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Haitong Bank in a report from May 8 (08:00) maintains Comarch as a BUY and lifts FV to PLN 215 (from PLN 184.6) as analysts upgrade 19E/20E EBITDA forecasts by 23%/10% resp. thanks to a strong and quality backlog, especially in 2019, formed of higher margin contracts in the telco/loyalty/ERP segments.

Valuation Methodology

We value Comarch using two methods: DCF and peer multiples. Our final fair value is an average of these two methods (each with a 50% weighting). Using DCF we arrive at PLN 221.7/sh while our peer valuation yields PLN 208.3/sh. Our final fair value is PLN 215/sh, implying 15% potential upside.

Risks to Fair Value

- Payment of PLN 24.2m ZUS fine.
- Delay in launch of new EU budget related to change in the Government.
- Unfavorable court decision on ARiMR fine - in 2014 the Agriculture Agency (ARiMR) levied a PLN 32.5m fine on delays on the OFSA contract, while the total value of the 36-month contract is PLN 29m gross. Comarch does not agree with the fine and has made only a PLN2.3m provision for it.
- Slowdown in IT market and unsuccessful global expansion.
- Value destructive acquisitions.
- A weak euro has a negative impact on revenue and profitability.

IMPORTANT DISCLOSURES

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