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Quarterly Earnings Forecast: Q1 2015

Equity Market

Financial Sector

The 2015 first-quarter results of Polish banks were under pressure from low interest rates, reduced interchange fees, and raised annual contributions to the Bank Guarantee Fund (BFG). In some cases (GNB, BZ WBK) the pressure will be mitigated by one-time gains and proceeds earned on proprietary trading. Elsewhere in the financial sector we anticipate improvement in the quarterly results of the debt collector Kruk and the vehicle leasing company PCM, and we expect strong growth in the investment income of the insurer PZU.

Gas & Oil

European refiners are set for a strong Q1 2015 earnings season thanks to record margins though at first glance the quarterly profits may be skewed by inventory losses. At PGNiG stronger profits on trade and distribution will mitigate the impact of low crude prices.

Power Producers

We expect strong Q1 earnings from Energa and PGE though in the latter case some of the year-on-year growth will be achieved thanks to base effects. For CEZ and Tauron we anticipate shrinking EBITDA.

Telecoms, Media, IT

We expect a good first-quarter announcement from Agora thanks to strong sales of cinema tickets, and we anticipate a slight improvement from TVN led by a rebound in TV advertising spend. At Asseco Poland Q1 profits were under pressure from a slowdown experienced by the parent company. At telecoms and Cyfrowy Polsat we predict first-quarter profits will reflect downward price pressures.

Industrials

Of the 48 industrial companies tracked by us we expect 31% to report year-on-year growth in their earnings results for Q1 2015, with 27% reporting a slowdown and most (42%) experiencing flat growth relative to a high year-ago base. We see the most potential for upside surprises in Amica, BSC Drukarnia, Cognor, Feerum, Impexmetal, Kruszwica, Mercor, and Vistal, and we expect disappointing Q1 reports from AC SA, Kopex, PKM Duda, Patentus, PGO, Radpol, Ropczyce, and Zamet.

Construction

We expect strong Q1 2015 earnings growth from Unibep and Elektrobudowa. Budimex is set to report a slowdown relative to a high year-ago base, and Erbud had a weak first-quarter earnings season overall.

Property Developers

The Q1 2015 profits of commercial developers were under pressure from a depreciation in the EUR/PLN exchange rate. Not taking into account currency effects we expect the strongest Q1 showing from Capital Park. As for residential developers Dom Development will report weak profits after few closings made in Q1, while Roby should report improvement.

Retail

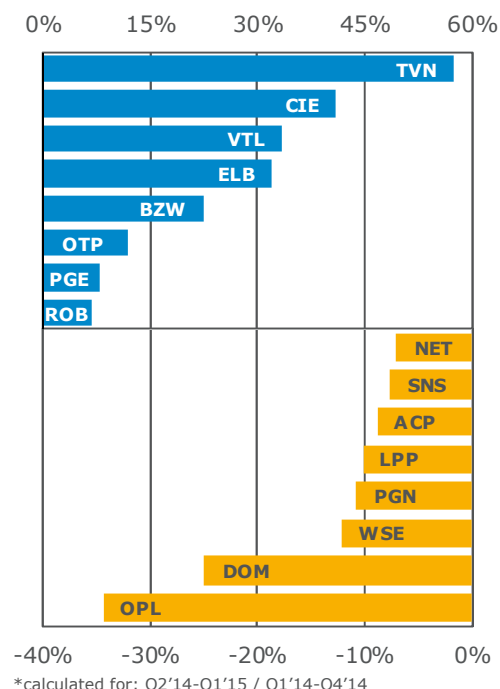
The Q1 2015 results of the footwear retailer CCC will reflect an unfavorable sales mix, while the profits of the fashion retailer LPP will be affected by extended clearance sales and unfavorable FX trends. Both companies experienced downward pressure on gross margins from USDPLN appreciation in the period.

Other

We anticipate a drop in the Q1 EBIT of Work Service led by a surge in SG&A.

WIG 56,226
Average 2015E P/E..... 14.9
Average 2016E P/E..... 12.5
ADTV (3M) PLN 812m

EPS growth at selected companies*



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List of abbreviations and ratios contained in the report.

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
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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Relative – 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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