



Dom Maklerski BDM S.A.

KINO POLSKA TV

EQUITY RESEARCH

On the basis of our assumptions, we recommend to buy the shares of Kino Polska TV (KPL) with a target price of PLN 18.4 per share, which is about 33% higher than the current market price. The company is currently undervalued compared to its peers, trading at low market multiples.

Kino Polska TV is currently at a pivotal moment because of its acquisition by the Vivendi conglomerate, specifically the Canal+ Group. We expect to see stabilization of results in the crucial FilmBox segment in the upcoming quarters, which has been responsible for the growth momentum in recent years. Additionally, we anticipate a significant improvement in results at Stopklatka and Zoom TV. Thus, we anticipate that KPL will exhibit an uptick in EBITDA adj. by 7.8% and 6.7% year-over-year in 2024 and 2025, respectively, at a consolidated level.

We expect that in 2024, the management of the company will provide a more detailed focus on future initiatives aimed at improving its market position as part of the Canal+ Group. One expected change is increased sharing of program libraries. Equally important to us would be forthcoming decisions related to the development of the streaming service, FilmBox+. The model does not account for any new initiatives from KPL that would result in significant capital expenditures. We are currently uncertain about the company's authorities' and majority shareholder's stance on KPL's future dividend policy or potential investments within Canal+ Group.

We were somewhat disappointed by KPL's Q3 results. The halt in growth momentum within the FilmBox segment, which has been crucial in supporting the group's results, is a notable concern in Q3. However, we did observe gradual improvement in the Stopklatka segment (as a result of a low base after reformatting) and the Zoom TV segment. The Q3 2023 revenues ultimately matched our expectations. At the same time, the company's Q3 EBIT was PLN 1.5 million lower than our initial projections. We acknowledge that the company's significant positive cash flows in recent years enabled debt repayment to banks. As of the end of Q3 2023, the company had no outstanding debt financing, except for a relatively minor amount of leases, and held a cash balance of PLN 38 million.

In Q4, we expect adjusted EBITDA to grow from approximately PLN 21.6m to PLN 23m year-on-year. Thus, for the whole of 2023, we expect EBITDA adj. to reach PLN 73.4m (in 2022 it was about PLN 70.5m). Our 2024 predictions indicate stabilization of the FilmBox segment's results, a slowdown in erosion in the Kino Polska segment, and we anticipate growth impulses in Stopklatka and Zoom TV. Thus, we anticipate a rise in EBITDA adj. to PLN 79.1m in 2024. Our model forecasts similar trends for the main segments in 2025. For 2024-2025, our assumed growth rate for EBITDA adj. is 7.8% and 6.7% y/y, respectively.

	2021	2022	2023E	2024E	2025E	2026E
Revenue [PLN mn]	257,2	284,8	296,9	301,4	315,1	328,4
EBITDA adj. [PLN mn]	71,9	70,5	73,4	79,1	84,4	88,1
EBIT [PLN mn]	59,8	60,7	65,6	69,1	74,1	77,2
Net income [PLN mn]	48,6	47,7	51,4	57,5	61,9	64,8
EPS [PLN]	2,5	2,4	2,6	2,9	3,1	3,3
P/BV	1,6	1,3	1,1	0,9	0,8	0,8
P/E	5,6	5,8	5,3	4,8	4,4	4,2
EV/EBITDA	3,7	3,6	3,1	2,6	2,0	1,7
EV/EBIT	4,4	4,1	3,5	2,9	2,3	1,9
DPS [PLN]	0,0	0,5	0,4	0,8	1,2	1,6
Dividend yield	0%	4%	3%	6%	8%	11%

BUY
(INITIAL REPORT)

PRICE TARGET: PLN 18.4

11 DECEMBER 2023, 10:57 CET

Price target [PLN]	18.4
Potential upside/downside	+33%

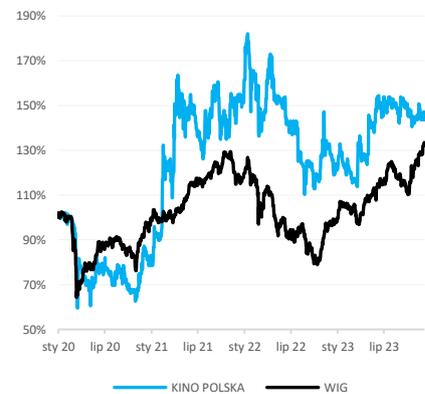
Price [PLN]	13.85
Market Cap [PLN mn]	275
Shares outstanding [mn]	19.82

Max. price 6M [PLN]	15.05
Min. price 6m [PLN]	13.70

Rate of return 3M	-6%
Rate of return 6M	-6%
Rate of return 9M	12%
Rate of return YTD	18%

Shareholders:	
SPI International B.V.	66.0%
Ipopema TFI (Total FIZ, TTL 1)	8.6%
Nationale-Nederlanden PTE	5.3%
Other shareholders	20.1%

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VALUATION AND SUMMARY

We are initiating analyst coverage for Kino Polska TV (KPL).

On the basis of our assumptions, we recommend to buy the shares of Kino Polska TV (KPL) with a target price of PLN 18.4 per share, which is about 33% higher than the current market price. Our valuation is based on the DCF model and multiplier analysis. The DCF methodology yields a PLN 18.4/share value. The EV/EBITDA multiple analysis for 2023-2024 results in a share price of PLN 18.3. The final valuation is determined by taking the average of the two methods used.

Valuation summary

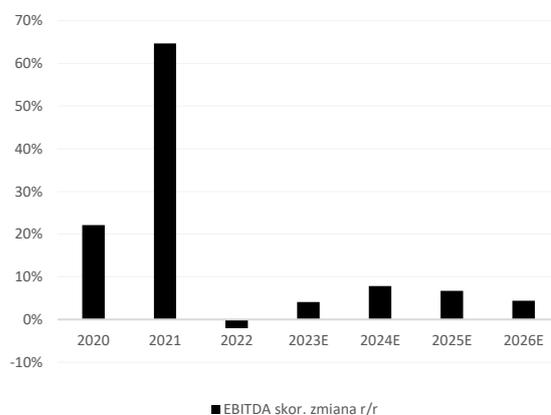
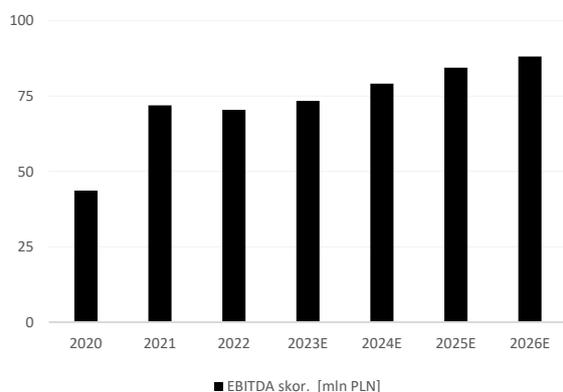
A	DCF [PLN]	18.4
B	Peer valuation [PLN]	18.3
C = (A*50%+B*50%)	Price target [PLN/share]	18.4

Source: Dom Maklerski BDM S.A.

Kino Polska TV is currently at a pivotal moment because of its acquisition by the Vivendi conglomerate, specifically the Canal+ Group. We expect to see stabilization of results in the crucial FilmBox segment in the upcoming quarters, which has been responsible for the growth momentum in recent years. Additionally, we anticipate a significant improvement in results at Stopklatka and Zoom TV. Thus, we anticipate that KPL will exhibit an uptick in EBITDA adj. by 7.8% and 6.7% year-over-year in 2024 and 2025, respectively, at a consolidated level.

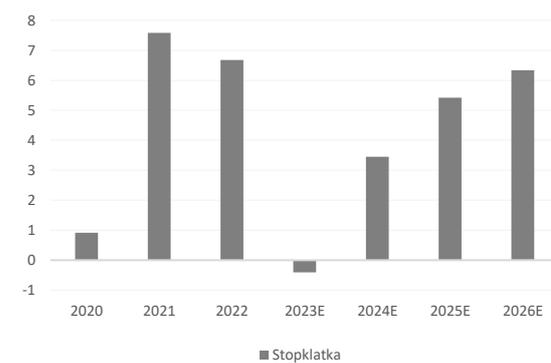
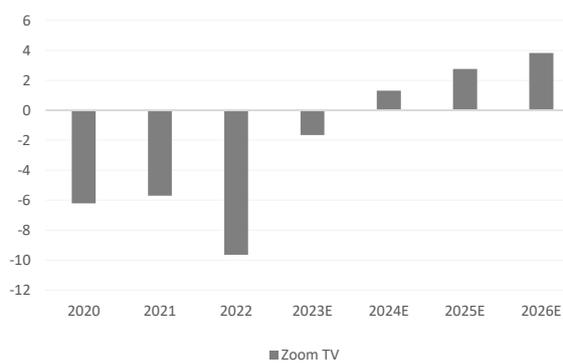
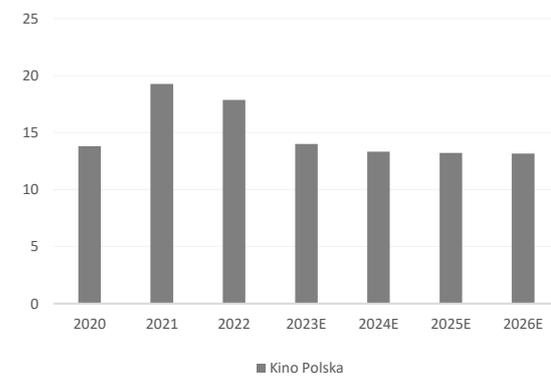
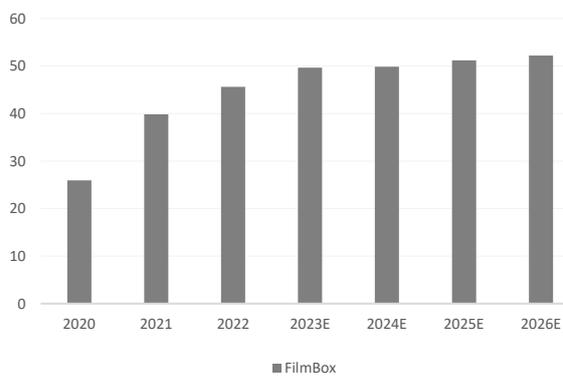
We expect that in 2024, the management of the company will provide a more detailed focus on future initiatives aimed at improving its market position as part of the Canal+ Group. One expected change is increased sharing of program libraries. Equally important to us would be forthcoming decisions related to the development of the streaming service, FilmBox+.

Historical and assumed future path of EBITDA adj. behavior and y/y growth rate 2023-2026



Source: Dom Maklerski BDM S.A.

Historical and assumed future results for selected segments [PLN mm]



Source: Dom Maklerski BDM S.A.

FINANCIALS

KPL - Income statement

	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Total Revenues	211,8	257,2	284,8	296,9	301,4	315,1	328,4	339,2	348,6
Subscriptions	112,9	128,8	146,1	151,3	152,7	156,5	161,7	166,6	171,1
Advertising	76,7	96,7	106,8	107,8	118,3	127,1	134,1	139,1	143,2
License Sales	19,0	28,4	27,3	30,0	21,9	22,2	22,6	22,9	23,2
TV Channel Production	1,1	1,3	2,0	4,4	5,4	6,2	6,8	7,3	7,7
Other	2,2	1,9	2,6	3,3	3,1	3,2	3,2	3,3	3,4
EBITDA adj.	43,7	71,9	70,5	73,4	79,1	84,4	88,1	91,0	93,4
EBIT	35,1	59,8	60,7	65,6	69,1	74,1	77,2	79,7	81,6
Net Financial Income/(Losses)	-2,0	-0,5	-0,5	0,1	1,9	2,3	2,9	2,9	3,0
Profit before income tax	33,1	59,3	60,2	65,7	71,0	76,4	80,0	82,6	84,5
Income tax	-5,8	-10,7	-12,5	-14,3	-13,5	-14,5	-15,2	-15,7	-16,1
Net profit	27,2	48,6	47,7	51,4	57,5	61,9	64,8	66,9	68,5
Operating divisions	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Total Revenues	211,8	257,2	284,8	296,9	301,4	315,1	328,4	339,2	348,6
FilmBox	108,0	128,9	148,5	155,7	158,1	163,6	170,2	175,6	180,6
Kino Polska	31,7	36,1	37,3	33,9	33,4	33,2	33,1	33,1	33,0
TV Channel Production	1,1	1,3	2,0	4,4	5,4	6,2	6,8	7,3	7,7
Zoom TV	18,2	20,0	24,0	27,4	31,7	35,9	39,6	42,2	44,3
Stopklatka	31,8	41,5	44,4	43,8	49,3	52,3	54,4	56,4	58,0
License Sales	19,0	28,4	27,3	30,0	21,9	22,2	22,6	22,9	23,2
Other	2,1	1,0	1,4	1,6	1,7	1,7	1,7	1,7	1,8
EBIT	35,1	59,8	60,7	65,6	69,1	74,1	77,2	79,7	81,6
FilmBox	25,9	39,9	45,6	49,7	49,9	51,2	52,2	53,0	53,8
Kino Polska	13,8	19,3	17,9	14,0	13,3	13,2	13,2	13,1	13,0
TV Channel Production	0,2	0,3	0,7	1,6	1,8	2,1	2,3	2,5	2,6
Zoom TV	-6,2	-5,7	-9,6	-1,7	1,3	2,8	3,8	4,7	5,2
Stopklatka	0,9	7,6	6,7	-0,4	3,5	5,4	6,3	7,1	7,7
License Sales	1,9	3,4	3,2	2,8	1,3	1,4	1,5	1,5	1,5
Other	-0,8	-0,2	-0,4	0,2	-0,2	-0,2	-0,2	-0,2	-0,2
Other items, net	-0,7	-4,6	-3,4	-0,6	-1,8	-1,9	-2,0	-2,0	-2,1

Source: Dom Maklerski BDM S.A.

KPL - Selected data from the balance sheet and cash flow statement

	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Balance sheet									
Fixed Assets	7,3	6,4	5,6	7,5	7,7	8,1	8,8	9,6	10,3
Goodwill	55,7	55,7	55,7	55,7	55,7	55,7	55,7	55,7	55,7
Programming Assets	54,0	55,3	59,4	67,8	77,8	82,5	87,5	92,8	98,2
Other Non Current Assets	32,3	29,3	24,8	41,3	42,2	44,2	47,5	51,0	54,3
Non Current Assets	149,3	146,7	145,4	172,3	183,3	190,5	199,5	209,0	218,5
Programming Assets	9,0	8,6	13,9	10,0	10,2	10,7	11,1	11,5	11,8
Trade Receivables	61,3	73,7	95,0	98,0	102,5	107,1	111,7	115,3	118,5
Other Current Assets	1,8	2,3	1,2	11,9	11,9	11,9	11,9	11,9	11,9
Cash and Cash Equivalents	9,1	30,5	40,9	49,0	76,5	106,6	129,8	147,0	157,9
Current Assets	81,2	115,1	151,0	168,9	201,0	236,2	264,4	285,7	300,1
Total Assets	230,4	261,8	296,4	341,2	384,4	426,7	463,9	494,7	518,7
Shareholders' Equity	117,1	168,2	204,1	249,2	291,2	330,1	364,0	392,0	413,6
Financial Debt	38,4	12,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0
Trade Payables	1,5	3,4	4,7	3,1	3,2	3,3	3,5	3,6	3,7
Other Liabilities	15,3	11,2	8,8	22,3	22,3	22,4	22,4	22,4	22,4
Long Term Liabilities	55,2	26,7	13,6	25,4	25,5	25,7	25,9	26,0	26,1
Financial Debt	9,6	7,2	17,9	4,2	4,2	4,2	4,2	4,2	4,2
Trade Payables	42,8	49,3	49,3	42,7	43,6	46,4	49,1	51,3	53,3
Other Liabilities	5,7	10,5	11,4	19,6	19,8	20,2	20,7	21,1	21,4
Current Liabilities	58,1	67,0	78,7	66,6	67,6	70,9	74,1	76,6	78,9
Total Liabilities & Equity	230,4	261,8	296,4	341,2	384,4	426,7	463,9	494,7	518,7

	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Cash flow statement									
Cash Flow from Operating Activities	28,4	57,3	28,2	49,7	53,0	64,4	67,6	70,0	72,0
Cash Flow from Investing Activities	-3,9	-6,4	-5,2	-16,9	-9,5	-11,0	-13,1	-13,6	-13,9
Cash Flow from Financing Activities	-20,3	-29,6	-12,5	-24,8	-16,1	-23,3	-31,3	-39,2	-47,2
Change in Cash	4,3	21,4	10,5	8,1	27,5	30,1	23,2	17,2	10,9

Source: Dom Maklerski BDM S.A.

KPL- Ratio analysis

	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Price [PLN]	13,9	13,9	13,9	13,9	13,9	13,9	13,9	13,9	13,9
Shares outstanding [mn]	19,8	19,8	19,8	19,8	19,8	19,8	19,8	19,8	19,8
BVPS [PLN]	5,9	8,5	10,3	12,6	14,7	16,7	18,4	19,8	20,9
EPS [PLN]	1,4	2,5	2,4	2,6	2,9	3,1	3,3	3,4	3,5
P/E [x]	10,1	5,6	5,8	5,3	4,8	4,4	4,2	4,1	4,0
EV/Revenue [x]	1,5	1,0	0,9	0,8	0,7	0,5	0,5	0,4	0,3
EV/EBITDA adj. [x]	7,2	3,7	3,6	3,1	2,6	2,0	1,7	1,4	1,3
EV/EBIT [x]	8,9	4,4	4,1	3,5	2,9	2,3	1,9	1,7	1,5
P/BV [x]	2,3	1,6	1,3	1,1	0,9	0,8	0,8	0,7	0,7
EV [PLN mn]	313	263	252	230	202	172	149	132	121
Market Cap [PLN mn]	275	275	275	275	275	275	275	275	275
Net Debt [PLN mn]	39	-11	-23	-45	-72	-102	-126	-143	-154
Net Debt / EBITDA adj. [x]	0,9	-0,2	-0,3	-0,6	-0,9	-1,2	-1,4	-1,6	-1,6
Revenue change y/y	5,1%	21,4%	10,8%	4,2%	1,5%	4,6%	4,2%	3,3%	2,8%
EBITDA adj. change y/y	22,1%	64,7%	-2,1%	4,1%	7,8%	6,7%	4,4%	3,3%	2,7%
EBITDA adj. margin	20,6%	28,0%	24,7%	24,7%	26,2%	26,8%	26,8%	26,8%	26,8%
Net margin	12,9%	18,9%	16,7%	17,3%	19,1%	19,6%	19,7%	19,7%	19,6%
Revenue/Assets [x]	0,9	1,0	1,0	0,9	0,8	0,7	0,7	0,7	0,7
Assets/Equity [x]	2,0	1,6	1,5	1,4	1,3	1,3	1,3	1,3	1,3
EBIT/Interests costs [x]	15,7	46,0	46,5	52,6	108,4	217,9	227,1	234,6	239,9
Short-term liabilities / Revenue [x]	0,3	0,3	0,3	0,2	0,2	0,2	0,2	0,2	0,2
Long-term liabilities / Revenue [x]	0,3	0,1	0,0	0,1	0,1	0,1	0,1	0,1	0,1
Total liabilities/ Total liabilities & equity [x]	0,5	0,4	0,3	0,3	0,2	0,2	0,2	0,2	0,2
Equity / Total liabilities & equity [x]	0,5	0,6	0,7	0,7	0,8	0,8	0,8	0,8	0,8
ROA	12%	19%	16%	15%	15%	15%	14%	14%	13%
ROE	23%	29%	23%	21%	20%	19%	18%	17%	17%
DPS [PLN]	0,0	0,0	0,5	0,4	0,8	1,2	1,6	2,0	2,4
Dividend yield	0%	0%	4%	3%	6%	8%	11%	14%	17%
Financial debt [PLN mn]	48,0	19,2	18,0	4,2	4,2	4,2	4,2	4,2	4,2
Cash [PLN mn]	9,1	30,5	40,9	49,0	76,5	106,6	129,8	147,0	157,9

Source: Dom Maklerski BDM S.A.

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rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
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 3Q'23*:			, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
	numbers	%	numbers	%
Buy	5	100%	0	0%
Accumulate	0	0%	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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