

Friday, February 02, 2018 | periodical publication

# Quarterly Earnings Forecast: Q4 2017

## Equity Market

### Financials

Seasonality, including higher operating expenses and provisioning, will weigh on the Q4 2017 results of Polish banks. Pekao is set to report the highest net income in the quarter, achieved with help of one-time gains. Getin Noble Bank will post a net loss again. Outside of Poland, OTP Bank will make a solid showing supported by a one-time bargain purchase gain. In other financials, PZU may post a slowdown while Skarbiec Holding will deliver thanks to strong success fees.

### Chemicals

Ciech is expected to beat market expectations with Q4 results, and for Grupą Azoty Q4 2017 was the last quarter of growth before a 2018 slump.

### Oil & Gas

The Q4 profits of refiners will reflect worsened market conditions, offset by one-time inventory adjustments. Between PKN Orlen and Lotos, the latter will report the better quarterly results. The gas utility PGNiG may exceed expectations thanks to a strong profit on trade.

### Power Utilities

The core quarterly profits of power generators will be consistent with the consensus expectations, but the reported figures might be depressed by one-offs. There is potential for positive surprises from PGE and CEZ.

### Telecoms, Media, IT

In the telecoms sector, the highest growth in core EBITDA should be reported by Orange Polska (+3% y/y). In IT, we expect relatively solid results from Asseco Poland (flat y/y growth), while Comarch will fall short after a 24% EBITDA drop. Among smaller IT firms there is a good chance Atende will post an 84% y/y surge in EBITDA.

### Industrials & Mining

47% of the industrial companies tracked by us are expected to report year-over-year improvement in profits in Q4, with the same percentage posting a slowdown. Look out for positive surprises from Alumetal, Elemental, and Selmet, and negative surprises from Apator and Forte. In mining, the copper producer KGHM experienced a slump in Q4 while the coal producer JSW enjoyed robust performance.

### Construction

Among the construction firms expected to report year-over-year growth in Q4 profits are Erbud, Trakcja, Elektrotim, and Ulma. Budimex and Elektrobudowa will probably post contraction from the year-ago comparable base, but figures will be solid. Across the sector, the aggregate EBITDA will show a 22% drop from Q4 2016 (or 4% not including Budimex).

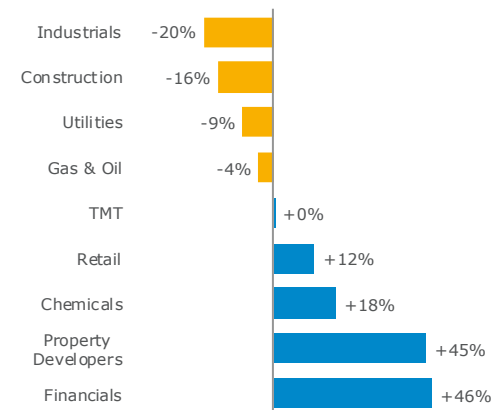
### Property Developers

Q4 was the best quarter of last year for residential developers, but this is already priced in. On increased closing numbers, the aggregate net profit of the ten developers in our coverage will be 40% higher than in Q4 2016. The standouts will be Atal, Dom Development, Lokum Developer, and i2 Development. The quarterly profits of commercial developers (Capital Park, LC Corp) will be negatively impacted by FX losses.

### Retail

The 2017 fourth-quarter earnings of retailers on the one hand benefitted from a continued rise in consumer spending, and on the other hand they were further squeezed by cost pressures. There is a likelihood of negative surprises from CCC, Eurocash, Gino Rossi, and LPP. On the other hand, Dino and Vistula will probably beat expectations.

### YoY earnings growth by sector: Q4'17\*



\*Net earnings for banks, adj. EBIT for developers, otherwise EBITDA

Earnings Surprise Prediction	
negative	positive
Apator	Alumetal
CCC	Atende
Comarch	Budimex
Eurocash	Dino
Forte	Elemental
Getin Noble Bank	GTC
Gino Rossi	Pekao
KGHM	PGNiG
LPP	Skarbiec Holding
	Stelmet

### Research Department:

Michał Marczak  
+48 22 438 24 01  
[michal.marczak@mbank.pl](mailto:michal.marczak@mbank.pl)

Kamil Kliszc  
+48 22 438 24 02  
[kamil.kliscz@mbank.pl](mailto:kamil.kliscz@mbank.pl)

Jakub Szkopek  
+48 22 438 24 03  
[jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)

Piotr Zybala  
+48 22 438 24 04  
[piotr.zybala@mbank.pl](mailto:piotr.zybala@mbank.pl)

Michał Konarski  
+48 22 438 24 05  
[michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)

Paweł Szpigel  
+48 22 438 24 06  
[pawel.szpigel@mbank.pl](mailto:pawel.szpigel@mbank.pl)

Piotr Bogusz  
+48 22 438 24 08  
[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)

## Contents

<b>1. Banks</b>	<b>3</b>	<b>6. Industrials</b>	<b>9</b>
1.1. Alior Bank	3	6.1. Alumetal	9
1.2. Getin Noble Bank	3	6.2. Amica	9
1.3. Handlowy	3	6.3. Apator	9
1.4. Pekao	3	6.4. Boryszew	9
1.5. PKO BP	3	6.5. Elemental	9
1.6. Erste Bank	3	6.6. Ergis	9
1.7. Komerční Banka	3	6.7. Famur	9
1.8. OTP Bank	4	6.8. Forte	9
<b>2. Financial Services</b>	<b>4</b>	6.9. Impexmetal	10
2.1. PZU	4	6.10. Kernel	10
2.2. GetBack	4	6.11. Kęty	10
2.3. Kruk	4	6.12. Kruszwica	10
2.4. Prime Car Management	4	6.13. Mangata	10
2.5. Skarbiec Holding	4	6.14. Pfeiderer Group	10
<b>3. Gas &amp; Oil, Chemicals</b>	<b>5</b>	6.15. Pozbud	10
3.1. Ciech	5	6.16. Stelmet	10
3.2. Grupa Azoty	5	6.17. Tarczyński	10
3.3. Polwax	5	<b>7. Construction</b>	<b>11</b>
3.4. Synthos	5	7.1. Budimex	11
3.5. Lotos	5	7.2. Elektrobudowa	11
3.6. MOL	5	7.3. Erbud	11
3.7. PGNiG	5	7.4. Unibep	11
<b>4. Utilities &amp; Mining</b>	<b>6</b>	<b>8. Property Developers</b>	<b>11</b>
4.1. CEZ	6	8.1. Atal	11
4.2. Enea	6	8.2. Capital Park	12
4.3. Energa	6	8.3. Dom Development	12
4.4. PGE	6	8.4. Echo	12
4.5. Tauron	6	8.5. GTC	12
4.6. JSW	6	8.6. LC Corp	12
4.7. KGHM	6	8.7. Robyng	12
<b>5. TMT</b>	<b>7</b>	<b>9. Retail, Other</b>	<b>13</b>
5.1. Netia	7	9.1. AmRest	13
5.2. Orange Polska	7	9.3. Bytom	13
5.3. Play	7	9.4. CCC	13
5.3. Agora	7	9.5. Dino	13
5.4. Cyfrowy Polsat	7	9.6. Eurocash	13
5.5. Wirtualna Polska	7	9.7. Gino Rossi	14
5.6. Ailleron	7	9.8. Jeronimo Martins	14
5.7. Asseco Poland	8	9.9. LPP	14
5.8. Asseco Business Solutions	8	9.10. Monnari	14
5.9. Asseco South Eastern Europe	8	9.11. TXM	14
5.10. Atende	8	9.12. PBKM	14
5.11. Comarch	8	<b>10. Current Recommendations and Calls</b>	<b>15</b>
5.12. Wasko	8		
5.13. CD Projekt	8		

# 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

**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

## 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.

mBank S.A. with its registered office in Warsaw at Senatorska 18 renders brokerage services in the form of derived organisational unit—Brokerage Office which uses name Dom Maklerski mBanku.

The present report expresses the knowledge as well as opinions of the authors on day the report was prepared. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. 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 considers reliable, including information published by issuers, shares of which are subject to recommendations. However, Dom Maklerski mBanku, 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.

mBank 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 mBank S.A. in its brokerage activity renders, will render or in the past has rendered services for companies and other entities mentioned in the present report.

mBank S.A. does not rule out offering brokerage services to an issuer of securities being the subject of a recommendation. Information about any conflicts of interest that may arise in connection with the issuance of recommendations (should such a conflict exist) is provided below, and it is valid as of the date of the most recent Monthly Report published by Dom Maklerski mBanku or as of the date of the most recent recommendation issued for an Issuer, as applicable.

This document was not transferred to the issuers prior to its publication.

mBank S.A. serves as underwriter for the following issuers: Asseco Business Solutions (a unit of Asseco Poland), Atal, BOŚ, BZ WBK, Capital Park, Ergis, ES-System, IMS, MLP Group, Neuca, Pemug, Polimex-Mostostal, PBKM, Solar Company, Tarczyński, TXM, Vistal Gdynia, Zastal, ZUE.

mBank S.A. serves as market maker for the following issuers: Alior Bank, Asseco Business Solutions (a unit of Asseco Poland), Atal, BOŚ, BZ WBK, Capital Park, CCC, Cyfrowy Polsat, Enea, Energa, Ergis, ES-System, Eurocash, IMS, JSW, KGHM, Kruk, Lotos, LW Bogdanka, MLP Group, Neuca, Orange Polska, PGNiG, PKN Orlen, Polimex-Mostostal, PBKM, PZU, Solar Company, Tarczyński, Tauron, TXM, Vistal Gdynia, Zastal, ZUE.

mBank S.A. may have received compensation from the following companies in the last 12 months: Agora, Alchemia, Alior Bank, Ambra, Asseco Business Solutions (a unit of Asseco Poland), Atal, Bank Handlowy, Bank Millennium, Bank Pekao, BGŻ BNP Paribas, Boryszew, BOŚ, BZ WBK, Capital Park, CCC, CD Projekt, Cognor, Cyfrowy Polsat, Echo Investment, Elemental Holding, Elizab, Enea, Energa, Energoaparatatura, Erbud, Ergis, Erste Bank, ES-System, Eurocash, Famur, Ferrum, GetBack, Getin Holding, Getin Noble Bank, Groclin, Grupa Azoty, i2 Development, Impexmetal, IMS, INDATA, ING BSK, JSW, KGHM, Kopex, Kruk, LC Corp, Lotos, LW Bogdanka, Mennica Polska, MLP Group, Mostostal Warszawa, Netia, Neuca, Oponeo.pl, Orange Polska, Orbis, OTP Bank, PA Nova, PBKM, Pemug, PGE, PGNiG, PKN Orlen, PKO BP, Polimex-Mostostal, Polnord, Prochem, Projekt, PZU, Raiffeisen Bank International, Rawlplug, Robyng, Rubicon Partners NFI, Seco/Warwick, Skarbiec Holding, Solar Company, Stelmet, Sygnity, Tarczyński, Tauron, TXM, Unibep, Uniwheels, Vistal Gdynia, YOLO, Zastal, ZUE.

In the last 12 months mBank S.A. has been an offering agent of the issuer's shares in a public offering for the following companies: GetBack.

In the last 12 months mBank S.A. has been co-book runners for Cognor Holding, Famur, GetBack, Grupa Azoty, LC Corp, Polski Bank Komórek Macierzystych, Robyng, Wirtualna Polska.

Asseco Poland provides IT services to mBank S.A.

mBank S.A. has a cash service agreement in place with Pekao and a phone subscription agreement in place with Orange Polska S.A.

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

Recommendations are addressed to all Clients of Dom Maklerski mBanku.

The activity of mBank S.A. is subject to the supervision of the Polish Financial Supervision Commission.

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 authorised to access the premises in which recommendations are prepared and/or individuals having to access to recommendations based on their corporate roles, other than the analysts mentioned as the authors of the present recommendations.

This publication constitutes investment research within the meaning of Art. 36.1 of Commission Delegated Regulation (EU) 2017/565.

The compensation of the research analysts responsible for preparing investment research is determined independently of and without regard to the compensation of or revenue generated by any other employee of the Bank, including but not limited to any employee whose business interests may reasonably be considered to conflict with the interests of the persons to whom the investment research prepared by the Research Department of Dom Maklerski mBanku is disseminated. With that being said, since one of the factors taken into consideration when determining the compensation of research analysts is the degree of fulfillment of annual financial targets by customer service functions, there is a risk that the adequacy of compensation offered to persons preparing investment research will be questioned by a competent oversight body.

## 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.

**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.

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**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.

## Dom Maklerski mBanku

Senatorska 18  
00-082 Warszawa  
<http://www.mbank.pl/>

## Research Department

**Kamil Kliszcz**  
director  
+48 22 438 24 02  
[kamil.klischcz@mbank.pl](mailto:kamil.klischcz@mbank.pl)  
energy, power generation

**Jakub Szkopek**  
+48 22 438 24 03  
[jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)  
industrials, chemicals, metals

**Piotr Bogusz**  
+48 22 438 24 08  
[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)  
retail

**Michał Marczak**  
+48 22 438 24 01  
[michal.marczak@mbank.pl](mailto:michal.marczak@mbank.pl)  
strategy

**Paweł Szpigel**  
+48 22 438 24 06  
[pawel.szpigel@mbank.pl](mailto:pawel.szpigel@mbank.pl)  
media, IT, telco

**Michał Konarski**  
+48 22 438 24 05  
[michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)  
banks, financials

**Piotr Zybala**  
+48 22 438 24 04  
[piotr.zybala@mbank.pl](mailto:piotr.zybala@mbank.pl)  
construction, real-estate development

## Sales and Trading

### Traders

**Piotr Gawron**  
director  
+48 22 697 48 95  
[piotr.gawron@mbank.pl](mailto:piotr.gawron@mbank.pl)

**Jędrzej Łukomski**  
+48 22 697 49 85  
[jedrzej.lukomski@mbank.pl](mailto:jedrzej.lukomski@mbank.pl)

**Andrzej Sychowski**  
+48 22 697 48 46  
[andrzej.sychowski@mbank.pl](mailto:andrzej.sychowski@mbank.pl)

**Krzysztof Bodek**  
+48 22 697 48 89  
[krzysztof.bodek@mbank.pl](mailto:krzysztof.bodek@mbank.pl)

**Adam Prokop**  
+48 22 697 47 90  
[adam.prokop@mbank.pl](mailto:adam.prokop@mbank.pl)

**Tomasz Galanciak**  
+48 22 697 49 68  
[tomasz.galanciak@mbank.pl](mailto:tomasz.galanciak@mbank.pl)

**Tomasz Jakubiec**  
+48 22 697 47 31  
[tomasz.jakubiec@mbank.pl](mailto:tomasz.jakubiec@mbank.pl)

**Szymon Kubka, CFA, PRM**  
+48 22 697 48 54  
[szymon.kubka@mbank.pl](mailto:szymon.kubka@mbank.pl)

**Magdalena Bernacik**  
+48 22 697 47 35  
[magdalena.bernacik@mbank.pl](mailto:magdalena.bernacik@mbank.pl)

## Sales, Foreign Markets

**Marzena Łempicka-Wilim**  
deputy director  
+48 22 697 48 82  
[marzena.lempicka@mbank.pl](mailto:marzena.lempicka@mbank.pl)

**Bartosz Orzechowski**  
+48 22 697 48 47  
[bartosz.orzechowski@mbank.pl](mailto:bartosz.orzechowski@mbank.pl)

## Private Broker

**Kamil Szymański**  
director, active sales  
+48 22 697 47 06  
[kamil.szymanski@mbank.pl](mailto:kamil.szymanski@mbank.pl)

**Jarosław Banasiak**  
deputy director, active sales  
+48 22 697 48 70  
[jaroslaw.banasiak@mbank.pl](mailto:jaroslaw.banasiak@mbank.pl)