working on in-house solutions. We think that companies like MSFT, companies involved in data computations or cybersecurity providers are too critical for majority of corporates, but there are signs that demand in other applications might decline in the future.

Fig. 57. Wholesale electricity market in the US



Source: ferc.gov

Fig. 58. Merit order in PJM region



Source: e-education.psu.edu

Interestingly, utilities in the US could be the sector that might see the biggest positive impact of AI trend mid-term (excluding semiconductors) in terms of cash profits. The reason behind it is that AI needs huge data centres to train LLMs, which drives higher demand for electricity and potentially higher prices in the future. It turns out that natural gas power plants are typically price-setters in merit orders of different regions, while EIA reported that shale gas production in the US in the first 9 months of 2024 declined versus the same period of previous year. Rising demand for electricity should rise demand for natural gas and cause price growth of both natural gas and wholesale electricity prices (as variable costs of marginal power plant in the merit order would be rising). This might also influence CPI readings in the whole US economy over time.

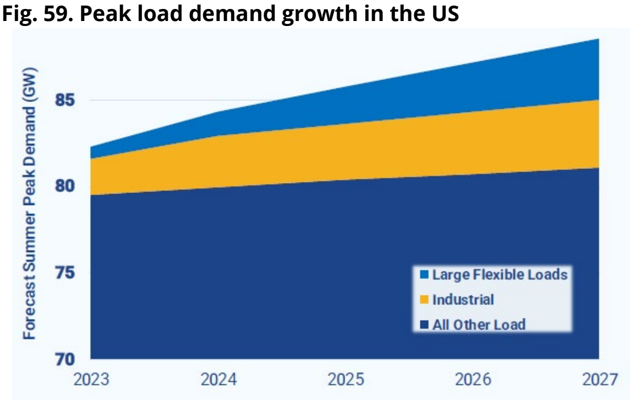
To prevent potential price rises, several big tech companies singed letter of intents for new or closed existing nuclear plants to come online mid-term. Nuclear plants are stable base-load producers and should generally prevent prices from rising. However in several wholesale markets nuclear plants were closed down due to high production from renewables recently. Nuclear plants coming online soon might cause uranium prices to go up (beneficial for uranium producers).

It's worth highlighting that there are significant differences between peak-, base- and off-peak prices in different districts of the wholesale markets. As such, there is significant potential for energy storage companies to grow their businesses to smooth the prices over time. The characteristic of Polish market, where peak demand (especially during the summer) is rising strongly due to strong demand for electricity for air conditioning.

The interest in nuclear power revival started with MSFT signing a letter of intent to buy the whole output from Three Mile Island nuclear plant for 20 years. It allowed Constellation Energy, the owner of previously closed plant, to commit USD1.6bn to restore the plant by 2028. US Department of Energy followed USD1.5bn loan from the government would allow Holtec to restore Palisades nuclear plant. NextEra is considering restoring Iowa nuclear plant as it attracted two companies from Fortune 500 list to buy electricity for the plant. Reuters reports that current US government plans to triple nuclear plant capacities. Demand for uranium would be definitely on the rise mid-term.

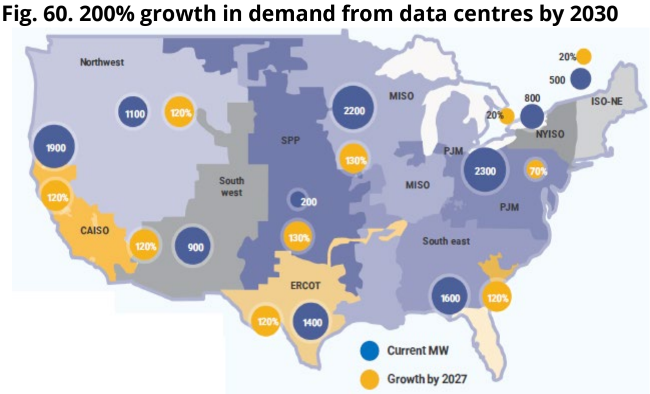
Apart from the nuclear plant, US big tech companies are interested in signing contracts with operators of SMR small plants. Currently only two such plants are in operation (in China and Russia). US Department of Energy signed a letter of intent with Oklo to develop nuclear fission plant. Alphabet signed a letter of intent to buy power from SMRs built by Kairos Power. The company is also backed by Department of Energy and is building demonstration reactor in Tennessee. Last but not least, Amazon partnered with Dominion Energy to invest USD500m to develop three SMR projects. The projects would be located from Vignia to Washington State, the region which hosts half of US data centres with Northern Virginia handling 70% of the world's internet daily traffic.

Fig. 59. Peak load demand growth in the US



Source: Clean Grid Initiative

Fig. 60. 200% growth in demand from data centres by 2030



Source: Clean Grid Initiative

The trend towards zero-carbon power generation in the US by 2035 will not be an easy route despite plans for increasing nuclear power. In the first nine months of 2024 the demand for gas plants increased to the extent that over 62% of power generated in the US came from fossil fuels (coal and gas). The result was worse than China's where only 60% of power came from fossil fuels in 3Q24.

Interestingly, the merit order trends seen in the US power sector are quite similar to trends seen in the Polish merit order several years ago. There were analyses published in Poland calling for significant investments in power sector generation capacities to avoid "blackout" as demand was expected to rise visibly. However strong growth in renewable capacities caused oversupply and decreased prices till the military conflict in Ukraine burst. Currently the merit order is undergoing significant changes with coal plants being squeezed out of the merit order and gas plants setting the prices (being marginal producers in Poland). As such, rising demand for gas in the US from power generation capacities might drive upward pressure on gas prices on global markets, including Poland. This will, in turn, cause increase in wholesale power prices in Poland as well.

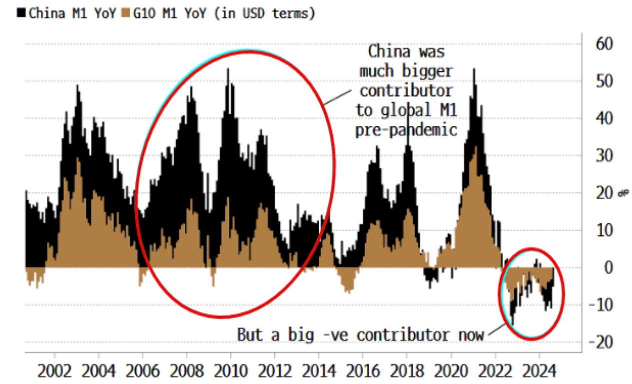
Food for thought – consumer stimulus in China

While Chinese government approved significant fiscal stimulus at the end of September, market analysts claim it might still be not enough to revive stable economic growth in China and rebalance the economy more towards consumption. China is taking gradual steps towards redirecting economic growth and the latest and definitely most welcome policy reform could be **social welfare reform** (Chinese citizens tend to save most of their income due to the lack of retirement security). Such reforms would definitely speed up consumption growth in China and revive slowing economy.

First fiscal measures were introduced in China on September 24th, several days after the first rate cut by the FED and by the ECB. PBOC cut interest rates by 20bp, eased reserve requirements for the banks and reduced the cost of existing mortgages while also introducing support for equity markets. Bloomberg additionally reported that the government is to inject new money to recapitalize banks, and direct fiscal support for consumption was also mentioned.

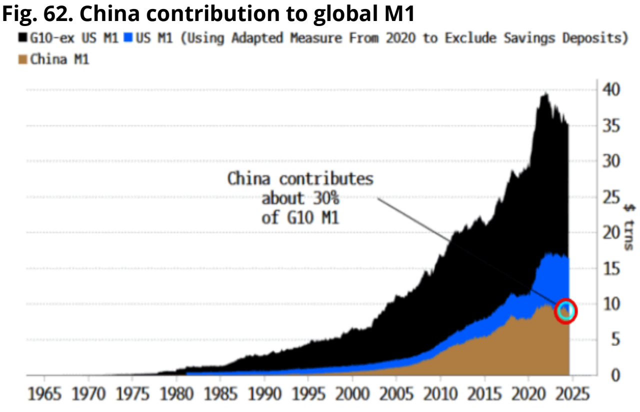
As we mentioned in previous sections, China's government is trying to turn the country into "fortress economy" to increase its resilience towards external shocks. Bearing that in mind we should note, that internal consumption trends are the weakest angle of the economy. The enormous property sector constitutes 70% of Chinese household wealth and almost 25% of the country's GDP, making it a key growth driver but also key vulnerability point of the economy. The welfare reform seems to be the only way for secular and more stable economic transformation in China. It should allow Chinese to save less and spend more. Such radical reform could also have longer-lasting effects on global inflation, as China has been the only bigger economy with deflation readings and negative trends in consumption data in recent months.

Fig. 61. China impact on global M1 growth



Source: Bloomberg

Fig. 62. China contribution to global M1



Source: Bloomberg

However, even without additional stimulus from China, there is a chance for global money growth to turn positive taking into account easing monetary policy in Western countries. Higher M1 typically helps economic growth (also impacting inflation), but if not, than at least typically positively impacts equity markets performance.

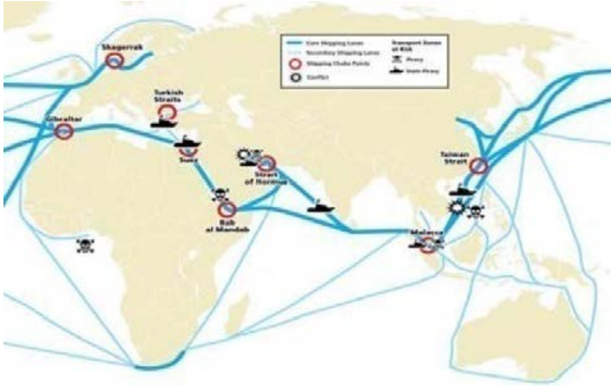
Food for thought – inflation second wave?

The risk of potential second wave of inflation was mentioned in our strategy reports several times. Below we summarize key structural trends that might cause such outcome. First one with potentially the biggest impact are geopolitical conflicts, sometime coupled with breakdown of logistic chains or with impact on commodity prices.

Fig. 63. Military conflicts around the world.

Source: Statista

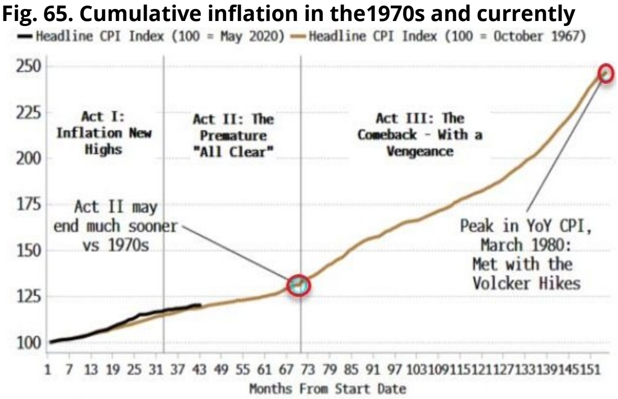
Fig. 64. Main global trade routes



Source: Zeihan on Geopolitics

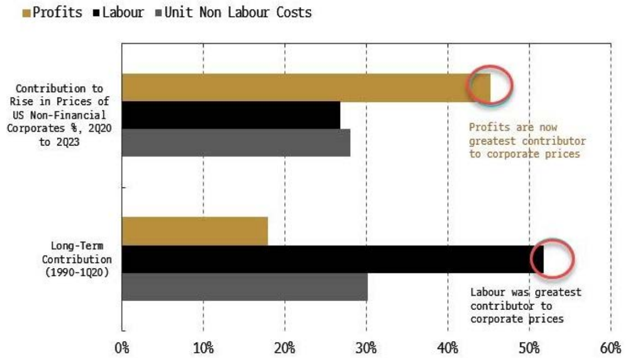
Secondly, already mentioned, situation on commodity markets that might influence rising inflationary readings. The third, rather surprising source of heightened inflationary pressures are… profits of companies. Simon White, Bloomberg's macro strategist, published a striking analysis on this issue. During inflationary period in the 1970's, wages drove prices higher (especially having in mind strong trade unions back then). In the current economic cycle of weaker trade unions, profits are the biggest contributor to prices, which might even lead to the profit-price-wage spiral (the risk that an increase in margins will lead to higher prices and translate into higher wages, which again force companies to increase margins).

Fig. 65. Cumulative inflation in the1970s and currently



Source: Bloomberg

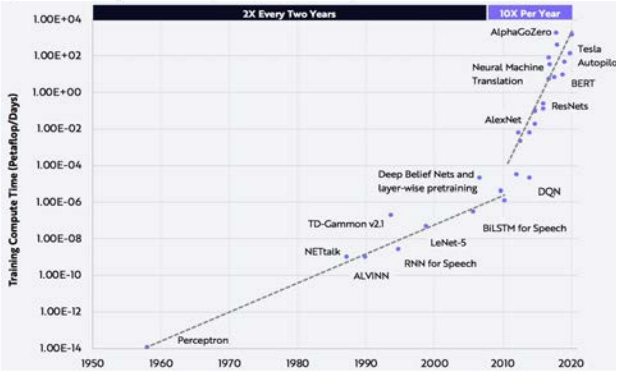
Fig. 66. Profits of companies as inflation source



Source: Bloomberg

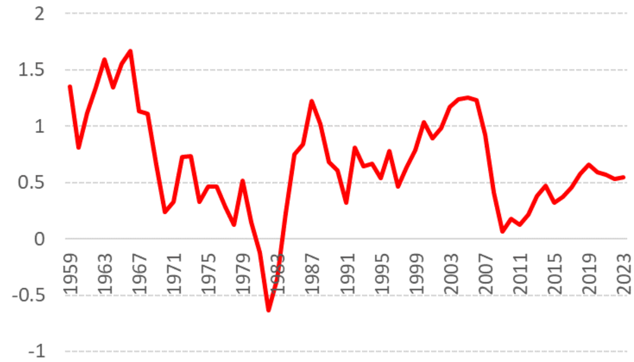
On the other hand, generative AI could be one of the main reasons for disinflationary pressures in the economy in the long-term. On top of that, AI could lead to significant increase in productivity. Some economists expect US total factor productivity to rise in the mid-term to the levels seen in the period 2000-2008.

Fig. 67. Compute usage for training AI models over time



Source: OpenAI

Fig. 68. Total factor productivity in the US



Source: St. Louis FED

It is debatable whether post-healthcare crisis period will be similar to that from the 70-ties, but it seems inflation readings could be higher than in the previous decade. Average inflation readings in G7 countries since 70-ties to the beginning of 21st century was above 5%. The first two decades of this century saw inflation readings between 0% to 2%. We tend to believe the world G7 countries are heading into the period with inflation readings above 2% on average again.

Food for thought – Trump's tariffs on the way?

In July 2024, long before the elections, Mr. Trump gave an extensive interview to Bloomberg discussing core thesis of his economic views that might define his next presidency (called Trumponomics 2.0 in the economic press). The central point of this view are significant bilateral sanctions to manage relations with key trading partners and lower corporate taxes (possibly as low as 15%). Trump cited William McKinley as best example as he raised enough revenue through tariffs during his presidency that allowed him to avoid implementing federal income tax. Key points of his foreign policy include being ambivalent (if not outright hostile) to protecting Taiwan from Chinese aggression and to protect Ukraine from Russian aggression. He also believes harsh restrictions on immigration should boost domestic wages and employment.

While his economic ideas are not a big surprise for financial markets from what they were during hist first term, new is the speed and efficiency with which Trump intends to enact them. This might influence budget deficit numbers in the US, direction of yields, inflation readings and economic growth potential of not only US but the whole world (the risks to the downside to global and US growth through lower trade and higher inflationary readings). Financial markets might try to discount at least part of his ideas even before he starts his presidency in January 2025.

Trump's ideas on tariffs and their impact on inflation would be most important for global long-term growth potential. The main idea for Trump is to target China with new tariffs from 60% up to 100% and impose 10% universal tariffs for other countries. This would certainly increase domestic US prices and inflation although Trump argues the prices in the US will decline thanks to new investments in the energy sector (Trump sees oil as "liquid gold").

Fig. 69. Reshoring trend

Source: University of San Diego

Fig. 70. USDCNY exchange rate

Source: Bloomberg

Trump's idea behind higher tariffs is to speed up "reshoring trend" and rebuild industrial production in the US in many areas that during the previous decades moved to China or Taiwan. This would definitely improve the competitiveness of the US economy and put more and more pressure on almost every other country in the world in terms of economic growth potential.

However, this would also have profound consequences for the US in terms of economic growth potential and inflationary readings, as well. US imported around USD3.1tn goods from abroad in 2023, out of which USd430bn came from China according to Bureau of Economic Analysis. 60% tariffs on Chinese goods and 10% universal tariffs on other goods would increase the cost of imported goods by over USD500bn, on average 16% increase. As the tariffs are paid by the US companies (like Walmart or Apple), it would cause the increase in inflationary readings even up to 1p.p. according to The Economist. Coupled with expected tax cuts proposed by Trump, budget deficits for the next 10 years would be higher by USD7.5tn according to The Committee for Responsible Federal Budget.

The prospects for economic growth, inflationary readings and the direction of yields is an open question under policies endorsed by the incoming US president. Global stagflation could be the new norm under these policies.

Valuation section

#1 Visible upside potential both in WIG20 and mWIG40

Based on our target prices, we see almost 20% upside on WIG20 till the end of next year. mWIG40 implied target shows 16% upside for the next 6 months. We note however that we don't change assumptions on WAC. It's worth highlighting that 1p.p. structural increase in 10Y yields in Poland causes around 15% decrease in target prices in our valuation models.

Fig. 71. WIG20 valuation target

Company	Price (local)*	Index %	TP
PKO BP	54.38	15.29	72.00
PKN ORLEN	51.90	10.77	64.00
PEKAO	140.75	8.85	178.00
PZU	43.12	8.74	53.00
LPP	15,520.00	7.07	24,843.00
DINO	391.30	6.68	471.00
ALLEGRO	29.29	6.52	34.30
KGHM	129.95	6.32	82.00
SANTANDER**	445.60	6.14	445.60
CD PROJEKT	165.55	4.14	185.00
ALIOR	92.70	2.94	109.00
KRUK	423.60	2.66	451.80
MBANK	549.40	2.58	725.00
KETY	732.00	2.54	793.1
BUDIMEX	478.80	2.17	530.00
PGE	7.07	2.17	9.00
ORANGE	7.76	1.79	8.80
CYFROWY POL	14.09	1.22	18.50
PEPCO	16.17	0.93	15.90
JSW	26.02	0.49	16.00
WIG20	**2,202.76**		**2,635.94**

*Source: Santander Brokerage Poland estimates, * price as of Nov 25,2024; **companies not covered – TP is the current price;*

Fig. 72. mWIG40 valuation target

Company	Price (local)*	Index %	TP
CCC	213.00	11.31	119.40
ZABKA	17.90	9.64	25.30
ING BSK	233.00	7.87	291.00
BENEFIT	2,735.00	6.50	3,300.00
MILLENNIUM	8.23	5.77	11.00
ASSECO POL	86.05	5.13	94.00
INTERCARS	476.50	5.06	536.00
XTB**	70.80	4.73	70.80
TAURON	3.64	4.39	6.00
ENEA	12.00	3.51	15.10
HANDLOWY	87.60	3.31	98.00
DEVELIA	5.97	3.13	7.00
BNP	82.20	2.63	119.00
DOM DEV	196.20	2.32	245.00
AUTOPARTNER	20.95	1.79	22.60
WIRTUALNA	77.30	1.64	79.00
NEUCA	782.00	1.51	1,004.00
AMREST	21.05	1.49	23.40
GRUPA PRACUJ	57.40	1.46	61.00
RAINBOW**	117.80	1.36	117.80
AB	92.00	1.36	145.00
GPW**	42.30	1.33	42.30
MOBRUK	339.00	1.10	362.25
GRUPA AZOTY	19.50	1.06	23.71
TEXT	56.90	1.00	98.00
CYBER_FOLKS	125.50	1.00	142.00
SELVITA	53.50	0.90	59.00
SYNEKTIK	172.40	0.85	200.00
RYVU	45.00	0.78	80.00
CELONPHARMA	27.05	0.75	39.00
ASBIS	18.04	0.67	25.00
11 BIT	252.00	0.66	230.00
GRENEVIA	1.92	0.63	3.42
EUROCASH	7.66	0.63	8.30
HUUUGE	16.66	0.57	22.00
ARCTIC**	16.66	0.43	16.66
TEN SQUARE	79.10	0.41	74.00
MIRBUD**	10.98	0.38	10.98
BOGDANKA	23.60	0.33	25.80
CI GAMES**	1.48	0.16	1.48
WIG40	**6,018.02**		**6,991.46**

*Source: Santander Brokerage Poland estimates, * price as of Nov 25,2024; **companies not covered – TP is the current price;*

#2 Sectors and top picks

While we see visible upside potential for the Polish market, we tend to believe equity markets in Poland might still face downside trend at least till the end of 1Q25 (beginning of the Trump era in the US focused on new economic policy with tariffs as a prime tool to shape new economic world order). As such, we present our preferred sectors in the table below for two periods: till the end of the first quarter and for the second quarter of 2025.

The first period might still be volatile with downward bias, we assume. As such our preference is to overweight defensive sectors (utilities and telecoms) and developers (high dividend yields). We expect market recovery starting in 2Q25 with more cyclical sectors to be overweight (banks, consumer, technology, industrials).

Fig. 73. Preferred sectors and top picks / top sells.

Sector	1Q25 / 2Q25	Top picks / Top sells
Consumer	▬ / ▲	BUYS: Allegro, Benefit, Dino, LPP, Neuca, Zabka SELLS: CCC, Pepco
Banks	▬ / ▲	BUYS: Alior, mBank, Millennium, Pekao, PKO, PZU
Technology	▬ / ▲	BUYS: cyber_Folks, Huuuge, Text SELLS: Gaming (ex CDR), Wirtualna Polska
Real estate / construction	▲ / ▬	BUYS: Dom, Develia, Echo, Murapol, Torpol
Industrials	▬ / ▲	BUYS: Grenevia, PKP Cargo
Mining	▼ / ▬	SELLS: JSW, KGHM
Telecoms	▲ / ▬	BUYS: Cyfrowy Polsat
Utilities	▲ / ▲	BUYS: Tauron, PGE, Enea
Pharma	▬	BUYS: Celon Pharma, Ryvu
Oil & gas	▬	

Source: Santander Brokerage Poland estimates

#2 FCF yields as the best valuation metric should yields rise

We continue to believe the risk of yields increase is the biggest downside to our valuation targets. We tend to believe FCF yield is the best metric to look at when trying to find companies that should outperform during the phase of yields increase on the market.

Fig. 74. Dividend yields in our coverage

	2021	2022	2023	2024E	2025E
DOM	4.94%	10.99%	11.94%	3.3%	8.9%
DVL	2.49%	16.98%	9.92%	8.2%	8.6%
MUR			6.10%	14.7%	14.7%
1AT	6.54%	16.73%	7.69%	10.9%	9.7%
PKO	0.00%	3.14%	2.19%	10.3%	11.6%
PEO	1.98%	2.66%	3.35%	13.0%	13.0%
MBK	0.00%	0.00%	0.00%	0.0%	0.0%
ING	1.73%	1.80%	0.00%	6.8%	7.3%
BHW	1.08%	4.92%	8.09%	12.5%	12.0%
MIL	0.00%	0.00%	0.00%	0.0%	0.0%
BNP	0.00%	0.00%	0.00%	10.2%	10.3%
ALR	0.00%	0.00%	0.00%	10.1%	9.0%
PZU	6.87%	3.81%	4.71%	10.2%	10.1%

Source: Santander Brokerage Poland estimates

In the tables in this section we present DY yields and FCF yields for majority of our coverage. We tend to believe Polish equity market offers are attractive in this regard. Banks and developers are traded at double-digits DY yields. Among consumer companies, ALE, BFT, DNP, NEU and LPP are all traded at around 5-6% FCF yields (ex-growth capex).

Fig. 75. FCF yields in our coverage

	2021	2022	2023	2024E	2025E
11B	0.87%	-0.80%	-2.70%	1.1%	3.4%
ABE	0.21%	-2.40%	11.70%	11.6%	7.6%
ACP	0.21%	2.83%	8.29%	-7.0%	2.0%
ALE	2.37%	3.50%	6.10%	9.0%	7.0%
AMC	-22.48%	43.13%	8.33%	4.3%	5.3%
APR	-3.57%	0.70%	4.20%	7.8%	3.9%
ASB	9.50%	-20.20%	8.70%	10.9%	15.9%
ATT	-100.68%	-63.33%	-68.68%	-127.6%	-48.4%
BDX	21.58%	20.96%	5.89%	3.0%	6.7%
BFT	0.10%	6.70%	8.53%	3.1%	3.6%
CAR	-1.22%	-4.90%	0.90%	2.5%	-0.6%
CBF	-0.81%	-8.36%	2.70%	9.8%	5.6%
CCC	-6.80%	-13.20%	1.20%	-0.2%	1.2%
CDR	5.68%	1.30%	2.50%	1.5%	-0.2%
CPS	4.31%	-9.97%	-54.41%	-12.3%	-12.3%
DNP	-0.01%	-0.50%	1.10%	2.8%	2.7%
EAT	2.05%	6.80%	2.00%	0.4%	-3.8%
ENA	75.30%	-46.68%	-35.87%	32.0%	11.0%
ERB	-58.79%	-42.82%	43.97%	-12.3%	0.1%
EUR	6.18%	13.90%	20.80%	12.5%	5.0%
GPP	4.60%	-8.00%	7.48%	5.1%	7.0%
HUG	3.50%	7.80%	20.80%	26.1%	20.8%
JSW	-2.19%	133.53%	-19.75%	-120.8%	-53.1%
KGH	4.11%	-2.80%	6.19%	-4.0%	-2.9%
KTY	11.63%	2.10%	6.65%	-1.0%	7.0%
LPP	2.44%	-5.90%	8.20%	7.0%	7.1%
LWB	36.49%	0.22%	21.59%	-3.0%	5.1%
MBR	12.26%	7.18%	-6.69%	-1.9%	5.6%
NEU	5.56%	8.20%	4.20%	4.6%	6.1%
OPL	16.48%	7.94%	6.51%	8.0%	5.9%
PCO	2.37%	-3.20%	-2.80%	3.4%	3.7%
PGE	-22.30%	-7.89%	-2.14%	-23.0%	-24.0%
PKN	29.90%	14.51%	-72.03%	-11.3%	-8.1%
PKP	9.20%	75.99%	5.52%	-83.3%	-17.0%
SLV	-41.40%	43.40%	-52.67%	-2.9%	0.6%
TEN	-7.48%	-2.30%	-1.29%	15.5%	13.0%
TOR	-3.23%	13.60%	13.60%	-25.0%	-3.0%
TPE	40.75%	47.22%	5.85%	2.0%	7.0%
TXT	10.38%	-13.16%	-36.44%	9.1%	10.3%
UNI	4.27%	7.87%	7.13%	-22.1%	-7.6%
WPL	-1.25%	-5.14%	3.05%	3.1%	7.3%
ZAB				2.4%	1.2%
ZEP	3.46%	-10.66%	4.44%	-83.0%	-106.0%

Source: Santander Brokerage Poland estimates

IT companies like WPL, GPP, TXT, ABE or ASB are also traded at around 5-6% FCF yields, pretty unexpensive valuation, in our view. Biggest construction (BDX) and industrial (KTY) companies are also delivering healthy FCF yields. FCF generation in State owned companies tends to be unpredictable (PKN, utilities or in mining companies). As such, it is difficult to predict how valuation of these companies could react to rising yields. Among defensive telecoms OPL is delivering healthier FCF while CPS is still in heavy investment phase with negative cash generation, we asses.

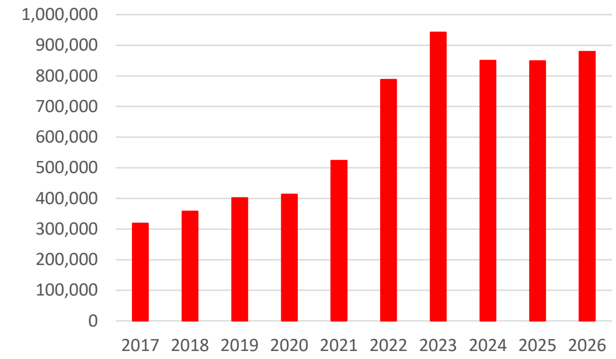
Gaming companies might generally be susceptible to rising yields as they generally deliver new games every few years, we reckon. CDR's FCF yields are close to zero until 2026 when we expect the company should publish its next triple A game. Mobile developers (HUG and TEN) both have double digit FCF yields and might outperform during periods of rising yields.

#3 Operating results on the rise

In terms of operating results of companies in our coverage, all their key income statement lines were heavily boosted by inflation readings with revenues and net profits rising around two times vs deflationary years.

EBITDA and net profits tend to behave unpredictably in State owned companies (utilities, mining, oil&gas sectors) and rising steadily in all other sectors. Consumer sector is the shining star as we expect the net profit in 2025 to double versus 2021. Financials improved profits even to a greater extent in the same period of time, however profits might not rise visibly in 2025, on our forecasts. Telecoms, technology companies and developers are also steadily improving profits.

Fig. 76. Revenues in covered companies



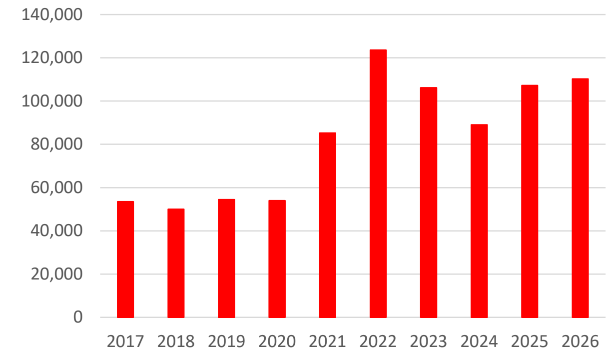
Source: Santander Brokerage Poland estimates

Fig. 77. Revenues in covered companies

	2021	2022	2023	2024	2025
Telecoms	24,372	25,403	26,596	26,933	28,201
Utilities	106,069	151,091	203,570	158,506	133,580
Mining	42,803	56,497	52,745	50,210	49,688
Oil&gas	131,341	282,434	372,767	318,597	308,753
Heathcare	736	958	1,234	1,413	1,431
Technology	17,522	21,300	21,509	21,826	23,056
Consumer	135,121	170,039	193,812	206,140	231,747
Industrials	40,759	53,614	41,211	38,729	41,258
Gaming	3,550	3,323	3,314	2,798	2,779
Construction	13,848	15,340	16,557	15,985	17,065
Developers	7,759	8,338	9,188	9,646	11,520

Source: Santander Brokerage Poland estimates

Fig. 78. EBITDA in covered companies



Source: Santander Brokerage Poland estimates

Fig. 79. EBITDA in covered companies

	2021	2022	2023	2024	2025
Telecoms	24,372	25,403	26,596	26,933	28,201
Utilities	106,069	151,091	203,570	158,506	133,580
Mining	42,803	56,497	52,745	50,210	49,688
Oil&gas	131,341	282,434	372,767	318,597	308,753
Heathcare	736	958	1,234	1,413	1,431
Technology	17,522	21,300	21,509	21,826	23,056
Consumer	135,121	170,039	193,812	206,140	231,747
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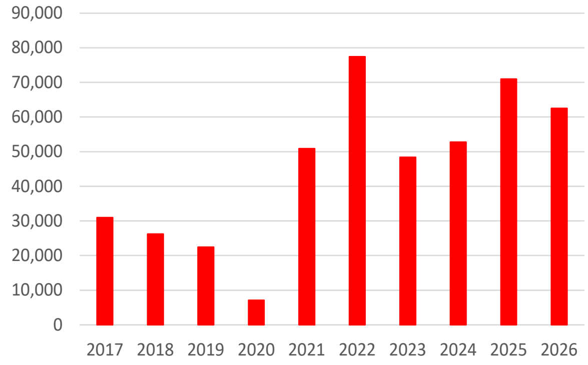
Gaming	3,550	3,323	3,314	2,798	2,779
Construction	13,848	15,340	16,557	15,985	17,065
Developers	7,759	8,338	9,188	9,646	11,520

Source: Santander Brokerage Poland estimates

Fig. 80. Net profit in covered companies



Source: Santander Brokerage Poland estimates

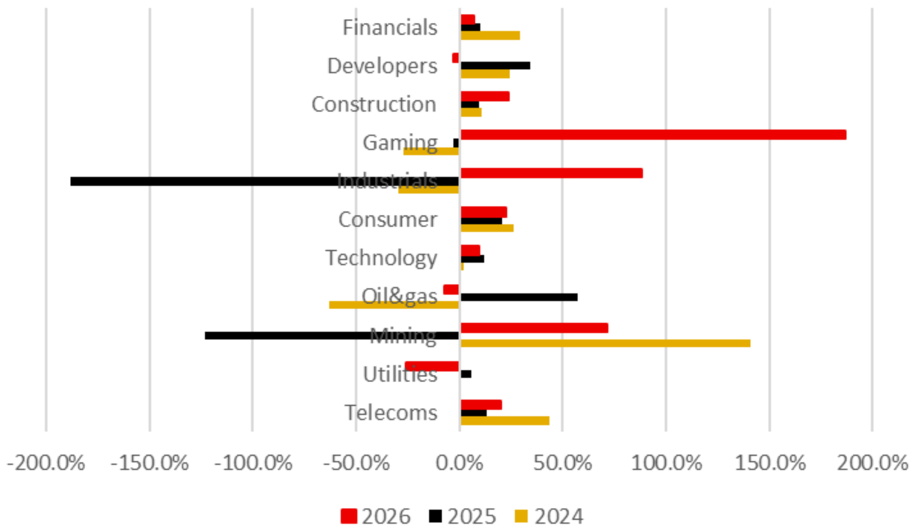
Fig. 81. Net profit in covered companies

	2021	2022	2023	2024	2025
Telecoms	6,020	1,626	1,121	1,609	1,821
Utilities	5,985	3,638	-3,184	7,702	8,133
Mining	7,348	12,509	-2,014	-4,857	1,128
Oil&gas	11,122	39,654	20,680	7,616	11,988
Heathcare	-34	-29	2	-3	-119
Technology	1,048	1,158	1,221	1,244	1,391
Consumer	5,576	4,304	6,767	8,525	10,262
Industrials	1,741	2,264	-1,479	-1,050	925
Gaming	558	718	874	639	618
Constructio	571	741	685	759	829
Developers	1,118	1,192	994	1,239	1,662
Financials	9,868	9,645	22,709	29,356	32,322

Source: Santander Brokerage Poland estimates

In the table below we present percentage change in cumulated net profits of covered sectors. Consumer. technology and telecom sectors are most stable in terms of net profit improvement going forward. Financials are also expected to increase profits, but more slowly than in 2024. Other sectors are more volatile in terms of predictability of net profit delivery with one-off items responsible for significant downward or upward changes (like Witcher IV profits assumed to be delivered in 2026 in CDR model).

Fig. 82. Percentage change in net profits of covered sectors



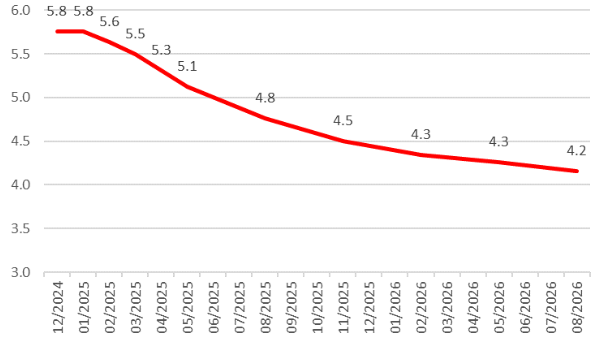
Source: Santander Brokerage Poland estimates

Structural trends affecting Polish companies

#1 Banks / developers

Excluding recession risks, performance of the banking sector might be linked to potential interest rate cuts in Poland. Despite relatively strong economy, easing cycle in Western countries might allow National Bank of Poland to cut interest rates next year. Banks do not typically perform well before the first rate cut in Poland, but tend to rebound slightly (on average) thereafter.

Fig. 83. FRA contracts in Poland



Source: Bloomberg

Fig. 84. WIG Banks performance after first rate cut

Source: Bloomberg

It's also worth highlighting that the level of yields would be more and more important for banks in two ways. First, higher yields will impact valuation as is the case in other sectors. However, on the other hand, balance sheets of Polish banks might also be affected as due to slow credit market, banks are investing in bonds. Income statement results would be better with higher yields, while longer-term bonds might negatively affect equity on the balance sheets.

On the other hand, potential rate cuts might work positively for developers as demand for mortgage loans should increase. Listed real estate developers try to consolidate the market and improve volumes. Developers' share prices might outperform banks till the first rate cut.

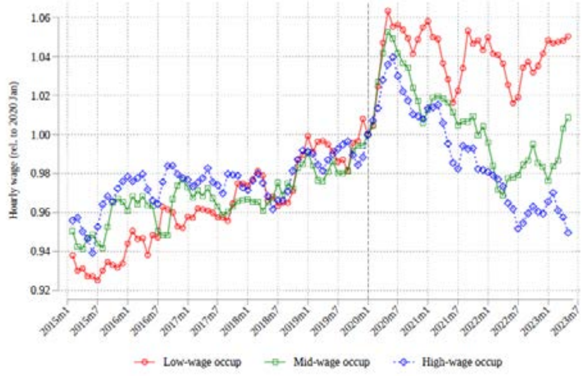
#2 Consumer sector

In our previous strategy notes we highlighted the trend of lower-income workers' wages raising faster than those of higher-income workers. Employees earning less money have a higher propensity to consume and tend to spend majority of the increase in disposable income they earn (instead of saving money). This trend is strongly positive for the consumer sector, in particular for discretionary retailers.

We tend to believe this trend is best exemplified by Rainbow Tours operating metrics in previous quarters. Despite many consumers organizing holidays on their own (using Booking.com or similar websites), strong demand enabled the company to increase revenues by around 50% last year. In-depth look at the company's clients profile indicates that RBW's typical clients are people aged 40+ aspiring to be in the "middle class" thanks to strong increase in minimum wages or supplementary government transfers in Poland.

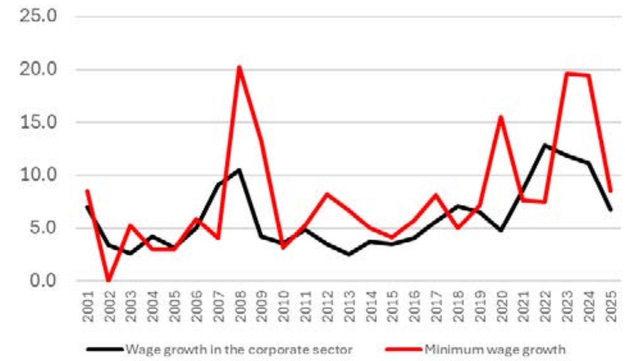
However, minimum wage growth for next year has slowed to 7% and world geopolitical situation might start affecting consumers in Poland. Because of strong consumer demand in 2024, our macro team expects next year GDP performance to be more dependent on investments and export.

Fig. 85. Wages of lower-income workers rising faster



Source: NBER

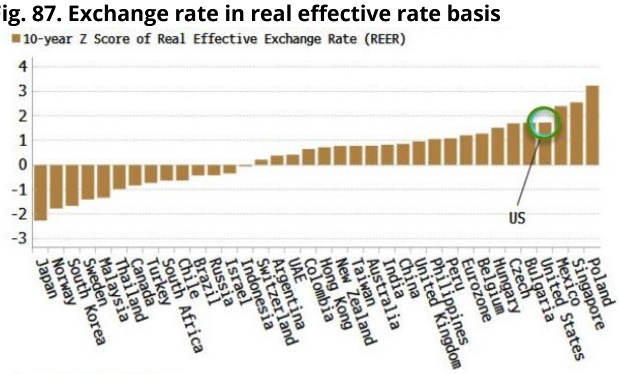
Fig. 86. Minimum and average wage growth in Poland



Source: Bloomberg

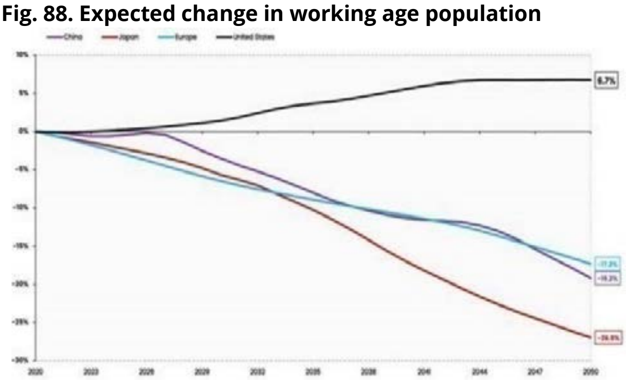
We tend to believe **the most important secular trend for the next decade in the sector is the demographic decline** in certain regions (several companies in our coverage are exposed to foreign markets, not only Polish). As people in working age earn and spend substantially more than other cohorts, economic growth is healthy as the number of people in working age is growing globally. Unfortunately, the global economy is on the verge of decline in most important demographic cohort in many regions of the world, like Europe, China and Japan. **Poland is way safer at least for the next 10 years in this respect.**

Fig. 87. Exchange rate in real effective rate basis



Source: Bloomberg

Fig. 88. Expected change in working age population

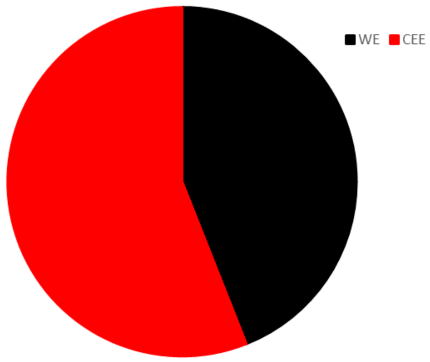


Source: EPB Research

Excluding only certain regions, the demographic trend will substantially affect certain sectors of the economy that could gain or suffer on this structural trend. Healthcare spending is rising as population ages. Consumption spending on restaurants or holiday trips might rise eventually, but 'big ticket' spending like housing or cars or even total value of discretionary spending on clothing might suffer. Industrial companies (suffering from deflation trend in China now) are linked to big ticket consumption and might also see a prolonged slowdown period.

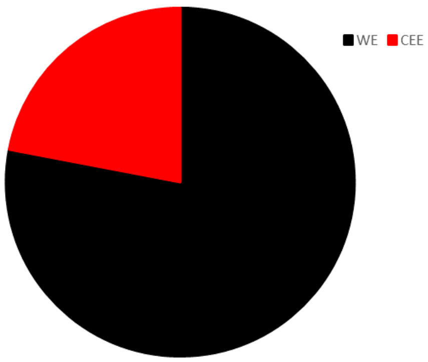
Another key aspect of consumer companies' results would be exchange rates development in 2025. Polish Zloty is one of the most overvalued currency according to Bloomberg. The rise of geopolitical tensions might weaken the currency, which would cause either lower margins for importers or the need to rise prices (causing inflation and potentially weaker demand).

Fig. 89. Pepco – revenue split by geographies



Source: Santander Brokerage Poland

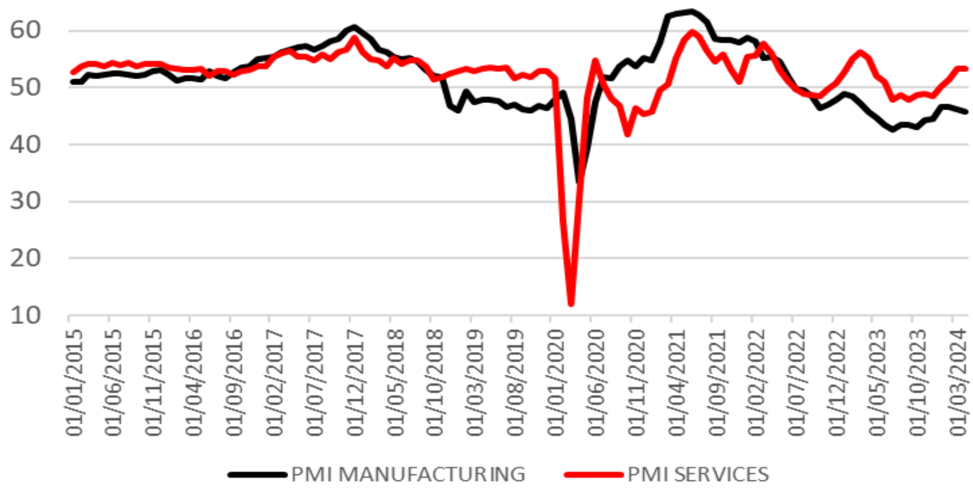
Fig. 90. Forte – revenue split by geographies



Source: Santander Brokerage Poland

But overall, consumer related sectors should continue to see more stable macro environment than manufacturing sectors. During the healthcare crisis, demand for goods exploded as consumers were locked at homes and spent more on tangible products. Once the healthcare crisis ended, consumers changed their lifestyle attitudes, which resulted in rapid increase in demand for services.

Fig. 91. Eurozone: PMI Services vs PMI Manufacturing



Source: Bloomberg

We believe this trend still has legs. One explanation of services outperformance over manufacturing is the demographic change as some analysts claim younger generations prefer "using" to "owning", with complete re-evaluation of attitude towards work, consumption and leisure. The other explanation is simpler, as high interest rates might have influenced consumers decisions on "big-ticket" spending like on cars or housing. Some analysts claim that consumers simply wait for lower rates to spend more on goods.

#3 Industrial sector

Apart from weakish PMI Manufacturing versus PMI services trend, reshoring trend seems to be a structural issue for industrial companies. Due to the fact that many Western corporates are trying to diversify production facilities away from China due to geopolitical and logistics reasons, Chinese companies redirecting production volumes to European markets causing weak prices and significant overcapacity in many sectors.

Fig. 92. Reshoring trend

Source: University of San Diego

Fig. 93. USDCNY exchange rate

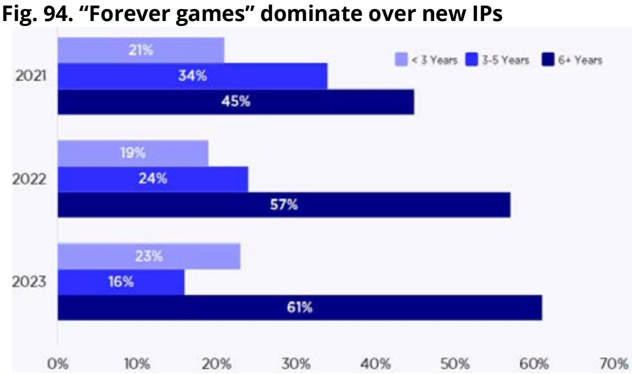
Source: Bloomberg

On top of that, to offset consequences of reshoring trend, Chinese central bank allowed for slow devaluation of yuan, which is helping local producers to compete on global markets. Export expansion of Chinese companies is facing more and more administrative backlash in other parts of the world with many of countries expected to impose tariffs on import from China.

China faces longer-term pressure on yuan devaluation, which should be positive for companies sourcing from China and negative for companies selling into China.

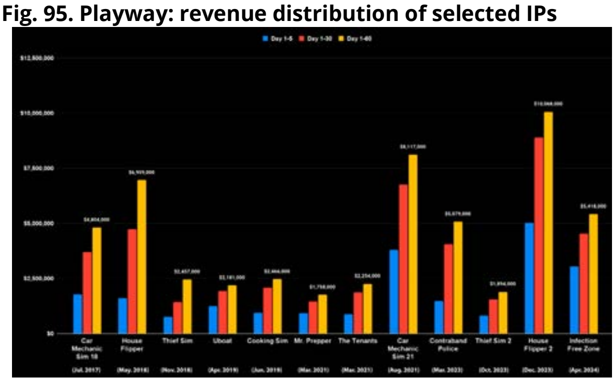
#4 Gaming sector

Fig. 94. "Forever games" dominate over new IPs



Source: Newzoo

Fig. 95. Playway: revenue distribution of selected IPs



Source: gamesdiscover.co

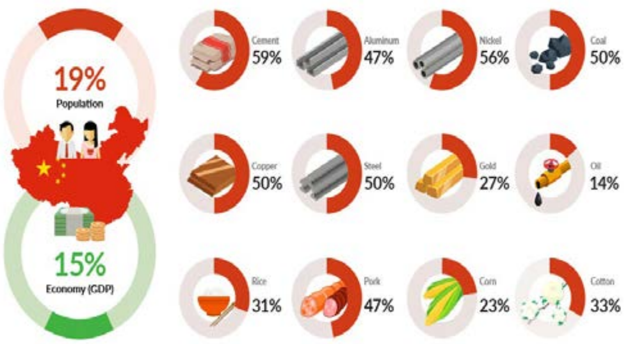
Our recent most important discovery in terms of key structural trend in the gaming segment is that "long tails" of volumes sold in the sector are compressing with the rise in number of games on Steam. This trend is potentially the most negative one among many observed in the sector. Reduced "long tail" could be observed on PLW's recent data as the company presented sales data for key titles for the first 5 days, first 30 days and first 60 days after debuts. The titles debuting before 2020 had total revenues after 60 days around 3 times higher than in the first 5 days. However, in case of recent titles, this value declined to 2x.

Older games with strongly recognized IPs are dominating statistics of most frequently played titles on Steam. According to Newzoo report, the games that debuted 6 years ago and older are responsible for 60% of the time spent by players on Steam in 2023, an increase of 15 p.p. from 2021. The gamers tend to prefer multiplayer games and triple A games.

#6 Mining sector

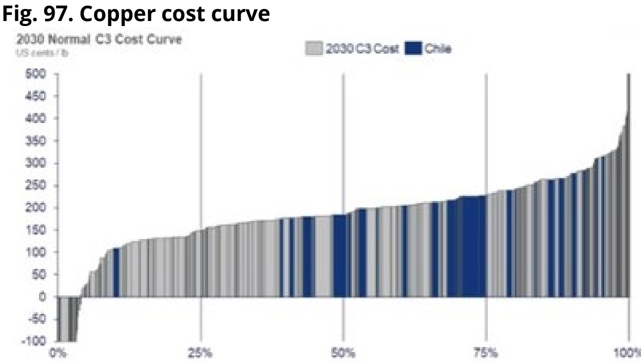
As we already explained in the previous section, China is the most important player on the demand side of the commodity market. According to The Economist, China has been stockpiling many commodities to increase strategic reserves in case of global logistic chains breakdown. As such, there is significant risk of commodities repricing downwards, should any slowdown in Chinese buying occur. Copper cost curve is very steep at the right hand side of the curve and any decrease in demand would cause downward steep price adjustment, we conclude.

Fig. 96. Demand from China for selected commodities



Source: visualcapitalist.com

Fig. 97. Copper cost curve

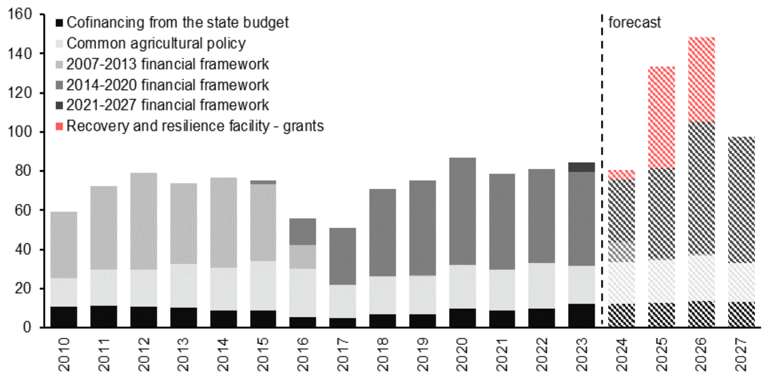


Source: mining.com

#5 Construction / utilities / software / pharma companies

Companies from construction, utilities, pharma and software sector could all benefit from rising EU funds transfers to Poland.

Fig. 98. Expenditures on EU funded programmes



Source: Santander Bank Polska estimates

Santander

Santander CEE Large/ Mid Caps Universe

Fig. 99. Recommendation summary and ratios

Company	Mkt Cap (local mn)	Rec.	Price (local)*	TP Dec'25	Upside/ downside	P/E (x) 2024E	P/E (x) 2025E	P/E (x) 2026E	EV/EBITDA / P/BV (x) 2024E	EV/EBITDA / P/BV (x) 2025E	EV/EBITDA / P/BV (x) 2026E	FCF Yield 2024E	FCF Yield 2025E	FCF Yield 2026E	Dividend Yield 2024E	Dividend Yield 2025E	Dividend Yield 2026E
Banks						**5.4**	**5.8**	**5.3**	**1.15**	**1.02**	**0.85**				**10.2%**	**9.0%**	**8.1%**
ALIOR BANK	12,102	Outperform	92.7	109.0	18%	5.0	5.5	5.9	0.88	0.78	0.69				10.1%	9.0%	7.9%
HANDLOWY	11,446	Neutral	87.6	98.0	12%	5.5	6.2	6.1	0.91	0.81	0.73				12.5%	12.0%	10.0%
BNP PARIBAS	12,149	Outperform	82.2	119.0	45%	4.6	4.2	4.2	0.69	0.60	0.53				10.2%	10.3%	10.1%
INGBSK	30,313	Outperform	233.0	291.0	25%	7.3	6.8	5.3	1.51	1.35	1.22				6.8%	7.3%	7.5%
KOMERCNI	153,465	Underperform	807.5	770.0	-5%	11.1	10.5	6.0	1.23	1.20	1.08				10.6%	6.2%	6.2%
MBANK	23,348	Outperform	549.4	725.0	32%	4.2	4.4	3.7	1.24	1.02	0.85				0.0%	0.0%	9.9%
MILLENNIUM	9,978	Outperform	8.2	11.0	34%	3.3	3.4	2.7	1.16	1.01	0.81				0.0%	0.0%	6.7%
OTP BANK	6,076,000	Underperform	21,700.0	22,300.0	3%	5.5	5.8	6.3	1.04	0.95	0.83				3.4%	4.6%	5.2%
PEKAO	36,943	Outperform	140.8	178.0	26%	5.4	5.8	5.1	1.09	1.04	0.95				13.0%	13.0%	8.5%
PKOBP	67,975	Outperform	54.4	72.0	32%	4.9	4.9	5.2	1.15	1.04	0.96				10.3%	11.6%	8.1%
PZU	37,235	Outperform	43.1	53.0	23%	7.1	6.6	6.5	1.18	1.12	1.05				10.2%	10.1%	10.1%
Construction						**16.1**	**15.2**	**11.4**	**5.9**	**6.2**	**4.9**	**-17.2%**	**-1.5%**	**8.1%**	**5.7%**	**2.8%**	**4.1%**
BUDIMEX	12,224	Neutral	478.8	530.0	11%	19.1	16.8	13.7	10.2	9.4	7.3	3.0%	6.7%	9.1%	7.5%	5.2%	5.9%
ERBUD	397	Outperform	33.3	47.0	41%	30.2	11.2	9.0	5.2	4.4	3.9	-12.3%	0.1%	7.0%	5.1%	1.7%	4.5%
TORPOL	767	Outperform	33.4	38.7	16%	13.0	13.6	11.5	6.5	6.7	5.7	-25.0%	-3.0%	6.0%	6.3%	3.8%	3.7%
UNIBEP	304	Outperform	8.7	11.6	34%	6.3	30	11.3	1.8	5.6	4.0	-22.1%	-7.6%	21.5%	0.0%	0.0%	1.9%
Consumer Goods						**20.5**	**16.9**	**12.9**	**9.6**	**8.0**	**6.8**	**3.1%**	**3.6%**	**4.0%**	**0.0%**	**0.0%**	**0.0%**
ALLEGRO.EU	30,957	Outperform	29.3	34.3	17%	19.9	19	15.3	9.9	9.1	7.7	9.0%	7.0%	7.3%	0.0%	0.0%	0.0%
AMREST	4,622	Neutral	21.1	23.4	11%	27.3	20.9	15.4	7	6.8	6.2	0.4%	-3.8%	-1.1%	0.0%	0.0%	0.0%
AUTO PARTNER	2,736	Neutral	21.0	22.6	8%	14	11.2	9.1	9.4	7.4	6.2	7.8%	3.9%	0.3%	0.7%	0.6%	0.6%
CCC SA	14,669	Underperform	213	119	-44%	21.7	20.8	17.6	15.2	11.7	10.2	-0.2%	1.2%	2.2%	0.0%	0.0%	0.0%
DINO POLSKA	38,363	Outperform	391.3	471.0	20%	26.3	19.5	15.8	16.9	13.1	10.7	2.8%	2.7%	4.1%	0.0%	0.0%	3.1%
EUROCASH	1,065	Neutral	7.7	8.3	8%	n.a.	n.a.	n.a.	8.1	7.9	7.8	12.5%	5.0%	1.6%	3.8%	0.0%	0.0%
INPOST SA	8,585	Neutral	17.2	18.1	5%	28.2	19.4	13.8	12	9.0	6.7	1.9%	3.4%	5.7%	0.0%	0.0%	0.0%
INTERCARS	6,751	Neutral	476.5	536.0	12%	10.6	9.3	7.9	7.3	6.6	5.9	2.5%	-0.6%	-1.5%	0.4%	0.4%	1.1%
LPP	28,803	Outperform	15,520	24,843	60%	13.2	10.6	8.6	7.4	5.9	4.6	7.0%	7.1%	10.4%	3.9%	5.5%	6.8%
NEUCA	3,501	Outperform	782	1,004	28%	20.5	16.4	12.9	9.7	8.1	6.8	4.6%	6.1%	7.9%	1.8%	2.0%	2.2%
PEPCO GROUP	9,314	Underperform	16.2	15.9	-2%	11.7	11.8	9.6	5.3	5.2	4.5	3.4%	3.7%	5.9%	0.0%	0.0%	0.0%
ZABKA GROUP	17,900	Outperform	17.9	25.3	41%	24	16.9	12.5	10.1	8.7	7.4	2.4%	1.2%	3.8%	0.0%	0.0%	0.0%
Energy/ Materials						**10.1**	**5.7**	**6.6**	**3.7**	**3.4**	**4.0**	**-7.5%**	**0.2%**	**-5.2%**	**0.6%**	**0.0%**	**0.0%**
PGE	15,868	Outperform	7.1	9.0	27%	4.5	3.8	5.4	2.9	2.9	4.0	-23.0%	-24.0%	-32.0%	0.0%	0.0%	0.0%
TAURONPE	6,372	Outperform	3.6	6.0	65%	65.1	4.1	6.7	3.9	3.6	4.3	2.0%	7.0%	-6.0%	0.0%	0.0%	0.0%

Company	Mkt Cap (local mn)	Rec.	Price (local)*	TP Dec'25	Upside/ downside	P/E (x)			EV/EBITDA / P/BV (x)			FCF Yield			Dividend Yield		
						2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
ENEA	6,357	Outperform	12.00	15.1	26%	1.8	3.0	3.9	1.6	1.9	2.4	32.0%	11.0%	-15.0%	0.0%	0.0%	0.0%
POLENERGIA	5,668	Neutral	73.4	77.6	6%	12.7	20.1	19.6	8.6	11.6	11.3	-15.4%	-5.8%	-1.5%	0.0%	0.0%	0.0%
ZE PAK	837	Outperform	16.5	24.0	46%	12.8	Neg.	3.5	17.2	22.9	6.6	-83.0%	-106.0%	-102.0%	0.0%	0.0%	0.0%
CEZ AS	519,160	Underperform	965.0	733.0	-24%	17.7	18.0	15.4	7.3	8.1	9.7	-11.0%	3.3%	7.0%	5.4%	4.5%	3.9%
KGHM	25,990	Underperform	130.0	82.0	-37%	11.7	17.5	16.8	5.1	5.7	5.6	-4.0%	-2.9%	-1.6%	1.2%	1.2%	1.2%
BOGDANKA	803	Neutral	23.6	25.8	9%	Neg.	2.8	3.2	0.8	0.8	1.9	-3.0%	5.1%	-96.4%	9.9%	0.0%	0.0%
JSW	3,055	Underperform	26.0	16.0	-39%	Neg.	Neg.	23.4	4.1	3.1	2.1	-120.8%	-53.1%	-24.8%	0.0%	0.0%	0.0%
MOL	2,227,209	Neutral	2,718.0	3,000.0	10%	5.1	6.4	6.5	2.7	3.0	2.9	13.0%	15.7%	11.2%	9.2%	9.2%	9.2%
OMV	12,567	Outperform	38.4	48.0	25%	8.5	8.6	6.7	3.5	4.2	3.9	16.5%	8.3%	10.2%	13.2%	10.4%	10.4%
ORLEN	60,253	Neutral	51.9	64.0	23%	7.9	5.0	5.4	2.6	2.8	3.1	-11.3%	-8.1%	-4.3%	8.0%	8.3%	8.6%
Gaming						**8.6**	**7.8**	**8.6**	**4.9**	**4.5**	**4.3**	**10.9%**	**7.6%**	**8.6%**	**0.0%**	**0.0%**	**0.0%**
11 BIT STUDIOS	609	Underperform	252.0	230.0	-9%	8.60	8.40	18.10	7.00	5.30	6.40	1.1%	3.4%	2.6%	0.0%	0.0%	0.0%
CD PROJEKT	16,540	Neutral	165.6	185.0	12%	65.70	120.60	11.30	41.70	72.80	7.20	1.5%	-0.2%	8.6%	0.0%	0.0%	0.0%
HUUUGE	999	Outperform	16.7	22.0	32%	3.90	5.30	7.70	1.50	1.10	0.70	26.1%	20.8%	15.3%	0.0%	0.0%	0.0%
TEN SQUARE GAMES	512	Underperform	79.1	74.0	-6%	6.70	7.00	8.60	3.80	3.50	3.60	15.5%	13.0%	10.5%	0.0%	0.0%	0.0%
ABPL	1,489	Outperform	92.0	145.0	58%	8.60	7.80	7.60	4.90	4.50	4.30	11.6%	7.6%	7.6%	2.1%	2.5%	3.0%
ASBIS	1,001	Outperform	18.0	25.0	39%	4.20	4.70	4.30	3.70	4.00	3.90	10.9%	15.9%	15.7%	11.3%	12.4%	13.6%
CYBERFLKS	1,780	Neutral	125.5	142.0	13%	24.20	19.00	15.70	11.30	9.60	8.10	9.8%	5.6%	6.7%	1.0%	1.3%	1.6%
Healthcare						**15.9**	**12.9**	**12.2**	**17.7**	**11.2**	**8.9**	**1.3%**	**-0.8%**	**0.3%**	**0.2%**	**0.2%**	**0.2%**
CELON PHARMA	1,457	Outperform	27.1	39.0	44%	47.3	NM	NM	17.7	38.1	41.4	-4.3%	-2.1%	-0.7%	0.3%	0.3%	0.3%
RICHTER GEDEON	1,984,892	Neutral	10,650.0	12,000.0	13%	8.4	6.8	6.3	5.8	4.4	3.9	5.5%	10.2%	9.4%	4.0%	4.2%	5.2%
MABION	1,191	Underperform	12.2	6.0	-51%	NM	NM	NM	40.3	NM	NM	8.8%	-26.3%	-19.7%	0.0%	0.0%	0.0%
RYVU THERAPEUTIC	1,040	Outperform	45.0	80.0	78%	NM	NM	NM	NM	NM	NM	-10.2%	-17.7%	-21.0%	0.0%	0.0%	0.0%
SELVITA	1,012	Neutral	53.5	59.0	10%	NM	52.3	21.8	22.8	14.4	10.3	-2.9%	0.6%	1.3%	0.0%	0.0%	0.0%
SYNEKTIK	1,470	Neutral	172.4	200.0	16%	15.9	12.9	12.2	9.9	8.0	7.5	8.4%	7.5%	8.2%	4.3%	4.7%	5.8%
Industrials						**12.5**	**9.6**	**8.2**	**7.1**	**5.9**	**5.8**	**-1.5%**	**5.4%**	**7.0%**	**1.9%**	**0.3%**	**1.3%**
AMICA	467	Neutral	64.0	60.0	7%	45.2	11.9	6.2	5.8	4.6	3.2	4.3%	5.3%	15.8%	4.1%	0.7%	2.5%
FORTE	579	Outperform	24.2	28.0	16%	19.0	7.4	10.8	6.8	4.5	5.5	21.1%	12.2%	4.0%	0.0%	0.0%	0.0%
GRENEVIA	1,103	Outperform	1.9	3.4	80%	5.7	6.7	5.7	3.3	3.4	3.0	-5.6%	8.7%	18.4%	0.0%	0.0%	0.0%
GRUPA AZOTY	1,934	Neutral	19.5	23.7	22%	-1.3	-3.7	-9.9	-20.2	15.1	10.9	-127.6%	-48.4%	-13.5%	0.0%	0.0%	0.0%
GRUPA KETY	7,126	Neutral	732.0	793.1	8%	12.6	13.0	10.8	9.3	9.1	7.9	-1.0%	7.0%	7.9%	7.6%	6.4%	6.2%
MO-BRUK	1,191	Neutral	339.0	362.2	7%	15.3	13.4	10.1	11.0	9.3	6.8	-1.9%	5.6%	7.4%	3.9%	2.6%	3.7%
PKP CARGO	640	Outperform	14.3	19.0	33%	-0.7	-8.9	5.7	13.7	4.5	3.7	-83.3%	-17.0%	6.5%	0.0%	0.0%	0.0%
SNIEZKA	959	Neutral	76.0	84.0	11%	12.4	12.4	10.2	7.4	7.3	6.1	4.2%	4.3%	4.3%	10.9%	9.9%	11.4%
IT Sector						**13.8**	**13.0**	**12.2**	**7.7**	**7.3**	**6.9**	**1.5%**	**7.3%**	**8.7%**	**4.5%**	**4.7%**	**5.4%**
ASSECO BS	1,838	Neutral	55.0	60.0	9%	17.8	15.0	13.2	11.7	10.2	9.2	4.1%	6.8%	7.7%	4.7%	5.1%	6.0%

Company	Mkt Cap (local mn)	Rec.	Price (local)*	TP Dec'25	Upside/ downside	P/E (x) 2024E	2025E	2026E	EV/EBITDA / P/BV (x) 2024E	2025E	2026E	FCF Yield 2024E	2025E	2026E	Dividend Yield 2024E	2025E	2026E
ASSECO PL	7,142	Neutral	86.1	94.0	9%	14.9	13.5	12.7	4.6	4.4	4.2	-7.0%	2.0%	2.0%	4.3%	4.3%	4.8%
ASSECO SEE	2,485	Neutral	47.9	52.0	9%	12.6	12.5	11.6	8.4	7.4	6.7	-1.1%	7.8%	9.6%	3.4%	3.6%	3.6%
TEXT SA	1,465	Outperform	56.9	68.0	20%	8.9	9.0	9.0	7.0	7.1	7.0	9.1%	10.3%	10.4%	10.8%	10.2%	10.0%
Real Estate						**8.5**	**7.6**	**8.1**	**1.4**	**1.3**	**1.2**	**3.0%**	**2.7%**	**11.5%**	**4.9%**	**8.6%**	**9.5%**
ATAL	2,385	Neutral	55.2	58.0	5%	7.2	7.0	8.5	1.4	1.3	1.2	-6.0%	13.1%	11.8%	10.9%	9.7%	9.9%
DEVELIA SA	2,732	Outperform	6.0	7.0	17%	8.5	7.6	8.1	1.7	1.6	1.5	3.9%	9.7%	13.2%	8.2%	8.6%	9.8%
DOMDEV	5,062	Outperform	196.2	245.0	25%	9.0	8.4	7.7	2.7	2.5	2.3	-1.3%	1.7%	5.5%	3.3%	8.9%	9.5%
ECHO INVESTMENT	1,865	Outperform	4.5	5.6	24%	35.1	8.6	8.8	1.1	1.0	0.9	-13.0%	-3.0%	5.0%	0.0%	0.0%	0.0%
MURAPOL	1,359	Outperform	33.3	45.0	35%	6.1	5.9	5.5	2.3	2.2	2.1	5.3%	3.6%	11.5%	14.7%	14.7%	14.7%
GTC	2,555	Neutral	4.5	4.8	8%	11.9	8.1	9.1	0.5	0.5	0.5	3.0%	-19.0%	14.0%	4.9%	0.0%	0.0%
PHN	473	Neutral	9.3	10.4	11%	-6.0	6.5	7.9	0.2	0.2	0.2	5.4%	2.7%	-0.1%	0.0%	0.0%	0.0%
Telecoms						**12.0**	**10.4**	**8.4**	**4.4**	**4.2**	**3.9**	**8.0%**	**5.9%**	**9.5%**	**5.3%**	**7.5%**	**7.5%**
CYFRPLSAT	9,011	Outperform	14.1	18.5	31%	12.2	10.4	8.4	5.5	5.8	5.4	-12.3%	-12.3%	7.7%	0.0%	0.0%	0.0%
MAGYAR TELEKOM	1,171,395	Outperform	1,248.0	1,454.0	17%	7.6	6.1	6.1	4.4	3.8	3.9	12.3%	11.5%	11.8%	5.3%	9.1%	11.2%
ORANGE POLSKA	10,179	Neutral	7.8	8.8	13%	12.0	11.0	9.5	4.2	4.2	3.8	8.0%	5.9%	9.5%	6.0%	7.5%	7.5%
Other						**15.1**	**13.5**	**11.9**	**8.0**	**7.6**	**7.0**	**4.1%**	**5.3%**	**8.3%**	**3.1%**	**3.8%**	**4.0%**
BENEFIT	8,091	Outperform	2,735.0	3,300.0	21%	15.2	15.1	14.0	9.7	9.5	8.8	3.1%	3.6%	3.8%	4.9%	5.2%	6.0%
GRUPA PRACUJ SA	3,918	Neutral	57.4	61.0	6%	17.1	15.5	13.5	11.5	10.5	9.1	5.1%	7.0%	8.1%	3.5%	4.4%	4.8%
WIRTUALNA POLSKA	2,289	Underperform	77.3	79.0	2%	15.0	11.8	10.3	6.2	5.7	5.2	3.1%	7.3%	8.5%	2.6%	3.2%	3.2%
WIZZ AIR	1,408	Neutral	1,362.0	1,500.0	10%	8.3	5.7	4.4	5.6	4.9	4.2	22.0%	1.8%	17.9%	0.0%	0.0%	0.0%
TOTAL					**13%**	**11.7**	**8.6**	**8.6**	**5.3**	**4.5**	**4.2**	**2.9%**	**3.8%**	**6.9%**	**3.3%**	**1.3%**	**3.1%**

*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25, 2024*

Changes in recommendations and TPs

Fig. 100. Changes to valuations & recommendations for companies in WIG20

Company	Mkt Cap (PLNmn)	Recommendation				Target Price			
		current	previous	change	Prev. Rec.	current	previous	chng.	upside
ALIOR BANK	12,102	**Outperform**	**Outperform**	–	29/11/2024	109.0	109.0	0%	18%
ALLEGRO.EU	30,957	**Outperform**	**Outperform**	–	29/05/2024	34.3	50.0	-31.4%	17%
BUDIMEX	12,224	**Neutral**	**Neutral**	–	17/09/2024	530	630	-16%	11%
CD PROJEKT	16,540	**Neutral**	**Neutral**	–	23/09/2024	185	185	0%	12%
CYFRPLSAT	9,011	**Outperform**	**Outperform**	–	25/11/2024	18.5	18.5	0%	31%
DINO POLSKA	38,363	**Outperform**	**Outperform**	–	29/05/2024	471	527	13%	20%
GRUPA KETY	7,126	**Neutral**	**Outperform**	▼	25/10/2024	793.1	817.7	-3%	8%
JSW	3,055	**Underperform**	**Underperform**	–	04/10/2024	16	18	-11%	-39%
KGHM	25,990	**Underperform**	**Underperform**	–	18/11/2024	82	82	0%	-37%
LPP	28,803	**Outperform**	**Outperform**	–	29/05/2024	24,843	23,960	4%	60%
MBANK SA	23,348	**Outperform**	**Outperform**	–	29/11/2024	725	725	0%	32%
ORANGE PL	10,179	**Neutral**	**Neutral**	–	30/10/2024	8.8	9.1	-3%	13%
ORLEN	60,253	**Neutral**	**Neutral**	–	07/10/2024	64.0	64.0	0%	23%
PEKAO	36,943	**Outperform**	**Outperform**	–	29/11/2024	178.0	178.0	0%	26%
PEPCO	9,314	**Underperform**	**Outperform**	▼	29/05/2024	15.9	26.3	-40%	-2%
PGE	15,868	**Outperform**	**Outperform**	–	20/11/2024	9.0	9.0	0%	27%
PKOBP	67,975	**Outperform**	**Outperform**	–	29/11/2024	72.0	72.0	0%	32%
PZU	37,235	**Outperform**	**Outperform**	–	22/11/2024	53.0	53.0	0%	23%

Source: Santander Brokerage Poland estimates

Fig. 101. Changes to valuations & recommendations for companies in mWIG40/ sWIG80

Company	Mkt Cap (PLNmn)	Recommendation				Target Price			
		current	previous	change	Prev. Rec.	current	previous	chng.	upside
11 BIT STUDIOS	609	**Underperform**	**Underperform**	–	23/09/2024	230	389.0	-41%	-9%
ABPL	1,489	**Outperform**	**Outperform**	–	23/09/2024	145.0	145.0	0%	58%
AMICA	467	**Neutral**	**Neutral**	–	29/05/2024	64.0	78.7	-19%	7%
AMREST	4,622	**Neutral**	**Underperform**	▲	29/05/2024	23.4	21.7	8%	11%
ASBIS	1,001	**Outperform**	**Outperform**	–	23/09/2024	25.0	25.0	0%	39%
ASSECO BS	1,838	**Neutral**	**Neutral**	–	05/11/2024	60	60.0	0%	9%
ASSECO PL	7,142	**Neutral**	**Neutral**	–	29/05/2024	94.0	93.0	1%	9%
ASSECO SEE	2,485	**Neutral**	**Neutral**	–	29/05/2024	52	54.0	-4%	9%
ATAL	2,385	**Neutral**	**Neutral**	–	08/10/2024	58	58.0	0%	5%
AUTO PARTNER	2,736	**Neutral**	**Outperform**	▼	29/05/2024	22.6	28.8	-22%	8%
BENEFIT	8,091	**Outperform**	**Outperform**	–	20/11/2024	3300.0	3300.0	0%	21%
BNP PARIBAS	12,149	**Outperform**	**Outperform**	–	29/11/2024	119.0	119.0	0%	45%
BOGDANKA	803	**Neutral**	**Neutral**	–	25/11/2024	25.8	25.8	0%	9%
CCC	14,669	**Underperform**	**Underperform**	–	29/05/2024	119.4	55.7	114%	-44%
CELON PHARMA	1,457	**Outperform**	**Outperform**	–	22/07/2024	39.0	39.0	0%	44%
CYBERFLKS	1,780	**Neutral**	**Outperform**	–	17/04/2024	142.0	127.0	11%	13%
DEVELIA	2,732	**Outperform**	**Outperform**	–	24/10/2024	7.0	7.0	0%	17%
DOMDEV	5,062	**Outperform**	**Outperform**	–	13/09/2024	245.0	214.0	14%	25%
ECHO INVESTMENT	1,865	**Outperform**	**Neutral**	▲	29/05/2024	5.6	5.3	6%	24%
ENEA	6,357	**Outperform**	**Outperform**	–	20/11/2024	15.1	15.1	0%	26%
ERBUD	397	**Outperform**	**Outperform**	–	29/05/2024	47.0	55.0	-15%	41%
EUROCASH	1,065	**Neutral**	**Outperform**	▼	29/05/2024	8.3	28.8	-71%	8%
FORTE	579	**Outperform**	**Outperform**	–	12/09/2024	28.0	24.8	13%	16%
GRENEVIA	1,103	**Outperform**	**Outperform**	–	29/05/2024	3.4	3.9	-12%	80%
GRUPA AZOTY	1,934	**Neutral**	**Neutral**	–	29/05/2024	23.7	23.5	1%	22%
GRUPA PRACUJ	3,918	**Neutral**	**Neutral**	–	26/07/2024	61.0	69.0	-12%	6%
GTC	2,555	**Neutral**	**Neutral**	–	29/05/2024	4.8	5.6	-14%	8%
HANDLOWY	11,446	**Neutral**	**Neutral**	–	29/11/2024	98.0	98.0	0%	12%

Company	Mkt Cap (PLNmn)	Recommendation				Target Price			
		current	previous	change	Prev. Rec.	current	previous	chng.	upside
HUUUGE	999	Outperform	Neutral	▲	07/08/2024	22.0	22.8	-4%	32%
INGBSK	30,313	Outperform	Outperform	—	29/11/2024	291.0	291.0	0%	25%
INTERCARS	6,751	Neutral	Outperform	▼	29/05/2024	536.0	695.0	-23%	12%
MABION	197	Underperform	Underperform	—	30/10/2024	6.0	6.0	0%	-51%
MILLENNIUM	9,978	Outperform	Outperform	—	29/11/2024	11.00	11.0	0%	34%
MO-BRUK	1,191	Neutral	Outperform	▼	25/09/2024	362.2	385.1	-6%	7%
MURAPOL	1,359	Outperform	Outperform	—	30/09/2024	45.00	49.0	-8%	35%
NEUCA	3,501	Outperform	Outperform	—	29/05/2024	1004.0	1179.0	-15%	28%
PHN	473	Neutral	Neutral	—	29/05/2024	10.4	12.1	-14%	11%
PKP CARGO	640	Outperform	Outperform	—	31/10/2024	19.0	21.5	-12%	33%
POLENERGIA	5,668	Neutral	Neutral	—	07/11/2024	77.6	80.8	-4%	6%
RYVU THERAPEUTIC	1,040	Outperform	Outperform	—	29/05/2024	80.00	80.0	0%	78%
SELVITA	1,012	Neutral	Neutral	—	29/05/2024	59.00	76.0	-22%	10%
SNIEZKA	959	Neutral	Neutral	—	29/05/2024	84.0	92.6	-9%	11%
SYNEKTIK SA	1,470	Neutral	Neutral	—	26/09/2024	200.00	200.0	0%	16%
TAURONPE	6,372	Outperform	Outperform	—	20/11/2024	6.0	6.0	0%	65%
TEN SQUARE GAMES	512	Underperform	Underperform	—	07/08/2024	74.0	74.0	0%	-6%
TEXT SA	1,465	Outperform	Neutral	▲	29/05/2024	68.0	98.0	-31%	20%
TORPOL	767	Outperform	Outperform	—	12/09/2024	38.7	38.7	0%	16%
UNIBEP	304	Outperform	Outperform	—	29/05/2024	11.6	11.7	-1%	34%
WIRTUALNA POLSKA	2,289	Underperform	Underperform	—	14/10/2024	79.0	79.0	0%	2%
ZABKA	17,900	Outperform	Outperform	—	20/11/2024	25.3	28.1	-10%	41%
ZE PAK	837	Outperform	Outperform	—	29/05/2024	24.0	34.0	-29%	46%

Source: Santander Brokerage Poland estimates

Fig. 102. Changes to valuations & recommendations for CEE companies

Company	Mkt Cap (local mn)	Curr.	Recommendation				Target Price			
			current	previous	change	Prev. Rec.	current	previous	chng.	upside
CEZ	519,160	CZK	Underperform	Underperform	—	29/05/2024	733	707	4%	-24%
INPOST	8,585	EUR	Neutral	Neutral	—	29/05/2024	18.1	19.0	-5%	5%
KOMERCNI	153,465	CZK	Underperform	Underperform	—	29/11/2024	770	770	0%	-5%
MAGYAR	1,171,395	HUF	Outperform	Outperform	—	29/08/2024	1,454	1,285	13%	17%
MOL	2,227,209	HUF	Neutral	Outperform	▼	29/05/2024	3,000	3,500	-14%	10%
OMV	12,567	EUR	Outperform	Outperform	—	30/10/2024	48	48	0%	25%
OTP BANK	6,076,000	EUR	Underperform	Underperform	—	29/11/2024	22,300	22,300	0%	2%
RICHTER	1,984,892	HUF	Neutral	Outperform	▼	07/08/2024	12,000	12,100	-1%	13%
WIZZ AIR	1,408	GBP	Neutral	Neutral	—	02/08/2024	1,500.0	2,000.0	-25%	10%

Source: Santander Brokerage Poland estimates

Technical Analysis

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Looking for a technical confirmation of fundamental calls

In this section, we present our top picks which look most attractive based on a technical analysis. We focus on the most probable technical patterns which could support fundamental ratings. Methodologically, our technical analysis is based on Elliott's wave theory, but it also includes technical oscillators (e.g. RSI) and some elements from the classical technical analysis.

EQUITIES

TAURON: All-time high is still in sight

Having closed a price gap, Tauron reached 200-day simple moving average, where wave **a** of a blue contracting triangle: **a-b-c-d-e**, might have come to an end. A consolidation, which was started that day, may be coming to an end. Thus, it is likely that wave **4**, in a rising impulse: **1-2-3-4-5**, forming bigger wave **3**, might have been already fulfilled, so wave **5** has started. If bulls manage to surpass the upper arm of a blue triangle and break the termination point of wave **b**, the uptrend will be confirmed. In that case, one may anticipate a sharp rally, which may be heading towards the strong resistance zone located around **PLN7.0**. This technical barrier consists of: the price target of a thrust from a triangle, an extension of a 5th wave: **5=127,2% (1+3)**, waves relationship: **3=161,8% 1** and an all-time high.

On the other hand, if bears break green uptrend line and the termination point of wave **a**, a bullish technical scenario will be invalidated, and the price will likely fall to neighbourhood of **PLN1.50**.

Fig. 103. Tauron – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

ENEA: The price may double in coming months

Having built an inverse head and shoulders pattern – **RGR**, the price broke crucial resistance built by: the brown neckline and the red multi-year downtrend line. Thus, a trend reversal and a bull market were both confirmed. A divided and extended impulse: **1-2-1-2-i-ii-(i)-(Iii)-(iii)-(iv)-(v)-iii-iv-v-3-4-5-3-4-5**, which is currently underway, has a plenty time and space to be developed. The first important resistance zone, which is built by: **61.8%** Fibonacci retracement of a bear market and price target of an inverse head and shoulders pattern: **100%** is located around **PLN18**. However, in the long-term, the uptrend may be heading towards an all-time high.

On the other hand, if bears manage to drag the price down below the broken downtrend line and brown neckline, the price will likely fall to neighbourhood of **PLN6.0**.

Fig. 104. Enea – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

CYFROWY POLSAT: A new bull market is (still) emerging

Having established a new all-time low (as we predicted in the last mid-year strategy), Cyfrowy Polsat finished an orange ending diagonal, which formed wave **c**, fulfilling a multi-month bear market: **a-b-c**. Next, bulls took advantage of a massive positive divergence, which was formed on RSI, thrusting to the upside from a diagonal and breaking the red downtrend line. Finally, the price formed an impulse, which might have finished wave **1** of a bigger uptrend: **1-2-3-4-5**.

For the next five months, the price was consolidating, what allowed a flat correction: **a-b-c** to be formed. In that way, wave **2**, as well as right shoulder – **R** in an inverse head and shoulders pattern: **RGR**, both came to an end. If bulls manage to surpass the brown neckline and termination point of wave **b**, the price may rocket to **PLN20**, where a strong resistance zone formed by: a price target of an inverse head and shoulders pattern: **100%**, 200-day simple moving average (SMA), **38.2%** Fibonacci retracement of a bear and waves relationship in an impulse: **3=200% 1**, is located.

Alternatively, a break of the termination point of a head – **G** invalidates bullish scenario and opens the way for a continuation of the long-term bear market.

Fig. 105. Cyfrowy Polsat – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

CCC: Shopping spree often precedes the sharp collapse of the price

In the short-term, CCC made a hell of a rally, which quadrupled the value of the company in about nine months. The investors sentiment is even more euphoric than six months ago, which is reflected by the hyperbolic price move and an extension of: the fifth wave: v**=423,6% (i+iii)** and the fifth subwave: **v=i+iii**.

In the long-term, the price reached the last and the most powerful resistance zone, which is formed by: upper band of green rising channel, **61.8%** Fibonacci retracement of wave **a**, waves relationship: **c=161,8% a** and an extension of a fifth wave and a fifth subway. This technical barrier is enhanced by a strong negative divergence, which was formed on RSI in an overbought zone. Thus, these are perfect circumstances for bears to counterattack, which may result in a popping of a short-term speculative bubble. If that happens, the price will likely plummet to **PLN60**, where support zone is located.

On the other hand, if bulls manage to surpass this technical barrier, too, probably nothing will be able to stop a rally from reaching an all-time high.

Fig. 106. CCC – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

KGHM: A multi-year low is bears' target

A spectacular rally, which took place in September, was stopped at a strong resistance zone built by: **61.8%** Fibonacci retracement of wave **a** and a price target of a thrust from contracting triangle. Having finished wave **b** in the long-term bear market: **a-b-c**, the price started to unfold a five-wave decline: **1-2-3-4-5**, which will fulfil wave **c**. Currently, bears are attacking the green uptrend line, which seems to be the last important support. Once this barrier is broken, a sharp decline, building wave **3**, may be unleashed. Ongoing bear market may, not only break the termination point of wave **a**, but reach a multi-year support located between **PLN50** and **PLN60**, too. If bears manage to break green uptrend line, the negative technical scenario will be confirmed.

Alternatively, a bull market will be reestablished, when the termination point of wave **b** is broken. If that happens, the way to an all-time high will be opened.

Fig. 107. KGHM – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

COMMODITIES

COPPER (futures): History anticipates the copper to crash

The Spring rally, which established a new all-time high, formed a massive negative divergence on RSI, reaching a strong resistance zone built by: red line, an extension of the fifth wave: **5=1+3** and an extension of the fifth subwave: **v=61,8% (i+iii)**. In the mid-year strategy, we wrote: "given the historical analogies, the ongoing rally is the last breath of a mature bull market rather than the start of a new cycle". The ongoing market price action seems to confirm our thesis, because the price turned back aggressively, attacking the lower band of a green rising channel. If this support is broken, the trend change will be confirmed.

In the last fifty years, each new all-time high was followed by a sharp pullback, which took **60%** on average. It was not the case of the 2022 price drop, so one must assume that it was not a bear market, but rather just a correction. What does it mean? We are probably on the verge of unleashing a full scale bear market, which may drag the price down to **USc200/lb**. It will be consistent with historical analogies and Elliott Wave Theory (typical price target of a bear market after an extended 5th wave is the termination point of a subwave **ii** or the termination point of wave **4**).

Alternatively, if bulls manage to hold lower band of a green rising channel, it will be possible that subwave **v** will unfold an ending diagonal pattern, which may push the price to **USc560/lb**.

Fig. 108. Copper (futures) – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

BRENT (futures): Bears may drag the price down to USD40

Having thrusted to the downside from a blue contracting triangle: **a-b-c-d-e**, which finished wave **b** in the mid-term declining zigzag: **a-b-c**, the price broke both: 200-simple moving average (SMA) and brown neckline of a head and shoulders pattern – **RGR**. Next, a textbook retest of a broken support took place, which enabled wave **ii** of a declining impulse: **i-ii-iii-iv-v**, to be formed. If so, now it is the time to start a dynamic wave **iii**, which may drag the price down to a strong support, located around **USD40**. This technical barrier consists of: **78.6%** Fibonacci retracement of a bull market, the price target of a thrust from a triangle: **161.8% x**, waves relationship: **c=61.8% a** and **50%** of a price target of a head and shoulders pattern.

On the other hand, if bulls want to reestablish a bull market, they must break the termination point of wave **b** (**USD88.50**).

Fig. 109. BRENT – technical analysis

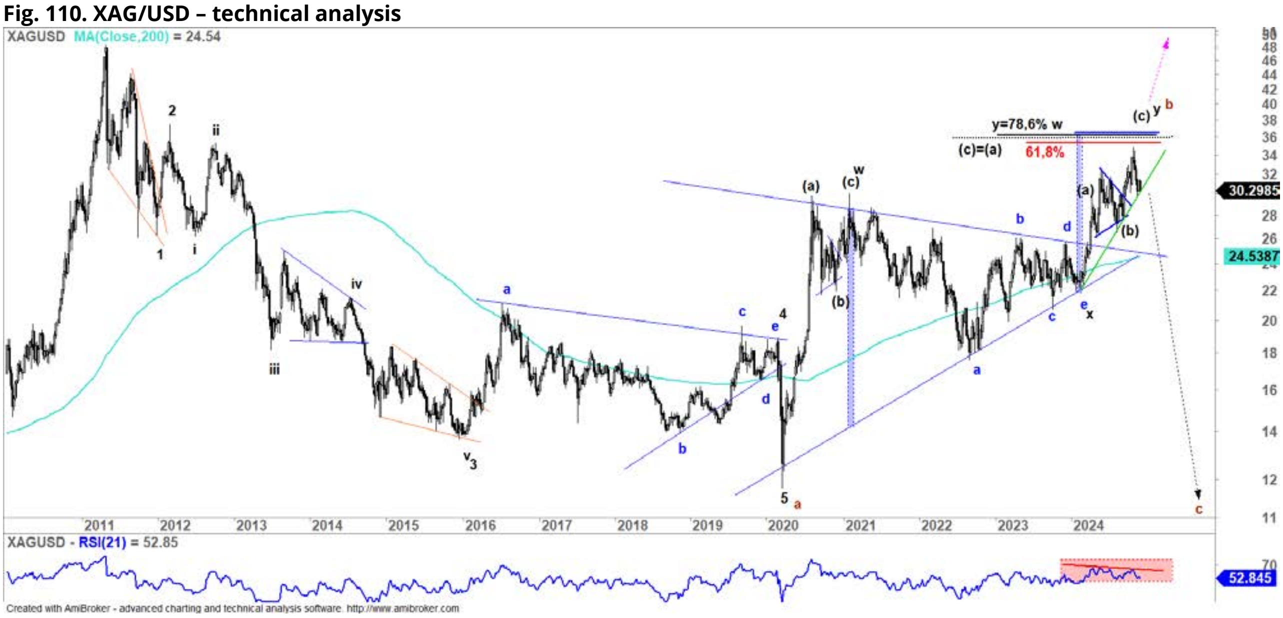
Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

SILVER (XAG/USD): The return of a bear market?

Having thrusted to the upside from a big blue contracting triangle **a-b-c-d-e**, which finished wave **w** in a combination: **w-x-y**, the price started to unfold another rising zigzag: **(a)-(b)-(c)**, which will fulfil wave **y**, finalising a multi-year correction – wave **b**, in the long-term bear market: **a-b-c**. In the last months, silver reached a neighbourhood of a powerful resistance zone (around **USD36**), from where the price reversed, forming a head and shoulders pattern (on a daily timeframe). Thus, it is possible that wave **c** might have already started, so bears may try to drag the price down below wave **a** (2020 low). In the short-term, a break of a green uptrend line confirms the bearish case.

Alternatively, if bulls manage to break the highlighted resistance zone, the way to an all-time high will be opened.

Fig. 110. XAG/USD – technical analysis



Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

RATES & BOND

US10Y YIELD: Technical scenario, which is (still) hard to believe in

From November 2022 till May 2024, US 10-year yield might have been forming a contracting triangle: **a-b-c-d-e**, which will finalise wave **4** in a long-term rising impulse: **1-2-3-4-5**. The Autumn rally might have finished wave **d**, so ongoing correction is building the last part of this consolidation – wave **e**. One has to keep in mind that the last leg of a triangle is tricky, because it is often shortened. Considering this, a multi-month consolidation may be finished any moment now. If so, it is likely that (soon) the price will breach the upper arm of this consolidation and termination point of wave **d**, opening the way to **8 percentage point**, where a strong resistance zone is located. This technical barrier is formed by: an extension of the 5th wave: **5=1+3**, price target of a thrust to the upside from a triangle pattern and **50%** Fibonacci retracement of over a forty year-long bear market. Given the characteristic of an extended 5th wave, a potential rally should be violent and quick. What may be unbelievable given the fundamental point of view is quite likely given the technical point of view.

On the other hand, a move below the termination point of wave **a** (**3.30**) invalidates this bullish technical scenario and opens the way to a strong support located around **2.50** percentage points.

Fig. 111. US10Y yield – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

PL10Y YIELD: Double digit is next bulls' target?

Polish 10-year yield noted a hell of a rally from 2021 till the end of 2022, which took form of an impulse: **1-2-3-4-5**. It might have finished the first part (wave **a**) of a rising zigzag: **a-b-c**. A downtrend move from 2022 peak to 2024 low, took a three-wave form, so it is more likely that it was just a correction in an uptrend move rather than a start of a bigger bear market. The price reached a strong support built by: **50%** Fibonacci retracement of a bull market and termination point of wave **4**, from where bulls started to develop a bounce. In the short-term, one can spot an inverse head and shoulders pattern - **RGR**, which neckline was already broken. Till now, the price action is moving in line with a textbook behaviour (retest of a broken neckline), so one may expect the price to rally soon. To sum up, wave **c** might have just started, so it is possible for the price to reach the neighbourhood of **10 percentage point**, where the minimal target of a rising zigzag is located. Similarly to the chart above: what may be unbelievable given the fundamental point of view is quite likely given the technical point of view.

On the other hand, a break of the termination point of a head – **G** invalidates bullish set-up and opens the way below **3.0**.

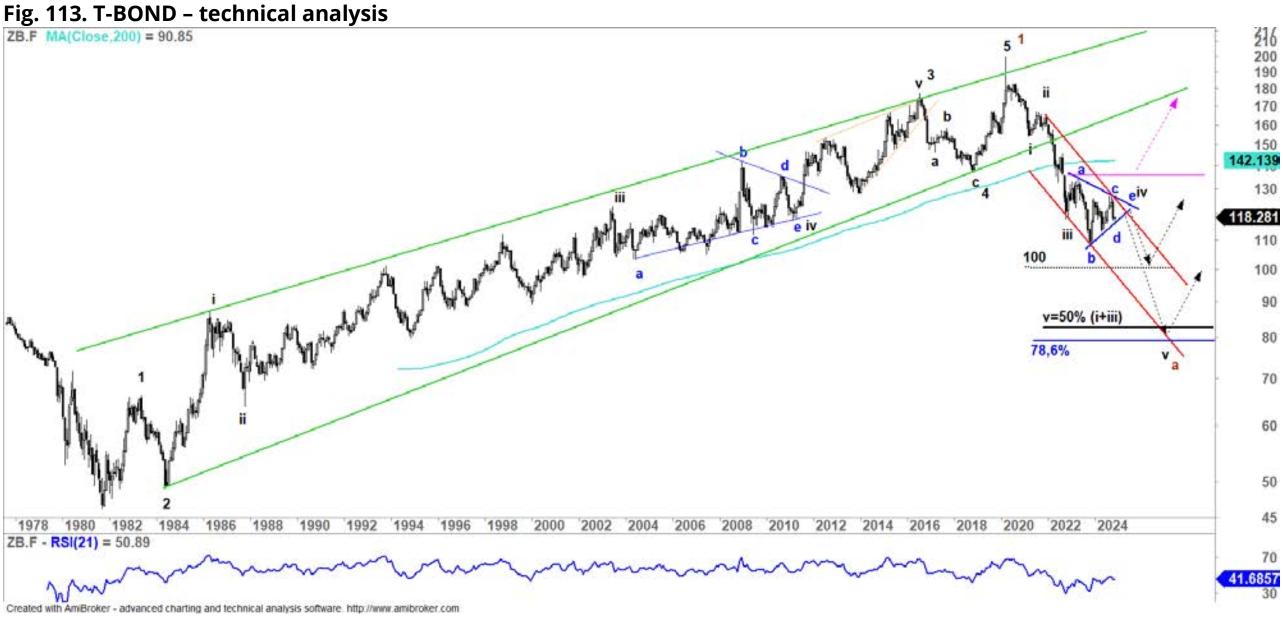
Fig. 112. PL10Y yield – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

T-BOND (futures): A multi-year low is a base case scenario

T-BOND is developing a blue contracting triangle: **a-b-c-d-e**, which will fulfil wave **iv** in a declining impulse: **i-ii-iii-iv-v**. Once the last leg of this consolidation (wave **e**) is over, the price should thrust to the downside, forming the last part of wave **a**. Given the characteristics of a 5th wave, the price may fall to a psychological level of **100 points** or even **85 points** before turning north. The second target assumes the 5th wave to extend and reach a strong support built by: lower band of a red declining channel, **78.6%** Fibonacci retracement of a bull market and waves relationship: **v=50% (i+iii)**.

Fig. 113. T-BOND – technical analysis



Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

FX MARKETS

US DOLLAR INDEX: USD may rise to the highest level since 1986

Having thrusted to the upside from a blue triangle: **a-b-c-d-e**, which finalised wave **4** in the long-term impulse: **1-2-3-4-5**, the price broke the red downtrend line and established first part – subwave **i** of an orange ending diagonal: **i-ii-iii-iv-v**. For the next few months, the price was developing a correction, holding the broken downtrend line, which functions (now) as a strong support. Bulls manage to break upper band of a multi-month consolidation, which may be a proof that subwave **ii** was already over. In that case, subwave **iii** may be heading towards the strong resistance located around **122 points**. This technical barrier is built by: an extension of a 5th wave: **5=1+3**, the price target of a thrust from contracting triangle, **61.8%** Fibonacci retracement of the long-term bear market and 2002 high. The highlighted ending diagonal pattern allows the negative divergence on RSI to be formed.

On the other hand, a break of the termination point of wave **4** invalidates bullish count and opens the way for more weakness.

Fig. 114. US Dollar Index – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

USD/PLN: A sharp price rally is on the horizon

Having finished a multi-year contracting triangle: **a-b-c-d-e**, which finalised wave **4** in the-long term impulse: **1-2-3-4-5**, the price started to unfold a five-wave rally: **1-2-3-4-5**, which will fulfil a bigger wave **5**. Once wave **1** was over, bears started to develop a multi-month correction: **a-b-c**, which was stopped at **78.6%** Fibonacci retracement of wave **1**. For over 10 months, bulls and bears were fighting at this technical barrier. Finally, this battle was won by bulls, which allowed them to break the green downtrend line. Thus, wave **2** was established and wave **3** has started. In coming months, one may expect the price to rally (in line with the character of wave **3**) to around **6.20 PLN/USD**, where strong resistance zone built by: the price target of a thrust from a triangle and typical relationship in an impulse: **3=161,8% 1**, is located.

However, if bears manage to drag the price down and break the termination point of wave **4**, the bullish technical set-up will be invalidated and the way to **2.50 PLN/USD** will be opened.

Fig. 115. USD/PLN – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

EUR/PLN: A sharp price rally is on the horizon, too

EUR/PLN sit on a powerful support for over 10 months, building a base for a strong rally. This technical barrier, which is crucial in the long-term, consist of: 200-months simple moving average (SMA), green uptrend line, **61.8%** Fibonacci retracement of wave **d**, **50%** Fibonacci retracement of a bull market started in 2009 and waves equality in declining zigzag: **c=a**. Thus, wave **e**, fulfilling a multi-year barrier triangle: **a-b-c-d-e**, might have finally come to an end. In other words, wave **4** of the long-term impulse: **1-2-3-4-5** might have been finalised, so it is time for wave **5** to start. The potential rally may move back and attack an upper barrier of a triangle (**4.90 PLN/EUR**). If this resistance is broken, the full-scale bull market will be unleashed. If so, the way to a neighbourhood of **6.60 PLN/EUR** will be opened.

On the other hand, if bears manage to finally break highlighted support, the long-term bullish technical set-up will be invalidated and the way to **3.20 PLN/EUR** will be opened.

Fig. 116. EUR/PLN – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

INDICES

DAX: A topping pattern?

Since the end of a PIGS crisis (2011), DAX is developing an orange ending diagonal pattern: **1-2-3-4-5**, which will fulfil the long-term bull market (wave **5** of a Super Cycle). In March 2024, the price exceeded the upper arm of a rising wedge, which started a few months long period of low volatility and relatively small candles. In the theory of technical analysis, a break of a boundary of some channel or consolidation should be confirmed by the rise of a volatility, which finally results in building candles with long (white) corpuses. This is not the case this time, so (for the time being) it is more probable that a false thrust was built, which usually precedes the end of a diagonal. Ongoing price action (bearish candles, resistance zone) indicates that the trend is changing. Moreover MDAX (which did not establish a new all-time high in 2023 or 2024), might have finished a multi-month head and shoulders pattern, which signals incoming weakness. Such a divergence between indices is often a sign of an incoming trend change. To sum up, DAX may fall towards lower arm of an orange ending diagonal. If this support is broken, DAX may plummet to the termination point of wave **2** (pandemic low), which is a typical price target for a bear market after this technical pattern.

However, if bulls manage to develop a strong candle with long white corpus, establishing a new all-time high, it will be possible to start a dynamic rally, which could even double the price.

Fig. 117. DAX – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

MSCI EMERGING MARKET INDEX: Head and shoulders pattern

Having finished wave **a** in the long-term declining zigzag: **a-b-c**, the price formed a three-wave correction, which was reversed at a strong resistance formed by: upper band of a green rising channel and **50%** Fibonacci retracement of wave **a**. Thus, not only wave **b** might have been finished, but right shoulder – **R** in a head and shoulders pattern – **RGR**, too. If bears manage to surpass green and orange uptrends and brown neckline, the long-term weakness will be confirmed and the way to a strong support, located around **22 USD**, will be opened. This technical set-up anticipates the price to plummet from the current level of nearly 50%.

If bulls want to reestablish the long-term uptrend, they must break the termination point of a head – **G**. It would allow them to invalidate the bearish scenario and start a strong bull market.

Fig. 118. EEM – technical analysis

Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

WIG: The long-term bear market might have already begun

The technical set-up of WIG is similar to technical set-up of a DAX index, which was shown earlier. One important difference is that WIG has already built a bearish engulfing pattern (the same as in 2018 and 2021), which might have marked a market top. For the time being, bears are in control, and they may try to crash this index to a level of **40 000 points**, where the price target of a bear market, which followed an ending diagonal: **1-2-3-4-5**, is located.

On the other hand, if bulls manage to establish a new all-time high, a negative technical scenario may be invalidated and a strong bull market may be reestablished.

Fig. 119. WIG – technical analysis

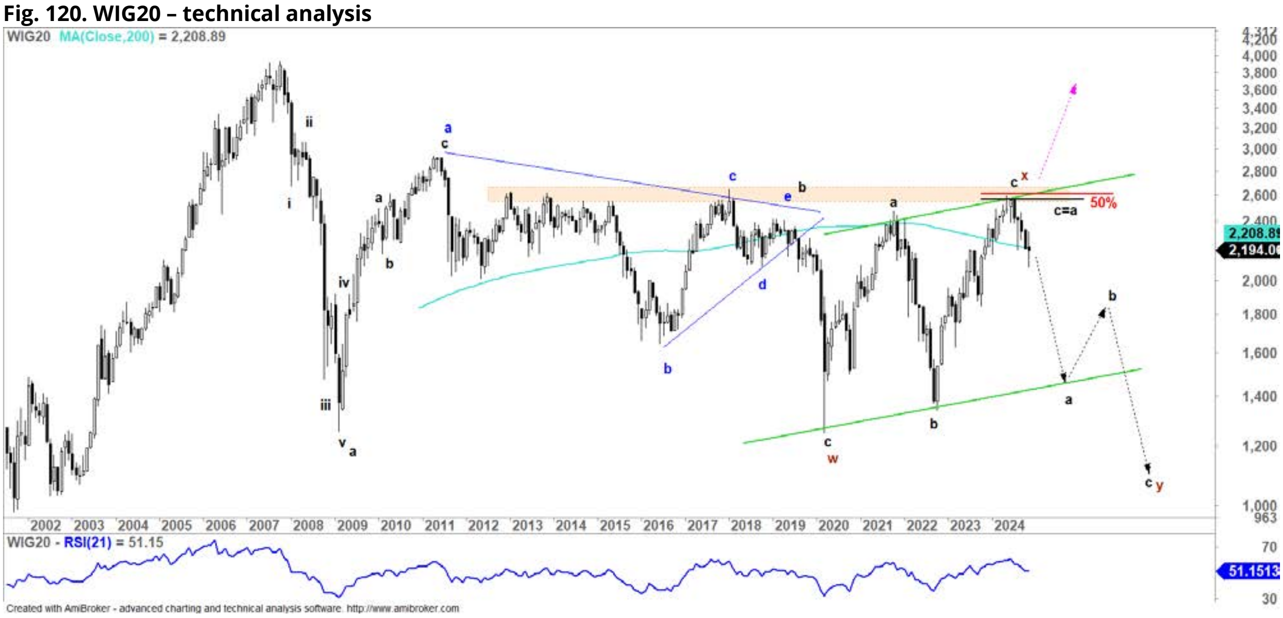
Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

WIG20: The level of 2600 points is the key

Having failed to break a crucial resistance zone built around 2600 points, which was enhanced by: upper band of a green rising channel, **50%** Fibonacci retracement of the long-term bear market and waves equality in zigzag pattern: **c=a**, the price reversed to the downside. Thus, a nearly four-year-long correction, which built wave **x** in a declining combination: **w-x-y**, might have already finished, so wave **y** might have already started. It seems that the way to a lower band of a rising channel (around **1450 points**) is opened. In the long-term, bears may be targeting at pandemic low, where termination point of wave **w** is located.

However, if bulls manage to surpass the resistance zone (around 2600 points), bearish set-up will be invalidated and the way to an all-time high will be opened.

Fig. 120. WIG20 – technical analysis



Source: AmiBroker for tool, Santander Brokerage Poland for technical indicators

Banks

Fig. 121. Recommendation and valuation summary

Company	Rec.	TP	Price	Upside	P/E (x)			EV/EBITDA (x)			DY		
		(local)*	(local)	to TP	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
ALR	Outperform	109.0	92.7	18%	5.0	5.5	5.9	0.9	0.8	0.7	10.1%	9.0%	7.9%
BHW	Neutral	98.0	87.6	12%	5.5	6.2	6.1	0.9	0.8	0.7	12.5%	12.0%	10.0%
BNP	Outperform	123.0	82.2	45%	4.6	4.2	4.2	0.7	0.6	0.5	10.2%	10.3%	10.1%
ING	Outperform	291.0	233.0	25%	7.3	6.8	5.3	1.5	1.4	1.2	6.8%	7.3%	7.5%
KOMB	Underperform	770.0	807.5	-5%	11.1	10.5	6.0	1.2	1.2	1.1	10.6%	6.2%	6.2%
MBK	Outperform	725.0	549.4	32%	4.2	4.4	3.7	1.2	1.0	0.8	0.0%	0.0%	9.9%
MIL	Outperform	11.0	8.2	34%	3.3	3.4	2.7	1.2	1.0	0.8	0.0%	0.0%	6.7%
OTP	Underperform	22,300	21,770	2%	5.5	5.8	6.3	1.0	0.9	0.8	3.4%	4.6%	5.2%
PEO	Outperform	178.0	140.8	26%	5.4	5.8	5.1	1.1	1.0	1.0	13.0%	13.0%	8.5%
PKO	Outperform	72.0	54.4	32%	4.9	4.9	5.2	1.1	1.0	1.0	10.3%	11.6%	8.1%
PZU	Outperform	53.0	43.1	23%	7.1	6.6	6.5	1.2	1.1	1.1	10.2%	10.1%	10.1%
Median					**5.4**	**5.8**	**5.3**	**1.1**	**1.0**	**0.8**	**10.2%**	**9.0%**	**8.1%**

*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25,2024*

Unloved in their prime…

Polish banks are currently experiencing their most robust performance since before the Global Financial Crisis. Despite this, investor sentiment remains cautious, with concerns that recent earnings may be temporary, potential windfall profits could be subject to taxation, and geopolitical risks are significant.

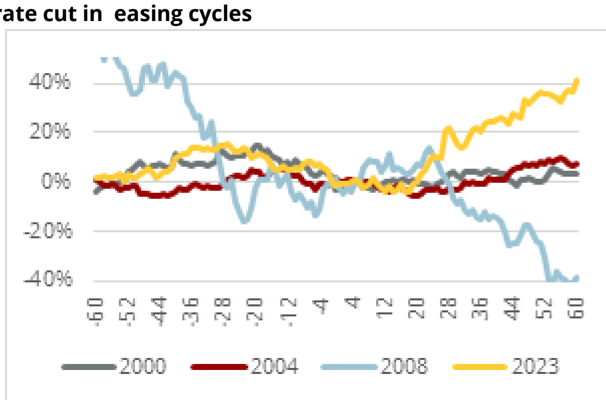
Contrary to these concerns, we believe the financial metrics of Polish banks speak for themselves. The sector has demonstrated resilience, with low valuation multiples and attractive dividend yields. Consequently, we rate most of the Polish banks in our coverage as Outperform.

Our 2025 target prices indicate significant upside potential for Polish banks. We continue to favor Pekao, PKO, Alior (ALR), and BNP due to their strong dividend-paying capabilities. Additionally, we expect the CHF saga to become less of a concern for mBank and Millennium in the coming quarters, leading us to upgrade both to Outperform.

Fig. 122. European bank index vs Euribor 12M

Source: Bloomberg

Fig. 123. WIG-Banki index, performance around the first rate cut in easing cycles



Source: Bloomberg, NBP Santander Brokerage Poland (TBA

Alior Bank

Bloomberg: ALR PW, Reuters: ALRR.WA

CEE Equity Research

Banks, Poland

Awaiting PZU's strategic decisions

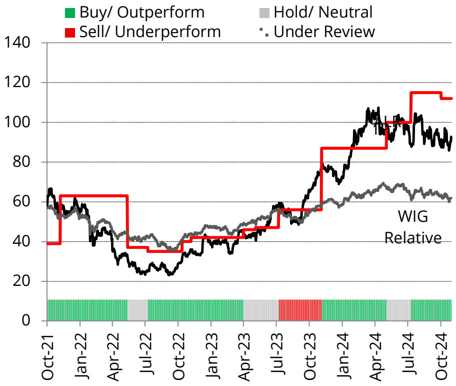
RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	92.70
Target price (PLN, Dec'25)	**109.0**

Previous report issued on Nov 29, 2024 with:

Recommendation	*Outperform*
TP (PLN, Dec'25)	*109*

- **Equity story.** We reiterate our Outperform rating at Dec'25 TP of PLN109 for Alior. Our base case scenario assumes no changes in the PZU/Pekao/Alior Group structure, which remains the primary question for Alior at the same time.
- **3Q24 was relatively uneventful.** Following surprisingly strong NII in 2Q24, NII for 3Q24 was somewhat disappointing. Additional mild disappointments in 3Q24 included a declining loan portfolio and an increase in CoR, driven by flood impact and a large corporate client. However, this was partially offset by unexpectedly low OpEx.
- **Management reiterated a mid-cycle cost of risk at 80bps**, precisely at the midpoint of PKO's strategic target range of 70–90bps. We maintain a more conservative stance, noting Alior's 18% market share in consumer finance (PLN 4.6bn) and 10% market share in consumer loans (PLN 16.6bn).
- **Alior provided a more optimistic guidance for NII sensitivity** to a 100bps rate cut, estimating an impact of PLN 150–160mn. This is a notable shift from the PLN200mn sensitivity mentioned in the annual statement and reiterated during the 1H24 analyst call. The reduced sensitivity likely reflects Alior's increased hedging activities and the rebuilding of its bond portfolio. During the analyst call, Alior confirmed it is already meeting the SOT NII requirements, which declined from 6.5% last quarter to 4.7% as of 3Q24.
- **Will SKD (Free Credit Sanction) lead to additional provisions?** Alior is currently involved in 2,171 court proceedings with total claims of PLN 86.8mn, against which it has booked PLN35mn in provisions (up from PLN28mn at the end of 1H24). We anticipate Alior will allocate approximately PLN 10mn in SKD provisions each quarter moving forward.
- **Earnings forecasts.** We keep forecasts as of 29/11/2024 unchanged.
- **Valuation and risks.** We reiterate Outperform recommendation with Dec'25 TP at PLN109.0. Key risks in our view include potential changes in PZU Group structure affecting Alior, rate outlook, loan quality, loan growth, possible M&A and state control.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Alior Bank: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	3.1x	4.9x	5.0x	5.5x	6.4x
P/E (reported)	6.5x	4.9x	5.0x	5.5x	6.4x
P/BV	0.83x	1.08x	1.06x	0.88x	0.78x
Dividend Yield	0.0%	4.8%	10.1%	9.0%	7.9%
EPS (PLN)	10.9	15.6	18.7	16.7	14.6
DPS (PLN)	0.00	4.42	9.33	8.37	7.29
BVPS (PLN)	41.4	70.8	87.6	104.8	119.5
Net Income (PLN mn)	1,422	2,030	2,435	2,185	1,904

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 75. Alior Bank. summary (PLN/share)

Recommendation	Outperform
Dec'25 Target Price (PLN)	109.0
Current price (PLN)	92.70
Prospective upside (%)	18

**Our Dec'25 Target Price is calculated as rounded weighted average of DDM Valuation (50%) and Comparative valuation (50%) less the estimated impact of CHF-mortgages.*

DDM valuation (PLN/share)	97.2
Discounted dividends (PLN/share)	22.6
Terminal value (PLN/share)	74.6
Terminal ROE (%)	11.84
g (%)	3.00
CoE (%)	12.00
RFR (%)	12.00
Beta (x)	1.20
ERP (%)	5.0

Comparative Valuation PLN/share	120.7
Net Income (PLN mn, next 12 months)	2,250
Applied P/E (x)	7.0
P/E peers (x)	7.0
CHF impact/ per share	0.0

Fig. 76. Alior Bank. DDM Valuation sensitivity (PLN/share)

	ROE->	5.4%	7.4%	9.4%	11.4%	13.4%
	0.0%	20.4	27.9	35.4	43.0	50.5
	1.0%	18.4	26.7	35.0	43.3	51.6
g	2.0%	16.0	25.2	34.5	43.8	53.1
	3.0%	12.8	23.3	33.9	44.4	54.9
	4.0%	8.7	20.9	33.0	45.1	57.3

Fig. 77. Alior Bank. DDM Valuation sensitivity (PLN/share)

	ROE->	1.0%	3.0%	5.0%	7.0%	9.0%
	2.0%	91.1	64.7	49.0	38.7	31.5
	3.0%	69.5	52.0	40.7	32.9	27.2
RFR	4.0%	55.3	43.0	34.5	28.4	23.8
	5.0%	45.4	36.2	29.7	24.8	21.0
	6.0%	38.1	31.0	25.8	21.8	18.6

Fig. 78. Alior Bank. Our forecast vs Bloomberg consensus

	Bloomberg consensus			Our assumptions vs cons.		
Consensus	2024E	2025E	2026E	2024E	2025E	2026E
Net income	2,235	2,155	1,884	*9%*	*1%*	*1%*
DPS (PLN)	9.35	8.48	7.21	*0%*	*-1%*	*1%*
ROE (%)	23.62	19.25	14.22	*-0.1 pp*	*-1.9 pp*	*-1.2 pp*

Fig. 79. Alior Bank. Comps Valuation sensitivity (PLN/share)

Fair P/E (x)	4.0x	5.0x	6.0x	7.0x	9.0x	11.0x
vs. peers (%)	-43	-29	-14	0	29	57
Sensitivity	68.9	86.2	103.4	120.7	155.1	189.6

Fig. 80. Alior Bank. Ratios, Assumptions and Forecasts

P&L (PLN mn, year to Dec)	2022	2023	2024E	2025E	2026E
NII	4,062	4,783	5,245	5,246	5,030
F&C	796	838	853	921	965
Trading Income	35	76	25	20	20
Total Revenue	4,884	5,643	6,128	6,231	6,059
Cost	-1,802	-1,977	-2,041	-2,307	-2,424
NLLP	-1,085	-684	-488	-629	-705
Pre-tax Profit	1,299	2,971	3,537	3,295	2,930
Banking tax	-263	-264	-280	-286	-293
Net Income	683	2,030	2,435	2,185	1,904
Net Income (adj.)	1,422	2,039	2,435	2,185	1,904

PLN bn	2022	2023	2024E	2025E	2026E
Total Assets	84.1	90.1	90.6	95.1	98.7
Bonds	12.6	18.8	20.3	22.8	24.8
Loans	58.2	61.0	63.4	65.2	66.6
Loans growth (%)	0	5	4	3	2
Deposits	70.7	75.2	77.0	79.2	80.9
Equity	5.4	9.2	11.4	13.7	15.6
Mortgage loans	16.1	18.4	20.3	21.4	21.2
CHF mortgages	0.1	0.1	0.1	0.1	0.1
Other retail loans	22.1	21.3	20.5	20.9	22.1
Corporate loans	25.0	25.3	25.8	26.5	27.0

NIM ratios (%)	2022	2023	2024E	2025E	2026E
Asset yield	6.41	7.80	7.66	7.17	5.84
Funding cost	1.38	2.24	1.89	1.53	0.56
NIM	5.13	5.78	6.00	5.83	5.36

Risk ratios (%)	2022	2023	2024E	2025E	2026E
Stage 3 ratio	10.3	8.1	6.7		
Stage 3 coverage	56.6	56.6	52.6		
Cost of risk	1.65	1.07	0.69	0.88	0.98

Du Pont (%)	2022	2023	2024E	2025E	2026E
NII/assets	4.86	5.49	5.80	5.65	5.19
CoR/assets	-1.30	-0.79	-0.54	-0.68	-0.73
F&C/assets	0.95	0.96	0.94	0.99	1.00
Other rev/assets	-0.80	0.01	-0.04	0.07	0.07
Costs/assets	-2.16	-2.27	-2.26	-2.48	-2.50
Taxes&other/assets	-0.74	-1.08	-1.22	-1.20	-1.06
ROA	0.82	2.33	2.69	2.35	1.96
Leverage (x)	14.8	11.9	8.7	7.4	6.6
ROE (reported)	12.06	27.70	23.54	17.40	13.00

Capital & dividends	2022	2023	2024E	2025E	2026E
Tier-1 (PLN bn)	6.3	8.5	9.3	11.5	13.5
Tier-2 (PLN bn)	0.7	0.3	0.2	0.2	0.2
TCR (PLN bn)	4.0	4.0	4.1	4.3	4.3
RWA (PLN mn)	42.0	49.4	51.3	52.8	53.9
CT1 ratio (%)	12.6	17.2	17.9	21.7	24.8
CAR ratio (%)	14.0	17.8	18.3	22.0	25.1
Div. payout (%)	0.0	28.4	50.0	50.0	50.0
Dividend (PLN mn)	0	0	577	1,217	1,092
No. of shares (mn)	131	131	131	131	131

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

Bank Handlowy

Bloomberg: BHW PW, Reuters: BHW.WA

CEE Equity Research

Banks, Poland

Closer to selling the retail business?

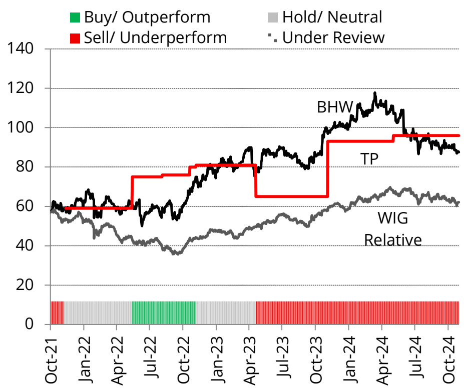
RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	87.6
Target price (PLN, Dec'25)	**98.0**

Previous report issued on Nov 29, 2024 with:

Recommendation	*Neutral*
TP (PLN, Dec'25)	*98.0*

- **The sale of BHW's retail segment has faced significant delays.** In August 2023, BHW announced plans to resume the sale process, which was initially launched in April 2021 but paused early last year. BHW has shifted its focus to the institutional segment, which drives the majority of its earnings. As of 8M24, the retail segment reported a pre-tax profit of PLN225mn, with PLN6.8bn in assets and PLN22.6bn in liabilities. The retail business is valued at 1.0x its equity of PLN 1.6bn in BHW's books. We remain cautious about the potential interest in these assets due to their relatively small size, IT infrastructure, and client profile. According to Puls Biznesu (October 29, 2024), VeloBank (controlled by Cerberus) and Nest Bank (controlled by AnaCap) have expressed interest. Given the lengthy process, the involvement of private equity funds, and limited updates from BHW, we anticipate a complex transaction structure.
- **EUR250mn Tier2 issued.** In November 2024, BHW secured a EUR250mn subordinated loan from its parent company. This issuance aims to address CRR3 compliance, rising capital requirements, and improve dividend flexibility. A 75% payout would translate to a 12.0% dividend yield (DY), while a 100% payout could result in a DY of 16.0%.
- **CFO reiterates NII sensitivity rate cuts.** The CFO confirms a PLN50mn Net Interest Income (NII) sensitivity to a 25bps rate cut. However, BHW's active balance sheet management complicates rate sensitivity estimation compared to peers. We estimate an immediate PLN30mn decline in interest income from the treasury bills portfolio. Any profit-taking on the PLN27bn debt securities portfolio measured at fair value through other comprehensive income could result in a one-off trading gain but would further pressure future NII prospects.
- **Earnings forecasts.** We keep forecasts as of 29/11/2024 unchanged.
- **Valuation and risks.** We reiterate BHW as Neutral with Dec'25 TP of PLN 98.0. We see the divestment of retail, development of NII, cost of risk and regulatory changes as the main risks.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Bank Handlowy: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	6.5x	5.9x	5.5x	6.2x	7.5x
P/E (reported)	6.7x	5.9x	6.0x	6.2x	7.5x
P/BV	1.31x	1.30x	0.94x	0.91x	0.81x
Dividend Yield	6.9%	8.9%	12.7%	12.5%	12.0%
EPS (adjusted) (PLN)	12.2	17.3	15.8	14.1	11.7
DPS (PLN)	5.47	9.00	11.15	10.94	10.54
BVPS (PLN)	60.9	78.2	93.0	96.8	108.7
Net Income (PLN mn)	1,597	2,256	2,063	1,836	1,528

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 81. Bank Handlowy: Valuation summary (PLN/share)

Recommendation	**Neutral**
Dec'25 Target Price (PLN)	**98.00**
Current price (PLN)	87.60
Prospective upside (%)	12

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative valuation (50%) less estimated impact of CHF-mortgages.*

DDM valuation (PLN/share)	**92.3**
Discounted dividends (PLN/share)	27.4
Terminal value (PLN/share)	64.8
Terminal ROE (%)	10.68
g (%)	1.00
CoE (%)	11.50
RFR (%)	11.50
Beta (x)	1.10
ERP (%)	5.0

Comp. Valuation PLN/share	**102.9**
Net Income (PLN mn, next 12 months)	1,920
Applied P/E (x)	7.0
P/E peers (x)	7.0
CHF impact	**0.0**

Fig. 82. Bank Handlowy: DDM Valuation sensitivity (PLN/share)

	ROE->	**12.6%**	**13.6%**	**14.6%**	**15.6%**	**16.6%**
	0.0%	88.2	93.2	98.1	103.1	108.1
	0.5%	89.1	94.3	99.6	104.8	110.1
g	**1.0%**	90.0	95.6	101.2	106.7	112.3
	2.0%	92.4	98.7	105.0	111.3	117.6
	3.0%	95.4	102.7	109.9	117.2	124.5

Fig. 83. Bank Handlowy: DDM Valuation sensitivity (PLN/share)

	ERP->	**3.0%**	**4.0%**	**5.0%**	**6.0%**	**7.0%**
	3.0%	166.6	136.7	115.6	99.9	87.8
	3.5%	151.6	126.3	107.9	94.0	83.2
RFR	**4.0%**	139.0	117.2	101.2	88.8	79.0
	4.5%	128.2	109.4	95.1	84.1	75.2
	5.0%	118.9	102.4	89.8	79.8	71.7

Fig. 84. Bank Handlowy: Our forecast vs Bloomberg consensus

	Bloomberg consensus			**Our assumptions vs cons.**		
	2024E	**2025E**	**2026E**	**2024E**	**2025E**	**2026E**
Net income	1,875	1,655	1,511	*10%*	*25%*	*22%*
DPS (PLN)	11.20	13.20	11.60	*-2%*	*-20%*	*-24%*
ROE (%)	18.6	16.2	14.6	*-0.1 pp*	*-1.3 pp*	*-3.2 pp*

Fig. 85. Bank Handlowy: Comps Valuation sensitivity (PLN/share)

Fair P/E (x)	**4.0x**	**5.0x**	**6.0x**	**7.0x**	**9.0x**	**11.0x**
vs. peers (%)	-43	-29	-14	0	29	57
Sensitivity	59	73	88	103	132	162

Fig. 86. Bank Handlowy: Ratios, Assumptions and Forecasts

P&L (PLN m, year to Dec)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
NII	2,804	3,279	3,253	3,112	2,789
F&C	580	561	572	583	595
Trading Income	344	686	579	540	540
Total Revenue	3,714	4,508	4,380	4,236	3,924
Cost	-1,338	-1,440	-1,537	-1,594	-1,655
NLLP	-105	-18	-16	-142	-145
Pre-tax Profit	2,208	3,051	2,633	2,501	2,124
Banking tax	-213	-190	-173	-164	-172
Net Income	1,546	2,256	1,906	1,836	1,528
Net Income (adj.)	1,597	2,256	2,063	1,836	1,528

PLN bn	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Total Assets	69.8	72.4	75.0	77.5	81.1
Bonds	44.2	31.5	33.0	34.4	36.9
Loans	21.6	20.5	22.2	23.2	24.3
Loans growth (%)	1	-5	8	5	5
Deposits	50.5	53.9	54.4	56.4	58.5
Equity	8.0	10.2	12.2	12.6	14.2
Mortgage loans	2.2	2.1	2.4	2.7	2.9
CHF mortgages	0.1	0.1	0.1	0.1	0.1
Other retail loans	4.4	4.2	4.1	4.3	4.6
Corporate loans	15.9	15.0	16.2	17.0	17.7

NIM ratios (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Asset yield	5.35	6.37	6.01	5.50	4.16
Funding cost	1.16	1.95	1.79	1.60	0.67
NIM	4.42	4.77	4.57	4.22	3.63

Risk ratios (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Stage 3 ratio	4.7	5.0			
Stage 3 coverage	80.8	76.9			
Cost of risk	0.49	0.09	0.07	0.62	0.61

Du Pont (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
NII/assets	4.26	4.61	4.42	4.08	3.52
CoR/assets	-0.16	-0.03	-0.02	-0.19	-0.18
F&C/assets	0.88	0.79	0.78	0.77	0.75
Other rev/assets	0.48	0.94	0.70	0.71	0.68
Costs/assets	-2.03	-2.02	-2.09	-2.09	-2.09
Taxes&other	-1.01	-1.12	-0.99	-0.87	-0.75
ROA	2.43	3.17	2.80	2.41	1.93
Leverage (x)	8.6	7.8	6.6	6.1	5.9
ROE (reported)	20.77	24.83	18.45	14.81	11.38

Capital & dividends	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Tier-1 (PLN bn)	5.2	6.8	7.3	7.8	8.2
Tier-2 (PLN bn)	0.0	0.0	1.5	1.5	1.5
TCR (PLN bn)	2.4	2.4	2.6	2.7	2.8
RWA (PLN mn)	29.3	29.7	32.4	33.9	35.4
CT1 ratio (%)	17.6	23.0	22.5	23.0	23.1
CAR ratio (%)	17.6	23.0	27.2	27.4	27.3
Div. payout (%)	76.1	50.0	75.0	75.0	75.0
Dividend (PLN mn)	715	1,176	1,450	1,429	1,377
No. of shares (mn)	130.7	130.7	130.7	130.7	130.7

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

Santander

BNP Paribas Polska

Bloomberg: BNPPPL PW, Reuters: BNPP.WA

CEE Equity Research

Banks, Poland

Way below ABB price

- **Equity story.** BNP faces relatively greater challenges in corporate culture, digitalization, and process optimization compared to some peers. While this presents a significant upside potential in the long term, it also contributes to lower profitability in the near term. The bank remains focused on restructuring and, alongside ING, is one of the few Polish banks in our coverage reducing its workforce. Additionally, BNP stands out as the only bank actively shrinking its mortgage portfolio. The bank's current valuation appears to trade at a discount to peers, likely influenced by a share overhang.
- **Falling market shares.** BNP has been reporting market shares in loans and deposits in the most recent quarters. BNP continues its cautious approach to the mortgage market even though the risk of another round of moratoria seems rather limited. Mortgage amortization was visibly higher than originations which caused BNP 3Q24 mortgage portfolio to decline by 15% y/y. BNP is the only bank in our coverage that reports declining mortgage portfolio.
- **Lock up expired on Sep 9th.** BNP controls 81.34% in its Polish subsidiary. We assume that 25% free float commitment towards KNF is still valid and note that 2Q24 quarterly report of Polish entity mentions BNP Paribas SA "intention" to increase free float to 25%. This bodes for another ABB of 6.34% (worth PLN0.8bn based on the current market price). On March 13, 2024, BNP sold 6.0% stake in ABB (8.9mln shares @ PLN100 per share).
- **PLN650mn AT1 issue** to parent company will add 70bps to solvency ratios.
- **Earnings forecasts.** We keep forecasts as of 29/11/2024 unchanged.
- **Valuation and risks.** We reiterate BNP as Outperform with Dec'25 Target Price at PLN119. We point to potential ABB, CHF-mortgage portfolio, outlook for dividends, rate sensitivity as the main risks.

BNP Paribas Polska: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	4.3x	4.3x	4.6x	4.2x	4.6x
P/E (reported)	18.7x	12.5x	4.9x	4.9x	5.0x
P/BV	0.73x	0.98x	0.81x	0.69x	0.60x
Dividend Yield	0.0%	0.0%	4.1%	10.2%	10.3%
EPS (adjusted) (PLN)	12.9	20.1	18.0	19.6	18.0
DPS (PLN)	0.00	0.00	3.41	8.40	8.43
BVPS (PLN)	76.4	87.2	101.6	119.9	137.2
Net Income (PLN mn)	1,906	2,962	2,649	2,884	2,647

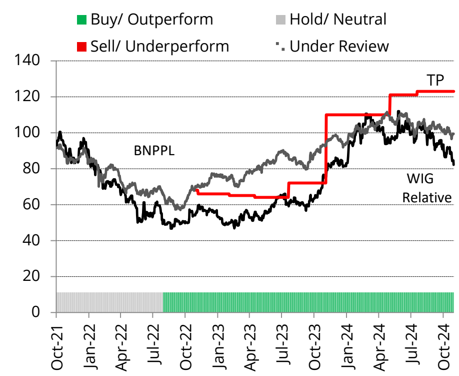
Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	82.20
Target price (PLN, Dec'25)	**119.0**

Previous report issued on Nov 29, 2024 with:

Recommendation	*Outperform*
TP (PLN, Dec'25)	*119*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Be reminded that currently the free float of BNP Paribas Polska is at 18.34% (including Rabo and EBRD stakes are excluded). In Sep'18, BNP Paribas SA declared to the KNF that they would increase BNP Paribas Polska free float to at least 25% before the end of 2023. The intention to increase freefloat was reiterated in 1H24 financial statement of BNP Paribas Polska.

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Fig. 87. BNP Paribas Polska: Valuation summary (PLN/share)

Recommendation	Outperform
Dec'25 Target Price (PLN)	119.00
Current price (PLN)	82.20
Prospective upside (%)	45

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative valuation (50%) less estimated impact of CHF-mortgages.*

DDM valuation (PLN/share)	105.1
Discounted dividends (PLN/share)	22.5
Terminal value (PLN/share)	82.7
Terminal ROE (%)	12.17
g (%)	3.00
CoE (%)	12.50
Beta (x)	1.30
ERP (%)	5.0

Comparative Valuation PLN/share	139.9
Net Income (PLN mn, next 12 months)	2,946
Applied P/E (x)	7.0
P/E peers (x)	7.0
CHF impact	-3.8

Fig. 88. BNP Paribas Polska: DDM Valuation sensitivity (PLN/share)

	ROE->	7.7%	8.7%	9.7%	10.7%	11.7%
	0.0%	56.6	63.8	71.0	78.2	85.4
	1.0%	54.8	62.8	70.8	78.7	86.7
g	**2.0%**	52.5	61.5	70.5	79.5	88.5
	3.0%	49.6	59.8	70.1	80.4	90.7
	4.0%	45.7	57.7	69.6	81.6	93.6

Fig. 89. BNP Paribas Polska: DDM Valuation sensitivity (PLN/share)

	ERP->	3.0%	4.0%	5.0%	6.0%	7.0%
	3.0%	140.3	106.0	83.8	68.2	56.8
	3.5%	124.0	95.7	76.7	63.1	52.9
RFR	**4.0%**	110.7	86.9	70.5	58.5	49.4
	4.5%	99.6	79.4	65.1	54.4	46.3
	5.0%	90.3	72.9	60.3	50.8	43.4

Fig. 90. BNP Paribas Polska: Our forecast vs Bloomberg consensus

	Bloomberg consensus			Our assumptions vs cons.		
	2024E	2025E	2026E	2024E	2025E	2026E
Net income	2,404	2,591	2,299	*3%*	*-4%*	*6%*
DPS (PLN)	6.72	8.17		*25%*	*3%*	
ROE (%)	17.2	15.0	13.0	*1.3 pp*	*0.2 pp*	*0.0 pp*

Fig. 91. BNP Paribas Polska: Comparative Valuation sensitivity (PLN/share)

Fair P/E (x)	4.0x	5.0x	6.0x	7.0x	9.0x	11.0x
vs. peers (%)	-43	-29	-14	0	29	57
Sensitivity	79.9	99.9	119.9	139.9	179.9	219.8

Fig. 92. BNP Paribas Polska: Ratios, Assumptions and Forecasts

P&L (PLN mn)	2022	2023	2024E	2025E	2026E
NII	4,388	5,190	5,799	5,941	5,764
F&C	1,137	1,211	1,234	1,271	1,309
Trading Income	806	912	865	865	865
Total Revenue	6,247	7,248	7,849	8,082	7,961
Cost	3,038	3,096	3,383	3,545	3,717
NLLP	275	34	279	376	356
CHF provisions	-740	-1,978	-588	-400	-200
Pre-tax Profit	1,298	2,175	3,497	3,761	3,687
Banking tax	-427	-412	-404	-411	-428
Net Income	441	1,013	2,478	2,484	2,447
Net Income (adj.)	1,906	2,962	2,649	2,884	2,647

PLN bn	2022	2023	2024E	2025E	2026E
Total Assets	152	161	159	167	174
Bonds	40	43	47	52	56
Loans	90	86	88	91	95
Loans growth (%)	*4*	*-4*	*2*	*4*	*4*
Deposits	120	127	124	129	134
Equity	11	13	15	18	20
Mortgage loans	27	22	21	21	22
CHF mortgages	4	3	2	2	2
Other retail loans	12	12	13	13	14
Corporate loans	53	54	56	59	61

NIM ratios (%)	2022	2023	2024E	2025E	2026E
Asset yield (%)	5.45	6.56	6.72	6.62	5.45
Funding cost (%)	2.44	3.38	3.24	3.15	2.19
NIM (%)	3.24	3.48	3.78	3.80	3.52

Risk ratios (%)	2022	2023	2024E	2025E	2026E
Stage 3 ratio (%)	3.3	3.0	3.4	3.4	3.4
Stage 3 coverage (%)	59.6	59.9	54.5	54.5	54.5
Cost of risk (%)	-0.31	-0.04	-0.32	-0.42	-0.38

Du Pont (%)	2022	2023	2024E	2025E	2026E
NII/assets	3.10	3.32	3.63	3.65	3.38
CoR/assets	-0.19	-0.02	-0.17	-0.23	-0.21
F&C/assets	0.80	0.77	0.77	0.78	0.77
Other rev/assets	0.51	0.54	0.51	0.54	0.52
Costs/assets	-2.15	-1.98	-2.12	-2.18	-2.18
Taxes&other/assets	-1.13	-2.01	-1.01	-1.03	-0.85
ROA	0.94	0.63	1.61	1.53	1.44
Leverage (x)	12.5	13.0	11.5	10.0	9.0
ROE (reported)	11.81	8.10	18.54	15.21	12.91

Capital & dividends	2022	2023	2024E	2025E	2026E
Tier-1 (PLN bn)	10.8	11.2	13.1	15.1	16.3
Tier-2 (PLN bn)	4.1	3.7	3.3	3.3	3.3
TCR (PLN bn)	7.6	7.2	7.4	7.7	8.0
RWA (PLN mn)	95.5	89.6	92.0	95.8	99.8
CT1 ratio (%)	11.3	12.5	14.3	15.8	16.3
CAR ratio (%)	15.5	16.7	17.8	19.2	19.6
Div. payout (%)	0.0	49.6	50.0	50.0	50.0
Dividend (PLN mn)	0	0	503	1,239	1,242
No. of shares (mn)	147	147	147	147	147

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

Santander

ING Bank Śląski

Bloomberg: ING PW, Reuters: INGP.WA

CEE Equity Research

Banks, Poland

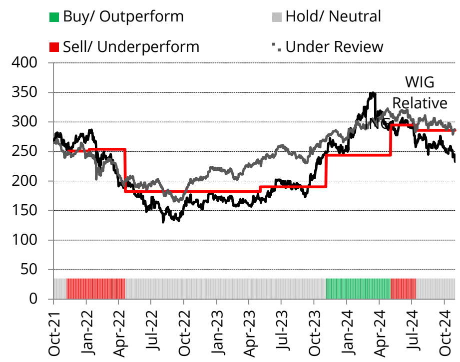
Somehow tarnished narrative

- **Equity story.** ING continues to trade at a notable premium to its Polish peers, reflecting its historically stable earnings and track record of market share growth. However, this narrative has been somewhat tarnished recently due to higher corporate segment risk costs and stagnation in market share gains.
- **Low sensitivity to rate cuts.** ING remains the least sensitive to rate cuts among Polish banks in our coverage. However, this advantage appears to be eroding as competitors adjust to SOT NII requirements. Additionally, banks forced to build IRS portfolios now have an opportunity to lock in more attractive fixed rates, potentially turning ING's low sensitivity into a disadvantage.
- **Market share losses.** For the first nine months of 2024, ING lost 0.5pp in corporate loan market share and 0.1pp in retail loans (excluding FX mortgages), reversing the consistent gains of previous years. Our valuation assumes ING's growth will align with market averages going forward.
- **CRR3 impact.** ING is the only bank in our coverage to report a positive impact from CRR3 implementation, expecting an improvement in its solvency ratio by up to 1pp.
- **Rising corporate risk cost.** Historically, ING maintained corporate loan quality around twice the sector average. However, in the last two quarters, its NPL ratio rose from 3.4% to 5.7% (vs. the sector average of 6.1%). This reflects the transfer of PLN2.3bn in corporate exposures to Stage 3, alongside PLN0.8bn in additional provisioning. ING also moved PLN1.5bn to Stage 2, while reducing Stage 2 provisioning by PLN17mn.
- **New CEO appointment.** Michał Bolesławski, with 24 years at ING and most recently serving as Global Head of Business Banking, will assume the role of CEO following the upcoming AGM.
- **Earnings forecasts.** We keep forecasts as of 29/11/2024 unchanged.
- **Valuation and risks.** We reiterate ING as Outperform with Dec'25 TP of PLN291.0. Among risk factors we note: risk cost, low turnover in ING shares, MCFH impact on NII and the growth outlook.

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN	233.0
Target price (PLN, Dec'25)	**291.0**

Previous report issued on	*Nov 29, 2024 with:*
Recommendation	*Outperform*
TP (PLN, Dec'25)	*291*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

ING BSK: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	5.3x	6.7x	7.3x	6.8x	6.7x
P/E (reported)	11.3x	6.9x	7.3x	6.8x	6.7x
P/BV	2.1x	2.20x	1.69x	1.5x	1.4x
Dividend Yield	3.6%	0.0%	14.3%	6.8%	7.3%
EPS (adjusted) (PLN)	28.2	34.6	31.9	34.2	34.8
DPS (PLN)	5.30	0.00	33.35	15.86	17.10
BVPS (PLN)	71.8	106.0	137.9	154.8	172.0
Net Income (PLN mn)	3,672	4,503	4,149	4,449	4,528

Source: Company data, Santander Brokerage Poland estimates

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Fig. 93. ING BSK: Valuation summary (PLN/share)

Recommendation	**Outperform**
Dec'25 Target Price (PLN)	**291.00**
Current price (PLN)	233.00
Prospective upside (%)	25

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative valuation (50%) less impact of CHF-mortgage portfolio.*

DDM valuation (PLN/share)	**292.1**
Discounted dividends (PLN/share)	45.2
Terminal value (PLN/share)	246.9
Terminal ROE (%)	20.64
g (%)	4.00
CoE (%)	11.50
RFR (%)	11.50
Beta (x)	1.10
ERP (%)	5.0

Comparative Valuation PLN/share	**294.4**
Net Income (PLN mn, next 12 months)	4,256
Applied P/E (x)	9.0
P/E peers (x)	7.0
CHF impact/ per share	**-2.6**

Fig. 94. ING BSK: DDM Valuation sensitivity (PLN/share)

	ROE->	18.6%	19.6%	20.6%	21.6%	22.6%
	0.0%	240	252	264	275	287
	1.0%	250	263	276	289	302
g	**2.0%**	262	277	292	307	322
	3.0%	279	296	313	330	347
	4.0%	301	321	341	362	382

Fig. 95. ING BSK: DDM Valuation sensitivity (PLN/share)

	ERP->	3.0%	4.0%	5.0%	6.0%	7.0%
	2.0%	530	416	340	288	248
	2.5%	472	378	315	269	234
RFR	**3.0%**	424	347	292	252	221
	3.5%	386	320	273	237	209
	4.0%	353	297	255	224	199

Fig. 96. ING BSK: Our forecast vs Bloomberg consensus

	Bloomberg consensus			**Our assumptions vs cons.**		
	2024E	**2025E**	**2026E**	**2024E**	**2025E**	**2026E**
Net income	4,313	4,439	3,987	*-4%*	*0%*	*14%*
DPS (PLN)	27.50	16.07	16.08	*-42%*	*6%*	*8%*
ROE (%)	25.2	23.1	20.2	*0.9 pp*	*0.3 pp*	*1.1 pp*

Fig. 97. ING BSK: Comparative Valuation sensitivity (PLN/share)

Fair P/E (x)	**6.0x**	**7.0x**	**8.0x**	**9.0x**	**11.0x**	**13.0x**
vs. peers (%)	-14	0	14	29	57	86
Sensitivity	196	229	262	294	360	425

Fig. 98. ING BSK: Ratios, Assumptions and Forecasts

P&L (PLN mn, yr to Dec)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
NII	7,259	8,148	8,835	9,134	9,462
F&C	2,095	2,167	2,303	2,370	2,441
Trading Income	-12	313	212	196	196
Total Revenue	9,342	10,627	11,350	11,700	12,099
Cost	-3,642	-3,702	-4,021	-4,176	-4,351
NLLP	-737	-508	-1,270	-826	-882
Pre-tax Profit	3,050	6,341	6,060	6,716	6,883
Banking tax	-647	-644	-732	-769	-821
Net Income	1,714	4,418	4,127	4,449	4,528
Net Income (adj.)	3,672	4,503	4,149	4,449	4,528

PLN bn	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Total Assets	217.3	245.4	257.8	275.6	293.0
Bonds	50.4	58.9	57.2	63.0	68.6
Loans	155.0	156.5	166.4	178.2	189.6
Loans growth (%)	6	1	6	7	6
Deposits	193.1	205.7	219.5	235.1	250.2
Equity	9.3	13.8	17.9	20.1	22.4
Mortgage loans	55.2	55.7	60.2	65.9	70.8
CHF mortgages	0.7	0.6	0.5	0.5	0.4
Other retail loans	8.7	9.2	10.0	10.8	11.7
Corporate loans	93.7	94.4	99.8	106.0	112.5

NIM ratios (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Asset yield	4.78	5.45	5.32	5.02	3.82
Funding cost	1.30	2.01	1.87	1.61	0.43
NIM	3.56	3.58	3.59	3.52	3.42

Risk ratios (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Stage 3 ratio	2.3	2.6	3.9	3.9	3.9
Stage 3 coverage	60	62	51	51	51
Cost of risk	0.49	0.33	0.79	0.48	0.48

Du Pont (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
NII/assets	3.47	3.52	3.51	3.42	3.33
CoR/assets	-0.35	-0.22	-0.50	-0.31	-0.31
F&C/assets	1.00	0.94	0.92	0.89	0.86
Other rev/assets	-0.02	0.14	0.09	0.08	0.08
Costs/assets	-1.74	-1.60	-1.60	-1.57	-1.53
Taxes&other	-0.64	-0.83	-0.77	-0.85	-0.83
ROA	1.72	1.95	1.65	1.67	1.59
Leverage (x)	18.3	20.0	15.9	14.0	13.4
ROE (adjusted)	31.45	38.94	26.15	23.36	21.30

Capital & dividends	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Tier-1 (PLN bn)	14.8	17.5	16.8	16.8	16.8
Tier-2 (PLN bn)	1.6	1.5	1.4	1.4	1.4
TCR (PLN bn)	8.8	8.7	9.8	10.5	11.1
RWA (PLN mn)	95.8	92.4	105.8	113.3	120.6
CT1 ratio (%)	13.5	16.0	13.7	12.8	12.1
CAR ratio (%)	15.0	17.4	14.8	13.9	13.1
Div. payout (%)	0.0	98.2	50.0	50.0	50.0
Dividend (PLN mn)	690	0	4,339	2,063	2,224
No. of shares (mn)	130.1	130.1	130.1	130.1	130.1

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

Komerční banka

Bloomberg: KOMB CK, Reuters: BKOM.PR

CEE Equity Research

Banks, Czechia

Profitability concerns outweigh dividend appeal

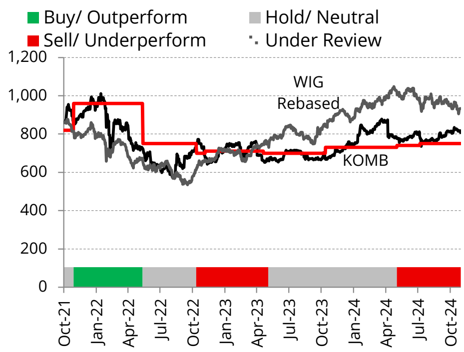
- **We reiterate our Underperform rating for Komerční banka.** It continues to appear more expensive than most of its CEE peers. While the upcoming dividend yield (DY) looks attractive, we view it as the least sustainable among the banks in our coverage. Despite ambitious strategy, KOMB's low NIM underscores structural challenges that could prolong its underperformance relative to peers.
- **Rebound in NII.** Komerční banka reported 3Q24 Net Interest Margin of 1.6%, maintaining its position as a laggard among Central and Eastern European (CEE) peers. This NIM remained flat quarter-over-quarter after six consecutive quarters of decline. The 2% quarter-over-quarter increase in Net Interest Income (NII) was primarily driven by volume growth. KOMB's management highlights the bank's zero sensitivity to interest rate cuts as a key advantage. Over the past year, the Czech National Bank has reduced its key interest rate from 7.0% to 4.0%. We anticipate that this lower rate environment will stimulate stronger loan demand in the Czech Republic, potentially leading to higher NII for KOMB.
- **Real estate gain.** 3Q24 results were bolstered by a CZK 2.5 billion gain from the sale of real estate. Excluding this one-off, 3Q24 performance largely aligned with established trends. Key highlights include a rebound in trading income and a higher-than-anticipated cost of risk.
- **Nearest dividend yield of 10.4% remains a key attraction.** However, it is lower than that of some Polish peers and appears temporary, as it is supported by the one-off real estate gain and a 100% payout ratio. During the 3Q24 analyst call, KOMB management indicated that the dividend policy after the 100% payout period would not drop below 60-70%, no further details were shared. Our valuation assumes future payouts at 65%.
- **Earnings forecasts**. We keep forecasts as of 29/11/2024 unchanged.
- **Valuation and risks.** KOMB trades at 2024E P/BV 1.2x for 2024E ROE of 12.9%, and 2025E P/E of 10.7x. We forecast the nearest dividend at 10.2%. KOMB targets 13%-14.0% ROE, and our valuation is based on the assumption of terminal ROE of 11.6%. Major risks relate to delays in the strategy implementation, macro, rates, capital requirements, regulations, and competition. We note 2025 is supposedly the last year of a banking tax.

RECOMMENDATION	Underperform
Current price (25 Nov 2024, CZK)	807.5
Target price (CZK, Dec'25)	**770.0**

Previous report issued on Nov 29, 2024 with:

Recommendation	*Underperform*
TP (CZK, Dec'25)	*770*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Komerční banka: Financial summary and ratios

Year to Dec, CZKmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	7.0x	9.8x	11.1x	10.5x	10.5x
P/E (reported)	7.0x	9.8x	9.4x	10.5x	10.5x
P/BV	1.02x	1.22x	1.22x	1.23x	1.23x
Dividend Yield	15.2%	7.5%	10.2%	10.6%	6.2%
EPS (adjusted) (CZK)	93.3	82.2	85.5	77.1	76.9
DPS (CZK)	99.30	60.42	82.66	85.51	50.11
BVPS (CZK)	643.1	662.2	663.5	655.3	671.2
Net Income (CZK m)	17,618	15,612	13,693	14,561	14,532

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 99. Komerční banka: Valuation summary* (CZK/share)

Recommendation	Underperform
Target Price (CZK)	770.0
Current price (CZK)	807.5
Prospective upside (%)	-5

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative (50%).*

DDM valuation (CZK/share)	809.3
Discounted dividends (CZK/share)	171.8
Terminal value (CZK/share)	637.5
Terminal ROE (%)	11.60
g (%)	3.00
CoE (%)	10.50
Beta (x)	1.10
ERP (%)	5.0

Comparative Valuation CZK/share	592.3
Net Income (CZK mn, next 12 months)	18,644
Applied P/E (x)	6.0

Fig. 100. Komerční banka: DDM Valuation sensitivity (CZK/share)

	ROE->	9.6%	10.6%	11.6%	12.6%	13.6%
	1.0%	681	739	798	856	915
	2.0%	675	741	806	871	937
g	3.0%	668	742	809	891	965
	4.0%	659	745	830	916	1,001
	5.0%	647	748	849	950	1,051

Fig. 101. Komerční banka: DDM Valuation sensitivity (CZK/share)

	ERP->	3.0%	4.0%	5.0%	6.0%	7.0%
	4.0%	1,385	1,109	927	799	704
	4.5%	1,244	1,018	864	753	669
RFR	5.0%	1,129	941	809	712	637
	5.5%	1,035	876	762	676	609
	6.0%	956	820	720	643	584

Fig. 102. Komerční banka: Our forecast vs. Bloomberg consensus

	Bloomberg consensus			Our assumptions vs cons.		
	2024E	2025E	2026E	2024E	2025E	2026E
Net income	16,210	15,577	16,140	*0%*	*-7%*	*-10%*
DPS (PLN)	85.15	69.05	57.79	*0%*	*-27%*	*-13%*
ROE (%)	12.9	12.3	12.6	*0.0 pp*	*-0.6 pp*	*-1.0 pp*

Fig. 103. Komerční banka: Comparative Valuation sensitivity (CZK/share)

Fair P/E (x)	5.0x	6.0x	7.0x	8.0x	10.0x	12.0x
vs. peers (%)	-29	-14	0	14	43	71
Sensitivity	456	547	638	730	912	1,094

Fig. 104. Komerční banka: Ratios, Assumptions and Forecasts

P&L (CZK mn)	2022	2023	2024E	2025E	2026E
NII	28,632	25,595	25,045	26,400	27,136
F&C	6,121	6,414	6,735	6,708	6,682
Trading Income	3,665	3,832	3,784	3,200	3,200
Total Revenue	38,631	36,199	35,954	36,519	37,085
Cost	16,015	17,321	17,821	17,374	17,649
NLLP	-1,181	-93	-1,166	-864	-1,191
Pre-tax Profit	21,833	19,028	19,526	18,501	18,465
Banking tax	0	0	-210	0	0
Net Income	17,618	15,533	16,150	14,561	14,532
Net Income (adj.)	17,618	15,612	13,693	14,561	14,532

CZK bn	2022	2023	2024E	2025E	2026E
Total Assets	1,305	1,516	1,674	1,749	1,931
Bonds	227	217	235	261	328
Loans	781	834	853	900	1,013
Loans growth (%)	8	7	2	6	13
Deposits	951	1,127	1,329	1,403	1,579
Equity	121	125	125	124	127
Mortgage loans	354	369	381	401	485
Other retail loans	39	33	35	37	39
Corporate loans	367	395	424	454	425

NIM ratios (%)	2022	2023	2024E	2025E	2026E
Asset yield	7.58	8.72	7.57	7.03	7.03
Funding cost	6.02	7.81	6.64	6.00	6.05
NIM	2.33	1.87	1.61	1.58	1.51

Risk ratios (%)	2022	2023	2024E	2025E	2026E
Stage 3 ratio	2.3	1.8	2.0	2.0	2.0
Stage 3 coverage	51.0	47.1	44.2	44.2	44.2
Cost of risk	0.16	0.01	0.14	0.10	0.12

Du Pont (%)	2022	2023	2024E	2025E	2026E
NII/assets	2.25	1.81	1.57	1.54	1.47
CoR/assets	-0.09	-0.01	-0.07	-0.05	-0.06
F&C/assets	0.48	0.45	0.42	0.39	0.36
Other rev/assets	0.34	0.31	0.42	0.21	0.19
Costs/assets	-1.26	-1.23	-1.12	-1.01	-0.96
Taxes&other	-0.33	-0.25	-0.21	-0.23	-0.21
ROA	1.38	1.10	1.01	0.85	0.79
Leverage (x)	10.4	11.4	12.7	13.7	14.7
ROE (reported)	14.38	12.60	12.90	11.69	11.60

Capital & dividends	2022	2023	2024E	2025E	2026E
Tier-1 (CZK bn)	98.6	99.7	101.2	106.3	111.5
Tier-2 (CZK bn)	3.1	6.2	6.4	6.4	6.4
TCR (CZK bn)	41.8	45.1	45.0	47.5	53.5
RWA (CZK mn)	431	452	452	477	537
CT1 ratio (%)	18.9	17.7	18.0	17.9	16.7
CAR ratio (%)	19.5	18.8	19.1	19.0	17.6
Div. payout (%)	64.8	100.0	100.0	65.0	65.0
Dividend (CZK mn)	18,753	11,411	15,611	16,150	9,464
No. of shares (mn)	188.9	188.9	188.9	188.9	188.9

Source for all tables: Company data, Santander Brokerage Poland, Bloomberg Note: historical valuation ratios based on eoy prices

Santander

mBank

Bloomberg: MBK PW, Reuters: MBK.WA

CEE Equity Research

Banks, Poland

Volumes are back, NPS is down

- **Equity story.** mBank, under its new CEO, is placing greater focus on capital restoration and accelerating loan growth. The ongoing burden of CHF portfolio provisions remains a persistent challenge.
- **CHF provisions nearing the end?** To date, mBank has booked PLN 15.6bn in legal costs related to CHF mortgages. While the CFO indicated that additional provisions are likely, our valuation assumes further PLN2.5bn in provisions. Out of the 85.5k CHF mortgages originally granted, assumptions are required for the 4.8k (6%) that remain active and the 14.3k (17%) that have been repaid but are not subject to the statute of limitations. The status of the remaining mortgages appears to be relatively clear.
- **Volumes rebound.** After a muted period during which its loan book shrank by 9.5% (from PLN129bn in 1H22 to PLN117bn in 4Q23), mBank is now experiencing a recovery. Between 1Q23 and 1Q24, deposit growth at mBank was 1.2%, significantly lagging the market average of 8.9%. However, this slower growth contributed to mBank maintaining the lowest average deposit cost among its peers. Encouragingly, in the last two quarters, mBank has reported growth in both loans and deposits that outpaces the market.
- **NPS disaster** – In January 2024, mBank announced changes to its ATM cash withdrawal fees, which were implemented in April 2024. These fee adjustments have significantly impacted customer satisfaction. Previously ranked among the top three in Net Promoter Score (NPS) within the mass market segment, mBank has now fallen to the seventh position. This decline in NPS is likely affecting both customer retention and acquisition efforts.
- **Is tender offer a possible scenario?** The potential acquisition of Commerzbank by UniCredit raises questions about the implications for mBank, a subsidiary of Commerzbank. Under Polish law, an indirect change of control over a publicly listed company, typically necessitates a mandatory tender offer for the remaining shares. This means that if UniCredit were to gain control over Commerzbank, it would likely be required to extend a tender offer to acquire the outstanding shares of mBank.
- **PLN1.5bn AT1 issue** at 10.63% will add 1.5pp to solvency ratios.
- **Earnings forecasts**. Forecasts as of 29/11/2024 are unchanged.
- **Valuation and risks.** We reiterate Outperform for mBank with a Dec'25 TP of PLN725. Among the major risks, we note the legal risk related to CHF provisions, and read-across from the news flow on Commerzbank.

mBank: Financial summary and ratios

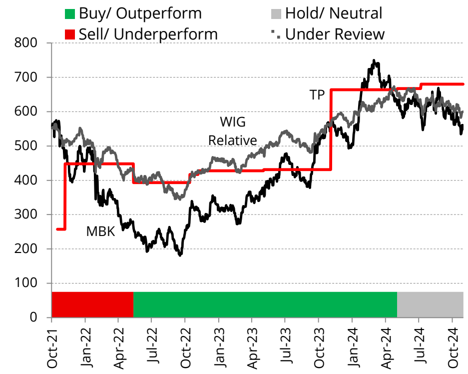
Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	3.3x	5.6x	4.2x	4.4x	5.0x
P/E (reported)	-16.4x	nm	11.4x	6.8x	5.0x
P/BV	1.0x	1.70x	1.48x	1.24x	1.02x
Dividend Yield	0.0%	0.0%	0.0%	0.0%	9.9%
EPS (PLN)	89.3	98.6	130.4	126.3	109.0
DPS (PLN)	0.0	0.0	0.0	0.0	54.5
BVPS (PLN)	300	323	371	442	536
Net Income (PLN mn)	3,786	4,189	5,541	5,366	4,633

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	549.4
Target price (PLN, Dec'25)	**725.0**

Previous report issued on Nov 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*725.0*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 105. mBank: Valuation summary (PLN/share)

Recommendation	Outperform
Dec'25 Target Price (PLN)	725.0
Current price (PLN)	549.4
Prospective upside (%)	32

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative valuation (50%) less the impact of CHF mortgage portfolio.*

DDM valuation (PLN/share)	638.0
Discounted dividends (PLN/share)	43.1
Terminal value (PLN/share)	595.0
Terminal ROE (%)	19.89
g (%)	3.00
CoE (%)	12.50
RFR (%)	12.50
Beta (x)	1.30
ERP (%)	5.0

Comparative Valuation PLN/share	906.6
Net Income (PLN mn, next 12 months)	5,504
Applied P/E (x)	7.0
P/E peers (x)	7.0
CHF impact	-47.7

Fig. 106. mBank: DDM Valuation sensitivity (PLN/share)

	ROE->	17.9%	18.9%	19.9%	20.9%	21.9%
	0.0%	535	564	593	622	651
	1.0%	549	581	613	645	677
g	2.0%	568	603	638	673	708
	3.0%	590	629	669	708	747
	4.0%	618	663	707	752	797

Fig. 107. mBank: DDM Valuation sensitivity (PLN/share)

	ERP->	3.0%	4.0%	5.0%	6.0%	7.0%
	3.0%	1,137	898	733	613	523
	3.5%	1,033	827	683	576	494
RFR	4.0%	945	766	638	542	467
	4.5%	868	712	598	511	443
	5.0%	802	664	562	483	421

Fig. 108. mBank: Our forecast vs Bloomberg consensus

	Bloomberg consensus			Our assumptions vs cons.		
	2024E	2025E	2026E	2024E	2025E	2026E
Net income	2,224	3,515	4,015	*-8%*	*-3%*	*15%*
DPS (PLN)	0.00	0.00	0.00	*n.m.*	*n.m.*	*n.m.*
ROE (%)	16.4	21.3	19.4	*-2.5 pp*	*-1.5 pp*	*2.9 pp*

Fig. 109. mBank: Comparative Valuation sensitivity (PLN/share)

Fair P/E (x)	4.0x	5.0x	6.0x	7.0x	9.0x	11.0x
vs. peers (%)	-43	-29	-14	0	29	57
Sensitivity	519	649	779	909	1,169	1,428

Fig. 110. mBank: Ratios, Assumptions and Forecasts

P&L (PLN mn, yr to Dec)	2022	2023	2024E	2025E	2026E
NII	7,169	8,933	9,770	10,198	9,481
F&C	2,143	1,916	1,920	1,889	1,857
Trading Income	-9	95	282	400	483
Total Revenue	9,124	10,862	12,179	12,447	11,780
Cost	-3,319	-3,074	-3,304	-3,427	-3,602
NLLP	-835	-1,165	-687	-1,132	-1,175
CHF-provisions	-3,112	-4,908	-3,925	-1,950	0
Pre-tax Profit	513	1,714	4,116	5,939	7,003
Banking tax	-684	-744	-748	-787	-829
Net Income	-766	24	2,056	3,416	4,633
Net Income (adj.)	3,786	4,189	5,541	5,366	4,633

PLN bn	2022	2023	2024E	2025E	2026E
Total Assets	209.9	226.3	236.5	249.2	268.1
Bonds	55.4	61.3	63.7	70.2	79.7
Loans	120.1	112.8	121.7	127.5	136.7
Loans growth (%)	2	-6	8	5	7
Deposits	183.6	196.6	204.3	213.5	227.8
Equity	12.7	13.7	15.7	18.8	22.8
Mortgage loans	48.1	43.1	45.3	50.2	54.7
CHF mortgages	11.9	8.3	5.6	5.1	4.7
Other retail loans	23.0	23.1	24.9	25.9	26.9
Corporate loans	52.3	50.9	56.6	57.7	62.5

NIM ratios (%)	2022	2023	2024E	2025E	2026E
Asset yield	5.37	7.07	6.54	6.22	4.78
Funding cost	1.85	3.05	2.36	2.08	1.11
NIM	3.66	4.26	4.37	4.34	3.79

Risk ratios (%)	2022	2023	2024E	2025E	2026E
Stage 3 ratio	3.7	4.0	3.7	3.7	3.7
Stage 3 coverage	56	58	58	58	58
Cost of risk	0.70	1.00	0.59	0.91	0.89

Du Pont (%)	2022	2023	2024E	2025E	2026E
NII/assets	3.50	4.10	4.22	4.20	3.67
CoR/assets	-0.41	-0.53	-0.30	-0.47	-0.45
F&C/assets	1.05	0.88	0.83	0.78	0.72
Other rev/assets	-2.27	-2.24	-1.55	-0.65	0.17
Costs/assets	-1.62	-1.41	-1.43	-1.41	-1.39
Taxes&other	-0.62	-0.77	-0.89	-1.04	-0.92
ROA	-0.37	0.01	0.89	1.41	1.79
Leverage (x)	15.5	16.5	15.7	14.1	12.4
ROE (reported)	-5.8	0.2	13.9	19.8	22.3

Capital & dividends	2022	2023	2024E	2025E	2026E
Tier-1 (PLN bn)	12.2	12.7	14.9	14.9	14.9
Tier-2 (PLN bn)			1.5	1.5	1.5
TCR (PLN bn)	2.2	2.0	1.5	1.5	1.5
RWA (PLN mn)	7.0	6.9	7.7	8.1	8.6
CT1 ratio (%)	88.0	86.5	96.2	100.8	108.0
CAR ratio (%)	13.8	14.7	15.5	14.8	13.8
Div. payout (%)	16.4	17.0	17.1	16.3	15.2
Dividend (PLN mn)	0.0	0.0	0.0	0.0	50.0
No. of shares (mn)	0	0	0	0	0

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

Santander

Millennium

Bloomberg: MIL PW, Reuters: MILP.WA

CEE Equity Research

Banks, Poland

2028 Strategy Unveiled

- **Equity story.** Bank Millennium recently unveiled its 2028 strategy, with financial targets aligning closely with our valuation assumptions. We anticipate that by 2025, MIL should make significant progress toward concluding the CHF provisions process, supporting our Outperform recommendation.
- **Still sizeable CHF provisions ahead?** To date, Millennium has booked PLN11.8bn in legal costs related to CHF mortgages. While the CEO indicated that additional provisions are likely, our valuation assumes a further PLN4.5bn in provisions. Out of the 104k CHF mortgages originally granted, assumptions are required for the 9.2k (9%) that remain active and the 15.7k (15%) that have been repaid but are not subject to the statute of limitations. The status of the remaining mortgages appears to be relatively clear.
- **2028 strategy highlights: ROE of 18% and dividend resumption by 2027** In October 2024, Bank Millennium unveiled its 2025-2028 strategy, outlining ambitious targets. The bank plans to resume dividend payments from 2027 and aims to achieve a reported ROE of approximately 18% by 2028 (we estimate 18.2%). Key strategic objectives include: (1) Targeting a cost-to-income ratio of around 37% (vs. 38% in our valuation assumptions); (2) Maintaining a low level of non-performing loans (NPL) below 4%; (3) Doubling the corporate banking loan portfolio to over PLN25bn; (4) growing the retail customer base to 3.7 million.
- **Bond portfolio growth high deposit cost.** Bank Millennium reported a 3Q24 average deposit cost of 2.31%, the highest among Polish banks. This significantly exceeds the second-highest, Pekao, at 1.85%, and BNP at 1.83%, while being well above PKO's 1.57%, the lowest among peers. Despite this, Millennium continued to grow its retail deposits by 14% over the past year, outpacing the market average of 10%. This strategy appears unique among Polish banks, as others have focused on optimizing deposit costs to enhance profitability. Millennium's approach, combined with evident opportunities for carry trade, underscores its distinct focus on balance sheet growth and liquidity.
- **Earnings forecasts**. We keep forecasts as of 29/11/2024 unchanged.
- **Valuation and risks.** We reiterate MIL as Outperform with Dec'25 TP of PLN11.0. Among the risks we note CHF-mortgage portfolios, various scenarios for WIBOR/deposits costs and macro risk.

Bank Millennium: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	2.2x	3.4x	3.3x	3.4x	3.3x
P/E (reported)	-5.5x	17.6x	14.5x	12.9x	5.2x
P/BV	1.01x	1.47x	1.27x	1.16x	1.01x
Dividend Yield	0.0%	0.0%	0.0%	0.0%	6.7%
EPS (PLN)	2.06	2.5	2.5	2.4	2.5
DPS (PLN)	0.00	0.00	0.00	0.00	0.55
BVPS (PLN)	4.5	5.7	6.5	7.1	8.1
Net Income (PLN mn)	2,500	2,993	2,986	2,953	3,016

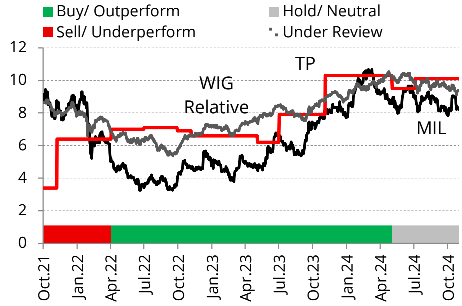
Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	8.225
Target price (PLN, Dec'25)	**11.00**

Previous report issued on Nov 29, 2024 with:

Recommendation	*Outperform*
TP (PLN, Dec'25)	*11.00*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 111. Bank Millennium: Valuation summary (PLN/share)

Recommendation	**Outperform**
Dec'25 Target Price (PLN)	**11.00**
Current price (PLN)	8.23
Prospective upside (%)	34

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative valuation (50%) less the estimated impact of CHF-mortgage portfolio.*

DDM valuation (PLN/share)	**13.3**
Discounted dividends (PLN/share)	0.4
Terminal value (PLN/share)	12.9
Terminal ROE (%)	28.68
g (%)	2.00
CoE (%)	12.50
Beta (x)	1.30
ERP (%)	5.0

Comparative Valuation PLN/share	**14.6**
Net Income (PLN mn, next 12 months)	2,951
Applied P/E (x)	6.0
P/E peers (x)	7.0
CHF impact	**-3.0**

Fig. 112. Bank Millennium: DDM Valuation sensitivity (PLN/share)

	ROE->	24.7%	26.7%	28.7%	30.7%	32.7%
	0.0%	10.5	11.3	12.1	12.9	13.7
	1.0%	10.9	11.8	12.7	13.5	14.4
g	**2.0%**	11.4	12.4	13.3	14.3	15.3
	3.0%	12.0	13.1	14.2	15.2	16.3
	4.0%	12.8	14.0	15.2	16.4	17.6

Fig. 113. Bank Millennium: DDM Valuation sensitivity (PLN/share)

	ERP->	3.0%	4.0%	5.0%	6.0%	7.0%
	3.0%	27.6	22.8	19.3	16.6	14.4
	3.5%	21.7	18.4	15.9	13.9	12.2
RFR	**4.0%**	17.6	15.2	13.3	11.8	10.5
	4.5%	16.0	13.9	12.3	10.9	9.8
	5.0%	14.6	12.8	11.4	10.2	9.2

Fig. 114. Bank Millennium: Our forecast vs Bloomberg consensus

	Bloomberg cons.			**Santander vs cons.**		
	2024E	**2025E**	**2026E**	**2024E**	**2025E**	**2026E**
Net income	687	1,045	2,246	*0%*	*-26%*	*-15%*
DPS (PLN)	0.00	0.00	0.20	*n.a.*	*n.a.*	*184%*
ROE (%)	9.4	15.1	19.9	*-0.1 pp*	*-5.6 pp*	*0.9 pp*

Fig. 115. Bank Millennium: Comparative Valuation sensitivity (PLN/share)

Fair P/E (x)	**3.0x**	**4.0x**	**5.0x**	**6.0x**	**8.0x**	**10.0x**
vs. peers (%)	-57	-43	-29	-14	14	43
Sensitivity	7.3	9.7	12.2	14.6	19.5	24.3

Fig. 116. Bank Millennium: Ratios, Assumptions and Forecasts

P&L (PLN mn)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
NII	4,760	5,253	5,649	5,846	6,305
F&C	808	782	781	789	797
Trading Income	-197	529	-87	240	240
Total Revenue	5,431	6,723	6,240	6,855	7,322
Cost	-2,093	-1,993	-2,212	-2,309	-2,413
NLLP	-460	-352	-513	-496	-505
CHF-provisions	-2,017	-3,065	-2,372	-2,176	-1,100
Pre-tax Profit	-562	1,312	1,143	1,874	3,304
Banking tax	-169	0	-231	-413	-440
Net Income	-1,015	576	686	776	1,916
Net Income (adj.)	2,500	2,993	2,986	2,953	3,016

PLN bn	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Total Assets	110.9	125.5	134.5	143.9	160.5
Bonds	21.7	43.6	49.2	53.1	64.6
Loans	76.6	73.6	74.7	80.2	85.3
Loans growth (%)	-3	-4	1	7	6
Deposits	98.3	110.6	118.3	126.9	142.2
Equity	5.5	6.9	7.8	8.6	9.9
Mortgage loans	42.4	39.8	39.9	44.4	48.6
CHF mortgages	10.5	8.8	6.8	6.3	5.8
Other retail loans	16.6	18.0	18.3	18.9	19.4
Corporate loans	19.8	18.3	19.3	20.1	21.0

NIM ratios (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Asset yield	6.14	7.33	7.01	6.54	5.64
Funding cost	1.71	2.98	2.77	2.44	1.53
NIM	4.55	4.57	4.46	4.31	4.24

Risk ratios (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Stage 3 ratio	4.2	4.6			
Stage 3 coverage	48.6	50.5			
Cost of risk	0.44	0.35	0.54	0.64	0.61

Du Pont (%)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
NII/assets	4.43	4.44	4.35	4.20	4.14
CoR/assets	-0.43	-0.30	-0.39	-0.36	-0.33
F&C/assets	0.75	0.66	0.60	0.57	0.52
Other rev/assets	-3.33	-2.01	-1.97	-1.41	-0.58
Costs/assets	-1.95	-1.69	-1.70	-1.66	-1.59
Taxes&other	-0.42	-0.62	-0.35	-0.79	-0.91
ROA	-0.94	0.49	0.53	0.56	1.26
Leverage (x)	17.6	19.1	17.7	17.0	16.5
ROE (reported)	-16.6	9.3	9.3	9.5	20.8

Capital & dividends	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Tier-1 (PLN bn)	5.5	6.1	6.9	7.7	9.6
Tier-2 (PLN bn)	1.5	1.4	1.2	1.2	1.2
TCR (PLN bn)	3.9	3.3	3.5	3.8	4.0
RWA (PLN mn)	52.8	41.4	43.7	46.9	49.9
CT1 ratio (%)	11.3	14.7	15.8	16.4	19.2
CAR ratio (%)	14.4	18.1	18.5	18.8	21.5
Div. payout (%)	0.0	0.0	0.0	0.0	35.0
Dividend (PLN mn)	0	0	0	0	0
No. of shares (mn)	1,213	1,213	1,213	1,213	1,213

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

OTP Bank

Bloomberg: OTP HB, Reuters: OTP.HU

CEE Equity Research

Banks, Hungary, CEE

Poised for Most Significant Acquisition Yet?

- **Equity story.** We maintain our view that OTP Bank warrants a discount to its CEE peers because of material exposure to Russia and Ukraine, erratic shareholder remuneration and likely upcoming sizeable brick and mortar acquisition(s) potentially executed above book value.
- **Shareholder remuneration at OTP Bank appears increasingly subject to its continued acquisition strategy.** In May 2024, Chairman-CEO Sándor Csányi revealed that OTP had made an offer for a bank in an EU member state where it currently lacks a presence. If completed, this acquisition would represent the largest in OTP's history. Csányi also noted OTP's ongoing interest in expansion opportunities in Poland. Bloomberg (May 2, 2024) reported that the potential target is Tallinn-based Luminor Bank, with sellers allegedly demanding a price-to-book value (P/BV) of 1.2x. This would imply a deal value of approximately EUR 2.1 billion, representing around 15% of OTP's market capitalization. Meanwhile, other sources (e.g., Portfolio.hu) have speculated that the target could instead be a Greek bank. OTP's largest acquisition to date was the purchase of Slovenian Nova KBM in February 2023, which added approximately EUR10bn in assets (12% of OTP Group) and EUR300mn in revenue (7% of OTP's total revenue). We see risks that OTP's irregular dividend and buyback history may persist amid its acquisition-driven strategy.
- **Consensus beat on stronger trading.** In 3Q24, OTP reported earnings that surpassed consensus expectations, primarily due to stronger trading performance. OTP reiterated 2024 guidance and revised its sensitivity to 100bps cuts in euro rate to EUR90mn (vs EUR110mn before). We now project a terminal Return on Equity (ROE) of 15.7%, an increase from our previous estimate of 15.0%, though still below the expected 23.6% for the full year 2024.
- **Earnings forecasts.** We keep forecasts as of 29/11/2024 unchanged.
- **Valuation and risks.** OTP trades at 2025E P/E of 5.4x, 2024E P/BV of 1.1x for 2024E ROE of 23.6%. The nearest dividend is at 3.7%. We keep our OTP target price at HUF22,300. Among the main risks we would mention exposure to Russia and Ukraine, HUF exchange rates, the outlook for cost of risk, regulatory changes and especially M&A.

OTP Bank: Financial summary and ratios

Year to Dec, HUFmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	4.8x	4.4x	5.5x	5.8x	6.3x
P/E (reported)	8.5x	4.4x	5.9x	5.8x	6.3x
P/BV	0.85x	1.08x	1.20x	1.04x	0.95x
Dividend Yield	4.2%	1.9%	3.4%	3.4%	4.6%
EPS (adjusted) (HUF)	2,116	3,602	3,939	3,747	3,468
DPS (HUF)	429	300	750	750	992
Net Income (adj. HUF mn)	11,844	14,596	18,201	20,973	23,003
Net Income (HUF mn)	593	1,009	1,103	1,049	971

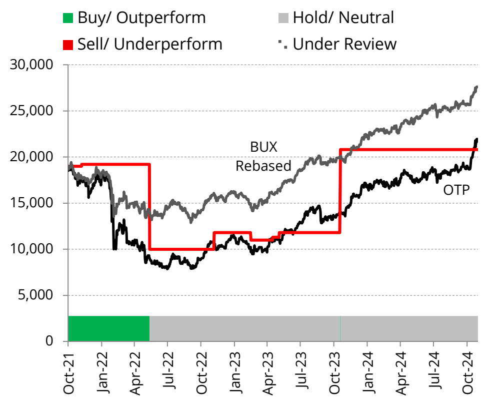
Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Underperform
Current price (25 Nov 2024, HUF)	21,770.0
Target price (HUF, Dec'25)	**22,300.0**

Previous report issued on Nov 29, 2024 with:

Recommendation	*Underperform*
TP (HUF, Dec'25)	*22,300*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 117. OTP Bank: Valuation summary (HUF/share)

Recommendation	Underperform
Dec'25 Target Price (HUF)	22,300
Current price (HUF)	21,770
Prospective upside (%)	2

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative Valuation (50%).*

DDM valuation (HUF/share)	21,842
Discounted dividends (HUF/share)	2,532.9
Terminal value (HUF/share)	19,309
Terminal ROE (%)	15.77
g (%)	3.00
CoE (%)	12.50
RFR (%)	12.50
Beta (x)	1.30
ERP (%)	5.0

Comparative Valuation HUF/share	22,725
Net Income (HUF mn, next 12 months)	1,061
Applied P/E (x)	6.0
P/E peers (x)	7.0

Fig. 118. OTP Bank: DDM Valuation sensitivity (HUF/share)

	ROE->	13.8%	14.8%	15.8%	16.8%	17.8%
	2.0%	18,635	20,003	21,371	22,739	24,106
	2.5%	18,723	20,159	21,595	23,031	24,467
g	3.0%	18,819	20,330	21,842	23,354	24,865
	3.5%	18,926	20,521	22,117	23,713	25,308
	4.0%	19,045	20,735	22,424	24,114	25,803

Fig. 119. OTP Bank: DDM Valuation sensitivity (HUF/share)

	ERP->	3.0%	4.0%	5.0%	6.0%	7.0%
	5.0%	34,014	28,829	24,897	21,820	19,352
	5.5%	30,474	26,159	22,817	20,158	17,997
RFR	6.0%	27,540	23,897	21,024	18,706	16,800
	6.5%	25,070	21,957	19,464	17,427	15,734
	7.0%	22,966	20,278	18,096	16,293	14,781

Fig. 120. OTP Bank: Our forecast vs Bloomberg consensus

	Bloomberg consensus			Our assumptions vs cons.		
	2024E	2025E	2026E	2024E	2025E	2026E
Net income	1,000	999	1,061	*1%*	*4%*	*-1%*
DPS (PLN)	842	940	1058	*-11%*	*-20%*	*-6%*
ROE (%)	22.0	18.6	16.7	*0.6 pp*	*0.6 pp*	*-0.9 pp*

Fig. 121. OTP Bank: Comparative Valuation sensitivity (HUF/share)

Fair P/E (x)	2.0x	3.0x	4.0x	6.0x	8.0x	10.0x
vs. peers (%)	-71	-57	-43	-14	14	43
Sensitivity	7,575	11,363	15,150	22,725	30,301	37,876

Fig. 122. OTP Bank: Ratios, Assumptions and Forecasts

P&L (HUF bn)	2022	2023	2024E	2025E	2026E
NII	1,091	1,387	1,722	1,786	1,838
F&C	600	692	800	813	816
Trading Income	-32	89	52	43	44
Total Revenue	1,649	2,373	2,582	2,642	2,697
Cost	-1,043	-1,074	-1,169	-1,284	-1,411
NLLP	-211	-98	-103	-188	-203
Pre-tax Profit	395	1,201	1,257	1,170	1,083
Banking tax	-91	-63	0	0	0
Net Income	335	1,010	1,037	1,049	971
Net Income (adj.)	593	1,009	1,103	1,049	971

HUF tr	2022	2023	2024E	2025E	2026E
Total Assets	32.8	39.6	42.4	45.7	48.9
Bonds	7.1	7.4	10.0	11.5	12.7
Loans	18.6	21.4	22.7	24.5	26.4
Loans growth (%)	18	15	6	8	8
Deposits	25.2	29.4	30.9	33.4	36.1
Equity	3.3	4.1	5.1	5.9	6.4
Loans - HU	6.5	6.6	7.0	7.9	8.9
Loans - BG	3.6	4.1	4.7	5.1	5.5
Loans - CR	2.3	2.3	2.7	2.9	3.2
Loans - other	6.3	8.5	8.3	8.6	8.9

NIM ratios (%)	2022	2023	2024E	2025E	2026E
Asset yield	6.96	8.54	7.84	7.62	7.45
Funding cost	3.56	5.04	3.83	3.81	3.88
NIM	3.79	4.02	4.41	4.25	4.06

Risk ratios (%)	2022	2023	2024E	2025E	2026E
Stage 3 ratio	5.3	4.2	4.3	4.3	4.3
Stage 3 coverage	65.4	61.4	61.0	61.0	61.0
Cost of risk	0.91	0.54	0.29	0.80	0.80

Du Pont (%)	2022	2023	2024E	2025E	2026E
NII/assets	3.62	3.83	4.20	4.06	3.89
CoR/assets	-0.70	-0.27	-0.25	-0.43	-0.43
F&C/assets	1.99	1.91	1.95	1.85	1.73
Other rev/assets	-0.14	0.81	0.02	0.10	0.09
Costs/assets	-3.46	-2.97	-2.85	-2.92	-2.98
Taxes&other/assets	-0.20	-0.53	-0.53	-0.27	-0.24
ROA	1.11	2.79	2.53	2.38	2.05
Leverage (x)	9.5	9.8	8.9	8.0	7.7
ROE (reported)	10.55	27.28	22.60	19.13	15.77

Capital & dividends	2022	2023	2024E	2025E	2026E
Tier-1 (HUF tr)	3.5	3.9	4.7	5.6	6.5
Tier-2 (HUF tr)	0.3	0.6	0.0	0.0	0.0
TCR (HUF tr)	1.7	1.9	2.1	2.4	2.6
RWA (HUF tr)	21.8	25.1	26.5	28.6	30.9
CT1 ratio (%)	16.4	16.4	18.1	18.3	19.7
CAR ratio (%)	17.8	18.8	18.1	18.3	19.7
Div. payout (%)	25.1	20.8	23.3	26.5	32.9
Dividend (HUF bn)	120	84	210	242	278
No. of shares (mn)	280.0	280.0	280.0	280.0	280.0

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

Pekao SA

Bloomberg: PEO PW, Reuters: PEO.WA

CEE Equity Research

Banks, Poland

Foundational work or Alior?

- **Equity story.** Pekao's future strategy depends on PZU's decisions regarding the management of its banking assets. Possible scenarios include increased specialization between the banks, a potential merger, or a continuation of the current independent development approach. PZU is expected to publish its strategy on December 2, 2024. In our view, the potential upside, capped at 6.5%, does not justify the integration risks or the distraction from essential day-to-day foundational work.
- **New CEO shared his preliminary assessment.** In October 2024, Cezary Stypułkowski assumed the role of CEO at Bank Pekao. In his initial communications, he identified several areas requiring attention: the demographics of retail clients are a disadvantage, the IT infrastructure is outdated (systems are sluggish, fragmented, and inconsistent), the brand needs revitalization, the F&C area requires attention, and the corporate culture needs to be flattened. These observations align with assessments made by previous management. We are curious about the remedies the new management will propose, how effectively they will be implemented, and the impact they will ultimately have.
- **Second approach to acquisition of Alior Bank?** In August 2018 Pekao and Alior decided not to merge claiming that detailed assessments raised doubts about the feasibility and profitability of the merger, leading both banks to conclude that independent operations would be more beneficial. We note that Alior risk profile converges in the direction of Pekao. Nevertheless we remain sceptical about the deal – we hardly see potential that merger would add valuable new capabilities for any of the banks. The scale alone is not a predictor of margin growth. Execution of integration would require mitigation of operational and cultural risks that can distract from day-to-day operations.
- **Cost synergies worth PLN3.2bn (6.5% of upside).** Assuming that synergies would account for 40% of Alior cost (PLN0.8bn pretax) and applying current P/E multiple (5.0x) we value cost synergies at PLN3.2bn, which accounts for 6.5% of the combined market cap of the two banks at PLN48.8bn.
- **Earnings forecasts.** We keep forecasts as of 29/11/2024 unchanged.
- **Valuation and risks.** We reiterate Pekao Outperform rating with a Dec'25 TP at PLN 178.0. Among the risks, we point out to Pekao being state-controlled, dividends and potential deterioration of the loan portfolio.

Pekao SA: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	4.8x	6.1x	5.4x	5.8x	5.9x
P/E (reported)	13.2x	6.1x	5.8x	5.8x	5.9x
P/BV	1.00x	1.32x	1.14x	1.09x	1.04x
Dividend Yield	5.0%	3.6%	13.6%	13.0%	13.0%
EPS (adjusted) (PLN)	17.9	25.0	26.2	24.4	24.0
DPS (PLN)	4.30	5.42	19.20	18.29	18.31
BVPS (PLN)	86.7	115.6	123.7	129.4	135.1
Net Income (PLN mn)	4,709	6,552	6,878	6,408	6,291

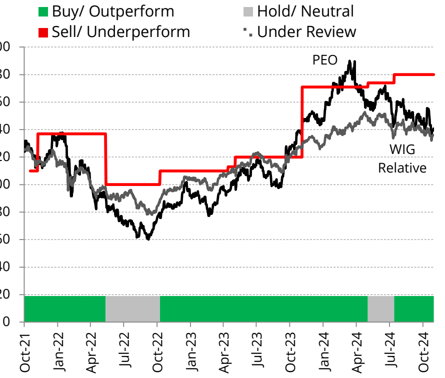
Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	140.75
Target price (PLN, Dec'25)	**178.00**

Previous report issued on Nov 29, 2024 with:

Recommendation	*Outperform*
TP (PLN, Dec'25)	*178*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 123. Pekao SA: Valuation summary (PLN/share)

Recommendation	**Outperform**
Dec'25 Target Price (PLN)	**178.00**
Current price (PLN)	140.75
Prospective upside (%)	26

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative valuation (50%) less the estimated cost related to CHF-mortgages.*

DDM valuation (PLN/share)	**194.7**
Discounted dividends (PLN/share)	44.4
Terminal value (PLN/share)	150.4
Terminal ROE (%)	17.63
g (%)	3.00
CoE (%)	11.50
RFR (%)	11.50
Beta (x)	1.10
ERP (%)	5.0

Comparative Valuation PLN/share	**167.8**
Net Income (PLN mn, next 12 months)	6,291
Applied P/E (x)	7.0
P/E peers (x)	7.0
CHF impact	**-2.8**

Fig. 124. Pekao SA: DDM Valuation sensitivity (PLN/share)

	ROE->	15.6%	16.6%	17.6%	18.6%	19.6%
	0.0%	169.7	178.9	188.1	197.3	206.5
	1.0%	171.8	181.5	191.2	200.9	210.7
g	2.0%	174.2	184.5	194.7	205.0	215.3
	3.0%	176.8	187.7	198.7	209.6	220.5
	4.0%	179.8	191.5	203.1	214.8	226.4

Fig. 125. Pekao SA: DDM Valuation sensitivity (PLN/share)

	ERP->	3.0%	4.0%	5.0%	6.0%	7.0%
	3.0%	315.9	260.1	220.9	192.0	169.8
	3.5%	288.1	240.9	207.0	181.4	161.6
RFR	4.0%	264.8	224.4	194.7	172.0	154.1
	4.5%	245.0	210.1	183.9	163.6	147.4
	5.0%	228.1	197.6	174.3	156.1	141.4

Fig. 126. Pekao SA: Our forecast vs Bloomberg consensus

	Bloomberg consensus			Our assumptions vs cons.		
	2024E	2025E	2026E	2024E	2025E	2026E
Net income	6,454	6,067	5,503	*-1%*	*6%*	*14%*
DPS (PLN)	18.67	16.66	15.41	*-2%*	*10%*	*-22%*
ROE (%)	20.4	18.2	15.8	*2.4 pp*	*2.9 pp*	*2.3 pp*

Fig. 127. Pekao SA: Comps Valuation sensitivity (PLN/share)

Fair P/E (x)	4.0x	5.0x	6.0x	7.0x	9.0x	11.0x
vs. peers (%)	-43	-29	-14	0	29	57
Sensitivity	95.9	119.8	143.8	167.8	215.7	263.6

Fig. 128. Pekao SA: Ratios, Assumptions and Forecasts

P&L (PLN mn, yr to Dec)	2022	2023	2024E	2025E	2026E
NII	10,203	11,924	12,819	13,497	13,101
F&C	2,807	2,861	2,818	2,847	2,875
Trading Income	215	537	355	206	223
Total Revenue	12,940	14,809	15,895	16,430	16,079
Cost	-4,561	-4,896	-5,327	-5,924	-6,190
NLLP	-1,103	-586	-677	-585	-629
Pre-tax Profit	3,749	9,360	9,101	9,321	9,259
Banking tax	-866	-879	-898	-955	-1,023
Net Income	1,718	6,579	6,402	6,408	6,291
Net Income (adj.)	4,709	6,552	6,878	6,408	6,291

PLN bn	2022	2023	2024E	2025E	2026E
Total Assets	281	306	330	356	375
Bonds	70	98	107	115	122
Loans	169	173	187	203	215
Loans growth (%)	-1	2	8	9	6
Deposits	223	245	272	295	313
Equity	23	30	32	34	35
Mortgage loans	65	66	70	77	82
CHF mortgages	3	2	1	1	1
Other retail loans	11	12	13	13	13
Corporate loans	103	105	112	121	129

NIM ratios (%)	2022	2023	2024E	2025E	2026E
Asset yield (%)	5.32	6.66	6.28	5.95	4.70
Funding cost (%)	1.28	2.52	2.23	2.01	1.05
NIM (%)	4.15	4.39	4.27	4.13	3.76

Risk ratios (%)	2022	2023	2024E	2025E	2026E
Stage 3 ratio	6.0	5.9			
Stage 3 coverage	71.2	68.6			
Cost of risk	1.19	0.33	0.38	0.30	0.30

Du Pont (%)	2022	2023	2024E	2025E	2026E
NII/assets	3.84	4.06	4.03	3.94	3.59
CoR/assets	-0.41	-0.20	-0.21	-0.17	-0.17
F&C/assets	1.06	0.97	0.89	0.83	0.79
Other rev/assets	-0.28	0.01	0.07	0.03	0.03
Costs/assets	-1.72	-1.67	-1.68	-1.73	-1.69
Taxes&other	-0.76	-0.95	-0.85	-0.85	-0.81
ROA	1.72	2.23	2.25	2.04	1.72
Leverage (x)	11.4	11.1	10.1	10.3	10.5
ROE (reported)	19.65	24.70	22.78	21.10	18.12

Capital & dividends	2022	2023	2024E	2025E	2026E
Tier-1 (PLN bn)	23.1	23.5	25.1	26.7	29.9
Tier-2 (PLN bn)	2.7	2.4	2.2	2.2	2.2
TCR (PLN bn)	11.9	12.3	13.1	14.2	15.1
RWA (PLN mn)	148.3	154.2	164.0	178.1	188.6
CT1 ratio (%)	15.6	15.3	15.3	15.0	15.9
CAR ratio (%)	17.4	16.8	16.6	16.2	17.0
Div. payout (%)	82.8	75.0	75.0	75.0	50.0
Dividend (PLN mn)	1,129	1,423	5,039	4,801	4,806
No. of shares (mn)	262	262	262	262	262

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

Santander

PKO BP

Bloomberg: PKO PW, Reuters: PKO.WA

CEE Equity Research

Banks, Poland

Ambition for market share gains

- **Equity story.** In October, PKO released its 2025–2027 strategy, with key financial targets such as ROE and C/I aligning with our valuation assumptions. PKO appears to have a conservative outlook on the cost of risk but ambitious targets for volume growth and market share expansion. We believe that double-digit dividend yields, combined with a 2026E P/BV of 1.1x and a projected 2027E ROE of 18%, support an outperform recommendation.
- **Double digit dividends ahead?** We anticipate a 75% payout ratio, which would translate to dividend yields (DY) of 10.4%, 11.6%, and 8.1% over the next three years.
- **PKO's recently unveiled 2025–2027 strategy** outlines key financial targets, including a return on equity (ROE) exceeding 18% and a cost-to-income (C/I) ratio below 35% by 2027. Our projections align closely, anticipating a C/I ratio of 34.1%. The bank's forecasted cost of risk (CoR) between 0.7% and 0.9% appears conservative, especially when compared to institutions with higher risk profiles, such as Alior Bank, which projects a CoR of approximately 0.8%. Our analysis suggests a more optimistic CoR of 0.6% for PKO. PKO's ambition to boost its market share in major loan and deposit categories by an average of 1.5 percentage points over the next three years is notably ambitious. This goal surpasses our current valuation assumptions, which anticipates PKO's growth aligning with the overall market.
- **The lowest deposit cost among peers.** As of 4Q23 PKO had second highest deposit cost (after Bank Millennium) at 2.3%. In 3Q24 average deposit cost declined to 1.6% and was the lowest among peers (comparing to 1.7% for mBank, 1.8% for Pekao, BNP and Santander and 2.3% for Millennium).
- **Room for continued improvement on asset yield.** 3Q24 yield on PKO fixed income portfolio was at 3.79%; if it was rolled over at the current yield curve above 5.0%, PKO would have PLN3.0bn higher NII or 65 bps higher NIM. We assume that during 2025 cost of hedging will reduce materially – the cost of heading in the last 12 months was at PLN2,139mn. While we had previously expressed scepticism about the potential for further reductions in deposit costs, PKO's recent performance has exceeded expectations. However, considering its current low level, we anticipate limited room for additional decreases in the near future.
- **Valuation and risks.** We reiterate PKO Outperform with a Dec'25 TP of PLN72.0. The major risks are related to state control, CHF portfolio and negative sentiment towards banks.

PKO BP: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
P/E (adjusted)	11.4x	6.1x	4.9x	4.9x	5.8x
P/E (reported)	11.4x	11.4x	7.2x	6.5x	6.2x
P/BV	1.07x	1.41x	1.30x	1.15x	1.04x
Dividend Yield	2.5%	4.8%	10.3%	11.6%	8.1%
EPS (PLN)	2.67	8.34	11.06	10.99	9.44
DPS (PLN)	1.28	2.59	5.63	6.30	4.40
BVPS (PLN)	28.4	36.2	41.7	47.3	52.1
Net Income (PLN mn)	3,333	10,421	13,831	13,735	11,800

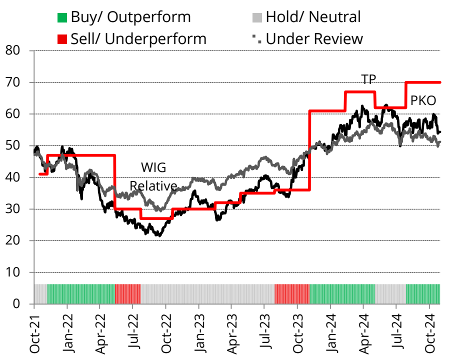
Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	54.38
Target price (PLN, Dec'25)	**72.00**

Previous report issued on Nov 29, 2024 with:

Recommendation	*Outperform*
TP (PLN, Dec'25)	*72.0*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 129. PKO BP: Valuation summary (PLN/share)

Recommendation	**Outperform**
Dec'25 Target Price (PLN)	**72.00**
Current price (PLN)	54.38
Prospective upside (%)	32

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative valuation (50%) less estimated impact of CHF-mortgages.*

DDM valuation (PLN/share)	**73.2**
Discounted dividends (PLN/share)	14.8
Terminal value (PLN/share)	58.4
Terminal ROE (%)	17.70
g (%)	3.00
CoE (%)	11.50
RFR (%)	11.50
Beta (x)	1.10
ERP (%)	5.0

Comparative Valuation PLN/share	**77.9**
Net Income (PLN mn, next 12 months)	13,915
Applied P/E (x)	7.0
P/E peers (x)	7.0
CHF impact/ share	**-3.9**

Fig. 130. PKO BP: DDM Valuation sensitivity (PLN/share)

	ROE->	13.7%	15.7%	17.7%	19.7%	21.7%
	1.0%	55.6	62.1	68.5	74.9	81.3
	2.0%	56.4	63.5	70.6	77.7	84.8
g	**3.0%**	57.3	65.2	73.2	81.1	89.0
	4.0%	58.5	67.5	76.4	85.4	94.4
	5.0%	60.0	70.4	80.7	91.1	101.5

Fig. 131. PKO BP: DDM Valuation sensitivity (PLN/share)

	ERP->	3.0%	4.0%	5.0%	6.0%	7.0%
	5.0%	120.2	98.5	83.3	72.1	63.5
	5.5%	109.4	91.1	77.9	68.0	60.3
RFR	**6.0%**	100.3	84.7	73.2	64.4	57.4
	6.5%	92.7	79.1	69.0	61.1	54.8
	7.0%	86.1	74.2	65.2	58.2	52.5

Fig. 132. PKO BP: Our forecast vs Bloomberg consensus

	Bloomberg consensus			Our assumptions vs cons.		
	2024E	2025E	2026E	2024E	2025E	2026E
Net income	10,164	10,654	10,810	*-8%*	*-1%*	*2%*
DPS (PLN)	4.24	5.51	5.31	*33%*	*14%*	*-17%*
ROE (%)	19.6	18.5	17.9	*0.6 pp*	*0.4 pp*	*-0.3 pp*

Fig. 133. PKO BP: Comparative Valuation sensitivity (PLN/share)

Fair P/E (x)	1.0x	2.0x	3.0x	7.0x	8.0x	12.0x
vs. peers (%)	-86	-71	-57	0	14	71
Sensitivity	11.1	22.3	33.4	77.9	89.1	133.6

Fig. 134. PKO BP: Ratios, Assumptions and Forecasts

P&L (PLN mn, yr to Dec)	2022	2023	2024E	2025E	2026E
NII	14,924	18,318	22,222	23,576	21,554
F&C	4,951	5,429	5,887	5,956	6,084
Trading Income	310	337	458	352	231
Total Revenue	20,383	24,224	28,769	30,044	28,032
Cost	-7,850	-7,635	-8,521	-8,991	-9,428
NLLP	-1,564	-1,373	-1,596	-1,894	-1,723
CHF provisions	-5,025	-5,430	-4,314	-4,000	-1,000
Pre-tax Profit	6,015	9,885	13,995	15,199	15,921
Banking tax	-1,266	-1,231	-1,261	-1,360	-1,428
Net Income	**3,333**	**5,594**	**9,377**	**10,495**	**10,990**
Net Income (adj.)	3,333	10,421	13,831	13,735	11,800

PLN bn	2022	2023	2024E	2025E	2026E
Total Assets	435	502	517	557	583
Bonds	136	197	203	222	236
Loans	236	246	260	281	294
Loans growth (%)	*-1*	*4*	*6*	*8*	*5*
Deposits	340	399	407	441	461
Equity	35	45	52	59	65
Mortgage loans	111	115	124	134	141
CHF mortgages	17	13	10	8	7
Other retail loans	32	35	38	40	42
Corporate loans	98	106	108	119	123

NIM ratios (%)	2022	2023	2024E	2025E	2026E
Asset yield (%)	4.93	6.23	6.23	6.02	4.57
Funding cost (%)	1.41	2.42	1.94	1.69	0.75
NIM (%)	3.74	4.17	4.59	4.60	3.95

Risk ratios (%)	2022	2023	2024E	2025E	2026E
Stage 3 ratio (%)	3.7	3.5	3.6	3.6	3.6
Stage 3 coverage (%)	61.8	59.5	51.0	51.0	51.0
Cost of risk (%)	0.66	0.57	0.63	0.70	0.60

Du Pont (%)	2022	2023	2024E	2025E	2026E
NII/assets	3.48	3.91	4.37	4.39	3.78
CoR/assets	-0.37	-0.29	-0.31	-0.35	-0.30
F&C/assets	1.16	1.16	1.16	1.11	1.07
Other rev/assets	0.14	0.12	0.16	0.10	0.08
Costs/assets	-1.83	-1.63	-1.67	-1.67	-1.65
Taxes&other/assets	-1.80	-2.08	-1.75	-1.62	-1.04
ROA	0.78	1.19	1.94	1.96	1.93
Leverage (x)	11.7	11.6	10.5	9.6	9.2
ROE (reported)	9.11	13.87	20.25	18.85	17.68

Capital & dividends	2022	2023	2024E	2025E	2026E
Tier-1 (PLN bn)	40.8	42.5	44.9	47.2	49.8
Tier-2 (PLN bn)	2.7	2.7	2.7	2.7	2.7
TCR (PLN bn)	17.4	18.1	19.1	20.7	21.7
RWA (PLN mn)	200.8	209.0	221.2	239.4	250.5
CT1 ratio (%)	18.8	18.8	18.8	18.2	18.4
CAR ratio (%)	20.0	20.0	19.9	19.3	19.4
Div. payout (%)	0.0	75.0	75.0	75.0	50.0
Dividend (PLN mn)	2,288	1,600	3,238	7,033	7,871
No. of shares (mn)	1,250	1,250	1,250	1,250	1,250

Source for all tables: Company data, Bloomberg, Santander Brokerage Poland NOTE: historical valuation ratios based on eoy prices

PZU

Bloomberg: PZU PW, Reuters: PZU.WA

CEE Equity Research

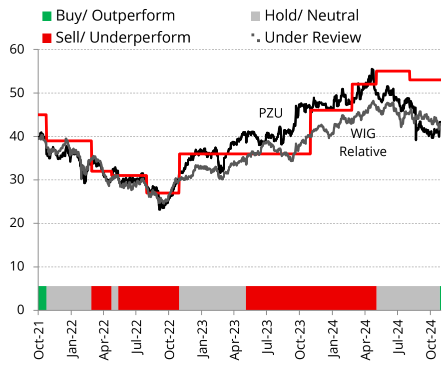
Insurance, Poland

New strategy ahead

- **Equity story.** We believe PZU's share price has returned to an attractive level, offering prospective dividend yields exceeding 10%. The upcoming strategy presentation could serve as a catalyst, potentially alleviating concerns regarding PZU's dividend capacity and providing clarity on addressing ongoing challenges.
- **PZU is set to announce its new strategy on December 2nd.** We expect the strategy to focus on several key areas: (1) addressing challenges in the motor TPL segment and reversing the current trend of deepening losses; (2) reviving growth in Group Life segment, leveraging its strong margins.;(3) enhancing customer satisfaction and loyalty in the PZU Zdrowie health business. For valuation purposes, we assume no changes in PZU’s asset structure. However, any potential strategic adjustments could have implications for key holdings, including Pekao, Alior Bank, mutual funds, and Link4. We anticipate that the strategy will reiterate PZU's commitment to robust shareholder remuneration.
- **We maintain our forecast for the upcoming DPS at PLN4.40**, exceeding the Bloomberg consensus estimate of PLN4.12. This would correspond to a 98% payout from standalone net income.
- **We are further lowering our expectations for the profitability of the Non-Life segment.** In 3Q24, losses in the mass MTPL segment deepened to PLN94mn, partly on PLN37mn annuities one-off. Further repricing seems needed to restore historical profitability. We remind that the weather-related claims (PLN230mn in 2Q24), flooding claims (PLN275mn in 3Q24) weight strongly on 2024 non-life results.
- **Conversely, we are once again increasing our expectations for the Life segment**, which continues to deliver robust results. PZU reported strong profitability in the group life business for the third consecutive quarter. Particularly notable was the performance of the individual protection insurance segment, where the gross margin reached an impressive 58% in 3Q24, exceeding our expectations.
- **Earnings forecasts**. Forecasts as of 22/11/2024 stay unchanged.
- **Valuation and risks**. We reiterate Dec’25 TP for PZU at PLN53.0. Risk factors include - the state control, the new management board, broad dividend policy with pay-outs ranging from 50%-100%, volatility of investment results, volatility of combined ratio and life margin, M&A risk, regulatory risk, risks related to the banking sector and operations outside Poland esp. Ukraine.

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	43.12
Target price (PLN, Dec’25)	**53.00**
Previous report issued on Nov 22, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec’25)	*53.0*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

PZU: Financial summary and ratios

PZU	2022	2023	2024E	2025E	2026E
P/E	11.7x	7.6x	8.0x	7.6x	7.8x
P/BV	1.68x	1.47x	1.39x	1.29x	1.23x
ROE	13.4%	18.7%	16.7%	16.5%	15.2%
Dividend Yield	4.7%	8.5%	8.0%	8.6%	8.5%
EPS (PLN)	4.36	6.70	6.35	6.67	6.52
DPS (PLN)	2.40	4.34	4.06	4.36	4.33
BVPS (PLN)	30.3	34.8	36.8	39.4	41.5
Net Income (PLN mn)	3,763	5,789	5,487	5,762	5,630

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 124. PZU: Valuation summary (PLN/share)

Recommendation	**Outperform**
Target Price (Dec'25PLN)	**53.00**
Current price (PLN)	43.12
Prospective upside (%)	23

**Our Dec'25 Target Price is calculated as rounded average of DDM Valuation (50%) and Comparative Valuation (50%).*

DDM valuation (PLN/share)	**51.3**
Discounted dividends (PLN/share)	11.7
Terminal value (PLN/share)	39.6
Terminal ROE (%)	15.90
g (%)	3.00
CoE from 2026 onwards (%)	11.60
RFR from 2026 onwards (%)	11.60
Beta (x)	1.10
ERP (%)	5.0

Comp. Valuation PLN/share	**54.8**
Net Income (PLN mn, next 12 months)	5,254
Applied P/E (x)	9.0
P/E peers (x)	7.0

Fig. 125. PZU: DDM Valuation sensitivity (PLN/share)

	ROE->	13.9%	14.9%	15.9%	16.9%	17.9%
	0.0%	43.3	45.6	47.8	50.1	52.4
	2.0%	44.4	47.1	49.9	52.6	55.4
g	**3.0%**	45.1	48.2	51.3	54.3	57.4
	4.0%	46.0	49.5	53.0	56.5	59.9
	5.0%	47.3	51.3	55.2	59.2	63.2

Fig. 126. PZU: DDM Valuation sensitivity (PLN/share)

	ERP->	4.0%	5.0%	6.0%	7.0%	8.0%
	4.0%	82.7	68.3	58.1	50.6	44.8
	4.5%	75.5	63.3	54.5	47.8	42.6
ERP	**5.0%**	69.5	59.0	51.3	45.3	40.6
	5.5%	64.3	55.3	48.4	43.1	38.9
	6.0%	59.9	52.0	45.9	41.1	37.2

Fig. 127. PZU: Our forecast vs Bloomberg consensus

	Bloomberg consensus			**Our forecast vs cons.**		
	2024C	**2025C**	**2026C**	**2024E**	**2025E**	**2026E**
Net income	5,208	5,363	5,261	*1%*	*5%*	*9%*
DPS (PLN)	4.12	4.24	4.37	*7%*	*3%*	*-1%*
ROE (%)	17.1	18.0	16.2	*-1 pp*	*-2 pp*	*0 pp*

Fig. 128. PZU: Comps Valuation sensitivity (PLN/share)

Fair P/E (x)	**6.0x**	**7.0x**	**8.0x**	**9.0x**	**11.0x**	**13.0x**
vs. peers (%)	-14	0	14	29	57	86
Sensitivity	36.5	42.6	48.7	54.8	66.9	79.1

Fig. 129. PZU: Ratios, Assumptions and Forecasts

P&L by segments (PLN mn)	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**
Life - Group	1,525	1,595	1,771	1,627	1,717	1,768
Life - Individual	224	281	329	308	323	340
N-Life - Corporate	337	618	563	481	505	530
Mass - MTPL	267	174	-210	20	230	297
Mass - MOD	429	368	259	310	380	380
Mass - non Moto	817	995	431	969	960	960
Foreign	234	329	398	418	439	461
Investments Poland	627	766	708	743	781	820
Operating profit	4,460	5,125	4,249	4,876	5,335	5,556
Insurance - net income	**3,183**	**3,808**	**3,121**	**3,556**	**3,878**	**4,037**
Banks - net income	**580**	**1,981**	**2,133**	**2,075**	**1,867**	**1,935**
Net Income	**3,763**	**5,789**	**5,254**	**5,631**	**5,745**	**5,972**

Balance sheet (PLN bn)	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**
Equity - attr.	26.2	30.0	31.5	33.4	35.3	37.6
Equity - total	48.4	60.5				
Investment portfolio	41.1	49.2	53.6	55.5	57.4	59.4
Total assets	429	468	501	530	562	597
Solvency Ratio	234%	228%	231%	230%	229%	230%
Own funds (PLN bn)	26.4	28.0	30.3	32.1	34.1	36.3
Capital req (PLN bn)	11.3	12.3	13.1	14.0	14.9	15.8

Capital & dividends	**2022**	**2023**	**2024E**	**2025E**	**2026E**	**2027E**
Net income standalone	1,637	3,983	3,865	3,967	3,940	3,839
Dividend (PLN mn)	2,072	3,748	3,800	3,768	3,743	3,647
payout - standalone	127%	94%	98%	95%	95%	95%
payout - consolidated	55%	65%	72%	67%	65%	61%
DPS (PLN)	**2.40**	**4.34**	**4.40**	**4.36**	**4.33**	**4.22**
No shares (mn)	864	864	864	864	864	864

Source for all tables: Company data, Santander Brokerage Poland estimates.

Santander

Consumer Goods

Fig. 130. Recommendation and valuation summary

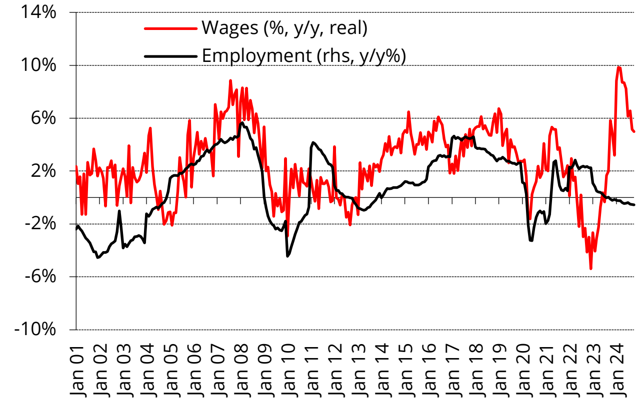
Company	Rec.	TP (local)	Price (local)*	to TP	P/E (x) 2024E	P/E (x) 2025E	P/E (x) 2026E	EV/EBITDA (x) 2024E	EV/EBITDA (x) 2025E	EV/EBITDA (x) 2026E	FCF yield 2024E	FCF yield 2025E	FCF yield 2026E
Allegro	Outperform	34.3	29.3	17%	19.9	19.0	15.3	9.9	9.1	7.7	9.0%	7.0%	7.3%
Amrest	Neutral	23.4	21.1	11%	27.3	20.9	15.4	7.0	6.8	6.2	0.4%	-3.8%	-1.1%
Auto Partner	Neutral	22.6	21.0	8%	14.0	11.2	9.1	9.4	7.4	6.2	7.8%	3.9%	0.3%
CCC	Underperform	119.4	213	-44%	21.7	20.8	17.6	15.2	11.7	10.2	-0.2%	1.2%	2.2%
Dino	Outperform	471	391	20%	26.3	19.5	15.8	16.9	13.1	10.7	2.8%	2.7%	4.1%
Eurocash	Neutral	8.3	7.7	8%	n.a.	n.a.	n.a.	8.1	7.9	7.8	12.5%	5.0%	1.6%
Inpost	Neutral	18.1	17.2	5%	28.2	19.4	13.8	12.0	9.0	6.7	1.9%	3.4%	5.7%
Inter Cars	Neutral	536	477	12%	10.6	9.3	7.9	7.3	6.6	5.9	2.5%	-0.6%	-1.5%
LPP	Outperform	24,843	15,520	60%	13.2	10.6	8.6	7.4	5.9	4.6	7.0%	7.1%	10.4%
Neuca	Outperform	1,004	782	28%	20.5	16.4	12.9	9.7	8.1	6.8	4.6%	6.1%	7.9%
Pepco	Underperform	15.9	16.2	-2%	11.7	11.8	9.6	5.3	5.2	4.5	3.4%	3.7%	5.9%
Zabka	Outperform	25.3	17.9	41%	24.0	16.9	12.5	10.1	8.7	7.4	2.4%	1.2%	3.8%
Median					**19.8**	**16.0**	**12.6**	**9.9**	**8.3**	**7.1**	**4.5%**	**3.1%**	**3.9%**

*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25,2024*

Selective approach to Consumer Goods in 1H25E

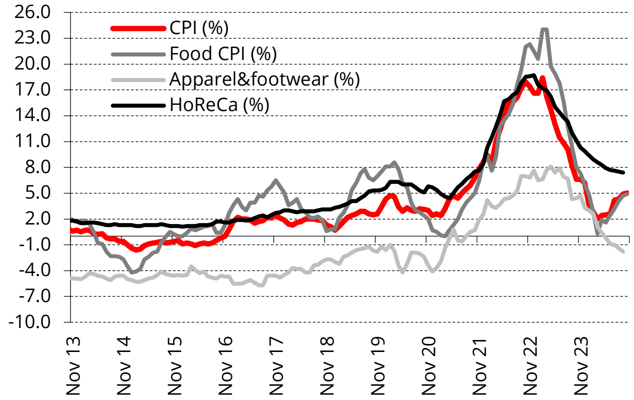
We recommend to take a selective approach to the Consumer goods companies in 1H25. We think that consumer strength momentum as measured by corporate wage bill real growth should further decline in 2H24 and stay between 2.0%-4.0% in 2H25E indicating more challenging background for companies next year. Our top picks are: LPP and Neuca.

Fig. 131. In 1H24 real wages growth peaked ...



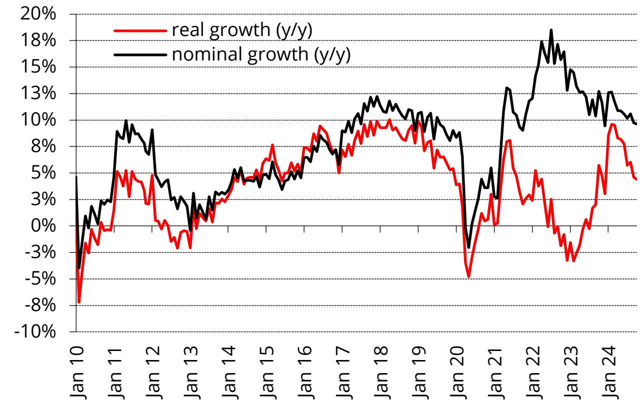
Source: Santander Brokerage Poland

Fig. 132. ... and disinflation trends have ended ...



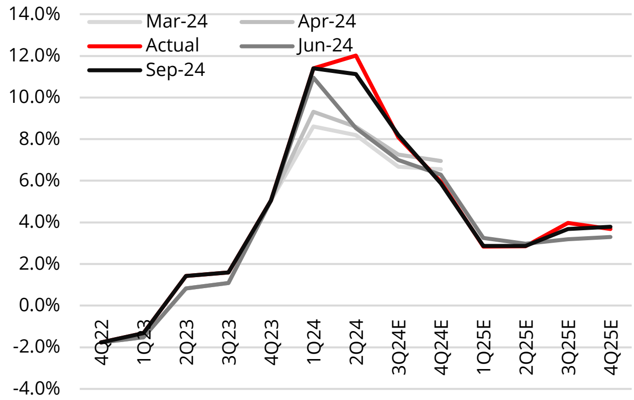
Source: Santander Brokerage Poland

Fig. 133. ... leading also to corporate wage bill real growth peaking at this time.



Source: Santander Brokerage Poland

Fig. 134. In 1H25 CWB* momentum decline is expected to continue in 1H25



*Source: Santander Brokerage Poland, * Corporate wage bill*

Allegro

Bloomberg: ALE PW, Reuters: ALEP.WA

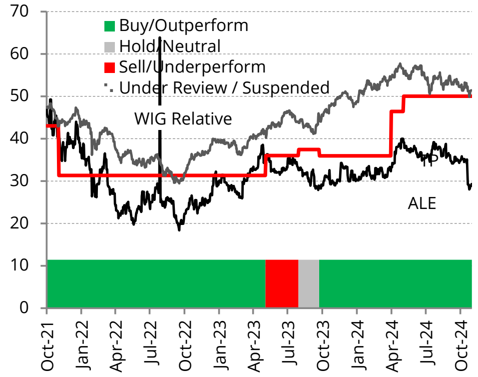
CEE Equity Research

Consumer, Poland

Overreaction

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	29.3
Target price (Dec'25, PLN)	**34.3**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*50.0*

STOCK PERFORMANCE



The chart measures performance against the WIG20 index.

- **Equity story.** We recommend Outperform for Allegro with the TP of PLN34.3 as we see recent share price contraction discounting the overly gloomy picture. We point at 2025's attractive valuation with EV/GMV at 0.4x (34% discount to post-covid 3Y avg. 0.6x), which is additionally supported by low EV/EBITDA at 9.1x. We expect continuation of positive short term trends from 3Q24 in Poland's GMV growth (guidance increase to 11%-13%) till the year-end. We also expect continuation in GMV growth in Poland in 2025E albeit a notch slower (+9% y/y reflecting in expected consumer's slowdown). We expect 2025E's EBITDA coming in flattish (+2% y/y) due to costs pressures after strong EBITDA-to-GMV margin improvement in 2024E. We note fundamental upside for Allegro shares but we also think that share overhang will continue casting a shadow on the equity story. We expect that there may be around 7-8 ABB transactions similar in size to the recent ones ahead of investors in the coming years.
- **Recent developments.** Allegro reported 3Q24 results, which matched SANe and market expectations on GMV, revenues and EBITDA. On the other hand, net profit came in 37% below market expectations and 20% below SANe. Allegro also reported weak 3Q24 FCF at PLN287mn (-66% y/y) with LTM at PLN2,820mn (-12% q/q). Allegro also presented 4Q24 guidance, which looks weak with 2%-6% EBITDA decline in 4Q24E. The only positive is the expected GMV growth acceleration from 10%-11% to 11%-13% in 4Q24E.
- **Earnings forecasts.** We are increasing our adj. EBITDA and adj. net profit forecast by 4%/6%/8% and 5%/12%/17% in 2024/26E, respectively.
- **Valuation and risks.** Our valuation points at PLN34.3 (vs. previous PLN50.0) per share. The DCF valuation points at PLN44.3 (down by 19%). The multiple valuation points at PLN35.4 (down 27%). In the multiple valuation, we added NTM FCF ex. growth valuation @ 7.0% yield (PLN27.7; 33% weight) to the GMV valuation (PLN39.2; 67% weight). We also added 10% discount to the share overhang valuation. Apart from share overhang, the core risks include (1) a slowdown in the structural growth of the online segment, (2) an increase in competitive pressure and (3) higher than expected losses from international markets.

Allegro: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
GMV	52,496	58,376	64,079	70,871	79,006
Sales	9,005	10,251	10,828	12,265	14,013
Adj. EBITDA	2,153	2,540	3,235	3,302	3,600
Adj. net profit	849	1,339	1,552	1,629	2,017
EV/GMV (x)	0.73	0.65	0.50	0.42	0.35
P/E (x)	38.6	25.4	19.9	19.0	15.3
EV/EBITDA (x)	17.8	14.9	9.9	9.1	7.7
FCF Yield	3.5%	6.1%	9.0%	7.0%	7.3%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 135. Allegro: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	*y/y*	*q/q*	SANe	Cons.
GMV	14,067	16,940	14,305	15,810	15,458	*11.1%*	*10.5%*	15,481	15,498
Revenue	2,432	3,100	2,475	2,697	2,621	*12.5%*	*9.0%*	2,647	2,660
adj. EBITDA	677	752	706	763	735	*31.5%*	*8.1%*	715	725
margin	27.8%	24.3%	28.5%	28.3%	28.0%	*4.1*	*-0.2*	27.0%	n.a.
GMV margin	4.8%	4.4%	4.9%	4.8%	4.8%	*0.7*	*-0.1*	4.6%	n.a.
EBITDA	640	721	671	727	675	*32.7%*	*8.3%*	687	n.a.
margin	26.3%	23.2%	27.1%	27.0%	25.7%	*4.1*	*-0.2*	25.9%	n.a.
adj. net profit	337	481	324	431	193	*117.1%*	*33.1%*	295	n.a.
margin	2.4%	2.8%	2.3%	2.7%	1.2%	*1.3*	*0.5*	11.1%	n.a.
net profit	242	-234	242	347	193	*191.8%*	*43.5%*	241	306
margin	9.9%	-7.5%	9.8%	12.9%	7.4%	*7.9*	*3.1*	9.1%	n.a.

Source: Company data, Santander Brokerage Poland estimates

Fig. 136. Allegro: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
GMV	64,079	64,309	*-0.4%*	70,871	72,828	*-2.7%*	79,006	82,645	*-4.4%*
Sales	10,828	11,306	*-4.2%*	12,265	13,025	*-5.8%*	14,013	15,248	*-8.1%*
Adj. EBITDA	3,235	3,230	*0.2%*	3,302	3,739	*-11.7%*	3,600	4,338	*-17.0%*
Adj. net profit	1,552	1,637	*-5.2%*	1,629	1,859	*-12.4%*	2,017	2,425	*-16.8%*

Source: Santander Brokerage Poland estimates

Fig. 137. Allegro: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	44.3	54.5	*-18.8%*
Multiple valuation	35.4	48.1	*-26.5%*
Target Price (Dec'2025) *	**34.3**	**50.0**	***-31.6%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples, TP also is decreased by 10% discount factor related to the assumed risk of ABB*

Fig. 138. Allegro: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
GMV	52,496	58,376	64,079	70,871	79,006
Net sales	9,005	10,251	10,828	12,265	14,013
Adj. EBITDA	2,153	2,540	3,235	3,302	3,600
EBIT	1,129	1,440	2,128	2,097	2,312
Profit before tax	671	1,150	1,803	1,838	2,341
Net profit (reported)	394	934	1,338	1,415	1,803
Adj. net profit	849	1,339	1,552	1,629	2,017
Adj. EBITDA/GMV margin	4.1%	4.4%	5.0%	4.7%	4.6%
Adj. EBITDA margin	23.9%	24.8%	29.9%	26.9%	25.7%
EBIT margin	12.5%	14.0%	19.7%	17.1%	16.5%
Adj. net margin	9.4%	13.1%	14.3%	13.3%	14.4%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	3,179	4,014	5,628	5,867	4,769
Fixed assets	16,054	14,525	14,222	13,776	13,508
Total assets	19,233	18,539	19,850	19,643	18,277
Current liabilities	2,313	2,268	2,744	3,121	3,514
bank debt	2	3	3	3	3
Long-term liabilities	7,939	7,227	6,725	4,725	1,163
bank debt	6,452	6,065	5,562	3,562	0
Equity	8,981	9,043	10,382	11,797	13,600
Total liability and equity	19,233	18,539	19,850	19,643	18,277
Net debt	5,551	3,914	1,131	-1,040	-3,305
Net Debt/ EBITDA (x)	2.6	1.5	0.3	-0.3	-0.9

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	1,855	2,541	3,433	2,804	3,158
CF from investment	-3,076	-467	-650	-633	-893
CF from financing, incl.	142	-902	-503	-2,000	-3,562
dividends	0	0	0	0	0
Net change in cash	-1,080	1,172	2,280	171	-1,297
FCF	1,132	2,070	2,783	2,171	2,265

Source: Company data, Santander Brokerage Poland estimates

Santander

Amrest

Bloomberg: EAT PW, Reuters: AMMR.WA

CEE Equity Research

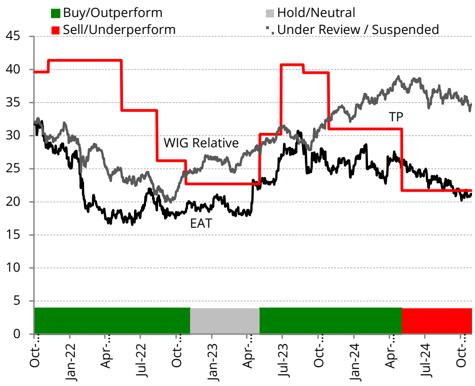
Consumer, Poland

Low payback capex hits the story

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	21.1
Target price (Dec'25, PLN)	**23.4**
Previous report issued on May 29, 2024 with:	
Recommendation	*Underperform*
TP (PLN, Dec'24)	*21.7*

- **Equity story.** We are increasing our recommendation to Neutral from Underperform with the TP of PLN23.4; up 8% from PLN21.7 as we think that Amrest's share price underperformance in 2H24 brought the valuation to the fair level. We are of the opinion that (1) trends from previous quarters, namely MSD% sales growth with some adj. EBITDA margin improvement should continue till the year-end, (2) next year should not offer a visible change to the story characterized by MSD% growth in sales (on both net opening and LFL) and increasing adj. EBITDA margin resulted from the chain's ongoing optimization and (3) FCF should stay subdued due to increased growth in capex again, underlining the low-FCF profile of Amrest's business model. In the continued high risk free rate environment, as we assume in our core market scenario for 1H25, we think that such business models are not preferred by investors. We question Amrest's growth capex, which consumes big chunk of operating cash flow and does not bring about an increase in the net number of openings.
- **Recent developments.** Amrest reported 3Q24 results, which matched our and market expectations on EBITDA. On the other hand, net profit came in 8% below market expectations and EUR6mn below SANe due to higher than assumed tax burden. Please note that 3Q24 EBITDA was boosted by EUR11mn refunds collected in June and August. On the other hand, Amrest reported cash flow improvement. 3Q24 FCF amounted to EUR25mn (+139% y/y) thanks to the increase in OCF conversion ratio to 98% y/y from 75% in 3Q23, despite capex increase by 23% to 53mn (net openings at 8 restaurants). Also, FCF (ex growth) was solid and amounted to EUR62mn (+60% y/y; +18% q/q in LTM terms).
- **Earnings forecasts.** We are leaving 2025/26E EBITDA (ex. IFRA16) barely changed.
- **Valuation and risks.** Our valuation points at TP of PLN23.4 (as of Dec'2025) (vs. previous TP PLN21.7, as of Dec'2024) per share. The DCF valuation points at PLN27.8 (up by 8%). Multiple valuation points at PLN21.6 (up 8%). In the multiple valuation, we added NTM FCF ex. growth valuation @ 9.0% yield (PLN27.1; 33% weight) to EV/EBITDA valuation (PLN18.8; 67% weight). The main risks are mainly execution and macro ones.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Amrest: Financial summary and ratios

Year to Dec, EURmn	2022	2023	2024E	2025E	2026E
Sales	2,127	2,432	2,565	2,775	3,011
EBITDA	357	388	424	456	498
EBITDA (ex. IFRS16)	193	219	239	255	281
Net profit	1	45	47	61	83
P/E (x)	703.0	28.5	27.3	20.9	15.4
EV/ EBITDA (x)	6.9	7.7	7.0	6.8	6.2
FCF Yield	4.6%	0.3%	0.4%	-3.8%	-1.1%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 139. Amrest: Quarterly results review

EURmn	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	SANe	Cons.
Sales	632.8	628.9	592.6	638.9	659.5	*4.2%*	*3.2%*	671.5	666.9
EBITDA	110.9	96.2	81.1	112.8	125.3	*13.0%*	*11.1%*	124.0	121.2
margin	17.5%	15.3%	13.7%	17.7%	19.0%	*1.5*	*1.3*	18.5%	18.2%
EBITDA (ex. IFRS16)	70.9	54.5	35.9	65.4	79.3	*11.9%*	*21.3%*	76.0	n.a.
margin	11.2%	8.7%	6.1%	10.2%	12.0%	*0.8*	*1.8*	11.3%	n.a.
Net profit	27.1	-5.7	-2.8	-24.6	26.3	*-3.0%*	*n.a.*	32.7	28.6
net margin	4.3%	-0.9%	-0.5%	-3.9%	4.0%	*-0.3*	*7.8*	4.9%	4.3%
Adj. net profit	27.1	-5.7	-2.8	-24.6	27.8	*2.5%*	*n.a.*	32.7	n.a.
net margin	4.3%	-0.9%	-0.5%	-3.9%	4.2%	*-0.1*	*8.1*	4.9%	n.a.

Source: Company data, Santander Brokerage Poland estimates

Fig. 140. Amrest: Forecasts changes

EURmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	2,565	2,556	*0%*	2,775	2,801	*-1%*	3,011	3,067	*-2%*
EBITDA	424	410	*3%*	456	455	*0%*	498	492	*1%*
EBITDA (ex. IFRS16)	239	226	*5%*	255	262	*-3%*	281	290	*-3%*
Net profit	47	26	*84%*	61	58	*5%*	83	76	*9%*

Source: Santander Brokerage Poland estimates

Fig. 141. Amrest: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	27.8	25.7	*8%*
Multiple valuation	21.6	20.0	*8%*
Target Price (Dec'2025) *	**23.4**	**21.7**	***8%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 142. Amrest: Financial statements forecast

EURmn	2022	2023	2024E	2025E	2026E
Net sales	2,127	2,432	2,565	2,775	3,011
EBITDA	357	388	424	456	498
EBITDA (ex. IFRS16)	193	219	239	255	281
EBIT	103	104	152	171	201
Profit before tax	56	49	71	90	119
Net profit	1	45	47	61	83
EBITDA margin	9.1%	9.0%	9.3%	9.2%	9.3%
EBIT margin	4.8%	4.3%	5.9%	6.2%	6.7%
Net margin	0.1%	1.8%	1.8%	2.2%	2.8%

EURmn	2022	2023	2024E	2025E	2026E
Current assets	373	377	363	301	288
Fixed assets	1,908	1,975	2,102	2,315	2,499
Total assets	2,280	2,352	2,465	2,617	2,787
Current liabilities	626	605	625	685	754
bank debt	102	53	53	53	53
Long-term liabilities	1,323	1,347	1,383	1,405	1,414
bank debt	552	571	571	571	571
Equity	331	401	457	527	619
Total liabilities and equity	2,280	2,352	2,465	2,617	2,787
Net debt (ex. IFRS16)	424	396	390	456	475
Net debt/EBITDA (ex. IFRS16)	2.2	1.8	1.6	1.8	1.7

EURmn	2022	2023	2024E	2025E	2026E
CF from operations	363	371	395	419	456
CF from investment	-138	-133	-202	-285	-258
CF from financing, incl.	-194	-240	-186	-201	-217
dividends	0	0	0	0	0
Net change in cash	31	-2	7	-66	-19
FCF	62	5	7	-66	-19
FCF (ex. growth)	128	142	149	161	180

Source: Company data, Santander Brokerage Poland estimates

Santander

Auto Partner

Bloomberg: APR PW, Reuters: APRR.WA

CEE Equity Research

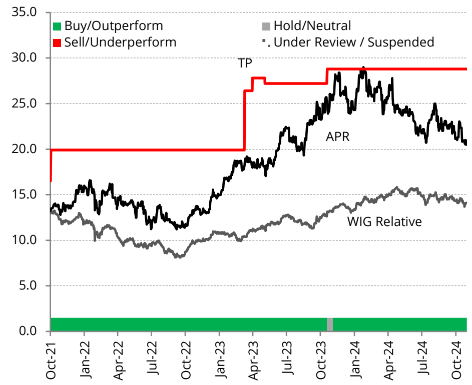
Consumer, Poland

Chance for faster growth in 2025

- **Equity story.** We decreased our recommendation to Neutral from Outperform decreasing the TP by 21% to PLN22.6 mainly due to 27% lower multiple valuation. In the short-term, we expect subdued sales growth, which is likely to be around low-teens % till the year-end due to the persistent basket deflation, continued pressure on margins from the strong PLN and low operating costs leverage. While we expect that 2025 should bring in some relief in terms of growth (at least softening basket deflation due to base effects) with a positively impact on the EBITDA margin, we think that this story is already priced in. In the long term, sales growth should accelerate in 2026E after the new warehouse kicks off at the end of 2025.
- **Recent developments.** Auto Partner reported 3Q24 EBIT and net profit, which came in 6%/13% below market consensus and 10%/13% below our estimates. Sales were in line with our expectations. The underperformance was the result of a lower gross margin and higher than expected costs. At the same time, 3Q24 FCF was negative mainly due to (1) NWC change (PLN140mn outflow) and (2) weaker 'OCF before NWC' conversion ratio (85% vs. 89% in 3Q23). Despite still low capex, FCF was at PLN -73mn bringing YTD tally to just PLN40mn. At the same time, APR increased its net debt to PLN212mn (+PLN86mn q/q). Seasonality of purchases might be an explanation, however only to some extent in our view, as 3Q23 FCF amounted to PLN37mn.
- **Earnings forecasts.** We are decreasing 2024/26E adj. EBITDA (ex. IFRS16) forecast by 13%/15%/20% due to margins lower than previously assumed.
- **Valuation and risks.** Our valuation points at TP as of Dec'2025 at PLN22.6 (vs. previous TP as of Dec'2024 at PLN28.8) per share. The DCF valuation points at PLN30.4 (down by 10%). Multiple valuation points at PLN19.3 (down 27%). In the multiple valuation, we added the NTM FCF valuation @ 7.0% yield (PLN14.5; 33% weight) to the EV/EBITDA valuation (PLN22.9; 33% weight) and the P/E one (PLN20.6, 33% weight). The main risks are (1) slowdown in demand, (2) inflationary pressure on opex, (3) further PLN appreciation.

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	21.0
Target price (Dec'25, PLN)	**22.6**
Previous report issued on May 29, 2023 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*28.8*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Auto Partner: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	2,835	3,653	4,101	4,769	5,827
Adj. EBITDA (ex. IFRS16)	306	337	316	387	464
EBIT	281	303	268	328	395
Adj. net profit	207	224	195	245	300
P/E (x)	8.3	15.3	14.0	11.2	9.1
EV/ EBITDA (x)	7.0	11.4	9.4	7.4	6.2
FCF Yield	0.7%	4.2%	7.8%	3.9%	0.3%
Dividend Yield	1.1%	0.6%	0.7%	0.6%	0.6%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 143. Auto Partner: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	SAN	Cons.
Sales	956.3	921.9	994.8	1,062	1,060	*13%*	*0%*	1060.3	1,063
EBITDA	102.1	77.7	69.1	92.6	86.5	*-8%*	*-7%*	96.0	92.4
margin	10.7%	8.4%	6.9%	8.7%	8.2%	*-1.9*	*-0.6*	9.1%	8.7%
EBIT	90.9	65.8	56.1	78.4	71.3	*-15%*	*-9%*	80.8	78.3
margin	9.5%	7.1%	5.6%	7.4%	6.7%	*-2.2*	*-0.7*	7.6%	7.4%
Net profit	65.6	50.8	40.3	56.9	50.2	*-22%*	*-12%*	57.4	57.7
margin	6.9%	5.5%	4.1%	5.4%	4.7%	*-2.1*	*-0.6*	5.4%	5.4%

Source: Company data, Santander Brokerage Poland estimates

Fig. 144. Auto Partner: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	4,101	4,348	*-6%*	4,769	5,218	*-9%*	5,827	6,679	*-13%*
Adj. EBITDA (ex. IFRS16)	316	362	*-13%*	387	456	*-15%*	464	582	*-20%*
EBIT	268	325	*-18%*	328	411	*-20%*	395	527	*-25%*
Adj. net profit	195	241	*-19%*	245	310	*-21%*	300	403	*-26%*

Source: Santander Brokerage Poland estimates

Fig. 145. Auto Partner: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	30.4	33.7	*-10%*
Multiple valuation	19.3	26.7	*-27%*
Target Price (Dec'2025)*	**22.6**	**28.8**	***-21%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 146. Auto Partner: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	2,835	3,653	4,101	4,769	5,827
EBITDA	314	346	325	395	473
Adj. EBITDA (ex. IFRS16)	306	337	316	387	464
EBIT	281	303	268	328	395
Profit before tax	256	277	242	304	372
Net profit	207	224	195	245	300
EBITDA margin	11.1%	9.5%	7.9%	8.3%	8.1%
EBIT margin	9.9%	8.3%	6.5%	6.9%	6.8%
Net margin	7.3%	6.1%	4.8%	5.1%	5.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1,286	1,421	1,604	1,866	2,195
Fixed assets	285	373	357	346	335
Total assets	1,570	1,794	1,961	2,211	2,530
Current liabilities	458	456	448	471	506
bank debt	211	196	196	196	196
Long-term liabilities	269	292	292	292	292
bank debt	139	104	104	104	104
Equity	843	1,046	1,221	1,449	1,732
Total liability and equity	1,570	1,794	1,961	2,211	2,530
Net debt	314	263	70	-18	-9
Net Debt/ EBITDA (x)	1.0	0.8	0.2	0.0	0.0

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	50	180	246	154	66
CF from investment	-38	-38	-33	-48	-58
CF from financing, incl.	6	-140	-20	-18	-17
dividends	-20	-20	-20	-18	-17
Net change in cash	18	2	193	89	-9
FCF	12	142	213	106	8

Source: Company data, Santander Brokerage Poland estimates

CCC

Bloomberg: CCC PW, Reuters: CCCP.WA

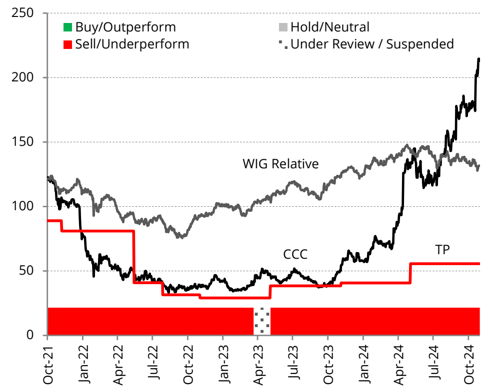
CEE Equity Research | **Consumer, Poland**

High valuation

RECOMMENDATION	Underperform
Current price (25 Nov 2024, PLN)	213.0
Target price (Dec'25, PLN)	**119.4**
Previous report issued on May 29, 2024 with:	
Recommendation	*Underperform*
TP (PLN, Dec'24)	*55.7*

- **Equity story.** We maintain Underweight recommendation with increased TP of PLN119,4 (vs. previous PLN55.7) due to high valuation with 2025E EV/EBITDA (ex. IFRS16) at 11.7x vs. LPP's 5.9x and FCF yield at 1.5% vs. LPP's 7.1%. Valuation is also high (EV/EBITDA'25E 8.5x) when we take an optimistic CCC's guidance of achieving 20% EBITDA margin on PLN12bn sales in 2025E. The key to understanding CCC Group is cash flow. In our view, the expansion of licensing business model (to 50% of Group' sales) should still put pressure on NWC increase adversely affecting cash flows. In this light, we see a downward risk to market consensus (cPLN540mn/PLN720mn) on FCF generation in 2025/26E. We forecast FCF at PLN205mn/347mn in 2025/26E. We see the announcement of changes in Modivo as the first step of its transformation into a similar business to current CCC omnichannel. In this light we leave comparisons of Modivo to Zalando and we think Modivo's planned IPO is not likely to take place soon. Also, we think that CCC is ahead of buyout of minority shareholders of Modivo (PLN1bn paid by Mr. Solorz and Brzoska and PLN866mn bonds value of Softbank).
- **Recent developments.** CCC reported 3Q24 adj. EBITDA at PLN489mn (+97% y/y) - 7% above market expectations at PLN454.0mn and SANe at PLN452mn. At the same time, CCC reported record high level of inventories despite seasonally strong sales in September/October, and blamed 1) continued investments into new collections of licensed products AW24, which peaked in October, 2) demand shift from October to November and 3) investments in new product categories in HP. All of these resulted in record high inventories/sales ratio, inventories/sqm in CCC and HP. CCC also said that orders for SS24 season are 30% lower y/y.
- **Valuation and risks.** Our TP of PLN119.4 is based on DCF (PLN201) and the multiple valuation (PLN85). While DCF is based on equity story regarding an expansion of floor space and margins related to development of licensing model across the Group, multiple valuation is based on NTM EBITDA (ex. IFRS16) for the Group and target multiple 7.0x (67% weight in multiple valuation) and NTM FCF ex. growth valuation @ 7.0% (PLN70.1; 33% weight). The main risks include: (1) medium-term character of licensing agreements, (2) further increase of working capital related to the floor space/licensing expansion, (3) weather anomalies in crucial autumn/winter season and (3) adverse impact of low marketing spend on brand recognition.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

CCC: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	9,123	9,440	10,399	11,579	13,013
EBITDA	225	339	1,091	1,398	1,574
EBIT	-51	184	925	1,187	1,336
Net profit	-418	-56	643	672	792
P/E (x)	n.a.	n.a.	21.7	20.8	17.6
EV/ EBITDA (x)	23.4	19.8	15.2	11.7	10.2
FCF Yield	-13.2%	2.6%	-0.2%	1.2%	2.2%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 147. CCC: Quarterly preliminary results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	y/y
Sales	2,418	2,527	2,256	2,574	2,768	14.5%
Gross profit	1,166	1,181	1,164	1,273	1,417	21.5%
gross margin	48.2%	46.7%	51.6%	49.5%	51.2%	3.0
EBIT	60	96	152	249	330	450.3%
margin	2.5%	3.8%	6.8%	9.7%	11.9%	9.4
EBITDA	213	243	304	401	485	127.2%
margin	8.8%	9.6%	13.5%	15.6%	17.5%	8.7
Adj. EBITDA	248	217	288	378	489	96.9%
Adj. margin	10.3%	8.6%	12.8%	14.7%	17.7%	7.4

Source: Company data, Santander Brokerage Poland estimates

Fig. 148. CCC: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	10,399	10,192	*2.0%*	11,579	11,002	*5.2%*	13,013	11,562	*-12%*
EBITDA (ex. IFRS16)	1,091	864	*26.3%*	1,447	1,021	*41.7%*	1,629	1,073	*12%*
net profit	643	461	*39.5%*	712	552	*28.9%*	836	566	*48%*

Source: Santander Brokerage Poland estimates

Fig. 149. CCC: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	200.7	66.7	*201%*
Multiple valuation	84.6	55.7	*52%*
Target Price (Dec'2025)*	**119.4**	**55.7**	***114%***

*Source: Santander Brokerage Poland estimates, * 100% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 150. CCC: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	9,123	9,440	10,399	11,579	13,013
Gross profit	4,265	4,394	5,171	5,866	6,648
EBITDA	533	778	1,520	1,904	2,155
EBITDA (ex. IFRS16)	225	339	1,091	1,447	1,629
- Traditional (ex. IFRS16)	130	410	955	1,154	1,272
- Online (ex. IFRS16)	94	-71	136	293	357
EBIT	-51	184	925	1,236	1,390
Profit before tax	-399	-138	510	879	1,033
Net profit	-418	-56	643	712	836
EBITDA margin	5.8%	8.2%	14.6%	16.4%	16.6%
EBIT margin	-0.6%	1.9%	8.9%	10.7%	10.7%
Net margin	-4.6%	-0.6%	6.2%	6.1%	6.4%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	3,463	3,606	4,450	5,059	5,841
Fixed assets	3,601	3,741	3,903	4,254	4,609
Total assets	7,064	7,346	8,353	9,312	10,450
Current liabilities	3,740	4,433	4,797	5,045	5,346
bank debt	1,156	1,419	1,419	1,419	1,419
Long-term liabilities	2,741	1,959	1,959	1,959	1,959
bank debt	1,371	677	677	677	677
Equity	583	954	1,597	2,308	3,145
Total liability and equity	7,064	7,346	8,353	9,312	10,450
Net debt	2,879	2,554	2,586	2,381	2,034
Net Debt/ EBITDA (x)	12.8	7.5	2.4	1.6	1.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	541	821	725	1,224	1,467
CF from investment	-449	-316	-358	-590	-623
CF from financing, incl.	-638	-634	-400	-428	-497
dividends	0	0	0	0	0
Net change in cash	-546	-129	-32	205	347
FCF	-314	108	-32	205	347
FCF (ex. growth)	-44	226	130	556	702

Source: Company data, Santander Brokerage Poland estimates

Dino

Bloomberg: DNP PW, Reuters: DNPP.WA

CEE Equity Research

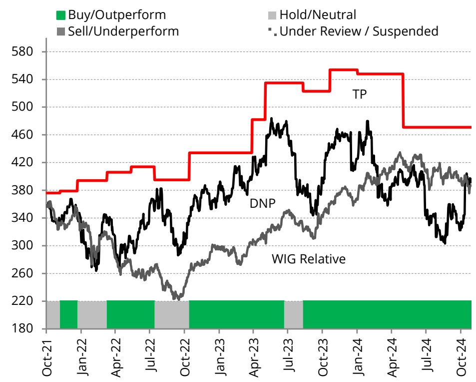
Consumer, Poland

Tailwinds ahead

- **Equity story.** We maintain our Outperform recommendation with TP at PLN471 (down by 10.6%), which offers 20% upside potential. We think that 2025 offers more optimistic picture for Dino even though industry backdrop should remain challenging till the year-end. We point at (1) softening narrative from Biedronka, sending early signs of industry stabilization and (2) expected positive impact on the gross/EBITDA margin, owing to continued softer COGS headwinds (supportive CPI-to-PPI spreads), fixed-cost inflation soon entering the comp base and slower growth of minimum wage increase (+7%) in 2025. We would also mention (1) a relative outperformance of Dino against Biedronka on LFL (6.0pp on average higher in Dino in 2024), the growth in volumes (2.0pp higher in Dino) and the overall market, which indicates maintained competitive advantages and market share gains. Last but not least, Dino maintained its plans of store opening acceleration in 2025E. We assume 350 net new stores in 2025E vs. 2024's 250.
- **Recent developments.** Dino reported 4%/6% beat on 3Q24 EBITDA vs. cons./SANe, respectively on better opex (PLN1,232mn vs. SANe PLN1,295mn; 5% positive surprise). Specifically, wages were growing by +8.3% y/y vs. SANe +12.0% y/y and other-than-labour operating costs came in at PLN167mn vs. SANe PLN222mn. 3Q24 net profit came in 4%/7% better than cons. and SANe, respectively. On the other hand, sales (+10.6% y/y) and gross profit (PLN1,798mn, 23.6% margin, +46bps y/y) came in 2%/1% below SANe. LFL amounted to 2.3% y/y on our estimations of 1.0% basket deflation and 3.3% volume growth.
- **Earnings forecasts.** We are decreasing 2024/26E EBITDA forecast by 13%/8%/6% due to lower than previously assumed margins.
- **Valuation and risks.** We are decreasing our TP as of Dec'2025 to PLN471 from TP as of Dec'2024 at PLN527 mainly due to the lower multiple valuation (down by 20.3% to PLN406; 70% weight). The equally weighted multiple valuation decreased due to incorporation of the FCF ex. growth valuation (PLN309) to the EV/EBITDA (PLN432) and P/E multiples valuations (PLN475). The DCF valuation points at PLN625 (+9.9%; 30% weight). The key downside risks to our TP include: prolonged fierce price competition in the sector, slowdown in new stores rollout, prolonged same-store sales growth decrease to mid-single digit levels, continuously falling EBITDA margin.

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	391
Target price (Dec'25, PLN)	**471**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*527.0*

STOCK PERFORMANCE



The chart measures performance against the WIG20 index.

Dino: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	19,802	25,666	29,260	35,739	43,424
EBITDA	1,838	2,233	2,262	2,897	3,519
EBIT	1,538	1,876	1,856	2,426	2,989
Net profit	1,132	1,405	1,460	1,968	2,431
P/E (x)	32.5	32.1	26.3	19.5	15.8
EV/ EBITDA (x)	20.8	20.6	16.9	13.1	10.7
FCF Yield	-0.5%	1.1%	2.8%	2.7%	4.1%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	3.1%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 151. Dino: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	Cons.	SANe
Sales	6,875	6,698	6,671	7,243	7,607	*10.6%*	*5.0%*	7,713	7,765
EBITDA	650	554	492	521	673	*3.7%*	*29.3%*	649	635
EBITDA margin	9.4%	8.3%	7.4%	7.2%	8.9%	*-0.6*	*1.7*	8.4%	8.2%
EBIT	558	460	398	422	568	*1.7%*	*34.6%*	547	529
Net profit	424	348	295	348	439	*3.4%*	*26.0%*	423	408
Net margin	6.2%	5.2%	4.4%	4.8%	5.8%	*-0.4*	*1.0*	5.5%	5.3%

Source: Company data, Santander Brokerage Poland estimates

Fig. 152. Dino: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	29,260	30,807	*-5.0%*	35,739	37,323	*-4.2%*	43,424	44,971	*-3.4%*
EBITDA	2,262	2,606	*-13.2%*	2,897	3,152	*-8.1%*	3,519	3,738	*-5.9%*
EBIT	1,856	2,201	*-15.7%*	2,426	2,692	*-9.9%*	2,989	3,220	*-7.2%*
Net profit	1,460	1,743	*-16.2%*	1,968	2,192	*-10.2%*	2,431	2,628	*-7.5%*

Source: Santander Brokerage Poland estimates

Fig. 153. Dino: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	625	569	*9.9%*
Multiple valuation	406	509	*-20.3%*
Target Price (Dec'2025) *	**471**	**527**	***-10.5%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 154. Dino: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	19,802	25,666	29,260	35,739	43,424
Gross profit	4,763	5,925	6,766	8,359	10,069
EBITDA	1,838	2,233	2,262	2,897	3,519
EBIT	1,538	1,876	1,856	2,426	2,989
Profit before tax	1,402	1,739	1,807	2,435	3,008
Net profit	1,132	1,405	1,460	1,968	2,431
EBITDA margin	9.3%	8.7%	7.7%	8.1%	8.1%
EBIT margin	7.8%	7.3%	6.3%	6.8%	6.9%
Net margin	5.7%	5.5%	5.0%	5.5%	5.6%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	2,707	3,253	3,641	4,585	5,897
Fixed assets	6,296	7,125	7,887	9,012	10,110
Total assets	9,003	10,378	11,529	13,598	16,007
Current liabilities	3,690	3,879	4,407	5,380	6,534
bank debt	772	279	0	0	0
Long-term liabilities	1,109	893	56	60	66
bank debt	1,061	840	0	0	0
Equity	4,204	5,605	7,065	8,157	9,407
Total liability and equity	9,003	10,378	11,529	13,598	16,007
Net debt	1,449	900	182	-360	-762
Net Debt/ EBITDA (x)	0.8	0.4	-0.1	-0.1	-0.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	1,253	1,740	2,250	2,650	3,211
CF from investment	-1,435	-1,188	-1,169	-1,596	-1,628
CF from financing, incl.	146	-718	-1,118	-876	-1,181
dividends	0	0	0	0	-1,181
Net change in cash	-36	-166	-37	178	403
FCF	-186	493	1,082	1,054	1,584
FCF (ex. growth)	1,013	1,455	1,926	2,273	2,787

Source: Company data, Santander Brokerage Poland estimates

Eurocash

Bloomberg: EUR PW, Reuters: EUR.WA

CEE Equity Research | **Consumer, Poland**

'Discounterization' takes its toll

- **Equity story.** We decrease our recommendation to Neutral with the TP of PLN8.3 (down 71%). The growing market share of discounters in Poland, which is expected to be at >45% in 2024, is taking its toll in Eurocash's financial results. We expect 2024E EBITDA ex. IFRS16 to be 39% down y/y with net loss at PLN67mn. Note also that 2024E results were inflated this year by positive impact of write offs' release (+PLN50mn in 9M24 vs. +PLN21mn in 9M23). Again, 9M24 EBIT (PLN75mn; ex. other operating income) was below net financial costs of PLN186mn. Reverse factoring utilization ratio at 88% (PLN1,450mn out of the limit PLN1,648mn) might cause a break in further FCF generation (continued increase in payable days) in case sales do not grow. Also, 9M24 net debt at PLN2.2bn (including PLN1,450mn in reverse factoring) seems very high. All of these look worrisome as the industry backdrop is challenging for the company. With continually growing market share of discounters, heading towards 50% of the food retail market in Poland in coming years, Eurocash's financial results might be still under pressure if recurring reorganization/restructuring measures would not help.
- **Recent developments.** 3Q24 was a very weak period for Eurocash, which for the consecutive quarter was hit by the challenging industry conditions. Sales dropped 1% y/y, adj. EBITDA (ex. IFRS16) decreased by 48% y/y. While banking net debt remained at PLN730mn, the utilisation of reverse factoring increased to PLN1,450mn, taking financial leverage of the group to the elevated levels (6.0x to 4Q rolling adj. EBITDA ex. IFRS16) after 3Q24.
- **Earnings forecasts.** We materially decrease our 2024/26E adj. EBITDA (ex. IFRS16) forecast by 38%/41%/42%, respectively due to both lower sales and lower margins forecast, with the latter given a higher weight.
- **Valuation and risks.** We are decreasing our TP as of Dec'2025 to PLN8.3 from prev TP as of Dec'2024 at PLN28.8 due to both lower DCF (PLN11.9 vs. prior PLN35.5) and multiple valuations (down by 74% to PLN6.7; 70% weight). The multiple valuation decreased also due to the incorporation of FCF ex. growth valuation (PLN4.1) to the EV/EBITDA multiple valuation (PLN8.1). The main risks we identify are (1) stronger than assumed slowdown in demand, (2) inflationary pressure on opex, (3) prolonged migration of customers from traditional stores to modern formats.

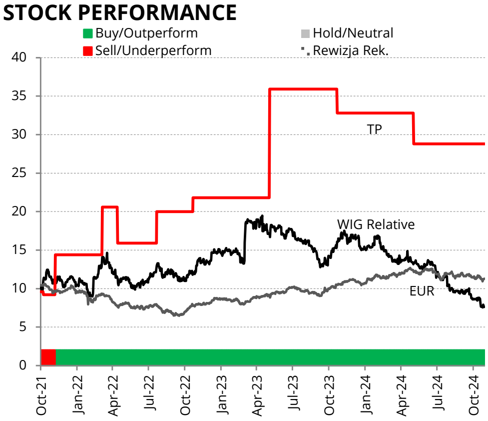
Eurocash: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	30,858	32,452	32,358	33,486	34,929
Adj. EBITDA (ex. IFRS16)	542	552	339	333	339
EBIT	404	436	267	236	231
Adj. net profit	45	97	-67	-76	-81
Adj. P/E (x)	42.3	23.7	n.a.	n.a.	n.a.
Adj. EV/EBITDA (ex. IFRS16)	7.3	7.6	8.1	7.9	7.8
FCF Yield	6.6%	11.4%	12.5%	5.0%	1.6%
Dividend Yield	0.0%	2.2%	3.8%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	7.7
Target price (Dec'25, PLN)	**8.3**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*28.8*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 155. Eurocash: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	*y/y*	*q/q*
Sales	8,564	7,920	7,625	8,167	8,495	*-0.8%*	*4.0%*
Adj. EBITDA	287	312	135	211	212	*-26.3%*	*0.4%*
Adj. EBITDA margin	3.4%	3.9%	1.8%	2.6%	2.5%	*-0.9*	*-0.1*
Adj. EBITDA (ex. IFRS16)	160	189	11	78	84	*-47.5%*	*7.5%*
margin	1.9%	2.4%	0.1%	1.0%	1.0%	*-0.9*	*0.0*
Adj. net profit	40	96	-65	12	-5	*n.a.*	*n.a.*
Adj. net margin	0.5%	1.2%	-0.9%	0.1%	-0.1%	*-0.5*	*-0.2*

Source: Company data, Santander Brokerage Poland estimates

Fig. 156. Eurocash: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	32,358	33,289	*-3%*	33,486	35,275	*-5%*	34,929	37,344	*-6%*
Adj. EBITDA (ex. IFRS16)	339	550	*-38%*	333	563	*-41%*	339	584	*-42%*
Adj. net profit	-67	112	*n.a.*	-76	130	*n.a.*	-81	142	*n.a.*

Source: Santander Brokerage Poland estimates

Fig. 157. Eurocash: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	11.9	35.5	*-66%*
Multiple valuation	6.7	26.0	*-74%*
Target Price (Dec'2025) *	**8.3**	**28.8**	***-71%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 158. Eurocash: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	30,858	32,452	32,358	33,486	34,929
Gross profit	4,233	4,409	4,329	4,495	4,676
EBITDA	1,000	1,066	918	913	919
EBITDA (ex. IFRS16)	542	552	339	333	339
EBIT	404	436	267	236	231
Profit before tax	182	195	19	10	8
Net profit	67	99	-15	-25	-30
Adj. net profit	45	97	-67	-76	-81
EBITDA margin	3.2%	3.3%	2.8%	2.7%	2.6%
EBIT margin	1.3%	1.3%	0.8%	0.7%	0.7%
Net profit margin	0.2%	0.3%	0.0%	-0.1%	-0.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	3,484	3,908	3,996	4,165	4,306
Fixed assets	5,186	5,148	5,183	5,193	5,209
Total assets	8,670	9,056	9,179	9,359	9,514
Current liabilities	5,280	5,423	5,603	5,828	6,029
bank debt	519	106	20	20	20
Long-term liabilities	2,056	2,147	2,147	2,147	2,147
bank debt	300	487	487	487	487
Equity	710	800	744	679	608
Total liability and equity	8,670	9,056	9,179	9,359	9,514
Net debt*	2,077	1,915	1,660	1,568	1,567
Net Debt/ EBITDA (x)	3.8	3.5	4.9	4.7	4.6

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	889	1,139	1,028	819	745
CF from investment	-190	-175	-172	-171	-187
CF from financing, incl.	-641	-867	-642	-557	-557
dividends	-11	-62	-41	0	0
Net change in cash	57	96	214	91	1
FCF	262	481	341	132	42
FCF (ex. growth)	325	539	404	174	91

*Source: Company data, Santander Brokerage Poland estimates, * with reverse factoring*

Inpost

Bloomberg: INPST PW, Reuters: INPST.AS

CEE Equity Research

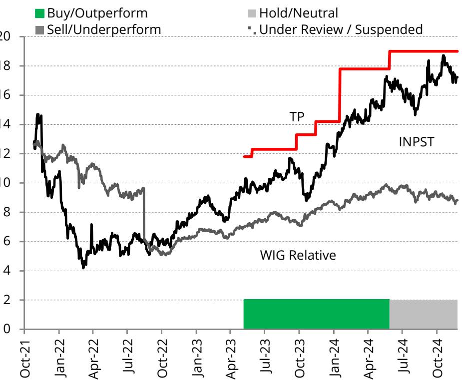
Consumer, Poland

Fairly priced

RECOMMENDATION	Neutral
Current price (25 Nov 2024, EUR)	17.2
Target price (Dec'24, EUR)	**18.1**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (EUR, Dec'24)	*19.0*

- **Equity story.** We are reiterating the Neutral recommendation with TP at PLN18.1 (7% lower). Inpost share price outperformed benchmarks this year and is up 41% YTD. This led its valuation to 2024E EV/EBITDA at 12.0x, which we see as fair and nearly in line with our growth implied EV/EBITDA target multiple at 12.3x. On the other hand, we remain encouraged by Inpost equity story. We remain constructive on APMs chain rollout and volume growth prospects in Poland. We believe in hefty 46-47% EBITDA margin in this period as we see rather limited impact from additional competition. We also remain constructive on business performance on international markets, especially in the UK. We note increased capex by over PLN100mn for acceleration of APMs expansion (c1k more to 4.3k APMs per annum) in the UK to fuel further volume growth in coming years. We now expect volume growth in the UK at 82%/71% vs. prior 46%/36%. We do not change our EBITDA margin assumption, which we still deem to be gradually increasing in the long term and coming to approx. half of what Inpost generates on the Polish market.
- **Recent developments.** Inpost presented strong 3Q24 results with adj. EBITDA coming in above market expectations. On the other hand, net profit was below market expectations due to higher than expected net financial costs. Also, Inpost's FCF came in weaker q/q due to increased capex (PLN399mn in 3Q24 vs. PLN342mn in 2Q24). We do not view it negatively as we understand the need for bigger investment outlays to accelerate APMs expansion, especially in the UK.
- **Earnings forecasts.** We are increasing our adj. EBITDA forecast by 2.8%/8.1% in 2025/26E, respectively. We also increase our net profit forecast by 4.2%/11.6% in 2025/26E, respectively.
- **Valuation and risks.** We are decreasing our TP to PLN18.1 purely on the lower multiple valuation (down by 15% to PLN15.2; 70% weight) and shifted valuation time horizon to Dec'2025 from prev Dec'2024. The multiple valuation decreased due to incorporation of FCF ex. growth valuation @ 7.0% yield (PLN10.9) to EV/EBITDA multiple valuation (PLN17.3). The main risks are: (1) end of e-commerce growth story, (2) risk of rising competition on the APMs market in Poland, (3) high concentration of clients in Poland and (4) risk of slower changes in customer preferences in Western markets.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Inpost: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	7,079	9,096	11,208	14,111	17,608
Adj. EBITDA	1,961	2,752	3,488	4,519	5,812
EBIT	942	1,573	2,138	2,945	4,013
Adj. net profit	488	941	1,345	1,951	2,752
Adj. P/E (x)	33.2	40.3	28.2	19.4	13.8
Adj. EV/EBITDA (x)	10.6	15.5	12.0	9.0	6.7
FCF Yield	-1.9%	0.2%	1.9%	3.4%	5.7%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates NOTE: historical 2021-22 valuation ratios based on historical average prices

Analyst

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Fig. 159. Inpost: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	*y/y*	*q/q*	SANe	Cons.
Revenue	2,067	2,659	2,426	2,623	2,535	*23%*	*-3%*	2,550	2,556
Adj. EBITDA	639	846	760	887	853	*33%*	*-4%*	817	818
margin	31%	32%	31%	34%	34%	*270*	*-19*	31%	32%
Reported EBITDA	608	818	740	838	796	*31%*	*-5%*	817	818
margin	29.4%	30.8%	30.5%	31.9%	31.4%	*196*	*-57*	32.0%	32.0%
EBIT	332	514	429	484	414	*25%*	*-14%*	435	439.6
margin	16.0%	19.3%	17.7%	18.4%	16.3%	*28*	*-211*	19.0%	17.2%
Net profit	254	181	252	336	255	*0%*	*-24%*	270	277
margin	12.3%	6.8%	10.4%	12.8%	10.0%	*-223*	*-279*	11.0%	10.8%

Source: Company data, Santander Brokerage Poland estimates

Fig. 160. Inpost: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	11,208	11,208	*0.0%*	14,111	13,614	*3.6%*	17,608	16,046	*9.7%*
Adj. EBITDA	3,488	3,488	*0.0%*	4,519	4,396	*2.8%*	5,812	5,377	*8.1%*
Net profit	1,345	1,345	*0.0%*	1,951	1,872	*4.2%*	2,752	2,465	*11.6%*

Source: Santander Brokerage Poland estimates

Fig. 161. Inpost: Valuation changes

EUR per share	New	Previous	*Change*
DCF valuation	24.4	21.7	*13%*
Multiple valuation	15.4	17.9	*-14%*
Target Price (Dec'2025) *	**18.1**	**19.0**	***-5%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 162. Inpost: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	7,079	9,096	11,208	14,111	17,608
Adj. EBITDA	1,961	2,752	3,488	4,519	5,812
Adj. EBITDA (ex. IFRS16)	1,418	2,178	2,861	3,839	5,080
EBIT	942	1,573	2,138	2,945	4,013
Profit before tax	669	1,146	1,794	2,601	3,669
Adj. net profit	488	941	1,345	1,951	2,752
EBITDA margin	27.7%	30.3%	31.1%	32.0%	33.0%
EBIT margin	13.3%	17.3%	19.1%	20.9%	22.8%
Net margin	6.9%	10.3%	12.0%	13.8%	15.6%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1,767	1,946	3,058	4,866	6,983
Fixed assets	6,988	8,001	8,582	9,180	10,356
Total assets	8,755	9,947	11,639	14,047	17,339
Current liabilities	2,170	2,469	2,782	3,206	3,713
bank debt	339	339	339	339	339
Long-term liabilities	6,117	6,150	6,183	6,216	6,249
bank debt	4,717	4,717	4,717	4,717	4,717
Equity	469	1,328	2,674	4,624	7,376
Total liability and equity	8,755	9,947	11,639	14,047	17,339
Net debt	4,620	4,800	4,065	2,772	1,278
Net Debt/ EBITDA (x)	3.3	2.2	1.4	0.7	0.3

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	1,346	1,937	2,616	3,416	4,419
CF from investment	-1,116	-1,543	-1,253	-1,443	-2,193
CF from financing, incl.	-288	-575	-627	-680	-732
dividends	-12	0	0	0	0
Net change in cash	-57	-180	736	1,292	1,494
FCF	-313	73	736	1,292	1,494
FCF (ex. growth)	460	899	1,410	2,020	2,833

Source: Company data, Santander Brokerage Poland estimates

Santander

Inter Cars

Bloomberg: CAR PW, Reuters: IRCR.WA

CEE Equity Research

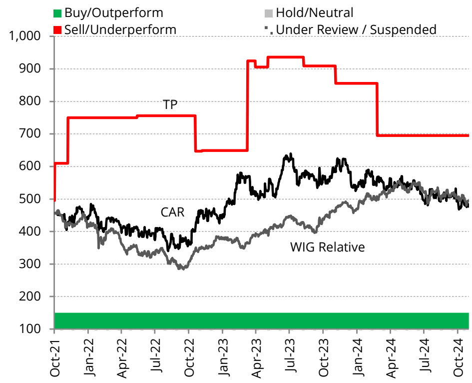
Consumer, Poland

Pressure on FCF

- **Equity story.** We decrease our recommendation to Neutral from Outperform, lowering the TP by 26% to PLN515 mainly due to lower multiple valuation (down by 37% to PLN455; 70% weight). The equally weighted multiple valuation decreased due to incorporation of the FCF ex. growth valuation (PLN117) to the valuation based on EV/EBITDA (PLN687) and P/E (PLN560) multiples. While CAR's P/E (10.9x) or EV/EBITDA (7.5x) multiples might look low, car parts distribution models are characterized by low free cash flow generation (the same applies to APR) due to higher net working capital needs (long cash conversion cycle at 2024E 120x days due to long inventory days at 116 and short payable days at 39x). Recently, the company has improved free cash flows, however they are still too low to justify the company's current market capitalization. In the short-term, we expect some acceleration of sales growth till the year end at around low teens, however with continued pressure on margins from the strong PLN and low operating costs leverage. While we expect that 2025 should bring in some relief in terms of growth (at least softening basket deflation due to base effects since 2Q25), we also expect stable EBITDA margin not only from higher operating leverage benefits but also from the ongoing investments into logistics efficiency started two years ago.
- **Recent developments.** 3Q24 results of Inter Cars came in line with the market expectations on sales/EBITDA/net profit level. On the other hand, cash flows deteriorated due to an increase in NWC (PLN -250mn in 3Q24 vs. PLN -162mn in 3Q23) and capex (PLN212mn in 3Q24 vs. PLN136mn last year). OCF (before NWC) conversion stood flat y/y at 98%. As a result, FCF amounted to PLN -121mn bringing YTD tally to PLN197mn (-48% q/q).
- **Earnings forecasts.** We are decreasing 2024/26E EBITDA and net profit forecast by 14%/17%/13% and 18%/21%/17%, respectively.
- **Valuation and risks.** Our valuation points at TP as of Dec'2025 at PLN536 (vs. previous TP as of Dec'2024 at PLN695) per share. The DCF valuation points at PLN726 (up by 16%). The multiple valuation points at PLN455 (down 37%). In the multiple valuation, we added NTM FCF ex. growth valuation @ 7.0% yield (PLN117; 33% weight) to the EV/EBITDA valuation (PLN687; 33% weight) and the P/E one (PLN560, 33% weight). The main risks are (1) slowdown in demand, (2) continued inflationary pressure on opex, (3) further PLN appreciation.

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	477
Target price (Dec'25, PLN)	**536**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*695.0*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Inter Cars: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	15,285	18,030	19,680	21,835	24,697
EBITDA	1,189	1,237	1,146	1,274	1,467
EBIT	1,042	1,035	968	1,097	1,267
Net profit	780	757	640	728	861
P/E (x)	8.4	11.3	10.6	9.3	7.9
EV/ EBITDA (x)	6.8	8.3	7.3	6.6	5.9
FCF Yield	-4.9%	0.9%	2.5%	-0.6%	-1.5%
Dividend Yield	0.3%	0.1%	0.4%	0.4%	1.1%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 163. Inter Cars: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	*y/y*	*q/q*	SANe	Cons.
Sales	4,557	4,728	4,529	4,873	4,916	*8%*	*1%*	4,933	4,943
EBITDA	370.8	234.2	273.0	324.8	348.0	*-6%*	*7%*	356.8	352.2
margin	8.1%	5.0%	6.0%	6.7%	7.1%	*-1.1*	*0.4*	7.2%	5.2%
EBIT	325.7	186.2	196.4	276.6	297.5	*-9%*	*8%*	300.8	302.8
margin	7.1%	3.9%	4.3%	5.7%	6.1%	*-1.1*	*0.4*	6.1%	4.1%
Net profit	224.6	111.2	156.5	189.0	207.3	*-8%*	*10%*	215.1	212.5
margin	4.9%	2.4%	3.5%	3.9%	4.2%	*-0.7*	*0.3*	4.4%	2.5%

Source: Company data, Santander Brokerage Poland estimates

Fig. 164. Inter Cars: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	19,680	20,385	*-3%*	21,835	23,034	*-5%*	24,697	25,066	*-1%*
Adj. EBITDA (ex. IFRS16)	1,146	1,336	*-14%*	1,274	1,533	*-17%*	1,467	1,694	*-13%*
EBIT	968	1,171	*-17%*	1,097	1,347	*-19%*	1,267	1,491	*-15%*
Adj. net profit	640	785	*-18%*	728	924	*-21%*	861	1,038	*-17%*

Source: Santander Brokerage Poland estimates

Fig. 165. Inter Cars: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	726	625	*16%*
Multiple valuation	455	725	*-37%*
Target Price (Dec'2025) *	**536**	**695**	***-23%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 166. Inter Cars: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	15,285	18,030	19,680	21,835	24,697
Gross profit	4,655	5,259	5,708	6,334	7,164
EBITDA	1,197	1,218	1,177	1,324	1,517
Adj. EBITDA (ex. IFRS16)	1,189	1,237	1,146	1,274	1,467
EBIT	1,042	1,035	968	1,097	1,267
Profit before tax	926	869	791	921	1,090
Net profit	746	700	625	728	861
Adj. net profit	780	757	640	728	861
EBITDA (ex. IFRS16) margin	7.8%	6.9%	5.8%	5.8%	5.9%
EBIT margin	6.8%	5.7%	4.9%	5.0%	5.1%
Net margin	4.9%	3.9%	3.2%	3.3%	3.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	6,584	7,551	7,735	8,416	9,232
Fixed assets	1,450	1,720	1,908	2,099	2,296
Total assets	8,034	9,271	9,643	10,515	11,528
Current liabilities	2,821	3,144	2,919	3,088	3,313
bank debt	1,159	1,190	1,190	1,190	1,190
Long-term liabilities	1,397	1,690	1,690	1,690	1,690
bank debt	729	929	929	929	929
Equity	3,816	4,437	5,035	5,737	6,525
Total liability and equity	8,034	9,271	9,643	10,515	11,528
Net debt	1,530	1,752	1,611	1,674	1,845
Net Debt/ EBITDA (x)	1.3	1.4	1.4	1.3	1.3

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	-98	487	565	380	348
CF from investment	-166	-352	-347	-368	-397
CF from financing, incl.	381	-124	-78	-75	-123
dividends paid	-20	-10	-28	-25	-73
Net change in cash	117	11	141	-63	-171
FCF	-320	78	169	-38	-99
FCF (ex. growth)	-232	331	388	189	138

Source: Company data, Santander Brokerage Poland estimates

Santander

LPP

Bloomberg: LPP PW, Reuters: LPPP.WA

CEE Equity Research

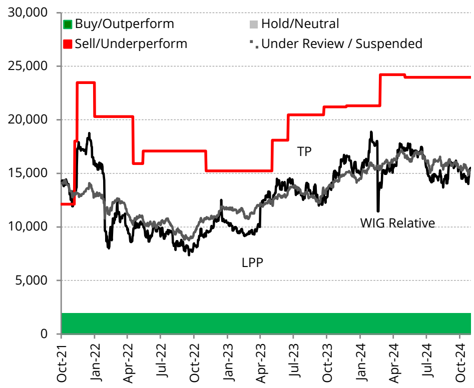
Consumer, Poland

Fast growth supported by FCF

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	15,520
Target price (Dec'25, PLN)	**24,843**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*23,960*

- **Equity story.** We maintain our Outperform recommendation for LPP with the TP of PLN24,843 due to attractive valuation. While we do not expect major changes in the short-term, which should bring in continued 24% growth in sales till the year end with slight adj. EBITDA margin erosion, we expect continuation of strong growth momentum in 2025E. We expect growth in sales at 24% y/y (LFL at 5% y/y and NSC at 20% y/y in offline and 15% growth in online) with adj. EBITDA ex. IFRS16 margin stabilization at 2024's level. The mid-term equity story for LPP was defined by its strategy announced in 1Q24 and assumed doubling its store network and sales by 2026-end. Our forecasts assume similar growth path in this period.
- **Recent developments.** In 3Q24E, we expect sales growth at 22% y/y to PLN5,316mn, adj. EBITDA increase at 19.0% to PLN1,352mn and adj. net profit growth by 21% to PLN697mn. In 4Q24E, we expect sales growth at 26% y/y to PLN6,118mn, adj. EBITDA increase at 26.0% to PLN1,274mn and adj. net profit growth by 30% to PLN629mn.
- **Earnings forecasts.** We are increasing our 2025/26E adj. EBITDA (ex. IFRS16) by 8%/17%, respectively due to higher than earlier assumed margins.
- **Valuation and risks.** Our valuation points at TP as of Dec'2025 at PLN24,843 (vs. previous TP as of Dec'2024 at PLN23,960) per share. The DCF valuation points at PLN30,287 (up by 13%). The multiple valuation points at PLN22,510 (down by 1%). Multiple valuation remained barely changed even though we added the NTM FCF ex. growth valuation @ 7.0% yield (PLN23,806; 33% weight in multiple valuation), which is usually the most conservative and dilutive for target prices in nearly all cases from our coverage. It is different in the case of LPP as its free cash flow generation stands out of the crowd. EV/EBITDA ex. IFRS16 valuation points at (PLN21,863; 67% weight). Main risks include macro risks and execution ones like: (1) slowdown in consumer demand, (2) higher competition (especially in the VFM segment), (3) lower-than-expected demand for LPP's collection and (4) instability in sourcing countries.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

LPP: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	15,927	17,406	20,745	25,805	31,936
Adj. EBITDA (ex. IFRS16)	1,601	2,681	3,412	4,235	5,214
EBIT	1,184	2,284	2,771	3,441	4,254
Adj. net profit	276	1,397	2,045	2,555	3,156
P/E (x)	70.8	21.3	13.2	10.6	8.6
EV/EBITDA (x)	12.6	10.7	7.4	5.9	4.6
FCF Yield	-5.9%	8.2%	7.0%	7.1%	10.4%
Dividend Yield	3.3%	2.7%	3.9%	5.5%	6.8%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 167. LPP: Quarterly results preview

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24E	*y/y*	*q/q*
Sales	4,351	4,841	4,306	5,005	5,316	*22%*	*6%*
Adj. EBITDA	1,159	1,013	795	1,018	1,352	*17%*	*33%*
Adj. EBITDA margin	26.6%	20.9%	18.5%	20.3%	25.4%	*-1.2*	*5.1*
EBIT	803	643	411	611	922	*15%*	*51%*
EBIT margin	18.4%	13.3%	9.5%	12.2%	17.3%	*-1.1*	*5.1*
Adj. net profit	576	483	276	444	697	*21%*	*57%*
Adj. net margin	13.2%	10.0%	6.4%	8.9%	13.1%	*-0.1*	*4.2*

Source: Company data, Santander Brokerage Poland estimates

Fig. 168. LPP: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	20,745	21,173	*-2.0%*	25,805	25,502	*1.2%*	31,936	30,362	*5.2%*
Adj. EBITDA	4,438	4,430	*0.2%*	5,291	4,895	*8.1%*	6,286	5,362	*17.2%*
EBIT	2,771	2,864	*-3.3%*	3,441	3,186	*8.0%*	4,254	3,502	*21.5%*
Adj. net profit	2,045	2,201	*-7.1%*	2,555	2,454	*4.1%*	3,156	2,706	*16.6%*

Source: Santander Brokerage Poland estimates

Fig. 169. LPP: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	30,287	26,875	*12.7%*
Multiple valuation	22,510	22,711	*-0.9%*
Target Price (Dec'2025) *	**24,843**	**23,960**	***3.7%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 170. LPP: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	15,927	17,406	20,745	25,805	31,936
Gross profit	8,013	8,967	11,016	13,762	17,095
EBITDA	2,314	3,607	4,438	5,291	6,286
Adj. EBITDA	2,333	3,607	4,438	5,291	6,286
Adj. EBITDA (ex. IFRS16)	1,601	2,681	3,412	4,235	5,214
EBIT	1,184	2,284	2,771	3,441	4,254
Profit before tax	1,088	2,047	2,597	3,245	4,008
Net profit	487	1,607	2,045	2,555	3,156
Adj. net profit	276	1,397	2,045	2,555	3,156
Adj. EBITDA margin (ex. IFRS16)	10.1%	15.4%	16.4%	16.4%	16.3%
EBIT margin	7.4%	13.1%	13.4%	13.3%	13.3%
Adj. net profit margin	1.7%	8.0%	9.9%	9.9%	9.9%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	5,569	5,829	6,802	8,075	10,011
Fixed assets	7,352	7,973	8,886	10,082	11,004
Total assets	12,921	13,802	15,688	18,156	21,015
Current liabilities	4,307	4,638	5,602	6,934	8,422
bank debt	864	49	49	49	49
Long-term liabilities	4,630	4,447	4,485	4,543	4,603
bank debt	845	490	490	490	490
Equity	3,989	4,717	5,602	6,679	7,990
Total liability and equity	12,926	13,802	15,688	18,156	21,015
Net debt	632	-1,099	-1,824	-2,264	-3,242
Net Debt/ EBITDA (x)	0.3	-0.3	-0.4	-0.4	-0.5

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	622	4,343	4,416	4,913	5,728
CF from investment	-897	-984	-1,504	-1,939	-1,832
CF from financing	-615	-2,750	-2,187	-2,534	-2,918
dividends	-648	-798	-1,161	-1,477	-1,845
Net change in cash	-890	610	725	440	978
FCF	-1,150	2,453	1,886	1,917	2,823
FCF (ex. growth)	-427	3,099	2,877	3,221	3,887

Source: Company data, Santander Brokerage Poland estimates

Neuca

Bloomberg: NEU PW, Reuters: TORF.WA

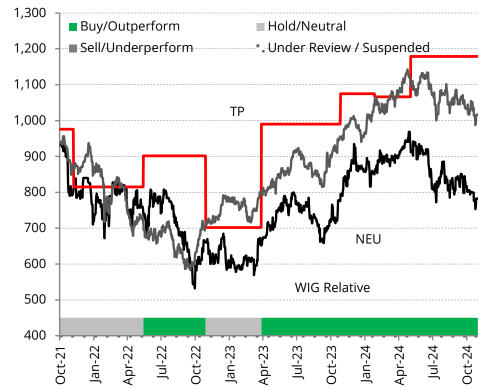
CEE Equity Research | **Consumer, Poland**

New growth opportunities

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	782
Target price (Dec'25, PLN)	**1,004**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*1,179*

- **Equity story.** We are leaving the Outperform recommendation with a new TP at PLN1,004 (down 15%). We expect that Neuca offers attractive exposure given (1) rising wholesale pharmaceutical growth on both inflation and volume and (2) continued growth in Clinical Trials, which have been recently strengthened by the entry of the strategic investor. Looking further into the future, we note that Neuca offers exposure on two stories, which we think should become more evident, namely: effects of aging population in Poland and rising healthcare awareness as an effect of continuously rising income of Poles. Looking at predicted EBITDA/net profit a 3Y CAGR at 14%/24%, we find Neuca's 2025E EV/EBITDA (ex. IFRS16) at 8.1x (below LT avg. at 12.0x) decent, especially looking at expected 2025E FCF yield at 6.1%.
- **Recent developments.** Neuca presented solid 3Q24 P&L results with a 6%/4% beat on EBITDA and 5%/2% on net profit vs. mkt. cons./SANe. At the same time, results came in lower y/y as 3Q23 was inflated by other operating gain of PLN19mn, while 3Q24 other operating profit came in at PLN3mn. 3Q24 FCF came in weak due to negative (-42%) OCF conversion ratio driven by temporarily lower usage of reversed factoring (PLN -214mn in 3Q24 vs. PLN91mn a year ago). At the same time, net debt decreased by a similar amount. Net debt stood at PLN381mn vs. PLN563 a year ago. We view the results as strong as the decrease in FCF driven by reverse factoring fluctuations should not be worrisome.
- **Earnings forecasts.** We are decreasing 2024/26E EBITDA forecast by 10%/10%/9%, while net profit forecast by 13%%/19%/18% due to lower than earlier assumed margins in the wholesale segment.
- **Valuation and risks.** Our valuation points at TP as of Dec'2025 at PLN1,004 (vs. previous TP as of Dec'2024 at PLN1,179) per share. The DCF valuation points at PLN1,425 (flat). Multiple valuation points at PLN824 (down 23%). In multiple valuation, we added NTM FCF ex. growth valuation @ 7.0% yield (PLN689; 33% weight) to SOTP (based on EV/EBITDA) valuation (PLN892; 33% weight). Apart from market and legal risks, higher than expected pressure on labour costs or problems with the delivery of the strategy in the Patient Care and Clinical trials segment represent the main risks to our TP.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Neuca: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	11,232	11,813	12,626	13,535	14,309
EBITDA (ex. IFRS16)	306	341	385	442	503
EBIT	243	265	295	345	401
Net income	128	139	167	209	265
P/E (x)	22.1	29.0	20.5	16.4	12.9
EV/EBITDA (ex. IFRS16)	9.8	13.0	9.7	8.1	6.8
FCF Yield	7.7%	3.8%	4.6%	6.1%	7.9%
Dividend Yield	4.4%	1.8%	1.8%	2.0%	2.2%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 171. Neuca: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	*y/y*	*q/q*	Cons.	SANe
Sales	2,968	2,952	3,162	3,043	3,185	*7.3%*	*4.7%*	3,191	3,200
EBITDA	110.9	85.8	115.0	92.4	108.3	*-2.4%*	*17.2%*	102.2	104.0
EBITDA margin	3.7%	2.9%	3.6%	3.0%	3.4%	*-0.3*	*0.4*	3.2%	3.5%
EBIT	82.5	55.0	85.9	62.4	78.4	*-4.9%*	*25.6%*	71.4	73.0
EBIT margin	2.8%	1.9%	2.7%	2.1%	2.5%	*-0.3*	*0.4*	2.2%	2.5%
Net profit	45.1	32.9	56.4	30.6	41.9	*-7.1%*	*36.9%*	39.8	41.0
Net margin	1.5%	1.1%	1.8%	1.0%	1.3%	*-0.2*	*0.3*	1.2%	1.5%

Source: Company data, Santander Brokerage Poland estimates

Fig. 172. Neuca: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	12,626	12,917	*-2.2%*	13,535	13,841	*-2.2%*	14,309	14,606	*-2.0%*
EBITDA (ex. IFRS16)	385	428	*-10.0%*	442	492	*-10.2%*	503	553	*-9.0%*
EBIT	295	331	*-10.8%*	345	386	*-10.8%*	401	442	*-9.4%*
Net profit	167	193	*-13.4%*	209	258	*-19.0%*	265	324	*-18.2%*

Source: Santander Brokerage Poland estimates

Fig. 173. Neuca: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	1,425	1,424	*0%*
Multiple valuation	824	1,073	*-23%*
Target Price (Dec'2025) *	**1,004**	**1,179**	***-15%***

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples*

Fig. 174. Neuca: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	11,232	11,813	12,626	13,535	14,309
Gross profit	1,126	1,307	1,467	1,586	1,691
EBITDA	341	380	415	472	533
EBITDA (ex. IFRS16)	306	341	385	442	503
EBIT	243	265	295	345	401
Profit before tax	204	204	238	304	380
Net profit	137	146	166	208	264
Adj. net profit	128	139	167	209	265
EBITDA margin	2.7%	2.9%	3.0%	3.3%	3.5%
EBIT margin	2.2%	2.2%	2.3%	2.5%	2.8%
Net margin	1.2%	1.2%	1.3%	1.5%	1.8%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	3,186	3,289	3,373	3,541	3,765
Fixed assets	1,574	1,886	1,892	1,902	1,915
Total assets	4,760	5,175	5,264	5,443	5,680
Current liabilities	3,486	3,765	3,770	3,839	4,051
bank debt	289	350	180	0	0
Long-term liabilities	338	353	354	355	224
bank debt	97	132	132	132	0
Equity	883	990	1,094	1,233	1,421
Total liability and equity	4,760	5,175	5,264	5,443	5,680
Net debt	315	533	446	326	165
Net Debt/ EBITDA (x)	1.0	1.6	1.2	0.7	0.3

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	336	288	295	357	415
CF from investment	-180	-257	-95	-108	-114
CF from financing	-12	-135	-283	-309	-271
dividend	-52	-58	-63	-69	-76
Net change in cash	144	-103	-83	-60	29
FCF	233	169	170	219	270
FCF (ex. growth)	238	174	205	260	313

Source: Company data, Santander Brokerage Poland estimates

Santander

Pepco

Bloomberg: PCO PW, Reuters: PCOP.WA

CEE Equity Research

Consumer, Poland

Pressure on LFL expected

- **Equity story.** We decrease our recommendation to Underperform from Outperform with the TP of PLN15.9. Although Pepco has been one of the worst performers within WIG20 index in 2H24, we do not see an upside due to stubbornly negative LFL and continued interruptions in logistics. We think they are impacted by both internal and external factors, to some extent. While the company keeps working on efficiency and says that LFL growth is gradually improving, we do not expect it to materialize in 2025E due to fast growing competition in the 'economy' part of the market. Not only LPP's Sinsay, Kik, Active but also CCC announced a plan to roll out a new apparel chain in the 'economy' segment. All of these should cast a shadow on the Pepco's LFL growth in 2025E, while operating costs should remain on the increase (another min. wage increase albeit slower, low ROIC for store openings) putting pressure on margins. All in all, we do not expect Pepco to see a real turnaround in 2025 and its adj. EBITDA (ex. IFRS16) should stay flattish at c.EUR470mn.
- **Recent developments.** Pepco has recently published its current trading results showing a growth in the group's revenues by 10% y/y YTD (51 weeks to 22 September) driven by store expansion with LFL revenues over the same period down 3.1%. Pepco said it had seen progressive quarterly improvement in LFL through the year. It expects to finish the year with 390 net new stores overall. Pepco put the blame for negative LFL on supply chain issues, as they affect consistent and timely availability of stock in stores. However, mitigating actions are expected to improve product availability during the first half of FY25.
- **Earnings forecasts.** We are decreasing our 2025/26E adj. EBITDA (ex. IFRS16) forecast by 9.4%/13.5% on the back of lower than previously assumed LFL and profitability.
- **Valuation and risks.** Our valuation points at TP as of Dec'2025 at PLN15.9 (vs. previous TP as of Dec'2024 at PLN26.3) per share. The DCF valuation points at PLN29.2 (down 29%). The multiple valuation points at PLN12.7 (down 52%). In the multiple valuation, we added the NTM FCF ex. growth valuation @ 7.0% yield (PLN12.5; 33% weight) to the SOTP (based on EV/EBITDA) valuation (PLN12.8; 33% weight). The main risks in our view are: (1) problems such as negative LFL so far in 3Q24 which could last longer than we expect, (2) slowdown of consumption growth in 1H24E, (3) more intense competition from other VFM segment players.

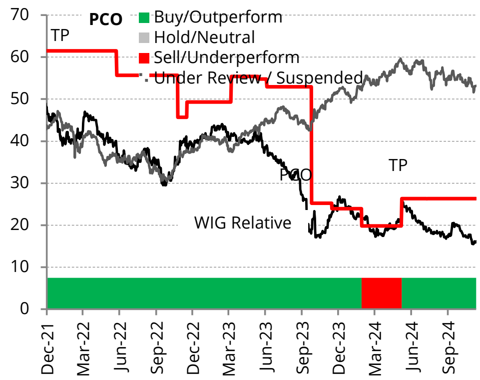
Pepco: Financial summary and ratios

Year to Dec, EURmn	2022	2023	2024E	2025E	2026E
Sales	4,823	5,649	6,404	6,816	7,405
Adj. EBITDA	731	753	900	933	1,021
Adj. EBITDA (ex. IFRS16)	438	396	474	468	514
Adj. net profit	227	144	182	179	220
P/E (x)	21.8	23.8	11.7	11.8	9.6
EV/EBITDA (ex. IFRS16)	12.0	9.9	5.3	5.2	4.5
FCF Yield	-3.2%	-2.8%	3.4%	3.7%	5.9%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Underperform
Current price (25 Nov 2024, PLN)	16.2
Target price (Dec'25, PLN)	**15.9**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*26.3*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 175. Pepco: Quarterly results review

EURmn	1H22	2H22	1H23	2H23	1H24	*y/y*	*h/h*	SANe
Sales	2,372	2,451	2,839	2,810	3,200	*13%*	*14%*	3,218
Pepco	1,282	1,432	1,719	1,697	1,986	*16%*	*17%*	2,004
P/D	1,090	1,019	1,120	1,114	1,214	*8%*	*9%*	1,214
Underlying EBITDA	347	384	377	376	487	*29%*	*29%*	397
margin	14.6%	15.6%	13.3%	13.4%	15.2%	*1.9*	*1.8*	12.3%
Adj. EBITDA (ex. IFRS16)	204	234	211	185	278	*32%*	*50%*	199
margin	8.6%	9.5%	7.4%	6.6%	8.7%	*1.3*	*2.1*	6.2%
Net profit	95	79	81	22	104	*29%*	*382%*	59
margin	4.0%	3.2%	2.8%	0.8%	3.3%	*0.4*	*2.5*	1.8%

Source: Company data, Santander Brokerage Poland estimates

Fig. 176. Pepco: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	6,404	6,404	*0.0%*	6,816	7,053	*-3.4%*	7,405	7,765	*-4.6%*
Adj. EBITDA	900	900	*0.0%*	933	1,029	*-9.4%*	1,021	1,181	*-13.5%*
Adj. EBITDA (ex. IFRS16)	474	474	*0.0%*	468	565	*-17.1%*	514	674	*-23.7%*
Adj. net profit	182	182	*0.0%*	179	239	*-25.2%*	220	324	*-32.0%*

Source: Santander Brokerage Poland estimates

Fig. 177. Pepco: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	29.2	41.3	-29.4%
Multiple valuation	12.7	26.4	-52.0%
Target Price (Dec'2025) *	**15.9**	**26.3**	**-39.5%**

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples, which we see fair for the company, TP is decreased by 10% discount factor related to the assumed risk of ABB*

Fig. 178. Pepco: Financial statements forecast

EURmn	2022	2023	2024E	2025E	2026E
Net sales	4,823	5,649	6,404	6,816	7,405
Gross profit	1,968	2,268	2,714	2,911	3,191
EBITDA	731	753	900	933	1,021
Adj. EBITDA (ex. IFRS16)	438	396	474	468	514
EBIT	278	228	337	333	383
Profit before tax	226	147	227	224	275
Net profit	227	144	182	179	220
EBITDA margin	15.2%	13.3%	14.1%	13.7%	13.8%
EBIT margin	5.8%	4.0%	5.3%	4.9%	5.2%
Net margin	4.7%	2.5%	2.8%	2.6%	3.0%

EURmn	2022	2023	2024E	2025E	2026E
Current assets	1,543	1,652	1,901	2,060	2,318
Fixed assets	2,456	2,939	3,041	3,153	3,246
Total assets	3,999	4,591	4,941	5,213	5,564
Current liabilities	1,408	1,783	1,952	2,045	2,177
bank debt	105	210	210	210	210
Long-term liabilities	1,446	1,651	1,651	1,651	1,651
bank debt	554	612	612	612	612
Equity	1,145	1,157	1,339	1,517	1,737
Total liability and equity	3,999	4,591	4,941	5,213	5,564
Net debt	316	491	420	342	216
Net Debt/ EBITDA (x)	0.7	1.2	0.9	0.7	0.4

EURmn	2022	2023	2024E	2025E	2026E
CF from operations	363	653	737	790	857
CF from investment	-224	-385	-239	-248	-225
CF from financing, incl.	-303	-281	-426	-464	-507
dividends	0	0	0	0	0
Net change in cash	-164	-14	72	78	126
FCF	-157	-96	72	78	126
FCF (ex. growth)	-23	179	173	190	219

Source: Company data, Santander Brokerage Poland estimates

Santander

Zabka

Bloomberg: ZAB PW, Reuters: ZABP.WA

CEE Equity Research

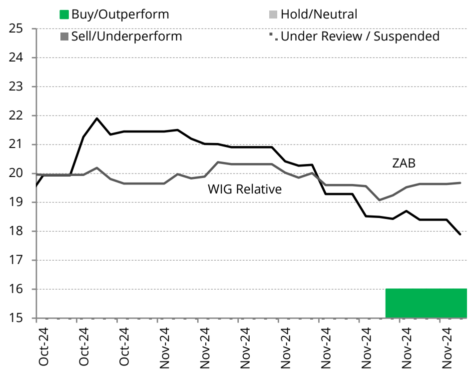
Consumer, Poland

Growth opportunities lie ahead

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	17.9
Target price (Dec'25, PLN)	**25.3**
Previous report issued on Nov 20, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*28.1*

- **Equity story.** Żabka is the ultimate convenience ecosystem in Poland with a leading position in the Modern Convenience sector with 20.1% share in the Direct Addressable Market (DAM) though uonly 3.9% in the Total Addressable Market (TAM). It serves time-sensitive consumers offering them services combining both brick & mortar and digital experience. We find Żabka's investment story appealing as it is a growth compounder which taps material white space opportunities reinvesting vast amounts of cash, which it generates, into the continued rollout of the store chain. It offers one of the highest growth rates in Sales to End Customers (CAGR 2023-26E of 16.6%), adj. EBITDA (CAGR 2023-26E of 19.1%) and adj. net profit (CAGR 2023-26E of 50.8%) in the global food retail industry. Żabka's equity story is additionally underpinned by its business model uniqueness in comparison to Jeronimo's Biedronka and Dino as Żabka serves different shopping mission than discounters and supermarkets.
- **Recent developments.** Żabka is the ultimate convenience ecosystem in Poland which comprises the largest convenience retail chain of grocery stores and synergetic businesses in Digital Customer Offering (DCO). Żabka has a leading position in the Polish Modern Convenience with 20.1% in DAM and 3.9% in TAM. Żabka aims to more than double Sales to End Customers by 2028E tapping the opportunity of ample white space in Poland (19k stores vs. 10k in 2023), entering the new market of Romania and developing DCO. We believe its growth should be driven by (1) supportive long term macro trends, (2) run-to-convenience, (3) digitalisation, (4) responsible choices in the medium term, (5) ageing society in Poland in the long term and last but not least (6) rising worries over GDP growth slowdown which should make Consumer Staples more attractive versus Discretionary in the short term.
- **Earnings forecasts.** We left our 20/11/2024 forecast unchanged.
- **Valuation and risks.** Our TP of PLN25.3 for Żabka is a weighted average of multiple valuation of PLN23.8 (70% weight) and DCF of PLN38.1 (30% weight). We assumed 10% discount factor to reflect the risk of ABB. In our view, the main risk is posed by periods of intense price competition between discounters and proximity supermarkets. However, we think that Żabka is largely immune to this risk as it serves different 'Same Day' shopping mission and its business model is therefore unique in comparison to Biedronka, Lidl or Dino. Other risks we identify: macro (incl. inflation); regulatory issues.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Zabka: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales to End Customers	18,530	22,775	27,186	31,396	36,077
Revenues	16,003	19,806	23,652	27,331	31,429
Adj. EBITDA	2,418	2,834	3,483	4,042	4,670
Adj. net profit	452	433	773	1,098	1,484
P/E (x)	41.0	42.8	24.0	16.9	12.5
EV/EBITDA (ex. IFRS16)	13.7	12.5	10.1	8.7	7.4
FCF Yield	1.0%	-0.6%	2.4%	1.2%	3.8%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 179. Zabka: Quarterly results review

PLNmn	1Q23	2Q23	1H23	3Q23	4Q23	2023	1Q24	2Q24	1H24	3Q24	4Q24E	2024E
Sales to End Customers	4,679	5,853	10,532	6,410	5,833	22,775	5,767	7,126	12,893	7,499	6,794	27,186
chng.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.3%	21.7%	22.4%	17.0%	16.5%	19.4%
Revenue	4,075	5,102	9,177	5,594	5,035	19,806	5,015	6,133	11,148	6,578	5,926	23,652
chng.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.1%	20.2%	21.5%	17.6%	17.7%	19.4%
Reported EBITDA	341	660	1,001	935	804	2,740	514	865	1,379	1,093	971	3,443
chng.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	50.7%	31.1%	37.8%	16.9%	20.8%	25.7%
margin	n.a.	n.a.	n.a.	14.6%	13.8%	12.0%	8.9%	12.1%	10.7%	14.6%	14.3%	12.7%
Adjusted EBITDA	379	669	1,048	950	836	2,834	518	881	1,399	1,119	965	3,483
chng.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	36.7%	31.7%	33.5%	17.8%	15.5%	22.9%
margin	8.1%	11.4%	10.0%	14.8%	14.3%	12.4%	9.0%	12.4%	10.9%	14.9%	14.2%	12.8%
Adj. Net profit	n.a.	n.a.	-39	229	243	433	n.a.	n.a.	75	324	374	773
chng.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	41.6%	53.9%	78.6%
margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6%	4.3%	5.5%	2.8%

Source: Company data, Santander Brokerage Poland estimates

Fig. 180. Zabka: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales to End Customers	27,186	27,186	*0.0%*	31,396	31,396	*0.0%*	36,077	36,077	*0.0%*
Revenues	23,652	23,652	*0.0%*	27,331	27,331	*0.0%*	31,429	31,429	*0.0%*
Adj. EBITDA	3,483	3,483	*0.0%*	4,042	4,042	*0.0%*	4,670	4,670	*0.0%*
Adj. net profit	773	773	*0.0%*	1,098	1,098	*0.0%*	1,484	1,484	*0.0%*

Source: Santander Brokerage Poland estimates

Fig. 181. Zabka: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	38.1	38.1	0%
Multiple valuation	23.8	23.8	0%
Target Price (Dec'2025) *	**25.3**	**28.1**	-10%

*Source: Santander Brokerage Poland estimates, * weighted average: 30% DCF, 70% multiple valuation to ensure more focus on mid-term perspectives and market valuation multiples, which we see fair for the company, TP is decreased by 10% discount factor related to the assumed risk of ABB*

Fig. 182. Zabka: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Sales to End Customer	18,530	22,775	27,186	31,396	36,077
Revenues	16,003	19,806	23,652	27,331	31,429
Gross profit	2,989	3,533	4,337	5,012	5,763
Adj. EBITDA	2,418	2,834	3,483	4,042	4,670
Adj. EBITDA (ex. IFRS16)	1,736	2,009	2,498	2,904	3,363
EBIT	1,220	1,381	1,867	2,218	2,624
Profit before tax	549	511	991	1,405	1,887
Adj. net profit	452	433	773	1,098	1,484
Adj. EBITDA margin	13.0%	12.4%	12.8%	12.9%	12.9%
EBITDA (ex. IFRS16) margin	9.4%	8.8%	9.2%	9.3%	9.3%
Adj. net margin	2.4%	1.9%	2.8%	3.5%	4.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	2,766	3,758	4,763	5,521	6,804
Fixed assets	10,530	11,812	13,159	14,577	15,903
Total assets	13,296	15,571	17,923	20,098	22,707
Current liabilities	6,097	6,123	7,431	8,239	9,094
bank debt	482	173	173	173	173
Long-term liabilities	6,625	8,550	8,850	9,150	9,450
bank debt	3,393	5,045	5,045	5,045	5,045
Equity	575	898	1,641	2,709	4,162
Total liability and equity	13,296	15,571	17,923	20,098	22,707
Net debt (ex. IFRS16)	3,594	4,569	4,117	3,887	3,191
Net Debt/ EBITDA (ex. IFRS16)	2.1	2.3	1.6	1.3	0.9

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	2,199	2,179	3,005	3,062	3,657
CF from investment	-1,030	-1,575	-1,568	-1,694	-1,655
CF from financing, incl.	-1,371	-236	-985	-1,137	-1,307
dividends	0	0	0	0	0
Net change in cash	-202	368	452	230	696
FCF (ex. rent)	193	-119	452	230	696
FCF (ex. growth)	1,255	1,049	1,655	1,503	1,918

Source: Company data, Santander Brokerage Poland estimates

Construction

Fig. 183. Recommendation and valuation summary

Company	Rec.	Target Price	Price	Upside to TP	P/E (x) 2024E	2025E	2026E	EV/EBITDA (x) 2024E	2025E	2026E	DY 2024E	2025E	2026E
Budimex	Neutral (→)	530 (↓)	478.8	11%	19.1	16.8	13.7	10.2	9.4	7.3	7.5%	5.2%	5.9%
Erbud	Outperform (→)	47 (↓)	33.3	41%	30.2	11.2	9.0	5.2	4.4	3.9	5.1%	1.7%	4.5%
Torpol	Outperform (→)	38.7 (→)	33.4	16%	13.0	13.6	11.5	6.5	6.7	5.7	6.3%	3.8%	3.7%
Unibep	Outperform (→)	11.6 (↓)	8.68	34%	6.3	30.0	11.3	1.8	5.6	4.0	0.0%	0.0%	1.9%

Source: Company data, Santander Brokerage Poland estimates

We are **moderately positive** on construction sector in 2025E, owing to:

1) construction **costs stabilisation** which may support margins (PSB index down y/y in 9M24, commodity prices' downtrend might be underpinned by global trade wars);

2) likely **recovery of the public contracts supply** thanks to unlocked EU/KPO funds flow (our macro team expects EU funds flow to increase by PLN50bn y/y in 2025E and construction production to increase 6.8% y/y next year vs. -4.7% y/y in 2024E);

3) expected **monetary easing** which may trigger private investments growth;

5) **investments growth** (+7.1% y/y expected by our macro team in 2025E vs. 2.5% y/y in 2024E) on spendings growth on military, road, railroad and power infrastructure);

6) **TSUE verdict** (reg. public tender procedures) may support contractors LT margins;

7) **GDDKiA** declared **PLN20bn** expenditures on roads construction annually until 2030E (PLN15bn annually in 2020-2022, PLN18bn in 2023 and PLN20bn in 2024E);

8) **PKP PLK** declared annual spendings on railway tracks construction between **PLN10bn and PLN17bn** by 2027E or even by 2030E (PLN9bn annually in 2020-21, PLN12bn in 2022, PLN15bn in 2023 and PLN18bn in 2024E). PKP PLK declared also PLN17bn tenders announcement in 2024E and PLN15bn annually both in 2025E and 2026E.

Sector risks: 1) recovery of construction production (esp. because of termination of war in Ukraine) may lift construction costs (salaries, materials) and depress margins, 2) further delays in large size public contracts distribution (for example due to high State budget deficit planned for 2025E), 3) delayed cuts in interest rates, 4) high competition.

Preferred stocks:

- **Torpol:** (1) Strong exposure to KPO/EU funds, which may start to accelerate flow next year; (2) solid 2024-25 backlog; (3) net cash, (4) likely dividend payment, (5) exposure to potential construction of CPK airport (railway tracks infrastructure), (6) Mirbud to hypothetically continue share purchase of Torpol.
- **Unibep:** (1) restructuring initiatives (books cleaning) depressed 2023 results creating the low base for 2024E-25E earnings expansion, (2) earnings started recovery in 3Q24 which may continue in 4Q24E and 2025E, (3) majority of difficult contracts already completed in 9M24.
- **Erbud**: We believe in 2025E earnings turn-around, thanks to: (1) construction costs stabilisation, (2) well-developed and high-quality backlog, (3) initiated and partially completed restructuring initiatives (which we expect to lift production division results into a black territory in 4Q24E), and (4) cleaned books (trouble making contracts completed in 2023 and in 1H24).

Neutral view: Budimex – top quality contractor, but the valuation does not offer upside (2024E-25E premium to peers and past multiples averages).

Budimex

Bloomberg: BDX PW, Reuters: BDX.WA

CEE Equity Research

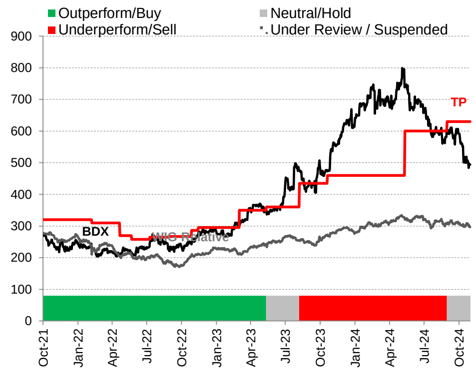
Construction, Poland

Quality but…

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	478.8
Target price (Dec'25, PLN)	**530**
Previous report issued on Sep 17, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*630*

- **Equity story.** Budimex represented one of our 2H24E Equity Strategy 'top sells' but its valuation became reasonable. We still believe that Budimex is on a track to become one of the key CEE general contractors. Good backlog diversification and contracts' management, as well as successful entry into Poland's neighbourhood countries have become the recent BDX's successes. We continue to like the company's high 2025E-26E earnings visibility thanks to record high and good quality backlog. We also appreciate recent construction costs stabilisation, and solid 5.6% avg. 2025E-26E dividend yield. On the other hand, we find y/y net profit decrease in 2024E and in 4Q24E as unappealing. Note also that the company trades at 2024E-25E P/E premium to past averages and peers median, but 2026E+ ratio settles close to its past averages.
- **Business outlook.** Budimex lifted backlog to record high level of PLN15.8bn in 3Q24 (+31% y/y) thanks to solid activity in the domestic market and successful foreign expansion. The company is likely to increase its backlog in the mid-run, we believe, as its PLN10bn offers were picked by clients and are waiting for being signed. We also expect the spendings planned by GDDKiA's, PKP PLK, CPK, and PSE together with EU/KPO funds flow and potential nuclear plant construction to stay behind further backlog increase.
- **Financial forecast.** We decrease our earnings forecasts to reflect lower than expected 3Q24 results and temporarily low supply of public tenders in 9M24. We believe that Budimex has secured a good quality backlog, though, which together with construction costs stabilisation, would imply solid margins and earnings in the mid-run. We also think that the company may continue to penetrate both Polish and foreign markets and ultimately escalate backlog to c. PLN17bn.
- **Triggers:** 1) backlog and EPS y/y growth in 2025E, 2) launch of CPK Airport construction (accompanied by road&railroad infrastructure), 3) launch of nuclear power plant construction, 4) EU funds flow, 5) launch of residential projects development, 6) development of PV/wind farm projects.
- **Valuation and risks.** Target Price decreased to PLN530 on decreased financial forecasts and net cash estimate. Potential growth in construction costs represents the key risk factor, as the growth in public spending (2025E-27E) might lift costs and depress margins. We stress also that the key public investor in Poland – GDDKiA–has temporarily suspended large contracts distribution.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Budimex: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	8 619	9 801	9 220	9 970	11 880
EBITDA	714	938	895	956	1 176
EBIT	562	781	738	798	1 019
Net profit	534	738	639	727	889
P/E (x)	11.2	13.7	19.1	16.8	13.7
EV/ EBITDA (x)	4.2	17.8	10.2	9.4	7.3
FCF Yield	21.0%	5.8%	3.0%	6.7%	9.1%
Dividend Yield	10.0%	2.2%	7.5%	5.2%	5.9%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 184. Budimex: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	**1599**	**2399**	**2370**	**2251**	**1939**	**2378**	**2676**	**2808**	**1645**	**2395**	**2470**
o/w construction	1,436	2,198	2,175	2,012	1,724	2,161	2,461	2,556	1 415	2 175	2 285
o/w other	163	201	195	239	215	218	215	251	230	220	186
Gross profit on sales	**132**	**264**	**256**	**221**	**174**	**227**	**320**	**403**	**196**	**283**	**305**
o/w construction	107	229	217	192	138	188	287	361	159	254	268
o/w other	25	35	38	29	36	39	33	42	37	29	37
EBITDA	**94.0**	**214.5**	**219.2**	**187.2**	**141.2**	**208.8**	**247.9**	**340.5**	**151.6**	**221.9**	**251.6**
EBITDA margin	*5.9%*	*8.9%*	*9.2%*	*8.3%*	*7.3%*	*8.8%*	*9.3%*	*12.1%*	*9.2%*	*9.3%*	*10.2%*
EBIT	**57.4**	**177.3**	**182.0**	**145.7**	**102.3**	**170.3**	**209.1**	**299.4**	**114.9**	**180.9**	**212.4**
EBIT margin	*3.6%*	*7.4%*	*7.7%*	*6.5%*	*5.3%*	*7.2%*	*7.8%*	*10.7%*	*7.0%*	*7.6%*	*8.6%*
Net profit	**56.4**	**144.8**	**157.4**	**175.8**	**106.3**	**168.4**	**175.7**	**287.8**	**119.1**	**157.7**	**170.2**
Net margin	*3.5%*	*6.0%*	*6.6%*	*7.8%*	*5.5%*	*7.1%*	*6.6%*	*10.3%*	*7.2%*	*6.6%*	*6.9%*
Gross margin	*8.3%*	*11.0%*	*10.8%*	*9.8%*	*9.0%*	*9.6%*	*12.0%*	*14.4%*	*11.9%*	*11.8%*	*12.4%*
o/w service	*15.5%*	*17.2%*	*20.3%*	*13.0%*	*16.9%*	*19.2%*	*15.1%*	*16.9%*	*16.4%*	*14.0%*	*17.8%*
o/w construction	*7.5%*	*10.4%*	*10.0%*	*9.5%*	*8.0%*	*8.7%*	*11.7%*	*14.1%*	*11.2%*	*11.7%*	*11.7%*
Net cash (eop)	2866	1890	2130	3012	3160	2731	2752	3654	3774	2578	2218
Operating CF	404	-264	297	991	213	-47	153	993	186	-365	-147
Backlog (eop)	13170	11780	12466	13290	12610	12220	12040	13140	14645	15340	15800

Source: Company data, Santander Brokerage Poland estimates

Fig. 185. Budimex: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	9 220	9 756	*-5%*	9 970	10 881	*-8%*	11 880	12 890	*-8%*
EBITDA	895	953	*-6%*	956	1 076	*-11%*	1 176	1 312	*-10%*
EBIT	738	795	*-7%*	798	918	*-13%*	1 019	1 155	*-12%*
Net profit	639	740	*-14%*	727	824	*-12%*	889	1 000	*-11%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 186. Budimex: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	530	630	*-16%*
Comparable valuation	387	422	*-8%*
Target Price (Dec'2025)*	**530**	**630**	*-16%*

*Source: Company data, Santander Brokerage Poland estimates, * 100% DCF as it fully reflects long-run business prospects; comparative valuation presented for the illustrative purposes only*

Fig. 187. Budimex: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	8619	9801	9220	9970	11880
Gross profit	872	1125	1116	1206	1430
EBITDA	714	938	895	956	1176
EBIT	570	781	738	798	1019
Profit before tax	656	930	831	908	1109
Net profit	541	738	639	727	889
EBITDA margin	8.3%	9.6%	9.7%	9.6%	9.9%
EBIT margin	6.6%	8.0%	8.0%	8.0%	8.6%
Net margin	6.3%	7.5%	6.9%	7.3%	7.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	5562	6385	5961	6417	7350
Fixed assets	1818	2001	1949	1961	1973
Total assets	7380	8386	7910	8377	9323
Current liabilities	3885	4312	4115	4441	5147
bank debt	79	66	66	66	66
Long-term liabilities	2177	2502	2575	2604	2667
bank debt	160	180	180	180	180
Equity	1299	1570	1280	1392	1567
Total liability and equity	7380	8386	7910	8377	9323
Net debt	-3012	-3654	-3061	-3259	-3634
Net Debt/ EBITDA (x)	-4.2	-3.9	-3.6	-3.5	-3.1

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	1428	1312	525	976	1267
CF from investment	-170	-132	-158	-158	-158
CF from financing, incl.	-721	-459	-921	-649	-736
dividends	-599	-456	-911	-639	-727
Net change in cash	537	654	-554	169	372

Source: Company data, Santander Brokerage Poland estimates

Erbud

Bloomberg: ERB PW, Reuters: ERB.WA

CEE Equity Research

Construction, Poland

Earnings turn-around story?

- **Equity story.** The earnings turn-around has started to materialize in 9M24, especially in 3Q24, which we expect to bear fruit also in 2025E-26E thanks to: 1) construction costs stabilisation, 2) well-developed and high-quality backlog, 3) initiated restructuring initiatives (which we expect to lift production division results into a black territory as soon as in 4Q24E), and 4) cleaned books (trouble-making contracts completed in 2023 and 1H24 we believe). Erbud's market capitalization (c.PLN50mn) settles just above the market value of its 60% stake in WSE-listed Onde subsidiary, which we find unjustified, as this suggests that the market has not yet discounted the potential Erbud's ex-Onde EBIT growth to estimated PLN40mn+ ultimately.
- **Profits turn-around story?** 2022-1H24 was a difficult time for Erbud. Construction costs growth, extra costs related to the launch of modular homes manufacturing plant and low utilisation of manufacturing capacity resulted in weak financial results. We think, however, Erbud has cleaned its books (loss-making contracts completed in 2023 and in 9M24) and secured a good quality backlog which includes contracts signed over 2022-23, being a period of construction services price peak. Erbud has also initiated restructuring initiatives, which we expect to help modular homes manufacturing division that generated PLN35mn operating loss in 2023 and PLN13mn loss in 9M24, to deliver black zero at EBIT level in 4Q24E and profit contribution to Erbud's earnings as of 2025E+.
- **Market cap of Erbud close to Onde.** Erbud trades c. PLN50mn above the market value of its 60% stake in Onde, which we find unjustified. Note that we expect Erbud's ex-Onde EBITDA at PLN40mn+ as of 2025E which suggests fundamental upside.
- **Financial forecasts.** We decrease our financial forecasts for Erbud on lower than previously expected 9M24 results as the earnings recovery came later than expected. We continue to believe, though, in the mid-run earnings growth trajectory.
- **Valuation and risks.** Our Target Price goes down to PLN47 due to changes in financial forecasts, and on the valuation horizon shift to Dec'2025 from Dec'2024. Reiterated Outperform. Risks: 1) significant part of Erbud's value lies in green energy projects (Onde) which implies risk of recently low on-shore developments and fluctuations in energy prices, 2) further delays in EU funds utilisation, 3) tough competition and risk of price war between contractors, 4) track record of missing expectation, 5) any delays in earnings relief.

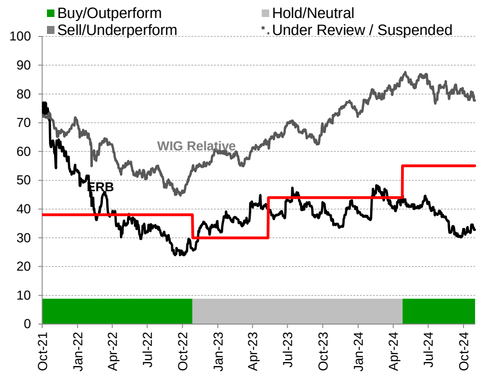
Erbud: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	3 856	3 234	2 925	3 100	3 250
EBITDA	54	57	89	109	125
EBIT	21	20	51	71	87
Net profit	9	10	13	36	44
P/E (x)	51.4	46.6	30.2	11.2	9.0
EV/ EBITDA (x)	10.8	7.7	5.2	4.4	3.9
FCF Yield	-43%	43%	-12.3%	0.1%	7.0%
Dividend Yield	0.7%	2.0%	5.1%	1.7%	4.5%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	33.3
Target price (Dec'25, PLN)	**47**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*55*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

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Fig. 188. Erbud: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	**764**	**1026**	**1005**	**1060**	**720**	**861**	**865**	**787**	**644**	**689**	**771**
Gross profit	**49.7**	**61.0**	**57.2**	**54.2**	**43.6**	**76.8**	**56.6**	**32.1**	**42.7**	**58.9**	**72.5**
EBITDA	**12.2**	**16.6**	**15.6**	**7.8**	**0.9**	**27.2**	**51.1**	**-22.3**	**24.9**	**7.4**	**32.7**
EBITDA margin	*1.6%*	*1.6%*	*1.5%*	*0.7%*	*0.1%*	*3.2%*	*5.9%*	*-2.8%*	*3.9%*	*1.1%*	*4.2%*
EBIT	**4.7**	**7.7**	**8.1**	**0.4**	**-7.8**	**18.0**	**41.8**	**-31.9**	**15.4**	**-3.6**	**21.9**
General construction (PL)	1.5	0.5	10.9	4.3	1.2	-7.0	-8.9	-10.2	0.7	4.6	1.6
General construction (export)	-2.7	-1.0	-5.3	-10.2	-0.4	-5.3	-6.8	-9.2	-1.5	-5.5	-0.9
Road&engineering (Onde)	-0.5	-0.4	0.7	5.5	1.1	-0.8	0.0	3.3	-0.9	-7.3	-6.0
Service (PL)	0.0	2.0	3.0	2.8	0.0	2.7	3.7	1.1	-2.7	4.0	5.1
Service (export)	8.0	1.8	0.9	-0.4	3.1	8.6	7.6	4.2	0.9	3.3	5.0
Green energy (Onde)	1.5	5.5	3.4	6.2	-4.6	24.9	16.0	9.0	25.0	5.2	16.8
Modular homes	-2.7	-1.0	-2.5	-6.6	-8.0	-4.9	-8.6	-14.0	-6.1	-6.4	-0.4
Other	-0.4	0.3	-2.9	-1.3	0.0	-0.3	38.7	-16.1	0.0	-1.6	0.8
EBIT margin	*0.6%*	*0.8%*	*0.8%*	*0.0%*	*-1.1%*	*2.1%*	*4.8%*	*-4.1%*	*2.4%*	*-0.5%*	*2.8%*
Net profit	**0.2**	**-1.6**	**5.5**	**4.2**	**-13.3**	**3.5**	**67.6**	**-47.8**	**2.8**	**-8.3**	**5.0**
Net profit margin	*0.0%*	*-0.2%*	*0.5%*	*0.4%*	*-1.8%*	*0.4%*	*7.8%*	*-6.1%*	*0.4%*	*-1.2%*	*0.6%*
Gross margin	*6.5%*	*5.9%*	*5.7%*	*5.1%*	*6.1%*	*8.9%*	*6.5%*	*4.1%*	*6.6%*	*8.5%*	*9.4%*
Net debt	-62.0	177.4	159.6	113.3	185.5	144.9	154.9	-67.9	-6.2	60.7	97.9
Backlog (PLNbn)	3.5	2.8	2.6	2.6	2.6	2.4	2.5	2.4	3.0	2.4	2.7

Source: Company data, Santander Brokerage Poland estimates

Fig. 189. Erbud: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	2925	3400	*-14%*	3100	3480	*-11%*	3250	3540	*-8%*
EBITDA	89	107	*-17%*	109	127	*-14%*	125	139	*-10%*
EBIT	51	70	*-28%*	71	90	*-21%*	87	102	*-15%*
Net profit	13	31	*-58%*	36	46	*-23%*	44	53	*-17%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 190. Erbud: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	47	55	*-15%*
Comparable valuation	33	41	*-20%*
Target Price (Dec'2025)*	**47**	**55**	*-15%*

*Source: Company data, Santander Brokerage Poland estimates, * 100% DCF as it fully reflects long-run business prospects; comparative valuation presented for the illustrative purposes only*

Fig. 191. Erbud: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	3856	3,234	2925	3100	3250
Gross profit	222	209	224	257	261
EBITDA	54	57	89	109	125
EBIT	21	20	51	71	87
Profit before tax	-1	50	38	65	80
Net profit	9	10	13	36	44
EBITDA margin	1.4%	1.8%	3.0%	3.5%	3.8%
EBIT margin	0.5%	0.6%	1.7%	2.3%	2.7%
Net margin	0.2%	0.3%	0.4%	1.1%	1.4%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1603	1549	1500	1485	1516
Fixed assets	442	476	478	484	490
Total assets	2045	2025	1979	1969	2006
Current liabilities	1073	1016	975	935	945
bank debt	123	61	61	61	61
Long-term liabilities	277	282	282	282	282
bank debt	189	178	178	178	178
Equity	665	675	668	697	723
Total liability and equity	2045	2025	1979	1969	2006
Net debt	148	-24	62	78	77
Net Debt/ EBITDA (x)	2.74	-0.42	0.70	0.71	0.62

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	-196	115	-10	43	71
CF from investment	-56	-48	-39	-43	-43
CF from financing, incl.	17	-102	-37	-16	-27
dividends	-3	-10	-20	-7	-18
Net change in cash	-234	-35	-86	-16	1

Source: Company data, Santander Brokerage Poland estimates

Santander

Torpol

Bloomberg: TOR PW, Reuters: TOR.WA

CEE Equity Research

Construction, Poland

Growing spendings on railways

- **Equity story.** We maintain our Outperform rating for Torpol. The construction of railway tracks could become one of the Government's priorities, according to declarations of the deputy Minister of Infrastructure and capex guidance stated by CEO of PKP PLK. The investments in tracks (tenders) have already accelerated. Torpol secured solid backlog for 2024-25. We also expect the news flow as potentially positive, incl. 1) announcement of new tenders by PKP PLK in 4Q24E/2025 thanks to unlocked EU/KPO funds, 2) continued development of CPK airport to potentially help Torpol to secure new contracts in the mid to long run, and 3) potential further shares purchase by Mirbud after crossing the 10% threshold.
- **Well-developed backlog.** The backlog of Torpol stayed close to record high level in 3Q24, as its flagship 'Katowice' contract remained the key backlog contributor. Backlog secures 4Q24E and 2025 sales as well as partially 2026 revenues, which could help Torpol to focus on picking high margin deals in the coming quarters. It seems to us, that the construction of railway tracks may become one of the Governments' priorities rather than the road expenditures, according to the deputy Minister of Infrastructure. Also, CEO of PKP PLK maintained the plan to announce tenders worth PLN17bn by 2024-end and keep annual expenditures on railway tracks construction by 2030 at PLN10bn-PLN17bn, which could imply Torpol's revenues at between PLN1.2bn and PLN2bn, if we assume its 12% market share. Also, the initial stages of CPK airport development are ongoing, which suggests potential new source of contracts for Torpol in mid to long run.
- **Financial forecasts.** We maintain financial forecasts unaltered. We calculate 2024E gross margin at 7.8% and 6.7% in 2025E and in future years. We expect the company to receive the advance payment related to Katowice contract, which should support its operating CF and net cash levels no later than in 2025E.
- **Key risks**: (1) Further delays in EU funds utilisation; 2) Tough competition and risk of price war between contractors; 3) Lack of investments connected with CPK Airport; 4) temporarily low supply of new contracts which represents downside risk to post 2025E results; 5) any revision of investment plans in railway tracks (high budget deficit).
- **Valuation.** We keep Outperform rating and a TP of PLN38.7.

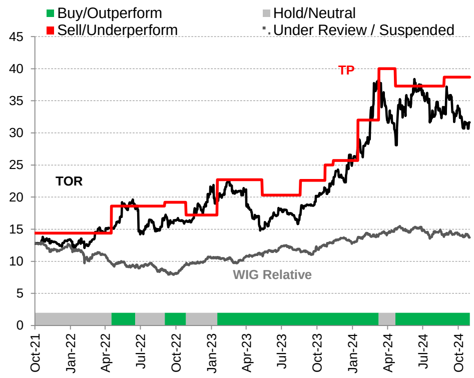
Torpol: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1 084	1 092	1 400	1 650	1 850
EBITDA	245	139	87	90	102
EBIT	221	114	62	65	78
Net profit	184	102	59	57	67
P/E (x)	1.9	7.6	13.0	13.6	11.5
EV/ EBITDA (x)	-0.2	2.5	6.5	6.7	5.7
FCF Yield	47%	6%	-25%	-3%	6%
Dividend Yield	19.2%	0.0%	6.3%	3.8%	3.7%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	33.4
Target price (Dec'25, PLN)	**38.7**
Previous report issued on Sep 12, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*38.7*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 192. Torpol: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	**208**	**254**	**270**	**353**	**212**	**214**	**246**	**420**	**261**	**298**	**348**
Gross profit	**31.0**	**62.3**	**56.1**	**109.9**	**21.5**	**40.0**	**35.4**	**61.1**	**20.0**	**29.1**	**29.0**
EBITDA	**29.1**	**56.9**	**54.5**	**104.4**	**18.8**	**33.4**	**31.6**	**54.8**	**13.4**	**24.4**	**23.8**
EBITDA margin	*14.0%*	*22.4%*	*20.2%*	*29.6%*	*8.9%*	*15.6%*	*12.8%*	*13.1%*	*5.1%*	*8.2%*	*6.8%*
EBIT	**23.0**	**51.0**	**48.5**	**98.1**	**12.3**	**27.1**	**25.6**	**48.9**	**7.5**	**18.3**	**16.8**
EBIT margin	*11.1%*	*20.1%*	*18.0%*	*27.8%*	*5.8%*	*12.7%*	*10.4%*	*11.6%*	*2.9%*	*6.1%*	*4.8%*
Net profit	**20.3**	**45.0**	**40.6**	**78.0**	**14.4**	**23.7**	**23.0**	**40.9**	**10.8**	**15.2**	**13.7**
Net profit margin	*9.7%*	*17.7%*	*15.0%*	*22.1%*	*6.8%*	*11.1%*	*9.3%*	*9.7%*	*4.1%*	*5.1%*	*3.9%*
Gross margin	*14.9%*	*24.5%*	*20.8%*	*31.1%*	*10.1%*	*18.7%*	*14.4%*	*14.6%*	*7.7%*	*9.8%*	*8.4%*
Operating CF	61	-12	6	120	-29	-14	-15	105	-137	-102	89
Net cash	-371	-359	-286	-396	-362	-351	-341	-433	-289	-126	-214
Backlog (PLNbn)	1.1	1.3	1.2	1.0	1.7	1.7	3.0	2.4	4.7	4.2	4.0

Source: Company data, Santander Brokerage Poland estimates

Fig. 193. Torpol: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	1 400	1 400	*0%*	1 650	1 650	*0%*	1 850	1 850	*0%*
EBITDA	87	87	*0%*	90	90	*0%*	102	102	*0%*
EBIT	62	62	*0%*	65	65	*0%*	78	78	*0%*
Net profit	59	59	*0%*	57	57	*0%*	67	67	*0%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 194. Torpol: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	38.7	38.7	*0%*
Comparable valuation	35.0	33.0	*6%*
Target Price (Dec'2025)*	**38.7**	**38.7**	*0%*

*Source: Company data, Santander Brokerage Poland estimates, * 100% DCF as it fully reflects long-run business prospects; comparative valuation presented for the illustrative purposes only*

Fig. 195. Torpol: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	1084	1092	1400	1650	1850
Gross profit	259	158	106	111	124
EBITDA	245	139	87	90	102
EBIT	221	114	62	65	78
Profit before tax	231	129	73	70	82
Net profit	184	101	59	57	67
EBITDA margin	22.6%	12.7%	6.2%	5.5%	5.5%
EBIT margin	20.4%	10.4%	4.4%	4.0%	4.2%
Net margin	17.0%	9.3%	4.2%	3.4%	3.6%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	788	906	717	747	785
Fixed assets	206	229	229	229	229
Total assets	995	1135	946	975	1014
Current liabilities	438	503	300	300	300
bank debt	30	30	30	30	30
Long-term liabilities	138	103	103	103	103
bank debt	67	53	53	53	53
Equity	407	509	522	549	587
Total liability and equity	995	1135	946	975	1014
Net debt	-396	-433	-206	-159	-184
Net Debt/ EBITDA (x)	-1.6	-3.1	-2.4	-1.8	-1.8

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	172	47	-168	0	73
CF from investment	-3	-1	-22	-22	-25
CF from financing, incl.	-81	1	-37	-25	-24
dividends	-69	0	-48	-29	-28
Net change in cash	74	36	-227	-46	24

Source: Company data, Santander Brokerage Poland estimates

Unibep

Bloomberg: UNI PW, Reuters: UNI.WA

CEE Equity Research

Construction, Poland

Restructuring brings effects

- **Equity story.** The restructuring initiatives have finally started to bear fruit. Unibep's 3Q24 gross profit on sales margin increased to 10%, which was the highest level since 4Q21. Some challenges are still ahead, we think, incl. probably long lasting divestments to secure funds for working capital utilisation or low margin at some pending contracts. However, we assume, that the company would tackle with the liquidity issues, and that the restructuring steps would bring further effects next year. Overall, we expect the earnings (one-offs adjusted) to continue a growth trajectory in 2025E, which could represent a potential share price trigger. We also forecast Unibep to trade at 5x P/E terminally, which we find undemanding.
- **Backlog well developed.** Unibep secured backlog at PLN3.5bn as at 3Q24. We believe that the company has already completed the process of contracts revision and created necessary provisions, and the current order portfolio is composed of good quality contracts, which we expect to continue to deliver profits and positive CFs. Note that in 3Q24 only 'power' segment generated a small gross loss on sales, while other segments were profit contributors. Moreover, the total gross profit on sales margin recovered to 10%, which was the highest level since 4Q21. Overall, we think that the company is on a good track to further cut leverage and improve profitability and earnings.
- **Some challenges are still ahead.** The liquidity issues represents the potential risk factor for Unibep, we think, and the company needs to potentially conclude divestments, in order to secure funds for scaling-up business. The considered scenarios are 1) sale of a trouble-making manufacturing division (though, division is likely to deliver positive EBITDA in 4Q24, thanks to cuts in headcount), and 2) possible looking for an investor for the residential division. The residential arm used to be a profit contributor in the past years, but its sales volumes dropped massively in 9M24 due to undermined residential demand. Moreover, the residential developments need extra funds for land purchase and NWC utilisation which could be challenging for Unibep these times, we reckon.
- **Risks.** Liquidity issue represent the key risk factor, we think.
- **Valuation.** Following changes in net debt and earnings estimates, our Target Price goes marginally down to PLN11.6.

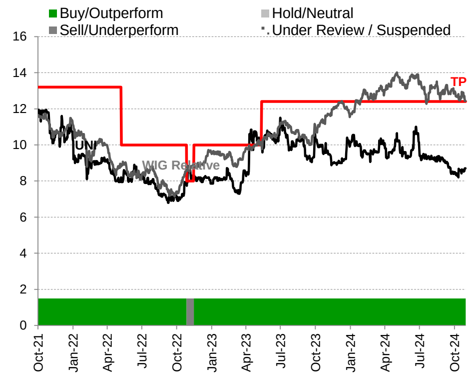
Unibep: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	2 257	2 430	2 440	2 345	2 376
EBITDA	89	-112	208	77	97
EBIT	64	-138	179	48	69
Net profit	8	-166	48	10	27
P/E (x)	8.9	-2.6	6.3	30.0	11.3
EV/ EBITDA (x)	4.5	-3.2	1.8	5.6	4.0
FCF Yield	-20.9%	45.0%	-22.1%	-7.6%	21.5%
Dividend Yield	6.4%	2.2%	0.0%	0.0%	1.9%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	8.68
Target price (Dec'25, PLN)	**11.6**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*11.7*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 196. Unibep: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	**419**	**600**	**576**	**663**	**524**	**712**	**598**	**718**	**456**	**704**	**666**
Gross profit	**34.5**	**55.2**	**36.4**	**22.1**	**29.3**	**29.9**	**-12.9**	**-84.1**	**16.3**	**41.7**	**66.6**
General construction	11.3	11.3	6.7	-8.5	10.5	-1.4	-4.3	-17.8	8.8	8.3	16.5
Infrastructure	2.4	3.6	6.0	21.1	-1.2	4.1	2.2	-10.3	2.4	14.9	15.8
Residential developer	25.9	37.7	22.8	13.5	21.2	28.2	2.0	30.9	7.8	36.7	30.4
Modular homes	0.1	-6.6	-6.2	-19.7	-4.4	-4.7	-9.5	-5.4	2.8	1.2	2.1
Power construction	0.3	1.9	8.9	17.1	6.0	8.3	1.6	-80.7	-4.0	-19.2	-0.3
Other	-5.5	7.4	-1.8	-1.3	-2.8	-4.6	-4.9	-0.8	-1.5	-0.2	2.0
EBITDA	**23.3**	**38.9**	**23.2**	**4.0**	**19.7**	**21.9**	**-21.5**	**-129.8**	**105.8**	**28.7**	**46.5**
EBIT	**17.3**	**32.4**	**17.0**	**-2.9**	**12.9**	**14.8**	**-28.8**	**-136.8**	**99.0**	**21.3**	**38.5**
EBIT margin	*4.1%*	*5.4%*	*3.0%*	*-0.4%*	*2.5%*	*2.1%*	*-4.8%*	*-19.0%*	*21.7%*	*3.0%*	*5.8%*
Net profit	**9.7**	**14.9**	**2.2**	**-19.4**	**4.3**	**-8.0**	**-142.8**	**-148.8**	**38.2**	**1.4**	**6.8**
Net profit margin	*2.3%*	*2.5%*	*0.4%*	*-2.9%*	*0.8%*	*-1.1%*	*-23.9%*	*-20.7%*	*8.4%*	*0.2%*	*1.0%*
Gross margin	*8.2%*	*9.2%*	*6.3%*	*3.3%*	*5.6%*	*4.2%*	*-2.2%*	*-11.7%*	*3.6%*	*5.9%*	*10.0%*
OCF	-61	-76	37	96	-52	17	14	178	-170	47	-84
Net debt	32	174	173	103	169	178	182	17	193	152	255
Residential sales volume	112	96	110	317	107	91	111	114	89	64	18
o/w in JVs	55	38	78	283	55	50	56	44	26	22	2
Residential handover volume	152	184	116	152	144	288	9	143	42	159	185
o/w in JVs	84	93	107	10	0	270	0	0	0	146	184

Source: Company data, Santander Brokerage Poland estimates

Fig. 197. Unibep: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	2440	2437	0%	2345	2617	-10%	2376	2689	-12%
EBITDA	208	116	79%	77	68	13%	97	96	1%
EBIT	179	88	104%	48	40	20%	69	67	3%
Net profit	48	25	92%	10	16	-37%	27	39	-31%

Source: Company data, Santander Brokerage Poland estimates

Fig. 198. Unibep: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	11.6	11.7	*-1%*
Comparable valuation	9.7	11.3	*-14%*
Target Price (Dec'2025)*	**11.6**	**11.7**	***0%***

*Source: Company data, Santander Brokerage Poland estimates, * 100% DCF as it fully reflects long-run business prospects; comparative valuation presented for the illustrative purposes only*

Fig. 199. Unibep: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	2257	2430	2440	2345	2376
Gross profit	148	-38	173	148	164
EBITDA	89	-109	208	77	97
EBIT	64	-138	179	48	69
Profit before tax	42	-176	139	21	42
Net profit	8	-165	48	10	27
EBITDA margin	4.0%	-4.5%	8.5%	3.3%	4.1%
EBIT margin	2.8%	-5.7%	7.4%	2.1%	2.9%
Net margin	0.3%	-6.8%	2.0%	0.4%	1.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1408	1449	1433	1369	1406
Fixed assets	407	350	394	394	394
Total assets	1815	1799	1827	1763	1800
Current liabilities	889	905	791	713	721
bank debt	71	46	46	46	46
Long-term liabilities	529	669	698	695	696
bank debt	171	256	256	256	256
Equity	383	213	326	343	372
Total liability and equity	1815	1799	1827	1763	1800
Net debt	104	-9	72	122	89
Net Debt/ EBITDA (x)	1.16	0.08	0.35	1.59	0.91

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	-4	157	-49	5	94
CF from investment	-57	4	-18	-28	-28
CF from financing, incl.	-72	12	-14	-27	-32
dividends	-17	-7	0	0	-5
Net change in cash	-134	173	-81	-50	33

Source: Company data, Santander Brokerage Poland estimates

Gaming sector

Fig. 200. Recommendation and valuation summary

Company	Rec.	TP (local)	Price (local)*	Upside to TP	P/E (x) 2024E	2025E	2026E	EV/EBITDA (x) 2024E	2025E	2026E
11Bit Studios	Underperform	230	252.00	-9%	8.6	8.4	18.1	7.0	5.3	6.4
CD Projekt	Neutral	185	165.55	12%	65.7	120.6	11.3	41.7	72.8	7.2
Huuuge	Outperform	22	16.66	32%	3.9	5.3	7.7	1.5	1.1	0.7
Ten Square Games	Underperform	74	79.10	-6%	6.7	7.0	8.6	3.8	3.5	3.6
Median					8.6	8.4	11.3	7.0	5.3	6.4

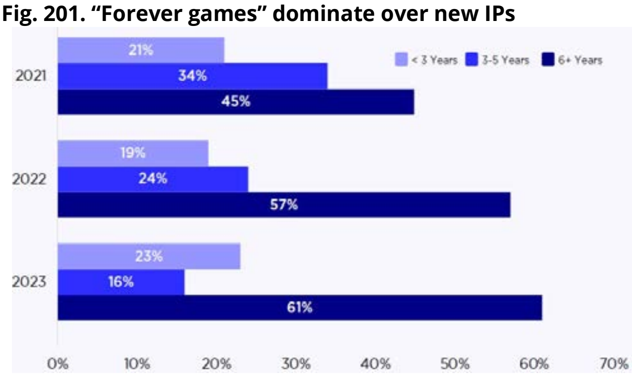
*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25, 2024*

Our recent most important discovery in terms of key structural trends in the gaming segment is that "long tails" of volumes sold in the sector are compressing with the rise in the number of games on Steam. This trend is potentially the most negative one among many observed in the sector. Reduced "long tail" could be observed on PLW's recent data as the company presented sales data for key titles for the first 5 days, first 30 days and first 60 days after debuts. The titles debuting before 2020 have total revenues after 60 days around 3 times higher than in the first 5 days. However in the case of recent titles, this value declines to 2x.

Apart from potentially weaker demand, older games with strongly recognized IPs dominate in the statistics of most frequently played titles on Steam. According to the Newzoo report, the games debuting 6 years ago and older account for 60% of the time spent by players on Steam in 2023, an increase of 15 p.p. from 2021. Gamers tend to prefer multiplayer games and triple A games.

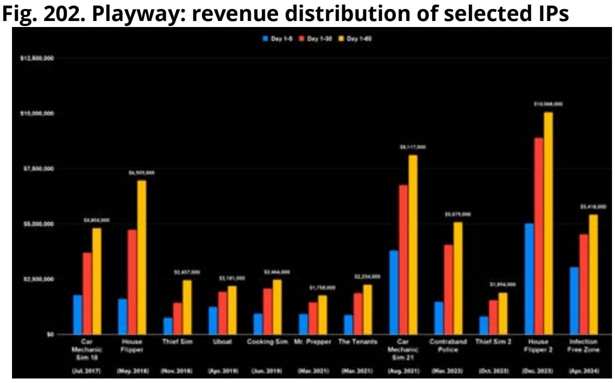
In such an environment, we would prefer bigger companies with exposure to triple A segment (CDR). We tend to believe triple A and multiplayer games are squeezing smaller titles out of the market and as a result, for all smaller PTP gaming companies in our coverage Underperform rating is assigned.

Fig. 201. "Forever games" dominate over new IPs



Source: Newzoo

Fig. 202. Playway: revenue distribution of selected IPs



Source: gamesdiscover.co

Mobile gaming companies also face several quarters of declining revenues, we conclude. We would underline especially extremely high daily revenues per active users (up to USD50 a day in HUG) as potential risk factor. We think mobile games manufacturers apply in general an aggressive consumer monetization model and thus might be susceptible to downturns during periods of rising rates or to general economic slowdown.

11Bit Studios

Bloomberg: 11B PW, Reuters: 11B.WA

CEE Equity Research

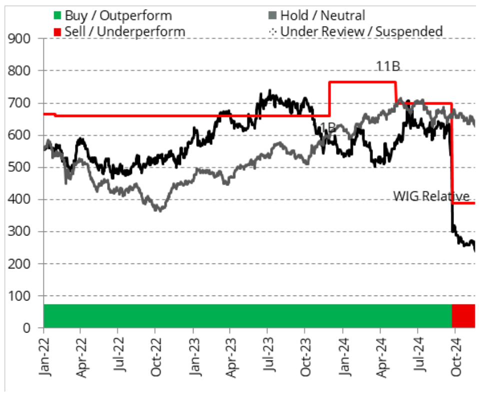
Gaming, Poland

Profits up but cash down

RECOMMENDATION	Underperform
Current price (25 Nov 2024, PLN)	252
Target price (Dec'25, PLN)	**230**
Previous report issued on Sep 23, 2024 with:	
Recommendation	*Underperform*
TP (PLN, Dec'25)	*389*

- **Frostpunk 2 disappointment.** Frostpunk 2 debut should enable 11B to report record profits this year. With The Alters debuting next year, 11B might even deliver better profits in 2025. However, our forecasts are changed upwards only on changes in the depreciation model for key games while our FCF and net cash forecasts for 2026 are actually down. The reasons for such adjustments are low yearly amortization of FP2 (11B actually did not start amortizing the game in the debut quarter) and higher cash costs reported by 11B. FP2 is the best example for compressed "long tails" in the sector (as we mention on the previous page). 11B reported 0.35m volumes in the first 5 days and around 0.5m volumes after 60 days (even worse results than in PLW's recent games).
- **FP2 and Game Pass payments.** The movement in intangibles on 11B's balance sheet suggests FP2 total development costs reached around PLN72m (with The Thaumaturge adding PLN24m this year). 11B reported PLN52m revenues from FP2 in 3Q24 with PLN10m in prepayments on the balance sheet (mainly on FP2 in our view). As such, total payments from MSFT for FP2 should be in the region of PLN28-30m we calculate. Payments for Creatures of Ava reached around PLN7m, while we expect The Alters to deliver PLN15m.
- **The Alters: make it or break it.** The Alters is another game from 11B's own portfolio to test the market. The debut date of the game was delayed to 1Q25 (even 2Q25 potentially) after disappointing launch of FP2. It was not a big surprise for us as the gaming market is changing heavily and smaller IPs in particular are having hard time to deliver solid volumes. We expect the game to deliver PLN50m revenues (including Game Pass payments) in 2025, which should enable the company to report PLN20m FCF next year. The game is the last chance for 11B to significantly improve its balance sheet position. Even with expected positive FCF generation next year, the company's net cash position at the end of this year covers only two quarters of operating costs. We expect Project 8 in 2026.
- **Valuation and risks.** We maintain Underperform rating for 11B and decrease our target price to PLN230 on lower terminal assumptions. In our estimates for 24E-26E, 11B is traded with the FCF yield at around 2.4%. Sales volumes of FP2 and future performance of The Alters represent the main risks to our line of argument.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

11B: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	74.2	52.3	135.7	170.4	140.2
EBITDA	25.9	11.8	79.2	100.9	81.2
EBIT	20.0	7.6	67.9	77.1	33.4
Net profit	22.9	0.5	63.6	64.9	30.3
P/E (x)	55.1	2895.6	8.6	8.4	18.1
EV/ EBITDA (x)	57.7	111.7	7.0	5.3	6.4
FCF Yield	-0.8%	-2.7%	1.1%	3.4%	2.6%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 203. 11B: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	135.7	163.3	*-17%*	170.4	150.2	*+13%*	140.2	151.7	*-8%*
EBITDA	79.2	96.7	*-18%*	100.9	67.7	*+49%*	81.2	95.2	*-15%*
EBIT	67.9	59.4	*+14%*	77.1	35.9	*+115%*	33.4	42.4	*-21%*
Net profit	63.6	55.9	*+14%*	64.9	32.3	*+101%*	30.3	37.5	*-19%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 204. 11B: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	230	389	*-41%*
Comparable valuation	215	380	*-43%*
Target Price (Dec'25)*	**230**	**389**	***-41%***

*Source: Company data, Santander Brokerage Poland estimates; *valuation based on DCF only; due to different timing of games releases in covered companies, comparable valuation is not adequate; comparable valuation is presented for illustrative purposes only*

Fig. 205. 11B: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	74.2	52.3	135.7	170.4	140.2
Gross profit	25.2	10.0	67.9	82.1	38.4
EBITDA	25.9	11.8	79.2	100.9	81.2
EBIT	20.0	7.6	67.9	77.1	33.4
Profit before tax	27.2	-0.3	70.6	80.1	37.4
Net profit	22.9	0.5	63.6	64.9	30.3
EBITDA margin	34.9%	22.5%	58.4%	59.2%	57.9%
EBIT margin	26.9%	14.5%	50.0%	45.2%	23.8%
Net margin	30.8%	1.0%	46.8%	38.1%	21.6%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	101.7	66.9	81.2	106.3	117.9
Fixed assets	142.5	191.4	244.9	287.8	308.6
Total assets	244.2	258.3	326.1	394.1	426.5
Current liabilities	10.2	24.7	28.9	32.1	34.1
bank debt	1.3	1.3	1.3	1.3	1.3
Long-term liabilities	9.5	6.6	6.6	6.6	6.6
bank debt	7.2	5.1	5.1	5.1	5.1
Equity	224.5	227.1	290.6	355.5	385.8
Total liability and equity	244.2	258.3	326.1	394.1	426.5
Net debt	-78.9	-48.0	-54.4	-74.8	-90.5
Net Debt/ EBITDA (x)	-3.0	-4.1	-0.7	-0.7	-1.1

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	32.9	21.9	71.2	87.1	84.4
CF from investment	-28.8	-16.2	-64.9	-66.7	-68.6
CF from financing, incl.	-0.3	2.3	0.0	0.0	0.0
Dividends	0	0	0	0	0
Net change in cash	3.8	8.0	6.4	20.4	15.7

Source: Company data, Santander Brokerage Poland estimates

Santander

CD Projekt

Bloomberg: CDR PW, Reuters: CDR.WA

CEE Equity Research

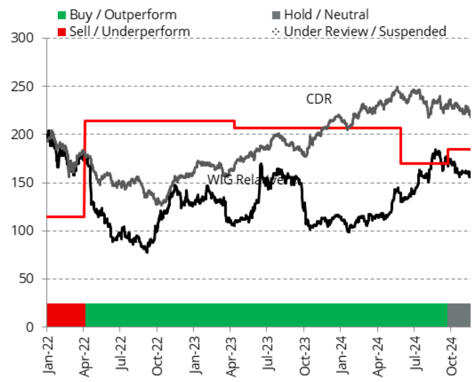
Gaming, Poland

Witcher IV in production phase

RECOMMENDATION	Neutral
Current price (Nov 25, 2024, PLN)	165.55
Target price (Dec'25, PLN)	**185**
Previous report issued on Sep 23, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*185*

- **Witcher IV as the next big thing.** Witcher IV is widely expected to be the next triple A game delivered by CDR. We believe the company is able to publish the game in 4Q26 as the team started the full production phase. We tend to believe gen AI might play some role in speeding up the production process as CEO of CDR admitted for the first time during 4Q23 results call that AI initiatives might have significant impact on the production process. We assume 17m copies to be sold in the first 12 months after the debut at USD70 base price. Current CDR's management scheme assumes PLN2bn cumulated net profit till 2026, which means Witcher IV will have to be delivered in 2026 to fulfil the requirements.
- **FCF strong mid-term thanks to fat "long tail".** Our main thesis for the sector is that smaller games are squeezed in terms of volumes by triple A and multiplayer games. As such, "long tails" are compressing for smaller games as presented on previous pages, however triple A games are selling very well in CDR or TTWO. Thanks to strong volumes of Witcher III and Cyberpunk, CDR has been able to deliver positive FCF year by year since the debut of Witcher III (unlike the majority of smaller companies). We expect CDR to again deliver healthy FCF in 2024 with only minor cash burn in 2025.
- **Witcher IV starts new chapter with stronger pipeline.** 2026-30 could potentially be a harvest time for CDR as we expect the company to publish also Witcher V and Cyberpunk II from its own portfolio and Witcher I remake from Fool's Theory in the period. In our forecasts for 2026-30, CDR is traded with an average 8.7% FCF yield. As such we see upside potential in CDR provided that the company delivers all new projects on time. We especially like the idea to produce Cyberpunk II in the US. The US market is the biggest worldwide and heavily skewed towards consoles. Cyberpunk franchise is an excellent game for consoles, which account for almost 60% of the total gaming market value. We expect CDR to market Cyberpunk II as the game prepared by a US studio which might help increase volumes.
- **Valuation and risks.** We keep Neutral rating for CDR and keep our TP at PLN185. We do not change our mid-term forecasts in this report. CDR's valuation is most sensitive to yields in the sector. Any increase in yields in Poland might be putting downward pressure on CDR's valuation.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

CDR: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	952.6	1,230.2	862.7	710.8	2,732.9
EBITDA	481.0	700.1	369.9	212.3	1,950.7
EBIT	377.3	469.0	246.9	108.8	1,593.7
Net profit	347.1	481.1	253.9	138.3	1,473.8
P/E (x)	30.8	23.5	65.7	120.6	11.3
EV/ EBITDA (x)	22.7	15.9	41.7	72.8	7.2
FCF Yield	1.3%	2.5%	1.5%	-0.2%	8.6%
Dividend Yield	0.9%	0.9%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 206. CDR: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	862.7	862.7	*0%*	710.8	710.8	*0%*	2,732.9	2,732.9	*0%*
EBITDA	369.9	369.9	*0%*	215.6	215.6	*0%*	1,955.1	1,955.1	*0%*
EBIT	246.9	246.9	*0%*	112.1	112.1	*0%*	1,765.5	1,765.5	*0%*
Net profit	253.9	253.9	*0%*	138.5	138.5	*0%*	1,627.3	1,627.3	*0%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 207. CDR: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	185	185	*0%*
Comparable valuation	155	155	*0%*
Target Price (Dec'25)*	**170**	**185**	***0%***

*Source: Company data, Santander Brokerage Poland estimates; *valuation based on DCF only; due to different timing of games releases in covered companies, comparable valuation is not adequate; comparable valuation is presented for illustrative purposes only*

Fig. 208. CDR: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	952.6	1,230.2	862.7	710.8	2,732.9
Gross profit	244.0	380.6	615.7	598.6	967.4
EBITDA	481.0	700.1	369.9	215.6	1,955.1
EBIT	377.3	469.0	246.9	112.1	1,765.5
Profit before tax	393.2	538.5	282.1	153.8	1,808.1
Net profit	347.1	481.1	253.9	138.5	1,627.3
EBITDA margin	50.5%	56.9%	42.9%	30.3%	71.5%
EBIT margin	39.6%	38.1%	28.6%	15.8%	64.6%
Net margin	36.4%	39.1%	29.4%	19.5%	59.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1,154.1	1,162.8	1,339.4	1,293.8	2,872.3
Fixed assets	1,120.0	1,450.6	1,575.0	1,756.5	1,744.2
Total assets	2,274.1	2,613.4	2,914.4	3,050.3	4,616.5
Current liabilities	204.5	171.2	218.3	215.9	308.3
bank debt	9.6	6.9	6.9	6.9	6.9
Long-term liabilities	36.2	38.8	38.8	38.8	38.8
bank debt	18.9	20.0	20.0	20.0	20.0
Equity	2,033.4	2,403.5	2,657.4	2,795.6	4,269.4
Total liability and equity	2,274.1	2,613.4	2,914.4	3,050.3	4,616.5
Net debt	-1,073.6	-1,308.0	-1,550.3	-1,525.8	-2,890.7
Net Debt/ EBITDA (x)	-2.2	-1.9	-4.2	-7.2	-1.5

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	406.0	610.9	504.7	275.5	1,724.6
CF from investment	-335.6	-607.3	-262.4	-300.0	-359.7
CF from financing, incl.	-204.2	-103.3	0.0	0.0	0.0
dividends	-100.7	-99.9	0.0	0.0	0.0
Net change in cash	-133.8	-99.8	242.4	-24.5	1,364.9

Source: Company data, Santander Brokerage Poland estimates

Santander

Huuuge

Bloomberg: HUG PW, Reuters: HUG.WA

CEE Equity Research

Gaming, Poland

Slots Cash to the rescue?

- **Slots Cash to the rescue?** Thinking on potential surprises (positive and negative), HUG's operational excellence in terms of high efficiency (10% of gamers are the paying ones) and very high average daily revenue per paying user (USD50.0) makes the company susceptible to economic slowdown via steeper decline in revenues, should some of its best paying gamers have stopped playing casino games (unpleasant surprise). On the upside, we continue to believe that Bananaz Studio (owner of Sloth Cash) acquisition could be a very smart move. Skills gaming is growing quite fast as a sector and we tend to believe it doesn't need to spend big on user acquisition due to the word of mouth marketing. As such Bananaz Studio could already be profitable but Sensor Tower probably will not capture revenue trend in the company, we think. Thus the market will need to wait for quarterly results hints from HUG's management on the acquired company's performance before factoring in any potential positive surprise from Bananaz Studio into valuation of HUG. We tend to believe HUG might acquire new equity stake up to 50% in Bananaz and might start consolidating the company's results next year. This might be a potential positive driver for share price performance should our understanding of skills gaming be confirmed in Bananaz's results.
- **FCF generation.** Excluding potential positive surprise from Bananaz, it is business as usual in HUG. Mobile gaming sector value could be declining going forward due to high base from the post-healthcare crisis period. We assume that HUG's revenues could go down in 2024E despite the company's best efforts to avoid the decline. However, HUG proved to investors that it was able to create value through deep costs optimization – by lowering UAC costs and some employment restructuring.
- **Valuation and risks.** We upgrade our rating for HUG from Neutral to Outperform due to weak share price performance. We decrease our forecasts due to higher UAC and decrease our target price to PLN22. Despite lower forecasts, HUG is traded with a 25% FCF yield in 2024E and still with more than a 20% FCF yield in 2025E. Having in mind the rising risk of higher yields structurally, HUG might be the best option for hedging the risk of rising yields. The main risks to our line of investment argument include potential value destructive M&As, but for the moment we expect HUG to acquire only further equity stakes in Bananaz Studio.

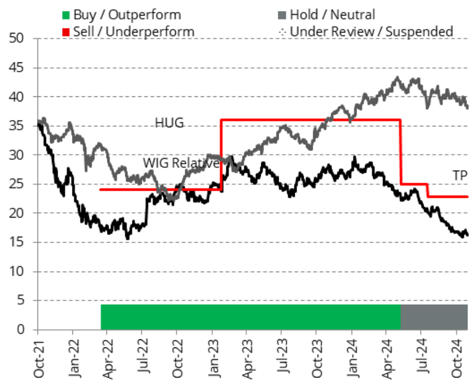
HUG: Financial summary and ratios

Year to Dec, USDmn	2022	2023	2024E	2025E	2026E
Sales	318.6	283.4	246.0	220.8	198.7
EBITDA	49.7	103.1	78.0	58.1	40.4
EBIT	38.6	94.1	68.9	49.0	31.4
Net profit	32.0	82.2	59.1	44.2	31.0
P/E (x)	17.0	5.0	3.9	5.3	7.7
EV/ EBITDA (x)	5.8	2.7	1.5	1.1	0.7
FCF Yield	7.8%	20.8%	26.1%	20.8%	15.3%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (Nov 25, 2024, PLN)	16.66
Target price (Dec'25, PLN)	**22**
Previous report issued on Aug 7, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*22.8*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 209. HUG: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	246.0	252.0	*-2%*	220.8	226.1	*-2%*	198.7	214.5	*-7%*
EBITDA	78.0	78.2	*0%*	58.1	55.8	*4%*	40.4	44.6	*-9%*
EBIT	68.9	69.2	*0%*	49.0	46.8	*4%*	31.4	35.5	*-11%*
Net profit	59.1	59.2	*0%*	44.2	42.4	*5%*	31.0	34.3	*-9%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 210. HUG: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	22	22.8	*-1%*
Comparable valuation	30	34	*0*
Target Price (Dec'25)*	**22**	**22.8**	***-1%***

*Source: Company data, Santander Brokerage Poland estimates, *100% DCF, *valuation based on DCF only; due to different timing of games releases in covered companies comparable valuation is not adequate and we present it for illustrative purposes only*

Fig. 211. HUG: Financial statements forecast

USDmn	2022	2023	2024E	2025E	2026E
Net sales	318.6	283.4	246.0	220.8	198.7
Gross profit	96.9	82.6	68.9	49.0	31.4
EBITDA	49.7	103.1	78.0	58.1	40.4
EBIT	38.6	94.1	68.9	49.0	31.4
Profit before tax	39.1	98.8	74.7	55.9	39.2
Net profit	32.0	82.2	59.1	44.2	31.0
EBITDA margin	15.6%	36.4%	31.7%	26.3%	20.3%
EBIT margin	12.1%	33.2%	28.0%	22.2%	15.8%
Net margin	10.0%	29.0%	24.0%	20.0%	15.6%

USDmn	2022	2023	2024E	2025E	2026E
Current assets	248.9	187.6	176.0	226.7	264.2
Fixed assets	37.4	29.8	23.0	16.3	9.5
Total assets	286.3	217.4	199.1	242.9	273.7
Current liabilities	35.6	33.2	25.7	25.4	25.2
bank debt	0	0	0	0	0
Long-term liabilities	10.0	7.2	7.2	7.2	7.2
bank debt	0	0	0	0	0
Equity	240.7	177.1	166.1	210.3	241.2
Total liability and equity	286.3	217.4	199.1	242.9	273.7
Net debt	-208.4	-141.5	-137.1	-190.4	-230.1
Net Debt/ EBITDA (x)	-4.2	-1.4	-1.8	-3.3	-5.7

USDmn	2022	2023	2024E	2025E	2026E
CF from operations	71.0	82.4	67.9	55.5	42.1
CF from investment	-32.6	4.1	-2.3	-2.3	-2.3
CF from financing, incl.	-21.8	-155.0	-70.0	0.0	0.0
dividends	0	0	0	0	0
Net change in cash	16.6	-68.5	-4.4	53.2	39.8

Source: Company data, Santander Brokerage Poland estimates

Ten Square Games

Bloomberg: TEN PW, Reuters: TEN.WA

CEE Equity Research

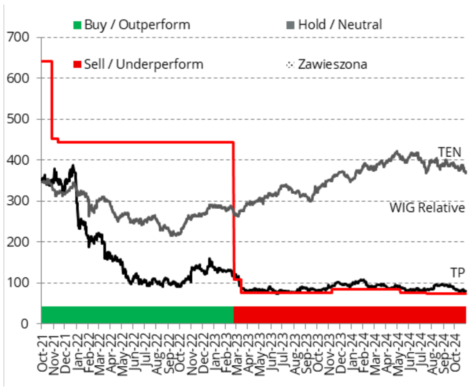
Gaming, Poland

No growth despite best efforts

RECOMMENDATION	Underperform
Current price (Nov 25, 2024, PLN)	79.1
Target price (Dec'25, PLN)	**74**
Previous report issued on Aug 7, 2024 with:	
Recommendation	*Underperform*
TP (PLN, Dec'25)	*74*

- **No growth despite best efforts.** We think some market investors hoped for the return to revenue and profits growth in TEN despite the weak mobile gaming market in general as the new management truly changed the company's strategy with a significant focus on organic development with opportunistic M&A only (instead of main focus on acquisitions as before). 2Q24 results from TEN gave hopes the strategy might indeed allow the company to grow. However, 3Q24 results might have been a come back to earth for investors dreaming that TEN might defy gravity. In fact, the company's revenues declined along with rising costs of marketing (implying that organic growth is weak and to reach stable revenue level TEN has to invest more in user acquisition). We are truly impressed by the company's organic work (better revenue generation versus HUG), but macro situation might not allow TEN to improve, we believe.
- **Fishing Clash and Hunting Clash declining while Wings of Heroes growing.** Fishing Clash was the main reason for positive surprises in 2Q24 results with significant momentum reversal during the summer. However, 3Q24 results revealed slowdown and the need to increase marketing spend to keep FC on track in terms of revenue generation. MAU statistics are improving but payments are not rising any more. The same held true for Hunting Clash already in 2Q24 results. The company changed mechanics of the game significantly, numbers of active users were clearly growing but it did not improve monetization. Wings of Heroes is the only IP that is visibly improving revenues but again with a high marketing spend. As the game is quite young, there is still room for improvement in monetization of the title. One of future growth projects was cancelled already. The other two would soon undergo further testing.
- **Future of Gamesture is uncertain.** TEN has slightly above 35% stake in Gamesture, the company at early stages of games development. There is a risk that TEN would be forced to inject more capital to Gamesture and potentially exceed 50% stake (which will force TEN to consolidate Gamesture going forward).
- **Valuation and risks.** We keep Underperform rating for TEN with unchanged target price of PLN74. The main risk to our line of investment argument is a potential takeover of TEN by a bigger competitor.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

TEN: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	538.6	436.1	394.7	379.7	361.7
EBITDA	89.2	23.7	100.8	91.6	74.0
EBIT	72.7	3.5	88.8	83.6	66.0
Net profit	52.3	15.2	76.9	73.0	59.5
P/E (x)	19.2	45.3	6.7	7.0	8.6
EV/ EBITDA (x)	5.4	22.5	3.8	3.5	3.6
FCF Yield	13.6%	13.6%	15.5%	13.0%	10.5%
Dividend Yield	7.2%	7.6%	22.5%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 212. TEN: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	394.7	395.3	*0%*	379.7	380.5	*0%*	361.7	362.6	*0%*
EBITDA	100.8	99.0	*1%*	91.6	89.0	*3%*	74.0	77.3	*-4%*
EBIT	88.8	78.0	*14%*	83.6	67.0	*25%*	66.0	55.3	*19%*
Net profit	76.9	67.7	*14%*	73.0	58.8	*24%*	59.5	50.3	*18%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 213. TEN: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	74	74	*0%*
Comparable valuation	95	95	*0%*
Target Price (Dec'25)*	**74**	**74**	***0%***

*Source: Company data, Santander Brokerage Poland estimates, *valuation based on DCF only; due to different timing of games releases in covered companies, comparable valuation is not adequate and we present it for illustrative purposes only*

Fig. 214. TEN: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	538.6	436.1	394.7	379.7	361.7
Gross profit	468.5	363.4	329.2	318.2	300.2
EBITDA	89.2	23.7	100.8	91.6	74.0
EBIT	72.7	3.5	88.8	83.6	66.0
Profit before tax	63.4	17.0	90.4	85.9	70.0
Net profit	52.3	15.2	76.9	73.0	59.5
EBITDA margin	16.6%	5.4%	25.5%	24.1%	20.5%
EBIT margin	13.5%	0.8%	22.5%	22.0%	18.3%
Net margin	9.7%	3.5%	19.5%	19.2%	16.4%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	206.6	242.3	198.4	263.4	315.3
Fixed assets	314.1	215.8	220.5	228.0	235.5
Total assets	520.7	458.1	418.9	491.3	550.8
Current liabilities	110.0	137.6	136.5	136.0	136.0
bank debt	0	0	0	0	0
Long-term liabilities	68.2	29.5	29.5	29.5	29.5
bank debt	0	0	0	0	0
Equity	342.5	291.0	252.9	325.9	385.4
Total liability and equity	520.7	458.1	418.9	491.3	550.8
Net debt	-126.6	-162.8	-127.0	-193.5	-247.2
Net Debt/ EBITDA (x)	-1.4	-6.9	-1.3	-2.1	-3.3

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	137.9	121.5	95.9	81.9	69.2
CF from investment	-55.5	-26.6	-16.7	-15.5	-15.5
CF from financing, incl.	-95.2	-58.4	-115.0	0.0	0.0
dividends	-72.3	-52.3	-115.0	0.0	0.0
Net change in cash	-12.8	36.5	-35.8	66.4	53.7

Source: Company data, Santander Brokerage Poland estimates

AB

Bloomberg: ABE PW, Reuters: ABE.WA

CEE Equity Research

IT distributors, Poland

Two weaker quarters ahead

- **Two weaker quarters ahead.** We tend to believe AB has two weaker quarters ahead in terms of operating performance. 3Q24 financial report should deliver negative dynamics due to the lack of “school contract” worth around PLN400m (one-off revenue boost last year, contract for notebooks delivery for schools). 4Q23 results, on the other hand, might be also weaker yoy due to significantly cheaper new iPhone model debuting this quarter (price in PLN is 15% cheaper than for the previous model). However long-term trends are positive for AB and we expect the company to grow revenues and profits secularly due to post-healthcare crisis IT replacement cycle.
- **Apple products most important for revenue generation.** We claimed several times in our reports that Apple products constituted 36% of the total revenues in 2023 and are main revenue drivers for ABE. Real and nominal wages in Poland keep rising at a double-digit rate while iPhones are significantly under-owned in Poland versus other European or global markets. As such, we tend to believe AB is a good exposure for rising wealth of Polish consumer as Poles should buy more and more higher-priced smartphones, we expect.
- **M&As on the horizon.** We expect AB to generate double digit FCF yield this year. In our forecasts AB would be almost reaching the net cash position by the end of 2025. The company did an outstanding job in selling down inventories gathered during healthcare crisis with receivables turning into strong cash flow this year. As such, we expect the company might finally turn to M&As to speed up its growth. The company’s management highlighted such a possibility in several press interviews. We believe AB might try to expand in some niches in Poland (potentially retail business, similar to Asbis). But the main acquisition target would probably be a foreign IT distributor, possibly having a contract with Apple in other CEE markets. Such an acquisition would be the safest way to grow for AB as the company has outstanding relationship with its main client.
- **Valuation and risks.** We maintain our Outperform rating for AB and keep our TP at PLN145 unchanged, allowing for 58% upside potential. The main risks to our line of investment argument include the contract with Apple and general macro environment for consumers in CEE region.

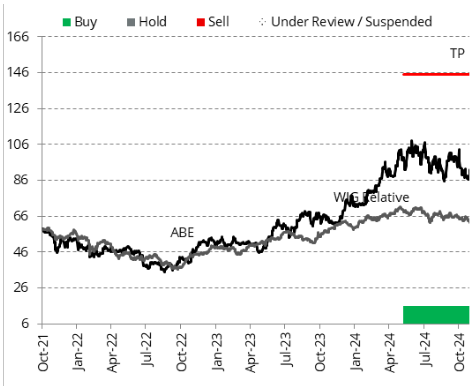
ABE: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	17,824.1	19,225.6	14,503.0	15,280.7	16,107.7
EBITDA	290.0	369.0	308.2	318.4	321.0
EBIT	265.0	338.0	282.2	291.4	293.0
Net profit	182.2	191.3	173.0	191.1	197.2
P/E (x)	4.0	5.1	8.6	7.8	7.6
EV/ EBITDA (x)	4.6	3.7	4.9	4.5	4.3
FCF Yield	-2.4%	11.7%	11.6%	7.6%	7.6%
Dividend Yield	2.2%	2.1%	2.1%	2.5%	3.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (Nov 25, 2024, PLN)	92
Target price (Dec’25, PLN)	**145**
Previous report issued on Sep 23, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec’25)	*145*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

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Fig. 215. ABE: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	14,503.0	14,503.0	*0%*	15,281.0	15,281.0	*0%*	16,108.0	16,108.0	*0%*
EBITDA	308.0	308.0	*0%*	318.0	318.0	*0%*	321.0	321.0	*0%*
EBIT	282.0	282.0	*0%*	291.0	291.0	*0%*	293.0	293.0	*0%*
Net profit	173.0	173.0	*0%*	191.0	191.0	*0%*	197.0	197.0	*0%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 216. ABE: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	145	145	*0%*
Comparable valuation	130	130	*0%*
Target Price (Dec'25)*	**145**	**145**	***0%***

*Source: Company data, Santander Brokerage Poland estimates, *valuation based on DCF only; due to different business models of the companies, comparable valuation is not adequate and we present it for illustrative purposes only*

Fig. 217. ABE: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	17,824	19,226	14,503	15,281	16,108
Gross profit	624	722	587	619	652
EBITDA	290	369	308	318	321
EBIT	265	338	282	291	293
Profit before tax	228	241	216	239	246
Net profit	182	191	173	191	197
EBITDA margin	1.6%	1.9%	1.9%	1.8%	1.8%
EBIT margin	1.5%	1.8%	1.7%	1.7%	1.7%
Net margin	1.0%	1.0%	1.1%	1.1%	1.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	3,699.3	3,863.5	3,503.4	3,748.6	3,998.2
Fixed assets	394.2	383.1	383.1	383.1	383.1
Total assets	4,093.6	4,246.6	3,886.4	4,131.7	4,381.3
Current liabilities	2,703.6	2,752.8	2,251.3	2,343.3	2,441.2
bank debt	254.9	160.8	160.8	160.8	160.8
Long-term liabilities	207.0	191.9	191.9	191.9	191.9
bank debt	148.7	142.4	142.4	142.4	142.4
Equity	1,301.7	1,443.2	1,443.2	1,596.4	1,748.2
Total liability and equity	4,093.6	4,246.6	3,886.4	4,131.7	4,381.3
Net debt	286.2	219.1	85.4	15.5	-47.7
Net Debt/ EBITDA (x)	1.0	0.6	0.3	0.0	-0.1

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	0.99	146.16	191.3	134.7	136.5
CF from investment	-26.1	-14.1	-26.0	-27.0	-28.0
CF from financing, incl.	52.4	-98.9	-31.5	-37.8	-45.4
dividends	-16.1	-20.1	-31.5	-37.8	-45.4
Net change in cash	27.3	33.2	133.8	69.9	63.1

Source: Company data, Santander Brokerage Poland estimates

Santander

Asbis

Bloomberg: ASB PW, Reuters: ASB.WA

CEE Equity Research

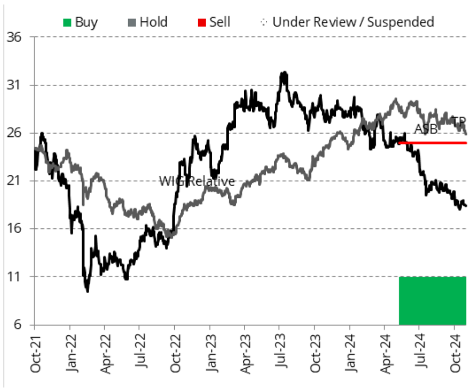
IT distributors, Poland

iPhone 16 to reverse trends?

- **iPhone 16 to reverse negative trends?** This year is difficult for Asbis in terms of operating results due to weaker than expected revenues. The main reason for that (excluding conflict in Ukraine) is a significant decline in revenues in Kazakhstan. Asbis sees illegal import from third parties and stricter consumer lending rules as the main obstacles preventing the company to grow revenues there. Apart from illegal imports, import from legal sources could also play a role as weakening yen allows companies from Japan to sell to Kazakhstan at cheaper prices than Asbis. It seems to us that iPhone 16 debut could change that trajectory for more positive as Apple tends to control volumes of new iPhones on key markets at the early stages of introducing a new product to the market. With consumers eager to buy new models, we tend to believe Asbis's revenues on key markets might revive and reverse negative trends.
- **Gross margin to go down slightly.** Despite potential revival in revenue trends, gross margin might still be slightly lower than in previous years. Asbis is different than AB in terms of gross margin profile as the company has a notable retail business on top of the wholesale one (while AB is a pure wholesaler). With growing revenues from South Africa (incremental increase in revenues coming mainly from wholesale operations), we expect the blended gross margin to go slightly down as the wholesale business profitability is way smaller than that of the retail business.
- **Strong FCF generation.** Asbis has strong generation potential in our view, however, its FCF depends on working capital needs. We expect FCF to decline this year given working capital required to expand the business (entry to South Africa markets for example). However, we expect FCF to recover next year. Depending on the gross margin evolution in the future, we tend to believe Asbis could even deliver structurally higher FCF yields than AB (with current valuations). However, these FCF streams are riskier for shareholders in several ways than in the case of AB.
- **Valuation and risks.** We maintain our Outperform rating for Asbis and keep our TP unchanged at PLN25, allowing for 40% upside potential. The main risks to our line of investment argument include the contract with Apple and general macro environment for consumers in CEE region.

RECOMMENDATION	**Outperform**
Current price (Nov 25, 2024, PLN)	18,04
Target price (Dec'25, PLN)	**25**
Previous report issued on Sep 23, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*25*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

ASB: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	2,690.0	3,061.2	3,027.6	3,118.4	3,243.1
EBITDA	116.1	104.2	105.4	95.6	96.1
EBIT	111.5	97.2	98.4	88.6	89.1
Net profit	75.9	52.9	57.8	52.2	56.6
P/E (x)	2.6	7.0	4.2	4.7	4.3
EV/ EBITDA (x)	3.7	4.8	3.7	4.0	3.9
FCF Yield	-20.2%	8.7%	10.9%	15.9%	15.7%
Dividend Yield	8.5%	6.8%	11.3%	12.4%	13.6%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 218. ASB: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	3,027.6	3,062.8	*-1%*	3,118.4	3,185.3	*-2%*	3,243.1	3,344.5	*-3%*
EBITDA	105.4	96.9	*9%*	95.6	94.4	*1%*	96.1	95.6	*1%*
EBIT	98.4	89.9	*9%*	88.6	87.4	*1%*	89.1	88.6	*1%*
Net profit	57.8	51.1	*13%*	52.2	51.2	*2%*	56.6	56.3	*1%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 219. ASB: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	25	25	*0%*
Comparable valuation	42	42	*0%*
Target Price (Dec'25)*	**25**	**25**	***0%***

*Source: Company data, Santander Brokerage Poland estimates, *valuation based on DCF only; due to different business models of the companies, comparable valuation is not adequate and we present it for illustrative purposes only*

Fig. 220. ASB: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	2,690	3,061	3,028	3,118	3,243
Gross profit	227	252	246	249	256
EBITDA	116	104	105	96	96
EBIT	111	97	98	89	89
Profit before tax	91	65	72	65	71
Net profit	76	53	58	52	57
EBITDA margin	4.3%	3.4%	3.5%	3.1%	3.0%
EBIT margin	4.1%	3.2%	3.3%	2.8%	2.7%
Net margin	2.8%	1.7%	1.9%	1.7%	1.7%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1,003.9	931.2	956.6	990.6	1,030.1
Fixed assets	59.6	81.3	81.3	81.3	81.3
Total assets	1,063.5	1,012.5	1,037.9	1,071.9	1,111.4
Current liabilities	809.2	715.5	745.8	757.9	774.0
bank debt	223.3	238.8	238.8	238.8	238.8
Long-term liabilities	10.2	15.7	15.7	15.7	15.7
bank debt	9.2	14.7	14.7	14.7	14.7
Equity	244.2	281.2	311.6	333.5	356.9
Total liability and equity	1,063.5	1,012.5	1,037.9	1,071.9	1,111.4
Net debt	97.9	109.9	146.0	137.5	132.5
Net Debt/ EBITDA (x)	0.8	1.1	1.4	1.4	1.4

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	-56.05	45.41	33.6	45.7	45.3
CF from investment	-11.1	-11.7	-7.0	-7.0	-7.0
CF from financing, incl.	8.6	-17.7	-27.5	-30.2	-33.2
dividends	-16.6	-25.0	-27.5	-30.2	-33.2
Net change in cash	-58.6	16.0	-0.9	8.5	5.1

Source: Company data, Santander Brokerage Poland estimates

Santander

cyber_Folks

Bloomberg: CBF PW, Reuters: CBF.WA

CEE Equity Research

TMT, Poland

Structural grower

- **Strong balance sheet ready for M&As.** We expect CBF's net debt position to decrease close to zero at the end of the year. Having in mind the company's history of multiple acquisitions to fuel growth in the past, we expect CBF to make another M&A leap in the closest future in both segments: hosting and CPaaS (Vercom). We tend to believe acquisition in CBF might be connected with hosting business but on the other hand the company is expanding with new products and might also be thinking about M&As in general ecommerce business. Vercom hinted in newspaper interviews that exposure on RCS communication might be the expected path of future growth. As such, potential M&A targets might be involved in such services, we assume.
- **Hosting business growing on price hikes.** Results of hosting segment are driven by structural wave of price hikes from CBF but also main competitors. New services (Now, Stores, Sellintegro) are only starting to add to revenue growth. The company's CEO stated in the press interviews that CBF is reluctant to increase prices without adding new services. We believe CBF might focus on CDN services to improve its offer (CDN allows fast access to data from many localizations).
- **CPaaS with strong growth.** Vercom is growing its CPaaS business even faster than hosting in CBF in terms of revenue generation. But it seems 2024 was unusual year due to unusual demand for text communication from two companies operating in FMCG business. Vercom stated this demand is slowly waning and revenue growth might slow down next year. On the other hand the company sees significant growth in demand for RCS services from many clients. This is a more important trend as profitability of simple text communication is very low. Rising demand for higher margin services should enable the company to improve profits despite slower revenue generation we expect.
- **Valuation and risks.** We downgrade our rating to Neutral but increase our TP to PLN142. Also, on the valuation time horizon shift to Dec'2025 from Dec'2024 previously. The main risks to our investment thesis include general macro environment for consumers in CEE region. We note that our FCF yield for CBF is calculated including OCF, ICF, leasing payments and dividends for minority shareholders of Vercom. We notice our FCF estimates are lower than Bloomberg consensus that might not include all necessarily adjustments (dividends for Vercom shareholders).

CBF: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	392.2	479.9	651.4	675.2	759.6
EBITDA	100.9	137.3	182.4	211.9	245.0
EBIT	74.3	104.6	146.4	172.2	201.4
Net profit	24.0	50.8	73.5	93.9	113.5
P/E (x)	24.2	27.9	24.2	19.0	15.7
EV/ EBITDA (x)	13.6	14.2	11.3	9.6	8.1
FCF Yield	-27.9%	9.9%	9.8%	5.6%	6.7%
Dividend Yield	1.7%	0.9%	1.0%	1.3%	1.6%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (Nov 25, 2024, PLN)	125,5
Target price (Dec'25, PLN)	**142**
Previous report issued on Apr 17, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*127*

STOCK PERFORMANCE

The chart measures performance against the WIG index.

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Fig. 221. CBF: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	651.4	549.7	*19%*	675.2	614.8	*10%*	759.6	680.4	*12%*
EBITDA	182.4	171.5	*6%*	211.9	196.2	*8%*	245.0	216.9	*13%*
EBIT	146.4	135.4	*8%*	172.2	156.6	*10%*	201.4	173.3	*16%*
Net profit	73.5	64.6	*14%*	93.9	76.5	*23%*	113.5	86.0	*32%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 222. CBF: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	142	127	*12%*
Comparable valuation	125	115	*9%*
Target Price (Dec'25)*	**142**	**127**	***12%***

*Source: Company data, Santander Brokerage Poland estimates, *valuation based on DCF only; due to different business models of the companies, comparable valuation is not adequate and we present it for illustrative purposes only*

Fig. 223. CBF: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	392.2	479.9	651.4	675.2	759.6
Gross profit	75.3	107.6	146.4	172.2	201.4
EBITDA	100.9	137.3	182.4	211.9	245.0
EBIT	74.3	104.6	146.4	172.2	201.4
Profit before tax	52.5	101.7	135.2	171.2	205.4
Net profit	24.0	50.8	73.5	93.9	113.5
EBITDA margin	25.7%	28.6%	28.0%	31.4%	32.3%
EBIT margin	19.0%	21.8%	22.5%	25.5%	26.5%
Net margin	6.1%	10.6%	11.3%	13.9%	14.9%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	91.9	110.3	287.7	366.3	465.2
Fixed assets	773.7	722.6	712.5	704.1	697.9
Total assets	865.6	832.9	1,000.3	1,070.4	1,163.1
Current liabilities	145.0	172.9	200.2	199.9	207.5
bank debt	46.9	63.7	63.7	63.7	63.7
Long-term liabilities	322.4	235.3	235.3	235.3	235.3
bank debt	299.3	220.1	220.1	220.1	220.1
Equity	218.7	223.0	242.2	352.8	385.1
Total liability and equity	865.6	832.9	915.3	1,070.4	1,163.1
Net debt	292.2	213.5	56.6	-19.9	-111.5
Net Debt/ EBITDA (x)	2.9	1.6	0.3	-0.1	-0.5

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	97.2	136.9	116.2	131.2	157.5
CF from investment	-259.6	3.9	59.0	-31.2	-37.4
CF from financing, incl.	86.4	-122.4	-18.4	-23.5	-28.4
dividends	-10.1	-13.2	-18.4	-23.5	-28.4
Net change in cash	-76.0	18.4	156.9	76.5	91.6

Source: Company data, Santander Brokerage Poland estimates

Healthcare

Fig. 224. Recommendation and valuation summary

Company	Rec.	TP (local)	Price (local)*	Upside to TP	P/E (x) 2024E	P/E (x) 2025E	P/E (x) 2026E	EV/EBITDA (x) 2024E	EV/EBITDA (x) 2025E	EV/EBITDA (x) 2026E
Celon Pharma	Outperform	39	27.05	44%	47.3	NM	NM	17.7	38.1	41.4
Gedeon Richter	Neutral	12,000	10,650	13%	8.4	6.8	6.3	5.8	4.4	3.9
Mabion	Underperform	6	12.22	-51%	NM	NM	NM	40.3	NM	NM
Ryvu Therapeutics	Outperform	80	45.0	78%	NM	NM	NM	NM	NM	NM
Selvita	Neutral	59	53.5	10%	NM	52.3	21.8	22.8	14.4	10.3
Synektik	Neutral	200	172.4	16%	15.9	12.9	12.2	9.9	8.0	7.5

*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25, 2024*

Positioning on company-specific developments

We believe company-specific developments rather than sector-wide trends will set the tone for the CEE Healthcare sector in 2025, and this is despite the impact that a changing US administration might (or might not) have on the sector.

Among biotechs, we have assigned Outperform rating to Celon Pharma (TP PLN39) and Ryvu Therapeutic (TP PLN80) as we expect possible catalyst events shortly.

- Celon Pharma is in talks about partnering of its CPL'36 project. The latter showed promising results in the phase 2 study targeting schizophrenia. A novel mechanism of action and the value of the schizophrenia market suggest a partnering transaction with a three-digit upfront payment is likely. We expect a deal in 1H 2025.
- Ryvu Therapeutics is set to publish the initial results of its phase 2 study of its RVU120, which targets r/r AML and HR-MDS, on 12 December. We believe the publication might be a catalyst event.

We reiterate our Neutral rating on Selvita (TP PLN59) and Underperform on Mabion (TP PLN6) within contract pharma companies. The funding environment in the US biotech sector, which is a leading indicator for contract pharma business, has improved in 2024-to-date. However, this has yet failed to translate into any significant recovery in demand. Comments from global CRO companies indicate that market conditions are still challenging and that a gradual recovery is expected.

We are downgrading Gedeon Richter to Neutral (TP HUF12,000) from Outperform due to diminishing upside to our target price. The overall Richter's equity story has not changed: the royalty from Vraylar, a blockbuster medicine treating schizophrenia and depression, should provide Gedeon Richter with stable and growing revenues until the end of this decade, we calculate. The company reinvests the proceeds into an innovative medicines portfolio, mainly in the women's healthcare segment, and its track record has been primarily positive.

We also reiterate our Neutral rating on Synektik (TP PLN200). Funding from the National Recovery Fund (KPO) creates an upbeat outlook for medical equipment sales in Poland by 2026, but we believe this is largely priced in.

Celon Pharma

Bloomberg: CLN PW, Reuters: CLN.WA

CEE Equity Research

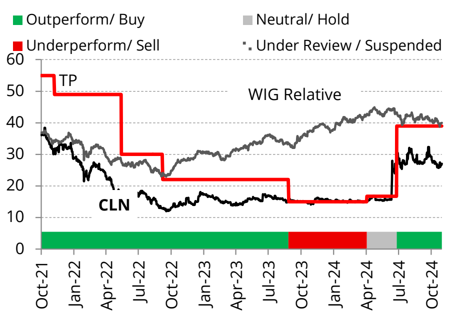
Pharma & Biotech, Poland

CPL'36 not yet priced in

RECOMMENDATION	Outperform
Current price (25 Nov 2025, PLN)	27.05
Target price (Dec'25, PLN)	**39**
Previous report issued on July 22, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*39*

- **Equity story**. Schizophrenia is a multibillion-dollar market opportunity. Modern antipsychotics targeting schizophrenia (Vraylar, Rexulit) have a blockbuster status. Top-line results of the phase 2 study of Celon Pharma's CPL'36 in schizophrenia showed statistically significant ($p<0.001$) improvement over the placebo. CPL'36 novel mechanism of action versus available therapies is a strong selling point for Celon Pharma's management in partnering negotiations. We reiterate our Outperform rating and target price of PLN39.
- **Recent developments.** Celon Pharma is in active talks over partnering in the CPL'36 project. According to the management, disposal of rights is the most likely scenario, though no precise timing or dollar value of the potential deal was disclosed. We expect the partnering to include three-digit upfront and double-digit royalty payments. Recent clinical failure of AbbVie's emraclidine, on one hand, increases the value of competitive projects (like CPL'36); on the other, it might deter potential bidders from structuring transactions with high upfront payment (AbbVie paid for emraclidine nearly USD9bn).
- **Earnings forecasts.** The financial performance of Celon Pharma's generic medicines division notably improved in 9M 2024 due to the launch of Zarixa. The latter is the market leader in rivaroxaban generics. We forecast EBITDA in the generics division to increase by 13% to PLN71mn in 2024E and another 10% to PLN77mn in 2025E. As to the innovative segment, we see stabilisation of opex at c. PLN25mn quarterly.
- **Valuation and risks.** We have left our target price of PLN39 unchanged. CPL'36 adds PLN26 to our target price at 50% probability of success. Our target price is based on 100% sum-of-the-parts model. The major risks are competitive landscape, regulatory environment and new medicines development process.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Celon Pharma: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	194.6	216.6	289.5	261.8	281.8
EBITDA	6.8	22.8	78.2	37.4	34.8
EBIT	-37.3	-27.2	26.4	-10.2	-9.3
Net profit adj.	-39.3	-28.1	30.7	-6.9	-8.9
P/E adj. (x)	NM	NM	47.3	NM	NM
EV/ EBITDA (x)	123.8	31.1	17.7	38.1	41.4
FCF Yield	-5.0%	-7.0%	-4.3%	-2.1%	-0.7%
Dividend Yield	1.5%	0.6%	0.3%	0.3%	0.3%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 225. Celon Pharma: Quarterly results review and forecasts

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
Revenues	43.9	69.0	48.8	54.9	216.6	40.3	65.6	120.0	63.8	289.5
EBITDA	-1.8	18.1	3.0	3.5	22.8	-5.2	5.6	69.5	8.2	78.2
Generic medicines	16.8	14.6	18.2	12.9	62.5	9.8	17.5	23.4	19.8	70.5
Innovative medicines	-18.6	3.5	-15.2	-9.4	-39.7	-15.0	-11.9	46.2	-11.6	7.7
Net profit	-9.5	3.1	-6.8	-15.0	-28.1	-15.7	-8.0	57.2	-5.0	30.7

Source: Company data, Santander Brokerage Poland estimates

Fig. 226. Celon Pharma: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	289.5	239.8	*21%*	261.8	259.8	*1%*	281.8	279.8	*1%*
EBITDA	78.2	19.2	*307%*	37.4	26.6	*40%*	34.8	34.0	*2%*
Net profit	30.7	-23.7	*NM*	-6.9	-15.9	*NM*	-8.9	-8.7	*NM*

Source: Company data, Santander Brokerage Poland estimates

Fig. 227. Celon Pharma: Valuation changes

Asset	Valuation method	Value (PLNmn)	Value per share (PLN)	Success rate	Target price per share (PLN)	Assumptions
Generics business	Target P/E	321	6.0		6.0	12x P/E.
Falkieri (esketamine - neuropsychiatry)	NPV	581	10.8	5%	0.5	20% royalty, commercial launch in 2026, peak sales of USD0.3bn, 15-year lifetime
CPL'110 (FGFR Inhibitor - oncology)	NPV	669	12.4	20%	2.5	Milestones of USD60mn, 15% royalty, commercial launch in 2028, peak sales of USD0.5bn, 15-year lifetime
CPL'280 (GPR40 agonist - diabetes)	NPV	491	9.1	15%	1.4	Milestones of USD60mn, 15% royalty, commercial launch in 2028, peak sales of USD0.3bn, 15-year lifetime. We have reduced success rate assumption to 15% from 20% to reflect recent clinical challenges.
CPL'36 (PDE10a - neuropsychiatry)	NPV	2,787	51.8	50%	25.9	Milestones of USD200mn, 20% royalty, commercial launch in 2028, peak sales of USD1.5bn, 15-year lifetime
CPL'116 (JAK/ROCK inhibitor – inflammatory d.)	NPV	468	8.7	20%	1.7	Milestones of USD50mn, 15% royalty, commercial launch in 2028, peak sales of USD0.3bn, 15-year lifetime
Net cash (debt) end 2025E		32	0.6		0.6	
Total - Target price (PLN, Dec'25)*		**5,348**	**99.5**		**39**	

*Company data, Santander Brokerage Poland estimates;*Our target price of PLN39 is 100% based on a sum-of-the-parts model, in which we separately value the company's risk-adjusted NPV of innovative projects*

Fig. 228. Celon Pharma: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Revenues	194.6	216.6	289.5	261.8	281.8
Generic medicines Poland	*103.2*	*107.4*	*139.8*	*154.8*	*169.8*
Generic medicines exports	*59.4*	*59.6*	*52.0*	*57.0*	*62.0*
Grants	*33.0*	*49.5*	*30.0*	*50.0*	*50.0*
EBITDA	6.8	22.8	78.2	37.4	34.8
Generic medicines	70.8	62.5	70.5	77.4	84.8
Innovative medicines	-64.0	-39.7	7.7	-40.0	-50.0
D&A	44.1	50.0	51.7	47.6	44.1
EBIT	-37.3	-27.2	26.4	-10.2	-9.3
Net financial costs	0.9	7.3	5.9	2.9	-0.1
Pre-tax profit	-36.4	-20.0	32.3	-7.3	-9.4
Tax	2.8	8.2	1.6	-0.4	-0.5
Net profit	-39.3	-28.1	30.7	-6.9	-8.9

PLNmn	2022	2023	2024E	2025E	2026E
PPE	341.6	333.8	307.1	284.5	280.4
Intangibles	21.8	15.0	15.0	15.0	15.0
Other non-current assets	41.8	30.8	137.9	177.9	177.9
Cash	164.6	114.5	87.5	52.4	36.8
Other current assets	73.0	75.2	85.1	92.3	99.5
Total Assets	642.8	569.3	632.5	622.0	609.6
Equity	479.6	445.6	511.9	500.2	486.4
Short and Long term Debt	26.8	25.6	20.6	20.6	20.6
Grants	82.0	54.0	54.0	54.0	54.0
Other liabilities	54.3	44.2	46.0	47.3	48.6
Total Equity and Liabilities	642.8	569.3	632.5	622.0	609.6

PLNmn	2022	2023	2024E	2025E	2026E
Operating CF less leases	-17.1	-34.4	2.3	34.8	29.3
Investing CF	-31.4	-21.6	-65.0	-65.0	-40.0
FCF pre financing	-48.6	-56.1	-62.7	-30.2	-10.7
Equity raised	0.0	0.0	40.5	0.0	0.0
Dividends paid	-14.8	-4.6	-4.8	-4.8	-4.8

Source: Company data, Santander Brokerage Poland estimates

Santander

Gedeon Richter

Bloomberg: RICHT HB, Reuters: GDRB.BU

CEE Equity Research

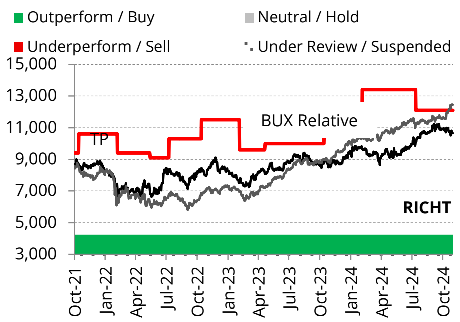
Pharmaceuticals, Hungary

Downgrading to Neutral

RECOMMENDATION	Neutral
Current price (25 Nov 2024, HUF)	10,650
Target price (Dec'25, HUF)	**12,000**
Previous report issued on August 7, 2024 with:	
Recommendation	*Outperform*
TP (HUF, Dec'25)	*12,100*

- **Equity story.** We are downgrading Gedeon Richter to Neutral from Outperform, with the target price marginally trimmed to HUF12,000 from HUF12,100. The strong performance of Richter's stock price and the diminishing upside to our target price are the reasons for the rating downgrade. The overall Richter's equity story has not changed: the royalty from Vraylar, a blockbuster medicine treating schizophrenia and depression, should provide Gedeon Richter with stable and growing revenues until the end of this decade. The company reinvests the proceeds into an innovative medicines portfolio, mostly in the women's healthcare segment, and its track record has been mostly positive.
- **Recent developments.** Richter has been very active in new pipeline development this year, and its efforts are likely to result in new launches in the biosimilar (denosumab) and women's healthcare segments. We believe new launches are essential as the growth of Vraylar, a major driver in past years, might decelerate owing to the launch of competitive therapies targeting schizophrenia in the US (Cobenfy/KarXT).
- **Earnings forecasts.** Management sustained its guidance after 3Q but commented that its lower end is more likely. The guidance is pharma sales of EUR2.15-2.25bn and clean EBIT of EUR725-750mn. Our full-year headline EBIT forecast (after other operating items) of HUF260bn (EUR660mn) remains largely intact.
- **Valuation and risks.** We have trimmed our target price to HUF12,000 from HUF12,100. Our target price is based on the sum-of-the-parts (SOTP) methodology, which we believe captures the dynamics of Vraylar and its impact on Richter well. The Russian business, lower-than-expected revenues from innovative medicines, falling margins in generics, and FX rates constitute key risks.

STOCK PERFORMANCE



The chart measures performance against the BUX index.

Gedeon Richter: Financial summary and ratios

Year to Dec, HUFbn	2022	2023	2024E	2025E	2026E
Sales	802.8	805.2	865.0	974.1	1,080.5
EBITDA	222.0	245.9	312.0	380.7	411.4
EBIT	153.6	189.4	260.5	320.0	346.6
Net profit	169.1	158.9	235.8	292.4	315.2
Net profit adj.	187.1	164.1	235.8	292.4	315.2
P/E (x)	7.7	9.7	8.4	6.8	6.3
EV/ EBITDA (x)	5.7	5.8	5.8	4.4	3.9
FCF Yield	7.7%	4.4%	5.5%	10.2%	9.4%
Dividend Yield	2.9%	4.6%	4.0%	4.2%	5.2%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 229. Gedeon Richter: Quarterly results review

HUFbn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Revenues	209.7	203.8	188.5	203.2	203.4	216.3	216.7	*15%*	*0%*
Gross profit	127.4	128.9	135.0	130.0	142.2	149.8	147.7	*9%*	*-1%*
EBITDA	66.6	52.9	61.7	64.8	75.2	74.6	76.7	*24%*	*3%*
EBIT	54.1	40.9	49.4	45.0	63.6	62.9	63.7	*29%*	*1%*
Net profit	39.2	28.7	54.6	36.4	68.2	70.0	37.1	*-32%*	*-47%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 230. Gedeon Richter: Forecasts changes

HUFbn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	865.0	871.0	*-1%*	974.1	968.6	*1%*	1080.5	1074.5	*1%*
EBITDA	312.0	318.5	*-2%*	380.7	380.7	*0%*	411.4	411.0	*0%*
EBIT	260.5	264.2	*-1%*	320.0	316.7	*1%*	346.6	343.1	*1%*
Net profit	235.8	239.1	*-1%*	292.4	289.7	*1%*	315.2	312.4	*1%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 231. Gedeon Richter: Sum-of-the-parts valuation

Method	Method	Value per share (HUF)
Vraylar royalty	NPV of royalties	4,620
Pharmaceutical business excl.-Vraylar	15x P/E ratio	5,259
Net cash (end 2025)		2,105
Total - Target price (HUF, Dec'25)*		**12,000**

*Source: Company data, Santander Brokerage Poland estimates; * Our target price of HUF12,00 is 100% based on a sum-of-the-parts model.*

Fig. 232. Gedeon Richter: Financial statements forecast

HUFbn	2022	2023	2024E	2025E	2026E
Net sales	802.8	805.2	865.0	974.1	1080.5
Gross profit	460.5	521.3	602.2	690.1	762.6
EBITDA	222.0	245.9	312.0	380.7	411.4
EBIT	153.6	189.4	260.5	320.0	346.6
Profit before tax	165.7	171.5	271.5	335.2	361.5
Net profit	169.1	158.9	235.8	292.4	315.2
Net profit adj.	187.1	164.1	235.8	292.4	315.2
EBITDA margin	27.7%	30.5%	36.1%	39.1%	38.1%
EBIT margin	19.1%	23.5%	30.1%	32.8%	32.1%
Net margin	21.1%	19.7%	27.3%	30.0%	29.2%

HUFbn	2022	2023	2024E	2025E	2026E
PPE	315.9	347.4	393.7	423.3	472.7
Intangibles and goodwill	231.8	262.3	320.2	337.1	374.2
Other non-current assets	230.3	216.6	216.6	216.6	216.6
Cash	79.7	80.5	110.6	231.1	315.7
Other current assets	496.1	454.4	482.9	534.7	585.3
Assets	1,353.8	1,361.2	1,524.1	1,742.8	1,964.5
Equity	1,063.4	1,130.8	1,287.8	1,497.7	1,710.6
Minorities	10.4	11.8	13.8	15.8	17.8
Short and Long term Debt	0.0	0.2	0.2	0.2	0.2
Other liabilities	279.9	218.5	222.3	229.2	236.0
Total Equity and Liabilities	1,353.8	1,361.2	1,524.1	1,742.8	1,964.5
Net debt	-176.8	-159.2	-189.3	-309.8	-394.5
Net debt to EBITDA (x)	-0.8	-0.6	-0.6	-0.8	-1.0

HUFbn	2022	2023	2024E	2025E	2026E
Operating CF	186.0	123.7	264.6	310.2	338.3
Investing CF	-74.6	-53.8	-155.7	-107.2	-151.3
FCF pre dividends	111.4	69.9	108.9	203.0	187.0
Dividends paid and buy-back	-43.5	-102.7	-78.8	-82.5	-102.3

Source: Company data, Santander Brokerage Poland estimates

Santander

Mabion

Bloomberg: MAB PW, Reuters: MAB.WA

CEE Equity Research

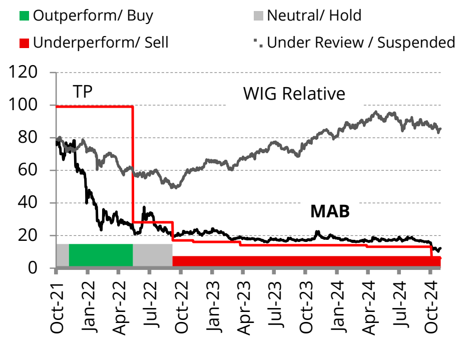
Pharma & Biotech, Poland

Additional funding needed

- **Equity story.** We view Mabion as a start-up in the CDMO business and believe each start-up should have a cash runway for at least two years. Mabion has a cash balance of PLN47mn (end of 3Q24) and quarterly cash opex and capex of c. PLN15-20mn. There is only one PLN5.5mn new order in the backlog. We estimate Mabion's current funding will likely run out by mid-2025 unless the company secures new sizable orders. We are concerned the company's fragile financial standing might deter potential clients. We reiterate our Underperform rating with the target price of PLN6.
- **Recent developments.** Mabion's revenues dropped nearly to zero in 3Q24. Opex has been almost unchanged (PLN16mn, including PLN2mn of D&A), so the company posted a net loss of PLN16mn. Mabion's backlog now includes the contract with Novavax (we expect insignificant revenues for analytical works) and a PLN5.5mn order from an unnamed UK client. Mabion is actively seeking new orders and the value of the outstanding offers it has submitted amounts now to USD320mn. We believe being a newcomer in CDMO business is a headwind, and so is the company's fragile funding situation, which might deter potential clients.
- **Earnings forecasts.** Our financial forecasts now assume sales of PLN25mn in 2025E and PLN50mn in 2026E, which implies a cash runway until mid-2025 at the latest. However, Mabion's financial modelling has become guesswork rather than forecasting. We view Mabion as a start-up in CDMO business and believe each start-up should have a cash runway for at least two years (not two-three quarters). We believe Mabion needs to improve its balance sheet situation for the sake of potential clients' perception. Management commented that the company had not spoken to any potential strategic investors. It also commented that equity is the most expensive capital, and the company would like to finance working capital associated with new orders with debt funding.
- **Valuation and risks.** We keep our target price at PLN6 unchanged. Our target price is based on SoTP model but including only replacement cost valuation (balance sheet valuation of fixed assets), adjusted for net debt as of 2025E. Funding, regulatory process, production process (i.e. quality) and competitive environment are major risks.

RECOMMENDATION	Underperform
Current price (25 Nov 2025, PLN)	12.22
Target price (Dec'25, PLN)	**6**
Previous report issued on October 30, 2024 with:	
Recommendation	*Underperform*
TP (PLN, Dec'25)	*6*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Mabion: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	164.0	151.7	66.2	25.0	50.0
EBITDA	37.2	74.5	4.2	-37.0	-24.0
EBIT	28.2	55.1	-4.6	-46.0	-34.0
Net profit	23.2	41.3	-1.6	-46.0	-34.0
P/E (x)	20.2	7.3	NM	NM	NM
EV/ EBITDA (x)	11.3	3.9	40.3	NM	NM
FCF Yield	4.9%	-13.7%	8.8%	-26.3%	-19.7%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 233. Mabion: Quarterly results review

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
Sales	39.5	36.0	29.6	46.5	151.7	34.0	29.8	0.5	1.9	66.2
EBITDA	19.8	19.2	12.8	22.7	74.5	15.5	12.9	-12.9	-11.3	4.2
EBIT	18.0	17.5	10.9	8.7	55.1	13.5	10.6	-15.1	-13.7	-4.6
Net profit	16.5	15.2	10.9	-1.3	41.3	17.5	10.3	-16.3	-13.2	-1.6
Operating CF	17.6	-24.9	6.5	-2.3	-3.1	24.0	25.9	0.1		32.4
Investing CF	-1.1	-5.5	-12.3	-19.0	-38.0	-8.6	-2.6	-1.0		-15.0
Financing CF	-0.6	-0.5	50.8	-15.2	34.5	-14.4	-21.8	-0.4		-31.0
Net debt	-62.6	-32.7	-30.4	-12.0	-12.0	-24.6	-46.4	-44.8		-29.4

Source: Company data, Santander Brokerage Poland estimates

Fig. 234. Mabion: Sum-of-the-parts valuation model

Method	Value (PLNmn)	Comment
Replacement cost	113	Fixed assets as of 3Q24
Net cash (debt), Dec 2025E	-23	
Total	**90**	
Total per share - Target Price (PLN, Dec'2025)*	**6**	

*Source: Company data, Santander Brokerage Poland estimates; *Our target price of PLN6 is 100% based on a sum-of-the-parts model*

Fig. 235. Mabion: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	164.0	151.7	66.2	25.0	50.0
EBITDA .	37.2	74.5	4.2	-37.0	-24.0
EBIT	28.2	55.1	-4.6	-46.0	-34.0
Profit before tax	22.0	49.9	-1.6	-46.0	-34.0
Net profit	23.2	41.3	-1.6	-46.0	-34.0
EBITDA adj. margin	22.7%	49.1%	6.3%	-148.0%	-48.0%
EBIT margin	17.2%	36.3%	-7.0%	-184.0%	-68.0%
Net margin	14.1%	27.2%	-2.5%	-184.0%	-68.0%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	82.2	90.5	45.2	-6.8	-45.8
Fixed assets	104.0	117.8	124.0	130.0	135.0
Total assets	186.2	208.3	169.2	123.2	89.2
Current liabilities	74.3	55.3	17.9	17.9	17.9
Long-term liabilities	35.4	35.2	35.2	35.2	35.2
Equity	76.5	117.8	116.1	70.1	36.1
Total liability and equity	186.2	208.3	169.2	123.2	89.2
Net debt	-46.4	-12.0	-29.4	22.6	61.6
Net Debt/ EBITDA (x)	-1.2	-0.2	-7.1	-0.6	-2.6

PLNmn	2022	2023	2024E	2025E	2026E
Operating CF, of which	38.8	-3.1	32.4	-37.0	-24.0
Investing CF	-16.1	-38.0	-15.0	-15.0	-15.0
FCF pre financing	22.8	-41.1	17.4	-52.0	-39.0
Equity raised	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0

Source: Company data, Santander Brokerage Poland estimates

Ryvu Therapeutics

Bloomberg: RVU PW, Reuters: RVU.WA

CEE Equity Research

Pharma & Biotech, Poland

Watch out December 12

- **Equity story.** Ryvu's RVU120 is currently assessed in four phase 2 studies targeting three indications (AML/HR-MDS, LR-MDS and myelofibrosis). On December 12, the company plans to publish the initial results of the studies targeting r/r AML and HR-MDS as monotherapy (RIVER-52) and in combination with venetoclax (RIVER-81). We believe this to be a possible catalyst event and we expect to see a date confirming the compound's efficacy. We reiterate our Outperform rating as we believe success in any targeted indications creates a significant valuation upside. Our target price remains unchanged at PLN80.
- **Recent developments.** Clinical development of RVU120 has accelerated in recent months with increased patient enrolment in the RIVER-52 (AML/HR-MDS) and RIVER-81 (AML/HR-MDS) studies. In September, the first patient was dosed in the REMAK study (LR-MDS), and the company plans to do the first patients in POTAMI-61 (myelofibrosis) shortly.
- **Earnings forecasts.** Cash burn totalled PLN75mn in 9M2024. As of the end of 3Q24, the company had a net cash position of PLN175m. While cash burn is likely to increase due to acceleration in the clinical program, we estimate the company has a cash runway until early 2026.
- **Valuation and risks.** Our target price of PLN80 (as of Dec 2025) is 100% based on a sum-of-the-parts model, in which we separately value the company's risk-adjusted NPV of innovative projects. As a reference point to Ryvu's current market cap of USD240mn, we would like to highlight market caps of biotechs developing competitive therapies: Kura Oncology USD1.2bn (AML), Syndax - USD1.4bn (AML), Geron – USD2.4bn (LR-MDS). We also shifted valuation time horizon to Dec'25 from Dec'24. Major risks are associated with the development process of new medicines and setbacks appear unavoidable.

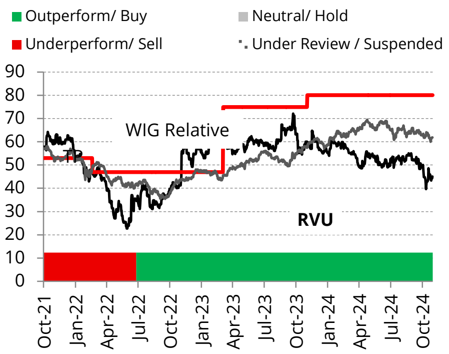
Company Name: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	68.4	67.3	91.0	78.4	49.3
EBITDA adj.	-43.3	-81.7	-108.1	-160.0	-196.6
EBIT	-78.4	-100.9	-123.1	-174.2	-208.5
Net profit adj.	-61.6	-83.8	-102.0	-174.0	-212.0
P/E adj. (x)	NM	NM	NM	NM	NM
EV/ EBITDA adj. (x)	NM	NM	NM	NM	NM
FCF Yield	2.9%	-20.4%	-10.2%	-17.7%	-21.0%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	45.0
Target price (Dec'25, PLN)	**80**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*80*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 236. Ryvu Therapeutics: Quarterly results review

PLNmn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	18.3	15.0	16.2	17.7	25.4	23.0	25.0	*54%*	*9%*
Opex adj.*	32.8	42.6	44.4	36.9	46.9	54.9	49.3	*11%*	*-10%*
EBITDA adj.*	-12.3	-25.9	-20.2	-23.3	-18.7	-29.0	-23.1	*NM*	*NM*
EBIT	-18.1	-31.6	-24.3	-26.9	-22.5	-32.8	-26.3	*NM*	*NM*
Net profit	-17.6	-28.5	-18.3	-27.8	-19.4	-30.4	-26.6	*NM*	*NM*
Operating CF	-33.3	-24.6	-7.2	-19.4	-43.2	-22.1	-36.3	*NM*	*NM*
Net cash	298.5	285.6	276.4	250.2	219.1	202.5	175.2		

Source: Company data, Santander Brokerage Poland estimates

Fig. 237. Ryvu Therapeutics: Sum-of-the-parts valuation model

Asset	Method	Value (PLNmn)	Value per share (PLN)	Success rate	Target price per share (PLN)	Assumptions
RVU120 (oncology - haematological indications)	NPV	3,990	172.6	35%	60.4	Milestones of USD150mn, 15% royalty, commercial launch in 2027, 15-year lifetime, peak sales of USD1500mn five years after commercial launch
RVU120 (oncology - solid tumours indications)	NPV	950	41.1	5%	2.1	Milestones of USD100mn, 15% royalty, commercial launch in 2030, 15-year lifetime, peak sales of USD500mn five years after commercial launch
Partnering with Exelixis	NPV	1,342	58.0	15%	8.7	Milestones of USD400mn, 10% royalty, commercial launch in 2030, 15-year lifetime, peak sales of USD1.0bnmn five years after commercial launch
Partnering with BioNTech	NPV	1,688	73.0	15%	11.0	Milestones of USD920mn, 3% royalty, first commercial launch in 2030, 15-year lifetime, peak sales of USD1.0bnmn five years after commercial launch
Stake in Nodthera		16	0.7		0.7	At book value
Net cash (debt) end 2025E		-57	-2.5		-2.5	
Total - Target price (PLN, Dec'25)*		7,929	343		**80**	

*Source: Company data, Santander Brokerage Poland estimates;*Our target price of PLN80 is 100% based on a sum-of-the-parts model, in which we separately value the company's risk-adjusted NPV of innovative projects*

Fig. 238. Ryvu Therapeutics: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Revenues	68.4	67.3	91.0	78.4	49.3
EBITDA adj.	-43.3	-81.7	-108.1	-160.0	-196.6
D&A	12.9	11.0	10.9	11.6	11.6
Non-cash incentive program	22.2	8.3	4.1	2.6	0.3
EBIT	-78.4	-100.9	-123.1	-174.2	-208.5
Net financial costs	0.8	-8.8	-7.0	2.4	3.8
Pre-tax profit	-79.2	-92.1	-116.1	-176.6	-212.3
Tax	4.6	0.0	0.0	0.0	0.0
Net profit	-83.8	-92.1	-106.1	-176.6	-212.3
Net profit adj.	-61.6	-83.8	-102.0	-174.0	-212.0

PLNmn	2022	2023	2024E	2025E	2026E
PPE	82	78	78	77	77
Intangibles	4	6	6	6	6
Other non-current assets	21	41	41	41	41
Cash/ funding gap	102	234	178	19	-199
Other current assets	265	45	35	31	23
Total Assets	475	403	337	174	-52
Equity	343	260	153	-23	-235
Short and Long term Debt	3	1	51	76	76
Deferred income	76	64	50	36	22
Other liabilities	53	78	83	85	85
Total Equity and Liabilities	475	403	337	174	-52

PLNmn	2022	2023	2024E	2025E	2026E
Operating CF	21	-85	-95	-173	-206
Investing CF	1	-196	-11	-11	-12
FCF pre financing	22	-280	-106	-184	-218
Equity raised	0	243	0	0	0
Dividends paid	0	0	0	0	0

Source: Company data, Santander Brokerage Poland estimates

Santander

Selvita

Bloomberg: SLV PW, Reuters: SLV.WA

CEE Equity Research

Pharma & Biotech, Poland

The worst is over but...

- **Equity story.** The funding environment in the US biotech sector, which is a leading indicator for contract pharma business, has improved in 2024-to-date. However, this has yet failed to translate into any significant recovery in demand. Comments from global CRO companies indicate that market conditions are still challenging and that a gradual recovery is expected. Selvita was hit hard by the market downturn, but its results in 3Q have already shown sequential q/q improvement. Though, from a shallow base, the latter and backlog growth for 2025 suggest an improving earnings outlook. We keep our Neutral rating unchanged as the risk/reward profile appears balanced. We have decreased our target price to PLN59 from PLN76 due to lower earnings forecasts.
- **Recent developments.** Selvita posted 3Q24 revenue of PLN89.5mn (+6% y/y) and EBITDA adj. of 15.5mn (-8% y/y). Notably, it was the first sequential q/q improvement in EBITDA over a year, suggesting the worst is over. The management guided 3Q margins to be sustained in 4Q. Selvita's backlog for 2025 amounts to PLN106mn, which implies a 26% y/y improvement. It is optimistic but 1) it is still too early for the backlog to be indicative of next year's performance, and 2) Selvita has not seen any significant acceleration in new contract signings in the past two months versus last year (the backlog increased by PLN23mn late September, a year ago the backlog increased by PLN21mn in the comparable period).
- **Earnings forecasts.** We forecast Selvita's earnings to recover in 2025-26E, with operating leverage benefits and an FX tailwind visible in margin improvement. The recovery starts from a very low base, though. In 2025E, we forecast 15% revenue growth to PLN393mn and 58% EBITDA adj. to PLN81.5mn (-17% vs. the previous forecast). We expect a 2025E EBITDA adj. margin of 20.8% vs. 15.2% in 2024E and 28% achieved in peak years 2021-2022.
- **Valuation and risks.** We have reduced our target price to PLN59 (as of Dec 2025) from PLN76 (as of Dec 2024) due to lower earnings forecasts. The target price is based on the average of DCF and peer comparison with 50%/50% weightings. Selvita is trading at EV/EBITDA of 14x for 2025E and 10x for 2026E but risk to our 2026E earnings is still high. Regulatory measures and funding availability, both affecting spending on new medicines, and the competitive environment are the major risks for the sector.

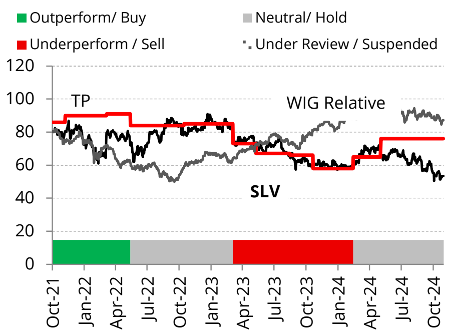
Selvita: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	364.6	351.9	341.7	393.0	471.6
EBITDA adj.	105.8	73.7	51.8	81.5	113.2
EBIT	39.9	69.3	-4.4	26.6	56.5
Net profit adj.	60.7	28.8	-7.8	18.8	45.0
P/E adj. (x)	23.2	46.0	-126.2	52.3	21.8
EV/ EBITDA adj. (x)	14.6	20.3	22.8	14.4	10.3
FCF Yield	-2.3%	-1.3%	-2.9%	0.6%	1.3%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2025, PLN)	53.5
Target price (Dec'25, PLN)	**59**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*76*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 239. Selvita: Quarterly results review

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
Sales	91.8	89.2	84.1	86.8	351.9	77.2	80.9	89.5	94.1	341.7
EBITDA adj.	19.1	21.2	17.0	16.4	73.7	11.7	7.8	15.5	16.7	51.8
EBITDA margin	20.8%	23.8%	20.2%	18.9%	21.0%	15.1%	9.7%	17.4%	17.8%	15.2%
Management incentive program	4.4	4.2	1.7	1.3	11.5	1.3	0.9	0.5	0.5	3.2
EBIT	4.3	5.4	3.3	56.3	69.3	-2.1	-6.3	1.4	2.6	-4.4
Net profit	2.4	7.9	-4.3	54.8	69.9	-2.1	-10.0	2.4		-11.0
Net profit adj.	6.8	12.0	-2.6	3.6	28.8	-0.9	-9.1	2.9		-7.8
Operating CF less lease payments	-6.2	11.7	22.1	20.6	48.2	8.8	-5.6	12.6		19.1
Investing CF	-19.0	-28.3	11.6	-29.5	-65.2	-10.1	-18.8	-5.0		-47.3
FCF	-25.3	-16.6	33.7	-8.9	-17.1	-1.4	-24.4	7.6		-28.2
Net debt	173.2	189.9	165.0	172.1	172.1	179.7	217.8	210.3		200.3

Source: Company data, Santander Brokerage Poland estimates

Fig. 240. Selvita: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	341.7	377.4	*-9%*	393.0	434.0	*-9%*	471.6	520.8	*-9%*
EBITDA adj.	51.8	70.8	*-27%*	81.5	97.7	*-17%*	113.2	125.0	*-9%*
EBIT	-4.4	21.4	*-120%*	26.6	51.2	*-48%*	56.5	78.0	*-28%*
Net profit	-11.0	13.4	*NM*	17.9	41.4	*-57%*	44.9	64.6	*-31%*
Net profit adj.	-7.8	16.6	*NM*	18.8	42.3	*-56%*	45.0	64.8	*-30%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 241. Selvita: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	68.2	86.9	*-22%*
Comparable valuation	49.0	66.1	*-26%*
Target price (PLN, Dec'25)*	**59**	**76**	***-23%***

*Source: Company data, Santander Brokerage Poland estimates; * the average of DCF and peer comparison with 50%/50% weightings.*

Fig. 242. Selvita: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	364.6	351.9	341.7	393.0	471.6
EBITDA adj.	105.8	73.7	51.8	81.5	113.2
EBIT	39.9	69.3	-4.4	26.6	56.5
Profit before tax	35.1	67.2	-12.6	20.7	52.8
Net profit	30.3	69.9	-11.0	17.9	44.9
Net profit adj.	60.7	28.8	-7.8	18.8	45.0
EBITDA adj. margin	29.0%	21.0%	15.2%	20.8%	24.0%
EBIT margin	11.0%	19.7%	-1.3%	6.8%	12.0%
Net margin	16.6%	8.2%	-2.3%	4.8%	9.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	203.1	151.2	124.8	142.5	173.7
Fixed assets	381.8	485.0	507.2	513.4	535.1
Total assets	584.9	636.3	632.1	656.0	708.8
Short and Long term Debt	213.0	224.7	224.7	224.7	224.7
Deferred income	20.4	13.6	13.6	13.6	13.6
Other liabilities	78.4	70.8	77.6	83.6	91.6
Equity	273.2	327.1	316.1	334.0	378.9
Total liability and equity	584.9	636.3	632.1	656.0	708.8
Net debt	138.8	172.1	200.3	194.4	181.3
Net Debt/ EBITDA (x)	1.3	2.3	3.9	2.4	1.6

PLNmn	2022	2023	2024E	2025E	2026E
Operating CF less lease payments	47.4	48.2	19.1	37.3	60.3
Investing CF	-79.8	-65.2	-47.3	-31.4	-47.2
organic	-79.8	-47.9	-26.3	-31.4	-47.2
Inorganic/other	0.0	-17.3	-21.0	0.0	0.0
FCF pre financing	-32.4	-17.1	-28.2	5.9	13.1

Source: Company data, Santander Brokerage Poland estimates

Synektik

Bloomberg: SNT PW, Reuters: SNT.WA

CEE Equity Research

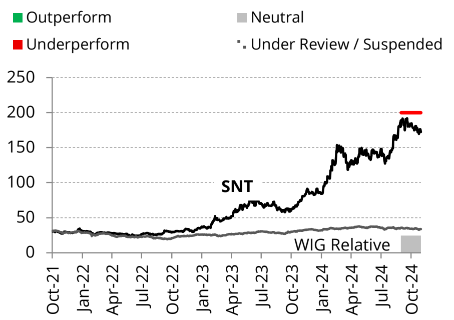
Healthcare, Poland

Positive outlook priced in

RECOMMENDATION	Neutral
Current price (25 Nov 2025, PLN)	172.4
Target price (Dec'25, PLN)	**200**
Previous report issued on Sep 26, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*200*

- **Equity story.** Da Vinci surgical systems revolutionised operating rooms across the globe and this revolution has also come to Poland. Synektik, being da Vinci's exclusive distributor in Poland, Czechia, Slovakia and the Baltics, has already capitalised on the robotisation of surgeries as its sales and earnings increased several times in the past two years. We believe the growth should continue, though probably at a slower pace. Funding from the National Recovery Fund (KPO) creates an upbeat outlook for medical equipment sales in Poland by 2026. Increasing number of da Vinci systems in use drives demand for services and disposable accessories, which are stable and high-margin revenue streams. Our target price of PLN200 implies a 16% upside potential but we expect volatility in the short run thus we reiterate our Neutral rating.
- **Recent developments.** Synektik delivered sound results in 4Q fiscal year (FY) 2024. Despite a demanding base and lower deliveries of da Vinci systems, the company posted a 5% revenue growth to PLN142mn, driven by a 73% rise in the sales of accessories and services (up to PLN57mn). EBITDA came in at PLN29.7mn, up 10% y/y, reflecting a rising share of high-margin recurring revenues. The company posted a net profit of PLN21mn (+33% y/y). Synektik's management plans to propose a dividend in late December. We expect a DPS of 7.4 (75% payout ratio), implying a yield of 7.5%.
- **Earnings forecasts.** We believe the outlook for earnings is still positive. We expect delivery of 25 da Vinci systems in FY2025E and FY2026E and further dynamic growth in services and disposable accessories sales. We forecast the latter and radiopharmaceuticals to account for 45% and 50% of total sales in FY2025-26E. We forecast a net profit of PLN92mn in FY2025E and PLN 114mn in FY2026E. KPO funding is an unchartered territory, which may additionally boost Synektik's earnings.
- **Valuation and risks.** We set our target price based on the sum-of-the-parts model at PLN200. Sector risks are related to funding of healthcare in Poland. Company specific risk is discontinuation of co-operation with Intuitive Surgical.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Synektik: Financial summary and ratios

Year to Sep, PLNmn	2023	2024	2025E	2026E	2027E
Sales	446.9	624.8	673.1	749.8	619.5
EBITDA	82.6	124.2	135.7	164.5	169.7
EBIT	67.9	107.8	115.6	142.0	151.1
Net profit	52.5	84.6	92.4	113.6	120.9
P/E (x)	8.1	17.4	15.9	12.9	12.2
EV/ EBITDA (x)	4.6	11.4	9.9	8.0	7.5
FCF Yield	18.9%	3.4%	8.4%	7.5%	8.2%
Dividend Yield	1.2%	1.8%	4.3%	4.7%	5.8%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 243. Synektik: Quarterly results review

Year to September	1Q	2Q	3Q	4Q	2023	1Q	2Q	3Q	4Q	2024
Revenues	143.8	65.7	101.7	135.7	446.9	271.3	87.7	124.0	141.8	624.8
Medical equipment and IT solutions	136.2	55.0	94.0	125.7	410.8	261.6	75.1	114.2	129.1	580.0
equipment	*114.8*	*26.0*	*64.2*	*93.1*	*297.5*	*219.4*	*28.3*	*65.7*	*72.6*	*386.0*
maintenance/ services	*21.4*	*29.0*	*29.8*	*32.6*	*113.3*	*42.2*	*46.8*	*48.5*	*56.5*	*194.0*
Radiopharmaceuticals	7.9	11.1	8.9	10.4	38.3	10.3	13.0	10.3	13.1	46.6
EBITDA	28.0	6.8	20.9	26.9	82.6	49.3	20.6	24.6	29.7	124.2
Medical equipment and IT solutions	30.3	9.7	24.9	34.0	98.9	53.1	23.4	31.7	35.7	144.0
Radiopharmaceuticals	1.5	3.3	3.1	3.4	11.2	4.1	4.4	3.4	4.4	16.3
R&D	-1.7	-3.3	-4.6	-4.8	-14.5	-3.8	-4.9	-7.8	-5.6	-22.1
Other	-2.0	-2.8	-2.6	-5.6	-13.1	-4.1	-2.3	-2.8	-4.8	-14.0
EBITDA adj.	29.8	10.9	24.9	31.7	97.3	53.1	25.5	32.4	35.2	146.3
EBIT	24.6	3.2	17.0	23.0	67.9	45.4	16.6	20.7	25.2	107.8
Net profit	19.1	4.0	13.5	15.8	52.5	34.7	12.2	16.7	21.0	84.6

Source: Company data, Santander Brokerage Poland estimates

Fig. 244. Synektik: Forecasts changes

PLNmn	2025E			2026E			2027E		
Year to September	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	673.1	662.2	2%	749.8	738.5	2%	619.5	NA	NA
EBITDA	135.7	134	1%	164.5	162.8	1%	169.7	NA	NA
EBIT	115.6	114.1	1%	142.0	140.7	1%	151.1	NA	NA
Net profit	92.4	91.3	1%	113.6	112.5	1%	120.9	NA	NA

Source: Company data, Santander Brokerage Poland estimates

Fig. 245. Synektik: Valuation changes

Asset	Value (PLNmn)	Value per share (PLN)	Comment
NPV of FCF in FY 2025-29E	489	57.3	WACC of 10.4%
PV of terminal value	392	45.9	75% decline in terminal EBITDA in medical equipment division vs. 2029E
PV of TV of contract with Intuitive Surgical	500	58.7	4x 2029E EBITDA, discounted back to end FY2024E
Cardio tracer	52	6.0	Capital invested in the past five years
Net debt (Sep 2024E)	-61	-7.1	
Equity value (Sep 2024)	**1,493**	**175.0**	
Total - Target price (PLN, Dec'25)*		**200**	

*Source: Company data, Santander Brokerage Poland estimates;*Our target price of PLN200 is 100% based on a sum-of-the-parts model*

Fig. 246. Synektik: Financial statements forecast (year to September)

PLNmn	2023	2024	2025E	2026E	2027E
Revenues	446.9	624.8	673.1	749.8	619.5
EBITDA	82.6	124.2	135.7	164.5	169.7
Medical equipment	98.9	144.0	156.7	186.4	181.5
Radiopharmaceuticals	11.2	16.3	16.2	17.0	18.2
R&D	-14.5	-22.1	-22.0	-22.0	-20.0
Other	-13.1	-14.0	-15.1	-16.9	-10.0
EBITDA adj.	97.3	146.3	157.7	186.5	189.7
EBIT	67.9	107.8	115.6	142.0	151.1
Net profit	52.5	84.6	92.4	113.6	120.9

PLNmn	2023	2024	2025E	2026E	2027E
Current assets	168.6	214.8	282.3	338.1	347.8
Fixed assets	131.3	162.9	166.3	170.1	170.1
Total assets	106.0	130.5	138.2	153.5	127.4
Short and Long term Debt	18.7	23.5	23.5	23.5	23.5
Other liabilities	147.0	162.1	204.0	219.3	193.3
Equity	134.2	192.1	221.1	265.3	301.1
Total liability and equity	299.9	377.7	448.6	508.1	517.8
Net debt	-43.9	-60.8	-120.6	-161.1	-196.8
Net Debt/ EBITDA (x)	-0.5	-0.5	-0.9	-1.0	-1.2

PLNmn	2023	2024	2025E	2026E	2027E
Operating CF less lease payments	91.9	83.3	146.8	136.1	139.5
Capex	-9.7	-43.1	-23.6	-26.2	-18.6
Other investing CF	-1.9	10.1	0.0	0.0	0.0
FCF pre dividends	80.3	50.3	123.3	109.8	120.9
Dividends paid	-5.1	-25.8	-63.5	-69.3	-85.2

Source: Company data, Santander Brokerage Poland estimates

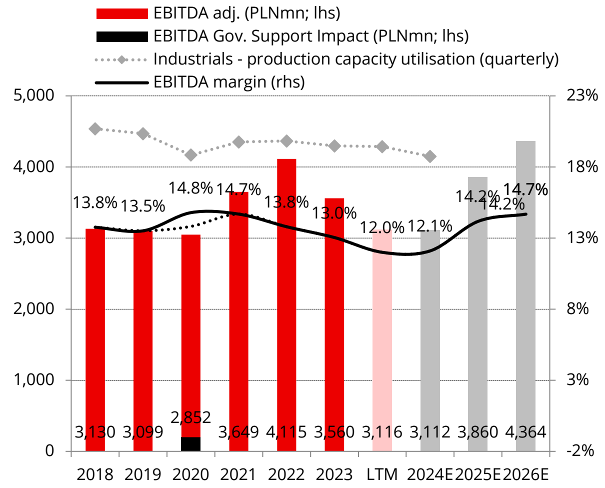
Industrials

Fig. 247. Recommendation and valuation summary

Company	Rec.	TP (local)	Price (local)*	Upside to TP	P/E (x) 2024E	P/E (x) 2025E	P/E (x) 2026E	EV/EBITDA (x) 2024E	EV/EBITDA (x) 2025E	EV/EBITDA (x) 2026E	FCF Yld 2024E	FCF Yld 2025E	FCF Yld 2026E
Amica	Neutral	64.0	60.0	6.6%	45.2	11.9	6.2	5.8	4.6	3.2	4.3%	5.3%	15.8%
Forte	Outperform	28.04	24.20	15.9%	19.0	7.4	10.8	6.8	4.5	5.5	21.1%	12.2%	4.0%
Grenevia	Outperform	3.42	1.90	79.9%	5.7	6.7	5.7	3.3	3.4	3.0	-5.6%	8.7%	18.4%
Grupa Azoty	Neutral	23.7	19.5	21.6%	-1.3	-3.7	-9.9	-20.2	15.1	10.9	-127.6%	-48.4%	-13.5%
Grupa Kęty	Neutral	793.1	732.0	8.3%	12.6	13.0	10.8	9.3	9.1	7.9	-1.0%	7.0%	7.9%
Mo-BRUK	Neutral	362.2	339.0	6.9%	15.3	13.4	10.1	11.0	9.3	6.8	-1.9%	5.6%	7.4%
PKP Cargo	Outperform	19.0	14.3	33.0%	-0.7	-8.9	5.7	13.7	4.5	3.7	-83.3%	-17.0%	6.5%
Śnieżka	Neutral	84.0	76.0	11%	12.4	12.4	10.2	7.4	7.3	6.1	4.2%	4.3%	4.3%
Median	-	-	-	-	**12.5**	**9.3**	**8.0**	**7.1**	**5.9**	**5.8**	**-1.5%**	**5.0%**	**7.0%**

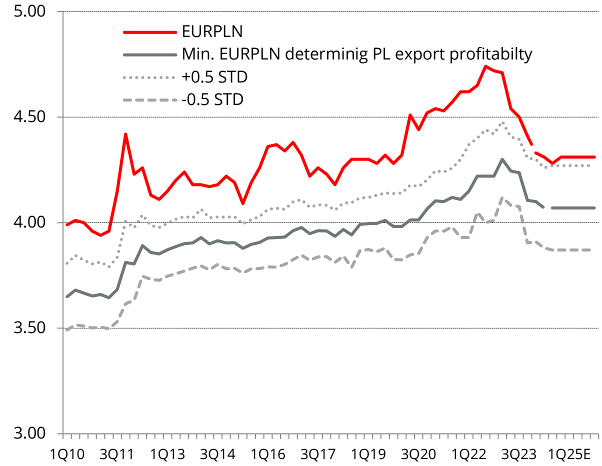
*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25, 2024*

Fig. 248. PL Industrials: forecasted EBITDA trajectory



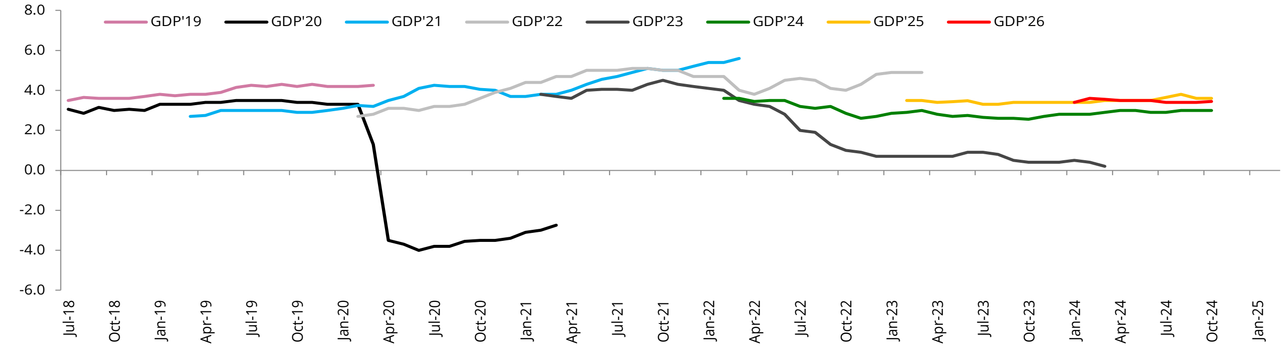
Source: Company data, Santander Brokerage Poland estimates

Fig. 249. EURPLN in the context of domestic export potential



Source: NBP, Santander Brokerage Poland estimates

Fig. 250. Poland: path of yearly GDP dynamic



Source: Santander Brokerage Poland

Fig. 251. Recommendation and valuation summary*

Company	Rec.	TP (local)	Price (local)	Upside to TP	P/E (x) 2024E	P/E (x) 2025E	P/E (x) 2026E	EV/EBITDA (x) 2024E	EV/EBITDA (x) 2025E	EV/EBITDA (x) 2026E	FCF Yld 2024E	FCF Yld 2025E	FCF Yld 2026E
Apator	Neutral	20.8	16.9	23.4%	8.9	9.6	7.3	5.0	5.0	4.3	8.9%	9.8%	1.3%
Mangata	Neutral	90.6	76.8	18.0%	10.8	9.3	7.1	6.3	5.6	4.7	10.7%	6.4%	7.9%
Newag	Under Review	N.A.	38.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wielton	Underperform	6.9	5.5	26.4%	-14.9	17.1	6.0	11.2	6.4	4.9	-15.3%	-5.2%	-14.5%
Median	-	-	-	-	**8.9**	**9.6**	**7.1**	**6.3**	**5.6**	**4.7**	**8.9%**	**6.4%**	**1.3%**

*Source: Company data, Santander Brokerage Poland estimates, *based on actual ratings / forecasts*

Santander

Amica

Bloomberg: AMC PW, Reuters: AMC.WA

CEE Equity Research

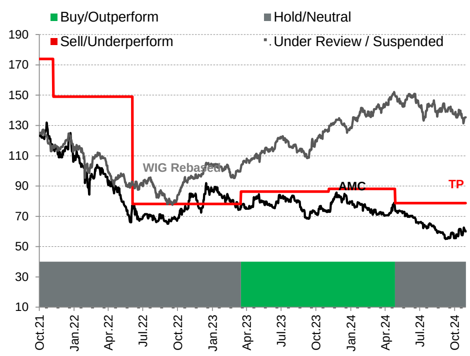
Industrials, Poland

Cinderella waiting for a happy ending

- **Recent developments.** The main business drivers of the household appliances industry include increase in per capita income, consumer spending, new residential development projects associated generally with increasing urbanization. Unfortunately none of these factors appears particularly supportive currently. On top of that, the competition is rather fierce, with increasing prominence of Chinese producers footprint in Europe thanks to tighter integration with the local brands / manufacturers. The regional players (CEE-focused) do not hesitate and take counteractions aimed at increasing production efficiency, optimizing costs and improving the client experience (accordingly to Electrolux's and Arcelik's most up-to-date guidance). Unfortunately the negative price effect and evaporated demand are among the main challenges to address. It is worth pointing that the outlook for Europe appears neutral at best, taking its toll on the Amica's mid-run business projections.
- **Strategy targets appear quite disillusive at this point.** Recent Amica's long-term strategy for 2024-30+ assumes revenues growth exceeding 7% per year from 2030, with an expected EBITDA profitability of 5% in 2027 and 7% as of 2030 onward. The group plans to keep focusing on the European market with the heating equipment segment remaining the business backbone. It is worth stressing that we perceive the presented strategic assumptions as more wishful / top-down driven, rather than based on the bottom-up approach.
- **Earnings forecasts.** Despite planned costs cuts (embracing collective lay-offs) and focus on market share increase, we stick to our sceptical approach towards Amica's mid-term business prospects and cut our financial forecasts due to deteriorated market position of the company. Unfortunately we reckon the group may not visibly expand its targeted EBITDA margin in the nearest future.
- **Valuation and risks.** The DCF model points to PLN61.8 per share (a 3% upside). The CV implies fair value at PLN70.5 per share. Adopting a mixed approach (DCF: 75%; CV: 25%), we set a Dec'25 TP at PLN64.0 (7% upside potential). In effect, we leave our Neutral rating for the stock in place. We continue to associate the main business threats / opportunities with the operational costs developments, strength of the competitive pressure and trajectory of the consumers' sentiment. A positive scenario would assume more evident rebound in sale volumes.

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	60.0
Target price (Dec'25, PLN)	**64.0**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*78.7*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Amica: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	3,416	2,838	2,639	2,778	2,942
EBITDA	88	137	103	125	158
EBIT	18	83	45	69	104
Net profit	-8	-4	10	39	75
P/E (x)	-87.5	-154.9	45.2	11.9	6.2
EV/ EBITDA (x)	9.4	5.6	5.8	4.6	3.2
FCF Yield	43.1%	8.3%	4.3%	5.3%	15.8%
Dividend Yield	3.8%	0.0%	4.1%	0.7%	2.5%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 252. Amica: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	FY21	FY22	FY23	LTM
Sales	691	714	628	617	650	-6.0%	5.2%	3,434	3,416	2,838	2,610
EBITDA	32.0	41.0	22.6	20.9	25.2	-21.3%	20.6%	216	88	137	110
EBITDA margin	*4.6%*	*5.7%*	*3.6%*	*3.4%*	*3.9%*	*-75.0*	*49.4*	*6.3%*	*2.6%*	*4.8%*	*4.2%*
EBIT	18.5	27.3	8.1	6.3	10.3	-44.3%	63.5%	150	18	83	52
EBIT margin	*2.7%*	*3.8%*	*1.3%*	*1.0%*	*1.6%*	*-109.1*	*56.5*	*4.4%*	*0.5%*	*2.9%*	*2.0%*
Net profit	2.3	-2.1	3.1	-4.3	-4.7	-304.3%	n.a.	111	-10	-4	-8
Net margin	*0.3%*	*-0.3%*	*0.5%*	*-0.7%*	*-0.7%*	*-105.6*	*n.a.*	*3.2%*	*-0.3%*	*-0.1%*	*-0.3%*
LTM EBITDA	141	137	128	117	110	-22.3%	-5.8%	216	88	137	110
y/y	33.6%	56.3%	40.9%	-7.8%	-22.3%	n.a.	n.a.	-17.0%	-59.4%	56.3%	-22.3%
SG&A	169	168	159	163	162	-3.9%	-0.6%	191	202	168	162
y/y	-7.8%	-16.9%	-7.9%	-1.8%	-3.9%	n.a.	n.a.	13.5%	5.4%	-16.9%	-3.9%
Net debt (ex. factoring)	188	78	55	153	163	-13.5%	6.2%	275	55	78	163
Net debt / LTM EBITDA	1.38	0.66	0.51	1.41	1.56	0.2	0.1	1.41	0.83	0.66	1.56
OCF	59	116	47	-63	15	-75.4%	-122.9%	-167	379	116	113
Capex	17	8	13	10	6	-65.5%	-41.4%	87	84	72	37
Capex ytd	64	72	13	23	29	-54.8%	25.3%	87	84	209	N/A

Source: Company data, Santander Brokerage Poland estimates

Fig. 253. Amica: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	2,639	2,993	*-12%*	2,778	3,200	*-13%*	2,942	3,371	*-13%*
EBITDA	103	136	*-24%*	125	174	*-28%*	158	201	*-21%*
EBIT	45	81	*-45%*	69	119	*-42%*	104	143	*-28%*
Net profit	10	43	*-76%*	39	79	*-51%*	75	105	*-29%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 254. Amica: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	61.8	73.4	*-16%*
Comparable valuation	70.5	94.6	*-26%*
Target Price (Dec'25)*	**64.0**	**78.7**	***-19%***

*Source: Company data, Santander Brokerage Poland estimates, *75% DCF / 25% CV; we assign higher weight to DCF as a prime valuation tool relying on the long-term outlook, which we see fair for the company*

Fig. 255. Amica: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	3,416	2,838	2,639	2,778	2,942
Gross profit	744	755	702	752	814
EBITDA	88	137	103	125	158
EBIT	18	83	45	69	104
Profit before tax	4	23	16	50	95
Net profit	-8	-4	10	39	75
EBITDA margin	2.6%	4.8%	3.9%	4.5%	5.4%
EBIT margin	-0.2%	-0.1%	0.4%	1.4%	2.5%
Net margin	-0.2%	-0.1%	0.4%	1.4%	2.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1,392	1,188	1,165	1,226	1,309
Fixed assets	796	807	795	775	771
Total assets	2,198	1,995	1,960	2,001	2,080
Current liabilities	907	781	765	773	793
bank debt	109	132	134	109	89
Long-term liabilities	184	149	135	132	128
bank debt	66	45	41	37	34
Equity	0	0	0	0	0
Total liability and equity	2,198	1,995	1,960	2,001	2,080
Net debt	115	148	127	105	43
Net Debt/ EBITDA (x)	1	1	1	1	0

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	379	116	63	61	124
CF from investment	-73	-64	-43	-36	-50
CF from financing, incl.	-219	-86	-45	-32	-36
dividends	-27	0	-19	-3	-12
Net change in cash	105	7	-32	-8	38

Source: Company data, Santander Brokerage Poland estimates

Forte

Bloomberg: FTE PW, Reuters: FTE.WA

CEE Equity Research

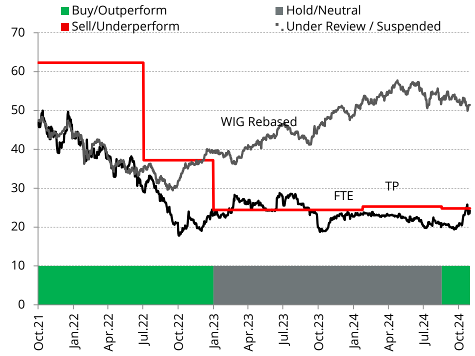
Industrials, Poland

FX options can help this time

- **Recent developments.** Market demand stubbornly hovers below historical levels. Nevertheless, gradually relaxing financing conditions and recovering consumers sentiment in the Eurozone (though, we reckon this cannot be perceived as a durable trend at this point), may allow for some further sales volume rebound (volume change settled at ca. +3.3% y/y in April – June 2024 period). The high distributors' concentration remains the key business challenge, which translates into notable competitive pressure on the side of manufacturers due to limited bargaining power.
- **Do statistical data show early signs of market recovery?** Based on the most up-to-date (till October 2024) domestic industrial production data, the furniture industry might have already started recovery from the bottom of the current production cycle. We stress the business risks related, among others, to potential spike in the unemployment rate in Western Europe which keeps looming on the horizon. Nevertheless, the current Forte's order intake allows for slight optimism, particularly when paired with favorable...

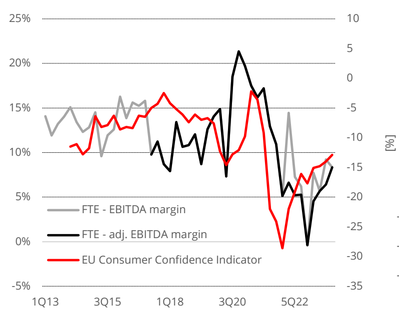
RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	24.2
Target price (Dec'25, PLN)	**28.0**
Previous report issued on September 12, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*24.8*

STOCK PERFORMANCE

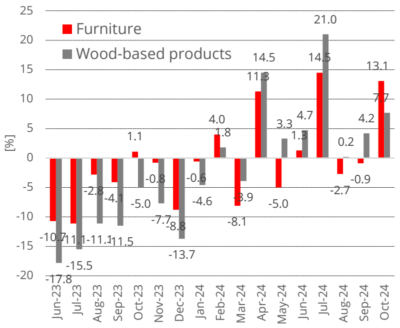


The chart measures performance against the WIG index.

FTE's %EBITDA vs. consumers' confidence



PL: furniture industry volume output y/y



Source: CSO, Bloomberg, Company data, Santander Brokerage Poland (both graphs)

- **...FX hedging.** We reiterate our view the current zero-cost option corridor may inflate Forte's EBITDA by ca. PLN33mn in 2H24/25E and potentially PLN60mn in the FY25/26E.
- **Valuation and risks.** The DCF model points to PLN28.4 per share (a 15% upside). The CV implies fair value at PLN27.1 per share. Adopting a mixed approach (DCF: 75%; CV: 25%), we set a Dec'25 TP of PLN28.0 (16% upside potential). As a result, we leave our Outperform rating for the stock intact. We continue to associate the main business threats / opportunities with operational costs developments, strength of the competitive pressure and group's ability to enter new market segments (kitchen, bathroom furniture sets).

Forte: Financial summary and ratios

Year to Mar, PLNmn	2022/23	2023/24	2024/25E	2025/26E	2026/27E
Sales	1,598	1,031	1,007	1,105	1,166
EBITDA	167	46	118	164	129
EBIT	98	-10	60	107	72
Net profit	88	-68	30	79	54
P/E (x)	7.9	-8.3	19.0	7.4	10.8
EV/ EBITDA (x)	6.3	20.2	6.8	4.5	5.5
FCF Yield	-8.4%	-19.4%	21.1%	12.2%	4.0%
Dividend Yield	13.7%	21.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 256. Forte: Quarterly results review

PLNmn	2Q 23/24	3Q 23/24	4Q 23/24	1Q 24/25	2Q 24/25P	y/y	q/q	FY 21	FY 22	FY 23/24	LTM
Sales	212.0	282.0	273.0	250.8	228.0	8%	-9%	1,327	1,274	1,031	1,034
EBITDA	-0.8	21.8	15.5	23.1	19.0			198	233	144	79
EBITDA margin	*-0.4%*	*7.7%*	*5.7%*	*9.2%*	*8.3%*			*14.9%*	*18.3%*	*13.9%*	*7.7%*
EBIT	-14.4	8.0	1.5	9.1	4.0			142	179	88	23
EBIT margin	*-6.8%*	*2.8%*	*0.5%*	*3.6%*	*1.8%*			*10.7%*	*14.0%*	*8.6%*	*2.2%*
Net profit	-71.4	0.8	8.5	-11.4				50	111	89	
Net margin	*-33.7%*	*0.3%*	*3.1%*	*-4.5%*				*3.7%*	*8.7%*	*8.7%*	
OCF	36.1	38.1	10.8	28.3	18.3	-49%	-35%	165	146	12	96
Net debt (ND)	379	330	330	304	289	-24%	-5%	324	323	395	289
ND/LTM EBITDA	4.3	5.4	6.2	5.1	3.6	-0.7	-1.5	1.6	1.4	2.8	3.6
Sales costs	51.5	58.2	63.0	54.5	54.9	7%	1%	254.0	257.1	265.0	230.6
% sales costs	24.3%	20.7%	23.1%	21.7%	24.1%	*-0.2*	*2.4*	19.1%	20.2%	25.7%	22.3%
EBITDA adj. for CO2 disposal	-0.8	12.4	15.5	15.6	19.0			198	233	95	62
EBITDA adj. margin	-0.4%	4.5%	5.7%	6.4%	8.3%	*872.8*	*193.1*	14.9%	18.3%	9.5%	6.1%

Source: Company data, Santander Brokerage Poland estimates

Fig. 257. Forte: Forecasts changes

PLNmn	2024/25E			2025/26E			2026/27E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	1,007	996	*1%*	1,105	1,109	*0%*	1,166	1,180	*-1%*
EBITDA	118	108	*9%*	164	164	*0%*	129	137	*-6%*
EBIT	60	51	*20%*	107	106	*1%*	72	80	*-10%*
Net profit	30	22	*36%*	79	78	*1%*	54	59	*-10%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 258. Forte: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	28.4	24.7	*15%*
Comparable valuation	27.1	25.1	*8%*
Target Price (Dec'25)*	**28.0**	**24.8**	***13.0%***

*Source: Company data, Santander Brokerage Poland estimates, *75% DCF / 25% CV; we assign higher weight to DCF as a prime valuation tool relying on the long-term outlook, which we see fair for the company*

Fig. 259. Forte: Financial statements forecast

PLNmn	2022/23	2023/24	2024/25E	2025/26E	2026/27E
Net sales	1,598	1,031	1,007	1,105	1,166
Gross profit	508	302	338	400	392
EBITDA	167	46	118	164	129
EBIT	98	-10	60	107	72
Profit before tax	68	-22	38	99	67
Net profit	88	-68	30	79	54
EBITDA margin	10.5%	4.4%	11.7%	14.9%	11.0%
EBIT margin	6.2%	-0.9%	6.0%	9.7%	6.1%
Net margin	5.5%	-6.6%	3.0%	7.1%	4.6%

PLNmn	2022/23	2023/24	2024/25E	2025/26E	2026/27E
Current assets	490	472	503	559	573
Fixed assets	1,006	1,058	1,023	1,033	1,058
Total assets	1,496	1,530	1,526	1,592	1,631
Current liabilities	330	491	287	296	300
bank debt	150	346	125	115	105
Long-term liabilities	284	109	278	257	238
bank debt	234	41	211	190	171
Equity	880	928	958	1,037	1,091
Total liability and equity	1,496	1,530	1,526	1,592	1,631
Net debt	355	349	226	156	133
Net Debt/ EBITDA (x)	2.1	7.7	1.9	1.0	1.0

PLNmn	2022/23	2023/24	2024/25E	2025/26E	2026/27E
CF from operations	56.5	-20.0	144.5	137.6	105.3
CF from investment	-114.7	-90.1	-22.2	-67.2	-82.2
CF from financing, incl.	59.0	119.3	-51.3	-31.1	-29.0
dividends	-95.7	-119.7	0.0	0.0	0.0
Net change in cash	0.8	9.2	71.0	39.3	-5.9

Source: Company data, Santander Brokerage Poland estimates

Santander

Grenevia

Bloomberg: GEA PW, Reuters: GEA.WA

CEE Equity Research

Industrials, Poland

Risk of boosters 'splashdown'

- **Equity story.** Despite its strategic goal being more diversified business profile (with particular focus on renewable energy industries), Grenevia remains associated primarily with its competencies in the underground mining industry. The key reason is the fact the mining division remains the group's flywheel of the financial performance.
- **GigafactoryX.** Impact Clean Power Technology, launched a lithium-ion battery production line in September. The investment translates into an increase in the company's batteries sets production capacity from 0.6 to 1.2 GWh in 2024. It is quite optimistic that the LTM results show gradual improvement in the segment's EBITDA operational performance, which we associate with more favourable mix of both products and costs. In 2025E we expect the division to deliver PLN33mn EBITDA, up y/y by roughly PLN30mn in the nominal terms.
- **Politics.** In our opinion the risk profile of the group's RES segment has deteriorated due to the outcome of the US elections which may change the perception of the fossil fuels as an inevitable energy source in generation mix. In the case of Poland, this may result in slower pace of the energy mix transformation, which in turn could drive up thermal coal production volumes in the coming years. In this context, we also point out at recent statement by Mr. Trzaskowski, a candidate of the current ruling coalition for the presidential office, inclining towards 'more accommodating' approach toward thermal coal generation units 'so as not to make the mistakes of other countries'.
- **China may try to decrease overcapacity of the PV panels.** With regard to the RES division, according to the Chinese PV industry representatives, there is a risk the production overcapacity may continue to weigh on the business for up to two years. Taking this opportunity, let us note that China is gradually taking steps to curb overcapacity in the sector that led to strong fall in price per 1MWp. Nevertheless, we see the efforts could turn quite unproductive following Mr. Trump's election, which makes us further trim our assumptions regarding Grenevia's RES division. In the mid-run, we anticipate the segment's revenues will come from electricity generation, negatively affecting the group's balance sheet structure.
- **Valuation and risks.** The DCF model points to PLN2.74 per share. The Comparative Valuation implies a fair value at PLN5.45 per share. We also shifted the valuation horizon to Dec'2025 from Dec'2024. Adopting a mixed approach (DCF: 75%; CV: 25%), we have arrived at Dec'25 TP of PLN3.42 /sh. We stick to our Outperform rating for the stock. As pointed out previously, a successful business transformation resulting in more diversified industry-wise structure should give the company an upside. Thanks to a solid free cash flow generation profile, we find the current valuation attractive.

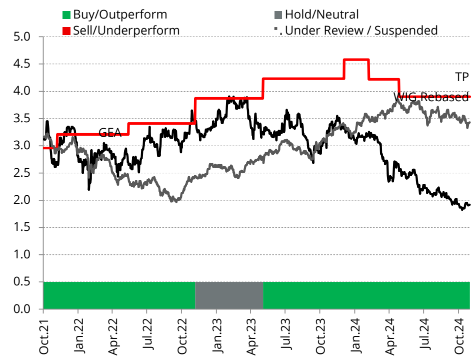
Grenevia: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1,296	1,644	1,763	1,935	2,095
EBITDA	406	414	506	460	457
EBIT	257	216	298	247	240
Net profit	120	144	191	162	190
P/E (x)	14.0	13.7	5.7	6.7	5.7
EV/ EBITDA (x)	4.3	5.3	3.3	3.4	3.0
FCF Yield	-38.6%	-5.4%	-5.6%	8.7%	18.4%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	1.90
Target price (Dec'25, PLN)	**3.42**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*3.9*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 260. Grenevia: Quarterly results review

PLNmn	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	FY21	FY22	FY23	LTM
Sales	411	368	495	474	451	437	19%	-3%	1,050	1,296	1,644	1,857
EBITDA	125	145	40	137	106	146	1%	38%	314	406	414	429
EBITDA margin	*30.4%*	*39.4%*	*8.1%*	*28.9%*	*23.5%*	*33.4%*	*-599*	*991*	*29.9%*	*31.3%*	*25.2%*	*23.1%*
EBIT	81	96	-23	70	37	92	-4%	149%	134	257	216	176
EBIT margin	*19.7%*	*26.1%*	*-4.6%*	*14.8%*	*8.2%*	*21.1%*	*-503*	*1285*	*12.8%*	*19.8%*	*13.1%*	*9.5%*
Net profit	63	73	16	55	47	63	-14%	34%	34	158	212	181
Net margin	*15.3%*	*19.8%*	*3.2%*	*11.6%*	*10.4%*	*14.4%*	*-542*	*400*	*3.2%*	*12.2%*	*12.9%*	*9.7%*
Net debt	478	400	372	366	279	283	-117	4	-423	127	372	283
Net debt / LTM EBITDA	1.08	0.80	0.90	0.82	0.65	0.66	-0.1	0.0	-1.35	0.31	0.90	0.66
OCF	72	145	559	-15	228	137	-5.5%	-39.9%	209	-8	622	909
GP split by segment												
Mining & Other	135	134	130	142	126	120	-10%	-5%		459	513	518
PV	19	14	0	47	12	30	114%	150%		10	39	89
E-mobility	7	7	9	14	17	20	186%	18%		0	29	60
EBITDA split by segment												
Mining & Other	130	146	101	128	143	131	-10%	-8%		449	493	503
PV	3	5	-58	8	-35	12	140%	-134%		-36	-56	-73
E-mobility	-8	-6	-3	1	-1	3	-150%	-400%		-7	-23	0

Source: Company data, Santander Brokerage Poland estimates

Fig. 261. Grenevia: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	1,763	1,676	*5%*	1,935	2,002	*-3%*	2,095	2,172	*-4%*
EBITDA	506	460	*10%*	460	456	*1%*	457	472	*-3%*
EBIT	298	277	*8%*	247	267	*-7%*	240	276	*-13%*
Net profit	191	170	*12%*	162	170	*-4%*	189	213	*-11%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 262. Grenevia: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	2.74	2.96	*-7%*
Comparable valuation	5.45	6.71	*-19%*
Target Price (Dec'25)*	**3.42**	**3.90**	***-12%***

*Source: Company data, Santander Brokerage Poland estimates, *75% DCF / 25% CV; we assign higher weight to DCF as a prime valuation tool relying on the long-term outlook, which we see fair for the company*

Fig. 263. Grenevia: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	1,296	1,644	1,763	1,935	2,095
Gross profit	469	574	659	558	575
EBITDA	406	414	506	460	457
EBIT	257	216	298	247	240
Profit before tax	251	203	247	200	229
Net profit	120	144	191	162	190
EBITDA margin	31.3%	25.2%	28.7%	23.8%	21.8%
EBIT margin	19.8%	13.1%	16.9%	12.8%	11.5%
Net margin	9.3%	8.8%	10.9%	8.4%	9.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	2,882	2,202	2,241	2,406	2,614
Fixed assets	788	1,587	1,645	1,655	1,647
Total assets	3,670	3,789	3,886	4,060	4,261
Current liabilities	916	630	556	587	616
bank debt	420	29	28	26	25
Long-term liabilities	659	966	946	927	909
bank debt	0	403	383	364	346
Equity	1,845	2,027	2,218	2,381	2,571
Total liability and equity	3,670	3,789	3,886	4,060	4,261
Net debt	86	239	300	206	4
Net Debt/ EBITDA (x)	0.2	0.6	0.6	0.4	0.0

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	-314	787	205	317	411
CF from investment	-332	-894	-266	-222	-210
CF from financing, incl.	252	-222	-22	-21	-19
dividends	0	0	0	0	0
Net change in cash	-394	-329	-83	74	182

Source: Company data, Santander Brokerage Poland estimates

Grupa Azoty

Bloomberg: ATT PW, Reuters: ATT.WA

CEE Equity Research

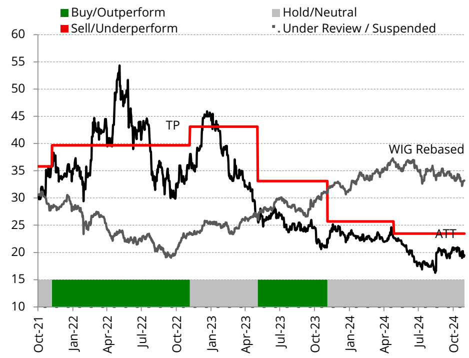
Industrials, Poland

More politics than business

- **Equity story.** Grupa Azoty, the biggest domestic chemical group, is undergoing business restructuring due to poor financial standing and uncompetitive costs profile. The entity hopes to restore its market position thanks to organisational and costs structure optimisation, while avoiding massive layoffs.
- **Recent developments.** The general picture of the Grupa Azoty remains unchanged: the company's business is being negatively affected by the persistently muted demand and fierce competitive pressure. The operational leverage keeps taking its toll on the product margins, which is reflected in the highly discouraging shape of the group's balance sheet structure. The 3Q24 operational margins came in negative with all the key business segment delivering disappointing operational results. The CEO perceives the current situation of the group as 'difficult', despite already applied remedy actions. The recently launched Azoty Business plan formally initiated the next stage of the restructuring proceedings that should deliver first positive financial results from 1Q25 onward. The key value drivers pertain to changes in the group's organizational structure, focus on all segments and a more effective approach towards capital outlays. All in all, the aim of the 'Azoty Business' program is to develop a comprehensive business model and increase business profitability.
- **Divestments still ahead.** We believe the most crucial decisions regarding the restructuring plan are still ahead. In the short run, the outcome of negotiations with Orlen regarding divestments of assets in the plastics division might turn more value-accretive. The talks are currently expected to finish by the end of the year.
- **New market niches to be addressed.** Company sees some development opportunities, among others in the arms sector. Currently, the company supplies components of explosives in the form of concentrated nitric acid and nitrosa. To facilitate the business development, the group inked letter of intent with PGZ, Mesko and ARP on expanding the explosives production that should result in a construction of a nitrocellulose and multi-base powder factory.
- **Valuation and risks.** The DCF model valuation implies PLN23.7 value per share. The CV is non measurable due to strongly negative results and inflated indebtedness in the mid run. We shifted valuation horizon to Dec'2025 from Dec'2024. Based on the DCF approach we set our Dec'25 TP at PLN23.7. We leave our Neutral rating despite 22% upside, as we still believe the company's business foundations remain weak due to high cash burn / discouraging financial standing, sluggish restructuring and challenging business environment. Sales volumes performance, competitive pressure and trajectory of gas prices are the key risks to the presented valuation.

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	19.5
Target price (Dec'25, PLN)	**23.7**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*23.5*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Grupa Azoty: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	24,658	13,545	12,871	13,898	14,544
EBITDA	1,622	-2,792	-562	881	1,271
EBIT	866	-3,600	-1,432	-31	318
Net profit	620	-2,822	-1,530	-525	-195
P/E (x)	3.1	-0.7	-1.3	-3.7	-9.9
EV/ EBITDA (x)	4.0	-3.1	-20.2	15.1	10.9
FCF Yield	-73.3%	-79.5%	-127.6%	-48.4%	-13.5%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 264. Grupa Azoty: Quarterly results review

PLNmn	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	FY21	FY22	FY23	LTM
Revenues	3,491	3,075	3,083	3,399	3,344	3,085	0.3%	-7.7%	15,901	24,658	13,545	12,911
EBITDA	-608	-338	-20	-51	-128	-121			1,946	2,539	-1,367	-320
EBITDA margin	*-17.4%*	*-11.0%*	*-0.6%*	*-1.5%*	*-3.8%*	*-3.9%*			*12.2%*	*10.3%*	*-10.1%*	*-2.5%*
EBIT	-807	-550	-1,647	-260	-338	-330			877	866	-3,600	-2,574
EBIT margin	*-23.1%*	*-17.9%*	*-53.4%*	*-7.6%*	*-10.1%*	*-10.7%*			*5.5%*	*3.5%*	*-26.6%*	*-19.9%*
Net profit	-543	-658	-1,099	-295	-384	-236			582	620	-2,822	-2,014
Net margin	*-15.6%*	*-21.4%*	*-35.6%*	*-8.7%*	*-11.5%*	*-7.6%*			*3.7%*	*2.5%*	*-20.8%*	*-15.6%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 265. Grupa Azoty: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	12,871	13,522	*-5%*	13,898	14,587	*-5%*	14,544	14,944	*-3%*
EBITDA	-562	192		881	1,407	*-37%*	1,271	1,957	*-35%*
EBIT	-1,432	-684		-31	473		318	962	*-67%*
Net profit	-1,530	-1,282		-525	-353		-195	100	

Source: Company data, Santander Brokerage Poland estimates

Fig. 266. Grupa Azoty: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	23.7	23.5	*1%*
Comparable valuation	N/M	12.4	*N/M*
Target Price (Dec'25)*	**23.7**	**23.5**	***1%***

*Source: Company data, Santander Brokerage Poland estimates, *DCF: 100%, as we believe the CV based only on 2023-25E may lead to distorted perception of the Grupa Azoty's valuation (due to mix of peculiar mid-run factors related to the current company's business environment), CV presented for illustrative purposes only*

Fig. 267. Grupa Azoty: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	24,658	13,545	12,871	13,898	14,544
Gross profit	3,935	-289	633	1,906	2,290
EBITDA	1,622	-2,792	-562	881	1,271
EBIT	866	-3,600	-1,432	-31	318
Profit before tax	671	-3,611	-1,710	-474	-124
Net profit	620	-2,822	-1,530	-525	-195
EBITDA margin	6.6%	-20.6%	-4.4%	6.3%	8.7%
EBIT margin	3.5%	-26.6%	-11.1%	-0.2%	2.2%
Net margin	2.5%	-20.8%	-11.9%	-3.8%	-1.3%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	8,917	7,031	6,625	6,766	6,930
Fixed assets	16,949	17,265	17,618	17,900	18,126
Total assets	25,866	24,297	24,243	24,667	25,056
Current liabilities	8,615	14,831	16,152	17,909	18,752
bank debt	690	6,868	9,194	11,101	11,633
Long-term liabilities	7,294	2,997	3,210	3,384	3,432
bank debt	4,972	627	839	1,013	1,062
Equity	8,935	5,951	4,421	2,891	2,367
Total liability and equity	25,866	24,297	24,243	24,667	25,056
Net debt	4,285	6,482	9,071	11,075	11,608
Net Debt/ EBITDA (x)	2.64	-2.32	-16.15	12.57	9.13

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	5,627	6,498	-1,216	216	890
CF from investment	-2,963	-2,513	-1,252	-1,152	-1,152
CF from financing, incl.	-3,650	-4,349	2,417	1,013	310
dividends	0.0	0.0	0.0	0.0	0.0
Net change in cash	-986	-364	-50	77	48

Source: Company data, Santander Brokerage Poland estimates

Grupa Kęty

Bloomberg: KTY PW, Reuters: KTY.WA

CEE Equity Research

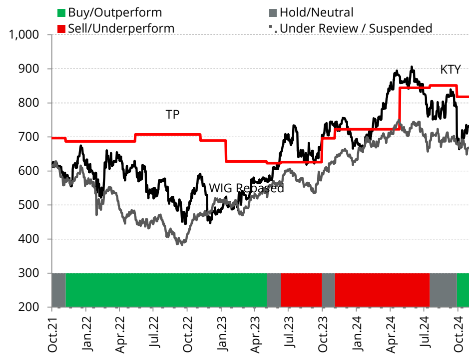
Industrials, Poland

Flattish FY25E guidance on a horizon

- **Equity story.** Grupa Kęty has neared the limits of its market share expansion potential in Poland. The group eyes export markets, including intensified M&A efforts, to push its revenues of aluminium profiles and architectural systems dedicated for the construction sector to a new level. The packaging materials and BOPP films division should continue to offer nice diversification of the group's business profile.
- **Challenging macro environment continues.** The EU industrial production keeps disappointing, with the Germany suffering most among the member countries. The industrial segment of the economy has been trending down since the end of 2022 (setting a post-pandemic growth turning point) on a weak demand from China, poor performance of the automotive sector and increased production costs (energy component was additionally inflated by the burst of the war in Ukraine). Unfortunately the figures seem evidencing the argument that the EU economic recovery is getting even further delayed, while the rebound could turn shallow because of structural problems currently faced by the economy (the essence is curbed export potential and deteriorated competitive power).
- **Europe as a blank slate on the industrial map of the world.** Referring to the report on the outlook of the EU economy compiled by Mr. Draghi, Europe, due to its open-economy architecture, needs massive investments to withstand the competition from the United States and China. An increase in the productivity rate is perceived as the remedy for the downgrade of the EU's strategic position in the global supply chain. In this context, we stress the flaws of the German automotive business which finds it hard to compete with Chinese manufacturers. We find slightly comforting the comments of the OEMs suppliers (CIE Automotive, Gestamp) hinting that local content might ultimately near 50% in the supply value chain of the expanding Chinese brands (based on the case of South America). Unfortunately, the transition period may bring in increased competitive pressure due to the uncertain environment.
- **Key FY25 model assumptions.** On our forecast: EPS: volume at ca. 97k tons, EBITDA/t of PLN2,000, FPS: volume at ca. 88k tons, EBITDA/t of PLN2,560, ASS: revenues at ca. PLN2,900mn accompanied by EBITDA margins of 17.9%. FY25 guidance (to be presented in December) could turn flattish y/y, we believe.
- **Valuation and risks.** The DCF model points to PLN822.2 per share (a ca. 12% upside). The comparative valuation implies fair value at PLN705.9 /sh. Adopting a mixed approach (DCF: 75%; CV: 25%), we arrive at Dec'25 TP of PLN793.1 offering 8.3% upside potential. As a result, we downgrade our Outperform recommendation to Neutral. We associate main business risks with the GDP growth rate, intensity of the competitive pressure, trends in production costs and export sales potential. When it comes to the business opportunities, we associate these with the potential rebound in the economic activity driven by fiscal stimuli both domestically and in the Eurozone, technological advance and ECB's less restrictive financing policy.

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	732
Target price (Dec'25, PLN)	**793.1**
Previous report issued on October 25, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*817.7*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Grupa Kęty: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	5,931	5,219	5,188	5,782	6,258
EBITDA	1,031	868	914	928	1,063
EBIT	865	687	714	716	845
Net profit	680	540	561	545	654
P/E (x)	7.7	11.1	12.6	13.0	10.8
EV/ EBITDA (x)	6.1	7.9	9.3	9.1	7.9
FCF Yield	6.6%	12.3%	-1.0%	7.0%	7.9%
Dividend Yield	9.6%	10.1%	7.6%	6.4%	6.2%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 268. Grupa Kęty: 2Q24E results preview

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	y/y	q/q	LTM
Revenues	**1,373**	**1,338**	**1,312**	**1,195**	**1,240**	**1,301**	**1,355**	**1,232**	***3%***	***-9%***	**5,128**
Extruded products	594	567	501	445	472	521	511	411	*-8%*	*-20%*	1,914
Aluminium systems	560	592	640	581	562	607	678	663	*14%*	*-2%*	2,509
Flexible packaging	349	294	287	276	306	297	298	284	*3%*	*-5%*	1,185
EBITDA	**201**	**240**	**257**	**170**	**222**	**256**	**253**	**182**	***7%***	***-28%***	**913**
% EBITDA	*14.6%*	*17.9%*	*19.6%*	*14.2%*	*17.9%*	*19.7%*	*18.7%*	*14.8%*	*55*	*-387*	*17.8%*
EBIT	**157**	**195**	**213**	**122**	**174**	**205**	**199**	**128**	***5%***	***-36%***	**707**
% EBIT	*11.4%*	*14.6%*	*16.2%*	*10.2%*	*14.1%*	*15.8%*	*14.7%*	*10.4%*	*17*	*-427*	*13.8%*
Net profit	**136**	**151**	**181**	**71**	**150**	**167**	**148**	**93**	***30%***	***-37%***	**558**
% Net profit	*9.9%*	*11.3%*	*13.8%*	*6.0%*	*12.1%*	*12.8%*	*10.9%*	*7.5%*	*157*	*-335*	*10.9%*
CAPEX	65	75	61	178	56	66	36	85	*-52%*	*139%*	242
OCF	298	255	327	269	207	220	82	90	*-67%*	*10%*	598
Net debt (ND)	877	698	653	931	827	695	1,274	1,570	*69%*	*23%*	1,570
ND / LTM EBITDA	0.9	0.8	0.8	1.1	0.9	0.8	1.4	1.7	0.9	0.3	1.7

Source: Company data, Santander Brokerage Poland estimates

Fig. 269. Grupa Kęty: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	5,188	5,343	*-2.9%*	5,782	5,923	*-2.4%*	6,258	6,409	*-2.3%*
EBITDA	914	903	*1.2%*	928	985	*-5.8%*	1,063	1,102	*-3.6%*
EBIT	714	703	*1.6%*	716	773	*-7.4%*	845	884	*-4.4%*
Net profit	561	553	*1.5%*	545	593	*-8.2%*	654	689	*-5.0%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 270. Grupa Kęty: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	822.2	851.2	-3.4%
Comparable valuation	705.9	717.0	-1.5%
Target Price (Dec'25)*	**793.1**	**817.7**	**-3.0%**

*Source: Company data, Santander Brokerage Poland estimates, *75% DCF / 25% CV; we assign more weight to DCF as a prime valuation tool relying on the long-term outlook, which we see fair for the company*

Fig. 271. Grupa Kęty: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	5,931	5,219	5,188	5,782	6,258
EBITDA	1,031	868	914	928	1,063
EBIT	865	687	714	716	845
Profit before tax	799	622	660	656	784
Net profit	680	540	561	545	654
EBITDA margin	17.4%	16.6%	17.6%	16.0%	17.0%
EBIT margin	14.6%	13.2%	13.8%	12.4%	13.5%
Net margin	11.5%	10.3%	10.8%	9.4%	10.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1983	1558	1564	1787	2123
Fixed assets	1,903	2,097	2,561	2,574	2,587
Total assets	3,886	3,655	4,125	4,361	4,709
Current liabilities	955	1169	1185	1321	1447
bank debt	295	509	543	580	660
Long-term liabilities	989	596	1020	1020	1020
bank debt	854	442	952	952	952
Equity	1,942	1,890	1,920	2,020	2,243
Total liability and equity	3,886	3,655	4,125	4,361	4,709
Net debt	1010	862	1461	1411	1282
Net Debt/ EBITDA (x)	1.0	1.0	1.6	1.5	1.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	697	1114	596	719	792
CF from investment	-347	-374	-667	-224	-231
CF from financing, incl.	-315	-790	13	-407	-351
dividends	-506	-603	-535	-449	-436
Net change in cash	35	-50	-58	87	210

Source: Company data, Santander Brokerage Poland estimates

Santander

Mo-Bruk

Bloomberg: MBR PW, Reuters: MBR.WA

CEE Equity Research

Industrials, Poland

Main drivers seem already priced in

- **Equity story.** Mo-Bruk specializes in hazardous waste recovery / disposal. The company's production facilities are primarily located in southern Poland, but the business strategy assumes geographical expansion (both in Poland and abroad). The company is actively exploiting market opportunities both in Poland and abroad (the Czech Republic and Ukraine seem to be potential new export markets). In 3Q24 the company has completed its investment in Karsy-based incineration plant which increased the segment's capacity to ca. 35k tons annually from 25k tons previously. On top of that, thanks to the investment, the entity may become the net electricity producer already in 2025E with estimated total capacity of ca. 3.5MW, while in house consumption may near roughly 1MWh.
- **Recent developments.** Mo-Bruk submitted the best offer in the public procedure for the removal and thermal disposal of waste deposited at Rogowiec dump site. The estimated volume of wase to be neutralized amounts to ca 4k tons, with an ordering party's option of increasing the amount by a maximum of 24k tons. The basic order is to be delivered within a maximum period of 11 months from the date of the property title transfer to the service provider.
- **Market opportunities in the midterm.** We associate mid run opportunities with higher production capacity utilisation both in the incarnation and solidification & stabilisation segments. The former should be driven chiefly by growing demand for 'ecological bombs' neutralisation, while the latter should benefit from increased demand for aggregates in the construction industry. Suffice to say, El-Kajo expects the volume of hazardous waste to double (potentially to 25-30k tons) next year and the volume of non-hazardous waste to grow close to even 90k tons vs. ca. 60k tons in total this year (2024E).
- **Residual growth rate is subject to successful M&A strategy execution.** We expect Mo-Bruk to maintain its expansionary business approach in the long run. The business structure could evolve going forward as the entity is actively screening the market for acquisition targets. Based on the recent company's representatives comments the next transaction may come true no sooner than in 2025E.
- **Valuation and risks.** Based on the DCF and comparable valuation (75%/25% weightings respectively) we arrived at Dec'25 TP of PLN362.2. As a result, we downgrade our Outperform rating for the stock to Neutral. We associate the key business risks with the upstream evolution of the waste industry legal framework (both the EU and the local one), intensity of ongoing technology developments, changing ecology-related trends and GDP path in the regions determining the waste supply / demand for Mo-BRUK's services.

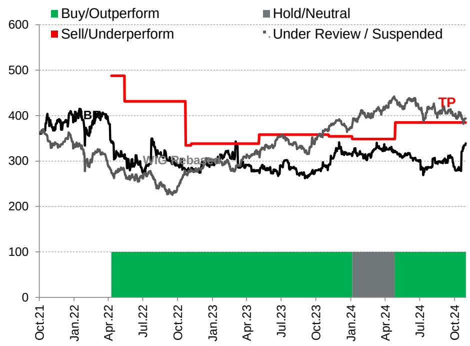
Mo-Bruk: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	243	237	292	349	434
EBITDA	117	109	123	155	205
EBIT	111	96	105	133	176
Net profit	92	79	83	106	141
P/E (x)	12.7	13.0	14.4	11.2	8.4
EV/ EBITDA (x)	9.2	9.5	10.3	7.8	5.7
FCF Yield	6.8%	-4.0%	-1.7%	6.9%	9.3%
Dividend Yield	9.5%	4.5%	3.9%	2.8%	4.5%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	339
Target price (Dec'25, PLN)	**362.2**
Previous report issued on September 25, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*385.1*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 272. Mo-Bruk: Quarterly results review

	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	FY21	FY22	FY23	LTM
Sales	57.5	67.5	54.8	65.3	80.0	39.3%	22.5%	267.2	243.4	237.0	267.6
EBITDA	26.3	26.3	21.9	26.2	36.6	39.0%	39.7%	151.3	117.3	106.3	111.0
EBITDA margin	*39.0%*	*39.0%*	*39.9%*	*40.1%*	*45.7%*	*670.9*	*563.5*	*56.6%*	*48.2%*	*44.9%*	*41.5%*
EBIT	25.1	22.1	17.8	22.1	32.3	28.5%	46.4%	145.9	111.9	96.0	94.3
EBIT margin	*32.7%*	*32.7%*	*32.5%*	*33.8%*	*40.4%*	*763.9*	*658.7*	*54.6%*	*46.0%*	*40.5%*	*35.2%*
Net profit	20.9	17.3	13.4	17.0	24.7	18.1%	45.2%	115.0	92.2	78.9	72.4
Net margin	*25.7%*	*25.7%*	*24.4%*	*26.0%*	*30.8%*	*516.3*	*482.3*	*43.0%*	*37.9%*	*33.3%*	*27.0%*
OCF	21.8	4.0	4.6	27.2	27.2	24.8%	0.1%	136.7	91.9	67.9	63.1
y/y	*-86.1%*	*-81.5%*	*-78.2%*	*30.4%*	*24.8%*	*n.a.*	*n.a.*	*84.3%*	*-32.7%*	*-26.2%*	*-53.0%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 273. Mo-Bruk: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	292	280	*4%*	349	378	*-8%*	434	449	*-3%*
EBITDA	123	118	*4%*	155	165	*-6%*	205	211	*-3%*
EBIT	105	106	*0%*	133	149	*-11%*	176	187	*-6%*
Net profit	83	84	*-1%*	106	118	*-10%*	141	150	*-6%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 274. Mo-Bruk: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	362.9	373.9	*-3%*
Comparable valuation	360.2	418.6	*-14%*
Target Price (Dec'25)*	**362.2**	**385.1**	***-6%***

*Source: Company data, Santander Brokerage Poland estimates, *DCF: 75%; CV: 25. Higher weight has been assigned to DCF as to a prime valuation tool relying on the long term outlook*

Fig. 275. Mo-Bruk: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	243	237	292	349	434
Gross profit	124	113	129	163	213
EBITDA	117	109	123	155	205
EBIT	111	96	105	133	176
Profit before tax	113	98	102	131	174
Net profit	92	79	83	106	141
EBITDA margin	48.0%	46.0%	41.9%	44.5%	47.3%
EBIT margin	45.8%	40.4%	36.0%	38.2%	40.5%
Net margin	37.6%	33.3%	28.4%	30.4%	32.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	125	79	108	155	214
Fixed assets	146	258	395	419	407
Total assets	271	338	504	575	622
Current liabilities	60	55	88	89	93
bank debt	0	6	41	40	39
Long-term liabilities	23	61	156	153	109
bank debt	2	21	78	71	64
Equity	188	221	258	331	419
Total liability and equity	271	338	504	575	622
Net debt	-85	9	75	26	-31
Net Debt/ EBITDA (x)	-0.7	0.1	0.6	0.2	-0.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	119	58	133	122	162
CF from investment	-38	-107	-154	-40	-52
CF from financing, incl.	-109	-21	46	-42	-61
dividends	-111	-46	-46	-33	-53
Net change in cash	-27	-69	26	40	49

Source: Company data, Santander Brokerage Poland estimates

Santander

PKP Cargo in restructuring

Bloomberg: PKP PW, Reuters: PKP.WA

CEE Equity Research

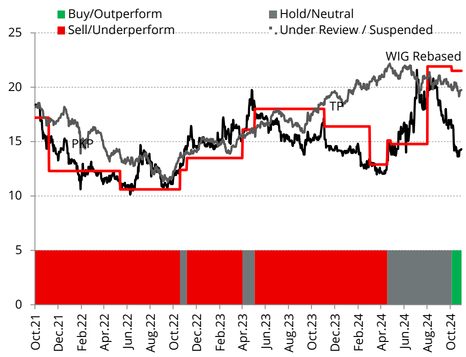
Industrials, Poland

Time for divestments

- **Equity story.** PKP Cargo is Poland's leading railway freight services provider, undergoing a formal restructuring procedure. The company operates both in Poland and abroad.
- **Market review.** 9M24 domestic bulk railway data show -3.7% market momentum y/y in terms of volume and -5.2% y/y change when it comes to the carriage turnover. From the monthly perspective, September brought in a strong fall in operations, with transport performance contracting by -10.6% y/y. The peculiar thing is that no historically observed seasonal rebound has materialised yet. PKP Cargo's 3Q24 preliminary data acknowledge the group performed poorly (-30% y/y momentum of carriage turnover in September driven by the decrease in volume (-21% y/y) and average distance (-11% y/y).
- **The results of restructuring should start to pay off shortly.** PKP Cargo's CEO has stated in an interview the company successfully delivered collective redundancies as at the end of October. In effect, PKP Cargo reduced employment by ca. 3.8k FTEs (of which 2.5k due to contracts termination and remaining 1.2k people due to natural attrition). The provisions for severance payments stood at ca. PLN149mn, which was offset by the release of ca. PLN104mn provision for post-employment benefits. Going forward, we calculate the group's annual savings related to staff reduction at PLN396mn, though, we see the risk the entity may be forced to pay out additional compensation for job cuts at ca. PLN174mn due to internal remuneration regulations.
- **Divestment potential appears meaningful.** The company is currently working on the shape of the court-to-be-approved restructuring plan. The release of the document has protracted and the new deadline for presenting the plan was set at the turn of 2024/25. Beyond potential efficiency and competitiveness-boosting initiatives, we await the document to outline potential divestments, which we believe may reach several hundred million PLN. In our subjective opinion, the event may turn value accretive.
- **Valuation and risks.** We set the target price as the weighted average of the DCF (75%) and comparative valuation (25%) at PLN19.0 /sh share, implying 33% upside. Therefore, we leave our Outperform rating for the stock intact. The dynamic of transport volumes / fees is both a risk and an opportunity. Pressure on the unit revenues is currently the key risk as the PKP Cargo is struggling to restore its market shares. In the longer run, the net effect of the planned optimisation projects and awaited remedy initiatives remain crucial for recovering business profitability. We associate strategic market opportunities with the ease of geopolitical tensions and supportive administrative actions / strategic decisions made by the politicians to support the rail transport segment in the CEE region.

RECOMMENDATION	**Outperform**
Current price (25 Nov 2024, PLN)	14.30
Target price (Dec'25, PLN)	**19.0**
Previous report issued on October 31, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*21.5*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

PKP Cargo: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	5,449	5,552	4,426	4,458	4,971
EBITDA	1,066	1,083	277	872	1,058
EBIT	333	291	-940	110	315
Net profit	148	82	-897	-72	112
P/E (x)	3.9	7.6	-0.7	-8.9	5.7
EV/ EBITDA (x)	2.6	3.0	13.7	4.5	3.7
FCF Yield	43.4%	-52.7%	-83.3%	-17.0%	6.5%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 276. PKP Cargo: Quarterly results review

PLNmn	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	FY22	FY23	LTM
Sales	1,269	1,324	1,181	1,120	1,071	-15.6%	-9.3%	5,390	5,492	4,696
EBITDA	242	230	122	115	-118			1,066	1,083	348
EBITDA margin	*19.1%*	*17.3%*	*10.4%*	*10.2%*	*-11.1%*			*19.8%*	*19.7%*	*7.4%*
EBIT	38	32	-97	-366	-329			333	291	-760
EBIT margin	*3.0%*	*2.4%*	*-8.2%*	*-32.7%*	*-30.7%*			*6.2%*	*5.3%*	*-16.2%*
Net profit	-8	-20	-118	-335	-343			148	82	-816
Net margin	*-0.6%*	*-1.5%*	*-10.0%*	*-29.9%*	*-32.0%*			*2.7%*	*1.5%*	*-17.4%*
Carriage turnover (bn tkm)	5.3	5.4	4.6	4.5	4.4	-16.7%	-3.6%	27.0	22.3	18.9
Unit revenues	0.240	0.247	0.258	0.246	0.243	1.4%	-5.9%	0.200	0.246	0.249
y/y dynamic	*19.4%*	*8.0%*	*6.0%*	*-3.8%*	*1.5%*	*n.a.*	*n.a.*	*19.7%*	*23.5%*	*7.8%*
Capex (ex. MSSF16)	313	406	209	104	64			709	1328	783
Net debt	2,436	2,630	2,719	2,784	2,340	-4.0%	-13.9%	2191	2630	2,340
ND / LTM EBITDA	1.9	2.4	3.2	3.9	6.7	4.8	3.5	2.1	2.4	6.7
OCF	393.9	121.4	241.9	259.8	388.6	-1.3%	60.6%	1018	1211	1,012
EBIT adj.	38	32	-97	-113	-75			333	291	-258
EBIT adj. margin	3.0%	2.4%	-8.2%	*-10.0%*	*-7.0%*			*6.2%*	*5.3%*	*-5.5%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 277. PKP Cargo: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	4,426	5,164	*-14%*	4,458	4,702	*-5%*	4,971	5,207	*-5%*
EBITDA	277	874	*-68%*	872	968	*-10%*	1,058	1,133	*-7%*
EBIT	-940	5		110	143	*-23%*	315	327	*-4%*
Net profit	-897	-162		-72	-39		112	127	*-12%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 278. PKP Cargo: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	19.1	21.0	*-9%*
Comparable valuation	18.9	23.0	*-18%*
Target Price (Dec'25)*	**19.0**	**21.5**	***-12%***

*Source: Company data, Santander Brokerage Poland estimates, * DCF 75%, CV – 30%, DCF is attributed higher weight, as it reflects long-run character and expresses company's potential to manage its indebtedness*

Fig. 279. PKP Cargo: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	5,449	5,552	4,426	4,458	4,971
EBITDA	1,066	1,083	277	872	1,058
EBIT	333	291	-940	110	315
Profit before tax	192	119	-1,150	-92	143
Net profit	148	82	-897	-72	112
EBITDA margin	19.6%	19.5%	6.3%	19.6%	21.3%
EBIT margin	6.1%	5.2%	-21.2%	2.5%	6.3%
Net margin	2.7%	1.5%	-20.3%	-1.6%	2.2%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1,306	1,289	1,090	900	1,161
Fixed assets	6,354	7,031	6,588	6,532	6,585
Total assets	7,660	8,320	7,678	7,432	7,746
Current liabilities	2,083	2,333	2,579	2,342	2,475
bank debt	661	804	994	1,044	1,096
Long-term liabilities	2,345	2,784	2,793	2,856	2,925
bank debt	1,712	2,090	2,202	2,268	2,337
Equity	3,233	3,203	2,306	2,234	2,345
Total liability and equity	7,660	8,320	7,678	7,432	7,746
Net debt	2,191	2,630	3,164	3,272	3,231
Net Debt/ EBITDA (x)	2.1	2.4	11.4	3.8	3.1

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	830	1,137	252	597	833
CF from investment	-580	-1,464	-786	-706	-791
CF from financing, incl.	-180	409	303	116	120
dividends	0	0	0	0	0
Net change in cash	70	82	-231	7	162

Source: Company data, Santander Brokerage Poland estimates

Śnieżka

Bloomberg: SKA PW, Reuters: SKA.WA

CEE Equity Research

Industrials, Poland

Patiently waiting for market recovery

- **Equity story.** Śnieżka operates in the paints and varnishes market. The production facilities are located in Poland, Hungary, Ukraine and Belarus. Recent production output hovers close to 120-130k tons, offering still a substantial upside potential when contrasted with the historically reported volumes. Currently the management is focused on gradual improvement of the product mix and effective marketing (including the pricing strategy). The group's current strategy assumes PLN1.1bn revenue in 2028 (excluding the effect of potential M&As).
- **Market performance in 9M24.** Śnieżka's representatives point out the market situation remains challenging, which takes its toll in contracting sales volumes y/y in Poland and Ukraine (while Hungary remains stagnant). In such an environment, Śnieżka is delivering solid operational results, outperforming its key competitors in terms of volumes. On top of that, thanks to gradual consumers' up-trade and product mix improvement, the entity reports more appealing momentum when it comes to the value of products sold (ytd).
- **Risk of operational margins narrowing in the mid-run.** Entity representatives are cautious about the outlook for demand as interest rates remain a significant negative factor weighing on consumer sentiment, and thus on volumes of purchased paints and varnishes. Śnieżka aims to maintain a minimum 18% EBITDA margin in the long run. Taking the opportunity, let us stress that the recent solid operational margins performance was, among others, attributable to strengthening of PLN against EUR. That is why we reckon FX may pose a challenge for the margins trajectory in coming quarters. This, paired this with assumed slightly lower sales volume forecast gives us the picture of business environment triggering a decrease in our mid-term forecast.
- **Valuation and risks.** The DCF model points to PLN79.0/sh. The CV implies fair value at PLN99.0 /sh. The mixed approach (DCF: 75%; CV: 25%) points to Dec'25 TP of PLN84.0 (11% upside). We also shifted valuation horizon to Dec'2025 from Dec'2024). Bearing this in mind, we reiterate Neutral rating for the stock. The key risks include potential growth in the competitive pressure limiting the volume / unit price increase, further decrease in demand and the risk of growing operational expenses (costs of materials, and labour, in particular). Opportunities, in turn, include further sales mix trade-up, economic recovery and enhanced operational efficiency.

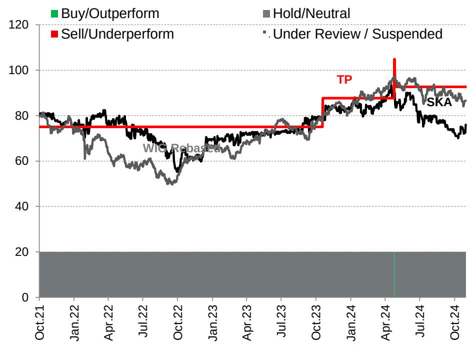
Śnieżka: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	792	858	873	900	953
EBITDA	106	159	155	148	166
EBIT	69	121	115	110	129
Net profit	37	78	77	77	94
P/E (x)	25.3	11.9	12.4	12.4	10.2
EV/ EBITDA (x)	11.0	7.3	7.4	7.3	6.1
FCF Yield	3.9%	3.2%	4.2%	4.3%	4.3%
Dividend Yield	5.7%	12.8%	10.9%	9.9%	11.4%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	76.0
Target price (Dec'25, PLN)	**84.0**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*92.6*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

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Fig. 280. Śnieżka: Quarterly results review

	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	FY21	FY22	FY23	LTM
Sales	233.1	270.5	152.7	233.1	230.4	245.0	-9.4%	6.4%	794.7	791.7	857.8	861.2
EBITDA	42.7	65.0	14.3	40.0	41.1	59.1	-9.0%	44.0%	111.7	106.2	159.4	154.5
EBITDA margin	*18.3%*	*24.0%*	*9.3%*	*17.2%*	*17.8%*	*24.1%*	*11*	*631*	*14.1%*	*13.4%*	*18.6%*	*17.9%*
EBIT	33.0	55.3	5.1	17.0	31.7	49.7	-10.2%	56.5%	75.5	69.4	121.0	103.5
EBIT margin	*14.2%*	*20.4%*	*3.4%*	*7.3%*	*13.8%*	*20.3%*	*-17*	*650*	*9.5%*	*8.8%*	*14.1%*	*12.0%*
Net profit	24.1	41.2	1.0	10.6	21.2	35.7	-13.3%	68.7%	59.7	41.3	83.5	68.4
Net margin	*10.3%*	*15.2%*	*0.7%*	*4.5%*	*9.2%*	*14.6%*	*-65*	*538*	*7.5%*	*5.2%*	*9.7%*	*7.9%*
OCF	66.5	120.5	-19.8	-38.7	39.0	75.8	-37.1%	94.4%	124.1	98.2	148.2	56.3
Net debt	290.2	201.1	215.2	273.2	298.6	219.8	9.3%	-26.4%	270.5	276.9	215.2	219.8
Net debt / LTM EBITDA	2.4	1.4	1.4	1.7	1.9	1.5	0.1	-0.4	2.5	2.7	1.4	1.5
Capex	5.0	5.7	16.9	3.6	12.8	6.8	19.3%	-46.9%	111.4	47.7	30.0	40.1

Source: Company data, Santander Brokerage Poland estimates

Fig. 281. Śnieżka: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	873	873	*0%*	900	931	*-3%*	953	999	*-5%*
EBITDA	155	154	*0%*	148	174	*-15%*	166	187	*-11%*
EBIT	115	115	*0%*	110	136	*-19%*	129	151	*-14%*
Net profit	77	77	*0%*	77	95	*-19%*	94	109	*-14%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 282. Śnieżka: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	79.0	86.9	*-9%*
Comparable valuation	99.0	109.7	*-10%*
Target Price (Dec'25)*	**84.0**	**92.6**	***-9%***

*Source: Company data, Santander Brokerage Poland estimates, *DCF: 75%; CV: 25%. Higher weight assigned to DCF as a prime valuation tool relying on the long-term outlook*

Fig. 283. Śnieżka: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	791.7	857.8	873.4	899.7	953.2
Gross profit	304.2	384.2	416.6	415.7	448.7
EBITDA	106.2	159.4	154.6	148.2	165.6
EBIT	69.4	121.0	115.2	110.4	129.4
Profit before tax	48.7	100.3	101.0	100.1	122.9
Net profit	36.7	77.6	77.5	77.1	93.8
EBITDA margin	13.4%	18.6%	17.7%	16.5%	17.4%
EBIT margin	8.8%	14.1%	13.2%	12.3%	13.6%
Net margin	4.6%	9.1%	8.9%	8.6%	9.8%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	221	255	289	323	383
Fixed assets	573	564	544	526	507
Total assets	794	819	834	848	890
Current liabilities	228	221	213	205	204
bank debt	71	78	67	55	45
Long-term liabilities	245	224	204	186	170
bank debt	226	203	183	166	150
Equity	293	348	385	421	474
Total liability and equity	794	819	834	848	890
Net debt	277	215	146	88	13
Net Debt/ EBITDA (x)	2.6	1.3	0.9	0.6	0.1

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	98	148	124	114	128
CF from investment	-47	-29	-20	-19	-18
CF from financing, incl.	-44	-71	-65	-67	-61
dividends	-34	-30	-40	-41	-41
Net change in cash	7	48	39	28	49

Source: Company data, Santander Brokerage Poland estimates

IT

Fig. 284. Recommendation and valuation summary

Company	Rec.	Target Price	Price	Upside to TP	P/E (x) 24E	25E	26E	EV/EBITDA(x) 24E	25E	26E	DY 24E	25E	26E
Asseco Business Solutions	Neutral	60	55	9%	17.8	15.0	13.2	11.7	10.2	9.2	4.7%	5.1%	6.0%
Asseco South Eastern Europe	Neutral	52	47.9	9%	12.6	12.5	11.6	8.4	7.4	6.7	3.4%	3.6%	3.6%
Asseco Poland	Neutral	94	86.05	9%	14.9	13.5	12.7	4.6	4.4	4.2	4.3%	4.3%	4.8%
Text	Outperform	68	56.9	20%	8.9	9.0	9.0	7.0	7.1	7.0	10.8%	10.2%	10.0%

Source: Santander Brokerage Poland estimates

Asseco Business Solutions Asseco BS delivered healthy sales and profits growth in 9M24 (though slightly below our expectations), thanks to escalated demand for ERP products and relatively low effective CIT rate (implemented IP Box). We like the company's exposure to ERP market, which may continue to drive mid-run earnings. Moreover, we think that enterprises would start to prepare for obligatory KSEF implementation, which may drive additional demand for the company's products next year. We also appreciate c. 15% y/y backlog increase for 2024. Asseco BS is trading at excessive P/E for 2024E (c. 17.8x), but avg. P/E of 14.6x for 2025E-26E settles close to past average.

Asseco South Eastern Europe: We maintain neutral rating for Asseco South Eastern Europe. The past correlation between share price and quarterly EBITDA suggests that the current valuation is fair. Asseco's 3Q24 EBITDA grew 7% y/y in 3Q24 which was the highest y/y growth rate since 1Q23, thanks to the recently completed acquisitions and the backlog growth. We expect solid 4Q24E results as well, and y/y profits growth in 2025E thanks to full year consolidation of recently acquired entities and backlog increase. On a negative note, operating CF was under pressure in 9M24 while deferred M&A capex may weigh of free-cash-flow generation both in 2024E and next year. We estimate EV/EBITDA of 8.4x in 2024E and 7.4x in 2025E, which settles close to the past 4Y average of 8.2x.

Asseco Poland: Asseco Poland was a market outperformer in 2024 ytd on eased pressure on salaries growth on the one hand, and the investors' believe in looming KPO funds flow which could accelerate digital transformation of Polish companies and public administration, we think. Asseco's 1H24 sales/net profit was flattish y/y, however profits and backlog recovered in 3Q24. We do believe in the profits recovery over 2025-26E, but we stress that any delay in the flow of EU funds represents a downside risk to profits expectations. We also point to potential shares' supply overhang (Asseco holds 17% own shares, Cyfrowy Polsat holds c. 10%). Overall, our net profit forecasts imply 13.7x avg. 2024E-26E P/E ratio, which is close to past averages.

TEXT: We increase rating for Text to Outperform from Neutral. Text delivered disappointing KPI's (in 2Q-3Q24) which might suggest that the company's earnings outlook has turned from a growth into a non-growth. Livechat's (key product of Text) number of clients surprisingly declined in 3Q24 while MRR flattened out. We think, however, that the management has learned the lesson from the recent mistakes (as in client's onboarding process) and the further downtrend in KPIs represents the worst case scenario. We highlight that flattish future profits – our base case scenario - imply single digit P/E ratio, double digit FCF and dividend yields, which we find appealing. Recovered USD/PLN rate (current rate above ytd average) should supports profits of Text. Note also that peers as Freshworks, Hubspot, Salesforce outperformed Text recently.

Asseco Business Solutions

Bloomberg: ABS PW, Reuters: ABS.WA

CEE Equity Research

IT, Poland

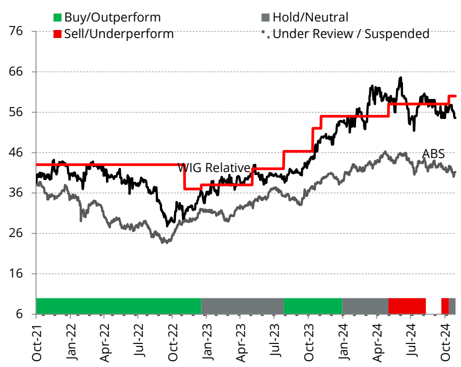
KSeF to escalate ERP demand?

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	55.0
Target price (Dec'25, PLN)	**60**
Previous report issued on Nov 5, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*60*

- **Equity story.** Asseco BS delivered healthy sales and profits growth in 9M24 (though slightly below our expectations), thanks to escalated demand for ERP products and relatively low effective CIT rate (implemented IP Box). We like the company's exposure to ERP market, which may continue to drive mid-run earnings. Moreover, we think that enterprises would start to prepare for obligatory KSEF implementation, which may drive additional demand for the company's products next year. We also appreciate c. 15% y/y backlog increase for 2024. Asseco BS is trading at excessive P/E for 2024E (c. 17.8x), but avg. P/E of 14.6x for 2025E-26E settles close to past average.
- **Healthy profits growth in 9M24.** Asseco BS delivered healthy 9M24 results, incl. sales/EBITDA/net profit growth at 10.5%/10%/14.1% y/y respectively, driven by solid demand for ERP products and lower y/y effective CIT rate (IP Box). We highlight strong sales growth in Poland in 9M24 (+12.7%) but weak performance of export (-4.2% y/y). Note also that the profits y/y growth rate decelerated in 3Q24 (sales +4% y/y, net profit +8% y/y) as compared to 1H24, due to the high base effect of 3Q23.
- **KSeF Act implementation in 2026.** The new date of KSeF system implementation (mandatory e-invoice) was scheduled on Feb 1, 2026 for PLN200mn+ revenues tax payers and on Apr 1, 2026 for other tax payers. Please note, that after KSeF implementation, it will no longer be possible to invoice sales in the current way i.e. issuance of paper or electronic invoices outside of the KSeF system will be inconsistent with the applicable regulations. We expect Asseco BS, one of the ERP market leaders in Poland, to potentially participate in the likely ERP market growth over 2025 and 2026.
- **Financial forecasts.** The backlog growth of c. 15% for 2024 suggests solid sales and profits in 4Q24E, we believe. We continue to believe, though, in Asseco's BS earnings growth rate trajectory in the mid-run, as a result of a likely demand growth for ERP products (KSEF) and likely contracts' indexation to CPI.
- **Upsides and risks:** ABS is focused on ERP products offered to small and mid-size enterprises, thus any macroeconomic slowdown might depress the demand for the company's products. Also, lower than expected demand related to KSeF implementation represents the downside risk. Any employee costs growth acceleration represents risk to our forecasts, as well.
- **Valuation.** We maintain our Target Price unaltered at PLN60.

STOCK PERFORMANCE

The chart measures performance against the WIG index.



Asseco Business Solutions: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	339	381	413	454	491
EBITDA	131	145	158	179	196
EBIT	101	109	118	139	156
Net profit	85	95	103	123	139
P/E (x)	14.7	13.2	17.8	15.0	13.2
EV/ EBITDA(x)	9.6	8.6	11.7	10.2	9.2
FCF Yield	5.7%	5.6%	4.1%	6.8%	7.7%
Dividend Yield	14.7	13.2	4.7%	5.1%	6.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 285. Asseco BS: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	77.0	78.1	82.6	100.6	89.1	87.5	97.6	106.3	99.8	101.5	101.6	4%	0%
EBITDA	28.4	28.0	33.0	41.4	32.3	31.6	39.3	41.9	36.4	36.0	41.0	4%	14%
EBITDA margin	*36.9%*	*35.9%*	*40.0%*	*41.2%*	*36.2%*	*36.1%*	*40.3%*	*39.4%*	*36.5%*	*35.5%*	*40.4%*	*0.1*	*4.9*
EBIT	21.0	20.5	25.5	33.8	23.6	22.7	30.3	32.8	26.7	26.0	30.8	2%	18%
EBIT margin	*27.3%*	*26.2%*	*30.8%*	*33.6%*	*26.5%*	*25.9%*	*31.1%*	*30.9%*	*26.7%*	*25.6%*	*30.3%*	*-0.8*	*4.7*
Net profit	17.6	17.2	21.3	29.2	20.3	19.4	25.8	29.4	24.0	23.1	27.7	8%	20%
Net margin	*22.9%*	*22.0%*	*25.8%*	*29.0%*	*22.8%*	*22.2%*	*26.4%*	*27.7%*	*24.0%*	*22.8%*	*27.3%*	*0.9*	*4.5*

Source: Company data, Santander Brokerage Poland estimates

Fig. 286. Asseco BS: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	413	413	*0%*	454	454	*0%*	491	491	*0%*
EBITDA	158	158	*0%*	179	179	*0%*	196	196	*0%*
EBIT	118	118	*0%*	139	139	*0%*	156	156	*0%*
Net profit	103	103	*0%*	123	123	*0%*	139	139	*0%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 287. Asseco BS: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	60	60	*0%*
Comparable valuation	69	69	*0%*
Target Price (Dec'2025)*	**60**	**60**	*0%*

*Source: Company data, Santander Brokerage Poland estimates, *100% DCF valuation as it alone fully reflects long run business prospects of Asseco BS; comparable valuation presented for illustrative purposes only*

Fig. 288. Asseco BS: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	339	381	413	454	491
Gross profit	140	155	167	190	210
EBITDA	131	145	158	179	196
EBIT	101	109	118	139	156
Profit before tax	99	110	116	138	156
Net profit	85	95	103	123	139
EBITDA margin	39%	38%	38%	39%	40%
EBIT margin	30%	29%	29%	31%	32%
Net margin	25%	25%	25%	27%	28%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	100	106	101	136	170
Fixed assets	374	384	384	384	384
Total assets	474	490	484	520	553
Current liabilities	70	69	83	88	93
bank debt	9	7	7	7	7
Long-term liabilities	70	69	83	88	93
bank debt	43	42	42	42	42
Equity	362	379	395	425	454
Total liability and equity	474	494	484	520	553
Net debt	4	-4	12	-17	-45
Net Debt/ EBITDA(x)	0.0	0.0	0.1	-0.1	-0.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	128	129	150	163	178
CF from investment	-35	-36	-74	-38	-37
CF from financing, incl.	-87	-89	-91	-96	-113
dividends	-71	-77	-87	-93	-111
Net change in cash	5	5	-16	29	28

Source: Company data, Santander Brokerage Poland estimates

Santander

Asseco Poland

Bloomberg: ACP PW, Reuters: ACP.WA

CEE Equity Research

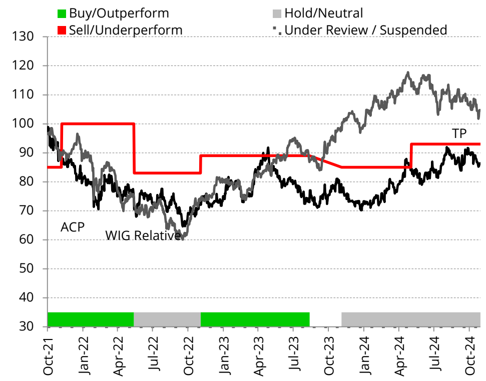
IT, Poland

Insignificant upside

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	86.05
Target price (Dec'25, PLN)	**94**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*93*

- **Equity story.** Asseco Poland was a market outperformer in 2024 ytd on eased pressure on salaries growth on the one hand, and the investors' belief in looming KPO funds flow which could accelerate digital transformation of Polish companies and public administration, we think. Asseco's 1H24 sales/net profit was flattish y/y, however profits and backlog recovered in 3Q24. We do believe, though, in the profits recovery over 2025-26E, but we stress that any delay in the flow of EU funds represents a downside risk to profits expectations. We also point to potential shares' supply overhang (Asseco holds 17% own shares, Cyfrowy Polsat holds c. 10%). Overall, our net profit forecasts imply 13.7x avg. 2024E-26E P/E ratio, which is close to past averages.
- **Backlog recovered.** Asseco Poland faced the business slowdown over 2023 as sales dropped 3% y/y while EBIT decreased 9% y/y. The backlog growth for 2024 was flattish y/y (in PLN currency) due to PLN FX rate appreciation, which together with additional financial costs (bank loan taken to secure funds for shares buyback) may result in headline 2024E net profit at flattish y/y level this year, according to our estimates. The company has not announced yet backlog for 2025.
- **Digital transformation.** We do not see valuation upside in the company's key listed subsidiaries such as Asseco BS and Asseco SEE (neutral ratings). The Polish division of Asseco Group could create additional value, though, as the unlocked EU/KPO funds could triggers clients' expenditures on digital transformation. The KPO funds need to be utilized by 2026, thus the funds flow accumulation seems a likely scenario over the coming two years. The size of potential deals for Asseco is difficult to be assessed, though. We also stress that the company's headcount stabilized over 9M24, which suggests that Asseco Poland has not secured own resources for the potential business growth so far, which could suggests that the recovery could come in potentially later than sooner.
- **Financial forecasts.** We have implemented slight changes into our financial forecasts.
- **Valuation and risks.** Our Target Price goes slightly up to PLN94 per share on peer comparison growth. Valuation time horizon shifted to Dec'2025 from Dec'2024.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Asseco Poland: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	17,370	16,896	16 750	17 587	18 522
Revaluations	2,708	2,598	2 550	2 646	2 754
EBIT	1,815	1,624	1 680	1 776	1 884
Net profit	503	483	479	529	564
P/E (x)	12.4	14.7	14.9	13.5	12.7
EV/ EBITDA(x)	4.0	4.3	4.6	4.4	4.2
FCF Yield	-3%	0%	-7%	2%	2%
Dividend Yield	4.5%	4.1%	4.3%	4.3%	4.8%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 289. Asseco Poland: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Sales	4076	4236	4497	4561	4335	4180	4095	4286	4250	4147
EBITDA	604	754	658	692	623	612	591	673	626	604
EBITDA margin	*14.8%*	*17.8%*	*14.6%*	*15.2%*	*14.4%*	*14.6%*	*14.4%*	*15.7%*	*14.7%*	*14.6%*
EBIT	390	540	422	463	398	395	374	458	420	404
EBIT margin	*9.6%*	*12.7%*	*9.4%*	*10.2%*	*9.2%*	*9.4%*	*9.1%*	*10.7%*	*9.9%*	*9.7%*
Net profit	108	141	128	126	108	122	114	139	125	110
Net margin	2.7%	3.3%	2.8%	2.8%	2.5%	2.9%	2.8%	3.2%	2.9%	2.7%

Source: Company data, Santander Brokerage Poland estimates

Fig. 290. Asseco Poland: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	16750	17573	*-5%*	17587	18488	*-5%*	18522	19338	*-4%*
EBITDA	2550	2661	*-4%*	2646	2749	*-4%*	2754	2830	*-3%*
EBIT	1680	1687	*0%*	1776	1775	*0%*	1884	1856	*1%*
Net profit	479	450	*6%*	529	477	*11%*	564	532	*6%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 291. Asseco Poland: Valuation changes

PLN per share	New	Previous	*Change*
Comparable valuation	99	93	*6%*
Adjusted comparable valuation	89	88	*1%*
Target Price (Dec'2025)*	**94**	**93**	***1%***

*Source: Company data, Santander Brokerage Poland estimates, *50%/50% comparable and adjusted comparable valuation*

Fig. 292. Asseco Poland: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	17,370	16,896	16 750	17 587	18 522
Gross profit	3,784	3,599	3 568	3 746	3 945
EBITDA	2,707	2,598	2 550	2 646	2 754
EBIT	1,815	1,624	1 680	1 776	1 884
Profit before tax	1,744	1,526	1 577	1 689	1 798
Net profit	503	483	479	529	564
EBITDA margin	15.6%	15.4%	15.2%	15.0%	14.9%
EBIT margin	10.4%	9.6%	10.0%	10.1%	10.2%
Net margin	2.9%	2.9%	2.9%	3.0%	3.0%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	9,328	8,576	9 371	10 424	11 520
Fixed assets	10,760	10,221	9 873	9 525	9 177
Total assets	20,088	18,797	19 244	19 949	20 697
Current liabilities	6,279	6,018	5 989	6 156	6 342
bank debt	1,924	1,595	1 595	1 595	1 595
Long-term liabilities	2,941	3,050	3 050	3 050	3 050
bank debt	2,778	1,595	1 595	1 595	1 595
Equity	10,213	9,075	10 065	11 134	12 262
Total liability and equity	20,088	18,797	19 244	19 949	20 697

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	1849	2489	1510	2231	2309
CF from investment	-491	-893	-522	-522	-522
CF from financing, incl.	-810	-1927	-759	-881	-942
dividends	-279	-291	-250	-254	-281
Net change in cash	548	-331	230	827	845

Source: Company data, Santander Brokerage Poland estimates

Asseco SEE

Bloomberg: ASE PW, Reuters: ASE.WA

CEE Equity Research

IT, Poland

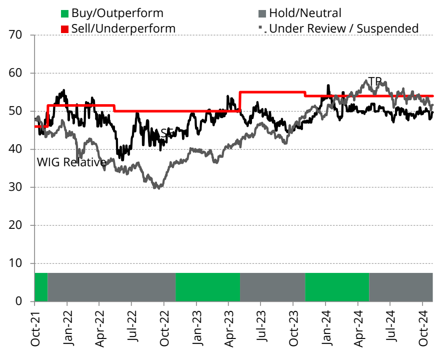
Valuation is fair

- **Equity story.** We maintain neutral rating for Asseco South Eastern Europe. The past correlation between share price and quarterly EBITDA suggests that the current valuation is fair. Asseco's 3Q24 EBITDA grew 7% y/y in 3Q24 which was the highest y/y growth rate since 1Q23, thanks to the recently completed acquisitions and the backlog growth. We expect solid 4Q24E results as well, and y/y profits growth in 2025E thanks to full year consolidation of recently acquired entities and backlog increase. On a negative note, operating CF was under pressure in 9M24 while deferred M&A capex may weigh of free-cash-flow generation both in 2024E and next year. We estimate EV/EBITDA of 8.4x in 2024E and 7.4x in 2025E, which settles close to the past 4Y average of 8.2x.
- **Acquisition to help profits.** 3Q24 EBITDA came in 7% up y/y, which together with CEO's statement of solid 4Q24E results, might suggest profits growth trend continuation after weakish 1H24 results (in 1Q24 and 2Q24 EBITDA slid 2% and 11% y/y respectively). The consolidation of recently acquired entities located in India and Dubai may help 'payten' segment operations. Note that both acquired entities generated c. PLN2-2.5mn EBITDA in 3Q24, which represents tiny profit level (c. EUR48mn purchase price), but the Board's ambition is to lift their profit contribution to above PLN40mn threshold (annually), we think. Nevertheless, the process of the entities integration might take time and the targeted profit contribution might potentially happen not before 2H25E-2026E, we estimate. Note also that the expenditures on the purchase of both entities may burden free cash flows both in 2024E (c. EUR10mn payment made in 3Q24) and also in 2025E when the deferred expenditures are scheduled (c. EUR38mn).
- **Financial forecasts.** Asseco's SEE backlog to be recognized in sales in 4Q24E was 15% up y/y in as at 3Q24, which suggests solid 4Q24E financial results, we think. The Board remains cautions in presenting 2025E outlook, suggesting that some stabilisation seems likely, and that it is too early to expect any positive surprises in backlog development. We include in our forecasts recently concluded M&As and continue to believe in the earnings growth trajectory.
- **Valuation and risks.** Our Target Price goes marginally down to PLN52 per share as a net of marginal changes in financial forecasts, lower than expected 9M24 operating cash flow, and capex included on aforementioned acquisitions. We also shifted valuation horizon to Dec'2025 from Dec'2024 prev.

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	47.9
Target price (Dec'25, PLN)	**52**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*54*

STOCK PERFORMANCE

The chart measures performance against the WIG index.



Asseco South Eastern Europe: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1565	1643	1735	1873	2023
Revaluations	309	315	320	350	368
EBIT	215	226	222	252	270
Net profit	188	200	197	199	214
P/E (x)	12.7	12.5	12.6	12.5	11.6
EV/ EBITDA(x)	7.8	8.2	8.4	7.4	6.7
FCF Yield	6.0%	7.6%	-1.1%	7.8%	9.6%
Dividend Yield	2.8%	3.0%	3.4%	3.6%	3.6%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 293. Asseco South Eastern Europe: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	380.1	375.2	398.3	489.0	380.1	375.2	398.3	489.0	367.1	397.6	444.8
EBITDA	72.8	75.3	83.5	83.0	72.8	75.3	83.5	83.0	71.1	67.2	89.2
EBITDA margin	*19.2%*	*20.1%*	*21.0%*	*17.0%*	*19.2%*	*20.1%*	*21.0%*	*17.0%*	*19.4%*	*16.9%*	*18.0%*
EBIT	50.2	54.1	60.6	62.0	50.2	54.1	60.6	62.0	47.5	43.2	64.0
EBIT margin	*13.2%*	*14.4%*	*15.2%*	*12.7%*	*13.2%*	*14.4%*	*15.2%*	*12.7%*	*12.9%*	*10.9%*	*14.4%*
Net profit	45.5	47.1	62.5	47.0	45.5	47.1	62.5	47.0	47.0	40.1	54.0
Net margin	*12.0%*	*12.6%*	*15.7%*	*9.6%*	*12.0%*	*12.6%*	*15.7%*	*9.6%*	*12.8%*	*10.1%*	*12.1%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 294. Asseco South Eastern Europe: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	1735	1750	*-1%*	1873	1872	*0%*	2023	1985	*2%*
EBITDA	320	331	*-3%*	350	347	*1%*	368	361	*2%*
EBIT	222	241	*-8%*	252	257	*-2%*	270	271	*0%*
Net profit	197	193	*2%*	199	206	*-3%*	214	219	*-2%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 295. Asseco South Eastern Europe: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	52	54	*-4%*
Comparable valuation	62	63	*-2%*
Target Price (Dec'2025)*	**52**	**54**	*-4%*

*Source: Company data, Santander Brokerage Poland estimates, *100% DCF valuation as it alone fully reflects long run business prospects of Asseco SEE; comparable valuation presented for illustrative purposes only*

Fig. 296. Asseco South Eastern Europe: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	1,565	1,643	1 735	1 873	2 023
Gross profit	393	434	426	472	508
EBITDA	309	315	320	350	368
EBIT	215	226	222	252	270
Profit before tax	238	255	249	251	269
Net profit	188	200	197	199	214
EBITDA margin	19.7%	19.2%	18.5%	18.7%	18.2%
EBIT margin	13.8%	13.8%	12.8%	13.4%	13.3%
Net margin	12.0%	12.2%	11.4%	10.6%	10.6%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	831	968	982	1101	1304
Fixed assets	993	1106	1073	1040	1007
Total assets	1825	2074	2425	2591	2784
Current liabilities	831	924	919	975	1043
bank debt	314	387	387	387	387
Long-term liabilities	11	270	270	270	271
bank debt	314	387	387	387	387
Equity	1118	1124	1236	1346	1470
Total liability and equity	1825	2074	2425	2591	2784
Net debt	16	74	165	69	-72
Net Debt/ EBITDA (x)	0.1	0.2	0.5	0.2	-0.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	241	310	118	339	327
CF from investment	-96	-120	-145	-146	-88
CF from financing, incl.	-75	-133	-109	-97	-98
dividends	-66	-76	-86	-89	-90
Net change in cash	69	57	-136	96	140

Source: Company data, Santander Brokerage Poland estimates

TEXT

Bloomberg: TXT PW, Reuters: TXT .WA

CEE Equity Research

IT, Poland

High FCF and dividend yields

- **Equity story.** We increase rating for Text to Outperform from Neutral. Text delivered disappointing KPI's (in 2Q-3Q24) which might suggest that the company's earnings outlook has turned from a growth into a non-growth. Livechat's (key product of Text) number of clients surprisingly declined in 3Q24 while MRR flattened out. We think, however, that the management has learned the lesson from the recent mistakes (as in client's onboarding process) and the further downtrend in KPIs represents the worst case scenario. We highlight that flattish future profits – our base case scenario - imply single digit P/E ratio, double digit FCF and dividend yields, which we find appealing. Recovered USD/PLN rate (current rate above ytd average) should support profits of Text. Note also that peers as Freshworks, Hubspot, Salesforce outperformed Text recently.
- **KPI's under pressure.** Text's 3Q24 KPI's came in disappointing. Number of clients of livechat – key product - has slid almost 3% q/q which was only partially offset by livechat's ARPU 1.9% q/q increase. As a results, Text's MRR slid 0.4% q/q. We cannot exclude 4Q24 KPIs to come in disappointing as well, as the implemented by management restructuring initiatives may not bear fruit immediately, but we do believe, that the management has learned the lesson and the worst newsflow is probably already over.
- **FX environment.** The FX environment is crucial for Text, as majority as the company's sales (and also significant part of costs) is linked with USD, while the reporting currency is Polish zloty. USD/PLN was under pressure in 9M24, but the recent recovery lifted rate above ytd average, which supports its earnings.
- **Financial forecasts.** We decrease our financial forecast in order to reflect lower than previously expected KPIs trajectory.
- **Valuation and risks.** Our Target Price goes down to PLN68 as a result of changes in financial forecasts incl. cut in estimated profits and higher capex. Text offers cash-cow business as operating CF used to represent c. 80-90% of annual EBITDA. We estimate FCF yield at 10-11% in a forecast horizon which we find appealing. Text is also a regular dividend payer, and we expect c.10% dividend yield. The key risk factors include: 1) any global economic slowdown (clients' might cut expenditures on marketing), 2) any further growth in churn, which may results in clients net outflow.

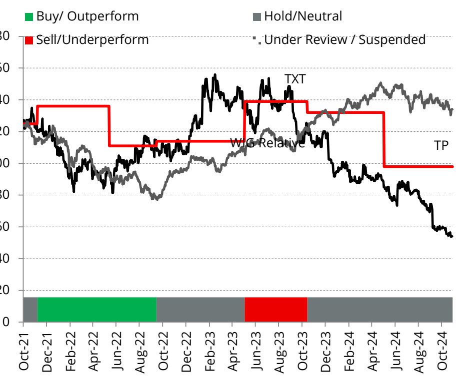
Text: Financial summary and ratios

Year to Mar, PLNmn	2022/23	2023/24	2024/25E	2025/26E	2026/27E
Sales	296	335	338	343	347
EBITDA	180	198	201	198	199
EBIT	167	179	177	174	175
Net profit	155	167	165	162	163
P/E (x)	26.4	15.6	8.9	9.0	9.0
EV/ EBITDA(x)	22.4	12.8	7.0	7.1	7.0
FCF Yield	3.1%	6.1%	9.1%	10.3%	10.4%
Dividend Yield	3.2%	4.6%	10.8%	10.2%	10.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	56.9
Target price (Dec'25 , PLN)	**68**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*96*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 297. Text: Quarterly results review

Calendar	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
PLNmn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Sales	48.9	55.7	56.1	61.8	66.8	74.51	85.90	88.53	83.90	78.8	89.4	83.3	86.8
EBITDA	31.0	38.5	34.9	35.1	42.0	46.0	54.6	56.6	52.8	46.3	52.4	47.0	52.6
EBITDA margin	*63.4%*	*69.1%*	*62.1%*	*56.9%*	*62.9%*	*61.7%*	*63.6%*	*64.0%*	*62.9%*	*58.8%*	*58.6%*	*56.4%*	*60.6%*
EBIT	28.0	35.8	32.0	32.2	38.7	42.6	50.9	53.3	49.2	41.5	47.4	40.9	46.9
EBIT margin	*57.3%*	*64.3%*	*57.0%*	*52.2%*	*58.0%*	*57.1%*	*59.3%*	*60.2%*	*58.6%*	*52.6%*	*53.0%*	*49.1%*	*54.0%*
Net profit	26.6	32.7	29.4	30.3	36.0	39.6	47.2	49.6	45.7	38.8	43.8	38.0	43.7
Net margin	*54.4%*	*58.7%*	*52.4%*	*49.0%*	*53.9%*	*53.1%*	*54.9%*	*56.0%*	*54.5%*	*49.3%*	*49.0%*	*45.7%*	*50.3%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 298. Text: Forecasts changes

PLNmn	2024/25E			2025/26E			2026/27E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	338	338	*0%*	343	350	*-2%*	347	362	*-4%*
EBITDA	201	200	*1%*	198	210	*-5%*	199	220	*-9%*
EBIT	177	183	*-3%*	174	192	*-9%*	175	202	*-13%*
Net profit	165	171	*-3%*	162	179	*-9%*	163	189	*-13%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 299. Text: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	68	98	*-31%*
Comparable valuation	213	186	*15%*
Target Price (Dec'2025)*	**68**	**98**	***-31%***

*Source: Company data, Santander Brokerage Poland estimates, *100% DCF valuation as it alone fully reflects long run business prospects of Text ; comparable valuation presented for illustrative purposes only*

Fig. 300. Text: Financial statements forecast

PLNmn	2022/23	2023/24	2024/25E	2025/26E	2026/27E
Net sales	296	335	338	343	347
EBITDA	180	198	201	198	199
EBIT	167	179	177	174	175
Profit before tax	167	179	178	175	176
Net profit	155	167	165	162	163
EBITDA margin	60.9%	59.2%	59.6%	57.8%	57.5%
EBIT margin	56.5%	53.4%	52.5%	50.8%	50.6%
Net margin	52.5%	49.6%	48.9%	47.3%	47.1%

PLNmn	2022/23	2023/24	2024/25E	2025/26E	2026/27E
Current assets	136	138	120	123	130
Fixed assets	60	72	77	77	77
Total assets	196	210	197	200	207
Current liabilities	77	79	70	70	70
bank debt	0	0	0	0	0
Long-term liabilities	77	79	70	70	70
bank debt	0	0	0	0	0
Equity	117	127	135	148	166
Total liability and equity	196	210	197	200	207
Net debt	-95	-84	-59	-61	-67
Net Debt/ fixed assets (x)	-0.5	-0.4	-0.3	-0.3	-0.3

PLNmn	2022/23	2023/24	2024/25E	2025/26E	2026/27E
CF from operations	195	178	163	181	182
CF from investment	-33	-30	-30	-30	-30
CF from financing, incl.	-122	-158	-158	-149	-146
dividends	-122	-158	-158	-149	-146
Net change in cash	40	-11	-25	2	6

Source: Company data, Santander Brokerage Poland estimates

Metals & Mining

Fig. 301. Recommendation and valuation summary

Company	Rec.	TP (local)	Price (local)*	Upside to TP	P/E (x) 2024E	2025E	2026E	EV/EBITDA (x) 2024E	2025E	2026E
KGHM	Underperform	82.00	129.95	-37%	11.7	17.5	16.8	5.1	5.7	5.6
Bogdanka	Neutral	25.80	23.60	9%	Neg.	2.8	3.2	0.8	0.8	1.9
JSW	Underperform	16.00	26.02	-39%	Neg.	Neg.	23.4	4.1	3.1	2.1
Median					**11.7**	**10.2**	**16.8**	**4.1**	**3.1**	**2.1**

*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25, 2024*

There Entities, Three Stories

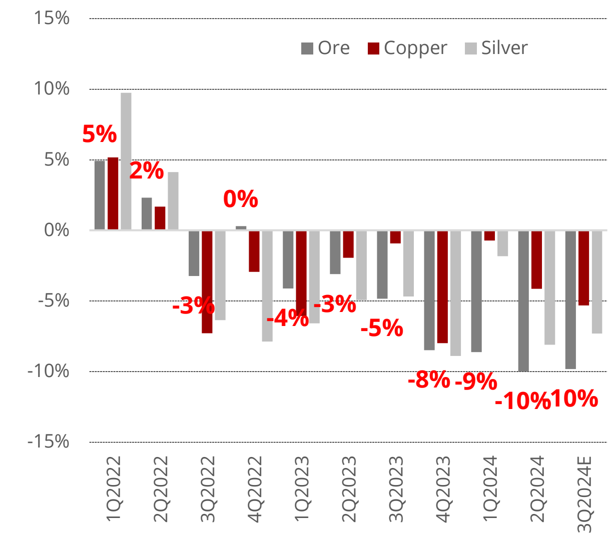
KGHM. Our parent company's mining volume analysis shows that GGP growth is decelerating, while old mines run dry (copper ore down 10% y/y, mining silver production down 11% y/y). If these trends remain unchanged, 2025 volume guidance might turn into major disappointment, potentially. More importantly, we believe that copper&silver-exposed KGHM may represent a classic Trump Trade against the acceleration of global GDP growth and global renewable investments. Polish capex should remain high and rising over the next decade, and new management did not suggest any opex restructuring.

JSW. JSW has lost control over its opex several years ago, which drove its adj. 2Q2024 MCC to USD203/t. Underground force majeures have become a new normal for the company, and similarity of JSW and past NWR volume trends comes in disturbing. Tough geology requires high capex, so that the company burnt PLN0.9bn in 3Q2024 alone. Restructuring without personnel costs' cut is a nonsense, and questions concerning solvency might become itching 12 months from now, we believe. Also, we assume that the European CBAM would go bust.

Bogdanka. The company's sales to Enea will remain on the slide. However, the company is highly efficient, and new buyer of +1mt coal p.a. could represent a game-changer. In the meantime, the weaker the outlook, the stronger the results, and we would not be surprised to see positive FCF in every quarter of 2025E.

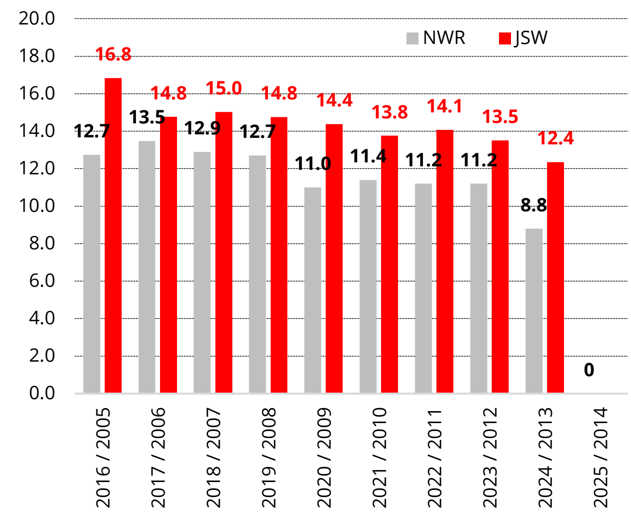
Investment Ideas: **Top Sell KGHM**, **Top Sell JSW as of Mar25** (Australian wet season is over).

Fig. 302. KGHM, Polish ex-GGP volumes, y/y change



Source: company, Santander Brokerage Poland

Fig. 303. JSW & NWR, mining volume development [mt]



Source: companies, Santander Brokerage Poland

JSW

Bloomberg: JSW PW, Reuters: JSW.WA

CEE Equity Research

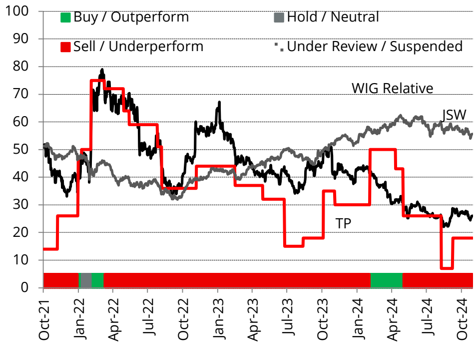
Mining, Poland

Cliff-Hanger

RECOMMENDATION	Underperform
Current price (25 Nov 2024, PLN)	26.02
Target price (Dec'25, PLN)	**16**
Previous report issued on Oct 4, 2024 with:	
Recommendation	*Underperform*
TP (PLN, Dec'25)	*18*

- **Equity story.** JSW is a State-controlled miner, which seemingly lost control over its opex several years ago, driving its adj. 2Q2024 MCC to USD203/t. Moreover, production force majeures have become a new normal for the company, depressing this year's production by 1.55mt (comparing Jan2024 and Oct2024 official guidance). As tough geology requires high capex, the company keeps burning hundreds million zloty per quarter, and questions concerning solvency might become itching 12 months from now, we believe. In the short-term, the time for Australian production disruptions in now, management presented PLN4.3bn of 2025-27 opex/capex adjustments, and JSW might receive Debiensko license, all of which could potentially provide short-term strong upside. While some may point at likely zloty weakening as a booster, we believe that concurrent global / European macro weakness might outweigh this upside.
- **Weak macro outlook.** The key EU economies keep decelerating visibly at GDPs and PMIs, and sadly the German one seems leading the pack. Also, steel and automotive sectors are fleeing Europe as we speak, with the wide-spreading wave of official closures' announcements. The post-Russian aggression environment (the need to rebuild Ukraine facing the lack of Donbas' metcoal) could be supportive, but we see plenty of question marks.
- **Terminal volume downside risk?** In Sept2024 management cut 2024 volume guidance to 12.5mt, down 0.6mt in two months, and in Nov2024 it was further cut to 12.35mt. Force majeures tend to be JSW's new normal, we assess, and the 1H24 official statements "increased intensity of natural hazards" and "risk of loss of some resources" stand for short- to long-term volume warnings, likely exposing the official coal production guidance.
- **2025-27E restructuring, no personnel opex cuts?** On Nov 25, 2024 the company announced 2025-27 optimization gains at PLN8.5bn. However, half of this amount relates to top line improvement, and production guidance has just been cut to 14.5mt from 15.6mt previously. JSW also sees 2025's one-off capex PLN1.5bn cut. Moreover, it remains unclear whether presented values represent net declines, or reduction vs the official plans. Most importantly, we are very surprised there is not a word on personnel restructuring (46% total opex), vs previous leaks on PLN2.4bn cut there.
- **Earnings forecasts.** Force majeure depresses 2024E forecasts, while marking-to-market brings in minor changes to 2025/26E forecasts.
- **Valuation and risks.** We cut our TP to PLN16, and share price downside warrants Underperform recommendation. Geology, mining volumes and USDPLN exchange rate represent the key down/up-side risks to JSW, in our view. Any further weakening of the Chinese economy or the continued global housing crunch pose downsides, while the Chinese stimuli could come in supportive. Any sudden climatic event could pose an upside. EU's implementation of CBAM could pose substantial upside, as well as JSW's seen as takeover target.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

JSW: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	20 199	15 338	11 470	11 527	11 409
EBITDA	10 564	4 213	786	1 524	2 589
EBIT	9 336	2 363	-7 494	-514	452
Net profit	7 561	997	-6 305	-649	131
P/E (x)	0.8	5.4	-0.5	-4.7	23.4
EV/ EBITDA (x)	0.1	0.5	4.1	3.1	2.1
FCF Yield	133.5%	-19.7%	-120.8%	-53.1%	-24.8%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 304. JSW: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	5 146	4 149	4 851	4 139	3 402	2 946	3 415	2 739	**2 690**	*-20.9%*	*-1.8%*
EBITDA	2 910	1 831	1 956	1 369	531	700	532	-5	**18**	*-96.6%*	*n.m.*
EBITDA margin	*56.5%*	*44.1%*	*40.3%*	*33.1%*	*15.6%*	*23.7%*	*15.6%*	*-0.2%*	***0.7%***	*-14.9*	*0.9*
EBIT	2 608	1 530	1 575	961	85	206	48	-533	**-313**	*n.m.*	*n.m.*
EBIT margin	*50.7%*	*36.9%*	*32.5%*	*23.2%*	*2.5%*	*7.0%*	*1.4%*	*-19.5%*	***-11.6%***	*-14.2*	*7.8*
Net profit	2 155	1 233	1 267	787	-1 209	153	-10	-909	**-309**	*n.m.*	*n.m.*
Net margin	*41.9%*	*29.7%*	*26.1%*	*19.0%*	*-35.5%*	*5.2%*	*-0.3%*	*-33.2%*	***-11.5%***	*24.1*	*21.7*

Source: Company data, Santander Brokerage Poland estimates

Fig. 305. JSW: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	11470	11669	*-2%*	11527	11494	*0%*	11409	11544	*-1%*
EBITDA	786	961	*-18%*	1524	1480	*3%*	2589	2729	*-5%*
EBIT	-7494	-7320	*n.m.*	-514	-557	*n.m.*	452	592	*-24%*
Net profit	-6305	-6162	*n.m.*	-649	-684	*n.m.*	131	244	*-47%*

Source: Santander Brokerage Poland estimates

Fig. 306. JSW: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation (regular, 52% probability)	1	1	*0%*
DCF valuation (La Niña, 48% probability)	10	14	*-31%*
DCF valuation weighted	**5**	**7**	***-30%***
Comparative valuation (regular, 52% probability)	27	29	*-7%*
Comparative valuation (La Niña, 48% probability)	56	59	*-5%*
Comparative valuation weighted	**41**	**43**	***-6%***
Target Price (Dec'2025)*	**16**	**18**	***-12%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 70% DCF and 30% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation, we see this method as supportive of the DCF.*

Fig. 307. JSW: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	20 199	15 338	11 470	11 527	11 409
COGS	8 712	10 372	16 061	9 081	7 897
EBITDA	10 564	4 213	786	1 524	2 589
EBIT	9 336	2 363	-7 494	-514	452
Profit before tax	9 221	2 267	-7 667	-784	171
Net profit	7 561	997	-6 305	-649	131
EBITDA margin	52.3%	27.5%	6.9%	13.2%	22.7%
EBIT margin	46.2%	15.4%	-65.3%	-4.5%	4.0%
Net margin	37.4%	6.5%	-55.0%	-5.6%	1.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	14 984	13 174	12 557	10 909	10 106
Fixed assets	11 980	14 620	10 340	11 302	12 230
Total assets	26 963	27 794	22 897	22 212	22 335
Current liabilities	7 734	7 011	7 993	7 952	7 937
bank debt	3 018	2 546	5 103	5 103	5 103
Long-term liabilities	3 292	3 811	4 290	4 290	4 290
bank debt	1 096	782	1 490	1 490	1 490
Equity	15 437	16 469	10 164	9 515	9 646
Total liability and equity	26 963	27 794	22 897	22 212	22 335
Net debt	-7 354	-6 336	-2 646	-1 025	-267
Net Debt/ EBITDA (x)	-0.7	-1.5	-3.4	-0.7	-0.1

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	8 842	3 325	-4 517	1 378	2 306
CF from investment	-487	-4 378	827	-3 000	-3 065
CF from financing, incl.	1 520	-749	3 213	5	8
dividends	0	0	0	0	0
Net change in cash	9 875	-1 802	-477	-1 617	-750

Source: Company data, Santander Brokerage Poland estimates

Santander

LW Bogdanka

Bloomberg: LWB PW, Reuters: LWB.WA

CEE Equity Research

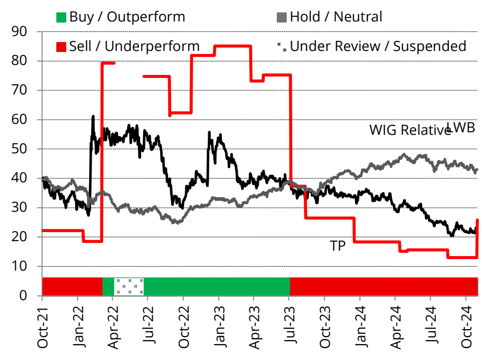
Mining, Poland

Ukraine, the Hypothetical Game-Changer?

- **Equity story.** The Polish short- to long-term outlook for thermal coal weakens at the accelerated pace, we conclude. In this environment, further undermined by the government's high off-shore plans, Bogdanka's efficiency (presented at 3Q2024 results) could only let the company slow down its inevitable fate. However, by chance a very large neighbouring Ukrainian market might be opening up, once the war ends. We note that small volumes sold there could represent a multi-year game-changer to Bogdanka. We have no insights there, and we only might keep our fingers crossed for Ukraine to represent Bogdanka's strategic goal (strategy is to be presented until year-end 2024). Still, as the hypothetical EBITDA / FCF / valuation upsides are quite material, we decided to include that option as one of our scenarios for Bogdanka, with strategy presentation representing a make or break for the company.
- **Polish market in decay.** The Polish thermal coal developments remain all-negative, we believe. Thermal coal generation is eradicated by renewables and gas, the government suggests an accelerated coal-quitting, several WSE-listed companies jointly guide for likely electricity price declines in Poland. Also, Enea 1) converts Polaniec generation complex coal units into co-burning ones, 2) intends to build gas-fired unit at Kozienice site, and 3) officially guides for decline in own 2025E thermal coal-fired generation. The Upper Silesian volumes plummet, which is a positive, but Poland needs its heating-purpose coal, and State-subsidized miner might remain the preferred seller.
- **Ukraine, the Last Resort (but Generous) Hope?** If the Russian assault is terminated soon, we believe Ukraine would be left without coal and (probably) with largely-idled nuclear units. We assume coal imports from Russia would not be an option, and then we see the adjacent market opening for several years to LWB, hypothetically. LWB's efficiency is high, and ~1.4mt annual volume sold at discount price would yield very strong rerating at Bogdanka's EBITDAs, FCFs and valuation, we calculate.
- **Earnings forecasts.** No change to our forecasts vs 25/11/24.
- **Valuation and risks.** Inclusion of Ukrainian exports' option keeps our TP at PLN25.8, warranting Neutral recommendation. The pro-renewable policies, investors' ESG approach and government's plans all represent the key long-term risks to coal-relying LWB. The current market dynamics is also highly detrimental. Weather anomalies and Ukrainian coal imports represent an upside to stock. Early closure of Silesian mines would come in positive, while their prolonged life would be a threat.

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	23.6
Target price (Dec'25, PLN)	**25.8**
Previous report issued on Nov 25, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*25.8*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Bogdanka: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	2 452	3 939	3 388	3 223	3 113
EBITDA	610	1 281	785	749	726
EBIT	200	839	-776	373	333
Net profit	176	687	-771	290	252
P/E (x)	8.6	2.0	-1.0	2.8	3.2
EV/ EBITDA (x)	2.3	0.8	0.8	0.8	1.9
FCF Yield	0.2%	21.6%	-3.0%	5.1%	-96.4%
Dividend Yield	4.6%	6.5%	9.9%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 308. Bogdanka: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	567.5	421.6	940.7	884.3	863.8	1 250.5	815.9	854.7	**929.5**	*7.6%*	*8.8%*
EBITDA	61.0	-66.4	291.6	241.2	140.6	671.8	162.5	100.2	**276.6**	*96.7%*	*176.0%*
EBITDA margin	*10.7%*	*-15.7%*	*31.0%*	*27.3%*	*16.3%*	*53.7%*	*19.9%*	*11.7%*	***29.8%***	*13.5*	*18.0*
EBIT	-38.0	-173.7	155.8	119.1	34.1	530.8	48.3	-6.0	**183.4**	*437.8%*	*n.m.*
EBIT margin	*-6.7%*	*-41.2%*	*16.6%*	*13.5%*	*3.9%*	*42.4%*	*5.9%*	*-0.7%*	***19.7%***	*15.8*	*20.4*
Net profit	-25.7	-134.7	126.2	99.6	30.9	430.4	42.8	-11.4	**151.8**	*391.3%*	*n.m.*
Net margin	*-4.5%*	*-31.9%*	*13.4%*	*11.3%*	*3.6%*	*34.4%*	*5.2%*	*-1.3%*	***16.3%***	*12.8*	*17.7*

Source: Company data, Santander Brokerage Poland estimates

Fig. 309. Bogdanka: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	3388	3388	*0%*	3223	3223	*0%*	3113	3113	*0%*
EBITDA	785	785	*0%*	749	749	*0%*	726	726	*0%*
EBIT	-776	-776	*0%*	373	373	*0%*	333	333	*0%*
Net profit	-771	-771	*0%*	290	290	*0%*	252	252	*0%*

Source: Santander Brokerage Poland estimates

Fig. 310. Bogdanka: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation (Poland alone, 51% probability)	5.7	5.7	*0%*
DCF valuation (Ukraine, 49% probability)	38.6	38.6	*0%*
DCF valuation weighted	**21.8**	**21.8**	***0%***
DDM valuation	0.0	0.0	*n.m.*
Comparative valuation (Poland alone, 51% probability)	50.5	50.5	*0%*
Comparative valuation (Ukraine, 49% probability)	77.3	77.3	*0%*
Comparative valuation weighted	**63.6**	**63.6**	***0%***
Target Price (Dec'2025)*	**25.8**	**25.8**	***0%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 60% DCF, 20% DDM and 20% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation and management decisions may alter DDM valuation outcomes, we see these methods as supportive of the DCF.*

Fig. 311. Bogdanka: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	2 452	3 939	3 388	3 223	3 113
COGS	1 645	2 403	2 403	2 274	2 187
EBITDA	610	1 281	785	749	726
EBIT	200	839	-776	373	333
Profit before tax	220	848	-771	363	315
Net profit	176	687	-771	290	252
EBITDA margin	24.9%	32.5%	23.2%	23.2%	23.3%
EBIT margin	8.2%	21.3%	-22.9%	11.6%	10.7%
Net margin	7.2%	17.4%	-22.8%	9.0%	8.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	938	1 660	1 447	1 459	967
Fixed assets	3 881	4 102	3 368	3 620	4 645
Total assets	4 819	5 762	4 815	5 078	5 612
Current liabilities	449	730	640	612	594
bank debt	3	2	2	2	2
Long-term liabilities	662	728	728	728	1 028
bank debt	2	0	0	0	300
Equity	3 697	4 294	3 438	3 728	3 979
Total liability and equity	4 819	5 762	4 815	5 078	5 612
Net debt	-523	-722	-613	-654	120
Net Debt/ EBITDA (x)	-0.9	-0.6	-0.8	-0.9	0.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	586	914	805	670	645
CF from investment	-583	-625	-829	-629	-1 419
CF from financing, incl.	-65	-94	-85	0	300
dividends	85	88	85	0	0
Net change in cash	-61	196	-109	41	-474

Source: Company data, Santander Brokerage Poland estimates

KGHM

Bloomberg: KGH PW, Reuters: KGH.WA

CEE Equity Research

Mining, Poland

Trump Trade

- **Equity story.** Our parent company's mining volume in-depth analysis highlights that GGP growth is decelerating, while old mines run dry (copper ore down 10% y/y, mining silver production down 11% y/y). If these trends remain unchanged, 2025 volume guidance might turn into major disappointment, potentially. More importantly, we believe that copper&silver-exposed KGHM may represent a classic Trump Trade. The new US President suggests kick-off of trade wars, potential isolation of China, and he bets on fossil fuels. All of these could substantially weaken mid-term growth in copper and silver demand. Internally, while we appreciate potential optimization of foreign assets, parent company's high and (likely) rising capex and not a word on opex restructuring make us cautious at the Polish ops' EBITDAs and FCFs. Foremost, KGHM is a 9th decile opex entity, and negative change at silver/copper prices or copper's C1 cash curve may expose the stock.
- **Trump Trade?** Mr. Donald Trump may have significant impact on copper / silver / zloty, we believe. Trade wars would weaken the global GDP growth (neg. to copper demand). The Chinese aggression on Taiwan would add to volatility, and potential ban on China could partially stall purchases of the single most important copper global buyer. Trump focuses on fossil fuels, and if other nations follow this suit, the future growth of copper and silver demand might easily turn out overstated. On the upside, zloty might weaken considerably, which would naturally prove supportive of KGHM's results.
- **Old Mines Run Dry?** Glogow Gleboki (GGP) mining volumes' positive dynamics is dying out in the recent quarters, we note, and at the same time ex-GGP mining volumes' decline accelerates substantially, we calculate. If these trends remain unchanged, we see parent company's 2025E copper / silver volumes respectively at 373kt & 1,293t (18kt below 2024 official guidance at copper, flat vs 2024 official guidance for silver). It would represent strong negative news to parent company's 2025E EBITDA and FCF.
- **Earnings forecasts.** No change to our forecasts vs 18/11/24.
- **Valuation and risks.** Marking-to-market implies TP at PLN82, and share price downside warrants Underperform recommendation. The global pace of growth (including the Chinese one) might stand for key upside or downside risks for the company. The world's giving up the renewable focus could pose a major downside risk, we assess. The parent company's mining volumes (a major source of EBITDA) may start sliding, implying downside to KGHM´s results and valuation, while low-priced energy contract might mute EBITDA erosion in the short-term. The continued high Polish inflation rate, or lack of opex restructuring, would come in negative to valuation, while optimization of foreign projects could offer an upside. Zloty weakening would provide an upside.

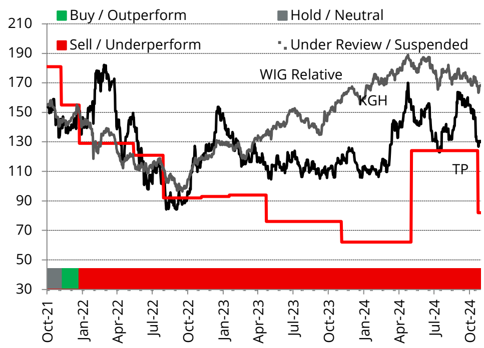
KGHM: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	33 847	33 467	35 352	34 938	35 788
EBITDA (incl. SG)	8 845	5 339	7 924	7 140	7 321
EBIT	4 396	-1 640	3 687	2 939	3 089
Net profit	4 772	-3 698	2 220	1 486	1 550
P/E (x)	5.3	-6.5	11.7	17.5	16.8
EV/ EBITDA (x)	4.7	7.4	5.1	5.7	5.6
FCF Yield	-2.8%	6.2%	-4.0%	-2.9%	-1.6%
Dividend Yield	2.4%	0.8%	1.2%	1.2%	1.2%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Underperform
Current price (25 Nov 2024, PLN)	129.95
Target price (Dec'25, PLN)	**82**
Previous report issued on Nov 18, 2024 with:	
Recommendation	*Underperform*
TP (PLN, Dec'25)	*82*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 312. KGHM: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	7 770	8 151	9 585	8 172	7 891	7 819	8 315	9 165	**8 659**	*9.7%*	*-5.5%*
EBITDA	1 636	1 920	1 882	1 266	1 173	1 127	1 551	2 657	**1 978**	*68.6%*	*-25.6%*
EBITDA margin	*21.1%*	*23.6%*	*19.6%*	*15.5%*	*14.9%*	*14.4%*	*18.7%*	*29.0%*	***22.8%***	*8.0*	*-6.1*
EBIT	655	658	662	233	194	371	586	1 524	**876**	*351.5%*	*-42.5%*
EBIT margin	*8.4%*	*8.1%*	*6.9%*	*2.9%*	*2.5%*	*4.7%*	*7.0%*	*16.6%*	***10.1%***	*7.7*	*-6.5*
Net profit	1 087	-493	164	237	435	-4 527	424	650	**240**	*-44.8%*	*-63.1%*
Net margin	*14.0%*	*-6.0%*	*1.7%*	*2.9%*	*5.5%*	*-57.9%*	*5.1%*	*7.1%*	***2.8%***	*-2.7*	*-4.3*

Source: Company data, Santander Brokerage Poland estimates

Fig. 313. KGHM: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	35352	35352	*0%*	34938	34938	*0%*	35788	35788	*0%*
EBITDA (incl. SG)	7924	7924	*0%*	7140	7140	*0%*	7321	7321	*0%*
EBIT	3687	3687	*0%*	2939	2939	*0%*	3089	3089	*0%*
Net profit	2220	2220	*0%*	1486	1486	*0%*	1550	1550	*0%*

Source: Santander Brokerage Poland estimates

Fig. 314. KGHM: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	54	54	*0%*
Comparative valuation weighted (based on 2024-26E)	150	150	*0%*
Target Price (Dec'2025)*	**82**	**82**	***0%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 70% DCF and 30% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation, we see this method as supportive of the DCF.*

Fig. 315. KGHM: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	33 847	33 467	35 352	34 938	35 788
Adj. EBITDA	8 845	5 339	7 924	7 140	7 321
EBITDA	6 655	3 755	6 143	5 653	5 867
EBIT	4 396	-1 640	3 687	2 939	3 089
Profit before tax	6 489	-3 600	3 955	2 764	2 897
Net profit	4 772	-3 698	2 220	1 486	1 550
EBITDA margin	19.7%	11.2%	17.4%	16.2%	16.4%
EBIT margin	13.0%	-4.9%	10.4%	8.4%	8.6%
Net margin	14.1%	-11.1%	6.3%	4.3%	4.3%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	13 065	13 402	12 436	11 085	11 257
Fixed assets	40 379	37 981	41 047	43 591	45 753
Total assets	53 444	51 383	53 483	54 675	57 010
Current liabilities	9 185	11 617	11 790	11 752	11 830
bank debt	1 657	1 463	1 463	1 463	1 463
Long-term liabilities	12 113	11 136	11 136	11 173	12 173
bank debt	5 939	4 963	4 963	5 000	6 000
Equity	32 089	28 565	30 485	31 671	32 921
Total liability and equity	53 444	51 383	53 483	54 675	57 010
Net debt	5 600	4 024	5 365	6 404	7 123
Net Debt/ EBITDA (x)	0.8	1.1	0.9	1.1	1.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	5 723	-50	4 489	4 488	4 490
CF from investment	-6 435	1 531	-5 537	-5 234	-4 916
CF from financing, incl.	-164	-988	-293	-256	707
dividends	600	200	300	300	300
Net change in cash	-876	493	-1 341	-1 002	281

Source: Company data, Santander Brokerage Poland estimates

Oil & Gas

Fig. 316. Recommendation and valuation summary

Company	Rec.	TP (local)	Price (local)*	Upside to TP	P/E (x) 2024E	2025E	2026E	EV/EBITDA (x) 2024E	2025E	2026E
MOL	Neutral	3000	2718	10%	5.1	6.4	6.5	2.7	3.0	2.9
OMV	Outperform	48	38.4	25%	8.5	8.6	6.7	3.5	4.2	3.9
Orlen	Neutral	64	51.9	23%	7.9	5.0	5.4	2.6	2.8	3.1
Median					**7.9**	**6.4**	**6.5**	**2.7**	**3.0**	**3.1**

*Source: Company data, Santander Brokerage Poland estimates; *price as of Nov 25, 2024*

Moderation continues

We expect 2025 to be another year of moderation in the Oil & Gas industry's macroeconomics. Our assumptions are Brent's price of USD70/bbl, natural gas at EUR35/MWh, and a decline in refining margins by 1-2 USD/bbl. We do not expect any meaningful recovery in petrochemical margins. The geopolitical situation (conflict in the Middle East and Ukraine) and weather conditions are the two factors creating risks (upside and downside) to our macro assumptions.

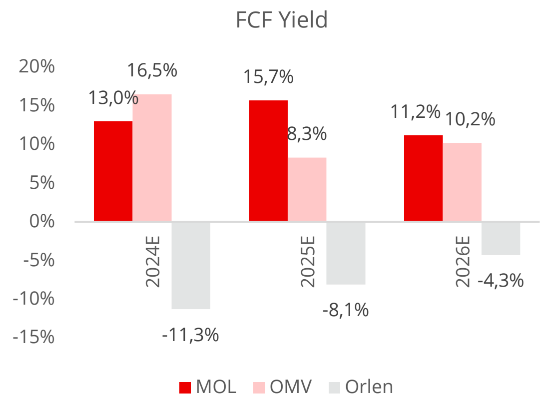
Continued moderations suggest 2025 will be another year of pressure on earnings, testing the companies' ability to sustain shareholder remuneration. We believe the latter is still a major factor influencing investment decisions within the Oil & Gas sector. We forecast that OMV should maintain a 10% dividend yield; this is the only company from our coverage in CEE Oil & Gas with an Outperform rating. We are downgrading MOL to Neutral and keeping Neutral on Orlen. The latter is just a few days before the strategy update announcement, which we believe should set the tone for Orlen's stock price in the mid-run.

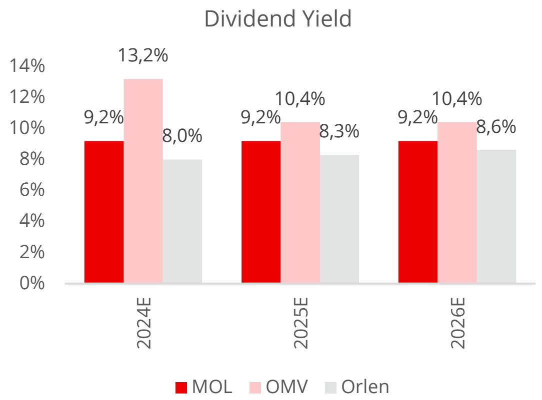
Fig. 317. CEE Oil & Gas: Macro assumptions

	2020	2021	2022	2023	2024E	2025E	2026E
Brent (USD/bbl)	41.8	70.9	101.3	82.6	81.0	70.0	70.0
Nat gas TTF (EUR/MWh)	9.5	46.3	121.7	41.3	32.5	35.0	30.0
Refining margin (USD/bbl)*							
MOL	2.8	1.3	8.4	9.0	6.3	5.0	5.0
OMV	2.4	3.7	14.7	11.7	7.2	6.0	6.0
Orlen	2.8	4.3	25.9	18.0	10.5	8.0	8.0

*Source: Santander Brokerage Poland *MOL, OMV – Brent based, Orlen – including crude differentials*

Fig. 318. CEE Oil & Gas: FCF and dividend yields





Source: Company data, Santander Brokerage Poland estimates

Santander

MOL

Bloomberg: MOL HB, Reuters: MOL.BU

CEE Equity Research

Oil & Gas, Hungary

Solid but nothing stands out

- **Equity story.** We are downgrading MOL to Neutral from Outperform with our target price reduced to HUF3,000 (as of Dec 2025) from HUF3,500 (as of Dec 2024). MOL is well on track to deliver on its 2024 financial targets (EBITDA of USD3bn). Still, its earnings outlook in the medium run has recently deteriorated due to worsening industry macro, delays and prolonged ramp-up of its key investments. We have reduced our 2025-25E EBITDA by up to 10%. We like the company's capital allocation policy with an FCF yield of 12-14% and a dividend yield of 9%. We argue that its operating set-up in the downstream segment (processing of discounted Russian crude transported via Ukraine) calls for additional risk premium versus regional peers.
- **Earnings forecasts.** We believe MOL is on track to overdeliver on its FY2024E clean EBITDA guidance (USD3.0bn), and we forecast USD3.1bn (+3% vs. previous). However, we have decreased our 2025E estimate by 12% to USD2.8bn and 2026E by 6% to USD2.8bn. Our macro assumptions for 2025E and 2026E are Brent at 70 USD/bbl (both years), TTF at 35 and 30 EUR/MWh, and model refining margin (ex. differential) at 5.0 USD/bbl. We highlight that the company's flagship investments in the downstream are unlikely to impact earnings before 2026 due to prolonged ramp-up (polyol project) and delays in construction (delayed coker in Rijeka). We also highlight that processing discounted Russian crude oil transported via Ukraine drives MOL's profitability in refining, adding c. USD0.5bn to EBITDA annually.
- **Capital allocation.** We like MOL's prudent capital allocation policy and expect annual organic capex at USD1.7bn in 2025-26E. M&As (e.i. retail assets in Poland, upstream projects) might increase total capital spend, so we expect a flat dividend payment of HUF250 in 2025 (9% yield).
- **Valuation and risks.** We have reduced our target price to HUF3,000 (as of Dec 2025) from HUF3,500 (as of Dec 2024). The target price is based on DCF and a comparative valuation with 50/50 weightings. Key risks include industry macro issues (oil prices, refining, and petchem margins, the Brent-Urals spread), regulatory environment (windfall taxes, fuel price regulations), and geopolitics (transit of Russian crude), while company-related risks include corporate governance and capital allocation policy.

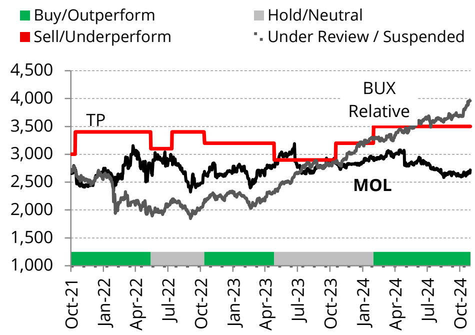
MOL: Financial summary and ratios

Year to Dec, HUFbn	2022	2023	2024E	2025E	2026E
Clean EBITDA in USDmn	4,702	3,093	3,115	2,753	2,784
Clean EBITDA	1,774	1,098	1,122	1,010	1,022
EBIT	1,259	678	625	471	467
Net profit	852	530	398	316	314
P/E (x)	2.4	3.9	5.1	6.4	6.5
EV/ EBITDA (x)	1.7	2.9	2.7	3.0	2.9
FCF Yield	24.7%	11.8%	13.0%	15.7%	11.2%
Dividend Yield	11.1%	12.8%	9.2%	9.2%	9.2%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2024, HUF)	2,718
Target price (Dec'25, HUF)	**3,000**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (HUF, Dec'24)	*3500*

STOCK PERFORMANCE



The chart measures performance against the BUX index.

Analyst

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Fig. 319. MOL: Quarterly results review

Assumptions	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
Brent (USD/bbl)	81.2	78.1	86.7	84.3	82.6	83.2	85.0	80.3	75.5	81.0
Nat gas (EUR/MWh)	53.7	35.1	33.7	43.0	41.3	27.5	31.7	35.7	35.2	32.5
Benchmark refining margin (USD/bbl)	9.4	5.4	12.8	8.3	9.0	10.3	6.8	3.7	4.2	6.3
Refining EBITDA per bbl (USD/bbl)	13.5	3.6	15.6	15.0	12.0	13.2	13.8	9.9	9.0	11.3
USDHUF FX rate	362	343	353	355	353	358	364	359	361	360
Upstream output (consol. kbpd)	85	78	76	82	80	81	81	82	81	81
Downstream throughput (kbpd)	283	346	387	347	340	273	313	353	355	324

Clean EBITDA breakdown in USDmn	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
E&P	283	99	195	375	953	262	283	279	258	1,082
Downstream	299	102	469	456	1,328	293	408	300	299	1,300
Consumer services	127	175	250	144	695	144	194	249	160	747
Gas midstream	79	60	74	52	265	79	55	57	58	250
Other	-75	-24	-12	-36	-147	-59	-116	-37	-51	-264
Total	714	411	976	992	3,093	718	825	847	724	3,115

Source: Company data, Santander Brokerage Poland estimates

Fig. 320. MOL: Forecasts changes

	2024E			2025E			2026E		
	NEW	OLD	*ch.*	NEW	OLD	*ch.*	NEW	OLD	*ch.*
Clean EBITDA (USDmn)	3,115	3,035	*3%*	2,753	3,139	*-12%*	2,784	2,972	*-6%*
Clean EBITDA (HUFbn)	1,122	1,073	*5%*	1,010	1,110	*-9%*	1,022	1,051	*-3%*
EBITDA (HUFbn)	1,125	1,071	*5%*	1,010	1,110	*-9%*	1,022	1,051	*-3%*
Net profit (HUFbn)	398	388	*3%*	316	392	*-19%*	314	340	*-7%*

Source: Santander Brokerage Poland estimates

Fig. 321. MOL: Valuation changes

HUF per share	New	Previous	*Change*
DCF valuation	2,826	2,605	*8%*
Comparable valuation	3,125	4,375	*-29%*
Target Price (Dec'25)*	**3,000**	**3,500**	***-14%***

*Source: Company data, Santander Brokerage Poland estimates * based on the DCF and comparative valuation with 50%/50% weights*

Fig. 322. MOL: Financial statements forecast

HUFbn	2022	2023	2024E	2025E	2026E
Revenues	9,912	8,966	8,527	7,744	7,744
EBITDA	1,735	1,149	1,125	1,010	1,022
Clean CCS EBITDA	1,774	1,098	1,122	1,010	1,022
Net profit	852	530	398	316	314

Clean EBITDA in USDmn	2022	2023	2024E	2025E	2026E
E&P	2,212	953	1,082	989	964
Downstream	2,240	1,328	1,300	1,000	1,029
Consumer services	320	695	747	783	816
Gas midstream	163	265	250	253	260
Other	-232	-147	-264	-272	-285
Total	4,702	3,093	3,115	2,753	2,784

Assumptions	2022	2023	2024E	2025E	2026E
Brent (USD/bbl)	101.3	82.6	81.0	70.0	70.0
Nat gas (EUR/MWh)	130.9	41.3	32.5	35.0	30.0
Benchmark refining margin (USD/bbl)	8.4	9.0	6.3	5.0	5.0
Refining EBITDA/bbl (USD)	16.8	12.0	11.3	9.3	7.6
HUFUSD FX rate	373	353	360	367	367

HUFbn	2022	2023	2024E	2025E	2026E
Total Assets	7,968	7,703	7,528	7,565	7,678
Equity	3,633	3,837	4,038	4,156	4,273
Minorities	379	360	357	353	350
Short and Long term Debt	1,119	1,099	835	835	835
Other financial liabilities	231	205	205	205	205
Other liabilities	2,605	2,202	2,093	2,015	2,015
Total Equity and Liabilities	7,968	7,703	7,528	7,565	7,678
Net debt	755	891	869	791	805
Net debt to EBITDA (x)	0.4	0.8	0.8	0.8	0.8
Net debt to Equity	13%	16%	15%	13%	13%

HUFbn	2022	2023	2024E	2025E	2026E
Operating CF	1,365	731	879	940	875
Investing CF	-854	-484	-615	-620	-646
FCF pre dividends	511	247	264	320	229
Dividends paid	-191	-229	-197	-197	-197

Source: Company data, Santander Brokerage Poland estimates

Santander

OMV

Bloomberg: OMV AV, Reuters: OMV.VI

CEE Equity Research

Oil & Gas, Austria

High returns to be sustained

- **Equity story.** The pressure on crude oil prices that has emerged recently undercuts short to mid-term earnings outlook across the industry, including OMV. Despite this, we expect the company to deliver robust shareholder remuneration again in 2025 and beyond. Our 2025E DPS forecast of EUR4.0 (10% yield) is based on the mid-point of the OMV dividend policy (20-30% of operating CF). We also highlight OMV's exposure to chemicals. A reversal of the current down-cycle, which we expect in the mid-run, should positively affect earnings. Borealis/Borouge potential merger saga keeps creating disliked uncertainty, but we believe OMV's stock remains attractive regardless of the outcome. We are keeping our target price of EUR48 unchanged and reiterating our Outperform recommendation.
- **Earnings forecasts.** Oil & Gas industry macro has deteriorated recently, despite continued tensions in the Middle East. Our valuation model for 2025E and 2026E is now based on Brent assumption of 70 USD/bbl, OMV's effective nat gas price of 25 EUR/MWh, and refining margin of 6.0 USD/bbl, each respectively. We forecast 2025-26E clean EBITDA at EUR6.4bn and EUR7.2bn. Discussing OMV's mid-term earnings outlook, we highlight the company's high exposure to the chemicals, which, despite the continued downtrend, are likely to stage the recovery in 2026E.
- **Capital allocation.** OMV delivered an operating CF of EUR4.4bn in 9M2024, and we forecast EUR5.3bn in full year 2024E. The latter and mid-point of the company's dividend policy imply dividend payment in 2025E at c. EUR4/share and 10% yield. We believe the company's commitment to dividend payments is the pillar of OMV's equity story. Concurrently, we highlight the company keeps on investing in growth projects in energy (i.e. Neptun Deep gas field development, renewables M&A in Romania) and chemicals (Kaleo, Borouge 4). We forecast OMV's net debt at EUR3.0bn as of the end of 2024E, implying a gearing ratio of 12%.
- **Valuation and risks.** We have left our target price of EUR48 unchanged. Our target price is based on DCF and peer comparison with 50%/50% weightings. Sector-specific risks include hydrocarbon prices, refining and petchem margins, and additional taxes. Company-specific risks mainly lie with the execution of the company's strategy.

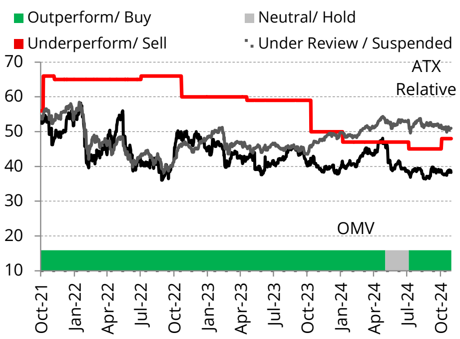
OMV: Financial summary and ratios

Year to Dec, EURmn	2022	2023	2024E	2025E	2026E
Clean CCS EBITDA	13,907	8,595	7,232	6,449	7,184
Clean CCS EBIT	11,175	6,024	4,613	3,985	4,570
Net profit	3,634	1,480	1,476	1,457	1,860
P/E (x)	4.1	9.4	8.5	8.6	6.7
EV/Clean CCS EBITDA (x)	2.0	3.0	3.5	4.2	3.9
EV/DACF (x)	3.5	4.5	4.9	5.3	5.3
FCF Yield	38.7%	19.3%	16.5%	8.3%	10.2%
Dividend Yield (%)	5.0%	11.9%	13.2%	10.4%	10.4%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, EUR)	38.40
Target price (Dec'25, EUR)	**48**
Previous report issued on October 30, 2024 with:	
Recommendation	*Outperform*
TP (EUR, Dec'25)	*48*

STOCK PERFORMANCE



The chart measures performance against the ATX index.

Analyst

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Fig. 323. OMV: Quarterly results review

Industry macro/ KPIs	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
Brent (USD/bbl)	81.2	78.1	86.8	84.3	82.6	83.2	85.0	80.3	75.5	81.0
NCG gas price (EUR/MWh)	54.3	35.8	33.2	40.9	41.0	27.7	31.5	35.3	35.5	32.5
Benchmark refining margin (USD/bbl)	14.8	7.6	14.1	9.9	11.7	10.8	7.0	5.0	6.0	7.2
EURUSD FX rate	1.07	1.09	1.09	1.08	1.08	1.09	1.08	1.10	1.10	1.09
Upstream output (kbpd)	376	353	364	364	364	352	338	332	333	339
Downstream oil throughput (kbpd)	362	289	340	360	333	337	349	339	400	356

P&L extracts (EURmn)	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
Revenues	10,964	8,983	9,469	10,047	39,463	8,172	8,584	8,645		38,894
EBITDA	2,019	1,904	2,099	1,820	7,841	1,855	1,856	1,557	1,441	6,854
Clean CCS EBITDA, of which	2,720	1,780	2,004	2,092	8,595	2,106	1,853	1,687	1,441	7,232
Energy (E&P)	1,881	1,257	1,357	1,429	5,924	1,400	1,162	1,056	905	4,668
Downstream	905	519	651	633	2,708	694	688	611	600	2,593
Fuels & Feedstock (Refining)	*683*	*384*	*526*	*490*	*2,083*	*420*	*427*	*326*	*322*	*1,495*
Chemicals & Materials	*222*	*135*	*125*	*143*	*625*	*274*	*261*	*285*	*278*	*1,098*
Other	-66	4	-4	30	-37	12	3	20	-64	-30
EBIT	1,378	1,233	1,441	1,174	5,226	1,233	1,112	926	823	4,094
Clean CCS EBIT	2,079	1,179	1,334	1,432	6,024	1,483	1,232	1,051	834	4,613
Net profit	390	380	474	236	1,480	468	378	241	389	1,476

Cash flow (EURmn)	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
EBITDA, as reported	2,019	1,904	2,099	1,820	7,841	1,855	1,856	1,557	1,441	6,854
Operating CF	2,687	226	1,705	1,092	5,709	1,823	1,182	1,421	885	5,311
Investing CF	-984	-787	-251	-1,005	-3,027	-820	-777	-1,179	-466	-3,242
FCF pre dividends	1,703	-561	1,454	87	2,682	1,003	405	242	419	2,069
Net debt/clean LTM EBITDA	0.0	0.3	0.2	0.2	0.2	0.2	0.4	0.4		0.4

Source: Company data, Santander Brokerage Poland estimates

Fig. 324. OMV: Valuation changes

EUR per share	New	Previous	*Change*
DCF valuation	29.9	29.9	*0%*
Comparable valuation	66.7	66.7	*0%*
Target Price (Dec'25)*	**48**	**48**	***0%***

*Source: Company data, Santander Brokerage Poland estimates; *based on DCF and peer comparison with 50%/50% weightings*

Fig. 325. OMV: Financial statements forecast

EURmn	2022	2023	2024E	2025E	2026E
EBITDA	14,919	7,841	6,854	6,449	7,184
Clean CCS EBITDA,	13,907	8,595	7,232	6,449	7,184
Energy (E&P)	9,759	5,924	4,668	3,798	3,773
Downstream	4,194	2,708	2,593	2,671	3,432
Fuels & Feedstock (Refining)	*2,200*	*2,083*	*1,495*	*1,402*	*1,452*
Chemicals & Materials	*1,994*	*625*	*1,098*	*1,269*	*1,979*
Other	-46	-37	-30	-20	-20
EBIT	12,246	5,226	4,094	3,985	4,570
Clean CCS EBIT	11,175	6,024	4,613	3,985	4,570
Net financial costs	-1,481	-70	210	-270	-270
Pre-tax profit	10,765	5,156	4,303	3,714	4,300
Net profit	3,634	1,480	1,476	1,457	1,860

EURmn	2022	2023	2024E	2025E	2026E
Total Assets	56,429	50,663	51,558	50,983	51,708
Equity (ex-hybrid)	16,666	15,755	15,075	14,638	14,734
Hybrid equity	2,483	2,483	1,983	1,983	1,983
Minorities	7,478	7,131	7,796	8,307	8,952
Total Equity and Liabilities	56,429	50,663	51,558	50,983	51,708
Net debt	2,207	2,120	2,959	4,069	4,814
Net debt to EBITDA (x)	0.2	0.2	0.4	0.6	0.7
Net debt to Equity	8.3%	8.4%	11.9%	16.3%	18.8%

Assumptions	2022	2023	2024E	2025E	2026E
Brent (USD/bbl)	101.3	82.6	81.0	70.0	70.0
NCG gas price (EUR/MWh)	121.7	41.0	32.5	35.0	30.0
Benchmark refining margin (USD/bbl)	14.7	11.7	7.2	6.0	6.0
Benchmark petchem margin (EUR/t)	493	393	435	450	450

EURmn	2022	2023	2024E	2025E	2026E
Operating CF	7,758	5,709	5,311	4,965	5,206
Investing CF	-1,966	-3,027	-3,242	-3,926	-3,927
FCF pre dividends	5,792	2,682	2,069	1,039	1,279
Dividends paid	-1,459	-2,333	-2,157	-1,894	-1,764

Source: Company data, Santander Brokerage Poland estimates

Santander

Orlen

Bloomberg: PKN PW, Reuters: PKN.WA

CEE Equity Research

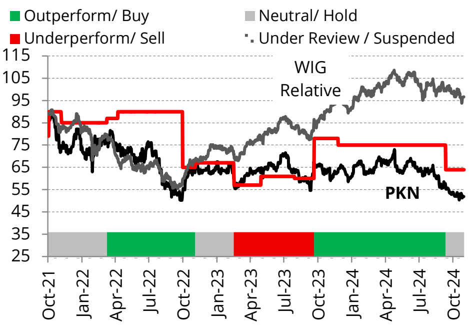
Oil & Gas, Poland

Strategy update

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	51.9
Target price (Dec'25, PLN)	**64**
Previous report issued on October 7, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*64*

- **Equity story.** Orlen's strategy update is due in early December. Capital allocation policy is a significant uncertainty. Oil & Gas investors appreciate the strategies prioritizing investments in proven business models and generous shareholder remuneration over the pursuit of ambitious energy transition targets with uncertain returns. Orlen's management has already demonstrated its commitment to reducing capital expenditures. Still, only the strategy update will tell if there is a credible path for the company to become FCF-positive and increase dividend payments. We believe the latter could trigger a de-rating. In the meantime, we reiterate our Neutral rating and target price of PLN64. Our target price implies 23% upside potential, but we believe making any directional changes in our recommendation just a few days before the new strategy release is an unnecessary noise thus we stick to the Neutral rating.
- **Recent developments.** We believe the fate of the infamous Olefins 3 project will likely influence Orlen's near-term cash flow profile. The company has already said the project's total capex would amount up to PLN51bn; therefore, it would be either right-sized or terminated. We believe the project's termination could only reduce Orlen's total capex to the level that would allow the company to generate FCF. Orlen has already spent PLN13bn on Olefins 3, and its termination would likely trigger a few PLNbn payments to contractors. Orlen said it would decide on Olefins 3 before the strategy announcement.
- **Earnings forecasts.** Our macro assumptions for 2025E and 2026E are Brent at 70 USD/bbl (both years), TTF at 35 and 30 EUR/MWh, and model refining margin (incl. differential) at 8.0 USD/bbl. We forecast Orlen's clean EBITDA at PLN34bn in 2025E and PLN32.7bn in 2026E. The price auction of nat gas in Europe, with recent quotes north of EUR45/MWh, could suggest an upside risk to our base case estimates (Orlen produces 100TWh of nat gas annually). We believe the weather will determine nat gas pricing in the short term, and we are far from betting on any scenario.
- **Valuation and risks.** We leave our target price of PLN64 unchanged. Our target price is based on the DCF and comparative valuation with 50%/50% weights. Key risks include the industry macro backdrop (oil prices, natural gas prices, refining, and petchem margins, FX), regulatory environment (windfall levies, energy, and natural gas prices), and political interventions.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Orlen: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	282,434	372,767	318,597	308,753	310,040
EBITDA	38,787	60,312	33,069	34,110	32,718
EBIT	56,062	42,256	28,005	34,110	32,718
Net profit	39,654	20,680	7,616	11,988	11,087
P/E (x)	1.0	3.6	7.9	5.0	5.4
EV/ EBITDA (x)	1.3	1.4	2.6	2.8	3.1
FCF Yield	76.0%	5.5%	-11.3%	-8.1%	-4.3%
Dividend Yield	5.1%	8.7%	8.0%	8.3%	8.6%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 326. Orlen: Quarterly results review

Assumptions	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
Brent (USD/bbl)	81.0	78.0	87.0	84.0	83.0	83.0	85.0	80.3	75.7	81.0
Nat gas in Europe (EUR/MWh)	53.2	35.1	33.1	40.9	40.6	27.5	31.7	35.3	35.6	32.5
Ref. margin, incl. differential (USD/bbl)	23.4	15.6	20.9	11.9	18.0	16.1	11.6	6.6	7.5	10.5
USDPLN FX rate	4.39	4.17	4.14	4.11	4.20	3.99	3.99	3.90	4.04	3.98
Upstream output (kbpd)	190	164	155	184	173	215	208	189	211	206
Refining throughput (kbpd)	779	775	808	762	781	777	761	809	790	786

P&L extracts (PLNmn)	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24E	2024E
Revenues	115,828	79,029	79,457	98,327	372,767	82,332	69,510	67,936	98,819	318,597
EBITDA	15,767	9,970	9,952	12,398	42,256	7,730	4,542	4,960	10,773	28,005
EBITDA LIFO, of which:	19,943	10,988	8,877	13,574	60,312	8,384	5,104	8,808	10,773	33,069
Upstream	2,270	-111	-211	578	2,155	-4,110	-3,941	3,312	3,697	-1,042
Refining	5,485	2,536	1,866	594	8,971	2,272	2,622	520	1,099	6,513
Petchems	98	-120	-136	-345	-492	4	-180	-118	91	-203
Energy	2,875	555	1,348	-799	3,885	2,427	1,967	949	1,357	6,700
Retail	233	662	600	633	2,132	511	893	1,077	719	3,200
Gas distribution and trading	*9,390*	7,893	5,858	13,360	45,367	7,927	4,178	3,462	4,334	19,901
Other	-408	-427	-448	-447	-1,706	-647	-435	-394	-524	-2,000
EBIT	12,718	7,098	7,118	8,841	28,056	4,368	1,056	1,595	6,792	13,811
Net profit	9,324	6,065	4,561	7,353	20,680	2,775	-40	188	4,659	7,616

Source: Company data, Santander Brokerage Poland estimates

Fig. 327. Orlen: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
LIFO EBITDA	**33,069**	33,342	*-1%*	**34,110**	33,848	*1%*	**32,718**	32,768	*0%*
EBITDA	**28,005**	32,200	*-13%*	**34,110**	33,848	*1%*	**32,718**	32,768	*0%*
Net profit	**7,616**	11,764	*-35%*	**11,988**	11,156	*7%*	**11,087**	10,702	*4%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 328. Orlen: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	55.7	55.7	*0%*
Comparable valuation	72.9	72.9	*0%*
Target Price (Dec'25)*	**64**	**64**	***0%***

*Source: Company data, Santander Brokerage Poland estimates; *based on the DCF and comparative valuation with 50%/50% weights*

Fig. 329. Orlen: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
EBITDA	56,062	42,256	28,005	34,110	32,718
EBITDA LIFO*, of which	38,787	60,312	33,069	34,110	32,718
Upstream	7,188	2,155	-1,042	13,784	11,599
Refining	24,940	8,971	6,513	3,870	4,320
Petchem	3,373	-492	-203	609	1,621
Energy	3,934	3,885	6,700	6,200	6,386
Retail	2,770	2,132	3,200	3,200	3,296
Gas distribution and trading	-2,068	45,367	19,901	8,488	7,577
Other/ corporate	-1,350	-1,706	-2,000	-2,040	-2,081
EBIT	48,338	28,056	13,811	18,409	15,812
Net profit	39,654	20,680	7,616	11,988	11,087

PLNmn	2022	2023	2024E	2025E	2026E
PPE	136,387	135,183	153,937	170,767	183,534
Other non-current assets	38,007	35,757	37,757	37,757	37,757
Cash	21,046	13,282	17,364	13,369	11,527
Other current assets	117,749	80,174	66,526	64,704	64,942
Total Assets	313,189	264,396	275,584	286,597	297,760
Equity	142,048	152,082	154,880	161,877	167,798
Minorities	1,040	1,098	1,118	1,218	1,318
Short and Long term Debt	28,761	25,896	40,729	45,729	50,729
Other liabilities	141,340	85,320	78,857	77,774	77,915
Total Equity and Liabilities	313,189	264,396	275,584	286,597	297,760
Net debt	7,715	12,614	23,365	32,360	39,202

Assumptions	2022	2023	2024E	2025E	2026E
Brent (USD/bbl)	101.1	83.0	81.0	70.0	70.0
NCG gas price (EUR/MWh, rhs)	123.2	40.6	32.5	35.0	30.0
Benchmark refining margin (USD/bbl)	25.9	18.0	10.5	8.0	8.0
Effective refining margin (USD/bbl)	19.1	8.7	5.7	3.3	3.3
USDPLN FX rate	4.46	4.20	3.98	4.00	4.00

PLNmn	2022	2023	2024E	2025E	2026E
Operating CF	30,191	40,466	28,115	27,628	27,096
Capex	-20,236	-36,187	-32,948	-32,531	-29,673
Other Investing CF	21,198	-222	-2,000	0	0
FCF pre dividends	31,153	4,057	-6,833	-4,903	-2,576
Dividends paid	-1,500	-6,385	-4,818	-4,992	-5,166

Source: Company data, Santander Brokerage Poland estimates

Residential developers

Fig. 330. Recommendation and valuation summary

Company	Rec.	TP (local)	Price (local)*	Upside to TP	P/E (x) 24E	25E	26E	P/BV(x) 24E	25E	26E	DY 24E	25E	26E	ROE 24E	25E	26E
Atal	Neutral	58	55.2	5%	7.2	7.1	8.5	1.35	1.27	1.24	10.9%	9.7%	9.9%	18.6%	18.0%	14.5%
Dom Development	Outperform	245	196.2	25%	9.0	8.4	7.7	2.54	2.33	2.15	8.9%	9.5%	10.3%	30.5%	30.1%	30.2%
Develia	Outperform	7.0	5.99	17%	8.5	7.6	8.1	1.67	1.55	1.49	8.2%	8.6%	9.8%	19.6%	20.3%	18.5%
Murapol	Outperform	45	33.32	35%	6.1	5.9	5.5	2.34	2.22	2.06	14.7%	14.7%	14.7%	38.4%	37.8%	37.4%

*Source: Santander Brokerage Poland estimates, *price as of Nov 25, 2024*

We remain **moderately positive** on residential developers:

1) Weak residential demand in 9M24 **created low base for 2025 volumes recovery** (2024 was depressed by high mortgage rates, terminated BK2% housing scheme at YE2023-end, terminated home price inflation, rents stabilisation, prolonged discussion about the final shape of "naStart" housing scheme);

2) **period of high interest rates may come to an end** which could drive a new resi-cycle (125bps rates cut expected in 2025E by our macro team);

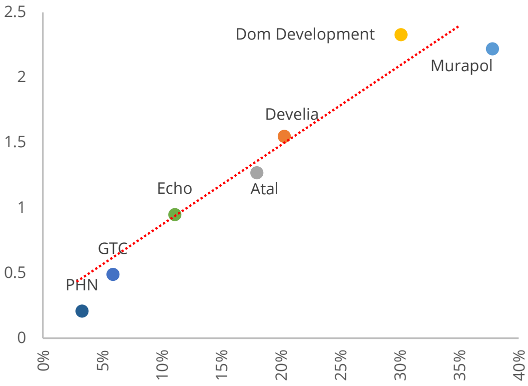
3) 3Q24 data suggest **the resi-demand bottomed out**, while JLL's 4Q24E volumes estimate (+20% q/q) and **recovered volume of motions submitted for mortgage loans** (+21% m/m in Oct) might indicate V-shape sales volumes recovery;

4) We also like: 1) healthy real **wages growth** in 2025E (though decelerated to 3.4% y/y from 9.8% y/y in 2024E), 2) continued **market consolidation** by WSE developers, 3) developers' **undemanding valuations** (single digit P/Es, high div yields), 4) **stable construction costs** which open room for solid 2025E margins, 5) **high 2025E results visibility**, 6) already **recovered demand** in western markets (new record high residential prices in the UK, recovered sales volumes in Spain and +40% 2024 ytd share price performance of Spanish peers), 7) **housing deficit** in Poland, 8) **migration** to big cities as Warsaw, Krakow, Wroclaw, Gdansk expected by 2030E, 9) expected **growing number of households** in Poland by 2030E, 10) weak housing stock quality (one of the highest overcrowding rate in EU).

Key risks include: 1) possible delays in interest rates cuts, 2) any new leavy implementation (as for example upped taxation recently in the UK) related to purchase of 2nd+ residential unit, or unoccupied residential space, 3) 31% decline in the number of people in the working age between 2023 and 2060E, 4) decelerated homes price inflation in 3Q24, 5) rents stabilisation in 2024, 5) outflow of Ukrainians once the war terminates, 6) high number of units offered for sale (the highest since 2016) both on primary/secondary markets.

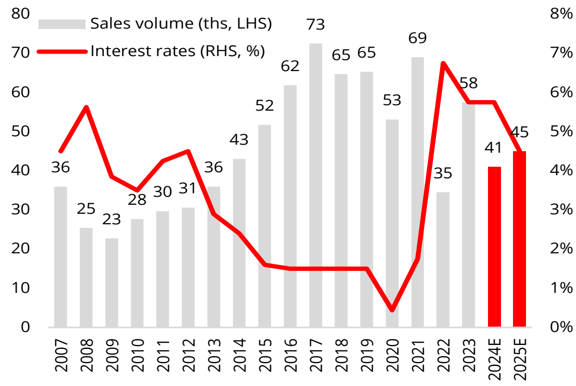
Preferred stocks: Dom Development, Develia, Murapol, Neutral view: Atal.

Fig. 331. P/BV vs. ROE (2025E)



Source: Santander Brokerage Poland

Sales volume (6 big cities) and interest rates



Source: JLL, Santander Brokerage Poland estimates, Bloomberg

Atal

Bloomberg: 1AT PW, Reuters: 1AT.WA

CEE Equity Research

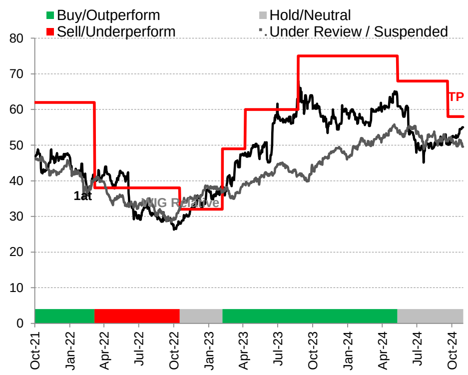
Developers, Poland

Volumes below expectations

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	55.2
Target price (Dec'25, PLN)	**58**
Previous report issued on Oct 8, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	58

- **Equity story.** Atal's 3Q24 sales volumes came in at their lowest level over the past 10 years, despite escalated number of units to almost a record high level. We think that high interest rates and delayed implementation (if any) of 'naStart' housing scheme may continue to undermine the residential demand on low-to mid-end apartments, which may weigh on Atal's KPIs. We think that after the period of high interest rates and investors being averse to RE names, the positive sentiment to developers may improve (which has already started to materialize) but Atal remains outside of our universe of sector top picks, as its 3Q24 sales volumes underperformed trends observed in the closest peers.
- **Weak 3Q24 sales volume.** Despite escalated number of residential units offered for sale to record high level (7.0k in 3Q24), Atal delivered 3Q24 sales volume at the lowest level over the past 10 years. In detail, Atal sold 355 units (-36% q/q), which was below c. 370-380 units sold in 2H22, when the residential demand was undermined by a central's bank monetary tightening (interest rate grew to 6.75% in Sep 2022 from 1.75% by 2021-end). It was also way below 2021-quartery avg. at 1k-1.2k units, when the sales were driven by a post-pandemic demand recovery. Note that its peer Dom Development sold in 3Q24 40% of units offered for sale as (1Q17-3Q24 quarterly average at 38%), which demonstrates very high sales effectiveness, while Atal sales at just 5% of units offered for sales (19% average) represents tiny sales effectiveness.
- **Mid-run outlook.** Atal postponed 630 residential units handovers from 2023 onto 2024. Moreover, the company scheduled completion of 2.2k units this year (88% of them had been pre-sold as at 3Q24). Overall, we estimate 2.7k units handovers in 2024E. In 2025E, the company scheduled completion of over 3k units (43% pre-sold as at 3Q24), but we expect 2.8k handovers in order to reflect lower than expected 9M24 sales. In 2026E and in terminal, we assume sales and handovers volumes at 2.5k units.
- **Key risks.** The annualized 3Q24 sales volume at 1.42k suggests downside risk to our terminal volume estimate at 2.5k units. Other risks include: 1) relatively high exposure to loan-takers, 2) lower than expected residential demand, 3) any significant construction or land price growth (risk to margins), 4) any significant residential supply expansion (risk to home prices inflation), 5) delayed or no introduction of 'naStart' scheme, 6) delayed cuts in interest rates.
- **Valuation.** We maintain TP at PLN58 as well as Neutral rating.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Atal: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1 657	1 500	1 612	1 736	1 566
EBITDA	439	404	381	422	350
EBIT	436	401	378	419	348
Net profit	368	341	330	338	279
P/E (x)	3.8	7.1	7.2	7.0	8.5
P/ BV (x)	1.07	1.44	1.35	1.27	1.24
FCF Yield	17%	5%	-6.0%	13.1%	11.8%
Dividend Yield	16.7%	7.9%	10.9%	9.7%	9.9%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 332. Atal: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	*y/y*	*q/q*
Sales	**406.4**	**469.4**	**378.1**	**404.1**	**189.5**	**348.3**	**323.3**	**639.4**	**390.3**	**311.0**	**499.7**	***55%***	***61%***
Apartments handovers	719	1065	833	764	333	626	647	1200	667	548	806	*25%*	*47%*
Avg. rev. per unit (PLNk)	565	441	454	529	569	556	500	533	585	567	620	*24%*	*9%*
Apartments sales volume	753	587	376	385	406	736	760	932	730	559	355	*-53%*	*-36%*
Units offered for sale (eop)	2733	5190	4852	4639	4974	4249	4170	4519	5261	6615	7024	68%	6%
Gross profit on sales	**133.1**	**93.6**	**97.2**	**146.4**	**74.1**	**116.0**	**76.8**	**181.7**	**121.9**	**78.5**	**139.9**	***82%***	***78%***
Gross profit on sales margin	*32.7%*	*19.9%*	*25.7%*	*36.2%*	*39.1%*	*33.3%*	*23.8%*	*28.4%*	*31.2%*	*25.2%*	*28.0%*	*4.2*	*2.8*
EBITDA	**124.6**	**85.3**	**88.9**	**140.2**	**65.4**	**102.4**	**65.4**	**173.1**	**111.3**	**63.6**	**124.8**	***91%***	***96%***
EBITDA margin	*30.7%*	*18.2%*	*23.5%*	*34.7%*	*34.5%*	*29.4%*	*20.2%*	*27.1%*	*28.5%*	*20.5%*	*25.0%*	*4.7*	*4.5*
EBIT	**123.8**	**84.6**	**88.2**	**139.3**	**64.5**	**102.3**	**65.3**	**169.6**	**110.3**	**62.8**	**124.3**	***90%***	***98%***
EBIT margin	*30.5%*	*18.0%*	*23.3%*	*34.5%*	*34.0%*	*29.4%*	*20.2%*	*26.5%*	*28.3%*	*20.2%*	*24.9%*	*4.7*	*4.7*
Net profit	**109.0**	**76.3**	**67.1**	**115.8**	**54.1**	**90.6**	**51.3**	**145.4**	**96.5**	**57.7**	**103.1**	***101%***	***79%***
Net profit margin	*26.8%*	*16.3%*	*17.8%*	*28.7%*	*28.5%*	*26.0%*	*15.9%*	*22.7%*	*24.7%*	*18.6%*	*20.6%*	*4.8*	*2.1*

Source: Company data, Santander Brokerage Poland estimates

Fig. 333. Atal: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	1612	1539	*5%*	1736	1769	*-2%*	1566	1479	*6%*
EBITDA	381	371	*3%*	422	414	*2%*	350	323	*8%*
EBIT	378	369	*2%*	419	412	*2%*	348	321	*8%*
Net profit	330	301	*10%*	338	336	*1%*	279	257	*9%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 334. Atal: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	56	57	*-1%*
Equity method	61	59	*1%*
Target Price (Dec'2025)*	**58**	**58**	***0%***

*Source: Company data, Santander Brokerage Poland estimates, * Target Price calculated as 50%/50% weighted average of DCF and equity method*

Fig. 335. Atal: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	1500	1539	1612	1736	1566
Gross profit	449	416	435	477	407
EBITDA	404	371	381	422	350
EBIT	401	369	378	419	348
Profit before tax	423	372	407	418	345
Net profit	341	301	330	338	279
EBITDA margin	26.9%	24.1%	23.6%	24.3%	22.4%
EBIT margin	26.8%	23.9%	23.5%	24.2%	22.2%
Net margin	22.7%	19.6%	20.5%	19.5%	17.8%
Handovers volume	3381	2806	2700	2800	2500
Sales volume	2091	2833	2800	2400	2400
Gross margin	28.4%	29.9%	27.0%	27.5%	26.0%
Avg.rev./unit (PLN)	490	535	597	620	626

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	2973	3351	3343	3451	3493
Fixed assets	201	188	188	188	188
Total assets	3174	3539	3531	3638	3681
Current liabilities	1264	842	764	764	764
bank debt	388	86	86	86	86
Long-term liabilities	3174	3539	998	998	998
bank debt	401	707	707	707	707
Equity	1302	1698	1769	1876	1919
Total liability and equity	3183	3538	3531	3638	3681
Net debt	168	40	451	274	232
Net Debt/ EBITDA (x)	0.4	0.1	1.2	0.7	0.7

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	222	113	-147	312	285
CF from investment	16	7	5	2	-2
CF from financing, incl.	-335	102	-265	-237	-240
dividends	-232	-194	-259	-231	-237
Net change in cash	-96	222	-408	77	42

Source: Company data, Santander Brokerage Poland estimates

Develia

Bloomberg: DVL PW, Reuters: DVL.WA

CEE Equity Research

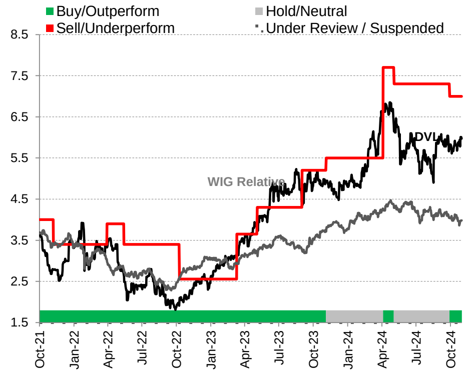
Developers, Poland

Appealing strategy

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	5.99
Target price (Dec'25, PLN)	**7.0**
Previous report issued on Oct 24, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*7.0*

- **Equity story.** Develia has delivered c.90% of its 2024 sales guidance already in 9M24, despite difficult external environment (high interest rates in which many peer companies had cut their sales targets). The residential demand cooled down in 9M24, but developers 3Q24 aggregate sales volume data could suggest, however, that the market is bottoming out, as the q/q volumes fall visibly decelerated. Although it may take time before the market recovery happens, we think that a period of high interest rates could slowly come to an end (due to decelerating inflation) which could also drive sales volumes and improve sentiment to RE companies. Develia trades at c.8x P/E 2024E-26E ratio, which we find undemanding. We estimate c. 20% average 2024E-26E ROE, which implies 2.0x fair P/BV, i.e. c. 30% above the 1.5x P/BV 2024E-26E average. We also expect appealing c. avg. 9% DY in 2025-27E.
- **Upside risk to 2024 guidance.** Develia has delivered c. 90% of 2024 Board's sales guidance already in 9M24. Despite cooled residential demand, it increased 9M24 sales volume by 31% y/y to 2.7k units, thanks to a mix of escalated number of units offered for sale (+61% up y/y to 3.4k in 3Q24) and geographical diversification. The Board's 2024 guidance of 2.9k-3.1k units (vs. 2.7k in 2023) seems easy to be exceeded, we think, but we believe Develia may focus on prices/margins maximization rather than to push the volumes way above Board's targets. Overall, we tentatively assume c. 0.5k sales volume in 4Q24E (-33% q/q), bringing FY24E volume to 3.2k units (+23% y/y).
- **Notary sales.** Develia transferred to clients c. 1.8k units in 9M24, which implies a solid volume of 1k units in 4Q24E, in order to meet 2.7k-2.9k in FY24E (2.75k in 2023) targeted by the Board – the achievable level, we predict. Higher y/y volume and home price inflation brings out net profit estimate to PLN322mn in 2024E from PLN275mn in 2023, and a potential dividend payout (75% payout ratio) of PLN0.53 per share in 2025E (8.6% DY).
- **Financial forecasts and Risks.** Our key forecast assumptions are: 1) sales/handovers volumes at 3.2k in 2024E and after, 2) strong 2024E-25E gross margin at 30%+ and margin fall below 30% in 2026E+ - to a mid-cycle average, 3) flattish residential prices in the long run. Our financial forecasts are close to the profits expectations implied by the Board's motivation scheme.
- **Valuation.** We maintain unaltered TP at PLN7.0 and Outperform rating.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Develia: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1068	1608	1638	2018	2028
EBITDA	-1	-23	381	471	433
EBIT	289	330	379	469	431
Net profit	232	275	322	359	340
P/E (x)	5.1	6.6	8.5	7.6	8.1
P/ BV (x)	0.83	1.17	1.67	1.55	1.49
FCF Yield	45%	4%	3.9%	9.7%	13.2%
Dividend Yield	17.0%	9.9%	8.2%	8.6%	9.8%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 336. Develia: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	**98**	**22**	**200**	**747**	**257**	**162**	**367**	**822**	**401**	**247**	**389**
Residential sales	**77**	**12**	**189**	**736**	**245**	**154**	**350**	**813**	**396**	**242**	**385**
Units' transfers	186	20	420	1390	441	225	632	1453	598	459	741
Rev./ apartment	412	601	450	529	555	684	553	560	663	666	586
Sales volume	602	364	261	407	533	651	876	614	1038	911	751
Rental sales	**21**	**10**	**11**	**11**	**12**	**7**	**8**	**4**	**3**	**1**	**-1**
Gross profit	**29**	**10**	**44**	**278**	**90**	**61**	**87**	**245**	**133**	**103**	**100**
Residential	**20**	**5**	**38**	**271**	**83**	**57**	**87**	**245**	**133**	**103**	**100**
Rental	**9**	**5**	**6**	**7**	**7**	**3**	**0**	**0**	**0**	**0**	**-1**
Revaluations	**18**	**4**	**21**	**-44**	**-5**	**-18**	**8**	**-9**	**-3**	**9**	**1**
EBITDA	**32**	**-7**	**51**	**215**	**71**	**14**	**56**	**191**	**109**	**69**	**73**
EBITDA margin	*32.3%*	*-29.4%*	*0.0%*	*28.8%*	*27.5%*	*8.6%*	*15.2%*	*23.2%*	*27.2%*	*27.9%*	*18.8%*
EBIT	**31**	**-7**	**51**	**215**	**70**	**13**	**55**	**190**	**109**	**69**	**71**
EBIT margin	*31.8%*	*-31.6%*	*25.3%*	*28.7%*	*27.3%*	*8.3%*	*15.1%*	*23.1%*	*27.1%*	*27.7%*	*18.3%*
Net profit	**13**	**3**	**35**	**181**	**58**	**21**	**45**	**151**	**84**	**64**	**67**
Net profit margin	*13.4%*	*11.6%*	*20.5%*	*24.2%*	*22.7%*	*13.2%*	*12.2%*	*18.3%*	*21.1%*	*26.0%*	*17.2%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 337. Develia: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	1638	1634	*0%*	2018	2018	*0%*	2028	2028	*0%*
EBITDA	381	397	*-4%*	471	470	*0%*	433	431	*0%*
EBIT	379	395	*-4%*	469	468	*0%*	431	429	*0%*
Net profit	322	332	*-3%*	359	358	*0%*	340	339	*0%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 338. Develia: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	7.0	7.0	*0%*
Comparable valuation	10.1	12.1	*-17%*
Target Price (Dec'2025)*	**7.0**	**7.0**	*0%*

*Source: Company data, Santander Brokerage Poland estimates, * 100% DCF as it fully reflects long-run business prospects; comparative valuation presented for the illustrative purposes only*

Fig. 339. Develia: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	1 068	1 608	1 638	2 018	2 028
Gross profit	361	483	510	605	567
Revaluation	-1	-23	7	0	0
EBITDA	291	332	381	471	433
EBIT	289	330	379	469	431
Profit before tax	273	341	403	443	420
Net profit	232	275	322	359	340
EBITDA margin	27.3%	20.6%	23.3%	23.3%	21.3%
EBIT margin	27.1%	20.5%	23.2%	23.2%	21.2%
Net margin	21.7%	17.1%	19.7%	17.7%	16.7%
Handovers volume	2016	2751	2798	3200	3200
Sales volume	1634	2674	3200	3200	3200
Gross margin	33.8%	30.0%	31.2%	30.0%	28.0%
Avg.rev./unit (PLN)	503	568	585	630	633

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	2 700	3 374	3 349	3 450	3 520
Fixed assets	240	433	439	439	439
Total assets	2,940	3,807	3 787	3 889	3 960
Current liabilities	1,005	1,535	1 624	1 624	1 624
bank debt	256	337	337	337	337
Long-term liabilities	480	720	505	505	505
bank debt	395	615	400	400	400
Equity	1,434	1,547	1 653	1 766	1 837
Total liability and equity	2,940	3,807	3 787	3 889	3 960
Net debt	170	250	360	367	296
Net Debt/ EBITDA (x)	0.58	0.75	0.91	0.78	0.69

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	170	131	120	85	361
CF from investment	368	-63	-2	179	-2
CF from financing, incl.	-519	78	-445	-271	-289
dividends	-201	-179	-226	-245	-268
Net change in cash	19	146	-326	-7	70

Source: Company data, Santander Brokerage Poland estimates

Santander

Dom Development

Bloomberg: DOM PW, Reuters: DOM.WA

CEE Equity Research

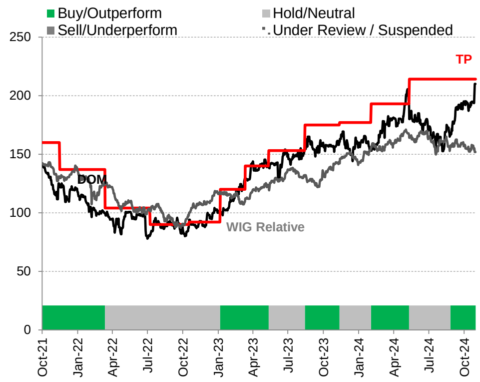
Developers, Poland

Market consolidation continues

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	196.2
Target price (Dec'25, PLN)	**245**
Previous report issued on Sep 13, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*214*

- **Equity story.** Dom Development sold record high volume of residential units in 3Q24, despite headwinds (as high interest rates and terminated BK2% housing scheme) which pulled down residential demand by c. -44% in 3Q24. Focus on the most lucrative local cities as Warsaw, Trojmiasto, Wroclaw and Krakow and its perception of high quality developer may support its sales volumes growth trajectory in 2025E-26E, we think. We also highlight escalated number of units offered for sale in 2024E and Board's ambition to penetrate local markets and continue to gain market share to stay behind Dom's success story. We also stress advance dividend (PLN6 DPS, c. 3% DY) as a potential share price trigger in the short-run.
- **Sales volumes outlook.** Dom's 3Q24 surprised us, as the company sold record high volume of 1.156k apartments, despite terminated (in 2023) BK2% scheme and interest rates staying high. We expect the volumes to stay high (above 1k units) in 4Q24E, which may bring 2024E sales volume to 4.1-4.2k (3.9k sold in 2023). Dom planned to introduce into sale as much as 4k units in 2H24E, which together with expected market environment improvement (cut in interest rates) over 2025-26E, may support Dom to continue to boost its sales volumes. To reflect the aforementioned scenario in our forecasts, we upped our terminal sales/handovers volume estimate to 4.7k units from 4.3k previously.
- **Key earnings' drivers.** We expect the company to keep 30%+ gross margin over 2024-26E on stabilized construction costs. We also upped average revenue per unit in a forecast horizon to PLN800k+ as of 2025E to reflect already materialized home prices growth (Dom upped residential prices 14% y/y in 3Q24 to PLN828k which we expect to be reflected in profits from 2025E).
- **Key risk factors.** Risks include: 1) lower than expected residential demand, 2) any significant construction costs growth (risk to margins), 3) any significant market residential supply growth (risk to home prices inflation).
- **Valuation.** We increase Target Price due to changes in financial forecasts. Dom trades at c. 8x-9x P/E for 2024E-26E, which we find undemanding for the top quality residential developer. Our 2024-26E ROE estimate of 30%+implies fair P/BV of 3.0x vs. 2025-26E at 2.3x-2.5x. We maintain Outperform rating, as we see fundamental upside and ST triggers.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Dom Development: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	2 419	2 550	3 157	3 331	3 664
EBITDA	517	579	723	770	824
EBIT	501	558	703	749	804
Net profit	410	460	563	600	654
P/E (x)	6.0	10.7	9.0	8.4	7.7
P/ BV (x)	1.73	2.45	2.74	2.54	2.33
FCF Yield	-8.5%	9.3%	-1.3%	1.7%	5.5%
Dividend Yield	11.0%	11.9%	3.3%	8.9%	9.5%

Source: Company data, Santander Brokerage Poland estimates

Analyst

Adrian Kyrcz, *Equity Analyst*

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Fig. 340. Dom Development: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	**727.0**	**601.8**	**320.2**	**770.3**	**822.0**	**452.5**	**325.9**	**949.9**	**705.9**	**663.7**	**482.3**
Apartments handovers	1094	1084	420	1068	1350	648	535	1298	921	716	598
Avg. rev. per unit (PLNk)	665	555	762	721	609	698	609	732	766	927	702
Apartments sales volume	758	801	703	831	914	931	1081	980	1011	943	1156
Units offered for sale (eop)	2381	2657	2280	2082	2312	2579	2141	2404	2538	2915	3082
Gross profit on sales	**233.8**	**171.7**	**85.2**	**265.1**	**257.4**	**140.1**	**102.3**	**315.2**	**239.9**	**198.9**	**150.8**
Gross profit on sales margin	*32.2%*	*28.5%*	*26.6%*	*34.4%*	*31.3%*	*31.0%*	*31.4%*	*33.2%*	*34.0%*	*30.0%*	*31.3%*
EBITDA	**178.0**	**113.0**	**31.5**	**195.5**	**201.7**	**79.5**	**49.2**	**248.5**	**177.5**	**120.2**	**85.2**
EBITDA margin	*24.5%*	*18.8%*	*9.8%*	*25.4%*	*24.5%*	*17.6%*	*15.1%*	*26.2%*	*25.2%*	*18.1%*	*17.7%*
EBIT	**173.9**	**108.6**	**27.5**	**191.5**	**197.3**	**73.7**	**44.2**	**242.9**	**171.6**	**114.2**	**78.9**
EBIT margin	*23.9%*	*18.1%*	*8.6%*	*24.9%*	*24.0%*	*16.3%*	*13.6%*	*25.6%*	*24.3%*	*17.2%*	*16.4%*
Net profit	**141.7**	**94.0**	**23.8**	**150.7**	**158.8**	**63.8**	**37.7**	**199.9**	**137.2**	**93.8**	**64.7**
Net profit margin	*19.5%*	*15.6%*	*7.4%*	*19.6%*	*19.3%*	*14.1%*	*11.6%*	*21.0%*	*19.4%*	*14.1%*	*13.4%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 341. Dom Development: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	3157	3 157	*0%*	3331	3 172	*5%*	3664	3 236	*13%*
EBITDA	723	723	*0%*	770	726	*6%*	824	742	*11%*
EBIT	703	703	*0%*	749	705	*6%*	804	721	*11%*
Net profit	563	563	*0%*	600	564	*6%*	654	578	*13%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 342. Dom Development: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	250	216	*16%*
Equity method	240	212	*13%*
Target Price (Dec'2025)*	**245**	**214**	*14%*

*Source: Company data, Santander Brokerage Poland estimates, * Target Price calculated as 50%/50% weighted average of DCF and equity method*

Fig. 343. Dom Development: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	2 419	2 550	3 157	3 331	3 664
Gross profit	756	815	979	1033	1099
EBITDA	518	579	723	770	824
EBIT	502	558	703	749	804
Profit before tax	513	574	695	741	808
Net profit	410	461	563	600	654
EBITDA margin	21.4%	22.7%	22.9%	23.1%	22.5%
EBIT margin	20.7%	21.9%	22.3%	22.5%	21.9%
Net margin	17.0%	18.1%	17.8%	18.0%	17.9%
Handovers volume	3666	3898	4100	4200	4400
Sales volume	3093	3720	4200	4400	4500
Gross margin	31.2%	32.0%	31.0%	31.0%	30.0%
Avg.rev./unit	582	632	770	793	833

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	3934	4402	4970	5090	5244
Fixed assets	176	157	157	157	157
Total assets	4110	4559	5127	5246	5400
Current liabilities	2224	2394	2567	2537	2517
bank debt	111	57	230	200	180
Long-term liabilities	473	719	719	719	719
bank debt	260	470	470	470	470
Equity	1413	1449	1844	1994	2168
Total liability and equity	4110	4559	5127	5246	5400
Net debt	-24	124	378	406	626
Net Debt/ EBITDA (x)	0.0	0.2	0.5	0.5	0.8

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	54	380	-44	103	286
CF from investment	-261	-50	-23	-19	-9
CF from financing, incl.	-304	-282	-14	-502	-515
dividends	-268	-424	-168	-450	-480
Net change in cash	-511	48	-81	-418	-238

Source: Company data, Santander Brokerage Poland estimates

Murapol

Bloomberg: MUR PW, Reuters: MUR.WA

CEE Equity Research

Developers, Poland

Universal developer

- **Equity story.** We think that investor's sentiment to Murapol might improve owing to 20% m/m sales volume recovery in Sep/Oct, which could imply q/q sales volume growth in 4Q24E and likely volumes growth rate acceleration in 2025E once the macro improves. Murapol fulfilled its promises to pay the total of PLN200mn dividends in 2024. Moreover, Murapol's focus on low-end residential units makes its product affordable for a broad scope of clients. We think that the resi-cycle has probably already bottomed out and after a period of high interest rates and investors' reluctance to RE companies, the environment and the sentiment should later improve (which has already started to materialize). Murapol, as one of the cheapest WSE listed developers (low single digit P/E 2025E-26E), offers an appealing exposure to such a macro environment improvement.
- **Volumes recover?** The Board suggested up to 300 units sales volume in September and October, which implies 30% q/q volumes growth to c. 900 units in 4Q24E (if the trend continues), after the period of lower than expected sales volume in 9M24 (769 in 1Q and 684 in 2Q24 and 684 in 3Q24). In such scenario FY2014 volume could reach c. 2.9.k (flattish y/y) i.e. below Board's original expectations (3.7k). Note that the annualized Sep's sales volume (at c. 300 units) settles at 3.6k, which is in line with our long run assumptions. Any further demand recovery represents potential upside risk to our projections.
- **Financial forecast.** We slightly decrease our financial forecast for Murapol in order to reflect lower than expected 9M24 sales volumes. We still appreciate, though, Murapol's almost record high number of units offered for sale in 3Q24 (4.73k, +34% ytd). which together with our belief in demand recovery could support Murapol's earnings growth trajectory.
- **Key risk factors:** 1) lower than expected residential demand, 2) construction costs growth, 3) any significant market residential supply growth, 4) delayed (if any) introduction of housing scheme, 5) delayed cuts in interest rates, 6) potential share supply overhang (lock-ups expire in Dec 2024), 7) high exposure to Lodz and Poznan, in which supply-demand ratio settles above averages.
- **Valuation.** We adjust our valuation of Murapol for an advance dividend payout in October 2024 (PLN2.94 DPS). Our valuation of Our TP goes down to PLN45.

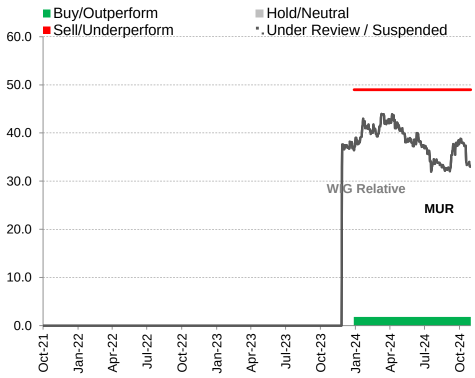
Murapol: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1006	1216	1280	1545	1854
EBITDA	260	271	284	295	313
EBIT	255	266	279	290	308
Net profit	212	219	223	232	246
P/E (x)		7.5	6.1	5.9	5.5
P/ BV (x)		2.94	2.34	2.22	2.06
FCF Yield		1.8%	5.3%	3.6%	11.5%
Dividend Yield		6.1%	14.7%	14.7%	14.7%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	33.32
Target price (Dec'25, PLN)	**45**
Previous report issued on Sep 30, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*49*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

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Fig. 344. Murapol: Quarterly results review

PLNmn	1Q23	2Q23	3Q23	1Q24	2Q24	3Q24
Sales	437.8	235.0	297.1	327.2	256.9	202.2
o/w R4S	375.5	185.5	240.3	295.7	217.7	169.4
o/w PRS and other	59.2	49.5	54.4	31.5	39.18	31.69
Sales volume	729	634		769	669	692
Handovers volume	1081	511		752	543	426
Avg. rev. per unit	347	363		393	401	398
Gross profit on sales	148.4	79.0	82.8	102.1	75.8	57.6
o/w R4S	143.1	72.8	77.5	97.4	72.1	54.4
o/w PRS and other		5.3	6.2	5.3	4.6	3.7
EBIT	121.8	54.2	53.0	74.3	49.5	35.7
Net profit	100.7	45.6	3.6	61.1	41.2	29.5
Gross profit on sales margin	*33.9%*	*33.6%*	*27.9%*	*31.2%*	*29.5%*	*28.5%*
o/w R4S	*38.1%*	*39.2%*	*32.2%*	*32.9%*	*33.1%*	*32.1%*
o/w PRS and other	9.0%	12.6%	9.8%	14.7%	9.5%	9.9%

Source: Company data, Santander Brokerage Poland estimates

Fig. 345. Murapol: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	1280	1280	*0%*	1545	1729	*-11%*	1854	1968	*-6%*
EBITDA	284	283	*0%*	295	300	*-2%*	313	309	*1%*
EBIT	279	278	*1%*	290	295	*-2%*	308	304	*1%*
Net profit	223	222	*1%*	232	236	*-2%*	246	243	*1%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 346. Murapol: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	48	52.6	*-9%*
DDM	43	46.7	*-8%*
Comparable valuation	44	48.0	*-8%*
Target Price (Dec'2025)*	**45**	**49**	*-8%*

*Source: Company data, Santander Brokerage Poland estimates, *average of DCF, DDM and comparable valuation*

Fig. 347. Murapol: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	1 006	1 216	1 280	1 545	1 854
Gross profit	355	383	388	402	428
EBITDA	260	271	284	295	313
EBIT	255	266	279	290	308
Profit before tax	267	274	275	286	304
Net profit	212	219	223	232	246
EBITDA margin	25.8%	22.3%	22.2%	19.1%	16.9%
EBIT margin	25.4%	21.9%	21.8%	18.8%	16.6%
Net margin	21.1%	18.0%	17.4%	15.0%	13.3%
Handovers volume	2653	2801	2950	3000	3400
Sales volume	2783	2889	2900	3400	3500
Gross margin	35.3%	31.5%	30.3%	26.0%	23.1%
Avg.rev./unit (PLN)	326	326	399	415	423

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	1 657	1 771	2 055	2 198	2 283
Fixed assets	73	86	86	86	86
Total assets	1 730	1 857	2 142	2 285	2 369
Current liabilities	879	842	894	1 005	1 043
bank debt	47	63	63	63	63
Long-term liabilities	411	452	661	661	661
bank debt	365	391	600	600	600
Equity	437	558	581	613	659
Total liability and equity	1 730	1 857	2 142	2 285	2 369
Net debt	143	272	456	663	763
Net Debt/ Equity (x)	0.33	0.49	0.78	1.08	1.16

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	159	31	77	54	161
CF from investment	1	-1	-4	-4	-4
CF from financing, incl.	-158	-117	-48	-256	-256
dividends	-201	-100	-200	-200	-200
Net change in cash	2	-86	24	-207	-100

Source: Company data, Santander Brokerage Poland estimates

Real Estate

Fig. 348. Recommendation and valuation summary

Company	Rec.	Target Price	Price	Upside to TP	P/E (x) 24E	P/E (x) 25E	P/E (x) 26E	P/BV(x) 24E	P/BV(x) 25E	P/BV(x) 26E	DY 24E	DY 25E	DY 26E	ROE 24E	ROE 25E	ROE 26E
Echo Investment	Outperform	5.6	4.52	24%	35.1	8.6	8.8	1.07	0.95	0.86	0.0%	0.0%	0.0%	3.0%	11.1%	9.8%
GTC	Neural	4.8	4.45	8%	10.7	8.1	9.1	0.52	0.49	0.46	4.9%	0.0%	0.0%	4.7%	5.9%	5.0%
PHN	Neutral	10.4	9.34	11%	Neg.	6.5	7.9	0.22	0.22	0.21	0.0%	0.0%	0.0%	-3.7%	3.3%	2.7%

Source: Santander Brokerage Poland estimates

We are **neutral** on commercial real estate sector.

Positives:

1) The start of the **easing cycle by the ECB** has changed the interest rate outlook, which may trigger funds flow to the real estate and support assets fair values;

2) Best in class properties are **back to marginal growth** but its refers to western market (values of the UK portfolios started to grow in 9M24 for the first time since 2022); it may take time once the recovery comes to "Tier 2" assets and to Poland, we think;

3) The value of yielding properties in western Europe slid by up to 25% in 2022-24 while the transaction volume hit the 10-years low creating the **low base for a rebound.**

Risk factors/negatives:

1) Any further **hiatus in commercial RE dealmaking** (which last since Mar 2022 when ECB rates started to rise) may continue to weigh on stock performance of RE names;

2) Transaction volumes in Poland and Europe **at 10-year lows** in 9M24;

3) Persistent **bid-ask spread** of commercial properties suggests that real values may settle c.10-15% below values reflected in landlords' books, moreover the mismatch in buyer and seller pricing expectations may delay return of investors' funds flow;

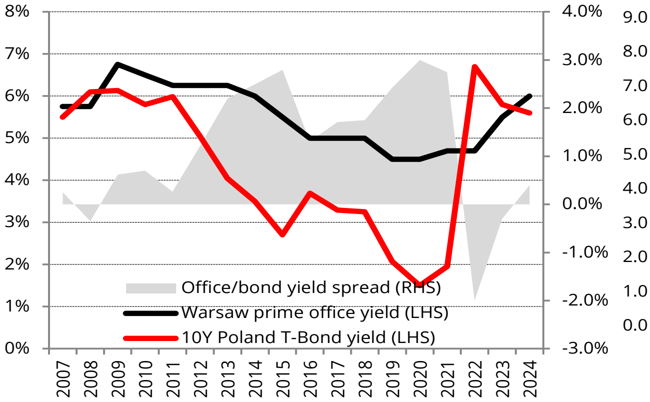
4) Geopolitical **uncertainty** and **fragile** economic growth in Eurozone;

5) Developers' **concerns to meet ESG agenda** (capex and financing requirements for the transition to net zero environmental requirements);

6) **Top5 prospects segments** (PwC 2025 outlook survey) are: data centres, new energy infrastructure (PV, wind, energy storage), student housing, logistic facilities and private rented residentials, **which are not** highly covered by WSE-listed RE companies. Highly covered office segment remains a difficult asset class.

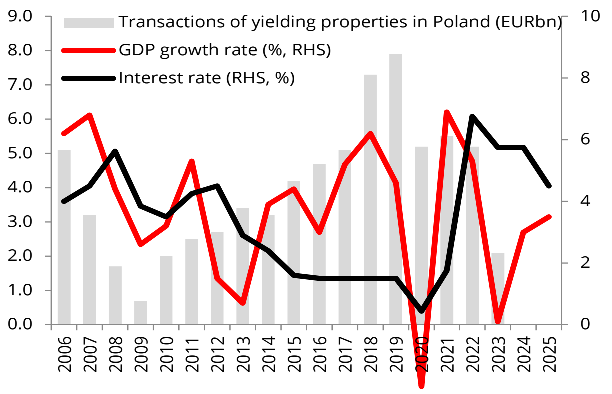
Positive view: Echo Investment, Neutral view: GTC, PHN.

Fig. 349. Prime Warsaw office and 10Y Treasury Bonds yields



Source: Bloomberg, Santander Brokerage Poland

Value of commercial RE deals and GDP in Poland



Source: JLL, CBRE, Companies, Bloomberg

Echo Investment

Bloomberg: ECH PW, Reuters: ECH.WA

CEE Equity Research

Real Estate, Poland

SOTP valuation implies upside

- **Equity story.** Due to fundamental upside, we increase our rating to Outperform, from Neutral previously. Echo's focus on housing and living segments - the lucrative parts of the real estate universe - may bear fruit as soon as in 2025-26E, on likely demand recovery and accumulation of handovers volumes. On the other hand, Echo's solid exposure to yielding commercial properties represents a risk factor these times, due to high leverage of yielding assets. Overall, our sum-of the part valuation of Echo suggests fair P/BV at PLN5.6, i.e. above the current level. Note also that Echo's c.75% stake in Archicom subsidiary market value is c. PLN1.5bn, which suggests that the market believes in the value of Echo's other assets at c. PLN340mn which lies way below their book value of c. PLN1.2bn. Finally, if we add the market value of stake in Archicom, and apply 30% discount to the book value of other segments (in line with foreign peers valuation), the fair value of Echo would be PLN5.6 per share, which also implies upside.
- **Commercial.** The pending recession in commercial real estate market is due to high cost of funding which weigh on the demand for yielding properties and make offices or malls untradable assets at the property holders' price expectations. We expect positive revaluation gains over 2025E as we expect Echo to proceed development pipeline (Swobodna, Fuzja, Wita, T22 office properties). On the other hand, we expect high financial costs to depress segment's net profit. Overall, we estimate book value of commercial real estate segment at a slight downtrend over the 2024E-26, which implies segment's fair value at c. PLN0.7bn or c. PLN1.6 per share (25% discount to BV).
- **Resi4Rent.** Around 4.4k residential units for lease purpose were managed by Echo's 30% JV as at 2Q24 while appetite for development a total of 10.7k units until 2026 represents Board's priority. We expect the company to increase the net assets value of 30% stake in R4R JV up to c. PLN580mn in 2026 from PLN260mn in 2023-end, which implies the segments present fair value at PLN433mn (PLN1.05 per share).
- **Residential.** We see the housing business as Echo's key profit driver. We are more conservative in sales volumes assumptions compared to the Board's ambitious plan. We apply 8x P/E ratio to our average 2024-26E segment's net profit estimates, which implies PLN1.2bn segment valuation or c. PLN2.9 per share.
- **Valuation.** Our Target Price goes up to PLN5.6. Valuation horizon shifted to Dec'2025 from Dec'2024.

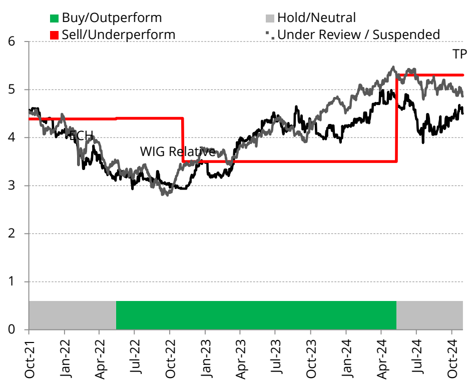
Echo Investment: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1,394	1,573	1023	1792	1928
Revaluations	-11	-76	-33	17.2	17.2
EBIT	275	181	189	459	481
Net profit	127	67	53	217	213
P/E (x)	10.5	29.7	35.1	8.6	8.8
P/ BV (x)	0.81	1.18	1.07	0.95	0.86
FCF Yield	1%	-27%	-13%	-3%	5%
Dividend Yield	4.5%	9.6%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	4.52
Target price (Dec'25, PLN)	**5.6**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*5.3*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

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Fig. 350. Echo Investment: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Sales	**283.6**	**314.4**	**425.6**	**370.7**	**210.1**	**246.9**	**193.6**	**922.7**	**358.9**	**130.1**
o/w rental	68.0	76.8	52.3	70.6	57.9	46.3	57.2	83.1	54.7	81.2
o/w housing business	212.5	232.8	369.3	295.0	146.4	195.8	123.4	827.7	294.9	38.6
o/w other	3.1	4.8	4.0	4.9	5.9	4.9	13.0	11.7	9.5	10.0
Apartments transfers	399	356	760	654	293	319	179	1331	415	65
Average revenue per unit	533	654	486	451	500	614	689	622	711	594
Gross profit	**97.1**	**114.1**	**155.1**	**126.1**	**71.3**	**81.0**	**71.5**	**263.7**	**125.3**	**38.2**
o/w rental and service	27.2	32.9	21.8	25.3	19.6	11.0	13.9	19.5	16.5	30.3
o/w residential business	67.6	79.9	131.1	98.9	47.7	69.3	48.6	237.6	102.0	5.2
o/w other profit	2.3	1.4	2.2	1.9	4.0	0.7	9.0	6.7	6.9	2.7
Gross margin	*34%*	*36%*	*36%*	*34%*	*34%*	*33%*	*37%*	*29%*	*35%*	*29%*
Profit on revaluation	**60.3**	**-9.1**	**17.5**	**-80.1**	**0.8**	**-25.2**	**53.6**	**-105.1**	**-34.2**	**8.6**
EBIT	**108.0**	**54.5**	**116.9**	**-4.1**	**25.3**	**6.8**	**67.9**	**80.8**	**43.4**	**-19.1**
Adj EBIT	**47.7**	**63.6**	**99.4**	**76.1**	**24.5**	**32.0**	**14.3**	**185.9**	**77.5**	**-27.7**
Minirities	-9.9	-2.2	-12.5	-4.9	-3.1	-6.7	-2.2	-38.4	-15.3	2.0
Net profit	**51.5**	**10.2**	**62.9**	**2.5**	**11.4**	**-2.3**	**24.1**	**34.2**	**13.3**	**1.9**
Gross margin rental	*39.9%*	*42.8%*	*41.7%*	*35.8%*	*33.9%*	*23.8%*	*24.3%*	*23.4%*	*30.1%*	*37.3%*
Gross margin residential	*31.8%*	*34.3%*	*35.5%*	*33.5%*	*32.6%*	*35.4%*	*39.4%*	*28.7%*	*34.6%*	*13.4%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 351. Echo Investment: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	1023	1117	-8%	1792	1829	-2%	1928	2143	-10%
EBITDA	-33	14	-336%	17	26	-34%	17	17	1%
EBIT	189	200	-6%	459	388	18%	481	470	2%
Net profit	53	47	13%	217	156	39%	213	226	-6%

Source: Company data, Santander Brokerage Poland estimates

Fig. 352. Echo Investment: Valuation changes

PLN per share	New	Previous	*Change*
Equity method	5.6	5.3	*6%*
Comparable valuation	3.6	3.7	*-3%*
Target Price (Dec'2025)*	**5.6**	**5.3**	*6%*

*Source: Company data, Santander Brokerage Poland estimates, *100% equity method valuation as it reflects the fair value of different business segments of Echo, comparable valuation presented for illustrative purposes only*

Fig. 353. Echo Investment: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	1394	1573	1023	1792	1928
Gross profit	492	487	437	668	693
Revaluation	-11	-76	-33	17.2	17.2
EBIT	275	180	189	459	481
Net financial	-57	-3	-95	-113	-90
Profit before tax	219	178	94	346	390
Net profit	127	67	53	217	213
EBIT margin	19.8%	11.4%	18.4%	25.6%	24.9%
Net margin	-11.6%	-0.6%	-21.7%	-16.9%	-13.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	3 421	3 009	3 330	3 388	3 450
Fixed assets	2 661	2 948	3 001	3 218	3 431
Total assets	6 082	5 957	6 331	6 606	6 881
Current liabilities	2 433	2 125	2 446	2 504	2 566
bank debt	905	1 026	1 347	1 405	1 467
Long-term liabilities	2 011	2 146	2 146	2 146	2 146
bank debt	1 747	1 850	1 850	1 850	1 850
Equity	1 643	1 690	1 743	1 960	2 173
Total liability and equity	6 082	5 957	6 331	6 606	6 881
Net debt	1 607	1 966	2 287	2 345	2 407
Net debt / equity (x)	0.98	1.16	1.31	1.20	1.11

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	-274	17	-83	159	150
CF from investment	-274	-256	-256	-300	-300
CF from financing, incl.	-106	-185	-185	-208	-203
dividends	-192	-192	0	0	0
Net change in cash	-128	-424	-524	-349	-353

Source: Company data, Santander Brokerage Poland estimates

GTC

Bloomberg: GTC PW, Reuters: GTC.WA

CEE Equity Research

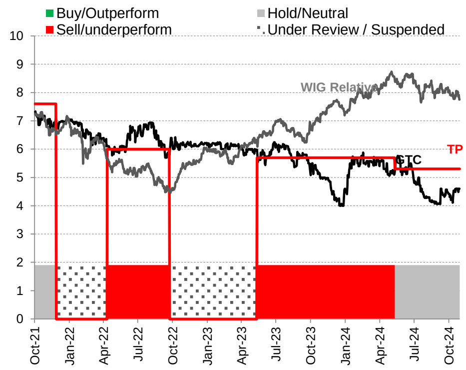
Developers, Poland

Valuation seems fair

- **Equity story.** We keep our neutral view on GTC. We do not like the announced purchase of residential business in Germany. Moreover, the pending recession in commercial real estate market is due to high cost of funding, which weigh on the demand for yielding properties and make offices or malls untradable assets at the property holders' price expectations. On top of that, GTC faces maturity of EUR500mn bonds next year, which represents a risk factor. Overall, we expect 2024E-25E ROEs at low single digit level, which suggests fair P/BV (c. 0.54x) close to the current P/BV ratio.
- **Write-offs are over?** The growth in yields over 2022-23 depressed GTC's properties' valuations, and 9M24 results might suggest that yields growth trend has not yet ended. On the other hand, foreign peer companies suggest value of quality commercial properties (in UK) bottomed out after two years of significant declines and started to marginally recover. Note also that Eurozone CPI eased which potentially opens the room for ECB's further rate cuts – factor which triggered real estate names and property valuations in the past. The development pipeline of GTC is insignificant, thus we do not expect any remarkable revaluation gains over 2024-26E. The only sizable project under development – 36k sqm m Centre Point - represents 6% of GTC's total yielding portfolio rentable space.
- **Purchase of resi-platform.** We do not like the idea to enter residential sector by GTC through: 1) acquisition of a yielding portfolio (as we do not see significant upside to create the value), 2) quite old portfolio, and 3) the portfolio located in Germany, where GTC did not have business before. The probable acquisition price at below the portfolio's original value reflected in Peach Property books could be a positive, but still we think that the yield estimated by us initially at up to 1%-5% (net yield after cost of funding&management&refurbishment) does not create any additional value for the minority shareholders of GTC.
- **Key risk factors:** 1) ECB interest rates to stay high, 2) likely cost of funding growth due to probable debt hedging conversion into higher rates, 3) old assets in the portfolio which implies the risk of significant maintenance capex, 4) need of properties conversion into 'zero-emission' according to EU directives, which implies risk of additional capex.
- **Valuation.** Our Target Price goes down to PLN4.8. Valuation horizon shifted to Dec'2025 from Dec'2024.

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	4.45
Target price (Dec'25, PLN)	**4.8**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*5.6*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

GTC: Financial summary and ratios

Year to Dec, EURmn	2022	2023	2024E	2025E	2026E
Sales	167	183	186	204	217
Revaluations	-29	-56	-6	20	0
EBIT	71	45	99	142	132
Net profit	23	11	50	73	66
P/E (x)	33.3	66.4	11.9	8.1	9.1
P/ BV (x)	0.70	0.63	0.52	0.49	0.46
FCF Yield	1%	-2%	3%	-19%	14%
Dividend Yield	5.3%	4.2%	4.9%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 354. GTC: Quarterly results review

EURmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	**41.8**	**42.5**	**41.9**	**40.3**	**42.7**	**47.0**	**45.8**	**48.1**	**45.7**	**46.9**	**46.8**
Gross profit	30.3	31.3	30.3	27.3	29.6	33.0	32.6	33.0	32.2	32.8	32.0
Revaluations	3.1	13.2	-4.7	-41.0	-3.0	-48.0	-5.8	0.5	-5.7	6.4	-7.0
EBIT	**29.1**	**40.5**	**22.2**	**-20.4**	**21.7**	**-21.0**	**19.8**	**24.7**	**21.4**	**33.5**	**21.3**
Adj EBIT	**26.1**	**27.3**	**26.9**	**20.6**	**24.7**	**27.0**	**25.6**	**24.3**	**27.1**	**27.1**	**28.3**
Net profit	**14.9**	**25.0**	**8.4**	**-24.9**	**11.2**	**-23.4**	**4.6**	**17.9**	**9.3**	**21.2**	**9.4**

Source: Company data, Santander Brokerage Poland estimates

Fig. 355. GTC: Forecasts changes

EURmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	186	195	*-4%*	204	199	*2%*	217	205	*6%*
Revaluations	-6	10	*n.m.*	20	10	*100%*	0	0	-
EBIT	99	118	*-16%*	142	121	*17%*	132	115	*15%*
Net profit	50	68	*-27%*	73	70	*5%*	66	68	*-4%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 356. GTC: Valuation changes

PLN per share	New	Previous	*Change*
Peer comparison	6.8	7.6	*-11%*
Equity method	4.8	5.6	*-14%*
Target Price (Dec'2025)*	**4.8**	**5.6**	*-14%*

*Source: Company data, Santander Brokerage Poland estimates, *100% equity method valuation as it reflects the fair value of different business segments, peer comparison for illustrative purposes only*

Fig. 357. GTC: Financial statements forecast

EURmn	2022	2023	2024E	2025E	2026E
Net sales	167	183	186	204	217
Gross profit	125	128	131	138	145
Revaluations	-29	-56	-6	20	0
EBIT	71	45	99	142	132
Profit before tax	38	14	62	93	83
Net profit	23	11	50	73	66
EBIT margin	42.9%	24.8%	53.1%	69.5%	60.8%
Net margin	14.1%	5.7%	26.7%	36.0%	30.2%

EURmn	2022	2023	2024E	2025E	2026E
Current assets	215	176	148	189	223
Fixed assets	2455	2480	2561	3029	3069
Total assets	2670	2656	2708	3217	3292
Current liabilities	100	86	86	86	87
bank debt	49	45	45	45	46
Long-term liabilities	1292	1309	1309	1737	1737
bank debt	1231	1272	1272	1700	1700
Equity	1135	1126	1171	1245	1310
Total liability and equity	2670	2656	2708	3217	3292
Net debt	1151	1240	1266	1270	1265
Net Debt/ equity (x)	0.47	0.50	0.50	0.55	0.53

EURmn	2022	2023	2024E	2025E	2026E
CF from operations	88	95	99	109	124
CF from investment	-78	-108	-80	-240	-40
CF from financing, incl.	11	-19	-48	379	-49
dividends	-33	-29	-10	0	0
Net change in cash	21	-32	-28	248	35

Source: Company data, Santander Brokerage Poland estimates

Santander

PHN

Bloomberg: PHN PW, Reuters: PHN.WA

CEE Equity Research

Developers, Poland

Tiny ROE

- **Equity story.** The high cost of funding continues to weigh on the demand for yielding properties and make offices or malls untradable assets at the property holders' price expectations. The growth in yields and fall in EUR/PLN depressed PHN's properties' values over 2023-9M24. Moreover, the company's leverage stayed in the growth trajectory in 9M24. We expect profit recovery over 2025E-26E, though, as we do not assume any more properties' revaluations losses and we do assume earnings from pending residential developments and pipeline office developments. Still, low single digit 2025E-26E avg. ROE implies fair P/BV at c. 0.2x. Note also that expected nil dividend is also disappointing compared to top quality WSE-listed residential names.
- **High leverage.** High leverage of PHN represents the key risk factor, we think. Net debt almost doubled between years 2021-23, while fixed assets rose in 2021-23 by 'only' 19% (incl. -3% y/y in 2023). Consequently, net debt to equity ratio increased from 28% in 2020 to 60% in 2023. Operating CF in 2022-23 was at c. PLN55-65mn, way below the debt service costs of almost PLN100mn (in 2023). In 1H24 operating CF was PLN93mn while interest payment was as much as almost PLN82mn.
- **Residential development to help 2024-26E profits.** For years 2024-25 PHN scheduled completion of c. 770 residential units, which we expect to drive earnings in 2024-26E, after handing over units to clients. One project is located in Krakow, one in Wroclaw, two in Warsaw and one in Lodz. PHN also considers launch on new development which represents potential upside risk to our forecasts. We expect stable rental income, as upside generated by developed Intraco Prime and Skysawa has been probably already reflected in 9M4 results, as properties occupation probably already come to an end.
- **Risk factors:** 1) ECB interest rates to stay high, 2) old assets in the portfolio which implies the risk of significant maintenance capex, 3) need of properties conversion into 'zero-emission' according to EU directives which implies risk of additional capex, 3) Board members rotation.
- **Triggers:** 1) properties disposals close or above book values, 2) new residential projects development, 3) other new developments as green energy projects.
- **Valuation.** Our Target Price goes down to PLN10.4. Valuation horizon shifted to Dec'2025 from Dec'2024.

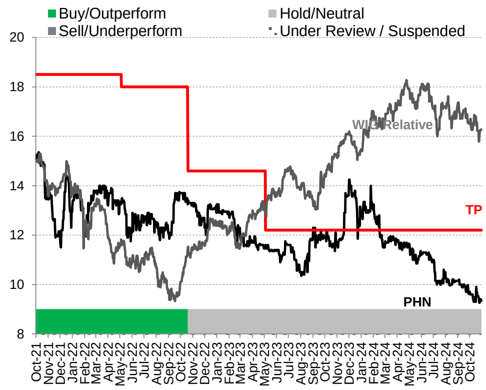
PHN: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	627	556	750	894	802
Revaluations	49	-188	-102	0	0
EBIT	150	-74	45	203	181
Net profit	31	-161	-80	74	60
P/E (x)	21.6	-3.7	-6.0	6.5	7.9
P/ BV (x)	0.28	0.27	0.22	0.22	0.21
FCF Yield	-13%	0%	5.4%	2.7%	-0.1%
Dividend Yield	2.8%	0.7%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (Nov 25, 2024, PLN)	9.34
Target price (Dec'25, PLN)	**10.4**
Previous report issued on May 29, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'24)	*12.1*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

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Fig. 358. PHN: Quarterly results review

PLNmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	**109.0**	**184.6**	**121.9**	**211.5**	**137.3**	**143.0**	**137.8**	**138.3**	**133.7**	**170.6**	**177.6**
Rental business	48.5	50.1	50.9	53.9	57	61.3	64.7	65.8	70.8	76.2	73
Residential business	0.0	54.9	1.3	89.7	8.0	7.6	10.5	15.1	1.3	0.0	0.1
Construction	54.7	68.6	58.2	55.8	63.2	62.6	52.0	57.4	51.3	82.2	90.3
Other	5.8	11	11.5	12.1	9.1	11.5	10.6	0	10.3	12.2	14.2
Gross profit	**21.6**	**41.2**	**35.7**	**64.7**	**34.2**	**43.5**	**46.9**	**49.6**	**44.2**	**54.0**	**56.0**
Rental business	27.3	27.4	30.1	33.5	31.2	37.7	39.6	43.9	43.6	48.8	48.9
Residential business	-0.1	9.5	0.2	27.7	1.4	-0.1	2.7	3.4	0.1	0.0	0.1
Construction	-4.5	2.7	2.6	2.0	2.0	3.7	2.8	1.4	0.7	3.5	3.9
Other	-1.1	1.6	2.8	1.5	-0.4	2.2	1.8	0.9	-0.2	1.7	3.1
Revaluation gain/loss	**47.7**	**12.8**	**5.7**	**-17.2**	**-10.0**	**-82.8**	**66.5**	**-161.4**	**-23.5**	**-39.8**	**-38.3**
EBITDA	**55.7**	**42.6**	**35.7**	**17.4**	**8.4**	**-53.9**	**99.4**	**-126.4**	**5.9**	**-6.7**	**-10.8**
EBITDA margin	*51.1%*	*23.1%*	*29.3%*	*8.2%*	*6.1%*	*-37.7%*	*72.1%*	*-91.4%*	*4.4%*	-3.9%	-6.1%
EBIT	**55.4**	**42.3**	**35.4**	**17.1**	**8.1**	**-54.2**	**99.1**	**-126.7**	**5.6**	**-7.0**	**-11.1**
EBIT margin	*50.8%*	*22.9%*	*29.0%*	*8.1%*	*5.9%*	*-37.9%*	*71.9%*	*-91.6%*	*4.2%*	-4.1%	-6.3%
Adj EBIT*	7.7	29.5	29.7	34.3	18.1	28.6	32.6	34.7	29.1	32.8	27.2
Net profit	**22.3**	**27.4**	**5.0**	**-23.9**	**-8.5**	**-58.8**	**21.2**	**-115.2**	**-27.1**	**-48.5**	**-37.3**
Net profit margin	*20.5%*	*14.8%*	*4.1%*	*-11.3%*	*-6.2%*	*-41.1%*	*15.4%*	*-83.3%*	*-20.3%*	-28.4%	-21.0%

Source: Company data, Santander Brokerage Poland estimates, adj. for revaluation gain/loss

Fig. 359. PHN: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	750	568	*32%*	894	760	*18%*	802	667	*20%*
Revaluations	-102	-9	*n.m.*	0	0	-	0	0	-
EBIT	45	123	*-64%*	203	177	*15%*	181	156	*16%*
Net profit	-80	23	*n.m.*	74	68	*8%*	60	51	*18%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 360. PHN: Valuation changes

PLN per share	New	Previous	*Change*
Net assets valuation/SOTP	11.2	14.6	*-23%*
Equity method	9.5	9.4	*1%*
Target Price (Dec'2025)*	**10.4**	**12.1**	*-14%*

*Source: Company data, Santander Brokerage Poland estimates, * 50%/50% of net assets valuation and equity method valuation*

Fig. 361. PHN: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	627	556	750	894	802
Gross profit	160	174	229	275	253
Revaluations	49	-188	-102	0	0
EBIT	150	-74	45	203	181
Profit before tax	82	-105	-51	91	74
Net profit	31	-161	-80	74	60
EBIT margin	24.0%	-13.2%	6.0%	22.7%	22.6%
Net margin	4.9%	-29.0%	-10.6%	8.2%	7.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	371	562	597	744	734
Fixed assets	4213	4064	4042	3964	4025
Total assets	4584	4626	4639	4708	4759
Current liabilities	875	1028	1028	1028	1028
bank debt	1089	1149	1149	1149	1149
Long-term liabilities	1284	1352	1352	1352	1352
bank debt	580	713	713	713	713
Equity	2407	2214	2237	2305	2356
Total liability and equity	4584	4626	4639	4708	4759
Net debt	1559	1706	1670	1524	1534
Net Debt/ fixed assets (x)	0.37	0.42	0.41	0.38	0.38

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	68	57	40	76	59
CF from investment	-155	-59	-4	-69	-69
CF from financing, incl.	41	17	0	0	0
dividends	-19	-4	0	0	0
Net change in cash	-47	15	36	7	-10

Source: Company data, Santander Brokerage Poland estimates

Telecoms

Fig. 362. Recommendation and valuation summary

Company	Rec.	TP (local)	Price (local)*	Upside to TP	P/E (x) 2024E	2025E	2026E	EV/EBITDA (x) 2024E	2025E	2026E
Orange Pl	Neutral	8.8	7.76	13%	12.0	11.0	9.5	4.2	4.2	3.8
Cyfrowy Polsat	Outperform	18.5	14.09	31%	12.2	10.4	8.4	5.5	5.8	5.4
Magyar Telekom	Outperform	1 454	1 248	17%	7.6	6.1	6.1	4.4	3.8	3.9
Median					**12.0**	**10.4**	**8.4**	**4.4**	**4.2**	**3.9**

*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25, 2024*

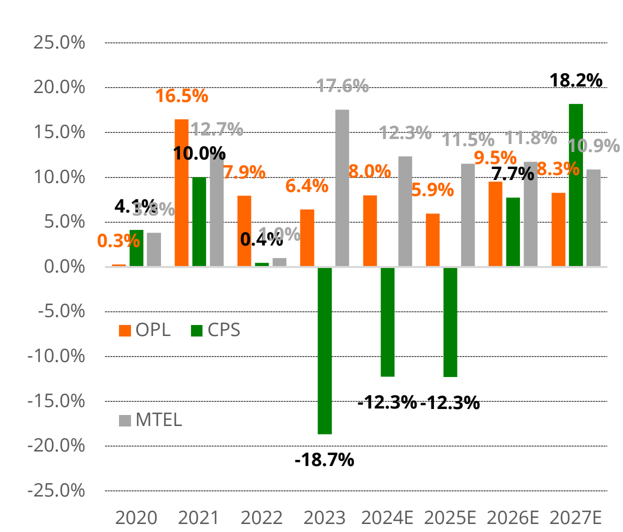
Telco is Solid

Core trends. B2C segments' KPIs seem more and more appealing in Poland, all market participants admit. These include solid customer base trends, and accelerating ARPUs, the latter higher y/y in 5-7% range. These naturally fuel the acceleration of all telecoms' retail core telco revenues. At the same time, the pressures at opex are under control, we note, not to mention Cyfrowy Polsat major positive content cost cut. The Hungarians used to face three-year inflation-indexation at ARPUs, and we observe the earliest signs of weakening client bases. FCF-wise, MTelekom should deliver 2025-26E FCF yield at +11%, while Orange Pl three-engine strategy might support FCF yield to 9% in 2026E. **Top Pick: Magyar Telekom.**

Results' outlook. MTelekom results' development will depend on another inflation-indexation applied (or lack of it). Orange Pl's assumed multi-year growth might be muted in 2025E due to high 1-3Q2024 base, we conclude. Cyfrowy Polsat has bottomed out at media/telco with a bang, which should warrant 12-quarter EBITDA y/y growth trajectory, supported with renewables booming y/y until 2Q2027E. **Top Pick: Cyfrowy Polsat.**

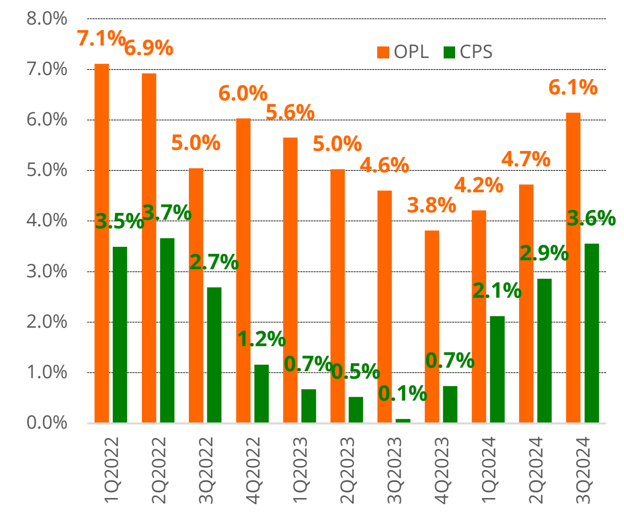
Risks. In Hungary, the application of inflation-indexing, some new regulations and State-linked 4iG pose the key risks. In Poland, the outcome of late-2024 5G coverage auction might weaken OPL's Net Debt and 2025E FCF. Yields and ownership issues pose the key risks to Cyfrowy Polsat.

Fig. 363. FCF Yields, CEE Telecoms



Source: companies, Santander Brokerage Poland

Fig. 364. Core Telco Revenue y/y development



Source: companies, Santander Brokerage Poland

Cyfrowy Polsat

Bloomberg: CPS PW, Reuters: CPS.WA

CEE Equity Research

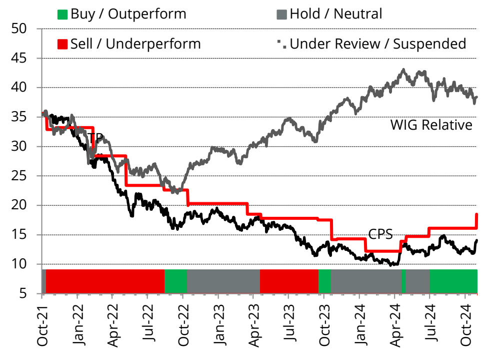
Telecommunication, Poland

Telco/Media Finally Blasted Off

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	14.09
Target price (Dec'25, PLN)	**18.5**
Previous report issued on Nov 25, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*18.5*

- **Equity story.** 3Q2024 results proved very strong, marking long-awaited bottoming out with a bang. Contract ARPU growth accelerated to +5% y/y, driving retail revenues dynamics expansion to +3.6% y/y, and termination of pricey content costs let adj. 3Q24 EBITDA growing to PLN0.9bn. We believe that 3Q2024 developments should keep media/telco segment EBITDA on the rise y/y for the next dozen of quarters, and renewable EBITDA should keep growing healthily until mid-2027E. We assess that growth at telco/media and renewable high opCF should allow for positive consolidated FCFs already in 2H2026E, with interest rate cut potentially offering an ample upside. We expect, 1Q2025E should be capex-intensive (PLN1.1bn on spectrum, finalization of 136MW wind project), but rising EBITDA should keep ND/EBITDA ratio on a steep slide afterwards. Certainly, an increase at RFR and lasting legal disputes at ownership could weaken stock's outlook, we believe.
- **3Q2024 Results: Bottomed Out with a Bang!** We find the company's 3Q2024 results very positive. Key B2C KPIs (ARPUs, contract broadband RGUs) are on the rise, driving retail revenues' acceleration to +3.6% y/y in 3Q2024, and leaving room for more acceleration going forward, we conclude. EBITDA got strong support from the unexpectedly high cut to content costs (down 20% or PLN100mn y/y). The company's EBITDA and adj. EBITDA (PLN873mn, acc. to CPS) both come above consensus, but we calculate the actual adjusted 3Q2024 EBITDA at PLN903mn, implying strong PLN50mn consensus beat. Last but not least, the company presents its adj. LTM FCF at PLN160mn, in the black for the first time since initiation of renewable investments.
- **Capex / Net Debt outlook.** In the core segment, the company's capex-to-sales ratio slide to 6.2%. At spectrums, Cyfrowy Polsat has got to renew 900MHz spectrum (2025, likely PLN0.7bn), and likely purchase 5G spectrum (2025, ~PLN0.4bn). At renewables, CPS has got to spend ~PLN0.7bn on last wind project (4Q24-2025E), and some PLN0.5bn on its last PV project. Summarizing, we expect negligible capex in 4Q24E, followed by potentially the last peak at PLN1.8bn in 2025E, followed by the final PLN0.5bn in 2026E.
- **Earnings forecasts**. We keep forecasts as of 25/11/2024 unchanged.
- **Valuation and risks**. The blended TP at PLN18.5 offers 31% upside to the stock, warranting Outperform recommendation. RFR represents the foremost risk / upside to the stock, we conclude. The cancelation of Treasury shares, or the use of the shares to acquire operating assets would represent an upside to CPS valuation, just as creation of renewable or real estate SPVs (debt de-consolidation). ARPU growth following the inflation rate would represent a material upside. New projects and ownership legal dispute represent downside risk to CPS, we conclude.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Cyfrowy Polsat: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	12 915	13 626	14 215	14 928	15 538
EBITDA	3 471	3 202	3 553	3 621	3 856
EBIT	1 642	1 281	1 904	2 142	2 400
Net profit	902	313	737	866	1 079
P/E (x)	16.0	31.8	12.2	10.4	8.4
EV/ EBITDA (x)	6.3	6.3	5.5	5.8	5.4
FCF Yield	0.4%	-18.7%	-12.3%	-12.3%	7.7%
Dividend Yield	5.3%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 365. Cyfrowy Polsat: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	3 271	3 430	3 199	3 290	3 456	3 682	3 405	3 454	**3 580**	*3.6%*	*3.6%*
EBITDA	953	858	761	799	995	677	946	865	**886**	*-10.9%*	*2.5%*
EBITDA margin	*29.1%*	*25.0%*	*23.8%*	*24.3%*	*28.8%*	*18.4%*	*27.8%*	*25.0%*	***24.8%***	*-4.0*	*-0.3*
EBIT	501	395	299	330	511	172	453	396	**570**	*11.5%*	*43.8%*
EBIT margin	*15.3%*	*11.5%*	*9.3%*	*10.0%*	*14.8%*	*4.7%*	*13.3%*	*11.5%*	***15.9%***	*1.1*	*4.4*
Net profit	186	174	71	8	102	130	184	146	**249**	*143.5%*	*70.5%*
Net margin	*5.7%*	*5.1%*	*2.2%*	*0.2%*	*3.0%*	*3.5%*	*5.4%*	*4.2%*	***7.0%***	*4.0*	*2.7*

Source: Company data, Santander Brokerage Poland estimates

Fig. 366. Cyfrowy Polsat: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	14215	14215	*0.0%*	14928	14928	*0.0%*	15538	15538	*0.0%*
EBITDA	3553	3553	*0.0%*	3621	3621	*0.0%*	3856	3856	*0.0%*
EBIT	1904	1904	*0.0%*	2142	2142	*0.0%*	2400	2400	*0.0%*
Net profit	737	737	*0.0%*	866	866	*0.0%*	1079	1079	*0.0%*

Source: Santander Brokerage Poland estimates

Fig. 367. Cyfrowy Polsat: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	23.6	23.6	*0%*
DDM valuation	10.5	10.5	*0%*
Comparable valuation	16.6	16.6	*0%*
Target Price (Dec'2025)*	**18.5**	**18.5**	***0%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 50% DCF, 25% DDM and 25% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation and management decisions may alter DDM valuation outcomes, we see these methods as supportive of the DCF.*

Fig. 368. Cyfrowy Polsat: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	12 915	13 626	14 215	14 928	15 538
Cost of sales	-3 272	-3 333	-3 393	-3 614	-3 795
Operating exp.	-6 299	-6 732	-6 491	-6 681	-6 871
EBITDA	3 471	3 202	3 553	3 621	3 856
EBIT	1 642	1 281	1 904	2 142	2 400
Profit before tax	1 110	391	979	1 153	1 473
Net profit	902	313	737	866	1 079
EBITDA margin	26.9%	23.5%	25.0%	24.3%	24.8%
EBIT margin	12.7%	9.4%	13.4%	14.3%	15.4%
Net margin	7.0%	2.3%	5.2%	5.8%	6.9%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	6 531	9 028	7 218	7 385	7 927
Fixed assets	25 775	28 149	28 903	30 919	31 598
Total assets	32 307	37 177	36 121	38 304	39 525
Current liabilities	6 315	5 517	5 669	5 743	5 837
bank debt	1 867	1 630	1 832	1 832	1 832
Long-term liabilities	10 180	15 355	13 425	14 425	14 425
bank debt	8 871	13 934	12 000	13 000	13 000
Equity	15 270	15 432	16 165	17 031	18 110
Total liability and equity	32 307	37 177	36 121	38 304	39 525
Net debt	9 793	12 230	12 644	13 863	13 516
Net Debt/ EBITDA (x)	2.8	3.8	3.6	3.8	3.5

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	3 455	1 280	1 718	1 802	2 139
CF from investment	-4 829	-978	-3 104	-2 951	-1 787
CF from financing, incl.	-1 848	4 826	-1 775	930	-5
dividends	-661	0	0	0	0
Net change in cash	-3 222	5 128	-3 161	-219	347

Source: Company data, Santander Brokerage Poland estimates

Santander

Magyar Telekom

Bloomberg: MTEL HB, Reuters: MTEL.HB

CEE Equity Research

Telecommunication, Hungary

Nearing the Climax?

RECOMMENDATION	Outperform
Current price (25 Nov 2024, HUF)	1,248
Target price (Dec'25, HUF)	**1,454**
Previous report issued on August 29, 2024 with:	
Recommendation	*Outperform*
TP (HUF, Dec'25)	*1,285*

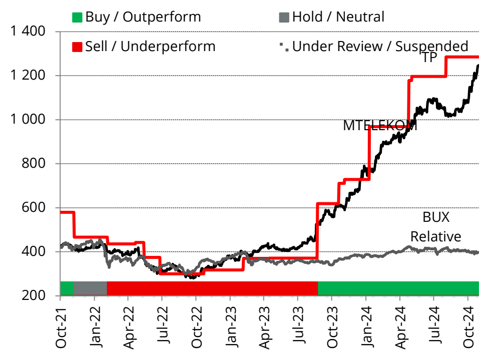
- **Equity story.** Inflation-indexing has turned Magyar Telekom into the brightest and unrivalled telco star in Europe, lifting its 2024 FCF guidance to all-time high (HUF140bn), offering 12% FCF yield despite share price quadrupling since Oct2022. Furthermore, abolition of supplementary telco tax should provide another decent push as of 2025E, and MTel's shareholder remuneration policy should warrant 20% of 2025/26E yield combined. On the downside, the State has always remained a risk factor via regulations / taxes, and for several years it has been developing its own telco operator. Finally, weak Hungarian macro should weigh on consumer's willingness to approve rising telco prices. In the short-term, the decision on 2025 inflation-indexation could be a trigger, we conclude.
- **3Q2024 results' review.** The company's 3Q24 EBITDA grew 21% y/y, coming a bit short of high consensus probably due to ~HUF2.2bn one-off bonus booked. The company's Hungarian ARPUs' y/y growth dynamics remains exceptionally strong for another quarter in a row. At customer bases and mobile churn, we might observe positive trends weakening, incl. mobile contract and pre-paid bases coming in weaker y/y. The company should be about to finalize its mobile network modernization in 4Q2024, we believe, potentially triggering minor y/y decline at capex as of 2025E.
- **Environment weakens insubstantially.** The company notices that y/y customer base dynamics has started slowing down in some segments (i.e. growth in Hungarian contract mobile dying out). Additionally, the company sees some customer groups rationalizing its spending on telco services, acc. to the management. Thus, MTelekom prefers staying cautious. Also, weakening HUF should depress the company's financial results.
- **Earnings forecasts.** We slightly adjusted our annual forecasts following 3Q2024 results. We also applied 2% growth to data ARPU as of 2026E.
- **Valuation and risks.** The blended TP at HUF1,454 offers 17% upside to the stock, warranting Outperform recommendation. The Hungarian State builds its media player, which represents major long-term downside risk (highlighted by MTel's management). Abolition of current taxes comes in very positive, but hypothetical new forms of interference could come in negative. Low YTD2024 inflation rate might imply lack of 2025's inflation-indexing. The strength of the Hungarian consumers, and their ability to pay rising telco fees, remains a fundamental question.

MTelekom: Financial summary and ratios

Year to Dec, HUFmn	2022	2023	2024E	2025E	2026E
Sales	746 669	849 372	959 241	1 006 102	1 022 177
EBITDAaL	221 513	259 499	324 101	370 198	363 014
EBIT	109 178	147 996	216 634	266 192	258 310
Net profit	67 074	84 404	154 042	191 830	191 841
P/E (x)	5.3	5.3	7.6	6.1	6.1
EV/ EBITDA (x)	3.5	3.3	4.4	3.8	3.9
FCF Yield	1.0%	17.6%	12.3%	11.5%	11.8%
Dividend Yield	8.3%	11.3%	5.3%	9.1%	11.2%

Source: Company data, Santander Brokerage Poland estimates

STOCK PERFORMANCE



The chart measures performance against the BUX index.

Analyst

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Fig. 369. Magyar Telekom: Quarterly results review

HUFmn	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	190915	199203	195870	208090	216225	229187	224229	240607	**246132**	*13.8%*	*2.3%*
EBITDA	58578	55725	50821	68603	73120	65397	76967	89808	**88661**	*21.3%*	*-1.3%*
EBITDA margin	*30.7%*	*28.0%*	*25.9%*	*33.0%*	*33.8%*	*28.5%*	*34.3%*	*37.3%*	***36.0%***	*2.2*	*-1.3*
EBIT	31306	28409	24447	41025	45714	36810	49340	61245	**62187**	*36.0%*	*1.5%*
EBIT margin	*16.4%*	*14.3%*	*12.5%*	*19.7%*	*21.1%*	*16.1%*	*22.0%*	*25.5%*	***25.3%***	*4.1*	*-0.2*
Net profit	17062	16869	10519	22258	24653	24301	33679	43361	**45944**	*86.4%*	*6.0%*
Net margin	*8.9%*	*8.5%*	*5.4%*	*10.7%*	*11.4%*	*10.6%*	*15.0%*	*18.0%*	***18.7%***	*7.3*	*0.6*

Source: Company data, Santander Brokerage Poland estimates

Fig. 370. Magyar Telekom: Forecasts changes

HUFmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	959241	950833	*0.9%*	1006102	1000016	*0.6%*	1022177	1012121	*1.0%*
EBITDA	324101	325724	*-0.5%*	370198	372432	*-0.6%*	363014	361379	*0.5%*
EBIT	216634	214122	*1.2%*	266192	260154	*2.3%*	258310	248403	*4.0%*
Net profit	154042	151380	*1.8%*	191830	190884	*0.5%*	191841	182726	*5.0%*

Source: Santander Brokerage Poland estimates

Fig. 371. Magyar Telekom: Valuation changes

HUF per share	New	Previous	*Change*
DCF valuation	1,508	1,233	*22%*
DDM valuation	1,061	940	*13%*
Comparable valuation	1,740	1,735	*0%*
Target Price (Dec'2025)*	**1,454**	**1,285**	***13%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 50% DCF, 25% DDM and 25% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation and management decisions may alter DDM valuation outcomes, we see these methods as supportive of the DCF*

Fig. 372. Magyar Telekom: Financial statements forecast

HUFbn	2022	2023	2024E	2025E	2026E
Net sales	746.7	849.4	959.2	1006.1	1022.2
Cost of sales	-297.9	-330.9	-358.4	-376.2	-388.7
Operating exp.	-150.8	-173.3	-186.7	-204.8	-214.6
EBITDA	247.9	287.2	355.9	404.2	398.8
EBIT	109.2	148.0	216.6	266.2	258.3
Profit before tax	84.4	104.0	182.4	227.5	227.6
Net profit	67.1	84.4	154.0	191.8	191.8
EBITDA margin	33.2%	33.8%	37.1%	40.2%	39.0%
EBIT margin	14.6%	17.4%	22.6%	26.5%	25.3%
Net margin	9.0%	9.9%	16.1%	19.1%	18.8%

HUFbn	2022	2023	2024E	2025E	2026E
Current assets	241.3	285.3	302.5	428.9	438.0
Fixed assets	1 215.1	1 178.6	1 155.8	1 208.2	1 260.9
Total assets	1 456.4	1 463.8	1 458.4	1 637.1	1 698.9
Current liabilities	306.9	347.2	206.7	300.2	301.6
bank debt	106.2	133.0	40.3	130.0	130.0
Long-term liabilities	414.7	351.0	396.6	396.6	396.6
bank debt	385.4	325.0	359.2	359.2	359.2
Equity	691.7	723.5	812.9	898.0	958.5
Total liability and equity	1 456.4	1 463.8	1 458.4	1 637.1	1 698.9
Net debt	521.7	486.3	405.8	377.4	371.2
Net Debt/ EBITDA (x)	2.1	1.7	1.1	0.9	0.9

HUFbn	2022	2023	2024E	2025E	2026E
CF from operations	201.5	200.2	245.7	325.4	330.8
CF from investment	-170.1	-121.1	-100.8	-190.0	-192.7
CF from financing, incl.	-34.2	-78.1	-122.7	-17.4	-131.8
dividends	-29.6	-44.1	-63.9	-106.7	-131.4
Net change in cash	-2.9	1.0	22.1	118.0	6.3

Source: Company data, Santander Brokerage Poland estimates

Orange Pl

Bloomberg: OPL PW, Reuters: OPL.WA

CEE Equity Research

Telecommunication, Poland

Sound Story, Pale Short-Term Outlook

- **Equity story.** We believe that Orange Pl represents sound fundamental story, with opex under control, and its low indebtedness should facilitate for DPS increases in the future. The big picture might be spoilt chiefly by high / rising RFRs, we conclude, which would weaken investment appeal of high-single DY paying telecoms. Also, we believe that Orange Pl's three quarters of positive one-offs, in light of lack of immediate results triggers, should result in sluggish 2025E outlook and 1-3Q2025E y/y dynamics, we ascertain. Finally, regulator has got high hopes for 5G auction taking place this December, a clear risk to Polish telecoms.
- **3Q2024 review: The Crack on a Shining Armor?** The company posted very decent growth at both customer bases and ARPUs, which drove core telco revenues' expansion to +6.1% y/y in 3Q2024 (1.4pp acceleration q/q). Though, opex was up 2% y/y (vs -2% y/y in 1H24), ICT / equipment sales were weak, and reported results (PLN20mn above consensus) were driven by PLN53mn one-off (adj. EBITDAaL at PLN814mn, down 0.4% y/y).
- **2025-27 Guidance Drivers: B2C, Digitization, Wholesale.** In Feb2025 Orange Pl is going to present new three-year guidance. We believe that B2C segment, Digitization and Wholesale should stand for key three pillars of the mid-term strategy. B2C is booming, government promises hefty outlays on digitization, and Wholesale should offer upside to both volumes and EBITDAaL. Along with declining inflation & electricity prices, these should warrant mid-single digit top line CAGR, low-to-mid single digit EBITDAaL CAGR, FCF at or above PLN1bn and DPS upped to PLN0.6.
- **Short-term Risks: 10YR yields, auction, results.** Over a month, both the US and Polish 10YR interest rate rallied to 12-month highs, looking for clear direction presently. The 5G coverage auction might represent risk to ND and EV/EBITDA, and results' outlook until 3Q2025E does not seem bold for Orange Pl.
- **Earnings forecasts**. We keep forecasts as of 30/10/2024 unchanged, except for assumed 5G outlays upped to PLN0.8bn (two blocks).
- **Valuation and risks.** The blended TP at PLN8.8 offers 13% upside to the stock, warranting Neutral recommendation. Aggressive convergent offer(s) represents the key risk factor to the Polish incumbent. Global GDP growth faltering, or sudden weakening of consumer's buying spree would expose telecoms. ARPU inflation-indexing could pose upside, just as NRRP-financed public ICT spendings. The disposal of mobile infrastructure, or sale of access to OPL network could offer upsides to OPL valuation, we believe, just as EU-wide sector's consolidation.

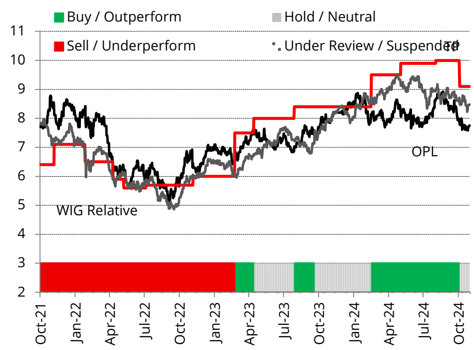
Orange Pl: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	12 488	12 970	12 718	13 272	13 908
EBITDAaL	3 078	3 169	3 270	3 342	3 573
EBIT	1 161	1 212	1 341	1 437	1 581
Net profit	724	809	871	955	1 104
P/E (x)	12.1	11.8	12.0	11.0	9.5
EV/ EBITDA (x)	4.1	4.1	4.2	4.2	3.8
FCF Yield	7.9%	6.4%	8.0%	5.9%	9.5%
Dividend Yield	3.7%	4.8%	6.0%	7.5%	7.5%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	7,756
Target price (Dec'25, PLN)	**8.8**
Previous report issued on Oct 30, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*9.1*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

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Fig. 373. Orange Pl: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	3 123	3 379	3 139	3 224	3 115	3 492	3 081	3 123	**3 105**	-0.3%	-0.6%
EBITDA	822	736	762	823	841	753	799	854	**867**	3.1%	1.5%
EBITDA margin	*26.3%*	*21.8%*	*24.3%*	*25.5%*	*27.0%*	*21.6%*	*25.9%*	*27.3%*	***27.9%***	*0.9*	*0.6*
EBIT	324	256	393	343	377	109	349	360	**370**	-1.9%	2.8%
EBIT margin	*10.4%*	*7.6%*	*12.5%*	*10.6%*	*12.1%*	*3.1%*	*11.3%*	*11.5%*	***11.9%***	*-0.2*	*0.4*
Net profit	193	163	270	239	237	72	227	231	**254**	7.2%	10.0%
Net margin	*6.2%*	*4.8%*	*8.6%*	*7.4%*	*7.6%*	*2.1%*	*7.4%*	*7.4%*	***8.2%***	*0.6*	*0.8*

Source: Company data, Santander Brokerage Poland estimates

Fig. 374. Orange Pl: Forecasts changes

PLNmn	2023E			2024E			2025E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	12718	12718	*0%*	13272	13272	*0%*	13908	13908	*0%*
EBITDA	3270	3270	*0%*	3342	3342	*0%*	3573	3573	*0%*
EBIT	1341	1341	*0%*	1437	1437	*0%*	1581	1581	*0%*
Net profit	871	871	*0%*	955	960	*-1%*	1104	1113	*-1%*

Source: Santander Brokerage Poland estimates

Fig. 375. Orange Pl: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	8.4	8.6	*-3%*
DDM valuation	8.7	8.8	*-1%*
Comparable valuation	9.8	10.2	*-3%*
Target Price (Dec'2025)*	**8.8**	**9.1**	***-3%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 50% DCF, 25% DDM and 25% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation and management decisions may alter DDM valuation outcomes, we see these methods as supportive of the DCF.*

Fig. 376. Orange Pl: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	12 488	12 970	12 718	13 272	13 908
Cost of sales	-4 368	-4 642	-4 260	-4 532	-4 830
Operating exp.	-4 378	-4 401	-4 345	-4 512	-4 596
EBITDAaL	3 078	3 169	3 270	3 342	3 573
EBIT	1 161	1 212	1 341	1 437	1 581
Net profit	724	809	871	955	1 104
EBITDA margin	24.6%	24.4%	25.7%	25.2%	25.7%
EBIT margin	9.3%	9.3%	10.5%	10.8%	11.4%
Net margin	5.8%	6.2%	6.9%	7.2%	7.9%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	4 507	4 070	4 051	3 978	4 282
Fixed assets	22 259	22 756	22 932	23 408	23 658
Total assets	26 766	26 826	26 983	27 386	27 940
Current liabilities	5 245	6 216	5 988	6 079	6 172
bank debt	1 330	2 185	2 185	2 185	2 185
Long-term liabilities	8 068	7 164	7 164	7 164	7 164
bank debt	6 465	5 102	5 102	5 102	5 102
Equity	13 451	13 444	13 829	14 141	14 602
Total liability and equity	26 766	26 826	26 983	27 386	27 940
Net debt	3 991	3 518	3 309	3 473	3 262
Net Debt/ EBITDA (x)	1.3	1.1	1.0	1.0	0.9

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	2 489	3 197	2 972	3 487	3 336
CF from investment	-2 022	-2 459	-2 133	-2 864	-2 338
CF from financing, incl.	-374	-967	-630	-787	-787
dividends	-328	-459	-630	-787	-787
Net change in cash	93	-230	209	-164	211

Source: Company data, Santander Brokerage Poland estimates

Utilities

Fig. 377. Recommendation and valuation summary

Company	Rec.	TP (local)	Price (local)*	Upside to TP	P/E (x) 2024E	2025E	2026E	EV/EBITDA (x) 2024E	2025E	2026E
PGE	Outperform	9.0	7.07	27%	4.5	3.8	5.4	2.9	2.9	4.0
Tauron	Outperform	6.0	3.64	65%	65.1	4.1	6.7	3.9	3.6	4.3
Enea	Outperform	15.1	12.00	26%	1.8	3.0	3.9	1.6	1.9	2.4
Polenergia	Neutral	77.6	73.40	6%	12.7	20.1	19.6	8.6	11.6	11.3
ZE PAK	Outperform	24.0	16.48	46%	12.8	Neg.	3.5	17.2	22.9	6.6
CEZ	Underperform	733.0	965.0	-24%	17.7	18.0	15.4	7.3	8.1	9.7
Median					**12.7**	**3.9**	**6.1**	**5.6**	**5.9**	**5.5**

*Source: Company data, Santander Brokerage Poland estimates, *price as of Nov 25, 2024*

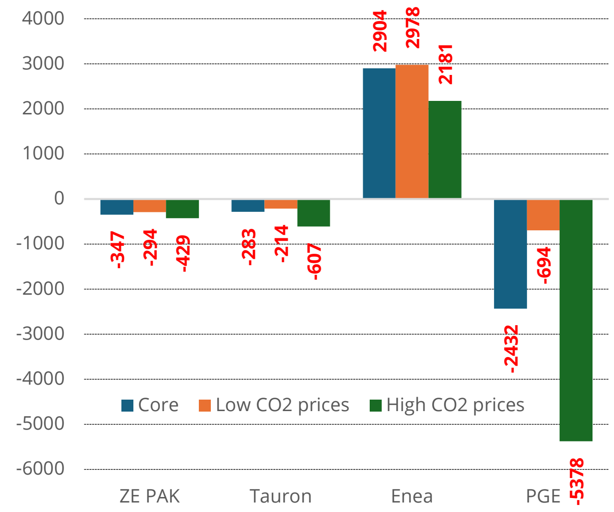
Betting on Heavy NRRP inflows and Against Electricity Prices

Coal Carve-Out, the Polish Schrodinger's Cat. All companies are reporting a 100% readiness for the carve-out execution, and energy segment's trade unionists have approved the hypothetical transaction (one of numerous carve-out deal-breakers). However, at the same time the government's lips have been sealed tight for months now, albeit no one suggested project's scrapping. Therefore, in our models we delay coal assets' carve-out until 2029E.

New-Born Massive Upsides: NRRP, Off-Shore and more. The Polish utilities are to receive up to PLN70bn in NRRP (KPO) energy transformation funding, likely split into subsidies and low-interest loans. Both these represent strong valuation upside to them, we assess. Minimum 19-25% upsides should be offered to three companies' Market Caps, we calculate. 2nd Off-Shore may come in favourable at auctioned price and NPV. Finally, PLN9bn of capacity market extension, and balancing market adjustments should come in supportive of Conv.Gen. segment's EBITDAs and FCFs.

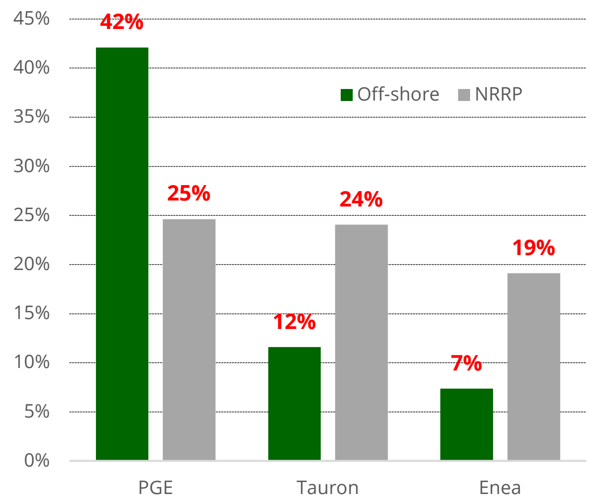
We believe we should see declining electricity prices in Europe and in Poland, and Polenergia might post the strongest 2025E EBITDA y/y decline in the pack. **Long Tauron, Long Enea**, **Short CEZ**. **ZE PAK** (high intrinsic asset value) **for the connoisseurs**.

Fig. 378. NPVs of 2025-29E coal-fired generation [PLNmn]



Source: Santander Brokerage Poland

Fig. 379. Market Cap upsides, NPVs of off-shore and NRRP



Source: IEA, Santander Brokerage Poland

CEZ

Bloomberg: CEZ CP, Reuters: CEZ.CP

CEE Equity Research

Utilities, Czechia

Betting against European electricity demand

- **Equity story.** Nuclear and renewable operators used to be winners of the Russian assault on Ukraine, via elevated fossil fuels' prices. Though, prolonged high electricity prices and high CO2s have jointly blown away the European economic strength. With heavy industry fleeing Europe, high electricity prices preventing from data centres' location and slowdown at EVs, we believe that the European electricity demand is set to plummet. With the US's potential trade wars detrimental to the global GDP, we would see European electricity price at high downside risk. In such scenario, we expect CEZ will be losing its appeal at prospective FCFs and predominantly at DYs. Moreover, we do not appreciate GasNet investment (potentially trimming future DYs, we assess), and the theme of CEZ's construction of large-scale nuclear units for the State might become itching (in light of imperfectly hedged risk, we believe).
- **Exposed at electricity price?** In the last three years, specific environment let CEZ enjoy very high electricity prices, along with high CO2 certificate prices allowing for extraordinary gains. We believe the European macro malaise might represent a major drag on electricity prices, exemplified with energy-consuming industries quitting Europe as we speak, not to mention the hypothetical re-opening of the Eastern gas imports (funds for Ukraine reconstruction…). 2026 electricity contract settles EUR50/MWh weaker vs 2024, which should keep CEZ EBITDA in lasting downslide, we conclude.
- **CEZ, the State's investing vehicle?** The recent GasNet acquisition should be neutral to small positive at NPV, but we see it should increase company's Net Debt and reduce bottom line, leaving minority shareholders at small disadvantage, we conclude. Investors should also keep in mind CEZ large-scale nuclear unit's construction project, which has been inked with the State recently. Today the State guarantees CEZ invested funds' recovery, but the Czech PV investors have just seen the risk of detrimental change to the State's pledged pay-outs.
- **Earnings forecasts.** Early inclusion of GasNet and one-offs support 2024E results, while high available electricity prices offer some mid-term upside.
- **Valuation and risks.** Minor changes to our model resulted in blended TP rising 4% to CZK733. Extreme temperatures or prolonged Russian assault on Ukraine could extend the period of high fossil fuels' prices, supportive of CEZ economics. The EU or Czech energy market regulation(s) represent downside risk, we believe. An increase at RFR would weaken the company's attractiveness. Early cancelation of windfall tax would offer upside to valuation and DYs, just as hypothetical State's buy-out at a premium or State's request for higher 2024 DPS.

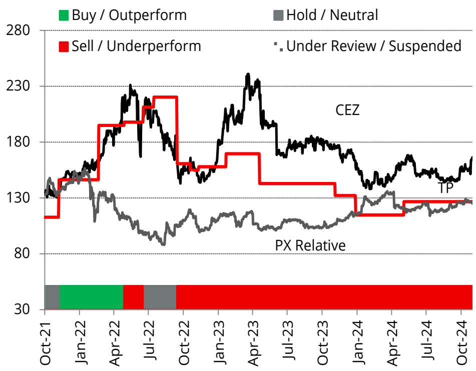
CEZ: Financial summary and ratios

Year to Dec, CZKmn	2022	2023	2024E	2025E	2026E
Sales	288 485	340 585	337 346	331 271	300 691
EBITDAaL	131 570	124 780	127 835	116 710	96 683
EBIT	101 927	88 241	86 148	66 657	51 908
Net profit	80 786	29 524	29 401	28 876	33 667
P/E (x)	4.2	18.0	17.7	18.0	15.4
EV/ EBITDA (x)	5.0	6.9	7.3	8.1	9.7
FCF Yield	-20.7%	9.7%	-11.0%	3.3%	7.0%
Dividend Yield	7.5%	14.7%	5.4%	4.5%	3.9%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Underperform
Current price (25 Nov 2024, CZK)	965
Target price (Dec'25, CZK)	**733**
Previous report issued on May 29, 2024 with:	
Recommendation	*Underperform*
TP (CZK, Dec'24)	*707*

STOCK PERFORMANCE



The chart measures performance against the PX index.

Analyst

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Fig. 380. CEZ: Quarterly results review

CZKmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	80 535	77 430	93 380	76 317	76 769	94 119	87 395	74 322	**82 426**	*7.4%*	*10.9%*
EBITDA	30 073	42 135	32 655	29 877	32 724	29 544	40 390	28 859	**29 153**	*-10.9%*	*1.0%*
EBITDA margin	*37.3%*	*54.4%*	*35.0%*	*39.1%*	*42.6%*	*31.4%*	*46.2%*	*38.8%*	***35.4%***	*-7.3*	*-3.5*
EBIT	20 961	36 716	24 298	21 020	21 815	17 379	31 648	19 685	**19 568**	*-10.3%*	*-0.6%*
EBIT margin	*26.0%*	*47.4%*	*26.0%*	*27.5%*	*28.4%*	*18.5%*	*36.2%*	*26.5%*	***23.7%***	*-4.7*	*-2.7*
Net profit	18 692	28 395	10 772	11 460	7 542	5 026	13 554	7 503	**2 362**	*-68.7%*	*-68.5%*
Net margin	*23.2%*	*36.7%*	*11.5%*	*15.0%*	*9.8%*	*5.3%*	*15.5%*	*10.1%*	***2.9%***	*-7.0*	*-7.2*

Source: Company data, Santander Brokerage Poland estimates

Fig. 381. CEZ: Forecasts changes

CZKmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	337346	337346	*0.0%*	331271	324128	*2.2%*	300691	295378	*1.8%*
EBITDA	127835	117538	*8.8%*	116710	106552	*9.5%*	96683	94257	*2.6%*
EBIT	86148	79185	*8.8%*	66657	63572	*4.9%*	51908	51125	*1.5%*
Net profit	29401	30705	*-4.2%*	28876	24157	*19.5%*	33667	38645	*-12.9%*

Source: Santander Brokerage Poland estimates

Fig. 382. CEZ: Valuation changes

CZK per share	New	Previous	*Change*
DCF valuation	737	715	*3%*
DDM valuation	662	623	*6%*
Comparative valuation	795	764	*4%*
Target Price (Dec2025) *	**733**	**707**	***4%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 60% DCF, 20% DDM and 20% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation and management decisions may alter DDM valuation outcomes, we see these methods as supportive to the DCF.*

Fig. 383. CEZ: Financial statements forecast

CZKbn	2022	2023	2024E	2025E	2026E
Net sales	288.5	340.6	337.3	331.3	300.7
COGS	156.9	215.8	209.5	214.6	204.0
EBITDA	131.6	124.8	127.8	116.7	96.7
EBIT	101.9	88.2	86.1	66.7	51.9
Profit before tax	99.6	83.5	79.6	57.4	41.6
Net profit	80.8	29.5	29.4	28.9	33.7
EBITDA margin	45.6%	36.6%	37.9%	35.2%	32.2%
EBIT margin	35.3%	25.9%	25.5%	20.1%	17.3%
Net margin	28.0%	8.7%	8.7%	8.7%	11.2%

CZKbn	2022	2023	2024E	2025E	2026E
Current assets	555.4	285.1	268.3	260.2	269.0
Fixed assets	552.0	540.7	600.1	604.3	610.8
Total assets	1 107.4	825.8	868.3	864.5	879.8
Current liabilities	507.4	233.7	163.1	162.0	156.6
bank debt	61.9	37.9	37.9	37.9	37.9
Long-term liabilities	339.7	346.5	458.2	450.0	457.2
bank debt	140.2	131.0	250.0	250.0	250.0
Equity	260.3	245.6	247.1	252.5	266.0
Total liability and equity	1 107.4	825.8	868.3	864.5	879.8
Net debt	165.5	158.0	243.0	249.5	233.2
Net Debt/ EBITDA (x)	1.3	1.3	1.9	2.1	2.4

CZKbn	2022	2023	2024E	2025E	2026E
CF from operations	21.5	61.0	57.9	86.2	87.8
CF from investment	-92.4	-9.3	-115.0	-69.3	-51.3
CF from financing, incl.	80.9	-77.4	91.0	-23.5	-20.2
dividends	-25.8	-78.0	-28.0	-23.5	-20.2
Net change in cash	10.0	-25.7	34.0	-6.5	16.4

Source: Company data, Santander Brokerage Poland estimates

Enea

Bloomberg: ENA PW, Reuters: ENA.WA

CEE Equity Research

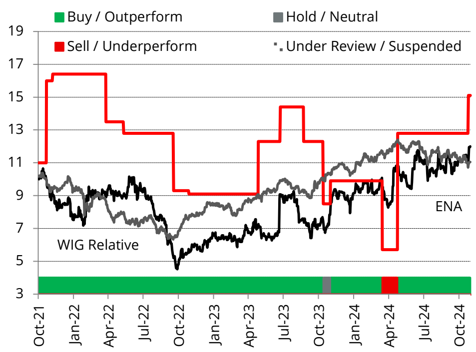
Utilities, Poland

Guilty Pleasure

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	12.0
Target price (Dec'25, PLN)	**15.1**
Previous report issued on Nov 20, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*15.1*

- **Equity story.** Enea's business profile remains overly skewed towards coal, we believe. Though, due to market-lowest CO2 pollution factor, relatively very low realized thermal coal price and supportive hedging, Enea manages to squeeze plenty of cash from its coal ops. Also, Enea is benefiting from relatively high capacity market, not to mention decent upside form its extension, potentially. Certainly, NRRP financing should bring in significant upside, and please note that all Enea's thermal coal risks are effectively allocated onto Bogdanka subsidiary (no recourse).
- **Coal Carve-Out, the Polish Schrodinger's Cat.** All companies are reporting a 100% readiness for the carve-out execution, and energy segment's trade unionists have approved the hypothetical transaction (one of numerous carve-out deal-breakers). However, at the same time the government's lips have been sealed tight for months now, albeit no one suggested project's scrapping. Therefore, in our models we delay coal assets' carve-out until 2029E.
- **New-Born Massive Upsides: NRRP, Off-Shore and more.** The Polish utilities are to receive up to PLN70bn in NRRP (KPO) energy transformation funding, likely split into subsidies and low-interest loans. Both these represent strong valuation upside to them, we assess. Minimum 19-25% upsides should be offered to three companies' Market Caps, we calculate. 2nd Off-Shore may come in favourable at auctioned price and NPV. Finally, PLN9bn of capacity market extension, and balancing market adjustments should come in supportive of Conv.Gen. segment's EBITDAs and FCFs.
- **Electricity Price Risk.** We believe that hypothetical Eastern peace agreements might result in reinstation of the Russian coal and gas exports to Europe, naturally for the sole purpose of financing Ukraine's reconstruction. Such scenario could have resulted in steep decline to electricity prices continent-wide. It would come in negative to FCFs of all un-hedged projects, keeping renewable, heat and coal-fired Conv. Gen. fleets exposed.
- **Earnings forecasts.** No change to our forecasts vs 20/11/2024.
- **Valuation and risks.** We maintain out TP at PLN15.1. Reduced renewables' load factors could depress renewable segments' EBITDAs, FCFs, and valuations. "Allowed opex" formulas may undermine distribution EBITDAs, regardless of actual WACC or RAB. The EU-originated all-kind funds designated for energy transformation should come in supportive.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Enea: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	30 076	48 183	38 980	32 484	29 235
EBITDA	2 220	6 298	6 278	4 885	4 309
EBIT	578	955	4 348	2 963	2 294
Net profit	48	-659	3 536	2 118	1 639
P/E (x)	80.0	-5.8	1.8	3.0	3.9
EV/ EBITDA (x)	7.5	2.9	2.9	3.6	4.3
FCF Yield	-47%	-36%	32%	11%	-15%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 384. Enea: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	8 021	7 386	12 531	11 503	11 881	12 281	8 385	7 757	**8 019**	*-32.5%*	*3.4%*
EBITDA	456	146	1 044	869	1 124	2 858	1 877	1 593	**1 863**	*65.7%*	*16.9%*
EBITDA margin	*5.7%*	*2.0%*	*8.3%*	*7.6%*	*9.5%*	*23.3%*	*22.4%*	*20.5%*	***23.2%***	*13.8*	*2.7*
EBIT	46	-544	611	436	703	-471	1 531	1 213	**1 517**	*115.9%*	*25.1%*
EBIT margin	*0.6%*	*-7.4%*	*4.9%*	*3.8%*	*5.9%*	*-3.8%*	*18.3%*	*15.6%*	***18.9%***	*13.0*	*3.3*
Net profit	45	-743	202	144	716	-1 105	1 018	931	**971**	*35.6%*	*4.3%*
Net margin	*0.6%*	*-10.1%*	*1.6%*	*1.3%*	*6.0%*	*-9.0%*	*12.1%*	*12.0%*	***12.1%***	*6.1*	*0.1*

Source: Company data, Santander Brokerage Poland estimates

Fig. 385. Enea: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	38980	38980	*0%*	32484	32484	*0%*	29235	29235	*0%*
EBITDA	6278	6278	*0%*	4885	4885	*0%*	4309	4309	*0%*
EBIT	4348	4348	*0%*	2963	2963	*0%*	2294	2294	*0%*
Net profit	3536	3536	*0%*	2118	2118	*0%*	1639	1639	*0%*

Source: Santander Brokerage Poland estimates

Fig. 386. Enea: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	16.4	16.4	*0%*
DDM valuation	2.5	2.5	*0%*
Comparative valuation	24.0	24.0	*0%*
Target Price (Dec2025) *	**15.1**	**15.1**	***0%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 60% DCF, 20% DDM and 20% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation and management decisions may alter DDM valuation outcomes, we see these methods as supportive of the DCF.*

Fig. 387. Enea: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	30 076	48 183	38 980	32 484	29 235
COGS	27 856	41 885	32 702	27 599	24 926
EBITDA	2 220	6 298	6 278	4 885	4 309
EBIT	578	955	4 348	2 963	2 294
Profit before tax	278	-463	4 025	2 747	2 137
Net profit	48	-659	3 536	2 118	1 639
EBITDA margin	7.4%	13.1%	16.1%	15.0%	14.7%
EBIT margin	1.9%	2.0%	11.2%	9.1%	7.8%
Net margin	0.2%	-1.4%	9.1%	6.5%	5.6%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	14 273	17 474	15 910	14 810	12 929
Fixed assets	23 162	21 637	24 175	26 671	29 865
Total assets	37 435	39 111	40 085	41 482	42 794
Current liabilities	13 589	14 968	11 993	11 371	11 048
bank debt	782	3 090	1 000	1 000	1 000
Long-term liabilities	7 700	8 703	9 430	9 242	9 155
bank debt	4 712	4 288	5 288	5 288	5 288
Equity	16 146	15 440	18 700	20 925	22 656
Total liability and equity	37 435	39 111	40 085	41 482	42 794
Net debt	3 972	5 352	3 346	2 665	3 606
Net Debt/ EBITDA (x)	1.8	0.8	0.5	0.5	0.8

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	-2 028	416	7 077	5 214	4 286
CF from investment	214	-1 797	-5 070	-4 534	-5 227
CF from financing, incl.	-818	1 885	-1 090	0	0
dividends	0	0	0	0	0
Net change in cash	-2 632	504	916	681	-941

Source: Company data, Santander Brokerage Poland estimates

PGE

Bloomberg: PGE PW, Reuters: PGE.WA

CEE Equity Research

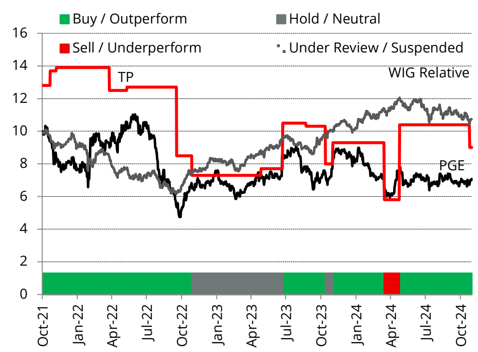
Utilities, Poland

The Riskiest in the Pack

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	7.072
Target price (Dec'25, PLN)	**9.0**
Previous report issued on Nov 20, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*9.0*

- **Equity story.** The delayed carve-out is the most negative news to PGE, via its high lignite exposure. It should result in PGE's ~PLN1bn EBITDA losses as of 2026E, and total Conv. Gen. NPV at neg. PLN5.4bn. Though, the company should also get the most from the Polish NRRP program, with the scale of potential valuation upside ranging from 25% to 56% (vs Market Cap.). Finally, PGE's 3.3GW in 2nd stage off-shore should also offer potential 32% Market Cap. upside, we calculate.
- **Coal Carve-Out, the Polish Schrodinger's Cat.** All companies are reporting a 100% readiness for the carve-out execution, and energy segment's trade unionists have approved the hypothetical transaction (one of numerous carve-out deal-breakers). However, at the same time the government's lips have been sealed tight for months now, albeit no one suggested project's scrapping. Therefore, in our models we delay coal assets' carve-out until 2029E.
- **New-Born Massive Upsides: NRRP, Off-Shore and more.** The Polish utilities are to receive up to PLN70bn in NRRP (KPO) energy transformation funding, likely split into subsidies and low-interest loans. Both these represent strong valuation upside to them, we assess. Minimum 19-25% upsides should be offered to three companies' Market Caps, we calculate. 2nd Off-Shore may come in favourable at auctioned price and NPV. Finally, PLN9bn of capacity market extension, and balancing market adjustments should come in supportive of Conv.Gen. segment's EBITDAs and FCFs.
- **Electricity Price Risk.** We believe that hypothetical Eastern peace agreements might result in reinstation of the Russian coal and gas exports to Europe, naturally for the sole purpose of financing Ukraine's reconstruction. Such scenario could have resulted in steep decline to electricity prices continent-wide. It would come in negative to FCFs of all un-hedged projects, keeping renewable, heat and coal-fired Conv. Gen. fleets exposed. This scenario would pose the highest downside to PGE, we conclude.
- **Earnings forecasts.** No change to our forecasts vs 20/11/2024.
- **Valuation and risks.** We maintain our TP at PLN9.0. Reduced renewables' load factors could depress renewable segments' EBITDAs, FCFs, and valuations. "Allowed opex" formulas may undermine distribution EBITDAs, regardless of actual WACC or RAB. The EU-originated all-kind funds designated for energy transformation should come in supportive, just as high off-shore auction price. The lack of carve-out exposes PGE.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

PGE: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	73 435	95 964	76 771	63 976	57 578
EBITDA	8 669	10 028	10 520	11 919	9 760
EBIT	4 299	-3 446	5 758	6 779	4 440
Net profit	3 359	-5 022	3 557	4 183	2 923
P/E (x)	5.5	-3.3	4.5	3.8	5.4
EV/ EBITDA (x)	4.5	5.4	4.9	4.7	6.3
FCF Yield	15%	-76%	-23%	-24%	-32%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 388. PGE: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	19 355	21 455	27 208	22 352	21 515	24 889	16 841	14 453	**15 562**	*-27.7%*	*7.7%*
EBITDA	1 926	339	3 430	2 445	2 458	1 698	2 532	2 604	**2 458**	*0.0%*	*-5.6%*
EBITDA margin	*10.0%*	*1.6%*	*12.6%*	*10.9%*	*11.4%*	*6.8%*	*15.0%*	*18.0%*	***15.8%***	*4.4*	*-2.2*
EBIT	805	-760	2 343	1 206	1 206	-8 186	1 408	1 451	**1 297**	*7.5%*	*-10.6%*
EBIT margin	*4.2%*	*-3.5%*	*8.6%*	*5.4%*	*5.6%*	*-32.9%*	*8.4%*	*10.0%*	***8.3%***	*2.7*	*-1.7*
Net profit	698	-614	1 724	352	950	-8 041	893	1 171	**728**	*-23.4%*	*-37.8%*
Net margin	*3.6%*	*-2.9%*	*6.3%*	*1.6%*	*4.4%*	*-32.3%*	*5.3%*	*8.1%*	***4.7%***	*0.3*	*-3.4*

Source: Company data, Santander Brokerage Poland estimates

Fig. 389. PGE: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	76771	76771	*0.0%*	63976	63976	*0.0%*	57578	57578	*0.0%*
EBITDA	10520	10520	*0.0%*	11919	11919	*0.0%*	9760	9760	*0.0%*
EBIT	5758	5758	*0.0%*	6779	6779	*0.0%*	4440	4440	*0.0%*
Net profit	3557	3557	*0.0%*	4183	4183	*0.0%*	2923	2923	*0.0%*

Source: Santander Brokerage Poland estimates

Fig. 390. PGE: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	11.2	11.2	*0%*
DDM valuation	2.5	2.5	*0%*
Comparative valuation	9.0	9.0	*0%*
Target Price (Dec2025) *	**9.0**	**9.0**	***0%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 60% DCF, 20% DDM and 20% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation and management decisions may alter DDM valuation outcomes, we see these methods as supportive of the DCF.*

Fig. 391. PGE: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	73 435	95 964	76 771	63 976	57 578
COGS	64 766	85 936	66 251	52 057	47 818
EBITDA	8 669	10 028	10 520	11 919	9 760
EBIT	4 299	-3 446	5 758	6 779	4 440
Profit before tax	4 141	-4 065	4 527	5 300	3 028
Net profit	3 359	-5 022	3 557	4 183	2 923
EBITDA margin	11.8%	10.4%	13.7%	18.6%	17.0%
EBIT margin	5.9%	-3.6%	7.5%	10.6%	7.7%
Net margin	4.6%	-5.2%	4.6%	6.5%	5.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	34 046	35 103	35 447	33 681	28 139
Fixed assets	71 732	78 340	85 076	91 677	98 405
Total assets	105 778	113 443	120 523	125 357	126 544
Current liabilities	35 296	42 210	37 986	35 640	33 868
bank debt	3 766	4 513	4 513	4 513	4 513
Long-term liabilities	16 099	23 378	31 015	33 902	33 828
bank debt	6 799	12 222	20 000	23 000	23 000
Equity	54 383	47 855	51 522	55 815	58 848
Total liability and equity	105 778	113 443	120 523	125 357	126 544
Net debt	-1 322	10 702	14 399	18 267	23 359
Net Debt/ EBITDA (x)	-0.2	1.1	1.4	1.5	2.4

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	998	-3 348	9 123	9 124	8 141
CF from investment	1 635	-8 812	-12 930	-13 102	-13 344
CF from financing, incl.	2 520	6 306	7 888	3 110	110
dividends	0	0	0	0	0
Net change in cash	5 154	-5 854	4 082	-868	-5 093

Source: Company data, Santander Brokerage Poland estimates

Polenergia

Bloomberg: PEP PW, Reuters: PEP.WA

CEE Equity Research

Renewables, Poland

Yields & Electricity, the Mighty Concerns Re-Born

- **Equity story.** Off-shore represents the company's new focus and key valuation driver. 1st stage seems to have its decent positive NPV warranted, and government's plans concerning 2nd stage's auction price might provide support to Polenergia's ready-for-auction project. Locally, +500MW on-shore wind capacity, PVs and distribution keep generating decent results and FCFs. Still, Polenergia remains highly exposed to RFRs, and the recent trend remains disturbing there. Additionally, 2024E should be seen as positive one-off result-wise, and eroding future electricity prices should keep coming years' results under pressure, we conclude.
- **Toughening mid-term PV / on-shore wind economics?** The company expects Polish electricity prices under pressure, and it sees PV/wind profile costs on the rise until 2028E. Polenergia's hedged post-profile cost electricity price settles at PLN408/MWh for 2025, which might result in 2025E on-shore wind EBITDA coming in potentially PLN195mn weaker y/y, we calculate.
- **Second-stage off-shore in the making.** Climate Ministry upped its original proposal of maximum second-stage off-shore auction price to PLN512/MWh from PLN472/MWh previously (inflation-indexed), which we deem decent. Also, the Ministry suggests co-usage of some connection stations and potential delay in 2nd stage auction. We believe these positive developments (price / opex) mitigate potentially low Polish off-shore projects' load factor, seen officially at 43.5%.
- **Yields' spike, the old concern reborn?** In the last month we observed Polish 10YR yield on the steep rise, up to ~6% presently. It should imply no change to Polenergia's existing projects' FCF (which we expect to remain hedged at interest rate), but high yields increase investors' required rate of return, we conclude. Therefore, while the company's internal projects' value may have remained barely changed, high yields might turn any stable FCF-yielding business a bit less attractive, we believe.
- **Earnings forecasts.** Following 3Q2024 results' publication, we adjust our 2024E and 2025E forecasts.
- **Valuation and risks.** Model adjustments trim our TP to PLN77.6, and 6% upside warrants Neutral recommendation. The Romanian on-shore project could offer material upside, in our view, as well as the EU or government's grants and subsidies. Declines to CO2 / electricity prices would keep EBITDAs and FCFs under pressure. Final details concerning off-shore project (auctioned electricity price, O&M per MW) could offer upside & downside.

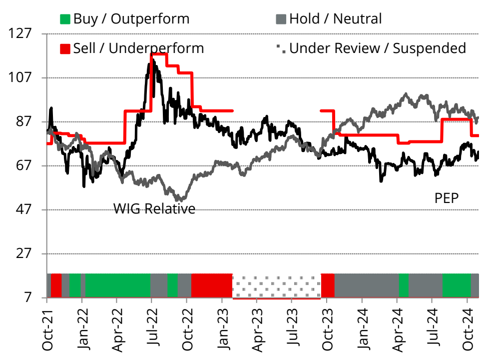
Polenergia: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	7 069	5 602	4 216	4 040	3 844
EBITDA	354	548	773	601	630
EBIT	238	386	610	444	471
Net profit	160	264	446	282	289
P/E (x)	35.0	23.3	12.7	20.1	19.6
EV/ EBITDA (x)	17.6	11.4	8.6	11.6	11.3
FCF Yield	-7.9%	-2.1%	-15.4%	-5.8%	-1.5%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	73.4
Target price (Dec'25, PLN)	**77.6**
Previous report issued on Nov 7, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*80.8*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

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Fig. 392. Polenergia: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	1 330	1 926	1 467	1 371	1 241	1 536	1 191	917	**912**	*-26.6%*	*-0.6%*
EBITDA	33	110	201	108	111	128	236	158	**150**	*35.5%*	*-5.1%*
EBITDA margin	*2.5%*	*5.7%*	*13.7%*	*7.8%*	*8.9%*	*8.3%*	*19.8%*	*17.3%*	***16.5%***	*7.6*	*-0.8*
EBIT	3	74	163	68	69	89	191	117	**107**	*53.6%*	*-8.6%*
EBIT margin	*0.3%*	*3.9%*	*11.1%*	*5.0%*	*5.6%*	*5.8%*	*16.1%*	*12.7%*	***11.7%***	*6.1*	*-1.0*
Net profit	-11	54	121	47	44	60	142	81	**75**	*69.7%*	*-7.6%*
Net margin	*-0.8%*	*2.8%*	*8.2%*	*3.4%*	*3.5%*	*3.9%*	*11.9%*	*8.8%*	***8.2%***	*4.6*	*-0.6*

Source: Company data, Santander Brokerage Poland estimates

Fig. 393. Polenergia: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	4216	4216	*0%*	4040	4072	*-1%*	3844	3854	*0%*
EBITDA	773	760	*2%*	601	636	*-5%*	630	631	*0%*
EBIT	610	598	*2%*	444	477	*-7%*	471	471	*0%*
Net profit	446	436	*2%*	282	309	*-9%*	289	290	*0%*

Source: Santander Brokerage Poland estimates

Fig. 394. Polenergia: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	86.9	90.5	-4%
Comparative – other peers	60.8	64.9	-6%
Comparative – Orsted	51.4	51.5	0%
Target Price (Dec2025) *	**77.6**	**80.8**	**-4%**

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 70% DCF, 15% Orsted-based comparative valuation and 15% diversified wind comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation, we see this method as supportive of the DCF.*

Fig. 395. Polenergia: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	7 069	5 602	4 216	4 040	3 844
COGS	6 715	5 054	3 443	3 439	3 215
EBITDA	354	548	773	601	630
EBIT	238	386	610	444	471
Profit before tax	200	340	550	348	357
Net profit	160	264	446	282	289
EBITDA margin	5.0%	9.8%	18.3%	14.9%	16.4%
EBIT margin	3.4%	6.9%	14.5%	11.0%	12.3%
Net margin	2.3%	4.7%	10.6%	7.0%	7.5%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	2 301	2 301	1 592	2 245	2 151
Fixed assets	3 946	4 411	5 748	6 377	6 756
Total assets	6 247	6 712	7 339	8 622	8 906
Current liabilities	1 380	904	907	908	908
bank debt	217	211	211	211	211
Long-term liabilities	1 785	1 810	1 989	2 989	2 989
bank debt	1 293	1 321	1 500	2 500	2 500
Equity	3 083	3 998	4 444	4 725	5 009
Total liability and equity	6 247	6 712	7 339	8 622	8 906
Net debt	641	121	997	1 325	1 419
Net Debt/ EBITDA (x)	1.8	0.2	1.3	2.2	2.3

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	325	761	624	459	449
CF from investment	-766	-893	-1 500	-787	-537
CF from financing, incl.	922	674	179	1 000	-6
dividends	0	0	0	0	0
Net change in cash	481	542	-696	672	-94

Source: Company data, Santander Brokerage Poland estimates

Tauron

Bloomberg: TPE PW, Reuters: TPE.WA

CEE Equity Research

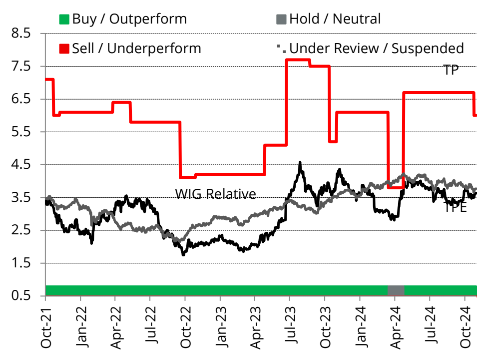
Utilities, Poland

Sector's Top Pick

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	3.636
Target price (Dec'25, PLN)	**6.0**
Previous report issued on Nov 20, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*6.0*

- **Equity story.** Distribution-skewed Tauron represents our sector's Top Pick, especially as it enjoys zero exposure to fixed-cost coal mining operations. Hence, it should enjoy relatively the highest EV/EBITDA ratio. Due to its business mix, we believe Tauron may enjoy relatively very high inflow of NRRP-originated subsidies and low-interest loans, not to mention that it also enjoys 0.45GW stake in off-shore.
- **Coal Carve-Out, the Polish Schrodinger's Cat.** All companies are reporting a 100% readiness for the carve-out execution, and energy segment's trade unionists have approved the hypothetical transaction (one of numerous carve-out deal-breakers). However, at the same time the government's lips have been sealed tight for months now, albeit no one suggested project's scrapping. Therefore, in our models we delay coal assets' carve-out until 2029E.
- **New-Born Massive Upsides: NRRP, Off-Shore and more.** The Polish utilities are to receive up to PLN70bn in NRRP (KPO) energy transformation funding, likely split into subsidies and low-interest loans. Both these represent strong valuation upside to them, we assess. Minimum 19-25% upsides should be offered to three companies' Market Caps, we calculate. 2nd Off-Shore may come in favourable at auctioned price and NPV. Finally, PLN9bn of capacity market extension, and balancing market adjustments should come in supportive of Conv.Gen. segment's EBITDAs and FCFs.
- **Electricity Price Risk.** We believe that hypothetical Eastern peace agreements might result in reinstation of the Russian coal and gas exports to Europe, naturally for the sole purpose of financing Ukraine's reconstruction. Such scenario could have resulted in steep decline to electricity prices continent-wide. It would come in negative to FCFs of all un-hedged projects, keeping renewable, heat and coal-fired Conv. Gen. fleets exposed. This scenario would pose the highest downside to PGE, we conclude.
- **Earnings forecasts.** No change to our forecasts vs 20/11/2024.
- **Valuation and risks.** We maintain out TP at PLN6.0. Reduced renewables' load factors could depress renewable segments' EBITDAs, FCFs, and valuations. "Allowed opex" formulas may undermine distribution EBITDAs, regardless of actual WACC or RAB. The EU-originated all-kind funds designated for energy transformation should come in supportive.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Tauron: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	36 311	50 715	36 515	31 442	29 111
EBITDA	4 016	6 145	5 349	5 650	4 823
EBIT	1 069	3 234	990	2 745	1 810
Net profit	-132	1 489	98	1 559	949
P/E (x)	-35.4	3.5	65.1	4.1	6.7
EV/ EBITDA (x)	6.9	5.1	5.6	5.2	6.2
FCF Yield	-14%	-39%	2%	7%	-6%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

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Fig. 396. Tauron: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	8 686	10 531	13 559	9 723	11 063	12 091	8 142	8 080	**8 126**	*-26.5%*	*0.6%*
EBITDA	495	1 170	2 229	2 044	1 197	674	1 541	1 588	**1 477**	*23.4%*	*-7.0%*
EBITDA margin	*5.7%*	*11.1%*	*16.4%*	*21.0%*	*10.8%*	*5.6%*	*18.9%*	*19.7%*	***18.2%***	*7.4*	*-1.5*
EBIT	-41	-6	1 697	1 488	640	-431	988	-629	**946**	*47.8%*	*n.m.*
EBIT margin	*-0.5%*	*-0.1%*	*12.5%*	*15.3%*	*5.8%*	*-3.6%*	*12.1%*	*-7.8%*	***11.6%***	*5.9*	*19.4*
Net profit	-232	-529	1 036	840	387	-585	531	-1 374	**636**	*64.3%*	*n.m.*
Net margin	*-2.7%*	*-5.0%*	*7.6%*	*8.6%*	*3.5%*	*-4.8%*	*6.5%*	*-17.0%*	***7.8%***	*4.3*	*24.8*

Source: Company data, Santander Brokerage Poland estimates

Fig. 397. Tauron: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	36515	36515	*0.0%*	31442	31442	*0.0%*	29111	29111	*0.0%*
EBITDA	5349	5349	*0.0%*	5650	5650	*0.0%*	4823	4823	*0.0%*
EBIT	990	990	*0.0%*	2745	2745	*0.0%*	1810	1810	*0.0%*
Net profit	98	98	*0.0%*	1559	1559	*0.0%*	949	949	*0.0%*

Source: Santander Brokerage Poland estimates

Fig. 398. Tauron: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	7.8	7.8	*0%*
DDM valuation	0.9	0.9	*0%*
Comparative valuation	5.4	5.4	*0%*
Target Price (Dec2025) *	**6.0**	**6.0**	***0%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 60% DCF, 20% DDM and 20% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation and management decisions may alter DDM valuation outcomes, we see these methods as supportive of the DCF.*

Fig. 399. Tauron: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	36 311	50 715	36 515	31 442	29 111
COGS	32 295	44 570	31 165	25 792	24 288
EBITDA	4 016	6 145	5 349	5 650	4 823
EBIT	1 069	3 234	990	2 745	1 810
Profit before tax	112	2 114	121	1 925	1 172
Net profit	-132	1 489	98	1 559	949
EBITDA margin	11.1%	12.1%	14.7%	18.0%	16.6%
EBIT margin	2.9%	6.4%	2.7%	8.7%	6.2%
Net margin	-0.4%	2.9%	0.3%	5.0%	3.3%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	10 267	12 445	11 697	11 274	7 587
Fixed assets	35 053	37 353	37 649	39 401	41 043
Total assets	45 320	49 798	49 346	50 675	48 630
Current liabilities	10 195	14 269	13 872	13 858	13 965
bank debt	528	2 871	2 871	2 871	2 871
Long-term liabilities	18 511	17 576	17 424	17 206	14 106
bank debt	15 959	14 544	15 000	15 000	12 000
Equity	16 614	17 953	18 051	19 610	20 559
Total liability and equity	45 320	49 798	49 346	50 675	48 630
Net debt	13 865	16 324	14 545	14 098	14 499
Net Debt/ EBITDA (x)	3.5	2.7	2.7	2.5	3.0

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	2 887	1 273	6 704	5 200	4 300
CF from investment	-3 775	-3 737	-4 925	-4 752	-4 700
CF from financing, incl.	2 220	933	456	0	-3 000
dividends	0	0	0	0	0
Net change in cash	1 332	-1 531	2 235	447	-3 401

Source: Company data, Santander Brokerage Poland estimates

Santander

ZE PAK

Bloomberg: ZEP PW, Reuters: ZEP.WA

CEE Equity Research

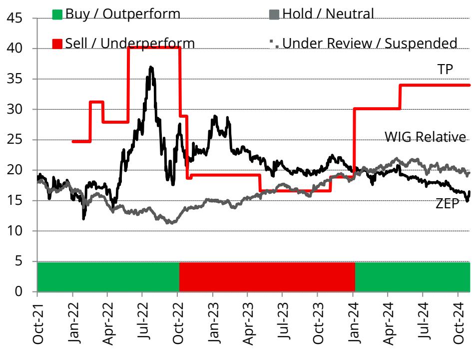
Utilities, Poland

Pool of Attractive Assets

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	16.48
Target price (Dec'25, PLN)	**24**
Previous report issued on May 29, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'24)	*34*

- **Equity story.** ZE PAK's last lignite unit might operate until 2028E, potentially delivering negative EBITDAs. However, lignite is decaying, while the company's future should consist of 1GW in gas and wind projects. Additionally, the company holds 36% stake in Cyfrowy Polsat's PAK-PCE, worth PLN23 per ZE PAK share alone. Finally, we believe that post-lignite PAK represents the perfect spot for future energy-related investment, and that ZE PAK should make PLN0.3-0.4bn on that asset, we calculate. Dirty lignite overshadows ZE PAK attractive projects and assets, we believe, albeit patience is a must there (the first project's EBITDA at +PLN0.2bn should come true in 2027E).
- **Pool of attractive assets.** We see lignite segment's NPV at neg. PLN0.4bn, weakened further by ~PLN0.5bn of to-be-paid CO2 dues. However, ZE PAK also holds numerous very attractive assets, we conclude. These include 36% effective stake in PAK-PCE (PLN1.2bn positive value), ZE PAK's own decently-subsidized gas-fired project (NPV at PLN0.5bn), and 99% stake in 500MW on-shore project (NPV at PLN0.5bn). Finally, we believe ZE PAK will receive net PLN0,4bn in cash for its PAK ready-for-investment brownfield. We do not include PLN0.4bn cash held into our calculations (equity to new projects), arriving at ZE PAK's net worth at PLN1.58bn.
- **Lignite forecasting.** We expect that the reduced capacity market incomes, nullified LTCs and weakening volumes / spread would result in ZE PAK's Conv.Gen. 2025E EBITDA falling to PLN0.1bn loss. Later onward, falling volumes should keep EBITDA in negative territory until ops' closure in 2028E.
- **Earnings forecasts.** Deteriorating lignite economics depress our forecasts for the stock.
- **Valuation and risks.** Lignite's weakened outlook cuts our TP by PLN10 a share to PLN24, but 46% share upside warrants Outperform recommendation. Electricity price declines pose downside risk to this pure-energy stock. Governance and corporate actions represent the key non-operational risks, we assume.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

ZE PAK: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	4 200	3 106	2 024	1 639	1 328
EBITDA	391	430	113	94	453
EBIT	351	689	98	89	448
Net profit	203	745	66	-10	240
P/E (x)	5.4	1.5	12.8	n.a.	3.5
EV/ EBITDA (x)	4.2	3.6	17.2	22.9	6.0
FCF Yield	-17%	20%	-83%	-106%	-102%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 400. ZE PAK: Quarterly results review

PLNmn	3Q22	4Q22	1Q23	1Q23	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Sales	1 137	1 107	1 152	1 065	1 023	829	520	522	**521**	*-49.1%*	*-0.2%*
EBITDA	227	-34	-378	255	425	426	27	93	**33**	*-92.2%*	*-64.2%*
EBITDA margin	*19.9%*	*-3.1%*	*-32.8%*	*23.9%*	*41.6%*	*51.4%*	*5.1%*	*17.8%*	***6.4%***	*-35.2*	*-11.4*
EBIT	217	-42	-391	239	421	420	23	89	**30**	*-93.0%*	*-66.9%*
EBIT margin	*19.1%*	*-3.8%*	*-34.0%*	*22.4%*	*41.2%*	*50.7%*	*4.5%*	*17.1%*	***5.7%***	*-35.5*	*-11.4*
Net profit	129	-66	-376	199	365	523	-5	110	**33**	*-90.9%*	*-69.8%*
Net margin	*11.3%*	*-6.0%*	*-32.6%*	*18.7%*	*35.7%*	*63.1%*	*-1.0%*	*21.1%*	***6.4%***	*-29.3*	*-14.8*

Source: Company data, Santander Brokerage Poland estimates

Fig. 401. ZE PAK: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	2024	2588	*-22%*	1639	1451	*13%*	1328	1767	*-25%*
EBITDA	113	234	*-52%*	94	266	*-65%*	453	1044	*-57%*
EBIT	98	219	*-55%*	89	251	*-64%*	448	1009	*-56%*
Net profit	66	171	*-62%*	-10	173	*n.m.*	240	777	*-69%*

Source: Santander Brokerage Poland estimates

Fig. 402. ZE PAK: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	31.2	40.9	*-24%*
Comparative valuation	7.2	18.1	*-60%*
Target Price (Dec2025) *	**24.0**	**34.0**	***-30%***

*Source: Santander Brokerage Poland estimates; *weighted valuation based on 70% DCF and 30% comparable valuation. DCF seen as prime valuation tool as it relies on long-term outlook; as changes in financial results or changes in investors' preferences drive the comparable valuation, we see this method as supportive of the DCF.*

Fig. 403. ZE PAK: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	4 200	3 106	2 024	1 639	1 328
COGS	3 809	2 676	1 910	1 545	875
EBITDA	391	430	113	94	453
EBIT	351	689	98	89	448
Profit before tax	317	749	66	-12	296
Net profit	203	745	66	-10	240
EBITDA margin	9.3%	13.8%	5.6%	5.7%	34.1%
EBIT margin	8.4%	22.2%	4.9%	5.4%	33.7%
Net margin	4.8%	24.0%	3.2%	-0.6%	18.1%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	2 561	1 997	1 318	1 104	685
Fixed assets	1 979	1 592	2 412	3 244	4 178
Total assets	4 539	3 590	3 730	4 349	4 862
Current liabilities	2 126	1 099	754	437	260
bank debt	488	0	10	10	10
Long-term liabilities	1 199	579	999	1 944	2 395
bank debt	620	0	500	1 500	2 000
Equity	1 215	1 912	1 977	1 968	2 207
Total liability and equity	4 539	3 590	3 730	4 349	4 862
Net debt	-355	-534	157	1 041	1 895
Net Debt/ EBITDA (x)	-0.9	-1.2	1.4	11.1	4.2

PLNmn	2022	2023	2024E	2025E	2026E
CF from operations	590	-378	176	-35	93
CF from investment	-770	605	-867	-848	-948
CF from financing, incl.	1 137	-1 156	510	1 000	500
dividends	0	0	0	0	0
Net change in cash	956	-929	-181	116	-354

Source: Company data, Santander Brokerage Poland estimates

Other

Fig. 404. Recommendation and valuation summary

Company	Rec.	TP (PLN)	Price (PLN)	Upside to TP	P/E (x) 2024E	P/E (x) 2025E	P/E (x) 2026E	EV/EBITDA (x) 2024E	EV/EBITDA (x) 2025E	EV/EBITDA (x) 2026E
Benefit Systems	Outperform	3,300	2,735	21%	15.2	15.1	14.0	9.7	9.5	8.8
Grupa Pracuj	Neutral	61	57.4	6%	17.1	15.5	13.5	11.5	10.5	9.1
Wirtualna Polska	Underperform	79	77.3	2%	15.0	11.8	10.3	6.2	5.7	5.2
Wizz Air*	Neutral	1500	1362	10%	8.3	5.7	4.4	5.6	4.9	4.2

*Source: Company data, Santander Brokerage Poland estimates; *in GBp*

Benefit Systems

Bloomberg: BFT PW, Reuters: BFT.WA

CEE Equity Research

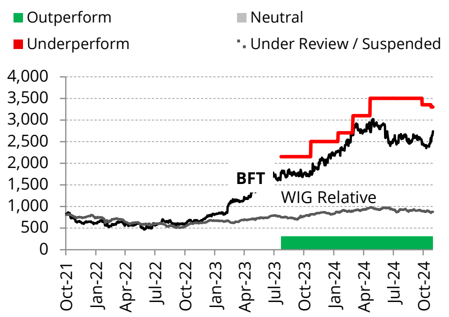
Consumer Services, Poland

Growth for a price

RECOMMENDATION	Outperform
Current price (25 Nov 2024, PLN)	2,735
Target price (Dec'25, PLN)	**3,300**
Previous report issued on Nov 20, 2024 with:	
Recommendation	*Outperform*
TP (PLN, Dec'25)	*3,300*

- **Equity story.** Benefit Systems's business generates lots of cash, which the company has decided to deploy to growth initiatives. We believe the business model's success in Poland, Czechia, and Bulgaria gives management strong arguments in favour of its decision. But high capex and pressure on margins are the price for faster growth. We are also concerned Benefit System will accept higher risk and possibly lower returns in pursuit of its 2027 targets (3.1mn sport cards, 650 fitness clubs). We reiterate our Outperform rating as the company has proved its capabilities to deliver profitable growth in new markets. But we acknowledge that risks are rising.
- **Recent developments.** Benefit System's performance year-to-date indicates that the Polish sports card market is far from saturated (+150k cards sold by November). This suggests an ample growth opportunities, not only in Poland but also in other CEE markets. Updated company's strategy until 2027 assumes increase in number of sport cards to 2.9-3.1mn (c. +40% vs. 2024E), number of fitness clubs to 600-650 (c. +100%), increase in revenue to PLN5.7-6.3bn (c. +80%) and in EBIT to PLN1.0-1.0bn (c. +45%). The company has not explicitly mentioned the capex figure, but adding 300 fitness clubs will likely require an outlay of c. PLN1.5bn.
- **Earnings forecasts.** We have left our earnings forecast for 2024-26E largely unchanged. We forecast EBIT of PLN724mn in 2024E (21.4% margin) and PLN741mn in 2025E (18.5% margin). We estimate the scaling up of the sports card business in Turkey and new fitness clubs in its international division to generate an operating loss of c. PLN90mn in 2025E, decreasing EBIT potential by 12%. Our forecast for 2027E assumes 2.9mn sport cards (-4% vs. Benefit Systems's target), 510 (- 20%), the revenue of PLN5.5bn (-8%), and EBIT of 0.9bn (-10%). We expect the benefits of fast growth are unlikely to be visible before 2027E.
- **Valuation and risks.** We have left our target price of PLN3,300 unchanged. We use DCF and peer comparison with 50/50 weightings. Major risks include the economic environment, especially the consumer macro. Company specific risks are primarily linked to the execution of the expansion strategy.

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Benefit Systems: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1,909.1	2,774.1	3,375.5	3,992.8	4,685.4
EBITDA excl. IFRS16 adj.	298.5	652.4	839.6	869.4	966.1
EBIT adj.*	212.8	540.1	723.6	740.6	811.5
Net profit adj.*	138.1	405.9	549.0	554.1	596.6
P/E adj. (x)	12.3	10.4	15.2	15.1	14.0
EV/ EBITDA excl. IFRS16 (x)	5.5	5.9	9.7	9.5	8.8
FCF Yield	6.7%	8.5%	3.1%	3.6%	3.8%
Dividend Yield	0.0%	2.9%	4.9%	5.2%	6.0%

*Source: Company data, Santander Brokerage Poland estimates *Net profit adjusted for FX gains/ losses; 2024E EBIT adj. for share-based management incentive scheme*

Analyst

Tomasz Krukowski, CFA, *Equity Analyst*

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Fig. 405. Benefit Systems: Quarterly results review

KPIs	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	y/y	4Q24E	2024E	2025E
No of cards ('000)*	1,771	1,800	1,812	1,919	1,826	1,997	1,993	2,013	*11%*	2,140	2,036	2,286
Poland	1,309	1,330	1,342	1,425	1,351	1,509	1,498	1,507	*12%*	1,580	1,523	1,643
Foreign	462	471	470	495	474	488	496	506	*8%*	560	512	642
ARPU growth	12%	17%	15%	14%	13%	12%	9%	7%		6%	8%	2%
Poland	9%	16%	16%	15%	12%	13%	9%	7%		6%	8%	2%
Foreign	20%	20%	14%	12%	16%	8%	8%	6%		6%	7%	1%

Income statement (PLNmn)	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	y/y	4Q24E	2024E	2025E
Revenues	625.3	697.5	693.9	757.5	2,774.1	801.1	844.8	835.9	*20%*	893.7	3,375.5	3,992.8
Gross profit	145.7	237.4	256.7	291.0	930.8	238.3	319.6	314.1	*22%*	320.2	1,192.2	1,313.9
EBIT	65.7	143.2	171.1	160.1	540.1	123.0	157.1	183.9	*7%*	191.5	655.6	740.6
EBIT adj.**	65.7	143.2	171.1	160.1	540.1	130.6	202.5	199.0	*15%*	191.5	723.6	740.6
Poland - sport cards	35.0	99.1	117.1	116.7	367.9	69.3	143.2	150.0	*28%*	140.5	503.1	528.0
Poland - fitness	15.4	14.8	8.7	16.2	55.1	41.1	28.3	18.4	*112%*	26.4	114.2	123.9
Poland - other	0.5	-3.5	-3.9	0.3	-6.7	-7.7	-6.3	-0.9	*-78%*	2.8	-12.1	-13.5
Foreign - sport cards	11.1	30.7	47.4	28.1	117.3	21.7	40.2	41.4	*-13%*	30.5	133.9	147.1
Foreign - fitness	5.3	6.3	3.1	-1.4	13.4	3.6	-2.3	-9.7	*-415%*	-11.6	-19.9	-44.9
Pre-tax profit	64.7	158.9	144.8	184.9	553.4	117.7	148.4	177.7	*23%*		624.6	698.9
Net profit	52.4	129.5	115.4	143.9	439.6	92.1	108.9	134.0	*16%*		481.0	554.1
EBITDA as reported	129.1	215.6	243.2	239.6	827.6	211.7	288.5	288.1	*18%*	286.3	1,074.6	1,143.9
EBITDA excl. IFRS 16	86.3	172.6	199.0	195.4	652.4	154.3	236.0	228.1	*15%*	221.0	839.6	869.4
Gross margin	23.3%	34.0%	37.0%	38.4%	33.6%	29.7%	37.8%	37.6%		35.8%	35.3%	32.9%
EBIT adj. margin	10.5%	20.5%	24.7%	21.1%	19.5%	16.3%	24.0%	23.8%		21.4%	21.4%	18.5%

Source: Company data, Santander Brokerage Poland estimates

Fig. 406. Benefit Systems: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	3,866	3,866	*0%*
Comparable valuation	2,711	2,711	*0%*
Target Price (Dec'25)*	**3,300**	**3,300**	***0%***

*Source: Company data, Santander Brokerage Poland estimates *target price is based on DCF and peer comparison with 50/50 weightings*

Fig. 407. Benefit Systems: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Revenues	1,909.1	2,774.1	3,375.5	3,992.8	4,685.4
COGS	1,392.0	1,843.4	2,183.3	2,679.0	3,208.0
Gross profit	517.1	930.8	1,192.2	1,313.9	1,477.4
SG&A	290.9	379.0	530.3	556.7	647.0
Other operating items, net	-13.5	-11.6	-6.3	-16.5	-18.8
EBIT	212.8	540.1	655.6	740.6	811.5
EBIT adj.*	212.8	540.1	723.6	740.6	811.5
Poland	189.4	416.1	605.4	638.4	703.1
Foreign	25.4	130.6	114.0	102.3	108.5
Net financial costs	36.2	-13.3	31.0	41.7	59.5
Pre-tax profit	176.6	553.4	624.6	698.9	752.0
Tax	37.5	108.5	138.5	139.8	150.4
Minorities	1.0	5.2	5.0	5.0	5.0
Net profit	138.1	439.6	481.0	554.1	596.6
Net profit adj.*	138.1	405.9	549.0	554.1	596.6
EBITDA as reported, adj.*	444.8	827.6	1,074.6	1,143.9	1,284.8
EBITDA excl. IFRS 16, adj. *	298.5	652.4	839.6	869.4	966.1

PLNmn	2022	2023	2024E	2025E	2026E
Total Assets	2,234.0	2,800.4	3,188.1	3,509.6	3,972.6
Equity	727.0	996.8	1,064.9	1,186.1	1,284.0
Minorities	-1.6	1.6	6.6	11.6	16.6
Short and Long term Debt	84.7	60.5	60.5	60.5	210.5
Lease liabilities	954.6	1,062.5	1,162.5	1,237.5	1,312.5
Other liabilities	469.3	679.1	893.6	1,014.0	1,149.0
Total Equity and Liabilities	2,234.0	2,800.5	3,188.1	3,509.6	3,972.6
Net debt incl. IFRS 16 leases	821.0	689.0	945.4	1,154.6	1,406.8
Net debt excl. IFRS 16 leases	-133.6	-373.5	-217.1	-82.8	94.3
Net debt to EBITDA excl. leases (x)	-0.4	-0.6	-0.3	-0.1	0.1

PLNmn	2022	2023	2024E	2025E	2026E
Operating CF less leases	274.3	622.8	671.5	759.0	834.1
Investing CF	-155.1	-262.2	-415.0	-460.3	-512.5
FCF pre dividends	119.3	360.6	256.5	298.7	321.6
Dividends paid/ Buyback	-0.3	-121.3	-412.9	-432.9	-498.7

*Source: Company data, Santander Brokerage Poland estimates *Net profit adjusted for FX gains/ losses; 2024E EBIT adj. for share-based management incentive scheme*

Grupa Pracuj

Bloomberg: GPP PW, Reuters: GPP.WA

CEE Equity Research

Technology, Poland

Macro challenges

- **Equity story.** Grupa Pracuj is a market leader in the recruitment market in Poland. Strong competitive moats, inroads into Germany and Ukraine, and high cash flow generation are the major positives of the investment case. However, despite being structurally tight, the Polish labour market failed to create new jobs this year. Grupa Pracuj compensates for declining volumes in the white-collar segment with price hikes and expansion into pink/blue-collar markets. The latter yields lower margins, however. We believe Grupa Pracuj needs a recovery in the labour market to return to double-digit growth. We reiterate our Neutral recommendation with our target price reduced to PLN61 from PLN69.
- **Recent developments.** Grupa Pracuj delivered decent results in 3Q24, with a 7% increase in revenues and 8% in adj. EBITDA. Earnings growth in Poland was low single-digit, as the company increased its exposure to the pink/blue collar segment, which yields lower margins. The number of recruitment projects in Poland increased by 3%, while average prices increased by 4%. The management expects similar trends to be sustained in the following quarters.
- **Earnings forecasts.** We believe Grupa Pracuj needs stronger activity in the Polish labour market, thus a more robust macro environment, for its earnings to return on the path of double-digit expansion. Without that, we expect earnings growth to be mid-single digit. We forecast 2024E EBITDA adj. at PLN348mn (+5% y/y) and 2025E at PLN373mn (+7% y/y). We highlight that high FCF generation leads to fast deleveraging. We forecast net debt at PLN88mn as of the end of 2024, implying 0.3x net debt/EBITDA. We believe capital allocation has become an important topic.
- **Valuation and risks.** We have trimmed our target price to PLN61 from PLN69 on lower comps valuations. Our target price is set as the average of peer comparison and DCF with 50/50 weightings. Grupa Pracuj is trading at 2025E EV/EBITDA of 10.5x and P/E of 15.5x. Risks include macro environment, especially with regard to the labour market. Company-specific risks include the execution of international expansion and capital allocation.

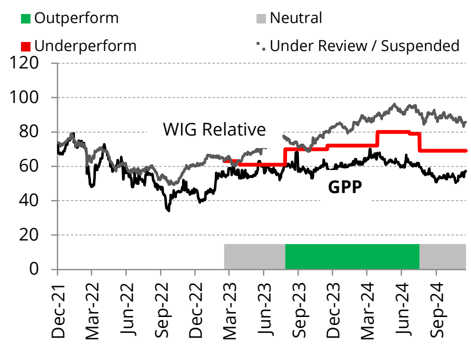
Grupa Pracuj: Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	608.5	724.4	765.9	829.9	924.8
EBITDA adj.	305.3	330.4	348.1	373.0	414.6
EBIT	246.2	281.8	299.3	323.0	362.6
Net profit adj.	166.6	208.9	229.2	253.1	289.6
P/E (x)	22.5	18.5	17.1	15.5	13.5
EV/ EBITDA adj. (x)	13.2	12.2	11.5	10.5	9.1
FCF Yield	-8.0%	7.5%	5.1%	7.0%	8.1%
Dividend Yield	3.6%	2.6%	3.5%	4.4%	4.8%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2024, PLN)	57.4
Target price (Dec'25, PLN)	**61**
Previous report issued on July 26, 2024 with:	
Recommendation	*Neutral*
TP (PLN, Dec'25)	*69*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Analyst

Tomasz Krukowski, CFA, *Equity Analyst*
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Fig. 408. Grupa Pracuj: Quarterly results review

KPIs	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	y/y	4Q24E	2024E
No of projects (k)	132.7	125.2	123.0	110.8	490.6	126.7	127.1	127.5	*3%*	114.2	495.5
Av price of project (PLN)	873.0	889.0	882.0	947.2	898.0	959.3	911.0	912.6	*4%*	977.9	940.2
PLNmn	**1Q23**	**2Q23**	**3Q23**	**4Q23**	**2023**	**1Q24**	**2Q24**	**3Q24**	***y/y***	**4Q24E**	**2024E**
Revenues	185.4	184.3	181.2	173.5	724.4	196.0	193.6	193.0	*7%*	183.4	765.9
Poland	129.6	127.6	125.5	125.4	508.1	139.5	135.1	136.0	*8%*	136.2	546.9
Germany	46.1	46.5	44.3	37.7	174.6	44.3	45.7	43.3	*-2%*	36.7	170.0
Ukraine	9.7	10.2	11.4	10.4	41.7	12.2	12.8	13.7	*20%*	10.4	49.0
EBITDA adj.	83.9	89.1	87.6	69.8	330.4	87.2	89.5	94.2	*8%*	77.2	348.1
Poland	75.6	78.3	77.9	62.8	294.6	74.7	75.9	79.6	*2%*	64.8	295.0
Germany	5.5	7.2	6.9	7.2	26.9	8.1	10.0	10.7	*55%*	8.6	37.4
Ukraine	2.8	3.6	2.8	-0.2	9.0	4.3	3.7	3.9	*41%*	3.8	15.7
EBITDA	81.9	87.0	80.7	66.6	316.2	83.6	86.5	89.8	*11%*		333.6
D&A	8.7	8.6	8.7	8.5	34.4	8.4	8.4	8.5	*-2%*		34.3
EBIT	73.2	78.5	72.0	58.1	281.8	75.2	78.1	81.3	*13%*		299.3
Net profit	49.5	58.4	49.6	27.6	185.0	58.1	41.5	60.6	*22%*		215.8

Source: Company data, Santander Brokerage Poland estimates

Fig. 409. Grupa Pracuj: Forecasts changes

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	765.9	802.2	*-5%*	829.9	901.1	*-8%*	924.8	1,009.8	*-8%*
EBITDA adj.	348.1	345.9	*1%*	373.0	382.1	*-2%*	414.6	421.3	*-2%*
EBIT	299.3	302.5	*-1%*	323.0	336.4	*-4%*	362.6	373.2	*-3%*
Net profit adj.	229.2	229.8	*0%*	253.1	263.4	*-4%*	289.6	298.2	*-3%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 410. Grupa Pracuj: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	71.0	76	*-7%*
Comparable valuation	50.1	62.8	*-20%*
Target Price (Dec'2025)*	**61**	**69**	***-12%***

*Source: Company data, Santander Brokerage Poland estimates; * the average of peer comparison and DCF with 50/50 weightings*

Fig. 411. Grupa Pracuj: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Net sales	608.5	724.4	765.9	829.9	924.8
EBITDA adj.	305.3	330.4	348.1	373.0	414.6
EBITD.	268.4	316.2	333.6	358.5	400.1
EBIT	246.2	281.8	299.3	323.0	362.6
Profit before tax	220.9	231.7	276.6	323.2	368.9
Net profit	166.6	185.0	215.8	253.1	289.6
Net profit adj.	166.6	208.9	229.2	253.1	289.6
EBITDA margin	44.1%	43.7%	43.6%	43.2%	43.3%
EBIT margin	40.5%	38.9%	39.1%	38.9%	39.2%
Net margin	27.4%	25.5%	28.2%	30.5%	31.3%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	218.1	274.1	240.0	247.7	384.4
Fixed assets	800.2	754.6	787.3	790.6	795.2
Total assets	1,018.2	1,028.7	1,027.2	1,038.3	1,179.6
Current liabilities	366.1	380.0	393.7	418.1	454.1
bank debt	74.4	34.0	34.0	34.0	34.0
Long-term liabilities	341.1	285.5	185.5	85.5	85.5
bank debt	311.9	262.9	162.9	62.9	62.9
Equity	311.0	363.2	448.0	534.7	640.0
Total liability and equity	1,018.2	1,028.7	1,027.2	1,038.3	1,179.6
Net debt	286.0	149.9	88.5	-13.1	-140.8
Net Debt/ EBITDA (x)	1.1	0.5	0.3	0.0	-0.3

PLNmn	2022	2023	2024E	2025E	2026E
Operating CF less leases	229.3	311.7	255.1	302.6	349.9
Capex	-15.8	-22.4	-26.8	-29.0	-32.4
M&As	-514.0	0.0	-30.4	0.0	0.0
FCF pre dividends	-299.9	289.7	197.9	273.5	317.5
Dividends paid/ buybacks	-136.5	-102.4	-136.5	-171.9	-189.8

Source: Company data, Santander Brokerage Poland estimates

Wirtualna Polska Holding

Bloomberg: WPL PW, Reuters: WPL.WA

CEE Equity Research

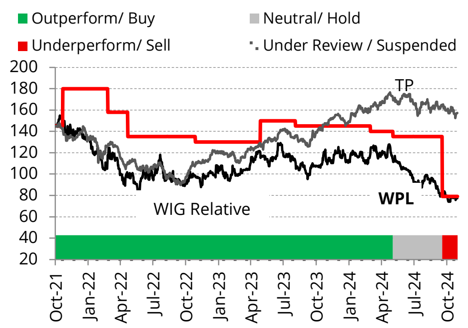
Media/ Technology, Poland

Challenges appear secular

- **Equity story.** WPL's flagship advertising business has been struggling, and we are concerned the challenges are secular despite our positive view of the digital ad market. The company's assets still generate lots of cash, and WPL's stock is trading at a 2025E FCF yield of 7%. Unless the media division delivers a turnaround (which, we argue, is uncertain), WPL's equity story hinges on the quality of capital allocation. The company's track record in that area has been mixed. We reiterate our Underperform rating and the target price of PLN79.
- **Recent developments.** 3Q24 results were lacklustre, with 8% growth in revenue and 3% in EBITDA adj. Management presentation focused on initiatives being undertaken to improve revenue performance in digital advertising, i.e. applying AI tools that boost productivity. While we appreciate the company's efforts, we believe technology is a constant race, and WPL's competitors have deep pockets. Seemingly, mounting antitrust challenges of Alphabet could improve WPL's competitive position, but both the timing and outcome of regulatory actions are uncertain. About the travel segment, management attributes the slowdown in momentum to a high base and different seasonality than in 2023.
- **Earnings forecasts.** We forecast 2024E EBITDA adj. at PLN455. We expect 5% EBITDA growth in 2025E to PLN479m, which reflects a positive cost-cutting effect in the advertising division and growth deceleration in international travel. While we appreciate the company's cost-cutting initiatives in the advertising division, we believe it is not costs, but revenue generation that is the major challenge.
- **Valuation and risks.** Our target price of PLN79 (unchanged) is based on DCF only. The risks to our investment view include macroeconomic developments, the competitive environment, both in digital and e-commerce businesses, and capital allocation (M&As might prove value destructive).

RECOMMENDATION	Underperform
Current price (26 Nov 2024, PLN)	77.3
Target price (Dec'25, PLN)	**79**
Previous report issued on October 14, 2024 with:	
Recommendation	*Underperform*
TP (PLN, Dec'25)	*79*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

Wirtualna Polska Holding : Financial summary and ratios

Year to Dec, PLNmn	2022	2023	2024E	2025E	2026E
Sales	1,077.7	1,436.8	1,549.8	1,681.1	1,790.7
EBITDA adj.	371.4	439.0	455.1	479.1	504.6
EBIT	239.6	281.2	282.3	314.4	329.1
Net profit	170.5	155.8	152.7	193.6	221.5
P/E (x)	17.8	20.6	15.0	11.8	10.3
EV/ EBITDA adj. (x)	9.7	8.6	6.2	5.7	5.2
FCF Yield	-10.7%	4.4%	3.1%	7.3%	8.5%
Dividend Yield	1.1%	2.3%	2.6%	3.2%	3.2%

Source: Company data, Santander Brokerage Poland estimates

Analyst

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Fig. 412. Wirtualna Polska Holding: Quarterly results review

PLNmn, year to Dec.	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	y/y	4Q24E	2024E
Revenues	**310.5**	**359.5**	**405.3**	**361.5**	**1436.8**	**349.9**	**380.8**	**437.5**	***8%***	**389.6**	**1549.8**
y/y, of which	45.6%	34.8%	49.6%	10.5%	33.3%	12.7%	5.9%			7.8%	7.9%
advertising & subscriptions	158	169	156	204	687	161	174	167	*7%*	214	704
travel	92	122	186	94	495	126	144	208	*12%*	113	592
consumer finance	49	56	48	47	199	48	49	48	*1%*	51	196
other	11	12	16	17	56	15	13	13	*-14%*	12	58
EBITDA	**75.6**	**96.7**	**146.3**	**108.5**	**427.2**	**81.1**	**85.4**	**152.6**	***4%***	**118.4**	**438.8**
adj. EBITDA	**76.0**	**100.2**	**149.8**	**113.0**	**439.0**	**84.3**	**98.4**	**153.6**	***3%***	**118.4**	**455.1**
advertising & subscriptions	59.9	67.9	59.8	89.9	277.8	54.4	58.1	60.9	*2%*	94.4	265.2
travel	10.0	23.9	83.4	15.3	130.9	22.9	31.4	85.3	*2%*	16.9	158.1
consumer finance	6.2	8.1	5.7	6.5	25.0	6.4	8.4	6.9	*21%*	6.2	28.7
other	-0.1	0.3	0.9	1.3	5.2	0.6	0.5	0.5		1.0	3.1
Adj. EBITDA margin	24.9%	28.4%	37.0%	31.9%	31.2%	24.4%	26.3%	35.3%	*-4%*	30.4%	29.9%
EBIT	38.6	58.6	109.6	74.3	281.2	42.8	45.7	113.5	*4%*	81.8	282.3
Pre-tax	26.1	46.3	89.9	56.3	218.7	27.3	30.5	98.8	*10%*		219.3
Net profit	14.4	31.9	70.1	39.3	155.8	16.7	16.8	77.4	*10%*		152.7

Source: Company data, Santander Brokerage Poland estimates

Fig. 413. Wirtualna Polska Holding: Valuation changes

PLN per share	New	Previous	*Change*
DCF valuation	79	79	*0%*
Target Price (Dec'25)*	**79**	**79**	***0%***

*Source: Company data, Santander Brokerage Poland estimates; * based on DCF model only, we resigned from the comparable valuation methodology as WPL's current growth profile fails to match the growth rates of its peers*

Fig. 414. Wirtualna Polska Holding: Financial statements forecast

PLNmn	2022	2023	2024E	2025E	2026E
Revenues	1,078	1,437	1,550	1,681	1,791
Advertising & subscriptions	595	687	704	725	754
Travel	243	495	592	681	749
Consume finance	171	199	196	215	226
EBITDA Adj.	371	439	455	479	505
Advertising & subscriptions	282	278	265	269	275
Travel	61	131	158	177	195
Consume finance	30	25	29	30	32
EBITDA reported	340	427	439	479	505
D&A	101	146	157	165	175
EBIT	240	281	282	314	329
Net financial costs	8	62	63	45	34
Pre-tax profit	231	219	219	269	295
Tax	53	55	57	63	59
Minorities	8	8	10	13	15
Net profit	171	156	153	194	222
Adj. EBITDA margin	34.5%	30.6%	29.4%	28.5%	28.2%

PLNmn	2022	2023	2024E	2025E	2026E
Current assets	477	559	450	421	566
Fixed assets	1,534	1,526	1,617	1,657	1,698
Total assets	2,011	2,085	2,067	2,078	2,264
Current liabilities	446	535	563	592	616
bank debt	168	212	212	212	212
Long-term liabilities	642	634	484	334	334
bank debt	569	570	420	270	270
Equity	923	916	1,019	1,152	1,314
Total liability and equity	2,011	2,085	2,067	2,078	2,264
Net debt	551	542	529	436	315
Net Debt/ EBITDA (x)	1.5	1.2	1.2	0.9	0.6

PLNmn	2022	2023	2024E	2025E	2026E
Operating CF less leases	252	368	299	352	392
Investing CF	-576	-226	-227	-185	-197
FCF pre dividends	-324	142	72	167	195
Dividends paid	-34	-73	-59	-73	-73

Source: Company data, Santander Brokerage Poland estimates

Wizz Air

Bloomberg: WIZZ LN, Reuters: WIZZ.L

CEE Equity Research

Airlines, UK/ Hungary

Will challenges ever end?

- **Equity story.** Next year, Wizz's capacity is about to return on a 15-20% growth trajectory even though it is still grounding 40-45 aircraft due to Pratt's engines debacle. Growth and improving fleet mix should allow the company to regain some of its cost efficiency, which it lost this year. We are concerned, however, that the market might not be ready to absorb Wizz's growing fleet, and pressure on unit revenues (RASK) might emerge. Wizz posted weak 1H FY 2025Y results, and we believe the company is unlikely to deliver on its full-year guidance unless the dollar weakens versus the euro to around 1.10. We reiterate our Neutral rating with the target price reduced to GBp1,500 from GBp2,000.
- **Recent developments.** Wizz posted flat revenues amid a 1% drop in ASK capacity and a 1% increase in average price (RASK). Revenue performance was disappointing as the company reduced the number of routes by 14%. Unit costs (CASK) ex-fuel surged by 16% as lack of capacity growth and grounding of over 40 aircraft drove costs inefficiency. EBIT dropped by 33% to EUR340mn. EUR94mn of FX gains saved the bottom line, and net profit amounted to EUR315mn. Wizz sustained its full-year FY2025 guidance of EUR350-450mn, which appears very challenging. Not only FX moves quarter-to-date reversed all FX gains the company posted this year, but airlines usually struggle to be profitable during winter. We have decreased our FY2025E net profit forecast to EUR247mn from EUR320mn (assumed zero result on FX in full year).
- **Earnings forecasts.** Wizz capacity is likely to grow by c. 20% in FY2026E on the back of new deliveries from Airbus and despite the grounding of 40-45 aircraft due to a Pratts engine issue, we assume. We expect the growth, better fleet structure, and management's renewed focus on efficiency should lead to a c. 3% drop in unit costs (CASK) ex-fuel. We are concerned, though, that unit revenues might be under pressure. We forecast FY2026E EBIT at EUR633mn and net profit at EUR358mn (both largely unchanged).
- **Valuation and risks.** We have decreased our target price to PLN GBp1,500 from GBP2,000. Our valuation is based on the average of target multiple valuation (5x EV/EBITDAR) with a 50% weight and a comparison to other low-cost carriers (based on EV/EBITDAR and P/E) with a 50% weight. Major risks in our view are: geopolitical events, macroeconomic environment, oil prices, FX rates, and competitive and regulatory environment.

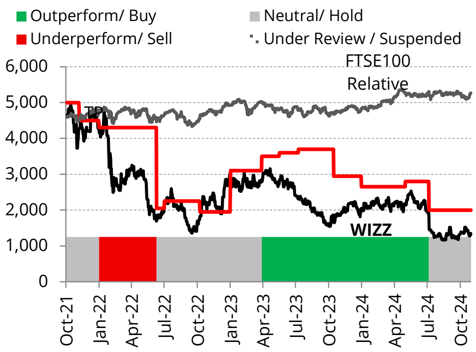
Wizz Air: Financial summary and ratios

Year to March, EURmn	2023	2024	2025E	2026E	2027E
Sales	3,896	5,073	5,388	6,368	7,590
EBITDA	134	1,193	1,361	1,695	2,102
EBIT	-467	438	437	633	827
Net profit	-523	377	247	358	466
P/E (x)	-6.6	8.9	8.3	5.7	4.4
EV/ EBITDA (x)	54.9	6.8	5.6	4.9	4.2
FCF Yield	-3.8%	-12.9%	22.0%	1.8%	17.9%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland estimates

RECOMMENDATION	Neutral
Current price (25 Nov 2024, GBp)	1,362
Target price (Dec'25, GPBp)	**1,500**
Previous report issued on August 2, 2024 with:	
Recommendation	*Neutral*
TP (GBp, Dec'25)	*2,000*

STOCK PERFORMANCE



The chart measures performance against the WIG index.

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Fig. 415. Wizz Air: Quarterly results review

Year to March, EURmn	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24	2024
Revenues	1,237	1,816	1,065	956	5,073	1,259	1,807	1,256	1,065	5,388
EBITDA	237	641	19	297	1,193	275	552	267	268	1,361
EBITDA margin	*19.1%*	*35.3%*	*1.7%*	*31.0%*	*23.5%*	*21.8%*	*30.5%*	*21.3%*	*25.1%*	*25.3%*
EBIT	80	443	-180	95	438	45	305	37	51	437
EBIT margin	*6.5%*	*24.4%*	*-16.9%*	*10.0%*	*8.6%*	*3.5%*	*16.9%*	*2.9%*	*4.8%*	*8.1%*
Pre-tax profit	67	383	-118	9	341	-5	368			276
Net profit	63	342	-113	85	377	6	318			247
Net margin	*5.1%*	*18.9%*	*-10.6%*	*8.8%*	*7.4%*	*0.5%*	*17.6%*			*4.6%*
YoY growth rates										
Revenues	53%	31%	17%	21%	30%	2%	0%	18%	11%	6%

Source: Company data, Santander Brokerage Poland estimates

Fig. 416. Wizz Air: Forecasts changes (year to March)

EURmn	2025E			2026E			2027E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	5,388	5,346	*1%*	6,368	6,239	*2%*	7,590	7,614	*0%*
EBITDA	1,361	1,443	*-6%*	1,695	1,669	*2%*	2,102	1,982	*6%*
EBIT	437	520	*-16%*	633	607	*4%*	827	707	*17%*
Net profit	247	320	*-23%*	358	348	*3%*	466	377	*24%*

Source: Company data, Santander Brokerage Poland estimates

Fig. 417. Wizz Air: Valuation changes

GBp per share	New	Previous	*Change*
DCF valuation	1,592	3,162	*-50%*
Comparable valuation	1,454	783	*86%*
Target Price (Dec'25)*	**1,500**	**2,000**	***-25%***

*Source: Company data, Santander Brokerage Poland estimates; * based on the average target multiple valuation with a 50% weight and a comparison to other low-cost carriers with a 50% weight. We have reduced our target EV/EBITDA to 5.0x from 7.5x to incorporate 1) the challenges that Wizz keeps on facing and 2) the company's mediocre track-record of delivery of its financial targets.*

Fig. 418. Wizz Air: Financial statements forecast (year to March)

EURmn	2023	2024	2025E	2026E	2027E
Net sales	3,896	5,073	5,388	6,368	7,590
EBITDA	134	1,193	1,361	1,695	2,102
EBIT	-467	438	437	633	827
Net financial costs	131	136	162	217	285
Profit before tax	-565	341	276	416	542
Net profit	-523	377	247	358	466
EBITDA margin	3.4%	23.5%	25.3%	26.6%	27.7%
Net margin	-13.4%	7.4%	4.6%	5.6%	6.1%

	2023	2024	2025E	2026E	2027E
ASK (mn km)	97,779	121,750	123,147	147,022	178,796
y/y	*75.3%*	*24.5%*	*1.1%*	*19.4%*	*21.6%*
RASK (EURc)	3.98	4.17	4.38	4.33	4.24
y/y	*33.6%*	*4.6%*	*5.0%*	*-1.0%*	*-2.0%*
Cost per ASK (EURc)	4.58	3.90	4.15	4.05	3.94
YoY (%)	*15.3%*	*-14.8%*	*6.4%*	*-2.5%*	*-2.6%*
Cost ex-fuel per ASK (EURc)	2.58	2.38	2.68	2.60	2.51
y/y	*-8.1%*	*-7.8%*	*12.7%*	*-3.1%*	*-3.4%*

EURmn	2023	2024	2025E	2026E	2027E
PPE & Intangables	4,743	5,908	7,342	8,636	9,844
Restricted cash	120	109	109	109	109
Inventories	296	334	353	409	482
Receivables	390	670	590	698	832
Cash	1,409	1,480	1,430	1,222	1,587
Equity	-331	183	430	788	1,255
Financial liabilities	5,302	6,270	6,945	7,506	8,400
Payables	886	925	977	1,131	1,334
Deferred income	874	945	1,107	1,281	1,499
Net debt	3,893	4,790	5,515	6,284	6,813
Leverage ratio *	29.0	4.0	4.1	3.7	3.2

EURmn	2023	2024	2025E	2026E	2027E
Operating CF as reported	421.9	676.8	1,595.9	1,802.4	2,239.3
lease payments and interest	-619.7	-750.3	-975.0	-1,201.0	-1,490.7
Operating CF after lease payments	-197.8	-73.5	620.9	601.4	748.6
Capex	65.5	-360.0	-170.5	-564.4	-383.2
FCF	-132.3	-433.5	450.4	37.0	365.4

Source: Company data, Santander Brokerage Poland estimates

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In preparing this report Santander Brokerage Poland applied at least one of the following valuation methods: discounted cash flows (DCF), comparative, mid-cycle, dividend discount model (DDM), residual income, warranted equity method (WEV), SOTP valuation, liquidation value.
The discounted cash flows (DCF) valuation method is based on expected future discounted cash flows. One advantage of the DCF valuation method is that it takes into account all cash streams reaching Issuer and the cost of money over time. Some disadvantages of the DCF valuation method are that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The comparative valuation method is based on the economic rule of "one price". Some advantages of the comparative valuation method are that the analyst need only estimate a small number of parameters; the valuation is based on current market conditions; the relatively large accessibility of indicators for companies being compared; and that there is an extensive knowledge of the comparative method among investors. Some disadvantages of valuation by the comparative method are the considerable sensitivity of the results of the valuation on the choice of companies to the comparative group; the method can lead to a simplification of the picture of the company which in turn can lead to omitting certain important factors (e.g. growth dynamics, extra-operational assets, corporate governance, the repeatability of results, differences in applied accounting standards); and the uncertainty of the effectiveness of a market valuation of companies being compared.
The mid-cycle multiple valuation is based on long-term average valuation multiples of a sector or a peer group. The methodology aims to calculate a fair, through the cycle value of the company. Among its shortfalls is that at peaks and/or troughs of the cycle, the implied fair value may deviate substantially from the market's value of an analysed stock as well as the methods' reliance on the quality of external data (we usually use Bloomberg or Damodaran databases). Simplicity and average through-cycle value allowing to capture over- as well as under-valuation of a given stock are the main advantages of this methodology.
The dividend discount model (DDM) valuation is based on the net present value of the future dividends that are expected to be paid out by the company. Some advantages of the DDM valuation method are that it takes into account real cash flows to equity-owners and that the methodology is used in respect to companies with long dividend payout history. Main disadvantage of the DDM valuation method is that dividend payouts are based on a large number of parameters and assumptions, including dividend payout ratio.
Residual income method is conceptually close to the discounted cash flows method (DCF) for non-financial stocks, the difference being that it is based on expected residual income (returns over COE) rather than expected future cash flows. One advantage of this valuation method is that it captures the excess of profit potentially available to shareholders and the cost of money over time. Main disadvantage of the valuation method is that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The warranted equity method (WEV) is based on the formula P/BV = (two year forward ROE less sustainable growth rate)/(Cost of equity less sustainable growth rate) which allows estimating a fair value (FV) of a given stock in two years' time. Subsequently the FV is discounted back to today. The main advantage of the WEV method is that it is a transparent one and based on relatively short term forecasts, hence substantially reducing the margin of forecasting error. The main disadvantage in our view is that the model is based on the principle that stock price should converge towards its fair value implied by company's ROE and COE.
SOTP valuation - different assets of a company are being valued according to different valuation methods, and the sum of these valuations represents the final valuation of the company. SOTP valuation advantages / disadvantages are identical to advantages and disadvantages of the specific valuation methods used.
Liquidation value method – liquidation value is the estimated amount of money that an asset or company could be quickly sold for, such as if it were to go out of business. Then, the estimated assets value is adjusted for liabilities and liquidation expenses. One advantage of this valuation method is its simplicity. This method does not account for intangible assets as goodwill, which is the main disadvantage.

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