



Dom Maklerski BDM S.A.

## AGORA

### EQUITY RESEARCH

This analyst report presents a symbolic increase in the valuation of Agora from PLN 14.5/share to PLN 14.6/share, accompanied by a reiteration of the Buy rating. We believe that the company has the potential to achieve double-digit growth in its EBITDA figures on a year-on-year basis by 2025-2026. 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. Currently, Agora's market metrics include a significant discount to the peer group, but as positive earnings trends consolidate, we anticipate a gradual change in this situation.

In our assessment, the primary factor influencing the investment climate surrounding Agora in the coming quarters will be the company's rebuilding of its position in the advertising market. We believe that, at least for the next two to three quarters, the film and book segment should not be positioned as an area of year-over-year earnings growth for the group. The upcoming quarterly results seasons will therefore serve as an important assessment period. For investors, the realization of a scenario indicating the maintenance of an increasing year-over-year earnings trajectory will be a positive indicator, resulting from initiatives taken in businesses with advertising exposure. Please note that the year-on-year comparison in the second quarter of 2024 will already be based on the period from the second quarter of 2023, when Eurozet was included for a full quarter in the radio segment's operating results.

Following a series of robust quarterly results, we are anticipating a temporary disruption to the year-on-year EBITDA growth trajectory in the second quarter of 2024. In total, we anticipate that the consolidated EBITDA adjusted in Q2 2024 will reach PLN 40.2 million, representing a 10% decline compared to the previous year. In LTM terms, our forecasts indicate that EBITDA adjusted will amount to PLN 238.9m after Q2 2024. This assumption is largely attributable to the anticipated weakness in cinema attendance during the second quarter of 2024. Furthermore, our simulation incorporates the potential impact of Radio Zet's audience growth strategy on the radio segment's margins in the near term.

Furthermore, the report highlights the challenging circumstances faced by news and publicity content providers in Poland. The current market situation for publishers in Poland is unsustainable when we consider the relationship between their revenue generation and the costs incurred to maintain their editorial offices. This is why we are monitoring the ongoing discussions and work on a new law that may have a significant impact on the future shape of media in Poland. This report does not include any changes to the operating ecosystem of the press and internet segments.

	2022	2023	2024E	2025E	2026E	2027E
Total revenue [PLN m]	1 113	1 424	1 526	1 624	1 732	1 830
EBITDA adj. [PLN m]	143	228	248	306	351	379
EBIT [PLN m]	-65	45	71	131	176	205
Net income [PLN m]	-103	65	9	61	102	129
P/E	---	7.7	56.6	8.3	4.9	3.9
EV/Sales	1.1	0.8	0.8	0.8	0.7	0.6
EV/EBITDA	8.6	5.0	5.1	4.1	3.3	2.8
DPS [PLN]	0.0	0.0	0.0	0.0	0.15	0.30
Dividend yield	0.0%	0.0%	0.0%	0.0%	1.4%	2.8%

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

# BUY

(PREVIOUSLY: BUY)

## PRICE TARGET: PLN 14.6

12 JULY 2024, 13:49 CEST

Price target [PLN]	14.6
DCF valuation [PLN]	14.43
Peer valuation [PLN]	14.76
Potential upside/downside	+35%
Price [PLN]	10.8
Market Cap [PLN mn]	503
Shares outstanding [mn]	46.6
Max. price 12M [PLN]	12.7
Min. price 12M [PLN]	7.7
Rate of return 3M	-5%
Rate of return 6M	-4%
Rate of return 9M	34%
Rate of return YTD	-6%
Shareholders	
Agora-Holding	11.6%
PTE PZU	17.7%
Media Development Investment Fund	11.5%
NN PTE	8.8%

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## VALUATION AND SUMMARY

This analyst report presents a symbolic increase in the valuation of Agora from PLN 14.5/share to PLN 14.6/share, accompanied by a reiteration of the Buy rating. We believe that the company has the potential to achieve double-digit growth in its EBITDA figures on a year-on-year basis by 2025-2026. 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. Currently, Agora's market metrics include a significant discount to the peer group, but as positive earnings trends consolidate, we anticipate a gradual change in this situation.

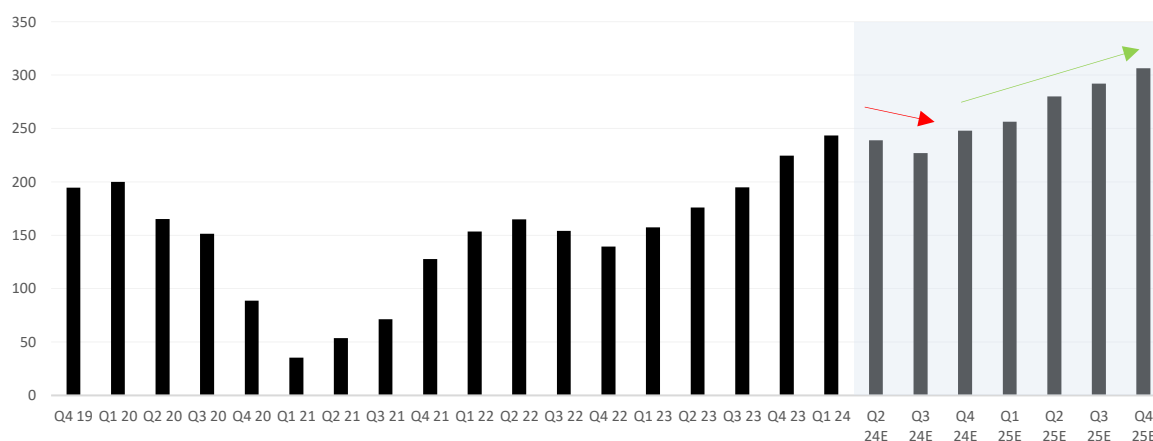
Our valuation is based on DCF and multiples analysis. The DCF method resulted in a value of PLN 14.43 per share. Our assumed EV/EBITDA multiple (5.5x) for the years 2024-2025 results in a price of PLN 14.76/share. The final valuation of PLN 14.6/share is the arithmetic average of the two methods used.

### Valuation summary

A	DCF valuation [PLN]	14.43
B	Peer valuation [PLN]	14.76
<b>C = (A*50%+B*50%)</b>	<b>Price Target [PLN]</b>	<b>14.60</b>

Source: Dom Maklerski BDM S.A.

### 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 5.8% (previously 5.3%). 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 13.6% 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 the acquisition of full control of Eurozet.

The final DCF method suggests an equity value of AGO at PLN 14.43/share. The valuation was prepared as of 2024-11-01.

**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%
<b>WACC</b>	<b>9.1%</b>	19.5	20.7	22.1	23.7	25.6	27.8	30.5
	<b>10.6%</b>	16.6	17.4	18.4	19.5	20.7	22.1	23.7
	<b>12.1%</b>	14.4	15.1	15.8	16.6	17.4	18.4	19.5
	<b>13.6%</b>	12.8	13.3	13.8	<b>14.43</b>	15.1	15.8	16.6
	<b>15.1%</b>	11.5	11.9	12.3	12.8	13.3	13.8	14.4
	<b>16.6%</b>	10.5	10.8	11.1	11.5	11.9	12.3	12.8
	<b>18.1%</b>	9.6	9.9	10.2	10.5	10.8	11.1	11.5

Source: Dom Maklerski BDM S.A.

We have used the EV/EBITDA multiple to value the company using our 2024 to 2025 assumptions. We set the target acceptable average EV/EBITDA level for 2024-2025 at 5.5x (as before). This approach suggests an equity valuation of PLN 688 million, or PLN 14.76/share.

**Agora multiplier valuation (based on EV/EBITDA target)**

		Sensitivity analysis; average EV/EBITDA for 2024-2025						
		4.0x	4.5x	5.0x	5.5x	6.0x	6.5x	7.0x
Price Target [PLN]		5.84	8.81	11.79	<b>14.76</b>	17.74	20.71	23.69

Source: Dom Maklerski BDM S.A.

## FINANCIALS

INCOME STATEMENT [PLN m]	2022	2023	2024E	2025E	2026E	2027E	2028E
<b>Total revenue</b>	<b>1 113.1</b>	<b>1 424.3</b>	<b>1 526.2</b>	<b>1 623.7</b>	<b>1 732.3</b>	<b>1 829.6</b>	<b>1 914.1</b>
Advertising	511.9	703.7	771.7	827.9	888.6	942.5	990.8
Cinema tickets	192.3	244.0	252.0	276.9	299.5	319.2	335.4
Publishing sales	136.9	139.9	140.2	142.5	143.5	145.1	146.5
Cinema bars	103.5	136.6	146.4	162.4	176.0	188.1	198.0
Catering sales	38.3	43.0	49.5	56.6	60.9	65.4	69.0
Movie operations	31.2	29.5	43.8	40.0	43.4	43.1	44.8
Other sales	99.0	127.5	122.6	117.3	120.5	126.0	129.7
Operating costs	-1 177.9	-1 379.8	-1 453.4	-1 491.5	-1 555.7	-1 620.2	-1 678.7
<b>EBITDA adj*</b>	<b>142.7</b>	<b>228.3</b>	<b>248.0</b>	<b>306.3</b>	<b>350.6</b>	<b>378.8</b>	<b>403.6</b>
<b>EBIT</b>	<b>-64.8</b>	<b>44.6</b>	<b>71.3</b>	<b>130.7</b>	<b>175.6</b>	<b>204.9</b>	<b>230.0</b>
Net interest and others	-47.4	61.3	-42.1	-51.3	-49.3	-45.0	-41.3
Share in profits under equity accounting method	8.5	-4.3	0.3	0.3	0.0	0.0	0.0
Profit before income tax	-103.7	101.6	29.6	79.7	126.3	159.9	188.7
Net profit	-105.7	85.0	18.0	64.5	102.3	129.5	152.8
<b>equity holders of the parent company</b>	<b>-102.7</b>	<b>65.4</b>	<b>8.9</b>	<b>60.7</b>	<b>101.8</b>	<b>128.9</b>	<b>152.2</b>
non-controlling interests	-3.0	19.6	9.1	3.8	0.5	0.6	0.6
<b>EBIT by segment</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Film and book	10.8	50.2	53.6	69.7	91.0	103.6	115.7
Press	-71.5	-7.8	-8.8	1.5	1.6	2.9	3.0
Outdoor advertising	11.8	18.4	29.3	33.1	35.8	39.8	43.0
Internet	11.5	-14.6	-8.7	-0.7	3.0	4.2	5.4
Radio	4.5	48.6	58.7	73.8	92.6	104.4	114.5
Total segments	-32.8	94.7	124.1	177.3	224.0	254.9	281.5
Reconciliation items	-32.0	-50.1	-52.8	-46.6	-48.4	-50.1	-51.5
<b>Agora (group together)</b>	<b>-64.8</b>	<b>44.6</b>	<b>71.3</b>	<b>130.7</b>	<b>175.6</b>	<b>204.9</b>	<b>230.0</b>
<b>BALANCE SHEET [PLN m]</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
PP&E + Goodwill	722	1 020	1 068	1 068	1 075	1 087	1 102
Right of use asset	587	582	585	624	615	605	596
Investments accounted for using the equity method	127	14	14	14	14	14	14
Other non-current assets	59	65	63	63	63	63	63
Non-current assets	1 496	1 680	1 730	1 770	1 767	1 770	1 776
Inventory	30	35	40	42	52	55	58
Trade receivables and other assets	195	238	243	258	285	301	315
Other current assets	2	2	3	3	3	3	3
Cash and cash equivalents	69	90	126	159	208	279	362
Current assets	297	365	411	462	548	637	737
Total assets	1 793	2 045	2 141	2 232	2 315	2 407	2 513
Equity	674	848	781	846	941	1 057	1 189
Long-term liabilities	709	636	835	838	800	762	724
Short-term liabilities	410	562	524	548	574	589	600
Total liabilities	1 119	1 198	1 359	1 386	1 374	1 351	1 324
Total liabilities & equity	1 793	2 045	2 141	2 232	2 315	2 407	2 513

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

Source: Dom Maklerski BDM S.A.

<b>CF [PLN m]</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Cash flow from operating activities	77	247	235	293	322	350	368
Cash flow from investing activities	-39	-19	-222	-85	-87	-92	-94
Cash flow from financing activities	-104	-206	22	-175	-186	-188	-191
including lease payments	-81	-91	-90	-90	-95	-95	-94
including dividends	0	0	0	0	-7	-14	-21
Cash eop	69	90	126	159	208	279	362
<b>FINANCIAL DEBT [PLN m]</b>							
	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Total loan and lease liabilities	797	734	898	907	868	828	789
Debt % - resulting from the application of IFRS 16	662	631	631	671	661	652	642
Debt % - without recognition of IFRS 16	135	102	267	237	207	177	147
Net debt [PLN mn]	727	642	771	747	659	549	426
Net debt (excluding IFRS 16) [PLN mn]	65	11	140	77	-3	-103	-216
<b>VALUATION AND OTHER METRICS</b>							
	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Price [PLN]	10,80	10,80	10,80	10,80	10,80	10,80	10,80
Market Cap [PLN m]	503	503	503	503	503	503	503
EV [PLN m]	1 230	1 145	1 274	1 250	1 162	1 052	929
EV (excluding IFRS 16) [PLN m]	568	514	643	580	500	400	287
EPS [PLN]	-2,20	1,40	0,19	1,30	2,18	2,77	3,27
BVPS [PLN]	14,5	15,9	16,0	17,3	19,4	21,8	24,7
P/E (x)	---	7,7	56,6	8,3	4,9	3,9	3,3
P/BV (x)	0,7	0,7	0,7	0,6	0,6	0,5	0,4
EV/Sales (x)	1,1	0,8	0,8	0,8	0,7	0,6	0,5
EV/EBITDA (x)	8,6	5,0	5,1	4,1	3,3	2,8	2,3
Revenue change y/y	15.2%	28.0%	7.2%	6.4%	6.7%	5.6%	4.6%
EBITDA margin	13%	16%	16%	19%	20%	21%	21%
Net margin	-9.2%	4.6%	0.6%	3.7%	5.9%	7.0%	8.0%
ROA	-6%	3%	0%	3%	4%	5%	6%
ROE	-14%	9%	1%	8%	12%	13%	14%
Dividend [PLN m]	0	0	0	0	7	14	21
DPS [PLN]	0.00	0.00	0.00	0.00	0.15	0.30	0.45
Dividend yield (%)	0%	0%	0%	0%	1%	3%	4%

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
<b>buy</b>	<b>14,6</b>	<b>buy</b>	<b>14,5</b>	<b>2024-07-12</b>	<b>13:49 CET</b>	<b>10,8</b>	<b>88 454</b>
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

**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 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	1	100%	0	0%
Accumulate	0	0%	0	0%
Hold	0	0%	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>

#### 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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