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Haitong Bank in a report from September 26 (08:00) upgrades recommendations for companies from the TMT sector:

- BUY on Cyfrowy Polsat (FV 29,0 PLN)
- BUY on Play Communications (FV 32,5 PLN)
- NEUTRAL on Orange Polska (FV 5,4 PLN)

Valuation Methodology

CYFROWY POLSAT: We value Cyfrowy Polsat using a DCF and peer multiples. Using a DCF we arrive at PLN 27.7/sh while our peer valuation yields PLN 30.3/sh. Our final fair value is PLN 29/sh, implying 14% potential upside.

PLAY: We value Play using a DCF, DDM and peer multiples. Using a DCF, we derive a fair value of PLN 29.9; using DDM we arrive at PLN 30.7 and peers of PLN 36.9. Applying an equal weighting to each valuation method we obtain a fair value of PLN 32.5, implying 19% 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 4.5 and using peers of PLN 6.3. Our fair value is PLN 5.4, implying 5% downside potential to the current share price.

Risks to Fair Value

CYFROWY POLSAT

- Weaker than expected delivery on capex and EBITDA synergies on Netia acquisition.
- Weaker than expected monetization of UEFA TV content.
- Weaker than expected performance of SmartDOM offer.
- Price pressure on LTE offers.
- ARPU and margin dilution from bundling offer.
- 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.

PLAY

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

ORANGE POLSKA

- Weak net adds in FTTx segment as a result of increased competition
- 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.

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