

Media | Update | Czech Republic |

CME

Significant reduction of indebtedness supports future dividends

Buy

Price 28.03.19	USD 3.8 CZK 88.0
12m target	USD 5.2 CZK 119.4
Upside to TP	36.1%
Dividend	USD 0.2 CZK 4.4
Total return	41.1%

Sector stance

Overweight

Investment type

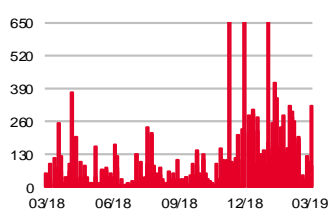
Cyclical sector

1 year performance



Source: Bloomberg

Trading volume (in ths of shares)



Source: Bloomberg

Investment recommendation: Based on our updated model, we confirm our **Buy** recommendation for CME stocks with a new increased target price of **\$5.2 per share**. We assume, that improved financial results supported by positive development on the CEE media market and ongoing efforts at debt reduction will lead to a growth trend in the financial performance of the company. In particular, the issue of indebtedness is crucial. According to the company's plans, the amount of debt should decrease to such a level as to allow the company to allocate equity in the form of a dividend, for example. We expect that the first payment of the dividend should happen in 2020 from the current year's profit with a dividend yield of 5.0% compared with the actual market price.

Company results and expected development: We expect a gradual improvement of the financial results of CME due to the convergence of advertising expenditures of CEE countries with developed countries. The decreasing trend in debt service will continue in 2019 and beyond. The current year is especially important as debt service should fall to the level of \$27m. This item was the main reason in recent years that CME couldn't reach a positive net profit and decrease its debt. During 2019, management of CME should announce whether there will be a historical milestone in the form of dividend policy.

Company valuation: For assessing the share price, we have used the **discounted free cash flow model**, where we have discounted the expected cash flows for 2019-23. This resulted in a fair value of \$5.1 apiece, which we adjusted for higher speculative potential. Due to this, the target price is \$5.2 apiece, which is 36.1% above the current market price. According to a peer comparison, CME shares are **undervalued** as P/E in 2019 is 6.2. On the contrary, this ratio for comparable companies is 12.1. Slightly better situation is with EV/EBITDA, where CME reaches 8.2 whereas its competitors are at the level of 6.5. The valuation of CME is further decreased by the fact that the company currently doesn't offer additional returns in the form of a dividend as is usual for comparable companies.

Upcoming events: The 1Q19 financial results will probably be announced in the second half of April.

Share data				Financial data				Ratios			
	2018	2019f	2020f	2021f							
RIC CETVsp.PR Bloom CETV CP	704	769	806	857	Revenues (\$m)	6.2	9.6	8.7	7.9		
52-week range	32	32	32	32	EBITDA margin (%)	9.0	8.5	10.6	11.7		
Market cap. (CZKbn)	158	139	154	170	Rep. net inc. (\$m)	0.0	3.6	4.0	4.5		
Market cap. (GBPm)	0.6	0.6	0.6	0.7	Price/book value (x)	4.3	3.2	2.8	2.5		
Free float (%)	0.0	0.2	0.2	0.2	EV/revenues (x)	0.3	0.9	0.9	0.8		
Performance (%) 1m 3m 12m	nm	35.0	35.0	35.0	EV/EBITDA (x)	7.9	8.2	7.5	7.0		
Share	11.3	41.3	3.2		EV/IC (x)	10.1	9.2	9.8	10.7		
Rel. to FTSE100	10.9	29.6	7.4		Net debt/EBITDA (x)	141.0	43.1	34.5	33.6		

Source: Bloomberg

The latest analysis and report:

http://bit.ly/CME_4Q18resEN<http://bit.ly/CMEflash201902EN>SOCIETE
GENERALE
GROUP

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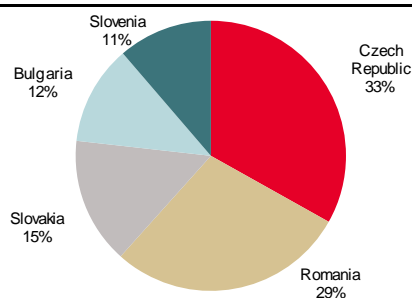
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Company overview

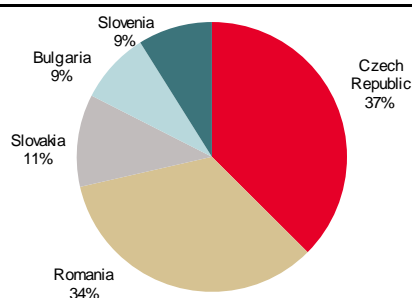
Strengths	Weaknesses
<ul style="list-style-type: none"> ■ CME belongs among the media leaders on markets, where it operates ■ Geographical diversification (the Czech Republic, Slovakia, Romania, Bulgaria and Slovenia) ■ Growing profit margins ■ Production of own TV content 	<ul style="list-style-type: none"> ■ High indebtedness ■ Currently missing dividend policy
Opportunities	Threats
<ul style="list-style-type: none"> ■ Ongoing attempts at reducing debt ■ In case of lower indebtedness, CME promised to consider introducing a dividend policy ■ Convergence of TV ad expenditures of CEE countries toward developed markets 	<ul style="list-style-type: none"> ■ Strong correlation of economic cycles with financials of the company ■ Fluctuations of foreign exchange rates versus USD ■ Introduction of sector taxes, either on media companies or other sectors, which would decrease ad expenditures

Revenues by segments (2018)



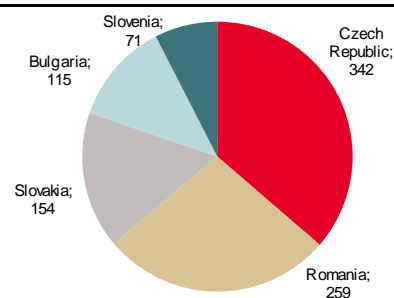
Source: Economic & Strategy Research, Komerční banka, CME

OIBDA by segments (2018)



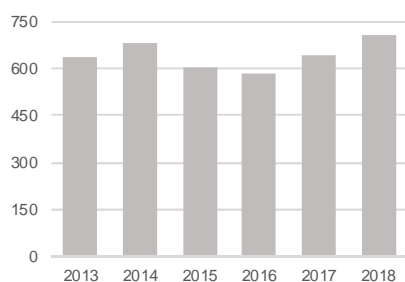
Source: Economic & Strategy Research, Komerční banka, CME

TV ad market size (\$m)



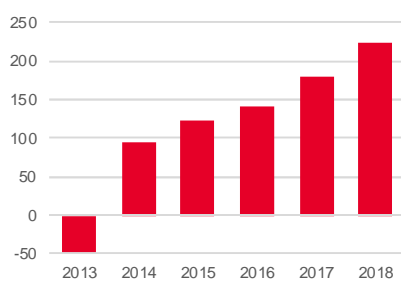
Source: Economic & Strategy Research, Komerční banka, CME

History of revenues (\$m)



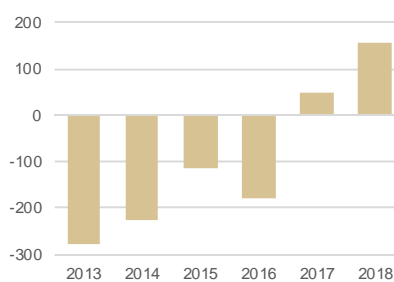
Source: Economic & Strategy Research, Komerční banka, CME

History of OIBDA (\$m)



Source: Economic & Strategy Research, Komerční banka, CME

History of net profit (\$m)



Source: Economic & Strategy Research, Komerční banka, CME

Financial situation of the company

In this chapter, we will take a closer look at the latest company results for 4Q18 including our expectations for the current year. Subsequently, we will introduce our outlook for the next five years.

Latest company results

CME results for 4Q18

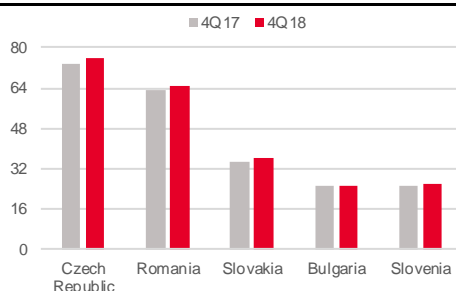
\$m	4Q17	4Q18	change
Revenues	221.3	228.3	3.2%
OIBDA	76.4	90.7	18.7%
Operating income	65.5	80.8	23.3%
Net profit	40.8	56.0	37.2%

Source: Economic & Strategy Research, Komerční banka, CME

Our estimates for 4Q18 were some of the most optimistic. The above-mentioned figures include Slovenia, which was included after the announcement of terminating the sale of this segment in January. Revenues rose 3.2% to \$228.3m, and the sales breakdown showed a positive contribution by all markets. Profitability continues its growth trend from 2017 even in the last quarter of 2018 mainly due to positive macroeconomic conditions, TV ad market expansion and the continuing growth of carriage fees and subscription revenues. OIBDA grew 18.6% in 4Q18, reaching \$90.7m. Net profit from continuing operations reached \$56.0m, representing 37.6% yoy growth.

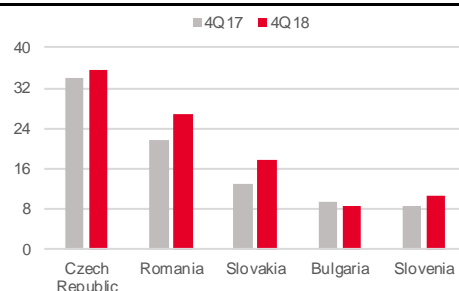
Revenue growth was mainly driven by the Czech segment, where revenues rose 3.3% yoy (\$75.9m), followed by Slovakia, which registered an increase of 5.4% (\$36.2m). Overall revenue growth in 4Q was lower than our expected pace of 7.1%. The Czech Republic has the largest share in production of OIBDA, which is 36%. In second place is Romania, which contributed 27%. A big surprise was the development of OIBDA in Slovakia and Romania, where OIBDA jumped 39.0% yoy to \$17.9m, respectively 25.0% to \$27.0m. The total OIBDA margin grew from 34.6% to 39.8% yoy. (3) The development of net profit was positively influenced by lower interest expenses, which decreased \$10m yoy from \$18.8m to \$8.9m. The company reaches enough profitability and cash flow generation, which are a solid base for the continuation of planned debt reduction. Due to the termination of sale of the Slovenian assets there will be no jump debt reduction, instead CME will gradually repay its debt from generated cash flow. The original intention for 2018 was to decrease the net leverage ratio from 5.4x at the end of 2017 to 3.0x (assuming the sale of Slovenia). As of the end of 2018, CME reached a net leverage ratio of 3.5x. This led to a decrease in the average cost of borrowing by about 250 basis points to 3.5%.

Revenues (\$m)



Source: Economic & Strategy Research, Komerční banka, CME

OIBDA (\$m)



Source: Economic & Strategy Research, Komerční banka, CME

Outlook for this year

CME's results estimates for 2019

\$m	2018	2019e	change
Revenues	703.9	737.3	4.7%
OIBDA	222.7	234.3	5.2%
Operating income	177.6	193.9	9.2%
Net profit	157.6	130.6	-17.2%

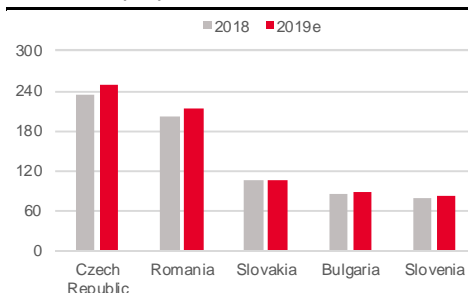
Source: Economic & Strategy Research, Komerční banka, CME

The year 2019 should continue the established trend from the past two years; since 2017, CME has been able to reach positive net profit. There are two main reasons; **(1)** the macroeconomic conditions in countries, where CME operates and **(2)** significant progress in reduction of indebtedness. This subsequently leads to a reduction of debt service including interest expenses. During this year, we assume the largest contributor to revenue growth will be the strongest Czech segment. OIBDA should grow more than 5% yoy and reach \$234m. The development in Romania remains questionable regarding the potential introduction of sector taxes. This is perceived by management as negative for the Romanian economy, but it does not expect a significant impact on the company's performance. The whole situation concerns primarily sector taxes in the financial and telecommunications sectors. Telecommunications companies, in particular, are a significant advertiser on television. Only a reduction of advertising expenses of these companies would represent a negative impact on financials of the Romanian segment.

The yoy decrease in net profit is caused mainly due to the one-off effect of the sale of the Croatian segment in 2018.

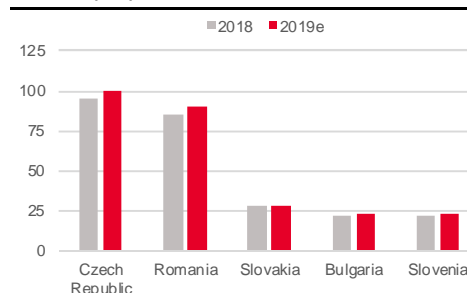
The expected decrease of 17.2% to \$130.6m in net profit is caused mainly due to the 2018 divestment of Croatia, which led to a one-off improvement of net profit. The company originally intended to sell the Slovenian part of the business, as well, but due to complications in gaining the approval of the local anti-monopoly office the company abandoned this plan and re-integrated Slovenia into its reporting.

Revenues (\$m)



Source: Economic & Strategy Research, Komerční banka, CME

OIBDA (\$m)



Source: Economic & Strategy Research, Komerční banka, CME

Long-term outlook

Despite a minor slowdown of economies in countries where CME operates, there will be a gradual improvement in CME's financial results.

We expect a gradual improvement of CME's financial results due to the convergence of TV ad expenses in CEE countries with developed markets. In our projections, we assume the continuation of the current growth trend in revenues, and on the long-term horizon CME revenues could reach a historical maximum. Development in the Czech Republic and Romania should contribute the most to this growth. In general, in countries where CME operates, we expect a slight slowdown in local economic growth by about 2021, after which point recovery should take place.

Due to the macroeconomic outlook we are quite conservative regarding the development of the OIBDA margin. It has grown constantly over the past few years. Last year Romania with a margin of 43% outran the traditionally strongest Czech market. The Czech Republic keeps its margin

quite consistent at a level of 40%. In the long-term, we assume the consolidated OIBDA margin of CME to fluctuate around 32%.

Revenues by segments (\$m)						OIBDA by segments (\$m)						OIBDA margin by segments (%)					
	CZ	RO	SK	BG	SI		CZ	RO	SK	BG	SI		CZ BG	RO SI	SK CME		
1 000						400						50%					
800						320						40%					
600						240						30%					
400						160						20%					
200						80						10%					
0						0						0%					
	2016	2017	2018	2019e	2020f	2021f	2022f	2023f		2016	2017	2018	2019e	2020f	2021f	2022f	2023f

Source: Economic & Strategy Research, Komerční banka, CME

Source: Economic & Strategy Research, Komerční banka, CME

Source: Economic & Strategy Research, Komerční banka, CME

CME's results are strongly influenced by FX rate changes, and especially the strengthening USD has a negative impact on the financial results of the company. In our analysis, we assume a gradual minor strengthening of CZK against USD. A similar situation is also in the case of Romanian RON. Additionally, there should also be a strengthening of EUR against USD, which would lead to improved financial results from Slovakia and Slovenia.

Indebtedness vs. dividend policy

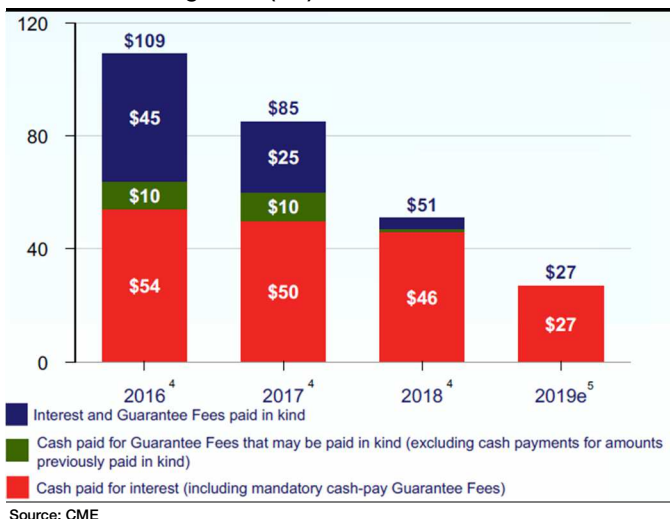
High indebtedness and therefore absent dividend policy have been a big issue at CME for many years. In the previous year the company started to significantly decrease its large debt. As per the chart below, the amount of **gross debt dropped \$343m yoy**. The company has used proceeds from the realisation of warrants and the sale of the Croatian business to repay part of the loan. At the end of January 2019, CME made another extraordinary repayment of debt with maturity in 2021 in the amount of €60m (i.e. \$68.9m), which is how gross debt reached its current level of approximately \$740m.

Gross long-term debt (\$m)



Source: CME

Debt service obligations (\$m)

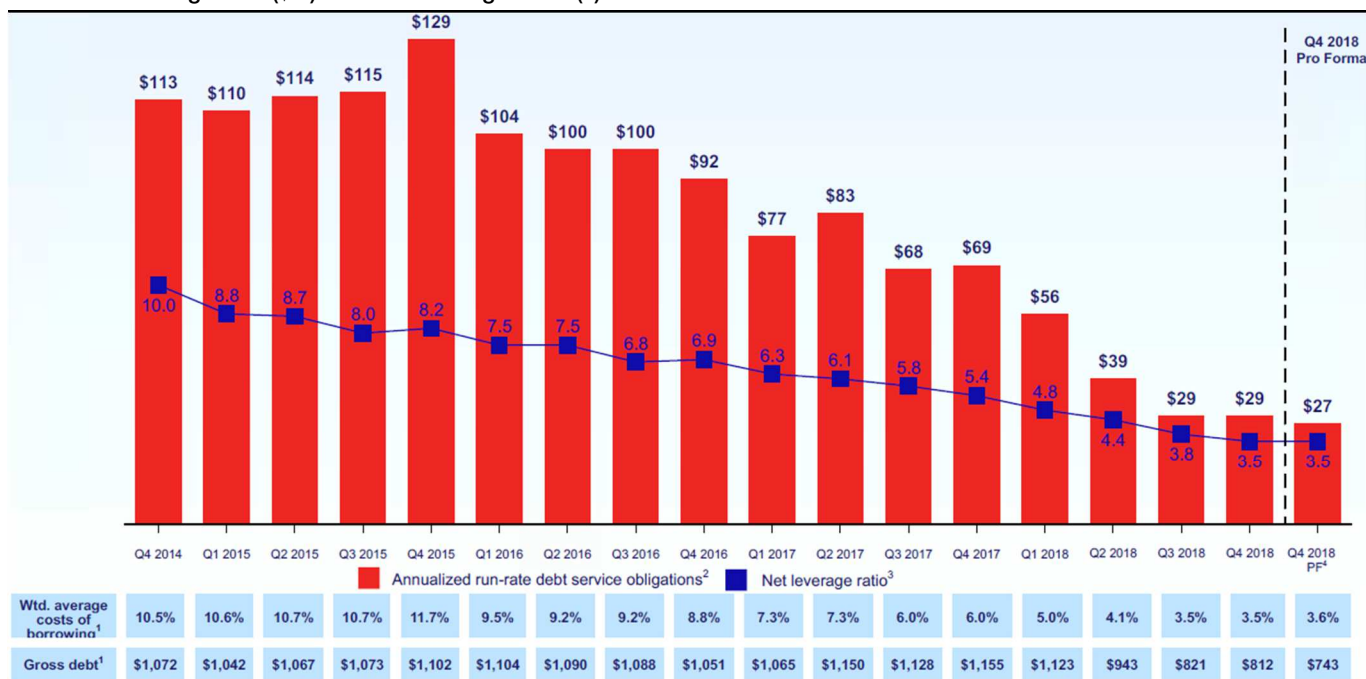


Source: CME

Together with decreasing indebtedness, the related costs, i.e. debt service, are also dropping. **The management of the company expects debt service obligations to be less than \$27m in 2019**, which is almost half the amount of 2018. The chart below shows the annualised debt service obligations (i.e. calculated as gross debt multiplied by the weighted average cost of

borrowing) for the past four years, which is down-trending. This is one of the main reasons CME was able to generate a positive net profit in recent years and break out from the period of losses.

Debt service obligations (\$m) and Net Leverage Ratio (x)



Source: CME

The chart above also shows the quarterly development of the net leverage ratio. At the end of 2018, the ratio between net debt-to-OIBDA was 3.5x. Also due to the extraordinary repayment of part of the debt in January, the net leverage ratio should reach 3.0x by the end of 1Q19 with an outlook to reach level 2.5x by the end of the year.

The breakeven value is 2.75x, at which point CME is able to pay dividends or do share buybacks. This information was provided by CME management during the conference call to 4Q18 financial results. Management refrained from commenting on which of these two options is more likely. They just noted that they will update this information during the financial results presentations of 2019. Nevertheless, this is unique information as it represents the first time in the company's history that there could be a dividend. In our model, **we assume establishing a dividend policy with first payment in 2020** from current year profit. In the media sector, it is common to pay a dividend from net profit of the company, and the payout ratio can vary considerably from 30% to 40% in case of Vivendi to 90% in the case of ProSieben. We calculate in our model with a conservative payout ratio of 35%. That would represent a gross dividend in the amount of \$0.19 per share from current year net profit, i.e. 5.0% dividend yield in comparison with the actual market price.

Peer comparison

According to P/E and P/S multiples, CME shares are significantly undervalued. Nevertheless, high indebtedness and currently missing dividend policy reduce the valuation of the company.

For a peer comparison, we have chosen the main European media companies that also produce their own TV content or operate both paid and unpaid broadcast channels and provide advertising opportunities. **According to P/E and P/S multiples, CME shares are significantly undervalued** and are also relatively deep below the peer median and the European media company index. This significant undervaluation is mainly caused by **still higher level of indebtedness and currently missing dividend policy**. Despite the company having improved its profitability at the EBITDA level, the amount of net debt in comparison with EBITDA still belongs to the highest among its peers. Currently, the company is working on lowering its debt. One of covenants of the loan agreement sets that CME cannot deal with its equity (i.e. payment of dividend), unless it lowers the ratio between net debt to EBITDA under 2.75. Based on the current development in the reduction of debt, we can assume this covenant will be fulfilled by the end of this year and CME will decide on allocation of its equity. We expect CME might introduce the dividend policy with first payment in 2020 from the profit of 2019. The dividend yield should reach 5.0% compared with the current stock price. The median of peers' dividend yield is below 6%.

The result of the peer comparison is that the valuation of CME based on the chosen valuation multiples is rather undervalued compared with its competitors.

CME vs. peers

	P/S			P/E			EV/EBITDA			ROA	ROE	Div.%
	act.	2019	2020	act.	2019	2020	act.	2019	2020	act.	act.	act.
Central European Media Enterprise	0.3	0.9	0.9	19.7	6.2	9.8	7.9	8.2	7.5	3.3	n/a	n/a
SES SA	2.3	2.2	2.0	257.4	24.9	22.2	16.6	15.1	13.9	0.4	0.7	1.9
Mediaset SpA	n/a	n/a	n/a	n/a	23.3	21.6	n/a	n/a	n/a	4.5	20.8	n/a
RTL Group SA	0.7	0.7	0.7	11.7	6.3	6.0	6.1	5.9	5.5	3.8	24.9	9.3
Eutelsat Communications SA	1.5	1.5	1.5	10.8	9.2	8.8	8.1	7.8	7.1	13.8	62.1	6.4
Telekom Austria AG	3.1	3.1	3.0	27.0	24.4	18.6	9.0	8.7	8.6	2.3	6.1	5.8
Lagardere SCA	1.1	1.1	1.1	n/a	11.8	10.7	5.1	5.0	5.4	10.0	21.8	n/a
Daily Mail & General Trust PLC	1.1	1.1	1.1	11.2	10.5	10.2	6.3	6.1	6.3	8.2	22.3	8.3
Altice France SA/France	2.7	2.6	2.6	12.8	11.3	10.9	6.5	6.5	6.5	3.5	11.2	8.1
Mediaset Espana Comunicacion S	1.0	1.0	0.9	16.2	10.4	9.7	5.0	4.9	4.8	3.2	10.1	3.1
Medián srovnávací skupiny	0.4	0.4	0.4	15.2	12.1	11.3	6.4	6.2	6.1	2.4	10.2	5.8
STOXX Europe 600 Media Price E	1.6	1.6	1.6	3.3	17.3	16.2	12.2	11.7	11.4	29.1	53.6	3.7
CME vs. medián	n/a	n/a	n/a	n/a	21.7	19.4	n/a	n/a	n/a	-1.1	-11.9	n/a
CME vs. STOXX	2.3	2.3	2.3	10.8	11.1	11.2	8.0	8.2	8.3	16.5	22.2	4.6
Peers median	1.5	1.5	1.5	12.2	11.8	11.2	6.5	6.5	6.5	3.8	20.8	5.8
STOXX Europe 600 Media Price E	1.8	1.8	1.7	19.9	15.5	14.4	10.4	10.0	9.5	4.6	14.1	n/a
CME vs. median	-80%	-42%	-41%	61%	-47%	-13%	20%	26%	16%	-14%	n/a	n/a
CME vs. STOXX	-83%	-52%	-50%	-1%	-60%	-32%	-25%	-18%	-21%	-30%	n/a	n/a

Source: Economic & Strategy Research, Komerční banka, Bloomberg

Valuation

To determine the fair value of CME stocks, we have used the DCF model of free cash flows until 2023.

To assess the fair value of the company, we have used the model of discounted free cash flows forecasted for the five-year horizon. We have discounted the calculated free cash flow projected for 2019-2023 back to the end of March 2019 using WACC equalled to 10.1%. The fair value was subsequently calculated using the long-term growth rate of 2%. The detailed structure of WACC calculation and other parameters of the valuation can be found in the table on the next page.

The cost of equity is based on the risk free rate (10Y government bonds returns in countries, where CME operates), adjusted beta coefficient (we use 120 months of data from Bloomberg), equity risk premium and country risk premiums (both risk premiums are based on data provided by A. Damodaran¹ from New York University).

Based on our model, we estimate the **fair value of CME shares at \$5.1 apiece**. To achieve the target price, we reflect three parameters that may be assigned values ranging from -10% to +10%, which means the target price may range from 70% to 130% of the fair value.

- **Sector appeal (0%):** Société Générale's² recommendation for the sector of Media & Entertainment is at *Neutral*, and we assess this factor at 0%. A neutral rating is given the assumption that valuations in this sector are becoming cheap and therefore more attractive for investors.

- **Company appeal (0%):** Despite missing dividend policy there is an outlook that it might be set. That would lead to higher attractiveness of the company. Nevertheless there is still quite high indebtedness, and therefore we assess this factor at 0%.

- **Speculative appeal (2%):** We assess this parameter at 2%. In comparison with peers, CME shares seem undervalued. This can partially be justified due to missing dividend policy and higher levels of indebtedness. However, it seems that markets do not properly reflect CME's current successes at lowering indebtedness and the potential of future dividend payments. Overall we assume CME shares to be slightly undervalued.

The target price is 2% above the fair value.

Using the above mentioned parameters, **we set our target price at \$5.2 per share** (fair value plus 2%).

¹ The source is a webpage – http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

² The source is a Société Générale publication – The Big Picture: On the dot, published on 8 March 2019 at 7:43 CET

Valuation parameters of CME shares

	2019e	2020f	2021f	2022f	2023f
WACC	6.9%	7.4%	8.0%	14.0%	14.1%
Cost of equity	13.4%	13.3%	13.6%	14.0%	14.1%
Beta	1.473	1.473	1.473	1.473	1.473
Risk-free rate	2.7%	2.6%	2.9%	3.3%	3.4%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%
Country risk premium	2.0%	1.9%	1.9%	1.9%	1.9%
Cost of debt (before taxes)	3.6%	3.5%	3.5%	3.5%	3.5%
Discounted FCFF					
EBITDA	234.3	253.5	271.8	295.2	318.2
Taxes Paid	-36.4	-40.6	-43.9	-47.6	-50.8
Change in Working Capital	5.0	-19.7	-8.5	-17.5	-13.5
CAPEX	-25.8	-27.1	-28.5	-29.9	-31.4
<i>FCFF</i>	<i>177.1</i>	<i>166.0</i>	<i>190.9</i>	<i>200.3</i>	<i>222.5</i>
Explicit value	756				
Long-term growth	2.0%				
Terminal value	1,183				
Net debt	-654				
Fair value (\$m)	1,286				
Fair value per share (USD)	5.1				
<i>Sector appeal</i>	<i>0.0%</i>				
<i>Company appeal</i>	<i>0.0%</i>				
<i>Speculative appeal</i>	<i>2.0%</i>				
Target price per share (USD)	5.2				

Source: Economic & Strategy Research, Komerční banka

The following table provides a snapshot of the sensitivity of CME's fair value to changes in the discount rate and the long-term growth rate.

Sensitivity analysis

Fair value per share					
WACC / growth rate	1.0%	1.5%	2.0%	2.5%	3.0%
-100bp	5.3	5.6	5.8	6.1	6.4
-50bp	5.0	5.2	5.4	5.7	6.0
10.1 % / 14.1 % *	4.7	4.9	5.1	5.3	5.6
+50bp	4.4	4.6	4.8	5.0	5.2
+100bp	4.1	4.3	4.5	4.7	4.9

Source: Economic & Strategy Research, Komerční banka

Main risks

- **Advertising is a cyclical sector strongly correlated with GDP.** Possible deterioration in macroeconomic conditions, GDP contraction and other signs of a recession in Central and Eastern Europe would have a stronger impact on CME than on other stocks.
- **FX risk.** Overall, the strengthening of Central and Eastern European currencies is positive for CME stocks, and, on the other hand, USD strengthening has a negative impact.
- **High sensitivity of valuation to the discount rate,** i.e. interest rates and risk premiums on markets. That is one of the reasons CME stocks are traditionally highly volatile.
- **Competition.** CME is a leader on the markets where it operates, but competitors' activities can lead to increased costs of programme creation. Advertising can also be gradually shifted from TV screens to the Internet.
- **Interest rates risk.** CME is still highly indebted; therefore, any increase of interest rates would cause additional interest expenses and negatively influence the profitability and cash flow of the company.

Financial figures of CME

\$m	2016	2017	2018	2019e	2020f	2021f	2022f	2023f
VALUATION								
P/E (x)	-3.4	19.7	6.2	9.8	8.6	7.9	7.0	6.4
Price/cash flow (x)	-8.0	10.5	9.0	9.2	11.0	12.9	13.6	15.0
Price/free cash flow (x)	4.1	9.7	7.9	7.3	7.7	6.8	6.6	5.9
Price/book value (x)	-5.8	-169.0	4.3	3.4	2.9	2.6	2.4	2.3
EV/revenues (x)	-0.7	-0.2	0.3	0.9	0.9	0.8	0.8	0.7
EV/EBITDA (x)	11.5	11.6	7.9	8.2	7.5	7.0	6.4	6.0
PER SHARE DATA (\$)								
EPS	-0.7	0.2	0.6	0.5	0.6	0.6	0.7	0.8
Cash flow	-0.3	0.4	0.4	0.6	0.5	0.4	0.4	0.3
Book value	-0.4	0.0	0.9	1.5	1.7	1.9	2.1	2.2
Dividend	0.00	0.00	0.00	0.18	0.21	0.23	0.25	0.28
INCOME STATEMENT								
Net revenues	583	643	704	743	791	835	905	964
Total costs	-477	-503	-526	-547	-578	-607	-654	-693
OIBDA	142	180	223	236	253	268	291	311
Operating income	106	140	178	196	213	229	251	271
Depreciation and amortisation	-36	-40	-42	-40	-40	-39	-40	-40
Profit before tax	-173	74	125	169	190	207	230	250
Net income	-181	49	158	132	150	164	184	201
CASH FLOW STATEMENT								
OIBDA	142	180	223	236	253	268	291	311
Change in working capital	42	-29	-45	4	-18	-6	-17	-12
Other operating cash movements	-431	-311	-362	-343	-392	-424	-462	-495
Cash flow from operating activities	-77	93	109	140	117	100	95	86
Cash flow from investing activities	-27	-28	-25	-26	-27	-28	-30	-31
Cash flow from financing activities	88	-58	-182	-169	-82	-88	-57	-64
Net change in cash resulting from CF	-18	18	3	-54	8	-16	7	-10
BALANCE SHEET								
Total assets	1,391	1,628	1,488	1,515	1,532	1,569	1,629	1,677
Total long-term assets	1,050	1,207	1,114	1,171	1,167	1,200	1,227	1,261
Current assets	340	421	374	343	365	369	403	417
Shareholders' equity	-107	-6	229	382	439	487	534	561
Non-current liabilities	1,071	1,182	850	690	647	615	613	614
Current liabilities	172	187	140	165	163	176	185	197
Net debt (-)/cash (+)	-1,015	-1,106	-765	-650	-607	-587	-580	-590

Source: Economic & Strategy Research, Komerční banka

Accounting ratios of CME

	2016	2017	2018	2019e	2020f	2021f	2022f	2023f
PROFITABILITY								
ROE (%)	n/a	n/a	141.0	43.2	36.9	35.6	35.4	35.8
ROA (%)	-12.8	3.3	10.1	8.7	9.9	10.7	11.6	12.2
MARGINS								
OIBDA margin (%)	24.3	28.0	31.6	31.8	32.0	32.1	32.2	32.4
Operating margin (%)	18.1	21.8	25.2	26.3	26.9	27.5	27.8	28.2
Net margin (%)	-31.0	7.7	22.4	17.7	19.0	19.8	20.4	21.0
GROWTH RATES								
Revenue yoy growth (%)	-3.8	10.3	9.5	4.7	7.6	6.8	8.3	7.1
Total costs yoy growth (%)	-6.7	5.4	4.6	3.2	6.6	6.0	7.8	6.5
OIBDA yoy growth (%)	15.3	27.0	23.9	5.2	8.2	7.2	8.6	7.8
Net income yoy growth (%)	56.3	-127.4	218.9	-17.2	15.1	11.3	11.8	10.1
FINANCING								
Net debt/OIBDA (x)	7.2	6.2	3.4	2.8	2.4	2.1	1.9	1.8
Net debt/equity (x)	-9.5	-191.6	3.3	1.7	1.4	1.2	1.0	1.0
Assets/equity (x)	-13.1	-282.2	6.5	4.0	3.5	3.2	3.0	2.9
Interest coverage (x)	1.1	2.2	4.5	9.0	11.7	13.2	14.8	15.9

Source: Economic & Strategy Research, Komerční banka

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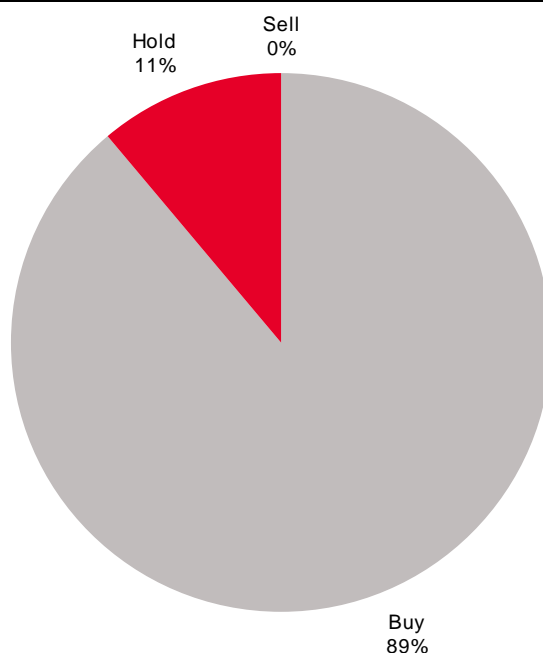
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Investment recommendations of KB equity research



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.

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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.

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Overview of last investment research and recommendations related to stocks of particular issuers										
Recommendation	Buy	Buy	Buy	End of	Buy	Buy	Buy	Hold	Buy	Buy
Target price	GBP 342	USD 5.2	CZK 620	coverage	CZK 484	CZK 97	CZK 298	CZK 924	CZK 17546	EUR 27
Date	15.6.2018	28.3.2019	11.6.2018	9.5.2018	26.9.2018	7.3.2019	12.12.2018	26.10.2018	22.8.2017	11.9.2018
Price on the day of the publication	GBP 214	USD 3.8	CZK 557	CZK 206	CZK 282	CZK 79.9	CZK 239	CZK 888	CZK 15500	EUR 23.2
Investment horizon	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
Author	J. Kostka	J. Kostka	M. Frayer	J. Kostka	J. Kostka	M. Frayer	M. Frayer	M. Frayer	J. Kostka	M. Frayer
Overview of investment researches and recommendations for last 12M (quarterly)										
Recommendation	Buy	Buy	Sell		Buy	Hold	In revision	Hold	Buy	
Target Price	USD 5	CZK 542	CZK 198		CZK 93	CZK 270	In revision	CZK 13500	EUR 26	
Date	27.7.2017	20.9.2017	4.1.2018		6.3.2018	18.9.2017	17.5.2018	25.5.2017	3.3.2017	
Recommendation	Buy	Hold	Buy		Buy	Hold	Sell	Buy		
Target Price	USD 4.2	CZK 44	CZK 198		CZK 90	CZK 267	CZK 876	CZK 13500		
Date	27.4.2017	14.9.2016	30.11.2017		17.8.2017	31.1.2017	13.9.2017	13.6.2016		
Recommendation	Buy	Buy	In revision		Buy	Buy	Sell			
Target Price	USD 3.7	CZK 420	In revision		CZK 95	CZK 267	CZK 876			
Date	10.3.2017	12.2.2016	9.11.2017		9.6.2017	9.12.2016	13.9.2017			
Recommendation			Hold			Hold	Hold			
Target Price			CZK 128			CZK 260	CZK 876			
Date			12.6.2017			22.3.2016	19.4.2017			
Valuation methods	DFCF	DFCF	DFCF	DFCF	DFCF	DFCF DDM ERM	DFCF DDM	DFCF	DDM	DDM ERM
Frequency of rec. (per year)	twice	twice	twice	twice	twice	twice	twice	twice	twice	twice
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	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	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	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	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	no
Relationships of Komerční banka with particular issuers										
KB Management or co-management of public offerings in the past 12 month	no	no	no	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	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model

* The author of the investment recommendation owns 635 shares of the issuer Moneta Money Bank. The author is not entitled to acquire any further shares of

Source: Economic & Strategy Research, Komerční banka