HAITONG

*Warsaw, December 18, 2019*

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Haitong Bank in a report from December 17 (08:00) keeps Cyfrowy Polsat BUY (FV PLN 32.0), Netia BUY (FV PLN 5.50), downgrades Orange Polska to SELL from Neutral (FV PLN 6.0) and keeps Play Communications BUY (FV PLN 37.9).

## Valuation Methodology

- **Cyfrowy Polsat**

We value Cyfrowy Polsat using a DCF and peer multiples. Using a DCF we arrive at PLN 32/sh while our peer valuation yields PLN 31.9/sh. Our final fair value is PLN 32/sh, implying 16% potential upside.

- **Netia**

We value Netia using the average of two methods: DCF and peer valuation. Using a DCF, we derive a fair value of PLN 5.2 while using peers it's PLN 5.8. Our blended FV is PLN 5.5 which implies 20% upside potential.

- **Orange Polska**

We value Orange Polska using a DCF and peer multiples where DCF and peers have a 50% weight each. As Orange Polska does not pay dividends, we stopped valuing the stock using the DDM method. Using a DCF, we derive a fair value of PLN 5.6 and using peers of PLN 6.5. Our fair value is PLN 6.0, implying 14% downside potential to the current share price.

- **Play Communications**

We value Play using a DCF, DDM and peer multiples. Using a DCF, we derive a fair value of PLN 41,72; using DDM we arrive at PLN 36 and peers of PLN 35.9. Applying an equal weighting to each valuation method we obtain a fair value of PLN 37.9, implying 14% upside potential to the current share price.

## Risks to Fair Value

- **Cyfrowy Polsat**

1. Weaker than expected delivery on capex and EBITDA synergies on Netia acquisition.
2. Weaker than expected monetization of UEFA TV content.
3. Weaker than expected performance of SmartDOM offer.
4. Price pressure on LTE offers.
5. ARPU and margin dilution from bundling offer.
6. Weaker than expected performance of the TV ad market.
7. Erosion of Polsat TV audience share.
8. Weaker than expected macro situation that could cut TV ad budgets.

- **Netia**

1. CPS calling for remaining stake up to 100% at a lower price than PLN 5.77/sh.
2. Unsuccessful CPS/NET merger and extraction of post-acquisition synergies.
3. Acceleration in client erosion in fixed-voice and fixed-broadband.
4. Increasing competition in fixed-line due to FTTx upgrades.

- **Orange Polska**

1. Weak net adds in FTTx segment as a result of increased competition.
2. Price pressure in mobile broadband offer.
3. Price pressure in B2B market.
4. Competitive offer from CableTV and CPS/NET putting pressure on OPL's client base in dense areas.
5. ARPU erosion in the mobile voice segment.

6. Acceleration of net adds erosion in fixed-voice and fixed-data.

Upside risks

1. Faster than expected mobile and Fiber net adds
2. Faster than expected ARPU increase
3. Bigger than expected cost optimization initiatives
4. OPL selling more than expected real estates and network towers
5. OPL coming back to dividend faster than expected

- **Play Communications**

1. Play stops its focus on the ARPU approach and returns to a more aggressive commercial stance in order to regain SIM card leadership.
2. Play SIM card base starts eroding.
3. Higher than expected price paid for the 3.4-3.8GHZ and 800MHz spectrum.
4. Play cuts the dividend outlook on the back of expensive spectrum and 5G rollout capex.
5. Higher than expected maintenance capex.

## IMPORTANT DISCLOSURES