

32/2025/GPW (80) September 26, 2025

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 5.0.

Digital Network

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This is an excerpt from the Polish version of DM BOŚ SA's research report.

Digital Network

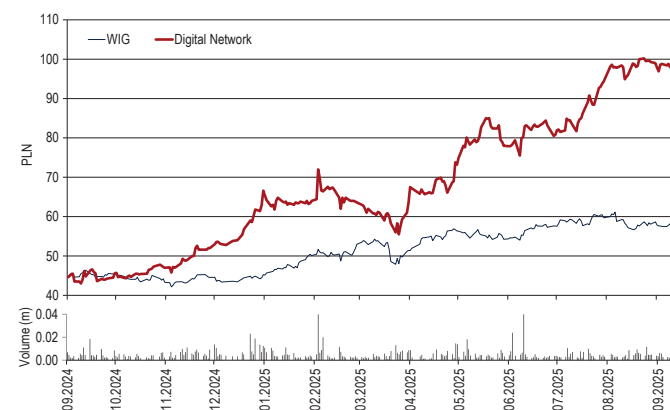
32/2025/GPW (80) September 26, 2025

Analysts: Mikołaj Stępień,
Sobiesław Pająk, CFA

Sector: TMT – media
Bloomberg code: DIG PW
Price: PLN 97.40
12M EFV: PLN 112.0 (↑)

Market Cap: US\$ 113 m
Av. daily turnover: US\$ 0.09 m
12M range: PLN 43.00-100.20
Free float: 46%

Stock performance



Source: Bloomberg

Recommended action

The trend of the advertising market digitization and growing demand for interactive campaigns support a positive outlook for the DOOH industry. Digital Network operates the largest nationwide network of digital screens in prime locations. The inventory sell-through rate remains relatively low (just over 30% annually on average), while the market entry barriers are high (know how, lengthy administrative procedures, technological requirements, and a limited pool of attractive locations).

1H25 witnessed vigorous growth of the Company's revenues (up 25% yoy) and profitability improvement as well (adj EBIT up 57% yoy). In view of better-than-expected results to date, we are raising our forecasts for the current year and for the coming years, with the latter assuming low double-digit sales growth and stable profitability at the current high levels. Whence, our 12M EFV rises, by 19%, to PLN 112 per share.

The Company's robust ability to generate cash flows coupled with its growth profile makes Digital Network an interesting investment proposal that combines merits of a dividend and growth company.

Guide to adjusted profits

Adj EBITDA, adj EBITDA excluding IFRS16 and adj EBIT exclude the Company's goodwill impairment.

Adj net profit excludes the Company's goodwill impairment, net loans value write-offs and profit on a disposal of stakes in subsidiaries.

Key data

IFRS consolidated		2024	2025E	2026E	2027E
Sales	PLN m	74.7	86.7	95.2	104.5
EBITDA	PLN m	43.7	52.1	57.1	61.4
Adj EBITDA	PLN m	43.7	52.1	57.1	61.4
EBITDA ex. leases	PLN m	33.9	41.8	45.7	48.9
Adj EBITDA ex. leases	PLN m	33.9	41.8	45.7	48.9
EBIT	PLN m	31.7	39.4	43.0	46.1
Skor. EBIT	PLN m	31.7	39.4	43.0	46.1
Net income	PLN m	25.2	30.5	32.4	34.7
Adj net income	PLN m	24.2	30.3	32.4	34.7
Adj EPS	PLN	5.71	7.14	7.64	8.19
Adj EPS r/r	%	38	25	7	7
Net debt ex. leases	PLN m	-13.1	-15.0	-19.9	-23.3
Net debt incl. leases	PLN m	10.1	10.4	7.9	7.1
P/E	x	17.1	13.6	12.7	11.9
P/CE*	x	15.0	12.2	11.3	10.6
EV/EBITDA*	x	13.2	10.2	9.2	8.6
EV/EBIT*	x	14.1	10.9	9.8	9.1
DPS	PLN	4.10	4.82	6.00	7.00
Gross dividend yield	%	4.2	4.9	6.2	7.2
Number of shares (eop)	m	4.2	4.2	4.2	4.2

* multiples based on estimates of proportionally consolidated D&A, EBIT and EBITDA.

Source: Company, DM BOŚ SA estimates

Recent events

1. Ex-dividend day (DPS = PLN 2.41): June 26
2. Financial forecast for 1H25: September 9
3. 2Q25 financial results: September 17

Upcoming events

1. Preliminary 3Q25 sales: beginning of October
2. 3Q25 financial results: November 28

2Q25 financial results

2Q25 financial results were in line with the management's guidance issued earlier. In 2Q25 sales reached PLN 21 million (up 25% yoy). Due to operating leverage quarterly profitability grew. Adj EBITDA/ adj EBIT/ adj net profit stood at PLN 13/ 10/ 7 million (up 34/ 49/ 57% yoy) in 2Q25.

Forecast changes

So far this year's financial results have beaten our expectations materially. Net profit for 12M (at the end of 2Q25) at PLN 29.0 million has already exceeded FY25 forecast at PLN 25.8 million and what's important, the 2nd half of the year is usually seasonally stronger. That's why we raise our forecasts for 2025 and upcoming years as well. For this year we forecast a 16% sales yoy growth with adj EBIT margin to rise to c. 46% vs 43% in 2024. Starting from 2026, we expect sales to grow at a c. 10% rate p.a. (which will gradually fade out in the years to follow) and the profitability to continue at the current high level. Given more frequent launches at premium locations we also raise our capex forecasts.

Dividend

We expect c. 80% of FY25 profits to be earmarked for a dividend payout next year (same as this year)

which implies PLN 6 per share. We assume the Company would pay a dividend in 2 installments: the 1st paid in this year, in December, the 2nd – either in May or June next year; both in the amount of PLN 3 per share. At the current market price it implies a gross dividend yield at c. 6%.

Valuation

Our DCF valuation falls under the positive impact of (i) valuation horizon forward shift and (ii) financial forecasts upgrade, while the RFR changes have limited impact; all this translates into a 17% DCF valuation rise to PLN 92 per share.

Due to (i) financial forecasts upgrade and (ii) small increase in peer multiples our peer-relative rises 20% to PLN 132 per share. All in all, our 12M EFV for Digital Network – being a 50%-50% mix of a DCF valuation and peer-relative exercise – is up by 19% and renders PLN 112 per share.

Risk factors

1. Adoption of the landscape resolution in Warsaw (and/or other cities) possibly limiting further development of *DOOH* and the Company
2. Increased competitive pressure
3. Low diversification of the client base
4. Losing key employees
5. Technological changes
6. Technology malfunctioning
7. Violations of privacy and data leaks
8. Loan default by entities from outside the Group

Catalysts

1. Further dynamic growth of the *DOOH* market
2. Increasing inventory utilization
3. Increases in the price list
4. Adj profits yoy growth
5. Further expansion of technical infrastructure

Competitive advantages

1. Economies of scale achieved (the biggest *DOOH* chain in Poland)
2. High entry barriers (red tape, technology, limited attractive locations available)
3. High capacity of network (broadcasting) loop vs the current level of inventory utilization
4. Well-developed technical infrastructure (all over Poland)
5. Numerous premium locations
6. Constant modernization of technical infrastructure

BASIC DEFINITIONS

A/R turnover (in days) = $365/(\text{sales}/\text{average A/R})$

Inventory turnover (in days) = $365/(\text{COGS}/\text{average inventory})$

A/P turnover (in days) = $365/(\text{COGS}/\text{average A/P})$

Current ratio = $(\text{current assets} - \text{ST deferred assets})/\text{current liabilities}$

Quick ratio = $(\text{current assets} - \text{ST deferred assets} - \text{inventory})/\text{current liabilities}$

Interest coverage = $(\text{pre-tax profit before extraordinary items} + \text{interest payable})/\text{interest payable}$

Gross margin = gross profit on sales/sales

EBITDA margin = EBITDA/sales

EBIT margin = EBIT/sales

Pre-tax margin = pre-tax profit/sales

Net margin = net profit/sales

ROE = net profit/average equity

ROA = $(\text{net income} + \text{interest payable})/\text{average assets}$

EV = market capitalization + interest bearing debt – cash and equivalents

EPS = net profit/ no. of shares outstanding

CE = net profit + depreciation

Dividend yield (gross) = pre-tax DPS/stock market price

Cash sales = accrual sales corrected for the change in A/R

Cash operating expenses = accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes

DM BOŚ S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:

Buy – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;

Hold – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;

Sell – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:

Overweight – expected to perform better than the benchmark (WIG) over the next quarter in relative terms

Neutral – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms

Underweight – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM BOŚ S.A.'s recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first.

Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

Distribution of DM BOŚ's current recommendations

	Buy	Hold	Sell	Suspended	Under revision	Not rated
Numbers	39	33	5	4	0	5
Percentage	45%	38%	6%	5%	0%	6%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	26	38	13	4	0	5
Percentage	30%	44%	15%	5%	0%	6%

Banks

Net Interest Margin (NIM) = net interest income/average assets

Non interest income = fees&commissions + result on financial operations (trading gains) + FX gains

Interest Spread = $(\text{interest income}/\text{average interest earning assets})/(\text{interest cost}/\text{average interest bearing liabilities})$

Cost/Income = $(\text{general costs} + \text{depreciation})/(\text{profit on banking activity} + \text{other net operating income})$

ROE = net profit/average equity

ROA = net income/average assets

Non performing loans (NPL) = loans in 'basket 3' category

NPL coverage ratio = loan loss provisions/NPL

Net provision charge = provisions created – provisions released

DM BOŚ S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the fundamental target fair P/E and target fair P/BV multiples method is its independence of the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc. Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

Distribution of DM BOŚ's current recommendations for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Buy	Hold	Sell	Suspended	Under revision	Not rated
Numbers	3	5	0	1	0	2
Percentage	27%	45%	0%	9%	0%	18%

Distribution of DM BOŚ's current market relative recommended weightings for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	3	4	1	1	0	2
Percentage	27%	36%	9%	9%	0%	18%

Recommendation tracker

Analyst	Fundamental Recommendation	Relative Recommendation	Report date	Reiteration date	Distribution date	Price at issue/ reiteration*	EFV (12 months)
Digital Network							
Mikotaj Stepień/ Sobiesław Pająk	Not rated	Not rated	27.11.2024	-	27.11.2024	48.90	81.00 —
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	01.12.2024	02.12.2024	49.00	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	06.01.2025	07.01.2025	56.80	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	29.01.2025	29.01.2025	63.80	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	18.02.2025	18.02.2025	72.00	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	19.02.2025	19.02.2025	69.80	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	14.03.2025	14.03.2025	63.60	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	10.04.2025	10.04.2025	57.60	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	11.04.2025	11.04.2025	59.30	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	05.05.2025	05.05.2025	69.90	81.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	13.05.2025	13.05.2025	69.00	94.00 ↑
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	29.05.2025	29.05.2025	80.50	94.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	25.06.2025	25.06.2025	80.20	94.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	21.07.2025	21.07.2025	81.90	94.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	22.08.2025	22.08.2025	97.80	94.00 →
Mikotaj Stepień/ Sobiesław Pająk	-	-	-	26.09.2025	26.09.2025	97.40	112.00 ↑

* prices at issue/reiteration are the closing prices at the report or reiteration date

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The report is an investment research within the meaning of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

This report constitutes a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest. This report is for information purposes only.

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The report was not shown to the analyzed company before the distribution of the report.

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