Warsaw, January 27, 2021

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Haitong Bank in a report from January 26 (08:00) upgrades Orange Polska to BUY (FV PLN 7.2).

Valuation Methodology

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 8.0 and using peers of PLN 6.4. Our fair value is PLN 7.2, implying 15% upside potential to the current share price.

Risks to Fair Value

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.

IMPORTANT DISCLOSURES

Please find updated IMPORTANT DISCLOSURES at: http://www.haitongib.com/en/what-we-do/research