

Agora *summary of report*

buy

media, entertainment

Current price: 6.94
Target price: 20.20

Hopefully until spring

Agora has been hit hard by the constraints of the epidemic. However, the efforts previously put into digital transformation, the ability to generate surplus cash, low debt, and quick cost cuts, translated into no threat to the company's stability. Her cinema business is in a particularly difficult position, but the rest, especially the press and internet, are doing extremely well. Thereby it results in building five strong and fairly independent business segments, even if they all have exposure to the advertising market.

Cinemas will come back

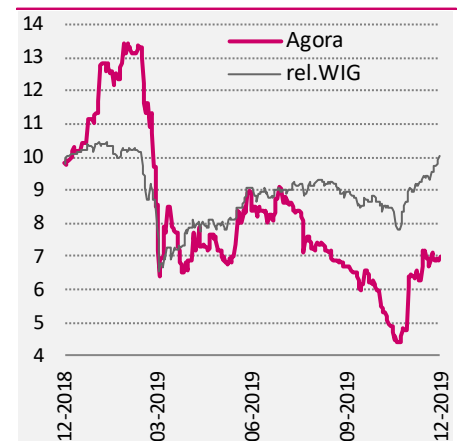
The future of cinemas should be clear by spring, namely when they will be able to operate without limits in the number of tickets sold. With the start of vaccine distribution, there is hope for an end to the epidemic, but still too soon for full optimism. Next year's results of the segment will be determined by the effectiveness of vaccines and the efficiency of their distribution as well as the level of vaccination of the population. Success will mean a quick return to operation without limits in ticket sales, maybe even in April. However, in the event of the cinema's failure, the restrictions will continue and, consequently, the business will be cut back. Until spring, there will also be announcements about the dates of postponed film premieres, of which there are already about 50, including the more anticipated ones. The management of Helios draws attention to August - October, when despite the repetition repertoire, high levels of viewers were quickly returning. If in the second half of 2022 the company enters with no administrative restrictions, and the screens will be flooded with a wide wave of overdue and current releases, so the results in such a scenario may exceed the current forecasts.

Increasingly stronger Press segment

The results of the Press Segment in 3Q20 were strengthened by two unique factors, namely subsidies to maintain jobs and a temporary reduction in wages. However, even after turning them off, there is a clear upward trend in results. Moreover, it should be continued along with the continuous process of converting to a digital - subscription model. In our Agora Group valuation model, we maintained a conservative approach to the possible effects of the aforementioned transformation. However, the results of the following quarters, and especially Q320, indicate that expectations regarding the achievable revenues and margins of the segment should be raised.

Recommendation

The rapid deterioration of market conditions, resulting from the epidemic and the freezing of a significant part of the economy, was reflected in our assessment of the Agora Group's prospects in the form of a sharp reduction in forecasts in the June 2020 report. The results for Q2 and Q3 presented by the company in the following months showed, however, that it is capable of cutting costs more than we assumed, and the digitization of the Press segment allows it to generate better results than in previous years, despite the drastic decline in advertising revenues. In the shadow of difficult circumstances, from the point of view of Agora's current business, the image of a more efficient organization in all parts except the cinemas emerges. The latter, in turn, may bring a significant positive surprise next year. This prompts us to raise our forecasts for the coming years and, consequently, the company's valuation. Thus, we remain with the Buy recommendation.



Max/min 52 weeks (PLN)	9.0 / 13.5		
Shares issued (m)	46,6		
Market cap. (m PLN)	326		
EV (m PLN)	350		
Free float (m PLN)	163		
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	14,4%	4,2%	-21,3%
Change rel. WIG	2,4%	-8,0%	-32,3%

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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	64,1	0,3	7,1%	10,1	2,9	0,5%
2019f	1249,7	34,9	114,6	19,6	3,5	0,08	1,79	20,0	92,2	0,4	7,1%	10,0	3,0	0,4%
2020f	838,4	-92,2	15,7	-133,4	-96,9	-2,08	-0,25	18,0	-3,4	0,4	0,0%	-3,8	22,2	-10,4%
2021f	1016,8	25,3	100,2	12,2	8,9	0,19	1,80	18,5	36,7	0,4	0,0%	13,8	3,5	1,1%

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/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%
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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 ratio 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	Buy	2019-12-19	10,30	22,00	Adam Zajler
Ambra	Accumulate	2020-05-27	18,00	21,30	Marcin Palenik
Agora	Buy	2020-06-30	10,30	22,00	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

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	83%
Accumulate	1	17%
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