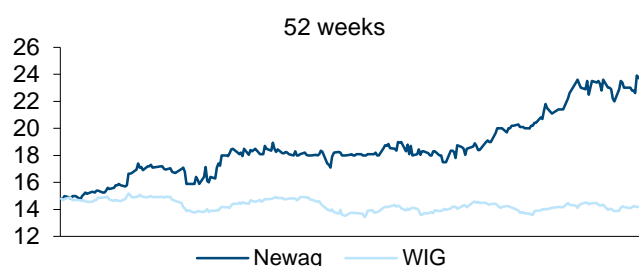


Newag

from Accumulate to Buy

PLN mn	2019e	2020e	2021e	2022e
Net sales	983.0	1,249.5	1,222.0	1,299.5
EBITDA	181.3	232.2	220.9	235.1
EBIT	147.3	197.9	184.6	198.8
Net result after min.	98.1	156.5	148.7	143.4
EPS (PLN)	2.18	3.48	3.30	3.19
CEPS (PLN)	2.93	4.24	4.11	3.99
BVPS (PLN)	12.44	15.25	17.22	19.52
Div./share (PLN)	0.75	0.67	1.33	0.89
EV/EBITDA (x)	8.3	6.5	6.5	5.9
P/E (x)	11.0	6.9	7.2	7.5
P/CE (x)	8.1	5.6	5.8	6.0
Dividend Yield	3.1%	2.8%	5.6%	3.7%

Share price (PLN) close as of 20/02/2020	23.9
Number of shares (mn)	45.0
Market capitalization (PLN mn / EUR mn)	1,076 / 251
Enterprise value (PLN mn / EUR mn)	1,511 / 354



Performance	12M	6M	3M	1M
in PLN	61.5%	32.0%	19.5%	2.1%

Reuters	NWGP.WA	Free float	47.8%
Bloomberg	NWG.PW	Shareholders	jonariuszy Newag (52.2%)
Div. Ex-date	19/08/19		NN OFE (8.83%)
Target price	31.2	Homepage:	https://www.newag.pl

Analyst:

Michał Pilch
+48 22 538 62 55
michal.pilch@erstegroup.com

Becoming key player in hybrid units to drive up margins

Introduction of new product by Newag – hybrid multiple unit (HMU) – leads us to adjust upwards probability of success in future tenders. Newag is forecast to sign the majority of the contracts for HMUs or mixed contracts including electric & hybrid trains as its main competitor Pesa does not produce hybrids and is not expected to do so at least for a year due to ongoing restructuring.

Our analysis of potential demand implies that Newag would have to win from 33% to 80% of contracts in a particular year to fulfill our forecast for electric multiple units (EMUs). Newag won around 71.4% of the EMU contracts announced in 2019. Another UTK report implies even higher demand (at 113 units annually from 2020-25). Moreover, we argue that eco-friendly railway projects will be granted higher environment markers in the next EU perspective.

Finally, we adjust our profitability forecasts with a significant increase in gross margins. This is prompted by improved capacity to grow pricing above cost inflation and constantly changing the product mix towards products with higher margins.

Increased scale (revenues in 2020-24 up 15.4% compared to our initial forecast for 2019-23), together with higher expected gross margins (average margin at 22.6% vs. 19.8% in the previous report) should lead to improved free cash flows vs. our initial forecasts (total FCF up 22.8%). Therefore, we **upgrade our recommendation** from Accumulate to **Buy with a target price of PLN 31.2**.

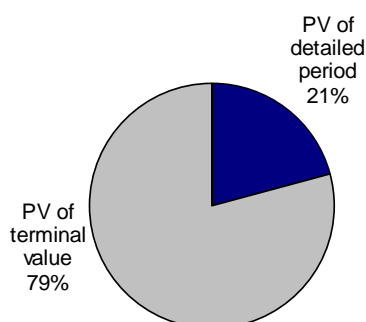
WACC calculation

	2020e	2021e	2022e	2023e	2024e	Term. value Normalized
Risk free rate	2.1%	2.1%	2.1%	2.1%	2.1%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	8.1%	8.1%	8.1%	8.1%	8.1%	9.0%
Cost of debt	3.1%	3.1%	3.1%	3.1%	3.1%	5.0%
Effective tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	21.0%
After-tax cost of debt	2.4%	2.4%	2.4%	2.4%	2.4%	4.0%
Equity weight	69%	67%	71%	72%	74%	100%
WACC	6.3%	6.2%	6.4%	6.5%	6.6%	9.0%

DCF valuation

(PLN mn)	2020e	2021e	2022e	2023e	2024e	Normalized
Sales growth	27.1%	-2.2%	6.3%	5.6%	-10.1%	1.0%
EBIT	197.9	184.6	198.8	205.2	137.3	186.8
EBIT margin	15.8%	15.1%	15.3%	15.0%	11.1%	15.0%
Tax rate	13.3%	12.7%	23.0%	23.0%	23.0%	21.0%
Taxes on EBIT	-26.3	-23.5	-45.7	-47.2	-31.6	-39.2
NOPLAT	171.6	161.1	153.1	158.0	105.7	147.6
+ Depreciation	34.3	36.3	36.3	36.3	36.3	37.4
Capital expenditures / Depreciation	246.6%	171.6%	166.7%	100.0%	100.0%	105.0%
+/- Change in working capital	-105.1	14.9	-46.0	-44.2	75.1	-5.5
Chg. working capital / chg. Sales	-39.4%	-54.1%	-59.4%	-61.1%	-54.0%	-45.0%
- Capital expenditures	-84.5	-62.3	-60.5	-36.3	-36.3	-39.3
Free cash flow to the firm	16.2	150.0	82.8	113.8	180.8	140.1
Terminal value growth						1.0%
Terminal value						1 909.3
Discounted free cash flow - Dec 31 2019	15.3	132.8	68.9	88.9	132.5	1 283.6
Enterprise value - Dec 31 2019	1 722.0					
Minorities	0.0					
Non-operating assets	0.0					
Net debt	435.9					
Other adjustments	0.0					
Equity value - Dec 31 2019	1 286.1					
Number of shares outstanding (mn)	45.0					
Cost of equity	8.1%					
12M target price per share (PLN)	31.2					
Share price (PLN) Jul 25	23.9					
Up/Downside	30.7%					

Enterprise value breakdown



source: Erste Group Research

Sensitivity (per share)

		Terminal value EBIT margin				
		14.0%	14.5%	15.0%	15.5%	16.0%
WACC	8.0%	33.2	34.4	35.7	36.9	38.2
	8.5%	31.0	32.2	33.3	34.5	35.7
	9.0%	29.1	30.1	31.2	32.3	33.4
	9.5%	27.3	28.4	29.4	30.4	31.5
	10.0%	25.8	26.8	27.8	28.7	29.7
		Terminal value growth				
		0.0%	0.5%	1.0%	1.5%	2.0%
WACC	8.0%	35.7	35.7	35.7	35.7	35.7
	8.5%	33.3	33.3	33.3	33.3	33.3
	9.0%	31.2	31.2	31.2	31.2	31.2
	9.5%	29.4	29.4	29.4	29.4	29.4
	10.0%	27.8	27.8	27.8	27.8	27.8

Peer valuation

The peer valuation with regard to Polish industrials reveals that the company is, dependent on ratio, under- or overpriced for 2020E vs. the relatively cheap set of companies that still suffer from increased labor costs and uncertainty over future macro prospects.

Polish industrials peer group comparison

	P/E			EV/EBITDA			P/BV		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Forte	22.8	12.3	12.9	10.3	9.2	9.0	1.5	1.5	1.4
Apator	9.4	9.5	9.6	6.4	6.3	6.2	1.4	1.4	1.6
Kęty	13.4	13.3	12.9	8.6	8.4	8.2	2.6	2.6	2.5
Stalprodukt	7.9	7.2	8.6	2.6	2.7	3.0	0.8	0.8	0.7
Alumetal	13.6	12.5	11.2	8.3	7.8	7.2	3.3	2.8	2.2
Wielton	11.0	9.6	7.0	6.6	6.5	6.1	4.1	3.5	3.0
Amica	10.0	9.6	9.3	6.5	6.3	6.2	0.3	0.2	0.2
Median total	11.0	9.6	9.6	6.6	6.5	6.2	1.5	1.5	1.6
Newag	6.87	7.23	7.50	6.54	6.52	5.88	1.57	1.39	1.22
<i>Premium/discount</i>	<i>-38%</i>	<i>-25%</i>	<i>-22%</i>	<i>-1%</i>	<i>0%</i>	<i>-6%</i>	<i>7%</i>	<i>-5%</i>	<i>-22%</i>
Implied value [PLN per share]	38.3	31.8	30.7	24.2	23.9	25.7	22.3	25.0	30.6

Source: Factset, Erste Group Research

We also show the company's comparison with global rolling stock producers.

Global peer group comparison

	P/E			EV/EBITDA			P/BV		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Alstom	23.1	19.8	17.4	12.6	11.4	10.2	3.2	2.9	2.6
CRRC	12.4	10.9	9.9	8.6	7.7	7.2	1.1	1.0	1.0
Bombardier Transportation	n.a.	n.a.	24.2	11.1	8.6	7.2	n.a.	n.a.	n.a.
Stadler Rail	30.5	22.4	19.1	17.3	13.3	11.8	5.5	5.0	4.4
Hyundai Rotem	261.8	37.3	23.5	21.5	16.7	14.7	1.5	1.5	1.3
CAF	27.5	14.9	12.1	8.5	7.4	6.8	1.9	1.7	1.6
Talgo	20.2	12.4	11.4	11.2	7.8	7.1	2.5	2.2	2.0
Median total	25.3	17.3	17.4	11.2	8.6	7.2	2.2	2.0	1.8
Newag	6.87	7.23	7.50	6.54	6.52	5.88	1.57	1.39	1.22
<i>Premium/discount</i>	<i>-73%</i>	<i>-58%</i>	<i>-57%</i>	<i>-42%</i>	<i>-24%</i>	<i>-18%</i>	<i>-29%</i>	<i>-30%</i>	<i>-31%</i>
Implied value [PLN per share]	87.9	57.2	55.4	35.5	34.7	27.3	27.3	30.3	30.6

Source: Factset, Erste Group Research

The data reveals that Newag is still underpriced compared to global peers and we still argue that this is to a large extent driven by its solely local scope of operations and underperformance in cash flow generation.

Erste Group Research – Company Report

Newag | | Poland

24 February 2020

Income Statement	2017	2018	2019e	2020e	2021e	2022e
(IAS, PLN mn, 31/12)	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Net sales	789.87	1,021.56	982.98	1,249.53	1,222.01	1,299.46
Cost of goods sold	685.63	816.92	757.87	945.44	933.59	990.27
Gross profit	104.23	204.63	225.11	304.09	288.42	309.19
SG&A	68.18	74.38	83.51	106.16	103.82	110.40
Other operating revenues	18.83	22.91	17.71	0.00	0.00	0.00
Other operating expenses	9.37	25.21	11.98	0.00	0.00	0.00
EBITDA	79.41	164.39	181.30	232.21	220.92	235.11
Depreciation/amortization	33.89	36.44	33.98	34.28	36.32	36.32
EBIT	45.51	127.95	147.32	197.93	184.60	198.79
Financial result	-10.70	-12.12	-19.60	-17.43	-14.19	-12.56
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	34.82	115.83	127.72	180.50	170.41	186.23
Income taxes	5.16	22.43	29.67	24.01	21.69	42.83
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	-0.08	0.05	0.00	0.00	0.00	0.00
Net result after minorities	29.74	93.35	98.05	156.48	148.71	143.40
Balance Sheet	2017	2018	2019e	2020e	2021e	2022e
(IAS, PLN mn, 31/12)						
Intangible assets	36.16	30.94	30.94	30.94	30.94	30.94
Tangible assets	313.91	366.38	416.92	444.96	469.18	469.18
Financial assets	93.14	87.82	87.82	87.82	87.82	87.82
Total fixed assets	443.21	485.13	535.67	563.72	587.93	587.93
Inventories	237.26	223.21	301.07	310.83	306.93	325.57
Receivables and other current assets	279.16	419.42	457.82	581.97	569.15	605.23
Other assets	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	13.80	63.51	70.00	90.00	110.00	130.00
Total current assets	558.56	725.72	848.48	1,002.39	1,005.67	1,080.38
TOTAL ASSETS	1,001.77	1,210.85	1,384.15	1,566.10	1,593.60	1,668.31
Shareholders' equity	403.49	495.27	559.74	686.22	774.93	878.33
Minorities	0.11	0.16	0.00	0.00	0.00	0.00
Hybrid capital and other reserves	0.00	0.00	0.00	0.00	0.00	0.00
Pension and other LT personnel accruals	0.00	0.00	0.00	0.00	0.00	0.00
LT provisions	0.08	0.39	0.39	0.39	0.39	0.39
Interest-bearing LT debts	79.97	185.98	331.02	407.84	389.97	392.54
Other LT liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Total long-term liabilities	117.65	220.12	366.12	442.85	423.97	426.57
Interest-bearing ST debts	204.01	203.32	174.88	124.88	84.88	44.88
Other ST liabilities	276.51	291.98	283.41	312.15	309.81	318.52
Total short-term liabilities	480.52	495.30	458.30	437.04	394.69	363.40
TOTAL LIAB., EQUITY	1,001.77	1,210.85	1,384.15	1,566.10	1,593.60	1,668.31
Cash Flow Statement	2017	2018	2019e	2020e	2021e	2022e
(IAS, PLN mn, 31/12)						
Cash flow from operating activities	44.38	17.68	8.16	85.51	198.40	133.75
Cash flow from investing activities	-33.58	-12.04	-84.52	-62.32	-60.53	-36.32
Cash flow from financing activities	-1.35	44.28	82.86	-3.18	-117.87	-77.43
CHANGE IN CASH, CASH EQU.	9.41	49.71	6.49	20.00	20.00	20.00
Margins & Ratios	2017	2018	2019e	2020e	2021e	2022e
Sales growth	41.3%	29.3%	-3.8%	27.1%	-2.2%	6.3%
EBITDA margin	10.1%	16.1%	18.4%	18.6%	18.1%	18.1%
EBIT margin	5.8%	12.5%	15.0%	15.8%	15.1%	15.3%
Net profit margin	3.8%	9.1%	10.0%	12.5%	12.2%	11.0%
ROE	7.4%	20.8%	18.6%	25.1%	20.4%	17.3%
ROCE	4.3%	11.9%	10.4%	14.3%	12.7%	12.0%
Equity ratio	40.3%	40.9%	40.4%	43.8%	48.6%	52.6%
Net debt	270.2	325.8	435.9	442.7	364.9	307.4
Working capital	78.0	230.4	390.2	565.4	611.0	717.0
Capital employed	711.5	855.4	1,030.7	1,163.9	1,173.8	1,219.8
Inventory turnover	-3.0	-3.5	-2.9	-3.1	-3.0	-3.1

Source: Company data, Erste Group estimates

Erste Group Research – Company Report

Newag | | Poland

24 February 2020

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) +361 373 2830
Katarzyna Rzentarzewska (Fixed income) +43 (0)5 0100 17356
Małgorzata Krzywicka (Fixed income, Poland) +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
Nicole Gawlasova +420 956 765 456

Hungary

Orsolya Nyeste +361 268 4428

Romania

Ciprian Dascalu (Head) +40 3735 10108
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 Dolenec +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
Marcin Gornik +48 22 330 6251

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 Eror (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
Jiri Feres (Equity) +420 224 995 554

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 Stepień (Equity) +4822 330 6211

Institutional Equity Sales Romania

Liviu George Avram +40 3735 16569

Group Markets Retail and Agency Business

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

Margit Hraschek +43 (0)5 0100 84117
Bernd Thaler +43 (0)5 0100 84119
Thomas Rakosi +43 (0)5 0100 84116

Erste Group Research – Company Report

Newag | | Poland

24 February 2020

Company description

Newag SA Rolling stock producer

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

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

Newag | | Poland

24 February 2020

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: Banka 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 2020. 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