

# Agora *summary of report*

**buy**

media, entertainment

Current price: 8.40  
Target price: 23.40

## The cinemas are back

Agora has been hit by the effects of the epidemic, especially about the closure of cinemas and a drastic drop in the value of the advertising market. Nevertheless, it still became an unchanging substance, and what's more, the Group managed to generate cash flows from financial instruments for the year. Meanwhile, the first Swedish solution is already flowing from the advertising market, and waiting for the queue of long-awaited premieres.

### The cinemas are back, we are waiting for popcorn

The opening of Helios cinemas is scheduled for May 29 (the company will not be in time for the accelerated deadline on May 21) and a large number of film premieres will be shown on the screens immediately. They will include the Oscar-winning Nomadland, The Croods 2, or the second half of the frequency-reliable genre of Polish romantic comedies, but also many others. Unfortunately, the admissible audience limit is 50%, and they will also not buy snacks in the still forbidden cinema bars. It is also not known how long these restrictions will apply. Due to uncertainty, distributors of the world's largest productions postpone their premieres until autumn. If the epidemic has passed by then, or at least will not cause another lock-down, there is a chance for a very good end of the year.

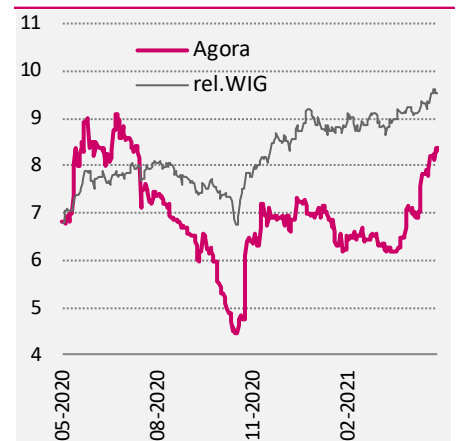
### Will there be a fourth wave?

To what extent the public will be vaccinated before autumn is unknown at the moment. It is already known that the so-called convalescents may fall ill again, and a significant percentage of those vaccinated may require a third dose of the vaccine to maintain immunity for a longer period of time. For Helios and, consequently, for the Agora Group, the practical answer to this question will determine the financial results of this year. The winter months are the peak of the cinema season, and those from the beginning of 2021. were lost. If the epidemic and related restrictions return in 4Q21, our forecasts for this year will not be met.

### Valuation and recommendation

Above, we have indicated how different the results may be in the most important 4Q for the company, which will determine the full-year results. However, the valuation of the company should take into account the profits generated over a long period of time. For this reason, poor results of one or even several quarters do not undermine the value of a company such as Agora, which has five strong and developing business lines. Agora, if you look at it from the perspective of several years, is a company that has the ability to generate over PLN 40 million in operating profit in the cinema business, about PLN 30 million in the outdoor business, about PLN 15 million in radio (plus about PLN 15 million in the share of 40 % in Eurozet), about PLN 40 million in the rapidly growing internet business and over PLN 20 million in the increasingly digital press. About PLN 60m of "general corporate" operating costs incurred by Agora should be subtracted from these figures. So when the epidemic passes and the crisis in the advertising industry with it (which we already have signals), Agora will have an operating profit of PLN 100 million.

In our forecasts, Agora's EBIT threshold of PLN 100m does not exceed PLN 100m only in 2024. All in all, our forecasts translate into Agora's estimated value of PLN 1089m, or PLN 23.40 per share. Given the current market value, we are reiterating a buy recommendation for its shares.



Max/min 52 weeks (PLN)	4.44 / 9.08		
Shares issued (m)	46,6		
Market cap. (m PLN)	389		
EV (m PLN)	544		
Free float (m PLN)	194		
Average turnover (mln PLN)	0,3		
Main shareholder	Agora-Holding sp. z o.o.		
% of shares, % of votes	11.6%, 35.36%		
	<b>1 m</b>	<b>3 m</b>	<b>12 m</b>
Price change	18,4%	34,0%	29,4%
Change rel. WIG	14,9%	25,6%	7,9%

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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 (%)
2019	1249,7	37,8	127,7	22,5	3,5	0,08	2,01	20,9	110,1	0,4	6,0%	14,4	4,3	-
2020f	836,5	-72,3	22,9	-120,7	-117,2	-2,52	-0,47	20,0	-3,3	0,4	0,0%	-7,5	23,8	2,6%
2021f	961,1	-7,6	75,6	-31,2	-22,8	-0,49	1,30	17,6	-17,1	0,5	0,0%	-71,6	7,2	5,1%
2022f	1147,1	55,2	130,1	28,2	21,7	0,47	2,07	17,1	18,0	0,5	0,0%	9,8	4,2	7,8%

f - MillenniumDM consolidated forecasts, mPLN

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### 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

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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  
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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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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.

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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
Agora	Accumulate	2020-06-30	8,10	13,20	Adam Zajler
Korporacja KGL	Buy	2020-09-01	17,40	23,40	Marcin Palenik
Ambra	Buy	2020-11-26	17,25	27,20	Marcin Palenik
Korporacja KGL	Buy	2020-12-07	15,50	26,60	Marcin Palenik
Agora	Buy	2020-12-10	6,94	20,20	Adam Zajler
Selvita	Buy	2021-02-02	53,40	54,70	Marcin Palenik
Ambra	Buy	2021-04-06	19,50	28,60	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	6	86%
Accumulate	1	14%
Neutral	0	0%
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

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.