

Beverages

Update

Czech Republic

# Kofola CeskoSlovensko

The record figures will continue to grow; Buy with TP CZK381

## Buy

Price 12.05.22	<b>CZK 293</b>
12m target	<b>CZK 381</b>
Upside to TP	<b>30,0%</b>
Dividend	<b>CZK 13,5</b>
Total return	<b>34,6%</b>

### Sector stance

Underweight

### Investment type

High dividend yield

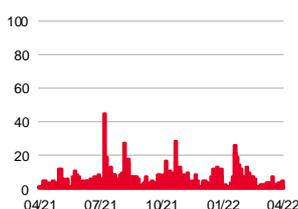
Acquisition growth

### 1 year performance



Source: Bloomberg

### Trading volume (in ths of shares)



Source: Bloomberg

### Share data

<b>RIC</b>	KOFOL.PR	<b>Bloom</b>	KOFOL CP
52-week range	274-334		
Market cap. (CZKbn)	6,5		
Market cap. (EURm)	257		
Free float (%)	27		
<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Share	-3,3	-7,6	3,5
Rel. PX Index	1,1	4,5	-11,5

Source: Bloomberg

### The latest analysis and report:

[https://bit.ly/Kofola\\_last\\_divi2021](https://bit.ly/Kofola_last_divi2021)
[https://bit.ly/Kofola\\_3Q21\\_results](https://bit.ly/Kofola_3Q21_results)
[https://bit.ly/Kofola\\_4Q21final](https://bit.ly/Kofola_4Q21final)

SOCIETE  
GENERALE  
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**Recommendation:** We issue a Buy rating and target price of CZK381 for soft drinks producer Kofola CeskoSlovensko (the recommendation and target price were in revision). Kofola is one of the main players on the nonalcoholic beverages market in Central and Eastern Europe. The company's portfolio primarily relies on carbonated drinks and mineral waters. The pandemic and related restrictive measures have had a significant impact on Kofola's results, especially in the HoReCa sector. The company's numbers have recovered to pre-pandemic levels, and we believe there is still a significant upside. We expect all three segments (CzechoSlovakia, Adriatic region and Fresh&Herbs) to organically grow in the future. Moreover, another avenue is presented in the M&A where Kofola is fairly active.

**Business Outlook:** In our projections, we see sales growing 5.8% on an average CAGR basis from the current CZK6.6bn to CZK8.8bn in 2026. Raw material costs (e.g. packaging, sugar/sweeteners) are expected to grow 25% just this year. Otherwise, the company is expected to maintain its disciplined approach to expenses. This year's EBITDA is expected to reach CZK1,188m, up from last year's CZK1,128m, attacking the upper end of Kofola's guidance of CZK1,080-1,200m. Following a sharp increase due to acquisitions, leverage fell to 3.1x last year and we further expect it to drop below 2.0x.

**Valuation:** Our new CZK381 target price is derived from a DCF model. The TP in comparison to current market value implies a 30% upside. At our TP, Kofola would trade at P/E 27.1 and EV/EBITDA 10.0. The sector median of comparable companies is at around 25.9, respectively 19.7. We use a WACC in the range of 5.8% to 6.6% depending on the year and a terminal growth rate of 1%.

**Key Risks:** Given current situation we see a heightened risk of inflation on the production entry especially related to sweeteners and packaging. On the other hand, we see a significant relief on the side of distribution channels in connection to the lesser impact of COVID-related measures.

**Upcoming Events:** Kofola is expected to report first quarter 2022 results on 1 July.

This is an abbreviated version. The full report in Czech can be found here [https://bit.ly/Kofola\\_20220512upd\\_CZ](https://bit.ly/Kofola_20220512upd_CZ).

Financial Data	2021	2022e	2023e	2024e	Ratios	2021	2022e	2023e	2024e
Revenues (mil. CZK)	6,636	7,377	7,793	8,138	P/E (x)	26.7	21.8	17.2	14.7
EBITDA margin (%)	17.0	16.1	16.5	16.8	Price / Free Cash Flow	7.4	7.7	9.4	10.1
Net Income (mil. CZK)	240	314	397	464	Dividend yield (%)	4.7	3.5	3.5	3.5
EPS (CZK)	10.8	14.1	17.8	20.8	P/BV (x)	4.8	5.1	4.7	4.3
DPS (CZK)	13.5	13.5	13.5	13.5	EV/S (x)	1.5	1.4	1.3	1.2
Payout (%)	45.7	12.5	9.6	7.6	EV/EBITDA (x)	8.8	8.5	7.7	7.0
Interest Coverage (x)	3.1	3.5	4.2	4.7	P/OCF	5.6	5.2	5.7	5.6
Net Debt / Equity (%)	2.7	2.5	2.2	1.8	ROE (%)	18.0	23.4	28.4	30.4



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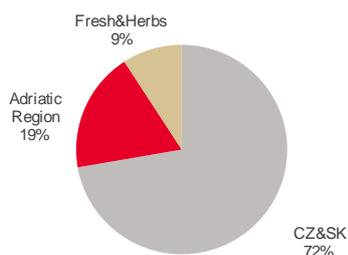


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## Company overview

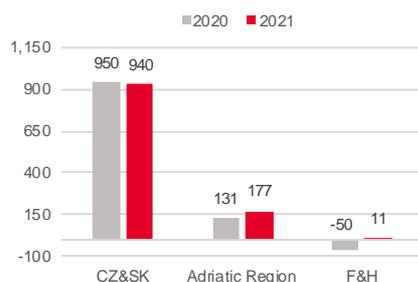
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ Leading positions on Slovak and Slovenian markets, second place on Czech and Croatian markets</li> <li>■ Strong local brands</li> <li>■ Vast experience of management in the areas of production and distribution of nonalcoholic beverages</li> </ul>	<ul style="list-style-type: none"> <li>■ High bargaining power of retail chains pressuring producers' margins</li> <li>■ High leverage, possibly impacting dividends</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Inorganic growth via potential acquisitions</li> <li>■ Focus on healthy nutrition, extending UGO salad bar segment</li> <li>■ Fall in raw material costs (especially sweeteners and packaging)</li> <li>■ Potential dividend growth</li> </ul>	<ul style="list-style-type: none"> <li>■ Restrictive measures impacting business</li> <li>■ Raw materials cost increase</li> <li>■ Failure to integrate acquisitions</li> <li>■ Adverse macroeconomic situation in countries the company operates in</li> </ul>

Geographical sales breakdown (2021)

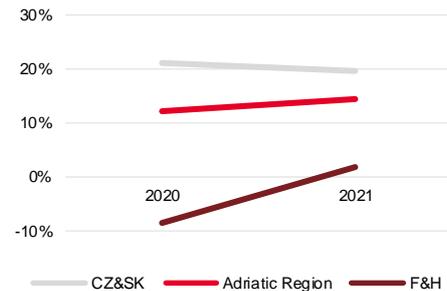


Source: Kofola

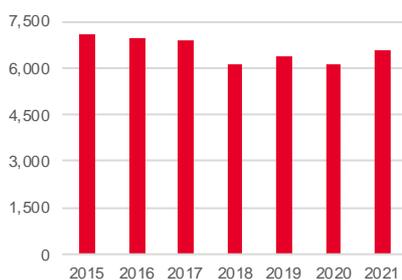
EBITDA by segment (CZKm)



EBITDA margin (%)

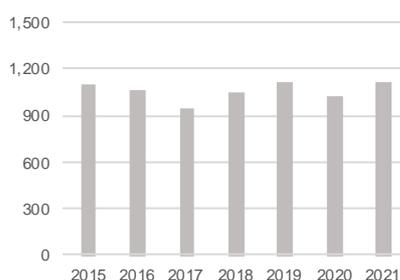


Sales (CZKm)

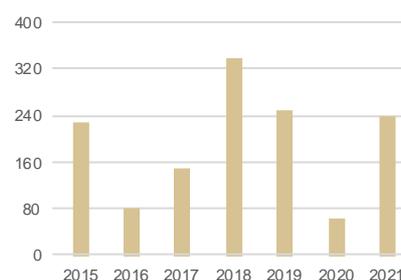


Source: Kofola

EBITDA (CZKm)



Net Profit (CZKm)



## Company results

### The year 2021

#### Kofola's financials for 4Q21 and FY 2021

CZKm	4Q20	4Q21	y/y	KB	consensus	2020	2021	y/y
Sales	1,338	<b>1,569</b>	17.2%	1,357	1,432	6,171	<b>6,636</b>	7.5%
EBITDA	124.5	<b>141.7</b>	13.8%	116	135	1,030	<b>1,128</b>	9.5%
margin	9.3%	<b>8.8%</b>	-0.5bps	8.6%	9.4%	16.7%	<b>17.0%</b>	0.3bps
EBIT	-44.4	<b>-9.8</b>	n.m.			293	<b>535</b>	83.0%
Net Profit	-131.8	<b>-60.1</b>	n.m.			66	<b>240</b>	266%

Source: Kofola CeskoSlovensko; Economic & Strategy Research, Komerční banka, \*Company consensus

Kofola's last quarter (4Q21) and record-best full-year results surpassed both the consensus and the company's guidance. Sales and EBITDA exhibited 17%, respectively 14%, yoy growth last quarter; the latter was primarily driven by the CzechoSlovakia segment (CZK165m). The Fresh&Herbs division showed an improvement contributing CZK3m, while the Adriatic region was in a loss (CZK-26m).

The company's 2022 guidance expects EBITDA in the CZK1,080-1,200m range with 11% sales growth. Other reported goals include CAPEX at a maximum 35% EBITDA and leverage around 3.0x this year and 2.0x in the long term. The dividend is expected to remain the same, CZK13.5 per share.

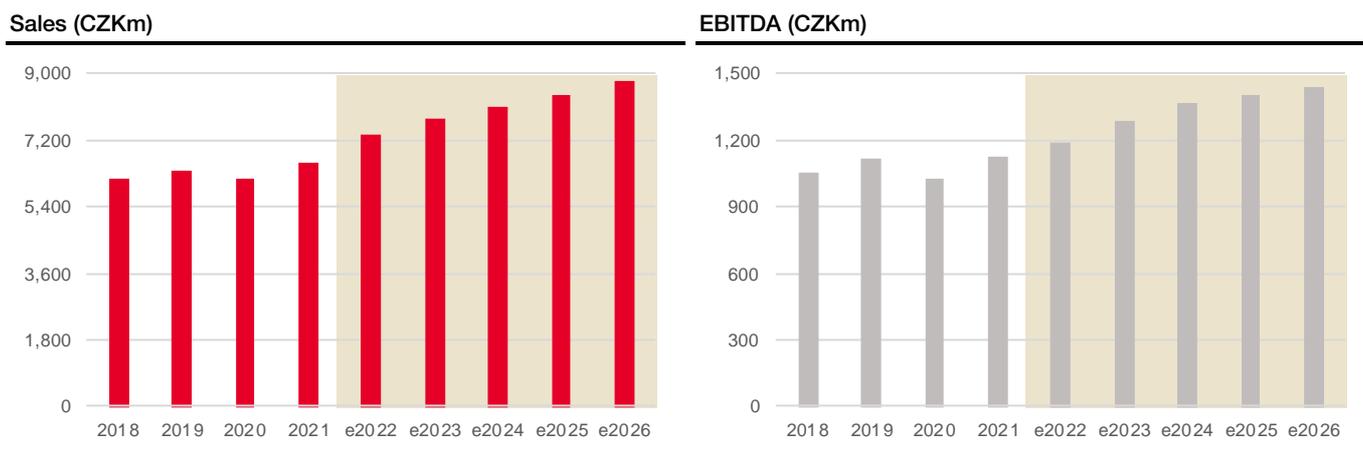
### Forecast 2022

CZKm	2021	2022 (KB estimate)	y/y	guidance
Sales	6,636	<b>7,377</b>	11.2%	+11% y/y
EBITDA	1,128	<b>1,188</b>	5.3%	1,080 – 1,200
CAPEX	278	<b>406</b>		max 35% EBITDA
Dividend (CZK)	13.5	<b>13.5</b>		13.5
Leverage (ND / EBITDA)	3.1x	<b>2.8x</b>		3.0x

Source: Kofola CeskoSlovensko; Economic & Strategy Research, Komerční banka

Last year's results were still negatively impacted by the COVID-related restrictions, which have deeply disturbed the gastronomic sector. We do not expect these effects to further largely impact results. We forecast a 11.2% top-line growth and EBITDA at CZK1,188m, which nears the upper end of Kofola's guidance.

### Long-term forecasts

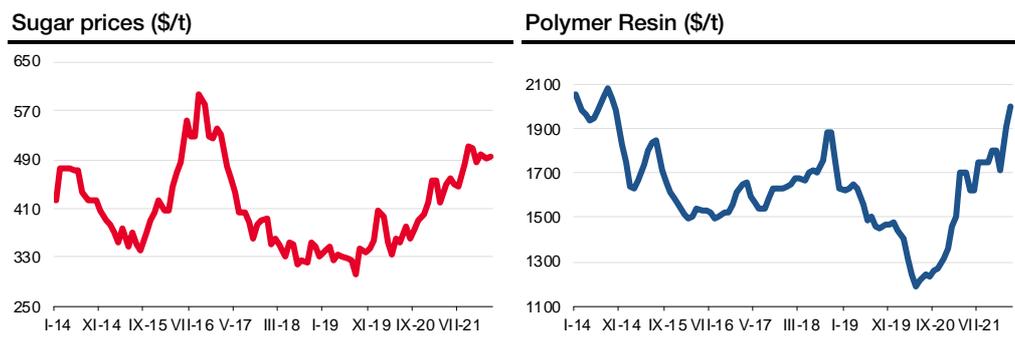


Source: Kofola CeskoSlovensko; Economic & Strategy Research, Komerční banka

The three pillars of Kofola’s business are CzechoSlovakia, the Adriatic region and Fresh&Herbs, which includes UGO salad bars and the Premium Rosa and Leros brands. Compared with previous years, we do not expect any further significant negative impact from pandemic-related measures. Our top-line growth estimate in the current year is consistent with Kofola’s sales target, while our EBITDA estimate nears the upper boundary of the company’s expectations.

We forecast sales growing 5.8% on average in 2022 to 2026 with the CzechoSlovakia segment continuing to be the main contributor, seizing almost an 80% share. It should be pointed out that Kofola’s business is inherently seasonal. Traditionally, the third quarter is the best followed by the second, fourth and first, constituting approx. 31%, 26%, 23% and 19% of sales, respectively.

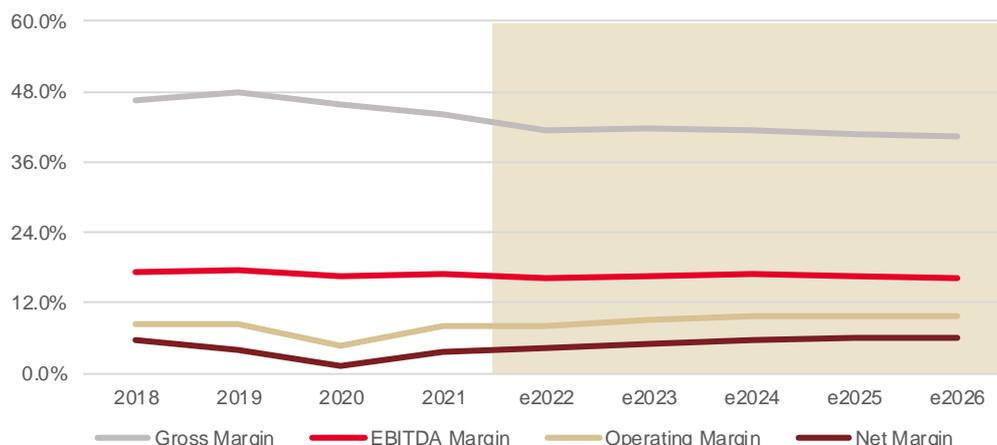
On the expenses side, main costs include packaging materials (PET) and sweeteners, which account for about 55% and 25% of raw material costs respectively. The rest is attributed to concentrates and aroma. Kofola has enjoyed an environment of very low prices in recent years. Kofola now expects approximately 25% growth in both of these cost categories.



Source: Bloomberg

Discounting the external factors above, Kofola traditionally employs strict cost control. Marketing expenses should account for 5% of total sales, while fixed costs are expected to remain stable. In our model, we project slight average growth of 2.3% between 2022 and 2026. **Kofola projects EBITDA in the CZK1,080-1,200m range.** Our 2022 EBITDA figure of **CZK1,188m** attacks the upper boundary of the company’s expectations. We further expect **EBITDA to grow 5.0% on average to CZK1,440m in 2026.**

Margin comparison (%)



Source: Kofola CeskoSlovensko; Economic & Strategy Research, Komerční banka

The above graph depicts the margin deterioration in 2020 due to the COVID-19 pandemic, mainly the restrictive measures that have plagued the gastro sector in particular. With the easing of measures and waning effects of the pandemic, the EBITDA margin recovered in 2021 to 17% from 16.7% in 2020. Nevertheless, given the discussed inflation on the production entry, we expect the EBITDA margin to deteriorate and hit 16%. In the longer term, we believe the EBITDA margin will be contained in the 16-17% range.

### Dividend policy

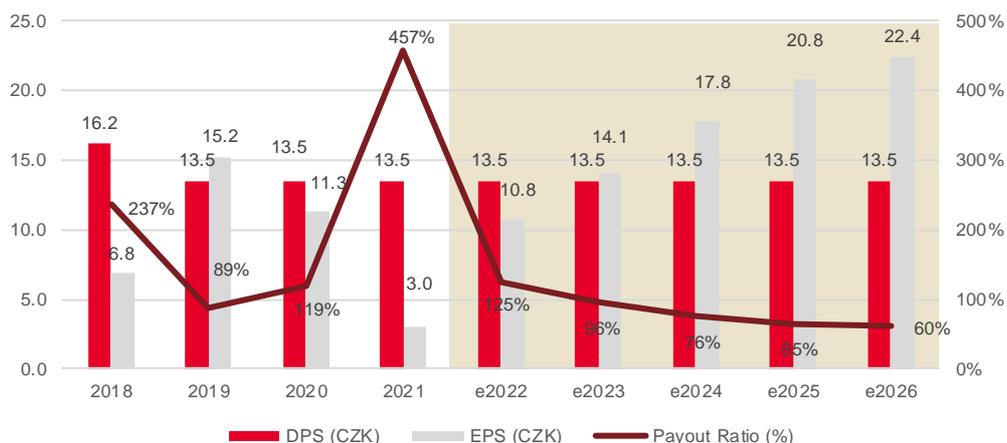
Kofola consistently paid out CZK13.5/share in recent years.

In line with its dividend policy of CZK300m in nominal payout, the company paid out CZK13,5 per share last year. Our conservative forecast considers a stable dividend of no less than CZK13.5, driving the payout ratio lower as EPS rise. With respect to our target price, this represents approximately 3.5% gross dividend yield.

We see a large upside potential for dividends.

However, we note that there is large upside potential for dividend growth primarily on the basis of higher EPS and decreasing leverage (see below). Meanwhile, potential acquisitions could negatively impact dividend payouts; but, given the acquisitions in the past years, we do not expect any significant acquisitions in the nearest term.

**Dividend projections (CZK)**



Source: Kofola CeskoSlovensko; Economic & Strategy Research, Komerční banka; in year in which is paid

**Indebtedness**

After a sharp increase in leverage in 2020, given by the acquisitions of Ondrasovka and Karlovarska Korunni, the net debt / EBITDA ratio fell to 3.1x.

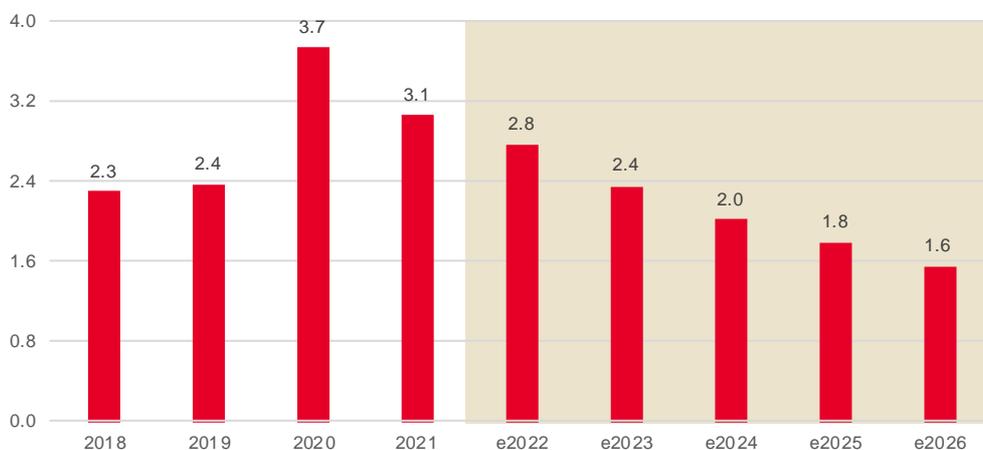
Leverage to drop to 1.6x.

We project the leverage to relatively quickly drop down to 1.6x, under the Kofola’s long-term goal of 2.0x which we consider to be a comfortable level. Lower forecasted leverage would not only further strengthen sustainable dividend policy but also lend space for potential acquisitions.

In line with Kofola’s long-term sustainability strategy, potential acquisition targets could be in the areas of local sourcing of healthy ingredients or sustainable packaging. The extension of gastro and mineral water portfolio also comes to mind.

On the contrary, extremely high leverage could negatively impact dividend policy. However, as Kofola has already shown, its dividend policy is able to sustain even higher leverage in the short term.

**Leverage (Net Debt / EBITDA)**



Source: Kofola, Economic & Strategy Research, Komerční banka

# Valuation

## Sector comparison

For comparison purposes, we have selected companies with a similar focus that operate either in the Czech Republic or other European countries. Furthermore, for an overall sectoral comparison, we use the marketwide sub-industry index S&P 500 Soft Drinks.

For the past two years, the sector has been largely impacted by COVID-19 in regard to restrictive measures. Thus, we believe a further revival of economic activity could be an important catalyst for the sector.

The P/E ratio shows that the market values Kofola at a significantly lower premium on earnings per share compared to the competition. An even more apparent discount is implied by EBITDA and sales multiples (EV/EBITDA, EV/Sales and P/Sales). Furthermore, Kofola currently offers an above-average 4.4% gross dividend yield in comparison to the sector.

Multiples indicate a large discount compared to the sector.

Overall, the multiples valuation hints at a significant discount in Kofola's valuation compared with companies similar in profile.

### Peers Comparison

	P / E			EV/EBITDA			EV/Sales			P/S			ROE	Divi. %
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	akt.	akt.
Kofola CeskoSlovensko AS	21,8	17,2	14,7	8,5	7,7	7,0	1,4	1,3	1,2	0,9	0,9	0,8	23,4	4,4
Coca-Cola Co/The	26,0	24,2	22,6	22,9	21,3	19,8	7,4	7,1	6,7	6,6	6,3	6,0	45,6	2,7
PepsiCo Inc	25,7	23,6	21,7	17,9	16,7	15,6	3,3	3,1	3,0	2,9	2,7	2,6	63,2	2,7
Monster Beverage Corp	31,0	26,5	23,4	21,5	18,7	17,0	6,7	6,0	5,5	7,1	6,4	5,9	22,0	n/a
AG Barr PLC	18,6	18,1	17,2	10,4	9,8	9,2	2,0	2,0	1,9	2,3	2,2	2,1	11,8	1,8
Keurig Dr Pepper Inc	22,2	20,3	18,7	15,8	15,1	14,4	4,8	4,6	4,4	3,9	3,7	3,6	9,7	2,0
Fevertree Drinks PLC	38,2	31,1	25,8	24,4	19,4	16,0	4,4	3,9	3,5	4,8	4,3	3,8	16,7	1,1
MEDIAN	25,9	23,9	22,1	19,7	17,7	15,8	4,6	4,2	3,9	4,4	4,0	3,7	19,4	2,0
S&P 500 Soft Drinks Sub Indust	26,1	24,0	22,2	20,2	18,7	17,4	n/a	n/a	n/a	4,1	4,0	3,8	47,0	n/a
Kofola vs median	-15,9%	-28,0%	-33,5%	-56,8%	-56,7%	-55,6%	-70,2%	-70,2%	-70,1%	-78,8%	-78,1%	-77,3%	20,7%	119,9%
Kofola vs S&P 500 Soft Drinks	-16,7%	-28,5%	-33,7%	-57,8%	-59,2%	-59,8%	n/a	n/a	n/a	-77,7%	-77,9%	-77,6%	-50,3%	n/a

Source: Bloomberg, Economic & Strategy Research, Komerční banka

A reminder that sectoral comparison with Kofola's closest competitors might be misleading, primarily due to the heterogeneity of individual companies with respect to size, product mix, geographical segmentation or capital structure.

## Target price

A discounted cash-flow model was used.

**We use a two-stage discounted cash flow model (DCF) with a five-year explicit forecasting period for the valuation of Kofola.** Free cash flow is discounted using weighted average cost of capital (WACC) in the range of 5.8-6.6% for the period. The terminal WACC rate, used for the calculation of the horizon value, is calculated based on normalised values of risk-free interest rates and equity risk premia. The terminal growth rate is assumed at 1%. Based on the results of the DCF model with discount rates included in the table below, **we obtain the fair value of the company at CZK381 per share.**

A new target price is set at CZK381 per share.

**Kofola valuation**

	e2022	e2023	e2024	e2025	e2026
<b>WACC</b>	<b>6.6%</b>	<b>6.2%</b>	<b>5.8%</b>	<b>5.9%</b>	<b>6.5%</b>
<b>CoE</b>	<b>8.4%</b>	<b>8.1%</b>	<b>7.9%</b>	<b>7.8%</b>	<b>8.7%</b>
Beta	0.837	0.837	0.837	0.837	0.837
Risk Free Rate	3.3%	3.0%	2.7%	2.7%	2.8%
Equity Risk Premium	5.1%	5.1%	5.1%	5.1%	6.1%
Country Risk Premium	0.8%	0.9%	0.9%	0.9%	0.9%
<b>CoD</b>	<b>5.9%</b>	<b>5.3%</b>	<b>4.7%</b>	<b>4.5%</b>	<b>4.5%</b>
<b>Discounted FCFF (mil. CZK)</b>					
EBITDA	1,188	1,288	1,371	1,405	1,440
Taxes Paid	-107	-144	-170	-178	-193
WC Change	216	33	-16	-36	-49
CAPEX	-406	-452	-505	-525	-546
<b>FCFF</b>	<b>891</b>	<b>725</b>	<b>680</b>	<b>666</b>	<b>652</b>
Preset Value of FCFF	836	640	568	525	483
Sum of Present Value until 2026	3,052				
LT Growth	1.0%				
Preset Value after 2026	8,887				
Net Debt	3,453				
Estimated Value of Equity	8,486				
<b>Target Price (CZK)</b>	<b>381</b>				

Source: Economic & Strategy Research, Komerční banka

The following table provides a snapshot of the sensitivity of Kofola's target price to changes in WACC and the long-term growth rate.

**Sensitivity analysis**

<b>Target Price</b>					
<b>LT Growth / WACC</b>	<b>-100 bb</b>	<b>-50 bb</b>	<b>6.2 % / 6.5 % *</b>	<b>+50 bb</b>	<b>+100 bb</b>
0.0%	381	423	423	381	316
0.5%	346	381	381	346	290
1.0%	346	381	381	346	290
1.5%	381	423	423	381	316
2.0%	474	539	539	474	381

Note: \* the first value corresponds to the average for the years 2022-26, the second value after 2026

Source: Economic & Strategy Research, Komerční banka

## Kofola financials

<b>CZK</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>e2022</b>	<b>e2023</b>	<b>e2024</b>	<b>e2025</b>	<b>e2026</b>
<b>INCOME STATEMENT</b>								
Sales	6 409	6 171	6 636	7 377	7 793	8 138	8 470	8 805
CoS	-3 345	-3 350	-3 710	-4 321	-4 548	-4 777	-5 010	-5 255
Gross Profit	3 065	2 822	2 926	3 056	3 244	3 360	3 459	3 550
Operating Costs	-2 525	-2 529	-2 391	-2 473	-2 549	-2 580	-2 632	-2 680
Operating Profit	540	293	535	584	695	781	827	869
EBITDA adjusted	1 119	1 030	1 128	1 188	1 288	1 371	1 405	1 440
Fin. Net	-141	-101	-170	-166	-165	-163	-161	-159
Pre-tax	399	192	365	418	530	618	666	710
Income Tax	-146	-126	-125	-105	-132	-155	-166	-177
Net Income	253	66	240	314	397	464	499	532
<b>BALANCE SHEET</b>								
Total Assets	6 916	7 537	7 236	7 299	7 379	7 504	7 655	7 836
Non-current Assets	4 394	5 684	5 306	5 136	4 996	4 915	4 863	4 841
PPE	3 127	3 449	3 221	4 272	4 131	4 045	3 993	3 968
Others	1 267	2 235	2 085	864	865	870	871	873
Current Assets	2 522	1 854	1 929	2 163	2 383	2 588	2 792	2 995
Inventories	485	519	641	606	614	613	609	603
Trade and Other Receivables	1 247	783	867	1 011	1 014	1 003	986	965
Cash and Cash Equivalents	774	544	392	517	726	944	1 169	1 400
Others	16	7	30	29	29	28	27	27
Total Equity	1 514	1 307	1 297	1 310	1 406	1 569	1 767	1 998
Non-current Liabilities	2 843	3 993	3 436	3 387	3 339	3 293	3 247	3 203
Current Liabilities	2 560	2 237	2 503	2 603	2 634	2 642	2 641	2 634
<b>CASH FLOW</b>								
Pre-tax	422	192	365	418	530	618	666	710
Depreciation and amortisation	566	632	618	604	593	590	578	570
Other Non-cash Movements	123	152	168	187	194	188	188	186
Income Taxes Paid	-122	-131	-149	-107	-144	-170	-178	-193
WC Change	-57	-60	140	216	33	-16	-36	-49
Net Cash Flow from Operating Activities	932	785	1 142	1 319	1 206	1 210	1 218	1 224
Net Cash Flow from Investing Activities	-355	-1 349	-231	-406	-452	-505	-525	-546
Dividends Paid	-286	-275	-288	-301	-301	-301	-301	-301
Net Cash Flow from Financing Activities	-419	325	-1 052	-788	-544	-488	-468	-448
Change in Cash	155	-231	-152	125	209	218	225	231

Source: Kofola, Economic &amp; Strategy Research, Komerční banka

**Kofola financials**

	2019	2020	2021	e2022	e2023	e2024	e2025	e2026
<b>RATIOS</b>								
ROE (%)	16,8	4,6	18,0	23,4	28,4	30,4	29,2	27,7
ROA (%)	3,7	0,9	3,3	4,3	5,4	6,2	6,6	6,9
ROIC (%)	5,3	1,2	4,4	6,1	7,7	8,8	9,2	9,5
<b>MARGIN</b>								
Gross Margin (%)	47,8	45,7	44,1	41,4	41,6	41,3	40,8	40,3
EBITDA Margin (%)	17,5	16,7	17,0	16,1	16,5	16,8	16,6	16,4
Operating Margin (%)	8,4	4,7	8,1	7,9	8,9	9,6	9,8	9,9
Net Margin (%)	3,9	1,1	3,6	4,3	5,1	5,7	5,9	6,0
<b>Growth</b>								
Sales (%)	4,1	-3,7	7,5	11,2	5,6	4,4	4,1	4,0
CoS (%)	1,2	0,1	10,8	16,5	5,3	5,0	4,9	4,9
EBITDA (%)	1,7	-16,0	24,6	3,0	8,4	6,4	2,5	2,5
EBITDA adjusted (%)	5,9	-8,0	9,5	5,3	8,4	6,4	2,5	2,5
Net Income (%)	-26	-74	265	30	27	17	8	7
<b>FINANCING</b>								
Net Debt / EBITDA (x)	2,4	3,7	3,1	2,8	2,4	2,0	1,8	1,6
Net Debt / Equity (x)	1,8	2,9	2,7	2,5	2,2	1,8	1,4	1,1
Assets / Equity (x)	4,6	5,8	5,6	5,6	5,2	4,8	4,3	3,9
Interest Coverage (x)	3,7	2,4	3,1	3,5	4,2	4,7	5,1	5,4
<b>VALUATION</b>								
P/E (x)	26,0	79,1	26,7	21,8	17,2	14,7	13,7	12,8
P/Operating Cash Flow (x)	7,1	6,6	5,6	5,2	5,7	5,6	5,6	5,6
P/Free Cash Flow (x)	14,9	20,6	7,4	7,7	9,4	10,0	10,3	10,5
P/BV (x)	4,3	3,9	4,8	5,1	4,7	4,2	3,8	3,4
EV/S (x)	1,4	1,5	1,5	1,4	1,3	1,2	1,1	1,0
EV/EBITDA (x)	8,3	8,8	8,8	8,5	7,7	7,0	6,6	6,3
<b>DATA PER SHARE (CZK)</b>								
EPS	11,3	3,0	10,8	14,1	17,8	20,8	22,4	23,9
Operating Cash flow	41,8	35,2	51,2	59,2	54,1	54,3	54,6	54,9
Book Value	68,6	60,0	60,0	60,5	64,8	72,1	81,0	91,4
Gross Dividend	13,5	13,5	13,5	13,5	13,5	13,5	13,5	13,5
Dividend yield, brutto (%)	4,6	5,8	4,7	4,4	4,4	4,4	4,4	4,4

Source: Kofola, Economic &amp; Strategy Research, Komerční banka

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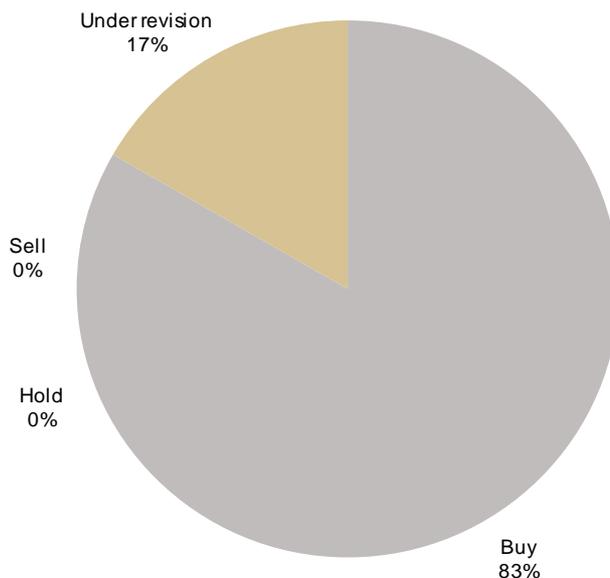
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The chart below shows the structure of grades of valid investment recommendations of equity research of KB Economic & Strategy Research (8 recommendations).

**Investment recommendations of KB equity research**



Source: Economic & Strategy Research, Komerční banka

**KB Equity Research ratings on a 12 month period**

**BUY:** absolute total shareholder return forecast of 15% or more over a 12 month period.

**HOLD:** absolute total shareholder return forecast between 0% and +15% over a 12 month period.

**SELL:** absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

Overview of recommendations published by KB and relationships with particular issuers

	Avast	Ceska zbrojovka	CEZ	Kofola	MONETA Money Bank	O2 CR	PFNon-wovens	Philip Morris CR	Vienna Insurance
<b>Overview of last investment research and recommendations related to stocks of particular issuers</b>									
Recommendation	Buy	Buy	In revision	Buy	Buy	End	End	Buy	End
Target price	GBp 600	CZK 645	In revision	CZK 381	CZK 109.7	of coverage	of coverage	CZK 18183	of coverage
Date	11.02.2021	17.01.2022	10.05.2022	12.05.2022	31.08.2021	25.02.2022	15.02.2021	11.02.2022	22.11.2019
Price on the day of the publication	CZK 147	CZK 506	CZK 1010	CZK 293	CZK 87.1	CZK 270	CZK 800	CZK 16760	EUR 24.7
Investment horizon	12 months	12 months	12 months	12 months	12 months			12 months	
Author	B. Trampota	B. Trampota	B. Trampota	B. Trampota	B. Trampota			B. Trampota	
<b>Overview of investment researches and recommendations for last 12M (quarterly)</b>									
Recommendation	Buy	In revision	Buy	In revision	In revision	Buy	In revision	Buy	Buy
Target Price	GBp 466	In revision	CZK 905	In revision	In revision	CZK 362	In revision	CZK 16 512	EUR 27
Date	30.08.2019	31.03.2021	10.12.2021	15.02.2022	07.05.2021	26.03.2021	30.04.2020	20.11.2020	11.09.2018
Recommendation	In revision	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy
Target Price	In revision	CZK 357	CZK 621	CZK 367	CZK 97	CZK 293	CZK 924	CZK 18308	EUR 26
Date	14.08.2019	27.11.2020	23.07.2020	12.01.2021	29.10.2019	08.01.2020	01.04.2019	03.12.2018	03.03.2017
Recommendation	Buy		Buy	In revision	Buy	Buy	Hold	Buy	
Target Price	GBp 342		CZK 717	In revision	CZK 97	CZK 298	CZK 924	CZK 17546	
Date	15.06.2018		10.06.2019	26.11.2020	07.03.2019	12.12.2018	26.10.2018	22.08.2017	
Recommendation			Buy	Buy	Buy	Hold	In revision	Hold	
Target Price			CZK 620	CZK 482	CZK 93	CZK 270	In revision	CZK 13500	
Date			11.06.2018	04.07.2019	06.03.2018	18.08.2017	17.05.2018	25.05.2017	
Valuation methods	DFCF	DFCF	DFCF	DFCF	DFCF DDM ERM	DFCF DDM	DFCF	DDM	DDM ERM
Frequency of rec. (per year)	once	once	once	once	once	once	once	once	once
Direct or indirect share (5% or more) of the issuer of the registered capital of KB	no	no	no	no	no	no	no	no	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	no	no	no	no	no	no	no	no
KB direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no	no	no
Author's direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no	no	no
Signific. fin. interest in the issuer of the persons partic. in elaboration of inv. research and rec.	no	no	no	no	no	no	no	no	no
<b>Relationships of Komerční banka with particular issuers</b>									
KB Management or co- management of public offerings in the past 12 month	no	yes	no	no	no	no	no	no	no
Agreements or contractual relations for providing investment services with the issuer	KB can have concluded agreements with the issuer for providing investment services. This information is protected by bank secret and could not be disclosed.								
Agreement with the issuer on production and dissemination of the research	no	no	no	no	no	no	no	no	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model  
 Source: Economic & Strategy Research, Komerční banka