Bank Pekao Biuro Maklerskie

Program Wsparcia Pokrycia Analitycznego GPW

Company Report Tourism Poland 18 June 2025

Rainbow Tours

"Affordability" of foreign tours with weaker demand?

Weak earnings momentum vs. attractive valuation ratios in the medium to long term (P/E'25e: 7.3x). Due to a slight deterioration in market conditions, we lower our net profit forecast to PLN 256mn (-9% y/y) from PLN 280mn. According to sales data for April (adjusted / +8% y/y), the market picture shows a weakening of demand compared to previous quarters, and PAX growth in the summer period may be below the latest pre-sales data (+10% y/y). Currently, tour prices are recording a slight decline of -1% y/y, and this may increase when the sector boosts sales through last-minute offers. This mix of factors should reduce revenue growth to +5% y/y in the 2-3Q25e. **Therefore, we are lower our PAX growth assumption for this year to +9% y/y (+74k y/y) vs. +17% y/y (+140k y/y) previously, and with no change in the trajectory of tour price changes, i.e. -2% y/y.** These changes reflect relatively weaker demand during the summer period this year. In summary, although we believed that the previous forecast scenario was conservative, PAX growth this year should be lower than anticipated. In our opinion, the medium to long term outlook remains favorable for the company, although this year will be weaker y/y with further growth in business scale. Most of the main market factors should have a positive impact on the growth of both the tourism market and the company. Furthermore, if the price of tours decreases again this year, foreign tours will improve in terms of affordability relative to disposable household income.

Gross margin. The market outlook for gross margins remains negative year-on-year from 2Q25e onwards, although it is coming down from a very high level in 2023-24. **Despite the favourable cost and currency environment, we expect gross margin to decline to 16.9% this year (-1.6 pp y/y / + 3.1 pp. vs 2019). In 1Q25, the gross margin increased by +0.6 pp y/y, but we expect a decline of -2.1 pp y/y in the 2-4Q25e**. 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 quite good, 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.

Weaker demand with negative trends in gross margin should weigh on earnings momentum in 2Q-3Q25e. We expect EBITDA to decline by around -20% y/y in 2-3Q25e. Therefore, the trends in results should change significantly compared to previous quarters. **So, while the earnings momentum for the coming quarters looks weaker than in previous quarters, we believe that the valuation ratios is attractive in the medium to long term given the growth prospects for the tourism market and the company's market position.** In addition, the recent acquisition indicates that the company plans to expand beyond the domestic market, and the impact of acquisitions and the expansion of the hotel network should be visible in the coming years. Currently, we are not including the Romanian company in our forecasts. **This will be done after the acquisition agreement has been finalized.**

Given the current market environment and the company's operational data, we lower our financial forecasts. In the following years, the model assumes that the normalised net margin could be around 4.4% (previously 4.7%). **For these reasons, we reiterate our BUY recommendation, while lower our 12-month target price to PLN 210/sh (-9%).**

Key financial data (PLN mn)

PLN mn	2023	2024	2025e	2026e	2027e	2028e
Revenues	3293	4068	4418	4950	5415	5920
EBITDA IFRS 16	237	376	345	362	354	356
EBITDA ex Lease adj.	227	365	331	348	340	342
EBIT	215	354	315	329	318	317
Net income	173	282	256	260	250	250
EPS	11.9	19.4	17.6	17.9	17.2	17.2
FCF (%)	43.6%	11.1%	7.4%	10.7%	10.6%	11.9%
DY	0.0%	6.9%	6.0%	10.7%	10.6%	11.9%
P/E	2.8	4.8	7.3	7.2	7.5	7.5
EV/EBITDA	1.1	3.0	4.8	4.6	4.7	4.6

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

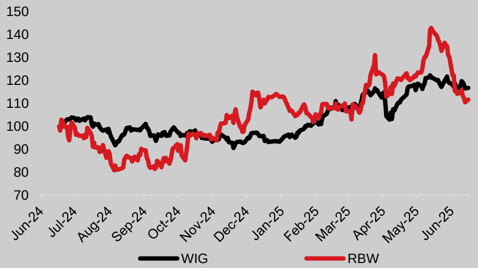
Buy (reiterated)

Target price (prev. PLN 230) PLN 210

Upside to TP 63%
Price on 17 June 2025 128.6 PLN

ESG rating C
Final ESG score 0.98

Relative share price performance vs. WIG



UPCOMING EVENTS

25 September 2025	2Q Results
27 November 2025	3Q Results

STOCK DATA

Reuters/Bloomberg	RBW.WA/RBW PW
Free float (%)	61.8
Market capitalization	1860
No. of shares in issue (mn)	14.552

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

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Update of forecasts

Due to a slight deterioration in market conditions, we lower our net profit forecast to PLN 256mn (-9% y/y) from PLN 280mn. In addition, we would like to point out that this level of expected net profit in 2025e is still above last year's assumptions. **According to sales data for April (adjusted / +8% y/y), the market picture shows a weakening of demand compared to previous quarters, and PAX growth in the summer period may be below the latest pre-sales data (+10% y/y).** Currently, tour prices are recording a slight decline of -1% y/y, and this may increase when the sector boosts sales through last-minute offers. This mix of factors should reduce revenue growth to +5% y/y in the 2-3Q25e. **Therefore, we are lower our PAX growth assumption for this year to +9% y/y vs. +17% y/y previously, and with no change in the trajectory of tour price changes, i.e. -2% y/y.** These changes reflect relatively weaker demand during the summer period this year. In summary, although we believed that the previous forecast scenario was conservative, PAX growth this year should be lower than anticipated. In our opinion, the medium to long term outlook remains favorable for the company, although this year will be weaker y/y with further growth in business scale. Most of the main market factors should have a positive impact on the growth of both the tourism market and the company. Please note that the level of real disposable income reports further growth, 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 foreign travel should benefit the largest travel companies. All these factors should contribute to market growth exceeding GDP growth (nominal) and support the assumption of a CAGR of +7% y/y (vs +8-9% previously). **Furthermore, if the price of tours decreases again this year, foreign tours will improve in terms of affordability relative to disposable household income.**

Gross margin. The market outlook for gross margins remains negative year-on-year from 2Q25e onwards, although it is coming down from a very high level in 2023-24. Despite the favourable cost and currency environment, we expect gross margin to decline to 16.9% (-1.6 pp y/y) this year. **In 1Q25, the gross margin increased by +0.6 pp y/y, but we expect a decline of -2.1 pp y/y in the 2-4Q25e.** 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 quite good, 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.

- **PAX in 2025e: ~881k customers (+9% y/y / nom. +76k vs +170k in 2024).**
- **Revenue per tour:** -2% 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)

Rainbow Tours: revision of financial forecasts

	2025e			2026e			2027e		
PLN mn	New	Old	Diff. (%)	New	Old	Diff. (%)	New	Old	Diff. (%)
Revenues	4418	4648	-5%	4950	5235	-5%	5415	5754	-6%
Gross profit	742	788	-6%	806	862	-6%	855	918	-7%
SG&A costs	-417	-426	-2%	-467	-480	-3%	-527	-545	-3%
Net profit on sales	325	362	-10%	339	382	-11%	328	373	-12%
EBITDA	345	382	-10%	362	405	-11%	354	400	-12%
EBIT	315	352	-11%	329	372	-11%	318	364	-13%
Net profit	256	280	-9%	260	289	-10%	250	282	-11%
Gross profit margin (%)	*16.8%*	*17.0%*	*-0.2%*	*16.3%*	*16.5%*	*-0.2%*	*15.8%*	*16.0%*	*-0.2%*
EBITDA margin (%)	*7.8%*	*8.1%*	*-0.3%*	*7.3%*	*7.7%*	*-0.4%*	*6.5%*	*7.0%*	*-0.4%*
EBIT margin (%)	*7.1%*	*7.5%*	*-0.3%*	*6.7%*	*7.1%*	*-0.5%*	*5.9%*	*6.3%*	*-0.5%*
Net profit margin (%)	*5.8%*	*5.9%*	*-0.1%*	*5.3%*	*5.5%*	*-0.3%*	*4.6%*	*4.9%*	*-0.3%*

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	210.0	100%	-9%
Peers valuation	153.5	0%	-11%
12M target price	**210.0**		-9%
Current price	128.6		
Potential for change relative to current price (%)	63%		

Source: Company, Pekao Equity Research

DCF valuation update

We reduce our 12-month price target estimate for Rainbow Tours shares to PLN 210/share from PLN 230/share. This is mainly due to lower profit forecasts for this year and the coming years. **The main factor was a slowdown in the growth rate of PAX this year (+9% y/y vs +17% y/y in last report).** 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): 5.55% (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:

- Lower customer growth assumed in 2025-27e and in the following years.
- Terminal value EBIT margin remained unchanged at 3.3%.
- WACC at 11.6% (unchanged) and 9.0% in terminal value (unchanged).
- Keep g at 3% (unchanged).

Rainbow Tours: **Valuation ratios on TP (210 PLN):**

PLN mn	2022	2023	2024	2025e	2026e	2027e
FCF yield (%)		43.6%	11.1%	4.5%	6.6%	6.5%
P/E		2.8	4.8	12.0	11.7	12.2
12M					**11.8**	
EV/EBITDA ex Lease		1.1	3.0	8.5	8.0	8.2
12M					**8.0**	
ROIC (%)		99%	178%	123%	91%	74%
ROE (%)		108%	92%	53%	45%	39%

Source: Company, Pekao Equity Research

WACC calculation

	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Year
Risk free rate	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	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	**11.6%**	**11.6%**	**11.6%**	**11.6%**	**11.6%**	**11.6%**	**9.0%**
Cost of debt	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	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	**11.6%**	**11.6%**	**11.6%**	**11.6%**	**11.6%**	**11.6%**	**9.0%**

DCF valuation

(PLN mn)	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Year
Revenues	4 418	4 950	5 415	5 920	6 408	6 867	7 073
EBIT	315	329	318	317	306	316	230
Taxes on EBIT	-63	-63	-60	-60	-58	-60	-43.7
NOPAT	**252**	**267**	**258**	**257**	**248**	**256**	**186**
Depreciation and assets write-offs ex Lease	16	19	22	25	27	30	30
Change in NWC	64	8	5	-18	-18	-18	0
Capital expenditures	-70	-70	-70	-70	-70	-70	-36
FCFF	**134**	**207**	**205**	**230**	**223**	**234**	**180**
Terminal value growth							*3.0%*
Terminal value							3 094
Discount factor	*0.90*	*0.80*	*0.72*	*0.65*	*0.58*	*0.52*	*0.48*
Discounted free cash flow - Dec 31 2024	120	167	148	148	129	121	*1 559*
Enterprise value - Dec 31 2024	**2 393**						
Minorities	44						
Net debt ex Lease	-256						
Other adjustments	0						
Equity value - Dec 31 2024	**2 605**						
Number of shares (mn)	14.6						
12M target price per share (PLN)	**210.0**						
Share price as of June 17th (PLN)	128.6						
Upside/Downside vs. current price	*63%*						

Revenues growth	9%	12%	9%	9%	8%	7%	3.0%
EBIT margin	**7.1%**	**6.7%**	**5.9%**	**5.4%**	**4.8%**	**4.6%**	**3.3%**
Tax rate	19.9%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Capex/revenues	1.6%	1.4%	1.3%	1.2%	1.1%	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

210.0	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**	**3.5%**	**4.0%**
7.0%	210	221	235	252	273	300	336
8.0%	192	200	210	221	235	252	273
9.0%	179	185	192	200	**210**	221	235
10.0%	168	173	179	185	192	200	210
11.0%	160	164	168	173	179	185	192

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

EBIT margin/ WACC

210.0	**1.3%**	**2.3%**	**3.3%**	**4.3%**	**5.3%**	**6.3%**	**7.3%**
7.0%	153	213	273	333	393	453	513
8.0%	139	187	235	283	331	379	427
9.0%	130	170	**210**	250	290	330	370
10.0%	124	158	192	226	260	295	329
11.0%	119	149	179	209	238	268	298

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	5.5	4.8	4.4	2.3	2.0	2.0
On the Beach Group	OTB LN	14.0	11.6	10.0	6.8	5.2	4.0
Voyageurs du Monde	ALVDM FP	15.2	14.8	15.2	8.2	7.4	6.0
Helloworld Travel	HLO AU	8.5	7.5	7.0	1.9	1.7	1.3
Flight Centre Travel Group	FLT AU	12.7	10.7	9.2	4.9	4.4	3.6
Median total		**12.7**	**10.7**	**9.2**	**4.9**	**4.4**	**3.6**
Rainbow Tours		**7.3**	**7.2**	**7.5**	**4.8**	**4.6**	**4.7**
Premium/discount vs. Median		*-42%*	*-33%*	*-18%*	*-2%*	*4%*	*30%*
Implied value p.s. PLN		**223.3**	**190.7**	**157.6**	**128.2**	**121.1**	**100.3**
Applied weights (%)		*33%*	*33%*	*33%*	*33%*	*33%*	*33%*
Implied value p.s. PLN		**153.5**					

Source: Bloomberg, Pekao Equity Research

Rainbow Tours: Market consensus

	2025e			2026e			2026e		
PLN mn	**Pekao**	**Cons.**	**Diff. (%)**	**Pekao**	**Cons.**	**Diff. (%)**	**Pekao**	**Cons.**	**Diff. (%)**
Revenues	4418	4640	-5%	4950	5170	-4%	5415	5 674	-5%
EBITDA	345	367	-6%	362	364	-1%	354	353	0%
EBIT	315	324	-3%	329	336	-2%	318	338	-6%
Net profit	256	270	-5%	260	263	-1%	250	252	-1%
EBITDA margin (%)	*7.8%*	*7.8%*	*0.0%*	*7.3%*	*7.0%*	*0.4%*	*6.5%*	*6.1%*	*0.4%*
EBIT margin (%)	*7.1%*	*6.9%*	*0.3%*	*6.7%*	*6.4%*	*0.2%*	*5.9%*	*5.9%*	*0.0%*
Net profit margin (%)	*5.8%*	*5.7%*	*0.1%*	*5.3%*	*5.0%*	*0.2%*	*4.6%*	*4.4%*	*0.2%*

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 1Q25.

Rainbow Tours: Quarterly results

PLN mn	1Q24	2Q24	3Q24	4Q24	1Q25e	Y/Y	Q/Q	Pekao fcst	vs. Pekao fcst	consensus	vs. consensus
Revenues	721.6	885.8	1736.7	723.9	869.8	*21%*	*20%*	873.1	*0%*	836	*4%*
Gross profit	120.7	166.7	345.0	115.2	151.0	*25%*	*31%*	159.1	*-5%*		
SG&A expenses	-74.2	-92.4	-134.6	-82.6	-80.7	*9%*	*-2%*	-86.0	*-6%*		
Net profit on sales	46.5	74.2	210.4	32.6	70.3	*51%*	*115%*	73.1	*-4%*		
EBITDA	51.1	77.1	215.7	32.2	75.6	*48%*	*135%*	79.1	*-4%*	70.0	*8%*
EBIT	46.0	71.6	209.8	26.3	69.8	*52%*	*165%*	72.6	*-4%*	62.1	*12%*
Net profit	39.0	58.0	153.2	31.6	59.5	*53%*	*88%*	60.7	*-2%*	49.8	*20%*
Profitability ratios											
Gross margin (%)	**16.7%**	**18.8%**	**19.9%**	**15.9%**	**17.4%**	*0.6%*		18.2%			
change yoy	0.9%	1.6%	1.3%	3.9%	0.6%			1.5%			
SG&A %	**-10.3%**	**-10.4%**	**-7.7%**	**-11.4%**	**-9.3%**	*1.0%*		-9.8%			
change yoy	1.1%	0.4%	0.9%	0.1%	1.0%			0.4%			
EBIT margin	6.4%	8.1%	12.1%	3.6%	8.0%	*1.6%*		8.3%			
change yoy	2.0%	2.0%	2.1%	2.8%	1.6%			1.9%			
BS and Cash Flow											
Net debt ex Lease	-131	-256	-384	-256	-236						
ND / EBITDA ex Lease	-	-	-	-	-						
OCF IFRS 16	-55	147	149	22	19						
OCF ex Lease	-58	144	146	19	12						
CAPEX	-18	-21	-5	-58	-6						
FCF	-77	123	141	-39	7						
FCF LTM	240	414	300	149	232						
FCF LTM (% yield)	*10.3%*	*17.8%*	*12.9%*	*6.4%*	10.0%						
Valuation ratios											
EV/EBITDA (TTM)	3.2	4.1	3.2	3.9	5.0						
PE (TTM)	4.9	6.5	5.9	6.2	7.4						

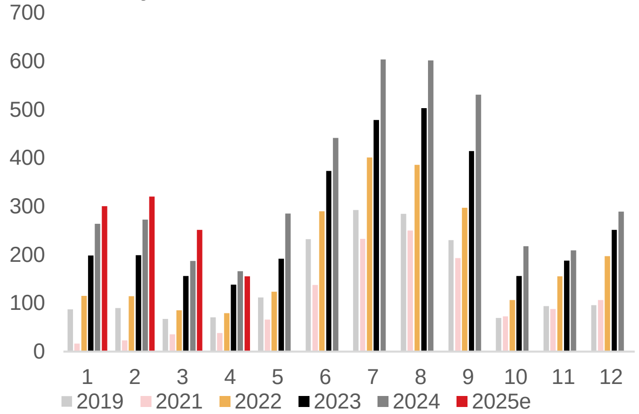
Source: Company, Pekao Equity Research

- Revenue: 870mn (+21% y/y)
- Gross profit: 151mn (+25% y/y).
- **Gross margin: 14.4% (+0.6 pp. y/y).**
- **SG&A costs: -81mn (+9% y/y). SG&A costs ratio: -9.3% (+1.0 pp. y/y).**
- Net profit on sales: 70mn (+51% y/y).
- EBITDA: 76mn (+48% y/y).
- Financial costs: +2mn vs +1mn in last year.
- OCF: +19mn vs -55mn in last year.
- CAPEX: -6mn vs -18mn in last year.
- **Deferred revenue: 394mn (+7% y/y).**
- Net cash (PLN mn): 236mn.
- FCF (PLN mn): +7mn and -77mn in 1Q. FCF LTM: 232mn (FCF yield (%): 10%).
- 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 May 15, 2025 amounted to 369 042 people (+9.8% y/y / +33k y/y / vs +75k at the end of May 2024).
- ***Comments on 1Q25 results:*** *At current valuation levels, our view of the results is neutral. Results exceeded market expectations and were slightly below ours. Compared to our assumptions, the improvement in gross margin in 1Q25 was slower than expected (+0.6 pp. y/y vs +1.5 pp. y/y our assumptions). However, the company still had room for improvement*

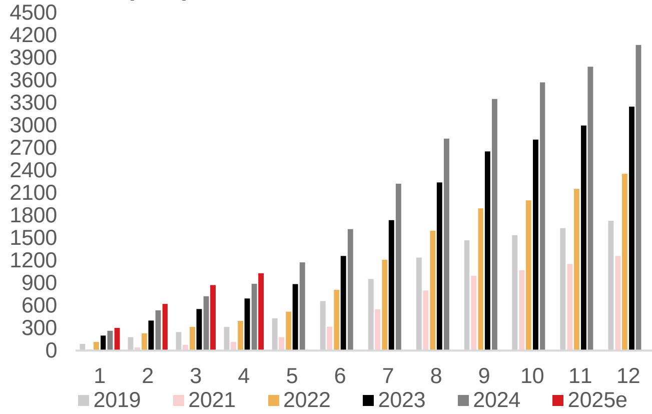
*of +0.6 pp y/y and, with high SG&A cost discipline (+9% y/y), **was once again able to achieve positive operating leverage effect and improve its EBITDA margin by +1.6 pp y/y.** However, it seems that 1Q25 may add to the results for the whole of 2025 in nominal terms, **but the outlook for the coming quarters is not so good.** A slow decline in tour prices can be observed (-2% y/y), which, **with good but slowing volume growth dynamics,** may mean a slowdown in revenue growth in 2Q-3Q and, given last year's high gross margin, result in a year-on-year decline in operating results. **In summary, we believe that our assumptions from the last report in terms of volume growth and revenue growth are currently slightly optimistic.** In the context of medium- to long-term growth, we view the company's recent expansion into new countries and expansion of its hotel base positively. **We believe that current valuation multiples are attractive in the medium term, but the momentum in earnings should change significantly.***

Monthly data. Weaker data for IV'25. Separate: Revenues in IV'25 (PLN mn): 166mn (-6% y/y). Adjusted figure in IV'25: 177mm (+6% y/y). Adjusted figure in III'25: 242mm (+29% y/y vs 34% y/y). YTD: 1028mn (+15% y/y). Comparable data for April 2024 do not include estimates related to IFRS 15. The decrease in revenue growth for April 2025 compared to April 2024 results from the settlement of IFRS 15, i.e. the allocation of sales revenue at the end of April 2025. **Comments:** *The adjusted results are below our model assumptions from the last report (+6% y/y vs +12% y/y). The results were impacted by the timing of revenue recognition from a tour organised by the company, an effect that has been evident since June of last year. In general, the increase in revenue in April may indicate what the company may be able to deliver in 2-3Q25e and a growth rate of +5-6% would be well below our assumptions of +12% y/y in these quarters. **In summary, weaker sales in recent weeks may be more visible in the upcoming monthly data. We view this slightly negatively, but in our opinion, current valuation ratios did not discount any significant improvement in results this year.***

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. **Although trends will be positive, the growth rate of PAX is expected to be significantly lower than in 2023–24.** 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).

Preliminary agreement for the acquisition of a company on the Romanian market. On May 15, 2025, the company announced the conclusion of a preliminary agreement for the acquisition of Paralela 45 Tursim S.R. The value of the transaction for the acquisition of 70% of shares in Paralela 45 Turism S.R.L. has been preliminarily determined at around EUR 8.2mn and may be adjusted in the course of further verification of the accounting books of Paralela 45 Turism S.R.L. The Rainbow Tours plans to acquire the remaining 30% of shares in Paralela 45 Turism S.R.L. will be carried out in stages (in tranches of 10% of shares over a period of three years), and the acquisition of the remaining 30% of shares will be completed in 2031 after approval of the financial statements of Paralela 45 Turism S.R.L. for the financial year 2030, with the purchase price of these shares to be determined each time based on economic indicators and the financial results of Paralela 45 Turism S.R.L. for the financial years 2028-2030, based on the ‘earn-out mechanism’ set out in the Preliminary Agreement and confirmed in the future investment agreement. The parties agreed on the date of final signing of the share purchase agreement by 30 June 2025, with the Transaction being concluded subject to conditions precedent, in particular the relevant formal consent of the competent regulatory authority, pursuant to the provisions governing foreign direct investment in Romania (‘Foreign Direct Investment’) and the fulfilment of other standard formal and legal steps and events related to the change of ownership of shares in Paralela 45 Turism S.R.L., with the Rainbow Tours announcing the fulfilment of the conditions precedent and the closing of the Transaction in a separate current report. **According to available data, in 2023 Paralela 45 achieved EUR 10.2mn in revenue (+15% y/y), with a net profit of approx. EUR 1.3mn.** The Romanian office of Paralela 45 serves over 100,000 customers annually. Paralela 45 has a sales network consisting of 50 branches in the largest cities in Romania and employs 220 people. **At this stage, we are not including the Romanian company in our forecasts. This will be done after the acquisition agreement has been finalized.**

Comment on the information: *Given the company's current balance sheet and position on the Polish market, we view the information about the acquisition and entry into a new market positively. There is no further information about the entity or its plans at this stage, but comments suggest that the reasons for entering the Romanian market will be similar to those signalled by many companies in the consumer sector when deciding to expand into that market. In our opinion, such expansion into another market in the CEE region strengthens the company's equity story. This is another factor following further growth on the Polish market, the development of the hotel segment and now supported by foreign expansion. In particular, this looks good given the current valuation multiples and the company's FCF profile. In addition, it is another company in the sector with high ROIC and a strong balance sheet, which plans to further accelerate its growth in foreign markets.*

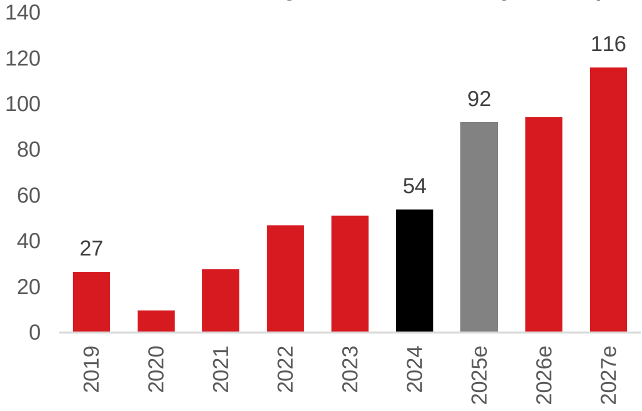
Dividend. Rainbow Tours intends to pay a total dividend of PLN 11 per share for 2024. The Management Board of Rainbow Tours recommends that a total of PLN 160mn of the profit generated in 2024 be allocated to dividends, which would result in a total dividend per share of PLN 11. Following the payment 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 7.67 per share.** In 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.

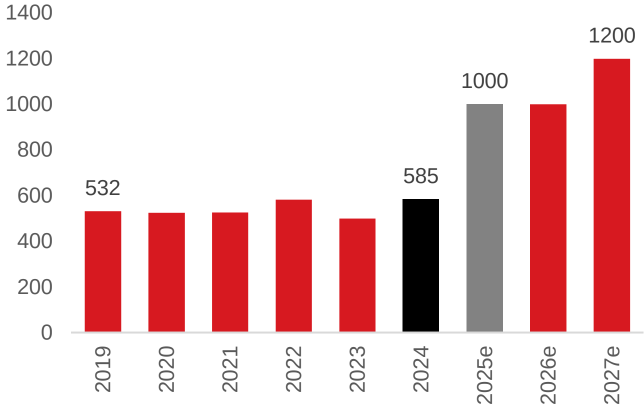
Hotel segment. Last year, revenues in this segment amounted to PLN 54mn (+5% y/y) with EBIT of approx. PLN 7.7mn (EBIT margin: 14.2%). In 2024, the company had around 585 rooms in its hotel base during the season (+17% y/y). This year, the number of rooms is expected to increase significantly as a result 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 2Q25e. In our forecasts, we assume that the trajectory resulting from market trends should show slower revenue growth with pressure on gross margins. Therefore, we expect a clear deterioration in the company's earnings momentum. In addition, we assume that SG&A costs may grow slightly faster than revenue growth.

- **Revenues (PLN mn):** 922mn (+4% y/y).
- **Gross profit (PLN mn):** 151mn (-10% y/y). **Gross margin:** 16.3% (-2.5 pp. y/y).
- **SG&A costs (PLN mn):** 101mn (+9% y/y).
- **Net profit on sales (PLN mn):** 49mn (-33% y/y).
- **Financial position (PLN mn):** +1mn vs +0mn in last year.
- **Assumption: Gross margin (%):** Weaker growth in PAX numbers with slight pressure on prices in the sector, combined with the lack of positive impact from the currency and cost environment as a result of hedging policies vs. changes in FX and jet fuel prices (March-April 2025).

PLN mn	2Q24	3Q24	4Q24	1Q25	2Q25e	Y/Y	Q/Q
Revenues	885.8	1736.7	723.9	869.8	921.8	*4%*	*6%*
Gross profit	166.7	345.0	115.2	151.0	150.4	*-10%*	*0%*
SG&A expenses	-92.4	-134.6	-82.6	-80.7	-101.0	*9%*	*25%*
Net profit on sales	74.2	210.4	32.6	70.3	49.4	*-33%*	*-30%*
EBITDA	77.1	215.7	32.2	75.6	53.3	*-31%*	*-30%*
EBIT	71.6	209.8	26.3	69.8	46.8	*-35%*	*-33%*
Net profit	58.0	153.2	31.6	59.5	39.0	*-33%*	*-35%*
Profitability ratios							
Gross margin (%)	**18.8%**	**19.9%**	**15.9%**	**17.4%**	**16.3%**	*-2.5%*	
change yoy	1.6%	1.3%	3.9%	0.6%	-2.5%		
SG&A %	**-10.4%**	**-7.7%**	**-11.4%**	**-9.3%**	**-11.0%**	*-0.5%*	
change yoy	0.4%	0.9%	0.1%	1.0%	-0.5%		
EBIT margin	8.1%	12.1%	3.6%	8.0%	5.1%	*-3.0%*	
change yoy	2.0%	2.1%	2.8%	1.6%	-3.0%		
Valuation ratios							
EV/EBITDA (TTM)	2.5	2.9	3.4	3.7	5.3		
PE (TTM)	4.4	5.5	5.4	5.8	7.9		

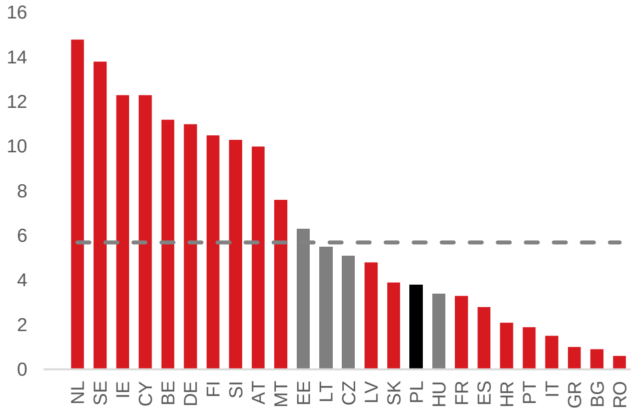
Source: Company, Pekao Equity Research

Investment story

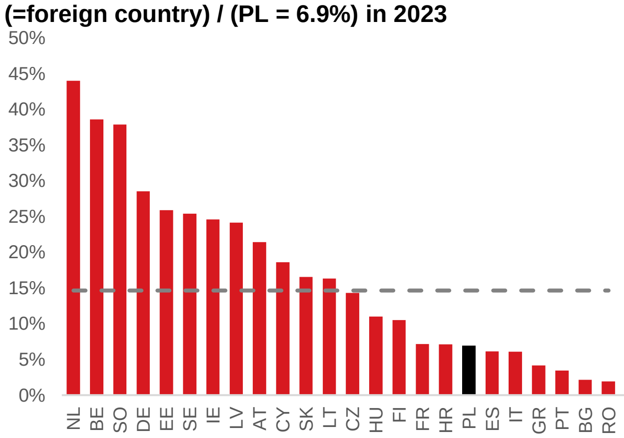
Market structure (CAGR 2024-27e: +7% vs +8-9% in the previous report). Last year, the number of travel agency customers was around 8.75mn (+15% y/y / +1.2mn and +13% vs 2019 / +1.0mn). The number of customers in RBW recorded the mentioned growth of +27% y/y and +64% vs. 2019. **Sector reports contain 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 tours 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. **While trends remain positive, growth dynamics this year should be below the assumptions made at the beginning of the year. Therefore, we are lower our CAGR for the coming years to +7% vs +8-9% previously.**

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

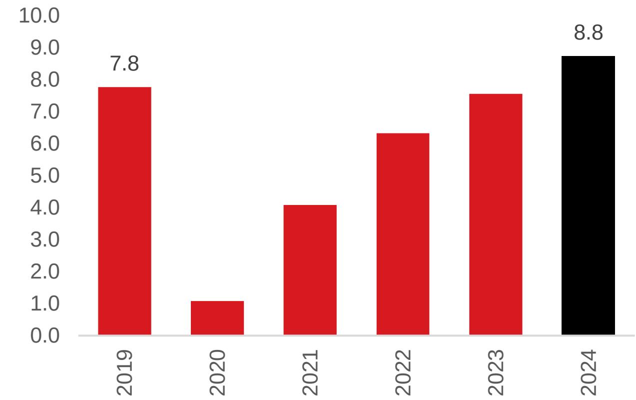


Source: Company, Pekao Equity Research

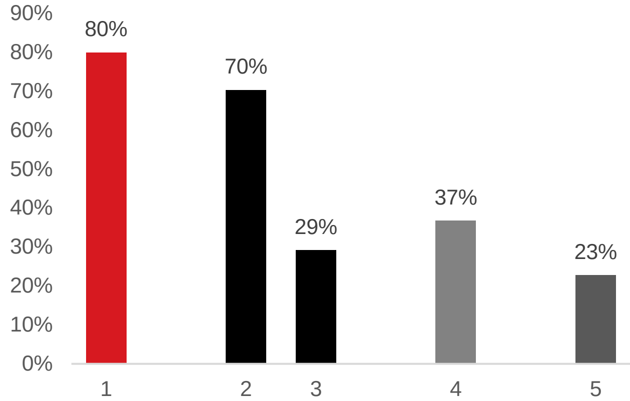
Shortcut: NL: Netherlands, SE: Sweden, IE: Ireland, CY: Cyprus, BE: Belgium, DE: Germany, FI: Finland, SI: Slovenia, AT: Austria, MT: Malta, EE: Estonia, LT: Lithuania, CZ: Czechia, LV: Latvia, SK: Slovakia, PL: Poland, HU: Hungary, FR: France, ES: Spain, HR: Croatia, PT: Portugal, IT: Italy, GR: Greece, 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 quite good, 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 16.8% (-1.6 pp y/y). In 1Q25, the gross margin increased by +0.6 pp y/y, but we expect a decline of -2.1 pp y/y in the following quarters.** In addition, considering the weaker demand before the holiday season, there may be greater pressure on prices and an increase in last-minute offers, which may have a negative impact on margins. 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).

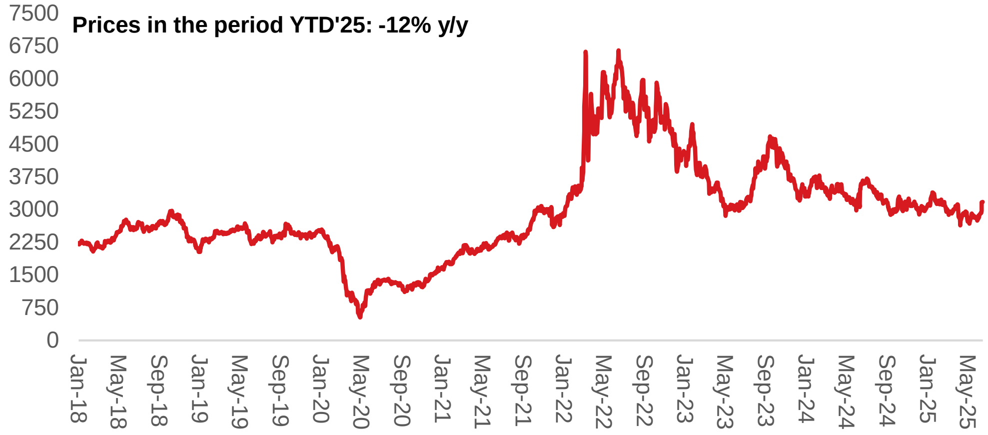
In the product cost structure, the cost of airfare can account for about 45-50%, of which about 1/3 is the cost of jet fuel (~15% in COGS) and the rest is ECTS and per-airline fees. The other major category is hotel costs, which account for around 45%. In recent months there has been a fall in the price 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**	**139**
- Change in travel tours prices in the market (based on market		*32%*	*10%*	*-2%*	*-2%*
COGS:	**86**	**117**	**120**	**116**	**116**
y/y		*36%*	*3%*	*-4%*	*0%*
- 1) Transportation-related costs (including jet fuel / 45% in COGS).	38.8	68.0	67.3	61.9	60.9
y/y		*75%*	*-1%*	*-8%*	*-2%*
- 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	23.4
Gross margin (%)	**13.7%**	**10.6%**	**16.6%**	**18.4%**	**16.8%**
p.p. y/y		*-3.0%*	*6.0%*	*1.8%*	*-1.6%*
vs 2019					
assumption in the model in P&L					**16.8%**

Source: Company, Pekao Equity Research, own estimates

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



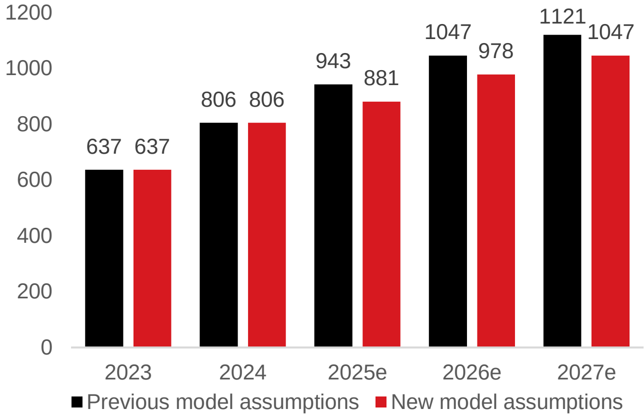
Source: Bloomberg, Pekao Equity Research

In summary, although we believed that the previous forecast scenario was conservative, PAX growth this year should be lower than anticipated. In our opinion, the medium- to long-term outlook remains favorable for the company, although this year will be weaker year-on-year with further growth in business scale. Most of the main market factors should have a positive impact on the growth of both the market itself and the company. **In addition, there are prospects for business growth in foreign markets and an increase in the scale of operations in the hotel segment.** Please note that 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. All these factors should contribute to market growth exceeding GDP growth and support the assumption of a CAGR of +7% y/y. In addition, if there is indeed a further increase in tours this year, the affordability of foreign tours relative to disposable household income will improve again . **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.**

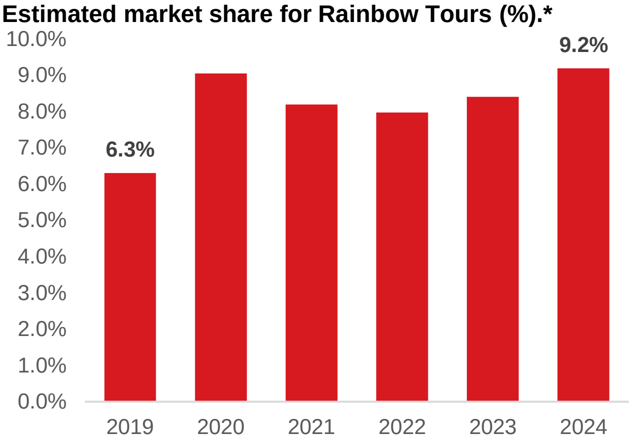
Operational data for the model	2019	2022	2023	2024	2025e	2026e	2027e
Number of customers (thousands of people)	491	506	637	806	881	978	1047
y/y	*-3%*	*51%*	*26%*	*27%*	*9%*	*11%*	*7%*
nom. (thousands of people)		*171*	*131*	*169*	*76*	*97*	*68*
Revenue per customer (or per tour / PLN)	3502	4591	5056	4956	4865	4963	5062
y/y	*11%*	*25%*	*10%*	*-2%*	*-2%*	*2%*	*2%*
Revenues from sales of tourist events (PLN mn)	**1719**	**2323**	**3219**	**3992**	**4288**	**4855**	**5299**
y/y	*9%*	*88%*	*39%*	*24%*	*7%*	*13%*	*9%*
Costs per per tour	**-3069**	**-4228**	**-4313**	**-4122**	**-4171**	**-4235**	**-4356**
y/y		*38%*	*2%*	*-4%*	*1%*	*2%*	*3%*
Gross profit (PLN mn)	**239**	**255**	**547**	**748**	**742**	**806**	**855**
Gross margin (%)	*13.7%*	*10.6%*	*16.6%*	*18.4%*	*16.8%*	*16.3%*	*15.8%*
pp. y/y	*2.3%*	*-0.7%*	*6.0%*	*1.8%*	*-1.6%*	*-0.5%*	*-0.5%*
y/y	*31%*	*75%*	*115%*	*37%*	*-1%*	*9%*	*6%*

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.*

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**	**4 418**	**4 950**	**5 415**	**5 920**
Gross Profit	**547**	**748**	**742**	**806**	**855**	**918**
SG&A Costs	**-332**	**-384**	**-417**	**-467**	**-527**	**-591**
Other Operating Income/Cost	0	-10	-10	-10	-10	-10
EBITDA	**237**	**376**	**345**	**362**	**354**	**356**
EBIT	**215**	**354**	**315**	**329**	**318**	**317**
Financial Income/(Cost)	0	0	3	-5	-6	-6
Pretax Profit	**215**	**354**	**318**	**324**	**312**	**311**
Income Tax	-42	-71	-60	-62	-59	-59
Net Income	**173**	**282**	**256**	**260**	**250**	**250**
EPS (PLN)	**11.9**	**19.4**	**17.6**	**17.9**	**17.2**	**17.2**

Balance Sheet (PLN mn)	2023	2024	2025e	2026e	2027e	2028e
Total Current Assets	**642**	**787**	**944**	**961**	**1 006**	**1 054**
Cash and Equivalents	276	288	346	312	312	312
Other Current Assets	367	499	598	649	694	742
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**	**1 511**	**1 579**	**1 672**	**1 765**
Stockholders` Equity	**207**	**407**	**551**	**611**	**663**	**690**
Long Term Liabilities	**134**	**98**	**98**	**127**	**109**	**109**
Long -Term Debt (ex Lease)	21	5	34	16	16	16
Other Long - Term liabilities	113	93	64	111	93	93
Short Term Liabilities	**659**	**750**	**789**	**816**	**856**	**922**
Short -Term Debt (ex Lease)	19	27	30	14	14	14
Other Current Liabilities	640	723	759	801	842	908
Total Equity & Liabilities	**983**	**1 299**	**1 511**	**1 579**	**1 672**	**1 765**
Net debt ex Lease	-236	-256	-282	-282	-282	-282
Net debt IFRS 16	-207	-194	-220	-220	-220	-220

Cash Flow (PLN m)	2023	2024	2025e	2026e	2027e	2028e
Net Profit	173	282	256	260	250	250
Depreciation and Amortisation	22	22	30	33	36	39
Other (incl. WC)	61	-42	-63	-8	-5	18
Operating Cash Flows	**256**	**263**	**222**	**285**	**282**	**307**
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	-112	-201	-198	-223
Other	-85	-40	18	-48	-14	-14
Cash Flows from Financing Activities	**-104**	**-169**	**-93**	**-249**	**-212**	**-237**
Change in Cash	133	12	59	-34	0	0
Cash at the end of period	**276**	**288**	**346**	**312**	**312**	**312**
DPS (PLN)	1.3	8.8	7.7	13.8	13.6	15.3
Y/Y growth ratios						
Revenues	38%	24%	9%	12%	9%	9%
EBITDA	335%	59%	-8%	5%	-2%	1%
EBIT	555%	64%	-11%	5%	-3%	0%
Net profit	704%	63%	-9%	2%	-4%	0%
EPS	704%	63%	-9%	2%	-4%	0%
Margins						
Gross margin	**16.6%**	**18.4%**	**16.8%**	**16.3%**	**15.8%**	**15.5%**
EBIT margin	7%	8.7%	7.1%	6.7%	5.9%	5.4%
Net margin	5%	6.9%	5.8%	5.3%	4.6%	4.2%
ROE	**20%**	**108%**	**92%**	**53%**	**45%**	**39%**
Balance Sheet Ratios						
BVPS (PLN)	14	28	38	42	46	47
Net debt/EBITDA	-	-	-	-	-	-
Bank Debt/Equity	19%	8%	12%	5%	5%	4%

Key Data	2021	2022	2023	2024	2025e	2026e	2027e
Revenue	1279	2393	3293	4068	4418	4950	5415
Gross Margin %	11.4%	10.6%	16.6%	18.4%	16.8%	16.3%	15.8%
EBIT	20	33	215	354	315	329	318
EBITDA	39	54	237	376	345	362	354
Net income Adj+	17	21	173	282	256	260	250
EPS adjusted	1	1	12	19	18	18	17
BPS	7	8	14	28	38	42	46
DPS	1.5	1.3	8.8	7.7	13.8	13.6	15.3
ROE	17%	20%	108%	92%	53%	45%	39%
ROA	13%	15%	16%	19%	19%	19%	18%
Net Debt	28	0	-207	-194	-220	-220	-220
Depreciation & Amortization	19	22	22	22	30	33	36
Free Cash Flow	90	44	213	151	138	201	198
CAPEX	-44	-26	-35	-102	-70	-70	-70

Source: Bloomberg, Pekao Equity Research

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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.

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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