



Friday, February 07, 2014 | periodical publication

Quarterly Earnings Forecasts: Q4 2013

Equity Market

Financial Sector

The Polish bank sector is expected to post average net profit at 16% q/q and 13% y/y in Q4 2013, thanks mainly to improving total income (+3% q/q). At the same time, relative to Q3, loan-loss reserves will show average expansion of 5%, and operating expenses will increase 9%, due partly to higher mandatory contributions to the Bank Guarantee Fund. In many cases, the quarterly results will be affected by one-time events such as a restructuring reserve at Bank Handlowy and extra grains from divestment at PKO BP. The Q4 earnings of the insurer PZU were subject to seasonal fluctuations, and the Czech Komerční Banka is set to post a decline in the quarterly bottom line.

Gas & Oil

Polish refiners had a weak fourth quarter due to persistently low margins combined with losses on inventory valuations. Despite asset write-offs, the gas giant PGNiG will report strong quarterly figures achieved on sales of gas volumes moved forward from the previous quarter.

Power Utilities

The fourth quarter in the power industry marked a continuation of the trends observed in the preceding quarters of 2013. Of all the utilities covered, we expect the best Q4 showing from Enea. Note that the expected results of some companies may be affected by one-time provisions for delayed free carbon allowances.

Media, IT

We expect solid Q4 results from the TV broadcaster Cyfrowy Polsat and the cinema operator Cinema City. TVN's profits will be negatively affected by higher costs of original programming. The newspaper publisher Agora is set to report an over-20% y/y drop in adjusted EBITDA. The IT software company Asseco Poland will report core net profit deterioration of an estimated 7%.

Resources

KGHM had a successful fourth quarter expected to yield a net profit ahead of the Company's guidance. As for coal producers, JSW ended 2013 with a net profit hovering around zero, and it is poised to incur huge losses in H1 2014. The Q4 earnings of LW Bogdanka will be shaped by a 20% increase in coal output achieved despite geological obstacles, combined with steady sales prices.

Industrials

The Q4 results of Polish manufacturers were supported by a pickup in new orders and favorable EUR/PLN exchange rates, with the growth in some cases underpinned by a low year-ago base. We expect to see year-on-year profit expansion at 33 out of the 45 companies tracked by us, marking improvement of ratios of 24 out of 45 in Q3, 20 out of 44 in Q2, and 14 out of 44 in Q1.

Construction

Construction companies had a good fourth quarter, and they are set for continuing growth in the year ahead. Budimex is expected to post a record profit thanks to a subsidiary divestment.

Real-Estate Developers

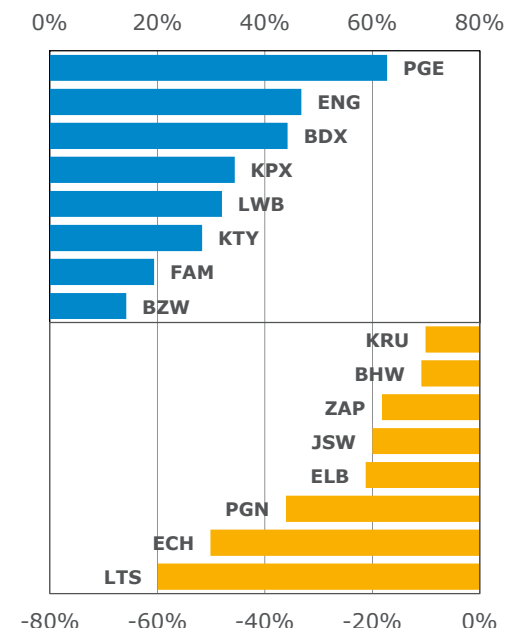
GTC may book large losses on further value adjustments to its portfolio of investment properties. Revaluation losses will not affect the Q4 earnings of other commercial developers. Residential developers are expected to report fairly good fourth-quarter results on sales of high-margin homes.

Other

Despite over 30% year-on-year revenue growth, Work Service is expected to report falling profits in Q4.

WIG 52,139
Average 2013E P/E 15.5
Average 2014E P/E 15.2
ADTV (3M) PLN 872m

EPS growth for selected companies*



*calculated for: Q1'13-Q4'13 / Q4'12-Q3'13

Analysts:

Michał Marczak
+48 22 697 47 38
michal.marczak@mdm.pl

Kamil Kliszcz
+48 22 697 47 06
kamil.kliszcz@mdm.pl

Michał Konarski
+48 22 697 47 37
michal.konarski@mdm.pl

Jakub Szkopek
+48 22 697 47 40
jakub.szkopek@mdm.pl

Paweł Szpigel
+48 22 697 49 64
pawel.szpigel@mdm.pl

Piotr Zybała
+48 22 697 47 01
[piotr.zybała@mdm.pl](mailto/piotr.zybała@mdm.pl)

List of abbreviations and ratios contained in the report:

EV – net debt + market value
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

Recommendations of Dom Maklerski mBanku:

A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
Recommendations are updated at least once every nine months.

The present report expresses the knowledge as well as opinions of the authors on day the report was prepared.

The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which Dom Maklerski mBanku S.A. considers reliable, including information published by issuers, shares of which are subject to recommendations. However, Dom Maklerski mBanku S.A., in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts.

This document does not constitute an offer or invitation to subscribe for or purchase any financial instruments and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document nor any copy hereof is not to be distributed directly or indirectly in the United States, Australia, Canada or Japan.

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation.

Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

Dom Maklerski mBanku S.A. bears no responsibility for investment decisions taken on the basis of the present report or for any damages incurred as a result of investment decisions taken on the basis of the present report.

It is possible that Dom Maklerski mBanku S.A. renders, will render or in the past has rendered services for companies and other entities mentioned in the present report.

Dom Maklerski mBanku S.A. does not rule out offering brokerage services to an issuer of securities being the subject of a recommendation. Information concerning a conflict of interest arising in connection with issuing a recommendation (should such a conflict exist) is located on the final page of this report.

Dom Maklerski mBanku S.A., its shareholders and employees may hold long or short positions in the issuers' shares or other financial instruments related to the issuers' shares. Dom Maklerski mBanku S.A., its affiliates and/or clients may conduct or may have conducted transactions for their own account or for account of another with respect to the financial instruments mentioned in this report or related investments before the recipient has received this report.

Copying or publishing the present report, in full or in part, or disseminating in any way information contained in the present report requires the prior written agreement of Dom Maklerski mBanku S.A.

Recommendations are addressed to all Clients of Dom Maklerski mBanku S.A.

The activity of Dom Maklerski mBanku S.A. is subject to the supervision of the Polish Financial Supervision Commission.

Dom Maklerski mBanku S.A. serves as underwriter for the following issuers: Asseco Business Solutions, Bakalland, BOŚ, Capital Park, Energa, Erbud, Es-System, Kruk, Magellan, Mieszko, Neuca, Oponeo, Pemug, Polimex Mostostal, Polna, Solar, Tarczyński, ZUE.

Dom Maklerski mBanku S.A. serves as market maker for the following issuers: Asseco Business Solutions, Bakalland, BOŚ, Capital Park, Erbud, Es-System, KGHM, Kruk, LW Bogdanka, Magellan, Mieszko, Neuca, Oponeo, Pekao, PKN Orlen, PKO BP, Polimex Mostostal, Polna, Solar, Tarczyński, ZUE.

Dom Maklerski mBanku S.A. receives remuneration from issuers for services rendered to the following companies: AB, Alior Bank, Alchemia, Ambra, BNP Paribas, Boryszew, BPH, mBank, BZ WBK, Deutsche Bank, Echo Investment, Elzab, Enea, Energoaparatúra, Erbud, Erste Bank, Es-System, Farmacol, Ferrum, Getin Holding, Grupa o2, Handlowy, Impexmetal, ING BSK, Intergroclin Auto, Ipopema, Kęty, Koelner, Kredyt Bank, Kruk, LW Bogdanka, Magellan, Mennica, Mercor, Mieszko, Millennium, Mostostal Warszawa, Netia, Neuca, Odratrans, Oponeo, Orbis, OTP Bank, Paged, PA Nova, Pekao, Pemug, PGE, PGNiG, PKO BP, Polimex-Mostostal, Polnord, Prochem, Projprzem, Prokom Software, PZU, Raiffeisen, Robyng, Rubikon Partners NFI, Seco Warwick, Solar, Sygnity, Tarczyński, Techmex, Unibep, Zelmex.

In the last 12 months Dom Maklerski mBanku S.A. has been an offering agent of the issuer's shares in a public offering for the following companies: Tarczyński, Capital Park.

Asseco Poland provides IT services to Dom Maklerski mBanku S.A.

Dom Maklerski mBanku S.A. has a cash service agreement in place with Pekao and a phone subscription agreement in place with Orange Polska S.A. (f. TP S.A.).

Individuals who did not participate in the preparation of recommendations, but had or could have had access to recommendations prior to their publication, are employees of Dom Maklerski mBanku S.A. authorised to access the premises in which recommendations are prepared, other than the analysts mentioned as the authors of the present recommendations.

Individuals who did not participate in the preparation of recommendations, but had or could have had access to recommendations prior to their publication, are employees of Dom Maklerski mBanku S.A. authorised to access the premises in which recommendations are prepared, other than the analysts mentioned as the authors of the present recommendations.

Strong and weak points of valuation methods used in recommendations:

DCF – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Michał Marczak

member of the management board

tel. +48 22 697 47 38

michal.marczak@mdm.pl

strategy, telco, resources, metals

Research Department:**Kamil Kliszc**

deputy director

tel. +48 22 697 47 06

kamil.kliscz@mdm.pl

energy, chemicals, power generation

Michał Konarski

tel. +48 22 697 47 37

michal.konarski@mdm.pl

banks

Jakub Szkopek

tel. +48 22 697 47 40

jakub.szkopek@mdm.pl

industrials

Paweł Szpigiel

tel. +48 22 697 49 64

pawel.szpigiel@mdm.pl

media, IT

Piotr Zybała

tel. +48 22 697 47 01

piotr.zybala@mdm.pl

construction, real-estate development

Sales and Trading:**Piotr Dudziński**

director

tel. +48 22 697 48 22

piotr.dudzinski@mdm.pl**Marzena Łempicka-Wilim**

deputy director

tel. +48 22 697 48 95

marzena.lempicka@mdm.pl**Head of Foreign
Institutional Sales:****Matthias Falkiewicz**

tel. +48 22 697 48 47

matthias.falkiewicz@mdm.pl**Traders:****Krzysztof Bodek**

tel. +48 22 697 48 89

krzysztof.bodek@mdm.pl**Michał Jakubowski**

tel. +48 22 697 47 44

michal.jakubowski@mdm.pl**Tomasz Jakubiec**

tel. +48 22 697 47 31

tomasz.jakubiec@mdm.pl**Szymon Kubka, CFA, PRM**

tel. +48 22 697 48 16

szymon.kubka@mdm.pl**Anna Łagowska**

tel. +48 22 697 48 25

anna.lagowska@mdm.pl**Paweł Majewski**

tel. +48 22 697 49 85

pawel.majewski@mdm.pl**Adam Mizera**

tel. +48 22 697 48 76

adam.mizera@mdm.pl**Adam Prokop**

tel. +48 22 697 47 90

adam.prokop@mdm.pl**Michał Roźmiej**

tel. +48 22 697 49 85

michal.rozmiej@mdm.pl**"Private Broker"****Jarosław Banasiak**

director, active sales

tel. +48 22 697 48 70

jaroslaw.banasiak@mdm.pl**Dom Maklerski mBanku S.A.**

ul. Wspólna 47/49, 00-684 Warszawa

www.mDomMaklerski.pl