

Agora *summary of report*

buy

media, entertainment

Current price: 8.1
Target price: 12.2

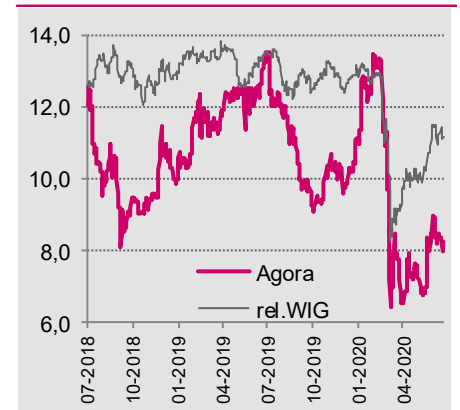
The ball is still in the game

The crisis caused by the epidemic found Agora at the moment when the effects of simultaneous restructuring (Press), digital transformation (Press and Outdoor) and expansion (Internet, Cinemas, Gastronomy) started to be visible. At the moment, the biggest uncertainty is related to the operation of cinemas, but it should be noted that the company has not been beaten by the VHS cassettes, DVDs, home cinema and recently streaming. Therefore we are convinced that the viewers will return to the cinemas, the crisis on the advertising market will pass after a few quarters, while Agora will return to the growth in profits.

Agora reported poor results for Q1'20, which was not surprising due to the importance of cinema operations in its results and exposure to the advertising market. It is true that the first two months of the year and mid-March forecasted a successful year, but the administrative closure of the cinemas overnight and rapid suspension of advertising campaigns heavily burdened the company's results. In addition, it decided to write down PLN 21.7 million, but at the same time recognized a profit from the sale of real estate in the amount of PLN 6.7 million. Still, high operating flows should be assessed positively.

The crisis situation, which is a consequence of the epidemic, primarily affects cinema operations. On the other hand, the sharp decline in the advertising market will affect the outdoor advertising segment the most. The press segment is increasingly becoming digital and, in addition, focused on the subscription model. As a result, its exposure to the advertising market decreases. The internet segment, which has been in the trend of taking over the remaining parts of the advertising market, will experience the least slowdown. The main negative impact on Agora's results will be the consequence of freezing cinema operations for over 3 months and suspension of advertising campaigns. However, we believe that the relatively small debt, stable stream of operational flows and efficiency in cost reduction translate into a negligible threat to the financial stability of the company. The biggest uncertainty is related to the operating conditions of cinemas. In a negative scenario, Helios could become unprofitable for many quarters. We assume that various restrictions on cinemas will last until spring next year with a gradual return to normality afterwards.

The rapid deterioration of market conditions is reflected in the lowering of financial forecasts for the company. This mainly affects the current and next year, but also influences the following years. On the other hand, interest rates have decreased, which has a positive impact on the company's valuation. The resultant of these two factors translated into a reduction in DCF valuation from PLN 23.9 to PLN 18.1. Since the lowering of financial forecasts concerns the strongest short period, the comparative valuation dropped even more, from PLN 20.1 to PLN 8.2. As the average valuation with the aforementioned methods is PLN 13.2, i.e. 62% above the current market price, we remain with the recommendation to buy Agora shares.



Max/min 52 weeks (PLN)	6.4 / 13.5		
Shares issued (m.)	46,6		
Market cap. (m. PLN)	379		
EV (m. PLN)	456		
Free float (m. PLN)	189		
Average turnover (m. PLN)	0,2		
Main shareholder	Agora-Holding sp. z o.o.		
% of shares, % of votes	11.6%, 35.36%		
	1 m	3 m	12 m
Price change	-1,9%	5,2%	-22,1%
Change rel. WIG	-5,7%	-17,1%	-8,4%

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	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	74,5	0,4	6,1%	13,2	3,7	0,5%
2019f	1249,7	37,1	116,8	21,8	3,5	0,08	1,79	20,0	107,2	0,4	6,1%	12,3	3,9	0,4%
2020f	938,4	-66,1	23,3	-90,1	-81,1	-1,74	0,18	18,3	-4,7	0,4	0,0%	-6,9	19,6	-8,7%
2021f	1106,6	6,0	87,8	-15,6	-11,4	-0,24	1,51	18,3	-33,3	0,4	0,0%	75,5	5,2	-1,3%

f - MillenniumDM consolidated forecasts, mPLN

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EV - market valuation of the company + net interest debt
EBIT - operating profit
EBITDA - operating profit + depreciation
P/E - 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

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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/ALL Y - 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%
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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.

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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
Agora	Buy	2019-12-19	10,30	22,00	Adam Zajler
Ambra	Accumulate	2020-05-27	18,00	21,30	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	5	71%
Accumulate	1	14%
Neutral	1	14%
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 investment banking*

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