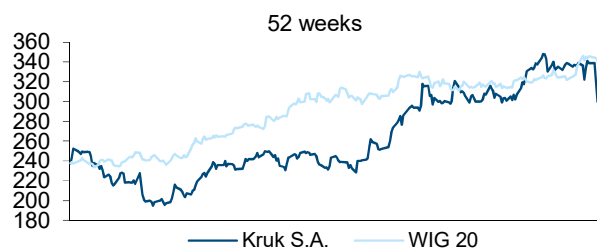


Kruk S.A.

from Buy to Accumulate

PLN mn	2016	2017e	2018e	2019e
Net sales	783.4	1,147.1	1,439.2	1,836.4
EBITDA	362.6	493.2	632.5	759.5
EBIT	349.0	477.3	615.8	742.5
Net result after min.	248.7	364.8	418.8	499.7
EPS (PLN)	13.27	19.46	22.34	26.66
CEPS (PLN)	14.39	19.82	23.23	27.57
BVPS (PLN)	66.02	83.89	102.88	125.63
Div./share (PLN)	2.32	3.41	3.91	10.66
EV/EBITDA (x)	16.1	15.3	12.8	11.3
P/E (x)	17.9	15.6	13.6	11.4
P/CE (x)	16.5	15.3	13.0	11.0
Dividend Yield	1.0%	1.1%	1.3%	3.5%



Performance	12M	6M	3M	1M
in PLN	27.6%	24.6%	-1.2%	-8.8%

Share price (PLN) close as of 14/09/2017	303.0	Reuters	KRU.WA	Free float	89.6%
Number of shares (mn)	18.7	Bloomberg	KRU.PW	Shareholders	NN PTE (10.6%)
Market capitalization (PLN mn / EUR mn)	5,678 / 1,325	Div. Ex-date	28/06/17		Piotr Krupa (10.43%)
Enterprise value (PLN mn / EUR mn)	7,550 / 1,762	Target price	344.0	Homepage:	www.kruk.eu

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Position for strong 2018 during weak 2H17

Increasing TP to PLN 344 (from PLN 301), but downgrading our recommendation from Buy to Accumulate due to ca. +30% share price performance since our last report and upgrade of EPS forecasts by 16-21% for 2017e-2019e.

Use the expected 2H17 relative weakness in Kruk's bottom line (PLN 148mn expected by us) to build a position in the company, as the results should already improve in 1H18 (driven by expected seasonally strong purchases in 4Q17 and a drop in court fees vs. 2H17). For 2018, we expect net profit at PLN 419mn (+15% y/y).

We increased our net profit forecast by 18% in 2017, mainly due to our higher expectations for cash collections (by 4%) and higher contribution from business acquired in Italy and Spain in the 'other' revenue line. In our March report, we were quite conservative on the expected cost base due to foreign expansion.

Little change in our forecast for operating costs for 2017e, but the structure of costs has changed – lower foreign expansion costs, but court fees to pick up as the company intends to bring more cases to court in expectation of a change in the debt expiration law. We expect these costs to be on an elevated level in 2H17 and to go down in 1Q18 and going forward (relative to cash collections).

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