



Dom Maklerski BDM S.A.

AGORA

EQUITY RESEARCH

We are reiterating our buy recommendation and, at the same time, reducing the company's valuation from PLN 14.60 per share to PLN 13.59 per share. Our recommended valuation is 56% above the current market price. Based on our simulation, Agora is currently trading at an EV/EBITDA multiple of approximately 3.8x for 2025.

We anticipate that Agora will demonstrate a return to earnings growth in LTM terms as early as the reading for Q4 2024. Following the second quarter of 2024, LTM the adjusted EBITDA less lease payments, reached a local maximum. As previously stated, we were anticipating a decline in this reading in LTM terms after Q3 2024. We anticipate that the report for Q4 2024 will confirm that the organisation has maintained the capacity to continue building results. Our forecasts indicate that Agora's final full-year 2025 reading should indicate an increase in adjusted EBITDA minus lease payments to around PLN 180 million (+17.5% year-on-year).

In the medium term, we predict a notable shift in the company's earnings structure. Our simulations indicate that over the next two years, business divisions with a key role in generating advertising revenues (outside the film and book segment) will make a significant contribution to Agora's earnings. By 2024, we anticipate that the film and book segment will represent approximately 74% of Agora's total adjusted EBIT. By 2026, our simulation indicates that the other segments with exposure to advertising revenues, together with unallocated/adjusting items, should account for nearly 50% of Agora's consolidated adjusted EBIT.

We anticipate that cinema attendance in Poland will continue to grow in the coming quarters. Furthermore, investor sentiment towards the cinema/multiplex industry is notably optimistic, as evidenced by the performance of Cinemark Holdings' stock price.

The new copyright legislation passed in Poland in 2024 has significantly enhanced the negotiating position of publishers in relation to global technology giants. We anticipate that publishers will commence discussions with major technology companies in the first half of 2025. In the meantime, we maintain the status quo in our operating models for the press and internet segments. We believe that Agora may be well-positioned to benefit from potential changes in the revenue distribution mechanism for publishers.

We would also like to highlight that in Q4 2024 (October and December), share purchase transactions were made by members of Agora's board of directors. A total of almost 27.5 thousand shares were purchased on the market. While the value of these transactions is relatively low, the indicated current reports are new and encouraging information for us.

	2022	2023	2024E	2025E	2026E	2027E
Total revenue [PLN m]	1 113	1 424	1 479	1 521	1 613	1 700
EBITDA adj. [PLN m]	143	228	249	285	323	352
EBIT adj. [PLN m]	-13	59	75	111	150	178
Net income [PLN m]	-103	65	10	49	85	110
P/E	---	6,2	40,2	8,4	4,8	3,7
EV/Sales	1,0	0,7	0,8	0,7	0,6	0,5
EV/EBITDA	7,9	4,6	4,5	3,8	3,1	2,6
DPS [PLN]	0,00	0,00	0,00	0,00	0,15	0,30
Dividend yield	0,0%	0,0%	0,0%	0,0%	1,7%	3,4%

*EBITDA adjusted calculated by BDM may differ from the EBITDA readings Agora presents in its reports

BUY

(PREVIOUSLY: BUY)

PRICE TARGET: PLN 13,59

13 DECEMBER 2024, 09:25 CET

Price target [PLN]	13,59
DCF valuation [PLN]	13,44
Peer valuation [PLN]	13,74
Potential upside/downside	+56%

Price [PLN]	8,73
Market Cap [PLN mn]	407
Shares outstanding [mn]	46,6

Rate of return [%]	(1)	(2)
3M	-11	-13
6M	-19	-16
YTD	-23	-28
12M	-22	-29

(1) - absolute rate of return

(2) - rate of return relative to WIG

Shareholders	
Agora-Holding	11.6%
PTE PZU	17.7%
Media Development Investment Fund	11.5%
NN PTE	8.8%

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VALUATION AND SUMMARY

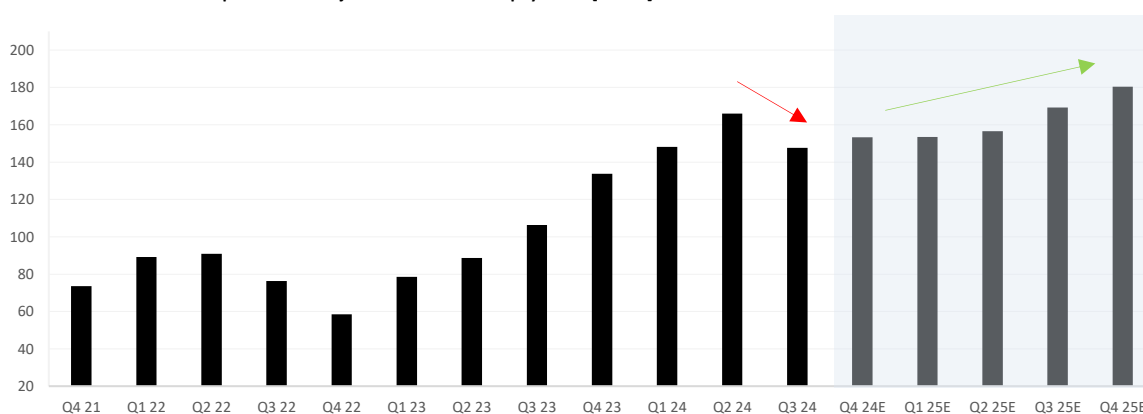
In this report we reiterate our 'Buy' recommendation, while lowering the company's valuation from PLN 14.6/share to PLN 13.59/share. Our valuation is based on a DCF model and a multiples analysis. Using the DCF method, we arrived at a value of PLN 13.44/share. In turn, our assumed EV/EBITDA multiple (5.0x) for 2024-2025 implies a price of PLN 13.74/share. The final valuation of PLN 13.59/share is the arithmetic average of the two methods used. According to our simulation, the company currently trades at an EV/EBITDA multiple of close to 3.8x for 2025.

Valuation summary

A	DCF valuation [PLN]	13,44
B	Peer valuation [PLN]	13,74
C = (A*50%+B*50%)		Price Target [PLN]
		13,59

Source: Dom Maklerski BDM S.A.

Historical and assumed future path of LTM adj. EBITDA minus lease payments [PLN m]



Source: Dom Maklerski BDM S.A.

We made our DCF valuation based on a 10-year free cash flow (FCFF) forecast. The cost of equity in our model is based on a modified CAPM model. The risk-free rate assumed in the model is 5.7% (previously 5.3%). The unleveraged beta was set at 1.1 in the valuation and then we apply the leveraged beta in each forecast period based on the model simulation. We set the market risk premium at 6.5%. The final cost of equity takes into account the additional premium of 1.5% required by us in investing in a mid-cap entity like Agora.

After the detailed forecast period, we made an assumption of 2.0% y/y growth in the residual period and used a wacc of 13.3% in the calculation.

In the model, depreciation and amortization was shown according to the treatment the company shows in its interim reports (i.e., after applying IFRS 16). We have also included in the forecast of capital expenditures (Capex) the estimated future cost of lease renewals.

The estimated level of net debt at the end of 2024 takes into account the IFRS 16 treatment. We further reduced the valuation by the value of the put option (for the acquisition of minority assets) and other estimated adjustments.

The final DCF method suggests an equity value of AGO at PLN 13,44/share. The valuation was prepared as of 2025-03-03.

Sensitivity of valuation to assumed parameters in the residual period (after the detailed forecast period)

		FCFF growth in the residual period						
		0,5%	1,0%	1,5%	2,0%	2,5%	3,0%	3,5%
WACC	8,8%	17,7	18,8	19,9	21,3	22,8	24,7	26,8
	10,3%	15,3	16,0	16,8	17,7	18,8	19,9	21,3
	11,8%	13,4	14,0	14,6	15,3	16,0	16,8	17,7
	13,3%	12,1	12,5	12,9	13,44	14,0	14,6	15,3
	14,8%	11,0	11,3	11,7	12,1	12,5	12,9	13,4
	16,3%	10,1	10,4	10,6	11,0	11,3	11,7	12,1
	17,8%	9,3	9,6	9,8	10,1	10,4	10,6	11,0

Source: Dom Maklerski BDM S.A.

We have used the EV/EBITDA multiple to value the company using our 2024 to 2025 assumptions. We set the target acceptable average EV/EBITDA level for 2024-2025 at 5.0x (before 5,5x). This approach suggests an equity valuation of PLN 640 million, or PLN 13,74/share.

Agora multiplier valuation (based on EV/EBITDA target)

	Sensitivity analysis; average EV/EBITDA for 2024-2025						
	3,5	4,0	4,5	5,0	5,5	6,0	6,5
Price Target [PLN]	5,14	8,01	10,88	13,74	16,61	19,48	22,35

Source: Dom Maklerski BDM S.A.

FINANCIALS

INCOME STATEMENT [PLN m]	2022	2023	2024E	2025E	2026E	2027E	2028E
Total revenue	1 113,1	1 424,3	1 479,1	1 521,3	1 612,9	1 699,6	1 771,3
Advertising	511,9	703,7	760,4	799,2	847,9	895,1	937,7
Cinema tickets	192,3	244,0	248,7	273,3	294,2	315,1	329,4
Publishing sales	136,9	139,9	133,2	135,5	136,9	138,7	140,2
Cinema bars	103,5	136,6	148,3	164,6	177,6	190,7	199,7
Catering sales	38,3	43,0	23,1	0,0	0,0	0,0	0,0
Movie operations	31,2	29,5	44,9	38,9	43,3	42,6	44,5
Other sales	99,0	127,5	120,5	109,9	113,0	117,4	119,7
Operating costs	-1 177,9	-1 379,8	-1 399,2	-1 412,0	-1 463,5	-1 519,7	-1 567,9
EBITDA adj*	142,7	228,3	249,1	285,3	323,4	352,5	374,2
EBIT	-64,8	44,6	81,9	111,0	150,3	177,9	200,9
Net interest and others	-47,4	61,3	-44,4	-47,3	-45,1	-41,1	-37,7
Share in profits under equity accounting method	8,5	-4,3	0,8	0,6	0,0	0,0	0,0
Profit before income tax	-103,7	101,6	38,3	64,2	105,2	136,9	163,2
Net profit	-105,7	85,0	20,5	52,0	85,2	110,9	132,2
equity holders of the parent company	-102,7	65,4	10,1	48,7	84,8	110,4	131,7
non-controlling interests	-3,0	19,6	10,3	3,3	0,4	0,5	0,6
EBIT adj. by segment	2022	2023	2024E	2025E	2026E	2027E	2028E
Film and book	14,9	50,9	55,3	61,2	75,3	90,5	101,3
Press	4,9	51,2	57,3	69,8	89,3	101,1	110,9
Outdoor advertising	-27,9	-7,5	-10,8	0,3	1,6	2,4	2,3
Internet	14,8	20,4	28,8	29,8	33,2	33,5	36,3
Radio	12,0	-6,8	-8,4	-1,6	0,7	1,8	2,7
Total segments	18,6	108,2	122,2	159,5	200,2	229,2	253,5
Reconciliation items	-31,7	-49,2	-47,4	-48,5	-49,9	-51,3	-52,6
Agora (group together)	-13,1	58,9	74,8	111,0	150,3	177,9	200,9
BALANCE SHEET [PLN m]	2022	2023	2024E	2025E	2026E	2027E	2028E
PP&E + Goodwill	722,4	1 019,6	968,6	958,5	968,1	982,0	998,9
Right of use asset	587,3	581,8	543,8	561,1	551,5	541,8	532,3
Investments accounted for using the equity method	127,4	13,8	14,6	15,2	15,2	15,2	15,2
Other non-current assets	59,1	65,2	60,1	60,1	60,1	60,1	60,1
Non-current assets	1 496,3	1 680,3	1 587,2	1 594,8	1 595,0	1 599,1	1 606,5
Inventory	30,4	34,6	35,5	37,5	42,0	44,2	46,1
Trade receivables and other assets	195,2	238,3	237,1	243,8	260,7	274,7	286,3
Other current assets	2,1	1,9	2,8	2,8	2,8	2,8	2,8
Cash and cash equivalents	69,1	90,4	117,9	145,7	182,5	233,1	294,3
Current assets	296,8	365,1	393,3	429,8	488,0	554,9	629,6
Total assets	1 793,1	2 045,4	2 003,5	2 047,8	2 106,0	2 177,1	2 259,1
Equity	674,0	847,6	695,0	747,1	825,3	922,2	1 033,5
Long-term liabilities	708,6	636,3	777,9	762,0	724,2	686,2	648,4
Short-term liabilities	410,5	561,5	512,9	520,9	538,8	550,9	559,5
Total liabilities	1 119,0	1 197,8	1 308,5	1 300,7	1 280,7	1 254,9	1 225,7
Total liabilities & equity	1 793,1	2 045,4	2 003,5	2 047,8	2 106,0	2 177,1	2 259,1

*EBITDA adjusted calculated by BDM may differ from the EBITDA readings Agora presents in its reports

Source: Dom Maklerski BDM S.A.

CF [PLN m]	2022	2023	2024E	2025E	2026E	2027E	2028E
Cash flow from operating activities	76,8	246,6	239,8	272,7	305,6	327,7	343,5
Cash flow from investing activities	-38,6	-19,5	-36,0	-78,0	-87,4	-91,5	-95,1
Cash flow from financing activities	-104,0	-205,8	-176,2	-167,0	-181,5	-185,5	-187,2
including lease payments	-80,9	-90,9	-91,1	-86,2	-95,4	-96,8	-95,1
including dividends	0,0	0,0	0,0	0,0	-7,0	-14,0	-21,0
Cash eop	69,1	90,4	117,9	145,7	182,5	233,1	294,3
FINANCIAL DEBT [PLN m]							
Total loan and lease liabilities	796,8	733,6	835,1	822,4	782,8	743,1	703,6
Debt % - resulting from the application of IFRS 16	662,2	631,3	601,6	618,8	609,3	599,6	590,1
Debt % - without recognition of IFRS 16	134,5	102,3	233,5	203,5	173,5	143,5	113,5
Net debt [PLN mn]	726,7	642,3	716,2	675,7	599,4	509,1	408,4
Net debt (excluding IFRS 16) [PLN mn]	64,5	11,0	114,7	56,9	-9,9	-90,5	-181,7
VALUATION AND OTHER METRICS							
Price [PLN]	8,73	8,73	8,73	8,73	8,73	8,73	8,73
Market Cap [PLN m]	407	407	407	407	407	407	407
EV [PLN m]	1 133	1 049	1 123	1 082	1 006	916	815
EV (excluding IFRS 16) [PLN m]	471	418	521	464	397	316	225
EPS [PLN]	-2,2	1,4	0,2	1,0	1,8	2,4	2,8
BVPS [PLN]	14,5	15,9	14,8	15,8	17,5	19,6	21,9
P/E (x)	---	6,2	40,2	8,4	4,8	3,7	3,1
P/BV (x)	0,6	0,6	0,6	0,6	0,5	0,4	0,4
EV/Sales (x)	1,0	0,7	0,8	0,7	0,6	0,5	0,5
EV/EBITDA (x)	7,9	4,6	4,5	3,8	3,1	2,6	2,2
Revenue y/y	15%	28%	4%	3%	6%	5%	4%
(Adj. EBITDA – lease payments) / Revenue	6%	10%	11%	13%	14%	15%	16%
Adj. EBIT / Revenue	-1%	4%	5%	7%	9%	10%	11%
NI / Revenue	-9%	5%	1%	3%	5%	6%	7%
ROE	-14%	9%	1%	7%	11%	13%	14%
ROIC	-1%	4%	4%	6%	8%	10%	11%
Dividend [PLN m]	0,0	0,0	0,0	0,0	7,0	14,0	21,0
DPS [PLN]	0,0	0,0	0,0	0,0	0,2	0,3	0,5
Dividend yield (%)	0%	0%	0%	0%	2%	3%	5%

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	13,59	buy	14,6	2024-12-13	09:25 CET	8,73	81 725
buy	14,6	buy	14,5	2024-07-12	13:49 CET	10,8	88 454
buy	14,5	buy	10,46	2024-01-09	11:20 CET	10,45	77 250
buy	10,46	buy	10,16	2023-09-13	10:10 CEST	7,60	66 609
buy	10,16	resume	---	2023-03-28	10:05 CEST	5,7	57 132
buy**	21,5	buy	14,8	10.06.2021	07:00 CEST	10,0	66 115
buy**	14,8	buy	16,0	30.09.2019	12:00 CEST	9,8	57 380
buy**	16,0	buy	20,3	01.07.2019	09:12 CEST	13,2	60 917
buy	20,3	buy	19,4	26.05.2017	10:53 CEST	14,8	61 266
buy	19,4	hold	11,8	13.03.2017	10:07 CEST	15,0	58 820
hold	11,8	reduce	11,2	23.02.2016		11,5	45 761
reduce	11,2	buy	10,8	18.06.2015		12,1	53 408
buy	10,8	buy	10,0	03.02.2015		9,0	52 078
buy	10,0	buy	12,2	06.08.2014		7,8	50 692
buy	12,2	buy	10,2	07.02.2014		9,3	52 139
buy	10,2	reduce	8,1	04.09.2013		8,6	48 969
reduce	8,1	accumulate	8,8	18.03.2013		9,0	46 500
accumulate	8,8	accumulate	10,4	06.08.2012		7,8	40 594
accumulate	11,4	buy	16,5	18.05.2012		10,6	37 000
buy	16,5	reduce	18,0	26.10.2011		13,8	40 771
reduce	18,0	reduce	24,0	16.06.2011		20,2	49 077
reduce	24,0	---	---	23.02.2011		25,9	46 548

** the author of the reports was another analyst

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

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).

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.

Distribution of BDM's recommendations in Q4 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	6	50%	0	0%
Accumulate	4	33%	0	0%
Hold	1	8%	0	0%
Reduce	1	8%	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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