

WSE Research Coverage Support Program (PWWA 4.0)

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BUY (PRICE TARGET: PLN 20,05) ([link](#))

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Kino Polska TV's final results for Q1 2024 align with earlier estimates presented by the company (in the current report dated 2024-05-14). A detailed analysis of operating data by segment indicates that the company has experienced an exceptionally strong opening to the year. It is uncommon for the EBITDA reading in Q1 to be higher than the preceding Q4 in the industry. The company's advertising revenues have shown a stronger performance than anticipated. However, we note that the company recognized relatively low content costs in Q1 2024, and we expect this cost item to increase in future quarters. Revenue growth momentum in future periods will be key to improving the margins of KPL's business. In conclusion, we commend KPL for its performance and consider the assumptions in our latest analyst report (dated May 21, 2024) to be a conservative scenario for the remainder of this year.

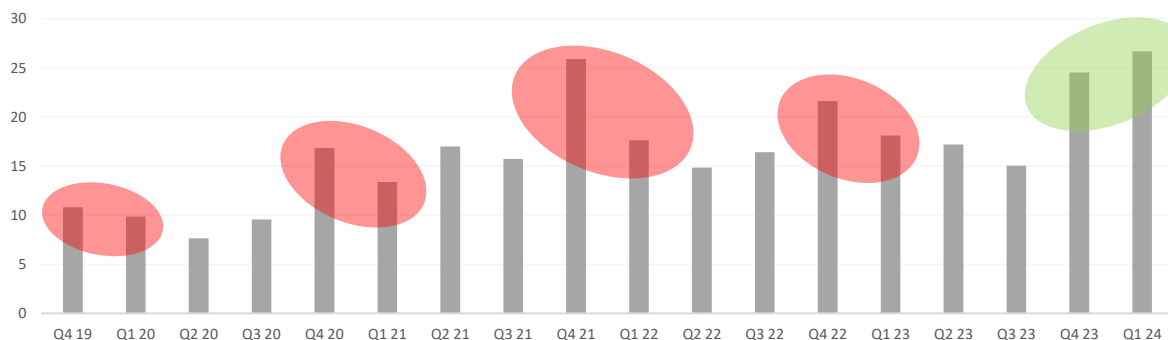
KINO POLSKA TV Q1 2024 results [PLN m]

	Q1 23	Q1 24	y/y	Q1 23 LTM	Q1 24 LTM	y/y
Total Revenues	70,7	75,5	6,7%	289,1	299,0	3,4%
Subscriptions	38,5	37,7	-2,3%	149,4	149,9	0,3%
Advertising	24,1	32,3	34,4%	107,1	115,3	7,7%
License Sales	5,6	2,8	-50,6%	26,2	27,1	3,4%
TV Channel Production	1,7	2,1	21,3%	3,3	4,8	44,2%
Other	0,8	0,7	-18,1%	3,2	2,0	-37,8%
Total operating costs	-53,5	-51,3	-4,0%	-224,8	-226,8	0,9%
Others	-0,1	-1,3		-1,5	0,1	
EBITDA adj.*	18,1	26,7	47,3%	70,9	83,4	17,5%
EBIT	17,1	22,9	33,9%	62,8	72,3	15,2%
Net Financial Income/(Losses)	-0,2	0,5		-0,7	-0,2	
Profit before income tax	16,9	23,4	38,4%	62,1	72,1	16,1%
Income tax	-3,4	-4,7	35,9%	-13,7	-15,0	9,5%
Net profit	13,5	18,7	39,1%	48,4	57,1	18,0%

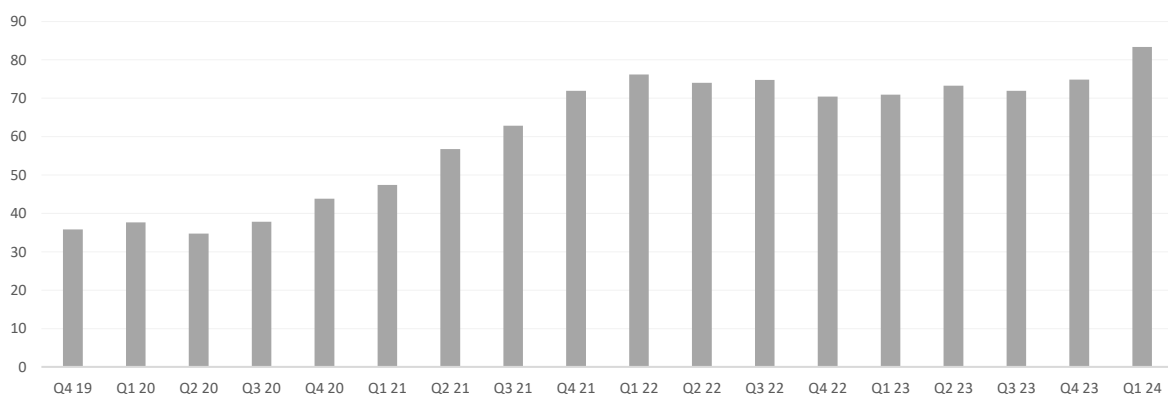
EBIT by segments:	Q1 23	Q1 24	y/y	Q1 23 LTM	Q1 24 LTM	y/y
FilmBox	14,0	16,3	16,8%	48,0	51,5	7,2%
Kino Polska	3,7	4,2	14,7%	17,0	14,7	-13,3%
TV Channel Production	1,2	0,5	-62,1%	1,8	0,9	-47,8%
Zoom TV	-1,5	-0,1		-8,7	-1,3	
Stopklatka	-0,1	2,7		4,6	2,9	-35,9%
License Sales	0,6	0,4	-21,8%	2,5	2,6	4,6%

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

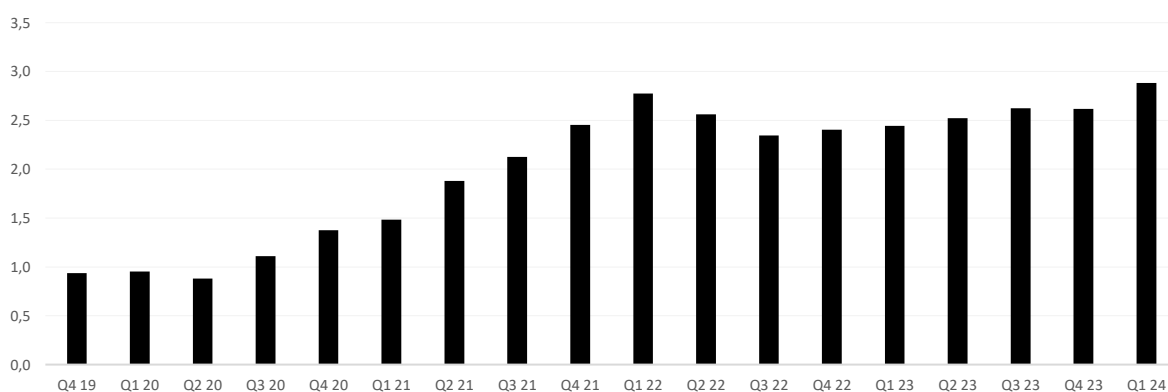
Source: Dom Maklerski BDM S.A., KPL

Historical EBITDA adjusted readings by quarter [PLN m]


Source: Dom Maklerski BDM S.A., KPL

LTM EBITDA adjusted [PLN m]


Source: Dom Maklerski BDM S.A., KPL

LTM EPS [PLN]


Source: Dom Maklerski BDM S.A., KPL

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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	20,05	kupuj	18,4	2024-05-21	09:15	14,8	89 082
buy	18,4	---	---	2023-12-11	10:57	14,2	77 400

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.

Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

Distribution of BDM's recommendations in Q2 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	7	54%	0	0%
Accumulate	3	23%	0	0%
Hold	3	23%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	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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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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