Bank Pekao
Biuro Maklerskie

Program Wsparcia Pokrycia Analitycznego GPW

Company Report | **Tourism** | **Poland** | **12 May 2025**

Rainbow Tours

"Affordability" of foreign tours?

Good outlook for 2025e after another strong year. Most of the factors that are positive for the market in 2023-24 should continue in the following years. Demographic trends and changes in consumer spending continue. The so-called "silver generation" is more active in the use of such services, and the lower age cohorts (25-35 years) are experiencing a significant decrease in fertility rate and, as a result, their basket of goods/services looks very different from 10-15 years ago. The trend towards higher spending on services continues, with both nominal and real disposable income rising. Taken together, these factors suggest that demand should remain at a good level**. As a result, we expect the number of customers to increase to 0.94mn (+17% y/y / +140k) in 2025e.** While nominal growth may be similar to that seen in 2022-24e (avg. +160k), the growth rate should slow down. It is worth noting that the CAGR for 2019-24 for the number of tours sold is +10%, and nominally around +70k per year (CAGR). The beginning of the year was again strong in terms of sales for the company. **High sales of 'Winter 2024/25' tours contributed to revenues grew by more than 20% y/y in 1Q25e.** Our assumptions regarding the impact of supply on the market and decreases in the costs of organising tours may result in a slight decline in prices during the key season, i.e. an increase in the scale of promotions on the market. Therefore, we assume a -3% y/y decline in the prices of tours sold. It is worth noting here that last year, RBW recorded a +27% y/y increase in the number of tours sold, compared to a +24% y/y increase in revenues. We also note that in 2024-25e it is the growth in the average wage level (as well as the median wage) that will increase significantly relative to the price of tour. **If we assume that prices will be lower (or flat) in 2024-25e, then availability to tours will again improve within the consumer's disposable income basket.** Market data shows a clear increase in interest in foreign travel offers, which can be explained to some extent by this effect and by the difference in the scale of price increases on the domestic market compared to foreign offers. **In summary, in the base case we continue to see strong revenues growth of +14% y/y and a decline in operating margin due to the level of gross margin.**

Despite the favourable cost and FX environment, we expect gross margins to decline to 17.0% (-1.4 pp y/y) this year. While in 1Q25e we assume that the positive trends from previous quarters should continue and gross margin will increase to 18.2% (+1.5 pp y/y), in the following months we expect that there may be price decreases for tours on the market. The markets show that most of the costs of organising foreign tours are declining, but depending on each company's hedging policy, the impact may vary. Moreover, the effect could be futher intensified if travel agencies offer PAX exceed the growth in demand – which, while possibly strong, may still fall short in relation to the size of the prepared offer. This market environment may result in a slight pressure on tour prices this year compared to last year, due to a significant decrease in the cost of tours (jet fuel + strengthening of PLN vs USD). Therefore, as RBW may have around 50-70% of prices hedged during the main market decline period (III-IV'25) this may not have as much of a positive impact on margins as in previous years. This means that we expect gross margin to decline by -2.3 pp y/y in 2-4Q25e. **These may still be somewhat conservative assumptions.**

Given the current market environment and the company's operational data, we significantly raise our financial forecasts. In the following years, the model assumes that the normalised net margin could be around 4.7% (previously 3.7%). **For these reasons, we reiterate our BUY recommendation, while raising our 12-month target price to PLN 230/sh (+15%).**

Key financial data (PLN mn)

PLN mn	2023	2024	2025e	2026e	2027e	2028e
Revenues	3293	4068	4648	5235	5754	6290
EBITDA IFRS 16	237	376	382	405	400	404
EBITDA ex Lease adj.	227	365	368	391	386	390
EBIT	215	354	352	372	364	365
Net income	173	282	280	289	282	283
EPS	11.9	19.4	19.3	19.9	19.4	19.4
FCF (%)	43.6%	11.1%	7.4%	9.9%	9.9%	11.1%
DY	0.0%	5.5%	5.4%	9.9%	9.9%	11.1%
P/E	2.8	4.8	8.3	8.0	8.2	8.2
EV/EBITDA	1.1	3.0	5.5	5.2	5.2	5.2

NB: Historical multiples based on avg. prices. Source: Company, Pekao Equity Office

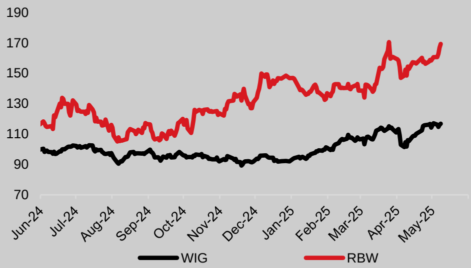
Buy (reiterated)

Target price (prev. PLN 200) **PLN 230**

Upside to TP 44%
Price on 12 May 2025 159.6 PLN

ESG rating C
Final ESG score 0.98

Relative share price performance vs. WIG



UPCOMING EVENTS

29 May 2025	1Q Results
25 September 2025	2Q Results
27 November 2025	3Q Results

STOCK DATA

Reuters/Bloomberg	RBW.WA/RBW PW
Free float (%)	56.5
Market capitalization	2322
No. of shares in issue (mn)	14.552

Shareholders
NN PTE 13,56%
S.Wysmyk 11,54%
Generali PRE 7,5%
Flyoo Sp. z o.o. 5,9%

Dariusz Dziubiński
dariusz.dziubinski@pekao.com.pl

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Update of forecasts

We increase our net profit forecast for 2025e from PLN 233mn to PLN 280mn (+20%). Despite the favourable cost and currency environment, we expect gross margins to decline to 17% (-1.4 pp y/y) this year. While in 1Q25e we assume that the positive trends from previous quarters should continue and gross margin will increase to 18.2% (+1.5 pp y/y), in the following months we expect that there may be price decreases for tours on the market. The markets show that most of the costs of organising foreign tours are declining, but depending on each company's hedging policy, the impact may vary. Moreover, the effect could be futher intensified if travel agencies offer PAX exceed the growth in demand – which, while possibly strong, may still fall short in relation to the size of the prepared offer. This market environment may result in a slight pressure on tour prices this year compared to last year, due to a significant decrease in the cost of tours (jet fuel + strengthening of PLN vs USD). Therefore, as RBW may have around 50-70% of prices hedged during the main market decline period (III-IV'25) this may not have as much of a positive impact on margins as in previous years. This means that the assumed decline in gross margin in 2-4Q25e is around -2.3 pp. y/y. **These may still be somewhat conservative assumptions**

Strong PAX growth in 2024 and another strong start in 2025e. Last year, the number of tours sold increased to 805k (+27% y/y / +170k), which was significantly above our assumptions. The 4Q24 was particularly strong in this respect. However, our estimates indicate that average revenue per tour decreased by -2% y/y in last year. As a result, the company reported an increase in revenues to PLN 4068mn (+24% y/y). High sales of 'Winter 2024/25' tours contributed to revenues growth exceeding +20% y/y in 1Q25e. **Taking into account the data from 1Q25 and trends in the sector, we raise our assumptions for the growth in the number of tours sold to +17% y/y, but with lower prices of around -3% y/y due to a decline in the cost of organising tours in the sector. Most of the main factors driving the positive growth trend in the foreign organised tour market should also be visible in 2025-27e.** We also note that in 2024-25e it is the growth in the average wage level (as well as the median wage) that will increase significantly relative to the price of tour. If we assume that prices will be lower (or flat) in 2024-25e, **then availability to tours will again improve within the consumer's disposable income basket.** At this point, it is the prices of tours for the holiday season are flat compared to last year. In summary, most factors suggest that demand should remain good. The main assumptions of the KPIs are as follows:

- **Number of travel participants in 2025e: ~943k customers (+17% y/y / nom. +140k vs 170k in 2024).**
- **Revenue per tour:** -3% y/y vs -2% y/y in 2024.
- **Cost per tour:** -1% y/y (vs -4% y/y in 2024 based on our model estimates) vs. -3-4% based on theoretical assumptions of breakdown of each costs and market trends.

Rainbow Tours: revision of financial forecasts

	2025e			2026e			2027e		
PLN mn	New	Old	Diff. (%)	New	Old	Diff. (%)	New	Old	Diff. (%)
Revenues	4648	4723	-2%	5235	5267	-1%	5754	5760	0%
Gross profit	788	733	8%	862	791	9%	918	836	10%
SG&A costs	-426	-431	-1%	-480	-494	-3%	-545	-558	-2%
Net profit on sales	362	302	20%	382	297	29%	374	278	34%
EBITDA	382	325	17%	405	323	25%	400	308	30%
EBIT	352	298	18%	372	293	27%	364	275	32%
Net profit	280	233	20%	289	226	28%	282	210	34%
Gross profit margin (%)	*17.0%*	*15.5%*	*1.4%*	*16.5%*	*15.0%*	*1.4%*	*16.0%*	*14.5%*	*1.4%*
EBITDA margin (%)	*8.2%*	*6.9%*	*1.3%*	*7.7%*	*6.1%*	*1.6%*	*6.9%*	*5.3%*	*1.6%*
EBIT margin (%)	*7.6%*	*6.3%*	*1.3%*	*7.1%*	*5.6%*	*1.5%*	*6.3%*	*4.8%*	*1.5%*
Net profit margin (%)	*6.0%*	*4.9%*	*1.1%*	*5.5%*	*4.3%*	*1.2%*	*4.9%*	*3.6%*	*1.3%*

Source: Company, Pekao Equity Research

Valuation

We use DCF and peer valuation methods with 100% and 0% weights, respectively. For presentation purposes, we also present the result of the valuation based on the peers method (0% weighting). In our opinion, the DCF valuation is more appropriate than other valuation methods due to, among other things:

1. Valuation process incorporates long-term profit and capital expenditure projections,

2. Company-specific factors reflected in the discount rate used in the valuation,

3. A suboptimal peer group, in our opinion, based on foreign companies only, as there are no forecasts for comparable companies in Poland (not listed).

Rainbow Tours: Valuation

Valuation method	Price (PLN)	Weight (%)	change (%)
12M DCF	230	100%	15%
Peers valuation	173	0%	48%
12M target price	**230**		15%
Current price	160		
Potential for change relative to current price (%)	44%		

Source: Company, Pekao Equity Research

DCF valuation update

We increase our 12-month price target estimate for Rainbow Tours shares to PLN 230/share from PLN 200/share. The change is mainly due to a significant increase in financial forecasts for this year and beyond. In our model, we use the weighted average cost of capital (WACC) for 2025-30e with the following assumptions:

1. Risk-free rate (10Y POL): 5.50% (average of the last two months on the market),

2. Market risk premium: 6,00%,

3. unleveraged beta: 1,00x

4. Debt risk premium: 2,50%.

Main changes in model assumptions:

- Higher customer growth assumed in 2025-27e and in the following years. In addition, the sector environment remains supportive of the realisation of higher gross margin levels. The extent of the change is described in the model parameters section of the report.
- Terminal value EBIT margin increase **by +0.2 pp. to 3.3%.**
- WACC at 11.5% (unchanged) and 9.0% in terminal value (unchanged).
- Keep g at 3% (unchanged).

Rainbow Tours: **Valuation ratios on TP (230 PLN):**

PLN mn	2022	2023	2024	2025e	2026e	2027e
FCF yield (%)		43.6%	11.1%	5.1%	6.9%	6.9%
P/E		2.8	4.8	11.9	11.6	11.9
12M					**11.6**	
EV/EBITDA ex Lease		1.1	3.0	8.4	7.8	7.9
12M					**7.8**	
ROIC (%)		99%	178%	141%	106%	87%
ROE (%)		108%	92%	58%	49%	44%

Source: Company, Pekao Equity Research

WACC calculation

	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Year
Risk free rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
ESG discount/premium	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**9.0%**
Cost of debt	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	6.5%
After-tax cost of debt	**6.4%**	**6.5%**	**6.5%**	**6.5%**	**6.5%**	**6.5%**	**5.3%**
Equity weight	100%	100%	100%	100%	100%	100%	100%
WACC	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**9.0%**

DCF valuation

(PLN mn)	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Year
Revenues	4 648	5 235	5 754	6 290	6 808	7 296	7 514
EBIT	352	372	364	365	359	372	246
Taxes on EBIT	-70	-71	-69	-69	-68	-71	-46.7
NOPAT	**282**	**301**	**295**	**296**	**291**	**301**	**199**
Depreciation and assets write-offs ex Lease	16	19	22	25	27	30	30
Change in NWC	56	8	4	-19	-19	-19	0
Capital expenditures	-70	-70	-70	-70	-70	-70	-36
FCFF	**172**	**242**	**242**	**270**	**267**	**280**	**193**
Terminal value growth							*3.0%*
Terminal value							3 315
Discount factor	*0.90*	*0.80*	*0.72*	*0.65*	*0.58*	*0.52*	*0.48*
Discounted free cash flow - Dec 31 2024	154	195	175	174	155	146	*1 675*
Enterprise value - Dec 31 2024	**2 674**						
Minorities	44						
Net debt ex Lease	-256						
Other adjustments*	0						
Equity value - Dec 31 2024	**2 886**						
Number of shares (mn)	14.6						
12M target price per share (PLN)	**230.0**						
Share price as of May 12th (PLN)	159.6						
Upside/Downside vs. current price	*44%*						

	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Year
Revenues growth	14%	13%	10%	9%	8%	7%	3.0%
EBIT margin	**7.6%**	**7.1%**	**6.3%**	**5.8%**	**5.3%**	**5.1%**	**3.3%**
Tax rate	19.9%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Capex/revenues	1.5%	1.3%	1.2%	1.1%	1.0%	1.0%	0.5%
Capex/depreciation	450%	372%	320%	283%	255%	233%	120%

Sensitivity of 12M target price per share to Terminal value growth & WACC

Terminal value growth/WACC

230.0	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**	**3.5%**	**4.0%**
7.0%	230	242	257	275	297	325	364
8.0%	211	220	230	242	257	275	297
9.0%	197	203	211	220	**230**	242	257
10.0%	185	191	197	203	211	220	230
11.0%	177	181	185	191	197	203	211

Sensitivity of 12M target price per share to key drivers' of company earnings

EBIT margin/ WACC

230.0	**1.3%**	**2.3%**	**3.3%**	**4.3%**	**5.3%**	**6.3%**	**7.3%**
7.0%	170	233	297	360	423	486	549
8.0%	156	206	257	307	358	408	458
9.0%	146	188	**230**	272	314	356	398
10.0%	139	175	211	247	283	319	355
11.0%	133	165	197	228	260	291	323

Source: Pekao Equity Research

Peers valuation update

The comparison group consists of five foreign companies operating in the field of travel services that we have selected. In order to determine the 12-month valuation of Rainbow Tours' shares, we use the P/E and EV/EBITDA multiples for 2025e-2027e (the median for the comparison group) and our forecasts for Rainbow Tours for those years in terms of net earnings per share and EBITDA and net debt, respectively.

Rainbow Tours: Peers valuation

		P/E			EV/EBITDA		
Compay name	**Ticker**	**2025e**	**2026e**	**2027e**	**2025e**	**2026e**	**2027e**
TUI	TUI LN	6.5	5.4	4.9	2.3	2.0	2.0
On the Beach Group	OTB LN	14.7	12.1	10.3	7.2	6.1	5.1
Voyageurs du Monde	ALVDM FP	14.1	12.9	12.9	5.0	4,2	3.8
Helloworld Travel	HLO AU	9.8	8.0	7.6	2.7	2.5	2.4
Flight Centre Travel Group	FLT AU	12.9	10.8	9.3	6.9	6.1	5.5
Median total		**12.9**	**10.8**	**9.3**	**5.0**	**4.3**	**3.8**
Rainbow Tours		**8.3**	**8.0**	**8.2**	**5.5**	**5.2**	**5.2**
Premium/discount vs. Median		*-36%*	*-26%*	*-12%*	*10%*	*21%*	*38%*
Implied value p.s. PLN		**249.2**	**215.5**	**180.4**	**144.0**	**132.9**	**118.3**
Applied weights (%)		*33%*	*33%*	*33%*	*33%*	*33%*	*33%*
Implied value p.s. PLN		**173.4**					

Source: Bloomberg, Pekao Equity Research

Rainbow Tours: Market consensus

	2025e			2026e			2026e		
PLN mn	**Pekao**	**Cons.**	**Diff. (%)**	**Pekao**	**Cons.**	**Diff. (%)**	**Pekao**	**Cons.**	**Diff. (%)**
Revenues	4648	4671	0%	5235	5181	1%	5754	5 676	1%
EBITDA	382	348	10%	405	337	20%	400	322	24%
EBIT	352	309	14%	372	300	24%	364	282	29%
Net profit	280	254	10%	289	243	19%	282	228	24%
EBITDA margin (%)	*8.2%*	*7.4%*	*0.8%*	*7.7%*	*6.4%*	*1.3%*	*6.9%*	*5.6%*	*1.4%*
EBIT margin (%)	*7.6%*	*6.5%*	*1.0%*	*7.1%*	*5.7%*	*1.4%*	*6.3%*	*4.9%*	*1.4%*
Net profit margin (%)	*6.0%*	*5.4%*	*0.7%*	*5.5%*	*4.6%*	*0.9%*	*4.9%*	*4.0%*	*0.9%*

Source: Bloomberg, Pekao Equity Research

ESG rating

Our ESG rating is based on assessment of a number of E-S-G related criteria with respectively 30/30/40% weigh in total rating. Our methodology implies final ESG Score for Rainbow Tours at 0.98 and ESG Rating "C".

Durables and Du	**E**	**S**	**G**
Score	0.74	1.40	0.85
Sector weight	30%	30%	40%
Final ESG Score		**0.98**	
ESG Rating		**C**	

Source: Pekao Equity Research

According to our methodology, rating "C" translates to +0.0% discount in equity risk premium (as % of RFR) in our cost of equity calculation.

	score from:	**to**	**Rating**	**WACC risk premium impact (% of RFR)**
ESG Score	1.50	2	**A**	-15.00%
	1.0	1.50	**B**	-7.50%
	0.5	1.0	**C**	0%
	0	0.5	**D**	15.00%

Source: Pekao Equity Research

Recent events

Results for the 4Q24.

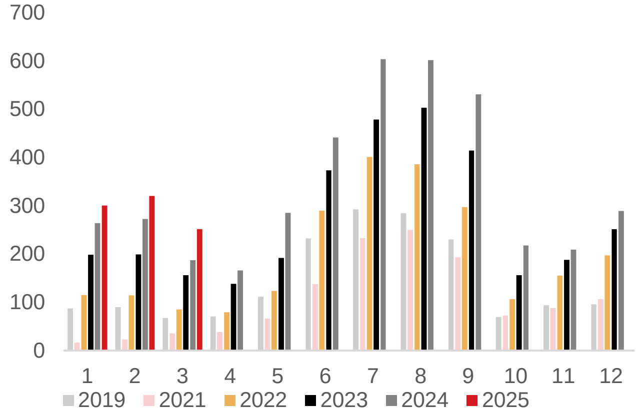
Rainbow Tours: Quarterly results

PLN mn	4Q23	1Q24	2Q24	3Q24	4Q24	Y/Y	Q/Q	Pekao fcst	vs. Pekao fcst	consensus	vs. consensus	2023	2024	Y/Y
Revenues	**594.3**	**721.6**	**885.8**	**1736.7**	**723.9**	*22%*	*-58%*	729.1	*-1%*	724	*0%*	*3293*	*4068*	*24%*
Gross profit	71.1	120.7	166.7	345.0	115.2	*62%*	*-67%*	95.0	*21%*			*547*	*748*	*37%*
SG&A expenses	-68.2	-74.2	-92.4	-134.6	-82.6	*21%*	*-39%*	-77.0	*7%*			*-332*	*-384*	*15%*
Net profit on sales	2.9	46.5	74.2	210.4	32.6	*>+100%*	*-84%*	18.0	*81%*			*215*	*364*	*69%*
EBITDA	10.3	51.1	77.1	215.7	32.2	*213%*	*-85%*	26.5	*22%*	22.6	*43%*	*237*	*376*	*59%*
EBIT	4.9	46.0	71.6	209.8	26.3	*438%*	*-87%*	16.5	*59%*	14.9	*77%*	*215*	*354*	*64%*
Net profit	8.1	39.0	58.0	153.2	31.6	*289%*	*-79%*	13.4	*136%*	12.5	*153%*	*174*	*282*	*62%*
Profitability ratios														
Gross margin (%)	**12.0%**	**16.7%**	**18.8%**	**19.9%**	**15.9%**	*3.9%*		13.0%	*1.1%*			*16.6%*	*18.4%*	*1.8%*
change yoy	3.7%	0.9%	1.6%	1.3%	3.9%									
SG&A %	**-11.5%**	**-10.3%**	**-10.4%**	**-7.7%**	**-11.4%**	*0.1%*		-10.6%	*0.9%*			-10.1%	-9.4%	*0.7%*
change yoy	0.0%	1.1%	0.4%	0.9%	0.1%									
EBIT margin	0.8%	6.4%	8.1%	12.1%	3.6%	*2.8%*		2.3%	*1.4%*			6.5%	8.7%	*2.2%*
change yoy	4.6%	2.0%	2.0%	2.1%	2.8%									
BS and Cash Flow														
Net debt ex Lease	-236	-131	-256	-384	-256							-236	-256	
ND / EBITDA ex Lease	-	-	-	-	-									
OCF IFRS 16	-95	-55	147	149	22							256	263	*3%*
OCF ex Lease	-98	-58	144	146	19							244	251	*3%*
CAPEX	-7	-18	-21	-5	-57							-33	-101	*208%*
FCF	-105	-77	123	141	-38							211	150	*-29%*
FCF LTM	211	185	54	82	150									
FCF LTM (% yield)	*9.4%*	*8.3%*	*2.4%*	*3.7%*	*6.7%*									

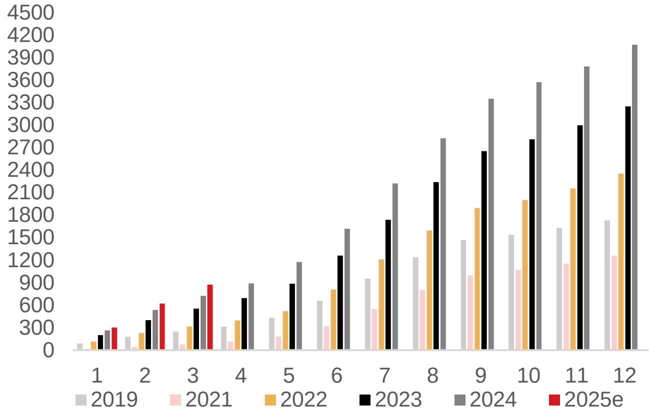
Source: Company, Pekao Equity Research

- **Revenues:** 724mn (+22% y/y)
- **Gross profit:** 115mn (+62% y/y)**.** Gross margin: 15.9% **(+3.9 pp. y/y).**
- **SG&A costs:** -83mn (+21% y/y). SG&A costs ratio: -11.4% (+0.1 pp. y/y).
- **Net profit on sales**: +32.6mn vs +2.9mn in last year.
- **EBITDA:** 32mn (+213% y/y).
- **Financial costs:** +6mn vs +4mn in last year.
- **OCF:** +22mn vs -97mn in last year.
- **CAPEX:** -57mn vs -7mn in last year.
- **Net cash (PLN mn):** 256mn.
- **FCF (PLN mn):** -38mn and -105mn in 4Q. FCF LTM: 150mn (FCF yield (%): 7.2%).
- **Deferred income (PLN mn):** 451mn (+29% y/y).
- Pre-sales of travel tours from the "Summer 2025" season offer (tours conducted in the months of April-October 2025) from the start of pre-sales to March 15, 2025 amounted to 236.046 people (+11.3% y/y / +24k y/y).
- ***Commentary on 4Q24 results:*** *The results are in line with preliminary estimates, which exceeded our model assumptions. We note the gross margin improvement year-on-year (+3.9 pp. y/y vs. +1.0 pp. y/y in our assumptions), which should support the gross margin in 1Q25 and likely in 1H25e given current cost trends. Given the level of gross margin improvement, we view the results as positive at current valuation levels.*

Revenues by month in 2017-25



Revenues (YTD) after each month in 2017-25



Source: Company, Pekao Equity Research

Annual Report (commentary on consumer and earnings trends): Most trends seem to have impacted results in 2024 and should continue into 2025-26e. Improved consumer sentiment and increased PAX were impacted by the following factors:**:**

- The recovery potential of the organised tourism market in Poland, accompanied by the increase in the prosperity of Polish society (**including in the important target group from Rainbow's point of view, i.e. families with children, the 45+ generation and the 60+ generation, i.e. the so-called "silver generation", increasingly referred to as the "power generation"**) and the resulting potential for an increase in the percentage of people willing to travel within the as part of the organisation of tourism. This is an important target group for Rainbow, i.e. families with children, the generation of people aged 45+ and people aged 60+, i.e. the so-called "silver generation", increasingly often referred to as the "power generation") and the resulting potential for growth in the percentage of people willing to travel in organised tourism (in relation to the levels of participation **in this type of tourism in e.g. Germany or the Czech Republic, where the percentage of those using the services of tour operators is around 30% and 20% respectively, while in Poland it is at most a double-digit percent**); the maintenance at a relatively high level of the willingness and motivation to travel among, among others, the Company's important target group of customers, i.e. people between 40 and 60 years of age with a stable financial and family situation, who are outside the influence of high interest rates (mortgages paid off) and who are not subject to the negative influence of high inflation and increases in living and operating costs,
- A change in the hierarchy of consumer spending in Polish society, with a noticeable trend towards a shift in the focus of spending from material goods to leisure-related expenditure (e.g. travel).

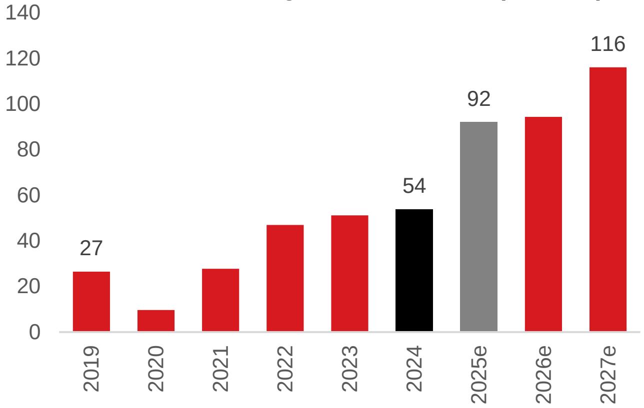
Dividend. Rainbow Tours intends to pay a total dividend of PLN 10-12 per share for 2024. The Management Board of Rainbow Tours recommends that a total of PLN 145.5 - 174.6mn of the profit generated in 2024 be allocated to dividends, which would result in a total dividend per share of PLN 10 - 12. Following the payment of an interim dividend for 2024 of PLN 3.33 per share**, the remaining dividend payable from net profit for the year 2024 will be between PLN 6.67 and PLN 8.67 per share.** The exact amount of the dividend will be determined at a later date by the Management Board depending on the development and fulfilment of scenarios relating to investment plans within the Rainbow Tours. I**n the following years, we assume that the dividend level will be close to the FCF level and the DPR ratio will be around 80-85%.** Taking into account equity levels, CapEx plans and cash on the balance sheet. **This implies a DY (%) of around 10-11% in the coming years, given the assumed trajectory of financial results.**

Buy-back of own shares. The EGM on 17.12.024 voted a resolution to buy back own shares (no. 4). The draft resolution: 1) The purchase of a maximum of 2,500,000 shares in the Company, corresponding to a maximum of approximately 17.18% of the Company's share capital, is planned. 2) The purchase price of the shares may not be less than PLN 150.00 and not more than PLN 220.00. Shares purchased by the Company may be allocated: 1) To finance potential acquisitions of sector players as part of the Company's acquisition and geographical expansion programme; 2) to be redeemed or used for future incentive schemes for key executives of the Company.

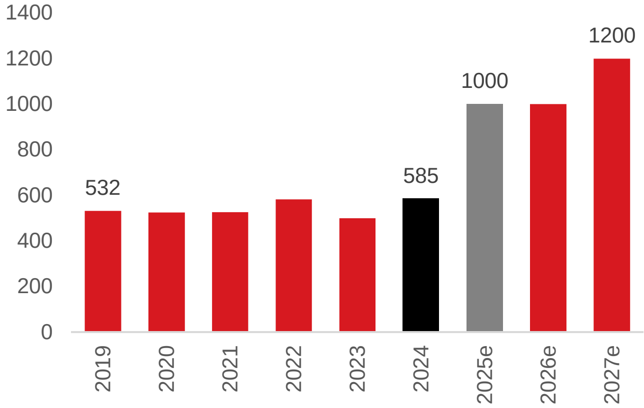
Hotel segment. Last year, revenues in this segment amounted to PLN 54mn (+5% y/y) with EBIT of approx. PLN 7.7mn (EBIT margin: 14.2%). In 2024, the company had around 585 rooms in its hotel base during the season (+17% y/y). This year, the number of rooms is expected to increase significantly as a result of the recent acquisition and the expansion of the base at the remaining hotels. For this season, the company should have around 1,000 rooms on offer (+71% y/y). This means that this year could see a sharp increase in revenues from this segment. **So far, the segment's share of revenues is relatively small (~2.0%), and the EBIT contribution to earnings this year could rise to around 4.0% vs. 2.0% in 2024.**

CapEx in 2025-27e (=PLN 70mn). In the model assumptions, we assume that the level of CapEx will be around PLN 70m in the following years as the company continues to expand its own hotel chain. **This means an average CapEx to revenues of 1.4%.**

Revenues in the hotel segment in 2019-27e (PLN mn)



Number of rooms in the hotel base in 2018-27e



Source: Company, Pekao Equity Research

Preview 1Q25e. Continued strong sales figures in 1Q25 with a still favourable environment for gross margin. We therefore assume in our forecasts an increase in gross margin to 18.3% (+1.5 pp y/y). In addition, we assume that PAX can grow faster than SG&A costs. **We therefore assume positive operating leverage in 1Q25 and an improvement in the operating margin of +1.9 pp to 8.3%.** Following the better-than-expected results in March, we increase our revenues assumptions by 5 pp. (+21% vs +16% y/y previously) and our EBITDA assumptions to 79mn (+8%) in our 1Q25e forecasts.

- **Revenues (PLN mn):** 873mn (+21% y/y).
- **Gross profit (PLN mn):** 153mn (+26% y/y). **Gross margin:** 18.2% (+1.5 pp. y/y).
- **SG&A costs (PLN mn):** 86mn (+16% y/y).
- **Net profit on sales (PLN mn):** +67mn (+43% y/y).
- **Financial position (PLN mn):** +0mn vs +1mn in last year.
- **Assumption: Gross margin (%): The PAX/price environment of tours vs. fuel costs and FX changes seems to remain favourable for gross margin improvement in 1Q25.**

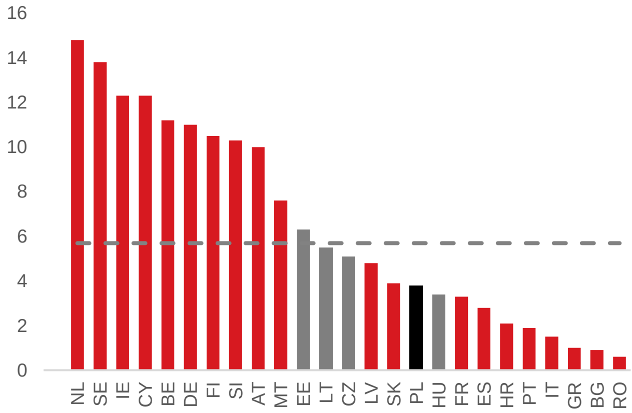
PLN mn	1Q24	2Q24	3Q24	4Q24	1Q25e	Y/Y	Q/Q
Revenues	721.6	885.8	1736.7	723.9	873.1	*21%*	*21%*
Gross profit	120.7	166.7	345.0	115.2	159.1	*32%*	*38%*
SG&A expenses	-74.2	-92.4	-134.6	-82.6	-86.0	*16%*	*4%*
Net profit on sales	46.5	74.2	210.4	32.6	73.1	*>+100%*	*124%*
EBITDA	51.1	77.1	215.7	32.2	79.1	*55%*	*145%*
EBIT	46.0	71.6	209.8	26.3	72.6	*58%*	*176%*
Net profit	39.0	58.0	153.2	31.6	60.7	*56%*	*92%*
Profitability ratios							
Gross margin (%)	**16.7%**	**18.8%**	**19.9%**	**15.9%**	**18.2%**	*1.5%*	
change yoy	0.9%	1.6%	1.3%	3.9%	1.5%		
SG&A %	**-10.3%**	**-10.4%**	**-7.7%**	**-11.4%**	**-9.8%**	*0.4%*	
change yoy	1.1%	0.4%	0.9%	0.1%	0.4%		
EBIT margin	6.4%	8.1%	12.1%	3.6%	8.3%	*1.9%*	
change yoy	2.0%	2.0%	2.1%	2.8%	1.9%		
Valuation ratios							
EV/EBITDA (TTM)	2.6	4.3	3.4	3.5	4.9		
PE (TTM)	4.6	6.2	5.7	6.1	7.4		

Source: Company, Pekao Equity Research

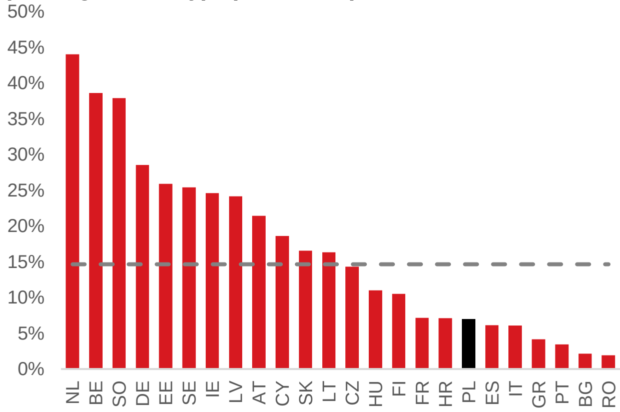
Investment story

Market structure (CAGR 2024-27e: +8-9%). Last year, the number of travel agency customers was around 8.75mn (+15% y/y / +1.2mn and +13% vs 2019 / +1.0mn). The number of customers in RBW recorded the mentioned growth of +27% y/y and +64% vs. 2019. **Sector reports contain information on the significant difference between growth/decline rates in domestic and foreign tourism.** Based on market data, last year resulted in an increase in the overall number of travel agency customers above 2019 levels. The factors that influenced this trend were: 1) increase in household wealth, 2) demographic trends and 3) a change in household spending and an increase in spending on services with tourism still a relatively low share of the household spending basket. **With regard to differences in the change in the number of customers between domestic and foreign trips compared to the period before 2020, in the international travel category, the increase compared to 2019 may be close to +40-60%, while a significant decline was recorded in domestic tourism or in neighbouring countries (-30-40%).** Statistical data shows that domestic consumers still make relatively little use of this form of holiday compared to other European countries, and there seems to be room for further growth in this parameter. According to Eurostat, only 6.9% of the Polish population take foreign tour for more than 4 days, compared to an EU average of around 14.7%. **The number of RBW customers seems to have changed in line with this trend. Taking the total number of travel agency customers as an estimate, RBW's market share was around 6.3% in 2019, up to around 9.2% at the end of last year.** Therefore, both trends in the form of a change in the number of travel agency customers as a total number as well as the structure of tours seem to be key to the assumptions of the change in PAX in RBW. Another important factor may not be just the individual number of people, but also how often each person takes a holiday during the year. As such, it seems that an overall increase in people using travel agencies, an increase in foreign travel, and an increase in holiday spending per person may result in an increase in the total value of the market, with PAX shifting to the largest travel agencies specialising in this area. **We are therefore currently quite comfortable with the assumption of customer growth/tours sold over the next years of around CAGR: +8-9%.**

Average nights spent abroad per inhabitant aged 15 years or more (PL =3.8x) in 2023



Persons participating in tourism for personal purposes by duration of the stay (> 4 days) and destination (=foreign country) / (PL = 6.9%) in 2023

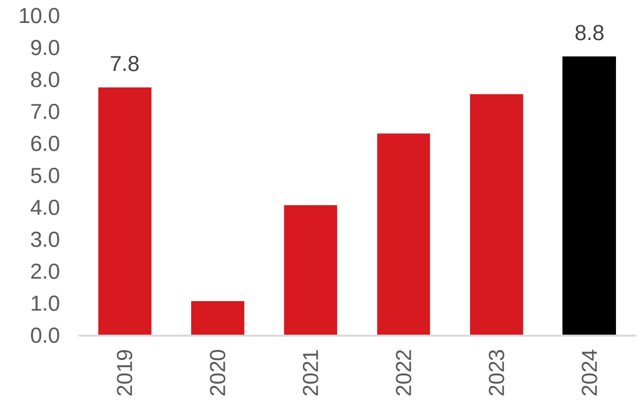


Source: Company, Pekao Equity Research

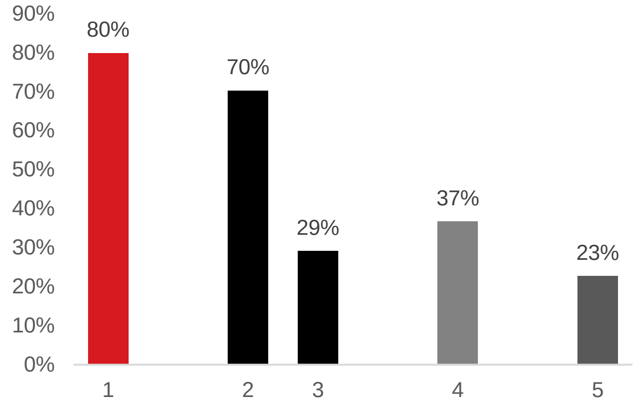
Shortcut: NL: Netherlands, SE: Sweden, IE: Ireland, CY: Cyprus, BE: Belgium, DE: Germany, FI: Finland, SI: Slovenia, AT: Austria, MT: Malta, EE: Estonia, LT: Lithuania, CZ: Czechia, LV: Latvia, SK: Slovakia, PL: Poland, HU: Hungary, FR: France, ES: Spain, HR: Croatia, PT: Portugal, IT: Italy, GR: Greece, BG: Bulgaria, RO: Romania.

1: Average salary in Poland, 2: Cumulative inflation in the category "Hotels and restaurants" in Poland, 3: Cumulative inflation in the category " Hotels-Cafés-Restaurants" in Greece, 4: Estimated change in tour price in RBW (total), 5: Jet fuel prices

Number of customers of travel agencies in Poland in 2019-24



Change in average salary/month in Poland vs. change in prices in Poland vs. cost of tour foreign countries in 2019-25e



Source: Eurostat, GUS, Company Pekao Equity Research

The main cost categories remain potentially favourable for the sector to achieve high gross margins. **This year, however, the price hedging policy (tour costs) and the differences between companies in this regard may be more important.** Moreover, the effect could be futher intensified if travel agencies offer PAX exceed the growth in demand – which, while possibly strong, may still fall short. This market environment may result in a slight pressure on tour prices this year compared to last year, due to a significant decrease in the cost of tours (jet fuel + strengthening of PLN vs USD). Therefore, as RBW may have around 50-70% of prices hedged during the main market decline period (III-IV'25) this may not have as much of a positive impact on margins as in previous years. **Therefore, our scenario assumes a gross margin level of around 17.0% (-1.4 pp y/y), despite an assumed further increase in 1Q25e (+1.5 pp. y/y to 18.2%). This means that the assumed decline in gross margin in 2-4Q25e is around -2.3 pp. y/y. These may still be somewhat conservative assumptions.** Particularly when PAX growth in the market accelerates in the V-VI'25e period. There seem to be factors supporting the realization of such a scenario. In the table below we present our estimates of the breakdown of the main costs and our attempt to adjust the trajectory of change in each category based on market data and spot prices (fuel in PLN and other costs in currency).

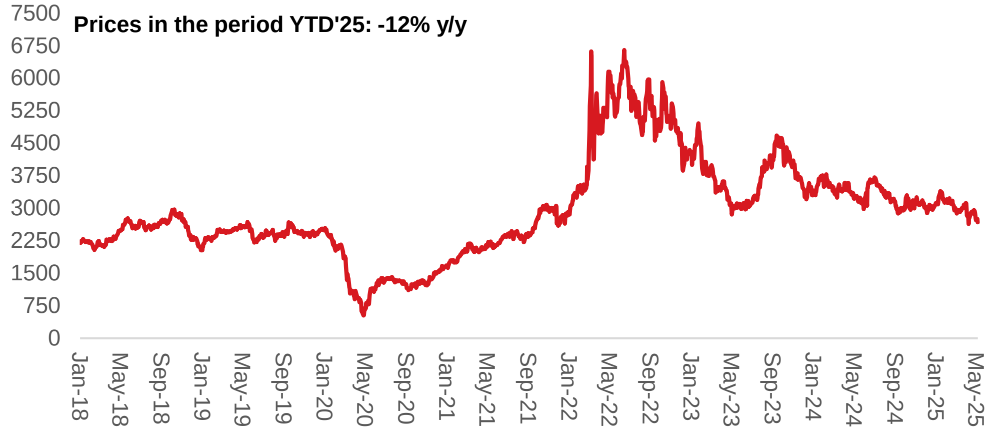
In the product cost structure, the cost of airfare can account for about 45-50%, of which about 1/3 is the cost of jet fuel (~15% in COGS) and the rest is ECTS and per-airline fees. The other major category is hotel costs, which account for around 45%. In recent months there has been a fall in the price of jet fuel and a strong appreciation of the PLN (again).

Theoretical changes in gross margin (pp. y/y) with the dynamics of changes in CPI (prices of products in the market) and PPI (major costs). Our assumptions.

CPI vs PPI and gross margin level (%)	2019	2022	2023	2024	2025e
Revenues (2019=100 / price effect):	**100**	**131**	**144**	**142**	**137**
- Change in travel tours prices in the market (based on market		*32%*	*10%*	*-2%*	*-3%*
COGS:	**86**	**117**	**120**	**116**	**114**
y/y		*36%*	*3%*	*-4%*	*-2%*
- 1) Transportation-related costs (including jet fuel / 45% in COGS).	38.8	68.0	67.3	61.9	58.8
y/y		*75%*	*-1%*	*-8%*	*-5%*
- 2) Costs related to accommodation (i.e., hotels / 45% in COGS).	38.8	40.8	43.6	44.5	45.6
y/y		*5%*	*7%*	*2%*	*3%*
- 3) Others (~10% in COGS)	8.6	8.4	9.4	9.1	9.1
y/y		*-3%*	*12%*	*-4%*	*0%*
Gross profit	13.7	14.0	24.0	26.0	23.2
Gross margin (%)	**13.7%**	**10.6%**	**16.6%**	**18.4%**	**17.0%**
p.p. y/y		*-3.0%*	*6.0%*	*1.8%*	*-1.4%*
vs 2019					
assumption in the model in P&L					**17.0%**

Source: Company, Pekao Equity Research, own estimates

Jet fuel price 'European Jet CIF NWE Cargo Spot' (PLN/t).



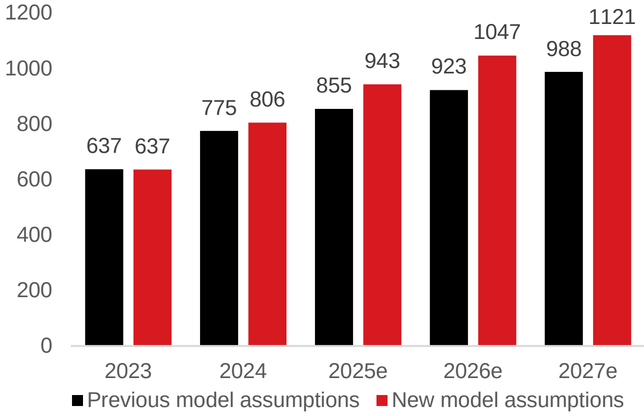
Source: Bloomberg, Pekao Equity Research

In summary, despite the significant increase in financial forecasts for this year and following years, as can be seen, many of the model assumptions could be described as conservative in the current market environment. The level of real disposable income reports further growth (and still strong in nominal terms), the consumer is deleveraging significantly and the cost of credit should be lower in the following quarters/years. **The outlook for consumer purchasing power is therefore at least positive.** In addition, the shift in the mix of domestic and international travel should benefit the largest travel companies. We are therefore currently quite comfortable with the assumption of customer growth/tours sold CAGR over the next few years of around +8-9%. **Risk factors include the potential for increased competitive activity if there is a significant expansion in operating margins and an improvement in return on capital, which could lead to a willingness to compete for market share.**

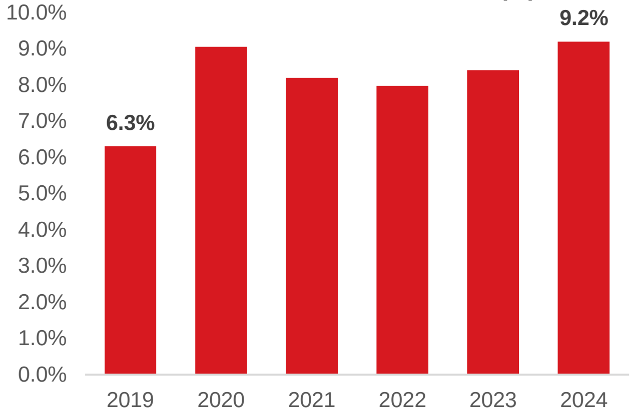
Operational data for the model	2019	2022	2023	2024	2025e	2026e	2027e
Number of customers (thousands of people)	491	506	637	806	943	1047	1121
y/y	*-3%*	*51%*	*26%*	*27%*	*17%*	*11%*	*7%*
nom. (thousands of people)		*171*	*131*	*169*	*138*	*104*	*73*
Revenue per customer (or per tour / PLN)	3502	4591	5056	4956	4789	4909	5031
y/y	*11%*	*25%*	*10%*	*-2%*	*-3%*	*2%*	*2%*
Revenues from sales of tourist events (PLN mn)	**1719**	**2323**	**3219**	**3992**	**4518**	**5141**	**5638**
y/y	*9%*	*88%*	*39%*	*24%*	*13%*	*14%*	*10%*
Costs per per tour	**-3069**	**-4228**	**-4313**	**-4122**	**-4096**	**-4182**	**-4321**
y/y		*38%*	*2%*	*-4%*	*-1%*	*2%*	*3%*
Gross profit (PLN mn)	**239**	**255**	**547**	**748**	**783**	**856**	**912**
Gross margin (%)	*13.7%*	*10.6%*	*16.6%*	*18.4%*	*16.9%*	*16.4%*	*15.9%*
pp. y/y	*2.3%*	*-0.7%*	*6.0%*	*1.8%*	*-1.5%*	*-0.5%*	*-0.5%*
y/y	*31%*	*75%*	*115%*	*37%*	*5%*	*9%*	*7%*

Source: Company, Pekao Equity Research

Number of customers (thousands of people)



Estimated market share for Rainbow Tours (%).*



*Source: Company, Pekao Equity Research, * Based on the number of customers at travel agencies.*

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Risk factors

Below are selected risk factors that may affect our forecasts, valuation, and behavior of Rainbow Tours' share price

Macroeconomic environment and consumer sentiment. Deterioration in the macroeconomic environment or consumer sentiment may negatively affect domestic consumers travel decisions/budgets.

Competitive environment. More aggressive competition for market share could negatively affect volumes or realized margins. The relative increase in the attractiveness of low-cost airline offerings would also be a potential risk.

Risk of political and social deterioration / disasters in key destinations, weather factor risk. Any tragic events or weather anomalies can directly affect the demand for tourism services in a region.

Currency risk (EUR and USD). Exposure to currency risk results from settlements with suppliers in foreign currencies (payments for hotels mainly in EUR and part of the winter offer in USD; payments for charters in USD), while sales of tours are made in PLN. Unfavorable changes in exchange rates in the period between payments to suppliers and receipts from customers may reduce profitability.

Military aggression by the Russian Federation on the territory of Ukraine starting on February 24, 2022 and the armed conflict caused as a result. Although the product offerings carried out by Rainbow Tours in the territory of Russia or Ukraine were insignificant in volume (mainly roundtrips) and did not account for a significant share of realized sales, the conflict may have a negative impact on the company's operations and results. Sustained long-term or medium-term unfavorable price levels in the fuel market may negatively affect demand and margins achieved by the company. In addition, potential destabilization and increases in exchange rates in the foreign currency market, including in particular with respect to the weakening of the Polish zloty (PLN) against the settlement currencies of the U.S. dollar (USD) and the euro (EUR), may negatively affect Rainbow Tours' results.

Risk of price increases in the fuel market. Sudden and sharp increases locally may affect the profitability of tours. In the long term, increases in oil prices on global markets translate into increases in tour prices, which creates risks for the demand side. Normally, an airline uses the average fuel price from two months ago as part of a charter contract.

The risk of higher-than-expected cost pressures, especially from rising wages.

Risk of seasonality of sales. The highest demand is for tours in the 2nd and 3rd quarters. The company is exposed to the risk of not filling planes or not selling contracted hotel seats.

Risks related to investments in hotel operations in Greece. Current and planned future investments in the development of White Olive's Greek hotel chain are subject to the risk of exceeding planned expenditures, incurring losses, suboptimal occupancy or delaying the realization of expected profits.

P&L (PLN mn)	2023	2024	2025e	2026e	2027e	2028e
Revenues	**3 293**	**4 068**	**4 648**	**5 235**	**5 754**	**6 290**
Gross Profit	**547**	**748**	**788**	**862**	**918**	**986**
SG&A Costs	**-332**	**-384**	**-426**	**-480**	**-545**	**-611**
Other Operating Income/Cost	0	-10	-10	-10	-10	-10
EBITDA	**237**	**376**	**382**	**405**	**400**	**404**
EBIT	**215**	**354**	**352**	**372**	**364**	**365**
Financial Income/(Cost)	0	0	3	-6	-7	-7
Pretax Profit	**215**	**354**	**355**	**366**	**357**	**358**
Income Tax	-42	-71	-67	-70	-68	-68
Net Income	**173**	**282**	**280**	**289**	**282**	**283**
EPS (PLN)	**11.9**	**19.4**	**19.3**	**19.9**	**19.4**	**19.4**

Balance Sheet (PLN mn)	2023	2024	2025e	2026e	2027e	2028e
Total Current Assets	**642**	**787**	**948**	**1 007**	**1 057**	**1 108**
Cash and Equivalents	276	288	328	330	330	330
Other Current Assets	367	499	620	676	726	778
Total Fixed Assets	**341**	**513**	**567**	**618**	**666**	**711**
Tangible Assets	203	260	314	365	414	459
Other Fixed Assets	138	253	253	253	253	253
Total Assets	**983**	**1 299**	**1 515**	**1 625**	**1 723**	**1 819**
Stockholders` Equity	**207**	**407**	**562**	**621**	**673**	**699**
Long Term Liabilities	**134**	**98**	**98**	**107**	**109**	**109**
Long -Term Debt (ex Lease)	21	5	14	16	16	16
Other Long - Term liabilities	113	93	83	92	93	93
Short Term Liabilities	**659**	**750**	**802**	**851**	**897**	**968**
Short -Term Debt (ex Lease)	19	27	13	14	14	14
Other Current Liabilities	640	723	789	837	883	954
Total Equity & Liabilities	**983**	**1 299**	**1 515**	**1 625**	**1 723**	**1 819**
Net debt ex Lease	-236	-256	-300	-300	-300	-300
Net debt IFRS 16	-207	-194	-239	-239	-239	-239

Cash Flow (PLN m)	2023	2024	2025e	2026e	2027e	2028e
Net Profit	173	282	280	289	282	283
Depreciation and Amortisation	22	22	30	33	36	39
Other (incl. WC)	61	-42	-55	-8	-4	19
Operating Cash Flows	**256**	**263**	**255**	**314**	**314**	**341**
Capital Expenditures	-35	-102	-70	-70	-70	-70
Other	16	20	0	0	0	0
Cash Flows from Investing Activities	**-19**	**-82**	**-70**	**-70**	**-70**	**-70**
Dividends paid	-19	-128	-126	-230	-230	-257
Other	-85	-40	-18	-11	-14	-14
Cash Flows from Financing Activities	**-104**	**-169**	**-145**	**-242**	**-244**	**-271**
Change in Cash	133	12	40	3	0	0
Cash at the end of period	**276**	**288**	**328**	**330**	**330**	**330**
DPS (PLN)	1.3	8.8	8.7	15.8	15.8	17.7
Y/Y growth ratios						
Revenues	38%	24%	14%	13%	10%	9%
EBITDA	335%	59%	2%	6%	-1%	1%
EBIT	555%	64%	0%	6%	-2%	0%
Net profit	704%	63%	-1%	3%	-3%	0%
EPS	704%	63%	-1%	3%	-3%	0%
Margins						
Gross margin	**16.6%**	**18.4%**	**17.0%**	**16.5%**	**16.0%**	**15.7%**
EBIT margin	7%	8.7%	7.6%	7.1%	6.3%	5.8%
Net margin	5%	6.9%	6.0%	5.5%	4.9%	4.5%
ROE	**20%**	**108%**	**92%**	**58%**	**49%**	**44%**
Balance Sheet Ratios						
BVPS (PLN)	14	28	39	43	46	48
Net debt/EBITDA	-	-	-	-	-	-
Bank Debt/Equity	19%	8%	5%	5%	4%	4%

Key Data	2021	2022	2023	2024	2025e	2026e	2027e
Revenue	1279	2393	3293	4068	4648	5235	5754
Gross Margin %	11.4%	10.6%	16.6%	18.4%	17.0%	16.5%	16.0%
EBIT	20	33	215	354	352	372	364
EBITDA	39	54	237	376	382	405	400
Net income Adj+	17	21	173	282	280	289	282
EPS adjusted	1	1	12	19	19	20	19
BPS	7	8	14	28	39	43	46
DPS	1.5	1.3	8.8	8.7	15.8	15.8	17.7
ROE	17%	20%	108%	92%	58%	49%	44%
ROA	13%	15%	16%	19%	19%	19%	18%
Net Debt	28	0	-207	-194	-239	-239	-239
Depreciation & Amortization	19	22	22	22	30	33	36
Free Cash Flow	90	44	213	151	171	230	230
CAPEX	-44	-26	-35	-102	-70	-70	-70

Source: Bloomberg, Pekao Equity Research

THIS REPORT WAS COMPLETED ON 12 MAY 2025 AT 17:40 CET.

THIS REPORT WAS FIRST DISTRIBUTED ON 12 MAY 2025 AT 17:50 CET.

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Dariusz Dziubiński	Expert, Analyst	Rainbow Tours	0	-	-	-

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METHODS USED TO FORMULATE OUR RECOMMENDATIONS:

Our company valuations are based on two valuation methods selected from among the following: discount model, multiples-based model or asset-based valuation method.

Discount models are characterized by simultaneous and comprehensive consideration of key determinants of intrinsic value, e.g. operating cash flow, capex, cost of capital (WACC). They are theoretically appealing and provide a direct computation of intrinsic value. However, discount model valuations are highly sensitive to changes in assumptions, particularly the risk free rate and terminal growth rate. Moreover, projections cannot be stated with certainty; unforeseen future events can cause income or earnings projections to be invalid.

Multiples-based models are based on the analysis of the valuation multipliers of a given company in relation to other similar companies in the industry. Among strengths of multiplier models we can highlight their simplicity, as they are easy to compute as well as to understand. Moreover, only the key statistics for investors are chosen for valuation. On the other hand, multiples are based on historic data or near-term forecasts. Valuations based on multiples will therefore fail to capture differences in projected performance over the longer term. Finally, it may be problematic to select a suitable peer group.

Asset-based models can be used even if a company has a brief record of earnings or its future existence is uncertain. However, it may be challenging to determine market value of some assets, particularly intangibles. Additionally, asset-based models do not take into account future changes in financial results, nor do they include non-balance sheet items, such as know-how.

Valuation models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials, and on assumptions about the economy. Furthermore, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Our recommendations and target prices derived from the models might therefore change accordingly.

The investment ratings generally relate to a 12-month horizon. They are, however, also subject to market conditions and can only represent a snapshot. The ratings may in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward. In the tables and charts throughout this report, we designate the years with an “E” to denote that the figures presented are forecasts and estimates.

Definition of ratings used in our publications:

We currently use a three-tier recommendation system for the stocks in our formal coverage: Buy, Hold, or Sell (see definitions below):
A **Buy** is applied when the expected total return over the next twelve months is higher than 15%.
A **Hold** is applied when the expected total return over the next twelve months is within the range of 0% to 15%.
A **Sell** is applied when the stock's expected total return over the next twelve months is negative.

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Not rated: We do not issue company-specific recommendations and we do not plan to issue them in the foreseeable future.

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P/E – „Price/Earnings" is the ratio of the financial instrument price to the net financial result for the issuer of the financial instrument.
P/B – „Price/Book Value" is the ratio of the price of the financial instrument to the issuer's equity capital.
EPS – „Earnings per Share", i.e. net profit per share.
BVPS – „Book Value per Share".
FWD – „Forward" - stands for the ratio (eg. P/E) calculated on the basis of the expected results.
DPS – „Dividend per Share".
DY – "Dividend Yield", a ratio calculated as dividends per share divided by the current share price.
EBIT – „Earnings Before Interest and Taxes".
EBITDA - „Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization".
EV/EBITDA – "Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization" is the company's market capitalization (price x number of shares) increased by the value of net financial debt and the value of minority shareholders divided by the operating result increased by the value of the company's asset depreciation.
AGM – Annual General Meeting