

Warsaw, March 25, 2020

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Haitong Bank in a report from March 24 (08:00) keeps Cyfrowy Polsat BUY (FV PLN 27.4), Play Communications BUY (FV PLN 34.0) and lifts Orange Polska to NEUTRAL from Sell (FV PLN 5.8).

Valuation Methodology

- **Cyfrowy Polsat**

We value Cyfrowy Polsat using a DCF and peer multiples. Using a DCF we arrive at PLN 28.1/sh while our peer valuation yields PLN 26.7/sh. Our final fair value is PLN 27.4/sh, implying 15% potential upside.

- **Play Communications**

We value Play using a DCF, DDM and peer multiples. Using a DCF, we derive a fair value of PLN 33.4; using DDM we arrive at PLN 34 and peers of PLN 34.4. Applying an equal weighting to each valuation method we obtain a fair value of PLN 34, implying 24% upside potential to the current share price.

- **Orange Polska**

We value Orange Polska using a DCF and peer multiples where DCF and peers have a 50% weight each. As Orange Polska does not pay dividends, we stopped valuing the stock using the DDM method. Using a DCF, we derive a fair value of PLN 6.4 and using peers of PLN 5.3. Our fair value is PLN 5.8, implying 1% downside potential to the current share price.

Risks to Fair Value

- **Cyfrowy Polsat**

1. Weaker than expected delivery on capex and EBITDA synergies on Netia acquisition.
2. Weaker than expected monetization of UEFA TV content especially given stopped matches on the back of the Coronavirus outbreak.
3. Weaker than expected performance of SmartDOM offer.
4. Price pressure on LTE offers.
5. ARPU and margin dilution from bundling offer.
6. Weaker than expected performance of the TV ad market, especially giving the slowing economy on the back of the Coronavirus outbreak.
7. Erosion of Polsat TV audience share.

- **Play Communications**

1. Play stops its focus on the ARPU approach and returns to a more aggressive commercial stance in order to regain SIM card leadership.
2. Play SIM card base starts eroding.
3. Higher than expected price paid for the 3.4-3.8GHz and 800MHz spectrum.
4. Play cuts the dividend outlook on the back of expensive spectrum and 5G rollout capex.
5. Higher than expected maintenance capex.

- **Orange Polska**

Downside risks

1. Weak net adds in FTTx segment as a result of increased competition.
2. Price pressure on the mobile broadband offer.
3. Price pressure in the B2B market.
4. Competitive offer from CableTV and CPS/NET putting pressure on OPL's client base in dense areas.
5. ARPU erosion in the mobile voice segment.
6. Acceleration of net adds erosion in fixed-voice and fixed-data.



Upside risks

1. Faster than expected mobile and Fiber net adds.
2. Faster than expected ARPU increase.
3. Bigger than expected cost optimization initiatives.
4. OPL selling more than expected real estate and network towers.

IMPORTANT DISCLOSURES

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