



Thursday, October 23, 2014 | periodical publication

## Quarterly Earnings Forecast: Q3 2014

### Equity Market

#### Financial Sector

We anticipate 3.2% q/q contraction in the combined Q3 2014 net profit of the Polish banks in our coverage led by reduced interchange fees combined with lower proceeds generated on bond trading. As for foreign banks, we expect another quarterly net loss at Erste Bank and a slowdown at Komerční Banka due to normalized cost of risk. The Q3 earnings leader will be Millennium with record financial results, while PKO BP and GNB both are expected to report a solid third quarter.

#### Gas & Oil

Oil refiners benefitted from favorable fundamentals in Q3 2014, but these benefits, however, may be offset by losses incurred on inventory adjustments and FX trends. In case of the gas utility PGNiG, quarterly profits will probably receive a boost from gas inventory valuation gains.

#### Utilities

The third quarter in the utilities sector saw a continuation of the trends observed in the previous quarters, with year-on-year earnings momentum in most cases determined by base effects. The lowest year-ago base for Q3 2014 earnings was experienced by Energa.

#### Telecoms, Media, IT

TVN is set to report growing EBITDA driven by good viewership figures and contributions from nC+ and Onet. At Asseco Poland, we anticipate y/y net profit growth driven by stabilization in the Polish market. ABC Data is expected to report flat profits on higher revenues. At Cyfrowy Polsat, EBITDA is expected to show over-10% shrinkage. Profit contraction will also be reported by Netia, with Agora posting deepening bottom-line loss despite stabilized revenues.

#### Resources

Coal producers are expected to report q/q improvement in Q3 thanks to higher production, and the copper miner KGHM will additionally benefit from higher zloty prices. As always, investors are less interested in the past and are looking forward to hearing the future projections of the respective management boards, this time expected to be mostly pessimistic.

#### Industrials

We expect year-on-year earnings growth in Q3 2014 at only 45% of the industrial companies, including due to a high year-ago base. Lower profits are anticipated for 17% of our tracking portfolio, with 39% of the companies reporting flat growth from last year. The firms that are most likely to deliver upside surprises in our view are Apator, Cognor, Grajewo, Ferro, Forte, Kernel, Libet, Tarczyński, Ursus, Pozbud, and Zetkama.

#### Construction

Elektrobudowa will stand out in Q3, reporting strong earnings growth from a low year-ago base. We expect good results from Budimex and Erbud and a decent showing at most at Unibep.

#### Property Developers

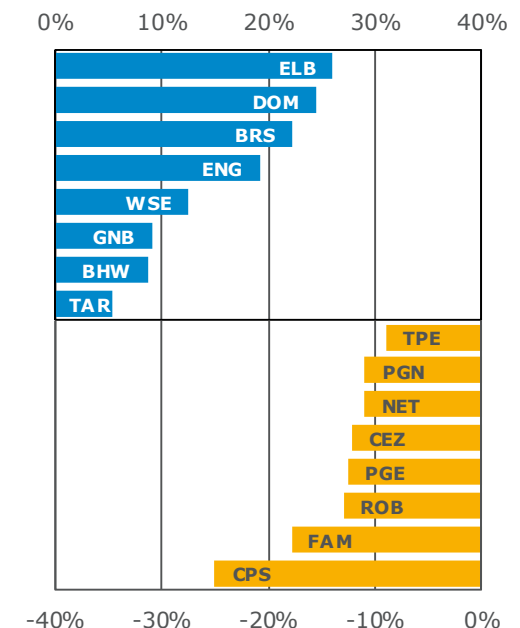
The Q3 results of commercial developers will not be affected in a notable way by value adjustments. As for residential developers, they achieved few closings in Q3, with implications for the period's profits. Q4 is expected to bring a boost in home deliveries.

#### Other

Work Service is set to report 107% y/y growth in Q3 net profit driven by acquisitions.

WIG ..... 53,302  
Average 2014E P/E ..... 13.5  
Average 2015E P/E ..... 12.2  
ADTV (3M) ..... PLN 817m

#### EPS growth at selected companies\*



\*calculated for: 4Q'13-3Q'14 / 3Q'13-2Q'14

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**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

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**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%  
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**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.

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