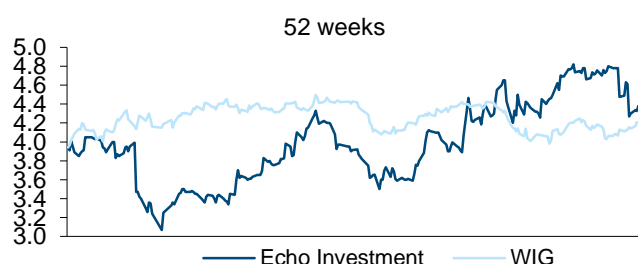


# Echo Investment

## Accumulate

PLN mn	2018	2019e	2020e	2021e
Net sales	713.0	707.0	671.4	796.3
EBITDA	407.9	419.0	375.9	389.6
EBIT	404.5	410.3	367.0	380.4
Net result after min.	305.4	311.5	267.8	275.8
EPS (PLN)	0.74	0.75	0.65	0.67
CEPS (PLN)	0.73	0.73	0.63	0.65
BVPS (PLN)	3.62	3.88	4.07	4.32
Div./share (PLN)	1.00	0.50	0.45	0.42
EV/EBITDA (x)	5.6	7.2	8.4	8.5
P/E (x)	4.4	5.8	6.7	6.5
P/CE (x)	4.4	5.9	7.0	6.7
Dividend Yield	30.8%	11.5%	10.4%	9.7%

Share price (PLN) close as of 28/10/2019	4.36
Number of shares (mn)	412.7
Market capitalization (PLN mn / EUR mn)	1,799 / 421
Enterprise value (PLN mn / EUR mn)	2,998 / 701



Performance	12M	6M	3M	1M
in PLN	13.2%	11.4%	-4.2%	-8.3%

Reuters	ECH.WA	Free float	21.2%
Bloomberg	ECH.PW	Shareholders	POG Real Estate (56.0%)
Div. Ex-date	14/10/19		NN OFE (13.1%)
<b>Target price</b>	<b>4.94</b>	Homepage:	www.echo.com.pl

### Analyst:

Cezary Bernatek  
+48 22 538 6256  
cezary.bernatk@erstegroup.com

## Dovish ECB supports investment case

**We maintain our Accumulate rating on Echo Investment, despite firm's visible stock price appreciation since our last publication in mid-June.**

While we still expect Echo to go ahead with its develop-and-sell strategy towards its rent-bearing assets in years ahead, factoring in recent trends in Polish modern property investments, as well as latest dovish EBC attitude, we currently assume some 20-25bp fall for prime modern office cap rates in PL on avg. this year (originally expected to be flat) and only a minor 10-15bp decompression in 2020E-21E (vs. the 25-35bp pickup forecast earlier), which ultimately pushes up our NI estimates for the firm 2-24% for 2019E-21E – now expected to grow by 2% y/y to PLN 312mn this year, before only a moderate 14% y/y softening in 2020E and 3% pickup in 2021E (implying relatively attractive P/E of 5.8-6.7x).

Accounting for its fairly comfortable liquidity situation at present (cash at PLN 383mn; ND/total assets at 24% at end-1H19; relatively low amount of bonds maturing by end-2020), its proven access to external funding, the recent exits from commercial properties and our expectations for further divestments going forward (at higher-than-originally anticipated prices), we maintain that Echo should be able to continue with clearly above-average dividends in 2020E/21E (implied DY of around 10% in both years), while at the same time meeting its pipeline development schedule and plans for land-bank supplementation.

Moreover, while we expect Echo to remain a hefty dividend payer, after an application of less conservative assumptions concerning an anticipated evolution of real estate yields in the country in 2019E-21E, we now forecast its NAV to grow even faster than previously expected, at a 2018-21E CAGR of 5.4% to PLN 4.27 per share in 2021E.

We stress that our base case scenario that assumes no essential changes in the firm's general strategy (as well as its management team) following the likely switch in key shareholder post (Echo's majority owner signed preliminary deal to sell Lisala, the entity directly holding 56% of shares, to Wing IHC – subject to antitrust body consent).

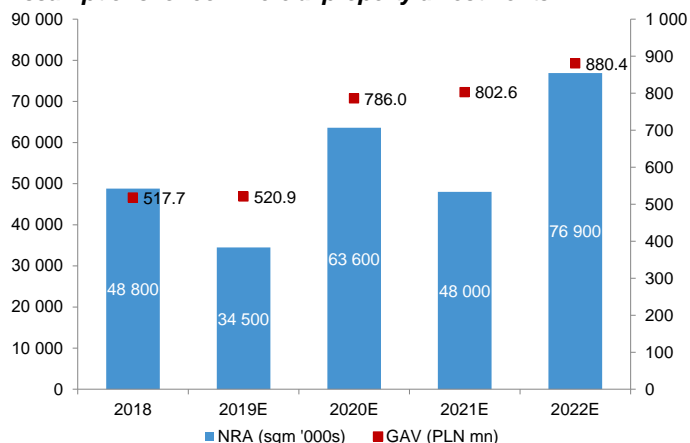
Given the above-mentioned adjustments to our yield assumptions, the inclusion of the projects to be developed on the newly acquired sites and the deduction for the dividend paid this year, our TP for Echo is up 1.0% to PLN 4.94 per share, implying a 13.3% upside.

## Investment story

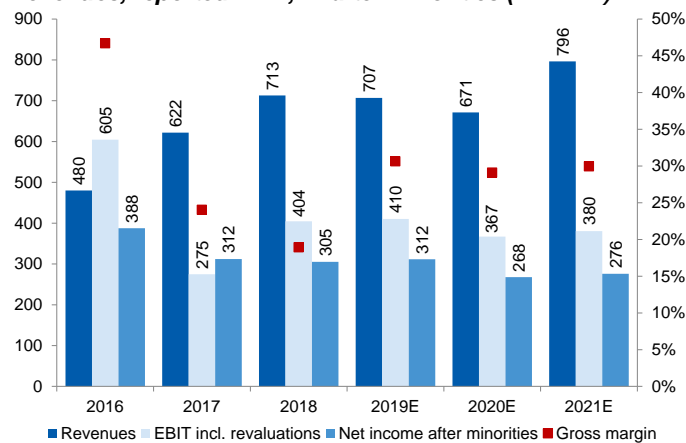
### Better than originally expected net earnings outlook for 2019E-21E, following changes in real estate cap rate assumptions

Looking into the years ahead, we expect Echo to stick to its official strategy of project disposal shortly after completion. Despite that, taking into account the trends registered on the Polish modern property investment market over recent months (prime office cap rates down to historically low levels, at sub 5% and sub 6% in Warsaw and the country's key regional cities, respectively), as well as the latest increasingly dovish actions/rhetoric of the ECB (base rate down, QE scheme re-launched, commitment to keeping interest rates low for longer time), we currently assume some 20-25bp average contraction for modern office yields in the country this year (no changes from end-2018 levels expected originally for the period) and only a minor 10-15bp decompression in both office and retail yields in 2020E-21E (vs. 25-35bp pick-up forecast earlier), which means that we now estimate the firm's bottom line to grow by 2% y/y to PLN 312mn this year (forecast up 2%), before only a moderate 14% y/y decline to PLN 268mn in 2020E (forecast up 21%) and 3% pick-up to PLN 276mn (forecast up 24%) in 2021E (which overall does not vary much from the NI outlooks for its closest peers we cover). On top of that, we note our revised NI estimates for Echo for 2019E-21E imply relatively attractive P/E ratios, at 5.8/6.7/6.5x each year, respectively.

#### Assumptions for commercial property divestments



#### Revenues, reported EBIT, NI after minorities (PLN mn)



Source: Company Data, Erste Group Research

Company Data, Erste Group Research

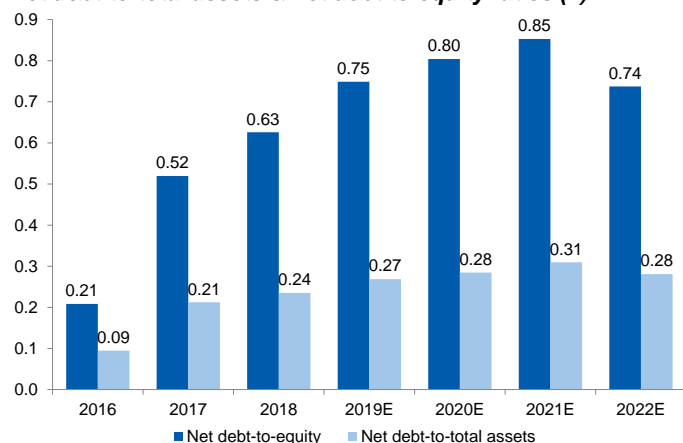
Forecast changes PLN m	2019F			2020F			2021F		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
<b>Total revenues</b>	<b>754.8</b>	<b>707.0</b>	<b>-6.3%</b>	<b>684.5</b>	<b>671.4</b>	<b>-1.9%</b>	<b>785.9</b>	<b>796.3</b>	<b>1.3%</b>
Revenues from retail segment	76.9	70.4	-8.4%	23.2	38.3	64.9%	22.8	19.1	-16.0%
Residential revenues	540.4	556.7	3.0%	520.9	547.1	5.0%	579.6	634.7	9.5%
Revenues from office segment	107.3	51.6	-51.9%	113.0	59.1	-47.7%	152.1	110.7	-27.2%
Other revenues	30.2	28.3	-6.3%	27.4	26.9	-1.9%	31.4	31.9	1.3%
<b>Cost of goods sold</b>	<b>515.6</b>	<b>490.4</b>	<b>-4.9%</b>	<b>487.2</b>	<b>476.1</b>	<b>-2.3%</b>	<b>556.8</b>	<b>557.9</b>	<b>0.2%</b>
Costs of retail segment	30.3	37.4	23.3%	10.7	18.1	70.1%	10.5	9.6	-8.6%
Residential costs	361.5	395.2	9.3%	363.2	398.4	9.7%	419.6	470.4	12.1%
Costs of office segment	95.4	34.6	-63.7%	87.6	34.3	-60.8%	97.2	48.0	-50.6%
Other costs	28.4	23.2	-18.3%	25.7	25.2	-1.9%	29.6	29.9	1.3%
<b>GROSS PROFIT</b>	<b>239.2</b>	<b>216.6</b>	<b>-9.4%</b>	<b>197.3</b>	<b>195.3</b>	<b>-1.0%</b>	<b>229.1</b>	<b>238.4</b>	<b>4.1%</b>
Selling and G&A expenses	164.5	144.9	-11.9%	170.4	155.8	-8.6%	176.8	167.2	-5.4%
Property management fee	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.
Other operating result	2.7	6.1	126.5%	2.3	2.5	7.9%	2.5	2.8	10.6%
<b>EBIT (ex revaluations)</b>	<b>77.4</b>	<b>77.8</b>	<b>0.5%</b>	<b>29.2</b>	<b>42.1</b>	<b>44.0%</b>	<b>54.7</b>	<b>74.0</b>	<b>35.1%</b>
Revaluation result	308.3	332.5	7.9%	275.1	324.9	18.1%	236.6	306.5	29.5%
<b>EBIT (incl. revaluation)</b>	<b>385.6</b>	<b>410.3</b>	<b>6.4%</b>	<b>304.4</b>	<b>367.0</b>	<b>20.6%</b>	<b>291.3</b>	<b>380.4</b>	<b>30.6%</b>
Net financial result	-51.4	-47.5	-7.5%	-55.2	-56.8	3.0%	-52.0	-62.8	20.8%
Share in profits from associates	44.5	26.6	-40.2%	23.2	20.5	-11.6%	32.4	22.8	-29.5%
<b>Pre-tax profit</b>	<b>378.7</b>	<b>389.4</b>	<b>2.8%</b>	<b>272.3</b>	<b>330.6</b>	<b>21.4%</b>	<b>271.8</b>	<b>340.5</b>	<b>25.3%</b>
Tax	72.0	77.9	8.2%	51.7	62.8	21.4%	48.9	64.7	32.3%
<b>Net income after minorities</b>	<b>306.8</b>	<b>311.5</b>	<b>1.5%</b>	<b>220.6</b>	<b>267.8</b>	<b>21.4%</b>	<b>222.8</b>	<b>275.8</b>	<b>23.8%</b>

Source: Erste Group Research

### To continue above-sector avg. dividend distribution in years ahead

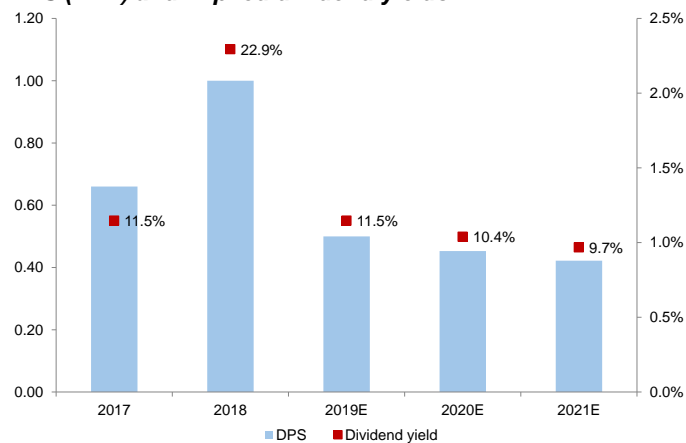
With cash & equivalents at around PLN 383mn and net debt-to-total assets ratio at 24% at end-1H19, alongside a relatively low amount of bonds maturing by end-2020 (PLN 100mn), we perceive Echo's current balance sheet situation as fairly comfortable. Moreover, factoring in the recently finalized exit from the O3 Business Campus 3 office scheme in Krakow, as well as the assumed disposal (at around book value) of the Libero mall in Katowice (ROFO agreement with EPP) and the initial stage of the Moje Miejsce office complex in Warsaw in 2020E, as well as the second stage of this project and Browary K & G schemes in 2021E (owing to anticipated continuation of the develop-and-sell strategy towards its yielding projects in the pipeline, as well as given our expectations for decent interest on the part of property investors in prime Polish assets in the short to medium term), we expect the company to release a total of approx. PLN 103mn/393mn/394mn of free cash in 2H19E/2020E/2021E (or PLN 28mn more than originally forecast for the period, following the application of our revised, less-conservative cap rate model assumptions to the valuation of the above-mentioned schemes). Taking the above-mentioned figures into account and despite Echo's rich development pipeline for the years ahead, ambitious plans for further land-bank restocking, as well as likely increasingly challenging corporate bond market in Poland going forward, we maintain that the firm should be able to continue its hefty dividend payments in 2020E and 2021E – implied DY forecast of 10.4/9.7% for each year, respectively, well ahead of that offered by its CEE-oriented peers. At this point, we note Echo's potential exit from its 30% stake in Galeria Mlociny retail center in the quarters ahead (which we conservatively do not factor into our financial forecasts at present), out of which some PLN 150mn in cash could be freed up (according to our rough estimates), comprising an additional liquidity buffer for the company.

Net debt-to-total assets & net debt-to-equity ratios (x)



Source: Company Data, Erste Group Research

DPS (PLN) and implied dividend yields\*

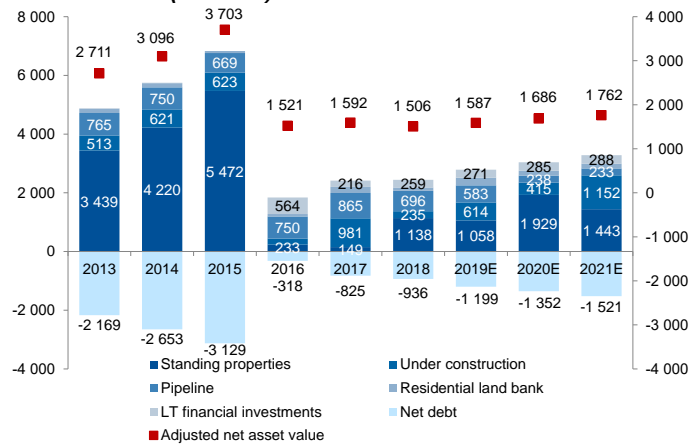


Company Data, Erste Group Research \*based on COB 28.10.19

### NAV on path up in 2019E-21E, despite generous s/holder remuneration

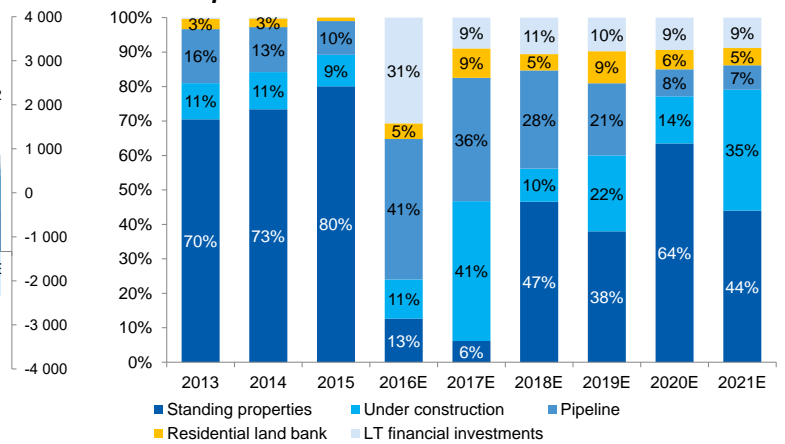
Following the application of our less-conservative assumptions with regard to the anticipated evolution of real estate cap rates in Poland in the current year and going forward, as well as the inclusion of the newly announced schemes, we forecast the revaluation gain on Echo's rent-bearing development projects (gradual margin recognition) expected to be booked in 2019E-21E to reach a total of around EUR 226mn (or PLN 971mn), approx. 15% above our original estimate. Factoring this in, and even though we still assume that the firm will share a significant part of its profits with its owners in the years ahead, we now expect its NAV to exhibit an even healthier-than-originally anticipated pickup, at a 2018-21E CAGR of 5.4% to PLN 4.27 per share in 2021E.

**NAV evolution (PLN mn)**



Source: Company Data, Erste Group Research

**GAV composition**



Company Data, Erste Group Research

**Likely switch in key shareholder post unlikely to trigger any essential changes in strategy in short to medium term**

In mid-October, Echo announced that its majority shareholder, Echo Partners, had signed a preliminary deal to sell Lisala, the entity directly holding 55.96% of ECH PW shares, to Hungarian Wing IHC. The transaction is subject to antitrust body UOKiK consent. No further details were disclosed. (We remind our readers that, in mid-March this year, Echo’s lead owner launched a review of strategic options related to its investment in the company and further development of the firm’s operations.) At this point, we note that our base case scenario assumes no major changes in the company’s general strategy in the short to medium term following the likely switch in its main owner. We would also expect the firm’s key managers to remain in place. At the same time, we stick to our view, that in the case of a potential purchase of a 56% stake in Echo by Wing IHC, the tender offer for up to a 66% stake in the firm looks to be a more likely scenario vs. a call for a 100% stake in the company and its delisting – a thesis supported by the fact that Echo would be obliged to immediately repurchase a material chunk of its bonds (approx. PLN 1bn) if it was out of the WSE (ECH PW 3M and 6M avg. stock price at PLN 4.57/4.23, respectively; potential transaction implied price not disclosed).

Wing IHC is a leading real estate developer and investor in the Hungarian market, one of the largest privately owned Hungarian real estate companies. During its nearly 20 years of operation, the firm has invested more than EUR 1,500mn in developing real estate and has a developed project portfolio covering approx. 1mn sqm.

Its key lines of business comprise:

- real estate development: office buildings, industrial and logistics projects, retail projects, hotels, residential premises
- real estate investment and portfolio management
- real estate services: planning and design, facility management and property management

## Valuation

Our revised 12M target price for Echo Investment stands at PLN 4.94 per share (up from 4.89), implying a 13.3% upside. This reflects a 35% weighting for our truncated pipeline scenario and a 65% weighting for our extended pipeline scenario (valuation methodology described in the front section of the report). We also carry out a peer multiple valuation for comparison purposes (0% weighting).

VALUATION SUMMARY (PLN)	
Truncated pipeline scenario	4.33
Extended pipeline scenario	5.27
<b>Average (35:65 weight)</b>	<b>4.94</b>

Source: Company Data, Erste Group Research

VALUATION (PLN mn) - TRUNCATED PIPELINE SCENARIO	
<b>Value of standing properties</b>	<b>791</b>
<b>Value of properties under construction</b>	<b>2 995</b>
- Commercial property value	1 705
- Residential property value	1 290
<b>Cost for properties under construction</b>	<b>2 117</b>
- Commercial property costs	1 146
- Residential property costs	972
<b>TOTAL</b>	<b>1 669</b>
<b>PV of TOTAL</b>	<b>1 615</b>
Secured land bank for pipeline projects	741
LT financial investments	259
Current tax liability	114
<b>ENTERPRISE VALUE (PLN mn)</b>	<b>2 500</b>
Net debt*	605
<b>EQUITY VALUE (PLN mn)</b>	<b>1 688</b>
Per fully diluted number of shares (PLN)	4.09
<b>12M Target Price (PLN)</b>	<b>4.33</b>

\*adj. for est. value of land plots purchased YTD, final disposal of Browary J and O3 BC 3

VALUATION (PLN mn) - EXTENDED PIPELINE SCENARIO	
<b>Value of standing properties</b>	<b>791</b>
<b>Value of properties under construction</b>	<b>2 995</b>
- Commercial property value	1 705
- Residential property value	1 290
<b>Cost for properties under construction</b>	<b>2 117</b>
- Commercial property costs	1 146
- Residential property costs	972
<b>Value of properties in the pipeline (till 2021)</b>	<b>748</b>
- Commercial property value	276
- Residential property value	472
<b>Cost for properties in the pipeline (till 2021)</b>	<b>572</b>
- Commercial property costs	208
- Residential property costs	364
Terminal value for development business (beyond 2021)	827
<b>TOTAL</b>	<b>2 671</b>
<b>PV of TOTAL</b>	<b>2 288</b>
Secured land bank for pipeline projects (to be completed beyond 2021)	435
LT financial investments	259
Current tax liability	114
<b>ENTERPRISE VALUE (PLN mn)</b>	<b>2 867</b>
Net debt*	605
<b>EQUITY VALUE (PLN mn)</b>	<b>2 055</b>
Per fully diluted number of shares (PLN)	4.98
<b>12M Target Price (PLN)</b>	<b>5.27</b>

\*adj. for est. value of land plots purchased YTD, final disposal of Browary J and O3 BC 3

Source: Company Data, Erste Group Research

### Sensitivity analysis

Below, we present a sensitivity analysis of our valuation of Echo Investment to changes in real estate yields and rental rates (the two main drivers determining the company's property portfolio value). A +/-50bp change in real estate cap rates applied to the valuation of Echo's portfolio of standing, under construction and pipeline properties decreases/increases our equity valuation by some 15/18%. At the same time, a +/- 5% in the level of rental rates applied to the firm's standing, under construction and pipeline real estate assets increases/decreases our equity valuation by around 11%.

#### Valuation sensitivity to real estate yields and rental rates evolution (PLN mn)

		Yields evolution				
		0.50%	0.25%	0.00%	-0.25%	-0.50%
Rental rates evolution	-5.0%	<b>3.69</b>	4.04	4.42	4.83	5.28
	-2.5%	3.93	4.29	4.68	5.10	5.56
	0%	4.18	4.54	<b>4.94</b>	5.38	5.85
	2.5%	4.42	4.80	5.21	5.65	6.14
	5.0%	4.66	5.05	5.47	5.93	<b>6.43</b>

Source: Erste Group Research

### Relative valuation

On a 2020E P/NAV of 1.07x, Echo Investment trades at a 26.5% premium to its CEE-exposed competitors. While the firm looks unlikely to particularly shine among its peers when it comes to the outlook for earnings and net assets value development for 2019E-21E, we perceive the current premium as warranted given its proven ability of concluding highly profitable divestments of yielding properties and the related potential for well above-average dividends distribution in the years ahead, as well as material exposure to the Polish housing market, the near-term prospects of which still look fairly decent to us.

#### Echo Investment vs. peers (on current market values; priced at COB October 28, 2019)

CEE oriented players					P/NAV			P/E		
Ticker	Close price	Rating	TP (PLN)	2019E	2020E	2021E	2019E	2020E	2021E	
Capital Park	CPG PW PLN 6.30	Buy	6.79	0.67	0.61	0.57	9.0	8.4	8.2	
<b>Echo Investment</b>	<b>ECH PW PLN 4.36</b>	<b>Accumulate</b>	<b>4.94</b>	<b>1.13</b>	<b>1.07</b>	<b>1.02</b>	<b>5.8</b>	<b>6.7</b>	<b>6.5</b>	
GTC	GTC PW PLN 9.48	Hold	9.54	0.98	0.94	0.89	10.6	12.0	10.8	
PHN	PHN PW PLN 11.5			0.27	0.27	0.27	11.4	9.6	10.9	
Immofinanz	IIA AV EUR 25.60			0.93	0.89	0.87	12.9	19.3	18.4	
Atrium	ATRS AV EUR 3.50			0.73	0.74	0.74	11.2	10.5	11.5	
S-Immo	SPI AV EUR 22.10			1.18	1.12	1.09	7.7	18.7	18.4	
CA Immo	CAI AV EUR 34.5			1.15	1.11	1.10	15.7	18.5	19.6	
<b>Average</b>				<b>0.88</b>	<b>0.84</b>	<b>0.82</b>	<b>10.5</b>	<b>13.0</b>	<b>13.0</b>	
Premium/discount to average										
Capital Park					-23.7%	-27.1%	-30.6%	-14.7%	-35.1%	-37.4%
<b>Echo Investment</b>					<b>29.0%</b>	<b>26.5%</b>	<b>25.0%</b>	<b>-45.2%</b>	<b>-48.1%</b>	<b>-50.0%</b>
GTC					11.3%	10.8%	8.6%	0.9%	-7.5%	-17.1%
Western Europe oriented players					P/NAV			P/E		
Ticker	Close price	Rating	FV	2019E	2020E	2021E	2019E	2020E	2021E	
Capital Park	CPG PW PLN 6.30	Buy	6.79	0.67	0.61	0.57	9.0	8.4	8.2	
<b>Echo Investment</b>	<b>ECH PW PLN 4.36</b>	<b>Accumulate</b>	<b>4.94</b>	<b>1.13</b>	<b>1.07</b>	<b>1.02</b>	<b>5.8</b>	<b>6.7</b>	<b>6.5</b>	
GTC	GTC PW PLN 9.48	Hold	9.54	0.98	0.94	0.89	10.6	12.0	10.8	
Gecina	GFC FP EUR 150.9			0.90	0.87	0.84	26.7	25.5	25.1	
Deutsche Wohnen	DWNI GR EUR 33.4			0.95	0.92	0.92	22.7	22.9	22.6	
Deutsche Euroshop	DEQ GR EUR 26.8			0.76	0.75	0.74	18.5	17.2	13.7	
British Land	BLND LN GBp 614			0.72	0.74	0.73	17.7	17.5	16.8	
Segro	SGRO LN GBp 822			1.15	1.06	1.01	34.6	30.9	28.7	
<b>Average</b>				<b>0.90</b>	<b>0.87</b>	<b>0.84</b>	<b>24.0</b>	<b>22.8</b>	<b>21.4</b>	
Premium/discount to average										
Capital Park					-25.2%	-29.3%	-32.8%	-62.6%	-63.1%	-61.8%
<b>Echo Investment</b>					<b>26.3%</b>	<b>22.8%</b>	<b>20.9%</b>	<b>-76.0%</b>	<b>-70.5%</b>	<b>-69.5%</b>
GTC					9.0%	7.6%	5.0%	-55.8%	-47.4%	-49.4%

Source: Erste Group Research, Bloomberg



### Detailed property valuation

#### Standing commercial projects

Project	NRA (sqm)	Applied yield*	Expected completion	Market value (EUR mn)	Comment	PV (EUR mn)
Babka Tower	6 200	7.30%	completed	15.0	Office building in Warsaw	15.0
Moje Miejsce 1	18 700	6.50%	completed	47.1	Office project in Warsaw	47.1
Libero	44 900	6.60%	completed	135.7	Retail project in Katowice	135.7
<b>TOTAL</b>	<b>69 800</b>					<b>197.8</b>
<b>TOTAL in PLN m</b>						<b>791.3</b>

\*Erste Group Research estimate for 2021E

Source: Erste Group Research, Company Data

#### Commercial projects under construction

Project	NRA (sqm)	Applied yield*	Expected completion	Market value (EUR mn)	All-in costs (EUR mn)	Comment	PV (EUR mn)
Moje Miejsce 2	16 900	6.50%	2020-12-30	42.5	33.0	Office project in Warsaw	9.0
Face 2 Face 1	20 500	7.20%	2019-12-30	46.1	36.9	Office project in Katowice	9.1
Face 2 Face 2	26 500	7.20%	2020-12-30	59.6	47.7	Office project in Katowice	11.2
Browary K	16 200	5.05%	2020-09-30	75.1	40.8	Office project in Warsaw	32.0
Browary G	14 900	5.05%	2020-09-30	69.0	37.5	Office project in Warsaw	29.5
Browary H	14 900	5.05%	2020-09-30	69.0	37.5	Office project in Warsaw	29.5
React 1	15 000	7.30%	2020-11-30	30.0	24.8	Office project in Lodz	4.9
West 4 Business Hub 1	15 600	7.00%	2020-12-30	34.9	28.2	Office project in Wroclaw	6.2
<b>TOTAL</b>	<b>140 500</b>			<b>426.3</b>	<b>286.5</b>		<b>131.3</b>
<b>TOTAL in PLN m</b>				<b>1 705.2</b>	<b>1 145.8</b>		<b>525.2</b>

\*Erste Group Research estimate for 2021E

Source: Erste Group Research, Company Data

#### Commercial projects in pipeline

Project	NRA (sqm)	Applied yield*	Expected completion	Market value (EUR mn)	All-in costs (EUR mn)	Comment	PV (EUR mn)
Fuzja C-D	19 900	6.90%	2022-06-30	47.7	36.2	Office project in Lodz	9.5
Fuzja E	16 000	6.90%	2024-06-30	38.3	29.1	Office project in Lodz	6.7
Fuzja F	19 500	6.90%	2025-12-30	46.7	35.5	Office project in Lodz	7.7
React 2	26 600	7.30%	2022-06-30	53.9	44.2	Office project in Lodz	8.1
React 3	12 700	7.30%	2024-09-30	25.7	21.3	Office project in Lodz	3.2
Gdansk Solidarnosci 1	13 900	6.95%	2021-12-30	31.3	23.6	Office project in Gdansk	6.8
Gdansk Solidarnosci 2	16 700	6.95%	2021-12-30	37.6	28.4	Office project in Gdansk	8.2
Midpoint 71	36 400	6.90%	2022-06-30	87.2	68.4	Office project in Wroclaw	17.6
West 4 Business Hub 2	16 000	7.00%	2023-10-30	35.3	29.1	Office project in Wroclaw	5.1
West 4 Business Hub 3	16 000	7.00%	2024-12-30	35.3	29.1	Office project in Wroclaw	4.8
West 4 Business Hub 4	23 000	7.00%	2025-12-30	50.7	41.9	Office project in Wroclaw	6.1
Swobodna (NEW)	33 100	6.65%	2022-09-30	83.3	69.5	Office project in Wroclaw	11.4
Piotra Skargi (NEW)	22 700	7.20%	2022-09-30	47.0	38.1	Office project in Katowice	7.3
Al. Pokoju 1 (NEW)	19 500	6.65%	2022-03-30	45.9	38.6	Office project in Krakow	6.0
Al. Pokoju 2 (NEW)	21 900	6.65%	2023-10-30	51.6	43.4	Office project in Krakow	6.4
Wita Stwosza	29 600	6.70%	2022-09-30	73.0	56.8	Office project in Krakow	15.1
<b>TOTAL</b>	<b>343 500</b>			<b>790.7</b>	<b>633.3</b>		<b>130.0</b>
<b>TOTAL in PLN m</b>				<b>3 162.8</b>	<b>2 533.3</b>		<b>519.9</b>

\*Erste Group Research estimate for 2021E

Source: Erste Group Research, Company Data

**Residential projects under construction and in pipeline**

Project	Saleable area (sqm)	Expected completion	Market value (PLN mn)	All-in costs (PLN mn)	Comment	PV (PLN mn)
Osiedle Jasminowe						
phase 4	5 300	2020-03-30	31.5	24.5	Apartments in Poznan	6.6
Osiedle Perspektywa						
phase 3	5 600	2019-12-30	30.8	26.5	Apartments in Poznan	4.2
Nasze Jezyce						
phase 1	7 500	2021-03-30	55.5	45.1	Apartments in Poznan	9.8
phase 2	8 000	2021-07-30	60.0	48.1	Apartments in Poznan	10.5
Naramowice - 18MW						
phase 1	12 000	2022-10-30	72.0	61.1	Apartments in Poznan	9.7
phase 2	8 500	2023-09-30	51.0	43.2	Apartments in Poznan	6.4
phase 3	8 300	2024-09-30	49.8	44.0	Apartments in Poznan	4.5
Ogrody Graua	4 000	2020-06-30	42.0	33.3	Apartments in Wroclaw	8.1
Osiedle Jarzebinowe						
phase 6	3 300	2020-03-30	19.4	15.6	Apartments in Lodz	3.6
phase 7	6 100	2020-12-30	36.9	29.6	Apartments in Lodz	6.5
phase 8	6 100	2021-12-30	36.9	29.6	Apartments in Lodz	6.1
Esencja Apartamenty	12 600	2021-03-30	112.8	87.4	Apartments in Poznan	22.4
Esencja Apartamenty II	5 100	2022-03-30	45.6	36.6	Apartments in Poznan	7.5
Borwary B	10 500	2019-09-30	124.6	84.3	Apartments in Warsaw	39.9
Borwary C	6 900	2019-09-30	91.7	55.4	Apartments in Warsaw	35.9
Borwary E	6 100	2020-10-30	113.5	72.3	Apartments in Warsaw	38.6
Wita Stwosza						
phase 1	13 700	2022-06-30	119.2	84.9	Apartments in Krakow	30.3
phase 2	12 400	2023-06-30	107.9	76.9	Apartments in Krakow	25.6
Moje Miejsce 1	13 400	2020-09-30	129.3	97.3	Apartments in Warsaw	29.9
Reset (Tasmowa)						
phase 1	7 300	2019-11-30	66.8	55.8	Apartments in Warsaw	10.9
phase 2	11 900	2020-11-30	116.0	96.3	Apartments in Warsaw	18.5
Widoki Mokotow	4 800	2020-03-30	67.7	51.7	Apartments in Warsaw	15.0
Fuzja						
phase 1	14 300	2020-12-30	103.7	81.5	Apartments in Lodz	19.6
phase 2	11 700	2022-06-30	87.8	68.4	Apartments in Lodz	16.0
phase 3	8 600	2023-06-30	64.5	50.3	Apartments in Lodz	11.0
Chlodna/Wronia	1 100	2022-06-30	13.5	11.0	Apartments in Warsaw	2.1
Stacja Wola						
phase 1	20 000	2021-12-30	188.0	142.8	Apartments in Warsaw	37.3
phase 2	28 000	2024-03-30	266.0	199.9	Apartments in Warsaw	48.3
Swobodna	10 800	2023-11-30	86.4	71.2	Apartments in Wroclaw	13.4
Stacja 3.0	11 000	2021-03-01	87.5	67.0	Apartments in Wroclaw	18.0
Towarowa 22	18 400	2023-11-30	312.8	226.9	Apartments in Warsaw	66.7
Osiedle Enter						
phase 1	12 000	2021-11-30	75.6	58.2	Apartments in Poznan	15.4
phase 2	8 500	2022-03-30	53.6	41.2	Apartments in Poznan	10.2
phase 3	9 600	2023-03-30	60.5	46.5	Apartments in Poznan	10.8
Osiedle Krk						
phase 1	9 700	2021-09-30	85.8	66.6	Apartments in Krakow	17.0
phase 2	9 700	2021-12-30	85.8	66.6	Apartments in Krakow	17.0
<b>TOTAL in PLN m</b>	<b>352 800</b>		<b>3 152.3</b>	<b>2 397.5</b>		<b>653.1</b>

Source: Erste Group Research, Company Data



### **Key risks to investment case**

- difficulties in commercialization of development projects due to macro slowdown/growing competition in close vicinity to company's pipeline schemes
- difficulties in planned debt refinancing/difficulties in securing of external funding on acceptable terms, on time, or at amount sufficient to finance expansion plans
- unfavorable changes in company strategy following potential switch in main shareholder post
- unfavorable changes in management after potential change in post of key owner, affecting effective strategy implementation
- earlier than anticipated increase in EU interest rates putting upward pressure on real estate cap rates in region
- material fall in demand for yielding properties in Poland due to harder than anticipated macro slowdown/material increase in global risk aversion, putting upward pressure on real estate cap rates in country
- more pronounced than anticipated decline in demand for modern office space in country following pickup in labor costs, linked to likely increase in ZUS contribution level for higher-salary specialists
- stronger than anticipated increase in construction costs, hitting developer's margin on future projects
- difficulties/delays in planned exit from pipeline projects after completion/exit from pipeline projects at lower-than-anticipated prices
- delays in launch of pipeline projects/difficulties in obtaining administrative permits
- more pronounced than expected softening in demand for new dwellings, following recent pickup in prices
- earlier than originally anticipated base interest rate hike in Poland, hitting housing pre-sales volumes
- weaker than expected pickup in dwelling prices across country's main agglomerations in quarters ahead
- potential extra costs related to hypothetical creation of developer guarantee fund DFG
- difficulties in purchase of attractively located land plots at reasonable prices
- unfavorable FX movements (PLN is accounting currency, while vast majority of revenues are EUR-denominated; portfolio of assets also valued in EUR)
- stronger than expected downward pressure on retail rental rates following introduction of ban on Sunday trading in Poland

**Erste Group Research – Company Report**  
Echo Investment | Other Financial Services | Poland  
30 October 2019

<b>Income Statement</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
(IAS, PLN mn, 31/12)	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
<b>Net sales</b>	<b>480.08</b>	<b>621.86</b>	<b>713.04</b>	<b>707.03</b>	<b>671.41</b>	<b>796.35</b>
Cost of goods sold	255.90	472.44	578.10	490.41	476.08	557.90
<b>Gross profit</b>	<b>224.17</b>	<b>149.43</b>	<b>134.93</b>	<b>216.62</b>	<b>195.33</b>	<b>238.45</b>
SG&A	155.13	148.68	158.97	144.94	155.77	167.23
Other operating revenues	581.41	321.01	472.41	367.18	338.32	318.41
Other operating expenses	45.76	46.98	43.92	28.55	10.93	9.18
<b>EBITDA</b>	<b>607.80</b>	<b>277.62</b>	<b>407.94</b>	<b>419.04</b>	<b>375.94</b>	<b>389.61</b>
Depreciation/amortization	3.11	2.83	3.49	8.72	8.98	9.16
<b>EBIT</b>	<b>604.70</b>	<b>274.79</b>	<b>404.45</b>	<b>410.31</b>	<b>366.95</b>	<b>380.45</b>
Financial result	-415.06	88.57	19.96	-20.92	-36.36	-39.93
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>189.63</b>	<b>363.36</b>	<b>424.41</b>	<b>389.39</b>	<b>330.59</b>	<b>340.52</b>
Income taxes	-198.07	51.19	119.06	77.88	62.81	64.70
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	-0.01	-0.01	-0.01	0.00	0.00	0.00
<b>Net result after minorities</b>	<b>387.71</b>	<b>312.17</b>	<b>305.36</b>	<b>311.51</b>	<b>267.78</b>	<b>275.82</b>
<b>Balance Sheet</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
(IAS, PLN mn, 31/12)						
Intangible assets	0.30	0.24	2.47	2.47	2.47	2.47
Tangible assets	991.57	1,661.77	1,970.58	2,473.65	2,707.34	2,997.54
Financial assets	736.19	367.17	395.61	411.17	427.49	433.24
<b>Total fixed assets</b>	<b>1,728.05</b>	<b>2,029.17</b>	<b>2,368.66</b>	<b>2,887.29</b>	<b>3,137.30</b>	<b>3,433.25</b>
Inventories	656.40	682.44	771.84	882.23	973.05	926.59
Receivables and other current assets	343.35	491.45	343.89	329.44	310.90	318.97
Other assets	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	636.36	676.33	494.25	362.92	328.56	233.84
<b>Total current assets</b>	<b>1,636.11</b>	<b>1,850.22</b>	<b>1,609.98</b>	<b>1,574.58</b>	<b>1,612.51</b>	<b>1,479.40</b>
<b>TOTAL ASSETS</b>	<b>3,364.16</b>	<b>3,879.39</b>	<b>3,978.64</b>	<b>4,461.87</b>	<b>4,749.81</b>	<b>4,912.64</b>
<b>Shareholders'equity</b>	<b>1,528.26</b>	<b>1,587.75</b>	<b>1,495.57</b>	<b>1,600.79</b>	<b>1,681.66</b>	<b>1,783.42</b>
<b>Minorities</b>	<b>-0.10</b>	<b>-0.11</b>	<b>-0.11</b>	<b>-0.11</b>	<b>-0.11</b>	<b>-0.11</b>
<b>Hybrid capital and other reserves</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Pension and other LT personnel accruals</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>LT provisions</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Interest-bearing LT debts	760.98	1,026.83	1,149.69	1,447.58	1,555.12	1,621.69
Other LT liabilities	135.77	150.29	322.80	455.59	465.13	459.28
<b>Total long-term liabilities</b>	<b>896.76</b>	<b>1,177.12</b>	<b>1,472.50</b>	<b>1,903.16</b>	<b>2,020.26</b>	<b>2,080.97</b>
Interest-bearing ST debts	220.94	528.94	280.73	113.85	125.79	133.16
Other ST liabilities	718.30	585.69	729.96	844.19	922.22	915.20
<b>Total short-term liabilities</b>	<b>939.24</b>	<b>1,114.62</b>	<b>1,010.69</b>	<b>958.04</b>	<b>1,048.01</b>	<b>1,048.36</b>
<b>TOTAL LIAB. , EQUITY</b>	<b>3,364.16</b>	<b>3,879.39</b>	<b>3,978.64</b>	<b>4,461.87</b>	<b>4,749.81</b>	<b>4,912.64</b>
<b>Cash Flow Statement</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
(IAS, PLN mn, 31/12)						
Cash flow from operating activities	139.70	-276.12	142.28	130.05	-41.82	-5.12
Cash flow from investing activities	2,377.38	-46.24	-38.92	-199.96	81.76	10.76
Cash flow from financing activities	-2,701.74	362.34	-340.17	-75.10	-67.46	-100.36
<b>CHANGE IN CASH , CASH EQU.</b>	<b>-184.95</b>	<b>39.98</b>	<b>-236.80</b>	<b>-145.01</b>	<b>-27.52</b>	<b>-94.72</b>
<b>Margins &amp; Ratios</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
Sales growth		29.5%	14.7%	-0.8%	-5.0%	18.6%
EBITDA margin	126.6%	44.6%	57.2%	59.3%	56.0%	48.9%
EBIT margin	126.0%	44.2%	56.7%	58.0%	54.7%	47.8%
Net profit margin	80.8%	50.2%	42.8%	44.1%	39.9%	34.6%
ROE	14.9%	20.0%	19.8%	20.1%	16.3%	15.9%
ROCE		13.5%	11.4%	10.4%	7.9%	7.6%
Equity ratio	45.4%	40.9%	37.6%	35.9%	35.4%	36.3%
Net debt	345.6	879.4	936.2	1,198.5	1,352.4	1,521.0
Working capital	696.9	735.6	599.3	616.5	564.5	431.0
Capital employed	2,009.7	2,617.6	2,754.7	3,255.0	3,499.3	3,763.8
Inventory turnover	-0.4	-0.7	-0.8	-0.6	-0.5	-0.6

Source: Company data, Erste Group estimates

**Erste Group Research – Company Report**  
 Echo Investment | Other Financial Services | Poland  
 30 October 2019  
**Contacts**  
**Group Research**

**Head of Group Research**  
 Friedrich Mostböck, CEFA +43 (0)5 0100 11902

**CEE Macro/Fixed Income Research**  
 Head: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357  
 Zoltan Arokszállasi, CFA (Fixed income) +43 (0)5 0100 18781  
 Katarzyna Rzentarzewska (Fixed income, Poland) +43 (0)5 0100 17356  
 Małgorzata Krzywicka (Fixed income) +43 (0)5 0100 17338

**Croatia/Serbia**  
 Alen Kovac (Head) +385 72 37 1383  
 Mate Jelić +385 72 37 1443  
 Ivana Rogić +385 72 37 2419

**Czech Republic**  
 David Navrátil (Head) +420 956 765 439  
 Jiri Polansky +420 956 765 192  
 Michal Skorepa +420 956 765 172

**Hungary**  
 Orsolya Nyeste +361 268 4428

**Romania**  
 Horia Braun-Erdei (Head) +40 3735 10424  
 Eugen Sinca +40 3735 10435  
 Dorina Ilasco +40 3735 10436

**Slovakia**  
 Maria Valachyova (Head) +421 2 4862 4185  
 Katarina Muchova +421 2 4862 4762

**Major Markets & Credit Research**  
 Head: Gudrun Egger, CEFA +43 (0)5 0100 11909  
 Ralf Burchert, CEFA (Sub-Sovereigns & Agencies) +43 (0)5 0100 16314  
 Hans Engel (Global Equities) +43 (0)5 0100 19835  
 Margarita Grushanina (Austria, Quant Analyst) +43 (0)5 0100 11957  
 Peter Kaufmann, CFA (Corporate Bonds) +43 (0)5 0100 11183  
 Heiko Langer (Financials & Covered Bonds) +43 (0)5 0100 85509  
 Stephan Lingnau (Global Equities) +43 (0)5 0100 16574  
 Carmen Riefler-Kowarsch (Financials & Covered Bonds) +43 (0)5 0100 19632  
 Rainer Singer (Euro, US) +43 (0)5 0100 17331  
 Bernadett Povaszai-Römhild, CEFA (Corporate Bonds) +43 (0)5 0100 17203  
 Elena Statelov, CIIA (Corporate Bonds) +43 (0)5 0100 19641  
 Gerald Walek, CFA (Euro, CHF) +43 (0)5 0100 16360

**CEE Equity Research**  
 Head: Henning Eßkuchen +43 (0)5 0100 19634  
 Daniel Lion, CIIA (Technology, Ind. Goods&Services) +43 (0)5 0100 17420  
 Michael Marschallinger, CFA +43 (0)5 0100 17906  
 Nora Nagy (Telecom) +43 (0)5 0100 17416  
 Christoph Schultes, MBA, CIIA (Real Estate) +43 (0)5 0100 11523  
 Thomas Unger, CFA (Banks, Insurance) +43 (0)5 0100 17344  
 Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343  
 Martina Valenta, MBA +43 (0)5 0100 11913

**Croatia/Serbia**  
 Mladen Dodig (Head) +381 11 22 09178  
 Anto Augustinovic +385 72 37 2833  
 Magdalena Doleneć +385 72 37 1407  
 Davor Spoljar, CFA +385 72 37 2825

**Czech Republic**  
 Petr Bartek (Head) +420 956 765 227  
 Marek Dongres +420 956 765 218  
 Jan Safranek +420 956 765 218

**Hungary**  
 József Miró (Head) +361 235 5131  
 András Nagy +361 235 5132  
 Tamás Pletser, CFA +361 235 5135

**Poland**  
 Tomasz Duda (Head) +48 22 330 6253  
 Cezary Bernatek +48 22 538 6256  
 Konrad Grygo +48 22 330 6254  
 Michal Pilch +48 22 330 6255  
 Emil Poplawski +48 22 330 6252

**Romania**  
 Caius Rapanu +40 3735 10441

**Turkey**  
 Gizem Akkan +90 2129120445  
 Berke Gümüş +90 2129120445

**Group Institutional & Retail Sales**

**Group Institutional Equity Sales**  
 Head: Brigitte Zeitberger-Schmid +43 (0)5 0100 83123

**Cash Equity Sales**  
 Werner Fuerst +43 (0)5 0100 83121  
 Josef Kerekes +43 (0)5 0100 83125  
 Cormac Lyden +43 (0)5 0100 83120

**Institutional Equity Sales Croatia**  
 Damir Erer (Equity) +385 72 37 28 36

**Institutional Sales Czech Republic**  
 Head: Michal Rizek +420 224 995 537  
 Pavel Krabicka (Equity) +420 224 995 411  
 Martin Havlan (Equity) +420 224 995 551

**Institutional Sales Hungary**  
 Head: Peter Csizmadia +36 1 237 8211  
 Levente Nándori (Equity) +361 235 5141  
 Attila Preisz (Equity) +361 235 5140  
 Balázs Zánkay (Equity) +361 235 5156

**Institutional Equity Sales Poland**  
 Jacek Jakub Langer (Head) +4822 330 6265  
 Wojciech Wysocki (Equity) +4822 538 6219  
 Przemyslaw Nowosad (Equity) +4822 538 6266  
 Grzegorz Stepien (Equity) +4822 330 6211

**Institutional Equity Sales Romania**  
 Liviu George Avram +40 3735 16569

**Group Markets Retail Sales**  
 Head: Christian Reiss +43 (0)5 0100 84012

**Markets Retail Sales AT**  
 Head: Markus Kaller +43 (0)5 0100 84239

**Group Markets Execution**  
 Head: Kurt Gerhold +43 (0)5 0100 84232

**Retail & Sparkassen Sales**  
 Head: Uwe Kolar +43 (0)5 0100 83214

**Corporate Treasury Prod. Distribution**  
 Head: Christian Skopek +43 (0)5 0100 84146

**Institutional Distribution CEE**  
 Jaromir Malak +43 (0)5 0100 84254  
 Antun Buric +43 (0)5 0100 11387  
 Ciprian Mitu +43 (0)5 0100 85612

**Institutional Distribution non CEE**  
 Bernd Thaler +43 (0)5 0100 84119  
 Thomas Rakosi +43 (0)5 0100 84116

**Company description**

Echo Investment is one of the largest Polish developers, which builds projects in three sectors of the real estate market: residential, office and shopping centres. The firm got 23 years of experience in the field. Completed 152 projects, comprising 1.55m sqm of net rentable/saleable space to date. It has 80 schemes under construction and in preparation at present, offering 1.29m sqm of rentable/saleable space.

## Disclaimer

This investment research (the "Document") has been prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively for the purpose of providing additional economical information about the analyzed company or companies. The Document is based on reasonable knowledge of Erste Group's analyst in charge of producing the Document as of the date thereof and may be amended from time to time without further notice. It only serves for the purpose of providing non-binding information and does not constitute investment advice or investment recommendations. This Document does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this Document nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. All information, analysis and conclusions provided herein are of general nature. This Document does not purport to provide a comprehensive overview about any investment, the potential risks and results nor does this Document take into account any individual needs of an investor (the "Investor") in relation to proceeds, tax aspects, risk awareness and appropriateness of the security or financial product. Therefore, this Document does not replace any investor- and investment-related evaluation nor any comprehensive risk disclosure; any security or financial product has a different risk level. Performance charts and example calculations do not provide any indication for future performance of the security or the financial product. Information about past performance does not necessarily guarantee a positive development in the future and investments in securities or financial products can be of risk and speculative nature. The weaker the Company's credit-worthiness is, the higher the risk of an investment will be. Not every investment is suitable for every investor. Therefore, Investors shall consult their advisors (in particular legal and tax advisors) prior to taking any investment decision to ensure that – irrespective of information provided herein – the intended purchase of the security or financial product is appropriate for the Investor's needs and intention, that the Investor has understood all risks and that, after due examination, the Investor has concluded to make the investment and is in a position to bear the economical outcome of such investment. Investors are advised to mind the client information pursuant to the Austrian Securities Supervision Act 2018. Investment research is produced by Erste Group's division for investment research within the framework provided by applicable laws. The opinions featured in the equity and credit research reports may vary. Investors in equities may pursue different interests compared to those of investors on the credit side, related to the same issuer. The analyst has no authority whatsoever to make any representation or warranty on behalf of the analyzed Company, Erste Group, or any other person. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this Document. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this Document. Erste Group, associated companies as well as representatives and employees may, to the extent permitted by law, have a position in the securities of (or options, warrants or rights with respect to, or interest in the financial instruments or other securities of) the Company. Further, Erste Group, associated companies as well as representatives and employees may offer investment services to the Company or may take over management function in the Company. This Document has been produced in line with Austrian law and for the territory of Austria. Forwarding this Document as well as marketing of financial products described herein are restricted or interdicted in certain jurisdictions. This, in particular, applies to the United States, Canada, Switzerland, Australia, Korea and Japan. In particular, neither this Document nor any copy hereof may be taken or transmitted or distributed, directly or indirectly, into the United States or to US Persons (as defined in the U.S. Securities Act of 1933, as amended) unless applicable laws of the United States or certain federal states of the United States provide for applicable exemptions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction. Persons receiving possession of this Document are obliged to inform themselves about any such restrictions and to adhere to them. By accepting this Document, the recipient agrees to be bound by the foregoing limitations and to adhere to applicable regulations. Further information may be provided by Erste Group upon request. This Document and information, analysis, comments and conclusions provided herein are copyrighted material. **Erste Group reserves the right to amend any opinion and information provided herein at any time and without prior notice. Erste Group further reserves the right not to update any information provided herein or to cease updates at all.** All information provided in this Document is non-binding. Misprints and printing errors reserved.

If one of the clauses provided for in this disclaimer is found to be illicit, inapplicable or not enforceable, the clause has to be treated separately from other clauses provided for in this disclaimer to the largest extent possible. In any case, the illicit, inapplicable or not enforceable clause shall not affect the licitness, applicability or enforceability of any other clauses.

## Important Disclosures

THIS DOCUMENT MAY NOT BE TAKEN, TRANSMITTED OR DISTRIBUTED INTO THE UNITED STATES, CANADA, SWITZERLAND, AUSTRALIA, KOREA OR JAPAN OR TO ANY U.S. PERSON OR TO ANY INDIVIDUAL OUTSIDE CANADA, AUSTRALIA, SWITZERLAND, KOREA OR JAPAN WHO IS A RESIDENT OF THE UNITED STATES, CANADA, SWITZERLAND, AUSTRALIA, KOREA OR JAPAN OR TO THE PRESS IN THESE COUNTRIES.

### General disclosures

---

All recommendations given by Erste Group Research are independent, objective and are based on the latest company, industry and other general information publicly available which Erste Group Research considers being reliable; however, we do not represent or assume any liability for the completeness of accuracy of such information or our recommendation. The best possible care and integrity is used to avoid errors and/or misstatements. No influence on the rating and/or target price is being exerted by either the covered company or other internal departments of Erste Group. Each research drawn up by an analyst is reviewed by a senior research executive or agreed with a senior analyst/deputy (4-eyes-principle). Erste Group has implemented extensive Compliance Rules on personal account dealings of analysts (please see "Conflicts of Interest"). Analysts are not allowed to involve themselves in any paid activities with the covered companies except as disclosed otherwise. No part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. Erste Group may engage in transactions with financial instruments, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Erste Group, including strategists and sales staff, may take a view that is inconsistent with that taken in this research report.

---

### Conflicts of interest

Disclosures of potential conflicts of interest relating to Erste Group Bank AG, its affiliates or branches and its relevant representatives and employees with respect to the issuers, financial instruments and/or securities forming the subject of this document are updated daily.

For an overview of conflicts of interests for all analysed companies by Erste Group in Equity Research please follow following link:  
<https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml>.

Erste Group Bank AG ensures with internal policies that conflicts of interest are managed in a fair manner. The policy „Managing Conflict of Interest in Connection with Investment Research“ are provided under the following link:  
<https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml>.



#### **Erste Group rating definitions**

---

<b>Buy</b>	> +20% to target price
<b>Accumulate</b>	+10% < target price < +20%
<b>Hold</b>	0% < target price < +10%
<b>Reduce</b>	-10% < target price < 0%
<b>Sell</b>	< -10% to target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

A history of all recommendations within the last 12 months is provided under the following link:  
<https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml>.

#### **Explanation of valuation parameters and risk assessment**

Unless otherwise stated in the text of the financial investment research, target prices in the publication are based on a discounted cash flow valuation and/or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, from changes in social values. Valuations may also be affected by changes in taxation, in exchange rates, in the capital market sentiment and in regulatory provisions. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, political, economic and social conditions.

All market prices within this publication are closing prices of the previous trading day (unless otherwise mentioned within the publication).

Detailed information about the valuation and methodology of investment research by the Erste Group Bank AG is provided under the following link:  
<https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml>.

#### **Planned frequency of updates for recommendations**

Target prices for individual stocks are meant to be 12 month target prices, starting from the date of the publication. Target prices and recommendations are reviewed usually upon release of quarterly reports, or whenever circumstances require.

Periodical publications are identified by their respective product name and indicate update frequency as such (e.g. Quarterly). Recommendations mentioned within these publications are updated in an according frequency, unless otherwise mentioned (e.g. a 12M TP is not updated on a monthly base, even when mentioned in summarizing monthly/quarterly product).

**Erste Group Research – Company Report**  
Echo Investment | Other Financial Services | Poland  
30 October 2019

**Links**

Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Erste Group does not accept responsibility whatsoever for any such material, including in particular the completeness and accuracy, nor for any consequences of its use.

**Additional notes to readers in the following countries:**

**Austria:** Erste Group Bank AG is registered in the Commercial Register at Commercial Court Vienna under the number FN 33209m. Erste Group Bank AG is authorized and regulated by the European Central Bank (ECB) (Sonnenmannstraße 20, D-60314 Frankfurt am Main, Germany) and by the Austrian “Finanzmarktaufsichtsbehörde” (FMA) (Otto-Wagner Platz 5, A-1090, Vienna, Austria).

**Germany:** Erste Group Bank AG is authorised for the conduct of investment business in Germany by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

**United Kingdom:** Erste Group Bank AG is regulated for the conduct of investment business in the UK by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Erste Group Bank AG does not deal for or advise or otherwise offer any investment services to retail clients.

**Czech Republic:** Česká spořitelna, a.s. is regulated for the conduct of investment activities in Czech Republic by the “Česká Národní Banka” (CNB).

**Croatia:** Erste Bank Croatia is regulated for the conduct of investment activities in Croatia by the “Hrvatska Agencija za Nadzor Financijskih Usluga” (HANFA).

**Hungary:** Erste Bank Hungary ZRT. and Erste Investment Befektetési Zrt. are regulated for the conduct of investment activities in Hungary by the Magyar Nemzeti Bank” (MNB).

**Serbia:** Erste Group Bank AG is regulated for the conduct of investment activities in Serbia by the Komisija za hartije od vrednosti Republike Srbije (SCRS).

**Romania:** Banca Comerciala Romana is regulated for the conduct of investment activities in Romania by the “Autoritatea de Supraveghere Financiară” (ASF).

**Poland:** Erste Securities Polska S.A. is regulated for the conduct of investment activities in Poland by the “Komisja Nadzoru Finansowego” (KNF).

**Slovakia:** Slovenská sporiteľňa, a.s. is regulated for the conduct of investment activities in Slovakia by the “Národná banka Slovenska” (NBS).

**Turkey:** Tarkus Advisory, a non-regulated Turkish advisory company, is the exclusive equity research partner of Erste Group Bank AG, and is acting on behalf of Erste Group Bank AG to cover Turkish issuers. Content, ratings and target prices are under the sole responsibility of Erste Group Bank AG.

**Switzerland:** This research report does not constitute a prospectus or similar communication in connection with an offering or listing of securities as defined in Articles 652a, 752 and 1156 of the Swiss Code of Obligation and the listing rules of the SIX Swiss Exchange.

**Hong Kong:** This document may only be received in Hong Kong by ‘professional investors’ within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

© Erste Group Bank AG 2019. All rights reserved.

**Published by:**

**Erste Group Bank AG**  
**Group Research**  
**1100 Vienna, Austria, Am Belvedere 1**  
**Head Office: Wien**  
**Commercial Register No: FN 33209m**  
**Commercial Court of Vienna**  
**Erste Group Homepage: [www.erstegroup.com](http://www.erstegroup.com)**