

Agora *summary of report*

buy

media, entertainment

Current price: 10.3
Target price: 22.0

Acceleration of Consolidation

Agora has four strong business segments, which allows it to generate a large stream of cash. At the level of net profit, the picture is not so good because systematic results were charged with write-offs and restructuring costs. The company has already expired unprofitable press titles, minimized printing activity and mostly wrote off unsuccessful internet investments a few years ago. The main segments are: cinema, outdoor advertising, internet and radio. The press, however, is undergoing transformation and still maintains the potential for return to profitability. Instead, it accelerates consolidation in the radio business.

Q3 results

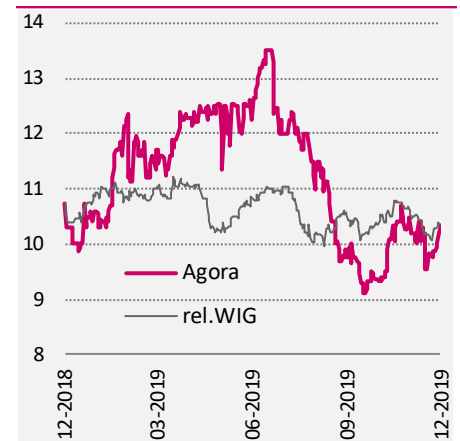
We estimate Agora's results for Q3'19 as good, but it is worth noting that the improvement occurred in all operating segments. The biggest difference, compared to our expectations, was in the Press segment (after merging with Print segment). The Film and Book segment had the largest contribution to EBITDA growth y/y, except that this was expected due to good repertoire and positive attendance trends at Helios theaters. At the same time, overheads remained under control, as a significant impact on the positive surprise was lower by PLN 2.6m in costs not allocated to any of the segments. It is an extremely capacious position in Agora, which is primarily responsible for external services, including legal services, remuneration of headquarters employees and the costs of operating it. We would like to draw your attention to large operating flows, which in Q3'19 amounted to PLN 43.4 million, and PLN 169.6 million for the last 12m (35% of capitalization).

Forecast update

Agora has accelerated the procedure for exercising the option to take over the remaining 60% of Eurozet shares. Therefore, we have moved the forecast of the transaction date to 2021 from the previously expected 2022. This will require financing, which in turn will have an impact on investment capacity in other segments. In addition, faster than previously assumed, the growing revenues of the cinema segment, especially in the gastronomy and bar, translated into raising their forecasts. On the other hand, more intensive opening of new premises means lower margins in the current and next year. We have also changed the assumptions regarding future investment outlays in the cinema segment. We left forecasts for the next 4 years, but we have reduced them in later periods.

Recommendation

The development of gastronomic establishments reduces the current profitability, however, in the following years it means the potential for its improvement. Raising our forecasts in this respect, combined with higher revenue dynamics, translated into an increase in DCF valuation. At the same time, in the last 4 months, the average valuation of companies from the comparative group increased by 11.7%, which increased Agora's valuation using this method. As a result, our valuation of Agora's shares increased to PLN 22.0, which means that we maintain our recommendation to buy them.



Max/min 52 weeks (PLN)	9.0 / 13.5		
Shares issued (m)	46,6		
Market cap. (m PLN)	480		
EV (m PLN)	699		
Free float (m PLN)	239		
Average turnover (mln PLN)	0,3		
Main shareholder	Agora-Holding sp. z o.o.		
% of shares, % of votes	11.6%, 35.36%		
	1 m	3 m	12 m
Price change	-0,5%	4,5%	-15,5%
Change rel. WIG	1,6%	6,0%	-11,3%

Adam Zajler

22 598 26 88

adam.zajler@millenniumdm.pl

	Revenues	EBIT	EBITDA	Profit before tax	Net profit	EPS	CEPS	BVPS	P/E	P/BV	DY (%)	EV /EBIT	EV /EBITDA	ROE (%)
2018	1141,2	34,5	122,1	55,3	5,1	0,11	1,99	20,9	94,8	0,5	4,8%	20,3	5,7	0,5%
2019f	1224,3	35,9	122,3	23,7	14,4	0,31	2,17	21,1	33,4	0,5	4,8%	19,6	5,7	1,5%
2020f	1278,5	55,0	136,1	40,9	28,0	0,60	2,34	21,7	17,2	0,5	4,8%	12,8	5,2	2,8%
2021f	1568,5	85,5	172,5	61,0	43,8	0,94	2,81	22,5	11,0	0,5	4,8%	8,2	4,1	4,3%

f - MillenniumDM consolidated forecasts, mPLN

The report was prepared by Millennium Dom Maklerski S.A. on the order of the Warsaw Stock Exchange S.A. within the Program of Analytical Coverage Support. Information regarding the links between Millennium Dom Maklerski S.A. with the company being the subject of this report and other required information were placed on the last page of the report.

Research Department

Marcin Materna, CFA

Investment Advisor
+48 22 598 26 82
marcin.materna@millenniumdm.pl

Adam Zajler

+48 22 598 26 88
adam.zajler@millenniumdm.pl

Sebastian Siemiątkowski

+48 22 598 26 05
sebastian.siemiątkowski@millenniumdm.pl

Artur Topczewski

Investment Advisor
+48 22 598 26 59
artur.topczewski@millenniumdm.pl

Marcin Palenik, CFA

+48 22 598 26 71
marcin.palenik@millenniumdm.pl

Head of Research Department

banks and financial institutions

Analyst
equities

Analyst
Investment funds
gaming

Analyst
Investment funds
developers

Analyst
retail

Sales Department

Radosław Zawadzki

+48 22 598 26 34
radoslaw.zawadzki@millenniumdm.pl

Arkadiusz Szumilak

+48 22 598 26 75
arkadiusz.szumilak@millenniumdm.pl

Jarosław Oldakowski

+48 22 598 26 11
jaroslaw.oldakowski@millenniumdm.pl

Leszek Iwaniec

+48 22 598 26 90
leszek.iwaniec@millenniumdm.pl

Marek Pszczółkowski

+48 22 598 26 60
marek.pszczolkowski@millenniumdm.pl

Marcin Czerwonka

+48 22 598 26 70
marcin.czerwonka@millenniumdm.pl

Head of Sales

Millennium Dom Maklerski S.A.
ul. Żaryna 2A, Millennium Park IIIp
02-593 Warszawa Polska

Important information

This report has been prepared with diligence on the basis of facts considered to be reliable, however Millennium Dom Maklerski S.A. does not guarantee that they are completely accurate and complete. The basis for the preparation of the report was all information about the companies that were publicly available and known to the author up to the date of its preparation. The forecasts presented are based solely on the analysis carried out by Millennium Dom Maklerski S.A. without agreements with the companies being the subject of the report or with other entities, and based on a number of assumptions that may turn out to be inaccurate in the future. Millennium Dom Maklerski S.A. does not give any assurance that the given forecasts will be accurate. Investing in the shares of the companies listed in this analysis is connected with a number of risks related to, among others, the macroeconomic situation, changes in legal regulations, changes in the commodity markets, interest rate risk, the elimination of which is practically impossible.

The content of the report regarding the description of the company was made available to the company being the subject of the report in order to verify the factual information provided. Millennium Dom Maklerski S.A. is not liable for damages incurred as a result of decisions taken on the basis of the information contained in this analytical report.

The person or persons indicated in the lower right corner of the first page of this report prepared the analysis, information about the positions of the authors is included in the upper part of the last page of this publication. The remuneration received by the persons preparing the report is not directly dependent on the financial results obtained by Millennium Dom Maklerski S.A. as part of investment banking transactions or services regarding financial instruments of issuers covered by this report.

This report is an investment study and does not constitute advertising or offering securities, it can also be distributed via mass media, based on a decision of the Director of the Research Department. Dissemination or reproduction of this material in whole or in part without the written consent of Millennium Dom Maklerski S.A. is forbidden. This document, or a copy thereof, may not be directly or indirectly transferred or issued to persons in the USA, Australia, Canada or Japan.

Supervision over Millennium Dom Maklerski S.A. the Polish Financial Supervision Authority

Explanation of the professional terminology used in the report

EV - market valuation of the company + net interest debt
EBIT - operating profit
EBITDA - operating profit + depreciation
P/CE - ratio of the share price to net profit per share plus depreciation per share
P/E - ratio of the share price to the net profit per share
P/BV - ratio of the share price to the book value per share
ROE - return on equity
ROA - return on assets
EPS - net profit per share
CEPS - net profit and depreciation per share
BVPS - book value per share
DPS - dividend per share

The scale of recommendation used in Millennium Dom Maklerski S.A.

BUY - we believe that the company's shares have more than 20% upside potential
ACCUMULATE - we believe that the company's shares have more than 10% upside potential
NEUTRAL - we believe that the price of the company's shares will remain stable (+/- 10%)
REDUCE - we think that the company's shares are overvalued by 10-20%
SELL - we believe that the company's shares are overvalued by over 20%

Recommendations issued by Millennium Dom Maklerski S.A. are valid for 6 months from the date of issue, unless they are previously updated. Millennium Dom Maklerski S.A. updates the issued recommendations depending on the market situation and the analyst's assessment.

Valuation methods used

The recommendations are based on the following valuation methods (selected 2 out of 3):
DCF method (discounted cash flow model) - the method considered the most suitable for the valuation of enterprises. The disadvantage of the DCF method is the sensitivity of the valuation obtained in this way to the adopted assumptions concerning both the company itself and its macroeconomic environment.
Comparable companies method (comparison of relevant market indicators, where a company with a similar ratios for other companies in the same industry or related industries is listed) - better than the DCF method reflects the perception of the industry in which the company operates, by investors. The disadvantage of the comparable companies method is the sensitivity to the selection of the adopted comparative group and the indicators being compared, as well as the high variability of the valuation depending on the market situation.
ROE-P / BV method (a model that makes the right P / BV ratio dependent on the company's profitability) - the method considered the most suitable for the valuation of banks. The disadvantage of this method is the sensitivity of the valuation obtained in this way to the adopted assumptions regarding both the company itself (profitability, effectiveness) and its macroeconomic environment.

Relation of Millennium Dom Maklerski S.A. with the companies being the subject of this report

It is possible that Millennium Dom Maklerski S.A. as part of its brokerage activity, will provide or in the past has provided services to companies and other entities listed in this report. Millennium Dom Maklerski S.A. does not exclude the offer of brokerage services from submitting an offer to an issuer of securities being the subject of the report. Information on the conflict of interests arising in connection with the preparation of the report (if any) is provided below. Millennium Dom Maklerski S.A. is the issuer's market maker for the following companies: Wielton, Selena FM, Eurotel, Dekpol, Lokum Developer, Zamet Industry and Gremi Media, from which it was paid. Millennium Dom Maklerski S.A. acts as market maker for the following companies: Wielton, Selena FM, KGHM, PZU, Eurotel, Dekpol, Lokum Developer, Zamet Industry, Gremi Media. Millennium Dom Maklerski S.A. in the last 12 months did not perform the function of offering during the public offering for shares of companies described in the report. Millennium Dom Maklerski S.A. in the last 12 months, did not conclude investment banking agreements with the companies described in this report. The companies being the subject of the report may be clients of the Millennium Bank SA Capital Group, the main shareholder of Millennium Dom Maklerski S.A. There are no other links between Millennium Dom Maklerski SA and the companies being the subject of this report, as referred to in the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596 of the European Parliament and of the Council 2014 with respect to regulatory technical standards regarding technical means for the purpose of objectively presenting investment recommendations or other information recommending or suggesting an investment strategy and disclosing particular interests or indications of conflicts of interest that would be known to the author of this report.
Millennium Dom Maklerski S.A. as part of the Pilot Program of Analytical Coverage Support, prepares analytical materials for companies: Agora, Ambra. Millennium Dom Maklerski S.A. within the next 12 months will receive remuneration for the preparation of this report from the Warsaw Stock Exchange, which is entitled to copyrights to this report.

Organizational solutions established to prevent conflicts of interest:

Rules for managing conflicts of interest in Millennium Dom Maklerski S.A. were included in the Conflicts of Interest Management Policy at Millennium Dom Maklerski S.A. The organizational solutions adopted for the prevention of conflicts of interest are defined, inter alia, by the Organizational Regulations of the Millennium Dom Maklerski S.A., which provides for: (a) supervision over persons whose main functions include conducting activities on behalf of or providing services to clients whose interests may be contradictory or which they represent different conflicting interests, including the interests of the Brokerage House; (b) measures preventing or limiting the influence of a third party on the manner in which an authorized person performs activities within the scope of services provided by the Brokerage House (c) organizational separation of persons (teams) involved in carrying out activities that involve risk the occurrence of a conflict of interest, (d) ensuring that each organizational unit of the Brokerage House and its employees is independent in so far as it concerns the interests of the clients for which such entity performs certain activities. The solution adopted for the prevention of conflicts of interest determines also remuneration regulations, which ensures that there are no connections between the amount of remuneration of employees of various organizational units or the amount of revenues achieved by different organizational units, if they perform activities that involve the risk of a conflict of interest.
Restrictions on the flow of information to prevent conflicts of interest, including confidential and professional secrets, are set out in the Rules for the protection of the flow of confidential and professional information in Millennium Dom Maklerski S.A.

The work related to the preparation of the report was completed on December 20, 2019 at 15.15, the date of the first dissemination of the report is the date of the report, December 20, 2019 at 15.30.

Millennium DM recommendation for the last 12 months

Company	Recommendation	Date of the recommendation	Market price on the day the recommendation	Target price	Author
Ambra	Buy	2019-07-12	15,70	23,90	Marcin Palenik
Agora	Buy	2019-07-26	12,00	20,50	Adam Zajler
LPP	Neutral	2019-11-08	8 530,00	9 108,00	Marcin Palenik
VRG	Buy	2019-11-08	4,08	5,01	Marcin Palenik
Ambra	Buy	2019-12-06	15,80	26,00	Marcin Palenik

Source: Millennium DM S.A., recommendations issued by Millennium Dom Maklerski S.A. valid for 6 months from the date of issue, unless they are updated beforehand.

Structure of Millennium DM recommendation for the last 12 months

	Number of recommendations	Share
Buy	4	80%
Accumulate	0	0%
Neutral	1	20%
Reduce	0	0%
Sell	0	0%

The structure of recommendations for companies for which Millennium DM S.A. provided investment banking services*

No recommendations were issued for companies for which Millennium DM S.A. provided services in the field of

*last 12 months, including companies for which MDM S.A. is a market maker