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# 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).

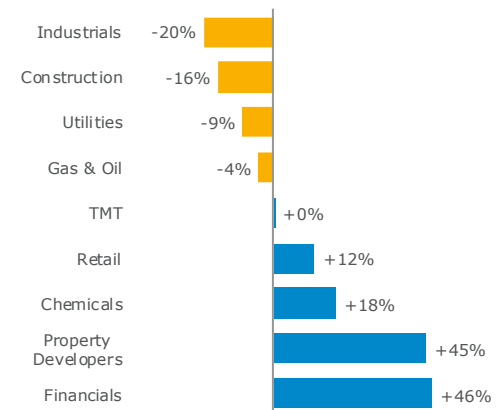
### Property Developers

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
<b>Apator</b>	<b>Alumetal</b>
<b>CCC</b>	<b>Atende</b>
<b>Comarch</b>	<b>Budimex</b>
<b>Eurocash</b>	<b>Dino</b>
<b>Forte</b>	<b>Elemental</b>
<b>Getin Noble Bank</b>	<b>GTC</b>
<b>Gino Rossi</b>	<b>Pekao</b>
<b>KGHM</b>	<b>PGNiG</b>
<b>LPP</b>	<b>Skarbiec Holding</b>
	<b>Stelmet</b>

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## 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. Komerčni 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. Pfeleiderer 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

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**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.

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**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.

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