



## Towards Remote Access

Asseco SEE delivered solid 1Q20 results and a decent backlog for 2020 (+31% y/y on revenue, +16% on the first margin). When it comes to the coronavirus crisis, on the one hand, we assume a negative impact on some business lines (independent ATM network, BPO) as well as delays/suspensions of new projects. On the other, we see the more robust digitization trends as supportive in the longer term (especially for the e-commerce line and banking multi-channel software solutions). We like the company's growth prospects, its more defensive nature as well as the strong balance sheet; nevertheless, we see this as fully discounted by the market. We are maintaining our HOLD recommendation and upgrading our TP to PLN 41 per share.

### Boosted digitization should be supportive in the long-term

While in the short-term we assume some pressure on the results on the back of the coronavirus crisis (e.g. bigger loss on its independent ATM network MoneyGet, poorer results of call centres and a lower processing volume), in the long-term we see opportunities for the company related to stronger digitalization trends, especially in multi-channel banking software and e-commerce. Asseco SEE's business is in major part based on long-term contracts. Solid backlog (for 2020 +16% y/y on the first margin) should also be supportive.

### Banks might seek savings, but also need to digitalize more

In the short-term, as the banking sector will most likely be on the front line of sharing the burden of the coronavirus crisis, banks might try to look for savings, including the potential reduction in outlays on IT, ATMs, point-of-sales, etc. Nevertheless, we see a limited negative impact on Asseco SEE as: (1) ATM/point-of-sales infrastructure in South Eastern Europe is not too well developed, so there is still room for investments; (2) serious competition is limited as Asseco SEE has significant market shares in the markets in which it operates. Moreover, during the lockdown financial institutions increased their demand for multi-channel software servicing online communication.

### Net cash makes room for dividends and M&As

We expect the company to continue its strategy of consolidating the markets it operates on, especially in the payments sector. On the back of a strong balance sheet (approx. PLN 7m in net cash as of 1Q20), we think the company will be able to continue the acquisition process as well as pay out dividends (DY is estimated at 2-3%).

PLN mn	2018	2019	2020F	2021F	2022F
Revenues	670	881	961	1,019	1,064
EBITDA	120	176	187	209	222
EBIT	74	110	121	142	155
Net profit	65	90	98	115	126
P/E	9.5	10.0	21.5	18.2	16.6
P/BV	0.8	1.1	2.4	2.3	2.1
EV/EBITDA	4.0	7.3	11.1	9.6	8.7
EPS	1.26	1.73	1.88	2.22	2.43
DPS	0.52	0.52	0.74	0.85	1.00
FCF	-	-	93	107	120
CAPEX	-40	-56	-51	-51	-51

F - forecast by PKO BP Securities

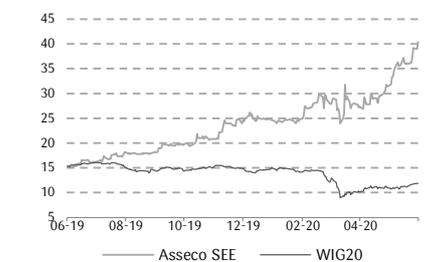
Key data	
Market price (PLN)	40.40
Upside	1%
No. of shares (mn)	51.89
Market Cap (PLNm)	2,096.53
Free float	49%
Free float (PLNm)	1,026
Free float (USDmn)	262
EV (PLNm)	2,068.12
Net debt (PLNm)	-58.97

Dividend	
Div yield	1.8%
Ex-div	-

Major Shareholders	% of shares
Asseco International	51.06
Aviva OFE	17.18
Aviva TFI	5.12
-	-

Previous recomm.	Date & target price
Hold	16-03-20 27.20
Hold	20-11-19 25.00

### Price performance



	WIG20	Company
1 month	8.5%	28.7%
3 months	-1.8%	44.3%
6 months	-20.4%	68.3%
12 months	-22.5%	162.3%
Min 52 weeks PLN		15.00
Max 52 weeks PLN		40.40
Av. turnover/day PLN mn		0.45

Analyst	
Małgorzata Żelazko, CFA	
+48 666 820 730	
malgorzata.zelazko@pkobp.pl	

Address:	
PKO BP Securities	
ul. Puławska 15	
02-515 Warszawa	



### Risk factors

- Negative impact of the coronavirus crisis on signing new contracts
- Macroeconomic and political situation in the South-Eastern Europe
- Decline in IT investments in the financial sector
- Increased competition in the IT market in South- Eastern Europe
- Pressure on wages in the IT expert market
- Increase in the share of cashless payments and a decline in demand for ATMs
- F/X risk related to operations in many markets (mainly South Eastern Europe, Turkey)

### Main valuation assumptions:

- The dynamics of e-commerce revenue growth is estimated in double digits. We are also expecting a middle single-digit increase in revenue from solutions for the banking sector and POS terminals. A low single-digit increase is anticipated for the ATM line.
- We are assuming an effective tax rate at 18%.
- We are assuming EUR/PLN at 4.4
- Due to company's exposure to developing countries in the South Eastern Europe we assume equity risk premium at 9%.
- Our valuation is pre-IFRS 16: it means the costs of leases decrease FCFF, while net debt does not include lease liability.

WACC	2020F	2021F	2022F	2023F	2024F	2025F	2025F<
Risk-free rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Equity premium	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Beta	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Debt risk premium	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Tax rate	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
<b>Equity cost</b>	<b>9.2%</b>						
<b>Debt cost</b>	<b>3.3%</b>						
Weight of equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	95.0%
Weight of debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
<b>WACC</b>	<b>9.2%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>8.9%</b>

Source: forecasts of PKO BP Securities



DCF model							
PLN mn	2020F	2021F	2022F	2023F	2024F	2025F	2025F<
EBIT	120.5	142.3	154.7	167.2	175.6	183.9	186.6
Tax rate	18%	18%	18%	18%	18%	18%	18%
<b>NOPLAT</b>	<b>98.8</b>	<b>116.6</b>	<b>126.9</b>	<b>137.1</b>	<b>144.0</b>	<b>150.8</b>	<b>153.1</b>
CAPEX	-50.8	-51.1	-51.3	-51.4	-51.6	-51.7	-53.0
Depreciation (excl. Right-of-use)	49.2	49.6	50.1	50.5	50.8	51.1	53.0
Changes in working capital	-4.6	-7.8	-5.5	-5.3	-4.5	-4.4	-2.8
<b>FCFF</b>	<b>92.6</b>	<b>107.4</b>	<b>120.2</b>	<b>130.8</b>	<b>138.7</b>	<b>145.7</b>	<b>150.3</b>
WACC	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	
Discount ratio	0.92	0.84	0.77	0.70	0.64	0.59	
DFCF	84.8	90.1	92.3	92.0	89.3	85.9	
Growth in Phase II	2.0%						
DFCF Sum - Phase I	534.4						
DFCF Sum - Phase II	1,283.7						
<b>Enterprise Value (EV)</b>	<b>1,818.2</b>						
Net debt (excl. Leases)	-91.4						
Minority share	30.6						
<b>Fair value</b>	<b>1,879.0</b>						
Number of shares (million)	51.9						
Fair value per share as at 31.12.2019	36.2						
<b>Target price in 12 mths (PLN)</b>	<b>41.0</b>						
Current price	40.40						
Expected rate of return	1.6%						

Source: forecasts of PKO BP Securities

### Sensitivity

		Growth in Phase II				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	7.9%	41.0	43.2	45.8	48.8	52.5
	8.4%	39.2	41.0	43.2	45.8	48.8
	8.9%	37.5	39.2	41.0	43.2	45.8
	9.4%	36.0	37.5	39.2	41.0	43.2
	9.9%	34.7	36.0	37.5	39.2	41.0

Source: PKO BP Securities



## Financial Forecasts

<b>Profit and loss account</b>	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F
Sales of products, goods and materials	487	571	571	670	881	961	1,019	1,064	1,107
Costs of sold products, goods and materials	-362	-434	-427	-509	-667	-724	-754	-780	-806
<b>Gross profit on sales</b>	<b>125</b>	<b>136</b>	<b>144</b>	<b>161</b>	<b>215</b>	<b>237</b>	<b>266</b>	<b>284</b>	<b>301</b>
<b>EBITDA</b>	<b>83</b>	<b>94</b>	<b>106</b>	<b>120</b>	<b>176</b>	<b>187</b>	<b>209</b>	<b>222</b>	<b>235</b>
Selling costs	-37	-38	-35	-47	-53	-58	-61	-64	-67
General administrative expenses	-36	-42	-43	-39	-54	-59	-62	-65	-68
Other operating income	3	2	1	2	4	0	0	0	0
Other operating costs	-2	-1	-2	-2	-2	0	0	0	0
<b>Operating profit</b>	<b>53</b>	<b>57</b>	<b>66</b>	<b>74</b>	<b>110</b>	<b>121</b>	<b>142</b>	<b>155</b>	<b>167</b>
Share in profit of associates	0	0	0	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>54</b>	<b>61</b>	<b>67</b>	<b>78</b>	<b>110</b>	<b>121</b>	<b>143</b>	<b>156</b>	<b>169</b>
Income tax	-10	-9	-12	-13	-19	-22	-26	-28	-30
Net profit (loss) attributable to non-controlling interest	0	0	0	0	1	1	2	2	2
<b>Net Profit (loss)</b>	<b>44</b>	<b>52</b>	<b>55</b>	<b>65</b>	<b>90</b>	<b>98</b>	<b>115</b>	<b>126</b>	<b>137</b>
<b>Balance Sheet</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
<b>Fixed assets</b>	<b>614</b>	<b>643</b>	<b>631</b>	<b>628</b>	<b>781</b>	<b>783</b>	<b>785</b>	<b>786</b>	<b>787</b>
Intangible assets	522	536	493	492	554	556	557	558	559
Tangible assets	86	102	132	129	212	212	212	212	212
Investments	0	0	0	1	5	5	5	5	5
Other long-term assets	5	5	5	6	11	11	11	11	11
<b>Current assets</b>	<b>235</b>	<b>304</b>	<b>288</b>	<b>362</b>	<b>468</b>	<b>423</b>	<b>503</b>	<b>573</b>	<b>653</b>
Inventories	16	23	25	17	37	40	42	44	45
Receivables	104	143	136	161	199	210	221	229	237
Cash and cash equivalents	104	123	117	169	200	141	208	268	339
Other short-term assets	12	14	10	15	32	32	32	32	32
<b>Total Assets</b>	<b>849</b>	<b>946</b>	<b>918</b>	<b>990</b>	<b>1,250</b>	<b>1,207</b>	<b>1,287</b>	<b>1,359</b>	<b>1,440</b>
<b>Equity capital</b>	<b>688</b>	<b>732</b>	<b>719</b>	<b>765</b>	<b>800</b>	<b>860</b>	<b>931</b>	<b>1,005</b>	<b>1,079</b>
Non-controlling interests	0	2	2	2	2	2	2	2	2
<b>Liabilities</b>	<b>161</b>	<b>214</b>	<b>199</b>	<b>224</b>	<b>450</b>	<b>347</b>	<b>356</b>	<b>354</b>	<b>361</b>
<b>Long-term liabilities</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>22</b>	<b>124</b>	<b>55</b>	<b>58</b>	<b>54</b>	<b>56</b>
Loans and borrowings	27	25	24	18	91	43	45	42	43
Other provisions	3	5	6	4	33	13	12	12	12
<b>Short-term liabilities</b>	<b>131</b>	<b>185</b>	<b>170</b>	<b>202</b>	<b>326</b>	<b>292</b>	<b>299</b>	<b>300</b>	<b>306</b>
Loans and borrowings	21	24	24	32	83	39	41	38	40
Other provisions	45	62	32	36	50	50	50	50	50
Trade liabilities and other	65	95	82	102	138	148	153	157	161
<b>Total Equity &amp; Liabilities</b>	<b>849</b>	<b>946</b>	<b>918</b>	<b>990</b>	<b>1,250</b>	<b>1,207</b>	<b>1,287</b>	<b>1,359</b>	<b>1,440</b>
<b>Cash flow statement</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
Cash flow on operating activity	75	88	94	121	159	159	174	188	199
Cash flow on investment activity	-42	-38	-65	-43	-103	-71	-52	-51	-51
Cash flow on financial activity	-20	-30	-24	-28	-25	-147	-56	-76	-77
<b>Indicators (%)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
Net Debt	-53.0	-71.0	-68.2	-114.9	-26.4	-59.0	-120.7	-188.1	-255.5

Source: forecasts of PKO BP Securities

## CONTACTS

### Equity Research

Emil Łobodziński	(Investment Advisor)	(+4822) 521 89 13	emil.lobodzinski@pkobp.pl
Paweł Małmyga	(technical analysis)	(+4822) 521 65 73	pawel.malmyga@pkobp.pl
Przemysław Smoliński	( technical analysis )	(+4822) 521 79 10	przemyslaw.smolinski2@pkobp.pl
Małgorzata Żelazko	(IT, TMT)	(+4822) 521 52 04	malgorzata.zelazko@pkobp.pl

### Strategic Individual Clients Department

Paweł Kodym	(director)	(+4822) 521 80 14	pawel.kodym@pkobp.pl
Michał Petruczeńko		(+4822) 521 79 69	michal.petruczenko@pkobp.pl
Ewa Kalinowska		(+4822) 521 79 88	ewa.kalinowska.2@pkobp.pl
Grzegorz Klepacki		(+4822) 521 78 76	grzegorz.klepacki@pkobp.pl
Joanna Makowska		(+4822) 342 99 34	joanna.makowska@pkobp.pl
Jacek Gaszewski		(+4822) 342 99 28	jacek.gaszewski@pkobp.pl
Ewald Wyszołmirski		(+4822) 521 78 39	ewald.wyszomirski@pkobp.pl
Przemysław Lasota		(+4822) 580 33 14	przemyslaw.lasota@pkobp.pl
Tomasz Zabrocki		(+4822) 521 82 13	tomasz.zabrocki@pkobp.pl

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min (max) 52 weeks: minimum (maximum) of the market share price during the previous 52 weeks

Capitalisation: product of the share market price and the number of shares

EV: sum of the company's capitalisation and net debt

free float (%): share of the total number of shares decreased by 5% stakes held by one shareholder and own shares held by the company in the total number of shares

Average trading/month: average trading per month calculated as total trading value over previous 12 months divided by 12

ROE: rate of return on equity

ROA: rate of return on assets

EBIT: operating profit

EBITDA: operating profit + depreciation and amortization

EPS: earnings per share  
 DPS: dividend per 1 share  
 CEPS: sum of net profit and depreciation and amortization per 1 share  
 P/E: quotient of share market price and EPS  
 P/BV: quotient of share market price and book value of one share  
 EV/EBITDA: quotient of capitalisation increased by the company's net debt and EBITDA  
 Gross sales margin: relation of gross sales profit to net sales proceeds  
 EBITDA margin: relation of the sum of operating profit and depreciation to net sales proceeds  
 EBIT margin: relation of operating profit to net sales proceeds  
 Net profitability: relation of net profit to net sales proceeds

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Issuer:	Reservation
Asseco SEE	-

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This Recommendation has been drafted subject to due diligence to the best knowledge of the Recommending Entity; there exist no other connections between PKO BP Securities and the analyst drafting this Recommendation on one part and the Issuer on the other.

The time and date stipulated on the front page of the report are the time and date of completing the process of drafting the Recommendation.

The time and date of the first distribution of the Recommendation are identical with the time and date of delivering this Recommendation in electronic form to customers.

Whenever this Recommendation quotes a price for the financial instrument, it will be understood as the closing price from the last trading day.

The list below sets out all the recommendations drafted by PKO BP Securities in the last 12 months, within the scope of the "Analytic Coverage Support Pilot Programme".

Company	Recommendation	Date of reco.	Target price	Relevant Market Price*	Market cap. (PLN mn)	P/E			EV/EBITDA			Analyst
						2018	2019F	2020F	2018	2019F	2020F	
Asseco SEE	Buy	2019-07-19	20.50	16.8	2096.53	9.5	10.0	21.5	4.0	7.3	11.1	Małgorzata Żelazko
Aparator	Hold	2019-07-22	24.30	24.3	591.2	10.7	13.1	9.3	7.0	6.5	6.16	Piotr Łopaciuk
Mabion	Buy	2019-07-26	105.00	85.5	353.1	nm	nm	nm	0.00	0.00	0.00	Dawid Górzyński
ZE PAK	Hold	2019-07-26	7.50	7.0	404.4	nm	nm	13.4	5.1	1.7	3.1	Andrzej Rembelski
Asseco SEE	Hold	2019-11-19	25.00	23.8	2096.5	9.5	10.0	21.5	4.0	7.3	11.1	Małgorzata Żelazko
ZE PAK	Hold	2019-12-04	7.80	7.4	404.4	nm	nm	13.4	5.1	1.7	3.1	Andrzej Rembelski
Aparator	Hold	2019-12-05	22.5	21.10	591.2	10.7	13.1	9.3	7.0	6.5	6.16	Piotr Łopaciuk
Mabion	Buy	2019-12-16	100.00	60.2	353.1	nm	nm	nm	0.00	0.00	0.00	Dawid Górzyński
Asseco SEE	Hold	2020-03-16	27.20	25	2096.5	9.5	10.0	21.5	4.0	7.3	11.1	Małgorzata Żelazko
ZE PAK	Sell	2020-04-24	6.50	7.66	404.4	nm	nm	13.4	5.1	1.7	3.1	Andrzej Rembelski
Mabion	Hold	2020-04-29	23	22.80	353.1	nm	nm	nm	0.0	0.0	0.00	Dawid Górzyński
Aparator	Hold	2020-04-29	19.5	19.00	591.2	10.7	13.1	9.3	7.0	6.5	6.16	Piotr Łopaciuk
Asseco SEE	Hold	2020-06-03	41	40.40	2096.5	9.5	10.0	21.5	4.0	7.3	11.06	Małgorzata Żelazko

\*at the time of publication