

5 July 2022

Zagreb Stock Exchange

BUY

Zagreb Stock Exchange: change in equity structure split, combined with reverse share split (2:1)

BBG Ticker	ZB CZ
Market Cap (USD mil)	7.4
Price	23.0
Price target	27.9

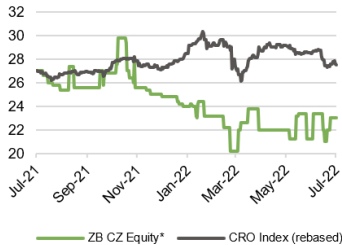
Zagreb Stock Exchange's (ZSE) General Meeting, held on 14 June 2022, adopted a resolution calling for a reduction of the company's share capital. As a result, its share capital has dropped by half, from c.HRK 46.38m to c.HRK 23.18m. The other c.HRK 23.18m has been transferred and reclassified to ZSE's other reserves in capital. The share capital reduction was coupled with a reverse split at a ratio of 2:1. According to the reverse share split, we have adjusted our price target (PT) to HRK 27.9/share.

Year	Sales (HRK m)	EBITDA (HRK m)	EBITDA margin (%)	Net profit (HRK m)	EPS (HRK)	EV/EBITDA (x)	P/E (x)
2020	26.3	4.1	15.7%	2.2	0.5	22.5	49.5
2021	25.8	2.9	11.1%	0.4	0.1	31.0	>100
2022E	28.0	4.5	16.2%	1.2	0.3	7.5	66.5
2023E	27.2	3.3	12.0%	0.3	0.1	10.2	>100
2024E	28.3	4.3	15.3%	1.4	0.6	7.3	38.8

David Lojkasek

E-mail: david.lojkasek@wood.cz

Phone: +420 222 096 257



*past prices have been adjusted for the capital reduction

5 July 2022

DISCLAIMER

Important Disclosures

This investment research is published by WOOD & Company Financial Services, a.s. ("WOOD&Co") and/or one of its branches who are authorised and regulated by the Czech National Bank (CNB) as Home State regulator and in Poland by the Polish Financial Supervision Authority (KNF), in Slovakia by the National Bank of Slovakia (NBS), in Italy by the Companies and Stock Exchange Commission (CONSOB) and in the UK by the Financial Conduct Authority (FCA) as Host State regulators.

This investment research was prepared by WOOD&Co with financial assistance from Taipei China through the TaiwanBusiness EBRD Technical Cooperation Fund managed by the European Bank for Reconstruction and Development ("EBRD"). Neither EBRD nor Taipei China has had any editorial rights or other influence on the content of this investment research. Neither EBRD nor Taipei China makes any representation or warranty or assumes any responsibility or liability in relation to the contents of this investment research or reliance thereon. The views expressed in this investment research are those of WOOD&Co and can in no way be taken to reflect the official opinion of EBRD or of Taipei China. EBRD may, as of the date hereof or in the future, have an investment in, provide other advice or services to, or otherwise have a financial interest in, certain of the companies and parties contained or named in this investment research or in their affiliates.

This investment research was completed on 04/07/2022 at 15:45 CET and disseminated on 05/07/2022 at 07:30 CET.

WOOD&Co's rating and price target history for Zagreb Stock Exchange in the preceding 12-month period:

Date	Rating	Date	PT
08/03/2021	HOLD	08/03/2021	HRK 14.1
16/05/2022	BUY	16/05/2022	HRK 14.0
		05/07/2022	HRK 27.9

The meanings of the recommendations made in WOOD&Co's investment research are as follows:

BUY: The stock is expected to generate total returns of over 15% during the next 12 months as measured by the price target.

HOLD: The stock is expected to generate total returns of 0-15% during the next 12 months as measured by the price target.

SELL: The stock is expected to generate a negative total return during the next 12 months as measured by the price target.

RESTRICTED: Financial forecasts, and/or a rating and/or a price target is restricted from disclosure owing to Compliance or other regulatory/legal considerations such as a blackout period or a conflict of interest.

NOT RATED: Suspension of rating after 30 consecutive weekdays where the current price vis-à-vis the price target has been out of the range dictated by the current BUY/HOLD/SELL rating.

COVERAGE IN TRANSITION: Due to changes in the Research team, the disclosure of a stock's rating and/or price target and/or financial information are temporarily suspended.

As of the end of the last calendar quarter, the proportion of all WOOD&Co's investment research vis-à-vis the proportion of subject companies that were investment banking clients over the previous 12 months is as follows:

	BUY	HOLD	SELL	Restricted	NOT RATED	Coverage in transition
Equity Research Coverage	61%	32%	6%	1%	n.a.	n.a.
IB Clients	1%	1%	n.a.	n.a.	n.a.	n.a.

Any prices of financial instruments quoted in this investment research are taken as of the previous day's market close on the home market unless otherwise stated.

Details of the methodologies used to determine WOOD&Co's price targets and risk assessment related to the achievement of the targets are outlined throughout the most recent substantive report/note on the subject company.

It should be assumed that the risks and valuation methodology presented in daily news or flash notes, and not changing WOOD&Co's estimates or ratings, are as set out in the most recent substantive research report/note on the subject company and can be found on our website at <https://research.wood.com>.

WOOD&Co.'s policy is to update investment research as it deems appropriate, based on developments in the subject company, sector or market that may have a material impact on the views or opinions stated in the investment research.

WOOD Research Disclosures (as of 5 July 2022)

Company	Disclosures	Company	Disclosures
Alior Bank	5	Kruk	5
Alpha Services and Holdings	1, 2, 3	Lotos	5
AmRest	5	MedLife	4
Astarta Holding	4	MONETA Money Bank	5
Banca Transilvania	5	NLB Group	5
Bank of Cyprus	4	Nuclearelectrica	5
Benefit Systems	1, 2, 3	O2 Czech Republic	4, 5
BRD	5	OMV Petrom	5
Bucharest Stock Exchange	5	Orange PL	5
CCC	5	Piraeus Financial Holdings	1, 2, 3
CD Projekt	5	Pekao	4, 5
CEZ	5	PGE	5
Colt CZ Group SE	3, 5	PGNiG	5
Dino	5	Philip Morris CR	5
DO&CO	5	PKN Orlen	5
Electrica	5	PKO BP	4, 5
Erste Group Bank	5	PZU	4, 5
Eurobank	4	Romgaz	5
Eurocash	5	Santander Bank Polska	5
Fondul Proprietatea	4, 5	Shoper	1, 2, 3
Globe Trade Centre	1, 2, 3	Siauliu Bankas	5
Kazatomprom	5	STS	1, 2, 3
Kernel	5	Ten Square Games	3
KGHM	5	Transselectrica	5
Kofala CS	5	Transgaz	5
Komerčni	4, 5		

5 July 2022

Description

- 1 The company currently is, or in the past 12 months was, a client of WOOD & Co or any of its affiliates for the provision of corporate finance/investment banking services.
- 2 In the past 12 months, WOOD & Co or any of its affiliates have received compensation for corporate finance/investment banking services from the company.
- 3 In the past 12 months, WOOD & Co or any of its affiliates have been lead manager or co-lead manager of a publicly disclosed offer of the company's financial instruments.
- 4 In the past 12 months, WOOD & Co or any of its affiliates have acted as broker to the company
- 5 WOOD & Co or any of its affiliates are market maker(s) or liquidity provider(s) in relation to financial instruments of the company.
- 6 In the past 12 months, WOOD & Co or any of its affiliates have provided to the company any services set out in Sections A and B or Annex I to the Directive 2014/65/EU of the European Parliament and of the Council, other than services listed under points 1, 3, 4 or 5 above, or received compensation for such services from the company.
- 7 The authoring analyst or any individual involved in the preparation of this investment research have purchased/received shares in the company prior to a public offering of those shares; and the price at which they were acquired along with the date of acquisition are disclosed above.
- 8 The authoring analyst or any individual involved in the preparation of this investment research has a direct ownership position in securities issued by the company.
- 9 A partner, director, officer, employee or agent of WOOD & Co and its affiliates, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the company.
- 10 WOOD & Co or its affiliates hold a net long or short position exceeding the threshold of 0,5% of the total issued share capital of the company, calculated in accordance with Article 3 of Regulation (EU) No 236/2012 and with Chapters III and IV of Commission Delegated Regulation (EU) No 918/2012.
- 11 The company owns more than 5% of the total issued share capital in WOOD & Co or any of its affiliates.

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the overall profits of WOOD&Co, which includes corporate finance/investment banking, sales and trading and principal trading revenues. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific activities, or to recommendations contained in the investment research. One factor in equity research analyst compensation is arranging corporate access events/meetings between institutional clients and the management teams of covered companies (with the company management being more likely to participate when the analyst has a positive view of the company).

WOOD&Co and its affiliates may have a corporate finance/investment banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their clients, in good faith or in the normal course of market making. Accordingly, WOOD&Co or their affiliates, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

WOOD&Co manages conflicts of interest arising as a result of preparation and publication of research through its use of internal databases, notifications by the relevant employees and Chinese Walls as monitored by Compliance. For further details, please see our website at <https://www.wood.cz/mifid-information/>.

The information contained in this investment research has been compiled by WOOD&Co from sources believed to be reliable, but (with the exception of the information about WOOD&Co) no representation or warranty, express or implied, is made by WOOD&Co, its affiliates or any other person as to its fairness, accuracy, completeness or correctness. WOOD&Co has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute WOOD&Co's judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

WOOD&Co salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. WOOD&Co's affiliates, proprietary trading desk and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute or form part of an offer or invitation or solicitation to engage in investment activity or to buy or sell any designated investments discussed herein in any jurisdiction. As a result, the designated investments discussed in this investment research may not be eligible for offer or sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction.

This investment research is prepared for general circulation to WOOD&Co's clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should consider this report as only a single factor in making their investment decision and obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of WOOD&Co, its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from or in connection with the use of this investment research.

For United Kingdom or EU Residents:

This investment research is only for persons who are eligible counterparties or professional clients within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 (or any analogous legislation) on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

For United States Residents:

This investment research distributed in the United States by WOOD&Co, and in certain instances by Brasil Plural Securities LLC ("Brasil Plural"), a U.S. registered broker dealer, only to "major U.S. institutional investors", as defined under Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC"). This investment research is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research and are not a major U.S. institutional investor, you are instructed not to read, rely on or reproduce the contents hereof, and to destroy this research or return it to WOOD&Co or to Brasil Plural. Analyst(s) preparing this report are employees of WOOD&Co who are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore the analyst(s) are not be subject to Rule 2711 of the Financial Industry Regulatory Authority ("FINRA") or to Regulation AC adopted by SEC which, among other things, restrict communications with a subject company, public appearances and personal trading in securities by a research analyst. Any major U.S. Institutional investor wishing to effect transactions in any securities referred to herein or options thereon should do so by contacting a representative of Brasil Plural. Brasil Plural is a broker-dealer registered with the SEC and a member of FINRA and the Securities Investor Protection Corporation. Its address is 545 Madison Avenue, 8th Floor, New York, NY 10022 and its telephone number is 212-388-5613. WOOD&Co is not affiliated with Brasil Plural or any other U.S. registered broker-dealer.

The views and sentiments expressed in this investment research and any findings thereof accurately reflect the analyst's truthful views about the subject securities and or issuers discussed herein.

5 July 2022

Czech Republic

namesti Republiky 1079/1a
Palladium
110 00 Praha 1
Tel +420 222 096 111
Fax +420 222 096 222

Poland

Centrum Marszalkowska
Marszalkowska 126/134, 7th Floor
00 008 Warszawa
Tel +48 22 222 1530
Fax +48 22 222 1531

UK

16 Berkeley Street
London W1J 8DZ
Tel: +44 20 3530 0691

Italy

Via Luigi Settembrini, 35
20124 Milan
Italy
Tel +39 02 36692 500
Fax +39 02 67910 761

Kristen Andrasko

Head of Equities
+420 222 096 253
kristen.andrasko@wood.com
http://www.wood.com
Bloomberg page WUCO

Research

Co-Head of Research/Head of Research Poland

Marta Jezewska-Wasilewska
+48 22 222 1548
marta.jezewska-wasilewska@wood.com

Head of Turkey Research

Atinc Ozkan
+90 542 202 3632
atinc.ozkan@wood.com

Head of Financials

Can Demir
+44 203 530 0623
can.demir@wood.com

Consumer/Real Estate

Jakub Caithaml
+420 222 096 481
jakub.caithaml@wood.com

Gaming/Mid-caps

Maria Mickiewicz
+48 602 450 718
maria.mickiewicz@wood.com

Russia

Dmitry Vlasov
+44 750 714 6702
dmitry.vlasov@wood.com

Co-Head of Research/Head of Greek Research

Alex Boulougouris
+30 216 200 5621
alex.boulougouris@wood.com

Head of Russia Research

Ildar Davletshin
+44 203 530 0631
ildar.davletshin@wood.com

Head of TMT

Piotr Raciborski
+48 22 222 1551
piotr.raciborski@wood.com

Poland

Pawel Wieprzowski
+48 22 222 1549
pawel.wieprzowski@wood.com

Financials

David Lojkasek
+420 222 096 256
david.lojkasek@wood.com

CEE

Aidar Ulan
+420 739 627 170
aidar.ulan@wood.cz

Consumer/Industrials

Lukasz Wachelko
+48 22 222 1560
lukasz.wachelko@wood.com

Head of Romania Research

Iuliana Ciopraga
+40 727 383 933
iuliana.ciopraga@wood.com

Energy

Jonathan Lamb
+44 203 530 0621
jonathan.lamb@wood.com

Energy/Utilities

Ondrej Slama
+420 222 096 484
ondrej.slama@wood.com

Turkey

Can Yurtcan
+420 222 096 780
can.yurtcan@wood.com

Macroeconomics

Raffaella Tenconi
+44 203 530 0685
raffaella.tenconi@wood.com

Macroeconomics

Alessio Chiesa
+44 75177 06102
alessio.chiesa@wood.com

Utilities/Mining/Pharma

Bram Buring
+420 222 096 250
bram.buring@wood.com

Metals/Mining

Artem Bagdasaryan
+79 163 393 842
artem.bagdasaryan@wood.com

Greece

Fani Tzioukalia
+30 216 200 5260
fani.tzioukalia@wood.com

Sales

Kristen Andrasko
+420 222 096 253
kristen.andrasko@wood.com

Grzegorz Skowronski
+48 22 222 1559
grzegorz.skowronski@wood.com

Jan Koch
+48 22 222 1616
jan.koch@wood.com

Jarek Tomczynski
+44 203 530 0688
jarek.tomczynski@wood.com

Piotr Kopec
+48 22 222 1615
piotr.kopec@wood.com

Kostas Tsigkourakos
+30 694 082 5810
kostas.tsigkourakos@wood.com

Ioana Pop
+44 20 3530 0693
ioana.pop@wood.com

Tatiana Sarandinaki
Brasil Plural in association with WOOD & Co.
+1 212 388 5613
tsarandinaki@wood-brasilplural.com

Sales Trading and Execution Services

Zuzana Mora
+420 222 096 283
zuzana.hronska@wood.com

Ermir Shkurti
+420 222 096 847
ermir.shkurti@wood.com

Vladimir Vavra
+420 222 096 397
vladimir.vavra@wood.com