



Cyfrowy Polsat IR Newsletter

24 – 30 August 2020



PAP
24 August 2020

PKO BP Ekstraklasa premiership matches will continue to be shown by Canal+ and TVP during the next two seasons

PKO BP Ekstraklasa Polish premiership matches will be broadcast by CANAL+ and TVP during the next two seasons (2021/22 and 2022/23). CANAL+ will be broadcasting all matches while TVP will be showing one match from each match day in its free-to-air channel, at the same time as the match will be broadcast by CANAL+. Both TV stations will be showing match replays and match highlights in their news programs and sports magazines.

In addition, Ekstraklasa (Polish Premiership) informed that it had reached agreement with both broadcasters regarding the impact of COVID-19 pandemics on the league. The agreement includes the issues connected with potential disruptions of season which could be the outcome of modification of the calendar of international football events.

The new arrangements with the broadcasters substantially secure the league's interests while spreading the risk evenly between the parties.

Ekstraklasa informed that the total value of the contracts for the four seasons (2019/20 – 2022/23) will be PLN 1 billion. PLN 250 million for the 2019/20 season has already been settled.

Parkiet
25 August 2020

Brussels has a plan to cut the wholesale rates charged by operators in the EU

by Urszula Zielińska

The European Commission has presented a proposal of new lower wholesale rates for termination of voice calls in mobile and fixed-line networks in the EU.

The maximum Mobile Termination Rate (MTR) is expected to be 0.2 eurocents per minute while the Fixed Termination Rate (FTR) is expected to amount 0.07 eurocents per minute.

The Commission noted that at present Poland stands out among EU countries as regards the FTR rates – higher rates only exist in Finland. According to BEREC (an organization of telecommunication market regulators in the EU), at the beginning of the year the FTR rates in Poland ranged from 0.4782 to 0.8362 eurocents per-minute, while an average MTR rate was slightly above 1 eurocent.

The draft regulation provides for a three-year period for reaching the target level for MTR: 0.7 eurocents in 2021, 0.55 eurocents in 2022, 0.4 eurocents in 2023, and ultimately 0.2 eurocents in 2024. However, in the case of 11 countries, where low MTR rates exist today, the above mentioned changes would be introduced only starting from 2022.

As regards the FTR rates, the Commission has proposed two systems. The countries who at present have rates that are close to the proposed new rate would enjoy a transition period, enabling them to use diversified rates up until the end of 2021. In the case of the remaining countries, a glide path to reach the new rate would be adopted. As regards Poland, the EC proposed that the maximum FTR rate in 2021 be 0.112 eurocents.

The operators can submit comments to the draft regulation until 22 September 2020.

Parkiet **27 August 2020**

PLN 725 million evaporated from the media during half a year due to Covid

by Urszula Zielińska

According to the estimates of Publicis Group, the value of the advertising market in Poland decreased by 15.3% during the first half of 2020, down to PLN 4 bn.

The online advertising market did best at the times of crisis, growing slightly and nearly being on par with the TV advertising market in terms of value.

In Publicis view the values of the respective advertising segments during the period in question were as follows: TV – PLN 1.714 billion (-21% yoy), Internet – PLN 1.703 billion (+4 million PLN yoy), radio – PLN 292 million (-13.6%), outdoor advertising – PLN 139 million (-45%), daily newspapers – PLN 58 million P (-29.9%), magazines – PLN 94 million (- 35.3%), cinemas– PLN 25 million (-60.3%).

As Publicis Group forecasts, starting from September the advertising budgets will start returning to last year's levels. In the entire 2020 the advertising budgets will decrease by over 850 million PLN, with 450 million PLN being the budget decrease in TV. Thus, according to Publicis Group the value of the advertising market in Poland will decreased by 8.7%.

Puls Biznesu
28 August 2020

Cyfrowy takes a breath after the virus

by Marcel Zatoński

In Q2 2020 Polish TV market shrank by 35.4%, i.e. from PLN 1.2 billion down PLN 778 million. While presenting the results of Cyfrowy Polsat Group for the TV broadcasting and production segment, Stanisław Janowski, CEO of Telewizja Polsat, said that due to the pandemics a tornado went through the TV advertising and sponsoring market. The advertisers reduced their budgets significantly, and Polsat TV, while adjusting to the situation, very heavily reduced its operating expenses in the TV segment, limiting the hit to adjusted EBITDA.

Positive sentiment clearly appeared among the advertisers in Q3 2020, i.e. when the lockdown ended. Thus in H2 2020 Polsat Group expects that the value of Polish advertising and sponsoring market will be close to last year's, as Janowski added.

"Online advertising market, in turn, is in a good condition. In Q2 its value decreased by ca. 5% but at present it experiences positive growth dynamics," said Stanisław Janowski. In July 2020 Cyfrowy Polsat Group acquired Interia Group, the owner of Interia.pl, one of the three biggest horizontal portals in Poland.

In Q2 2020 Cyfrowy Polsat Group also entered into a new business segment – sale of solar panels offered under 'Esoleo' brand.

Wirtualnemedia.pl
28 August 2020

UOKiK (Office of Competition and Consumer Protection) rather than the European Commission will decide about the Cyfrowy Polsat's and Discovery's joint VoD platform

by tw

European Commission informed that at the request of the Polish Office of Competition and Consumer Protection it handed over to that office for review the proposed concentration involving creation of a joint VoD platform by Cyfrowy Polsat and TVN Discovery Polska. Thus, the decision to grant or refuse consent to implementing the project will be in the hands of UOKiK and it will be reviewed on the basis of national law.

In UOKiK's opinion the above transaction may have substantial influence on competition on the following markets: audio-visual content production and licensing, wholesale delivery of TV channels, retail delivery of TV services as well as on the off-line and on-line sale of advertising space in Poland.

Parkiet
30 August 2020

5G auction after the decision of the Cybersecurity Board

by Urszula Zielińska

In a statement for "Parkiet" daily, the Minister of Digital Affairs, Marek Zagórski said that the new President of the Office of Electronic Communications, Jacek Oko, could be appointed to the position by the Parliament in the second half of September.

Once appointed, the new UKE President will be able to formally submit, to the Cybersecurity Board, a request for defining the requirements governing the process of spectrum distribution for the needs of 5G networks.

According to the preliminary working schedule, the Board will convene a week after the UKE President is elected and appointed by the Parliament.

Arrangements are in progress now with the involvement of UKE, the operators and the Ministry of Digital Affairs as regards the security requirements. According to the minister, once approved by the Cybersecurity Board the security requirements will not be subject to any further consultations.

Recent events



Press release
27 August 2020

Cyfrowy Polsat Group sums up Q2 2020. Excellent operating results, finalization of the acquisition of Interia.pl, 5G network roll-out, launch of the offer of solar panels under the ESOLEO brand

In spite of the state of epidemic, which was declared in Poland in spring, Cyfrowy Polsat Group ended the second quarter with stable results which were in line with market expectations. The Group has smoothly adjusted the operations of its companies to the situation and donated PLN 30 million to support the society and the healthcare system. Major events included the quick finalization of the acquisition of Interia.pl, which will enable the Group to gain a stronger foothold on the Internet market, start of operations on the photovoltaics market under the new ESOLEO brand, as well as further roll-out of the state-of-the-art 5G network, using spectrum from the unique 2.6 GHz TDD frequency band. The Group's revenues amounted PLN 2.86 billion, adjusted EBITDA exceed PLN 1 billion while net profit increased to PLN 291 million.

"Today we see the developments from the early weeks of the pandemic in a different perspective but we should not forget the conditions in which we unexpectedly found ourselves this spring and about the challenges that accompanied them. During the first stage it was key for the management of our Group to maintain the continuity of the telecommunication network's operation, the provision of services as well as sales and customer service processes, while ensuring maximally high comfort and safety for those of our teams whose scope of tasks did not allow them to switch to remote work. We did this very efficiently and, when looking at the results that were published today, it is fair to say that we have stood up to the challenge," – says Miroslaw Błaszczyk, President of the Management Board of Cyfrowy Polsat and Polkomtel, the operator of Plus network.

"As a Polish company we have been actively involved in helping the healthcare institutions and Polish citizens by donating, jointly with our main shareholder, Mr. Zygmunt Solorz, the amount of PLN 30 million. Moreover, in the extremely non-standard conditions we managed to continue running our investment and development projects. As a result, in recent weeks we acquired the Interia.pl web portal, started sales of solar panel systems under the ESOLEO brand and continued to roll-out Plus's 5G network as scheduled," adds Miroslaw Błaszczyk.

The first in Poland commercial 5G network, using the spectrum from the 2.6 GHz TDD band, was launched by Polkomtel, the operator of Plus network, on May 11, 2020. The network comprises 100 base stations operating in 7 Polish cities, i.e. Warsaw, Gdansk, Katowice, Lodz, Poznan, Szczecin and Wroclaw. The next phase of development of Plus's 5G network is to provide radio coverage for the entire area of Warsaw as well as the towns surrounding the capital where more than 600 further 5G base stations are being constructed. The operator successively expands the offer of smartphones and routers which support the 5G technology.

On July 8, 2020 Polsat Group finalized **the acquisition of Interia Group**. This is a strategic investment which will help the Group to assume a significant position in the Internet – an investment which will strengthen the Group's position on the dynamically-developing online advertising market and which will form an additional channel for the distribution and monetization of the content produced by the Group and a fine channel for communicating with the Group's existing and future customers.

On July 21, 2020 Polsat Group introduced **photovoltaic systems into its offer under the new ESOLEO brand**. The systems are offered by Alledo, a member company of the Group. Alledo has long-standing experience on the market of photovoltaic systems in Poland. ESOLEO's offer provides numerous benefits: lower electricity bills, equipment from renowned manufacturers, comprehensive support in handling the associated formalities, preparation of a system's design, assistance in obtaining a loan with a zero upfront payment, fast installation and the possibility of taking advantage of the subsidies that are offered for such solutions. The ESOLEO offer is available in more than 1000 points of sale and customer service of Plus and Cyfrowy Polsat nationwide as well as at www.esoleo.pl and through a dedicated 222 136 222 information line.

Since the beginning of the epidemic, Polsat Group embarked on numerous pro-social initiatives and introduced numerous beneficial solutions for its customers at the same time actively joining the **fight against the coronavirus**. It was involved in many spheres – supporting healthcare institutions, education, digitally-excluded children, senior citizens, as well as ensuring solutions for millions of its customers and thousands of its employees. Zygmunt Solorz and Polsat Group donated a total of more than PLN 30 million to these causes, while the actions which were conducted jointly with Polsat Foundation included the purchase of 200 thousand coronavirus tests, along with the necessary lab equipment, for over PLN 16 million, donation of 20 modern ventilators, worth PLN 3 million, to isolation hospitals, purchase of protective equipment, a dedicated commercial block aired in TV Polsat to raise money, as well as 2200 tablets for digitally-excluded children (more information here).

“During the lockdown our larger business segment faced numerous challenges, in such areas as sales and customer care, among others. However, our immediate and determined actions brought results, which has been confirmed by Q2 figures. Despite the unprecedented situation we posted very good operating results and saw significant organic growth. Our flagship program, smartDOM, grew at a stable pace of 7% annually. The bundled services customer base increased by 130 thousand, with the customers from this group using a total of 6.2 million services (RGU's). Once again we have achieved a very low churn ratio of 6.4%, which demonstrates the high loyalty of our customers and their satisfaction with our services. After the full re-opening of our sales network we have also quickly returned to the path of strong sales in the area of end-user telecommunication equipment,” **comments Maciej Stec, the Vice President of the Management Board responsible for strategy in Cyfrowy Polsat and Polkomtel.**

“We provide a total of nearly 15 million contract services and a big share of growth of our contract base – nearly 200 thousand – was generated in the second quarter, at the time when the restrictions related to COVID-19 were most stringent. Our strategic goal is to build customer value, a goal we pursue consistently given that average revenue per customer reached PLN 86.5,” **stresses Maciej Stec, the Vice President of the Management Board responsible for strategy in Cyfrowy Polsat and Polkomtel.**

Recent events



“The pandemic has in a natural way affected our broadcasting and TV production operations. The advertising market responds very fast to expected changes of the macroeconomic situation and is susceptible to economic slowdown. Our response, however, was instantaneous. We have immediately adjusted our expenses to the condition of the advertising market and even in spite of stopping the launch of the spring programming schedule and delays affecting numerous sports events, we have managed to maintain audience shares within the range of our long-term assumptions, at the level of 23%,” – sums up Stanisław Janowski, the CEO of Telewizja Polsat.

“It was a very difficult time for the whole media market. Television coped relatively well, compared to other media, still our sector has also felt the distinct drop of advertising revenue. However, we see positive signs as regards the next quarter. A vast part of our productions is back on set, we have new shows planned for September while the prospects for the third quarter seem to be improving significantly as of now,” notes Stanisław Janowski.

Polsat Group’s financial results in line with expectations

“Our diversified and subscription-based business model has proved very resistant in such a non-standard situation. Predictable and stable revenue streams from customers gave us very good financial results which were in line with the expectations of market analysts. EBITDA was relatively stable, which enabled us to make the decision to incur additional one-off expenses in the amount of over PLN 40 million to fight the pandemic, most of which was used to support the Polish society and healthcare system in the form of donations,” says Katarzyna Ostap-Tomann, Cyfrowy Polsat and Polkomtel Management Board Member responsible for finance.

“Despite the fact that part of our sales network remained closed in March and April, smartphones continued to sell very well, which had a positive influence on our revenues. However, the whole telecommunication market felt the consequences of the restrictions related to international travel, which led to a decrease of roaming revenues. This adverse factor is likely to continue also during the third quarter. In the broadcasting and TV production segment the fast adjustment of the cost side to the level of advertising revenues helped significantly reduce the pressure on EBITDA. In this context the stable financial situation and the continuously generated high cash levels enabled us to implement the planned investments, finance the acquisition of Interia.pl from own funds, and present a recommendation regarding dividend payout in a record amount, which has been very well received by our investors,” sums up Katarzyna Ostap-Tomann.

[More>>](#)

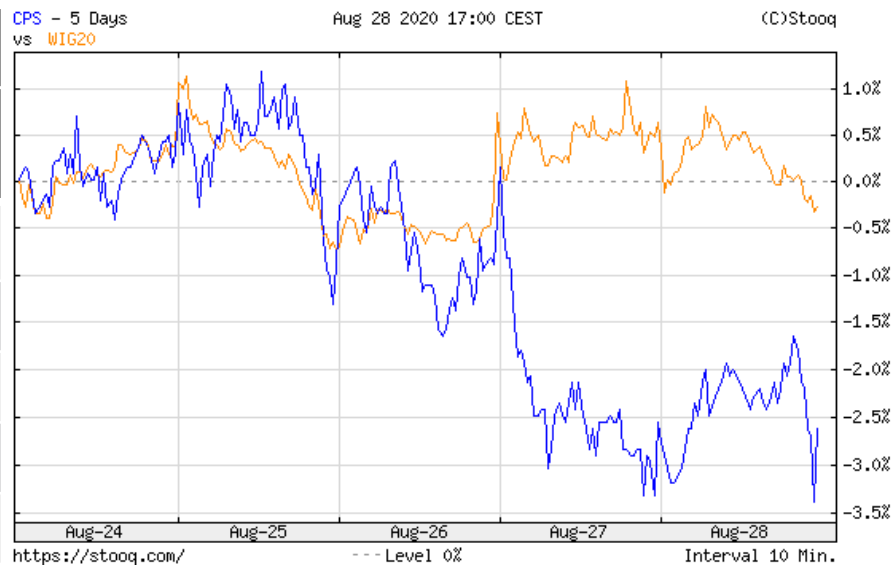
PLN million	Q2 2020	Q2 2019	Change yoy
Revenue	2 863	2 923	-2.1%
Adjusted EBITDA ¹	1 002	1 076	-6.9%
Adjusted EBITDA margin	35.0%	37.0%	-2.0 p.p.

¹ EBITDA excluding one-off expenses associated with COVID-19 (incl. donations)

Cyfrowy Polsat shares



Data	Maximum price (PLN)	Minium price (PLN)	Closing price (PLN)	Change (%)	Turnover (mPLN)
2020-08-24	29.02	28.64	28.90	0.70	7.92
2020-08-25	29.18	28.42	28.56	- 1.18	5.14
2020-08-26	28.88	28.34	28.70	0.49	7.39
2020-08-27	28.86	27.74	28.08	- 2.16	12.01
2020-08-28	28.36	27.80	28.06	- 0.07	15.76



Investor's calendar



5 – 7 October 2020	ERSTE conference (online) „The Finest CEElection Investor Conference 2020”
15 October 2020	Dividend day
22 October 2020	Dividend payout - 1st tranche
27 October – 10 November 2020	Closed period prior to the publication of Q3 2020 results
10 November 2020	Quarterly report for Q3 2020
1 – 31 December 2020	WOOD's Winter Wonderland EME Conference December 2020 Prague (online, or in the flesh)
11 January 2021	Dividend payout - 2nd tranche