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Haitong Bank in a report from September 21 (8:30) upgrades Cyfrowy Polsat to BUY and cuts FV to PLN 20.5 (from PLN 21.7).

Valuation Methodology

Having in mind that Cyfrowy Polsat has entered into new business – Green Energy – which will consume substantial Capex until 2026 (expect cumulated PLN 5.5bn) and will also generate sizeable revenues (exp ca. PLN 1.6bn in 2026) and EBITDA (exp at ca. PLN 1bn in 2026). We added DCF in Sum-of-the-Parts version to cross-check valuation result from standard DCF which combines all Telco/Media and Green Energy business. Implementation of DCF SOTP also gives us and investors a view on CPS fundamental value split between those two business arms.

We also use peer valuation method but due to still early development stage of Green Energy segment and expected lack of scale and sizeable financial results, we do not use SOTP approach and keep using our standard approach where valuation multiple is a synthetic multiple derived from telco/payTV/TV/energy peers weighted by EBITDA generation. As we expect CPS to cancel dividend payment in 2023-24, we do not use DDM method.

We adjust CPS valuation to PLN 661m dividend (DPS PLN 1.2) which dividend day was on 19th Set'22 and payment day is set on 15th Dec'22.

Using standard DCF we arrive to PLN 21.2/sh, using DCF SOTP of PLN 21/sh and using peer method, we arrive to PLN 19.4/sh. Our final value is a weighted average with equal weight for each method and amounts to PLN 20.5/sh which gives 19% upside potential.

Risks to Fair Value

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&A.



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