



Dom Maklerski BDM S.A.

KINO POLSKA TV

EQUITY RESEARCH

In light of our assumptions, we have increased the company's valuation to PLN 21.26 per share (previously PLN 20.05 per share). This represents a premium of over 22% above the current market price, and we therefore reiterate our Buy recommendation.

Since our last recommendation in May, the company's stock price has risen by over 18%. The company has made a robust start to the year. The earnings improvement momentum observed in Q1 2024, driven by increased advertising revenues, proved to be a pivotal factor. It is also worth noting that the company incurred relatively low content costs in Q1 2024. However, we anticipate that this cost item will increase in the coming quarters.

In the current report, we have revised our forecast for the remainder of 2024 to reflect an increased level of optimism. This is particularly the case with regard to revenue generated from TV advertising. The update did not result in any significant changes to the forecast for broadcast revenues.

We anticipate that in the second quarter of 2024, adj. EBITDA will increase to PLN 20.7 million, representing a 20.2% year-over-year growth. Our simulation incorporates enhanced earnings projections across all of the company's primary business segments. In total, our projected year-over-year earnings improvement for Stopklatka and Zoom TV amounts to PLN 2.7 million. In the Filmbox segment, we have assumed a PLN 0.4m y/y increase in earnings, despite lower broadcast revenues, due to improved advertising revenues.

We anticipate that adj. EBITDA for the full year 2024 will reach PLN 87.1 million, representing a 16.4% year-on-year increase from 2023, when it was approximately PLN 74.8 million. We anticipate that 2024 will bring perceptible growth impulses in the Stopklatka and Zoom TV segments. In total, we have included a positive result of PLN 6.4 million for these two business divisions. In 2023, the areas showed a loss of PLN 2.6 million. Therefore, the two antennas Stopklatka and Zoom TV are responsible for an increase in the result in 2024 relative to 2023 of about PLN 9 million. Furthermore, our projections indicate a 7.6% year-over-year growth in the FilmBox segment and a 9% increase in the Kino Polska segment. For the 2025-2026 period, we anticipate that EBITDA will increase to PLN 92.2 million and PLN 97.2 million, representing a 5.9% and 3.1% year-on-year growth, respectively.

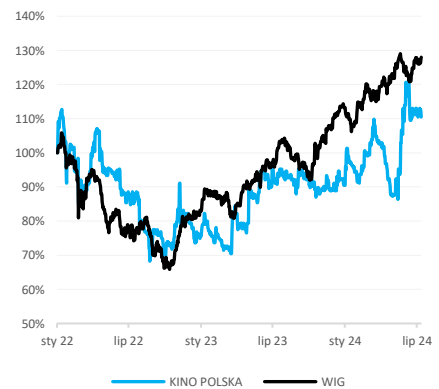
We believe that Kino Polska TV is at an interesting corporate juncture due to the process of change resulting from its entry into the Vivendi conglomerate (directly into the Canal+ group). We anticipate that during 2024, the company's authorities will provide more detailed information about future initiatives that may outline KPL's target position in the Canal+ group (as the process of separating Canal+ from Vivendi as a separate listed entity is underway). In 2024, we are preparing for the scenario that one element of change will be a greater degree of sharing of program libraries.

	2022	2023	2024E	2025E	2026E	2027E
Revenue [PLN m]	284.8	294.2	294.8	306.1	316.3	325.3
EBITDA adj. [PLN m]	70.5	74.8	87.1	92.2	95.1	97.6
EBIT [PLN m]	60.7	66.5	74.8	81.4	83.9	85.9
Net income [PLN m]	47.7	51.9	61.7	67.9	70.1	72.0
EPS [PLN]	2.4	2.6	3.1	3.4	3.5	3.6
P/BV	1.7	1.4	1.2	1.0	0.9	0.8
P/E	7.2	6.6	5.6	5.1	4.9	4.8
EV/EBITDA	4.6	3.8	2.9	2.3	1.9	1.5
EV/EBIT	5.3	4.3	3.4	2.7	2.2	1.7
DPS [PLN]	0.50	0.35	0.63	0.80	0.94	1.06
Dividend yield	3%	2%	4%	5%	5%	6%

BUY
(PREVIOUSLY: BUY)
PRICE TARGET: PLN 21.26
15 JULY 2024, 06:59 CEST

Price target [PLN]	21,26
Potential upside/downside	+22%
Price [PLN]	17,4
Market Cap [PLN mn]	345
Shares outstanding [mn]	19,82
Max. price 6M [PLN]	19,1
Min. price 6M [PLN]	13,6
Rate of return 3M	14%
Rate of return 6M	13%
Rate of return 9M	22%
Rate of return YTD	22%
Shareholders:	
SPI International B.V.	66,0%
Ipopema TFI (Total FIZ, TTL 1)	10%
Nationale-Nederlanden PTE	5,3%

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VALUATION AND SUMMARY

In light of our assumptions, we have increased the company's valuation to PLN 21.26 per share (previously PLN 20.05 per share). This represents a premium of over 22% above the current market price, and we therefore reiterate our Buy recommendation.

Our valuation is based on the DCF model and multiplier analysis. The DCF methodology yields a PLN 21.12/share value. The EV/EBITDA multiple analysis for 2024-2025 results in a share price of PLN 21.41. The final valuation is determined by taking the average of the two methods used.

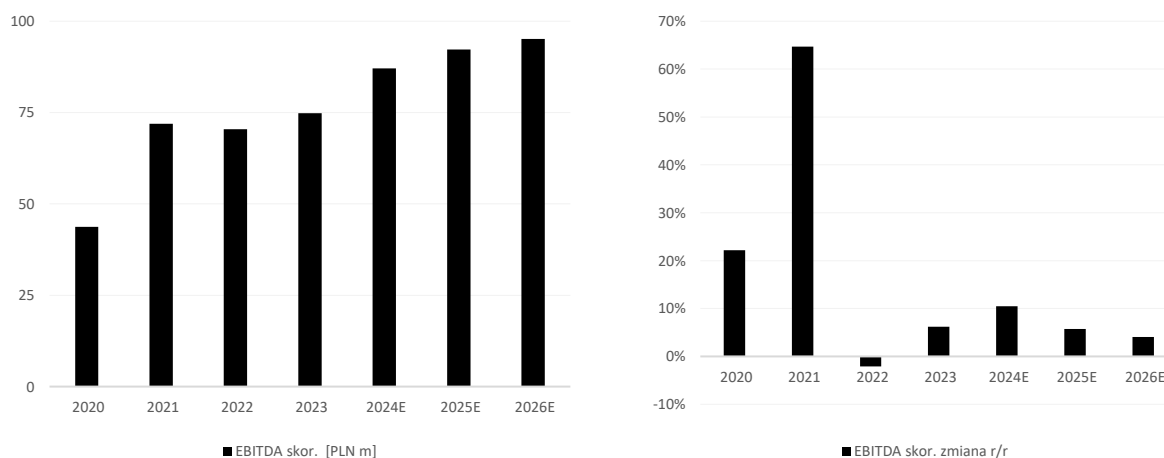
Valuation summary

A	DCF [PLN]	21.12
B	Peer valuation [PLN]	21.41
C = (A*50%+B*50%)	Price target [PLN/share]	21.26

Source: Dom Maklerski BDM S.A.

We anticipate that adj. EBITDA for the full year 2024 will reach PLN 87.1 million, representing a 16.4% year-on-year increase from 2023, when it was approximately PLN 74.8 million. We anticipate that 2024 will bring perceptible growth impulses in the Stopklatka and Zoom TV segments. In total, we have included a positive result of PLN 6.4 million for these two business divisions. In 2023, the areas showed a loss of PLN 2.6 million. Therefore, the two antennas Stopklatka and Zoom TV are responsible for an increase in the result in 2024 relative to 2023 of about PLN 9 million. Furthermore, our projections indicate a 7.6% year-over-year growth in the FilmBox segment and a 9% increase in the Kino Polska segment. For the 2025-2026 period, we anticipate that EBITDA will increase to PLN 92.2 million and PLN 97.2 million, representing a 5.9% and 3.1% year-on-year growth, respectively.

Historical and assumed future path of adj. EBITDA behavior and y/y growth rate



Source: Dom Maklerski BDM S.A.

We believe that Kino Polska TV is at an interesting corporate juncture due to the process of change resulting from its entry into the Vivendi conglomerate (directly into the Canal+ group). We anticipate that during 2024, the company's authorities will provide more detailed information about future initiatives that may outline KPL's target position in the Canal+ group (as the process of separating Canal+ from Vivendi as a separate listed entity is underway). In 2024, we are preparing for the scenario that one element of change will be a greater degree of sharing of program libraries.

FINANCIALS

KPL - Income statement [PLN m]

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Total Revenues	257.2	284.8	294.2	294.8	306.1	316.3	325.3	333.4
Subscriptions	128.8	146.1	150.7	149.9	152.8	156.8	160.4	163.8
Advertising	96.7	106.8	107.0	124.4	132.0	137.2	141.7	145.6
License Sales	28.4	27.3	30.0	10.3	10.4	10.5	10.7	10.8
TV Channel Production	1.3	2.0	4.4	8.4	8.9	9.7	10.5	11.0
Other	1.9	2.6	2.1	1.8	2.0	2.0	2.1	2.1
EBITDA adj.	71.9	70.5	74.8	87.1	92.2	95.1	97.6	100.1
EBIT	59.8	60.7	66.5	74.8	81.4	83.9	85.9	87.4
Net Financial Income/(Losses)	-0.5	-0.5	-0.9	1.6	2.4	2.6	3.0	3.2
Profit before income tax	59.3	60.2	65.6	76.4	83.8	86.5	88.9	90.6
Income tax	-10.7	-12.5	-13.8	-14.8	-15.9	-16.4	-16.9	-17.2
Net profit	48.6	47.7	51.9	61.7	67.9	70.1	72.0	73.4
Operating divisions	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Total Revenues	257.2	284.8	294.2	294.8	306.1	316.3	325.3	333.4
FilmBox	128.9	148.5	154.4	156.3	159.8	164.8	169.5	173.7
Kino Polska	36.1	37.3	33.5	35.6	35.5	35.0	34.5	33.9
TV Channel Production	1.3	2.0	4.4	8.4	8.9	9.7	10.5	11.0
Zoom TV	20.0	24.0	26.4	31.0	34.4	36.9	38.9	40.8
Stopklatka	41.5	44.4	43.9	51.4	55.2	57.4	59.4	61.2
License Sales	28.4	27.3	30.0	10.3	10.4	10.5	10.7	10.8
Other	1.0	1.4	1.6	1.8	1.8	1.9	1.9	1.9
EBIT	59.8	60.7	66.5	74.8	81.4	83.9	85.9	87.4
FilmBox	39.9	45.6	49.2	52.9	54.8	55.6	56.5	57.4
Kino Polska	19.3	17.9	14.2	15.5	15.0	14.5	14.3	14.0
TV Channel Production	0.3	0.7	1.7	2.0	2.2	2.4	2.6	2.7
Zoom TV	-5.7	-9.6	-2.7	0.4	2.9	4.0	4.8	5.2
Stopklatka	7.6	6.7	0.1	6.0	7.5	8.6	9.5	10.1
License Sales	3.4	3.2	2.7	1.5	1.6	1.6	1.4	1.4
Other	-0.2	-0.4	0.1	0.1	-0.2	-0.2	-0.2	-0.2
Other items, net	-4.6	-3.4	1.2	-3.6	-2.4	-2.7	-3.0	-3.2

Source: Dom Maklerski BDM S.A.

KPL - Selected data from the balance sheet and cash flow statement [PLN m]

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Balance sheet								
Fixed Assets	6.4	5.6	7.2	6.4	6.7	7.4	8.0	8.7
Goodwill	55.7	55.7	55.7	55.7	55.7	55.7	55.7	55.7
Programming Assets	55.3	59.4	67.7	81.0	93.6	106.7	120.2	134.0
Other Non Current Assets	29.3	24.8	40.2	37.9	39.5	42.5	45.6	48.5
Non Current Assets	146.7	145.4	170.7	181.0	195.5	212.2	229.6	246.9
Programming Assets	8.6	13.9	11.0	9.9	10.3	10.6	10.9	11.2
Trade Receivables	73.7	95.0	103.9	100.2	104.1	107.5	110.6	113.4
Other Current Assets	2.3	1.2	37.1	46.7	46.7	46.7	46.7	46.7
Cash and Cash Equivalents	30.5	40.9	24.7	49.6	85.8	119.3	152.0	181.9
Current Assets	115.1	151.0	176.7	206.4	246.9	284.2	320.2	353.2
Total Assets	261.8	296.4	347.4	387.3	442.3	496.4	549.8	600.1
Shareholders' Equity	168.2	204.1	243.0	292.0	344.0	395.4	446.4	494.6
Financial Debt	12.0	0.1	2.7	2.4	2.4	2.4	2.4	2.4
Trade Payables	3.4	4.7	1.5	1.4	1.5	1.6	1.6	1.6
Other Liabilities	11.2	8.8	21.7	19.7	35.8	35.8	35.8	35.8
Long Term Liabilities	26.7	13.6	25.9	23.5	39.7	39.7	39.8	39.8
Financial Debt	7.2	17.9	1.3	1.3	1.3	1.3	1.3	1.3
Trade Payables	49.3	49.3	56.3	45.2	31.5	33.6	35.5	37.2
Other Liabilities	10.5	11.4	20.9	25.3	25.9	26.3	26.8	27.2
Current Liabilities	67.0	78.7	78.5	71.9	58.7	61.3	63.6	65.7
Total Liabilities & Equity	261.8	296.4	347.4	387.3	442.3	496.4	549.8	600.1

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Cash flow statement								
Cash Flow from Operating Activities	57.3	28.2	50.0	54.9	63.2	65.1	67.0	68.8
Cash Flow from Investing Activities	-6.4	-5.2	-41.2	-17.0	-10.7	-12.7	-13.0	-13.3
Cash Flow from Financing Activities	-29.6	-12.5	-25.0	-13.1	-16.2	-19.0	-21.3	-25.5
Change in Cash	21.4	10.5	-16.2	24.8	36.2	33.5	32.7	30.0

Source: Dom Maklerski BDM S.A.

KPL- Ratio analysis

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Price [PLN]	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Shares outstanding [m]	19.8	19.8	19.8	19.8	19.8	19.8	19.8	19.8
BVPS [PLN]	8.5	10.3	12.3	14.7	17.4	19.9	22.5	25.0
EPS [PLN]	2.5	2.4	2.6	3.1	3.4	3.5	3.6	3.7
P/E [x]	7.1	7.2	6.6	5.6	5.1	4.9	4.8	4.7
EV/Revenue [x]	1.3	1.1	1.0	0.9	0.7	0.6	0.5	0.4
EV/EBITDA adj. [x]	4.6	4.6	3.8	2.9	2.3	1.9	1.5	1.2
EV/EBIT [x]	5.6	5.3	4.3	3.4	2.7	2.2	1.7	1.4
P/BV [x]	2.1	1.7	1.4	1.2	1.0	0.9	0.8	0.7
EV [PLN m]	333	322	287	253	216	183	150	120
Market Cap [PLN m]	345	345	345	345	345	345	345	345
Net Debt [PLN m]	-12	-23	-58	-92	-129	-162	-195	-225
Net Debt / EBITDA adj. [x]	-0.2	-0.3	-0.8	-1.1	-1.4	-1.7	-2.0	-2.2
Revenue y/y	21.4%	10.8%	3.3%	0.2%	3.8%	3.3%	2.9%	2.5%
EBITDA adj. change y/y	64.7%	-2.1%	6.2%	16.4%	5.9%	3.1%	2.6%	2.5%
EBITDA adj. margin	28.0%	24.7%	25.4%	29.6%	30.1%	30.1%	30.0%	30.0%
Net margin	18.9%	16.7%	17.6%	20.9%	22.2%	22.2%	22.1%	22.0%
Revenue/Assets [x]	1.0	1.0	0.8	0.8	0.7	0.6	0.6	0.6
Assets/Equity [x]	1.6	1.5	1.4	1.3	1.3	1.3	1.2	1.2
EBIT/Interests costs [x]	46.0	46.5	37.3	119.0	221.6	285.4	292.3	297.6
Short-term liabilities / Revenue [x]	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Long-term liabilities / Revenue [x]	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Total liabilities/ Total liabilities & equity [x]	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Equity / Total liabilities & equity [x]	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.8
ROA	19%	16%	15%	16%	15%	14%	13%	12%
ROE	29%	23%	21%	21%	20%	18%	16%	15%
ROCE	31%	31%	30%	33%	33%	31%	30%	28%
DPS [PLN]	0.00	0.50	0.35	0.63	0.80	0.94	1.06	1.27
Dividend yield	0%	3%	2%	4%	5%	5%	6%	7%
Financial debt [PLN m]	19.2	18.0	4.0	3.7	3.7	3.7	3.7	3.7
Cash [PLN m]	30.5	40.9	24.7	49.6	85.8	119.3	152.0	181.9

Source: Dom Maklerski BDM S.A.

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
buy	21,26	buy	18,4	2024-07-15	06:59	14,8	88 694
buy	20,05	buy	18,4	2024-05-21	09:15	14,8	89 082
buy	18,4	---	---	2023-12-11	10:57	14.2	77 400

Explanations of terminology:

EBIT - earnings before interest and tax
 EBITDA — earnings before interest, taxes, depreciation, and amortization
 Net debt – interest bearing debt minus cash and equivalents
 WACC - weighted average cost of capital
 CAGR - cumulative average annual growth
 EPS - earnings per share
 DPS - dividend per share
 CEPS - net profit plus depreciation per share
 EV – market capitalization plus interest bearing debt minus cash and equivalents
 EV/S – market capitalization / sales
 EV/EBITDA – EV / sales
 P/EBIT – market capitalization / EBIT
 MC/S – market capitalization / sales
 P/E – market capitalization / net profit
 P/BV – market capitalization / book value
 P/CE - market capitalization / net profit plus depreciation
 ROE – net profit / equity
 ROA - net income / assets
 Gross margin - gross profit on sales / sales
 EBITDA margin – EBITDA / sales
 EBIT margin – EBIT / sales
 Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);
 Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);
 Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);
 Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);
 Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).
 Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.
 Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

The strengths and weaknesses of the valuation methods used in the report:

DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).

DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.

Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Distribution of BDM's recommendations in Q2 2024*:			, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
	numbers	%	numbers	%
Buy	3	75%	0	0%
Accumulate	1	25%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

A Legal note:

This report (hereinafter also referred to as an analysis, a document) has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565.

The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwpa>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>.

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