

WSE Research Coverage Support Program (PWPA 4.0)

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BUY (PRICE TARGET: PLN 14.6) (link)

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The earnings reading for Q2 2024 is a positive surprise for us. Agora last quarter improved adjusted EBITDA by 27% year-over-year with a flat adjusted EBITDA reading in the film and book segment. We believe that the realization of the scenario, which indicates the maintenance of an upward trajectory of adjusted EBITDA on a year-over-year basis, will provide a qualitative boost for investors (as a result of the initiatives undertaken in businesses with advertising exposure).

Based on current projections, we are optimistic about the company's performance in the second half of 2024. Historically, the fourth quarter has been a pivotal period for Agora on a calendar-year basis. It is worth noting that earlier simulations indicating that Q3 2024 consolidated adjusted EBITDA is likely to be lower on a year-over-year basis due to an exceptionally challenging base in the film and book segment may be overly conservative. We believe the likelihood of a positive outcome, in which Agora's other business divisions will face challenges in maintaining growth in y/y adj. EBITDA in Q3 2024, is high. We view the assumptions in our July analyst report (Buy recommendation with target price of PLN 14.6) as conservative.

In conclusion, we maintain our positive outlook on the company. We believe that Agora is still in the early stages of rebuilding its market position in the advertising market, which is the key argument underlying our optimism. Agora's current market metrics still reflect a significant discount to its peer group. As positive earnings trends become more established, we anticipate a gradual change in this situation.

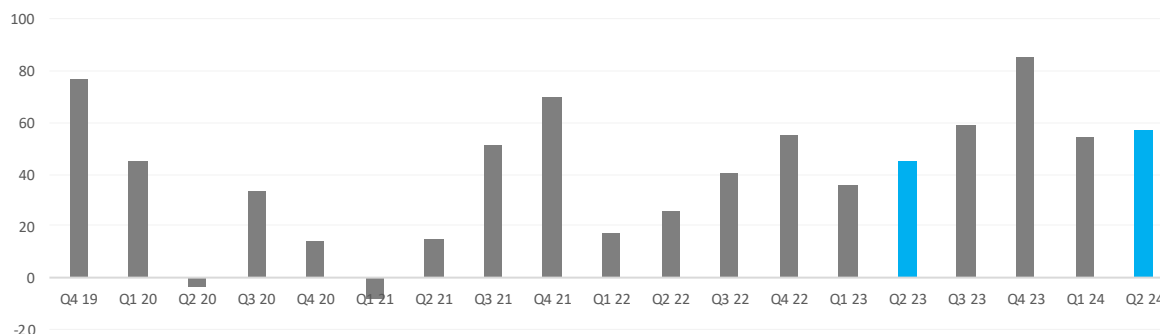
AGORA Q2 2024 results [PLN m]

	Q2 23	Q2 24	y/y	Q2 23 LTM	Q2 24 LTM	y/y	Q2 24E	Q2 24/ Q2'24E
Total revenue	326,9	337,5	3%	1 220,9	1 525,0	25%	335,2	101%
Advertising	181,8	193,3	6%	583,8	748,9	28%	195,1	99%
Cinema tickets	42,1	40,1	-5%	210,5	258,1	23%	38,5	104%
Publishing sales	33,9	33,3	-2%	138,1	139,6	1%	34,2	97%
Cinema bars	25,2	24,6	-2%	117,2	148,1	26%	23,4	105%
Catering sales	10,7	12,3	15%	40,2	46,3	15%	12,2	100%
Movie operations	3,1	3,7	18%	21,1	54,0	156%	3,3	111%
Other sales	30,1	30,2	0%	110,0	130,1	18%	28,4	106%
EBITDA adj*	44,8	56,9	27%	176,1	255,6	45%	40,2	142%
EBIT	0,7	12,5	1764%	-34,6	71,8		-4,2	
Net interest and others	20,8	-14,6		32,9	-19,5		-10,8	
EBT	21,0	-1,7		-1,1	52,3		-14,9	
Net profit	12,5	-8,1		-7,7	33,4		-14,9	
equity holders of the parent company	6,9	-12,3		-15,4	13,0		-18,0	

*EBITDA adjusted calculated by BDM may differ from the EBITDA readings Agora presents in its reports

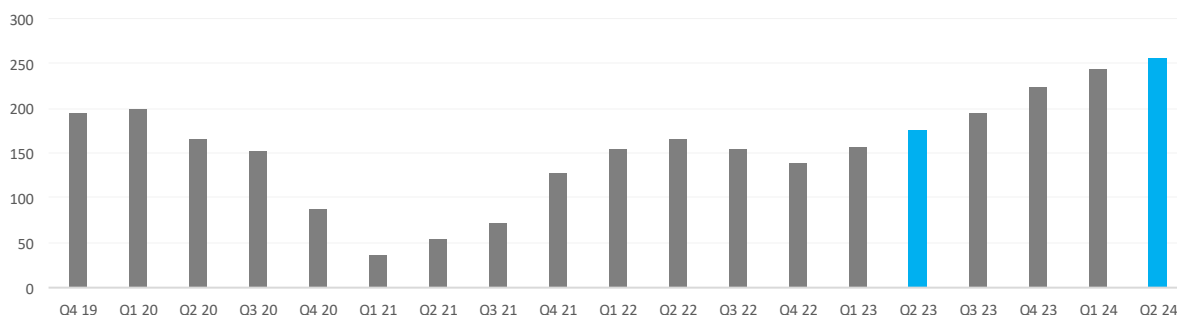
Source: Dom Maklerski BDM S.A., Agora

Historical adj. EBITDA readings by quarter [PLN m]



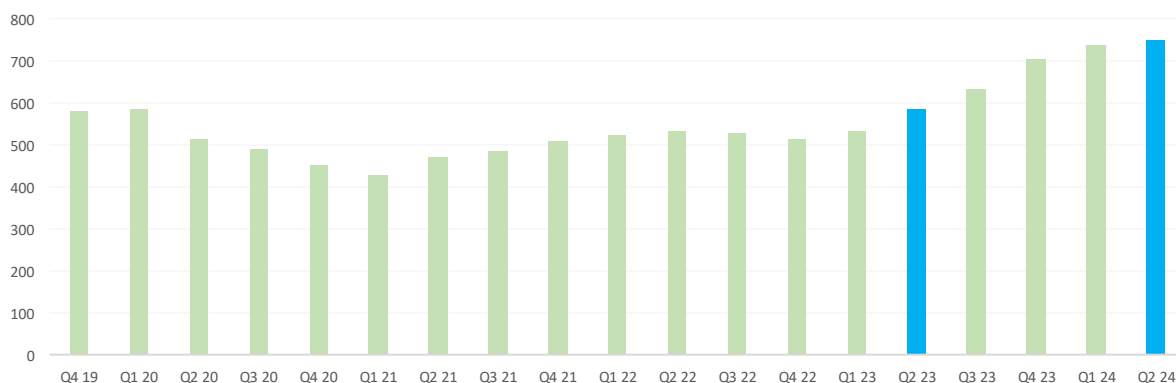
Source: Dom Maklerski BDM S.A., Agora

LTM adj. EBITDA [PLN m]



Source: Dom Maklerski BDM S.A., Agora

LTM advertising revenue [PLN m]



Source: Dom Maklerski BDM S.A., Agora

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
buy	14,6	buy	14,5	2024-07-12	13:49 CET	10,8	88 454
buy	14,5	buy	10,46	2024-01-09	11:20 CET	10,45	77 250
buy	10,46	buy	10,16	2023-09-13	10:10 CEST	7,60	66 609
buy	10,16	resume	—	2023-03-28	10:05 CEST	5,7	57 132
buy**	21,5	buy	14,8	10.06.2021	07:00 CEST	10,0	66 115
buy**	14,8	buy	16,0	30.09.2019	12:00 CEST	9,8	57 380
buy**	16,0	buy	20,3	01.07.2019	09:12 CEST	13,2	60 917
buy	20,3	buy	19,4	26.05.2017	10:53 CEST	14,8	61 266
buy	19,4	hold	11,8	13.03.2017	10:07 CEST	15,0	58 820
hold	11,8	reduce	11,2	23.02.2016		11,5	45 761
reduce	11,2	buy	10,8	18.06.2015		12,1	53 408
buy	10,8	buy	10,0	03.02.2015		9,0	52 078
buy	10,0	buy	12,2	06.08.2014		7,8	50 692
buy	12,2	buy	10,2	07.02.2014		9,3	52 139
buy	10,2	reduce	8,1	04.09.2013		8,6	48 969
reduce	8,1	accumulate	8,8	18.03.2013		9,0	46 500
accumulate	8,8	accumulate	10,4	06.08.2012		7,8	40 594
accumulate	11,4	buy	16,5	18.05.2012		10,6	37 000
buy	16,5	reduce	18,0	26.10.2011		13,8	40 771
reduce	18,0	reduce	24,0	16.06.2011		20,2	49 077
reduce	24,0	—	—	23.02.2011		25,9	46 548

Explanations of terminology:

EBIT - earnings before interest and tax
 EBITDA — earnings before interest, taxes, depreciation, and amortization
 Net debt – interest bearing debt minus cash and equivalents
 WACC - weighted average cost of capital
 CAGR - cumulative average annual growth
 EPS - earnings per share
 DPS - dividend per share
 CEPS - net profit plus depreciation per share
 EV – market capitalization plus interest bearing debt minus cash and equivalents
 EV/S – market capitalization / sales
 EV/EBITDA – EV / sales
 P/EBIT – market capitalization / EBIT
 MC/S – market capitalization / sales
 P/E – market capitalization / net profit
 P/BV – market capitalization / book value
 P/CE - market capitalization / net profit plus depreciation
 ROE – net profit / equity
 ROA - net income / assets
 Gross margin - gross profit on sales / sales
 EBITDA margin – EBITDA / sales
 EBIT margin – EBIT / sales
 Net margin – net profit / sales

The strengths and weaknesses of the valuation methods used in the report:

DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).

DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.

Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);

Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);

Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);

Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);

Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).

Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.

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Distribution of BDM's recommendations in Q3 2024*:	, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months			
	numbers	%	numbers	%
Buy	5	71%	0	0%
Accumulate	1	14%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	1	14%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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