HAITONG

Warsaw, 14.08.2018

Konrad Księżopolski, Head of Equity Research, Haitong Bank

Haitong Bank in a report from 14th August (08:29) keeps Play at BUY but trims FV to PLN 29.1 (from PLN 32.4).

Valuation Methodology

Haitong Bank analysts value Play using a DCF, DDM and peer multiples. Using a DCF, they derive a fair value of PLN 28.9; using DDM they arrive at PLN 32.2 and peers of PLN 27.2. Applying an equal weighting to each valuation method analysts obtain a fair value of PLN 29.1, implying 38% upside potential to the current share price.

Risks to Fair Value

Competition: The Polish mobile market remains highly competitive and changes in the business model of other operators and/or increased use of alternative technology could have a material negative impact on Play's business. Play faces strong competition for subscribers from established competitors, like Plus, Orange and T-Mobile.

Subscriber acquisition pace: the success of Play's mobile operations depends on its ability to attract market share away from competitors and retain mobile subscribers. If Play is unable to successfully manage its subscriber turnover or otherwise lose mobile subscribers, it may face increased subscriber acquisition and retention costs, reduced revenues and/or lower cash flows.

Change or unexpected termination of national roaming agreements: Play relies on national roaming to offer mobile telecommunications services to a certain part of subscribers.

Limited spectrum: Play's future success partially depends upon its ability to secure new radio frequency spectrum, which might be necessary for the launch of new or enhanced technologies or, as business grows, to carry the traffic of its own subscribers. There is a risk Play could pay more for the renewal and acquisition of new spectrum in the future.

Capex: Play is forecasting 8% of Capex/Sales ratio in the long-term horizon, which is one of the lowest among all telcos. There is a risk the Capex/Sales ratio could be higher in the future.

Share overhang/Lock-up: Current biggest shareholders (founders) Novator and Tollerton have signed a 180-day lock up following the IPO.

IMPORTANT DISCLOSURES