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Konrad Książkowski, Head of Research, Haitong Bank

Haitong Bank in a report from June 24 (08:00) downgrades Cyfrowy Polsat to NEUTRAL from BUY (FV PLN 28.9), keeps Play Communications BUY (FV PLN 36.4) and keeps Orange Polska NEUTRAL (FV PLN 6.4).

Valuation Methodology

- **Cyfrowy Polsat**

We value Cyfrowy Polsat using a DCF and peer multiples. Using a DCF we arrive at PLN 25.3/sh while our peer valuation yields PLN 32.6/sh. Our final fair value is PLN 28.9/sh, implying 4% potential upside.

- **Play Communications**

We value Play using a DCF, DDM and peer multiples. Using a DCF, we derive a fair value of PLN 35.1; using DDM we arrive at PLN 34.9 and peers of PLN 39.2. Applying an equal weighting to each valuation method we obtain a fair value of PLN 36.4, implying 26% 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 7.0 and using peers of PLN 5.8. Our fair value is PLN 6.4, implying 0% upside 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.
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.
7. Erosion of Polsat TV audience share.
8. Weaker than expected macro situation that could cut TV ad budgets.

Upside risks

1. Lighter than expected TV ad market decline.
2. More than expected synergies from Interia, Netia and Asseco Poland acquisitions.
3. Faster than expected ARPU and client base growth.

- **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**

1. Weak net adds in FTTx segment as a result of increased competition.
2. Price pressure in mobile broadband offer.
3. Price pressure in 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. Page 31 of 33 Acceleration of net adds erosion in fixed-voice and fixed-data.
6. Acceleration of net adds erosion in fixed-voice and fixed-data.

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