



Dom Maklerski BDM S.A.

# KINO POLSKA TV

## EQUITY RESEARCH

**On the basis of our assumptions, we recommend to buy the shares of Kino Polska TV (KPL) with a target price of PLN 18.4 per share, which is about 33% higher than the current market price. The company is currently undervalued compared to its peers, trading at low market multiples.**

Kino Polska TV is currently at a pivotal moment because of its acquisition by the Vivendi conglomerate, specifically the Canal+ Group. We expect to see stabilization of results in the crucial FilmBox segment in the upcoming quarters, which has been responsible for the growth momentum in recent years. Additionally, we anticipate a significant improvement in results at Stopklatka and Zoom TV. Thus, we anticipate that KPL will exhibit an uptick in EBITDA adj. by 7.8% and 6.7% year-over-year in 2024 and 2025, respectively, at a consolidated level.

We expect that in 2024, the management of the company will provide a more detailed focus on future initiatives aimed at improving its market position as part of the Canal+ Group. One expected change is increased sharing of program libraries. Equally important to us would be forthcoming decisions related to the development of the streaming service, FilmBox+. The model does not account for any new initiatives from KPL that would result in significant capital expenditures. We are currently uncertain about the company's authorities' and majority shareholder's stance on KPL's future dividend policy or potential investments within Canal+ Group.

We were somewhat disappointed by KPL's Q3 results. The halt in growth momentum within the FilmBox segment, which has been crucial in supporting the group's results, is a notable concern in Q3. However, we did observe gradual improvement in the Stopklatka segment (as a result of a low base after reformatting) and the Zoom TV segment. The Q3 2023 revenues ultimately matched our expectations. At the same time, the company's Q3 EBIT was PLN 1.5 million lower than our initial projections. We acknowledge that the company's significant positive cash flows in recent years enabled debt repayment to banks. As of the end of Q3 2023, the company had no outstanding debt financing, except for a relatively minor amount of leases, and held a cash balance of PLN 38 million.

In Q4, we expect adjusted EBITDA to grow from approximately PLN 21.6m to PLN 23m year-on-year. Thus, for the whole of 2023, we expect EBITDA adj. to reach PLN 73.4m (in 2022 it was about PLN 70.5m). Our 2024 predictions indicate stabilization of the FilmBox segment's results, a slowdown in erosion in the Kino Polska segment, and we anticipate growth impulses in Stopklatka and Zoom TV. Thus, we anticipate a rise in EBITDA adj. to PLN 79.1m in 2024. Our model forecasts similar trends for the main segments in 2025. For 2024-2025, our assumed growth rate for EBITDA adj. is 7.8% and 6.7% y/y, respectively.

|                      | 2021  | 2022  | 2023E | 2024E | 2025E | 2026E |
|----------------------|-------|-------|-------|-------|-------|-------|
| Revenue [PLN mn]     | 257,2 | 284,8 | 296,9 | 301,4 | 315,1 | 328,4 |
| EBITDA adj. [PLN mn] | 71,9  | 70,5  | 73,4  | 79,1  | 84,4  | 88,1  |
| EBIT [PLN mn]        | 59,8  | 60,7  | 65,6  | 69,1  | 74,1  | 77,2  |
| Net income [PLN mn]  | 48,6  | 47,7  | 51,4  | 57,5  | 61,9  | 64,8  |
| EPS [PLN]            | 2,5   | 2,4   | 2,6   | 2,9   | 3,1   | 3,3   |
| P/BV                 | 1,6   | 1,3   | 1,1   | 0,9   | 0,8   | 0,8   |
| P/E                  | 5,6   | 5,8   | 5,3   | 4,8   | 4,4   | 4,2   |
| EV/EBITDA            | 3,7   | 3,6   | 3,1   | 2,6   | 2,0   | 1,7   |
| EV/EBIT              | 4,4   | 4,1   | 3,5   | 2,9   | 2,3   | 1,9   |
| DPS [PLN]            | 0,0   | 0,5   | 0,4   | 0,8   | 1,2   | 1,6   |
| Dividend yield       | 0%    | 4%    | 3%    | 6%    | 8%    | 11%   |

**BUY**  
(INITIAL REPORT)

**PRICE TARGET: PLN 18.4**

11 DECEMBER 2023, 10:57 CET

|                           |      |
|---------------------------|------|
| Price target [PLN]        | 18.4 |
| Potential upside/downside | +33% |

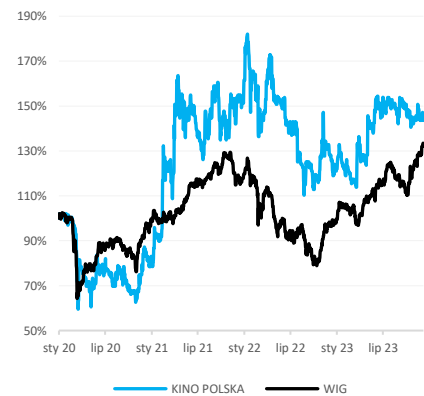
|                         |       |
|-------------------------|-------|
| Price [PLN]             | 13.85 |
| Market Cap [PLN mn]     | 275   |
| Shares outstanding [mn] | 19.82 |

|                     |       |
|---------------------|-------|
| Max. price 6M [PLN] | 15.05 |
| Min. price 6m [PLN] | 13.70 |

|                    |     |
|--------------------|-----|
| Rate of return 3M  | -6% |
| Rate of return 6M  | -6% |
| Rate of return 9M  | 12% |
| Rate of return YTD | 18% |

|                                |       |
|--------------------------------|-------|
| Shareholders:                  |       |
| SPI International B.V.         | 66.0% |
| Ipopema TFI (Total FIZ, TTL 1) | 8.6%  |
| Nationale-Nederlanden PTE      | 5.3%  |
| Other shareholders             | 20.1% |

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## VALUATION AND SUMMARY

We are initiating analyst coverage for Kino Polska TV (KPL).

On the basis of our assumptions, we recommend to buy the shares of Kino Polska TV (KPL) with a target price of PLN 18.4 per share, which is about 33% higher than the current market price. Our valuation is based on the DCF model and multiplier analysis. The DCF methodology yields a PLN 18.4/share value. The EV/EBITDA multiple analysis for 2023-2024 results in a share price of PLN 18.3. The final valuation is determined by taking the average of the two methods used.

### Valuation summary

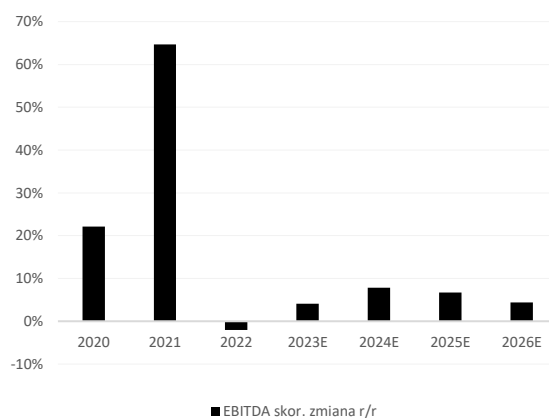
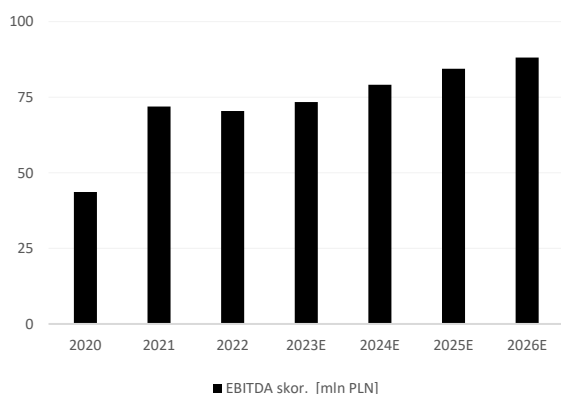
|                          |                                 |             |
|--------------------------|---------------------------------|-------------|
| A                        | DCF [PLN]                       | 18.4        |
| B                        | Peer valuation [PLN]            | 18.3        |
| <b>C = (A*50%+B*50%)</b> | <b>Price target [PLN/share]</b> | <b>18.4</b> |

Source: Dom Maklerski BDM S.A.

Kino Polska TV is currently at a pivotal moment because of its acquisition by the Vivendi conglomerate, specifically the Canal+ Group. We expect to see stabilization of results in the crucial FilmBox segment in the upcoming quarters, which has been responsible for the growth momentum in recent years. Additionally, we anticipate a significant improvement in results at Stopklatka and Zoom TV. Thus, we anticipate that KPL will exhibit an uptick in EBITDA adj. by 7.8% and 6.7% year-over-year in 2024 and 2025, respectively, at a consolidated level.

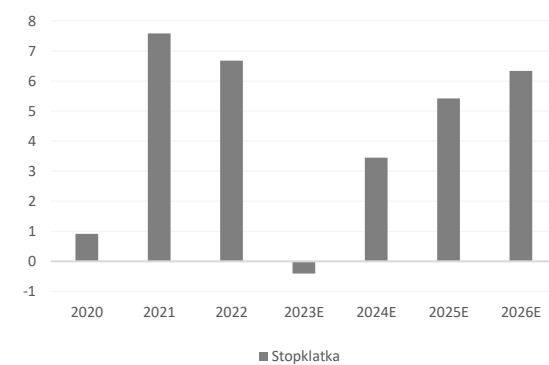
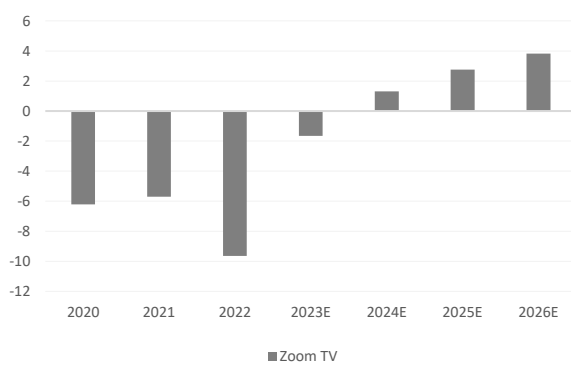
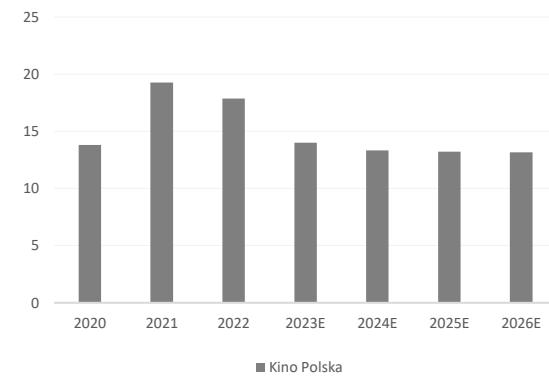
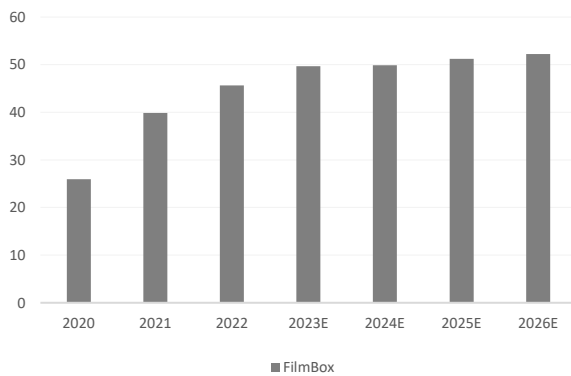
We expect that in 2024, the management of the company will provide a more detailed focus on future initiatives aimed at improving its market position as part of the Canal+ Group. One expected change is increased sharing of program libraries. Equally important to us would be forthcoming decisions related to the development of the streaming service, FilmBox+.

**Historical and assumed future path of EBITDA adj. behavior and y/y growth rate 2023-2026**



Source: Dom Maklerski BDM S.A.

**Historical and assumed future results for selected segments [PLN mm]**



Source: Dom Maklerski BDM S.A.

## FINANCIALS

### KPL - Income statement

|                               | 2020        | 2021        | 2022        | 2023E        | 2024E        | 2025E        | 2026E        | 2027E        | 2028E        |
|-------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Revenues                | 211,8       | 257,2       | 284,8       | 296,9        | 301,4        | 315,1        | 328,4        | 339,2        | 348,6        |
| Subscriptions                 | 112,9       | 128,8       | 146,1       | 151,3        | 152,7        | 156,5        | 161,7        | 166,6        | 171,1        |
| Advertising                   | 76,7        | 96,7        | 106,8       | 107,8        | 118,3        | 127,1        | 134,1        | 139,1        | 143,2        |
| License Sales                 | 19,0        | 28,4        | 27,3        | 30,0         | 21,9         | 22,2         | 22,6         | 22,9         | 23,2         |
| TV Channel Production         | 1,1         | 1,3         | 2,0         | 4,4          | 5,4          | 6,2          | 6,8          | 7,3          | 7,7          |
| Other                         | 2,2         | 1,9         | 2,6         | 3,3          | 3,1          | 3,2          | 3,2          | 3,3          | 3,4          |
| <b>EBITDA adj.</b>            | <b>43,7</b> | <b>71,9</b> | <b>70,5</b> | <b>73,4</b>  | <b>79,1</b>  | <b>84,4</b>  | <b>88,1</b>  | <b>91,0</b>  | <b>93,4</b>  |
| EBIT                          | 35,1        | 59,8        | 60,7        | 65,6         | 69,1         | 74,1         | 77,2         | 79,7         | 81,6         |
| Net Financial Income/(Losses) | -2,0        | -0,5        | -0,5        | 0,1          | 1,9          | 2,3          | 2,9          | 2,9          | 3,0          |
| Profit before income tax      | 33,1        | 59,3        | 60,2        | 65,7         | 71,0         | 76,4         | 80,0         | 82,6         | 84,5         |
| Income tax                    | -5,8        | -10,7       | -12,5       | -14,3        | -13,5        | -14,5        | -15,2        | -15,7        | -16,1        |
| Net profit                    | 27,2        | 48,6        | 47,7        | 51,4         | 57,5         | 61,9         | 64,8         | 66,9         | 68,5         |
| <b>Operating divisions</b>    | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023E</b> | <b>2024E</b> | <b>2025E</b> | <b>2026E</b> | <b>2027E</b> | <b>2028E</b> |
| Total Revenues                | 211,8       | 257,2       | 284,8       | 296,9        | 301,4        | 315,1        | 328,4        | 339,2        | 348,6        |
| FilmBox                       | 108,0       | 128,9       | 148,5       | 155,7        | 158,1        | 163,6        | 170,2        | 175,6        | 180,6        |
| Kino Polska                   | 31,7        | 36,1        | 37,3        | 33,9         | 33,4         | 33,2         | 33,1         | 33,1         | 33,0         |
| TV Channel Production         | 1,1         | 1,3         | 2,0         | 4,4          | 5,4          | 6,2          | 6,8          | 7,3          | 7,7          |
| Zoom TV                       | 18,2        | 20,0        | 24,0        | 27,4         | 31,7         | 35,9         | 39,6         | 42,2         | 44,3         |
| Stopklatka                    | 31,8        | 41,5        | 44,4        | 43,8         | 49,3         | 52,3         | 54,4         | 56,4         | 58,0         |
| License Sales                 | 19,0        | 28,4        | 27,3        | 30,0         | 21,9         | 22,2         | 22,6         | 22,9         | 23,2         |
| Other                         | 2,1         | 1,0         | 1,4         | 1,6          | 1,7          | 1,7          | 1,7          | 1,7          | 1,8          |
| EBIT                          | 35,1        | 59,8        | 60,7        | 65,6         | 69,1         | 74,1         | 77,2         | 79,7         | 81,6         |
| FilmBox                       | 25,9        | 39,9        | 45,6        | 49,7         | 49,9         | 51,2         | 52,2         | 53,0         | 53,8         |
| Kino Polska                   | 13,8        | 19,3        | 17,9        | 14,0         | 13,3         | 13,2         | 13,2         | 13,1         | 13,0         |
| TV Channel Production         | 0,2         | 0,3         | 0,7         | 1,6          | 1,8          | 2,1          | 2,3          | 2,5          | 2,6          |
| Zoom TV                       | -6,2        | -5,7        | -9,6        | -1,7         | 1,3          | 2,8          | 3,8          | 4,7          | 5,2          |
| Stopklatka                    | 0,9         | 7,6         | 6,7         | -0,4         | 3,5          | 5,4          | 6,3          | 7,1          | 7,7          |
| License Sales                 | 1,9         | 3,4         | 3,2         | 2,8          | 1,3          | 1,4          | 1,5          | 1,5          | 1,5          |
| Other                         | -0,8        | -0,2        | -0,4        | 0,2          | -0,2         | -0,2         | -0,2         | -0,2         | -0,2         |
| Other items, net              | -0,7        | -4,6        | -3,4        | -0,6         | -1,8         | -1,9         | -2,0         | -2,0         | -2,1         |

Source: Dom Maklerski BDM S.A.

**KPL - Selected data from the balance sheet and cash flow statement**

|                                       | 2020         | 2021         | 2022         | 2023E        | 2024E        | 2025E        | 2026E        | 2027E        | 2028E        |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Balance sheet</b>                  |              |              |              |              |              |              |              |              |              |
| Fixed Assets                          | 7,3          | 6,4          | 5,6          | 7,5          | 7,7          | 8,1          | 8,8          | 9,6          | 10,3         |
| Goodwill                              | 55,7         | 55,7         | 55,7         | 55,7         | 55,7         | 55,7         | 55,7         | 55,7         | 55,7         |
| Programming Assets                    | 54,0         | 55,3         | 59,4         | 67,8         | 77,8         | 82,5         | 87,5         | 92,8         | 98,2         |
| Other Non Current Assets              | 32,3         | 29,3         | 24,8         | 41,3         | 42,2         | 44,2         | 47,5         | 51,0         | 54,3         |
| <b>Non Current Assets</b>             | <b>149,3</b> | <b>146,7</b> | <b>145,4</b> | <b>172,3</b> | <b>183,3</b> | <b>190,5</b> | <b>199,5</b> | <b>209,0</b> | <b>218,5</b> |
| Programming Assets                    | 9,0          | 8,6          | 13,9         | 10,0         | 10,2         | 10,7         | 11,1         | 11,5         | 11,8         |
| Trade Receivables                     | 61,3         | 73,7         | 95,0         | 98,0         | 102,5        | 107,1        | 111,7        | 115,3        | 118,5        |
| Other Current Assets                  | 1,8          | 2,3          | 1,2          | 11,9         | 11,9         | 11,9         | 11,9         | 11,9         | 11,9         |
| Cash and Cash Equivalents             | 9,1          | 30,5         | 40,9         | 49,0         | 76,5         | 106,6        | 129,8        | 147,0        | 157,9        |
| <b>Current Assets</b>                 | <b>81,2</b>  | <b>115,1</b> | <b>151,0</b> | <b>168,9</b> | <b>201,0</b> | <b>236,2</b> | <b>264,4</b> | <b>285,7</b> | <b>300,1</b> |
| <b>Total Assets</b>                   | <b>230,4</b> | <b>261,8</b> | <b>296,4</b> | <b>341,2</b> | <b>384,4</b> | <b>426,7</b> | <b>463,9</b> | <b>494,7</b> | <b>518,7</b> |
| <b>Shareholders' Equity</b>           | <b>117,1</b> | <b>168,2</b> | <b>204,1</b> | <b>249,2</b> | <b>291,2</b> | <b>330,1</b> | <b>364,0</b> | <b>392,0</b> | <b>413,6</b> |
| Financial Debt                        | 38,4         | 12,0         | 0,1          | 0,0          | 0,0          | 0,0          | 0,0          | 0,0          | 0,0          |
| Trade Payables                        | 1,5          | 3,4          | 4,7          | 3,1          | 3,2          | 3,3          | 3,5          | 3,6          | 3,7          |
| Other Liabilities                     | 15,3         | 11,2         | 8,8          | 22,3         | 22,3         | 22,4         | 22,4         | 22,4         | 22,4         |
| <b>Long Term Liabilities</b>          | <b>55,2</b>  | <b>26,7</b>  | <b>13,6</b>  | <b>25,4</b>  | <b>25,5</b>  | <b>25,7</b>  | <b>25,9</b>  | <b>26,0</b>  | <b>26,1</b>  |
| Financial Debt                        | 9,6          | 7,2          | 17,9         | 4,2          | 4,2          | 4,2          | 4,2          | 4,2          | 4,2          |
| Trade Payables                        | 42,8         | 49,3         | 49,3         | 42,7         | 43,6         | 46,4         | 49,1         | 51,3         | 53,3         |
| Other Liabilities                     | 5,7          | 10,5         | 11,4         | 19,6         | 19,8         | 20,2         | 20,7         | 21,1         | 21,4         |
| <b>Current Liabilities</b>            | <b>58,1</b>  | <b>67,0</b>  | <b>78,7</b>  | <b>66,6</b>  | <b>67,6</b>  | <b>70,9</b>  | <b>74,1</b>  | <b>76,6</b>  | <b>78,9</b>  |
| <b>Total Liabilities &amp; Equity</b> | <b>230,4</b> | <b>261,8</b> | <b>296,4</b> | <b>341,2</b> | <b>384,4</b> | <b>426,7</b> | <b>463,9</b> | <b>494,7</b> | <b>518,7</b> |

|                                     | 2020  | 2021  | 2022  | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Cash flow statement</b>          |       |       |       |       |       |       |       |       |       |
| Cash Flow from Operating Activities | 28,4  | 57,3  | 28,2  | 49,7  | 53,0  | 64,4  | 67,6  | 70,0  | 72,0  |
| Cash Flow from Investing Activities | -3,9  | -6,4  | -5,2  | -16,9 | -9,5  | -11,0 | -13,1 | -13,6 | -13,9 |
| Cash Flow from Financing Activities | -20,3 | -29,6 | -12,5 | -24,8 | -16,1 | -23,3 | -31,3 | -39,2 | -47,2 |
| Change in Cash                      | 4,3   | 21,4  | 10,5  | 8,1   | 27,5  | 30,1  | 23,2  | 17,2  | 10,9  |

Source: Dom Maklerski BDM S.A.

**KPL- Ratio analysis**

|   | 2020  | 2021  | 2022  | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Price [PLN]                                       | 13,9  | 13,9  | 13,9  | 13,9  | 13,9  | 13,9  | 13,9  | 13,9  | 13,9  |
| Shares outstanding [mn]                           | 19,8  | 19,8  | 19,8  | 19,8  | 19,8  | 19,8  | 19,8  | 19,8  | 19,8  |
| BVPS [PLN]  | 5,9   | 8,5   | 10,3  | 12,6  | 14,7  | 16,7  | 18,4  | 19,8  | 20,9  |
| EPS [PLN]   | 1,4   | 2,5   | 2,4   | 2,6   | 2,9   | 3,1   | 3,3   | 3,4   | 3,5   |
| P/E [x]   | 10,1  | 5,6   | 5,8   | 5,3   | 4,8   | 4,4   | 4,2   | 4,1   | 4,0   |
| EV/Revenue [x]                                    | 1,5   | 1,0   | 0,9   | 0,8   | 0,7   | 0,5   | 0,5   | 0,4   | 0,3   |
| EV/EBITDA adj. [x]                                | 7,2   | 3,7   | 3,6   | 3,1   | 2,6   | 2,0   | 1,7   | 1,4   | 1,3   |
| EV/EBIT [x]                                       | 8,9   | 4,4   | 4,1   | 3,5   | 2,9   | 2,3   | 1,9   | 1,7   | 1,5   |
| P/BV [x]  | 2,3   | 1,6   | 1,3   | 1,1   | 0,9   | 0,8   | 0,8   | 0,7   | 0,7   |
| EV [PLN mn]                                       | 313   | 263   | 252   | 230   | 202   | 172   | 149   | 132   | 121   |
| Market Cap [PLN mn]                               | 275   | 275   | 275   | 275   | 275   | 275   | 275   | 275   | 275   |
| Net Debt [PLN mn]                                 | 39    | -11   | -23   | -45   | -72   | -102  | -126  | -143  | -154  |
| Net Debt / EBITDA adj. [x]                        | 0,9   | -0,2  | -0,3  | -0,6  | -0,9  | -1,2  | -1,4  | -1,6  | -1,6  |
| Revenue change y/y                                | 5,1%  | 21,4% | 10,8% | 4,2%  | 1,5%  | 4,6%  | 4,2%  | 3,3%  | 2,8%  |
| EBITDA adj. change y/y                            | 22,1% | 64,7% | -2,1% | 4,1%  | 7,8%  | 6,7%  | 4,4%  | 3,3%  | 2,7%  |
| EBITDA adj. margin                                | 20,6% | 28,0% | 24,7% | 24,7% | 26,2% | 26,8% | 26,8% | 26,8% | 26,8% |
| Net margin  | 12,9% | 18,9% | 16,7% | 17,3% | 19,1% | 19,6% | 19,7% | 19,7% | 19,6% |
| Revenue/Assets [x]                                | 0,9   | 1,0   | 1,0   | 0,9   | 0,8   | 0,7   | 0,7   | 0,7   | 0,7   |
| Assets/Equity [x]                                 | 2,0   | 1,6   | 1,5   | 1,4   | 1,3   | 1,3   | 1,3   | 1,3   | 1,3   |
| EBIT/Interests costs [x]                          | 15,7  | 46,0  | 46,5  | 52,6  | 108,4 | 217,9 | 227,1 | 234,6 | 239,9 |
| Short-term liabilities / Revenue [x]              | 0,3   | 0,3   | 0,3   | 0,2   | 0,2   | 0,2   | 0,2   | 0,2   | 0,2   |
| Long-term liabilities / Revenue [x]               | 0,3   | 0,1   | 0,0   | 0,1   | 0,1   | 0,1   | 0,1   | 0,1   | 0,1   |
| Total liabilities/ Total liabilities & equity [x] | 0,5   | 0,4   | 0,3   | 0,3   | 0,2   | 0,2   | 0,2   | 0,2   | 0,2   |
| Equity / Total liabilities & equity [x]           | 0,5   | 0,6   | 0,7   | 0,7   | 0,8   | 0,8   | 0,8   | 0,8   | 0,8   |
| ROA   | 12%   | 19%   | 16%   | 15%   | 15%   | 15%   | 14%   | 14%   | 13%   |
| ROE   | 23%   | 29%   | 23%   | 21%   | 20%   | 19%   | 18%   | 17%   | 17%   |
| DPS [PLN]   | 0,0   | 0,0   | 0,5   | 0,4   | 0,8   | 1,2   | 1,6   | 2,0   | 2,4   |
| Dividend yield                                    | 0%    | 0%    | 4%    | 3%    | 6%    | 8%    | 11%   | 14%   | 17%   |
| Financial debt [PLN mn]                           | 48,0  | 19,2  | 18,0  | 4,2   | 4,2   | 4,2   | 4,2   | 4,2   | 4,2   |
| Cash [PLN mn]                                     | 9,1   | 30,5  | 40,9  | 49,0  | 76,5  | 106,6 | 129,8 | 147,0 | 157,9 |

Source: Dom Maklerski BDM S.A.

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e-mail: [piotr.komorowski@bdm.pl](mailto:piotr.komorowski@bdm.pl)**Ratings and price targets history:**

| rating | price target | previous rating | previous target price | report date | report date (hour) | price | WIG    |
|--------|--------------|-----------------|-----------------------|-------------|--------------------|-------|--------|
| 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 3Q'23*: |         |      | , 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       | 100% | 0   | 0% |
| Accumulate                                       | 0       | 0%   | 0   | 0% |
| Hold   | 0       | 0%   | 0   | 0% |
| Reduce   | 0       | 0%   | 0   | 0% |
| Sell   | 0       | 0%   | 0   | 0% |

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