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Haitong Bank in a report from July 1 (8:30) keeps Cyfrowy Polsat at NEUTRAL (FV PLN 22.9) and keeps Orange Polska at BUY (FV PLN 7).

Valuation Methodology

CYFROWY POLSAT

We value Cyfrowy Polsat using a DCF, peer multiples and DCF SOTP methods where DCF, peers and DCF SOTP have a 33% weight each. Using standard DCF we arrive to PLN 24.1/sh, using DCF SOTP of PLN 24.1/sh and using peer method, we arrive to PLN 20.6/sh. Our final value is a weighted average with equal weight for each method and amounts to PLN 22.9/sh which gives 6% upside potential.

ORANGE POLSKA

We value Orange Polska using a DCF, peer multiples and DDM methods where DCF, peers and DDM have a 33% weight each. Using a DCF, we derive a fair value of PLN 6.9/sh and using peers of PLN 7.4/sh and DDM at PLN 6.7/sh Combined, our fair value is PLN 7.0, implying 12% upside potential to the current share price.

Risks to Fair Value

CYFROWY POLSAT

Downside risks:

- Weaker than expected delivery on capex and EBITDA synergies on Netia and Interia.pl acquisition.
- Higher than expected increase in costs to Cellnex
- Value dilutive acquisitions
- Weaker than expected monetization of UEFA TV content.
- Weaker than expected performance of SmartDOM offer.
- Weaker than expected net adds due to increasing market competition
- ARPU and margin dilution from bundling offer and price pressure on the market.
- Weaker than expected performance of the TV ad market.
- Erosion of Polsat TV audience share.
- Weaker than expected macro situation that could cut TV ad budgets.

Upside risks:

- Higher than expected growth of CPS client base and ARPU
- Higher than expected growth of TV ad market
- Unexpected value accretive M&As

ORANGE POLSKA

- Weak net adds in FTTx segment as a result of increased competition.
- Price war on convergent market following Play-UPC Polska deal
- Price pressure in mobile broadband offer.
- Price pressure in B2B market.
- Competitive offer from CableTV and CPS/NET putting pressure on OPL's client base in dense areas.
- ARPU erosion in the mobile voice segment.
- Acceleration of net adds erosion in fixed-voice and fixed-data.
- Stronger than expected impact on Opex from rising costs like eg. energy

Upside risks:

- Faster than expected net adds in mobile and FTTx segments,



Faster than expected cost cutting initiatives,
Higher than expected proceeds from the sale of real estate assets,
Faster than expected development of ICT segment,
Sale of TowerCo to Cellnex,
Higher than expected dividend

IMPORTANT DISCLOSURES

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