



Dom Maklerski BDM S.A.

# KINO POLSKA TV

EQUITY RESEARCH

We anticipate that KPL will demonstrate continued growth at the EBITDA adjusted level during the 2024 fiscal year. The recently published preliminary results for Q1 2024 indicate a perceptible growth momentum coming from TV advertising, including the effect of a new agreement with an advertising broker. Furthermore, we anticipate that a number of initiatives will result in increased broadcast revenues in future periods, including further growth in sales of FilmBox channels in foreign markets. At this time, we do not assume any significant impact from the introduction of advertising blocks on FilmBox channels. Taking into account our assumptions, we are raising the valuation of the company to PLN 20.05 per share, up from PLN 18.4 per share. This represents a premium of over 35% to the current market price, which justifies our reiteration of the Buy recommendation.

Since our previous recommendation, there has been a 7% increase in the company's share price. Concurrently, the sentiment around KPL has cooled following the publication of its 2023 annual results. One contributing factor may be the perception of the extent to which the company participates in cash pooling within the Vivendi group. As of the end of 2023, this was estimated at approximately PLN 37 million. The management message from the Q4 2023 earnings conference call (in our view) indicates that KPL, as part of the Vivendi group, will continue to actively participate in cash pooling in the future. Therefore, it should be noted that our forecast of cash balances in future periods may be subject to a high risk of error. This is because, in particular, we note that future excess cash balances (above a certain value defined by the company) may be actively used within the framework of the aforementioned mechanism (on the balance sheet, this will be the item loans granted). In our valuation, we treat the item "loans granted" on the balance sheet (related to the cash pooling mechanism) as a cash equivalent and include it in the calculation of net debt.

We maintain our previous assessment that Kino Polska TV is at an interesting corporate juncture due to the process of change resulting from its entry into the Vivendi concern (directly into the Canal+ group). We anticipate that in the course of 2024, the company's authorities will provide more detailed information on future initiatives that may outline KPL's target position in the Canal+ group, as the process of separating Canal+ from Vivendi as a separate listed entity is underway.

The company's board of directors has recommended the payment of a PLN 0.63 dividend from 2023 earnings. We view the proposed dividend level as moderately positive, given the decline in the share price in recent weeks. Please note that the previous DPS level was PLN 0.35. Concurrently, however, in our most recent analyst report our forecast assumed a DPS of PLN 0.79.

	2022	2023	2024E	2025E	2026E	2027E
Revenue [PLN m]	284,8	294,2	302,8	317,1	328,3	337,8
EBITDA adj. [PLN m]	70,5	74,8	82,7	87,4	91,0	94,6
EBIT [PLN m]	60,7	66,5	73,9	77,6	80,7	83,1
Net income [PLN m]	47,7	51,9	60,8	64,4	67,2	69,4
EPS [PLN]	2,4	2,6	3,1	3,2	3,4	3,5
P/BV	1,4	1,2	1,0	0,9	0,8	0,7
P/E	6,2	5,7	4,8	4,6	4,4	4,2
EV/EBITDA	3,8	3,1	2,5	2,0	1,6	1,3
EV/EBIT	4,5	3,5	2,8	2,3	1,8	1,4
DPS [PLN]	0,50	0,35	0,63	0,80	0,97	1,19
Dividend yield	3%	2%	4%	5%	7%	8%

## BUY

(PREVIOUSLY: BUY)

### PRICE TARGET: PLN 20,05

21 MAY 2024, 09:15 CEST

Price target [PLN]	20,05
Potential upside/downside	+35%
Price [PLN]	14,8
Market Cap [PLN mn]	293
Shares outstanding [mn]	19,82
Max. price 6M [PLN]	17,3
Min. price 6M [PLN]	13,6
Rate of return 3M	-7%
Rate of return 6M	2%
Rate of return 9M	8%
Rate of return YTD	4%
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

Taking into account our assumptions, we have raised our valuation of the company to PLN 20.05/share (previously it was PLN 18.4/share). This is more than 35% above the current market price and we therefore reiterate our Buy recommendation.

Our valuation is based on the DCF model and multiplier analysis. The DCF methodology yields a PLN 19,96/share value. The EV/EBITDA multiple analysis for 2024-2025 results in a share price of PLN 20,19. The final valuation is determined by taking the average of the two methods used.

### Valuation summary

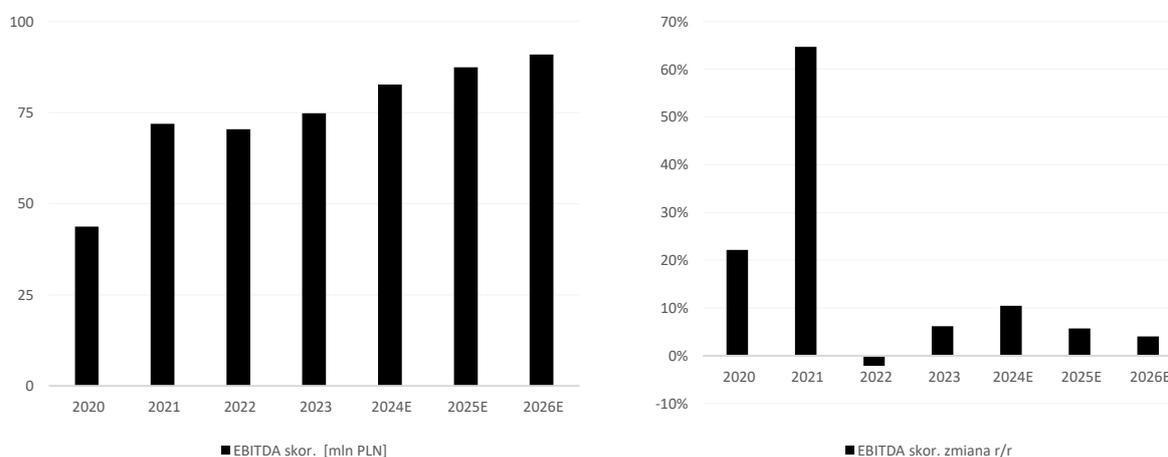
A	DCF [PLN]	19,96
B	Peer valuation [PLN]	20,19
<b>C = (A*50%+B*50%)</b>	<b>Price target [PLN/share]</b>	<b>20,05</b>

Source: Dom Maklerski BDM S.A.

For the full year 2024, we anticipate that EBITDA adjusted will be PLN 82.7 million, representing a 10.5% year-over-year increase (2023 was approximately PLN 74.8 million). For 2024, we anticipate that Stopklatka and Zoom TV will experience noticeable growth. In total, the Stopklatka and Zoom TV segments have been included with a positive result of PLN 3.7 million (in 2023, the areas showed a loss of PLN 2.6 million). For the years 2025-2026, we anticipate an increase in EBITDA to PLN 87.4 million and PLN 91 million, representing a 5.7% and 4% year-over-year growth, respectively.

We maintain our previous assessment that Kino Polska TV is currently undergoing a period of significant corporate change due to its entry into the Vivendi concern (directly into the Canal+ group). We anticipate that in the course of 2024, the company's authorities will provide further details on future initiatives that may outline KPL's target position in the Canal+ group (as the process of separating Canal+ from Vivendi as a separate listed entity is underway). In 2024, we anticipate that one of the potential changes will be a greater degree of sharing of program libraries. We believe that future decisions regarding the development of the digital area at KPL will also be of great importance to us.

### Historical and assumed future path of EBITDA adj. behavior and y/y growth rate



Source: Dom Maklerski BDM S.A.

## FINANCIALS

### KPL - Income statement [PLN m]

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Total Revenues	257,2	284,8	294,2	302,8	317,1	328,3	337,8	346,3
Subscriptions	128,8	146,1	150,7	152,3	155,9	160,2	164,3	168,0
Advertising	96,7	106,8	107,0	119,4	128,4	134,2	138,7	142,7
License Sales	28,4	27,3	30,0	23,6	24,1	24,4	24,8	25,2
TV Channel Production	1,3	2,0	4,4	6,1	6,9	7,6	8,1	8,5
Other	1,9	2,6	2,1	1,4	1,8	1,8	1,8	1,9
<b>EBITDA adj.</b>	<b>71,9</b>	<b>70,5</b>	<b>74,8</b>	<b>82,7</b>	<b>87,4</b>	<b>91,0</b>	<b>94,6</b>	<b>97,4</b>
EBIT	59,8	60,7	66,5	73,9	77,6	80,7	83,1	84,9
Net Financial Income/(Losses)	-0,5	-0,5	-0,9	0,9	1,9	2,2	2,5	2,9
Profit before income tax	59,3	60,2	65,6	74,9	79,5	82,9	85,7	87,8
Income tax	-10,7	-12,5	-13,8	-14,1	-15,1	-15,8	-16,3	-16,7
Net profit	48,6	47,7	51,9	60,8	64,4	67,2	69,4	71,1
<b>Operating divisions</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Total Revenues	257,2	284,8	294,2	302,8	317,1	328,3	337,8	346,3
FilmBox	128,9	148,5	154,4	156,6	160,7	165,8	170,4	174,7
Kino Polska	36,1	37,3	33,5	34,3	34,1	33,9	33,7	33,5
TV Channel Production	1,3	2,0	4,4	6,1	6,9	7,6	8,1	8,5
Zoom TV	20,0	24,0	26,4	29,4	32,9	35,9	37,9	39,7
Stopklatka	41,5	44,4	43,9	51,2	56,8	59,1	61,1	62,9
License Sales	28,4	27,3	30,0	23,6	24,1	24,4	24,8	25,2
Other	1,0	1,4	1,6	1,6	1,6	1,6	1,7	1,7
EBIT	59,8	60,7	66,5	73,9	77,6	80,7	83,1	84,9
FilmBox	39,9	45,6	49,2	51,7	53,6	54,5	55,4	56,4
Kino Polska	19,3	17,9	14,2	14,6	14,5	14,3	14,2	14,1
TV Channel Production	0,3	0,7	1,7	1,9	2,1	2,3	2,5	2,6
Zoom TV	-5,7	-9,6	-2,7	-0,1	2,8	3,8	4,6	5,1
Stopklatka	7,6	6,7	0,1	3,8	5,5	6,4	7,3	7,9
License Sales	3,4	3,2	2,7	2,2	1,3	1,6	1,6	1,6
Other	-0,2	-0,4	0,1	-0,2	-0,2	-0,2	-0,2	-0,2
Other items, net	-4,6	-3,4	1,2	0,0	-2,0	-2,2	-2,4	-2,7

Source: Dom Maklerski BDM S.A.

**KPL - Selected data from the balance sheet and cash flow statement [PLN m]**

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
<b>Balance sheet</b>								
Fixed Assets	6,4	5,6	7,2	6,8	7,3	8,2	8,9	9,5
Goodwill	55,7	55,7	55,7	55,7	55,7	55,7	55,7	55,7
Programming Assets	55,3	59,4	67,7	79,4	91,4	104,3	117,4	130,8
Other Non Current Assets	29,3	24,8	40,2	38,4	40,8	44,6	48,0	50,9
<b>Non Current Assets</b>	<b>146,7</b>	<b>145,4</b>	<b>170,7</b>	<b>180,2</b>	<b>195,2</b>	<b>212,7</b>	<b>229,9</b>	<b>246,9</b>
Programming Assets	8,6	13,9	11,0	11,3	11,9	12,3	12,6	13,0
Trade Receivables	73,7	95,0	103,9	102,9	107,8	111,6	114,8	117,7
Other Current Assets	2,3	1,2	37,1	37,2	37,2	37,2	37,2	37,2
Cash and Cash Equivalents	30,5	40,9	24,7	53,5	85,4	114,5	142,0	167,4
<b>Current Assets</b>	<b>115,1</b>	<b>151,0</b>	<b>176,7</b>	<b>205,0</b>	<b>242,3</b>	<b>275,6</b>	<b>306,7</b>	<b>335,4</b>
<b>Total Assets</b>	<b>261,8</b>	<b>296,4</b>	<b>347,4</b>	<b>385,2</b>	<b>437,5</b>	<b>488,3</b>	<b>536,7</b>	<b>582,2</b>
<b>Shareholders' Equity</b>	<b>168,2</b>	<b>204,1</b>	<b>243,0</b>	<b>291,3</b>	<b>339,8</b>	<b>387,7</b>	<b>433,6</b>	<b>476,9</b>
Financial Debt	12,0	0,1	2,7	2,7	2,7	2,7	2,7	2,7
Trade Payables	3,4	4,7	1,5	1,5	1,6	1,7	1,7	1,8
Other Liabilities	11,2	8,8	21,7	21,7	21,8	21,8	21,8	21,8
<b>Long Term Liabilities</b>	<b>26,7</b>	<b>13,6</b>	<b>25,9</b>	<b>26,0</b>	<b>26,1</b>	<b>26,1</b>	<b>26,2</b>	<b>26,2</b>
Financial Debt	7,2	17,9	1,3	1,3	1,3	1,3	1,3	1,3
Trade Payables	49,3	49,3	56,3	45,3	48,3	50,6	52,6	54,4
Other Liabilities	10,5	11,4	20,9	21,4	22,1	22,6	23,0	23,4
<b>Current Liabilities</b>	<b>67,0</b>	<b>78,7</b>	<b>78,5</b>	<b>68,0</b>	<b>71,7</b>	<b>74,5</b>	<b>76,9</b>	<b>79,1</b>
<b>Total Liabilities &amp; Equity</b>	<b>261,8</b>	<b>296,4</b>	<b>347,4</b>	<b>385,2</b>	<b>437,5</b>	<b>488,3</b>	<b>536,7</b>	<b>582,2</b>

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
<b>Cash flow statement</b>								
Cash Flow from Operating Activities	57,3	28,2	50,0	48,0	59,5	61,8	64,9	67,3
Cash Flow from Investing Activities	-6,4	-5,2	-41,2	-6,1	-11,1	-13,1	-13,5	-13,9
Cash Flow from Financing Activities	-29,6	-12,5	-25,0	-13,1	-16,5	-19,6	-23,8	-28,1
Change in Cash	21,4	10,5	-16,2	28,8	31,9	29,0	27,6	25,4

Source: Dom Maklerski BDM S.A.

**KPL- Ratio analysis**

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Price [PLN]	14,8	14,8	14,8	14,8	14,8	14,8	14,8	14,8
Shares outstanding [m]	19,8	19,8	19,8	19,8	19,8	19,8	19,8	19,8
BVPS [PLN]	8,5	10,3	12,3	14,7	17,1	19,6	21,9	24,1
EPS [PLN]	2,5	2,4	2,6	3,1	3,2	3,4	3,5	3,6
P/E [x]	6,0	6,2	5,7	4,8	4,6	4,4	4,2	4,1
EV/Revenue [x]	1,1	0,9	0,8	0,7	0,6	0,4	0,4	0,3
EV/EBITDA adj. [x]	3,9	3,8	3,1	2,5	2,0	1,6	1,3	1,0
EV/EBIT [x]	4,7	4,5	3,5	2,8	2,3	1,8	1,4	1,1
P/BV [x]	1,7	1,4	1,2	1,0	0,9	0,8	0,7	0,6
EV [PLN m]	282	270	236	207	175	146	118	93
Market Cap [PLN m]	293	293	293	293	293	293	293	293
Net Debt [PLN m]	-12	-23	-58	-86	-118	-147	-175	-200
Net Debt / EBITDA adj. [x]	-0,2	-0,3	-0,8	-1,0	-1,4	-1,6	-1,8	-2,1
Revenue y/y	21,4%	10,8%	3,3%	2,9%	4,7%	3,5%	2,9%	2,5%
EBITDA adj. change y/y	64,7%	-2,1%	6,2%	10,5%	5,7%	4,0%	4,0%	3,0%
EBITDA adj. margin	28,0%	24,7%	25,4%	27,3%	27,6%	27,7%	28,0%	28,1%
Net margin	18,9%	16,7%	17,6%	20,1%	20,3%	20,5%	20,5%	20,5%
Revenue/Assets [x]	1,0	1,0	0,8	0,8	0,7	0,7	0,6	0,6
Assets/Equity [x]	1,6	1,5	1,4	1,3	1,3	1,3	1,2	1,2
EBIT/Interests costs [x]	46,0	46,5	37,3	123,3	130,6	254,7	262,4	267,9
Short-term liabilities / Revenue [x]	0,3	0,3	0,3	0,2	0,2	0,2	0,2	0,2
Long-term liabilities / Revenue [x]	0,1	0,0	0,1	0,1	0,1	0,1	0,1	0,1
Total liabilities/ Total liabilities & equity [x]	0,4	0,3	0,3	0,2	0,2	0,2	0,2	0,2
Equity / Total liabilities & equity [x]	0,6	0,7	0,7	0,8	0,8	0,8	0,8	0,8
ROA	19%	16%	15%	16%	15%	14%	13%	12%
ROE	29%	23%	21%	21%	19%	17%	16%	15%
ROCE	31%	31%	30%	33%	31%	30%	28%	27%
DPS [PLN]	0,00	0,50	0,35	0,63	0,80	0,97	1,19	1,40
Dividend yield	0%	3%	2%	4%	5%	7%	8%	9%
Financial debt [PLN m]	19,2	18,0	4,0	4,0	4,0	4,0	4,0	4,0
Cash [PLN m]	30,5	40,9	24,7	53,5	85,4	114,5	142,0	167,4

Source: Dom Maklerski BDM S.A.

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rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
buy	20,05	buy	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

**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.

**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).

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	47%	0	0%
Accumulate	3	20%	0	0%
Hold	3	20%	0	0%
Reduce	2	13%	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.

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