Bank Pekao
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Program Wsparcia Pokrycia Analitycznego GPW

Company Report | **Power Utilities** | **Poland** | **14 May 2025**

ZE PAK

Sale of CCGT Adamów could unlock hidden value

ZE PAK is undergoing a fundamental transformation from lignite-based energy production toward a cleaner portfolio centered on renewables and gas. We expect that key catalyst unlocking a value could be sale of its 562 MW Adamów CCGT project, which we believe could be sold at the end of June for PLN 1.7bn. This would leave the company with a net cash position (PLN 1.3bn) at the end of 2025e, exceeding current market capitalization and enterprise value. The project benefits from an attractive capacity contract that improves the project's sale value. If contracted today, the Adamów project would likely cost PLN 0.5–0.8bn more to build, suggesting that our assumed gain on sale of PLN 0.1bn could be conservative and there is even bigger upside. PGE's recent strategic reference to the project reinforces our confidence that the transaction will close successfully.

After the sale, ZE PAK's exposure to conventional generation will be limited to the Pątnów II plant, scheduled for decommissioning in 2026e, and a depleting lignite mine. **The company will continue to hold a 49% stake in PAK-PCE, a joint venture with Cyfrowy Polsat.** This portfolio of 289 MW wind, 91 MW solar, and 105 MW biomass capacity is expected by us to generate PLN 300–350mn in recurring EBITDA annually from 2026e. We conservatively value ZE PAK's equity stake at only PLN 300mn, though recent market transactions suggest upside of at least 2x higher than our base-case estimate.

ZE PAK is also actively expanding its renewables own pipeline, including a 500 MW onshore wind project, 280 MW of solar PV, and 200 MW of battery storage. The battery storage investment stands out due to falling in recent months CAPEX and generous public subsidies covering up to 45% of project costs. We value the battery project at PLN 400mn and ZE PAK's PV and onshore development pipeline currently contributes an additional PLN 310mn to our valuation, with majority of that value attributed to the 500 MW onshore wind project in Opole.

At the same time, ZE PAK is exploring two additional CCGT projects totaling 1.8 GW. While these may be monetized after reaching a ready-to-build stage, possibly again to PGE, we do not include them in our valuation due to early-stage risk and financing uncertainty.

Given potential near term catalyst, we update our recommendation from Hold to Buy and set a TP at PLN 37.9/sh (101% upside potential).

ZE PAK: Key figures, 2022-2027e

PLNmn unless stated otherwise

	2022	2023	2024	2025e	2026e	2027e
Revenues	4,200	3,106	2,185	1,348	661	147
EBITDA	**391**	**729**	**282**	**66**	**68**	**137**
EBITDA recurring	**421**	**928**	**-16**	**19**	**-3**	**75**
Pretax income	318	682	241	12	81	152
Net Income	**215**	**558**	**263**	**8**	**66**	**122**
EPS (PLN/sh)	4.2	11.0	5.2	0.2	1.3	2.4
DPS (PLN)	-	-	-	-	-	-
DY (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
P/E (x)	5.1	2.0	3.5	124.1	14.6	7.8
EV/EBITDA (x)	3.3	0.9	1.6	(5.7)	4.4	2.6

Source Company, Pekao Equity Research.

Buy (prev. Hold)

Target price	**PLN 37.9**
Upside to TP	**101%**
Price on 9 May 2025	PLN 18.88
ESG rating	C
Final ESG Score	0.94

Relative share price performance vs. WIG

UPCOMING EVENTS

1Q'25 results	30 May
2Q'25 results	30 September
3Q'25 results	28 November

STOCK DATA

Bloomberg	ZEP PW
Free float (%)	15.2
Market capitalization (PLNmn)	960
Diluted no. of shares (mn)	50.8

Shareholders	Zygmunt Solorz 65.96%
	OFE PZU 7.53%
	OFE Allianz 6.30%
	OFE NN 5.02%
	Other 15.19%

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Investment story

ZE PAK is currently undergoing a significant transformation in its business model. For years, the company relied on lignite energy production, but in line with the global energy transition, it has decided to pivot toward generating electricity from gas and renewable sources. To facilitate this change, **ZE PAK launched a 562 MW gas project in Adamów**. Initially, the project appeared very promising after winning a capacity contract at an attractive price of 400 PLN/kWh/year. However, **the company is struggling to secure debt financing for this project**, as banks tend to be less supportive of conventional energy projects. In an effort to address financial closing problems, **ZE PAK has entered negotiations with PGE regarding the sale of the gas project and selling a project does not necessarily mean failure.**

In our view, the **likelihood of a successful transaction is high**. Notably, during its 4Q'24 earnings conference, PGE explicitly included the CCGT Adamów project in its strategy, suggesting strategic intent. Meanwhile, ZE PAK lacks the internal funding capacity to bring the project to completion without securing additional debt. Although the company signed a PLN 600mn debt facility with EFG in April, this amount primarily enables continued construction activity without halting work but falls well short of the total funding requirement. ZE PAK has disclosed a baseline CAPEX of PLN 2.35bn for the project. **Accounting for project delays ,we forecast total CAPEX nearing PLN 2.6bn (PLN 4.6mn per MW).** As end of 2024, ZE PAK had incurred approximately PLN 350mn in direct capital expenditures and paid around PLN 450mn in advance payments and reported overall project completion reported at 33%. Assuming ZE PAK invests an additional PLN 800mn in 2025e, total invested capital (including prepayments) would reach approximately PLN 1.6bn. **This means that the buyer will still need to invest approximately PLN 1bn to complete the project.** Therefore, the key question is what sale price ZE PAK can realistically achieve.

It's worth noting that the capacity contract dates back to 2021 and is subject to annual indexation, currently amounting to PLN >550/kW/year. Considering the results of other capacity auctions held in recent years, this is a highly attractive rate, one that may be difficult to repeat in next auctions. As a result, it further enhances the project's appeal from the buyer's perspective.

ZEPAK's secured very favorable price of capacity market for CCGT Adamów

Main auction capacity market price by delivery year

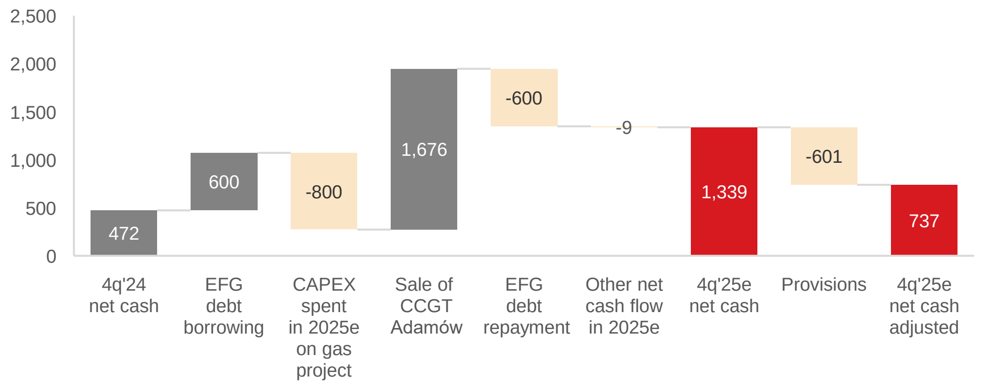
	2021	2022	2023	2024	2025	2026	2027	2028	2029
PLN per kW/year	240	198	203	260	173	**400**	406	245	265

Source: PSE, Pekao Equity Research

We estimate the sale price could be around PLN 1.7bn based on our DCF valuation. Our valuation assumes a conservative CSS (clean spark spread) of ca. PLN 73/MWh and an average load factor of 48% over a 15-year horizon. There is also room for positive surprise: industry CAPEX benchmarks have risen meaningfully. Even with our revised project cost assumption of PLN 4.6mn MW, current market quotations suggest CCGT construction costs in the range of PLN 5.5–6.0mn/MW, primarily due to turbine price inflation. **If contracted today, the Adamów project would likely cost PLN 0.5–0.8bn more to build, suggesting that our assumed gain on sale of PLN 0.1bn could be conservative.**

Following CCGT Adamów sale, company's cash will exceed today's enterprise value

Estimates of cash flow in 2025e, end of period values



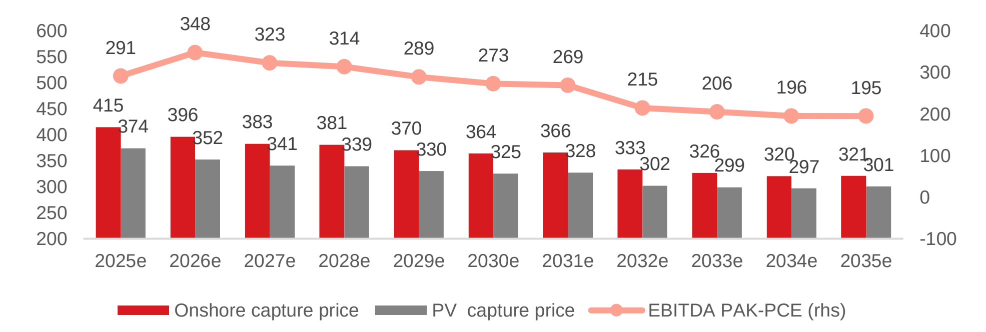
Source: Pekao Equity Research

Following the anticipated divestment of the Adamów CCGT project, ZE PAK's conventional generation portfolio will be limited to the 474 MW Pątnów II power plant (which the company intends to decommission in 1Q/2Q 2026) and a lignite mine with depleting reserves. As ZE PAK winds down its lignite-based operations, it will incur land reclamation costs that will be gradually recognized over the coming years. Currently, the balance sheet includes PLN 553mn in provisions for mine site and ash landfill reclamation. Additionally, the company reports a net shortfall of CO_2 emission allowances amounting to PLN 48mn.

The **company will also retain its 49% equity stake in PAK-PCE**, a joint venture with Cyfrowy Polsat that owns and operates a diversified renewable energy portfolio, including 289 MW of onshore wind, 91 MW of solar PV, and 105 MW of biomass capacity. Excluding the PV development in Przykona, these assets are expected to generate approximately PLN 350mn in recurring EBITDA in 2026e. We estimate EV of PAK-PCE of PLN 2.6bn but it is important to note that PAK-PCE is significantly leveraged, which materially reduces its equity valuation. Based on our conservative assumptions for forward electricity price trajectories and assuming PAK-PCE's generation assets carry net debt of approximately PLN 2.0bn by end-2025e, we estimate **ZE PAK's 49% stake to be worth by our estimates around PLN 300mn (equity value).** However, we see potential upside to this valuation. Recent market transactions for comparable onshore wind assets suggest multiples of ca. PLN 10mn per MW, implying that the implied equity value in a sale scenario could be at least 2x higher than our base-case estimate.

We expect declining electricity prices

Assumed capture price (PLN/MWh) and estimates of PAK-PCE EBITDA (PLNmm)



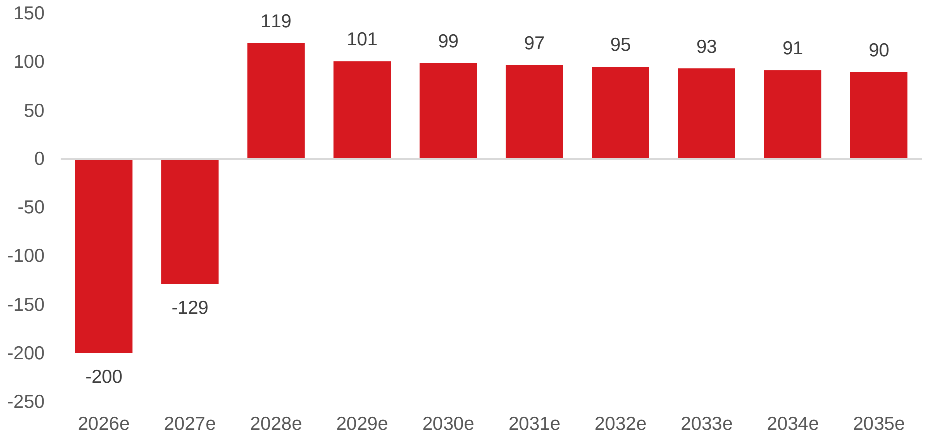
Source: Pekao Equity Research

ZE PAK is also actively expanding its pipeline of renewable energy projects, including a **280 MW solar PV project in Przykona and a 500 MW onshore wind project in Opole. In addition, the company recently announced its intention to develop two new CCGT (Combined Cycle Gas Turbine) units with a total planned capacity of 1.8 GW**. Based on our estimates, the construction cost for these units could approach PLN 10bn, four times the budget of the currently ongoing Adamów CCGT project. Given the company's current challenges in securing financing for a substantially smaller gas project, we view the successful execution of these new large-scale investments as highly uncertain without significant external capital. It is plausible that ZE PAK may pursue a strategy of advancing both projects to a ready-to-build (RTB) stage, securing capacity market contracts, and ultimately monetizing them through asset sales, potentially again to PGE, which continues to signal aggressive expansion plans for gas capacity. In such a scenario, these projects could act as a positive valuation catalyst. However, if ZE PAK intends to retain, build, and operate the plants on its own balance sheet, we would view this more as a risk than an opportunity, particularly in the absence of demonstrated access to large-scale financing. At this stage, given the early phase of development, we do not incorporate any value from these new gas projects into our current valuation model.

We estimate that **ZE PAK's renewable energy development pipeline currently contributes an additional PLN 310mn to our valuation, with majority attributed to the 500 MW onshore wind project in Opole.** We assume the project will gradually reach ready-to-build (RTB) status starting in 2028e. ZE PAK holds a 99% stake in the project, with the remaining 1% owned by Cyfrowy Polsat. In our model, we assume development costs to the RTB stage will total approximately PLN 250 mn (or PLN 0.6mn per MW), while construction costs we estimate at PLN 3.0bn (PLN 6.0 mn per MW). The company plans to deploy **higher-capacity turbines** (3.5–5.0 MW), which require fewer foundations and lower construction costs. This is expected to **reduce overall project CAPEX on a per-MW basis and improves project economics.** As the project remains in early-stage development, we do not anticipate significant capital outlays in by 2028e. Regarding the 280 MW PV project in Przykona, we highlight that its outlook is deteriorating over time due to worsening capture rates and increasing cannibalization effects, as the Polish power market becomes increasingly saturated with solar capacity. Many large utilities now argue that standalone solar PV projects are no longer economically viable without storage or hybridization. That said, falling construction costs, estimated at PLN 2mn per MW, still support some project economics but given perspectives of lower electricity prices, we value the Przykona project conservatively at PLN 0mn (market benchmarks for ready-to-build PV projects typically range from PLN 0.2 to 0.5mn per MW, although recent transaction activity has been limited). At this stage, we do not rule out the possibility that both projects could eventually be monetized, particularly after reaching the RTB stage. However, our base case assumes they will be executed within ZE PAK, especially given that proceeds from the gas project sale will provide the company with capital to reinvest in new developments.

ZE PAK also **plans to develop battery energy storage systems (BESS) with a total capacity of 200 MW.** In recent months, battery **system costs have declined significantly, further supported by highly attractive subsidies covering up to 45% of total investment costs.** As a result, we estimate the effective CAPEX (net of subsidies) at approximately PLN 2.0mn per MW, implying a total investment of around PLN 400 mn. We forecast the project to commence operations in the second half of 2027e, generating an estimated annualized EBITDA of PLN 170mn in its first full year. However, we expect EBITDA to normalize to PLN 120mn by 2029e, as additional storage capacity is added to the national system, putting downward pressure on the value of balancing services. Based on these assumptions, **we value the battery storage project at PLN 400mn.**

Energy storage investments are boosted by favorable subsidies and declining CAPEX
FCFF for 200 MW battery storage, CAPEX net of subsidies (PLNmn)



Source: Pekao Equity Research

In summary, we believe that by the end of 2025e, the successful sale of the CCGT project could leave ZE PAK with a net cash position exceeding both its current market capitalization and enterprise value. In addition to the expected cash inflow, ZE PAK retains a 49% stake in PAK-PCE, which we estimate will generate recurring EBITDA of PLN 300–350 million annually over the coming years. The company also holds an attractive pipeline of renewable energy projects under development, including 500 MW of onshore wind, 200 MW of battery storage, and 280 MW of solar PV—offering meaningful upside to the company's intrinsic value. Among these, we particularly highlight the battery storage projects, which benefit from favorable subsidies that significantly enhance their economic viability.

Recent developments

- **Negotiation with PGE on acquisition of gas-fired and nuclear project**

  PGE and ZE PAK have signed a term sheet for a potential transaction in which PGE would acquire 100% of the shares in PAK CCGT, a gas-fired unit, from ZE PAK, as well as 50% of the shares in PGE PAK EJ, their joint nuclear power venture. The term sheet outlines the basic terms of the potential transaction and grants PGE exclusive negotiation rights until June 30, 2025, the target closing date. However, it does not legally bind the parties to complete the deal. The final terms will be determined following PGE's due diligence, supported by external legal, financial, tax, technical, and environmental advisors.

  In our view, an assessment of the **potential of the transaction will depend on the terms on which the sale takes place. Nothing is known at this stage about the price terms.** What we do know is that ZE PAK has failed to close the financing for the CCGT project (capex of PLN 2.3 bn, 560 MW).High price (over PLN 400/kW/yr) in the capacity market contract should support the valuation.

  The biggest uncertainty is the offer for the 50% stake in the nuclear project. Based on the previous transaction in which PGE sold PGE EJ1 to the State Treasury in 2021, the valuation was equal to the equity value. Looking at the 2023 financial report for PGE PAK EJ, its equity amounts to only PLN 7mn. At this stage, a DCF valuation of the project makes little sense due to the need for numerous assumptions (huge capex, numerous uncertainties about the project's revenue model, potential financial support, legislative risks, possible load factor, risk of budget overruns) about the project's prospects and risks. Given so many uncertainties and risks, the project would have to have a very favorable CfD contract established and an assured offtake of most/all of the power generated. Given this, **we expect the price for a stake in the nuclear project to be low**. In our valuation we assume value of PLN 10mn for ZE PAK's stake.

- **Risk of increased capex for the gas-fired project in Adamów**

  Polityka Insight speculated a few months ago that the cost of building the gas-fired power plant may have increased from PLN 2.3bn to PLN 3.2-4.0bn. Polityka Insight also highlights that the investment is facing challenges in securing financing, with banks reluctant to provide the required loans. Such a rise in capital expenditures (from PLN 2.3bn to PLN 3.2-4.0bn) would severely undermine the project's economic viability, even with its unusually advantageous capacity market contract. In the event of such a cost increase, the project could be sold for a significantly lower amount than our current estimate.

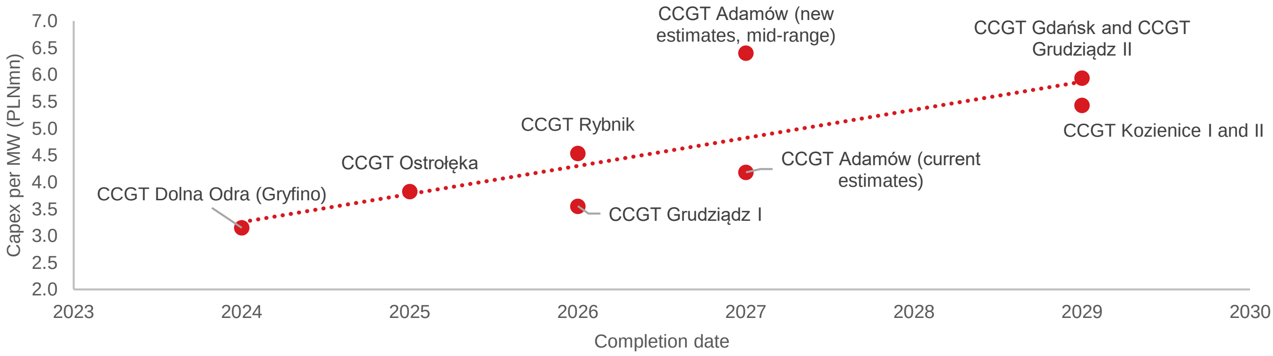
  Below we are presenting CAPEX for most recent CCGT projects in Poland that are either completed (CCGT Dolna Odra) or are in construction phase or were publicly announced (CCGT Kozienice, CCGT Gdansk and another unit in Grudziądz). **Looking at similar projects, we believe that a cost increase to 3.2-4.0bn for CCGT Adamów is highly unlikely,** as it would make this the most expensive project by a significant margin. While some increase in CAPEX appears probable due to delays, the expected trend suggests a rise to approximately PLN 2.6bn (+10%), and we assume such value in our forecast.

CAPEX for recent CCGT and ongoing projects in Poland

Project	Project owner	Status	Completion date	CAPEX (PLNmm)	MW	PLNmn per MW
CCGT Dolna Odra (Gryfino)	PGE	Operation	2024	4,300	1,366	3.1
CCGT Ostrołęka	Energa	Construction	2025e	2,850	745	3.8
CCGT Rybnik	PGE	Construction	2026e	4,000	882	4.5
CCGT Grudziądz I	Energa	Construction	2026e	2,000	563	3.6
CCGT Adamów (official estimates)	ZE PAK	Construction	2027e	2,350	562	4.2
CCGT Adamów (Polityka Insight est., mid-range)	**ZE PAK**	**Construction**	**2027e**	**3,600**	**562**	**6.4**
CCGT Kozienice I and II	Enea	Plan	2029e	7,600	1,400	5.4
CCGT Gdansk and CCGT Grudziądz II	Energa	Plan	2029e	6,000	1,010	5.9
Weighted average						**4.6**

Source: Companies, Pekao Equity Research

CAPEX for CCGT projects is rising over time



Source: Companies, Pekao Equity Research

- **Publication of 4Q'24 results (on 30th of April)**

The results significantly exceeded both our estimates and market consensus, driven primarily by a very strong performance in the generation segment. The average electricity price realized by the company in 4Q'24 increased markedly to PLN 836/MWh, up from PLN 722/MWh in the previous quarter (+16% q/q). At the same time, the implied cost of CO_2 emission allowances fell to PLN 288/t from PLN 381/t in 3Q'24 (-24% q/q). As a result, the generation spread (electricity price minus CO_2 costs) doubled quarter-on-quarter, rising from PLN 228/MWh to PLN 465/MWh (+103% q/q), which is significantly above our expectation of PLN 286/MWh. The company also benefited from lower lignite mining costs, which declined to PLN 178/t (-32% q/q), outperforming our forecast of PLN 235/t. The drop in unit costs was partly driven by higher production volumes, but there was also a notable overall reduction in total costs.

ZE PAK: 4Q'24 key financials (PLNmn)

P&L (PLNmn)	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24	4Q'24	Y/Y	Q/Q	Pekao	vs. Pekao	Cons.	vs. Cons	2023	2024
Revenues	**820**	**829**	**520**	**522**	**521**	**623**	***-25%***	***20%***	***575***	***8%***	***568***	***10%***	**3,106**	**2,185**
EBITDA	**397**	**445**	**27**	**93**	**33**	**129**	***-71%***	***287%***	***47***	***174%***	***40***	***219%***	**728**	**282**
Generation	135	332	-91	-15	-11	138	*-58%*	*na*	*0*	*na*		*na*	732	22
Mining	190	220	124	72	22	-28	*-113%*	*-225%*	*19*	*na*		*na*	25	191
Other	72	-107	-7	36	22	18	*-117%*	*-15%*	*28*	*-34%*		*na*	-29	69
EBIT	**413**	**419**	**23**	**89**	**30**	**122**	***-71%***	***314%***	***41***	***199%***	***40***	***203%***	**689**	**265**
Net income	**376**	**335**	**-5**	**110**	**33**	**124**	***-63%***	***272%***	***30***	***313%***	***29***	***330%***	**745**	**263**
EBITDA margin	*48%*	*54%*	*5%*	*18%*	*6%*	*21%*			*8%*		*7%*		*23%*	*13%*
EBIT margin	*50%*	*51%*	*4%*	*17%*	*6%*	*20%*			*7%*		*7%*		*22%*	*12%*
Net income margin	*46%*	*40%*	*-1%*	*21%*	*6%*	*20%*			*5%*		*5%*		*24%*	*12%*
Debt (PLNmn)														
OCF	141	-57	104	252	92	32	*-155%*	*-66%*					-322	480
% EBITDA	*36%*	*-13%*	*389%*	*271%*	*278%*	*25%*							*-44%*	
CAPEX	304	-484	-3	-365	-25	-89	*-82%*	*258%*					-489	-482
Net debt	-1,189	-494	-643	-464	-532	-472	*-4%*	*-11%*					-494	-472
Net debt adjusted	148	222	157	459	537	129	*-42%*	*-76%*					222	
ND / EBITDA	-1.8x	-0.5x	-0.9x	-1.0x	-2.6x	-1.7x	*215%*	*-35%*					-0.5x	
ND adjusted / EBITDA	0.2x	0.2x	0.2x	1.0x	2.6x	0.5x	*92%*	*-82%*					0.2x	
Operational data														
Generation														
Volume of generated power (TWh)	0.31	0.20	0.27	0.31	0.39	0.46	*132%*	*20%*	*0.45*	*-3%*			1.23	1.43
Volume of traded power (TWh)	0.15	0.25	0.23	0.19	0.12	0.08	*-68%*	*-33%*	*0.10*	*25%*			0.68	0.62
Realized price of power (PLN/MWh)	1,392	1,388	696	731	722	836	*-40%*	*16%*	*710*	*-15%*			1,201	753
CO2 emission (mnt)	0.43	0.29	0.35	0.40	0.50	0.60	*107%*	*20%*	*0.54*	*-10%*			1.65	1.85
Realized CO2 price (PLN/t)	394	297	406	398	381	288	*-3%*	*-24%*	*370*	*28%*			383	351
CO2 cost per MWh	547	431	526	514	493	373	*-14%*	*-24%*	*444*	*19%*			513	454
Emission factor (t/MWh)	1.39	1.45	1.30	1.29	1.30	1.29	*-11%*	*0%*	*1.20*	*-7%*			1.34	1.29
Spread (power price-CO2, PLN/MWh)	**845**	**957**	**169**	**217**	**228**	**464**	*-52%*	*103%*	*286*	*-38%*			**688**	**299**
Mining														
Coal consumption (mnt)	0.42	0.31	0.36	0.39	0.53	0.62	*100%*	*17%*	*0.54*	*-13%*			1.66	1.9
Implied extraction cost (PLN/t)	193	264	263	312	246	178	*-32%*	*-28%*	*235*	*32%*			283	216
Implied reveneues per t (PLN/t)	662	605	586	455	279	147	*-76%*	*-47%*	*270*	*84%*			566	330

Net debt adjusted Includes net CO2 allowances provisions, land reclamation provisions and provisions for reclamation of ash sites and decommissioning costs of fixed assets.

Source: Company, Pekao Equity Research

Change in estimates

We have updated the closure date for the Patnów II power plant from 2025e to the end of 2Q'26e. We now assume also that ZE PAK will sell Adamów CCGT project (positive impact on financial costs as there is no need of debt financing but also no EBITDA contribution from 2027e). Furthermore, we have adjusted electricity and power commodity prices to reflect current market conditions and their impact on load factors.

Change in estimates

	2025e			2026e			2027e		
	Previous	Current	chg.	Previous	Current	chg.	Previous	Current	chg.
Revenues	1,416	1,348	-4.8%	539	661	22.6%	1,603	147	-90.8%
EBITDA	-31	66	na	11	68	519.6%	259	137	-47.0%
EBITDA recurring	**-31**	**19**	na	**11**	**-3**	na	**259**	**75**	-71.1%
EBIT	-56	49	na	4	52	1196.7%	166	118	-28.8%
Net income	-103	8	na	-25	66	na	112	122	9.3%

Source: Pekao Equity Research

ESG Rating

Our methodology implies final ESG Score for ZE PAK at 0.94 and ESG Rating "C". According to our methodology, rating "C" have no impact on our cost of equity calculation.

ZE PAK: ESG rating summary

Financials	E	S	G
Score	0.75	1.20	1.08
Sector weight	60%	20%	20%
Final ESG Score		**0.94**	
ESG Rating		**C**	

Source: Pekao Equity Research

ZE PAK: ESG rating methodology

	score from:	to	Rating	WACC risk premium impact (% of RFR)
ESG Score	1.5	2	**A**	-15.00%
	1	1.5	**B**	-7.50%
	0.5	1	**C**	0%
	0	0.5	**D**	15.00%

Source: Pekao Equity Research

Valuation summary

We use sum-of-the-parts (SOTP) and peer valuation methods with a weighting of 100% and 0% respectively. We do not use the multiples due to the fact that the ZE PAK is at the point of transition and the current financials do not accurately reflect its true economic potential. Based on our detailed financial expectations for the company's business through 2035e, we have developed a 10-year DCF valuation model. The key assumptions incorporated in the DCF model are listed below:

- Risk free rate of 5.4% (4% in terminal),
- Beta of 1.0,
- Equity risk premium of 6.0% (5% in terminal)
- Terminal growth rate (g) at 0%.

ZE PAK: Valuation summary

Valuation method	PLN per sh.	Weight (%)
12M SOTP valuation	37.9	100%
12M Multiples valuation	10.0	0%
12M Target price	**37.9**	
Current price	18.9	
Upside/Downside vs. current price	*101%*	

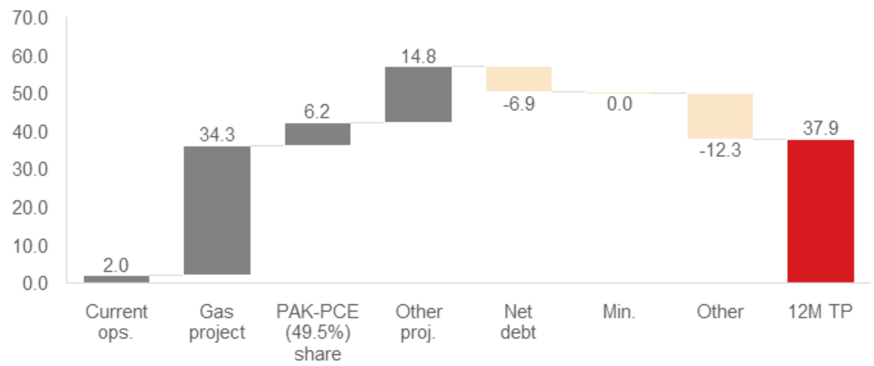
Source: Pekao Equity Research

Other projects include a DCF valuation of the 280 MW PV farm in Przykona, a 500 MW portfolio of onshore projects and 200 MW battery storage projects. For valuation of PV and onshore, we assume target debt structure of 30% equity and 70% debt and 50/50 financing for battery storage. We also note that we do not include in our valuation of PAK-PCE assets related to hydrogen projects or buses production, as data for these projects is limited and their current profitability remains questionable.

Taking into consideration above assumptions, our model implies ZE PAK equity value at PLN 37.9 per share (101% upside potential).

ZE PAK: Summary of SOTP valuation

Current operations	96
Gas project	1,676
PAK-PCE (49.5%) share	302
Other projects	721
Enterprise value	**2,794**
Net debt*	-337
Minorities	-2
Other	-601
Equity Value	**1,854**
Number of shares (mn)	50.8
12M target price per share	**37.9**
Share price as of 09/05/2025	*18.9*
Upside/Downside vs. current price	*101%*



Source: Pekao Equity Research
** excl. proceeds from sale of gas-fired projects (shown separately as "Gas project")*

Below, we present a discounted cash flow (DCF) **valuation of our current lignite-related activities**. It is important to note that nearly the entire value estimate is driven by changes in net working capital (NWC).

WACC calculation

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	Terminal Year
Risk free rate	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
ESG	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of equity	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**9.0%**
Cost of debt	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	6.5%
After-tax cost of debt	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**5.3%**
Equity weight	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
WACC	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**9.0%**

DCF valuation

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	Terminal Year
Revenues	661	47	48	49	50	52	53	54	56	57	57
EBITDA	**-3**	**3**	**3**	**3**	**4**	**4**	**4**	**4**	**4**	**4**	**4**
EBIT	-19	3	3	3	3	3	3	3	3	3	3
Taxes on EBIT	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
NOPAT	**-19**	**2**	**2**	**2**	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Depreciation and write-offs	16	0	0	0	0	0	0	1	1	1	1
Capital expenditures	-20	0	0	0	0	0	0	0	0	0	-1
Change in NWC	64	41	1	0	0	0	0	0	0	0	
FCFF	**41**	**44**	**4**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Terminal value growth											*0%*
Terminal value											31
Discount factor	*0.90*	*0.81*	*0.72*	*0.65*	*0.58*	*0.52*	*0.47*	*0.42*	*0.38*	*0.34*	0.31
Discounted free cash flow	37	35	3	2	2	2	1	1	1	1	11
Enterprise value	**96**										
Equity value	**96**										
Number of shares (mn)	50.8										
12M target price per share	**2.0**										
Revenues growth	-38%	-93%	2%	2%	3%	3%	2%	2%	3%	2%	0%
EBIT margin	-3%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Capex/revenues	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
Capex/depreciation	123%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%

Source: Pekao Equity Research

Below, we present a discounted cash flow (DCF) **valuation for the gas-fired project**. Our analysis assumes a target financing structure of 50% debt and 50% equity.

WACC calculation

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	Terminal Year
Risk free rate	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
ESG	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of equity	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**9.0%**
Cost of debt	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	6.5%
After-tax cost of debt	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**5.3%**
Equity weight	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
WACC	**8.9%**	**8.9%**	**8.9%**	**8.9%**	**8.9%**	**8.9%**	**8.9%**	**8.9%**	**8.9%**	**8.9%**	**7.1%**

DCF valuation

(PLNmn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	Terminal Year
Revenues	0	865	1,905	1,761	1,667	1,620	1,419	1,370	1,346	1,356	1,356
EBITDA	**-14**	**179**	**431**	**418**	**419**	**393**	**332**	**322**	**318**	**322**	**322**
EBIT	-14	127	327	314	315	289	228	218	214	218	218
Taxes on EBIT	0	-24	-62	-60	-60	-55	-43	-41	-41	-41	-41
NOPAT	**-14**	**103**	**265**	**254**	**255**	**234**	**185**	**177**	**173**	**177**	**177**
Depreciation and write-offs	0	52	104	104	104	104	104	104	104	104	104
Capital expenditures	-800	-200	0	0	0	0	0	0	0	0	-104
Change in NWC	0	-86	-104	14	9	5	20	5	2	-1	
FCFF	**-814**	**-132**	**265**	**373**	**369**	**342**	**309**	**286**	**279**	**279**	**177**
Terminal value growth											*0%*
Terminal value											2,475
Discount factor	*0.92*	*0.84*	*0.77*	*0.71*	*0.65*	*0.60*	*0.55*	*0.51*	*0.46*	*0.43*	0.40
Discounted free cash flow	-748	-111	205	265	241	205	170	144	130	119	1,055
Enterprise value	**1,676**										
Revenues growth	0%	0%	120%	-8%	-5%	-3%	-12%	-3%	-2%	1%	0%
EBIT margin	0%	15%	17%	18%	19%	18%	16%	16%	16%	16%	16%
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Capex/revenues	0%	23%	0%	0%	0%	0%	0%	0%	0%	0%	8%
Capex/depreciation	0%	385%	0%	0%	0%	0%	0%	0%	0%	0%	100%

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

WACC / Terminal value growth	-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%
6.1%	34.3	35.9	37.8	40.1	42.7	46.0	50.0
6.6%	32.9	34.3	35.9	37.8	40.1	42.7	46.0
7.1%	31.6	32.9	**34.3**	35.9	37.8	40.1	42.7
7.6%	30.5	31.6	32.9	34.3	35.9	37.8	40.1
8.1%	29.6	30.5	31.6	32.9	34.3	35.9	37.8

Sensitivity of 12M target price per share to WACC & CSS

WACC / CSS spread (PLN/MWh)	-30	-20	-10	0	10	20	30
6.1%	23.3	28.2	33.0	37.8	42.7	47.5	52.3
6.6%	22.0	26.6	31.3	35.9	40.6	45.2	49.9
7.1%	20.8	25.3	29.8	**34.3**	38.8	43.3	47.8
7.6%	19.8	24.2	28.5	32.9	37.2	41.6	45.9
8.1%	18.9	23.2	27.4	31.6	35.9	40.1	44.4

Source: Pekao Equity Research

Below is our DCF **valuation of PAK-PCE shares (49.5%)**. PAK-PCE does not report net debt for onshore and PV projects separately, but Cyfrowy Polsat does. As of end of 4Q'24, Cyfrowy Polsat reported PLN 1.4bn in project financing for these projects but we estimate that this value could rise to PLN 2bn due development of Drzeżewo project. We do not include PV Przykona figures as we value it as separate project.

WACC calculation

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	Terminal Year
Risk free rate	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
ESG	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of equity	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**11.4%**	**9.0%**
Cost of debt	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	6.5%
After-tax cost of debt	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**6.4%**	**5.3%**
Equity weight	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
WACC	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**6.4%**

DCF valuation

(PLNmn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	Terminal Year
Revenues	689	666	662	643	632	633	585	581	577	583	583
EBITDA	**348**	**323**	**314**	**289**	**273**	**269**	**215**	**206**	**196**	**195**	**195**
EBIT	320	295	286	262	246	241	187	178	168	167	167
Taxes on EBIT	-61	-56	-54	-50	-47	-46	-36	-34	-32	-32	-32
NOPAT	**260**	**239**	**232**	**212**	**199**	**196**	**152**	**144**	**136**	**136**	**136**
Depreciation and write-offs	28	28	28	28	28	28	28	28	28	28	28
Capital expenditures	0	0	0	0	0	0	0	0	0	0	0
FCFF	**287**	**267**	**259**	**240**	**226**	**223**	**179**	**172**	**164**	**163**	**163**
Terminal value growth											*0%*
Terminal value											2,289
Discount factor	*0.93*	*0.86*	*0.80*	*0.74*	*0.68*	*0.63*	*0.59*	*0.54*	*0.50*	*0.47*	0.44
Discounted free cash flow	266	229	206	177	155	141	105	93	83	76	1,078
Enterprise value	**2,610**										
Net debt	2,000										
Other	0										
Equity value	**610**										
Equity value of 49.5% stake	**302**										

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

WACC / Terminal value growth	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
6.6%	5.4	6.0	6.8	7.6	8.6	9.7	11.1
7.1%	5.1	5.7	6.5	7.3	8.3	9.4	10.8
7.3%	4.8	5.5	**6.2**	7.0	8.0	9.1	10.4
8.1%	4.6	5.2	5.9	6.7	7.7	8.8	10.1
8.6%	4.3	4.9	5.6	6.4	7.4	8.4	9.8

Source: Pekao Equity Research

Peers' valuation

Our peers valuation in presented for illustrative purposes as it carries 0% weight.

	Country	Mcap (EURmn)	YTD return	LTM return	EV/EBITDA (x)			P/E (x)			DY (%)		
					2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
IBERDROLA	ES	100,730	17.6%	41.1%	9.7	9.2	9.0	16.8	16.1	15.2	3.0%	3.4%	3.9%
ENEL	IT	77,562	10.8%	29.2%	6.6	6.4	6.1	11.2	10.9	10.6	5.2%	5.6%	6.1%
ENGIE	FR	44,152	18.4%	29.1%	5.3	5.6	6.1	9.6	10.0	9.7	6.9%	7.9%	8.0%
SSE	GB	22,190	6.3%	-0.6%	9.1	8.8	7.5	10.9	10.7	9.0	0.0%	0.1%	0.0%
VEOLIA ENVIRONNEMENT	FR	23,494	17.0%	10.3%	6.1	5.9	5.6	14.4	13.2	12.1	3.5%	4.0%	4.4%
RWE	DE	24,212	12.9%	2.2%	6.4	5.9	5.5	15.1	14.1	11.7	2.8%	3.1%	3.4%
EDP	PT	13,552	4.8%	-2.0%	6.9	6.8	7.1	11.4	11.3	11.3	5.9%	6.3%	6.2%
CENTRICA	GB	8,705	10.8%	27.6%	4.3	3.8	3.6	10.0	10.1	10.2	0.0%	0.0%	0.0%
ENDESA	ES	27,210	23.7%	59.5%	7.1	6.9	6.7	13.5	13.1	13.2	5.7%	3.9%	4.7%
FORTUM	FI	13,217	13.0%	26.4%	11.4	10.6	10.6	15.7	17.1	17.5	6.0%	7.1%	7.0%
BKW	CH	9,192	8.1%	18.0%	9.7	8.7	8.9	17.0	14.5	15.5	1.8%	2.1%	2.4%
A2A	IT	6,971	3.7%	25.2%	5.5	5.5	5.8	10.1	10.2	10.2	3.8%	4.1%	4.5%
DRAX GROUP	GB	2,611	-3.8%	21.4%	3.7	5.0	5.5	5.7	8.7	10.5	0.0%	0.0%	0.0%
AB IGNITIS GRUPE	LT	1,538	8.5%	23.6%	5.9	4.8	5.3	8.0	6.8	6.2	5.9%	6.1%	6.2%
PUBLIC POWER CORP	GR	4,985	9.4%	23.4%	4.0	4.1	4.3	11.5	8.8	6.1	na	1.5%	2.9%
NATURGY ENERGY	ES	25,074	10.6%	16.8%	7.9	7.8	7.7	14.0	14.6	14.5	4.6%	5.3%	5.4%
EVN	AT	4,173	5.5%	-15.9%	6.9	6.9	6.7	9.8	9.9	10.4	2.1%	4.9%	4.5%
HIDROELECTRICA	RO	10,340	-3.4%	-3.7%	na	8.2	8.2	11.8	12.0	11.9	na	10.0%	8.2%
ROMANDE ENERGIE	CH	1,302	-0.9%	-24.2%	8.6	8.2	9.0	20.4	13.9	16.9	3.5%	3.6%	3.4%
Average		**22,169**	**9.1%**	**16.2%**	**6.9**	**6.8**	**6.8**	**12.5**	**11.9**	**11.7**	**3.6%**	**4.2%**	**4.3%**
Median		**13,217**	**9.4%**	**21.4%**	**6.8**	**6.8**	**6.7**	**11.5**	**11.3**	**11.3**	**3.5%**	**4.0%**	**4.5%**
ZE PAK	**PL**	**223**	**36.7%**	**-5.5%**	**neg.**	**neg.**	**4.7x**	**124.1x**	**14.6x**	**7.8x**	**0%**	**0%**	**0%**
Premium/discount vs. median					*neg.*	*neg.*	*-37%*						
Implied value per share (PLN/sh)					**neg.**	**neg.**	**10.0**						

Source: Bloomberg, Pekao Equity Research

Risk factors

Risk related to acquisition of CCGT Adamów by PGE. The valuation of the gas project is highly sensitive to a range of assumptions, particularly CAPEX, the evolution of clean spark spreads (CSS), and the load factor, meaning that the acquisition price proposed by PGE could differ significantly from our estimates (both directions). Moreover, we lack comparable conventional projects of this scale that have changed ownership during the construction phase, making benchmarking difficult. In our view, the likelihood of the transaction falling through is low, as PGE has already included the project in its gas capacity expansion plans, as presented in its most recent earnings presentation. The key uncertainty remains the acquisition price.

Risk of power price, gas, and CO2 prices. Lower electricity prices and higher gas and CO2 costs have a negative effect on the profitability of the gas-fired units. At the same time lower electricity price and CO2 costs have a negative effect on the profitability of the lignite-fired unit.

Faster than expected development of renewables and energy storages. Development of renewables could have an impact on gas load factors and reduce electricity prices, which in turn could reduce the profitability of gas-fired project. There is also load factor risk for lignite units, but we believe the company will close these units in 2026e, so the overall risk is relatively insignificant compared to other risks.

Risk of not closing the financing of the Adamów CCGT. ZE PAK had not closed financing for the project. The scale of the investment makes it impossible to finance internally. External funding is critical to the success of the project if the project is not sold. We believe that this is risk will be mitigated through sale of the gas-fired project.

Risk of rising construction costs and delays in commissioning. Rising costs could reduce the profitability of projects. As we assume Adamów CCGT to be sold, this is related mostly to ongoing renewable projects. Both PV in Przykona and onshore development projects are exposed to this risk. We believe this risk is lower for battery storage, as we see decreasing capex in recent months.

Regulatory risk. Power market participants operate in a regulatory environment that is constantly changing. Issues relating to the operation of the capacity market and the balancing market are important factors that can affect financial performance.

Currency risk. ZE PAK operates on the territory of Poland, where it incurs costs and generates revenues in PLN, but the transactions related to the purchase of emission allowances are settled in EUR. Depreciation of PLN could increase CO2 allowance costs quoted in PLN and ultimately reduce profitability. The risk in the short term is to a large extent mitigated by the use of hedging instruments by the company.

Higher than expected cost of reclamation. ZE PAK is responsible for reclaiming areas where lignite has been mined and continuously reclaims the unexploited parts of the landfills. On the end of 4Q'24 company reported reclamation provisions that amount of PLN 553mn that will have to be cover in coming years.

Majority shareholder risk. The controlling shareholder may make decisions that could be unfavorable to minority shareholders. These include not paying dividends, engaging in related party transactions, and undertaking risky strategic decisions.

Key financial data

P&L (PLNmn)	2022	2023	2024	2025e	2026e	2027e
Revenues	**4,200**	**3,106**	**2,185**	**1,348**	**661**	**147**
EBITDA	**391**	**729**	**282**	**66**	**68**	**137**
EBITDA recurring	**421**	**928**	**-16**	**19**	**-3**	**75**
EBIT	**351**	**689**	**265**	**49**	**52**	**118**
Financial Income/(Cost)	-33	-7	-23	-37	30	34
Pretax Income	**318**	**682**	**241**	**12**	**81**	**152**
Income Tax	-103	-124	21	-5	-15	-29
Non-controlling interests	0	0	0	0	0	-1
Net Income	**215**	**558**	**263**	**8**	**66**	**122**
EPS (PLN)	4.24	10.99	5.17	0.15	1.30	2.41

Balance Sheet (PLNmn)	2022	2023	2024	2025e	2026e	2027e
Current assets	**2,561**	**1,998**	**1,569**	**1,806**	**935**	**719**
Cash and equivalents	1,463	534	506	1,373	697	644
Other Current Assets	1,098	1,464	1,063	433	238	75
Fixed assets	**1,979**	**1,592**	**2,281**	**3,182**	**4,066**	**4,360**
Tangible Assets	1,727	330	612	1,465	2,279	2,510
Other Fixed Assets	252	1,262	1,669	1,716	1,787	1,850
Total assets	**4,539**	**3,590**	**3,850**	**4,987**	**5,002**	**5,079**
Short-term liabilities	**2,126**	**1,099**	**1,055**	**509**	**457**	**411**
Short-term debt	495	4	5	5	5	5
Other Current Liabilities	1,631	1,095	1,050	504	452	406
Long-term liabilities	**1,199**	**579**	**620**	**620**	**620**	**620**
Long-term debt	677	36	29	29	29	29
Other Long - Term liabilities	522	544	591	591	591	591
Stockholders' Equity	**724**	**1,912**	**2,173**	**3,857**	**3,923**	**4,045**
Minorities	**491**	**-**	**2**	**2**	**2**	**3**
Total Equity & Liabilities	**4,539**	**3,590**	**3,850**	**4,987**	**5,002**	**5,079**
Net debt	**(291)**	**(494)**	**(472)**	**(1,339)**	**(663)**	**(610)**

Cash Flow (PLNmn)	2022	2023	2024	2025e	2026e	2027e
Net Profit	215	558	263	8	66	122
Depreciation and Amortization	40	39	17	17	16	19
Other (incl. WC)	248	(919)	200	73	43	21
Operating Cash Flows	**503**	**(322)**	**480**	**98**	**125**	**163**
Capital Expenditures	(602)	(576)	(482)	(870)	(830)	(250)
Other	(49)	87	3	1,676	-	-
Cash Flows from Investing Activities	**(651)**	**(489)**	**(478)**	**806**	**(830)**	**(250)**
Dividends paid	-	-	-	-	-	-
Other	1,104	(1)	(30)	(37)	30	34
Cash Flows from Financing Activities	**1,104**	**(1)**	**(30)**	**(37)**	**30**	**34**
Change in Cash	956	(929)	(28)	867	(675)	(53)
Cash at the end of period	**1,463**	**534**	**506**	**1,373**	**697**	**644**
Y/Y growth ratios						
Revenues	71%	-26%	-30%	-38%	-51%	-78%
EBITDA	61%	86%	-61%	-77%	4%	101%
EBIT	-169%	96%	-62%	-81%	6%	128%
Net profit	-168%	159%	-53%	-97%	753%	86%
EPS	-168%	159%	-53%	-97%	753%	86%
Margins						
EBITDA margin	**9.3%**	**23.5%**	**12.9%**	**4.9%**	**10.3%**	**93.5%**
EBITDA recurring margin	**10.0%**	**29.9%**	**-0.7%**	**1.4%**	**-0.4%**	**51.0%**
EBIT margin	8.4%	22.2%	12.1%	3.6%	7.9%	80.5%
Net income margin	5.1%	18.0%	12.0%	0.6%	10.0%	83.4%
ROE	**34.5%**	**42.4%**	**12.9%**	**0.3%**	**1.7%**	**3.1%**
Balance sheet ratios						
BVPS (PLN)	14.2	37.6	42.8	75.9	77.2	79.6
Net debt/EBITDA	(0.7x)	(0.7x)	(1.7x)	(20.4x)	(9.7x)	(4.4x)
Bank Debt/Equity	162%	2%	2%	1%	1%	1%

Source: Company, Pekao Equity Research

Summary of key financial data

Table with key financials	2022	2023	2024	2025e	2026e	2027e
EPS GAAP	4.24	10.99	5.17	0.15	1.30	2.41
Revenue	4,200	3,106	2,185	1,348	661	147
EBIT	351	689	265	49	52	118
EBITDA	391	729	282	66	68	137
Net income GAAP	215	558	263	8	66	122
Net debt	(291)	(494)	(472)	(1,339)	(663)	(610)
BPS	14.2	37.6	42.8	75.9	77.2	79.6
DPS	-	-	-	-	-	-
Return on Equity %	34.5%	42.4%	12.9%	0.3%	1.7%	3.1%
Return on Assets %	5.5%	13.7%	7.1%	0.2%	1.3%	2.4%
Depreciation	0	0	0	0	0	0
Amortization	40	39	17	17	16	19
Free Cash Flow	956	(929)	(28)	867	(675)	(53)
CAPEX	(602)	(576)	(482)	(870)	(830)	(250)

Source: Company, Pekao Equity Research

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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.

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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