ENEA

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Santander Biuro Maklerskie

CEE Equity Research

CEE Utilities

13 May 2025, 08:05 CET

Irresistibly Inexpensive, with a Dividend?

Recommendation upped to Outperform, TP up to PLN21.3

Material 2024's Working Capital reduction resulted in additional PLN2bn cut to Enea's Economic Net Debt, strongly supportive of the company's indebtedness outlook and DCF / comparative valuations. Also, Enea's 2025 Distribution RAB is to grow by PLN2bn or 19% y/y (!), which supports SoTP valuation and short- to long-term Distribution EBITDAs. Finally, 1Q2025P come in strong, again, which made us increase our 2025-27E forecasts for the stock. We are not fans of Enea's PLN1.7bn worth of renewable acquisitions or planned gas-fired investments (we cautiously see their NPVs at nil, despite capacity support in the latter), though we admit these should support Enea's mid-term EBITDAs. Enea's low indebtedness and high EBITDAs make it trade at 2025E EV/EBITDA ratio of 2.2x, which (despite coal exposure) we see as exceptionally low given that Enea's share of combined renewables and distribution should expand to 69% of total EBITDA already next year. Last but not least, dividend proposal (DPS at PLN0.5, DY @ 3%) comes in as material positive surprise, we note, not because of high yield, but rather due to potential re-rating to very different league of dividend-paying (reliable & investable) utilities.

Dividends to be reinstated? Yesterday the company's management proposed 2025 DPS at PLN0.5 a share (DY at 3%). It still needs to be approved by the Group's SB and AGM. It would have been the first dividend payment since 2017, and major positive surprise (2025-27E DPS at Bloomberg's consensus and SANe at nil). The yield would not come in stunning, but reinstation of dividend payment(s) would strongly support Enea's investment story, we conclude.

Supportive Net Debt / RAB developments. The company's reported 2024 net debt fell PLN2bn y/y, in line with expectations. However, additional material Working Capital support made the Group's Economic Net Debt decline very substantially by over PLN4bn, offering decent upside to our estimates. Also, Enea's 2025 Distribution RAB grew by PLN2bn or 19% y/y (!). If similar pace is maintained in years of high distribution capex, Enea's distribution segment RAB (basis for valuation) may surprise investors on the upside, we note.

2025E: Acquisitions / Capacity Market / Gas, eased political pressure(s) until 3Q2027E? Recently Enea inked two renewable acquisitions, purchasing running / ready-to-run 167MW in on-shore for PLN1.7bn. Enea also plans to apply for 17-year support for its PLN7bn worth-of-capex 1.4GW in gas-fired units. We note that we assume NPVs of all the abovementioned should settle at nil, though coming in supportive of its long-term EBITDA / bottom line / dividends. Also, two auctions for Conv.Gen. support are to take place in May/Nov2025, and we believe Enea should receive substantial support in the latter. Finally, with no elections scheduled in Poland until Oct2027, we note that the political pressure(s) might ease in next two years.

Risks. Reinstation of the Russian gas imports (depressing electricity prices) poses key risk to renewable / heat / Conv.Gen segments, we believe. Macro slowdown may trim growth at distribution and electricity demand, negative to all utilities. Departure from ESG policies could turn Polish utilities investable again, we assume, just like restoration of carve-out hopes. Declines at the Polish RFR may weaken Distribution WACCs, we note. Cut to the European CO2 prices and reduced biomass availability could expose Enea's generation, just as low new capacity support for 2026-28.

Forecasts, valuation, recommendation. With full-year data available and 1Q2025P supportive developments, we increase our forecasts for the Group. All the above-mentioned developments make us re-rate Enea at DCF (PLN22.9 a share) and comparative valuation (PLN33.3 share). Finally, we assume Enea would pay its first dividend since 2017 (DDM at PLN4.7 a share). All these result in our blended TP growing 45% to PLN21.3 a share, and double-digit upside results in Enea's recommendation upped to Outperform from Neutral.

Enea: Financial summary

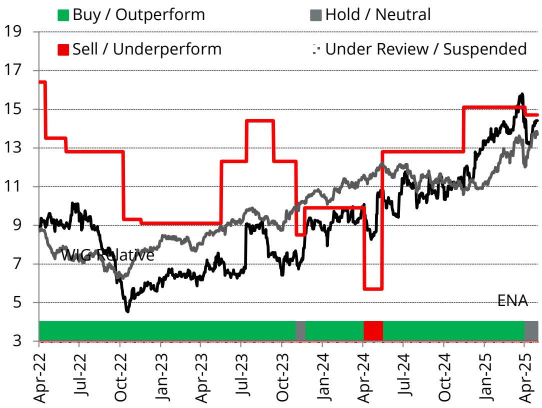
PLNmn, year to Dec	2022	2023	2024	2025E	2026E	2027E
Revenue	30 076	48 183	31 235	26 029	21 865	20 303
EBITDA	2 217	6 298	6 806	5 873	4 774	4 638
EBIT	575	955	3 184	3 955	2 751	2 501
Net profit	45	-660	1 396	2 793	1 978	1 698
P/E (x)	86.0	-5.8	3.9	2.9	4.1	4.7
EV/EBITDA (x)	4.3	1.7	1.3	2.2	3.8	4.7
DY	0.0%	0.0%	0.0%	3.3%	3.3%	3.3%
FCF Yield	-47%	-36%	62%	-17%	-59%	-43%

Source: Company data, Santander Brokerage Poland est., historical share prices for 2022-24

Recommendation	Outperform
Target Price [Dec2025]	PLN21.3
Price (PLN, 09 May 2025)	15.2
Market cap. (PLNmn)	8,044
Free float (%)	48.5
Number of shares (mn)	529

What has changed

- TP upped 45% to PLN21.3, recommendation upped to Outperform
- Full-year 2024 data brought in PLN2bn deleveraging on Working Capital (Economic Net Debt down PLN4bn y/y to PLN2.8bn). Also, 2025 RAB grew by stunning PLN2bn or 19% y/y, boding very well for valuation and EBITDAs…
- …and strong 1Q25P data suggest Enea's FY2025E EBITDA might come well above consensus (supportive of cash position)
- We are not bit fans of the recent PLN1.7bn worth of renewable acquisition or PLN7bn planned gas investments, seeing their NPVs at nil. Still, these should support Group's EBITDAs as of 2029E
- Enea's management proposed DPS at PLN0.5 from 2024, a material positive surprise. Such dividend could re-rate the stock into different league of dividend-paying utilities, we note
- Enea's indebtedness remains very low, its EBITDA is eroding rather slowly, which turns the stock into the most inexpensive utility in Europe (regardless of distribution/renewable EBITDA expanding to 69% as of 2026E)
- Enea's key investment concerns include 1) coal carve-out, 2) gas units' investments and 3) the fate for Bogdanka's stake



The chart measures performance against the WIG index

Main shareholders	% of votes
The Polish State	51.5

Source: Company

Company description

The State-controlled utility, with 6.3GW in total capacity (mostly coal/biomass-fired), including 0.7GW in renewables. Enea services 2.7mn clients via its own distribution network (118thous. km), it also holds a 65% stake in the WSE-listed thermal coal miner Bogdanka (LWB).

Analyst

Pawel Puchalski, CFA
Equity Analyst

+48 517 881 837 pawel.puchalski@santander.pl

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Key Story

[+] Dividend policy reinstated?

Yesterday the company's management proposed PLN265mn dividend payment from 2024 profits. The statement underlines that Enea's dividend policy would depend on the future profits and Group's financial standing.

The management intends to apply for Supervisory Board's approval in coming days. The final decision on 2025 dividend would be made at the company's Annual General Meeting.

Comment: Strong Positive.

The Polish utilities have ceased paying dividends several years ago, and pending heavy multi-year outlays on energy transformation gave investors and analysts little hope with respect to mid-term dividend payments' prospects.

Enea's dividend proposal from 2024 profits would represent dividend payout at 20%, and DPS at PLN0.5 would imply DY at 3.3%, we calculate. However, if this dividend is paid, the consensus could shift from current "dividend at nil for several years" to "stable PLN0.5 DPS per annum", a clear booster to Enea's / sector's investability, we conclude.

The bullish scenario could suggest 2026 DPS doubling y/y, if the company were to maintain its dividend payout at 20% unchanged. We cautiously believe that heavy outlays on renewables and new gas units should keep Enea's DPS stable at PLN0.5 until 2027E (three annual payments at PLN0.5 a share), and Enea's dividend could be put on hold again in 2028-30E, when the Group's indebtedness should exceed 3.0x, we calculate. Still, 2025's (potential) dividend would certainly represent a material booster to Enea's investors perception.

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Valuation

In our valuation process, we use DCF, DDM and comparable valuation methodologies. DCF remains our preferred valuation tool, as it relies more on the company's long-term outlook. As changes in financial results or changes in investors' preferences drive the comparable valuation, and management's decisions may alter DDM valuation outcomes, we see these as supportive to the DCF valuation. Hence, we keep using DCF as our primary valuation tool (60% weight), with DDM and comparable valuation having 20% weight each.

DCF valuation

Fig. 1. Enea – WACC Assumptions

	Regulated business*	Non-regulated business**
Risk-free rate	6.00%	6.00%
Unlevered beta	1.00	1.20
Levered beta	1.40	1.68
Equity risk premium	6.00%	6.00%
Cost of equity	14.42%	16.10%
Risk free rate	6.0%	6.0%
Debt risk premium	1.0%	1.0%
Tax rate	19.0%	19.0%
After tax cost of debt	5.67%	5.67%
%D	33%	33%
%E	67%	67%
WACC	11.51%	12.64%

*Source: Company data, Santander Brokerage Poland estimates. * relates to Distribution and Renewable segments, ** relates to all other segments*

Fig. 2. Enea – Core scenario DCF Valuation (free cash flows and terminal value)

PLNmn	PV FCF	PV TV	Total	*Previous Valuation, Apr 08, 2025*	*Diff.*
Regulated businesses					
Distribution***			14 095	*14 175*	*-0.6%*
Heat	-317	-481	-798	*-881*	*-9.4%*
Renewables*	-3 232	3 987	2 455	*840*	*192.3%*
Sub-total	***-3 550***	***3 507***	***15 752***	***14 133***	***11.5%***
Non-regulated businesses					
CO2-polluting generation**	-238	0	-238	*1311*	*-118.1%*
Mining*****	4 419	-4 081	338	*338*	*0.0%*
Sales & others	80	-12	68	*-769*	*-108.9%*
Sub-total	***4 261***	***-4 092***	***169***	***881***	***-80.9%***
Net debt and provisions****			4 700	*7224*	*-34.9%*
Total DCF valuation [PLNmn, Jan 2025]			11 221	*7790*	*44.0%*
Number of shares [mn]			529		
SOTP / DCF valuation [PLN, Jan 2025]			21.2		
12-month DCF-based target price [PLN, Dec 2025]			22.9		

Source: Company data, Santander Brokerage Poland estimates,
(*) includes NPV of total 750MW expected pipeline in on-shore and PV, along with two recent acquisitions in on-shore wind (167MW), (**) assumes no assets' carve-out until 2029E, assumes 1.4GW in gas-fired units with NPV at nil, (***) 2026E RAB, (****) 2024 year-end economic net debt, adjusted for PLN1.7bn of outlays on on-shore acquisitions, (*****) in this section we present Santander's valuation of Bogdanka's stake, at PLN15.3 a share

DDM valuation

Based on the management's proposal, we assume Enea will pay its first dividend in 2025E at PLN0.5 a share. We assume this DPS would be maintained until net debt-to-EBITDA exceeds 3.0x in 2028E, and dividends would be reinstated again in 2031E (at 20% payout). These assumptions imply DDM-based TP at PLN4.7 a share.

Fig. 3. Enea: DDM valuation – core scenario

PLNmn	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net profit	-660	1 396	2 793	1 978	1 698	1 387	1 277	1 902	2 002
Payout *	0%	0%	19%	9%	13%	0%	0%	0%	20%
Dividend paid	0	0	265	265	265	0	0	0	380
Cost of equity	14.6%								
Equity value per share [PLN]	**4.7**								

*Source: Company, Santander Brokerage Poland estimates, * calculated vs. previous year's reported net profit*

Comparative Valuation

Fig. 4. Enea – Basics of comparable valuation approach

	2025E	2026E	2027E
Share of other segments (heat, gas, sales, other) *	48%	31%	22%
Share of Renewables *	7%	12%	14%
Share of Distribution *	45%	57%	64%

*Source: Santander Brokerage Poland estimates, * percentage of EBITDA in consolidated EBITDA*

In our comparative valuation, we are applying a 50/50 weights to P/E and EV/EBITDA approaches. We believe a 50/50 approach is rational in current highly uncertain environment. In our comparative valuation we rely on average 2025/27E ratios.

We present valuation based on three scenarios. However, we apply 0% likelihood to two alternative ones, and our valuation relies in full on the core one (100% probability). It assumes coal assets' carve-out is delayed until 2029E. For clarification purposes, in "Core, risks" scenario we assume mid-hundred million zloty additional risks to the core scenario. "Carve-out" assumes actual carve-out and net debt reduction, in line with the previous NABE concept.

Additionally, due to Polish companies' dividends at nil and their high exposure to coal and gas, we weigh ratios with respective segments' share in EBITDA only in "carve-out" scenario. In core scenario, we are applying ratios for the European polluters. Finally, in the worst-case scenario "core, risks", we apply the lowest ratio of the European polluters.

Due to the assumed delayed carve-out and lack of dividends, in our core scenario we have applied average of PPC and Drax, for all companies and years. Additionally, we have applied a 5% discount to these ratios for Enea, due to its relatively high scale of coal-related operations.

Fig. 5. Enea: Comparable valuation, Valuation Metrics, Impl. Valuation Ratios and Impl. Share Prices, core scenario ("delayed carve-out")

	Western European utilities	P/E (x)			EV/EBITDA (x)		
		2025E	2026E	2027E	2025E	2026E	2027E
Generation – Polluters	*Segment median*	*11.4*	*8.9*	*10.3*	*5.7*	*5.1*	*5.3*
Generation – Clean	*Segment median*	*14.9*	*14.4*	*13.8*	*7.5*	*8.0*	*7.8*
Regulated	*Segment median*	*13.2*	*13.4*	*12.1*	*8.3*	*8.1*	*7.3*
Enea	*Implied ratio**	*12.0*	*11.2*	*11.4*	*6.6*	*6.5*	*6.5*
Enea	**Implied share price (PLN**	**63.4**	**41.9**	**36.6**	**69.0**	**51.3**	**40.1**

*Source: Bloomberg consensus forecasts, Santander Brokerage Poland estimates, share prices as of May 09, 2025, * implied ratios weighted with each company's individual EBITDA breakdown among distribution, renewables and other*
Generation – Polluters: RWE, PPC
Generation – Clean: Iberdrola, Endesa, EDP, Verbund, EdF, CEZ
Regulated: EVN, MVV Energie, Elia Group, Terna, Iren, REN, Red Electrica, SSE

Fig. 6. Enea: Comparable valuation, Valuation Metrics, Impl. Valuation Ratios and Impl. Share Prices, "Core, risks" scenario

		P/E (x)			EV/EBITDA (x)		
		2025E	2026E	2027E	2025E	2026E	2027E
*Generation – Polluters **		*5.6*	*8.4*	*6.2*	*3.5*	*4.6*	*4.3*
Enea	**Implied share price (PLN)**	**29.5**	**31.5**	**17.1**	**34.6**	**33.6**	**19.8**

*Source: Bloomberg consensus forecasts, Santander Brokerage Poland estimates, share prices as of May 09, 2025, * the lowest ratio among "Generation - Polluters"*

Fig. 7. Enea: Comparable valuation, Valuation Metrics, Impl. Valuation Ratios and Impl. Share Prices, "carve-out" scenario

		P/E (x)			EV/EBITDA (x)		
		2025E	2026E	2027E	2025E	2026E	2027E
Generation – Polluters	*Segment median*	*8.1*	*8.2*	*7.9*	*4.4*	*4.6*	*4.6*
Enea	**Implied share price (PLN)**	**42.8**	**30.8**	**25.3**	**44.2**	**33.8**	**23.0**

*Source: Bloomberg consensus forecasts, Santander Brokerage Poland estimates, * average of PPC and Drax ratios, with a 5% discount due to large lignite / coal exposure and lack of dividends. Share prices as of May 09, 2025*

Valuation summary

The carve-out committee is reportedly working within the Industry Ministry, and some decisions might be known in months, hypothetically. Thus, we include coal-fired Conventional Generation segment's forecasts until 2029E, assuming its carve-out thereafter. In Enea case, we note exceptionally supportive readings of 2025 RAB and 2024 year-end economic net debt, with the cut to the latter coming in strongly supportive of our DCF and comparative valuation readings.

We see the above-mentioned scenario as our core one. While we present also two other scenarios ("core, risks" and "carve-out"), we keep their likelihood to nil, hence these do not affect our companies' valuation.

We note that the Polish electricity price (trending down) and FRA / RFR (trending down as well) remain disturbing in the long term, posing downside risks to respectively EBITDA / FCF in Conventional Generation, Renewables, Heat and Distribution segments.

Fig. 8. Enea – Valuation summary */**

	Scenario: Core, Risks ***	Scenario: Core **	Scenario: Carve-Out	Weighted Valuation and Overall Price Target	*Previous weighted valuation [Apr 08, 2025]*	*Difference*
Scenario probability	**0%**	**100%**	**0%**			
DCF (60%)	11.6	22.9	28.8	**22.9**	*15.9*	*44%*
DDM (20%)	0.0	4.7	7.8	**4.7**	*2.0*	*135%*
Comparables (20%)	27.7	33.3	50.4	**33.3**	*23.8*	*40%*
Blended average target price	**12.5**	**21.3**	**28.9**	**21.3**	*14.7*	*45%*
Upside/downside	*-20%*	*38%*	*86%*	***38%***	*15.9*	*44%*

*Source: Santander Brokerage Poland estimates, * Target Prices rounded, upside / downside calculated against share prices as of May 09, 2025; ** core scenario assumes carve-out delayed until 2029E and substantial KPO inflows, *** scenario 'core, risks' assumes mid-hundred million zloty of additional downside risks to each company's EBITDA per annum*

Fig. 9. Enea: Changes to forecasts

PLNmn	2025E			2026E			2027E		
	Current	Previous	*Change*	Current	Previous	*Change*	Current*	Previous	*Change*
Sales	**26,029**	27,479	*-5%*	**21,865**	23,083	*-5%*	**20,303**	21,434	*-5%*
EBITDA	**5,873**	5,061	*16%*	**4,774**	3,976	*20%*	**4,638**	3,497	*33%*
EBIT	**3,955**	3,106	*27%*	**2,751**	1,894	*45%*	**2,501**	1,318	*90%*
Net profit	**2,812**	2,228	*26%*	**1,991**	1,316	*51%*	**1,715**	830	*107%*

*Source: Santander Brokerage Poland estimates, * assumed carve-out of coal-fired generation assets as of Dec2029E, Bogdanka remaining in Enea structures*

Fig. 10. Enea: Santander forecasts vs. consensus

PLNmn	2025E			2026E			2027E		
	SANe	Consensus	*Diff.*	SANe	Consensus	*Diff.*	SANe	Consensus	*Diff.*
Sales	26,029	31,081	*-16.3%*	21,865	30,030	*-27.2%*	20,303	34,522	*-41.2%*
EBITDA	5,873	4,963	*18.3%*	4,774	4,714	*1.3%*	4,638	5,889	*-21.2%*
EBIT	3,955	3,271	*20.9%*	2,751	2,875	*-4.3%*	2,501	3,522	*-29.0%*
Net profit	2,812	2,480	*13.4%*	1,991	2,099	*-5.1%*	1,715	2,442	*-29.8%*

Source: Bloomberg, Santander Brokerage Poland estimates

Financial statements

Fig. 11. Enea – P&L, Per Share Ratios, Market Ratios, 2021-27E

PLNmn, year to Dec	2021	2022	2023	2024	2025E	2026E	2027E
Sales	21 275	30 076	48 183	31 235	26 029	21 865	20 303
Consolidated EBITDA, o/w:	**3 636**	**2 217**	**6 298**	**6 806**	**5 873**	**4 774**	**4 638**
Distribution	1 393	1 326	1 822	2 284	2 670	2 723	2 955
Generation	1 033	3	2 835	3 014	1 460	633	270
Renewables	194	175	18	109	228	82	43
Heat	375	132	752	434	385	579	660
Sales	-125	-76	-29	-4	451	211	196
Mining	798	610	1 326	990	679	546	514
Other	-32	47	-427	-19	0	0	0
Consolidated EBIT, incl.	**2 067**	**575**	**955**	**3 184**	**3 955**	**2 751**	**2 501**
Distribution	724	613	1 084	1 490	1 808	1 786	1 943
Generation	732	-334	143	2 614	1 060	233	-130
Renewables	134	70	-128	-41	74	-76	-119
Heat	330	81	698	375	321	504	591
Sales	-128	-78	-31	-6	449	208	193
Mining	367	200	-334	-1 168	303	156	83
Other	-92	23	-477	-79	-60	-60	-60
Net financial income (costs)	-105	-300	-1 418	-716	-399	-254	-385
Profit before tax	**1 962**	**275**	**-463**	**2 468**	**3 556**	**2 497**	**2 116**
Income tax	368	156	-65	1 440	676	474	402
Net profit	**1 679**	**45**	**-660**	**1 396**	**2 793**	**1 978**	**1 698**
EPS	3.80	0.09	-1.25	2.64	5.27	3.73	3.20
CEPS	7.36	3.47	8.84	9.47	8.89	7.55	7.24
BVPS	34.38	30.48	29.15	30.83	35.77	39.09	41.82
DPS	-	-	-	-	0.50	0.50	0.50
Div. yield	0.0%	0.0%	0.0%	0.0%	3.3%	3.3%	3.3%
P/E	2.2	86.0	-5.8	3.9	2.9	4.1	4.7
P/CE	1.2	2.3	0.8	1.1	1.7	2.0	2.1
EV/EBITDA	2.2	4.3	1.7	1.3	2.2	3.8	4.7
EV/EBIT	5.4	28.9	18.9	4.0	4.3	7.9	10.1

Source: Company data, Santander Brokerage Poland estimates, ratios for years 2020-23 based on historical annual share price averages

Fig. 12. Enea – Balance Sheet Forecasts, 2021-27E

PLNmn	2021	2022	2023	2024	2025E	2026E	2027E
Current assets	**12 290**	**14 273**	**17 474**	**19 128**	**15 483**	**12 109**	**10 494**
Cash and equivalents	4 154	1 522	2 026	4 412	2 841	787	104
Other short term investment	434	794	1 162	65	65	65	65
Accounts receivable	3 313	5 260	6 777	4 648	3 873	3 253	3 021
Inventories	3 976	6 073	5 686	8 337	7 637	6 937	6 237
Pre-paid expenses	413	624	1 824	1 666	1 066	1 066	1 066
Fixed assets	**22 338**	**23 162**	**21 637**	**20 339**	**24 919**	**31 481**	**36 544**
PPE	19 225	20 154	18 261	17 956	22 521	29 070	34 118
Long-term investments	912	991	1 056	941	935	929	923
Intangibles	350	352	338	318	318	318	318
Long-term receivables	450	350	279	274	294	314	334
Long-term deferred charges	1 401	1 315	1 703	852	852	852	852
Total assets	**34 628**	**37 435**	**39 111**	**39 468**	**40 402**	**43 591**	**47 038**
Current liabilities	**11 579**	**13 589**	**14 968**	**12 573**	**11 067**	**9 729**	**8 769**
Bank debt	2 209	782	3 090	756	756	756	756
Accounts payable	4 440	5 166	3 271	3 224	2 633	2 168	1 972
Other current liabilities	3 630	6 377	7 522	7 301	6 601	5 901	5 201
Short-term provisions	1 300	1 265	1 086	1 292	1 077	905	840
Long-term liabilities	**7 871**	**7 700**	**8 703**	**10 562**	**10 387**	**13 156**	**16 114**
Bank debt	5 023	4 712	4 288	6 094	6 094	9 000	12 000
Deferred charges	377	494	616	685	700	715	730
Other long-term liabilities	634	585	1 508	1 138	949	797	740
Provisions	1 837	1 909	2 291	2 644	2 644	2 644	2 644
Equity	**15 178**	**16 146**	**15 440**	**16 333**	**18 948**	**20 706**	**22 155**
Share capital	588	676	676	676	676	676	676
Capital reserves	11 744	14 154	13 922	13 237	14 368	16 896	18 610
Net income	1 679	45	-660	1 396	2 793	1 978	1 698
Minority Interest	**1 167**	**1 271**	**1 501**	**1 023**	**1 111**	**1 155**	**1 172**
Total liabilities and equity	**34 628**	**37 435**	**39 111**	**39 468**	**40 402**	**43 591**	**47 038**
Net debt	3 078	3 972	5 352	2 438	4 009	8 969	12 651

Source: Company data, Santander Brokerage Poland estimates

Fig. 13. Enea: Cash Flow Statement Forecasts, 2021-27E

PLNmn	2021	2022	2023	2024	2025E	2026E	2027E
Cash flow from operations	**3 913**	**-2 032**	**416**	**6 332**	**5 994**	**4 697**	**4 522**
Net profit	1 679	45	-660	1 396	2 793	1 978	1 698
Provisions	-111	72	382	353	0	0	0
Depreciation and amortisation	1 569	1 642	5 342	3 622	1 918	2 022	2 136
Changes in WC, o/w	904	-3 319	-3 024	-569	884	854	737
Inventories	-317	-2 097	387	-2 652	700	700	700
Receivables	-1 181	-1 947	-1 516	2 129	775	620	232
Payables	2 402	726	-1 895	-46	-591	-466	-195
Other, net	-128	-471	-1 625	1 531	400	-157	-50
Cash flow from investment	**-1 506**	**214**	**-1 796**	**-2 915**	**-7 388**	**-9 437**	**-7 956**
Additions to PPE and intangibles	-1 994	-2 591	-3 606	-3 014	-6 484	-8 571	-7 185
Change in long-term investments	-48	-79	-66	116	6	6	6
Other, net	536	2 884	1 876	-17	-910	-872	-777
Cash flow from financing	**-195**	**-815**	**1 885**	**-1 031**	**-177**	**2 685**	**2 752**
Change in long-term borrowing	-1 585	-311	-424	1 806	0	2 906	3 000
Change in short-term borrowing	985	-1 427	2 308	-2 334	0	0	0
Change in equity and profit distribution	405	923	0	-503	87	44	17
Dividends paid	0	0	0	0	-265	-265	-265
Other, net	0	0	0	0	0	0	0
Net change in cash and equivalents	**2 212**	**-2 632**	**504**	**2 386**	**-1 571**	**-2 054**	**-683**
Beginning cash and equivalents	1 942	4 154	1 522	2 026	4 412	2 841	787
Ending cash and equivalents	4 154	1 522	2 026	4 412	2 841	787	104

Source: Company data, Santander Brokerage Poland estimates

Santander Brokerage Poland

Jana Pawla II Avenue 17
00-854 Warszawa
fax. (+48) 22 586 81 09

Equity Research

Kamil Stolarski, PhD, CFA, *Head of Equity Research* *Banks, Insurers, Strategy*	tel. (+48) 785 854 224	kamil.stolarski@santander.pl
Paweł Puchalski, CFA, *Equity Analyst* *Telecommunications, Metals & Mining, Power*	tel. (+48) 517 881 837	pawel.puchalski@santander.pl
Tomasz Krukowski, CFA, *Equity Analyst* *Oil&Gas, Pharma & Biotech, CEE Non-Financials*	tel. (+48) 665 617 768	tomasz.krukowski@santander.pl
Adrian Kyrcz, *Equity Analyst* *Construction, Real Estate, IT*	tel. (+48) 695 102 199	adrian.kyrcz@santander.pl
Tomasz Sokołowski, *Equity Analyst* *Consumer, E-commerce*	tel. (+48) 695 201 141	tomasz.sokolowski@santander.pl
Michał Sopiel, *Equity Analyst* *Industrials, Chemicals, Quantitative Analysis*	tel. (+48) 693 720 651	michal.sopiel@santander.pl
Piotr Zielonka, CFA, *Equity Analyst* *Gaming, Strategy*	tel. (+48) 512 727 035	piotr.zielonka@santander.pl
Marcin Działek, *Analyst* *Technical Analysis*	tel. (+48) 665 610 596	marcin.dzialek@santander.pl

Sales & Trading

Kamil Kalemba, *Head of Institutional Equities*	tel. (+48) 22 586 80 84	kamil.kalemba@santander.pl
Mateusz Choromański, CFA, Head of Sales *Securities Broker, Investment Advisor*	tel. (+48) 22 586 80 82	mateusz.choromanski@santander.pl
Alex Kamiński	tel. (+48) 22 586 80 63	alex.kaminski@santander.pl
Błażej Leśków, *Securities Broker*	tel. (+48) 22 586 80 83	blazej.leskow@santander.pl
Michał Stępkowski, *Securities Broker*	tel. (+48) 22 586 85 15	michal.stepkowski@santander.pl
Marek Wardzyński, *Securities Broker*	tel. (+48) 22 586 80 87	marek.wardzynski@santander.pl
Adam Mizera, *ACCA, CFA, Securities Broker*	tel. (+48) 22 586 85 14	adam.mizera@santander.pl

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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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