



Dom Maklerski BDM S.A.

AGORA

EQUITY RESEARCH

Our recommendation for Agora remains Buy, and we have increased our target price to PLN 14.5/share, which is 39% higher than the current market price. For the second year in a row, Agora remains the best investment proposition in the TMT area among entities listed on the Polish stock market. We consider Agora to be an 'absolute top pick' for 2023 and maintain this statement for 2024.

We would like to express our sincere appreciation for the leadership provided by Agora's Board of Directors, and in particular its CEO, over the past several challenging years. We believe that Agora now has a qualitatively different perspective on its operations. Having demonstrated resilience in exceptionally difficult conditions, we believe the company is well-positioned to secure a strong position as one of Poland's leading and fastest-growing media/entertainment companies.

It should be noted that the valuation model we are presenting may exceed the targets set in the material 'Agora Group's Strategic Directions for 2023-2026' adopted by the company's Board of Directors in April 2023 at several points. Therefore, our approach may carry a significant risk of error. As a reminder, the company's strategy aims to achieve a minimum target of PLN 200 million EBITDA (excluding IFRS 16) by 2026. Our current model assumes that the company will generate EBITDA (excluding IFRS 16) of PLN 204.7 million and PLN 250.9 million in 2025-2026, respectively. These figures have been revised from PLN 180 million and PLN 226 million, respectively, in our previous model.

Compared to our forecasts in the last report (dated September 13, 2023), we have raised our assumptions for 2023 adj. EBITDA from PLN213.3m to PLN228.7m (we expect strong results for the fourth quarter of 2023 and in our simulation we assume that adj. EBITDA could reach PLN86.8m). The main impact of the 2023 revision comes from the film and book segment, which will benefit from very strong cinema attendance in Q3 and Q4 2023. In the medium-term horizon, i.e. 2024-2026, our outlook in the current report is also more optimistic than the assumptions made in 2023-09-13. For 2024, the adjusted EBITDA forecast is now 11% higher, while for 2025-2026, the upward revision is 9% and 8%, respectively.

The forecasts for the next few years presented in this report do not, in our view, take into account the full potential of Agora's businesses. As we emphasize in the detailed description, in the radio segment we still do not consider the scenario of Eurozet reaching the market share of the current market leader.

	2021	2022	2023E	2024E	2025E	2026E
Total revenue [PLN mn]	966	1 113	1 406	1 517	1 656	1 782
EBITDA adj. [PLN mn]	128	143	229	263	313	359
EBIT [PLN mn]	-42	-65	49	91	142	189
Net income [PLN mn]	-45	-103	74	22	64	103
P/E	---	---	6,5	22,1	7,6	4,7
EV/Sales	1,2	1,1	0,9	0,9	0,8	0,7
EV/EBITDA	9,1	8,5	5,3	5,2	4,2	3,4
DPS [PLN]	0,00	0,00	0,00	0,00	0,50	0,65
Dividend yield	0,0%	0,0%	0,0%	0,0%	4,8%	6,2%

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

BUY

(PREVIOUSLY: BUY)

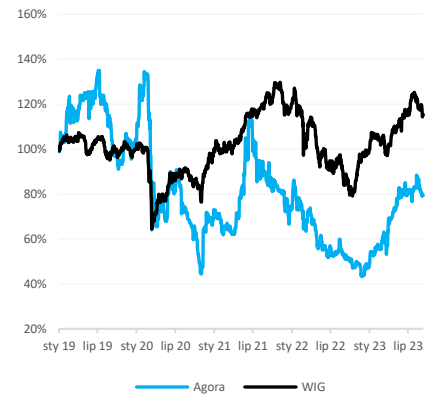
PRICE TARGET: PLN 14.5

09 JANUARY 2024, 11:20 CET

Price target [PLN]	14,5
DCF valuation [PLN]	14,68
Peer valuation [PLN]	14,29
Potential upside/downside	+39%
Price [PLN]	10,45
Market Cap [PLN mn]	487
Shares outstanding [mn]	46,6
Max. price 12M [PLN]	5,0
Min. price 12M [PLN]	11,6
Rate of return 3M	22%
Rate of return 6M	30%
Rate of return 9M	92%
Rate of return YTD	-8%
Shareholders	
Agora-Holding	11,6%
PTE PZU	16,3%
Media Development Investment Fund	11,5%
NN PTE	9,7%
Free float	51,0%

Analyst:

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Dom Maklerski BDM S.A.



VALUATION AND SUMMARY

Our recommendation for Agora remains Buy, and we have increased our target price to PLN 14.5/share, which is 39% higher than the current market price. For the second year in a row, Agora remains the best investment proposition in the TMT area among entities listed on the Polish stock market. We consider Agora to be an 'absolute top pick' for 2023 and maintain this statement for 2024.

Our valuation is based on DCF and multiples analysis. The DCF method resulted in a value of PLN 14.64 per share. Our assumed EV/EBITDA multiple (5.5x) for the years 2023-2025 results in a price of PLN 14.33/share. The final valuation of PLN 14.5/share is the arithmetic average of the two methods used.

Valuation summary

A	DCF valuation [PLN]	14,64
B	Peer valuation [PLN]	14,33
C = (A*50%+B*50%)	Price Target [PLN]	14,5

Source: Dom Maklerski BDM S.A.

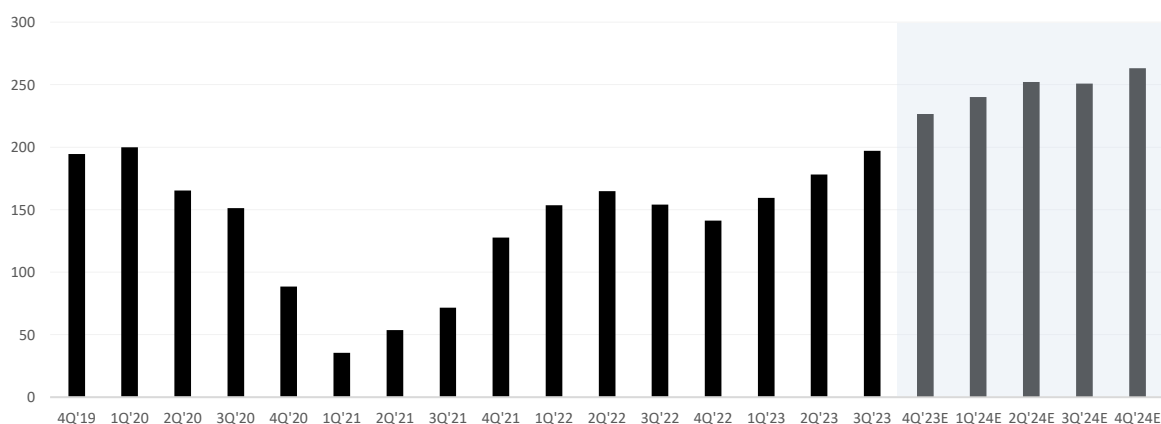
We would like to express our sincere appreciation for the leadership provided by Agora's Board of Directors, and in particular its CEO, over the past several challenging years. We believe that Agora now has a qualitatively different perspective on its operations. Having demonstrated resilience in exceptionally difficult conditions, we believe the company is well-positioned to secure a strong position as one of Poland's leading and fastest-growing media/entertainment companies.

Compared to our forecasts in the last report (dated September 13, 2023), we have raised our assumptions for 2023 adj. EBITDA from PLN213.3m to PLN228.7m (we expect strong results for the fourth quarter of 2023 and in our simulation we assume that adj. EBITDA could reach PLN86.8m). The main impact of the 2023 revision comes from the film and book segment, which will benefit from very strong cinema attendance in Q3 and Q4 2023. In the medium-term horizon, i.e. 2024-2026, our outlook in the current report is also more optimistic than the assumptions made in 2023-09-13. For 2024, the adjusted EBITDA forecast is now 11% higher, while for 2025-2026, the upward revision is 9% and 8%, respectively.

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We also note that in 2023 Agora was awarded the title of "Climate Aware Company 2023" in the CCA (Climate Crisis Awareness) survey. The company scored 8.67 points in the last edition, 8.17 points in the previous edition and only 0.83 points in 2021, which is quite an improvement in the last 2 years. In the present survey, Agora was in the TOP15 of all companies and in the TOP3 of sWIG80 index companies highlighted in the ranking.

Historical and assumed future path of LTM EBITDA adj.



Source: Dom Maklerski BDM S.A.

We made our DCF valuation based on a 10-year free cash flow (FCFF) forecast. The cost of equity in our model is based on a modified CAPM model. The risk-free rate assumed in the model is 5.3% (previously 5.6%). The unleveraged beta was set at 1.1 in the valuation and then we apply the leveraged beta in each forecast period based on the model simulation. We set the market risk premium at 6.5%. The final cost of equity takes into account the additional premium of 1.5% required by us in investing in a mid-cap entity like Agora.

After the detailed forecast period, we made an assumption of 2.5% y/y flow growth in the residual period and used a wacc of 13.1% in the calculation.

In the model, depreciation and amortization was shown according to the treatment the company shows in its interim reports (i.e., after applying IFRS 16). We have also included in the forecast of capital expenditures (Capex) the estimated future cost of lease renewals.

The estimated level of net debt at the end of 2023 takes into account the IFRS 16 treatment. We further reduced the valuation by the value of the put option (for the acquisition of minority assets) and other estimated adjustments.

We have included in capital expenditures the acquisition of full control of Eurozet before the end of 2024.

The final DCF method suggests an equity value of AGO at PLN 14.64/share. The valuation was prepared as of 2024-01-09.

Sensitivity of valuation to assumed parameters in the residual period (after the detailed forecast period)

		FCFF growth in the residual period						
		1,0%	1,5%	2,0%	2,5%	3,0%	3,5%	4,0%
	8,6%	20,4	21,8	23,5	25,4	27,7	30,4	33,7
	10,1%	17,0	18,0	19,1	20,4	21,8	23,5	25,4
	11,6%	14,6	15,4	16,2	17,0	18,0	19,1	20,4
WACC	13,1%	12,8	13,4	14,0	14,64	15,4	16,2	17,0
	14,6%	11,4	11,9	12,3	12,8	13,4	14,0	14,6
	16,1%	10,3	10,7	11,0	11,4	11,9	12,3	12,8
	17,6%	9,4	9,7	10,0	10,3	10,7	11,0	11,4

Source: Dom Maklerski BDM S.A.

We have used the EV/EBITDA multiple to value the company using our 2023 to 2025 assumptions. We set the target acceptable average EV/EBITDA level for 2023-2025 at 5.5x (as before). This approach suggests an equity valuation of just under PLN 667.5 mn, or PLN 14.33/share.

Agora multiplier valuation (based on EV/EBITDA target)

		Sensitivity analysis; average EV/EBITDA for 2023-2025						
		4,0x	4,5x	5,0x	5,5x	6,0x	6,5x	7,0x
Price Target [PLN]		5,69	8,57	11,45	14,33	17,21	20,09	22,97

Source: Dom Maklerski BDM S.A.

FINANCIALS

INCOME STATEMENT [PLN mn]	2021	2022	2023E	2024E	2025E	2026E	2027E
Total revenue	965,9	1 113,1	1 406,3	1 516,8	1 655,9	1 781,9	1 892,7
Advertising	509,4	511,9	697,7	773,4	862,6	935,3	992,9
Cinema tickets	126,8	192,3	244,0	256,4	281,2	305,6	328,9
Publishing sales	142,8	136,9	138,7	142,0	143,8	145,3	146,7
Cinema bars	62,4	103,5	136,8	145,4	159,9	174,2	188,0
Catering sales	28,7	38,3	43,2	49,9	56,2	60,4	65,0
Movie operations	12,7	31,2	22,4	25,1	26,7	27,2	28,3
Other sales	83,1	99,0	123,6	124,6	125,5	134,0	143,0
Operating costs	-1 007,7	-1 177,9	-1 359,0	-1 428,7	-1 520,1	-1 597,2	-1 672,9
EBITDA adj*	127,8	142,7	228,7	263,1	313,1	359,3	391,7
EBIT	-41,9	-64,8	49,3	90,5	141,9	188,5	220,6
Net interest and others	-17,5	-47,4	61,5	-44,3	-59,1	-55,7	-48,7
Share in profits under equity accounting method	9,4	8,5	-4,3	-0,9	0,0	0,0	0,0
Profit before income tax	-50,0	-103,7	106,5	45,4	82,7	132,8	171,9
Net profit	-46,6	-105,7	91,6	35,7	67,0	107,6	139,3
equity holders of the parent company	-44,5	-102,7	74,5	22,0	63,7	103,5	134,5
non-controlling interests	-2,1	-3,0	17,2	13,7	3,3	4,1	4,8
EBIT by segment **			2023E	2024E	2025E	2026E	2027E
Film and book			52,1	48,1	60,2	74,9	87,8
Press			-9,1	1,5	5,6	7,1	8,0
Outdoor advertising			25,6	28,6	31,2	33,9	36,5
Internet			-10,8	2,9	19,6	34,8	45,1
Radio			41,7	56,3	72,8	86,9	93,5
Total segments			99,5	137,4	189,4	237,6	270,9
Reconciliation items			-50,1	-46,9	-47,5	-49,1	-50,3
Agora (group together)			49,3	90,5	141,9	188,5	220,6
BALANCE SHEET [PLN mn]	2021	2022	2023E	2024E	2025E	2026E	2027E
PP&E + Goodwill	777	722	1 017	1 087	1 073	1 067	1 066
Right of use asset	610	587	617	615	609	602	595
Investments accounted for using the equity method	143	127	14	13	13	13	13
Other non-current assets	57	59	73	73	73	73	73
Non-current assets	1 587	1 496	1 721	1 788	1 769	1 756	1 747
Inventory	20	30	46	50	54	59	62
Trade receivables and other assets	177	195	231	249	272	293	311
Other current assets	2	2	2	2	2	2	2
Cash and cash equivalents	135	69	103	124	146	179	232
Current assets	334	297	382	425	474	532	607
Total assets	1 921	1 793	2 103	2 213	2 243	2 288	2 354
Equity	780	674	855	771	815	892	994
Long-term liabilities	694	709	736	809	805	799	793
Short-term liabilities	447	410	512	633	624	597	567
Total liabilities	1 141	1 119	1 248	1 442	1 429	1 396	1 360
Total liabilities & equity	1 921	1 793	2 103	2 213	2 243	2 288	2 354

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

Source: Dom Maklerski BDM S.A.

CF [PLN mn]	2021	2022	2023E	2024E	2025E	2026E	2027E
Cash flow from operating activities	127	77	216	254	297	333	359
Cash flow from investing activities	-19	-39	-22	-287	-84	-94	-100
Cash flow from financing activities	-112	-104	-160	54	-190	-207	-205
including lease payments	-54	-81	-86	-76	-73	-71	-69
including dividends	0	0	0	0	-23	-30	-37
Cash eop	135	69	103	124	146	179	232
FINANCIAL DEBT [PLN mn]							
Total loan and lease liabilities	807	797	832	1005	964	907	850
Debt % - resulting from the application of IFRS 16	660	662	697	695	690	683	676
Debt % - without recognition of IFRS 16	147	135	134	309	274	224	174
Net debt [PLN mn]	671	727	728	880	817	727	617
Net debt (excluding IFRS 16) [PLN mn]	11	65	31	184	127	44	-59
VALUATION AND OTHER METRICS							
Price [PLN]	10,45	10,45	10,45	10,45	10,45	10,45	10,45
Market Cap [PLN mn]	487	487	487	487	487	487	487
EV [PLN mn]	1 158	1 214	1 215	1 366	1 304	1 214	1 104
EV (excluding IFRS 16) [PLN mn]	497	551	518	671	614	531	428
EPS [PLN]	-0,96	-2,20	1,60	0,47	1,37	2,22	2,89
BVPS [PLN]	16,6	14,5	16,1	16,5	17,4	19,0	21,1
P/E (x)	---	---	6,5	22,1	7,6	4,7	3,6
P/BV (x)	0,6	0,7	0,7	0,6	0,6	0,6	0,5
EV/Sales (x)	1,2	1,1	0,9	0,9	0,8	0,7	0,6
EV/EBITDA (x)	9,1	8,5	5,3	5,2	4,2	3,4	2,8
Revenue change y/y	15,5%	15,2%	26,3%	7,9%	9,2%	7,6%	6,2%
EBITDA margin	13%	13%	16%	17%	19%	20%	21%
Net margin	-4,6%	-9,2%	5,3%	1,5%	3,8%	5,8%	7,1%
ROA	-2%	-6%	4%	1%	3%	5%	6%
ROE	-6%	-14%	10%	3%	8%	12%	14%
Dividend [PLN mn]	0	0	0	0	23	30	37
DPS [PLN]	0,00	0,00	0,00	0,00	0,50	0,65	0,80
Dividend yield (%)	0%	0%	0%	0%	5%	6%	8%

Source: Dom Maklerski BDM S.A.

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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	14,5	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

** the author of the reports was another analyst

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 Q1 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	45%	0	0%
Accumulate	3	27%	0	0%
Hold	1	9%	0	0%
Reduce	2	18%	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>

A Legal note:

This report (hereinafter also referred to as an analysis, a document) has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565.

The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwpa>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>.

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