Friday, 8 August 2025 | update

Asseco Poland: Constellation Premium Priced In, Upside Limited

Asseco Group, Poland

Constellation Software's entry into the Asseco Group has triggered a broad re-rating across its listed entities — Asseco Poland (+127% YTD), Asseco Business Solutions (+69% YTD), and Asseco South Eastern Europe (+63% YTD) — driven by investor enthusiasm around a potential transition toward a VMS (Vertical Market Software) model. However, these substantial gains occurred ahead of any tangible structural transformation and, in our view, already reflect a best-case scenario. At current valuation levels, upside appears limited, while execution, governance, and integration risks remain material. We believe investors should avoid chasing the rally.

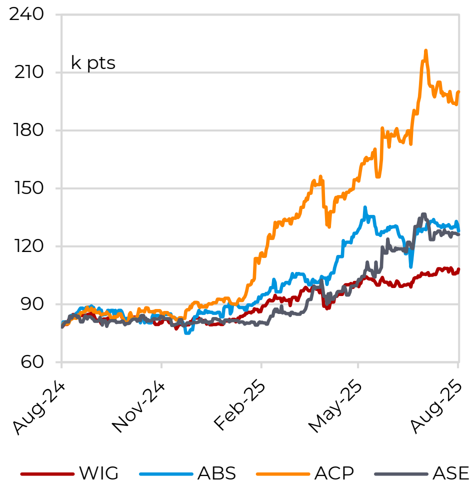
Within the group, we see greater relative value in Asseco BS and Asseco SEE, which offer more reasonable multiples, compared to Asseco Poland, which trades at elevated levels (~29x P/E'25) more typical of successful SaaS players.

Asseco Business Solutions – Maintain Neutral
ABS shows VMS-like traits: modular ERP/SFA for Polish SMEs, recurring revenue, strong retention, low capital intensity, and solid profitability. However, unlike VMS platforms that scale via M&A, ABS has grown organically. Moreover its focus on the Polish market limits scale and diversification. Q2 2025 results missed expectations, attributed to a temporary slowdown ahead of the KSeF rollout—a key growth catalyst, with impact expected from Q3 onwards. The current valuation (~23x P/E'25) already reflects strong execution and partial resemblance to a VMS model. While ABS is structurally closer to VMS than Asseco Poland in our opinion, its lack of inorganic growth or geographic expansion suggests the valuation is fair. Therefore, we maintain a neutral stance on Asseco BS.

Asseco Poland – Downgrade to Sell
Asseco Poland's shares are up ~127% YTD, driven by Constellation Software's entry and hopes of a VMS-style transformation. However, Asseco remains a decentralized IT integrator in great part, with most of its revenues generated from autonomous foreign subsidiaries and with limited centralized control. Its business is still project-based, customization-heavy, with recurring revenues mainly from maintenance services. Despite stronger Q2'25 results expected by us, and revised forecasts, the valuation (~29x P/E'25) reflects SaaS/VMS multiples, far above integrator norms. We believe the market overestimates transformation potential and underprices execution and governance risks. We believe without a clear roadmap for structural change, upside appears limited.

Asseco South Eastern Europe – Downgrade to Neutral
Asseco South Eastern Europe shares are up ~63% YTD. We revise our 2026 EBITDA forecast upward (+8%), expecting operational synergies and scale benefits. However, the current valuation (>19x P/E'25) is historically elevated for ASEE, and less attractive given risks such as geopolitical and FX exposure (Turkey, India), rising competition in payments, weaker cash generation, and IT labor cost inflation. Given solid fundamentals but a more balanced risk/reward profile, we downgrade our recommendation to Neutral from Overweight. Please note that Asseco SEE is trading at a discount to Asseco Poland.

Asseco Group vs. WIG



Name	Target Price New	Target Price Old	Recommendation New	Recommendation Old
Asseco BS	-	-	neutral	neutral
Asseco Poland	185.00	96.20	sell	hold
Asseco SEE	-	-	neutral	overweight

Name	Current* Price	Target Price	Upside/ Downside
Asseco BS	90.20	-	-
Asseco Poland	209.60	185.00	-11.7%
Asseco SEE	76.90	-	-

*Price as of August 07, 2025, 5:00 PM

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mBank Biuro maklerskie

List of abbreviations and ratios used by mBank:
EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases); **EBITDA margin** – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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The present report was not transferred to the issuer prior to its publication.

Asseco Poland SA is client of mBank S.A.
Asseco Business Solutions SA, Asseco Poland SA are counterparties to mBank S.A.

The production of this recommendation was completed on August 8, 2025, 8:15 AM.
This recommendation was first disseminated on August 8, 2025, 8:45 AM.

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NAV - valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

Comparable Companies Used In Relative Valuation Models:

Asseco Poland	Atos, CAP Gemini, Computacenter, Constellation Software, Indra Sistemas, Oracle, Sage Group, SAP, Topicus.Com Inc-sub Voting

mBank issued the following recommendations in the 12 months prior to this publication:

Asseco BS (Paweł Szpigiel)

Rating	**neutral**	**neutral**
Rating date	2024-12-02	2024-09-02
Target price (PLN)	-	-
Price on rating day	51.00	60.20

Asseco Poland (Paweł Szpigiel)

Rating	**hold**	**hold**
Rating date	2024-12-02	2024-09-02
Target price (PLN)	96.20	96.80
Price on rating day	90.75	90.30

Asseco SEE (Paweł Szpigiel)

Rating	**overweight**	**neutral**
Rating date	2024-12-02	2024-09-02
Target price (PLN)	-	-
Price on rating day	48.70	50.60

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