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KGHM: buy (upgraded)

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Between Ore and Law

We are upgrading our recommendation from 'sell' to 'buy' with a target price of PLN 220.00 per share.

The Polish Ministry of Finance's draft amendment to the mineral extraction tax adds PLN 8/share to our valuation. It temporarily lowers the price-linked multiplier from 0.85 to 0.74 in 2026 and 0.68 in 2027–2028, returning to 0.85 in 2029. From then, companies can deduct 40% of CAPEX, capped at 30% of monthly tax and spread over 15 years. The bill covers both copper and silver, ensuring long-term fiscal predictability. Despite trade-offs, the proposal is seen as net positive for KGHM in the long run.

On the supply side, 2025 was expected to bring a rebound in global copper output, but several disruptions reversed that outlook. The most severe was Freeport-McMoRan's incident at Grasberg, halting 400–500 kt of annual capacity. Combined with smaller issues at other major miners, global production is now likely to fall short of expectations. The market is broadly expected to shift into deficit from 2026, supporting the medium-term price outlook.

Despite supportive trends, KGHM faces a structural challenge: falling ore grades in Polish deposits will gradually reduce output. Expansion north of the Odra-via deep-shaft and greenfield projects worth over PLN 9bn, already included in our model—is key to post-2035 growth. A major uncertainty remains the long-awaited new strategy, which may outline several tens of billions in CAPEX for a new mine.

We have updated our financial forecasts, raising copper prices for 2026E and 2027E to $9,750 and $10,000, respectively.

Based on our forecasts, KGHM is trading at 2025E and 2026E EV/EBITDA multiples of 5.6x and 4.2x, implying a 44% and 54% discount to peers. This compares to a historical average of 37%, making current levels particularly attractive.

Current Price*	189.80 PLN	**Upside**
12M Target Price	220.00 PLN	+15.9%

* Price as of October 09, 2025, 5:00 PM

	rating	target price	issued
new	**buy**	**220.00 PLN**	**2025-10-10**
old	sell	102.60 PLN	2024-11-22

Key Metrics			KGH PW	vs. WIG
Ticker	KGH PW	1M Price Chng	+41.4%	+40.1%
ISIN	PLKGHM000017	YTD Price Chng	+65.0%	+29.3%
Outst. Stock (m)	200.0	ADTV 1M		PLN 235.6m
MC (PLN m)	37,960.0	ADTV 6M		PLN 112.8m
EV (PLN m)	46,012.2	EV/EBITDA 12M fwd	4.6	+11.7%
Free Float	68.2%	EV/EBITDA 5Y avg	4.1	premium

Earnings Projections

(PLN m)	2023	2024	2025E	2026E	2027E
Revenue	33,467	35,320	33,557	36,264	37,695
EBITDA adj.	5,362	8,457	8,324	10,462	11,244
EBITDA margin	16.0%	23.9%	24.8%	28.8%	29.8%
EBIT	1,971	5,081	4,913	7,010	7,775
Net income adj.	-218	3,907	3,456	5,055	6,017
P/E	-	9.7	11.0	7.5	6.3
P/B	1.3	1.2	1.1	1.0	0.9
EV/EBITDA adj.	7.8	5.1	5.5	4.2	3.7
DPS	1.00	2.00	0.00	0.00	0.00
DYield	0.5%	1.1%	0.0%	0.0%	0.0%

Forecast Update (% change)	2025E	2026E	2027E
EBITDA adj.	-11.0%	+43.2%	+63.2%
Net income adj.	-11.6%	-1.7%	+196.6%
Copper price ($/t)	+11.8%	+25.0%	+25.0%
Silver price ($/oz)	+0.1%	+100.0%	+118.8%
Molybdenum price ($/t)	+1.8%	+1.3%	0.0%

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

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NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
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mBank issued the following recommendations for KGHM in the 12 months prior to this publication:

KGHM (Jakub Sargsyan)

Rating	sell
Rating date	2024-11-22
Target price (PLN)	102,60
Price on rating day	130,30

Comparable Companies Used In Relative Valuation Models:

KGHM	Freeport-McMoRan, Grupo Mexico, Southern Copper, First Quantum, Antofagasta, Ivanhoe Mines, Teck Resources, Lundin Mining, Capstone Copper, Sandfire Resources, Hudbay Minerals, BHP Group, Glencore, ZIJIN Mining, Anglo American, Rio Tinto

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