

Thursday, 24 April 2025 | update

Orange Polska: buy (reiterated)

OPL PW; OPLWA | Telecommunications, Poland

The Safe Haven

Since our last call to buy shares in Orange Polska, issued in December 2024, OPL stock has gained 26%, outperforming the WIG20 index. Nevertheless, we still see upside potential in Orange shares even if many positive aspects are already priced in. We reckon the investors should consider Orange Polska as an attractive pick for defensive portfolios.

Orange Polska has successfully completed a significant business transformation, transitioning from a copper-based monopoly to a cutting-edge communications service provider at the forefront of technological innovation. Despite serving only 70% of the broadband customer base with fiber, the Telecom's network exhibits considerable potential for further expansion.

Over the past five years, Orange Polska has successfully reduced its cost base, including a 28% cut in employment costs. The Company's new strategy plan, entitled 'Lead the Future 2025-2028,' builds on the previous 'Grow' strategy and aims to position Orange Polska as a leading player in the Polish telecommunications market by focusing on long-term profitability, operational excellence, innovative digital services, and sustainable development.

From a fundamental point of view, Orange still offers prospects for gradual growth in profits (ca. 3% per year), an attractive valuation at 5.0x EV/EBITDAaL'25E (nearly 15% below the peer group), and dividend potential. Given its robust balance sheet, with a projected net debt-to-EBITDA ratio of 1.2x as of end-2025, we expect dividend to grow at a rate of ca. 10% a year over the next few years.

We introduced minor changes to our financial estimates to reflect 1Q'25 results, aside from raising the equity risk premium to 5.5pp and updating RFR paths and peer multiples. After all this, our new target price for OPL is PLN 10.80, mandating a reiterated buy recommendation.

'Lead the Future 2025-2028' – the New Strategy

Orange Polska's new strategy plan builds upon the initiatives already implemented to date. The Telecom wants to deliver consistent and profitable growth across all business segments in coming years while focusing on strengthening infrastructure through investment in 5G and fiber optic.

We appreciate the financial prudence and clarity of the strategic objectives, particularly in view of economic uncertainties. We are pleased to see a commitment to prioritizing cash generation. Sustainable EBITDA growth, along with effective capital expenditures, are the key to creating shareholder value, including dividends.

Dividend Growth

Orange Polska is committed to maintaining a floor dividend of 53 groszy per share during the 2025-28 strategic period. While this guidance might be seen as conservative, it is a mark of a prudent financial approach. With relatively low financial leverage and annual FCF of more than PLN 1.0bn, we assume the Company will raise the future per-share distributions to PLN 0.58 in 2026 and PLN 0.63 in 2027, implying DivYields of 5.5%, 6.0% and 6.5% in 2025-27, respectively.

(PLN m)	2023	2024	2025E	2026E	2027E
revenue	12,971	12,732	13,134	13,578	14,032
EBITDAaL	3,180	3,324	3,414	3,499	3,603
margin	24.5%	26.1%	26.0%	25.8%	25.7%
EBIT	1,222	1,419	1,566	1,644	1,743
net profit	819	913	1,021	1,084	1,164
P/E	15.6	14.0	12.5	11.8	11.0
P/S	1.0	1.0	1.0	0.9	0.9
EV/eEBITDAaL*	5.1	5.0	5.0	4.8	4.7
EV/EBITDA	5.1	4.9	4.8	4.7	4.6
DPS (PLN)	0.35	0.48	0.53	0.58	0.63
DYield	3.6%	4.9%	5.5%	6.0%	6.5%

*net debt ex. IFRS

Current Price*	PLN 9.72
Target Price	PLN 10.80
mCap	PLN 12.1bn
Free Float	PLN 6.1bn
ADTV (3M)	PLN 12.0m

*Price as of April 23, 2025, 5:00 PM

Shareholders

Orange S.A.	50.7%
Others	49.3%

About

Orange Polska is a leading telecommunications provider in Poland with 18.9 million mobile users, 2.9 million broadband users, and 2.3 million fixed voice users as of March 2025. This was equivalent to respective market shares of 29% in mobile and 46% in fixed line. Orange controls 25% of Poland's broadband Internet market. It is currently in the process of building FTTx infrastructure.

OPL vs. WIG



Company	Target Price		Recommendation	
	new	old	new	old
Orange Polska	10.80	9.60	buy	buy

company	Current Price	Target Price	Upside
Orange Polska	9.72	10.80	+11.2%

Forecast update	2025E	2026E	2027E
Revenue	-0.1%	+0.2%	+0.5%
eEBITDAaL	+1.0%	+1.2%	+1.8%
Net Profit	-2.8%	-1.4%	+0.3%

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List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases); **EBITDA margin** – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market

NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market

UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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HOLD – we expect that the rate of return from an investment will range from 0% to +10%

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NAV – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following recommendations for Orange Polska in the 12 months prior to this publication:

Orange Polska (Paweł Szpigiel)

Rating	buy	buy	buy
Rating date	2024-12-02	2024-08-26	2024-05-06
Target price (PLN)	9.60	10.70	10.00
Price on rating day	7.69	8.36	7.95

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